



DCB Bank Limited Conference Call
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Moderator: Ladies and gentlemen, good day. And welcome to the DCB Bank Limited Conference Call. Joining us on the call today are Mr. Murali M. Natrajan – Managing Director and CEO of DCB Bank Limited, and Mr. Bharat Sampat – CFO of DCB Bank 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 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 the Mr. Murali M. Natrajan. Thank you and over to you, sir.

Murali M. Natrajan: Thank you. Good afternoon, all of you. Thank you for joining this call at short notice. I have Bharat Sampat here and I have Praveen Kutty who is our Head of Retail and SME Head. And I also have our CRO, Sridhar Seshadri. So we thought we will just give you a quick perspective about what is happening currently. And it's a very unprecedented situation for all of us. And it's a situation that I don't think anybody has any experience of dealing with. So I thought I will give you some perspective on what is happening and then take on some questions.

I am going to actually divided into two, three parts. So, first one, I will deal with on deposits and liquidity. So, the bank is in a comfortable liquidity position. And from the time that YES Bank issue happened on I think March 5th, I would say that our deposits have been stable, we have had new inflows of deposit. And some outflow happened on current and savings account, but largely our deposit are pretty much the same as what we had at the Bank when this March 5th Yes Bank incident happened. And we are also seeing new deposit flows coming. Unfortunately, as systematically the access to customers gets kind of curtailed by various restrictions, that makes our job a lot more difficult to reach out to the customer and execute the transaction. But other than that, we don't have any challenge at the moment, and we are watching the situation very closely.

Second point I would like to say is that, as you know, we have been consistently reducing our top 20 depositors. And as on December it had come to about 8.28% or something. And I think it's reported in our press release. So since then, we have actually reduced it further. But as we have lesser access to individual customers, so what happens is that this number may slightly go up is what we expect. Again, once we start getting access to customers, I think this situation should improve. We also have been regularly bringing down the interbank deposits. Fortunately, government deposits are not a big number for us, and that too it is spread out across India. So, we don't have chunky, we never believed in taking very big chunky deposits so therefore we never faced any issue.

But having said that, these are difficult times. So the bank has to be on full alert on items like that. And we are doing that. We also were able to draw down a little bit of refinance which was available to us and we believe that further window may get opened first week

of April, because people are working with the very skeletal kind of staffing. So therefore, to execute the transaction may have been difficult but we are on top of it.

Regarding LCR, I would say that the average LCR was 107.74% last quarter, and we have been monitoring the situation. I don't recall even a single day when this number would have been lesser than the last quarter average. In some days it may have been actually better, so LCR is also one of the things that we are looking at. There are no disbursements happening as of now for two reasons. If you ask me, because you know that mortgage and SMEs was for bigger resources there. You need the lawyer, you need the valuer, these people are not allowed to work.

Second thing is, in a situation that has developed we have to completely rethink our credit risk strategy and model. So therefore, it is better to keep away from disbursements. And therefore there is going to be no disbursement at all. I think most disbursements stopped about almost 7, 10 days ago, maybe a little bits and pieces here. Some customers are able to do some gold loans, small disbursements, we are doing at the branches, but that also is getting restricted as authorities are reducing the branch hours and so on.

One other point I want to tell you is that our Corporate book is very small. And normally we have given a lot of short tenure loans. I don't have a readymade number, but I would expect about 8% to 12% of our Corporate book is very short tenure loans which comes back by the end of the quarter. And as we speak, that also is providing us some liquidity because many of those loans which are to good quality companies are coming back pretty much on time, so that is also providing us liquidity. That has been one of the ways of managing liquidity.

Last point on liquidity which I want to say is that, as far as I can remember, in the last 11 years, we have always maintained excess liquidity because of any contingency. And I was just speaking to our money market head, and more than 90% of the days we would have been net lender into the call market, because we always are sitting on excess liquidity. Having said that, we don't want to be complacent by any means at all. These are difficult situations, so the whole management team is fully focused on looking at each and every piece of the liquidity to make sure that it has been managed. And at the moment, we seem to be comfortable.

Now, let me talk about some portfolio. Ours is a very granular portfolio. It is SME portfolio. Now people are asking me what do you think will happen? It is a tough thing to call as to what exactly will happen. But I do know that many of our customers are customers who have been in the business for quite some years, they may have some challenge here and there may be for two months, three months. But I think if you look at our Basel III declaration on various things in terms of wholesale trade, retail trade, housing loan and so on. I draw a little bit of comfort to say that these granular portfolios will have a chance to come back as and when the situation starts to normalize. That is anybody's guess as to when this will start to normalize.

Regarding our MFI exposure, I have always mentioned to you in all my previous calls, our MFI exposure including business correspondence, including PTC, including lending to MFI NBFCs is about 5% to 6% of our total book. I also understand that in PTC for example, we have a cover of about 15% to 30%. In BCs, we have some what we call as FLDG, first loan default thing of about 4% to 5%. So, there is some cushion there. How good it is or not only time will tell, but there is some cushion. And our total overall exposure in MFI segment has been very limited. And I have explained in number of calls the reason why we keep that limited.

Regarding unsecured portfolio, we have a very small PL portfolio. Apart from that, we may have some DA or PTC from NBFCs which are all short tenure kind of thing. It is possible that some stress may come on that, but against the PTC we will have some cover depending upon the number of months that portfolio has run off. And these are all some good quality companies and they have good quality management and good quality collection and all. But again, as the situation normalizes, we will see how those things pan out.

Last point I want to say is on our operating profit. I draw comfort a little bit on the fact that our operating profit last quarter was about Rs. 190 crores. So, if you were to multiply it by four, it is about Rs. 760 crores of operating profit. We had about Rs. 59 crores of provision last quarter that had a Rs. 10 crores one-off provision. So, you take that out, we are talking about something like Rs. 50 crores of provision. So, we had more than 3x cover of our provision, I would say probably even 3.5x. So, the margin of safety gives us some comfort that if there were some deterioration, we don't know right now as to what exactly will happen because not easy to collect these as access to customer is limited. Even so, I know that people are there on the call and some collection money is coming. I am getting those reports on a very frequent basis. So, we have a decent margin of safety in our business model is what I would like to say. And I think this fact I have mentioned even in my previous call.

Last point, our Tier-1 capital was 12.3% as on December 31, and that did not include the profits of the first three quarters and any profit that we may have in this particular quarter. So on Capital Adequacy Tier-1, we should be fine. And if you add the Tier-2, which is about 3.5% odd, so we should be quite okay on Capital Adequacy as well.

Those are our points I wanted to share with you. It is a very evolving situation and the management team, whether working from home or working from Corporate Office or working from branch, we are on top of situation. We have a separate task force which is taking care of all these logistics and operational issues. And we are on constant communication despite the fact that we are all at different locations, we are on very constant communication. I bless whoever invented WhatsApp, this time more than ever in my life. Without that kind of means how we would have managing in this kind of a situation, maybe WhatsApp was invented for a situation like this, who knows?

So that's all I wanted to share with you guys. I am happy to take questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Jayesh Gandhi from Birla Sunlife Mutual Fund. Please go ahead.

Jayesh Gandhi: Just wanted your color on how is our credit cost looking this quarter? And I know disbursements like you said have slowed down, but how do you see the credit cost for this quarter and then for the first half of say next fiscal? And also, we had seen a spike in December quarter, do we see some spikes in this quarter as well?

Murali M. Natrajan: So, we never give you any quarterly kind of guidance. And it would be not appropriate on my part to give you a guidance on this quarter where only a few days are left. What I think is that whatever data that we are seeing, we didn't see any inconsistency and we have never seen, in fact, except for any Corporate loan that goes here and there once in a while, you can see our data for the last many years, it has never had any inconsistencies or any sudden spike. And if we had any problems in Commercial Vehicles, which I have been always mentioning about it from the last at least three or four quarters.

Now, we have to see how the data pans out, how much access we have to the customers, what kind of regulations are given by RBI in terms of how to deal with the thing. And maybe the entire banking affair, it's not just restricted to DCB. So that is where we are. And I can only assure you that we have about 700 in-house collectors. Many of them have laptops, and many of them are, as we speak, without being insensitive to the customer, because guys are also going through a lot of stress. You can't certainly call a customer and say, "Where is your payment?" And I can tell you one or two customers I spoke to through my Collections team, and I found out that customers are willing to pay but they are also waiting for somebody to give them the money which is not reaching them because of the restriction. So those kind of logistic challenges are also there. So sometimes it's very hard to say what exactly is the delinquency and what exactly is the operational issue.

So we will get a feel of it as we move forward. But what I want to assure you from our team is that we are not letting, just because people are working from home or something like that, our MIS management system and our monitoring system is quite good enough to find out exactly what people are doing. But at the same time, we have to be very sensitive to the stress going through the entire population at the moment.

Jayesh Gandhi: I understand. No, I guess I was not looking for guidance. And it's a great thing that we don't have a big Corporate book, and that is what has really stood us this year well. Unfortunately, in December quarter we saw a spike because of one-off account, that brokerage account if I remember.

Murali M. Natrajan: Packaging account, not brokerage.

- Jayesh Gandhi:** Okay, packaging account, fair enough. I thought brokerage was also there, because we are covered only up to half and the other half had to be provided for, right?
- Murali M. Natrajan:** I am not even aware. I think most it has been sorted out. We are talking about Karvy, right? I think it has been most likely sorted out or something, I am not even aware of any stress there.
- Jayesh Gandhi:** So I guess what I was trying to ask you is that, apart from a granular NPA that Rs. 30 crores, Rs. 35 crores that comes every quarter and that's basically part of the business. Do we see any spike this quarter? I mean, have you seen any spike this quarter is what I was saying?
- Murali M. Natrajan:** No, in fact, we are talking about what is the date today, today is 24th. In the entire banking industry, a lot of work happens between 20th and 31st. So it is anybody's guess, so that is what I have to say. I don't know what guidance you are getting from other banks on this, it is a granular portfolio is all I can say.
- Jayesh Gandhi:** Right. Fair enough. So you are saying that next first half would depend on what forbearance RBI declares for the borrowers, is that what you are saying?
- Murali M. Natrajan:** I mean, I have spoken to many seniors in the banking, everyone seems to believe that some kind of a forbearance would be given. Because if customers are not able to pay, not able to run their business for the last, let's say, whatever number of days, and clearly the national priority right now is to conquer this disease. And let me also tell you, Jayesh, if any of the officer has called up and said, "Look, I am not comfortable going to the field or I am not comfortable going to the branch or something like that", we have simply said, "Fine, just move on, go to the next". So we are being sensitive to the officer, we are being sensitive to the customer. So it is a very different period, and I really don't know how to predict any this thing on this particular situation right now.
- Jayesh Gandhi:** I understand. Fair enough. So final question, I guess, if this lockdown for example, for three months and more, how do you see the situation? Would there be any contingency plan that we have in place?
- Murali M. Natrajan:** No, in terms of running the bank there is a contingency plan. In fact, I would say that we are more or less operating and many of the functions are on contingency plan. Let me just give you a simple example. We have a call center which has got 150-odd maybe people right. Now, God forbid if any one person is affected by COVID, I will have to quarantine the entire team, then what do I do? How do I run my things? Which means that we have had to split the team into some three, four parts, here there and all, and give them connectivity. This thing I am just giving you one example. So last six, seven days have gone in executing all our contingency plans. Some of it was as per document, some of it we are realizing new that this is a different situation from the normal contingency plan, and we are executing those plans.

Jayesh Gandhi: Fair enough. Final question, I know it's difficult, but I will still ask it. How do you see growth, in the sense, do we still entertain customers who are looking for loans or looking for your support in a normal fashion? Or are we going to stop this disbursing?

Murali M. Natrajan: Currently there are three things that are not in any particular order we are focusing on. One is, we are focusing on running the bank properly from a logistics point of view so that customers who are using remote channels or branches have not inconvenience in any way. Like for example, Treasury has to run, IT has to run, call centre has to run you know, those kind of things. Second, like I mentioned in the starting of the call, making sure that we remain liquid and make sure that the bank even if it has excess liquidity, let it be excess liquidity, let it be there. And third is to keep the employee morale, because I have 6,800 people, I don't want people to slack in everything, so we have what track teams talking to people, keeping them engaged, so all that activities are happening. So as and when loan growth opportunity comes we will do it. At the moment it is very hard to say.

Moderator: Thank you. Next question is from the line of Rajiv Maliwal from Sabre Partners. Please go ahead.

Rajiv Maliwal: Do you see any impact on the liabilities of your bank or banks in general?

Murali M. Natrajan: So, I can see that, what is happening I will say, then the assessment of what the impact would be is maybe different for different banks. Is that you know, every month you get about, let's say, X number of customers. I am talking about retail customers, right, small ticket, 3 lakhs, 5 lakhs, that type of customers. Those customers come because of our tele-calling or they come because of our personal meeting or we have created a warm lead through some micro marketing activities, etc. Now, from last 7, 10 days, only call we are doing, we are not even attempting to meet any customers so that we don't put the staff or the customer at risk in any way. Okay? So, that process needs to settle down for us to see what the retail momentum of the deposit would be. So if you ask me, it will take probably two, three weeks before we can say with some certainty. Because electronically anybody can book a deposit in our bank, I mean, those capabilities are very much and then we are improving it because the tech team is working, so we are improving that capability.

With regard to disbursals, we don't think it's a good idea to disburse any loan at this point in time, because the entire credit thinking has to be reset, we have to evaluate what is right, what is not. So since we don't have a disbursal and I can't see that happening for at least next 30 to 45 days. The reason I am saying is, you don't have a valuer, you don't have a lawyer, you don't have a customer, you can't pick up the document, there is no registrar working, government is not working and so many things that are dependent is required for disbursing alone. So therefore the liability pressure for growing the book will be less. So therefore, I think that in parallel it should be all right. That's our sense at the moment.

YES Bank issue, we dealt with. YES Bank was an important issue, PMC was an important issue. Customers raised questions because of all the media hype that happened. Touch wood, we have dealt with it. Fortunately, we started working on reducing our top 20 depositors for the last almost 13, 14 months, and I have been reporting the progress on that consistently to all of you. We were below 10%, our aim was to bring it down to 5%. Maybe I will have to postpone that instead of two years, maybe two and half years, something depending upon how it opens. But we are still looking for granular deposits.

Rajiv Maliwal: And finally, are you sensing that the government may do something specifically for SMEs and MSMEs? And if so they do something, is there an opportunity there for DCB?

Murali M. Natrajan: I think currently somebody in that interview they said that everyone from Corporate to SME may require forbearance in this kind of a really crazy situation that has developed. And I personally feel that in order to protect the employment and in order to protect the base level economy, they will have to think of doing something for the SMEs. Minimally, I think they will give them a lot more time to repay the loan, in what shape and form it comes, I am not sure. Minimally we will have to give them some time. The next step would be to see whether they can give any kind of relief package, like for example, some financial assistance or something to come up. That could be an opportunity. It depends on how well the program is created.

Moderator: Thank you. The next question is from the line of Abhishek Agarwal from HDFC Life. Please go ahead.

Abhishek Agarwal: Sir, I just wanted to have your outlook on LRD segment, what are the challenges that you are seeing? And also from our bank perspective, what is the LRD exposure and what is the geographical concentration of it?

Murali M. Natrajan: I don't have any, I mean, like we don't do big, big LRD loans. Even if you add, maybe it will be one or two loans in our Corporate book, that too to some really good quality clients. And I mean, given our pricing, we normally were not able to attract those big LRD loans. So I am sorry, I can't help you on that unless you have some information about our bank you think that I need to respond to.

Abhishek Agarwal: Nothing specific, just wanted to have an outlook. And since the retailers are shut down their stores and now they are considering force majeure to not to pay the rentals.

Murali M. Natrajan: Oh, you are talking like that. Now, I can't even remember any loans that we may have or any meaningful ticket where there are many retailers who are paying the rent. It could be some Amazon has taken a space, I mean, I am talking about like it's more like a corporate kind of thing is what a LRD that we may have focused on, if at all.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Centrum. Please go ahead.

- Gaurav Jani:** Thank you for taking my questions. And hope all of you are safe.
- Murali M. Natrajan:** Hope, you are all safe also because that is the most important item right now it seems to be.
- Gaurav Jani:** Yes. Sir, firstly I think quickly, I have come on probably a short notice, but I think the Finance Ministry has just come out with this sort of small dispensation on the IBC to support SMEs. They have raised the default ticket sizes from Rs. 1 lakh to Rs. 1 crores. So what sort of a benefit do you see for us if in case we do?
- Murali M. Natrajan:** We will evaluate. You are talking about that below Rs. 1 crores, that's a cut off, right, we are talking about?
- Gaurav Jani:** Yes.
- Murali M. Natrajan:** We have very few cases in IBC. Our recovery methods are either doing a payment plan with the customer or SARFAESI to sell his property. Mostly we try to settle these things with that. So, IBC comes into the picture only for a limited, I mean, like private limited companies. Those are very few, handful of them are in this thing. So I don't see that. In any case, I know that many IBC procedures are all getting, some long dates are being offered by the courts given that nobody is working. So I don't think that's a very important item for us at the moment.
- Gaurav Jani:** Sure. Sir, secondly if I may ask you, you being a retail specialist bank, it would be helpful if we could throw some light as to how do we see each segment, specifically the LAP or the housing going forward in terms of the sort of stress we may see and the measures taken on that. Would help if you could delve into segments shortly.
- Murali M. Natrajan:** So, I may revise this 10 days later or 30 days later or even tomorrow, because as situation evolves I am also learning what is happening. There are previous situations to compare this with to understand what is happening. All we know is that if you have seen The Economist cover, which is got a globe and it says, "Closed". Okay? So that was a very telling page in that. What I want to say is that, I don't think one should be thinking that salary segment will be all right, however SME will suffer. I think that probably is not what it could be. It is broad based. And I may even say that salary people could either face a reduction in salary, postponement of their incentives, I don't know what size and shape it will happen. People may lose jobs because last night I got so bored I decided to go to St. Regis restaurant to have a meal. And they said that you have to sit some 10 feet apart and this that, they had some very, very big moves. It was really crazy. The foyer was very dark, there was hardly anybody in the restaurant. And it was, I can tell you that, then I asked the guy at the entrance and everyone stands at least 15 feet away from you. So he said that this is one of the hardest times that we have seen. So I just want to say that it's very difficult to currently assess as to what will happen. All I am saying is that if the businesses start to move forward say in about one, two months, there will be enough fuel

in the tank of majority of SMEs to withstand this, plus any forbearance or any payment plan or anything that government, the RBI comes up with, should help. Ultimately, it will bounce back. Question is, how many, when, what is the question, there is a time period that is the question. I don't have any answers for that, frankly. But salaried segment also will get impacted in this particular situation. There is no doubt that I have in my mind.

Gaurav Jani:

Sure. So, if I may squeeze in just one, please. Have we sort of done a stress test? And if you could throw some light on that, and what sort of findings do we have?

Murali M. Natrajan:

I cannot share stress test of the internal finding. We do stress test under ICAAP, those are like really big stress tests we do as to what will happen to capital, what will happen to this, what will happen to that and all. And we have been doing it for the last 11 years, it's a ICAAP document that is religiously prepared every quarter, Sridhar will share with RMC also, right, Risk Management Committee. And we keep tweaking it to see what the stress is. So, we have the document that we cannot share with you, but I can tell you this once again, our operating profit per quarter is about Rs. 180 crores, Rs. 190 crores. And our credit provision is about Rs. 40 crores, Rs. 45 average. You can stretch both these numbers, because I do believe that in under any pressure that we may come, we may not come, probably time will say, we have the flexibility on cost as well. If revenue comes under pressure we have some flexibility on cost as well is what our belief is. So we have a reasonable margin of safety is what I would like to mention to you. And I sincerely believe that as well.

Moderator:

Thank you. Next question is from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.

Susmit Patodia:

So, Murali, you started your career from a crisis, and it doesn't seem to be stopping.

Murali M. Natrajan:

My boss called me today, poor guy, he is stuck in Dubai. And you can imagine that if you are away from the work and situation is like what it is today, that person becomes even more keen to keep knowing as to what is happening. So, he told me, "This is all over again, is it?" I said, "This is all over again times ten".

Susmit Patodia:

That's what I wanted to ask you, what is the exponential to the, "All over again".

Murali M. Natrajan:

I don't know. But one thing I will tell you that if you were to put, of course, this cannot be reflected in any financial, at least as of now. But if you had to put an enthusiasm or spirit meter in our team, it probably would be higher than what it was when it is business as usual, I would say that. That is a huge amount of enthusiasm. People are focused. See, in times like this you have to focus on the next important activity, that's all there is there in your control. I am not trying to be philosophical here, I am trying to be very practical here about what exactly. So we just are focusing on what is the next activity, what is the next activity, what is the next activity. And then just keep going, and then we will see, inshallah, where we end up on that. So, I find it very hard. I know everyone is keen, but I

find it very hard to give you guys any predictions. But all I can say is that our priority is on working on liquidity, keeping the operations of the bank smooth and try and keep collecting money as possible and keep the spirits of the employees high, that's all we are working on right now.

Susmit Patodia: And Murali, just on this liquidity part. I mean, now that you have had conversations with almost all your top depositors, are the government departments behaving tough or the trusts behaving tough, where do you see the problem coming from?

Murali M. Natrajan: It's a perception issue. And many of these departments, fortunately, again, let me repeat, I don't have too many government departments kind of deposits. And here and there where we have deposits, we seem to have decent relationship. But we will see, I mean, when it all comes up for renewal we will see that. And we have a very, more or less, uniform renewal pattern on month on month is what at least I can see. So what I would like to say is that, each of these departments are usually run by an IAS officer or some very experienced bureaucrat. And they may have their own compulsion or reasons why they don't want to continue the relationship, they may have a compelling need to play very, very safe. Whatever may be the reason, all I know is in the history of banking, scheduled commercial banks have never defaulted on their depositors. So that's all I know. I mean, that was very clearly said by the Governor. He can say it again just to support all the private banks.

Susmit Patodia: And would you be able to give us an idea of how much extra liquidity we would be carrying vis-à-vis the baseline that we normally do?

Murali M. Natrajan: Those are all internal numbers; I would not be able to tell you. All I can tell you is that from the day I joined the bank, I don't recall more than a handful of days when we were a borrower somewhere in call market. That too we would have been opportunistic borrower, maybe you just borrowed there to make some 20, 50 basis points or some opportunity. Otherwise we have always been net lender in the call market.

Susmit Patodia: And just lastly, Murali, are there any states that you are seeing more difficulty operating because of the condition or because of the fear? So let's say Rajasthan, Kerala, are these states difficult to you?

Murali M. Natrajan: No, it is not by district by district. You see, it is very clear that banks should be allowed to work, but sometimes the local admin, like the magistrate, the DM can take their own call. I am told that under the Negotiable Instrument Act they have power, I have to read that myself, I am not aware. But like Goa for example, banks are shut. Now it all depends on what risk they perceive and what risk they want to capture. But yes, so it's a very evolving situation. Somebody told me Nagaland has said that they are shut down or something like that. So, as soon as I finish this call we will have another call to take stock of the situation, what happened where, that would be the next call for us.

- Susmit Patodia:** I mean, what I was just trying to understand, maybe I will put it differently is that, are there any states where the employees don't want to come in?
- Murali M. Natrajan:** No, it is employee specific. There are employees who are putting up their hand and saying that, look I want to come and help out. There is a Retired Major in our bank in Gujarat, and he has sent a message saying that, "Come what may, I want to be part of the task force. Tell me, I am experienced on task force, I want to help." So both items are happening. There are young people who are coming under pressure from parents to say that, leave your jobs but don't go to the office, this has also happened. So we have been very sensitive, sit at home, no problem, that type of things.
- Moderator:** Thank you. The next question is from the line of Jayesh Gangdhi from Birla Sunlife Mutual Fund. Please go ahead.
- Jayesh Gandhi:** Murali, one more question from my side. How are we looking at costs? Our cost to income is not the best. And we were looking to bring it down. As I see in the coming year, the growth in asset side could be challenged, and rightfully. And our deposit cost may not go down that quickly. So, even the balance sheet is not rising, how do you see costs? I mean, cost optimization or reduction could be one of the key areas to ensure that our Rs. 190 crores, Rs. 200 crores PBT has some growth or stays there?
- Murali M. Natrajan:** So, what we believe is that our cost is a lot of frontline cost. Frontline cost works in terms of like, when I say frontline, I mean, the sales people who go out and seek loans, the credit people who support those loans. The only team that I think we may have to increase would be Collections team. We already have 700, I don't have a clue as to how much more we have to increase and all, that all we will take care. So I would say, a lot of our people cost in the frontline is flexible, it is scalable. So exact number what is going to happen, I can't tell you right now. But I draw a little bit of comfort from the fact that we have a scorecard, we have performance, we have volumes, we have monitoring process. So there is a lot of flexibility in the frontline team.
- And as far as back office is concerned, the growth of back office has been always coming down, either because of automation or empowering of the customer itself to do the transaction. So those kind of things are helping to actually reduce the back office. So we will see. First six months, I see as pretty intense work to be done as and when the situation starts to improve. And then we will see how to get back on track.
- Jayesh Gandhi:** Understand, fair enough. So what you are saying is that if the balance sheet doesn't grow in the bank your costs should not also grow in that proportion?
- Murali M. Natrajan:** Cost growth won't happen, if the balance sheet will not grow then cost would definitely not grow. The questions would be, how much flexibility we can exercise to try and bring down the cost in some proportion? That is very difficult to say at this moment, and we will focus on it as we get some stability of how to deal with the current situation.

- Jayesh Gandhi:** And branch expansion etc., put on hold now?
- Murali M. Natrajan:** Now, that is long-term, we cannot even think of it right now. Because how will we execute it. The branches that we were executing, the carpenters and others are fleeing from there too.
- Jayesh Gandhi:** Right. No, I was talking once things open up, you will have to recalibrate your branch expansion strategy as well, right?
- Murali M. Natrajan:** That is anyway at 15, 20, so that would be a priority. That priority would be decided based on what are the other priorities that we need to work on.
- Jayesh Gandhi:** Wonderful. Thank you. All the very best.
- Murali M. Natrajan:** Okay. Any other questions? So we can then wrap up the call.
- Moderator:** We will take the last question from the line of Lovelesh Manocha from Aegon Life. Please go ahead.
- Lovelesh Manocha:** Murali, just one questions. Just wanted to know what percentage of your collection requires high touch, basically which might need to be collected manually, which is not digital?
- Murali M. Natrajan:** You know, it is a question that has got high touch as well as remote touch. For example, just to clarify, let us say for the first time a customer has missed the two payments in a row, right? That would necessarily require us to go to the field and talk to him, because we will only collect cash. But supposing the following month we are to follow with the same guy, then it may not be necessary for the collection officer to go and meet him in the field, because he has already established a connection with him, he knows where he is, he has got his coordinates and all that stuff. So there is no simple model, but normally on later buckets, supposing customer has missed three buckets and all, it will all be field collection. But having said that, the collection team, as we speak, are on the call with the customer regularly trying to see how best to get the money into the nearby bank account or somewhere, and then get it through to us through IMPS and RTGS. So there will be some learning on that as to how to do that. But later buckets ours is a high touch collections, no doubt about it.
- Lovelesh Manocha:** Okay. So the initial payment itself, how much percentage will be digital for the first six months?
- Murali M. Natrajan:** 70%, 80% will be digital. Digital means it will be through NACH or cheque or something like that.

- Lovelesh Manocha:** Okay. And from the assets perspective, how much of this do you think we can do it digitally whereas on phone or digitally for new business organization perspective, where again high touch is required?
- Murali M. Natrajan:** You want to take that questions, Praveen?
- Praveen Kutty:** On the asset side, we are in the secured business. And that definitely will have a high competition of touch, because you necessarily have to get the registration done.
- Murali M. Natrajan:** You are talking about disbursal of a new loan, is it?
- Lovelesh Manocha:** Yes, yes. So like you mentioned earlier that some part of our loans is shorten tenure loan, so naturally...
- Murali M. Natrajan:** Wait, wait. In Corporate, which is only 12% of our book, out of the 12% 20-odd percent is a short tenure loan which comes back to us within the quarter. So as far as our mortgage loan is concerned or LAP is concerned or home loan is concerned, it's a long tenure loan, there are no short tenure loans. The shortest tenure would be maybe commercial vehicles which will be four years or a personal loan which is a very small portfolio of about three years. Personal loans, you may not need the high touch, rest of the loans all require field work, evaluation, legal, documentation, blah, blah, all that is required on all the other loans. Currently, a lot of government agencies are not working and government is not allowing, as far as I know, because we have seen letters, lawyers are not working, registrar is not working, valuers are not working, nobody is working.
- Lovelesh Manocha:** Right. So on home loan and LAP side, what would be the average tenure of that loan?
- Murali M. Natrajan:** Usual average there would be about 12, 14 years.
- Lovelesh Manocha:** Okay. And one last thing. Have you seen any spike in short-term credit? What's the TD rates that we are offering currently....
- Murali M. Natrajan:** We don't take short tenure TD. The minimum term deposit tenure we take is 12 or 13 months, no point in taking shorter TDs. We don't have that business to support shorter TD. Of course, a lot of customers who have excess cash may place that in that, but we don't consider that amount for our loan business. At the moment, very little energy is being spent on lending as this thing. We are only spending time on managing liquidity properly, running the bank, keeping the employee morale and also collections, whatever we can do. These are all the four things that we are working on.
- Lovelesh Manocha:** So either on TD or short term deposits or interbank, has there been any spike that we would have seen in the last couple of days?
- Murali M. Natrajan:** I have not seen yet.

Lovelesh Manocha: Sure. That's it from my side.

Murali M. Natrajan: So, I have given you perspective on our liquidity. I have given you perspective on our top 20 depositors. I have told you as to where we stand on LCR. I have given you some color on our MFI exposure, unsecured exposure. I have also given you the perspective on what I think is your margin of safety and our capital adequacy. These are all evolving matters. So next week this may change, tomorrow it may change. But the fact is, this is what I have given you all this information and perspective based on what I see as of today. Thank you very much for logging into the call and look forward to talking to you again.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of the DCB Bank Limited, that completes this conference. Thank you for joining us. And you may now disconnect your lines.
