CO:MBD:2019-20:682

04th February, 2020

Scrip Code: CENTRALBK	Scrip Code: 532885
The Executive Director, National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (E), Mumbai-400 051	General Manager Dept. of Corporate Services, B S E Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai 400001

Dear Sir/Madam,

Sub : Transcripts of Bank's conference call with the Analysts

Further to our letter no. CO:MBD:2019-20:665 dated 24th January, 2020, we submit herewith transcripts of conference call held with the Analysts on 28.01.2020 on Bank's Reviewed Financial Results for the third quarter and nine months ended 31st December 2019.

Please take the above on record.

Thanking you,

Yours faithfully,
For CENTRAL BANK OF INDIA

सेन्ट्रल बैंक ऑफ इंडिया/CENTRAL BANK OF INDIA
मर्चेंट बैंकिंग विभाग, कें.का.
Merchant Banking Division, C.O.
मुंबई/MUMBAI

ANAND KUMAR DAS
DEPUTY GENERAL MANAGER /
COMPANY SECRETARY

चंदर मुखी, नरीमन पॉइंट, मुंबई - 400 021 • दूरध्वनी : 2202 6428, 6638 7777 • फैक्स : (91-22) 2204 4336

"Central Bank of India
Q3 FY2020 Earning Conference Call"

January 28, 2020

ANALYST: **MR. SOHAIL HALAI – ANTIQUE STOCK BROKING**

MANAGEMENT: **MR. PALLAV MOHAPATRA - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – CENTRAL BANK OF INDIA**
MR. P. RAMANA MURTHY - EXECUTIVE DIRECTOR - CENTRAL BANK OF INDIA
MR. B.S. SHEKHAWAT - EXECUTIVE DIRECTOR - CENTRAL BANK OF INDIA
MR. ALOK SRIVASTAVA - EXECUTIVE DIRECTOR - CENTRAL BANK OF INDIA
MR. MUKUL N DANDIGE – CHIEF FINANCIAL OFFICER - CENTRAL BANK OF INDIA

Moderator: Ladies and gentlemen, good day and welcome to the Central Bank of India Q3 FY2020 earnings conference call hosted by Antique Stock Broking Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on a touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sohail Halai from Antique Stock Broking Limited. Thank you and over to you Sir!

Sohail Halai: Thank you Lizaan. Very good evening to all of you. So today we have with us the entire management from Central Bank of India represented by Mr. Pallav Mohapatra who is the MD, Mr. Murthy, Mr. Shekhawat, Mr. Srivastava who are the EDs of the company and Mr. Mukul – CFO. So without spending anymore time here I will straight away handed over to Pallav Sir for his opening remarks post which we can open the floor for question and answers. Over to you Sir!

Pallav Mohapatra: Thank you and good evening to all of you. To start with my opening remarks I will just outline the initiatives we have taken in the bank on the structure part, process part, HR part and the IT part. In this financial year, we have done the restructuring of our organization setup by creating more regional offices so that each regional office should have a bandwidth from 50 to 60 branches as against earlier of more than 100 branches. So there is a focus on the business and there is a focus on the control. And we have reduced the zonal officers from 13 to 10 that is because these zonal officers instead of being our second layer of the controller, we have basically created in such a way that they become the extended arms of central office for strategy making in their respective geographies and they will provide the enabling functions to the regional offices so that the regional officers are not bogged down with all the HR matters, the IT matters, that they focus on the business targets which have been given to them.

In order to delayer various layers in the system especially in the credit side and also in resolution of stressed assets, we created seven corporate finance branches and six mid corporate branches and these are reporting directly to the GMs in the central office and the proposals emanating from these branches do not get routed through regional offices or zonal offices. This is basically the two-pronged approach. One is consolidation of the expertise in the credit area and the second is to reduce the turnaround time.

The third initiative, which we took was, restructuring of Centralised Processing centres for Retail Loans. These centers were not doing the end-to-end processing in case of the retail loan. After a proposal has been sourced, they were doing the processing, giving the sanction

and after that there was no role and responsibility of these CCPC. Now with this end-to-end responsibility after getting the loan proposals, they will not only do the due diligence process but they will do the documentation, they will open the accounts on the branch code from where the proposals have come and also they will do the credit monitoring. This was the basic objective for creation of end-to-end the centralized credit processing branches.

The fourth one was creation of seven stressed asset management branches for SMA I, SMA II and NPAs with outstanding of Rs. 25 Crores and above, and eight ARBs for account with amount between Rs. 5 Crores and Rs. 25 Crores so that there is a faster resolution process whether it is restructuring or OTS or sale to ARC or the DRT process or the auction process. We have also created marketing verticals in the regional offices because branch managers hitherto were doing marketing for their own customers as well as non-customers. To give more focus to the branch managers to do up sell and cross sell for their own customers, we created the marketing vertical in the regional offices so that they can basically source the business proposals and also do the cross sell for the non-customer. They have been given the KRIs and their performances are measured based on the targets given to them for generation of lead and the quality of the lead. The quality of lead is assessed based on the lead conversion.

On the HR front, we have started with some initiatives which I feel will be game changer to improve the quality of the resources in the bank. One is succession planning which includes the competency mapping, that is the officers who are having the expertise in particular area can be groomed in that particular area to assume larger leadership position. We have also introduced new performance management system which is based on measurable targets and this is being reviewed on a quarterly basis. It is not that at the end of the year only they achieve the target and they get good marks. We have built in a level playing field where the roles and responsibilities of the same nature are grouped under one particular cohort, so that there is no mismatch in the assessment of the officers belonging to the different cohorts. We have also introduced the concept of job family and the identification process for a job family have been completed and the people within that particular job family will be posted in the role pertaining to that particular job up to the level of AGM (Assistant General Manager).

The entire training architecture is being revamped in the bank and we have engaged consultant for doing the training impact analysis to assess if the current training modules are the right modules to impart the knowledge which is required in this fast changing banking scenario and how the resources are up-skilled and up-to-date in these areas. We have also introduced e-learning module and now out of 100 marks, five marks are mandatorily for the

e-learning. If a person has not done this e-learning then he loses five marks. This is mainly to focus on imparting the knowledge and the resources to undergo role based process so that they can up skill and upgrade their knowledge level. We have also introduced human resource management system where the managers can sanction / approve the leave or the advances of their subordinates on the move on the mobile application.

On revamping the process in IT, we have taken various initiatives. The process is underway through which we are going to have an end-to-end loan lifecycle management system which will start from the lead generation, origination of credit proposal, underwriting and credit monitoring. It will have APIs with outside agencies so that the risk mitigation is built into the credit processing as well as in the credit monitoring. We have also introduced and launched our enterprise wide fraud risk management solution, The phase I of that in five different channels have been implemented and this is a phased manner implementation and We will be completing this exercise by December 31, 2020. We have engaged consultant for running a project on business transformation in the bank where the focus will be on the retail, agriculture, MSME, credit monitoring, cross sell and how to use data analytics to do the business.

We have rationalized many retail loan products which were overlapping and in order to avoid the confusion at the operating level and to give more focus on cash flow based model. We have rationalized around out of 25 existing retail loan products to around 12. We have introduced a new business retail loan product which is called the cent business loan. We have shifted from security based financing to the cash flow based financing. We are also engaging with the Fintech companies to get a right platform where we can do online lending. Though all the public sector banks are on PSB loans at 59 minute online portal for MSME loans, we are also in discussion with other Fintech companies, to get a right platform for other type of loans where there is online processing with inbuilt risk mitigation module.

This is on the initiatives which we have taken. The presentation has been posted on our investor page in our website. The highlights of the performance during this quarter, is that net profit had improved from a loss of Rs.718 Crores in Q3 FY19 to Profit of Rs.155 Crores in Q3 FY2020. The CASA, which is a strong point of our bank has improved from 44.64% in Q3 FY20019 to 45.49% in Q3 FY2020. There is a growth in total deposit. Our gross NPA % has reduced from 20.64% to 19.99%. Net NPA has reduced from 10.32% to 9.26% and the provision coverage ratio has improved from 69.52% to 73.73%.

The NIM has also shown an uptick from 2.74% to 2.92% despite the fact that we have moved to linking our pricing on Housing, Vehicle loans & MSE loans to the REPO rate (external benchmark) and there has been some impact on the yield on advances. Since we are able to do more of the CASA, the cost of funds is coming down and on account of which we see an uptick in net interest margin.

Operating profit has grown more than double from Rs. 715 Crores to Rs. 1696 Crores. Net Profit, ROA and ROE have been positive in the three quarters so far in the current FY. Cost to Income ratio has also come down from 69.70% to 48.14%. We have been able to control our operating expenditure which is one of the main reasons for this significant improvement in the cost to income ratio.

The capital adequacy ratio also improved from 9.34% to 12.83%. As per the regulatory guideline the CRAR for 31.03.2020 has to be minimum 11.50% as against that we are already at 12.83%.

The leverage ratio has also improved from 3.42% to 4.39% as against the regulatory requirement of 3.50%. So both the CRAR and leverage ratio are much above the threshold as per the regulatory guideline. On the liability side, I will say there is reasonably good growth and especially in the CASA deposits the growth is good but on the asset side, there is a degrowth. If I go sequentially from September 2019 to December 2019, degrowth is mainly on account of the technical write offs which we did in case of 13 accounts where the 100% provision was available to the tune of Rs. 2900-odd Crores. Other than that, we have seen in this current financial year that though our Personal segment loan have grown especially in the home loan but there is a degrowth in MSME, agriculture and also the corporate loan segments.

In Corporate loans, we will be able to make up and achieve the target because we are getting good proposals from A and better rated companies. In MSME segment, since we moved from the security based lending to cash flow based lending, there has been larger repayments in the accounts on account of which the MSME degrowth is there. We are trying our best and we ran two campaigns during this financial year of 45 days each and we have seen some uptick in the sanctions and gross disbursements and with the introduction of the new product which is getting lot of attention from the MSME borrowers, we are hopeful that we will be able to come close to the target which we have set for ourselves for March 2020.

In the portfolio of our corporate asset we have around 65% of the book which is investment grade and above, and around 50% of our book is A rated and above. So on the quality of the corporate book, it is maintained and there is not much of stress in that. If I look at my NBFC portfolio which is 7.81% of the total advances, there is a NPA percentage of 14.27% and major part of this NPA is coming from three NBFCs, Dewan Housing Finance Limited, IL&FS Financial Services and Religare Finvest. So these three accounts constitute around 92% of the total NBFC NPA.

Other than these three NBFCs, the NBFC book is performing well in our bank and since we are basically taking exposure on better rated NBFCs through direct exposure. In case of the direct exposure we are doing more as per the RBI guidelines of August 2019 circular which is based on the on-lending qualifying for Priority Sector Loans. Now we have moved from working capital advances to NBFC to term loan advances through which we are mitigating the risk.

In case of the unrated, whatever you see on page #18, the corporate asset quality, major portion of the unrated is exposure backed by state government guarantee or the central government guarantee and in case of the state government guarantee though these accounts are unrated but we get the benefit of 20% risk weight. So from that point of view, the quality of the book is maintained.

This is on the business part. During the Q3, if you go to page #25 of the presentation there is a Rs. 4000 Crores of slippage. Out of this Rs. 4000 Crores of slippage, I would say around 55% is coming from the divergence and the remaining is from other than the divergence. In case of other than the divergence, major portion is coming from the corporate book which is giving a slippage of around 1600 Crores and there are five accounts which constitute major portion. These are Dewan Housing Finance Limited, Seya Industry, Flexituff Ventures, IL&FS Security Services and Simplex Infrastructure.

Out of these five accounts, we are quite hopeful that in two accounts we will be able to do the resolution before March 31, 2020. We are hopeful that in the Q4 through the process of sale to ARC and OTS proposals which have been sanctioned and the recovery upgradation of the accounts through restructuring, we will be able to upgrade or recover major portion of the slippages which we are seeing now.

This is in short on the business parameters. On the other slides which we have given on the alternate delivery channels, share of alternate delivery channel also improved from 59% to

70% and the transactions through UPI contribute the major part. We are increasing our Internet banking users and mobile banking users and we have remodeled our mobile banking application, which is more user friendly. Our contribution in the financial inclusion is also growing and through Prime Minister Jan Dhan Yojana accounts, sizable amount of deposits is being mobilized. This is in short about the performance of the bank in Q3.

I am ready for questions.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Anirban Sarkar from Principal India. Please go ahead.

Anirban Sarkar: Thanks for the opportunity. Just a couple of questions, so while we have done a good job of recognition of the stress on our books and proactive recognition of the same, we still continue to see divergence being pointed out by the RBI so what could be the reason for the same and do we see this coming off in the future or what are we doing to minimize the gaps which RBI sees as a problem and we do not?

Pallav Mohapatra: The major portion of this divergence is coming in the agriculture accounts. There were some issues at the time of the migration of accounts to CBS. Now all these cases have been taken care off and the system has been cleaned up and now these type of issues is not coming up whether it is agriculture, MSME or retail. In all three segments, i.e. agriculture, retail and MSME, we have taken care of the systems so that henceforth the divergences do not come. In the corporate, it would be based on how the regulator is looking at the advance. In case of corporate loan based on the learning from the divergences pointed out by regulator, we are improving our underwriting and monitoring processes.

Anirban Sarkar: Alright, thank you Sir and one more question if I may so, on one of the bigger HFCs which one bank has classified as a fraud now with the promoter being arrested that are we reasonably sure that now all banks has to recognize it as a fraud and therefore have to provide in the next one year or how should we look at it?

Pallav Mohapatra: Each bank takes its decision. The KPMG Forensic Audit Report is now available with all the banks. We are also analyzing the report and we will take a call suitably as to what action needs to be taken.

Anirban Sarkar: Okay. And Sir one last question, so did we have any recoveries from S R? Did we had it on our books and is the security receipt?

Pallav Mohapatra: You are asking Security Receipts or Essar.

Anirban Sarkar: No I am talking about Essar Steel.

Pallav Mohapatra: In case of Essar Steel, our book outstanding was Rs. 423 Crores. We got a recovery of 463 Crores so Rs. 423 Crores went to reduce NPA and Rs. 40 Crores was booked as the interest income. Against this Rs. 423 Crores book outstanding, Rs. 160 Crores was the provision. So Rs. 160 Crores of provision was written back. The net benefit which we got from this resolution was Rs. 160 Crores as the write back of provision plus Rs. 43 Crores as the interest income. So we got total income of Rs. 203 Crore from this resolution.

Anirban Sarkar: Okay fair enough. Thank you Sir.

Moderator: Thank you. The next question is from the line of Harsh Shah from ICICI Securities. Please go ahead.

Harsh Shah: Sir I have few questions, so first one is that to come out of the PCA the net NPA has to go below 6% but for us again this quarter we have seen a sharp rise in the net NPA ratio, so by what time do you think will come out of PCA?

Pallav Mohapatra: As per the roadmap approved by the board, 31.3.2020 is the timeline to come out of the PCA. Except for net NPA we are meeting all other criteria. The net NPA is now the only parameter on which we are not qualifying. Due to the divergence given by RBI, the accounts that slipped into NPA as on 31.3.2019, the provisioning requirement is 15%. The NPA has gone up with the provisioning of 15% so it will deteriorate the net NPA percentage as only 15% provision was held. In Q4 we are quite sure that we will be able to do some significant recovery or upgradation in major accounts and we will be able to control the slippage ratio which shot up in Q3 as against Q2. In Q2 we were able to contain it below one percent. We will be trying our level best to maintain whatever we were able to do in the slippage ratio in Q2. Alongwith this and by increasing our advances, we are trying our level best to bring it below the threshold given by RBI for PCA.

Harsh Shah: Sir the slippage ratio excluding RBI divergence what would be that?

Pallav Mohapatra: Slippage ratio excluding RBI divergence is 1.88%. Because in this quarter, we saw slippage in Dewan Housing with Rs. 1000 Crores and there were slippages in four-five corporate accounts, total together in those five accounts was around Rs. 1400 Crores. This was the reason for this slippage ratio.

Harsh Shah: Okay. Sir after the Essar resolution the list one is very small and the list two is around Rs. 5300 Crores so what is the expectation over there for recoveries because we held a very good provision PCR on that?

Pallav Mohapatra: We have 90% PCR in the list 2. I am hoping that there will be recovery in two three accounts, one is Reliance Communication, but there the recovery percentage will be, in the range of 25% to 30% i.e. around 70% to 75% haircut. I am hopeful that by March 31, 2020 in few accounts there will be some resolution. So there will be some write back of the provisions. Accounts in the list 2, like Alok Industies, Bhushan Power and Steel and Jaiswal Neco, we sold to ARC on 100% cash basis in March' 19. In few other remaining accounts if we are able to do recovery in three four accounts we will be getting a write back of provisions of around 10% to 15%.

Harsh Shah: That is good. Further could you qualitatively elaborate something on the power sector resolution?

Pallav Mohapatra: In Power sector, one account got resolved and the money has been received by all the banks, which is Ratan India. The second account, which is Coastal Energen it was agreed by all the banks to go ahead with the OTS proposal where the money is coming from the investor. Two-three banks are left for giving the approval, though it was agreed to in the joint lenders forum by all the banks, We are quite hopeful that the money will come by March 31, 2020, in this account also. In the case of Jaiprakash Power Ventures Limited, we have exposure in two power plants one in Nigri and the second is Bina. So there the restructuring was done in 2018 with the unsustainable portion of debt was converted into CRPS, where documentation is to be completed. I am quite hopeful that the documentation will be completed by the end of this month. In case of sustainable portion the company is paying as per the repayment schedule. But since this account will be upgraded only with either repayment of 20% of the residual debt or two years, whichever is later, so this would be upgraded only in the FY 2021.

Harsh Shah: So one more your double BB and below book is Rs. 9000 Crores Sir what could be the estimated slippages from that?

Pallav Mohapatra: When you look at Rs. 9000 Crores which is BB and below major portion of this BB and below are accounts backed in state government guarantees. So we are not much worried, the risk weight is also very comfortable at 20%. Regarding exact figure out of this BB and below of 9406 how much is the exposure against the state government guarantee, right now I do not have the figure. We will send you separately.

Harsh Shah: Sir within the asset quality the MSME book has seen an increase in NPA so which sectors basically are facing stress, any sector specific stress we are facing?

Pallav Mohapatra: MSME is all across. These sectors are textiles, intermediate steel, the services etc. It is all across. It is not any particular sector which is showing that much of stress.

Harsh Shah: Okay and Sir what about the new tax rate regime by when will we take the benefit of new tax rate?

Pallav Mohapatra: We are doing that analysis and with the approval of the board we will take a call and we have time up to 31.3.2020. You are talking about this corporate rate reduction of 35% to 25% right?

Harsh Shah: Yes Sir.

Pallav Mohapatra: We will take a call, whether we will continue with the MAT or we will switch over to the reduced tax structure. As of now I cannot basically divulge because till I get the approval from the board then only I will be able to divulge.

Harsh Shah: One last one, any inter se agreement that you have signed recently?

Pallav Mohapatra: Inter se agreement in all the accounts with Rs. 2000 Crores and above have been signed. Some of the cases where 180 days period have expired by January 10, we are working with the promoters for early resolution and we are quite hopeful. In such cases, we are giving time up to say March 15, or March 20. If no restructuring happens then we will file the application with the NCLT by March 31, 2020. In such cases only 10% additional provision is required but if there is a restructuring/ resolution and if the same is completed, then there is no requirement of additional provision. Once it is admitted in NCLT then this 10% will be reversed.

Harsh Shah: Sir what is the current PCR we maintain on those accounts?

Pallav Mohapatra: On those accounts Rs. 2000 Crores and 1500 Crores?

Harsh Shah: Yes Sir.

Pallav Mohapatra: I have the list of Individual accounts but if you ask me the PCR on these accounts, I have to calculate and then tell you.

Harsh Shah: Okay no problem Sir. That would be from my side. Thank you.

Pallav Mohapatra: Okay. Thank you.

Moderator: Thank you. The next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh: Good afternoon Sir. Just a few questions, one could you just again give the details of two things, one RBI's inspection, what are they checking in the agri portfolio because is it quite difficult for them to account to account to see what divergence are there?

Pallav Mohapatra: In some states, natural calamity took place year after year. Now in case of the natural calamity, the agriculture loans are restructured as per guidelines of RBI. As per the master circular of RBI not only the reschedulement of the payment is done but fresh loans are also given. Now in those cases what happens is that suppose a limit of Rs.100 has been given, if there are three consecutive natural calamities then the outstandings may become Rs. 130 or Rs. 140. So those are the cases where RBI is finding concern. So this is one factor which is basically when they pull out the dump they find it and they say that these accounts would be downgraded. There are some accounts where during the migration from manual to CBS there were some data issues. Now we have done the cleaning up and the system has been put in place so that there is no recurrence of these type of divergence in future.

MB Mahesh: Perfect. Sir just the other question on the slippages can you just tell us barring Dewan you just have indicated a few other accounts what were those? Second on the recoveries what are the major recoveries for the quarter and third what is your expected recoveries in terms of large accounts for the fourth quarter that would be?

Pallav Mohapatra: Other than the divergence so it was basically around 2000-odd Crores and out of this Dewan is around Rs. 1000 Crores, there is another account Seya Industry of Rs. 177 Crores, Flextuff International Ventures Limited another Rs. 90 Crores, IL&FS Securities Services Limited Rs. 80 Crores and Simplex Infrastructure Limited Rs. 55 Crores. These are the five top accounts where the slippage into corporate book happen during the last quarter.

MB Mahesh: And in terms of major recoveries for the quarter?

Pallav Mohapatra: The major recoveries are Rs. 453 Crores in Essar which include Rs. 43 Crores in the interest. Recovery was in Jyoti Limited where the reduction was Rs. 140 Crores and there were lot of accounts where recoveries ranging between 10 Crores and 20 Crores were there and the total is Rs. 1280 Crores. So if I take Essar recovery of Rs. 423 Crores in book outstanding and the 140 Crores in the Jyoti Industries Limited, so this works out to around Rs. 570 Crores and then there were recoveries in accounts like Lanco Teesta Hydro Power

of Rs. 67 Crores We made recoveries in Moserbaer India Limited through the sale of property of Rs. 36 Crores. These are the major, otherwise there are in the range of Rs. 10 Crores to Rs. 20 Crores where recoveries took place.

MB Mahesh: And for the fourth quarter Sir?

Pallav Mohapatra: For the fourth quarter the major accounts where I am expecting the recovery or the upgradation, Coastal Energen book outstanding of around Rs. 600 Cr. In Matix Fertilizers and Chemicals, there will be restructuring with the existing borrower so it will be upgraded only in 2021. I am expecting upgradation in the account of Religare Finvest Limited where there is a change in management so it will be immediately upgraded. So these are the three major accounts where I am seeing upgradation and recovery We have given approval for Sale to ARC under Swiss challenge method in some accounts and also in small accounts we are running nondiscretionary nondiscriminatory one time settlement scheme, with expected recovery of something around Rs. 2000-odd Crores. So I am expecting something around Rs. 4000 Crores of recovery through all these measures.

Moderator: Sir the line for the current participant got disconnected. We will move to the next question. The next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: Sir thank you for the opportunity. Sir I wanted to know what all ICA that we have signed, standard ICA that we have signed?

Pallav Mohapatra: Standard ICA which we have signed where the exposure was more than Rs. 2000 Crores is only one left that is GMR Kamalanga Energy Limited. This account has come out of SMA category and now the 180 days period will start when there is a fresh default. So now there is nothing, Religare Finvest was SMA but it has slipped into NPA.

Jay Mundra: As of now there is only one account which is in ICA and as of now that has also been resolved right, because it has come out of SMA?

Pallav Mohapatra: Second account is the Bajaj Hindustan Limited which also came out of a SMA category. The fresh 180 days will only trigger from the date of next default.

Jay Mundra: Sir in terms of your SMA II highlighted SMA I and SMA II around 2047 Crores, and five accounts here?

Pallav Mohapatra: Of SMA I and II right, Rs. 2047 Crores.

Jay Mundra: Yes. So I wanted to know which are the top five accounts here?

Pallav Mohapatra: If I look at SMA II there is no major account where except for Beta Wind Farm Private Limited (Rs. 88 Crores), I do not see any major accounts. There are small accounts where we are quite confident that we will be able to upgrade.

Jay Mundra: Okay so that is the only account which is substantial?

Pallav Mohapatra: Yes, that is the major account. Others are in the range of Rs. 10 – Rs. 15 Crores. We are very confident that major portion of these, we will be able to save from slippage.

Jay Mundra: Sir in terms of your BB and below book that you have highlighted in terms of NBFC slide and also overall what are the top five accounts here in BB and below category so let say if I see your NBFC book and total is around 13000 Crores of which around 22% is the BB and below book?

Pallav Mohapatra: BB and below book we have a significant portion with state government guarantee. Right now I do not have that figure with me but my CFO can share with you. There is no major account. There may be some accounts with Rs. 5 Crores to 6 Crores exposure which may be in BB Since last two years we are not taking the fresh exposure in the BB & below rated companies. In other accounts, we are also not seeing down gradation of the accounts from the investment to below investment grade in the last two years.

Jay Mundra: Understood Sir. Sir what is your total power NPA outstanding?

Pallav Mohapatra: Sir we have an exposure of around Rs. 9000 Crores in the power sector, out of which the NPA is Rs. 3600 Crores and the provision we are holding against that is Rs. 2420 Crores.

Jay Mundra: Sir you mentioned that you were expecting a near term recovery Ratan India is already you have got the money?

Pallav Mohapatra: In December quarter, we got the recovery in Ratan India, Religare we are quite confident that this will be upgraded by March 31. In another account - Flexituff, we are quite confident this will be upgraded by March 31. There is another account that slipped in December 2018, Chemtrols, we are very confident that we will be able to upgrade by March 31. There are few other accounts also where the exposure size is in the range of Rs. 85-100 cr, we are very confident either some of these will be upgraded or the recovery will be done. In few road projects accounts, the process for sale to ARC has been initiated We saw the success in case of the sale of the road assets to ARC in the first quarter as well as in the

third quarter. So the process is being ramped and we will be able to sell some of these road assets to ARC on 100% cash basis through Swiss challenge method.

Jay Mundra: Okay. And do you have exposure to Jindal India Thermal Sir?

Pallav Mohapatra: No we do not have.

Jay Mundra: Thank you so much.

Moderator: Thank you. The next question is from the line of Amit Mishra from Indus Equity. Please go ahead.

Amit Mishra: Sir two questions. First as you mentioned in your opening remarks that you are revamping your employee work structure and you are changing everything, this quarter employee cost has gone down in quarter, and Sir what are we expecting in future?

Pallav Mohapatra: This entire exercise of the reorganization was completed in June-July 2019 and within a period of five months, say up to December, we have seen the the movement in the positive direction. We have been able to see the improvement in the business growth, improvement in the recovery, the improvement in the cost control which are measurable, in around 70% of our regional offices that means around 60 to 65 regional offices. Hence the board feels that, this restructuring was the right solution as of today and it was done at the right time. The full benefit of this restructuring will come in the next financial year. Now all other measures which we have taken whether it is in the HR area or it is in the technology area or it is in the process area, the major portion of the benefit will come in FY 2021. And these initiatives have been taken keeping in mind the sustainable growth and improvement in the bank. We are looking to make the process, the product, the risk and the structure that will withstand the pressure and also to be flexible enough to adapt to new changes in the banking sector.

Amit Mishra: Okay. Sir has the actual valuation for IND AS is done for our bank?

Pallav Mohapatra: We are doing this IND AS reporting to RBI every quarter end. RBI has basically deferred the introduction of the IND AS because of some legislation to be passed by the Government of India. One thing I can share with you that as per the IND AS, the profitability position of our Bank is better.

Amit Mishra: Sir what is our exposure to Air India Sir?

Pallav Mohapatra: Exposure is now zero.

Amit Mishra: We do not have any account.

Pallav Mohapatra: We had but they have paid off, it was around Rs. 1200 Crores which was paid off in this quarter itself Q3.

Amit Mishra: Okay Sir. I will come back in the queue for more questions.

Moderator: Thank you. The next question is from the line of Anand Ahuja from Smriti Investments. Please go ahead.

Anand Ahuja: Most of the questions have been answered. I just wanted to know what the future strategy is going forward for the bank in expansion and reducing the NPAs.

Pallav Mohapatra: On the infrastructure part, the initiative which we took in this financial year will stabilize and some will be implemented in the next financial year. The technology platform upgradation initiatives will also give results in the next financial year. On the business front, we intend to take our CASA percentage from 46% to around 48% in the next financial year. On the Retail, Agriculture and MSME we want to take it from current of 62% - 63% to more than 70% of our total advances in the next financial year. We want to improve the corporate book portfolio by increasing the investment grade account from 60% to more than 75%. We want to focus more on interest income on advances. If you look at the figures, you will find that the interest income on treasury operation has basically boosted our earning and thus the profit. Now our focus is moving more towards the interest income from the advances. In case of the NPA and the slippage and the stress, we want to contain the slippage ratio to below 2% on quarterly basis. In Q4 definitely we are going to bring it down below 2% gross. If we exclude the divergence by RBI in the current quarter, despite the slippage in Dewan Housing and other corporate accounts the slippage ratio is 1.88%. Through this process, we will be focusing on improving profitability from the core banking operations.

Anand Ahuja: Understood. So yes that was my question. Thank you.

Moderator: Thank you. The next question is from the line of Sushil Choksey from Rosy Blue Securities Private Limited. Please go ahead.

Sushil Choksey: Good evening Sir. Thank you for the opportunity Sir. Sir you just stated that your CASA you are estimating to move from 46% to 48% keeping that in mind what is your outlook for home loan products where we are very competitive and what retail products are we likely to launch in next 12 months and what is the strategy and digital along with that?

Pallav Mohapatra: Since we are in the PCA, we are not allowed to increase our unsecured loan. Unsecured loans in P segment are high yielding products. Once we come out of the PCA definitely we will look at this loan segment. With the CASA, as you said that is currently 46% are pushing for moving to 48% would give us very low cost funding base. The pricing of our home loan product is best in the market. Only State Bank of India which recently has reduced their home loan pricing from 8.10% or 8.15% to 7.95% is better than ours. We already have a pricing of 8% and with the benefit of the CASA which we have, we may look at making it as competitive as SBI which is currently 7.95%. We also want to engage with the NBFCs as well as HFCs for the pool buyouts, focusing more on lending as per RBI's latest instructions of August' 19.

Sushil Choksey: What is the aspirational number of percentage in advances where the housing loan, auto loan?

Pallav Mohapatra: Housing loan as of now the percentage, will be close to 25%-26% but we want the housing loan as a percentage to the total loan book to grow up to 35%. This would be not only from organic growth in the housing loan it will include also the inorganic growth.

Sushil Choksey: Okay and how are you seeing the quality?

Pallav Mohapatra: The quality of pool purchase book is quite good and the percentage of NPA in the pool purchase will not be much, may be less than 1%. It is not only in the housing loan but even in the other loans like gold loans also we see the stress level in the pool purchases is very low.

Sushil Choksey: Sir any outlook on digital and human resource initiatives?

Pallav Mohapatra: We have taken the HR initiatives with focus on right people in the right position for which we are doing the competency mapping. We are also creating job family where officers up to AGM level will move within that particular family so that they gain the expertise and they contribute more towards the business growth and also maintaining the quality of the business in the bank. We are also trying to build up a level playing field among the human resources where the assessment of officers will be done as per the cohort e.g. if there is a

cohort of scale I scale II officers as branch managers and if the highest marks obtained in that cohort are 80 then it will be AAA because it will be based on the relative assessment of the officers in that cohort. This will motivate the people, this will encourage the people. Otherwise what happens is that people do not want to move to those measurable or the budgetary roles. May be because of the external factor the budget achievement becomes difficult. Suppose anyone working in the home loan department or for that matter DGM (home loan), his target is the sum total of the target of the home loans of all the branches. That means he is also required to drive the business otherwise he will lose the mark and this is going to happen in this financial year itself.

Sushil Choksey: Basically my question was more pertaining to that with more housing loans or retail loans would you need to get more talent in the segment or it will be home grown, that is it. This is fine Sir.

Pallav Mohapatra: Since home loan product is not a very complex or complicated product, external expertise may not be required, as it may be required in case of handling the corporate accounts. Moreover we have now created these centralized credit processing branches where those with good retail background have been posted as the managers. They will take care of improving the quality of home loan as well as turnaround time.

Sushil Choksey: Any fee based product which we are capitalizing because of CASA Sir?

Pallav Mohapatra: We are focusing more on income from cross sell business. So far we have done corporate tie-ups for the insurance products. Now we are going forward and got the approval from the board to cross sell mutual funds. So this year we have given a challenging target of Rs.100 Crores income from cross sell as against Rs. 20 Crores which we did in the full year last year. We have engaged a consultant for the business transformation and one of the modules in this business transformation initiative will be to improve the cross sell to boost our other income.

Sushil Choksey: Thank you Sir and all the best for the year.

Pallav Mohapatra: Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Pallav Mohapatra: In my opening remark, I covered all the initiatives we have taken and which business areas we are focusing on. All these efforts are in one direction that is to make the business in this

bank a sustainable business which is not for the quick wins but it will take the bank on a long term basis. This is why some initiatives for transformational changes have been undertaken. We will not lose our focus from the retail, agriculture and MSME because our strength is in rural and semi-urban areas. During the current year whatever was our expectation to increase our interest income from advances so far we have not been able to do but now our focus is to increase the interest income on advances by booking more quality business. While booking quality business, we will not lose focus on containing the slippages as well as to make the recoveries to the large extent possible and have a open mind for the resolution, restructuring, sale to ARC and one time settlement. All these will be within the framework of the policy and also the regulation.

Moderator: Thank you. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.