Indian Bank Q1 FY'25 Results
Post Earnings Conference Call / Meet
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Transcript

Management:

Shri S L Jain
MD & CEO

Shri Mahesh Kumar Bajaj
Executive Director

Shri Ashutosh Choudhury
Executive Director

Shri Shiv Bajrang Singh
Executive Director

Shri Brajesh Kumar singh
Executive Director

Moderator:

Shri Kunaal N
Analyst, Emkay Global Financial Services Ltd.

Kunaal N (Host – Emkay Global)

Good evening, ladies and gentlemen. I welcome you all to Indian Bank's Post Results Conference Call for the First Quarter of Financial Year 2025, hosted by Emkay Global Financial Services Limited. From the top management, we have with us, Shri Shanti Lal Jain, MD & CEO, Shri Mahesh Kumar Bajaj, Executive Director, Shri Ashutosh Choudhary, Executive Director, Shri Shiv Bajrang Singh, Executive Director and Shri Brajesh Kumar Singh, Executive Director.

Please note that this call is for analysts and investors. So, if you do not fall under these two categories, we'd request you to kindly exit the call. I now request MD Sir to briefly summarize the key highlights from Q1 FY25 results followed by strategic direction, particularly in terms of growth, margins and asset quality, post which we will have the Q&A session.

Over to you, Sir.

Shri S. L. Jain, MD & CEO

Thank you, Kunaal. Good evening. A warm welcome to all the participants. Today, we declared our first quarter results. Our main highlights are the business of the Bank has grown by 11%, of which deposit has grown by 10% and advances have grown by 12%.

In deposit, the CASA has grown by 6% and we could maintain our CASA ratio at ~41%. The term deposit has grown by 12%. In Credit growth of 12%, RAM credit (Retail, Agri and MSME) has grown by 13% and under RAM, retail has grown by 14%. Under Retail, housing loan has grown by 13%, jewel loan grown by 10%, auto loan by 55%. So put together, there's a 14% YoY.

Agri has grown by 18% and the crop loan or farm credit has grown by 17% and 78% are basically gold loan, which has grown by 25%. Investment credit has grown by 11%, Allied Agri has grown by 58%, Infra grew by 18% and SHG by 14%.

The third one is MSME, which has grown by 6% YoY, but the Standard MSME has grown by 11% of which micro has grown by 14%. The corporate loan has grown by 9% YoY and the standard corporate loan has grown by 10%. So, you see in all the segments, our credits are growing. Our CASA, we are able to maintain at 41%.

Now coming to the profitability, the net profit of the Bank has grown by 41%, and we reached to Rs.2,403 crore. The operating profit has grown by 9% YoY. The growth of operating profit is basically the growth in NII, which has grown by 8%.

Non-interest income, too, has grown by 11%. Under non-interest income, bad debt recovery, we've done around Rs.504 crore and is 180%. The fee income has grown by 17%. And you see the PSLC from last year, we started amortizing over a period of four quarters. So, we had earned a profit of Rs.627 crore, Rs.157 crore we booked as income for the current quarter.

So, this was the main reason of our profitability. And now coming to the margins, NIM has improved from 3.52% to 3.53%, the return on asset improved from 1.15% of March quarter to 1.20%, the likewise ROE improved from 19.06% to 19.76%, the cost to income has improved from 47.99% to 44%.

If you go deeper into the Margin part, so cost of deposit has increased from 5.01% to 5.05% and the yield on advance has come down from 8.81% to 8.69% and there are three, four reasons for that. One of the reason is the penal charges we have booked as other income, second is the interest reversal part and third one is less MOI recovery. These are the three factors. And as a result, the yield on advance has come down. But you see our yield on investment has increased from 6.88% to 7.15% because from last one year, we are working on investment and you see the investment yield is 7.15%. Here, the HTM holding yield is 7.08% and AFS is 7.17% and FVTPL is 7.79%.

Now coming to the asset quality, we are maintaining collection efficiency of 95%. The GNPA which was 3.95% in March quarter improved to 3.77% and the net NPA which was 0.43% has improved to 0.39%. The PCR which was 96.34% as of Mar'24 improved to 96.66% as of Jun'24. The slippage was Rs.1,928 crore which was 1.5% as against 1.57% of the last year. Slippages of Rs.900 crore came from the MSME book, close to Rs.600 crore came from the Agri book and the balance Rs.400 crore came from the Retail book. Out of these slippages of Rs.1,900 crore, Bank has recovered around Rs.312 crore post June.

This time again, the recoveries is more than the slippages. The recoveries is Rs.1,937 crore as against the slippage of Rs.1,928 crore. As far as Capital adequacy is concerned, we are better from the last quarter 16.44% in Mar'24 to 16.47% in Jun 24 and if you add the Q1FY25 profits it is 17% plus. So, this is all about our gross NPA, net NPA, our businesses, profitability and margins.

Now, I request my colleague Bajaj ji to discuss about the digitization initiative and then we will be open for the Q&A session.

Shri Mahesh Kumar Bajaj, Executive Director

Thank you, Sir. Good evening, friends, investors and analysts. Our story on digital initiatives continues. As far as the transaction at branch and digital transactions, it has gone up from 85% in Jun 23 to 90% in Jun 24. So now, digital transactions at the Bank is 90% and 10% at branch level.

As far as the mobile Banking users are concerned, it has gone up from 131 lakhs in Jun 23 to 175 lakhs in Jun 24, which is YoY 33% up and the transactions have gone up from 138 lakhs to 169 lakhs, which is 22% YoY up. UPI users have gone up from 142 lakhs to 185 lakhs, which is 30% YoY growth, and the transactions from 7,574 lakhs to 11,829 lakhs, which is 56% YoY growth.

Internet Banking users have gone up from 87 lakhs to 109 lakhs, which is 26% YoY growth. Debit card users have gone up from 323 lakhs to 324 lakhs and credit card users have gone up from 1.70 lakhs to 2.38 lakhs, which is YoY 40% growth. Number of POS too increased from 13,000 to 21,658, which is YoY 66%. As far as the digital journeys and digital initiatives are concerned, last year we completed 78 journeys, which gave us digital business of Rs.81,250 crore. This year we have added another six journeys in the last quarter and planning to add another 15 journeys in Q2 and the year as a whole, we are planning for 44 journeys.

As far as the digital business is concerned, for this quarter, it has gone up from Rs.9,000 crore to Rs.36,678 crore, which is close to 4x and e-RAM, which was Rs.6,700 crore, has gone up to Rs.29,987 crore. On the liability side, e-deposits, which was Rs.2,414 crore in Q1FY24, went up by 176% YoY to Rs.6,670 crore in Q1FY25.

We started with our new omni-channel app last year, which we launched for the customers also, with app store rating for the same is 4.4 and we have launched in June 2024 for the public and now we have onboarded 13.71 lakh customers. And it has various added features with better UI/UX and the marketplace. Whatever the other apps are providing so this new app is giving all those functionalities.

Thank you very much.

Shri S. L. Jain, MD & CEO

We had also guided that the deposits will be growing between 8-10% and we have grown by 10% in Q1. In advances, we said that we'll grow between 11- 13%. And we grew our book by 12%. Further, we also said that we'll maintain our CD close to 80% and we are at 79% right now. Out of the full year guided recovery estimate of Rs.7,000 crore, we have recovered Rs.1,937 crore in Q1. Our margins was at 3.53% which is again within our guidance range of 3.4%, plus/minus 10 bps, 15 bps.

Yes, Sir, now we are open for question-and-answer.

Questions and Answers

Kunaal N (Host – Emkay Global)

We will now open the floor for Q&A session. (Operator Instructions). Let us wait a moment for the queue to assemble. We have our first question from the line of Darshan Deora. Darshan, please unmute yourself and ask your question.

Darshan Deora, Analyst

Thank you for providing me the opportunity for asking this question. Just one question. In terms of CD ratio, what would be is 80% the upper limit or can we exceed 80% in the event that deposits are still hard to come by?

Shri S. L. Jain, MD & CEO

So, there is no prescription from the Reserve Bank of India for LDR but for our interest we should have LDR within the manageable limits. If you see on a year-on-year basis in FY24, we have grown deposits also by Rs.60,000 crore and advance also by Rs.60,000 crore. If you even look at the domestic business, both deposits and advances increased by Rs.54,000 crore each.

So, in the deposit also we are growing in a very calibrated way. So, we are not having any excess liquidity which we can deploy at a lower rate. So, we are growing at the same speed. The issue is basically in raising of CASA deposits. We have taken a few measures for the same. And as a result, we are growing at 6-7% in the CASA side. So, we will endeavor to maintain our CD ratio, LDR close to 80% or so. And we are having excess SLR of close to Rs.44,000 crore and we are having LCR of around 120%.

Darshan Deora, Analyst

Got it. But if it exceeds 80% also, that's not a problem essentially. There is no prescribed limit, per se.

Shri S. L. Jain, MD & CEO

But it is in our own interest to have this LDR within the manageable limits.

Darshan Deora, Analyst

Got it. Got it. Thank you. That's all from my side.

Kunaal N (Host - Emkay Global)

Thank you. Anybody who wishes to ask a question can raise their hand. In the meantime, we have some questions in the chat box. I'll read them out for you.

So, people are asking what will be the impact of the new draft LCR norms which has come up. Most Banks, large Banks have talked about impacts to the tune of 10% to 14%. So, what do you think will be the impact for Indian Bank?

Shri S. L. Jain, MD & CEO

So, the new guidelines have come around two days back. Basically, two things have happened. They have increased the run-off factor for retail deposits by 5% and other than the retail also by 5%. So, we think the impact for us will be close to 4-5% on LCR.

And the second one, what they have done in HQLA also, they have talked about whether the discounting factor will be applicable. As on date, even our HQLA assets, basically, excess SLR's market value is more than the book value, virtually. Because you see the market value of 10-year G-sec is 6.96-6.97% and our holding is at 7.15%.

So, the overall impact will be around 4-5% on LCR and our LCR shall accordingly come down from 120% to 115% or so.

Kunaal N (Host - Emkay Global)

Okay. Thank you. The next question is, one of your peer PSU Bank actually reported two large accounts in SMA bucket. So, do you also see some stress in the corporate book and how much is our SMA 0, 1 and 2 book?

Shri S. L. Jain, MD & CEO

We have disclosed our SMA number. I think our SMA declined from 0.48% in Mar 24 to 0.47% in Jun 24. So, in our SMA book we have 2 corporate SMA accounts – Rs.263 crore and Rs.102 crore – summing up to Rs.365 crore, which is not a higher amount considering our size.

Kunaal N (Host - Emkay Global)

Thank you. The next question is from the line of Darshan. Darshan, please unmute yourself and ask your question.

Darshan, Analyst

Good evening, Sir. Thank you so much for taking my question. I just wanted to ask, what would be your guidance for ROA and credit cost.

Shri S. L. Jain, MD & CEO

So, credit cost, which was around 0.73% last quarter has come down to 0.71% or so. So, our credit cost will be lower than 0.71% and we are continuously declining. As far as ROA is concerned, it is in an increasing bias – it was 1.15% last quarter and now it is 1.20%. So, our endeavor is to do better.

Darshan, Analyst

Okay. Fair enough, Sir. And just wanted to understand the market dynamics. Like, with deposits, may be a bit harder to get, will there be an impact on NIM may be coming in H2 or something? Because I just wanted to understand the landscape.

Shri S. L. Jain, MD & CEO

So, you want to know the deposit cost or the deposit amount?

Darshan, Analyst

No, no, like how is the deposit market, are we facing competition?

Shri S. L. Jain, MD & CEO

Okay. So, point is the market is tight, you know. And the credit growth is happening. So, we are seeing that the credit growth will be more than the deposit growth. Even the FSR of the Reserve Bank of India also said that the cycle of high credit growth and the low deposit growth will continue even for one year or so.

So, we think that going forward also, the deposit will continue to be a challenge. But what we are doing for that is that we are managing our portfolio both side, liability side and asset side. You know on the asset side, 61% of our book is in MCLR. So, what happens with the increase in cost, we are also increasing our MCLR? So, increase in MCLR will take care of increase in our cost. And at the same time, the investment book is also giving us a good return. So, that interest rate may slightly increase because of the tight liquidity condition and because of the need, because the credit growth is happening.

Darshan, Analyst

Okay. Fair enough, Sir. And just wanted to know in case RBI cuts rate this financial year, what kind of impact would that be for us? Will that be positive for our NIM? Because our deposits are secured and so what would happen in case if there is a cut?

Shri S. L. Jain, MD & CEO

If you see the CPI inflation is still at 4.8% which is above the RBI comfort level of 4%. Of course, globally the interest rate can come down. But domestically, I am seeing that the interest rate will take time to come down. Even if hypothetically, it happens whatever our advance is based on the repo will slightly come down. But at the same time, the deposit cost will also come down if the situation so remains.

But we are adequately covered by way of MCLR, by way of investment. So, yield side, we are fully protected. On the cost side also, our endeavor is to maintain our cost. So, you see even in this increasing interest scenario and all, we could maintain our cost of deposit growth by which had increased by only 3-4bps.

Darshan, Analyst

Okay. Fair enough. Thank you so much for answering all my questions. That's it from my side. Thank you, Sir.

Kunaal N (Host - Emkay Global)

Thank you. The next question is from the line of Sushil Choksey. Sushil, please unmute yourself and ask your question. Sushil, kindly unmute yourself and ask your question.

Sushil Choksey, Analyst

Congratulations to management and team of Indian Bank for excellent performance. Sir, my first question is on cost to income. Can we see 40% within a year's time?

Shri S. L. Jain, MD & CEO

Thank you, Sushil ji. You see our cost to income ratio has come down from 47% to 44% in the current quarter. But our endeavor is to come down, but below 40% is, it may take time, Sir. So, may be 1 or 2 basis points here and there.

Sushil Choksey, Analyst

Sir, with the digital initiatives and the capabilities which you have created within the Bank, it can enhance lot of capabilities within your Bank in terms of cross-sell, business relationship, tapping multiple channels which cost might not be high, rather, the profitability will grow. So, will it not impact the balance sheet or you feel that expenditure will exceed revenue side for right now?

Shri S. L. Jain, MD & CEO

No, I agree with you. So, but it will not change dramatically. We'll get some benefit slowly in the time to come. But immediately, it will not change dramatically. We are working on digitization and on cost reductions as well. And at the same time, you see CASA is a challenge. So, if you grow further, naturally, major part of your funding will be through the term deposits.

Sushil Choksey, Analyst

Sir, today our G-sec stands at 6.92% at close. A likely scenario based on LCR and global market, if we head to 6.8%, how would you rebalance between treasury and credit? Because I think there would be substantial profit which may arise to the Bank. At the same time, credit demand at your end is very high. So, win-win situation for Indian Bank to capitalize on it because you, being among the one of the most efficient Banks compared to peers, how do you see the profitability stack up?

Shri S. L. Jain, MD & CEO

You see, today, I'm sitting in a holding yield of 7.15%. Or even the FVTPL or HFT, the holding is 7.79% and AFS is 7.17%. So of course, as against the 6.92%, we are at a better position. And we are having the excess SLR of Rs.44,000 crore. So, there is a good amount of cushion is available. So, if the opportunities will come, naturally, we will encash that opportunity and grow.

Sushil Choksey, Analyst

Sir, I would like to get some views on your retail and international book.

Shri S. L. Jain, MD & CEO

If you see our Retail book basically 70% of retail is a housing loan, which is growing at 13%. And from the CIBIL point of view or from the bureau score point of view, around 85%, 90% is even beyond 750 or so. So, we are underwriting a better quality customer.

And second one is the auto loan, we are growing at 50%. We have had a number of DSAs even for the auto loan. We are growing in the jewel loan also at 10%. So, this entire retail piece is growing 13-14%. Virtually, we have sanctioned 22-23%. But you see in retail, what happens, the repayment too comes. So as compared to last year, our growth is 22% in sanctions. And we are continuously doing sanctions to maintain this growth of 13-14%.

And for that part, we have also opened seven RAPCs more. So, that our sanctions will grow and retail will continue to grow. In the agri side also, 78% is a gold loan, which is growing at 25%. So majority is in the gold. Or even the SHG also, we are growing good. And we are doing this business for 16-17 years now, where the delinquency level is low.

So, we are concentrating where we are having better margin and better asset quality. Of-late even in MSME, our onboarding is more of a low-risk assets. So that way, quality-wise, we are better. And we will continue to grow in that way.

Sushil Choksey, Analyst

And Sir, your outlook on gold loan and international book?

Shri S. L. Jain, MD & CEO

We are growing good on our International book too. Basically, in overseas, advances have grown by 27%. So, we'll continue to focus on a syndication loan because the margins are better - ECB as against the buyer's credit or trade finance.

Even last week I was in Sri Lanka because we are having 2 branches there also, we are shifting our business from the buyer's credit / trade finance, to the syndication, or even the customers who are having import and exports from the Sri Lanka. So, opportunities are there along with good margins and we are growing there also.

Sushil Choksey, Analyst

So, the manufacturing sector is growing well from states where Indian Bank has a rich presence and so was your earlier avatar of Allahabad Bank. So how are we capitalizing and what kind of unavailed or sanctioned credit is visible over a period of next one year?

Shri S. L. Jain, MD & CEO

As you rightly said, we have better industrial and manufacturing facilities in Tamil Nadu and so good opportunities here. So, what we are doing, we have started our mid-corporate branches/ centres which is headed by a GM. We are having a good growth of 25-30% in these centres and the margins are also good. The customer base is also increasing. And today, we are having close to 27 mid-corporate branches and we are adding two more in Erode and Namakkal, which is in Tamil Nadu. Huge opportunities are there. So, we are focusing on that and growing our business. And that is why our NII is growing and margins are better.

Sushil Choksey, Analyst

So, any color on the gold loan book? On the expansion side? I know you are doing very well.

Shri S. L. Jain, MD & CEO

We are having, virtually, close to Rs.81,000 crore of a gold loan book. And obviously, Rs.73,000-74,000 crore, is in Agri, which is growing at 23%. And we are now having 650 gold loan branches, which is basically doing gold loan and these branches are equipped with karat meters to check the quality of the golds. So, there are good opportunities here and margins are better and growth opportunities are there. So, we'll continue to focus on that.

Sushil Choksey, Analyst

So, can you surprise on the margins on the positive side ahead of your guidance in the year? I know you won't answer, but still my job is to ask.

Shri S. L. Jain, MD & CEO

Sir, we should always be conservative in giving guidance and performing better than what we say.

Sushil Choksey, Analyst

Thank you, Sir. Thank you for answering all my questions and best wishes to the management team for the year to come.

Shri S. L. Jain, MD & CEO

Thank you, Sir. Thank you.

Kunaal N (Host - Emkay Global)

Thank you. The next question is from the line of Vibha Batra. Vibha, kindly unmute yourself and ask your question.

Vibha Batra, Analyst

My question is actually on fresh slippages. If we see fresh slippages at Rs.1,928 crore for the quarter, they have gone up significantly vis-a-vis previous quarter and also previous year. And you've given the breakup here. So MSME seems to be worsening the most. And I think retail, may be quarter four of last year was an aberration at Rs.126 crore. That has gone back to its normal levels.

So, on asset quality, I have two questions. One is that what is the outlook on slippages? Is this the new norm? And second is, there seems to be some AUC recovery. Is that abnormally high, or do you think that will be the trend for rest of the year, too?

Shri S. L. Jain, MD & CEO

We are definitely not happy with slippages of Rs.1,900 crore. There are two, three reasons for this. One is, of course, the seasonality is involved. Second one is, in the first quarter, because of election, and heat waves, there is a problem in getting money. But what happened, out of Rs.1,928 crore, so far, we could recover Rs.312 crore. So that impact will come in the next quarter.

And what happens, here in the agriculture, majority of this is basically a farm credit. So, we are working on that. And we will continue to show our recovery more than the slippage. And this is, of course, not a new normal.

Vibha Batra, Analyst

It is not a new normal, you say. Okay. We hope for the best. And the AUC recovery, is there some chunky accounts here?

Shri S. L. Jain, MD & CEO

We said that we will have close to Rs.2,000 crore of AUC recovery. So out of that, we have recovered Rs.500 crore. Fact remains that today, we are having a gross NPA of Rs.20,000 crore and an Rs.40,000 crore of TWO book. So major recovery, naturally, will come from the TWO book.

Vibha Batra, Analyst

Okay. But it wasn't the same last quarter.

Shri S. L. Jain, MD & CEO

Last quarter was also more. But in the corresponding period, it was Rs.178 crore. As against this, it is Rs.500 crore.

Vibha Batra, Analyst

Okay. So, do you think you can maintain, say, Rs.1,500 crore for rest of the year on AUC recovery?

Shri S. L. Jain, MD & CEO

Yes. We have targeted ourselves a total recovery of Rs.7,000 crore, Rs.7,000 crore plus. So of course, the major part of this can come in the AUC.

Vibha Batra, Analyst

Okay. And my other question is, if I look at your Tier 1 and compare it to your net worth, there is a difference of Rs.7,749 crore. Your net worth, as per the details that you've given, is Rs.60,803 crore. And your Tier 1 equity is Rs.53,054 crore. So net worth is higher as compared to Rs.7,749 crore. This haircut is on account of intangibles such as properties or is there is something else?

Shri S. L. Jain, MD & CEO

As per the RBI guideline, you can't consider full amount of revaluation reserve for CET 1. You have to take only 45%. So that is one factor. Second factor is that you can consider your DTA only up to the 10% of your CET 1 capital as per the Basel law. So always there will be a difference, madam.

Vibha Batra, Analyst

Okay. So technically, then when you're giving your book value, you should possibly give as per the net Tier 1 that you're showing and also as per net worth. Because there is a huge difference, 14%, 15% difference, broadly speaking. And RBI may not allow it to be included as Tier 1 capital because it's not really available for risk absorption. That's all from my side. Thank you and all the best.

Kunaal N (Host - Emkay Global)

Thank you. The next question is from the line of Jai Mundhra. Jai, please unmute yourself and ask your question.

Jai Mundra, Analyst

Yes. Hi, Sir. Good evening and thanks for the opportunity. And congratulations on your term extension, Sir. Sir, a few questions. First on this new guidelines on investment revaluation, there is a rise in the yield on investment, right, which is a sizable rise on a QoQ basis. Now, considering part of that is because of the now amortization being allowed in AFS, should we think that this yield on investment should remain here, I mean, broadly? Or is it one-time exercise that helped increase the yield on investment?

Shri S. L. Jain, MD & CEO

No, Sir. It will remain, Sir. It will remain as per the new guidelines.

Jai Mundra, Analyst

Right. Okay. And secondly, Sir, I see in the notes to account that there is a credit in the AFS reserve, but there is a debit in the general reserve. If you could explain, Sir, what explains this, the negative?

Shri S. L. Jain, MD & CEO

When you move to the new regime, naturally, there is a difference in the book value and the fair value of FVTPL. So, the difference has been debited to the general reserve. But in an AFS book where you have an MTM gain, which earlier used to flow through P&L account is now going to a reserve account - AFS reserve account.

We have gone with a different strategy. We have done our reclassification by keeping 2-3 objectives in our mind. One objective is to have a better HTM yield so that Bank will consistently give a better result. So as a result, our HTM yield is 7.08%. You will find a difference when you compare with other Banks.

Second point is that we are having an AFS book of close to Rs.65,000 crore and our excess SLR is Rs.44,000 crore. So, this Rs.44,000 crore, we have kept in a AFS. In case of need, we can always have.

Third point is that FVTPL, our yield is a 7.79% where we can always make money. So, we have gone with the different, different objectives.

Jai Mundra, Analyst

Okay. All right, Sir. Thanks. And secondly, Sir if you can bifurcate your loan mix by benchmarks, like repo and MCLR. And do you have any corporate loans linked with T-bills or the entire external benchmark is repo only?

Shri S. L. Jain, MD & CEO

61% book of our book is linked to MCLR and the external T-bill may be Rs.1,000 crore but not much. Basically, we are a margin conscious Bank. So, we grow only in profitable way. Within the MCLR also, around 80% is on a one-year MCLR. So that way, that will always give us a support.

Jai Mundra, Analyst

Right. Sir, is it right to say that your MCLR proportion has increased? Because I remember it was slightly at the mid-fifties level. Has that increased?

Shri S. L. Jain, MD & CEO

No, since last three, four quarter, it is 61%. Prior to that, it was slightly less, 59%. Continuously, we are maintaining that.

Jai Mundra, Analyst

Okay. Okay. And Sir, why not do T-bills? Because it looks like that T-bills will capture more concurrent, let us say, change in the interest rate, right? Or that is not a right understanding.

Shri S. L. Jain, MD & CEO

But point is our deposit are not on T-bill.

Jai Mundra, Analyst

But they're not on repo also, right?

Shri S. L. Jain, MD & CEO

But so, that is a regulatory requirement. Rest is based on whatever increase in cost, I should be able to pass on.

Jai Mundra, Analyst

Okay. Okay. Sure. And Sir, lastly, on LDR, right? So, we are 79-80% LDR. Is that the optimum LDR? Or you think you still have few basis point more scope to improve?

Shri S. L. Jain, MD & CEO

LDR we are at 79%, 1 or 2% here and there we can go and basically what we do is we raise resources based on the need also. So, we basically match everything. You see on a QoQ basis how our deposit and credit growth is happening. Even on a full year basis, last year deposit growth was Rs.67,000 crore and credit growth was also Rs.60,000 crore. Likewise, whole year you see from Jun 23 to Jun 24, it is matching. So, we are matching in this concept and we can raise the resources. Point is that you have to pay slightly higher.

Jai Mundra, Analyst

Right. So, cost of deposit has inched up only by 2-3 basis points. How do you look at cost of deposits, Sir? Because your capital is healthy and you're doing a calibrated 11-12% kind of a growth. In that context, how should one look at the cost of deposit? Would it keep rising up or it has plateaued or how do you look at it?

Shri S. L. Jain, MD & CEO

Cost of Deposit is slightly higher because the Banks are taking money at a special term deposit rate. So, cost of deposit may further inch up by 3 bps-5bps. But we have increased the interest rates in MCLR book too during June and July by 5 bps each. So, this, coupled with the healthy investment income will also support in maintaining our margins.

So, that Income will come again in the P&L, slightly Cost and Income will increase and of course the Investment will also support us.

So, that way we are trying to maintain our margins.

Jai Mundra, Analyst

Understood, Sir. That is very, very helpful, Sir. Thank you and all the very best.

Kunaal N (Host - Emkay Global)

Thank you. Anybody who wishes to ask a question can raise their hands. In the meanwhile, there was one question in the chat box from Mayank Gulgulia from SBI Life. He was asking, what was the reason for increase in the slippages in the MSME segment and what is the outlook going forward?

Shri S. L. Jain, MD & CEO

So, I told you that because of the three, four reasons. It was because of seasonality, heatwaves and election related effects. There are a number of factors. And we have recovered part of the money also. And our recovery was higher than the slippage.

Kunaal N (Host - Emkay Global)

Right. The next question is from the line of Manish. Manish, please unmute yourself and ask your question.

Manish, Analyst

Yes. Thanks for the opportunity. So, my question is regarding one of the budget proposal, wherein PSU Banks have been asked to develop independent assessment model to lend to MSME based on digital footprint. Since we are one of the prominent Bank in MSME space, do we have any model right now? Had we back-tested those model? How do you see this proposal by the government to the PSUs?

Shri S. L. Jain, MD & CEO

Well, this is a good move from the government. At present also, based on the GST return, CMR scores and balance sheet, we are having our own model based on which we are giving credit to the customer. And you see, I'm telling you the delinquency level on those kind of digital lending is lower than the others. So, we are having our own system, which is based on the GST - means your turnover, your purchase, your sales, financial statement - and also based on the CMR ranking, CMR tax care of your credit or your conduct of account. After considering all these factors together, we are giving the facilities and further we'll develop based on the needs. So, we are having, Sir and we are open for others, because it will be developed by IB and all. So, we'll give our comments there also.

Manish, Analyst

But Sir, are you confident of managing the credit quality in this space, if you start lending without any proper records or account statement?

Shri S. L. Jain, MD & CEO

So, when we give credit based on ITR and in ITR 2,3 and 4, it provides us with the entire balance sheet and we have a CMR which takes care of your conduct. And the GST which takes care of your purchases, says whether the same purchases, says whether the buyer or seller is submitting the return. So, we can do Sir.

Manish, Analyst

Okay. Just one follow-up on this. Does it open new lending avenues for us in MSME space?

Shri S. L. Jain, MD & CEO

Definitely, Sir, because what happens, there are two issues in MSME with access to credit. So, if you offer a product digitally, naturally the access to credit will increase.

Further now, the new schemes have also come that, in a Mudra, Tarun, wherever the money has been paid, you can give more, from Rs.10 lakh to Rs.20 lakh. So, there is a good opportunity to lend those borrowers who have repaid. My customer who have already repaid, will come back to me and I will give more loan. So, opportunities will be there, Sir.

Manish, Analyst

Got it, Sir. Thanks for answering.

Kunaal N (Host - Emkay Global)

Thank you. Anybody who wishes to ask a question can raise their hands. Sir, there's one question in the chat. What will be the impact of the draft project financing and the ECL norms? And do you plan to raise capital to fend off the impact of the same?

Shri S. L. Jain, MD & CEO

So, first point is that guidelines are draft. Second point is that the draft guidelines tells you to make 2% provision by FY25, 3.5% provision by FY26 and then 5% by FY27. And that 2% also you can amortize over a period of four quarters.

So virtually it comes to 0.5% per quarter, which is not a material amount as compared to my total book. Of course, there will be an impact on my P&L because of the charging, but we will also charge the customer. So, this is an opportunity also to make some money to us. And that will not be a major impact considering the present projects in hand.

Kunaal N (Host - Emkay Global)

Okay. How much of PSLC fees have you booked in Q1 and what is the outlook for the same?

Shri S. L. Jain, MD & CEO

So that's Rs.627 crore of PSLC commission we booked. And as per our policy, we amortize over four quarters and thus Rs.157 crore is booked in the current quarter. And remaining we have carried forward to be booked in the remaining three quarters.

Kunaal N (Host - Emkay Global)

Got it. And was there any reversal of penal interest from interest income in the current quarter?

Shri S. L. Jain, MD & CEO

Yes, around Rs.42 crore has been booked, has shifted from the interest income to the other income.

Kunaal N (Host - Emkay Global)

Got it. So, we will take that as the last question. With this, we come to the end of the Indian Bank's post-results conference call of Q1FY25.

I now request the management to give their closing remarks.

Shri S. L. Jain, MD & CEO

Thank you all the participants for having active interest in the Bank and please keep supporting us and your support will give us more motivation to do better. Thank you.

Kunaal N (Host - Emkay Global)

Thank you. On behalf of the management, I thank all the participants for joining. Happy evening and have a good day.