# "Bank of India
# Q2 FY'24 Earnings Conference Call"
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<u>**Management Team Represented by**</u>

**Shri Rajneesh Karnatak, Managing Director & CEO**

**Shri P R Rajagopal, Executive Director**

**Shri Swarup Dasgupta, Executive Director**

**Shri M Karthikeyan, Executive Director**

**Shri Subrat Kumar, Executive Director**

Ladies and Gentlemen,

Good evening and welcome to Bank of India's Q2 FY 24 Conference Call. I would like to thank all of you for taking out time today and joining us. We have with us Shri Rajneesh Karnatak, MD and CEO, Shri P R Rajagopal, Executive Director. Shri Swarup Dasgupta, Executive Director, Shri M Karthikeyan, Executive Director, Shri Subrat Kumar, Executive Director and other Top Management team from Bank of India. For now, we have placed all microphones on mute. At the end, during the Q&A session, we will be sending you a request to unmute yourself in order to ask questions. I will take you through this process before the Q&A session. However, please note the Management will continue to remain unmute throughout the session. I would now request Shri Rajneesh Karnatak to address this gathering. Thank you. And over to you, Sir.

**Shri Rajneesh Karnatak, MD & CEO:**

Good afternoon to all the dignitaries, ladies and gentlemen, present in today's Analyst Meet. It is my pleasure to welcome you all for the interaction, post publication of the financial results of the Bank for Q2 of FY 23-24.

Amidst different uncertainties grappling the global economy, another turbulence surfaced in the form of Israel-Hamas war in the Middle East. A rare trinity of factors i.e. soaring crude oil prices, surging US bond yields and hardening US interest rates have emerged as proximate risks to the global growth and stability posing significant macroeconomic challenges to the emerging markets. Global trade conditions to face significant headwinds, with expectation of the decline in growth in world trade volume from 5.1% in 2022 to 0.90% in 2023, as reflected in the IMF recent projections.

However, India’s macroeconomic outlook for FY 24 is bright due to resilience in economic activity, on the back of strong domestic demand, increased government spending, improved industrial capacity utilization, and moderation in headline inflation. Buoyancy in credit growth continues, whereas deposits are seen growing at a lesser pace than credit in the system.

Against this prevalent optimism, the Bank is focusing on sustainable advance growth and garnering low cost deposits along with retail term deposits. The aim is new customer acquisition and retention of existing customers. The maintenance of Asset Quality and NPA management is of paramount importance with containment of slippages and reduction in SMA. On digitalization front, a new mobile app under the name BOI MOBILE OMNI NEO APP has been launched with attractive features. A new credit card variant under RuPay scheme - "RuPay Select" has been introduced. A new innovative debit card made from 100% recycled plastic, named "BOI Earth Smart Debit Card" has been launched. Pre-Approved Personal Loan – BOI PAPL- to existing customers has also been started.

Other new initiatives taken are in the formation of 18 Emerging Corporate Credit Branches to cater to corporate needs in their specific area of operation, MOU with REC Ltd., to co-finance Rs.30,000 crores worth of projects in power, infrastructure and logistics sectors over the next five years, Star Channel Finance Scheme has been revamped at par with the peer banks. MoU with WDR for financing e-NWR and to boost the growth of agriculture sector, integration of our Loan Management System (LMS) E-platform with Jansamart portal, WhatsApp Banking introduced to provide additional channel to the customers and accessing different banking service, launching of NPA Management Solution - a dashboard made available to branches to facilitate better management of NPA portfolio, besides many more other initiatives.

We have published and shared the financial results of the Bank for Q2, FY 24 on 04.11.2023. I am not repeating the numbers for brevity sake. I understand that you must have all seen our analyst presentation, which is already there in the public domain. We expect credit growth of 11% to 12% during the current year. Though there will be pressure on NIM in the subsequent quarters, but by increasing yield on advances through RAM and Corporate, we aim to maintain the NIM above 3%. With the bank's consistent focus on improving asset quality via better underwriting and containing fresh slippages, we expect Gross NPA ratio to be contained below 6% level and credit costs to be around 0.60%. We will continue to strive towards better customer experience, asset quality, sustainable growth and a strong bottom line. Thank you so much. The floor is now open for questions and answers.

**Ms. Kejal Tolia, moderator:**

Thank you, Sir. As mentioned, we would now like to open the floor for the Question and Answer session. Participants, you will notice a small icon on your screen, a hand sign. Once you press this, it will alert us that you would like to ask a question. We will go around one by one. The analysts asking the questions will be unmuted. You will get a notification on your screen to unmute yourself. Kindly click on unmute. Identify yourself before asking the question. Just a humble request. Each participant if you could restrict to three questions. If we have more time, we will come back to you. Once you join back the queue, as soon as someone presses a hand sign to ask a question, we will enter the conference and announce the participant in this way.

The first question we have from Mr. Ashok Ajmera. Over to you, sir.

**Shri Ashok Ajmera:**

Good afternoon to you all, Sir. And compliments for a good quarter because there were certain headwinds. And as you also narrated that so many problems, global turmoil, war and everything, in spite of that, our results are good, Operating Profit is almost equal to the last quarter only. Net profit has slipped a little bit. But then on the whole, it's a good result. My first question is on, Sir, a little bit of clarification. Last time also we had discussed that our net profit, you know, it is as compared to the profit before tax becomes very low because of the higher tax element which is provided in P&L. I'm not talking about actual tax payment, but because of may be DTL or DTA or whatever it is. But if you look at the total profit, it is Rs.5,865 crores in the six months, and the provision is Rs.2,855 crores total. So it eats away our actual book profit. So some explanation on that, why this tax amount is so high as compared to the profit, which is almost, I think, more than 50% of the profit.

You had launched the Town hall concept and the outreach, and I think you said in the last meeting that 13 NGBs and all the EDs and, you know, GMs were asked to go out in the field, and it has brought some good results also because our credit growth is good in the last quarter. So going forward, are we keeping the same target of 11% 12% or you feel that, you said last time that your corporate pipeline was Rs.40,000 crores, you are sanctioned for Rs.30,000 crores. So all these are resulting into better credit growth. So would you like to revisit that or we stand there only. This is something on credit growth. On Treasury, like as you said that because of the international problems and everything, now the yields are going to be hardened there and it may have the impact here also. So how much cushion do we have in our AFS Treasury books. And are we how much are we insulated or are we going to get any shock on that front. This is the third thing and then if time permits, I've got some specific questions.

**Shri Rajneesh Karnatak, MD & CEO:**

Thank you, Ashok ji. To begin with, your first question with regarding to net profit. So as you rightly said, our pre-tax net profit this time is Rs.2,937 crores.

If you see our numbers for June, it was Rs.2,928 crores. In a way it is flat. But if you see our final net profit, which was Rs.1,551 crores in June, it is now at Rs.1,458 crores. So the reason for the reduction in net profit is also, as you rightly observed, was the taxation. So what we have done in this quarter is that we have shifted to the new tax regime. Because of the shifting to the new tax regime, there has been some accounting treatment because of which the taxation number is higher in this quarter. So in this quarter, the total tax which we have done is Rs.1,479 crores, which is nearly 50% of the pre-tax profit of Rs.2,937 crores. So that is the simple reason, now that we have shifted to the new tax regime, we will be like charging taxation at the 25% rate instead of the 35% rate which was there earlier. So that benefit Bank will get. That is one big change which we have come to for shifting to the new tax regime. So if you see the September 22 numbers, our pre-tax profit was Rs.1,462 crores and our net profit was Rs.960 crores. So if you see the YoY growth in the net profit, it is 52%. And if you see the YoY growth on the profit before tax, it is 101%. So these are the basic numbers. And further, if you compare the H1 of FY23 with H1 of FY24, the increase in pre-tax profit is 152% and the increase in net profit is 98% on the H1 basis. So this is the number which we have. So the profitability part, we are quite comfortable. And with shifting to the new tax regime, this will help in the final overall profit for the Bank.

**Shri Ashok Ajmera:**
Sorry to interrupt you, Sir. But in the next two quarters of the financial year, is it going to be the mean, because we are looking at the whole year for income tax. So, whether this high tax impact will be there in the remaining two quarter also.

**Shri Rajneesh Karnatak, MD & CEO:**

No, no, that will not be there as I've told you. In the ensuing quarters of December and March, we will not be at the high tax regime. So as regards our credit growth and other initiatives which we have taken, for the credit growth, our Town Hall meeting concept remains. Already the Zones and our NBGs, which are NBG field office, have been allocated to the Executive Directors, to all the Chief General Managers and the General Managers. And we are regularly moving to the field, all of us together. General Managers, CGMs, EDs and myself, we are all moving towards the field simultaneously. We are visiting Zonal Offices. We are visiting the NBG field offices and meeting not only the staff, but the customers also and trying to understand their problems, taking some feedbacks and also making some policy and procedural changes wherever they are required. So as far that is concerned, in this interim quarter, what we have done is we have also opened three Start-Up branches, we have also now opened 18 Emerging Corporate Credit

Branches, which are in Centres other than the LCB Centres. Our focus is Rs. 10 crores and above fresh advances up to Rs.250 crores. And if any other advance above that is there also these Emerging Corporate Credit Branches can take care of that. So that is another initiative we have taken in this quarter.

Apart from that few initiative, others I have already read out in my opening speech. As regards the credit growth number, the guidance which we have given earlier is 11% to 12% of overall credit growth. That number continues for the simple reason is that we want to protect our NIM in this increasing interest rate scenario. So we are, as I told you earlier, also, leaving certain transactions which are Repo based for long term because they will not be yielding much on the NIM side and Net Interest Income we need to protect. So for that simple basic reason, we want to keep our guidance at 11% to 12%. And we are confident that the credit guidance of 11% to 12% of credit growth we will achieve.

To give you just one more number, we have our credit pipeline of nearly Rs.70,000 crores as we speak today. Out of which around Rs.14,000 crores is the RAM pipeline, which is Retail, Agriculture and MSME. We have certain pipeline in the international book also, and the remaining is the corporate credit pipeline, which we have of around Rs.50,000 crores, as we speak. The pipeline includes, number one, the sanctions, which we have already given, where the documentation is executed and where the drawdown has started taking place. Number two, where sanction is given, where the documentation is yet to take place. And third is the numbers pipeline, where we have given the in-principle approvals and where the proposals are in different stages of preparation and sanction. So overall, we are very confident that there will be credit growth and with the busy season now kicking in for this quarter, Q3. So, the numbers will definitely be looking better in the quarter ending December on the credit side. So as regards the Treasury, I would request our General Manager, Treasury, Shashi, to take this question.

**Shri M Sasidharan, GM, Treasury**:

Good afternoon. Your question is that what kind of cushion we have in our AFS portfolio. I would like to say that for the month of September, our portfolio did not have any losses. It was in fact positive. So up to 7.25% levels we do not have any issues because the closing of September was 7.21%. So we were plus and the Modified Duration as shown in the slide, is 2.87 for the portfolio of Rs.47,001 crores. That translates to PV01 of 13.5, and we do not expect much of a hit, even if it goes to around 7.45% or 7.50% levels. But practically speaking, we expect the yields to moderate at these levels. Somewhere between 7.20% to 7.30% should be the level which we should be seeing by 31st of December.

**Shri Ashok Ajmera:**

Is there any specific reason for the Modified Duration to go up to 2.87 as compared to 2.37 in the past?

**Shri M Sasidharan, GM, Treasury**:

Yes. The reason for that is, internally, we have held a view that the interest rates are nearing peak or more or less reached the peak. So this is the time for us to increase the duration. And that is why you are seeing the Duration moving up from 2.37 to 2.87. So it's a conscious call. And we would like to encash once the rates come down.

**Shri Ashok Ajmera:**

So if you permit me, I can take one question on recovery, Sir. We have a smart recovery in this quarter in the written off account, as well as the cash recovery also of Rs.1,455 crores. So, Sir, a little more light. If we can get on the entire process of the recovery through NARCL, NCLT and what is going to be the next two quarters scenario as far as the overall recovery are concerned?

**Shri Rajneesh Karnatak, MD & CEO:**

So on the recovery side, if you see the data. We have done cash recovery and upgradation in this quarter of Rs.1,638 crores. So if you include the written off also to the total, reduction in the book was Rs.2,876 crores against which our fresh slippage plus debits in the existing NPA, that is, the total addition was only Rs.1,650 crores. So we were able to reduce our NPA by nearly Rs.1,200 crore net net. So that is one number which we already have. So as regards NARCL and NCLT is concerned, in NARCL two accounts were given to the NARCL. And as regards NCLT accounts, two three accounts was there in NCLT wherein the recovery took place in this quarter, in the Q2 of FY 24. So that is the number. And for the field we have given a target, that whatever the fresh slippage we have, of that, the double, we should do the recovery and the upgradation that is the number we have given to the field as a target. So that is the number we are chasing for the H2 of FY 24. So another important point on the Asset Quality I just would like to state is that our SMA (Special Mention Accounts) numbers if you see our slide. So number has come down. The above Rs.5 Crore SMA, from Rs.14,000 crores plus to Rs.5,700 crores. So that is a substantial reduction in the SMA book we have had. So as far as Asset Quality, percentage of Standard Advances to above Rs.5 crores is concerned, it is only 1.12%. And further if you see granular. So the SMA 2 number is only 0.24% of the total Standard Book. So that is number wherein we are very confident that we will be able to maintain our Asset Quality. And the overall SMA numbers in this ensuing half year will be coming down substantially. And this is in the backdrop of the fact that we have started our Zonal Collection Centres in the 69 Zones, wherein the Zonal staff is now moving to the Branches and also meeting the customers for collection. So, overall efficiency in the system, collection efficiency, has improved. Number one and number two, what we have started in this quarter is the eNACH mandates. So, eNACH mandates, especially in the retail loans, has helped the Bank substantially. And with this, we see that there is a substantial reduction as far as the SMA number in the retail book is concerned. So these two things will help the Bank in maintaining the Asset Quality and further reducing the slippages in the coming quarter of December and March.

**Shri Ashok Ajmera:**

Sir, we made good profit on selling to ARC. Are we continuing with that sale to ARC rather than, you know, relying on the other thing like going to NCLT and all that?

**Shri Rajneesh Karnatak, MD & CEO:**

Considering the NPA book we have, it's a holistic thing which we are doing. We are trying to do some transactions through ARCs. If it is making any sense to us where the sacrifice is low through the sale, definitely we will sell those assets to ARC. NCLT is another option which is always there wherever the resolution under NCLT comes. And we have also launched 4 very aggressive OTS schemes in the Bank, which includes for the accounts which we already have written off. So all these things put together, we are very confident that the recovery in the ensuing half year H2 of FY 24 will be quite robust.

**Shri Ashok Ajmera:**
Thank you very much, Sir, for giving very elaborate, satisfying answers. I'll come back again and all the best to you.

**Ms. Kejal Tolia, Moderator:**

Moving up next we have a query from Shizuo. Over to you.

**Mr.Shizuo:**

Hi. Thanks so much. Sorry. I Joined in late. Just want to double check. We move to a new tax regime. And this new tax regime, 25% tax from the next quarter onwards.

**Shri Rajneesh Karnatak, MD & CEO:**

From next quarter onwards our tax rate will be only 25%. In the new tax regime, we will be getting taxed at the rate of 25% as against 35%, which is there presently.

**Mr. Shizuo:**

We have done all the adjustments in the Deferred Tax Assets. And next quarter we can expect 25% tax rate. Is that right, Sir?

**Shri Rajneesh Karnatak, MD & CEO:**

Yes. The accounting treatment on the Deferred Tax Assets we have given in this quarter. So as on 30th September, we have already done. This has been confirmed by the CFO. That is, the tax implication of DTA has already been done on 30th September. We have given in our Notes to Accounts in point no.24.

**Mr. Shizuo:**

So if I adjust for if I look at this quarter's numbers. And then if I use a 25% tax rate, the Return on Assets is somewhere close to be 1%. So just wondering, going forward, you know, what kind of ROA should we expect? Do we think that we can sustain this kind of near 1% ROA with a new tax rate?

**Shri Rajneesh Karnatak, MD & CEO:**

Yes. As far as Return on Asset is concerned, if you see our numbers, our ROA was 0.47% in September 22, which has now improved to 0.67% in September 23. If you see on a half year basis, it was 0.38% in September, FY23 and now for the half year it is 0.68% in FY24. So both ways it has improved by 30 basis points in half year numbers and by another 30 points similarly on the half year of this Y-o-Y number. So that is there. So as regards the guidance on the ROA, it should be at around 0.70% annualized basis in FY24.

**Mr. Shizuo:**

Good. So you know, that 0.70% annualised basis, that's assuming the new tax rate or, you know, does that adjust for new taxes? So what am I trying to get at is, you know, if I look at this quarter's number, you know, if I just change the tax rate, it seems to be close to 1%. But our guidance is, you know, somewhere closer to 0.70%. Just wondering, what's the pressure on the ROA from here?

**Shri Rajneesh Karnatak, MD & CEO:**

Yes. It will be at least 0.70%. This is what we are saying from the Management side. So it would be minimum 0.70%. This is what we are saying, today.

**Mr. Shizuo:**

That's all from me. Thanks so much. Thank you.

**Kejal Tolia, Moderator:**

Next in line we have Mr. Sushil C Choksey. Over to you, Sir.

**Shri Sushil Choksey:**

So you have answered most of my questions, but I would refer to your opening statement where you had a little doubt on the Treasury outlook. But looking at the Fed statement in the current week and the bond market today. Don't you think that India rates also will have a different outlook in coming days?

**Shri Rajneesh Karnatak, MD & CEO:**

No, it was not a negative outlook. On the Treasury side, only we tend to clarify the market situation which is there. See the hardening of interest rate which has taken place in US and Europe, number one, and the tight liquidity position which is there in India. So even today, if you see the data, the liquidity was negative by around Rs.75,000 crores, right? Shashi. That was the number yesterday. So that there is always tightness here presently in the market. So that is what we are trying to say. If you see the T-bill rate, if you compare the T-bill rate in India one year to the US bill rate. So if the differential as on March 22 was 3%, it has come down to 1.75% as on 31 March 23. And if you see the differential between the Repo Rate and the Fed rate, in September 22, it was 242 basis points. Now it has come down to 117 basis point only. So this differential coming down, what it will do is that the margins on the forex arbitrage that have reduced significantly for all the Banks in India. So the incomes which the banks were making by forex arbitrage, that arbitrage is not much there as on date with the books of the Treasuries. So that is one indication which I wanted to give in my opening statement, because of the tightening liquidity situations here in India and the lowering of the gap between the Fed rates and the Indian rates.

**Shri Sushil Choksey:**

Noted, Sir. Secondly, Sir, based on all your recoveries and measures for credit, your performance is not exactly conservative, based on number of sanctions you have done. The retail business you are putting a lot of thrust so that growth happens. Digitalization , you've already initiated and the current management has already spent six months of time together. So based on all the fundamental factors which are being put in place, are we being conservative or you would rather beat the guidance with a better performance?

**Shri Rajneesh Karnatak, MD & CEO:**

Sushil ji, it is always better to beat the guidance. See fundamentally why we are saying 11% to 12% is that we are very much cognizant, as have been telling in all my Analysts Meet, that we want to protect our margins, we want to protect our Net Interest Income. So as I told earlier also, we are losing or we are leaving some of the deals wherein the rates are Repo rate or where the margins are very low. So we are trying to shift our book towards the mid corporate section. AAA rated borrowers where the margins are low, we are shedding some of the advances. Because of the repayment happening more, we are just able to get accretion in the credit and the credit growth we are targeting at 11% to 12%, which we are giving. So this is the kind of scenario which is there because of the protection of the NIM, which we want to give. So as you are already aware, the one year T-bill is at 7.15%, OIS of one year is also at 6.84%, C.D is going at 7.70%. If you see the CP for NBFCs, for the 1 year, it is more than 8%. In this scenario, some of the AAA corporate still are asking at interest rate, which is around 7.25%, 7.50%. That is a rate which we do not want to give. So we are leaving some of the transactions which are there in the market in AAA, which are very fine rate and which may create negative margins in the coming years, in the long run. So that is why we are giving a guidance which is 11% to 12%, with a healthy NIM and a good asset quality.

**Shri Sushil Choksey:**

Noted. Second thing, Sir, on credit costs. What is your outlook? By the year end?

**Shri Rajneesh Karnatak, MD & CEO:**

If you see our credit costs, which was at 0.60% in September 22, it had gone up to 0.79% in March 23. So in Q1, we had brought it down to 0.64%. Now in this quarter, it is 0.54% only. If you see the half year, now it has improved to 0.58%. This is the credit cost which is there at present as far as the guidance is concerned. So we would be keeping it within 0.60% levels.

**Shri Sushil Choksey:**

So my last question in current round, would you raise equity in current year or you'll wait based on your current forecast?

**Shri Rajneesh Karnatak, MD & CEO:**

As far as the equity is concerned, we will be raising equity of around Rs.2,500 crores in this quarter itself. So that process is already on. We have already taken Board approval, as I had told last time, for Rs.4,500 crores to bring down the Government of India equity level to within 75%, which is the SEBI requirement also, for which our date is 1st August 2024. In this quarter, we'll be raising Rs.2,500 crores.

**Shri Sushil Choksey:**

Thank you and all thank you.

**Ms. Kejal Tolia, Moderator:**

Sir. Next in line we have Preeti. Ma'am, over to you.

**Ms. Preeti**

My question is on Opex for retail loans. Would you please share the steps taken to decrease the OPEX.

**Shri Rajneesh Karnatak, MD & CEO:**

We have centralized many of the activities which are there on the asset side and the liability side, and also on the control system side. So this is some very significant activity which we have done to contain the Opex. As far as on the asset side, if you see our credit underwriting in Retail and Agriculture, there are now credit underwriting centres where the entire underwriting is taking place. So branches are only sourcing now the applications to these underwriting centres and these underwriting centres where compact team of credit officers is there, they are doing the underwriting, because of which there more volume is happening with few Credit Officers over there. The Opex has improved as far as the credit is concerned with this, typically Retail, Agriculture and MSME. If you see the Corporates, there are also we have concentrated the number of branches. So we have 10 Large Corporate Branches and 18 Emerging Corporate Credit Branches, where our proposals with respect to Corporate Credit will be handled. So there also we have created a specific team who will be handling the entire corporate credit book in these 28 branches.

As regards the NPA, we already have 18 Asset Recovery Branches (ARBs) where we have transferred the entire book of Rs.50 lakhs and above NPAs. Another 10 branches we will be opening in this quarter, so there will be total 28 ARBs which will be now concentrating on around 80 to 85% of the NPA book of the Bank. So with all these measures, the most of the underwriting, number one and most of the recovery actions which we are now concentrating at around 400 offices in the bank, rather than 5,100 branches. With this, lot of Opex conservation of expenses we foeersee.

And as regards to the Retail side also, similarly on the liability side, we are taking care of that also. And earlier, most of the branches were accepting bulk deposits. Now, we have reduced the number of bulk deposit taking branches to only around 100 plus. So that also we have reduced. As regards to the Audit side also, the number of audit offices which are there, the number of Officers who are doing Audit, we have centralized and kept at one place through which we are trying to control the Opex. That is one part. The next part is with respect to the digitalization . A lot of journeys with respect to the asset and liability now we are taking through the digitalization process. Fresh sanctions are happening through the digitalization process. Number one. Saving accounts are also getting opened through the digital channel. Number two. And number three, on the asset side, the renewals in case of Mudra loans and other loans, MSME loans and even the Agri loans that is taking place through the digital channel. So a lot of Staff at the field level is getting freed because of this digitalization exercise. And a lot of

Opex is getting freed and a lot of Opex in the ensuing quarters will be coming down because of all these actions, which we have taken in the last six months.

**Ms. Preeti:**

Okay. Thank you sir.

**Moderator:**
To take the question from the line of Mr. Marsal.

**Shri Marsal:**

So my first question, while continuing this last question itself, it's like a very good action taken regarding this cost optimization and centralizing efforts, but we need to see it in terms of saving. Unfortunately, in the PPT, there is no slide which shows about about our headcount. Generally all big corporates, and banks give. How is the headcount faring? We have only one slide which says about branches. So I can see that during this quarter five branches we have added. We all understand that employee cost is going up. We all understand that we have made growth and because of the employee increment whatever coming as per the Agreement to be entered with the Union. I'm not saying this one. We cannot just reduce salary. I'm not asking you reducing salary, what we must do, considering the centralizing, good centralized effort already taken by your bank, plus digitalization . I think we need to utilize this free employee for the new assignment. Like whenever you open any branch or like in our subsidiary or joint venture, we need to depute them there so that our cost reduces because we can see that our employee cost has drastically increased. Similarly, our other expense also increased by Rs.70 crore as compared to the corresponding part of last year. So can you please explain on this one that going forward can we have this slide on the headcount also in the PPT and also that like how effectively or how many headcount we already utilize for other jobs or for other assignment during the quarter?

**Shri Rajneesh Karnatak, MD & CEO:**

As regards the increase in the staff cost, let me clarify that there has been no drastic increase in the staff cost. Number one. If you see whatever the increase in the staff cost is there for Bank of India, that is in line with the industry numbers. Typically, if you see the public sector numbers and the increase in staff costs in the public sector banks, it is in line with that. It is not beyond that. It is well within that. That is number one, which I would like to clarify over here. Number two, as regards the wage revision, which is there. So the last 11th Bi-partite settlement which happened was at a load factor of 15%. Against that load factor, we have already started making provisions in each quarter. So we are making a provision keeping that base at 15%. That is the second part. Number three, if you see that the channels for delivery for us, for customer service and otherwise, 5,157 is only the number of branches. Beyond that, we have 8,000 plus ATM and CRM machines and also 18,000 plus Business Correspondents. So these are the total points from where we are giving the customer service. So when we say that we have done centralization of many of our activities, both on the asset side, the liability side and also on the control and the support side, the staff, which is getting freed at the branches and other offices. They are now being getting utilized for marketing more products. Number one. For garnering more saving accounts, for more current accounts, for retail term deposits. If you see the overall balance sheet of the Bank and see the total, the liability side of the bank, only 12% of our total deposits is bulk deposit and 88% of our total deposit is retail deposit. That is the biggest asset for the bank. And this is the strength of Bank of India, out of which 44% of our deposit is CASA deposit. So the staff at the branches are giving customer service, the staff which is free at the branches because of the underwriting, they are giving better customer service. They are marketing all kinds of products, which includes loan products, which includes deposit products, which include third party products like selling of mutual fund, insurance and other things. And we are very cognizant of the fact that we have to improve the customer service, increase our customer base. Already we have a 11 crore customer base in the Bank. So for catering to this large customer base which we have, these number of staff are required at these branches and all these channels are there for utilizing those services. Thank you.

**Shri Marsal:**

Sir, thank you for this reply and what I am requesting and what it should be ideally, as a professional corporate approach, we need to see this thing in terms of delta, that how many staff were relieved from their existing job and like which new job they were reassigned and how many hiring of new headcount was avoided because of this internal reshuffling of the team. So if we can see this otherwise, Sir, like you are sitting at the helm of the affairs. At the ground level, recently I had visited one of the branch of Bank of India, like so I could see that how many staff were there and what kind of service I was there and, literally I have to tell you. So I'm not going to this detail. I'm only requesting that in the PPT if you could kindly include a slide in the next time showing the number of headcount and all our like delivery channels, all this ATM and other plus hiring of how many new headcount was avoided because of this shifting of - like centralizing and so. By this, we can see that this is the operational efficiency. Otherwise it becomes a generic statement. Sir, this is number one.

**Shri Rajneesh Karnatak, MD & CEO:**

Okay. Yes. To reply specifically, we have noted your suggestion. It is a very good suggestion. In the December Analyst presentation, we will put one slide specifically on this. The numbers on the H.R, which we have as regards the specific allocation to the zones. And you can directly get in touch with our CGM H.R. Mr. Rajesh Ingle for further details, he will be giving you the specific details of the staff which has been deployed at the zones and the branches, and also the Zonal Offices, NBG offices.

**Shri Marsal:**

Thank you, Sir. Let me supplement here. We have also worked in the corporate for so many number of years. And we could see that every year we have to make, each department was supposed to make, one slide on the operational efficiency, including this point where we have to really crystallize the number and put the number there so that the Management can see it. So this is what I'm saying we do not want like general thing in the PPT. Because Sir like your commentary was fantastic, fabulous and we really appreciate but like on the expenses part, what I can say from my own experience is that each Branch has to nominate the service. Like, the saving we have done in the operational efficiency and in the Bank, the main cost is employee and the rent. Rent is stable like we cannot do much employee we cannot fire, but employee we can utilize better. So in terms of that, it has to be translated into numbers. That's my only request. It can take one month or, two but we still have three months to go for our next Analyst Meet. So if our Mr. Rajesh can take some proactive action or some action giving the accountability to each branch in terms of that. Like they have to save this much on for example operations including employee. So I think this will really help us to reduce our cost or to avoid the new hirings.

**Shri Rajneesh Karnatak, MD & CEO:**

Yes. your point is well-taken. So let me just clarify from the Bank side again that whatever details that you are saying, these details we already do and make a presentation to our Board on a regular basis on a quarterly basis. Beyond that, we have a Strategy Meet of the Board twice a year. In that also we make a detailed presentation. Only the thing is that we don't place this to the Analyst presentation because of the paucity of the slides, because in one slide you cannot capture all these things. It needs at least 5 to 10 slides for to understand the entire gamut of the thing. But your point is well-taken. We'll try to put some specific slide in the next quarter.

**Shri Marsal:**

Thank you Sir. My second question was regarding this Income Tax rate. So Income Tax rate like during this previous question it was clarified that we have made provision of Rs.1,460 crores DTA reversal we have done in this quarter. So because of that, our tax rate is 50%. It is well understood Sir. We will fully agree. But something is still there because in the Q1 also our tax rate was 48%. So if I take my half yearly rate, my half yearly rate is coming in 49%. So then if we have taken DTA full in this quarter, as the note says, so then why in the Q1 our tax rate was 48%.

**Shri Rajneesh Karnatak, MD & CEO:**

So in the Q1 and Q2. See, we had already started making up our mind that we will go for the new tax regime in this financial year. So for that reason, in Q1 also, we had taken a higher tax number. As you rightly calculated, it is around 47% of the pre-tax profit. This quarter. It is nearly 50% of that. So let me further clarify to you. Had we not gone to the new tax regime in this quarter, our profit would have been around Rs.2,150 crore. So since we went to the new tax regime, it has come down to Rs.1,458 crores. Otherwise, we would have shown a profit of around Rs.2,150 crores in this quarter itself.

**Shri Marsal:**

And regarding NIM, like a 3% NIM overall is fine. But Sir, I just noticed one point in our overseas NIM. Sir, in the overseas market, our NIM is currently 1.22%. Let me give a humble input here. This kind of NIM used to be there two years before. Before the Fed started to increase this rate and so on. But like now, since the US Fed has increased the rate to 5% plus and so on. Now Sir, no commercial bank is doing business in 1% because we also have some colleague working overseas who give us this kind of general discussion that the banks are charging 8% plus there which was never the rate before, for example. So my second point is that the main reason for our lower NIM is just because of the Overseas NIM which is only 1.22% during the September quarter. So what action we are taking like to increase the NIM of overseas advances.

**Shri Rajneesh Karnatak, MD & CEO:**

We are also charging at healthy rate. But overall NIM if you see on the quarter two is 1.22%. But if you see on a half year basis it is 1.29% the overseas NIM. Because as you are already aware, because of the hardening of rates in the international markets and the resources which we are able to raise from the international markets also has gone up because of which the NIMs have gone down. This is not a situation for Bank of India alone. It is for other banks also. The NIM has gone down substantially in overseas numbers.

**Moderator:**

Next in line we have Mr. Mundra. So you may now proceed.

**Shri Jay Mundhra:**

Hi, Sir. Good afternoon, and thanks for the opportunity. And congratulations on good set of numbers. I have a few questions, Sir. First is on Yield on Advances, which has gone up from 8.10% to 8.54%, which is like 44 basis point increase. I don't understand, how the yields can move up by 44 basis point in one quarter. So if you can explain.

**Shri Rajneesh Karnatak, MD & CEO:**

As regards Yield on Advances, if you see that our Yield on Advances was 7.21% in September 22, which improved to 8.10% in June 23. And you rightly said it is now 8.54% in September 23. If you see the half year number, it was 6.90% in September, half year of 22. It has improved to 8.32% in half year of FY 23. So if you see the MCLR of the Bank, on September 22, our 1 year MCLR was 7.70%, so it has increased to 8.75% as on September 23. So the increase in MCLR is 1.05% on a Y-o-Y basis. If you see our EBLR, which is the Repo linked rate external benchmark, it was only 8.25% in September 22. It is presently, as on 30th September, 9.25%. Here also the incremental increase is 100 basis points. So, on the MCLR side 105 basis point and on the EBLR side is with 100 basis point. So what has happened is the re-pricing. The increase in the interest rates are also getting repriced on a monthly basis. So what we see in the book presently here is that all our MCLR linked loans have been now repriced over the last 12 months. So because of which the yields are improving, this is the simple reason that the yield has improved from 8.10% to 8.54% and some of the low yielding advances which we had done earlier, wherein they were linked to Repo rate or very fine rates, which were short term loans, we have shed them. So because of which, if you see that not only our advances increased, but also the NIMs have improved. Advances have improved to be more specific.

**Shri Jay Mundhra:**

All right. But, Sir, is this only due to loan mix change? And I mean, what happened in this quarter? You know, MCLR repricing has been coming has been happening for the last four quarters. And, you know, this quarter we have seen 44 basis point rise.

**Shri Rajneesh Karnatak, MD & CEO:**

So let me explain further. Yield on Advances. There is another function of the NPA in that. So if you see our fresh NPAs, which is happening, which is now coming down, because of which the earning assets are more now with the Bank. With more earning assets, definitely the Yield on Advances is going up. If you have more NPAs during the quarter, fresh slippages are more, the earning assets come down and the Yield on Advances also come down. So that is a simple mathematics which is there. So that is one part. And other part is that if you see the Repo rate. Repo rate on 30th September, 22 was 5.9%. Now, as on 30th September 23, the Repo is 6.50%, wherein the incremental increase is only 60 basis point and on the MCLR side and on EBLR side, our increase has been 105 basis point and 100 basis point, respectively. So all these things are helping the Bank to maintain the margins, which is the NIMs, improve our Net Interest Income. And finally, also the Yield on Advances is better.

**Shri Jay Mundhra:**

Right. And, Sir, if I may ask, what is the recovery from NPA account, which could have gone to interest on advances in this quarter? And was that a significant amount versus last quarter?

**Shri B. Kumar, GM & CFO:**

There is a total recovery in written off account is of Rs.599 crore, out of which Rs.560 crores has came in cash recovery and balance Rs.39 crore is coming to interest income.

**Shri Jay Mundhra:**

Okay, so only Rs.39 crore has gone in, right? So that is not a significant amount. Yes. Okay. So you believe that this kind of a yield uptick that we saw at least some part should flow through in coming quarters or that may not be the case going ahead.

**Shri Rajneesh Karnatak, MD & CEO:**

We maintain that. So if you are asking specifically about Yield on Advances, it will be maintained. We will be maintaining the Yield on Advances. Just see rate of interest is going up only now. This month also we increased the MCLR by 5 basis points. So now our one year MCLR is 8.75%. So it is in the increasing Trend. The RBI formula is very simple on the calculation of MCLR, the marginal cost of lending increases when the marginal cost of funds increases, our cost of deposit is going up on a month on month basis, because of which the MCLR will also increase. So we are passing it on. The transmission is happening. So definitely we will be able to protect our Yield on Advances.

**Shri Jay Mundhra:**

Okay. And what is the Bank's policy in terms of recovery. So first it gets to other income in terms of fee, NII and then principal. Or what is the waterfall for NPA recovery.

**Shri M Karthikeyan, Executive Director:**

The first, when the recovery comes, it goes to the other charges, all the charges the fees of lawyers and other charges for recovery. And then interest and then only it goes to the principal.

**Shri Jay Mundhra:**

Okay. Understood, Sir. And Sir, then I have a question on your divergence portfolio. Last year that we had some, you know, four accounts were doing reasonably well and we had decent provisions there. If you can update what is the exposure now and what is the provisions that we are holding on to those four accounts. And, you know, what can we expect in the rest of the financial year?

**Shri B. Kumar, GM & CFO:**

My request is to refer to our Notes to Account number 12 where we have written what is our provision on 07.06.2019 RBI Circular. And last time we got a divergence on account of this 07.06.2019 circular on Standard Accounts provisioning. As per the circular guidelines, certain accounts provisions are reversed and certain accounts provisions are kept in the same manner. Accordingly, we clearly mentioned that as of now, we hold the provisioning of Rs.2,438.96 crores in respect of 23 borrower accounts and this current quarter we have added Rs.302.73 crores additional provisioning. So this is the present status. It is clearly mentioned in Notes to Account of number 12.

**Shri Jay Mundhra:**

Understood. Thank you. And Sir, if you can give the total SMA for the Bank including below Rs.5 crores accounts. Also we earlier used to give. But if you can give for September SMA zero, one and two for the all Bank including below Rs. 5 crores.

**Shri Rajneesh Karnatak, MD & CEO:**

Okay. We'll share it separately with you.

**Shri Jay Mundhra:**

Sure. And the last question is we earlier had a guidance of 30% growth in operating earnings. So we are doing reasonably well on NIMs. Growth has picked up. But at the same time Opex cost has also gone up a little bit and probably it will remain elevated. So are you comfortable in still maintaining 30% Y-o-Y growth on Operating Profit? That would mean mathematically, that we had Rs.13,000 crores of PPOP last year and we are at Rs.3,800 crore run rate, which would mean that the run rate will go up to Rs.5,000 crores. Mean does that look realistic at this point of time?

**Shri Rajneesh Karnatak, MD & CEO:**

Considering the fact that cost of deposits is going up. Definitely the operating profit is under pressure for all the banks, not only for Bank of India. So the operating profit growth for FY23 was 34%, and for Q2 FY24, it was around 35%. But overall for the financial year, the operating profit guidance, we are giving a 13% to 15%.

**Shri Jay Mundhra:**
Okay. Understood, Sir. Most of my questions have been answered, Sir. Thank you so much for your answers.

**Shri Ashok Ajmera:**

Thank you for giving this opportunity again. I have a couple of questions and some data points. Sir, we have touched upon that revision in the, family pension, and wage revision. In case of wage revision, our total provision, including of this quarter, is Rs.643 crores, so far. And you said about 15% will be this thing. So what will be the balance amount, estimated balance liability on this account of wage revision?

**Shri B. Kumar, GM & CFO:**

Actually this particular provisioning is coming into effect only from 1st November 2022 onwards. Kindly refer to Notes to Accounts point number 9. We have clearly mentioned that the proposed Bi-partite Agreement on the wage revision, with effect from 1st November 2022, Bank has made an estimated provision. It is only on estimated basis every quarter till that wage revision effect happens, the settlement happens. We are estimating on a quarterly basis and we are keeping this provisioning accordingly from 1st November 2022. As on 30th September 2023, we are holding around Rs.643 crores provision in our books. If you ask for this particular quarter, we have kept Rs.189 crores provisioning for 30th September. So this will continue till the wage settlement happens. Once the settlement happens, we will stop keeping this provision. We are estimating on a 15% basis.

**Shri Ashok Ajmera:**

That is okay. I have also read the note number nine. So I just wanted that whether this trend of Rs.190 crores per quarter will continue till you say that the final decision will be taken, isn't it?

**Shri Rajneesh Karnatak, MD & CEO:**

Yes. Correct. This wage revision talks are already on. So till the time they get concluded and a final number is arrived, we will be continuing to make this provision on a QoQ basis.

**Shri Ashok Ajmera:**
Yes, Sir. Point well-taken Sir. This resolution of stressed assets. Note number 12. There the total outstanding amount is Rs.7,304 crores and the provision is

Rs.2,438.96 crores. Think so. Any idea, approximately how much amount generally gets slipped from the stressed assets, as per our experience.

**Shri B. Kumar, GM & CFO:**

Sir. Actually, this 07.06.2019 RBI circular is only requirement applicable to above Rs.1500 crores advance accounts. It's only a provision. We keep it till viable resolutions happens. If you are having 100 cases, hardly 1 or 2 cases slips.

**Shri Rajneesh Karnatak, MD & CEO:**

So let me further supplement what our CFO has said about this 07.06.2019 circular. We have to provide based on the industry guidelines. Right. And these accounts are not the sole banking account. These are all industry accounts wherein other lenders are there. Typically public sector and private sector lenders are there. Only when the SMA appears in the CRILIC Report we have to make a provision and go through that process and all other things. So normally what happens is the waiting period is 180 days as per our guidelines. If in this 180 days, no resolution is required by way of restructuring or anything, and the automatic cure takes place in these 180 days, then Bank with the understanding with the Central Auditors, we are able to reverse this provision. So this provision keeps on coming in the books of the bank at the end of the quarter. So some accounts come into that provision and some accounts go out of that provision. So this is a regular exercise which goes on quarter on quarter basis in all the Bank's balance sheets.

**Shri Ashok Ajmera:**

Yes, sir. Thank you.

**Ms. Kejal Tolia, Moderator:**

As there are no further questions, I would like to hand the conference over to Shri Rajneesh Karnatak for closing comments.

**Shri Rajneesh Karnatak, MD & CEO:**

Well, thank you for everything and thank you to all the Analysts who have joined today for their good questions and hope we have responded them. And further, if any clarification is required, we are open to that. You can give your query by mail or through phone call. We will be responding to those queries. Thank you so much and wishing you all a very happy Diwali.

**Ms. Kejal Tolia, Moderator:**

Thank you Sir for the insights. Also, on behalf of Bank of India, I announce that this Conference concludes. Thank you for joining us.