"Federal Bank Limited Q2 FY'21 Investor Conference Call"

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

Moderator: Ladies and gentlemen, good day and welcome to the Federal Bank Limited Q2 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, Federal Bank. Thank you, and over to you, sir.

Shyam Srinivasan: Good afternoon, everybody. This is Shyam here. I do have our senior colleagues. We are all in different places. So, I just want to reestablish that Shalini, Ashutosh, Anand and my other senior colleagues are there on the call. So once again, good afternoon, and thank you for joining in. I hope everybody is safe and keeping well through this challenging time.

We will spend only a few minutes, I will give a quick rundown on how the quarter went by, our own view on how things are shaping up and, of course, then take questions from everybody.

Q2 was our best ever quarter on certain key operating parameters. Our operating profit was Rs.1,007 crores, you would have seen that. The overall NII growth was strong at Rs.1,380 crores. Other income at Rs.509 crores. All three were all time best, leading to a significant improvement in our cost-income ratio. This gave us a substantial space to increase our prudent provisioning. The slippages for this quarter were almost non-existent, just Rs.3 crores. We have also said, in case the Supreme Court order was not there or the judgment was not there, we would have had to provide for about Rs.237 crores which would have been the slippages for the quarter. So, we did make both the provisions required for that, but we have also made some judgment on what could potentially be the outside range for restructuring requests because given where we are, we have not seen much by way of request, but our conversations with customers and they are sort of waiting and watching, we built a meaningful buffer of about Rs.400 crores as standard asset provisions in the quarter.

So, a strong operating profit for Q2, driven by a very, very, very strong gold loan growth, business banking growth, of course, the GECL-led growth and selectively picking up in retail and selectively picking up in other areas. Fee income has been strong. Treasury had a yet another strong quarter. So blended operating profit growth. We had no material cost increases. The efficiency efforts are all starting to play through. So, we had a strong operating profit and built a buffer of about Rs.400-odd crores of standard asset provision in addition to about Rs.170 crores of the regular credit provision where we have provided for aging accounts, we have provided for accounts that were dodgy or increased the coverage on those accounts. So blended, the quarter, I would characterize as a strong quarter. But what is more important and probably the question that you would ask in a few minutes that follow.

My own personal outlook, I think the worst, probably from a point of view of economic bad news is probably troughed out. And I do see, and I do believe you will see a reasonable pickup. The level of pickup will be sort of defined by how the health-related matters play out, but I do see things coming back from a volume momentum. and over the coming two quarters, Q3, Q4, there will be a reasonable comeback, and we are positioned for that.

On the health side, yes, even about 450 employees of the bank have been affected, members of the families of the bank have been affected. So, every now and then you have instances of having to shut down one or two branches for a week or two days, three days, depending on the local events and the local rules. And we've implemented all the best-in-class care and protection programs to ensure our employees are safe and their families as also the customers we serve. But there are challenges. We have to deal with it on an everyday basis.

And in the context of that challenge, I do believe our people have turned out a remarkable performance because many of the areas that were all field effort-related growth. Gold loan business, savings products, fee income products are all field-intensive effort products. So, it is noteworthy that people have gone through personal challenges and dealt with and delivered on these counts. So, I think it is coming together of many good things. And I do hope the intensity that we have had, all comes together for the quarters ahead.

So, let me just summarize by saying strong momentum on operating profit. We did not have any material one-off related gains. These are structural improvements that have been put in place. The repositioning of the bank in areas of focus around the higher margin businesses are playing through. We took some disciplined calls on deposit pricing which is helping us. Our liability franchise continues to be, I would argue, one of the best in the marketplace. I am willing to be challenged by many on that count. We will be top quartile in the country, and all our businesses are gaining share. And in particular, the non-resident business continues to do extremely well, and we have seen growth in that business, our market share is now well into the 17%, from 16%-odd it has gone into 17.2% or 17.3% of the remittances that come into India. So, our share gain is visible. So, it is driven largely by our automation digital effort. And that momentum should keep us in good stead for the quarters ahead.

So, with that as a sort of introductory remarks, let me invite questions as Ashutosh, Shalini, many of my senior colleagues, Harsh and Babu and other team members are all on the call. We will be able to respond to questions. I would only request Anand to sort of do the traffic moderation so that the questions are directed to the right people. Wherever possible, we will clarify on the call. If there is something that we need to clarify offline, we are happy to do that. So, let me open it up for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Arav Sangai from VT Capital. Please go ahead.

Arav Sangai: I wanted to understand the status of the 24% morat that we had last quarter. So, since you were saying that we are expecting a 2% to 3% restructuring of our book and not very major slippages, so could you give us a roadmap of what is the current status of the 24% people because I remember last quarter also 12% of people did not pay any dues?

Ashutosh Khajuria: See, after 31, August, there is nothing called moratorium as such. Now this moratorium is only because of the apex court's direction that no new NPAs to be declared and all. Now, please remember that six installments that were deferred, there was no demand against that because these were deferred. So, what has happened is towards the end of August and beginning of September, these customers have been contacted and majority of those customers who have this EMI-related accounts like your term loans and short-term loans and all that, they have been provided six additional months to repay, that means the original maturity period gets extended by six months. And the new EMIs have been such settled, which would take care of these six deferred installments. So that part is out of restructuring. So, whatever we are deferring these six installments with, that is not part of the restructuring book, and there is no regulatory requirement of any provisioning on that and all. And based on that, our first installment was due in September. Our September collection efficiency is close to 95% which is higher than our January collection efficiency and is at par with February, because February was amongst the highest which we had in the previous financial year. So, we are back to our normal collection efficiency. Now, from here on, we certainly would need four or five or six months to really see and as per the new repayment schedule where the EMIs have been revised and all, whether these are paid the way they have been paid in September. So, this is about that. So, I think that 12% did not pay, does not mean there was a default because they are opting of a moratorium and therefore from bank side itself there was no demand of payment and all. So, this, I wanted to clarify.

K.A. Babu: Here, if we discuss about what is the EMI that was paid during the moratorium period, maybe the EMI that is not at all paid out of these six months' time, it is very, very negligible. It may be less than 1.5% of the total moratorium book. So, it does not that matter that we should discuss whether a customer has paid at least one EMI during the moratorium period, it is definitely less than 1.5% of the total moratorium book. Otherwise, maybe for six installments paid, customers are coming to nearly 50% of the moratorium book. And our moratorium book is not giving that kind of stress to us even when we go forward. And rescheduling exercise is completed in all those cases, and we look forward that the remittance and collections will happen. As Ashutosh, sir, rightly said, 95% collection efficiency we could get back in the month of September itself. It is at par with the pre-moratorium period or pre-COVID period.

Arav Sangai: I just have two follow-up questions on this. So, could you give us some details about the restructuring guidelines that the bank has formulated? And with regards to the provisioning that we have done, so based upon our models that we have forecasted a 2% to 3% restructuring and the required provisions, have we provided for it completely based upon our current projections or are we waiting to provide something in the future quarters as well?

Ashutosh Khajuria: We have provided completely in September itself. If you see, 3% of our portfolio would come to something around Rs.3,500 crores or so. If Rs.1,25,000 crores are the total portfolio, more than half of that is either gold loan or corporate AAA, AA, who were not into moratorium, who had not even had a one DPD and all, they are all zero DPD cases and all. So around Rs.65,000 crores is that portfolio. The remaining Rs.60,000 crores are the one from which you have the moratorium, non-moratorium restructuring expectation or whatever it is. So, if you take 3% of total portfolio, it would be roughly 6% of this remaining half which I am talking about. So, 3% of Rs.1,25,000 crores would be nearly Rs.3,500 crores, Rs.3,600 crores or so. We have provided 10% of it straight away right now in September itself.

Arav Sangai: And sir, guidelines of restructuring?

Ashutosh Khajuria: See, guidelines of restructuring is exactly as per what RBI has stipulated. Number one, the account should not be worse than SMA-0. So SMA-1 and 2 are not eligible. #2 point is the extension of the repayment period cannot be more than 24-months. For MSME, you can take even SMA-1. But that is only an extension of the earlier scheme. So earlier scheme was earlier available up to December '19, then it was extended to March '20, then to December '20 and now to March '21. So, for MSME, the scheme remains almost the same. So, this is it. I think policy is exactly as per the guidelines given by Reserve Bank of India on this front.

Moderator: Thank you. The next question is from the line of Rahul Nandwani from Centrum Broking. Please go ahead.

Rahul Nandwani: So, in terms of the sectors that you are looking at, which sector do you think will there be more restructuring?

Ashutosh Khajuria: See, these are all those 26 industries which have been listed by Kamath Committee. So, our experience is not going to be different. So, it is going to be those very sectors also where you may have the requirement of more of restructuring. But fortunately, for us, we have comparatively lower exposure in all those areas. So, whether it is hotels or travel or various other segments listed in that, we have comparatively lower exposure in those, the extreme ones. The moderate stress ones, yes, I mean, as usual like any other bank, steel, cement, we are also there.

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

Nitin Aggarwal: **I** have a few questions and some clarifications to seek. Like, firstly, this collection efficiencies I believe we are of course not including any arrears or any past dues for the month of September when we talk about 95% collection efficiency? Secondly, this provisioning that we are saying Rs.400-odd crores towards potential restructuring, will this be enough or we would look to scale it up as we go along?

Ashutosh Khajuria: So, I think if you just compare with September '19, we had a PCR excluding technically written-off of somewhere around 45%, 46%. From there, in one year itself, we are now closer to 64 points around that number. So about 19 percentage points increase has happened in one-year period. Gradually, we started it in March itself. So, for March, then June and September, but that does not mean it was underprovided earlier. Fortunately, I may say so. We have never been picked up for declaration or some disclosure about under provisioning or divergence on the NPA side and all. So, provisioning was always above the IRAC requirement and all. The thing is our portfolio is like that that our LGD used to come 40% before COVID. So now we have to see how it changes over a period because right now we have just come out of moratorium period. We cannot give any guidance on that and all. But I understand still would be comparatively okay because we do not have much of unsecured portfolio, we do not have credit cards, we do not have too high personal loan book or so, it is only to existing bank customers to the extent of about Rs.1,600-odd crores or so, which is 1.25% of our total loan book. So, based on that, I think we had been providing, but because of the uncertainties of COVID, we thought in March itself to gradually increase our PCR. It is not that we are having certain apprehension about it or so. But maybe whatever collateralization or security what we have, earlier if LGD was say X, that LGD may increase almost depending upon the cash flows of the affected clients also. So, as a prudent measure, we gradually raised our PCR in March to about 53% in June, it went to nearly 59% and now to 65%. And I think going forward, it should be in this range between 60% and 70% because that is what we think would be adequate for our book.

Nitin Aggarwal: And just a clarification, the collection efficiency is not including any arrears from the prior month, it is just the recovery that was...

Ashutosh Khajuria: See, arrears would be there when there is a demand. When you have agreed for moratorium to someone and said, okay, we give you six months pause and then later on, as my colleague Mr. Babu shared with you, the reschedulement has happened. So, all these EMIs have been now redrawn in such a way that the original maturity period extends up to 6 months only. Then in that whatever demand is made in September has been met. So, based on that denominator, you have collection efficiency. You cannot take as arrear for those which has already been granted as extension.

K.A. Babu: Sir, Babu here. Collection efficiency again let me give the numbers; our collection efficiency in non-moratorium book is as high as 99%. And then that is why even in the case of moratorium book, our efficiency is very high, that is why we could come out with 95% total loan book collection efficiency in the month of September itself.

Nitin Aggarwal: The other question is on the current account deposits. We have seen some good traction this quarter. So how much of this was driven by the RBI's revised guideline? And have the benefits from this new guideline accrued fully?

Shalini Warrier: So, I think on the current deposits, the RBI guideline has two parts to it. There is a part relating to new to bank acquisition and existing to bank customers. The new to bank one has gone live as soon as the circular came out. We have seen some benefits of it, but it is honestly not as very large because it is also new to bank customers. On existing to bank, we have time till the early November to do the required actions. The teams are underway at these actions as we speak right now. So, the 30th September book does not contain the benefit of that. What we have really seen on the current account has been underlying growth from the franchise across both our branches as well as our relationship managers, corporate commercial, etc., they've been actually sourcing new relationships in line with the RBI guidelines as well as enhancing our relationship with existing customers. It has obviously been assisted by the fact that we have introduced a range of digital technologies that enable the corporate customer to deal easily with the bank. From a corporate FedMobile to a Corporate FedNet to a Fed-E-Biz, we have a range of digital technologies, and that has increased stickiness and has got us funds. So, to your specific question on the RBI circular, early to say the benefit of it or otherwise because we have got time till November, but this is underlying growth from the franchise.

Ashutosh Khajuria: Just to add, we never had a very strong current account portfolio. We always had it between 4% to 7% at different times or so. So, I think it is not something where we would loose materially in case some accounts are required to be closed or probably gain that much also. I mean jury is still out. So, I think we can wait for that. But yes, this quarter, there has been some traction. This is all because of the digital products rolled out, Fed-E-Biz and all those, through which these are cash management products and all. So, that is giving us more of cash flow coverage.

Nitin Aggarwal: How do you view the competition in the gold loan segment? We have been delivering very strong growth in this business. What is driving this? Any change in LTVs that we have done after the recent relaxation by the RBI? And how do you see trajectory going ahead?

Shyam Srinivasan: Shyam here. I think from last year itself, we have been signaling that this is a good opportunity for the bank. We have been sort of growing, last year, we grew 29%, this year, of course, has been almost double that run rate. So, we have been positioned for this growth. And as you know, gold loan business is countercyclical when all other unsecured lines of credit are generally off, gold loan business picks up and we have been a gold loan sensitive, gold loan capable bank. So, we decided to dial that up. I would believe that we are growing at maybe like many multiples and gaining share driven by virtually I think across the entire franchise of the bank, like I said in the beginning of the call, the two businesses that grew our gold and savings and fee income have all been branch-led, branches have been hyperactive. And on LTV, even if the RBI allowed 90%, we went up not more than 80%, 85% at the top. And it is anyway daily recalibrated to the price of gold, so we do not see much of an issue on that. Our advantage has been that we have activated our entire franchise. The offerings are very competitive. Our Digi Gold is a product which we have is making a lot of sense. We have about six or eight variants in gold loans which are tailored for the local communities. It is a combination of product offering, digital, distribution being very competitive and I think the fact that our pricing is way better than NBFCs.

Nitin Aggarwal: If you go to slide #10 of the presentation, the other piece of the corporate advances, so if you look at the FBRI, that has gone up from 2% to 12% in the internal rating of others while FBR4 has come down sharply on a sequential basis. So, anything to read into that, anything specific that has caused this?

Anand Chugh: So, this is nothing but typically, one large account moving from one bucket to another one can lead to this kind of a thing. And it is actually a good thing that an account has been upgraded of sorts.

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

Renish Buwa: Just two questions; one is on our corporate portfolio, which fell by almost 4% this quarter. So, is there any specific exposure we are exiting or how one should read this number?

Shyam Srinivasan: Renish, as you know, there is no part of a book that we are seeking to exit. But some AAA names may be getting money at even lower than our bank rates and some have got significant money from overseas investors pouring in money to that company or that group of companies. So, they have paid us off. And to that extent, that is a reduction. We have added 54 new names in corporate in this last six months.

Renish Buwa: So basically, it is just that churning is happening maybe from a large corporate side?

Shyam Srinivasan: Yes.

Harsh Dugar: Just to add, we, on a very ongoing basis, keep looking at our portfolio. So, we always have a de-risk, debulk portfolio which is reviewed on a quarterly basis. In the last two quarters, specifically given COVID, we have been keeping a very close watch on that part, but there are no challenges in that sense, apart from a little bit of a heightened risk because of COVID, which is across the system itself. But otherwise, the quality is holding on.

Renish Buwa: Sir, my second question is on the sort of stress book outside the restructured book, I mean, what is your internal analysis say that what could be the potential maybe slippage or NPA outside the restructured book which you have highlighted would be around 2%-3%?

Shyam Srinivasan: See, Renish, if you take say last 10 quarters, unfortunately,if there is one large ticket corporate, it is close to about Rs.500 crores, otherwise, it is between Rs.300 crores to Rs.350 crores is the slippages in the quarter. As you know, we do not have any hopefully no large ticket that we visualize would slip between now and the next four quarters. We can have only visibility for three, four quarters. So, this Rs.300 crores, Rs.350 crores can go up if the environment in the non-restructured book continues to be stressed out. We are building in for at least a 30%, 40% increase over this. That should be the increase slippages for two, three quarters is what we believe.

Renish Buwa: 30%, 40% on the normal run rate of Rs.3 billion to Rs.3.5 billion?

Shyam Srinivasan: Yes, maybe 50%, that is the kind of run rate you can expect unless something dramatically caves in.

Renish Buwa: Secondly, just a follow-up on that. So maybe I am assuming large part of this would be coming from the business banking and commercial banking or would it be spread over three portfolios?

Shyam Srinivasan: It would be across portfolio. In fact, if business banking was a big challenge or commercial banking was a big challenge, there would have been a huge drawdown on GECL. Of the eligible book, only Rs.1,800 crores were drew down, I think 48% or 49%, 50% of our customers did not even want to take it. Otherwise, people would have latched it up, right?

Ashutosh Khajuria: I just wanted to add in that, Renish. See, there are about Rs.237 Cr worth of accounts otherwise would have become NPA in this quarter. But for the direction from the court, we could not classify it. So certainly, in third quarter, if the number increases, that partly could be because of this carrying forward also. But then provision for that has already been made in this quarter itself and even reversal of interest also has been adjusted. So, bottom line will not be impacted, but gross number may increase because you have some carry-forward of September which would come in December after this embargo is lifted. Just do not go by that number in December suddenly that why this number, I mean, suddenly is shooting up. One is, of course, because of COVID, there could be some increase in the NPA number, and the rest would be the carryforward of September.

Renish Buwa: So, you are saying the interest reversal on this Rs.2.4 billion portfolio, we have already adjusted in this quarter itself?

Ashutosh Khajuria: Yes, interest reversal as well as 15% provisioning which is required for substandard.

Renish Buwa: So, this interest on interest waiver case which has been now hearing on the 2nd November, so sir, what sort of impact do you foresee let us say, that has to come out in favor of the borrower where they might get some extra money...?

Ashutosh Khajuria: There are two outcomes of that. One is, it is borne by somebody else other than the bank; it could be government or whatever it is. That is one outcome. If that happens, nothing is going to impact, the bank's balance sheet would become a receivable on the side from the government and to that extent, customers account would be debited. So that is one scenario. The other scenario is supposed worst case scenario, banks have to bear it and all. We have provided for that also.

Renish Buwa: And if you can quantify that number would be helpful?

Shyam Srinivasan: Rs.9.7 crores. It is there in our disclosure. We have made a provision for it and we have disclosed it. For less than Rs.2 crores, if there is an interest on interest on the current portfolio, the impact up to now is Rs.9.7 crores, which we have provided.

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

Pranav Tendulkar: So, my question, one is that if we see from 2013 asset quality cycle, the loss given default was arising because of disinvestments. And in 2017-'18 cycle, obviously, it was IL&FS and then GST and demon. But loss given default in this cycle could have been very, very less because it is just a temporary capacity underutilization rather than disinvestment. So, am I wrong here because there are some sectors like airlines and hotels which will take long time to normalize, but that has already been restructured. So, loss given default could be very less probably because there are not disinvestments or miscalculations from promoter's part. Am I right or am I doing some mistake?

Shyam Srinivasan: No, no, I think you are right. The only two points to that, Pranav, would be certain amount of demand has been destructed, that is unlikely to come, so some demand is delayed, some demand is deferred, some has been destructed, that unfortunately, is unlikely to come back. So, to the impact, how much demand has disappeared, to that extent, people would have lost income, people would have lost revenues and that may play through in non-payments. Hence, there may be a higher increase, or, for example, if there are properties, the property valuation may have come down 30%, 40%. My personal belief sometime mid next year or later part of the calendar '21, things will come back. But through this period, we have to live through this pain and reduced income and therefore impairment in payment. I do believe if restructuring is done sensibly and for the right customers. We will all win because customer if he chooses to honor all his obligations, we are only deferring and it may not be a denial. So, your observation is right, but not entirely in the context that some demand destruction has happened. And I am not talking of airlines, cinema, theater and all that stuff, which has really genuinely gone. Thankfully, we do not have any presence in those businesses. So, I am as much a watcher as many others are.

Pranav Tendulkar: So, fee income was really good in this quarter. And can we assume that this kind of fee income will continue like card income was really good, third-party distribution was good, rest of the loan origination fee I think was really good. So, can we assume that this increased fee income would continue?

Shyam Srinivasan: Yes, let me explain some of these lines. Loan processing fee is driven by the businesses that we do. Gold loan has a processing fee. As we do gold loan, that will drive and other credit businesses that are growing well. The corporate team has done a remarkable job on two, three transactions where they have got fee income. Those are transaction dependent, but we have the capability to do that. In terms of card and other fee income, continues to be strong. We have now entered as top-five banks in the private sector bank and debit cards spend. So, we have broken through barrier of being in the top-five. And our teams are working very hard to beat into the next bunch. That is tough because they are much bigger and denominated. But our presence is now material. I do hope by end of today or if you are not already aware about our festival offers, it compares with the country's biggest bank which comes on with superb offers or match that or better that in some instances. So, I think our fee income on cards and related businesses will continue to be strong.

Pranav Tendulkar: On recovery, that is also a trend, or it is just a one-off?

Shyam Srinivasan: We had a superb recovery in Q2 on one account, where there is a transaction on a written-off account, we got Rs.53 crores. So, to that extent, that's a little bit of help by that. We hope there may be other transactions. But yes, one transaction, which was a completely written-off account, we got a full gain on that.

Moderator: Thank you. The next question is from the line of Gaurav Kochar from Mirae Asset. Please go ahead.

Gaurav Kochar: Sir, when you say restructuring of 3% and you also guided for a slippage of around Rs.500 crores if I were to extrapolate Rs.300 crores, Rs.350 crores as normal slippage and around 40% up from there, so this is for this year or you are seeing this for the next maybe six quarters which is still FY'22 along with the 3% restructuring?

Shyam Srinivasan: I think it is hard to predict multi-quarters from now because we do not know how Q3, Q4 will shape up because there is no trend line to establish. Do not catch my neck as the MD guided for Rs.500 crores. Normally I do not want to give a guidance, but because it is a pointed question, I only said that normal run rate can be worsened by 30%, 40%, quickly you arrived at Rs.500 crores. I did not say that, but that is notwithstanding. We do think it will be higher in the next two quarters. But it clearly depends on how the restructuring holds and how the environment shapes up because none of us know how deep the inability to repay has happened. If I look at the hard data today and like Babu very emphatically gave you data, we are pleasantly and happily surprised that the 95% collection efficiency is kicking in on all demands made. And if that sustains, then we may not have as adverse situation. But I do not know. So, I would say, let us take it quarter-by-quarter. December would be a good index. And to my mind, worst will be in the December quarter.

Gaurav Kochar: Coming to the corporate book, we have seen that book degrowing as some repayments would have come in. But at the same time, you have seen some exposures to real estate and NBFC has risen sharply. So, what has resulted in that one?

Shyam Srinivasan: It is the same blue chip NBFCs that we always do business with which are holding out well, and we are happy to do that and that continues. Real estate, there is only one LRD transaction. Again, to a name that we are very happy with.

Harsh Dugar: Also, to add, in the NBFC exposure in absolute terms have been well within the limits of the previous quarters itself. There has been no increase over there.

Ashutosh Khajuria: I think I just would like to mention, for us real estate, there is no portfolio of builder loans as such. It is basically the LRD where the lease agreement is for a period lesser than the loan period. So, then I think as per RBI directions, it is to be classified as Commercial Real Estate, (CRE). So that is the reason. And these are very large lessees, MNCs, big names which we are quite comfortable with. So, they do not enter into agreements beyond five years or so, whereas the loan tenor would be eight years, seven years, ten years like that.

Gaurav Kochar: And then the HFC exposure has come down a bit. Is it because of the stressed HFC that is paying back? Has that exposure come down?

Ashutosh Khajuria: One large HFC has paid back, yes.

Gaurav Kochar: What would be the quantum of unlocked gains in the investment book?

Ashutosh Khajuria: My goodness, we normally do not share that, but I think I can simply tell you that those gains are held to maturity. So, let us not bet on that. So, whatever we have trading book, we keep churning it and realizing. It is a handsome four-digit figure.

Gaurav Kochar: On the OPEX side, the employee cost was flattish despite there is pension related cost in this quarter and on the other OPEX spend while last quarter, we saw some improvement there, but in this quarter, I think it has gone back to normalized level. So, should we assume this run rate to continue going ahead or...?

Ashutosh Khajuria: I think that depends on business model also. In case you are looking for some partnerships or some assignment of loans and all, then what happens is the interest gets credited to interest line whereas the service charges which are paid go to OPEX. So, you may gain on the interest side because you are recovering a particular rate of interest while in an assigned portfolio, the servicing fee is paid to the originator. And therefore, it increases the OPEX. So that is one reason. And of course, when the debit cards and all those fee-related things happens, based on that, I think you have on income side what you receive from others, but on OPEX side, what you pay to others on usage of their ATMs and all. So, these are two main factors. And third is of course 20% straightaway increase on deposit insurance. So, when you compare with September last, you will have this additional DICGC fee on deposit which has increased from 10 paise per Rs.100 to 12 paise per Rs.100 straightaway 20% increase. And with growing deposit portfolio, it further gets aggravated cost wise. So, this is something which is a welcome cost. So, it is not something which we should worry upon. On the staff side, as we have been repeatedly saying that it is a function of how the yield curve moves for the superannuation thing, pension provisions and all. And because yields were constant, we did not have any increase over previous quarter. So that is the story.

Gaurav Kochar: So, this is the absolute cost that we should work with at least for the staff cost?

Ashutosh Khajuria: Yes. In case yields do not fall further.

Gaurav Kochar: One last final question on this, any heads up from RBI on the 4% acquisition of IDBI...?

Shyam Srinivasan: Not yet decided. And just for clarity for everybody, the materiality is very insignificant, Rs.88 crores with the 4%. It would not move the needle one way or other.

Moderator: Thank you. The next question is from the line of Manish Karwa from Axis Capital. Please go ahead.

Manish Karwa: The first question is that just wanted to clarify on the interest income line itself, the derecognition of interest has happened on the accounts which ideally would have become NPA. You said you have made a provision or you have already adjusted from the NII line?

Shyam Srinivasan: Already adjusted from the NII line.

Manish Karwa: Do you clarify the amount of that?

Shyam Srinivasan: If I recall right, it is about Rs.30 crores.

Manish Karwa: So, the reported NII is already reduced by Rs.30 crores?

Shyam Srinivasan: Yes, Manish.

Manish Karwa: And the second question, Shyam, could you also update on the subsidiary especially the Fedfina subsidiary wherein you now have Rs.4,000 crores kind of a loan book, how much is the profits or NPAs out there, and how the trends are shaping up there?

Shyam Srinivasan: They have performed incredibly well in H1 and continue to be well provided. So, I think the profit for H1 after making a significant increase in provision is about, if I recall right, about Rs.16 crores or Rs.18 crores. They made a provision of about Rs.38 crores in excess of requirement, just like we have done in the parent bank and they continue to be performing strongly on gold, all other businesses. Collection efficiency is running at 95% or more, they are doing well.

Manish Karwa: And would we be requiring more capital from Federal Bank incrementally?

Shyam Srinivasan: We think in FY'21 unlikely.

Manish Karwa: And the last clarification which I required was on the likely NPAs that would have happened, the nature of those NPAs would largely be from the SME book or they would be more from the retail side or what?

Ashutosh Khajuria: One corporate remaining is this thing, SME and retail.

Shyam Srinivasan: Is split by all businesses. Babu can give, but it will be like a half and half of the Rs.200 crores from the SME retail and corporate Rs.40-odd crores.

K.A. Babu: All inclusive, it is only Rs.237 crores, so there is no big tickets on this.

Manish Karwa: And you are highlighting that December would be the worst quarter in terms of slippages because this Rs.237 crores will also probably get added to normal run rate which is ideally around Rs.300-odd crores?

Shyam Srinivasan: Not only that no. The highest stress likely to show in this quarter because if you see we have restructured one set of issues, but people either do not qualify for restructuring or for whatever reason are not in the restructuring pool, then they have to honor their commitments like normal. And if they have been stressed like crazy, this is a period that may show up most. So, the Rs.237 crores plus the incremental that may happen in the normal course.

Ashutosh Khajuria: Manish, restructuring eligibility is only up to SMA zero for non-MSME. And for MSME also, it is up to SMA 1. So, I think all those ineligible accounts other than this Rs.237 crores plus your normal slippage of Rs.350 crores, so normal slippage, Shyam has already shared that, you can expect 40% to 50% higher than normal in a quarter plus this carry forward of Rs.237 crores. That is why December could be worse.

Manish Karwa: But as you have also indicated, you do not expect a P&L impact because of provisions already been made?

Ashutosh Khajuria: For this Rs.237 crores, it has been fully provided for, even interest reversal has been adjusted.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: I know you do not give guidance. My question was more like kind of a strategic shift. Every corporate we see they are reducing CAPEX and so the opportunities there are coming down, whereas retail is grown and is this going to be a growth engine going forward in terms of the corporate retail mix? And will that also have a statutory effect on net interest margins as we go forward is one question. I will also ask a follow up question. Like the cost-income on retail depends on what you can do in digitization, what you can do on coorigination and so on and so forth. Is there any change in cost-income that we will also see which is going to be better going forward?

Shyam Srinivasan: Yes, let me try and give you a texture around it. I do not know if you had a chance when we were presenting in February before the COVID breakout, we gave some sort of direction on how the bank is positioning itself, what is the current mix, what is our desired mix, where is the incremental focus, where are the incremental opportunities. And just to remind everybody, we said, we are pitching for being 55-45 retail-wholesale. And we are now at 52-48. We have moved already from 49-51 retail, wholesale to 52 retail, 48 wholesale. And that mix will nicely move to 55-45. So that is one data point. And within the retail, we are looking at business mix between gold, business banking, microfinance, the traditional retail, commercial vehicle or tickets below Rs.5 crores, now RBI has made it Rs.7.5 crores, within that space, we will keep growing, and there is a huge potential for us to grow in that. By definition, some of these businesses are higher margin businesses. And if you take the security sensibly deal with and we do not want to do unsecured in a big way, then the margin expansion is highly likely. And like you pointed out, digitization, leveraging the entire franchise should give us the cost-income benefits. That is how we guided for getting closer to a 48% kind of run rate on cost-income though we are happily at 46.7%, at this point in time, that is also slightly flattered by an outstanding quarter on income side and to some extent, the cost has not yet fully kicked in. Sorry, go ahead please.

Ashutosh Khajuria: Partly because of recovery in one write-off account that also contributed. So, it is not going to happen every quarter. I mean, about Rs.50-odd crores.

Vivek Ramakrishnan: So, going forward sir, is there an opportunity in retail coming now more because of a vacation of the smaller NBFCs struggling for funding or what is the opportunity that you see just going forward post-COVID?

Shyam Srinivasan: I think, see, in some sense, Pranav asked the question, right? I was at the risk of sounding overoptimistic. The India story has not fallen apart. It has only got adverse delayed by a couple of years. All of us believe and continue to believe that retail will be a big growth engine for the country over time. So, I do believe this will continue. And in the near-term, whatever the odds, we will see some whatever slowing down, but retail will continue to grow. So, I do not see any reason why we should not be both growing and gaining share as well. NBFC play in the near-term is giving us opportunity, but I do not think NBFC is the better one who lie low, right? They will come back three, four quarters out. There are a lot of smaller fellows probably will consolidate, fall off, but the bigger fellows are gaining share as well. Everywhere the story is true. The strong are getting stronger.

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

Rahul Gupta: I have two questions. You earlier discussed about collection efficiency for the bank at around 95%. So, can you give some more color on segment wise efficiency like what is happening in mortgage, LAP and SME? And my second question would be that you earlier discussed that long-term target on coverage ratio is 65% to 70%. So, is there any specific target that the bank is looking for in terms of NPLs and restructured loans combined for fiscal '21 exit?

Shyam Srinivasan: Babu will give you some specifics, but let me just give you some high-level thing. I actually do not target a GNPA number and a net NPA number. I want to make sure that we have provided right and the quality is right. Outcome of that is a number, right? The history of the bank speaks for it. For 10 years, we have never had more than 3% gross NPA barring two occasions. So that speaks to the quality of how we have been doing business, and we will continue to make the best effort to keep our credit quality intact. And even through the pandemic, if we can live through and just not get into a mess, we will be the happiest bunch of people. So that should tell you the team is not 65%-70%. We may be at 60% also. I do not want to be guided by 65%-70% as any material number. We have brought it up from 46% to 60%-odd. This quarter by the fact that we have provided higher for existing NPAs and there were no new NPAs, the ratio has become 65%. I think early 60s is a good place to be in given our portfolio. I am not guiding for 70% in a hurry because 10% is Rs.350 crores just for clarity. I want to make sure that we are doing sensible stuff on all counts. And we have got like Rs.500 crores plus in the standard asset provisions which if you add up does come up to the higher number. But in terms of collection efficiency, Babu, do you want to give any color?

K.A. Babu: Yes, I do have the numbers right now. As we said, our average collection across the loan book is 95 percentage efficiency. And if you break into retail, it is 91 percentage. And this commercial banking, business banking, it is 93 and 95 percentage. In corporate, which is 99.10 percentage. So everywhere it is more than 90 percentage. Average is 95%.

Moderator: Thank you. The next question is from the line of Simranjeet Singh Bhatia from SMC Global. Please go ahead.

Simranjeet S Bhatia: First of all, I want to ask that what is the percentage of the gold loans in your total advances right now?

Ashutosh Khajuria: 10.2%.

Simranjeet S Bhatia: And what is the maximum cap you are looking for it, means, as a percentage of total advances in the gold loan going forward?

Ashutosh Khajuria: Presently, we have a 15% cap which is a very old cap continuing because I think in 2015, in the earlier era, we had seen that about Rs.7,000 crores, which was closer to about 13%, 13.5% of our total book, that was in September '15 or so, nearly Rs.7,000 crores absolute number. So, from there, it had fallen to Rs.4,800 crores and again, risen, now it is closer to Rs.12,700 crores.

Shyam Srinivasan: We will keep it at 15% at the peak.

Simranjeet S Bhatia: My second question is you have shown a provision of Rs.592 crores in the Q2, which includes Rs.400 crores of COVID provision. So, if I exclude that, it comes to close to Rs.192 crores. Means, I want to understand, going forward, what will be your provisioning maximums in the upcoming quarters because in the Q1, you have provided for Rs.185 crores for the COVID provisioning, this time it is Rs.400 crores, is COVID provisioning over with now or it will go further, I mean, if you can throw some light on that?

Ashutosh Khajuria: I think we had this Rs.186 crores of carry forward, which you are rightly saying. Rs.93 crores was made in March and another Rs.90 crores was made in June. So total Rs.183 crores we were carrying forward. Now we have added just because in the month of August, in the monetary policy, this restructuring thing came into picture. Before that there was no such announcement. There was only moratorium. And we were going by our LGD, and we were trying to increase our coverage based on a loss given default which was sub-40 always pre-COVID and all. We had been keeping about 45% to 50% PCR excluding technically written-off. So, we gradually in March and June quarter, took it up to somewhere around 59% because of the COVID uncertainties. We said, okay, maybe earlier, LGD was below 40 somehow maybe because of a fall in price of the underlying collateral securities, there could be higher LGD and all. So that was the approach. In August, we had the monetary policy in which the restructuring related thing was announced. So now we started running our risk engine to appraise three different scenarios and based on that what is the most likely scenario, and based on that, when we approximated a sort of size of restructuring. So, on restructuring, the guidelines came that we have to maintain 10% provision. So, we arrived at a number and provided 10%. I hope that clarifies.

Simranjeet S Bhatia: Yes, yes. And sir, your cost-income ratio is now at 46.7% which is lowest of the 25-quarters we have. I was going through your presentation of Q1 also. And this time, again it has come down to 46.72%. So, will this trend go forward?

Ashutosh Khajuria: As we have said, I think it is basically because of more of income that has come in this particular quarter. And as a result of that, it has come to 46.72%. We have been guiding all through that it is going to be between 46% and 50%, around 48% or so in normal period because we need to invest in technology, we need to invest in the skill set areas where there are gaps if any and we also have to look at some brand building and all. These are some areas if we have room, we will go for that at all, mainly in technology side and all. So, this is something which we always have been sharing and all. I think going forward depends, I mean, how the income streams play.

Simranjeet S Bhatia: Your net interest margin is at five-quarter high. We can expect this run rate to continue this high of NIM?

Ashutosh Khajuria: This has been a trend for almost three, four years barring three quarters September, December, March, when it had come down to 3%. Because this 3.13%, 3.15% this is the range we have been playing all through, 3.10% to 3.20%. That is our normal range where we have come back.

Simranjeet S Bhatia: How you see going forward restructuring in the MSME segment, means, if you can throw some light on that in the upcoming quarters, what is the sense you are getting at least right now in the present situation?

Ashutosh Khajuria: See, MSME restructuring is going on for the last almost three years. Initially with Kerala floods in 2018, then subsequently, all India announcement first, it was for the state of Kerala through SLBC in Kerala and all that and later on for the entire country this MSME scheme came and all. So, there is no surprise element in it. It is only an extension of the existing scheme which is getting extended by another three months. I mean, in fact, from March to December, already it was announced and now December to March of 2021. So, it is only extension of that and a good chunk of MSMEs who were already looking for it have already availed it off. So that you can see some minor addition in our restructured standard asset book. It is lying there.

Simranjeet S Bhatia: As Srinivasan sir has just shared the thought that some NBFCs are consolidating and they are going to be consolidated and stronger will become more strongest, my last question is that - are you looking for some acquisition opportunity going forward means in the NBFC space based out in Kerala or in towns?

Shyam Srinivasan: At this juncture, there is nothing on hand. We have not evaluated anything. Certainly, if something comes up and meaningful, we will. But I think our organic capabilities and ability to grow organically. And wherever selective portfolios are there, we are happy to look at it. But nothing on the cards right now.

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

MB Mahesh: Just a question on collections again, comes back from investors and rightly so. They keep asking, look, how is it possible that the system is able to get back to 90%-plus collection efficiency in the month of September given what one has seen on the ground. And some of the anecdotal discussions that one has when you do your channel check suggests that the ability to releverage the borrower has been quite high either in the form of debiting interest on the working capital, giving him additional loans, using the credit guarantee scheme, it does not represent the operating cash flow of the customer. How have you seen in your portfolio on this aspect? And also, on the retail side, how long is the savings going to sustain for the customer to make the repayment or is there anything more to read into this collection number that you have shown for the month of September?

Shyam Srinivasan: Mahesh, I will tell you, this question is absolutely valid. We ask ourselves the same question and we want to keep checking regularly. The answer lies in the fact that if the stress let us say economically, the worst is over and if you have given customer like Ashutosh pointed out through the reschedulement an opportunity to defer by six months and if they are beginning to honor their first commitment of September is the first demand, and the sign is that everybody is stretching themselves to honor their commitments. So, some hope is that it should continue. And that is why I said if this stays and does not get too adverse, then the level of intensity of badness comes down in the subsequent quarters. So that is one data point. The second is that the collection efficiency is also depending on if you are a relatively the primary bank for your smaller customer, and you are at the doorstep, there is a chance that you will get the money as we have got the money. The third, I think the level of badness in the environment is probably a little more exaggerated at this point in time in the mid and higher level of customers. In the lower end, I do think the intensity of the problem is higher. But the mid-level customer, particularly the kind of profile that we have, I do not think that the damage is as bad as we all visualize. And to some extent, our portfolio is more tier-2 semi-urban kind of profile where the impact has been lower.

MB Mahesh: And just one additional question on this. There have been some discussions that the borrower has been able to releverage himself through alternate mechanisms to repay the loan. When you look at your portfolio, is that thought process correct?

Shyam Srinivasan: Some amount of GECL money has come back to repay, no, GECL money has come back to repay customers, particularly commercial banking and small businesses, they have used that money. The question is on the incremental demand, are they honoring which we will see in the coming quarters.

MB Mahesh: If this condition holds that you are able to sustain your collection efficiencies as closer to current levels, do you think you have reached a point where you can start focusing growth at a much stronger pace as compared to what you have done so far?

Shyam Srinivasan: I do not want to sound arrogant or very cocky. Honest to god, we have not been constrained by mental or physical time to get growth. If there was demand, I was happy to fulfill it. In no business, we were saying, no if the goodness of the client was there. It is just that demand was relatively modest. So, if demand comes back, we are more than happy. We have liquidity, we have credit appetite, we have risk appetite, we have collection and distribution capability. It is just that demand have to come...

Ashutosh Khajuria: And we have capital.

Shyam Srinivasan: Demand has to come, that has been very modest. Having said that, some pickup we have seen in September and even in October. And even now, while many are saying, it comes to 95% and 100%. In our case, it has come to 75%, 80%.

Moderator: Thank you. The next question is from the line of Prakhar Sharma from Jefferies. Please go ahead.

Prakhar Sharma: Just a little digging on the collection data. You said that at a portfolio level you have had 95% collections. Can you clarify that within the loans that were under moratorium till August, what is the level of collection in that just to get a pulse? So, I understand your 3% restructuring and all, you have given us an overall picture. But I am trying to understand how are the moratorium loans trending up?

Shyam Srinivasan: The moratorium loans, if they had not paid, then they would have been in the SMA-1, 2 categories because they would have had slipped right, I mean, they would have had one bucket slip. I think in our disclosure, we said… Babu, if I am right, Rs.764 crores, right, that is the number that we have shown in our disclosure where...

K.A. Babu: Yes. Rs.764 crores.

Shyam Srinivasan: That number is the number that Babu mentioned at the top of the call, 1.5% of the moratorium book, Rs.764 crores on Rs.34,000 crores or something was the moratorium, right, Babu?

K.A. Babu: Yes.

Shyam Srinivasan: So that is the number to you. It is there in our results announcement, I think point #11 or 10 or something. Anand, you may remember better.

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

Manish Shukla: As you mentioned in your opening comments, liabilities has been one big success story for you. At 5.1% on cost of deposits is a large part of benefit done or you see this blended cost of deposits falling further?

Ashutosh Khajuria: It has almost done, hardly 10, 15 basis points.

Shyam Srinivasan: Yes, it is at near top, near good.

Manish Shukla: Because the reason I ask is that, hopefully, in three to six months' time, we will be talking about growth as well, which will put you in a position of choosing between margins and growth which is a good choice to have. How would you look at it then given the cost of funds assuming cost of deposits are ballpark at 5%, 5.1%, choosing between margins and growth, how do you think you would approach it?

Shyam Srinivasan: I think all along, I do not want to sound as though we know it all. But all along, we have tried to keep this debate on it is not either, or we have to figure out both. But quality and the goodness of the portfolio would be a #1 priority. And within that, we have developed our metrics on where we should be giving higher thrust essentially around the relatively higher margin businesses, and that is where we will give our attention to.

Manish Shukla: Just to clarify, the 3% likely upper limit for restructuring, that takes care of your entire loan book, right, wholesale, retail, SME, everything?

Shyam Srinivasan: Yes.

Manish Shukla: Just one clarification, the Supreme Court standstill on NPA recognition, that applies to all loans or only to the moratorium loans?

Ashutosh Khajuria: All loans because it says after 31st August you are not supposed to recognize any new NPAs.

Manish Shukla: So even if that asset was not under moratorium before 31st August, still you cannot?

Ashutosh Khajuria: That decision does not talk of any moratorium. Babu, please go ahead,

K.A. Babu: Yes, there is no separate discussion about moratorium or non-moratorium. Account can be classified as NPA. So, it is across the loan book the restriction is existing.

Ashutosh Khajuria: As far as the revenue lines are concerned, we have already recognized that. We may not have declared a particular account as NPA, but whatever treatment was required for the books, like provisioning for that, interest reversal, that has already been done.

Manish Shukla: Last question is, can you give me some color around the SMA-1 and SMA-2 book as of end of September vis-à-vis how it was as of end of Feb?

Shyam Srinivasan: SMA-1 and 2 is now at our all-time low, sub-1%. It is a little flattering. I do not want to misguide because to some extent, activities have been lower, so maybe the picture will emerge in Q3.

Ashutosh Khajuria: And also, I mean let us qualify by saying that because up to 31st August, there was standstill. So, your meter starts from 1st September. So, this could be one of the reasons of this being all-time low.

Manish Shukla: Yes, fair enough. I am just talking about the new meter system and under that, how does the life look?

Shyam Srinivasan: As of now, it is sub-1%.

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

Pranav Gupta: Sir, just a couple of questions. So, first question is on capital. So, we have seen all the large banks raise capital, but none of the small banks have done so. The sense that we have gotten is that it has largely been a push from the regulator. Have we had any discussions with the regulator? And if so, what has the sense been there? And otherwise also are we looking to raise capital in the near future?

Shyam Srinivasan: Let me just give one fairly decisive answer on this. Answer is no. We have not been in the market nor are we looking at anything now. We have had conversations. Some very interested parties looking at preferential. If the terms were interested, we would have. But right now, as I speak zero. We are not looking at any capital action just now. I said this in the last three calls. We thought after March '21 will be the right time. If you see this quarter, our capital adequacy has gone up, both CRAR and CET1. We have not had any conversation, either with the regulator or anybody to require to raise capital. We are well capitalized at this point in time.

Ashutosh Khajuria: This CRAR has gone up despite the true profit not being taken into consideration. So, we are going by that because this improvement is more to do with the standard asset provisioning and also the reduced risk weight and all.

Pranav Gupta: Second question on notes-to-accounts, it says that amounts for SMA overdue where the moratorium or deferment was extended as on March was about Rs.3,500-odd crores. And now

Shyam sir spoke about SMA sub-1%. So, is it fair to assume that the rest has regularized itself or am I misreading it somehow?

Ashutosh Khajuria: I think I have already responded to that the reschedulement of the EMIs and all has taken care of that na?

Pranav Gupta: No, no. Maybe I did not articulate my question well. So SMA as on 31st of March was Rs.3,712-odd crores and now it is sub-1%, which would imply amount closer to Rs.1,200-odd crores. So, this reduction has been largely because these accounts are regularized themselves or what has led to this reduction, was my question?

K.A. Babu: Rs.3,713 crores I believe that is the number that we are referring to. That is the number that we disclosed in the month of March as a part of our annual disclosure. That was for regulatory disclosure requirement for moratorium and standstill benefit book. And then out of which, in the month of March, we have again declared that Rs.303 crores was the number, that was given the standstill benefit, for which we had to provide and we did provide for that. Now against Rs.3,713 crores, now the number stands at Rs.763 crores, which is also a part of the disclosure of these quarterly results. So, if we discuss about what is the remaining part of that Rs.3,713 crores, the balance amount is only Rs.763 crores. What Shyam sir was referring to is the entire loan book. The Rs.3,713 crores is from the moratorium book, out of which Rs.763 crores is remaining. The entire SMA-1 and SMA-2 together comes to only less than 1%, that is what Shyam sir was referring to.

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

Darpin Shah: So, sir, just to clarify, you mentioned that slippages can increase 30%, 40% from the average numbers of Rs.300 crores, Rs.350 crores, right?

Shyam Srinivasan: Yes, I mean, I think that line of mine is now etched in everybody's memory. But yes, that's what we think, 50% increase from Rs.350 crores, yes.

Darpin Shah: This Rs.300 crores, Rs.350 crores is excluding corporates, right? Am I understanding it right?

Ashutosh Khajuria: Non-corporate.

Darpin Shah: And any color on corporate?

Ashutosh Khajuria: Nothing in pipeline as of now.

Shyam Srinivasan: Yes, right now looks okay, Darpin.

Moderator: Thank you. The next question is from the line of Kaushik Poddar from KB Capital. Please go ahead.

Kaushik Poddar: See, the point is, I think the performance was great, operating profit is the highest quarter wise. When you are investing in a midcap company or a midcap bank, the expectation is that their growth rate will be higher than that of the top ones. See, HDFC Bank is still growing at the rate of 20% I think on the deposit side and 12% on the advance side. And yours is nearly half or maybe 60% of that. All these quarters, I mean, it is constantly lagging that of say HDFC Bank. So, can we expect ever to get that kind of growth level both on the deposit or the advance side?

Shyam Srinivasan: Kaushik, I think on the growth side, we will not try to match up to those numbers, in the sense that they are growing at 20% because the business model, risk appetite and maybe pricing muscle is different from ours. In good times, we were growing at 20%-odd. As markets have had challenges, we have scaled it down. And we have chosen businesses where we are growing at 50%, 60%. And that is how we will grow. Blended, this year, like I mentioned, if we grow at 8% to 10%, we have done brilliantly. HDFC's growth, I seriously cannot comment because they are willing to buy corporate credit at 4.5%. I cannot afford to.

Ashutosh Khajuria: And March '16 to June '19, we have been growing above 20%. So, this is only...

Shyam Srinivasan: His question around, can we match that? Answer is in certain areas, yes, but not at a portfolio level. We will be in the top quartile, and that will continue.

Kaushik Poddar: That is the kind of benchmark you have. Okay. And are you doing anything to take care of the shareholder value front, I mean anything you are doing organic, inorganic, something of that sort?

Shyam Srinivasan: I do hope I have an answer for that. Honestly, that is one question that dodge us. We do not have an answer saying despite strong performance we are not getting the traction. So, we believe that every quarter as we do better, one day it will click and it will come through. Other than that, nothing right now that is lined up. We have no merger or acquisition plans as we speak.

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

Shyam Srinivasan: Nothing to say other than thank you very much, stay safe, and we are doing our very best to live through this and our team is doing a great job and thank you for all your support, thank you very much.

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