



**Tamilnad Mercantile Bank Limited
Q3 - FY 2022-23 Earnings Conference Call**

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Mr. D. Inbamani, General Manager
Mr. P. Suriaraj, General Manager
Mr. D. Ramesh, General Manager
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Mr. S. Narayanan, General Manager
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Moderator: Ladies and gentlemen, Good day and welcome to Tamilnad Mercantile Bank Limited Q3 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. S. Krishnan – Managing Director and CEO, Tamilnad Mercantile Bank Limited. Thank you and over to you, Sir.

S. Krishnan: Thank you. A very good evening to my friends who are on the concall. At the outset, it gives me immense pleasure to share with you the results of the bank for the Q3, which was adopted earlier today and the presentations are available on the website of the bank and also uploaded on the stock exchanges, but nevertheless I will just quickly take you through some of the key parameters. I am sure that everyone might have made an analysis of that and I will be more interested to have an interaction with you, but still I will take few of the points for the calculation of all my friends present here.

When I talk of any company normally I look at how the shareholders’ value can be enhanced that is what it is ultimately. So, if you look into it, the bank has done extremely well on enhancing the shareholders’ value, be it the net worth, be it the book value per share, earnings per share, return on asset which is true, which is one of the good in the industry, ROE and the bank CET1 reached at 32.85%.

As I said ROE is at 17.14 which is again a good return and every one of you know that the bank came out with an IPO in the last quarter in the mid of September we got our shares listed in both the stock exchanges and subsequent to that there is an increase in shares and share capital increased by about ₹15 crore and the rest towards the share premium the bank came out with face value of 510 per share.

Now coming back to the performance highlights of the bank for the Q3, the CASA has grown by about 10%. The advances have grown by about 9%, with deposits the growth is 3% I will touch upon little later. The gross NPA has been considerably brought down from what it was a year back by about

40% and sequential quarter the gross NPA is maintained at 1.7%, the slippages have been contained to a great extent. The net NPA has been further brought down to 0.75% as on 31st of December. Consequently, the provision coverage ratio has also gone up to nearly around 90%.

Above all, the net profit has gone up by about 38% year-on-year during the Q3, the net profit is ₹280 crore against ₹202 crore a year back. The other interesting thing is NIM, NIM is at 4.5 for the period ended December 22 on an annualized basis. The other parameters which normally one looks in the banking industry is about asset quality, the slippage ratio as I was telling that we could contain the slippage and maintain gross NPA at 1.7. The slippage ratio for the quarter ended December is just at 0.19%. The gross NPA is 1.7, net NPA at 0.75, the PCR has gone up to around 90% (89.83) in nutshell.

The credit cost which is another important efficiency parameter which will be looked into in the banking industry. The credit cost on an annualized basis for the period ended December 22 comes to 0.32% and I would like to recollect what the guidance I gave last time when I was discussing with you, was it will be around 0.5 to 0.75 or so. So, we are able to contain 18.32. The cost of funds is almost static. The cost-to-income ratio has been brought down to 41.93 from 43.16 a year back and the cost of deposits have been maintained at the same level of 4.59.

Having said this, I will also touch upon the asset quality though I was telling about the NPA as on 31st of December. Let me give you a flavor of how it has moved over the period, over the period it has come down substantially and the other area is SMA, SMA is one which is another parameter interesting to note and the total SMA of the bank has come down to 8.41% and this has come down from 12.42% a quarter back and it was 10.18 a year back. Now, within the SMA, if I look into the SMA-2 which is more vulnerable, the percentage is only 2.26 which has come down from 2.82. If I look into the SMA-2 as at the end of the previous quarter which works out to 985 crore and slippage during the current quarter is only 66 crores, indicating that we are able to contain the slippages to a greater extent. The stressed assets ratio has also been brought down to 3.97 from 5.97 a year back.

Now, I will come to a top line of the deposits when I was talking, I told that the deposits though the CASA has increased the deposit was growing at 3.34. Let me give further flavor on that. While the savings has increased year-on-year by about 9.45%, the current account has increased by around 12% more accurately around 11.82% and thus the overall CASA has increased by 10.15%. However, the overall deposit growth is only 3.34 which indicates that my term deposits growth is not matched. This is a conscious one that we are cost conscious, we were focusing on increasing the CASA, the CASA growth has come. Though the CASA per se, in absolute numbers if we look into maybe slightly less than the previous quarter, but year-on-year we could show a growth of around 10% in CASA and the term deposit when the demand is there, definitely we thought we will increase the price with a cost concern very recently about a week or 10 days back ALCO of bank met and we have revised the rate of interest hopefully that we will be able to have more deposits percent.

As far as the advances is concerned it has grown by about 8.77%, but again let me tell that the bank continues to focus on the RAM segment. RAM segment is one which is more diversified, there is no concentration risk. If I look into the mix of the bank, on the advances portfolio, the RAM constitutes 89% and the corporate is just 11% which again an increase of about 200 bps over the previous quarter, as far as the RAM is concerned.

When I look into the growth in each segment within the RAM, the retail has grown by about 16% year-on-year, the agriculture has grown by about 13% and the MSME has grown around 7% and thus the overall RAM has grown by about 11.3%. So, the focus of the bank, the strategy of the bank to grow more in RAM, has resulted with these numbers that we have been able to show a reasonable growth in this.

Going forward, we will be concentrating on that, does not mean I am closing the roads of the corporates. The corporate would be selective so that the good corporate comes up with a good rating and according to our policy we will be definitely taking up. As far as the restructured advances are concerned, I have a restructured total book of around 896 crores of which 790 crore is the standard and 91 crore is the NPAs. There are no concerns on this, much of

concerns on this then of course I was last time telling that we have been permitted for expanding our footprint and I am glad to tell that though the permission came within that we have open two branches and we have plans of opening around 25 branches before the end of this fiscal that is what we plan.

The digitalization, lot of product processes are in the pipeline, some of them we may be able to roll out quickly, some of them maybe in the beginning of the next fiscal that is how it is. More particularly, I will be rolling out the Tab banking where I can on-board a new customer by opening the account through the Tab banking there are people who want to be our customer they need not take the pains of visiting the branch. My relationship manager will be going there and completing all the process. It is almost in advance stage today I just received the IS audit report certificate clearance and I will be rolling out that very shortly.

Besides that, the bank has also entered into strategic alliances during this quarter with insurance companies namely Bajaj Allianz, Kotak, Chola and Max Life. Hope that these strategic alliances will also 1) Provide better and more products to my customers who can utilize the same. 2) It will also bring me more non-interest income. So, going forward with the strength the bank continues to show a strong bottom line with good growth. We will continue to do that. I will stop here for the DBT and we will be ready to interact with you. Along with me I have my CFO, Mr. P.A.Krishnan. So, we are ready to discuss it with you now over to you.

Moderator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Sandeep Joshi from Unifi Capital. Kindly proceed.

Sandeep Joshi: My question is on the corporate book sir we have actually seen a decline of almost 20% sequential on the corporate books, can you just explain what led to this decline in this quarter?

S. Krishnan: Basically, this quarter it is not that specific one. In fact last quarter we had some advances which was matured on the due date, that has been paid otherwise not this one. As I said we will be taking a good corporate credit as and when we get a good one.

Sandeep Joshi: I think I just missed you in between so you mentioned that few of the corporates have got matured and going ahead, you want to actually focus upon good quality of corporates, is that a fair understanding what you were trying to communicate?

S. Krishnan: Yeah it is a fair understanding this is in the normal course the loan got matured and it was closed and the first one, we will be taking any good corporates. We are with open mind we will be taking up as I was giving in my initial brief that the bank will continue to focus on the RAM segment, but at the same time corporate will be picking up good quality corporates.

Sandeep Joshi: Basically actually you are not comfortable with the corporates who got matured?

S. Krishnan: No, we were comfortable. If there is a need definitely. We were very comfortable with the corporates and as and when required that corporate will be taking from us only.

Sandeep Joshi: The thing is that the delay in corporate is actually taking down your overall credit growth, so if you look at the sequential number on overall basis it was just a flattish growth on a sequential basis, so that kind of been slightly disappointing compared to where the industry is currently running at. It is almost running at 15% and we are just half of it and there is almost no sequential growth, so going ahead I mean sequentially what are the growth areas in which you want to grow because even if I see your MSME book even that has not grown if you compared even on a YTD basis, so basically that is your target segment which is almost 37% of book, so I just want to understand which are the focus areas in which you want to grow and what kind of loan growth you are targeting for financial year 23 and 24?

S. Krishnan: See I will be focusing as I said on the RAM segment when you look into growth in my RAM segment, it is overall around 11%. As you pointed out the MSME growth is not very high when I compare with growth what I have in the retail or agriculture which is about 15%, 16% or 13% this is 7% and you know that the bank is predominantly in the southern part and as far as MSME's are concerned, most of the MSME are picking up in their ones. So, we are with them and our focus will be on increasing the MSME going for-

ward. The guidance for 23-24 will be we may be around 12% growth in the overall advances book.

Sandeep Joshi: And sir for financial year 23?

S. Krishnan: Financial year 23 I may be around 10% overall.

Sandeep Joshi: My next question is actually on the margins sir last quarter we had guided that we were actually yet to take a call whether to pass on rate hikes in the interest rates. We mentioned that we will decide later in one of our meetings in this quarter. I am not witnessing any improvement in yield, so have you passed on any yields or are we planning to pass on anything to the customers?

S. Krishnan: Let me tell that we have passed on some of the rate increase. It is not that we have not done. We have passed on. Of course, as I was telling last time also, as far as the repo passing on is concerned, there is a time lag of around 3 months that is how it is, but we have passed on some of them, but we have also rejigged within the RAM segment some of the portfolio like we are focusing more on the gold and jewel loans or the home loan, where which was more secured where the delinquency is much less and naturally the yield will be less in that, that is how when I go for rejigging within the RAM segments, some of the products the yield on advances have come down sequentially I think it has come down by about 3 bps not much.

Sandeep Joshi: Sir earlier you used to guide margins in the range of 4% to 4.25% I mean in the first 9 months we are already running at around 4.5%, so do you want to revise our guidance on margins or do we stick to our old guidance?

S. Krishnan: Last time also I said having a NIM of 4.5 or 4.47 what I had last quarter is real challenge maintaining that is a real challenge. However, even Q3 we were able to face the challenge and we have slightly improved also, but again I maintain that, maintaining the 4.5 is difficult. Definitely the NIM will be 4 plus that is what I say, on a conservative basis, but we will be striving hard to see that we are able to maintain.

- Sandeep Joshi:** So as and when the book starts growing I mean a loan (CASA) growth may not be only when PD start increasing your margins will revert back to those 4.2, 4.3 levels?
- S. Krishnan:** Yes.
- Sandeep Joshi:** Sir my next question is actually on the OPEX so if you look at the other OPEX that has actually increased in the single quarter from almost 116 crores to 138 crores, what led to that increase?
- S. Krishnan:** I will ask the department to give you the breakup. The instructor will coordinate and will give you the details.
- Sandeep Joshi:** Sir the next question is on the normalized kind of return ratios which you are targeting, do we have any target for return ratio in terms of ROA and ROE for financial year 24?
- S. Krishnan:** See today I have a ROA of 2 as on December that is what I have and what guidance we gave was when earlier we gave the guidance that we will be around definitely maintain about 1.5 and we have demonstrated that much above that and so it will be hovering around this say 1.75 to little above that, that is how it will be.
- Sandeep Joshi:** About 1.75?
- S. Krishnan:** Yes.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from Ajkon Global.
- Ashok Ajmera:** Sir my question is also based on now from here where. Because being too much conservative also and only looking for the RAM growth also will hit our profitability in future because we will not be able to reach the level at which the bank should go after having performed so very well, so number one is that what is stopping us in taking a plunge into the entire I mean whatever the industry is feeling like SME loans, some of the corporate, good loan account, some onward lending through NBFCs I mean this kind of conserva-

tive policy has been fixed by the board or you do not want to go very aggressively on this front?

S. Krishnan:

It is neither Mr. Ashok you know what is stopping me, but at the same time, the bank has been focusing on the RAM and that is basically you will see of the bank that is the strength where we have and having said that, there are lot of total transformation is going on where definitely as you suggest, that we will be here with open mind both myself and also the board are open and we will be taking up good exposures and we will be taking up the exposures which we understand, which is commensurate to our size, like that we have been discussing. In fact today also we had a discussion and the board is very open and I am also in line, that we are for taking up good exposure. As you rightly observed, we have to look into other avenues, we will be looking into other avenues. Hopefully that in the days to come it will demonstrate better than talking.

Ashok Ajmera:

Because I feel that our base being small, we can look at some of the bank, we can observe there like especially I would give you example of Bank of Maharashtra that was also very comparatively smaller bank and then the way they have picked up and as solidly picked up, it is not that they have taken any major risk or anything?

S. Krishnan:

Not at all.

Ashok Ajmera:

And there was a time when the growth was 26% now has tapered down to 22.5%, but still doing well, so if you can put up a team to work out on that you are the strong bank as of today even though the numbers may be less as per your size whatever, but there is an inherent strength in the bank today, your NIM is more than 4.4, 4.5 instead of lower no one can compare with that, so that kind of strongness you already have, so you can now prepare a roadmap for the bank to taking it to the next level?

S. Krishnan:

That is the reason Mr. Ashok I was telling when I was talking earlier to the earlier gentlemen also, that maintaining the NIM of 4.5 will be challenge when I go further. So, we have already reached that and nothing wrong in slightly coming down from 4.5 the increase in the numbers.

Ashok Ajmera: Yes there is nothing wrong as long as you see most of the other peer banks even a bank like Canara Bank is less than 3 if you talk about bigger banks and some of the other good banks also 3.5, 3.6, 3.7, but provided you grow also faster, which will ultimately increase your bottom line and which will help the shareholders creating the value for them. Second is sir on the technology and recovery front. I may not have actually heard because there was other bank also so I was not present here when you were giving initial remarks.

S. Krishnan: I will just tell on the technology front I was telling that we have taken lot of projects on digitalization. One such is TAB banking where I will be able to on board a new customer seamlessly, we will be rolling out very shortly just save the IS Audit clearance, when I was sitting on the board today, it has come. So, I will be rolling that out, very shortly this will enable me to onboard the customer very quickly, seamlessly at a very, very low cost. Today, on boarding a customer with the brick and mortar is very costly through this I will be saving a lot of cost which will ultimately help me, to acquire more customers, customers will have a good experience on becoming the customer of the bank and second, is that my cost will bring down. Similarly, I am also embarking upon lot of digitalization of the processes, particularly on digital lending end-to-end where work is in process, while some of the digital products will be completed before end of fiscal, some maybe spill over to the next quarter. There is the second phase of my mobile banking with additional features and services to my customers which will be rolled out again very shortly that is also ready for rolling over the UAT and other things were completed which we will be doing that. We are also going to have a total facelift for my internet site, where the customers experience will be very good, they will have a good experience and feel, while they come to my website. So, that work is also in the advanced stage which again may be rolled out before the end of this fiscal. So, both on liability side and asset side and also the other services where digitalization is in full swing that is as far as the IT is concerned. As far as the recovery is concerned, the recovery is in fact fully geared up I should say we can see from the numbers that I could contain the slippage. My slippage ratio if you look into is one of the lowest and the recovery of NPA also if you look into, we are able to make good recovery. The overall stressed assets if you look into, even the SMA, SMA has been

brought down considerably to 8.41% and out of that, the SMA-2 is just 2.26%. So, this 8.41 was a year back at 10.18 and sequential quarter it was 12.42. All this reflects the enhanced recovery efficiency, collection efficiency that is what as far as the recovery is concerned.

Ashok Ajmera: So many things are happening I think I am not exactly aware of your portfolio, but in this coming quarter like the January-March quarter, do you expect some extraordinary amount of recovery from some of these resolutions, some of this NCLT or some of the OTS?

S. Krishnan: I do not have much of that which you say even this quarter some of the banks in the beginning they got some, but I do not have such expectation.

Ashok Ajmera: That is one way good also, because they became best you were not affected?

S Krishnan: It is good.

Moderator: Thank you. The next question is from the line of Kunal Sukhwani from Invest Group. Kindly proceed.

Kunal Sukhwani: My question is on the SMA bit only sir. We have done very good work bringing that number from 13.7 to around 8.4, but is there any guidance wherein we want to bring the number down to where we will be comfortable because 8.4 is fairly comparatively higher compared to other banks that would be my first question?

S Krishnan: Your voice is not very clear can you repeat which parameter you are referring?

Moderator: Seems like the participant's line got disconnected. We are moving on to the next question is from the line of Sandeep Joshi from Unifi Capital. Kindly proceed.

Sandeep Joshi: Sir my question was again on the corporate book. This quarter we have witnessed some mature in the corporate book, are there accounts who are heading towards maturity if yes what is the quantum?

S Krishnan: Not big.

Sandeep Joshi: Secondly just a data keeping question what was the impact on margins from our IPO proceeds?

S Krishnan: See I am not able to clearly understand that your voice is also not very clear.

Sandeep Joshi: Just a policy related question, do we have a policy wherein your variable pay is actually linked to amount of a new business senior management or a middle level employee or employees are getting, do we have a policy in place for this?

S Krishnan: We have just started that for the employees down the line, for this and the new recruits are being linked to that. The existing employees are governed by the industry level settlement and the new recruits which we have recruited about a year or two back for this we have brought in the variable pay, linking it to the businesses. We are also working for bringing the others into that.

Sandeep Joshi: As of now, what proportion of your employees are actually linked to this variable pay?

S Krishnan: Very less.

Sandeep Joshi: And this variable pay is this a fixed variable pay or this will be completely based on the new business they will get?

S Krishnan: I missed it completely what is your question.

Sandeep Joshi: Sir I am asking the variable pay, is the variable pay fixed in terms of 8% or 10% or is it completely dependent upon the new business they are getting?

S Krishnan: No, a portion of that, a percentage of the total pay is linked to a variable.

Sandeep Joshi: And this is across senior management, middle level management and employees?

S Krishnan: Yes.

Sandeep Joshi: Sir, what mandate we have got from the board in terms of loan growth, is it same in the range of 10% to 12% for this and next financial year or this is just the base case assumption?

- S Krishnan:** No, it is almost on the same line.
- Moderator:** Thank you. The next question is from the line of Kunal Sukhwani from Indvest Group. Kindly proceed.
- Kunal Sukhwani:** My question was on SMA. As in we have done very good work to reduce the SMA from 13.7 to 8.4, but it is still higher compared to other banks, so any kind of guidance where we want to bring this SMA number down to from 8.4 and where we will be comfortable at that is my first question?
- S Krishnan:** See one observation that this number 8.41 though has been brought down compared to other banks it is still higher. I will only say that my book mix if you look into I have a RAM of 89%. Normally the SMAs will be high in that, but in spite of that though I have 89% of my book as RAM, I could bring down to 8.41 and even within the SMA the SMA-2 is 2.26 and even within the SMA-2, what is the slippage against 985 crore of SMA-2 as on the previous quarter and my slippage during the quarter is only 66 crores all this apart, where I will be able to ideally I may be able to bring down around 8 in the near term.
- Kunal Sukhwani:** Sir my next question on our MSME book so basically I wanted to get some color on the book how is it in terms of manufacturing or service or can you give us some industry exposure wherein our MSME book has more exposure towards which industry?
- S Krishnan:** I can give those details I will ask my people to be in touch with you and give those industry wise exposure where do I have more exposures and I have all the service I also have on the manufacturing. So, I will ask my people to send you the details.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Kindly proceed.
- Saket Kapoor:** Firstly when we look at your NIM and the ROI what are the sustainable numbers going ahead with the type of expansion we are contemplating in terms of the credit growth advances, what is the sustainable number that we can pursue in for say two to three years down the line?

S Krishnan: NIM and ROA you are asking. As far as ROA is concerned, today I am at 2 I was telling that going forward I will be able to maintain may be 1.75 to 2 or 2.25 that is the range at which we will be expecting to do that. The NIM will continue to be at this stage, with improvement if you look at into the NIM today NIM has gone up substantially. So, we will be able to maintain this type of NIM in the years to come. The NIM there will be a little challenge when I say the NIM I should also honestly admit that there will be a challenge on the NIM maintaining the NIM of 4.5 will be a little difficult when I will grow further which I have explained to the other participants who were asking the question I said that my NIM will be above 4 plus that will be the same variance which I see last quarter same thing I said that it will be difficult so therefore we have been able to not only maintain marginally increase that also. So, we will be able to do that.

Saket Kapoor: Sir if you could give some more granular understanding I mean taking into account the size of the business the bank is conducting and its geographical presence mainly I think more concentrating in the Southern part how are this 4% NIM I think so these are the best industry averages absolute numbers may look different because of the size of the bank, but if we go for any comparison, 4% NIMs are we are not an NBFC or like that where we can command and you can guide for 4% even going ahead.

S Krishnan: Absolutely right that is what I said that 4.5 maintaining will be a challenge, but anyhow we will be definitely above 4 when I grow. Now what I plan is that though today I am predominantly at Tamil Nadu I also have plans of expanding my wings and I was just giving in my one earlier that I will be opening more branches very shortly we have my first footprint in the North Eastern part of the country likewise the other states also I will be expanding. So, maintaining this 4.5 will be a little challenge. However, the efforts will be made to offset whatever it is or by way of mobilizing more CASA, bringing down my cost of deposits, thereby I will be able to do and hope that I have that NIM of above 4 that should be a good number.

Saket Kapoor: So that is what you are appraising us for going ahead. Sir if we take the increased cost of funds because of this repo rate increase gradual increase by

RBI, so what percentage of our loans are repriced and are around floating rate and how what percentage are on fixed basis if you could provide us?

S Krishnan: Okay if you talk of fixed rate and floating rate, most of my loans are under floating rate, but again within the floating rate, I can divide into two categories. One is linked to the MCLR, one is linked to the repo rate. Now the repo rate, the passing on, we have a lag of around 3 months, so that is how it operates and again you are telling that we are not a NBFC maintaining this NIM, the market conditions will also be looked into and that is how in fact we revised passed on some of the increase and some we absorbed. So, around 40% of my loan book should be linked to the repo rate.

Saket Kapoor: Sir when I look at your presentation firstly it is a very elaborate and lot of work has gone into it thank you for the team for giving such a vivid presentation sir. When we look at your PCR ratio currently closure to 90%, what does this indicates to us when there is only strong possibility of now getting these NPAs are even going to be lower going ahead since we are at closer to 90% what does this number signifies for us?

S Krishnan: This number signifies what is the amount of cushion that I have to fall upon against my NPA whatever is there I have around 90% as the provision. So, in case of any shock this is a good shock absorber it clearly indicates that the bank will be able to do. Now, your another question is going forward how it will be I have to only explain that, going forward with these provisions, the overall balance sheet will be strong and the way we are able to have efficiency in the recovery and containing the slippages, I do not foresee much of increase in the NPAs and these provisions will be helping a lot. For your information in fact during this current quarter we front loaded some of the provisions, which has also gone a long way in increasing this provision coverage ratio and also bringing down the net NPA. Ultimately, these are the strong points of the balance sheet where the bank is now.

Saket Kapoor: Couple of two, three points once again sir then we are a very well-funded organization and going ahead we are not looking for raising any capital or because of now our footprint increasing, what is our capital raising program if any, going ahead?

S Krishnan: No, we do not have plans of raising any capital in the near future. Because, if you look into my capital adequacy, the capital adequacy is much above what is required. It is more than 24%, of which around 22% plus itself is CET1. So, I am well capitalized and I have to tell that very recently we came out with IPO and raised the funds, procured somewhere around 810 crores. I will not be requiring the capital in the near future.

Saket Kapoor: Just to pose a point for the IPO when we priced our IPO at around 510, 515 level how did we come to that number taking into account I think our book value is around 430. So going ahead how should investors value the type of business where we are specialized going ahead, how should market price in the valuation because I think so the interest there is a lot of interest in the banking sector as a whole, but when we look at TMB as a beginner, if I can say in the listing space, there is lot of steps needed to create that awareness going ahead in the investing fraternity?

S Krishnan: Thank you in fact answer for this I was expecting from you being an analyst. You are specialized in that, but still if we tell that these are market driven how the price was fixed based on the market conditions just in time and going forward, the market will be definitely realizing the performance as you said and I expect more PB ratio for my stock.

Saket Kapoor: My suggestion was sir if we could have going ahead if we could engage an IR team so that the estimation of information or your interaction with the investing community, that would have provided suffice more further interaction, not keeping everything closer keeping it with the banking people, engaging the right set of people will create the right output and create value creation going ahead?

S Krishnan: I fully recognize what you said we will be definitely engaging our self and I myself plan to come to Mumbai and meet you all at regular intervals hope to meet you soon.

Saket Kapoor: I was looking for particularly IR team if you engage?

S Krishnan: I will be engaging them.

Saket Kapoor: Coming to the CASA part when I look at your presentation we have seen a degrowth I can say you can correct me there in your CASA what is going to be the trajectory going ahead?

S Krishnan: Degrowth in sequential quarter you might have seen a marginal degrowth. I will not say much for your bank of the size it is a marginal degrowth of say 100 crores or something it is not a very big one, but if you look year-on-year the year-on-year the CASA has grown by about 10% while the current alone has grown around 12%. So, this is a temporary phenomena what has happened maybe a small degrowth as on 31st of December. I expect that my CASA will be definitely growing at the same pace of more than 10% on year-on-year basis. We have given lot of thrust, we have taken lot of initiatives on the digital front to enable the customers to have a ease of banking with us, which will definitely by acquiring new customers and also we are enhancing our CRM, customer relationship management module, which will also enable me to have more engagement with the customer, which will ultimately bring more CASA. So going forward I expect a good growth.

Saket Kapoor: What we are observing in the new age bank or the technologically driven banking system is the engagement with Fintech companies where the acquisition of liability franchise is also cost effective and you can easily generate more business, so what are the type of technological advancement or engagement with Fintech company the bank is looking to grow its business going ahead?

S Krishnan: We also have engagement with the Fintechs rather in the recent times we have been having a lot of dialogues with many Fintechs. As I said the additional products for customer acquisition earlier also someone was asking I said that TAB banking which has been just cleared. I will be rolling out very shortly. The TAB banking is again has been developed with the help of people like this and my customer relationship manager will be at the door steps of the customer they did not take the pains of coming here or going there, through the TAB, in few minutes a regular account can be opened that is seamlessly. So, these types of things we are engaging with the Fintech. We also have plans of utilizing the corporate BCs who have been trained and the

process is going on with latest technology, which will enable me for taking lot of new businesses both on a liability and also the lead on the asset side.

Saket Kapoor: Lastly sir what are the key verticals where we are still not adequately present and new initiatives would be taken by the bank to have its presence in those avenues where are we working wherein we can improve our presence and thereby the business profile going ahead?

S Krishnan: No, if you ask a vertical in fact I am present, but where I am focusing today on the vertical is on the digitalization of various products and services and also the process. In fact, I am working on end-to-end digital lending, which will enable me to enhance to get more business. So, all the digitalization is the focus for me. I was telling someone that, the aim is that the bank should be made as a most preferred digital bank.

Saket Kapoor: In continuation to that how are you making use of technology in early warning system EWS or artificial intelligence that will help you detect the stress in the system at a faster?

S Krishnan: When I said digitalization of the products and services which also includes today I have early warning system which is able to throw the alerts to me and the enhancement that's what I said, a whole lot of digital transformation has been embarked upon on different areas, on the different products, processes and services. When I say processes that includes various processes like EWS which is very important. We are also discussing on deploying AI maybe it will take little more time for us to come to that stage.

Saket Kapoor: Sir when I look at the line-item interest on balance with Reserve Bank and the interest received. That has gone down if we compare on a year-on-year basis from 21 crore to 5.25 crore, so what explains this number and also the employee cost year-on-year is down. So for the year as a whole what should be presented in as the employee cost?

S Krishnan: No, as far as the employee cost is concerned it might have gone down because you know that the actual valuation based on duration, based on the investments what we have, when we get as a thumb rule, when we have a adverse M2M in the securities book, the position for my employees benefit will

be a beneficial one that is a thumb rule. So, accordingly the requirements based on the actual requirements whatever is required has been done, might have come down in that, that is the reason why employee cost come down rather I have provided something envisaging the revision in the wages though nothing has started, but I have started providing for that, that is how it is. As far as the interest on the RBI is concerned I will request CFO to give details.

P.A. Krishnan: Earlier we were keeping some amount on repo and call. Now it is deployed in the investment. So, the interest on investment has come up so it is neutralized there.

Saket Kapoor: Sir I did not get you come again.

P.A. Krishnan: Interest on investment it has gone up.

Saket Kapoor: Income on investment has gone up.

P.A. Krishnan: Interest income on investment.

S. Krishnan: That is basically mentioned as income on investment it is interest income on investment.

Saket Kapoor: Clubbing part is different the income has been clubbed under income on investment.

P. A. Krishnan: Yes correct.

Saket Kapoor: On a concluding part if you could give us some understanding what kind of growth are we envisaging for a bank in the coming two years if you could give an outline to us?

S. Krishnan: Coming two years I will give, but immediate one in short and medium term I can say that my guidance will be growth of loan book by about 10% to 12%.

Saket Kapoor: Our advances will grow by 10%, 12%?

S. Krishnan: 12% yes.

Saket Kapoor: And the cost of deposit also will definitely be going up because of the rising interest rate?

S. Krishnan: I said about the advances as of the cost of deposit is concerned it will marginally go up, but may not be to a greater extent.

Moderator: Thank you. The next question is from the line of Ashok Ajmera from Ajkon Global. Kindly proceed.

Ashok Ajmera: Sir the points were very good. Our bank needs now after doing a good work a lot of visibility is required and you are being a limited bank now should look for a PAN India kind of a bank and my rather point of information or question how are we expanding our administrative and controlling disbursement recovery reach like even in Mumbai itself sir you do not have any kind of office in the main city either at Nariman Point or BKC somewhere the people can come and interact, you have a new Bombay even your own regional office which should be somewhere in the center of Mumbai city this is number one. Number two is other places also is there any plan like going to big way into PAN India that takes the bank to the next level?

S Krishnan: As far as your question I can break it into two or three parts. One is extending my network as far as expanding the network is concerned we very shortly will be opening a branch in the North Eastern part of the country and also something on the Eastern and spread across all the North West, that we will be expanding the branches. As far as administrative office was particularly Mumbai what you asked today Navi Mumbai is again I will not say upcoming it has already come up. So that is one of the important thing much of happenings are taking place rather people have shifted from Fort, Nariman Point to BKC maybe days to come they will be. Nevertheless in today date as you said about one-to-one meeting or anything we are enabling for the digital whereby I want to bring down the TAT and enhance more of the digital meetings with the customers where we can have. That is what I mostly want so that the place where we have offices is immaterial, but I will be able to interact with the customers the regional managers or whosoever it is will be able to interact with the customers and the paper should move digitally and should

be disposed off quickly that is how we are doing that. I hope that in the digital world that should not be a problem.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for closing comments.

S Krishnan: Thank you. I thank all the participants for having spared their time to interact with me and my officials. As I was telling you that I will be eagerly looking to meet you all also we will be having and definitely with all your support we will be able to again perform well in the quarters to come. Once again thank you very much for joining the call. Thank you.

Moderator: Thank you. On behalf of Tamilnad Mercantile Bank Limited that concludes this conference.