इंडियन बैंक Indian Bank इलाहाबाद ALLAHABAD निवेशक सेवाएँ कक्ष INVESTOR SERVICES CELL वेबसाइट / website: www.indianbank.in ई-मेल / e-mail: ibinvestorrelations@indianbank.co.in	कॉर्पोरेट कार्यालय 254-260, अव्वै षण्मुगम सालै, रायपेट्टा, चेन्नै – 600 014 Corporate Office 254-260, Avvai Shanmugam Salai, Royapettah, Chennai - 600 014 दूरभाष/Phone: 044-28134076/28134698/28134484

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The Vice President National Stock Exchange of India Ltd. Exchange Plaza, Bandra- Kurla Complex Bandra East, Mumbai-400 051 **NSE Symbol: INDIANB**	The Vice President BSE Ltd. 25, P. J. Towers Dalal Street, Mumbai-400001 **BSE Scrip Code- 532814**

Dear Sir/ Madam,

Subject: Transcript of Post Earnings Concall / Meet

In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation of our letter No. ISC/187/2022-23 dated 01.11.2022 and letter No. ISC/192/2022-23 dated 04.11.2022 regarding Analysts / Investors Concall / Meet, we are enclosing a copy of Transcript of said post Earnings Concall/ Meet held by the Bank on 04.11.2022 on the Financial Results of the Bank for the Second Quarter (Q2) and Half Year period of FY 2022-23 ended September 30, 2022

The Concall Transcript is also uploaded on Bank's website and the same can be accessed through below link:

https://indianbank.in/wp-content/uploads/2022/05/Q2-FY23-Post-Result-Concall-Transcript.pdf

This is for your information, record and dissemination please.

Yours faithfully,

For Indian Bank

DINA NATH KUMAR

Digitally signed by DINA NATH KUMAR
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AGM & Company Secretary

Encl: A/a

Indian Bank Q2 FY'23 Results

Post Earnings Conference Call / Meet

Held on 04.11.2022

Transcript

Management:	**Shri S L Jain** **MD & CEO**
	Shri Imran Amin Siddiqui **Executive Director**
	Shri Ashwani Kumar **Executive Director**
Moderator:	**Shri Anand Dama** **Analyst, Emkay Global Financial Services**

Anand Dama (Host - Emkay Global): Good afternoon, everyone. We have with us today Indian Bank MD and CEO, Shri SL Jain, ED Shri Imran Siddiqui, and ED Shri Ashwani Kumar for Indian Bank's Second Quarter Post Results Concall. I would request Jain sir first to brief on the results that we had in the second quarter, and also provide some outlook on the growth, margins and asset quality. Also, would request sir to discuss about the standard asset provisioning norms which have been implemented and been enforced on lot of public sector banks in the recent past, that has been talked about by a lot of public sector bank managements during these calls. So would request sir to touch upon that point as well. Over to you, sir.

S. L. Jain, Managing Director and Chief Executive Officer: Yes. Good afternoon. Welcome to all analysts and investors in the post-results second quarter. So, as far as business of the bank is concerned, we have grown by 10% on a Y-o-Y basis. Under business deposit we have grown by 7%, savings deposit we have grown by 7%, and the current deposit we have grown by 9%, so CASA we have maintained at 41%.

In the credit side we have grown by 14%. So, the credit in the RAM sector we have grown by 13%. Under the RAM, retail we are growing 14%, agriculture we are growing 15%, MSME we are growing 9%, and corporate we are growing 6%. And we are having the RAM share of 62% which has improved from 60% to 63%. So, the RAM is a prime area of growth. This is the business number.

If you see the profitability number, our NII has grown by 15%, our operating profit has grown by 11%, and our net profit has grown by 12%. In addition to NII, our other incomes, whether it's fee-based income it has grown by 18%, our Forex income has grown by 171%, and PSLC income has increased. So, excluding the treasury impact, our other income has grown by 7%. So NII 15%, other income net of treasury 7%. Operative expenses have grown by 4%, resulting increase in operating profit by 11%, and the provisioning since our asset quality is improving, so the net profit has grown by 12%. If you see the pre-tax profit, it has grown by 160% or so.

Now coming back to the asset qualities, our asset gross NPAs have come down to 7.30% and net NPA to 1.5% from the 2.12%. The reason being the slippage was around Rs2,300 crores and the recovery was around Rs3,300 crores or so. Under the slippages, basically in Rs2,300 crore, around 45% of slippage comes from the Agri, and around a Rs. 400-odd crore is from the restructured book.

The slippage from the restructured book is coming down which was around INR1,400 crores in March, and then June INR1,000 crores, and then September it is around INR400-odd crores. So, the restructured book is, you can say, performing well. As far as the capital part is concerned, we are at 16.15%. And if we add six months profit of INR 2,400 crores, it works out to be 16.92%, close to 17%, so bank is adequately capitalized.

Now coming to your specific questions about the margins and all. Last year margin was 2.91%. In the first quarter it was 3.10%, and the second quarter it was 3.20%. The repo increase of 90 bps, 50 bps has been passed on during the quarter ended September, and the 50 bps which was announced in September will be passed on this current quarter.

As far as MCLR is concerned, you see from 1st April till today, our MCLR, one-year MCLR which is a measure, has increased from 7.30 to 8.10. So around 80 bps MCLR increase we have done. If you see the deposit rates from, say, 1st April till today, so we have increased the deposit rate in various buckets. So, it is from 1.1% to 1.4% in the range of various buckets.

So, since the 41% is CASA and 60% is term deposit, so, on average 130 bps, so you can say 60%, so 80 bps we have passed for as a part of MCLR. So, considering this and also considering the fact that interest rates have tightened in the markets, so we are of the view that we should be able to protect our margin at around 3% to be on the conservative side, this is a margin.

Now, regarding the provisioning of standard assets and others, we are governed by the RBI guidelines, and whatever are the RBI guidelines and whatever has been told by the RBI through instructions and all, we have fully complied with it. So, this is where we stand today.

In addition to these numbers, bank is working very hard on digitization. So, in digitization we have launched various journeys, whether it is pre-approved personal loan for salaried, whether pre-approved personal loan for professional and self-employed, loan against FD, then the Mudra loan, then the KCC renewals, then our insurance products, all we are giving through mobile banking. And bank is totally focusing on digitization, so your mobile registration which was around 58 lakhs a year back has crossed 1.02 crores.

So, since all these products we are offering through mobile banking, so mobile bank is totally focusing on increasing the mobile activation, so you see the 76% rise, likewise the internet banking has also increased. And the digitization which was around 70% a year back is now 82%.

And in addition to these customer friendly journeys, we have also rolled out the performance management system in the bank, where the KRA of each and every employee, each and every officer will be tracked based on the targets given by them. So it will give the productivity increase going forward.

In digitization -- in addition to this we are doing number of other things as well, whether it is a middle-ware so that we will be able to pay by API integrations, and horizontally we can grow. Because with the API integration you can grow your businesses. There's omnichannel we are also doing. We have also onboarded the lending platforms, so that we will be able to come out more and more customer friendly journeys in the time to come. We are also working on the trade finance module where we will be open -- able to offer customer facing services so as to have better customer experience and to increase our income.

Now, I am open for question-and-answer, and with me my both the Executive Directors and the top management team here.

Anand Dama: Yes, sir, thank you for touching upon all the points. Sir, particularly on the margins before we take the Q&A, I think that is one very important aspect that we have seen across public sector banks that some of the banks have seen very strong margin uptick during the current quarter, but the uptick that we had seen in our bank was relatively moderate versus the peers, so any specific comments over there?

S. L. Jain: So margin of course 15%, but you see this year, this quarter out of 2,300 slippages, 1,059 slippage is on agri. In Agri what happens, in KCC it is a long time to classify account because based on the duration of the account. So, there is a interest reversal of around INR260 crores, major interest reversal has happened on all these accounts.

In addition to that what we have done, we have also done interest reversal for the restructured account, the moratorium period interest which has been capitalized as per the then guidelines, that also be have reversed. And because of these two the NII growth which is appearing 15%, moderately lower. But this is as per the RBI guidelines in total.

Anand Dama: Yeah, thanks, sir. Now we open the floor for Q&A. First question we have from Mr. Ashok Ajmera. Please unmute yourself.

Ashok Ajmera: Good morning, Jain sahib. And the team, good noon. Sir, compliments for yet another good quarter for the bank which -- I mean, the overall financial position of the bank you have managed very well, along with the -- even asset quality, and most of the parameter -- the ratios and the figures are within the given guidance and parameters.

Sir, having said that, my first question or rather some information required on the overall treasury operations, though segment wise there is an income of INR1,441 crores, the profit in the treasury, but overall if you look at it, and with this rising interest rate scenario and now with this Fed increasing 70 basis point again, and maybe RBI also now accordingly will match it maybe 50, 60 basis points going forward, what are your views and observations on or you are comments on the overall treasury operations of the bank, sir, including the money which you are making from the foreign exchange transactions?

S. L. Jain: So our investment book is of 184,000, right, so 25% of this is in the HFT and AFS book. Here you see what we have done, we have churned out the portfolio. The treasury bill which was around INR 9,500 crores has come down to INR 4,500 crores. So INR 5,000 crores amount we have churned out, and invested in the central government or state government securities where the yield is better, because -- what we are doing is wherever the yield is more than 7.5%, we are increasing our portfolio, where it is less than the 7.5% we are selling. That way we are doing last quarter, so we have made up profit of INR 125 crores as well in the last quarter, even in this volatile time. So, this is the one way, and we will continue to have that kind of strategy. And in this process what happened, our yield has also improved in the overall treasury book as well as in the HFT and AFS book.

In a Forex, what we have -- from last six to eight months of from last one year we're seeing that Forex profit is continuously increasing, 171% or so. So, there are opportunities in the Forex market, first point. Second point, we are having GIFT City operation. Third point is, we're very active in the merchant turnover, in the derivative markets. So, in our Forex desk, we have made it active, and as a result you are seeing that whatever is the losses or the decline in profitability because of the treasury, because of the market, mostly we are covering through our Forex operations and all. And that is why -- how we are managing, and we'll continue to do so because still the margins are available in the business.

Ashok Ajmera: But sir, with the liquidity being sucked by the RBI measures, are you getting some pressure on the liquidity side? Because some of your money has got blocked in this foreign -- Forex forward premium and other things, so will it continue or do you -- are you observing any pressure on the liquidity front, sir?

S. L. Jain: No, see, liquidity side we were comfortable, our LCR is around 142%, that's one point.

Second point is that the way the liquidity has been tightened, both sides we are increasing the rates, either on the deposit side and advance side and maintaining our margins. Of course, the liquidity is being tightened, so as a result what happens, the short-term interest rates have increased. But simultaneous, the yield has also increased, and we are the intermediary. So still we have opportunity to make money.

Ashok Ajmera: Sir, coming towards the recovery side, sir, how comfortable we are as per the target given for the overall recovery and recovery from written off accounts? And what is the development on the NCLT front and also NARCL front, how much accounts are going, how much money is going? Because now NARCL has become very active, so I think any colour on that, latest position on that, sir, on the recovery and NARCL, accounts going to NARCL.

S. L. Jain: So whatever -- in the beginning of the year we said that our recovery will be around INR8,000 crores. So in six months our recovery is INR 4,438 crores, which works out to around 55%. So in a half year, 55% remaining we'll be able to achieve.

Likewise in AUC recovery, which we call TWO recovery is around INR 1,600 crores of our targets. As against INR1,000 crores, we are at INR890 crores or close to INR 900 crores, here again 55%. So target vis-a-vis achievement we are better than this. Going forward, since we are recovering around INR 2,000-odd crores every quarter, we'll continue to do so. And from where we are getting strength, because we still have INR 24,000 crores of account on NCLT, we are having a compromised pipeline, we are having NARCL as well, and we will do SARFAESI sale. And last quarter also we have done INR 58,000 crores number of compromises as against INR 39,000 crores in the Q1, so that way we are focusing on this.

As far as NARCL is concerned, sir, around INR 5,400 crores of account which they have shown interest which is around 21 accounts. And in the four accounts we are at an advanced stage, where the amount is around INR500 crores. So we may be getting around 25% or 30% of that account, because this is Swiss challenge will happen and then the exact price will come out.

Ashok Ajmera: You are there in that big six Swiss challenge company also, where against 234 -- I mean, 500 -- some 438 or something has come from Phoenix? Are you there in that account?

S. L. Jain: Yeah, we are there in that account. We are there.

Ashok Ajmera: Just couple of small observations, sir, on your notes to the accounts. Note number 15, under the COVID-19 framework the outstanding is INR 18,422 crores and NPA slipped is INR 1,190 crores and recovery is also around INR 1,163 crores. So, INR 16,000 crores is still outstanding there. What is your guess on that, that if you look at the same proportion of the recovery and the NPA slipping, I mean, it is almost equal so far. So going forward, out of the INR16,000 crores outstanding, how much do you think will slip to the NPA?

S. L. Jain: So, you see, in INR 18,000 crores basically two, three big accounts, The Future Group and all accounts, they have been restructured and they have been slipped. And that is why this NPA numbers are showing higher.

If you see the reality, how much has been slipped in the March quarter, how much in the June quarter and how much in the September quarter. So, September quarter INR463 crores as against the June quarter of INR 1,094 crores, so it has come down 50%. And prior to that last year it is INR1,705 crores, because of The Future Group and all. So when the slippage is coming down from the restructuring book, it gives us a strength that the remaining accounts are standard and will continue.

Ashok Ajmera: Okay. but last is on note number 17

Anand Dama: Sir, Mr. Ajmera, request you to come back in the queue.

Ashok Ajmera: Just last, Anand. Note number 17, sir, under the provision framework, INR 780 crores out of that provision that is write-off is the non-fund base amount out of total of INR 16,017 crores. So how much more is the non-fund base is there, because that is as good as totally going, I mean, slipping.

S. L. Jain: No. Ajmera sir, that's the RBI guideline. RBI guidelines said that as per the 7 June, '19, circular you have to make a 35% provision on the exposure. So exposure includes your fund based and non-funds. So the number which you are telling is the INR780 crores is a non-fund where we have made 30%-35%.

Ashok Ajmera: Okay. So total will be INR 2,000 crores non-fund, I mean, if it is 35% for entire non-fund is provided for?

S. L. Jain: INR 1,780 crores, 35% of which has been provided.

Ashok Ajmera: Okay. All right. Still -- I mean, some amount still left there.

S. L. Jain: No, but what happens is these are three years -- and accounts are standard, sir. Account are standard, so that is going on. So guarantees are which -- suppose we have given guarantee for one year, two years, three years, it will continue. Yeah. Yeah, of course. And guarantees are against performance, guarantees are against bid bond, so you can't say the entire will come.

Ashok Ajmera: Okay. Thank you, sir for this round. If time permits, and Anand allows me, I will come back again.

Anand Dama: Yeah, thank you Mr. Ajmera. Next question we have from Gaurav. Gaurav, please unmute yourself

Gaurav: Hello, sir. Thank you so much for the opportunity. And congratulations on very good set of results. Sir firstly on the asset quality, whatever numbers we have disclosed, they seem to point at very good, healthy underlying recovery in all the assets that we own. But sir, two, three quarters back we used to disclose the SMA-1 and SMA-2 for the entire portfolio, which we changed to above INR5 crores book. And it would be very great for all of us to understand how the recovery or how the performance of that portfolio is moving, which is below INR5 crores book. So if you could share SMA-1 plus 2, the combined figure or individual figure for the entire book, that will give us a lot of comfort.

S. L. Jain: So, actually in line with the industry trend we have started showing this INR 5 crores and above. But you see, we are also showing the collection efficiencies. So, collection efficiency is 95%. So, from that also you can make out, because we are showing the collection efficiency separately for retail, agri, MSME, and the corporate.

Gaurav: Yes, sir but you can --

S. L. Jain: In fact, this number has come down from 0.61 to 0.5.

Gaurav: What has come down from 0.61 to 0.5?

S. L. Jain: This INR 5 crores and above SMA-1 and SMA-2 which was around 0.61 in the June quarter, has come down to 0.5 in the September quarter.

Gaurav: Yes, sir, that is for the above INR5 crores, which you have anyways disclosed. I am talking about the below INR 5 crores, which was INR18,000 crores at the end of December 2021. So, any subjective indication would be really helpful, whether this 18 has moved to 15 or you know it has been same or it has gone to 20?

S. L. Jain: When your collection efficiency is improving, it should come down as such.

Gaurav: Okay, great. And sir on the provisioning side, the current run rate of around INR 2,000 crores INR 2,200 crores, do you expect this to continue for another two quarters or so? Or you expect this to come down substantially now that there is a very healthy performance across your advances?

S. L. Jain: So our net NPAs has remained INR 6,000 crores, right, so that is 1.5%. And so credit cost which is around 2.01%. So going forward, I am expecting that our credit cost should come down from the 2%.

Gaurav: So for this financial year you are expecting it to be at 2%, right?

S. L. Jain: It should be less than 2%.

Gaurav: Okay. And sir for what next year, FY'24.

S. L. Jain: No, that decision we'll take on 31 March, based on the available numbers. Otherwise, INR6,000 crores is not a big amount, considering our operating profit of INR 3,600 crores of one quarter.

Gaurav: INR 6,000 crores or INR 8,000crores, sir. I think –

S. L. Jain: How the portfolio will behave, then only we'll be able to tell.

Gaurav: Sir, you said INR 6,000 crores or you said INR 8,000 crores, because current run rate seems to point it that the number will be INR 8,000 crores for FY'23?

S. L. Jain: But I'm talking about the net NPA number.

Gaurav: Okay. Okay. And sir, in terms of –

S. L. Jain: So, remaining amount which is to be provided.

Gaurav: Okay, so INR 6,000 crores sir, that you can provide in three quarter itself, but –

S. L. Jain: That one I can't say. At this point we can't say. Because this is a dynamic position, this is business. How much will be recovered, how much will be slipped and all that.

Gaurav: And sir, in terms of loan growth, do you still intend to grow your book at 10% plus/minus 2% or 12% or 8%, or you would like to rephrase it to higher number?

S. L. Jain: So point is that, you see 14%, but because we are retail bank, 62% of our book is retail, and the margins are also there.

Gaurav: Correct.

S. L. Jain: That is why the healthy margin. So we'll continue to grow 12%, 13% in the RAM sector. But overall, in corporate what happens, because of the -- some of the corporate, the interest rates are not making sense from the risk-reward point of view.

So, we will continue to remain selective, we'll continue to remain choosy, because we should get a good margin over that. So that is why I told that 12% plus/minus 2%. If there is opportunity in the credit substitute, we'll go to credit substitute. But at the end of the day we should get a good margin.

Gaurav: Okay. So, I thought it is 10% plus/minus 2%, now it is 12% plus/minus 2%?

S. L. Jain: No, 12% plus/minus 2%.

Gaurav: Perfect, sir. Perfect.

S. L. Jain: So, everything is based on the margin available. We can grow also, but ultimately you should get a margin. You have some PSLC obligation, but because we are having PSLC also, we have selling. So, from the risk-reward point of view it should make sense.

Gaurav: Okay. Okay. Thank you so much, sir. All the best.

Anand Dama: Yeah. Thank you, Gaurav. Sir, next question we have from Rajesh. Rajesh, please go ahead. Rajesh, please unmute yourself.

Rajesh: Hi. I have a few questions. The first question is, can you just clarify, there is talk about wage agreement revision? If yes, what can be the impact of that, and by when we can see some clarity on that?

S. L. Jain: Wage revision will be due from 1 November, 2022, so it is not yet due. But we have to make some provisions from the December and March quarter, because this is the way every time we used to make provision. So this time also we'll make provision based on estimate, but the negotiation has not yet started.

Rajesh: Okay. So last time this provision was made in which year?

S. L. Jain: Every year based on -- every quarter we used to make.

Rajesh: Okay. So, basically -- so you're saying that even in FY '22 there was a wage revision and then what was the actual -- can you just tell me what was last three, five years' trends, if any?

S. L. Jain: No, negotiation has not yet started, sir. So, based on the negotiation, based on the demand, we will make out estimates, what can be the increase, and based on that we'll factor in.

Rajesh: No, no. My question is, when was the last revision?

S. L. Jain: Last revision was on 2017.

Rajesh: 2017. Okay.

S. L. Jain: 1 November, 2017, and every five year it happens.

Rajesh: Understood. And then from 1 November, 2017, in the last five years it means, what has been the actual increase?

S. L. Jain: No. 1 November, '17, actually last time around 10% or 12% of the rise has been given. So it depends -- it depends what is the current rate, what is the –

Rajesh: You mean on annualized basis. You mean on annualized basis 10% to 12% hike, what you're talking about or the total 10% for five years?

S. L. Jain: 10% on an annualized basis only. That was the last time to my mind. Actually, I'll go back and check, but this was the increment. So, depends -- depends actually what is the demand, where you stand.

Rajesh: Okay. And so from third quarter onwards, therefore, you will start making provision assuming some estimates, am I right, that's what you're saying?

S. L. Jain: Yeah. Assuming some estimates, so that when the actual settlement will take place, we have enough provision

Rajesh: Understood. And our cost-to-income ratio, how do you see your cost-to-income ratio over full year and for the next year?

S. L. Jain: So, you see, our cost to income ratio was 41% or 44%, right? So cost-to-income two major factors, NII we are growing 15%, 18%, absolutely no issue. In other income, because of the treasury it gets fluctuated, otherwise, expenditures are under control. So, this should be in the range of which we are in, not substantial difference, sir.

Rajesh: So, are you saying that your cost-to-income ratio -- because if I look at your total operating expenses for the quarter, it is about just 4%. So are you saying operating expenses on a full-year basis also we should assume roughly about -- say last year was about INR11,000 crores, we should assume about 5% to 6% increase every year, are you trying to hint that?

S. L. Jain: Yeah. In the normal, situation half year it has grown by 4%, right?

Rajesh: Yes.

S. L. Jain: So, that we can -- these estimates you can make, sir, because I have given all information to you.

Rajesh: Yeah, that's what I'm trying to understand, because on operating expenses beyond a point we don't have any further –

S. L. Jain: No, expenditures are under control, sir, expenditures are under control. And the way businesses are growing, naturally NII should grow.

Rajesh: Okay. And my last question is, on incremental basis what the CD ratio is?

S. L. Jain: So, you see, it was around 70% in September. In March, it was around 72%. It is 74% today.

Rajesh: Okay, okay. Got it. So, incremental it would be about what 85-90 kind of thing?

S. L. Jain: Because my point is that, what kind of liquidity you are having, based on that only you take call.

Rajesh: Yeah. Yeah. Very good. So, by when you think probably you may need equity infusion?

S. L. Jain: Presently our capital adequacy is around 17% -- 16.15% which we disclose, and half-year profits INR0.77 -- 16.9%. So presently we are adequately capitalized, sir. So even though we have shareholders' approval and everything, so we'll take a call if the opportunity so arise. Otherwise, presently we are comfortable.

Rajesh: No, no. There is no doubt at 16% you are comfortable. My question to you is, sir, at what capital adequacy ratio you think you will need to raise capital to fund your future growth?

S. L. Jain: Okay, okay, understood. So point is that 11.5% is a minimum requirement, right? So 1% you can have over and above the minimum requirement. So 12%, and however 13% is a minimum level where we should go for raising capital, that is how we work actually.

Rajesh: So basically, if you're –

S. L. Jain: And one more point is that, second is from the generation point of view. So when you are generating six plus if you have generated INR2,400 crores. So generation itself is taking care of your future needs. So, going forward, the requirement of raising capital seems to be less to me, because generation will take care of everything.

Anand Dama: Yeah, Mr.Rajesh, please join back the queue.

Rajesh: Thank you.

Anand Dama: Thank you. Our next question we have from Mona. Please restrict your questions only to two.

Mona Khetan: Yeah, hi, sir. Good evening.

S. L. Jain: Good afternoon.

Mona Khetan: Yeah, good afternoon. So, firstly on the recoveries you had this quarter, which were pretty strong at INR2,600 crores. Are there any one-off there? Are there any large accounts?

S. L. Jain: No, one-off, maybe one account of maybe INR200 crores, INR300. NIL, one account, INR300 crores.

Mona Khetan: Sure. And when it comes to the restructured book, so I'm assuming that almost all of it is built by now. So, from this current book, what sort of slippages do you expect hereon?

S. L. Jain: So, what I told initially, Q1 was INR1,094 crores, so close to INR1,100 crores, which has come down to INR460 crores, so 50%.

Mona Khetan: Right.

S. L. Jain: Right? So, this gives us a comfort that going forward the pain will be less from this book.

Mona Khetan: Okay. But you don't have a number in mind that off this maybe a 10% would overall slip.

S. L. Jain: It is very difficult to say how much will slip. But you see, our collection efficiency, it gives us a comfort that, no, we should not have an undue worry on account of that.

Mona Khetan: Sure. So if we look at Slide 33, where you have given the details of restructuring, this recovery percentage, is that the collection efficiency for each of the portfolios, the last column?

S. L. Jain: Right. This is a restructuring -- recovery in the restructured book of that portfolio.

Mona Khetan: Recovery percentage.

S. L. Jain: Recovery percentage. So, the due versus collection.

Mona Khetan: Yes.

S. L. Jain: Okay. So it gives 90% of the amount we are recovering, this is what you are saying, from the restructured book.

Mona Khetan: Yes. Overall. Okay, sure. And just finally on this restructured, the current outstanding under COVID restructuring is about INR16,000 crores, and then there is also this MSME restructuring of another INR2,200 crores. So is there any overlap between the two restructurings?

S. L. Jain: Yeah. It will be madam, it will be, because it is continuing the assets which were under stress naturally. After that COVID has come, so some overlapping will be there.

Mona Khetan: So, is the entire INR2,000 crores sort of also coming in the COVID restructuring or half of it –

S. L. Jain: May not be entire. Some can be, but we do not have that kind of replicate number or otherwise I'll calculate and we'll provide you.

Mona Khetan: Yeah. If you could just share the total restructuring including the 2x of any overlaps.

S. L. Jain: Okay. Understood.

Mona Khetan: And just finally on the tax rate, so we have had fairly low tax rates over the last few quarters, and this quarter it was at 22%. So what sort of tax rate do you expect for the full year?

S. L. Jain: So, tax provisions we calculate based on the estimated profitability for the entire financial year, because tax is to be calculated on entire financial year. And the benefit which we are getting on account of carry-forward or on account of income tax reductions under Section 36(17) because rural, non-rural and all. Considering this we calculate tax liability for full year, and accordingly we provide. So since our profitability is increasing, naturally the incremental part you have to give 25% of the tax, because we are in the new tax regime. And therefore, on an average, which was 10% in the first quarter has come down to 16%.

Mona Khetan: Sorry. It has increased to 22%, right, the tax rate?

S. L. Jain: For quarter alone, but we are not paying tax, we are paying for tax for the year.

Mona Khetan: Okay. For H1?

S. L. Jain: So, H1. So you calculate on H1.

Mona Khetan: So, 16% is the rate one could assume for the full year?

S. L. Jain: Near to that.

Mona Khetan: Or it could be higher because of next two quarters' better profitability?

S. L. Jain: Based on the profitability estimates which we have done. So it should be near to that level. Exact amount, of course, will be calculated based on the expense.

Mona Khetan: Sure. And just one last point on the employee expenses, you had earlier said that you expect employee expenses of INR6,300 crores to INR6,500 crores for full year. Now with this additional provisioning that you're saying on expected wage revision, could this number be higher from a full-year perspective?

S. L. Jain: Yeah. It can be slightly higher, because we have to provide for four months. What happens, we make a provision on employee benefit based on the FIMMDA rates. So what happened based on the 15 years rates, rates have slightly come down on 15 years, and we discount this as a liability for actuarial valuation. So, therefore, there is still a slight increase in the salary -- this provision part, AS-15 part. Other part of overheads are slightly increased because of the DA increase and increase in salaries and all. So, going forward, earlier was INR6,700 crores or so number, so it can be near to that level or INR100 crores, INR200 crores plus or minus.

Mona Khetan: Okay. Sure. Thanks a lot.

S. L. Jain: Actual we'll be able to know based on the actuarial valuation, because major part is this.

Mona Khetan: Sure. Thank you.

Anand Dama: Yeah. Thanks, Mona. Next question we have from Manish. Please unmute yourself and stick maximum one to two question only.

Manish: Yeah, hi. Thanks for the opportunity. Sir, I have just one question. If I look at your priority sector book, almost 97% of your NPA is contributed by priority sector loans, which is around -- which translates to 20% of GNPA, against public sector peers' number of 7% to 8%. So the two things here, do you think we need to revisit our priority sector strategies, number one? And what are the steps are you taking to bring this kind of number down to the industry level, maybe at 7%-8%? That's it. Thank you.

S. L. Jain: So this -- I agree with you. Basically, the priority sector the NPAs are in KCC, agriculture, and the MSME and all. These are the major. So what we are doing, we have specific OTS schemes for MSME also and specific OTS scheme for agriculture. And therefore, I told, 58,000, 60,000 of OTS we have done in the last quarter and we will continue to focus on OTS and bring down this outstanding.

Manish: So, apart from Agri, even if I were to look at your MSME segment, there also the number looks pretty high, compared to what other public sector bank reports. So, if you can also touch about that, how do you want to bring that part down?

S. L. Jain: So, how can you do the reduction, only through OTS, because these are the small account, you can't go to NCLT or any other way. So, either the asset sell as a bundle or as a part of the OTS. In the OTS what happens, your haircut is less in comparison to other. So we have come out with a specific OTS scheme for education loan, for MSME, because there also NPAs are high, and the Agri loan. So, we will be continuing to focus through OTS for recovery of these loans.

Manish: So, what you talked about is the collection part. What I was more interested in understanding is on the underwriting part, so are you doing any changes there?

S. L. Jain: I agree. Yeah, I agree. So you see, in Agri part we have grown 9%, but you see, 55% in Agri is a jewel loan, where we are growing 16%. So the NPAs are basically coming in other than these jewel loan. So, there we are not growing to that extent, we are growing more on that. So from the underwriting point of view, from the education loan also we have entirely changed our scheme. We are going to the premier institutions, competitive rates. So that also we are focusing on.

Third one, in Agri side we have specifically created 421 branches. We have posted jewel loan champions. We have purchased Karatmeters. So we have number of things in the gold loan side, not only to boost our portfolio but also to attain quality. Likewise, in SSG where the NPAs are less and the yield is better, we are focusing -- in addition to the southern part, we are focusing on to the Orissa, Rajasthan, UP. So from the underwriting point of view, where the NPAs are more, we are coming out from that, and focusing on the area where margins are better and NPAs are less.

Manish: Thanks, and all the best.

Anand Dama: Yeah. Okay. Thank you, Manish. Next question we have from Mayank. Please go ahead.

Mayank: Yeah, hi, sir. Thanks for the opportunity. You shared that there was interest reversal on restructured book, which has been capitalized. Can you share quantum of that?

S. L. Jain: It should be around INR 100-odd crores some - some INR 100-plus crores. INR 115 crores.

Mayank: Okay. And is there any particular reason it was done in this quarter? Or whether that -- whether it can come in next quarter also, in coming quarters also?

S. L. Jain: No. This we have done, basically what happens, this was a peculiar time when the five months moratorium was given, and that amount was capitalized as a part of RBI. And what to do with this capitalized part, because then your instalments, everything is based on that capitalized part. So therefore, this amount was kept, and this has been – since whatever has been not realized has been reversed.

Mayank: Okay. So restructured book which slipped into NPA, and whatever interest was accrued earlier, that has been reversed.

S. L. Jain: Yeah. Yeah. For the moratorium period, that five-six months period, from March to August.

Mayank: And in future, whatever slippage comes further from the restructured book, some amount might continue in the future as well?

S. L. Jain: Naturally, naturally. Whatever is uncollected, will be. So point is that now this major part has been collected.

Mayank: Yeah. Got it. Second question is on Agri slippage. So sequentially it has been higher for us. Is it seasonal in nature? Because for other times Agri slippage typically come in Q1 or Q3?

S. L. Jain: Yeah. What happens, we have major exposure in erstwhile Allahabad Bank, again Allahabad was in UP and Bengal, right. So based on the harvesting period the timeline has been fixed as July. So it came in the month of July, and that is why it is higher. Based on the -- in the area where we are exposed more, based on that the slippage cost. Because the season or -- harvesting season depends on that particular crop and –

Mayank: So for us, like Agri slippage will be typically seasonally can be higher in Q2 and Q4, is that the way to look forward?

S. L. Jain: Yes, yes. Basically in July and January.

Mayank: Got it. And to previous participant question like we shared 12% to 13% growth. So that plus or minus 2%, that is on RAM or that is on entire portfolio?

S. L. Jain: That is on entire portfolio.

Mayank: Okay.

S. L. Jain: RAM, we are continuously growing 12%, 13%.

Mayank: Right, right. And in terms of like wage revision from December onwards, you might start making some provisions. So assuming like 10% kind of increase in the wages, so what kind of absolute provision we might have to make each quarter?

S. L. Jain: So that calculation we are yet to do. Because some part is the retirement benefit, some is known part. So that -- every calculation depends on the demands and what can be the sustainable demands.

Mayank: Okay. Got it. Thanks. Thanks a lot. Thank you, sir.

Anand Dama: Yeah, thanks Mayank. Next question we have from Jai. Jai, please unmute yourself

Jai: Yeah. Hi, good afternoon, sir. Sir on PCR, so we have seen a sharp increase from 75% to 80% this quarter. Is this due to some ageing provisions or you have done some accelerated provisioning in this quarter? And how should one look at the PCR going forward? Do you intend to keep it at 80% or it can actually decline?

S. L. Jain: For the PCR 91% and for other than the PWA it is 75% to 80%, I agree with you. In some of the projects -- road projects and all we have made a provision because some of the road projects have gone into arbitration where the security maybe the issue from the auditor's point of view. In some of the account we have made 100% provisioning. So, this is based on the security dilution in the particular asset.

Jai: Right. And sir related question is, you mentioned in your opening remarks that you are fully compliant on RBI maybe directions on standard assets provisioning. But do you expect any more standard assets provisioning on some of these quasi-sovereign, sovereign, civil supply, Discom kind of an account which have been provided at accelerated basis at other banks?

S. L. Jain: It depends on which account you are in? What is the position of your account? Whether account is performing? And suppose in big accounts what happens, INR1,500 crores, these are with the various banks -- various banks where the account is SMA-0 or SMA-1, and it has not been -- no reservation plan is -- on those accounts, basically, the 7 June'19, circular triggers. Right? So that based on particulars banks' position, where we are there or not there, we'll take the call.

Jai: Yeah. So, sir, you would be knowing, right, that these are five, six accounts. And is there any additional standard assets provisioning required for Indian Bank?

S. L. Jain: My point is that you see from the Indian Bank perspective I can tell you. We are in 62% of retails books, RAM books. So, we are not having much exposures on bigger accounts that way we are a retail bank. So, any provision because whatever it comes, we're not having undue worry on account of that.

Jai: Understood. And last question, sir. If I look at your regulatory retail deposits, and that number as per last quarter is the lowest of all PSU banks by wide margin at around 45%. So, have you looked into that that why is your LCR compliant deposits are such low at 45% versus 60%-65% at other banks -- other PSU banks?

S. L. Jain: CFO, you can answer. Otherwise, we'll go over the details -- we'll provide you the details

Jai: Sure sir. Thank you so much, sir. And all the best.

Anand Dama: Yeah, next question we have from M.B. Mahesh. Mahesh, please unmute yourself.

MB Mahesh: Sir, I have just one question. In Slide 6, the foreign loans that you have in your portfolio, if you could just kind of give us a break-up of that particular loan book, sir. And the reason?

S. L. Jain: You're talking about the international book?

MB Mahesh: Yes, sir.

S. L. Jain: Yeah. So international book is basically around INR26,000 crores. We are having branches in Singapore, GIFT City and Sri Lanka, these are three places. And the credit is basically the syndicated credit, which is ECB credit, the trade finance credit, and loan to banks or institutions. These are four major credit categories where these loans have been given.

MB Mahesh: Out of this how much would be, let's say, credits given to institutions which are based out of India, sir?

S. L. Jain: That number we'll calculate and we'll provide you, but these are the major four categories.

MB Mahesh: But just to kind of extend this question, any reason why we have chosen to grow this book, given that it's anyway low-margin business to begin with? And if domestic demand is reasonably strong, why bother growing this book?

S. L. Jain: No, actually, there's margins available on that particular book, that is the reason for growth of this book. So, suppose you are getting a good margin there, then you grow.

MB Mahesh: But the domestic margins usually are much stronger as compared to the international margins, even if you adjust for the cost at which you operate in those branches. Just trying to understand, why do this business in the first place?

S. L. Jain: No, what happens, some of our customer too our having business in India and overseas as well. So some of the business are through the client here booked in a domestic business and some of the business is booked in the international.

MB Mahesh: Okay. Perfect, sir.

S. L. Jain: And somewhere we are also giving the -- suppose we have given them SBLC limit, so that we can discount. So, we'll earn SBLC commission here, and we'll earn there also, put together it is a good margin.

MB Mahesh: Okay.

S. L. Jain: Okay. So, some margins we are getting on account of commission, some margin we are getting on account of income. So, that is a -- that all put together gives you a good margin to take a call.

MB Mahesh: Sir, just one clarification. What would be the duration that you're running on this book?

S. L. Jain: So, duration maybe less than one year for a major part of the book, because trade finance and institutions are less than one year.

MB Mahesh: Okay, sir. Thanks.

S. L. Jain: But indeed -- but syndicated credit were slightly three years. There they are slightly three years, syndicated and ECB.

MB Mahesh: Perfect, sir. Useful. Thanks a lot.

Anand Dama: Thank you, Mahesh. Next question we have from Mahrukh. Mahrukh, please go ahead.

Mahrukh: Yeah. Hello, sir. Hi. Thanks. Sir, I just had one question that one of your peer bank CEO said that for state-owned banks the CD ratio peaks at 74%-75%, so do you agree with that? As in that do you, I mean, would this be your peak ratio and beyond this it would be faster deposit growth?

S. L. Jain: Point is that CD ratios are at 74%, 75%. But you see SLR, 30%. So, ultimately your overall liquidity has to be seen. So if you will be able to grow deposit at a competitive pricing, then we can increase our CD ratio. But when you are having invested book at 30% and advanced 74%-75%, then ultimately, how you manage the balance sheet or you will continue to have borrowings. So generally, we are stable type of bank. So, borrowings generally we take occasionally, or we take against the SLRs and all.

Mahrukh: Okay. But would you like to increase your CD ratio from your own? Or how do you view your CD ratio from current levels? Or would you like to maintain it at this level? Or it's not a parameter you would track as such?

S. L. Jain: No, no, we are tracking 72%-74%, we can go even 1%-2% higher. Because what happens when you are expecting credit growth to be 12% and deposit growth to be 7%, naturally 1% or 2% it will increase, in that situation.

Mahrukh: Got it, sir. Thanks a lot. Thank you.

Anand Dama: Thank you, Mahrukh. The next question is from Suraj

Suraj: Yes, thanks sir. Couple of questions. So what would be the share of your wholesale deposit in the overall term deposit? The reason I am asking this question is because if I see your TD number, that is flat on QoQ basis, while CASA has grown. But again, your cost of deposit has increased higher than the peers. So, I just wanted to get a sense what would be the share of wholesale deposit in the overall term deposit.

S. L. Jain: So, the cost of deposit is around 4.0% per annum, 4.02%. So, there is not an increase -- major increase in the cost of deposit, 3.85% to 4.02%. Because the interest rates have increased. We have increased that deposit rates, I told you. From March level to this level are around 110 to 140 bps. So that impact will come, sir. And your question that major part of our deposit is in basically a stable level.

Suraj: Okay. But what would be the wholesales share in this -- in the term deposit?

S. L. Jain: Exactly I don't know, but it should not be more because, Maybe INR 70,000 crores. So maybe around 10%-11%. So, 70,000 crores, so you can 12%-13%, because INR 6 lakh crores of a deposit we are having.

Suraj: Okay. Understood, sir. The second question is, sir, on the restructured book. So out of this INR 16,000 crores, how much of the book has come out of moratorium and how much is still under moratorium, if you can mention that?

S. L. Jain: No. Major part of it has come down -- come out of moratorium.

Suraj: Okay. Sir then –

S. L. Jain: I told you the recovery percentage and everything.

Suraj: Understood, sir.

S. L. Jain: And already one year has passed

Suraj: Okay. Understood, sir. The question is then on the slide number 33, where you have given the disclosure on the restructured book. Here in the column it is mentioned there is some additional funding to this restructured book, so if you can just explain what is this additional funding that would be there?

S. L. Jain: What happens, we are having term loans, we are having cash credit account as well. So, what happens based on the availment on that particular day it is a part of additional availment on interest and somewhere interest also debited on the last day, servicing of interest. So, all these factors -- considering this position is on particular day.

Suraj: Okay, okay. Understood. Last two questions, sir. If you can disclose the ECLGS number, what will be the total outstanding ECLGS and how much NPAs you have on that book?

S. L. Jain: Okay. We -- in fact, we have INR11,000 crores of ECLGS we have given. Current outstanding is INR6,500 crores and the NPA number is around 300. So, 3% of the total ECLGS we have given is NPA in that.

Suraj: Sorry sir, I missed the NPA number. If you can repeat?

S. L. Jain: Around 300, exact about 300 something - 370 or some amount 363.

Suraj: Okay. Okay, sir. I understood. And the last question sir, you mentioned couple of interest reversal during the call. One is on the agri slippage, one on the restructured loans and all that, if you can mention the cumulative total interest reversal in 2Q, and the similar number for 1Q, that would be great. Yeah, that is all from my side.

S. L. Jain: So my CFO will tell. CFO, what is the total interest reversal in the second quarter?

Sunil Jain: There is a total reversal of INR 230 crores, sir, that KCC interest reversal. INR 115 crores, because of COVID moratorium.

S. L. Jain: What is the total reversal that is the point? Total is, to my mind, is 260 plus 115, plus others. So, around INR400-odd crores should be around 260 plus 115, 375 plus, small. So it should be around INR400 crores.

Suraj: Okay. And a similar number 1Q would be, I mean, approx, ballpark number?

S. L. Jain: Similar number of the last quarter can be INR 100 crores and all, cannot be more than that. Last quarter it is INR 100-odd crores.

Suraj: Understood sir. Thank you so much.

Anand Dama: Thank you, Suraj. Our next question we have from Mr. Ashok Ajmera.

Ashok Ajmera: Yes, sir. Thanks for giving the opportunity again. Sir, in our non-SLR book INR 37,199 crores, there is INR 1,034 crores of security receipts, SRs. So I believe that SR is 100% provided for. Is it the gross figure, net figure, or net provided for?

S. L. Jain: As part of the SR guidelines from Reserve Bank of India, when you take an SR, and whatever provision you are having in your book is to be netted off, and remaining you have to do mark-to-market on -- in your treasury book. So, this INR 1,034 crores remaining amount is fully provided.

Ashok Ajmera: Fully? Because in the notes to the account we have mentioned that we have 100%

S. L. Jain: It is fully -- SR is fully provided, all these accounts, big, big account, all are fully provided here, pension is fully provided.

Ashok Ajmera: Okay. So it is a net-net

S. L. Jain: And bank is not amortizing the provision in fourth quarter and everything. Everything is taken care here.

Ashok Ajmera: And one item of this share of PSU, corporate and other. Share means it is equity shares? Because its share of PSU, corporate and others in the non-SLR, does it mean that equity shares?

S. L. Jain: Yeah, it is equity shares. Because in treasury we keep on purchasing.

Ashok Ajmera: Yeah, yeah. I mean only, little -- I mean it is -- share of, it gives different -- shares or equity shares or?

S. L. Jain: Our share can be in our three RRBs. So I can tell you three RRBs. And all three RRBs are having net NPA zero, sir? And a profit of INR359 crores in the six months. So, all my RRBs are basically NPA free, that way.

Ashok Ajmera: So, that share can be there.

S. L. Jain: So, I can tell you, in the half year ended three RRBs put together have a profit of INR394 crores against INR283 crores of the last, and growth of 39% in profitability in all the three RRBs are doing good.

Ashok Ajmera: And what about both -- what about your two major subsidiaries, they are also doing well?

S. L. Jain: Yeah, Universal Sompo has given dividend to us as well, and doing good profit.

Ashok Ajmera: Okay, sir. So now, sir any guidance on your -- our credit cost is a little higher at 2.0%

S. L. Jain: Yeah, credit cost should come down to less than 2%, sir.

Ashok Ajmera: Less than 2% or less than 1.5%?

S. L. Jain: No, less than 2% if it improves, then 1.5% as well. It will be less than that.

Ashok Ajmera: Sir, our NBFC portfolio exposure is around 14% as I see. What are our views on lending through NBFCs, through onward lending as well as co-lending and a tie-up with the NBFCs for increasing our reach to the lower strata of the society, sir?

S. L. Jain: So, our NBFC for -- 99% of our NBFC is A and above. So, that is one part. Second, we had done tie-up with number of NBFCs for co-lending and we are having co-lending exposures as well.

We have done co-lending for education loan, we have done co-lending for MSME loan, we have done co-lending even for the gold loan. Wherever we are not having access, our -- the NBFCs are doing gold loan and depositing gold with us at the end of the day. So the securities is with us. So, we have done number of co-lending tie-up with NBFCs

Ashok Ajmera: And I believe that is at 20-80 proportion co-lending?

S. L. Jain: Right. That's the target.

Ashok Ajmera: And what is the total approximate exposure there, co-lending?

S. L. Jain: Maybe around INR 1,000 crores plus, sir. Because MSME is also there, retail is also there. Exactly should be around INR 1,000 crores.

Ashok Ajmera: Going forward, sir, you see I'll start with my first question only, that overall in India the things are looking good. Most of the public sector banks for the first time in the last quarter and this quarter have done comparatively better than what was originally expected from them, in spite of all the pressures and the global turmoils, Ukraine-Russia war.

So, according to you, you are a very senior banker, forget about only business of your bank, your size. But otherwise, you've handled very, very big bank like Bank of Baroda also. So there -- what I mean, what is your opinion sir on going forward, especially for Indian public sector banks, where are we going from here? I mean, is there any – still there are some hiccups, there can be some problem, there can be some chunky accounts coming in again, or there can be some pressure on the recoveries, SMA-2 number going up or slipping to NPA or here onward we will have a comparatively smooth sailing, sir?

S. L. Jain: So, on the public sector bank space, I could tell you that all banks are; first, adequately capitalized. Second, adequately covered also. The PCR of all public sector banks are ranging between 85% to 90% plus. So that way we're fully, fully covered. And whatever recovery will come, either will come as a part of PW recovery or major recovery. So, capital-wise they are fully covered and provision-wise they are fully recovered, this is the second part.

And the third one, business size. You see all public sector banks are growing, are growing in double-digits, are having good franchise, getting good CASA. So their cost of deposit will continue to be lower. And when you are not having a provisioning buffer, naturally your spread will be higher, and cost of all banks are controlled. And they are doing lot of digitization, each bank is doing digitization. Government of India is also having the Ease Reforms where number of things are improving, best practices are coming, whether it is in HR, whether it is in the technology, whether it is in the MSME, all sectors -- all banks are improving their performance, productivity, and all.

So when their cost will be under control, provisioning risk is not there, and they also learn from the experience as well. You see the corporate book of any of these Public Sector Banks, hardly any stress or stress are very low, which is manageable. So, going forward, as a group they should perform better, sir.

Ashok Ajmera: Okay, sir. Thanks. Thank you very much. And even you are treasury is also doing comparatively better, in fact, in spite of all these pressures. Congratulations and compliments to all of you, and all the best for future, sir. You yourself are a Chartered Accountant and you are definitely handling this bank very well. And thank you, Anand, for giving me opportunity twice for such a long time. Thank you. Thank you, sir.

S. L. Jain: Thank you.

Anand Dama: Yeah. Sir, last question that I have is basically touching upon the same standard asset provisioning stuff. So what is our exposure to FCI, that's Food Corporation of India?

S. L. Jain: No, this account-specific, Anand-ji, we don't discuss account specific issues, unless it becomes NPA, otherwise all are standard accounts.

Anand Dama: Sure sir. That's it from our side. Do you have any closing comments to make?

S. L. Jain: Thank you. Thank you all the investors, analysts for your insightful discussion. And your discussion will help us and will in fact guide us for taking a better decision. Thank you once again. And kindly continue to support us. Thank you.

Anand Dama: Yeah, thank you all. Thanks to the participants. That's it. We will close the call now.

S. L. Jain: Thank you.