



# “CSB Bank Limited Q1 FY '21 Earnings Conference Call”

**August 19, 2020**



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**MODERATOR:** **MR. MANISH KARWA – AXIS CAPITAL**

**Moderator:** Ladies and gentlemen, Good day and welcome to the CSB Bank Limited Q1 FY '21 Earnings Conference Call, hosted by Axis Capital Limited. 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 any assistance during the conference call, please signal the operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manish Karwa from Axis Capital. Thank you and over to you, sir.

**Manish Karwa:** Yes. Thanks, Neerav. And good evening, everyone. On behalf of Axis Capital, I welcome you all to the Q1 FY '21 Results Conference Call of CSB Bank. From the bank today we have Mr. CVR Rajendran – Managing Director and CEO; Mr. B.K. Divakara – CFO; and Mr. PV. Antony – General Manager (Accounts).

Without much ado, I would like to now hand over the call to Mr. Rajendran. Sir, if you can just give some brief opening comments about the results and your outlook. And then probably we can have the question-and-answer session. Over to you, sir.

**C.VR. Rajendran:** Good evening, Friends. If at all, the bank has done well, half of the credit goes to the analyst population. We learned the banking only from analysts. That's why I always insist, in every bank, wherever I was there, I used to meet the analysts every quarter and understand the expectations and the nuances of the banking and what other banks are doing. Based on the information we get from you, we always try to change our behavior according to the market expectations and it has benefitted us in many ways.

This quarter is very important for us, because we have crossed many milestones. Actually, the earnings per share has gone upto Rs. 12.35 on annualized basis. And return on equity has also gone to 11.80%. Cost-to-income ratio has come down to 50.26% which we never expected to happen during this short period. We started our journey above 100% and now it has come to 50.26%. Net interest margin has also gone beyond 4%, 4.06% is the reality. So even in the interest rate falling scenario, we were able to improve the yield on advances. We were also able to contain the cost of deposits and more particularly the cost of funds, which made it possible.

With regard to NPAs and other parameters, of course, there is a standstill clause and there is a moratorium. These numbers should not be taken easily. But I will give the supporting numbers to make it more comfortable for you. We have not only brought down the net NPAs, but we have improved a lot under SMA 1 and SMA 2 levels also. SMA 1 and SMA 2, which was more than Rs. 125 crores, has come down to less than Rs. 22 crores; and SMA 2 as on today is less than Rs. four crores only. These are the slippages, which are likely to happen when the moratorium is lifted. We had more than Rs.400.00 Crores under SMA including SMA 0 as on 29 February 20, which has come down to less than Rs. 126 crores. Major portion of that is under SMA 0. Only Rs. 22 crores, is remaining under SMA 1 and SMA 2. Even there, the collection is improving, and we will be in a position to improve the data to a large extent and avoid slippages.

As far as the COVID data is concerned, our collection efficiency is around 61% for the entire loan book. If you exclude the gold, then the collection efficiency is almost 73%. We have given moratorium by default to everyone and if you look at only the moratorium book, the collection efficiency, excluding gold, i.e 47% . 15% of our customers only, have availed moratorium,

excluding gold loan customers. Though in initial stages there were about 27,000 borrowers opted for this, in the second round, it has come down a bit by another 600 to 700 numbers. Almost 26,000 Borrowers are still on moratorium. Out of which 21,000 customers are small tickets advances like two wheeler loans and Micro Finance loans. A Borrower is considered to have availed moratorium, even if there is a Re. one overdue. That is how we arrive at the data. The borrowers who availed moratorium for all the 5 months is Rs.132.00 Crores which is about 1.16 % of total loan book.

The moratorium collection efficiency is improving quarter-on-quarter. If you look at it on a month-on-month, it was 61% in the month of March, moved down to 54% in the month of April. May is the worst month with 48% collection. Collection has improved to 59% during June and has further improved to 78% during July. In absolute terms, while the Bank has made a demand of about Rs. 397 crores, Rs. 186 crores has been collected, leading to a collection efficiency of 46.85%. In absolute terms, Rs. 211 crores is the amount demanded but not paid. Demanded in the sense, as per the original repayment schedule. Demanded and not paid other than gold loan is only Rs. 211 crores.

So as far as our provision is concerned, we already had almost Rs. 93 crores of excess NPA provision in last year because of the accelerated provisioning policy. We continue to do the same conservative policy. Today, we have Rs. 89 crores more provision than what is required as per RBI policy in regards of our containing versus accelerated provisioning policy. Apart from that, we have provided for Rs. 31 crores for the COVID provisioning over and above the RBI requirement. COVID provisioning is almost 1.5% of assets under moratorium. The impact of conservative provisioning done for Security Receipts -without netting the appreciation and fraud provisioning, -by providing full in the first quarter-without using the amortisation option provided by RBI for 4 quarters, is about Rs. 24 crores. Overall, we have Rs. 144 crores of excess provisioning made. And if you reduce the tax impact, Rs. 108 crores is the excess provision we are holding in our books against the moratorium accounts overdue of about Rs. 211 crores-excluding gold. So, we have enough and more provisions and collection efficiency is improving.

Other than the SME accounts where we have given the COVID loans, as they were struggling to come back to the normal level of operations and where collection could be a problem, all other portfolios are doing well. Particularly corporate portfolio, 92% of the people have not opted for moratorium at all because they are mostly AA, AAA-rated companies. Only few MFIs and few small NBFCs have opted for it along with one or two manufacturing companies. There also collection is improving. So by and large, the COVID impact on the bank is much less when compared to the industry level impact. So, we don't expect to have a major impact in the coming quarters. Nothing will be revealed in September for any bank, December will show what is the collection efficiency of various banks. Everybody is releasing different kind of data. So, I have all the data, if you want any further clarification on that, I will be in a position to provide it.

I think I will stop at this level. And we have tried to include whatever you asked for in the last analyst call as a part of the presentation itself. If you want any clarification or more information, I will be too happy to answer.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from Jehan Bhadha from Nirmal Bang Securities. Please go ahead.
- Jehan Bhadha:** My question is a bit from a long-term perspective. So if we just keep aside this moratorium so on a longer-term basis, what is the kind of credit cost that our asset profile that we have, so what do you expect credit cost to be, maybe, let's say, in a couple of years down the line?
- C. VR. Rajendran:** As of now, our target is to contain the credit cost below 1%. And as on date, we are not in the unsecured business at all. We had stopped retail lending for quite some time now, even the mortgage loans, housing loans, we are not aggressive at this point of time. But when we take the new verticals, you know that we have recruited a lot of people on the retail side who are likely to come in by October, we will enter the unsecured business also.
- We have started the two-wheeler division last year, which has almost Rs. 100 crores of asset book today. There is not much of NPAs at this point of time, but you are aware that two-wheelers will have at least 2% as a credit cost. So, when the new lines are coming in, the credit costs may go up, but substantially, the revenue will also go up. The MSME division which we have started in the month of April, after the COVID, it started building up the volumes now. And the yield is around 18% on the MSME book. The credit cost of 2%, 3% doesn't matter, it will get absorbed and still we will be in a position to make good profits.
- The newer businesses which are little riskier may increase the credit cost, but not immediately because volume wise these are all very low and whatever we are having already. So, the impact will be known over a longer period. But in the meantime, the yield on advances will also improve substantially to absorb this additional credit costs.
- Jehan Bhadha:** I am sorry, sir. I missed the credit cost, which you mentioned in the first line when you started.
- C. VR. Rajendran:** Credit cost as of now is 0.48%. Our credit cost target is only less than 1% always, for the existing businesses. Gold loan business is almost 32% of the loan book. So, when gold loan proportion goes down, naturally credit cost is likely to move up along with the yield also moving up.
- Jehan Bhadha:** Yes, sir. Okay. And sir, on the gold business, if you can comment on what is the yield? And what is the further scope, if we have any, going into the next three, four quarters? Can we further increase the yield on the gold side?
- C. VR. Rajendran:** See, even in a falling interest rate scenario, you might have seen my yield on advances is moving up, by and large. Only between the last quarter four and quarter one of this current quarter, there is a 12-basis point reduction. This is mainly because of the renegotiation of rates by NBFCs and Corporates. Today, they are all able to raise the CPs at 3.5%, 4% and all are highly rated companies. Some of them have prepaid it, so the advances had a negative growth. Apart from it, some of them have reduced rates also. Despite that reduction, we were able to maintain the yield on advances at 10.74%. It is compensated to a large extent by the yield on investments going up, which I will discuss later on. But our reduction in the cost of deposit is very substantial. From 5.86% for the last quarter, it has come down to 5.48%, which means about a 38 basis point reduction. So, the net interest margin is expanding, and we are confident that we will be in a position to increase the yields. We started the gold loan at 9.7% three years back and now our charging rate is around 13% to 13.5% for the gold loan in general. Agriculture gold loans are

little lesser. Gold loan yield today is around 12.20%, and it will improve. Now because of the increased lending rate, old loans are getting closed faster and getting a fresh loan at a higher rate. So, for the current year also, gold loan yield will continue to rise. Whereas other portfolios, it is difficult to maintain the yield, particularly corporate portfolio yield will go down. On the blended basis, yield will be maintained or improved. That's what we expect.

**Moderator:** Thank you very much. Next question is from Abhijith Vara from Sundaram Mutual Fund. Please go ahead.

**Abhijith Vara:** Sir, congratulations on a good set of numbers. I have few questions. First question is, you had mentioned this Rs. 211 crores demanded and not paid on moratorium. I just wanted to get clarity. The total book under moratorium is Rs. 2,228 crores, on which the interest due was about Rs. 211 crores, which was demanded and not paid. Is that right?

**C. VR. Rajendran:** No, not interest due alone. Demand of Rs.211 Crores is dues towards interest and installment together. The demand so far is Rs. 397 crores, including interest, out of which Rs. 186 crores are collected.

**Abhijith Vara:** Right. Sure. How much of the book under moratorium will go on the restructuring book, as per your opinion?

**C. VR. Rajendran:** Initially, 27% was the moratorium book. Now it has moved down to 19% by volume and 15% by number, excluding gold

**Abhijith Vara:** Yes. But how much of this can get restructured as per RBI's restructuring guidelines which have come out?

**C. VR. Rajendran:** You are talking now about KV Kamath Committee restructuring, I am not there because it is applicable only to the larger loans. I don't think there is any larger loan other than one or two consortiums accounts, but they are all very good accounts. I don't expect it to come up for any restructuring. That restructuring I may not do. But individually, some SMEs if they approach us, we have given the COVID loan. Already almost Rs. 75 crores is sanctioned, Rs. 46 crores is disbursed. So, I am confident that they may not need restructuring. But in case any one of them, for example, these hotels, resorts, all these people may look for some restructuring. When they approach, on a case-to-case basis we will take a call on that. But there may not be very substantial number for us.

**Abhijith Vara:** This SME emergency credit loan, how much was sanctioned and disbursed?

**C. VR. Rajendran:** About Rs. 75 crores is sanctioned, out of which about Rs. 46 crores is disbursed so far.

**Abhijith Vara:** Okay. Just one last question before I get back to queue. This RWA increase, can you please explain, you have given out a comment saying this is because of TLTRO investment. So, can you please explain this?

**C. VR. Rajendran:** Risk-weighted assets have gone up. I think, we have explained it in our investor presentation. We shifted some of the investments from the HTM book to the AFS book to take advantage of the yield movement. So, it essentially contributed to approximately Rs. 30 crores in the first quarter, as we could realize the profits. Not that entire thing is sold out, there are quite a lot of investments which are lying in the trading book- HFT & AFS. The higher exposure by way of

NCDs in HTM and CGS & SGS in AFS portfolios contributed to an increase in credit/market risk weighted assets;

We have participated in the LTRO /TLTRO window of RBI in a big way. Our borrowings are close to Rs 1600 Crs here.

First tranche of about Rs. 750 crores came at 5.15% or something like that, that is without any commitment. Second round, almost Rs. 870 crores came with the commitment to invest in the NBFCs/Corporate Bonds. That is what we have invested. That is also adding to the market risk. So, one portion is AFS portion of the government securities and SDL. So, credit risk has also gone up mainly because of the LTRO investment. Market risk has gone up mainly because of the AFS book growing in a big way. These are the two reasons for RWA to increase.

**Abhijith Vara:** Is it possible to share MTM gains, which is not yet realized sitting on our treasury book?

**C. VR. Rajendran:** Will make it available

**Moderator:** Thank you very much. Next question is from the line of Prasheel Shah from Cap Grow Capital. Please go ahead.

**Prasheel Shah:** Yes. So, my question is regarding the gold loans. So now every bank or NBFC is moving towards gold loans and getting little aggressive over there. So, what is the competitive intensity and what is our edge over the peers?

**C. VR. Rajendran:** This is a question which I always find it difficult to answer. One thing which I am also searching answer all along, when the bank is giving loan at half the rate, how NBFC is growing at 24%. Why I am not able to grow at the same pace? But what we understand is it's the package delivery and the customer care, which differentiate us. May be we have not reached the NBFC level, but still, we have improved our service delivery to a large extent.

Footfalls are less in our branches because the digitalization has reached a good level. So, our branches are not crowded branches. So, the customer gets the service faster. If not the three minutes gold loan, which NBFCs are claiming to give, we are able to dispose of the customer at least within 10 to 20 minutes, depending upon the branch work-ie, faster gold loan and good service. Because of the RBI new policy we are able to offer competitive rates; and reasonably good level of interest. I am not as cheap as the PSUs, but still I am cheaper. My market is not the public sector borrower, my market is only the borrowers from the private lenders and the gold loan companies. So, our market segmentation is very clear. So, we are able to improve our business in that segment, particularly. In the past three years we are growing at almost 24% on the gold loan. In current year also, we should be in a position to grow at least 25%, if not more.

**Prasheel Shah:** And on the unsecured side, which you will be starting in this year, so what is the strategy over there?

**C.VR. Rajendran:** I will leave it now. Let the new team come and launch the appropriate product suite. No big volumes will be generated during the current year. It is only product development, recruitment of the people, setting the team and setting the policies for the current year. Business will start only during the next year. The only business which has started is the two-wheeler, which is doing well. We were doing almost 1,000 loans per month before COVID. We almost reached

the same level now with the partial opening also, our market share is improving. Almost Rs. 100 crores is our book size now with very little stress.

MSME division was started only in April, after the two months of COVID experience. So only those businesses which survived at that point of time, we have taken as our customer. So, the customer selection will be good. All the bad loans are done only in a good time. All the good loans are done during the bad time. Now it is a bad time, time to do the good loans. That's what we thought when we started the MSME division. The ticket size is very small. It is all Rs. 3 lakhs, Rs. 10 lakhs kind of a loan. It takes time to build the volumes. So, risk will not come into the books immediately, but the return is good there.

Many banks have slowed down on the unsecured business loans as they are causing some concern. So, we will not jump into it tomorrow. Probably, we will assess the market. Let us see the COVID impact by March. We will get the product and the processes in place and keep the systems and marketing people ready and will launch the product at the right time, with the right modifications which we learned from this COVID problem.

**Moderator:** Thank you. Next question is Jai Mundhra from B&K Securities. Please go ahead.

**Jai Mundhra:** Sir, first question is on growth and the loan book size with an absolute number. So, because the base is so small, so I don't want to get into the percentage growth. But how quickly or what is your sense that after three years what could be the loan book of the bank, either through organically or inorganically? Do you also have inorganic sense?

**C. VR. Rajendran:** See, in none of our investors meeting we talked about the top-line growth. Even during the IPO, we never discussed the top-line growth. We are a bottom-line focused bank. To improve the bottom-line to the extent what we have projected, we need the volume growth. Without volume growth, we cannot improve only by being efficient and run a balance sheet. So, we kept on changing the composition on the balance sheet, both on the liabilities side and the asset side, which has given results so far.

So not that we have not grown. As I told you, gold loans, we were growing at 24%. On the SME, we were de-growing at a much faster rate. We were exiting the wrong SMEs which were in the books. Not that SME is not the focus, but particular segments, I explained in the previous meetings also, like gold jewellery, the resorts, steel trade etc, we exited. So the growth in the SME is not known outside because it is compensated by the degrowth, which has happened.

As far as the deposit is concerned, it is always optional for us. Unless we have deployment opportunities, we don't get into the deposits on a big way. Even today, we have kept our rates very low. And even at these levels, branches are not permitted to accept the bulk deposits. So, deposit growth is constrained. Though in the current year so far, we have grown deposits by 6%. And today, assets are growing. The advance book has grown by almost 3%. Investment book has grown substantially.

So, we have some surplus fund still left out. Once we deploy, we will grow the liability book. So much of surplus is available in the market and liabilities are available at a much cheaper price, which is revealed by our cost of deposit going down faster. In fact, cost of funds is going down much faster. It is only 4.56% for us today because we have borrowed extensively in the



repo market at a moving rate, repo charge is only 3.35% . We are able to borrow about Rs. 800 crores from the RBI. So, we look at various options for liabilities, deposit is one such option. If wholesale deposit is available, if CD is available, if borrowing is available at a cheaper rate, I go to the market to encash such opportunities. In your terminology, that is not reflecting in the growth. If you look at the balance sheet, borrowing segment has grown, so my liabilities have grown as a whole. It is ok not to grow the deposit book, when other options are available at a cheaper rate. For example, if I am able to raise a Tier 1 bond, Tier 2 bond tomorrow at 5.5% or 6%, I may not need capital. But only for the sake of liability, I may go and take it, right?

So, we keep on evaluating various liability sources and liabilities we are acquiring, even though deposits are not visibly growing. Similarly, assets we are acquiring. It is compensated by the de-growth in some other segments where we want to de-grow. And some of the assets have grown only on the bond side. Bond portfolio is on the increase, you might have seen the investment portfolio has increased. It has an impact on the investment yield also. In this falling interest rate scenario, even after booking so much of profits on the treasury, still our yield on investment is 6.64% as compared to 6.28% in the last quarter. So, it is only asset buildup and the liability buildup, which you have to look at, not the deposit buildup and advances buildup.

**Jai Mundhra:**

Got it. And sir, your thoughts on inorganic growth, because I see there were some news articles suggesting in the media that we may also look at the inorganic growth.

**C. VR. Rajendran:**

It is not an official statement. You have to take it as our statement of intention. We are willing to look at the options. Not only CSB, every bank is looking for opportunities for inorganic growth, we also do it. We are continuously evaluating some options.

There were some conversation between us and DFS and Niti Ayog wherein we have expressed our views. They might have collected the views from many people. Probably they will formulate the policies. Now they are talking about four banks which may come into the market for a sale. So, we may evaluate that option as well. At this point, we are not evaluating any MFI or NBFC because we would like to wait till March to understand the balance sheet. We are open to the idea. You have to take it like that.

But organically, we are doing very well. We are planning to open 100 plus branches. Even in the COVID situation, we have progressed well on opening of nearly 40 branches and could open two. Some of the new branches are doing extremely well. Both consolidation and rationalization of branches are taking place among both PSUs and Public Sector Banks. So, we thought this is the right time to take new premises, along with the furnishing if it is available. So, our 100 branches opening program will remain solid. We may exceed it also, if right opportunities are there. But this is the right time to open the branches. And organic growth itself will take us through all the projections. Inorganic growth is a bonus, if it happens.

**Jai Mundhra:**

Sure, sir. Very well explained, sir. And just on two things, sir. I mean, on gold loans, sir, how much is the retail gold loan and how much is agri, roughly?

**C. VR. Rajendran:**

The proportion is almost 50-50. . We have agriculture target, and we are focusing on selling agriculture also. Out of Rs. 3800 crores of gold, almost Rs. 1900 crores is from agri.



- Jai Mundhra:** Sir, other banks, if the commentary suggests that they are not able to grow in the retail agri, I mean gold agri has been reasonably healthy. So just wanted to check what is your sense? I mean, we have been growing gold loan pretty fast, but...?
- C. VR. Rajendran:** Historically we were dependent on only gold for reaching our agriculture target. Since my joining, because of the passion that I have for Agri Sector as well as my experience in the previous assignments, we started an agriculture division separately. We have recruited the right skill set from other banks. We have brought the people from the new private sector bank setup because the conventional model of lending to agriculture doesn't work in this market. So, with the new people, we have started building up the business there. The new Agri &MFI book has grown close to Rs 200 Crs. That's a good growth. Kerala is very good in agriculture and has so much of rice and multi-cropping pattern. We are focusing in Kerala, Tamil Nadu and Maharashtra at this point. Andhra is yet to start. If Andhra also starts, probably agriculture will grow on its own without depending on the gold loan.
- Jai Mundhra:** Sure. And last thing, sir, on SME detail that we have given, the SME moratorium at 13%, I just wanted to check, because we have seen very broad range of SME loans under moratorium from as high as 50%, 60% at some of the smaller banks. And now you held 13%. So, is there something to do with...?
- C. VR. Rajendran:** That is not right, . I said 15% is total moratorium book by numbers, 19% is a total moratorium book by volume, Actually our MSME/ SME moratorium availed percentage is about 27% only which is well below the industry average of about 50 to 60%, as you have stated. We have a total loan book of Rs.2553 Crores under SME; of which Rs.689 Crores is under moratorium, which works out to ~27%.
- Jai Mundhra:** Yes. So, the question is, sir, how are you treating cash credit and OD in the moratorium? So, if this outstanding goes above drawing limits, then only you take as a moratorium? Or is it that in-principle if he has agreed?
- C.VR. Rajendran:** What we have done is, we have extended the moratorium to all the Borrower in the bank ie, by default we have given to everyone. Whereas, even if he has availed Rs. 1, that is considered as a moratorium account for me. So, most of the customers have not availed it in the first round. As I said, 81% have not availed it. That improved further later on. Most of the borrowers who are delayed also have paid it back. And the SMA 0 SMA 1, SMA 2 figures also have improved. Default has come down a lot. Even though numbers remain almost the same, they have come down by about 600 numbers. Out of 175,000 customers, 25,000-odd customers have availed it in the first round. In the second round also, it remained a little less than that. So, most of the customers have started paying. In the moratorium availed customer, 47% is the collection ratio. In the overall portfolio, it is 61%, excluding gold, it is 73%.
- Moderator:** Thank you very much. Next question is from V.P. Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** My question was, in three to five years how big will your gold loan book be as a percentage of the total portfolio?
- C.VR. Rajendran:** Gold loan will grow because my book is very small, even compared to my own competition. In the absolute terms, I am not a major player. Their book is much larger. In my balance sheet, my

composition is more in favor of gold loan. So, my gold loan book can grow higher and continues to grow. And in the bank book, as a percentage it will come down. In the composition of advances, gold will not continue to have the 32% share as it is there now. For the current year, what we thought during this uncertain times, we will increase the gold loan. So, we have taken Board approval for an increased portfolio share for Gold. But going forward, gold will continue to grow at 25%. But the portfolio share will come down as other loans will start growing with the new teams settling down.

**VP Rajesh:** I see. And then on the SME and corporate book, if you can give some more color about two things. One, what are the industries where you are primarily lending in? And secondly, in terms of this moratorium book of Rs. 2,200 crores that you talked about, how much is coming from these two segments?

**C.VR. Rajendran:** The corporate segment, about Rs. 4300 crores is the book size; out of which Rs. 1,800 crores is from the NBFCs/HFCs only. Most of them are AA and AAA-rated NBFCs, which have not opted for the moratorium. In the corporate book, the moratorium availed is Rs. 859 crores out of Rs. 4,300 crores. Few small NBFCs and MFIs have taken some moratorium from us. Our corporate book is all loans above Rs. 25 crores. It is not corporate in the real sense. As per the RBI classification now, this may all go into SME in the next round, which we are in the process of implementing. This is not a real wholesale book, these are larger SMEs which are classified as wholesale book because they have borrowed more than Rs. 25 crores. Otherwise, corporate per se if you look at it, it's all basically NBFCs under the larger corporates, which have not opted for the moratorium. If I remember correct 92% have paid on time and only the remaining 8% has availed the moratorium

**VP Rajesh:** Okay. And in terms of, let's say, the SME book that you have, what is the different industries that you have primarily lend to?

**C. VR. Rajendran:** Out of Rs.2500 crores today in the SME, almost one-fifth of the book is to the textile and textile-related activities. It could be a spinning mill, it could be cotton processing, ginning, or it could be on the garment industry. Most of the exposure is in the Salem, Erode, Tiruppur and Coimbatore. Almost 45 textile mills are dealing with us. These are all with us for the past 30, 40 years. Most of them do not have any term loans or having very less term loans. They have completed their CAPEX and once in a year, only balancing equipments or solar power like that they will need. Most of them have a captive power by way of solar or by way of wind power. So, they are all economically viable units, smaller units, with say 12,000 spindles to over 18,000 spindles. So unlike other banks, I never felt the stress of this textile sector in this bank though there are one or two accounts which might have slipped here and there. Otherwise, the textile segment is doing well.

Current year is challenging because Bhiwandi market is not open, Ichalkaranji market is not open. These are the two markets to which yarn goes, the garment manufacturing centers. Only the Tamil Nadu market is open, there is a place called Palladam, which is a weaving market. And Somanur, there is another place where its a weaving market. These markets, they are selling. In these markets, problem is that the credit period is a little longer. So, they may need a little longer working capital, probably this COVID loans will help them, but they are able to sell the

product, and they are all back in business. They don't depend upon the northern labor unlike the construction industry. They are all local labor. So, they are able to come back to operations. So, 90% 95% capacity utilization has come in these companies. Even the government companies in Tiruppur have started working to the capacity. So, the revival has started. I think most of them will be out of problem.

Remaining Rs. 1,200 crores is well spread out, not even industry where I have even 2%. It could be some in hospitality where we have some hotels and resorts and all. Maybe overall, it could be about Rs. 200 crores. Some of them are large ones and because of their multiplicity of income, they have never asked for the moratorium, they are all servicing it. Smaller resorts lost the business completely. Probably this is the season for the smaller resorts. Normally, this is the month where the people come for treatment. You have to book in advance, one year in advance to get treatment in the Aadi month. So that season is lost for these health resorts and the resorts probably that is one segment where we may feel some heat. Otherwise, the retail business is also coming back.

Gold jewellery, we exited in a large way in the past. So, there's not much impact. That is one business, which has not come back. Even the textile retailers are little bit struggling. These are all OD accounts and they are servicing the interest. So, there is no issue at this point of time. It will take some more time for them to pick up the volumes. So, in the SME, only segment is the other manufacturing sector other than this textile and maybe some part of the resorts may create some issues for us. Anyway, we will observe, and we are discussing with these borrowers. We are continuously in touch with the various clients to find out the problem and give a tailor-made solution for them, this will come as a preventive measure rather than going for a rephasing or restructuring. So, our restructuring may not be on a large scale, that is not the scope at this point of time. Let us wait and see. When you discuss the September results, we will give the right position.

**VP Rajesh:** Right. That's very helpful. Just one last question. Geographically, what's the plan to expand beyond Kerala? I mean, obviously, you have presence in TN and Maharashtra.

**C. VR. Rajendran:** Most of the expansion is happening outside Kerala only. So, we have identified 100 branches out of which 16 branches are to be opened in Kerala. We are rationalizing branches to reduce the geographic concentration and opening new branches in other potential centres. For example, in Thrissur, we will close some branches and open some branches in the northern part of Kerala to capture the liabilities and Gold. Otherwise, most of the expansion will come in Tamil Nadu where gold loan potential is there. Our brand name is well-established in Tamil Nadu. Otherwise Karnataka, Andhra, Telangana and Maharashtra is a growth area for us as of now.

But when the new team joins with northern experience, probably we will look at further northern expansion also. When we speak about branch expansion in a big way, the apprehension is on the escalation in costs. But what I feel personally is that this is the right time to expand because the premises are available at throw away prices. Every landlord is worried about letting out to a sustainable tenant. What they have given to the malls, what they have given to the shops, they are facing challenges in the rental collections. But banks are paying the rent promptly today. So, there is a preference for banks. So, we are taking the buildings at a competitive rate. As I told, a

lot of bank branches that are getting closed by the public sector banks because of the merger, these branches are available along with the furnishing. Yesterday I have seen a branch of one of the south-based bank, it is only four years old. Normally furniture life is 10 years. For them, the residual value is nothing once they decide to close the branch. So, you take it up along with the safe room and strong room door. For them, it is scrap value, but for us, cost of the branch can come down a lot.

So originally, our idea was 100 branches. But our board also has an open mind and are keen on approving further expansion. So, I remember, HDFC Bank has opened some 400 plus branches in one quarter when they were growing. The same people are there with me today and they know how to open it, how to man it and how to run it. So, when these people are on board, the branch expansion will be one way of growing the business organically. Only thing is, we have to prove to you and to the Board that these branches will breakeven within one year, if it is semi-urban and urban; and if it is a metro, it will breakeven within 18 months. That is the model which we are adopting. Probably if we are able to prove, the expansion will go on a larger scale.

**Moderator:** Thank you very much. Next question is from Amit Jain from Axis Capital. Please go ahead.

**Amit Jain:** I had a question on cost again. So, your cost-to-income ratio has declined sharply to 50% during this quarter, which is very commendable. However, partially you mentioned that there is room for increase in cost of branches. However, when you keep on adding new people and you keep on spending, do you see this cost-to-income ratio rising, say, over the next one or two years?

**C. VR. Rajendran:** So, I was referring to the branch opening related policy. We feel that this is the right time to open because premises are available at a cheaper rate along with the furnishing also. And landlords are also willing to come down on the rent. So, we may go beyond 100 also. Once this original 100 is opened and the business is happening as per our expectation and breakeven of one year promise is maintained, Board is also willing to open it up. It is this option which we are looking at.

**Moderator:** The next question is from Amit Jain from Axis Capital. Please go ahead.

**Amit Jain:** Again, I have a question on cost only, which you explained partially. However, just wanted to get a sense that your cost-to-income ratio is down to 50% this quarter. So, on a sustainable basis, as you keep on investing in the franchise and people, do you see this increasing or, say, in a long-term, longer-term basis, could this improve? Would this go up by another, say, 3%, 4% types? And what is your view on that, sir?

**C.VR. Rajendran:** Cost to Income Ratio that was 75% as on 30.06.2019 has come down to 50% now. So may be the income is at a little elevated level now. There are certain incomes which are windfall gains. Rs. 30 crores come from treasury because of the yields softening, which may not happen every time. Maybe this quarter, next quarter I will have it, but not on a sustainable basis.

Similarly, this TLTRO has also increased my income to a certain extent. Because I am one of the small banks which participated in a big way. We got more than Rs. 850 crores in the TLTRO and invested at the right time. Probably on the Franklin Templeton melt down day, we could conclude quite a few good deals. So, this may be sustained for the next six, seven quarters depending upon the various maturities which we bought.

So probably some of them will sustain for next two, three months, next two, three years also. This has to be compensated by the volume growth in the days to come. We will try to maintain it around 50% and our desire to go down to 40% over a period. You were also there in the marketing team for the IPO. We originally promised 50% over a period of five years and revised it to 3 years. We are surprised that we are able to reach it in one year itself. Cost control is effectively used and, of course, the yield is also supporting us. Hopefully, we will be in a position to maintain this ratio for the remaining part of the year. And over a period of three years, probably, we will try to bring it down to 45%, 46%. That should be sustainable.

**Amit Jain:** Sure, sir. And sir, just one small clarification. If I compare your Q4 presentation and the Q1 presentation, there has been some recalculation in the NIM. So, some explanation there, sir?

**C. VR. Rajendran:** That has come from the analyst community only. Some analysts have pointed out that we are not following the industry practice in the calculation of NIM. We used to work out NIM on the average asset base which includes both earning and non- interest bearing assets. So, analysts pointed out that, all the banks take only the interest bearing assets as the denominator. This time we changed the workings and worked out NIM taking the interest earnings assets as the base and the methodology is mentioned in the investor presentation as well.

**Amit Jain:** And sir going ahead, we will follow this policy?

**C. VR. Rajendran:** Same practice, right.

**Amit Jain:** Sure, sir. And sir, just a small question on these frequent lockdowns that are happening in Kerala and other southern states. Do you see the collection efficiency being impacted because of this?

**C.VR. Rajendran:** I have given the collection efficiency, which seems to be reasonably good when compared to the numbers which we have seen so far. Kerala was not much affected so far. But you must understand, only 32% of my lending is in Kerala. 68% is outside Kerala. Out of the 32% also, major portion is gold loan in Kerala. So, Kerala does not have a major bearing on the collection data. It's only outside Kerala, probably Tamil Nadu and Maharashtra have major impact on it. Tamil Nadu, in spite of COVID spreading in a very big way, the things are happening there. The lockdown is not implemented so tough, and they are able to bring back everything into business. So, collection is good there.

Maharashtra is one challenge where things are not opened up. Particularly, Mumbai city we have a problem, even our branches are not getting opened on a daily basis. So probably some inefficiency has come from the Maharashtra portfolio. Now Hyderabad is also getting affected. So, this data keeps on changing depending upon the lockdowns implemented by the local government. But in spite of that, by and large, our collection efficiency has improved. As I said, even in the portfolio of moratorium, 47% is collected. So that is a good number. As on date, overall overdue other than gold loan is only Rs. 211 crores. For a portfolio of Rs. 12,100 crores, it is not a bad number.

**Moderator:** Thank you very much. Next question is from Gurpreet Arora from Aviva India. Please go ahead.

**Gurpreet Arora:** Two quick questions. A, if you can highlight your assessment of the economic activity in our home state. You just mentioned we have a limited exposure of maybe one-third, but still if you can highlight what's the economic scenario in our home state? And is there any effect of the

unfortunate floods on our portfolio and otherwise? That's one. And second question is, if you can spell out what percentage of our SME customers, we would be sole bankers to them?

**C. VR. Rajendran:**

So, most of our SME customers, we are a sole banker. By and large, we don't join any consortiums or multiple banking. If at all I am a party to the multiple banking, then we take separate collateral securities for my lending. It is a policy. So, most of the cases, we are the sole lender. As far as the Kerala impact is concerned, this year flood has not affected Kerala like the previous year except for one or two incidents. So that's not a major problem.

And agriculture is doing extremely level, not only in Kerala, across the country agriculture is doing well. So, Kerala is basically an agro-based economy. Most of the people have agriculture as additional occupation. If Agriculture is good, and everything will be fine here. Even in agri, some areas are affected. Poultries are doing very well whereas the milk consumption has gone down a lot. In Maharashtra, the milk procurement price has come down and the dairy farmers are affected. And even these dairy companies are not able to sell the product. Exactly, 50% of the milk sales is happening in Maharashtra, I am told. So sales have come down drastically because there are no restaurants, no hotels, no canteens, no offices and no migrant population. So, milk has got affected. Like this, there are selected segments where it is affected. So, the milk powder conversion has taken place. They have to push the milk powder now.

So, we have to understand the problems of each industry one by one and provide a specific solution. For the dairies, we have given a facility now to support them in storing it in the cold storages until the season starts. My assumption is that, like what we have seen during the Lehman crisis, all of us were talking about it, but the economy rebounded very fast, mainly because of good monsoons and agriculture doing well. This year also agriculture is really doing well. Only thing is they must get the right price. That also, I am sure, because most of the stock in the FCI godowns have been exhausted by giving free ration during this period, now government has to procure and this will fetch a reasonably good price. Production is good, price is good, and then economy will revive. The salaried class is very limited. Of course, the industrial production has to come back and revival will take some time. Construction activity is picking up now. Labor is the only constraint. Arrangements are being made to bring the migrant labour back. So once the people are back in the field, even the construction will start. If construction starts, another 50, 55 industries will start doing well. I am optimistic about the rebounding of activities. So, we will come with vengeance. And probably in the next year you will see a great growth in India.

**Moderator:**

Thank you very much. Your next question is from the line of M.B. Mahesh. Please go ahead.

**MB Mahesh:**

In this quarter, whether an improvement in gold demand is seen or was there a reduction in gold demand? Second, how is the position of, as in the customers, what is the kind of profile of customers that are asking for gold loans today? And if you could give some color as to what would be the end use today as compared to what it was probably pre-COVID. Thanks.

**C. VR. Rajendran:**

Initially, all of us had a lot of gold loans getting closed at the beginning of the year. When the gold prices started moving, people redeemed their gold and sell it. There are many companies focused on that, helping the people to redeem the jewellery and sell it and get the money. But when the gold prices have started moving up continuously, people have stopped selling. So, the degrowth has stopped for all of us, including gold loan companies. We have also increased our

gold lending rate. So, they have started redeeming and re-pledging to get the additional cash. What they need is additional cash.

Normally, it is the lower income group which is dominating in gold loan. That is why you see an average ticket size of Rs. 35,000 to Rs. 40,000 in the gold loan companies. And in the bank, it used to be Rs. 70,000, Rs. 75,000. We have crossed the Rs. 1 lakh as a ticket size today, maybe partially because of the increase in the value of the gold. Tonnage wise, there is not much of an increase in the book. But because of the value going up, we are able to increase our portfolio. But the growth has happened only in the later part of the four months. First two months, it was only a reduction in the portfolio. Subsequently, it started growing. For the past six, seven days after the loan-to-asset value has changed, it is running fast. Probably we will be in a position to build a good book now.

**MB Mahesh:** Sir, on that question, given the fact that there is still a very large potential which is available, why has that set of customers not demanded for loans? We understand one set of customers who sold their loans.

**C. VR. Rajendran:** Conventionally, people like you and me, we will go and borrow on the credit card at 36%. We will take the personal loans. We will take the consumer loans at an exorbitant rate, but we don't pledge the gold. In the middle-class families, there is shyness about pledging the gold, which we have to remove. We have to push them to monetize gold when you need funds. In some states say in Gujarat or in Tamil Nadu, they call gold as Lakshmi and there is sentimental attachment to it.

So now we introduced a product called Akshaya Gold, where we said that you need not pledge the gold. Leave the gold for a safe custody with us where we are responsible for the ornaments. We will give a credit line to you, which you can use as and when required and pay for only what you have used. This product we have started selling. And this is picking up. Almost everybody has introduced. The cashless gold of gold loan companies is a similar product, but they cannot give an OD limit, which I can give today. This is with an intention to target the middle middle class, from lower middle class. We have a reasonable amount of success in that. But anyway, lot of education has to go into it. Then only the monetization of gold will happen.

**MB Mahesh:** Sir, kind of just to add to this question. The question is coming from the fact that gold loan was probably the only product which was open in the market in the last quarter because there was a fair amount of reluctance from lenders to get into other products. But yet almost all the lenders have kind of reported flat to declining loan growth on tonnage basis at least, suggesting that the demand actually was not there. Are we right in this analysis? Just trying to understand that part of the equation.

**C. VR. Rajendran:** No, you are wrong. See, Kerala Chief Minister made a statement that people are not able to borrow even against gold in this tough time. So many of the banks have stopped the personal loans. So unsecured personal loans and unsecured business loans are difficult to get in the market today. As a result, they all moved towards gold loans. Only thing is because of the lockdown conditions, gold loans are not easy to get. Gold loan companies are closed for quite some time. In lockdown, they were not allowed to open. Banks were allowed to open with a minimum staff. You can run it with only one-third of the staff, they said. Minimum staff are sufficient only to



meet the cash drawing requirement, but cash accepting requirement, gold loans could not happen. That is one reason. Even though there is a demand, we could not meet that demand. We don't have the infrastructure and people to execute it.

Apart from that, some of the branches where gold loan has happened in a big way, my people are affected by COVID. It requires a lot of human touch. People are involved, we have to touch the gold. We have to appraise, and appraiser touches the gold. People come and sign the document in our presence. It is lot of things. So probably there is some hesitancy on the part of the staff also to jump into it in a full-fledged way. Even today, there is an unmet demand to a large extent because this is the only loan which you can avail in the market without problem. Every other loan is difficult to get. I have seen a lot of SMEs have come back availing these loans now. In fact, my SME marketing guys, and MSME marketing guys could not do much during this period. I asked them to go and sell the gold loans. In fact, they brought large ticket gold loans. That is why my gold ticket size has gone up because we have moved into the next segment automatically because no other loan is available. So, the demand is there. It is only that we are not able to meet the demand.

**Moderator:** Thank you very much. Next question is from Haresh Kapoor from India Infoline Asset Management. Please go ahead.

**Haresh Kapoor:** I just want to get some sense on a couple of things. So first is, advances part that you mentioned, obviously, you spoke a lot about the gold loan portfolio, that growing at 25%. That's like 30% of the mix right now. But how do you see the entire book shaping up? How could the growth rate shape up on the entire portfolio for this year?

And you also spoke about deposit side. And when I look at your rates on the deposit, obviously, it's kind of coming down. On the savings side also, you are at the lower end of the rates. And you are also kind of telling your branches not to take bulk deposits. So, is there a belief that growth this year will be muted significantly, and you are changing the mix entirely, and you will be at a lower single-digit this year or how do you look at that? And what is the deposit strategy overall because you are actually not taking deposit even at the branches, is the sense I got.

**C. VR. Rajendran:** When compared to the first quarter, second quarter is growing. As on date, we have grown the deposit by 8%. Probably last month we have grown by 10%. Subsequently, we have decided not to renew the short-term deposits, it has gone out. And advances have grown by 5%.

**Haresh Kapoor:** This is a year-on-year number or from the quarter end is what you are talking about?

**C.VR. Rajendran:** I am talking from the March to now. For the year, current year, 5% in net deposits and 3% in advance growth. But on the other side, if you look at the non-SLR portfolio which has grown very substantially, it has also come from the investments with the credit risk only. It has contributed substantially to the income during the current year. Bond market has given opportunity at that time. So total assets have grown, that is what I was explaining in the previous case. Total assets and total liabilities have grown. My borrowing, when you look at it, how much is my borrowing today, it is very substantial. So, assets are growing, liabilities are growing. Balance sheet is growing. Maybe deposits per se and advances per se may not have grown. But even then, I can predict somewhat 10% growth is what should be possible if everything goes right and better on both sides.

**Haresh Kapoor:** Okay. Sir, and second, you spoke about acquisition. Obviously, it's a moving thing right now and maybe some of the PSUs will come to the market. We are seeing a lot of articles coming through. But even if you take some of these assets, just want to understand, I think the strategy for us was kind of build retail portfolio have a very smaller corporate exposure and AA, AAA-rated NBFCs or some of those category assets. But then the entire strategy and focus changes if you acquire any of these PSUs per se, and maybe the cost of acquisition will also be higher. I know there are some more nitty-gritties that you would have to finalize. But then that changes the entire approach. So, do you have some comments there, just want to get some clarity on that?

**C.VR. Rajendran:** Yes. CSB is not having any plan to integrate a bank and grow as of now. All my plans are only for organic growth. However we are open to inorganic growth also. These are all very preliminary ideas. So, it is very difficult to incorporate into the planning at this point of time. Let us not go by that version as nothing has progressed so far. Interesting to anticipate but nothing more than that.

**Moderator:** Thank you very much. Next question is from Abhinav from Axis Bank. Please go ahead.

**Abhinav:** So, my queries are more or less answered. I wanted to check like when you are talking about the gold loans, which is around 32% of your portfolio, so what is the LTV that you are lending considering the RBI guidelines of 90%? Are you going aggressive on that?

And second is, obviously, like you are churning down your corporate book, which still holds around 25%, 26%. And it's more concentrated towards NBFCs where the moratorium numbers are also less. So, if you can throw more color on that, the corporate book, you will wind down or reduce, so that will really help.

**C.VR. Rajendran:** As far as the gold is concerned, 90% loan to asset value is a myth. See, actually, the lending is only around 78%. I still have that 22% margin on the gold on the valuation.

So, 22% is high enough. Even in the worst period, what we have seen in the history of gold is only a 21% reduction in the prices, which happened in 2014, 2015. At that time, our book size was Rs. 3,000 crores. At that time gold companies had to resort to aggressive selling and loss booking. In our case, with continuous follow ups, we could recover substantial amounts and the loss incurred was nominal. We are closely watching the price movements and required actions are being taken duly factoring the price fluctuations. So, I don't think that we are sitting on a risk.

Now we have improved our processes. We will be in a position to sell the gold much faster. But as a policy, we feel gold is much more than value. Gold has a sentimental value to the people. It is my family jewellery, my papa's jewellery, my grandma's jewellery, I don't want to sell. So, if you sell the jewellery fast, the people will not come back to you. We respect the sentimental values, we give them notices, and we will try to persuade the customer to redeem it. Or even otherwise, you bring the buyer and sell it yourself instead of we are selling in the auction, which will fetch a lower price. So, these are all the policies which we will continue, but still the entire process will come down to 21 days now. So, within 21 days, we will be in a position to sell it. So that is a reasonable period within which you will be in a position to mitigate your loss. Even at this 78%, I don't see we are sitting on any big loss. We are in the business for 100 years, we

understand it better. I don't think that 78% will bring more loss to us. Anyway, this is only up to March. Then again, the loan to asset value will go back.

**Abhinav:** Okay. Got it, sir. And second is, obviously, on the corporate loan book, where you said that the loans under moratorium is around Rs. 850 crores odd, right. And it's more about larger SMEs. And earlier there was a lot of legacy issues which have been already recognized, I understand. So, if you can throw more light about like the composition of the corporate loan book will go down from further 25%, 26% or how is it like?

**C.VR. Rajendran:** So long we have surplus, corporate is the only way to lend if the asset growth is good and there are good opportunities. See, when we lend for the NBFCs, our average realization of the wholesale book was 9.5% at that time. Even with the leading companies, the AAA-rated companies, I was able to charge 9.5% and collect it. Today, the liquidity surplus has taken away the entire risk premium in the lending. Today, they are raising the CPs at 3.5% in the market which is just above the T-bill rate. So naturally, the bigger corporates and bigger NBFCs are not in a borrowing mode from the bank. So, I expect more premature payments to happen in the NBFC portfolio, money will come back. . If retail is not able to absorb it, if gold loan growth is not able to absorb it, then necessarily I have to lend it back to the corporates, either the NBFCs at a lower rate or better corporates, maybe BBB+ companies or A-minus companies. When manufacturing industries require money, we can look at it.

One opportunity coming up there is that because of the merger of the public sector banks some mid-corporates and SMEs are feeling left out in this merger process, the bigger banks won't recognize them. So, they are moving out of these banks. So, if you are choosing the right people, probably SME and mid-corporate can grow, we mean that. We don't have anything against lending to big corporates, only thing is that we don't join the consortium where I become an insignificant partner. If I am lending, it is a standalone lending and with the securities directly charged to me, not through the consortium route. That is the call which we have taken. We may grow the portfolio if there are surplus funds. If retail is picking up with the new team coming now, to say 30% of the portfolio, retail and gold together will have a 60% portfolio share.

Now we have slowed down on SME, but anyway, SME will come back. India is an SME country. So naturally, at least 20% to 25%, will go to SME. Only 15% will be there in the portfolio for corporates. That's an ideal portfolio, but there is no sacrosanct rule that you will have to confine only to 15%. It all depends upon the opportunities. Probably today corporate banking is much more safer than any other lending. The only thing is it is not yielding the returns which we desire.

**Moderator:** Thank you very much. Next question is from Abhijith Vara from Sundaram Mutual Fund. Please go ahead.

**Abhijith Vara:** Thanks for the follow-up. Sir, you did mention in the beginning that Rs. 108 crores is the excess provision which the bank has taken. How much is included in PCR? And how much is outside, let us say, standardized portion? Can you just answer that?

**C. VR. Rajendran:** Out of the total COVID provision of Rs 43 Crs, 31 crores-which is over and above the RBI prescription- is not part of the PCR. Remaining Rs. 89 crores excess provision is acted by the provisioning policy of the bank, which is a part of the PCR .

- Abhijith Vara:** Sure, sir. And in Q4 call, you mentioned that bulk of the deposits will get repriced in the next six months. I wanted to understand whether most of the repricing has happened in Q1 or in Q2 also you will see some repricing of the deposits?
- C. VR. Rajendran:** Second quarter also around Rs. 2,200 crores is falling due and they will get repriced.
- Abhijith Vara:** That benefit is yet to flow. Okay. Just one suggestion, sir, when you put up the slide on investment book and duration, etc., can you also discuss the yields on the books sir, how it has moved year-on-year or quarter-on-quarter?
- C.VR. Rajendran:** But we have given the investment yield also, I think, in the presentation?
- Abhijith Vara:** No, sir. Only yield on advances is given.
- C. VR. Rajendran:** Yield on investment is 6.55% for the last quarter, number one, quarter one of the last year. 6.28% for the fourth quarter. For the entire year ie, FY 20, it is 6.41%. Whereas for the current quarter, it is 6.64%. I will make it a part of the presentation.
- Moderator:** Thank you very much. Next question is from Haresh Kapoor from India Infoline. Please go ahead.
- Haresh Kapoor:** Sir, I wanted to understand two remaining parts. One is your assignment income has kind of gone up, that is one of the other parts which has grown. Now could you just talk through this portfolio that you're buying or whatever, what are these, which product lines, etc.?  
  
And other than the acquisition part, are you also looking at portfolio buyouts in the immediate term, if you have higher deposit growth and that is a strategy that you are planning to adopt because that will also help you?  
  
And third, if you can comment on what is the strategy on the investment book now? Obviously, you had the opportunity right now. If you can talk through how do you see rundown on that book? And also, what is the strategy there on the investment book?
- C.VR. Rajendran:** So, on the DA transaction, almost 80% of it is only gold. Otherwise, we have taken some MFI assets and micro finance assets also.  
  
And the one trend which we have seen during the current year is that DA portfolio is paid back much faster. Some of the tranches have matured. . Whether you have to reinvest immediately is the question. We are not in a hurry. Let us see the numbers, how they are evolving and if the collection data is improving. Micro finance companies are talking about 94% collection today. But overall, what is the impact we will see. If they are doing well, again, we will get back to the DA mode. Because of the liquidity in the market, sellers are not available. If and all people are willing to sell, we will try to acquire.
- Haresh Kapoor:** Sir, on the other part, the investment book, if you can comment on and buyout of portfolio?
- C.VR. Rajendran:** It happened just like that. We were not aggressive on the non-SLR portfolio. As the TLTRO has come, I thought it is a great opportunity. So, we took the TLTRO, and started deploying in Tier two bonds, the NBFC bonds etc. All those things we bought at a very good level.. Sitting on a very good profit also. So, there's a good portfolio.

Now we are encouraged. We have started recruiting people also. So, for the bond portfolio management, we are looking for some people. Currently it is managed with the existing people from Credit and Treasury. But we will develop a team for it within the next six months or so and we would like to continue to operate in the bond market. So that gives a lot of opportunities, right.

**Moderator:** Thank you very much. Ladies and gentlemen, that was the last question for today. I will now hand the conference over to the management for closing comments.

**C.VR. Rajendran:** Thank you. Thank you for making it today. And in this situation, staying back up to 7 p.m. is a great honor for us and we are as transparent as possible. Normally, whatever questions you asked in the last analyst meet, we have included in the presentation. Now we will include additional details as required by you during this call. . This will become a part of the regular presentation, and we will disclose whatever we can disclose to make your life easier.

And if you need any further information, you can come back to us. We will strive hard to maintain this kind of a performance in the coming days. And I assure you that COVID impact on this bank will be much less. Maybe some impact should be there on the growth, not on the bottom line. And the original projections of bottom line, we are holding on even today. And I think we will be in a position to achieve it. Thanks a lot.

**Moderator:** Thank you very much. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.