



“Bank of India Q1 FY-21 Earnings Conference Call”

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**MANAGEMENT: SHRI A. K. DAS – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, BANK OF INDIA
SHRI C. G. CHAITANYA – EXECUTIVE DIRECTOR, BANK OF INDIA
SHRI K. V. RAGHAVENDRA – GENERAL MANAGER-FINANCE, BANK OF INDIA
SHRI SANKAR SEN – CHIEF FINANCIAL OFFICER, BANK OF INDIA**

Moderator: Ladies and gentlemen, good day and welcome to Bank of India's Earnings Conference Call. We have with us today on the call Mr. A. K. Das – Managing Director and CEO, Bank of India; Mr. C. G. Chaitanya - Executive Director, Bank of India; Mr. K. V. Raghavendra – GM-Finance, Bank of India; Mr. Sankar Sen – CFO, Bank of India and other senior executives of the bank.

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. A. K. Das – Managing Director & CEO, Bank of India. Thank you and over to you, sir.

A. K. Das: Thank you very much. I, on behalf of Bank of India, my Executive Director here and other colleagues welcome all the analyst friends for this earnings conference call. Today, our quarterly results have been adopted by the Board and this customary call, as every quarter we do, is now on. I understand that you would be given the necessary papers and the data regarding our Q1 results. Our presentation has also been uploaded on the websites of stock exchanges. Now I will just quickly recapitulate the numbers and the fine prints.

We have done fairly well in the first quarter in challenging circumstances. We have risen back on the heels of posting a loss in the March quarter. Last time around, we were saying that from Q1 we will be on the profit path. That has come true. We have been able to show a profit of about Rs. 844 crores with improvement in several key parameters, like our asset quality and our provisioning buffer which we have made over and above what the norms stipulate.

Our Key ratios including our ROA is now in a much more respectable stage. Our credit cost also is well placed. Cost-to-income ratio also at about 45% plus. We are near to the global benchmark, which was very high in the previous quarters. As far as business is concerned, we have about Rs. 38,000 crores of incremental business during the first quarter. One significant achievement during this quarter is that on June 2nd, our top line has crossed the milestone of Rs. 10 lakh crores, and we have sustained the same.

I think, as on date, it is about Rs. 1,008,000 crores. June 30th, it was, Rs. 1,010,000 crores. But most of the business accretion, whatever has happened post April 1st, mostly, it is accounted for by deposits. I believe it is an industry trend where not much of advances have happened. We are about 0.5% YTD growth. Whereas our YoY growth is quite robust, much ahead of the banking system's growth. In terms of deposit, it is 16.20% growth as against industry growth of 10.8% YoY.

And regarding YTD growth, it is about 3.3% industry and ours is 7%. Similarly, under advances, our YoY growth is about 10.47%, whereas industry grew at about 6%. YTD industry was negative. We were marginally positive, as I told in the beginning.

So this was a quarter we saw preponderance of liabilities accruing in huge number. Obviously, one of the reasons would be lack of consumption demand. And we could enhance our deposit, both in the retail as well as in the institutional segments. So muted growth in advances was one of the reasons why our NII seemed to be flat almost or slightly negative, and which has, in a way, affected our net interest margin also.

Various reasons apart from muted growth in advances could be interest rate transmission, taking more time for deposit rate cuts to take effect and in international benchmarks like LIBOR all getting reduced significantly over the last 6 months or so. So NII and NIM, these are the 2 things, which will be engaging our attention. We believe going forward, these things also will be addressed as the deposits also get re-priced. And net-net, we are in positive territory.

Capital- we are reasonably capitalized although because of some amount of retirement of capital and because of increase in risk-weighted assets, our CRAR is 12.76%. But I think for the time being, going by the demand and going by our conscious call to go for rated accounts and good accounts and our overriding emphasis on capital conservation, I think for the second quarter also and to some extent, third quarter also, we should have good amount of growth capital.

Otherwise, it has been a good quarter. Treasury, like in many other banks, which have announced results, and which will be subsequently coming out, has aided a lot. There are no two ways of looking at it. I am sure going forward, Q2 also treasury offers similar prospects going by the continued benign yields. We were thinking of about 8.5% growth in advances. Now going by the Q1 trend and so far in Q2, we have revised that guidance from 8.5% to 7% for the current year.

I think if we are able to achieve 7%, that itself will be a good achievement. Some green shoots are visible in retail, especially RAM segment. And in the government-guaranteed accounts, government-backed accounts, there is good traction happening. I am sure it is a matter of time before our RAM picks up and our NII also gets augmented further.

So these are the initial remarks. I would also like to touch upon moratorium. We have done certain provisions upfront where we are trying to safeguard the uncertain prospect, as they say, of the scenario that are likely after the expiry of the moratorium period. We have done 10% provision in all SMA-0, 1 and 2 accounts. We have also done a stress test where we are trying to gauge the possible impact in various scenarios.

Recovery performance in Q1 was muted because of various reasons, lockdown being the most pertinent among them. We could do only about Rs. 619 crores of reduction including cash recovery and upgradation. But going forward, I think this quarter onwards, we are going to focus a lot more on better recovery prospects. We are exploring more of ARC sale, which had dried up during the last few months because of various reasons.

And out of our Rs. 58,000 crores of NPA, about Rs. 38,000 crores is locked up in NCLT. And stalled proceeding there also has come in the way. But we believe that as the unlock happens and takes further momentum, I think the NCLT proceedings also will catch up, and we will be able to recover good amount. So this is in a nutshell about the performance of the bank in Q1.

Now I hand it over, If there is a presentation requirement, we can make.

K V Raghavendra: PPT is already uploaded in stock exchange.

A.K. Das: PPT has been uploaded in the stock exchange. So if all of you agree, we can straightaway go for question and answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.

Ashok Ajmera: Compliments to you sir for two things. Number one is that you have crossed the Rs. 10 lakh crores business as a bank, which is still a standalone bank, which no other bank has been merged in the bank and still your business is now has crossed and you have gone in the club of Rs. 10 lakh crores business bank and second is, yes of course, net profit even in these gloomy days of Rs. 844 crores, so my compliments to you, Mr. Chaitanya, Raghavendra and whole team.

Sir, now I will have a couple of questions being the first to ask the question. Number one, I would like to have a little detail about this moratorium accounts, total moratorium given, then TLTRO 1.0 and 2.0 advances given, among the moratorium SME and that under 10% scheme and what are your views once this moratorium gets over on 31st August and the repayment starts from the September onwards?

How the whole scenario looks to you because the situation at the ground level is still very bad according to us leaving aside the 100 to 200 top companies, other businesses are still facing the problem, there are lot of confusion about the lockdown opening and not opening. So your views on that? First that is the question. If you want shall I ask another one or two questions or after you answer the first question?

A. K. Das: To answer your first question, Ashok Ji, as of now as regards to moratorium 41% of our clients have been extended moratorium and in terms of amount it is 53%. So this is the position as of now. The amount involved is about Rs. 166,000 crores.

Ashok Ajmera: So this is for the first one initially the people who took it up to the first lag and then the people in the another lag?

A. K. Das: This is a dynamic figure. I am giving you the position as of June 30th total 19 lakh clients and Rs. 1,66,255 crores is the amount. Now the kind of apprehension you were sharing it is quite valid because that is the talk of the town, but in our case you will be happy to know that out of this 19.34 lakh clients, 51% as of now are regular. So in a way 51% are on safe ground. Now remaining 49% are in default of more than two months. In case of Term Loan 26.94% are in 4 months default, 15.54% are in 3 months default and 5% are in Two month default.

In a way out of Rs. 166,255 crores, Rs. 84787 Crore is absolutely fine, no issues on that, but yet we have gone for a stress test and we have found out two scenarios basically. One is a mild scenario, where we are seeing post August 31st as at September end, there could be a slippage of Rs. 3,200 crores and in the second scenario we have seen there could be a slippage of Rs. 4,500 crores. Now this is again numbers, which we have worked out depending on certain assumptions.

This number also could change, but we have taken the most stringent of the two and decided that we will provide upfront 10% not only for SMA-2 accounts, but also SMA-0 and 1 accounts. That is how you will see in the slides we have provided this quarter, Q1 Rs. 620 crores for this SMA-0, 1 and 2 accounts. The previous quarter we provided Rs. 414 crores. In all Rs. 1,034 crores we have provided for this SMA-0, 1 and 2. In the event of any of our outlook coming true I think this will help us.

So that is the kind of buffer we have built up. We could have announced a higher profit also, but then going by the financial stability report and other perceptions, we thought it is prudent to go for creating some buffer so that rainy days can be taken care of.

Ashok Ajmera: But it will still be less than the last quarter of last year provision of Rs. 7,300 crores, so taking together this quarter and the next quarter together you feel that it should be around Rs. 4,500 crores plus Rs. 700 crores so around Rs. 5,200 crores maximum?

A. K. Das: Yes, that is our present reading now and as I told this number is not a onetime number, it will be visited and revisited over and over again and if required in Q2 also we will continue in the same way.

- Ashok Ajmera:** Two questions more coupled with this. One is that the write off Rs. 3,505 crores in this quarter as against Rs. 1,368 crores in the last quarter of last year, so which are these write offs. They are multiple small accounts of write off or some one or two major accounts are there in this? This is number one. And on the slippages also then we have booked only Rs. 402 crores in this quarter. So some color on this?
- A. K. Das:** Slippage number is not a sustainable number I can tell you that and it is more because of the moratorium affect. When there is a financial close, all banks will have similar numbers only, if not same and write offs, yes, we have taken few chunky accounts also, which have been provided 100%. But with a concomitant view to maximize recovery in these accounts, otherwise write offs will be cosmetic only. So previous year also we got good amount of recovery from written off accounts.
- This year to begin with Q1 has been little on the back foot because of various reasons. I think going forward, we are going to go whole hog on recovery from these accounts and once these NCLT proceedings take the normal kind of speed, I think we should be able to get good amount of recovery from these accounts.
- Ashok Ajmera:** Something on this Rs. 2,000 crores addition in this NBFC advances and something on TLTRO 1.0 and 2.0, rather more in 2.0, if you can throw some light?
- C. G. Chaitanya:** Ashok, on the TLTRO, we have for TLTRO 1.0 and TLTRO 2.0, it comes to around Rs. 4,000 crores. Rs. 2019 crores plus Rs. 2,000 crores and others. Then there are some more amounts which is coming under the partial credit guarantee also.
- Ashok Ajmera:** This Rs. 2,000 crores incremental in NBFC, what kind of they are all A+ or AA or there are some BBB also?
- C. G. Chaitanya:** Actually if you look at my entire portfolio of NBFC, entire I am talking about, A rated and above it constitutes around 87% for HFCs and 85% for the normal NBFCs and the present Rs. 2,000 crores you are talking about it is all A rated and above. You are talking about in the TLTRO 1.0?
- Ashok Ajmera:** Yes, TLTRO 1.0 in any case must be A+ or AA?
- C. G. Chaitanya:** Yes, true.
- Ashok Ajmera:** So basically TLTRO 2.0 that Rs. 2,000 odd crores, which you are saying, these are all BBB+ or in that also there are A or A- or something?
- C. G. Chaitanya:** Given the preference that it is A and above, wherever the bifurcation is there with Rs.500 crores and below and then little above. In all the investments BBB is only a couple of accounts.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: I wanted to get more details from moratorium. How are we now defining moratorium. In the last quarter we had given opt out to all and in the second moratorium the option is still opt out or have we changed this moratorium policy? And then you mentioned about Rs. 1,066 billion under moratorium. If you can also provide let us say SME, Agri, Retail, large Corporate etcetera? That is one.

C. G. Chaitanya: For the moratorium when we look at across the Board, we have given a moratorium to all our customers and then we had given an option to them whether they wanted to opt out or not. So when we had given that option and when we wanted all the accounts as going for a moratorium, we find around 52.69% of amount of the people have got the moratorium. And out of that if I see that for the last four months from March to June, the customers who have paid all the dues comes around 51% of the 52.69%

In case of total term loan amounting to Rs 188345 crore 35% paid all four instalments, 14% paid all three instalments, 5% have paid 2 instalments and around 46% percent less than 2 instalment. In short 65% less than 4 instalment.

Jai Mundhra: Sir, this 65% number of customers, how does it translate to loans in terms of value?

C. G. Chaitanya: In terms of the value, it comes to around Rs. 122765 crores.

Jai Mundhra: These Rs. 122765 crores is the number, which has not paid all four EMIs and they may have paid one?

C. G. Chaitanya: This is Rs. 122765 crores is the amount side, I am saying about it.

Jai Mundhra: Yes so Rs. 122765 crores is the amount which have paid only part EMI, right? Part EMI either they could have paid 0, 1, 2, 3?

C. G. Chaitanya: Yes. Out of that also there is an analysis, out of the four installments, which amounts to around Rs. 90947 crores, 65581 have paid all 4 instalment and 25365 paid all three installments (There is only one month default in that).

Jai Mundhra: Okay so rest let us say, Rs. 122765 crores minus Rs. 25365 crores?

C. G. Chaitanya: Yes, the rest around Rs. 97399 crores around it comes to, They have paid either one or two installments.

Jai Mundhra: Or they may have paid 0 installments also, right?

- C. G. Chaitanya:** Yes,.
- Jai Mundhra:** What is the number, which have not paid any installment, that is again 31%?
- C. G. Chaitanya:** **Yes 58704 crore**, i.e. 31% which is not paid .
- Jai Mundhra:** So just to get sir this bit correct, so 52% people are tagged as moratorium of which 52% have paid something, right?
- C. G. Chaitanya:** Out of that 51% have paid all the dues.
- Jai Mundhra:** Out of that all 52% have paid all the installments. So Rs. 122765 crores is the amount wherein people have paid only part installment of which Rs. 90947 crores worth of loans have paid three EMIs?
- C. G. Chaitanya:** Yes.out of the four installments, which amounts to around Rs 90947 crores, 65581 have paid all 4 instalment and 25365 paid all three installments (There is only one month default in that).
- Jai Mundhra:** Then this balancing Rs. 122765 crores minus Rs. 25365 crores which is Rs. 97399 crores these are the amount who have paid 0,1,2 EMI is that correct?
- C. G. Chaitanya:** Yes you can take that, 0, 1, 2 yes.
- Jai Mundhra:** Any number sir on this SME, large corporate?
- A. K. Das:** In some time we will get you that, 10 to15 minutes we will get you that.
- Jai Mundhra:** Sure and just last thing sir, from my side. This overdue loans last quarter we had Rs. 74,000 crores as overdue of which standstill where under Rs. 4,100 crores wherein we had provided 10%. What are the numbers for this quarter sir as of June end?
- A. K. Das:** Rs. 13000.00 crores at present.
- Jai Mundhra:** So Rs. 13000.00 crores is the overdue or standstill?
- A. K. Das:** SMA-0, 1, 2 what has been shown here, This is shown in the slide it is of total SMA. It is Rs. 11,100 crores.
- Jai Mundhra:** This is all overdue loans including SMA-0, 1, 2 even below Rs. 5 crores also, right?
- C. G. Chaitanya:** Yes, including everything.

- Jai Mundhra:** Sure sir and any number for standstill loans?
- C. G. Chaitanya:** What is that standstill you are looking at?
- Jai Mundhra:** Last quarter we had loans under standstill at Rs. 42,000 crores wherein we had provided 10%, now you would have recovered some money from that and may be some would have added?
- A. K. Das:** Out of Rs. 4,200 crores in March, now leftover is Rs. 1,700 crores, so rest has been recovered and upgraded.
- Jai Mundhra:** Rest has been regularized and this is the only amount let us say Rs. 1,700 crores which is there?
- A. K. Das:** Yes.
- Jai Mundhra:** Just sir in case let us say if these people do not pay then these Rs. 1,700 crores would slip straight forward in second quarter?
- A. K. Das:** Yes.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.
- Ashok Ajmera:** Sir, so since I have got the opportunity once again. Your target of 8.5% of the advances you have reduced to 7% now, even in this 7% also are you looking mainly at the retail only or you have something else in mind because the way I look it I would not call it exactly as a risk averse, but the banks have become very, very selective and choosy now, after having burnt their fingers in the past, But because of that even some of the genuine requirements are also getting suffered.
- I mean genuine businesses and genuine requirements are also being denied at the lower level. So what is the exact planning because since I am in this field of consultancy and advisory also at the lower level the things are not that very optimistic because of this whatever has happened. So what at the top level are you actually planning for this even this 7% also?
- C. G. Chaitanya:** I will say this Ashok. What we are looking at as you said is that the market is little yet to get into that total upbeat part of it. Keeping aside, if you look at the way the last quarter has gone and then we moving forward, there is a government guaranteed of 10%, which is being offered to total MSME. There will be a growth of 10% and then in the retail side also we will be selective. And then we will be looking at NBFC side. A little movement also will be there.
- Agriculture is totally upbeat and it is moving forward very nicely and if you are looking at a large corporate, there is 10% increase is there on the emergency funding what we have done. In

addition to that, if you are looking at an infra, the way the expressways are coming and all the other civil supplies, Markfed, and every government guaranteed advances, there is a still upbeat.

These are things which we have seen in the past also and we have grown at the levels of around 10%. And then though we projected it 8%, we wanted 8.5. Now, we want to come down to around 7%.

A. K. Das: But Ashok, I will supplement to what Shri Chaitanya has said our past performance you are saying that we sanctioned a total corporate loan of about Rs. 87,000 crores out of which Rs. 60,000 crores was in PSU or PSU backed with government guarantee. The twin advantages where we could enhance the top line, we could also conserve capital. Similar strategy we are going to adopt.

Apart from RAM, we are going to adopt also, I think recently we have sanctioned two highway projects, good highway projects with government guarantee. We are looking for more and government backed NBFC also. We have recently done PNB Housing and Can Fin Homes, HDFC. So these are in the absence of active corporate demand. These are the things, which will help us grow the top line and also in terms of capital.

Ashok Ajmera: Sir, when you say that government guaranteed infra projects, you mean that the entire repayment is guaranteed by the government or they are the government awarded contracts, where the risk is carried by that corporate?

A. K. Das: No government guarantee means in literally government guarantee only, risk is guaranteed by government.

Ashok Ajmera: Okay sir, on this emergency funding also you are expecting some more amount to come up to 31st October. How much was the total eligible or amount or total expected. I think around Rs. 18,000 crores or so. I do not exactly remember that, out of that how much has actually been sanctioned or are the people have approached and how much still the gap, which can still come in?

A. K. Das: Entire PSBs if you see and private banks put together, I am talking about Rs. 3 lakh crores, for which Rs. 43,000 crores earmarked as guarantee fund, I think out of Rs. 3 lakh crores, till now entire system has gone for about Rs. 1 lakh 40 thousand crores, out of which almost 50-50 or little bit 55% is of PSBs and 45% is of private banks.

Ashok Ajmera: That is you are talking about sanction. Disbursement is I think hardly Rs. 75,000 crores or Rs. 80,000 crores.

A. K. Das: I am coming to that sir. We are working primarily in a feet on the street model, the action and disbursal they have to happen concomitantly and with the kind of COVID thing and all at the field level there are certain issues. People not able to come, footfalls have come down in the branches for signing the documents and other things. But disbursal level there is some road blocks. I think we should appreciate that as against about Rs. 5400 crores, about 61% have been disbursed.

I think it is a matter of time before final leg of disbursal happens. These are very difficult time sir, so at the branch level and that way I think PSBs have done a tremendous job almost more than 90% attendance in office, I think we need to have little bit of appreciation for the practical problems. In Bank of India itself there are 762 cases of COVID cases so far.

Ashok Ajmera: No sir, I fully appreciate. In fact the kind of appreciation this entire banking especially PSU banking space should get what they deserve ,they are not getting. Most of these announcements are directed only to the police personnel and doctors and medical staff, but not to the bank. There is hardly any mention of that.

I am ceased of this and I appreciate a lot what is happening and what have been PSU bankers have done. Only thing I am just trying to arrive at a number that how much out of this additional incremental advance, can come in through this window in fact actually?

A. K. Das: I think they have recently made some changes, the guidelines is yet to come to us I think. But we saw in some of the tweets that hitherto individual accounts were not being included for guarantee cover and they are quite a sizeable number. I think individuals are being included now. Similarly the turnover criteria and the finance criteria from Rs. 25 crores to Rs. 50 crores and Rs. 100 crores to Rs. 250 crores, these are also coming in.

Ashok Ajmera: That will be great.

A. K. Das: This will help us, it may take little more time, but I am sure by September end, it should be a thing of the past.

Ashok Ajmera: That is good sir, so on that only do you think that this moratorium may still be extended beyond August? What is your gut feeling?

A. K. Das: I think we are done with six months. I think from our experience people are really paying up. People have got liquid cash with them. There is overflow in accounts also. I think beyond six months I would personally suggest moratorium need not be extended. Rather some kind of of restructuring packaging for the stress sector which is work in progress I believe.

- Ashok Ajmera:** One more question in this round. This interest in the working capital on which the moratorium is there up to 31st August and this interest during the period of moratorium has to be paid up to 31st March 2021, so will it be on a monthly basis or on some basis or a client will have a choice to pay finally on 31st March itself or it will be monthly whatever the amount of this six months' interest, will it be paid in installment or he has a choice to pay entire amount on 31st March itself?
- C G Chaitanya:** Looking at the type of a moratorium, looking at the lockdown scenario and looking at the businesses that where they can generate the cash flows to repay that is where the FITL come in play. And that is as per the cash flows, they can continue to pay on a monthly basis or they can prefer that what best they can pay it before 31st March.
- Ashok Ajmera:** Alright, so choice will be theirs?
- C G Chaitanya:** Yes.
- Ashok Ajmera:** But you will continue to add interest on interest on that money?
- C G Chaitanya:** Yes that is there, it is there on accrual basis.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey, Indus Equity. Please go ahead.
- Sushil Choksey:** Sir, you mentioned in your opening remarks, congratulation on the result sir and great work in the COVID arena. What is the treasury outlook. Are you optimistic and what kind of scenario we can assume on the working for the next current year?
- C G Chaitanya:** Treasury outlook as you know you are the market person you know it very well. We have done good on the sale of the securities. And we have done well after June also. We have good amount of profits and looking at the type of an yields and in MD's opening remarks, has said that the yield levels is looking benign and then little softening. We look at making more money in the treasury in the coming days.
- Sushil Choksey:** Second sir, what kind of initiative have you taken in view of COVID and future of banking is digital? In the last quarter you did mention when I had questioned that we are initiating a lot of process. So is anything fructifying from digital banking initiatives?
- A. K. Das:** Two, three things I will highlight. By October end or November we are ready to migrate to Finacle 10, when it is work in progress, we are not in a position to bring back major changes in the current Finacle 7 set up. Apart from that, what we have done is, we have gone live on early warning signal. July 31st. Early warning signal involving many of the 81 parameters post disbursement is live, we can do more effective monitoring of the accounts and the necessary corrective action on time.

Then on FRM side, Fraud Risk Management also, I think we are ready to go live any day. And another major thing what we are doing is, complete end-to-end loan life cycle management. Right from lead management to recovery. So we are in touch with one or two agencies for that. One leg of it is over. I think by the end of this quarter, this loan life cycle management, we should be able to put in place. This is apart from document management system that we have recently started, wherein our major things are centralized. We are doing the KYC and other things in this. So that is one way.

Our 5100 plus ATMs also 85-90% uptime we are maintaining But our interoperable income, we have to go some distance. Because we are not in positive territory. That means, our part we are trying to address. Apart from that our new FEBA version, internet banking also, it will be concomitantly released with our Finacle 10. Our mobile banking app, has become very popular. I think in the top 5 it comes. Similarly internet banking also. So these are the few digital initiatives we have taken. And by September end you should see good developments there.

Sushil Choksey: What would be a stable set of cost-to-income ratio, if I look at long term?

A. K. Das: Ideally it is 40%, but if you go by our past two, three quarters, we were as high as 58%. It has came down drastically to 46% when our incomes got boosted by certain big recoveries in some, The denominator effect there. Now, this current quarter, it is 45.18%. It will be little challenging to keep at this level.

To tell you frankly, I think operating cost we have saved about Rs. 63 crores to Rs. 65 crores in the first quarters. And you are aware that not much of transfer, not much of travelling, and also we have saved there. So this 45%, strictly saying, may not be sustainable. But by the year end we should be happy if we are at around 47% or 48%.

Sushil Choksey: That is on an incremental side, no?

A. K. Das: Yes.

Sushil Choksey: Okay, second thing sir, where do you see your PCR going forward, in by the year-end? Because we are already at 85%.

A. K. Das: We do not want it to go further any way. Our PCR had a spike last quarter when we had to do some aggressive provisioning. Otherwise it was in the range of 75% to 76% only. We only wish that we resolve some of the pending accounts in NCLT and non-NCLT cases also. I think 85% should be the ceiling.

Sushil Choksey: What kind of, sir if I intervene you, what kind of recovery are you estimating between NCLT 1 2? Let us assume 50% to 60% of the cases are resolved between now to March.

- A. K. Das:** Rs. 38,000 crores is our block there.
- Sushil Choksey:** Yeah, but based on the provision, what kind of write backs can you assume, if that goes?
- A. K. Das:** Rs. 1,900 crores is what we are seeing in the near term based on certain cases, partial progress made in certain cases. But still they are now on hold.
- Sushil Choksey:** So, SBI came and made a statement about on housing finance company getting resolved by December. If that happens, what kind of recovery are we estimating?
- A. K. Das:** Which account DHFL? We have got an exposure of Rs. 4,000 crores. It is 100% provided.
- Sushil Choksey:** What is your estimate if it comes to that kind of recovery.
- A. K. Das:** Difficult to take a call. It depends on who is coming in and what is the kind of transaction. It is difficult to make a guess on that.
- Sushil Choksey:** So now, your net interest margin of 2.73 and 2.48, is it sustainable with higher CASA and higher growth in deposit and business going to Government sector, basically Government guaranteed advances. Any treasury gain?
- A. K. Das:** NIM reduction is primary on account of net interest income, where our interest paid on deposits are more in Q to Q and sequentially also. And interest earned has about 6% growth where as expense has grown by more than 12%.
- Sushil Choksey:** Yes. So that is the reason I am asking. With growth in deposits, some backing Government-based guaranteed program whereby yield on advances will be lower, compared to private sector because of taking lesser risk, but at the same time being prudent of lending. So will the NIM of 2.73% and 2.48% sustain or it will?
- A. K. Das:** No, no. It will improve. It will improve because we have effected changes in the interest rate in the liabilities is that I mentioned in the beginning. If MCLR rate cut takes three month or six months to crystalize and result in less number, interest income, similar a deposit case it takes little more time. I think Q2 and Q3 we will see the rate cuts in deposits taking effect. And we will be net, net plus.
- Sushil Choksey:** Where do you see your CASA growth visible based on July basis?
- A. K. Das:** Now CASA percentage-wise it has come down primarily because of high growth in overall deposits. It is a basically due to denominator. We have grown by 15% to 16%.
- Sushil Choksey:** So that is 41% in composition. Is it sustainable?

- A. K. Das:** That is what. It can improve because we are now consciously trying to bring down the bulk deposits. Bulk deposits have gone up from 5% of overall deposits to 12%. Now that we are trying to consciously to right-size it. So that the denominator effect will not be there. It is basically a question of aggregate deposits growing much faster than the CASA deposit.
- Sushil Choksey:** Sir when your CASA is so good, why is our retail credit growth is only 6% income based on cross-sales, so what is our estimate of Fee Income for nine months?
- A. K. Das:** No sir, last six months, as you will appreciate, it has been very, very difficult times. I think no mathematical simulation can give us any idea about this because we are all in a black hole kind of a situation. So the retail growth has not happened because there were no footfalls in the branches. Similarly, Many of the self-employed persons. Slowly we are seeing, in the month of July there has been some improvement.
- Till about June, our retail growth incremental was not something to write home about. Now it is Rs. 1,500 crores till now. And that used to be our monthly disbursal figures. Rs. 1,500 crores is the retail disbursal figures. So, in about four months' time, the incremental growth is only that much. So I think, September onwards, we will see some improvement, if not full-fledged. I think we will see some improvement there.
- Sushil Choksey:** Any retail products being tied up to your digital technology, sir?
- C. G. Chaitanya:** Retail products, we have, already tied up with caps application. We have CAPS which is tied up for all our housing loans and all the retail products are also being tied up shortly. Even MSME is also being done through CAPs.
- A. K. Das:** Yes, RBLR also. Now from September 1, all RBLR linked loans we are giving at 6.85% Including MSME loans. And retail rates are also very competitive. The rates are not an issue, sir. Now the demand is an issue.
- Sushil Choksey:** Sir in the overall business scheme, based on Government programs as well as, are we active on the pool side or we are not doing anything on pools?
- C. G. Chaitanya:** We are active on the pool side but see what happens is to take the pool we need to make around 10% of the inspection. That is where a little concern, because of the lockdown scenario it is going on. That is why, though sanctions are there, the disbursements are becoming very less in that.

Sushil Choksey: Okay, my last question would be sir, selling or cross-selling. Bank of India is a most prominent banker to the stock market till Ketan Parekh scam. Or you can say it, prior to that I think we had 90% share, HDFC bank and ICICI never figured in the market.

The touch points of CASA customers, I am quite sure from the stock market point of view, and looking at the current frenzy, I think Bank of India has a big touch point, which I think on a cross-selling should be capitalized. And that is the reason I asked that question.

A. K. Das: Yes, good.

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

M. B. Mahesh: Good afternoon sir. Just few questions from my side. One is, about the initial comment by you. If you could just kind of give us some color as to, of the Rs. 58,000 crores of gross NPAs that you have. And roughly about Rs. 30,000 odd crores that you have it on the profit side. What are you seeing in terms of recoveries for the year?

And what would be the large ones that that, where you have reasonable amount of certainty that we will be able to close it by the end of this year.

A. K. Das: See, I will tell you, roughly about Rs. 3,000 crores, we are looking at during the year. Out of which Rs. 2,500 crores we are looking at for Q2. So, that includes some amount of progress in NCLT and revising the ARC sale process, which was not there for the last four, five months. So there about Rs. 700 crores to Rs. 800 crores we are planning. And plus our normal recoveries due some new schemes.

Because many of the OTS and compromised proposals, they are also in a state of standstill. Because people are not available, the movement, travel restrictions, and other things. So in fact, we have extended the time line. For example, Jun 30th timeline interest charging and other things, we have also extended that. We have waived that also. By September we see considerable number of traction there. So roughly, all put together, NCLT, ARC sale, and normal recovery and cash, it is about Rs. 2,500 crores for this quarter.

M. B. Mahesh: And for the full year.

A. K. Das: Full year.

C. G. Chaitanya: It depend upon the NCLT opening up and.

A. K. Das: The Rs. 38,000 crores as you rightly told, out of Rs. 58,000 crores are in NCLT, at various stages. And there is a news also that this six months thing also may go up to one year also. So,

we have made representation to activate NCLT mechanism so that the resolution happens faster. Depending on that, I think the trend rate should be in a matter of where about Rs. 20,000 per quarter. That is what it should happen there.

M. B. Mahesh: Okay and the second question is, of the outstanding loan books that you have, how much is the loan assignments that you have from the NBFC sector? For example, let us say in line #7, for the home or mortgages.

C. G. Chaitanya: Pool, you mean, okay assignment, direct assignments you are talking about NBFC. Maybe, we may be having around 4,500.

M. B. Mahesh: This is, this will, this will be predominantly in the retail only? The Rs. 60,000 odd crores?

C. G. Chaitanya: Retail and MSME both. The pools are both.

M. B. Mahesh: You had just about Rs. 4,000 crores, is it?

C. G. Chaitanya: Yes.

M. B. Mahesh: Just to get this clarified, is there any arrangement with the NGFC that, if in case there is a default, you could replace the loan? Or there is a guarantee provided by the industry? Or there is nothing of that sort?

C. G. Chaitanya: In case of a direct assignment, it is directly assigning only. They carry their 10% of the risk, that is what they carry it. Otherwise it is our risk.

Moderator: Thank you. The next question is from the line of Amit Rane from B&K Securities. Please go ahead.

Amit Rane: Sir, in the initial part of the conversation you said about scenario 1 and scenario 2 where we are estimating slippages. Can you please repeat that part and give some color how we have done those estimates?

A. K. Das: Yes, when I mentioned about scenario 1 and 2, I was referring to this moratorium extended accounts only. And in an extreme scenario, In a rather mild scenario, we were expecting slippage to the tune of Rs. 3,200 crores. And in a moderate scenario it is about Rs. 4,500 crores.

Amit Rane: So these are the slippages that we are estimating out of the Moratorium book?

A. K. Das: Yes.

- Amit Rane:** Okay. And sir, one data point on the sectoral break up of Morat book, if you can give? On the retail MSME and corporate?
- A. K. Das:** Yes, I think, I think Jai also was wanting that. If Jai is listening, he can also note down. Out of Rs. 166,000 crores, presently under moratorium dispensation, Agri 8%, Retail 20%, MSME 20%, Corporate 36%, others 18%.
- Moderator:** Thank you. The next question is from the line of Lalitabh Srivastava from Sharekhan. Please go ahead.
- Lalitabh Srivastava:** Sir, just wanted to have a sense on the Mudra loan's portfolio that we have, if you can give us some color as to what is the current outstanding and health of these loans. And how much of that proportion would be under moratorium? And which sectors or which segments you are seeing stress building up on that segment? Thank you.
- A. K. Das:** Mudra, I do not have the exact numbers, but it is about Rs. 13,000 crores portfolio, out of which Shishu alone is about Rs. 750 crores. And the rest are split into Tarun and Kishores. And, like in many other banks, Shishu, we had a concern, although the base is low. The NPA percentage there is about 19% to 20%. Whereas in Kishore and Tarun, it is about 8%.
- Overall NPA is about 9% to 10% in the entire Mudra portfolio. And regarding Mudra dispensation and all, I do not have the figures as of now. If you want you can send a mail, we will send the details to you.
- Moderator:** Thank you. The next question is from the line of Amit Sharma, an investor. Please go ahead.
- Amit Sharma:** Hi sir. Thanks for the opportunity. Sir, I just wanted to re-confirm, as in, initially we had a waterfall as to, we started from ninety thousand, fifty thousand. So customers who have not paid any EMIs would be what amount, in absolute terms?
- C. G. Chaitanya:** Yes, this is regarding the moratorium, what the customers have not paid any amount. See, we have 10% of these moratorium given accounts, wherein the people, the ranging from, defaulting from one, two, three installments. So, this is in the 10%. I do not have exactly that what it comes for the no installment, actually. But it falls under the 10% of it.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey from Indus Equity. Please go ahead.
- Sushil Choksey:** Sir, what kind of provisions have we assumed for the wage settlement?

- A. K. Das:** Provisions we have done, 15%.
- Sushil Choksey:** No. 15% is the settlement, but. What is the provision we have carried out and what is the.
- A. K. Das:** Till now the cumulatively we have carried out around Rs. 1,400 crores, sir.
- Sushil Choksey:** So we are adequate on the number?
- A. K. Das:** Yes, Sushil.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.
- Ashok Ajmera:** Sir, we have been talking about priority sector advances, like you said good opportunity in the agriculture also.
- And, so there is some Food Corporation of India storage. You know, the big silos of projects of Rs. 40 crores, Rs. 50 crores each. That also comes under the priority sector, but I think our bank is not very optimistically looking at that. This is one thing which I have just observed.
- Secondly, is it worthwhile to buy that priority sector and pay the penalty of, Rs. 40 crores, or Rs. 50 crores? Vis-a-vis actually giving the advances? I mean the cost-wise that is more beneficial to you? To buy it out or to actually lend money? This is one question on this priority sector, sir?
- C. G. Chaitanya:** Ashok, your observation absolutely correct.
- Ashok Ajmera:** I think we paid some fees of some Rs. 40 crores or something, if I am not wrong.
- C. G. Chaitanya:** Ashok, your observation is absolutely perfect. We have activated this. You are talking about the silos for the Food Corporation. We may consider.
- Ashok Ajmera:** So, according to you, the lending is better than paying the money as a fees and then buying the credit?
- C. G. Chaitanya:** Absolutely. And Bank of India is known for the agricultural credit also. And we will be coming back to that.
- Ashok Ajmera:** And sir, coming back to the moratorium. See, 10% is Rs. 16,600 crores, is it not? Of the total Rs. 166,000 crores. So, when you said that Rs. 28,000 crores is 0, 1 and 2, and out of that Rs. 16,600 crores is at 0, 1, 2, 3. So, it means the residual figure of Rs. 11,400 crores is those who have not paid anything. I mean, that is what I presume.

- C. G. Chaitanya:** **Rs 11100.00 crore who have not paid anything.**
- Ashok Ajmera:** Because at one place we have discussed and said that Rs. 63,000 crores, three installment and only one installment is not paid. Then we said, the residual figure of between Rs. 63,000 crores and Rs. 91,000 crores, that is Rs. 28,000 crores is those one who have not paid 0, 1 and 2. Then we said 10% of total moratorium, Rs. 166,000 crores is, that is Rs. 16,600 crores they have not paid 0, 1, 2 and 3. So, it means? Anyway, this is just for my personal..
- A. K. Das:** That number we will give you during the course of this conference only. We have asked for that number. We only took how much is safe and 10% was there, but how many have not paid at all, that number we will get you, during this conference only.
- C. G. Chaitanya:** And, to give the numbers, what you are looking at Ashok, we said that around Rs. 65581.00 crores, have paid all the installments. And then around Rs. 25365 crore have paid three installments and there is a one month default, right?
- Ashok Ajmera:** Yes.
- C. G. Chaitanya:** Out of the Rs. 166,000 crores, So you are left with around Rs. 16,000 crores to Rs. 17,000 crores, , wherein there will be a default of 0, 1, 2 installment. No, wherein a default of two defaults, three defaults or four defaults. It is like that. That 10% continues.
- Ashok Ajmera:** Yes, four defaults means zero paid.
- C. G. Chaitanya:** Exactly. That 10% contains all the three combinations.
- Ashok Ajmera:** No, sir. That is Rs. 28,000 crores.
- A. K. Das:** No. That is Rs. 11,100 crores. Actually it contains SMA-0, 1, 2. All put together around Rs. 11,100 crores.
- Ashok Ajmera:** Yes, correct.
- A. K. Das:** Even they have not paid one installment or two installments, or three installments. That stock is Rs. 11,100 crores. Against which, we have made a provision of, after deleting restructure accounts. Because we make restructuring provision separately. So the balance left is Rs.10,000 crores, in which we carry Rs. 1,047 crores provisions.
- Ashok Ajmera:** Okay. Now sir, coming back to this NCLT, total Rs. 38,069 crores. We have NCLT 1 and 2 of Rs. 4,329 crores which is 100% provided for. Then we have the NCLT cases filed by the bank. That is Rs. 5,552 crores. On that how much provision is made? And then we have NCLT cases which other banks have filed for Rs. 28,288 crores.

- A. K. Das:** I will tell you that. In both the RBI list were 100%. In 80 cases where our bank has filed, where the balance is Rs. 5,552 crores, there the provision is 85.24%, 85%. The other banks which have filed, there it is 89.47%.
- Ashok Ajmera:** Oh great, good sir. It is a good data.
- A. K. Das:** Overall NCLT cases, our provision is 90%. As against Rs. 38,069 crores, the provision is Rs. 34,271 crores.
- Ashok Ajmera:** Okay. So the maximum something can happen is only for Rs. 3,800 crores.
- A. K. Das:** Yes, it appears to be so.
- Ashok Ajmera:** I mean out of this the provision is required to be made for the balance. And sir, of course you have replied in part that question about that NIM that the, interest, NIM of 2.73 is good, the profit for the quarter, the ROI is also good. PCR is ok. PCR without PWO is how much?
- A. K. Das:** Net PCR how much? 85 is gross. Net PCR how much? After you take out.
- K V Raghavendra:** Yes, it is around 73%.
- Ashok Ajmera:** After Technical write off removed.
- A. K. Das:** It will be approx. 73%.
- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B & K Securities. Please go ahead.
- Jai Mundhra:** Hi sir, thanks for the opportunity again. Sir, based on your moratorium number, a lot of people despite being in moratorium, they are paying, right? As you said, lot of people who have paid all four EMIs, then there are who have paid three EMIs. Then sir, do you think there is a need for one-time restructuring?
- Because, let us say 10% are such people who have not paid or who are delinquent in one or two instalments. And in the next one month, they can also be, let us say, come back on track. So do you think that you really, I mean, you particularly Bank of India needs one-time restructuring? Otherwise it looks like, you know, things are falling in place for you.
- C. G. Chaitanya:** Let me put it like this, Mr. Mundhra. See, in the MD's comments also, the restructuring what we are looking for the selective sectors. And in that also, even every customer whatever is the money he is having, he is trying himself to push towards that and then honoring his commitments.

But looking the type of a lockdown, looking at the disruption of the supply chain, what is happening, it is essential that the business should continue as usual and he should remain as a standard and move forward. That is where we are looking at selectively restructuring which will be beneficial.

A. K. Das:

I can only cite an instance of construction sector. As you may be knowing Mr. Jai, construction sector is one such sector which is linked to about 272 sectors through forward and backward linkages. Now construction is also one of the sectors affected by the lockdown. The problem of migrant laborers and stalled projects and earlier legacy issues and all that.

So, although some people are saying that it should be only the hospitality, the tourism, the leisure and other things, similar such sector is construction which is having wider implications for the overall economy. And it's re-starting also. But again, our suggestion will be, instead of a blanket thing, it can be done case to case basis. Sector to sector basis.

That we always, otherwise there may be cases of adverse selection or some other things, but I think RBI is working on it now. Ministry also is engaged. I think they will take all these aspects into consideration and devise something which is good for the economy, and for the banks.

Jai Mundhra:

Correct, sir. Yeah that is very helpful. And just last thing sir. Why has your risk weighted assets gone up? Because incrementally most of the lendings seems to be sovereign or better related corporates. So I just did not understand.

C. G. Chaitanya:

Your observation Jai is very correct. Because we are doing the type of a financing where the risk weight asset is very low. But this time we find it that because of the excess liquidity Inter Bank placement have gone up and the treasury side investments also. The market risk is one big part of it where the risk weight assets have increased.

Moderator:

Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. A. K. Das for his closing comments.

A. K. Das:

Yes. Chaitanya, I think I having given the opening remarks I think I will leave it to Mr. Chaitanya our ED to thank you all.

C. G. Chaitanya:

Thanks a lot for all the people who participated in that and then who have come again and again. Also because of Raksha Bandhan, few other people could not make much. Thanks for all the feedback what you have given.

We take your feedback also. We have given our point of view what it is one positive message is that we have crossed the Rs. 10 lakhs crores and also we have made the profit and we are in the

path of continuing profit. We have made adequate additional provisions also to take care of the moratorium and then looking at the COVID scenario.

In course of the time we will put all our efforts to see that we perform very well. Thanks for all your cooperation.

A.K. Das:

Only one thing I wanted to add that as a matter of abundant caution we could have shown a much higher profit not only this quarter, the previous quarters also. But as Sushil Ji was asking about wage revision we never wanted to compromise on that. So we provided in a more proactive manner so that we should not be found wanting there. Similarly this time around we could have gone well beyond Rs. 1,200 crores But thought that is prudent enough to in good times to build buffers so that we take on the shocks if any with little bit of ease in the current and the subsequent quarters.

So that was the basic intention. I believe all of you have taken the points in the right spirit and whatever feedback and suggestions. Your questions also enlightened us a fair bit. We will work on that and the questions to whom we could not give answer we will definitely respond and all of you by mail. You are welcome to join us on any time you feel like.

Thank you and thanks a lot.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Bank of India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.