



**Conference Name:** Central Bank Of India Q4FY21 Earnings Call Hosted By Antique Stock Broking Limited

**Time:** June 07, 2021 at 16:00 Hrs India Time

**Main Speaker(s):** Mr. Prabal Gandhi - Antique Stock Broking Limited  
 Management Of Central bank of India  
 Shri M V Rao - MD & CEO  
 Shri Alok Srivastava - ED  
 Shri Vivek Wahi - ED  
 Shri Rajeev Puri - ED  
 Shri Mukul N. Dandige - CFO

Total 54 Participants including the Speakers.

**Participants List**

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25	Harsh	919820968607	Reliance General Insurance
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30	Kuber	917977650165	IDBI Capital
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35	Mudita	919930527047	Abakkus Asset Manager
36	Nishant Rungta	7022156707	Premji Invest
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Q4 FY2021 Earnings Conference Call”

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**ANALYST: MR. PRABAL GANDHI – ANTIQUE STOCK BROKING**

**MANAGEMENT: SHRI M. V. RAO – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CENTRAL BANK OF INDIA  
SHRI. ALOK SRIVASTAVA - EXECUTIVE DIRECTOR - CENTRAL BANK OF INDIA  
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MR. MUKUL N DANDIGE – CHIEF FINANCIAL OFFICER - CENTRAL BANK OF INDIA**



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Central Bank of India Q4 FY2021 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. I hope everyone is safe and doing well. On behalf Antique Stock Broking, I welcome you all to Central Bank of India Q4 FY2021 Earnings Call. We have with us today, senior management of Central Bank of India represented by Shri M. V. Rao – Managing Director and Chief Executive Officer, Shri Alok Shrivastava – Executive Director, Shri Vivek Wahi – Executive Director, Shri Rajeev Puri – Executive Director and Shri Mukul N –Chief Financial Officer. At the outset, I would like to congratulate MD Sir, for taking charge as MD and CEO. Without taking any further time, I will hand over the call to MD Sir, for his opening remark post which we can open the floor for Q&A. Thank you and over to you Sir!

**M V Rao:** Thank you very much. Good afternoon to all of you. I am going to give the brief outline of the business performance what we had during the year. Total business has grown by 4.30%, it was Rs.4.86 lakh Crores as on March 2020, now it is at Rs.5.06 lakh Crores as on March 2021 with the composition of deposits of Rs.3.29 lakh Crores with a growth rate of 5.17% and total advances Rs.1.76 lakh Crores with the growth of 2.71% and with the CD ratio of 53.61%.

Coming to the deposits mix - we have CASA deposits of Rs.161926 Crores, i.e., 49.24%, which is one of the best in the industry.

Coming to the advances mix we have a retail of Rs.49468 Crores, agriculture Rs. 36201 Crores, MSME Rs. 32356 Crores and RAM total portfolio is Rs.1.18 lakh Crores. The RAM portfolio has grown by 7.52% and corporate degrown by 5.74%, now it stands at Rs.58882 Crores. Our total advances are at Rs.1.76 lakh Crores, and the total risk weighted assets is Rs.1.18 Crores, i.e., 66.71% is our RWA of Rs.1.76 lakh Crores.

With regard to the mandated targets bank has achieved all the mandated targets as prescribed by the government regarding the priority, agriculture, small and marginal farmers and weaker section finance.



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On account of COVID support, Bank has extended under ECLGS-1, 164100 accounts amounting to Rs.3041 Crores, and in the ECLGS-2, 56 accounts amounting to Rs. 303 Crores. Regarding rated standard advances investment grade of AAA, AA, A, BBB, and government guaranteed advances amounts to 78.20% of total standard advances.

For retail segment, Bank had the housing loan portfolio of Rs.27969 Crores with an annual growth of 8.44%, vehicle loan at Rs. 3104 crore with the 12.22% growth of Rs.3100 Crores and education loan at Rs. 3594 crore with the growth of 5%, personal loan segment is at Rs. 2596 crore adding 4.9%.

Regarding asset quality, we have a total portfolio of standard restructured of Rs.3478 Crores at the end of March 2021. Regarding the SMA, there is a considerable improvement on the YoY basis; in March 2020 it was Rs. 3500 Crores and in March 2021, now it was at Rs.17422 Crores with SMA-0 of Rs.5129 Crores, SMA-1 of Rs.6205 Crores, and SMA-2 of Rs.6088 Crores.

Regarding the NPA classification, gross NPA in retail was at 2.47%, agriculture and allied at 7.67%, MSME was 6.68% and corporate was at 7.25% and all together it was 5.77%. If we discuss classification of total retail NPA at 2.47% of which housing loans was 2.27%, vehicle loan was 1.55% and other personal loans is 2.09%.

Provision coverage ratio of the Bank is 77.29% in March 2020 and 82.54% as on March 2021 and slippage ratio was at 6.02% in March 2020 against 4.40% for March 2021, in this there were three accounts where OTR was invoked before March 2021, However not implemented in April 21 excluding the same our slippage ratio would have stand at 3.39%. Regarding the NIM it is a flat 2.78%.

Regarding the asset quality, our gross NPA which was 18.92% in March 2020, now it has reduced to 16.55% and similarly net NPA 7.63% in March 2020 now it has come down to 5.77%. Our CRAR is very strong at 14.81% with CET-1 of 12.82% and leverage ratio we are at 5%.

Regarding the profitability, with the improved performance, net loss which was there at Rs.1121 Crores, in FY2020 is reduced to Rs.888 Crores and in Q4. It was Rs.1599 Crores for Q4 FY 2020 and reduced to Rs.1349 Crores. Operating profit has increased to Rs.4630 Crores with 6.58% increase from the previous financial year of Rs.4344 Crores. On quarter-to-quarter basis there is 33% increase from 517 crore for FY 20 to Rs. 688 crore Q4FY 2021.



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Bank's gross NPA is 16.55%, net NPA is 5.77%, provision coverage ratio is 82.54%, Net interest income improved from Rs.7629 Crores to Rs.8245 Crores during the FY 21 with 8.07% increase. However, NII declined from Rs.1926 Crores of March 2020 to Rs.1516 of Q4 March 2021. Cost to income ratio is improved from 61.44% to 59.43% for FY 2021. These are the financial highlights.

Regarding provisions, there is enough buffer have been created for the future uncertainty with the COVID-19. I can confidently tell that we have provided more than sufficient provisions for the uncertainties that may unfold in future.

Regarding the investment portfolio, it is one of the quite performing portfolio we have with yield on investment at 6.63% and return on advances is at 7.53%. Digital transactions and financial inclusion are moving in the right directions and going forward we would like to inform that advances will be growing around 8% to 9% and our credit cost we will be limiting between 2.4% and 2.5% and slippages will be around 2% to 2.10%, net NPA definitely will be below 4.5% and gross NPA we are aiming at around highest of the single digits and NIM will be around 2.75%.

You are aware that bank is under PCA. For PCA there four parameters from the RBI side, out of four parameters now bank has qualified under three parameters except under ROA and we are very confident that we will overcome in the near future. We have taken new initiative to improve our CD ratio e.g. we have already entered into co-lending agreements with the NBFCs because of the synergies that exists between the bank and the NBFCs. We are expecting lot will be contributed from that line.

These are all the few highlights which I would like to submit. Now it is open for you. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answers session. The first question is from the line of Mahrukh Adajania from Elara Captal. Please go ahead.

**Mahrukh Adajania:** Sir, my first question is on collection efficiency. Sir what was your collection efficiency in March, April and May?

**M V Rao:** Madam, regarding collection efficiency book as a whole we had 95.98% in the month of March and April it was slightly around 94.2%, but in the month of May we have a slight dip to 90.2%.



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- Mahrukh Adajania:** Okay, Sir the other question is that your CD ratio is lower compared to other banks as a percentage of assets, your investments book is quite high, so how do you manage the risk on the portfolios, SR yields are enough liquidity to that more issues, but it means you are to rise, would have proportionate assets. So, what is the duration of your HTM, what is the duration?
- Rajeev Puri:** Madam, modified duration as of March 2021 was 2.71% which was slightly above by few basis points, as of March 2020. The main reason was that we had left off T-bills since they attract least duration. But going forward at present we are managing it very well by keeping a minimum amount in our AFS portfolio and at present our modified duration is around 1.79% which amongst PSU banks though we are having a very huge SLR portfolio, but we are managing it well by keeping modified direction under check by investing more in FRBs and also by way of doing hedging. So, going forward we do not envisage a bigger depreciation in the rising yield scenario.
- Mahrukh Adajania:** Okay, thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Harsh from Reliance General Insurance. Please go ahead.
- Harsh:** For the quarter, we saw 2% close to decline in loans, so what is our guidance for FY2022 and which segments are expected to drive the demand?
- M V Rao:** Regarding credit cost, we are expecting around 8% to 9% growth and for our credit book we are balancing with the proportion of 70:30, 70:30 means 70% will be our RAM Advances and 30% will be the corporate advances. Advances as on 31.03.2021, we are at 66.72% in the retail and 33.28% at the corporate. So, while driving our business is on the RAM side another next 4% we have to gear up to reach the 70% and as far as the corporate is concerned because of our strong CASA we have the pricing power for that AAA and AA accounts and going forward we will be in a position to pick our assets the way we want with our pricing power. So, we will be balancing our credit book with 70:30 portfolio.
- Harsh:** Okay, Sir any guidance on the slippages and credit cost?
- M V Rao:** Credit cost will be in range from 2.45% to 2.50% and Slippages will be around 2% to 2.10% in the next financial year.
- Harsh:** Thank you, Sir.



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

**Ashoka Ajmera:** Sir, good afternoon. Welcome to you Mr. Rao, Mr. Wahi, Mr. Puri. I think all the top management has been revamped. I think it will definitely take the bank in the right direction because, you have taken the past legacy of this bank some of the things went wrong in the past with this the bank could not perform the way it should but having said that we are very optimistic for the future for the bank. Sir, having said that on the profitability front, the figures are obvious that we have performed not so well in Q4 of 2021 I mean the operating profit was also under great pressure because of the interest rate competition though on certain parameters like PCR and CD ratio you are very comfortable. So, having said that Sir, I would like to take your views basically that with the CD ratio only 53.61% and the bank is having such a good amount of CASA, good clientele, good national presence, what is your planning to go little aggressive in increasing your loan book, credit book rather than putting money into the investments? What are your ideas, I mean will go only with?

**M V Rao:** Yes great, very pertinent question and this issue we have identified in March itself. We have taken lot of improvements as far the structure and processes are concerned in the bank that is going to add more to the loan book. Whatever the processes and structures that were there that we have made in such a way that approvals will also be given so that field people who are taking the credit decisions will get the comfort for taking speedy decisions and at the same time there will be an assurance from the bank that even account turns into NPA that accountability will be looked from this perspective, because approvals are already given before disbursement. So, this is how we are building up the field and also already earlier we used to have only Rs. 3 Crores to Rs.3.5 Crores per day disbursements. With this already in the month of June we have already reached Rs.12 Crores per day disbursement. Going forward, it is going to add a lot to the credit book. To move CD ratio in the higher trajectory, we have already entered into the co-lending agreement and this is the first PSB which has signed agreement just two days or three days before with the NBFCs from the home and MSME Advances. So, in this co-lending arrangement that 80:20 formula applies, 80% book will be with the bank and 20% will be the NBFC, where collection, recovery mechanism which appears to be weak links in the public sector banks bridged with this association with the NBFCs. Now we are moving to approach AAA Rated companies and they have given the green signal and there will be a movement in the pickup in credit. So, these are all the things what we are doing on the structure part we have made a robust one and on credit marketing side with the highly rated corporates that we are taking.



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- Ashoka Ajmera:** Good Sir. The point is well taken. I mean it is very good move for especially this ending and Sir, you can also go into the MSME space little more aggressively though, COVID is still going but there also there is lot of potential. Sir, this provision of Rs.1050 Crores as per the note number 16, for this uncertain COVID scenario any base for this calculation, have you already identified that kind of pressure, is it going to really get converted into a requirement of the provisioning or it is just a cautionary provisioning?
- M V Rao:** It is more on the prudent side. Let me make it very clear around 10% to 20% is really towards the stretch, we have identified in the restructured portfolio not more than that 80% will be towards the prudent.
- Ashoka Ajmera:** Sir, my next question is on the investment portfolio. The debenture and the bonds of about Rs.36000 Crores, other Rs.3677 Crores, can you give any colour on this quality of this debenture and bonds?
- Vivek Wahi:** Ashoka Ji, there has been increase of around 8000 Crores in the bond portfolio primarily it is 4800 Crores is government of India recap bonds and other has been around 3100 Crores has our LTRO bonds which we had done in the financial year. So, that is the main reason the bonds have increased otherwise there has been only increase in the SLR portfolio that is mainly because of our traction in deposits.
- Ashoka Ajmera:** What is there in the other category that Rs.3677 Crores, other investment portfolio?
- Vivek Wahi:** Sir, Bank's portfolio primarily is SLR and other is non-SLR and in this other portfolio is restructured advances, which is given to the treasury. So, that portfolio keeps changing i.e., because of some resolution in the accounts that is the reason. The figure has decreased during the last financial year.
- Ashoka Ajmera:** Yes, that has come down from Rs.6389 Crores to Rs.3677 Crores?
- Vivek Wahi:** Yes.
- Ashoka Ajmera:** And in these shares of 3040 Crores it is stagnant portfolio or trading portfolio in equity Sir, the 3040 Crores?
- Vivek Wahi:** Trading portfolio is miniscule. It is only around 20% of this book. Other is mainly the restructured advances part.
- Ashoka Ajmera:** In shares also it is restructured advances?





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- Vivek Wahi:** Yes.
- Ashoka Ajmera:** Sir, this eight borrowers account in the IBC which could not be implemented, what is the outstanding amount of those eight borrowers, because you said that Rs.406 Crores is provided for the already implemented accounts, which the rate borrowers and what is the total outstanding of that, Sir. Note number 14?
- Vivek Wahi:** Rs.2753 Crores is the outstanding.
- Ashoka Ajmera:** Okay, so Rs.406 Crores is the provision made on that?
- Vivek Wahi:** Yes.
- Ashoka Ajmera:** Any colour on this after the March ending whether any progress has been done on these accounts?
- M V Rao:** There are basically two – three accounts which are like DHFL or Videocon that are going to be gone through and major portion we expect a good recovery out of this almost Rs.1100 coverage will be there.
- Ashoka Ajmera:** Alright Sir, my last question Sir, in this round of questioning is Sir, this provision of Rs.519 Crores for the divergence, which is found in the RBI audit, now this report has come in this quarter, the Q4 only?
- M V Rao:** Yes, in Q4 only. That we have already intimated to the exchanges also in the last week of March.
- Ashoka Ajmera:** Okay. I might have missed it. This is the Rs.519 Crores, provision which has been provided because of the divergence in the past?
- M V Rao:** Yes.
- Ashoka Ajmera:** Okay, thanks a lot, Sir. I will come back again if time permits.
- Moderator:** Thank you. The next question is from the line of Aakarsh Kotriwala and Company. Please go ahead. There is no response from the line of the current participant, we move on to the next question. The next question is from the line of Bhavik Shah from B&K Securities. Please go ahead.



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- Bhavik Shah:** Sir, thanks for the opportunity. Sir, apologies as I misrepresented, so what are the exposure of accounts that we have earmarked for NARCL or transfer to NARCL?
- M V Rao:** That is around Rs.2560 Crores.
- Bhavik Shah:** Rs.2560 Crores, and Sir which are these four accounts?
- M V Rao:** The names yet, because unless until our NARCL finalizes we have submitted the details what they have asked for and once they take the decision, they will be intimating us the name of the accounts. There are around seven accounts we have submitted but let us see how they will be finalizing but our amount is around Rs.2500 Crores, this is seven accounts not four accounts.
- Bhavik Shah:** Okay and Sir, what is the rationale behind selecting accounts, are these NCLT list-1, list-2, how is it, more towards NCLT list1?
- Vivek Wahi:** No, these are normal accounts, fully provided, no fraud, that is the criteria, that is all agreements in consortium all the banks have agree and Rs.500 Crores and above exposure, that is all.
- Bhavik Shah:** Okay, Sir, what is the recovery rate for DHFL?
- M V Rao:** DHFL is between 35% and 40%.
- Bhavik Shah:** So, Sir because again we like always CNB is there as in recovery rate feels pretty low?
- M V Rao:** See in DHFL there are lot many parts, wherever cash part is there where I think more recovery is happening at that front.
- Bhavik Shah:** Okay Sir, what do you mean cash part, I did not get it?
- M V Rao:** In the resolution plan there is cash component and the securities component. So, we have treated as cash component as well as security component as the recovery to the bank and possibly some banks would have considered only the cash component.
- Bhavik Shah:** Okay and Sir how would be the treatment of the NCD that the Piramal would be assuring from the security component, in case of recovery?
- M V Rao:** There will be a change in management, so it will all be a standard performing investment.



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- Bhavik Shah:** Okay, but Sir how would it show in recovery, so the whole amount will be shown as recovery and upgraded?
- Vivek Wahi:** Yes, it will be upgraded whatever is the asset coming out of it will be marked against the provision and the entire exposure the debt as well as the NPI's will be upgraded to performing asset.
- Bhavik Shah:** Okay, understood Sir. Thank you, Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Aakarsh Kotriwala and Company. Please go ahead.
- Aakarsh Kotriwala:** First question is that what are the current sanctions and disbursements so far that we have done under the ECLGS scheme and what would be guidance for retail loan growth and asset quality in the retail segment, Sir?
- M V Rao:** In ECLGS-1 the total is 164100 accounts, and the amount sanctioned is Rs.3041 Crores and in ECLGS-2 it is total number of accounts is 56 and the amount sanctioned is Rs.303 Crores.
- Aakarsh Kotriwala:** One more thing is just that when are we planning to move with the new tax regime?
- M V Rao:** New tax regime, our tax person will say, because active format bank is not thinking on that line because of the carryover losses.
- Mukul N Dandige:** For the present, we are continuing with that old rate only Sir. We are having that MAT credit also entitlement is there. We are accepting our appeals with the ITAT will be over shortly. Even though there are some favourable court orders in favour of the bank. We are waiting for that anyway that is new rate it is not going to impact us even if we opt for because of some carry forward losses. So, we are waiting, and we will be taking a thought on that.
- Aakarsh Kotriwala:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Jay Mundra from B&K Securities. Please go ahead.
- Jay Mundra:** Sir, this is Jay Mundra. Sir, two questions, one is what is the employee base that you have? And how many of them are on defined benefit and defined contribution. So, maybe people who have joined post 2010 would be on defined contribution basis. So, any rough split



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there, and in case the banks were to be privatized, in case what is the pension bill that a new budget will help you will help you to put bill, you mean all these employees will be retained and what will be the pension bill?

**M V Rao:** Yes, these details our ED will be sharing with you. As far as the privatization part is concerned that we will be silent on that, okay.

**Rajeev Puri:** The total staff as on March 31 is 32335 of which 18000 is under DCPS and 13000 is under the pension option. So, that is the breakup which I think you were wanting.

**Jay Mundra:** Right, and Sir what is your annual pension cost, for the people who are under pension?

**Rajeev Puri:** It is around 1200 annual.

**Jay Mundra:** Right, and for the people who are under DCP any fixed components that is there, Sir?

**M V Rao:** Yes, we do not have any such bifurcations as a fixed or variable. It is whatever the industry settlement that is there accordingly wages are fixed.

**Jay Mundra:** Understood, Sir. Sir, when was the time when you had done the last revaluation of your fixed assets and premises?

**M V Rao:** We have done it March 2021.

**Jay Mundra:** Right, and what is the outstanding DPA on the balance sheet, Sir?

**M V Rao:** 7545.

**Jay Mundra:** Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Bimal Hindocha from Raw Stock. Please go ahead.

**Bimal Hindocha:** Thank you for arranging this call. First of all congratulations to the new MD and CEO for taking in charge of the bank.

**M V Rao:** Thank you.

**Bimal Hindocha:** Sir, could you give any rough timeline for PCA exit like you have already said bank has qualified in three out of four parameters out of four parameters, any rough timeline?



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- M V Rao:** Sir, we already made a representation saying that this PCA framework has come into existence in the year 2017 and there is a need and necessity to revisit these things because of this pandemic and also whatever the stipulated actions that were there as per RBI, there were 14 actions that they have prescribed for the bank to follow. So, for the past four years religiously without any deviation we are following that action plan as per the RBI. So, given the circumstances since we are already satisfying three parameters we are requesting for the favourable consideration. We have to wait and see how they are going to view this and even otherwise also I think if they take the quarter part we will be in a positive territory for June.
- Bimal Hindocha:** Sir, another question is that do you have any guidance on reducing the cost to income ratio currently it is I think around 59.4%, any comments on that?
- M V Rao:** Yes, regarding cost to income ratio now we are totally focused on the income part, not on the cost part. Already we are in the rock bottom and there is nothing to reduce further. I am not going to do any tweaking on that instead we will be working more on the income side and the way we are progressing and eyeing to reach the 60% CD ratio, we are very confident that this cost to income ratio as a first step for the month of June we are eyeing for around 55% - 56% range.
- Bimal Hindocha:** Lastly, Sir any comments on privatization of the bank?
- M V Rao:** There is nothing from our side.
- Bimal Hindocha:** Okay Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sushil from Indus Equity. Please go ahead.
- Sushil:** Good afternoon. My question pertains with the change of guard and change of top management. Sir, our retail deposit franchisee seems to be one of the best in public sector banks, we have beating the top names, and CLR is at 7.1. How are we shaping up on retail as the deposit base is very clearly visible from the call which we have done in last three years that we are non-metro, that is not out of the top three-four metros so, how will you capitalize on the other cities, the small towns where Central Bank has been regarded as one of the best performing banks with depositors?
- M V Rao:** As far as the depositor's part is concerned and more so CASA and then our major presence of rural and semi-urban to the extent of 62% of the branches. We are aware and also how in this environment how competitors are encroaching upon the rural and semi-urban segments



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which hitherto to be a strong forte for the PSB. For that we have multipronged strategy we are adopting, one is we have the BCs to the extent of 7188. Now we are ramping at up to 15000 in numbers. So my customer touch point with the BCs and also enhanced features for the BC machines that also we are making it available so that my client base is well served and also something extra income streams they can add by the social security schemes if you are to enroll them under APY for each person we will get Rs.60 so that lot of amount that can be accrued. So, in this way we are making the BCs also, their services also remunerative at the same time bank also protects its turf there and also enhance the customer reach. So, this is how we are working on this deposit franchise.

**Sushil:** Sir, but as a cross selling Central Bank of India can easily generate Rs.1000 Crores of income most of the private sector banks would have done it. I understand so far we might have not, so what kind of digitization, consumer support or maybe humongous push offs, mobilization or support or educating our staff from various multiple points. What kind of initiatives are we likely to take?

**M V Rao:** We have already initiated for this aforesaid partners business and what we are doing here is totally on the digitization mode, we want to onboard our customers on the digital channel from there we want to make these products available to them, so there are three things here, first is feet-on-street of our associate partners are trained in such a way to onboard our people on the digital platform of Central Bank so that they can go for subscribing their products, second with this my manpower which hitherto is being uses will be little bit less and our people may be focusing more on the core business, third and most important is, in any of these associate partners business there would not be any issue of the misselling or any complaint once we onboard them on the digital channel. This is the strategy we are adopting and we have already had meetings with our associate partners, they are also on the same page, moving forward it will be on the digital channel.

**Sushil:** So, if you are assuming a great position where digitization and digital channels are compared. Can you throw some light and what kind of numbers can we achieve on this? I am not saying the revenue or profits, but if you are standing at 100 can you get to 1000 in this year?

**Rajeev Puri:** Basically, we are going in two ways – three ways, one is like as I said that we are going for the 15000 BC and they will be also touch points for our Health Insurance and Medical Insurance, Life Insurance and even General Insurance also. As far as like we were not having the credit life insurance as a bank, so that we have started and that we are going in a hefty way as we are going for the RAM for 70% that will be a good opportunity for us and



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as far as other incomes are concerned, there will be almost more than 100% growth in the commission based that we are getting from these channels.

**Sushil:** Yes, if I understand your statement does not include mutual fund which is the most generating in the bank recent years?

**M V Rao:** Yes, as far as the new policies have done we are already tie up with the Motilal Oswal and we are going for the three-in-one account and they will also serve the mutual funds, shares and as well as Demat account and all other services will be provided.

**Sushil:** Sir, I am aware of Motilal Oswal, but pan India mutual fund distribution capability when you offer a bouquet the income can be five times more than what has been visualizes as a single partner that is what I mean?

**M V Rao:** Yes, correct. we will consider it.

**Sushil:** Yes, because thing is that, I as an investor may opt for only Motilal but I may opt five other schemes of other mutual funds also we have retail investor run to ICICI or HDFC Bank to buy the same product when you have the CASA in your pocket?

**M V Rao:** Your point is well taken and we will offer the entire bouquet. It is not that our customers will be restricted because of one tie up.

**Sushil:** Then happy to support on any enabling resolution of this part for Central Bank to earn income. Sir, we did reverse our selling thought process for any particular reason or what is our process, you must have seen how PNB is awarded with a fantastic partner over this word onboard, so what are our processes which I understand the companies are not comparable but what is our thought process?

**M V Rao:** Just I would like to share that, in my earlier assignment I was very closely associated with the CanFin Homes.

**Sushil:** Yes, I am familiar with that. That is why I am asking these questions, Sir.

**M V Rao:** Yes, because I was in Canara Bank and we know certain things how to drive these subsidiaries especially home loan business. So, now here it is a great opportunity for us for the CentHome Bank Finance and already we made a plan now Board has also given us the permission to post a GM cadre person as Head of the Home Finance Division now. So,



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going forward we have plans to ramp up the operations in Home Loan subsidiary and we know that great value will be there in that and we will be enhancing that.

**Sushil:** Sir, it is a Bhopal-centric company, are we likely to move to some other metro or we will continue from here?

**M V Rao:** Yes, that is also on the cards. We have not yet finalized this one but it is on the card.

**Sushil:** Okay Sir, there is any specific digitization expenditure we have planned because we are talking about co-lending, we have talked on BC model, distribution model where retail will be able to access our products much superior than our current digital experience?

**M V Rao:** Sir, already Central Bank has undertaken a major IT project in terms of digitalizing the retail products, so already it is 80% completed and it is going forward by July or August after the same almost all the products of retail, MSME will be on the technology platform.

**Sushil:** All the products should be live and visible in Q2?

**M V Rao:** Yes, exactly.

**Sushil:** Secondly Sir, we were discussing in the previous quarters that before possibly we took the bank of Indo-Zambia Bank hive off or something any thought process there?

**M V Rao:** Our Indo-Zambia Bank is giving good dividends to us so no need to hive off. We do not have any plans as it is a profit earning.

**Sushil:** Yes, I can see that, so you will be retaining on that?

**M V Rao:** Yes, Sir certainly.

**Sushil:** Sir, referring to earlier question asked by Mahrukh Adajania and then Ashoka Ajmera of Ajcon on the CD ratio which you indicated and the investment. Can I get an indication yield till where you think you are protected with the current investment book, while Sir, you maybe 6.5% – 6.4%?

**M V Rao:** No, yields are protected up to what level at present 6.15% to that level.

**Sushil:** Sir, this is a humble suggestion for a small investor, so I do not take it you all are better experienced, we are bank doing retail or corporate credit that does not matter we are not a bank running at OCD. As I used to hear from large FII investors, with the kind of retail





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franchisee we have been able to create where deposits are concerned, can we see Central Bank under the tenure of current management, all four of you all, CD ratio improves with lot of retail and related connected businesses?

**M V Rao:** Yes, that is what I told you. We are very much focused on balancing the book with 70:30, okay. So, 70% is my retail and 30% will be corporate and in the near term we want to reach the CD ratio 60 and since we have enough capital at our discretion and we do not require to raise further capital in this year, the way we have planned and the way things are moving and for example already I told you earlier per day disbursement was Rs.2.5 Crores to Rs.3 Crores, now it is around Rs.12 Crores. So, going forward this credit book and CD ratio is going to improve.

**Sushil:** Sir, do you estimate treasury profits in this year?

**M V Rao:** Sir, treasury profits will be there but at the same time, we have to be careful as yields are already almost at the rock bottom level only, but the guidance by reserve bank in the latest policy we still hope a G-SAT2 has been announced, so we are quite hopeful that there will be a decent 15% profit in the treasury.

**Sushil:** So, we are hopeful in the current environment with COVID current financial year we will have spends reduced?

**M V Rao:** Yes that will continue, so there will be definitely 10% to 15% increase in the profit.

**Sushil:** Okay, and all the best of you Sir, and wish you good luck and good health.

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

**Ashoka Ajmera:** Thank you for giving me the opportunity again. Most of my points are covered by my colleague, but again Sir, talking to some of the points which are still left over, this NARCL Rs.2560 Crores which you have estimated out of this first trench of about Rs.85000 Crores, I believe that all must be in consortium only, because they are all big accounts?

**M V Rao:** Yes, all are in consortium.



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- Ashoka Ajmera:** So, the calculation wise, the same calculation about 25% to 30% of the value you will get and on that 15%, so about Rs.100 Crores will come straightaway to the bottomline of the bank from this because they are all 100% written off accounts, Sir I mean provided accounts?
- Vivek Wahi:** Yes, 100% provided in those accounts.
- Ashoka Ajmera:** Sir, this is only the first tranche which will get over in a month or so, but on the overall on the whole year originally when I had also organized a seminar on the bad bank with the people from State Bank and also RCL and they said there was a discussion that the overall amount can be immediately around Rs. 2 lakh Crores which I think may be completed in this year itself financial year 2021-2022, so how many more such accounts you have which may fall under that category during the year may be next two quarters overall?
- M V Rao:** Yes, actually even this Rs.86000 Crores which is arrived after discussions among the banks is having a floor level of Rs.500 Crores. So, because certain conditions which were there it should not be a fraud and fully provided and all those conditions are there. So, once this lot is over again, I think there will be larger discussion among the bankers to finalize to what level we want to bring it down so that to add more to the kitty of NARCL. So, maybe we do not know depending upon the threshold, because we have large stock with us.
- Ashoka Ajmera:** Yes, Sir so then in that case other than NARCL, you are free to give it to the other ARCs?
- M V Rao:** Yes, that is open. That is also in the net flooring even now we are on the track ARC.
- Ashoka Ajmera:** So, what is the plan for that ARC any idea about this quarter and the next quarter?
- M V Rao:** No, for the June quarter we do not have any plans and for the next quarter we have short-listed around 56 accounts and then we are again going into the nitty-gritty's of those 56 accounts then we will finalize that how many accounts to be brought on to the block.
- Ashoka Ajmera:** Amount wise how much approximately will be those 56 accounts?
- Rajeev Puri:** We can safely say it is about Rs.3000 Crores.
- Ashoka Ajmera:** No, why I am trying to put in total up the numbers because I think that one of the criteria which you could not fulfill as a PCA going out of PCA where RBI I believe is your higher gross NPA and net NPA?



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- M V Rao:** No, we have complied on Net NPA, CRAR and leverage ratio but not on profitability front that ROA. Once we are in profit mode then automatically it will turn into positive.
- Ashoka Ajmera:** Hopefully I mean this quarter you should perform well on the profitability front.
- M V Rao:** Yes, we are sure on that front.
- Ashoka Ajmera:** Practically are you finding it difficult to increase your loan book or credit because of this PCA?
- M V Rao:** We do not foresee any such big issue. What we have seen earlier was we were more dependent on the corporate loan books to increase our portfolio. When we had a hit and then bank went into PCA entire credit was in one way it was under freeze. So, now because of the time period and also following the footsteps or action plan given by the RBI for PCA banks and also providing enough for the corporate loan whatever FDA was there, now slowly it is all being freed up. So, I think Sir, of what we see is that instead of looking back only for the lessons what we have learnt with that experience and also the lessons we are moving forward to build up the credit book now. It is not such a big one the Central Bank network and its brand name and the customers profile is well entrenched in the society and we have enough reach in the market, the only thing is that we have to move and then we get the business that is all.
- Ashoka Ajmera:** Sir, definitely I agree and as my friend also just now had put it one other analyst is that you see Sir, if you go beyond 53 to 70 now 60 you will be needing about Rs.20000 Crores more to be increase in your credit book, but which is according to me not very difficult when so many NBFCs are performing so well why cannot a bank like Central Bank, I mean with such a strong customer base, such strong loyalty, CASA, reach, only thing I think at the staff level Sir, which I think some kind of orientation is further required down the line to the branch head to right up to that to take some good credit calls. I mean start taking decisions maybe of course you are running the bank so now you have come from Canara Bank much larger bank, you will definitely take care of that, but I feel personally that a bank like Central Bank increasing the credit book, loan book by Rs.20000 Crores in one year, I do not think is so difficult?
- M V Rao:** Yes, I agree Sir. It is not a big thing and let me tell you and let me share you that entire work force is totally now you can say invigorated and today's results also, because some approvals I have to take otherwise whatever the good work done by our field. Now all employees are entitled for five days of performance linked incentive. Even the bank appears to be lost on the operating front it has performed too good and they are eligible for that. So,



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this also adds to their motivation and further the mechanism what I told you regarding the approval before disbursement this is going to give a lot of comfort to the field functionaries while taking the credit decision, so we do not foresee much problem for Rs.20000 Crores increase in the advances.

**Ashoka Ajmera:**

Sir, my last question again a repetition only that of course you are silent on privatization but at least some feedback, some information being called from the bank, some exercise might have been done when such a credible newspaper gives this kind of a report there is no sign from the management or to the management that any such action is being taken?

**M V Rao:**

Again Sir, I would like to reiterate the same thing. I want to be silent on this. There is nothing more to add or subtract.

**Ashoka Ajmera:**

I appreciate it, Sir. Thank you very much and all the best. We will see you soon, Sir. Thank you.

**Moderator:**

Thank you. I would now like to hand the conference over to the management for closing comments.

**M V Rao:**

Thank you very much and whatever the guidance we have given definitely bank will be performing and rightfully some suggestions also came from our investors or analysts, very welcome move and going forward you will be seeing Central Bank as one of the prominent Bank, we were there with that brightness and with that soundness we will be coming into the market. Thank you very much.

**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.