



DCB Bank Limited Q4 FY'20 Earning Conference Call

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Moderator

Ladies and gentlemen, good day and welcome to DCB Bank Limited Q4 FY'20 Earning Conference Call. Joining us on this call today are Mr. Murali M. Natrajan – M.D. and CEO, DCB Bank Limited and Mr. Bharat Sampat – CFO, 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Murali M. Natrajan. Thank you and over to you, Mr. Natrajan.

Murali M. Natrajan:

Thank you. Good afternoon, all of you and thank you for joining this call. I hope you had a chance to download the 'Investor Presentation' and 'Press Release' that went a few minutes ago. Today, we have allocated sufficient time to answer all the questions considering that this is a very different and extraordinary quarter. So we thought that we will clarify whatever points that comes up in this meeting.

Let me give you some "Background" and then we can go into "Questions." So somewhere in the month of February, I have friends in Singapore and Hong Kong from my previous company, I was having a chat with one global head and I was generally enquiring about what is happening in this whole coronavirus. He told me that the operations that he was managing in China in Shenzhen, only 5% of people are attending to the office and the rest of the people are at home. And even in Singapore they are steadily reducing the number of people coming to work, it is affecting business, it is affecting delinquency, it is affecting collection calling and so on. And I was thinking this is looking very difficult. Then you hear one or two instances of people testing positive in Kerala, some instances in Rajasthan. And then the last time I traveled by domestic airline was on 11th March and the airport had hardly anybody. And then you had all these staff joking about coronavirus and why there is no crowd, etc., all hell broke loose one or two days later and then we are faced with such an amazingly extraordinary situation which is almost impossible if not difficult to understand.

So from our point of view, we were doing well. We were building our deposit base quite well. Although I personally feel that comparing anything with last year or last quarter at this stage is because we are used to doing work like that. Otherwise, hardly there is any comparison possible. But having said that, if I look at our retail term deposit which is less than Rs. 2 crores deposit as compared to last year, we have grown 51% and reduce our top-20 to almost 8%-some in the last quarter in December and we were well on our road to reduce it further. But the accessibility to customer, the whole situation was so much disrupted. Who plan for a pandemic like this, but still we were able to kind of deal with our BCP quite well, for example, 160 of our 260 call center employees handle calls from home, thanks to technology. We have created multiple options for us to shift our Treasury or any operations. So all this was done within a span of about three, four days as we were seeing this imminent lockdown after that "Janata Curfew" initiative of the government. So that is where we are. And then on 27th March when moratorium was

declared by RBI, there was, I must admit that, sufficient amount of confusion and debate. We were directly told by the supervisor of RBI that in spirit, the moratorium is to be given to all retail customers while bank can do case-by-case on large ticket customer or corporate customer. As far as retail, the spirit of the announcement was for all to be given the option of moratorium. So while initially we put out this thing of 'opt in' for a moratorium, two days later we changed it to 'opt out' of moratorium. So, in the spirit, we offered a moratorium to all our customer base except NBFC, Corporate and some of the large ticket which anyway we have very little of large ticket.

So I know that a lot of confusing statistics are given there in terms of some 5% moratorium to 70% moratorium and so on. It is difficult to figure out what exact moratorium is because there are customers who have taken the moratorium but paid, there are customers who have paid and then later said, maybe I need the moratorium to take the money. So, sometimes it is not easy to compute exactly, there is some little bit of percentage change that can happen.

But generally our moratorium is like if I look at our different products, just give a sense of the moratorium, in home loan for example, we have given a moratorium of 52% by value and in business loans which you call LAP we have given 56% moratorium. So our moratorium all in all would be closer to 60% when you put all the products together and since we deal with small ticket, we did feel that moratorium would be a good thing for customers because that gives them the cash flow benefit for now. We did not want to stretch the customers. Of course, Commercial Vehicles moratorium is slightly higher than this. That is because hardly any trust in operation. They work on simply get the cash for running the truck, then pay the bank, I mean, and it is as simple as that. So that is where we are on the moratorium.

In March month itself, we have taken NPA of Rs. 43 crores, but took benefit of the asset classification on Rs. 89 crores. Why we took that Rs. 43 crores is we went account-by-account to check which are the accounts that we felt was not possible because it was an account where we felt that only recovery proceedings will work whenever moratorium end. So rather than we take it as NPA. But in other cases where customers were habitual late payers and we had a very good track in terms of the customer repaying us. So we took moratorium asset classification benefit on Rs. 89.3 crores. On that we provided about entire 10%. Over and above that we provided about Rs. 53 crores for the COVID package provision which we call. And we believe both these provisions put together is ahead of what is required by RBI at this stage.

Other than that, the business have been very tough since March 15th, a lot of our energies have gone in keeping employees and staff safe, somehow coordinating from home except for Treasury, some of the head office people like myself, clearing some staff in product team and then entire branch team, everyone else is working from home and we have enabled them to work from home and we have put tracking mechanism to make sure that we are able to talk to the people when they are working from home and

deliver the result. Of course, it is not as easy as them coming to office, but still we have learnt a lot of trick in the last two months to make people even if they are at home, track them and track their performance.

The other thing that has happened which I would say is that during this period, that is from April and May so far we have generated almost close to Rs. 800 crores of retail term deposits and replace a lot of our bulk deposit and we also got some refinance from NHB, SIDBI. So that improved our deposit profile further. We have been well above 100% on LCR almost every day, in fact, we have been very well above LCR. We said we were at 132% in March. I do not remember the LCR going too much below that in single day because that is something that we are tracking. We have maintained liquidity far in excess of what we normally maintain, so liquidity, touch wood, has not been a challenge for us, of course, keeping excess liquidity comes at a cost of 4, 5 basis points NIM, but I think during this time that is the right thing to do.

Now, what I will do is, if you can please look at the 'Investor Presentation' I have made a few slides on "COVID Impact." I request you all to go to that slide. It is I think page #18 if you can refer, which is the COVID Impact. Then go to Page 19. We have put a very quick commentary. Nothing that you do not know. As of now of course economic activity is significantly impacted and what is also problematic is that there is a lot of disruption of labor and supply chain. Some of the shops known to us in Karol Bagh, they opened about two, three days ago, but promptly shut down because they felt that there are hardly any customers and there is hardly any supply. So they thought why we not wait for things to improve further before spending the money on opening the shop. We think that economic activity will slowly come back in some ways, but it may take three, six months. We think a lot of the shops and establishments may take almost about three, four months for them to become really cash-positive because they also have to kind of reorganize themselves. As we speak our credit team is speaking to each and every customer...not that we did not speak to them, but we have been speaking on collection call, but we are doing a detail understanding of each and every customer, over 60,000 of them collecting data on what exactly is happening, what is the situation. Some of the news is very encouraging because there is a lot of confidence saying that once the lockdown gets over, they are confident that over a period of time their business will revive, I mean, that is the confidence that at least 60%, 70% of the customers have expressed which is very heartening to us. But again we have to see how that goes. We will of course look at our credit policies once again and in the near-term our intention is to preserve capital, manage portfolio of stress, reduce cost and I will explain that a little later, and obviously maintain adequate liquidity.

I will also try to give you some color on business volume impact which is page #20. CASA has been up and down because we find a lot of businessmen and SMEs using their CASA to meet their expenses during lockdown, paying some wages and things like that. So it has been a lot of great story there. There has been no great outflow, but there has been usage of CASA. Retail term deposit has been a fantastic story.

We also relaunched a product called “Zippi”. Sitting on your desktop in about three to five minutes with just your Aadhaar card and PAN card and phone number you can create a deposit in a DCB Bank. It had some glitches here and there, but it is working quite well and we are getting decent volumes on that.

“Long Term Refinance.” Given the quality of our portfolio, and given that it is SME, given that it is small ticket, we get a lot of refinance. The details are there in press release as well as to what is our refinance. Some people ask “Why did not you grow your deposit?” I say I want to grow a deposit. To an extent where I am having refinance, I do not need to grow deposit. And during the whole of last year and slightly over the previous year, we have been replacing a lot of bulk deposits. Touch wood during March and during this COVID time, we never faced any liquidity challenges

When it comes to “Business Loans” negligible growth except for gold loan. There is some demand for gold loan. Again, we have to be careful from health and safety point of view of staff, customer and so on, but some amount of gold loan we are doing.

“Corporate Bank.” There are select opportunities which we are pursuing as we normally do. We think that agri retail will immediately start after lockdown whereas tractor finance also should be quite okay, at least may be 60%, 70% of the volume should come back, that is our feel. But BC MFI loans are pretty much on a standstill at this point in time.

When I look at financial impact, what I see during this lockdown. Well, Net Interest Income is likely to be stable only, because we are on moratorium, the loan book will be stable, and we think that some demand will pick up only after the lockdown starts to ease up a bit. Fee income is a bit of a challenge because ATM fee, as per law, we cannot charge beyond a particular level. CASA-related AQB charges, we cannot charge. Since there are hardly any movement, the penal charges, processing fees, insurance that we have as attachment for loan, all these are important components, and those are pretty much not there because we have hardly done any loans in these 1.5 months.

“Net Interest Margin.” We expect it to be stable. But over a period of time, some NPA increase, it may impact. Also, we are keeping excess liquidity, so that might have some impact on our NIMs.

On staff cost, we have taken a call to delay new hiring and replacement. Already as compared to what we ended in March because of resignations and so on, we are already down by about 100 headcount. So intention would be to continue to maintain a very tight control over the staff cost and we have a little bit of advantage where we may not have to pay the variable or accrue the variable pay which is also a component of our salary cost.

As far as operating costs are concerned, variable costs are definitely getting saved, travel cost for example is getting saved, any connector payout, DSA costs are getting saved some amount of processing charges like valuation, legal that is getting saved. So we will see how it goes. As of now we do not have enough data points to see what exactly will happen. But it does appear that there will be some saves.

“NPA Provisions.” We will have to see what happens after moratorium. And as far as recovery, upgrade is concerned, in March we missed out on at least about 12-15 crores of recovery, upgrade which was very much in the pipeline, but we just could not complete it because of the restrictions. So this may be a little slow. Our bank has been very good in recovery and upgrades in the past; almost 50%, 55% of the thing. But what I wanted to tell you is that all the customer conversations that we are having in collection, leads me to indicate that while there is distress amongst customers, but there is a lot of keenness to work with the bank to move forward. So that is quite

Coming to the “Bank Strength.” Unfortunately some of the analysts have missed out on some of the strengths that the bank has and we feel very confident. Our operating profit is Rs. 700 crores plus and we have cost flexibility... not all our cost is variable, but not all our cost is fixed either. So we have cost flexibility. And if you look at our capital adequacy, we ended at 13.9%. And more importantly, look at the usage of risk weighted assets, we hardly have used about 4, 5% of assets. So looks like if you add Rs.100 of loan, we probably may not use even 7% or something like that, that is the kind of capital efficiency that we have in our model.

If you look at our margin of safety which is operating profit divided by provision, even after including Rs. 63 crores of COVID provision, it is 2.9x provision. If you exclude that because that is a one-off event perhaps, it is 3.8x which is a pretty strong operating profit margin of safety.

If you look at our underlying provisions without including COVID-19 provision, it is at 53.5%. Our loss given default generally in mortgage has not been more than 15%, 20% even in some of the large ticket cases which anyway we do not have too many.

If I look at deposits and liquidity, continuously we are reducing the top-20, it is at 9.07. We are confident that step-by-step this will keep coming down. I had committed that in two years, we will bring it down to 5%. Even now we are very confident that would happen. LCR has been well above 100%. We do not have any reliance on Certificate of Deposits and all. We have never run this bank on Certificate of Deposits. In fact probably as of today it may be less than Rs.100 crores in our balance sheet. And, of course, the quality of our portfolio and the segments that we operate, allows us to access all the refinance facility, SIDBI, NABARD and NHB.

“Portfolio Diversified and Secured Granular.” And I will show you how granular it is in another slide. But Rs. 35 lakhs is kind of average low LTV. It is self-occupied residential

or commercial property and Top 20 loans, percentage is just 5.3%. We do not have big ticket loans...not too many, that is why our SMA-1, SMA-2 is hardly any number and is very stable. Loan loss given default, I talked about it.

We have a very experienced in-house collections team and strong customer connect both by Credit and Business.

From a management point of view, there is a top team continuity and stability. In 2009, we all joined hands. At the time we were facing a different kind of challenge. 99% of the team is the same team which is operating today which understands what needs to be done and response to each other to move it forward.

Our expertise on product and segment especially in the self-employed segment, our demonstrated control over NPA and frontline staff strength and flexibility. If I tell you that our operations people who are sitting in Chennai in centralized operation delivered 35 retail term deposits for us in the last seven days, you will not believe that. But that is true. We are trying to train everybody in this time to see what they can contribute for the bank to move forward because they have nothing to do. If they do not have volume, they can do something for the bank to move it forward. And of course excellent analytical capability and digital capability. We relaunched our "Mobile Banking" and I think we got a rating of 4.8 in Android which is pretty good.

Moving forward, our near-term focus is going to be - manage portfolio stress and potential risk, continuously engage with customers and provide relief within regulatory guidelines, we intend to use the government guarantee scheme to see who are the various customers we can help with, actively reduce cost and accelerate our digital agenda which we probably might increase our headcount in technology during this time to try and see if we can accelerate some of the things.

I talked about retail deposit momentum. That will continue and generate whatever fee we can through phone banking and digital channel and wherever possible disburse new loans. This is our focus.

My last slide and then we can take questions. There has been a lot of discussion on our mortgage portfolio. I want to throw some light on that so that you put it in the right perspective. Okay? Somewhere it is felt salaried customers are safer than self-employed customers. Salaried customers are safer maybe in the COVID time. There are companies whose CEOs or CFOs are known to me. What type of move they are considering in terms of reducing their cost. Bank has an advantage of balance sheet. So they can phase reduction of their costs, but companies who are fully sales companies, what will they do? They are incurring costs for the loss. So self-employed is not a bad segment. Self-employed, I have a lot of belief. They have a lot of resilience in India. Self-employed is the bloodline of the country and I think they will keep

generating employment. So we still completely believe in self-employed segment and we are confident they will bounce back in due course.

But looking at our portfolio, 38% of our loans are Home Loans, 62% is -Loan against Property. Within that Salaried and Home Loan is 21% and Self-employed is 79%, in Business Loan 90% is self-employed obviously.

Moratorium by value. I mentioned 52% in Home Loans and 56% in Business Loans. This is after we gave them opt out which means we offered the moratorium to everyone. If you look at the EMI collected, we are tracking, EMI collected means whatever EMI are billed every month that and what is the collection. You see in April, we had already collected 56.9% in Home Loans and 52% almost in Business Loans. This is data from collection.

“Average LTV” Please pay attention to this. 49% in Home Loans, 37% in Business Loans. What does it tell you? There is so much of customer equity in this property and that next line is far more important, self-occupied residential/ commercial is 87% Customer has so much of equity in the loan. Now, there are two aspects to it – One, he is not likely to default because he will lose his home. Two, we have the flexibility to give him top up wherever possible to help the customers. Not just the loan, not just the business lag, look at the flexibility that we have. If you look at the ticket size, 17 lakhs, 20 lakhs and when you look at how many of them are leveraged, 35% in Home Loans do not have any outside debt as per our bureau scrub. That number is 30% in Business Loans. Less than 10% of our sanctioned amount, 23% of them have less than 10% of exposure outside our bank. Those numbers tell you that these customers are not too much leveraged and the bank has flexibility in order to support them as and when required plus the government scheme.

So, yes, things are not easy. Post moratorium, there could be a lot of actions on how things pan out, but we are prepared.

So those are the things that I wanted to share with you. I am ready for questions.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question-answer session. The first question is from the line of Renish Bhuva from ICICI Securities. Please go ahead.

Renish Bhuva:

Sir, one question is on the deposit rate. So as you rightly highlighted that some retail deposits has been tracking really well. So do we plan to reduce our rate which is still on the higher side above 7% where most of the industry players are around 6%, so do you feel that there is a scope for further deposit rate cut that could actually support our NIM in this uncertain period?

Murali M. Natrajan: I have a question for you. I was going through some paper that you had written. So why do you feel that we have a weak deposit portfolio? That is what is mentioned in your report. I want you to explain to me what you think about that.

Renish Bhuva: That is basically a difference what we pay and what some of your peer banks are paying in terms of the deposit rate. So fixed deposit for us is significantly higher than what...

Murali M. Natrajan: It is not significantly higher. See, let me explain to you. I have mentioned this even before. Lot of times simply looking at some CASA ratio makes you believe that it is a good deposit franchise. I am not saying you do that, but I have heard these kind of remarks. I know reliably that certain banks which had shown remarkable growth in CASA by paying higher rate of interest. It shows as though you are building a low cost deposit, but that is not the case. Okay? Point one I want to tell you. Point two, deposit has got two costs -- The interest rate that you pay for the deposit. And the second is the cost of maintaining and administering the deposit. CASA even after using mobile banking and internet banking, sometimes can be far more expensive depending upon the size of deposit, then a term deposit where you may be paying 25, 40 basis points. Third, our stated strategy was to continuously work on reducing bulk deposit and replacing with retail deposits. If I have to attract retail deposits, then I have to give it a little bit of increased rate so that the marketing efforts that we do helps us to get those deposits. And if you see systematically more than 100 basis points we have reduced on deposit over the last three, four months, you can track our deposit rates in the website. So I just want you guys to get your data pretty much clear. And May 7th or something we again dropped our deposit. Our bulk deposit rates have been dropping significantly over the last three, four months even when people were thinking that the liquidity is so important, we kept dropping our bulk deposit rate. I would rather pay slightly more to a smaller ticket deposit than be at the mercy of some bulk deposits whose price and quantity is completely unpredictable. So please understand our strategy. Our cost will come down of administering these deposits because we do not believe that unnecessarily growing CASA. It is meaningless, rather we want to focus on quality CASA like GeM CASA or some open banking CASA or CMS kind of CASA rather than just get a lot of CASA through the door. That is why we focus on term deposit. And many of the term deposit customers are opening CASA account with us after they come as term deposit.

Renish Bhuva: Absolutely. Right now we have actually looked at the term deposit rate rather than looking at CASA...

Murali M. Natrajan: Which is wrong is what I am saying. You have to do a complete analysis. So you can talk to us, we can explain our strategy because these notes are being read by people and where a simple remark saying that 'Weak Deposit Franchise.' If it was a weak deposit franchise, how did we grow 51% retail term deposit. Weak deposit franchise does not grow. Weak deposit franchise run around helter-skelter for deposits during March. We never ran around for deposits during March.

- Renish Bhuva:** Right. I think we will discuss separately.
- Murali M. Natrajan:** To answer your question, a deposit rates are coming down and will come down. Yesterday, the rates were reduced by 40 basis points by Governor. So we will relook and go and see how to reduce the deposit rate. But I will tell you, we will always keep our retail term deposits higher than some of the key competition because we want to continue to attract customers and we find it in total cost more effective.
- Moderator:** Thank you. The next question from the line of Darpin Shah from HDFC Securities. Please go ahead.
- Darpin Shah:** If you can highlight some more details in the MSME portfolio which is 11%, 12% of our book?
- Murali M. Natrajan:** The LAP portfolio and MSME portfolio is very similar, in fact, part of the MSME portfolio has got CCOD, probably 33%, 40% of that would be CCOD. The customer profile is similar. The property that we take for that is similar. When we give a term loan, the tenor maybe shorter than loan against property and the valuation of the business or the estimation of requirement is very-very similar except that most customers in SME would get operating account and at least 60%, 70% of them would be sole operating account with us. If they have an operating account somewhere else, they will close that account and only maintain our account. So that is how that. The additional information we have on that portfolio is we also at least for part of the portfolio also get to see their sales that goes into their account, the throughput.
- Darpin Shah:** What will be the moratorium in this portfolio?
- Murali M. Natrajan:** Slightly higher than LAP portfolio, probably closer to 60%-odd, again, it depends, whether it is a term loan or CCOD, etc.
- Darpin Shah:** And sir you mentioned about using the benefits of the government's MSME scheme. If you can throw some more light there also?
- Murali M. Natrajan:** The full scheme is not completely available to us. We have understood whatever has been published. There is a registration process for financial institutions. So we are pursuing that part. We have got our Board approval; we will be pursuing that. On prima facie, it seems like a very simple thing that you give some loan to the customer and give the moratorium and then recover the loan over the next three years or so. And if there is any default on that part, and we can only charge 9.25%, we are fine with 9.25%, provided of course if the cost of funds starts to gallop after one or two years, that may be a challenge, but at the moment it seems okay to us and we understand our customer need, so we will create our own internal credit policy, reach out to customers who are needing this loan and disburse. And I also told you that a lot of our customers are sole banking with us. So we should have some advantage over there.

- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Two questions: One, if you can quantify the total overdue loan as of let us say Feb end or March end, means all SMA-0, 1, 2, wherein if you were to take the conservative view of the RBI circular you may have to provide...I mean, so the RBI circular says 5% only on SMA-2 which I believe you have done?
- Murali M. Natrajan:** So that number is not something that we are making it public. All I am telling you is that on the Rs.89 crores that we took benefit on various products, we provided 10%, on the balance we have estimated about 53 or 54 crores of provision and we have taken our statutory auditors to the entire working for them to say that they are happy with that provision that we have made and complies with the RBI circular. In management personal view, this is higher than what RBI provision was expected.
- Jai Mundhra:** And in this "MSME Guarantee Scheme", as you said the fine details are not out yet, but do you think the LAP portfolio as well as your CV portfolio would be included in the MSME definition?
- Murali M. Natrajan:** I cannot give you an accurate number, but in my estimate, we are always higher in PSLC than 40% and we get PSLC income. Much of that income comes because we are always ahead on MSME lending. We are a bank which is SME and MSME segment and lending. So most of our customers in business loan, almost all customers in our SME and almost all customers in our CV portfolio if possible would be eligible for this facility.
- Jai Mundhra:** Including LAP, right or you mean...?
- Murali M. Natrajan:** LAP is a business loan, LAP is not a personal loan. That is why I have written in the chart it is business loan (LAP) because market thinks it is LAP, in our thing call it business loan and it is given to MSME and it qualifies as MSME loans.
- Jai Mundhra:** A large portion of your total loan book in the form of LAP, MSME, SME and CV book?
- Murali M. Natrajan:** Yes, will qualify for this benefit.
- Jai Mundhra:** If you can provide some directionally and some quantitative thing on the deposit, maybe after the March, maybe April end, lot of banks have given.
- Murali M. Natrajan:** Let me give you an example. There is hardly any loan growth for the last 45-days. I have explained that in one of the charts on COVID impact. Some corporate loans we are giving, some gold loans we are giving, and some repayments are obviously coming from non-moratorium customers. Now why would I want to build my deposit base and increase my costs? So I will maintain my deposit base. But what I am doing is I am

replacing a lot of the top-20, top-50, top-100 deposits with retail term deposits and refinancing. So we are basically improving the deposit profile. In the last 45-days we are much better on deposit profile which is why I said 9.07 is on May 20th top-20 deposits versus 9.27 on March 31, 2020. So that is where we are. We have no difficulty in getting retail deposits in the last 45-days. The gentleman before that asked, why the rates are high. We have dropped bulk deposit rate to make it as unattractive as possible.

Jai Mundhra: Because now the moratorium has been extended by three more months, ... of course you had initiated a reach out program, but do you think is it fairly understood by the underlying borrower that this is just a moratorium because there was some guy saying that it may be difficult for some section of borrowers to understand that this is not a waiver and is only moratorium and the interest implication is there?

Murali M. Natrajan: It is a good question. As soon as moratorium was announced on March 27, there was a very senior FMCG person known to me, he called out and asked, "Forbearance have been used. Does it mean that I do not have to pay three months EMI?" So I explained to him, there is going to be no forbearance of the EMI. It just tells you that for the next three months you do not have to pay. So there was a lot of misunderstanding. Outside banking, we think people know banking. They may not know. So they ask questions and we should be patient with them. So we have reached out to all customers through our Collection and explained what exact implication would be on the moratorium, what interest they will have to pay, etc., whereby a lot of customers... when I say a lot means, not a significant number, but quite a lot actually withdrew their moratorium and said, "Do not worry, I want to continue to pay. If I need help I will come back to you later." That also happened. All kinds of things have happened. There are customers who have called back and said, "I have paid. I am comfortable. But I feel comfortable if you return back the money because I wanted to stay on liquidity for a while. Is that okay?" That is okay, give it. Some customers have said, "I want the moratorium, do not return back my money, apply it immediately after the moratorium is over." So we have dealt with all types of questions and doubts in the last 45-days with almost all customers.

Moderator: Thank you. The next question from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha: Just wanted to have some color sir. By now you could have reached out to all your customers, SME, CV, MFI, home loans. Specifically on the small business segment, what are you hearing -- are they telling you that as the economy opens up... they do expect the business to come back to normalcy level, how much time do they take to come back to the Jan '20 business level, do you think that can happen in Q3, Q4 or do you think the normalized growth will be only next year?

Murali M. Natrajan: So frankly nobody knows. Everybody is looking for answers. However, hopefully in about next 7 to 10 days we would have done a complete survey of at least 50,000 to 60,000 of our customers by the same Credit team who had done the personal

discussions with them before giving the loan. So, they are pretty familiar with these types of customers. So we will get some good answers. I am not sure I am going to give you all the answers of that. But day before yesterday, when I was speaking to my Credit head who had done part of the survey, he said that "Look, at least 60%, 70% of the customer feel that once the lockdown is eased, in two, three months they can come back to some level of business back is what they felt." Now whether it will go to pre-COVID level or 50% of pre-COVID level? All these are guesses. Okay? Nobody has an answer to that. But customer confidence tells you...not all of them are desperate, part of the customers feel that yeah, they can bring back this thing.

Anand Laddha: Of the customers who have taken moratorium with you, what proportion of customers do they have a liability relationship with you?

Murali M. Natrajan: I do not have that number offhand but in SME business, a lot of them have liability thing. On our LAP, maybe 10-15% of them will have liability thing. A lot of the SME customers have given us retail deposits during this moratorium period because they felt that they do not have any use of this money because there is hardly any business, so they just put the money in deposit.

Anand Laddha: Is it fair to assume the customers who have taken moratorium is increasing deposit balances in the bank?

Murali M. Natrajan: I will tell you. This customer is not our customer, but he is a customer of some other bank. He came and said that he wants to put a deposit. And normally you ask for source of fund. He said that I have drawn down my credit limit from the bank and I am giving you as a deposit. These kind of transactions are also there. We took very good action on March 27th itself, we put a limit on all withdrawals from this CCOD accounts, whether it is Corporate or SME and we started monitoring every Rs. 5 lakhs, 10 lakhs transaction, because we did not want to be in a situation where suddenly they draw down the available limit and then they struggle to repay our loan. So we already put that control on March 27th or March 29th, somewhere like that.

Anand Laddha: With the fact now that there is another three months of moratorium, do you believe the customers who have not opted for first moratorium, now they will also go and opt for a moratorium?

Murali M. Natrajan: Do not know, boss. We will see how it goes. It is too early to say. All these customers who wanted moratorium, we did it absolutely in the spirit of what RBI said and we are at discussion with RBI. And we have given all of them options to have moratorium. We have reminded them twice. And what balance we have is after having reminded them on the moratorium.

- Anand Laddha:** On the other Opex side, if I have to look at a large like rental cost or any other head if we know, how much flexibility we have to control costs or one can expect a reduction in those costs?
- Murali M. Natrajan:** Over a period of time, we have flexibility on all costs including rental. Because our initial discussion with certain large landlords leads us to believe that there is flexibility. Now how well all this is panning out over the next few months? We will see. We believe that we have a lot of flexibility...we may not have a flexibility on depreciation of our technology because that already cost is incurred, we may not have a flexibility on depreciation of our branch assets. But anything that we are incurring on a regular basis, we believe we have flexibility.
- Anand Laddha:** What proportion of the other costs will have that flexibility?
- Murali M. Natrajan:** I think I have already mentioned that in our presentation. If I take a look at it to say which the costs are like I am saying for example connector cost or DSA cost, we have immediate flexibility, valuer and legal cost we have immediate flexibility. So each will have its own characteristic.
- Anand Laddha:** Sir, we have seen a fall in the cost-income ratio for us. Do you still on the track to see our cost-income ratio has failed to fall further or now since this is the COVID event, that agenda would get forwarded?
- Murali M. Natrajan:** No, I have also explained what our agenda of capital preservation is and managing stress and reducing cost. But remember, if we have some challenge on income which may happen because of fee income not being there, for example, in processing fee, etc., then we have to find ways and means to at least offset some of it through cost. So that flexibility will happen.
- Moderator:** Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal PMS. Please go ahead.
- Susmit Patodia:** Murali, wanted to check the 60% morat data point that you gave us. That is as on which date?
- Murali M. Natrajan:** End of April. Circular it came on March 27th and all PDCs were presented by 20th of March. So that can only be calculated for customers who call back in April and said, "Please return back my March one." You know what I mean?
- Sumit Patodia:** Yeah, but some banks did give us the March number. I do not know how.
- Murali M. Natrajan:** March number would be very low for us. I told you, in the spirit of RBI, we offered it to everybody.

- Susmit Patodia:** I wanted to check this extra 20% credit limit assuming that the circular in details is also palatable. What do you think will be the end use -- will you be okay if a large part of the customers take that money and pay you back?
- Murali M. Natrajan:** Any customer would take money and pays back, I am very happy with that. That is a short answer. But the fact of the matter is customers will have difficulty in collecting their receivables from other customers. That is point one. If you see out of the Rs. 89 crores, I have done quite a lot of accounts there with Collection. In many, many instances customers are ready to pay but if his customer is in lockdown, he is in lockdown and... somebody told me, "Why don't you make it digital?" Yeah, we can make it digital but these are all cash customers, the guy is expecting in cash and paying in cash. So I feel that we have to help those guys in overcoming the receivable challenge, number one. Number two, believe it or not, one customer called my Collection guy and said... because banker is allowed to travel anywhere, right, we are essential services, not anywhere, but we are allowed to travel, so he said "Can you use the cost and take me to my shop so that I can vacate my shop and take out all the goods because I will be able to pay you by getting rid of that stock." You know what I mean? So, I think the funding will mostly go to helping them, take care of their near-term cash issue because they will be cash-negative at this point in time and which will be because they will not be receiving money from their customer, number one; and number two is to get some traction on stocks and so on. And our team is quite expert in finding out or maybe they want to pay some laborers, because they want to keep the laborers, if they are in some technical business, they may want to keep the laborers payment, therefore that also could be possible.
- Susmit Patodia:** And just following up on an earlier question, Murali, is that, while it may be very early to comment on the extended moratorium impact, but broadly looking back, would you say that the moratorium number goes up for you as we go into the next couple of months? Or you think whoever had to take has already taken?
- Murali M. Natrajan:** I feel that majority have taken moratorium. And now that lockdown is actually easing, I really welcome this moratorium. Because people are clamoring for restructure, yes, restructure opportunity is already there for SME as per the circular. And a lot of customers approach bank for restructuring, because they know about the circular and they say, if you remember, even in February, January, it's not that economy was buzzing, there were challenges in this thing, so customers were approaching bank for restructuring. So I feel this particular moratorium is at the right time, because as the lockdown starts to ease and as some cash flow starts to happen, the customer has a breathing time for him to bring everything together. So I think it is good.
- Susmit Patodia:** And just last question, Murali, you wrote a line in your presentation about fee income levers, and selling third-party products. Could you expand a little bit?

- Murali M. Natrajan:** Which slide are you referring to, so that I tell you the right thing? Are you talking about my COVID-19 presentations?
- Susmit Patodia:** Yes.
- Murali M. Natrajan:** Generate fee income through digital....
- Susmit Patodia:** Yes, yes.
- Murali M. Natrajan:** So, what has happened is, we are not able to sell any insurance product where medical is required. That is not possible right now, because how do you convince anybody to do medical and who will be ready to do medical at this time. So I don't think that is possible. But there is a lot of interest in health insurance, so we are able to do assisted health insurance. So our trained phone banking, certified phone banking people are able to call out, talk to the customer and he agrees, then we guide them through a portal of our third-party provider and complete the transaction, all digitally. So we are able to do that quite well. Phone banking is doing it, some other teams are also doing it. And that is true for even term insurance. We have a product called DCB Remit. DCB Remit is by far the most superior way in which you can remit funds abroad, up to \$25,000. Just sitting on your desktop, in about five minutes with your PAN Card. You don't need to have a bank account of DCB Bank, you don't need. You can be any bank account. One customer in Punjab. Punjab does a lot of remittance because they have a lot of people in Canada, their favorite locations is Canada and Australia. But there is a joke on that also, I will tell you in a minute. So one customer went to a public sector bank, that public sector bank was equipped to do only deposits and withdrawals, so they said they can't do remittance. By chance our RM met him, he said we can do your remittance, we did a \$400 or \$500 remittance of that customer on Remit to Canada, and we got a sizable term deposit from the customer because of that service. But Canada, students are being paid \$2,000 by their government for COVID, so all of a sudden India parents don't have to send any money apparently.
- Sumit Patodia:** Are they sending money back?
- Murali M. Natrajan:** Now, this is a direct benefit transfer actually. That business was going on very well in April, but many of the students got money in May, so...
- Susmit Patodia:** Right. Okay. Just one last, Murali, in mortgages, while the six month moratorium can be a little draconian for the borrower. So, are you monitoring foyer also when you come to mortgages and how you are getting money on that?
- Murali M. Natrajan:** How will the foyer change on this?
- Susmit Patodia:** I mean, the interest part gets accumulated, right?

- Murali M. Natrajan:** Yes, but he will get a tenor extension on that, right, minimum three months he will get a tenor extension, or maybe it will actually go to four or five months, depending upon his interest rate. See, the three months can never be perfect three months, because if you capitalize the interest, it will definitely go beyond three months, four months like that. That is how we explain to the customers, saying that you will be paying longer, do you want to take it or not? That way.
- Moderator:** Thank you. We take the next question from the line of Roshan Chutkey from ICICI Prudential Mutual Fund. Please go ahead.
- Roshan Chutkey:** Firstly, when you mentioned about the SMA number, are we referring only to greater than Rs. 5 crores ticket loans?
- Murali M. Natrajan:** Which SMA number are you referring to?
- Roshan Chutkey:** I mean, qualitatively you mentioned the SMA number is low.
- Murali M. Natrajan:** Yes. We report the SMA number to RBI on a monthly basis. SMA 0, 1, 2. And that is Rs. 5 crores and above. That number in the last 24 months, if any, would have got better, but has never gone out of hand for us.
- Roshan Chutkey:** And if we take the less than Rs. 5 crores ticket loans, what would that number be?
- Murali M. Natrajan:** That will be portfolio-by-portfolio, and those numbers we don't disclose.
- Roshan Chutkey:** But hypothetically if you can mention, what is it like?
- Murali M. Natrajan:** No, frankly, I want to tell you that there is a difference between SME portfolio, that is self-employed portfolio and salaried portfolio. In all these years of banking in Standard Chartered, Citi, I found that the SMA 0, 1, 2 number would always be slightly higher for a self-employed then salaried customer, because of the cash flows that may be up and down for a SME unlike a salaried customer. Point one. Point two is, as of December, we have compared our NPA numbers on various portfolios, and SMA numbers on various portfolios with CIBIL data. We are either at private banking industry level or better in some cases, barring one or two sub-segments.
- Roshan Chutkey:** Okay. And what percentage of our customers who have outside liabilities more than 20% of our sanctioned amount have sought moratorium?
- Murali M. Natrajan:** I don't have that data. We can't disclose all that data to you guys. We give you some color so that you have an idea about our portfolio. If some other bank is disclosing that, tell me, I will figure out what to say.
- Roshan Chutkey:** But at least if we can make...

- Murali M. Natrajan:** No, I don't have an idea. I am telling you, because people keep on saying, LAP, LAP, LAP, LAP, LAP, they just keep thinking some ghost is sitting in LAP, so I decided to give you guys some color on LAP and home loan.
- Roshan Chutkey:** Thank you so much for the disclosure, it is very well appreciated. Sir, I wanted to understand little bit, what are the kind of unutilized limits among SME and the LAP customers?
- Murali M. Natrajan:** LAP unutilized limit?
- Roshan Chutkey:** Okay, there will be term loan, I am referring to the CCOD product.
- Murali M. Natrajan:** CCOD unutilized limit would be, like average utilization would be like 40% or something, that's all. Barring a few handful of customers who probably would be 60%, 70% or 80%.
- Roshan Chutkey:** But at the portfolio level how has the number moved?
- Murali M. Natrajan:** It has not moved, because we already restricted that as on March 27 or 29. So, we don't allow that to move because we don't want a customer to use our CCODs to figure out his cash flow. So we want to be careful as to where he is using the money. For example, on 31st March, I saw one transaction where a customer is trying to buy a car with the CCOD. So we stopped it because of the restriction that we put.
- Roshan Chutkey:** Perfect. And with respect to the COVID provision that we have made, how did we go about estimating this?
- Murali M. Natrajan:** So we looked at our entire portfolio, we looked at the moratorium number, we used our analytics team, we looked at the payment behavior, then we produced a set of working, gave it to our statutory auditors. They subjected that to their own analytics and review, and we answered all their questions in a satisfactory manner. And then we said, this is the provision, and they accepted it.
- Roshan Chutkey:** Okay. How are you thinking about the extension of three months moratorium that the RBI announced yesterday?
- Murali M. Natrajan:** I welcome the moratorium extension, as I mentioned earlier in the call. I feel that this has come at a very, very right time, apt time. There were two issues with the previous moratorium. One was that there was no forward indication as to if lockdown continues then moratorium will continue, so people were anxious about it, which was resolved by the Governor. Secondly, in CCOD account it would not have been possible for a customer to pay the entire interest immediately as per the circular in the first week of June that also Governor has clarified. Now that the cash flows are likely to improve if lockdown improves, then the moratorium actually helps him to manage his cash flows better.

- Roshan Chutkey:** Okay. And one last question, if I may, what proportion of our customers benefit because of the MSME program?
- Murali M. Natrajan:** Like I said, I mean, who all will take I don't know, and who all we will give, I don't know. But entire business loans is eligible, commercial vehicle portfolio is eligible, SME, MSME portfolio is eligible, in some corporate who are less than Rs. 25 crores also may be eligible.
- Moderator:** Thank you. We take the next question from the line of Vignesh Shankar from TVS Capital. Please go ahead.
- Vignesh Shankar:** First of all, let me compliment you on the extensive disclosures that you made, excellent presentation.
- Murali M. Natrajan:** Okay, thank you. I hope I didn't add to the confusion that was already there for last 40 days.
- Vignesh Shankar:** No sir, I think you only clarified, so I can confidently say that. So my first question was on disbursals. What is the outlook on disbursals in Q1 and Q2, especially given the moratorium extension?
- Murali M. Natrajan:** See, let me tell you. Supposing you tell me, tomorrow can you start disbursing home loan or business loan, my first question would be, because of lockdown what is the impact on property prices, valuations, etc.? I suspect that there may be at least a 10% impact. Okay? Number one. Number two, the second question is, our serviceability of loan has everything got to do with the sales numbers. What is the sales of this person that has got disrupted in the last two months? So, I don't know, some banks are confident of immediately starting, I don't think we are in a position. We have to access all this and check our credit policy and then only start moving. At the moment, looks like first quarter there may not be any action. I know some banks are disbursing personal loans and all, we are not into personal loans so we are not disbursing anything. Gold loans we are disbursing, some corporate loans we are disbursing, some tractors we are disbursing, some KCC loans we are disbursing. And some customers who have already taken home loans and are looking for a little bit of disbursal for the builder completing those, that also we are disbursing. Other than that, first quarter doesn't look like a possibility. Second quarter, perhaps, we will see how the lockdown and all goes through. My worry also is, what if some spike happens or some infection and then again some more restrictions come, how to start? I mean, we need to have some certainty of operations before we can step forward.
- Vignesh Shankar:** Got it. Sir, last question, what would be the outlook on branch rollout for FY '21?
- Murali M. Natrajan:** At the moment, physically it is impossible to rollout any branches. Even the branches that we have rolled out, Bharat, how many, 7, 8, 10 branches, how many?

- Bharat Sampat:** We did 8 in the year.
- Murali M. Natrajan:** No, what happened to the branches, the work is held up, right?
- Bharat Sampat:** 10, 12 branches, I would say, one month completion left.
- Murali M. Natrajan:** Yes. 10 to 12 branches, were on anvil because half work is done, lockdown, so we cannot complete that. So that we will complete as and when we have a chance. And then suddenly we would have lost all the people that we have hired and all this drama would be there in that. So that is where we are. So at the moment very difficult to say.
- Moderator:** Thank you. Next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.
- MB Mahesh:** Two questions from my side. One, if I would like to just look at this provisioning number, let's say, for the next 12 months to probably a little bit longer than that. Because the impact of this might be extending for more than a couple of years. Given this backdrop, how are you wanting to build your provisions on this particular line item? Do you say that, 'look, let's hold on and see the portfolio before we start building?' Or you want to kind of make it a little bit ahead and start building for this expected losses that come in?
- Murali M. Natrajan:** Even pre-COVID time we have always made provision more than required by Reserve Bank of India. Point one. Point two, as of today, our floating provision is Rs. 100 crores, even in this quarter we have made about Rs. 2 crores, Rs. 3 crores of floating provision. And our floating provision stands at Rs. 100 crores or Rs. 102 crores as we speak. And you can compare with several other banks' balance sheet, whether they are making regular floating provision, I guess not. Okay. So the intention of management team and the guidance from the Board is that we should stay ahead in terms of making provisions. We can reverse the provision once there is more clarity on the situation. That is our intention.
- MB Mahesh:** Okay. And on the other question, on the restructuring circular that you had kind of indicated earlier. Why is there so much reluctance for all banks to utilize this proposal? While we see a fair amount of bankers discussing this openly, after a one-time restructuring. But this proposal is already there in the public domain.
- Murali M. Natrajan:** No, one-time restructuring you don't have to downgrade. So, you are talking about this circular which is valid till December 31st?
- MB Mahesh:** Yes.
- Murali M. Natrajan:** We like that circular. Actually, a lot of customers in CV approached us in January and February, and we also encouraged our customers, because I have said in another call before, that, if a customer has a Rs. 8,000 load per day or something was actually getting

Rs. 3,000, Rs. 4000 load, which was not enough for him to pay the EMI of bank. So, what happened in that circular is, you have to take a 5% provision and customer has to pay I think 2% or 3% of the principal for his portion. So, we are not at all reluctant. In fact, I would say that, wherever possible, as we move forward, customer wants a restructure, we will do that. The reason I say that is, in the government approved scheme, which is the one plus three thing, sometimes it may not be possible for customer to repay the entire loan in three years, because I think it is a little hefty in my view. Whereas, in the normal loan if you restructure, take the provision and reverse the interest, you can actually give maybe a little bit more longer tenor. So I don't have any problem with the restructure mechanism. It's a good mechanism.

MB Mahesh: Okay. And just one final questions, with 50% of your loan book sitting outside of metro, have you started seeing any material differences in your EMI collections out there?

Murali M. Natrajan: See, first 30 days is no indication at all, only now we are starting to see. Like for example, Delhi was open three, four days ago, people are reporting a lot of traffic; Telangana, a lot of traffic was being reported. Now that airplane is also going to start functioning. So the correct data would be, what we see, perhaps, from now onwards? But the accessibility of customer was far easier in smaller locations.

Moderator: Thank you. Next question is from the line of Rahul Maheshwary from Ambit Asset Management. Please go ahead.

Rahul Maheshwary: Hope all are doing well at your end. And very great detailed presentation on LAP. Two questions, one on LAP. Can you give a color little bit on the floating rate and fixed rate between the home loan and LAP? And any chance, now that RBI is also focusing more on transmission, or managed transfers going forward any chances of balance transfer from your bank to the bigger bank? And also from the NBFC's to a small private banks towards zero? So any such color or chain can you give on that part?

Murali M. Natrajan: So the good news during the moratorium is, the balance transfer out of our bank is very minimal. And frankly, how anyone will assess in a moratorium period as to which account to take and which account not to take is difficult. Unless they decide that anyone who has been paid during the moratorium is a good guy. I don't want to make that conclusion, because it may be possible that person has corrected his cash flows during the moratorium through his saving that is also possible. So, I would say that we expect loans to come from NBFCs, and smaller companies to us, because we have a competitive rate. Generally, small ticket LAP and small ticket home loan prefer a semi-fixed rate, which means for one year they want a fixed rate, after one year they move into EBLR, previously MCLR. So, some part of our book is fixed rate for at least some period of time. And we are passing on the EBLR almost immediately as required by law. And MCLR changes we have been making consistently every month.

Rahul Maheshwary: So on mortgage, no doubt a precise number, but what is the range which is a semi fixed?

Murali M. Natrajan: I don't have that number here. I don't know in smaller ticket like a home loan of, say, Rs. 12 lakh, will be fixed for one year. So as we speak, some would be six months fixed, and because that is all part that some who got booked in February would be still full year fixed.

Rahul Maheshwary: Okay. And also sir, in opening remarks you had mentioned that we might go and look forward in more detail towards the trade policy. Looking at your customers, right from the CV, SME, LAP, how internal credit ratings of benchmarks are you using? And going forward, how much more strengthening you would be doing? Any sort of some parameters or highlights you can make us give, that how internal ratings are being done for a particular customer like CV or LAP as compared to how that rating is being taken by the external?

Murali M. Natrajan: Why don't I give you what we are doing and we hope that that will really help us to understand how to manage our portfolio. Our analytics team has basically used four parameters; moratorium behavior, type of industry, payment behavior with us and payment behavior outside in the outside liability. So to repeat, payment behavior within us; payment behavior outside, that is in the bureau; third, moratoria behavior; fourth, type of industry that they are there, right. And certain vintages have been given for each of this. And we have tried to figure out how much of our portfolio would be a lot more essential. That activity would get finished perhaps in about week, 10 days, that will give us the idea on how to design our credit policies to pursue this, and if any repair is required or some of these customers, how to go about doing it. So we are working on it, hopefully, that will get completed in a week's time.

Rahul Maheshwary: And also, currently the customer mix which is there, how much is a little bit lower notch in terms of, I know, for corporates we can book...

Murali M. Natrajan: We don't book any loans below 700 score. We don't do that. Very handful of our customers are below 700 score. We have customers called 1 plus or 1 minus, which means they don't have any bureau score. Those customers behave quite well. In our experience, customer below 700, whatever rate you charge doesn't seem to fit because their delinquencies and NPAs are high. So we don't do those customers at all. Yeah, customers may have, like when you go to smaller areas customer may have no track record, in the sense, they have no CIBIL record or HiMark record, those customers we do and they perform well.

Rahul Maheshwary: And also the customers as on date whatever the moratorium has been availed by the customer, what is the past history in terms on a broad range have adjusted you? How much percentage of customers had bounced not because on the intention part but because of the cash flow industry, whether it is agri or textile or etc.? So, what is the bounce rate that is taking place?

Murali M. Natrajan: Every segment has a different, different bounce rate. Okay. Smaller ticket, self-employed customer who pays us interest rate of 11%, maybe 11.5% may have a bounce rate of

even 18%, 19%. Customers who are a slightly bigger ticket size like Rs. 40 lakhs, Rs. 50 lakhs may have a bounce rate of 5%, it depends, but that customer may be paying as only 9.75% interest rate. In our model, we try to figure out risk adjusted what is the impact. Now let me tell you that is all in how all good times. After COVID how all this will pan out, what will happen, we may not be able to use any of the old model. So, we have to see how that all happens now.

Moderator: Thank you. We take the next question from the line of Nitesh Poddar, individual investor. Please go ahead. We lost the line for the current participant. We take the next question from the line of Sharma Kunal from Corporate Research. Please go ahead.

Kunal Sharma: Sir, I have a few questions, so I am listing down together. So the first question is, can you throw some light on the bounce with your customer EMI payments? And how much percentage of the loan book is under moratorium?

The second question is, what's our strategy on fundraising going forward given our share price being depressed below book value?

The third one, with this increase in moratorium period and maximum loans disbursement to SMEs, how are we looking towards the recovery segment?

And then lastly, are we pivoting to any new product or segment in the light of COVID disruption? Thank you.

Murali M. Natrajan: Okay. There are no new product we are looking at. So that is an easier question to answer. Our focus, I have put a slide, I hope you have a look at that slide. I have clearly written, that our focus would be on managing portfolio risk and portfolio stress by connecting with the customer and providing any relief that may be required as per regulatory guidelines. So the product that we may look, maybe the government guaranteed product, which is still evolving, so I can't tell you anything. But that seems like a good idea. Regarding moratorium, I have said that we are closer to 60%. We offered moratorium to 100% of customers in the spirit of RBI circular. After discussing with the RBI they said that their idea was that all retail SME customers should be given moratorium. We didn't try to do any Mickey Mousing, we offered it to all. We are closer to 60% when we put together all the products, some may be lower, some maybe higher, that is how we are. And I have given you specific on home loan and LAP what is our moratorium.

Then fundraising you asked. Fundraising, we have no plans for doing raising any funds at the moment. They are at 13.9% Tier 1 capital plus another three point something for Tier 2, which is 17.75, it is a strong capital. Loan growth may be muted, at least for first two quarters, so I don't see any reason. And if you are able to manage the P&L well, operating profit, if you are able to manage the operating profit, there may be some issue on income, we can save some costs. If you are able to manage operating profit in all to

absorb any potential hits on provision, we will see how it goes in one or two quarters before we decide whether we need capital or not.

- Rahul Maheshwari:** What about disburse to SME?
- Murali M. Natrajan:** Very minimal disbursement is happening to SME, only existing customers drawing down line here and there, we are monitoring and giving them. Some existing home loan customers are drawing down. Some committed customers whose business are still okay, like an FMCG distributor or some grocery store, those kind of customers are still getting some disbursements. But all in all, very less.
- Moderator:** Thank you. We take the next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Just two bookkeeping questions. Last year we were 6,140 employees, what is the number as on today? And the other income has contribution from sale of PSL, what was the number for the full year versus last year?
- Murali M. Natrajan:** Full year PSLC income is Rs. 40 crores, just shy of Rs. 40 crores, few lakhs shy of Rs. 40 crores, last year was Rs. 28 crores. And number of employees is about 6,800 around. But as we speak, all the resignations that we have not replaced, it's already down to 6,700 something.
- Bharat Sampat:** Exact number is 6,845.
- Murali M. Natrajan:** Currently, I think we are closer to 6,700.
- Moderator:** Thank you. We take the next question from the line of Banti Chawla from IDBI. Please go ahead.
- Banti Chawla:** Just one question. As you already said that LAP part, which is almost self-employed 24% is almost similar to SME business, so we can take roughly 35% of the portfolio comes from the SME. So if you can share some light, what are these SME businesses into, different, different industry kind of a thing or different verticals?
- Murali M. Natrajan:** We don't have that kind of data. First of all, let me tell you, I mean, at this point in time nobody can plan, no entity in the world can plan for an event like COVID. Self-employed segment across the world generates employment, there are very profitable, we have run a very profitable business on this all these years. Unfortunately that such a situation has developed. We are confident that over a period of time, yes, and some customers may not make it, unfortunately, but we run a secured portfolio. We have self-occupied property of about 87%. Almost 80% of our customer base wherever you touch is self-employed, tractor is self-employed, KCC is self-employed; you talk about home loans, about 70% odd is self-employed. Business loan, which is LAP, almost 90% is self-employed. So, we

do business with self-employed, we understand that segment very deeply. But we do small ticket self-employed, we don't do big, big ticket, we do average ticket of about Rs. 35 lakh. In LAP our ticket size has already dropped to Rs. 20 lakhs.

Banti Chawla: Thank you, sir. Lastly on just slide NPA movement. The Rs. 150 crores fresh slippages in Q4, we have not considered 27th March approval, its pure NPA which has happened during the quarter. Am I right?

Murali M. Natrajan: In the month of March we took Rs. 42 crores, including Rs. 10 crores of gold loan NPA. We will take the benefit of COVID on all items of March, we didn't take. We only took Rs. 89 crores, where as per our analytics and as per our collection feedback, we felt these customers are habitual delayed payers and we have a very good opportunity for us to recover it at a later point of time. So only on that we took COVID benefit and we provided 10% of that already.

Banti Chawla: Can we say Rs. 150 crores slippages plus Rs. 89 crores is a COVID impact, could be the total?

Murali M. Natrajan: Wrong, Rs. 150 crores is the slippage on which you would have provided 15%, IRAC norms, this, that, everything is done on that. Only on 89, as RBI allowed, we have taken provision and we have kept the income on that.

Moderator: Thank you. Next question is from the line of Harsh Desai from Banyan Capital. Please go ahead.

Harsh Desai: Sir, my question was, you said in terms of giving fresh loans, your focused product will be gold loans, so just want to understand your strategy that will they be in competition to like the gold loan, NBFCs, and will the customer segment be the same? And what will be the differentiating factor in trying to gain like market share from them is something I don't understand.

Murali M. Natrajan: There is no need to gain the market share, it is not required. There is enough gold loan customers, there is no business that is happening, customers need some money, they need to take some money against gold. Usually, I may be wrong, but usually the portfolio that we have seen of NBFCs, the ticket sizes are far smaller than the ticket size we do. Our average ticket size will be like Rs. 1 lakh, Rs. 1.5 lakh, maybe Rs. 1.75 lakhs, that type of ticket size. But I have seen NBFCs with Rs. 40,000, Rs. 50,000 ticket size as well. There is plenty of business to go by, NBFCs are very superior in terms of the cycle time, and they probably can disburse a loan in half an hour or one hour. That is where the competition is, because if we take more time then it becomes a problem. We don't have in-house valuer in all the branches, so sometimes there is a delay in getting the valuer so we lose some business and we are trying to bridge that gap. But there is enough business to do for everybody.

- Harsh Desai:** Correct, thanks. And my second question was with regarding the extension of the moratorium, the remaining three month extension will also be opt-out for all your customers? That was one part of it. And second, how do you think the credit culture of a borrower is affected when he doesn't pay an EMI for six months per say? And how do the cost of the EMI affect him for supposing a LAP customer of yours, which is slightly higher ticket size, how would the cost accrue for him for six months and how would that be distributed?
- Murali M. Natrajan:** I think at the moment customer would be thinking of how I get my business back to some level of normalcy. They are very happy that the bank has given them moratorium, they won't be worried that their loan has got extended by three, four months or some slight cost has gone up on this thing. When you explain to certain customers who feel that they don't need to pay because they have the money, they have repaid the installment. Currently, customers are all focused on how they can restart their business and how soon they can get to some level of normalcy. That is what our focus is. And if you ask, I know that the favorite discussion always is, financing is a problem for SMEs. I have a slightly different view on this. While financing may or may not be a problem, but many customers want infrastructure, support, less hassle from agencies, those are the kind of things that they require which will ease their business. So I think currently they will be worried about how to get the business back on track, how to get back on their feet.
- Harsh Desai:** Correct. Thank you, sir. My last question, if I may. Sir, the 20% additional limit that the government is giving, will you all be okay in terms of the government guarantee, especially with the government's track record in terms of when they actually pay the guarantee amount in that sense? So will you all be comfortable doing it?
- Murali M. Natrajan:** Yes, 19.5% of my book is in SLR. So if I can trust the government with 19.5%, I can trust the government with 20%.
- Moderator:** Thank you. Next question is from the line of Sorab Chatterjee, individual investor. Please go ahead. As there is no response from the current participant, we take the next question from Sagar Shah, Alpha Line Wealth Advisors. Please go ahead.
- Sagar Shah:** I hope you are doing well.
- Murali M. Natrajan:** Very well. Thank you very much. And I hope you are doing well too.
- Sagar Shah:** Yes, absolutely. So, coming to your results, I have just two questions actually. My first question was concerned regarding your asset quality. As I can see, almost Rs. 150 crores slippages in this March quarter. You haven't taken a benefit of around COVID-19 package on the March slippage of around Rs. 43 crores. I was really concerned if I would think the Y-o-Y growth in the G&PAs of each and every segment actually, especially mortgages. So, after the COVID times do you plan to take some more risk undertaking measure so that we can at least predict better customers who so that our asset quality actually

remains fairly stable actually going up? Because even if we have to sacrifice on our growth actually in the coming year.

Murali M. Natrajan: So I don't believe that our mortgage portfolio or LAP portfolio has got any challenges. Last year has been a very difficult environment, even prior COVID. Our major challenges have been in Commercial Vehicles. And my understanding is that most players in the market have faced the issues in commercial vehicles. So if I look at our mortgage portfolio as compared to the slippage versus recovery, it has performed quite reasonably, barring maybe one or two loans which may have been slightly large ticket loans, which anyway we don't do but maybe historically whatever was there. So I won't too much worry about the mortgage portfolio. Commercial vehicle continues to be a challenge, and may continue to be a challenge even in the coming this thing till economic activity picks up to some level. Regarding changes to credit policy, we have a full-fledged credit policy team and analytics team. And almost every month, two month, we make changes. If we notice any issues in the portfolio, we keep making those changes and translating those new policies and controls to the frontline and to the safety. So that's a continuous process.

Sagar Shah: But then why are we seeing almost a quarter-on-quarter deterioration in our asset quality, when you are so confident?

Murali M. Natrajan: If you look at it, the recoveries have been pretty good on mortgages, SME and all, the recoveries have not been good in what is called commercial vehicle, because it's very tough to get the recovery till you really find some momentum in the business of that customer. Secondly, in quarter three, we had a large ticket NPA of about Rs. 42-odd crores of customer who has been with us for many years. And if I am not mistaken, that was a very big ticket and it took our NPA to almost Rs. 200 crores in the third quarter. And the environment has been not very easy even prior to COVID, so there has been some slight deterioration in the NPA.

Sagar Shah: Okay. So do we plan to at least scale down our CV portfolio or run down our CV portfolio in the coming weeks?

Murali M. Natrajan: CV portfolio, there is nothing to disburse. We have already scaled down our new CV portfolio and we were focusing on old that is the used CV portfolio. That is why you will find in the last six, seven months or even maybe longer, the portfolio was just starting at one level that is because the repayments were being just met by new sales.

Sagar Shah: Okay. My second question is regarding to our balance sheet growth actually. As our vision is to almost double our balance sheet almost in three, three and a half years. But our balance sheet growth and also our actually loan growth, if you compare from December to March, pre-COVID, is almost flat actually. And this year's balance sheet growth is almost 8%. So are you still confident that we will still be able to double our balance sheet in the coming?

- Murali M. Natrajan:** We will give a new set of guidelines on what we are aiming to grow. Because see, the whole dust has to settle down of COVID for us to figure out where, how, what segment, what product, what credit policy, what controls, what geography, a lot of things that we reconsidered once the dust settles down, only then we can give you guidance on whether what rate at which we can grow. Currently the focus, please read my slide on near-term focus. The landscape has changed completely, completely changed. There is no way you can compare what we are facing today with some, Maruti reported zero sales in one month, when was the last time you heard of that kind of a situation. So I don't think it is fair to ask for a guidance from management team on doubling of the balance sheet in a situation like that.
- Sagar Shah:** Yes. But what are the concern is about, is the loan growth actually quarter-on-quarter, from December to March, I saw the loan growth hasn't increased actually.
- Murali M. Natrajan:** Yes. March, we have decided not to disburse any loans after 12th of March or 13th of March. So a lot of our loans, March is usually a big month, there are at least I would say Rs. 400 crores to Rs. 500 crores of loans undisbursed because we just decided that this is not the right time to disburse the loan, this is better just wait and see what happens in the market.
- Moderator:** Thank you. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.
- Mona Khetan:** So the existing MSME restructuring scheme, which has been extended till December 31? I mean we have any portfolio under this scheme currently that has been restructured?
- Murali M. Natrajan:** Yes. In January and February, we restructured I mean, at the moment what we have is about Rs. 130 odd crores of CV, about Rs. 43 crores of MSME, and about Rs. 43 crores of mortgage, and about Rs. 10 crores of corporate. Corporate is also MSME only. But it is well corporate, that is why it is but is an MSME account. And what happened is after previous announcement by the FM there has been quite a lot of demand by many customer who were servicing the loan but were having some struggle in terms of their sales receivable and so on and who approached bank for restructuring. I personally think, it is a very good scheme where you collect some money, make sure the account is standard collect some installment and work around the customers new cash flows and restructure the loan and take 5% provision straightaway.
- Mona Khetan:** Sure. So, the press release that mentions about Rs. 237 crores of restructuring that is all under this...
- Murali M. Natrajan:** Yes, only under that, nothing else we do.
- Mona Khetan:** Okay. And this was all done in this quarter itself?

- Murali M. Natrajan:** I am not sure, a lot of CV portfolio was done in January, February. March, of course, it does not make any sense to restructure and all because it was a very different situation.
- Mona Khetan:** Sure. On the CV book, which is about 7% of your loan, could you just throw some light around what exactly are we into, small transport or operators or individual?
- Murali M. Natrajan:** FTB, FTU, small operator is three, four vehicle, customer who get contract from fleet operator, those are the kind of segments that we are in.
- Mona Khetan:** Okay. And a lot of these segments in that case, a lot will be driver dependent.
- Murali M. Natrajan:** Many of them will be a driver themselves for one vehicle and have two other vehicle or three vehicles like that.
- Mona Khetan:** Okay. No, because we are hearing that segments that are not driver dependent have still been able to open up because they are not facing migrant issue. So is that the same situation that your borrowers and of borrowers as well?
- Murali M. Natrajan:** So what I want to say is that there is no perfect database of information that is flowing on this COVID as to what is happening on the ground. There is some information comes like that. All we know is when we speak to our customer base, there is a fair amount of disruption in labor So for example, just to give you a sense, not necessarily of CV, we are allowed in our building to walk in the deck area since last 15 days, some relaxation has happened otherwise we are just cooped up in our house, so we are allowed to walk. In that only yesterday, no last week I heard an SME customer talking to another person saying that his labor is unlikely to return before I mean only after rains they are likely to return because now all of them have gone, they are unlikely to return. So he said well, how do I restart my operation? It is very anecdotal data, but one thing is clear there is disruption.
- Mona Khetan:** Sure. And on the CASA portfolio, there has been a decline both sequentially and year-on-year, so could you just throw some light there?
- Murali M. Natrajan:** Yes. So our focus is purely on retail term deposits small ticket. Our average ticket size on retail term was borne Rs. 1.5 lakh - Rs. 2 lakh. For many years we persuade CASA quite well, we used to grow CASA by CASA by about 15% to 18%. We have two problems with CASA as compared to some of the larger banks like SBI or ICICI and all. What we find is that our CASA growth is not enough to fund our loan growth because supposing CASA is only Rs. 1,500 crores and we want to grow by Rs. 3,000 crores, we do not have enough funding. We ended up taking some bulk deposits and that has kind of distorts the ratio of our liquidity profile. We changed all that about two years ago, we started saying first the customers, retail term deposit you get and then you get the CASA customers. Okay, so that is how we are operating. And we believe that in the overall cost, our branch costs would suddenly come down in about two, three years

because the cost of servicing a CASA even with digital channel is far higher in our view, as compared to a retail term deposit, where there is hardly any this thing. And cross-sell opportunities are in fact better because the retail term deposits guys are slightly more, I would say, advanced in their capability to buy products.

Second point is, we actively started leaving out any, what is called, bulk CASA, which means that we never wanted to match the pricing of other banks and so on. So some of the CASA we actively let go as part of reducing our top 20 deposits.

Mona Khetan: Okay. And does it have to do anything with some of these large state government deposits that matured...

Murali M. Natrajan: We have very limited reliance, state government deposits, if anything. Across India we have small-small total deposits of state government. We may have seen a little bit of outflow here and there and all and frankly, if you have those deposits on SA or CA, you cannot bet a balance sheet on that because those tend to be very erratic, suddenly a project happens they will withdraw some Rs. 15 crores for that project. You cannot depend on that flow. So we never bet our balance sheet on that. So we do not have any worries on the counter.

Mona Khetan: Sure. And lastly, sir, if I could have the breakup of your provisions of Rs. 11 crores this quarter.

Bharat Sampat: Okay. NPA and aging provision is Rs. 45 crores. Moving to moratorium and asset classification benefit we spoke about Rs. 9 crores. For a moratorium related other than asset classification benefit Rs. 54 crores, standard asset provisions which is RBI mandated Rs. 10 crores we continue to add to floating provision we added Rs. 2 crores more and taking the balance to Rs. 96 crores. And we reversed out investment, we got excess provision on SRs which got reversed out Rs. 3 crores so that's 118 crores.

Last question, operator.

Moderator: Sure, sir. We take the last question from Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Mr. Murali, you are doing very fine. My point is that why not we giving much stress to gold loan where we are 100% safe and demand in the community is very high?

Murali M. Natrajan: Yes. I tend to agree with you. But I will tell you, everything has some pluses and minuses in it. The broad capacity has to be directed to what our strategies that we are pursuing. For example, if I want the brand capacity to be fully focused on getting me retail term deposit and have a granular deposit, I have to skew the scorecard towards that. If I want fee income, then I have to give some weightage to it. So it all depends on what kind of suppose I came way to gold, it may so happen that they may not deliver on something

else. So it is a fine balance that we have to achieve or provide them with more resources. Why gold loan companies are able to do higher volumes is because their branches do nothing else or mostly nothing else other than go loans and they do in-house valuation. So it is a good point. And we believe that if this lockdown period, there is opportunity and hopefully, we will pursue that.

Ravi Naredi: Yes, because what I think, since this is 100% and bank is there you get good interest and everything. So you might depute 1%, 2% separately for gold purpose and you can manage accordingly. That is my request.

Murali M. Natrajan: Yes, absolutely. And we may not have to specifically dedicate, we may just have to change the scorecard appropriately.

I am sorry, I took a lot of time. It is almost two hours that I have been talking and you have been listening. Thank you very much. I look forward to engaging with you again next quarter. Thank you.

Moderator: Thank you very much. On behalf of DCB Bank Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.