



## “Bank of India's Q3 FY'22 Earnings Conference Call”

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**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  
MS. 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 this conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. We have with us today 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 the conference over to Shri A.K. Das, M.D. & CEO. Thank you and over to you, Sir.

**A.K. Das:** Thank you very much. Good afternoon, everybody. I extend a very warm welcome to each one of you for today's interactive session while we share with you financial results of the bank for the Q3 of '21-22. As you all are aware, economic growth is gradually returning to almost pre-pandemic level. As per the advanced estimate of NSO, GDP growth is expected to be about 9.20% during the current year. In recently announced Union Budget, the Government also has reaffirmed its support in the form of both supply side as well as demand side measures, including a 25% jump in CAPEX, which will improve the economic growth in coming days.

There are certain concerns such as elevated level of inflation, possible reversal of the accommodative policy by major Central Banks, which could affect the market rate, yield and consequently, the financials. Against this backdrop, banking system credit growth which was subdued initially during the year has improved subsequently. Till 14 Jan, 2022 banking system recorded a YTD growth of 5% and year-on-year growth of 8% in credit. Credit outreach programs conducted by the banks during the festive season of Q3 has also helped in boosting credit flow with the expansion of credit to all segments, including agriculture, industry, services, personal, MSME, etc.

The Bank's performance during Q3 has been noteworthy especially in terms of reorientation of business strategy, with advances growth exceeding deposit growth. The YoY credit growth of the bank till December 2021 has been 5.4% in credit, while deposit growth has been

at 1.84%. Going forward this will have a favorable impact on the bottom line of the Bank.

Continued thrust on asset quality has resulted in reduction of gross NPAs with GNPA ratio coming down from 12% in September '21 to 10.46% in December '21. Net NPA ratio has also improved to 2.66% from 2.79% in September 2021. RAM advances have expanded by 12.5% and CASA percentage ratio has gone up to 44.07%.

Regarding profit numbers during Q3, Bank's net profit went up by 90% to Rs.1,027 crores Year-on-Year. Return on Assets improved to 0.51% from 0.28% in Q3 of the previous year. Similarly, Return on Equity has also gone up to 11.59% from 9.54% during Q3 of FY'21.

The operating profit of the Bank, however, was impacted by various factors, including lower Treasury income due to the firming up of G-Sec yields. There has been fall in interest income and NII. However, the fall appears magnified also on account of inclusion of one-off items during the previous periods.

The Bank is in the process of reinforcing its technology platform. Migration to Finacle 10 from Finacle 7 has been completed though some pain points still exist.

End-to-end digitization, that is, ePlatform is under implementation. All these technological upgradation will help improve customer convenience and ensure higher business growth in future.

We will continue our emphasis on credit growth and better asset quality management. During the current year, we expect our advances to grow by 7% to 8% as against 5.4% at December end. Gross NPA ratio will be further brought down to below 10% and net NPA ratio to around 2.25%.

With the current thrust on RAM and mid corporate segments, we expect our global NIM to improve from 2.27% to 2.40% by year-end. The domestic NIM however which is higher at 2.51% will be targeted to improve to around 2.75%.

I once again thank you all for your support and your presence in this conference. The floor is now open for discussion and question-and-answer. Thank you.

- Moderator:** Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** I have a few questions. One is on corporate slippages that we have shown in this quarter at around Rs.1,800 or Rs.1,900 crores. So, if you can share some more details here, Sir, which segment and are they coming from divergence sort of an exercise or if you can provide some more details here?
- A.K. Das:** Total slippages are about 1,800 crores. Including corporate slippage and when I say corporate slippage, it pertains to only one major account, retail chain, that is about Rs.1,079 crores which had to be marked as NPA. So, excluding that, the slippage is about 700 plus crores in Q3 compared to Rs.1,300 crores in Q2 FY'22. As a matter of prudence, we have already provided 47% in that account.
- Jai Mundhra:** Just to get this correct, this account for the system, other banks have not made this provision as yet, because this, at max, is a failed restructuring kind of an account, right. So, what was the need for you to downgrade if my understanding is right?
- A.K. Das:** When we are having good amount of profits, when we give so much of stress on risk mitigation and all, is it not a prudent decision to provide?
- Jai Mundhra:** No-no, provisioning part is very good sir. All I'm asking is this downgradation. Other banks have not done this and it looks like it will be coming in fourth quarter. So, was there any regulatory requirement? Just to understand that what actually happened, have they breached some milestone and hence you have downgraded?
- A.K. Das:** There has been a breach of the timeline. Before the regulator comes and asks us, we have done it. I think, many other banks have also done it.
- M Karthikeyan:** Most of the banks have done it and it is in conformity of the OTR policies of the Reserve Bank guidelines.
- Jai Mundhra:** Standard restructured accounts should also be lower by that amount, right, because it was there, right?

- A.K. Das:** Yes.
- Jai Mundhra:** Sir, how hopeful are you on this resolution, because there are a lot of court litigation cases. I think one or two days back also lenders have requested that at least the assets should be auctioned. So any sense on the ultimate recovery from this account?
- V Anand, G.M.:** See, there are two, three options. One is that yesterday, you would have seen from the press report as far as from the hearing that the lenders counsel have submitted before the Supreme Court that both the Reliance and Amazon should give a sealed cover, if they are really interested to resolve this matter. The same has been placed before the Hon'ble bench and the bench is yet to give an order. That may be one option. If the bench gives us permission under the court supervision this process may work through. Otherwise, there are other options like IBC mode or SARFAESI mode. This is from the banker's point of view. From the company's point of view the option is that you know further they can approach the banks under 7.6.19 circular for further restructuring of this account which would be considered on merits depending on rating and other compliances of RBI circular.
- Jai Mundhra:** This would mean that you would have also downgraded any bond exposure here also, right, or that has some different kind of a treatment?
- A.K. Das:** No bonds have been downgraded.
- Jai Mundhra:** And second question, I think on your slide 19 of the presentation where we have given the provisions break up. Was there any MTM hit on the AFS portfolio during the quarter?
- Harikishan, G.M.:** There was no MTM hit insofar as SLR is concerned. There was one account which was resolved and the bonds have flown into the investment portfolio which we had to mark down. Major impairment is on account of one account, that had to be marked down for the investment which was actually securities issued in lieu of debt.
- Jai Mundhra:** Because after the quarter, the yields have also firmed up. So what is your sort of a threshold that within which it will not hit your AFS book. What is your AFS book yield so that till that threshold, there is no hit on the MTM side?

**Harikishan, G.M:** There is going to be some hit on the MTM. Again, I would like to distinguish between our exposure to SLR and non-SLR. So far as our SLR is concerned, the M-duration is 0.78. You would understand that the impact would be minimal even if the yields go up from this current level. There'll be a very small hit on that. Insofar as non-SLR is concerned, our exposure is only Rs.12,000 crores, where the M-duration is 3.3. And if yields move around 50 bps from here, we could see potentially taking a hit of around Rs.150 crores.

**Jai Mundhra:** Last question is the credit growth. So, one clarification. Gross advances growth is around 5% or 6% YoY, but if I see the net advances growth, which is 9% YoY, both these numbers are correct, right, that gross advances growth are around 5%, 6%, but net advances growth is 9% YoY?

**A.K. Das:** Yeah.

**Jai Mundhra:** How are you seeing the credit growth going forward?

**A.K. Das:** As I told in the beginning 7% to 8% is what we are targeting for March 31st for the full year growth. Now, industry has already reached 8%. We are slightly behind the industry, but we got a lot of catching up to do in corporate advances, but we will require the demands. As I told, OD, CC availment are also at about 69%. Even the fresh sanctions also which we have done about Rs.55,000 crores, only 35% has been availed. We have in the pipeline about Rs.12,000 crores of proposals as of now, but again all depends, the rate war going amongst the banks and the corporates changing hands from one bank to the other and all. The corporate credit continues to be of little concern. So, in that context, we will focus majorly on the RAM segment which has gone up by 12.5%. So, we will be expecting a 16% growth in RAM segment and the PSU and the PSU-backed entities and government sectors. And if corporate sector revives, that will be a bonus for us. So overall 7% to 8% should be our target for March '22.

**Moderator:** Thank you. The next question is from the line of Akash Jain from Ajcon Global Services. Please go ahead.

**Akash Jain:** As regards to corporate credit growth, we have seen in the Budget that the Government is focusing more on infrastructure side especially doing

more CAPEX. So, are we getting queries from HAM sector, steel sector and cement sector?

**Swarup Dasgupta:** Regarding road, our exposure is almost full because we have utilized our road sector exposure with the Government of India undertaking. I'm not naming the account. And if headroom is created, we are definitely going to take some exposure. In other sectors, we are taking the exposure, preferably secured ones, on case to case basis. Whatever is announced in the Budget, the actual impact will come in the Q1 of next year. We are ready with it. If any good proposal comes, we are definitely going to bid for it.

**Akash Jain:** In agri related infrastructure like cold chain, food processing, are we getting any enquiries?

**Swarup Dasgupta:** In food processing we are getting. In cold chain, demand is little bit subdued. But now government has given thrust to ethanol projects. Wherever we are getting good proposal, we are considering exposure.

**Akash Jain:** Also, the annualized credit cost has gone up from 0.26% to 0.71%. So what is the reason for that?

**A.K. Das:** Again that big account which we mentioned Rs.1,079 crores. But for that, the fresh slippages ratio would have been 0.21% and corresponding credit cost would have been 0.34%.

**Akash Jain:** I understand the NIM has been subdued because of hardening of yields. So on a sustainable basis, what kind of NIM we can expect in the coming three quarters?

**A.K. Das:** Our immediate target is March 31, 2022, where domestic NIM we are planning from 2.51% to 2.75%. That's a tough ask, but we will make all efforts to reach that. Eventually to cross 3% in course of the next financial year. So for March 31st 2022, we will be aggressively targeting to make our NIM reach 2.75%, domestic.

**Akash Jain:** And in this quarter, the recovery looks a bit subdued and write-off also seem to be very high. So going forward, what is your recovery target and what is your expectations from recovery from NCLT accounts?

- M Karthikeyan:** This year when compared to last quarter, yes, because during last quarter, we had one big account which we all know, on account of which the cash recovery is on the higher side. This quarter Rs.1,309 crores is a bit subdued, but we have planned for reduction of Rs.2,500 crores during Q4, of which Rs.1,700 to 1,750 crores will be cash recovery. And a lot of efforts have been on to engage with our customers, the monsoon being near normal, everything being good and the economy being revived, COVID third wave going on the downward trend, we anticipate a good recovery and Rs.2,500 crores of reduction in NPA levels is not a distant dream. We are very confident of taking the gross NPA levels into single digits in and around 9%.
- A.K. Das:** To answer your other question, NCLT we are expecting about Rs.800 crores of reduction. Again, this could have some upside if the NCLT workings improve as the Government is already getting a task force. I think if there are improvement, it could go further up, but at least Rs.800 crores is what we're expecting through NCLT.
- Akash Jain:** Is our Bank looking for co-lending proposals of NBFCs?
- A.K. Das:** Yeah, we have had one or two tie-ups already. Numbers are not looking very promising now, but they are potentially good tie-ups and we are looking for more number of partners also.
- Akash Jain:** What has been exposure to SREI account and how much we have provided for it?
- M Karthikeyan:** Rs.1,095 crores is the total exposure to SREI and 50% has been already provided.
- Moderator:** The next question is from the line of Ashish Agarwal from Crescita Investment Management. Please go ahead.
- Ashish Agarwal:** If you could help us understand how your interest income has moved during the quarter, especially given that we've seen our advances increase? So, when we do the math, it seems that the interest yield has dropped pretty sharply.
- A.K. Das:** As I mentioned in the beginning, interest income also has been affected by certain extraordinary items in the quarter a year back, where there was standstill clause invoked, but incomes were being booked. So, that



led to reversal of about Rs.290 crores. Similarly, in the previous quarter, that is Q2 FY'22 also, there was some reversal of URI, UCI that is unrealized interest and uncharged interest to the tune of Rs.200 crores, this is one part. Second, what you told is advances growth of 5.40%, that is the gross advances. Interest income and advances growth, they are not linked in a linear fashion as you must be aware, there will be lag effect. We would like to see that there is a steady growth in advances because the timing of the advances, certain disbursements might have happened towards the end of the quarter or the middle of the quarter and all. But whatever growth has happened, definitely, the impact will be visible in Q4. So, that time lag has to also be reckoned for understanding the interest income part. Also, 5.40% overall gross advances growth was on the lower side that we are quite conscious of, and we will try to address that in Q4 so as to bring our NII to positive territory.

**Ashish Agarwal:** Just wanted you to elaborate a little on the advances growth part. So, for the first nine months, we are seeing a growth of like 5.5% and then to take it to like 7%-plus, that's like a lot of catch up, and given that we are halfway into the quarter, can we say that we are reasonably confident of achieving that target?

**A.K. Das:** Yeah, we are in mission mode now. This is the last opportunity for us to set right the full year financials and address the issue of lower NII and NIM, while all other issues like slippage management, recovery has almost been addressed in a sustained manner. So this advances growth is one thing which will be catching our attention all through the next 50-days. I think there will be a major difference observed.

**Ashish Agarwal:** On NPA, you did mention that you're looking at a 2.25% kind of a net NPA target by the end of the year. This would be excluding whatever NCLT. If you could just take us through what's happening on the asset quality front on recoveries? I know that you did mention but if you could spend a little time on that as well.

**M. Karthikeyan:** In earlier discussion, we had said that our Q4 numbers are around Rs.2,500 crores, of which cash recoveries will be in the range of Rs.1,700 to Rs.1,750 crores. So, we are on track on that. And we see a lot of efforts being taken; we are planning to conduct a Branch Adalat tomorrow across the nation. If you can see our numbers in Rs.5 crores and above category, even the slippage part, it's only 1.1% of that segment. So major problems we are encountering is in the segment of

below Rs.25 lakhs. So a large part of these audience need to be aggressively engaged. We have taken steps to be in touch with them through the SMS mode, e-mail mode, our field Business Correspondents, the call centers, they are all being geared up and these numbers look very much achievable and we are on track to see somewhere around 2% in net NPA and reach a level of around 9% for Q4 at March 31.

**A.K. Das:**

I would also like to supplement here to what Mr. Karthikeyan, our ED has said. See, we are trying all possible means to ramp up the recovery numbers because we know there is a lot of headroom there. Out of Rs.45,000 crores of NPA, we got around Rs.34,000 crores in NCLT. Remaining number is quite huge. So, as I told, we are in mission mode, we are involving every 52,000 staff. For example, I can tell you, you will be happy to know that we have about 7,000-plus subordinate staff. We have engaged them very productively through a scheme called Saksham. And during the nine months, they have been able to give us leads of about 68,000 accounts involving Rs.800 crores plus. And out of this 68,000, nearly 48,000 have been converted into NPA recovery, amounting to Rs.537 crores. That segment also we are focusing very much in the remaining two months and we expect another Rs.300 crores to Rs.400 crores in that segment also. So, all said and done, I think, Rs.2,500 crores have some upside also. Monthly e-auction also we are getting good support and good strike rate there also. So, I think recovery will continue to attract our attention in all these two months.

**Ashish Agarwal:**

And I also notice on one of the slides that your SMA-0 has seen a sharp increase in the quarter. If you could elaborate.

**M Karthikeyan:**

In the first moratorium of COVID, nearly 1.03 lakh amount outstanding were under moratorium and there if you see the pain is just about 6% only. In terms of these SMA-0 numbers, of the 45,805, the numbers in SMA-0 is on account of norm, that is, on 30/6/2021 and 30/9/2021, if you see the numbers, they are very low. So, all these numbers of Rs.23,000 crores are getting paid off in the first seven days, DPD. So, our numbers may look high apparently, but over a period of time you can see those numbers going down. In June '21, the SMA-0 level was 1.96%, it has come down to 1.87%. In December you notice that it has gone up to 5.4%, but in the first week of January itself it has come down to again 1.85%. That is how the trend is. So, that is the reason you see

high traction in SMA on account of DPD issues and it is being addressed now. We are counseling our borrowers to see that they pay those dues not on the last day when the demand is raised, at least two or three days beforehand so that these type of SMA 0s won't occur.

**Moderator:** The next question is from the line of Dixit Doshi from Whitestone Financial. Please go ahead.

**Dixit Doshi:** Just a couple of questions. You mentioned about the NIM. What kind of credit cost we expect next year?

**A.K. Das:** Credit cost, as the benchmark says, we will try to keep it well below 1%. Although most of the stress is behind us now, remaining accounts we are trying to monitor it properly and continue, that is mainly through very low slippage of assets. As you would have seen in the presentation probably, that in March the slippage ratio was 2.05% which has come down to 0.4%. Despite stress being there, our slippage management has been very good. And 0.4%, I think by far could be the best in the industry if I may say so amongst PSUs. And this 0.4%, further it will come down if we remove that one account which slipped which we had to mark as NPA. So I think below 1% will always be okay for us. But in effect, we could reach max 0.5%.

**Moderator:** The next question is from the line of Akash Jain from Ajcon Global Services. Please go ahead.

**Akash Jain:** I wanted to understand about your SME book. What kind of credit we have sanctioned in Emergency Line of Credit in say last one and a half or two years? What kind of restructuring and slippages we have seen in that book? What is your outlook going forward in case of normal SME book?

**M Karthikeyan:** To answer the second part first, Akash, RFCRS-I, we had sanctioned about Rs.3,951 crores, as restructured asset, of which MSME constitute 46%, that is Rs.1,813 crores. In terms of RFCRS-II, we had restructuring to an extent of Rs.8,667 crores, and in that MSME happens to be 39%. And in OTR, totally Rs.6,207 crores have been the restructuring proposals handled, of which MSME is 33%. FITL, though you know very well, Rs.1,800 crores of dispensation was made and 96% has been paid out and only 4% has been to NPA.

**A.K. Das:** To answer your first part of the question, during Emergency Credit Line 1,2,3,4 all put together we have disbursed about Rs.6,000 crores in the MSME segment.

**Akash Jain:** Going forward, what is your outlook on the sector as a whole?

**A.K. Das:** I think the situation will continue to be a little under stress, maybe for the remaining two months. I think MSME segment is still trying to recoup from the shock it got from the COVID. From Bank side, I think public, private Banks, they have given a lot of support. What we are planning is to handhold them, we have gone for a digital end-to-end platform, which we are likely to launch by the end of this financial year where without much human intervention with quick turnaround time, we can reach out through marketplace to these MSME segments. And by that time, I think because of the multiplier effect, thanks to the Government's initiatives in the Budget and otherwise also, a lot of downstream activities also would have got further boosted up. So I think from Q1, we may see some tangible action in the MSME segment.

**Akash Jain:** Secondly, Sir, your Cost to Income Ratio has gone up because of increase in operating expenses. What kind of expenses are these?

**A.K. Das:** It's a combination of operating expenses and our net total income. But I think the ratio looks elevated. Although for the nine months it is only 52%, but standalone Q3 it is 60%. It is more on account of the net total income, the denominator. As you know NII and other income, they have been little under stress, the numbers have not been very good compared to the previous. That is why it has affected the ratio. Operating expenses, some staff related, we give preference for those kinds of expenses, like family pension and other AS-15 related. So it's not as much on account of operating expenses as due to net total income. Once the NII and other income starts improving, I think we will see good improvement in Cost to Income Ratio.

**Akash Jain:** Sir, what kind of target we have internal for ROA and ROE say one or two years' time?

**A.K. Das:** Ideally, global benchmark is 1% ROA. So I think we will aim for that. It's now 0.51%. I think we will aim for 1% probably by the end of next financial year.

**Moderator:** The next question is from the line of Ashish Agarwal from Crescita Investment Managers. Please go ahead.

**Ashish Agarwal:** So, this query was again with regard to NPA. So, as you pointed out that this quarter the corporate slippages were high on account of ones in retail chain. For the fourth quarter, do we have any sense of any large account which might possibly be recognized as NPA or slipping, if you could show some color on that or would you think that we are unlikely to see any such large slippage in this quarter?

**M Karthikeyan:** Mr. Ashish, as I already informed you, there isn't any pain because above Rs.5 crores in the outstanding levels have been continuously being monitored. We don't have any surprises in the above Rs.5 crores segment as far as this Q4.

**Moderator:** The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

**Jai Mundhra:** One this retail chain account, this would have directly gone to D1 category, right, because it would have been NPA from restructured time?

**A.K. Das:** Yes.

**Jai Mundhra:** I think you had mentioned but I'm still curious because it looks like we are the first bank to declare it as NPA. So, I did not quite understand that. They had missed the payment obviously. They had of course missed the 90-DPD or is this something else also?

**V Anand, G.M:** It is not Bank of India alone which has declared it as NPA. Even prior to us, there were three or four private sector Banks who have already marked as NPA as per the regulator's direction, which they have informed to us in the meeting held on 29th December. During that meeting itself both private sector Banks have told that they have already marked as NPA. One Bank in the entire consortium implemented it later. In view of this, the regulator had taken up this account and some Banks have already marked it as NPA, it is not Bank of India alone. And further you know, as per the OTR scheme, which is very clear that as on 31/12/2021, the particular amount if it is not paid, cure period available was only 30-day, so, on 31/1/2022, it should be marked as NPA as per

the OTR scheme. So, we have complied with the regulatory guidelines in this regard.

**Jai Mundhra:** On restructuring slide, there is one restructuring 1.0, then there is a restructuring 2.0. What is this One-Time Restructuring, is this earlier all schemes or what is this OTR because I think during COVID there was only R-I and R-II?

**V Anand, G.M:** 2020 RBI Circular which enables this. For this a special committee was also formed, the Kamath Expert Committee, where accounts with Rs.1,500 crores will go for vetting by the Expert Committee. These corporates accounts were covered under that 6/8/2020 RBI Circular for COVID. The other thing which you are probably mentioning will be 7/6/2019 circular which is available throughout the year.

**Jai Mundhra:** Do we also have any legacy restructured loans like which were like you have said 2019- circular or even before that, CDR or any other those cases?

**V Anand, G.M:** No, as per the OTR scheme, whatever corporate accounts has been restructured, only this account was causing concern, all the other accounts are going as per the OTR terms. As of now, we do not find any issues in any of the OTR corporate accounts.

**Jai Mundhra:** In MSME, Rs.1770 crores is restructured. In notes-to-account No.11, there was another separate scheme going for MSME loans, right, restructuring, that was January 2019 scheme.

**Monika Kalia:** If you look at slide #25, one-time restructuring, we have added MSME also. Whatever MSME we have mentioned that includes the prior scheme.

**Jai Mundhra:** Did I hear it correctly that you said SMA 0, which was 5% of Rs.23,000 crores something, it has come down to 1.9% as of January 1st week?

**Monika Kalia:** That's correct.

**Jai Mundhra:** Or that was related to this Rs.9,400 crores, that has come down to 1.9%?

**M Karthikeyan:** Totally, it was 24,000 crores under SMA-0 as on 31/12/2021. That constituted around Rs.19,000 crores to Rs.19,500 crores will be paid on the first seven days DPD. So, that's 1.90% now.

**Monika Kalia:** So, we are talking about percentage of overall SMA to gross advances, that was 5.40%, that has come down to 1.90%. This has happened because in this quarter we had one day extra. So, DPD has come before we could close the quarterly accounts. That is why in most of the accounts 0 to seven days has triggered. So, they have come into SMA 0 category.

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

**Sohail Halai:** Sir, a couple of questions from my side. One is probably with respect to the top line. Sir, where do you think basically in terms of cost of deposits we are headed? And probably your outlook on NIMs not only from the next quarter point of view, but probably from one, one and a half year point of view?

**Monika Kalia:** Cost of deposits have been coming down significantly, we are at 3.75%. That is almost if you look at the other peers, we are already probably at the lower end of that curve. With respect to the NIMs, I think our M.D. has already stated that we are looking at around 2.75% domestic as of March 31 '22 and for next one, one and a half year around 3% for domestic NIM.

**A.K. Das:** NIM improvement will be targeted mostly through higher yield on advances and through volume growth in advances because as Madam rightly told, we have almost hit the floor as far as cost of deposit is concerned, because resources are also very important for us. As for deposits, we have consciously brought down the growth to below 2%. We wanted to address that issue after March '21 when deposits grew by 13%, advances by 2%. So, that we have been consciously targeting and NIM growth will be predominantly addressed or targeted through volume growth in advances as also in higher yield on advances.

**Sohail Halai:** Sir, in your view, what is the optimal CD ratio for you, because, if I look at the CD ratio at 70% or net advances at 66%, we are still far away from the optimal level, so, probably is it so, that you would not have to raise



deposit rate for a longer period of time, how do you view in terms of the CD ratio as well?

**A.K. Das:** There is nothing called optimal in CD ratio, but anything between 72% and 75% should be good enough, that is number one. And we have no major issues on liquidity as of now and we have also adequate capital. In the event of a significant increase in loan demand and all, always we have the option to raise deposits. Deposit raising is not an issue at all.

**Sohail Halai:** Sir, in terms of asset quality, a good set of numbers there, but just wanted to understand a couple of things. One is this restructured book. So, is the entire book paying both principal and interest?

**M Karthikeyan:** Moratorium is given to them up to two years. Some of the borrowers who have opted for six months, eight months depending upon the cash flow they generate. So it is our prerogative to engage with them quite frequently and ensure during the end of their tenure, their demand sets in and they have been asked to pay their advances. Proactively, we are even asking them when the surplus they generate during the period, we ask them to pay in advance also. And on some occasions where they have a shortfall in cash flow sort of things, we are even trying to counsel them to take a higher time period for repayment, and as and when the stress is over, they can start paying. That is a sort of engagement we are having with them.

**Sohail Halai:** Sir, would it be fair to assume that 30% 40% of the book has started paying principal as well or not?

**A.K. Das:** 65% to 70% have started servicing the account in both RFCRS-I and II.

**Sohail Halai:** Would this have basically in terms of the rise in SMA-II, basically any correlation with the restructured book as well?

**M Karthikeyan:** If you could see our figures, the SMA-II is the one area where we have been controlling very well. Though there is a slippage in SMA-0 category, but SMA-I and II, that is where the RBI monitoring starts, the potential business ratio, has been well under control because the fall is not happening. There is a little bit stress, but once the revival takes place, the upward trend from two to one and standard happening, so we don't see any stress on those segments falling.



**Sohail Halai:** If I look at the PCR as well, you are holding on to the PCR at a relatively high level at 77% and 87% including technical write-off. So in future what could be the ageing related provisions there? And the asset sale to NARC?

**M Karthikeyan:** Asset sale to NARC, we have identified about six accounts amounting to Rs.2,400 crores, number one. As regards ageing provision, that's a very good question, that is where we are targeting. Normally if you see earlier, the numbers will be around Rs.600 to Rs.700 crores. We are now engaging with those borrowers frequently and asking them to come to a table for a compromise. And these numbers are getting reduced over a period of time; it's around Rs.250 crores now and going forward also it will come down. We don't feel any stress.

**Sohail Halai:** So basically the future provision costs would be largely linked to the future slippages where probably we are doing a better job right now, is it fair to say that?

**A.K. Das:** Bang on.

**Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Shri A.K. Das for closing comments.

**A.K. Das:** Thank you very much. It's been a very enlightening interactive session. I think the participation was also reasonably good and we also got a lot of learnings and takeaways. And I would request all of you to keep supporting us, guiding us. These are difficult times. I think with our collective effort, we will be able to show much, much better numbers even for the full financial year. So thank you very much once again.

**Moderator:** Ladies and gentlemen, on behalf of Bank of India, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.