



“Bank of India Limited Q1 FY-20 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Bank of India Earnings Conference Call. This is to inform you that the first financial results and a detailed PowerPoint presentation has been uploaded on the web portals of BSE, NSE and Bank of India and I am sure you must have gone through the presentation. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone telephone. Please note that this conference is being recorded.

Let me introduce the management of Bank of India available for the conference call. Shri N Damodharan – Executive Director; Shri A. K. Das – Executive Director; Shri C. G. Chaitanya – Executive Director; Shri K. V. Raghavendra – General Manager & CFO accompanied by other general managers.

I will now hand over the conference to Shri N Damodharan – Executive Director. Thank you and over to you, sir.

N Damodharan: Good evening all. I am Damodharan here. Along with me Mr. Das and Mr. Chaitanya his colleagues Executive Directors and other general managers who are here to answer and take up your queries.

The presentation is already you must have gone through so in a short I would like to brief that we have given a stable picture of the bank financials in this Q1 and taking ahead the performance of Q4 of the previous financial year.

The operating profit and net interest income is comparable if the exceptional one off from March 19 and June 2019 are factored in those quarters. Similarly, the other income. In the operational expenses other than there are wages we have reduced the operational expenses. The CASA has gone up by 6.04% by Rs. 10,000 crores year-on-year basis.

The cost of deposits has come down and yield on advances have improved. The slippage control is to some extent possible in the corporate sector where the slippages has been brought down to 30% as compared to the earlier 50% of the total slippages. The loan growth in RAM is 7.25% that corporate portfolio it is 12.13% and the government guaranteed accounts it is around 32%.

We have a sound provisioning of 77.18% and the net provision coverage ratio is also good at 68.92%. The GNPA and net NPA has marginally elevated and the risk rate assets has improved from Rs. 309,000 crores to Rs. 299,000 crores in June 2019. The market risk rate is reduced by 25%. There has been a rating profile improvement in the corporate portfolio above Rs. 5 crores.

The A rated and above advances have been increased by 3% from 55% to 58%. BBB advances has come down from 15% to 9%. Below BBB it has reduced by 1% to 13% and unrated which includes the government guaranteed advances it has increased from 16% to 20%.

In SMA-1, SMA-2 above Rs. 5 crores there has been a marked improvement from Rs. 11,655 crores in June 2018 it has come down to Rs. 6,875 crores and this movement is both partly the accounts have moved to regular category and also moved to the lower SMA0 category. Some of the accounts small portion has moved to NPA category.

Our focus for the next three quarters will be growth in net interest income operating profit and fee income. That is improving the return ratios taking forward the stable scenario obtaining in the Q4 March 2019 and Q1 June 2019. Slippage control and recovery will be another important focus area for which we have already created stresses at management vertical from head office down up to the zonal office level the vertical has been established have started operating effectively.

The risk management areas have been again strengthened. Fraud risk management enterprise wide software we are introducing and a separate department has been established for this. Similarly, credit monitoring department has been strengthened with war and watch rooms. And we also have the area manager setup at the ground level for recovery and credit monitoring.

Capital position is comfortable and facilitates a healthy growth in advances and we also have our capital plan in near future may be in Q3 and Q4 after the results of Q2 are out then the progress is well established and the market will be responsive we proposed to go for capital mobilization of up to Rs. 3,500 crores as approved by the board.

The CASA growth which is considerable will be taken forward and the rating profile will be further strengthened. The recovery focus we expect or we will work towards reducing the gross NPA to around Rs. 56,000 crores from the present Rs. 62,000 crores by March 2020. In credit we expect a growth of 10% and in other areas which will be supplementing these two particularly. We will be working hard for better results.

Thank you very much.

Moderator:

Thank you very much, sir. 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 Services. Please go ahead.

Ashok Ajmera: Having said that, I would like to straight away know that what are the pressure points which have been addressed in this quarter and which are still going to be there in two, three quarters forward, especially on DHFL, Essel Group and some of these groups which are talked about and are there in the news which other banks also have managed to provide something for? So, my first question is on that. Can I get the answer for this and then go for some more observations and questions?

N Damodharan: Yes, please. If you are looking at the pressure points what we are talking about on the NBFC sector of may be the IIFL, DHFL or the Essel Group, see these are basically it is coming from the NBFC sector and we have seen the resolution processes on for that and we look forward how best the resolution will go through and then we can come out nicely.

Ashok Ajmera: So, what kind of provisioning had already been done for DHFL like which is fresh in this quarter?

N Damodharan: DHFL is presently see if you look at the DHFL the path for the last seven, eight months they were able to honor it by maybe around Rs. 40,00 crores what they have paid and it is in that area of SMA-1 and it is in that standstill period of the ICA.

Ashok Ajmera: Okay. So, I mean then we can expect some provisions in the coming quarters to come in I mean in this account also. My second question was on the advances side, Mr. Chaitanya. Sir, these advances this quarter have been declined if you look at the domestically from 328,000 to 324,000 and on the top of it we are expecting a growth of 10% by the year end.

So, filling this Rs. 4,000 crores of shortfall and then again going for Rs. 32,000 crores of additional, how do you see and looking at your capital adequacy ratio also, I mean how do you plan to achieve this target of course Mr. Chaitanya and the whole team?

N Damodharan: Yes, what we are looking at is this quarter we do not find it as an indicator for the coming quarters because as usual the Q1 will be always a subdued one. If you look at the Bank of India the way we have structured ourselves is we are giving a lot of thrust on this Rs. 5 crores and above the corporate advances what we look at it.

We focused around 300 branches where we wanted to do a focused financing up to Rs. 25 crores account wise I am talking about. So, these branches when we look at and when we keep the focus and these are all headed by the senior level people and then when the credit experts are present we wanted to distribute the credit like that. We did not want to keep any concentrated credit.

Ashok Ajmera: And you said 300 branches?

N Damodharan: 300 branches which are a focus for doing this. These branches are activated now and we hope that these branches at least they start doing one, one loan also per month. If you look at in a couple of quarters, they will cross Rs. 10,000 crores quantity is we are looking at for that.

Ashok Ajmera: Alright on this capital infusion you said?

N Damodharan: On the capital side I have not touched it. The capital side we have sufficiently capitalized at this point of time and we have the growth capital also to move forward. And we have a capital raising plans in future also.

Ashok Ajmera: But you see looking at the current rate or the pressure on the share prices also do you think even in the third or fourth quarter also raising Rs. 2,000 crores or Rs. 3,000 crores I mean you will be able to attract the money at a good price or will it be a good time to even go for that, because this talk is under great pressure overall I mean in the whole with the markets are also down and we do not find any major achievement maybe in the second or third quarter.

So, is there any other plan to meet these targets without going forward for the capital mobilization how do you plan to meet, if you at all do not raise the capital maybe not even up to the fourth quarter or maybe in the next year?

N Damodharan: As you said, you said that the markets are also down for that, but what we are looking at is for the capital raising is we are looking at that sustainability side of it where we wanted to this is the second quarter where we are making the profits and we wanted to look at that sustainability.

If you are looking at my stressed portfolio the way it is coming down, and the way the focused corporate the credit or the retail credit where we keep the focus and we want to move on, or if you look at the NCLT where we made the 100% provisions and then going to come in the coming couple of quarters. That will be a good guidance for the investors also to step in and to come to us when we go to the market to raise the capital.

Ashok Ajmera: Sir, my last question is on NCLT 1 and 2 only. That Rs. 5,927 crores which you said you have provided 100% what are the prospects in next two quarters or how much percentage of it we can get which straight away goes in the income?

N Damodharan: In NCLT at least we are expecting in Q2 around our exposure to go down by Rs. 2,000 crores to Rs. 2,400 crores. We are having about six accounts where the resolution is almost near.

Ashok Ajmera: That is good. One suggestion only that why do not we again restart the system of having a physical analyst meet so that we can interact little more in a better way face to face. I think that

will serve better purpose rather than this con call when we do not look at the others I mean it is sometimes the discussion will become more effective if we are personally meeting?

N Damodharan: Yes, that is correct. I fully agree with your view sir. Like the market the weather has also become very unpredictable.

Ashok Ajmera: I had suggested to Mr. Raghavendra that you all next time the you know physical analyst meet like what Bank of Baroda did and what the State Bank of India is doing. So, anyway thanks a lot for giving me this opportunity and definitely I am very, very sure that Bank of India will definitely produce some better results and better recoveries.

Moderator: Thank you. The next question is from the line of Amit Singh from B&K Securities. Please go ahead.

Amit Singh: Firstly sir, on the slippages front, sir where exactly have these slippages have come from?

N Damodharan: See these slippages, out of Rs. 3,683 crores one third is from corporate segment and around Rs. 1,200 crores are from agriculture and retail is around Rs. 450 crores and MSME the balance. And in agriculture again it is little elevated because of in the Q1 because of the **(Inaudible 16:33)** and various other expectations. And we have those claims to be settled by the government.

Amit Singh: And sir, within the corporate sir if you could specify which sectors have they come from?

N Damodharan: Many small accounts comprise this total Rs. 1,000 crores but one major account is of EPC contract and another is Aviation.

Amit Singh: And sir, apart from this sir, what is our exposure to the troubled names in the industry like Vodafone, Idea and Essel Group, what is our exposure to these kinds of exposures sir?

N Damodharan: Vodafone we do not have. We have Rs. 383 crores with Essel Group.

Amit Singh: And sir what would be our exposure to Cox & Kings?

N Damodharan: We do not have any exposure to Cox & Kings.

Amit Singh: And sir, to this Jain Irrigation and Radius Group?

N Damodharan: Jain, we do not have.

Amit Singh: And for Radius sir, do we have anything?

- N Damodharan:** We do not have.
- Amit Singh:** And sir, what is our exposure to this Hubtown Developer, sir?
- N Damodharan:** No, maybe a small not that much.
- Amit Singh:** And sir, to this Café Coffee Day account do we have any exposure there?
- N Damodharan:** We have a small exposure around Rs. 20 crores we have.
- Amit Singh:** Okay we have only Rs. 20 crores. And sir, just lastly sir what is the nature of the claims at the Delhi Metro Airport account which we have also specified in our BSE filing?
- N Damodharan:** It is a standard asset with us.
- Amit Singh:** And sir what is our 5/25 refinancing exposure as of now?
- N Damodharan:** We will send the details.
- Moderator:** Thank you. The next question is from the line of Bhavik Shah from B&K Securities. Please go ahead.
- Bhavik Shah:** Sir, can you give me a little more clarity on the Supreme Court verdict, that is why because of which you kept the account as standard?
- N Damodharan:** This is you are talking about the Delhi Metro?
- Bhavik Shah:** Yes, Delhi Metro?
- N Damodharan:** Around Rs. 170 crores.
- Bhavik Shah:** Yes, I am asking as in I mean what is the Supreme Court order say that they have to meet the standards?
- N Damodharan:** The account also we kept in standard category. But whatever provision was to be made that was to be made we have made that call.
- Bhavik Shah:** Okay and sir there has been a lot of shifting into between the categories in the investment portfolio this quarter. So, are we expecting any huge gains from foreign GSEC yields in the coming quarters?

- N Damodharan:** In the GSEC yields we will be getting some amount to the extent of around Rs. 200 crores we will be expecting because of GSEC yields.
- Bhavik Shah:** So, Rs. 200 crores was per quarter?
- N Damodharan:** Yes, this quarter.
- Bhavik Shah:** Okay. And sir where were the recoveries from this quarter?
- N Damodharan:** The total recoveries expected recoveries that is what?
- Bhavik Shah:** No, the total recoveries this quarter when would come from in Q1?
- N Damodharan:** In the Q1 around net recovery has been Rs. 1,052 crores. It is from various accounts and various segments. Because we had introduced our OTA scheme, non-discriminatory scheme and around Rs. 10 crores have come from NCLT accounts. And various other recoveries for example claim received in agriculture debt waiver is around Rs. 145 crores. It has been from various sources and a big chunk has not come from any particular account.
- Bhavik Shah:** Sir, I have seen your recoveries to be a little subdued this quarter so how do we see the recoveries for the full year?
- N Damodharan:** Recovery had been subdued because there had been some delay in the NCLT decisions coming. As I said earlier, if NCLT decisions come around Rs. 2,000 crores to Rs. 2,400 crores NPA portfolio to make them go down because we have five, six cases in a very advanced stage. In addition to that, as I said we have introduced an OTA Scheme and under this RBI 76 Circular another five, six accounts have already come under the ICA process. And these are all time bound within six months the resolution has to happen.
- And in addition to that we will be pursuing our ARC sale even though the market is tight, we propose to go and purchase that also. With all these things put together the recovery scenario has to improve from Q2 onwards. And as I said earlier, our aim is to reduce the gross NPA to Rs. 56,000 crores. We will be working towards that goal.
- Bhavik Shah:** And sir, how much slippages do you guide for the full year?
- N Damodharan:** Around Rs. 12,000 crores.
- Bhavik Shah:** Okay and sir you mentioned some five, six accounts in the ICA process. Can you broadly give me a color which sector, which company do that?
- N Damodharan:** In ICA?

- Bhavik Shah:** These are got initiated this quarter?
- N Damodharan:** GMR and Prayagraj are in ICA Power, Reliance is also there in NBFC. These are the five, six accounts we talked about.
- Bhavik Shah:** And sir, McNally Bharat how is it doing in our books?
- N Damodharan:** It is NPA already.
- Bhavik Shah:** Is it for this quarter?
- N Damodharan:** Yes, June quarter.
- Bhavik Shah:** So, how much exposure do we have?
- N Damodharan:** Around Rs. 400 crores.
- Bhavik Shah:** Out of Rs. 1,200 crores of corporate Rs. 400 crores were from McNally Bharat?
- N Damodharan:** Yes.
- Bhavik Shah:** Rs. 800 crores were it granular or was it lumpy?
- N Damodharan:** Aviation as I said Jet is one.
- Bhavik Shah:** Okay so debt would be around Rs. 300 crores?
- N Damodharan:** Around Rs. 265 crores.
- Bhavik Shah:** And sir, Suzlon?
- N Damodharan:** Suzlon Rs. 82 crores.
- Bhavik Shah:** Even that is NPA?
- N Damodharan:** Not yet. Not at least now.
- Bhavik Shah:** And sir, did you do any ARC sales this quarter?
- N Damodharan:** This quarter we have not done anything.
- Bhavik Shah:** But we plan to have a good pipeline of ARC sales?

- N Damodharan:** We have identified accounts of around Rs. 30,000 crores but we have already tried in many of those accounts in the previous year also. So, it all will depend on the market dynamics liquidity and various other things. Whatever the accounts that are in DRT and all where the assets are there or where the unit is viable, we try to go for ARC.
- Bhavik Shah:** And last question sir, can you broadly tell me as in what is SMA-1 and 2 composed of like which sectors are they mainly from and what are the accounts sitting in the SMA-1 and 2?
- N Damodharan:** SMA-1 and 2 as we told in June 2018 it was above Rs. 5 crores, it was Rs. 11,600 crores and now it is around Rs. 6,875 crores. Out of this one is a very big chunk is in an aviation company guaranteed by the government that takes away 50% of that.
- Bhavik Shah:** So, this would be Air India?
- N Damodharan:** Yes.
- Bhavik Shah:** And sir, any other corporate accounts?
- N Damodharan:** There are few corporate accounts but not of size.
- Bhavik Shah:** In which sectors?
- N Damodharan:** They are of mixed sector immediately that will be able to send you that.
- Bhavik Shah:** Like sir, anything from construction or builders?
- N Damodharan:** No, not real estate, not commercial real estate. Some road sector is there.
- Bhavik Shah:** Sir, these road sector would be not IL&FS?
- N Damodharan:** See infrastructure is ILFS will be there one of the SPVs.
- Moderator:** Thank you. The next question is a follow up from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.
- Ashok Ajmera:** So, I thought I will not be so lucky to get the chance again so but anyway I think my number came very fast. So, this risk weighted assets of Rs. 299,492 crores can you throw some light on this, I mean what is the composition of this?
- N Damodharan:** Composition means you wanted to understand rating wise because?

- Ashok Ajmera:** Yes, first I mean for rating wise because you said that you're A rated has gone up to 58% BBB has gone down 15% to 9% and below that has gone down to 13%. So, now in the light of the new composition of this, what will be the composition of this risk weighted of Rs. 299,492 crores I mean because you see the rating these days are as we all know; one cannot rely only on rating.
- Suddenly the rating of AA account or AAA account also goes to D or maybe DDD. So, what is the kind of composition of this Rs. 299,492 crores from the risk point of view since they are all risk weighted assets?
- N Damodharan:** Composition means it derives from the rating only primarily and if you want to further look at that, is it that the industry you are looking at or?
- Ashok Ajmera:** Yes, industry wise so that we can have some you know like we can derive I mean or we can analyze it that how far it will damage?
- N Damodharan:** Okay if you want to look at that for the credit risk side of it, it is coming to Rs. 249,000 crores for the credit risk side of it and out of this credit risk side of it also if you are looking at the advances side of it around Rs. 30,000 crores are of government guaranteed is there.
- Ashok Ajmera:** Oh Yes, that is government guaranteed is it?
- N Damodharan:** Yes, around Rs. 30,000 crores. Rs. 15,000 crores is the market risk.
- Management:** And rest is operational risk.
- Ashok Ajmera:** Rs. 15,000 crores is the market risk I mean what is that comprising of?
- N Damodharan:** Treasury portfolio.
- Ashok Ajmera:** So, sir, treasury now with this interest rate scenario I mean we have heard today that SBI has suddenly reduced the sizeable in the interest rate. So, do not you think that a lot of gains are expected in the coming quarters on the treasury front?
- N Damodharan:** A lot of what?
- Ashok Ajmera:** Gain, profit?
- N Damodharan:** Yes, we expect to have a gain of around Rs. 200 crores in this coming quarter.
- Ashok Ajmera:** As against in this quarter of?

- N Damodharan:** Q1 also we made around Rs. 200 odd crores.
- Ashok Ajmera:** Same will be there in the next quarter also?
- N Damodharan:** Yes.
- Ashok Ajmera:** And sir, in these notes to the account the note number 7 you said that the consolidate unaudited financial results also include the group shares of net loss after tax of Rs. 91.45 crores for the quarter ended 30 June 2019. So, in respect of those six associates so number one, it has been taken as a hit in the profit and loss account?
- N Damodharan:** Yes, consolidated balance sheet we have taken a hit.
- Ashok Ajmera:** And whether I mean which are those associates which are giving these losses?
- N Damodharan:** Actually, there has been amalgamation of three RRBs in various stakes so two RRBs have come to our folds and one we have transferred to State Bank of India. So, the banks might have come to us we have absorbed their loss of overall that is the basic hit that we have taken.
- Ashok Ajmera:** This is actually is it the same for RRB only because the other note also?
- N Damodharan:** Some associates are also there.
- Ashok Ajmera:** Because these are basically this Rs. 91.45 crores are basically the associates?
- N Damodharan:** Yes, because all of these are grouped as associates. It is not subsidiary. Those are associates only because we have 35% stake, not 51% and of course we have another two, three domestics and international associates also. So, that is the total figure of all these.
- Ashok Ajmera:** And sir, now coming back again to my question of the credit I mean little more since I got the time I mean what kind of opportunity we are looking in which areas for this credit growth of almost about Rs. 35,000 crores in the remaining three quarter? How do you see the composition between the corporates or MSME or retail or this thing? What are your plans? You must have definitely worked out something on this?
- N Damodharan:** It is as of now the ratio of corporate to RAM is about 51:49. So, by this yearend we want to make 55% as the RAM sectors and corporate will be 45%. So, it will be a good mix of both corporate and RAM segments.
- Ashok Ajmera:** And within the RAM segments retail will continue to grow as it has been?

- N Damodharan:** We will focus more on good rated quality SMA accounts. And for that we have enhanced the strength of our centralized hubs SMA City Centers. We are also considerably moving towards acquiring new assets and take the in a typical blue blood what they call it submissions. So, we want to take up good quality assets so that our book also will qualitatively improve. There are plenty of such accounts. We have activated our top 300 prime corporate branches who will be driving this.
- Ashok Ajmera:** That is a very good move but I would with my limited whatever the knowledge and experience of dealing with the bank is that I think the whole credit process also needs to be little bit strengthened and streamlined because experience wise this goes through many, many checks and balances which are many of them can be avoided I mean in the whole exercise at the branch level again the repeated exercise at the regional level, again it will be repeated at zonal level and then we finally it go to the sanctioning authority there also there are three levels. So, I think something can be done on this to give the justice also to the people to especially MSME?
- N Damodharan:** You are absolutely right. We have started moving in that direction. Say for example if you take the MSME, a 59 minutes loans which is online. So, digital content in loan processing has increased and still there is a huge upside there.
- Ashok Ajmera:** You have gone for some higher limit for that just like some other banks they said Rs. 5 crores we have....
- N Damodharan:** We are in the process. We are in the testing stage where it is a matter of few days only. So, we are trying to improve it to Rs. 5 crores. And there is lot of traction happening there. We have sanctioned about Rs. 1,500 crores so far in principle and final sanction has been about to the tune of Rs. 1,200 crores. Similarly retail also we are ready to go live. Once that happens, I think what you are mentioned the concerns, those concerns will be by and large addressed.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from IDFC. Please go ahead.
- Mahrukh Adajania:** Sir, I just missed the discussion on your exposure to the ADAG Group. So, what will be our total exposure to the ADAG Group and how much of it is already NPL?
- N Damodharan:** Around Rs. 2,000 crores is the exposure. And we have made a provision of around Rs. 850 crores.
- Mahrukh Adajania:** Okay so Rs. 2,000 crores all of it is NPL is it?
- N Damodharan:** Except Rs. 700 crores is standard, rest is NPA.

- Mahrukh Adajania:** And the Rs. 700 crores is from the NBFCs?
- N Damodharan:** NBFCs.
- Mahrukh Adajania:** That is standard otherwise rest is NPA?
- N Damodharan:** Yes.
- Mahrukh Adajania:** And rest that is NPA is all power, roads or what is it?
- N Damodharan:** Road and telecom.
- Mahrukh Adajania:** Telecom and road?
- N Damodharan:** Yes.
- Mahrukh Adajania:** And you do not have any exposure to power, Reliance Power?
- N Damodharan:** No, we do not have.
- Mahrukh Adajania:** And sir, if the government backed airlines it is part of SMA-2 right not SMA-1?
- N Damodharan:** It is SMA-2.
- Moderator:** Thank you. The next question is from the line of Harsh Agarwal from Infina Finance. Please go ahead.
- Harsh Agarwal:** Sir, just wanted to understand this exposure of Deewan that we have and the ADAG Group NBFC that we have just discussed, is it an SMA account for us or they are SMA0 account for us?
- N Damodharan:** Which one?
- Harsh Agarwal:** The Deewan account?
- N Damodharan:** Yes, DHFL is SMA-1 account.
- Harsh Agarwal:** Sir, just as per your last con call the Deewan exposure was at Rs. 4,000 crores but our SMA-1 amount is much lesser than that?
- N Damodharan:** When we entered the ICA it was at SMA0.

- Harsh Agarwal:** So, we are seeing as on June 30th it was SMA0?
- N Damodharan:** Yes.
- Harsh Agarwal:** And sir, what about the ADAG NBFC Rs. 700 crores amount that we just discussed?
- N Damodharan:** AGAG one is in SMA0 and one is in SMA-1.
- Harsh Agarwal:** What is the amount in SMA-1 if you can share that?
- N Damodharan:** Around Rs. 430 crores.
- Moderator:** Thank you. The next question is from the line of Arjun Tandon from Matsya Capital. Please go ahead.
- Arjun Tandon:** Just a question on the NCLT resolution. So, for example in the Essar Steel case what is the basically the date of hearing and what is the final hurdle for the resolution to be passed and how much time will it take for the recoveries to hit your balance sheet?
- Management:** The 2 August is the date of hearing.
- N Damodharan:** 2 August or 3 August is the date and it is in the last stage we are expecting an outcome in this hearing.
- Arjun Tandon:** And this is expected to be a binding outcome?
- N Damodharan:** Expected to be so.
- Arjun Tandon:** And sir, what about the other accounts I mean you said there are 6 to 7 accounts that are in the process so what kind of dates if you can help us out with?
- N Damodharan:** These are we are expecting in Q2.
- Arjun Tandon:** So, all the decisions are like banking decisions are expected in Q2?
- N Damodharan:** Yes, that is what expected.
- Moderator:** Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.
- Anand Dama:** Sir, can you please tell me the exposures that we have basically to the Indiabulls Group? Number one. And number two is that what is our exposure to the east based groups particularly

now in stressed like Emami, McNally Bharat, McCoy Russell and whether we have recognized all the accounts as NPA in this quarter?

N Damodharan: Yes, regarding the Indiabulls we have an exposure of around Rs. 3,500 crores.

Anand Dama: That is at the group level, right?

N Damodharan: Yes, group level.

Anand Dama: So, what is the exposure that we have particularly to Indiabulls Housing?

N Damodharan: We have to the Indiabulls Housing only. And towards the east side of it we have only McNally Bharat which is recognized as a NPA already.

Anand Dama: In this quarter itself?

N Damodharan: Yes.

Anand Dama: And sir, apart from that do we have exposure to any other new stress coming in primarily from the belt particularly? So, today there was this news about CCD now running into problems so do we have exposure over there? Then there are these new power accounts which possibly could come under stress. So, any concerns over there?

N Damodharan: We have a small exposure on the CCD. We find it as a stressed one. It is around Rs. 20 crores we have.

Anand Dama: Anything on the power front?

N Damodharan: Power front no fresh stress is coming in.

Anand Dama: Noting that you see particularly from the Reliance Group or any other entity as such?

N Damodharan: Reliance Power we do not have.

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

Ashok Ajmera: Since I got this third opportunity, I would just like to know the total number of I mean our total amount in the NCLT including that NCLT list 1 and 2 how much claims bank has filed in NCLT? If not may not be number but in value and what are the prospects I mean in percentage terms of the recovery from those accounts?

- N Damodharan:** See this Rs. 31,000 crores is the total claim filed by us and other banks where we are consortium members.
- Ashok Ajmera:** Means our share is Rs. 31,000 crores?
- N Damodharan:** Yes. Against this almost 100% provision is there. And we expect to receive in Q2 or a little bit below around Rs. 2,400 crores out of six accounts, out of this Rs. 31,000 crores.
- Ashok Ajmera:** Yes, but the six accounts those may be around how much Rs. 9,000 crores, Rs. 10,000 crores mean out of remaining Rs. 20,000 crores?
- N Damodharan:** These six accounts outstanding is around Rs. 3,700 crores. From that we are expecting around Rs. 2,000 crores to Rs. 2,400 crores.
- Ashok Ajmera:** So, remaining Rs. 28,000 crores some ballpark some benchmark some idea of recovery?
- N Damodharan:** These are all in various stages because see around 300 accounts are involved. These are all in various stages of proceedings. So, account wise it will be difficult to tell.
- Ashok Ajmera:** Something like may be 20%, 18%, 22% approximately may be the recoveries and say for the other account or may be 30% something must have definitely been analyzed or work up on?
- N Damodharan:** You see for example in this Q2 we expect around 10%.
- Ashok Ajmera:** From the remaining?
- N Damodharan:** No, in Q2.
- Ashok Ajmera:** That is including that Rs. 2,400 crores?
- N Damodharan:** That is 10%, is not it. May be in Q3 and Q4 that is the expectation. But these are all very different stages of proceedings. We will not be able to predict that way.
- Ashok Ajmera:** No problem may be we have more clarity after the next quarter. Sir, in this break up of standard restructured advances in aviation the total is Rs. 3,614 crores so these two accounts we have seen I mean Jet and Air India it is under restructured Jet and Air India is not included, is not it?
- N Damodharan:** No, this is only Air India.
- Ashok Ajmera:** This entire Rs. 3,614 crores?

- N Damodharan:** Jet is already NPA it is not standard.
- Ashok Ajmera:** So, this entire Rs. 3,614 crores is?
- N Damodharan:** Air India.
- Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.
- Tushar Sarda:** I have actually a broader question for the whole banking industry. The NPA slippage, the new slippage continues to be (+4%) and NIMs are around 2.5%. So, what is the reasonable level of slippage which the PSU Banks can operate profitably?
- N Damodharan:** It should be around 1.5%.
- Tushar Sarda:** So, when do we expect that this 4% will become 1.5%, how long before it normalizes because now you are lending to corporate is not growing very fast and most of the corporate NPAs are recognized but still in the current quarter you have 4% kind of NPA and not only Bank of India but other banks also so it seems to be a general problem of the industry itself of the banking industry and the economy. So, when do we think that this would come down to around 1%, 1.5% where the banks start becoming profitable?
- N Damodharan:** I think in this Rs. 3,600 crores only 30% is in the corporate sector. Around another 30% is in the agriculture where we have lodge our claim and the recovery will be coming. Only it is taking time because the government has to make the payment.
- So, to say that it will come under control only for certain extraneous factors like agriculture debt waiver scheme because of which it is little bit elevated. We are working on this and the credit monitoring and various measures which we have taken up will contain the retail and MSME in a big way. So, we hope to bring it below 2%.
- Tushar Sarda:** From the current year?
- N Damodharan:** In the current year at least, that will be our aim certainly as you said.
- Tushar Sarda:** But you have already done 1% right in the first quarter itself so unless this rolls back then obviously to come down but?
- N Damodharan:** Yes.
- Tushar Sarda:** I am asking not again as I said I am not asking particularly with respect to your bank because it is seeing as a general trend whatever other banks have reported like Canara reported results,

Bank of Baroda reported. I mean everybody has one or the other issue or a reason for NPA to be high and every quarter the reason is different either a specific large account slips or it is due to agriculture or sometime in some of the banks it is due to MSME. So, the system as a whole when do we think this will come to around 1.5%? Because that is when actually banks will become profitable and the need for recapitalization from government will not be there?

N Damodharan: Yes, the other way to look is as you said we have to improve on our recovery and there many things are helping at least recovery systems are getting streamlined and more clarity is coming even in NCLT with.

Tushar Sarda: But recovery will help with your old NPAs. I am saying the fresh slippage it will be 4% and then again you want to work on recovery on that. So, my focus is on the fresh slippage numbers that itself is not reducing?

N Damodharan: See one is we have to improve on the asset quality and that we are working on that by focusing on.

Tushar Sarda: Retail and MSME, right?

N Damodharan: Not only retail and even here focusing more on specific offices or branches. For example, in MSME 300 branches we have identified out of the 5,100 odd branches. So, by providing proper manpower training and facilitating measures the quality of the asset is going to improve and further the SAM vertical which is created up to the zonal office level. They are all equipped now to monitor including analyzing the transactions of above Rs. 1 crores account. For example, above Rs. 5 crores we have around 2,000 accounts it is monitored from HO level also. Then we have introduced a borrower help profile mechanism where online alerts are generated as per the RBI guidelines. We are also going to procure software tech-based credit monitoring tool. These are the things which will improve our credit monitoring and early warning signals. In smaller accounts retail, agriculture and MSME we are increasing our foot at the branch level because that is the best way to monitor. Unlike earlier we were starting the following up after 30 days or 60 days, now the follow up starts from day one of the overdue. And most of the cases we are going for linking to the income generating accounts. So, the recovery happens automatically. So, many such measures are being initiated.

Tushar Sarda: So, let me ask you this, is this more problem of the way banks function or is this economy related issue that the NPAs are high or is it equal measure contributed by both?

N Damodharan: It is I should say both are contributing in different proportions. The economy is also stressed and at the same time the way because we have gone for retail and RAM aggressively and at the same time we have to strengthen our monitoring system accordingly. That is happening now. And corporate books whatever the hit we have taken we have and now it is tampering with the

strengthening of the credit monitoring system from HO level down the line and making certain automation in this process we will be able to contain the corporate slippages further in the coming days. It is a passing phase I should say. In this current financial year lot of improvements, we expect.

Tushar Sarda: So, will you be below 3% from the whole year? I mean what confidence can you say what percentage will you be below in terms of this?

N Damodharan: As I said we expect around Rs. 12,000 crores slippages. So, that is the indication.

Tushar Sarda: So, that is more than 3%, 3.5%?

N Damodharan: Little, yes.

Tushar Sarda: And next year would you think it will come down?

N Damodharan: It should certainly because to bring it below as you said to bring it below 2% that we have to aim to sustain.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to Shri N Damodharan - Executive Director for his closing comments. Over to you, sir.

N Damodharan: As I said initially this operating profit and the net interest income and other income as well as the reduction in operating expenses have been sustained for the second quarter this time and there has been no exceptional one off this time unlike earlier. So, we will be focusing on the asset quality, improving the asset quality, spreading the risk and also focusing on credit monitoring and recovery measures in a big way so as to reduce the gross NPA to around Rs. 56,000 and the profit level to be sustained and improved upon from the Q1 position. In this we are making and we have already made structural changes in the organization and also focus has been shifted to key areas which will be contributing towards the profit and asset quality improvement. These two will be the focus and all the measures are tuned to this in a coordinated way. We expect and we hope that better results will be from next quarter onwards, current quarters, Q2 onwards. Thank you very much for joining us and hearing to us very patiently. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Bank of India Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.