“Federal Bank Limited Q1 FY '21 Investor Conference Call”

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MANAGEMENT: **MR. SHYAM SRINIVASAN – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, FEDERAL BANK LIMITED**
MR. ASHUTOSH KHAJURIA –EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, FEDERAL BANK LIMITED
MR. SHALINI WARRIER – EXECUTIVE DIRECTOR, FEDERAL BANK LIMITED
MR. HARSH DUGAR – COUNTRY HEAD, WHOLESALE BANKING, FEDERAL BANK LIMITED
MR. ANAND CHUGH – HEAD INVESTOR RELATIONS, FEDERAL BANK LIMITED

Moderator: Ladies and gentlemen, good day. And welcome to the Federal Bank Limited Q1 FY '21 Investor 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Shyam Srinivasan – MD and CEO. Thank you and over to you, Mr. Shyam Srinivasan.

Shyam Srinivasan: Good afternoon, everybody. Thank you for joining in this post results call for Q1. By now you must have had a chance to see our Q1 numbers and results that we published a while ago. We do believe Q1 was a strong operating performance of the bank, considering the environment continues to be extremely challenging, not only just economically, I think, physically for people to move about in frontline and deal with both their own personal stresses as also the environment that we are all operating in. So, I am quite encouraged that the team has done a remarkably good job in arguably one of the toughest times in all our life.

Financially, the quarter was amongst the best in many quarters on certain key parameters, the improvements we registered on our NIM over the last two quarters continues to sort of move along the right lines. Quarter one was 3.07%, a further improvement of three basis points over the previous quarter. Cost income ratio, CASA ratio improved quite materially. Our strong suite of liabilities, particularly retail deposits, has done remarkably well, Y-on-Y 17% and sequentially has grown too. Likewise, the focus areas of the bank, be it gold loan, we did remarkably well in gold loan, we grew 10% sequentially and about 36% Y-on-Y. Operating profit grew 19%. And sequentially, net profit grew 30% and 4%, Y-on-Y.

So we believe, on balance the Q1 was quite a strong quarter operationally. We continue to focus around increasing our coverage ratios. You may have observed, in two quarters we have added over 1,300 basis points of coverage, which typically is 100 basis points, over Rs. 36 crores. So that much increased provisions we have made on the credit side. And alongside this, we have also increased our coverage for the COVID related provision, where we added another total of Rs. 110 crores, totaling to Rs. 186 crores of net standard asset provisions for COVID related items.

So broadly, if I were to break in the quarter in terms of income, expense and provision; income is strong, as I just mentioned. We also had some very good performance on the treasury side and we saw treasury gains come in. And you would have noticed, that gains we put it in the provisioning of one large corporate account, which we had signaled had a challenge last quarter. We didn't believe that it may head to a problem. But upon citing it, we have made it NPA and taken 100% provision in Q1. We have also improved the potential haircut that may come on an account that has been concluded on the ILFS side, where we expect about Rs. 30-odd crores of hit on provision we have taken that. On the expense side, we have had very marked progress on keeping our operating expenses very tight. You would see that both sequentially and Y-on-Y, costs have come down, and cost income is at a multi-quarter low of 47.76%. As also net NPA being at a multi-quarter low at 1.22%.

The moratorium book is behaving, I think, along predicted lines. When we had flagged our results, it was 35% moratorium. We have not detagged the moratorium, but we tracked the moratorium accounts, as you would see in our deck we have shown, that book has become 24% now. And those accounts that have made the payments equivalent to the moratorium amounts we have further a large base of customers who are maintaining balances, but that's not specifically payment in the account. So I would say, as we look into Q2, which is really the last month of Q2 is when the full picture, assuming moratorium gets over by August end, the full picture will emerge. And we will have a better sense of how things will shape up for rest of financial year 2021.

So as we get into Q2, rather as we exit Q2, we would come up with even better provisioning, well positioned to deal with what may happen in Q3, which probably is going to be the quarter that the full picture will emerge. So we do believe we are preparing well, both on the credit side as also reshaping our business mix to ensure that the right businesses are growing. And we are gaining share, as you would have noticed, across the different businesses. And our retail franchise, both liability and assets, continues to be strong.

Corporate has, I think, remarkably repositioned the business over the last 12, 18 months to ensure that the growth that we had in the preceding years is giving us full business and client relationships are getting better. And so I do hope as we exit this calendar year, in particular, the December quarter, which could be the most challenging for everybody, we are able to withstand what may come as a tsunami if things continue to be as it is or probably even deteriorate, given that there are locations that are going into repeat lockdown.

So let me pause here between me, Ashutosh, Shalini, Harsh and the other senior team members, we will be happy to take questions and answer any queries that any of you may have. Our investor deck, I am told is already up, and we have made our press information also available. So happy to take questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the questions-and-answer session. We take the first question from the line of Krishnan from India Advisory. Please go ahead.

Krishnan: I wanted to check on two things. Do you see any slowdown in the NRI deposits or do you think it is going to be status quo going forward?

Shyam Srinivasan: See, it is hard to tell. The Q1 was very good, as you would have observed. The early weeks of Q2 also seem to be looking okay. Usually, in normal times, these are abnormal times so it's hard to draw a pattern, in normal times the first five months of a calendar year turn to be the best part because the NRIs tend to build up their resources as they come back, in particularly the Kerala-based ones, come back home for Onam. So we believe between now and August, too there may be, but of course, travel restrictions being what they are and the environment being very different, hard to tell. We are keeping a close watch, but whatever it is, our share gain continues to be very strong, our deposit momentum right now continues to be strong. These are sort of very dynamic, but I do believe, I have said this for almost 10 years now, NR franchise we continue to dominate, and we will continue to dominate.

Krishnan: Okay. And my second query is around, do you have any fundraising or capital raising plans as of now?

Shyam Srinivasan: So as of now we are not visualizing anything. We are going into our AGM, we are seeking shareholder approval for raising money. At current course and speed, unless there is a remarkable deterioration, which we have not visualized, we don't believe we need to raise money for calendar 2020, and probably early 2021. Sorry, I say that with all the humility and the awareness that the environment can change dramatically.

Moderator: Thank you. We take the next question from the line of Ashwani Agarwalla from Baroda Mutual Fund. Please go ahead.

Ashwani Agarwalla: Sir, just wanted to know that, when we say that only 24% of the people are in moratorium, so is it that those people who came out of moratorium paid their entire four months or three months outstanding? Or even one month payment allows them to move back from moratorium?

Shyam Srinivasan: No, this one what we are showing as 24% is people who have paid the full amounts pertaining to their dues for the three months.

Ashwani Agarwalla: Okay. And sir, what is the sense that what can be the credit costs at the end of the year? Because I know the situation is dynamic, but as a banker you must have done some kind of assessment of the businesses.

Shyam Srinivasan: So, I think we have analyzed multiple scenarios. All I can say is, I do mention if the scenarios do not get violently different we would not need to raise capital, so that should give you some kind of indication. This quarter the credit costs were 83 basis points, last year fourth quarter was about 130 basis points. So that could be some kind of spectrum that we can consider. But I cannot give a guidance, because when we went into budget for FY '21 before the adverse COVID situation, we were targeting, when I presented on February 26th to the analyst community, we had guided for about 60, 65 basis points of credit cost. From there the situation has worsened quite material in the environment. But our book is holding, I cannot give a very concrete number right now, but we are preparing for all eventualities.

Ashwani Agarwalla: Okay. And then sir, sector wise or industry wise which is the best sector placed or which is the worst sector or the worst hit sector in terms of corporates, SME or retail, agri?

Shyam Srinivasan: To be very honest, there is nothing jumping out as any one sector that is dramatically better than other. Yes, that which is dependent on local consumption is looking better only because they have daily cash flows, so we haven't seen anything there that is of any adverse nature. Typically, hospitality, travel, aviation, as you would expect, are the ones. Like I mentioned in our call the last time, and I repeat, we don't have much of an exposure in those segments. So I have not seen any dramatic adverse outcomes on that. In terms of repayments, where we are seeing more resolutions on the moratorium, retail, some of the contractors, the food processing, textiles have shown better performance right now.

Ashwani Agarwalla: Okay. And sir, last question. All the customers who have taken moratorium, definitely because of the dispensation right now they are not reported for CIBIL or their credit score is not hurt, but what is the treatment of them by the bank? Is their internal credit score reduced or the bank is willing to give them loan or no?

Shyam Srinivasan: As we speak, we have not tagged them adversely. If the moratorium is lifted and their repayment starts suffering, certainly there will be consequences. But we are not treating them adversely. Yes, there will be a marker on what kind of customers took the moratorium and their post-moratorium behavior will inform how customer behavior is. But right now we are not being judgmental about the customers who have taken moratorium. We do not lend more to people who are in moratorium.

Moderator: Thank you. We take the next question from the line of Anirvan Sarkar from Principal AMC. Please go ahead.

Anirvan Sarkar: Just a couple of questions to understand the moratorium situation. Now that we are entering into a fresh lockdown in some states and the situation with respect to fresh cases has worsened a bit, do you see a reversal of the improving moratorium trend that we have seen in this quarter? And are you expecting or are you experiencing customers who have walked out of moratorium earlier coming back and asking for a fresh moratorium, have you witnessed that?

Shyam Srinivasan: My data is as of 12th July, today is 15, so we took it as of 12th July, that number that I said, 35% plus/minus hasn't changed much. So I don't have a good enough granular answer whether people who took and went out and are coming back. Even if people were to come back, I think you will really see the picture in the middle of August, because this latest re-shutdown, re-open, shutdown situation hasn't yet started triggering customer behavior, because those who had taken moratorium are still in the moratorium phase. Those who have resolved it, for them to come back to moratorium will take some more time.

Anirvan Sarkar: Sure. And sir, can you quantify the CET1 ratio?

Shyam Srinivasan: 13%. Ashutosh, I am right, right? It is 13% right, Ashutosh?

Ashutosh Khajuria: Yes, that's correct.

Moderator: Thank you. We take the next question from the line of Simranjeet Singh Bhatia, an individual investor. Please go ahead.

Simranjeet Singh Bhatia: Sir, first of all, congratulations for the Q1 results you have posted this time, and your team itself. Sir, I am the investor in your bank from the past two, three years down the line, and I regularly see your quarterly performance over the past 20 quarters and so. And sir, what is your view on the, going forward, the asset quality trend for the next nine months? And even if the worst happens, first of all. And secondly, what is your advances projection for the FY '21, if you can give some estimates?

Shyam Srinivasan: I think the second question first. Our credit growth for this Q1 was closer to 8.5% Y-on-Y. We believe if the second half of this financial year things start picking up, we hope it does, maybe we will do 10% to 12%, which will be almost 1.5x that of the market growth or even higher, because there are talks that market growth maybe even zero. But notwithstanding that, we do believe there are opportunities for Federal Bank to grow by gaining share. As you would have seen, since you have been watching us, we have been gaining share very consistently. Our philosophy is not to go gangbusters and do the wrong thing, just keep very steady and keep growing. We are a big Rahul Dravid fan, we will continue to do that kind of growth rates. Products that are more flexible for instant growth, like gold loans, which we have been focusing on has done remarkably well in Q1, and we believe that will continue to do. On the credit side, I have to say, repeat myself on all the earlier questions I have said, it's very hard to tell. We have increased our coverage ratios, we will continue to build further cushion as we go into Q2, and we will deal with the challenges as it comes. Yes, we expect Q3 to be a very challenging quarter for the industry. We cannot be left behind as an island of everything being right. But we will certainly deal with it better than many others is our belief.

Simranjeet Singh Bhatia: Sir, and the last question is that, is there any plan for the Federal Bank to foray into the microfinance space? Because two years back you were betting on some microfinance space in the Bangalore side, in the Karnataka side, but you have dropped it out. Means, once those things improve, is there any plan right now?

Shyam Srinivasan: Right now, nothing. We want to see how things shape up, it may take two quarters or so. I think right now our focus is just to make sure the collections and the disciplines of the bank are very, very structured and not do anything that is out of the ordinary. Till October, November I do not visualize anything changing other than just performance improving.

Simranjeet Singh Bhatia: Sure, thank you, sir. And all the best for the future itself.

Ashutosh Khajuria: Just to add to the response to the previous caller. On CET1, we are at 13%, but please note that we have not added the retained profit of quarter one in that. So our numerator continues to be the capital, which was there as at the end of March 31, 2020, whereas the denominator has changed to the risk-weighted assets of June end. So therefore, it looks like we have consumed

29 basis points vis-à-vis March, 13.29% to 13%. You can refer to Slide No. 26 on investor presentation. But that Tier one does not include the retained net profit after tax of Q1.

Moderator: Thank you. We take the next question from the line of Abhijith Vara from Sundaram Mutual Fund. As there is no response from the current participant, we take the next question from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Sir, first on this moratorium slide, can you please elaborate or is the understanding correct that the gross moratorium, have you taken the number as a static number? Because there is no difference between this number and May 25th number, or how do we read the gross moratorium number?

Shyam Srinivasan: Yes, you are right, that number, what has become today as of 12th or 13th or whenever.

Jai Mundhra: Yes, correct. But within this bucket, that number is changing, right, so some book has seen increase.

Shyam Srinivasan: Which one has increased?

Jai Mundhra: So let's say, retail. So from 25th May to 12th of July, that number is...

Shyam Srinivasan: Yes, all have improved, all have changed, Rs. 15,105 crores has become Rs. 12,336 crores.

Jai Mundhra: Okay. No, I was comparing Rs. 15,105 crores as of May 25.

Shyam Srinivasan: That has become Rs. 12,336 crores.

Jai Mundhra: Okay. So the comparable number is Rs. 30,000 crores, I mean, the 24% number, right?

Shyam Srinivasan: Yes.

Jai Mundhra: Sure. And sir, if you have the rough breakup between this Rs. 43,000 crores minus Rs. 30,000 crores, which is Rs. 13,000 crores, I mean, what is the reduction due to repayment? And what is the gold/FD/liquid securities, I mean, just to understand that?

Shyam Srinivasan: Rs. 2,000 crores is gold/liquid/whatever, Rs. 2,000 crores.

Jai Mundhra: Okay. And rest has been mainly repayment, right?

Shyam Srinivasan: Yes, you are right.

Jai Mundhra: Sure, sir. And second question is, sir, so it looks like RBI has asked every bank to do a stress test, so if you can provide, I mean, what are they looking for? Is it a usual stress test or if you can provide any more color to this?

Shyam Srinivasan: No. I think as part of our quarterly ICAAP, there is a stress test that is conducted. I think in mid-April RBI asked the banks to present our latest stress analysis, which we did, at least Federal Bank did. And in June, they have come back, I think June 19th or 20th they have come back with another request for banks to do the same. Considering the environment is worsening, to make sure that we will be well positioned to keep credit flow and ensure that we can deliver credit, as also we are well above the regulatory requirements of capital.

Jai Mundhra: Correct. So sir, your stress test parameter should be different from other banks, depending on your historical LGD, historical slippages percentage or...?

Shyam Srinivasan: Yes. Everybody stresses their book depending on where their concentration is. See, the banks that have maybe lesser liability franchise and who are depending more on borrowed funds and have concentration in big-ticket credit may have one kind of performance. Banks that are more retail, granular, have another kind of performance, banks that have a higher history of higher risk segments may have a different. So I would think it would vary bank to bank.

Moderator: Thank you. We take the next question from the line of Abhishek Murarka from IIFL. Please go ahead.

Abhishek Murarka: So, three questions. The first one is, if I look at the difference in the moratorium portfolios between 4Q and the last reported date, I see that the lowest drop has actually been in retail. And considering that even within retail you have a housing book and a gold book as well, what do you think is the reason for such a small drop? Or which segments are actually contributing to the least reduction in moratorium and why do you think so?

Shyam Srinivasan: Gold is not in retail.

Abhishek Murarka: Right. So if I look at the Rs. 38,000 crores, out of that, let's say, housing is around Rs. 18,000 crores, I am assuming that would have lower moratorium. So if you could give, let's say, within retail moratorium in different categories or which category are you seeing the least reduction in and why?

Shyam Srinivasan: Anand, do you have it with you, Anand?

Ashutosh Khajuria: So I think there are some, particularly in retail you have the operative account also, savings bank and all. So the numbers that you are seeing are the ones where all the installments have been affected in the account, though the customer has not opted out of moratorium he still continues to be flagged as a moratorium account, but he has cleared all the installments till end of June. And there are accounts where balances are kept in operative accounts like savings bank and all, which are not reflected here. So these are just those loan accounts where the full servicing has happened in the loan account is shown on the right-hand side.

Abhishek Murarka: But sir, I think that you have reduced from your moratorium number, right, as per your definition of net moratorium?

Ashutosh Khajuria: No. Net moratorium simply says, wherever the installments have been fully cleared, all interest we might demand till June 20th.

Abhishek Murarka: So you are saying some of these installments might be there in the savings account, but not netted off and therefore...

Ashutosh Khajuria: Yes, and this is more relevant pertaining to...

Shyam Srinivasan: Let me just add to Ashutosh's point. Housing loan has about 15% of customers who have kept three months EMI balances, 25% have kept two months EMI, and 67% have kept one month EMI. In personal loans, 83% have kept one month EMI; 40% have kept more than two months EMIs, two months EMIs or more, yes, so more than two months EMIs. Property loans, 65% have kept one month EMI and 35% have kept more than two months EMIs. Vehicle loans, similar, yes.

Ashutosh Khajuria: To give you an example, if somebody is getting a salary and three months' salary is credited there and he is using it, but he has not appropriated because, I mean, being an applicant for moratorium and being granted moratorium, the auto debit is not happening from that account, it's not being adjusted to the loan account. So balance is lying in savings bank, but until he agrees to come out of or he opts out of moratorium, it would still be part of your left-hand side column and would not be giving any effect to the right-side columns, where the installments and interest has been actually credited and effected. So that is the difference in case of retail being lower but you have higher balances maintained in operative accounts. I hope it's clear now?

Abhishek Murarka: Got it. Yes, this is clear.

Anand Chugh: Just to add to what Shyam and Ashutosh have just now told. See, what we have disclosed in the investor deck is accounts which have zero DPD. Apart from that, there will be accounts which would have cleared one month's installments, two months' installments, three months' installments, not 4 months, 4 months would be in zero DPD. So one to three would be another one. Then there will be accounts which will have balances in their savings accounts. So those are outside of this.

Shyam Srinivasan: Absolutely, what Anand has said, absolutely. So therefore, it may seem like it has come down from 35% to 24%, but maybe I don't know there is no standardization where across the bench everybody has the same system, but I think it's better to understand how we have arrived at. So what you see at 24% are the ones where all interest installment, everything up to June has been serviced.

Abhishek Murarka: Got it. And this is only for zero DPD accounts. So any number that you can share for accounts which may be between 0 and 90 and under moratorium?

Shyam Srinivasan: Anand, if you have the breakup right now, otherwise, you can give separately.

Anand Chugh: It will be, again, different percentages based on different loan types, as just Shyam has mentioned. So he has given you data on what is lying in savings account. Apart from that, similar sort of a number or breakup would be there for various products based on how much they have paid for one month, two months, three months and so on, almost a similar pattern.

Abhishek Murarka: Okay. Sure. I will take that data as well. The second question is actually on provisioning. Now if I look at the COVID-related provision of Rs. 180-odd crores and I look at the entire moratorium book of Rs. 30,000 crores, that still works out to just about 60 basis points. And considering that you said that it will be very challenging, and 3Q is going to be when the true picture emerges, et cetera. Won't you think higher amount of COVID provisions are warranted as compared to, let's say, reporting better profits?

Ashutosh Khajuria: I think, Abhishek, you are just looking at one part of it, which is the COVID standard asset provisioning. Please look at the provision coverage also, because the coverage that used to be 45% as at the end of December, in two quarters has moved from 45% to 53%, 53% to 59%, 58.5%. So because that also is the coverage, whereas our LGD pre-COVID had always been below 40%. So for different banks you may have a different LGD depending upon the segment they are into. So there could be some wholesale lending where maybe the LGD could be above 50%, 60% and all that. And there could be another segment, I mean, another bank which may be having even lower than 35% and all that. So it all depends on which particular segment you are into and within that segment also what type of collateralization you have got there.

Abhishek Murarka: Sure. But no target level of provisions that you would want to get to, let's say, in 2Q or 3Q before this NPA hits you?

Shyam Srinivasan: Yes. I think I mentioned when we started the call, Q2 is another opportunity for us to increase our provision coverage and provisioning, which we will do.

Moderator: Thank you. We take the next question from the line of Bunty Chawla from IDBI Bank. Please go ahead.

Bunty Chawla: My answers have been answered, just one data point. Can you throw some light on this Rs. 174 crore NPA corporate which is that? And also, if I bifurcate the provisioning during the quarter, as you suggested, Rs. 93 crores is for the COVID-19 provisioning, Rs. 174 crores is the provisioning for this corporate, and rest is for the standard asset. Is my assumption, right?

Shyam Srinivasan: The COVID-related provisioning is Rs. 93 crores. And the current provisioning is Rs. 184 crores. Rs. 93 crores, last time. Rs. 184 crores.

K. A. Babu: Sir, Babu here. It is Rs. 110 crores only sir, as you rightly said.

Shyam Srinivasan: Okay. And Rs. 184 crores is the credit-related provisioning with one account which is Rs. 174 crores. The rest is some trail of the previous small NPAs. Rs. 174 crores is for one account.

Bunty Chawla: Okay. And can you throw some sector or something like that on that?

Shyam Srinivasan: Sir, it's a Middle East based account which we flagged in our last call.

Bunty Chawla: Okay. Last quarter, which you highlighted, right. So it has been completely provided for?

Ashutosh Khajuria: Yes. 100% provision.

Moderator: Thank you. We take the next question from the line of Nilanjan Karfa from IDFC Securities. Please go ahead.

Nilanjan Karfa: So Shyam, I have this question. You mentioned 67% of home loan customers have one month EMI in their bank account?

Shyam Srinivasan: Yes.

Nilanjan Karfa: Right. So was the 67% part of this Rs. 12,336 crores, is that what you are highlighting or the overall book?

Shyam Srinivasan: 67% of the customers in moratorium.

Nilanjan Karfa: Right. But then, is that an indication that Federal Bank is probably not the primary bank for these customers?

Shyam Srinivasan: Could be. I mean, all our home loan customers are not primary customers of us. I mean, we are not their primary bank.

Nilanjan Karfa: Right. Okay. That's clear then. Second question, when we look at this entire net moratorium book, and if you can sort of clarify on the five segments. If we were to do, let's say, an ECL, I mean, I am sure you internally do this and put it out to RBI. Let's say, our assessment at the beginning would have been, let's say, x for each of these segments in terms of how much provisioning we would need vis-à-vis what data you are looking for the last three months, how would that x would have changed, I mean, would it reduce or would it go up?

Shyam Srinivasan: No. It should go up, but you don't know the PD of these segments, right? Now the whole story is changing because you don't know what the PD is going to be. So you cannot quite make a determination. But we have assumed certain assumptions that things will deteriorate in various ranges. And that is why we set our provisioning, both increasing the coverage ratio and building provisions for the impending stress that can come. And to correlate to an earlier question, we believe between now and Q2 end we would have made sufficient provisions, in addition, the provisions that can come in Q3 and Q4. We think we will deal with this without needing to raise money.

Nilanjan Karfa: Right. Sorry, just an add-on question. Whenever you say you don't need to raise money, what is the floor that you are willing to negotiate?

Shyam Srinivasan: No, see there are lots of moving parts, hard to tell at this point in time. But I think at 14% CRAR, we may not be inspired to raise money.

Moderator: Thank you. We take the next question from the line of Mona Khetan from Dolat Capital. Please go ahead.

Mona Khetan: Sir, I had a question on the recovery side. Any thoughts on the kind of impact we could have on the recoveries for full year?

Shyam Srinivasan: We do think recoveries will be rather dull. It cannot be very high; we didn't see much of it in Q1. The likelihood of it getting aggressive in Q2 is also low. So whatever pickup we think will be in Q3 and Q4. So the recovery numbers normally tend to be are roughly between Rs. 200 crores to Rs. 250 crores in a quarter. Sometimes last year we were touching Rs. 300 crores plus. I think this quarter, Q1 was Rs. 67 crores, and we expect Q2 to be at best about Rs. 100 crores. So it will be low. Q3, Q4, we will see how it goes.

Mona Khetan: Sure. And any clarity on your term extension from RBI?

Shyam Srinivasan: No news as of yet. We await news. Still two months is there, right? Two months and 8 days.

Mona Khetan: Got it. Sure. And just one last clarity on the moratorium aspect. So essentially, when you say that Rs. 43,000 crores of your book is under moratorium, and about Rs. 2,000 crore of this is gold loans, which is excluded from the net moratorium level. So essentially, about Rs. 11,000 crore of book is the one that has made full payments till June.

Shyam Srinivasan: Yes. That's what we said.

Mona Khetan: And then why do you still say they are under moratorium?

Shyam Srinivasan: They have not been detagged. They have made the payments, but they have not been detagged. Moratorium flag is on the account.

Ashutosh Khajuria: But option is available to them till 31 August.

Mona Khetan: Okay. So you have not detagged them as such.

Shyam Srinivasan: Yes. We have not removed the tag.

Moderator: Thank you. We take the next question from the line of Roshan Chutkey from ICICI Prudential Mutual Fund. Please go ahead.

Roshan Chutkey: Sir, just wanted to know, this 24% number, of this Rs. 30,000 crore moratorium books, how many haven't paid any EMI at all?

Shyam Srinivasan: Sorry, Roshan, you mean the people who are in the Rs. 30,000 crores who has not paid any EMI at all?

Roshan Chutkey: Yes.

Shyam Srinivasan: Anand, do you have a number?

Anand Chugh: Yes. Roshan, see, what we are looking at is, what we have given is moratorium book comes to 24%, considering people who have paid all their installments. Now I will give you another sort of a data point. In case we consider people who have paid partly, then this ratio would come down to about 11% to 12% in that zone.

Roshan Chutkey: So about 12% people haven't paid any EMI then, right?

Shyam Srinivasan: Yes.

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

M.B. Mahesh: Sir, just a few questions from my side. Sir, first question is too Harsh. Just wanted to understand, if you have to look outside the moratorium book and then look at how the SMA-0 to 2 changed. If you could just kind of give some color as to have you started seeing the buildup of an asset quality risk? And also, if you could possibly kind of give some color on how is the credit guarantee scheme of the government kind of progressed in the book?

The second question is to Shalini, just wanted to understand, on the operating cost movement to subsidiary, where have you progressed on it? And my third question would be to Ashutosh, if you could just give us some color on what is the level of treasury income which is still yet to be booked in the investment book?

Shyam Srinivasan: Mahesh, you ask me questions more than my Board members ask, man. Okay, go ahead.

M.B. Mahesh: So Shyam, just one question for you then. If you could give a rationale to increase the insurance stake in a subsidiary?

Shyam Srinivasan: Yes. Okay. Go ahead.

Harsh Dugar: Okay. I will take the second question first, this is regarding GECL. As Shyam had mentioned, we have disbursed more than Rs. 1,000 crores by the end of June itself, and we are seeing significant traction out there. However, let me clarify, about 70% to 75% of the borrowers who have eligibility for GECL are actually taking it. Many of them have actually chosen not to do it. And of the 70%, 75% who were opting to take it, quite a few of them are choosing to reduce their existing debt or clear moratorium dues, or for that matter, even build up a buffer as well. We have seen that across the segment, and directionally, we are quite comfortable. So this is on the GECL side. In case you have any other questions, I can clarify.

Coming to your SMA book and all, we do have identified a list of accounts, which we keep looking at in terms of de-risk, debug, it is ongoing thing. And at this point of time, the last four months, I would say, we have been extra cautious and been doing more frequent reviews on our book. There was one account which we had flagged off in the last quarter, which we just spoke about right now, which we have taken as an NPA and done a 100% full provision. Apart from that, there were a couple of accounts in the normal course of business. There is nothing which is large or anything which is worrisome at this point in time. Although, having said that, there are a few sectors and a few names where we are very closely watching them. Does that answer your question, Mahesh, or you have anything else?

M.B. Mahesh: Yes. That does, sir. So just wanted to ask, because the broad rational is that, because we are kind of building 3Q as an initial quarter where you are expecting a lot of NPAs to come in, just wondering as to whether you have started seeing the signs of it? Or it's just an expectation that this will probably get pushed into FY '21 or FY '22? That is the reason I am asking it.

Harsh Dugar: Definitely, we have seen a little bit the risk aversion, which was there, and the fear factor which was there in the month of April, has significantly tapered off, one. Many of the corporates who are building up liquidity buffers have started releasing that. And we have also seeing pricings fall significantly, which is a result of banks willing to lend, having a shift that we have had, obviously, the range where we are comfortable with. So we are seeing that. And even in the moratorium book, one thing which has not been highlighted in this presentation is, that there are many of them who have also paid off one month, two month or three month EMIs or interest servicing. Because what has been captured over here are the ones who have opted out or who have paid in full till June. But apart from that, there is also a significant part, both in commercial banking and in corporate banking, who have cleared a part of their EMIs or the interest of the previous month, which is what we call as the partial opt out.

Shyam Srinivasan: Shalini, you want to talk about the operating costs?

Shalini Warrier: I will talk about that. Mahesh, on FedServ, we are progressing on plan. At this point in time, we have got about 320 people on the rolls of FedServ with a plan to take it up to 500, and thereafter to 900. The cost sales are built into the bank's CI ratio and other aspects that you see. They come primarily from three sources. First one that comes is, wherever there are bank offices involved in activities, they get released to other rolls. When retirements happen they don't get replaced, and such other cost benefits come because they are replaced with resources in FedServ's rolls who are in the BPO kind of industry coming at a lower cost. So that's one chunk of cost saves.

The second is the ability to do a large amount of multiskilling. So as we speak, for example, 50% of the workforce was already multi-skilled on two processes and, by October, we will have 80% of the workforce multi-skilled on three processes. Which means the peaks and troughs are managed with the same amount of people because they are multi-skilled can do relatively different activities at the same time. The third chunk comes due to automation and a range of process improvements that we are doing, driving a large things like Lean and Six Sigma, etc., because the entire breadth of the subsidiary company is tagged to a BPO kind of industry. And so therefore, the head of the unit, etc., is from the BPO industry.

So between all these chunks, we are getting cost saves, and you will see that built into the cost income ratio of the bank, as well as going forward into the future. There is one other critical element that FedServ is delivering on, which I think we all kind of recognize and appreciate particularly during the times we live in, which is the ability to give resilience and business continuity. As you know, we have one unit here in Kochi, and we have another unit in Vizag, and therefore, we have been able to manage the continuity of services through these periods of the centers being on lockdown at various points in time. So we have been able to manage to keep the services running through this period with our much impact on the customers. So between release of people, process improvements and the extent of cross-skilling that we are doing or multiskilling that we are doing, the cost saves are coming through to the bank.

Shyam Srinivasan: Yes. Ashutosh, you can go to treasury.

Ashutosh Khajuria: Yes, but is Mahesh there on line or not? First, let me check that.

Shalini Warrier: He's probably not there when I was speaking also. So Ashutosh...

Ashutosh Khajuria: So that's why it's better to check first and then respond.

Moderator: Thank you. We take the next question from the line of Krishnan ASV from SBICAP Securities. Please go ahead.

Krishnan ASV: I am done with my queries. Many thanks.

Moderator: Thank you. Next question is from the line of Pritesh Bumb from Prabhudas Lilladher. Please go ahead.

Pritesh Bumb: Sir, just wanted to check on this moratorium slide. So a better impact has been from the business banking and commercial banking, the moratorium impact on the lower side has been better there. So what are we seeing in the underlying businesses? Basically, the cash flows are improving on better business coming back? Or was the moratorium earlier taken only for liquidity, what has been happening there?

Shyam Srinivasan: Yes. I think Harsh did mention, a lot of customers in the initial stage took moratorium more under belief probably that it may be waived. And I think before long, they realized there is a significant cost of moratorium. And therefore, at the first opportunity where they could either make the money or reroute their expenses, they have done that. And I genuinely think, and I know this whole industry conversation is around moratorium and all of us are fussing abo ut it. We should not read much into the moratorium data till August or September, you all know it better. Because the real problem in moratorium is not the entire moratorium, whether it's 30% or 60% or 40%, it's the last 10% that is going to give everybody problems. So I would not get too flattered or worried with the numbers that are there. The real picture will emerge only in the September and December quarter, which is what all of us are working to. I am being candid saying that in a call like this people are making too much of it without having a full understanding. 35% becoming 24% becoming 12% may not mean much, it is the last 10% that makes a lot of difference. But to answer your question, I think a lot of people have paid down because there is a cost of carrying.

Pritesh Bumb: Right. Sir, can you give a similar number of one and two or three EMIs in the SME as well, if you have that?

Shyam Srinivasan: Sorry, come again, please?

Pritesh Bumb: How many customers would be having a two EMIs in their accounts or three EMIs for SME, or if you can break it for business banking as well?

Shyam Srinivasan: I don't think I have it in front of me. I am not even sure we are sharing it. But I am sure if it's available, Anand will share it for everybody.

Pritesh Bumb: Sure. And can you give a breakup of gold loans with agri and retail gold, is that possible?

Shyam Srinivasan: Sure. Ashutosh or Anand, do you have that breakup of gold loans? Anand?

Anand Chugh: No, we don't give any further breakup of gold loan business because most of it is retail in nature, and we have pooled it all together, and the agri department takes care of it. So there is no further bifurcation that we give.

Pritesh Bumb: Yes. And one last question is, we saw a very good traction in SA accounts, and despite we having one of the very competitive rates, which is linked to repo now, so how do we see that going ahead and what strategy we are taking to improve that further?

Shyam Srinivasan: In general, our liability franchise has been and hopefully will remain strong. Our client base do engage very significantly. We are pleased even through this sort of after the April slowdown, we are seeing account opening now. We used to do about 4,500 accounts a day in January-February, we are up to 3,600 now. So we are seeing traction on that count. And SA, we will continue to do well. And certainly, the NR-SA will continue to do well.

Moderator: Thank you. We take the next question from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead. As there is no response from the current participant, we take the next question from the line of Renish Patel from ICICI Securities.

Renish Patel: Congrats on great set of numbers. Sir, just to follow-up on what Mahesh has asked on the cost side. So what Shalini ma'am has explained broadly that should ideally reflect in the employee expense side. But surprisingly, this quarter other expenses fell sharply. And the way our digital platform is working, I am assuming the cost of activation of a new customer will be far lower. So, the operating cost in absolute terms is sustainable at this level? Or there is a further scope for improvement from this level?

Shyam Srinivasan: So there is some element of relatively lower sales cost, relatively lower sales volume, and therefore, processing-related costs have all been lower this quarter. Second is the variable cost that we have negotiated, like in terms of rentals, deferrals that have also come through. So as the volume picks up, some part of the cost will come back. But what Shalini explained is the structure of how we are trying to keep our costs low within automation, centralization, standardization and straight through. So there is a bunch of stuff happening. Your observation around the employee cost going up is because, again, yields fell, as you know, between March 31 and June 30, the yields were 25 basis points. Therefore, the impact of pensioning and related costs have gone up. I think Rs. 35 crores-or-something extra we took and still kept the costs fairly low. Of course, we have gained on the treasury side, but impact on the cost side also was there.

Renish Patel: Yes, sir. So basically just a clarification. So basically, this quarter our advances is up 8% Y-o-Y. And despite that, our other OpEx fell by 2%. So I don't know, I mean, how one should read this data point? Since you have mentioned that processing fee or the volume-linked fees will be lower, but it is significantly lower in this quarter. So is there any...

Shyam Srinivasan: Yes. Productivity increase has been higher. So you see the mix of business growth, which is slightly higher-margin business and branch-led business. So branch cost tends to be relatively flat. I mean it doesn't vary too much, right? So that cost when it's better utilized, you get these kinds of gains. And gold is a branch and savings is a branch led product.

Renish Patel: Exactly, sir. So do you feel there is still a scope for improvement going ahead? Or this is the optimal level sort of a number we would have touched now?

Shyam Srinivasan: We would like to improve it further, but there will be some blips here and there, but that will improve. It's a journey of improvement.

Moderator: Thank you. We take the next question from the line of Amit Jain from Axis Capital. Please go ahead.

Amit Jain: Sir, I had a question on your MSME guarantee scheme. You said that, if I am correct, that you disbursed around Rs. 1,000 crores by the end of June, is that right, sir?

Shyam Srinivasan: Yes. I think as of yesterday we have done Rs. 1,250 crores or Rs. 1,280 crores. At the end of June, I think it was about Rs. 1,020 crores or...

Harsh Dugar: That's right, Rs. 1,250 crores plus.

Amit Jain: Yes. So sir, my question is that, are there any customers who are under moratorium who are taking these, and again repaying their moratorium? How many percentage of customers would be those?

Shyam Srinivasan: Harsh did mention some people are paying up. How much, I don't know, but there will be some amount that will be paying down their moratorium amounts.

Amit Jain: Okay. And sir, in future, do you see some traction in this segment in particularly your SME book, how will it foray in, say, FY '21 or going ahead in FY '22?

Shyam Srinivasan: Sorry, I didn't get the question. Can you repeat?

Amit Jain: Sir, how would your SME book grow in FY '21 or FY '22, if at all? Or do you see some traction there?

Shyam Srinivasan: Yes. When we looked at FY '21 in different times, we were visualizing 14% to 16% growth in these kind of businesses. But where we are now, I would not venture to suggest those numbers, we have to see how things go. I am keeping the guaranteed scheme related growth out of this conversation because that is 20% straight away because of the guarantees. So I should keep that out of the conversation. Organically, we have to see how things shape up. I don't think you can see material growth in the high-teens. We would be happy if it grew between 8% and 10% of the quality we want.

Moderator: Thank you. We take the next question from the line of Pankaj Agarwal from Axis Capital. Please go ahead.

Pankaj Agarwal: Sir, what percentage of your retail loans, where customers are dependent on remittances for repayment?

Shyam Srinivasan: Kerala-based customer base has some degree of connect to the NR because the economy has some benefits. But there is no direct correlation that you can make because the customers in every family may have somebody who has got some connection, but it's hard to tell. Our borrower is not the same person who's placing the deposit. The deposit may come from x, the borrower may be x's family member. So you can't quite establish that.

Pankaj Agarwal: But if there are widespread job losses in Gulf countries, there could be some pressure, right?

Shyam Srinivasan: I don't want to diminish that statement, but there will be, but we don't know what it will be because I've heard this for very long and that doesn't seem to hold for long. It turns out to be okay. This is, of course, the COVID-related situation can be even more adverse. But just this morning, we were happy to note that the oil prices have gone to $40 plus, which usually is good news for employment generation there.

Pankaj Agarwal: And sir, your growth in gold loans, are your existing customers are borrowing more on gold loans because gold prices have gone up or you have paid more to the internal customers during this time?

Shyam Srinivasan: It's mixed. We are getting new business also, and existing customers are also taking more.

Pankaj Agarwal: Okay. So is it like you guys are pushing this product or we have generally see more inflows of customers in this segment?

Shyam Srinivasan: I don't know what pushing means. Certainly, it's high focus for the bank. It's spoken at least once every day by the senior teams. And if you think that one is pushing, yes, it is.

Pankaj Agarwal: Right. In the sense that now are you seeing with much more people borrowing against gold because probably they might not.

Shyam Srinivasan: It's a consequence of where we are in the cycle. Gold price is high, customers need cash flow, product…..

Ashutosh Khajuria: Basically, even if the prices have gone up, LTV would remain 75%, so you will always have a 25% margin. It's a regulatory requirement. Earlier, when it was not there, I mean, in select cases banks were even lending 80%, 85%, 90% also, now that's not the case. I think comparing it with the previous cycle, when the gold prices had gone up to $1,900 per troy ounce and, I mean, accordingly in rupee terms as well. So in that cycle when the prices fell, I mean, regulator took a call at that time and decided, I think, all NBFCs as well as banks all have to follow that LTV norm of 75% and maintain it through the currency of the loan.

Moderator: We proceed to the next question from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha: Yes. Sir, just wanted to understand, in the presentation you indicated that margins have improved Q-o-Q due to a strategic design change in the loan book. If you can elaborate that a little bit more? Can we expect further improvement in margin from here on? First that.

Second question on the employee side, sir. You indicated that you made a Rs. 35 crore of provision towards the pension liability because of change in interest rate. This Rs. 35 crores is one-off or would it be repeating every quarter? If interest rate remains same, would it be repeating every quarter, Rs. 35 crores?

And as I understand, last year, you made almost like Rs. 200-odd crores additional pension provision because of the change in interest rate. If the interest rate were to remain at the same level, do we still need that much of provision? Or can we see reversal of the provision or no provision is required?

And lastly, sir, on the moratorium loan book, sir. A customer who has not paid a single installment, are we still accruing interest for those customer? And in case if he defaults post September, would it mean that we will have to reverse the interest for the six month period? That's from my side, sir.

Ashutosh Khajuria: So first one on the margin, NIM. It is a function of both sides, on the loan side if you go for more of gold loans, these are the ones which are low yielding. These would be anything, normally you would have seen there has not been a material growth either on the corporate side, which is very tightly priced, and also on the housing loan side, a little bit but not much of a growth there. These are the two segments where you have a tight pricing, very tight pricing. On the other hand, gold, you have comparatively better. So on loan side, we had a very robust growth on the gold loan side. And on liability side we had a very robust growth on savings bank, which again is a low cost. So as a result of that, I think, there has been a spread.

And you said what is the change in structure of loan and all that? I think two years back, we had started this wherein we had said that our wholesale to retail, we would make it 50:50. At that time, it was nearly 56:44 and around that levels. And in last two years, gradually, the retail part has grown at a higher pace than the wholesale part. When I say wholesale, I am talking about the regulatory wholesale, which is more than Rs. 5 crores that includes commercial banking and corporate. On the other hand, retail includes the entire regulatory retail, which is retail retail and also business banking and agri and all that. So that's the answer to your first question. Second one was?

Anand Laddha: On the employee side, pension provision, sir.

Ashutosh Khajuria: Right. You said, is it a onetime cost? Well, if the interest rates are flat, then the same costs would continue for four quarters, assuming that there is no change in yields. If yields go up, then definitely there could be a write-back. That's the answer to your question. If it further falls, then there could be a requirement of more provision. So as on date, whatever is the actuarial calculation for the year that has been apportioned into four quarters, and accordingly, it would be taken. And that's the norm, every year it is done, and it's recalibrated every quarter end. So next quarter we will again recalibrate based on then prevailing yields, and then see how to distribute it in the remaining three quarters. In December quarter, remaining two quarters and so on and so forth; and finally, in March, you have this. This year, in March, the fall was very sharp between December and March. So the entire burden came on the Q4 part. Everything had to be taken in Q4. I hope your question is answered. Your third one is on moratorium, what was that?

Anand Laddha: Sir, there are a few customer segments who have not paid a single installment as well. So in case post September, if these customers default, we would have to reverse interest for six quarters, because as I understand, we would be accruing the interest for those customers as well.

Ashutosh Khajuria: So please remember, in case of working capital advances and all, there is a provision for FITL. So you have seven months to repay the interest part also. So right from 1st September up to 31st March the customer would have the option even to have installments of that interest to be paid more like an FITL, funded interest term loan. So it would be a short-term FITL for seven months, in which this interest liability is to be serviced. So there would be no need to reverse this provision, but you have a case where nothing is to be paid. Please remember, in the remaining 12% cases, which Anand shared with you, where not a single installment has come, it doesn't mean it would not come and all that. Probably, I mean, availment of moratorium has been availed off by that customer, assuming that he would start. Because in case of EMIs and all, you can push the EMIs ahead, your entire repayment plan itself gets deferred. So I think that also needs to be looked at. So if somebody has a three year loan, and these six installments are pushed, you may have a four year total maturity, because maybe next 8, 10, 11 months would be required to pay interest this year, my part, that has been deferred.

Anand Laddha: Okay. So fair to say, in case any slippages happen from the moratorium book, the interest reversal will be only for three months and not for a higher duration?

Ashutosh Khajuria: So it would depend what type of loan is it. If it's an EMI loan, and if EMI has been deferred, then there would be no need to reverse anything because the entire EMI has been pushed ahead. And there is a new repayment program that has come.

Moderator: Thank you. Next question is from the line of Srikarthik Velamakanni from Investec Capital. Please go ahead.

Srikarthik Velamakanni: Sir, while your point on the last 12% remained of the moratorium, is that a cause of more worry for you compared to the other segments?

Shyam Srinivasan: We certainly have to worry, Karthik. I mean, how can we not worry? Certainly, I mean why only 12%, I worry about the whole portfolio.

Srikarthik Velamakanni: Okay. I was saying that at least on the wholesale side, one would have expected by now the moratorium would have dropped to near zero. That was the basis to this question.

Shyam Srinivasan: But I think of our whole portfolio, we worry least about the wholesale side right now.

Srikarthik Velamakanni: Got it. Just another question on the treasury bit. To what extent there was a shift from held-to-maturity to AFS during the quarter? And what would be the impact of the extent of treasury gains that you booked in the last two quarters on your margins going forward?

Ashutosh Khajuria: In fact, in one line, so we normally do not share the AFS and HTM size and all that. Whatever is permitted as per regulatory prescriptions at the beginning of the year, that has been done and booked. And that's in every year, it's a seasonal thing. Every first quarter in every year you would have that. So it's not materially different this year. So on our June 2019 base, June 2020 are not materially different and all at that particular part. Rest is, of course, the trading gains and all from HFT and the existing AFS and all, nothing to do with shifting. And as regards, I mean, yields on that, I am happy to share with you that at June end our yield on investments have improved over March quarter. So we have booked trading gains, but we have not sacrificed our yields. That's what I want to clarify and imprecise.

Moderator: Thank you. Well, ladies and gentlemen, we will take the last two questions. Next question is from the line of Manish Shukla from Citigroup. Please go ahead.

Manish Shukla: So on the 11% to 12% of the book which has not paid a single EMI till date, you have two more months of interest accrual. What is your realistic assessment of PDs there? Because if the guy has not paid anything now and he has 6 more months of interest to be paid, even if I were to assume one-third of that becomes NPA, we are talking of 3% to 4% slippage and assuming no slippage from rest of the moratorium book. In that context, the COVID provisions that you have made seem quite low. And I am not sure if one-third is too conservative at all.

Shyam Srinivasan: Manish, I don't think any of us at this point can venture into an answer on that. I really don't know, I mean, we can't quite tell. Nothing suggests that it should become the number you have mentioned or could be better, could be worse. We will have to watch out. We can keep building the provisions, which we will do. That's all.

Manish Shukla: Just that this quarter was a very strong quarter on treasury. So you had that option of significantly ramping up. Okay, so let me put it the other way, to one of the questions earlier, Ashutosh said that you increased your provision coverage and which is quite apparent. But does that mean that if we were to see large slippages in second half of the year, the current provision coverage number may not sustain and will probably go up to somewhere in 40s?

Shyam Srinivasan: We would like to keep it in the early 50s. I think I mentioned in the last call also, we believe that before end of Q2, it would be 60% or a little above. And Q3, Q4, depending how it is, it may trend in the early 50s.

Manish Shukla: Okay. Last question on the incremental gold loan growth that you had in this current quarter. Is there any overlap with the existing customers who are under moratorium?

Shyam Srinivasan: May be there, some may be there, but not significant, because the growth is about Rs. 900 crores on gold loan. Not significant.

Manish Shukla: Okay. Fine. Lastly, the Middle East account, all the group-related exposures have been recognized and provided for, right? I mean there are multiple entities there.

Shyam Srinivasan: We don't have anything else. We have only one account.

Ashutosh Khajuria: See, other accounts have got paid off completely. The other account has been fully paid off, the other one has been fully provided.

Moderator: Thank you. We take the last question from the line of Darpin Shah from HDFC Securities. Please go ahead. Looks like no response from the current participant. We proceed to the next question from the line of Kaushik Poddar from KB Capital. Please go ahead.

Kaushik Poddar: See, RBI had asked you to do some stress tests, I mean, which you referred also. Can you just elaborate on that? I mean, you just mentioned that twice they have asked you to do some test or something, so can you just elaborate on that?

Shyam Srinivasan: Not us, Kaushik. Not Federal, in particular. In fact, Federal, we didn't get a letter till we asked for it. All banks were advised, at least as part of the normal course in April and in June, to provide. And it's a fairly routine exercise of taking your current various cap ratios and looking at from a point of view of many what-if scenarios, but not just unilateral. It's multilateral or multi-dimensioned, if credit cost worsens and liquidity worsens and if your costs go up, what would be the scenario?

Kaushik Poddar: Do they give any parameter for doing such kind of stress test or it is left to the banks to work out?

Shyam Srinivasan: It is left to the banks to work out, there is no parameters given. At least, we have not been advised of anything.

Kaushik Poddar: And does the bank involve any third-party for such kind of things or it is the internal thing, it is internal exercise?

Shyam Srinivasan: It's an internal exercise.

Kaushik Poddar: And you take the parameters from your previous experience of such kind of...

Shyam Srinivasan: Yes. You stress it by assuming that x percentage, which is the normal trend line were to become 2x, 3x worse. If NPAs from, let's say, 2% or 1% had to double or triple, what would be the outcome? And consequently, what will be the capital adequacy? And what would it mean in terms of your CRAR and CET1. And would you require to raise money.

Kaushik Poddar: And do you submit this report to RBI or its held back with you guys only?

Shyam Srinivasan: Every quarter the ICAP goes to RBI, and these reports are submitted to RBI.

Kaushik Poddar: This is a routine exercise and not a COVID-related thing, right?

Shyam Srinivasan: In COVID related they have accelerated the exercise and asked banks to do this and present it to them. First it's cleared by the Board, and then it goes to RBI.

Moderator: Thank you. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Shyam Srinivasan for closing comments.

Shyam Srinivasan: Thank you very much. And all the best. Stay safe, everybody. Thanks for all your support.

Moderator: Thank you. On behalf of the Federal Bank Limited, that concludes this conference. Thank you for joining. You may now disconnect your lines.