



“Syndicate Bank Q2 FY 2018 Results Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Syndicate Bank Q2 FY2018 results call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rakesh Kumar from Elara Securities Private Limited. Thank you and over to you!

Rakesh Kumar: Thanks. On behalf of Elara Capital, we would like to thank Syndicate Bank management to having offered us an opportunity to host the call. We have Syndicate Bank entire management team led by Mr. Melwyn Oswald Rego - MD and CEO, Mr. Ch. S S Mallikarjuna Rao - Executive Director and Mr. S. Krishnan - Executive Director and other senior management team. We welcome the participants who are there on the call. Without much ado, I would like to hand over the call to Mr. Rego to give the brief presentation and thereafter we can have Q&A session. Thank you and over to you Sir!

Melwyn Oswald Rego: Thank you Mr. Rakesh Kumar. Good afternoon to each one of you. I will first come to the global advances. The global advances have increased Y-o-Y from Rs.207965 Crores to Rs.214887 Crores that is an increase of 3%. On a Q-o-Q basis, global advances have increased from Rs.202735 Crores to Rs.214887 Crores registering a growth of 6%.

Now as regards profitability during the discussion we had after the Q1 results, I indicated that our three pronged strategy encompassed one of course is the CASA growth, another one is NPA management and third one is growth in advances with focus on retail and more specifically on home loans.

Now I think the strategy has been working and I am happy to mention that NII, other income and operating profit has done quite well in Q2. The net interest income has increased Y-o-Y from Rs.1545 Crores to Rs.1649 Crores that is an increase of 7%.

Other income has increased by 9% Y-o-Y from Rs.792 Crores to Rs.861 Crores. The total income that is NII plus other income has increased Y-o-Y by 7% from Rs.2337 Crores to Rs.2510 Crores. Total operating expenses is marginally up by 1% Y-o-Y from Rs.1320 Crores to Rs.1336 Crores. The operating profit has increased by 15% Y-o-Y from Rs.1017 Crores to Rs.1174 Crores. Provisions other than tax Y-o-Y was up by Rs.28 Crores from Rs.864 Crores to Rs.892 Crores.

On the PBT front Y-o-Y, there has been an 84% increase from Rs.153 Crores to Rs.282 Crores. Finally after the higher provisioning for tax, the banks have shown about 27% growth in PAT Y-o-Y from Rs.83 Crores to Rs.105 Crores.

On a half-year period also the bank on Y-o-Y basis the NII has improved by 7%, the other

income by 15% the total income that is NII plus other income by 10% and operating profit by 20%. However with higher provisions by 46% for the half-year ended September 30, 2017, the net loss of Rs.158 Crores is led against Rs.162 Crores of net profit achieved for H1 of 2016.

I will now come to the cost of deposit, yield on advances, and NIM . The cost of domestic deposits has reduced YoY from 6.59% to 5.67%. The yield on domestic advances has dropped YoY from 9.95% to 9.30%. The domestic NIM has increased YoY from 2.70% to 2.91% and global NIM has increased YoY from 2.33% to 2.48%.

For half-year period, the domestic NIM has increased to 2.87% as on September 30, 2017 from 2.61% as on September 30, 2016. On a global basis, the NIM has increased from 2.26% to 2.46%. The cost to income ratio on Y-o-Y basis declined from 56.44% in September last year to 53.23% and for the half-year period it has declined from 59.02% to 55.10%.

I have mentioned about this three-pronged strategy so I will speak about each of these factors that is first CASA. Our CASA deposits increased Y-o-Y by Rs.11882 Crores from Rs.63756 Crores to Rs.75638 Crores that is an increase of 19%.

The savings bank growth has been at 21%. The bank continues to shed its bulk deposits. The ratio of bulk deposits to global deposit has dropped to 1.06% for September 2017 from 4.52% in September 2016 indicating a reduction in the concentration risk of deposits. Incidentally that is the strategy of the bank to reduce the concentration risk both on assets as well as the liability side.

Now if you look at CASA on a daily average basis, it has grown by 16.94% from Rs.61973 Crores in H1 of FY2017 to Rs.72472 Crores in H1 of FY2018. The CASA percentage as on September 30, 2017 stood at 30.41% compared to 26.57% as on September 30, 2016.

Term deposits of less than Rs.1 Crores have increased from 31.99% of total domestic deposits in September 2016 to 33.73% in September 2017. This shift clearly indicates that we are continuing our efforts to reduce dependence on bulk deposits with focus on retail term deposit at the card rate. It also gives us strength that the bank's roots are growing deeper in the system rather than depending on large deposits with high concentration risk.

The acquisition of salary accounts of our corporate customers and rigorously pursuing for trust account besides deepening our relationships with HNI customers is being focused upon to shore up our CASA balances.

On the NPA front, our efforts in sensitizing the importance of NPA management across the entire employee force have started yielding results. While there has been fresh slippage of Rs.3832 Crores in Q1, it has come down by 58% to Rs.1576 Crores in Q2 and on upgradation and recovery front the bank has achieved a level of Rs.1125 Crores in Q2 as against Rs.647 Crores in Q1

During Q2 again slippage of Rs.1576 Crores, the recovery upgradation and 100% provided accounts are Rs.1583 Crores resulting in NPA levels in amount terms being flat. The gross NPA has come down from 9.96% as on June 30, 2017 to 9.39% as on end September 2017.

Net NPAs have come down from 6.27% in end Q1 to 5.76% at end Q2. The 6% growth in advances in Q2 has also helped the percentage reduction. The PCR has improved to 56.21% at the end of Q2 in comparison to 54.8% in Q1 and from 53.69% in Q2 of FY 2016. The total stress

assets that is NPA plus standard restructured assets as per RBI definition has come down to 10.96% in September end from 11.64% on June 30, 2017.

I do believe that our concerted efforts on NPA management and fast tracking of recovery resolution is yielding results and our gross NPAs are expected to remain flat to current levels during the course of year that is FY 2017-18.

I will now come to the focus on retail credit. On Y-o-Y basis the bank's domestic advances have grown by 2% but the focus is to diversify the portfolio, which can be seen in the retail, agriculture and MSME growth. The growth in retail credit that is Syndicate Bank's retail has been 5%(Y-o-Y), growth in agri 19% (Y-o-Y), MSME credit was flat. However, for this quarter and not on annualized basis these three sectors i.e. retail schematic has grown by 2%, agri has grown by 7% and MSME by 4%.

Our priority sector continues to be in compliant with regulatory requirements or achievements under priority sector that is 42% of ANBC with agriculture being at 20% of ANBC. The share of retail, agri and MSME as on September 30, 2017 was at 52% of gross domestic advances vis-a-vis 49% as on September 30, 2016 with corporate advances being at 48% as on September 30, 2017 vis-a-vis 51% as on September 30, 2016. Our focus will continue to be moderation on corporate advances front and increase in the retail, agri and MSME portfolio.

I will now come to capital. Consolidations on the capital front have been an ongoing process and as I have explained all approvals are in place in this regard. As mentioned during last quarter end analyst meet we will be raising capital between Rs.2500 to Rs.3500 Crores by the way of equity during FY2018.

We expect that the government will be coming out with their plan on infusion of capital for our bank by the end of December 2017. Besides this cascade, we are exploring the raising of Rs.750 to Rs.1000 Crores by way of QIP issue and a Tier I bond of around Rs.550 Crores, of course all this is subject to the market condition and we are also looking at Tier II issuance of Rs.500 Crores. Meanwhile we continue to target conservation of capital for maintaining healthy capital ratio. In Q2 our advances increased by Rs.12152 Crores while our risk-weighted assets increased by Rs.6940 Crores. The total CRAR of the bank as on September 30, 2017 stood at a comfortable position of 12.17 % with Tier I being 9.2% and CET-1 at 7.23%. This is against CRAR of 11.35%, Tier I of 8.42% and CET-1 of 7.19% as on September 30, 2016.

Here I will touch upon other strategic initiatives. In the paradigm of people, process and technology which describes a bank's working in a nutshell, our strategy plan has been in addressing each of these items and considerable ground would be covered in the next 12 months. On the human skilling side we are giving focused classroom training and e-learning process has been initiated. We are also putting in place a structure for succession planning and mentoring of junior officers so as to maintain the skill sets in the bank. The overall average age of our officers is 36.5 years and there are about 6700 officers who are less than 30 years that is 40% of our officer work force. The processes are being redefined by our business process re-engineering department headed by a general manager. In this regard, we have launched Project Ananya, of course it is a unique concept which is in progress and this will give a new look to the way banking is done while also giving a fillip to retail business.

In the first tranche we have targeted 800 branches, out of which 402 branches have already been moved into Ananya setup. The concept of product champion for asset and liability products is being introduced. The transfer pricing mechanism, evaluating product profitability, aligning

service charges, centralization of operations, league management and tracking systems, etc., are some of the initiatives that has been under taken. Technology is the focus area to meet the demands of digital banking, ADW, CRM and data analytics are other areas being examined, which will facilitate analysis of customer behavior resulting in increased cross sell.

I would like to summarize by saying that there has been several positives when viewed both on few Q-o-Q basis as well as Y-o-Y basis. NII if you look at Q-o-Q and Y-o-Y, NII has increased by 3% and 7% respectively, Other income has grown by 25% and 9% respectively. There has been moderate increase in operating expenses by 2% (Q-o-Q) and 1% (Y-o-Y) and the increase in operating profit has been 20% and 15% respectively. CASA has improved from 26.57% to 30.41% Y-o-Y. The CRAR has improved from 11.35% as on September 30, 2016 to 12.17% as on September 30, 2017. On Q-o-Q basis gross NPA ratio has reduced from 9.96% to 9.39% and net NPA ratio has reduced from 6.27% to 5.76%.

With the strategy chalked out for NPA management, CASA augmentation and growth in advances with focus on retail with emphasis on home loans to reduce concentration risk and optimize capital, the bank is poised for better days.

Team Syndicate Bank has resorted to make our bank strong, vibrant and profitable on a sustained basis. My confidence in all this stems from our faith in the bank's intrinsic financial strength, strong customer base, and the determination of staff members and the support of all stakeholders. I now will open the floor for Q&A.

Moderator: Thank you Sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Amit Rane from Quantum Securities. Please go ahead.

Amit Rane (Quantum Securities): Thank you for the opportunity. My question is on the exposure to 12 accounts that have got referred to IBC, the first kind of NCLT cases?

Melwyn Oswald Rego: In these 12 NCLT cases we are there in 11 accounts but the total amount involved is Rs.5156 Crores. The total provision required is Rs.2906 Crores, of which we have already provided Rs.2195 Crores which leaves a balance of Rs.711 Crores. Out of 711 Crores ageing provision which would have to be made even if it was not an NCLT account, is Rs.366 Crores. The additional impact now is Rs.345 Crores, which will be provided for in the next two quarters.

Amit Rane: In the second round of NCLT also there must be some accounts, right so how much is the exposure over there?

Melwyn Oswald Rego: In the second tranche, we had eight accounts with exposure of Rs.1758 Crores and provision requirement is Rs.1147 Crores for which we have already provided Rs.705 Crores and the balance requirement is Rs.442 Crores. Out of these Rs.442 Crores, Rs.17 Crores would have been by way of ageing, so the balance is Rs.425 Crores, which we will be providing in the next two quarters.

Amit Rane: Thank you so much Sir.

Moderator: Thank you. The next question is from Vijay Karte from Dalmia Securities. Please go ahead.

Vijay Karte (Dalmia Securities): Thank you for giving me the opportunity. My first question is what is your exposure to NBFC, MFI and iron and steel sector?

Melwyn Oswald Rego: The exposure for NBFCs is 9.49%, iron and steel is 3.3%.

Vijay Karte: MFI, microfinance?

Melwyn Oswald Rego: Out of NBFCs, just one second, the MFI total exposure is Rs.350 Crores.

Vijay Karte: Rs.350 Crores, so in percentage wise how much is it?

Melwyn Oswald Rego: This is extremely small, because Rs.350 Crores as against the total global exposure of Rs. 2.79 lakh crores

Vijay Karte: My next question is referring to the page 11 of your presentation what is this depreciation on the gross investment, is it MTM?

Melwyn Oswald Rego: We are positive on MTM basis. We are not negative even at current level?

Vijay Karte: What is the depreciation on the investments?

Melwyn Oswald Rego: The depreciation on investment is representing a portion of MTM as well as some MTM investment with respect of restructured assets on which you have to provide for depreciation where you cannot have the benefit.

Vijay Karte: What percentage of our loan portfolio is linked to the MCLR?

Melwyn Oswald Rego: 48%. At this time I will also mention one factor that is we have reduced our savings' bank interest rate to 3.5% on saving bank amount up to 25 lakhs. This was done with effect from October 10.

Moderator: Thank you. The next question is from Rahul Totla from HSBC Global Asset Management. Please go ahead.

Rahul Totla (HSBC Global Asset Management): Thank you. I have a couple of questions. First is what is the leverage ratio as on September 2017 and second is what is the assets SLR ratio and what is your view on the interest rates right now? Thank you.

Melwyn Oswald Rego: 4.88 is the leverage ratio and currently we have surplus SLR of 5.6%.

Rahul Totla: 5.6% is the surplus SLR, so that means 19.5% plus 5.6% you mean to say, is the total GSEC position that we have?

Melwyn Oswald Rego: It is little lower. It is 5.31%. I am giving you the position as on date.

Rahul Totla: Not a problem Sir. Thank you.

Moderator: Thank you. The next question is from Abhijeet S from Kotak Securities. Please go ahead.

Abhijeet S (Kotak Securities): Good afternoon Sir. Sir, my first question is can you share with us the SMA-II book as of today?

Melwyn Oswald Rego: Yes. The SMA-II book is Rs. 2382 Crores.

Abhijeet S: How does it compare with last quarter?

Melwyn Oswald Rego: It is significantly lower than last quarter. Last quarter it was 6079 Crores.

Abhijeet S: Sir any sort of rationale as to what explains this significant decline?

Melwyn Oswald Rego: Normally we are seeing a trend during our entire year of about 10%, which slips into NPA. Q1 generally will be high then Q2 is down. This is over a period of one year, which I am talking about in terms of slippage

Abhijeet S: Sir I had a few questions on the capital front...? Sir, in terms of capital requirement can you share with us what is the kind of capital requirement projections that you may have shared with the government and what kind of growth assumptions that you have assumed?

Melwyn Oswald Rego: See, we are looking at a growth of 8% to 10% and in terms of our capital requirements our target is to reach 8% as at the end of March 2018. So, with that we will probably have to raise Rs.2000 to 2250 Crores. Here I am talking about CET1.

Abhijeet S: Rs.2000 to 2250 Crores out of which what percent you expect to receive from the government?

Melwyn Oswald Rego: That is something which we have not got any formal communication from the government, so in that matter no communication from the government because they are also working out the entire scheme for all public sector banks.

Abhijeet S: Sir, would it be fair to assume that any kind of market equity issuances from your side would follow the government's capital infusion or will it come before that?

Melwyn Oswald Rego: That as you know that every year the government's capital comes in towards the end of March only and we are likely to know about how much we are able to get only in December or probably January. So we are watching the market and would move to raise capital from the market prior to government's infusion.

Abhijeet S: Any preference in terms of what mode of capital infusions whether QIP, rights issues?

Melwyn Oswald Rego: We will be looking at a QIP issue.

Abhijeet S: Sir, my last question is there any kind of indications, what will be the possible impact of Ind-AS from next year onwards?

Melwyn Oswald Rego: About next year onward part is a question mark. RBI has also called for data from all banks with regards to the June position and subsequently of course they will call for the September position as well. We have not yet done any working on the September position, but I am not very certain whether the RBI would implement it for banks from next year itself. In view of various factors, which include CCGs, step-offs which is taking place, the NCLT accounts which are there and the environment where banks are generally overall under pressure and I do not know whether RBI will implement it from the next year.

Abhijeet S: Sir, just on Ind-AS once more, Sir your capital requirement assumptions do you actually factor in any impact from Ind-AS from next year onwards?

Melwyn Oswald Rego: We have not factored in the numbers I have given you; we have not factored the Ind-AS. This is only up to March.

Mohan Rao (CFO): Ind-AS factoring at this point of time it will be still premature because there are various other sectors need to be considered like expected credit loss and other things to come to a maturity, we keep on submitting the data to RBI, but it is not a very clear data to come to a conclusion as to what would be our plan in case of implementation. So whatever figures we have given today are without considering the Ind-AS.

Moderator: Thank you. The next question is from Gaurav Agarwal from ENR Advisors. Please go ahead.

Gaurav Agarwal (ENR Advisors): Good evening Sir. Thank you for the opportunity. Sir on your operating expenses, employee as well as other expenses, it has been quite flat on a Q-o-Q or Y-o-Y basis. So, how do you see the rented cost for these two line items going forward?

Melwyn Oswald Rego: We do not see any major growth in these expenses. There could be a little impact of the wage revision and that would be effective from November of this year, so that is the only thing, which could result in a slight increase, but otherwise the expenditure is not going to go up. We do not have any massive branch expansions plan. On a net to net basis that is after taking into account branches a few will merger or close, we expect somewhere between 100 and 150 branches to be opened during this year. Overall expenses are not likely to show because there are no other factors, which will decide an increase in the operating expenses.

Gaurav Agarwal: Sir, besides this wage revision impact which will happen for two months in Q3, do you have any NCLT related impact, some yield impact or assumption change impact, which can lead or increase your staff expenses. Is there any such factor, which you could see as of now?

Melwyn Oswald Rego: As of now wage revisions are effective from November we will be making the provision. It is not a very huge amount, every month we will do that provision from November onwards. Q3 and Q4 is when we expect.

Gaurav Agarwal: Will it be a 5% impact, 10% or 2%? What would be that number?

Melwyn Oswald Rego: It would be around Rs.25 to 30 Crores per month. That would be the impact for the five months residual period of five months.

Gaurav Agarwal: Sir yields and loan growth if you can share any guidance for FY2018-2019 and for the loan growth if you can share any guidance for FY2018?

Melwyn Oswald Rego: Loan growth I have already mentioned that we would be in the 8% to 10% area.

Moderator: Thank you. We will move to the next question from the line of Jay Mundhra from Batlivala & Karani Securities. Please go ahead.

Jay Mundhra(Batlivala & Karani Securities): Thanks for the opportunity. Sir, first on the consolidation considering that we are one of the relatively better public sector banks in terms of asset quality and return ratio, how do you see consolidation happening. Could we be a target bank as per your thoughts or we would be able to maintain our identity? How do you see this thing?

Melwyn Oswald Rego: Obviously I think our numbers speak for themselves and given our position where the banking sector is in stress, we do not see us in fact, we are looking at various options that to be an acquirer bank, but it is too premature and the government also had setup a

group of three ministers so we will need to wait and watch for that. From our side, we are looking at options for being an acquirer bank.

Jay Mundhra: Sir, have we submitted any proposal in that respect because there were so many media talks that banks are submitting proposals for merger and acquisition?

Melwyn Oswald Rego: All I can say is that we have not submitted any proposal. I cannot talk on behalf of other banks but we have not submitted any proposal nor made any presentation to the Govt.

Jay Mundhra: Secondly Sir, on asset quality we earlier had a guidance in terms of slippages quantum for full year FY2018. Now in first half we have done slippages of roughly around Rs.5400 Crores. Does that guidance change or how or what would be the guidance for slippages for FY2018 stand now?

Melwyn Oswald Rego: There would not be any change in the guidance for the slippages and what we see is that whatever slippages are there we will ensure that it is upgraded or recovery takes place.

Jay Mundhra: Sir, currently we had a guidance of Rs.6000 or 8000 Crores slippages for full year, so does that remain because we have done already Rs.5400 Crores.

Melwyn Oswald Rego: Yes that is right. As of now we have gross NPAs of Rs.20176 Crores and that we are looking at slippages in the region of Rs.2600 to 2800 Crores and the upgradation will equal that amount. So from the gross NPAs, we see it be around the Rs.20000 Crores level by March 2018.

Jay Mundhra: Sure Sir. And if you can share the SDR, 5/25 and S4A quantum figure outstanding for us?

Melwyn Oswald Rego: S4A and SDR amount is Rs.1824 Crores, all these put together Rs.1824 Crores

Jay Mundhra: All these put together Rs.1824 Crores and 5/25?

Melwyn Oswald Rego: 5/25, Rs.1972 Crores other than S4A and SDR.

Jay Mundhra: Sir would there be any overlap between Rs.1824 Crores in restructuring book or NPA book or this is only standard, figure that you are telling?

Melwyn Oswald Rego: This is the ratio that we have already told you. Restructured portfolio other than the restructured and NPA, our SDR is around Rs.1030 Crores, S4A is around Rs.344 Crores

Jay Mundhra: And 5/25 there is no change, right?

Melwyn Oswald Rego: 5/25 there is not much change.

Moderator: Thank you. The next question is from Sankalp Baid from HDFC Mutual Fund. Please go ahead.

Sankalp Baid (HDFC Mutual Fund): Just wanted some data points, I actually missed the amount, you said if we remove the restructured standard advances, S4A is how much and SDR is how much?

Melwyn Oswald Rego: SDR you can take Rs.1030 Crores and S4A around Rs.502 Crores.

Sankalp Baid: And 5/25 is Rs.1972 Crores?

Melwyn Oswald Rego: Yes. Total standard advance under 5/25, you can take Rs.680 Crores.

Sankalp Baid: In terms of credit cost what is the broad that we can expect going forward, whether the credit cost is likely to remain at similar levels or you can see some increase that generally happen in H2?

Melwyn Oswald Rego: The slippage amount we already told and in fact the gross NPA is closing in March would remain the same as what it is now around Rs.20000 Crore area. The credit cost is likely to be 2.07% around 2%.

Sankalp Baid: Thank you very much Sir. All the best

Moderator: Thank you. The next question is from Manisha Porwal from Taurus Mutual Fund. Please go ahead

Manisha Porwal (Taurus Mutual Fund): Good afternoon Sir. Just wanted to understand about this recap plan of government when this capital will be released and we will be doing a capital raising also it is believed that banks, PSU banks in general who are strong in doing corporate side of the business would move back to the corporate line and would not build up the RAM as you have depicted in your presentation also. So while we continuously emphasize on the RAM, so would it mean that corporate would be again in the sense not the focus area and it will be more of a retail kind of outlook the bank will carry or it will move back to its corporate picture?

Melwyn Oswald Rego: We are going to continue the focus on retail and retail is broader terms to include schematic retail, agri and MSME. In retail we are looking at a growth of around the 15%, in agri 18%, in MSME 10% and corporate around 4% to 5%. So that is the broad data.

Manisha Porwal: Sir I was just trying to understand more from a broader perspective would be corporate averse or with the release of capital things are going to send it to even lend to the infrastructure or all such areas on the corporate side.

Melwyn Oswald Rego: We will not be averse to corporate lending, but we are going to be very mindful of the credit quality. So while we will be lending to the corporate it will be quite on a selective basis, but retail is where our focus is going to be.

Manisha Porwal: So this entire capital would be put to use for growth on this RAM area, right?

Melwyn Oswald Rego: Across the bank, the consciousness of cascade has been emphasized and whatever is capital light we will be focusing on. When I mentioned about the growth in advances and the growth in risk-weighted assets during this quarter that itself tells the whole story.

Manisha Porwal: Thanks. That is it from my side

Moderator: Thank you. The next question is from Vikas Garg from L&T Mutual Fund. Please go ahead

Vikas Garg(L&T Mutual Fund): Thanks for taking my question. Two of them; one is on the merger or the opportunities that you may see in the whole consolidation mode of the

government, can you please elaborate what kind of a bank would fit into your overall scheme of things in terms of possibly the size of the bank or the geographies also? So that is one. Second while you said that you would aspire to reach the CET -1 of 8% by March 2018. Can you please also indicate your targeted number of AT -1, Basel III addition Tier I by March 2018 and how much incrementally that you would be required to issue on the AT-1 side? Thank you

Melwyn Oswald Rego: I will start off from the last question. First on AT-1 Rs.550 Crores is what we plan to raise. Your second question is on the 8%. Already I mentioned that we would target about total between Rs.2000-2250 Crores of which the QIP issue we would be looking at between Rs.750-1000 Crores. Your first question was on consolidation and whether we have identified anything, we have to discuss it at the board level first before we take any call on this.

Vikas Garg: Thank you. But just from an economical perspective, you would be looking at more of stressed banks to acquire possibly at very good valuation?

Melwyn Oswald Rego: Right. I think this is to be decided at the board level as I said and all I can say is that in any merger or consolidation, it would be worthwhile only if 1+1 is more than 2.

Vikas Garg: Thank you very much.

Moderator: Thank you. The next question is from Nilanjan Karfa from Jefferies. Please go ahead.

Nilanjan Karfa (Jefferies): Thank you Sir for the opportunity. Sir, just on this retail loan, see in the last year we had raised roughly about Rs.1426 Crores net increase. Is this all raised through our branches or have we made some open market purchases or direct assignment route?

Melwyn Oswald Rego: All these are through the branches.

Nilanjan Karfa: So we do not resort to any purchases from any other NBFCs?

Melwyn Oswald Rego: We do not resort to anything.

Nilanjan Karfa: Would that be in the MSME segment?

Melwyn Oswald Rego: Schematic retail would be on the home loans, mortgage loans, vehicle loans, personal loans, education loans, those are the schematic retail.

Nilanjan Karfa: Right, which we basically raised?

Melwyn Oswald Rego: That is through our branch network.

Nilanjan Karfa: Secondly, this is a combined question. The SMA-II number if I recall in March was about Rs.1700 Crores.

Melwyn Oswald Rego: Rs.1688 Crores it was in March.

Nilanjan Karfa: Right, so since then it had gone up in June and is now Rs.2382 Crores is what you mentioned, right?

Melwyn Oswald Rego: Yes, this quarter Rs. 2382 Crores which has come down from June 2017

Nilanjan Karfa: Right. What is your view where this number will be, or rather to answer the

question differently, could you tell us what the rating profile of the corporate book was let us say in March versus today or September quarter?

Melwyn Oswald Rego: First of course is that you will get a sense of how the rating has migrated, when you see the incremental growth in advances has been a little over Rs.12000 Crores, but with risk weighted assets has gone up only by about Rs.6900 Crores. That itself tells the picture about the rating of the assets built up during this quarter.

Nilanjan Karfa: But Sir that would have an implication because we are also probably holding much higher GSecs which are low risk-weight so that is not, while I understand we can do a ratio and do a comparison, but it would really help to understand where the rating profile has moved over the years or any indication of what let us say the BBB or below advances are?

Melwyn Oswald Rego: I can tell you that currently the AA and above is 37.32%, A rated is 18.95% and BBB and below is 43.73%

Nilanjan Karfa: That is as of September?

Melwyn Oswald Rego: That is as of September.

Nilanjan Karfa: What would let us say BBB and below would be in March?

Melwyn Oswald Rego: In March we will just work out this number and give it to you maybe after the next question.

Nilanjan Karfa: Thank you. I have no further questions. Thank you very much Sir.

Moderator: Thank you. The next question is from Amey Sathe from Tata Mutual Fund. Please go ahead.

Amey Sathe (Tata Mutual Fund): Two questions from my side. One is on the cost of deposits; SBI has reduced their deposit rates two days back, so any plans to do the same for us?

Melwyn Oswald Rego: We would be looking at the rates, but I would not say there is a plan, but we will be working out how the numbers look like because there is a regular MCLR cycle every month and we change it on the 10th of the month, so we will be having a look at it.

Amey Sathe: Sir that is on a MCLR side, so if you look at their cost of deposit rate they have cut it by almost 25 BPS across all?

Melwyn Oswald Rego: That is true, but even our rates have dropped quite significantly.

Amey Sathe: Second question is how much more MCLR can be reduced and with the capital coming in from government do you expect government to put pressure on you probably to reduce the lending rates further?

Melwyn Oswald Rego: There is a pressure from the government to reduce MCLR. We would be going according to the formula given by RBI for the purpose of arriving at the MCLR for different maturities

Amey Sathe: Sir any discussions on the new benchmark that RBI is talking to link the lending rates?

Melwyn Oswald Rego: We have not done anything on it yet, so we will have a look but we have not initiated anything.

Amev Sathe: But have you given any feedback to RBI?

Melwyn Oswald Rego: We have given feedback to RBI.

Amev Sathe: If you can share anything on that?

Melwyn Oswald Rego: Overall I can say is that we are more comfortable with the existing guidelines, which are there.

Amev Sathe: So under the new guidelines you believe there will be higher impact on our lending rates probably on our yields? Is it a fair assumption?

Melwyn Oswald Rego: I think finally when we are in the market; the rates are determined by the market. Just because you reduce your MCLR finally the rate is determined and spread over MCLR. So unless it is something like government guaranteed advance, so MCLR reflects the figures, which comes based on the RBI formula. Finally the market falls in line either by reducing MCLR or by reducing spread, I think that is the fact of the way the market operates.

Amev Sathe: Thanks a lot Sir. That is it from my side.

Moderator: Thank you. The next question is from Sneha Ganatra from Shubhkam Ventures. Please go ahead.

Sneha Ganatra(Shubhkam Ventures): In this second quarter we have seen a huge amount of recoveries and upgrades, how do you read the rates and on the slippages front? In the second quarter we have seen a huge amount of upgrades and recoveries, how do you see the rates from the recoveries and upgrades and what would be the run rate of slippages are we expecting?

Melwyn Oswald Rego: I think this we have already answered, but to answer once again, we expect a total in the same range as Q2 in fact a little lower than that and I said our recoveries and upgradation would equal that. So whatever slippages would be met by the upgradations and recovery and PWO. So overall gross NPAs would be around Rs.20,000 Crores range.

Sneha Ganatra: Sir, what is the outlook on the NCLT provision? What is on the ground level?

Sneha Ganatra: I want the outlook, how is it happening and when we can expect the resolution? I just want the date?

Melwyn Oswald Rego: You are talking about the resolution of under NCLT?

Sneha Ganatra: Yes, under NCLT? Just wanted to know what is your outlook on that? How the things are moving on that front?

Melwyn Oswald Rego: Frankly it is a little too early to get any concrete sense of how the numbers are going to pan out, and particularly for our bank how it is going to pan out because a generalized statement I do not think would serve the purpose for any specific banks. It depends on how much exposure we have someone will have less, some people may have more, vis-a-vis other banks, so if the one we have more, gets resolved and resolve very favorably definitely it will have a positive impact and it works the other way around as well.

Sneha Ganatra: Credit cost guidance you mentioned around 2% for FY2018 any guidance for FY2019 would you like to share on that front?

Melwyn Oswald Rego: It is likely to be in the same area around the 2% mark because it could really swing depending on the impact of the NCLT, because it is more favorably actually it could reduce.

Sneha Ganatra: Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Rakesh Kumar for closing comments. Over to you!

Melwyn Oswald Rego: I would just like to answer the question, which was raised about the rating distribution in March and in September. In March, 38% AA & above would remain the same, The figures of A, also would be 20%. In fact it is fairly flat.

Rakesh Kumar: Thank you.Sir. Just one last question from our side. Sir post the change in the RBI regulation pertaining to the HTM selling, like assuming that this fiscal year credit growth remains subdued as it is 0.8% YTD right now, so suppose in the second half credit growth remains subdued and there is a HTM selling, then would the bank reduce the deposit rate faster so that you know the deposit mobilization becomes low and there is no pressure on the banks for deployment of those resources. So would it be wise for banks to reduce the term deposit rates faster?

Melwyn Oswald Rego: This would be really a bank's specific question. I can answer from the Syndicate Bank side that for us we have grown in one quarter by 6%. That is quarter wise. So obviously if you take it annualized it will be different. Now that is in contrast to the Q1 growth where you know there was actually degrowth. So overall for the year we are looking at it 8% to 10% growth and we would look at our position. I told you the surplus SLR, which we have and we would look at it from that perspective as to how the deposit rates would move. Currently we are quite comfortable with liquidity, so there is separately a bias towards softening of the deposit rates.

Rakesh Kumar: Got it. As there are no further questions, we could conclude the call with your permission.

Melwyn Oswald Rego: Thank you Mr. Rakesh Kumar. Also thanks to all those who were on the call, those who spoke and I hope all your queries have been clarified to your satisfaction. Thank you.

Rakesh Kumar: Thank you very much Sir. On behalf of Elara Capital to all the participants and the management for sparing the time and giving them insightful information. Thanks a lot.

Melwyn Oswald Rego: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.