Indian Bank Q3 FY'23 Results
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Transcript

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Anand Dama (Host - Emkay Global): Good evening, and welcome everyone, to Indian Bank Third Quarter Post Results Earnings Con Call. We have with us today Mr. S. L. Jain, MD and CEO of Indian Bank. Along with him we have Mr. Imran Siddiqui, Executive Director; Mr. Ashwini Kumar, Executive Director; and Mr. Mahesh Kumar Bajaj, who has joined as an ED recently in the Bank. Sir, first I would request you to briefly update us on the results. What is the take for the future, particularly in terms of growth, margins, asset quality? More so, given the current scenario, where we have seen that there is some kind of macro slowdown which is coming. On the deposit front, banks are to some extent struggling. So, your specific comments on those areas will be really welcome.

Shri S.L. Jain, Managing Director and Chief Executive Officer: Good evening, good evening. Welcome to all analysts and investors in the post result Q3 con call. As far as business of the Bank is concerned, our business has grown by 9%, on which Deposit has grown by 6%, and Advances have grown by 13%. Under Deposit, our Saving Deposit has grown by 5% and the Term Deposit has grown by 8%. Under the Credit, our RAM sector has grown by 12%. Under the RAM, Retail has grown by 15%. Under Retail, Housing Loan has grown by 12%, Jewel Loan has grown by 23%, Auto Loan has grown by 27%, and Personal Loan has grown by 35%. Again, Agriculture growth is 15%. 53% of Agriculture is Crop loan which is growing at 17%, Investment credit is 54%, Agri allied 11% and SHG growth is 56%, and Infrastructure and ancillary has grown 40%. In MSME, we have grown by 6%, Micro 16%, Small negative 4% and Medium 14%. You must be seeing then from last four-five quarters, we are growing between 13% to 15% in the RAM segment and maintaining over 61%- 62% RAM share. Corporate has grown by 7%. But if you see the write-off of INR 5,000- INR 6,000 crores, it is around again 13%-14% of our gross. So we are actually growing 13%-14% in the corporate credit side.

Coming to the business and the profitability side. Our operating profit has grown by 24%. And operating profit has grown on the strength of our NII growth, which is 25%. In addition to NII growth, there is a growth in non-interest income as well. So, bad debt recovery has grown by 53%. Fee income has grown by 6%. If you see in nine months, it is around 18%. Processing fees has grown by 20%. Cross selling 81% and Forex is just double, 99%. PSLC on a QoQ it is coming down, but if you see in nine months, we have grown there, because what happened in the PSLC the pricing is better in the first quarter, is again the third quarter, so we have front-loaded that and in nine months our PSLC commission is better than this.

As far as NPAs are concerned, our gross NPA has come down from 7.30% to 6.53% and net NPA has come down from 1.50% to 1% and provision coverage ratios have improved to 93.59%. Capital adequacy slightly come down 15.74%, reason being that we are not adding the nine months profit, whereas the business is growing. If I add the nine months profit, it is 119 bps higher than this, so it is around 17% of a number. So, capital wise we are adequately capitalized. Net NPA has come down to 1%. Provision coverage has improved to 93.5% or close to 94%. SMA2 is at 0.77% against 0.5% last quarter. So, in terms of numbers, SMA1 is around INR1,100 crores. So there are two, three accounts where we have received the money subsequent to that. Otherwise the collection efficiencies is 95%. We are maintaining the collection efficiency, SMA 2 is slightly higher. One more reason is that, what happened the RBI has increased repo rates, that EMI is increased. But there are two options, one is to increase the EMI. Second is to increase the repayment period. We have gone for increase in EMI. And around in retail side around a 90% of the people we are either we have taken a revised standing instructions over the NACH mandate and that way we are again improving. As far as slippages is concerned, this is the second quarter again, the slippage is INR1,313 crores, whereas the recovery is INR2,600 crores, just double. Last quarter, our slippage was INR2,400 crores and recovery was INR3,255 crores. At the beginning of the year we said that we will recovery INR8,000 crores and our pro rata is INR2,000 crores per quarter. So is against INR6,000 crores or three quarter we are at INR6,500 crores, so close to 110% of our recovery, resulting in reduction of gross and net NPA. So, the slippage of INR1,192 crores. 40% of this slippage is from the restructuring book, that is around INR418 crore. What we have done this time, INR634 crore provision we have created in standard asset, for to make the restructured book 15% is against the minimum regulatory requirement of 10%, to strengthen our balance sheet.

As far as our margins are concerned, our margin has improved, and it is improving quarter-on-quarter, it has moved to 3.74% in December. Our ROA has also improved from 0.71%, to 0.80%. Our ROE has improved from 13.83% to 15.21%. Cost income ratio is coming down from 44% to 43%. So, you see in all our parameters, we are giving a better performance vis-a-vis the last quarter, as well as the last year. So, from business front, from the asset quality front, from the capital front, from the stress front, from the balance sheet strengthening side, in addition to that we have made a INR75 crore of provision for wage revision for two months. We have also made INR105 crores of a provision for PLI, performance linked incentives, which will due on getting incremental in operating profit, that the way we are moving in increase in operating profit, naturally you have to pay the PLI. So, we have made a provision of PLI on this December quarter. Earlier we have made the provision in the March quarter, so we have front-loaded that also. So, this is all about profitability, business, asset quality, capital, collection efficiency, provisioning.

And now, I am open for question and answers

Anand Dama: Thank you, sir. Before we take up the questions, I had put up a question about the deposit growth being far, far lower at about just 6% for us. And that is true for the industry as well. So, is basically that's more of a strategy that you want to consume the internal liquidity first and then raise the deposit rates and mobilize deposits or is it more to do with that every bank is struggling and so, we are also struggling on the deposit front?

Shri S.L. Jain: You see, the 6% is on the current year. You see the deposit growth of our Bank in the last year. Our deposit growth was 10%. All around all people were having 7%, 8%. So, we have in fact built the deposit in the last year itself. On the incremental part, it is a 6%. Of course, you rightly said that, banks are struggling for deposit, basically we too are mobilizing deposits and in the last nine months, we have opened around 27 lakhs, 28 lakhs new accounts and we have started off well around 45% of our accounts are being opened through tablets, so when you are opening account through tablet, actually are going to the institutions' office and you are getting a quality customers. We are focusing on educational institutions, we are focusing on colleges we are around more than 1600, such fee collection in colleges account. We are focusing on that. We are focusing on temples. We are focusing on institutions. We are focusing on RERA. In various sector where the deposits are more, because the small deposit, you will not be able to achieve major number.

We are too working on institutional account. We are too working on a SNA account or a CNA account. So all areas. Virtually we are opening the accounts. We too have created a deposit war room or office at a journal offices. In the morning evening we are having compares. But issue is very simple, we want to have a deposit at a lower rate of interest, which we are getting a 2.9% or 3%, whereas you know in the short-term market the interest rates for the Bank deposit is around a 7.5% to 8% in between. So our endeavour is to get a better deposit and that way we will be able to contain our cost. But going forward, this is a challenge and we are fully geared up for that. We have created a team. We have created a government relationship vertical at various places. Because we are very strong in UP, so Lucknow. We are in Tamil Nadu, Chennai. We are in Bangalore, Calcutta, Chandigarh and then various places we too are creating to get a bulk of these accounts. We know sir, this is a challenge for future is entirely, entirely dependent on the deposit accretion part.

As far as the margin part. Okay. Let me answer your question first, right. So, second question you are talked about the margins. So, you know our MCLR loans is 56% and remaining 7%- 8% is fixed or otherwise repo link advances. So, what happens this with the increase in the repo, the repo has been repriced, right, but the deposits, of course, earlier we used to take one year deposit at 5.50%, now we are taking at a 6.50% or a special deposit at a 7%. So, with the repricing of the deposit, naturally the cost will increase. But the way our balance sheet is, 56% MCLR, you see here in the term deposit also

40% is a CASA, 60% is a term deposit where repricing will come. Here in MCLR also repricing will come. So, the issue is only that in MCLR we will be able to say increase by 1.2%, 1.3%. Here 1.4%, 1.5%, some gaps, but this can be managed with the repricing or with a increase business growth or a product mix. These are the three, four strategies we will have, to protect our margins.

Next question was of asset quality. I already clarified you that our asset quality is getting better and better and better. And that this one is a slowdown, macro slowdown, you asked about that. Our Bank is a Retail Bank, you see 62% continuously we are growing in the Retail side of Retail Gold Loan or Housing Loan, then huge demand for housing. Now the all the people are back to the offices and you see the housing, even the housing, houses are not available virtually, auto loans, so the growth is happening in all segment and we are growing slowly, slowly in that. In Corporate, we continue to remain choosy, because in the bond market, the spread has increased whereas as the credit market spread has not increased. So, there's no point of taking money at a bulk deposit and giving at a lower rate, where the margins are not adequate or not proper. So, we remain selective in this quarter as well. Bulk deposit of course, if we have a margin we will take. We will not have margin, naturally we would like to contain our costs and protect our margin and profitability.

Anand Dama: Yes, that's very good to hear, sir, that you are consuming internal liquidity and also focusing on margins, rather than just the growth.

Shri S.L. Jain: And our LCR is 100, 130, 140 bps.

Anand Dama: Amazing sir, amazing. We'll take first question from Mr. Ajmera, but would request you to restrict maximum two to three questions, thereafter you can always join the queue. Over to you, sir.

Ashok Ajmera: Hello. Am I audible?

Anand Dama: Yes, Mr. Ajmera, please go ahead.

Shri S.L. Jain: Ajmera Ji, yes.

Ashok Ajmera: Sir, good evening. And again complement for you, sir, for very good set of number and all-round growth, as you narrated in your address also just now and the figure also speaks. So, there is nothing much as far as the overall growth is concerned and you already answered about the corporate credit growth and the Retail. I have got a few information point and some specific information. One is, sir, about the NARCL and now that the process has started and four account with INR485 crore was reported by you last time and nine account were expected for INR3,346 crore. So, where do we stand on the NARCL front and what is the status going to be in this quarter, January, March quarter, sir?

Shri S.L. Jain: Okay. I'm telling you, sir there actually out of 43 account identified by the NARCL, 20 account pertains to us and the aggregate book balance for this is around INR5,200 crore. Out of this 20 account, eight account were having balance of INR3,300 crores, we have received the offer, right. Out of these eight account, four account actually amount is more or less crystallized, four is under the Swiss Challenge and all these, right. So, we are expected that this four accounts we should get money in the current quarter or in the beginning of the next quarter. Remaining nine account where the offer is likely to receive, because the due diligence and everything has happened. So, that nine account is around INR900 crores. And three accounts were under still the due diligence is in progress, that is INR1,000 crore account. So, the sum and substance I can tell you that the first eight account out of this four account is more or less finalized, where we should be able to get money and four account where the Swiss Challenge and everything will happen, may take time.

Ashok Ajmera: But sir, this is the figure which is coming out now and especially in that some cases of Swiss Challenge, do you think that we are going to get more than what we were expecting basically, originally?

Shri S.L. Jain: In some of the account that what happens, in some of the accounts even the bids are received even above that NARCL, right.

Ashok Ajmera: Yes

Shri S.L. Jain: So, that is a process, sir. That is a process of bidding. So, if we are getting a good price, naturally we'll go with that price. And you see, we as far as our Banks' bottom line is concerned, we are fully provided. But fact remains we are interested in much higher and higher amount. And that always security, present value of the securities, what is the liquidation values, there are number of considerations prior to deciding that.

Ashok Ajmera: Oh, that's point well taken, sir. Sir, there was an ECLGS account, what is the NPA number this quarter as against INR363 crore you reported last time. Is it increased or it is under control?

Shri S.L. Jain: No, no. I am telling you we have given ECLGS close to INR11,000 crores, right. And the current balance is around INR7,700 crores, so around a 70% amount, we are having around INR439 crore of ECLGS NPA, INR430 crore or so, but this is INR430 crores is of course we will fully realize, but we have made provision.

Ashok Ajmera: Sir, this personal loan growth you are seeing 35% and SHG 56%. In personal loan, what is it the same corporate which are having accounts with our their staff loans or what kind of how this growth is coming and from where is it coming, 35%, 40% growth in personal loan portfolio?

Shri S.L. Jain: Yes. Let me tell you. What happens, sir, you might have heard that have come out with a digital lending products, right. So, we have done, first, we have started pre-approved personal loan towards salaried class, right. So that is around a four, five, six months. Then we have increased it professional and self-employed. Then we have increased this to our Housing Loan customers. Then we have increased our Auto Loan customer. And I'm telling you, the delinquency virtually nil, nil NPA, virtually this is five or six, because we based on our based on the CIBIL score, based on our internal benchmarks, we are giving this pre-approved personal loans and the product and with a three clicks you can get this money credited in your account. So, here what happens, your margins are also there, delinquency is not there, and we know the customers, so we these are all ETB customers. Now, based on the experience, we'll move to the NTB customer as well.

Ashok Ajmera: So, what about the credit cost, sir? Credit cost?

Shri S.L. Jain: No, I'm telling you, hardly any NPAs, hardly. Two, three accounts only. Okay. So, our credit cost, credit cost was 2% in our first quarter and in the second quarter. Now, it is 1.41% in the third quarter, average is 1.80%. Now you see my net NPA has come down to 1%. So, my credit cost is substantially come down in the next quarter.

Ashok Ajmera: Yes, because that is what is actually where we were a little lacking actually, because the credit cost, but now it is coming down, so it can give you a good picture because your NPA is also under control.

Shri S.L. Jain: Yes. And actually what is the risk? Risk is from two side, no sir. One is a SMA, second one is the restructuring book. Restructuring, we have made 15% provision and this time INR634 crore of provision we have made in the quarter. And in restructured book, our collection efficiency is 90%

Ashok Ajmera: Can you give some color on the treasury operations, sir? Now that things are stabilized.

Shri S.L. Jain: What we have done in treasury, sir, actually two, three things we have done. One is that you see, some of the money which was in the treasurable also we have shifted around INR3,000 crore to Centre or State Government Securities or a bond, right.

Ashok Ajmera: Yes, sir.

Shri S.L. Jain: So, that way, and the same time we are having treasury profit as well in the current quarter and the modified duration of AFS and HFT is 2.2% and that PV01 is around 8%. And yield on investment is improving and what we are doing, sir. This is from September quarter. What we are doing, sir, that 10-year benchmark, if it is 7.35% plus then what we are buying or if it is less than that we are selling. This is how we are making some money in that. Trading profit of INR130 odd crores we got in last quarter, besides improvement in yield by 13 bps.

Ashok Ajmera: That's great, sir. So, sir, on the whole I mean everything looks very fine. I'll come back in the next round, if the time permits. Thank you. Thanks a lot.

Anand Dama: Next question is from Mahrukh Adajania, Yes, Mahrukh you may unmute yourself and go ahead.

Mahrukh Adajania: Yes, hi. Hello, sir. Heartiest congratulations. Sir, my first question, Anand already touched upon it, but I would just like to again have your views on this. Sir, margins, domestic margins expanded 54 bps sequentially and your EBLR is not much higher than other banks. It is similar to other banks, it is a good proportion, but it is not necessarily higher. So, what really drove the margin expansion in domestic NIMs if our EBLR proportion is quite similar to other banks? And that's my first question. And then what is the outlook in fourth quarter? Do they come off from here and how do they behave in FY24?

Shri S.L. Jain: Madam, there are two issues here. Of course in a quarter-on-quarter, it is expansion of 54 bps, but you see when in the last quarter what happened, there was an interest reversal of INR400 odd crores, resulting reduction in the margin. So, that as against our interest reversal of around INR450 crores in the last quarter, this quarter is on INR140 crores. That is a one factor of this and second one is that we have increased our MCLR also and so therefore the margin has expanded and in addition to that business has also grown, mix, business mix and all.

Mahrukh Adajania: Got it.

Shri S.L. Jain: Then outlook is that, madam, what is our last, last year margin is 2.91%, right. We have told that we will protect 3%. Then 3.1%, 3.2%, 3.74% and we think that the next quarter also, because the repo which was increased in 8th December is passed now only for 23 days now and another three months benefit we will get and that MCLR too we have increased and the 56%. So, this benefit we should get in the next quarter as well, partially.

Mahrukh Adajania: Got it. So, next quarter we are good on margins and then in FY 24, how do margins hold?

Shri S.L. Jain: Actually, point is that, how the margin will be improving, that two to three points, there are function of two, three things. One is your product mix, what kind of product mix you are having, first, right. What happens, madam, madam there are Retail credit, there is a Wholesale credit, right. So, if you do more Wholesale credit, naturally your margin will be less, because you all will be in AAA, AA, where the interest rates are lower than this. So, this one. Now slowly this corporate credit interest rate is also improving. So, if we would have given three months or six months earlier and for a one year that we could have continued the same interest rate. So, now we remain selective and we have not grown too big on this. So naturally, with the product mix also our interest rate increases. And you see, one more thing, when your CASA is 40%, 60% in term liability and 56% is MCLR, both the things are matching. And with the increasing interest rate, with the increasing product volume, we of course there will not be that 3.7%, 4% margin, but we should be able to protect our margin slightly better than historically.

Mahrukh Adajania: Got it, sir. Sir, and what -- where do you see deposit and loan growth in FY 24? Anyway sir, your domestic CD ratio is 73%. So, you would still have some room there, right?

Shri S.L. Jain: So, domestic credit growth depends on number of factors. One factor is, let us wait for the budget, what kind of infrastructure push government is going, giving to the infrastructure sector, right. What kind of public sectors are making investments in -- in other investment, road, and other sectors as well. But for us, I am telling you for us, we will continue to grow 13%, 14%, because we are a Retail Bank. We are not a Bank which is having a 55% or 60% Corporate and entirely dependent on Corporate. We are 62% Retail. So and a stable Bank and a stable Bank, so we'll continue to grow.

Mahrukh Adajania: Okay, sir. Sir, and what is this PLI provision you talked about, what is that, why you need that?

Shri S.L. Jain: Madam, what happens is, for the existing agreement with the union and associations, when you are having growth in operating profit of 15%, you are required to give 15 days PLI, extra salary. If your profit is operating profit growth is 10% to 15%, you have to give 10 days PLI. If your operating growth is more than 5% to 10%, you are required to give 5 days PLI. And that this PLI you have to pay on declaration of 31st March result.

Mahrukh Adajania: Got it. Sir, so operating of 15% and above is how much PLI you said? Sorry, sir

Shri S.L. Jain: If our operating, will grow 15% or more than 15%, we are required to give 15 days PLI (Profit linked incentive).

Mahrukh Adajania: That for the full year, right?

Shri S.L. Jain: Profit linked incentive to our employees. It is profit linked incentives to our employees. This is applicable for all bank, not to me alone. All PSBs.

Mahrukh Adajania: Yes. Got it. And sir, your wage provision is for two months this quarter, right?

Shri S.L. Jain: Right. Because, the settlement is due from 1st November.

Mahrukh Adajania: Yes. Okay, sir. Thank you so much.

Shri S.L. Jain: Thank you, madam. Thank you.

Anand Dama: Yes. Thank you, Mahrukh. Next question we have from Mona. Mona please unmute yourself.

Mona Khetan: Hello. Hi, sir. Good evening, and thanks for the opportunity. So, firstly, on the MCLR book of 56%, how much is linked to one years and six month MCLR, if you could share that data?

Shri S.L. Jain: Major part should be with one year MCLR, madam, major part of that. Off late, what we started doing that we started linking with the three months, because we are in an increasing interest scenario, right. So, as on date suppose out of 56%, 40% is on a one year MCLR. So, this will come for repricing. But what happens in last six months, we moved ourselves from one month to the three month or a six month or a one month, because increasing interest, there is no point of giving one month MCLR, but the earlier one will come for repricing and we'll take a call.

Mona Khetan: Got it. Sure. And on the Personal Loan book, PL book, what are the yields you have?

Shri S.L. Jain: We are having around 10.5% to 11% of a yield.

Mona Khetan: Okay. And I missed the wage revision number, how much we have provided this quarter?

Shri S.L. Jain: Around INR75 crores, INR74.90 crores, INR75 crore, madam.

Mona Khetan: Okay. Okay. And just finally, yes, so the balance sheet data is not available this quarter in the PPT. So, if you could share the borrowing, investment and cash quantum at the end of quarter?

Shri S.L. Jain: That, madam, that our CFO will tell madam, because we are required to submit on a half yearly basis, that is why may not be available here. That is as per the regulatory guidelines. But number we'll give, no problem. Separately we'll share, madam. You can share with, madam.

Mona Khetan: Sure. And on the Agri book, what is the share of Gold Loans within that?

Shri S.L. Jain: In Agri is a 53%, madam. And 53% and that part is growing 17% and we actually what we have done, we have identified 650 branches for Gold, where wherever we have placed the gold loan champions and now with the digital gold loan renewal, right, the Karatmeter for doubly checking the quality of gold. So, we are focusing on that.

Mona Khetan: Sure. And just finally on the restructured book, if I see you've given a INR15,000 crore total restructured outstanding. This is inclusive of the MSME restructuring of INR2800 crore in the notes to accounts or exclusive of that?

Shri S.L. Jain: No, these are basically RP1 and RP2 restructuring and major part is already a part of that also, these are overlapping there. What I told, madam, this number was INR16,000 crores, right. So, as on date, it is INR15,200 crores, right, and INR400 crore has been slipped. So, it means 96% of our book is very good, because only INR300 crore, INR400 crore is virtually slipped. But as a proactive measure, we have made the additional provision of INR600 crore in the quarter.

Mona Khetan: Right sir, I get that. I'm just trying to understand what would be the total outstanding book, ex of any overlaps between MSME and the COVID provisioning 1 and 2? Would it be closer to INR17,000 crore or would it be around INR15,000 crore?

Shri S.L. Jain: Actually this INR15,200 crore, that is a INR2,800 crore. So, if you take a 50% maybe INR1000 crore more or INR1,500 crore more, not beyond that.

Mona Khetan: Okay. Okay. Sure, sir.

Anand Dama: Mona, sorry. We have to take other questions. Yes, next question we have from Dixit Doshi.

Dixit Doshi: Yes, thanks for the opportunity. Just three questions. Firstly, you mentioned that we will be growing at 13%, 14% on the advances side, can you just give us some target on the deposit side, how do you see the growth? My second question is on the credit cost side. So, as you have mentioned that SMA 1 and 2 is quite low and now our net NPA is just INR4,000 crore. So how do you see provisions in the next year, not in the Q4, but FY24? And my last question is on the tax rate. So, from FY '24 we will come into the normal tax rate or still we will not come?

Shri S.L. Jain: No, you're one point is that your credit cost, right, INR4,000 crores, so naturally going forward our credit cost will be substantially lower than what is at present, right. At present it is 1.8%, right. This is one this is a sure, this is sure virtually, because you can't have a credit cost because more than your net NPA and net NPA itself is 1%. So, this is sure, sir. Now, second point you talked about is the credit growth vis-a-vis deposit growth, right. So, we will be taking the deposit based on the credit growth and our focus will always be on maintaining 40%, 41% CASA. So, deposit growth will be based on the need only, otherwise, there is no point of taking money at a bulk rate 7%, 8% and not having proper margin, because we have to add the CRR cost there on. So, we will take the deposit based on the credit need. Now, third point you talked about the tax rate, so next year will be done on a normal tax rate. But the benefit which was available partially in the current year will be over in the current year.

Dixit Doshi: Okay. Thank you

Anand Dama: Thank you Dixit. The next question we are having from Satya. Satya please unmute yourself.

Satya: Thank You. Mr. Jain you have just answered my question I had for you. So thank you.

Anand Dama: Thank you. Next question we have from Jai Mundhra. Jai please unmute yourself.

Jai Mundhra: Yes. Hi, sir, good evening. I have couple of questions. First is, sir, your note number 17, June 7 circular, right, which still have some INR14,000 crores of NPA and where we have, if I read it correct, the PCR seems to be less than 10%, at around INR1360 crores. So what does this mean, sir? Does this mean that as and when, I mean you may have to require more provisioning on this pool of assets going forward?

Shri S.L. Jain: No, no. Note number 17 is very clear, sir. Amount of loan to be classified as NPA, INR14,731 crores. Amount of loan classified as NPA is INR14,731 crore, nothing 100% over has been classified as NPA.

Jai Mundhra: No, they are classified as NPA, but it's the other column says that the provisions, additional provision required is INR1360 crore which you have already done. But I mean the total provisions for these, this pool of assets would be substantially higher, right?

Shri S.L. Jain: No, no. You see, there are two things. That is a 7th June circular, this talks about that if you are not transferred, you have not found a resolution plan within six months, then you have to refer it to the NCLT and if you have not referred it to the NCLT, you are required to make a higher provision of 20% or a 30%, right. This is the circular, sir. Now, where I stand, my provision coverage is 94%. My provision other than the PWA is 85%, and this is a provision over and above which we are fully provided. So, no issue here.

Jai Mundhra: Sure, sir. And secondly, on your slippages, sir. I mean this quarter slippages have declined substantially. I think Agri slippages have come down because your cycle is slightly different from other banks, but how should we look at the slippages in a normalized situation, let's say ex of Agri or maybe in near-terms on FY24? So, your initial guidance was slightly higher, we have done better than that. So, how should we look at slippages going forward?

Shri S.L. Jain: We are always conservative in giving guidance, that is a problem and we always do better than what we say, right. So, now point is that a slippage part, the slippage is governed by two, three things, sir. What is your collection efficiency? So, collection efficiency is 94%- 95% continuing. Second, what is your SMA 1 and SMA 2. SMA 1 and 2 is slightly higher, because of the reason I told you, because of that EMI part, because of the revision in EMI which we are following up and therefore we are not seeing much worry here at all, much worry here for that further slippages, higher slippage rate, slippage will always be there, but not higher slippage.

Jai Mundhra: So, is this the new normal?

Shri S.L. Jain: And you see the Corporate and measure is in Corporate, in Agri side 53% is gold and again that 13% SHGs were already 1% or 2% and we are not beyond that and all over you see the slippages which came is first INR1000 crore from the restructuring book, then INR469 crore, INR419 crore major part is coming from the restructuring program, which too is coming down. So, we are not seeing worry here, sir.

Jai Mundhra: No, no, of course, sir, nothing to worry. But I was trying to understand what would be the normalized slippages. If I look at last three quarters, slippages are like INR3,000 crores, INR2,500 crores and now INR1300 crores, right, so I mean what should be the business as usual or normalized slippages considering we have been Retail, considering the business.

Shri S.L. Jain: Last quarter slippage mainly because of Agri book, right. INR1,000 crores is from my Agri book.

Jai Mundhra: Right. Okay. Okay. And then, sir, the two questions on, first one on MCLR, right. So, it is right that you can keep rising MCLR as for the cost of deposit, but what I wanted to understand is, how much of the MCLR hike actually gets transmitted, right, because this MCLR would be applicable to Corporate borrowers. And they would have other avenues or they can negotiate as well, right. The transmission may not be as 100% as under the EBLR, so in your sense, let's say in last 12 months you would have hiked MCLR by 125 bps, 130 bps, what would be the actual MCLR pass on? Some of the customer may negotiate, may renegotiate or something else spread can change. So, out of 100bps MCLR that you announce higher, how much actually gets transmitted?

Shri S.L. Jain: Your question is correct, sir. My point is that suppose my cost has increased, I have to pass on. So, if you are not ready to give me an increase cost, then we say, we allow them to go. Then we will grow in an area where we are having margins, right. So, you see that is why Corporate growth is 7%, whereas the other growth is 15%. So this is again I have to take care of my margins, my profitability.

Jai Mundhra: No. So, I'm not asking for future, I'm asking in the last 12 months, how much, let's say, 100 bps, 130 bps MCLR that you have announced.

Shri S.L. Jain: You see, sir, our growth, credit growth is increasing, growth is happening, right. And if I add the write-off part around which around 4% or 5%, it is of 12% or 13%. So point is that when you are able to grow 12% or 13%, then you are successful in passing on the increased cost. And you are maintaining your margins as well, not to 100%, maybe 60%, 70%, 80%, it depends, sir. Then we will find some other opportunities. And you see, but you see my book, AA, AAA, it is continuously increasing.

Jai Mundhra: Right. Okay. Understood. And lastly, sir, on your co-lending arrangement with Rupeek, right, so if you can elaborate a bit, is this state specific or it is like multiple states where you have this arrangement? And how does Rupeek differentiates between you and some of the other private banks where they have the similar arrangement?

Shri S.L. Jain: My issue is very simple, sir. Somebody is coming for a gold loan, I will be with him for a co-lending, provided he deposit gold at the end of the day to me. So my risk is eased. What is the benefit to the customer is that, he is not required to keep the gold, first point. And then he can have a higher margin. But point is that because we are not having the reach at all places, which the NBFCs is having, NBFCs are always having the benefit of a reach, they can go to any interior part where I'm not having the branch. But for me, it makes a sense because I'm getting some margin and my risk is hedged.

Jai Mundhra: No. But this is a Pan India tie-up, right, it is not a state specific tie-up?

Shri S.L. Jain: Yes, it's Pan India tie-up, but initially we started with few branches and going forward with having experience with them, we will increase number of branches, there is no restriction in going in any geography.

Jai Mundhra: No, what I was trying to understand is, how would Rupeek. I mean do you have a separate firm guidelines that this kind of a loans should come to Indian Bank and this kind of a loan may go to some private banks, which also have the similar arrangement with Rupeek?

Shri S.L. Jain: We have told them what kind of a loan we will have. We have our own agreement with them. And what will be the SOP. What they are doing with others, that's their call only. That is bank specific, bank has agreement with them. But for me, specified branches gold to be deposited with me in the evening, then only we'll reverse the money, simple. For me it is very simple.

Jai Mundhra: Right. And last question, sir. If you can provide what is the outstanding provisions that we have on the restructured loans, that will be helpful. I think the number we have given some INR15,000 crores, but what is the outstanding.

Shri S.L. Jain: 15% is INR2,225 crores. That is where 15% of INR15,000 crores plus we are aiming for other restructuring. Yes. Totally INR2582 crores including the other. INR2582 crores, around INR2,600 crores of provision here.

Jai Mundhra: Okay. Yes. Thank you, sir. I'll come back. Thank you

Anand Dama: Yes. Thank you, Jai. We have next question from Mr. Ajmera. It's a follow-up question

Ashok Ajmera: Sir, yes, thanks for giving this opportunity again. Sir, I have got just a small one or two data point and some guidelines. We are, sir, on CASA front, we are around 40%, 40.4% or 39.5%, 40%, 40.4%, the Bank has any strategy to increase the CASA deposits and making some bigger targets and then preparing a roadmap for that, that we may go to 42.5% or 45% or is there any thought around that? The increasing the overall CASA of the Bank?

Shri S.L. Jain: Yes. That our CASA of 40.40% is in total book. Domestic side, we are having a CASA of 41.18%, right. Our endeavour is always to cross 42.5% immediately, but point is that what happens in the interest rate increases, people move the deposit from saving deposit to term deposit because the interest differential have increased, right. So, this is one challenge, but our endeavour will always be to get a quality saving bank account, now we are giving insurance also on our mobile. Shortly, we will be giving wealth management also in our mobile. We will be having more mobile banking registrations. So, we will try to engage people more on our apps, as a result, they will be having a more balances, right. But our endeavour will always be to improve from this level.

Ashok Ajmera: And my second question was connected with this only, that the income from third-party products and insurance business, mutual fund distribution business, do we have a separate vertical for that to monitor and to grow it with various other channels, which comes in a non-interest?

Shri S.L. Jain: We are having separate teams and separate tie-up, we are having insurance tie-up, number of mutual funds tie-up, insurance for life or non-life, all this tie-up, I mean there are time-to-time we are reviewing them also, we are calling them also. And our income on account of that is increasing. Ashwani, you can add.

Shri Ashwani Kumar: Yes. Ajmera ji, our income during the nine months period from the cross selling is around INR88 crore as against INR51 crore last year. So, we have a team here which are looking after this third-party products exclusively. And similarly at the field level, there also. So our mutual fund platform is available, all our customers on board through our mutual platform. And on that platform, all mutual funds are available. Broking account we are also offering to the customers, AIF we are also offering to the customers. So with all that booking, all insurance general insurance, life insurance, health insurance that have been made live on our app as well. So, mutual fund is available through our app, insurance products are available through app. And our other third-party product, everything is available through app. So, dedicated vertical here in the field, everything is helping us to increase our, so 86% Y-o-Y, 73% increase is there in this nine months period.

Shri S.L. Jain: But there are huge scope to do it. Though we have grown by 73%, where there huge scope and we are focusing on that and we want to have a digital journey to the customer, then customer will have a better experience.

Ashok Ajmera: No, sir. What was my point was -- yes, compliments for the such an increase, but the target-based processes yields better results. So because you are a big Bank now.

Shri S.L. Jain: No, no. We are given 100% target, Ajmera ji, your target is 100%, we could achieve 73%. Now, we want to increase this further.

Shri Ashwani Kumar: Scope is huge.

Shri S.L. Jain: Slowly, slowly we are building.

Shri Ashwani Kumar: Culture, we are bringing that culture here, right.

Ashok Ajmera: Yes

Anand Dama: Yes. Thank you. We'll take last question from Mahrukh.

Mahrukh Adajania: Yes, hi, sir. Sir, could you quantify the PLI provisions already made?

Shri S.L. Jain: INR105 crore, madam.

Mahrukh Adajania: INR105 crore. Okay. And it was made in this quarter only?

Shri S.L. Jain: Yes, yes, madam

Mahrukh Adajania: Okay, sir. Thank you.

Anand Dama: Sir, one question related to that, which has come in the chat box is that whether we will have to make a similar kind of provisions even in the fourth quarter if the performance remains strong or basically it comes with a lag.

Shri S.L. Jain: No, no. Point is that, we have made 75% of the provision. Now only 25% is to be made

Anand Dama: On PLI?

Shri S.L. Jain: Yes. Three quarter already we have made the provision, only 25% of that. We have made on pro-rata basis.

Shri Ashwani Kumar: For three quarters we have made provision Anand, ji, for three quarters we have made provision in this quarter.

Shri S.L. Jain: Last to last, INR35 crore we are required to make.

Anand Dama: In the fourth quarter. Okay. Okay. Sure, sir. That's helpful. I think, sir, you had some time constraints, so we'll just take that as the last question. And if you have any concluding remarks to make?

Shri S.L. Jain: Thank you. Thank you very much all our analysts, investors for continuous support to the Bank and thank you for active interest in the Bank.

Anand Dama: Thank you very much. Thank you, sir.

Shri S.L. Jain: And kindly keep supporting us.

Anand Dama: Okay, that's it from me. Thanks a lot. Have a nice evening.

Shri S.L. Jain: Thank you, Anand. Thank you.