



इण्डियन ओवरसीज़ बैंक
Indian Overseas Bank

आपकी प्रगति का सच्चा साथी
Good people to grow with

BSE: 532388 | NSE: IOB | SECTOR: Financial Services

Transcript

“Indian Overseas Bank Q4 FY'24 Analyst Meet”

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Organized by



Management:

Mr. Ajay Kumar Srivastava, MD & CEO, Indian Overseas Bank,
Mr. Joydeep Dutta Roy, Executive Director, Indian Overseas Bank,
Mr. Dhanaraj T, Executive Director, Indian Overseas Bank

Presenters:

Mr. S P Mahesh Kumar, General Manager & Chief Financial Officer, Indian Overseas Bank
Mr. Lakshmi Venkatesh, General Manager, Indian Overseas Bank

Moderator:

Mr. Aryan Rana – Veritas Reputation

Moderator:

Good evening and warm welcome to everyone. Thank you for gracing us with your presence today as we meet to discuss Indian Overseas Bank's financial performance for Q4 and the year-ended financial year 2024 as on March 31st, 2024. I am Aryan Rana and I am truly honoured to guide you through today's presentation. Before we begin, I want to extend our sincere appreciation to each one of you for taking time to join us in person today.

Founded on February 10, 1937, Indian Overseas Bank embarked on a mission to specialize in foreign exchange business with a vision to expand our global footprint. IOB was one of the 14 major banks that were nationalized in 1969. Over the years, we have not only met but surpassed our initial objectives as evidenced by our impressive market capitalization of Rs 1,26,000 crore today. Indian Overseas Bank has seen an impressive surge of nearly 175% in the last year and about 800% over the past five years in its market capitalization. With overseas presence in four countries such as Singapore, Hong Kong, Thailand, and Sri Lanka, Indian Overseas Bank's total business has surged to over Rs 5,04,923 crore as of March 31, 2024.

Despite several external challenges the global economy facing, our impressive growth solidifies Indian Overseas Bank's position as one of the top banks in the financial sector. The financial results are available on our website and stock exchanges. Before we begin the presentation, I must remind you that our discussion may contain forward-looking statements that involve risks, uncertainties, and other factors.

These statements should be viewed in conjunction with our business risks that could affect future results, financial performance, and achievements. To discuss results and address analyst queries, we have our management team with us, including Shri Ajay Kumar Srivastava, Managing Director and CEO of Indian Overseas Bank, seated in the middle, and next to him on the right is Shri Joydeep Dutta Roy, Executive Director, and in the left we have Shri Dhanaraj T, Executive Director, we will begin with our overview of Q4 and year-ended

financial year 2024, followed by presentation on our digital banking business and conclude with Q&A session. Now, I will hand over the floor to Sri S P Mahesh Kumar, Chief Financial Officer and General Manager, IOB.

Over to you, Sir. Thank You.

SP Mahesh Kumar:

Thank you Mr Aryan. Ladies and Gentlemen, Good Evening to all. As already described the journey of IOB, the bank has completed 88 years of successful existence, making it one of the strong PSBs in India.

During the current financial year 23-2024, the Bank has achieved remarkable milestone of exceeding Rs 5 lakh crore business mix as on 31st March 2024 and this is the vision and mission statement of our bank. Basically, the vision states about to emergence of IOB as the preferred bank connecting generations with high standards of ethics and governance. That generation is now GenX and then with old customers also who are preferring to the brick-and-mortar type of branches. That generation as well as the new tech-savvy GenX.

And now I present you the overview of the bank's performance during financial year 2023-24.

CASA grown in absolute terms to Rs 1,26,000 crores and also in terms of percentage, 16 bps increase to 43.90% over previous year. Total deposit growth achieved Rs 2.86 lakh crores as on 31st March 2024 with impressive growth rate of 9.59% over previous year. Gross advances grown by 15.88% over previous year now stood at Rs 2.19 lakh crore. Annual operating profit registered an improvement of 13.83% over last year and it has at Rs 6,764 crore and net profit grown by Rs 26.54 crores over previous year. Now it is Rs 2,656 crores for the year ending March 2024. And provision coverage ratio is one of the

highest as 96.85%. Capital adequacy ratio also 17.28% against the regulatory requirement of 11.5%.

This is the overall business composition. Deposit consists of SB account growth is there of Rs 1,02,000 and current account deposit was at Rs 22,919 crores. Total CASA recording Rs 1,26,000 crores and Term deposits Rs 1,60,000 crores and Total deposits is Rs 2.86 lakh crores. On the advances front retail loans was Rs 48,514 crores. Agri loans is Rs 55,636 crores, MSME loans is Rs 41,552 crores and Total RAM segment here is Rs 1,45,702 crores. Corporate and overseas is Rs 73,316 crores and total advances was at Rs 2,19,000 crores.

Now coming to the performance highlights in key parameters. CASA registered 9.99% growth over the previous year. And year on growth in % terms that is 16% as 16 bps has increased to 43.90%. Total deposits grown by 9.59% over the previous year. Home loans growth is 14.53%. Jewel loan growth is 29.61%. Total advances registered a growth of 15.88% and stood at Rs 2,19,000 crores. Total business growth mix achieved was Rs 5,05,000 crores with an improvement of 12.23% over previous year.

Credit to deposit ratio improved by 416 bps that is 76.61% over previous year it was 72.45%. Net interest income improved over 19%. Net interest margin improved by 35 bps over previous year to 3.28%. Operating expenses increased by 35.81% mainly due to increase in interest expense and staff cost due to revision in salaries and retirement benefits after 12th bipartite settlement. However, there is a considerable increase in operating profit by 13.8% over previous year and it is stood at Rs 7,764 crores.

Gross non-performing advances reduced by 51.72% over previous year it is at now Rs 6,794 crores reducing 434 bps over previous year and stood at 3.10%. Similarly, net NPA reduced by Rs 62.74% to Rs 1,217

crores and percentage terms reduced by 126 bps and stood at 0.57%. Capital adequacy ratio improved by 118 bps over previous year and strong at 17.28%. Return on assets improved by 13 bps over the previous year and that is at 0.81% of total assets. Return on equity improved by 69 bps over the previous year at 16.24%. Customer touch points is almost equally distributed among the rural, semi-urban, urban and metro cities and we have presence of 3,236 branches across the country. 28% in rural, 30% in semi-urban, 20% in urban and 22% in metros.

Same way 3,506 ATMs spread across the country and we have strong force of 6,379 business correspondents to cater to the needs of the customers predominantly in rural areas. In addition to the strong domestic presence bank has four overseas branches one situated in Hong Kong, Singapore, Sri Lanka and Thailand.

This is financial performance.

Overall interest income grown by 23.96% mainly due to growth in advances. Interest expenses increased by 27.60% due to increased deposit levels as well as the borrowings to meet the credit demand. Non-interest income improved by 37.68% due to recoveries in return of accounts, improvement in investment provision and other income.

Total provisions reduced by 6.79% mainly on account of reduction in NPA provisions by 5.32%. Total expenses incurred due to reversal of deferred tax asset amounting to Rs 734 crores and also we have made provision of Rs 22.67 crores towards our overseas branches towards Income Tax. The bank has posted an impressive net profit of Rs 2656 crore for the financial year 2023-24 with an improvement of 26.54% over the previous year. Cost to deposit increased to 4.7% over

previous year due to offering of competitive interest on one of the term deposit, i.e. 444 days deposit scheme offered by IOB.

Cost of funds increased due to increase in borrowings to meet the surging demand for the credit. Yield on investment improved from 5.83% to 6.39% and yield on advances improved by 99 bps, 7.81% to 8.80%. Annual improvement positions mainly due to improved margins under RAM segment and in addition to marginal increase in MCLR during the year. Considerable improvement in yield on funds by 113 bps to 8.03%. Return on assets improved by 13 bps i.e. 0.81%. Cost to income ratio increased from 51.94% to 56.32% mainly due to increase in staff cost.

Without considering the increase in superannuation benefits on account of bipartite settlement, the cost to income ratio would have been lower at around 44%. Overall growth registered under retail by 14.42% mainly due to improved credit growth under home loans, vehicle loans, personal loans and other retail loans like jewel loan, deposit loan etc. Agri credit growth by 26.48%. MSME grown by 19.21% mainly due to credit growth under medium enterprises.

Credit to corporate, there main focus in corporate credit is towards A and above rated corporate borrowers constituting 65.53% of the total lending. Unrated accounts represent 30 accounts out of which 29 accounts represent state government entities. In case of restructured, there is a considerable reduction in restructured accounts by 23.64% over last year.

SLR investments holding increased by 7.51% in order to churn the portfolio towards better yielding securities. Average coupon yield is at 6.61% per annum. Gross NPA reduction by Rs 7278 crore i.e. 7.44% last year and now it has come down to 3.10%. Net NPA reduced by Rs

2049 crore to Rs 1217 crore and in terms of percentage 1.83% to 0.57%. Total recovery from NPA during the year was Rs 4549 crore.

Provision coverage ratio improved from 92.63 to 96.85 registering an increase of 422 bps. PCR excluding technical write off also improved from 76.79% to 82.09%. Robust and continuous monitoring system has improved in controlling slippages and Slippage ratio reduced by 200 bps from 2.87% to 0.87%. Slippages for FY22-23 was Rs 4029 crore, now it is reduced to Rs 1516 crore during FY23-24.

The focus is given towards capital light advances. Despite increase in the advances level, the credit risk weight set to advances ratio reduced to 54.05%. Earlier it was 56.46% one year ago.

Further, improved profitability added to common equity tier I capital. Thus, CRAR CETI has increased to 14.47%. Overall, CRAR improved by 118 bps to 17.28%. Significant improvement in return on equity, earnings per share and performance has improved valuation to the shareholders also. For the past 5 years, the growth you can see on the increase trajectory in terms of CASA absolute terms as well as CASA in % terms, term deposit in absolute terms and % terms and retail advances. Growth you can see in terms of Rs 30,423 was there. Now it has grown up to Rs 48,514 crore. Similarly, agriculture advances, MSME advances, corporate advances and overseas advances.

In this journey CD ratio also achieved 76.61%. Personal loan segment also improved, home loan segment, vehicle loans, other retail loans also increased. Overall, total retail loans portfolio has improved. In this journey gross NPA has come down drastically and net NPA also has come down.

In terms of net NPA ratio also it has come down drastically. On the other side, provision coverage ratio has improved. PCR excluding technical write-off also improved from 76.79% last year to 82.09% in the current year.

Book value per share valuation also you can observe that what is the share value we are providing to the shareholders. One terms of book per share has improved, share price has also improved and then market capitalization also improved to Rs 1,13,377 crores which making IOB in the 5th in PSBs and earnings per share earlier it was negative in 2020. The journey you can see sir I rupee 40 paisa per share that earnings per share also has improved.

Now I request my colleague Mr. Lakshmi Venkatesh to tell you about the technology and digital initiatives.

Lakshmi Venkatesh:

Good evening to all ladies and gentlemen. I am Lakshmi Venkatesh, General Manager heading Information Technology and Digital Banking of the bank and as our mission document says our mission is to provide best banking solution through digital and physical experience for customer delight with skilled manpower. So we stick to that mission document and accordingly we day by day improve and innovate our digital services and technological services and we have got a robust and resilient tech platform and we are first slide please.

So we have got a robust and resilient tech platform and we are committed to digital transformation journey and digital innovations with clear strategy to bring customer delight and we are pioneering various digital initiatives through a spectrum of digital banking products which will match the evolving customer needs at industry standards and our base focus areas are technological resilience, customer centricity, digital innovation, operational efficiency and on the technology

resilience area we have got the industry's best core banking solution and our capabilities are to process about 5000 transactions per second. Our scalable private cloud and container platform are handling our digital process in a leading way and we have got a strong network of dual connectivity with a good speed at 3200 branches across the country and we have got a very strong ATM network of 3500 plus which is growing day by day and we have got one of the best uptime in the industry about 98 percentage uptime and total availability with the continuous availability of cash which is the basic requirement of a customer and we stand one among the top banks in providing continuous cash availability in our ATMs and we have got integrated payment hub for providing our payment solutions like PFMS, NEFT and RTGS solutions which makes the transactions super fast and make the customer to feel very satisfied.

On the customer centricity we have got secure and user-friendly internet and mobile banking applications. Now we are upgrading to a newer platforms where the experience will be much better in the coming days and our aim is to provide self-service centric solutions to the customers like digital banking unit and also various straight through process for customer experience where the end-to-end credit application and sanction disbursement utilization everything will be through straight through process and at any time anywhere services are delivered by us by opening account at any point in time of the day through tab banking and in this regard I am very happy to inform that our bank is one of the pioneering banks in introducing the facial authentication through Aadhar integration for account opening others are using only thumb impression and our bank will be only one of the two banks that will be using the facial authentication for opening of accounts and frictionless digital journey by leveraging digital public infrastructure like Aadhar UPI these things will facilitate minimum inputs by the customer auto filling of the forms and instantaneous

opening or processing of the SB or loan accounts and digital banking kiosks also in the line to come and we will be introducing digital banking kiosks across the country at the select centers to begin with. The first point I have covered already and one of the very innovative products of our bank is my account my name which will empower the customers to have their own VAN for their account which is a combination of seven characters alpha, numero or alpha numero through which they can send the money through which they can get the money from other banks this virtual account number is a very innovative product of Indian Overseas Bank and we are the first to introduce this in the banking sector and we are one of the top banks in issuing bank guarantees through electronic mode in tie-up with NESL and up to date we have issued about some 2200 e-BGs since we introduced and we are the number two among the banks in issuing the number of highest number of e-BGs and online instant safe deposit locker allotment is another innovative product of Indian Overseas Bank which we had introduced in the year of reporting that is 2023-24 where a customer can browse through find out in which branch of his choice locker facilities available of which size of which category and of what cost and he can choose and he will instantaneously get the locker allotted and he has to go and just get the keys from the branch after complying with the KYC requirements within a period of 10 days and online account number portability across the branches of the bank is also introduced to our website so for a person who is frequently moving from one place to another place it is a very big problem for him to go and get his account transferred from one branch to another branch here we have provided the facility to instantaneously transfer his account from one branch to another branch and this gives a very very fantastic experience to the customers at the least difficulties or inconvenience to him and we have got a secure interbank and mobile banking facilities and the security levels are at the industry level best and our bank also provides a digital application for collection and recovery of the customer borrowers

dues which has enhanced the collection efficiency and we have introduced the customer relationship management tool for widening and deepening customer engagement where we can identify the customer's preferences through AI/ML based analytics and we will be able to provide the exact customer need through this platform and we have also introduced a loan originating system for various RAM segment credit products and in this we have also introduced the straight through processes for availing loans and that is also a very good customer experience for our customers and whom to be boarded on and digital journeys for seamless customer onboarding is a daily innovation process and digital document management system provides the office note automation which eliminates the paperwork across the branches and the administrative offices of the bank and the documentation loan documentation other documentation will also be slowly ported to the automated mode and sir as i already told our value deliveries are at enhanced customer satisfaction, productivity enhancement and our business growth agility and adaptability and during the year 2024 our bank has bagged five important awards out of the total seven categories available from Indian banks association banking technology awards we had won the winner in best technology talent, best digital financial inclusion categories and we had won the special mention prizes in best technology bank and best AI/ML adoption and we are runners in best fintech and DPI adoption and Government of India has also recognized our bank as the top improver in the east 5.0 citation during the last year and this showcases the way we are taking forward our digital initiatives and technological capabilities.

Thank you, sir, for giving me an opportunity.

Moderator:

Thank you very much. We will now begin the 'Question & Answer' session. Please raise your hands, one by one, request you to let us know your name and the organization you represent.

Ashok Ajmera:

Market Cap has increased from Rs 12,000 to Rs 1,20,000 crores, 10 times in 5 years. Fantastic performance. Jaise bolte hain na ki hum laaye hain tufan se kasti nikalke, isko rakhna mere doston sambhalke. So, compliments to you for the fantastic performance over the last 5 years. The bank was indeed in a very difficult shape. In fact, RBI had to put it under monitoring just like some of the other few banks also. I must compliment everyone, top management of the bank, especially for the performance in 23-24. I have some couple of observations and some questions. If you look at the other income has gone up from Rs 1262 crores last quarter to Rs 2477 crores, Rs 900 crores is the recovery from the written-off account. But there is another Rs 900 crores which has been shown as other other income, all other income, Rs 943 crores as against Rs 235 crores in the last quarter. So, what is that in other, all other income which has gone up by Rs 600 crores? So, this is, I mean I have some couple of others.

Ajay Kumar Srivastava:

That consists of treasury income and all other incomes like processing fee we charge on whatever loans we sanction, exchange commission, non-fund business. We are focused on all other areas from where income can be generated. So, all these areas have attracted our attention. We have worked systematically for generating income from those sources.

Ashok Ajmera:

The point is only in March quarter because investment is separately shown, income. So almost about Rs 500 to Rs 600 crores is only as compared to the last quarter to the March quarter. So, whether any one-off which we can you know like discount or reduce for the future this thing or it is going to be the regular phenomena?

Ajay Kumar Srivastava:

It is more or less the same thing. One-off is not like that is which is very substantial or it is going to make substantial impact on that.

Ashok Ajmera:

So similarly, sir in the employees cost, though every bank employee cost has gone up because of the wage revision. But in many of the banks up to December most of the amount was taken care of and in March also there was some increase. But in our case employee cost has gone up from Rs 1270 crores to Rs 2517 crores. So almost about Rs 1300 crores, Rs 1250 crores in only in one quarter only. So can the breakup or some explanation and also what will be the ballpark number going forward per month of the wage bill, employee cost?

Ajay Kumar Srivastava:

Everything we booked in Q4 only and it was not only increase in wage but terminal dues also, pension, gratuity, requirement arising out of this wage revision for future payment that also have impacted into that.

Ashok Ajmera:

That revision in pension I think that Rs 255 crores also you have, all the balance amount you have written off in this.

Ajay Kumar Srivastava:

We have done everything whatever was required.

Ashok Ajmera:

Sir, one is on the credit side that overall for the year we have grown well on the credit but if you look at this quarter, I think it was totally a muted quarter.

Ajay Kumar Srivastava:

It was not a muted quarter because the figure is conveying that message to you but it was not a muted quarter. What happened around Rs 5,000 crores of credit which was lent on a lower rate of interest or some negotiation was happening, that was paid back. So that is why Q4 because of this Rs 5,000 crores coming back into the system, the growth appears to be muted but otherwise growth was there.

Ashok Ajmera:

So now in the coming quarters that will be recouped?

Ajay Kumar Srivastava:

Absolutely, it will be recouped.

Ashok Ajmera: And what is our growth target for the 24-25? We are targeting around 13% growth in credit.

Ajay Kumar Srivastava: Yes, In credit.

Ashok Ajmera: Sir, the last one on this DTA, just a clarification because going forward, I mean we have Rs 5,300 crore DTA credit because we are still in the old tax regime. So, what are we planning going forward about the tax?

Ajay Kumar Srivastava: May be around Year 2027- 28 we will be shifting.

Ashok Ajmera: After entire writing-off DTA. Okay, I will come back again if time permits. Thank you very much.

Manoj Alimchandani: Excellent performance and good to see that you are interacting with us. Hats-off to you. Its good to see you are the forefront of technology. Today there are concerns about technology disruptions happening. Suddenly RBI inspection and the share price collapsed by 10% overnight. So you have been forefront and even recognition by the credible agencies. Now couple of specific issues. What is our capital requirement for the next 3 years growth? Can you quantify? Do we have a strategic plan? And what are our plans for fundraising? Because there is huge demand now with this new economic super cycle which is started on Capex. And other banks have announced fundraising plans. Indian bank just announced Rs 12,000 crores fundraising. So we should not be left behind and lose market share. Like it is very easy to sit on laurels. We have done well. But what next? These specific issues, because you have been very clear in strategy right from the beginning. Our friend who is now in RBL, he turned around Indian Overseas Bank. You know, he put lots of efforts and brought it to this stage. And the whole team has really worked hard. More NPAs, more recoveries. It shows that. And the second thing is, would like to know what are the

plans for growth? You mentioned 13% corporate total loans. Specifically, you have shown excellent performance in home loans and jewel loans in the last year. So apparently, and it is not on a small base, it is a reasonable size. And we are growing. So at what rate we plan to grow the home loans and jewel loans? If you can indicate, I think our rate should grow even faster compared to the opportunities. Number three, if you can share the person handling digital, our experience on the RBI inspections, and which are the red flags we should be concerned about. And so this is not a time to relax. Technology is evolving. And we don't have any issues in respect of technology, particularly with RBI is apparently doing a great job on it. So these three issues.

Ajay Kumar Srivastava:

Yeah, Manoj, thank you. So capital requirement for credit growth going forward, you are asking. See, in the last two years, if you see, we have grown in 22-23, credit growth was around 24%. Last year, it is around 16%. This year, we are targeting 13%. But we are very hopeful that we will be surpassing that. Bank's CRAR ratio is at 17.28%. Over last quarter, it has increased by 48bps. If we grow at 13, 14% for next three years at least, for that growth, my capital is sufficient. I do not need any additional growth capital to grow at the rate of 13% in credit for next three years. So that is one part. And second part is about capital raising. We have already taken board approval. I think it missed out from your attention. It came all over in the newspaper also. Rs 5,000 crores we are going to raise. The board has already approved. And we are in the process of getting all other approvals. And that is the plan. Maybe later half of Q2 or Q3 we will be raising that. And credit growth, as I said, that home loan or vehicle loan or all these products are part of the overall credit growth. And whatever we have been growing at the rate over last two years, we will be matching that. And the fourth question, if you can repeat, I am forgetting. On the technology experience of regulators. Yes, because certain things happen in the banking landscape.

As far as IOB is concerned, we are absolutely safe. The regular inspection and oversight happens from all regulatory authorities. And there is nothing, I will say, any significant remark or observation from the auditors or the regulators. Thank you.

Sushil Choksey:

Sir, you have done a great performance over the number of years to recover from where we were to today. The transformation journey is applauded. And the second request is a consistent dialogue. I think I have not seen anybody from IOB other than H.O. in Bombay. Last meeting was with Mr. R Subramaniakumar possibly in 16-17 at IOB BKC office. So if you keep consistent dialogue, that would be helpful or a con call. My first question is, sir, we have written off lots of assets by provision or technical assets. What is the pool of assets available over a period of years and what percentage of recovery are you estimating in this year?

Ajay Kumar Srivastava:

Sir Last year if you see we have recovered Rs 4,700 crores, this year we are targeting Rs 6,000 crores. Out of this Rs 4,700 crores, almost 51% of the recovery came from technically written off accounts which we have earlier 100% provided for and out of that we did that recovery. The total GNPA is around Rs 6,700 crore, percentage wise is 3.10 only and out of that, the regular slippage happens, including that we are targeting that Rs 6,000 crores will be able to recover in this financial year.

Sushil Joksi:

What are the total assets that has been written of in the books?

Ajay Kumar Srivastava:

That is around Rs 38,000 crores. Out of this, Rs 31,000 crores is fully provided, 100%.

Sushil Joksi:

Are you estimating any recovery out of that?

Ajay Kumar Srivastava:

That is what I said. Last year also 51% of my recovery came from those accounts only. Almost Rs 2,400 crores. So naturally that is going to be

a part of the strategy. And this year also around 50-60% we are targeting.

Analyst:

Sir, your RAM growth is comparable to peer banks, pretty healthy. And what is your plan between that, digital spend and connectivity because most of your products on MSME or retail needs a lot of digital initiative. So what is the CAPEX targeted to achieve that sustainable growth and even gain market share because of your equity permits? And a question connected as you are not raising equity, how are we going to rectify the position of balance between book value to market cap? You are the most expensive bank if you go by that. And what is the direction you are getting from the bank on the equity side?

Ajay Kumar Srivastava:

No, we are raising equity. We have already taken approval. So, we are working on that. And regarding digital spend, you are talking. Last year data I remember, last year we targeted to spend around Rs 1,100 crores on digital and IT infrastructure and digital software hardware including everything capital and revenue. And this year the approval which we have got from the board is around Rs 1,650 crores. Around 50% spend we have increased on IT and digital infrastructure.

Moderator:

Any further questions?

Sumer Choksey:

Sir, just one clarification. You had mentioned, I think, about the Rs. 5,000 crore pre-payment on the corporate side. So, if I look at your advances, optically it was Rs 52,000 at 23 fiscal ended. It is around about 54. So just to gain some clarity, it would be around Rs 60,000 figure if not for the Rs 5,000 that you mentioned would be pre-paid?

Ajay Kumar Srivastava:

Almost, yes.

Sumer Choksey:

So, a follow-up on that is, when I look at the split between corporate and RAM, it was about 70-30 last year. This year optically it has fallen to 27 and 73. But you would like to maintain that 70-30 split or how are you looking at the corporate?

Ajay Kumar Srivastava:

No, we have already taken a call. We have done a lot of study and we are shifting gear as far as RAM and corporate mix is concerned. So corporate RAM we are targeting around 65-66%. And corporate from 30% we are going to increase to around 34-35%.

Sumer Choksi:

Okay. And I would think, sir, optically I think you presented this slide in terms of the rating that you were trying to look upon. So, are we trying to seize upon that slightly lower rated in the AA, BBB category to get better pricing on our yield?

Ajay Kumar Srivastava:

Yes, See, you have to strike a balance. In fact, if you are going for triple and double rated, everyone knows the pricing becomes very challenging. So, we have to strike a balance where the quality and health of the portfolio is also supposed to be ensured. And we need to earn also. So, depending on whatever is available on the market and where on the table and where we are at that point of time when we are taking a call on any entity or any unit, based on that we price it and take a call. Having said that, I have to say that last full year as far as corporate is concerned, the slippage from corporate sector was nil. So that shows the level of underwriting, the improvement which we have ensured that whatever corporates we are onboarding, they are not giving any challenge to us.

Sumer Choksey:

Thank you, sir, and commendations on a good result.

Analyst:

Thank you. Sir, what is your outlook on treasury after RBI dividend payout plus the inclusion in bond index? I am sure the windfall gain to most of the PSU and private banks is likely to happen in the current

quarter. How are you going to balance between your HTM and AFS and the overall book? Would you share assets if the yield is nearing 680 or you will hold on instead of lending?

Ajay Kumar Srivastava:

See, there is a full-fledged treasury for all these basic things and the specific points which we are raising. But overall, of course, we would like to book in Q1, whatever we can do. And going forward, we will see depending on the portfolio, what sort of portfolio we are having and what opportunities are available in the market, we will try to encash.

Analyst:

Sir, you answered my previous round question about digital spend of Rs 1,100 crores. Are we targeting, because your digital initiatives are larger pie for 5-year, 10-year, 20-year vision, this Rs 1,000 crore, Rs 1,100 crore, what you are saying, is the percentage of the total spend you would think over a period of 5 years. The technology spend cannot be visualized on a yearly basis. So, what is the kind of a capex you all have assumed for doing cloud or node digital initiatives, Rs 3,000, Rs 5,000 or migration of technology?

Ajay Kumar Srivastava:

That detailed information we can, in fact, but readily it is not available with us. But having said that, I can assure you that digital and IT infrastructure and the software and the cyber, all these things are catching the topmost attention of the management. And whatever needs to be done, including increased spending also, we are prepared to do that.

Analyst:

Sir, most of your gold loans are agriculture advances or it is pure gold loan?

Ajay Kumar Srivastava: It is gold loan only being used for agriculture activities. It is gold loan retail also, MSME also, depending on what type of uses the borrower is doing.

Analyst: Sir, how is your international operation?

Ajay Kumar Srivastava: We are having 4 centers only, Hong Kong, Singapore, Colombo and Bangkok. And all 4 are doing exceedingly well.

Analyst: So, you have healthy margins coming, because I didn't see the breakup.

Ajay Kumar Srivastava: Margin is not very high, but it is satisfactory.

Karthik Solanki: This is Karthik Solanki from Elara Capital. Congrats to the team on a good set of numbers. Sir, there are couple of questions from my side. After the total written-off pool, what would be the component of NCLT and the non-NCLT?

Ajay Kumar Srivastava: NCLT and non-NCLT, the exact figure I may not be having, but I think around Rs 18,000 to Rs 19,000 crores. It may not be exactly accurate. That is NCLT NPA, around Rs 19,000 crores.

Karthik Solanki: And in the interest income component, what would be the proportion of dummy interest, like the interest income on recovery of NPAs? What would be that component?

Ajay Kumar Srivastava: Around 10 to 12 percent, I think.

Karthik Solanki: That's it from my side.

Ashlesh: Hi, sir. Ashlesh here from Kotak Securities, at the extreme end here. Sir, two questions from my side. Firstly, I am just referring to Q4

presentation. You have given out two numbers. One is on slide number 7, about recoveries from written-off accounts, that is Rs 908 crores. And for the same item, you have given a different number, Rs 936 crores in slide number 22. So, I just wanted to understand what's the difference. Slide number 7 and slide 22. Recoveries from technically written-off accounts. Slide 7 says Rs 908 and slide 22 says... Yeah. The Q4 presentation which was on your website.

Ajay Kumar Srivastava:

Mr. Mahesh, slide number 7. Slide number 7, something else is there. Results PPT.

Ashlesh:

That is the results PPT. Sir, if you don't have it handy, I will come back to you on this question. Sir, second question is on your cost of deposits. In this quarter, the cost of deposits has not increased much. What is the outlook that you have for the next few quarters?

Ajay Kumar Srivastava:

We will try to maintain at that level. As you will see, it is directly related to the amount of CASA we are having. So, if you see, CASA percentage and CASA in absolute terms also, both it has increased. CASA percentage from 43.74 to 43.90 and it is one of the best in the system. And in absolute terms also, growth has been there. And CASA, everyone knows that it is cheaper cost of funds. And we deliberately and as part of the strategy, we did not go back high bulk deposit rates. And that is too costly also. So, going forward, focus on CASA will be there. Last year, we have onboarded around 25 lakh new customers as far as CASA is concerned. And in those newly onboarded 25 lakh customers, we are having a balance of around Rs 10,000 crores CASA balance as on date. So, the focus will be on mobilization of cheaper deposit, CASA new customers onboarding and cost of deposit, we will try to keep it below 5 only. It is at 4.88. For the full year, it is 4.70. So, around this range only, we will try to keep it.

Ashlesh: Perfect, sir. Thank You.

Analyst: Sir, a couple of points for, mainly for discussion, may not be for, in detail, you can elaborate, sir. Lot of things in this bank have been cleared. You know, the old, lot of legacy, backlog, there were so many. But still, there are some points, for which even the auditors have also made, in the emphasis. Generally, they don't modify the report, they don't put any emphasis. But here, there are certain items, where they have given the emphasis. One is, they said that, there are, old tax liabilities, and of huge amount, for which, the cases must have been, I mean, the appeal must have been filed, and this thing. But in most of the other banks, if you see, even all other 12, 11 public sector banks, I mean, this kind of things, are no more there, in any bank, today. They are all cleaned up. So, first of all, can you give the colour, over this 5, 6 thousand crores, or may be more, I think, of this, disputed tax liability, and, where do we stand there? Are we, how are we pursuing it, so that, we get over of it? Because you have not provided anything, as per auditor.

Ajay Kumar Srivastava: Yeah, because, it is still sub judice, and whatever claims, have been raised, we have gone for, appeal against that. And we are having, very solid, reasons to justify, that why, this tax demands are, are not, required, I will say. And, this is, going on, and in fact, in, recently, whatever, earlier 4, 5 years back, the files which were closed, against that also, some demands have been raised, and some, allowances which were allowed, at that point of time, that is being challenged. So, it is an ongoing process, I do not see, any, I will say, seriousness in this. It is part of the process, only that is what I can say.

Analyst: My humble submission is that, nowadays, even the department is also very proactive, I mean, only thing, we should reach, to the right level. There are all online complaints, raising the flags, and everything.

Ajay Kumar Srivastava:

Having said that, it is, it is, it has, caught our attention already, we are working on it, and, and it will be taken care of.

Analyst:

These various liabilities, and it also says that, there are lot of, otherwise, auditor will not emphasize, if there are only few entries, there are lot of inter-branch, reconciliation entries, which are also now, nowadays, it is no more there, in any other, so, maybe some old, this thing, but, you know, since it invited auditor's attention.

Ajay Kumar Srivastava:

Yeah, we have, we have legacy issues, when we shifted from, our own, in-house, CROWN system, to CBS (Finacle), in 2015-16, without much preparedness, I will say, so, because of that, only, certain entries are still there, which we are, struggling to reconcile, but nothing alarming, that is what I can say.

Rohit:

Good afternoon, sir. On the left side, sir. I am Rohit from MMW. My first question is, sir, regarding your, NTC, new to credit customers, so, for this current year, how many new customers, you have onboarded for, new to credit?

Ajay Kumar Srivastava:

That data will not be readily available with me, but, mostly whatever, RAM, credit happens, retail, Agri and MSME, I will say, 98-99% of that, is new to, credit customers only. So, that exact number, my CFO will share with you, after that.

Rohit:

Yeah, I will take it later on. And sir, second question is, your loan portfolio, for your agriculture, agri lending, loan portfolio is. Rs 55,000 crores, so, what kind of credit, underwriting parameters, you do, like, is it standard, something like, because, CIBIL, Equifax and Experian, these kind of benchmarks, won't be applicable to this firm?

Ajay Kumar Srivastava:

That benchmarks are there, may not be the entire, on the entire portfolio, but these benchmarks are applicable, and, and credit, agriculture, credit does not mean, nowadays, only, tractor lending, or crop lending, lot many other activities, are also covered, into agriculture. So, all credit writing, parameters, whatever are applicable, to other sectors also, it applies there also.

Rohit :

Thank you, sir.

Ashok Ajmera:

Thank you. Sir, in fact, I don't want to come, in the way of anybody else, if they have, their questions, but, if the time permits, I have certain, please, more of a discussion, because, you have come after a, long, long time, some clarity. Sir, if you look at the, note number 33, of the, notes to the account, there is a big change, in the method of provisioning, note number 33, of the accounts, audited accounts, and, because of that, for the MTM provision, you have taken, hit of, in this quarter, of Rs 576.96 crores, which has been put, under the, provisions and, contingencies. So, if that is the case, in that case, whether the provision, otherwise, would have been only Rs 150 crores, out of Rs 768 crores?

Ajay Kumar Srivastava:

Not really, in fact, it was part of, regulators observation, some accounting, I will say, the inaccuracies, were there, that accounting, inaccuracies, were rectified, by this voucher, so that is why, it has come. But, material impact, on provision, or profit, is not there.

Ashok Ajmera:

So, it says that, in this quarter, it has been, this MTM loss, has been, taken in this quarter.

Ajay Kumar Srivastava:

It is, yes, it is only, an accounting entry, and, if detailed information, you want, I will ask my CFO, to give you separately.

Ashok Ajmera:

Because, I just wanted, to have the clarity, that in future....

Ajay Kumar Srivastava: There were certain, inaccuracies, which were going on, in the system, for last so many years, and, as part of, yearly inspection, these things were pointed out, to rectify, and it was rectified. it has got no material impact, on any of the figures

Ashok Ajmera: One good thing, is that, one good thing, is that, in this quarter, there is no RBI penalty. But, in the earlier quarters, in this current year, there are three and a half, to four crore rupees of, I think, penalties, which have been put, on the bank. So, whether it is, because of this, some of these irregularities, or, it's a?

Ajay Kumar Srivastava: Not really, those were, those were different issues, and, those, whatever penalties, three crores or four crores, have been given, that were related to, some corporate accounts, and, it was applied to, many other banks also, in which, IOB was also, one of the banks.

Ashok Ajmera: Sir in case of this acquisition, sale of assets, to ARC, Rs 1,842 crore, has been sold, to ARC, consideration is, Rs 660 crore, and, reversal, in the provision, is Rs 161 crore. So, I believe, this Rs 161 crore, may be the cash component, and, the remaining component, from the consideration, is the SRs, and, whether it is NARCL, or other ARCs.

Ajay Kumar Srivastava: Both. It includes NARCL also, and other ARCs also.

Ashok Ajmera: Can there be some, some breakup, out of Rs 1,842 crore?

Ajay Kumar Srivastava: Yes, that we can give you, separately

Ashok Ajmera: I'll come back, again

Moderator: Any other questions?

Analyst:

Sir, as, as already been said, earlier also, you are given, the valuation slide, also here, in this slide. But, if you look at, or compare with, any other bank, including, even the, some of the, even private sector bank, our market price, vis-a-vis, many of those parameters, of the stock, are, of course, it's not of your concern, but just for, discussion purpose, is, too high, than, some of this, benchmark, figures, which are available. So, one is that, the book value, to, so our adjusted book value, is eight and a half, or nine, and if you take, plain net worth, and divide by, number of shares, then it is coming around, 14, 13 and a half to, 14. But still, the multiple is too high. So, one is that, raising the capital, and putting it, proper use, and reducing that, second is, to, definitely, increase the, overall performance of the Bank, including ROA and the entire profitability and also the loan book because higher income, higher ROA leads to profitability, now a days everything has come under the NIM now, so operational efficiency requires to be increased in a proper use of the money is to be done to justify the 65 rupees or whatever is the stock price now vis v some of these parameters, otherwise it may not sustain, one more reason is government holding, so what is the plan for the dilution so that more equity gets in the hands of the retail and institutional players and the right price discovery can take place, your thoughts on this Sir?

Ajay Kumar Srivastava:

Sir for the government holdings of 96% we have started the process. And in this year, we are planning to raise Rs 5,000 crore rupees of Equity and the dilution that will happen so the government holding can come down to about 82% that is what we are expecting.

Second thing about share price what is in our hand is to perform that we are seriously trying, and we are delivering on quarter on quarter. We have to grow organically we have to grow healthy; we have to increase income and we have to reduce expenditure so that more and more profit is generated. My asset book has to be healthy, slippages should not be there, digitally and cyber all things should be absolutely

perfect and so all these things are in our hand and we are focusing and delivering, remaining things are for the market to decide.

Thank you, sir, thank you madam and thank you everyone for coming and spending time with us and as all of you have noticed that we are performing consistently well that is what I can say quarter on quarter, year on year and that is going to be the hallmark. And on behalf of the management and board of directors of the Bank I do assure all of you that going forward the performance will be even better. Thank you, thanks for coming.

Moderator:

Thank you. Ladies and gentlemen, on behalf of IOB and Veritas Reputation we conclude this meeting, please join us for Hi-Tea.
