"IDBI Bank Limited Q3 FY-20 Post Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the IDBI Bank Limited Q3 FY20 Post Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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Bhavik Shah: Thanks, Stephen. Good evening everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities I welcome you all to IDBI Bank Limited 3Q FY20 Post-Results Conference Call. We have with us today the management of IDBI Bank Limited represented by Shri Rakesh Sharma, MD & CEO; Shri Samuel Joseph – Deputy Managing Director; Shri Suresh Khatanhar – Deputy Managing Director and Shri Ajay Sharma – Executive Director and CFO. The banks detail financial and presentations have already been uploaded on banks website. And I believe most of the audience would have managed to see that. I would now request MD and CEO sir to start the call with his opening remarks on 3Q FY20 Results, post which we can start with the Q&A session. Over to you sir.

Rakesh Sharma: Thank you. This is Rakesh Sharma. So, I'll just give the highlights as you said that the presentation has already been dispatched to the analyst so I'll just cover the major highlights. One is the starting, the bank has posted a PBT profit before tax of 756 crore after 12 quarters in fact last time the bank posted a PBT of 191 crore in Q2 of 2016-17, September 2016 actually. And there was a PAT of 56 crore. So, after that 12 quarters now there is a PBT to 756 crore and overall there has been improvement in all the parameters the operating profit has shown an improvement of 76% Y-o-Y, NII has also increased by 13% and in the benefits of LIC synergies have started coming, but these are yet to come. And in next one year we will see much more the benefits coming from LIC synergy which will improve the bank's business and profitability, and we expect that this will further show improvement in both operating profit and net interest income. The net interest margin has also shown an improvement. So, net loss is there of 5763 crore, but this is mainly because we have taken a onetime decision to opt for new tax regime because of that, there was a onetime reversal of 6,273 crore in DTA. So, as the analysts will know we were holding a DTA and since we have gone for the lower tax regime, so the differential amount 6273 crore we were required to reverse it and which has resulted in to loss of 5763 crore. Had we not gone for this newer lower tax regime, there would have been a net profit of 418 crore. So, it's only because of DTA reversal that there is a loss and its only book entry, it has not affected our capital adequacy ratio. And one more thing I would like to add here, that we have made accelerated provision of 1679 crore and the remaining provision the net NPAs basically are now 6805 crore and the aging provision is well spread over the next three years. So that there will not be any additional burden during any quarter and going forward. So, this will help that overall, we are able to show continuous improvement in the profitability and the performance of the bank.

The net NPA basically has declined from 14.01% as on 31 December 2018 to 5.25% as your 30th September if you see the net NPA was 5.97 and it has shown further improvement and it has declined to 5.25% and as I said the net NPA is 6805 crore. If you say here I'd like to give you one highlight, that the net NPA as on 30th September 2018 was 27,295 crore. After that of course there have been some slippages also some expected slippages, some unexpected slippages. And not only that we have been able to provide for the slippages and also the accelerated provision and from that, apart from 27, 295 of net NPA and 14,972 crore of slippages during the four quarters. So, we have been able to provide and reduce the net NPA to 6805 crore, which is quite substantial improvement. So, we have come down from 27295 to 6805 crore and one more important feature during the current quarter is, that previously whenever we were making accelerated provision the net NPAs were coming down this was having adverse impact on our profit, the bottom line, because it was and the capital adequacy also.

So, it was affecting adversely our capital adequacy. This is the first time because of our good recoveries, that whatever accelerated provisions we have done and the net NPAs we have brought down to 5.25 from 5.97, this is out of recoveries. Because we are having 92.41% is PCR at this time. So, now whatever in the coming quarters also, whenever there are recoveries are coming. So, because we are having sufficient provision, so, there will be some additional recovery will be there which will be positively affecting, contributing to our bottom line and this will help us not only show in, either showing good profit or making accelerated provision. So, the bank now have shown the symbols of turnaround they're actually in my opinion the turnaround has already happened. The loss which we are showing 5763 crore, it's only because of DTA reversal otherwise we are in profit. So, as I said PCR is 92.41 and it has basically increased from 75% in December 18 to 92.41%.

And the CASA deposits, now coming to the business level. The CASA deposits have strengthen substantially and from 36% as on 31st, December 2017 and 38%. In one year, there was only improvement by 2%. But now, from 38 we have gone up to 47.65%, 9% improvement is there. The ratio of bulk deposits has come down from 32% as on 31st December 2018 to 17% as a 31st December 19. And in advances portfolio if you see, RAM portfolio ratio which we had estimated that our RAM portfolio will be 55% of the total advances by 31st March 2020. But as on 31st December itself, we have reached this 55% level. So, already we have reached this, in fact in CASA we had estimated 45% by March, we are already 47%. So, whatever guidance note we had given we are well above that, the net NPA also we had indicated that we will be below 6%, we are 5.25 much below the 6% level.

Now, in our structured retail assets. Basically, it has shown good improvement 14% growth is there because we are under PCA. So, we are only growing in home loan and the of course, other priority sector advances and home loan portfolio it comprises out of the total RAM portfolio home loan itself is 44% and in home loan, the NPA percentage is only 1.15%. So, this is a very good sign, that this home loan portfolio is improving and the asset quality is very good there. If you see home loan to structured retail asset the percentage is 52%. In other retail assets also our NPAs are quite under control and total in structured retail asset the NPAs were 1.63%. So, in treasury if we see the modified duration AFF portfolio, we have been able to reduce from 4.35 as on 31st December, to 3.01 as on 31st December 2019. And the capital adequacy ratio has improved from 11.98 to 12.56. As I said, despite the fact we have made accelerated provision, despite the fact there is a DTA reversal, the capital adequacy ratio has improved from 11.98 to 12.56 and CET was 9.96 which is quite comfortable. And we are quite sure that next year the extra capital which we are having and we have raised 745 crore through Tier-II bonds recently at quite competitive rate. And with this additional capital and the surplus which we are having and likely surplus, which is to be generated, likely to be generated in March. We will be able to grow our assets from 8 to 10% without any capital requirements. So, this capital is sufficient to support our growth of 8 to 10% in the next year.

So, the one more of the positive feature I like to point out is, one in recovery and one in liabilities. Recovery we had a 3100 crore of recovery and as against that the slippages were 2113 crore in fact if you see slippage is 2113 crore two accounts were there which are around 1300 crore. If we exclude those accounts, the slippages were only 800 crore and in the coming quarters, we are expecting that the recoveries we will be able, the slippages we will be able to restrict below 1000 crore and the first time in fact, we have shown this ratio where recovery and up-gradations are much more than the slippages. And there has been a 308 crore of recovery and tactical return of accounts also. So, going forward in the coming quarters also we are expected and we are quite hopeful that we will be showing the similar performance because we are expecting recovery of around more than 2500 crore recovery in Q4. When I say 2500 crore it includes of course ARC sale also, but that is expected and the slippages are we are trying to contain below 1000 crore So, that will further help us to improve our bottom line and the gross annual as a net NPA position. So, this is one positive sign is there. And because we are having 92% recovery so, certainly whatever the PCR so, certainly the recoveries whichever are coming will contribute to our bottom line.

One more feature I'll point out in liabilities front. We are having a RIDF deposits of 22,537 crore. So, far we were not complying with the priority sector norm. So, we had to keep these RI deposits. But now wherever we are able to do priority sector, we are doing that, wherever we are not able to do we are buying the PSL certificates. So, that way we are able to comply with the priority sector norms. And in future we will not be required to make any extra deposit in RIDF because there is a, actually we are earning 4.41% interest and there is a negative carry of 2% and notional negative carry of 4%. So, these funds now slowly will be coming back to us which we will be able to deploy profitably and that will also add to our profitable part. If you see gradually this will be due for repayment like 2020-21 itself we will be receiving 5071 crore which is maturing in 2020-21 and 3786 crore is maturing in 2021-22. So, these resources can be utilized profitability, and this will help us in improving net interest income and net interest margin. And finally, of course this LIC synergy has already we have started getting good income from the LIC synergies, good we are getting that Bancassurance business we are doing; we are maintaining their accounts, we have given certain benefits to LIC policy holders. So, this is contributing to our business.

So, these things and as I said in the beginning, these synergies will start giving additional income during the next one year. So, this will help us in improving our not only CASA ratio, but also the profitability part. And with all these, whatever I have indicated now the PCA parameters we are now, we have accept ROA but if you exclude DTA then ROA also we are complying with So, we have complied with all the criteria and we hope that now we will be out to PCA soon. And because September to December in September also, we were compliant on three parameters except ROA but in December all these three parameters, there is further improvement.

So, with that, I'll stop here, and I'll request if some questions are there we can reply to those questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Rangani from Centrum Broking. Please go ahead.

Rahul Rangani: So, if I look at your CASA ratio it has grown up sharply so, how much of that do you see is sustainable. And what kind of a number are you targeting?

Rakesh Sharma: As I indicated our target was 45%. Of course, this is CASA deposit whatever is there it is sustainable. There we have shown 18% growth in CASA deposits and saving bank as well as current account there is, this numbers will be sustainable. But once we are out of PCA, of course this growth will be there then we'll have to go for more of term deposits and other deposits also because, so far there was de-growth in advances. So, we were shedding the bulk deposits have come down from 32 to 17. So, in those cases we will also now be convincing more of term deposits and this also. So, ratio slightly may come down, but numbers of course, we will be able to sustain the number right. The ratio, I am still maintaining that we will be above 45% minimum. Of course, we have to try more than that, but minimum 45% CASA ratio we will be able to maintain any moment.

Rahul Rangani: And also, on our loan books, what kind of a mix are you targeting in terms of quarter corporate basis, like you say that your corporate is de-growing. So, what kind of a mix are you targeting here, corporate versus retail?

Rakesh Sharma: One is this basically like one thing you will appreciate that IDBI Bank started its business as BFI so we have good expertise in corporate advances. Yes, due to external reasons some of the accounts went bad, there were various reasons for that. But the expertise is available and in future once we are out of PCA. But we will be a little bit growing cautiously maybe we will grow mainly in investment rated accounts only investment grade accounts. So, at least triple B and above, various we have already framed our policies, the industry wise, the exposure limits the group wise exposure limits, individual wise exposure limits, which industry we have to go. During these three years we have improved, we have done lot of improvement in our risk management policies. So, based on that we will go, but certainly we will be growing in good accounts. And we expect that and now this 55% is my retail ratio. So, somehow by 2022 because now we will start growing in corporate also. So, it will not improve so substantially and quickly. But I think by 2022 our target will be that 60% should be retail, retail when I say retail, agriculture and MSME our RAM portfolio is 60% and 40% will be corporate. So, accordingly we will be growing in that.

Rahul Rangani: Okay. So lastly on the stakes by the government is there any timeline on that?

Rakesh Sharma: Here basically the, whatever you have heard that is the budget announcement is there, after that a lot of work will be involved. As such we did not have any communication. So, of course, this is for the government to decide but one thing I can add, that now as I said that with this additional capital which we are having and the likely recoveries which will be coming now, and in some of the cases we are advanced. So that the capital requirement we will be able to generate from our own self, we can stand on our own now. So, maybe government have thought that the bank is now capable enough, they can stand on their own, they don't need any capital and this is, if new investors come the bank will be now as per RBI instruction bank is already classified as private bank. So, if a new investor comes so these fully those benefits can be further exploited and we can get the benefits. But the timelines of course, this will be decided by the government only.

Moderator: Thank you. The next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.

Sneha Ganatra: Sir, just wanted to know, first question is on this any chance to sell of the subsidiaries?

Rakesh Sharma: In fact, already this mutual fund we have already finalized the deal. So, certain now statutory approvals are pending with us. So anyway, whenever they get statutory approval that will be over. In another Federal Life Insurance, IDBI Federal Life Insurance is there. So, they are also we are at quite advanced stage. Situations are being worked out, so bids have been received. We are working on that negotiating with them. Here we had estimated by March but now I hope we'll be able to complete the deal by June 2020. And other thing IDBI Capital and IDBI Intech, which are very good subsidiaries. There also we have taken a decision already that we will be 49% share will be selling. So, this of course will take some time, it may take about a year's time, there we are not in a hurry.

Sneha Ganatra: Okay. My second question is on the what is the creditors outlook and when can we be out of the PCA?

Rakesh Sharma: On our part in September itself we had complied with all the parameters. So, now in December also there is a consistency we have been able to maintain, we have been able to sustain those results rather we have shown improvement. I think with this hopefully any moment we should be at the moment. Now, of course, the decision has to be taken by RBI. But with these numbers, and we the improvement in all our control systems, internal risk management policies, compliance parameters, I hope soon we should get to the good news.

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

Himali Dhame: Can I get the number of provision right back for the quarter?

Rakesh Sharma: Actually, although this provisions on NPA, if you see from the statement which is made available it is 440 crore. But actually, as I was telling you we have made accelerated provision of 1600 and total provision actual we have made 3601 crore. And so, there was a right back of 3161 crore roughly around 3100. So, it was mainly from those accounts which we got the recoveries and those were over 100% provided for, like Essar and some missing. So that's why the net effect is for 440. So, whatever this additional provision, we have made, we have been able to make from the right back of provisions and without affecting our capital adversely. That's what I was trying to emphasize. So, this is right back was around 3161 crore.

Himali Dhame: And sir what would be the interest from Essar that will be coming from our interest income, that would be in our interest income?

Rakesh Sharma: Interest income here it is not there.

Himali Dhame: Okay. And sir how much provision do we have for DHFL at this point of time?

Rakesh Sharma: Yes, please?

Himali Dhame: DHFL how much is the provision that we have on DHFL?

Ajay Sharma: We have made 75% provision in this case.

Rakesh Sharma: The part of this accelerated provision has grown towards this all 75% we have made.

Ajay Sharma: Overall 75% on the fund base exposure, no non-fund this year.

Himali Dhame: And sir what exposure do we have on Vodafone?

Rakesh Sharma: Actually, the telecom if you are asking telecom, we have a total overall exposure of around 4800 crore and this 4800 apart from that NPA which have been fully provided. Now these are all standard and investment grade and above accounts, all BBB and above accounts, some are AAA also and out of this 50% is in AAA account. So, Vodafone it is around all zero fund based, non-fund based only is there 4811 total. Out of that Vodafone will be in the range of around 1500 or something like this.

Himali Dhame: And we have not made any provision for this Vodafone non-funded?

Rakesh Sharma: We don't foresee any problem because they are talking to the government, in any case it is non-fund based we don't have any fund based exposure as I said. Number one, we don't expect that some problem will come because we are talking to them and some solution will be worked out. Other cases of course, there is no some problem out of that 4811 there is no problem in this also, we feel that there will not be an issue. But still, as I said, it is only non-fund based, worst come worst if some issue is there, I think we'll be able to absorb that.

Himali Dhame: Okay. And sir will the MSME restructuring for the quarter?

Rakesh Sharma: MSME restructuring actually, if you see from our statement of account, that the disclosures which we have given, it is a very minimum actually, it's around 50 to 60, about 75 crore is the only amount.

Himali Dhame: Okay. Sir can I ask you one question, whether you've assessed the impact of the CRR exemption on your NIM, and how much benefit you will be able to pass through in your yields for the retail loans?

Rakesh Sharma: In fact, there will be course, you can say exact amount to, I cannot tell you, you have of course worked out. But partly in fact on those corporate salary accounts which we are having, which are corporate salary, we are getting the salary income with our bank only and these are almost zero risk accounts and with good CIBIL score, we have already decided to pass on the benefit of 10 basis points to all these customers. So, this will help us in increasing our portfolio under this account. So, already we have decided to accept the benefit of 10 basis points in home loan category. Despite that 10 basis point it will still the balance it will contribute to our NIM.

Ajay Sharma: Just to mention, the MSME restructuring is only 30.91 crore.

Rakesh Sharma: Yes, so it's very negligible.

Himali Dhame: Okay. And sir in terms of commercial real estate, what portion of our book will be impacted by again the extension of DCC that the RBI has offered?

Rakesh Sharma: No, it's not. I think in our case, because whatever, where stress was there mostly we have identified and provided for. So presently, we don't have any such stress in the book in that CRE. So, I don't think we will be neither negative nor positive. So, there is nothing like this. But of course, as I had not covered this SME portfolio, if you see from my SMA 30th September to SMA2 to it was 6295 crore which has come down to 1977 crore. So already whatever was required to be identified, which have already been identified. So as that we don't have major exposure in CRE, which will be affected by this.

Himali Dhame: Again, sir one last question. Your account settled has been particularly high. So, apart from the lumpy corporate accounts, are there any OTS on MSME that are material in the quarter?

Rakesh Sharma: Can you repeat your question?

Himali Dhame: Sir, your settled accounts that is recoveries is particularly high in the quarter. So, apart from the lumpy accounts, are there any material agri or MSME accounts that we should know about?

Rakesh Sharma: Yes, in fact one thing you have to see that our NPAs in retail accounts are not much. So, but still out of the total recovery of 3100 crore which we had mentioned. So, this lumpy accounts when you say that even big accounts above 25 crore it is around 3081 crore. So, remaining around 100 and then of course it's also there. Technical return of total 3500 crore recovery s there, more than 3500. So almost 500 has come from the smaller accounts only.

Himali Dhame: Okay. And sir one of your banks said that you face problems of recovery of agri loans which were waived, recovery from the government. So, you have the same sort of experience that the government has been dispersing lesser money on the loans that they've waived?

Rakesh Sharma: No agriculture, in fact our again, this agriculture portfolio itself is not very big portfolios. In fact, if you see my agriculture portfolio is only 17,000 crore. So, of course like as you say that is a general thing that when the governments are going for the tax waiver, sometimes it affects the repayment culture because everybody feels that they will get. So, it affects the repayment culture also, that of course as other banks are feeling we are also having that, but wherever debt waiver is there with some delay, we are getting payment. That of course it's common to all the banks.

Moderator: Thank you. The next question is from Prabal Gandhi from Antique Stock Broking. Please go ahead.

Prabal Gandhi: Sir you mentioned about recoveries 2500 crore in fourth quarter?

Rakesh Sharma: 2500 crore around more than.

Prabal Gandhi: Yes, in fourth quarter. So, any lumpy accounts that you have identified?

Rakesh Sharma: Now account wise I will not be able to give you the details. But yes, there are some two, three big accounts around three big accounts are there. One or two are from NCLT also, one non-NCLT. One ARC sale, so like this some because as you know in our case, IDBI Bank was mainly in corporate only. So, major our big NPAs have come from all these corporates. So, we have some big accounts. So of course, out of that 2500 crore has been the trend during the current quarter also. Around 2000 to 2100 will come from big accounts only. Remaining will come from small accounts.

Prabal Gandhi: Okay, but any color on the sectors, any specific sectors where for example power, where in we see greater probability of evolution happening?

Rakesh Sharma: There are some power account is also there, one petro chemical account is also there, some steel account is also there so like this there are various accounts are there.

Prabal Gandhi: Okay. And these 2500 crore are only recoveries or does it also include your upgrades?

Rakesh Sharma: No, upgrades is different. Upgrades now of course when I speak of 2500 crore it is recovery plus ARC sales.

Prabal Gandhi: Okay, in this quarter how much must be ARC sale?

Rakesh Sharma: This quarter in fact last term we had advertised for around 9300 crore. But sine these are slightly bigger accounts. We don't the smaller accounts we are not going to NCLT, so bigger accounts. We insist for 100% cash also, though it takes time they are making due-diligence and all these things, some of these accounts are at advanced stage. So that's why we expect that by March some accounts will be finalized. In Q3 there was no major sale to ARC.

Prabal Gandhi: Got it, sir one more thing. So, we have relatively high provision coverage ratio. So, what will be the expectation of LGD is that we are factoring them?

Rakesh Sharma: Normally like, of course this accelerated provision has come because of two things. One is, of course, the aging provision, because earlier many of these accounts were restructured out. So, when restructured accounts are downgraded to NPAs so we have to make provision from the back date and the data also in there, so quickly it becomes DA3 or that way 100% provision has to be made. In some accounts, because in any case we wanted to bring down our net NPA and chances of recovery we have seen we have made some accelerated provision also. So, the recovery the recovery which we are expecting while we have made this, but not that we are not expecting any recovery from this. So, this will be around 30% recovery we are expecting. So, this whatever excess recovery is coming more than 8% this will add to my bottom line. Like for example Essar, there was 100% provision already, but we have got almost 90% of receivable. So, it has added to my provision, although it was 100% not that we were not expecting any provision. So, it's not that LGD is very high.

Ajay Sharma: Provision is more of a regulatory requirement than the factor of provisioning.

Prabal Gandhi: Got it. And sir on this retail front our growth has been relatively strong as compared to the corporate front so have we done any buy out, or have we entered into any co-origination agreement?

Ajay Sharma: No co-origination has been done and there's no IBPC factor into it. It's a portfolio which has been built

Prabal Gandhi: Okay and no buyout also?

Ajay Sharma: PSLC we have been doing and small PTC transaction we are doing. So that covers the

Rakesh Sharma: But whatever PSLC we do we sell also.

Ajay Sharma: Yes, we sell also, we are in fact net seller in PSLC.

Rakesh Sharma: Where we have, there are some segments in priority sector. In some segment we are plus, some segment we are minus. So, we do that balancing.

Ajay Sharma: Some PTC transactions we have done but that comes as a investment not from the book as of now.

Prabal Gandhi: Got it sir. Sir just one data giving questions, what is the BB and below book proposition for us from the corporate side?

Ajay Sharma: So, BB and below on the fund base will be about 28,000 crore.

Rakesh Sharma: But that does not mean that but sometimes due to certain other reasons it is, but like I said my SMA2 has come down substantially 1900 crore only. So, now I think in the coming quarters we don't see any slippage in the chunky accounts.

Prabal Gandhi: Got it. And this 28,000 crore is only for corporate it does not include SME?

Ajay Sharma: No, it is so although overall look I'm saying because in a niche case the regulatory detail is unrated portfolio only. Right, so this I have given you a figure on my gross advices on the corporate side, just 28. Basically, these are NPA accounts which have already slipped so the rating has slipped over.

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

Jay Mundra: Sir, I wanted to know there were some media reports suggesting that LIC Housing could also get merged with the banking entity because that there would be only one entity which does the financing activity. So, what is your sensor sir, how quickly can that happen. If that can happen, yes or no?

Rakesh Sharma: There are no such plans as of now nothing is there. So, even otherwise RBI when they have our giving approval to LIC they have given 5 year time. So, it's only one year now so far, we have not discussed this issue. No plans as of now.

Jay Mundra: Okay sir. And sir I was just looking at our CET one. So, despite let say 5700 crore of loss in this quarter, the CET one in absolute amount has increased. So, I understand there was some 9300 crore of capital infusion.

Rakesh Sharma: That affect was taken in previous quarter itself. This goes to show that the loss is basically because of DTA reversal not actually and when we create DTA that we don't take any benefit of capital adequacy ratio on DTA. So, when we are reversing also there is no negative impact of that. So, it has, that loss has not impacted our capital adequacy ratio that is the issue which I wanted to highlight in the beginning in my opening remarks also. That whatever DTA reversal has been done, it is basically for book entry only, it has not adversely affected my capital adequacy. So, actually there would have been a profit of 418 crore as we have not reverse that. So, it has not impacted our capital adequacy at all.

Jay Mundra: Correct. So, the DTA is below the prescribed limit which you can add in your capital is that the understanding?

Ajay Sharma: Jay, DTA affects does not affect the capital because when we do our CET one capital we are knocking out the DTA affect. The change in the CET one is basically the capital which came 9300 we had already factored in the September quarter. This quarter, basically it is a RWA reduction, basically if you see my gross advances have come down by about 4400 crore. Because of NPA provision provisions which we have done. So there also the RWA component goes, so there is a saving on that account. Some NFB outstanding has come down, market risk has come down, all these factors have contributed to the rejection in my RWA and as a consequence of that my increase of 11.98 to 12.56 which has happened in the CET one on that count it has nothing to do with DTA or the capital infusion.

Rakesh Sharma: And the business now, in fact our strategy has been to do capital light business. So that is also although there is a growth in 14% SRA is there but that is capital light business so, that is of course not eating my capital in the substantially.

Ajay Sharma: More than 80% of our housing loan portfolio is in the 35% risk rate category. And we are going in that segment. So, my corporate book when it's coming down it's in the RWA category of 100 to 150 while my incremental lending is in 35 to maximum 75% category.

Rakesh Sharma: So, that's why all this cleaning process and this improving the efficiency part is going on now. In fact, as a part of our regular exercise this capital lite business, doing capital cleansing and managing our assets profitability, reducing our bulk deposit, improving CASA all these factors have contributed towards improving the profitability and the capital ratio.

Ajay Sharma: Jay one more point. If you have seen our presentation about a year or two years back my credit RW percentage was about 120, which we are now brought it to 78%. So, all these factors has to bring my RWA component and it has helped n my capital adequacy overall.

Jay Mundra: Sure sir. And sir if you can talk about the LIC synergy as to how, which all areas do you think are playing out, you have given one slide when in you have mentioned the key points and your agenda of which some portion you have already achieved. But just in terms of let us say specifically on current account so, we have seen a current account increase from around 3 lakh crore to 30,000 crore to 42,000 crore only on current account. What could be the potential here in absolute amount? Can we aggressively tab LIC float more in a more aggressive way?

Rakesh Sharma: LIC synergy is playing out very well as far as the souring of the LIC policies on the one side as a benefit to the LIC. And also, correspondingly there's a fee income growth for us, for IDBI Bank on the one side and also commence rating moving the current accounts and savings accounts from the LIC in two segments, one is that you see for their employees and their agents on the one part and also their corporate current accounts also is being moved. This is working out very well. So far, we have already done 1500 crore of business in this segment in savings and current account alone for this year so far and this is, though it is taking little bit of time because of the related party transaction angle and all those issues to be taken care, intraday limit, etc. had to be taken care. However, we expect measure chunk of the LIC banking business moving to IDBI Bank in the year to come. We have projected a revenue line of 500 crore for this year and 1000 crore for next year exclusively from that synergy playing out. There are multiple synergy points being worked out, out of that you see using LIC agents for sourcing our home loan business and many other synergy items are being worked out.

Jay Mundra: Sure sir. Sir, I was interested in knowing that can you increase your current account balance from LIC, particularly from LIC by let say more than 5000 from now onwards or maybe even higher than 5000 crore. Or whatever the benefit that was there you have already taken and hence the incremental benefit could be lower especially on CASA side?

Rakesh Sharma: No, it is not taken that's what I explained, it is not taken it is only like we have started tapping that potential 1500 crore worth of potentially you have already tapped. This potentially is worth 15,000 crore a rough estimate. So, within that 15,000 crore maybe like we see one third at least we'll be in a position to cash on during this year and coming year as well. So, directly there is a potential around 5000 crore potential per annum it will be for additional this year and next year.

Jay Mundra: And the next questions is on your retail side. Now you are growing retail and probably from next quarter onwards you will start growing the retail in more aggressively way. I wanted to know are you following risk based pricing on retail as well as in do you differentiate the loan or NCLR based on the CIBIL score of the individual or it's just a schematic loan wherein CIBIL score is used to filter the yes or no application, but the grading is not dependent on CIBIL score how do you see that?

Rakesh Sharma: Our pricing on the structure retail portfolio where the growth is now last year we grew 18% as on December the growth is 14% Y-o-Y. There the pricing is totally aligned to risk based model from the last one year. We are using the credit vision score two that is the most advanced score available for rating the housing loan customers. And I can also tell you that out of our disbursals, 82% of the total home loan disbursals are going to prime rated customers and the above. So, we are very mindful of the fact and then this risk based pricing is used for that. Our pricing mechanism for structured portfolio is made out in a three tier system. First tier is based on the loan amount, second tier is based on the credit score, third tier is based on the profession of the applicant. These three tier system we have applied over the last one year.

Jay Mundra: Sure sir. And sir just two things last. We have received the divergence report right, and there's nothing to report. Is that the understanding correct?

Rakesh Sharma: Yes, as per the SEBI requirement we have to only report in case divergence is more than 10% of the gross of 15% OP. So, we are reaching that digit**.** That is a positive side. And whatever it had, it has been full provided also.

Jay Mundra: Correct. And sir do you have any ICA Standard ICA wherein you would have signed ICA agreement. So, some of the power cases may be or even otherwise, where you are a signatory to ICA accounts, which are standard?

Rakesh Sharma: We are certainly we are signatory to IA accounts, there are total 27 accounts are there. Out of that, sorry total 30 accounts out of that NPA is 17, standard is 11 and around the other two accounts are there, stressed. So, they are basically like but, we have worked out account by account we have detailed, our ED has worked out the detail. And by 31st March, we will be able to complete all that. Our expectation is that, there will be no requirement for any additional provision. But in worst come worst scenario, one or two cases which are little as it says where we will be able to do it or little some delay may happen. So only in those cases maximum in worst scenario, we will may have to make additional provision of in around two accounts it is only around 190 crore. Other than that, but that also we are trying that we are not required to make any addition, we will be able to complete before that, in that case it will become zero otherwise maximum worst to worst it will be 190 crore.

Jay Mundra: Sure sir. And sir in quantum wise these 30 accounts or specifically the 11 accounts which are standard what would be the combined exposure?

Rakesh Sharma: The combined exposure is around 3700 crore fund based.

Jay Mundra: That is for 30 accounts or 11 accounts?

Rakesh Sharma: 11 accounts around 3700 crore. But, in all these accounts either it has been ruggedized or implemented or as I say various categories are there. So, there is no issue on that by 31st March, all these will be resolved. We are at quite advance stage each account is being monitored very closely.

Moderator: Thank you. The next question is from the line of Mahesh from Kotak Securities. Please go ahead.

Mahesh: Sir just two questions. One, I'm sorry, I just missed this point. Can you tell me, what is the total underline recovery trends that you're expecting of 2500 across sectors?

Rakesh Sharma: Sectors, it may be a different mix sector is there some are in steel**,** telecom also, in power also so all mix accounts are there.

Mahesh: And beyond 4Q, how was the recovery environment or do we think that we have reached a point where it will significantly slow down after that?

Rakesh Sharma: The biggest account was Essar, like this one big account like this may not come in future. But at the same time other than that also around 1000 crore recoveries were there and, in this quarter, there will be no such account like Essar. So still we are expecting a recovery of around 2500 crore. So, going forward maybe to that extent it may not be there, but 1000 to around 1500 crore some sale or recoveries we'll be targeting So, it will not be less than 1500 crore and the one positive thing as I have been repeatedly telling that our PCR is 92% so, whatever recovery is coming so, mostly it will be adding to my bottom line. So recoveries will continue because my almost 69% of the cases have been referred or admitted to NCLT. Out of that total 45% of the outstanding cases are already admitted in NCLT. So, over a period of time these recoveries will keep on coming. And there is another issue like all these 32 accounts which 27 accounts where we have done ICA, some of these accounts are already NPAs and those accounts, some of the accounts already some restructuring work has been done. So, if recovery is not coming those restructured accounts after the specified period, this will be upgraded. So, if not recovery then this up gradation will happen.

Mahesh: Perfect. So next year what would be in your sense an ideal recovery number on your portfolio?

Rakesh Sharma: The next year number now, we have worked out exact because when we give the number we work account by account wise. So, March numbers we have worked out, the next years number of course, after a month or so when we prepare our budget estimate and all these things exact number we will be working out then. So, it will not be proper for me to give the number now, without working out just out of the head some number if I give. So, I will at the time when we declare March results or before that also will be able to give you the exact number.

Mahesh: Perfect. Sir my second question is, from an employee standpoint today do you have any restrictions on salary, on what you can offer or have you because you are a normal private bank, the rules don't apply anymore?

Rakesh Sharma: Now, one thing. Like since we have been classified as private bank, earlier we were not doing campus recruitment, we have started doing campus recruitment number one. We have started later recruitment, earlier of course also we were doing, now also we are doing it big way. So, those, but salary structure as such some of course now, we have started taking on contact basis, market related salary we are giving there is no restriction. Presently they existing employees they are more or less covered by IBA scales. So now in the future now we may go for the contractual and market related, but that will happen slowly. But presently we are giving them IBA related salary.

Mahesh: See they are contracted under the IBA, they have to follow the IBA scheme or you are allowed to give, if assuming from here onwards can you give a?

Rakesh Sharma: That will depends under what terms we have recruited some of the employees who are not guided by IBA salaries so we are giving them market related salary also. But that process we have started just now. So, going forward we will increase the number of such officers who will be getting market related salaries.

Mahesh: Okay fine and just one clarification on this, is there a material difference at the frontline staff or at the middle management level on what compensation is being offered today for them and what is likely to be offered?

Rakesh Sharma: Yes, there will be some difference but the way of giving is a slightly different more I will say like this. Like you know in the case of IBA this comes with so many perquisites and all these things some are non-cash perquisites. So non-cash perquisites are there, so in case of the contract applies when we give. So, it has basically the cost to the company slightly it will be higher of course, cost will be higher, but it comes more in the form of cash rather than the non-cash perquisites. So, that is the measure, but certainly it will be slightly higher also.

Moderator: Thank you. As there are no further questions I now hand and the conference over to Mr. Bhavik Shah from Batlivala & Karani Securities for closing comments.

Bhavik Shah: Thank you operator. On behalf of Batlivala & Karani Securities we thank IDBI management for giving us the opportunity to host the call. Thank you everyone and have a good day. May I request the MD sir to kindly give the closing comments on this quarter. Thank you.

Rakesh Sharma: Thank you very much for listening, but next time in March I'm quite sure that we will do face to face analyst call because then we can have more number also and then we can explain the position clearly. But one thing I can say, just the closing remark, that although like optics wise it may appear that we have incurred a loss but actually if we have not opted for this, there is a profit and it is more of in the long term planning and in the interest of the bank so that one time we can clean the process. Other NPA part we have already done the cleaning part. The bank is in a good position with robust, very robust provision coverage ratio, robust to CASA ratio. Now the improved realigned portfolio, well set NPA management group and now once we are out of PCA we will start doing this business also. So hopefully now, I think next quarter we should show much better results also. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.