"Lakshmi Vilas Bank Limited Q3 FY19 Results Conference Call"

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MANAGEMENT: MR. P. MUKHERJEE – MD & CEO, LAKSHMI VILAS BANK LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Lakshmi Vila Bank Limited Q3 FY19 Results 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. P. Mukherjee – MD and CEO from Lakshmi Vilas Bank. Thank you and over to you Mr. Mukherjee.

P. Mukherjee: Thank you Karuna. Ladies and gentlemen welcome to the Lakshmi Vilas Bank's results conference. You would be having the press release which you and would be aware of the results by now.

The bank's numbers continued to be impacted by the capital constraint that we faced. In the meanwhile the bank has continued with its joint objectives of capital optimization along with the creaming up of the lending book. The bank's capital raising initiatives continue and I will discuss the position a little later. We believe our efforts shall come to fulfill soon enough.

But first the numbers; the business mix of the bank stood at Rs. 54,910 crores against Rs. 55,851 crores on a y-o-y basis. The balance sheet size stood at Rs. 35,805 crores against Rs. 40,597 crores a year ago. The lending book was at Rs. 24,123 crores as against Rs. 25,231 crores a year ago. The bank has been trying to conserve capital. This has been undertaken in three ways, by reducing size which is asset from its book by focusing on increased group funded limits and by adding capital free accounts needing marginal returns thereby rebalancing its book. As a matter of fact today the non-corporate assets constitute about 67% of the bank's book. This risk weighted assets of the bank have been reduced from Rs. 20,545 crores to Rs. 19,380 crores.

The performing book of advances yield is today 10.11%, almost steady from where it was at the end of the previous quarter. However on the gross book owing to higher NPAs the yield for Q3 has been 9.09%. On a year-on-year basis, the corresponding yields performing in the gross book 10.89% and 9.03% respectively. Year-on-year deposit grew 0.55% to 30,787 crores. Out of this CASA grew 8.56% to Rs. 7036 crores. The CASA ratio was at 22.85% and has grown by 168 basis points on a year-on-year basis and in fact 67 basis points on q-o-q basis. But if viewed on a daily average basis as we do in the bank the CASA book grew by 18.65% year-on-year and 1.20% on a q-o-q basis which is a huge positive for us. While the growth might appear to be small we need to take into consideration that this is after a significant reduction on bulk term deposits which came down to Rs. 7029 crores from over 9000 crores a year ago.

The bank has pursier to pull back its bulk deposit ratio given that it was quite high. I'm pleased to share that our efforts have paid off. The bulk deposit ratio stood at 22.83% at the end of the third quarter vis-à-vis 25.66% at the end of the previous quarter.

Cost of deposits on the nine months period of FY19 has been 6.75% as against the corresponding FY18 average of 6.82%. The bank expects to pull down its cost of deposits by almost 75 to 100 basis points in the coming financial year. The credit deposit ratio of the bank stands at 78.35%.

Total revenue for the quarter came in at Rs. 199.91 crores against Rs. 247.01 crores in the corresponding quarter of the previous year.

Operating expenses were at Rs. 225.01 crores against Rs. 200.89 crores a year ago. It may also be noted that the incremental expenditure is mainly on account of provisioning undertaken for insurance and incremental consulting charges for technology and major ideas Consequently there is a marginal operating loss of Rs. 25 crores as against the profit of Rs. 46 crores in the previous year. Net interest income for the quarter was Rs. 139 crores against Rs. 220 crores a year ago; a slip is mainly due to the inability to underwrite fresh assets as well as the burden of the nonperforming assets. The net interest margin fell marginally from September to 1.65%. Of course this is significantly below the number of the previous year of 2.63%.

We book the other income of Rs. 61 crores. The corresponding number for the previous year was Rs. 27 crores. Further our other income from sale of third-party products continues to grow. It may be noted that this is an annuity type income. Our premium collections this year were 44.50 crores as against a number of 36.30 crores the previous year. Transaction banking revenues however are stagnated as this is largely a dependent variable. We reported a number of Rs. 10 crores similar to the previous quarter.

I will now take you to provisions. The total provisions came in at Rs. 348 crores for the quarter and Rs. 639 crores for the nine-month period. For reference purposes I must mention in the previous quarter it was 160 crores and for the previous year it was 387 crores. I will also give you a breakup of the provisions; depreciation on investments was about Rs. 47 crores. Provision for bad loans are about 314 crores. There is a provision on nonbanking assets of Rs. 70 crores. I might as well explain that this is all certain assets acquired by the bank from borrowers where Reserve Bank based on their assessment of recoverability suggested provisions to the bank. The estimated reversal of taxation is about 83 crores.

I intend to indicate also here at this stage that as of now the foreseeable provisioning for the next five quarters including Q4 of FY19 is estimated to be around Rs. 600 crores. In view of the constraint position relating to capital and the resultant impact on fresh growth we reported a net loss of Rs. 373 crores against a loss of Rs. 132 crores in the previous quarter and the loss of 39 crores in the previous year.

The gross NPAs have now reached 13.95%, this is up from 12.31% in the previous quarter and 5.66% in the previous year. Similarly the net NPA number has now reached 7.64%, up again sharply from 6.88% of the previous quarter and 4.27% of the previous year. The provision coverage ratio has marginally improved to 55.93% from 55.39% in the previous quarter, so of course this is significantly better than the numbers of the previous year to 46.75%. While actually increase has obviously contributed to the rise in the ratios you will appreciate that the fall in the overall book size has also accentuated the percentage rights. The absolute number for GNPA is Rs. 3364 crores. Similarly the net NPA is at Rs. 1716 crores.

I think I should talk about the slippages also. The total fresh slippage during this quarter was Rs. 572 crores. Over the last two quarters we had reported that the slippages were now more granular. But this quarter we have had a reversal of sorts with the few chunky slippages from the Corporate Book 2. Just to give you some color; these 86 crores came from two accounts where Result Bank of India deferred with our recognition of NPAs. RS 239 crores comes from about 6 entities, a textile unit in Tamil Nadu, a sugar unit in Tamil Nadu and EPC unit from Calcutta, a media unit from Mumbai, a charitable trust in Tamil Nadu and a timber unit also from Tamil Nadu. In addition an account for about these 84 crores a subsidiary of an NBFC which has recently been in the news also fell during the quarter. The rest come from a large number of small units. However I must mention here that we have already made some recoveries from one or more of these accounts in January.

Last quarter we had commissioned an independent study of the average book for the residual stress and the value at risk. The bank witnessed that the slippages that have come through is in alignment with the report. To further notice that the residual stress post Q3 has modulated substantially. It is my estimate at this stage that at the most about Rs. 600 crores more could play out in the coming 5 quarters. With this I believe that the book that the bank has will now be clean.

Our recovery number this quarter was less than our expectation. But this was because some of the activities have spilled over to the next quarter. I'm quite sanguine that the fourth quarter will see significant success on the recovery track. During this quarter we recovered Rs. 173 crores which included cash recovery of Rs. 66 crores and is much about last quarter's performance of Rs. 95 crores. It is our expectation that we should be able to recover around Rs. 400 to 500 crores in the fourth quarter. The cost to income ratio for the quarter was 112.56%. The capital adequacy CAT 1 stood at 5.57% and the overall capital adequacy came in at 7.57%. Return on assets quite obviously as a result of the loss came in at -3.90%. Return on equity again because of the cost is at -87.09%.

A franchise today boasts of 569 branches and the 1046 ATMs. We are spread out across 19 states and one union territory. I think it would be appropriate for me to at this stage discuss what's happening on the capital raising of the bank. Understandably enough there has been some media speculations on the bank's capital raising initiatives. Some of these have obviously influenced investor sentiment leading to relatively unusual levels of market actions. The fact that other external factors are also playing of part have not helped matters. Nevertheless the bank has good reasons to believe that such movements are temporary in nature. The bank has been running a process to identify investors who would subscribe through an appropriate process. Discussions have been held with a wide variety of prospective investors with braving levels of protest. The bank expects to see further progress in the coming weeks. With the client capital infusion the bank believes that the strategy vision of 2026 can be well attained.

As I explained earlier the bank is using this if I might say downtime to reset a lot of its processes and offerings that will help it use growth capital in the near future. I will indicate some of these; as far as human resources is concerned we have hired senior as well as specialized resources in branch banking, in underwriting and in relationship management functions. Further I may like to share that the bank and the board has been kind enough to recommend an extension of my term and the recommendation has been expected by the regulator. Centralization of banking processes through the commercial banking operations group is of more or less complete. We have arrived at almost complete centralization of data repository and monitoring of operations of Corporate and MSME business. This provides us with massive visibility for the operations and helps us in prudent risk control.

The bank has been consistently turning out new products keeping in mind the needs of its customers. The most recent of these targeted at MSME business win is 'just a dollar' account to encourage state remittances. This provides the MSME customer the opportunity to transact through our bank accounts any amount of foreign payments for one US dollar only. As per data have a level from NPCI we have achieved more than 60% of debit card penetration for all our transactions in our savings account. It takes us amongst one of the highest in South Indian banks. Our focus in technology continues. Our new age core banking and profit monitoring platform is up for deployment by the next quarter end. This shall provide very accurate KRA monitoring and data management powers to the bank.

The key pillars for the long-term strategy now will be, capital optimization, maintaining optimal credit cost and intensive customer engagement. Our main areas of focus shall be, to increase productivity, lessening OPEX and use more technology wherever possible. Among our substantive actions that have been taken we are also looking down to close down voter performing ATMs. We are also examining closing down a merger of some of our loss-making branches. There will be constant emphasis on taking cost and building efficiency. I'm going to stop here at this moment and I'm willing to take questions from you. I have all my senior colleagues with me to assist me with your questions.

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Siddharth Purohit from SMC Global. Please go ahead.

Siddharth Purohit: In the previous quarter we had mentioned probably that our outstanding stress book is somewhere close to 400 crores and currently we have around close to 600 crores probably you mentioned for the stress book. So, there has been more downgrade of existing accounts or how it is panning out like there was one segment of 1800 crores towards LAP and all, are some accounts from that also slipping into the downgraded accounts or how it is panning out?

P. Mukherjee: As I mentioned in terms of slippages the big slippages were really, some of these were unexpected in the sense as I said first of all there was RBI the emergence of about 86 crores that was not really anticipated because these were standard assets as per our estimation and RBI consider these to be worth downgrading. Then as I mentioned that there is this exposure to the NBFC subsidiary which was again a hit for me which was not in our consideration elsewhere. Having said that there was a few unexpected slippages which I mentioned in the list of about 230 crores odd. Some of these were actually otherwise doing all right but suddenly slipped. So it caught up us by surprise. You're obviously next question would be there or what is the sanctity of my number and my predictions going forward. We have actually now carried out a very deep account by account study. My corporate banking colleagues, my MSME colleagues, my retail banking colleagues have actually now been covering their book and based on their estimates I have now project that this number. So I will start by saying that clearly my projections last time went wrong to some extent. But I don't think that is going to be a repeat feature going forward. You will recollect that entire last year my numbers had come absolutely correct. This particular quarter there was a bit of a slippage but my sense is now we have very clear handle on what I have before me. So, let me again give you a sense of what I see before me. My sense is on an average for the next 5 or 6 quarters I should not see slippage of more than about 100 to 115-120 crores per quarter. Now that is one part. And the second part is based on our estimation of the recoveries that will be seen going forward. We will actually be seeing fresh provisions for the next 5 quarters that about 600 crores. Recovery numbers are expected to be quite buoyant and to be begin with for the present quarter itself Q4, my recovery team tells me that that number should be somewhere between 400 to 500 crores.

Siddharth Purohit: On the provisioning side if you look at absolute amount of slippages and the quantum of 572 crores and provisioning amount also remains on higher side almost 430 crores, so what kind of provision percentage we are taking normally on the fresh slippages? Are we taking much higher than the regulatory norms or how we are taking?

P. Mukherjee: You will appreciate that under the present circumstances it will be extremely difficult for me to be too profligate with my provisioning. So I will certainly be compliant with regulatory requirements and to the extent that I can afford it I'm going to provide more.

Siddharth Purohit: Some large part is coming because of aging related provisions also?

P. Mukherjee: That is correct.

Moderator: The next question is from the line of Amit Singh from B&K Securities. Please go ahead.

Amit Singh: In the last quarter you had mentioned a critical portfolio of around Rs. 4 billion, so how much of that has slipped and what is the portion that is still remaining with us?

P. Mukherjee: I would say 75% of that would have slipped. I must mention here that we have been extremely rigid in recognition this time because this is obviously time for me to now cleanup completely. So we have been extremely rigid in our recognition of stress and downgrading.

Amit Singh: In the last call you had mentioned about this SMA 0, 1 and 2 number, it was somewhere close to 2000 crores, so any update on that number?

P. Mukherjee: My sense it is somewhere in the region of about 1800 or so.

Amit Singh: What is your sense on the residual stress assets we have on our book?

P. Mukherjee: I just told you so my sense is for the next 5 quarters and frankly you will appreciate that I can't have visibility longer than that and in fact 5, I am quite astounded that my colleagues have been able to work out that much. But for the next 5 quarters we have projected that we could see fresh slippage of maybe about 600 crores.

Amit Singh: If you can give the breakup of other income and also why the staff cost is high during this quarter?

P. Mukherjee: Actually not, the staff cost is reasonably steady but whatever you are seeing is really on account of some arrears paid to the staff and some provisions for their pensions and so on that we have done. We have actually been otherwise quite okay and there has been not much increase in staff, in fact if anything my staff strength has marginally reduced from what it was a year ago. The total staff strength is in the region of 4800 today.

Amit Singh: And on this other income breakup?

P. Mukherjee: If I might just give you a sense, the nine months number…. if you want I can give you even how the segments have done because increasingly people look at that. The MSME segment has given me about 16 crores, the corporate bank has given me about 12 crores, the retail bank about 33 crores. So the media segments of businesses has given me about 63 crores. Exchange profit is about 3 crores, recovery from bank—I am giving you the third quarter numbers—bad debt recovery is about 2 crores. Trading profit from debt market is about 3 crores and some miscellaneous will be about 1 crore.

Amit Singh: And also in your opening remarks you mentioned about the people who have recently joined in various verticals, so if you can give some highlights exactly who has joined and under which vertical?

P. Mukherjee: It's not a recent thing; actually if anything we don't really have any very decent recruits. All the recruitments have been actually the bank has a rather stable position at the top. So these are people who have been there now over the last couple of years or so in the process. So the Head of Corporate business, our Chief Financial Officer himself and the Head of MSME business, the Head of Transaction Banking business, even the Treasury has brought in some people. So we have taken people across wherever there were gaps. I must also tell you as a regular practice in our HR practices we have gone in for substantial promotion for the existing staff. The recent promotion exercise which is presently on, involves about 25% of the bank staff who have been eligible for promotions.

Moderator: The next question is from the line of Sameer Alve, an individual investor. Please go ahead.

Sameer Alve: Are we still saying that by close of this quarter we will be raising the capital?

P. Mukherjee: That is my expectation.

Sameer Alve: Considering the risk with that do we think that there is a possibility that the LVB bank could be under prompt corrective actions?

P. Mukherjee: Obviously if I am unable to raise capital and I hit all the triggers then clearly I'm desperate. It will be our endeavor to see that we don't tick all the boxes.

Sameer Alve: And which are the primary boxes? I'm sure I think we are already half as far as GNPA is concerned. Capital adequacy…

P. Mukherjee: Let me explain to you. I will answer that. Tier 1 ratio is one box that I must work on. The net NPA is another box that I must work on.

Sameer Alve: Can you please tell me what is our nine-months recovery in this financial year so far including…?

P. Mukherjee: In the meanwhile any other questions?

Sameer Alve: Regarding provisions, last time during the call we had discussed that we had provided more for us, 40-50 crores more than the required and our guidance was that perhaps we will be in the range of that number which we reported in.

P. Mukherjee: My recovery would be about 520 crores for the nine months. You were also asking me about additional provisioning?

Sameer Alve: Let's first finish the recovery part. So nine months recovery is 520 crores and we are saying that we have already covered perhaps 100 to 125 crores already and Quarter 4 our estimate is that we will go to whether 400 to 500 crores. So, considering that only two months are left what gives us the confidence that we will be able to still recover about 400 crores more considering that our nine months performance has been only 500 crores?

P. Mukherjee: The fact that the nine months gave me 520 crores is no indication that the last three months cannot give me another 500 crores. It is completely dependent on the specific assets that we are working on the specific of discussions that might have been held and so on. We of course have not yet discussed what might have happened in the month of January, what has already been achieved in the month of January. So leaving January aside and adding February and March as I said earlier my team gives me the comfort that we should be achieving somewhere between 400 and 500 crores.

Sameer Alve: Are we taking any initiative route, any of our defaulters which have a large payment not done, are we taking any of our borrowers in that route?

P. Mukherjee: We are examining every individual case and in the few cases that is the route we will be taking.

Sameer Alve: Rest of the banks are pretty much bracing up doing that and I think they are seeing some positive results.

P. Mukherjee: Yes, it depends on the individual cases as you can understand and depending on the sort of desirability of the case and in the sort of security structure and so on. So, as I said we are also examining that very strongly in all cases.

Sameer Alve: On the provisions, for the September quarter I think if I still remember the number correctly, we did some about 190 crores odd of provision and our guidance at that time was that we are providing 30-40-50 crores more than the required and for rest of the two quarters we will be perhaps staying at that level. But it has almost doubled now, what's the number, perhaps around 400 crores?

P. Mukherjee: Particular quarter of course the provisioning is high on twin reasons, first of course the fact that there was amazing provision. Secondly of course the additional NPAs of course naturally have required some provisioning for that. Over and above that there was RBI mandated provisioning for some of the assets we are already NPAs where they felt additional provisioning was required and there was a specific additional provisioning of about 70 crores for me on account of nonbanking assets that we have where RBI felt that the recoverability prospects demanded that I provide an additional 70 crores.

Sameer Alve: But we have been taken a conservative approach towards provisioning. I think that's what even I am hearing for last many calls since 7-8 quarters since our NPAs started moving out and every time the guidance provided to us is that we have kind of cleaned up. Lot of the worse is in the past. That doesn't seem to be the case with every new quarter the number coming out I think the situation is turning worst and worst. And maybe little more frank here in the opening remarks Mr. Mukherjee you just mentioned that the news in the media has kind of pulled the numbers down. But I beg to differ there I think it's our credibility as a overall management what guidance we are giving we are not able to stick to that. As an investor I am also not liking that. It's not about the news I think we understand the news could be a rumor also but we do trust that whatever guidance you provided the management sticks to that and the conservative approach is taken and if it is taken. Otherwise the teams on the ground whoever is heading those teams are not giving the correct picture and then I think some action is required against those heads in that case.

P. Mukherjee: Actually in terms of disclosures and guidances, my own sense is that our disclosures and guidances have by and large been extremely proactive and I think last year a few had constantly monitored our disclosures you would have found that we were almost entirely burn out. I mentioned earlier today that there were a few surprises for us and I frankly can't give you a stamped undertaking that there will never be surprises. Having said that I must clearly tell you that even now our guidances have been largely right. This particular quarter we had a few surprises and I have explained to an earlier questioner where those guidances have gone wrong. I also stated and I am again repeating to you that the individual businesses have actually sat down and looked at their books and try to identify the likely areas of stress and based on that they worked out an expected future risk of about 600 crores of fresh slippages which might happen over the next 5 quarters. I must tell you that I think it would be a super human to expect that I can have greater clarity than that. Having said that my sense is that this is largely going to be what you will see going forward. Now to come back to the particular point you made about the market guidances and the market speculations. I stand by what I said of course and the fact is that obviously when times are not going well you are likely to be a victim of a whole lot of speculations and once of course the bank is finally able to raise capital and get on its way things will straighten themselves out.

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

Pranav Gupta: If I come back to the OPEX question that was raised earlier if I were to roll down OPEX for last quarter or the same quarter last year, the jump is almost 10% to 12% which is not explained by in my sense by rational provisioning on pension. So, could you give us some more clarity why other OPEX is also going up in addition to employee cost?

P. Mukherjee: Let me give you the OPEX numbers for this quarter first.

Pranav Gupta: Its 225 crores which is from 194 crores.

P. Mukherjee: I can give you a split of that if you want.

Pranav Gupta: We can just split in the disclosures, what I am referring to you is that even if you look at the previous year same quarter and last quarter employee expenses are up significantly. If you could give us the number for provisioning on pension or some clarity on why there is such a jump it will be helpful.

P. Mukherjee: In respect of staff expenditure you would have seen a growth of about 35% over the corresponding quarter of the previous year. That is predominantly because that pension provisions had in fact because of the wage interest rates have moved. We have made substantial provisions keeping in mind the accounting standards. So that has primarily contribute that because and of course the normal wage revisions provisions are also waiting of course. Leaving that aside actually nothing much has happened on staff expenditure. If you look at other operating expenditure it's been actually quite steady over the last two quarters. Though of course compared to the previous year it is up by about 13%. There I find if you look at it the DICGC insurance claim actually was up by about 4 crores which is about the 32% rise over the previous year and otherwise actually nothing much since has moved really. The overall year-on-year growth is about 12% for OPEX for me.

Pranav Gupta: You spoke about the RBI directing you to make certain provisions and to classify certain accounts and NPAs. Is that a part of the RBI divergence report that you have or is that a specific directions from the RBI?

P. Mukherjee: It is the traditional divergence in the part AFI process. That way, I must of course, admit and actually mention that my divergence is significantly lower in percentage terms.

Pranav Gupta: So, the disclosure is not required and you've specified that these few accounts…..

P. Mukherjee: I will make all disclosures.

Moderator: The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: What is this non-banking 70 crores provisioning, is it something related with Religare or is it something else?

P. Mukherjee: It has nothing to do with Religare. These are the assets that we had purchased out of borrower accounts in the past, where RBI felt that the recoverability opportunity was relatively limited, and suggested a provision.

Jai Mundhra: So, you have not downgraded this?

P. Mukherjee: These are downgraded assets.

Jai Mundhra: In our press release, we have mentioned 1800 crores of developer portfolio of which 245 is in Stress. This Stress means they are already NPA or they are included in your 600 crores of slippages that you see for the coming quarters?

P. Mukherjee: These are all included.

Jai Mundhra: This forms a part of your 600 crores number, right?

P. Mukherjee: Yes, these are overdue, these are accounts, not necessarily sleeping accounts, but these are accounts which we see to be becoming overdue frequently.

Jai Mundhra: On capital it's good that, we have been trying for this capital for 2-3 quarters, and it's good if it comes in this quarter. But what is the plan B, how do we sustain at the operating level also, is there any way out, let's say, for even if we don't get capital over the next two quarters one quarter, what is the way out? Or is there any way out?

P. Mukherjee: As you can understand the Bank of course has been focused on multiple plans; plan A, B, C and so on, so there are different strategies of course to downsize the book wherever necessary. But processes are also simultaneously continuing. At the same time, quite frankly, the immediate focus of course is to definitely go for plan A, which is, of course, bringing that capital. Without that, on a long-term basis nothing gets works. So, nevertheless, as I said, plan B, C, and so on are also there. The bank has already, I made a statement earlier that we are examining all our low performing ATMs and we have already instructed that many of these be closed down. Similarly, we are examining our poorer performing branches. We are looking to close down or merge many of these branches. That will also lead to saving of lot of cost. I must actually mention to you in terms of staff cost, I actually have probably one of the lowest staff branch ratio in the industry. That is already there. But we are looking to optimize a lot more there. And as I said, down-selling from the book is of course, is something that is paramount important to us, which we are looking to do in any case.

Jai Mundhra: Is there any non-core asset, or is there any assurance from the promoter that they can infuse little bit of money if you need, just a clarity on that would help?

P. Mukherjee: You have been covering the bank for a long day. You would be aware that almost always, it's the promoters who have funded this bank thus far. I imagine at the appropriate time, if necessary, the promoters will chip in but it's our endeavor to bring its capital from outside.

Moderator: The next question is from the line of Alok Shah from Centrum. Please go ahead.

Alok Shah: We have been talking about 60 days in NPAs, I'm just trying to understand what will be the kind of growth that we have witnessed on the non-corporate portfolio? Be it SMEs and how is the market for us in terms of those business opportunities? That is my first question and what is the cumulative exposure to this NBFC that we have recognized through the NPA.

P. Mukherjee: Alok, in terms of overall growth, publishing the growth has been in all segments, but very muted growth. As you can understand I said right at the beginning that in stated circumstances that I am under I really can't afford to grow risk weighted assets too much. To that extent the focus is to re-evaluate the book to the extent possible, and all the business groups are really focusing to trying to see if they can at least move up the rich curve and move to higher rated assets to the extent possible. Though that does lead to relatively poorer spreads for us. Having said that, while the book that we have, SME and Corporate would have risen a bit, but very marginally as I said, because the growth has been marginal. You asked me about NBFC. My total exposure to the NBFC sector is about 2000 crores at the present moment.

Alok Shah: No, I meant the troubled NBFC. The high rated subsidiary that you downgraded by 84 crores, what's the overall exposure here?

P. Mukherjee: That was the only exposure to that particular entity, of course. Having said that, I don't think I have any other NBFC exposure which is at under stress.

Alok Shah: In terms of, you touched upon high rated portfolios. Could you just throw some light in terms of how is the portfolio built up there in terms of large corporate which is rated A and above or the SME, which is rated, say NVP 3 and above, something of that sort?

P. Mukherjee: A and above would constitute on the corporate size roughly about 60% to 65% and NVP 3 and above on the SME side would constitute about 35% to 40% and may be little more than 40%. It's about 50% now.

Alok Shah: So, especially when I you look at corporate book A and above 60% that's a good number to look at.

P. Mukherjee: Yes.

Moderator: The next question is from the line of Jahnvi Goradia from Motial Oswal. Please go ahead.

Jahnvi Goradia: Of the developed book, you mentioned the stress is 245 crores, just wanted some color on this book, usually what's the average ticket size, how many developers constitute the 1832 crores odd of this book? And is this stress of 245 crores is just one account or many accounts?

P. Mukherjee: I have about 22 developer accounts. Actually, the number is coming out to 18, our 18 developer accounts and that amount would come to about 1300 crores.

Jahnvi Goradia: The developer book is 1800 crores.

P. Mukherjee: The developer book is about 1300 crores, just developers in real estate, would be around 1300 crores and that is 18 approx.

Jahnvi Goradia: The press release mentioned that the exposure to real estate is 3742 crores of which…?

P. Mukherjee: The number can be put out for probably for limits. The actual outstanding will come to about 1300. There are non-corporate also. So, 1832, you are probably right, but out of the corporate side contribution is about 1300.

Jahnvi Goradia: So, what is the rest 500?

P. Mukherjee: These were relatively small developers, localized developers.

Jahnvi Goradia: And these 245 crores of stress is that one account?

P. Mukherjee: They would be distributed across many accounts. These are overdue accounts, not NPAs.

Jahnvi Goradia: So, of the total book 1832, the overdue is 245 crores? These would be like SME 0 , 1, 2 of this sorts of account?

P. Mukherjee: That's right.

Moderator: The next question is from the line of Amit Singh from B&K Securities. Please go ahead.

Amit Singh: If you can give the breakup of our loan book account, how much is Corporate, how much is SME and how much is Retail?

P. Mukherjee: This is from the total book, the breakup?

Amit Singh: Yes sir.

P. Mukherjee: It will be about 33% Corporate, what we call MRC. That is the SME corporate and the reach rural is about 57% and 10% is Retail bank.

Alok Singh: Do we have any exposure to the troubled names like the DHFL, India Bulls?

P. Mukherjee: No. India Bulls I have small exposure, but they are not troubled, the people that I deal with. DHFL I don't have.

Alok Singh: Any exposure to Jet Airways?

P. Mukherjee: No, I don't.

Alok Singh: To Reliance ADAG Group, any exposures do we have?

P. Mukherjee: I have a small exposure to the ADAG Group.

Alok Singh: And it is standard as of now?

P. Mukherjee: It is very much standard. No problem at all. Not the entity whose name has been in the market.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Mukherjee for his closing comments. Over to you, sir.

P. Mukherjee: Thank you Karuna and thank you all for the interest that you have taken in our discussions. I can only sum up to say that it is my conviction that at this stage that the bank has actually now seen the worst and what we now really need to see post capital raised, what we can do really. Very clearly, our vision now going forward is to bring about a very quick turnaround in the functioning of the bank. Target an ROA in the near future of about 1.4 and translate that into a ROE in the region of 16% to 17% quickly enough. The three key pillars for the long-term vision of the bank would of course be Credit and Capital Consumption, keep Credit Costs under check, and maintain a steady asset coverage ratio and go for the intensive customer engagement. I thank you all for having taken the time of to be with us.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Lakshmi Vilas Bank Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.