



LAKSHMI VILAS BANK

Secretarial Department

CIN No. L65110TN1926PLC001377

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January 27, 2016

The General Manager Department of Corporate Services National Stock Exchange of India Exchange Plaza, C-1-Block G Bandra Kurla Complex, Bandra-E Mumbai - 400 051	The General Manager Department of Corporate Services BSE Limited Listing Department Phiroze Jeejeeboy Tower Dalal Street, Fort Mumbai - 400 001
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Dear Sir,

**Sub: Intimation of transcript of the meeting related to financial results with
Analysts held on 25.01.2016.**

In compliance of Regulation 30 (6) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, the transcript of the meeting held by the Bank with Analysts on 25.01.2016 relating to the Financial Results is enclosed.

Considering the time involved in preparing the transcript and yesterday being a holiday, the transcript is filed today.

This is for your information and records.

Thanking you,

Yours faithfully,

N Ramanathan
Company Secretary



Encl: As Above

LAKSHMI VILAS BANK LIMITED – Third quarter Ended December 31,2015

Conference Call Transcript

Event: LAKSHMI VILAS BANK LIMITED – Third Quarter Ended December 31,2015 Conference Call

Event Date/Time: January 25, 11.00AM

COPORATE PARTICIPANTS

Sri. PARTHASARATHI MUKHERJEE

Managing Director and Chief Executive Officer – Lakshmi Vilas Bank Limited

Sri. M. PALANIAPPAN

Chief Financial Officer – Lakshmi Vilas Bank Limited

CONFERENCE CALL PARTICIPANTS

Mr. Aalok Shah, M/s Centrum Broking

Mr. Rakesh Kumar, M/s Elara Capital

Mr. Sandeep Jain, M/s Sundaram Mutual Fund

Ms. Sneha Ganatra, M/s Shubhkam Ventures

Mr. Aalok Ramachandran, M/s Future Generali

Mr. Nishit Shah, M/s Ambiga Finance

Mr. M.B. Mahesh, M/s Kotak Securities

Mr. Anurag Mantri, M/s. Jefferies

Mr. Kaushal Patel, M/s. India Nivesh

Mr. Renish Patel, M/s. Antique Stock Broking

MD: Good morning to all. I joined this bank on Friday, on the date of announcement of results. The results are gratifying and to that extent it was a very good moment for me to come to this bank. This is the bank with very old heritage and I do look forward to working with the team here with my colleagues in the Bank as well as those on the Board to see how we can take this Bank forward into the next orbit. Now the focus is primarily on results and my colleague Sri.M.Palaniappan CFO will guide you through the numbers and I would be delighted to talk on some of the points that you would raise later.

Mr. M.Palaniappan, CFO:

Good morning to you all. You have seen the numbers for the quarter ended Dec15 which is quite satisfying. We have been able to show consistent growth in all parameters over the last 7 quarters. Asset quality has improved very consistently. Similarly, NII and profitability has shown improvement over the last seven quarters. Apart from YOY growth, sequential growth has been good. In this quarter, NII growth is strong, both 3m and 9M period ended Dec15 and has shown very good growth of 22%. Interest income growth is quite solid at 19.6%. Similarly, interest expenditure is kept under control. Other income growth for 9M period was 11%. The asset quality has improved over the last 7 quarters and gross NPA has come down to 1.82% and net NPA has come down to 0.80%. Apart from the percentages, the absolute numbers have been quite stable. Slippages were under control and only Rs.12 crore was the additions. To compensate it, cash recovery was Rs.8 crore and the up-gradation has been at Rs.4 crores. By and large, the figure was maintained at the same level. The gross NPA has come down to Rs.331 crore in Dec15 as compared to Rs 490 crore in Dec14. The net NPA, which was at Rs.175 crore in Sep15, has come down to Rs.144 crore in Dec15. For the first time in the history of the bank, the net NPA ratio fell below 1% level at 0.80%. Going forward, we will be able to sustain asset quality. By March16, the net NPA will be around 0.75% level. Cost to income ratio which was at 54.57% as at Dec14 has been come down to 54.29% in Dec15 and we expect to bring down to 51% by Mar16. Operating expenses was little higher as more number of branches have been opened. With the corresponding increase in other income in Q4, we expect to bring down the cost to income ratio. As far as branch network is concerned, we have added 33 branches in Q3. As of now, we have 439 branches. We will add another 22 branches in Q4. So, our Branch network is strong. On the provisioning part, this quarter provisioning is at same level as in Q2 except that of marked to market losses in Q3 which is at Rs.13 cr for investments. The PCR has been improved to 77% in Q3. This shows strong base of provisioning coverage in the Bank.

Now it is left to the forum for questions.

Mr. Nishit Shah:

Question: Bank has been doing very well over the several quarters. Can you outline how do you see the bank shaping over the next 3-5 years?

MD's reply: I joined on Friday. I am getting to know my colleagues and business in this bank. I have come with some thoughts. I am quite hopeful that considering the sort of network and the team here, I can put down my thoughts and can be worked upon. The bank has built brand equity over the period of time and this can be further build upon. We need to look at other channels that are opening out very fast in the banking system. Alternate channels are now very big. The Bank has embraced ATMs quite handsomely. We need to grow our retail base further and need to issue more debit cards. Further, card usage has to increase considerably. We are looking at Internet banking in a big way. Very soon, mobile banking offering is there to look at. My sense is that whole lot of alternate channels will further buttress the retail business of the bank.

Bank already has a base in corporate businesses, dealing with SME and others. Now, we will focus more on those customers and meeting the needs and aspirations of these customers. A lot of this will automatically propel the bank forward.

Question: Do you see that payment banks and small finance banks could pose challenges going forward?

Reply: Payment banks as well as small finance banks will redefine the way, the business will happen. My bank is a small bank at present moment and we are also going to be a competitor for many of them.

Mr. Aalok Ramachandran:

Question: Could you classify the restructuring portfolio in terms of industry-wise classification? Any slippage that you expect going ahead?

Reply by CFO: As far as the restructured portfolio is concerned, iron & steel and infrastructure remained at the top both at 20% each, metals and mineral at 8% and all remaining sectors constituted lesser percentage. As of now, there is no threat in the restructured portfolio. Though one or two accounts continues to remain under some sort of a stress, we don't see any threat on the performance side. There has been no slippage on the restructured assets so far.

Question: There is one restructured account in the metal sector per se and what is the percentage in relation to the total.

Reply by CFO: Yes, the account under stress is in metal sector and it would be 0.75% of the total restructured portfolio.

Ms.Sneha Ganatra:

Question: What is the strategy going forward down the line for 1-2 years when you look at in terms of the growth, branch expansion and cost-to-income. Could you guide on the asset quality down 2-3 years?

Reply by MD: Clearly the bank is already doing well and maintaining a very good asset quality. It will be my endeavor to keep up the momentum and to improve it further. Separately we do intend to look at how we can broad base our lending book and do more of retail business, that is doing so well across the system and the bank has immense comfort in dealing with its clients. It has built substantial brand equity over the years with its clientele. Now we wish to increase products for customers i.e. products sold per customer substantially. It will be the stepping stone to further broad basing the banks' business across products. We do recognize our CASA ratio is some-what low. Clearly that will be an area of focus for us and we do hope that over a period of time there will be a significant improvement in CASA. My colleague did mention that Cost to income ratio is high and he has partly explained that too. It would be our endeavor to bring down to market standards on the cost to income ratio definitely.

Question: What is the cost to income ratio strategy and how do you plan to bring it down, either by getting support from the cost side or income side or on the branch expansion front, etc., down the next 2-3 years?

Reply by MD: These are early days for me to pronounce judgment on how we have done in the past. There will be savings all around. Clearly we will be working on rationalizing the cost to the extent possible and we need to do a lot of work on improving the revenues more particularly boosting fee based income. It will be a combination of various factors which will help me to head towards more manageable cost to income ratio.

Question: Can we expect 20 – 30 bps reduction every year in cost to income ratio or will it be at 50% level?

Reply by CFO: All I can assure you is that you will see some very welcome changes.

Question: Anything on the 5/25 restructuring you have done for the quarter?

Reply by CFO: One account we have done in the steel sector for about Rs.36 crore.

Question: Anything accounted for 150 accounts of the RBI talk that is going on in this 150 corporate accounts.

Reply by CFO: No. As far as our bank is concerned, nothing has been done. We have not received any such intimation from RBI.

Reply by MD: I don't think we are looking at any specific number of 150 or 170 accounts. We look at the total book as a whole and slippages are something that we are trying to get a sense of. But my sense is that this will be more or less as per pattern and I don't see significant increase in the slippages at the bank.

Question: In the Margin Front, RBI is planning to come out with Marginal Costing from April onwards, what would be your margin outlook?

Reply by CFO: As far as margins are concerned, right now we have been able to maintain the margin, now from 2.81% we have come down to 2.78%. Now our NIM stands at 2.78%. Despite a successive cut in the base rate, we have been able to protect our margin because of corresponding fall in the deposit rates. May be after implementation of this marginal costing effective from 1st April, there will be some more pressure on this margins. May be about 5 to 7 bps, it is quite possible. It may have a pressure.

Reply by MD: Going by present number, it will be an endeavor also to improve upon our CASA, going forward. To that extent it will partly offset some of the costs.

Question: What is your plan for capital raising?

Reply by CFO: On the capital raising, as you know last quarter only, we had tier ii bond issue, on the tier I capital, we are having the options. We have not decided. May be at an opportune time, we will take a call on that.

Question: What is your plan for QIP?

Reply by CFO: We have not yet finalized. We are yet to take a call on that.

Mr.Sandeep Jain:

Question: In the restructuring portfolio, in this quarter also, there is a slight increase in the restructure book.

Reply by CFO: One account only. As regards the increase in number by Rs.80 crore, the increase is because of fresh disbursement made during the quarter. However, no account was added to the portfolio.

By and large, the number is stable. Total restructured portfolio stands at 6.2% of total loan book. As of now, portfolio gives good satisfaction and there is no concern.

Question: Can you give break up of restructure book?

Reply by CFO: As I said earlier, Infrastructure 20%, iron & Steel 20%, metals & minerals 8%, textiles 7%, power nil, communication 5%, Engineering 5% and food processing 4% . Restructure in State Electricity Board is Nil.

Question: What is your base rate?

Reply by CFO: At present, it is 10.70%

Mr.Aalok Shah:

Question: What part of restructured portfolio, moratorium is getting overdue?

Reply by MD: We will separately share the details.

Question: In the retail portfolio, how is the growth of LBC product?

Reply by CFO: LBC continues to show a good growth. Its performance and asset quality are good. But the overall growth has come more by way of SME performance. In SME the growth is quite good. Corporate book is maintained at the same level. Retail though there has been a good growth in the retail, in the last two quarters, the increase in jewel loan has come down, jewel loan combined with the retail loan, growth is not that strong. Excluding the jewel loan, retail portfolio has grown well.

Mr. Kaushal Patel:

Question: What is the break-up of advances portfolio?

Reply by CFO: Agriculture remains at 14% (Rs.2610 Crore), SME 20% (Rs.3571 Crore), Retail at 27% (Rs.4906 crore) and Corporate at 39% (Rs.7082 Crore).

Question: What is the break up for other non-interest income in terms of treasury income & other income?

Reply by CFO: Treasury income for this quarter at Rs.11 crores by way of trading income, exchange profit is at Rs.3.50 crores and the fee based income by way of commission and exchange for the 9 months period at Rs.97 crore compared to Rs.81 crores. Major increase is by way of processing fee. Bad debts recovery amounted to Rs.3.22 crores.

Question: What was the provision made for marked to market losses?

Reply by CFO: Rs.13 crores for Q3.

Question: Capital adequacy ratio is almost around 10%. There was a mention about no plan for QIP. However, in one or two quarters, you will have to raise the capital.

Reply by CFO: I didn't tell there was no plan. I said we will take a call and we are waiting for opportune moment. As you know, in the last quarter, we raised Rs.140 crore by way of Tier II bond issue and that is going beyond the cap of 2%. In fact, even now, the Tier II capital remains capped at 2%. We have some surplus amount of Tier II capital, so further business expansion say Rs.3000 crore can be taken care of by the existing Tier II capital. This will take care of business expansion in Q4. But however, the tier I capital, which remains at 8.01%, will have to be expanded and we are waiting for opportune time, which we may take a call shortly in another two to three months.

Question: Whether the capital adequacy includes 9 months profit?

Reply by CFO: No, it is excluding 9 months profit. If it is taken into account, CAR would be increased by another 0.6%.

Mr.Sandeep Jain:

Question: You have said, Rs.13 crore provision is made in investments for the last quarter, whether it is related to all your G-Sec bonds or something else?

Reply by CFO: It is for G-Sec only. There is no dip in SR and it is only in G-Sec under AFS category.

Question: What is the size of AFS portfolio?

Reply by CFO: In AFS, we have Rs.1900 crores.

Question: What is the duration of HTM & AFS portfolios?

Reply by CFO: Duration is 6.5 years for HTM portfolio & 5.38 years for AFS portfolio.

Mr. M.B. Mahesh:

Question: What is the average age of employees today, the total number of employees, & whether you have flexibility of hiring of employees at the senior level.

Reply by CFO/MD: Present head count is around 3400 and average age is around 42. Hiring at the senior level is not normally done by any institution and it is purely need based and it is handled partly internal redeployment or promotions. May be, in a few instances of specific capability gaps, Management might look to recruit from outside. But hiring at the senior level would normally looked at internally first.

Question: Do you see any capability gaps to be addressed?

Reply by MD: This is an on-going process.

Question: What would be the kind of average retirement you have seen today?

Reply by CFO: Annually, average retirement by way of head count is about 70 – 75 (attrition & retirement both put together) on a total of 3400 employees.

Mr. Anurag Mantri:

Question: In the notes, there was a mention of Rs.2.94 crore is provided in the current quarter and why it is divided in two quarters and not taken in a single quarter?

Reply by CFO: This is based on the annual financial inspection in one single account. It was an existing NPA account because of certain erosion in the security value, totally about Rs.6 crore have to be made, which we have divided in two quarters, Rs.3.00 crore in Dec15 quarter and another Rs.3.00 crore in Mar16 quarter. As this pertains to the previous financial year, we thought of putting the entire amount in one quarter will distort the figure in the current quarter and we thought it is better to bifurcate into two quarters.

Mr. Renish Patel:

Question: What is the percentage of LBC in total retail book?

Reply by CFO: LBC is currently forms 33% of total retail portfolio.

Question: How was the performance in LBC?

Reply by CFO: It increased from 31% to 33%. It continues to perform well. The sanctioning powers of the Branch Managers have been increased because of the good performance under this particular category. We have increased the sanctioning powers of the Branch Managers. I think around at this level, it will stabilize.

Question: Why the Jewel loan and other personal loans not growing well in the retail segment?

Reply by CFO: Jewel loan in the last one month, started picking up again. Personal loans also, in the housing sector, we are able to do good amount of push. We foresee that there will be good growth in the housing sector in the days ahead.

Mr. Rakesh Kumar:

Question: How long you can show this kind of balance sheet credit growth number, when other banks are not posting this kind of numbers.

Reply by MD: Bank is not fixing any sort of balance sheet growth number. We will be examining the opportunity available to us. Bank has traits in SME and retail banking and clearly these are the areas continues to focus upon subject to the opportunities available from time to time. I am unable to comment on other banks. As far as our bank is concerned, we have built enough capabilities to grow businesses in specific segments. We will continue to focus on our strengths as well as try to develop further strengths in the areas where we have hitherto not focused on.

Question: CASA is slightly on the lower side. Down the line 1-3 years, what would be the CASA level?

Reply by MD: It will be significantly higher than what it is now. Within 3 years, considerable improvement will be there.

Question: On the term deposit side, bank offers higher rate. Some of the banks have reduced the rates. Whether you will continue with the higher rates or reduce?

Reply by MD: Asset Liability Committee will take a view on that, based on the understanding of the market and interest rate dynamics in the system.