



**Indian Bank Q2 FY'24 Results
Post Earnings Conference Call / Meet
Held on 26.10.2023**

Transcript

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Anand Dama (Host - Emkay Global): Thank you sir for providing us with the opportunity to host this call. Good Evening everyone, today we have the entire management team of Indian Bank where we will discuss the Q2 results call, as well as the outlook on the growth, margins and asset quality going forward.

We first welcome Shri Shanti Lal Jain, MD & CEO, Shri Imran Siddiqui, Executive Director, Shri Mahesh Kumar Bajaj, Executive Director, Shri Ashutosh Choudhury, Executive Director and Shri Shiv Bajrang Singh, Executive Director from Indian Bank. I request Sir to first briefly give us the highlights of the Q2 results and thereafter we can take some time basically for the outlook on the growth, margins and asset quality going forward.

Shri S.L. Jain, MD & CEO: Thank you. Good evening all analysts and investors for joining post results Con Call for Q2 FY 2024. Our business has grown by 10% and reached to RS. 11.33 Lakh crore in September 23. Our deposit has grown by 9% and reached to RS. 6.41 Lakh crore and credit has grown by 12%. Under deposits, the saving deposit has grown by 8% and the term deposit has grown by 10% and we could maintain the domestic CASA more than 41% in the current quarter. In credit side overall RAM component has grown by 12%, while corporate has grown by 12%.

Under RAM, Retail has grown by 14% and under Retail, Housing Loan has grown by 13%, Auto Loan has grown by 36% and Personal Loan by 49%. Likewise, in the Agri side, we have grown by 16% and Crop Loan has grown by 17% and 75% of the Crop Loan is a Gold Loan which is growing by 28%. The SHG has grown by 41%, Agri Allied by 46% and Investment Credit by 11%. MSME has grown by 5% and Corporate has grown by 11%.

But in case of Standard Corporate, our growth was around 14%. Likewise, the Mid Corporate has also grown by 11%. So, this is on the business side. As far as our profitability is concerned, our Operating Profit has grown by 19% on YoY basis and sequential by 4%. Our Net Profit has grown by 62% and sequentially 16%. The Operating and Net Profit has grown on the strength of NII, which has grown by 23% and the Non-Interest Income has also grown by 9% and under the Non-Interest Income, our fee-based income has grown by 11%. Processing under fee-based processing has grown by 17%. PSLC income has grown by 52% and Rs. 336 crore is unamortized which we will consider in the remaining Q3 and Q4 and bad debt recovery has grown by 6%. As far as our asset quality is concerned, the Gross NPA has come down from 5.47% to 4.97% 50 bps reduction and the Net NPA has come down from 0.7% to 0.6% while PCR improved from 95.10% to 95.64%. We maintained the trend of recovery more than the slippages. In the current quarter, the slippage was around Rs. 1,976 crore and the recovery was Rs. 2,265 crore. So last year also our slippage was Rs. 6,642 crore and the recovery was Rs. 8,504 crore. In the last half year, total slippage was Rs. 3,730 and the recovery is Rs. 4,272 crore as a result of which our GNPA/NNPA has come down. As far as our SMA 1 and 2, it has come down slightly more than Rs. 5 crore and we are maintaining the collection efficiency of 95%. As far as restructured book is concerned, it has come down to Rs. 9,980 crore COVID restructuring and we are having around 27% provision there against.

So asset quality, whether SMA 1 and 2, NPAs and Restructure book, all are coming down. As far as capital is concerned, we are at 15.53%. We have not added the six months profit. If we add the six months profit, it will improve by around 1%. So 16.53%. We started from 16.49% in March and up with Profit 16.53%, which shows that our generations are adequate to take care of our growth because in spite of around RS. 12,000 crore or 13,000 crore growth, our Capital Adequacy is intact.

As far as our treasury is concerned, we have added around Rs. 13,000 crore in treasury in the last quarter and as a result, our holding on yield which is on AFS Book is around 7.30% and virtually we are protected up to 7.27% and here around a Modified Duration of AFS and HFT is 2.84% and out of around Rs. 2 lakh crore of treasury book, Rs. 1.47 lakh crore is HTM and Rs. 0.56 lakh crore is AFS. As far as digitization is concerned, I now request my colleague Mr. Bajaj to talk about digitization. What we are doing but besides that, we have opened around 38 branches in the first half. Over all, RRBs are doing exceedingly well. Their business has grown by 21%. Their Operating Profit is 16% and the Net Profit is 36% in half year and all 3 are having Net NPA 0 and our joint venture Sompo so far is also having a profit of Rs. 123 crore in the first half as against Rs. 85 in the last year. Likewise our subsidiary Ind Bank-Merchant Banking is having a profit of Rs. 3.87 crore as against Rs. 1.16 crore. So all our Joint Ventures, Subsidiaries and RRBs are doing well. Now I request Mr. Bajaj to discuss about the digitization where we are in our digitization business and where we are focusing.

Shri Mahesh Kumar Bajaj, Executive Director: Thank you Sir. Good evening everyone. As far as the digital transformation initiatives are concerned, we started almost 18 months back. So till 30th September, we have done almost 63 journeys. Out of that more than 45 journeys are pertaining to the digital lending platform, and it has started yielding result also last half year we did close to Rs. 376 crore of business and this half year we have close Rs.29,000 crore business.

Whereas in the Retail side, we have done close to Rs.2,500 crore, agriculture Rs.18,700 crore, MSME Rs.3,000 crore and liability business Rs.5,000 crore. So put together even the last year, entire last year it was Rs.5,600 crore and this year first half itself is close to Rs.30,000 crore. We have already done more than 45 journeys and this quarter we are planning to launch another 12 journeys pertaining to the digital lending platform. As we have already told, the business in this quarter, itself done Rs. 30,000 crore, whereas the last quarter we did Rs. 9,000 crore business.

On the DLP and Omnichannel front, the Omnichannel last quarter also we were saying that we are going to launch, and on 15th August we have launched the omnichannel for the closed user group and so we are testing the ground before going to the public. So next three to four months, we'll be doing rigorous testing and then we'll go to the field.

On the digital channel business, the YoY growth on mobile banking is close to 47%. Transactions on the mobile banking have grown up by 17%, UPI users have grown 34% YoY, UPI transactions have gone up by 65%. Net Banking User YoY growth is 37%. Debit Card users grown 16%, Credit Card user grown 10% and as far as the UPI QR code, it has gone up from 4 lakh to 39 lakh and the UPI QR code transactions we have gone up since last half year which was Rs. 108 lakh, and this year we are at

Rs. 998 lakh, i.e close to ten crore .With that we are now open to questions.

Shri S.L. Jain, MD & CEO: I will add two three points basically which is very important. So the domestic margin is 3.52% as against 3.61% of the last quarter. There is a reduction of margin of 9 bps. This is because of increase in the cost of deposit first point and second is that there is an interest reversal of some KCC account around Rs. 261 crore impacting margins by 12 bps. At the beginning of the year we said that we will be able to protect our margin of 3.41% which was similar to the FY23 margins.

We are presently at 3.57% - we told 3.41% add or less 10 to 15 bps and we are near to that. On the deposit front, we told at the beginning that we will grow in the range of 8% to 10% and so we are at 9%. All our guidance, advances by 10-12% we are currently at 12%, GNPA below 5% we are at 4.97%. We guided that NNPA will be lower than 0.9% and we are at 0.6%. RoA we said will be around 1% and now we are at 1.01% and Cost to Income Ratio, we said it will be around 44% and we are at 44.29% and Credit Costs, of course we said 1.25% we are at 0.81%. The Slippage Ratio we told about 1.5%, while we are at 1.67%. So we have delivered in-line or better than our guidance. Now, we are open for questions from the audience.

Anand Dama (Host - Emkay Global): Thank you for the elaborate guidance sir. So, before we start with the call just wanted to understand your thoughts particularly on the credit growth and deposit growth front. So our deposit growth seems to be on the lower side. Our CASA also has come off a bit during the current quarter. Any strategy that you have to accelerate deposit growth and protect your CASA going forward.

Shri S.L. Jain, MD & CEO: Yeah, we have taken a number of steps in this regard. What happens is, that the deposits comes from salaried customers, existing customers, FIs customers, NRI customers, Institutions, Government Businesses right. So what we have done from last about one and half year, we have created R & GR Cell which we call a liability vertical with government resources with six or seven centre which is at Lucknow, at Chandigarh, Calcutta, Chennai and various other centres. So we are getting a good business, government business and government deposits.

FI is one channel which is also giving us more than 20% growth even in the CASA. We have started our remittance business and NRI business. We have recruited the people and the results will start coming thereon. Fourth one is, what happens is we analyze 200 centers where our deposit growth is substantial in the system. We have already opened around 51 Retail Acquisition Centres and deployed manpower.

We have also come out with the various schemes like insurance free or some charges reduction on deposit anybody will give from the institutions or from the organizations we have developed various product for religious institutions, co- operative societies, and a number of sectors.

So we are working on a various sectors and that is why we will be able to maintain in this increasing interest scenario domestic CASA more than 41% and we will continue to work on that because going forward also we need to maintain that regime.

Anand Dama (Host - Emkay Global): What are your broader guidance on credit and

deposit growth for FY 2024?

Shri S.L. Jain, MD & CEO: So I will stick to that 8% to 10% deposit growth guidance which I had given in the beginning. So we are at 9% number and even the advances also 10% to 12% guidance - we are now at 12%. Generally, we are conservative in giving guidance.

Anand Dama (Host - Emkay Global): Sure Sir, we can start with the Q&A now. First question we have from Mr. Ashok Ajmera. Mr. Ajmera, please unmute yourself and go ahead.

Ashok Ajmera, Analyst: Thanks, Anand for giving me this opportunity. Good evening Mr. Jain and all the top management of the Bank sitting there. Sir as usual, rich compliments to you for the fantastic results on almost every parameter and achieving almost every target given. Having said that, I have got just a couple of questions and some observations.

One is Sir, on the treasury operations our AFS book is increasing and has gone up to originally from Rs. 44,000 crore- Rs. 45,000 crore to Rs. 49,000 crore in last quarter to now Rs. 57,000 crore and modified duration also which used to be generally 1.8 to 2.25 has gone to 2.84 may be last quarter also it was 2.88. So can you give some color on our overall treasury? What is the thought process behind it and how much are we making the money and whether it is a good idea to give a conservative statement for the credit growth of just 10% to 12% and putting more thrust on deploying money in the treasury.

Shri S.L. Jain, MD & CEO: So thank you Mr. Ajmera, you rightly observed that our AFS book has increased. We have intentionally increased our investment book because it is time to increase your Durations. Because, we know that going forward, the interest rate will come down and this is the right time you can invest at 7.30% to 7.40% between this rate we have invested this money and as a result our holding on yield has improved. So what happens is, this investment will continue to give us good return. We are adequately liquid. We are liquid Even our LCR is 131%. So, we are liquid for the credit growth as well. But I am very margin conscious wherever we are getting good proposal and at good margins, we are moving ahead with this. So wherever the Asset Quality and Margins, both combination will happen we are with you have rightly said 2.88%. It has become 2.84%. So we have built up.

Ashok Ajmera, Analyst : The other question was coupled with that only Sir. On the credit growth side, our bank has got such an efficient management led by you and the very good underwriting standards, very good credit bottom to top line. But if you look at the growth on the domestic book it is only Rs. 8000 Crore on a book of Rs. 4,58,000 crore whereas the overseas book has gone up by almost about 16% - 17% to Rs. 4,837 crore, which gives a very small yield comparatively. So, some of the other banks of course one small one or two banks are giving even 20%, 22%, 24%. I will not say that. But can we not go for at least 14% to 15%, 14% to 16% and make some good money on that? Because I understand your AA, AAA rating is percentage wise has gone down because there you don't get the proper NIM or yield, whereas even there are scope for even A and some of the good BBB plus accounts also with a good underwriting standard, which you have, I think something on that

can be thought and this conservatism should be reduced and we should come to some realistic level of the credit growth.

Shri S.L. Jain, MD & CEO: No Sir, we are open actually. That is why I am telling you 14% to 15% in corporate. Virtually what happens is our NPA has come down substantially in the corporate book as well and Mid Corporate too is growing around 10% to 11% and we are open for all even BBB, A, AA, AAA all these accounts provided we get a good margin. You can see our NII growth is 20%.

Ashok Ajmera, Analyst: Looking at that only I am saying that if the book further expands.

Shri S.L. Jain, MD & CEO: We are open for expansion Sir. We are actually growing in a planned way. So our risk is spread, our return, Continuously, Bank can give continuously good result on a sustainable basis.

Ashok Ajmera, Analyst: Coming on that only in the unrated other than government unrated, it is almost about Rs. 10000 crore, Rs. 9962 crore. So those unrated other than the State Government and the Central Government accounts, which are those unrated accounts and whether agree, I mean, what is the composition of that?

Shri S.L. Jain, MD & CEO: I am telling you, what happens over 74% is BBB plus above right, 15%-16% is PSU total comes to 90% while the remaining 10% is basically the HLMS project where after completion you get a rating, or an Educational Institution, or Hospitals, or Contractors or LRD exposures and all, where you will not get a rating. Majority of these are Cash flow based lending.

Ashok Ajmera, Analyst: Just a small amount. But a question on this PM Svanidhi, it is a new product which is being of course aggressively marketed by all the banks. Almost about four and a half lakh accounts with outstanding of Rs. 586 crore. What is your experience even for us to know that on Svanidhi, how are we going and what is our experience on this account?

Shri S.L. Jain, MD & CEO: From the banking perspective, I am telling you, this is a committed disbursement, not outstanding. So disbursement is much, much lower because there are three variants of PM Svanidhi. First is a 10,000, then 20,000 and then 50,000. First suppose you pay 10,000, then you are eligible for 20,000. If you pay 20,000, you are eligible for 50,000.

So there are three things here. First is an interest rate. You are getting good returns, 13% or so. Government of India is giving 5% or 6% subvention. Government of India is guaranteeing you. So from the bank's perspective, your asset quality is guaranteed, your return is guaranteed. You will increase your customer base.

So from the banking perspective, they have protected us from all angles.

Ashok Ajmera, Analyst: Okay, so on that, my last question in this round, Sir, is on our overall recovery prospects. If you combine with NARCL, some of the disposals coming forward NCLT and to the other ARCs, some plans for selling some assets or some accounts. Can you give some color on that? How do we look the next one or two

quarters remaining in this year?

Shri S.L. Jain, MD & CEO: Two, three things, we are continuously giving the improvement in the recovery. We decided that our recovery should be Rs.8,000 crore. So in the six month we are at a Rs.4,300 crore.

Second point is that this recovery NARCL, but what happened in NARCL is that around 41 account of Rs.8,900 crore has been identified.

We shifted around three accounts to NARCL and book balance of Rs.1,959 crores and some of the money we received, some of the NCD, OCDs we will receive and remaining eight accounts there we have received a bid.

So what happens when you receive a Bid, it goes to the Swiss Challenge, anybody can offer a higher rate than whosoever gives a better rate we will give to them.

So this eight, first we take from them and go for Swiss Challenge. Third is where we think that we can recover more. So this keep on hold. Some transactions we are keeping hold so we are working on that but I am telling you we will have a recovery more than what we planned in the current financial year.

Ashok Ajmera, Analyst: Okay Sir, thank you very much and all the very best. If time permits I will come again with some data points.

Shri S.L. Jain, MD & CEO: Thank you. No issues, thank you

Anand Dama (Host - Emkay Global): Thank you, we will take next question from Minish Jathani.

Minish Jathani (Analyst): Hi Sir, Good evening and thanks for the opportunity. First of all, congratulations on the great set of numbers.

So my first question is on the asset repricing considering majority of our book which is MCLR linked. Just wanted to understand what percentage of overall advances is currently reflecting the existing MCLR rate and the balance when can we expect the repricing to happen?

Shri S.L. Jain, MD & CEO: As on date our 64% book is on MCLR. Last quarter also it was 64% which we are maintaining and around 31%- 32% is on Repo.

This book keeps on coming for repricing. May be around a Rs.40,000 odd crore will come in the current quarter for repricing. What happens today, my one year MCLR is 8.70% and prior to that it was less than 8%.

So this will come for repricing. In the meantime, some deposit will also come for repricing. So it keeps on happening but our endeavor is that we should be able to protect our Net Interest Income and the Margin.

Minish Jathani (Analyst): You said 40,000 Crore will come for repricing in third quarter and what could be expected in fourth quarter?

Shri S.L. Jain, MD & CEO: Then you see 64% of the book is that so Rs.5,64,000 crore right. Yes. 46,500 crore currently is coming. So virtually what happens Fourth quarter is Rs.46,500 crore.

Minish Jathani (Analyst): Got it. Got it, So second question is since large part of our book is MCLR linked and with interest rates now largely being stable so wanted to understand deposits will continue to reprice at their own pace. So what gives us confidence in maintaining the NIMs going forward?

Shri S.L. Jain, MD & CEO: So you see, RBI has increased the Repo Rate right. From May last year we too have started increasing our deposit rates, right? So what happens, majority of the deposits are in the bracket of one year to one and a half years. Majority of the or in fact our duration of our liabilities is 1.62.

So majority of the book has already been repriced first or entire, your CD book, your wholesale book, your less than one year book, even the one year book has been repriced, small portion is again two year, three year, five year it will come for repricing at a very small percentage.

So when your majority of book has already come for repricing, some may also come, but this MCLR will take care of all these issues. Secondly you see our treasury yield is also increasing. So all this give us a confidence that we should be able to protect our margin and the way we are doing Sir, our NII is growing.

Minish Jathani (Analyst): Got it, Sir. That was helpful. And my last question from my side wanted to understand the recovery number target expected for FY' 24. And also wanted to understand since the PCR is in a much higher range today, so that contribution to other income will continue at the same pace or we can expect some decline on that side?

Shri S.L. Jain, MD & CEO: So your point is that recovery at the beginning of the year we said Rs.8,000 crore is our recovery target, right? So today we are at Rs.4,272 crore in six months. So we are confident that we're able to achieve this Rs.8,000 crore number. And majority of this recovery will naturally will come from NCLT, SARFAESI, OTS, ARC compromises this all will happen at this because we are having close to Rs.40,000 crore of a PWO book and around Rs.25,000 crore of gross NPA. So huge number we are having I am sure that going forward this number will continue to appear.

Minish Jathani (Analyst): And on a broader basis this 1% ROA on a sustainable basis if one has to take out the recovery number, will we be able to still sustain 1% ROA say from FY' 25 and beyond perspective since decent portion on the ROA is contributed by the recoveries also. So I wanted to understand sustainability of the same.

Shri S.L. Jain, MD & CEO: Sustainability you can see we had 1.06% ROA for the last quarter and an average of 1.01%. So when the NII is growing and then your net NPA has come down to 0.60%. So where is the baggage you are having? We are having a

Standard Asset provisions and all this so we are optimistic that we should be able to maintain this ROA more than 1%.

Minish Jathani (Analyst): Got it Sir. So Thank you so much for replying to all the questions.

Anand Dama (Host - Emkay Global): Thank you Minish. Next question we have from Dixit Doshi. Yeah can you hear me Dixit? Go ahead

Dixit Doshi (Analyst): Yeah thanks for the opportunity and congrats a good set of numbers. A couple of questions. Firstly, if I see from last almost three four quarters in the provisions we are doing provisions for the Standard Asset as well just to make the book much more stronger. And now our PCR is also reached 95% plus and our net NPA is hardly 0.6 and also we are holding a lot of provisions for Standard Asset and excess provision. So can we assume that the provisions for Standard Asset and as well as NPA will continuously coming down over the coming quarters?

Shri S.L. Jain, MD & CEO: It should come down Sir. My point is that 0.6% is a net NPA i.e Rs.2,800 crore, so naturally we are not carrying any baggage and this is Standard Advances. Also we are making provisions based on our own assessment portfolio based and asset specific based, right? So should take care of any kind of eventuality. So Bank is virtually fully protected to my mind from that asset point of view at this point of time, if nothing substantially goes wrong that is a different issue, but otherwise we are sure of our asset quality and provisioning parts.

Dixit Doshi (Analyst): Yeah so this provision for Standard Asset we are doing it from many quarters and we are holding a lot of excess provision. Is it fair to assume that that provision will not increase substantially? If you may continue doing the standard asset provisions, but it will not be significantly increased?

Shri S.L. Jain, MD & CEO: Because as a bank we should always be making buffers, but not substantial. Because based on what is happening in the economy and various parameters are there based on that, every quarter our RMC decides what kind of risk we are seeing in future and all which sector, which industries, which business. But all this keeping in view, I think that there should not be any substantial increase.

Dixit Doshi (Analyst): Okay and my second question was regarding the QIP, so if you can mention that till what period we have the permission from SEBI to bring down the government holding and are you planning the QIP anytime soon or we may wait for that time, till SEBI have given the extension?

Shri S.L. Jain, MD & CEO: So our shareholders and our Board has given approval to come out with a QIP up to Rs.4,000 crore anytime during the current Financial Year 23- 24 and we are accordingly working with that and so our endeavor is to approach to the market at appropriate time.

Dixit Doshi (Analyst): Till what period we have an extension from SEBI?

Shri S.L. Jain, MD & CEO: That extension is with us. So I think that extension is August '24 that is extended by one more year.

Dixit Doshi (Analyst): Okay, fine. Thank you. That's it from my side.

Anand Dama (Host - Emkay Global): Next question we have from Mona. Mona, please go ahead.

Mona (Analyst): Yeah. Hi, Sir. Good evening. My first question I just missed your guidance on margin. So where does it stand the margin outlook.

Shri S.L. Jain, MD & CEO: Yeah, at the beginning of the year we said that 3.41% was the margin. Our endeavor is to protect that margin with a ten plus minus 10-15 bps. Today it's against 3.41% we are at 3.57% right. 3.52 of the last quarter because of that interest reversal and all happened KCC loan and all. So whatever based on the MCLR Credit, that repricing measure, repricing already happened. We are hopeful that we will be able to maintain our guidance which we have given at the beginning.

Mona (Analyst): Sure. And how much was the impact of interest reversal on the margin this quarter.

Shri S.L. Jain, MD & CEO: Around twelve bps.

Mona (Analyst): Okay, got it. Secondly, if I look at the breakup of provisions you have made some Rs.574 crore towards Standard Assets. What exactly is that?

Shri S.L. Jain, MD & CEO: This is basically provision we made on a portfolio basis and even in some accounts on account specific basis. So on a portfolio basis, based on the certain parameters we are making provisions.

Mona (Analyst): Okay, so if I have to understand standard asset NPA provisions, how much do you hold on the balance sheet. What would that number be?

Shri S.L. Jain, MD & CEO: CFO, What is the Standard Asset provision we are having?

Shri Sunil Jain, GM- CFO: For this Quarter, Sir..

Shri S.L. Jain, MD & CEO: What is the as on date Standard Provision?

Shri Sunil Jain, GM- CFO: Yes Sir. As on date we are having total Standard Asset provision of Rs.7405 Crore.

Shri S.L. Jain, MD & CEO: That you have to exclude this 7th June provision because some of this may be the NPA, Standard Asset provision, how much we are having. So calculate and tell. Yeah, we'll let you know ma'am.

Mona (Analyst): Yeah, Sure. Sure. Just, and just finally on the restructured book, if you could share the outstanding including the MSME book and how much slippages we have had so far?

Shri S.L. Jain, MD & CEO: So, in a restructured book, basically we are having Rs.9,980 crore? We are having 27% of provision. Now, I am telling you, the entire restructured book. What, happens we have done a total COVID restructuring close to Rs.18,400

crore Right? And today balance is Rs.9,900 crore. So close to Rs.10,000 crore. So reduction of Rs.8,000 crore out of Rs.8,000 crore, Rs.2,500 crore is gone to NPA and remaining we have recovered. So Rs.5,500 crore we have recovered. So today virtually 54% is outstanding remaining restructured book, you understood what I said.

Mona (Analyst): Yeah, got it sir. And just if you could share the standard asset provisions on the balance sheet? Yeah, I am done. Thank you.

Anand Dama (Host - Emkay Global): Next question we will take from Darshin, please unmute yourself and ask your questions.

Darshin (Analyst): Yeah. Sorry Sir, there was some connection issue. Good evening Sir and thank you so much for taping a question. Congratulations Sir on a great set of results. I think most of my questions have been answered Sir, but just want to know if any guidance we could give on FY'25, you know maybe can we have a higher growth? Because I think we are being a bit conservative in terms of our growth. So any color on FY'25?

Shri S.L. Jain, MD & CEO: FY'25, We will give the guidance FY' 25, when we complete FY'24, Sir. Because, visibility of having one and a half year from now is weak.

Darshin (Analyst): Yeah, okay, okay, no worries. No, but...

Shri S.L. Jain, MD & CEO: We will continue to grow, absolutely. Because you see, this is a Bank, which is growing more in Retail than the Corporate. It is very easy to have a good growth when you do a Corporate Lending. But here the Retail growth is more than the Corporate growth. This is a big content and this shows that our branches are able to create asset and when all branches are able to create asset your customer base increases. So in the future also you can grow. So bank will continue to grow. The business model is like this, Sir.

Darshin (Analyst): Okay. And Sir, just like if, it would be right to state that we are being a bit conservative in terms of a guidance and we can may be over deliver under promise. Would that be fair?

Shri S.L. Jain, MD & CEO: It is always better to give guidance and cross that guidance rather than giving a higher guidance.

Darshin (Analyst): Then no worries. Thank you so much. So congratulations once again. All the best for the future.

Anand Dama (Host - Emkay Global): Thank you. So we have one question from the chat box from MB. Mahesh. Mahesh I mean you would want to ask yourself, yeah, we could just see him, but I think again he is not there. So basically, sir, the question was that there is a corporate slippage of about Rs.570 odd crores during the current quarter. Any comment that you basically can give on that corporate account?

Shri S.L. Jain, MD & CEO: Yes, there are basically three accounts, right? One account of around Rs.372 crore which are Odisha-based group, right. We are a member. One account is an EPC Contractor, and one small account is a textile. So all put together is Rs. 500 crore.

Anand Dama (Host - Emkay Global): Basically. Is it a trend that you want to see going forward as well, or it's like one of the stresses that you have seen during the second quarter?

Shri S.L. Jain, MD & CEO: This is an account actually, what happens in this account, they are supplying power cables to the discoms, though there is a cash flow mismatch as a result. What happens is that the LC gets revolved. So already we signed ICA with them, and we are working on the resolution plan. In the meantime, we are having around 60% provision there against.

Anand Dama (Host - Emkay Global): Okay. So during the current quarter, also we have made some additional provision on those accounts.

Shri S.L. Jain, MD & CEO: We are having more than provision, but we will take a call when the quarter is end. Otherwise, presently we are having 60% provision.

Anand Dama (Host - Emkay Global): One more question is that there has been RBI nudge which the market has been talking about to increase the SA rate. What's your view on that?

Shri S.L. Jain, MD & CEO: Which one? Please come again.

Anand Dama (Host - Emkay Global): RBI nudge on increasing the Savings Rate?

Shri S.L. Jain, MD & CEO: No, no. Interest rates are de regulated right?

Anand Dama (Host - Emkay Global): I mean because there was a market chatter that RBI is actually nudging the banks to increase the Savings Rate.

Shri S.L. Jain, MD & CEO: RBI on records have deregulated Sir, Deregulated the interest rate on deposit advances way back.

Anand Dama (Host - Emkay Global): So you don't think so that's going to happen.

Shri S.L. Jain, MD & CEO: The point is only the monetary transmission should be perfect. Right? So monetary transmission, of course, we too have increased the deposit. What happens? The deposit we used to take 5% in the COVID time, now we are taking it 7% plus. So in the deposit side, it is gone. And what happens is the credit side also 40% CASA and 60% is converted into MCLR. So MCLR, which used to be 7.30, is today 8.70, 150 bps. So 250 60%, 150 bps more or less.

Anand Dama (Host - Emkay Global): That's very helpful. Next question will take from Mr. Sushil, please unmute yourself.

Sushil (Analyst): Congratulations Team Indian Bank for excellent performance. My majority questions are answered. My basic question is Sir, you are making your bank future digitally and otherwise also enabled on various parameters and you are known in the marketplace for a TAT on large tickets. Can you throw a color on how well you will do on Retail on a similar count and how soon you would be ready for all the digital initiatives and initiatives you have taken to bring down your cost of income on a drastic basis?

Shri S.L. Jain, MD & CEO: Yeah. So two three points. One is basically digital journeys. So digital we are working on a number of things from the core side as well as from the journey side and also from the CISO and also from the operations point of view. I'm telling you first journey Mr. Bajaj has told that we have come out with the journey with the Retail, Agri, MSME in operations even in third party products like Retail Housing Loan, Auto Loan, Personal Loan, PAPL, Gold Loans. likewise, now we are coming out with the agriculture, gold loan, SHG loan and again MSME. Small loan, GST based loan, cash flow based in a third party even the renewal of insurance, Loan against insurance, loan against insurance policies. So number of things we came out on that side even I am telling you from the cost point of view also we came out of the server centralization. When I came, we discussed and then we just rolled out around a few months back, around 3500 branches.

Today it is 5000 branches rolled out in a server centralization. But what is server centralization? I am telling you where earlier we used to have a server at all branches. Now all is centralized at our data center. So earlier what happens? You need to have ACs for the servers 24x7 for 5000 branches, 10,000 ACs and the 25% of the space is being occupied servers. We have shifted all this. At the same time we are also working on DMS (Document Management System). So wherever we are taking scanning the copies of document whatever is available and shifting to the godowns. So as a result what happens? 50% of the space of the branches is being vacated. So that we are renegotiating. We are going for other nearby branches to save cost. One point in the IT side we have come on middleware. So now we are using even middleware for our other income. Because you say suppose you do with Google pay that they are not bank transactions are being routed through the bank. So we can use our middleware. So we have started using for various Customers for our middleware in likewise these journeys even forex also we have changed number of things in our subsidiary also. Already we have finalized today their Memorandum, Articles, Initial Subscription everything we are going approach to the RBI to allow us. So there are a number of things going on in HR side also we have done number of things entire performance management system has come. We have given training for forex. We have recruited people from the market lateral recruitment at all levels even up to the GM level. So we have done number of things to improve the operational efficiencies to bring the new blood, to bring the new experience in the bank for a future CMS also we started now already finalized that vendor has put software is in place.

So number of things we do so results has started coming Sir, you see Mr. Bajaj has told that in a short span 30,000 crore, so without any 30,000 crore your Opex has come down. You see the 28% growth in a gold loan happened only because of the digitization, otherwise it would not have been possible So that the efficiencies will come through digitization in a time to come as well. I think I replied your question or anything more you want?

Sushil (Analyst): Sir, you replied. Only thing is this is going to have a big impact on income of the bank and margins and profitability. So are you being conservative where cost to income is concerned, and do you see a far greater improvement by the quarter when you end the year or you see it next year?

Shri S.L. Jain, MD & CEO: You see our profitability the Net Profit has grown earlier where we were getting Tax benefit even after paying 28% we are growing at 60%-70%. So these are all results that have started coming Sir?

Sushil (Analyst): Okay Sir, second thing outlook on treasury is indicating that you are seeing treasury purchase to give you a benefit may be in the last quarter or next year. So the interest rate cycle may peak out by December or March. I am not predicting but you are taking a view that for your next year you will have a risk reward in Treasury.

Shri S.L. Jain, MD & CEO: You see Sir, we keep on churning our portfolios. Actually when the interest rate started increasing, we churned our portfolio and you see the interest holding yield of the portfolio has increased. So we keep on doing our churning our portfolio to get, better and better. Low yielding even we sold even prior to this US bank failure and all.

Sushil (Analyst): Do you expect profitability in treasury in Q3 and Q4?

Shri S.L. Jain, MD & CEO: There should be some profit. But you see treasuries volatility of the market is also one factor now I take it on board. But our endeavor is always to answer treasury and wherever the good opportunities come, we take.

Sushil (Analyst): Thank you for answering all my questions. All the best to Indian Bank team for future.

Shri S.L. Jain, MD & CEO: Thank you, Sushil ji.

Anand Dama (Host - Emkay Global): Next question will take from Mayank. Mayank, please go ahead.

Mayank (Analyst): Yeah, Hi Sir. Thanks for taking my question. My question is again on provisioning line. So Rs.574 crore, we provided on this quarter against Standard Assets. So do we see stress in that portfolio or we have created this provision or this provision is created with the purpose of ECL?

Shri S.L. Jain, MD & CEO: No, buffers are always created in good times. So we are passing through a good time, we have created buffers but, these are based on the portfolio, based on our own studies and all.

Mayank (Analyst): So it is not based on any incremental steps? It is a more prudence...

Shri S.L. Jain, MD & CEO: And, prudence is also there.

Mayank (Analyst): Got it. And what would be total outstanding excess provision like,

which we created like this quarter plus provision, which we are holding on restructured portfolio?

Shri S.L. Jain, MD & CEO: We are having around a Rs.5000 crore of provisions, total standard asset.

Mayank (Analyst): This is excluding regulatory general provisions?

Shri S.L. Jain, MD & CEO: That includes regulatory as well.

Mayank (Analyst): Excluding that, what would be the amount?

Shri S.L. Jain, MD & CEO: May be 80%, 75%, 80% we can have. Like said, we have to work out.

Mayank (Analyst): Okay, Thanks a lot.

Anand Dama (Host - Emkay Global): Thank you. Next question we will take from Jay. Jay, please unmute yourself.

Jay (Analyst): Yeah. Hi, Good Evening Sir and Thanks for the opportunity, and congratulations on good quarter. Sir, I wanted to check on your cost of deposit. Right? So if I see your card rates they are very competitive, and you have a decent scope on loan-to-deposit ratio also. But the cost of deposit has gone up significantly in this quarter. So, how, I mean. What is the key reason for, you know, such a sharp rise in the cost of deposit?

Shri S.L. Jain, MD & CEO: But you see the cost of deposit has increased because of the known reason. Known reason is deposit cost increase with the lag. Right? But I am telling you 200, 210, 220 bps increase in the deposit, which we used to take 510, now we are taking 720 and 220 bps, 60% is your term deposit, naturally 120 bps will increase. Right?

But some of the three-year, five, four-year so are 120. 120 means your cost will increase. This is natural. So with the repricing, this deposit cost has increased. But our endeavor is to maintain that. So our MCLR has increased, our yield on investment has increased. Because you can't say that deposit cost will increase. To remain competitive in the market, you should give a competitive rate. But my object is to earn also.

Jay (Analyst): Right? Okay, Sir. If you were to see that you know the repricing cycle. I mean where do you think....

Shri S.L. Jain, MD & CEO: You compare September 22 or 23, 87 bps, right? So 87 bps means 150 bps. 60% of 150 bps.

Jay (Analyst): Right. So Sir, where do you think considering RBI does not do anything further, let's say RBI is status quo for the next 18 months. Where do you think your cost of deposit should be settling? I mean, do you think this like 250 basis point at least will pass on in entirety?

Shri S.L. Jain, MD & CEO: No, point is that. majority of the deposit has already been repriced. You see, when they started, they started May. Around at 35 plus 20, 60, around 190 bps they have increased till September.

Jay (Analyst): Right.

Shri S.L. Jain, MD & CEO: So we do have increased our pricing from the September onwards. Right? So we are in the month of October now.

Jay (Analyst): Right.

Shri S.L. Jain, MD & CEO: And our duration of the liabilities is this 1.6. And you see 15% bulk and CD and all because they are always up to one year. So they have already been repriced and majority of them are short term.

Jay (Analyst): Right.

Shri S.L. Jain, MD & CEO: So may be 10, 15 bps here and there, by the end of the March, this entire repricing should happen. But we are having MCLR book which is coming for repricing.

Jay (Analyst): Right.

Shri S.L. Jain, MD & CEO: We are ready, Sir.

Jay (Analyst): Right.

Shri S.L. Jain, MD & CEO: Actually, we thought planned six months or one year back to move to the MCLR because that repo is now virtually stabilized. Whatever increases are happening it is in MCLR.

Jay (Analyst): Correct, correct.

Shri S.L. Jain, MD & CEO: 1.5% we have already passed on in deposit also. At 7.3% has become 8.7% one year MCLR.

Jay (Analyst): Yes.

Shri S.L. Jain, MD & CEO: Almost stabilized and you see, all banks are taking this deposit for one year, 400 days, 450 days.

Jay (Analyst): Right.

Shri S.L. Jain, MD & CEO: So major increase is happening in this.

Jay (Analyst): Right. Okay. Okay. And so Sir, I mean You said that even the yield on advances they are rising and this is purely mostly on MCLR repricing right?

Shri S.L. Jain, MD & CEO: Right.

Jay (Analyst): And are you seeing any incremental resistance when you were to pass on the MCLR? Because some of the banks are commenting that corporates any way wants very finer prices and they are letting go of such disbursements which are at finer rates. What has been your experience?

Shri S.L. Jain, MD & CEO: The experience is that they are selling right things Sir, that is why you see Corporate Growth is less. Yes. So Corporate is asking at a very fine rate and then you cannot make margin there. And suppose you take money at a 7.5, 7.7% and put your DICC cost or this CRR cost and it is not viable sometimes. So major increase is happening in this.

Jay (Analyst): Right. Okay. Okay. And so Sir, I mean You said that even the yield on advances they are rising and this is purely mostly on MCLR repricing right?

Shri S.L. Jain, MD & CEO: Right.

Jay (Analyst): Understood and lastly sir, lastly there was we had around Rs.3,500 crores of MSME restructuring which is outside of this COVID

Shri S.L. Jain, MD & CEO: No, that is all put together. That is Rs.3,000 Crore that is subsumed in the COVID.

Jay (Analyst): Okay so that has been consumed.

Shri S.L. Jain, MD & CEO: May be around 200 odd crore which is outside this nothing more than this. You are talking about the north zone accounts because it is giving based on that particular circular of the Reserve Bank, right? That 200 odd crore nothing more than this, beside this.

Jay (Analyst): Sorry, this is not MSME but this is pertaining to CDR and all those other cases. I think that was the residual ...

Shri S.L. Jain, MD & CEO: No, no, whatever you have done restructuring some of become NPA even then you have to go as per your RBI circular and all so but fact remains under those tranche one and tranche two amount is Rs. 221 crore as of date.

Jay (Analyst): But is there any other CDR or any other 5/25 which is outside of --

Shri S.L. Jain, MD & CEO: No, no, nothing. Total structured book is Rs. 9,000 crore everything. Today only two type of one is COVID second, you have increased your DCCO beyond a particular time.

Jay (Analyst): Right, understood. Okay. Yeah, that is itself, very helpful, Sir. Thank you.

Anand Dama (Host - Emkay Global): Thank you Jay. So we'll take last question from Mr. Ajmera.

Ashok Ajmera (Analyst): I thought I'll not get the chance only. So anyway Sir, one is that in your I think in the last quarter or so you had said that for the CASA and Retail deposit you are working and giving main focus to institutional accounts, educational institutes, temples and also the relationship in the Lucknow, Chandigarh etc. So Sir any development? Has it given any fruits?

Shri S.L. Jain, MD & CEO: You see last quarter deposit was 6%. It is 9%- 10%. We are continuing and this is reflecting in our numbers.

Ashok Ajmera (Analyst): And Sir some color on the gold loan book. The gold loan and the yield on that. And what is the breakup of the actual gold I mean direct gold loan and the agriculture gold loan

Shri S.L. Jain, MD & CEO: Gold loan, we are having close to Rs.70,000 crore of book. 63000 to 64000 crore is in Agriculture part right. And what we have done how we are managing this business we are around having 650 gold shoppe. There, we are not only given gold champions even assessor, even caratometers securities, safeties, then inspections, controls, insurance everything is in digital also because everything should. So this is how we are doing this. But now what happens in your reality? I am telling you the people are taking gold and even not taking gold back from us. So whenever they need they come and take loan even so this is like a loan against FDR also for us. Because we are doing this business from decades. So this is a good business giving good returns to us. Not only we are getting one year MCLR plus in this portfolio and the portfolio is good and fully secured and all that good and growing and same customer base is also improving. So that customer gives us CASA and all.

Ashok Ajmera (Analyst): Sir on this provisioning in the giving answer of my colleague earlier you are saying that it is prudent to be providing in the good time. But in some of the earlier quarters you said that now our provisioning requirement is reducing. So of course prudence is required and the cushion has to be built in. But at the same time on a current basis the analysts or the investing community always looks for the enhancement or increment in the profit. The bottom line substantially. So now going forward again like this time the provision was. I mean of course total provision was 1550 crore but out of that against NPA it was 917 crore as against 929 crore in the last quarter so just a small ten crore less than the last quarter. So going forward do we take it that since the provision requirement is coming down and we are very comfortable now on the net NPA, I think which is now 0.7%, that the real profit will actually come in the books shown in the books as a net profit without compromising.

Shri S.L. Jain, MD & CEO: Definitely the profit will come in book only, Sir. Credit Cost, which was 0.79% our net NPA itself is 0.6%, so credit cost will further come down. When your net NPA is 0.6%, naturally your credit cost will come down cannot be more than this, right? And when your recovery is more than your slippage. Given the situation when you are recovery so naturally these all numbers will flow in the balance sheet.

Ashok Ajmera (Analyst): The last year sir, this fall in the forex income, is it fluctuating thing?

Shri S.L. Jain, MD & CEO: Earlier, actually you see the difference between the Indian G-Sec and the US G-Sec they are at 5. We are at 2.35. At the same SWAP ratio, the SWAP premium, which was 90 days premium used to be 3.32 to today's 1.32. So margins have come down there, impacting the forex income. But we have such other avenues for our other income growth. So you see that PSLC income was Rs. 479 crore. We have 321- 336 crore. We have shifted 600 and 300 crore we have earned there.

Ashok Ajmera (Analyst): You had explained me once in detail, in fact, your GM treasury also, at that time when the forex income was coming very good. I mean, the difference was quite attractive.

Shri S.L. Jain, MD & CEO: So forex income has come down drastically. That's why earlier we used to have roughly Rs.38,000 crore interbank placement. Now that has come down substantially. So based on the market, our incomes but we are having various revenue streams that we keep on working to have growth in our other income.

Ashok Ajmera (Analyst): I am sure you would sir. Thank you very much Sir, for giving this opportunity second time and answering almost every question by the analysts. We are more clear about this bank. We wish you all the very best. We still feel that the bank is still undervalued to the market and you should get the right price.

Shri S.L. Jain, MD & CEO: We are open for all questions all time.

Anand Dama (Host - Emkay Global): So then basically, with your permission can we take two more questions?

Shri S.L. Jain, MD & CEO: Why not? Please.

Anand Dama (Host - Emkay Global): So Mr. Puneet Dagha would want to ask a question. Puneet, please unmute yourself. Can't hear anything from Puneet. So we'll take a question from Mona Khetan. Mona, please go ahead.

Mona Khetan (Analyst): Yeah. Hi, Sir. Just a small clarification. So you mentioned some time back that standard asset provisions stand at about Rs.5000 crore in your case, right? Including general restructured and other provisions. Hello.

Shri S.L. Jain, MD & CEO: Yeah, please.

Mona Khetan (Analyst): So, if I remember it correctly, this number was about Rs. 6800 crore last quarter.

Shri S.L. Jain, MD & CEO: Some of the provision we have excluded now because here we are talking about the standard asset provision.

Mona Khetan (Analyst): Okay.

Shri S.L. Jain, MD & CEO: Other provisions are 7th June provisions or sorry this is other than that. Madam, otherwise you send us a query, we'll reply you, right? So you will understand better.

Mona Khetan (Analyst): Sure, Sir.

Anand Dama (Host - Emkay Global): Yeah. Thank you. Next question will take from Jay. Jay, please unmute yourself.

Jay (Analyst): No, my question has been answered. Thank you.

Anand Dama (Host - Emkay Global): Sure. Sir, basically, I think the question has come from Puneet. He wants to get the guidance on Opex, number one. And second question is when can we expect the QIP to get completed?

Shri S.L. Jain, MD & CEO: Opex has basically two components. One is a salary and other is other operating expenses. Right? And salary itself has a three component. One is a salary, one is a wage revision, third one is PLI. So you know that PLI is payable when your operating profit is more than 15%. 15 days. So we started it. Earlier, we used to do these provisions in December or March quarter.

We started from the first quarter onwards based on our numbers and all. So this is a PLI part. Second part is wage revision has become due. So this year, this quarter, we have had around Rs.271 crore of a wage revision provisions. And presently we are having around close to Rs.689 crore of wage revision Provision.

The other overheads are basically slightly increased because of some ATM related expenditure. Because when your digital transaction will increase naturally, your operating expenses increase. When your digitization is happening in such a large scale so AMC charges, right, and even the card issuance charges, even the UPI charges, these are all payable. So this is all normal business operation. If your top line grows naturally, some expenditure part will also grow. So if you exclude this PLI and wage area on like to like basis on a salary only grown by 5%.

Anand Dama (Host - Emkay Global): So basically, for the wage revision we are providing at 12%, or we have started providing at 15%.

Shri S.L. Jain, MD & CEO: We will not be able to tell you, but we are adequately provided.

Anand Dama (Host - Emkay Global): I think that's it from, the audience. So we can wind up the call. If you have any closing remarks to make, sir.

Shri S.L. Jain, MD & CEO: Yeah, so, Thank you, all analysts and investors in continuing interest in the bank. So we will again can meet next time with the better performance. Thank you once again.

Anand Dama (Host - Emkay Global): Thanks a lot, management, and thanks a lot, all the participants. With this we will end the call. Thank you. Thank you.

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