"IDBI Bank's 3Q FY '19 post results Conference Call"

February 5, 2019

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Moderator: Ladies and Gentlemen, Good Day and Welcome to IDBI Bank's 3Q FY '19 post results Conference Call hosted by Batlivala & Karani Securities India Pvt. Ltd. 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 to any person to whom an invitation is not sent. Unauthorized dissemination of the contents or the proceedings of the call is strictly prohibited and prior explicit permission and written approval of IDBI Bank is imperative. I now hand the conference over to Mr. Amit Singh. Thank you and over to you, Sir.

Amit Singh: Thanks operator. Good Evening everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities, we Welcome you all to IDBI Bank 3Q FY '19 post results conference call. We have with us today the Management of IDBI Bank represented by Shri. Rakesh Sharma, Managing Director & CEO; Shri Krishna Prasad Nair, Deputy Managing Director; Shri Gurudeo Madhukar Yadwadkar, Deputy Managing Director; Shri Ajay Sharma, Executive Director and CFO, and other senior officers. The bank's detailed financials and presentation had already been uploaded on the bank's website and I believe most of the audience would have managed to see that. I now request MD and CEO Sir to start the call with his opening remarks on 3Q FY '19 results post which we can start the Q&A session. Over to you, Sir.

Rakesh Sharma: Good Afternoon, friends. First of all, I will just give brief of the Q3 results. I will start with that during the quarter, the major development which has taken place is that LIC has become the 51% shareholder of IDBI, so they have acquired 51% and they have contributed 21,624 crores during the current year out of which we have already allotted share capital at the remaining 5026 crores, so with this, this has become very good deal, win-win situation for both LIC and IDBI because this will help the bank in positioning itself to unlock value enhancing and to go for various synergies which will help in improving the profitability as well as its CASA deposits and retail loans and advances, so with this background, I will just give you the particulars.

Business wise, first I will go to liabilities in CASA. The CASA if you see the savings bank account which is stable sort of deposit has grown YOY by 10%. Of course, current account there was negative growth because some task accounts there was reduction in the balances, but overall CASA has grown and it has become 38.6%. In advances because of PCA restrictions, we have not been growing in large and corporate advances, but we have been growing in retail banking and this has helped the bank to position itself as one good retail bank, because earlier last year December '17, our corporate to retail ratio was 51:41, which has now improved to 52:48, so retail now comprises 48%. The structured retail has grown by 10%, so slowly and slowly our portfolio of retail, SME, and agriculture is increasing in the total advances portfolio. Now, coming to the profitability part, of course there was loss of 4185 crores, but mainly the loss is because of the ageing provision and we have made some upfront provisioning also for 3054 crores where accounts this provisioning immediately in this quarter was not due, but we thought that there is stress in the accounts and going forward either the next quarter or next to next quarter, we may have to provide so we have done the upfront provisioning, because of this provisioning the losses have increased, but it has helped us in strengthening the provision coverage ratio, so that I will discuss when I am presenting on NPAs. Some provisioning was high because of this Treasury mark to market provisions. In fact, RBI had earlier permitted to stagger these provisions up to March 2019, but as a prudent practice, we have done the upfront provisioning for that also and the entire provisioning has been done in December 2018 and nothing is carried forward. Similarly, for gratuity also averaging has been provided for.

Coming to the NPAs part if you see this time, normally our slippage ratio used to be high, of course some surprises are there in this quarter also, but those surprises are very low quantity, so the last quarter our slippages were 3489 crores which has declined to 2211 crores this time, so quarter-on-quarter our slippages are coming down. Actually, if you see Q1 it was 7799, then Q2 was 3489, and Q3 was 2211, so that means we have been able to control over the first time NPAs and this will help us going forward in reduction of NPAs. The recoveries have been good in 3440 crores, and of course, we have done technical write-off also where it was fully provided for that was 4925. As a result, the gross NPAs have declined by 5515 crores and the ratio also is from 31.78% it has come down to 29.67%, and the net NPA from 17.30 to 14.01% and as I said the provision coverage ratio has improved substantially to 75.21%. Now, if you see the recovery part, apart from recovery and NCLT and non-NCLT cases, in small loans up to 10 crores we had started *Saral Karaj Bhugtan Yojana*, so there also aggressively all those borrowers who are having loan outstanding for less than 10 crores, there was a scheme, which was nondiscretionary and non-discriminatory, so there aggressively we are following up and we expect good recovery in that. Going forward, our target is that the net NPA should be brought below 12% by March 31, 2019.

Now, coming to capital adequacy ratio, the previous quarter September 30th, our capital adequacy was 6.22% which has now improved to 12.51% and mainly as I mentioned it was because of capital infusion by LIC to acquire 51% shareholding and in addition to this 5026 crores is still pending for allotment as of December 31st, but it has already been allotted on January 21st, that is why this transaction was completed on January 21st. If you account for that, the total capital adequacy will work out to 15.43%, so as a result after this capital infusion was there, Moody's had same day they had upgraded the rating and similarly other rating agencies have also upgraded the rating. Now, if you see the various parameters, the CET-1 ratio from December '17 of 6.62% it has improved to 9.32%, capital adequacy total 11.93% to 12.51%, net NPA December '17 it was 16.02% come down to 14.01%, then provision coverage ratio has improved from 56.99 to 75.21 and credit risk weighted assets also 99.70 to 82.37, except for the operating profit, there is overall improvement in all these ratios.

Now, PCA when we will come out of PCA, so there are four parameters, out of that leveraging and capital adequacy part which stand complied with and the profitability part and net NPA, as I said that net NPA our target will be to bring it below 12%, so that from threshold three, we can move to threshold two by March 2019, and then quarter on quarter every quarter our target is that by June 30th it should be below 9% and by September 30th it should be below 6% and that is how we are working on that and our presumption is that with the recovery forthcoming, it will be possible and also of course by way of higher provisioning which will help us in making a PCR good provision coverage ratio and with that in future whenever recoveries are happening there, so we will not be required to make any addition provision rather if in most of the cases there can be a write back, so that whatever stress is there by September 30th, we should be able to clean the balance sheet and then start on the new process from October onwards, so that way profitability will also improve.

Our focus areas, I will just mention that our focus areas will be, one, we have already set up analytics department which will help us in improving the retail asset portfolio and retail assets and retail liabilities will be our main focus area. Then second focus of course the recovery of NPAs, so that is why this quarter, Q4, we are expecting a recovery of 4500 crores and next year we are expecting recovery of almost 10,000 to 12,000 crores. Apart from that, digital banking we are concentrating and this time during last one year YOY, there was increase by 70% in our mobile connections and we have also started reviewing all our risk management and credit policies, so that wherever shortcomings are there, we should be able to rectify that, so that our portfolio which we build henceforth should be better portfolio.

On HR also we are working. Already, we have started this performance evaluation system, so which will help us in evaluating each individual employee based on the performance parameters and based on that only their performance, future career, and if whenever we come in profit and that performance linked incentive is to be given, so that will also be based on this, so that will be our focus. Apart from that, the LIC synergies because now LIC has become the major promoter, so there LIC has more than one lakh employees, 11 lakh agents, and 40 crore policyholders, so our target will be that the LIC policy sales is effected through IDBI Bank, so it will help in improving the cross selling and the third party products income, and then opening the accounts of LIC employees, opening the accounts for agents, and their cash management facility, so like this various synergies are being worked out. This will help us in improving not only the CASA deposits, but also retail advances and some other income through cash management products. One more focus will be that because we have this monetization of assets, IDBI Federal insurance, we have already started the process for monetizing that. Similarly, IDBI mutual fund also, so both we will try to do within the next six to seven months. Apart from that, they have some more investment are there about 1000 to 1200 crores, so those we will monetize that also during the six to seven months, so that will help us in reducing the burden on profitability because that profit we can use for making higher provisioning and reducing the net NPAs apart from of course making the recoveries. This in brief is our presentation, now we can take question and answers. Thank you very much.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question and answer session. We have the first question from the line of Praful Kumar from Pinpoint Asset Management. Please go ahead.

Praful Kumar: Sir, just two questions, can you give us the details of the LCR, S4A restructured book, what is the total amount that you have in that? The second question is can you explain the reason for a very sharp spike in the SMA-1 and 2 quarter on quarter, so from 4000 odd crores to close to now 9500 crores?

Management: The standard restructured is about 5700 crores.

Praful Kumar: What is the kind of provision you are carrying on this, 15%?

Management: Yeah, 15%

Praful Kumar: Can you just also explain the reason for the sharp spike in SMA-1 and 2 quarter on quarter?

Management: SMA-1 and 2 quarter on quarter if you see September '18, SMA-2 was 2096 crores as on September 30th, now it is 3384 crores. Of course, there is some increase there, but not that 1300 increase is there. Now, SMA-2 is 3384 crores.

Praful Kumar: Sir, if we look at the corporate SMA-1 and 2 QOQ from 450 crores, it is 4165 SMA-1 and SMA-2 from 900 is close to 2000 crores on the corporate side, so what incremental stress have you seen their, if you can just elaborate some sectors or some color you can give?

Management: Sir, the increase in the SMA-1 book from 452 to 4165, it is mainly on account of three or four power cases where the exposure is large, but there is a stress in the sector but then there is no issues as such on the account, they have slipped into category one, these are four or five power accounts only where which is amounting to more than 80% of this amount of 4165 is represented by these three to four 4 power accounts which got slipped into SMA-1 category, and similarly in SMA-2 category, the amount has gone up from 927 to 1992 again on account of two major accounts, which constitutes about 70% to 75% of the reason for the shift to their, but these of course there is as such we do not see from that this may slip into NPA category, this is only a default of 30 odd days that is why it has slipped there.

Moderator: Thank you. We have the next question from the line of Nishant Shah from Macquarie. Please go ahead.

Nishant Shah: First, you have a slide in your presentation which talks about your status in the various PCA parameters, so on the asset quality and the profitability side, these are the two parameters that we are still in T3, so where do you think or like how far out to do you think is the scenario when we will get out of PCA?

Management: As I indicated in my opening remarks, this net NPA as of now stands at 14.01%, so our target is because we are in threshold three. By March 31st, it should be below 12%, so that we shift to threshold two, by June 30th below 9% and by September 30th below 6%, so by September it will be out. Gradually, we will be coming out of that. Similarly, profitability part now you see this profitability mainly this net NPAs are 14.01% and we want to improve the provision coverage ratio and cover that. Of course, some recoveries also will happen like I said this fourth quarter we are expecting recovery of 4500 crores and in next year 10,000 to 12,000 crores, but still I feel that because of this ageing provision and because our intention to improve the provision coverage ratio, so by Q2 there will be stress on profitability but from Q3 onwards we will be under profit also, so that parameter will also stand complied, so fully we will be out of PCA after September 30th, but September 30th itself as on return NPA part, leveraging part, capital adequacy part, it will be out.

Nishant Shah: The follow-on question to that is if in 1Q ‘20 onwards, now if IFRS is not delayed, would not we just directly take all the remaining ageing provisions and everything directly in 1Q ‘20 itself, so should not your net NPA ratios come down below 6% like almost very close basically?

Management: Basically, as you have rightly understood this is basically a question of providing more and bringing below 6%. Today in March itself I provide full amount and I can bring down the net NPA below 6 also, then this corresponding impact we have to see on capital also because there will be corresponding impact on capital, so I do not want that on capital part we should again go below the threshold level, that is one. That is why, what my target is that about 4000 to 5000 crores is Tier-1 capital we can raise either in Q1 or Q2, so that we continue to comply under that capital formula also. Otherwise, what you say is right, I can do it. By chance, if we get additional capital either we are able to raise capital either through QIP or rights issue before, then we will go before that only, but I am taking a conservative view, otherwise if additional 5000 to 6000 capital I am able to arrange before March 31st itself we will be out, so it is like we have to balance everything.

Nishant Shah: Second question on some of the more recent market development, so DHFL do we have any exposure over there?

Management: We have small exposure, not very big exposure on that, but in fact there have been some rumors, but nothing has been established so far that is why the account is standard and without any problem at all with us which is around 1000 crores, close to 1100 crores.

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

Sneha Ganatra: Sir, you mentioned on the strategic sale of the investment, could you specify some of the amount you would like to garner in the next six to eight months?

Management: In fact, we are basically working, there are different amounts not under one parameter, but we are expecting that within next two years by 2020 there should be synergies for around 1000 crores plus substantial synergies will be there, but it has been worked under various parameters like cash management facility. If we open the cash management account and handle their cash management, so the float funds can be in the range of 4000 to 5000 crores. Then similarly cross selling products, cross selling products almost 1000 to 1500 crores premium can be earned by LIC and on that we will get some commission. The employees CASA account, so if we are able to get all their salary accounts of LIC employees, so that will give us good CASA float. Similarly, agents' account and if the premium which is being collected by the agents, we are preparing, strengthening our IT systems, so that this premium can be collected online by IDBI Bank itself, so that will give us some deposits and income also. The fifth avenue which will be available and which is quite substantial, this 11 lakh agents if some of them also can work as business correspondence for IDBI Bank, because they are having their own establishments, so that is also being examined, so without spending money by opening branches, we are not required to open any brick and mortar branches and the services of these agents can be utilized as business, so such type of all these facilities are available. The exact amount is being worked out, but all these facilities synergies are available.

Sneha Ganatra: So considering this all synergies, you expect your cost to income ratio to decline drastically, currently we are at 62%, which is at a very higher level?

Management: Cost-to-income again is a result of this cost as far as except for this quarter's cost where when we had to provide for some additional staff expenses, but otherwise over a period of last one or two years, we have been controlling the cost. Now, the second part is improving the income part. Now, the problem was like because of this PCA and 33% NPA, our one-third of assets were not generating any income, now once this recoveries are forthcoming in Q4 and the next quarter, those funds can be profitably employed by us, so that will give us some income. Once we are out of PCA then also we can take some exposure on corporate also selectively and that will start giving us that processing fees and income which during the last one and two years' period, somehow it has reduced quite substantially, so all these income part, the denominator part improves so then naturally our cost-to-income ratio impact will be quite positive and because expenditure is not much, so that way I hope by March 31, 2020, if not 50% we should be able to bring it below 55% by March '20.

Sneha Ganatra: You are planning to sell few of your core and non-core investments IDBI Federal, IDBI Mutual Fund, could you specify the quantum which you are expecting from the sale of a non-core investment?

Management: The other investment I have given the quantum around 1000 to 1200 crores which can be because which is more or less, we can evaluate that that is our investment in NCDL, NSC, and some other shareholding, so that can be specified but these two we are doing this price discovery, so this time it will not be proper for me to give the approximate value, but certainly we will try to maximize the value.

Sneha Ganatra: Sir, on the asset quality front, during this quarter we have taken ILFS exposure as an NPA?

Management: Out of total again almost some accounts have already been classified, only one account is standard right now. Out of the total four accounts where we have an exposure in ILFS, Madam, three accounts have already become NPA, only one account is standard as of now.

Sneha Ganatra: So how much is standard and how much has become NPA, Sir?

Management: I think standard is about 180 crores or so.

Sneha Ganatra: NPA?

Management: NPA would be in the range of about 600 crores or so.

Management: We do not have much exposure on ILFS that way, major whatever exposure was there only on power, infra, and all this things has already been classified as NPA.

Sneha Ganatra: What would be our slippages guidance for the quarter, also for the fourth quarter as well as for the full next year when you mentioned recoveries guidance, are we expecting these recoveries majorly from the NCLT or any other power sector projects also we are expecting some recovery?

Management: Both, it will come, NCLT as well as non-NCLT cases also because some of the cases, specially this power sector, our NPA under power sector is around 8500 crores. Out of that, around 3000 crores is under that Samadhan which that scheme is there, so in some accounts we are expecting recovery, so total I have given you the number 10,000 to 12,000 including NCLT plus non-NCLT.

Sneha Ganatra: Slippages run rate, Sir?

Management: Slippage run rate if you see the percentage wise, gradually the slippages percentage is coming down, for this quarter it is 1.69%, so roughly my target will be if not less at least during next year when this is there, we should be able to bring it below 3% on annualized basis, so below 3% means quarter on quarter it will be around 0.75 from next quarter, but next quarter, Q4, I am expecting somewhere in the range of 1% or 1.25%, 2019-20 it will be better for this.

Sneha Ganatra: Have we received that RBI divergence report?

Management: No.

Sneha Ganatra: On the credit cost, currently our PCR is at 66%, again you are mentioning that…

Management: Not 66%, 75%.

Sneha Ganatra: 75%, still you are mentioning that you will require an aging provision, so we would be in green by the end of FY '20?

Management: I told you after September means by Q3, not even Q4, Q3.

Sneha Ganatra: LIC money has been already infused, right, now anything is pending from the LIC side?

Management: Now for 51% nothing is pending, but now suppose next time whenever we go for raising equity, if it is Tier 1 then there is no problem. If it is either QIP or rights, then of course LIC will contribute because rights if we go then percentage wise LIC ratio will come down, so to that extent they will have to contribute also, so that their ratio is maintained at 51%.

Sneha Ganatra: So growth outlook for the next year, anything or you would just focus on this domestic advances only considering we are under PCA?

Management: PCA number one as I said that capital and leveraging part we stand complied with. We are hopeful we will take up with RBI once we come in threshold two under NPA, so we will request RBI to give some relaxation, so presently we are doing only retail advances that to up to 5 crores, so that has of course helped us in improving our retail advances portfolio, but our focus going forward will be mainly on retail only and this time of course retail we have been growing almost 10%, so the growth we will restrict around in retail 14% to 15% growth, and in corporate very selectively if some relaxation is given, so there I will not target much growth 2% to 3% only. Next year, I will try to consolidate my position. Then 2021 depending on the circumstances then we will see how it works out.

Sneha Ganatra: Sir, your extension from the Government, any possibility?

Management: Presently, LIC has indicated that all the Directors will continue till new nomination is made, so that is of course LIC and Government they will decide, so I will not like to speculate on that.

Moderator: Thank you. We have the next question from the line of Harsh Shah from ICICI Direct. Please go ahead.

Harsh Shah: We have done an operating profit for this quarter was 7.25 billion, could we expect 40 billion for FY ‘20?

Management: You are asking for the full of FY ‘20, right?

Harsh Shah: Yes, Sir.

Management: Yes, certainly.

Moderator: Thank you. We have the next question from the line of M. B. Mahesh from Kotak Securities. Please go ahead.

M. B. Mahesh: Sir, in this quarter the default that you have reported on the NBFC side, this is pertaining to ILFS?

Management: Yeah, it is pertaining to ILFS which we have reported.

M. B. Mahesh: The same is also true in the case of transport?

Management: Yes.

M. B. Mahesh: Both of them would be ILFS?

Management: Yes.

M. B. Mahesh: In terms of your recoveries that you have reported of roughly about 3400 crores, could you broadly just kind of give some color as to which sectors were contributing to this and what would be the size of the largest account?

Management: Normally, we do not give, but in this case everybody knows, so mainly it has come from Binani, 3B Binani, Monnet Ispat, and Uttam Galva, mainly these four accounts.

M. B. Mahesh: If you see Binani, the reason I am asking is that if you look at last quarter and this quarter, the NPAs does not seem to have changed on the cement side, just trying to understand have you reported it elsewhere?

Management: Actually, the Binani main account amount was less.

Management: The main amount was about 210 crores. We had a larger exposure to another overseas unit called 3B Binani and we had a corporate guarantee issued by Binani Cement in respect of 3B Binani which we enforced through the NCLT route, which resulted in a very largeish recovery there, it has nothing to do with cements.

M. B. Mahesh: This one account would have contributed to most of your recoveries is it?

Management: I will not say that, that is not really correct, it contributed substantially, yes, but small accounts were also there, then Uttam Galva. We had got more than 750 crores in Bhushan Steel.

M. B. Mahesh: Bhushan Steel came this quarter for you, Sir ?

Management: This Bhushan Steel actually came in the earlier quarter, I am talking about the overall recoveries that we have got under NCLT so far up to Q3.

M. B. Mahesh: I was just talking about this quarter.

Management: If you were asking only in the Q3, yes, then substantially you are right, a good amount of money came through the Binani route.

M. B. Mahesh: Binani and the steel account that you mentioned?

Management: That is correct.

M. B. Mahesh: Have you started kind of down selling assets through the ARC route because is it not that the fastest way to kind of reduce your NPS?

Management: We have done that, we have identified several assets which we will consider for sale going forward, so that process is currently on. It all depends upon the value which we think the market is going to give us, so that process actually consists of identifying the asset, taking relevant approvals etc. all that has already been done and we hope that going forward, we should be in a position to effect some sales as well.

M. B. Mahesh: Last question, on Samadhan scheme where have you progressed on this as we speak today because not much seems to have happened from the time when we started the scheme?

Management: You are right in a way because Samadhan it is actually sort of work in progress in Samadhan still because there are in each of these cases, they are all very large cases, there are multiple lenders in each of these cases, so there has been and also as you are aware, there is a litigation which is currently in progress in the Supreme Court, so given all of those factors, the scheme has not progressed much, but I must say that there has been a lot of progress insofar as the resolution plans are concerned.

M. B. Mahesh: You will see any visibility in this quarter or the next?

Management: I believe we should see some visibility either through the Samadhan scheme itself or possibly some of the Samadhan scheme assets being referred under the Sashakt scheme.

M. B. Mahesh: And that is allowed is it under the Sashakt scheme?

Management: Both are, Sashakt is nothing but an inter credit for agreement and the Samadhan scheme actually lays out several parameters under which a restructuring of particular power sector account could be done, so once you have done the restructuring under Samadhan, you can take if for resolution under the Sashakt as well, there is no issue.

Moderator: Thank you. We have the next question from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Sir, just wanted to check on the IDBI Federal stakes as such, so sometime back we had a valuation somewhere close to about 60 odd billion, so what is that we are expecting in terms of valuations once you put it up for sale again, any rough idea that we have?

Management: Actually, as MD had mentioned earlier and we had also disclosed earlier that we are reinitiating the process for stake sale, because we have to onboard LIC as a corporate insurance partner, at the same time we will be divesting our stake maybe wholly or partly depending upon whatever is the valuation and whatever is the market appetite. At this stage, it will be difficult to say about the valuation per se because if you recollect that 60 billion more on the basis of certain BANCA commitment both from IDBI side as also from Federal Bank side. We will have to process again, it needs to be seen that how much of BANCA commitment will be coming forward both from again Federal Bank side and from our side, which probably will be somewhat in a restricted manner from our side because LIC also has to be there as one of the partner, so we cannot hazard a guess as of now that what would be valuation at this stage, but as the things pan out, probably it will get discovered with the interest of so many players.

Anand Dama: Sir, secondly was about, there was this news report suggesting that we are going to change the name of the bank, is it so that you really want to change the name of the bank somewhat like LIC Bank or something of that sort?

Management: In fact, we have already informed the stock exchange also, so the Board has approved name LIC IDBI Bank, but the recommendations will go to the regulators RBI and MCA, so it will take some time to two to three months' time because lot of approvals have to be taken, so it is our proposal once approvals are received then we will start this final process.

Anand Dama: There was this news report as well that the IRDA was asking LIC to bring down the stake in the bank and they have to suggest a plan as well?

Management: What they have written is that they have to plan, it will depend on the business model, so they have not indicated any timeframe, but of course that is regulator's decision, but for the time being finally what happens that regulators will have to decide, we cannot comment on that, but as far as name is concerned, Board has recommended and the necessary approvals will be taken in due course.

Anand Dama: This is more to do with that, LIC can hold the stake in the bank for at least next five to 10 years, that also could be a plan that the Board could suggest, because otherwise why would we change the name altogether of the Bank, if LIC is going to bring down the stake at some point of time?

Management: As you are aware, LIC today holds 51% and LIC sees that there would be a lot of synergy between the bank and LIC itself and a part of that can be achieved by renaming the bank also by bringing in the LIC name. Now, going forward to answer your question about whether LIC would divest etc., the LIC even with a lower stake can still remain promoter of the bank, it does not mean that if LIC divests its stake by a little bit here and there or brings it down even to something like 20% to 25% or whatever, it will still be the largest shareholder apart from the Government of India and will remain either a promoter or a co-promoter.

Anand Dama: Sir, we said that we have about DHFL exposure of about 10 odd billion, is this basically the loan exposure only and do we have some investments also into the DHFL?

Management: We have no investments.

Anand Dama: If you can help us in terms of what would be the exposure that we would be carrying on the ZEEL group or the Essel Group as such?

Management: It is about 540 crores or so.

Anand Dama: The term that the group has been talking about that we have actually asked the lenders that they will not make us an NPA at least in September 30 or so, so is it really true, and if yes, then on what conditions that we have agreed to this kind of terms?

Management: In that particular case, we do not have an exposure. Our exposure is limited to some other cases of the Essel Group, but it is basically in Siti Network, Dish Infra, PN Clean Energy, etc.

Anand Dama: Okay, so there they will continue to make payments the way they were doing earlier on?

Management: All the accounts are standard.

Anand Dama: We do not see any risk at this point of time in these exposures that we are carrying on this?

Management: Not at this stage, we do not see any risk right now.

Anand Dama: Sir, apart from this any other large lumpy corporate where we are seeing incremental risk coming in either from the ADAG Group or some other group like Vedanta or something of that sort?

Management: We do have large corporate exposures and as you are probably aware we do have exposure to ADAG Group, we have exposures to Vedanta, we have exposures to certain other corporates also which are probably a little stretched at this point in time, but at the moment all of these cases barring some cases of the ADAG Group which you are aware are already NPA. The others are standard cases and we do not see any slippages in the immediate term, some of these cases as one of your friends asked a question about SMA-1 and SMA-2, so we have replied to that some of the cases which are in the power sector are in the SMA stage, but even in those cases which are part of this large exposure which you talked about, we do not at this moment see a situation where they would go beyond that.

Anand Dama: Sir, can you help us with what would be the group exposure that would be carrying on the ADAG Group and Vedanta?

Management: In the ADAG Group, we have a exposure of about 4700 crores including both the funded and the non-funded exposure, but out of these a few companies have already become NPA, one, two, three, four, this is spread over eight companies of which four accounts have already become NPA.

Anand Dama: What would be the amount of NPA that we are having?

Management: NPAs would be somewhere in the range of approximately 2200 crores or so.

Anand Dama: And Vedanta?

Management: Vedanta, I do not have right now with me, there are no stressed account with Vedanta Group at all.

Moderator: Thank you. The next question is from the line of Amit Singh from Batlivala & Karani Securities India Private Limited. Please go ahead.

Amit Singh: Firstly Sir, the bank has articulated that the top management would be nominated by LIC, so any timeline on the top management nomination?

Management: So far, there is no fresh nomination, we are continuing as and since it is the prerogative of LIC, so I will not like to comment on that, but as of now we are not aware of any such development, we are continuing.

Amit Singh: Sir, secondly now the ownership of LIC has touched 51% and the Government Holding has become less than 50%, so does this make our bank a private bank or my sense is to ask what would be the norms regarding CBI, CBC, and etc., will their jurisdiction will be applicable to us as well?

Management: It has happened recently only and earlier also we were classified under other public sector banks, because it was under special statute, so that we are examining in consultation with RBI whether we would be strictly classified as private bank or we will continue to be under that classification other public sector banks. I think position will be clear in other maybe 10 to 15 days or one month's time, so by that time we are continuing as other public sector bank only, so this clarifications are awaited.

Amit Singh: Sir, if we become a private sector bank, then just like other private sector bank, the LIC can also issue the ESOPs and other things, so just…?

Management: Those in any case now you are aware like even public sector, I was earlier in Canara Bank, we had started the process, already they have done that ESOPs and even I think OBC has done it and IOB has done it, so even otherwise as I said we have started this IPace, performance evaluation system, based on that we are thinking after of course we come in profit that performance-linked incentives and of course ESOP and all these things also we will examine. Even if we are public sector bank, we can go for that ESOPs even otherwise.

Amit Singh: Sir, post this LIC deal, how do you see our retail business panning out in the next three or five years, what is the scope that you are seeing on the retail side both on the liability as well as asset front?

Management: Actually MD had mentioned in his opening remarks, there are four to five critical synergy points, which we are in the process of tapping as quickly as possible. The first and foremost is basically the CMS float which is the collection which is happening of the premium from LIC policyholder, so that is in the range of about 7000 to 8000 crores, so presently the collection is happening through our 100 odd branches, so we would like to add on these branches as quickly as possible and immediately ramp it up to almost about 1000 branches from where this collection will happen, so the flow to the extent of about 3000 to 4000 crores, we would like to capture as quickly as possible. Second part is about this bank assurance that all our branches particularly in rural and semi-urban branches, actually insurance is synonymous with LIC or rather LIC is synonymous with insurance, so there we have a good you can say opportunity of marketing LIC policies at almost 1000 odd branches are there in semi-urban and rural areas, so we are targeting handsome growth in this total you can say first year premium income almost about 2000 crores we are targeting in the next year '19-20, so the entire preparatory work for that is already underway.

The third important aspect as MD also mentioned is tapping all those retail customers whether they are the employees of LIC or the agents or even the policyholders, for tapping their salary accounts or even other collection accounts which will enable us to increase the float on account of the saving banks account. The last one will be offering our retail asset products to this entire gamut of customers which will be a new area open to us and there we are actually setting up our data analytics team which will devise a specified products aimed towards this segment of the clientele and try to market this product, so we are envisaging that almost about 10,000 to 11,000 crores of retail asset book also can be built up over a period of next one year, so work is already going on all these four fronts, there is a special implementation team which has been created at the bank side as also similar team is existing in LIC side and to oversee the performance of this team, there is a task force which is also created at a fairly senior level in both the organizations, so this work is going on so as we roll out one by one different products, of course it will be known to the market also, but the work has been taken up in right earnest.

Amit Singh: Sir, apart from this IDBI Federal and our MF business, what are the other businesses that we are in and what is the amount that we can make out of these businesses?

Management: As MD mentioned that only those pure investments which are there that we would like to divest like this NCDL, NSC, some small share in SIDBI etc., so that we would be basically divesting, but the other businesses which are there like IDBI Capital is our 100% subsidiary, so there also quite a bit of synergy exists for LIC business because whatever the investments which are being done from the LIC side or the retail broking whichever is happening, so all that can be routed through IDBI Capital, so that is maybe as we move forward we can explore the possibility of sort of listing this company and unlocking the value partly. IDBI trusteeship also you can say a sort of common company where we are having 55%, LIC is having 30% equity, and IDBI trusteeship is presently the leader in the industry, so there of course jointly we would be holding about 85%. Here also we can think of having some sort of a listing possibility and maybe unlock the value by divesting the part of the stake if it is felt so going forward.

Amit Singh: Sir, just two data keeping questions, what is our exposure to Indiabulls and to the Jet Airways group?

Management: Jet Airways we have an exposure of about 660, Indiabulls I do not have the figure right now, I will get back to you on that.

Moderator: Thank you. As there are no further questions, I would like to hand the floor to the Management for their closing comments, please go ahead, Sir.

Management: Thank you very much for arranging this analyst meet and con call, so only thing is just I like to reiterate that okay we have some issues when the high NPAs were there around 32% NPA, net NPA was also high and because of that our profitability was getting affected because as almost one-third of our assets were not generating any income, so this has distorted all the ratios, but going forward once we start, already this recovery process has started and Q3 also you have seen good progress was there, Q4 also we are expecting good recovery and then going forward next year, recovery happens and once we are done with this providing the ageing and even the provision for this security loss also, so this will help us in improving the PCR above 80% and in future whenever NPA recoveries are done, so no additional provision will be required, so once these two to three things happen, adequate provision coverage ratio and the good recovery and this capital already resolved and the profitability from Q3 quite comfortable we should be in profit, so with that I think there will be a turnaround and it will be with this LIC synergies, the bank will be in a very good position when with both these LIC and IDBI they can with these synergies, it will be one of the best banks I feel, so we are quite hopeful that soon there will be turnaround and bank will be focusing more on retail, it will be a retail focused bank, so I am thankful for arranging this meeting, thanks.

Amit Singh: Thank you, Sir. On behalf of Batlivala and Karani Securities, we thank the IDBI Bank management for giving us the opportunity to host the call. Thank you everyone and have a Good Day.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Batlivala and Karani Securities India Pvt. Ltd., that concludes this conference for today. Thank you for joining us and you may now disconnect your lines.