



“Bank of India
Q3 FY 2021 Results Conference Call”

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Moderator: Ladies and Gentlemen, Good day and welcome to Bank of India Earnings Conference Call. As a reminder, all participant lines will be in the listen mode only 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 the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. We have with us today Mr. A K Das- MD & CEO, Mr. P R Rajagopal – Executive Director, Mr. K V Raghavendra- General Manager (Finance), Mr. Sankar Sen – Chief Financial Officer and other senior executives of the bank. I now hand over the conference to Mr. A K Das – MD & CEO. Thank you and over to you, sir.

A. K. Das: Thank you very much. Thanks a lot for joining this conference call on our Q3 numbers. We welcome all the analysts and investors who are present in this virtual meet. It has been a long day, the day will end with an exhaustive interactive session with all the analyst friends. Probably we are the last one to come out with the results among the PSBs. So, Q3 has been good like Q1 and Q2. There are lots of positives. Some positives of Q1 and Q2 also have been carried forward. Certain new initiatives have also been taken, especially with regard to asset quality with a view to safeguard for the possibilities of any kind of shock that we may encounter going forward in this current quarter or in subsequent quarters.

The Second Major highlight is that we had a decent overall growth of about 14% comprising 17% in deposits and 10% in advances. CASA deposits grew by about 12% and in the advance segment, RAM grew by 10% and MSME by 14%, retail 11%, agri about 5%. Overall, it's been a good business quarter for us. Like the first and the second quarters, we have also stayed ahead of the banking system as far as deposit and loan growth are concerned.

We would like to convey that there is a fivefold increase in net profit, that too after doing a lot of provisioning upfront and over and above the required mandates, including provisioning for proforma NPA. Operating profit has been decent, although in comparison to quarter last year, it shows a decline, mainly because of one-off item which was there last time around. Otherwise operating profit will show a growth of about 9%.

Our NIM has come down slightly by 8 bps. But we believe that's a feature that is common to many banks, especially in the aftermath of rate transmission and new benchmark rate like repo. Our business growth guidance will be about 8% to 8.5% for this current year. And for the next year, when we expect a lot of demand, it will be in the range of 10% to 12%.

Regarding capital, we are comfortable. Regulatory capital is very comfortable, Some amount of growth capital also we do have. 12.51% is the CRAR and 9.44% is the CET-1. Of course, we have not factored the recent Rs. 750 crores that we mobilized in AT-1 bonds. As a part of our Board approved plan we are issuing our Tier-2 bonds followed up by a QIP possibly by the end of this month or early in the next financial year.

So, overall, it's been a good quarter, especially where we have done a lot of proactive and preemptive provisions over and above the mandates. For example, we have taken care of the proforma NPA also although recovery efforts are concurrently on. For example, out of Rs. 5,800 crores of proforma NPA, we have already recovered Rs. 660 crores. I think, our approach is more skewed towards asset quality as opposed to conventional business. From Q2 onwards we have been very conscious of the fact that asset quality is going to be a decisive factor as far as our P&L is concerned, more so, in the COVID and post-COVID scenario and the Supreme Court standstill.

So, all in all, it's been a good rewarding quarter for us. We will consolidate the good aspects in this quarter. Also with about 40 days left. We will try to improve business further with volume-led growth so that our net interest income also could be improved substantially.

I think with this introductory remark, we will keep the floor open now for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Prasanna, an individual investor. Please go ahead.

Prasanna: Sir, this is regarding your development on the bulk deposit front. What is the cost and what are your views on the bulk deposit area of banking?

P Harikishan, GM: See, we have bulk deposits of the order of around Rs. 60,000 crores. But in the fiscal terms bulk deposits are not deposits which are at high cost. These deposits are at a discount to a normal rate. That's not a major issue for us.

Moderator: Thank you. The next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: Congratulation on a good stable result. Sir, what is your guidance for the next 12 months?

A. K. Das: I think credit cost guidance will be remaining within 2. It will be in the range of 1.5 to 2, since we have already made lot of provisioning which is evident

from our PCR numbers. Now fresh slippages, if any, will define the credit cost. But we expect it to be within the range of 1.5 to 2 max.

Sushil Choksey: Are we being conservative with PCR without write-off at 83.5% and with technical write-off at 89.3%. Restructuring book @ 2%, COVID, are we estimating some problems?

A. K. Das: No, we are not estimating problems. We had our assumptions at the beginning of the restructuring exercise, the traction has been quite less, not as much as we expected. There are not many takers, especially in the corporate segment and in the retail segment too. So, we are not expecting much of a problem there. And that apart, our provision also has been kept up to date, rather it has been front ended so to say, to take care of any kind of future shocks. So, that way there are no issues in that. It's an ongoing exercise. Our entire employees are on a feet on the street mode now for the next 40 to 45 days. So, as much as possible, we will do it. So, there is no risk upside to that, according to us. And as regards return on asset, yes, 0.28 it is now. I think, by the year end we expect this to be in the range of 0.45 to 0.50.

Sushil Choksey: What is your thought process on CASA deposit specifically, mainly led by savings account?

A. K. Das: CASA, you see, we have registered a growth of 12% growth. And, I think, that's a decent number. And we have got a lot of support from the government departments and government deposit front also. So, CASA is not an issue. Yes, current deposits, we are trying to address, there is little volatility in current deposits. Otherwise savings we have done exceptionally well.

Sushil Choksey: And now you gave us a guidance on advances and deposits already for the year, around 8%. Based on which where are you seeing absolute numbers pertaining to gross NPA and net NPA for the year end?

A. K. Das: Gross NPA number for the year end, in a worst-case scenario, I will say will be about 14.5% compared to 13.25% as of now. And net NPA ratio we will maintain at below 3%.

Sushil Choksey: How are you seeing your treasury income in the coming quarters with the current challenges which has emerged after 11th of January? And are you seeing sustainable number quarter on quarter or there would be a fair decline in the year 2021?

P Harikishan, GM The year so far has been very good. And as you said, post January 11 there seem to be some challenges. But RBI is going to continue with its

accommodative stance and it will continue to examine the market and continue the OMO operations. That gives us the opportunity.

Sushil Choksey: My last question before I join the queue again. Sir, you made a wage provision of Rs. 1,856 crores compared to Rs. 1,503 crores in the second quarter. Was this because of deficit as per the new wage revision package which was signed? Or did some exceptional increase was there?

P R Rajagopal: There is no exceptional increase as such, it is only because of the bipartite agreement.

Sushil Choksey: Okay. And what would you estimate your annual wage bill around, Rs. 6,000 crores to little higher than Rs. 6,000 crores.

P R Rajagopal: Yes, around Rs. 6,000 crores, not more than that.

Moderator: Thank you. The next question is from the line of Ashok Ajmera from Ajkon Global. Please go ahead.

Ashok Ajmera: Compliments again, for yet another quarter of good results, which requires a lot of effort, in spite of having only one Executive Director in the bank as compared to four in some of the other peer banks. So compliments, Sir. I have got a couple of observations and the question. Number one, this AT-1 bond, you came out with Rs. 750 crores you collected, it was something about beyond 9% coupon rate, which is, I think, the highest among the PSBs, public sector banks. So, what is the reason for offering such high rate of interest, coupon rates?

K V Raghavendra, GM: Sir, actually one of our rating was AA-. And if you see, some of the banks have accepted at a coupon rate of around 8.8%, though State Bank of India coupon was less than 8%. So, AT-1, because risk participation is there, it attracts higher rate of interest. Ours is @ 9.04%, so it is on the expected lines, because one of our rating is AA-. Whereas Tire-2 we may get at a lesser coupon which we are proposing. Our rating also supports that.

Ashok Ajmera: So, the rating is supposed to be upgraded now, from AA-?

A. K. Das: These are two different instruments, there are different ratings for AT-1 bond and Tier-2 bond. For Tier 2 bonds, we already have AA+ valid up to 2022. So, to that extent, we will get discount on the coupon. All this depends on market appetite like one or two banks who hit the market before us and didn't succeed whereas we have got bids in excess of Rs. 1,000 crores. But we decided a cutoff of 9.04 and took AT-1 of Rs.750 Crore.

- Ashok Ajmera: Alright. Sir, what is our collection efficiency in this December quarter?
- A. K. Das: About 75% overall, but maximum is 89% in retail and 79% in MSME. Every week it changes. But December this was the number.
- Ashok Ajmera: So, the performance is lackluster in case of the corporate, isn't it?
- A. K. Das: Corporate is also the same, almost 74%. So, there are challenges everywhere. It is never an ideal situation. And more so, in a COVID and post-COVID. Retail is max at 89%.
- Ashok Ajmera: Sir, one observation on note number 11. But for the Supreme Court decision, the gross NPA would have been Rs. 60,517 crores and net NPA Rs. 13,725 crores versus Rs. 54,997 crores and Rs. 9,077 crores. So, if you take out the difference, the gross NPA would have gone up by Rs. 5,520 crores whereas, net NPA also came down by Rs. 3,648 crores. So, is it that the 70% provision almost is already made on this? Because the difference in the net NPA is Rs. 3,648 crores.
- A. K. Das: Yes, we have made additional provisioning in the proforma NPA, URI, so that is why it is coming down. Over and above the requirement we have done the provisioning.
- Ashok Ajmera: Because the gross NPA would have gone up only by Rs. 5,500 crores, whereas the net NPA difference is Rs. 3,648 crores.
- A. K. Das: We have done upfront provisioning on these accounts, although we are certain that all these numbers will not definitely crystallize into NPA, because the recovery action is on. But as a matter of prudence we have done the provision on entire proforma NPA. So, in a way, we will expect, as the things pan out, good number of provision reversals.
- Ashok Ajmera: But still you are maintaining gross NPA 14.5% upto the end of the year?
- A. K. Das: Yes.
- Ashok Ajmera: By that time you think that Supreme Court judgement might come?
- A. K. Das: Yes, we hope so.. But we are prepared for the worst.
- Ashok Ajmera: Alright. Sir, next please refer to note number 13. You have given the figures of divergence. Was it required in this quarter because I don't think any other bank has given any RBI audit and divergence numbers. So, Rs. 358 crores in this quarter, I think, the difference you have provided, isn't it?

- A. K. Das: I think, it's better to provide for it. We have complied with the regulator also. That's a plus point, rather than waiting for future.
- Ashok Ajmera: That's what I am saying that the profit otherwise would have been much higher, isn't it?
- A. K. Das: Absolutely, much higher.
- Ashok Ajmera: And sir, this operating profit is going down as compared to the last quarter by Rs. 350 crores, I think, something around Rs. 250 crores is only because of that wage salary bill burden or is there any other extra item?
- A. K. Das: Last quarter that is precisely in Q2, we had one extraordinary head that is interest on IT refund, we got the benefit of Rs. 280 crores. That is not available this time around. That was a one-off case. So, that probably is the difference. If that was not there, the operating profit would have been flat.
- Ashok Ajmera: Sir, the dispute resolution, that one case of 180 days has not expired as per the new guidelines as on 1st March 2020 of Rs. 376 crores. Which is this case? Or if you cannot give the name, the segment, the industry? Note number 15.
- A. K. Das: It is in aviation sector.
- Ashok Ajmera: And some light on those five accounts of Rs. 230 crores provision has been made on those five accounts for which resolution could not be worked out up to 180 days.
- A. K. Das: Names we cannot divulge. But wherever there is some stress or there is some resolution going on, we have provided additional provisions, just to be on the safer side so that our P&L will not get any strain going forward.
- P R Rajgopal: Ashokji, the issue with those five accounts are that most of those accounts are in NCLT. It didn't get admitted and the resolution was not there, so 180 days got over. So as per the prudential framework we will have to provide for it. Resolution could not happen because it has to go to NCLT. The day NCLT will admit it, this thing will get reversed.
- Moderator: Thank you. The next question is from the line of Jayant from Credit Suisse. Please go ahead.
- Jayant: Sir, first question is, the proforma NPA number, can you give us the absolute amount that you have provided on this Rs. 5,800 crores?
- A. K. Das: Rs. 706 crores.

- Jayant: And sir, on the restructured book, do you have any early estimates on what would be the quantum of this book?
- A. K. Das: As on date it is Rs. 10,000 crores, it will continue to be as such.
- Jayant: You are not estimating a significant rise in that book?
- A. K. Das: No.
- Jayant: And sir, the SMA-2 number which has gone up, does this include the proforma NPA?
- A. K. Das: Yes.
- Jayant: So, that would be only by the quantum of proforma NPA, meaning you are not estimating any further stretch beyond the Rs. 6,000 crores on your overall book?
- A. K. Das: No. If you see the trend line of NPA numbers for the bank for the last three years, actually the gradient is downwards. So, from that perspective it will be around Rs. 10,000 crores is what our estimate is, it will continue to be there as of 31st March, 2021.
- Jayant: Okay. And sir, what is your capital requirement? How much is the issue size that you are looking at?
- A. K. Das: Recently we have raised around Rs.750 crore of capital by issue of AT-1 bonds. Ideally, we need around Rs. 4,000 crores. So, we are looking at that. Depending upon how government is going to respond, we will take a call on that.
- Moderator: Thank you. The next question is from the line of Jay Mundhra from B&P securities. Please go ahead.
- Jay Mundhra: I have a couple of questions, sir, first one is restructuring. So, what is the one-time restructuring request that we had received in this quarter? Because I think the restructuring slide that you have given is hardly changed, I mean, so what is the restructuring quantum request that we have received?
- Mr S S Dash, GM: Request received was around 49,425 accounts and amount is Rs.6000 crores.
- Jay Mundhra: Okay. So, the amount was how much, 6,000?
- A K Das: The number of accounts requests have been received is 49,425 and the amount involved there in is Rs. 6,133 crores to be precise.

- Jay Mundhra: Okay. And any breakup in corporate, retail and MSME?
- Mr S S Dash, GM: Retail it is Rs. 1,800 crores, MSME is Rs. 918 crores and the corporate sector is Rs. 3,400 crores.
- Jay Mundhra: Okay. And within corporate, out of the Rs. 3,400 crores, can you bifurcate into let us say, A, organized retail; B, power, etc., I mean, other sectors that you may have?
- P R Rajagopal: You have answered it yourself.
- Jay Mundhra: Okay. Sir, the quantum, I mean, maybe two, three, four...
- P R Rajagopal: Quantum is, the organized retail itself would be a little more than 60% of that.
- Jay Mundhra: Right. And this Rs. 6,000 crores number, this is not there in the slide, right, because these may not have been implemented, the slide that we have been given is the number of implemented restructuring, right?
- P R Rajagopal: Precisely. However, one thing I can tell you, in this slide that we have given, the OTR implemented to the extent of Rs. 1,178 crores, that is Rs. 1,200 crores is already included in this slide.
- Jay Mundhra: And sir, now to the next section which is SMA-1, SMA-2. I think you had clarified that the SMA-2 number that we have given, also includes the proforma slippages, right?
- P R Rajagopal: Yes.
- Jay Mundhra: So, if I were to remove the proforma slippages, assuming they are already there in your proforma GNPA, then the SMA-2 is only Rs. 3,200 crores something, right?
- P R Rajagopal: Yes. As of that date, 31st December.
- Jay Mundhra: Right. And then SMA-1 also you have given Rs. 3,100 crores. The only confusing part is, so SMA-1, SMA-2 all put together is like less than 5% and your collection efficiency is 75%. So, does that mean that around 20% of the book is SMA-0? I mean, how should one tide these things.
- P R Rajagopal: That's a great question. 20% is not there, around 11% is SMA-0. Because see, there is a lag that is happening because of COVID issue. And many of these accounts are still enjoying moratorium in terms of the RBI guidelines. The payments are slowly coming now. Because many of them have got their

accounts rescheduled, many of them have got FITLs, interest funded and all that. So, from that point of view, your guess is right, but it is not at 20%, it is around 11%.

Jay Mundhra: Right. And last question before I come back in the queue. If you can provide the sectoral breakup of the proforma slippages of Rs. 5,800 crores, mainly retail, corporate, agri, SME.

S S Dash, GM: Agriculture is Rs. 1,600 crores, SME Rs. 649 crores, retail Rs. 294 crores, corporate sector is Rs. 2,500 crores.

Moderator: Thank you. The next question is from the line of Ashoka Ajmera from Ajkon Global Services. Please go ahead.

Ashok Ajmera: Sir, I would like to have your views on, number one, on the budget optimism and the announcement of bad bank, so called asset reconstruction company by the bankers, which will have a sovereign guarantee of the government. That's what we understand. How according to you it will be beneficial to the bank like you, and overall, for the banking system or for the credit system of the country?

A. K. Das: Bad bank is a concept which is being advocated for quite some time. Although sufficient cleansing of the system is happening, but still banks are holding huge amount of impaired assets. Now, bad bank is a good concept. I think, we have to know the contours of the scheme once it gets finalized. We are feeling that it will be of help to banks in cleaning up their balance sheet further and moving ahead. We have to look at the contours of the entire scheme. But overall, I feel it will be a positive move.

Ashok Ajmera: Sir, the budget optimism and the kind of amount that is going to be spent by the government and the overall reliance on the deficit financing and giving major fillip to the growth, with that will it not change your own credit growth targets? Firstly. And secondly, are you capable that based on your own capital base, like how much comfortable you are in growing your credits?

A. K. Das: First of all about deficit financing or budget announcement. It was a dire necessity. Dire necessity was to go consciously for some fiscal slippage, then only the multiplier effect will facilitate bounce back of the economy. It has happened in many countries, so there are no two opinions about that. Now, as regards the appetite, I think, most of the banks, including Bank of India, we do have the appetite now. We are expanding credit, as I told, in a down market we have been able to show credit growth of 10%. We are mobilizing more capital now to create that elbow room for further loan growth. So, I don't think there

is any issue in that. That's why I told in the beginning that we are slightly projecting higher credit growth in the subsequent financial year, that is 2021-22, anywhere between 10% to 12% should be that.

- Ashok Ajmera: Great. I think you are the first banker who has given this kind of very optimistic growth target. And, I think, you should achieve it, Sir. It is always my concern, like in wholesale banking if you see, as compared to Rs. 1,133 crores of loss, this quarter it is only Rs. 896 crores, whereas unallocated loss has increased to Rs. 272 crores from Rs. 49 crores. So, how does it happen? I mean, like what can be an unallocated which can trigger a loss of Rs. 225 crores more than the last quarter?
- A. K. Das: We will analyze that; we will have to revert back to you on this.
- Ashok Ajmera: Yes, there is some anomaly.
- A. K. Das: Ashokji, we will revert back to you on this.
- Moderator: Thank you. The next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.
- Sushil Choksey: Sir, you said that you would like to ideally raise Rs. 4,000 crores between Tier-1 and equity, what is the ideal number which you are looking for?
- A. K. Das: As of now, there is nothing called ideal, we need to build a buffer, we got a board approved plan of Rs. 8,000 crores. We need to try out various combinations depending on the market appetites and the evolving situation. We are seeing some successes and some banks are not succeeding. So, this is the basic minimum we are trying. We have just started about the capital mobilization last month. We have about Rs. 2,500 crores of Tier-2 bonds which are due for redemption sometime next year. There also we want to do some advanced action so that capital is not a casualty.
- Sushil Choksey: Are you hoping for a rating upgrade to be aligned with both rating agencies and then go for it?
- A. K. Das: No, at the current rating itself Tier-2 bond should not be an issue.
- Sushil Choksey: Not, Tier-2, I am talking about Tier-1.
- A. K. Das: Tier-1, as of now, we will go for QIP. I think, early next year, we will take a call on that. But step by step we will go.
- Sushil Choksey: Nothing in this quarter you mean, no dilution in this quarter?

- A. K. Das: No, no dilution in this quarter, as of now.
- Sushil Choksey: Okay second thing, I was just looking at the advances growth, it predominantly comes from your international book. Any specific geography or Indian corporates or what advances would this would be for?
- A. K. Das: International has not grown, in fact it has de-grown. It is only domestic advances which have kept the loan book going and growing sequentially. Some few centers we have a growth, but we have a plan of action in specific centers. But again, the bread and butter will come from the domestic scenario only where we have done a good number of sanctions up till now and we will continue with that. And international, we will try to revive to its earlier level.
- Sushil Choksey: Your presentation shows foreign advances at Rs. 45,250 crores moving to Rs. 51,978 crores. In domestic Rs. 362,666 crores moving to Rs. 363,009 crores. That the reason I asked.
- A. K. Das: The domestic part we will be relying more on, because international, of course, there are challenges. Domestic we can do more so in the RAM segment; we will do that. We will go over plain vanilla kind of thing. Still we can show profits, I think, going forward.
- Sushil Choksey: Secondly, ideally your Treasury is well secured till what, in HTM or otherwise till what? Are you comfortable till what rate of 10-year G-Sec?
- P Harikishan: There's nothing like comfort level. See, we have a kind of derisked portfolio. If you look at the composition of our AFS portfolio, it is less than 1.5%. So, even at the current levels, which is 6.42% today, we have negligible mark-to-market losses. And even if the yields hike up by 10 to 15 bps, it's not going to have any kind of significant impact on our pockets.
- Sushil Choksey: How active are we on corporate bonds, other than government schemes?
- P Harikishan: We have been quite active in the corporate bond sector also because of TLTRO and LTRO.
- Sushil Choksey: No, other than TLTRO.
- P Harikishan: We are taking exposures from corporates on standalone basis also. Not very aggressive but it is a small component, definitely.
- Moderator: Thank you. The next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

- Rahul Gupta: Sir, two questions from my side, you have highlighted that there are Rs. 6,000 crores of restructuring that has been invoked. So, can you give me what would be the overlap of this number with proforma NPA? And also, is this Rs. 6,000 crores already a part of your SMA loan book? That would be the first question from my side. Thank you.
- A. K. Das: I think most of these accounts are overlapping. And this is also part of our SMA book.
- Rahul Gupta: Can you help us quantify what percentage or what quantum of the Rs. 6,000 crores would already be part of proforma NPAs?
- A. K. Das: That we will have to actually granularly look at it. We have not gone into that.
- Rahul Gupta: Okay, got it. Sir, second and last question from my side. I missed the initial comments of the call. Have you made any provisions for interest income reversals during the quarter?
- A. K. Das: Yes, we have made a provision for Interest income reversal.
- Rahul Gupta: So, what would be that amount?
- A. K. Das: Rs. 290 crores.
- Rahul Gupta: And that is taken through provisions, right?
- A. K. Das: Yes.
- Moderator: Thank you. The next question is from the line of Ashok Ajmera from Ajkon Global Services. Please go ahead.
- Ashok Ajmera: What prompted me to come back again and ask this question, you just referred this TLTRO. Sir, I have read in the RBI recent announcement and policy also that the TLTRO tap is going to be running. So, are you looking for some more amount because your Treasury has performed very well otherwise also. If you look at the operation results, the profit contribution major is from the Treasury? So, are you looking at TLTRO still is it open or it is closed, TLTRO 1 or 2, or running tab of TLTRO?
- P Harikshan GM: As of now, till date we have not tapped that window, and we don't think there will be any need to tap the window at this juncture. As and when opportunities arise, we might think of it.

- Ashok Ajmera: And what are your views on the NBFC funding, NBFC credits, loans for onward lending?
- P R Rajagopal: The growth outlook is significantly improved, so we are on to that. On case-to-case basis we will go for NBFCs.
- Moderator: Thank you. The next question is from the line of Sohail from Antique Stock Broking. Please go ahead.
- Sohail: Congrats on a decent good set of numbers. Sir, a couple of points from my side. One is, if I look at the technical write-off pool, it is somewhere around Rs. 29,000 crores, Rs. 30,000 crores if I am not wrong. So, if you could just help understand basically any recoveries are expected from these pool, any large recoveries?
- A. K. Das: Last year we got one.
- P R Rajagopal: Actually, major accounts are from the NCLT account, so once NCLT resolution amount starts pouring in, at that point of time we are expecting good recoveries in these accounts.
- Sohail: Okay. And sir, in terms of the HFC account, basically, in terms of the resolution, what could be our exposure to that?
- A. K. Das: HFC. You are talking about what? NCLT
- Sohail: Dewan Housing to be specific.
- A. K. Das: Our exposure is around Rs. 4,500 crores.
- Sohail: Okay. And basically, do you expect that to get resolved this quarter?
- A. K. Das: Yes.
- Sohail: Okay. And it is fully provided for, right?
- A. K. Das: Yes, yes.
- Sohail: Okay. And sir, basically in terms of looking at your corporate book, if I actually look at it, the corporate book, the proportion of the government advances are very high, which we have been growing. If you could just help understand what is the yields that we are generating on this book?

- P R Rajagopal: See, it is not less than the average yields on what we have in our bank, 7.06%. Most of the cases, except very rare accounts, one or two accounts where we have given fine rates, except that average yield across the portfolio of government accounts is not less than 7.06%.
- Sohail: Okay. And sir, final question from my side, if I actually look at the corporate book, if I look at the private corporate space, then probably private corporate lending book has declined significantly since FY 2019, I think, it is down by around 30% plus over the last two and a half years. So, can one assume that corporate asset quality pressures will now not be there? And just wanted to add one more thing in terms of when the moratorium or the restructuring was allowed, RBI allowed anything to get restructured which is SMA-0, SMA-1. SMA-2 was not allowed. So, are there any pockets of stress left in the corporate book now, after this post restructuring of Rs. 6,000 crores odd that we are talking about?
- P R Rajagopal: None, all of them have been recognized. But some of them are still sitting in SMA-2. Of course, once the moratorium goes off, it will actually get recognized as an NPA.
- Sohail: Okay. And sir finally, any thoughts in terms of the credit quality in terms of agri and SME? Because the NPA levels are generally a little higher.
- P R Rajagopal: See, SME, of course, as you rightly said. Our major portfolio is micro loans, so there is a lot of stress because of this COVID pandemic. And similarly, is the case with agri also. COVID has created a lot of issues in terms of collections for us. So, there is a lot of stress over there because collection efficiency has substantially come down in aggregate for us. So, once the restoration happens and then once things come back to normal, the stress that you are seeing in this book will certainly ameliorate to a great extent.
- Moderator: Thank you very much. The next question is from the line of Jay Mundhra from B&P Securities, please go ahead. Please go ahead.
- Jay Mundhra: A few clarifications. I have one or two questions. First is, the SMA-1, SMA-2 that we report, this is for Rs. 5 crores and above, right?
- A. K. Das: Yes.
- Jay Mundhra: And sir, I think we do not report this SMA-1, SMA-2 below Rs. 5 crores, But if you are internally tracking how much that number would be. I mean, would it be like Rs.5,000 crore, Rs.10,000 crore?

- P R Rajagopal: SMA book you are talking about?
- Jay Mundhra: Sir, below Rs. 5 crores SMA book,
- P R Rajagopal: Below Rs. 5 crores SMA book, see traditionally our SMA book is around 3% to 3.5% of the standard advances, with a slippage ratio of around 2%. Because of this COVID and other stress that has been created, there is a 100 bps jump in the numbers. So, it is today at around 5.5%, 6%.
- Jay Mundhra: Okay. And sir, the proforma slippages, now I think you would be doing at borrower level, right, not at facility level? I mean that is the RBI mandate, or you can actually do it on facility wise also, the pro forma slippages?
- Management: It is not facility wise; it is borrower wise.
- Jay Mundhra: Right. And I think that is the mandate. I mean, this is mandatory, right?
- Management: Yes.
- Jay Mundhra: Okay. And sir, just a clarification. The entire book is supposed to be paying, right, because the moratorium has ended for all segment, all ticket size of customers?
- A. K. Das: Yes.
- Jay Mundhra: So, no customer is under moratorium whatsoever?
- A. K. Das: Yes.
- Jay Mundhra: Okay. And just on slide 15 where you have given the restructuring number, there is 'other' which is Rs. 5,000 crores. So, is this MSME which RBI had given a window under January 1, 2019 Circular, or this is something else, what is this?
- P R Rajagopal: It is MSME.
- Jay Mundhra: Okay. And sir, if you can quantify the exposure to the East India based NBFC which has got a stay from NCLT. Because, I think, it will not be in the SMA-2 and neither it will be in pro forma slippages, nor it can be restructured.
- P R Rajagopal: It is there in the pro forma NPA.
- Jay Mundhra: Okay. But, I think, NCLT has given a stay.

- P R Rajagopal: Stay they can give, the status quo is given from recognizing that as NPA. SMA would continue to be there, SMA there is no stay as such.
- Jay Mundhra: Okay. So, it is there in SMA?
- P R Rajagopal: It is there in SMA and it is actually taken into consideration by the part of pro forma NPA.
- Jay Mundhra: Okay. Sir, if you can quantify the amount.
- P R Rajagopal: Around Rs. 1,000 crores.
- Jay Mundhra: And last question to MD sir. Sir, we have been left out in the last round of merger and consolidation. Now we have probably a new round of either, there could be two banks which could be privatized. Any thought process. I mean, we were left out in earlier round, probably with media reports suggesting that we could be an ideal candidate in this round. Any thoughts there?
- A. K. Das: No, there is no thought as such, Jay. Only thing is that the announcement has been made. I think we should have little more patience to wait for the announcement if any, because we don't have access to any information, nor we have been officially intimated about any such proposal. So, I think, the best bet will be to wait and wait for any specific announcement. Otherwise, it will be a matter of conjecture.
- Moderator: Thank you very much. Next question is from the line of Ashok Ajmera from Ajkon Global. Please go ahead.
- Ashok Ajmera: Sir, can you throw some light on the performance of our subsidiaries and joint venture and associates? Like we have got about, I think, some seven, eight subsidiaries and then one insurance, Star Union Dai-ichi and the associate companies are also there. Do you have any numbers, can you give some colour, some light on that, performance of these so many subsidiaries and the other joint venture and other associate companies?
- A. K. Das: It is there in the presentation. If you have any specific question about any specific subsidiary, then we will attempt answering that. It is there slide number 29 onwards.
- Ashok Ajmera: Okay. I must have missed it actually. All right. Anything you would like to say on the Star Union Dai-ichi, I mean, how is the investment doing?
- A. K. Das: It is doing very well, it just started turning around from last year and it is further consolidating, doing well.

- Ashok Ajmera: Okay, sir. Now bring forward sir, as you said now 11%, 12% target of the credit and advances. So, it means your reliance which is there today only on the retail and little bit of SME. Will it get shifted to the corporate or, I mean, some other big advances. What sector you are looking wherein you can put in your money, any working on that or any greenfield?
- A. K. Das: Reliance is not entirely on RAM segment. If you go for the composition of our loan books, you will find 49% of that is in retail, our RAM segment what we call. And about 13% to 14% in Government, and rest are in corporate, a good mix. So, except for the stressed sectors identified by us where there are still stress and all, we will be selective but we will go for good rated accounts in good sectors, including RAM, government and other good corporate sectors. We are open to that.
- Moderator: Thank you very much. Our next question is from line of Jayant from Credit Suisse. Please go ahead.
- Jayant: Sir, actually my question is first on collection efficiency, what would be our normal collection efficiency run rates pre-COVID? And when do we plan to or when do we see it normalizing? And second question is on NIMs, I will follow that up once these are done.
- P R Rajagopal: See, with respect to this, I would like to share with you something. Our collection efficiency in the working capital loans is almost 96% now, okay? Only in term loans we see still the collection efficiencies are 70%, 75%. And term loans are typically when we say term loan collection efficiency 75%, most of them are project loans, where the COVID has affected the cash flows and therefore there is a delay in collection in these accounts. Otherwise, the collection efficiency in working capital book has already touched almost 90%. And similarly, in other rescheduled accounts, FITL accounts and all that, our collection efficiencies have reached almost 90%. So, we see maybe in the second quarter or third quarter of 2021-22, you will be able to actually reach to that original level of collection efficiency of around 96%, 97%, which used to be the usual collection efficiency for a bank of our size.
- Jayant: Okay. And sir, secondly on the NIMs. Our funding costs have come off decently in the past two, three quarters, but there is also pressure on the asset yields. So, is that largely led by corporate because we are doing a lot of Government advances? And how do we plan to go ahead, I mean, is this now the nominalized level of NIMs that we will operate at?
- A. K. Das: No, it is broad based. See, retail margins are important. But if narrower margins are there, see, we have to now start learning to live with lesser margins like

many of the banks in the advanced countries and all that. And the requirement will be to push more for cost efficiency. So, yield in a regime where there is a lot of pressure, a lot of emphasis on transmission upgrades, how to streamline the lending rates and all. So obviously there will be a downward bias always in the lending rates. It's not any specific segment that has pulled down the yield on advances, it is a general trend. There may be some segments, as Mr. Rajagopal was saying, in certain government accounts we may have given a lot of fine rates. But most of them are matching up to our overall yield and advances. Yes, MSME, definitely we get more and comparatively low rated accounts where we put the premium on the charges. But there is no specific segment that we can ascribe to. And as you will agree, yield and advances downward trend has been in sync with the ecosystem as also in tune with many of the banks.

P R Rajagopal: To supplement what our MD sir says, if you see, MSME loans also got repriced because RBI pushed for RBLR rates. And retail loans anyway are very, very aggressive because it's fine rates offered across the system. And what is left is the agricultural advances, agricultural advances being stressed anyway there is a problem there with respect to yield on advances. So, it is not that only because we are growing corporate book there is a pressure on NIM. See, pressure on NIMs are felt across the sectors in the asset book. It is not with us; it is the case with every bank that you see. So, NIMs, I think as rightly told by our MD sir, it will be around 2.5%. Will be very, very difficult to maintain going forward. So, we would like to manage with that NIMs and become very, very efficient in terms of managing with that 2% to 2.5% range.

Moderator: Thank you very much. We move on to the next participant. The next question is from the line of Suraj Das from B&P Securities. Please go ahead.

Suraj Das: So, a couple of questions. First one is on the recovery front. So, you mentioned that you expect the recovery from Dewan Housing this quarter. However, I want to know the recovery expectation from some of the other big accounts, like Bhushan or Religare or maybe Reliance Group. And what is the timeline whenever you are expecting these recovery to happen?

P R Rajagopal: Other big accounts, the expectation is not in Q4 2021. Honestly, whether it is Religare or any big accounts, whether it is the big accounts, because it takes time for resolution. Most of them are stuck in NCLT, some of the resolution plans are just under way. Typically, accounts like Religare and other NBFC accounts you are referring to in the NBFC space, the approvals from RBI for the new promoters and the approval of NCLT and other SEBI approvals are all going to take quite some time. So, we are not expecting any recovery during

the next two quarters or so in 21-22. Maybe in the third or fourth quarter of 2021-22 some resolution may take place in these accounts.

Suraj Das: Any guidance on the quantum, sir, I mean, broad quantum that you were expecting from these?

A K Das: Nothing is on table as on date, so I will not be able to put any number to you, for very simple reason, I don't have any resolution plan in place which is visible to me where I can actually put a number to the recoveries in these accounts.

P R Rajagopal: The only silver lining there is that we have got 90% provision already made in those accounts. So, we will be also eagerly waiting for some resolution, NCLT to start functioning normal course, so that we can capitalize on those.

Suraj Das: Right. Got it. So, if just you can share the exposure to Bhushan Power only.

A. K. Das: Bhushan Power, we don't have any exposure.

Suraj Das: Okay. And the second question is, just a data keeping question. So, on the ECLGS front, what has been the disbursed and sanction amount?

A. K. Das: Rs. 5,700 crores, I think, is the sanction amount and disbursal is about Rs. 4,800 crores.

Suraj Das: That is cumulative number up to December?

A. K. Das: Yes.

Moderator: Thank you very much. Ladies and gentlemen. As there are no further questions, I will now hand the conference over to Shri. A.K. Das for closing comments.

A. K. Das: Once again, thanks to all participants for this virtual conference. And we could get very interesting questions. And one or two, I think, we have already advised the department to follow it up and share. Once again, I will reemphasize that we are on strong sustained growth path in Q3 and Q4 also, we will endeavor to do that. And thanks for all your support. I am sure all of you are financial professionals. You will do justice to whatever analysis you do. And please feel free to share with us in future if anything you feel will help the balance sheet qualitatively. Definitely we will have more interactions on basis of that. Once again, thank you very much.



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Moderator: Thank you very much. On behalf of Bank of India, we conclude this conference. Thank you for joining us. You may now disconnect your lines. Thank you.