IndusInd Bank

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Moderator: Ladies and gentlemen good day and welcome to IndusInd Bank Q2 Analyst Conference Call. As a remainder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Romesh Sobti – Managing Director & CEO at IndusInd Bank. Thank you and over to you sir.

Romesh Sobti: Thank you. Good afternoon to you all. Thank you for joining us for this call. Let me spend just a few minutes on some of the macros and then we will come down to talking about results. I think our investor presentation is already been loaded on to our site. So you probably have all the numbers with you. But just quickly I think that this quarter was influenced by three major events which affected almost all markets. One of course was the devaluation of the Chinese currency and then of course series of bad news items coming out of China which roiled the markets and they have caused depreciation of emerging market currencies. The Rupee of course held up very nicely and probably is the least depreciated. If you take today's closing then I think Rupee is down only about 6% or 6.5% versus some other currencies like Australian Dollar which are down almost 29%-30%. So I think that is one major event which affected more the currency markets and then of course that probably led to the Fed not sort of raising rates as was envisaged. That also had a palliative effect all around and of course thirdly and most importantly for our markets was the RBI rate cut of half a percent and more importantly I think apart from the rate cut was sort of slight change in the policy stance and we now have a stated policy which is aimed and paved the way and path for strong recovery of consumption and an investment driven growth.

Of course, the macro picture is a mix of ups and downs. Inflation is sustainably down but it has a negative impact on credit growth; Huge savings on subsidies, but pressure because of lower disinvestment proceeds and things like that. So, the Rupee is weak but FDI is exceeding CAD. I think this is one of the major headlines that I think after the lapse of about 7 years we have seen FDI flows exceeding the Current Account Deficit for the first time. On the industry side, of course we have seen very strong growth on the M&HCV section in vehicles, but LCV is weak. Passenger cars are positive but two wheelers are flat. So it is a sort of a mix bag all around and there you do not see any consistency in the vectors that are coming out.

But apart from that I think it has been a very busy quarter as far as our regulatory news is concerned. So, we had the announcement of 21 new payment and small banks. RBI announced further initiatives to revitalize stressed assets through JLF empowerment of seven banks and the SDR. The reduction in risk weights for affordable housing and of course the announcement of two Domestic Systemically Important Banks. I think that is a very brief and of course the most important is the introduction of the discussion paper on the base rate computation linked to marginal rates was also announced around which there has been lot of debate. But it looks like that is going to become a fact of life sooner than later and I think banks will start moving towards that. I will talk about our stance on that subsequently.

As far as our performance is concerned I think the headline numbers are already with you. The highlights for the quarter for us that bank completed its capital raising via the QIP and Preferential which aggregated Rs 5100 crores in Q2 and as a consequence of this capital injection, Tier-1 CET is now nudging towards 16% and the total CRAR is about 16.5%.

The other important feature for us here was the migration of the RBS Diamonds portfolio, Rs 4,100 crores which was on-boarded in July, towards the end of July and which now gives us a leadership in another sector apart from Vehicle financing which is the Diamond sector. So that of course fueled the loan growth during the quarter which was 31% driven by the Diamonds portfolio. But even if you exclude the Diamonds portfolio, the growth in the loan book was 24% which is about consistent with what we have seen in previous quarters. The vehicle finance growth further accelerated with disbursement at nearly Rs 5000 crores which is 9% Q-on-Q and 41% Y-on-Y and the overall book is now nudging towards Rs 26,000 crores which is 6% Q-on-Q and 18% Y-on-Y. Within that of course the M&HCV sector showed a growth of 27% on the book and quarter-on-quarter of 8%. So I think the clear trending has now emerged on the vehicle financing sector and you will see that combined with the non-vehicle Retail book, the consumer finance book actually is up 23% and after a lapse of about 2 years we are seeing a growth rate back in the 20s for our Retail portfolio and that leads us to the other observation that the mix is changing. So if you take out the Diamond portfolio then now our Retail portfolio is 43% of the total loan book as compared to 42% and it was 41% in the quarter before that as well.

The other feature I think is which is not very well known and we have not talked about it so much is our microfinance portfolio. It has now crossed Rs 2,000 crores. I think we are getting entry into the micro-financing league now, we are larger than I think lot of microfinance companies.

Fueled by the capital and the change in the mix of our loan book, our NIM grew by 20 basis points during the quarter to 3.88% and I think the target of 4% is getting more and more in our sights. Just aside, I would say that actually the NIM grew by 25 basis points because last quarter if you would have noticed there was Rs 16-17 crores interest on income tax refund which was included in the interest income and if you were to normalize for that that is about 5 basis points, so actually we grew by about 25 basis points on our NIM.

CASA growth trajectory continues. CASA was up 26%. We added another Rs 1,000 crores on SA which continues to grow at the rate of above 30%. As a consequence of this, revenue growth is up 32% and quarter-on-quarter is up 8%. That is more significant and our fee income grew by 32% and quarter-on-quarter grew by 3%. As a consequence of which total revenue has grown by 32% and quarter-on-quarter growth of 8%. Interest income, NII grew by 31% and not surprisingly quarter-on-quarter by 12%. Therefore operating profit was up 39% and net profit was up 30%. I think the asset quality has remained stable. Gross NPAs actually have come down by 2 basis points to 77 basis points and net NPA has also come down by 2 basis points to 31 basis points. We will talk a little bit more about that.

The other highlight of course was a variety of initiatives being launched on the digital side. So, on-the-go banking, social media, Facebook, Twitter, Quick pay facility integration into some of the ecommerce platforms like Snapdeal etcetera, all those things we will talk about and if you are interested we can talk a little bit more about that.

Just a little bit more on the slippages because there will be questions around that. So, the overall credit cost came to 15 basis points for the quarter as against 13 basis points for last quarter and this of course includes 4 basis points which are the carry forward from the event that happened in March which was included in the last quarter as well. So if you see for the half year, I think we have a credit cost of about 27 odd basis points which is in line with what we have said that we would want to keep our credit cost for the full year below 60 basis points. On the corporate bank side, the slippages were about Rs 73 crores. This was one NPA, new NPA and there were two accounts which slipped from the restructured book, so that Rs 73 crores and of course there was a sale to ARC of about Rs 41 crores. But we recovered, our recoveries from ARCs was also at Rs 20 crores. So the net increase in the ARC book is only Rs 21 crores and the ARC book now stands at around Rs 229 crores. This is up by about Rs 21 crores. So slippages in the consumer side: slippages are down from 1.69% to 1.55% and the annualized credit cost is down from 69 to 63 basis points. So this is as per the trending we have said. We hope that this will finally rest at about 55 basis points before the year ends.

One of the features I think we would like to highlight is the increase in provisions. Because there was a major movement on the asset side, Rs 4,100 crores came from the Diamond portfolio and there was also accrual on the other Retail book for us the loan growth was about Rs 5,400 crores. As a consequence, the standard asset provision has gone up by about Rs 24 crores. So I think that is what really moved the needle on that basis. Other than that, we do not see many movements either on the industry exposure or on the rating distribution profile. Branches, if we were to see, number of branches have moved up. As you know, we paused a little bit on Q1. But in Q2 we have opened 43 branches. So we are now getting on track to move to our 1,000 branch target before the end of the year. There is a slide where you will see on the yield side and you will see a fall in the consumer yield from 15.74% to 15.38% which is essentially on account of the change in the mix of the loan book. Within the CV side we are seeing, the M&HCV side growing faster which is having low yield than say the 2 wheelers or the 3 wheeler side which are at a higher yield and other than that, of course the non-vehicle Retail side, also the book has grown Loan Against Property etc. which are at a lower yield. I think the other feature is the RWA to total assets which has grown from 79% to 82%. This was essentially a quarter end phenomenon due to a high quarter end funded and non- funded corporate exposure that grew, for instance non-funded grew pretty handsomely. Lot of the non-funded came from the PSU side. On the corporate, public sector units which are LCs and Guarantees for the PSU units. But the average loan balances were however far lower for the quarter. So if you see the average RWA, I think there is very little cause for further investigation on that. So I think that is the major headlines and we are now open to questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Mahrukh Adajania of IDFC. Please go ahead.

Mahrukh Adajania: Just a couple of questions in your Corporate Loan book breakdown. There has been a sharp increase from real estate and construction at EPC. So, any particular thing here or it is just general drawdowns?

Romesh Sobti: Mahrukh, the real estate exposure is about 2.2% or so and you will notice this has gone up from the last quarter. But we have always been in that 2%-2.5% or 2%-3% range. It is only last quarter that there were one or two accounts that moved from real estate to LRD because the project had been completed. So that was the only real movement.

Mahrukh Adajania: Okay and construction, that is infra?

Romesh Sobti: Construction what is it last quarter?

Mahrukh Adajania: Rs 9 billion and now it is Rs 14 billion.

Romesh Sobti: I think this percentage still remains the same. But there may be drawdowns of existing lines. So within construction, of course as you know, we cleaned out construction book over the last 2-3 years but we have some good names there. For instance we have Shapoorji Pallonji etcetera. So that was a drawdown that happened in this quarter. So that is the only movement that happened.

Sanjay Mallik: And it is only 1.78% of our book. So it has not really moved.

Mahrukh Adajania: On the Retail side, what are the disbursements picked up to? and are we moving ahead of the replacement demand thing, is any non-replacement demand as well, new demand coming in CVs?

S.V. Parthasarathy: Partha here. Very difficult to say Mahrukh, whether it is only on account of replacement demand that helped the market. SIAM figures have been released only couple of hours back and it is about 34% M&HCV had picked up from the previous year and we have done close to about double of that.

Mahrukh Adajania: So what would be your disbursements be for the quarter?

S.V. Parthasarathy: About Rs 5,000 crores for quarter and Rs 9,450 crores for the half year.

Moderator: Thank you. Our next question is from Amit Premchandani of UTI Mutual Funds. Please go ahead.

Amit Premchandani: Have you sold any Corporate Loans this quarter and what are plans for the year given high growth YTD and also how do you account for that in P&L in terms of standard asset provisioning and also any P&L upfront income from the booking?

Sanjay Mallik: So we have sold about Rs 500 crores in this quarter and if I rewind about three years, we had a situation where the Retail business was growing well into the 30s and therefore we had the opportunity to optimize the portfolio and we have sold in those times, 2-3 years ago as much as Rs 3,000 plus crores in a quarter. So, we sold Rs 500 this quarter and as far as the accounting is concerned it does not really change very much because it's all interest accrual basis. It has gone off the books. But the interest income and interest expense flows through the books. So it has the effect of slightly increasing the yield on assets and the yield on deposits.

Amit Premchandani: So it is not a complete sell down with recourse, without recourse because it is…

Romesh Sobti: It is a full sell down with risk participation. Therefore there is no capital that is used in our books and therefore there is no provisioning also like standard provisioning etcetera. So it just goes off the book, all we keep is a skim actually.

Sanjay Mallik: A small skim.

Sanjay Mallik: That is an accrual skim.

Sanjay Mallik: It is risk participation. So it just goes off our books and no capital is used for it without recourse.

Amit Premchandani: So the interest income is also booked, I mean interest expense that whatever you are paying off to the buyer is also booked?

Romesh Sobti: Correct. That is the differential we keep.

Amit Premchandani: In terms of the portfolio that you have bought, and how will you account for the premium? Will it be adjusted again reserves and surplus? What is the status on that?

Romesh Sobti: Which premium?

Amit Premchandani: In notes to accounts it has been mentioned that the portfolio that we have bought will have some premium element in terms of what you have paid to ABN or RBS. So will that be adjusted against the net worth? How will you account for that premium?

Sanjay Mallik: We have said that without going into any details, we have said that the business is accretive in year one itself. So in terms of ROA, in terms of Net Interest Margins, after all expenses it will be accretive in year one. So I think that should give you the answer.

Amit Premchandani: Sir my question was more in terms of will there be book value impact because if you adjusted against, if you pay a price…?

Sanjay Mallik: There is no impact at all.

Moderator: Thank you. Our next question is from Manish Karwa of Deutsche Bank. Please go ahead.

Manish Karwa: On the acquisition of the RBS portfolio what was the effective date of this acquisition?

Romesh Sobti: I think it was 24th of July.

Manish Karwa: So all the impact of that thing in terms of the P&L largely have been flown in this quarter also?

Romesh Sobti: Two months of the quarter.

Manish Karwa: Just to clarify on this, the whole Rs 4,100 crores is the commercial banking portfolio that we have bought, right?

Sanjay Mallik: Yes, correct.

Romesh Sobti: We had assets and some deposits as well, that is right. No borrowings. This is mostly sort of trade-related exposure. The exposure normally runs for about 90 days because it is all trade finance, pre-shipment and post-shipment and it is mostly a foreign currency exposure and also funded through foreign currency per se.

Manish Karwa: So do you mean to say the large part of this portfolio is a dollar exposure?

Romesh Sobti: Yes, in fact almost 90% is dollar exposure.

Manish Karwa: I just want to check what is our international book as in dollar book as of now, of the total Corporate Loans?

Sanjay Mallik: 25%. It was 20% earlier and now with the addition of this is about approximately 25%, it moves around.

Manish Karwa: Would you be able to share the margin that we make on the international portfolio?

Sanjay Mallik: We do not give that information.

Romesh Sobti: But it is margin accretive.

Manish Karwa: No, I am just asking the overall book, not for this portfolio but the overall international book what is the margin you may.

Romesh Sobti: I think that information cannot be disclosed.

Sanjay Mallik: Manish, it is not an international book in the sense it is a foreign currency lending book. We do not have overseas branches. So it is onshore foreign currency financing.

Moderator: Thank you. Our next question is from Anish Tawakley of Barclays. Please go ahead.

Anish Tawakley: I just wanted to understand the RWA growth. So if it was basically highly rated PSUs, I would have thought it would not have added much by way of RWA. Secondly, if I look at the ratings profile of your corporate exposures, it has not improved in terms of in fact, if anything the AA is lower than it was last quarter. So it is not showing the impact in terms of an improvement in rating profile either. So could you explain what the moving part sir?

Sanjay Mallik: Anish, there are three things. The three key movements are increase in the Corporate book towards the quarter end, number one. Number two, a little over Rs 6,000 crores of Guarantees and LCs are issued in the quarter and number three, there was a certain amount of CVA on the derivative book, and these were three key components that have added to the Risk Weighted Assets. As mentioned in the opening remarks that will normalize because there was a pickup at the end of the quarter and secondly I think this whole ratio of RWA to total assets is a little bit of a misnomer because we are not comparing apples-to-apples.

Anish Tawakley: I am not even looking at RWA to total assets. I am just looking at the ratings profile and I am looking at RWA growth. So RWA growth is 30%. The matrix that I would use is our revenue is growing in line with RWA, if I knock out the treasury income the RWA is growing faster than revenues.

Sanjay Mallik: As I mentioned there was a large increase at the end of the quarter, so the averages were substantially lower during the quarter. The risk consumption really happens based on the quarter end figure.

Romesh Sobti: And of course the other thing is rating profile, right?

Sanjay Mallik: Rating profile has not moved in any material way. What has been added to the rating profile this quarter is the entire Diamond portfolio. So some of the movements you are seeing is only very minor, it is linked to that.

Anish Tawakley: The second question I had was on cost – so the cost growth is about 24%, and if I look at Current Account growth that is a bit sluggish also it is lower than what even some of the mature banks are growing ahead, like 26%, the HDFC Bank's cost growth. The third thing is if I look at branch network, branch network you have added 250 branches over the last 1.5 years and you have to add 350 over the next 18 months. So would we expect a pickup in cost growth from here?

Romesh Sobti: See, I think our own sort of attempt is to keep the cost-to-income ratio flat because while we are going to add a lot more to the branches, a bulk of the new large sort of operating systems that we have invested in, that investment phases will be over this year. So we have done the core banking system in 2012, that is the run rate now, two large systems on treasury will be implemented now, so that also. So I think their investment on the IT side will therefore start sort waning and the investments on the branch side will continue apace. Therefore we expect that we keep this cost-to-income ratio stable at least for the next whatever 12-15 months and then I think has the ratio of the new branches to total branches, that ratio falls that means you have more depreciated portfolio of branches. Then you see the cost-to-income ratio actually starting to move down because our breakeven philosophy still remains the same and we are not seeing any movements in terms of branch breakeven. But we will have a higher depreciated portfolio of branch network. Therefore I think maybe in 12-15 months' time you will start seeing this moving downwards and clearly our ambition internally is that we should move into the early 40s.

Anish Tawakley: If I can squeeze in one another question, how much of the portfolio is now used vehicles?

S.V. Parthasarathy: Of the commercial vehicles, close to 16% is the used vehicles.

Anish Tawakley: And most of it is M&HCV, right?

S.V. Parthasarathy: Yes.

Anish Tawakley: So of the commercial vehicle are you talking 16% of M&HCV is used?

S.V. Parthasarathy: Correct.

Anish Tawakley: Okay, or 16% if I include the LCV?

S.V. Parthasarathy: No, LCV hardly we have anything in relation to used.

Moderator: Thank you. Our next question is from Adarsh P of Nomura. Please go ahead.

Adarsh P: This question is regarding funding for that Diamond book, I just wanted to check because earlier Diamond book would have been funded overseas by an international bank and now it will be funded on IndusInd' s balance sheet. Would that have changed your costing for that book and hence the margins for that book?

Romesh Sobti: Actually, this is not the information that we talked about earlier. The margin has actually improved because there was a transfer pricing, it was an ABN AMRO book but transfer priced on to RBS. So I think the costing that they were using was higher but that was all internal. But as far as we are concerned, we have used mix of borrowings which have actually given us a more decent spread than what they used to get on that book and as I said the margins actually are accretive to us, so obviously that means that the margins are higher than the margins we have on our rupee book.

Adarsh P: I am just trying to compare because earlier it was a global bank borrowing overseas market and now it is an Indian bank so just thought probably your cost of funds could have been a little higher and hence the margins lower now?

Romesh Sobti: No, actually the transfer price cost of funds that they had was higher than what we have.

Adarsh P: Okay, that was because ABN was probably making some margins there and hence?

Romesh Sobti: RBS was making some money.

Moderator: Thank you. Our next question is from Anand Laddha of HDFC Mutual Fund. Please go ahead.

Anand Laddha: Couple of questions from my side. If I look at your margin, adjusting for the capital raising, in fact the margin seems to have come down Q-o-Q basis. If you can explain that, also what could be the impact on margin, if you move to marginal cost of funding?

Romesh Sobti: So, as I explained in the opening remarks, if you really normalize the NIM, last quarter we had about 16 crores other income, which was on account of interest on income tax refund and if you normalize for that, the NIM has actually increased by 25 basis points. So we have accretion to NIM other than that caused by the capital inflow as well.

Anand Laddha: And say if you have to shift to marginal costing?

Romesh Sobti: Marginal costing, we were already on a sort of hybrid between marginal costing and the average costing that's one. Secondly, I think 70% of our book is really fixed. So if you combine these two vectors then the impact of any move that we make, is very marginal, maybe 4 basis points or so we have computed and when we announced our base rate cut which would happen very soon, then that base rate cut will take into account the marginal cost of funding as well. So whatever we do henceforth will be on marginal cost of funding.

Anand Laddha: And our MFI book you mentioned in call it is now Rs. 2000 crore if you can just explain which part of the book it has been booked into. Is it into a small corporate book or it is part of your Retail book?

Romesh Sobti: It is in the small corporate book. It is not in the Retail, MFI.

Anand Laddha: And sir lastly on the third party distribution income. What all elements does it include? It is just mutual fund, insurance, both life insurance and life insurance distribution fee or does it include something else also.

Sumant Kathpalia: It includes life insurance, it includes health, it includes channel insurance of motor vehicle, it includes mutual funds, and it includes cards income. So the cards income is also included into the same.

Anand Laddha: Is it fair to say, the card income is a major part of this income?

Sumant Kathpalia: I can give you the breakup if you want. So I think it is almost equal, the incomes. So to a large extent insurance is about 30% of that income, mutual fund is another 20%-25% of that income, card is another 20%-25%, and then the HDFC loans another 15% of that income.

Moderator: Thank you. Our next question is from Mahesh MB of Kotak Securities. Please go ahead.

Mahesh MB: Just a couple of questions, one is this gems and jewelry portfolio which is at about 7% of the book, where do see, is this a peak level that which you would want to keep the level or do you see this number heading downwards and actually go into the next couple of quarters. The second question is that I think it was asked earlier as well. You raised about Rs 4,000 crores on the loan side which is essentially dollar-denominated debt, whereas if you look at your balance sheet on the liability side, it has remained more or less constant on the rupee side. So just trying to understand there was no major change on the borrowing side deposits is what is driven the change. How did you fund this book? Was it done on the rupee side as well and did that lead to a margin compression and also on the same line item, how are you looking between borrowings and deposits to fund your business profile given that deposit rates are now lower than the borrowing rate at which you are probably doing today?

Romesh Sobti: Okay, let me answer that third one first. Borrowings, deposits, within borrowings refinance, foreign currency, we toggle between this searching for the lowest cost of funds. So if the deposit rates fall you will see us moving towards higher deposit raising. Foreign currency costs fell in the past few quarters, the hedging cost came down, and we have fully used this thing, we have moved a lot to foreign currency borrowing. When refinance rates fell, we raised lot more refinance during those quarters. So it is a mix between the two. So directionally it is that we go and search for the lowest cost and directionally of course I think the cost of deposit may fall probably in 6 months' time may be even lower than any of the funding and then you will see that our CD ratios will start falling because we will take less recourse to borrowings instead of deposits, so that is very dynamic thing, it is a very active management at the treasury level on what sources that we should be tapped and how much we should take from each of the sources and that is decided almost on a daily basis. Then as far as the Gem and Jewelry portfolio is concerned, I think directionally the industry is right now going through a dull sort of a phase but we are beginning to see it bottom out. The US market has picked up very nicely. Europe is still sort of little bit flat. The Indian markets now become the second largest market for diamonds and are doing well. But on the other hand, China which was a big market has actually fallen. But prices have now begun to stabilize, both on the roughs and the polished stone. So I think this portfolio is going to remain here for a while. We are not going to see it increase or we are not going to see it compressed but I think over the next 6-12 months or so, you can see slight increase on the accounts that we have.

Mahesh P: You bought that diamond financing book, which was essentially a dollar denominated balance sheet whereas your balance sheet does appear to have changed on the liability side. Just trying to understand was it funded through the rupee side or not. So just trying to understand why was there a kind of a change on the margin side on the corporate book?

Romesh Sobti: Yes, it was funded by the rupee side. So you swap rupee into dollar, we fund it that way.

Mahesh P: Okay. So when you are heading into the next quarter you indicating that you are going to cut the base rate as well. Should we see margin compression coming through in the next couple of quarters now?

Romesh Sobti: As I told you that, the base rate cut would be linked to new philosophy of marginal costing and because the impact on us is limited in the sense that 72% of our book is fixed rate. That includes the entire Retail book and also part of the corporate book where we have short term loans instead of base rate link loans. So 72% is fixed. So what it impacted it is really 28% of the book and therefore the impact on us is going to be minimal and personally I feel that that impact is going to be more than compensated by drop in the cost of deposits.

Moderator: Thank you. We will take the next question from Kajal Gandhi of ICICI Direct. Please go ahead.

Kajal Gandhi: Can you just throw light on the growth side of the book because the growth at normally 23%-24% which you believe will continue as against system which is not at all growing. So how do we assess that?

Romesh Sobti: Growth rate we saw one of course it was fueled by the Diamond portfolio that came in, that was the large chunk of the growth. Then of course we are seeing very strong growths on our vehicles financing Retail and non-vehicle financing Retail. So our vehicle financing Retail I think grew by year-on-year about 41% and our non-vehicle Retail grew by 46%. So we are seeing mostly the growth coming out of there. Year-on-year growth on the corporate side was 18% but there we also preferred to sell down. We sold down over Rs 500 crores, so that the book mix changing favorably in favor of the Retail book which is at a high yield.

Kajal Gandhi: Everybody is now moving towards Retail, but still the growth at this percent is difficult. When you say vehicle Retail, it is purely the normal car loan, kind of loans?

Romesh Sobti: We are not so big on cars but we are big on medium and heavy commercial vehicle sectors. We are big on the two wheeler sector which is very well-priced. Cars we are there but we are not a top three player on the car side and that is where most of the others are competing. So you see in retail, the intense competition in Retail is around mortgages which are very low priced and are on car loans. We do not do mortgages, we are not so big on car loans but we are big on two wheelers, tractors, construction equipment, small CVs, light CVs, utility vehicles, medium and heavy vehicles. We are in every one of those sectors and not all of them are showing the same growth, M&HCV is growing much faster for instance then the small CV or the light CVs. Cars are doing well. Two wheelers are flat but tractors are for us is a new business and that is growing nicely. So you got to see what each player has in their books, what are they really pitching for. We work across the whole spectrum of vehicles, plus we have the non-vehicle book which is spread over 7 or 8 products from gold loans to loan against properties to credit cards, to loan against shares and all that and that is what is really supporting our growth ambitions.

Kajal Gandhi: Then do you see any NPAs coming on the Retail side also in the future for you or for the industry?

Romesh Sobti: There is no business without NPAs. But the question is low NPAs or medium NPAs. So I think on vehicle we went through the test of fire over the last two years and you would have observed we came out better than industry, although there was lot of skepticism around that. So there are, during that intense down turn period our credit cost went up from 55 basis points to almost 80 basis points. We have now come down to 65 basis points and we expect them to come down to 55 basis points again. So there are NPAs but I think our NPAs are well below the industry levels especially in the vehicle finance.

Moderator: Thank you. We will take the last question from Hiren Dasani of Goldman Sachs. Please go ahead.

Hiren Dasani: Just one small clarification. Is there any countercyclical provision in the quarter?

Sanjay Mallik: No.

Hiren Dasani: On the fee income side I understand that there is some accounting policy change between fee income and OPEX as per the notes of the accounts largely to do with the sourcing related cost.

Romesh Sobti: Regrouping.

Hiren Dasani: Yes, would that impact come through the line of processing fees in the other income lines?

Sanjay Mallik: Yes, that is correct. But it has no impact on the profit. It is a regrouping.

Moderator: Thank you. Ladies and gentlemen, I now hand the floor back to Romesh Sobti for closing comments. Over to you, sir.

Romesh Sobti: Thank you very much for joining us. I think many of you will now interact on one on one basis and we look forward to that. Thank you once again.

Moderator: Thank you members of the management. Ladies and gentlemen on behalf of IndusInd Bank that concludes this conference. Thank you for joining us and you may now disconnect your lines.