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Sub: Q1 FY 2022-23 Earnings conference call with Ananlysts/ Investors – Transcript.
Ref : Our Letter HO/IRC/SVM/2022-23/ dated 03.08.2022

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 Q1 FY 22-23 held on 02.08.2022.

The transcript of Q1 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,

बैंक ऑफ इंडिया BANK OF INDIA प्र. का. H.O. निवेशक संबंध विभाग Investor Relations Dept.

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"Bank of India's Q1 FY'23 Earnings Conference Call"

August 2, 2022

MANAGEMENT: **SHRI A. K. DAS – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, BANK OF INDIA**
SHRI P R RAJAGOPAL – EXECUTIVE DIRECTOR, BANK OF INDIA
SHRI SWARUP DASGUPTA -- EXECUTIVE DIRECTOR, BANK OF INDIA
SHRI M. KARTHIKEYAN – EXECUTIVE DIRECTOR, BANK OF INDIA
SMT. MONIKA KALIA -- EXECUTIVE DIRECTOR, BANK OF INDIA

Moderator: Ladies and gentlemen, good day and welcome to Bank of India Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. We have with us Shri A.K. Das, M.D. & 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. & CEO. Thank you and over to you, Sir.

A K Das: Thank you very much. Good afternoon, ladies and gentlemen. Thanks for joining this conference. I, on my personal behalf and also on behalf of Bank of India, extend a warm welcome to you for today's interactive session and share with you the financial results of the bank for the Q1 of FY'22-23.

Before the global economy could recover from the pandemic fully, a higher-than-expected inflation, especially in the US and major European economies is triggering a tightening of global financial conditions. Inflation at current levels, represents risks for current and future macroeconomic stability. And to bring it back to targeted levels, central banks of major advanced economies are withdrawing monetary support and raising policy rates.

The Indian economy has shown resilience, drawing strength from its macroeconomic fundamentals. The Reserve Bank of India has projected that the economy will grow at 7.20% in the financial year '22-23. Central bank has increased its inflation forecast to 6.70% for the current fiscal year, and to contain it, it has been taking a host of initiatives.

With the central bank gradually withdrawing its accommodative stance, the surplus liquidity in the system has come down in the banking system. The banking system registered credit growth of 3.28% YTD and credit growth is likely to continue as the year progresses. Resource mobilization drive could thus come to the fore. Against this backdrop, bank's performance has been reflective of the strategies adopted in quality asset creation and effective liability management.

The YoY credit growth of the bank till June 2022 has been 15.20% as against YoY deposit growth of 2.78%, conforming to our continued reorientation of the balance sheet. RAM advances increased by 15.74% year-on-year, and CASA ratio was at 44.70% of total deposits as against 43.22% in June 2021. Increased focus on managing asset quality brought down the GNPA ratio from 9.98% in March 2022 to 9.30% in June 2022. Net NPA ratio also improved to 2.21% from 2.34% in March 2022.

As regards operating efficiency and profit numbers, I wish to share that the bank's net interest income has improved by 29.51% over corresponding quarter of previous year. NIM global improved from 2.16% in June '21 to 2.55% in June '22. There has been a decline in operating profit on YoY basis due to predominantly decrease in non-interest income, mainly on account of lower income from Treasury operations. Net profit stood at Rs.561 crores for the quarter under review.

With a view to improve customer experience and enhance ease of banking, several new tech initiatives are being taken. Next month, digital savings bank account and online loan products are scheduled to be launched. Bank is also launching two Digital Banking Units in two major cities of the country.

We will continue to focus on credit growth with greater emphasis on RAM. In the current year, advances is projected to grow by 10% to 12%. With RAM growth expected to be higher, supported by tech enablers, corporate book will also continue to be in focus for onboarding new corporate clients.

I once again thank you for your valued presence, and for your continued support. I believe that the presentation must have been shared with all concerned.

With that, the floor is now open for discussion and questions and answers.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Suraj Das from B&K Securities. Please go ahead.

Suraj Das: Sir, I have a couple of questions. First question is on the yield side. If I see your yield on advances, that has decreased QoQ by around 20 basis points whereas your yield on funds has increased on a QoQ basis. So, just wanted to know, what is the outlook going ahead? And also, since yield on funds has increased vis-à-vis declining yield on advances, so what about the yield on investment?

A K Das: Can you please repeat your question? There are two, three questions clubbed together.

Suraj Das: Sir, if I see your yield on advances, that has decreased around 20 points QoQ whereas your yield on fund has increased. So, just wanted to know your views, here.

P R Rajagopal: Yield on advances has come down by 20 bps whereas yield on funds have gone up. It has only marginally gone up, Suraj by 6 bps. On a sequential basis, if you see, you have the slide with you, slide #22, on sequential basis, the growth is marginal. It is not very significant growth in yield on funds and actually is reflected by the rate structure in the markets naturally. So, you look at the sequential growth. On year on year basis, you will certainly find a very drastic growth in yield on funds, but it is not so on a sequential basis.

Suraj Das: What would be your EBLR, MCLR loan mix, how much per cent of our loan book would be?

P R Rajagopal: As of date, around 53% is in MCLR and remaining 47% is in EBLR. And that continues to be so. Since we are actually having a lot of emphasis on RAM growth, so, naturally this proportion may grow, though not substantially, the proportional change will happen, but necessarily, there will be more proportion of the EBLR coming and we also see increase in the rate size and it will be profitable for the bank to have more EBLR in a portfolio, than MCLR.

Suraj Das: Sir, entire rate hike has been passed to the EBLR customers, I mean, how it is?

A K Das: Yes, except in some of the portfolios for example, in home loans where some concession has to be necessarily given to keep pace with the market competition. There are cases where we have given concession even though we did not really pass on the increase in the EBLR.

Suraj Das: Second question is on Treasury side. So, you have given a total number of Treasury gain plus MTM loss. So, if you can just bifurcate how much would be the MTM loss in that Rs.148 crores?

M Sasidharan, G.M.: The total loss on account of MTM is Rs.295 crores and we have made some Rs.147 crores by way of sale of security. So, the net amount is reflected in slide #19 as Rs.148 crores (negative).

Suraj Das: You have given the total restructured book breakup and all that thing. So, I just wanted to know, how much of the total restructured book would be out of moratorium on the COVID restructuring part, what is your exposure?

P R Rajagopal: Your audio was not clear, Suraj. If you can repeat the question again, it will be great.

Suraj Das: I was asking about restructured book. So, you have given COVID restructured book of Rs.2,400 crores and around Rs.8,000 crores. Wanted to know, how much of the book has been out of moratorium so far and resume billing? And what is the slippages that you have witnessed from this book in this quarter?

M Karthikeyan: The total, as you said rightly, Rs.10,407 crores is the total exposure in RFCRS-I and RFCRS-II**.** Initially, the retail segment slippages were at the order of 34% during December '21, which has now come down to 13% during this quarter. There is a good improvement in the collection efficiency. The pain or the slight cause of worry is in the MSME segment, where you can see Rs.1,159 crores in RFCRS-I and Rs.2,941 crores in RFCRS-II where the slippages are in the order of about 22%. For that purpose, we have constituted teams in various zonal offices to ensure that the RFCRS-II collection efficiency in MSME picks up. Retail, of course, we do not have any issues and then in corporate, the recoveries in restructured accounts have been good.

Suraj Das: Just to reconfirm, 72% in the MSME book slippages, so that is on the total MSME restructured book, that is Rs.1,159 crores plus Rs.2,941 crores. So on this 22% slippages was there, right?

M Karthikeyan: Yes. In case of agriculture and retail there is no much pain. It is on account of corporate, which was in SMA-II of Rs.233 crores in March '22 and has gone up to Rs.790 crores, increase of Rs.557 crores is on account of road assets as well as manufacturing. It's contributing in total of about 8 to 10 accounts only corporate book, that's how it has increased, but we are hopeful that in due course, once the market picks up, the recoveries in those accounts also will come up.

Suraj Das: You have given your SMA-I and II percentage; however you used to give also on the SMA-I and II number as well. So if you can disclose that number, what will be the ballpark number for the all-inclusive SMA-I and II?

M Karthikeyan: Rs.15,000 crores was the last March '22 position of SMA-I and II combined, which has now gone down to Rs.12,763 crores. I'll give you the numbers later.

Moderator: Next question is from the line of Bhavik Shah from Morgan Stanley. Please go ahead.

Bhavik Shah: We have seen quite healthy growth this quarter. Most of it was from international book. Can you elaborate which segments, what is the nature of loan that we have grown in international segment?

Monoj Das, CGM: The total growth during this quarter is Rs.13,500 crores and out of that, trade finance is Rs.8,150 crores and the oil companies is Rs.1,400 crores under special arrangement with RBI, term loan is Rs.800 crores and there is an increase in exchange fluctuation of roughly about Rs.3,000 crores.

Bhavik Shah: What would be your outlook on growth margins and asset quality?

M Karthikeyan: In terms of asset quality, we have set a target of Rs.2,500 crores reduction every quarter, of which Rs.1,700 crores will come from upgradation and cash recoveries and rest will be through the various OTS programs, which is lined up. We are sure that during this year, about Rs.3,000 crores will come through resolutions through NCLT, that's what our guidance is.

Bhavik Shah: Growth and margins?

A K Das: Advances growth guidance will be in the range of 10% to 12% for the full year. So far up to June, we had YTD growth of about 5%. But that is mostly on the back of good RAM growth. Corporate is yet to pick up. We believe that from this quarter onwards, there could be some movement in the corporate book. So keeping that in mind, we believe, we could end up with 10% to 12% growth for the entire year. And regarding margin, our global NIM has been 2.55% while domestic NIM has been 2.88%. So we have a guidance there. Because of lot of repricing in loan book is happening in both sides, it would be good if we can maintain margin of 2.90% domestically and we expect our global NIM to improve from 2.55% to 2.75%. That's the guidance.

Bhavik Shah: A couple of more questions. One Sir, what would be your LCR ratio as on quarter-end? And second, if you could give the breakup of your slippages would be great? And what is the corporate domestic yield going in the market like I just wanted to understand the pricing competition.

A K Das: First question was regarding LCR, right? It is around 180%.

M Karthikeyan: Fresh slippages totally is Rs.2,833 crores for this quarter. Major comes from our very high value retail asset, that is one major component there and other things, the road assets and manufacturing assets totaling to about Rs.850 crores. The rest of the assets are falling in agri, MSME and retail. Out of Rs.2,833 crores, corporate about 17%, retail 13%, agri 26%, MSME 32%, plus overseas it's about 12% including valuation and exchange and other fluctuations. So, that is a broad breakup.

Bhavik Shah: Amongst the retail, agri, MSME, what would be from the restructured book?

M Karthikeyan: Within the restructured - Rs.5 crores and above, we have agri at Rs.147 crores, retail Rs.20 crores, MSME Rs.511 crores, corporate Rs.790 crores, total Rs.1,468 crores, SMA-I and II put together, above Rs.5 crores.

Bhavik Shah: Any lumpy corporate account slipped from restructured book?

M Karthikeyan: There are some road sector advances. Future Lifestyles is there, which is about Rs.367 crores and provisions provided to the extent of Rs.204 crores.

Bhavik Shah: How is the pricing competition in the domestic corporate market on yields and what will be the yields currently?

A K Das: 7.36%, in large corporates

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

Ashok Ajmera: Sir, there is of course a pressure on the operating profit which has come down by almost Rs.280 crores. So, I can understand it that because of the pressure on the Treasury. I will come back on this specific question, but my first is, I just want to know that we have been discussing in the last quarter also for strengthening the digital footprint and digital space. Where have we reached on the digital platform, end-to-end and how much work is left, and what kind of budgeting we have for the digitalization in the bank?

P R Rajagopal: Slide #35 onwards, all the slides are available on initiatives on digital space. In that, what has happened is, when we discussed the last time, it was still in the RFP stage, design stage. Now, all design stage is over and we have already rolled out three products which is in the CUG which will go live in a couple of days, savings product, one MSME Shishu product and then agri gold loan product. So this will go live and once that go live, another month down the line, we are planning around 60, 70 products in digital, that will also go live. We are actually putting in our policies in place by the time, and then we'll roll out everything, that's what the plan is. And as far as the budget that we are talking about, last time I shared with you, that in our utility platform what we call the e-platform, the budget is around Rs.360 crores-plus and we have our own Data Lake and then super app that we are coming out. That together translates to around Rs.600 crores. Total budget is around Rs.1,000 crores to put it precisely, the entire digital initiatives. Timeline that we are talking about is September 2023 max.

Ashok Ajmera: Yes, of course you've given elaborate information, but I just wanted that what actually has already been implemented? So yes, point well taken –

P R Rajagopal: Three products are already lined up for implementation and another 40 products will get implemented in a month.

Ashok Ajmera: Sure, sir, because we want to see Bank of India to be only on the digital map as other banks are also running very fast on that trend. Sir, coming on the credit growth, if you see the domestic growth is very sluggish, it is around 1.83% in this quarter April-June. And when we are talking about 10% to 12% growth, do you mean to say that in the remaining three quarters, we will have about 10% of the domestic credit growth or it includes even the global credit growth where you are increasing your footprint it seems in global market. I don't know, how much margin or NIMs we are having on that.

A K Das: Yes, I will answer your question. First on the overseas books, I think the NIM is about 0.98%, that is as against domestic NIM of about 2.88%.

Ashok Ajmera: About the domestic credit growth, Sir?

A K Das: We have seen this industry for ages and we all are aware of the pains and pangs in the first quarter. Q1 is supposed to be a very lean quarter, and also that way, Q1 probably will not be a barometer of the entire financial year. But still in the domestic arena, we have done a growth of about 9% year-on-year, vis-à-vis industry and banking system's growth of 3.28%. And in the domestic part, predominantly, it has been triggered by good growth in retail of 22% including 15% growth in home loans, agri 16% and MSME at about 8%. Now, there is every reason to believe, at some point of time, going by the indications as of now, the corporate loan book will start picking up. We did a very modest level of sanctions predominantly on the lack of demand, we did about Rs.7,000 to 8,000 crores of sanction in the first quarter. But as I speak, we got about another Rs.12,000 crores of loan proposals in process now. So, these are mainly for metals, chemicals, pharma and some amount of infra loans. So, based on our experience so far, 9% YoY and 5% YTD growth is now achieved. I think it should give us reason to believe that minimum 10% to 12% growth should be possible.

Ashok Ajmera: I'm not putting any comment on that. I just wanted to understand what is the management view going forward. Sir, when we talk about this credit growth, you have the NBFC exposure of about 8.93%, Rs.35,825 crores other than HFCs. Going forward, what is your plan to increase our credit numbers through the NBFC for onward lending and also for co-lending so that we reach to the last mile?

A K Das: Co-lending, we have got already two to three partnerships where we are just about off the block. And direct NBFC exposure, we have got clear cut restrictions, because we have almost hit the ceiling. So on a very selective basis and very good rated accounts only we will examine. Pool buy out, we are open. I think recently we have done two to three pool buy out transactions, of which about Rs.200-odd crores have been disbursed.

Ashok Ajmera: Sir, one data point. On information note #11, we have made the provision; currently, out of the provision of Rs.675 crores out of this in this quarter, it is Rs.179 crores in that 15 borrowers account. What is the total outstanding on those 15 borrowers account, note #11 under RBI circular of 7th June 2019?

V Anand, G.M.: Total provision comes to Rs.675 crores for Q1 FY23 and Outstanding is Rs.3,431 crores.

Ashok Ajmera: This one very old note is coming with a disputed amount with another PSU bank and 50% provision of Rs.144 crores has been made. What is this, I mean, is it going to resolve or this dispute is going to continue for a longer period of time with this kind of provisioning?

V Anand, G.M.: That is with regard to one of our Pune zone matter which is already under the liquidation. Whatsoever amount the Bank has to recover has come through the liquidation process. And thereafter, the CBI case also has come to a conclusion. The dispute with other bank is continuing before the Settlement Dispute Committee before the DFS. And one hearing was conducted and we are trying to resolve the matter through the DFS intervention.

Ashok Ajmera: My last question is on the entire Treasury operations now. You have made a Treasury operation, if you see the segment wise, Rs.974 crores the profit income is there, but at the same time, there is a loss on the sale of the investment and also the valuation. So, going forward now, how do we see the Treasury performing and how much cushion do we have if we go for another say 35 basis points or 50 basis points hike by the RBI, how far we are insulated and how much are being insulated?

M Sasidharan, G.M: As regards your first question, going forward how the portfolio is going to behave. Sir, we believe that the worst is over as far as mark-to-market positions are concerned. 10 Year G-Sec has hit 7.60% and currently trading at 7.20%. Certainly, we feel that 7.50%, 7.70% should be the maximum we should see on the 10-year G-Sec. So MTM losses, we don't see much of an upside from these limits. In fact, our calculations were based on a 10-year yield of 7.45%. Now, we will have to wait and see September how it behaves. Yes, rate increase by RBI is expected. Again, the market news is that 35 to 50 basis points hike can be there. But if you look into the way the markets have behaved, even before the RBI has started implementing these increases, the markets have run far ahead of the regulator. So even if there is going to be an increase, we don't see much of a hike as far as Treasury yields are concerned. And we are looking at a terminal repo rate of around 6%. It can be 10 to 15 basis points up or down. So essentially, whichever way you look at it, we feel that 7.70%, 7.75% should be the cap. So that's what our internal assessment is, but market always humbles you and market always surprises you, that is the caveat I have to submit.

Ashok Ajmera: My last question in this round is on the slippage. Sir, our slippage has increased in this quarter to Rs.2,465 crores as against Rs.1,590 crores in the last quarter, percentage wise also 0.69%. Going forward for the whole year, what is our slippage target, Sir, because our cost-to-income has also has gone up actually. So, overall recovery and the slippages because even written off account also we are in a Rs.2,340 crores versus Rs.313 crores in last quarter. So, overall where do we stand on the recovery front and how much slippages we can expect for the entire year?

M Karthikeyan: So, if you see the slippage ratio, last quarter year-on-year it was 1.07, we have brought it down to 0.69. Going forward, 20% reduction in slippages is the guidance, number one. Number two, in terms of recovery, as I already told you and our M.D. also informed earlier, every quarter we are projecting a recovery reduction of Rs.2,500 crores, of which Rs.1,700 crores will be cash recovery plus upgradation and remaining will be coming from written off recovery from prudentially written off accounts as well. So, slippages last year, if you could see, the entire year, baseline projection was Rs.9,000 crores, we had come to a level of Rs.8,851 crores. This year we assure that we should not cross Rs.8,000 crores. That's our guidance on slippages.

Moderator: The next question is from the line of Mayank Sethi, individual investor. Please go ahead.

Mayank Sethi: Sir, my question is Bank of India has a long history. Structurally, how Bank of India is different from other PSU banks? And based on the unique strengths that our bank has, which areas the bank can grow and gain a leadership position compared to other PSU banks?

A K Das: It's a very short question but requires a long answer. There is not much to choose from when you assess the structural comparison. And we are working in the multiple hierarchical structure. And Bank of India, which is going to complete 116-years, has got several-first to its credit. And in digital space also and in overseas presence. And it has got a lot of capacity built into it. Now, last two years, there were certain issues that affected not only Bank of India, but all of us. One lag, that probably was there for a little longer time, was the digital footprint. I think our E.D., Mr.

Rajagopal, has very clearly explained that, how we are going to go ahead on the digital frontier. I think by September, we will see first signs of those digital footprints. And in the next one year, I think we will be comparable to the best. This is the basic premise on which we have structured our corporate objective for the current year, that is reshaping the future.

P R Rajagopal: So another thing I would like to add to what our M.D. & CEO has said, Mr. Sethi, is the areas where bank is having strength, basically in trade finance, and in supply chain finance and working capital and as well as the bank used to be in the leadership position in exports, especially for diamond and other jewelers. We used to continue to receive awards from the export organizations, in the past. We used to be one of the best banks in terms of funding to exporters. And the last of the things is that we used to be leaders in terms of actually funding the capital market intermediaries. So these areas have actually been taken over by private banks. Most of our customers have actually gone to private banks, because of the huge technology changes, tectonic shifts that has happened in these areas. So what we have done in the last one and a half years, two years is we have actually brought those technology interventions that are required to actually regain the uniqueness of this bank in this area, and another one and a half years down the line, we'll actually be able to get a leadership position back in these areas and we'll be competing with best of the banks in this area as hitherto. This could not happen in the last decade for a very simple reason, because it required huge investment in technology, which we could not do. Now, we have structurally made that shift in terms of technological intervention in all these unique expertise that the bank has. So naturally, we will grow in these areas going forward.

M. Karthikeyan: One more point is our bank is also strong and leader in terms of financial inclusion, where 3.28 crore accounts have been there and 2.71 crore accounts are in active position and the balance outstanding in these accounts are amounting to Rs.11,074 crores. The average balance in these accounts is around Rs.4,000. In all the government sponsored schemes, we are excelling and we have been awarded also for good performance in these segments.

Mayank Sethi: My second question is for many PSU banks, their subsidiaries have gone quite big, for example, for SBI, Life Insurance, Cards business. For us also, we have some subsidiaries. Over the long term, do you see the potential of any of our subsidiaries that can grow very big and maybe we can list them in the stock exchanges?

P R Rajagopal: It is too early to say that we can list and grow, but one thing is that, strategy is out so far as our subsidiaries are concerned. There are very good subsidiaries where typically we have our own finance associate, which is doing reasonably well with an AUM of around Rs.2,000 crores plus. And we have another insurance subsidiary, which is also doing reasonably well with an embedded valuations of around Rs.25,000 crores plus. And then we have our merchant banking subsidiary, which gets us good leeway in terms of the subsidiary service that we can provide to the financial intermediation, that is also there. And we are also actually trying to augment the subsidiaries in a very robust manner. Another thing is our AMC has also started doing well. We are also building up the necessary infrastructure within the AMC so that we can actually scale it up in a very robust manner. So these are the areas. In another three years down the line, we maybe listing most probably most of these. To start with we may actually have a partner in the AMC, because we are already holding 100% in AMC as of now. We may have a partner going forward, is our plan in our AMC business.

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

Sushil Choksey: Sir, you highlighted that you're making a huge digital spend for inroads into various types of businesses. Can you quantify the budget and elaborate a bit on the products?

P R Rajagopal: I would request you to kindly go through the slides which have been put out from slide #35 onwards in the presentation, Sushil saab. A five-year plan of almost Rs.5,000 crores plus budget for the entire tech initiative that we have taken. It is a huge budget we have taken. Around Rs.1,800 crores plus is already approved and purchase orders have been given in these most of the initiatives. The first initiative that we have actually rolled out and it has actually rolled in a great extent is the utilities lending automation systems and lead management systems. And then the full rollout will happen over a period of say one or two months down the line. So mostly, the foundation there will be formally introducing the products to the customers. That's what our plan is. And in so far as the other great initiative that we have taken is, we are putting in place the universal app which is basically an engagement layer, APA Publication that ICICI has done or Axis has done, we are also coming out with that. The rollout time is 18-months. Purchase order has been already given. So you can calculate from August now, 18 months down the line, it will be up and running fully for us that you are seeing in ICICI, Axis and the HDFC, same capabilities will be available with the bank. That is the second one. And third, we have actually taken a Data Lake initiative where we can make intelligent personalized offers to the customers. See, what we are talking today is we are talking in terms of hyper personalization. At the individual level, we can actually try and make a customized product and offer. So that rollout will happen over a period. The RFP is already done, technical evaluation will happen in another 10, 15 days, but most probably will be given by end of September. And once purchase order is given, then the rollout time is again 18 months to 24 months for Data Lake and it will be rolled out typically on a staggered manner such that we derive benefits out of it over a period of time. It is not that nothing will be done after 24 months, rollout will happen, and rollout will happen in a very staggered manner. There will be a lot of intervention that will happen at a Data Lake level. That's what we are planning. Apart from that, there will be a lot of utilities in terms of our processes and other aspects that will come into play in terms of our collections, in terms of our recovery, in terms of the score cards for credit underwriting and even third-party product sales. All those digital initiatives are also being undertaken very effectively. You will have a completely different mobile experience. You will have a completely different internet banking experience in terms of customer engagement is concerned. So even with the existing mobile, we are growing at 40%, and completely phenomenal growth that has happened in our mobile banking once we came out with the very improved product over there, and that is also slated to come in another two months to six months down the line.

Sushil Choksey: Do I assume that pure consolidation with Bank of India that started from 2015 May to 2022 June of seven years is virtually getting over and we will be on accelerated mode.

P R Rajagopal: Yes, yes, precisely, you can assume like that.

Sushil Choksey: Can you indicate what would be a CD ratio over a period of next 12-to-24-months?

P R Rajagopal: Today, we have an ideal CD ratio of 74%. We would actually go to 80%, levels of HDFC Bank level unless we have a very robust fund management system in place. You will require a lot of liquidity management system in place and you need expertise also to have that kind of CD ratios. So, that will take some time, but till such time, I would actually stick to that 74%, 75% CD ratio for some time till the resources and skills build up within the bank in terms of funds management that the other banks have.

Sushil Choksey: Second question is hearing M.D. on the media as well as on the concall initial speech, is it that the pool buyout which you have initiated are yielding better results and in terms of earning compared to our retail loans?

P R Rajagopal: Basically, on net-net basis, the service charges and the interest rate share that the NBFC take is much more. So, naturally it boils down to average yield basis whether it is a pool buyout or a direct customer acquisition basis, it is more. Only difference is the customer acquisition cost that we have in terms of retail push, that is lowered in a pool buyout.

Sushil Choksey: I got your point, but you are yielding approximately one-year MCLR plus, that's what I want to know?

P R Rajagopal: Yes, that is true. One-year MCLR continues to be at 7.50%. We need more yield there. And most of the pool buyout loans are not in MCLR, most of them are in RBLR, because they're all either retail or MSME loans where I cannot offer an MCLR-linked loans.

Sushil Choksey: We had a great rich heritage in terms of connectivity with business community in western parts of India, where traders, small manufacturers, small businesses are concerned, seeing last 40, 50 years. Do we say that after digitization, most of the customers which are approached by private banks in last three, four years makes a good comeback to Bank of India?

P R Rajagopal: Yes, that's what my interaction with our old customers reveal. The day you digitize and give us the same facility that the other bank gives, they will come back, that's what everybody says.

Sushil Choksey: Any guidance or any outlook on your investment book based on today's yield not on the quarter-end?

M Sasidharan, G.M: As I explained earlier, the MTM loss currently stands at Rs.295 crores. The upside we are not expecting much. The yields are going to taper off, if at all there is going to be an increase. It's going to be a short-lived one. The other side is, our CD ratios have improved. To that extent, the available corpus for us to make investments is not there, because there is a flow from the investment book to the advances book. So, we should not see much of MTM provision as far as Bank of India is concerned, it's slightly higher this year.

Sushil Choksey: I'm looking at the other way round, the globe is in recession, India generally does well. So do we get some write-back in the quarters to come by?

M Sasidharan, G.M: Definitely. We expect that the interest rate should peak by Q4 of FY'23. And after that, there could be a case where the Reserve Bank can go for a pause or even start reducing the interest rates. That is when the capital gains will start flowing into the investment.

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

Suraj Das: Just wanted to get your view on the BB and below rated books. You have given in the slide #15 a percent of domestic advances of Rs.7.5 crores is BB and below rated. If you can quantify what would be the number in absolute in terms, your view here in terms of what would be the largest ticket size here and how you are looking at this book?

A K Das: Rs.7,355 crores, Suraj.

Suraj Das: What would be the largest ticket size here in book and how you're looking at this book in terms of slippages and NPAs and all?

P R Rajagopal: Largest size in terms of accounts level, it is not more, it would be below Rs. 100 crores.

Suraj Das: In terms of the restructured book, so if I see that COVID restructured book, something around Rs.11,000 crores for last quarter, that has come down to Rs.10,000 crores. So, wanted to know how much of that book is already out of moratorium, let's say end of March I mean, moratorium means there is no interest moratorium or something like that.

P R Rajagopal: On COVID book, 70% of the book continues to be in moratorium, 30% of the book is out of moratorium.

Suraj Das: I am asking if you can give the breakup of segment wise GNPA?

P R Rajagopal: We will give you that.

Moderator: The next question is from the line of Sohail from Antique Stock Broking. Please go ahead.

Sohail: Sir, just wanted to understand two things. One is basically in terms of credit-to-deposit ratio, which has inched up around 73%. So what is your outlook in terms of cost of deposits, saving deposits, and correspondingly, the pricing power in the system, if you could just give your qualitative comments on these three parts?

A K Das: Cost of deposits, if you see the trend, there is definitely in many banks, including our bank, there is a drive for resource mobilization, because as liquidity has dried up, and as the demand picks up, naturally, there will be a scramble for higher resources. So, cost of deposits could see some uptick. But the same like we have done in our bank's case, we have decided to go at least 10% growth in CASA. We are at 44.70% of CASA percentage. So, that we will probably compensate, at least partially, any kind of repricing that is happening in the liability space. And in the asset side, of course, the repricing is relatively real-time, especially in the EBLR segment. So that will also help us safeguard our margins. Apart from this, Monika ma'am, would you like to add anything on this?

Monika Kalia: I think, Sir has covered appropriately. The cost of deposit is almost around the lowest in the industry so far. So we have been able to manage our cost of deposit in a very efficient manner. So in line with that, we have great focus on our CASA growth this year and we have introduced various schemes, even the salary plus scheme for garnering more salary accounts. And the term deposit, which is kind of trade-off between the CD ratio and all, that we will keep on monitoring very closely, and as and when required, we will complement our rate accordingly.

Sohail: In this I also actually wanted to ask. Right now what is happening is basically the differential between saving deposit rates and term deposit rates are very low or has narrowed down over the period of time. Now, when the term deposit rates start rising, at what point of time do you think that we as well as the system would actually have to look at the saving deposit rate again?

Monika Kalia: Term deposit rate has again started going up. So it's not whether we will increase or not, it's for the savers to decide, if they don't want to keep it in CASA, they are free to switch over to the term deposits. Already in the system, our SB is 2.90%, the term deposit for one year is around 5.50%, which is for the retail depositors. So, already the gap has started increasing.

Moderator: The next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: The CET number for March, it looks like it has been restated. Is it because of the dividend thing that was changed or there was something else?

Swarup Dasgupta: No, it's partly because of dividend and partly some additional disclosure we have made recently.

Jay Mundra: Recap bonds, right?

Swarup Dasgupta: Yes, partly recap bond and partly dividend.

Jay Mundra: Secondly, Sir, on yield, so if I see your last 12-months, you have not changed too much of your MCLR and M.D. Sir also commented that you started to pass on the rate hike on EBLR basis. So what explains the drop in the loan yield by around 20 basis points?

Swarup Dasgupta: It's because of our high growth in our international book where actually yields are lower. Recently we have hiked our MCLR by 10 basis points. International also, we are very choosy about the asset base. Majority of assets are in short term in nature and they're balancing our books and other ratio.

Jay Mundra: There was increase in the overseas deposit also, right, in this quarter. That is deposit only, right, it is not borrowing or etc., it is a local deposit in overseas branches?

Monoj Das: It is a mix of local deposit as well as borrowing also, sir. We also lift bulk deposits to supplement our assets.

Jay Mundra: Did I hear it correct that 70% of the restructured book has already come out of moratorium and rest 30% could still be in moratorium?

P R Rajagopal: Other way round.

Jay Mundra: Sorry. So 70% has already come out of moratorium?

P R Rajagopal: 30% has come out of moratorium, 70% continues in moratorium.

Jay Mundra: This quarter we had some Rs.1,400 crores something slippages from restructured book, right. And if I see Rs.15,000 crores restructured, only 30% has started billing, so let's say Rs.4,500 crores. Out of that some Rs.1,400 crores has slipped. So while in absolute number Rs.1,400 crores is manageable, but in terms of percentage, that shows a very bleak picture that out of Rs.4,500 crores, Rs.1,400 crores has slipped.

P R Rajagopal: That is because you know very well, there was an OTR of big account which has to be classified as NPA because of the litigation.

Jay Mundra: If you remove the corporate account, only let's say retail actually –

P R Rajagopal: If you remove the corporate account, almost Rs.500 crores goes out of it.

M Karthikeyan: In terms of MSME, the stress which was being expressed and to tackle that, a total mechanism is built in now, across geography, we have put in place persons to more closely monitor this RFCRS-I and II. So, there is going to be a granular level follow up, both personally as well as technologically. We don't foresee any risk on that.

Jay Mundra: Sir, on your ECLGS, you have given the disbursement number of somewhere around 8,200 crores. What is the outstanding and how much is the gross NPA there?

P R Rajagopal: There it is around 2.8% of the ECLGS book is NPA, that is around Rs.217 crores-plus. Not much of NPA is there.

Jay Mundra: What would be your credit cost and ROA guidance for full year '23? We used to give. I think last year we did more or less to the guidance.

A K Das: Credit cost like it was about 1%, that will be the benchmark. This time it was a little more on account of slippages. So, 1% will be ideally our credit cost. ROA, we would like to see it at least 0.75% by the end of the financial year.

Jay Mundra: Even 1% credit cost would be like some Rs.4,000 to 5,000 crores number which would mean that last year also we did around a similar number.

A K Das: This is not a static number, Jay. This will keep on getting revisited from time-to-time. As on date this is the presumption. We will try to revisit it as we normally progress.

P R Rajagopal: For most of the public sector banks, Jay, what happens is in the first quarter you will see credit cost going up and again it tapers in the next three quarters, that's always the trend. If you see last five years of the balance sheet and see will be like that, except twin balance sheet problem period.

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

Ashok Ajmera: I have my some observation or some answers on the taxation front. I mean we have opted for the old rate of taxation so far. So out of provision of Rs.300 crores which we have made, can we get the numbers of the total carry forward losses available, the DTA, MAT credit, how this Rs.300 crores has been arrived at? And secondly, how much is actually, as tax is required to be paid in cash?

Sankar Sen, CFO: Rs.8,700 crores is the DTA and we have a couple of foreign tax credit also. So, being foreign tax rate is there, that's the reason we continue to be in the old regime and over and above there is a MAT credit allowability to nationalize banks, that is also pending. Once a decision comes, then we'll take appropriate decision in shifting to the new regime. As such, within that time limit we have to shift to the new region. That's the reason we are just waiting and the appropriate decision of the ITAT / High Court to come on this particular aspect, then only we will take a suitable decision.

Ashok Ajmera: Now, taking the point from the deposit, earlier, we were discussing, our domestic deposit has come down in this quarter by almost about 1% like from Rs.5,51,000 crores to 5,46,000 crores. So, going forward, as we were talking and Madam was giving some rationale also, are we going to be tightening as far as the interest rate is concerned and keeping the deposit low or we plan to grow the domestic deposit also equally as the international deposit is also growing up. So, what are your views on that, are we going to keep it down?

Monika Kalia: It should be like this. I have explained earlier also that we would like to grow somewhere around 10% in our CASA so that our CASA ratio comes to 46% by the year-end and the term deposit will of course be complementing the needs of the business. So, whenever there is a need for the faster growth, we will be complementing the term deposit number into the market scenario. As already has been talked about by our Treasury people and you would have seen that what the market has expected, that is already cooling down because, we are not seeing that harsh reaction from Reserve Bank of India. So, maybe going forward, in next two quarters, we may see some respite. So, it would be ideal time to hold on till I really need for my business growth and then take a call accordingly.

Ashok Ajmera: Point well taken, Madam. On this non-SLR book, we have HTM of Rs.29,886 crores, that's okay, on AFS book is Rs.11,204 crores. What is the nature of this investment on non-SLR and so on, AA, AAA, what kind of investment is this Rs.1,204 crores on AFS books?

M Saasidharan, G.M: AFS book is Rs.11,204 crores. We have about 10% in AAA. Other information I can give you offline please.

Ashok Ajmera: That's okay, no issues. So, now on the rating side, the external rating I saw and now down that about Rs.7.50 crores retail accounts corporate-rated account, so this Rs.7.50 crores is a threshold limit by RBI or as a bank we've put up the limit of Rs.7.50 crores below that, the people do not require the external rating? I'm not actually basically aware of.

P R Rajagopal: Basically, it is a regulatory retail and corporate threshold that RBI has put up, but insofar as the bank is concerned, the threshold is Rs.25 crores and below no external rating required, Rs.25 crores and above external rating is required.

Ashok Ajmera: Only above Rs.25 crores is external rating required according to you?

P R Rajagopal: Not according to me, according to the policy of the bank.

Ashok Ajmera: There's a small question actually. RBI levied again this quarter penalty of Rs.70 lakhs to the bank. Is it a regular feature with this thing or any specific incident has taken place when the penalty of Rs.70 lakhs has been put up by RBI?

A K Das: Penalties are for occasional breaches, aberrations. So, that we are seeing not only in case of our bank, but yes, there were one or two instances where certain unauthorized debits were made and certain breaches or violation of KYC are not there. The big numbers are there. We are still in a data cleaning mode. So, this is the RBI supervisory team's observation when they take the data dump and check it, and we are in the correction mode now. By and large, we have corrected the data, but having said that, we also need to ensure that in future such breaches don't occur. So, this was kind of a one-off penal action.

P R Rajagopal: And added to that, it is basically pertains to a legacy observation in the RAR reports of the RBI. That things are not there in 2021. So, most of them are corrected now.

Ashok Ajmera: My last question in this round. There was some ARC sale of Rs.102 crores provision has been reversed, the entire account must have been written-off, that is why the total proceeds has some as a reversal of the provision. Going forward, you have also stated that NARCL six, I mean with the gross outstanding of Rs.2,437 crores, is it going to be in this current quarter and even if we assume about 20% or 18%, so, it becomes about Rs.480 crores, 15% of that is about Rs.70, Rs.75 crores cash, can we expect in this quarter to come in from NARCL?

V Anand, G.M.: NARCL has started functioning fully now. I don't think that in this quarter will happen, probably it will happen only in Q3 because they have appointed some of the agencies for conducting the due diligence in many of the big accounts. You know they have to do the legal scrutiny and other verification of property which is going on. So, going forward it may happen only in Q3, not in Q2.

Ashok Ajmera: Just a last question on the family pension, you have amortized still about Rs.459 crores carried forward. Do you have any plan to take it little forward, then four, five years' time which has been given by the RBI?

A K Pathak, C.G.M: In fact, we have a regular AS-15 provision. So, as of now, we will be taking advantage of timeline given by RBI looking at the requirements from AS-15 provision. If going forward, things improve, maybe we can think of taking it forward.

Moderator: Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to Shri A K Das for closing comments.

A K Das: Thank you very much all investors and analysts for taking active part in this interactive session. And we hope we have explained the questions to your satisfaction. In case, there are any further data, kindly get in touch with our finance department. I'm sure they will provide you all required data. Thanks once again for attending this conference.

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