"Lakshmi Vilas Bank
Q2 FY2019 Earnings Conference Call"

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MANAGEMENT: **MR. P. MUKHERJEE – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – LAKSHMI VILAS BANK**

Moderator: Ladies and gentlemen, good day and welcome to the Lakshmi Vilas Bank Limited Q2 FY2019 Earnings 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 now hand the conference over to Mr. P Mukherjee MD & CEO Lakshmi Vilas Bank. Thank you and over to you Sir!

P Mukherjee: Thank you Rio. Ladies and gentlemen, welcome to the Lakshmi Vilas Bank Q2 Analyst Meet. You would be having the press release with you and would be aware of the results by now. As usual, I propose to discuss some of the salient points with you.

We are meeting in volatile times for the financial markets in general and for the bank in particular. As I had mentioned at the time of the announcement of our Q1 results, the bank is presently in the midst of a capital raising exercise, which is progressing well.

In the meanwhile keeping in mind the capital adequacy position, we have been consciously working to keep the risk-weighted assets in check, by repositioning the lending book rather than growing it. That the efforts are bearing fruit can be the judged by the fact that the lending book composition has changed significantly over the last two quarters.

Today, the corporate book is at around 37% against 52% as at the beginning of the year. The SME book now contributes around 35%. In the absence of growth in the lending book profitability continues to be affected as the bank is largely focused on rebalancing. However, we have taken this opportunity to continue the cleaning up of the lending book. As the pressure on growing the book was not there, we have also been able to further reduce the dependence on bulk deposits and the bank's funding today is a lot more granular. I will now turn to the numbers.

The business mix of the bank stood at Rs.55163 Crores against Rs.52387 Crores on a year-on-year basis. The balance sheet size stood at Rs.37243 Crores against Rs.37151 Crores a year ago. The lending book was at Rs.24092 Crores as against Rs.23216 Crores last September and Rs.26127 Crores this June. Obviously, the bank has been more focused on rebalancing and maintaining its risk weighted assets number rather than growth at this present moment.

The risk-weighted assets for the bank have reduced from Rs.23063 Crores to Rs.20545 Crores and this has obviously helped enhancing the capital adequacy ratios. Year-on-year, deposits grew 6.5% to Rs.31071 Crores. Out of this, the CASA book grew 12.62% to

Rs.6890 Crores. I must mention here, of course, that on a daily average basis, CASA was at 21.09% while at the quarter end it was in fact 22.18%. It may be noted that daily average number for the corresponding quarter of the previous year was 19.32%.

I mentioned earlier that the focus was also on bringing down the bulk deposits and I must mention that bulk deposit ratio itself has also reduced appropriately. We are now at around 25% and the focus is to at the earliest bring it down to 15%.

Total revenue for the quarter came in at Rs.801 Crores against Rs.903 Crores in the corresponding quarter of the previous year.

Operating expenses were at Rs.195 Crores against Rs.177 Crores a year ago and Rs.184 Crores in June. I must mention here that non-staff operating expenses rose primarily on account of a number of provisions that we have made for expenses to be incurred. Consequently, the operating profit came in at Rs.28 Crores as against Rs.7 Crores last June and of course Rs.179 Crores the previous year.

Net interest income for the quarter was Rs.151 Crores, which is a rise from the Rs.130 Crores that we reported in the June quarter; however, it is obviously less than Rs.233 Crores that we reported last September. The net interest margin came in at 1.74%, which is a rise from the June number of 1.48% though of course we continued to be away from last September's 2.93%.

Other income stood at Rs.70 Crores. This compares favorably with the previous quarter's number of Rs.61 Crores, but obviously falls short of the previous year's number of Rs.124 Crores. I must mention here of course that the previous year's number did include significant trading profit contribution, which was not there this year. Trading profits for the quarter was less than Rs.1 Crore, but that is an improvement over the previous quarter when we reported a loss of Rs.16 Crores. I will now turn to provisions.

We provided Rs.151 Crores for bad loans this quarter against Rs.199 Crores for the same quarter in the previous year and Rs.109 Crores that we reported in June this year. I must mention here of course that this quarter's provisions also include Rs.56 Crores that we had additionally provided for specific assets over and above the regulatory IRAC requirements. This was specifically done by us to further strengthen the balance sheet.

Depreciation on investments was at Rs.60.10 Crores. Unamortized portions remaining to be provided for the treasury and other investments for the remaining two quarters are at Rs.61 Crores. In view of the constrained position relating to capital and the resultant impact on fresh growth, we report a net loss of Rs.132 Crores against a loss of Rs.124 Crores last June and a profit of Rs.10 Crores, the previous September. Gross NPLs are at 12.31% up from 10.73% in June and the 5.5% that we reported last September. Similarly net NPLs were at 6.88% up again from the 4.33% last September and 5.96% this June. The provision coverage ratio was almost flat at 55.39%, but that is significantly better than last September's 46.27%. I must mention here of course that this has to be seen in the context of the smaller book that we have today.

I will also share some specific numbers. The absolute GNPA number is Rs.2965 Crores. Similarly, the net NPA number is Rs.1560 Crores.

A word on the slippages: The total fresh slippage during the quarter was Rs.237 Crores. I can give you some colour on these slippages. Out of the Rs.237 Crores, two accounts accounted for Rs.60 Crores. One of these is an EPC contractor while the other is a sugar mill. Another 30 accounts have between them contributed Rs.115 Crores. Furthermore about 536 more accounts have between contributed Rs.62 Crores, so you will appreciate that, by and large, the slippages are more granular in nature unlike what used to happen earlier with us. I have been mentioning a watch list for the last year. That watch list has now largely played out. Residual stress is more from what we call the MRC segment, in other words, MSME, Rural and Commercial segment and of course the retail book. Residual stress in the book is now quite small. I imagine that slippages coming up in the coming quarters could be around Rs.400 Crores of which possibly Rs.200 Crores could be from the corporate book.

Our recoveries slowed this quarter, but I am quite sanguine that the remaining quarters of this year will see very robust recovery numbers. During the quarter under review, we recovered Rs 77 crores (insteadof Rs.95 Crores,) which included cash recovery of about Rs.30 Crores. It is our expectation that we should be able to recover between Rs.500 Crores to Rs.700 Crores more this year.

In keeping with our effort to broad base the lending book, the proportions have shifted to a fair extent. The lending book end September was corporate 37%, MSME and commercial between 35%, agri about 17% and retail about 10%. Retail has been somewhat stagnant thus far. The cost to income ratio for the quarter was 87.59% as against 96.46% June and last Septembers 49.70%. The CET1 stood at 7.65% and total capital adequacy came in at 9.67%. I must refer you to the June 2018 numbers, which the corresponding numbers were 7.64% and 9.45%. Obviously, as a result of the loss, return on assets were a negative 1.34% and similarly the return on equity also was negative at 27.11%. We have 568 branches today including two specialized personal banking branches and 1040 ATMs across 19 states and one Union Territory.

I would also like to straightaway share with you a few other significant numbers, which might be of interest to you. Over the quarter, the bank has reduced exposure to NBFCs, real estate and the infrastructure sector by Rs.1800 Crores. The bank has exposure to a subsidiary to IL&FS. It is backed by project assets and the account has been serviced fully for principle and interest as recently as September.

I will stop here now and would be happy to answer any questions that you might have.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Thanks for the opportunity and thanks for the commentary Sir. First on Sir this capital raising plan, so first our existing promoters what would be their position? Would they be maintaining their share and because what we are hearing from media is that the new equity would be strategic kind of an investment, so how does it fit between let us say the current promoter and proposed with the new promoter that is question number one and in case the strategic investor would be like one strategic investor or would be like couple of strategic investors?

P Mukherjee: Jai, you will appreciate that our immediate focus is to bring in fresh capital into the bank so obviously we are discussing issue of fresh share capital. To that extent, the role of the exiting investor will be kept aside. What we are looking at is bringing in fresh capital from investors. I really have not gone into the issue of what the existing investors will do.

Jai Mundhra: I am not asking about exiting investors?

P Mukherjee: We will look to bring in fresh capital. It could be from one investor or it could be from more than one investor, but since discussions are presently at a relatively early stage, I am unable to say that whether it could be one investor or more investors, but clearly we are looking to raise fresh capital from investors.

Jai Mundhra: Actually Sir I will correct myself. I was asking from the exiting promoter group? Would they be interested in maintaining their stake at what is currently now or would they be okay in sort of ultimate reduction in their stake that was the question?

P Mukherjee: My sense is that since the amount of equity that we are looking at today is quite substantial, it is not unlikely that there could be some dilution of the existing shareholders.

Jai Mundhra: Sure Sir and a couple of questions on asset quality Sir, so this Rs.237 Crores slippages you mentioned the major ones EPC, contractor, sugar, etc., but if I were to compare it versus last quarter when we had given that the residual stress is somewhere around Rs.600 Crores, so out of this Rs.237 Crores is it that Rs.200 Crores have flown from the residual book that we were holding last quarter is it correct?

P Mukherjee: Almost entirely yes, but out of the Rs.600 Crores that I mentioned I suppose where I said Rs.237 Crores have slipped, I imagine about Rs.180 Crores would have been from that book.

Jai Mundhra: Sure Sir and now we are seeing that the corporate side we only have Rs.200 Crores where we feel are the stressed ones?

P Mukherjee: Yes.

Jai Mundhra: Sure Sir and if you can share Sir this SMA1 and SMA2 detail last quarter, I believe it was some Rs.6200 Crores and Rs.5800 Crores respectively?

P Mukherjee: Total SMA book probably hovers in the region of about Rs.2000 Crores or so. SMA1 and SMA2.

Jai Mundhra: SMA1 and SMA2 both put together?

P Mukherjee: 0,1 and 2 all put together.

Jai Mundhra: 0,1 and 2 and only let us 20% is kind of in the stress category, which is the Rs.400 Crores right?

P Mukherjee: That is correct.

Jai Mundhra: Thank you. I will come back in the queue. Thank you.

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

Amit Singh: Thank you Sir. Thanks for this opportunity. Sir any updates on the Religare issue, which you had mentioned in the last quarter Sir any updates on that issue as of now?

P Mukherjee: The matter is in court at the present moment and we do have hearings from time-to-time and as such there is no specific progress yet.

Amit Singh: Sir also during the quarter we have seen the staff cost going down, so any color on this why has it gone down?

P Mukherjee: Nothing specific. Actually perhaps some additional provisioning has been done in the previous quarters that is all that has happened and nothing really has happened. We had to provide some extra in previous quarters, which we did not have to do this quarter.

Amit Singh: Fine. That is it from my side.

Moderator: Thank you. The next question is from Siddharth Purohit from SMC Global. Please go ahead.

Siddharth Purohit: Sir as you said you have some exposure to one of the subsidiaries of IL&FS is it be possible to quantify the amount and secondly if at all you have taken any exposure (request?) and taken some provision as you said some specific towards it?

P Mukherjee: No we did not consider it necessary to provide for any of it because as I said it has been serviced even recently even after the difficulties have emerged they have serviced their account and so we did not consider it necessary to provide anything for this and the exposure is in two digits.

Siddharth Purohit: But would it be possible to quantify Sir, if you can?

P Mukherjee: As I said the exposure is in two digits. I do not think it will be appropriate to give anything further.

Siddharth Purohit: That is fine Sir. Sir just one more thing on this previously as you mentioned your risk weighted asset has gone down during this quarter, but it has been largely done by reducing exposure towards the risk weighted assets particularly, but simultaneously your CET in absolute term also has gone during this quarter, so just taking that the same position towards capital raising, so how confident we are that we will be able to do it much before let us say the financial year ending, so that was my question?

P Mukherjee: Let me answer like this. In the first place the risk-weighted assets of course is a dynamic situation and the entire bank is focused on it. The CFOs office constantly monitors this and the rebalancing has happened in a number of ways of course. For example a lot of lower risk weighted assets have gone out and we have replaced them with more capital efficient assets of course and then a lot of lower yielding assets have gone out and as a result overall, the CET position has been rather well maintained. Now coming to capital raising obviously this is a work-in-process. We are focused on raising capital. There is some reference in the media from time-to-time about the progress that we are making while I would not specifically refer to that. I must say that the process is progressing well and we do have some reasonable comfort that we would be able to close the transaction within the financial year.

Siddharth Purohit: Fair enough. I will come back in the queue if I have further questions.

Moderator: Thank you. The next question is from the line of Saurabh Khemka from SMC Global. Please go ahead. We seemed to have lost the line for Mr. Khemka. The next question is from the line of Sameer Alve from Individual Investor. Please go ahead.

Sameer Alve: I have two questions. One is you mentioned that the non-staff operating expenses, we have provided more expenses to be incurred, I believe some expenses that you are expecting to incur perhaps in the next two months, so can you please provide some color around that?

P Mukherjee: These are multiple actually, so these include SLAs, depreciation coming up and lot of AMCs that would lead to the IT backbone of the bank and another important part is we have the Lakshmi Vilas Bank loyalty rewards programme, which is our retail rewards program. There certain charges have been incurred, so quite a bit of it has been put in there.

Sameer Alve: Is it safe to say that these are one time kind of capex in nature and not really this run rate is going to be maintained?

P Mukherjee: That is correct. The bulk of it has been put in here. Going forward, you will not see repeats every month.

Sameer Alve: The second question is you also mentioned that some Rs.55 Crores or Rs.56 Crores is providing on top of the regularity requirement for the provision I believe benefit to the NPA, so what is our thinking behind that? Is it that we want to reduce or balance next two quarters for the full year?

P Mukherjee: Well some of these provisions would have in any case come up in the coming quarters. I felt that this was a good time to put it out and make life a lot simpler for me in the coming quarters where I am hoping that business will also start picking up and I would be able to show somewhat better results.

Sameer Alve: Sir my last question is regarding our focus this time actually we have been focusing on credit growth or we are rebalancing our balance sheet? We are reducing our risk-weighted assets? We also observed I think the other banks like DCB Bank they have done that quite vigorously good quarter? There the focus was to reduce exposure to the higher risks low yielding accounts and move towards the other way and I believe one of the reasons was that NBFCs were kind of being less aggressive in this quarter because of the liquidity scenario, so is that going to be a quarterly focus for us being the competition pressure being less or is it something that we want to do for the foreseeable future because once we have the capital for us, our focus will again shift back to increasing this size of the book?

P Mukherjee: The bank has completely redrawn its asset focus. In any case, over the last couple of years, the bank has shifted from a product centric approach to a customer centric approach. However, as far as lending is concerned the bank has redrawn its focus completely and it is today looking at relatively more granular assets rather than bulk lending. As far as the NBFC issue is concerned the NBFC problem has emerged right at the end of the quarter, so I do not think the NBFC challenge, the problems faced by the NBFC sector is reflected in anyway in the results of the banks thus far. The impact of the NBFC challenges might be felt in the third quarter where really it will be seen as an opportunity by many banks to take advantage and build books. As far as our bank is concerned we will certainly be mindful of the opportunities that would be available to us to pick up assets from NBFCs if necessary, which is something that we would do in the normal course of business. Whether it is corporate or SME we are clearly focused on specific assets, specific clients that we will be looking at, we will be a carving out a niche for ourselves in respect of the clients that we will approach. The focus of the bank is to specifically choose clients that they would like to do business with, going forward, be it in the corporate sector or the SME sector and as far as the SME and retail connection is concerned the banks normal DNA is actually SME and retail. The SME group and the retail bank are working hand in hand to cover their clients end-to-end.

Sameer Alve: I believe the long-term net interest margin, NIM guidance that we got always hoping for the 3%, I believe that should further go up as we do more customer focus approach, is that fair to assume?

P Mukherjee: I entirely agree with you. My sense is, if you were to ask me for, I imagine you would also like to hear of a roadmap from me for the NIM movement, so my immediate target is to pull myself back to at least 2.5 first and then focus on reaching towards 3 and around that stage focus more on de-risking the book and improving the book and only then thereafter go to widen NIMs.

Sameer Alve: Okay, all right Sir. Thank you so much.

Moderator: Thank you. Next we have a follow up question from Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Thanks for the follow up. First on Sir now we are hearing the steel major getting sort of resolved with more than 80%, 90% kind of a recovery as a percentage of the claim that they have filed in NCLT. We have also given 1.4 billion claim in that particular asset, so just wanted to check if that resolution indeed goes through, would we be getting the money or our exposure is already sort of sold of to ARC?

P Mukherjee: I am sorry Jai, I missed, which is the entity you said?.

Jai Mundhra: Essar Steel, NCLT document?

P Mukherjee: It is no longer with me.

Jai Mundhra: That has already been sold of.

P Mukherjee: Yes, please.

Jai Mundhra: Sure Sir, but I mean that has been sold of for cash, right so even if something happens it will not, okay sure. And secondly Sir now on MSME pains that you mentioned that this quarter also a couple of accounts were small ticket size kind of an accounts and one leg of the asset quality was through corporate, which looks like largely over, but could it be that the next leg could come from the small ticket, small value account even is that a possibility or do you think that should not be the case?

P Mukherjee: It is not like that. SMEs are always seen to be vulnerable. I mentioned a short while ago that our focus is on choosing our customers, so to that extent of course it is hoped that unless there is a risk of adverse election our choices will ensure that we will probably go wrong less, but the biggest advantage in the SME business is of course most of these are very well secured, so even if the account were to slip it is our experience that the recoveries from this segment are significantly better, so even the slippages that you have seen in Q1 and Q2 for me, you will see that a very large portion of this will in fact be coming back in the coming quarters, so I have reasonable confidence that even if I have seen slippages here a lot of this will in fact will come back to me, so I carry that comfort with me at all time.

Jai Mundhra: But Sir again total SME book of Rs.2000 Crores is roughly around 9% of our total book, if we are choosing our customer prudently that number as per industry, which is less than 3% odd number is a huge difference?

P Mukherjee: A lot of my SME book is LAP and such accounts and there in fact the behavior of the accounts have been absolutely exemplary. We have had no challenges there, we have had no problems out there, so I carry a lot of comfort, recent SME slippages that we have seen to some extent probably are linked to the impact of GST in the business and lot of this are also coming back on stream, so I am not that concerned at this moment and I would not like to write off this segment at this moment.

Jai Mundhra: The only reason Sir last quarter this SME book was Rs.1200Crores, so how should we read that it has gone up significantly?

P Mukherjee: We have not really seen a significant growth, I am sorry, I do not think Rs.1200 Crores, SME book is larger than that and SME book actually has not grown much.

Jai Mundhra: No Sir SMA-2, SMA book special?

P Mukherjee: I am sorry, you are talking of SMA. My SMA book varies from day to day, so quite frankly the SMA numbers change almost everyday, so I would not ask you to put too much of significance on that, what would be of concern to me would be the chronic SMA-2s that number is actually well under control and the chronic SMA-2 are somewhere in the region of about Rs.250 Crores to Rs.300 Crores for me.

Jai Mundhra: That is assuring and Sir if you can mention what is our exposure to this NCLT total list one and two put together that will give some perspective?

P Mukherjee: Let me just have a look, I will tell you. Just give me a moment Jai, I will come back to you, in the meanwhile do you have another question?

Jai Mundhra: Just on this press release Sir is it correct to read that real estate exposure is 17.7%?

P Mukherjee: Real estate exposure is indeed 17.7% that is indeed correct.

Jai Mundhra: That is because of the home loan being clubbed at real estate is it?

P Mukherjee: That is also included in that. Out of the total exposure in real estate I must tell you exposure to developers would be about Rs.1800 Crores and the total stress in the book is only about Rs.26 Crores.

Jai Mundhra: Any of the exposure?

P Mukherjee: Are you asking about NCLT admitted cases?

Jai Mundhra: Yes Sir.

P Mukherjee: My total exposure of about Rs.696 Crores in them and the bulk of these are – in fact these are all NPAs with me.

Jai Mundhra: If let us say what is the provision that we are holding against this Rs.690 Crores, so that will give you perspective how much could be the ultimate write-back?

P Mukherjee: About 50% provided.

Jai Mundhra: Sorry Sir, 50%?

P Mukherjee: About 50%provided.

Jai Mundhra: Sure Sir. That is helpful, would it be fair to conclude that we are still behind the curve in terms of provisioning for these assets because some of the other banks they are already at 70%, 75%, 80% in some of these NCLT names at least, how do we?

P Mukherjee: Some of these assets were earlier in fact written off by us, some sold by us and so on, many in fact we had sold earlier, so those are not reflected here and since we are continuing to provide and as you know that this quarter itself I was slightly more aggressive in providing more, I think you can take some comfort from that fact.

Jai Mundhra: Sure Sir. That is very helpful. Thank you Sir.

Moderator: Thank you. The next question is from Alok Shah from Centrum Broking. Please go ahead.

Alok Shah: Thanks for the opportunity Sir. I had a couple of questions. I will try and dig it down, one is on the yield side, what is the extent of increase in MCLR that we have say between Q1 and Q2 and between Q2 and now on an increment basis that is my first question to you Sir. Second is if I get it right the bulk deposits comprising of 38% as at Q1 which is now down to 27% is that the right reading?

P Mukherjee: 25% is correct, at the end of Q1 it was 30% that has come down to 25% today. As we speak today it would be about 24.5%.

Alok Shah: On my first question Sir MCLR increase or how has that changed because if I look at yield on loans versus the loan portfolio QOQ that does reflect a significant improvement in my overall yield, how do we read that number?

P Mukherjee: Alok, MCLR itself has risen during this period only fitfully if I might say about, total about 15 basis point probably during this period, but what is more important is we have actually repriced about Rs.2600 Crores of assets at an average of about 150 basis points over the last three months and that has significantly helped us in maintaining yields.

Alok Shah: Okay, so Rs.2600 Crores of assets is being repriced?

P Mukherjee: You will appreciate that MCLR benefits if any will only come on new assets as well as on the anniversary of resets of existing assets.

Alok Shah: Yes that is true, so how is that part of our portfolio, portfolio being MCLR linked it is more of three months, six months, one year?

P Mukherjee: Bulk of my assets linked to the one year NCLR, I suppose a few might be linked to shorter term MCLR also.

Alok Shah: Sir somewhere you talked about taking your NIMs to closer to 2.25% by FY2019, what is that we are looking at incrementally as driver?

P Mukherjee: Alok, as far as the NIMs are concerned, my sense is by next year, my NIMs should have stabilized on a steady state basis back to 2.5% at least. I forgot to mention one aspect and I should have mentioned to the general questioning of course about credit costs, next year we are targeting credit costs of 100 basis points with a medium term target of 60 basis points and to come back to the NIMs the immediate target is to try to hit the 2.5% mark next year.

Alok Shah: Sure, okay and Sir on your exposure where you have trimmed your exposure to NBFCs infrastructure?

P Mukherjee: We have actually done a lot of that. We have done very significant portions of that, so as I said we have reduced exposure to the three sectors NBFCs, real estate and infra by Rs.1800 Crores, partially through complete exit and some through partial exit.

Alok Shah: So what is your NBFC exposure now?

P Mukherjee: It is about Rs.2000 Crores, which is about 8.5% of my book. I must mention that there is no stress in that book.

Alok Shah: Right, Sir one thing, which I was trying to understand, is the progress that we have to made on the MSME or the commercial portfolio, how are we looking at this book on an incremental basis one in terms of ticket size, second in terms of geographical breakdown, and third in terms of credits?

P Mukherjee: You will see we are making a virtue out of a necessity because of the fact that capital is scarce; we are able to be more choosy today in building that book. The MSME teams focused today on ticket sizes in the region of Rs.50 lakhs to about Rs.3 to 4 Crores, which is the focus area for them. As far as geography is concerned, you will appreciate that since the bulk of my branches are in the south of the country very clearly the bulk of the growth would be in South India at the present moment. Another form of class of asset that is particularly important in the LVB scheme of things is the gold loan, the jewel loan as we call it and Lakshmi Vilas Bank is known for its exposure to the jewel loans and we have done rather well by it, it is extremely capital efficient for us and it has been fully secured and the bank has rarely taken losses there and we have significant exposure there already and the intention is to maintain the position.

Alok Shah: How much of this would we book now?

P Mukherjee: The gold loan book would be Rs.2000 Crores or so, 2200 actually.

Alok Shah: And just on the corporate side when you speak of corporates at about 10%, would you have some number as to how much of this would be actual consortium or something which will be multiple banking or they are just trying to get some granularity in terms of our exposure to overall portfolio in terms of collateral and secured nature of book?

P Mukherjee: You are talking of amount I am presuming, exposure not number of accounts.

Alok Shah: No, number of accounts, the exposure in terms of amount?

P Mukherjee: So exposure could be about Rs.1000 Crores where I am a sole bank lender whereas multiple banking exposure that could be about Rs.5000 Crores, another Rs 500 might be syndicated participations.

Alok Shah: Okay, sure and the pace of growth in retail book has been a bit slower than anticipated. What is that we are trying to do here and branch efficiency this time to go out to people and get that business, because on the retail liability side that progress has been good be it consolidated, be it fee income, but retail asset growth how do you look at that number?

P Mukherjee: I must confess that I have not done well there, but it is largely an internal issue. We are restructuring the retail lending team at the moment and the systems because somehow we could not make enough progress earlier, so I think I will request you to give me another three months to start showing you results there.

Alok Shah: Okay, I definitely look at that but I will appreciate that this number has increased from 8% number that we were quarter a year back back?

P Mukherjee: Yes.

Alok Shah: Finally just one more question, how are we looking at overall liquidity on balance sheet and what is the debt we are trying to ensure in terms of monitoring of corporate portfolio?

P Mukherjee: Let us discuss liquidity first. My treasury head of course confirms that the liquidity position is very good at the moment and he continues to support all funding growth, asset growth of course the treasury has continued to fund, so as far as the liquidity is concerned in fact as I said, the fact that we have been quite aggressive in reducing bulk deposits we will tell you that we are comfortable as far as liquidity is concerned, so there is no issue. Now we talked about monitoring of exposure on the corporate side, quite frankly it is not just the corporate side whether it is corporate or SME we have a completely separate commercial banking operations group, which monitors our exposures very closely and to that extent we have the comfort today that close monitoring will ensure that early warning signals will come to light to the builders group concerned.

Alok Shah: Finally just one last question if I could ask in, what are the fee income this quarter and how do we look on this?

P Mukherjee: Other income was about Rs.70 Crores and since the treasury's contribution was not much it is almost entirely from non-treasury.

Alok Shah: That is it from my end Sir. Thank you so much and wishing you all the very best.

Moderator: Thank you. The next question is from Siddharth Purohit from SMC Global. Please go ahead.

Siddharth Purohit: Thanks for the opportunity again. Just coming back to that developer loan again. Would it be possible to rates kind of developer what percentage of those loans will be at fixed rating up to A or A plus?

P Mukherjee: Right now the ratings breakup is not with me, but as I mentioned my total stress in that book not NPL, just stress is about Rs.26 Crores, but if you ask me for the rating I think the predominant bulk would be BBB plus I imagine.

Siddharth Purohit: Okay and how is behavior so far in the LAP portfolio?

P Mukherjee: My LAP book is doing very well.

Siddharth Purohit: Okay and Rs.1800 Crores that you have mentioned that is the gross amount so that is all the standard book you are talking about?

P Mukherjee: Which one Rs.1800 Crores for developers?

Siddharth Purohit: No, Rs.1800 Crores I believe you have mentioned as LAP book also.

P Mukherjee: LAP book is Rs.1100 Crores.

Siddharth Purohit: That is kind of same?

P Mukherjee: Yes.

Siddharth Purohit: Fair enough. That is it from my side. Thanks.

Moderator: Thank you. Next question is from the line of Sameer Alve who is an individual investor. Please go ahead.

Sameer Alve: One question on the capital raising plan, Sir when you say we are looking at strategic investors, are we looking at regular capital from them every two year kind of sustain the growth that we are planning?

P Mukherjee: If you ask me right now the intention is to bring in substantial capital that should see us through for at least two to three years normal growth of the book. My sense is if business were to grow as per plan Lakshmi Vilas Bank will generate its own capital thereafter and at the appropriate time the bank can always go back to the market and raise capital through QIP or other sources. Existing investors are always welcome to bring in fresh capital too.

Sameer Alve: Okay, all the best. Thank you Sir.

P Mukherjee: Nobody is actually asked me about growth plans of the future, so I might as well volunteer that myself. The focus of the bank going forward once the capital is in, to look at a CAGR somewhere in the region of 20% to 25% for the next four to five years and Inshallah as they say, FY2020 we should be reporting profits.

Moderator: As there are no further questions I would like to hand the conference back to management for any closing comments.

P Mukherjee: Thank you all. It has been a long day of work and thank you all for having stayed with us at this late hour. I do hope that we will be able to justify whatever statements we have made and the bank is focused to grow going forward. Thank you all once again.

Moderator: Thank you very much. On behalf of Lakshmi Vilas Bank that concludes this conference. Thank you for joining us ladies and gentlemen we may now disconnect your lines.