



“Bank of India Q2-FY20 Earnings Conference Call”

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**MANAGEMENT: SHRI. N DAMODHARAN – EXECUTIVE DIRECTOR
SHRI. A K DAS – EXECUTIVE DIRECTOR
SHRI. C G CHAITANYA – EXECUTIVE DIRECTOR
SHRI. K V RAGHAVENDRA – GENERAL MANAGER &
CFO**

Moderator: Ladies and gentlemen, good day and welcome to the Bank of India Earnings Conference Call. This is to inform you that the Q2 Financial Results and a detailed Power Point Presentation has been uploaded to 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, please signal an operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded.

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

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

N Damodharan: Good evening to one and all. I will be very brief in my introductory remarks. We are pleased to share with you, as you all have gone through the presentation already. On the profitability front, the bank has done consistently well for the past 3 quarters. It has been making operating profit as well as net profit year on year as well as quarter over quarter, the fee income, the operating profit, the NIM, net profit, all have been good. The interest margin has improved and there have been no one-offs this time like IT refund interest or anything.

In the credit growth, in the retail segment, particularly home loan, we have done well and in regard to the other corporate segment, what we have done is we have done a little bit of a rejig in the segment which is reflected in the interest earnings you might have observed that already.

CASA, we have improved to 42.5%. The slippage containment has been consistently good and it has been reduced and it will be further going down in the coming quarters. The GNPA has improved. The PCR is again maintained at a stable level of 77.11%. The rating profile has improved with an improvement in the A-rated portfolio. As I said, slippage control has been good. In the recovery front, we have not been to the expected level through our own satisfaction but it was actually a story in pipeline because some of the NCLT cases which are in a very advanced stage of resolution where the decisions have come but due to certain legal processes, it has been delayed. And again, in power sector, under Samadhan, another 4 accounts are already in various stages of approval with different banks. Once these 2 things happen in Q3, the results will mature and improve the recovery which is a spillover effect of Q2 actually.

In addition to that, in Q3 and Q4, last time also, we had discussed about the OTS schemes that we have, nondiscretionary and nondiscriminatory. The spadework has been done already in those cases – eligible accounts – and the results will show in the coming quarter.

The international books also have shown consolidation and improvement in NIM is seen both in domestic as well as in international books. The credit cost has improved. The cost-to-income ratio has improved year-on-year basis and this slippage percentage has been contained below 2% which was much much higher earlier.

The loan quality has also improved, you can see from the small ticket advances only or most of the cases slipping and that is also limited, contained a lot. We are able to improve on the credit quality. For improving the credit quality, we have introduced various systems and monitoring procedures. As we have told last time, the SAM vertical has been introduced and it has stabilized in our bank well. The risk management vertical has been strengthened. Technology-based fraud risk management is getting introduced which will be on flow from December onwards. For credit monitoring also, technology-based package we are introducing. It is in well advanced stage. For the retail & SMECC and agriculture, the processing centers have been strengthened.

As I said, the international book consolidation and growth is visible this quarter.

With this brief introduction, I think we can have interaction, and during the course of interaction, all of us will be sharing more information as you desire.

Moderator: We will now begin with the question & answer session. The first question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.

Ashok Ajmera: Sir, of course, it is accepted that the profitability has been maintained and the performance is reasonably good, but the main concerns remain the same, and some of them which were in the last quarter we were hoping for some better figures have not resulted into that. Certainly SMA-1 and 2, this 218 accounts, it has gone to 16,309 crores as against 6800 crores 187 accounts in June and 262 accounts 5675 crores in September 2018. What is the reason for such a sudden increase in this SMA-1 and 2? It means on the watchlist and what is the outcome you expect out of it?

N Damodharan: In SMA-1 and 2, this figure looks a little high but actually it is not. The real stress is about 6000 crores because in this 16,000 crores, certainly cause for concern is that one HFC account around 4000 crores. Other than that, there is one restructured account which is a public sector undertaking and government guaranteed account amounting to around 4000 crores. There is some delayed payment but never it will slip, never it will be a cause for concern, and it also is going to be settled in due course of time.

- Ashok Ajmera:** Government guaranteed account?
- N Damodharan:** It is in aviation sector.
- Ashok Ajmera:** Air India.
- N Damodharan:** Yeah. That is around 4000 crores. That is not a concern. Another 3000 crores, two accounts. Actually, these are also government guaranteed accounts but due to some technical reasons this time they have come in the SMA-1 and 2 list. Actually, this will not come in the future. In December and March, it will not be appearing because for certain technical reasons they have come. Otherwise, they are not under stress. If we take away that government guaranteed account, these 3 accounts which amount to nearly 7000 account, one account is that 4000 crores in HFC which is a cause for concern. These 7000 crores of government guaranteed accounts are not cause for concern. The amount though it appears 16,000 crores, it is not that much big. Actual stress you can consider it will be 6000 crores.
- Ashok Ajmera:** Air India, what is the ultimate outcome? Are we taking the income in our profit & loss account whatever is the rate of interest which we are generating on it and how much duration or time you expect or you have got a message from the government or Air India management that when this account can finally be resolved?
- Management:** If you look at the Air India, you will find the exposure has started coming down also because of the 3 tranches of the bonds they have raised, they started repaying also. So, we expect that the repayment will start coming and then it will be put in proper shape.
- Ashok Ajmera:** It was 3614 crores last time and this time you said about 4000 crores. Where it has gone down?
- N Damodharan:** I told it is less than 4000 crores, it is not 4000.
- Ashok Ajmera:** Coming back to those accounts which we discussed during the last quarter and some of the ADAG accounts, the Essel Group, Indiabulls Housing, what is the status of those 4-5 accounts which we were very hopeful of getting resolution or getting some good money out of it? What is the status of those accounts?
- N Damodharan:** In Essel Group, we have a small portfolio of less than 400 crores – 386 crores. Two of the accounts are in SMA-2. Only one account is under the resolution process. So, in ADAG, we have around 2000 crores. There, in one major account, we have already 90% provision. And these are all under various process of NCLT or CIRP. Already, recovery or resolution process is going on and we have to wait for that.
- Ashok Ajmera:** What about Indiabulls Housing?

N Damodharan: Indiabulls Housing is a standard asset.

Ashok Ajmera: Indiabulls Housing, is there any stress on the 3500 crores?

N Damodharan: No, I don't find it.

Ashok Ajmera: So, according to you, that's an absolute non-stress standard account, isn't it?

N Damodharan: Yeah.

Ashok Ajmera: Sir, again coming back on the recovery, recovery is comparatively very-very low. Forgetting about the NCLT, some resolution got delayed, even in the other normal accounts which are pursued on day-to-day basis, there also if you look at it, this amount of recovery is comparatively very small. What kind of messages are we getting? The economy is absolutely down, whether the people are not having money to pay or they don't want to repay, or what is your feedback on that, sir?

N Damodharan: As you know, and you understand very well, you yourself said that recovery process takes its own time, but as you said, we were expecting recovery through NCLT process itself in the Q2 in 7 accounts. It was amounting to around 1900 crores to 2000 crores.

Ashok Ajmera: Total target was 2400 crores.

N Damodharan: That is getting a little bit delayed maybe in the Q3 and Q4 because out of that, one account you know very well it is in the Supreme Court and in the final stages. And there, 100% outstanding we are expecting. In the remaining 6 cases also, it is in a very advanced stage of resolution process like Ruchi Soya and all. We will be getting the recovery in Q3 or Q4 in this. In addition to that, in 4 accounts, we have under the Samadhan process. In Q3, we are expecting the power projects. In these 4 cases, we are expecting around 1200 crores in Q3 itself. And under the RBI circular 7(6) also, we are expecting in the Q4 substantial amount to be resolved.

In addition to that, we last time discussed the bank has introduced at the end of Q1 the OTS schemes for fully provided accounts where all other avenues of recovery have been already explored, gone through, and exhausted. In this, a large number of accounts are involved. There, all the borrowers have been contacted, offer letters have been given, discussions are happened, and this will fructify and will give the anticipated results in the current quarter and in Q4 because the time is given in many cases for payment up to March 2020. So, installments keep coming, and further negotiations and sanctions will happen. In this also, we are expecting substantial improvement in recovery because in Q2, the process was initiated, contacts have been established, discussions have started happening. So, the results will be visible in Q3 and certainly in Q4.

In addition to that, in a few of the cases which were sold to the ARCs earlier years 2015 and all, around 500 crores we are expecting payment in Q3 itself – 500 crores. Old cases, there also we are getting recovery and very hopeful because we are sure in this month of November itself, we will be getting that 500 crores. In addition to that, last quarter, i.e., Q2, we could not go for ARC sale. Obvious reasons you know very well, the market conditions, but this quarter and in Q4, we will be aggressively trying for that avenue also where we have more than 20,000 crores accounts identified and we will be exploring that option.

Though in Q2, the recovery has been a little subdued, in Q3 and Q4, we are sure of compensating whatever the gap that has come in Q2. In addition to that, slippages we have contained in a better way because last time we had talked about slippage of around 3400 crores again but the slippage was only 3100 crores. And it will be further improving in Q3 with the exception of one HFC account.

Ashok Ajmera: You maintain the target of 12,000 crores of total or a little lesser than that actually?

N Damodharan: Maybe around that, but even if it is a little more, we will be trying to improve on the recovery front and we will be covering it up.

Ashok Ajmera: Sir, on the MSME loan on the special dispensation that you have made the account standard, 1518 crores, what is the outlook on these accounts? Just because of the leeway available, it has been continued to be standard account, but otherwise as per your own bank's analysis, what could be the pain in this account so that some idea on how much hit we are going to take in the 4th quarter on this? Some of these MSME accounts with 1518 crores, 53,000 accounts which have been restructured.

Management: One good positive feature out of these 2.15 lakh accounts which we identified as on January 1st standard but stressed, the trend has been pretty consistent. Out of the accounts concluded, almost 70% are ending up with recovery and 30% are going for restructuring because in many cases, we are finding that the urge to go for restructuring on the part of MSME clients is a little less. They are not forthcoming wholeheartedly for restructuring because they are in a good position to make their payment obligations and I think there is no cause for concern there. We have got time up to March 2020. I think in most of the cases, we can conclusively finish completely.

Ashok Ajmera: So, there won't be any....

Management: No concern.

Ashok Ajmera: Nothing alarming in those accounts.

- Management:** Absolutely.
- Ashok Ajmera:** There are very high write-offs this quarter – 2498 crores versus 689 crores in the last quarter. Are there some bigger accounts in this write offs of 2498 or they are the more number of accounts with a small amount?
- N Damodharan:** These are all 100% provided accounts. After exhausting all the legal avenues and all, we have made 100% provision in these accounts which have been written off now. The recovery prospects in these accounts have been already tested and exhausted and it is not an alarming situation or anything. It is after exhausting all the avenues that we have taken this because it was already carrying 100% provision.
- Moderator:** Before we take the next question, we would like to inform participants that in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to 2 per participant. Should you have followup questions, we request you to rejoin the queue.
- We will take the next question from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** Just wanted to understand despite the Repo rate cut and MCLR cut, but still our yield on advances has improved quarter-on-quarter basis significantly. Any reason to look into that?
- Management:** The Repo rate cut especially on the advances front whenever we are devising interest rate linked to Repo and all, this will be mostly prospective and with a time lag and these are applicable to only fresh customers. So, the real impact can be seen maybe only after a lag of 1 or 2 quarters. That's the reason that the yield has continued to improve in spite of effectively reducing the rate of interest on fresh advances.
- N Damodharan:** Even before Repo link introduction, whatever the RBI rate cut, we have passed it on in the MCLR regimen also. What we have done is, in this case, the growth had been in retail and other segments where the yield was a little better and even in the corporate segment, there has been a rejig whereby we have replaced certain low-yielding advances with better-yielding advances. All these things have contributed towards improving the interest earning. And this sort of exercise, we will continue doing. And we have also rationalized the interest rate extended to the corporates and because of which also, there has been some improvement.
- Sneha Ganatra:** What is the outlook on the margins considering this Repo rate would be working out, sir?
- Management:** We expect the margins to stay around 3% or a little above that because one of the ways to have a holistic approach and word of margin pressure is also to have a look at the liability portfolio

also when we are doing that for the assets. If not to the same extent but in a gradual manner, we are also realigning our liability portfolio.

Second is volume expansion. We know our growth has been muted in the first half but a lot of sanctions have been made, and in second half, we expect the offtake to be much higher. Obviously, the volume will help us, and we will be able to retain the margin at least around 3% or little above that.

Sneha Ganatra: How do you see the overall loan book growth because 1st half is remaining muted?

Management: If we are looking at the loan book growth, during the current half year, we have sanctions of around 26,000 crores, what we have sanctioned it. And in the last quarter also, we have sanctioned to the tune of around 18,000 crores. We have seen a moderate offtake that happened and more offtake happened and the disbursements is going to happen. That's how the growth will be.

If you are looking at the growth part of it, as you have seen that on the year-on-year, the retail has grown at 13% and the housing loans have grown at 15%. And the corporates what I have discussed is what the sanctions are there and the disbursements are yet to happen. In addition to that, our focus remains on the corporate lending of around 5 crores and above up to 25 crores spread across 300 focused branches where we wanted to have a more distributed credit to happen and that's where the margins also increase where the price pressure will not be there. So, we look at a guidance of around 10% growth what we are looking at presently.

Sneha Ganatra: On the slippages front, you are expecting the run rate would be similar to that 3000 levels except HFC account?

N Damodharan: Yeah, we are trying to contain it below 3000 and we are hopeful because whatever the bigger accounts – above 5 crores also – in SMA-1 and 2, they are not cause for alarm for us except 1 or 2 accounts as you said. In other accounts, we are confident that they will not slip, big ticket accounts, except 1 or 2, including a probability of that HFC account. Other than that, we are not expecting much. Even in agriculture and RAM (retail, agriculture, and MSME) advances, we are able to contain. Even in the Q2 compared to the Q1 also, the containment has been substantially improved. So, we expect the slippages in the Q3 and Q4 to be below 3000 with the exception of those 1 or 2 accounts.

Sneha Ganatra: Two accounts, one is HFC and the other is?

N Damodharan: One more account is there, Reliance Commercial, that may be a little....

Sneha Ganatra: What is the exposure amount?

- N Damodharan:** Exposure is around 450.
- Sneha Ganatra:** How do you see the overall credit cost for the second half?
- N Damodharan:** Credit cost, as you have seen, it has substantially improved to 1.74. What we are looking at is bringing down the GNPA level from the 61,000 level to less than 58,000. And with the credit growth, again, this.... Both these factors will have an impact on different ratios, and we expect this to substantially go down to below 1.5 by Q4.
- Moderator:** Before we take the next question, a reminder to participants. Please limit your questions to 2 per participant.
- The next question is from the line of Ankit Chaudhari from B&K Securities. Please go ahead.
- Ankit Chaudhari:** Sir, my first question is related to the slippages. If you can just provide us what were the segment-wise slippages during the quarter? Let's say corporate, retail....
- And also, if you can provide, what were the lumpy slippages in the corporate segment?
- N Damodharan:** In the Q1 and Q2 put together, around 2000 crores have been in the agriculture, around 1000 crores in MSME, around 550 crores in retail, and around 2000 crores in corporate segment. Only 2-3 accounts in the corporate segment were big. One is Sintex, then Reliance Home, and then one Technofab. These are all in Q2. In Q1, we had McNally Bharat.
- Ankit Chaudhari:** Sir, second question was in continuation to the prior question one participant had asked regarding the SMA-2 increase. If we see, the SMA-2 has almost doubled. Is it inclusive of Dewan over here?
- N Damodharan:** Yes. I have mentioned about that. Around 4000 crores was in this one particular housing finance company that has come in SMA category.
- Ankit Chaudhari:** SMA-2, right?
- N Damodharan:** Yeah, SMA-2. And the remaining, I talked about one government guaranteed account, public sector undertaking, which will never slip because it is government-guaranteed. It is around 3600 and odd. And the rest two government accounts that have come in the SMA for technical reasons because of our bank-related internal reasons and it was not because of their repayment stress or anything. Those 2 accounts will not appear in Q3 and Q4.
- Ankit Chaudhari:** These 2 accounts of 3000 crores, they were part of SMA-1, both the accounts?
- N Damodharan:** Yes.

- Ankit Chaudhari:** Sir, if you can just mention that what are the ICAs that we have signed recently, if you can just quantify the amount and the companies or the sectors or number of accounts?
- N Damodharan:** 21 accounts, 15,000 crores ICAs have been signed.
- Ankit Chaudhari:** Sir, in one of your comments, you have mentioned that in the OTS scheme, you are expecting substantial recovery in 3rd quarter itself. How much is the amount which is under the OTS scheme that we are expecting the recovery in December and March quarters?
- N Damodharan:** Under this structured OTS scheme, we will be reducing the NPA by around 1500 crores.
- Ankit Chaudhari:** So, that is the recovery you are expecting over here?
- N Damodharan:** But the recovery usually depends upon.... Usually, we give 3 months to 6 months' time for payment and installments. We are not able to exactly quantify quarter-wise, but before March, we will be able to recover this much.
- Ankit Chaudhari:** Sir, final thing on this. We had mentioned that we have 7 NCLT accounts of 2400 crores that we are expecting the recovery, right? One account is under the court case. So, are these 4 accounts of Samadhan part of that 7 NCLT cases? Or is it separate accounts altogether?
- N Damodharan:** Which 4 cases you're talking about?
- Ankit Chaudhari:** You mentioned there are 4 accounts which are under Samadhan process, 1200 crores. Is that part of that 7 NCLT cases that we are expecting the recovery from or these are separate accounts altogether?
- N Damodharan:** They are different.
- Ankit Chaudhari:** So, we have all put together 11 accounts which are in the hindsight of recovery next quarter.
- N Damodharan:** Yes.
- Moderator:** Next, we have a followup question from the line of Ashok Ajmera from Ajcon Global.
- Ashok Ajmera:** Sir, can you throw some light on the AUCA account (advance under collection account)? Means cumulative written-off account of the balance sheet, and the expected recovery from that?
- N Damodharan:** Under the prudentially written-off, one is we have Essar itself in that category. We are having a claim of around 1800 crores in that. In small-ticket accounts, we are expecting in these 2 quarters put together around 1000 crores recovery to come from these PW accounts.

Ashok Ajmera: That is a good amount. And...

N Damodharan: Two quarters put together, I will not be able to tell quarter-wise, but what we aim at is for 1000 crore recovery there.

Ashok Ajmera: Sir, coming back on the business front, like you yourself said in the opening remarks that the growth in the business is basically from the home loans where there is a good growth. But ultimately, sir, now after all this cleaning up and everything and now with the economy if it has to perform, it is only going to be through the expansion of the credit, new businesses, and greenfield projects, but it seems that the bank's attitude still is very-very conservative on the project finance and other things where even in case of the greenfield also, huge collaterals are asked for, which are not available to an entrepreneur for putting up a project or going for a major expansion. What are your views on the credit front and the credit policy per se? Is there any opening up of the credit like coming down from those stricter norms once again? Or where do you see the credit coming from apart from the home loans or retail or other thing where everybody is chasing that the growth is going to come from in the business, 10% target of yours?

C G Chaitanya: What we find is not much of a greenfield projects are coming. It's not that we are not looking into that. But presently, not much of the greenfield projects are coming and it will take some more time also because every existing industry is trying to reach their total capacity utilizations into that levels, then only they will be coming for the next greenfield project to get into that. So it will take a little time for that. But before if you look at that, our strategy towards the corporate advances, still the retail businesses continue. Still the service sector, everything is being continued. So our priority area, what we looked at, the credit up to 25 crores – that's what we call it as a prime credit – focused branches of 300 branches wherein we wanted to push the credit and distributed geographically also. This is where our focus lies.

In addition to what we have done during the last 2 quarters also, there is some growth in the infra. Coming to the HAM projects, some HAM projects are there, some expressways are there, and NBFCs where with due care and due diligence what we looked at, some funding to the NBFCs has gone. So, the corporate when we are looking at, it is growing all through. Not big corporates we are talking about, we are talking about a corporate up to 25 crores, and we are talking about the infra that it is coming and then the NBFC what is existing. There seems in addition to what we are looking at a growth in the retail what we have done and the agriculture and SME where we are very strong with the processing centers what we have it. So, we look forward to more growth. More growth will come, and more disbursements is going to take place because with the sanctions what we have done, much of the disbursements are yet to take place to find the growth for the quarters what it has bygone. That's the reason we are looking at the guidance of around 10% growth with all these factors constrained.

Ashok Ajmera:

But sir, with even government now thinking to change the definition of MSME to be more of a turnover based rather than only the machinery investment or capital investment, this limit of 25 crores for a greenfield is good enough for even a small industry nowadays, somebody push it in like 50 crores, 100 crores, 75 crores, or 150 crores. This 25 crores may be okay for increasing your working capital facilities or some minor expansion and other things. It is just a suggestion, just a thought to relook the whole credit policy as such because all said and done, the country has to grow. I mean, the industrialization has to again come up and the credit has to be disbursed to reach the target of \$5 trillion economy by 2024 or 2025. So after having burned even the fingers also, once again, one has to relook at the whole this thing because generally when we go out and find, it has become very-very difficult for the people to put even a small greenfield of 100 crores or 200 crores also because huge collaterals are demanded, which no entrepreneur can have or matching collateral or 50% collateral for even a normal project. And that will also help in achieving that growth target also.

N Damodharan:

Mr. Ajmera, a well taken point. Only thing I want to clarify is, we don't have a policy stipulating collateral of this nature. Actually, it is not policy stipulated or driven, but it is on a case-to-case basis, but certainly not to the extent what you have mentioned above. As Mr. Chaitanya said, we are for project finance and we are looking for it. He talked about HAM projects and road projects which are only visible. Other than that, there is no visibility of bigger projects coming up also. What Mr. Chaitanya talked about, 25 crores is not because of risk aversion, but because that is an avenue available for us to look for a growth because NBFC is vacating that space. So, we are looking at a growth avenue there and that is why we have classified that as a prime target for us, whereas our lookout for project funding on viable projects, certainly without any policy-driven collateral demand. We will be looking at it with a positive approach.

For example, we have a sanction of more than 25,000 crores. But disbursement will be happening in a piecemeal basis. These sanctions have happened in August, September, and October. They are all in the process of getting disbursed. Similarly, in the MSME, if you look at, in our own portfolio, the working capital limits are utilized only to the extent of 70% to 75% because even the borrowers are little averse to avail unless they have a business opportunity.

The banking credit lending is in an environment where demand is also not much and avenues are limited, but within this environment, we are trying to find out space, particularly what the 25 crores was talked about is not to limit our exposure to 25 crores loan ticket, but there we are finding a space where the NBFCs are vacating. That's why that was told.

Moderator:

The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

- Shreya Shivani:** Sir, I wanted to ask what is the loan outstanding to Essar Steel on Bank of India books? And can you give me the number which excludes any ARC receipt? Also wanted to get your view on the resolution status of the same.
- N Damodharan:** Our claim admitted is 1985 with NCLT and the present status is we all know what it is in the court and we are eagerly awaiting for a positive decision in this matter.
- Shreya Shivani:** This 1985 crores is excluding any ARC receipt, right?
- N Damodharan:** Yeah.
- Moderator:** The next question is from the line of Ankit Chaudhari from B&K Securities. Please go ahead.
- Ankit Chaudhari:** Sir, on the NCLT-1 and 2 cases, what is the PCR (provision coverage ratio) outstanding right now?
- N Damodharan:** 100% is the provision held in these cases 1 and 2. Amount in list 1 is 3700 and in list 2, it is 2781.
- Ankit Chaudhari:** Sir, some data keeping questions. Basically on the Essel Group, you mentioned that there is a small portfolio of 386 crores. Is it the total exposure we have including the NPAs?
- N Damodharan:** Yes.
- Ankit Chaudhari:** So, two are under SSA-2, right?
- N Damodharan:** Yes.
- Ankit Chaudhari:** What would be the quantum over there?
- N Damodharan:** It is around 170.
- Ankit Chaudhari:** And one account is under resolution which is NPA, right?
- N Damodharan:** Yeah, 214.
- Ankit Chaudhari:** In this ADAG Group, 2000 crores, what is the standard over there and what is the NPA?
- N Damodharan:** 437 crores is standard as of now. Rest is NPA.
- Ankit Chaudhari:** In this 437 crores, is this commercial?

- N Damodharan:** Yeah.
- Ankit Chaudhari:** It has commercial line which is under SMA right now?
- N Damodharan:** Yeah.
- Ankit Chaudhari:** Do we have any exposure to SREI Group?
- N Damodharan:** Yeah, we have an exposure, yes.
- Ankit Chaudhari:** Is it under SMA standard and what is the exposure, sir?
- C G Chaitanya:** It is on standard. It is not under SMA.
- Ankit Chaudhari:** If you can quantify the same, sir?
- C G Chaitanya:** Around 1300.
- Ankit Chaudhari:** Finally one clarification. You have mentioned that there are sanctions of 26,000 crores. Is it the corporate segment sanctions?
- C G Chaitanya:** Yeah, corporate, means it is 5 crores and above.
- Moderator:** The next question is from the line of Jay Mundhra from B&K Securities. Please go ahead.
- Jay Mundhra:** Sir, on Dewan exposure; the pool buyout that we have around 1200 crores, what happens to that? How confident are you on that exposure?
- C G Chaitanya:** The pool buyout exposure we are presently receiving the credits and then the lenders also kept a cash flow capturing mechanism also for 4.37 crores and presently we don't find much of delinquency in that except 1.3 crores who can be like....
- Jay Mundhra:** But sir, the collection process is still being managed by Dewan as of now, right? Or you have taken over the collection process?
- C G Chaitanya:** Lenders have taken over that.
- Jay Mundhra:** And the money comes to your account or there is some pooled account?
- C G Chaitanya:** Lenders are monitoring those accounts.

- Jay Mundhra:** The ICA list that we have signed of around 15,000 crores, is this all standard account or this includes everything?
- N Damodharan:** Everything, it includes both standard and NPA.
- Jay Mundhra:** Sir, can I know the quantum of accounts which are standard and wherein you have signed the ICA? Because some of the banks are now disclosing what is ICA standard and what is the NPA thing, just to understand what is the near-term stress.
- N Damodharan:** Give me a few minutes. Any other questions? Meanwhile I will....
- Jay Mundhra:** Sir, the 3rd question I had was the Mudra amount, if you have given the Mudra loan outstanding and what is the NPA there?
- ICA list, the 7-8 accounts whatever the accounts that you have, you can just name them and I will just write the quantum.
- Management:** Mudra, all 3 cases put together; Shishu, Kishor, and Tarun; it is about 12,000 crores. And Shishu has got about 800 crores and it has all small ticket up to 50,000. There, the delinquency is about 14% to 15%, small ticket. In the other 2 segments, it is around 10% to 12%.
- Jay Mundhra:** Shishu is only 800 crores. 800 crores is the NPA amount, right?
- Management:** No, it is the total book outstanding.
- Jay Mundhra:** Total book is only 800 of which 14% to 15% is NPA and in the rest – Tarun and other category – 11,200 crores is the outstanding and around 10% is the NPA, right sir?
- Management:** Yeah.
- Jay Mundhra:** On the ICA, if you can help me the name of the account which we have signed ICA and the quantum.
- N Damodharan:** ICA, as said, 20 accounts and 15,000. And in that, 5 accounts are standard (SMA) and 5000 crores.
- Jay Mundhra:** One of them would be Reliance Commercial which is there, right?
- N Damodharan:** Yes.
- Jay Mundhra:** Sir, if you can help me the rest four?

- N Damodharan:** One is Religare and then DHFL is one. Actually it is only 3 accounts because DHFL we have counted as two. And one more account is McNally.
- Jay Mundhra:** But that is already NPA, right?
- N Damodharan:** Yeah, NPA already.
- Jay Mundhra:** DHFL, which is the second entity, sir? One entity was sold off to Blackstone and that was out of DHFL Group.
- N Damodharan:** That is Aadhar, that we have not taken into account.
- C G Chaitanya:** Talking about DHFL 2 means, one is that investment.
- Jay Mundhra:** So, you are taking loan account separate and investment as separate?
- N Damodharan:** Yeah.
- Jay Mundhra:** The entity is only DHFL, right?
- N Damodharan:** Yes.
- Jay Mundhra:** So, you have three – Religare, DHFL, and Reliance Commercial – as standard category?
- N Damodharan:** Yes.
- Moderator:** The next question is from the line of Kush Shah from Credit Suisse. Please go ahead.
- Jayant Kharote:** I just wanted to know our NBFC exposure and how it has moved.
- C G Chaitanya:** We have around 43,000 crores of exposure what we have both putting together NBFCs and the NBFC HFCs together. These are the NBFCs where we have included the PSUs are also there and we have the major private sector people are also there like Tata, Bajaj, and Aditya Birla Group, these people are also there and in addition, we have the other private sector players.
- Moderator:** The next question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.
- Mahrukh Adajania:** I just wanted to check on DHFL. Given the KPMG audit report, is RBI likely to ask banks to classify it as fraud?
- N Damodharan:** We have not heard anything as of now.

- Mahrukh Adajania:** As of now, the resolution is on. What is the status of the resolution? Because the bondholders have also dragged it to court.
- N Damodharan:** It is still under discussion only. Nothing concrete has emerged as of now.
- Mahrukh Adajania:** After what date does it slip to NPL category? What is the deadline?
- N Damodharan:** In November it will be.
- Mahrukh Adajania:** In Religare which is on your ICAI list of accounts, which company of Religare do you have exposure to?
- N Damodharan:** Finvest.
- Moderator:** The next question is from the line of Sushil Choksey from Indus Equity. Please go ahead.
- Sushil Choksey:** NCLT-1 we have 3712 crores outstanding and NCLT-2, 2781 crores. So, I am quite sure there is Essar Steel, Ruchi Soya, and few others comprising of this list. What is the percentage of recovery which we are estimating on these two in the next 2 quarters depending on the courts?
- N Damodharan:** In this, as we told, we are expecting recovery in 7 accounts. The total outstanding in this is around 4000 crores and likely recovery around 2700 crores.
- Sushil Choksey:** If I move away from NCLT-1 and 2, accounts filed by BOI at NCLT of 5700 crores, what is the provision which we have and what is your estimate of recovery period in this amount?
- N Damodharan:** In this, NCLT-1 and 2, both we have 100% provision.
- Sushil Choksey:** And accounts filed by BOI NCLT, which is the 5762 crores?
- N Damodharan:** 87% is the provision.
- Sushil Choksey:** What is your projected recovery?
- N Damodharan:** There are a large number of accounts, 176 accounts. But in these 2 quarters, in all the NCLT cases put together, the recovery what I told, that is what we expect as of now.
- Sushil Choksey:** On the overall scenario of 32,756, looking at NCLT-1, NCLT-2, and all others, can we roughly estimate that 40% to 50% of the amount would be recovered over a period of 12 to 24 months?
- N Damodharan:** Yeah, 12 to 24 months if you are giving the trend, yes, we hope so.

- Sushil Choksey:** Looking at the business stable number which is a heartening thing for the performance currently with the equity and the current stability, where do you forecast your gross and net NPA if I look at 1 or 2 years out from current situation?
- C G Chaitanya:** You are looking at the NCLT getting resolved, 1 and 2, and then we are looking at other NCLT cases what we filed getting resolved. That amount coming in, in 1 or 2 years, then the gross NPA levels substantially should be low.
- Sushil Choksey:** Gross NPA, assuming that not much defaults are happening barring Dewan and some 1 or 2 other cases, can the 61,000 crores be visible in the vicinity of 35,000 to 30,000 crores and the net NPA in the vicinity of 10,000 crores?
- N Damodharan:** Certainly, for the range of time that you've talked about, below 40,000 we should certainly look for.
- Sushil Choksey:** Any internal target set out on a 12- to 24-month basis?
- N Damodharan:** Not 12 to 24 months because this is a very dynamic development. It depends upon the various developments. And certainly, for the Q4 what I told is we are aiming for bringing the gross NPA below 58,000.
- Sushil Choksey:** If I ask you on the next slide basis on the asset quality, where do you see your PCR number at the end of the current financial year? What is your set target? I'm sure that you've set a target for provisioning for the next half based on the recovery to show our balance sheet on a better number. Where would you be headed?
- N Damodharan:** Because we are at 77% PCR, we are comfortable and much higher than the industry average today including private sector banks at 70% and public sector banks at 75%. What provision we will be making ahead is only the normal IRAC norm provisions. The requirement will not be there for making any aggressive provision further.
- Sushil Choksey:** So, we are satisfied at the current number, let us put it that way.
- N Damodharan:** Yes.
- Sushil Choksey:** Looking at your gross NPA, net NPA, and 10% growth on the balance sheet, do you see any operating levers to increase your NII over a period of next half or the pricing power is not with the bank?
- N Damodharan:** Certainly, we look forward for leveraging this scenario because though it is linked to Repo now from 1st October, that is limited as of now to retail loans and SME and again whatever the future sanctions that is happening. It will take quite some time for it to encompass the entire

portfolio. That is one. Secondly, as you have seen, though the advances top line has not increased in the Q2, but the interest earning has improved quite reasonably, and we look forward for such a trend to continue because with the reduction in NPA, that is one thing what we are aiming for. And second is pricing for the bank to gain interest advantage where the pricing will be looked into very closely in all the cases. And third is whatever the growth, 10%, again, here the RAM also will be forming part of it where the pricing will be much better. And liability side, cost reduction will be there. This all put together, we aim the NIM to be above 3%.

Sushil Choksey: So, the NIM will be sustainable over 3% in the second half, and you are saying cost-to-income would be below 50% or somewhere in the vicinity?

N Damodharan: It will be in the vicinity of 50% sir.

Sushil Choksey: Sir, last question, if I ask. Corporate credit growth which is 5 to 25 Mr. Chaitanya highlighted, we would be doing it in predominant unless we get greenfield projects. Between retail and corporate book, what is the mix estimated in that 10% growth?

N Damodharan: Right now, the mix is around 51% and 49%, 50:50 is there, the loan portfolio – RAM and corporate book. We can expect it to be on a similar line.

Sushil Choksey: Are we working on retail as pure from our branches? Or we are doing more of co-lending or what structure are we talking about?

N Damodharan: Co-lending we have started exploring, but it has its own hiccups in the beginning. But we are looking at that avenue also. Meanwhile, we have a very robust setup with the branches as well as our retail hubs as well as MSME and agriculture hubs. Those we will be focusing because they are specialized agencies for these segments. We will be focusing on them also because last year also, we have grown at around 20% in home loan, and by activating and sustaining the momentum, we will be able to go ahead in that direction. Meanwhile, we are also exploring the coordination as well as....

Sushil Choksey: Sir, what's your outlook on the international book? Are we degrowing?

N Damodharan: No. Compared to last quarter, we have grown. We have gone up to 55,000 crores now. And we are looking at loan syndication as well as ECB opportunities there. Again, most of those cases, unless it is India-based companies, it will be unsecured. So, there we will be having a little restriction. Otherwise, we will be looking at opportunities to grow in international book also. Even our international NIM also has grown this time quite considerably. It has been a 30% increase there.

- Moderator:** Next, we have a followup question from the line of Ashok Ajmera from Ajcon Global. Please go ahead.
- Ashok Ajmera:** Sir, I was just going through this segment-wise results. There are a lot of differences quarter-to-quarter and it's difficult to understand. Like, in case of the wholesale banking operations, the loss during the last quarter was 2278 crores something and now it is 597 only. Same way, the retail banking, the profit was 1908 crores which has come down to 440 crores. I think Mr. Raghavendra will be in a position to.... What is the reason for such a divergence in the numbers quarter-to-quarter in segment-wise results?
- K V Raghavendra:** Ashok, what has happened is, in some of the segments, it has been regrouped actually. That is why you see the difference. Otherwise, there is not much difference, except for regrouping.
- Ashok Ajmera:** Because even in the revenue also – forget about profit – there also the allocation of the income.... I mean, it doesn't give a proper picture like 4163 crores versus only 1177 crores.
- K V Raghavendra:** That is because of the regrouping.
- Ashok Ajmera:** Some more light if it can be thrown on this, maybe later some time. We can exchange mails. Just to know the exact position because the segment also gives you some idea about the....
- K V Raghavendra:** I will do one thing, we'll give you by mail the further details.
- Moderator:** That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.
- A K Das:** On behalf of Bank of India, this is Das, along with my colleagues – Executive Directors Mr. Damodharan and Mr. Chaitanya. On behalf of Bank of India, we would like to express our sincere thanks for indulging in such a good interaction, pointing out certain suggestions, and getting clarification from us, and we feel that we have been able to duly clarify all your questions. We will take your suggestions on board, we will work on it, and with a fervent hope that we will come out with even better numbers during the current quarter and subsequent quarters. Thank you one and all once again.
- Moderator:** On behalf of Bank of India, that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.