



“Indian Bank Q1 FY21 Post-Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Indian Bank Q1 FY21 Post Results Conference Call hosted by Batlivala & Karani Securities India Pvt. Ltd. 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 touchtone phone. Please note that this conference is being recorded.

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I now hand over the call to Bhavik Shah of B&K Securities. Thank you and over to you, sir.

Bhavik Shah: Thanks, operator. Good evening, everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities, we welcome you all to Indian Bank 1Q FY21 post results conference call. We have with us today, the management of Indian Bank represented by Padmaja madam – MD & CEO, Mr. M. K. Bhattacharya – Executive Director, Mr. V. V. Shenoy – Executive Director, Mr. K. Ramachandran – Executive Director and other senior officials. I would now request MD and CEO ma'am to start the call with her opening remarks on 1Q FY21 results, post which we can start the Q&A session. Over to you, ma'am.

Padmaja Chunduru: Good afternoon and welcome to the Q1 Results Analyst Meet. And I think to start with, this quarter has been a really very momentous quarter for Indian Bank in the sense that post amalgamation this is the first quarter of results and we were all very anxious to see how it would play out and I think it has really vindicated the efforts that have been put in by both the banks in terms of the performance.

Second challenge was again the COVID impact and many branches and people, I mean across the country had to put in a lot of effort both online and working from home to get this whole thing together. So, I think the staff deserves the compliments for making it happen. The other part is, we welcome the new CFO Mr. Arun Bansal, who has taken the place of Mr. Krishnan who retired as at the end of June. So, this is the first quarter again for so many things.

I think we have great deal of satisfaction in presenting this Q1 results for the current year not only in terms of business, in terms of profitability, asset quality, capital, all the key parameters that a bank is judged on, I think we have been able to maintain and also improve upon on many parameters, both vis-à-vis last year first quarter and also the 1st April opening balance sheet figures. This is a matter of great encouragement for the bank especially the synergies or the benefits of the amalgamation that we were considering in terms of the footprint, in terms of the

network, in terms of the CASA and in terms of the provisions and the kind of PCR and all that Allahabad Bank had brought it and I think and also the organizational structure that some of the structures that were in Allahabad Bank or Indian Bank, I think we are on the threshold of a very smooth and profitable successful amalgamation. And that amalgamation we want to complete in the current year itself. All indicators of the milestones that are being achieved and the roadmap to integration are moving as per our plans. COVID notwithstanding, the amalgamation is moving on. There has been some disruption, but IT integration which is the main aspect, we expect that it would be completed within the current financial year.

Coming to the financials, you have seen the presentation and I think as I mentioned there have been a few areas where we need to explain and highlight the performance. CASA is one of them, this was 41% even on the date of amalgamation and now it has moved on to 42% bolstered by a growth in the savings bank deposits and the reduction in the high cost or PD/CD kind of deposits. So, term deposits also registered a growth, very comfortable growth in terms of 14% year on year. And business growth both in terms of deposits and advances has been quite okay. Advances have been a bit muted again given the present circumstances we have been careful in picking up new loans especially in the corporate segment and there have been a lot of repayments also. In that sense, a 5% growth in advances has happened in the last one year on a combined basis. The operating profit which is a measure of our efficiency of operations, I think 23% growth on a combined bank basis gives a good encouragement for us that if we can go below the operating profit and actually look at restricting the provisions and improving the asset quality further that would be a real gain for the bank in terms of really getting the full potential of the bank. The net profit at 369 crores could have been much higher but the prudential and cautious way in which we have approached the provisions this time, we have made a full provision on one of the bigger accounts which was NBFC, an HFC. We have fully provided for it. This has been declared after all it is imperative that we do it. If not now then the next 2-3 quarters, so we thought we would upfront the provision.

Another one was also a recently declared fraud by PNB. So, a 100 crores exposure that also we have fully provided this quarter. Apart from that, the provisions also we have made 15% on the notional NPAs instead of the 5% that we could have done this quarter or the 10% that the RBI prescribed. So, 15% in March and again 15% we have done on the notional NPAs of June. Similarly, the interest that has accrued on the accounts on this notional NPAs has also been provided for. That has come to about 200 crores. So, all these, we have up fronted and put them as a cushion for the future quarters to come. There is also a 100 crores additional contingency provision that has been made in respect of the COVID. Given all these, with all these provisions taken on record, net profit is at 369 crores and the NIM at 2.83% is expected to go up. Our target is that we should be somewhere beyond 3%, more than 3% and we are working towards reaching that level.

One more success has been in terms of curtailing the cost-to-income ratio. This has been, now it is at 47% and we are sanguine that with all the rationalization and other cost cutting as well



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as the income earnings efforts that are being put in place and the strategies that we are working on, this should come down further. Capital remains quite strong at 13.45% which is more than the 13.27% of April 1st consolidated figure and this also we would expect that we would sustain and improve upon this capital position. The gross NPA has come down by 119 bps year-on-year to 10.9% and the net NPA at 3.76% both these ratios are expected to further come down in the quarters to come. The provision coverage ratio is now at 80.52% which is a 617-bps growth over last year. All these parameters have not only, as I said not only improved over last year on the combined figure, but also enduring the first quarter.

Looking forward, as we mentioned, we are looking at consolidating the amalgamation in full in the current year and reap the synergies that are to flow out it. Also arresting slippages that has been a continuous focus of the bank and it is again paying dividends in terms of the recovery and the collections that we are seeing over the months and we have been tracking almost on a day today basis. So, what we see is that the notional NPAs of March cum June, those have come down much to a large extent, almost 33% recovery between March and June. And now going further in July, there is a further recovery of almost 18%. So altogether 50%-55% has been recovered of the March notional NPAs. Similarly, the April and May some NPAs are also coming down. So, when we reckon them for NPAs in September or in December, this figure we have tentative figures which we expect we will stick to and show a better performance on the gross NPA and net NPA ratio.

The way forward is now very clear. It is the CBS integration; it is the synergies; it is the focus on arresting slippages, and it is the focus on recovery. Recovery is one area. This quarter not much could happen because NCLT and all are not really progressing. But going forward, we have that focus on these areas. With that I think we are poised for a smooth and successful year. COVID impact has been factored in and we are preparing for any small upheaval that can happen. I think the bank is quite resilient now to face any such disturbance.

Thank you very much. With that, I would request your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M.B. Mahesh: Ma'am, could you give us an idea as to what is the total recovery that you are expecting this year on the corporate side and which sectors and what could be the contribution of the same?

Padmaja Chunduru: Certain recovery we are expecting is 4500 crores of which NCLT itself is about 2000 crores. So that is mostly the corporate. Rest of it, I think mostly, I will give you the breakup in terms of the sectors. But NCLT is 2000 crores and outside NCLT also we have the corporates which is about 1000 crores, the rest would be retail and MSME.



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- M.B. Mahesh:** When you say 4500, this is the outstanding exposure which is in the NCLT case or these are the quantum which is expected out of the NCLT cases?
- Padmaja Chundurur:** It is expected out of NCLT cases. Recovery is 4500 and NCLT recovery we expect out of that 4500, 2000 we expect from NCLT cases. NCLT has a bigger figure. Now with the combined bank, it is 27,000 crores in NCLT. So out of that this year we are expecting 2000 crores and that includes the Bhushan Steel & Power which we have been waiting for quite some time.
- M.B. Mahesh:** And any other major sectors, major companies that we are expecting this year, in the power side for example, in the NCLT or outside the NCLT?
- Padmaja Chundurur:** I think these are all the various sectors, not really any sector concentration has been there.
- (14:58)Management:** But in the case of power sector, I think one account as you may be knowing it, which though we have calculated as standard we have been making the provision, but some movement is taking place there. Their units are working, and we have funded additionally and hopefully, these recoveries will start coming this account also.
- M.B. Mahesh:** Sorry, sir, when you look at your corporate book today and which you have seen the performance of the companies in the last, let us say, 5 months during the moratorium, have you seen any specific sector or any specific set of companies which are likely to go under a fair amount of stress from the large corporate side?
- Management:** See, now there are some sectors which are under stress. But our bank is not having any exposure to such sectors like hairline, like hospitality and tourism. So, we hardly have any exposure to such sectors. So, we don't expect any major shock on the corporate book.
- M.B. Mahesh:** Okay. And final question on the power side, have you seen, how has been the receivable performance of the company that is under your coverage?
- Management:** See, whatever the power companies we have funded is, in the private sector also we are getting the recoveries and mainly it is in the public sector, government sector. There also it is a mix of distribution transmission and generation. We are not having any challenges as of now. We are getting the recoveries in time and many of the accounts are government guaranteed. So, we don't see any challenges.
- Moderator:** Thank you. The next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** Ma'am, 2 to 3 questions. Considering the latest RBI policy, post if the morat comes to end, how do you see that restructuring to be panning out? Second, you are targeting NIMs of 2%, so how you will be able to achieve that NIM? What is your credit growth outlook? And third is what is the slippages run rate are we expecting? And my fourth question is how do you see the

overall credit cost to be panning out? And last question is on the morat front. As of date what is the total morat both in percentage as well as value and how is the collection efficiency over there?

Padmaja Chunduru:

I think if I got you right, you were asking about the NIM, how we are looking at improving it? It is 2.83 today and we are planning to strategize towards having it around 3 or more than 3. So, towards that both earnings and I mean, interest income as well as curtailing of the interest expenditure as well as other income. So, interest expenditure, already we can see the cost of funds coming down, that is because the CASA ratio is improving and there is a lot of focus on the current account/savings bank type. We have also shed all the high cost deposits that were there. So, to that extent, the expenditure part is very much under control and the interest rates on terms deposits have also been flashed in quite a few algos recently. So overall, the interest expenditure is under control. In terms of interest income, there is a lot of focus on the RAROC and the risk adjusted return. So, when we pick up loan, so we are not only looking at safety but also the return to the bank and the capital that goes into it. So, with all this focus and we intent picking up many more corporate loans, corporate sector companies, as well as good quality and with a good return, retail and MSME as mid corporate as well. So, we have bifurcated the large corporate department, now into large corporate and mid corporate. So, we have focused branches for both. And the large corporate directly reports to the corporates under GM. So, the TAT is expected to be coming down. It is coming down from month to month and we expect that it would be much better. So, we have the potential, we have the risk appetite for large corporate loans, and we have the balance sheet space in terms of the borrowing limits, single borrower or group exposure limits. So, we are picking and choosing and that is where we expect that when the COVID constraints are over and there is a buildup in the economy and there is investment from the private sector we would be there to take the loans. Similarly, in the retail and the Agri sector also we are looking at not only the KCC but also the Agri investment which Allahabad Bank has been focusing on for some time and now we have a pan India and across the bank we are looking at that investment credit in agriculture tying up with various agencies. This is the interest income and the interest expenditure.

Coming to other income, the focus has been there. Even this quarter you can see the loan processing fee and the other income increasing and of course the treasury has been also a good contributor. But we are diversifying the income streams. There has been the PSLC income that has been coming. Last year also it was there; this year first quarter also it is there. Since our priority sector loans have been always above the regulatory norm, regulatory minimum, this has been a good source, Forex income and cross selling. Cross selling this year, we expect it to pick up at a much faster pace because all the linkages with insurance companies both Life and General has happened in the last year and this year we also have the universal Sompo general insurance. So, with the bancassurance model and Indian Bank branches also joining the stream, the cross-selling income should be one more good source of income for the bank. With all this I think the NIM is expected to improve and we are looking at a minimum of 10 bps increase and taking it to 3% if the other things pan out as planned.



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Credit growth has been a bit muted as you saw though there are disbursements and there are approvals happening, there are also repayments coming in which is not a bad thing given the present situation. So we are quite choosy and cautious about taking on new exposures and doing it, but still we expect that if the COVID situation pans out and eases out at least in September, we should be able to see a 10% growth if not the 14% that had earlier planned. But it is too early to really give a figure there. We are opened to business that is what we are again and again saying and MSME also has seen because of the government guaranteed loans as well as our own emergency credit lines, both MSME and retail are also there. There is a small growth but that should pick up in the quarters to come.

Sneha Ganatra: And madam on this restructuring part, how we are seeing on that front post the RBI policy, post if morat comes to an end on 31st August, how many of the customers could fall under the restructuring scheme?

Padmaja Chunduru: Actually we have taken a review of our customers especially the 10 crores and above loans, to see how many of them would be actually in need of a restructuring and when we see that this is linked with the moratorium, people who have used the moratorium and also paid during the moratorium period. There is a demand collection calculation that runs alongside the moratorium. So, if you see our presentation also, the moratorium which was 23% on the term loan installments as of June has now come down to, when you take the installments whether one installment not paid, or two installments not paid. One installment due that is the installment of June that is about 20% and two installments that is June and May due is about 7%. So, this is across the bank, across the sectors. So, this gives us the confidence that our efforts towards soft recovery are bearing fruit and with the COVID getting a bit easier month by month, this should not result in a problem with asset quality. Restructuring, we as of now do not see any bigger, we do not have the exposure to the sectors like our ED mentioned, where restructuring is an imperative. For us it would be company, account to account. And right now, even the account from the watch list, we don't see too much of a need for their restructuring. We are following up with them. It would not be anything out of the normal course for a bank. It is not something that we are too much worrying about right now because our collection efforts are paying, and we think the companies will be able to sustain the payments.

Sneha Ganatra: And another question regarding this amalgamation. What are the key challenges that banks are seeing and what are the key things which banks still need to implement?

Padmaja Chunduru: So, the key challenge is COVID, by now we would have rationalized quite a few branches. We would have closed quite a few currency chests. There would have been much more cost synergies or cost savings coming in had these constraints not been there. But that said, despite the COVID I think good progress has been made on rationalization. 25 administrative officers have so far been, 25 have been merged because these 25 were the ones that were overlapping and also two service branches and some currency chests 2 or 3 and then large corporate



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branches also, wherever both the banks were there, these have been merged. Now, mid corporate is going on. So, I think wherever possible within the city and when the circumstance is conducive, we are continuing, we are not waiting for COVID to be over, so in terms of that. And the second point is, the biggest apprehension I had and seeing the experience of other banks that went through amalgamation was the IT part. And here we have given the IT integration to TCS which is the core banking software for both the banks and they are progressing on the right track and I should say that we are confident with very frequent reviews that we are taking with them, that we would be able to complete the IT integration within this financial year. So, come March 31st this amalgamation of Indian Bank and Allahabad Bank should be complete. And there is enough evidence to show that this is progressing. There is a co-existence layer. Now, even today any customer of either bank can easily transact seamlessly in the other bank branch. So, people have been accepting. Customers have been quite supportive; staffs have been very cooperative even during these times. So, other than that any other challenge? We thought that people and HR would be a challenge given all the questions about the culture difference, this and that, but having started early, in September itself last year, we see that the buy-in and the cooperation from both sides has been really good. And today, all the zones and the GM offices, everywhere we have a combination of people from both the banks and all the top management, like the field general managers or the zonal managers have taken their positions and it is very difficult to now say which is Indian Bank and which is Allahabad Bank, that is what I can say in terms of the integration. So, we will continue the same path.

Moderator: Thank you. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha: Just wanted to understand on the merged basis, have you done all the provision with respect to the employees in terms of wage provision where we are? How much provision have you made this quarter and in terms of pension, ma'am, have we taken the current tenure G-sec yield, how you provided accordingly in that?

V. V. Shenoy: Good evening, Mr. Laddha. As far as the provisions are concerned, see, ultimately only an MoU is entered into but then also backend calculation which we have made it, out of that we already made 60% provision of the increase which we feel will be there on account of additional payout. So, we expect somewhere that figure to be around 400 crores to 450 crores of which 250 crores we already made under provision. And here after a month-on-month basis will ensure that provisions, so that by the time another 3 months, when the financials are taking place should not have a major **(Inaudible) 25.55** on that aspect. As far as the pension and the gratuity liabilities are concerned, we have taken at that particular G-sec rate only and as for the actual valuation and whatever the provision was required, shortfall was required to be made, that has been made in this quarter.



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- Anand Laddha:** And this provision of 250 odd crores which you have made this quarter, this has been the employee cost line, or this is below the operating profit line?
- V. V. Shenoy:** This is employee cost line.
- Anand Laddha:** So, post wage hike also, I think the employee cost should remain in this range only?
- V. V. Shenoy:** Actually, it should go down because what has happened is, this time we had taken 250 crores into account, maybe next quarter the balance will be made. But after that I think it will go on reducing.
- Anand Laddha:** Perfect. And ma'am in the beginning I did not get, you mentioned some 5000 crores of recovery is expecting in current year, so these 5000 crores is the exposure we have to the NPA and of this exposure, how much we expect to recover?
- V. V. Shenoy:** Of the total NPA, we are expecting a recovery of 4000 crores. In NCLT cases, we expect 2000 crores. For retail, Agri and MSME, we expect to recover a balance sheet of 2000 crores.
- Anand Laddha:** Sir, these 4000 crores which we expect to recover, this is 100% provided exposure, so this will be largely a recovery from written-off asset?
- V. V. Shenoy:** Yeah, 2-3 cases are 100% provided. One as you know Bhushan Steel, banks have got a very good big exposure. I think out of that itself a sizeable amount will be recovered; in case it gets settled off.
- Anand Laddha:** Our exposure to Bhushan Steel Power is Rs. 4000 crores and of that, if the recovery happen, we expect 2000 crores to be recovered?
- Padmaja Chundururu:** I think the figures are not clear. Bhushan is a separate subject we are talking on recoveries, right? We are talking of the whole bank level recovery expected.
- Anand Laddha:** Right, ma'am. This total 4000 crores are the loan exposure, or this is what you expect to recover. So, loan exposure could be supposing around 8000 crores although expect 4000 crores of recovery to happen.
- Padmaja Chundururu:** Right. Out of the GNPA of 40,000 crores, we expect 4000 crores this year, of which 2000 crores are from NCLT, of which half of it is probably Bhushan Steel & Power which is 100% provided. Most of the NCLT are very well provided. It is 99%.
- Management:** It is 99%, otherwise it is 91%.
- Anand Laddha:** Ma'am on these 4000 crores of recovery, what portion will be part of written off asset recovery, what proportion will be reflecting in the movement of NPA?



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- Management:** 2600 crores will be reduced from the GNPA and 1200 will be coming into the write back. 100% is provided.
- Anand Laddha:** Perfect. Ma'am, we also have couple of power exposure in the past. We discussed in the call also, of the many, one major was RKM Power so where they are in terms of the resolution?
- Padmaja Chunduru:** Resolution is happening there.
- Management:** See, in the case of RKM Power, already they are having a confirmed PPA and already they are supplying the power, 2 units are operating, and they are supplying the power. We have recently initiated the resolution and we have approved it. Hopefully, I think once we give or we signed the joint agreement document, already they have got the money from the UP discoms which were in arrears and out of that, we will be able to recover sizeable amount. But again, same time we must extend additional funding towards the working capital and hopefully, I think other two units will also start operating it because of the Chhattisgarh issues also getting resolved. So hopefully there will not be much issue on this account in the days to come. Though because of the court order, we have still treated as a standard asset. But as for IRAC norm, so whatever the provisions are required to be made on the principle, that we have made it, and even we are not booking which will go to the income accordingly.
- Anand Laddha:** Sir on this exposure, we could have made provisions approximately 40 odd percent based on the IRAC norm?
- Management:** Yes.
- Anand Laddha:** And do we expect 40,000 crores haircut on this exposure?
- Padmaja Chunduru:** RKM?
- Anand Laddha:** Yes.
- Management:** Ultimately, there are two parts. One is the sustainable part that is the non-sustainable part. Non sustainable part can recover after we are able to recover the sustainable part. We don't expect much of the haircuts, okay, we do agree. When we will be able to recover, we are not sure because it is a long term this one.
- Anand Laddha:** And in terms of, if you can give some color like, what could be the likely hedging provision you expect this year to be?
- Management:** I think around 1000 crores for quarter.
- Anand Laddha:** And ma'am, is it fair to say that we are on the new tax regime or we are still on the old tax regime?



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- Padmaja Chunduru:** We are on the new tax regime.
- Moderator:** Thank you. The next question is from the line of Manish Agarwalla from Phillip Capital. Please go ahead.
- Manish Agarwalla:** Couple of questions. One is first your take on BB and below portfolio, which is almost 13% of your book given the current economic environment, that is one, then I will come back with rest.
- V. V. Shenoy:** See, in the case of BB and below, you maybe knowing it, many of the MSME accounts will not get rating other than BB and above, also BBB and above. See, in the case of MSME though there may be some challenges, but almost all of them are almost secured by additional collateral security by property and other things. We don't expect much of an issue on this book also. Though BB and below is to that extent, we don't expect much of the issue, okay. And third point is again, we have got that government guaranteed advances which we have to give it. There again, we are advancing to the extent of I think 3500 to 4000 crores which is secured. So, we don't expect much of an issue here also.
- Manish Agarwalla:** So, out of 13%, can you just give me fair idea about what percent would be MSME?
- Padmaja Chunduru:** I think we can give the details separately, BB and below.
- Manish Agarwalla:** Sure. The next question is about your asset classes having benefit which has been enjoyed, so your standalone balance sheet of 31st March the number was 725 crores. Now it looks around 3100 crores. So, this jump is largely because of Allahabad bank or is something else we must wait?
- V. V. Shenoy:** See, as per the guidelines issued by RBI, you may be aware, SMA as of 1st March, correct? So, if you see the SMA of 1st March, means it may be SMA 0, SMA 1 or SMA 2. So even the accounts in the month of April and May that where we have extended the morat and in case had we not extended the morat, it would have turned into NPA as of June. We have also provided on account. So, put together all this, for 3 months, March, April and May nowadays 3108 crores. Total in the month of March was 1452, 2587 of which we have been able to recover 1000 crores and 183 crores have downgraded because it turned NPA and we have provided for. In the case of April and May, the total book was 3000 crores, of which we have been able to upgrade already 1000 crores and 348 has been downgraded to NPA, the balance is total 3108 crores now left.
- Manish Agarwalla:** So, how do you see this portfolio?
- V. V. Shenoy:** See, madam has told in the first question answer, I mean, she was making the presentation, out of this 3108 crores, we have already been able to upgrade 18% by recovering the installments



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and in the months to come by another 2 months also we expect this book to go further down. Now it is around 2450-2500 crores.

Padmaja Chunduru: Actually, if I can give you the figures. The opening notional NPA as we call it of March was 2587 and it came down to the same set of accounts, the balance came down to 1452 crores by June and 1251 crores by July. And further in August, there is a further reduction in that notional entity. Similarly, the May figure was 1664 in May which came down to 1001 and again now 780. Similarly, April 1346 to 654 to 483. So, there is a constant reduction in the notional NPAs, month by month. So, we are tracking these and that is how we have put out the figures. So now it is about 2,500 crores as of 31st July.

Manish Agarwalla: One final question is about your NBFC rating, you have almost 2000 crores in BB and below. So just want a clarification, are these internal ratings or is external ratings?

Padmaja Chunduru: It is external rating.

Manish Agarwalla: So, in that case, stress infra financing account would feature somewhere in AA rating, correct, if I am not wrong?

Padmaja Chunduru: Which one?

Manish Agarwalla: Bank of Baroda is classified one of the infrastructure financing account as in the watchlist. So that account if at all if it is there in your case would figure somewhere in A category?

Management: See, I would like to clarify regarding this 1973 which you are telling BB and including the case of NBFC. It also includes that one big account which we have 100% provided. See, still we are not writing it off, that is 1350 crores.

Manish Agarwalla: This includes even the NPA accounts?

Management: Yes. See, ultimately, we are holding it on the books as of today. We have not written it off completely, but we have provided 100% completely. So, this 1973 includes the two NPAs in HFC where we have 100% provision during this quarter which amounts to around 1350-1400 crores, if both HFCs put together.

Moderator: Thank you. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

Mona Khetan: My first question is pertaining to the rating composition. So, the rating composition that we shared on slide #23, does it also contain NPA account?

Management: Yes, say in the slide #21, whatever we have mentioned that also contains NPA account because we are taking the total gross advances.



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- Mona Khetan:** And, so the note to that also says that 80% of the exposure is to investment grade and PSU sector. So, does it mean that of the BBB and below book, 80% is to investment grade or PSU sector, how do we read that of the total corporate book?
- Padmaja Chunduru:** Out of the overall exposures of 10 crores and above, that are to be rated. 80% is investment grade or to public sector enterprises which need not be rated, or government guaranteed account and then there is a book of 9% which is unrated. Unrated is, some of the accounts which are getting rated or remain unrated. So other than that, BB and below is 13%.
- Mona Khetan:** Got it. And, when I look at your SMA 2 details which is on one of the slides, this number has come down from 8500 to 2000 crores from March to June, what exactly has led to this sharp decline?
- Padmaja Chunduru:** Partly that recoveries have happened and there has been no fresh accretion to this and somehow gone into NPA, down gradation 500 crores this quarter.
- Mona Khetan:** It includes the moratorium loans as well, wherever they fall under the SMA 2 category.
- Padmaja Chunduru:** Right.
- Mona Khetan:** Got it. And lastly on this CET1 level, does it include the profit for Q1 as well, the 10.3 number?
- Padmaja Chunduru:** Not included.
- V. V. Shenoy:** I would like to add one point here. In the case of March, we had provided only 25% on the account treated as fraud. Rest of the 75% reversed from the **(Inaudible) 44:43**. Since we have provided 100% in this quarter, that got free and the entire amount of capital is made available for CRAR.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.
- Mahrukh Adajania:** I have two questions. Firstly, on one-time restructuring, what is your view? Have you identified or do you have a broad view on which segments will you restructure and any broad proportion of the book which could get restructured?
- Padmaja Chunduru:** You are asking about the restructuring under RBI?
- Mahrukh Adajania:** Yes.
- Padmaja Chunduru:** So, as I said earlier also, we have done a check of all our accounts 10,000 above and we are working on to see which are the accounts that would require restructuring, or they would come



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for restructuring. From the repayment behavior that we are seeing, we don't see much requirement or stress on the corporate side. We don't have exposure to those units, those sectors where there is a COVID related impact, quite a big impact, either Aviation or hospitality or tourism. Wherever we have those exposures, we have seen what kind of preparation whether it is CRE or whether it is educational institutions, we have been in touch with the borrowers and trying to see what their plans are. So, from our assessment, it doesn't appear that there would be a big restructuring with Indian Bank. Yes, one or two cases where they would probably require that extension of time under corporate and there would be restructuring in the retail and the MSME. But that is part of the course normally whatever happens in the bank, what was happening in Indian Bank earlier, I think that would be the course that it would take, nothing very divergent from the present track record.

Mahrukh Adajania: And your views on this new current account circular?

Padmaja Chunduru: I am happy about that. I think all public sector banks would be welcoming this because you know while the banks who give the loan, if you don't have a control over the cash flows of the company, then you are handicapped literally and RBI's previous guidelines were good but they did not address the problem in full. So now, the bank that gives the loan also enjoys the fund on a free float or other business that comes with it. So, I think this would be a good, it levels the playing field.

Mahrukh Adajania: Okay. But ma'am, would you be able to offer all the cash management product services that private bank's offer?

Padmaja Chunduru: Yes, I mean, we have the cash management product. We have digital product; we have the digital online collection. All these things are there, and we have been making good progress. Even PFMS, I think Indian Bank has taken the lead in many cases. Also, Allahabad Bank has been very active in fact many of the portals Allahabad Bank had launched for the public sector banking space. So, there is enough expertise and we will be able to deliver on those requirements. It is only the stickiness that is presently there with some of the banks which were probably early movers in this. It is okay, if they would like to continue those relationships, so they will also give the loans. So, it would be a good thing, whichever way it works out.

Mahrukh Adajania: And this would largely be the large private banks or...?

Padmaja Chunduru: That is spread across the spectrum. So yes, mostly foreign banks, large private banks. I think it is a good step towards asset quality and credit monitoring and management.

Moderator: Thank you. The next question is from the line of Abhijeet S from Kotak Securities. Please go ahead.



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- Abhijeet S:** Ma'am, couple of clarifications. What explains the difference between the reported net worth and the CET1 amount? There are about 4500 crores of difference which would be the sort of items which explains the difference?
- Padmaja Chunduru:** It is the amalgamation reserve created out of that fraud.
- Abhijeet S:** So, amalgamation reserve is also part of CET1, right?
- Padmaja Chunduru:** Yes, that is part of CET1.
- Abhijeet S:** So, ma'am if I look at the CET1 number that is about 30700 crores and net worth is about 35,000 crores.
- Padmaja Chunduru:** Yes.
- Abhijeet S:** But from what I understood the amalgamation reserve is included in CET1, is that true?
- Management:** It has been included there.
- Abhijeet S:** But there is still a difference of over 4000 crores. So just trying to understand what explains that difference.
- Management:** Can you please repeat that question?
- Abhijeet S:** Let me go to that slide. Till 28 we have the common equity Tier-1 of 30,769 crores and a period ending net worth is about 35,000 crores.
- Management:** See, one thing. In the case of revaluation reserve, we are having to the extent of 5800 crores odd, of which we have taken only 2600 as a part of tier 1 capital because we cannot take 100% there. That become **(Inaudible) 52:02** crores.
- Abhijeet S:** Okay, that explains most of the difference, is it?
- Management:** Second is the FCTR, that is foreign currency translation reserve which we are having to the extent of, that is another 100 crores there.
- Abhijeet S:** Understood. Sir, second question was, when we acquired Allahabad Bank, what was the amount of net worth that we absorbed and just the gross and net NPL ratios for Allahabad as of March end. That will be all, thank you.
- Management:** I think in the slide #5, they have given that opening balance. Can you check slide #5 and #6? If you see in the slide #5, the GNPA was 27,847 crores, 17.11% and net NPA was 8,257, 5.77%. And PCR was 80.53, okay? And tangible PCR was 70.35 and in the case of capital you can



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just check it on the next page on page #6, it is 14,678 was the total capital, of which CET1 was 9787 and tier 2 was 4892.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Bhavik Shah for closing comments.

Bhavik Shah: Thanks, operator. On behalf of Batlivala & Karani Securities, we thank Indian Bank management for giving us an opportunity to host the call. Thank you everyone and have a good day.

Padmaja Chunduru: Thank you.

Moderator: Thank you. On behalf of B&K Securities that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.