



**Indian Bank Q1 FY'24 Results
Post Earnings Conference Call / Meet
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Transcript

Management:

**Shri S.L.Jain
MD & CEO**

**Shri Imran Amin Siddiqui
Executive Director**

**Shri Mahesh Kumar Bajaj
Executive Director**

**Shri Ashutosh Choudhury
Executive Director**

Moderator:

**Shri Anand Dama
Analyst, Emkay Global Financial Services**

Anand Dama (Host - Emkay Global): Welcome everyone. We have with us today, Indian Bank Top Management to discuss the First Quarter FY24 Results Update. First, I would request you to brief us on the first quarter results and the outlook ahead on growth, margins and, asset quality.

Shri S.L.Jain, MD & CEO: Yeah, good evening to all the analysts and investors in post results con call. So we have already uploaded the presentation for your reference. I will discuss slightly about that and then will open for question and answers. On digitization our colleague Bajaj Ji will brief.

As far as business is concerned, our business has crossed Rs. 11 lakh crore of which deposit is Rs. 6.21 lakh crore and around Rs. 4.08 lakh crore of advance. On advance, we are growing 13%. We are also growing RAM sector at 13%, and within the RAM, we are growing retail at 16%. In agriculture we are growing 16%, MSME at 7% and corporate at 12%, similar to last quarter.

So our growth is 13% in advances. So, if you include the write-off, it is around a 15.5% or 16% of credit growth. In the retail growth 16% is backed by the housing loan growth of 14%, auto loan growth of 29% and personal loan growth of 52%. Likewise, the 16% agri growth is backed by the crop loan wherein 71% is Jewel loan where we are growing 20%. So crop loan growth is mainly the growth of a Jewel loan which is out of Rs. 80,000 crore around Rs. 57,000 crore which is growing 20% and continuously growing, investment credit has grown by 8%, agri allied by 16%, and one is the SHG where we are growing 44% and now we have moved SHG from Southern State to Bihar, Assam, Rajasthan, Orissa and all places. MSME we are growing 7% and corporate we are growing 12%. In the deposit side, we are growing 6%, last quarter also we have grown 6% but the retail deposit is growing 7% in the last quarter on quarter it is 2%. We have given guidance of 8% to 10% on deposit growth so we are catching that and in that credit side we have given a guidance of 10% to 12% we are at 13%.

Now coming to the asset quality, we have given a guidance at the beginning of the quarter that we will be below 5% GNPA ratio by the end of this financial year at the time our gross was 5.95%, today after this result is 5.47% so around 48 bps came down in one quarter. And the net NPA was 0.90%, we have said that all NPA should come down, so it is at 0.7% and PCR which was 93.8% is now 95% plus. Continued this quarter over the recovery is more than our slippage, last quarter last year also our recovery was more than slippage. We have given a guidance of Rs. 8,000 crore of recovery, so Rs. 2000 crore of recovery in the quarter, we ended with Rs. 2008 crore of recovery in the quarter. Of course, this time the recovery is more happened other than that TWO recovery of last quarter it was in TWO recovery, so that is some kind of plus, minus on that side.

As far as profitability is concerned, our NII has grown by 26%. We have improved our margin from 3.59% to 3.61%. Our operating profit has grown by 16%. Our profit before tax has grown by 78% and PAT has grown by 41%. As you all know that till last year we were getting a benefit of carry forward losses partially in the last financial year. This year it is not available and therefore the tax we applied to 25% plus presumably 28% because some are allowed some are not allowed. So this is the tax rate for us, but our profitability is improving. As far as capital side is concerned, we are at 15.78%, slight reduction in the capital because of two, three reasons, one is the reason that operational risk has increased because you know as an operational risk you have to take a three years number so up to last '23 we were having a number of '20, '21 and '22 and '20 was last year because of amalgamation so that has been replaced by the profit of Rs.5,282 crore and the resulting increase in the RWA for operational risk in a slight increase in the market risk because

we have built up the portfolio in AFS book and increase the durations as well and we have built the portfolio last quarter and we are actually building the portfolio resulting increase in market risk little bit and slight bit increase in that credit risk because of credit growth.

But we are at 15.78% if you add a profit of the current quarter it is again 16.38% that way. That is what number. So this is and I told about 10% to 12% of credit growth we ended up 13% and you see from last quarter that our growth is in a very, very planned way. We have grown last year also 13% RAM, 12% corporate, this time also the same number we are going. So and that model is actually giving us margin, increasing our customer base and that supports us for a further growth and we would like to continue with this model.

On the asset quality front, we had Rs.1,753 crore of slippages including one corporate a/c of Rs.190 crore which is basically dealing in computer and other accessories trading based in Mumbai. The recovery has started coming in this account. Other than the corporate slippages, 45% of the slippages are in MSME book and again the 40% is from the restructured book.

In addition to that, last year we were having a PSLC income of Rs.479 crore, but the distribution was Rs.298 crore in the first quarter and Rs.111 crore in the second quarter, and 37 and 41 in the third and fourth quarter. So it was a receipt basis, but we have done this on an accrual basis. So Rs.150 crore we have booked as income the quarter and Rs.450 crore will be booked in the next three quarters. So again Rs.479 crore where we will be having Rs 600 crore and during the year also we will have some PSLC income. In the provision side what we have done, we have increased little bit of provision from 20% to 25% on our restructured book of around Rs.500 odd crore.

Now I will request our colleague Bajaj ji to give little brief about the digitization - because we are doing a number of things on digitization on our HR side as well so I'll request him to tell.

Shri Mahesh Kumar Bajaj, ED: Thank you, Sir. Good evening, everyone. As last time also we told we started our digital transformation journey in the month of April '22, so with the first journey as PAPL and now the financial year '23 we did 25 journeys, and during this quarter, we launched another 11 journeys so total 36 journey till 30th June and we are planning to launch another 13 journeys during the next quarter.

And if we talk on the digital business, last year entire year, we did a Rs.5,640 crore business and last year also were telling we'll be growing 7x to 8x. In the same line, we have done business of Rs.9,179 crore which is for the first quarter itself against Rs.5,614 crore. Same way it has almost all journey so e-deposits we have grown by 60%, loan against deposit 182%, Jewel, which we started in the last quarter, which was just Rs.57 crore last year and this year first quarter itself is Rs.4,755 crore, then the MSME renewal, cases renewal all this journeys are doing well for us.

The last year quarter-on-quarter, first quarter we did Rs.147 crore digital business, second quarter we did across RAM and liability with its Rs.591 crore, third quarter we did Rs. 2,138 crore, and fourth quarter we did Rs.2,765 crore and this year first quarter itself is Rs.9,179 crore. So first quarter we launched six journey last year up to September and then October to December another 6 journeys, January to March 13 journeys, and this year in the first quarter I already told that 11 journeys. And our digital channel business is now across all digital channels, it has gone up by 7% it was 78% last year in June and this time it is 85%. Even on the liability side also we are acquiring customers on the digital mode through tab or end-to-end digital branch journey which in last year it was the financial year Q1 FY'23 3.52 lakhs and this year 5.5 lakh customers we

acquired through this mode which is almost 68% of total deposit customers acquired and which is 56% Y-o-Y growth. Same way the digital lending platform I already told, and omni channel, we are coming up with our new app which is the closed user group we are going to launch in couple of days and after rigorous and successful testing across the internal users and maybe a couple of other people then we'll be launching for the market. And we have other capabilities we have built up on the middleware CBS APIs, open APIs for the digital banking, CloudStack the technology. We are in the public cloud for our smart office, private cloud also we have now acquired inventories onboarded for these core banking as well as the requisite platform.

To take care of cyber security, we are coming up with various new initiatives. We have taken the advanced cyber SOC, advanced technology for customer data protection in line with the requirement and we have created Analytic Center of Excellence for the usage of data for the data governance, the customer CRM model as well as the CMS, Cash Management Service. We are in the pipeline, for on boarding the customers already RFPs are floated just last minute of finalizing the vendors. Same way we created two generalized position for the fintechs and government partnerships we have done couple of a partnership with some fintech as well as the governments. I think now.

Shri S.L.Jain, MD & CEO: We are open for question and answers.

Anand Dama (Host - Emkay Global): Yes, thanks. Thanks for the update. So first question that I had was, basically in your presentation, you have given a domestic NIM. Is it possible for you to give the overall global NIM?

Shri S.L.Jain, MD & CEO: Okay. That we'll provide. Meantime, you can ask the other questions. No problem.

Anand Dama (Host - Emkay Global): Sure. I think there are lot of questions which are lined up and Mr. Ajmera has raised hand from long time now. Yeah, Ajmera ji you can unmute yourself and ask your question.

Ashok Ajmera, Analyst: Yeah. Good evening, sir

Shri S.L.Jain, MD & CEO: Good evening.

Ashok Ajmera, Analyst: Am I audible?

Shri S.L.Jain, MD & CEO: Yes, sir.

Ashok Ajmera, Analyst: Sir, congratulations to you and the entire team for the yet another very good quarter, fantastic results on all the parameters, whether it is operating profit, net profit, asset quality, reduction in the gross NPA, net NPA, percentage wise also. But having said that, I've got just a couple of observations and some questions. One is to take it a big step with the digital topic only. What is our total digital spend budget for this FY'24, and out of which, how much are we going to have the CapEx and how much percentage wise is going to go through the P&L? This is my first question.

Shri Mahesh Kumar Bajaj, ED: Yes, Sir. Last three years, we have spent almost Rs.1,500 crore, yes, 50% in capital and 50% in revenue side. This year our target, our budget is Rs.570 crore, out of that capital is Rs.395 crore and the P&L side is Rs.170 crore. And we have already done almost Rs.124 crore is already spent.

Ashok Ajmera, Analyst: Okay, Sir. Quite great, Sir. Sir, on the recovery front from the written-off account and overall recovery also, I think this quarter has been little muted. What is the overall recovery target are we going to meet that for FY'24?

Shri S.L.Jain, MD & CEO: Ajmera Ji our target at the beginning of the year we said that it will be Rs.8,000 crore, so Rs.2000 crore per quarter. We ended Rs.2008 crore. So we are achieving our target and going forward also we'll achieve our target. What happens this time is I guess I mean recovery which is coming in a normal accounts by way of upgradation by way of cash recovery even you have seen, we have seen that even the restructured account we upgraded. So overall recoveries there for Rs. 2000 crore. Second point is that if the recovery you get a 100% but if we have a recovery over 95% because our PCR is 95%.

Ashok Ajmera, Analyst: Yes, sir. Our performance on the treasury front is also excellent in this quarter going forward. And you said that you have increased your AFS book modified duration also. So going forward, how do we see on the treasury front going forward considering the muted rate of rate hike or are we comfortable with this increased modified duration in AFS book?

Shri S.L.Jain, MD & CEO: Yeah, let me tell my philosophy and how we are working in treasury book right. So we are having one leg Rs. 91,000 crore of our treasury book. Of this around 26% is in AFS and 74% is in HTM, we have shipped around 2% as added in a AFS book, first point. Second point is that we are moving from the low interest rate to a high interest rates. So what we are doing, we are continuously churning our portfolio AFS book, HTM you have a limited scope. The interest holding yield of AFS plus 6% in June '22 last year which we moved to date to 7.27%. It means we have huge earnings some of the assets, which were carrying low rate we have shifted sold out and create here a new asset and as a result, what will happen going forward bank will continue to get a good NII is a one point. And second point is that what is thinking that when the interest rate will come below around between 7.0 to 7.5 we will start selling. We have built a portfolio between 7.15 and 7.20, 7.30, and the modified duration also. So this is the opportunity for us in the future to earn from that book. And that is our philosophy. As a result, a point of the modified duration, which was 1.98 in March has become 2.88. So, MD has also increased and as for the holding yield is also increased and so far the current rate is 7.08 so this is opportunity for us.

Ashok Ajmera, Analyst: It's a fantastic. You are Chartered Accountant and you have got a very good treasury team along with you to manage. So, we are impressed with that and it is showing good results also. On the credit side, credit growth also now again this quarter has been I think around 2% and against the overall guidance I think 13%, 14%. So going forward we will be able to meet the credit growth and from what I mean the composition of the RAM and corporate book will remain same?

Shri S.L.Jain, MD & CEO: So, you see that the two things, you see our composite part 61% in June also today also it is 61%, growth RAM 13% this quarter growth RAM 13% last. So we are totally growing in a planned way because we want to have our margins also. I told, continuously telling that we are very margin conscious bank right and it is reflecting in our NII income. So, in retail agriculture MSME is giving us a margin at the same time corporate huge opportunities are there. Now today you see the political stability, geopolitical relationship, all macros are in favor of country. So, a good time for financial institution or banks to grow and we too are growing. And that growth opportunities are coming from all sector, whether it's steel, or cement, or textile, city gauge or advanced metering, or NBFCs or even the road. So but we are selectively moving of

those and creating a good portfolio where there are not only margins but the risk is spread. You see even over there is one slide I've given slide number 11 where we talk about how we are moving in a corporate so that you see entire incremental growth is happening through that. AA and AAA, the growth is from that, so we are very selective on that way and growing and also getting margin.

Ashok Ajmera, Analyst: So my last question in this round is on ECL provision have we calculated like last time also we discussed? And how much buffer already have in our books, extra provision, including maybe COVID buffer also? So are we are fully equipped to take care of any challenges, any contingencies in future whenever it is finalized?

Shri S.L.Jain, MD & CEO: So in ECL basically to my mind of course the guidelines are yet to come from the Reserve Bank. Stage 3, Stage 2 and Stage 1, I said, right? So Stage 3 is NPA. Our provision is substantially higher than the required because 95% is there, even excluding TWO it is also 88%, 89% excluding TWO substantially higher. Stage 2 is restructured book. We have built a provision of 25%.

Ashok Ajmera, Analyst: Yeah.

Shri S.L.Jain, MD & CEO: Today in our book Net NPA is Rs. 3000 crore and standard asset provision is close to Rs. 7,000 crore.

Ashok Ajmera, Analyst: And on the SMA book?

Shri S.L.Jain, MD & CEO: SMA2 also we are having a provision. So we are having maybe around Rs. 1,000 crore or Rs. 900 crore to Rs. 1000 crore over. So we are having up provision in all categories. So Bank is basically very sound as far as the balance sheet is concerned.

Ashok Ajmera, Analyst: All right, sir. Thank you, sir. I'll come back again sir.

Shri S.L.Jain, MD & CEO: So, yes, from ECL point also as and when the guidelines come, we will see otherwise till guidelines come I can't say today but we are having adequate buffers.

Ashok Ajmera, Analyst: Yeah, that's only we wanted to be assured. Thank you, Sir.

Anand Dama (Host - Emkay Global): Next question we'll have from Mona. Mona, please unmute yourself.

Mona Khetan, Analyst: Yeah. Hi, sir, good evening, and congrats on a good set of numbers. I just have two questions. So firstly, on the agri gold portfolio and overall gold book which has been growing pretty good in your case, if you could give some color in terms of what are the yields here, what are the LTVs and what's sort of your branch network of Rs. 58,000 or so is enabled for gold lending?

Shri S.L.Jain, MD & CEO: My total gold loan book is around Rs. 64,000 crore out of the Rs. 64,000 crore Rs. 57,000 crore is in agri, around Rs. 5,000 crore in the retail and around Rs. 1,500 crore is a MSME so put together is Rs. 64,000 odd crore. How we are doing this business, the point is one is that we are having a 650 gold shoppe where we have given manpower and then gold loan champions. We have given carat meters also to see that quality and now we have digitized the journeys as well. What happens in our people every day one branches giving 20 loans, 30 loans, huge loans they are giving. So to have a better turnaround time and also to

manage that risk we have started a digital journeys and every day this journey has picked up on Rs. 5,000 crore book we have created in the.

Shri Mahesh Kumar Bajaj, ED: Yes, per day Rs. 200 crore.

Shri S.L.Jain, MD & CEO: Yes, around Rs. 200, Rs. 300 crore, Rs. 200 crore of gold loan is happening and going forward it will happen entire gold loan slowly will become digitized. In addition to the other branches are also therefore doing gold loans, so maybe around 1800 to 2000 branches are doing the gold loan business 650s mainly in. So we have trained the manpower there and we keep on training those manpower and managing the asset. So that way we are managing our gold loan book.

Mona, Analyst: And what would be the yields and LTV for the gold book?

Shri S.L.Jain, MD & CEO: It's still around 8.6 to 8.75 that is a one-year MCLR generally so 8.6 and we are doing this business not from today from years together, decades together.

Mona, Analyst: Right. So you mentioned about 1800 to 2000 branches that enable for gold lending of which 650 are special ones or rather focused ones. So was this 1,800, 2,000 number, I mean, 2 to 3 years ago, the same network was enabled?

Shri S.L.Jain, MD & CEO: We are increasing. What happens we have become expertise in this kind of business and this kind of a business was mainly doing in the southern part of the country. What happens after amalgamation we have trained the people of other parts of the country as well. Suppose I'm telling Rajasthan, Udaipur is doing this business because the managers who come here, we trained them and they start doing business and slowly, the portfolio is growing there as well. So likewise this gold business we are also making people expertise in SHG lending, SHG is a big lending opportunity in the southern part. Now, we have moved SHG also in Orissa, even in Assam, even in Rajasthan, slightly in Bengal as well. So, these are business. And here in SHG we are having 50 SHG branches even for managing this kind of business. So, SHG we are having Rs. 14,000 crore of our portfolio which is growing at 40% plus. So these are business where we are actually training the people, monitoring their performance and managing the risk.

Mona, Analyst: Got it. So how many branches are enabled say 2 to 3 years back in your case for Indian Bank?

Shri S.L.Jain, MD & CEO: So, we keep on increasing, madam. Numbers exactly it is very difficult to give on a year-on-year how we are in, but what is supposed we have is we train 400 managers on this business. So what we do, we call up managers from the northern part or say opposite want to go Orissa we call them sent to that those branches there SHG businesses and then we will give them theoretical training and again practical training and then they will start doing business.

Mona, Analyst: Got it, Sir. Thank you. The other question was on you mentioned around SMA, against SMA 2 you have provided about Rs. 900 crore to Rs. 1000 crore provisions, so is it part of the and restructured provisions that you additionally made or it's outside of the PCR and restructured provisions?

Shri S.L.Jain, MD & CEO: This is outside.

Mona, Analyst: Okay, thank you. That was very useful.

Anand Dama (Host - Emkay Global): Thank you, Mona. Our next question we will take from Hardik. Hardik, please unmute yourself.

Hardik, Analyst: Yeah, a couple of questions. Firstly on this gold loan portfolio, so what kind of standardization process to just to make sure that any fraud or that thing doesn't happen at the branch level? And I think the second question regarding the business yield, so in gold loan predominantly it was market catered by either the unorganized players or the NBFCs and both of them had a yield of ranging from 15% to even 20% to 24%. We can slightly increase the yield on this portfolio with such kind of growth.

Shri Mahesh Kumar Bajaj, ED: Yeah, as far as you're talking about the standardized process, yes, because our as MD sir was telling, we have decades together Indian Bank has got expertise in this agriculture loan business. So now after in this starting the digital journeys, so the process is totally digitized either it can be done through the mobile or through website or branches its a journey also even customer who doesn't use the digital channels, he can come to the branch and again the journey is total digital. Then we have the experts sitting over there in the branches who assess the gold purity and the cartometer also have been provided to 650 shoppe. So over a period of time we got the expertise. And the verification is also done when through over inspection center and even the person from other banks that goes and do the inspection so that verification checking and rechecking is done at a regular interval to ensure the quality of the gold.

Shri S.L.Jain, MD & CEO: So we have a process of checking, rechecking and again on a quarterly separate team rechecking.

Hardik, Analyst: Got it, And any thoughts on yield on this book?

Shri S.L.Jain, MD & CEO: No, the market is very competitive I'm telling and the quality of people which we take are different than they take and they go interior to the country we are doing in the place where we have branches and all, we have a strong room, we have all controls.

Hardik, Analyst: Okay. Now my second question was regarding the provisions, so this quarter again we have done Rs. 828 crore provision for standard advances. And now over NPA provision is only Rs. 930 crore this quarter and already our net NPAs are hardly Rs. 3,200 crore. So do you foresee that over next few quarters also we were doing the provisions for standard advance or you pitch that we have created the enough buffer and therefore even that provisions can go down?

Shri S.L.Jain, MD & CEO: Now, my point is, of course you are very right that we are having an Rs. 3,200 crore of a net NPA. So the provisioning requirement will be substantially less going forward on this book. Right. There is no second opinion on that. So standard asset provisions. So we keep on reviewing portfolios on a quarterly basis, not only we, our risk management committee also review this portfolio and take a call on this, take a call on this whether to have or not.

Hardik, Analyst: Okay, thank you.

Anand Dama (Host - Emkay Global): Yeah. Thank you, Hardik. Our next question we'll take from Mahrukh. Mahrukh, please unmute yourself.

Mahrukh, Analyst: Yeah. Hello, sir. Good evening.

Shri S.L.Jain, MD & CEO: Good evening.

Mahrukh, Analyst: So my first question is that how much of deposit and MCLR repricing on loans is still pending?

Shri S.L.Jain, MD & CEO: No, madam, you see, I'm answering in a different way. You see the cost of deposits of the Bank which is 4.60% in June front. 3.85% was a cost in the June '22, 75 bps is the cost increase, one point. Second point, if you see the bank's balance sheet, general, not to mine, to any balance sheet, 40% is a CASA and 60% is term deposit. RBI has increased the interest rate to 250 bps. We have increased our deposit rates anything between 1.6% or 1.7% to 2.1%. On an average I'd say suppose take 2% on a 60%, 1.2% is a maximum at the peak. So 3.85% plus 1.2% is a peak 5.05%, that is a peak. But depends on your duration of your liabilities, that is a peak. But you see 75% is already there. So slowly, slowly what happens it will not be so high but quarter-on-quarter will be increased. So how to tackle this issue? How to tackle this issue is the one we have moved our advances from Repo to MCLR. Now presently, last time I told 59 or it has become 64, so what happens these assets are also will come for repricing and we'll give better return as compared to the last time. Second one I told that I've churned my investment portfolio and AFS yield from 6.02 or something 7.27 or 7. So that will give and third one is a growth in advances, these three will give additional NII. And here the major part is being taken care and you also know that deposit rates have become soft from March to today. So the hike will not be so much because for 4.33% to 4.6%, 27bps hike we have seen in the quarter, it will not be so steep going forward. So, considering this and the deposit repricing we are told that we'll be able to protect the margin and you see that in three, even up increase your margins have improved.

Mahrukh, Analyst: Got it. And, sir, I have two other questions. One is what is your total stock of standard provisions other than the RBI-mandated provisions? So whatever you have on restructured or SMA or any other standard category other than that 0.4% that RBI mandates?

Shri S.L.Jain, MD & CEO: Madam, we are having around close to Rs. 7,000 crore, Rs. 6,800 crore some odd crore of a standard asset provisions. So major part of this is a basically we have taken a higher provision is a buffers, majority of this. But fact remains you see on one side by gross NPA is Rs. 26,000 crore right and net NPA is Rs.3,000 crore, so 23,000 crore provision, 23,000 plus 7,000, 30,000, 30 divided by 26, it is I think 120%.

Mahrukh, Analyst: Yes. Got it. Okay, sir. Got it. And, sir, yes, the last question is your view on deposit competition, right, because in the first quarter while of course there could have been volatility in rates and then some easing. In the first quarter a lot of banks have not grown deposits and as the busy season picks up there will be a lot of deposit growth, HDFC Bank was also silent in the first quarter and begin to ramp up. So in this context how do you see deposit growth and incremental deposit rates panning out?

Shri S.L.Jain, MD & CEO: No, madam, let me tell you. What we have told in the beginning that we'll grow 8% to 10%. This we have to grow. There is no second opinion, right. Otherwise, we will not be able to fund our credit growth target, this we have to grow. Now at this point of time, my CD ratio is 77%, I'm still having Rs. 35,000 crore of a excess SLR, my LCR book is 131%. So I have liquidity. So going forward what we level as we'll create more assets naturally we need more asset. So at this time raising money at a higher rate doesn't make much sense to your margin, right. So we are maintaining 77%, 78% of a CD ratio but deposit side we are working very hard on the the retail deposit side. So retail deposit side we have opened 20 liability acquisition centers also, we have now started NRIs with this also. We have started cash management. All will give me deposit. We have come out with product insurance linked products, we are focusing on salary

account, we have been focusing on family accounts, the number of things we are doing, but the result will slowly slowly will come. But I can grow more also but you have to give 10, 20, 30 bps more. So as and when the opportunity comes, there is no point that deposit is not available. You give 10%, 20% you'll get more deposit. So all is a conscious call we are taking.

Mahrukh, Analyst: Got it, sir. Got it. Sir, these were my questions. Thank you so so much. All the best

Anand Dama (Host - Emkay Global): Yeah. Thank you, Mahrukh. Next question we'll take from Sushil Ji. Sushil, please unmute yourself.

Sushil, Analyst: Congratulations to Indian Bank management team and thank you for taking my question. Most of my questions have been answered. Sir, my last question to you or the first question. So you've spoken everything in a transformation happening in Indian Bank under the current management and your leadership. Can you elaborate more like last quarter how much have you achieved in transformation, how would you like to see over a period of next one year and where Indian Bank would look in the transformation journey for years to come?

Shri S.L.Jain, MD & CEO: So first digitization, our colleague, Bajaj already told. So we have launched the journey. What happens slowly slowly the business will pick up and we are doing lot of things in core side, we are doing on the customer side and middleware, omni channel or CRM. The number of things we are doing so that naturally it takes time, Sir, but it will happen, one side. Second side is that your revenue side, so we are starting this cash management already, we have floated RFP and now the cash management business will start. Likewise, we have recruited people for the remittance business, what happens majority of the remittance are taking place in the southern part of the country, and through NRI also the number of deposit firms you get a housing loan and all proposals. So we have started this remittance business, NRI business and totally we have recruited people from the market as well, the second part of that. Third part is that the subsidiary license which we have got. Already yesterday we have finalized our consultant everything because you know 2 or 3 month takes in public sector we have to float RFP, recruit people, onboard the consultants. So everything we have completed. And now in the next 3 to 4 months I think subsidiary should take place. We will start recruiting the people and all. So these things we have started and a number of places we have technology tie-up, alliances with various government departments as well for there, funding distributions because government too spending the money for a number of LPs schemes. So we have done this. In various state headquarters, we also opened our government relationships.

So number of things we have done, slowly the benefit will start accruing. In the meantime, our core business is growing, this is how we are making ourselves ready for the future. So, going forward, you will see that our digital business will increase, already we are at Rs. 9,000 crore or Rs. 10,000 crore, we started, slowly in the next quarter it will further improve. Starting will take time, sir. And here, we came in retail side, agri side, in MSME side, even in the liability side all side journeys we are coming. So benefit will accrue, subsidiary will come, cash management will start, the remittance will start going forward. I am saying that everything should contribute to our bottom line as well as bank will become more digital friendly.

Sushil, Analyst: So your geography, which is more of Southern India pre-merger and post-merger also you have a higher dominance. So get to tailend to market your products whether you are marketing one product, two products or you will target three products, how will your

productivity in terms of empowerment of human talent which you would you like to hire and cross-sell? Are you on the journey of achieving in next 12 months or it will take a longer time?

Shri S.L.Jain, MD & CEO: No, the benefits should start accruing within 12 months and it will be scale up in time to come, but the benefits will start accruing. If happens first time, first year it is less, second year it multiply, actually it multiples.

Sushil, Analyst: So the fruits will be visible over a period a number of years and it not necessarily in the next 12 months, that's what your answer?

Shri S.L.Jain, MD & CEO: No, no, fruits will start. You will see the fruits.

Shri Mahesh Kumar Bajaj, ED: You will see them. We already started seeing the fruit. Yeah. We already started seeing the fruit.

Sushil, Analyst: Sir, the second thing is the government business potential because you're Tamil Nadu centric bank you have good presence in entire eastern cost and southern states and the kind of activity which is happening on manufacturing in your state and the geographies where you are present, are you seeing more kind of corporate demand or MSME demand in term loans working capital?

Shri S.L.Jain, MD & CEO: Yeah. You rightly said, sir. That is why Mid corporate growth is around 18%, 19% because we are growing on more mid corporate also that this is giving a better margin.

Shri Imran Amin Siddiqui, ED: And one more correction, we are now not Tamil Nadu-focused bank, we are now having presence in Northern part quite good presence. And east, also we are having good presence. Post merger we are having good business.

Sushil, Analyst: Thank you, sir, and all the best, and thank you for taking my questions.

Shri S.L.Jain, MD & CEO: Thank you. Thank you so much

Anand Dama (Host - Emkay Global): Yeah. Thank you, Sushil. The next question we'll have from Mr. Narendra. Please unmute yourself

Narendra, Analyst: Thank you for the opportunity and congratulations on a good set of numbers. So you said that you are expanding, so is there any guidance value we'd like to do on the cost-to-income side?

Shri S.L.Jain, MD & CEO: So cost to income was 44.20% last year and cost to income in the current quarter is also 44.22%. At the beginning of the year we said that we'd like to maintain cost income ratio at that level. So we'll able to maintain this quarter at 44.22%. So, going forward, our endeavor will be to maintain that kind of cost ratio.

Narendra, Analyst: And the same as the case with the mean than the credit cost too, sir?

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

Narendra, Analyst: Main than the credit cost?

Shri S.L.Jain, MD & CEO: Credit cost will come down. Credit cost it was June 2022 2.02%. Then 0.98 in March, then 0.82 in June and net NPA is 0.7 actually credit cost will come down.

Narendra, Analyst: So any kind of number we would like to know?

Shri S.L.Jain, MD & CEO: Should be less.

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

Ashok Ajmera, Analyst: Thank you very much for giving me the opportunity again. Sir, just a couple of questions in this round. One is that are we seeing any impact on this recent floods happening, whether any immediate impact because it is devastating many of the states and many of the cities. So are we seeing any impact of that?

Shri Mahesh Kumar Bajaj, ED: So flood is happening in Gujarat or Himachal, right, Western

Shri S.L.Jain, MD & CEO: Even some part. But you see the immediate impact will come on the agriculture side on that side, so we are basically having a good collateral, good securities and so not much impact I'm seeing sir considering all presence and all. Exact data of course will come and then we'll be able to analyze.

Ashok Ajmera, Analyst: My second question, sir, is on our recovery scheme in that are we aggressively on the OTS.

Shri S.L.Jain, MD & CEO: Yes, sir.

Ashok Ajmera, Analyst: Then going to NCLT and other

Shri S.L.Jain, MD & CEO: No, always recoveries is more in OTS then NCLT. So we are and you see our numbers, OTS numbers are also inclusive.

Ashok Ajmera, Analyst: So what is that composition of recovery through OTS?

Shri S.L.Jain, MD & CEO: So OTS is around., what happens if you do, big OTS big number will come, it was possible around at Rs. 236 crore, Rs. 240 crore of a number we have to see, but we are having already OTS approved around Rs. 700 odd crore in hand.

Ashok Ajmera, Analyst: Any Policy on non-discretionary OTS?

Shri S.L.Jain, MD & CEO: Yes, we are having a non-discretionary, non-discriminatory OTS for MSME, for Education loan we are having sir.

Ashok Ajmera, Analyst: And the last throw some color on overall HR initiatives and HR developments and that going forward, how do we plan to manage our costing by hiring new people for various digital banking and various other initiatives which we are taking, so can you give the color on the overall HR policy?

Shri S.L.Jain, MD & CEO: So, I'm telling you sir, in HR basically what happening we are having 40,000 plus employees and average age is 38 years and we are having good employees, we are continuously giving them promotions as well. Now going forward what happens for the new business you need to have a good manpower. So we have a board-approved policy there and we can hire the people from the market as well. So if you see my total salary expenditures and all for the bank as a whole we are having around Rs. 7,500 crore of expenditure last year. If this 1% of this expenditure, which is Rs. 75 crore, if I can recruit 20, 25 people, 30 people, even then we can do good business because new people will come, new business opportunities will come. So and what will happen when you have people who understand the business then 99% people will follow and the grooming will happen in the bank. So going this philosophy we have recruited people for that IT, we have recruited people in the cyber, we have recruited people in cash management,

remittances. We are doing that. The one part, we are doing. Second part is that even in the various cadres, scale three, scale four we are recruiting people laterally also because we are taking Chartered Accountants, MBAs, experience people, Risk Management people so that also we are taking lateral recruitment we are doing, we are taking officers at different levels. We are taking people at clerical cadre, right. So all because we need expertise in all field because it gives opportunities in the trade finance, imports, exports, credits away countries opening naturally they will reduce requirement of that trend manpower, this second.

Third one is, we are also giving training to the people not only in our policy, we are sending our people to various other colleges also for their continuous learning. So around 750 people this year we are training more on the credit side and all, this is one. The fourth one is that we have done, we have changed the entire system, last year we came out with the performance management system, wherein we have given the target for each and every officers, earlier the targets was only for branch now each and every officer has target and they can see their target on their mobile even in the laptop and improve their performance and this yearly APAR score is based on the target they achieved.

So in performance management system also by giving targets we have seen that the productivity of the people are increasing, because when you monitor each and every people and they also understand that by doing this their scores are better naturally the productivity increases. So from this angle, then training angle. So from various angle we are making our people ready for business because to my mind for a banking you need a technology, you need a talent and the grooming of the people. So we are working on that and from last one and half years BCG consultant for management system we are working continuously with them as well.

Ashok Ajmera, Analyst: And the foresight also?

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

Ashok Ajmera, Analyst: You are working very well doing on all the fronts and that is reflected in our stock prices also recently and I think it's still it is underprice according to me. So we will see again in the next quarter. Thank you.

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

Anand Dama (Host - Emkay Global): So with your permission, we can take one more question from Mr. Rakesh?

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

Anand Dama (Host - Emkay Global): Yeah, Rakesh please unmute yourself. Rakesh, please ask your question. Rakesh, we're not able to hear you. Sir, meanwhile, if you can just provide the global NIM number that I basically asked for

Shri S.L.Jain, MD & CEO: 3.56%.

Anand Dama (Host - Emkay Global): 3.56%, and sir, if you can put that into the presentation also next time that will be great.

Shri S.L.Jain, MD & CEO: Next time we will put, Next time we will present.

Anand Dama (Host - Emkay Global): Sure. And so, Rakesh, are you able to see?

Rakesh, Analyst: Yeah. Thanks. Thanks. Thanks, sir. Very excellent set of numbers on multiple front, asset quality, margin and very balanced and prudent growth that we are doing. So one of the best results even the all banks in this quarter. Sir, just one question, is there any change in the PSLC income recognition with reference to the notes of accounts number three?

Shri S.L.Jain, MD & CEO: Yeah, I clarified at the beginning what happens earlier we used to book the income based on the realization basis. So you see last year my first quarter income was Rs. 298 crore, second quarter was Rs. 111 crore, third quarter Rs. 37 crore, and Rs. 41 crore fourth quarter so this is a uneven growth. But in fact we sell the PSLC for a year. So what we thought, it is not better that we book based on the realization second we believe in a consistent performance, sir, consistently we should perform.

So as last year income was Rs. 479 crore of course in the first quarter was only a Rs. 298 crore. In the first quarter this time we have done a good job and we have Rs. 600 odd crore of income. So we thought and just better that we should book based on accrual basis of accounting and therefore Rs. 152 crore of income we have shown first quarter and naturally next three quarter will be Rs. 150 crore each plus the income we generate in the remaining nine months and that will be amortized over the remaining period.

Rakesh, Analyst: Got it, sir. Thanks, many thanks. Thanks. All the best for the future performance.

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

Anand Dama (Host - Emkay Global): Yes, thank you, Rakesh. So that will be all, we don't have any further questions if you have any closing remarks to make.

Shri S.L.Jain, MD & CEO: Thank you. Thank you, all the investors and analysts for your continuous support and guidance to us and investing time on us and we will be trying our level best to do better in the time to come. Thank you.

Shri Mahesh Kumar Bajaj, ED: Thank you, everyone.

Anand Dama (Host - Emkay Global): Thank you and best wishes to you sir, have a nice evening.