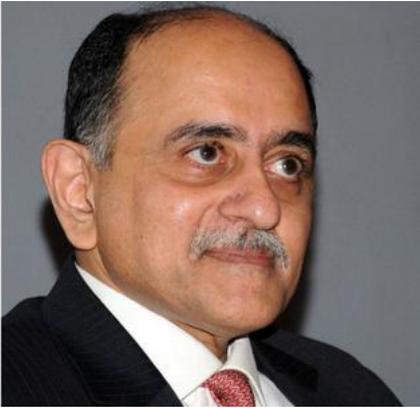


Federal Bank hopes to turn the tide in Q4

CEO Shyam Srinivasan says the banks slippages in the corporate segment will stay low in quarters ahead



Federal Bank's third quarter profit plunged 38 per cent to ₹ 162.7 crore on worsening asset quality. Speaking to *Bloomberg TV India*, Federal Bank Managing Director and CEO Shyam Srinivasan says there were quite a few bright spots from the Q3 earnings. The Q4 profits are likely to be better in absolute numbers, he said.

Can you take us through the financial highlights during this quarter amid concerns over asset quality?

Before we turn to the asset quality, I just want to attract attention to some of our strong points — the deposit portfolio and liability profile remained very strong, CASA nudged up to 32 per cent this quarter and more importantly credit growth came back in Q3. For the third quarter, credit grew 4 per cent. So, it is like an annualised 16 per cent growth after a long time of stagnant growth. In terms of the stressed large credit that was there, we had concerns on a couple of large metal accounts, which has been fully addressed. So from our point of view, we have been proactive and taken all the impact on all that was stressed on the corporate side. And that is why you are seeing an impact in Q3. But we are looking at the way forward, having taken or recognised whatever needs to be and looking at the future more confidently.

Can you share some more details as far as the metal accounts are concerned?

In Q3, slippages for the corporates were about ₹ 380 crore. Two accounts in the metal space were about ₹ 160 crore and another was a large shipping account. Between these three, they dominate a large part of our slippages.

What's your expectation from the last quarter of FY16?

We believe that on the corporate side whatever needs to be addressed has been sorted out. So we think that we are well-positioned for a good comeback for the Q4 and beyond.

Is there a certain number you are working with at a net NPA or a gross NPA level?

We are not getting specific to numbers. We are looking at improvements and all signs are that it would be sharply better.

What about margins?

Margins have been somewhere around 310 to 315 basis points. In this quarter, the margins witnessed a 10-bps impact on account of almost ₹ 30 crore income reversal. So it came down to 305 bps. I think for the Q4, it will be more around 310 to 315 bps for the quarter.

In terms of credit growth, how is it panning out and what are the expectations going forward?

Year-on-year credit growth is roughly about 10 per cent. Like I pointed out, in Q3, we saw quarter-on-quarter sequential growth of about 4 per cent. So our belief is that for the full year FY16, credit growth will be roughly about 12-13 per cent.

You were targeting ₹ 5,000 crore in credit growth in the second half. Are you still holding that guidance?

Yes, if you saw around about ₹ 2,000 crore or a little more than that growth in Q3, Q4 is a strong quarter. So we do believe that ₹ 5,000 crore will be achieved or it could be even better.

You are saying Q4 is likely to be better than Q3 at least from an absolute number point of view?

In terms of absolute numbers, yes it is going to be better.

What steps does Federal Bank intend to take and How are you planning to improve asset quality?

In asset quality, there are three parts that we look at — retail, SME and corporate. In retail, there has consistently been somewhere between ₹ 50-55 crore of slippage and that on a growing denominator. In case of SMEs, a couple of quarters started showing some increase – what has come back quite strongly at about ₹ 115 crore. And corporate has been the volatile bad boy in the pack. Having recognised all that we need to, I think slippages in corporate segment will trend lower in the quarters ahead. Our overall slippage expectations continue to be more like what we left FY15 with.

(This article was published in the Business Line print edition dated January 13, 2016)

MORE FROM BUSINESS LINE

*Was there a plan behind the note ban,
apex court asks govt*

*Former EY veteran relives Kerala
experience to set up own venture*

The rise and fall of Emperor Modi