Moderator: Good evening ladies and gentlemen. Thank you for standing by. Welcome to the third quarter results conference call of ICICI Bank. At this moment, all participants are in the listen-only mode. Later, we will conduct a question-and-answer session. I would now like to turn the conference over to the representatives of ICICI bank. Please proceed.

Bala: Good afternoon ladies and gentlemen. This is Bala here. I have Rakesh and Anindya with me as well. I thought before we get into the question-and-answer session, I will quickly talk you through the highlights, which is possibly with you already in the form of the presentation that we put out on the website.

The profit after tax in Q3 has gone up to Rs. 330 crores as opposed to Rs. 285 crores in Q2 which approximately represents a 16% sequential growth in profits. Return on assets increased to 1.3% from 1.1% and return on net worth is 19% as opposed to 17.2%. In terms of the business statistics, market share in the nine months for the year was 25% in the retail business, which has been our area of growth. Retail business now constitutes 15% of the balance sheet and 25% of the customer assets, thus the **d**erisking of our balance sheet, which we commenced, clearly seems to be going in the right direction.

The home loan numbers, which all of you people have been tracking quite heavily, I am happy to say that based on the numbers that we have seen, Q3 we have disbursed the highest amount of home loans in the industry. Total home loan disbursals in Q3 were Rs. 2,274 crores, which we believe is higher than the second person in the fray by about Rs. 5 crores. Maybe a small amount but it seems to be in the right direction again.

The other area of focus this year was the repayment of the high cost liabilities and that number is now standing at Rs.15,176 crores during April-December. Deposits now constitute 48% of ICICI bank’s funding and our cost of deposits have declined to 6.7% from 7%. As a result of all of this, capital adequacy is at 12.59%, **Tier1** is at 8.22%. Clearly, one of the areas which we talked about in Q2 was NII and many of you had expressed in a great surprise at the NII number of Q2, which had dropped over Q1 number. We had articulated our reasons at that point of time. I am sure that you will be happy to see that the NII is back on track. It is Rs. 343 crores for Q3; thus showing increase not only over Q2 but over Q1 as well. Fee income is steadily growing and has gone up to Rs. 216 crores. Treasury income is at about Rs. 180 crores, which again is marginally higher than Q2 and thus operating income is at about Rs. 911 crores as against Rs. 837 crores. Pure operating expenses is Rs. 389 crores, up again marginally over Q2. The primary reason why these expenses are higher is our continued thrust on our retail liabilities. As you know that in our drive to replace the high cost borrowings, we have been fairly aggressive in the retail liability market. Just to give you a broad example of the results of what we have achieved - Our savings customers which were at about 2.1 million in the beginning of the year has gone up to 3.6 million now. So clearly, an addition of about 1.5 million customers in nine months. And every time we open a savings, or any other form of account, there is a customer acquisition cost in terms of the stationery that gets issued, the welcome kit, the debit card, and so on and so forth. This is a one-time cost, which happens at the time the account is opened. And given the high growth that we are seeing in account opening, this has resulted in our printing and stationary type of cost being quite significant, which is really one of the reasons why our operating expenses are high. This is purely variable in nature and I am confident that once we though of reach steady state, you will start seeing a flatness in this expenditure coming. But clearly at this point of time, given the sort of growth that we are experiencing, we expect to see some pressure on this line.

DMA expenses went up as well and that again is logical, given the sort of thrust that you have seen in retail assets. Lease depreciation is almost flat. Operating profit went up to Rs. 390 crores. Provisions are at Rs. 29 crores again a drop over Q2. Again, if you see the presentation, you will see that the provisions have been dropping in Q1, Q2, and Q3. And that is in line with our articulated strategy of saying, the fair value provision that we took at the time of the merger as well as the accelerated provisions that we took in Q2. So we are really hoping that provisions would continue to be fairly subdued for sometime to come, and consequent to all of this, profit before tax was Rs. 361 crores, tax was Rs. 31 crores, giving a profit after tax of Rs. 330 crores.

Going to the balance sheet, pretty much the line to focus on is retail, which if you see, has again registered a very healthy increase of almost Rs. 3300 crores or so, from the September 30th numbers. Debentures and bonds are coming down. On the liabilities, you will see that the borrowings which is coming down and that is reflected, given our strategy as I said earlier, to replace the high cost borrowings and that have been substituted largely with savings account and term deposits. Going on to the ratios, return on assets for the quarter is 1.3, return on net worth is 19%, EPS is Rs. 21.6 for the quarter, cost to income is 46.7%, and cost to average assets is 1.5%. Moving on to consolidated profits, ICICI Securities which is an investment banking company continues to report fairly healthy profit numbers. They have reported Rs. 76 crores for the nine months and Rs. 31 crores for Q3, primarily taking into account the secular trends in the interest rates which have happened.

ICICI Pru, which is a life insurance company, has reported a loss, and as we have explained to you earlier this is essentially on account of the accounting rules of life insurance companies which essentially means that, in the first three years of growth the accounting forces them to record a loss. The other subsidiaries reported a profit of Rs.23 crore which essentially meant that the consolidated profit for the quarter was about Rs. 309 crores.

If I can quickly move on to slide 16, which is leadership in retail assets. Again, you will be pleased to see that from our March, 2002, numbers of Rs. 6,143 crores, we have grown more than 100%, we are at Rs. 15,312 crores and a healthy growth is happening in the home loans area. As I explained earlier retail constitutes 15% of the balance sheet now and indeed 25% of the loans and advances.

The deposit growth continues to be very strong. We have had a 29% deposit growth in 9% and that compares to about 11% growth for all scheduled commercial banks. Going on to the top ten industry exposures, clearly retail finance is now becoming a very important part of our balance sheet. The rest of the industries sort of pretty much common as expected; power, iron and steel, services, textiles and so on and so forth. Capital adequacy, the profits that we have incurred has helped shoring up our capital adequacy to 12.59%. Shareholding pattern, I think there is no significant change there over 30th September numbers. With that I thought we can hand it over to you people to ask any questions that you may have, which I will be happy to answer.

Moderator: Thank you Sir. Ladies and gentleman, we will now begin the question and answer session. If you have a question, please press '*1' on your pushbutton phone. If your question has been answered and you wish to withdraw your request, you may do so by pressing the "#" key. We have our first participant Ms. Shilpa Krishnan from Prabhudas Liladhar. Please proceed with your question madam.

Shilpa: Yes, the first part of the question was on retail numbers. There seems to have been a recast of the previous quarter retail numbers, especially the home loans. Could you just throw some more light on this?

Bala: Okay. This is essentially, we have this subsidiary, which is the home finance company. (Okay). There were some assets that we had in the home finance company traditionally which we have been running down. So it is essentially, these numbers exclude the HFC numbers because it is outside our balance sheet.

Shilpa: Okay, then why have you recast it now? As in the previous quarter you had reported a home loan of Rs. 63.2 billion, which you have now recast to Rs. 48.8 billion, which is a huge drop really.

Bala: No, no it would not be Rs. 48 billion. Shilpa this company, the home finance company, is 100% subsidiary of ours. In that sense, the risks and rewards of the HFC company were entirely with us. We essentially took the view that given that it would be appropriate to keep the assets in HFC at that point of time. But really in that sense the risks and rewards were in the balance sheet of the ICICI Bank, we had included it. But I think going forward the view is that we will show it as a separate line item rather than including it in the ICICI Bank number.

Anindya: If you want to compare to the Q2 number you can just add the Rs. 12 billion portfolio of ICICI Home Finance Company to the numbers which are given in the presentation.

Shilpa: Is that for the quarter?

Anindya: The outstanding is Rs. 12 billion in ICICI Home Finance Company as of December 31.

Shilpa: Where does it appear?

Anindya: Add to the ICICI Bank number to get the total housing finance of ICICI group as such.

Shilpa: Sure, and it appears that Rs. 12 billion appears in investment.

Anindya: No, it is in the ICICI Home Finance Company.

Shilpa: Okay, I got it. And the second part of my question was on fee income. Are you really satisfied with the sequential growth in fee income?

Bala: If you look at the way we are approaching the fee income market, there are two or three segments to the fee income market within the banking industry. It is the traditional corporate segment, there is the retail segment, and there is a government segment. The progress that we have made in the corporate segment and the retail segment, we are indeed very happy. Our volumes have shown a very significant increase over the combined volumes of the entities in the past. Where I think, we are not entirely happy yet is our forays into the government business, in generating fee income from Government of India. Some of the public sector undertakings have a strong emotional attachment to public sector banks. We have to break those umbilical cords, but other than that I think in the traditional corporate and retail segments, we are indeed very happy with the progress we are making.

Shilpa: Sure, Bala can you also give me the breakup of the fee income between the corporate, retail and government.

Bala: Government is very marginal. Corporate and retail you can roughly take it as about 65-35.

Shilpa: Okay, thanks Bala.

Moderator: Thank you Ms. Krishnan for your question. We have our next participant Mr Anand Shanbaug from HSBC Securities. Please proceed with your question, Sir.

Anand: Hi, Can you here me.

Bala: Yes, hi Anand.

Anand: Yes, actually my question is on the provision coverage and it is like this, I mean, you have reported somewhere close to 6.5% provision coverage on corporate assets at the end of September. And that has now come down to 6.2%. So my question really is that even as your base of corporate assets itself is shrinking and I seem to estimate somewhere close to about Rs. 20 billion also shrinkage there. And on top of that if you are also going to have a shrinkage in the provision coverage, it translates into roughly somewhere close to about a Rs. 3 billion fall in the amount of provision that you hold. I mean, are my numbers correct, and what does it mean.

Bala: No, what essentially it means is; see, there are two aspects to our provision coverage. One aspect relates to our coverage on our identified non-performing loans. There the coverage if you recall is about 65% or 66%. On the standard assets, which are the performing assets including the restructured assets, you know our coverage was different.

Anand: Yes.

Bala: Now, why you are probably seeing a variance in that, if some of the performing assets could have moved from performing status to the non-performing status. And therefore, you know, the provisions which was associated with it would have also moved. Currently the provision that we have hold on our standard assets, we have not taken any of it back.

Anand: Does that essentially mean that you have a kind of earmark, some of those provisions for any incremental NPL that might have arisen during the quarter,(yes), and would that amount of Rs. 3 billion be roughly correct.

Rakesh: It is about Rs. 2 billion.

Bala: It is about Rs. 2 billion.

Anand: Okay, and you also actually have had some kind of a write-back of provisions.

Bala: Write-back of provision arises because of settlements.

Anand: Right. Okay, but if you do have a write-back, I suppose you can always reallocate that amount for any fresh NPL that might have arisen.

Bala: But that will go through that profit and loss account, in the sense that what will happen is the write-back will be a credit to the profit and loss account, and thereafter because the account is getting squared, the borrower has gone away. He has repaid his dues. We have taken the write-back, he has gone away. Now, if we need to, we will undoubtedly make additional provision.

Anand: And on the write-back, I had a small question, which is that I believe it is a practice in some of the old banks that the item ‘other’ under the non-interest income actually includes some of these items which are pertaining to the recoveries.

Rakesh: No, in our case it comes in the line provisions and contingency.

Anand: Right, so you are not including any of that in other income category at all.

Bala: Because we think that is wrong accounting.

Anand: Okay, and just one last question, which is on the home loans. What is the plan for the future of the home-loan company? And should we assume that you will not be interested in recording growth in that and at some stage will you stop it entirely?

Bala: See, currently we are not, you know, we have no plans, and we are not recording any growth in the home loan company. Now, having said that see the reason why we have kept the home loan company is, if there are arbitrage opportunities which are available to the home loan company vis-a-vis with the bank, it will make more business sense for us to book a certain loan there. Now, you would ask me what sort of arbitrage opportunities and let me answer that question. Arbitrage opportunities exist in terms of the borrowing costs of the home finance company vis-a-vis a bank. Now, for example, if you were to do a foreign currency borrowing, the withholding tax is different to a home finance company as opposed to a bank. And it might make sense for us to book a loan in a home finance company as opposed to the commercial bank, in which case, it will make sense for us to book assets to the extent of the borrowings in the home finance company.

Anand: Okay.

Bala: But as a general rule, if all things were equal it makes no sense for us to book anything in the home finance company.

Anand: Are you raising the stand-alone deposits in the home finance company at all?

Bala: Currently no.

Anand: Okay, so you are not really in a position to use that arbitrage, which you have just mentioned.

Bala: I am not saying that we are not in a position if the arbitrage presented itself to us in an attractive manner, we will use it.

Anand: Okay, thank you.

Moderator: Thank you Mr. Shanbaug for your question. Ladies and gentleman for any further questions you are requested to press '*1.' We have our next participant Ms. Mahrukh from JP Morgan. Please proceed with your question Madam

Mahrukh: Hi Bala.

Bala: Hi Mahrukh.

Mahrukh: Hi, just a few questions. First is, what is going to be the scope of your foreign operations, and the other question I really have is, could you give us some figures on your gross NPA, and also on the progress under the new foreclosure loan.

Bala: Okay, international operations clearly early days, but the focus is going to be to look at, see there are basically two or three levels of focus. The first focus which I would call the short term focus, and as short term it is really a next twelve to twenty-four month. It is to really be able to identify and take advantage of the opportunities which exists vis-a-vis the India leg of he business, i.e. non-residents who live there who want to remit money to India, who want to put deposits in India, i.e. trade flows between India and that country both import and exports. So we are really looking at in level one of our growth business opportunities vis-a-vis India. And we think that is a big opportunity in fact if you tracking numbers in recent times. Fairly large numbers are flowing through between foreign countries and India. In level two and it is really medium term and, you know, it is pretty much in the planning stage, we may look at some form of home country operation. No clear plans at this stage, but if there are attractive opportunities for us to do some form of niche home country operations in those countries we will consider that. As regards your second question on NPA, the gross NPA in December was about Rs. 6,398 crores and the net NPA was Rs. 3,012 cores. And your third question was, the progress we are making vis-a- vis the Securitisation Act. We have issued about 50 notices so far, which aggregates to a total principal amount of about Rs. 1,600 crores. Of which settlements have been negotiated and in fact been approved for almost 40% of these cases in value terms. I cannot really discuss any more because you know these are really matters which are sub judice.

Mahrukh: Anything recovered so far.

Bala: As I said, about we have recovered and we are in the process of recovering in 40% of the cases

Mahrukh: Okay, thanks.

Thank you, Madam for your questions. Participants who wish to ask questions may please press ‘*1’. We have our next participant Mr. Sheshadri Sen from Alchemy Stock Broking. Please proceed with your question, Mr. Sen.

Sheshadri: Hi, Bala.

Bala: Hi, Sheshadri.

Sheshadri: I have two-three questions. One is, if you can give the break up of the retail and wholesale deposits. Second is on the provisions just carrying on from Anand’s question. Can you just give us the numbers and how you had your fair value provision and the provisions created after the sale of equity. How they have moved in the quarter, how much has been recognized in NPA and how much have you drawn down and what has been the tax adjustments there on. And the third is have you capitalized the ICICI Pru any further during the quarter and if so, how much?

Bala: Okay, third question, we have not capitalized ICICI Pru in the quarter. On the second question that you have which is, how did the provisions move? We had a total provision at the end of September, 2002, of about Rs. 3,034 crores, which stands at Rs. 2,844 cores, i.e. about Rs. 190 crores or so moved from standard assets provisioning to non-performing assets. And as regards your first question which is classification of deposits between retail and corporate about Rs. 24,000 is retail and the balance of about Rs. 17,000 crores is corporate.

Rakesh: Basically 60% is retail.

Bala: 40% is corporate.

Sheshadri: Thanks.

Moderator: Does that answer your question Mr. Sen.

Sheshadri: Yes, thank you.

Moderator: Thank you very much for your question. We have your next participant Mr. Rajat from Motilal Oswal Securities. Please proceed with your question, Sir.

Rajat: Yes, Hi everyone. I have a couple of questions. My first question is, in the current quarter when we have seen that the interest rates have fallen, is there any impact of any gratuity or pension that you have committed to your employees or you have provided depending upon the payments you have to make at end of the tenure for the employees.

Bala: See, we actually do an actuarial valuation and we provide based on the actuarial valuation, (yes), and I am sure that the actuary has considered all the factors including interest rate, our expected rate of return on the portfolio, average age of the employee and all of that, in determining the provision that he comes up with. We actually just take the number, which he gives us as an expert and make a provision on that, (yes), and I am not exactly sure as to be able to answer your questions in terms of how much was due to interest rate, how much was due to life expectancy. I mean, we actually do not get in to the granularity of the actuarial calculation. We just take the absolute number and make a provision.

Rajat: No, what I want to ask is any provision been made according to the fall in the current quarter or you would be doing at the end of the year.

Bala: No, we do an actuarial calculation at the end of the year, but some of the interest rate reduction had happened actually last year itself,(yes), and which is at 31^{st} March. The principal, the main rate of reduction, I mean if you look at the interest rate at 31^{st} March and you look at 31^{st} December, in the actuarial valuation of 31^{st} March, most of this is already been assumed. After 31^{st} March the interest rates have fallen by 80 basis points or something like that.

Rajat: Okay.

Bala: So it is not a significant rate of reduction after 31^{st} March. The main rate of reduction actually happened last year.

Rajat: So, that had already been ….

Bala: Already been factored in.

Rajat: Can you give us any estimate like what could have been the impact, additional impact because of this.

Bala: I do not have a number straight away.

Rajat: Yes. My second question is your yield on SLR portfolio is 7% as on date.

Bala: Yes

Rajat: Yes, okay 7% right now, and what would be the average duration of this yield.

Bala: About 1.9 years.

Rajat: About 1.9 years. So basically if you probably assume that the yields stabilize at the current rate of around 6-6.2 by March end. So do you see a further impact on your SLR yield at the end of the year.

Anindya: It will further go down.

Bala: It is 6.2 and we are at 7.04 then obviously it will go down further.

Rajat: So, but do you think that this would be made up by your cost of deposit going down further or your spreads would more or less remain the same.

Bala: We actually believe that our spreads will marginally move upwards.

Rajat: Spreads will marginally move upwards. Okay, and my third question is that you have mentioned that your 25% share of retail credit, (yes), so I just wanted to understand how this computation is been done.

Bala: It is an estimate of the total market, which we think is about Rs. 70,000 crores, annually, and given our volumes we think it is about 25%.

Rajat: Rs. 70,000 crores annually is the incremental or the total market.

Bala: Incremental.

Rajat: And it is 70,000 crores, would you have included housing finance companies also?

Bala: Yes.

Rajat: Yes, okay thanks a lot.

Moderator: Thank you sir for your questions. Ladies and gentleman for any further questions you are requested to press '*1'. We have our next participant Mr. Sanjay Jain from Credit Suisse. Please proceed with your question Mr. Jain.

Sanjay: Hi, everyone.

Bala: Hi, Sanjay.

Sanjay: Can you hear me.

Bala: Yes Sanjay, loud and clear.

Sanjay: Can you tell me what is the new inflow of NPLs or what was recognized during the quarter? What was written off and how much was the interest income which would have been reversed on those new NPL.

Bala: NPL increase is Rs. 6,398 crore minus Rs.6,191 crore as adjusted for some settlements which have happened, so not a large amount.

Sanjay: Okay, adjust for settlements and write-off.

Bala: Yes, basically. **A**t the gross level I would say that you got to look at it as the two reasons why old NPL line moves is, either a new NPL will get added or a old NPL goes away. So, settlement or addition to the NPL. There are only two reasons why your gross NPL can move.

Sanjay: Correct, so it looks like you are saying it is 200 plus something. (Yes, correct). But your provisioning has also moved from standard assets to NPL's, (correct), and of about 190. (Yes). So how come the provisioning coverage is so much in the new NPL.

Bala: Provisioning coverage is a function of two things. One is on the new NPL's and on the old NPL's, we follow that aging policies or so on the aging policy also some provisioning would have happened.

Sanjay: Okay, what about interest income, which would have been reversed.

Bala: Interest income, we do not account for any interest income on non-performing loans unless it is collected in cash.

Sanjay: Correct, so whatever new NPL's you recognize….

Bala: From first April it is reversed. So you can roughly take this that I have added about 200 odd crores in the quarter, taking a 12-13% average, you can work out the map for nine months.

Sanjay: Okay, and you had done some NPL change in the second quarter.

Bala: What is the number that you have Sanjay?

Sanjay: On NPL?

Bala: Yes.

Sanjay: Actually I have 6,647 as of second quarter.

Rakesh: No, then there is some error.

Bala: The number is Rs. 6,191 crore.

Sanjay: You had reversed some income in the second quarter.

Bala: Correct.

Sanjay: On about I think Rs. 1,600 crores of assets. Any other change like that in the third quarter.

Bala: No.

Sanjay: Okay, okay thanks.

Moderator: Thank you Mr. Jain for your questions. Our next participant is Mr. Kulin Asher of Kotak Securities. Please proceed with your question.

Asher: Hi, I have a question, How much was the amount of the loans sold or securitised in this quarter?

Bala: About Rs. 1,500 crores or so.

Ashar: Rs. 1,500 crores and how much of it was securitised, how much you have sold and how much you have securitised?

Bala: It is the same thing, sold and securitised.

Ashar: Oh, but in case it was securitised how much of it was at a premium.

Rakesh: The premium meaning?

Bala: We would make profit on all our sell down.

Ashar: Yes, so, that profit was taken as a part of your capital gains or was it a part of your interest income.

Rakesh: There are sell down gains in capital gains actually.

Bala: There is some, which goes to interest as well so.

Moderator: Thank you Mr. Ashar for your questions. Our next question comes from Mr. Aditya Narayan from Salomon Smith Barney. Please proceed with your question, Sir.

Aditya: Hi, Bala.

Bala: Hi, Aditya.

Aditya: Hi, I am really staying with the NPA theme. I have three questions. Firstly, in the last quarter you had mentioned, you had Rs. 1,300-1,400 crores of assets, that you are not accruing interest on but were not recognizing as NPAs. Is there is any change on status there in, and what is the change, if any. Secondly, in terms of what you have been reading on the press on the steel restructuring deal that has been hammered out. It there are any details we can get on that or in terms of how it is going to be recognized in the extent of the exposure there. And thirdly, in terms of your restructured assets, have there been any movements in that, either to normal assets or to sub-standard assets.

Bala: I got all your questions. You know Aditya, we were hoping that at some point of time on the NPA story, we do not get anymore questions, given all that we have done. But again, we will have to live with the ghost for a little longer.

Bala: Okay, first question is that what we have started doing last time as a policy. Clearly, we continue with the policy and to that extent whatever interest we did not recognize last quarter on a certain set of loans, even in Q3 we would have not recognized to the same set of loans. I do not believe we have any significant additions to the list in Q3, because obviously in Q2 we went about it in a fairly robust way. So it would have been a bit surprising for me, if we had significant additions in Q3 as well. So it is quite static in that sense. The steel sector restructuring is indeed complete. We have not accounted for the steel sector restructuring in Q3. We believe that, based on the initial calculations that we have done, we actually have a positive impact on our profit and loss account, essentially arising both because of the accelerated provisioning we took as well as the fair value provisioning that we took. So we have a positive impact on our provisioning. On our interest income as well, we have a positive impact because the average rate of return that we have been charging to these customers in our books, has been lower than the documented rate for over two years now, and the current rate of interest which has been agreed with the borrowers is marginally higher than what we have been charging them over the last two years. So clearly the impact on both interest line as well provisioning line is expected to be positive. However, we did not account for this in Q3, because we wanted to understand this a lot better. It is just hot off the oven, so we are really going to account for this in Q4. There should be absolutely no negative impact in the profit and loss account as I said earlier, it will be positive impact, if any. And the third issue was the movement on restructured assets. The gross restructured assets went up in Q3 over Q2, and the net restructured assets went up as well. Q2, the position was gross restructured asset was about Rs.6,154 crores that has gone up to Rs. 6,930 crores. Ddoes it answer your question.

Aditya: Yes, but, so there has been an increase, but individually are there are some which have actually become okay, that have moved from being restructured.

Bala: There are several restructured assets which have become okay, but if you recall the RBI guideline, essentially what the RBI guideline said is that you got to wait for about a year of performance before you can move them out of the restructured asset into the performing asset category. I think we would largely being doing this in Q4.

Aditya: So you would be expecting to exit in Q4.

Bala: Yes, a few accounts to exit in Q4, but a larger number of accounts to exit really in the next year.

Aditya: Okay, Thanks.

Moderator: Thank you for your question. We have our next participant Ms.Shilpa Krishnan from Prabhudas Liladhar. Please continue with the question, Madam.

Shilpa: Hi, this is Shilpa again.

Bala: Hi, Shilpa.

Shilpa: Just wanted some more clarity on your cash flow during Q4. I can see you have some surplus cash balances, at the same time, going by the figures you have given in the past on maturing borrowing, it seems like another Rs. 80 billion of expensive borrowing are due to mature in Q4 and given your pace of retail asset accretion, how much corporate loans are you planning to sell down in Q4.

Bala: The number of the high cost borrowings in Q4 is about Rs. 50-60 billion not Rs. 80 billion. We have done some in January itself and February-March we will do the balance. The cash that you see on the balance sheet is normal, I mean it is nothing extraordinary. Actually, if you had not raised it, I guess it had not even caught my eye in that sense, and corporate sell down is a normal part of our business. We will continue to do the same level of activities as we have been doing in the past.

Shilpa: Sure, you had mentioned that during this course you sold down some Rs. 15 billions, but will not it have to be higher in Q4.

Bala: Not necessarily, because you are assuming that all our expensive borrowing is getting replaced by sell down, but we had also, as I said earlier, registering of very healthy growth rate in deposits as well.

Shilpa: Right, so are you expecting that run rate in deposits to go up, because in Q3 it was quite good at Rs. 55 billions. Are you expecting it to go up even further.

Bala: We are expecting a very healthy rise if you have heard about the safety bond issue which happened, which were just closing and if you have seen some of the numbers which came through there, we have reason to believe that there is a lot of liquidity in the system, people want to put their money with ICICI Bank.

Moderator: Thank you Ms. Krishnan for your questions. We have our next participant Mr. Sampath from ABN Amro. Please proceed with your question, Sir.

Sampath: Hi, Bala.

Bala: Hi, Sampath.

Sampath: I have a couple of questions. One is the SLR yield that you have put in presentation. Is that gross coupon or the net of amortization.

Bala: It is net of amortization.

Sampath: Okay, Second thing is the deposit growth. I would like to have some comparable numbers in terms of corporate and retail. One of my worry is basically a liquidity requirements were so large in the second half of this year that it might have taxed a whole lot of wholesale funding and that might impact the cost adversely. What is your thinking on this?

Bala: Actually our requirements for fund is no different in Q4 as to what it is been in the first three quarters, and we are not expecting any change in the borrowing pattern. It has not impacted our costs of funds so far, if you see our cost of fund is been coming down. You would have also seen that in the last 15 or 20 days, we reduced our interest rates even further, so the impact of that is going to come through.

Sampath: Can I have have some comparable figures for that.

Rakesh: The retail has grown by about 2,300 crores, and balance would be corporate.

Sampath: Okay, great! thanks.

Moderator: Thank you Mr. Sampath for your questions. We have our next participant Mr. Punit from Enam Securities. Please proceed with your question, Sir.

Punit: Hi.

Bala: Hi.

Punit: Actually just two questions; one is if you can give a breakup of your borrowings, see basically your treasury borrowings and your long-term borrowings, this quarter and the previous quarter. And two is, has there been any change in the **HTM** amortization policy this quarter, because you have actually mentioned it in your press release.

Bala: No. This is a policy which we have been following regularly. The reason we have mentioned in the press release is just to bring out disparity in our accounting vis-a-vis with some of the other players in the system, who are not amortizing it and really sort of the account for it in the provisioning lines.

Punit: So you intend to do it from your net interest income.

Bala: We do not intend, we have been doing it.

Punit: Okay.

Bala: And your question on borrowings, one second, Rakesh, we will try and answer that in a second. Rakesh do you have the numbers, we will get back to you on that.

Punit: Okay, fine. Thanks.

Moderator: Thank you Mr. Punit for your question. We have our next participant Mr. Anand Shanbaug from HSBC Securities. Please go ahead, Sir.

Anand: Yes, Bala, actually this follows what you said on this steel sector restructuring, (yes), and you said that you are going to have a positive impact on your interest element from that. (Yes). I suppose it means very simply that they are going to pay you a slightly higher coupon compare to what they are being doing for the last two years.

Bala: See what Anand, it means is, for the last two years there was a certain document rate, which was applicable to the entire system. Let us say, that rate was 16%; I am not saying it was 16%, I am just giving you an example. We on our own realizing the steel sector problem that was there, two years ago decided to book a rate, which was not 16% but significantly lower than that. (Okay). So the other players in the system did not do it. This is something which we did, we did not have a restructuring agreement with this people, its just we felt that we needed to book something in our financial system which were conservative.

Anand: Fine.

Bala: Now the rate that we have agreed with these steel companies, the weighted average rate of the domestic and the foreign currency loan is slightly higher than the rate that we had been charging over the last two years.

Anand: Is there any number for how long you had been charging that soft rate for …?

Bala: 18 to 24 months.

Anand: Other question I had was, whatever is the new rate or rather the combination of the various rates that have been worked out, are they fixed rate or is there a floating element in that?

Bala: They are fixed rates to the best of my knowledge.

Anand: Yes, thanks.

Moderator: Thank you Mr. Shanbaug for your question. We have our next participant Ms. Mahrukh from JP Morgan. Please proceed with your question madam.

Mahrukh: Yes, Hi again. I had a question on operating expenses. So we need to know what is your outlook on operating expenses, do you see them coming off over the next three years. What do you really feel, how do you really see them moving?

Bala: Our outlook on cost income ratio in the medium term, is closer to the 40% mark.

Mahrukh: And how would that be achieved.

Bala: In two ways, one is that as I was explaining earlier once we see a little more steadiness in our business acquisition. You are really going to see the cost stabilizing and indeed coming down. And two is the income itself is going up.

Marooq: Right, Thanks.

Moderator: Thank you Madam for your question. We have our next participant Mr. Sanjay Jain from Credit Suisse. Please go ahead, Sir.

Sanjay: Yes, Hi. Just one small clarification carrying on from the question from Anand. (Definitely). The income which you were booking on the restructuring on the steel loans so far in the last 18 to 24 months, was it accrued or was it actually received in cash?

Bala: It was a accrued and received in cash to the extent of projects, which were complete and it was a accrued for part of the project cost for those plants which were under implementation.

Sanjay: Okay, would you be able to give one …?

Bala: One project was not, one project was completed, one project has not been completed and the third is just reaching completion, of the three.

Sanjay: So on one of the project …?

Bala: From them we have been receiving cash.

Rakesh: One of them actually got completed some time back and one of them is in the process of completion which was substantially completed I think by Q2 and one is still about half completed.

Bala: One is still about 18 months away.

Sanjay: Okay, so basically on one out of those three projects you were actually receiving the cash.

Bala: Absolutely, I would say on two out of the three.

Rakesh: Two out of it, during the current year two out of the three.

Sanjay: Okay, but one out of them was completed only in Q2.

Bala: We had been receiving some cash flows.

Sanjay: Okay, Thanks.

Moderator: Thank you Mr. Jain for your question. Our next question comes from Mr. Sampath of ABN Amro. Please go ahead, Sir.

Sampath: Hi, there is seems to be some change in accounting policy of your DMA expense. For auto it seems to be knocking out from the interest income. I think you have highlighted to this quarter, so I presume that I suppose this was not done last quarter.

Rakesh: That is what we have been consistently doing, but actually there was some confusion about this, that is why we had put it out.

Bala: There is no change.

Sampath: Alright, and why would that been different for auto and for rest of others.

Bala: The fundamental difference Sampath, is in the auto loans, we pay the DMA commission only when the DMA, whoever is the person actually sources the loan, i.e. it is a pure variable cost and it is a function of the interest rates that he procures for us, i.e. if he procured us a loan of 15%, his commission could be 1.5%, if he procured us a loan of 14%, his commission could be 0.5%. Therefore, it is linked to the procurement of a loan and it is linked to the interest rate, which we get. Therefore we feel it is appropriate to knock it off against interest because really in that sense it is like an interest cost that we are paying. In the other cases DMA commission is like a marketing expense and it does not have the two qualities that I have mentioned of an auto loan.

Sampath: Alright, okay thanks. Other question is you have recently cut the home loan rates. (Yes). You have some loans booked earlier which probably have a 200 basis point differential. Do you see any repricing pressure on account of this, considering the fact that most of your loans are floating loans.

Bala: Since most of our loans are floating rate loans, the re-pricing would have already happened. I mean the 200 basis points differential would not have existed, because even with our previous reduction they would have come down and it is therefore not appropriate to consider the peak level interest rate. So the 8.75 would best be compared with the previous interest rate which I guess was 9.25 and to that extend it will be a 50 basis point impact.

Sampath: And how much of your loans have floating rate at this point of time.

Bala: About 80%.

Sampath: 80%, Thank you.

Moderator: Thank you Mr. Sampath for your question. Our next question comes from Mr. Rajat of Motilal Oswal Securities. Please proceed with your question, Sir.

Rajat: Yes, Hi again. Just can you give us the breakup of your retail in terms of your mortgages for your auto's and CV's at end of third quarter.

Bala: Home loans is about Rs. 8,191 crores.

Rakesh: That includes Rs. 1,000 crores of ICICI Home Finance Company.

Rajat: Rs. 1,000 crores of ICICI Home Finance, okay.

Bala: And auto is about Rs. 3,900 crores, CV is Rs. 1,950 crores, Two wheeler is about Rs. 480 crores, the rest of all sort of everything else.

Rajat: Just one thing, your CV's portfolio has more than doubled in the last nine months, from around Rs. 880 crore to Rs. 1,950 crore.

Bala: The entire portfolio has more than doubled in the last nine months.

Rajat: Yes, I wanted to know basically, are the CV loans are originating on your own or you are working through some DMA's or network and basically typically what are the yields and what has been the NPA on this particular segment.

Bala: The NPA question I can answer it for because I am aware of the answer. (Yes). NPA's are absolutely low, they are no different to the percentages we had been used to in retail. (Okay).

Rajat: Can you tell us also the geography from where the essentially be CV loans are been originated, south …?

Anindya: For loan we do in the same way through all channels, we do it through dealers, DMA’s as well as through our inhouse sales people, (okay), and it is more or less evenly dispersed between north, west and south.

Rajat: Sure, just one last question is there any instance under the new NPA bill where you have actually, after saving the asset, been able to sold it.

Bala: No, we have not actually had a situation where we have actually had to physically take possession of the asset in all the settlement cases. When we had taken use of the bill people have come and settled, they have given us cash.

Rajat: Okay, so there has been no such instance.

Bala: Yes, we intend to you, we are really hoping for that. Those sort of cases are very few.

Rajat: But do you think, is there going to be any roadblock to that particular process in the coming quarter?

Bala: Not really actually in the coming quarter and going forward, the ARC is also now in the clear, (yes), so clearly we expect that is not in Q4. But really going into next year we are also going to see some transfers from ICICI Bank to ARC as well.

Rajat: Okay, so that is also going to be resulting in some recoveries for the bank.

Bala: That is right.

Rajat: Thanks a lot again.

Rajat: The standard provision that you used to be making are still there in the place.

Bala: of course, if we change that we would disclose, (sure), it.

Rajat: Okay, thanks a lot.

Moderator: Thank you Mr. Rajat for your question. Ladies and gentleman for any further questions you are requested to press '*1'. We have our next participant Mr. Srinivasan from Imperial Investment, please proceed with your question.

Srinivasan: Hi, everybody.

Bala: Hi

Srinivasan: What is happening to Dabhol. Last time we met Mr. Kamath, he said some solution would happen in three months.

Bala: We cannot talk about individual cases, you know, in these calls. So sorry, I am unable to really answer your question.

Srinivasan: Okay, thanks.

Moderator: Thank you Mr. Srinivasan for your question. For any further questions please press '*1'. We have our next participant Mr. Punit from Enam Securities. Please go ahead, Sir.

Punit: Hi, I was just wondering if you can give me the numbers or breakup of short term and long term borrowings.

Rakesh: ICICI borrowings will be the entire amount except for about Rs. 2500 crores.

Punit: Can you tell the previous quarter figures also.

Rakesh: Previous quarter total borrowings was about Rs. 488 billions. About Rs. 2000 to 2500 crores would have been other than ICICI borrowings.

Punit: Okay, fine thanks.

Moderator: Thank you Mr. Punit for your question. Ladies and gentleman for any further questions you are requested to press '*1'. Please press '*1' for further question. As there are no more questions I would now like to hand over the conference to the representatives of ICICI bank, please proceed.

Bala: Thank you everybody for participating in the conference and if you have any questions which you have not asked more than happy to answer them on a one-to-one. You can call any of us; myself, Rakesh, Anindya anytime and especially Rakesh is here upto 12 o'clock in the night and he will be happy to respond, thanks.

Moderator: Ladies and gentleman that does conclude your conference for today. We thank you for your participation and using Tata Indicom conference call service. We now request you to please disconnect your lines, thank you.