IndusInd Bank

"IndusInd Bank Limited Q3 FY'20 Earnings Conference Call

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IndusInd Bank

CHORUS CALL®

MANAGAMENT:

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MR. M. R. RAO – CEO, BHARAT FINANCIAL INCLUSION LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the IndusInd Bank Limited Q3 FY'20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Romesh Sobti, Managing Director and CEO, IndusInd Bank Limited. Thank you, and over to you, Mr. Sobti.

Romesh Sobti: Thank you for joining us once again for the Q3 Earnings Call. We have uploaded our 'Investor Presentation' on our site. So, I am sure it is all in your hands already and you have absorbed some of the numbers.

I am going to talk a little bit about the operating environment and then take you through the headlines of the results, try to cover a few questions that may come to your minds and then we will take questions from you all.

As far as operating environment goes, it remains tough overall, but there is some growing evidence that there is stabilization of economic activity at lower levels, there is some anecdotal evidence that some green shoots are there but not more than that. For instance, we have read about one manufacturer talking about an increase in the enquiries on commercial vehicles. We are seeing some stabilization in the flow of credit to the NBFC sector. It is not as broad-based as one would have thought it should have been by now. But certainly it is not as bad it was say, maybe six months ago.

As far as consumption demand goes, well, I do not think there is any evidence so far that things are turning up. But I think the flow of money to NBFC sector remains probably the highlight and some of this flow has really come from offshore markets, bond markets.

I think the monetary policy remained extremely accommodative, liquidity in the banking circuit is now at a figure of 3 trillion, rates are still slow in falling, they have not followed the trajectory of the repo rate but I think what we are seeing is certainly a reduction in the cost of funding in the liquid market.

So in that background, our performance in terms of the quarterly numbers, we have shown a top line growth of 20% in the loan book and 23% in the deposit book. The loan book is spread across four sectors. I think in Q2 we had seen some slowdown, for instance, in our micro finance book, but there is a return to momentum now and that book grew 44% YoY and also 10% QoQ. The non-vehicle retail book grew by 17%. The vehicle book grew by 16%. And the corporate book grew by 8%, but corporate growth was muted because of some welcome recoveries and payments and repayments. So, that is on the loan book side.

On the liability side, we have shown a SA growth of 30% YoY and QoQ growth as high as 8%. The retail deposits as defined in the LCR grew by as much as 48% in the quarter. So we are seeing the surge continuing and more importantly up by almost 10% QoQ. So that is the liability side.

We have been talking about the interest engine beginning to hum. Certainly, we are now seeing it revving up. We have seen interest income grow by 34%, well ahead of the growth in the loan book. And, as a consequence of that, we are also seeing interest margin improving. So, I think this is the third consecutive quarter that we have shown a 5 basis points increase in our NIM which is now at 4.15%. Other than that, fee show steadiness, growing by 22% and core fee by almost 19%.

I think one of the highlights for us is really the growth in the operating profit which grew by 30%. PPOP to assets ratio at 3.83%, probably now is amongst the highest in the industry. So that is a good development for us. PAT for the quarter was Rs.1,309 crores which is up 33% and this is after making accelerated provisioning of Rs.251 crores. If you recall that in Q2, we had made accelerated provisioning of Rs.355 crores. So, in these two quarters about Rs.606 crores of accelerated provisioning. And if you were to exclude the accelerated provisioning, then the profit for the quarter was Rs.1,497 crores, which would be up 52%. So, we also worked on strengthening the balance sheet, the PCR has improved even further, I think over two quarters, we have moved PCR by 10% from 43% to 53% as a consequence of the accelerated provisioning.

The loan book quality is stable; GNPA is slightly down, net NPA is pretty significantly down from 112 basis points to 105 basis points. The capital adequacy is at 15.4% and the client base has grown pretty handsomely; we added about 2 million new customers during this year to touch a figure of 25-off million.

Other than that, I think one area that certainly you would be interested in is really on asset quality. Gross and Net NPA I have already talked about. The credit cost for the quarter came at 28 basis points and for the nine months period is coming to 59 basis points, in line with what we have been saying. The slippages and reductions were elevated during the quarter. The net slippage was actually lower than last year and almost flat going quarter-on-quarter at about 42 basis points. What we have done during this quarter is to proactively classify a couple of accounts which have been lingering I think in the books of banks, both in the case of a housing finance company and a travel company. We have recognized them and also made provisions. So these have been treated as frauds and we have made provisions amounting at about Rs.240 crores as a consequence of this particular recognition. So, I think this really is what causes the provisions to go up.

Other than this, in the other areas, small movement up and down in CVs, MFI, but I think the absolute numbers in terms of the gross NPA movements are pretty small.

For several quarters now, we have been giving you the exposures to those three stressed accounts, and if you turn to slide #18 of our presentation, you see that from a high of 1.9% in

Q4 of '19, the exposures now come down to 0.47%. I think this is the last quarter in which we will show this slide because I think it is becoming meaningless to continue this disclosure. But we are happy that as a consequence of recoveries, repayments from these groups, we have successfully brought down this exposure to an extremely manageable level and whatever is residual is also well secured with the security of almost 170%. These accounts remain standard in the bank's books.

Other than that, yes, we have given a slide on NBFC exposures. NBFC exposures have actually come down from 3.7% to 3.2%. I think the slide shows the granularity of our exposures to the sector and of course the associations are very strong sponsors, typically, doing more of the retail business and the resilience of the portfolio as well.

I think the rating profile of our corporate book, if you see that sub-investment grade, has fallen even further, I think by another a percent or so. So if you see that right side of slide #16 is now hugging the horizontal line which is a very small number. And this if I understand correctly is based on internal ratings. If you take external ratings, the figure becomes even more insignificant, it is even better.

Fees grew by 22% and the core fee grew by 19%-odd. I think the only feature which shows YoY reduction is really on the foreign exchange income portfolio. And that is because I think there was muted activity in the foreign exchange markets with few new issuances and things like that. So that is the only reason that has happened. Otherwise, I think you are seeing a very handsome growth on trade remittances and distribution fees, loan fees, etc.,

Yields and CoD: The cost of funds actually fell by 17 basis points during the quarter and the yield on our assets fell by about 12 basis points. And that is why as I said our NIM went up by 5 basis points.

So, I think that is the summary. We can certainly talk about Bharat Finance. But I think Bharat Finance is well on track now, on its momentum, and I already mentioned a very handsome growth of 44% we are seeing.

So, that is it as far as we are concerned, but we will be more than happy to answer questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Ravi Singh from HSBC. Please go ahead.

Ravi Singh: My question is on the rating mix for the corporate book. So this reduction of roughly 1%, does that broadly explain the corporate NPAs we have seen, you have highlighted in paper and on travel accounts, so is it coming from the below investment grade or what is the linkage here?

Romesh Sobti: It comes from the sub-investment grade, short answer.

Ravi Singh: Again, just a clarification; in this rating mix, you have also the last point for NPA default where this time it is higher share for the unsecured fund based. So what explains higher unsecured fund based.

Sanjay Mallik: If you look at the number excluding the net NPA number, it is absolutely negligible, because the part you are saying is non-funded or unsecured, is coming from largely the NPA. That has already been recognized. You need to look at the sub-investment grade book, net of that NPA number, in which case it gets even smaller.

Ravi Singh: These credit card slippages have been gradually inching up over the quarters. Industry number slippages are closer to 1.7%, 1.8% against that credit card here is 2.6%. Any comment there on the credit card delinquencies?

Romesh Sobti: I think the absolute figure is Rs.16 crores. The percentage here is a misleading number. If you see that 2.4% to 2.57%, actually absolute number is Rs.16 crores. These are gross NPAs, these are not the credit costs.

Moderator: Thank you. The next question is from the line of Prakar Agarwal from Edelweiss Securities. Please go ahead.

Kunal: This is Kunal over here. Just to clarify with respect to the slippages on the corporate side, there is a note which says the clearly travel diversified group and paper. So, outside of that if we look at almost like 530-odd crores, so that would be again largely because of one HFC which you said like it is fraud and it is classified in GNPL, so would that be the entire proportion of corporate?

Romesh Sobti: No, consumer's also there.

Kunal: No-no, consumer is Rs.700 separate, I am saying Rs.1,200 which is corporate, in that we have Rs.282 travel, Rs.177 paper and Rs.250 diversified. So in corporate, there is a balance which is Rs.528 crores.

Sanjay Mallik: If you look at the disclosure, the names we have given are the larger number over Rs.100 crores, so the rest are small accounts.

Kunal: No, just in terms of this HFC which is treated as fraud and provided for, is it a part of slippage for this quarter or no?

Sanjay Mallik: No, that is part of the investment book.

Kunal: So then maybe the slippage in the corporate is outside of all of these? Okay.

Sanjay Mallik: Outside that one, yes.

Kunal: If we can even get the provisioning break-up because almost like Rs.1,000-odd crores is the overall provisioning, out of which we are saying like Rs.250-odd crores is the accelerated one, okay, maybe in terms of taking the coverage up, then Rs.240 crores is towards the fraud accounts?

Romesh Sobti: Correct, that is half the provisioning.

Kunal: And then when you look in terms of the note which is given where we are disclosing these three accounts separately in terms of the HFC, we have mentioned that 25% is something which is taken from P&L and 75% is routed through balance sheet. Given that HFC is also classified as a fraud, so should we assume that maybe there is 3x the proportion which has to be routed through balance sheet over the coming quarters?

Romesh Sobti: That is correct.

Kunal: Rs.240 crores into 3 which will be Rs.720-odd crores has been adjusted through the reserves.

Romesh Sobti: Correct, flow through at the rate of Rs.240 crores each quarter.

Sanjay Mallik: Each quarter Rs.240 crores. Unless there is a resolution in the interim period because the provisions are now going to eventually go to 100%, but the loss given default may not be 100%, it may be much lower.

Kunal: Just in terms of the write-off towards maybe this large infrastructure NBFC Rs.250-odd crores, so that is also again maybe provided this quarter and written off or it was provided and just written off, so in terms of the provisioning, is write-off of Rs.250-odd crores of large infra is also getting included in this Rs.1,000 crores?

Romesh Sobti: Rs.250 crores that we wrote off of IL&FS. That is right.

Kunal: So provisioning broadly Rs.250-odd crores is towards accelerated, Rs.240 crores of fraud, Rs.250 crores of IL&FS, so out of Rs.1,050, Rs.750 crores is clearly towards these three accounts?

Romesh Sobti: Yes.

Moderator: Thank you. The next question is from the line of Abhishek Murarka from India Infoline. Please go ahead.

Abhishek Murarka: My question is relating to the repayments on your corporate book. Can you a) quantify how much was repaid this quarter and b) also how is this repayment happening – is it just refinance through other lenders or who is really refinancing this, if you can shed some light on that?

Romesh Sobti: There is no refinancing. I think the repayment in terms of for instance in one large case which is a diversified group, we had the shares. These are all related to those stressed accounts that we are talking about, first of all, this is not outside that. Mostly, these recoveries are relating to the stressed accounts. So the largest of this number actually comes out of sale of security, the shares that we have held, because value of this security was much higher as in our outstanding. Then also accounts have been standard in our case and in the case of one company for instance we have received payments as per the payment schedule. So there are also payments as per payment schedule also enforcement of security.

Abhishek Murarka: So, what was the quantum of repayment/recovery in your corporate book this quarter?

Roopa Satish: Difficult to say what is the amount in the overall corporate book because those repayments and redisbursals keep on happening on a regular basis. Specific stress accounts we can tell the number.

Romesh Sobti: These three accounts alone, it has come down from 1.1% to 0.47% of Rs.1,200 crores.

Sanjay Mallik: Rs.1,200 crores this quarter and I think if you look at the aggregate of even those outside these names, in the last three quarters, the number would be between Rs.5,000 crores and Rs.6,000 crores. When you look at our QoQ growth, it is 5%. It is after the recoveries of this Rs.5,000 crores to Rs.6,000 crores. The underlying growth actually has been a bit higher.

Ramaswamy Meyyappan: So the normal repayments outside of this have either come from asset sale because we have seen one of the companies who had large asset sale repay the facility or it has happened from bond raising which we have repaid. So that is what we have seen.

Roopa Satish: There was another large NBFC which was not stressed in our book, but there was a lot of media attention to it and we requested prepayment that has also reduced the book significantly.

Abhishek Murarka: This was that HFC RE which you had disclosed last time?

Romesh Sobti: Correct.

Roopa Satish: We lost something like Rs.2,200 crores on a consolidated basis over the period of time with that NBFC specifically.

Abhishek Murarka: So between last quarter and this quarter, you would have got Rs.2,200 crores there and maybe around Rs.5,000 crores further across accounts including the three stressed?

Roopa Satish: Over last two quarters.

Abhishek Murarka: So Rs.7,000 crores of book you would have sort of got repaid through various sources?

Romesh Sobti: Correct.

Abhishek Murarka: The other quick question on this accounting. So you have about Rs.1,300 crores of PAT but the networth movement on a QoQ basis is just around Rs.630 crores. Can you help reconcile the remaining Rs.670 crores?

Sanjay Mallik: We have talked about it earlier already.

Romesh Sobti: Rs.720 crores.

Moderator: Thank you. We'll move on to the next question that is from the line of Saikiran from Haitong Securities. Please go ahead.

Saikiran: Just quickly on these provisions taken through reserves, is there any RBI regulation which helps us to do this through reserves?

Romesh Sobti: Correct, it is as per RBI regulations.

Saikiran: So if it is fraud then you can do it through the reserves. Is it right assumption?

Romesh Sobti: No, you do it through reserves, but then you have up to four quarters to actually provide for them.

Saikiran: So under what conditions?

Romesh Sobti: You recognize them fully from the reserves. And then each quarter, you can make a provision. In four quarters, you have to provide 100%. So, it has to go through the P&L over four quarters.

Saikiran: Understand sir, but what kind of accounts you can route through the P&L? If it is a fraud then you can do this through the reserves and then after that you reverse it in the P&L, that is how it is?

Romesh Sobti: Yes, there is special dispensation for frauds.

Saikiran: The second question is the loan processing fees has been pretty strong. And if you look at further breakup actually retail banking fees is growing at a very fast pace. If I look at three quarters back, it was somewhere around 13% of the overall fees, now it is almost like 17% of the overall fees. Just can you please explain us what is the reason for such a high growth?

Romesh Sobti: Loan processing fee it varies, in certain quarters we have negative growth. Loan processing fee is charged both on renewal of a proposal, also charged on fresh disbursements. So fresh loans also and annual renewal. So, it depends on when the annual renewal falls. If there is a bunching of the annual renewal, then you will see a bump up in this particular fee line. And in some quarters it is not, so you see a little reduction. So you have seen up and down on this line, so there is no uniformity because this is not spread out evenly across the four quarters.

Saikiran: You mentioned in your opening remarks that on a QoQ basis retail deposits have grown by 10%. But at the same point of time, the cost of deposits if I look at on a sequential basis have also come off. Can you just explain us what is helping us to drive such kind of a high retail deposit growth?

Sumant Kathpalia: The retail deposit growth is coming from two courses; one is the savings account growth, which has grown 30% YoY and at a lower cost of deposit; and the second is the retail deposits where we have reduced our term deposit rates now from 7.2% to 6.75%, which is also helping us reduce the cost of deposit.

Moderator: Thank you. The next question is from the line of Digant Haria from Antique Stock Broking. Please go ahead.

Digant Haria: My question is on the microfinance and the two-wheeler business. Sir, this quarter we had a lot of disturbances in the East of India, there was this NRC and CAA related disturbances also across north. So we could still grow 10% in a single quarter. So just wanted to understand like because that is not even the sector growth for the quarter, like we are much-much higher than the sector growth for microfinance, so just some color there? And second question is on two wheeler. The two wheeler sales also were very good for the festive season, but they dropped significantly in November, December, but there again we have a 10% sequential growth. So you have definitely taken a lot of market share. Like does it come at a lower yield or just some color on two wheeler as well?

Romesh Sobti: First, microfinance.

M.R. Rao: Digant, we slowed down significantly in Assam two, three months back itself, in fact the earlier month we just disbursed 5 lakhs in Assam. We slowed down in West Bengal also partly because of aggressive lending by a few people and the whole agitation surrounding this CAA and so forth. But the rest of the growth has been secular from across the country. Essentially, we focused on our existing customers. If you see the customer addition has been only 6 lakhs QoQ. But we focused on our existing customers who completed their loans and converted them into fresh loans. That resulted in this growth. So the rest of the states other than Assam and West Bengal are seeing secular growth.

S.V. Parthasarthy: Two wheelers essentially the growth has been due to the festive season increase which happened this quarter. Therefore, quite a lot of vehicles which were in the pipeline in September got fructified in October and October, November has been reasonably good, December was slightly slow. But we are doing it on regular pockets only and I do not think there is any pattern which is totally different from the previous years in terms of our acquisitions.

Romesh Sobti: Market share movement?

S.V. Parthasarthy: Market share has increased, but it is not very significant.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from Elara Capital. Please go ahead.

Rakesh Kumar: Pertaining to the notes of accounts of these two fraud accounts, this Rs.240 crores what we have made this is for two accounts, not for the one account, correct?

Romesh Sobti: Two accounts, correct.

Rakesh Kumar: And what it was for the one account, HFC?

Sanjay Mallik: You have got the Rs. 240 crores and you know what is coming in the subsequent quarter. I think that should be sufficient.

Rakesh Kumar: Second thing, I was just trying to understand, like this quarter like we have reduced MCLR number for ourselves and then there were delinquencies also slightly higher in the retail segment. Then still if you see the yield number, it is kind of the same QoQ. So why is that happening?

Sanjay Mallik: No, that is because of the mix. If you look at the retail part of the book, the CV part has actually been flat to very marginally down, and it has been the other parts of the retail business that have grown faster. And of course, if you look at MFI or two wheeler as we just discussed, the yields are higher there, so it is more of a mix change. That is why the retail piece has held up in terms of the portfolio yield overall.

Moderator: Thank you. The next question is from the line of Christine Rowley from Sloane Robinson. Please go ahead.

Christine Rowley: I have two questions. The first was with respect to your credit cost guidance for the year. So if I look at Page #24 in the IR presentation, your credit cost net to-date basis points on advances is 59. Could you give us an update on where you expect the net credit cost to close for the current fiscal? And to the extent do you have any insights about the next fiscal, would be helpful to receive that guidance.

Romesh Sobti: Christine, the first part is the credit cost. And the normal sort of BAU credit cost range around 60, 65 basis points, and we do expect, that should be the credit cost sort of going forward in next fiscal in that range of 60, 70 basis points. In the credit cost this year so far, we have taken preemptive steps to recognize and make provisions more aggressively. I think for the full year we will be in the vicinity of about that 80 basis points or so, give or take four or five basis points. So, I think next year ex-IL&FS we should be in the range of that 60 to 70 basis points.

Christine Rowley: And then the second question I had was just with respect to the decision to spread the provisioning cost against the diversified NBFC company through the reserves and instead of taking that to provisions. I appreciate that you have that latitude from the RBI, but is there a reason why the group decided to put parts to the P&L and part against reserves? I do not know that the stock market is very enthused about that decision.

Romesh Sobti: I think the answer is very simple, Christine that if you put it upfront and take the whole provision, not taking into account the fact that there is a resolution on the cards for instance that housing finance company is already at an advanced stage. So, we do expect that well before these four quarters lapse, I think this would have been resolved. Probably get resolved even before March. That is why I think we have chosen to take this path instead of making a full provision upfront. Of course, it is not just reserves. We also have taken 25% at least through the P&L. So our own sensing on this particular housing finance company based on the resolution plan that is being sort of discussed now is this haircut. Essentially, the haircut is going to come on the basis of present value because the resolution plan does not envisage haircut, but lengthens the period of repayment. And as a consequence of which the present value could be in the vicinity of 25, 30 or maybe 40%. I think that is the reason that we have chosen this path. Do you want to add to this?

Sanjay Mallik: If you look at IRAC norms in the event of an NPL, it is 15% and we have provided 25%. And if it gets sorted out by next quarter and we do not expect probably a haircut more than half of the amount, I think by next quarter we are covered, we do expect that.

Romesh Sobti: IRAC norms if you recognize it, you get the option of doing 15% which was a higher sort of provisioning norm.

Christine Rowley: Do you have any update on the resolution of the IL&FS exposure in terms of recoveries or expected losses?

Romesh Sobti: Yes, over these two quarters, we have raised our provisioning. So the accelerated provisioning that we did in Q2 and Q3 actually has gone entirely towards that particular group and therefore our coverage has increased significantly. March of last year, the provision coverage was 55%, now the provision coverage is 75%. That is one part. The other part is that the operating companies which are the SPVs the bids have already come in, in fact, the bids were waiting for the last two months, and the committee of creditors is working on how the proceeds are to be shared. So I think there is a little bit of a debate going on between the committee of creditors and the management of that company, IL&FS on how this is to be shared. But, it is an expectation that at least that large tunnel project and one road project where the committee of creditors have accepted the bids should get resolved hopefully before the end of this quarter. And the bid values in fact have surprised people positively. For instance, one particular tunnel project, the debt is around Rs.4,100 crores and the bid value came in at Rs.3,930 crores. So, I think there is a little debate now on what percentage of this should actually be given to IL&FS even though they are unsecured creditors. That is the real debate that is going on. But overall I think there are good chances that recovery should be in the vicinity of 75%.

Christine Rowley: On SPVs?

Romesh Sobti: At least this particular one large tunnel project which is the largest part of our SPV exposure.

Moderator: Thank you. The next question is from the line of M.B. Mahesh from Kotak. Please go ahead.

M.B. Mahesh: Just a few questions from my side; one, again, this question on the reserves part; these two accounts, has it also moved through the NPL line as well?

Sanjay Mallik: Yes, one of them.

M.B. Mahesh: Only one of them has moved so far, okay.

Sanjay Mallik: One is an investment and one is a loan.

M.B. Mahesh: The other one, you just kind of mark it down on the investment book?

Sanjay Mallik: Yes, we mark it down.

M.B. Mahesh: This quarter, recovery has been reasonably strong at about Rs.345 crores. If you can just give some color to that? This is in Slide #25.

Romesh Sobti: That is one of the three stressed groups that we talk about which is covered in a slide. So this is a diversified group where the recovery came in through a particular sale of shares.

M.B. Mahesh: And it was an NPL in the previous quarter, is it?

Sanjay Mallik: No, it was partly a SMA-2 in the previous quarter, Rs.250 crores of it.

M.B. Mahesh: Sorry, it went into NPA this quarter and it came out of NPA this quarter?

Romesh Sobti: That is right in terms of recovery.

M.B. Mahesh: One question on the SMA-2 book. Despite an addition of sizable slippages in the current quarter, the SMA-2 book is still about Rs. 14 billion. Some color to that one?

Romesh Sobti: Yes. I think if we look at slide #14, I think that gives the detail. So if you look at the sectors that are more talked about there of course the numbers are very small. I think these are smaller groups. If you see about 101 sort of accounts in the SMA-1 and 2, these are smaller values, they come and go, they get resolved and move out.

M.B. Mahesh: Okay, so you would not worry too much into it?

Romesh Sobti: Yes, I do not think we should read too much into this particular number.

M.B. Mahesh: Any progress on the change in management at the senior level?

Romesh Sobti: The status is that we have already informed the exchanges that the name has gone. RBI takes its time. The guideline stipulates that the processing time is four months. We actually put the name five months in advance. And to the best of our knowledge I think their process is going on as per track. So we cannot say when they will convey a decision formally to us. But so far I think it remains on track.

Moderator: Thank you. The next question is from the line of Roshan Chutkey from ICICI Prudential AMC. Please go ahead.

Roshan Chutkey: How are the SMA trends in the CV business for us?

S.V. Parthasarthy: For the last quarter there has been an improvement even in SMA.

Roshan Chutkey: If you can share quantify some trends here?

S.V. Parthasarthy: We have not so far provided, it is not there for CV as a group which we declare, but for larger accounts we do monitor but it is not given as a part of presentation.

Roshan Chutkey: But qualitatively is it worsening, is it improving?

S.V. Parthasarthy: No, no, that is what I said, qualitatively it has improved this quarter.

Roshan Chutkey: And YoY?

S.V. Parthasarthy: YoY it has not improved. Normal tendency is that the portfolio in CV segment improves from September onwards till March and during the first two quarters it deteriorates.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Sir, just on this fraud classification, is your internal thing or was it mandatory in nature as in you would have received some communication from RBI?

Romesh Sobti: It is not mandated. If you look at the guidelines in terms of these classifications, each bank has the ability and freedom to determine the status of accounts like these. There is no particular mandate that it has to be uniformly accepted by everybody and things like that. So, this is not like that, it will see NPA classifications. So, this is left to each bank to actually classify. So we have taken this step proactively in recognizing that, and in the process, we have made a provision which is higher than the provision that you would be required to make if you were to classify it as a NPA.

Jai Mundhra: Last quarter, you had shared the exposure to HFC/RE developers was around some 80 basis points and you also mentioned that some exposure you have seen some repayment from that group as well. But if you can quantify sir what is the let us say outstanding balance roughly, even that would be helpful?

Romesh Sobti: Yes, I think we have received another tranche of repayment up to another Rs.250-odd crores. So I think that is going on track as far as we are concerned. Not a single day is overdue. If the market is sort of talking about it, the exposure is reducing well before planned dates in that process because sort of we requested the company. Actually, nobody has an overdue in the market for that company. But we requested that if this can be prepaid and another prepayment has also happened on that basis. I do not know exactly what percentage it is, but the percentage has fallen over last quarter.

Jai Mundhra: But in absolute terms from 2Q, you have received around Rs.250 crores from that account, right?

Romesh Sobti: Yes, yes.

Jai Mundhra: Did I hear correctly that the PCR on the diversified infra conglomerate on a group level including SPV is 50%?

Romesh Sobti: Not diversified, that is the infrastructure.

Jai Mundhra: Yes, so infrastructure conglomerate that the PCR as of 3Q is 50%?

Romesh Sobti: No, no, 73%.

Jai Mundhra: 73% on entire Rs.3,000-odd crores exposure?

Romesh Sobti: Yes, yes, this is the pre write-offs. When we did the original provisioning if you recall March of 2019, then we had made 70% provisioning on the holdco and 25% provisioning on the SPVs. So the blended provisioning was 55%, that has moved up to 73%.

Moderator: Thank you. The next question is from the line of Sagar Shah from Alphaline Wealth Advisors. Please go ahead.

Sagar Shah: Sir, I just had one question related to our telecom exposure actually which stands at 1.2% of the total loan book. Can you something like quantify if we have an exposure on which the company has to actually answer on the 24th of this month?

Romesh Sobti: Well, is there any company which does not have to make a payment? All of them have to make payment. And even going beyond that, even the non-telcos have to make payments by 24th. Whatever you hear and read in the newspapers is what actually fact is. So people are preparing to make some payments. But I think these payments are to be made on the basis of self-assessment. I think that is the key word in that whole thing. On the basis of self-assessment, you make your payments. So everybody is busy now doing this self-assessment and making payment and see how it works out around the 24th of this month.

Sagar Shah: But are we exposed to just one of the companies in the three companies or are we exposed to all the companies on the telecom group?

Romesh Sobti: We have exposures on I think three of them.

Sanjay Mallik: Yes.

Moderator: Thank you. The next question is from the line of Darpin Shah from HDFC Securities. Please go ahead.

Darpin Shah: Just to clarify, we have received repayments/prepayments of almost Rs.7,000 crores over the last 2 quarters?

Sanjay Mallik: Actually three; Rs.5,000 crores over 2 and Rs.7,000 crores over 3.

Darpin Shah: In the corporate book, have you done any sell-down this quarter? Last quarter this number was roughly around Rs.3,000-odd crores?

Sanjay Mallik: Yes, yes, we have done, I think, it is Rs.1,500 crores this quarter.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Investment Managers. Please go ahead.

Kashyap Jhaveri: My first question is on our CET1 on Slide #27. If I look at the capital funds absolute number from Rs.30,363 crores to Rs.29,673 crores, this is largely due to adjustment of that provision or is there anything else out here?

Romesh Sobti: That is right.

Kashyap Jhaveri: Second question is on your opening remarks where you mentioned that retail deposits have grown by about 47% YoY and about 10% QoQ. Has that made any difference on our deposit concentration as we reported in the previous annual report?

Romesh Sobti: It is down slightly, and the more I think this momentum carries on over the next few quarters it has been going on for three, four quarters now, the more we will see. We have got an internal roadmap on reduction of dependencies; a), on the bulk part; b), on this concentration part, the focus is more on reducing dependencies on bulk, and therefore building up the solid retail franchise. And I think that is reflected in the performance that you see in the quarter. In fact, previous quarters also I think we had moved up nicely but this quarter has been particularly robust.

Kashyap Jhaveri: So would you be able to quantify that reduction at this point of time?

Sanjay Mallik: I think that we will do at the next quarter, but it has certainly come down.

Kashyap Jhaveri: On your savings deposit as well as term deposits, can you help us with the proportion of differential rate deposits within the sub-brackets?

Romesh Sobti: Percentage?

Sumant Kathpalia: We do not give that.

Moderator: Ladies and gentlemen, we will be taking the last question, that is from the line of Pranav Gupta from Birla Sun Life Insurance. Please go ahead.

Pranav Gupta: Sir, just a clarification. You spoke about share sales in the media group which was larger than what your exposure was.

Romesh Sobti: Not on the media group, that was in the diversified.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sobti for his closing comments.

Romesh Sobti: Thank you for joining us. As happens every quarter, we are more than happy to interact and engage to give you more color and more details on one-to-one basis. I think the only last remark which I did not cover in my opening remarks is that our RBI audit was over almost more than a month ago, right.

Moderator: Thank you. Ladies and gentlemen, on behalf of IndusInd Bank Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.