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**Sub: Q3 FY 2023-24 Earnings conference call
with Analysts/ Investors – Transcript.**

With reference to above and pursuant to the applicable provisions of SEBI (LODR) Regulations, 2015, we herewith enclose the transcript of post results Earnings conference call Q3 FY24 held on 05.02.2024.

The transcript of Q3 FY24 Earnings conference call is uploaded on Bank's website and the same can be accessed through below link :

<https://bankofindia.co.in/analyst-conference-call-transcript>

This is for your information and records.

भवदीय Yours faithfully,



(Rajesh V Upadhya)
कंपनी सचिव Company Secretary

Encl: as above

Classification: **Public**

**“Bank of India
Q3 FY’24 Earnings Conference Call”
February 05, 2024**

Management Team Represented by

Shri Rajneesh Karnatak, Managing Director & CEO

Shri M Karthikeyan, Executive Director

Ladies and Gentlemen,

Good evening and welcome to Bank of India's Q3 FY 24 Conference Call. I would like to thank all of you for taking out time today and joining us. We have with us Shri Rajneesh Karnatak, MD and CEO, Shri M Karthikeyan, Executive Director and other Top Management team from Bank of India. For now, we have placed all microphones on mute. At the end, during the Q&A session, we will be sending you a request to unmute yourself in order to ask questions. I will take you through this process before the Q&A session. However, please note the Management will continue to remain unmute throughout the session. I would now request Shri Rajneesh Karnatak to address this gathering. Thank you. And over to you, Sir.

Shri Rajneesh Karnatak, MD & CEO:

Good afternoon to all the dignitaries, ladies and gentlemen present in today's Analyst Meet. It is my pleasure to welcome you all for the interaction, post publication of financial results of the Bank for Q3 of FY 2023-24.

Despite prevalence of geopolitical overhang affecting global growth, Indian economy exhibited optimism on the back of strong macroeconomic fundamentals and financial stability. The real GDP growth rate has been revised upwards to 7% by RBI for FY'24.

The Bank is focusing on customer service excellence and improving connect with the customers for increasing low cost deposits to fund the advances growth. SMA management & Slippage containment remain high priority areas on the bank's agenda with continuing measures for improving collection efficiency and NPA recovery. On Digitalization front, New Cloud Technology Adoption Framework is introduced to improve data security, privacy, control and corporate governance.

Other new initiatives taken are;

1. Launching of Nari-Shakti Savings Account aimed at catering to women aged 18 and above with an independent source of income.
2. Introduction of upgraded savings accounts with improved features and insurance coverage. Savings Bank products are rationalized to 8 products i.e. SB General, Pratham, Pension, Rakshak, Government Salary, Private Salary, Staff and Institutional accounts.
3. Green Deposit & Financial Framework Policy for promoting green initiatives by deploying funds in green activities/projects based in Indian green taxonomy.
4. Launching of BOI Star Export Credit Scheme to on-board and provide quick financial solution to Export units.
5. Star MSME Welcome offer revised with wider coverage and to increase customer base in up country centers.
6. Star Energy Saver scheme revised under Renewable Energy where maximum Loan amount is raised to Rs.10 Cr from Rs.1 Cr.
7. Formation of 10 New Asset Recovery Branches (ARBs) to have more sound approach for resolution of NPAs.
8. RFP floated for onboarding consultant for IT & Digital Transformation.

We have published and shared financial results of the Bank for Q3 of FY 2023-24 on 02.02.2024. The main highlights are as under.

1. Global business increased by 9.60% YoY from Rs 11,61,000 Cr in Dec'22 to Rs 12,72,000 Cr in Dec'23 with incremental growth of Rs.1,11,000 Cr.
2. Global Advances increased by 11.29% YoY from Rs 5,07,000 Cr in Dec'22 to Rs 5,65,000 Cr in Dec'23 with incremental growth of Rs.58,000 Cr.
3. Global Deposits increased by 8.28% YoY from Rs 6,53,000 Crs in Dec'22 to Rs 7,07,000 Cr in Dec'23 with incremental growth of Rs.54,000 Cr.
4. Domestic CASA increased by 5.92% YoY to Rs 2,61,000 Crs in Dec'23 with incremental growth of Rs.14,000 Cr and CASA ratio stood at 43.88%.
5. Domestic Advances increased by 11.34% YoY and stood at Rs 4,75,000 Cr in Dec'23 with incremental growth of Rs.48,000 Cr.
6. RAM advances increased by 13.61% YoY to Rs 2,62,000 Crs in Dec'23 with incremental growth of Rs.31,000 Cr, constituting to 55.22% of advances in Dec'23.

As regards Profitability & Asset Quality,

1. Bank's Net Profit for Q3 FY24 improved both sequentially and on YoY basis. Net profit increased from Rs.1,458 Cr in Q2FY'24 to Rs. 1,870 Cr in Q3 FY 24.
2. Global NIM stood at 2.98% for 9 months and Domestic NIM stood at 3.35% for 9 months of current Financial Year.
3. Net Interest Income has come down by 2% on Y-O-Y basis for Q3FY24 over Q3FY23, however, on 9 month basis it has increased from Rs.14,752 Cr for the period ended 31.12.22 to Rs.17,117 Cr for the period ended 31.12.23 showing Y-O-Y growth of 16%.
4. Non-Interest Income has come down to Rs.1,193 Cr, i.e. a fall of 17% in Q3FY24 over Q3FY23. However, on 9 month basis has grown Y-O-Y by 9% from Rs.4,001 Cr for the period ended 31.12.22 to Rs.4,344 Cr for the period ended 31.12.23.
5. Operating Profit on 9 month basis has grown Y-O-Y by 14% from Rs.9,209 Cr for the period ended 31.12.22 to Rs.10,511 Cr for the period ended 31.12.23. Though, on Y-O-Y basis i.e. from Q3FY23 to Q3FY24, it has come down due to increased provisions on account of expected wage revision and depreciation in investment.
6. There has been improvement in asset quality with reduction in both Gross NPA ratio and Net NPA ratio. The GNPA Ratio was brought down to 5.35% in Dec'2023 from 5.84% in Sep'23 and Net NPAs to 1.41% in Dec'23 from 1.54% in Sep'23. GNPA has come down by Rs.8,648 Cr on Y-O-Y basis.

In line with the GDP growth rate, we expect credit growth of around 11-12% for FY'24 & domestic deposit growth of around 10%. There has been compression on margins due to increase in cost of deposits but by focusing on RAM and Mid Corporate Credit, we aim to maintain NIM at 3.00% for FY24. With the Bank's consistent focus on improving asset quality via better underwriting and containing fresh slippages, we expect Gross NPA ratio to be around 5.10% and credit cost around 0.50%. We will continue to work towards improved customer service, broad based growth and a better profitability by enhancing our CASA and Retail Term Deposit Book.

In consonance with the measures announced in the Interim Budget 2024, India is poised to become the 3rd largest economy in the world in next 3 years with the GDP of 5 trillion USD and it will be a catalyst in achieving the guidance given as above.

I would again thank you all for the continued support. The floor is now open for discussion and Q & A.

Moderator

Thank you, Sir. We would like to open the Analyst Meet for Questions and Answers. You will notice a small icon on your screen, a hand sign. Once you press this, it will alert us that you would like to ask a question. We would go around one by one. The analyst asking the question will be unmuted. You will get a notification on your screen to unmute yourself. Kindly click on unmute and identify yourself before asking the question. Each participant will be allowed to ask two questions. If they have more questions, they are requested to join the queue again.

We have first question from Mr. Marsal. Unmuting you. So please go ahead.

Mr. Marsal

Before I get my question, over here in the press release, in the key highlights you have just compared the Q3 versus Y-o-Y. I think it will be most ideal if you compare Q3 with Y-o-Y as well as over Q2 FY24. Otherwise, we have to refer to press release of last quarter to see that where do we stand. So kindly in the next quarter, in the key highlight also, please share three data for Q3 FY24, Q4 of March 2024, then the Q4 of March 23 also, YoY as well as QoQ comparison.

Shri Rajneesh Karnatak, MD & CEO

Okay. Your suggestion is noted. We will take care in the next presentation in the March quarter.

Mr. Marsal

Thank you. My first question is regarding this. We are disappointed rather to see the result of our bank because if you see the whole PSU bank result, every bank has done fantastically, both in terms of NII, in terms of NIM, in terms of operating profit. But in our case, again, I'm comparing Q on Q. In our case, NII has reduced from Rs.5,740 crores in second quarter to Rs.5,463 crores, NIM has compressed from 3.47% to 3.21%. And similarly our Operating Profit also reduced. So can you please say what action you are taking now to show that in Q4, we can recoup the level of Q2 number. And then how much of this, like NCLT you expect to recover within the Q4?

Shri Rajneesh Karnatak, MD & CEO

Thank you. As regards Net Interest Income, interest income has gone up by 20% on a Y-o-Y basis from Rs.12,700 crores in December 2022. Our interest income has gone up by Rs.15,200 crore. As regards the nine months period, YoY improvement, in December 2022, our interest income was Rs.34,000 crores. It has improved to Rs.44,500 crores in December 2023, which is a growth of 30%. On the interest

expenses, the increase has been, by 37% on a YoY basis and on a nine monthly basis, it has gone up from Rs.19,000 crores to Rs.27,000 crores, because of which there has been some pressure on the Net Interest Income. So, as you rightly observed, the Net Interest Income has gone down, but it has gone down by only -2% from Rs.5,596 crores as on December 2022. It has come down to Rs.5,463 crores, which is a negative of only 2%. However, if you see the nine month results of the bank as on December 2022, our Net Interest Income was Rs.14,752 crores. It has improved to Rs.17,117 crores, which is an improvement of 16% on Net Interest Income. So Q3 has been an aberration, I would say, for the bank, wherein the Net Interest Income has come down on a sequential basis and on a Y-o-Y basis. The main reason for that, as you are aware, is because of the pressures which are there on the margin, because of which this is happening. As you already said, that the NIM has also compressed. However, on the NIM side, I would like to clarify that in the September quarter, our quarterly NIM, which was at 3.08%, has come down to 2.85%, but on a half yearly basis, it was 3.05%, which is now on a monthly basis at 2.98%. To further clarify, our NIM as on a nine monthly basis in December 2022 was 2.96%, which has now improved to 2.98% on a nine monthly basis, by two basis point. So this is the thing which we want to tell, though there is some pressure because of the tight liquidity situation which was prevailing in the market in the quarter of December, Q3, which is also prevailing in this quarter also. However, we are confident that on a global NIM basis, we will be able to protect our NIM at around 3% for Q4.

Also, just to give further flavour on the NIM side, on the domestic side, our NIM has improved much better. On the domestic side. On the Q3, our quarterly NIM was 3.21%, and on a nine monthly basis it was 3.35%. And it is well above 3%. And on that side also, we are saying that our guidance will be at 3.20% for the 12 months in March 24, for the Q4 and the annualised.

As regards operating profit, let me clarify that operating profit has come down from Rs.3,652 crores to Rs.3,004 crores. It is a decrease by 18%. However, for the nine month period, it was Rs.9,200 crores in December 22 and it has improved to Rs.10,500 crores in December 23, which is a Y-o-Y increase of 14%. So basically there are two items because of which the operating profit has come down, one being the provision for the wage revision. So provision for the wage revision in this quarter was Rs.448 crores in Q3, which included provision at the rate of 2% for 11 months. Because the MoU signed for the wage revision was at 17%, and earlier, we were making provisions at 15%. Because of that delta, the increase is Rs.129 crores. Fresh provision for Q3 at the rate of 17% comes to Rs.219 crores. Retirement benefit and pension payment provisions, which is again on an ad hoc basis is at Rs.100 crores. So Rs.448 crore has gone for that provision. Just to further clarify on the wage numbers, we have already taken a provision of Rs.1,091 crores till date. So up to December, all wage cost plus pension has been provided for. Apart from that, the second item which has impacted was with respect to the depreciation in our investment book, which was there in one of the NCLT NPA accounts, which has come, and another account on the sugar side and the total amount is Rs.383 crores. So if you add up Rs.383 crores and Rs.448 crores, it comes to Rs.800 crore plus. And if we add this one off item of Rs.800 crore plus which we had to provide in this quarter, our operating profit comes back to Rs.3,800 crores, which is well above the run rate which we were having of Rs.3,756 crores in September 2023 and Rs.3,652 crores in December 2022. So we are very

much confident that in the next coming quarter in Q4, we will be able to come back to the run rate of around Rs.3,600 to Rs.3,700 crore for the operating profit in Q4, because around 800 crore being one off item for the bank in this quarter's balance sheet.

Mr. Marsal

Sir, in the in the Q4 also, do you expect to have this kind of hit or kind of thing?

Shri Rajneesh Karnatak, MD & CEO

No, these were only one off items. We don't foresee such kind of item. As of now, when we are speaking today on 5th of February, there has been no such entry in our books. That I can clarify. So at present, we are not facing any kind of this additional provision because of depreciation on the investment side, because of the NPA investment coming back to the standard category. And as regards the provision with respect to the wage revision, yes, additional provision of Rs.219 crores will be coming for Q4, which will be at the rate of 17%, to take care of the Q4 quarter of FY 24.

Mr. Marsal

So you are saying that like in this quarter, we made the provision of Rs. 448 crore and what will be the provision next quarter? Is it Rs.228 crores including 2% and the debt provision also.

Shri Rajneesh Karnatak, MD & CEO

This 2% provision will not be there. This is a one-time provision because that is the gap between the 15% and the 17%. So this number will not be coming again. So fresh provision of Rs.219 crores for the wage revision will be coming in Q4 also. So that is the number. And on the retirement benefit and the pension payment side, around Rs.50 crores to Rs. 60 crores will be coming. That is the provision which will be coming in the Q4.

Mr. Marsal

To increase the NIM, like you are the veteran, so you will know it very well that what is required to have this low cost deposit of current account and savings account. But we don't see it coming from Bank of India in any of the like, you know, online to canvass or like to compare for this opening of current account or, you know, for example, this opening of savings account. So what action like, at the branch level, at the Zonal level are being taken to increase the low cost deposits. That's very critical for the bank.

Shri Rajneesh Karnatak, MD & CEO

Yes. So let me clarify. Bank of India has a very strong franchise as far as the retail deposits are concerned. We have 5,200 branches, 8,400 ATMs and CRM machines and 19,000 of BCs. Which we have delivery points of nearly 32,000, in the field for giving customer service and better customer efficiency. So as regards the CASA number, we already have a number of around 44%, which is one of the best among the public sector banks. Another part is that 44% of our term deposits is retail term deposits, and only 12% of our deposits is bulk deposit, which is again one of the best in the system. So 88% of our deposits are retail deposits. Another point where you

said that the accounts that we are concentrating on CASA, savings account and current account. Let me clarify to you the total number of savings accounts other than BSBD account, which are basic accounts we have opened in this financial year from 1st April till 31st December 2023 is around 13 lakh accounts. So that is the kind of accretion which has happened in fresh savings accounts during this period of nine months. So there is a lot of focus which is going from our side, from Head Office, both on the physical side and also on the digital side. The accounts are getting opened and targets have been given to the branches and the Zones and the NBGs for opening the savings accounts and the Current accounts. And then another thing that we have been doing of late is we are entering into a lot of organizational tie-ups, both at the PSU level, at the corporate level and also at the Central and the State Government level for getting the current account and the saving accounts of the staff. That is another thing. That is why our cost of deposit, which was 3.72% as on December 22 is increased to only 4.62% as on December 23, and on a nine month basis, it is only 4.44%. So cost of deposit for Bank of India, 4.44% on a nine monthly basis is one of the most competitive cost of deposit among the public sector banks.

Moderator

Thank you, Sir. We'll take the next question from Mr.Ashok Ajmera. Request you guys to have two questions each. Please go ahead.

Mr. Ashok Ajmera

Sir, we were talking about the Operating Profit. Now it has come down by 18%. You said that wage revision of Rs.448 crore impact, including the 2% plus for this quarter. But if you look at the employees cost, it has increased by only Rs.37 crore in this quarter as compared to the last quarter. So, either this quarter, the employee cost was much lower, which has absorbed this extra cost or these extra cost has gone somewhere in the profitability statement.

Shri Rajneesh Karnatak, MD & CEO

So let me clarify that. See, whatever the employee cost you are seeing on the P&L, that is the cost which we are taking on the P&L. So this is the number which is based on the wage settlement. So this number of Rs.448 crores which we have made, this is all provision. So Rs.129 crore is the provision on account of the 2% for the last 11 months and fresh provision of 17% for Q3 FY24, which comes to around Rs.219 crores and Rs.100 crores provision is because of the retirement benefit and the pension payment. That is the number. So to give overall view, that Rs.1,091 crore, we have totally provided till 31st December 2023 on account of the wage settlement. There won't be any further hit on this. So on this Rs.1,091 crores, there will not be any further provision or debit to the P&L.

Mr. Ashok Ajmera

Yes. Okay. So you have already adequately provided for this. That is why the impact has not come here in this. So, Sir, when the impact of this has not come in this quarter, which is the other item which has brought down the operating profit of the bank so substantially low.

Shri Rajneesh Karnatak, MD & CEO

Actually, this Rs.448 crores is one item which has brought down the operating profit because this is a number which is above the line. So it hits before the operating profit. And apart from that, Rs.383 crores is the depreciation in the investment on the standard book side, which has come to the bank on account of the resolution of couple of NPA accounts which got into the standard category post the receipt of the NCDs in these accounts. So depreciation on those NCDs has been made at Rs.383 crores. So the total impact comes to Rs.383 crores plus Rs.448 crores which comes to around Rs.800 crores. So the operating profit has come down by Rs. 800 crores due to this one off item. If you add back this Rs.800 crores to Rs.3,004 crores, it comes to around Rs.3,800 crores for December quarter.

Mr. Ashok Ajmera

Point well-taken Sir. Similarly, the impact on P&L like our net profit, is showing a substantial gain from Rs.1,458 crores to Rs.1,869 crores. The main other factor is taxation, which was in the last quarter Rs.1,480 crores and has come down to Rs.633 crores, which is proportionate to the reduction in the profit. So can you elaborate? What is the way we calculate the tax and every quarter it differs substantially.

Shri Rajneesh Karnatak, MD & CEO

So as you rightly observed, our net profit was Rs.1,870 crores. And it has gone up by 62%. And it is on the back of the two facts. One is the taxation. Now our taxation is at 25% because we have shifted to the new tax regime. Our taxation from this quarter is at the rate of 25% as against earlier 35%. That is the first impact. And the second impact is with respect to the provisions which we have to make before the taxes. So as regards provision is concerned, there has been a reduction in provision, which is basically because of some factual things. Number one, the slippage has come down. If you see our fresh slippages, our fresh slippages have come down to Rs.1,313 crores from the earlier quarter of Rs.1,652 crores. So the slippage has come down because of which, naturally, the provision number has also come down. That is one part, the other part being the ageing side. Provision because of the ageing side which was in nine months. These are the exact numbers I am telling you. For the nine months of FY23, the ageing provision was Rs.4,313 crores, which was required at only Rs.2,226 crores for this financial year, this nine month of FY 24. So this is the impact which has happened. So if I give you the total of that, including the slippage provision and the ageing provision, the total amount which we had made the provision in December 2022 was Rs.5,300 crores and now the requirement was only Rs.3,300 crores. So that is the reduction in provision which is happening on account of lesser slippage and also because of the ageing. As regards recovery also, the provision has been released because of recovery. In the last nine months of December 2022, the provision release was Rs.9,900 crores and in these nine months of December 2023, the provision release is Rs.10,400 crore. Here also we got a release of nearly Rs.500 crores. So all in all, the release of provision is happening in a natural process because of slippage reduction, ageing and also the recovery process because of which the less provision had to be provided and naturally it has helped improve the net profit of the bank.

Moderator

Thank you Sir. Next question we have from Ms.Mahruk.

Ms. Mahruk

My first question is on margins. So, when do you think the deposit repricing stops? By when will your term deposits get repriced? And what is the outlook for margins for Q4 and in FY 25? They fell in the third quarter. So what is the outlook in the fourth quarter. Will you see more deposit repricing in the fourth quarter? Where will margins settle in the fourth quarter? And then, would you be in a position to give guidance for FY 25 on margins.

Shri Rajneesh Karnatak, MD & CEO

As regards the repricing of the term deposit is concerned, most of our term deposits had already been repriced. The new term deposit, which we are taking, say, in the last 4 or 5 months, that obviously will get repriced, at the end of their term, maybe it is two year, one year, six months, nine months, whatever. But whatever the increase on the term deposit side is concerned, it has already happened. So, we can safely say that whatever the term deposit we are holding today, it is on a higher rate of interest. Low cost term deposit won't be there much in the book apart from those term deposits which are for long period, say, four years, five years, seven years, which may be at around 5%.

One important thing I would like to say on the margin side is that, typically what happens in the banking system is that, when the interest rate on term deposit starts rising, the shift happens from cash deposits to term deposits. If I tell you about Bank of India, we are offering 2.9% rate of interest on our saving deposit for any saving account, which has an average balance of one lakh and above in a quarter. And what we are offering on the term deposit side for one year is 6.5%. So the differential here is 3.60%. So that is a very healthy differential for any depositor to take a call. Whether he wants to keep his money in the savings account or he wants to put it in a term deposit. And if it is for a senior citizen, we give additional 0.50% there. The difference becomes 4.10%. So that is why there is a shift in the entire banking system these days, from the CASA side to the term deposit side. This is one thing which is happening because of which there is pressure in the margins. Apart from that, the pressure is also because of the fact that, as per the latest RBI data also, if you see for the fortnight of January, 2024, the credit growth is around 20% and the deposit growth is only 13% because the incremental delta of the credit growth is higher. There is definitely liquidity issue and the rate of interest is going high because of the reason that this issue is there. As regards the guidance which we can give, what we can see is that the rate of interest according to us, have already plateaued. So the rate of interest or the margin pressure which was there in December quarter will continue at the same level. I will not say it will go much higher. It will remain at the same level in Q4, but post 1st April, this tightness in the liquidity and also the interest rate increase will definitely get muted and the rate of interest will start softening in the next financial year. So, we are also expecting that the Reserve Bank will also reduce the Repo rates in the ensuing quarters in the next financial year. So there also the margins will start improving and the pressure on the NIMs will be lesser.

Ms. Mahruk

I'm sorry again back on the wage provision. I think Mr. Ajmera asked this, that if you see the net increase in your wage bill, your total wage bill, it's not the amount that you mentioned. It's around Rs.22 billion minus Rs.21.8 billion, though you made the provision. So it's because last time the provisions were higher. Is it in the second quarter?

Shri Rajneesh Karnatak, MD & CEO

Rs.1,091 crore is the total provision that we have made on account of the wage bill, out of which Rs.448 crore of provision we have made in the Q3 FY24. The remaining provision has already been made. Rs.643 crores was already held till 30th September 2023. So this is the number which it is. There was no right back of any old provision or any such thing. I will request my CFO, Mr. Kumar, to pitch in on this.

Mr. B. Kumar, General Manager & CFO

Madam, the provision of Rs.991 crores plus Rs.100 crores, total of Rs. 1,091 crores have already been made. And whenever the wage settlement comes, we will be using this particular provisioning. So this is in the normal course. There is no write back.

Ms. Mahruk

Okay. I wanted to squeeze in just one last question again on investment depreciation. You mentioned two accounts or one. You mentioned a sugar account and you mentioned one more.

Shri Rajneesh Karnatak, MD & CEO

Right. There are actually four accounts. Two accounts of one NPA NBFC wherein the resolution has happened and we have been issued NCDs, which are standard NCDs. But as per the RBI guidelines, we have to provide depreciation. That we have fully provided. Apart from that, two other accounts are there which are very small accounts. So the significant amount in this Rs.383 crores is with respect to two NPA NBFC accounts where resolution has happened.

Moderator

Thanks a lot. Thank you, ma'am. Next question we have from Mr. Rakesh Kumar.

Mr. Rakesh Kumar

Thanks a lot for the opportunity, Sir. Couple of questions. Firstly, on the credit yield. So, what was the reason for this quarter that the credit yield has fallen sequentially.

Shri Rajneesh Karnatak, MD & CEO

If you see our yield on advances. It is at 8.37% on a quarterly basis and 8.34% on a nine-month basis. So it has come down from 8.54% in September 2023 on a quarterly basis, though it has improved on a nine-month basis. But however, if you see the yield on advances on a yearly basis, Y-o-Y basis, in the December 2022, our yield on advances was only 7.67%, which is now at 8.37% on a nine monthly basis. Also, it was 7.17%, which has now improved to 8.34%. So the yield on advances has come

down sequentially for the simple reason that there were certain, large corporate accounts, we had taken certain calls and funded them, which is project financing, and it is on the AAA rated asset side where the margins are thinner.

Mr. Rakesh Kumar

Okay. This quarter, we also had lower recoveries. So either in the written off loan or in the movement of gross NPA. Recoveries are also lower. So what is the contribution of this low recovery on the interest accrual in Q3 and Q2?

Shri Rajneesh Karnatak, MD & CEO

Yes, you are right that there has been lesser recovery in this quarter. So if you see our, total recovery, it was the reduction in NPA. It is Rs.2,795 crores, which we have shown in our presentation. Cash recovery is Rs.1,248 crores and upgradation is Rs.86 crores. So that is correct. But if you see on a nine monthly basis, we have done a total recovery of Rs.12,960 crores, out of which Rs.3,823 crores has been cash recovery, Rs.969 crores is upgradation and the write off is around Rs.8,168 crores. So there has been a healthy recovery of Rs.12,960 crores reduction, during these nine months. This is against Rs.15,888 crores of total reduction, which had happened in the financial year 2022-23, in the 12 month basis. So we are well on course of the guidance which we had given, for the reduction. So we are anticipating a reduction of around Rs.16,000 crores in the entire financial year 2023-24, against which we have already done Rs.12,960 crores, we are already at around Rs.13,000 crores.

Mr. Rakesh Kumar

Okay. So this reduction you are talking about, the NPA recovery, upgrade and recovery on the written off loan, all put together. Correct?

Shri Rajneesh Karnatak, MD & CEO

Not recovery on written off loans. Recovery from written off accounts comes in the non-interest income side. So if you see on the non-interest income side of the presentation of the bank on page number 17, in December quarter, we have done a recovery in written off accounts of Rs.336 crores as against Rs.290 crores in December 2022.

Mr. Rakesh Kumar

Okay, so all these three numbers put together is giving this. Got it Sir. Just one last question, Sir. Our corporate advances composition has remained same, around 44%, QoQ. In the benchmark wise distribution of advances, the others, you know, composition has gone up to 12.30% from 10.30%. So, you said that we have done some, corporate lending. So can you tell us, though there is no increase in the corporate credit composition, there is a decrease in the MCLR composition and there is an increase in the Other composition. So if you can tell us what is happening here. I couldn't understand, Sir.

Shri Rajneesh Karnatak, MD & CEO

If you see our corporate book, which is there on page 7 of the slide. First, let me clarify about our total book. There is 55% of the RAM, which is Retail, Agriculture and MSME,

and 45% is the corporate book. This is our corporate strategy from the Management side also, that we want to put the RAM book at 55 and the corporate book at 45, because there are better margins and the risk also gets spread in the RAM segment. As regards Corporate, which is there in the 7th slide, Rs.2,12,000 crores is our outstanding in the corporate book as on December 2023, which was Rs.1,95,000 crores in December 2022. And it was Rs.2,01,000 crores only as on September 2023. So there has been a Y-o-Y growth of 8.67%. And if you see incrementally, the increase has been around Rs.17,000 crores. As regards the incremental sanctions that we have given. See, we have to understand in corporate that nearly 50% of our book, is the term loans and in the term loans, lot of repayments happens on a regular basis which are monthly repayments, quarterly, half yearly or sometimes the annual repayments. So, in order to meet these repayments, a lot of corporate loans have to be sanctioned continuously and get disbursed. So that is the thing which we are doing. So in spite of the repayments which are coming in the term loans, we are able to not only equalise those repayments, but also incrementally increase our corporate book by Rs.17,000 crores on a Y-o-Y basis.

Moderator

Thank you. Sir. We have next question in the chat from Mr. Nishant Shah. Can you please mention if 1% ROA guidance is intact?

Shri Rajneesh Karnatak, MD & CEO

As regards the ROA, even during our QIP process and other times we have said that the ROA we will be able to do in FY 26 ROA 1% on a consistent basis. That we continue to maintain. Presently our ROA on a quarterly basis is at 0.82% and on a nine month basis, it is already at 0.72%, which has improved from 0.55% in December 2022 on a quarterly basis and 0.44% on a nine month basis in December 22 and further, it was at only 0.49% as on March 2023, on a 12 month basis. The guidance for March 2024, we are giving at 0.85% on the ROA on an annualized basis, and for the one year we continue to give the same guidance on a consistent basis, the ROA would be 1% and above in FY 26.

Moderator

Thank you, sir. We have next question from Aditya.

Mr. Aditya

So my first question would be on targeted LDR (Loan to Deposit Ratio). So the LDR for the bank has increased sharply during the quarter. So what would you guide for LDR to be in the near term?

Shri Rajneesh Karnatak, MD & CEO

What we are saying is that 79% was our LDR in December 2023. And as you are aware, the regulatory guidelines is 18% of SLR and 4.50% of CRR, which means 22.50% we have to keep separately. So ideally it has to be 77.50%. But for Q4 guidance, again, we are saying that our LDR will be at around 79%, which will be below 80% for Q4 quarter. And another data I would like to share over here is that as regards excess SLR, we are having excess SLR of around Rs.30,000 crores, which

will help and aid the bank in taking care of any incremental increase in the loans and advances, in case there is a shortfall in the deposit side, because the credit growth is much higher than the deposit growth as is visible from the data.

Moderator

Thank you Sir. The next question we have is from Mr. Sushil.

Mr. Sushil Choksey

Congrats on a great QIP and a performance after that. Sir, based on current environment led by FOMC outlook and the interim budget. How do you see the next six months, where domestic interest market is concerned? Have the rates peaked out? How do you see the pricing environment as rates would be peaked out? The corporate borrowing may shift to debt market rather than taking at the expensive rate from Banks.

Shri Rajneesh Karnatak, MD & CEO

Thank you, Sushilji. So as regards what we see for FY25, the interim budget and the RBI stance which is there. RBI has already said that the GDP would be around 7% for FY24, and it would be much better for the FY25. And as regards the interim budget also, the key takeaway being apart from the investment credit which will be coming, capital investment, which will be coming at around Rs.11 lakh crores and other opportunities there available for the banking system for funding. The fiscal deficit guidance has also been reduced. Apart from that, on the geopolitical side also, the GDP forecast has been at around 3.1% globally. And for India, the GDP forecast of around 7% is one of the highest among the entire global economies. So there is a lot of scope for the banks to come. And with the already 3 trillion economy that we have already touched, and as the budget says, that we will be becoming a 5 trillion economy in the next three years. So there is huge opportunity in front of the entire banking system. And definitely we will grow along with the economic growth which will be there.

As regards the shifting of corporate credit. With the Morgan Stanley Index and the Bloomberg index, which will be coming for the bonds, there will be definitely deepening of the bond market in the system, but that will take time for penetrating into the AA or single A accounts. Definitely AAA accounts on the corporate side will benefit. But overall, on the credit growth side, if we see that greenfield expansions, brownfield expansions, and other activities will all get funded from the banking system channel itself, apart from the Retail, Agriculture and MSME. So we see no reason why, the growth will not be there in the banking system, both on the deposit side and also on the advances side.

Mr. Sushil Choksey

Sir what is your pipeline in terms of anticipated credit growth in the current quarter?

Shri Rajneesh Karnatak, MD & CEO

So as regards pipeline, we have around Rs.10,000 crores of pipeline in the Retail and MSME segment. And apart from that, we have around Rs.50,000 crores of pipeline in the corporate segment, which includes sanctions where we have given in-principle approval, sanctions given or where disbursements have to take place or documentation has to take place. So around Rs.60,000 crores of pipeline is there available with us, which is the fund based pipeline. Apart from that we also have some pipeline in non fund where the disbursement and other things have to take place. So we have a very healthy pipeline available in front of us to guide us to a credit growth, which we have already given of around 11% to 12% for FY24. And the guidance for FY25 will be giving later on, once we get it approved from our Board.

Moderator

Thank you. So the next question we have is from Ashish.

Mr. Ashish Sonje

So few data related questions on the book. Firstly, we had recoveries of Rs.336 crores in this quarter from written off accounts. Can you give a break up of this number between corporate, MSME and Retail?

Shri Rajneesh Karnatak, MD & CEO

We will share it separately with you.

Mr. Ashish Sonje

And just a few more on the overall PWO (prudentially written off) book. I think we have about Rs.45,000 crores in written off assets. What would be the breakup of this outstanding book across the same four segments?

Shri Rajneesh Karnatak, MD & CEO

Rs.30,000 crores is the corporate credit and Rs.10,000 crores is RAM. Around Rs.6,000 crores is the international book. This is the broad breakup.

Mr. Ashish Sonje

So then what was the interest income from the recoveries which we had in this quarter?

Mr. P K Sinha, Chief General Manager

In this quarter, the interest income in the PWO segment is Rs.232 crores.

Moderator

Thank you. We have next question from Mr. Chintan.

Mr. Chintan

On this Margins. So just wanted to understand. Sir, is there any kind of one off in margins, for this quarter, or was there any one off in the previous quarter as well, since we see a sharp decline here and in the previous quarter there was a sharp uptick, QoQ. So, any one offs there?

Shri Rajneesh Karnatak, MD & CEO

No. There is no one off over there in the margins.

Mr. Chintan

Okay. On the staff costs. Going ahead, we have already provided everything, whatever was required till December 2023, what could be the steady staff cost run rate going ahead? If you could just throw a number, a rough ballpark number? Will that also be at Rs.2,200 crores which has been the usual number for the past three quarters average. So it would be continued with this rate for FY25 as well or could there be a bump up?

Shri Rajneesh Karnatak, MD & CEO

No. Rs.219 crores is already the number which we have started providing. So Rs.219 crores will be one number. Apart from that there would be some pension and other numbers. So another Rs. 50 crores to Rs.60 crores you can add up on that. On a quarterly basis.

Mr. Chintan

Okay. Sure, sir. Okay, so that's it from my end.

Moderator

Thank you. We have next question from Mr. Bhavik.

Mr. Bhavik Shah

Thanks for the opportunity. Sir, two questions from my side. Sir, you mentioned, interest income from recovery or from written off accounts was Rs.230 crores for this quarter. And for nine months it was Rs.700 crores. So what was it for last quarter? The September quarter.

Shri P K Sinha, Chief General Manager

When we mention cash recovery in PWO, that does not include the UCI (uncharged interest). Whatever we recover over and above the outstanding, that is coming in as recovery in interest income, that is for UCI. For this quarter, that is Rs.232 cores. Last quarter it was Rs.350 cores.

Mr. Bhavik Shah

Sir, are we looking to pay a performance linked incentive next quarter? Our PPOP growth has been good. And what would be the ballpark number on that?

Shri Rajneesh Karnatak, MD & CEO

Performance linked incentive is a scheme presently based on DFS guidelines, which is there. So we are waiting for the DFS guidelines to come. Only then we can substantiate further.

Mr. Bhavik Shah

Okay, but is there any estimation? How much can it be?

Shri Rajneesh Karnatak, MD & CEO

Currently, we do not know the metrics, the metrics for what it will be coming. So at present we can't tell anything on that.

Mr. Bhavik Shah

Okay. Lastly, sir, what is your LCR ratio? And can you say a breakup or give the breakup of Rs.448 crores again the portion of expense taken for provisioning this quarter?

Shri Rajneesh Karnatak, MD & CEO

For Rs.448 crores, the breakup, Bhavik, is at the rate of 2% for the last 11 months. 11 months means, from 1st November 2022 to 30th September 2023. It comes to Rs.129 crores. Fresh provision for Q3 at the rate of 17% at which the MoU has been signed. That is Rs.219 crores and retirement benefit and pension payment that comes to around Rs.100 crores. So total aggregating to Rs.448 crores has been provided specifically in Q3, FY24 on account of the wage bill.

Mr. Bhavik Shah

Would you have set a number handy on how much PLI performance linked incentive you paid last year?

Shri Rajneesh Karnatak, MD & CEO

Last year, we had paid a PLI of 15 days of the wages, that was amounting to Rs.260 crores. That was the for the entire year.

Mr. Bhavik Shah

Okay, Sir. Understood, Sir. So that's it from my side, Sir. Thank you so much.

Moderator

Thank you. Sir, now we have last question from Mr. Ronak Daga.

Mr. Ronak Daga

Sir, wage revision provision for fourth quarter will be Rs.219 crores. So what will be the wage related provision for FY25?

Shri Rajneesh Karnatak, MD & CEO

See how it works is, presently the MoU has been signed. So what will happen is once it is approved by the DFS / Government, then it will be directly taken into the P&L account and into the establishment cost and no more provision will be required. But since the MOU already has been signed at 17%, the cost would be coming at the same number at around Rs.219 crores for the regular wage bill, plus around Rs.50 crores to Rs.60 crores on the pension and the gratuity and other liabilities. So Rs.220 crores plus Rs.60 crores or you can say around Rs.280 crores per quarter should be the run rate, approximately.

Mr. Ronak Daga

Okay, sir. Thank you. And, what will be the breakup of MCLR, EBLR and fixed rate book?

Shri Rajneesh Karnatak, MD & CEO

6% of our total book is only fixed rate. Remaining of our book is all, floating rate, which is into MCLR and other things. Our MCLR book is 33%. Our external benchmark is 48%. Base rate is only 1% and others 12% and fixed rate is 6%. So majority of it is floating rate, mainly into MCLR and EBLR.

Mr. Ronak Daga

Okay. What is the other category in the credit lending benchmark?

Shri Rajneesh Karnatak, MD & CEO

So sometimes when we are giving corporate credit, we link certain accounts to SBI MCLR or HDFC MCLR. So there we have taken everything in Others because that is not linked to our Bank's MCLR. So that is the reason why this number is appearing at around 12%. That is the clarification. And that amount comes to around Rs.54,000 crores.

Moderator

Thank you, Sir. So we have one question in the chat from Ashley. Can you please share the breakup of your employee base of 52,000 between old and new pension schemes?

Shri Ashok Pathak, Chief General Manager

Out of 52,000 current employees, only 8,500 are under Old Pension Scheme. All others are under New Pension Scheme.

Moderator

Thank you so much. I would now like to hand the conference to Shri Rajneesh Karnatak Sir for closing comments. If there are any additional questions, request you to write to us. We'll be more than happy to help you. So over to you, Sir.

Shri Rajneesh Karnatak, MD & CEO

Thank you so much. Thank you for the patient listening for everyone. Hope we have answered all the questions with all the details. So we continue to give good performance and work to a better numbers for Q4 also. So whatever the guidance we have given for FY24, the entire team and the management, Bank of India team is working on that. And definitely the Q4 numbers will also be better. And finally, the FY24 numbers will be whatever the guidance we have given. Thank you so much.

Moderator

Thank you Sir. On behalf of Bank of India, I announce that this conference concludes. Thank you for joining us.