'Improvement in corporate credit in past few quarters'

In line with economic recovery, Chennai-based Indian Bank expects credit demand in retail, agriculture and micro, small and medium enterprises (MSMEs) to pick up. **SHANTI LAL JAIN**, managing director (MD) and chief executive officer (CEO), talks about demand recovery , bad-loan trends and the status of Covid restructuring, in an exclusive interview with **Shine Jacob**. Edited excerpts:

Q&A

SHANTI LAL JAIN
MD & CEO,
Indian Bank

Are you seeing corporate credit demand picking up? With the rise in bond yields, are more corporates in discussions with banks?
Corporate credit has seen some improvement. In the last quarter, we have added around ₹3,000 crore. Our bank has seen a growth of 11 per cent in the retail, agri and MSME (RAM) segments — driven by 13 per cent rise in retail, 14 per cent in agri and 6 per cent in MSME. Our RAM advances to total advances has increased to 61 per cent. We are receiving proposals from sectors like roads, cement, textiles, steel and non-banking financial companies (NBFCs). In the infrastructure segment, we are aggressive on HAM (hybrid annuity model) projects, as the traffic risk is assured by NHAI (National Highways Authority of India). Besides, NHAI provides grants on achieving pre-defined milestones. Borrowers come to us for meeting their working capital and capex needs. We are in discussion with corporates for availing facilities as the bond yields are rising. Our outstanding under corporate bonds and others have increased by ₹1,340 crore from ₹10,912 crore in September 2021 to ₹12,252 crore in December 2021.

How do you see the trend regarding bad loans?
Our collection efficiency is showing an improving trend. That is, from 88 per cent in March 2021 to 90 per cent in June, 93 per cent in September and 94 per cent in December 2021. The SMA (special mention accounts) 1 and SMA 2 of the bank came down to 6.41 per cent in September 2021 and 5.01 per cent in December. Stress in the corporate segment has come down significantly, and in MSME loans, stress has come down slightly but still remains at elevated levels. The slippage in the quarter ended December was ₹2,700 crore of which ₹955 crore was in the corporate segment. Out of the ₹955 crore, ₹385 crore pertains to two accounts that were NPAs (non-performing assets) but classified as standard due to a court order. After a vacation of stay, we have classified these accounts as NPA. However, the bank was already having provisions under standard assets. The other major slippage was in MSME, amounting to ₹896 crore. In retail, the slippage was ₹600 crore, wherein ₹250 crore was from education and ₹250 crore from home loans.

How are you seeing the rate environment? Is there are increased pressure on you?
Bank's LCR (liquidity coverage ratio) is around 187 per cent in December 2021 indicating adequate liquidity and thus, we have not raised the interest rate till now. However, going forward decisions in the is regard will be taken based on liquidity and market trend.

Can you throw some light on your Covid restructuring status and risks attached to it?
Our restructuring book is Rs 20,362 crore, out of which Rs 8,140 Crore in small and medium enterprises, Rs 8,062 crore in retail, Rs 1132 crore in agriculture and Rs 3,028 crore incorporate. In retail and corporate segments, regular repayments are observed barring in a few accounts. In MSME, slippage from the restructured books was around Rs 500 Crore. This portfolio is being monitored continuously. Further, with the opening of the economy and increase in demand, we are hopeful for recovery from the restructured MSME book as well.

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