



“Bank of India's Q2 FY'22 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Bank of India Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. We have with us today on the call, Shri A.K. Das – MD and CEO; Shri P R Rajagopal – Executive Director; Shri Swarup Dasgupta – Executive Director; Shri M. Karthikeyan – Executive Director; Smt. Monika Kalia – Executive Director and other top management team from Bank of India. I now hand over the conference to Shri A.K. Das – M.D. and CEO. Thank you and over to you, Mr. Das.

A.K. Das: Thank you very much. Good afternoon to all the analyst friends who are on this call. Ladies and gentlemen, I extend a very warm welcome to each one of you for today's interaction and share with you the financial results of the bank for second quarter of financial year '21-22. I believe you all have the presentation copies with you. It will be a great relief for all of us, the second quarter witnessed certain positive developments, with abatement of COVID infection, acceleration in the pace of vaccination and above all, rebound in economic activities. The progress of monsoon has been conducive for agriculture production and the industrial production continue to show a high YoY growth. The manufacturing and services PMI stood above 50, indicating expansion in commercial activities. The headline inflation has sobered down during the quarter, although core inflation remains an area of concern. The policy support from the Government of India and the Reserve Bank of India continued in favoring growth.

Banking system credit growth, however, is yet to speed up, although the position has been bit better than the last year. Till 24th September, the YTD credit growth has been 0.1% and YoY credit growth at 6.7%. The Credit Outreach program being conducted by the Bank during the current festive season is expected to translate into higher credit growth in coming months. In the above backdrop, the Bank made a steady progress in its performance during Q2 of FY'22.

It's quite heartening to announce that the bank's net profit during the quarter almost doubled to Rs.1,051 crores YoY. There has been a sequential improvement in NII and NIM. The global NIM improved

from 2.16% for Q1 to 2.42% in Q2. The return on assets improved to 0.53%. There was reduction in NPA both quantum wise as well as percentage wise. The gross NPA ratio came down to 12% from 13.51% in June '21 and the net NPA ratio improved to 2.79% from 3.35%. Slippage ratio dropped from 1.09% in June 2021 to 0.36% in September 2021 and credit cost declined from 0.95% in June to 0.26% in September 2021.

During the quarter, the Bank successfully raised QIP of Rs.2,550 crores and Tier-2 capital of Rs.1,800 crores, thus elevating Capital Adequacy position of the Bank to 17.05%. All these positive developments were supported by proactive changes in business strategy, continued efforts for slippage and NPA Management.

On business side, the Bank has made a conscious move to pare down the deposit base, especially the bulk deposits, which was brought down by over Rs.16,000 crores during the half year. Of course, it had its impact in terms of lower business growth but, it helped us in improving the bottom line.

On advances front, RAM advances grew by 10.45% and overall advances grew by 2.7%. The bank's operating profit for Q2 FY'22 stood at Rs.2,678 crores against Rs.2,749 crores in previous quarter and Rs.2,831 crores in Q2 FY'21.

A few pertinent points I would like to mention that during the Q2 FY'22, we had to make Rs.130 crores additional provisions, comprising Rs.80 crores towards depreciation/fluctuation in investment as per the revised RBI guideline and Rs.50 crores for increase in family pension ceiling. But for this, operating profit during the quarter would have shown an increase over the previous quarter. Similarly, during Q2 FY'21, we received one-time income of Rs.283 crores by way of interest and income tax refund. Therefore, decline in the operating profit during the current quarter has to be seen and interpreted in this perspective.

Coming to guidance for our business growth, during the current year, there will be acceleration in advances growth going forward, since through a series of outreach campaigns which we have conducted for the last two months and which will continue for the coming months as well. Sufficient momentum in the field level has been generated. We expect our overall advances to grow by around 6-7% during the year. The

bank's slippage ratio is expected to come down to around 0.3%. Gross NPA ratio to further drop to below 10% and net NPA ratio to around 2% by March '22. With favorable business composition, better collection and recovery mechanism, we will be able to enhance our NIM to around 2.6% to 2.75%.

I once again thank you for your continued support and wishing you festive greetings. Now, the floor is open for discussion.

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

Ashok Ajmera: Congratulations to you for really a fantastic performance this Q2 FY'22. I mean, the last quarter was also reasonably good and this quarter definitely you have surpassed some of our expectations especially on the net profit front and the overall performance. The ratios are all under control. Having said that, Sir, there are some information points which are there this time with almost every bank. Can you throw some light on the total amount of outstanding of SREI and how much provision has been made on that? And the recovery of DHFL - of cash as well as the bond? And what treatment has been given to the bond which are received from Piramal?

M. Karthikeyan: The exposure to SREI is Rs.964 crores credit and we have made a provision of 50% on that. In DHFL, our recoveries were Rs.1,888.83 crores, of which Rs.857 crores was cash and the rest was the bond.

Ashok Ajmera: What is the treatment given to the bond? These are the 10-year bonds received from Piramal. So it has been taken in the securities. And any mark-to-market has been provided on that, taking the entire balance amount in the income?

Shashidharan: This is Shashidharan, General Manager, Treasury. This bond which has been issued by Piramal has been taken into our books and we have kept it in the AFS portfolio. Accordingly, this has suffered mark-to-market depreciation. We have kept the value at Rs.79 as per the asset value for that particular day. So to that extent, Rs.215 crores has been provided in this particular scrip. Recently, DHFL is trading at around Rs.88. So there is a bit of appreciation in that particular bond.

- Ashok Ajmera:** That's great, Sir. I mean, because you provided for almost about 21% and now it's going up. It is a tradeable commodity now. And with the Piramal name attached to the bond, I don't think there will be any major discount in future too. That's a very heartening thing. Sir, in case of SREI, I think, basically the provision required statutorily was only 15%, but almost every bank has provided 50%, only one bank I think has done so far 40%. So, is there any message from the regulators to that 50% kind of provision or it's your own decision? Secondly, why do you expect that it was to be written off or provided for to that great extent of 50% when the recovery prospects should be much higher?
- M Karthikeyan:** There is no any such pressure at all. It is a proactive provision by the bank and you know very well that the advisor has been appointed by the regulator. So things definitely is taking a good shape and we feel that similar to what had happened in DHFL, this SREI also will get into a good mode very soon.
- A.K. Das:** Ashok ji, I would also like to add here, it is always prudent to provide proactively in good time. I think even in other standard accounts we have provided about Rs.630 crores. We have seen the benefits of early provisioning so that in case there is any shock we can absorb it. So, we thought better to provide for it and have a provisioning buffer with us.
- Ashok Ajmera:** Sir, my one question is on the non-SLR HTM. It has increased by almost Rs.3,500 crores investment. What is the quality, can you throw some light?
- Shashidharan:** One is the recapitalization bond given by the Government of India, that is about Rs.3,000 crores, that is classified under non-SLR. The first question you talked about the Piramal bond. That is the non-SLR which is about Rs.1,030 crores. So, that is why the addition in the non-SLR portfolio, the amount has gone up.
- Ashok Ajmera:** Not to any private sector or any other bond. Yeah, yeah, that's a good clarification. Sir, our advances in the power sector has gone up in this quarter by Rs.3,700 crores if I am right in reading this figure. So, this is to the distribution, generation or private sector or government sector power company?
- Swarup Dasgupta:** Majorly it is to the distribution company backed by the Government guarantees.

Ashok Ajmera: My last question is on the provision of taxation. The income tax of Rs.733 crores has been provided which comes almost about 40% of the profit before tax as compared to around 30%, 32% in the last quarter. So can somebody throw light on entire six months of taxation of almost about Rs.1,100 crores. How it has been calculated?

Shankar Sen, CFO: The provision for tax has been determined in light of the prevailing provisions of Accounting Standard – 22 on “Accounting for Taxes on Income” issued by the Institute of Chartered Accounts of India, provisions of Income Tax, 1961 and latest orders passed by the Tax Department / Appellate Authorities / Courts in the Bank’s own cases as well as judicial precedents on various issues involved.

Ashok Ajmera: Decision is pending in the appeal or in the....

Shankar Sen: The issues whether allowable or not are under trial before various appellate authorities.

Moderator: The next question is from the line of Deepak Kumar Taparia, an individual investor. Please go ahead.

Deepak Kumar Taparia: Can you give me the current book value after removing the DTA and revaluation reserves?

A K Das: Deepak ji, if you don’t mind we will forward it to you after some time, it is readily not available with us.

Deepak Kumar Taparia: Approximate.

Sankar Sen: Approximate without FCTR and our preliminary expenses, it will be something around Rs.85. And if you consider those elements like FCTR and other preliminary expenses then it will be something around Rs.126-127.

Deepak Kumar Taparia: After adjusting to DTA and everything it is Rs. 85?

A. K. Das: Yeah. Rs.85.

Deepak Kumar Taparia And quarterly Rs.1,000 crores profit is sustainable every quarter?

A. K. Das: Rs.1000 crores profit, that's a very tricky question. You all are aware and we are also aware that there was a big resolution account this time around. So, retaining that profit level will be challenging but definitely we'll be in high three figure numbers. Primarily because of the fact that the slippages are well under control and our recoveries have improved quite substantially. We can't say at this point in time because Rs.30,000 crores is locked up in NCLT and if some resolution comes, quick resolution comes, we may, but again we were aided like most of the banks with a big resolution account in Q2. But I can assure that it will be a high three figures mark.

Deepak Kumar Taparia: Approximately around Rs.800 to 900 crores?

A. K. Das: Yeah.

Deepak Kumar Taparia: What can you guide for quarterly operating profits?

A. K. Das: We are hovering around Rs.2500 to Rs.2600 crores per quarter. Our objective is to take it to beyond Rs.3000 crores. So, from Q3 we are taking it to 2800+ and Q4 we are aiming at 3000+.

Deepak Kumar Taparia: And the approximate provisions for the whole year?

A. K. Das: Most of the provisions I think we have done upfront. We have got more than Rs.1,000 crores provision buffer already with us. This time you saw despite doing lot of provisions also because of the write back and all it got adjusted. I think provisions will be also within manageable levels. It will not be much bigger, ageing provision we have done upfront and there are no big corporate account concerns. Whatever provisioning requirement will be there, it will be in the smaller ticket size where the stress are comparatively more. So provisioning side also I think our credit cost will be at the most 1%. This 0.34% whatever credit cost is there is because of big account resolution. Otherwise, it's around 1.3%.

Moderator: Our next question is from the line of Harsh Shah from Reliance General Insurance.

Harsh Shah: The first question is that in DHFL recovery, has it been considered in the recovery, not as other income?

M Karthikeyan: Yeah.

- Harsh Shah:** We are seeing a recovery bump up for quarter-on-quarter but upgradation has been substantially very lower, any reason for that?
- M Karthikeyan:** Upgradation, last quarter if you are comparing. That's why our upgradations are low, last quarter we had Future group. So, all of the banks, major banks who had lent to Future where the assets got upgraded. The figure is quite high, but this time it was Rs.278 crores, we have lined up some good number of assets for upgradation. Now, going forward, we feel that our upgradation should be in the range of around Rs.300- Rs.350 crores and then the similar figure for Q4 also is expected.
- Harsh Shah:** The write-off would continue to remain at the current quarter level of around Rs.3,500 or Rs.3,000 crores?
- M Karthikeyan:** You are talking about prudential write-off?
- Harsh Shah:** Yes write-off in your presentation.
- M Karthikeyan:** It will be around Rs. 2,000 crores. Presently prudential write off is Rs. 3,583 crores. That number will be around Rs.2,500 crores going forward.
- Harsh Shah:** On your resolution Framework for 1 and 2, the total comes to around Rs.13,000 crores and your onetime restructuring is close to Rs.7,600 crores. So, are there any overlaps over there?
- M Karthikeyan:** I would like to clarify. On our resolution framework one, our total outflow was around Rs.8,000 crores earlier when we did it but that has come down with customers repaying on the rebound of the economy. It has come to a level of Rs.5,807 crores. We feel that 80% of that is regular and there's a small stress there in SMA category which, I think, going forward, the market looking up, we don't find any problems in RFCRS-1. In RFCRS-2, the total is Rs.8,311 crores of which MSME amounts to Rs.3,180 crores and retail happens to be Rs.5,131 crores. Here too, 72% of that is still regular category. There's no stress on that. We again feel that even in retail segments our mortgage loan, vehicle loan, personal loans they're not causing much of stress. The stress is slightly on account of home loans where some of our customers have lost their jobs or partially employed and that going in the next Q3 and Q4, the market picking up, we find that number of borrowers coming out of that segment as well.

- Harsh Shah:** And onetime restructuring?
- M Karthikeyan:** Onetime restructuring has been done and this major account you too know very well. It is Shapoorji Pallonji and Future Retail are the major ones. You are seeing some light on this front as well.
- Harsh Shah:** Any overlap in the MSME one because you have Rs.2169 crores in onetime restructuring. We have around Rs.3180 crores in Restructuring Framework 2.0.
- M Karthikeyan:** No there is no overlapping. This MSME framework is mostly below the Rs.25 lakh category. 18% of that will be below the Rs.25 lakh category. There are no big surprises in the higher 1 crore and above front.
- Harsh Shah:** So, the credit cost guidance which you gave was 1% for the whole year, is that correct?
- M Karthikeyan:** Yeah.
- Harsh Shah:** Slippage ratio guidance what did he say?
- A K Das:** We are contemplating 0.30%.
- Harsh Shah:** For the whole year you were saying 0.3%, right?
- A K Das:** No, not for whole year, for the quarter only.
- Harsh Shah:** Per quarter 0.3% will be your slippage ratio, is that a correct understanding?
- A K Das:** Yeah, for the quarter I am saying. Like last quarter Q2 it was 0.34% and we are planning to take it to 0.3% in Q3.
- Harsh Shah:** And credit cost also is for the quarter or for the whole year?
- A K Das:** Credit cost is annualized.
- Moderator:** We will take a next question from the line of Jayant K from Credit Suisse.
- Jayant K:** I wanted to understand on margins and growth. You have had around 2%-2.5% growth this quarter. Yet you're saying that full year you will

be doing 6% to 7%. First of all, what kind of growth is happening and if this is happening in AAA and on the government accounts, what kind of yields are you getting there? And which mean that our margins will likely, at least for this year, remain range bound at this current level?

A. K. Das:

Margin, I told in the beginning also that one of the reasons why our margins were down last time was low credit growth. This year, this quarter, YOY, we got about 2.7%, notwithstanding a good 11% growth in RAM segment. This year why we are little upbeat about margins is, we are expecting not for the full year, I told in the beginning that up to December we will maintain this 6% to 7%. We will take a fresh call because as of now we are not very sure about the third phase of COVID. So that will upset all calculations. We are doing it in a calibrated way. Now corporate loan book, that's a concern primarily on account of lack of demand. And still capacity utilization is about 60%. We have got lot of sanctions in hand, this year itself we have done about Rs.35,000 crores sanction till September. The drawdown is not even Rs.10,000 crores. So, we are eagerly awaiting for the CAPEX cycle to restart. We have got quite a number of proposals also in hand amounting to about Rs.12,000 to Rs. 13,000 crores. Going by this, when we have churned our deposit portfolio where our CASA has grown by 13% and our bulk has come down by Rs.16,000 crores. That is how it translated into a deposit growth of less than 1% in comparison with March 2021 where our deposits grew by 13%. So, this was a conscious strategy. This was a bottom-line centric strategy, not a top-line. We will not mind if there is a slight decline in top-line in deposits but advances we will refocus and try to gain traction in corporate loan. Going by that, I think 260 to 275 bps would be the margin that we are looking at.

Jayant K:

Slightly medium term on margin, I am not looking at the number but given that macro, there is competition and we do have the cost of funds advantage. Does it mean that we will not shy away from participating in corporate loans even if they're coming at low pricing?

A. K. Das:

No, we are not shying away. We are quite upbeat about that. We have been participating also. There has been some rate competition amongst all the banks and everybody wants to increase its share in the pie. Our credit share in the market, it has gone down to 3.34% from 3.36%. September end we have recouped that to 3.36%. We want to take it to

beyond 3.4%, that is, by December. I'm sure with that I think margins will be quite stable and will be inching forward.

Jayant K: And lastly on capital. If we are moving towards the slightly higher growth trajectory but given our cost structure, return on equities are still in line with growth. Does it mean we will need external infusions, are we thinking about that?

A. K. Das: No. I think going by our loan book growth so far and unless there is big bang growth, capital will not be a concern. We are adequately capitalized. We will also not require capital from the Government, that we have made it very clear.

Moderator: Next question is from the line of Jay Mundra from B&K Securities.

Jay Mundra: A couple of questions. First is, I think Srei was not downgraded in this quarter whereas other banks have downgraded this account in this quarter. What is the reason, if you can throw some light?

M Karthikeyan: This is direction of the court. Earlier the court had stalled the proceedings of the classification. The court had come clear that we need to provide, I mean classify it and we have done so this quarter.

A. K. Das: Probably, Jay you are looking at that number Rs.1307 crores and saying so but again that's a net slippage number. So that Srei will feature in the gross slippage but net slippage number is only showing Rs.1307 crores.

Jay Mundra: So, Rs.1307 crores number that you have written in the presentation also, of this corporate is only Rs.476 crores. So, is this the number net off recovery that we have done in this quarter?

M Karthikeyan: Yeah, it is net figure only. The slippage figure of Rs.1307 cores is net fresh slippages.

Jay Mundra: What would be the gross figure because earlier I think we were reporting the gross number only or is there a change in the way reporting has been done?

M Karthikeyan: We often report only the net figure. We have not reported any gross figures. The opening balance outstanding of NPA was Rs.56,042 crores.

It has come down to Rs.50,270 cores, addition of fresh slippages to an extent of Rs.1,307 crores. It's a net slippage.

Jay Mundra: So, it is a net of this quarter recovery or the account which slipped in this financial year?

M Karthikeyan: Those account which have fallen have been recovered, upgraded during this quarter.

Jay Mundra: So, sir just for comparison purpose can I have the gross slippages I mean that will make quarter-to-quarter comparison relatively April-to-April?

M Karthikeyan: Actually it is dynamic. Once the daily flagging has started from 15th April, it is a dynamic process. We have classified and we have got recovered on a daily basis it happens.

Jay Mundra: But I think sir you are the only bank which is doing this. All other banks are reporting gross slippages and then they are showing the recovery and upgrades even if they have been recovered in the same quarter in a separate line item the recovery upgrades just for comparison if you have that?

M Karthikeyan: We will check it out and if it is required definitely we will incorporate it.

Jay Mundra: Second thing, Sir, on restructuring you have given a very clear table Restructuring 1, 2 and OTR, is there any erstwhile restructuring also which was let us say, Air India and those things, is that included or that is a separate thing?

M Karthikeyan: No, this is not including big ones whatever we have shown are Resolution Framework 1, 2 and One Time Restructuring. Air India is not restructured.

Jay Mundra: But Sir is this the total restructuring that you have or is there some from erstwhile restructuring that was going on?

M Karthikeyan: No, this is the figure of restructuring.

Jay Mundra: So, this is the total restructuring book for as of Q2?

M Karthikeyan: Exactly, it includes the moratorium when initially started you are aware that first time from February onwards to August there was a moratorium that includes FITL also. FITL accounts has been closed now. Rs.62.95 crores is the only FITL left over again because of SREI which got classified as NPA.

Jay Mundra: And what is the restructuring provision outstanding that you are carrying which is not in PCR?

M Karthikeyan: 10%. Current quarter it is Rs.595.62 crores and outstanding provision is around 14.93% which we have given in notes to accounts point number 10.

Jay Mundra: On Capital, Sir, I am not able to understand that you have the highest Capital. CET1 is around 13% plus and total CAR at 17% and which is, let us say, head and shoulder above the other PSU banks and you are still saying that you will be reaching system average and your net NPA is also the lowest except SBI and restructuring it looks like in good shape, so what is the contradiction that you have the highest Capital, lowest NPA, but yet your growth appetite is the lowest or at max the system level?

A K Das: You will appreciate, we should not lose sight of the ground reality. Everywhere there is hue and cry about credit not picking up. It does not take much time for me to tell a 15% figure also that is why I have been repeatedly telling that compared to 2.70% at September we are aiming at 6% to 7% and December we will take a course correction. So, it is not that we are shying away, we are aware that there is more risk appetite we are capitalized at 17% plus. So, for the moment only we are saying this 6 to 7% and ground reality you have seen every bank that is the position. CC, OD limits 60% to 70% availed and lot of sanctions and disbursals are not happening. There is a disintermediation through bonds and other routes also. I think as analyst you should take this kind of investment also along with credit that will give the real picture.

Jay Mundra: So, do you have any alternate use for the capital that you have, I mean do you intend to redeem some of the Tier 2 bond or do you think of some other usage for this 13% CET1 of 17% CAR, is there any alternate use also?

A K Das: Our only focus is on growing the loan book. Only Rs.1,000 crore of Tier 2 bonds is falling due for buy back in March 22, which we will exercise the option.

Moderator: Thank you. Our next question is from the line of Suhail Halai from Antique Stock Broking. Please go ahead.

Suhail Halai: Sir, couple of things if I look at your SMA disclosures. One is above Rs.5 crores and one is the entire book and if I try to derive the SMA which is only below Rs.5 crores, I can see your SMA 0 is actually coming off quite significantly, but SMA 1 and 2 is kind of sticky. So, is the incremental stress in these books has slowed down considerably and it is more of the management of SMA 1 and 2 right now? If you could give any comments on that?

M Karthikeyan: Good observations. SMA 0 definitely is coming down. SMA 1 also is coming down. We can see the figures. It was Rs.16,389 crores on 31/03/21 and that has come down to Rs.8,447 crores during Q1 and now it has further come down to Rs.8,132 crores. There is a good coming down of SMA 0 and 1. SMA 2, you are right. There is a slight addition. Rs.14,983 crores is the SMA 2 number, but there also you can see it was Rs.11,358 crores in March, but it shot up to Rs.16,400 crores in Q1 there also it has come down to Rs.14,983 crores. So, in case of SMA 2, we are now seeing the numbers coming down. There the number is more skewed towards less than Rs.25 lakh portfolio, where about Rs.13,343 crores are there in that bucket. In SMA 2 alone that amounts to Rs.7,570 crores. So, what we are now trying to do is, we have tech driven process on record and the contact, we have expanded the reach to the customers. Now, we are sending SMS, BCs have been activated, the branches now have the list with them, the call centers have been activated, links have been provided to them for knowing what are their dues. So, all these robust methodologies put in place, the recoveries are coming. You would have seen the slippage was around 20.81% of SMA during December 20. It has come down substantially to 7.39% so that gives a good leverage that the follow up at the ground level, field level is benefitting. We are aggressively acting upon recovery front and recovery is happening in the Bank.

Suhail Halai: So, Sir just carrying on to this. In fact I was just about to say that despite a high SMA 2 numbers, the slippages this quarter were quite low. So, if the borrower is able to somehow pay or you are able to recover and the

economic environment continues to improve, by how long do you think that we will see this number actually coming off from around 15,000 crores odd number to probably a much lower number?

M Karthikeyan: The slippage ratio as our MD and CEO put it is 0.36% so you should internally derive that our recovery efficiency as well as our collection efficiency. Overall, if you see, 94% - 95% was there in Q1 and that has improved to 96.27% during this quarter.

Suhail Halai: So, is it fair to say that in the third and fourth quarter probably this Rs.15,000 crores number will also come off?

M Karthikeyan: It will go down definitely. It will go down no doubt about it.

Suhail Halai: And Sir other thing any overlap between SMA numbers and the Restructured book?

M Karthikeyan: This number, is definitely going to overlap. Restructured numbers - Standard Restructure is Rs.21,275 crores and there is going to be some overlap with SMA numbers.

Suhail Halai: But you would not be able to quantify that number?

M Karthikeyan: We can give it that is not an issue, individually we can give it.

Suhail Halai: Sir, finally last thing in terms of our PCR is at 79% that is on book. So if I actually have to arrive at an ageing related provision for the next few quarters how much per quarter it would be in your assessment?

M Karthikeyan: PCR is 87.81% and presently that is one good question you have asked. The ageing of provision, earlier the requirement for Q2 was around Rs.650 crores, we have brought it down to around Rs.458 crores, because we have focused more on those assets where ageing provisions are required. So, going forward also this will be coming down, too.

Suhail Halai: Sorry to prolong it long in terms of just if you could give the provision on the restructured book and Sir also mentioned that around Rs.600 crores is a prudent provision. So, if you could give the provision on restructure book and entire excess provision overall over the PCR that we have?

- M Karthikeyan:** Notes on accounts point number 10 gives detailed elaborate description of that. In this, we have current outstanding of Rs.1,493 cores. Out of that, during current quarter, we have provided Rs.596 crores over and above the regulatory requirements.
- Moderator:** Thank you. We will take our next question from the line of Rakesh Kumar from Systematix. Please go ahead.
- Rakesh Kumar:** Sir, like really good set of numbers with containment in the term deposit that you know we have planned and articulated and we are still continuing with that and that is suddenly helping in the LDR and the margin apart from the support coming from let us say interest income reversal. Just two things. I have observation, the number one is that cash to deposit and borrowing number is close to around 18% and apart from that we still have investments to deposits and borrowing at around 27%. We have total CET at around 13 point odd percent, so are we keeping this cash number and investment number which is very high from the threshold number required by RBI. What is the plan to use this capital going ahead and how soon we can have on the LDR maybe at 75% or something like that?
- Swarup Dasgupta:** As earlier we have said, in corporate book, we have already sanctioned roughly around Rs.35,000 crore out of which Rs.10,000 crore has been utilized by the borrower and another Rs.24,000 crore to Rs.25,000 crore is not utilized by the borrowers. As the demand picks up we are having ready sanction with us Rs.25,000 crore plus the utilization in CC limit also is in the range of 60% to 65%. We are expecting that in Q3 and Q4, good momentum will take place and we will be in a position to fund these assets comfortably and have comfortable capital position.
- Rakesh Kumar:** So, the PCR is very comfortable now at around 87% number so that is with including the written off loans number also. Actually it is very comfortable number. So, where we would like to take it further to, from here?
- M Karthikeyan:** It's quite adequate now. Probably we will be able to maintain that and probably one or two points more.
- Moderator:** Thank you. Our next question is from the line of Bhavesh Shah from Morgan Stanley. Please go ahead.

- Bhavesh Shah:** Sir, we took around Rs.50 crores of pension cost hike in family pension payouts this quarter, so what would be the total amount that we have to take over the period of 5 years?
- Sankar Sen:** Actually we have so far not gone ahead with assessing the actuarial valuation. We made a management estimation of around Rs.550 crores and out of that, Rs.50 crore we have provided on half yearly basis and remaining Rs.50 crore will be providing in the next half year. So, Rs.100 crore will be considered in this current year. RBI has already given window for amortizing this expense over a period of five years. This amendment is yet to take place in Bank of India Pension Regulations. So, pending amendment we have taken a management estimation. Once the amendment takes place, then we will take a call on taking the estimation from the actuaries and going ahead with the actuarial valuation as per AS 15.
- Rakesh Kumar:** Sir, you mentioned from a restructured book, if I heard it correctly around 80% is regular so what do you mean by regular means standard and the other 20% is in SMA book or how is it?
- M Karthikeyan:** The restructured assets are the people who are in slight problems, but what is the good thing happening for the bank is even on the restructured assets, the borrowers once the revival has taken place, they have started paying back. In total RFCRS-2 if you take Rs.8,409 crores, the regular assets are 72% that means they are in the regular category. There are some people who would have taken a shorter term of restructuring and probably they thought that the COVID things will go off soon. So, those assets in the restructured are slightly coming into NPA DPD category and that is why we said standard asset is under the restructuring category is 72%.
- Rakesh Kumar:** From the total book what would be the share of floating rate loans, I mean repo linked or MCLR linked?
- A K Das:** 10% is fixed only and 90% is floating.
- Rakesh Kumar:** So, 90% would only include repo linked MCLR....
- A K DAS:** Repo and MCLR both included.

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

Ashok Ajmera: Sir, my question now relates to some other activities of making little more income. One is on that co-lending space you have a co-lending arrangement with MAS. What is your experience on that and what is our book size there and are you looking for any such more opportunities of co-lending even in the gold business also. Secondly, on this recovery front, though there is a very good recovery because of some other reasons this time, but you said that you have got a very in-house staff team for Sanjivani and Saksham 2 and so what kind of results coming in? What is our experience on that front, though the recovery department is doing extremely well and something on this co-lending and other income, you know, other than our normal lending business?

Pramod Bathal, GM: As you rightly said, we have tied up with MAS and the lending will start from in a week's time whatever the documents issues were there we have taken care and ready to start from the next week onwards. Till now, our experience is good in working with MAS. As far as other sectors are concerned, gold loans and vehicle loans, both we had discussion with the respective NBFCs.

M Karthikeyan: As regards recovery, as you rightly said, the scheme which we have called Saksham it was the lower down staff in getting leads of recovery. You know that the SMAs or NPAs are more in the list of less than Rs.25 lakh category which are in large numbers. Our reach to the customer is well done by the Saksham, that is the sub staff people. There are 38,911 leads which have been generated amounting to Rs.479 crores. So, that is yielding very good result under the compromise proposals. Secondly, this BOI-OTS and BOI Sanjeevani, last year our total number of accounts we resolved was in the range of 50,000. This year, we have already done 1,17,878 accounts and amount of Rs.2,439 crores has come as resolution of which around Rs.1,262 crores of the compromise amount we have recovered Rs.453 crores and remaining Rs.821 crores, which will be a milestone that we have set ourselves, probably in three months or six months down the line recoveries will be coming. One good thing happening also is in e-auction platform. Last quarter we have done over 50 sales and this quarter we have done about 76 of our properties sold. Here the major objective of the Bank is to not to harass the customers. We make these auction platforms so that the party come for

resolution. So, you would be happy to know that nearly 314 customers, during this quarter, amounting to Rs.184 crores recovery have been made during Q2.

Ashok Ajmera: Sir you said our main trust will be now on the credit using that money and huge amount of sanctions in many cases are pending for them to take the disbursement of the release of the facility. My question is, Sir, is there any team which is assessing this sanction letter and finding out the reasons why these parties are not availing these facilities or getting it released either a term loan or a working capital or additional working capital? Is it not that many a time, my personal experience is this Sir, that many a times some of the conditions that are put are very stringent, so is there any other reason for the party not taking it because they do not want it, are we going into that. Can we not form a team or a committee for that to look at that why they are not availing, is it any conditions are coming in between them to avail this facility?

A K Das: I believe it is not so. I am sure you would have seen the stance taken by the other banks at least I can vouch for all PSBs including SBI. When we interact in various forums, this is the common threat running across all the banks. Overall demand sentiments are low and that could be one of the reason. But nonetheless, we have our credit teams meeting good and rated companies, wherever they are not availing. It could be because of two reasons. One is cash rich or they don't require any CAPEX funding now. But our team and we are having regular VC with many of the client at branch level and also at Head Office level. So we are engaged with them. All that are done are similar across the PSBs. I can vouch for that.

Ashok Ajmera: Sir, my last question in this round is about the digital initiative Sir. End-to-end banking and on that even many of the PSBs, I mean public sector banks, are little lacking as compared to the private sector banks, what is our initiative on that digital end-to-end banking and what kind of budget allocation are we putting a major thrust on it or we are keeping it just moderate or we have some strong push for this digital initiative?

P R Rajagopal: Mr. Ajmera, last time also when we were discussing we said that we are going for an e-platform. So, that is actually in offing by December. I think we will be up and rising with respect to our platform. Budget of course is already provided for it is a Rs.300 crore budget for a period of five years we will continue to be there. So apart from that there are many

initiatives that have been taken. It will take another 12 to 18 months for us to put in place all that.

Moderator: Thank you. We take our next question that is a follow up from Jayant K from Credit Suisse. Please go ahead.

Jayant K: Sir, two questions. One is if I were to add the growth in the corporate investment book this quarter what would that quarter-on-quarter growth would be sir?

Harikishan, GM: The corporate book has remained stagnant at around Rs.43,000 crores. There has not been much accretion apart from Rs.1,000 crores which we have received from DHFL.

Jayant K: Sir, secondly on this corporate slippage number on slide 36 so Rs.476 crore is net debt of which I mean there will be one SREI over there, but there would be other corporate recoveries that is offsetting that can you explain that movement?

M Karthikeyan: That is why we initially also said that we are normally giving the net slippages and I have clarified that if we check it out and we will see that gross slippages to be given and we will give it to you across.

Jayant K: Sir, was there any lumpy large recovery in corporate book?

M Karthikeyan: Recovery in corporate book that is the biggest account that we have told you Rs.1,888.83 crores.

Jayant K: That would not be huge in the netting?

P R Rajagopal: Netting means any slippage that is happening during the quarter getting upgraded in the same quarter will be netted off.

Moderator: Thank you. Our next question is follow up from Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: Sir, first one, if you have net NPA in corporate book, I mean you have given the total GNPA. I just wanted to check how much of the corporate GNPA are still not provided for?

P R Rajagopal: 53% of my corporate book is 100% provided and remaining NCLT cases are there and they are more than 90% provided. There is hardly any

corporate book provision that is happening in the last two years, there was no slippages at all in corporate.

Jay Mundra: That number would be what, less than Rs.2,000 odd crore if I were to just say net NPA and corporate book?

M Karthikeyan: Less than Rs.10,597 crores is the net NPA of which corporate book is around Rs. 2000 crores. See out of Rs.50,000 crores of NPA around Rs.2,000 crores plus is net, gross NPA is much more.

Jay Mundra: Second thing is Sir, on restructuring. So when do these accounts come out of moratorium. Let us say R2, the phase two restructuring, usually it is safe to assume that for the next 6 months they will not come out of moratorium there is only a tiny proportion that will come out of moratorium?

M Karthikeyan: See, I informed you earlier that it is done based on the cash flow. Individually they should go for restructuring, the mandate should come from the party and they know the cash flow how they are going to happen. So, based on their cash flow it ranges from around 3 months time to 2 years that is what the regulator has given time upto. So, it is not a static figure that all of them will continue. So, we are saying that the recoveries in the restructured assets also happening. So, for example, RFCRS-1 was for Rs.8,000 crores, but whereas it has come down to Rs.5,870 crores that means the stressed borrowers have made some repayment when the good times are coming. So, it is an ongoing process and we do not see any much stress over that on that thing.

Jay Mundra: And second thing Sir on the note to account 10, I think that number is included in your PCR calculation already what I was looking for is out of your Rs.20,000 crore restructuring number what is the provision that you are carrying so I think these are the two different number there note to accounts 10?

Sankar Sen: See notes to account no.10 is talking about the provisions on Standard accounts. The provisions on Standard accounts are not a part of PCR calculation. PCR calculation is solely based on the provisions on non performing assets. The provisions mentioned in the Notes No.10 is the accelerated provisions on some specific standard accounts.

- P R Rajagopal:** Overall restructured book is like this. In that slide where the restructuring has been given as per the RBI guidelines or RCFRS 1-2 and then OTR has been given where the provisions are different depending upon what RBI has mandated. It ranges between 10% to 15% plus in many cases whereas in the case of Standard Restructured, the provision held is around 5% which is very small portfolio today. Non-standard restructured portfolio, it is almost well provided for almost 35% plus is provided that is how the whole thing works out. So, on an average we hold around 20% - 25% in the entire restructured book from notes to accounts point of view.
- Jay Mundra:** And last thing Sir, if you can share the slide 24, what is the absolute number since you had given the percentage. I just wanted the absolute number in slide 24 so that it shows the BB and below books so in absolute number, what are the numbers?
- A K Das:** Mr.Jay, they will forward it to you by mail, the absolute number.
- Moderator:** Thank you. That was the last question I would now like to hand the conference over to Shri. A.K. Das for closing comments. Over to you, Sir.
- A.K. Das:** Thank you very much analyst friends and investors. It has been a very engrossing kind of deliberation. I think this is one of the longest. We had lot of participation happened today and we count on your suggestions. We count on your guidance, lot of new things also you have suggested today and we have also tried to improve every quarter like Jay is to ask about SMA overall numbers. This time we have also made it part of the presentation not 5 crore and above alone. So, we will continue to count on you and thank you very much once again for joining us and wish all of you and your family members a Happy Diwali, in advance. Thank you.
- Moderator:** Thank you. On behalf of Bank of India, I announce that this conference concludes. Thank you for joining us and you may now disconnect your lines.