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**Sub: Q3 FY 2022-23 Earnings conference call
with Ananlysts/ Investors – Transcript.
Ref : Our Letter HO/IRC/SVM/2022-23/409 dated 13.01.2023**

With reference to above and pursuant to the applicable provisions of SEBI (LODR) Regulations, 2015, we herewith enclose the transcript of post results Earnings conference call Q3 FY 22-23 held on 17.01.2023.

The transcript of Q3 FY22-23 Earnings conference call is uploaded on Bank's website and the same can be accessed through below link :

<https://www.bankofindia.co.in/AnalystConferenceCallTranscript>

This is for your information and records.

भवदीय Yours faithfully,



(Rajesh V Upadhya)
कंपनी सचिव Company Secretary



“Bank of India
Q3 FY’23 Earnings Conference Call”
January 17, 2023



MANAGEMENT: **MR. A. K. DAS – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – BANK OF INDIA**
MR. P. R. RAJAGOPAL – EXECUTIVE DIRECTOR – BANK OF INDIA
MR. SWARUP DASGUPTA – EXECUTIVE DIRECTOR – BANK OF INDIA
MR. M. KARTHIKEYAN – EXECUTIVE DIRECTOR – BANK OF INDIA
MR. SUBRAT KUMAR – EXECUTIVE DIRECTOR – BANK OF INDIA

Moderator: Ladies and gentlemen, good day, and welcome to the Bank of India Q3 Earnings Conference Call. As a reminder, all participants' line 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us Shri A.K. Das, MD & 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 the Bank of India.

I now hand over the conference to Shri A.K. Das, MD & CEO. Thank you, and over to you, sir.

A.K. Das: Thank you very much. Good evening to all analyst friends, ladies and gentlemen. I extend a warm welcome to each one of you for today's interactive session on our earnings for the bank's Q3 results, FY '22-'23. As we step into the New Year, the global economy is still grappling with several challenges. World Bank, in its latest global economic prospects report has revised the earlier projections downwards and global GDP growth rate of 2.90% in 2022 to 1.70% in 2023. The emerging market and the developing economies are also projected to grow at a lower rate as compared to earlier projections that is from 3.80% to 2.70%.

So Indian economy is not immune to global headwinds, but it is relatively well positioned to face the challenges on account of its sound macroeconomic fundamentals and financial system stability. In the first advanced estimate of GDP growth projection, NSO has kept India's FY '23 real GDP growth rate at 7%, marginally higher than RBI estimate of 6.80%. Moreover, retail inflation, measured by CPI has been contained in December '22 to one year low of 5.72%, lower than the upward tolerance limit of RBI of 6% due to falling prices of food and beverages. The Index of Industrial Production, IIP, has risen to five month high and reached 7.10% in November '22, with robust growth in manufacturing sector.

The banking industry, during '22-'23, witnessed a higher advances growth as compared to the projections. This exhibits increased momentum in business activity resulting into more demand for credit among different sectors amidst a relative illiquidity. First, there is a need

for more focus on liability side to fund asset growth momentum on sustainable basis.

We are reinforcing our connect with the deposit clients to improve CASA as well as retail deposits by offering competitive deposit rates. With an eye on increasing NIM and containing cost-to-income ratio, high-yielding advances, that is RAM segment, continues to be our area of focus and the share of RAM in total advances is increasing on a continuous basis. In continuation of this strategy, mix segment advances are being targeted to boost our MSME advances and improve the portfolio yield.

Maintenance of asset quality is of paramount importance, which includes SMA management and slippage containment with continuing measures for improving collection efficiency and NPA recovery.

I am happy to announce that the bank's net profit for Q3 of FY '23 stood at Rs.1,151 crores, up by 20% Q-o-Q from Q2 FY '23 figure of Rs. 960 crores. NIM improved to 3.28% from 3.04% last quarter. NII stood at INR 5,596 crores, up by 64% Y-o-Y. Yield on advances increased by 65 basis points Y-o-Y and stood at 7.67%. RAM advances have expanded by 13.24% Y-o-Y, and its share increased to 54.14% in the quarter as compared to 53.34% in Q3 of FY '22. And CASA percentage has risen to 44.56%.

Asset quality further improved with reduction in gross NPAs, both amount-wise and percentagewise. The gross NPA ratio was brought down to 7.66% and net NPAs to 1.61%. Slippages ratio for Q3 FY '23 was restricted to 0.27% as compared to 0.30% in Q2 of FY '23. Cost-to-income ratio also improved to 48.03% from 48.10% in second quarter of this year.

Our global advances increased by 16.08% Y-o-Y and 11.10% YTD. During current year, with our ongoing initiatives, credit off take is expected to improve further from current levels. We expect credit growth of 11% to 12% during the current year. Along with increasing size and yield of credit portfolio, managing asset quality is also of significant importance.

We expect gross NPA ratio to be contained below 7% and credit cost at less than 1% going forward. We aim to maintain NIM between 3.25% and 3.50%, thus ensuring a sustainable growth in profits.

I would again thank you all for your continued support. And the floor is now open for discussion and questions and answers session. Thank you.

Moderator: First question is from the line of Mahrukh Adajania from Nuvama.

Mahrukh Adajania: I had a couple of questions. Sir, my first question is on general outlook on margins and loan growth. Obviously, for us, margins have expanded very well even on a very high beat last quarter. Last quarter, there was 50 bps and this quarter also, it's around 24 bps, Q-o-Q on a sequential basis. This is a very solid margin expansion. So, what happens in 4Q? Do margins come off, which they are at these levels? And then how does FY '24 pan out for margins? That's the first question.

On margin and of course, similarly on loan growth, what is the outlook for 4Q? Does it accelerate because our quarterly growth rate in advances is somewhat lower than the sector growth rate? And how does loan growth pan out in FY '24? So that's my first question, sir. And then I have two more.

A.K. Das: Yes. To answer your first question regarding margin, yes, there has been a perceptible increase in margins, which has come on account of several factors. One factor is, although our credit growth was little lagging behind the industry average, but we did a lot of churning in our credit portfolio. In that, we continue to focus on our RAM segment, which grew by about 13%, led by retail at 21% and about 9% to 10% in Agri and MSME.

Second is our corporate credit growth, which was about 17%, 18%. And third, we deliberately refrained from taking low-yielding advances so that way, we did some churning, and we were selective in our asset pickup. So that being the case and volume growth happening and also on account of the repricing of assets, it helped us to improve our margin.

Yes, there were certain concerns on cost side also. But as of now, there is not much. Our yield on advance, which has gone up very well has well-compensated whatever hike in cost of deposit has happened. Going forward, regarding sustainability part, yes, there will be some moderation, some erosion will be there for sure, because the liabilities will get repriced over the next few quarters. But we are confident that we will be able to maintain the NIM in the range of 3.00% to 3.25%.

And for FY '24, little tricky at this stage, but I believe by mid of next financial year, if the rate cycle reverses, it will be little favorable to our

cost side. But advance side, we may have to take some hit. But again, that's little far-fetched as of now. Daily, market is evolving dynamically. And credit growth, we maintain 11% to 12% will be the credit growth for this current financial year and probably around 14% to 15% growth in the next financial year that is FY '23 - '24.

Mahrukh Adajania: Sir, basically 3% to 3.25% is the biggish range. So, in the fourth quarter -- I mean, how do margins pan out is the key question, right? Do they fall like 5, 7, 8 basis points? Do they stay stable or do they fall a lot more than that.

A.K. Das: This is only an estimate based on certain presumptions. There are so many factors at work, including the RBI policy rate, the rate reversal, inflation, so many things. So, we are depending on market forces. So given that kind of a situation and more particularly from the deposit repricing viewpoint, there will be some error in the market, but it will be definitely between 3.00% and 3.25%.

Mahrukh Adajania: Sir, and my next question is on the ECL circular that came yesterday. I know it's very early days, but since banks are already filing IFR accounts with RBI, just filing them, would you be able to give a rough sense on what we can expect as the incremented provisioning burden or if at all, there will be any impact of the ECL circular?

A.K. Das: As you yourself told it is rather too early to give any kind of specific number. But the only thing I can say is that we have been having mock runs in the IFRS mode for the last two years, and we are well prepared for it. So that much only, for the moment, I can say.

Mahrukh Adajania: Sir, and my last question is on State electricity Boards. So basically, if State electricity Boards have overdue, right, they are 90-plus overdue, then do they become NPL and follow the same regime like other accounts? Does that apply to them or does it not apply to them, the SEBs?

Swarup Dasgupta: Yes, State Electricity Boards, for everybody, the accounting rules are same.

Mahrukh Adajania: Okay. So, then they slip and then they can be upgraded after full dues are repaid?

Swarup Dasgupta: Yes. After Full overdue is paid.

Moderator: The next question is from the line of Ashok Ajmera from Ajcon Global Services Limited.

Ashok Ajmera: Complements to you for the fantastic results. In fact, according to me, the result -- the net profit would have been much higher but for that provision of divergence, remaining amount has been provided for in this quarter itself instead of Rs.400-and-odd crores in the next quarter. Sir, what is the reason for that? Are we not sure of a good profit in the fourth quarter also or we just want to, I mean, give a better balance sheet? This is my first question.

A.K. Das: See, the basic rule is, in good times, you do as much as provisioning or create a provision buffer in a possible level. We had a good pool of operating profit and I think that too for showing another net profit of Rs.450 crores, it doesn't make sense. Rather, we are safeguarding our March balance sheet. It's nothing like that because there are some apprehension that's why it has been done upfront. As a matter of adequate prudence, it has been done. We were in a position to do that; hence, we did it.

Ashok Ajmera: Point well accepted and well taken. Sir, my next question about co-lending space and pool buying and increasing our book on that through the NBFCs. What is the progress on that? Because our -- this advance growth in this quarter is muted, especially -- or rather negative as compared to the last quarter. So, can you give some color on that? This is my second question, sir.

A.K. Das: Can you elaborate, Ashok ji, how advances growth is negative compared to last quarter? Do you have numbers.

Ashok Ajmera: It is muted, sir, it is muted. We are in a low growth trajectory.

S.B.Singh, G.M: We are going well on our plans. We have tied up with two Fintech companies, one Cred Avenue, that is Yubi and another one, Knight Fintech. And by end of this month, our integration will be complete with Yubi and by February end it will be completed with Knight Fintech. So thereafter, we can go full-fledged because with some of the regulatory issues of individual account opening and real-time reconciliation with NBFC books, that was an issue. And this is the issue with most of the other banks. So we have tried to settle the issue first and then go in for that.

Ashok Ajmera: My last question is, Sir, on the asset going through NARCL. Where do we stand there? I think it is not yet started, but the final hurdle of the bank -- that government guarantee is cleared now. So in the next coming quarter, how much do we expect to go there from the gross NPA, I mean, the asset transfer? And how much approximately yield or the recovery we will get out of it?

V.Anand, G.M.: As far as our bank is concerned, around 17 accounts are there which have being identified, out of which, for one Kolkata-based NBFC NARCL has already given the resolution plan. They are not taking in ARC mode, but under IBC mode. As of now, they have been declared as H1 bidder. And going forward, administrator will place this before COC by opening the voting window. We will be taking a call. Other than that, for this quarter, we have only one account, which is the paper industry, which is one of the very early accounts identified where the process is at a very advanced stage and we expect only this account to go to NARCL during this quarter. The remaining accounts may spill over to Q1.

M.Karthikeyan: And in terms of NCLT recoveries during this quarter, we had a recovery of Rs. 310 crores, Ashok ji, and reduction of NPA to the tune of Rs. 627 crores. And this quarter, we are planning a reduction of Rs. 600 crores in NCLT advance.

Ashok Ajmera: Sir, any color on the SREI, sir, where the CoC meetings are going on, how much is our share? And how much do we expect?

V.Anand,G.M.: Yes, sir. That's what I told just now, Kolkata-based NBFC, I did not take any name. Today also, just now, a CoC meeting has started. So, today, I don't think anything will be decided because still the advisor, SBI CAP has to place the three plans comparison chart. So it may take one or two more days for finalization, and then only the voting window will be open. So as of now, only the cash component is final. The instrument and the other OCDs is yet to be finalized even though initially that was given. But since the cash portion has got an upside during the SWISS challenge process, accordingly, we expect that the other NCDs also will have an upside. So we'll come to know only in a day or two after what actually will be the figures.

Moderator: The next question is from the line of Suraj Das from B&K Securities.

Suraj Das: I have couple of questions. The first question is that, is there any one-off in the interest income as well as on the staff expenses? The reason

I'm asking this question is that it seems that interest from RBI bank balances and others have almost doubled on a Q-o-Q basis, while on the staff expense side, despite this additional wage provision of Rs. 85 crores, it has declined on a Q-o-Q basis. So is there any one-off in these two-line items? That is the first question.

Sankar Sen, CFO: First of all, that staff item, that wage revision, we have, this time, first provided. Last quarter, we have not provided this because the wage revision will start from November 2022 onwards. So we have provided Rs.85 crores. And going on in the subsequent quarter also, we'll keep on providing the same on appropriate basis.

Suraj Das: Right, sir. So ideally, the staff expense should increase, right, on a quarter-on-quarter basis, because we are anyway, there is BAU staff expenses, plus you have provided something additional. However, you are reporting says that there is Q-o-Q decline on staff expenses. So is there any one-off?

Sankar Sen, CFO: No, there is nothing as such.

Suraj Das: And on the interest line item?

Sankar Sen, CFO: Interest line item also, there is no one-off item. It is a regular as such that, that because of the growth in the advances and continuous focus on the high yielding advances and re-pricing. These are the three factors that have contributed to the increase in the interest income.

Suraj Das: Sir, is there any IT refund, income tax on IT refund or something like that in the interest income?

Sankar Sen, CFO: Yes. That has already been factored.

Suraj Das: So what would be the quantum if, you can -- if you have a rough estimate?

Sankar Sen, CFO: Rs. 251 crores, we have already factored this time.

Suraj Das: And on staff expense, just to conclude, I mean, what is your expectation on the staff expense going ahead? Do you want it to be something around at this level in the INR 1,700 crores roughly, or?

A.K. Das: Yes, more or less on the same line. And of course, it will slightly go up because our base division contribution needs to be factored. So because

this time, we have factored only for two months. Next time onwards, we need to factor for three months onwards, three months only in a quarter.

Suraj Das: Right. So that would be additional Rs. 40 crores on Rs. 40 crores, Rs. 42 crores?

A.K. Das: Yes, it will increase.

Suraj Das: And sir, the second thing is that, is there any lumpy recovery in the NII from any large chunk of NPAs in this quarter?

M. Karthikeyan: It's all regular recovery, sir. We have three schemes going on, under our OTS settlement scheme.

Suraj Das: The second question is on the capital, I mean, it seems that, you are about to raise Rs.1,500 crores through via QIP. The question is, Sir, what is the need for this capital because your CET1 is at a comfortable level of 12.7%, 12.8%? And I think the recent government notification also says that probably PSU entities are also -- the NPA norms at PSU entities have also been relaxed. So just wanted to check, if my understanding is correct, and what is the need for this capital raise?

A.K. Das: At one stage, our CRAR was above 18%. Now at the end of Q3, it is 15.60%. The basic purpose of augmenting capital is to improve our risk appetite. And that is why we have got approved the plan of about Rs. 2,500 crores, of which Rs. 1,500 crores we have raised. We are at 15.6%. But again, we have to think little forward. If we want to expand our advances base and maybe little lower rated accounts we want to take, that will lead to capital consumption, plus any unexpected or change in the regulation or in accounting procedure and all, so always it is better to create that capital buffer. And by that, we are expecting at least 17% or 17.5% capital should be good enough for us.

Suraj Das: Last question, Sir, if you can provide two data. One is, Sir, loan mix by benchmark, what percentage of loan should be EBLR-linked? What would be our MCLR share and fixed and others? And the second data keeping question is, out of the restructured book, if you can say how much is out of moratorium, what would be the slippages run rate from there and what is the outstanding NPA?

M. Karthikeyan: Yes. I'll take the second question first. You are aware that RFCRS 1 and RFCRS 2 are the two things which government had asked us to do and the regulator also supported. We started off with a disbursement of Rs. 7,714 crores RFCRS 1, of which we got Rs. 4,680 crores closed. And presently, Rs. 1,172 crores is under NPA. The balance outstanding in RFCRS 1 is Rs. 1,862 crores, which is all standard. So we don't foresee any risk because all the

moratorium is over. The repayment has started. We are continuously engaging with these customers. So we don't see any pain.

Coming to Resolution Framework 2.0, we started off with a disbursement of Rs. 11,897 crores, and we got Rs. 3,771 crores closed. So the NPA there is 6.94% amounting to Rs. 826 crores, and there, 31% of book is still under moratorium. So 69% is out. We are staying closely engaged with them. The level of engagement whereby we have put in place Restructure Cells in each of our 69 zones which is paying off. And you can see very well the forward role of SMA-2 is just about 2.49%. So we don't see any pain points there in Resolution 2.0 as well.

Swarup Dasgupta: Regarding first question, our MCLR-linked portfolio is RS. 1,72,847 crores, and RBLR-linked is on Rs. 1,89,317 crores, rest other rate of interest. So majority is in RBLR-linked rate.

Suraj Das: If I can squeeze one more question, what would be your ECLGS quantum outstanding? And what kind of slippages you have seen from that book?

A.K. Das: Rs.5,100 crores-odd is the ECLGS outstanding. And NPA percentage there is, 6.29%.

Moderator: The next question is from the line of Kartik Solanki from Elara Capital.

Kartik Solanki: Congratulations on good set of numbers. My question was on the lines of capital raising. So what are the future plans of the bank regarding capital raising? And its take on what would be the government holding in the coming quarter and the year?

A.K. Das: At the moment, the government holding is about 81%. I think someone prior to you was asking this capital question also. See, always, it is prudent to have a capital buffer. That is why we are planning to go for a QIP very soon that is Number one. Number two, for year ending March '23, we'll have good amount of retained earnings. So with all those things put in place, I think we should be safely above 17% to 17.5% capital by March '23.

Kartik Solanki: My next question was on the lines of retail loan portfolio. So as we have seen in the retail loan portfolio, there has been a tremendous growth in the vehicle loan segment and the personal loan segment of around 40% to 45% year-on-year. So where does the bank see vehicle and personal loan segment growing as far as retail loans are considered?

A.K. Das: See, in retail, the critical mark is still home loans. But the high growth rates you are seeing is mostly on account of a low base there. Vehicle loan, hardly from Rs. 9,000 crores, it has gone up to Rs. 13,000 crores and personal from Rs. 4,400 crores. So in terms of sheer percentage, they are not very significant.

But yes, there has been quite a lot of focus on the retail pack as such. But we will continue to focus on home loan segment and personal loan. Lot of salary accounts we have, but we need to leverage that. We are offering lot of add-on features also. So I think 21% is a good rate. We would like to further improve it, but primarily driven by home loans. And we have also partnered with a venture called CRMNext, where we are targeting the retail leads more effectively these days with all the field functionaries. So that has also started paying off. We are allowed to reach out to the customers.

Moderator: The next question is from the line of Jai Mundhra from B&K Securities.

Jai Mundhra: Sir, on this divergence provisioning, right, so now we have already provided entirely on this Rs. 1,400 crores of provisioning and then notes to account, June 7 circular, we have also provided on a prudent basis to Rs. 2,000 crores, which is on June 7 circular. So would this, so if I were to total these two standard assets provisioning, are they additive? I mean or this Rs. 2,000 crores on June 7 circular is anyway including the Rs. 1,400 crores of divergence provisioning?

Sankar Sen, C.F.O.: Yes, Jai, it is included. And in the notes, we have also mentioned that Rs. 2,075 crores as on 31/12/2022. So it is as on that figure.

Jai Mundhra: So sir, what could be the timeline for these provisions to unwind, assuming some of these are, of course, as you made standard assets provisioning, so these are standard assets. So when do they unwind?

V. Anand, G.M.: As per the 7/6/2019 circular, once we have made the provision, we have to start monitoring the account closely. So 180 days, it should be out of SMA portfolio completely. Then only we'd be in a position to unwind the provision. So we have made the provision before the Q2. So two of our accounts have already moved on. We are monitoring, probably in the month of February it may come out. So all these accounts, we have a close monitoring, so that during Q4 and Q1, we'll be in a position to unwind the provisioning.

M. Karthikeyan: And one more thing, Jai, is that these accounts, we are also in touch with other bankers. Presently, these are standard with ours, but in the system, other banks had it -- flagged as SMA. That's why our coordination is not only with our own branch specific, but we coordinate with other banks as well to see that delinquency doesn't happen during this review period.

Jai Mundhra: And second question was, sir, on overseas book, right? So on Y-o-Y basis, of course, your growth looks very strong. But on Q-o-Q basis, the overseas book has now become flat or a stable Q-on-Q. Is there any, how should one look at the growth in the overseas book, or whatever the tailwinds were in terms of rates or corporates taking overseas exposure, has that reduced, or how should one look at the growth in this book?

Monoj Das, CGM: We are looking at -- now we are strategizing it. So we are looking probably at 10% to 12% growth over whatever we have done. But this outstanding also includes some oil credit funding. And those have been repaid. That's why my core outstanding is increasing. But with oil credit, oil companies they have paid. This is under the RBI dispenser. So that's why total is degrading. But we look further for 10% to 12% growth on the core business side.

Jai Mundhra: So 10% to 12% is for global business or overseas business also?

Monoj Das, CGM: Overseas business, sir, not global.

Jai Mundhra: And last question, Sir, is on DTA. If you can highlight what is the DTA right now. And if you were to move to the new tax regime by next quarter, FY '23, what sort of onetime hit can be expected?

Sankar Sen, C.F.O: See, DTAs, this 31st December 2022, outstanding is around Rs. 7,600 crores. Last quarter, it was Rs. 8,200 crores. We have reduced from Rs. 8,200 crores to Rs. 7,600 crores. Now our plan is to, next year, we should bring down this DTA component to around Rs. 5,000 crores and once it reaches the benchmark of around Rs. 5,000 crores, then with the additional tax burden of around Rs. 1,500 crores can come. And that cannot be offset once last year -- next year, if we get that decision, we get the MAT credit, then with the MAT credit, the debit of additional tax burdens can offset. That point of time only we can shift to the new regime.

Jai Mundhra: And last question, sir, in your opening remarks, you mentioned credit cost at 1% from here onwards. Our net NPA is now 1.6%. So, I mean the credit cost is still on a net NPA base of 1.6% wherein your new slippages are getting offset by the recovery upgrade. So I mean, is that just a ballpark number or is 1% credit?

A.K. Das: The 1% was a worst-case scenario.

Jai Mundhra: What could be the likely scenario, sir?

A.K. Das: In normal baseline scenario, we will continue to have similar trend as we have been having for the first three quarters. That is a slippage of another Rs. 1,200 crores and recovery of about Rs. 2,500 crores. And our PCR is 90% there. So we have enough room there. So basically, we want to make sure that our credit cost doesn't exceed 1% in any case. But we would like to -- like previous quarters, we were much lower than 0.93%. So we would like to have it within 1%, and that's considered quite prudent.

Jai Mundhra: Just that your -- some of these standard assets provisioning will not come, right? So when you calculate your credit cost, do you include those standard assets provisioning or no?

- A.K. Das:** All these assumption or guidance's are based on certain assumptions. So this is as of now. So maybe depending on the unwinding, as you told earlier, we will have a revisit there. I mean difficult to predict everything precisely at this point in time.
- Jai Mundhra:** Right, sir. Okay. And sir, if I may ask, do you have -- I mean, maybe someone can also answer that, 1% ROA, do you think it is possible in, let's say, '24 or maybe '25 or that is just an aspiration level as of now?
- A.K. Das:** '24 March, I think there is a distinct possibility because we have progressively improved, now brought it to 0.57%. And I'm sure, going forward, because some of the banks, they have declared results and they have already gone beyond 1%, so 1% is ideal, but March '23, we may not be able to cross that. But definitely, March '24, there will be a possibility.
- Moderator:** The next question is from the line of Sushil Choksey from Indus Equity Advisors.
- Sushil Choksey:** Congratulation on a great set of results and preparing Bank of India ground on a good wicket in your tenure.
- A.K. Das:** Thank you.
- Sushil Choksey:** Sir, you've answered most of the question on ROA, ROE and the margins. If I have to ask you a question, what do you think should be a concern as on today where our balance sheet is concerned?
- A.K. Das:** One concern, I would say, which is secularly-found-out-concern but not insurmountable is the deposit part -- resources part, which all of us are quite engaged. And I think, before long, we will be able to address that. Otherwise, the top line, profit and profitability in all these three aspects, I think we are well on track. If I give you a simple example, I think our operating profit, which is our core income before any kind of provision and all, it has gone up quite substantially.
- Last entire financial year, we were not even Rs. 10,000 crores of operating profit. This time, in three quarters, we have crossed Rs. 9,200 crores plus, of course, the NII and NIM thing, operating efficiency is there. So the only, focus area that we are constantly looking at is the resources. We already have a good CASA franchise, 45.56% is fairly good, I think, if not the best, one of the best in the -- at least among the PSBs. So that is the probably only area where we are trying to stay focused.
- And second, of course, not in business front, but on the IT front, where we were a late starter. Certain projects got delayed and all. But I believe by maybe

in the next one or two months, we should be able to roll out whatever we had planned about year and half back.

Sushil Choksey: Sir, can you answer, as you mentioned about digitization and future enablers being ready in digital platform, what was the cumulative spend done in last two, three years to make yourself a digital savvy bank starting maybe the next financial year?

A.K. Das: Our overall budget envisaged is about Rs. 6,000 crores.

Sushil Choksey: How much could you have spent by now?

A.K. Das: Rs. 820 crores already, this year alone has been incurred and some amount in previous year also. So this is supposed to be staggered over a period of five years, sir. Last year, it was Rs. 900 crores.

Sushil Choksey: Sir, should we count only two years or three years total number.

A.K. Das: No. I think we have to count forward next two to three years because certain projects are in advanced stage, certain projects have been just initiated.

Sushil Choksey: So similar kind of capex of Rs. 800 crores, Rs. 900 crores run rate should be there for next few years?

A.K. Das: Yes.

Sushil Choksey: Sir, on credit cost and dilution, you have highlighted, but is it that now it's not mandated, but you would like to see government holding at 75% was one of the reasons you're looking at QIP as an enabler in maybe next one month or two months or next quarter?

A.K. Das: That is, of course, one of the objectives. SEBI might have given us a temporary dispensation. But ultimately, for the sake of good governance, I think below 75% and strengthening the board level governance, it is always ideal to have it, at least to begin with, below 75%. That is one of the reasons. But major reason, as I told in the beginning, is we improve our credit appetite and reach out to more number of segments.

Sushil Choksey: There is any kind of mechanism, bank is monitoring on the lost accounts over a period of last four, five years, specifically in your RAM segment or small manufacturing concerns or traders which were big for Bank of India in the prior two decades and we are trying to garner that back?

M. Karthikeyan: In terms of deposit, I can tell you that there is a complete list of clients who have lost from us, and we have now asked the branches as well as the zonal offices and from head office also to coordinate with those segment of people who have went out of us and probably a lot of good digitization and things

happening, we are bringing them into our fold. In credit also, there is a set of accounts, which we know that takeover has happened. Again by way of digital means, we're engaging with them to see that they are coming back into our fold.

A.K. Das: I'll add to what Mr. Karthikeyan has told, Sushil ji. We are pretty much conscious and that way we have shared the strategies with our field functionaries. We have started this Each One Reach One, Each One Bring One. That means a list of customers who have left us and we see good results at the beginning, like me or our EDs, they go to field. A lot of outreach programs happen. I actually -- I've known so many customers who left us, they're coming back to our fold. So that way, we are trying to bring back those customers.

Moderator: The next question is from the line of Bhavik Shah from Morgan Stanley.

Bhavik Shah: Congrats on very good set of numbers.

A.K. Das: Thank you.

Bhavik Shah: First, sir, as in, I was looking at your provision schedule. So standard assets provisioning has been around Rs. 806 crores this quarter. And I understand this includes the divergence provision of Rs. 976 crores. So what would be the difference between the Rs. 170 crores? Have we seen some write-backs?

A.K. Das: No, this is net position. As you know, below the line, these provisions, whatever we do, they get netted out. So otherwise, the divergence itself was about Rs. 940 crores. So the overall standard assets provisioning cannot be Rs. 800 crores. There have been write-backs in varied accounts. That is why the net figure is Rs. 800 crores-odd, what is given there. Right, Shankar?

Sankar Sen, C.F.O.: Yes, this write-back was because there was one previously restructured account that now restructured account has come back. So that provision has also come back because it was a standard provision, it has also been deducted in the standard provision category. That's how this write-back has happened.

Bhavik Shah: Okay. Understood, sir. That was very clear. And sir, I see your other operating expenses have gone up quite sharply, it was around Rs. 1,200 crores last quarter and now it is higher. As in, is it to do with the IT spends or is there anything else which is moving this number?

A.K. Das: Only revenue part of IT expenses will be featuring in the other operating expenses, whereas other components are of establishment and other rent, taxes and other thing. So there is some increase there. But again, we are trying to -- we have set a target of 10% decrease by March in controllable expenses, basically with rent, taxes, lighting, postage, telegraph and other stuff. So yes, there is slight increase there. But again, we have expanded branches also. We

have also added lot of things to our IT. So that is why the revenue component also is featuring there.

Bhavik Shah: Okay. Sir, going forward, as an annual run rate, would it be around Rs. 5,500 crores or less?

Sankar Sen, C.F.O: Other operating expenses, this time, almost 10% hike is there. So going forward on the same line, it will continue, because expenses, definitely we need to control. But like staff cost, like establishment, fixed costs, that will continue. So 10% hike is relatively okay.

Bhavik Shah: Okay. Understood, Sir. One last question, sir. Sir, what would be our liquidity coverage ratio this quarter?

Sankar Sen, C.F.O: 164%.

Bhavik Shah: Okay. Sir, broadly its stable quarter-on-quarter? So quarter-on-quarter, is it stable or...

Sankar Sen, C.F.O: Yes, stable. Last quarter, slightly it was higher side. Now it is almost in a stable level.

Moderator: Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference over to Shri A.K. Das for closing comments. Thank you, and over to you, sir.

A.K. Das: Yes, I thank on behalf of Bank of India, and all my colleagues, indeed, who all are present here, Sincere thanks to the analyst fraternity for their guidance, for their queries, a lot of good suggestions, incisive analysis. And I hope all your questions have been answered. In case any one of you feel that still some questions need to be answered, kindly get in touch with the Finance Department. We'll be glad to respond to your queries. Thank you once again.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Bank of India, I announce that this conference has now concluded.