"IDBI Bank Limited Q4 FY-19 Post Results Conference Call"

May 30, 2019

MANAGEMENT:	**MR. RAKESH SHARMA - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, IDBI BANK LIMITED** **MR. K. P. NAIR – DEPUTY MANAGING DIRECTOR, IDBI BANK LIMITED** **MR. G. M. YADWADKAR – DEPUTY MANAGING DIRECTOR, IDBI BANK LIMITED** **SMT. SMITA KUBER – CHIEF GENERAL MANAGER IDBI BANK LIMITED**
MODERATORS:	**MR. AMIT SINGH – RESEARCH ANALYST, BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the IDBI Bank Q4 FY19 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 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.

I now hand the conference over to Mr. Amit Singh from Batlivala & Karani Securities India Private Limited. Thank you and over to you.

Amit Singh: Good evening everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities we welcome you all to the IDBI Bank 4Q FY19 Post Results conference call.

We have with us today the management of IDBI Bank represented by Shri Rakesh Sharma, Managing Director & CEO; Shri K. P. Nair – Deputy Managing Director; Shri G. M. Yadwadkar – Deputy Managing Director; Smt. Smita Kuber – Chief General Manager.

The bank's detailed financials and presentation had already been uploaded on bank's website and I believe most of the audience would have managed to see that. I would now request our MD & CEO to start the call with his opening remarks on 4Q FY19 result post which we can start the Q&A session.

Over to you, sir.

Smita Kuber: Good evening everybody. I am Smita Kuber, CGM of Finance & Accounts Department. MD sir will be joining in sometime in 5 minutes. In the meantime, we will start with the highlights of the performance of the bank for Q4 financial year 2019.

The financial year 2018-19 and the last quarter has been very eventful for the bank with LIC acquiring controlling stake of 51% and promoter's status in IDBI Bank. With this government shareholding of IDBI has reduced to 46.46%. Our bank continues to be under PCA framework restricting lending only in retail segment.

The bank during the last year has focused on granularizing the asset portfolio with SRA growth of 18% crossing Rs. 50,000 crores mark and corporate to retail advances have been streamlined in the ratio of 49:51. Bank could broad base the deposit base and improve the CASA ratio at 42.54%.

The focus has been improving on our asset quality and to this effect slippages have come down on Quarter-on-Quarter basis. PCR has been substantially improved to 82.88%. Bank is predicting some recoveries in next two, three major cases in current financial year. The bank has been successful in containing the funding cost, strengthening the CASA ratio, portfolio mix, curtailing the SMAs and CNPAs.

With equity infusion from LIC all the capital ratios regulatory ratios have been achieved as on March 31, 2019. Now I will present to you all some financial ratio highlights for the financial year 2019.

Firstly, regarding the capital all regulatory capital ratios have been achieved by the bank. Total CRAR was at 11.58% as on March 31, 2019 compared to 10.41% as on March 31, 2018. This is possible because the bank received total capital of Rs. 21,624 crores from LIC. CET 1 capital of the bank improved from 8.91% as against 7.42% as on March 31, 2018.

Risk weighted assets have been reduced by 17% and stood at Rs. 183,457 crores. Regarding the profitability parameters operating profit of the bank stands at Rs. 4,052 crores in FY2019 as against Rs. 7,909 crores in FY2018. FY2018 the operating profit was higher on account of strategic sale of Rs. 3,000 crores which bank did not do it in FY19.

Net interest income is continuously increasing. NII for the current quarter has increased by 76% as compared to the corresponding quarter of the previous year. For the entire year NII has increased by 5% to Rs. 5,906 crores. Consequent to NII improvement, net interest margin of the bank has also improved to 2.26% as compared to 1.19% for quarter ending 2018.

For the entire year NIM has improved by 22 PCAs and stood at 2.03%. Bank is incurring net losses. The net losses report for the current financial year is Rs. 15,116 crores. Yield on advances has been improving and for the entire year the yield on advances has improved by 42 BPS and stood at 8.82%.

Cost of funds as well as cost of deposit is showing a declining trend as our interest expense as well as interest on borrowings is showing a declining trend. For the entire year the cost of funds has improved by 7 BPS to 5.78%. Cost to income ratio is improving and for the current year it has improved to 49.47% as compared to 72.80% in Q4 of 2018.

Business composition improved in respect of CASA and retail asset portfolio. CASA in absolute term has increased to Rs. 96,730 crores as against Rs. 92,102 crores and share of CASA stood at 42.54%. Asset quality is still a concern for the bank. GNPA ratio is at 27.47%. Net NPA ratio improved from 16% to 10.11% as on March 31, 2019.

Provision coverage ratio has also improved to 82.88%. Recovery from write off assets are considerable improvement and for the entire year bank could recover Rs. 468 crores of technically written off assets. Recovery of NPAs is also encouraging. For the entire year it was around Rs. 9,326 crores including interest on recovery from NPA account.

Rakesh Sharma: So, I think that is the opening statement made by Smita. So, we can now take the questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

We have our first question from the line of Praful Kumar from Pinpoint Asset Management. Please go ahead.

Praful Kumar: First question, what is the outstanding restructured book that we have I believe it was close to Rs. 4,000 crores, Rs. 4,500 crores last quarter?

Rakesh Sharma: Yes, Smita, you can.

Smita Kuber: Outstanding restructured book as on March 31st 2019 is around Rs. 3,293 crores**.**

Praful Kumar: Rs. 3,293 crores and it is outstanding restructured?

Smita Kuber: Yes, standing restructured I am telling you the fund based outstanding.

Praful Kumar: Okay. And secondly now our net NPAs are Rs. 16,000 crores and another Rs. 3,000 odd crores of restructured book, in terms of capital so our Tier-1 would be close to what Rs. 15,000 crores, Rs. 16,000 crores today, Tier-1 capital?

Rakesh Sharma: What is that Tier-1 capital?

Smita Kuber: Tier-1 capital if we see as on March 31st 2019.

Rakesh Sharma: Good evening sorry I was held up in the press conference. I am Rakesh Sharma. So, I will be joining now so remaining questions of course I will be able to handle it.

Smita Kuber: Sir, Tier-1 capital for March 31st 2019 stood at 9.13% sir.

Rakesh Sharma: The absolute amount it is about Rs. 16,753 crores.

Praful Kumar: Correct, so good evening Rakesh sir, Praful here. So, just wanted to get some more sense that when you will we know exactly Tier-1 capital that there is still provision yet to be going through P&L next year when is the capital infusion looking at?

Rakesh Sharma: Now you see that as of 31st March we stand to comply with. We are 11.58%. Like you know already that approval is there, and our plan is like this. One is that the monetization of our non-core assets that we have already discussed Rs. 1,500 crores is by way of monetization of assets.

Then second is like you know Rs. 3,000 crores Board has already approved for raising of Tier 2 bonds. So, maybe that is around depending on the market Rs. 2,500 crores, to Rs. 3,000 crores we will be raising through the Tier 2 bonds. Now coming to core capital, we have you know our plan is that Rs. 6,500 crores we propose to raise capital either by way of rights issue or QIP or some preferential lot because I will tell you why we are saying like this.

One is because Government is still holding 46.46% shareholding, 51% is with LIC. Now as per the RBI approval they cannot go beyond 15% they will not be coming below 51% so either we have to go for rights or if we go for QIP then this QIP will be raised and then pro rata LIC can contribute. So, roughly LIC may contribute around 50% of that.

So, that will be the plan so somewhere now we have come out with the result. Except for loss there are other positive parameters are there and we have a standard plan for coming out of PCI by Q3. So, hopefully I think we should be able to raise capital going forward.

Moderator: Thank you. We have the next question from the line of Ankit Jain who is an individual investor. Please go ahead.

Ankit Jain: So, first just wanted to know what is our bank's position with respect to some of this stress accounts? Let us say Dewan, Essel Group, RADG Group so I believe that on a DHFL exposure is around Rs. 1,100 crores. So, how are we placed in that account right now?

Rakesh Sharma: This DHFL one is of course individual we should not be discussing but still our NBFC exposure is now overall if you see overall NBFC exposure will be less than Rs. 4,000 crores. In Dewan also you know we have been able to reduce our exposure and basically it has like around Rs. 1,000 crores exposure is there but it is standard advance and as such we do not see any problem although like of course they have been facing some issues.

But as of now our account is conducted satisfactorily. In other NBFCs only stress account one is that ILFS but there again we do not have much exposure there and most of it as per RBI instructions we have already classified as NPA and adequate provision has been made.

Ankit Jain: Okay. So, on the ILFS piece sir so what is the total exposure we have and how much the NPA right now?

Rakesh Sharma: See ILFS total exposure to ILFS group companies is about Rs. 800 plus crores. And we have made provisions out of the overall group companies barring one all are NPAs and we have made provisions. I will give you the provision amount roughly how much we have made. You wanted to know what is the total amount of provision that we have made, am I right?

Ankit Jain: You just mention the PCR, that would be fine. What is the Provision Coverage Ratio on the ILFS exposure, sir?

Rakesh Sharma: Okay. I will give you that number.

Ankit Jain: No issues. Second thing is just wanted to know that on the PCA parameter, so we are yet to comply on the asset quality as a profitability. So, we are on the P2 on the asset quality and P3 on the profitability. So, do we expect to come out from the PCA in FY20?

Rakesh Sharma: Now I will give you this specific position, as you rightly said capital and leveraging part we stand complied with. Now this net NPA part from threshold 3 we have already come to threshold 2. If you remember I do not know whether you were there in the previous conference when we did for 31st December that time I had indicated that our target will come below 9% by 31st March. So, we are below 12% before 31st March and we are at 10.1% so whatever we have promised we had delivered more than that.

And now my target is to come below 9% by 30th June and then below 6% by 30th September or latest by 31st December. So, Q3 we should be below 6%. Now as far as profitability is concerned, there also my target is that by Q3 December quarter we should be in a position to turnaround and declare some profit even if it is a small profit. So, I think by Q3 results when these are out hopefully we should be out of PCA and we will be complying with all these.

Moderator: Thank you very much, sir. We have the next question from the line of Yuvraj Choudhary from Anand Rathi. Please go ahead.

Yuvraj Choudhary: Sir, with LIC now having a major stake, are there any changes of strategies at bank level could you throw some color on that?

Rakesh Sharma: No, strategy is basically like now two things. One in any case PCA or no PCA in any case we want to spread and a broad based our portfolio. Earlier the portfolio was skewed towards corporate lending. Slowly and slowly partly because of PCA otherwise also we are spreading towards more of retail and as of now our advances portfolio if you see 51% is in Retail, SME and Agriculture. My target is that by 31st March 2020 our 55% of portfolio should be in Retail, SME and Agriculture that is one thing. In any case we have to.

Our dependence on bulk deposits has declined substantially. Our CASA deposits are increasing in fact from 37% it has increased now to 42%. Now coming with LIC yes, that will give us very good platform for working on the similar strategy and when I am saying this I have a reason to say.

One is that because lot of synergies are being worked out between LIC and IDBI Bank. Already we have you know high level task force committees formed. Almost 111 action points have been framed and that one having their all divisional accounts, their investment accounts then financing their staff members, salary accounts, collecting their policy premium through our online system.

And then we have also announced certain packages for their agent, for their employees, for their premium policy holders, so that whatever our strategy was there going for much more retail that will further be facilitated with this LIC. And apart from cross selling business I think that this arrangement should give us good profit and good advances portfolio, so that will help us in coming out of PCA.

Management: I think Praful was the one who asked about this provision held against ILFS, am I right Praful? We hold about Rs. 471 crores of provision.

Yuvraj Choudhary: And one other question, there was an increase in current deposits, there was a sharp decrease in current deposit this year so most of this would have been originated from LIC?

Rakesh Sharma: No, basically as far as deposit is concerned so far because this arrangement was there, this business of course some accounts were opened but actually not much has come from LIC as on 31st March. Now in fact it will start coming.

So, it was more or less our own business only. During the current year we will see accretion in business coming from LIC so LIC was I think only nominal, maybe not because of a small portion it was rather our normal what we call task businesses, and trust this societies and clubs like this.

Yuvraj Choudhary: Was there any one off in these accounts or would we expect these levels to be maintained?

Rakesh Sharma: No, there are no one offs actually in these accounts. These are our regular CASA accretions which have happened.

Moderator: Thank you. We have the next question from the line of Praful Kumar from Pinpoint Asset Management. Please go ahead.

Praful Kumar: Just one question. LIC has also interest in a housing finance company we know and now a bank so is this allowed in terms of having an independent bank and an independent housing finance company or there will be a need to merge?

Rakesh Sharma: No, actually your question is right. But RBI while giving the approval they have given us five years' time because we are having this LIC is having housing finance and we are also doing housing finance. So, we have still five years' time that time immediately our priorities are monetizing our IDBI Federal Life Insurance, then you know these mutual funds and coming out of PCA. So, since five years' time is there, the next step will be to work on that so that we will decide. So, far we have not thought on that, but five years' time is available with us.

Praful Kumar: Second sir, in terms of if there is any major recapitalization of PCU banks you will now because your LIC bank will not be a part of it, you will have to raise your own QIP you will have to do it independently correct?

Rakesh Sharma: Although like you technically what you are saying is yes, but in any case government is holding 46% there was that recapitalization plan we can get capital either by way of rights issue or some investments. So, that will be a different route yes partly technically it is correct what you are saying.

Praful Kumar: And finally there was a Rs. 4,000 odd crores provision divergence that RBI pointed out in this annual audit, have you taken the entire hit this quarter and why such high number in terms of divergence and provision?

Rakesh Sharma: To be very frank those divergences were there but it was matter of time I will say like this because those accounts as on 31st March the RBI said that these accounts should be classified as NPA and higher provisioning should be made. But like you know some of these accounts either they were classified as NPA by us on our own as on 30th June or 30th September even before RBI report came.

So, now in the last quarter there was a hit of balance amount of Rs. 2,000 crores. So, we have not carried it anything, it has not been carried forward. Everything has been provided for and going forward now we have tried that whatever is weak account or NPA everything on our own we have identified and hopefully no such divergences will appear in future.

Moderator: Thank you. We have the next question from the line of Arjun Tandon from Matsya Capital. Please go ahead.

Arjun Tandon: I just wanted to understand the opportunity of LIC that you have so can you please quantify in terms of how many CASA balances are out there, what might be the share between other PSU banks for LIC accounts and what is the number that IDBI can achieve as a percentage of their entire pool of premiums, agents and CASA balances?

Rakesh Sharma: So, far as this current account balances are concerned, they have 113 divisional offices so we have already started approaching all these divisional offices and their branches after matching our branches with their branches and as we speak about 46 current accounts are already being opened.

So, there actually lot of premium which is collected through the LIC network that will finally reside in those current accounts, that will give a significant amount of float to us. In addition to these current accounts about 6,700 odd salary accounts of LIC employees as also the agents have been opened saving bank accounts.

So, this also will give significant amount of float income to us. LIC also makes a significant amount of investment almost about Rs. 100,000 crores of investment actually they do. We are trying to tap some of the major investment accounts and that process is under way. So, there also we will expect to get sizable inflows and a float of about one to two day remains with us. So, all in all, all these initiatives will help us to reduce our cost of funds once this float on balances are available with us and there is a full cooperation from the LIC side also on these fronts.

Arjun Tandon: So, basically the other PSUs might be losing out on that part of LIC's business, is that a right understanding because I am guessing a lot of their accounts would already be parked with other PSU banks?

Rakesh Sharma: No, you are correct. There are lot of accounts are with not only PSU banks but with some private sector banks also. But we are trying to see that we offer the same level of quality service which this private sector or PSU banks are offering. There should be no reason for the ground people to really have some grouse against our services so that is what the assurance we have given and we will stick to that.

So, we will try to ensure that there is no compromise on the service standards or the technologically also we will be equally competent so far as managing those funds and giving whatever the MIS, they require in respect of these premium collections which is required.

Arjun Tandon: Okay, got it thank you and secondly, I wanted to ask you said LIC has five years' time to reduce the shareholdings in the banks, is that right?

Rakesh Sharma: That is not correct actually.

Management: Five years is for housing finance business, for shareholding that is 12 years.

Rakesh Sharma: RBI while giving the approval has said that over a period of 12 years LIC has to bring down the shareholding to 40% from present 51% and IRDA has not specified any time period for LIC. They have not specified any time period.

Arjun Tandon: Alright and sir can you help out in terms of some guidance on what might after probably realizing some of these synergies if we start looking a little beyond say FY21 what might the core PPOB and from what you are saying from the LIC opportunity can your CASA percentage go above 50, is that a right understanding?

Rakesh Sharma: Actually, this CASA percentage my target for 31st March 2020 as per our business strategy plan it is 45%. Last time I had indicated that here I would like to go back to my earlier conference which we had. So, I had given various guidance that you know where we will go. That CASA will be around more than 40% and we are above 42%. That NPA I told net NPA will be less than 12, it was 10.11.

I said that our retail to corporate ratio will be 50:50 it is now 51%. So, except for maybe recovery which I had given Rs. 4,500 crores and we had a recovery of almost Rs. 1,900 crores because of two accounts one Essar and Bhushan. Other than that, whatever guidance we had given we have complied with. So, now also I am giving you a guidance that it is by 31st March 2020 will be 45% it can be above that, not below that.

Arjun Tandon: Okay got it. And sir finally I just had this question on just a clarification on Dewan that you said, that you said that you were able to reduce the exposures in the company. So, can you sort of elaborate on how that was possible and how did you manage to reduce the exposure, did someone else buy it or did you receive repayments, how did that happen?

Rakesh Sharma: Aadhaar it is still there but Aadhaar in any case as you are aware, the Dewan has already sold its equity to I think Blackrock. So, effectively that particular company is no longer to be classified under DHFL actually now.

Arjun Tandon: You have exposure?

Rakesh Sharma: We have exposure, yes.

Arjun Tandon: Being able to reduce exposure in this last one year?

Rakesh Sharma: Dewan Housing Finance how much we have?

Management: DHFL actually we have not been able to reduce substantially in DHFL but DHFL I think one question has already been answered by MD earlier that our exposure has come down by about Rs. 50 odd crores during the period.

Arjun Tandon: And that predominantly from repayments?

Rakesh Sharma: Yes, that is correct.

Moderator: Thank you, sir. We have the next question from the line of Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: So, just wanted to get that number what is our exposure to Dewan, ADAG and group exposure in terms of either absolute number or percentage of it, either of that?

Rakesh Sharma: For Dewan as we had explained earlier our exposure is about Rs. 1,040 crores or so. Are you asking for the ADAG entire group?

Subhankar Ojha: Yes, the group exposure?

Rakesh Sharma: The ADAG Group our total exposure would be about Rs. 4,400 crores or so. Several accounts are classified as NPA.

Subhankar Ojha: And sir Essel Group?

Rakesh Sharma: Essel Group we have an outstanding of about close to Rs. 500 crores, this is including the fund based and non-fund based together. They are all standard accounts.

Moderator: Thank you, sir. We have the next question from the line of Praful Kumar from Pinpoint Asset Management. Please go ahead.

Praful Kumar: Finally, on this exposure that you talked about, you are talking about ADAG including non-fund or this is just the fund based exposure that you have?

Management: ADAG actually yes, the figure that I gave you includes both NFB as well as SB.

Praful Kumar: Okay both. And Essel Group you said including….

Management: Essel Group also the number that we mentioned was the total outstanding including fund and non-fund together.

Praful Kumar: And today any of these form part of your SMA1 or 2 already or they are still standard or not where do you in your accounts?

Rakesh Sharma: See some of the cases in the ADAG Group certainly are there in SMA list.

Moderator: Thank you sir. We have the next question from the line of Jairaj Singh who is an individual investor. Please go ahead.

Jairaj Singh: Regarding your SMA book so what are the sectors what are the lumpy exposures would form a part of that?

Rakesh Sharma: Overall SMA book any lumpy exposures?

Jairaj Singh: Yes, or sectoral mix as in what is SMA2 consist of corporate retail?

Rakesh Sharma: SMA2 as on March 2019 was Rs. 1,300 crores only, so Rs. 1,300 crores.

Smita Kuber: So, SMA book corporate retail bifurcation we have.

Rakesh Sharma: Corporate very account there in there.

Smita Kuber: No, not major big accounts.

Jairaj Singh: How much would be corporate?

Smita Kuber: Corporate as on March 2019 is Rs. 2,052 crores is comprises of SMA0, SMA1 and SMA2. SMA2 is only Rs. 13 crores only one corporate account is in.

Rakesh Sharma: Only Rs. 13 crores.

Jairaj Singh: The other is retail?

Rakesh Sharma: The other is maybe priority sector lending SME. And where like SMA sometimes although it maybe SMA 2 but may not actually because sometime they will give it delay of 60 days, 70 days SMA. So, that is why in corporate it is very small. Now more or less it has been identified.

Jairaj Singh: And sir, you mentioned you are expecting recoveries so can you list down the exposure to Essar Steel, Bhushan Power and other accounts where you are expecting recoveries and how much recovery you are expecting?

Rakesh Sharma: We are expecting recovery in the range of around Rs. 2,000 crores. Bhushan Power around Rs. 500 crores so these two accounts itself we are expecting around Rs. 2,500 crores.

Jairaj Singh: And these accounts are 100% provided?

Rakesh Sharma: These accounts are 100% provided in our book. Essar is fully provided.

Jairaj Singh: For Bhushan?

Rakesh Sharma: Bhushan not fully. It is about 70% is provided.

Moderator: Thank you. We have the next question from the line of Jay Mundra from Batlivala & Karani Securities India Private Limited. Please go ahead.

Jay Mundra: Just wanted to check on this previous question on LIC synergy. So, we believe LIC has a huge CASA float and they have a huge premium collection and the accounts that they deposit, that they keep with other banks is very large number. And when you start these you have already started branch integration, etc. So, this 45% CASA target looks very conservative. Can you throw some more light, are you expecting ideally when you start getting the CASA float from LIC the number should be much higher, is this understanding correct?

Management: You are right actually because LIC's average float which is maintained with both public sector, private sector banks is presently in the range of about Rs. 8,000 crores to Rs. 10,000 crores. So, while we have started you can say opening these accounts as I mentioned 46 accounts are already opened we are targeting to open additionally about 400 odd accounts immediately in the next couple of months.

Conservatively we have ensured that we have seen that roughly around Rs. 2,000 crores out of this total Rs. 8,000 crores to Rs. 10,000 crores of float will flow to us gradually over this current year. So, whatever we are saying about 45% that will accrue over a period of time, it is not that immediately this Rs. 2,000 crores will come to our kitty as such. We will have to certainly work hard towards that, convince the people.

Rakesh Sharma: One more thing I would like to clarify, a little more specific I will be there. Like you know what he has said is that is right. That of course is right. But second thing what I would like to say so far we were under PCA and mainly like you know initial month that overall growth was not happening in advances. Actually there was a degrowth in the corporate portfolio, as a result if you see our total deposit have also come down from Rs. 247,000 crores to Rs. 227,000 crores March 2019.

Now going forward so as a result what was happening is that some CASA was growing but this bulk deposits also we have brought it down. Retail deposits also some decline was there. So, as a percentage it is improving 42% but going forward when we start growing up out of PCA we give some retail also we grow, SME also grow so deposits will also grow. So, some of the major portion will come in CASA and some will come in more of course in retail but some may come in bulk also.

So, the percentage wise that is how we have worked out the percentage wise although yes I said 45% is the minimum. It may go to 46%, 47%, 48% also that will be a happy position not that we will discourage that.

We will be very happy if it is 49% or 50% and we will try for that. We are trying for but to be on conservative like you know what we feel is that whatever we promised that we should be able to deliver. So, overall deposit number will also increase so percentage wise those numbers sometimes get affected. So, that is the reason we are targeting conservative number of 45% you are right it is a conservative number.

Jay Mundra: And secondly sir you mentioned corporate book is still degrowing. Maybe you know once you get out of PCA that book should start increasing, is that a fair assumption, sir?

Rakesh Sharma: No, basically corporate group now having burnt our fingers and whatever experience we have gained we have already revised our risk management policies, sector specific how much exposure we have to take, group how much we have to take particular individual how much we have to take all those policies we have revised.

So, now one thing is totally we cannot grow only in retail. So, there has to be a balanced position. Earlier we were going mainly in corporate only, 80% was corporate, 20% was retail. That was also not good but here also of course we will be growing 18% to 20% in retail, SME we have targeted around 12% to 14%. So, that much growth we have targeted.

So, overall in Retail, SME and Agriculture around 10% to 12% growth will be there but if not 10% at least 4% to 5% we can grow in SME because all the corporates are not bad. There are selectively good AAA accounts are there AA accounts are also there.

So, selectively and cautiously we may grow in the corporate also, not that we will not grow. But overall like as I said earlier now our retail corporate percentage is 51%, retail 41% and 49% corporate. Our target by 31st March 2020 will be 55% Retail, SME and Agriculture, 45% Corporate.

Jay Mundra: Yes, and now when you say the growth would be coming from Retail, Agri and MSME so can you highlight some of the measures that you would have taken there? So, far the industry has been witnessing very good credit growth, credit discipline and NPA there in this book and some of the banks they have started rationalizing the power of branches.

So, some of the banks are saying only the branch have only this much authority to sanction and disburse loan. How are you placed I mean have you sort of verticalized the Retail, Agri or MSME or this is the branch discretion so how do you see that because some of the banks?

Rakesh Sharma: No, we have also verticals like you know for Retail we have Retail processing centers, RACs what we say and for MSME and Agriculture there are CPCs, Credit Processing Cells. So, like when we talk of Retail, auto loans and basically educational loans are sanctioned by the branches as per their discretionary powers. But the home loans are all forwarded to RACs. In each region we have these RACs which will process the home loan proposal.

So, that way like it is there and in addition of course we are now thinking of little bit spreading more of this RACs so that this access can be prudent. Similarly, for CPCs that process is there. Now when we are talking of more in retail growth apart from our gradual like last year you have seen 18%, we have grown in structured retail assets which is pure retail.

Auto loan, home loan, educational loan, LAP and these personal loans. So, there these RACs have already been stepped. IDBI Bank there is a peculiar structure we have. Outbound sales team also, OBST team who are marketing our advances. Apart from that we have DSS Direct Selling Agents they also market and now one more avenue which will be opened to us rather it can get good business, we have now like this LIC. Now the LIC has one lakh employees, 11 lakh agents and then these policyholders.

We have come out with policy whereas like all those LIC agents 11 lakhs when they take loan educational loan about 10 or 15, for educational loan 50 basis points, for housing loan 15 basis points and similarly for whosoever takes policy from LIC he will be eligible for 10 basis points home loan concessions. So, they can come and take home loan from us. So, like this we are trying to broaden our areas so that the LIC employees, agents so that way I think we will be able to achieve our target.

Jay Mundra: Sure sir and last question you have given detailed disclosure on your D1, D2, D3 assets along with the provisioning that you are having against those, and now when you say over the next two quarters you will bring down your net NPA to below 6% and if you put that against the aging provision that you can still see in the D2 category.

So, do you think that D2 category which you still have Rs. 7,800 crores of net NPA that will come down very sharply over the next two quarters because you will be bringing down your net NPA and most of these assets where the provisioning would be going, is that a fair sense?

Rakesh Sharma: Now like you know the D2 category if you see normally 40% provision is required but we are having a provision of 68%. So, when we like you know aging provision further we make, so gross NPA of course will come down with recoveries which we have targeted around Rs. 13,000 crores.

But as far as by making higher provision and two-way net NPA will come down, one is of course through recovery which we have targeted around Rs. 13,000 crores during the current year. And second way is like making higher provision so that gross NPA may remain the same but net NPA will come down because higher provision will be there.

Jay Mundra: So, sir, I was asking this higher provisioning now you have D2 category, D3 is also provided and D2 is also to a larger extent provided so most of the provisioning that will reduce your D2 net NPA, right?

Rakesh Sharma: D2 and you know some partly sub standard may also move to D1 category. D1 may move to D2 in any case we will have to provide higher provisioning, so mainly it will be affected in D1 and D2 category only.

Management: So, these aging provisions have already been factored into our calculations in any case.

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

Sneha Ganatra: Sir, I have joined the call late so it could be repetitive also. Just wanted to know when during the last call you have mentioned that we would be having a turnaround in IDBI Bank. So, what is the status of that and overall how do you see the asset quality from here on?

Rakesh Sharma: No, but that time also if you remember I had indicated that our net NPA will be below 12% by 31st March, below 9% by 30th June, below 6% by 30th September. Same thing I am maintaining now also and you have seen 31st March it is 10.11% which is much below of course so that we have complied with.

So, that strategies which we had pointed out during the last conference as I said except recovery part where we had targeted Rs. 4,500 crores during Q4 it is around Rs. 1,900 crores mainly because this Essar has been delayed. So, otherwise it would have been Rs. 4,500 crores only. So, except that whatever guidelines we had given that this will be our position we have achieved more than that. So, same way like same target I am maintaining now I am adding one more now that we should be in profit in Q3 results that means December quarterly results we should come back in profit.

Sneha Ganatra: And overall what will be the credit cost guidance?

Rakesh Sharma: No, credit cost guidance is basically an aberration I will say because this year one thing is some on old NPAs higher provisioning will be there because on the current FT NPA that was slippages part is there, that is well under control and further I am quite hopeful that it will further decline. And there a provisioning requirement will not be much but still as per previous question which we are replying that one is in any case we have to bring our net NPA below this 6%. So, it can be brought down by one by recovery and second by making higher provisions.

So, that is what the credit cost during this current year will continue to be high. Of course it will be less than what was there in the previous year. Previous year the credit cost was 13% it may be now this year 8% to 10% but mainly because we want to provide make higher provisioning. Already our PCR is around 82% it will be somewhere more than 85%. But then going forward 2021-22 then it should be brought below 3%. That is what I would like to say.

Sneha Ganatra: And on the sale of an asset anything?

Rakesh Sharma: Sale of asset this Rs. 1,500 crores I was telling Rs. 1,500 crores non core asset that we are targeting.

Moderator: Thank you. We have the next question from the line of Arjun Tandon from Matsya Capital. Please go ahead.

Arjun Tandon: Just wanted a sense of profitability you just mentioned that even FY22 you are thinking credit cost will be around or below 3%. So, like firstly do you think we will be able towards ROA of around 1% and if yes then by when might that be and what might be the levers to achieve that?

Rakesh Sharma: Now to be very frank, my immediate target is to bring the bank back into profitability in Q3 and that will be a marginal profit. During the current year we may not be in profit throughout the year. Full year there may be loss because Q1, Q2 some higher provisioning will be there, Q3, Q4 profit will come. Now that this ROA bringing it to 1% I think next year it will be very little early to reply. I think first target will be to come out of PCA and bring back the bank into like and then next year we will we can discuss that.

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Amit Singh of Batlivala & Karani Securities India Private Limited for closing comments. Sir, over to you.

Amit Singh: 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. Sir, I would also request the management if they have any closing comments to make.

Rakesh Sharma: Just I would like to say thanks to all of you to attend the conference at this time late evening. So, thank you very much. And only one thing I would like to mention here that whatever numbers although like appear as conservative but whatever promises we are making so we will like to ensure that those are achieved and this year like the last year if I can say the 2018-19 was basically recognizing all issues and problems and especially NPA.

And then this treasury issues were also there because our modified duration was quite high and some other issues mark-to-market losses to M2M losses were also quite high. So, those issues we recognized and tried to give solution. There was another target was strengthening corporate governance. We have inducted some good directors on the board. The LIC Chairman has also joined as non-executive Chairman today.

And then handling HR issues. Some Court cases were there, HR issues were there because of this LIC those issues we have handled very successfully. And this transition to new phase because it was classified as private bank so those transition issues were there more or less we have settled those issues now.

Now the current year our efforts will be it will be basically the priorities will be monetization of non-core assets as we have indicated. Consolidation already we have recognized all the issues some part of consolidation has already been done. But further consolidation and recovery of NPAs will be our target.

And then growth in retail agriculture and MSME and especially as far as structured retail assets and further strengthening our HR, those will be our priorities and then working on the turnaround strategy as I have indicated that by Q3 hopefully we should be out of PCA especially after transition to private sector.

And the turnaround Q3, Q4 profit and work on LIC synergies. So, this will be our target point. So, the current year that is why like one of our friends asked so here I would not like to reply that but next year when once we turnaround the bank those issues the growth plan further how aggressively go. Those in 2020 we will deliberate all those. Although this is in our mind but at this stage it may not be proper for us to deliberate all those issues. That is why I have not tried to reply to that.

So, going forward the current year is going to be very crucial for us where we will consolidate and recover and bring back the bank into back and come out of PCA. So, thank you very much we need your good wishes.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining with us and you may now disconnect your lines.