“IDBI Bank Limited Q2 and H1 FY 2021-22 Earnings Conference Call hosted by ICICI Securities Limited”

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MANAGEMENT:	**SHRI. RAKESH SHARMA – MANAGING DIRECTOR AND CEO, IDBI BANK LIMITED** **SHRI. SAMUEL JOSEPH JEBARAJ – DEPUTY MANAGING DIRECTOR, IDBI BANK LIMITED** **SHRI. SURESH KHATANHAR, DEPUTY MANAGING DIRECTOR, IDBI BANK LIMITED** **SHRI. P. SITARAM – EXECUTIVE DIRECTOR AND CFO, IDBI BANK LIMITED**
MODERATOR:	**MR. KUNAL SHAH – ICICI SECURITIES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the IDBI Bank Limited Q2 and H1 FY 2021-22 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participants' 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Shah. Thank you and over to you, Sir.

Kunal Shah: Thank you Aman and Good Evening everyone present on the call. This is Kunal Shah from ICICI Securities. Today, we have with us Mr. Rakesh Sharma – Managing Director and CEO; Mr. Samuel Joseph Jebaraj – Deputy Managing Director, Mr. Suresh Khatanhar – Deputy Managing Director; and Mr. P. Sitaram – Executive Director and CFO from IDBI Bank to discuss their Q2 and H1 FY '22 Earnings. Over to you, Sir.

Rakesh Sharma: Thank you very much Mr. Kunal. Good Evening Ladies and Gentlemen and Welcome to the analyst call meeting for our Q2 results for the Financial Year 2021-22.

First of all, I would like to start on a positive note that good news is that COVID impact is coming down and the country has completed 100 billion mark of vaccination today itself and with that hopefully further the impact will be coming down and normal position will arrive. Even in Banking industry, we have started seeing improved performance and the collection efficiencies, and the overall improvement in the financial parameters, so with that I would like to mention that IDBI Bank our net profit for the current quarter has increased to 567 crore as against 324 crore in September 2020 showing a 75% improvement, and the operating profit NII and NIM all have shown improvement. There is improvement in the reduction in gross NPA and net NPA also.

Similarly, the CASA ratio has reached high level of 54.64% and the net NPA are 1.62% as on September 30, 2021. We continue to hold the highest PCR of 97.27% and the capital adequacy at 16.06%, so detailed presentation of course will be given by our CFO, Mr. P. Sitaram, but I will just like to mention that at the beginning of the year, we had given certain guidance parameters and I am very happy to tell you that we are doing much better than that and on all the parameters whether it is improvement in operating profit, net profit, reduction in NPAs, and the ROA, ROE, we have been able to overachieve the estimates except for one thing which of course we are aware that the growth in advances both in retail and corporate is muted one, but there are sanctions in pipeline for corporate advances and we are quite sure that there also we will be able to achieve the guidance which was given by us, so around 8% growth.

In retail although home loans have grown by 4%, overall retail portfolio is a growth of 3% but now for the first time, our MSME agriculture has started showing growth and there was YOY growth of 6%, so there also I think in the meantime we were quite aware that during COVID situation, we should focus more on monitoring part so that we can stop the bad impact of slippages and that we have been able to do successfully, so we were in a consolidation mode, but now during the second half year, we will try to grow so that we are able to achieve the estimate of 10% growth of retail advances. CASA deposits there has been very good growth and that is how we have been able to reach 54.64%. There has been rating upgrade by ICRA also. They have improved our rating by one notch, so that is a positive sign.

So, with that I will not take much time, I will hand it over to Mr. Sitaram, so he will give you the presentation and thereafter we can have the question-and-answer session. Thank you very much.

P. Sitaram: Good evening to all of you, I will not dwell too much on this first couple of slides, so this is on the highlights, so that MD has already mentioned the major parameters. What I would like to say is that if you compare the September to September, there has been a significant improvement in the Bank's operation.

Now, if you look at sequentially compared to June '21, apparently on the face of it, there are some reductions, but I would like to recall what we discussed last time that there were two or three one-off items in the first quarter that we had discussed in detail in the last con call. One was on the recovery from the Kingfisher and other cases that had given a one-time spike to the interest income in that quarter. Then also we had sold some GSEC to realize capital gains and take advantage of the interest movements, so that had also given a one-time spike in the other income due to which this factor apparently the Q1 figures are showing a better picture than Q2, but if you take away the impact of this one-off items, the performance of Q2 is very much comparable to the Q1 quarter. The individual numbers I will not dwell upon, most of it has been already mentioned.

I will take you to Slide #7 on page 7, here this net NPA which is now at 1.62%, it has improved. Then GNPA has also improved to 20.92% and PCR continues to be high. The PCR is inclusive of technically written off cases, this is at 97.27%. Overall, the capital adequacy continues to be quite comfortable and of course this is without the cumulative profit, which we will take into account at the end of the financial year. Now, coming to the profitability, the movement between the Q2 of last year to Q2 of this year as well as the half year has been analyzed in terms of its component, so you can see that the NII has had a major role. The improvement in NII has given the improvement both the movement. Then we have had contributions from other operating costs, there has been some reduction there. Then we have had provisions and contingencies we had made over the past three years of the PCA large amount of provision. Gradually, that intensity is coming down because we had continued to be at a high level of PCR, so overall both quarter-on-quarter that has shown improvement of 75%, half year to half year has shown improvement of about 150% in terms of profit after tax.

Now coming to Slide #10, this is the PL breakup, again I will not dwell too much except to again emphasize that June '21 numbers show a spike because of those one-off that I mentioned. Interest income is inclusive of those one-time item, other income is also inclusive of that; otherwise, the employee cost has. I will straight away take you this is on the provisions Slide #12, so what I wanted to say was that there are certain movements of provision which are reflecting in the aggregate provisions in the profit and loss account, so one thing is that because of that regrouping due to RBI master circular, the depreciation on investment which was being shown under other income is now shown under provisions and contingencies.

Second, the provisions are NPAs, it shows a write back of 1426 crore, why such a huge negative figure is coming is because of two-three reasons. One is that with the cases where we have done settlement large cases, which are fully provided. To the extent that amount is not recovered, we show it as write-off that is given below bad debts written off, 1023 crores. Corresponding to that, the provision which is being held is shown as a write back, so you will find that write back here, that is one. Second, we had this one case, all of you are aware in Calcutta that Srei Company, so under High Court order it was not classified as NPA. We had made the full provision, which was shown under standard asset provision. Now on the case being marked as NPA after the High Court has permitted it, it is now this provision has come back to NPA provision, and therefore, overall, this also includes the provision for the first time NPAs during the quarter. We had a slippage of about 1440 crores, on that also there is a provision here, so overall if you take all this plus/minus together, that is the figure. Then we have also made some amount of like in last quarter wherever we feel that it is prudential, we have made some provision for standard assets.

Besides that, we also have this restructuring framework 2.0 under which quarter we have restructured. The details of that we already given in our stock exchange release, so the corresponding provision we have given here about 76 crore. Income tax there is no current tax provision because we have this carry forward, so to that extent we have a DTA, the reversal of about 207 crores. Bad debt written off I already mentioned and recovery from written off cases again this is shown as a positive that is negative in brackets here. The reason is that earlier it was shown as income under other income, again due to the new master circular and grouped here, so it is a reduction for provision and contingencies, and overall other provisions are there, some NCLT cases and ICA all that, so those miscellaneous all provisions together are 132 taking the quarterly aggregate to 642, this is one thing I just wanted to take two minutes to explain this slide.

Again, in the interest of time, I will straight away take you the liability profile on Slide 17. We continue to maintain a healthy liability profile. CASA has improved further 254.64, both components of the savings and current account, both are holding steady. We continue to show the improvement and I would like to say even that component of bulk deposits has further gone down. It is now practically 6.36% which now is hardly any concern, but one thing is to be remembered that going forward, it may not be within this financial year, but sometime or the other as the corporate book grows and as the need for funding increases, we would look to fund a part of that also through bulk deposit. It is not negative to have higher portion of deposit, because 6 is really, really low, even healthy Banks have a higher ratios than that, but that sort of thing will look at as and when some amount of growth builds into the balance sheet.

On the next slide, we have just given some more details of this liability portfolio so again in the interest of time, I will skip over this. We will come to page 19; this is on the advances. The retail advances continue at high level of about 67% of the total advances. I just now mentioned as we reenter the corporate market in a slow but gradual way, the amount of retail portion will come down, but we continue to remain committed to the strategic position that we will not go back to those days where corporate heavy, we will continue to focus on having a majority share of retail in our portfolio. Within that retail portfolio, we still have and traditionally we have been heavy on the home loan portfolio, which is a fully secured portfolio and well-performing portfolio that we have. Certain components like LAP and all that where we had some amount of bad experience, we already discussed that in previous calls, we have put control on that. Even personal loan also is a component of about 600 crore only out of this. We continue to maintain a portfolio which is secured, relatively healthy, and better yielding one even on retail, but we will look to grow here again on the same principle that with adequate controls and with adequate emphasis on the quality.

Priority sector, we are fairly well placed, this is on the next Slide Page 20. Of course, part of it is because advances portfolio has more or less remained steady, so we have been able to catch up with our PSL. We are fairly well placed and earlier in that other cost and other income I have mentioned that PSLC, so you can see that as and when required in any certain segment where we are falling short or where we are excess, we are able to either invest in PSLC or even generate income by selling the PSL. The treasury again I will not dwell on this. Overall, I will only say the modified duration, which is given here, this includes both the entire portfolio is 4.52 including the HTM and for AFS it is just 1.09, so we are fairly well placed to address whatever likely changes that may happen in the interest rate as we go forward. On the COVID provision, we have given whatever is the provision that we have. We are well and adequately provided for any stress that may emerge on the COVID-19. On the outlook side, what we are seeing is that definitely the amount of stress that has emerged due to COVID-19 is not as much and quite well below what was apprehended when we started making this provision.

The asset quality is depicted in the next slide 25. Again, I will not dwell too much on details. You are familiar with the trends in our numbers, so the overall net NPA stands at 1.62 and provision coverage stands at 97.27. One minor detail which I would like to mention this is that RBI has in the master circular said that when there is a reverse repo, which is not an overnight reverse repo, we have seven days and 14 days that we have classified under advances based on our understanding of that circular, so because of the advances has increased, the net NPA percentage even both from the current quarter and we have recast for the previous periods also, so the comparative is on the same basis. NPA movement is given on the next slide. Overall, as I mentioned, the slippage has been about 1400 crore and there is existing NPA increase of about 100 crore, but the settlements upgrade as well as the written off due to put together is much higher than that, so resulting into a net decrease in the NPA, it has come down to 34,400 from 35,594 as the slippage ratio has been 2.2, but we expect that overall, for the year, it would not be a multiple of this that is annualized. We will be restricting it to above 3% for the full year and the credit cost for the quarter is 0.3, but overall, for the half year it has been 0.6. We expect that for the full year, it will be about 1.5%.

The next slide again we will not dwell on it, it is a just a position on the NCLT cases. On the Slide 28, this gives you the SMA position. In June, we had seen the status of the SMA position and some concern was expressed on the increase in the SMA-2 position. Now, you can see that it has come down. There are two reasons for that, one is of course at that time we had assured that we will be doing active follow up and we are very confident that several of these problems which are in that SMA-2 category will be addressed. It was mentioned last time also that some structural changes have taken place in the Bank. We have now dedicated verticals attending to this sort of the work and this has given the result. In addition to that, we have also in the restricting slide I have mentioned, that we have done some amount of restructuring for under the RF 2, so that has also resulted in reduction in this SMA category, so overall the SMA position is looking quite better now.

Capital, Slide #30, we are fairly well placed, nothing more to say as I have already mentioned the figure. This next slide is on the shareholding pattern. Again, no major development in the quarter, which needs to be mentioned here. On the digital footprint and all these are the numbers which you have given here, we continue to focus on improving the digital footprint which is in line with the industry and we have taken technology initiatives and also we have taken manpower initiative. We have taken people onboard now from outside that will help us both in our IT initiative as well as the digital Banking initiative. We hope to enhance our digital offerings. We also hope to enhance the IT and digital experience of the customer and thus gives a much better digital footprint going forward. I will not go into all these subsequent details in the interest of this, financial inclusion also these figures which we have given here are there, I will not dwell on those. Straightaway, the subsidiaries that we have given position is on page 40, all are profit making, they are positive, and they are giving us a return. The way forward, the two-three items which I have mentioned here some of which I have already discussed. Credit cost we expect to be about 1.75 for the year and the net slippage will be 3% or less for the year. We also said that the net NPA level would be at the most 2.5% by March and we aim to bring it down further to the 2% in the next couple of years after that. The NIM as I said we will look to maintain at least 3%. This comes to the end of the presentation. I will stop here, so that we can start taking your questions.

Moderator: Sir, thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from the line of Pranav Tendolkar from Rare Enterprises. Please go ahead.

Pranav Tendolkar: Thanks a lot for the opportunity. Sir I have few questions so just be patient with me, so total restructuring including COVID restructuring is how much, so your press release suggests that it is around 5826 crores, but that is COVID restructuring and above that restructuring total if you make how much it is?

Rakesh Sharma: COVID restructuring we have given that there were, one was resolution framework 1.0 and 2.0, and MSME, these three parts are there so in one it was total 1.29% of our standard advances.

Pranav Tendolkar: Sir, can you just tell me the absolute numbers, it will be easier?

Rakesh Sharma: Absolute was 1619 crores, the second one 1993 crores which is around 1.59% of the total standard advances, and the third MSME is 569 crores, so total mix 4181 crores which is equal to 3.3% of our total standard advances and which is well within the estimated norms.

Pranav Tendolkar: Before COVID, how much it was?

Rakesh Sharma: Before COVID there is other standard restructured, these are all under COVID.

Pranav Tendolkar: The mention that you made on the Page 2 of your press release the format A and format B and then there is a 5826 figure and 5722 figure, where is this figure coming from that crore, there are two tables format A and format B that is according to RBI that you have presented and there is a 5722 crore figure in the column B of format A and column E of format B that is 5826 crore on the second page after all the press result tables are there you have mentioned that?

P. Sitaram: This figure, which is given here in format A that exposure, first of all exposure includes even non-fund-based exposure, and secondly that is the exposure as at the time of restructuring. The figure which has been given by MD now that is the fund based outstanding and that is as on date that is 30th.

Pranav Tendolkar: Sir, thanks a lot, second question is on the NIM that you have produced in June that was 4.01 so you explained that there was interest income reversal on Kingfisher, so what is the sustainable NIM here and what was the impact in last quarter of Kingfisher, so I missed last quarter call, so sorry for that?

P. Sitaram: The sustainable NIM is what I had mentioned, we are looking at maintaining a NIM of 3% at least.

Pranav Tendolkar: So, 3.02 in this quarter would be the bottom?

P. Sitaram: Yeah, it is the run rate that we will be expecting. Some quarters we can expect a spike because we were Bank exposed to lumpy corporate provider so sometimes when the recovery happens to that extent that spike will happen.

Pranav Tendolkar: So, Sir X one off how much was the NIM for last quarter?

P. Sitaram: Excluding that it was 3.10.

Pranav Tendolkar: Sir, second thing is that you have mentioned there are three advances right, so there is one advances which is balance sheet advances which is X of problem assets, then there is gross advances which is around 1,60,000 crore and then what happens is that you have mentioned also two types that is one split includes services and one split does not include services, so what is the difference between it, so on the page 19 of your slide there is a gross advances as on September 2021, in one thing you have mentioned the split that you have given proportion 37% corporate, 12% MSME, 13% agri, and 38% retail, and then on the bottom right corner, there is also part of services, which is around 24,889, so where does services go in this table above, what is the proportion like where it is included here because the calculation gets confusing little bit?

P. Sitaram: Because services can be in both corporate and retail, so it depends because services is industry categorization given by RBI based on the harmonized industrial classification which Government has adopted in there, so that service industry can be a large one, for example, you take something like a security agency or anything else, then there can be some small-time agency which is offering say cleaning services, which would come as a SME business or something like that.

Pranav Tendolkar: So, it is better to take that 60,093 crore which is a personal loan that is the actual retail figure, we should not take the personal loan as 52,806 in the just chart below?

P. Sitaram: No.

Pranav Tendolkar: That is right, so 60,000 is the correct, right?

P. Sitaram: Yeah.

Pranav Tendolkar: Sir second thing is that there is employee cost QOQ, so this quarter employee costs were around 698 crores and the same quarter last year were around 789 crores, so what is all included in this figure is it the latest bps included in this is the pension assumptions have fully provided for, so can you just spend some time on what will be the actually the employee expense per quarter going forward in this year and next year?

P. Sitaram: Two things happened, in September '20 first of all we were going towards that bipartite settlement, so we were making provisions for that, so that provision based on the estimate from quarter-to-quarter there was some fluctuation based on the latest position and the negotiation and what was intimation coming from **(Inaudible) 29:57.2**. Then second thing was of course the movement in interest rates, the movement in interest rates affects the valuation of employee benefits particularly the retirement benefits, so this year the interest rates have been fairly steady. They have not impacted the valuation of retirement benefit so much. Also, the provisions were coming settlement that has been done away with because the settlement is already in place, revised scales are taken effect, so it is coming as a regular, we do not have to make some estimate that will keep fluctuating, so due to this factor one has seen the variation between Q2 of last year to Q2 of this year. Otherwise, the employee component more or less is the same.

Pranav Tendolkar: So, 698 to 700 crores may be the per quarter expense this year and next year we could assume say 7%-8%?

P. Sitaram: The valuation of employee benefits will impact. We are looking at a situation now where rates have bottomed out, so if not next quarter going forward by March or elsewhere there will be some impact on retirement benefit that will be coming.

Pranav Tendolkar: If the interest rates goes down, if the interest rate goes up?

P. Sitaram: Correspondingly, there will be valuation hit on.

Rakesh Sharma: If it goes up then there will be no additional requirement, but we normally do not write back, we are not writing back, but if there is a reduction in interest rate then we have to make additional provision.

P. Sitaram: You cannot write back also because it is a funded liability, so you cannot take back money from the trust.

Rakesh Sharma: So, if the interest rates are rising, then to that extent we will be saving on that cost, so only expenditure part will be there, AS 15 addition burden may not be there.

Pranav Tendolkar: Sir second thing is that on the other income split can you just, maybe I am missing it the split between core operating fee, Forex, and treasury profit out of 846 crore, can you just give me split for that?

P. Sitaram: In this quarter, we had commission exchange brokerage of about 436 crore. Then the sale of investment is 205 crore. There is a net revaluation loss of 32 crore, so minus 32. Then Forex income is about 170 crore. Then dividend is 13 and then we have some miscellaneous income altogether is about 54 crores that is aggregate 847.

Pranav Tendolkar: Same figures for last year and last quarter, will it be possible to give?

P. Sitaram: For September '20 commission exchange brokerage 424, then profit on sale of investments 499, valuation loss minus 135. Then there is the Forex income 26 crore, dividend income 8, miscellaneous income 59. June '21, commission exchange is about 404, the profit on sale is 690, this is the first quarter sale on this. We had discussed earlier that because that interest rate position was favorable and used that situation and encash, the days which are there in our. Then profit on revaluation of investment this is a plus instead of minus, this is plus 92. Then we have Forex income of 164, dividend income of 26, and miscellaneous 23, the aggregate is 1400.

Pranav Tendolkar: Was there a strategic sale last year same quarter something like that?

P. Sitaram: On the profit on sale of investment was 499.

Pranav Tendolkar: In that there was some sale, right?

P. Sitaram: Yeah there was sale of both of NSEL.

Pranav Tendolkar: So, that 499 was not all treasury, it had some strategic sale if I remember correctly?

P. Sitaram: Yeah. 110 crore.

Pranav Tendolkar: 110 crore was from NSEL?

P. Sitaram: Yeah.

Pranav Tendolkar: Also, during the introductory remarks, you mentioned that there is a reclassification of other income and provisions, can you just explain that for little bit detail?

P. Sitaram: Very simple, RBI has said that the recovery from return of cases should be shown in provisions and contingencies because possibly the logic is that since write off is being shown there, recovery also should be shown there.

Pranav Tendolkar: That is why your June provision is changed in this presentation from last presentation, that is the reason and other income has changed correspondingly?

P. Sitaram: The second reason is that where investment, where it is a pure mark-to-mark minus coming because we are not allowed to take plus anyway, purely mark-to-mark minus that is shown under other income, but if it is a non-performing investment as per their norm and we make a provision as per their norm for NPI that provision is to be shown as provisions and contingencies, so that also we have shifted to provision.

Pranav Tendolkar: Sir, what was the provision for Srei that you did for this quarter, I understand that it was mentioned that it was in standard provision and now it is in NPA provision?

P. Sitaram: We have moved it from standard to the NPA, it is about 370 crores.

Pranav Tendolkar: It has not impacted the PBT because it was already there in standard?

P. Sitaram: It is just movement from one type of provision to another.

Pranav Tendolkar: Sir, I just have this query that I was just saying for past six-seven years and you have if I am not wrong written off something like 80,000 to more than that over last four-five years, so can there be a significant recovery because the accounts that you have written off in that infra and metal space which actually has a good time now cyclically, so am I right to assume that recoveries will be much higher from that written off pool which is not there in your net worth and your net worth could be boosted?

P. Sitaram: Actually, all the Banks are working towards that, see two-three initiatives had happened. You are aware of this NCLT process, unfortunately both because of some procedural reasons also because of COVID there has been a certain amount of delay in that. The entire industry is looking forward to normalization of that process now that things are coming back and physical hearings everything is back to normal, so one can hope that few cases will get resolved now and the process will get normalized. The other thing which of course the industry is looking forward is this buyback, so that proposal also has been in the work for some time and now it has more or less reached a stage where it will be launched now, so that could also give some amount of first of all of course it will be fully written off cases which will be going in the first stage, so as far as GNPA all that, there is not much impact but some amount of upfront realization in terms of the cash that we will get, and secondly, there is a time bound program there for NRL to get the resolution done, which hopefully they will be able to do because they will be aggregating on a very large scale. Being an aggregator of that almost major chunk of the debt, they will be hopefully able to either through NCLT or through a normal resolution process be able to bring about positive outcome which have not been possible for individuals, so that if you put these two together, there is some amount of hope now much more hope than what was there six months back or anything that we will be able to gain more recoveries from this fully provided and written off cases. It is very, very difficult to give any timeline predictions that it will happen in this quarter or in this half, they are subject to certain procedures and also certain legal challenges which the borrowers may so there can be spikes here. I mean it will come in terms of, it will come in sporadic way, we cannot have a regular pattern.

Pranav Tendolkar: Sir last question from myself, this ARC outstanding is how much and when you say investment depreciation and take it in provisions, is it basically ARC depreciation or is it anything else also?

P. Sitaram: Of course, there is in the chunk of it, we do have certain SR from earlier transfers to ARC. In the recent past, we have not done much of portfolio transfer to ARC, even those SRs are there. As and when the valuation comes on a time basis based on the provisioning norms for that ARCs so that provisioning hit is also there in this depreciation of investment, but there is also the main chunk of this depreciation pertains to the equity and preference shares and non-convertible debentures that we hold in companies that link to the debt that we add to those companies. They might have come either through direct subscription or through conversion of debt dues to this form of investment, so there are certain norms prescribed by RBI on how you treat this as performing or non-performing and if it gets classified as non-performing, then how do you do the provisioning further, so this major chunk of this is because of that.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania from Elara. Please go ahead.

Mahrukh Adajania: Sir, I had a couple of questions, firstly there are the new family pension norms, what will be the likely impact of those on your wage bill, can you quantify?

P. Sitaram: As of now, our Bank is slightly different from other public sector Bank. We are classified as private sector, so we are not in the same category as far as family pension is concerned, so the matter is being examined, so there is no decision yet on whether that family pension which has been granted by the other public sector Bank will also be considered in the same way and to the same extent as by IDBI. This matter is yet to be considered at a policy level, so if we actually do that, we have made an internal assessment and we have looked at because as I said the settlement was done last year and till then we had made certain provisions for the employee cost. We are in a position to say that for this year at least we are covered for the liability that if at all it may arise from that, so we will see as we go forward. Once the policy decision is taken in this regard, then we will be make an accurate assessment on what is required and most probably we will have to start making provisions from the next financial year. In this financial year, we do not envisage at this stage that we will have to make a provision.

Rakesh Sharma: Just we may add that as per internal assessment what Mr. Sitaram has said, the amount is not very large and in any case RBI has permitted to make provision in IBS, so if that is happening so very easily it can be observed. There will be not much impact on the profitability of the Bank.

Mahrukh Adajania: Got it Sir and Sir what is your exposure to Air India and Srei?

Rakesh Sharma: Air India we do not have exposure.

P. Sitaram: Srei I already mentioned we have made provision of 370 crores that is the full 100% and Air India we do not have exposure.

Mahrukh Adajania: DHFL?

P. Sitaram: DHFL is now settled written off, there is no question of that exposure.

Rakesh Sharma: Already we have recovered almost 200 crores.

Mahrukh Adajania: What was the recovery?

P. Sitaram: We had an exposure of 980 crore and pro rata like the other Banks, we have also recovered part cash, part instruments.

Mahrukh Adajania: Okay, and the entire amount has been written back through other income?

P. Sitaram: It is also fully provided account.

Rakesh Sharma: The other income now technically write off also as Mr. Sitaram had explained, it has to be taken in provision reversal, so it has been taken as provision reversal, cash portion and NCDs in any case some NCDs were also there, these are kept as debenture whenever this are due, whenever we will be getting interest and at the due date we will be redeeming that amount, but the cash portion has been treated as provision reversal.

Mahrukh Adajania: But Sir NCD also should be treated as provision reversal because you provided 100%?

P. Sitaram: NCDs when it has come from loan to investment so along with that the corresponding provision also goes to NCD, so NCDs will be reflected at a net book value of 0 or systemic requirement maybe Rs. 1, so the provisions continue there. When we recover the NCD, at that time that provision will reverse.

Mahrukh Adajania: Okay, so just now what is written back is only the cash portion?

P. Sitaram: Yeah, we continue to hold the provision for NCD, which earlier held for the loan.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Sir, thanks for the opportunity, Sir on Dewan NCD again, so can you sell those NCD as of now or you will wait till maturity?

P. Sitaram: They are not listed and we all know that several NCDs which are listed also, there are hardly any volumes in the market to justify that we will be able to go to the market and sell, so even if they were technically listed, so as of now these are NCDs which have not really sort of by anybody, so at this time not much prospect of selling it unless we want to take a heavy haircut on it.

Jai Mundhra: Secondly Sir on this change in net NPA percentage and in provisioning accounting from other income to reduction in the provisioning, is it mainly because of this master circular or there was some other specific circular as well, because this has happened for the first time?

P. Sitaram: Yes, and it is based on that master circular.

Jai Mundhra: There was no specific circular to say so, it was only part of this master circular right which comes every year anyway?

P. Sitaram: No, it has come after several years. This is the master circular on disclosures and presentations. Last one had come in I think 2014 or 2015 and this is being updated after six-seven years now, and they have put it on the website. They said it is effective from the date of being put on the website that is sometime in September.

Jai Mundhra: Secondly Sir on restructuring, this quarter if I look at the restructuring provisions, you had a 76 crore restructuring provision and 800 crores of standard asset provisioning, and then this quarter you had some reasonable restructuring also is around 2000 crores, so ideally they should be at least 10% restructuring, is this number right, I mean how should we look at it, what explains this higher 800 crore of standard assets restructuring and very low restructured assets provisioning?

P. Sitaram: Actually, those two are not related, so first let us look at the restructure. This is the net provision, which is there, so what has happened, one or two big size loan which have become NPA, they were also restructured, so the provision has gone away from restructured, it has gone into NPA provision. To that extent, therefore, the net amount of 74 you are not able to correlate with the quantum of restructuring during the quarter because we have made a gross provision for that restructuring days in the quarter. Also, there is a reversal because one or two large cases which have become NPA. The corresponding restructuring provision and everything has shifted to NPA, and therefore, it is a credit in this restructuring, that is the explanation for restructuring. Now, coming to the standard asset, that is now also again a sum of couple of movements which are there, for example, Srei, which we had provided for so that standard asset provision has also gone to NPA, so to that extent there is a movement from standard asset to there. In addition to that, on a voluntary basis, like we have been doing now consistently for nearly the past two years or so. Wherever we feel that in these cases, there could be some weakness in anticipation of that, so we continue to make on a conservative basis provisioning, so this is what we have done in almost all the quarters previously. We had done also here; we identified some cases. We made some specific standard assets. It may not be necessary, if at all it is not necessary then as the future events unfold then we will reverse it, but we would like to continue the conservative approach here so that we do not again face some sort of a situation that we faced in 2017.

Jai Mundhra: So, your standard assets provisioning includes some amount of contingent provisioning or countercyclical provisioning in that sense?

P. Sitaram: Yes, you can call it that.

Rakesh Sharma: In addition, that for COVID that 863 crore provision which we had made, that in any case we are continuing, we have not used it so far. In addition, that restructuring which you are referring maybe that restructuring for COVID, we had made 484 crore provisioning, out of that 479 has been used, so that no additional provision was required for that COVID restructuring.

Jai Mundhra: Okay Sir, just to clarify this restructured provisioning on COVID provisioning of 800 something, that includes the restructuring provision right, standard assets restructuring provision?

P. Sitaram: That is over and above earlier we had done and we had given the details, that amount we are holding separately and we did not draw from that for the restructuring during this quarter though technically we could have done that, whatever restructuring has happened during the quarter, we have provided for it. That 860 we have not touched though technically we could have used some part of it. Again, on a conservative basis we are going cautiously on this thing. We will wait till March and by then we will know what is actually required, what is not required, we will take a call at that time.

Jai Mundhra: Sir, your Slide 24 which has this COVID-19 provisioning 1347 crore, so this is over and above your specific provisions, but does this also include restructured provision?

P. Sitaram: It includes that 484, which is the restructuring part and rest part is what MD mentioned, the second wave we have made additional provision of 500. Then in the first quarter of last year that we had made and on June '20 also we had made, all these three provisions over and above that 484 that also we are keeping as it is, we have not yet touched those provisions.

Jai Mundhra: Last question Sir from my side, on your NPA outlook, I think you have mentioned it clearly that you want to wait out for some more quarters, maybe two quarters more before so that you see the final impact of COVID, but if you can sort of highlight Sir because what is that is sort of area of concern, is it like MSME where you are seeing some sort of a potential issue or your retail because the corporate looks like sorted and you anyway do not have much MSME and retail, so what is driving this caution?

P. Sitaram: Nothing specific, what we are looking at is that when we started the year where there is a large amount of apprehension on the second wave, but as things have developed gradually these anxieties have come down. As we stand today now, most of that anxiety has ebbed away and it looks like we are able to manage that and even this restructuring that we have done, not much given the size of the portfolio that we have, so looks like that both the MSME, agri, and small business people all of them are able to weather this COVID storm much better than what was apprehended at the beginning, but there is that but, nobody knows because this is an epidemic which we never, very difficult to predict now three months down the line whether this trend will main or whether there will be drop in all this number of cases, infection, and it will be far better or will there be a third wave and will there be further stress and further, so that is the only thing, that is that unknown factor, so we have gone through a bitter experience not only the PCA and related things, but just when we are coming out of it we had to face this COVID, so it has been quite a this thing, so conservatism emanates from that, so there is no particular rationale reason. We do not have a particular area of concern in our portfolio, it is doing fairly well. The restructured portfolio we have to wait for some time, whether that also will hold well, it looks like it can because overall climate is improving.

Rakesh Sharma: In fact, that will again corroborated by the fact that our SMA level if you see SMA level has been continuously declining, so in June my SMA-2 was 2367, now as on September 30th it was 947, total SMA 0, 1 and when we give this SMA number we give all, not that more than 5 crores, entire everything we are giving. It is only 5024 which shows that our efficiency ratio now has reached 96% in retail, so which was earlier used to be in fact 94-95, now even this post COVID, it is 96%, so I do not think there is any risk but just to be on conservative side, he is giving that statement.

P. Sitaram: We must remember that though we have come out of PCA there is at least one year window now where RBI will be looking at us closely, so we would like to demonstrate that everywhere that we are not going too much adventurous that we would like to continue a conservative stance till we are very sure that we are now strong enough and we can go ahead with much more calibrated, that we will see I mean March should be some sort of a watershed where we will take stock and we will take a call on all this at that time.

Jai Mundhra: I agree with you Sir that the situation is improving and your SMA levels are also very steady, but it does not corroborate with your last slide which says that the net NPA will be below 2.5, which any way is below 1.7 now and you are saying that net slippages will be below 3, which is even lower than this now, so I do not know how does these two things add up with the general environment that you have?

P. Sitaram: Excellent question, again a perspective if you look at we had made some standard asset provision. Take a worst-case scenario where the probability of that worst case is very low but suppose that worst case scenario that where we have seen that we need to make a standard asset provision, suppose all that things become NPA then we have seen that what will happen to our net NPA and that is there. Again, we are taking a very extreme, because we do not want to surprise the market with a figure, which is higher than what we are giving as a guidance, so that is why we have put that number there. It is already lower than what we were guiding earlier, to that extent yes, some positivism has already come but we do not want to really again go very aggressive on that. Let this trend of COVID stabilization establish itself, let us have some amount of confidence in the outlook for the economy, then we will definitely be much more balanced rather than being too cautious.

Rakesh Sharma: But you are right I think, I am not quite apprehensive that we will cross 2, we will be well within the 2 level only, I agree but that is just for if something very wrong happens then giving that number.

Moderator: Thank you. Ladies and Gentlemen, that would be our last question for today. I now hand the conference over to Mr. Kunal Shah for closing comments. Thank you and over to you.

Kunal Shah: Thanks for the entire senior Management team of IDBI Bank for answering all the questions and giving the detailed explanations and thanks all participants for being there on the call. Thank you. Thanks Sir for giving us the opportunity to host.

Rakesh Sharma: It was a pleasure replying to your questions, let us hope we will meet next time. Thank you very much.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of ICICI Securities Limited, that concludes this call. Thank you all for joining us and you may now disconnect your lines.