



# “IDBI Bank Limited Q2 FY 2019 Post Conference Call”

**November 14, 2018**



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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the IDBI Bank's Q2 FY 2019 Post Result Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. Participation in this conference call is by invitation only.

IDBI Bank reserves the right to block access of any person to whom an invitation is not sent. On thrice dissemination of the context or the preceding of the call is strictly prohibited and at the prior explicit permission and written approval of IDBI Bank is impeditive. Please note this conference call is only for investors or analyst. Any guests from media are requested to disconnect the call now.

I would now like to hand the conference over to Mr. Jai Mundhra from Batlivala & Karani Securities India Private Limited. Thank you and over to you, Mr. Mundhra.

**Jai Mundhra:** Thanks, Janis. Good evening, everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities, we welcome you all to IDBI Bank 2Q FY 2019 Post Results Conference Call.

We have with us today, the management of IDBI Bank represented by Mr. Rakesh Sharma -- MD and CEO; Mr. K. P. Nair --Deputy Managing Director; Mr. G. M. Yadwadkar -- Deputy Managing Director; and Shri Ajay Sharma -- Executive Director and CFO and other senior officials.

The banks detailed financials and Presentation have already been uploaded on the Bank's website and I believe most of the audience would have had a chance to go through that.

I would now request MD and CEO, sir, to start the call with his opening remarks on 2Q FY 2019 results. Post which, we can start the Q&A Session. Over to you, Sir!

**Rakesh Sharma:** Thank you and Good evening to everybody. I will present IDBI Bank financial results for Q2 basically, these results have to be seen in this background that the Bank is of course under PCA and we are in the consolidation phase. And earlier, historically, the Bank was mainly in large corporate and at one point of time around 75% of our portfolio was in large corporate. But now, slowly over a period of 3 years - 4 years, we have been in the process of re-aligning the portfolio and accordingly, this more growth basically is happening in retail, SME and agriculture and the corporate we are basically doing the renewals and sanctions at the existing level.

So, now in this background and one more thing I would like to tell that this LIC also, this deal is going on certain regulatory approvals have already been received some regulatory approvals

are pending and once, it happens that once all regulatory approvals are in place and the process is closed then the capital will be received and which will change the position dramatically.

Now, having said that, if we come to the business part advances during this quarter Y-o-Y there was decline by 7%. But as I said, we are in the consolidation mode and there was a reduction mainly in corporate advances but our retail agriculture and MSME advances grew by 8% actually the core retail which we call structure the retail assets which have grown by 15%. Similarly, deposits also there was a decline by 2% but if you see the low-cost deposit CASA growth was there 5% and more particularly Savings Bank which is more stable part of CASA grew by 11%. And the CASA percentage last year it was 35.34%, which has now increased to 38.13%. So, this is helping us in reducing our cost of deposits. Similarly, we are reducing our dependence on the bulk deposits also going more for retail deposits.

Now, on this RAM Share that retail, agriculture and MSME share has improved substantially from 38.6% last year to 45.6% in September 2018 and this retail share, retail core structured retail assets from 22.7% it has increased to 28%.

Now coming to the profitability part, there was an operating profit of Rs. 850 crores but because of higher provisioning both in NPAs and the treasury this MTM losses there was a loss of Rs. 3,602 crores. And one more thing I would like to mention here because as you know because the advances overall there is a decline and the Bank is having a large NPA of 31%, which of course we are now trying to recover it. But because of this 31% non-interest-bearing assets, the NII also there was some decline was there. And the higher provisioning NPA we have to make Rs. 5,428 crores and MTM there was an Rs. 963 crores of provisioning were there as a result Rs. 3,602 crores loss has happened.

But because of this higher provisioning, one positive feature is that this provision coverage ratio, it has increased substantially, last year it was 64% now it is 68% and our target is to increase it to around 75%. And gross NPA has increased to 31% but the NPA because of this higher provisioning it has declined from 18.36% to 17.3%. But, another one positive feature is that slippages over the last 8 quarters, this quarter the slippage were the lowest for Rs. 1,254 crores. In Q1 actually, the slippages were Rs. 8,748 as against that now it has declined to Rs. 4,254 crores. So, because we have strengthened our monitoring department and even the SMA-2 if you see reduced substantially, it was around Rs. 2,000 crores.

And now coming to capital adequacy ratio, it was 6.22% appears very low Tier-I 4.22%, but the other if you see the positive part the risk weighted advances which were 101.66% as on September 2017 has come down to 80.94%, substantial reduction is there in the risk-weighted advances to total advances. So, that way because of our increased in retail agriculture the risk weight has come down and of course, due to higher provisioning also it is coming down.

Just I like to mention here what will be our focus area? Now, first focus area, in any case, has to be the recovery in NPAs. And this quarter, of course, we could not recover much because some of the NCLT cases which were in advance stage, the recovery could not happen but now,

in the second-half Q3 and Q4 some good recoveries are expected. We are expecting around the recovery of Rs. 7,500 crores which include around Rs. 4,500 crore NCLT cases. If we see that NCLT-I and NCLT-II that RBI list our outstanding is around 25,000 crores which is almost 41% of our total NPA and there the recovery may happen fast because all these cases are in advanced, most of the cases are in advanced stages. So, there the recovery will be focus accordingly we have created one special department NPA management group. Similarly, for checking the slippages we have created credit monitoring department. So, that will be our priority.

Apart from that because of our connection with LIC, we will be able to increase our cross-selling income and other income because of the platform which will be made available by LIC, a lot of could happen, they have almost 1 lakh employee, 7 lakh agents around 24 crores policyholder. So, there we will have that get some opportunity to increase our business both income as well as advances portfolio. So, that we will have to exploit that business opportunity.

In HR we are making some changes and our positive part is that this our average age, we have a very young workforce, 36 years is the average age and we are starting, we are working on that initiating performance management system where each and every employee will be given their target and accordingly and their performance will be monitored that will help us in improving the business. Another is that digitalization, already 82% of our transactions are through the digitalization. Our target is to increase it to 85% by March 2019 and 90% by later on.

So, that way and this equity part, once this LIC all approvals are in place then our capital adequacy will be taken care of and accordingly, I think we expect that from June 2019, I hope the turnaround will happen. These 2 quarters although the slippages may come down but because of this aging provision and we want to improve our PCR, provision coverage ratio further. So, some stress will be there on the profitability because of higher provisioning but from June 2019 I think these things will stabilize and turnaround will happen.

So, thank you very much. So, with that now, I think we can more or less briefly I have covered and this our Presentation is already on the website, it has been uploaded. I think, the analyst will be ready with the questions, so we can take the questions directly.

**Moderator:**

Sure, thank you very much. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Vicky Shaddija, Individual Investor. Please go ahead.

**Vicky Shaddija:**

My question is that how much explore of the total advances towards NBFC's we have and one more including that after this liquidity issue or IL&FS issue, have we continued with the lending to NBFC or have we become cautious on that part?

- Rakesh Sharma:** See, one part as I said in my opening remarks this corporate advance, we are not taking any additional exposure either it is renewed at the existing level or with some reduction. So, enhancement, in any case, is not being done. Now, as far as NBFCs are concerned, we do not have much exposure, it was around Rs. 5 crores and mainly it is in the standard category only. IL&FS I think because of its individual case, we will not like to discuss the individual cases but generally in NBFC's our portfolio is still.
- Vicky Shaddija:** But now as the more and more NBFCs are focusing towards Bank loans, so are we seeing the opportunity to increase our loan growth by lending towards NBFC, better-rated NBFCs we can say.
- Rakesh Sharma:** No, like because of our PCA better rated NBFC maybe after and now presently slowly I think from threshold 1 will come out to 2 to 1 that time we can take a view. But one thing I like to mention here. One thing you have touched rightly, that space is being created. So, like because NBFCs they were mainly lending to retail and core retail and SME. So, there we will get an opportunity to finance directly. So, that is why our share in this direct financing, we will try to increase it. As far as financing to NBFC, we will have to take a call presently we will not do it
- Vicky Shaddija:** Okay. And lastly, on this have you said, you will be trying to move towards direct financing. So, there is a risk hit in risk-weighted if I land to NBFC or if I directly acquire their portfolio or direct lend any financing. So, is there a difference between both risk-weighted?
- Rakesh Sharma:** Risk-weighted some difference will be there because when we are financing NBFC...
- Management:** If we have directly financed to the NBFC then irrespective of the rating it carries a risk weight of 100%, go for the regulatory retail then it will carry the risk weight of 75% or if it is an externally rated say SME client then it will go as per the rating of that particular client with A rating being 50%, AA 20% like that.
- Moderator:** Thank you. We will take the next question is from the line of Harshit Toshniwal from Jefferies. Please go ahead.
- Harshit Toshniwal:** Just one question, so regarding this partial credit enhancement which has to the NBFC and HFC bonds which banks can do, just want to understand that if we are not part of that particular PCE, the banks who provide the PCE then can we invest in these bonds? Does RBI allows banks to invest in the PCE bonds of NBFC and HFC's?
- Rakesh Sharma:** Right now, actually, we are not doing any PCE. So, is your question that are you asking whether we are doing PCE or are you asking whether we can invest in these bonds which have this PCE?
- Harshit Toshniwal:** The second one sir, if you are not investing, if you are not providing PCE to the NBFC, HFC bonds then can you invest in them?

- Rakesh Sharma:** Actually, RBI has said that we cannot take any fresh corporate exposure. So, any investment into these bonds will also get classified under the exposure category. So, even if it is partially credit enhanced bond of nay NBFC, we will not be a position to participate unless RBI gives some dispenses.
- Moderator:** Thank you. We will take the next question is from the line of Sohail Halai from Antique Stock Broking. Please go ahead.
- Sohail Halai:** Sir, just wanted to understand the framework of the NCLT cases. So, in all, we have something like 32,000 crores of cases under NCLT. How much of this would be already written off loans?
- Rakesh Sharma:** NCLT is got List-1 and List-2, no.
- Sohail Halai:** Yes, sir, we are on the actually on the Slide #34, we have even given the aggregate NCLT that is Rs. 31,850 crores.
- Rakesh Sharma:** Yes.
- Sohail Halai:** I just wanted to understand how much of that is on
- Rakesh Sharma:** Can you head-on with your question, in meanwhile, we will look at this particular data and try to give to you.
- Sohail Halai:** Okay. And sir, in terms of NCLT-1 again, how much is relating to steel?
- Rakesh Sharma:** NCLT-1, how much is relating to steel?
- Sohail Halai:** Yes, sir. So, Essar, Bhushan Power that are remaining now.
- Rakesh Sharma:** Yes.
- Management:** The total is around Rs. 3,000 crores, no? Steel in both the cases.
- Rakesh Sharma:** Actually, that time you were telling this slide, Rs. 49,912 crores we are showing in this
- Sohail Halai:** Sir, Slide #34....
- Management:** In Slide #34 top 20 NPAs are there. Have you changed the slide?
- Management:** Okay, Rs. 850 crores.
- Sohail Halai:** Okay. So, sir, in steel basically, we have something like Rs. 300 crores odd. In steel in NCLT-1, we have around Rs. 3,000 crores odd, right?
- Rakesh Sharma:** Yes.

- Sohail Halai:** So, sir, in other cases, the recovery level would be very lower, right? So, in terms of some of the other companies may even go for liquidation. So, here we will not actually get any benefit per se.
- Rakesh Sharma:** Here it will depend on from.... We also have Maithili madam, who is the ED for our MMG Group.
- Maithili:** See, out of the 128 cases with about 32,000 crore which is principal outstanding that case this have reached the liquidation stage is about Rs. 4,000 crores. And there are about Rs. 6,800 crores which are predominantly cater to the SMEs and clients are available, but they are having some bit of litigation among the various resolution applicants, etc. So, there is also about another Rs. 11,000 crores worth of the process which is the resolution client of about 6,000 crores have already been filed in NCLT. So, that is the kind of composition. And those which are not in steel or sort of running units, etc. as of now this plant to liquidation that trend is varying around 30%.
- Sohail Halai:** So, the recovery rate is something like 30% for this barring steel?
- Maithili:** Around 30% for those which are not the top class one.
- Sohail Halai:** Okay.
- Maithili:** And which are not really fully functional and not a really good manufacturing facility, etc.
- Sohail Halai:** Okay. And sir, next question comes relating to the capital level. So, CET-1 is right now not at around 3.9%. So, any indication from the LIC or the Government of immediate capital infusion?
- Management:** Like this LIC.
- Rakesh Sharma:** LIC. See, we are expecting as you are aware, the transaction with LIC acquiring 51% of the stake in IDBI is currently on. This is a preferential allotment, this was to be followed by an open offer to the public. So, the open offer will be opening on 3rd of December. We are expecting that subject to the regulatory approvals, LIC would provide the requisite capital to us which would enable us to meet with the required capital regulatory capital issues.
- Sohail Halai:** Okay. And sir, the other thing is basically largely basically which is going around in the media in terms of Government asking the RBI to relax the PCA norms, in which they have also mentioned that Bank like IDBI and Dena should be given some relaxation or the benefit to come out of it because of the new penalties that they have. So, sir, in your view basically when we are actually in the consolidation mode, is this a right step and how does it actually make a difference to us in terms of lending whether we are on PCA or we will not be on the PCA?
- Rakesh Sharma:** Like basically when we are under PCA, so we are not lending to corporate and less than Rs. 5 crores retail agriculture SME as I said, in the beginning, we are lending. So, now one year we

like to consolidate our position. Now, as far as this issue is there where I will not like to comment because it is on RBI to decide whether they give relaxation or not but, even if the relaxation is there. Now suppose corporate lending will do means maybe we will have to do very selectively because we will like to realign our portfolio. So, basically the position is that we want to consolidate our position and we will go very selectively even if it is removed but otherwise, in any case, we are growing in retail which is 15% growth was there during this quarter Y-o-Y growth.

**Sohail Halai:** Okay. Sir, in terms of corporate at least we are allowed to lend to (a) and better related corporate not even that.

**Rakesh Sharma:** Presently, as a matter of principle we are not doing to any corporate.

**Sohail Halai:** Okay. But RBI does allow that, right, still?

**Rakesh Sharma:** RBI certain issues are there, certain restrictions are there.

**Management:** No, as of now RBI does not allow us to lend to any corporate.

**Sohail Halai:** Okay.

**Management:** I will answer your first question that how much is the TWO to the List A and B, so the figure is Rs. 5,655.

**Management:** The total amount in that NCLT is Rs. 9,800 is technically return of

**Sohail Halai:** Rs. 9,800.

**Management:** Yes, that is it.

**Sohail Halai:** And sir, finally, in terms of what is the NPL levels that we are looking in housing and SME loans currently?

**Management:** NPL level, you asking at the kind of percentages?

**Sohail Halai:** Yes. So, in terms of housing and SME, so what we have been looking at is basically SME, NPL's are also going up for the industry per se. So, I just wanted to understand how it is that moving for us?

**Rakesh Sharma:** Yes, presently in the structured retail assets which includes all these housing loans, etc. the level is about 1.49 around that.

**Sohail Halai:** Okay. So, this even includes your SME loans?

**Rakesh Sharma:** No. This is in respect of structured retail assets.



- Management:** Structure retail when we say core retail, housing loan, education loan, personal loan, loan against property. So, that...
- Sohail Halai:** If you could just help me with the SME NPL's?
- Management:** SME NPLs are slightly high. It is around 8%.
- Sohail Halai:** Okay. And we will still be growing this book?
- Management:** No, but here basically one more thing, they say in NPA, this 8% NPA, we have started one scheme which is called non-discretionary scheme so where we have given instructions to the branches that who so ever is giving principal outstanding. So, they can enter into this OTS. There we are expecting around Rs. 300 crores OTS will happen. So, this because SME is more effort elastic and the NPA recovery is better. So, mainly we are going in small only in fact, less than Rs. 5 crores and less than Rs. 1 crore in fact that CGT MSE cover will be available. So, we are going very safe in that. That is why if you see SME overall retail SME and agriculture growth is around 8%. But actually core retail is 15% so this SME growth is there but not much. So, there also we are going very selectively.
- Sohail Halai:** Sir, any RBI dispensation that we have used in terms of our SME NPLs classification?
- Management:** No, we have not used any such dispensation.
- Moderator:** Thank you. We will take the next question is from the line of Sumit Chaudhary from Zaaba Capital. Please go ahead.
- Sumit Chaudhary:** Just one question on the court case which has been pending in High Court in Delhi. Like is it relevant at all for the LIC injection and the open offer or it is almost a sideshow and not relevant of the transaction?
- Rakesh Sharma:** No, it is, in fact, because court case hearing is on and it is sub judice. So, I will not like to comment on that because the hearing is going on, even today there was hearing. But of course, any court case is there since, the matter is under court this under judiciary, so certainly it is relevant not, we cannot say that it is not relevant and court decision whatever is there we will have to honor the court decision
- Sumit Chaudhary:** I mean the point you are making about the open offer.
- Rakesh Sharma:** . But we are arguing our case so any case we are expecting it will be in our favor only.
- Sumit Chaudhary:** Sorry.
- Rakesh Sharma:** We are arguing our case so in any case, we are expecting that it will be in our favor. But finally, of course, it is sub judies court. Whatever court decides we will have to honor that it is relevant for us.

- Sumit Chaudhary:** And the point you are making the open offer starting in the first week of December. So, it should irrespective of what court...
- Rakesh Sharma:** See, as of now what the court has said is that you can go ahead with the processes inducing the preferential issue as well as the open offer which the outcome of all of that would be subjection to the decision of the court.
- Sumit Chaudhary:** Sorry. So, if you inject money and they take they do open offer after that what the court basically cannot do much, right?
- Management:** That is all in the area of I would say realm of speculation. So, I think because as MD just mentioned that here and there currently, also I do not think there is a need for us to comment beyond that at least this.
- Management:** Because it is sub judice.
- Sumit Chaudhary:** What I am asking is, the limited point I am asking if there is no court ruling, can the open offer and the preferential issue happen still?
- Rakesh Sharma:** Actually in the open offer document it is made very clear in the public statement that this open offer is subject to the outcome of the court hearing that is clearly mentioned in the document which is in the public domain.
- Sumit Chaudhary:** Okay. So, till the court does not come to a conclusion there is no transaction, right?
- Management:** I think that would be for the half year. So, as we said very clearly this is the ruling of the court in the interim.
- Sumit Chaudhary:** Sorry, so the court has said that you can go ahead and do the deal but if the deal is subject to the court I mean just like really not sure, if I am able to understand
- Rakesh Sharma:** Well, many not be in so many words as that but that is the intent, yes.
- Sumit Chaudhary:** Okay. I am really sure how the court ruling, so basically a simple question is that no court ruling between now and 3rd December, the preferential issue and the open offer will still continue.
- Management:** I think, Mr. Yadwadkar, just mentioned what was written in the statement. So, it is clearly that, that is what is stated.
- Sumit Chaudhary:** So, the 3rd December timeline may not be stuck to the court ruling does not combine it right, because it is subject to court ruling as per the statement?
- Rakesh Sharma:** Let us hope. So, wait for the 3rd December.

- Management:** Yes, there is a lot of time between now and 3rd December.
- Moderator:** Thank you. Next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** So, I wanted to know about the sale of non-core asset any plans? Or post the LIC joining there will be some strategy of plans?
- Management:** Will you take that?
- Management:** As you know we have done quite a bit of non-core sale last year. Of course, first quarter, we did not do anything. In the second quarter, we did some small sale we are about Rs. 216 odd crores of capital gains were there and frankly, a major portion of the non-core investments assets has already been done. So, whatever is left, of course, we will take a call on it in consultation with the LIC going forward.
- Sneha Ganatra:** Okay, got it. And my next question is on the slippages when you mentioning there the slippages have come down drastically. So, for the second-half we can expect that slippages would be coming down and supported by the higher NCLT recoveries and overall OTS and other supplements?
- Rakesh Sharma:** See, what we mentioned was that our slippages in Q2 have considerably come down the first time NPAs have come down considerably as compared to the FTA, NPA which were there in Q1, they have almost half.
- Sneha Ganatra:** But I am asking for the second-half, how do you see the trend that is moving other slippages and considering the SME 2 around 2,000 which you mentioned just now. So, what was the guidance on the slippages for H2
- Rakesh Sharma:** So, while we are not giving any particular guidance as far as H2 is concerned. We would only like to state that in so far as the FTA, NPAs are concerned, we expect to maintain that trend what you have seen from Q2 to Q1, there could, of course, be other impacts which are external in the sense that for instance there could be impact if there are divergences which are identified by RBI, etc. which would be applicable to all the banks which would not be specific to IDBI. So, these cases which get identified, anybody who has exposure, those effects will be there. But in so far as cases which are slipping other for reasons which are purely said credit related. Those would be going in a downtrend.
- Sneha Ganatra:** And any resolution expected from the power sector?
- Rakesh Sharma:** Power sector resolutions as you are perhaps aware there are a various resolution which are under the plan such as Samadhan and outside of Samadhan also. So, currently there is some litigation which is on in the Supreme Court also which I understand has been deferred, the

hearing was to be today. So, some resolutions are expected going forward but timelines are not very certain at this point in time.

**Sneha Ganatra:** Okay, got it. So, turnaround expected from the June 2019, right? So, 2 quarters will be in red?

**Rakesh Sharma:** Basically, in the beginning, I told you, no, there will be aging provision will be there. whatever we have already although our provision coverage ratio is 68% which is quite good but still some hedging provisions are expected during Q3 and Q4 and that will help us in strengthening further the PCR also. In future, whenever resolutions are happening, so it will be good like whatever is their minimum at least we will not be required to provide extra, number one. If good recovery is happening at least we will write back those provisions. So, from that point of view, we feel this Q3 - Q4, stress will be there and I think the profit may come in the Q1 of 2019 - 2020.

**Sneha Ganatra:** And post-infusion of the capital from the LIC what would be your Tier-I?

**Rakesh Sharma:** Now, this post there are scenarios are different. Now, immediately when this we are expecting around Rs. 20,000 crores all our regulatory approvals are there, the court decision has been, after this court decision and all this thing Rs. 20,000 crores is coming. So, our Tier-I ratio it will be quite good, it will be around in the range of 13% - 14%, we will be further will be affected by our Q3 and Q4 results. But by March 2019 what we are thinking that we will be above the regulatory, we will be complying with the regulatory guidelines. Because suppose if Q3 and Q4 certain losses are there that will be adjusted towards that. So, but we will be above the regulatory guidelines. Number one. Number two, this as I said our risk-weighted assets to total advances that is also coming down for 101% it has come down to 80% and 1 year, so that will further improve. So, that will take care of our capital requirements.

**Sneha Ganatra:** And one thing you mentioned the same concept this cross-selling opportunities have we started garnering or we are working on it?

**Rakesh Sharma:** Already cross selling we are doing, not that we are not doing because for a general insurance our partner is this Bajaj Insurance is the partner for life insurance. We have our own subsidiary IDBI Federal and then Mutual Fund also. So, all these cross-selling activities are on. But when this LIC deal happens and this LIC also comes on the platform. So, that platform will also available, that will increase many folds in fact. Now, whatever is happening at our own Bank level but then when LIC platform is also available so then this cross-selling income will increase substantially likely to increase substantially.

**Sneha Ganatra:** So, fair assumption that all the transaction with LIC would be completed by March and you can start with a clean note in the 1st April onwards?

**Rakesh Sharma:** As of now yes, certainly, even before that it can be completed. But one rider is there subject to this which of course, we are likely to get but subject to receipt of regulatory approvals and this court decision in our favor. So, this, of course, riders are there. Ultimately, it is up to the

regulators when they give approval, some approvals have already come, some approvals are awaited but hopefully, everything goes as per plan, yes, whatever thing it may happen.

**Moderator:** Thank you. Next question is from the line of Himali Dhame from Dolat Capital. Please go ahead.

**Himali Dhame:** Yes. I wanted some data points. Can you share with us slippages break-up in this quarter?

**Management:** Slippages break-up. So, this is basically if you see, this slide is there Rs. 3,498 crores is new NPA; Rs. 765 crores is basically is the existing accounts wherever either involvement of LC or evocation of business. So, total slippages were Rs. 4,254 crores.

**Himali Dhame:** Basically I am looking for se growth wise, so agri, SME, the structure like that.

**Management:** The structure, this break-up is basically mainly, it has come in last quarter accounts only. Top 20 accounts if you see that itself out of Rs. 4,254 crores around 50% is coming from the top 20 accounts.

**Management:** So, the overall retail is about 700.

**Management:** All retail SME and agriculture may include 700 and remaining Rs. 2,800 crores from the corporate lender and this Rs. 765 crores in this thing that is also in the corporate sector. Only Rs. 765 crores is in retail, SME, and agriculture.

**Management:** Rs. 708 crores.

**Himali Dhame:** Okay. And can you share some qualitative color on the agri piece that you have?

**Rakesh Sharma:** Agri?

**Management:** I mean, in what way ma'am, can you be a little more specific?

**Himali Dhame:** So, are you comfortable with growth, are you comfortable with the credit quality there at this time?

**Management:** See basically in the agri, there are certain pockets where because of a certain amount of waiver announcements are done there could be a little delay in recovering the dues. But for that other centers, we should in a position. Second thing is that the segment which definitely requires much-much more close monitoring and also follow-up and also the kind of credit underwriting standards, we need to constantly improve and as we have a reasonable number of branches across, we are able to take care of that. But there is a stress in specific segments where State Governments are announcing some amount of relief in such case there is a temporary lag in terms of recovery capacities.

**Himali Dhame:** Okay. You expect this to probably deteriorate in the next 6 months to 12 months?

- Management:** may not be. Actually, what happens is state announces and that state is through with the process then there we cannot getting the recovery. So, we cannot and across the geography, we have the issue..
- Himali Dhame:** Okay. And within the MSME piece can you share break-up of the rating profile?
- Management:** We will come back to you on this. Overall rating is there but within the MSME piece, we will have to get back on you.
- Himali Dhame:** Okay. And just one more question, you have mentioned about the OTS scheme in MSME, what is the size that we are probably eligible for this?
- Management:** See, basically we are looking to cover only D-1 category onwards, not the immediate slippage. And we have a graded position in terms of the security related. An unsecured portion, etc. and this is a kind of fixed-term for everybody. It is non-discretionary, non-discriminatory. So, it is like an offer made by the Bank to each of the eligible borrowers. So, we are looking to cover about Rs. 2,500 crores - Rs. 3,000 crores worth of portfolio the retail segment. But of course, all of them may not be willing to take it. Therefore, whoever is willing to come on board, it is a direct offer from the Bank. So, we are looking at least around Rs. 300 crores to Rs. 500 crores should be easily available to the Bank by March because it is a process we have set and play. Up to December, the offer will be converted into an actual transaction, etc. and we have given them about 4 month's time to pay that. So, by March, we should easily live to Rs. 300 crores to Rs. 500 crores of recovery from the special scheme launched by us.
- Himali Dhame:** Okay. And approximate recovery percentage across the portfolio?
- Management:** As MD mentioned that the total recovery expected during the next 2 quarters, Rs. 7,500 crores including Rs. 4,500 crores of in NCLT cases. And this scheme particularly what we mentioned is in respect of NPA accounts with gross principle outstanding up to Rs. 10 crores only.
- Himali Dhame:** No, I am specifically asking for the eligibility under OTS?
- Management:** Yes. And the retail slippage of the first quarter about close to 40% has already been upgraded.
- Himali Dhame:** Okay. And quick thoughts on the impact of the new accounting standards probably when they apply to you next year?
- Rakesh Sharma:** Okay. So, RBI has been taking the performer balance sheet immediately within 15 days of the declaration of the result. So, this we have been submitting and even the opening numbers have been worked out. So, there would be some impact I would not say on the capital front surely, the impact would be there. So, internally the banks are gearing up to set the things in place to work out the LGD and PD and other things related to it and ECL calculation and these details are being shared with RBI. We are still awaiting a final circular or the broad contours from RBI on how it would be the reporting system what they are looking at. But at the moment RBI

has asked all the banks to submit the performer numbers immediately after the quarter closing which we are doing.

- Himali Dhame:** Okay. And one last question. Can you share the average age of your NPAs, overall NPAs?
- Rakesh Sharma:** Average?
- Himali Dhame:** Age.
- Management:** Just give me a second, ma'am.
- Rakesh Sharma:** Substandard is Rs. 14,118 crores; doubtful, D-1 is Rs. 9,890 crores; D-2 is Rs. 29,300 crores; D-3 is Rs. 5,973 crores; and loss asset is Rs. 1,574 crores. So, total is Rs. 60,870 crores.
- Moderator:** Thank you. Next question is from the line of Amit Singh from BNK Securities. Please go ahead.
- Amit Singh:** Sir, firstly, what is our exposure to the IL&FS group? And also, sir within the group how much is the holding company and to other entities? So, can you provide the details?
- Rakesh Sharma:** This one is that I am sorry regarding this individual company it is normally, we will not give the details. But we have some exposure both one holding company and some in SPVs also and except for maybe 1 or 2 small accounts all other accounts are standard only. But this individual I think you will excuse us, we will not be able to give the details in total.
- Amit Singh:** Okay. Sir, but if you can share the total exposure to the group, I mean, the grown exposure as well as the bond or investment exposure that we are having to the IL&FS group?
- Management:** Total exposure fund base plus non-fund base is around Rs. 1,200 crores to Rs. 1,300 crores in this range only in the exposure total.
- Amit Singh:** Okay. And sir, have we provided anything for IL&FS exposure I mean prudently have we provided anything more than the IRAC norms?
- Rakesh Sharma:** As of 30th September, all these accounts in the group were standard.
- Amit Singh:** Okay. But sir, by the end of 30th October I mean did you see any issues with them? I mean have they all been paying well or these is some issue in some accounts?
- Rakesh Sharma:** As you know there is stress in this entire group. So, I think, only the time will tell that how the accounts will perform going forward.
- Amit Singh:** Okay. So, till now, all the accounts are standard in our book, you see?
- Management:** As of 30th September, all accounts are standard.

- Amit Singh:** Okay. And sir, in the last quarter, we had given this number of standard stressed accounts which was close to Rs. 20,500 crores. So, what would be the number for this quarter, sir?
- Management:** Standard structured asset?
- Amit Singh:** Yes, standard stressed outstanding, it was Rs. 20,523 crores in last quarter.
- Management:** Rs. 4,300 crores only.
- Amit Singh:** Okay. So, it had reduced considerably, sir, from 20,00
- Management:** Basically from this only major account has moved to NPAs. So, this account, so that is why this total, it is around 2.26% only.
- Amit Singh:** Okay. But sir, it was Rs. 20,000 crores and now, it is just Rs. 4,000 crores.
- Management:** Now, I will tell you what happened, 20,00 may be total restructured. Now, total restructured today also it is Rs. 19,000 crores. I do not know but the last time as I mentioned to you earlier both all SDR, S-4 all these cases the mutually exclusive cases were taken. So, I had pointed out to Jai Mundhra later also that some of the cases are both in the SMA-2 and they are standard also. So, there was an overlapping. So, that is why we are have put it separately now. The restructured standard assets stand at Rs. 4,327 crores and NPA restructured stands at about Rs. 14,747 crores. So, overall, it is Rs. 20,000 crores including the NPA portion.
- Amit Singh:** Okay, sir. And sir, the third question is what would be the capital we would be needing say for to get the CET-1 of 8% or 9%. And sir, by when you expect that we will be having enough operating profit that our capital would not be deteriorating because of the losses which we are making. So, by what time you expect that cleanup act would be over?
- Management:** Immediately, if you see our CET ratio, we are below the threshold level. So, if I have to look at immediate capital infusion. We would be needing above the Rs. 6,000 crores to reach the level to reach the minimum 7% level. We have the Tier-II availability with us which will take us to 9%. Going forward, of course, we would need much more capital to take care of future requirements, if there are any. But if I have to built-up on the September quarter results my immediate requirement could be a little above Rs. 6,000 crores to reach to the 7% and CAGR of 9% level.
- Amit Singh:** Okay. And sir, one more data point question, sir, how much of our book is based on MCLR and how much is on base rate and fixed rate, if you can share the details?
- Management:** Immediately we do not have this number but we can tell you offline.
- Moderator:** Thank you. Next question is from the line of Sohail Halai from Antique Stock Broking. Please go ahead.



- Sohail Halai:** Yes, good evening, sir. Sir, just want to actually recheck on this High Court thing. So, basically the High Court is regarding the acquisition of the stake, right? It does not prohibit LIC to invest money as it used to do earlier.
- Rakesh Sharma:** Okay. What is the question?
- Management:** Come again.
- Sohail Halai:** So, basically in terms of LIC, as it uses to invest earlier, so it can still infuse capital in us, right for that we need not wait for the High Court order?
- Rakesh Sharma:** See, LIC has already increased its stake from 7.98% to 14.89% that is Rs. 2,098 crores which we got in the first week of October. So, for going beyond 15% certainly all these approvals are there with them, the IRDA approval is there.
- Sohail Halai:** Okay. So, even for that we have to still wait for the Court order, is it so?
- Rakesh Sharma:** Yes, because as we mentioned in the earlier question also that is the matter is sub judice, the entire process has to be allowed to be proceeded with....
- Sohail Halai:** Without being the acquiring Bank or without triggering the open offer, can LIC increase the stake further like 18% - 19% kind of a level in a staggered manner?
- Rakesh Sharma:** 15% is what they restrict to beyond 15% and they have to now run through the process. And then if you increase the stake then the open offer comes into place.
- Sohail Halai:** Okay. And sir, secondly, just in terms of NCLT things, so now in Adhunik Liberty House was basically one of the bidders, which according to media has actually defaulted on this payment and did not pay. So, Adhunik, would be going for liquidation. So, I just wanted to understand, so Liberty as a bidder has been successful even in ABG, if I am not wrong. So, how does this resolution then happens or even ABG will go for liquidation?
- Management:** Basically, they have come out as this one, the resolution applicant successful but there are processes and timeline within they need to comply with that only which I do not comply, we need to see whether there is a different treatment which is required. As of now, we are not presuming that it needs to necessarily go to liquidation because of the other case.
- Sohail Halai:** Okay. But sir, in terms Liberty they are also the bidder in some of the other accounts, right?
- Management:** Yes, they are in Amtek Auto.
- Sohail Halai:** Yes, Amtek and I think so even in ABG. So, what happens to those resolutions?
- Management:** Those resolutions as of now they are there. but only if they do not perform as per the resolution then we need to see.

- Sohail Halai:** But actually, it defaults on the payment of Adhunik and it is barred. So, then can it participate in Amtek Auto and ABG?
- Management:** No, basically we need to look at it a little more legally because we are also consulting the legal consults to see whether that would impact this in terms of the payment. But definitely, there was a question on their capability to comply with the resolution plan. The resolution plan entails payment of money, so there is a question mark but that needs to be examined legally. But much before that if they do not honor the terms in the beginning itself then automatically it will go to liquidation.
- Sohail Halai:** Okay. So, now there would be no repeating, it will actually go directly to liquidation if they don't honor
- Management:** Yes. Unless Courts for any reason they intervene and say that we have given another opportunity of running the process among the other bidders.
- Moderator:** Thank you. Next question is from the line of Manish Soman from Rajasthan Global Securities. Please go ahead.
- Manish Soman:** My question is regarding this preferential issue; the preferential issue would happen after the regulatory approvals coming. The RBI approval has come and CCI is spending. So, after the CCI approval, the press would happen. But the press which can only happen after the open of a completes and the press has to be done within 15 days of all regulatory approvals. So, how would you go about it? Because open offer cannot complete in 15 days even if the SEBI clears the open offer on the same day as CCI approval comes?
- Rakesh Sharma:** Yes, I will just give clarity. Actually as per the preserving that this court case is behind us, so open offer dates as you are aware from 3rd of December till 14th of December and only after the quantum which is available to LIC the open offer is known, the press allotment can be done.
- Manish Soman:** But press allotment is not subject to open offer, it is only subject to regulatory approvals. Regulatory approvals are CCI approval, RBI approval, and IRDA approval.
- Rakesh Sharma:** No, I will just give clarity. LIC has to acquire up to 51% only. Now, they presently had 14.89%. So, how much will be press offer will be decided by how much shareholding, they are in a position to get under the open offer from the public.
- Manish Soman:** So, you will take a special exemption from SEBI to extend the press allotment dates.
- Rakesh Sharma:** Yes, that 15-day period that exemption from SEBI will have to be taken and we understand that they have been granting such exemption.

- Manish Soman:** Okay. And another thing, I just heard that you are telling Rs. 20,000 crores will come from LIC. So, Rs. 20,000 crores you are assuming income from LIC that means that in a way you are saying that Government of India will not participate in the open offer?
- Rakesh Sharma:** Yes, Government of India, it does not make really sense to participate in the open offer from the Government of India side. And that is why because otherwise our Bank will not really get the money
- Manish Soman:** Yes, because if Government of India participate no money can actually come into the Bank because the holding will go above 51%, anyway.
- Management:** There is no offer for sale in this. This is only the open offer to the public.
- Manish Soman:** It is only to the public and Government is not going to tender in the open offer?
- Management:** Yes. Jai, are you there?
- Jai Mundhra:** Hello.
- Management:** Yes, we will take 2 more questions, if it is okay.
- Jai Mundhra:** Okay, that much is for me. Okay, thanks.
- Moderator:** Thank you. Well, sir, this seems to be the last question in the queue. I would now like to hand the conference over to the management for their closing comments.
- Management:** It is okay, thanks you very much. Thank you very much to the B&K Securities for arranging this concall at a very short notice and thank you all the analyst and investors, which are present, sir. And we look forward to be interacting with you a little more often once things get crystallized. And whatever queries are there in case, something is required, you can e-mail it to me, I will reply that. Thank you very much.
- Moderator:** Thank you very much. Thank you. Ladies and Gentlemen, on behalf of Batlivala & Karani Securities, we conclude today's conference. Thank you for joining. You may disconnect your lines now.