South Indian Bank Limited
Q1 FY21 Earnings Conference Call
July 2020

- **Moderator**

- Good morning, ladies and gentlemen, welcome to the Q1 FY21 Earnings Conference call of the South Indian Bank Ltd. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not a guarantee for future performance and involve uncertainties that are difficult to predict. As a reminder, all participant lines would be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing star and then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Pritesh Bumb of Prabhudas Lilladher. Thank you, and over to you, sir.

- **Mr. Pritesh Bumb – Prabhudas Lilladher**
- Good morning, everyone, on behalf of Prabhudas Lilladher, it is a pleasure to welcome the management of South Indian Bank. We have with us the Managing Director of the bank, Mr. V. G. Mathew and his team. We will start the call with brief remarks on Q1 FY21 results followed by Q&A. Without much to do I would like to hand over the call to the management. Thank you, and over to you, sir.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**

  Thank you very much, a very good morning to all of you and thank you for joining us for the South Indian Bank Q1 FY21 earnings conference call. We are joined by my colleagues, Mr. Thomas Joseph, EVP (Operations), Mr. G. Sivakumar, EVP (Credit), Mr. K.N. Reghunathan, EVP (Treasury) and our CFO, Ms. H. Chithra.

  We hope that you and your family are safe and healthy. We continue to appreciate the efforts of our employees who have shown strong resilience and ability to adapt to the changing circumstances. Amid the continuing lockdown with the help of our in-house BCP team, we were able to keep 98% of the branches and ATMs operational across the country following all precautionary measures as per the guidelines.

  As on July 4, 2020, loans under moratorium stand at approximately 36% of total loans. As stated in the Q4 FY20 results conference call we were targeting PCR of 60% in the next 6 months. We have reached this PCR 58.8% as of June 2020 and will positively look forward to cross 60% in September 2020.

  Now let me take you through the highlights of the operational and financial performance for this quarter.

I am delighted to state that the bank's operating performance continues to be robust. The bank reported PAT of Rs. 81.65 Crore for Q1 FY21. We continue to expand our non-corporate portfolio particularly in the segments of Retail, Gold, MSME, and Agri loans which now forms 72% of the overall loan book.

As on 30th June 2020, the total business of the bank stood at Rs. 1,47,063 Crore.

Advances grew by 3% YoY to Rs. 65,819 Crore driven by continued robust growth in loans under agriculture, retail and MSME segments, while the corporate loan portfolio declined. Retail loans grew by 10% primarily driven by increase in our desired segments such as mortgages, gold loans and auto loans. The share of corporate loans declined from 32% as of June 2019 to 28% as of June 2020.

Deposits, excluding certificate of deposits rose by 8% to Rs. 82,469 Crore. CASA deposits increased by 12.5% to Rs. 22,179 Crore. CASA ratio improved to 26.9% of the total deposits.

Our investment was at Rs. 20,601 Crore of which esteemed category contributed Rs. 16,375 Crore while AFS contributed Rs. 4,211 Crore.

GNPA ratio improved to 4.93% as of June 2020 from 4.98% as of March 31, 2020. Net NPA ratio also improved by 25 basis points to 3.09% as of June 2020.

Net interest in terms for the quarter stood at Rs. 587 Crore registering a growth of 10%. Net interest margin was 2.62% in the quarter as against 2.53% in Q1 FY20.

Other income for the quarter increased by 57% to Rs. 285 Crore. Our core transaction fees contributed Rs. 49 Crore while treasury income increased to Rs. 146 Crore. We have already entered into multiple distribution tie-ups with leading insurance companies and we are seeing strong traction in third party space. As we continue to expand the retail and MSME verticals, we expect better momentum in the transaction fee and third party income in the coming quarters.

Operating profit for the quarter was Rs. 403.65 Crore as against Rs. 317.63 Crore in Q1 FY20, an increase of 27% driven by better margins in treasury income.

In Q1 FY 21 the cost income ratio was 53.7% as against 55.7% in Q1 FY20. The business per employee rose by 2 percentage points while business per branch rose by 3 percentage points. We expect positive impact on opex ratio as we gain from operating leverage from our centralized operations, higher fee income and increasing productivity from existing branches.

The bank has made Covid 19 related provisions aggregating to Rs. 100.5 Crore against standard assets to strengthen the balance sheet. Based on RBI guidelines, the bank is required to make a provision of 10% in respect of all loans overdue as of March 1, where moratorium has been granted over the next 2 quarters. Loans that were overdue more than 90 days as of June 30, that have not been classified as non-performing were Rs. 714 Crore. On these loans, the banks have made additional provisions of Rs. 50.6 Crore during Q1 FY21 taking the total mandatory provision to Rs. 71.4 Crore as of June 30,

2020. Additionally, the bank holds an adhoc provision of Rs. 29.1 Crore as on June 30, 2020, to meet any future impact of the pandemic. The above total provision of Rs. 100.5 Crore towards standard assets is not considered in NPA calculations.

Overall provisions increased by 43% to Rs. 293 Crore in Q1 FY21. These provisions included non-loss provisions of Rs. 313 Crore. Including write-offs the provision coverage ratio continued to improved and stood at 58.8% as of June 2020, as against 54.2% as of March 2020.

In Q1 FY21 fresh slippages amounted to Rs. 158 Crore which were primarily contributed by Gems & Jewellery and trade businesses within MSME verticals. There was zero slippage from corporate segments, during the quarter.

Considering the Covid impact, it will be difficult to give a quarter-to-quarter guidance on slippages at this point of time. The bank is confident of holding the growth slippages to 2% of the total advances during the year taking into account the impact of Covid pandemic.

Our overall capital adequacy now stands at 13.49% while the core CRAR is at 10.82%. The bank has survived geographical presence with 875 branches, 54 extension counters and over 1426 ATMs.

To summarize the bank continues to focus on strong business growth especially in the areas of retail assets and CASA, favourable loan mix and improved asset quality. The bank will closely monitor the impact of Covid on our business and assess the outlook closer to December 2020. With this, we open the floor for questions.

- **Moderator**

Thank you very much, we will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue you may press star and 2. Participants are requested to use handsets when asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Vibha Batra from Fair Connect, please go ahead.

- **Ms. Vibha Batra – Fair Connect**

Sir, my question is on capital adequacy especially Tier I capital adequacy, it’s 10 plus percent and if we were to see the scenario for hybrids AT1, the market is very, very risk averse. So for a bank like you it will be primarily equities. It will be the internal capital generation or raising from the market process. What’s your view especially in the light of Covid and also since you are focused on SME related segments, don’t you think you should be operating at higher capital adequacy and you should be having adequate buffers to meet the unforeseen losses.

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- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  Yeah, you are right about many of those surmises but I would also like to highlight that in the last 5-6 years we have been managing capital on a very shoestring pattern and I would say that 13.49% is the highest number in any quarter during the last 6-7 years. So definitely, we are very sensitive about it. We have demonstrated that we will be able to plan-out and manage with, you know, reasonable amount of capital but we are open to strengthening that at all times. As the market perception starts improving we will start looking at all options of raising capital, we will do that. As far as the pandemic is concerned although we are taking a very conservative view, we have a certain amount of strength in our books because we do not have anything like unsecured loans, a very nominal number that we are talking about. All our secured loans are long relationships and our portfolios are, you know, built up on the efforts of our branch managers and credit officers and business development officers, not driven by the DSA-DST pattern therefore we believe that we have lot of strengths in meeting the situation. However, we are open to looking to capital placing at the appropriate time.

- **Ms. Vibha Batra – Fair Connect**
  And what would be appropriate time, sir.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  We have to evaluate because as you know the growth, which is not likely to be anything very, very large so obviously if you look at the capital position we have enough money to meet whatever expected growth that we are having in our books. So then, the question is about our ability to provide for Covid, we have actually appended some of the provisions as you have seen. We have tackled most of the provision related issues on the current book itself and improved our provision coverage ratio significantly. Therefore, you know, we have little bit of time available that is what I wanted to highlight. So, we will just wait and see how the market pans out, how things are improving then we will take a final call on that.

- **Ms. Vibha Batra – Fair Connect**
  Okay, sir, thank you and all the best.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  Thank you.

- **Moderator**
  The next question is from the line of Deepak Poddar from Sapphire Capital, please go ahead.

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- **Mr. Deepak Poddar – Sapphire Capital**
- Sir, thank you very much for the opportunity. So sir, my 1st question revolves around your other income, now your other income has seen quite a lot of variability in the last 3-4 quarters if you see, and since you mentioned about the insurance tie ups and improvement traction in the other income. So just wanted to understand some sustainability on your other income.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
- Yeah, the basic other income that's the Core Fee income always remains steady and shows a reasonable growth at all times. What negates the element of volatility is the money that is either coming from the treasury or not coming from the treasury. For example, if you look at 2018 practically no money could be booked in the treasury because that is the kind of market environment that was there. Today thankfully, the market facilitates certain amount of, income to be booked there and therefore we have taken advantage of that. So obviously, we have done some transfer from the HTM book and we have booked that income to cover our provision coverage ratio, to take the provision coverage ratio steadily to our goal of 60%+. So, that is what we have done. Otherwise, this particular quarter typically what happens is the one-off items are only 2, one is what can come out of the income tax refund, interest on income tax refund; that is one number that can come quarter after quarter sometimes. Another number that can come is what is coming out of the sale of priority sector in the certificates PSLC. So this quarter we have a number of around Rs. 31 Crore coming out of the PSLC sales because we have got excess priority sector lending and therefore that money is booked. Otherwise, it is always a steady one and there is no volatility in the Core Fee income parts of it.

- **Mr. Deepak Poddar – Sapphire Capital**
- Sir, that 31 Crore that you have mentioned, is it considered as one-off that PSLC income.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
- Yeah, PSLC what we have in this quarter may not be replicated every quarter, it is not possible. There is some surplus still left with us but it also depends on how much is the appetite in the market. And, generally in the beginning of the year the pricing is a little superior and we have booked that now.

- **Mr. Deepak Poddar – Sapphire Capital**
- Okay, and basically this quarter we were at about Rs. 285 Crore. Even if we adjust 31 Crore we are about 250 – 260 Crore, right. So is that a sustainable number once we are going forward.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  Yeah, it depends on how much we get from the treasury like we will definitely try to look for opportunities in the treasury but it is also on how much we are able to, gain from the treasury operations. That of course is a number on which we cannot put a fix at the market.

- **Mr. Deepak Poddar – Sapphire Capital**
  Okay, because last time the treasury was about 238 Crore and this quarter was close to 140 Crore, right.

- **Mr. V.G. Mathew – South Indian Bank Limited**
  Yeah that is true, that Rs. 238 Crore, of course, we have explained it is partially because we had sold out, it is there in the balance sheet very clearly. We had sold in excess of 5% also.

- **Mr. Deepak Poddar – Sapphire Capital**
  Understood, fair enough and as we discussed at the last quarter FY 21 we are looking at Credit Cost of Rs. 1,000 Crore and still maintaining that.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  Yeah, we said that you know, Credit Cost will be around Rs. 1,000 Crore and on the basis of our projections and we have assumed that that the NPA accretion will be contained at around 2% maximum that means we are talking around Rs. 1,000 to 1,300 Crore of NPA accretion and then around 1,000 Crore of Credit Cost that will come in. It might you know appear to be a little on the conservative side but what the piece that we are missing at the moment is what can come out of the recovery which is not added here, when I say all these things. There are opportunities of writing back provisions, there are opportunities of, and you know, credit back into the provisions from the recoveries. These are the 2 elements which is not visible in our numbers now but these are the things that will ensure that the Credit Cost is well contained at the level that we are talking about.

- **Mr. Deepak Poddar – Sapphire Capital**
  Understood, fair enough. That is all from my side. Thank you very much and all the very best.

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

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- **Mr. Renish. – ICICI Security**
  Hi, sir, a couple of question, one is on the fresh slippages side, you know, which was around 160 Crore. So, sir, primarily from, as you, you know highlighted in your opening remarks that some of these has come from the Gems & Jewellery and trading community, so do these accounts have not opted for moratorium and hence they slipped or we are cautiously recognizing this as NPA despite being under moratorium.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  Yeah, everyone can you know opt for the moratorium and standstill close comfort is available. But then we take a very close look at all these things and we take a very conservative stand. And where we believe, for example this Gems & Jewellery, is a collectively smaller kind of company, there is no reason why he should have had so much a difficulty. So if he is having a difficulty then it is better to be classified as NPA. That is our approach. And trade accounts also, I mean we know there are some, we know the pattern about, we got a good portfolio of trade accounts. So we know how the pattern is coming up. So if somebody is having a trend which is a little different from this then we will take a very cautious and conservative view. That is what we have done.

- **Mr. Renish – ICICI Securities**
- Got it. So, sir, this 160 crore, Gems Jewellery contributed how much?

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
- Rs. 35 Crore, trade is Rs. 31 Crore, construction is Rs. 10 Crore and trading metals and metal products around Rs. 10 Crore.

- **Mr. Renish – ICICI Securites**
- Okay, okay. And, sir, so now you know coming to the credit cost side, so when you said this 1,000 Crore on credit cost side in FY 21 does it include in the outstanding balances which you have to provide on those fraud accounts.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
- Yes, yes, we cover everything. Because we have counted everything on that. What is not visible and not counted is the potential upsides that can come from the recoveries and from the write back of the provisions. For example, you know, one account alone, in an IBC proceeding if that gets recovered, the overall provisions will come down significantly. It is not necessarily onto the loan book but it will come in the SR book. It will come down by Rs. 50-60 Crore. So, that’s the kind of potential that is available. So, we are looking at all. And we are pretty much confident that, a Rs. 1000 Crore number is a good number considering the emerging position.

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- **Mr. Renish – ICICI Securities**

  Sir, just a, you know, follow up on that, so this Rs. 1,000 crore is also including the potential NPA on SR towards the end of the year.

- **Mr. V.G. Mathew – South Indian Bank Limited**

  Not at all, not at all. Because we believe there is only one portfolio, which is, which has given us trouble. Otherwise, no other portfolio. The, Rs. 1,776 Crore that we sold out in March 2017, that alone attracted 2 losses of provision. One in September 2017 and other one now. And it is already carrying more than 63% provision. And also with these accounts along with that we have got some good return accounts also there. With all these accounts there, even 63% provision coverage is not adequate, is something I cannot just believe. Anyway, I mean this is the correct position and we are not counting anything for that.

- **Mr. Renish – ICICI Security**

  Got it. Okay, okay. Thank you so much, sir. That is it from my side.

- **Moderator**

  The next question is from the line of Lalit Garg, from Global Investment. Please go ahead.

- **Mr. Lalit Garg – Global Investment**

  Sir, my question is about any strategic investment. I will be looking for somebody to come on board for strategic investments. Let me explain what I am trying to say. There are these new shares, online share trading companies and that read, they are looking for tie-up with the banks. So, is there any movement, anything happening on that front?

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**

  At the moment, No. There are no strategic investment discussions that are going on, yeah.

- **Mr. Lalit Garg – Global Investment**

  Okay, so, that was my question and thank you for taking my question and that is all.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**

  Thank you very much.

- **Moderator**

  Thank you. The next question is from the line of Shiv Kumar, from Unifi Capital. Please go ahead.

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- **Mr. Shiv Kumar - Unifi Capital**
  Yeah, thank you for the opportunity. Sir, what are the COVID related provisions that we are carrying on the balance sheet currently?

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  Rs. 100.5 Crore.

- **Mr. Shiv Kumar - Unifi Capital**
  Okay. Do you think that should be sufficient given that our moratorium book is slightly on the higher side the 36% across segments? What gives you the confidence that you will be able to keep the credit cost low at around 1,000 Crore for this year instead of having a very big AUM under moratorium.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  Yeah, what we are looking at is, moratorium is it does not necessarily think that these accounts are all defaulting or have a problem. Once you have a problem and we know those accounts because they are lying in SMA1/SMA2 kind of all in various other forms of delinquency. We can see that. That is something you know, that is the reason why we have this Rs. 714 Crore, which is there today. And that has come down significantly, from what was originally there, that number has come down. And even there what we need to look at this, this particular, when you say 36%, we also need to remember another one. That is out of this account, if I remember correctly 21% of the moratorium accounts are having in their liability accounts enough money for covering more than 3 instalments. So, when we talk about 36% it is not really 36%, but then we have not taken any benefit of that we are still talking about 36%. And this is the number that we have to really take into account. That is the comfort that we are having. So, finally looking at RBI's requirement of provision we are well above that. We have not taken any advantage of deferring or anything, we have taken full provision and provided another Rs. 29 Crore. Then the accounts, which are likely to slip, we are again taking a rather conservative view. And we have taken a thorough review of everything and then we are taking a very conservative view, that it will not cross more than 2% on the assets side. So, that is where you know, the provision numbers are worked out. Then of course, the potential, you know, write backs, that is also something that we have to keep it in mind that, it has happened in the past and it can happen in the future. So, we are looking at all those things.

- **Mr. Shiv Kumar - Unifi Capital**
  Right. So, especially in the retail segment the moratorium related loans is slightly on the higher side than the 46% percent given that you have a very big gold loan segment there

and most of the segment is secured. So, can you give some colour as to which segment is giving this kind of number.

- **Mr. V.G. Mathew – Managing Director, South Indian Bank Limited**
  Yeah, I think, I should be able to give you that data now. One moment. If you look at the total home loans. Out of Rs. 5,463, the people who have opted for moratorium, their amounts, their amounts add up to Rs. 4101 crore which is 75%. Now the fact that we need to remember here is, we have given this offer to everyone. It is an opt-out scheme that we have done. That is the main thing. So, we have told everyone that you can opt out of this and to be on the safer side. And then what is the indicative number that we need to worry about, that is, for example, what are the current balance in the SMA 0, 1, 2 etc., as on February 29. In that group, it is only 70 Crore, which means it is only 1.28%, of the total portfolio of the Rs. 5,463 Crore we are talking about a potential delinquency of only 1.28%, 70 Crore. And other mortgages are, other mortgages if you look at it again, that number the people who have opted for the moratorium is around 52%. But the delinquency part is only 69 Crore which is coming to only 1.31% of the total mortgages. Vehicle loans, it is slightly on the higher side in terms of opting for the moratorium that is out of the portfolio of Rs. 1,098 Crore but then again the delinquency part is only Rs. 15 Crore, which means only 1.37 of the total vehicle loan portfolio. And when it comes to gold loan, you know, the ones who are coming in terms of delinquency that is SMA 0, 1 & 2 is just 0.04%. Nominal percentage that is all. Others are all personal segment loans, the quarter personal segment loans, we are having only 1,300 Crore. And again here also the amount that is opted is only Rs. 10 Crore which means 0.77% of the portfolio. Then business loans is Rs. 2,898 Crore, but what is opted for moratorium is only Rs. 272 Crore. And the benefit of the standstill taken is only Rs. 5 Crore which is 0.17%. So that is the comfort that we are having, in spite of the fact that they have taken moratorium they are also significantly showing capability to meet the capability as well as intent to make the repayments. So that is why the position as on 29th February was a very, very small portion. So that is where the confidence is coming for all of us.

- **Mr. Lalit Garg – Global Investment**
  That was very useful sir. Sir and within your housing loans and mortgage loans segment, the borrower base would be driven by salaried segment or the self-employed segment?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  No, we have actually salaried which is the most important one. See when you look at the total home loan portfolio, Rs. 5,463 Crore, Rs. 3,557 Crore are coming from salaried class.

- **Mr. Lalit Garg – Global Investment**
  Okay, okay. And in the mortgage loan segment?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Mortgage loan segment, of course it is more like the business class community, which is more. Out of the 5,252 Crore, what we call LAP business class, that is the one which is the largest chunk with Rs. 3,545 Crore.

- **Mr. Lalit Garg – Global Investment**
  Right, right. Sir and one last question sir, liability side, you are increasing the hearing of reports that the remittances from the Middle East are coming down for the Kerala fraternity. Are you seeing a decline in the traction of deposit mobilisation for your branches?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  It is just the other way. The deposits are actually improving and you would have seen in our presentation, NRI deposits are actually becoming a larger portion ever increasing portion. Total NRI deposits as a part of deposits used to be less than 19% in 2014. Today we are talking about that as 29.90%. In this quarter, it has further improved. Last quarter it was 28.55%. Now it has become 29.90% and it is growing steadily. NRI total deposits have grown by 12.73% as compared to other general deposit, retail deposit growth of only 8% that we talked about. So obviously, the NRI part of the business is very strong and growing very steadily.

- **Mr. Lalit Garg – Global Investment**
  Right sir. That is good to hear. Thank you and all the best.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Thank you very much.

- **Moderator**
  Thank you. The next question is from the line of Drishti Shah from Investech Capital, please go ahead.

- **Ms. Drishti Shah**
  Good morning sir. Sir, I wanted to get some sense on the SME segment of yours. So now that you know most of the parts is unlocked, what is your sense on the SME and how are they faring in terms of business? And are you seeing transactions going up to normal level? Or what level are they going up to? And your way forward. Thank you.

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- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah. MSME is a very important sector for us, along with agri. But at the same time we also need to remember that 43% of our advances, that is all smaller advance, because we don't have bulk advances in Kerala. So of all the advances, 43%, is coming from Kerala. So one, thankfully, the position is that Kerala the lockdown position is a little superior. Therefore, we find a certain amount of improvement in all the areas. All the areas we find, like you know if you look at the people who are talking about the retailers and also the footfalls in various shops and trading centres etc., we find that there is a significant improvement in the activity level. And if we look at the accounts also, the cash flows are coming. Therefore we believe that this is one area where we are going to have some more comfort, additional comfort this year, and particularly in this pandemic. Because unfortunately that is not the case right now in Tamil Nadu or Maharashtra or areas under our Delhi region. These are other areas where we have been getting some good MSME business, particularly Tamil Nadu. It was very important. However, right now, the Chennai region is not doing very well. Therefore, that part is something that we have to live with. However, if you look at other regions in Tamil Nadu also, like Madurai region, Coimbatore region would not have a significant problem at all. In fact, we find improvement in the cash flows coming out there. So I think it has mostly been very vulnerable, highly impacted metro centres which are giving us some concern. Otherwise we believe that things can really start improving now onwards.

  Ms. Drishti Shah
  Sir, and what is our SME moratorium? The moratorium taken on our SME book?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah MSME it is 28.31%. What is more important is, the SMA 1, SMA 2 accounts which have taken the benefit, that is only a number of 48 Crore out of Rs. 16,319 Crore of total portfolio, which is 0.29% of the portfolio. This is the number that is actually very, very important indicator.

- **Ms. Drishti Shah**
  So sir in our SME would we have further classification of what is Kerala and non-Kerala in this moratorium? Just to get some sense you know because Kerala is totally unlocked.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah, I don't have it at the moment. I can share that data.

- **Ms. Drishti Shah**
  Sure, sure, sure. Thank you sir.

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- **Moderator**
  Thank you. The next question is from the line of Shri Shankar from JB Arcel. Please go ahead.

- **Mr. Shri Shankar – JB Arcel**
  Good morning. My quick question is you have been mentioning about trying to reduce the corporate portfolio. And if I look at the numbers, in the last quarter alone, above 100 Crore are reduced from 40 to 33. Is it correct.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah, numbers have come down obviously because you know the amounts have moved down below 100 Crore.

- **Mr. Shri Shankar – JB Arcel**
  Okay, sir go ahead sir.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Very simple, wherever repayments are coming in, naturally we would have filled up. But in the current environment we have taken a very conscious decision that we are not filling up. That is all what is happening. In the process, we are getting an improvement.

- **Mr. Shri Shankar – JB Arcel**
  Okay. In line with your thought process of reducing the corporate exposure, moving more to retail.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Absolutely, absolutely, absolutely. It is going very well, and particularly in the COVID context, we believe that rationalising the exposure and the higher end would be the right way forward.

- **Mr. Shri Shankar – JB Arcel**
  Okay. Sir on the second side, you answered to a previous question with regards your home loan portfolio etc. That is 75 or 76% of the people have opted for moratorium. Did I hear it correctly?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah right. Yeah I will just check the number once again. Yeah. The percentage is right, 75.07% have opted for moratorium. Yeah that is right.

- **Mr. Shri Shankar – JB Arcel**
  And of the total number of home loan people, a significant amount is actually salaried class. And despite that we have seen the option for moratorium is on the higher side. Anything that you can link it to? So I am trying to get an understanding, does it have something to do with, anything with particularly cash flow issues to a great extent? Because in this housing loan, is it anything related to Middle East connection, or people from there who have come back who are not able to repay etc.? Are you able to make anything? Because this number for a salaried class being very high, this number looks slightly on the higher side.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah, so that is where you know let us not mix it up with the NRI portfolio at all, which is separate. So when I talked about the salaried class, we have got the local salaried class, we have an NRI portfolio of Rs. 1009 Crore. Again, there also almost 85% have opted for moratorium, essentially because we are also encouraging. We also told them that there is a moratorium available. In case you have issues, you better take this. But then, what is more important is the delinquency as of February 29th. So when you look at that number, it is coming to just 1.98% of the NRI portfolio. That is all. Just 20 Crore. And if you look at the salaried class also, it is coming to only 1.04%. And much more important is the indicator that I mentioned earlier that is of all the moratorium cases, at least 21% is having money with us in the liability account, covering more than three instalments. And there are other numbers along with that. Actually others who are having amounts available for one instalment, two instalments etc. also I can read out. So 1 to 2 instalments, people have money, average is around 8% of their accounts under moratorium. 2 to 3 instalments, another 5% is having money, and above 3 instalments 21%. So we are talking about 34% of the moratorium people, having money in their liability accounts with our own bank covering instalments. So that is where the comfort is coming. But as a caution, as a careful approach, many of them have opted for the moratorium.

- **Mr. Shri Shankar – JB Arcel**
  Okay sir, thank you.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Thanks.

- **Moderator**
  Thank you. The next question is from the line of Jay Mundra from B&K Securities, please go ahead.

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- **Mr. Jay Mundra – B&K Securities**
  Yeah hi sir, good morning. A couple of question. Sir first just to follow up, this 8%, 5%, 21%, these numbers are by value right? So 34% of the loan have 1 or 2 or 3 EMI balance right? So by value?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  That's correct, it is by the value.

- **Mr. Jay Mundra – B&K Securities**
  Okay. Sir firstly on this Gems & Jewellery slippages, sir just wanted to double check, were these accounts under moratorium or they were not?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah they are substantially under moratorium, and anybody can definitely take the standstill availability. We can also extend that if necessary. But our point as I mentioned at all times, last 5 years we have not given undue benefit to anyone. We have been recognising stress where we find that you know going forward they may not do very well. Our experience at all times is to book the NPA upfront and then deal with it, rather than postpone that. So here, also the same policy is being followed. Nothing more than that. So we have had a very good look at it. As I mentioned sometime back, we know the trend. We know the cash flows, which are available with the trading community, with the gold jewellers. Therefore, if one gold Jeweller or one of the companies in the trading communities say that they have a pattern, which is very different from others, then we need to look at that very, very closely. And that is what happens.

- **Mr. Jay Mundra – B&K Securities**
  Okay. Sir in terms of retail loans, you have given opt out to all retail customers. Then how can a customer become NPA? How can you sort of spoil his CIBIL score?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  We are not spoiling anybody's CIBIL score as such. We are looking at the prospects. We are looking at their cash flows, if it is significantly impacted. And we know that COVID is not going to – is not going to go away tomorrow. So obviously we need to deal with that aspect. There is no other way. So we can merely postpone a problem, but it is always better, I mean it is always in consultation with the borrower also. We tell them also that look we have given you all the comforts. Earlier also if somebody is eligible for restructuring under MSME, we have done that. And again so we look at the pattern, what is the position. Even before COVID how is the trend. So with all that we take a call

finally. And we also tell them that look this is the scenario. And it is better that we deal with this problem and then close this. That is the best thing.

- **Mr. Jay Mundra – B&K Securities**
So for these retail customers, they were given moratorium, but you told them that you have to pay. Is that the understanding?

Mr. VG Mathew – Managing Director, South Indian Bank
Moratorium is an option given to everyone. Everyone in the bank, moratorium is offered. I am not talking about a retail customer specifically. I am talking about retail, MSME. Actually most of the slippages have come under MSME.

- **Mr. Jay Mundra – B&K Securities**
Only for retail how does it work? Sir if a person is under moratorium, how can he become NPA?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
Like we need to look at his ability to pay. I mean there are other factors when it comes to NPA. I mean it is not only his payment history or his ability to merely take benefit of something and then say that it is going to remain. And then question is about the DP shortage. If there is a DP shortage obviously we have to take care of that also. So these are the things that we need to find out. So on the basis of all these parameters, we take a very conservative call on all these companies. That is what we do.

- **Mr. Jay Mundra – B&K Securities**
And sir now when you say 2% kind of slippages for full year, do you believe that this entire moratorium of 36% will just become 0% by the time moratorium ends? Because 2% is the usual, business as usual kind of slippages. And you actually have had slightly higher. But 2% would be business as usual kind of a situation. So do you believe that this entire 36% will just vanish by the – everyone will come out of moratorium as of 1st September?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
We are not saying that everyone will come out of moratorium as of 1st September. But at the same time we also know that we have brought all those people – I mean their relationships are known to us, history and conduct of the account is known to us. And on the basis of that we have always the comfort. We know. It is not as if you know we are starting a new portfolio today. It is on the basis of a lot of historical parameters that we have an understanding of how the customer is likely to behave. Now the one thing that

you should remember in the slippages, which are coming out currently, and also the previous slippages that happened over the last 5 years, that kind of corporate book does not exist anymore. So that itself is a great blessing for us. So we are now talking about cases which are manageable. People who have the cash flows, people who already have liability accounts carrying money for their instalments. So obviously when I talk about 36%, it is not 36%, it is much less than that. Because 34% of the people out of the moratorium are already having money for 1 to 3 instalments.. The number of around 2%, appears to be quite reasonable to us.

- **Mr. Jay Mundra – B&K Securities**
  Sure sir. And one last thing sir. What would be your NR linked retail and MSME loans? So loans, which held some linkages to NR people.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah in any case the whole NRI portfolio, our total NRI portfolio under retail segment, is only Rs. 1,920 Crore, which is just about 2.92% of the total advances. So…

- **Mr. Jay Mundra – B&K Securities**
  MSME side?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  MSME is very limited basically. It is all substantially home loans. And some LAP and also some of the vehicle loans. That is about all. These are the fundamental loans. So it is not as if our – our NRI portfolio on the liability side is very strong. So against it, 28 or 29% of the NRI portfolio on the liability side, the asset side is very different. Asset side on the retail side what I am talking about is Rs. 1,920 Crore. So what I am trying to tell you is, even that we have had a very close look. We are looking at a number of around 47 Crore which requires very close monitoring. So that is what we are trying to – and that is coming to around 0.07% of the total loan portfolio. It is not as if NRIs are going to give us a headache.

- **Mr. Jay Mundra – B&K Securities**
  The portion is very small when you add these numbers. Thank you so much sir. Thank you.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Welcome, welcome.

- **Moderator**

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Thank you. The last question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

- **Mr. Rohan Mandora – Equirus Securities**
  Sir thanks for the opportunity. Just coming back to that salaried home loan customer, just wanted to understand, in case we have had some discussions with them, is there any income impact that they have seen in the last 2-3 months? And also if you could share what is the income profile in terms of average monthly income of these customers?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Yeah. In fact, what we do is, we try to look at the cash flows of the customer during the previous year same month, current year same month and try to find out what is the movement. So such effort is always going on in the credit monitoring department continuously. And wherever weak accounts are flagged, these accounts are given for intensive monitoring by the branches. It is flagged with the concerned region and down streamed to the branches for intensive monitoring. Apart from the monitoring which is done by collection agencies, which of course collection agencies effort has come down a little bit right now because there are some restrictions about it. But at the same time this kind of information is available to us and we can definitely use our branch channel, relationship channel, to reach out to them and find out what their problems are. But I am not carrying that particular cash flow number right now. So I can't share that very precisely. But then this is under very clear supervision and we are very sure about it. And that is why I was talking about the home loan salaried class, the delinquent portion is just about Rs. 37 Crore, which is 1.04% in the total home loan portfolio. So that is what we are talking about. It is a very, very small component at the moment. So that pattern is what we expect to hold going forward.

- **Mr. Rohan Mandora – Equirus Securities**
  Sure sir. And sir on this income profile in case you can share some colour. What was the average monthly income of the salaried class home loan customers? Home loan salaried customers?

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  We will share. I will tell to share that information.

- **Mr. Rohan Mandora – Equirus Securities**
  Sure. And sir lastly here, just a small clarification. You have been 220 odd Crore of standard restructuring, standard asset restructuring. But the provision created is only 5 Crore versus a requirement of 13 Crore. So what is it that I maybe missing out sir? As I

understand 5% of the provision needs to be created on standard restructured advances. But we have created only 5 Crore of provisions.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  I don't know. There could be write backs there. I am not sure about it. That number whatever consideration is there, we will give you separately. Absolutely no problem. We have provided everywhere, absolutely correctly, and we have not taken any benefit of deferment or anything. Everything has been taken upfront.

- **Mr. Rohan Mandora – Equirus Securities**
  Sure sir. Thanks a lot sir.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Thank you.

- **Moderator**
  Thank you. I would now like to hand the conference over to Pritesh Bumb for closing comments.

- **Mr. Pritesh Bumb – Prabhudas Lilladher**
  Thank you to the management for giving us the opportunity to host the call. Thank you everyone for participating. Have a good day and stay safe.

- **Mr. VG Mathew – Managing Director, South Indian Bank**
  Thank you, thank you very much. Have a great day.

- **Moderator**
  Thank you. On behalf of Prabhudas Lilladher that concludes this conference. Thank you for joining use and you may now disconnect the lines.