



“Indian Bank Q3 FY21 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Indian Bank's 3Q FY21 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

Participation in this conference call is by invitation only. Indian Bank reserves the right to block access to any person to whom an invitation is not sent. Unauthorized dissemination of the contents or the proceedings of the call is strictly prohibited, and prior explicit permission and written approval of Indian Bank is imperative. Please note that this call is only for investors or analysts. Any guests from media are requested to disconnect the call now. I now hand the conference over to Mr. Bhavik Shah from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Bhavik Shah: Thanks, operator. Good afternoon everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities, I welcome to all to Indian Bank 3Q FY21 Post Results Conference Call. We have with us today, the Management of Indian Bank represented by Ms. Padmaja Ma'am - MD & CEO; 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 3Q FY21 results post which we can start the Q&A session. Over to you, ma'am.

Padmaja Chunduru: Thank you, Bhavik. Good evening and welcome to this Q3 results analyst meet. So going by the track record of the Q1 and Q2, the third quarter after amalgamation and the third quarter of the current year has also been already successful and satisfactory quarter for the bank even the circumstances under which this current year we were operating. If you have seen the figures, I think on every parameter, there have been consistent and stable growth and an improvement in all the significant metrics. So business has grown, I guess **(Inaudible) 2:37** has grown more than the corporate and corporate also has picked up in the Q3. We expect a better traction in corporate in the Q4. There has been a good traction in earnings. Interest income has grown, non-interest income has also grown in the right places. The asset quality, the collection efficiency has improved resulting in limiting the slippages and the notional NPAs are also under control and well provided for with 21.5% provision coverage on the notional NPAs of about 5000 crores. The restructuring effort is on both in the corporate, retail as well as the MSME. I think we are at about 1.62% of the standard advances that would be restructured. It is on track, especially in the corporate because of the consortium lending, the resolution process has been invoked and it is under process.

The gross NPA, net NPA have expectedly shown significant improvement. This, considering, the general Supreme Court dispensation, yes it looks very good. Even considering the notional NPAs that would have split to NPA had this Supreme Court dispensation not been there, I

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think the gross NPA and net NPA are very much under control. We have all those figures in our slides which you much have seen. The provision coverage ratio has improved. We have gone ahead and made provision cushion for even the accounts that are put at a standstill by NCLT or there is some restructuring in profit. So I think we have built in the necessary resilience and the strength into the balance sheet to guard against any unexpected development post this listing of the dispensation or even any other shock that may come our way and the bank is well-positioned to grow at a faster clip from here and given the strength that we have both in the asset arresting the slippages as well as the recovery, but the focus on asset quality, the focus on the earnings and the wider effort that has gone into making this amalgamation a success doing it in a very well systematic and measured way calibrating the entire exercise, centralizing the operations as far as possible, so that the branches we can redeploy the staff to more customer-facing role.

All this is now coming through, a lot of work has gone into physical merger of branches, current features or service branches, top training centers, so all those establishments, the brick-and-mortar establishments that we were paying rent and also including other expenditure on is all now being surrendered and that cost savings is actually very visibly coming into the balance sheet and to the profit and loss. So all these, first I think are it is some indication that the amalgamation has gone up smoothly. We are in the final stage of the IT integration. That also we expect to complete within a month and with that in this financial year, we would not only have crossed the challenges or face the challenges of COVID, but also amalgamation and are functioning in such a challenging environment. All set and done, I think it is to the credit of the team of Indian Bank that they have not lost the focus on business, on business growth, on earnings and on asset quality, so that we today stand in our position where we can confidently say that we have a balance sheet that is quite strong together any future problems.

The focus on the HR integration is also very much on and we are investing a lot both in IT and in HR to get two most important resources for the bank act in tandem, since it is now among the big banks in India that with our cushion and an appetite for business, because especially on the corporate front, we have benefit of having lot more space available to grow, to get exposure from the large corporate. That gives us a lot more space to quickly get back to action and manage the growth in a very controlled way, so from the capital figures, you would have seen that the capital adequacy ratio has improved to 14.06, not only because we have raised 2000 crores AT-1 in one month, but also because the risk-weighted assets density is under control, it has in fact come down in this quarter. So the optimal use of capital is also showing up as a strength of the bank. I think on every parameter, there is a lot that has been achieved, but there is a lot more potential that is in the bank and coming quarters should see us ramp up these benefits that we have accrued, especially on the cost savings, on the amalgamation synergies, on the asset quality issues and also on the capital. So with that, I thank all of you for this attendance and we are open to questions. I have my EDs and the top management team here with me. So we would be trying to answer all your queries.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania: Ma'am, I just had a few questions, on the restructuring and in general on asset quality, why do you saying it is turning on to be much better than earlier fear that everyone had, I mean not only for state owned banks, but even for some private banks and also if you could quantify ECLGS that you have given under the ECLGS 2 scheme and the total given as of December?

Padmaja Chunduru: So you are asking me why we are better than what was anticipated from the industry level? So I think our focus has always been on our portfolio and how we grow it one thing and we monitor it secondly. So this continuous focus by actually putting the resources on the credit monitoring side, the recovery side, after the amalgamation also we have full team in Chennai and also a similar team in Calcutta, so the focus has been on monitoring the asset quality and arresting slippages. So the continuous relationship and continuous monitoring with customers helped. Also the profile of the bank's book in, if you see the corporate sector, many are, most of the exposures are well rated with prudent selection and on the retail front, 70% of the loans are housing loans and most of those are again for salaried employees. So while COVID did decelerate some of the growth part, on the asset quality, there has not been too much of dent because the job losses and all did not impact our borrowers so much. We don't have a big portfolio of unsecured loans. That I think that plus the continuous contact with the customer and restructuring wherever possible. Even the retail asset, about 400 crores has come up for restructuring which we are in the process of doing and we have done this 400 crores. So retail, MSME across the country, the figures are there to see and that I can say why Indian Bank is doing well, what has been anticipated for the banking sector has been in general following from the RBI's own FSR report and all, so we are only happy that we are better than the prognosis.

Mahrukh Adajania: Ma'am, under ECLGS, if you would quantify? If you have given anything under ECGLS 2 and the total disbursements of ECLGS 1+2 till December?

Padmaja Chunduru: Just hold on, I will ask our ED to give you the figures.

Management: Total 24 accounts were eligible for ECGLS 2 in the case of corporate, of which 17 accounts, we have received applications aggregating to 255 crores and in 6 applications aggregating 227 is already sanctioned and remaining 11 accounts are pending that we are disposing it out.

Mahrukh Adajania: And total of ECLGS 1+2 disbursement as of December?

Management: I think I will give the data ma'am separately.

Mahrukh Adajania: And ma'am, one more question in terms of corporate restructuring with sectors and seen restructuring and have received application for restructuring?

Padmaja Chunduru: The retail sector, we have the big group in retail that was anyway coming for restructuring, so that is the major part of it and then we have one or two hospitality, smaller hotels. I think these are the main account sectors that have come for restructuring. Some of these accounts are consortium accounts which are at the other consortium banks where the RBI has been invoked and it is under progress.

Mahrukh Adajania: And do you see any tail risk involved in ECLGS loans, because there is one-year moratorium, not only you, but other banks have given large amounts of like there are some private banks who have given large amounts of ECLGS, so do you see any tail risk after one year, is there a possibility of these loans slipping, I mean what will be the factors to monitor for the health of these loans?

Padmaja Chunduru: I think these loans have been given under extraordinary circumstances, more as a liquidity backstop for those units and this have been actually, these are also, the incremental portion is anyway guaranteed by the government, but given that there is the main loan portion, I think it is the COVID impacted units only got this help, it was otherwise a running unit, it was otherwise going concern, so the tail risk of what you are mentioning would come in only if the cash flows that we anticipate are coming out of the economy reviving if that doesn't happen to the extent that we expect, but I think it is not really something that we need to be too much bothered about. What needs to be done is that the economy really picks up scheme and the receivables with some of these units especially MSME and all have receivables that I will stuck up at some stage or the other. Once the wheels start moving and this lubrication flows happen, I guess that this is not too much of risk building up in the system, but continuous monitoring of these accounts and having a lie on their cash flows, cash is the main key. The monitoring of the cash is where the bank's efficiency lies.

Management: One second ma'am, as about the ECGLS 1, total amount was 6034 which is eligible amount, but sanctioned is 5897 crores and disbursed is 5203 crores.

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

Mona Khetan: So my question was again on the restructured book, so essentially if I look at the retail, Agri and SME portfolio, the restructuring at less than 1% of those portfolios seen much lower than even your guidance previously, so any color why this turned out to be much lower than expected?

Padmaja Chunduru: Yes, the guidance that we gave a few months back was expecting a bigger proportion of people to approach for restructuring. We also reached out to our borrowers to see if they would need, but given the collection efficiency improvement and actually that the funds are coming in, the repayments are coming in, so it appears like I mentioned earlier that our borrowers are able to actually tide over this problem and the repayments are coming, so wherever the repayments are not coming, we are keeping an eye and also approaching them to see if they need restructuring.

Given that we had earlier only 100 crores of restructuring, today that the figure is 351 crores is a good development for the bank. In agriculture, of course, there is 0, MSME is about 500 crores, but MSME has been receiving these doses of restructuring for the last 2 years and this tranche is what was not covered by the earlier restructuring dispensation. So I think MSME is also, this is what we are now at about 500 crores and there is still time for MSME, there is still time up to March, so that might improve to may be from 0.14% to may be 0.25% also, but beyond that I think it is okay, it is a balance between slippages and restructuring or between repayment also, so in these three legs as long as we have control over what is the best way of handling the account, either they repay or we restructure or if it is not viable, it splits, so we should be prepared for all the three legs, so we are, I think that is the way we are looking at it.

Mona Khetan: And your press release also mentions of MSME restructuring of about 3600 crores in the notes to account, so I assume this is not included in the data you have shared in the presentation?

Padmaja Chunduru: No, that is not RBI recent dispensation, what I am talking of 496 crores is the RBI, the recent restructuring. That restructuring figure includes the, what we are talking of 496 crores is COVID related, but the earlier figure is of the earlier dispensation.

Mona Khetan: So if I have to look at the total restructured book of the bank, I would include the 5600 given in the presentation as well as the 3600 because that is not part of it, if I have to look at the total restructured portfolio of the bank?

Management: So that plus this, yes.

Mona Khetan: And retail, your restructuring of 350 crores, if you could just give some color, where it is coming from, is it home, is it auto or?

Padmaja Chunduru: Our exposure itself is 70% on home, so it is spread over home and auto mostly, mortgage loans to some extent. I can give you the breakup, but mostly it would be at least 70% home loans.

Mona Khetan: If I look at the SMA-2 portfolio, especially the corporate portfolio it has increased from 1300 crores or 2000 crores on average over the last couple of quarter to 6000 crores now, so anything to read into it or where is it coming from?

Padmaja Chunduru: No, actually after the moratorium only this SMA-1 and 2 started moving, right, so whatever was frozen during the moratorium time, naturally it will show up in the SMA-1 and 2 now, so to that extent this 6002 crores of SMA-2 is partly also the notional NPA. So the actual SMA-2 is 2316 but including the notional NPAs it is 6000 crores and notional NPAs of about 5200 crores have not been flat this quarter which about 1300 crores is under restructuring. So once the restructuring happens, that would come back.

Mona Khetan: So the 5000 crores of notional NPAs also include 1300 crore of restructuring as if we move to standard assets?

- Padmaja Chunduru:** Yes.
- Mona Khetan:** And this 10,000 crores of SMA-2 overlaps completely with the 5000 crores of notional NPA?
- Padmaja Chunduru:** Yes.
- Mona Khetan:** And lastly, if you could share the notional slippages for Q2 as well as Q3 for yourself?
- Management:** This is including all, whatever we are giving in the month of December that includes Q1, Q2, Q3, all put together, it is cumulative.
- Mona Khetan:** Yes, but if I could just get between Q2 and Q3, how much would be the amount, it would just help, my back of the envelope calculation shows around 1000 crores for Q2 and another 4500 for this quarter, but if you could just confirm the number?
- Padmaja Chunduru:** You are talking of SMA-2 alone?
- Mona Khetan:** No, I am talking of the notional slippages that would have happened if the standstill was not in place, the Supreme Court standstill?
- Padmaja Chunduru:** So in June, it was 2913 crores and September 2016 and cumulatively in December it is 5191. So, the June figure of 2913 reduced to 2000 in September, now with additional unflagged NPAs it is now at 5191.
- Mona Khetan:** So it is 2000 for Q2 and another 3000 for Q3?
- Padmaja Chunduru:** Yes. The recovery keeps happening in the earlier accounts also, so that plus fresh slippage. This is how the 5191 has come and that includes as I said that 1300 crores of accounts under restructuring. So once they are restructured, it will come back.
- Mona Khetan:** And lastly, if I look at the collection numbers, between September and December, for segments like retail, it has come off for you as well as corporate, so anything to read into it?
- Padmaja Chunduru:** The collection efficiency has improved. If you see the month by month also, I think we have given it one of the slide numbers 32, you see the month by month improvement in the demand collection figure. So that is the reason why the slippage has been contained.
- Mona Khetan:** Sure, also do the collection numbers include arrears as well, maybe that is the reason?
- Padmaja Chunduru:** It is on a month by month basis and we have the cumulative figure also, so overall collection efficiency up to December has been 85%.
- Mona Khetan:** So this is the cumulative number? Not for the month of December?

- Padmaja Chunduru:** What you have in slide 32 is month by month, right, so the demand of that month compared to the collection of that month and cumulatively also, even including the arrears of the previous month, we are able to recover 85% of the demand.
- Moderator:** Thank you. The next question is from the line of M. B. Mahesh from Kotak Securities. Please go ahead.
- M. B. Mahesh:** Ma'am, in continuation to the previous question, of this 10,358 or 6000 crores in the corporate loans, what is the slippage that you have included in the corporate side in the 6000 crores?
- Padmaja Chunduru:** Notional you mean?
- M. B. Mahesh:** Of the 6000 crores, you have indicated that it includes the slippages as well, right?
- Padmaja Chunduru:** Notional NPA number?
- M. B. Mahesh:** Yes, how much would that be now and from which sectors are these?
- Padmaja Chunduru:** The notional in the corporate is about 2025 crores and the segment there is mainly the retail in December, the retail is the major segment, one or two accounts.
- M. B. Mahesh:** You also indicated in the restructuring book that you have very large retail account, which is getting restructured, right, in the corporate side?
- Padmaja Chunduru:** Yes.
- M. B. Mahesh:** Is there an overlap between the two? Is it the same group that we are talking about?
- Padmaja Chunduru:** Yes. There is only one big retail group that we are talking of.
- Management:** And that is because of RP is implemented and it is submitted also by March.
- M. B. Mahesh:** And the second one is ma'am, the raise in slippages will be in every book, in the SMA-2 book, is that any cause of worry here?
- Padmaja Chunduru:** Are you referring to any slide or?
- M. B. Mahesh:** The same slide, this is slide 42,745 crores going to 1985?
- Padmaja Chunduru:** This was again, after the moratorium again whatever the KCC slippages that happened, that we have taken account in December, so that is where the agriculture, but it is not like a trend for the future, yes, the next tranche of KCC loans especially these we have, they are in the Allahabad Bank areas, so KCC renewals are happening, KCC OTS is happening, so we see these loans are getting due either in July or in January, that was the way the loans were done.

So this July thing has come now in December. The January also where there is a small tranche of loans that we are already addressing, we expect that also would add in January, but not a big figure. We anticipate something like 600 to 700 crores slippage in January on account of KCC. With that, I think we would get the entire portfolio under control. Anyway, this we are aware of, and we are working on it and we have provided, and we have taken it into account for our projections for March also.

M. B. Mahesh: Ma'am, one clarification, let us assume that the Supreme Court allows you to declare an account in NPA, do you declare all the accounts which has gone above 90 days during the last 90 months of slippages and then also recorded as recovery as you record the recovery of NPAs on the date the Supreme Court allows you to do so, that only those accounts which has crossed 90s will be declared as NPAs? How does the account work?

Padmaja Chunduru: Yes, only those accounts that are crossing 90 days would be declared NPA if then Supreme Court suspends that dispensation. I didn't get your other part of the question, what you said?

M. B. Mahesh: For example if the accounts went above 90 days, let us say, in the month of October and in January you had recovered that particular account and we brought it down to below 90 days, is that account an NPA or not?

Padmaja Chunduru: No, if it is only declared NPA as it is flagged as an NPA and taken into the books of accounts as NPA, then the recovery from that is seen as recovery, otherwise it is only reduction in the slippage. We cannot take a notional NPA recovery as recovery, so notional NPAs are tracked, they are recovered as **32.13 (Inaudible)**. So until they become real NPAs, we are free to keep on recovering in those accounts and that is how the numbers have been coming down because the period for recovery has been extended by this entire moratorium and dispensation.

M. B. Mahesh: So, for example, the account goes to 89 days, you can't classify them as 90 days and above? Or is this kind of keeps going on and off? And just one clarification, could you also give us the SMA..

Padmaja Chunduru: It is a notional NPA and we are free to keep on recovering.

M. B. Mahesh: And could you also give us the trend on SMA-0 and 1? How does that be?

Padmaja Chunduru: Actually, we did a study and what we find is that the SMA-0 figure is now almost the same trend as it was pre-COVID lists, so we are back to the pre-COVID in terms of the performance under slippages. So I think that is a good development and we want to further reduce it. So SMA-0, as you mentioned, that is the real tracking and that has come back to pre-COVID, so we have the figures, we can share it with you.

M. B. Mahesh: And as the SMA-1?

Padmaja Chunduru: So if you see 29th February figure, if SMA-0 was at some 60,000 crores, now today it is at, on 15th January it is at 56,000 crores and on 31st December it was at 60,000. Usually on the month end, the figure is high and within the first 10-15 days, the figure normally people say that 3-4 days, 5 days delay, so that comes down by almost 40-50%. So we find that both SMA-0 and SMA-1, which was about 17,800 crores in 29th February, as on 31st December it is around the same 18,125 crores and everywhere SMA-0, 1, 2, the figures are almost at pre-COVID level. So our collection efficiency I think is back to the normal trend and we want to continue it or improve it now.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Just wanted to understand any kind of comment that you want to make on the credit cost outlook for this quarter going into fourth quarter as well as in FY22, so any thought would be helpful?

Padmaja Chunduru: Because there were no real slippages, the credit cost looks very good, but even considering, as it is as of 31st December it is 1.59 and even considering notional NPAs which should be below 2. I think we will maintain it below 2% even by March.

Deepak Poddar: And next year?

Padmaja Chunduru: Next year, it should be even further down. I hope I can give a prediction; I hope it will be around 1.5 to 1.7. We cannot avoid slippages altogether or NPAs altogether. The **(Inaudible)** **36.12** is growing, so as a percentage also these things will be better.

Moderator: Thank you. The next question is from the line of Venkat Datla, Individual Investor. Please go ahead.

Venkat Datla: My question is, I think even we are reporting very good numbers, I think valuations, market capital of the bank is very less, so just to compare with the peers, I think its valuation is same as Bank of Maharashtra and IOB is also trading at a very high compared to Bank of India, so do you think it is a good time to raise QIP? Do we really want to sell and achieve valuation for the new investors? That is my question, I think because of this merger and whatever happened last one year, the valuations of the bank have gone down significantly without any issues with the Indian Bank from 400 plus, it has been gone down to very less price? Do you think it is a good idea to raise now, equities in QIP?

Padmaja Chunduru: Definitely, I think you should put a lot more money into Indian Bank. Whatever has depressed the price has been this, first of all there was this year of whether this bank will be merged with another big bank or what will happen like Vijaya Bank, will it go as an another amalgamation, that was over and then the fear was what will happen when Allahabad Bank merges with Indian Bank, how will be balance sheet be managed, how will it take the merger. So that also

now three quarters, I think Indian Bank has proven that the amalgamation is done and dusted, the figures are all audited for three quarters consecutively, so I think the figures are there for all to see and the valuation should improve. I think when you mentioned Bank of Maharashtra and IOB, there might be a reason that there is stock of privatization of some of the banks, maybe I really did not compare those two banks, but that could be a reason, there is no such I think unless we hear the budget proposals, we don't know what is in the mind of our policy makers, but I think Indian Bank on a standalone basis is now a Pan India Bank. It has invested quite a bit on IT, on digital, emerging as one of the new age banks with strong financials. I think if you see quarter and quarter last so many years, I don't even say 2 years or 3 years, for so many years, the performance has always been consistent and the culture, the management consecutively has been quite focused on the asset quality, on earnings, on building the bank in a very stable way. I think that will continue and that is why I feel it is a good investment. I have invested in the bank and I think all our staff has, so we have a lot of confidence in the bank and I expect that the price also will move up once our results and amalgamation is over. I think that was the main concern and now that is true. The synergies are now flowing in. We have cost synergies, we have also earnings synergies, we have cost of funds coming down, CASA improving, so all the metrics that we had anticipated out of the amalgamation are happening and whatever pain was expected, also we have taken on and it is over. So I think now it is a clean slate and what you see is what you get. So I expect that the price will go up and we will have better valuation if investors show that confidence in the bank.

Moderator: Thank you. We will take the next question from the line of Rahul Nair from SBI Mutual Fund. Please go ahead.

Rahul Nair: Ma'am, I just had one question, your corporate loan book has grown by only 2% year on year, is it because we are cautious about lending to corporate in this environment or is there any other separate reason like lack of demand from them or something?

Padmaja Chunduru: Both, we are not risk covers or anything. In fact as I mentioned, we have exposure or limits available on many large corporates which may not be the case with many other banks. The only thing is the demand. It has been coming only from government, NBFC, or infrastructure HAM projects, but where is the demand from the private sector, where is the new investment happening in the private sector space, we don't see much, so you cannot keep on giving to the same sector. Secondly, the corporate loan book has grown by 2%, yes, but if you see the investment side of it, which TLT or OLT or all the advances that would have gone as loans, all the money that would have gone as loans have gone partly as investments also, so if we factor in that figure, the growth is more than 6 to 7%. So corporate loan book, I think we need to be aggressive in the right place, but also careful because these are big ticket loans and we are looking at the risk reward when we go into corporate. Too much long term, too much sacrifice of interest or yield in falling interest rate scenario till now, we were a bit careful about picking the loan and I think that has proved quite useful. The book is very strong and well cushioned. The other part was about 5000 crores technical write-offs happened in the last two quarters. This quarter, of course we did not have. So that also has gone from the corporate book. The

growth was there, in corporate, in fact there is lot of activity happening in corporate, lot of loans get sanctioned, lot of disbursements keep happening, lot of repayments keep coming which is a good thing, but also that these kind of things are not showing up in the figures. The income is coming and the cross selling is happening, so we are getting into more of working capital loans, which I believe our bank's policy is that we need to be in every consortium where we have a term loan and of course, the rest of the business that flows from the corporates.

Moderator: Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Ma'am, one question was about the lumpy corporate exposure based out of Eastern India where we have an exposure as well as the Allahabad Bank exposure, any update on that account whether that would get restructured or what is happening over there?

Padmaja Chunduru: That account is being monitored from the consortium level itself, we are also attending all those meeting and I think there is an ASL appointed, there is controlled tech and almost thing, on a day to day basis monitoring happening from the bank's side. We have proactively also provided about 20% of that exposure this time as we made a provision, but let us see how it pans out, either way with RBI also doing its own enquiry or whatever, the report is not yet there, so we believe that part of the exposure is quite strong especially given the security, given the way the company was functioning. Part of it might be a bit week, but I don't see too much of panic or concern there. Either way, learning from past experience, we have started making provision, so that the bank is not taken by surprise whatever happens, but we are keeping our eye on it, but that should not depress the perception about the bank because I think today Indian Bank has a much bigger balance sheet and also better provided, so that any such incident does not hijack the profit.

Anand Dama: And ma'am, apart from that, any resolutions that you see in next 6 months happening, DHFL certainly is on cards, IL&FS is also there, any other power account or large lumpy accounts where you believe there could be a resolution happening?

Management: In the case of one power, which we had initiated the RP, and I think we had converted a part of the debt into equity also and hopefully that all the four units are working now. Besides that, even one more IL&FS group power account that also some activities have been going on, it has come for the approval. Besides that, we also got that two accounts where we see which will be sorted out, one is that Bhushan Steel and Power and the second is what you just referred now, DHFL. In addition to that, some other accounts are there which we feel will get resolved by March and June quarter, but again all depends upon if any other further issues crop up, we can't stay at the moment, we have been expecting that it should happen by now, but okay that it is by March or June quarter we expect these three-four bigger accounts.

- Anand Dama:** And any other thermal power accounts where we have exposure and that will be getting resolved?
- Management:** One account which we had kept standard as a matter of court order, that has got resolved now. Secondly, one IL&FS group account that is also getting resolved now, though it is functioning. Also, I think we don't have any much issue in the power accounts, mainly it is towards the state government and central government account. We don't have any much of an issue there.
- Anand Dama:** And in case of IL&FS, with the subsidiaries or the project get resolved, still you don't get the money till the time the Holdco, distribution of money with Holdco is resolved right because I think in the case of IL&FS, Chenani-Nashri Tunnel project, the money is already lying with SBI, but still it is not distributed?
- Management:** Yes, all these accounts were classified as per the **(Inaudible) 47.28**. Whenever we get it resolved, I think it is a very good boost to the bank's profitability. There will not be any shocks for the bank as and when it gets resolved.
- Anand Dama:** What I am asking basically that the Holdco, the distribution of money back to the Holdco is also to be resolved first, so that all these money which is coming in primarily from the subs gets distributed, right?
- Management:** Yes, one more account is there in the case of IL&FS transportation network that is also some resolution, we had given the voting. See, ultimately I do agree it all depends upon how fast the IL&FS management works out it and shares the money, so we do just beyond our control, I do agree.
- Moderator:** Thank you. The next question is from the line of Sonaal Kohli from Bowhead Investment Advisors. Please go ahead.
- Sonaal Kohli:** I have 2-3 questions, NBFC where we have a large exposure, is it currently part of the SMA1, SMA2 numbers which you have disclosed?
- Padmaja Chunduru:** Yes, you are talking of which?
- Sonaal Kohli:** East India based NBFC, is it already part of SMA-1, SMA-2 or still not part of SMA-1, SMA-2?
- Management:** As far as that NCLT order is there, not classified as NPA, but for that matter, we already made a provision as already stated, 20%.
- Sonaal Kohli:** That is not part of SMA-1 or SMA-2?
- Management:** No, not part of that.

- Sonaal Kohli:** It is making its payment on time as of now?
- Management:** No, not making payment because it is coming in the collection account, it is yet to be shared, but as far as the IL&FS norms, ultimately what has happened is NCLT has given the order not to classify it as NPA, so it is not referred as NPA and however, we had met the provision norms.
- Sonaal Kohli:** No, I am asking sir about SMA-1 and SMA-2, I am not talking about NPA. The number which you have given to us of SMA-1, SMA-2, do they include the outstanding from the NBFC or is it making the payment?
- Management:** See that East, West NBFC which is talked just now, that is not included in SMA-1 and SMA-2.
- Sonaal Kohli:** And sir, what is the status of harmonization of accounts of Allahabad Bank with Indian Bank, so let us say there is a common exposure which both the banks have, could there be any accounts which are because of the past conservative nature of Indian Bank which are being already accounted as NPA, but would not be accounted as NPA in Allahabad Bank, so to what level of size of accounts have you been able to harmonize and when will the complete harmonization of accounts with Allahabad Bank be over?
- Padmaja Chundururu:** Actually, the harmonization happened even before the amalgamation, before 1st April, because when we did the due diligence on the accounts, the NPA classification or the note making or what provision was made by each bank was taken into account in respect of all large exposures and harmonized as of 1st April. So whatever additional provision, either Indian Bank had to make, we made it as of 31st March. So that provision thing is now harmonized totally. There is no gap there. On the harmonization of accounts, so there the accounts were with different branches because of different banks, but now those group accounts and all also have been shifted to the large corporate branches, whichever branch is handling it, either in Indian Bank or Allahabad Bank, the accounts have been almost all shifted to have a single control and single ownership and also we have put in place this vertical large corporate in Indian Bank last year itself, so that is controlled directly from corporate center and we have carved out a separate mid corporate vertical, so really the large exposures are getting focused attention out of the large corporate vertical and the mid corporate vertical is being used to grow that book. With all these things, I don't see any more gap in the large exposure norms or anything, I mean even the board is very particular about this large exposure. So there is no real misalignment anywhere on the large exposure book, it is all one book now and that norms, everything is followed as per the RBI.
- Sonaal Kohli:** Ma'am, I understand on the large book, you have done a fabulous job, what I was trying to understand was like what is the cut off beyond so, what is the definition of mid corporate part or below midcorporate part which is currently not harmonized, it is like 100 crores, or is it like

20 crores number and when would even those accounts will be completely harmonized with Indian Bank?

Padmaja Chunduru: Even the 5 crores account is both the banks have that has been harmonized. There is not much of an overlap in the smaller account because of the geographic lack of overlap. So if you are asking whether the same account is there with Indian Bank and Allahabad Bank even today, there is no such account across the verticals, across the amount, everything is harmonized.

Sonaal Kohli: And ma'am, as far as the agriculture book of Allahabad Bank is concerned in the past it had very large NPLs, how much understanding we have currently of the agriculture book as such because Indian Bank always had fabulous, very low NPLs on the agriculture side and where do we stand and could there be a surprise or a shock on that side once books are completely integrated or you have already done all of that and you don't see much happening on the agriculture side?

Padmaja Chunduru: No, what you have said is true. There was a concern because, given the geography in which Allahabad Bank was present, there were issues around KCC and the bank itself had addressed them in the last 1-1/2 years even before amalgamation they started declaring those NPAs and actually addressing those issues, but even after amalgamation we have focused on that even during the due diligence exercise if this was very clearly brought out and we know what the issue is and we have been addressing those issues. That is what I mentioned in the earlier question also that we have been continuing that office in Calcutta both for the recovery and also for the credit monitoring, so that whatever renewals are due, it is ensured that people do approach the farmers, get them and actually renew them or we settle an OTS, there is an online OTS scheme that is running or we declare them as NPAs. There is no fourth option there. So I think if you ask whether we know what the issue is, we know what the issue is, we are addressing those issues and surprises, we don't foresee. Yes, there would be a slippage again in January which we will take into account in March and we already have built in the necessary cushions to take it in our stride, it is not a big figure, may be 600 to 700 crores is what we expect to slip in January and this happens once in 6 months, given the way the agriculture advances are given. It is not that every month, agriculture slips. In Allahabad Bank, it was in July and January, so July we have already taken in our stride. Now January, we know the figures, almost daily we monitor and every field personal is on that job. So we see that traction happening in renewals, so wherever it is unviable or not possible, yes it will slip, and we will take it into the balance sheet in March quarter. I expect that this would be about 600 to 700 crores and with that we should be on stream.

Sonaal Kohli: And ma'am, how is the integration of the SME book, do we have a complete handle now with the SME book of Allahabad Bank as well or that will take a while because of smaller account sizes?

Padmaja Chunduru: No, as I mentioned we have a complete visibility, complete handle that is full control over all the SMEs. There is no Allahabad Banks, Indian Banks now, it is all being monitored almost

continuously by both the corporate center and we have two GMs for credit monitoring, one from Chennai, one from Calcutta and there are lot of monitoring happening through dash boards, through MIS, so on a daily basis, we see what is slightly to slip or there is right restructuring because in MSME there is GECLS was there, then restructuring was there, then there is a continuous monitoring that is happening, so we are on track. Yes, there is stress, but I think we are having a handle on that. There is clearly no opacity about the whole thing. We know what we are having and how to handle it.

Sonaal Kohli: And ma'am, my last question on the educational institution side, do you expect any major slippages, or everything is under control or they have been restructured already?

Padmaja Chunduru: Educational loans is a legacy issue in Indian Bank, I think that 4700 crores were there, some of them have been restructured earlier. So it is only monitoring and trying to recovery through all means, they sometimes have recovery agents also looking for these. Part of it is, I think about 15% of that is NPA, not the entire thing. So we will be focusing on that and eventually as it becomes difficult to recover we will make them, we will show them as NPAs or we will be bundling them and seeing whether there is any option of selling onto an ARC or any other recovery mechanism, but the portfolio is small now and we are focusing on that, so that we clean it up fully.

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

Mahrukh Adajania: Ma'am, I had 2-3 questions, firstly that just to reconfirm, this was discussed earlier, the retail accounts that we talked about is in the restructured book and it is in pro forma slippages or in notional slippages, so it is the same account, right, they are not different companies of the same group?

Padmaja Chunduru: You are talking of corporate book or retail book?

Mahrukh Adajania: Yes, corporate book, there is a retail account which is in the restructured and there is also retail account in the corporate book which is in notional slippages?

Padmaja Chunduru: Yes, it is the same account.

Mahrukh Adajania: Same account only, so once it gets restructured it will be upgraded?

Padmaja Chunduru: Yes, it will come down from both the sides, yes, it is invoked, and it is under implementation.

Mahrukh Adajania: But once it restructured if that gets upgraded, right?

Padmaja Chunduru: Yes.

Management: Yes, but today we are taking it as notional NPA.

- Mahrukh Adajania:** And sorry, I did not completely catch the conversation you had with Mahesh on that 89-day part due in notional slippages, so?
- Padmaja Chunduru:** I think he was asking whether, today there is only one stream of notional NPAs, there are not many accounts that are slipping, we are able to flag as NPAs, so I think what he was asking was if you recover from the notional NPAs are you showing it as recovery? We are not showing it. We can't show it as recovery, whatever is being recovered in notional NPAs is just coming down from the outstanding balance in notional NPAs. So that was the clarification given.
- Management:** But in short, whatever the recoveries are shown as the NPA accounts did not include such recoveries in the case of notional NPAs. Only once we catch up an account as NPA, any recovery in its NPA account is only shown as recovery in NPA.
- Mahrukh Adajania:** As industry related, there are too many talks about the bank holding company, bank privatization and again Bad bank, though now most of the corporate NPAs have been classified as such, but even so any comments you could offer on these three and how soon could any of these three be possible?
- Padmaja Chunduru:** Our knowledge is as much as you asked. So we still await the announcement if any. I think bank holding company was on idea that was mooted earlier also, hopefully that will happen. The other one is the privatization, I think we are seeing lot of new items, we don't have any more information on that and Bad Bank, yes to the extent it allows the aggregation of the loans with so many desperate lenders, it may help, speed up the resolution, but that also we will have to see what will be the contours and if at all they really approve that proposal.
- Mahrukh Adajania:** Whether Bad Bank is only for PSU Bank or it is for all banks?
- Padmaja Chunduru:** I think it will be for all, if at all it happens.
- Mahrukh Adajania:** And in terms of bank holding company, it will only strengthen the corporate governance, right, I mean is that the idea because?
- Padmaja Chunduru:** It also gives an arm's length distance to the government, the capitalization and all, there would be a separate entity which would own the investments in the bank. So it is not a government direct investment, it will be through the holding company. Eventually, divesting will also become easier and as you mentioned corporate governance can be stronger.
- Moderator:** Thank you. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.
- Anand Laddha:** Ma'am, in the disclosure, you had indicated that one is 1 crore of interest which has been recognized in the P&L. This pertains to the notional account which has stripped in with NPA?

- Padmaja Chunduru:** Yes.
- Anand Laddha:** So this interest pertains to 3-month period or is this more than 3-month period ma'am?
- Padmaja Chunduru:** That 400 crores of interest that we have provided for, it pertains to all the 9 months.
- Management:** Up to 31/12/2020.
- Anand Laddha:** On the agriculture exposure, which are part of the SMA-book, you indicated that 600-700 odd of that will slip into NPA in January, in that even you would be reversing the interest for 2 years on those exposures?
- Management:** See, whatever the interest is not recovered on the date of declaring it as NPA that will be reversed. In some cases, reverses are made repayment for the second half year, we are not sure about it the total quantum, but what are the amount as on the date of declaring it as NPA is undercover that will had to be reversed.
- Anand Laddha:** And in terms of the investment book, your outstanding equity receipt is Rs. 4000 odd crore, if you can give any color on this like how much provision will have to make in Q4 on this book and next year?
- Management:** I think 70 to 75% is already provided and secondly, we have taken a valuation also and as per the valuation, we don't foresee any major provision that is required to be made.
- Anand Laddha:** And by when do you expect that you will be able to realize this money from synchronization, these SR assets?
- Management:** Account wise, follow-up is taking place with all the AFCs and review has been taken of all the AFCs once in a month by the recovery team.
- Padmaja Chunduru:** So these are different pools and different timelines when that 8 years will end. So the recovery is coming up because of the monitoring again I think there is a...
- Anand Laddha:** Ma'am, any amount if you can negate like in Q4 we can get all in next year how much we expect to...
- Padmaja Chunduru:** Another 500 to 600 crores we expect next year.
- Anand Laddha:** And ma'am, on the employee cost side this quarter we have seen a Q-o-Q dip in employee cost from Rs. 1750 crores to Rs. 1571 crores, if any one-off element in this quarter because of its tail risk or was there any one-off item in Q2?
- Management:** In Q2, what has happened is since that MOU was signed with the unions, so they had agreed for 15% whereas we are providing a 12%, so one-off cost was there in the Q2, any which way

we have to make a provision, that was provided fully. So Q3, no additional provision is required to be made.

Anand Laddha: How much was one-off provision in Q2?

Padmaja Chunduru: So 250 crores were made in Q2.

Anand Laddha: Ma'am, would it be fair to assume now the employee costs run rate will remain at this level only, Rs. 1600 odd crores?

Management: Less than that, around same thing.

Moderator: Thank you. The next question is from the line of Sunny Sehgal from Amigo Stock. Please go ahead.

Sunny Sehgal: So, most of my questions have already been answered, I just have only one question, so on slide 20, you have given the rating distribution, so roughly you have around 43,600 crores on 19% of the book in BB and below rate team, so ma'am if you can give some color on these, I mean what are the primary sectors here and does this include the government account as well and how do you read the health or behavior of this book?

Padmaja Chunduru: I think you can see the Slide #20, right where we have given as you mentioned BB and below 19%. So in the BB and below we have one of the corporate things which is NBFC. That is also BB or below, so the one of the major items there is that the Calcutta based NBFC we were discussing. So apart from that there is MSME portfolio, there is the small value, high volume loans, I think that way the BB and below also had some of MFIs which are rated BB, but they are all performing. As I mentioned one is the government account, one is NBFC, one is the retail that is under restructuring, so I think mostly these are government accounts again and some of the private sector which are about 1000 crores may be from the private accounts which are all again well performing. Normally, the hospitals or the hospitality segment or the LRDs, they don't get the investment grade or higher rating, but they are all well secured and well-run companies. So we don't see too much of a problem there except that there is an overlap in that NBFC and the retail account, these are also again reflecting in this BB and below.

Moderator: Thank you. The next question is from the line of Jai Mundra from Batlivala & Karani Securities. Please go ahead.

Jai Mundra: Ma'am, just two questions, first is, what is the blended collection efficiency though we have given the segment wise, but for the bank for third quarter or may be for the month of December, the blended number that would be helpful and second thing, ma'am, I think this was asked by other participants also, so just let us say, today is 22nd, hypothetically if tomorrow Supreme Court stay gets vacated, do you recognize people who have 90 days past due as on

tomorrow or do you do that thing at the end of the quarter, so I mean the slippages number would be considered after quarter end as of who are 90 days past due or they would slip immediately and if they pay then they will recover?

Padmaja Chunduru: Actually, we take it as on that month end, so if the Supreme Court revokes the suspension tomorrow, then January end, all these accounts will become NPA and whatever recovery happens it will come as a NPA recovery, so that is the way to both. We don't wait till the quarter end. Quarter end results are declared, so it comes in the results, but otherwise monthly, these are recognized.

Jai Mundra: And ma'am, just last thing, on RBI FSR, so they are saying that system NPA will go up by 600 basis points and even more higher for PSU Banks, any reconciliation ma'am, I mean so far the banks results and even the commentary the restructuring has been lower than expected, the slippages even in your case are around very much under control, probably less than 2%, so any hidden risk or any perspective on that ma'am as to why so much of a difference between RBI assessment and individual banks assessment?

Padmaja Chunduru: We are giving our figures. Where RBI got it, maybe you should ask RBI, but the thing is, I think they have taken the whole worst case scenario that they built in and also to maybe there are some sectors which are more vulnerable and where probably Indian Bank doesn't have too much exposure. So RBI, I think on a macro basis, they have taken those figures because many banks where we see, we don't see that kind of, I keep talking to peer people, but we don't see that kind of a deterioration, so if it doesn't happen, it is good and RBI would have done its job in terms of alerting people to the possible risks.

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

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

Padmaja Chunduru: Thank you very much. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.