



“Indian Bank Q2 FY2022 Results Conference Call”

October 28, 2021



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*Indian Bank
October 28, 2021*

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 Results Conference Call of Indian Bank hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anand Dama from Emkay Global Financial Services. Thank you and over to you Sir!

Anand Dama: Thank you, operator. Welcome all participants for the Indian Bank Q2 FY2022 earnings call. We have with us, Shri S.L. Jain – MD & CEO who has recently joined the bank and the entire top management including ED, CFO and other participant from the management. We would first request the management to briefly update us on the key highlights of the Q2 results and the outlook on growth and asset quality going forward then we will open up the floor for Q&A. Over to you, Mr. Jain!

S.L. Jain: Listed investor, I have with me all the three executive directors and the general manager. During the quarter, our business has grown by 8%, deposit has grown by 10% and it is backed by the growth in CASA by 8% and we are maintaining CASA at 41%. Our advance growth is by 5%, but this advance growth is basically backed by the RAM growth. RAM growth is about 13%, wherein retail we are growing 14%, backed by housing and mortgage loan of 10%.

In Agri we are growing again 16% and this agri growth is backed by jewel loan, where we are growing 34% and 52% of our Agri book is jewel. In MSMA we are growing at 8% and MSMA growth basically is backed by the ECLGS growth as well as growth for this cluster funding or hint phase loan or jewel loan or a CGCME based coverage launched.

So all these put together are growing at 13%. There is some degrowth in corporate lending, this degrowth is because under utilization of limits because of the deleveraging by the corporate itself and what we have done here is around over the last quarter we have sanctioned around 16000 Crores of new loans, which is reflecting in over increase in processing fees as well and in the sector we have grown physically sanctioned in a road, we have sanctioned in a steel, we have sanctioned in a cement, we have sanctioned in the textile, we have sanctioned in the hydro chemical these are the number of sector we have grown so it is the credit growth.

If you come into further over the collection efficiencies, collection efficiency in the month-on-month as well as a community basis is improving in all segments, if you see our SLA1



Indian Bank
October 28, 2021

and SLA2 that has come down both SLA1 and SLA2 as well as our gross NPA and net NPA they have also come down from via 13 BPS in gross and 21 BPS in net NPO in sequential basis, provision coverage ratio has improved from 82% to 82.32% so in an asset quality and NPA business there is a fresh addition of around 3952 Crores and around 2004 Crores is corporate, which is mainly in one account of having an exposure of 1821 Crores barring the slippage is very less in retail around 150 Crores odd. On slippage in agri and this is mainly because of the crop loan because of the COVID in other regions their roll over could not take this in the time to come we will do roll over there also in MSMA wherever we could not do restructuring or the units are closed or they are facing some problems there is a slippage.

All in if you see out of 3952 Crores, if you exclude this one account, which was NPA, but because of the court decision was not NPA, it is around 2000 Crores, which is around 0.4% to 0.5%, so this is regarding asset quality, but the recovery is 3952 over 3400 Crores odd is a recovery, so our slippage and recoveries are more or less matching.

In all of our collection efficiency improvement, reduction in SMA1, 2 and improvement on asset quality and overall asset quality is slightly better than the last quarter. So this is an asset quality. As far as the restructuring book is concerned, we have done 4700 Crores odd of restructuring, some amount has come so it is around 4600 Crores and in COVID 2.0 we have done the restructuring of 1400 Crores and the restructuring is in all retail and retail whether it is restructuring is in housing where we see the loans given default will be less and MSMA and we are holding a provision of 10% against both this restructuring put together Rs.1800 Crores to Rs.1900 Crores, so this is restructuring numbers.

Now coming to the P&L numbers, if you see my P&L numbers, of course on a Y-o-Y basis, NII has slightly come down, the reason is very simple, last time because of the Supreme Court guidelines and there was no classification of NPA and therefore there is no interest reversal, so whatever interest reversal was part of provisions, so at this time after March, the NPA classification is started, so you see on a sequential basis over NII has grown by 2.5% or 3%.

If we see the fee based income with the opening of an economy our fee based income has grown, so our processing fees is grown, our transaction income has grown our LC vendor rating commission has grown, so all our government business has also grown. Slowly, slowly with the opening of our economy our fee based income is growing, slowly over this NII 2.0 is growing and this all put together has culminated into increase in operating profit by 11% and slightly there is an increase in salary overheads that is where we have made a provision for AS15 for pension payments as well as some payment for family pensions and NPAs. So there is slightly increase in that employee cost otherwise, this other overheads



*Indian Bank
October 28, 2021*

remains more or less under control, so put together all in one our operating profit has gone by 11%.

You see the provisions part there is an increase in the provision, but if you go deeper into a provision, so major big hit is coming in provision in two reasons, one we have done the restructuring of a round of 14000 Crores, so 1400 Crores of additional 10% provision as well as this big account, NBFC account where we have made 50% provisions, so it is 1800 Crores 50% of that is 900 these are the two major provisioning hit increase of provisioning, otherwise we are not carrying much of a baggage with us, so there was slightly increase in provisioning, but in all our net profit has grown by 164%.

If you come to the capital adequacy point of view we see that our capital of course total come down slightly, but the reason is in 600 Crores of Tier1 we have exercised call options which is at 8 plus rate of interest, so we have paid this, otherwise in a CET and in the tier 1 there is an increase of 11 BPS and if you add the 2004 Crores of the profit of the current half year it will increase 75 BPS in the capital adequacy, so it will cross 16.63%, which is one of the highest in the industry so on capital side we are more or less adequately capitalized.

If I put together all these things one by one growth in RAM is 13%, which is 60% going forward we want that credit growth should remain between 8% and 10%, so the 60% may come down to 59%, 58%, but we will continue to focus on this RAM sector and on the deposit side we will raise the deposit based on the needs, based on the lending. So some of the deposits we have utilized for increase in our treasury numbers, so 3000 Crores odd we have added in the GSEC because the margin that better is compared to others. This is some in substance of this quarter. I am open to questions.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

Mona Khetan: Good evening and thanks for taking my question. My first question is around the restructured book, you mentioned RP1 of 4600 Crores and another 1400 Crores under revenue regulations plan 2.0 so, is there any overlap between the two?

S.L. Jain: Madam, restructuring basically has three components, one is the tranche 1 and tranche 2 for SMA restructuring, RP1 and RP2, so there is the overlap between the tranche 1 and tranche 2 in SMA as well as in RP2, but there is hardly any overlap between RP1 and RP2.



*Indian Bank
October 28, 2021*

- Mona Khetan:** When saying SMA you mean the non-COVID MSMA restructuring that we had of 4400 Crores?
- S.L. Jain:** So, major part of this is overlap in COVID 2.0.
- Mona Khetan:** So, if I have to look at the total restructured book for the bank I should only adding one and two and excluding the MSMA restructuring of 4400 because that already overlapping 2.0?
- S.L. Jain:** Entirely is not overlapped, one and two plus you may add 1500 Crores or so, so around 2000 Crores you can put, so which is around 5%.
- Mona Khetan:** So, totally restructured book including COVID and pre-COVID MSMA restructuring should we say about 6% of your book?
- S.L. Jain:** 2000, say above 5% of the book.
- Mona Khetan:** Okay, 2000 of the book.
- S.L. Jain:** We are holding a provision of 10% there again.
- Mona Khetan:** Sure and the second question was, how much have we provided against the Srei exposure?
- S.L. Jain:** Presently we have provided 50%.
- Mona Khetan:** You know your restructured book is fairly large at around 5%, so how much of slippage could be eventually expect from this book or building?
- S.L. Jain:** Madam, you see this book of about 2000 Crores, 7000 Crores is the retail, which is mainly housing, so we do not see any loss given default in this portfolio because housing already has the margin of 25% or 30% and second is around 3000 Crores odd is a corporate where two or three corporate are there, so presently we are working okay, remaining is in MSMA sector, if you will see in COVID 1.0 we have restructured 4750 Crores has come down, so people are paying also, it is not that if there is a degradation on that we have an adequate provisioning and presently basically with the support of ESLGS one, two and now this addition of 10% so liquidity is available with this MSMA, economy has opened up, so these companies they have survived in the COVID time, so we do not see much of a risk there.
- Moderator:** Thank you. The next question is from the line of Gaurav from Bowhead India. Please go ahead.



Indian Bank
October 28, 2021

- Gaurav:** Good evening, Sir. Thank you for the opportunity. So you helped us with the overlap between RP1 and RP2 and enhanced restructuring and following in that we have disclosed SMA1 and SMA 2 also, so is there any possibility that these restructuring numbers has some overlap with the SMA1 and SMA 2 also and if it is could you help us with that number?
- S.L. Jain:** Sir, always SMA1 and SMA2 restructuring always will be there because SMA1 and SMA2, is a overall book, right, so there is always be, so on a daily basis this overlap calculation is a difficult task.
- Gaurav:** Sir, let us say as on September 30, 2021, you have reported 22000 Crores of SMA1 and SMA2, and then you have 20000 Crores of restructured, so even a broad idea would be very helpful? I understand that this changes on a daily basis, but if I want to pinpoint it or like say on September 30, 2021, so what would that overlap be?
- S.L. Jain:** One thing I want to raise here because the COVID 2.0 restructuring we have done in the last quarter so major part of outstanding is taken care in the restructuring, so if there is an overlap, it will be very less, because it is done in the last quarter only, September quarter only.
- Gaurav:** I should consider SMA1 and SMA2 of 22000 Crores over 20000 Crores restructured is that what my understanding should be?
- S.L. Jain:** Yes, maybe from the COVID 1 they can be.
- Gaurav:** So, it will be a guess. Maybe you may not have the data right now that is okay, but maybe if you can help us.
- S.L. Jain:** We will calculate and we will provide, SMA 1 and SMA2 if you see 4.94% plus 1.47% so around 5.5% and 4% there, right, but overlap number we will provide you, because may be COVID 1 there can be.
- Gaurav:** Sir, on this restructuring like for other banks whoever has come with results so far, we have not seen this kind of quantum of restructuring in the RP2 and also in retail housing like for us it is 2.5% of the retail book, so could you help us give some more clarity as to why it is so high in that case?
- S.L. Jain:** Basically, in retail in housing and all because we have encouraged or we are emphatic to our customers because this COVID which is once in a century event and that RBI has also



Indian Bank
October 28, 2021

come out with this guideline, so that is why we have done the restructuring of these accounts.

Gaurav: In corporates we have any accounts which could be problematic in the next one or two quarters like we have already provided Srei, but over and above Srei any accounts where you think there could be some risk?

S.L. Jain: May be some accounts for small exposure, but not a big account, 250 Crores account can there, but not big accounts.

Gaurav: Sir, last question is given your rating disclosure from slide #18 and in that you have BB and below of 35000 Crores, so that is around 8% of your book, so can you give a breakup of this 35000 Crores like how much will be government accounts in this or any colour because it is a large amount for you?

S.L. Jain: You are in the presentation.

Gaurav: Yes, on slide #18 Sir?

S.L. Jain: Basically to my mind majority of these accounts are government guaranteed or a PSU account, major part is basically backed by government guaranteed. In fact that number we will provide or may be the CRE exposure where we are having the LRD and all.

Gaurav: I just want to understand correctly, so this is below 75000 Crores of which let us say 25000 Crores could be backed by government and PSU?

S.L. Jain: Major part is backed by government guarantee Sir, major part.

Gaurav: Thank you.

Moderator: Thank you. The next question is from the line of Himanshu Taluja from Motilal Oswal. Please go ahead.

Himanshu Taluja: Thank you for giving the opportunity. Sir, firstly we want one clarification what is the recovery we have made in the DHFL account?

S.L. Jain: 610 Crores.

Himanshu Taluja: Can you give us what is your slippage guidance for the second half of the year or the full year and similarly what is the recovery you expect?



*Indian Bank
October 28, 2021*

- S.L. Jain:** See, the recovery is 4800 Crores in the first two quarters and we are having 70000 Crores of a NPA book of this is around 22000 Crores is the NCLT book right, so we expect a recovery both from this is NCLT book as well as some other accounts close to 4000 Crores.
- Himanshu Taluja:** For the second half and what is the credit cost?
- S.L. Jain:** Our credit cost is around 2%, which should be less than this. Major provision as I told you.
- Himanshu Taluja:** Sure, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Ashoka Ajmera from Ajcon Global Services. Please go ahead.
- Ashoka Ajmera:** Good evening. I hope everything is fine at your end?
- S.L. Jain:** Yes, Sir, everything is fine.
- Ashoka Ajmera:** If you see the performance of the bank is very good even though you have taken up the charge recently, but otherwise also the things are looking very good in this bank, having said that because on all the parameter of the property and another things, there are only a few information point and few concerns about the higher slippages number one, number two is that the credit growth, which you are talking about 8% to 10% and with the major focus on RAM, when everybody is chasing it for lot so many years and now people are going for 6.4% interest in some banks even the big corporates going to even below 5%, below 4% and today only the PNB has given the kind of the result where the margins are under great pressure, so how do you see yourself standing in that position, Sir?
- S.L. Jain:** Because we are in the surplus liquidity, so naturally in the surplus liquidity the pressure will come on the interest rates, so in the given situations, we have two or three options, one is to reduce our deposit cost, so you might have see in our presentation that have reduced the deposit cost. Second one is to grow more in retail where the pressure is less and that is why we are growing in all these sectors in agri backed by jewel loan where the margins are better and in the retail slightly better and that is why some reduction in corporate, but going forward the margin pressure will be there in excess liquidity so with the growth of 13% in RAM sector, we will be able to even product our margin, which is at 2.8% to 2.9%, so margin maybe between 2.8% and 3% or so.
- Ashoka Ajmera:** Sir, in case of the Srei and DHFL you have given reply to some of the other people who have asked the question, I would just like to say that the 50% of the provision, which you have done in Srei, what were the total outstanding of that account?



Indian Bank
October 28, 2021

- S.L. Jain:** It was one 1820 Crores.
- Ashoka Ajmera:** So, 910 Crores is provided for their?
- S.L. Jain:** Yes, so that is why just the provisions are higher.
- Ashoka Ajmera:** But then the benefit of DHFL, we just come in with according to you at 610 Crores, is it comprising both the bond and cash or this is only the cash recovery?
- S.L. Jain:** Both.
- Ashoka Ajmera:** Sir, what treatment is given to bond, have we taken as in the security or you have taken it directly at full value?
- S.L. Jain:** See, that was the MTM on the day of listing itself and we have provided total 80 Crores on that.
- Ashoka Ajmera:** About 300 if the bond was, I do not exact, but maybe around 300 Crores, so 80 Crores has been provided on that?
- S.L. Jain:** Yes, we have provided MTM of 80 Crores.
- Ashoka Ajmera:** Sir, your view again on the advances I was asking, are you know again started looking at some good corporates and in those areas where you know the construction loans or traded through the NBFCs and are you again looking in order to increase your advance growth in those areas?
- S.L. Jain:** We have sanctioned around 60000 Crores to 70000 Crores in the last quarter mainly in the RAM, mainly in the steel, cement, textile, so we are open for all kind of business, the focus is also getting shifted to mid corporates in the sense where the ticket size is 25 Crores to 75 Crores wherein that much negotiating problem will not be there, but the ratings are equally good, the focus is being shifted to them also now and again we have put one GM for mid corporate to increase the mid corporate wherein the margins are better.
- Ashoka Ajmera:** Mid corporate you count from 50 Crores to 150 Crores, or 100 Crores to 250 Crores?
- S.L. Jain:** 25 Crores to 150 Crores?
- Ashoka Ajmera:** 25 to 150, in this segment there is a margins?
- S.L. Jain:** Yes, of course.



Indian Bank
October 28, 2021

- Ashoka Ajmera:** Sir, will you elaborate little more on the slippages of 3952 Crores in addition to that what is Srei yield, which are the other big accounts in this?
- S.L. Jain:** 1800 Crores is in Srei account and 200 Crores is one road project and there is very small account, there are three, four accounts, in retail it is around 150 Crores and agri it is 983 Crores and MSME 746 Crores.
- Ashoka Ajmera:** So, agri and retail many not be the big I think it should come back to order in the near future?
- S.L. Jain:** Yes, Sir, it should, so this time the pressure was on this provision is on account of this big account and the restructuring will not be there in that time.
- Ashoka Ajmera:** Yes, correct, we are taking every quarter the credit for income tax, you know this quarter also 361 Crores credit has been taken, can somebody explain me what is your total income tax calculations, how do you calculate and how long these credits are going to come in the next two quarters or so or not?
- S.L. Jain:** Actually this income tax calculation is nothing, whatever the carry forward losses of after all Allahabad Bank was there that benefit was available to us, so that benefit we are taking on a quarterly basis and here we are making some provision for NPAs and all because this is the allowable reduction, so this benefit will get later on, so that is why we are creating a DTA for that.
- Ashoka Ajmera:** So, how much that carry forward losses are left now from Allahabad Bank for in future to take benefit of in amount terms?
- S.L. Jain:** Exact amount we will let you know, Sir.
- Ashoka Ajmera:** No issues, Sir, just a small observation, there is a lot of revaluation of the investment of 153 Crores in this quarter, can you throw some light on it?
- S.L. Jain:** RBI change is the guidelines. What RBI says earlier this loss on resolution used to come under the provisions, now with the new guidelines it is coming as a part of other income, so you might have seen all the banks, majority of the banks is the part of other income that is the thing, but realignment or regrouping of the earlier loans.
- Moderator:** Thank you. The next question is from the line of Vaibhav Barjatya from HNI Investments. Please go ahead.



*Indian Bank
October 28, 2021*

- Vaibhav Barjatya:** Sir, thanks for providing the opportunity and congratulations for a good resilience. Bank has always have been regarded as relatively better bank among the public sector banks. I have just a slightly different question you know this issue of Indian Bank Housing, it has been there in our neck since a long, long time, I guess now RBI has finally given a deadline of December 2021, so just wanted to know what is your plan regarding that and if you are not able to finalize any plan by December 2021, then what will eventually happen, will RBI revoke the license of that thing or it will force a merger with the bank or what is the game plan here, if you can highlight some facts on that?
- S.L. Jain:** See, actually during the earlier years we tried out some partnerships though it is having reporting to license, but probably it being kept on hold, now what is happening is we are having a very good franchisee, so we have got a very good despite sufficient network, the issue is coming as far as the valuation is concerned, so on this we are yet to come out with a clear cut approach from the board to what extent should do it hopefully with the MD and CEO I will be discussing it in detail and will take a call before December the way forward.
- Vaibhav Barjatya:** Basically, I mean as of now pretty much it is certain that they are going to miss the December 2021 deadline?
- S.L. Jain:** We will take a view. Ultimately as of today if you see neither we are having any liability on it nor we are having any much asset on it. Whatever it is there is set off like that. What we are thinking is in case suppose we are able to infuse the capital and build a book of 3000 to 5000 Crores then we will be getting some value in that, so we took the matter to the regulator, couple of years back, it is taking permission to infuse the capital, which we could not guilty with, so okay on all parameters, relook will be there and we will approach the board and take a further call on it.
- Vaibhav Barjatya:** I think that is it from my side. I was just more worried that would it be pose on us to just bail out because it is all negative, I mean, the CAR and everything is negative, so that is why the question I asked. Thanks a lot. That is it from my side.
- S.L. Jain:** Just one more clarification I would like to give. Whatever the money the bank has to receive by way of interest, which is overdue interest and second one asset is there in this particular company, I think the mortgage of plan is there, which value was to the extent of 130 Crores if that is gone through the bank will gain, there will be not be anything for the bank to lose this transaction.
- Vaibhav Barjatya:** That is it. Thank you. That is it from my side.



*Indian Bank
October 28, 2021*

- Moderator:** Thank you. The next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.
- Rishikesh Oza:** Sir, just you have mentioned that the credit cost for this year will be less than 2%, so just wanted to confirm on absolute basis, is it fair to say around 8000 Crores?
- S.L. Jain:** It is very difficult to say you number terms, it is very difficult to say in numbers term, but our endeavor will be to bring it below 2%.
- Rishikesh Oza:** So, last year in FY2021 we had around 8000 Crores to 8500 Crores in that range of provision, so like relatively I was actually asking?
- S.L. Jain:** It is very difficult to take in terms of number, but our endeavor will always be to bring it around 2% or below that.
- Rishikesh Oza:** Also, Sir, what was the reversal for this quarter.
- S.L. Jain:** I will ask the CFO to please explain. No, that is interest reversal?
- Arun Kumar Bansal:** Interest reversal we have done around 320 Crores.
- Rishikesh Oza:** Thank you. Also just a clarification, what will be your next year credit growth?
- S.L. Jain:** Presently, we are at a credit growth of 5%, so we are planning to have a credit growth of 8% to 10% in this current year, so based on that we will plan for the next year, I would like to grow more, but everything is based on the market, based on the growth in the economy and all.
- Rishikesh Oza:** My question was actually what was the FY2023 credit cost?
- S.L. Jain:** This year it is around presently we are at 2+, but going forward you will see what is the provision coverage ratio is 83%. Our net NPA is Rs.12000 Crores, so considering this credit cost should come down substantially next year.
- Rishikesh Oza:** So, it should be like below 2% is it fair to say that?
- S.L. Jain:** It should be because we are not seeing much of a risk going forward. Naturally it should come down.
- Rishikesh Oza:** Got it. Thank you very much, Sir.



*Indian Bank
October 28, 2021*

- Moderator:** Thank you. The next question is from the line of Suraj Das from B&K Securities. Please go ahead.
- Suraj Das:** Thank you for the opportunity. A couple of questions only, you said you have recovered 610 Crores and you made some provision in the bonds, so out of this 610 Crores, can give the breakup, how much you have received in cash and how much in bonds?
- S.L. Jain:** I will GM Recovery to answer the bifurcation of this 610 Crores.
- V.V Shenoy:** 333 is bond, balance is cash recovery.
- Suraj Das:** 277 is cash recovery and 333 is bond, 277 is cash?
- S.L. Jain:** Yes.
- Suraj Das:** My second and last question is, do you have any kind of non-specific, non-PCR provision, so I understand that you made 50% provision on the Srei exposure but that is earmarked amongst Srei only so do you have contingent buffer provision non-specific?
- S.L. Jain:** We are having provision 10% for this COVID book around 2000 Crores of provision. We are having a provision for standard assets. We are having a provision for against specific assets. So that number of provisions we do have.
- Suraj Das:** So, to understand 10% provision is on the total outstanding restructured book?
- S.L. Jain:** Yes, Sir, so we having a provision of 610 Crores.
- Suraj Das:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.
- Mona Khetan:** Thanks for taking my question, again. Coming back on the restructured book, you mentioned about 8000 Crores is to retail and the last part us HL, what part could HL be, out of this 8000 Crores?
- S.L. Jain:** What part of this 7000 Crores of a return restructuring is housing, so maybe around 70% plus.
- Mona Khetan:** Out of this 1400 and odd?



*Indian Bank
October 28, 2021*

- S.L. Jain:** No, out of this 7000 Crores.
- Company Speaker:** 5349 will be home loan and mortgage loan will be around 700 Crores.
- S.L. Jain:** Around 6000 Crores. The majority of this is backed by full securities, so LGD will be very, very less.
- Mona Khetan:** Sure and secondly, if you could throw some colour on your branch rationalization plan?
- S.L. Jain:** So far since amalgamation we have rationalized around at 250 branches, so you see amalgamation of Indian Bank and Allahabad Bank because Allahabad Bank was very strong in the eastern part and the central part and Indian Bank was very strong in southern part, so branch complementarity was there, there was out of situation that the one center where branch is nearby, which was in other banks like Bank of Baroda, and others where there are nearby Bank of Baroda branch or Dena Bank the rationalization was more there, but here basically we were operating in different territories, so there overlapping was less and therefore rationalization was around 250 Crores.
- Mona Khetan:** Is this one bit or could we see some more reduction in branches?
- S.L. Jain:** Yes, that is always a process. There is always a process we keep on reviewing, so some of the branches we may do, some are utilized. We are working on that.
- Mona Khetan:** On this impact NPS and family pension, so if I am getting it correct from your notes to account the impact will be about 90 Crores per quarter?
- S.L. Jain:** No, it is 31 Crores, actually this is 90 Crores per year since in the current financial year, the guidelines says come later, so the current financial year 91 is being apportioned in three quarters because first quarter is gone that is why we have made a 31 Crores this time, otherwise, it will be 25 Crores in quarterly results.
- Mona Khetan:** Including both NPS and family pension?
- S.L. Jain:** NPS is fully provided. NPS you cannot amortize, only family pension we amortize.
- Mona Khetan:** Just lastly on this NARCL transfer of accounts, so you have set aside about 1900 Crores of assets that will be transferred, so is it done and how much provisioning to be hold against these?



Indian Bank
October 28, 2021

- S.L. Jain:** So, this 1900 Crores account will be transferred to NARCL because this has been identified by the NARCL to be transferred in the first tranche, so we are giving 100% provision there again and whatever we will receive is the income for us.
- Mona Khetan:** When is the transfer expected to happen?
- S.L. Jain:** In the current half, it will be transferred, so the company has already got the license, so things are moving.
- Mona Khetan:** These are not written off or what part could be written off for you?
- S.L. Jain:** A majority of the written off to my mind. 100% provision is there, so the majority of these are written off, so it will come as income.
- Mona Khetan:** Got it, sure. Thank you.
- S.L. Jain:** And this is 100% provided.
- Mona Khetan:** Right, but not always do we provide 100%?
- S.L. Jain:** Right.
- Mona Khetan:** Right. Thank you as you mentioned majority are written off. Got it.
- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Thanks and congratulations first on your elevation to MD and CEO and congratulation to other EDs have also who had joined in this quarter. Sir, first question is on your MSME stressed quality, there is a large corporate maybe after this quarter we have done with, how do you see MSME stress are panning out especially when we have done the restructuring in this quarter, so assuming they have let us say a moratorium of around 6 to 12 months, is it like that MSME slippages should fall dramatically over the next two quarters at least because all borderline cases we have been restructured and the remaining are very healthy?
- S.L. Jain:** So, you see our presentation and our SMA numbers as well as collection efficiencies, so you see the MSME collection efficiency, which was 78% in June is probably 92%, so the remaining are better accounts first point, second point, if you do SMA 1 or 2 of this, so this SMA2 will also come down in MSME, so this shows that comparatively the remaining are in better quality.



Indian Bank
October 28, 2021

- Jai Mundhra:** I see the number they have been trending down only so at least they have not deteriorated. I was asking that at least on large corporates we have a visibility that certain large accounts you will be monitoring on a day to day basis, but on MSME, how should one look at it because the restructuring in COVID 2.0 had been relatively higher and on ground the situation could be mixed so some industries would have got back, some industries they are still struggling and some of the MSME industry would still be struggling, also from near term perspective I saw one look at MSME slippages, which is let us say 1000 Crores plus, I mean how should one look at MSME slippages?
- S.L. Jain:** There is a pressure on MSME right, you will see the degradation in MSME book in the quarter one and in the quarter two it is combined, so some of the accounts have already been degraded, some of the accounts, which we feel there are potential for improvement has been restructured, remaining there is a deduction in SMA 2 and 1 both number, fourth one is collection efficiency is improving, so you have to see in the light of all these four trends.
- Jai Mundhra:** Sir, I am saying MSME slippages should improve dramatically over the next two quarters at least, is that the right way to think about this?
- S.L. Jain:** No, Sir, dramatically it is very difficult to say, slowly, slowly they will improve, the point is that the government itself is further giving this ECLGS, reversal 10% because still the pressure is there, still we are not out of the COVID, most of the units in MSME sector are shut, but 2500 roughly was slippage in the first quarter which came down to 700 Crores odd, so in the SMA 2 and the collection efficiency, our collection efficiency also it raised to 92% and that includes the collection in previously restructured account, so it means the overall portfolio is okay, going forward there will be pressure always in MSME, but it would not be that much.
- Jai Mundhra:** Sir, you have good details on restructuring and SMA book, so if I want to add them up, would there be substantial overlap or what is the quantum of overlap between restructuring and SMA book or they would be negligible because all restructuring will not come under SMA even if they are slipping behind?
- S.L. Jain:** No, there is a substantial overlap between this number COVID 2.0 restructuring vis-à-vis tranche 1 and tranche 2 restructuring, so the numbers we will provide, in the conference call somebody asked this number, so we will provide, Sir.
- Jai Mundhra:** Understood Sir, and The second thing is that if you can talk about the expected NPA recovery upgrades for the remaining fiscal year, how do you see the run rate?



Indian Bank
October 28, 2021

- S.L. Jain:** I have replied, we have so far recovered around 4800 Crores and keeping in view the stock available of NPA and PNPA, NCLT status, restructured as this is liquidation or a resolution plan approved, we are of the view that we should get recovery of round 4000 Crores in the remaining half of this current fiscal.
- Jai Mundhra:** Last question, if you have to bifurcate your loan book into MCLR linked and external benchmark linked that would be very helpful and maybe the fixed and whatever is the extra, how much percentage of the loan book is MCLR linked and EBLR linked?
- S.L. Jain:** Retail and MSME is an external benchmark, remaining external benchmark is 65 to 66 MCLR remaining is on external, but here major of it is 30 to 40 is on an account of external benchmark, retail is totally to be external benchmark and SMA to be external benchmark as per the guidance.
- Jai Mundhra:** Right, understood. Sir, I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Ashoka Ajmera from Ajcon Global Services. Please go ahead.
- Ashoka Ajmera:** Thanks for giving the opportunity again, Sir, we have the tie-up for the co-lending with Indiabull Housing and Indiabull Commercial, IIFL, can you give some colour on their co-lending business that what is your a total quantum under this business and how do you see it more profitable than you are direct lending and are you aggressive in this particular area to increase your reach for the co-lending, Sir?
- S.L. Jain:** We have just entered into an agreement with these companies, right so specifically the purpose of co-lending is that we are ready for all limitation with NBFCs are giving they have reached to the inner part of the countries, so it is a win-win position for the customer, it is a win-win position for the bankers, it is a win-win position for the NBFC and based on this RBI has come out with a co-lending, so going forward we are developing our IT setup because the guidelines we should help to have own account and we should regularly reimburse the amount to the lender, so we are working on it.
- Ashoka Ajmera:** Sir, my next question comes on this only, on this digital this thing because in your focus areas and trust areas with more strategy areas, you have mentioned digital transformation is the first area, so what is exactly the plan the digital field, do you have a dedicated general manager for this looking after only mainly the implementation of digital penetration, you know, your are focussed on a digital products and end-to-end digital lending and how much budgets have you provided for one year or for at least remaining part of this year for the digital, but how fast you are going on this digital, Sir?



*Indian Bank
October 28, 2021*

- S.L. Jain:** We are having a GM looking after digital separately and we are having one GM looking after transformation because this is a transformation activity, but we supposed to do in the both sides in liability and asset both sides we want to move digitally, now for all, for lending we want to develop a platform where we can do a housing loan, auto loan, personal loan, consumer loan digitally and also KCC, the jewel loan, the number of going forward and you know, we have told earlier that there will be a pressure on margins, so it needs to be changed operating model for a bank so we in this direction we are working and we have already floated in the RSP and we will work on that, so this is on our asset side, on the liability side from customer acquisition, to cross sales, to up sale, to branch arrangement to account planning number of things we want to do in the digital side.
- Ashoka Ajmera:** Sir, good to know that because the contract must not have been given so far because you are just floated the RSP for that?
- S.L. Jain:** Yes.
- Ashoka Ajmera:** Sir, I come back to that earlier question of the National Asset Company, that eight of the asset, which you identified for 1900 Crores that is only in the first tranche, but have you done the larger exercise for the remaining part because this will go in this quarter only mostly?
- S.L. Jain:** Larger exercise is they have done for 100 two accounts, right, so around close to 2 lakh Crores and over share was around 5000 Crores plus, they are going to this 22 accounts then later on they will move to that because these accounts needs to be that we have to do documentation, sign papers and then transfer the accounts to the MARCL, so this process will go step by step.
- Ashoka Ajmera:** Sir, on the 1900, any idea at what valuation of 20% or 25% these accounts are going, any calculation has been done for that?
- S.L. Jain:** Exact calculation is yet happen, but we should get around 20% plus, exactly calculation is yet to be done, around 18% or so.
- Ashoka Ajmera:** So, even if you get 380 Crores to 400 Crores, what cash you are going to get is only 15% that is around 50 Crores to 60 Crores, which will straight away come in the income?
- S.L. Jain:** 18% of 1900.
- Ashoka Ajmera:** 300 Crores odd, yes, 350 or 360 Crores whatever is there, so out of that also you will get only 15% cash?



Indian Bank
October 28, 2021

- S.L. Jain:** Right.
- Ashoka Ajmera:** And remaining 85% is government guaranteed SRs?
- S.L. Jain:** Yes.
- Ashoka Ajmera:** So, that also will be taken in the income because on that there is no clarity on those SRs whether in the current year only you can take it as a entire this thing, anyway we will come back for that.
- S.L. Jain:** Okay, as and when the guideline will come, we will act accordingly.
- Ashoka Ajmera:** Thank you very much, Sir and all the best for the rest of this year and may be next year also, thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav from Bowhead India. Please go ahead.
- Gaurav:** Thanks, again, Sir. Sir, on credit cost you mentioned it will be below 2% for this year, so absolute number would be somewhere around 7000 Crores, that is correct because last year we had provided 8500 Crores, so this year?
- S.L. Jain:** It is very difficult to say in numbers.
- Gaurav:** No, Sir, I asking broad range, I do not want to pinpoint any specific number so it can maybe 7000 Crores to 8000 Crores, I just want the broad guidance?
- S.L. Jain:** Our endeavor will be to bring it to below 2%. It is very difficult to say in terms of amount or numbers, absolute number is very difficult.
- Gaurav:** Sir, on your employee cost, what would be the quarterly run rate that you expect, it was around 1500 Crores in Q1 and around 1700 Crores for Q2, so going forward, what kind of run rate should we go with?
- S.L. Jain:** Because this time we made a provision of 300 Crores odd because of employee benefits so out of this 300 Crores around at 200 Crores odd is the one time item to my mind, so our CFO will explain in better terms.
- Arun Kumar Bansal:** Last year our total employee cost was around 6350 Crores, so this time in this particular quarter it has been on the higher side has already explained that there was one time pension



Indian Bank
October 28, 2021

provisions are there around 200 Crores to 220 Crores, so for the year as a whole it will be less than the previous year number, it will be around 6000 Crores.

Gaurav: What was the other expenses, which was 4000 Crores last year, other operating cost, which was 4000 Crores?

Arun Kumar Bansal: Other expenditure on a quarterly basis it can be within the same only, 1000 Crores per quarter you can take it, it will not increase further.

Gaurav: Thank you.

Moderator: Thank you. The next question is from the line of Sonaal Kohli from Bowhead India. Please go ahead.

Sonaal Kohli: Thank you for this opportunity, Sir. Sir, how do you see the outlook for your agriculture you know I see that overall your SMA one plus two combined has gone up and historically the bank has had very high NPA and you know, in light of approaching UP elections, they all expect any SOPs and I understand that the winter rains have also may have had an impact on the agriculture crop in this season, so what is your expectation on the agriculture side and why the SMAs have increased and secondly, I wanted to understand when do you expect ECLGS loans were given about a year back, when can one expect any, you know if you have negative impact, in which quarter do you expect that, if any negative impact, when do the payments, when would these loans have to make payments back to you that is my second and third one is simple query, did Srei become NPA this quarter or was it last quarter? Thank you.

S.L. Jain: Three questions, Srei became NPA in this quarter because of the court decisions account was not classified an NPA. It was not with us, but for all other banks. So all to my mind all the banks might have taken in the current quarter, so this is question one. Second question of yours was regarding the agriculture, SMA1 is showing increasing trend in agriculture, but with the harvesting it happens, with the harvesting the SMA1 will come down. This is your agriculture second question. Third question was regarding ECLGS 2.0 and ECLGS 3.0 already the repayment has started and now the ECLGS additional 10% is being announced by the Government of India and we too have worked out and we have started lending in ECLGS as an extended part.

Sonaal Kohli: Sir, but are you seeing a trend where these payments have started offer a negative impact and what impact in the December quarter or is it too early for you to make a comment about this or are you seeing default, just some color if you have any on this?



Indian Bank
October 28, 2021

- S.L. Jain:** It is too early to put a point, is the first point, second point, these borrowers they are giving 10% extra, then it is too early.
- Sonaal Kohli:** I am sorry, Sir?
- S.L. Jain:** Since the government has announced 10% addition, in addition to 20%, so the same borrowers, their outstanding is being considered February 29, 2022 or March 31, 2022, we are giving some additional amount, so it is too early to say that.
- Sonaal Kohli:** Because of their support it is unlikely that NPAs will happen, right in the short term because you are giving them additional 10% so at least that should come?
- S.L. Jain:** Now that the economy has also opened up, 92%, collection efficiency shows that not going to have much negative impact.
- Sonaal Kohli:** Sir, do you expect any impact of UP elections on your agriculture SMA sector or the impact of the unseasonal rainfall on your agriculture NPA as a sector going forward?
- S.L. Jain:** Election is very difficult to say what party will come and what declaration, but hopefully because of the previous experiences now political parties are not announcing that kind of release, which they were announcing earlier, so we hope the election is at least not going to affect and monsoon and all had been good, the crop will be good and going forward whatever SMA and all are there I think most of that will be regularized.
- Sonaal Kohli:** Sir, two small follow up question, was Srei an SMA2 in the previous quarter?
- S.L. Jain:** It was a part of the SMA2 only. It was not declared NPA just because the third order was there, otherwise we call NPA only. It was a part of SMA2. It was put on freeze only.
- Sonaal Kohli:** Sir, secondly you said that there may be overlap between your restructured book and your SMA book, so is it fair to conclude that the companies which have overlap in spite of having got the benefit of restructuring if they are still in the SMA category, they are definitely in trouble, because they have got all the leeway's of restructuring?
- S.L. Jain:** But my point is that major part of the restructuring we have done in the last quarter only.
- Sonaal Kohli:** So, we have done in the last quarter then I would not be in SMA?
- S.L. Jain:** I said that most of the restructuring where we did restructuring we found the account was viable where the units was closed or business at a very low capacity level, we did not do the restructuring. We declared those account NPA only.



Indian Bank
October 28, 2021

- Sonaal Kohli:** I understand, Sir, what I am trying to ask you all that you said that there is a significant overlap between your restructured book and SMA book, is that correct or my understanding is wrong?
- S.L. Jain:** That is no overlap here. RP2 we have just restructured.
- Sonaal Kohli:** So, there is no overlap as far as restructured 2 is concerned and now coming to restructured 1?
- S.L. Jain:** There can be some overlap with RP1 and Henderson Cable.
- Sonaal Kohli:** Sir, what I am trying to understand is that if something was restructured obviously the principles and interest payments must have been postponed, so in spite of that if somebody is still in the SMA account that part of the book would be obviously potential NPL or what I am missing in my analysis?
- Company Speaker:** Sir, the accounts which were restructured under RP2 and RP1 are presently standard, those segments will not be, very negligible only could be in SMA, could be in SMA, the one which could be in SMA could be from tranche 1 and 2 and a portion maybe some RP1, there is a possibility, but some RP2 it is all standard only.
- Sonaal Kohli:** Yes, I understand, I am only talking about RP1, so I am trying to understand?
- S.L. Jain:** We will give you a number of overlap then only we can conclude.
- Sonaal Kohli:** Thank you, Sir.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for closing comments. Over to you, Sir!
- S.L. Jain:** Thank you all analysts and the investors who have active interest in the bank. Thank you once again and Happy Deepavali.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference. Thank you all for joining us. You may now disconnect your lines.