"South Indian Bank Limited
Q3 FY '23 Earnings Conference Call"
January 25, 2023

MANAGEMENT:	**MR. MURALI RAMAKRISHNAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SOUTH INDIAN BANK LIMITED** **MR. THOMAS JOSEPH K– EXECUTIVE VICE PRESIDENT AND GROUP BUSINESS HEAD – SOUTH INDIAN BANK LIMITED** **MR. ANTO GEORGE T –CHIEF GENERAL MANAGER AND THE HEAD OF HR AND ADMIN – SOUTH INDIAN BANK LIMITED** **MR. SANCHAY SINHA – SENIOR GENERAL MANAGER AND HEAD OF RETAIL LIABILITIES – SOUTH INDIAN BANK LIMITED** **MS. CHITHRA H – SENIOR GENERAL MANAGER AND CHIEF FINANCIAL OFFICER – SOUTH INDIAN BANK LIMITED** **MR. SONY A – SENIOR GENERAL MANAGER AND CHIEF INFORMATION OFFICER – SOUTH INDIAN BANK LIMITED** **MS. BIJI S S– SENIOR GENERAL MANAGER AND HEAD OF CORPORATE BANKING GROUP – SOUTH INDIAN BANK LIMITED** **MR. SENTHIL KUMAR – SENIOR GENERAL MANAGER, RECOVERY – SOUTH INDIAN BANK LIMITED** **MS. MINU MOONJELY – SENIOR GENERAL MANAGER, CREDIT – SOUTH INDIAN BANK LIMITED** **MR. VINOD A N – GENERAL MANAGER, TREASURY – SOUTH INDIAN BANK LIMITED** **MR. NEHRU SINGH – GENERAL MANAGER, CREDIT POLICY AND MONITORING – SOUTH INDIAN BANK LIMITED**
MODERATOR:	**MR. SREESANKAR R – INCRED EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '23 Earnings Conference Call of South Indian Bank hosted by InCred Equities. 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 your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sreesankar R from Incred Equities. Thank you, and over to you.

Sreesankar R.: Thank you, Yashshree. Good afternoon, all the participants. Good afternoon, Mr. Murali Ramakrishnan and the entire senior management team, for taking time out to do this analyst call to investors and analysts. And without wasting much of our time, or people's time rather, I request Mr. Murali Ramakrishnan to give an overview of the results and then take the question-and-answer sessions. And in line with what we have been projecting, what has been giving guidance, the company has still come out with a good performance. I hope that this good performance continues. Over to you, sir.

Murali Ramakrishnan: Good morning to all of you and thank you for joining us for The South Indian Bank Ltd Q3 FY23 Earnings Conference Call. We are joined by my colleagues, Mr. Thomas Joseph, EVP & Group Business Head, Mr. Anto George T, CGM & Head HR & Admin, Mr. Sanchay Sinha, SGM & Head Retail Liability, Ms. Chithra H, SGM & CFO, Mr. Sony A, SGM & CIO, Ms. Biji S S, SGM & Head CBG, Mr. Senthil Kumar, SGM Recovery, Ms. Minu Moonjely, SGM Credit, Mr. Vinod A N, 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 December 2022. Bank declared quarterly results with a net profit of Rs. 103 Crore as against a loss of Rs. 50 Crore during the corresponding period of the previous year. CASA amount increased by 9% Y-o-Y from Rs. 28,229 crores to Rs. 30,660 crores as on December 2022. CASA ratio improved by 186 bps Y-o-Y to 33.81% from 31.95%. NIM improved to 3.52% against 2.64% on a Y-o-Y basis. Provision coverage ratio (PCR) including write off improved by 643 bps Y-o-Y to reach 74.51% in Q3-FY23 against 68.08% during Q3-FY22. Overall Gross NPA reduced to 5.48% from 6.56% on a Y-o-Y basis. Net NPA reduced to 2.26% from 3.52% on a Y-o-Y basis. Continuing our focus on collections, our SMA2 portfolio has come down by 48% on a Y-o-Y basis from Rs. 1330 crores to Rs. 697 crores. Built new book of Rs. 37,748 crores from October 2020, with better underwriting reflecting in GNPA close to 0.06% and SMA 2 book is 0.22%. During the quarter ended December 31 2022, Bank had provided an additional provision for depreciation on Security Receipts (SR) related to SRs acquired prior to March 31, 2017 amounting to Rs 311.74 Crore, pursuant to clarification on Master Direction of Transfer of Loan Exposure 2021 published by RBI on December 05, 2022. With regard to the status of sale of assets to ARCs, we carry a balance SR of 1,455.73 crores and provision as per ageing of assets amounting to Rs. 1,241.16 crores. However the provision as per NAV is Rs. 750.11 crore indicating 491.05 crore additional provision in the books. With this the outstanding SRs is 214.57 crores. For this outstanding 214.57 crores, the expected ageing provision by March 2023 is 48 crores and 15 crore for next full year ending March 24. If this one off provision related to SRs acquired prior to March 31, 2017 is not netted off, the Bank would have registered a Profit Before Tax of Rs 474 Crore and Profit After Tax of Rs 306 Crore, recording the highest ever quarterly profit declared by the Bank. Significant improvement in ROA at 0.56% as against -0.31% and ROE at 9.22% against -5.40% on Y-o-Y basis. Excluding this one off SR provision, ROA is at 0.82% and ROE is at 13.05%.

Let me now take you through the other operational and financial performance of the bank.The total business for the bank increased by 9% and stands at Rs. 1,60,789 crores as at December 31, 2022. Advances grew by 18% YoY to Rs. 70,117 crores backed by total disbursements of Rs. 36,957 crores during the 9 month ended December 2022. The details of disbursements are as follows;

Corporate - Rs. 20,413 Crs predominantly to A& above rated corporates. Gold - Rs. 8,269 Crs, B Segment - Rs. 4,735 Crs, Other retail Rs. 3,541 Crs includes PL – Rs. 1609 crores, Credit Card 670 crores and 1218 crores of loan against deposits.

The share of A & above rated large corporates has improved from 82% as at December 31, 2021 to 95% as at December 31, 2022. We have nil slippages in our new corporate book. We continue to grow our Gold loan business. Our disbursements YoY was Rs. 11,081 crores, with an average LTV of 81.42% and a ticket size of about Rs. 1.52 lakhs. Gold loan book grew by 32% Y-o-Y to reach Rs. 13,053 crores. Personal loan is another segment, where we see good traction, since the launch of pre-approved PL in December 2021. As on date, our PL book had crossed Rs. 1,646 crores. Credit card is another growth area, which we launched during FY22. As on December 2022, we had issued 1,87,694 credit cards with monthly average spends of Rs. 24,561. The total book as on December 2022 stood at Rs. 670 Crs. As far as SME is concerned, we are seeing good uptick in disbursements month on month over past few quarters. We are cautiously growing this segment with average monthly disbursements of more than Rs. 525 Crores for the 9 months ended December 2022 as against an average of 200 Cr for the corresponding period last year. A healthy economic growth and government spending towards infrastructure sectors will help credit uptick in coming years. Our aim is to grow loan book by double digit in FY23.

Coming to liability portfolio, our Core Deposits grew by 5% Y-o-Y to Rs. 88,660 crores. CASA deposits increased by 9% Y-o-Y to Rs. 30,660 crores, predominantly due to continued improvement in our SA business, which grew by 7% Y-o-Y to Rs. 25,316 crores. CASA ratio improved and increased by 186 bps Y-o-Y to reach 33.81% of the total deposits as at December 31, 2022. Bulk Deposits declined by 52% Y-o-Y to Rs. 2,012 crores in line with our strategy. NRI Deposits continued to be our strength and now stands at Rs. 27,964 crores. It contributes to 31% of our total deposits. Low cost NRI Deposits grew by 10% YoY to Rs. 9,235 crores. The Bank saw a robust growth of 14% Y-o-Y in our NRI Remittance business. Our investment book was at Rs. 24,287 crores, split into HTM of Rs. 18,916 crores and AFS & HFT of Rs. 5,372 crores. Last year Q3 the M Duration of the investment book was at 3.20 which we cautiously reduced to 2.47 as on December 2022.

The fresh slippages were reduced by 17% Y-o-Y basis from Rs. 387 crores during Q3-FY22 to Rs. 320 crores during Q3-FY23, which was within the overall guidance. The overall restructured book stands at Rs. 1,781 crores, of which, Business segment is Rs. 929 crores, personal segment is Rs.277 crores and Corporate is Rs. 526 crores Agri Rs. 49 crores. The Bank holds standard and restructured provisions of Rs. 568 Cr.

Gross NPA ratio reduced by 108 bps from 6.56% as at December 31, 2021 to 5.48% as at December 31, 2022. Recovery and upgrade for the quarter amounted to Rs. 426 crores and the reduction in GNPA during the quarter on account of recovery and upgrade was Rs. 319 crores. The Net NPA ratio improved by 126 bps from 3.52% as at December 31, 2021 to 2.26% as at December 31, 2022. Our endeavor is to bring GNPA closer to 5% and Net NPA closer to 2% in FY23. Net Interest income for the quarter increased by 44% Y-o-Y to Rs. 825 crores. Net interest margin improved by 88 bps Y-o-Y to 3.52% in Q3-FY23. The sequential growth in CASA had led to improvement in cost of deposits by 40 bps Y-o-Y to reach 4.27%. Our cumulative NIM stands at 3.17% and we endeavor to reach NIM of 3.20% in FY23.

Our core fee income increased by 10% Y-o-Y to Rs. 140 crores. The Bank reported net profit of Rs. 103 crores in Q3-FY23 due to improvement in net interest income and reduction in provisions on account of lower slippages and better recoveries. But for the one off event off additional SR provision, our net profit would have been at Rs. 306 crores.

Treasury profit for the quarter was at Rs. 29 crores. (Excluding the SR provision).Overall provisions decreased by 88% Y-o-Y to Rs. 41 crore in Q3 FY23. The reduction in provisions was mainly due to lower slippages and better recoveries. Our PCR improved by 643 bps on Y-o-Y basis from 68.08% to 74.51% as at December 31, 2022. Our aim is to further improve PCR to 75% in FY23. PCR excluding write off improved by 12.19% Y-o-Y basis from 48.01% as at December 31, 2021 to 60.20% as at December 31, 2022. Our overall capital adequacy ratio continues to be robust with 16.25% as at December 31, 2022, the Tier I ratio stands at 13.71% as at December 31, 2022.

We are hopeful that the momentum in disbursements and collections will continue in the coming quarters to achieve the desired targets. With this, we open the floor for questions. Thank you.

Moderator: We have a first question from the line of Apurv Parikh from Equirus Securities.

Rohan: Rohan here from Equirus, and congrats on good set of numbers. I understand, if we look at the current environment, what are the measures that we are taking to ensure that the retail deposit growth keeps pace with the asset growth incrementally? If you could highlight?

Murali Ramakrishnan: See, it's like a continuous effort. And as you know, liquidity is certainly an issue in the market. And every bank, as you know, they are trying to revise the interest rates, which is offered to the customer for the right reason. Because inflation is high and, therefore, for real interest income to come to investors, the banks need to increase their fixed deposit interest rates. So we are continuously holding our ALCO every 10 days and for the past few months, and they are very closely looking at the rates which are offered by the market as against the rate offered by us.

And we are also continuously looking at the flows in each bucket and take a conscious call on how we want to price these deposits.

On one hand, we need to certainly be concerned about the passing on the interest rates to consumer, to deposit holders. At the same time, we also need to see how we can continue to pass on this increase in cost to our customers because, as you know, our cost of funds will keep mounting up if we continue to raise deposits with higher cost. And for us to continue to keep the NIM at a certain level, we need to pass on the interest rates to the customers. So while doing all of this, we need to be conscious of the quality of the customers who we are onboarding.

So it's a, I would say, a equation wherein we need to look at all these individually and, at the same time, how they come together collectively. So the one -- the two benchmarks which I use basically to decide on this is, how is my credit-to-deposit ratio at any point in time and how is my liquidity ratio?

These are the two things which I -- LCR, liquidity ratio, which I continue to -- liquidity coverage ratio, which I continue to look at. So these two, and at the same time, we are also very clear in the geographies where we handle. Obviously, each geography has its own dynamics. And we are also having a very significant presence in Middle East. So we continue to look at even our deposit rates on foreign currency.

Rohan: Sir, on the asset side, are we getting a request for renegotiation of the yields and on the spreads, basically, over the benchmark, how is the experience in the last two, three months?

Murali Ramakrishnan: Yes. If you see, our NIM has been continuously growing. So that goes to prove that we are able to pass on. Our NIM today, in this quarter, for the delta this quarter alone is at 3.52%. So clearly, we are seeing a growth in NIM and growth in the interest rates, which are linked to reference rates. Clearly, the ability of this increase in cost to be absorbed by all the segments is not going to be easy because if you look at the repo rate, it has gone up by 2.25%. Clearly, not everyone would be able to absorb this increase in cost. So particularly large corporates and large SMEs, which are doing well and even prime and super prime customers won't take this increase in cost that easily.

So it's a continuous effort put in by the team to put across the view that the cost -- overall cost is going up. And therefore, it makes sense to pass on some of this to the customers so that we have a win-win strategy. Customers also get the benefit of not necessarily the higher cost, which otherwise would have been, as against the bank not charging very low interest rates because they are unable to pass on.

Rohan: And what were the cost of funds on NRI deposits currently, blended cost of funds?

Murali Ramakrishnan: NRI specifically, I don't want to share that number. Basically, what we do look at is our total cost of deposits. That has gone up by 4 basis points compared to Q2.

Rohan: On the asset side, in the personal segment, the growth is primarily coming from the others because it's almost doubled in last year. So which are the products which have ended and which are showing growth...

Murali Ramakrishnan: I read about the growth which we have shown in the personal loan. Even in my statement, I mentioned about the growth in personal segment. Anyway, I'll just give you the numbers. Personal loan is, the book currently stands at INR 1,609 crores of book, which was at, corresponding period of last year, it was at INR 571 crores. So INR 571 crores to INR 1,609 crores is the growth in personal loan.

Credit card, which was the time we started credit card business around that time, so credit card book at that point in time was INR 36 crores. Today, that stands at INR 670 crores. Loan against deposits used to be at INR 1,150 crores. That's today at INR 1,218 crores. The rest are all very minor ones. So predominantly, it is, I would say, PL, credit card which has grown and which is still a very insignificant portion of our overall book.

Rohan: Last thing on my side. There was a gold price increase in last quarter, but the gold loan book has not increased. So what's the trend there? Is the demand weak from the customer side? How should I look at it?

Murali Ramakrishnan: Why do you say gold loan book has not grown? It has grown. Gold loan, let me just tell you the number. If you have to really look at, the year-on-year growth for gold is 5.43%. That's a year-on-year gold, retail gold, I'm talking about, which has grown from INR 2,716 crores to INR 2,864 crores when we compare December-to-December quarter.

The Agri gold, but let me just tell you, the gold loan total portfolio, like if you had to look at, we were at INR 10,147 crores as of December '21. That is today at INR 13,398 crores. We have shown a year-on-year growth of 32%. Even Q-on-Q growth is from INR 13,226 crores to INR 13,398 crores, which is about 1.3% growth Q-on-Q, quarter-on-quarter.

Rohan: I was more talking about the Q-on-Q because the prices have increased recently. So from INR 12,900 to INR 13,000, not much growth there. So that was...

Murali Ramakrishnan: Yes. But these things keep happening. I mean there's no trend or there's no systemic thing. Obviously, see, one thing which you should also notice is that gold loan is one business where if you had to really look at the market, the entire players reduced the gold, the rate of interest for gold loan to even as low as 6.70%, 7% sometime back. So now with the way cost of funds are going up, all the banks have also started increasing the rates.

And earlier, the arbitrage, which customers used to have as against NBFCs to bank, obviously, all the banks are showing good growth. Now with the rates which are also firming up in the bank, even though banks are continuing to grow, but the rate of difference which a customer probably would have got vis-a-vis NBFC or a roadside gold lender probably will be much less today. So that's the reason probably people are -- but overall, we don't really see that as a trend. We are continuing to see good traction in gold.

Moderator: We have our next question from the line of Nilesh Jethani from BOI Mutual Fund.

Nilesh Jethani: A few questions from my side. I'll just brought down all the questions and then probably you can reply to each one of them. So first, just broadly, when seeing our growth, we are largely driving the corporate side growth at a much higher pace. So psychologically or internally, do we have any targets that we will reach a X percentage of corporate and then we'll focus on a diversified growth, or going ahead, if corporate is seeing a huge growth, we'll continue to see -- we'll continue to capture that amount? That is first.

Second is on the NIMs. Since our AAA and AA share is increasing, can you help me understand what is our pricing strategy on the corporate side since AAA and AA won't be leaving as much scope to drive the yield growth over there? Third is on the core fee income. So when I see your core fee income, it has been largely stable over the last four to five quarters, despite a strong growth in the advances. So are we undercutting any upfront fees, etcetera, to attract growth?

And last question is, say, from a two-year perspective going ahead, where do you see our NIMs and RoA to stabilize? And for that, if you could help us understand the breakup between what are typical yields we make on corporate? And what is the yield and RoE we typically make on the retail side? So these are the questions from my side.

Murali Ramakrishnan: Yes. Let me start by saying, if you ask me whether we are focusing on corporate at the expense of any other segment, the answer is no. We are actually focusing on all segments. And our endeavor is to grow in every segment, and the endeavor is to build a high-quality book. The quality book is possible to be built in SME, I think will be the happiest to do because in SME, as you know, it can come at a much better yield also. So the endeavor is to build a quality book across the segments, and therefore, we focus on all of them. And as a stated strategy, we continue to grow our retail as well as all other SME as well as the corporate book.

See, what you are getting to see is the book. As you know, book is a composite number. Book is a number of what your opening stock is, whatever you're adding as a fresh disbursement, what you're getting rid of by way of rundowns and then what you are forcibly exiting because of the quality or due to monitoring, we want to get rid of bad customers who are forming part of your portfolio. And there will also be some poaching which will happen because customers might get lured by a lower rate by the competition. So what you get to see is the composite number as a book.

If you really look at disbursements in all, every segment, our disbursements have grown substantially. In 9-months of this year compared to 9-months of last year, if you see, every single business has grown quite well. So to answer your question, are we focusing on one segment? No, we are focusing on all segments, and we are seeing good growth happening in all segments. But are you seeing that getting reflected in the book?

What you get to see in the book will be dependent on the nature of that book for a product which you are starting up fresh. For example, a PL or a credit card where you never had a historical book, whatever you are disbursing will get out of your book. So you will see a delta growth happening there. Whereas for a seasoned business-like SME or corporate, there will always be a rundown happening. There will always be a forced exit which we'll be doing, and there'll always be some kind of poaching which will keep happening.

So therefore, my suggestion is look at disbursement and look at the book growth together in order to conclude anything about the focus of the entities because that gives you the complete picture of what the institution is trying to drive. So this is as far as first question is concerned. And we don't have any specific benchmark or percentage of each business contribution to the overall book. We'll continue to see opportunities in all the segments. And wherever we are seeing good growth coming, wherever we are seeing opportunities, we would want to exploit that. So, as I'm talking to you, we are currently at about 30%, 31% is our total corporate book of the total portfolio. You know that many of the banks have corporate retail, corporate and non-corporate proportion even as high as 50-50 or 60-40 kind of thing. So we are nowhere near any of those benchmarks.

So, and also if you are carefully monitoring the economy and the kind of discussions which keep happening in Davos and various other forums, there is a huge pipeline investment which is going to come from both the private as well as from government. So we are seeing good investments keep coming in the corporate area. And as a natural corollary, SME, say, investments will also keep going up. So once we get to see, I'm sure we will have more opportunities to tap in these segments. This is as far as the business outlook is concerned.

As far as the rate is concerned, yes, our large corporates definitely demands, I mean, good corporates definitely demand very fine pricing. But you should always remember which I keep telling in every analyst call, is that we are not looking corporate only for credit income. Corporate is actually sourced for, due to actually increase the total wallet share, which you can earn as a backup for institution because corporates deal with a lot of vendors, a lot of dealers, they have a lot of employees and their ecosystem is full of opportunities.

So when you are talking to a corporate, for example, they might be having 3,000, 4,000 dealers in each state in the country, if we are talking to a retail FMCG giants. They will have some 3,000 4,000 dealers in each state. So the opportunity which you have is phenomenal. So we don't look at that credit income, which we earn from corporate alone for the bank's benefit.

We look at what we can earn as a bank into overall. Actually, the trend which you've been seeing in the banking industry for a good number of players now. I mean if you are tracking big banks, this is one of the approaches they've always followed as an ecosystem. Ecosystem banking is what is made popular a few years back. And that is exactly what we are trying to do.

So it throws a lot of opportunities for you to expand your business, not only in corporate, but in many other areas, including the retail because many of the executives working for the corporate would need a home loan or auto loan or any of those. And you will also get a lot more references through them. So it's a good conduit to do many other businesses. So that's how we see a corporate relationship. That's number one.

Number two, how are we actually, are we seeing the full passing of benefit of the increase in cost? This I answered in my first question. Obviously, we cannot expect them to absorb all the cost. Therefore, we need to price our team in order to ensure that we continue to deal with them.

And many of the corporates also don't give you opportunity right up front. You will have to probably enter through subsidiary or an associate company, which could be a smaller entity. And then through interaction with them, they get to understand you and you get to understand them. Then you get into consortium. That's when you actually get to see all the deals at least shown to you before it is shown to anybody else. So we look at it holistically, and that's how we would want to grow our business.

As far as NIM is concerned, in each of these business lines and the rate of interest which we charge. Obviously, it's all dependent on the ecosystem in which that particular segment operates. In the business segment, for example, you will find well-rated SMEs demanding finer rates compared to not so well rated SMEs, but our underlying filter is the quality.

If it's a good quality SME, which is reflected in our appraisal and also validated by the CMR rating of the SME customer based on CIBIL score and also individual promoter scores, etcetera. And we find that cash flows are good enough, then we don't mind them acquiring at a little lower cost, but with a very clear objective that again, there will be opportunities which we can make use of as the entity grows.

So this is how we are looking at each segment. Retail, as you know, is a fixed rate which we charge and the home loan is anyway linked to reference rate. So as we keep going, moving the references, we'll continue to deal with them. Again, home loan like corporate is a big conduit because typical home loan customers, you find them very stable, good income. And if your pricing, if you are giving a good FOIR, you have a good scope to be within for a longer period for his other consumer requirements, etcetera. So it's a lifelong relationship with the home loan customers.

So, and home loan book also brings a lot of stability. So this is, so each business has its own objective in your overall portfolio. So long answer but suffice to say that we are clearly understanding what we need to do, how we need to do and what we need to price in each of these segments. It's a very clear objective that we want to onboard quality assets through to build our portfolio, which should be profitable.

Moderator: We have a next question from the line of Sonaal from Bowhead Investment Advisors.

Sonaal Kohli: This is Sonaal Kohli. Congratulations for great set of numbers. So sir, I have a couple of questions. Firstly, what was your SMA-1 and standard ECLGS books ex-NPA?

Murali Ramakrishnan: Our total portfolio is INR 70,117 crores. So SMA-1 is INR 1,200 crores, and SMA-2 is INR 697 crores.

Sonaal Kohli: What is your ECLGS book, Emergency Credit Line book?

Murali Ramakrishnan: ECLGS book INR 2,007 crores.

Sonaal Kohli: And this is all standard number? Are you telling me?

Murali Ramakrishnan: Yes, this is the gross advance as of 31st December 2022. Yes. Out of this, we have a NPA, no, it's not all in standard. Out of this, we have NPA INR 141 crores.

Sonaal Kohli: Sir, two further questions. Firstly, any further rate on restructured book you expect an outlook for gross and net slippages? Second question outlook on NIMs in the immediate term and more from a immediate term as they are coming one or two quarters and from a one-year perspective. Also, your NIMs on old book is relatively much lower than the new book. So is it because the quality of the loan book and the mix vary substantially? Or is it largely because of higher GNPAs on your old book while new book does not have GNPAs and therefore is no interest write-offs?

Murali Ramakrishnan: Yes. First, let me, I'm not understood your second question because it was a very long question. Let me first answer your first question where you talked about what is the outlook on the slippages which we are anticipating. So this year, if you are closely tracking what I've been communicating is, for the full year, we gave a guidance of INR 1,600 crores as a slippage for the full year, of which INR 1,000 crores was to come from my regular book and INR 600 crores was to come from 25% of my restructured book, which was INR 2,400 crores as of Q1. So 25% of Q1 INR 2,400 crores was INR 600 crores, INR 1,000 crores from a regular book, which was adding up to INR 1,600 crores.

As again, INR 1,600 crores, which gave us a guidance as for the full year, we are at INR 1,105 crores as of Q3 end, and we expect approximately another INR 400 crores to come in Q4. With this, we expect the total slippages to be INR 1,500 crores around that, which is well within the guidance of INR 1,600 crores, which has given us guidance. Next year, we are expecting slippages in the range of INR 1,800 crores is what we are anticipating for the next full year. However, we will get to know the, we will come back with a closer number as we move towards the Q4 and if we get to see the performance of the portfolio as of Q4. So this, as far as slippages is concerned.

Second thing is NIM for the full year, I gave a guidance of 3.5% for the year ended March '23 and sorry 3.2%. And as of Q3 end, we are at 3.17%. So I'm pretty much closer to the guidance which I gave, which was 3.2% by March. And as far as NIM for the next year, that is by March '24, this will be as per the strategy document which we had circulated earlier, where we had indicated NIM of 3.5% for the year ended March '24. This is what we gave as guidance. Obviously, our endeavor is to probably surpass that much before March '24. As this as far as NIM is concerned.

Sorry, your last question, I didn't understand. That was a very long question. Can you repeat it again?

Sonaal Kohli: Sir, and come to the last question, but just one clarification of a number you gave. Did you say your slippages expectation for next year is INR 800 crores to INR 1,000 crores or did you say INR 1,800 crores?

Murali Ramakrishnan: INR 1,800 crores.

Sonaal Kohli: Sir, why do you expect your slippages to be so high next year considering you would have recognized most of your stress by now, and it was only INR 1,500 crores this year?

Murali Ramakrishnan: Let me, if you know the mechanics of how the slippages happen, typically, there is a standard book, and there is a restructured book. If you look at standard book, even for the best of banks, you can go and verify this number with even HDFCs and ICICIs of the world, even in the best of banks, larger banks who continue to grow at a very-very faster pace of adding huge delta to their advances book, we'll always find them slipping by 1% to 1.25%. This is the ratio which you would see in large banks.

So obviously, these book, the banks have -- some of them have cleaned up their balance sheet much before. Therefore, you will continue to see a very stabilized slippages happening from those books. Banks like us are concerned. If you look at it, what you should be concerned more about is not slippages, how we are actually covering ourselves with the PCR because what actually matters is PCR.

So PCR today, excluding write-off, I'm at 60%. And I'm expecting it to close move closer to 65%. 62%, 63% is probably what I end up by March. Our endeavor is reached 65%. And our endeavor is to reach net -- I mean, PCR of 70% definitely in this coming year, coming financial year.

So the way I look at it is this 1% to 1.25%, which is what we get to see in good well-run banks probably would be 1.5% to 1.75% or maybe 2% for bank like us, which carry some legacy book, which continues to be there. If you have to look at my GNPA numbers, this still we carry a GNPA quantum, which you must have noticed it. It is still continuing to be closer to, I'll just tell you the number. Though we have come down marginally this quarter, but then still we are carrying INR 3,843 crores is a gross NPA. My net NPA is INR 1,529 crores. So if you get to see these numbers. Obviously, we need to clean this up through an effective recovery and effective closures. So that is what we need to do going forward also.

So the way I look at it is, our slippages, we are estimating it to be INR 1,800 crores. This will probably come from the fact that our portfolio, which is currently standing at INR 70,000 crores, which has got a new book of INR 37,000 crores, which will obviously get built up in the coming year also, that book, irrespective of the quality you build, you can assume that over a period 1% to 1.25% slippages will happen from those books.

This is what we get to see when in large banks. And then you can anticipate some 25% or 30% slippages happening from your restructured book. So my restructured book is coming down. It was INR 1,997 crores as of Q2 end. And currently, it has come down below that also. I think it's

INR 1,780 crores is what we get today. So we continue to say that maybe 25% slippages will keep happening from there and 1.25% to 1.5% slippages will happen from our regular book. With all that, we have done an estimate of INR 1,800 crores. I said, I will come back with a number much closer to Q4.

Sonaal Kohli: So sir, you gave a guidance on the NIM side. What I was trying to understand from you is, the reason why NIM is high on the new book, is it because the loan book is materially different or lower in quality? Or is it because you had high GNPAs on the previous book and the new book is clean of that, and therefore, you don't do any interest on you NPAs.

And on the slippage side, what you said, INR 1,800 crores, I think a relevant number because of the reasons you told us would be a net slippage number, including the recovery. So if you gross rate is INR 1,800 crores, any rough estimate of what kind of net slippage this is really material for people like us do you expect in next year?

Murali Ramakrishnan: The other way of asking this question, I would say, is what is the expected upgrade and recovery, which are anticipating for the next year. If I have to rephrase this question. So just to tell you the number, INR 600 crores is what we did as of March '21, INR 1,500 crores is what we did as of March '22. We are expecting it to be INR 1,000 crores -- we'll be exceeding that number, maybe closer to INR 1,600 crores, INR 1,700 crores is what we anticipate by March '23. Next year, our endeavor is to do INR 2,000 crores of upgrade and recovery for the next full year. These are all estimates. Obviously, we'll have to work out these numbers, go to our Board to get that concern before we officially announce it.

Sonaal Kohli: And on the NIM, sir?

Murali Ramakrishnan: NIM, as I said will be -- it's as per strategy, 3.5%.

Sonaal Kohli: So new book versus old book. The question was why the NIM is high on the new book versus the old book?

Murali Ramakrishnan: I don't think that is very material. I mean I don't think you need to be really knowing about new book, old book, etcetera, because as we keep growing our book, anyway, the book will get churned, and you will find this new book old book I just want to give you a perspective that we continue to carry INR 33,000 crores as well as I said taking INR 70,000 crores. I'm saying INR 37,000 crores the new book, and we still carry the old book.

The old book is also, as you know, since it's a book which you're talking about built before '20. Obviously, performing ones are continue performing and nonperforming ones anyway will slip out. And that is what we get to see in our GNPA, net NPA and the recovery, all that, which I talked about. So it doesn't really matter. Overall NIM and overall slippages, overall recovery, I think, is what should be concerning.

Moderator: We have a next question from the line of Renish Bhuva from ICICI Securities.

Renish Bhuva: Sir, just two questions from my side. So, 1 is on this new book, not in terms of the originated, but the new products let's say, PL, credit card or the vehicle book, etcetera. So just wanted to understand that given these are the new products, which might not have a seasoned yet, so what kind of collection efficiency we are witnessing in this new product? And also, just to understand from the proposition perspective, whether these loans has been extended to the EPB customers as of now or we are also sort of offering this product to NTB customers?

Murali Ramakrishnan: Good question. See, clearly, the new book which you've added today is showing impeccably higher good quality. Therefore, there is no -- honestly, there is no feedback on recovery and those kind of things -- because the new book as far as these products are concerned. Clearly, the overall delinquency itself, as on top is only 0.06%. So, to that extent, it is still quite low. But if your -- to your question that how -- are we offering this to a new set of customers.

As far as PL is concerned, we definitely have a preapproved personal loan, which is basically doing the data analytics on existing customers, arriving at a rule of who we want to provide and cross checking with their credit history etc. we are offering a preapproved personal loan. The experience which we are seeing, actually these products since they're unsecured, we need to continuously monitor them. We need to continuously keep close track of them. We also have a product called imputed income, which where the customer might be our existing liability customer, but he may not have a great liability relationship with us, but he might be an existing customer of some other bank. Where there's an opportunity based on imputed income, you can come with a pre-approved offer. Though he’s an existing customer, but we may not be the primary banker for them.

So, these kinds of customers also, we keep offering them preapproved products, whether it's a personal loan or a credit card and those kinds of things.

So, I think that key to get the unsecured right is to a, get your overall risk appetite, very clearly defined and continuously sourcing high-quality cases, continuously monitoring them using vintage curves. And we I'm happy to say that we do a very regular reviews of all these new products, which have launched using vintage curves to see any correct action to be taken. Since all these are model-based offerings, we can quickly pick wherever we are going wrong. So, I can tell you that we have handled I mean I have handled much larger books with this kind of methodologies. Therefore, I really don't see any issue at all.

Renish Bhuva: I know that. Sir, what is the average tenure for this product? I mean just to understand the sizing of this book?

Murali Ramakrishnan: Yes. It's all three years, four years. I like what every other bank offers. That's the general tenure.

Renish Bhuva: And sir, my second question, again, on the advance split in terms of the regions. So, we have seen that rest of India is doing at a much faster pace of around 40% Y-o-Y basis. I understand that most of this could be coming from the corporate book wherein the head office will be in Bombay or Delhi. But just to understand how the other books, let's say, MSME retail books, whether these books are also gathering pace in rest of India region?

Murali Ramakrishnan: Yes. I think we have given in our investor presentation, we have given even product-wise, if I'm not wrong. So, I think we are getting to see opportunities in all these products. So again, let me just reiterate. I am not hung up on region. I am hung up on quality that comes from anywhere in the country, we would want to tap it. So, it's not, if you're getting to see more of rest of India, probably the way we are sourced, today we are getting to seeing opportunities there, and we are and those are those cases which we are spotting are meeting with our quality standards therefore we are on boarding them. Other than that, there is no deliberate strategy to say that we are specifically keep focusing on rest of India, not looking at Kerala, nothing like that. There is no -- at least in my mind, there is no differentiation. I mean we are looking at quality, and this quality wherever it comes from, we would want to do it.

Renish Bhuva: Just to further on the split side. So again, when we look at the ticket size wise breakup, it appears that the INR 5 crores to INR 25 crores segment has been degrowing. So, what is happening there? I mean, why that segment is not growing from last three, four quarters?

Murali Ramakrishnan: See, this is -- let me put it this way. I think you are referring to the slide which is presented in our investor presentation. So, this in my -- I have a completely different view on this slide. Probably we'll take the side slide off in the future presentation because it doesn't really make any sense to me. See, you are doing -- see, you look at what kind of products we are offering. We are offering products which are basically retail today, which is a focus where we are looking at INR 5 lakhs, INR 3 lakhs. So obviously, these are all sizes which are going to be far, far lower than the crores, which we're talking about.

INR 5 crores to INR 25 crores if you like to really look at that segment. This is a segment which we can offer either from SME or from corporate. These are the two segments where we can offer this product. Today, you look at the SME. For SME to have a high-ticket size of, let's say, INR 8 crores, INR 9 crores, INR 10 crores, INR 15 crores, this is the band. If you know, this is a band which normally doesn't give you great collateral because these companies, if your exposure alone is, let's say, INR 10 crores. For example, we will be in a multiple bank or consortium banking where at least we will have a limit of, let's say, five banks giving INR 10 crores each, let's say, INR 50 crores. Therefore, this turnover would be close to INR 200 crores to INR 250 crores. The INR 200 crores, INR 250 crores company doesn't give you collateral.

And banks, which have actually had a focus on this segment, higher ticket SME. Invariably, they all had issues because the moment SMEs, let's face it, SMEs don't have the wherewithal to get out in case of an adverse situation in the economy because their resource are limited, unlike corporate, Therefore, this -- and you don't also have a collateral to really reduce your loss given default. So, this is a segment which typically gives you a lot of default. Having said that, it is not that you cannot use the good credit tools to underwrite good quality cases here. But yes, definitely, we would want to do that. But we would definitely want to do that and tap that as we go along. But let's get the ask right in the areas where today you're seeing more opportunities. More opportunities being seen in SME there, your ticket size on average is INR 80 lakhs to INR 1 crores, where we see a lot of potential.

There, you can actually pretty much use your model, pretty much use your underwriting techniques to onboard good quality cases. Where you will also be able to back your exposure with the good collateral where your loss given default is going to be low. So as a segment, that segment is preferred in relation to a segment where you have a high-ticket size. So -- but having said that, yes, we will definitely tap that segment too, but it will come as we go along.

Today, in the corporate, for example, you can also come down to the segment from the corporate side. Today, the focus on corporate is to first build a high-quality corporate book. Therefore, invariably we are using rating as a synonym for quality. Therefore, we use external rating, plus we also do our own appraisal to ensure that we on board good cases. Through them, we would want to tap their suppliers, dealers, etcetera. Probably these are the SMEs who will be in INR 250 crores to INR 200 crores kind of top line, where we also have a linkage with corporate. So corporate linked business, which is one of the good businesses to do, because you can get our support from your corporate to for stock supply for enabling us to recover money in case of a problem, etcetera, where also you can arrive at the linkages between them to know that you are indeed handling a good set of customers. That segment definitely will be focusing. But we would want to come down to that segment after, we really do a good job in both lower end of SMEs as well as in the higher end of corporates.

Renish Bhuva: So basically, sir, this is what I wanted to understand that strategically, of INR 5 crores to INR 25 crores ticket sizes, maybe we are not preferring as of now rather than we are preferring low ticket size in the maybe a little higher ticket size?

Murali Ramakrishnan: Yes. If a large corporate wants a INR 15 crores loan, I'm not going to say no.

Renish Bhuva: Got it.

Murali Ramakrishnan: So large corporate wants a INR 10 crores, I'm not going to say no. So, it's not that I'm not focusing on that ticket size. I am looking at customers. If a customer is a good quality, it doesn't matter whether I give INR 1 crores or INR 5 crores to INR 10 crores. So long as they have ability to pay me. And it's not by choice that if somebody comes and says, I want INR 8 crores loan. No, this is not on the segment, I'm not. I'm not approaching on that segment.

Yes, INR 100 crores -- INR 1,000 crores corporate customer might also want a INR 15 crores loan. And why would they not give the loan. Such opportunities probably are not much today, I mean, at least in the segment where we are focusing and definitely we will focus on that. See, for that, let me just also take two minutes to tell you the way forward. How you want to tap this product, there is a methodology to do it. We should get our models right when you look at higher ticket sizes. So today, we have a credit model for SMEs to handle up to INR 2 crores. We need to build a model where we can handle SMEs as well as the lower end of corporates to give a ticket size in the range of, let's say, up to INR 30 crores, for example, from INR 2 crores up to INR 30 crores. If you build a model and if you back-test the model with your goods and bads, and if you can arrive at your risk appetite and calibrate your sourcing accordingly, you can build a very good portfolio there also. And you will be able to get a decent rate in comparison to your large corporate rates. But it requires some amount of work and some amount of technology thing which you need to do. We'll also be able to do that once we have a platform in place, SME platform is still to come. We are hoping that it will be commissioned by Q4 or maybe Q1 of next year. Once that comes in, we can completely digitize SME business. And the retail platform is also expected to come by Q4 or max by Q1. We'll completely digitize the retail businesses. Once you digitize then your model can be easily integrated with your platform with which you will be able to underwrite very comfortably.

Moderator: We have a next question from the line of Priyesh Jain from HSBC.

Priyesh Jain: Sir, as you mentioned earlier that the cost of, so that your cost of deposits have gone up by 4 basis points, but we see that the other banks have, their rates have gone up by about 25 to 30 basis points. Sir, could you throw some light as to why SIB has not seen a similar increase in the cost of deposits? And my second question is related, like can you also give a quantum of how much has the bank's FD rates moved in the last 6 months?

Murali Ramakrishnan: No. If you were to ask the second question, probably, I may not be the best person to give you that. Maybe you'll have to do your secondary research on comparing deposit rates of various banks and arrive at a conclusion.

As far as the first question is concerned, which is specific to us. We don't want to say blindly that other banks are raising maybe by 40 basis points, that we will also raise 40 basis points. Each bank journey is very different, each bank's position is very different. A bank which has got a NIM of 5%, 5.5% may not mind going and acquiring a deposit at, let's say, 7.9% to 8% because they might be lending to a micro finance. They might be lending to STPL, where you will be able to get 25%, 23% kind of IRR.

We are not in that segment. Why are we not in that segment? We don't want to be in that segment at this point in time. When I have GNPA, which is still at about 5.4% and where I know that I need to get that act in right, and I need to bring them down before I embark on a risky segment. See high risk, high return segment is something which we need to go as a strategy.

Today, we don't want to play their strategy. Therefore, if I am in those businesses, then it gives me a lot of levy to go and increase the deposit cost without worrying about it because even if I increase my cost by 1% to 1.5%, I know that I can increase the lending cost by 3% to 4% in such segments. Today, we are going after quality customers where the appetite for passing on the rate will not be that much to that extent that we can pass on, negotiate and we can make a good sense out of them. I will continue to play the game. And today, just because I'm not pricing -- I'm not passing on my 40 bps or 100 bps increase in the deposit cost, I'm not losing out heavily. I'm still at a comfortable CD ratio. I'm still at comfortable LCR and I'm still comfortable with my overall deposit growth and overall, CASA growth. So, we hold three ALCOs every month, and we continue to monitor this, and we will formulate our strategy as to what is right for our bank.

Moderator: We have our next question from the line of Tushar Sarda from Athena Investments.

Tushar Sarda: Thank you for the opportunity and many congratulations for a fantastic turnaround in the performance of the bank. What I wanted to understand, sir, was on this security receipts. You mentioned that it is before 2017. So, if you can just update on the recovery process and when do you think it will actually materialize?

Murali Ramakrishnan: I'm glad that you asked this question because I was actually anticipating this to be the first question from any of you. So let me actually, it will be a long answer. So please bear with me because I want to give you a complete picture. I want to completely dispel any wrong interpretation of any of the analysts because this requires a little more in-depth understanding of how the whole process works.

See, let me start by saying that banks in order to manage their portfolio quality, we sell our NPA assets to ARCs, okay? This is the process every bank does it in order to manage their GNPA numbers, etcetera, so that it goes out of their books, okay? So, this bank has also done that, and we have been doing that right from 2004. From June 2004 onwards, we have been selling assets.

Of course, the first one asset got sold for '04 and after that the next set of assets were sold in '14 -- 2014. So, as I'm talking to you from 2004 June, which was one pool, then from '14 onwards, we have sold one pool in '14, two pools in '15, 3 pools in '16, one pool in '17, one in '18, one in '19, two in '21 and one in '22. These are the number of pools we have sold.

In all, we have got, and as you know, when we sell it to the ARCs, as per the regulations now, ARCs are supposed to be paying 15% by way of cash. And the balance, 85% of the recoverable amount, which has been estimated from the ARC side as how much they can recover from the NPA, which we are selling to them. They will operate by the way of SR and these SRs are owned by both by ARC and banks in a certain proportion. We own, let's say, 80%, they own 20%. That could be 1 ratio, it could be 85:15 depending on how we want to do it.

Now the total SRs, which the bank is holding out of the various pools, which I've mentioned, as of today is INR 1,955 crores, okay? In this INR 1,955 crores, what actually happens is when ARCs go and engage with these customers, they will go and negotiate with the customer, go for onetime settlement, go for all kinds of resolution, go to the court, get a resolutions and etcetera. Once they recover money, they set off their own costs, their own fees, etcetera. And then SRs will get redeemed. That is when you, as a bank, gets back your SR given to you by way of cash coming from ARC. So, this is what we call SR getting redeemed.

Total SRs, which got redeemed is INR 500 crores out of these many pools which I talked about. So out of INR 1,955 crores of original SR, SR redeemed is about INR 500 crores. So, net-net, we have a balance SR today of INR 1,455 crores. So once an SR gets formed, what actually happens is when the resolution keeps happening, every quarter, the ARC are supposed to tell us the net asset value based on their own estimate of the SR value, depending on their predictability of how much money can they recover from each of those cases.

But obviously, one can't go by ARCs version alone. So typically, a rating agency will have to look at independently and ascertain whether the recoverability assumed by ARC is it right or not. They generally do it by way of giving a band in which the recovery happens. So, depending on the band in which the recovery is happening, the banks are expected to provide if they have assumed a higher recovery than what rating agencies are now telling that the recovery is only this much. So that is what comes back and hits you as a provisioning, additional provision, which every bank does it at the end of every quarterly results. So, like, so this rule till 2017 was based on the NAV independently clarified by credit rating agencies based on which banks were providing provisioning.

In 2017, March regulations came up, and where we said, prospectively from '17, '18 onwards, prospectively, you will have to provide in your book higher of the two things. One is either the NAV as declared by ARCs based on the rating agencies' confirmation, or aging provision. If that book were to stand in your own books, how it gets aged depending on which your provisioning keeps going up. Whichever is higher, you are supposed to provide for any from 2018 prospectively.

So, all the banks, including us, they were also providing prospectively based on aging from 2018 onwards. That is what we continue to do in every quarter. Therefore, from 2018 onwards, all the pools are basically provided as per aging.

Now with the recent guidance which regulators have come and clarification with regulators have come up with on 5th December. They said even for all the SRs, which are outstanding as of 2017 with the pools which have got sold before 2017, for which you are holding SR as of today, even for all of them, you need to provide based on aging. So, every bank which has sold some pool of for which SRs are outstanding today for the pools which we have done in 2017 and prior, obviously, they will have to provide 100% of whatever they carry because it's six years, five years since that event had happened. Therefore, everybody will have to provide 100% of whatever they carry. That number for our bank, turned out to be INR 312 crores.

So good news is that because of our exemplary performance in NII and in various other things which we talked about, we are able to absorb this one-off additional provisioning which happened due to the clarification given by the regulator, despite that, hitting the bank still we came up with a number of INR 100 crores plus as net profit. If only we had we had provided for based on regulators concession, let's say, over two quarters or over three quarters or six quarters, if we had got that concession probably you would have seen a very evenly spread-out provisioning hit due to this event. But because it had to be taken in one shot. Good news is that we are able to absorb it fully. And also, the good news is that it's not good hit going forward because now as I'm talking to you, I'm sitting so comfortably because my SRs outstanding as of today is only INR 215 crores, okay? And I'm carrying provisioning as per aging is INR 1,241 crores and provision as per NAV is INR 750 crores. I'm carrying excess provision of INR 491 crores by my outstanding SRs today is INR 214 crores. So, this INR 214 crores SRs, which I'm carrying, if I don't do any collection from them and if I provide based on the aging, my provisioning will be INR 48 crores and for the next full year it's only INR 15 crores. So, you can imagine from now until March '24, I'm going to be, even if no collection happens, I'll be loaded with the provision only of INR 63 crores. Compare that with the hit which you have taken this quarter.

Tushar Sarda: So, I understood that sir. But my question was on the recovery. So, are you taking it...?

Murali Ramakrishnan: Recovery. I will address that. Sorry, I have not touched the recovery. I thought I'll explain the whole process then I'll tell you about the recovery.

Tushar Sarda: Thanks for a very detailed explanation.

Murali Ramakrishnan: Recovery, what happens is that we engage with ARCs and the ARCs obviously, they also work in the same ecosystem. So, they also need to go through the core process, et cetera, et cetera. So -- and they also had the COVID issue hitting them, et cetera, et cetera. After all that, if I really look at how much is the redemption which has happened in this book in the last period, let's talk about from June '21 onwards. June '21, this is a period when we were in mid of COVID. You must recollect that, INR 5.3 crores was the redemption. In September '21, it was INR 3.74 crores. In December '21, it was INR 23 crores. In March '22, it was INR 42 crores. In June '22, it was INR 42 crores. In September '22 it was INR 54 crores. In December '22, it is INR 39 crores. So, in this year, for example, we have already redeemed INR 56 crores, INR 96 crores, and total INR 135 crores, which was as low as less than INR 20 crores prior to '21. And all these recoveries, which we are talking about the numbers, which I read about are all coming from all these pools which I talked about.

Tushar Sarda: That's fantastic. I think this information is not there in the presentation or maybe I missed it. I'll have a relook at this.

Murali Ramakrishnan: You're right. But then we'll be happy to share it with you. No problem.

Tushar Sarda: And sir, second question I had was your new book you're showing NPA is low, but your slippage rate is high. So, is the slippage from the old book? Or is it that it slips and then if you are gets upgraded?

Murali Ramakrishnan: Why do say my slippage is high, I didn't understand.

Tushar Sarda: No. The slippage reported is around INR 300 crores plus every quarter, right? So that's around...

Murali Ramakrishnan: It is dominantly coming again from the old book only. I just gave you the breakup of that.

Tushar Sarda: That's what I just wanted to reconfirm.

Murali Ramakrishnan: I just tell you. Just a second, give me a minute. Yes. See, I'll just tell you the NPA. NPA, gross NPA, which is standing as of today is INR 3,844 crores. Okay, of it the old book NPA INR 3,805 crores. And the INR 39 crores is for the new book. I mean, this INR 39 crores if you noticed, this also includes the FLDG, which we have on credit card, that is for the entire month, there is a loss there and gold where there is no loss for us. So, this includes everything.

So as such, if you knock that off, my NPA in this is 0.06%, that's my NPA. If you look at SMA 2 from the new book of INR 37,000 crores is only INR 84 crores, from the old book its INR 613 crores. So overall SMA2 is INR 697 crores. So, suffice to say that in the total SMA 2 book also out of INR 697 crores, INR 613 crores comes from old book.

Tushar Sarda: And sir, my last question is, if we ignore this provision which you have done on the security receipt, then your run rate is almost INR 300 crores net profit for the quarter. Do we expect this to sustain going forward? I mean it can vary by plus, minus a few percentage points, but ballpark figure, would we expect this to continue?

Murali Ramakrishnan: We'll endeavour to come to that kind of level, definitely. I leave it for your imagination, but then we don't want to give a very, very prospective number. What we will endeavour to do, I'm telling you. We would be happy more the merrier for us.

Moderator: We have a next question from the line of Pujan Shah from Congruence Advisors.

Pujan Shah: One or two broad questions would be. If you see on a historical side from the last two years, we have been our branch expansion. And so, customer touch point has been hovering around 925, 926.

Now let's suppose after we have made so much of the new thing like introducing credit card, mutual funds and all that stuff and doing cross-selling. We have not been like we have been able to see a business per branch has been like roughly around INR 164 crores on that range.

So, what could be the, let's suppose we are talking for the next two years of horizon. So, what could be the range of the branch expansion we are expecting and what are the of capex or opex that we have been expecting for the expansion of the branch? And due to this, what are the expectations on the cost-to-income ratio in next two years?

Murali Ramakrishnan: Yes. See, first of all, the as far as the branch expansion is concerned, I think the way banking is moving, as you know, the banking is going to be more and more digital, and every bank is talking about digitalizing the entire thing. Having said that, if the brick-and-mortar required, yes, of course, brick-and-mortar is required to continue to increase your contact point with the customer, etcetera. Therefore, we need to prioritize the capital expenditure, which we want to do for a bank of our size.

So, when it comes to investing between tools which are required for digitation where you will be able to leverage your technology and get more delta business as against building brick and mortar. Definitely, we would prefer to leverage on our investment technology. That is what this bank is doing. We have been continuously investing INR 180 crores to INR 200 crores every year on technology. And you know that we have also been continuously winning lots of awards in technology area.

And we are indeed using technology for growing our business. I mean case in point is our credit card business, case in point is our supply chain finance business, where we are using our leveraging our technology to increase our business. So, obviously, with the platforms coming in, which we already invested with the retail platform coming in, SME platform coming in, etcetera, we would definitely be going in for more and more digitalization of all these businesses, where the scope is phenomenal.

So, the way I look at it going forward, each business will be having multiple channels for growth. One of the channels will be brick-and-mortar. So, as I could envisage there are four or five routes by which the business can be grown. One is your traditional distribution channel, which is your branch network. The second one is your outsourcing model, which is basically your own DMAs, DSTs, depending on the business. Obviously, retail is more amenable for this. So, you will have more channels to source from.

Third one is digital sourcing, where you will were the places you're not really, I think you are agnostic about the place. You can have a good app and anybody from anywhere can get in and we can look at this offering and you can probably prefer to do. Only thing which one needs to be cautious is to ensure that your serviceability and collection-ability there in such geographies from where the customers are getting on boarded. That is the only thing which you need to ensure.

So digital is a third way. Fourth way is co-lending. There are many relationships which I talked about today. And each business today has got an opportunity to grow the business by getting into co-lending opportunity. So co-lending is another way by which you can grow your business.

Many of them not want to use the distribution channels today. They also use their own verticals for sourcing, which will be supplementing the distribution network to source more. And apart from that, you can also go out and acquire assets by way of buyouts and by way of securitization with all the NBFCs and many of the small banks which are present there, you have an opportunity to do so.

So today, when you look at the opportunity, business can be grown through these five. six channels which I'm talking about. So, brick and mortar is one such channel. Certainly, we'll be looking at investing brick and mortar. Provided we feel that the delta return of the amount invested is going to be much more from there in relation to others. Today, we find the leverage is much better in technology and technological investment.

Moderator: We'll take a last question from the line of Ankur Kumar from Alpha Capital.

Ankur Kumar: Sir, on the NIM side, you are saying that we are currently at 3.2%, but we plan to go to 3.5% in the coming year. But given the pressure on the deposit side in the system, how do you think we can reach those, we can increase from the current levels?

Murali Ramakrishnan: Good question. But if you recall, when did the rates start going up. You notice that the market rates have started going up almost 2.25%, right? Repo rates has started going up from March of last year, correct?

Ankur Kumar: Yes.

Murali Ramakrishnan: So, 2.25% rates have gone up. So, did it not bring pressure to everybody? Obviously, it brought pressure to everybody. So, each bank is working with this pressure only. So, we believe that we'll be able to do. Whether it is easy, answer is not easy, whether it's challenging and of course, it is challenging, but whether it's possible, yes, it's possible.

Ankur Kumar: And on provision side, any guidance for the coming year you would like to give? And on asset side, you are saying we can go to 1% given improvement in NIMs that you are expecting, isn't that ROA guidance is a bit conservative?

Murali Ramakrishnan: No. All our estimates will be conservative only. I don't want to give some numbers, which I don't want to, which I'm not able to, not going to deliver. So, I would rather be conservative in numbers and show it in my performance. So that's been my approach all these while. So, whenever I'm erring also probably, I would correct and come back and tell you that this is what we anticipated, but this is not going to happen.

So as far as provision is concerned, I can give us guidance on, I think, it's already given you, INR 2,000 crores is INR 1,800 crores what we are anticipating as slippage. That number will -- can we work it out in more detail, and we'll come back and share it with you. And our provision coverage ratio guidance I've already given you. We would want to reach -- we are at 60% now. We would want to reach 62% to 63% by March.

We would endeavour to reach 70% by the end of next year. So, you can imagine that 1 is provisioning, which will happen as per slippages. Maybe we'll also start providing much more than what we need in order to improve our PCR.

Ankur Kumar: And you have also said that we expect this profit after tax of INR 300-plus crores to continue going into the quarter?

Murali Ramakrishnan: That I will leave it for your imagination. We can only tell you what we have done. I'll leave it to you. I don't want to say any numbers. We will continue to do what we are doing and the hope that we surpass all your expectations.

Ankur Kumar: And sir, 1 clarification in the presentation, Page number five, where we're talking about numbers without SR depreciation and with SR depreciation. So, in this profit after tax without is INR 306 crores with is INR 103 crores. So basically, 3x profit after tax has, it would have gone 3x. But our ROA, there is showing us only marginal improvement from 0.56% to 0.82%. So, I couldn't understand basically, are we doing correct calculation on this or not?

Murali Ramakrishnan: Let me check on that. My understanding is 0.8% is our ROA. We'll double check on that number. But your understanding is right that this SR provisioning, additional provisioning is that one-off, which I had explained. If you knock that off, if you have not done that, your profit is what exactly what you said. We will recheck on the ROA number. ROA, we were at about 0.6% as of September end. We will recheck this number.

My understanding is they would have done it correctly, but we'll recheck these numbers.

Moderator: I would now like to hand the conference over to Sreesankar R from InCred Equities for closing comments. Over to you.

Sreesankar R.: First of all, thank you Mr. Murali Ramakrishnan and his team for patiently answering a lot of questions, which came your way. And I think that list, so many people were still go to ask questions, but we overshot our time by around 15 minutes. And thank you all the participant for engaging themselves in an interesting question answer session. Thank you very much, sir. We will close this analyst call right now.

Murali Ramakrishnan: Thank you. Thank you so much. Thanks.

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