IDBI Banks.
Investors/Earnings Conference Call
(May 25, 2018)

Moderator: Ladies and Gentlemen Good day and welcome to IDBI Banks Q4 FY18 Post-Results Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only-mode. There will be an opportunity to ask questions after the presentation concludes. If you need assistance during the conference, please signal the operator by pressing "*" then "0" on your phone. Please note that this conference is being recorded. Participation in this conference call is by invitation only. IDBI Banks reserves the rights to block access to any person to whom an invitation is not sent. Unauthorized dissemination of the contents or the proceeding of the call is strictly prohibited and prior explicit permission and written approval of IDBI Bank is imperative. Please note that this call is only for investor or analyst. Any guest from media are requested to disconnect the call now. I now hand the conference over to Mr. Jai Mundhra over to you sir.

Jai Mundhra: Good evening everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities, we welcome you all to IDBI Bank Q4 FY18 Post-Results Conference Call. The banks detail financial and presentation have already been uploaded on banks website and I believe most of the audience would have a chance to go through that. We have with us today the management of IDBI Bank represented by M.K. Jain – MD and CEO who I believe would be joining is shortly and we also have Mr. K P Nair and Deputy Managing Director – Mr. G M Yadwadkar, Mr. Ajay Sharma – Executive Director and CFO and other senior officials.

I would now request the MD sir to start the call with his opening remarks.

M.K. Jain: Thank you very much to our friends and a warm good evening to all of you. As earlier we have discussed and explained to you that bank has carved out certain turnaround strategy and banks improve on quarter-on-quarter but that turnaround strategy. Most of the friends must have seen our presentation and I will just give the highlights and thereafter I will hand over to CFO to give you the brief about the results of the bank. The key features basically which we told earlier as well one was the capital adequacy ratio and from 5.64% we reached to 7.42% as far as CET1 is concerned complying with the CCB number as well. That itself is a big achievement and that could happen as earlier told because of the capital light model reduction in risk weighted assets as well as the non-core asset sale and obviously infusion of the capital by the government of India.

So that now we are in a position to comply with RBI regulatory requirement. Second thing what we told earlier also that the challenge for the bank is that despite of increasing credit cost and distress on the asset quality still we have to protect our earning. You must have seen that the operating profit has grown by 71% even if one-time exceptional item has a capital gain from the non-core asset sale is normalized then we are earning it 12% of growth in operating profit from the core business. And the NIM has improved by 19 bibs on year-on-year basis to 1.81%. NII also despite of so much of stress in our book and reversal of interest and not accruing the interest in those assets despite that we are able to maintain our NII so that itself is a reflection that what we have told in the past we are able to achieve it and surpass those numbers.

Third thing about the asset quality previously in our previous concall these questions were used to ask whether peak has reached, or goals is behind us and I always told that we have to recognize over a period of time. So here this time i am glad to inform you that most of the legacy asset quality issues have been recognized in Q4 itself though the gross NPA number has increased and net NPA number has increased that as an investor we are very well aware that what was the stress in the book.

The recent coverage ratio we have improved to 63.40% by around 8.5% in a year from March 17 financial year. So that itself is basically our achievement of the commitment what we made to the investor that we will recognize. So once most of the stress has been recognized during this financial year there will be a small watch list or the watch book which probably we need to recognize in Q1 and Q2 and that will remain there. In the past also, we have told that beyond September 18 we need to look a better numbers in terms of the complete bottom line also over and above the operating profit as well and that I am consistently holding the view that definitely will happen in this Q1 and Q2 we will be able to recognize the remaining part and thereafter there will be better numbers. So I hand over to our CFO Mr. Ajay Sharma to walk through very quickly on the major highlights of the financial though you are aware, but still for the sake of explaining to all of you what are the major highlights he will walk through and thereafter open for question and answer.

Ajay Sharma: Good evening everyone. This is Ajay Sharma CFO. MD has given a brief of the broad numbers and the focus areas and the turnaround strategies what we had focussed of in the last year. So just to run through the key financial for the current financial year you would see that CET of the bank has substantially improved and it has meet the regulatory requirement of CCB also at 7.42 against 5.64 last year. This has been possible in the back drop of substantial reduction in the RWA to a level of a 2, 20,000 crore roughly from 2.68,000 at the beginning of the year. The operating profit of the banks has improved to 71% considering the non-cost stake sale and without that still the bank has posted a increase in the operating profit at 12% level. The NIM of the bank has improved by 18 basis points to 1.81. Another area where the bank has been focussing and we have been mentioning in our previous concall also is the operating expense area where reduction of 8% overall has been possible.

The provision coverage ratio has improved from about 54.96 to 63.40. Recovery upgrades have gone up from 4800 to 6231. We also see a healthy growth in our CASA percentage both from 31.46% to 37.15%. The growth in terms of percentage is about 18%. However, the banks despite positing strong business performance numbers had to put a loss of about 8238 for the year and about 5000 crore for the quarter mainly at the backdrop of the higher provisioning which was required to be made and therefore the GNPA stands at 27.95 and net NPA at 16.69. So if you go forward as we take the slides we would like to drive home a point that the bank despite huge reversal in the interest income because of the **FT NPAs** during the current financial year as also in the previous financial year where the interest income has stopped flowing.

The bank has been able to maintain the level of the net interest income a de-growth of only 2% which has happened, and this has been possible because of a substantial decrease in our interest expenses. The interest income has gone down not only because of the **FT NPAs** it is because of the reduction in our daily average advances also and also partly attributed to the MCLR reductions also. Operating profit as I mentioned has improved to 71% basically on account of the non-core, but without that 12% growth has been there. We have been substantially able to bring our interest expenses during the year. Interest cost has reduced substantially in the year with a cost coming down by 1000 crore and the bulk and retail also the high yielding interest yielding expenses have been got down.

Going forward on the cost to income ratio also you would see that there has been substantial reduction of course this is in the backdrop of the strategic sale, but even if we consider the affect without we would always maintaining the cost to the income ratio.
On the fee income side, we would see that certain areas we have done quite well one area where we have not done well is the processing fee where evidentially on account of press corporate exposures in large cases indication, assignment not being taken. This has marginally come down. However, despite some reduction in LCBJ limit we have been to still earn a decent commission on the non-fund base limits.

Declining operating expenses has been possible because of the initiative taken by the bank on the VOBST, rationalization rent, etc., and these entire effects would be visible in the current financial year as we go forward. The cost ratios as you see have seen a significant dip in the cost of deposits as also cost of the funds it is on account of one deposit coming down by about 28,000 crore coupled with the CASA increase of about 7,603 on a more sustainable basis. So this has resulted in substantial deduction in the cost of the deposits. In the treasury operations the hardening of the yield has its effect and therefore the treasury profits vis-a-vis last year are down. The bank had also taken a hit of about 280 crores in the form of M2M and balance about 300 crore would be taken care in the next 2 quarters.

The banks also went ahead with the sale of non-core assets and numbers which was given at the end of Q1 concall also that bank is looking at about non-core sale asset of about 3000 to 3500 is what we have been advocating and I am glad to share that the overall target we have not only achieved, we have surpass it about 4400 crore has been the sale through the non-core and fixed assets including BKC and capital gain is about 3700 crores. On the balance sheet parameter, we would see that there has been a portfolio where the corporate advances have come down while this detail percentage to the overall percentage has gone up and therefore vis-a-vis 60 to 40 at the beginning of the current financial year we stand at 55 to 45 and going forward the endeavour would be to reach a level of 50-50 by the year end the corporate and retail mix.

On the retail front, again I would like to emphasize the bank has focussed on all the areas like the structure retail assets the subsets being hosing loan, loan against property education loan, auto loan, etc., and therefore you see that the book has grown from 37,000 crore to 45,000 at 23 % healthy growth.

Taking into account the repayment if we see the simple growth book on the basis of disbursement it would be about 44% roughly 14,500 crore was the disbursement giving an average of more than 1200 to 1400 crore per month. I am glad to share with you that the bank on the priority sector front has achieve all its targets and it has maintained our overall percentage of priority sector advance that 46.88 to ANBC and if we take the average of 4 quarter we stand at 41.70. All the targets met would result in way forward the contribution of RADF would come down substantially. On the asset quality, the gross advances have come down from the level of 2,10,000 crore to 1,98,000 crore. The gross NPA stands at 55,588 at the year-end while the net NPA stand at 28,665 percentage level at 27.95 and 16.69. The provision coverage ratio as per the RBI guidelines stands at 63.40 against the opening of 54.96. This repeat in the fourth quarter are 12,823 and this takes into account the RBI new guidelines from the resolution of stress assets also.

The recoveries and upgrades have shown an improvement to a level of 6231 from 4849 during the year. Just to give a detail about the NCLT cases the banks has an exposure in 11 cases in the first list and 19 in the second. In percentage term if I have to tell the provisions in the first list stand at 63.97 and 55% in the second list. The bank would incrementally require to provide about 1400 crore in the quarter on these cases for meeting the RBI guidelines. Apart from these cases also have other cases in the NCLT which has been filed on account of financial creditors operational creditors, etc., if we see the level of provision made in the cases which have been admitted then this percentage of provision made in such cases also stand at 67% level. As regarding the stress book the stress book under the 5/25 S4A SDR if we take into account the recent circular has also the current level of cases in these scheme under the SMA the amounts stands at 8296.

And vis-a-vis if you see the opening balance last year at this stage was 26.204. So we would see that either the cases have been provided during the last financial year most of the cases also the stress book has come down substantially and with the provision coverage ratio already in respect of the cases the NCLT cases provision also and the stress book we could expect that the slippages would come down as we go forward in the current financial year. On the capital adequacy front, I have already covered we have CET1 of 7.42 which has been achieved. This has been backed up on the basis of reduction of 18% in the RWA from the level of 268 to 2,20,000 crore.

Basic reduction has been in the credit RWA where the percentage has come down from 110% to 90.66%. This has been also possible due to rejig in the portfolio, reallocation of credit and market risk portfolio and also capital conservation through data cleaning. This year the government of India has amount of 12,865 crore has been received including 394 crore from LIC 7881 crore is lying as a share application money and government of India shareholding today stands at 80.96%. So these are the brief number I thought I will share with you and if in case any queries are there we could answer it.

Moderator: Ladies and Gentlemen we will now begin the question and answer session. We have a question from Sneha Ganatra from Subhkam. Please go ahead.

Sneha Ganatra: Sir, during this year we have completed our turnaround strategy, so going forward for the next year could you guide us by considering a ROA how do you see your growth outlook, what would be the deposit growth, how do you see the margins other income. Second question is on the asset quality. During the call you have mentioned that majority of the stress has been taken during this year and there could be some addition which has been left out by the September end what could be the amount and how much would be provisions we need to provide for the NCLT cases also and going forward and due to the ageing of the NPA also, what would be the credit cost guidance also?

Management: First of all let me respond that you must have seen in last financial year 17-18 there is perceptible improvement in the profitability from the core business and that is what we told earlier also there will be lot of strategy not only one strategy which will work, strategy on the liability, strategy on the asset side, on the cost cutting, on the other income increase, the increasing of the quality of the portfolio all those things have been done and there is an perceptible improvement in the core profitability which will continue. In this financial year, also there will be very good improvement in these numbers. Now if you see to it that what can be the windfall during this financial year as part of strategy we are reducing our high cost borrowing as well as high cost deposits.

Now this financial year being we have exercise the call option on 81 that itself will save 550 crore during this financial year. Then recap bond 7881 will result into at least 650 to 700 crore of additional income without spending anything. So 1200 crore itself will be again in this financial year over and over the normal business parameter. Most of the credit cost has been recognized in the last financial year 17-18 as I told that 80 to 85% of the stress have been recognized. We have put out one slide in the presentation also where if we look forwarded 5/25 restructure other than 5/25 and restructured any other standard assets SMA-1 and SMA-2. It is around 18,000 crore of exposure 18,781, but out of that the irregular portion where there is an irregularity around 8300 crore. But there may be certain accounts where there is no irregularity but there may be visibility of the stress which has to get resolved in risk quarter or the next quarter. So we have kept out a watch list around 13000 to 14000 crore that is where we see the numbers in this current financial year.

Sneha Ganatra: In the slippages around 13,000 crore and there could be some normal slippages of retail and the SME so going forward slippages for the full year can be considered around 15000?

Management: It should be lower than that because internal estimation is that it should be lower than that, but I told you the stress book including some portion of the retail book because if you have seen in our presentation on the retail side the NPA has come down whereas the corporate side NPA has gone up. 91% of the NPA are constituted by the corporate book only 9% NPA are constituted by the retail book. So that put together including all these things I told so the credit cost should come down. In NCLT basically there are is in list 1and list 2 there are 30 cases our CFO has told you where we are having exposure of around 26,000 to 27,000 crore. Now this exposure of 26,000 crores to 27,000 crore should get resolved during this financial year either case. So obviously to that part there will be an impact.

As I told in NCLT cases list 1 we are holding a provision of 63.94% even if we presume that overall recovery maybe 52% to 55% there will be write back. In list 2 our provision is already 55%. So with that there will be upside then apart from that today our board has approved and identified NPL corporate NPL book to the extent of around 21,800 crore which will be put out on sale in the market and obviously we have to run the process out of that how many will be able to sell out that depends on the pricing as well as the appetite in the market so that also will be another strategy to reduce our NCLT.

Sneha Ganatra: So in this resolution NCLT case, what would the fair assumption we can consider it?

Management: That is what basically in NCLT cases I told in the first list we are holding a provision of 64% and expected recovery should be around 52% to 55% depending upon the underlying assets like in Bhushan Steel we are able to recover 76% of the principal amount. So certain accounts are there where the recovery maybe better like Binani is 100% recovery, Essar there maybe better recoveries. So there are certain assets obviously there are certain assets where the recovery maybe lower. So put together maybe around 55% recovery we are expecting minimum.

Sneha Ganatra: What is the loan book growth guidance for the next year?

Management: Last year also 17-18 we draw out as a strategy as I explained that we need to focus on the focus on the quality of the loan book because ultimately, we are working not only on the return we are working on risk adjusted return. On the retail book side as explained by Ajay that 15% growth on the retail book itself from the previous financial year whereas the disbursement where 40% growth in the disbursement. Obviously, there are payments and the repayment so ultimate book grew by 15%. On priority sector also, which we explained earlier as well on priority sector this time bank has achieved all the targeted numbers and we grew our retail book as a part of strategy and we de-grew our wholesale book the bulk book in the priority sector also like PSLC, IBPC that we have reduced and retail book we have increased. So that will continue in this financial year.

Corporate book we will continue to de-grew individuals and the retail book we will continue to grow as far as priority sector is concerned to the extent we are able to meet the international target by shedding bulk and including the retail we will continue.

Sneha Ganatra: Next question is any plans to sell further non-core assets?

Management: Yes. As you are aware there are certain assets for which the divestment process is already on. Couple of them are basically our stake of 30% in NSDL where we have received bids for about 7% out of the non-sponsor quota. In addition, actually IDBI life also the process is on which has been there for almost for 3, 4 months and which we are expecting that by Q2 at least this process should get completed and we should be in the money. Of course, subject to the approval which are required from IRDA as also CCIL. There are certain other small investments which we will be of course looking for divestment in the current year. Partly half a percent is in NSE, some small amount in CCIL and small amount in SIDBI, etc., but these are major ones which we have identified for sale and the process for which it is already on.

Moderator: We have a question from Manish Oswal from Nirmal Bang Securities. Please go ahead.

Manish Oswal: My question for the full year, what would be our total interest reversal amount?

Management: On the full year it is about 750 odd crore.

Manish Oswal: Second sir, this year we have seen some evidence of turnaround in the overall balance sheet quality and secondly the cost efficiency in terms of containing operating expenses improving cost to income ratio. My question is in your assessment now we have recognized major pain in our balance sheet in terms of NPA. In your assessment where we are in terms of transformation process whether we can complete this transformation process in two-year frame or three years timeframe and then we can focus on the growth part of the bank.

Management: I think earlier also we have explained this point if you recall in the previous concall also. We told that we would like to recognize to the maximum possible to the extent balance sheet is I mean the capacity and to work out on the resolution. Now most of the problems are over. Yes, I would not say that entire thing is behind us. As explained that there are some stress book which may get resolved in Q1 and Q2. So after that there should not be any difficultly and as we maintaining the same stance earlier we told that post September 18 there should be a lower credit cost and there should be basically balance sheet in the black.

Manish Oswal: I was referring that 22nd May BSE filing in that we have increased our authorized capital from 4500 crore to 8000 crore. So do we further raise any equity capital in the process?

Management: Basically, last year also we put out a strategy for improving our capital numbers and obviously when there is credit cost because of ageing provision and all that obviously capital will be required. So last year we put out capital light model, remix of our portfolio, churning of our existing corporate book, reducing the risk weighted assets, selling non-core assets that will continue during this financial year as well. You may appreciate that the credit risk weighted assets and the total risk weighted assets have drastically been reduced. So that process will continue. Non-core assets my colleague Mr. Yadwadkar has already explained that last year we fetch 4400 crore of total asset. This year also we will continue to sell our non-core asset and augment our capital. Whatever will be left out and required if there is a proper market the proper pricing in the market we will come to the market for issuance of the fresh equity. Otherwise the government of India will infuse to the extent it is required for us.

Manish Oswal: Lastly in terms of operating expenses we have contain fairly well this number how do you the FY19, 20 the containment operating cost will be there or we can see some growth in these numbers?

Management: Operating cost actually we should see further reductions going forward in 18-19. So you have seen about roughly 8% reduction on a full year basis on a operating expenses in the last year. Now as you are aware and what we had mentioned in the last concall also that many of these initiatives related to operating cost reduction were put through during the course of the year. So the full impact of that was not realized entirely in 2017-18. So those initiatives still continue, more initiatives will be put in place during 18-19 which have already started. So therefore, the impact you will see will be greater actually.

Manish Oswal: Sir, do we have any guidance of total credit cost for FY19 because you share 14,000, `15,000 crore of slippages will be there in FY19, so what kind of credit cost one should assume for FY19 if we have any guidance number for that?

Management: We have told that the watch list is 15,000, there may be slippages. As far as credit cost is concerned as you rightly look into it that the total slippages in financial year 17 as well as financial year 18 were quite substantial and because of that there was ageing provision requirement and the credit cost was very high in last year and there were couple of additional reasons this RBI circular, the latest SEBI circular which basically advance the recognition of certain stress book and the stress assets. So that has already taken been taken place. Credit cost definitely will come down from the previous year there is no second opinion about it.

Manish Oswal: This year we will be requiring to provide 1400 crores plus ageing portfolio of existing NPA block plus incremental slippages whatever we have indicated the stress watch list book. So these are the major driver of credit cost?

Management: That is correct that what will be the ageing provision, what will be the fresh slippages provision that will be the credit cost, but we have to let it off from the provision which will get resolved through the resolution about the recovery or from the up gradation. As explained that NCLT cases as per as RBI list 1 and list 2 itself we are holding 26,000 crore of exposure and that is clearly provided for 64% in list 1 and 55% in list 2. And that definitely there will be provision write back.

Manish Oswal: Then what is the spending number of 1400 crore sir if it is fully provided?

Management: Basically, what we have told 64% is the overall portfolio book. There may be certain accounts which are at 40% provision level or 45% provision level where there may be an additional requirement of 1497 crore. Overall portfolio wise if we look into it there will be write back.

Moderator: We have a question from Gautam Jain from GEC Financial Advisors. Please go ahead.

Gautam Jain: Can you just throw some light on the NIM how the NIM will shape up in 2019 because we have had very good NIM in Q2 and Q3 can you just slide on that?

Management: At 19 bibs NIM has increased on a full year basis in '17-18 at 1.81% and you will appreciate that 28% NPL book and there is certain exposure which is also again not earning any income as explained in the past also. So despite of that we are able to retain our NII and able to improve the NIM. During this financial year there will be improvement in the NIM as well so it may cross 2.

Gautam Jain: What is the target non-core asset sale during this year?

Management: It was explained is detail. We expect 3500 to 4000 crore during this financial year.

Gautam Jain: And you said your OPEX will further come down for the full year basis?

Management: Yes OPEX will come down for the full year.

Gautam Jain: Can you provide some guidance on credit cost you said that there would be lower credit cost, but can you provide a guideline it much it would be because last year it was more than 9%, so how much it would be on normalize basis for 19?

Management: Considering the resolutions happening in the NCLT cases what we expect and the position as we have shown that the stress book where it is. We should look at range at around 9 to 10. See credit cost as already explained by MD for the earlier question you have seen that in the NCLT 1 we hold a substantial amount of provision actually. So the resolution which are likely to happen over there are at least in our estimate right now not going to add substantially to the credit cost. So what we are looking at and we have also mentioned what is our approximate kind of a watch list we also mentioned what is our standard spread and out of that what is under the SME which is significantly lower than what we held last year. So therefore, we expect that the credit cost will definitely be significantly lower than what it was last year and the factors are basically because a major portion of resolution will happen in NCLT where we hold provisions and which will need to netted off.

Gautam Jain: Agreed sir you will not be required to have more provisions on NCLT cases, but on the fresh slippage in 2019 as well as some ageing provision as well as any slippage from watch list how much provision it may require as per your internal calculation?

Management: See as per internal calculations we have already estimated, we have told you that say these are essentially what we are talking about it these are standard stretched cases. A majority of these standard stretched cases obviously will go into sub standard category only. It is not that majority of these cases will go into say DA1 or DA2 kind of situation where we will need to provide substantially higher amount. So with that the number which we have given you I think you have a fair estimation that the credit cost will be reasonably well contained because the overall portfolio itself which is currently under stretch is within a manageable limit.

Gautam Jain: And the share application money received by the government have the share been issued?

Management: Not yet we are in the process, but we have started it for the purpose of CET1 with the approval of RBI.

Gautam Jain: But in share capital it is not there?

Management: Yeah it is not there it is in the process it will be done.

Moderator: We have a question from Navneet Shah from Derive Hedge. Please go ahead.

Navneet Shah: Sir my question is on the staff cost we are still in reduction in staff cost in this year is it largely because of the yield and do you expect the staff cost to come back in next year I mean increase next year.

Management: See the reduction in staff cost has been largely on account of the provision. It is generally make every year actually staff cost are normally a predictable item because the increase is again a predictable item because it takes largely on account of either fresh people coming in or on account of the increase in the salary. Large amount of salary increase occurs only in year when there is a revision. Now in this particular instance it is on account of the AS-15 provisions where an increase or a decrease has come about. The decrease this year is basically on account of the yields which have moved up much higher on account of which no fresh provisions needed to have been made.

Navneet Shah: So should we assume a normalized cost of around 2200 crores for staff cost and then any wage revision by over and above that?

Management: See wage revisions has already been provided for. Since wage revisions have already been provided for so there is no significant amount of increase that is going to occur yes there will be some amount of increase because in our case wage revisions are going to become effective sometime soon, but then this will be well within our cost containment. It is not that it is going to have any alarming increase in our wage cost or anything.

Navneet Shah: So sir what should be the normalized level that one should look at for the staff cost?

Management: It is presently 1795 again a period of 2225 as explained by my colleague Mr. Nair. One that we are not increasing the head count in the organization. Second, previous 2225 was inclusive of certain provision which were provided for salary increase which is higher than the actual salary increase outgo will be there for the arrear of last 5 year. But though you will be having excess provision, higher provision still we have planned that we will not write back that provision. So that provision we will continue in our books to take care of the next revision in the wages.

Navneet Shah: My second question is on recovery on non-NCLT accounts sir how do we see recovery on the non-NCLT accounts?

Management: Recovery on non-NCLT accounts is happening. It is not that recovery is happening only in NCLT accounts, but in fact we just spoke about it we have held up a press conference and I do not if you had watched it you would have seen that we have said over and above the usual methods of recovery which are through the legal route, OTS etcetera. We are also looking at identifying certain NPA portfolio which we intend to put out on sale through particular process, so which would include largely non-NCLT cases. Here and there, there could be some NCLT cases, but if this portfolio would be largely non-NCLT cases. So if that plan of action materializes with the desired results which we are contemplating that could be one avenue which should fetch us good deal of recovery actually in non-NCLT cases. The recovery and up gradation in non-NCLT cases was 6231 which was higher than 16-17. So last year there was no recovery in NCLT cases only this quarter there is a recovery in one account where bank was able to recover 76%. It is not losing the focus on the recovery on non-NCLT cases.

Navneet Shah: And do you have any number for this year for recoveries in non-NCLT?

Management: This year also we have put out the numbers that it should be higher than the previous year number and we have given the target accordingly to the verticals that there should be an increase in the recovery and up gradation that has happened in the last year.

Navneet Shah: Sir one more thing in the opening remark you said that you know we are looking at selling off loan assets worth 20,000 odd crores so can you throw some light on that this portfolio would be non-NCLT account or could be mix of both and any kind of hair cut that are we expecting on this, what kind of hair cut are we expecting on this?

Management: Hair cut I do not know because we have to put out a process as far as NCLT cases are concerned yes certain NCLT cases are there which have been admitted or non-admitted, but what basically we are thinking that wherever we will put out on sale we will see the market reaction. See we are getting a pricing which we are expecting to recover either through IBC NCLT process or through hardcore recovery majors with the time value of the money. Accordingly, we will decide it is not that entire portfolio will be sold out or 0 or one binary situation, it can be sold out line by line also. If is one assets are getting a better pricing, we will go ahead. If we are not getting better pricing on another asset we will not sell it.

Navneet Shah: The investment which you are trying to divest the two main investment would be the IDBI Federal and the NSDL or would there be any other major investment which you would be liquidating?

Management: These are the two which we have identified and on that I will just mention that the process for both these divestments is already on. Major ones these are but these are but still there are like NSE like there are CCIL holding, there may be some real estate also. So put together we will look into it achieving those numbers.

Navneet Shah: So the total share of outstanding would be around 308 crores after the government of India infusion capital infusion?

Management: As of now it maybe we do not have the exact number we will provide you that.

Navneet Shah: Sir I was just trying to understand the book value because there has been lot of transaction which are happening just wanted to get the true book value which used to be there before this quarter?

Management: The number of share is 308.37.

Navneet Shah: So it is 308 crores. This includes the government of India shares.

Moderator: We have a question from NB Mahesh from Kotak. Please go ahead.

Mahesh: Just wanted to understand slide number 29 where you have given two different numbers where one is the case is filed in the NCLT and the cases admitted any broad reason is to why we are seeing such a wide variation in these four numbers?

Management: Slide number 29.

Mahesh: This is the cases filed in NCLT which shows the gross principal amount of 45,716 that is the cases admitted is showing 23,986.

Management: If you look at it that broadly what I can say is that cases filed in NCLT actually include total number of cases which have been filed but not necessarily admitted as yet. I think that is obvious from the phase of it and here the second one actually shows only number of cases admitted IDBI lead cases. The case is filed not necessarily by the financial creditors it includes the cases filed by the operational creditors also.

Mahesh: Is it is the NCLT process such that in about 7 days you do get some clarification as to whether it has to be admitted or not?

Management: Not necessarily, it takes longer only. 15 days but not necessary there are many cases which have been admitted after month.

Mahesh: The second question is in NCTL-1 and 2, what would be your total steel exposure that you have?

Management: So that you can provide to you see we have given you total exposure, but sector wise we can provide to you that is specific.

Mahesh: Last question in terms of resolution there has been some articles in the media which suggests that despite the offer being higher than the liquidation value we have seen instances where the committee of creditors has still gone ahead and rejected the offer. Just wanted check is this actually correct if yes why is this happening because it is still above than the liquidation value at which it was initially proposed at and second the recovery rates that you are seeing in your portfolio roughly about 2400 that you saw this quarter what kind of loss rates are you seeing today in that book and where do you see it going?

Management: To answer your first question actually see it is not entirely true to say that even if the values which are being offered are just because they are higher than liquidation value. If the lenders do not accept that there are reasons for it in the sense that ultimately what does the lender look, what is the true realizable value of the asset. It is not necessarily linked to the liquidation value. So liquidation value which was earlier being computed as a part of the CIRP process which is not currently there that itself had different elements certain cases it could be actually recovery through a liquidation process sort of distress mode or through an orderly process etcetera. So therefore, the committee of creditors will always look that what is the underlying value of the asset and whether that value is actually being reflected in the amount that is being offered not necessarily with a comparison to the liquidation value does not mean that anything that is offered above or liquidation value should necessarily be acceptable to the committee of creditors.

Mahesh: No the reason why is we are in a stage right now where in if you have to do this entire process through a liquidation process is going to be much more time consuming and you may have a time value impact of this is it better of that you take the offer which is on hand that is the whole idea.

Management: I mean to answer your questions just because there is a value to an underlying asset and you cannot sacrifice that value entirely on the time basis. We also calculate have an idea that if an asset goes into liquidation approximately how much time it is likely to take because if there is a real underlying value in the asset it is not necessary that the liquidation process needs to run for really long. There could be people who would come out with an offer immediately if the asset is placed under liquidation that too can happen.

Mahesh: Last question on the 5/25 that you have about 7000, 8000 crores these predominantly today would be a power sector exposure that you have this is in slide 30.

Management: Yeah it is a predominately power sector that is correct.

Mahesh: And given that it is not in SME right not, would you say that the probability of default of the overall portfolio seems to be much lower or they are performing quite well, how are you looking at the incremental power portfolio that you have?

Management: See the portfolio it is performing reasonably well. We are also looking actually at resolving several of these cases through various routes so that process is on.

Mahesh: The reason I am asking since it is not an SME it does appear that it seems to be serving its loans quite well right now.

Management: That is true. The fact that is not under SME yes, it is truly reflective of what is the situation today, but these are cases actually where a long term solutions need to be found.

Mahesh: And the SMA-1 and 2 that you report in this table is the definition which RBI says which is above 5 crores or this is all which is day 0 default right from the lowest value account that you have?

Management: Come again please.

Mahesh: The SMA-1 and 2 that is reported out here, is there a cut off threshold limit under which it is calculated or is it all accounts which is even a Rs. 1 default in included in this?

Management: The data which we have given you over here yes it would be all cases.

Mahesh: The reason I am asking is that it is not power which is there?

Moderator: We have a question from Navneet Shah from Derive Hedge. Please go ahead.

Navneet Shah: Sir can you highlights what are the sectors that contribute to the watch list account of 30,000? Sir till that time just one thing I think I missed out the last time you said that 300 odd crore shares is not including the recent 7000 plus infusion by the government.

Management: That is yet to be allotted. It is not available because this is again what I can see from the list is that it consists of various kind of industries. It is not predominantly focussed on any one sector.

Navneet: This account are not bulky account this would be small multiple account if you even have a number of accounts which you constitute this watch list that will also be great?

Management: See that something which I cannot give you.

Navneet: Number of accounts?

Management: Number of accounts we will provide you we will share with you. That is not immediately available you might have seen the industry wise data which we have put out in our slide and in the industry wise data we have given very clearly that what is the gross NP and what is the stress book in that sector particularly. So if you see there a steel there is absolutely now it is recognized only in infra as rightly put out by the previous my friend power sector it is there one account is in the oil sector also and there are other mix in other cases otherwise mainly it is power and oil.

Moderator: We have a question from Mr. Jai Mundhra. Please go ahead.

Jai Mundhra: Sir just you clarified this on slide 23, so just wanted to get it correct so you have mentioned the exposure industry wise and the stress which has already been recognized as well as the last column sales the present stress exposure in that particular sector, so just for power let say energy which is thereof let say 33,000 crores exposure they have already recognized 9600 and some 7600 crores is stretched as of now right.

Management: This stress not necessarily is SME

Jai Mundhra: Then that is your assessment of your inherent strength or weakness of that account right?

Management: It is mix of financial stress as well as non-financial.

Jai Mundhra: And sir if you can quantify within this power of 24,000 crore or 33,000 crores, what would be private sector exposure sir?

Management: Private sector exposure data we have to work out and give you.

Management: Ajay you provide all the investors in the power sector generation companies, transmission and distribution and in all these three categories what is private sector and what is public sector. We can provide.

Jai Mundhra: Just on this follow up on our non-core assets sale is there a plan to exit the business completely mainly this insurance business?

Management: We presently have 48% of holding in this venture of course we have come out with a sale process and with the entire 48% in mind it all depends upon what valuations we are getting and what is the final negotiation which is happening but the preference will be divesting the entire amount.

Jai Mundhra: Any value you are seeking which you want to highlight?

Management: Presently the process is on so it will not be really proper to really discuss on the valuation and we are evaluating all the bids which we have received.

Jai Mundhra: Just last question to MD sir, sir we have been hearing news for about the media report suggest that you have been interviewed at RBI so just want to get any how should we take that use is there anything you wanted to share?

Management: As far as new is concerned that is only a news. I do not know how the things will plan out I am not aware about all these things and that is a news in market. But one thing I may tell you in my previous organization also repeatedly I used to tell all my investor trend. That it is basically an organization which is very important, and organization is driven by the board. As explained earlier and told that it is a board driven institution. It is not in a individual specific driven institution what makes a difference whether an individual is able to bring out certain turn out plan and strategies and given a direction to the organization I think it is clearly well positioned as of now you might have seen in 17-18 results also that there is a reasonable stable position of the bank, there is a clear cut direction of the bank that where we have to lead towards and what will be the future of the banks is clearly laid down action oriented and actually are in place. So those are not a well basically what I say ill founded anxiety if it is there any.

Moderator: There are no more question in the queue and I hand over the call to you sir. Please go ahead.

Management: Thanks everyone for their participation and on behalf of Batlivala & Karani Securities we thank IDBI Bank management for giving us the opportunity to host the call. Thank you everyone and have a good day.

Moderator: Ladies and Gentlemen this just concludes your conference call for today. We thank you for your participation and for using iJunxion Conference Service. You may please disconnect your lines now. Thank you and have a great evening.