"South Indian Bank Limited

Q1 FY '24 Earnings Conference Call"

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MODERATOR:	**MR. RAJU BARNAWAL – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the South Indian Bank Q1 FY '24 Earnings Conference Call, hosted by Antique Stock Broking.

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 star, then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raju Barnawal from Antique Stock Broking Limited. Thank you, and over to you, sir.

Raju Barnawal: Good afternoon, everyone. On behalf of Antique Stock Broking Limited, I welcome you all to The South Indian Bank earnings conference to discuss Q1 FY '24 results. I thank the management for providing us the opportunity to host the call. South Indian Bank management represented by Murali Ramakrishnan, MD and CEO, Mr. Thomas Joseph, EVP and Chief Business Officer, Mr. Anto George, CGM, HR and Operations. Mr. Sanchay Sinha, SGM and Country Head, Ms. Chithra, Chief Financial Officer.

With this, I hand over the call to the MD sir for his opening remarks, post which we will have a Q&A question. Thank you, and over to you, sir.

Murali Ramakrishnan: Good afternoon to all of you, and thank you for joining us for The South Indian Bank Limited Q1 FY '24 earnings conference call. I am joined by my colleagues, Mr. Thomas Joseph, EVP and Chief Business Officer, Mr. Anto George, CGM, HR and Operations, Mr. Sanchay Sinha, SGM and County Head, Ms. Chithra, SGM and CFO, Mr. Sony, SGM and CIO, Ms. Biji, SGM and Group Business Head, Mr. Senthil Kumar, SGM, Collection and Recovery, Ms. Minu Moonjely, SGM, Head Credit Underwriting, Mr. Vinod, GM Treasury; and Mr. Nehru Singh, GM Credit Policy and Monitoring.

Let me start with the key highlights of financial performance for the quarter ended June '23. Highest ever business of INR169,601 crores in the history of the bank. Total deposits grew by 8% to INR95,499 crores, from INR88,196 crores on a year-on-year basis. Gross advances grew by 15% to INR74,102 crores from INR64,704 crores on a year-on-year basis. Operating profit for the quarter has increased by 55% from INR316 crores in Q1 FY '23 to INR490 crores in Q1 FY '24. Net profit for the quarter grew by 76% year-on-year from INR115 crores to INR202 crores. CASA amount increased by 3% year-on-year to INR31,166 crores as against INR30,335 crores. Net interest margin improved by 60 basis points year-on-year to 3.34% in Q1 FY '24 as against 2.74% in Q1 FY '23.

Provision coverage ratio, including write-offs improved by 643 bps year-on-year to reach 76.54% in Q1 FY '24 against 70.11% during Q1 FY '23. Provision coverage ratio, excluding write-off improved by 1,255 bps year-on-year to reach 65.15% in Q1 FY '24 against 52.6% during Q1 FY '23.

Overall, gross NPA reduced by 74 bps from 5.87% to 5.13% on a year-on-year basis. Net NPA reduced by 102 bps from 2.87% to 1.85% on a year-on-year basis. Improvement in ROA at 0.73% against 0.46% year-on-year. ROE improved to 11.8% against 7.68% year-on-year. Recovery and upgrading of NPA accounts increased from INR296 crores in Q1 FY '23 to INR362 crores in Q1 FY '24.

Continuing our focus on collections. Our SMA2 portfolio has come down by 19% on a year-on-year basis from INR1,102 crores to INR888 crores. Built a new book of INR45,268 crores from October 20, with better underwriting, reflecting GNPA close to 0.16%, the SMA2 book at 0.23%.

With regard to the status of sale of asset to ARC, we carry a balance of SR INR1,378 crores and provision of INR1,223 crores, with the net value of SR outstanding is INR155 crores. CRAR Improved on a year-on-year basis to 16.49% and the Tier 1 ratio stands at 14.04% as of June 30, 2023.

Let me now take you through the other operational and financial performance of the bank. Total business for the bank increased by 11% and stands at INR1,69,601 crores as of June 30, 2023 advances grew by 15% year-on-year to INR74,102 crores backed by total disbursements of INR22,108 crores during the quarter ended June '23. The details of disbursement for the quarter as follows, corporate INR17,200 crores, predominantly to A and above rated corporate, gold INR2,883 crores. Business segment INR997 crores. And other retails INR1,028 crores, which includes housing loan of INR185 crores, PL of INR286 crores and other retail of INR557 crores. The share of A and above rated large corporates has improved from 91% as of June 30, '22, to 96% at June 30, 2023.

We continue to grow our gold loan business, our disbursement year-on-year from 1-7-22 to 30-6-23 was INR11,256 crores with an average LTV of 83.94% and the ticket size of INR1.6 lakhs. Gold loan grew by 21% year-on-year to reach INR14,478 crores.

Personal loan is another segment, where we see good traction, since the launch of pre-approved PL in December '21. As of June '23, our PL book had cross INR1,935 crores. Credit card is another growth area, which we launched during FY '22. As of June 23, we had issued 2,51,099 cards with monthly average spends of INR21,273. The total book as of June '23 stood at INR955 crores.

As far as SME is concerned, we are seeing good uptick in disbursement month-on-month over the past few quarters. We are cautiously growing this segment. The average money disbursement for this quarter is INR332 crores.

Coming to liability portfolio. Our core deposits grew by 6% year-on-year to INR92,043 crores. NRI deposits continue to be our strength and now stands at INR28,382 crores, which contributes 30% of our total deposits. Low cost NRI deposits stands at INR9,116 crores. The bank saw a growth of 8% year-on-year in our NRI remittance business.

Our investment book was at INR27,281 crores. Split into HTM of INR20,882 crores and AFS and HFT are INR6,399 crores. The M duration of the investment book is at 2.79% as of June 30, 2023.

The fresh slippages stood at INR468 crores as of Q1 FY '24, which is within the overall guidance. The overall restructured book stands at INR1,297 crores as of 30, June '23, against INR2,198 crores during June '22, of which business segment is INR748 crores, personal segment is INR225 crores, corporate is INR297 crores and agri is INR27 crores. The bank holds standard asset provision including standard restructured and FITL of INR493 crores. Net interest income for the quarter increased by 34% year-on-year to INR808 crores. Our core fee income increased by 17% year-on-year to INR150 crores. Treasury profit for the quarter was at INR55 crores, excluding provision on investments.

Overall, provisions increased by 43% year-on-year to INR199 crores in Q1 FY '24, mainly due to the higher provision to hold the PCR at 76.54%, and 100% provision made in the credit card without considering the FLDG. We'll continue to maintain the momentum in disbursement and collection in the coming quarters to achieve the desired targets.

With this, I open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer-session. Our first question is from the line of Darshan Deora from Indvest Group. Please go ahead.

Darshan Deora: My question was regarding Slide 14 of the presentation, where you've shown the net interest income. On that slide, we're showing that the yield on advances has come down from 9.3% in Q4 FY '23 to 9.17%. Can you just explain that, why has the yield on advances come down?

Murali Ramakrishnan: Yes. See, yield is a mix of, I mean, a combination of the assets growth, which we show during the quarter. So then we are continuously driving to attract good quality assets. Obviously, you need to be taking care of the rate at which you want to offer such facilities. Therefore, this decrease is not anything, which is specific. It's basically a combination of the assets, which we grew during the quarter.

One thing which we should be mindful is that due to liquidity situation when we were re-pricing our liabilities, it's very important to re-price our assets also. But as you know, if we fully pass on the increase in the liability cost to the customers, sometimes you might end up losing the deal because of good counterparties will be expecting fine rates.

Therefore, we need to be manuring this very carefully, in order to ensure that we don't lose good deals for want of our slightly higher interest rates. So this is something which will continue to be mindful of. And especially these last two quarters, when we have seen our cost of deposits going up, we should be mindful of rate at which we have pass on the end rate to the customer. So I would say that this is pretty much in tune with what we thought we need to do in order to build a strategy of having good quality portfolio continue to be accruing to us.

Darshan Deora: So I think, on the previous call, you had mentioned that the NIM on the incremental business was about 3.6%. Does that still hold true?

Murali Ramakrishnan: See, NIM was 3.6%, let me just take a couple of minutes to explain. See, what we do as a bank, when we are actually declaring a particular asset as NPA. You know that we stop accruing interest in our books, and we also do reversal of income. But when we do a reversal of income, post that, obviously, in the customer account, we'll continue to accrue interest because at the time of settlement, which can happen, either one year from then or two years from not so many years from then, we need to ensure that whatever recovery we do, as per the practice which we follow we set of the amount recovered in the order of demand.

And post addressing the sacrifice of interest, which we did, we go and adjust against the GNPA reduction. So what this means is that in a particular quarter, if you've got a very big account recovered, like what happened in Q4, for example, when we recovered Syntex and many other cases, where we recovered a substantial amount, there has been an adjustment towards the interest sacrifice, which we did. And this interest is actually shown under NII. To that extent, in any quarter where there is a bumper recovery happening, you will find that also contributing to the NII.

So I would say that the 3.67% for the quarter was due to the extraordinary recovery, which happened during Q4. However, this quarter, therefore, if you look at the NIM for the bank as a whole for the full year, we ended the year with 3.3% NIM, which we have increased to 3.34% for Q1 of this year.

So you'll also see in this year also, as we go forward, whenever a big recovery happens, you will find for that particular quarter, NIM actually jumping. So NIM is contributed by life as usual, increase in NIM and this one-off, which contributes to the interest reversal of sacrifice, which we do, which can probably help us in showing higher NIM.

Our [guidance on NIM is that we will reach 3.5% for the bank by March '24, which we continue to hold. So in a quarter, we might exceed 3.5%, doesn't mean that we'll be able to hold it for the bank for the full year. That's where we are now saying that for the full year, we ended the 3.3% for last year, which we want to end this year with 3.5%.

Darshan Deora: Got it. That's very helpful. So essentially, Q4 was more of an anomaly than really this quarter. And my second question was...

Murali Ramakrishnan: We wanted that to be happening often, positive anomaly.

Darshan Deora: Yes, positive anomaly. My second question was regarding the ROA guidance. Are we still on track to achieve the 1% ROA that we have guided for FY '24?

Murali Ramakrishnan: Yes. We endeavour to reach ROA of 1% by March '24. Of course, it's definitely, as you know it depends on the situation of liquidity and the re-pricing and the ability to pass on increasing costs and the portfolio mix. So we are still continuing to want to reach that level of ROA.

Darshan Deora: Okay. And my last question was regarding the classification of the new book versus the old book. So there are definitely loans in the old book, which you sort of allowed to lapse and there are certain loans that you would like to renew because they're good quality customers. The loans that you renew in the old book, do they then move to the new book in your classification? Or do they continue to stay in the old book?

Murali Ramakrishnan: Wherever we give enhancement, we show it as a new book because there we do a fresh appraisal. But as you know, renewal is something which we cannot -- not afford to do even when a customer who is actually showing signs of stress, we need to renew, but then we will take action in terms of either decreasing our exposure or exiting that exposure. But however, wherever we are giving enhancement, we definitely do a reappraisal, and that's how we classify them as new book.

Darshan Deora: So in the case of an enhancement, will you just put the enhancement bid in the new book or you'll put the entire loan into the new book?

Murali Ramakrishnan: Entire, let me ask, I think, Vinod, who is our Finance Head. He will answer that. Yes.

Vinod: The new book, what we are doing is that from October '20, what are the disbursements happened to the new customers will be classified as new book.

Murali Ramakrishnan: No, the specific question is when an existing customers, who is coming for renewal, when we are doing enhancement, are we showing the full exposure as a new book or only the enhancement portion?

Vinod: Only the enhancement portion.

Murali Ramakrishnan: Only the enhancement portion we show it as a new book, when that account turns into NPA, for example, in the future, obviously, the slippages will be counted as a slippage happening from the new book.

Moderator: Our next question is from the line of Umang Shah from Kotak Mutual Fund.

Umang Shah: Sir, a couple of them. One, just continuing on the margin side. Just want to understand that, let's say, in the previous quarter, the recovery that we had factored in. Had it not been there, then what would have our margins been in the fourth quarter? That's the first one.

And just wanted a clarification. You said by March '24, we want to reach a 3.5% margin? Are you referring to the exit margin or the full year margin of 3.5%, which compares with 3.3% full year margin of last year?

Murali Ramakrishnan: Yes. To answer your second question, we want to reach a full year margin of 3.5% for the bank as against 3.3% for the last year.

And to answer your first question, in terms of NII, I can probably answer it in a different way. If you look at the NII, which we did for the -- for Q4, this in -- reverse of interest on NPA, which happened due to recovery for Q4 was INR101 crores. So in Q4, for example, our total net interest income was INR857 crores, of which INR101 crores were contributed by this reversal. So if you net it off, it's INR756 crores for Q4.

If you do the same thing for Q1, INR808 crores is our NII and the benefit due to reversal of interest on NPA due to recovery is INR47 crores. If you net if off, the net number is INR761 crores. So INR761 crores for Q1 of FY '24 in relation to INR756 crores for Q4 of FY '23, which has shown a growth of 1%.

Umang Shah: Understood. That's really helpful. Thank you. Sir, the second question which I have is on our opex. The employee cost line has seen a substantial jump this quarter. Just wanted to understand, is there any one-off in this INR400 crores employee cost number?

Murali Ramakrishnan: Yes. I have Mr. Anto, who is the Head of our -- Group HR Head for us. He will answer this question. Yes.

Anto George: Yes. So the employee cost increase has been two, three factors. One is that, normally, April, May, we have additional employees coming in and a normal increase, and the DA increase, normal DA increase that is there. That accounts to around INR12 crores. And then there is a provision for the retirement benefit. So normally, what we do is we take an actuarial valuation from the beginning of the year. And accordingly, we start providing. So last year also, we had done the provision, but then year-end, when we find the actual, we had written-back around INR45 crores on the Q4 of last financial year. So that is where the difference is coming.

Even this year also, we have taken the actuarial valuation. Based on that, we are provided INR72 crores on that. But then year-end, we will take a stock of that, and we'll see what is the position actual, where does the actual stand? And if required, we will write-back. So that's why there's an additional INR45 crores we have written-back, since we had provided more last year, march -- that is one area. And then the wage revision, some additional provision has been also been made.

Murali Ramakrishnan: I'll just supplement to what Anto said. In terms of employee he said, the number of employees have gone up, just to give you numbers on that. Last year, Q1, we had an employee base of 9,553 people. In Q4 of last year, we had employee base of 9,677. Whereas for Q1 of this year, we have an employee base of 9,894. So in all, we have increased our number of employees from 9,677 from Q4 to 9,894. So that has resulted also in increase in salary cost. But you know that this increase happens in Q1, but this is pretty much taking into account the full year employee requirement.

Umang Shah: Understood. Sir, and my last question was a bit of a clarification on the credit cost. So during your opening remarks, you did mention that there was a 100% provision made on the credit card portfolio without considering FLDG. So just wanted to understand, number one, how big is the quantum?

And second is, should we assume that given that we already have a FLDG provision out there, that provision that we have taken in the first quarter might get reversed during the course of the year?

Murali Ramakrishnan: Yes. It's a good question. So what we were doing until last quarter was, whenever we were getting -- we have an FLDG arrangement of 4.5% with our Fintech partners. So whenever we were receiving FLDG based on the NPA slippages happening, we were actually, when it comes to provisioning, we were netting it off, and therefore, this was not reflecting in provisions.

Whereas consequent to the new guidelines, which RBI had come out with in terms of digital lending guidelines, we still maintain the view that credit card guidelines, which RBI had issued in 2016 and even subsequently, is the one which we should be guided by. But in view of this FLDG guidelines, talking about digital lending guidelines just talking about FLDG, we are just waiting for clarification in order to really account it as an inflow into our income.

But in line with IRAC norms, we need anyway provide for NPA slippages happening in credit card. So earlier, we were netting it off. This quarter, we actually had shown that in our provisions, therefore, you are seeing an increase in provision. However, the inflow which we have got by through FLDG, we have not accounted for it. We are waiting for the clarification. If it happens within Q2, then we will see the reversal of that happening in Q2 itself.

Umang Shah: Sure. And sir, how big is the quantum?

Murali Ramakrishnan: INR38 crores.

Umang Shah: INR38 crores. Sorry. And just one last question, if I can squeeze in. So sir, this quarter, we have also seen a jump up in slippages. Now I understand that there is a bit of a seasonality out here Keeping that aside, I mean, should we assume that our full year guidance that we gave of slippages of about INR1,500-odd crores and similar quantum of recoveries, we would be able to sustain that?

Murali Ramakrishnan: Yes. We always seen that Q1 slippages are always on the higher side. Like, if you look at last year Q1 and even prior year Q1, slippages in the first quarter are always a little on the higher side. This slippage also in this quarter has happened due to two specific corporate accounts, which had slipped. And this usually happens in Q1. So going forward, we are still maintaining the guidance of INR1,500 crores. I'm fairly confident that we'll be able to curtail it within that.

Moderator: Our next question is from the line of Priyansh, who is an investor. Please go ahead.

Priyansh: I have two questions. First of all, that is regarding, NCLT, how much exposure we have for those corporates which are in the NCLT? And like is it fully provided?

Murali Ramakrishnan: Senthil, you want to answer that, while I take the exact numbers? Senthil, are you there?

Senthil Kumar: See, I'm saying, there are how much of portfolio lying exactly with NCLT, I think I'll just give you the number in some time. Whatever we have is...

Murali Ramakrishnan: I will answer that while you -- see, we have got -- we have referred close to 14 accounts to NCLT. And the GNPA, as against these 14 accounts adds up to INR236 crores. As against that, we have provided for INR217 crores. In effect, we have provided for 92% of the accounts lying in NCLT.

Priyansh: So like when do we expect or like how much do we expect this like in the coming quarter of this financial year being able to recover from these accounts?

Murali Ramakrishnan: See, it purely depends on how NCLT functions. I mean, nobody can guess that correctly...

Priyansh: No sir. I fully understand what I'm saying -- if some cases are suppose in the advanced stage or something like this suppose CoC meeting already happened and kind of things so that I'm just checking about that part?

Murali Ramakrishnan: So let me just complete what I'm saying. I don't think it's a good idea to speculate which 1 will get done, because many of these accounts are lying today, either in loss assets or DA1 or DA2. These are the status of these assets. And you know that in NCLT right at the time when IBC got introduced the expectation from IBC, as we saw going forward, I mean, from then on, we weren't really seeing good traction happening at that point in time. Subsequently, we had a couple of good recovery also happening through IBC.

So my suggestion would be not really overestimate or underestimate in this area. Suffice to say that we are keeping 92% of our accounts referred to NCLT, and if you compare my overall number, it's insignificant, it's INR236 crores is what we are talking about. Therefore, it's not very material. And we have -- against that we have provided anyway for INR212 crores plus 92%. So in my view, I don't want to speculate whether we'll recover more or less from this.

Senthil: Also just to add, I thought we also have to keep in mind that CoC happening, getting a plan in place is not a recipe for immediate recovery Syntex itself, if you remember, we've had in May of 2022 and then we finally got the money in March of 2023. Saying it's not possible to estimate with that.

Murali Ramakrishnan: Correct. That's why I'm saying it. If it happens, it's a bonus for us. If it doesn't happen, I mean, we are conservatively estimating and we will not be hesitant to even provide fully and wait for the resolution to happen.

Moderator: Our next question is from the line of Eish Mohit from SOIC LLP. Please go ahead.

Eish Mohit: Sir, just had a question. What will be your full year's credit cost guidance?

Murali Ramakrishnan: 1.8% to 1.9%.

Eish Mohit: Right. And is it because you're seeing some more active since 1.8%, 1.9% seems a bit to be on a higher side?

Murali Ramakrishnan: No, we have always been -- in fact, we were at a much higher number. If you look at last few quarters, I mean, we were always at a much higher percentage. This I'm saying, it's actually first time we are actually telling you below 2%.

Eish Mohit: Right, right. And what will be our full year guidance for GNPA and NNPA numbers?

Murali Ramakrishnan: GNPA, we are currently about 5.1%, around 5.1%. We want to move towards 4.5% as far as GNPA is concerned. Net NPA, we are currently at about 1.85%. We would want to move towards 1% by the end of the year.

Eish Mohit: Anything on the successor? Is it an external or internal candidate or when does it get announced?

Murali Ramakrishnan: See, we have actually sent our -- I mean, NRC has sent the recommendation for two candidates to RBI and we are expecting RBI clearance to come -- hoping to come around mid of August. Obviously, at this stage, we can't reveal anything else. So we are also waiting for RBI clearance. And after that, we will anyway come back and let you know about the successor.

Moderator: Our next question is from the line of Vivek Jain from Chanakya Capital. Please go ahead.

Vivek Jain: Sir, I have two questions. So on the Page number 27 of presentation, you have mentioned business loan slippages amounting to INR266 crores. Can you share the breakup between retail and corporate loans?

Murali Ramakrishnan: You are talking about INR266 crores against business loan. Is that what you're asking?

Vivek Jain: Yes, sir.

Murali Ramakrishnan: INR266 crores is business loan only. Corporate breakdown is separately given INR53 crores.

Vivek Jain: So this business loan is given to retail sector?

Murali Ramakrishnan: Retail. No, personal segment is INR96 crores. I mean, if you're talking about segment-wise NPA slippages of INR468 crores. Agriculture is INR52 crores, business loan is INR266 crores, personal segment is INR96 crores and corporate is INR53 crores.

Vivek Jain: No. So this business loan is given to retail or corporates?

Murali Ramakrishnan: I didn't understand. Retail is to individual, rest of segment is SME. I didn't understand your question.

Vivek Jain: Okay. So this is SME INR266 crores?

Murali Ramakrishnan: Yes. We are clearly defining that personal segment retail is to individual. We are paying SMEs below INR250 crores of turnover as per the definition of RBI's SME, which is business segment. Anything above INR250 crores is corporate. So we are classifying them as per that only.

Vivek Jain: Okay. And you have mentioned that two corporate account has slipped to NPA category. So how much exposure to those accounts?

Murali Ramakrishnan: Those accounts adds up to close to -- one second, you can answer.

Biji: Yes, sir. So totally three accounts were there, amounting to total INR53 crores. One account is actually the amount is low, in one it is about INR30 crores. So that's how it happened.

Moderator: Mr. Vivek Jain, may we request you to return to the question queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: All my questions have been answered. Is the -- what are you targeting in terms of loan book growth -- that's all I wanted to know or what is going to be for the year?

Murali Ramakrishnan: Yes. We are targeting for 2x the growth of GDP. We are expecting GDP growth to be around 6.5% for the full year. So we are expecting 13% growth. We are endeavoring to surpass that. As of Q1, we have done about close to 15% growth. Full year, we are giving guidance of 13% growth. Currently, the asset book is at about INR74,000 crores. We are endeavoring to reach INR82,000 crores by the end of the year.

Moderator: Our next question is from the line of Tejas Shah from Unique Stock Broking. Please go ahead.

Tejas Shah: Sir, what is the provision coverage ratio that we have right now?

Murali Ramakrishnan: Excluding write-off -- including write-offs, it's about 76%, excluding write-off it is about 65%.

Tejas Shah: Okay. And when do you plan to take it forward to 80%, 90%?

Murali Ramakrishnan: Yes, we'll be doing that. See, we want to reach first the first milestone of 70% by the end of the year, excluding write-off. And see, what you should remember is that as we keep increasing PCR, you need to keep providing far in excess of what the IRAC norms have mentioned. Therefore, even this quarter, for example, as against INR267 crores of provisioning, which we have done, INR115 crores referred to the IRAC norms -- provisioning as per IRAC norms just because PCR is at a higher level, we need to keep providing far more than what we need to provide.

Therefore, if we keep increasing your PCR. It also means that you need to provide far in excess which obviously will depress your profitability, etcetera. So while that being so, we would want to reach healthy levels of 70%-plus for PCR excluding write-off. And that is the indicator, which I'm sure all analyst are interested in. And that would obviously mean that including write-off, it will go beyond 80%.

Moderator: Our next question is from the line of Vikash Baid from Vikash Baid. Please go ahead.

Vikash Baid: Good set of numbers, congratulations. I just missed the earlier part of the presentation. Could you please explain the INR199 crores provisions for this quarter? And are we likely to have similar or lower in other quarter, yes? If we…

Murali Ramakrishnan: Yes. Just hold on for a minute. Let me just take that paper. See, this INR198 crores of provisioning which we have done, let me take two minutes to explain what all comes under this. One is the provision for NPAs, which including write-off, excluding technical write-offs. So that for this quarter is INR247 crores. And we have actually done reversal of INR14 crores, which was provided towards standard assets. We have done reversal of INR27 crores against FITL. We have done reversal of INR2 crores against unhedged foreign currency. We have done a reversal of INR4 crores against provision for non-banking assets and we have done INR1 crore reversal as against provision for fraud.

Netting of all of this, for the quarter, it comes to INR198 crores. The same number for Q4, provision was INR134 crores because of, the other thing, which I talked about, substantial recovery etcetera which happened. The same numbers towards a provision for NPIs is INR56 crores. That was specifically to the quarter 4, which was not there for this quarter.

And then standard asset reversal provisioning was INR18 crores for Q4. FITL reversal of INR16 crores. And we had to provide INR2 crores towards unhedged foreign currency. That's what got reversed this quarter. And then INR6 crores towards other impaired assets, which again has come down to minus -- I mean, INR1 crore, reversal of INR1 crore loan. So total for the Q4 was INR39 crores as against INR198 crores, Q4, it was INR39 crores. But if you look at it, this was primarily due to provision for NPA, which had a substantial reversal in Q4.

While the overall NPI, I mean, as I showed earlier, this provision for NPA also includes INR38 crores, which are provided towards credit cards, which was actually netted off in the last -- till last quarter.

Vikash Baid: Okay. Thank you. And the other, through the rest of the year, are we likely to see similar provisions? Or is it to be more moderate than this?

Murali Ramakrishnan: I think, typically, Q1 slippages are on the higher side. So we are continuing to hold the guidance of INR1,500 crores slippage for the full year. So we certainly expect it to moderate in the coming quarters.

Moderator: Our next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Sir, if I adjust as you said, the NPA recovery, right, if I adjust for that in the NII, the NII growth is around 1% quarter-on-quarter. That would mean that your margins would have still declined versus fourth quarter. And then you estimate full year margins rise of around 20 basis point. So what are the levers in a scenario, where the growth is still coming from corporate, which is very competitive; b, the cost of deposit would still ideally rise. And the yield expansion is likely to be more plateaued. So I wanted to understand your thoughts there?

Murali Ramakrishnan: Yes. Yes, good question. See first, let me tell you the, when the increase in cost re-pricing of deposit happens, depending on the ability of each business line, we are able to pass on. Just to give you a sense. Amongst all the businesses, the business which was able to pass on higher cost is actually corporate. Though corporate is very competitive in terms of end price to the customer. But the ability to pass on has actually been demonstrated very well in our corporate book, number one.

Number two, your overall NIM will start increasing as you keep increasing your composition of your unsecured. Today, my unsecured book is less than INR3,000 crores, INR1,900 crores towards PL and about INR925 crores towards credit card. This, we definitely expect it to be growing because it is still today at a very low level in comparison to my overall retail book also and overall asset book also. So you know that this comes at a good NIM.

And we are actually hoping that we have got -- we are coming now with two big initiatives, which are WIP, with which, hopefully, we'll be able to improve the traction of personal loan happening and credit card happening, with which we are expecting to see an increase in NIM going forward. Having said that, we will also continue to endeavor to pass on increasing costs across all other business lines too, so in terms of gold loan, in terms of SME loan all that also we will endeavor to keep on passing up of increase.

But you're right, in terms of the re-pricing of deposits, we have done re-pricing to some extent, but then there is still some more to be done. Maybe by second half, you will be probably seeing moderation. We also hope that the regulators not increasing repo rate beyond 25 bps from the current level. Hopefully, after that it will stabilize.

So I would tend to think that you can probably, may have to re-price a little more and then hopefully, to stay on. And from then on, their ability to pass on these increase in cost to the customer will decide the NIM traction going forward. Yes, I do agree that it's not going to be easy to take it to 3.5% level. We are currently at 3.34%. But our endeavor will definitely be to take it to that level because we are expecting some more recovery to happen in big accounts in the coming quarters, which will definitely help us to write-back some of the sacrificed interest income. With all that, we believe that we'll be able to take it forth for the full year at 3.5%.

Jai Mundhra: Understood, sir. And secondly, while there is some reclassification maybe at the beginning of the financial year in terms of MSME, etcetera, but what is the reason for such a sharp drop in the MSME? Are we getting out priced by some of the competitors, or what is the situation there?

Murali Ramakrishnan: See, this revision, which we have done in the beginning of the quarter is primarily to ensure that some of the group accounts of corporate, which were earlier booked under SMEs, because of the exposures being small, etcetera. Now we are realigning them to corporate so that the corporate can be serviced by a single relationship manager, whoever is handling the relationship. So that has led to some of the exposures moving from SME into corporate.

And some of the exposures in SME, we had a fairly large exposure of excess of INR25 crores, etcetera, where we felt it makes sense to be handled by a large corporate team. And similarly, some of the individual retail loans, which were taken by SME borrowers, which were earlier booked under SME business, we have now moved them because the underlying loan is for the individual towards a LAP or towards a home loan or towards car loan, etcetera. We have now realigned them to the retail.

So this is the initial rearrangement which you have done in the opening book of INR72,051 crores, which we started the year with. But with respect to your question on book growth in SMEs, it's a combination of a few factors. Obviously, the fresh disbursement will add to the increase in book, and you will also lose your book because we want to do force exit, depending on the behavior of the customer.

And also, there will be little bit of poaching, which can happen due to competitive pricing being offered by competition. So it's a combination of them, and therefore, we are not in a staring hurry to increase our SME book, because we know that it's a very difficult business. You'll have to be very, very careful in building that book. Even today, if you look at my first year's, first quarter slippage, predominant contribution has come from SME of the past legacy book.

So we will continue to be exercising caution in building this book. But so long as we are able to change the mix of the SMA book with more-and-more of core SME and supplement it with the bill discounting for SME, and we're able to maintain quality of the new book, we are fairly sure that it will continue to yield a reasonably good income for us while maintaining the quality of the book.

Jai Mundhra: Right. And last, just one data point question, sir. Of the total recovery upgrade and write-off, I mean, if you can bifurcate into how much is the recovery upgrade and write-off separately for this quarter?

Murali Ramakrishnan: Give me a minute.

Jai Mundhra: And meanwhile, sir, this INR155 crores of security receipts net NAV, is there any, let's say, I think the MTM has to happen every six months. So when does this gets off fully, I mean, when does it gets out of the balance sheet?

Murali Ramakrishnan: Yes, you are talking about SR?

Jai Mundhra: SR, yes, sir.

Murali Ramakrishnan: SR is actually provided far in excess, as I told you in the past, we have actually provided far in excess of what is needed. That was the reason why we had a dip in our Q3 numbers. So for the full year, if you look at it till March '24, we need to provide only INR7 crores. If we don't recover anything from the book, we need to provide only INR7 crores for the year ended March '24. And for the subsequent year of March '25, we are looking at INR103 crores, INR108 crores, INR111 crores is what we are looking at for the next full year, if we don't recover anything. But as you can see, whenever we recover, we have a write-back coming in this, so therefore, we really don't foresee that to be an issue.

But just to answer your earlier question, fresh slippages was INR468 crores for the quarter. And we have done a GNPA recovery of INR217 crores. And then we did a write-off of INR174 crores. These are the breakup of what we have done in our opening balance of INR3,708 crores. So the closing balance for GNPA is INR3,804 crores.

Moderator: Our next question is from the line of Arjun Bhatia from Bowhead Investment Advisors. Please go ahead.

Arjun Bhatia: So in the last quarterly call, you had mentioned that credit cost for full year FY '24 would be around or close to 1% of loans. So I just wanted to clarify in that credit cost...

Murali Ramakrishnan: 1% to 1.25% is what we are holding. See I'm actually, let me put it this way. We are looking at asset growth to reach a book size of INR82,000 crores by the end of the year. And we are looking at a slippage of not more than INR1,500 crores for the full year. Therefore, with this in mind, if you sort of work it out, it will come to close to 1% to 1.25% as the credit cost.

Arjun Bhatia: Okay. Got it.

Murali Ramakrishnan: As I said earlier, it has got lot of components within that. I mean, if you were to really look at the breakup of let me just spell that out, because in my earlier question also I had given some breakup because it's very easy to miss these numbers and probably we can misinterpret.

So one is, when you look at the credit cost, we are talking about, one is loan loss provision. That's the number which we start with. Then we have a restructured and FITL where, if some account is becoming turning into NPA, then we will take that away from FITL or restructured provisioning. Then there is a security receipt, depending on the recovery, which happens, there is a reversal of provision which will happen because of the liquidation of security receipts.

So then you are looking at the gross advance figure. So for the quarter, for the full year, if you look at it, we are looking at the loan loss provision. All these are estimated projections so I'm just telling you what we are actually trying to estimate.

Loan loss provision for the full year, we are looking at INR698 crores. This is just to tell you this is against INR627 crores for the previous year. And restructured and FITL, we are expecting a reversal of INR75 crores, this is against INR124 crores reversal, which happened last year. So net-net, covid provision is anyway zero, therefore, total for the full year, we are expecting it to be INR624 crores as against INR503 crores.

And security receipts reversal will happen for this quarter, which is INR77 crores. Last year, if you look at it, we had to provide extra -- towards security receipt in Q3 because of which last year, it looked at INR374 crores addition. Therefore, total provision, including SRs will be INR547 crores for this year as against INR877 crores for the previous year. So if you were to really look at INR82,000 crores as my gross advance book, I'm expecting credit cost to be far lower than what I'm projecting, but we would definitely endeavor to reach around 0.9% to 1% -- 1% to 1.1% is what I want to take it as guidance.

Arjun Bhatia: Okay. That's helpful. And just INR547 crores, I guess, also includes this INR38 crores of FLDG on this provision that you've made, you're not expecting the write-back in your guidance of INR547 crores?

Murali Ramakrishnan: Yes, that we expect it to get reversed. Hopefully, we will get clarification, and we will expect it to get released.

Arjun Bhatia: But sir, is it part of the guidance?

Murali Ramakrishnan: We are expecting that to get reversed during the year. I mean in Q2 itself, if we will get clarification, we'll reverse it.

Arjun Bhatia: So it is not part of your guidance, the number of 1%, 1.1% you are saying, you're not including this INR160 crores, right?

Murali Ramakrishnan: Not INR160 crores, INR38 crores.

Arjun Bhatia: Recurring every quarter, right?

Murali Ramakrishnan: No. It depends on how much credit card slippage happens. See, the FLDG basically is what? 4.5%, we have got FLDG covered given by our Fintech partner. So whatever NPA happens, to that extent, we'll be compensated. So till now for Q1, we were at about INR38 crores, which we are not providing earlier, which we had to provide because earlier we were netting it up. Now we have provided.

And we are not considering FLDG which we actually received as an income for this quarter, though we have provided 100% fully in our provisioning. This, we expect it to get reversed hopefully after clarification because we are fairly sure that this is not applicable. Therefore INR38 crores, we will continue to show as a provision. But then the income part, which we are today showing as a depressed income, will get reflected in the income.

Arjun Bhatia: And it will come in the other income?

Murali Ramakrishnan: Yes, other income, yes.

Arjun Bhatia: So net impact is zero, whether...

Murali Ramakrishnan: Yes. If you are taking it as income and if you're providing net impact would be zero. For this quarter, we have not accrued that as an income. We have only provided.

Arjun Bhatia: So next quarter, you'll anyway provide it in your income?

Murali Ramakrishnan: Next quarter, if we did get -- if there is clarification comes, then we'll have to account for that as an income. So while provision will be continued to be maintained as per IRAC norms, we'll maintain that provision.

Arjun Bhatia: And sir, lastly, just for clarification in your overall employee cost for this year, what are you projecting, the range?

Murali Ramakrishnan: 1% to 1.25%.

Arjun Bhatia: No sir, employee cost actually the...

Murali Ramakrishnan: Yes. You're talking about employee costs or credit cost. I heard it as credit cost.

Arjun Bhatia: Sir, employee cost.

Murali Ramakrishnan: Employee cost, see, what we have done, as explained earlier, we recruit people fairly for the full year in the beginning itself. From then on, it will be some small incremental numbers, which we'll keep recruiting depending on the attrition which happens and depending on the specific cases, which we are looking at.

So and also this actuarial calculation, which we do, we will again keep doing it, at the end of the year, we will again do it and see whether there is any reversal, which we need to do or we need to provide anything extra. So again, this actuarial calculation also involves how much is the -- what is the view on interest rates in the market to go up and all that. So it's a complex calculation, as you know. So that we will take it up and see whether we need to either provide more or do the reversal at the end of the year.

Arjun Bhatia: So sir, I understand actuarial calculations. But is it just at a very rough cut level for your internal planning, like are you seeing a 5% increase in employee costs, are you assuming a 10% increase in employee cost a very rough cut, we understand nothing about future is static , just a rough cut number for everyone's benefit

Murali Ramakrishnan: See, employee costs, frankly, I don't want you to take any guidance. What I just want to tell you is that we do provision based on what is likely settlement, which can happen between Association Union with the IBA. That we anticipate 15% to the increase which happening. Therefore, we have started providing -- hoping that it will be 15%, that we'll continue to do every quarter. That's the only thing which we can have for certainty. Rest all number of employees getting added or attrition, which is happening, all these are not numbers, which we can have a firm commitment to.

So what we are trying to do is, whatever we are anticipating, we are -- as much wanting to provide upfront, so that we don't get any shock by the end of the day.

Moderator: Sorry to interrupt Mr. Arjun Bhatia, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Our next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: I just wanted to just clarify again, sir, on the NPA provision part of INR247 crores without reversal. So that correlates to the full year INR534 crores is that right, way to look at it? And this INR247 includes INR38 crores, so it's actually INR200 crores versus full year guidance for INR550 crores?

Murali Ramakrishnan: Just give me a minute. Let me first stick to the quarter 1. Quarter 1 is, for this quarter, we are talking about loan loss provision was INR243 crores. It includes INR38 crores, which we have provided towards credit card, where we have not factored the FLDG which we have received as income, we are not factoring that. Therefore, to that extent, I mean, if you really were to get the clarification, to some extent, it is overstated by INR38 crores. That is number one. Number two is…

Pallavi Deshpande: So this number was... Yes.

Murali Ramakrishnan: Let me first complete, for Q1, then I'll answer your -- ask your question. Second one is, depending on the FITL and restructure, where we do keep seeing reversal every quarter, this was INR43 crores for last quarter, and this is INR44 crores for this quarter. So this clearly depends on how much recovery happens and how much of SMA2 slips into NPA from the restructured book costs on the regular book. So the summation of that is what is causing this extra provision, which is to come as per that. Okay.

So apart from this, the third factor which affects the provisioning is the SR. Depending on the redemption of SRs keep happening based on the recovery done by the ARC. So this, again, is a number. Since we have excessively provided towards SR in the previous quarters, we are only hoping that reversal of provision will happen as and when SR gets liquidated. So the combination of this is what we are seeing as for this quarter, it was INR175 crores as against INR113 crores for Q4 of last year.

Okay. So whatever I'm saying for the full year is based on the assumptions, which we are making each of these line items. Therefore, we can't really hold everything to the last digit, which I'm saying. By and large, we would want to look at -- I mean, as per our own estimate, we are looking at, do I say INR547 crores, it's a very aggressive number. I mean very, very extremely conservative number.

For Q4, we ended with INR877 crores -- for the full year we ended with INR877 crores for last year and year before, obviously, due to COVID it was INR1,643 crores, and FY '21 it was INR1,603 crores. So if you want to really look at numbers of last three years, INR1,603, INR1,643, INR877 crores, So if you're really touching INR547 crores, which is what I'm saying, I think we should be really congratulating ourselves because it's too an aggressive number, which we are wanting to target.

Realistically, I would probably factor INR700 crores to INR730 crores is what realistically which would happen. But obviously, our endeavor is to better this number. So if you take that into account, I'm talking about credit cost in the range of 0.9% -- I mean, 1% to 1.1% kind of level. Obviously, if we really were able to reach the number which I read out earlier, it will be far lower at 0.67%, which is in comparison to 1.22% for FY '23.

Pallavi Deshpande: Right, sir. So just again, coming back. So this INR247 million, I will exclude my credit card to bring it down to INR210 crores. And then that number, I can compare to the INR547 crores would that be right this first quarter INR210 crores versus INR547crores because reversal...

Murali Ramakrishnan: INR243 crores, see, credit card provision will -- whatever NPA, which we are showing in our credit card book, the provision for that will remain in the book. Since we are writing-off 100%, see we are writing-off 100% in 90 days.

So we have provided for fully for the credit card slippages, which has happened to NPA. So any incremental provisioning which will happen will depend on how much the credit card is slipping into 90-plus. So IRAC norms says that you can provide, depending on your internal policy, and we have taken a policy to write-off provide 100%.

So in a good scenario, where you are accounting for the full income of FLDG which we get, then it will be neutral because you are getting income of INR38 crores. And you have written-off INR38 crores to that extent your provision is up by INR38 crores, and your income is up by INR38 crores. Therefore, it's neutral in terms of P&L.

But going forward, depending on the clarification which you get in Q2, this impact of INR38 crores will be seen if it's positively get back. As far as the provision is concerned, since you've written of 100% already, any incremental provision in that will be any incremental slippages which will happen in credit card, which will anyway be compensated by FLDG so long as it is within 4.5%.

Moderator: Ms. Pallavi Deshpande, may we request you to rejoin the queue for follow-up questions. Our next question is from the line of Sidhanth Bhandari from Highwest Global.

Sidhant Dhandari: Earlier, you have given the guidance that the net slippages for fiscal year '24 will be roughly zero. So should we expect at least zero net slippages for the next three quarters or with some potential for reversal that we mathematically hit this number?

Murali Ramakrishnan: The slippages, we gave a guidance of INR1,500 crores for the full year, which we are pretty much sticking to that. Though for Q1, it is...

Sidhant Dhandari: No with the recoveries I'm saying, with the full year recoveries?

Murali Ramakrishnan: Full year is INR1,500 crores. We are sticking to that.

Sidhant Dhandari: Net slippages or I thought, it was gross slippages?

Murali Ramakrishnan: Gross slippages is INR1,500 crores. We are expecting recovery and upgrade to happen to the extant of INR1,800 crores, which was INR1,812 crores for last year, which we want to target for this year, too. So but the INR1,800 crores, which we are targeting, as I said earlier, the setoff will happen towards sacrifices, which we've made in interest income and also the GNPA -- impact on GNPA coming down. So our endeavors is to reach 4.5% GNPA level by end of March.

Sidhant Dhandari: Correct. So basically, yes, okay, so the recovery effectively next three quarters should broadly exceed.

Moderator: Our next question is from the line of Dhairya Trivedi from DJT Investments. Please go ahead.

Dhairya Trivedi: My question is on the composition of the loan book. As I'm seeing the ticket size of loans more than INR100 crores have gone up in the value from INR8,900-odd crores in June of last year to about INR15,600 crores in Q1 of FY '24? So are we following a conscious strategy of increasing the wholesale book, and if you're assuming this could cause some potential issues in asset quality going forward?

Murali Ramakrishnan: See, if you look at our corporate book 95% of our book is double -- I mean, A and above. So -- and we are -- and this we are talking about external rating of A and above. And we have -- apart from, of course, relying on excellent rating, we always do our own appraisal of such customers. Therefore, we believe that we are actually onboarding really high-quality corporate customers. So we don't really expect such customers to default.

I mean if A and above, if we are not going to be trusting their probably of default, I am wondering how one can manage SME and other retail book.

So we don't expect it to be that way. And also, what you should also factor into account is that -- this is required for managing the overall composition of the book in order to maintain all your metrics. So retail and SME takes time to build. Even if you build aggressively a retail book, which no one should do, I'm saying you are INR100 crores or INR200 crores of personal loan getting added can potentially be a risky proposition, which obviously, unless you maintain -- manage it properly, you will end up actually having higher delinquency.

So diversification of risk is certainly an important factor. Therefore, while we continue to have traction in retail, we should not lose up opportunities on -- corporate opportunities just coming up. And as I said earlier in my earlier calls also, corporate is not just about credit relationship with the corporate. We actually penetrate this corporate through various other opportunities, which we get from corporate. Therefore, we are looking at many other things. I'll ask my Corporate Head to answer this further on what all she is seeing as an opportunity whenever we deal with corporate.

Biji: So we can see the compositio n, as sir rightly mentioned, more than 96% is A or above. And of that also, more than 50% is AAA. And here also, we are giving a lot of focus to all the PSU companies where the bidding option comes up. And we have teams sitting across India around 100 people are the feet on the street is that. So they will go and explore whatever possibility is there and when the rates are matching, and with the liquidity available for us. We are bidding and getting those opportunities.

And when I am talking about the feet on the street with regard to the corporate RMs. Wherever they are going as I was mentioning, we follow the ecosystem concept where in, the corporate RM will be accompanied by sometimes with our forex RM, sometimes with the retail asset guy, sometimes digital partners and all those people will be accompanying the corporate RMs to find out what are all the opportunities in other areas. So that we can ring-side all the business that is happening around that corporate, including the employee, CASA the employer CASA, the digital opportunities that are available, the wealth opportunities about the investment, everything.

So that's how we look upon the ROCE of a particular deal, when we enter into a particular deal. And we ensure that in most of the cases, it is above 10%. And if you can see, around 50% of the book is having ROCE above 20%. Thank you.

Dhairya Trivedi: Okay. And sir, with regards to the credit cost, just one clarification. To one of the earlier participants, you mentioned that you're envisioning a credit cost of 1.8%. And later in the call, you said that you're expecting it to be between 1.1% and 1.2%. So what is the total provisions you're expecting for the year? Is it more like INR800 crores or something like INR1,400 crores, INR1,500 crores?

Murali Ramakrishnan: See, I think when -- maybe I might have answered like 1.8%. That was a slippage ratio, which I'm talking about. Slippage ratio is going to be 1.8% to 1.9% for the year. This slippage used to be in excess of 2%, 3% in the previous years. So when we are talking about INR1,500 crores of slippages on the INR82,000 crores book, I am talking about slippage of 1.83%. So probably if I had sounded it like a credit cost, then probably, I was wrong. I probably was referring to the -- I mean, I was referring to the slippage ratio. With respect to credit cost, I continue to maintain that we are endeavoring to reach around 1% to 1.1%. That's the number which we are targeting for the year. Thank you sir and sir congratulations on a wonderful tenure in the bank and wish you all the luck in your future endeavours.

Moderator: Our next question is from the line of Sri Shankar from InCred Capital. Please go ahead.

Sri Shankar: First of all, nice to know that you have continued with what you have set across three years back. My quick question is, sir, we have had a steady view on the slippages effectively on SMA2, the stressed account, we have been seeing it coming down. In this current quarter, we have seen a sharp jump. Do you think anything special has happened? Or we still continue to see the SMA2 numbers continuing to remain on the lower side going forward?

Murali Ramakrishnan: Yes. It's a good question. So certainly, yes, see, when we are managing the overall slippages ratio, you know that a lot of efforts go into keeping the accounts, not to slip into NPA, therefore, we also do continue to work with the customer not to let them slip into the higher buckets. So the way we manage this is that we look at SMA1 and SMA2 as one component for managing and the NPA is one component for managing. And we look at SMA0, which basically tells you the initial delinquency.

So as a team, we are trying to look at SMA1 and SMA2 together and we are looking at slippages as one lot. So slippages, though, we had a slippage of INR460-odd crores this quarter, which was, as earlier explained, it was due to three specific accounts, big accounts which got slipped into NPA this quarter, which was earlier lying in SMA2, which slipped into NPA this quarter, like that there are accounts which obviously, especially SMEs, etcetera, where we are seeing also increase in slippage happening in the composition of INR460 crores, which we declared as slippage for this year, the contribution has also come from the legacy SME cases.

So while the endeavor is to pull them back into SMA1 and SMA0 and some of them to make it as standard, I mean, to make it to come without any default or delay, it's a continuous effort, which we need to put in to ensure that they are maintained.

So long as, I mean, the way I would look at it is SMA1 plus, SMA2 as one bucket and slippage is one bucket, and SMA0, which generally happens due to technical reasons also, we definitely have an eye on that, but then we are not too worried about it. Whereas SMA1 and SMA2 together as a block and slippage as a block, we need to do a close watch on that.

Yes, sometimes it happens that whatever you have been maintaining under SMA1 and SMA2 do slip into showing as NPA. And like the say, in the same fashion, some of them which were lying as SMA1 can slip into SMA2, which we'll be able to pull it back to SMA1. So the way we manage it is to look at them as one block.

So I'm not unduly worried about the increase, which is happening SMA2 for this quarter. We will definitely look at SMA1 and SMA2, if you look at SMA1 number, they have shown a decline. I'm sure Senthil can substantiate that with the numbers. Overall SMA1 plus, SMA2 put together, it's looked at as one block. Senthil you want to supplement my answer?

Senthil Kumar: No. SMA1 and SMA2 together, I think they are in the zone of about INR1,900 crores to INR2,000 crores. I think there is some slippage, which happens in a quarter where SMA1 goes to SMA2, but overall, the numbers are about INR1,900 crores between the two of them.

Moderator: Our next question is from the line of Soumil Shah from Paras Investments. Please go ahead.

Soumil Shah: Yes, sir. So if we see our net interest income this quarter was down, and last four consecutive quarters, we were seeing an uptick. So what was the reason for that?

Murali Ramakrishnan: I'd explain this reason earlier. I don't know whether you were there in the call during that time. Basically, this was -- I took lot of -- how we are accounting for whenever recovery happens from a large account, we actually attribute the recovery happening first towards the sacrifice of interest which we do, and then we're approaching it against the NPA.

Therefore, such abnormal collection, which we do in any particular quarter will help us to reverse sacrifice interest, which was a very high number for Q4, and a much lower number for Q1 if it net that off actually NII has gone up by 1% for this quarter compared to last quarter.

Soumil Shah: Okay. And from this quarter onwards, we can see an uptake going forward?

Murali Ramakrishnan: No, this will again be dependent on the recovery and upgrade which keeps happening in subsequent quarters. You might see some uptick also happening there. So for that quarter, your NIM might appear to be little higher also. So that's the reason why we saw 3.67% NIM for Q4 and 3.34% NIM for this quarter. But for the full year, as a bank, we were at 3.3% for last year, and we are now at 3.34%, and we are endeavoring 3.5% for the full year.

Soumil Shah: Okay. And sir, still, we have no news on your success. So is there a probability that you can continue for another two, three quarters?

Murali Ramakrishnan: No, we have actually sent our names to regulators, and we are expecting regulators to revert to us. We are expecting that to happen hopefully by mid of August. I mean, we can't really specifically ascertain any time. We hope that it will happen by -- and therefore, I mean I think I've expressed my interest not to continue, obviously, question of me continuing beyond September doesn't arise. We will definitely ensure regulators will take that into account. And we are expecting to get their replay soon. Once that happens, we'll come back to you announcing that.

Soumil Shah: Okay. And sir, one last question. For this financial year, I mean, can we target a four-figure mark for the net profit numbers?

Murali Ramakrishnan: Yes, that's what we are endeavoring to do. INR1,000 crores is what we are targeting.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question of our question-and-answer-session. I would now like to hand over the conference to the management for closing comments.

Murali Ramakrishnan: Yes. I would like to thank all the participants, who took their time off to be part of this call and I also wanted the all the analysts who are part of the call to know that we have a very strong second line of leadership. And that's one reason why I had all our senior leadership to be part of this call, and also they have answered few questions which came on the way.

And I just want to say that the endeavor, which we have taken to really put the bank in a good condition is based on the fundamental shifts we have done in all the areas, be it asset, be it liabilities, be it quality of sourcing, be it digitalization, be it the technology investment. Everywhere, we have taken a lot of efforts to put the fundamental blocks in place, and that's what is actually getting good traction in the way the bank is performing.

So I just want to thank all of you for excellent support, which I've got all through my tenure of last three years. And we are continuing to show curiosity and ask many questions, definitely would help us also to correct some of the things which we were probably doing in a different way and so that we are aligned to what is expected from us by the market. So once again take this opportunity to profusely thank each one of you for the excellent support all of you have given during the entire tenure.

And I'm sure you'll notice that the bank is poised for a much larger growth. The bank has huge potential to grow. And I would certainly expect this bank to be featuring among good medium-sized banks a couple of years from now. Thank you.

Moderator: Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.