

CO:MBD:2022-23:69

12th May 2022

National Stock Exchange of India Limited Listing Department Exchange Plaza, Plot No.C/1, 'G' Block Bandra-Kurla Complex Bandra (E), Mumbai-400 051 Script Code : CENTRALBK	B S E Ltd. Corporate Relationship Deptt Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400001 Script Code : 532885
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Dear Sir/Madam,

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

We submit herewith transcripts of conference call held with the Analysts on 09th May 2022 on Audited Financial Results of the Bank for the fourth quarter and financial year ended 31st March 2022.

Please take the above on your record.

Thanking you,

Yours faithfully,
For CENTRAL BANK OF INDIA

ANAND KUMAR DAS
DEPUTY GENERAL MANAGER /
COMPANY SECRETARY





“Central Bank of India's Q4 FY'22 Earnings Conference Call”

May 09, 2022



MANAGEMENT: SHRI M.V. RAO – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, CENTRAL BANK OF INDIA
SHRI ALOK SRIVASTAVA – EXECUTIVE DIRECTOR, CENTRAL BANK OF INDIA
SHRI VIVEK WAHI – EXECUTIVE DIRECTOR, CENTRAL BANK OF INDIA
SHRI RAJEEV PURI – EXECUTIVE DIRECTOR, CENTRAL BANK OF INDIA
SHRI MUKUL N. DANDIGE – CHIEF FINANCIAL OFFICER, CENTRAL BANK OF INDIA
MR. SATYANARAYANA – CENTRAL BANK OF INDIA

MODERATOR: MR. PRABAL GANDHI, ANTIQUE STOCK BROKING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Central Bank of India Q4 FY'22 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 your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prabal Gandhi from Antique Stock Broking Limited. Thank you and over to you sir.

Prabal Gandhi: Thank you. Good afternoon, everyone. Thank you for joining in. On behalf of Antique Stock Broking, I welcome you all to Central Bank of India's Fourth Quarter Earnings Call.

From the management side, we have Shri M.V. Rao – M.D. and CEO; Shri Alok Srivastava -- Executive Director; Shri Vivek Wahi -- Executive Director; Shri Rajeev Puri -- Executive Director; Shri Mukul N. Dandige -- CFO and other senior members on the team.

Without further ado, I'll hand over the call to M.D., sir for his opening remark, post which we can open the floor for questions-and-answers. Thank you and over to you, sir.

Shri M.V. Rao: Thank you. Good afternoon, and once again, thank you for investing your time on our presentation and taking part in interaction. I'm confident your investment will yield good dividends.

You must have gone through our "Presentation", which is already uploaded. And I will be presenting "Key Highlights" and then I will rush through the "Presentation."

Before that, let me share whatever the results and whatever the presentations we are making, these are all the outcomes of the measures what we have taken for the past year. And we're taking various steps in strengthening the system, rebalancing our credit book, protecting the investment book, improving the underwriting standards, and diversifying into the new lines of business acquisition, reskilling and upskilling of our manpower.

All these measures not only made us to record the net profit after a drought of six years. See, earlier we recorded first loss in financial year '2015-16, now in 2021-22, we are recording the net profit that's Rs.1,045 crores. So, all these measures has helped us and also more importantly, the sustainability is ensured now. And going forward, I'm confident this bank is going to deliver the numbers on sustainable and consistent basis.

Coming to the key highlights, total business has increased to 5.32 lakh crores from 5.06 lakh crores, registering a growth of 5.03% on YoY basis and CASA is at Rs.1.72 lakh crores which is 50.58% of my total deposits, which is the most USP and strong filler and which is giving the pricing power to our bank, that has enabled to increase our exposure in AAA assets. And total

advances increased to Rs.1.89 lakh crores from earlier 1.7 lakh crores, registering a growth of 7.23%.

Coming to the net NPA which was 5.77 in March '21, now, it has come down to 3.97%. There is a reduction of 180 bps in our net NPA, 3.97% which is the lowest for this bank recorded till now. Operating profit has increased 25.40%, now, it stands at Rs.5,742 crores against Rs.4,579 crores on year-on-year basis. Net profit, I already told you that Rs.1,045 crores in the previous year, we have recorded a loss of Rs.888 crores.

Coming to the efficiency part on the NII, there is an increase of 15.07% from Rs.8,245 crores to Rs.9,487 crores and cost-to-income ratio, there is a reduction from 59.70% to 53.90%. Slippage ratio, which was 3.20% in '21-22 which was 4.40% in '20-21. Credit cost which was 2.95% in 2021, now, it has come down to 1.41%.

CRAR, now, it stands at 15.75%, but in between there was a RBI direction to recon the recapitalization bonds on NPV basis, with that calculation, our CRAR stands at 13.84% which is quite comfortable for our bank, where we have the lendable resources almost of Rs.31,500 crores. Provision Coverage Ratio: Now, it has improved from 82.54% to 86.69%.

This is the key highlights. Just I will rush through the presentation because you must have gone through our slides in our uploaded version, where just I would like to highlight CD ratio which was 53.79% in March '21, now, it has moved up to 55.63%.

In the deposits mix, 49.24% was CASA in the earlier year, now, it stands at 50.58%. And there was a conscious decision on our side not to move the deposits because of the deployment issues. So, are now coming out of whatever the restrictions that we may have that we will have the larger field for the exposures.

And coming to the credit, the way we have guided earlier, our RAM is at 65.89% and remaining is our corporate book. all of you go to the market saying that 65% to 70% will be my RAM and 30% to 35% will be the corporate, now we have stabilized that 65:35 and going forward not only the RAM will be the focus, it is the entire credit book in a balanced credit growth in all the segments including RAM and corporate and we would like to maintain the balance of 65:35 here. And we have a very diversified loan book, catering to all segments, which is also very much required a further risk diversification.

And as far as the sanction and disbursements, in this year, because of certain measures what we have taken which has given a lot of confidence to the field functionaries in taking the credit decision, so, with that disbursal percentage has gone up, sanctions percentage has also gone up.

And one more line what we have explored in this previous financial year is the co-lending. And we feel we are having the highest portfolio among the public sector banks in the co-

lending portfolio, now outstanding stands at Rs.1,500 crores, almost 13,272 accounts we have catered through this co-lending model.

And as far as the mandated targets, whatever the norms that are there in respect of agriculture, total priority, weaker section, small and marginal farmers, that we have not only met, we have exceeded, and in this priority sector almost Rs.15,528 crores we have sold PSLCs in the market, almost Rs.208 crores that we have booked from this portfolio.

Regarding the standard advances, this investment grade, this rating of 78.15 earlier we used to have, now we stand at 83.65. Most notable feature is there is a good increase in our exposure in the triple A accounts where earlier we used to have only Rs.6,546 crores, this time we have Rs.14,916 crores in triple A accounts.

Regarding the SMA, I'm very happy to share with you, we have given the entire spectrum of the SMA accounts, even below Rs.5 crores also we have given, so total it was 9.85% that was there in March '21, it has come down to 8.24% in December '21, in March it is 7.87%. And if you see the SMA-2, even in the March '22, we have only 0.61%, that is only Rs.,1,158 crores in SMA-2 in March '22.

Coming to the COVID support, we have given whatever the reliefs that are required to be given as per the RBI guidelines and government guidelines.

Regarding the restructured book, let me share with you, this is one of the most crucial book which you would like to have and to have the insights in this. Total restructured book what we have is Rs.8,794 crores, of which Rs.2,245 crores is the standard restructured book and COVID resolution framework restructured book is Rs.6,549 crores. So, it is not too high and it is a very much sustainable portfolio what we have going forward. The way once you see the percentage of slippages in the restructured book is almost I can say it's a very less when compared to the slippages from the actual credit book. So, that means the restructured facilities, the COVID relief, whatever has to be given, it is given in the genuine cases where that units are now performing well. And whatever the weaknesses or some deficiencies that were there, those accounts already taken care in the March '21 and they have slipped into NPA at that time itself.

Coming to the NPA classification, in this total net NPA, now it stands at 3.97, we have only Rs.6,675 crores as net NPA and you are all aware the gross NPA which is around 14% unless until this NARCL comes into force and some big revolutions happens at the NCLT level, this gross NPA may not come down; however, our PCA is almost 86% now. So, we are not worried on that front. Now, we are more focusing on the net NPA which is 3.97 which is a very good figure and also the efforts what we did towards the recovery and the war room which is considered the head office for the past one year, has given the good results in the recovery.

Coming to the NPA movement, opening balance was Rs.29,277 crores where slippages has happened to Rs.4,473 crores and upgradation and recovery, this is Rs.4,441 crores, almost neck-to-neck and we have closed with Rs.28,156 crores which is almost Rs.1,000 crores less than the opening balance of the gross NPAs. And provision coverage ratio, that's what I was sharing with you, it was 86.69. Coming to the slippage ratio, which was 4.40% in March '21, now it has come down to 3.20%.

Regarding the NIM now, it stands at 3.21%. Regarding the capital ratios, this was a 15.75% we have right now and leverage ratio of 4.98% and in the CRAR if we have taken the NPV of the recapitalization bonds issued by the GoI, it stands at 13.84%.

Coming to the investment portfolio, which was Rs.1,10,414 crores in March '21 and SLR now, it stands at Rs.1,05,841 crores, there is a reduction because of the credit offtake has increased and also certain securities we have sold and also certain redemptions also took place in between.

One notable feature I would like to share with you, which is after the March, the securities what we have shifted, that shifting positions were squared off by 8th April itself. So, whatever the spikes that you have observed afterwards have not affected and we are in the positive territory and we are maintaining the same modified duration and PV01 even in the new portfolio in this month of April also. So, we will be giving you further insights about the modified duration in our AFS book going forward. Digital transactions have picked up.

As far as the PCA, last but not the least and most important, and being only one in the industry, now, I would like to share with you all the parameters which are required to be met that we are meeting all the benchmarks for the past all the quarters in this year and we have recorded good profit in the March and we will be submitting our audited figures to the RBI to consider our request of moving out of the PCA.

Only guidance what we would like to give to the market, deposit growth, we would like to be around 10% to 12% and advances growth, we would like to be between 12% to 14% and business growth almost 10%. So, RAM credit portfolio, we will be maintaining the same of 65:35 and NIM will be around three, CASA we would like to maintain around 50 and gross NPA once this NARCL comes into play definitely we will be less than 10% and net NPA we'd like to keep around 3% to 3.25% as per as the conditions that emerges, but our confidence level will be between 3% to 3.25%. PCR, definitely, we will be in between 88% to 90%. Slippage ratio in between 2.25% to 2.50%, it will be range bound and credit costs annualized will be around 1.50% to 1.6% and the return on assets will be 0.50% to 0.60% and cost-to-income ratio definitely we will be pushing below 50%.

And with this again, just as a conclusion, bank has turned the corner and registered a decent profit and gross NPA, net NPA substantially, it has come down, provision coverage ratio has

improved to 86.69% and we are complying with all the PCI parameters and our presence across the spectrum, across the GDP sectors and across the geography is uniform and we are looking forward for the better growth and consistent performance in the financial year also. Thank you very much.

Moderator: Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Amit Mishra from Indus Equity. Please go ahead.

Amit Mishra: There were unused articles you did back in the closure of 600 branches. So, any comment on that, are we trying to reduce the cost by closing branches, something like that?

Shri M.V. Rao: One thing we have made it clear and we have released the press release also in this our submission is regarding revisiting the branches, regarding their bottom line and their viability. It is a continuous exercise in any bank. In any financial year in the first two months definitely we gauge into the viability and also contribution made by the branches across. So, there was a communication from the central office to the field, saying that "These are all the branches which are not performing as per the benchmarks what we have set in. Kindly review it and come back to us what is that to be required to be done." Decision is yet to be taken. And more so, background for this is if any small brick-and-mortar branch having large expenses is not contributing, as per the RBI, we can deploy a banking correspondent which is also taken as a banking outlet for the competition. So, there is nothing big one, it is a routine exercise what we carry out on yearly basis.

Amit Mishra: The next question is you spoke about co-lending. So, with how many partners are we doing co-lending and how's the asset quality of the book, make you talk about Rs.1,500 crores of book?

Shri M.V. Rao: Right now, we have seven partners with us and our book stands is Rs.1,500.25 crores. So, that is the book and till now, there is no irregularity, no SMA accounts that has come in this portfolio.

Amit Mishra: We have a relatively large investment book as a proportion of total assets. So, how do we plan to optimize this book, since we are targeting a growth of 12% to 14% in advances, so can we see some change in this?

Shri M.V. Rao: No, that's what I explained in my submission. Already we have taken care our investment book and then the possible hit normally people think once the way the market has moved right now. For that I have given you how we have acted in the first eight days itself whatever the shifting that has happened from my HTM to AFS, we have 80% of the securities who have exhausted and then we have booked decent numbers, which not only squared off my shifting loss and also have given a markup in that, that is one. Number two is I think this is one of the very few banks which have gone for the hedging of the AFS portfolio and where with the increase of the yield on the other side is contributing to the appreciation in my OAS instruments. So, going forward, as far as my investment book is concerned, it is well protected and the PV01 right

now under SLR is 3.33 and duration is 1.05. So, with this, you can evaluate the efficiency of treasury what we are operating.

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

Sohail Halai: I have a few questions if you may allow. So, first in terms of your growth aspiration and your growth delivered so far. So, if I look at in terms of your growth construct, then probably in terms of most of the segments, you are growing in range of 5% to 6% on a year-on-year business excluding corporate, which is a tad higher at around 10%. So, when you're talking about a 12% to 14% kind of growth for next financial year, what would it be driven by?

Shri M.V. Rao: As far as the growth part is concerned, yes, you're right, 5% to 6% that was what the growth we have recorded in the previous financial year. And I also shared with you the measures what we have taken for improving the business at the field level. The way the balancing that has to happen in the credit book, already we have achieved, that's 65:35. As far as the corporate is concerned, I'm sure that whatever the repayment that has to happen in the month of June, September, December and next March, it is very much visible, and also we have already zeroed in on what type of assets with what risk weight we have to acquire. This is on the corporate side to balance that 35. Regarding the 65, retail agriculture and MSME, this is also very much worked out on granular basis and then we are very much confident whatever the numbers we have given to achieve the growth of 10% to 12% and 12% to 14% that it is in our radar. It is only the floor level figures we are sharing with you.

Sohail Halai: Correct me if I'm wrong, our loan-to-deposit ratio is low right now. So, even as RBI is raising the repo rate, would we be in a hurry to raise the deposit rate or how should we look at basically the liquidity in your balance sheet vis-à-vis the deposit rates that you offer over a period of next say six to 12 months?

Shri M.V. Rao: As far as liquidity part is concerned, I am comfortable because my CD ratio is only 55.3. If you see my investment book, all the liquidity is moving on to the deployment side. So, as far as liquidity for funding purpose on the credit book side, I'm not worried. As far as the rate of interest is concerned, because of the increase in the repo and also CRR increase, we have already calculated, also, we have taken certain decisions just day before yesterday, as far as this external benchmark related and RLRR is concerned that we have passed on those increase to the asset side customers. And coming to the liability side customers, we are very much aware that there is a room to increase the rate of interest, but just we are in the wait-and-watch mode, maybe in the next meeting, we will be taking the decision on that.

Sohail Halai: So, probably it would not be that you would delay the rate in a deposit rate, because you're already sitting at excess liquidity, and probably the rate of deposit growth is not that high in the bank, so, in the interim phase, till the time you reach a reasonable loan-to-deposit ratio, you

can keep your rates low, right, so, just wanted to understand that dynamics in terms of the compulsion of raising rates and liquidity?

Shri M.V. Rao:

You're right in your conjecture, you're very bang on that. Lead whatever that time what we are taking is only evaluating how things will pan out. Because, see, I am going to protect my stuff at any cost where 50% of CASA has to be there. And even if you see in the previous financial year, term deposit growth, we have discouraged or disincentivized in many ways, that's why my growth is only 2% to 3% in term deposits. But my growth on the CASA side, still robust, just because my presence in the rural and semi-urban is very strong and they are contributing to the CASA. So, going forward, definitely we will be waiting, how things will come up, and at the same time we are not going to wait for a long period till my credit book picks up. In between we will take a call so that there should not be any lag or our own customers or our depositors should not feel that they are getting less than what they are getting in other banks, that also we will balance.

Sohail Halai:

Probably you're doing a good job in terms of asset quality, and your NPL guidance of around 3% also is encouraging. But I just wanted to understand what is happening in terms of your below Rs.5 crores ticket exposures, because if I look at basically in terms of the entire SMA that is 01 and 02, probably that is still a little sticky at around 13,000 crores. So, how do we look at it, whether in terms of the recovery at the ground level in the small ticket housing in this small ticket place, or probably we are still away.

Shri M.V. Rao:

That's why we have made all the figures open or transparent to the market, above and below whatever the numbers that are there we have given. As far as the handling of this portfolio of the high volume, low value accounts, would have that expertise and if you see the previous year also, this is the SMA numbers that were prevailing in the below Rs.5 crores level. But yes, slippage ratio was less. So, there is constant efforts that are happening towards regularization of these accounts, and then going forward also because of the expertise that is available at the field level that we will take care and that's why the guidance what we have given for slippages, that is for the entire book that will be maintained.

Sohail Halai:

A final question in terms of the priority sector lending certificate sold, which you did around Rs.15,500 crores. Could you actually tell us how big is this market and what is the kind of fees that you earn, so is the fee going up or actually coming off?

Shri M.V. Rao:

This again is the market dynamics and more so this time, we may not be getting the demand what we got in the previous year because of certain change in the priority sector norm and also many of the private banks and also foreign banks, they have their portfolio in those segments where RBI has given that they can be recalled for the priority sector. So, the demand may not be there to the extent to what we have experienced. But here most important aspect is the timing when you are going to hit the market. See, you know very well that as a whole all the banks put together whosoever has purchased this PSLC, all of a sudden, even with

reclassification also, they may not be reaching their priority sector percentage. At what time you are going to hit the market and how you are steady and then putting your portfolio for the sale. That determines your return. When demand is high, you can go up to 2.08 or 2.12. And if you leave it and if you enter into the market in the month of January or February, definitely this will come down. At times, you may have to shell it down by 80 basis points also, which a wide variation is there in that.

Sohail Halai: If I actually look at the private banks, which are growing much faster, I'm quite sure that their agriculture portfolio would not be able to catch up. That 18% agriculture portfolio or the book of that, which we still are in excess, that will continue to generate demand and would be at a higher fees?

Shri M.V. Rao: Correct.

Sohail Halai: What was the PSLC fees that we generated this year, and if you could bifurcate into non-agri and agri if that is possible?

Shri M.V. Rao: Overall figure I can give, Rs.208 crores we have earned in this PSLC for the full financial year.

Moderator: The next question is from the line of Vidhi Shah from Antique Limited. Please go ahead.

Vidhi Shah: Sorry for harping on the loan mix, but, so we have a strong CASA ratio of 51%, but our growth in retail and MSME space has been quite subdued. So, are we looking for any initiative, which can accelerate the growth in these segments? And also, this segment has become quite competitive though. So, how do we ensure any adequate risk pricing while keeping the credit costs in check?

Shri M.V. Rao: Madam, as far as your observation is concerned of the previous financial year, it is right that growth in this retail or MSME is low. Going forward this is going to be a good contributor to total credit book besides my entire field outlet. Now, we have gone for the quality model where already we have achieved a book of over Rs.1,500 crores and this year, we have a very aggressive target on the co-lending model where all your retail, MSME, these advances will be taken care and to cater to the needs and also to evolve and then bring the modification changes as fast possible, we have already created the new vertical in our bank as it is headed by the general manager as emerging businesses. So, this particular vertical is going to take care all our co-lending, tie-ups, partnerships, collaborations, and also trends platform and full buy outs, these are all the segments that what we are bringing under this vertical and definitely this is going to give us a lot of growth in the retail and MSME.

Vidhi Shah: So, sir, are we also exploring the fintech partnerships for boosting the business momentum in this space?

- Shri M.V. Rao:** Yes, for that only that separate vertical is there, a lot of interactions are happening, almost seven we have enrolled and business is happening, another six to seven are in the pipeline in the next 15 to 20 days for negotiations and also to go into the nitty-gritties of those fintechs for short lending?
- Vidhi Shah:** What will be the technology spends as a percentage of overall operating expenses? Target for cost-to-income ratio in FY'23?
- Shri M.V. Rao:** Right now, I'm not having this number, definitely we will share with you because it's all we have to cull out.
- Vidhi Shah:** Lastly, on the asset quality. Can you share the breakup of slippages during the quarter and for FY'22?
- Shri M.V. Rao:** Madam, total is Rs.4,473 crores is the slippages for the entire year '21-22. Agriculture is Rs.1,684 crores, corporate is Rs.1,527 crores, MSME is Rs.897 crores, retail is Rs.365 crores.
- Vidhi Shah:** What will be the guidance for the next year, how do we see that shaping up? And also have we recognized any retail account in this current quarter?
- Shri M.V. Rao:** As far as the slippages, already we have given you the guidance of 2.25% to 2.5%, that will be our range. To your second question, it's all small account, it's a continuous process, something will fall and then some upgrades happen, that is the thing, but at the end of the day it is the slippages in the total portfolio what happens that we measure.
- Moderator:** The next question is from the line of Ashok Ajmera from Ajcon Global Services Limited. Please go ahead.
- Ashok Ajmera:** I have got some specific questions sir. One is on the profitability, the employee costs which is covered under note #19, now, this is only Rs.382 crores as against the last quarter of Rs.1,297 crores and the yearly spend of about Rs.4,000 crores, that is Rs.1,000 crores a quarter. So, this is based on the changes as per the leverage allowed by the Reserve Bank of India. But will somebody run through the entire calculation of employees cost of 382 because even if you take those numbers, it doesn't come so low as compared to the normal quarterly expenses?
- Shri M.V. Rao:** Yes, I will let my CFO explain the figures because a lot of cushioning what we did in between the quarters.
- Shri Mukul N. Dandige:** If you see the overall financial year, the cost is almost same, there is no much difference. So, what we have done is in the Q3 we had built up some cushion and some write back has happened as far as the actuarial valuation for the terminal benefits has happened, and that is why this cost has come down in this quarter because the bond yields also increased, because of that the write back has happened as far as the terminal benefits provision is concerned.

- Ashok Ajmera:** It has some correlation with the bond –
- Shri Mukul N. Dandige:** Because the funds that are available with the investor, I mean, if the bond yields go up, then I need to provide, it will be just reverse to what in treasury happens.
- Ashok Ajmera:** Sir, will you give the guidance that in the normal quarter, I mean, without this dispensation, now you've got only some small amount left, Rs.277 crores to be provided balance in the new pension out of Rs.822 crores, what is the normal quarterly employee cost suppose from the next quarter that is April to June?
- Shri Mukul N. Dandige:** Every quarter is roughly around Rs.800 crores to Rs.900 crores is the total outgo as far as the employee cost is concerned.
- Ashok Ajmera:** We assume that in the June quarter we will have a hit of Rs.500 crores if you compare with Q4 only. Isn't it? So, profitability will get affected accordingly. This exceptional income is also there of Rs.352 crores, some part of that has come from this note #19 as you explained. Again, Rs.172 crores, Rs.352 crores, what is this exceptional item? Rs.180 crores has come from there that the additional pension liability on account of revision of the family pension is considered as an exceptional item and disclosed separately in the P&L account. But this is not full, the entire amount is Rs.352 crores.
- Shri Mukul N. Dandige:** See, Rs.353 crores was towards this terminal benefits only for this March quarter, then Rs.172 crores is what we have already paid in December '21 So, put together for the financial year, this amount has come to Rs.545 crores.
- Ashok Ajmera:** So, you've taken Rs.352 crores in this quarter, then Rs.177 crores, nothing is provided for?
- Shri Mukul N. Dandige:** Right.
- Ashok Ajmera:** Now, I come to some other questions like you said that the growth NPA will come down to almost 10% If the NARCL works out from 14.5% or so. So, what is your guess now? We have been hearing for last two quarters; September, December also then January, March also, what is happening in this NARCL if in the one first branch, how much gross loans will go from your bank?
- Shri M.V. Rao:** Earlier, whatever the working that they have done, we were expecting around Rs.3,400 to Rs.3,600 crores have to move out. Now, yet to hear from them, whatever further any tweaking that has happened in the accounts and what is that. Most probably I think within 10 to 15 days we may hear something from their side. We're also eagerly waiting. See, this is only a way what we have to reduce our gross NPA, though it is not affecting my any of the financials, because almost 86% is provided for.

- Ashok Ajmera:** My next question is on the note #17 on SR rating is Rs.2,484 crores and Rs.155 crores rating has been withdrawn. So, where do we stand as far as these SRs are concerned and how much total provision has already been made?
- Shri M.V. Rao:** Our treasury in-charge will tell you, but one thing I will tell you in all the public sector banks, this is the bank where highest provision is made in the SR.
- Management:** We have provided around 96% of the outstanding SRs up to March '22 and the remaining will be provided in June quarter.
- Ashok Ajmera:** So, you mean to say that rating withdrawn of 155 crores is fully 100% provided for?
- Management:** Yes, sir.
- Ashok Ajmera:** Coming to your segment reporting, though of course, it is out of the overall results only, but the figures are little away from the normal like treasury, you have an income of Rs.393 crores as against Rs.38 crores whereas, in the retail book you have a loss of Rs.377 crores, whereas, the provision is not to that extent and wholesale banking again has gone up the profit of Rs.452 crores against Rs.72 crores. So, is there any major –
- Shri M.V. Rao:** We will give you the reconciled with this one, because right at this moment we are having the material not on this segment, we have overall presentation with us. Only thing we can share the information is all perfect one, no issues, variations in the retail and corporate on the profit side what you're saying.
- Ashok Ajmera:** I was just trying to connect it with the treasury operations. As you said that we have done very well and you don't expect this rate hike is not going to affect us so much, because the AFS transfers are there and you utilize lot of money for the advancing. Now, in this coming quarter and onward, will treasury not give the pressure still with such a large treasury investment?
- Management:** Our AFS portfolio has pruned down considerably and right now my modified duration has come down to 1.05 and PV01 has come down to 3.33 as against March '22 numbers. We are making concise efforts to prune down the AFS and only filling the gap in HTM for coupon.
- Ashok Ajmera:** Last question is on NBFC space and the co-lending. You're doing extremely well in co-lending and your outstanding is Rs.1,500 crore out of the retail is Rs.1,300 crores and MSME is Rs.195 crores. How much is the security coverage out of this Rs.1,500 crores? I believe that retail must be 100% covered and --?
- Management:** No unsecured portfolio we are entering in, it is only totally secured portfolio we are doing.
- Ashok Ajmera:** What is our target for '22-23, going Rs.5,000 crores or something?

- Management:** Yes, we have very aggressive target. Whatever the number you are taking, you can take it as a below floor level.
- Moderator:** The next question is from the line of Mahrukh Adajania from Edelweiss. Please go ahead.
- Mahrukh Adajania:** A couple of questions. So, my first question is what is holding up the transfer to NARCL, why is it happening?
- Shri M.V. Rao:** Madam, this particular issue is not in our domain, that much only I can say.
- Moderator:** The next question is from the line of Sushil Choksey from Indus Equity. Please go ahead.
- Sushil Choksey:** Sir, you have given a guidance on more or less every parameter. Now, I just wanted to know that when we are doing very well on co-lending, what is our internal target of Rs.1,500 crores outstanding and number of partnerships and what kind of businesses would you would partner for?
- Shri M.V. Rao:** Now in co-lending we are exploring further niche areas where these NBFCs, though their size is small, if they are efficient, let us say in medical equipment line of business, that we are already shortlisted and maybe in two or three weeks, that agreement may be signed up. So, like that, we are exploring the niche areas where traditionally bank was not having exposure and then where good business is prevailing to our understanding that it makes great sense for us to move in those areas. So, like that we are picking up the NBFCs in certain areas.
- Sushil Choksey:** Currently, as per my understanding what I see between the presentation I hear, it will be more of housing loan and MSME as outstanding and gold loan as a portfolio. So, medical is one thing which you highlighted. Any other domain which the bank would like to pursue on?
- Shri M.V. Rao:** Yes, certain things where vendor financing or supply chain operators are there, all those things we're exploring. It's not that a traditional-only housing vehicle or some MSME backed with a certain collateral, that is okay, that is a first mover in this co-lending space and also the way NBFCs are operating and their collection mechanism and their monitoring mechanism, the way we are getting confidence in that, then we are slowly expanding to other emerging businesses now.
- Sushil Choksey:** So, keeping in mind on co-lending and with CASA at 50%, I'm sure the bank in one year the entire new team has completed, what kind of initiative between digitization and retail are we taking to energize the bank as our thinking is more towards RAM and retail?
- Shri M.V. Rao:** No, no, that's what I was saying. We have already achieved our objective of balancing the credit book 65:35 and we will continue to maintain that 65:35, it's not that we are only focusing on the RAM and we are neglecting the corporate or we are working on corporate, neglecting the RAM it is not like that, it will be the balanced growth that we will be pursuing

in this financial year, that is number one. Coming to your next second question on the digitization, now we have tie-ups with the PSB59 that is certain low value, high volume MSME segments are being taken care. In the similar lines now, we are going for the API integration for the other loans. That is another platform which is available in the market, already our technical team has zeroed in, and then API integration negotiations are going on. So, that is on the digitization part. A larger picture what we would like to give on the digitization front is, our LLMS what we had earlier, now we made it very robust and then a lot of push and then acquisition through these digital channels now started happening. Besides this, for our bank, we have already shortlisted two consultants to bring entire transformation on the digital front, that most probably in 10 days or 15 days one will be selected on this and then further work we will be doing on this. So, there are a lot of work is going on the digitization. Going forward, maybe by October-November, a lot of good business will be acquired through this digital channels only.

Sushil Choksey: If I ask you in a simple manner, we have 50% which is 50% of our deposits and CASA, how many customers would be utilizing some facility on a direct manner of Central bank of India whether it is other than CASA, how are they connected with bank or have we mined any kind of data that they can be a customer of Central Bank which are not as of today?

Shri M.V. Rao: Yes, Yes, sir, already my data analytics and MIS team is working and we are getting good business also through analytics. What we did from our database, we culled out those customers which are availing certain services from the other banks or financial institutions and we have taken over good accounts also. So, that is happening.

Sushil Choksey: Now, on subsidiary, what is your plan?

Shri M.V. Rao: Subsidiary is our home finance, now, the headquarter is already shifted from Bhopal to Mumbai and a lot of work is going on. And as NBFC we are energizing with the new software and also new way of working for that NBFC and probably we expect by September that NBFC will be in the market with full steam.

Sushil Choksey: On the associate bank specifically Uttar Bihar, Grameen Bank and Indo Zambia?

Shri M.V. Rao: Indo Zambia is doing well and on yearly basis we are getting the good dividends and whatever our initial investment of around Rs.47 crores, almost 75% of that initial investment has come back to us as dividend, that is doing well. As far as two Grameen banks are concerned, yes, there were issues regarding their terminal benefits provisions which are to be made as per the Supreme Court order. Now, these two banks have already provided, of which one bank has already moved into profit in this March '22, another, we are expecting by September it will be turned around.

- Sushil Choksey:** Moving to the bank now, I'm not going quarter-on-quarter let's say I'm taking outlook for 12 to 24 months, where do you see the bank gaining out of all your efforts of last 12 months, which would fructify into the bottom line of the bank?
- Shri M.V. Rao:** There are a lot of things that are happening. If you say that to prioritize those things, I can only tell as far as the priorities what we have given to my rural branches not only on the crop loans, we will be moving on to the investment part in the agriculture. As far as the semi-urban and urban is concerned, our focus is on the MSME and cluster-based financing where niche areas we have worked out and those branches which are in that cluster areas will be increasing their businesses. Coming to the metro, we have the segments where these corporates are there and also even in the corporates now, we are going for the end-to-end, that means we are exploring to finance this debtors and creditors so that the entire value chain we can have that benefit from the good corporates that we are doing. Coming to the individual borrowers as retail and these things, whatever our brick-and-mortar branches that are working and now we have digital marketing, DSS also we have empaneled, and then lot of projects clearances we are giving so that housing portfolio can be ramped up. And today, we have taken one more decision that our ex-employees, for them also we have given some type of leeway to contribute for the business growth. That type of things are happening now.
- Sushil Choksey:** Where do you see your cost of deposit in March '23 from current 3.86%?
- Shri M.V. Rao:** March '23 is too long to predict right at this moment, but indication because of my CASA what I have from the rural and semi urban, it should be in the range of around 4.20% or 4.25%, it should not move beyond that.
- Sushil Choksey:** Sir, with NIM stable at 3% and above is what you're saying, yield on advances also which is at 6.57%, it will move to 7%. Sir on your treasury with CASA at 50%, do you see a reasonable profitability because you manage AFS and held-to-maturity book well?
- Shri M.V. Rao:** We have plotted the entire movements of the economy and treasury performance across the banking industry for the past 18-years okay. So, in that whatever the cycles what we have observed, this is one of the cycles where we are experiencing where there is a larger gap between the repo and inflation and also the GDP growth, that we are plotting and accordingly, we have decided this year, we are not much interested in booking large profits in treasury rather than protect the portfolio from the MTM losses.
- Sushil Choksey:** Second thing is our government holding is at 93%. Do you expect that government holding would fall in the current financial year toward second half, is there any direction or compulsion that we have to reduce the government holding?
- Shri M.V. Rao:** No, nothing, but definitely we have suggested certain things where we want to bring much of the equity in the market, so that trading volumes have to go up, and it is for the government to ponder on the suggestions.

Moderator: Ladies and gentlemen, due to time constraint, we will take that as a last question. I now hand the conference over to Mr. Prabal Gandhi for his closing comments.

Prabal Gandhi: On behalf of Antique Stock Broking, I thank you M.D., sir, entire Central Bank team, and all the participants for joining in. Thank you and have a good day. Bye everyone.

Shri M.V. Rao: Okay, thank you all the participants.

Moderator: Ladies and gentlemen, on behalf of Antique Stock Broking Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines.