



**Indian Bank Q3 FY'24 Results
Post Earnings Conference Call / Meet
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Transcript

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Moderator:

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Anand Dama (Host - Emkay Global): Good evening, everyone. On behalf of Emkay, we welcome all the participants to the Indian Bank, Third Quarter FY24 Post-Results Conference Call. From the Bank, we have entire top management of Indian Bank Shri Shanti Lal Jain, MD & CEO, Shri Imran Siddiqui, Executive Director, Shri Mahesh Kumar Bajaj, Executive Director, Shri Ashutosh Choudhury, Executive Director, Shri Shiv Bajrang Singh, Executive Director and Shri Sunil Jain, Chief Financial Officer and the other top management.

I request MD & CEO Sir to start with his opening remarks where we would request him to share the key highlights from the third quarter results, along with share the outlook on growth, margins, and asset quality going forward.

Shri S.L. Jain, MD & CEO: Thank you, Anand. Good evening all analysts and investors in the post-result conference call. for Q3 FY 2024. So, as far as the business of the bank is concerned, we have grown by 11% and reached to Rs.11.64 lakh crore, the deposit has grown by 10% and advances have grown by 13%. In the Deposit of 10% growth in total deposits, our savings deposit has grown by 7%, current by 12%, as a result, CASA has grown by 8%, and the term deposit has grown by 11%.

Advances have grown by 13%, out of which RAM (Retail, Agri & MSME) has grown by 13%. Under the RAM, Retail has grown by 14%, of which housing loan has grown by 12%, auto loan has grown by 46%, and personal loan grown by 30%. Agri has grown by 16% of which gold loan has grown by 28%, investment credit has grown by 7%, agri-allied has grown by 58%, and SHG by 40%. MSME has grown by 7.5% of which Micro is 18% and Small is 2% and Corporate Credit has grown by 10%.

As far as our profitability is concerned, the operating profit of the Bank has grown 1% on a Y-o-Y basis, and the net profit has grown 52% on a Y-o-Y basis. The operating profit growth is backed by the NII growth which has grown by 6%, and the non-interest income has grown by 21% (fee-based income). Under the fee-based income, processing fees have grown by 9%, cross-sell by 33%, PSLC by 318% and PFMS by 45%.

As far as nine months are concerned, the operating profit has grown by 11%, and the net profit has grown by 52%. So, this current quarter the operating profit has grown only by 1% because of one major reason, the wage revision provision was made. As you all know, the IBA has agreed for 17% wage settlement. So, we have made a 17% wage provision. In addition to that, we have also made provisions for retirement benefits like leave encashment, gratuity, pension, etc. So, in all actually the current quarter, we made a provision of Rs.562 crores on account of wage revision.

So currently, we are holding a total provision of Rs.251 crores as against Rs.689 crore of last quarter. Out of Rs.562 crore provision, the normal amount that we are expecting per quarter will be between Rs.200 crores to Rs.225 crores. So, Rs.562 crore minus Rs.225 crore, i.e. Rs.340 crore is the additional cost incurred in this quarter.

When you come to the margin, it has come down to 3.49% from 3.52% and there is a 3 bps reduction. Of course, our yield on advances has grown by 3 bps from 8.75% to 8.78%. Likewise, our yield on investment too has grown by 6.77% to 6.80%. Whereas the cost of deposit has grown by 4.89% to 4.99% and as a result, there is a reduction in the NIM by 3 bps.

At the beginning of the year, we said that we would have a margin of 3.41% (+/- 10/15 bps). So as against 3.41%, we are at 3.54% now. So virtually on a positive side, we are 13 bps higher than what we have guided earlier. The current quarter is a comedown, but we were also able to maintain our domestic CASA above 41% on a sequential basis. So, our endeavor is always to contain our cost of deposits which is possible only through CASA.

So far, we are successful, of course, in an increasing interest scenario the asset gets repriced earlier and the liabilities follows. So that is the liabilities repricing. And because of this wage revision provision, the cost-income ratio is also has grown from 44% to 47%.

We are maintaining collection efficiencies at 95%. Our recovery was around Rs.2,500 crores, and the slippages were Rs.1,600 crores. So, we have maintained our recovery more than the slippage. In nine months also our recovery was close to Rs.6,800 crores as against the Rs.5,500 crores of slippage. And we said that we will be having Rs.8,000 crore of total recovery for the year, Rs.2,000 per quarter. So, this quarter too we are expecting Rs.2,000 crore recovery. However, this trend of recovery more than slippage will come down gradually.

And as a result, our gross NPA, net NPA, and PCR have improved. So gross NPA has come down from 4.9% to 4.47%. Likewise, the net NPA has come down from 0.60% to 0.53%. The slippage ratio has come down to 1.28%. And the credit cost has also come down from 0.79% to 0.76%. We expect this trend to continue.

Now, next is the capital adequacy ratio, we are at 15.58% as against 15.53%, We have raised Rs.4,000 crore of QIP which is close to 1%. Because of RBI guidelines of an increase in risk weight on NBFCs and consumer loans, we had an impact of 57 bps, besides this the credit growth, these are the two factors as a result that our capital adequacy is 15.58%. But if you add the nine months profit it will become 17.11%. So, 153 bps is the impact of nine months profit. Similarly, for CET 1, if we add 12.36% plus 1.53% we'll get 13.89%. So, in the view of the Bank, we have 17% capital adequacy and 14% CET, so that way Bank is adequately capitalized.

Now, I request my colleague, Shri Mahesh Kumar Bajaj, Executive Director to give an overview of some of the digital initiatives we have taken and then we will open the floor for the question and answers session.

Shri Mahesh Kumar Bajaj, Executive Director: Thank you Sir. Good afternoon everyone. As we continue with our digital transformation journey, this quarter we launched

15 journeys, against the 12 journeys launched during Q2. So, put together all products, processes, and portals we have now close to 78 journeys. As per the bank strategy we are creating all digital channels plus onboarding the customer on digital channels, and then making them to use these channels. So, with that, we have all facilities in digital channels including net banking, debit card, and mobile banking. The number of users and transactions are increasing. Coming to mobile banking, the users have gone up by 47% from Rs.1.08 crore to Rs.1.59 crore and transactions also have gone up by 26% Y-o-Y from Rs.1.38 crore in Dec-22 to Rs.1.74 crore in Dec-23. Similarly, UPI users have increased by 38% Y-o-Y from Rs.1.19 crore in Dec-22 to Rs.1.64 crore in Dec-23 and transactions increasing by 72% Y-o-Y from Rs.54 crore in Dec-22 to Rs.93 crore in Dec-23.

Same way the net banking users have gone up by 38% from Rs.74 lakh to Rs.1.03 crore, debit card users grew by 10% from Rs.2.93 crore to Rs.3.22 crore and credit card users have gone by 19% from Rs.1.56 lakhs to Rs.1.86 lakhs. We are very much focused on UPI QR code for CASA purposes, and it has gone up by 311% Y-o-Y from Rs.8.78 lakhs during Dec-22 to Rs.36.07 lakhs during Dec-23.

Same way the PoS have also gone up by 47% Y-o-Y from 14,772 to 21,725. Our digital migration, the digital transactions during last year Dec-22 it was 83%, which has gone up to 87% during the period ended Dec-23. Even on a QoQ basis, it has increased 1% from 86% to 87% and 4% on YoY basis. Digital business has gone up to Rs.52,884 crore in Dec-23 from Rs.4,875 in Dec-22, while we are targeting to take it up to Rs.70,000 crore. This growth is not only on the deposits side but also on RAM sector and we are also planning for launch of another 8-10 digital journeys in coming Q4 quarter. The bank has taken various digital initiatives like the digital lending platform (DLP), tab banking, omnichannel, analytics center of excellence, branch center of servitization, middleware, exim bills new modules. To add to this quarter, we have added e-OTS up to Rs.10 lakh which is non-discriminatory and non-discretionary for the ease of customers doing the e-OTS which can be done sitting at home. Apart from that, we have also launched the death claim settlement portal.

With that, we open the floor for Q & A.

Anand Dama (Host - Emkay Global): Thank you Sir. Now we will open up the floor for questions from participants. We have our first question coming from Mr. Ashok Ajmera. Please unmute yourself and ask your question.

Ashok Ajmera, Analyst: Good evening, Sir. Jain Sir and all Executive Directors and GM present there, Compliments to you, Sir, for another quarter with a very good set of results and overall performance. The credit growth is also in line with the guidance or might even exceed the guidance, if we consider this current quarter also which will be ending in March, I'm sure.

Having said that, you had mentioned that, if not for the increased provision of 17% due to

wage revision, the operating profit would have been much higher than last quarter. But if I see the employees cost, the increase is only Rs.160 crore in this quarter vis-a-vis the last quarter, from Rs. 2,176 crore to Rs.2,335 crores. So, where the burden of this additional cost has gone in the P&L?

Shri S.L. Jain, MD & CEO: Thank you, Ajmera ji. There are two places, one is the salary and the employee cost. So, our normal expenditure is around Rs.1,345 crore. Last quarter also we made an additional provision of Rs.271 crore during last quarter also, to catch up the provision of 15% earlier. That is why on a sequential basis it is not appearing, but our expenditure is Rs.345 crores, we have made a provision for Rs.310 crore to catch up the 17%, and a further provision of Rs.253 crore for retirement liabilities.

Ashok Ajmera, Analyst: From the next QTR Employees cost which is Rs.2335 crore, where it will come down, whether it will be 1700 crore or 1800 crore.

Shri S.L. Jain, MD & CEO: So, my point is that Rs.562 crores minus Rs.225 crores, i.e. Rs.337 crores is the normalized cost.

Ashok Ajmera, Analyst: Sir, you have also made an additional provision of Rs.399.72 crores, as per note number 19, which is over and above the IRAC requirement. So, what was the need? Are you anticipating some account to slip or are you trying to take care of the next quarter? Are you sensing something for the next quarter for which this additional provision is made? Otherwise, this could have been saved and the operating profit would have been more by Rs.400 crore.

Shri S.L. Jain, MD & CEO: No, this provisioning is below the operating profit, provisioning we are making based on our portfolio and so it will not affect the operating profit.

Shri Mahesh Kumar Bajaj: Executive Director: Operating Profit is only wage arrears are above the lines.

Ashok Ajmera, Analyst: Sir, on the basis the RBI's guidelines about the increase in RWA, what is the effect on our capital adequacy as well as the cost because of the CRR and other conditions? And how much impact is passed on to the customers like NBFCs and what is our net impact?

Shri S.L. Jain, MD & CEO: Ajmera ji the RBI has increased the risk weight by 25% on the existing assets. So, as a result there is a 25% increase in the RW of NBFC other than housing and also 25% increase in RWA on the unsecured consumer loan. So as a result, our RWA has increased by 57 bps.

Now the second question of yours is whether we can pass on the increased cost because of this. As we have AAA, AA, and A in NBFC, it cannot be passed on uniformly to all. Since we are living in a competitive era, we are trying to do repricing on the new proposals, wherever possible.

Ashok Ajmera, Analyst: Sir, my last question is on the treasury operations. Where the segment wise if you see there is a little reduction in the treasury profit compared to the last and Considering whatever is happening, RBI says that there is no scope for further reduction in interest rates for the time being, looking at the high inflation and other economic factors. So, what do you anticipate in the March quarter? Do you expect any kind of mark-to-market gains/losses or how has our portfolio been built to face this?

Shri S.L. Jain, MD & CEO: The RBI said that its first motto is to contain the inflation. So, inflation is 5.69% at present, and the RBI expects average inflation will be 5.4% for the year. Further, the RBI said that they will reduce the rate when on a durable basis the inflation will come down. When we see overseas, the rates in the US and China have also started softening.

We also know that from the first quarter, Indian bonds will be part of the indices and all, so there will be further softening. So, we are increasing our duration or increasing our AFS book. Our AFS book has increased by 13% on a YoY basis from 6.84 to 7.33. We are trying to build a good quality asset so that the bank will get a good return from that continuously.

We also expect that the 10-Year G-Sec which is around 7.20 will remain within the 7.10 to 7.25 range. We expect it to soften in the first quarter because part of indices and that is the opportunity for us to make money and we are building our portfolio towards it. The one thing that has also happened is that the new RBI guideline regarding investment will come into force from April.

Ashok Ajmera, Analyst: But this time being the interim budget, the clarity may not be there in April, and full clarity may not be there about the government.

Shri S.L. Jain, MD & CEO: No, but the RBI has already issued a circular and it is effective from 1st April.

Ashok Ajmera, Analyst: Okay. Thank you very much, sir.

Shri S.L. Jain, MD & CEO: As of today, I have a good holding yield on the AFS book of 7.33, which is more than the current rate of 7.20, so there is no question of mark to market.

Ashok Ajmera, Analyst: Thank you Sir and all the best. If time permits, I'll come back again. Thank you.

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

Anand Dama (Host - Emkay Global): Yeah, thank you Mr. Ajmera. We'll take the next question from Mr. Gaurav representing Nine One Capital. Mr. Gaurav, please unmute yourself.

Gaurav Agrawal, Analyst: Hi Sir. Thank you for the opportunity and again congratulations on a good set of numbers. Sir, I joined the call a bit late. So, if you talked about your advances growth guidance for this year and next year, can you please reiterate it?

Shri S.L. Jain, MD & CEO: Okay. At the beginning of the year, we said that our credit would grow by 10-12%. We have grown 13% and our growth is broad-based. Now the RBI said that the GDP growth of the current financial year will be 7% and even for the next financial year So we are expecting the same kind of opportunities next year as well. And the way the income level of the citizens are increasing, there will be an opportunity for consumption loans, housing loans, and auto loans. So, we would want to grow at the same pace while maintaining our RAM at around 63%. We expect to have a broad-based growth so that our risk will be mitigated, our margins will be better, our customer base will be increasing and all our branches will be able to acquire more and more customers.

Gaurav Agrawal, Analyst: Understood Sir. Sir, on the provisioning side, if there are no negative surprises, we will probably end the year with Rs.6,000 crore. Do you see a similar kind of number for FY25 or a slightly higher number?

Shri S.L. Jain, MD & CEO: We expect the provisions to come down next year because the net NPA are coming down. Slippages are coming down, our SMA numbers are coming down, so overall provision is also expected to come down next year.

Gaurav Agrawal, Analyst: Okay. And Sir, lastly, if you can explain about your employee cost. You mentioned that you have over-provided Rs. 500 crores. I couldn't understand much what you were trying to say. If you can just explain again, and what kind of benefit you expect to get in the next quarter? Thank you.

Shri S.L. Jain, MD & CEO: I told that we had made a full provision of 17%. Besides 17% we have made provision on an estimated basis for pension, gratuities, and other retirement benefits. So put together I can say we have made a provision of around 21% as against the 17%. If your salary increases, naturally your retirement benefit will also increase. So, based on our estimates we have made a provision and it was not over provided.

Gaurav Agrawal, Analyst: Okay. So next quarter you will see Rs.300 crore lower number which Mr. Ajmera was kind of pointing out?

Shri S.L. Jain, MD & CEO: Only one eventuality can come in the next quarter, and that is the provision on pensions. So, actually that number has not come out. If we add that, the cost might be higher, otherwise our normal provisioning will be Rs.200 crore to Rs.225 crore per quarter.

Gaurav Agrawal, Analyst: Okay, Sir. Thank you.

Anand Dama (Host - Emkay Global): Thank you. Next question is from Mr. Rakesh Kumar. Mr. Rakesh, please unmute yourself.

Rakesh Kumar, Analyst: Hi Sir. Thank you. Sir, a couple of questions. So firstly, starting with the recovery number for this quarter, we see that in slide number 29, there is a drop in the gross NPA in MSME and corporate NPA numbers. So, are these very old gross NPA numbers because the recovery number is also looking quite good. So, if you can help us understand this drop in the NPA, especially in MSME and corporate.

Shri S.L. Jain, MD & CEO: So, for corporate or MSME, we get recovery from the NCLT, SARFAESI, OTS, and from sale to ARC. So, these are the ways through which we generally do recovery. We have done more than 50,000 OTS in the last quarter. Due to higher recovery and write-off of some accounts, the NPA numbers have gone down.

Rakesh Kumar, Analyst: Okay, got it Sir. So, what is the prospect on this going forward sir, if you can elaborate?

Shri S.L. Jain, MD & CEO: So, our net NPA is only Rs.2,500 crore. Gross NPA is continuously coming down and it is 4.97%. The same was 11.2% during amalgamation, and this is now declining consistently on a Q o Q basis. We are aggressive in OTS, even we started online OTS when we are having 95 to 96% provisions we can recover our Money.

Rakesh Kumar, Analyst: So, if I adjust the recovery of Rs.1,150 crores that is given on slide number 28 and if I also adjust the interest income, there's quite close to around 50 bps drop in the credit yield on a sequential basis. So, two things. How is the credit yield looking going ahead from here excluding the recovery number and margins? And can you please give some guidance on these two numbers on a normalized basis?

Shri S.L. Jain, MD & CEO: The point is you have to consider the MOI recovery of Rs.215 crores mentioned in slide number 28, and not the Rs.1,100 crores. Similarly, the MOI recovery was Rs.256 crores for the September quarter. Because this MOI recovery is included in interest income, and at the same time around Rs.200 crore of interest reversal takes place in case of slippage. So, virtually it is nullified both ways.

Rakesh Kumar, Analyst: Sir, basically where is Rs.1,151 crore minus Rs.418 crore which is AUC recovery where that number is sitting in the P&L?

Shri S.L. Jain, MD & CEO: Yeah. That number is Rs.700 crore which we have not booked as an income because we may receive the money at a later date. Actually in NCD it might take five-eight years to get the money. So, we'll book it as income as and when we receive the money.

Rakesh Kumar, Analyst: Okay. So, you have booked only Rs.215 crore this quarter?

Shri S.L. Jain, MD & CEO: We have booked interest of Rs.215 crore, and Rs.418 crore we have received as income.

Rakesh Kumar, Analyst: Where the remaining amount of Rs.700 Crore is lying right now?

Shri S.L. Jain, MD & CEO: As per our accounting policy and standard, unless we receive the money we can't book the amount it as income. So, we have not booked Rs.700 Crore as our income.

Rakesh Kumar, Analyst: Suppose we receive the balance of Rs.700 crore in the next quarter, so where will you account it in the P&L?

Shri S.L. Jain, MD & CEO: That income will go as recovery next time.

Rakesh Kumar, Analyst: Okay. So, what is the margin guidance that we are looking at Sir in the next quarter or so?

Shri S.L. Jain, MD & CEO: We had guided for a NIMs of 3.41% (+/- 10/15bps) at the beginning of the year. We are at 3.54% right now. And naturally, in an increasing interest rate scenario, the cost of deposit will have some impact. But our endeavor will always be to protect that. And for that, as mentioned earlier, 61% of our book is MCLR book. So, the asset will also come for repricing and the liability will also come for repricing. Further, on the treasury side, our AFS holding is 7.33 as against 6.84 of the last year.

So, we are building assets where we are getting more income and where we'll get MCLR repricing benefits so that we can match the increased cost. And so far we have been successful. 2-3 bps variance can always happen.

Rakesh Kumar, Analyst: Understood Sir. Great, Sir. Thank you. Thank you so much, Sir.

Anand Dama (Host - Emkay Global): Thank you, Mr. Rakesh. Next question is from Mr. Ashwini. Mr. Ashwini, please unmute yourself.

Ashwini, Analyst: Good evening, Sir. The current margins are at a decade-high of 3.5%. So, do you think that this can be sustained over a period of time? Because even in the earlier times we used to make roughly 3% margins on a normalized basis. And whatever margins which we are making are because our deposit repricing is slower than the loans. Do you see any pressure from RBI to increase the deposit rates as the cost or the increase in repo rates have been somewhat passed on the yield side but not on the cost side?

Shri S.L. Jain, MD & CEO: My point is that RBI never says, you increase the deposit rate or whatever it is. It is the bank's management that decides the interest rates on deposits or advances based on their ALM books. As an organization we should focus on our CASA. So far, we are successful in maintaining 41% plus domestic CASA. If you are able to maintain that CASA, your cost will not increase, otherwise you'll have to fund with the

term deposit where the rate of interest is high. We have taken various initiatives to increase our CASA. We are doing number of things to increase CASA. We have 13 - 14 state Government Office where we have started our office in R & GR. Even 51 cities where Money is there we have started our Resources acquisition center.

But considering that the market is very challenging if we fail to raise CASA deposits, our credit growth will suffer. However, as on date we are at 78% CD ratio, and we have an LCR of 140% and we are having an excess SLR of 43%, and we have also built the treasury book.

So as on date, we are comfortable. But going forward, slowly some money will gradually move from the treasury book to the credit book. So, we can go to 2% or 3% higher. At the same time, we will work to increase deposits. In the last nine months, we opened around 45 lakhs new savings bank accounts, and we are entirely working on the CASA part. So, of course, deposit is a challenge, but we are working on it.

Ashwini, Analyst: So, you said your CD ratio is 78%.

Shri S.L. Jain, MD & CEO: CD ratio is only LDR, loan and deposit. Other sources are also there. For example, if I raise Rs. 4,000 crore of capital. This money will go to the advances. So even then my CD ratio is higher. So, I have taken some refinance, even the LDR is showing an increasing trend. The point is, that this LDR is not whole in totality. LDR is relevant, but other avenues are also there. Where we are having liquidity We're still having liquidity of Rs. 40,000 crore plus. Return on advances is obviously more than your investment return. So, we'll take some money from that also, and we will raise some money from the deposit also. This is the job of an ALM of a bank.

Ashwini, Analyst: And Sir, the last question from my side. What is the comfortable LD ratio for the bank? The maximum loan-to-deposit ratio?

Shri S.L. Jain, MD & CEO: We are currently sitting on an LCR of 142% as against 130% of the last quarter. We have excess SLR and deposits also. So, if we expect the deposits of Rs. 6,50,000 crore to grow at 10%, which will result in additional deposits of Rs. 65,000 crore, and if we assume our advances of Rs.5 lakh crore to grow at 13%, which will lead to an additional credit of Rs.65,000 crore, both are still matching. So far, we have been able to match both these things. So, if we continue to grow the way we are growing, we will not have much impact on our LDR.

Ashwini, Analyst: Okay, Sir, I'll come back in the queue.

Anand Dama (Host - Emkay Global): Thank you, Mr. Ashwini. We'll take the next question from Mr. Dixit. Mr. Dixit, please unmute yourself.

Dixit, Analyst: Yeah. Thanks for the opportunity and congratulations for a good performance consistently. I have three questions. Firstly, so ever since our net NPA has

gone below 1%, we started making provisions on standard assets from last three, four quarters, and gradually every quarter that provision is also coming down. So, this quarter it was only Rs.400 crores. So, do you feel that this trend will continue, and that provision on standard assets will also come down? And how much excess provisions we have created over the last few years?

Shri S.L. Jain, MD & CEO: So, two things. It's always said that we should create buffers in good times. Also, when you grow at 10%/12%/13% during good times, you are virtually seeding the seeds for risk. Considering this, we are creating a buffer based on our own assessment. So slowly the buffer will also be completed as and when our net NPA will come down. So, the bank is getting strengthened in this process. But going forward it will not happen like this.

Dixit, Analyst: How much provision we would be holding, other than the NPA provisions?

Shri S.L. Jain, MD & CEO: We have close to Rs.7,500 crore of a standard asset provision, which includes all provisions put together. Which include all provisions whether Standard Asset provision, 7th June provision or other provisions,

Dixit, Analyst: Okay. Now my second question is, this quarter if we see our slippages, it was only Rs. 133 crore on the corporate side. But we have read in the paper that, BGR system, where we had exposure of more than Rs.300 crore, had defaulted. So, has it not been counted as an NPA or it was already counted as an NPA earlier?

Shri S.L. Jain, MD & CEO: We have counted it as NPA last quarter itself.

Dixit, Analyst: Okay. And one last question from my side. So, our net NPA is below 1%, and recently there was an article in the newspaper that RBI is proposing that companies with 1% to 2% net NPA can pay up to 35% dividend or below 1% can pay up to 40%. I know most of the PSU banks are paying 20% dividend payout. Do you feel that it can go up?

Shri S.L. Jain, MD & CEO: You see last year we paid a dividend of 86%, right? So, when we are earning, naturally we have to share the earnings with our investors as well. So as far as the metrics are concerned, we comply with all the metrics - our net NPA is less, and our CRAR is also comfortable.

Dixit, Analyst: Okay. Thank you.

Shri S.L. Jain, MD & CEO: No RBI observations and all. Nothing is there.

Dixit, Analyst: Okay.

Anand Dama (Host - Emkay Global): Yeah. So, before we take the next question from the participant, there was this question in the chat box that there was this news flow

around some mis-selling of mutual fund insurance products and where after SBI bank, or Bank of Baroda, even Indian bank had suspended this business from the zones. Any comments over there? Number one.

The second question is that any impact from the recent Tamil Nadu floods during the current quarter in terms of NPAs or any SMA pool buildup that has happened. Over to you Sir.

Shri S.L. Jain, MD & CEO: Firstly, mis-selling complaints on account of mutual funds is not related to us. The second point is that the impact of the Tamil Nadu flood and cyclone, right? So, there were floods in six districts, and cyclone in four districts. So, ten districts basically. The Tamil Nadu government too had declared it as a natural calamity. And we are working on that. So, we started restructuring some accounts but we do not have much exposure for crop loans in Tamil Nadu. Second is basically the retail or the MSME. So far, no big proposal has come to us. Some amount of restructuring is done in Manipur.

Anand Dama (Host - Emkay Global): Is it possible to quantify the restructuring, and additional restructuring that we have done during the quarter?

Shri S.L. Jain, MD & CEO: May be around Rs.50 crore, Rs.60 crore not beyond that.

Anand Dama (Host - Emkay Global): Okay. We'll take the next question from Ms. Mona Khetan. Ms. Mona, please unmute yourself.

Mona Khetan, Analyst: Hi Sir. Good evening. Just one clarification on the wage hike provisions. So, how much were we providing per month till last quarter, and how much is it now?

Shri S.L. Jain, MD & CEO: 17% provisions for 14 months amounting to Rs.998 crore. So Rs.70 crore on an average per month. So, we say Rs.200 crore to Rs.225 crore is a normal amount of wage hike expenditure. Further, based on our estimates, we have also provided around Rs.253 crore against retirement benefits, because when somebody is retiring you have to pay him a leave encashment at a higher rate or a gratuity at a higher rate or a pension at a higher rate. That also based on estimates we have provided.

Mona Khetan, Analyst: Got it. So essentially Rs.75 crore per month or so that you will be incrementally providing, based on a 17% hike.

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

Mona Khetan, Analyst: But wasn't this higher earlier? Because I recollect an amount of about Rs. 270 crore that you mentioned earlier that you were making.

Shri S.L. Jain, MD & CEO: When you start a discussion with the union association, you don't know whether it will end at 15%, 13%, or 17%, right? So, suppose the IBA has

offered 13%, we have made a provision up to 13%. Then IBA in the next meeting or two meetings later offered 15%, whatever the RBI offered, we made a provision at 15%. Finally, they settled at 17%, and we made provisions at 17%. This is how it happens because you do not know how much it will go.

Mona Khetan, Analyst: Got it. And within your loan mix can you just share what's the MCLR and repo component?

Shri S.L. Jain, MD & CEO: So, 61% is our MCLR, 34% is our repo, remaining 4% or 5% is fixed rate loan.

Mona Khetan, Analyst: Got that. And just one final clarification as well. So, you mentioned Rs.7,500 crore of standard asset provisions. So, this will include your portfolio, and account-specific provisions, as well as, those for restructured and general provisions?

Shri S.L. Jain, MD & CEO: Yes, yes. All put together.

Mona Khetan, Analyst: Got it, Sir. Thank you so much. That's useful.

Anand Dama (Host - Emkay Global): Thank you, Ms. Mona. We have one last question coming from Mr. Sushil. Mr. Sushil, please unmute yourself and ask your question.

Sushil Choksey, Analyst: Congratulations to the Indian Bank team for the excellent performance and a great QIP. Sir, you've taken so many initiatives within the bank where technology and product integration are concerned, shared service which you have highlighted and you've started cash management as well. Can you throw some light on the total digital spend? Have you reached a journey or it's a continuous process? It's always a continuous process, but in the first initiative where have we reached, and when will we see additional benefits from all the rollouts that you have done?

Shri S.L. Jain, MD & CEO: Choksey Sir, we said that we would be having Rs.70,000 crore of digital business in the first year, this is what we targeted. Today we have crossed Rs.52,000 crores, and last quarter it was around Rs.23-24,000 crores. The way we are growing I'm sure that we'll be able to cross Rs.70,000 crore which we decided. So, this is a tangible benefit we are getting from digitization.

And our colleague Shri Mahesh Kumar Bajaj, Executive Director has said that we have already started 78 journeys. You will get a few benefits when you do this kind of journey. First, the entire due diligence will be taken care of by the system. So, the NPA level or delinquency level on such type of loans is generally lower than the loan done manually. Secondly, your TAT will increase. The third one is that all your digital numbers or information is available in your system. So, you can do cross-selling in the future as well. We are also learning every day digitally, our team will also learn every day, and our field is also learning every day. So naturally our growth will happen. So, we have started getting benefits from whatever investment we have made till now.

Now, every quarter we are rolling out nine or ten journeys, and we'll continue to do it. In addition to that, we also got final approval from the Reserve Bank of India around 3-4 days back for starting our subsidiary. We have started recruiting people. So very soon this subsidiary will also be in the working position. We can carry out sale of assets, or recovery of NPAs or several other activities through that subsidiary. This will improve customer experience, our acquisition cost, and it will bring several other benefits to us. Whatever expenditure we incurred we would like to get Benefit from it.

The third one is in digitization, we have done a few things on the cyber side as well which has helped in cost cutting, such as document management systems and server centralization. Not only are we incurring, but we have started getting benefits from that. As far as Total Expenditure is concerned Mr. Mahesh Kumar Bajaj will tell us.

Shri Mahesh Kumar Bajaj, Executive Director: Yeah. In the last three years, we have done close to Rs.1,500 crore, and in another 2-3 years we are again committed to almost the same kind of every year close to Rs.500 crore which is almost Rs.300 crore in the capital side and almost the same amount in the revenue side. The estimated cost for this financial year is Rs.564 crore, of which revenue side is Rs.242 crore and capital side is Rs.322 crore.

Sushil Choksey, Analyst: Sir, you've done brilliantly on CASA. Do you estimate that the cost of deposit would peak by mid-June or September in the current year?

Shri S.L. Jain, MD & CEO: Repricing has been done from May 22 onwards. So, I think by June, most of the things should have been completed.

Sushil Choksey, Analyst: Thank you, Sir and congratulations, and best wishes for 2024.

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

Anand Dama (Host - Emkay Global): Thank you Mr. Sushil. With that, we would want to end the call. But before that would request if MD Sir has any closing remarks to make.

Shri S.L. Jain, MD & CEO: So, thank you all the analysts and investors for your continuous support. The insight which you are giving is helpful for us in deciding our policy and coming out with a better result. Thank you once again and please keep supporting us.

Shri Mahesh Kumar Bajaj, Executive Director: Thank you, everyone.

Anand Dama (Host - Emkay Global): Thank you, Indian Bank management for providing us the opportunity to host the call, and thanks to all participants. We wish you a very happy evening.