

“Lakshmi Vilas Bank Limited, Q1 FY19 Earnings
Conference Call”

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**MANAGEMENT: P MUKHERJEE – MD AND CEO, LAKSHMI VILAS BANK
LIMITED**

Moderator

Ladies and gentlemen good day and welcome to the Lakshmi Vilas Bank Limited Q1-FY19 Earning Conference Call. As a reminder all Participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and ‘0’ on your touch tone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. P Mukherjee – MD and CEO, Lakshmi Vilas Bank Limited. Thank you and over to you sir.

P Mukherjee:

Thank you Janis. Ladies and Gentlemen, welcome to the Lakshmi Vilas Bank analyst call. You would be having the press release with you and would be aware of the results by now. I propose to discuss some of the salient points with you. You would all recollect that we have had a very difficult fourth quarter of FY 18. I am happy to say that the recovery process is on and it has reflected in the sequential numbers we have reported today. I stand by my statement that at the year-end that the worst is almost over for us. I discuss capital raising to begin with and then get into the numbers. We are going to the general body for approval to issue up to 15 crores additional shares through various routes including a QIP issuance. The bank is quite confident of raising the required capital during the year.

The business mix of the bank stood at Rs. 58,600 crores against Rs. 52,712 crores as at June last year. The balance sheet size stood at Rs. 38,407 crores against Rs. 33,737 crores the previous year. Similarly, the lending book was at Rs.26,127 crores against Rs. 23,236 crores last year. That is a growth of about 12.5%, and I must point out that at March earlier this year, at the end of March we had a Rs. 27,005 crores, which reflects drop in the book over the quarter. Our deposits grew 10.2% to 32,473 crores. Out of this CASA grew by 22.1% to Rs. 6,963 crores. On a daily average basis, the CASA was at 19.60% while at the quarter end it was 21.45%. It may be noted that the daily average number for the corresponding quarter of the previous year was 18.04%. Total revenue for the quarter came in at Rs. 787.51 crores against Rs. 927.26 crores last year. That is about a 15% drop. However, this is an improvement upon the 4th quarter number of Rs. 740.91 crores. Keeping in mind the somewhat shaky circumstances that we are operating under, there has been considerable efforts to keep expenses under check.

Operating expenses at Rs. 183.96 crores was only 4.58% on a year on year basis. And Actually fell 19.31% if I was to compare with the previous quarter sequentially. Consequently, the operating profits came in at Rs. 6.75 crores as against a loss of Rs. 69.25 crores in the previous quarter. However, we did have a profit of Rs. 199 crores in the corresponding quarter of the previous year. The net interest income for the quarter was Rs. 130.20 crores. This is of course about 67% less than what we were having in the corresponding quarter of the previous year, that is Rs. 217 crores. Though we have in fact improved from the sequential previous quarter, where we were Rs. 120 crores. The net interest margin at 1.48% is marginally up from 1.34% in March, though below the 2.63 % y-o-y. The impact of the 4th quarter higher slippages can be clearly felt here. We booked other income of Rs. 60.51 crores. This is a significant rise over the month of Rs. 38.28 crores in March. Though the number for the corresponding quarter of June 17 was Rs. 157.30 crores. However, it would be pertinent to note here that the previous year number

included a debt market trading profit of Rs. 100.45 crores. Were as during the current quarter we actually had a loss of Rs. 16.67 crores.

I now come to the provisions:

We provided Rs. 109 crores for bad loans for this quarter. This is obviously sharply lower than the Rs. 922.84 crores that we provided in the March quarter. Though it is slightly higher than the Rs. 82 crore number that we provided in the corresponding quarter of the previous year. Similarly, Depreciation on investments was Rs. 54.06 crores compared to Rs. 32.76 crores in the previous quarter and Rs. 23.96 crores in the corresponding quarter of the previous year. I anticipate that as of now incremental provisioning for the rest of this year for both bad loans as well as depreciation in investments could be around Rs. 350 crores. Obviously, the combined impact of the fall in income and some additional provisions has severely impacted the bottom line. We report a net loss of Rs. 123.87 crores. But this has to be seen against the loss of Rs. 622.26 crores at the end of March, and a profit of Rs. 66.12 crores in the corresponding quarter of the previous year. I will come to NPLs. The gross NPL is 10.73%. Up from 3.78% in the corresponding quarter of the previous year. And 9.98% at the end of March. Similarly, the net NPA is at 5.96% up against from 2.84% and 5.66% in March. However, the provision coverage ratio has marginally inched up to 55.80 from 55.07% in March, and 51.32% last June. The Absolute number for gross NPL is Rs. 2,804 crores. The corresponding number for March was Rs. 2,694 crores. And for the previous June was Rs. 878 crores. Similarly, the net NPL was Rs. 1,479 crores. The March number was Rs. 1,458 crores and or the last previous June it was Rs. 654 crores. I request you to view this marginal increase in the light of the sequentially reduced book. Had the book grown and not reduced the ratios would have actually been quite different. We however, put greater emphasis on capital conservation. As a part of the over all focus on delisting the lending book, we have actually reduced exposure to the extent of about Rs. 250 crores to lower rated and obviously higher risk assets in the corporate book. Similarly, we have consciously reduced exposure to commodity linked loans. These have obviously affected growth.

A word more on slippages:

Total fresh Slippage during the quarter was Rs. 395.10 crores. These came from a large number of accounts the largest of which was an amount of Rs. 30 crores. As a matter of fact, the top 37 slippages between them came to Rs. 274 crores. A larger number of smaller accounts added another 120 crores to the pool. Residual stress in the book is now quite small. I imagine that number would come to around Rs. 600 crores, of it possibly around Rs. 200 crores could come from the corporate book. It is heartening to note that recoveries were robust during the quarter. Gross reduction in NPLs came to Rs. 284. 59 crores. While another Rs. 18 crores came from technically written off accounts. Actual cash recovery was to the extent of Rs. 100 crores. It is our expectation that we will be able to recover around Rs. 700 crores to Rs. 800 crores this year. In keeping with our efforts to broad base our lending book, the proportion has shifted to an extent. The lending book end of June was corporate 43%, MSME 40.6%, Agri 16.0% and retail 9.70%. The cost to income ratio for the quarter was 96.46%. Though this compare quite

unfavorably with the 46.90% of the previous June, it is an improvement over 143.62% that we reported in March.

Capital adequacy Tier-1 stood at 7.64% and the total capital adequacy was 9.45%. The corresponding numbers for June last year were 11.67% and 9.42% and for March was 9.81% and 8.05%. Return on Assets as a result of the loss ROA shows a negative -1.25%, against the .74% last June and -6.22 last March. Return on equity similarly the ROE comes to a negative -23.72% against 13.14% last June and -117% last March.

We now have 561 branches, including 2 specialized personal banking branches and 7 commercial banking branches and 1031 ATMs spread across 19 states and 1 union territory, apart from the above we do have 2 retail asset centers. I would also like to add a few qualitative highlights for this quarter. All our ATMs have been enabled with phone number and IMPS transaction facility as well as the IMP facility. We are one of the few banks in India, who has this coverage across all ATMs.

Agri based Gold loan subvention scheme has been activated. This helps the customers to avail upfront subsidy in terms of interest rates. Our dynamic flexi current account has been re-launched and it has received a very warm response from the customers. We have also launched our prepaid and gift card offering which we expect to give a significant leg up to our retail business. Our first disbursements through the business correspondent route have also just taken place. And I am hopeful that this will also help in our financial inclusion our reach as well as supplement our priority sector lending. I will stop here at this moment and I would be happy to answer the questions that you might have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question answer session. We take the first question from the line of Amit Singh from B&K Securities. Please go ahead.

Amit Singh: My first question is regarding the watch list which was somewhere close to Rs. 400 crores last quarter. What has happened to the watch list and what is it right now?

P Mukherjee: Sure. At the end of the last year, if you recollect at the beginning of the last year we had declared a watchlist of about 2500 out of which about 2200 odd eventually did slip. So, we had what was left of something like 300 and that watch list more or less remains. Some of it might have slipped in the first quarter. What I declare today is basically the list that I have today. This includes even the minutest accounts in the SME sight. So, I am having included all sorts of accounts I am saying that incremental stress based on the specimens and accounts that I have at the moment would be in the region of about Rs. 600 crores. Out of which the corporate book would probably be about 200 and the remaining would be from SME and retail.

Amit Singh: Alright. And sir, what is our SMA-1 and 2 number?

P Mukherjee: I have SMA-2 numbers ready with me. And as of last 5 days, my SMA-2 numbers were in the region of about Rs. 580 crores.

- Amit Singh:** Okay sir. If you can throw some color on the slippages, I mean where exactly it has come from.
- P Mukherjee:** Well as I said, these are relatively granular. Now unlike what used to happen in the past. As I said the biggest slippage was something like Rs. 30 crores for the trading account. A trading Entity. So, the total number of slippages have come from a very large number of accounts. Many of these where in fact very small in number, but all added up to the number that I declared.
- Amit Singh:** Okay. Sir also if you can show some details about the Religare issue; as to what exactly has happened and what is our stance at present.
- P Mukherjee:** I must start by saying that the matter is in the court. So obviously we can't say too much. But what I can say is this was a regular customer transaction that had happened way back in end 2016. And the bank accepted its term deposits and lend against them, however, the customer for whatever reason best known to them has contested some of these aspects. We are contesting the matter quite vigorously in the court and we believe that we have a very good case. However, we will await the response of the court finally.
- Amit Singh:** Okay sir. So, before that it was all standard account?
- P Mukherjee:** That is correct. I mean the deposits have been set off against the loan. So, the matter is no longer on our books.
- Moderator:** Thank you. The next question if from the line of Sanjay Verma, individual investor. Please go ahead.
- Sanjay Verma:** Hello, I would like to ask book keeping question can I have your SMA-1 amount?
- P Mukherjee:** As I said I readily have with me the SME 2 numbers which I gave out. But I can say that the total SMA book including everything SMA 0,1,2 would probably come to about Rs. 1200 crores or so.
- Sanjay Verma:** Another question is, which quarter the gross NPA coming down? What you think on it sir? Sir do we have any plan or strategies for reducing the gross NPA?
- P Mukherjee:** Oh indeed. Absolutely. As I mentioned earlier, this year itself it is our expectation that we will recover about Rs. 700 crores to Rs. 800 crores of the bad loans. And hopefully once I raise capital I will be growing the book too. So, my sense is, very comfortably the gross and net NPLs will come down this year.
- Sanjay Verma:** Okay. One more thing sir. Can I get your investor relations number?
- P Mukherjee:** I don't have it right here. Please note down my email id, please send me a request and I will send you the number in reply. My Email is: p.mukherjee@lvbank.in. I will get the investor relation number for you the moment you write to us.

- Moderator:** Thank you. We take the next question from the line of Amit Singh from B&K securities. Please go ahead.
- Amit Singh:** The last quarter we had declared Rs. 300 crores of watch list. I want to know how much of that has slipped during this quarter.
- P Mukherjee:** Not much actually. From that watch list perhaps, that was largely from the corporate side. About 50 or 75 would have slipped from that.
- Amit Singh:** Secondly sir have you taken any dispensation on MSMEs?
- P Mukherjee:** Yes, we have.
- Amit Singh:** Can you quantify the amount.
- P Mukherjee:** It will be something in between Rs. 93 crores to Rs. 95 crores. The Exact number I don't have with me here.
- Amit Singh:** Okay. And the next question is, what is our expectation of growth going ahead?
- P Mukherjee:** Actually, growth opportunities are there. One has to be somewhat careful. I have been particularly circumspect about the quality. You will appreciate that because I am strapped for capital, I had been careful about growing the book. But my sense is that, provided that I raise the capital quickly, in which case I think it will not be unreasonable to expect that by the year end we would have grown to the extent of about 10% to 12%, I would imagine. Not unlikely.
- Amit Singh:** And sir, one more thing. In your opening comments you gave the sectoral break up of our advantage books. So, a you please give it once again.
- P Mukherjee:** Absolutely, just one moment please. I will start with the corporate side actually. Corporate was 43, MSME was 30.6, Agri is 16.6 and Retail is 9.7.
- Amit Singh:** Okay. And sir, what is our operating profit if we exclude the treasury effective for the quarter.
- P Mukherjee:** Total it was actually a bit higher. Just one moment please. If I remove the treasure loss, its about Rs. 23 crores.
- Amit Singh:** And sir what is our estimate for the full year, operating profit if we exclude the treasury effect?
- P Mukherjee:** I don't wish to make a forward-looking statement on the operating profit at this moment.
- Amit Singh:** I think our presentation is yet not out. If you can give the movement of gross NPA?

- P Mukherjee:** If you are ready to note down I will give it to you. I started off the quarter at Rs. 2694 crores, addition during the year again the quarter was 395 crores, upgradation and recovery was Rs. 285 crores and we ended at Rs. 2804 crores.
- Amit Singh:** And sir, what is our expectation for margins for full year margins for FY 19.
- P Mukherjee:** You will appreciate that I have been bearing a huge burden of NPLs and so the margins will be a function of how much I push out. So, I slightly expect that this year I should close some are in the region of two quarter or so. Eventual objective is to work towards the higher tools. But this year probably with luck I will end up at 2 quarter or so.
- Moderator:** Thank you. We have our next question from the line of Janvi Goradia from Motilal Oswal Asset Management. Please go ahead.
- Janvi Goradia:** Sir, you mentioned that the Rs. 580 crores are basically the SMA-2, which is mainly granular in nature apart from the Rs. 200 crores of corporate books. And I am assuming that large part of the slippages would be coming from, if not the watch list then from the SMA-2. And if I where to go back and add this number to the 2500 crores of watch list you had guided at the beginning of last year, how has the over all stress moved in the last 4 or 5 quarters, including the corporate and SME.
- P Mukherjee:** So, I would like to put it to you his way Janvi. We are discussing 5 quarters. The bulk of the corporate stress played out in the first 4 quarters. This particular quarter quite frankly the corporate book has behaved itself quite well. Increasing we do observe, a fair degree of stress in SMEs I must confess. I have also seen a bit of a problem on the commodity lending side. SO that is contributed to some extend to the stressed book that I have beat during this period. But as things stand I suppose these are all normal manageable stress items but the fact remains, and it has been a pleasant surprise that the corporate book has done rather well during the quarter.
- Janvi Goradia:** So, what particularly went wrong in this quarter or was the stress on SME building up for a large part of the previous year or maybe before that. I am just trying to understand what went wrong this quarter.
- P Mukherjee:** I don't use the term went wrong. In the sense that I think even in a steady state you will probably find that some SME losses would happen. You will appreciate that while I lost money to the extent of 395 to begin with, we just recovered about 284 too and a bulk of that was in fact from SMEs. You will appreciate hat even intra quarter we have recovered quite a few. And so that's a particularly redeeming in fact and that actually helps particularly your SME side were normally recoveries are much more robust. At the same time a few slippages will happen all the time. I really wouldn't say that we have had a very major problem there. I did find some stress on the commodity lending side, where we have consciously decided to exit.
- Janvi Goradia:** Okay. And this SMA-2 number of Rs. 580 crores, that includes the watch list of Rs. 300 crores are it?

- P Mukherjee:** That's correct.
- Janvi Goradia:** Okay. So, can I conclude, therefore, that the overall stress per se. if I were to look at indicators of stress, which would basically mean SMA-2, for both corporate and SME put together here on is Rs. 580 crores.
- P Mukherjee:** That's right.
- Janvi Goradia:** And you mentioned that you expect recoveries Rs. 700 crores to Rs. 800 crores going ahead. So, if you could explain where do you expect this to come from?
- P Mukherjee:** There is intensive effort to recover loans in interaction with the borrowers' consent is there. We are also negotiating to sell loans where ever possible. We are interacting with ARCs and others to see if we can dispose off loans to the extend we can. Branches are very active in supporting the recovery effort. The recovery team at corporate office is strenuously pushing recovery. So, all of this will add up to the numbers that I am talking of.
- Janvi Goradia:** Okay. So, it's not coming from the expectation of any resolution on the NCLT1 accounts?
- P Mukherjee:** I don't say that. I mean first of all I must confess that I don't have too many of those accounts really. Some if the big ones in fact that we might have discussed earlier have already been sold. Where there have been perhaps resolutions. My sense is, sort of accounts that I have on my book here we are not really talking of NCLT resolutions. But you could look at other resolutions. Bipartite resolution is possible yes.
- Janvi Goradia:** Okay. And sir if you have got of the 2800 crores of NPA, how much is now corporate vs SME. If you could give the split?
- P Mukherjee:** You are now becoming very demanding. But let me see, we will give it to you. Out of my 2800, 26% comes from infra, 18% comes from basic metals and metal products, 5% is from tech sides, 3.5% comes from mining and then the others are small.
- Janvi Goradia:** Okay. Sir in terms of capital raising, what's the plan and how are we looking at it.
- P Mukherjee:** I am hoping to raise it quickly.
- Janvi Goradia:** I mean any thoughts as to whether it will be a rights issue or a QIP, or how would you take it ahead?
- P Mukherjee:** Its early for me to pronounce the exact route. We are examining all options, so whichever one clicks first. One of the factors was today's results. Now that the results are out of the way I can focus entirely on it. So, you should now see quick action perhaps.
- Moderator:** Thank you. We take our next question from the line of Sameer Alve, an individual investor. Please go ahead.

- Sameer Alve:** I have a few questions. My first question is not just regarding Lakshmi Vilas Bank. But overall industry. How do you see FY19 performing vis-a-vis last year in terms of entry, additions and recoveries based on whatever experience you have in Q1 so far?
- P Mukherjee:** My Sense is, FY 19 should be significantly better than FY18.
- Sameer Alve:** Okay. So, you don't expect lot of additions even in corporates since your corporate book is relatively better this quarter?
- P Mukherjee:** I am actually not typical of the banking system. I wouldn't go by my book. Even assuming, if we were to look at the big banks, my sense is that the bulk of the corporate stress has played out. There could be some residual stress that needs to walk it through the system, which may take may be a quarter or 2. But my sense is that bulk of the stress has indeed played out.
- Sameer Alve:** My next question is regarding a follow-up question on the fund raising. So, after the AGM once we get an approval, can we expect the fund raising to be complete may be in 30 to 45 days after the AGM approval?
- P Mukherjee:** Some of these are specifically time bound program. Some of routes require regulatory approvals and so on. I wouldn't be able to give you a specific time frame. All I can tell you is that obviously, less to myself I would like to have it yesterday. Obviously the sooner I can bring it in, the better for us and that will be our focus. The factor that there are too many are not within my control. So, I really wouldn't be able to give you a timeframe. But certainly, if left to myself, it should come early and at least it would be our endeavor to see if we can get it within this quarter.
- Sameer Alve:** Because you know, I will be very frank with you. This capital raising issue, that is something that is affecting us for quite a sometime. The first QIP that we did about 150 crore or 160 odd crore, we had some delays and issues then. Then last year also we could not grow as much as we could have, because of the capital. And this year also it seems that the issue is recurring. We are not able to grow because we don't have growth opportunities here.
- P Mukherjee:** At the end of the Q&A session I will sum up and I will address some of these points for you.
- Sameer Alve:** No Mr. Mukherjee, what is the sense I am getting is that the capital raising committee somehow, at least as a thirist party view from outsider seems to me is not doing a good enough job. That's a frank comment from my side.
- P Mukherjee:** I appreciate your clarity. But I must disabuse you of your thought actually. We are frivolously working on it. There are far too many challenges. I must tell you that today we are much better place particularly because, unlike in the past a lot of the concerns the market might have had on the book I think should have gone. It should be a lot easier now for us now to raise capital and I think we are very close to now seeing a completely different Lakshmi Vilas Bank.

- Sameer Alve:** Alright. So, the LVB2.0 the growth plan or the vision that was put forward I guess 3 years back, do we still think we will be able to trace back to it by FY20 or is it getting delayed to may be 6 months or another 12 months after that.
- P Mukherjee:** LVB2.0 actually was a 10-year program if you remember and the idea was to entire plan was to take us up to 2026, which is our centenary year. We definitely stand by LVB2.0, definitely expect to achieve those numbers by 2026. May be the interim number 2020 numbers might be set back by a year or so because of the challenges we faced but I think we are committed to 2.0.
- Sameer Alve:** And my final question is, are there any key talent positions that the Bank is still looking to fill, and I guess if I am not mistaken, the Chief Risk officer also after being appointed also he resigned within a short span of time, if my information is right. Any comments on that, I mean why is the talent leaving?
- P Mukherjee:** No. First of all, we don't really have too much of talent attrition. The Chief Risk Officer actually stayed with us for a year and a half. He is an outstanding officer. But for personal reasons, he chose to relocate from Chennai. And I must confess it is a great loss to us. But having said that I must say that the bank is rather well-placed as far as its senior management and middle management is concerned. And we take immense pride in the team that we have with us. From time to time gaps will emerge a we will also look for filling them. I must tell you that there are many officers in this bank who have served out a full life time in this bank. Quite frankly, we don't really anticipate a situation were there would be any major talent challenge. And once the bank starts providing better results, there will be in any case a clamor for positions in the bank. But I must assure you that as far our talent is concerned, we are doing rather well.
- Moderator:** Thank you very much. We have the next question from the line of Jai Mundra from B&K Securities. Please go ahead.
- Jai Mundra:** Firstly, on your treasury side – can you just tell us what is the AFS book in rupees crores and what is the duration that we are running on that book. Because as of now also, you know the yields could remain elevated from where we have ended as of first quarter?
- P Mukherjee:** My trading book, during would be in the region of a little less than 3. The exact size of the book is not very large, but it is about 1400 crore or so I believe. And what was the other question you had.
- Jai Mundra:** Yes. So that was the first question. So still then we are not unfavorably placed?
- P Mukherjee:** Yes. We are alright. We have seen a lot of stress, but incremental stress is not much there.
- Jai Mundra:** Sure. Then sir, can you also talk about the security receipts book. If remember correctly, last quarter it was somewhere around 450 crores. Is there any addition redemption in that book?
- P Mukherjee:** That's the same actually. It was 342 crores and it is 337 crores. More or less the same.

- Jai Mundra:** 337 crores, right?
- P Mukherjee:** Yes.
- Jai Mundra:** Then sir, most of these SR book will also include some of the you know let's say dated NPA. So, do you see a risk of mark down of this book, wherein you may have to provide for coming quarters?
- P Mukherjee:** Actually, our experience has deferred from quarter-to-quarter. Certain quarters we not had to provide, certain quarters marginal provisions had to be made so I am unable to really project at this point how it will behave. But by and large my SRs have been doing alright and I have not really had to give too much of stress there.
- Jai Mundra:** So, let's say 12 to 18 months' perspective, could it be like 20% or 25% may have to provide it?
- P Mukherjee:** That is sort of an extreme or an outside number. Probably less, but for your calculation you may take that. I don't think internally, we have seen it in that light.
- Jai Mundra:** Sure sir. Thirdly sir, on one of the large steel cases which was resolved, and banks had got cash after the NCLT resolution and our exposure was also there. So, I just wanted to check, what is the recovery in that account and what is the treatment? Because some of the banks have taken part recovery in NII. So, just wanted to understand what has happened in that account?
- P Mukherjee:** We are taken it as a direct recovery. I don't think we have taken it in interest rate.
- Jai Mundra:** How much was the recovery.
- P Mukherjee:** The overall exposure for us is relatively much less. We got something like 23 crores.
- Jai Mundra:** Sure. So, then the extra is 284 crores recovery, so that is mostly from SME kind of accounts?
- P Mukherjee:** SME and small corporates also I mean. You will appreciate that our definition of corporate is something that bigger banks might call mid-corporates and so all. So, some of these could be termed as corporates and some of these are definitely SMEs. Very large number would be SMEs.
- Jai Mundra:** Sure sir. One qualitative. I mean the corporate book which has been giving you pain, which is around 10,000 odd crores, how much would it be about 200 crore ticket size.
- P Mukherjee:** None I think. I might have to trouble down for 1 or 2 may be. But offhand I can't think of any. May be there will be dig up 1 or 2 somewhere I will have to check.
- Jai Mundra:** Sure. And sir lastly, the slippages, the problem as you have said, that there are some 500-odd crores of SMA-2 book which looks stressed at the moment, but in terms of provision for that, if it ultimately slips. Do we have enough cushion in the form of net revenue so as to provide for that

kind of a haircut because first quarter trend suggests that we have very small revenue line after deducting the operating expenses?

P Mukherjee: Jai you will appreciate one thing, that unlike what was happening in the previous year, the slippages are largely coming from the SEB side, where we are rather well-secured also and in fact that is reflected in the way we have been recovering also. This quarter in fact in lot of the cases were intra-quarter slippage and recovery and upgradation too. And this is on the strength of the security that we possess in most of these cases. So, to that extent it gives you the comfort that even if we were to slip, a lot of these would be recovered and recovered rather quickly. But I must first start by saying that, what I told you was, these are stressed accounts. I did not tell you that they are going to slip immediately. A lot of them are going to be quite alright I would imagine.

Jai Mundra: Sir, our gross NPA even after all these recoveries has more than troubled in the last one year only.

P Mukherjee: That is correct, but that is largely because of the problem that I took in the 4th quarter. And that was entirely from the corporate book. In the corporate book is normally a bit of a challenge as far as getting recoveries are concerned. But from the SME side and incremental stress is more on the SMEs and retail side where the security position is significantly better.

Jai Mundra: So, I am saying that the outcome of this weak book is uncertain I take your point. All I am saying incase if that slips, are we prepared to take, let's say the regulatory provisioning required, that is the question?

P Mukherjee: Definitely. We are very much in position to handle that. I must also tell you that in this particular quarter, the F&A team took a deliberate decision to actually even despite the rather difficult circumstances provide a little more than what was regulatorily required.

Moderator: Thank you. Ladies and gentlemen that seems to be the last question for today. I would now like to hand the conference over to Mr. P. Mukherjee for his closing comments.

P Mukherjee: Thank you. Well, obviously clearly, the numbers could have been much better. But I must tell you that I personally feel that what we have seen today in the numbers is really an indication that the turnaround is now happening. The Bank has done rather well as far as the liability side is concerned we seen to be doing particularly well in boosting the CASA percentages. Despite the fact that it is usually said that in the South banks normally don't do well in CASA, our Bank has been consistently raising the CASA book and we have more or less doubled the CASA Book over the last 2-2 .5 years.

The stress has been largely contained and what is required now is for us to really boost the lending book. Incrementally, my sense is, the SME and the retail side will be growing much faster. And I do expect to see the revenues will start accelerating quite well. And we do hope to

see that by the end of this year on the net basis we would be profitable. Thank you very much indeed.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Lakshmi Vilas Bank Limited, we conclude today's conference. Thank you all for joining us. You may disconnect your lines now.