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25<sup>th</sup> August, 2020

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Dear Sir/Madam,

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

Further to our letter no. CO:MBD:2020-21:86 dated 10<sup>th</sup> August 2020, we submit herewith transcripts of conference call held with the Analysts on 11.08.2020 on Bank's Audited Financial Results for the first quarter ended 30<sup>th</sup> June 2020.

Please take the above on your record.

Thanking you,

Yours faithfully,  
For CENTRAL BANK OF INDIA

  
ANAND KUMAR DAS  
DEPUTY GENERAL MANAGER /  
COMPANY SECRETARY



**Thank You**  
for being with us in our ten-year journey



**Conference Name:** Central Bank of India Q1 FY21 Earnings Conference Call  
Hosted By Antique Stock Broking Ltd.

**Time:** August 11, 2020 17:00 Hrs India Time

**Main Speaker(s):** Mr. Sohail Halai - Antique Stock Broking Ltd.  
Management Of Central Bank of India

*Total 45 Participants including the Speakers.*

### Participants List

Sr. No.	Name	Phone	Company
1	HOST : Management	02266387590	Central Bank of India
2	HOST : Mr. Sohail Halai	9820876839	Antique Stock Broking Ltd.
3	Abhijeet	919892909970	Kotak Securities
4	Abhijith Vara	9840884185	Sundaram Mutual Fund
5	Ajay Sharma	401	CCB Ltd.
6	Amit Mishra	919920493408	Indus Equity
7	Anirvan Sarkar	8291216781	Principal AMC
8	Arif Kazi	8070373301	Mangal Keshav Financial Services
9	Ashlesh Sonje	9930704725	Kotak Securities
10	Bhavik Dave	9892617147	Nippon India Mutual Fund
11	Bhavya Shah	8082748577	S-Ancial Technologies
12	Bijoy Shah	9867207988	SBI Capital
13	D Vijaya Rao	9321404056	Reliance Securities
14	Dhaval Danani	9920389334	Samco Securities
15	Harsh Shah	9820968607	Asian Markets Securities
16	Jack Sharma	16613804111	Citigroup
17	John Lee	12038101000	Factset
18	Karan Gupta	9920080710	IRR
19	Keshav Kanoria	919819789733	ITI Capital
20	Khushbu Vasa	02267316000	Motilal Oswal
21	Kumar Vishal	7709442470	India Ratings
22	M B Mahesh	919769474175	Kotak Securities
23	Mahesh Sarda	8108306662	Individual Investor
24	Mahrukh Adajania	919820295886	Elara Capital
25	Mayank Shah	919820700113	ITI Capital
26	Mukesh Saroj	02266190315	Cogencis Information Services Ltd
27	Nikhil Desai	9969861813	Karma Capital
28	Nikhil Vaishnav	9987201495	IDBI Capital
29	nishant rungta	7022156707	Premji Invest
30	Prabal Gandhi	8109870105	Antique Stock Broking Ltd.
31	Prakash Pandey	919769191906	Fitch Ratings
32	Pranav Mahajan	919324503658	ITI Capital
33	Prashant Pawar	19517033655	CMC Group Ltd
34	Priyanshu Singh	9873958053	District D
35	Rohit Verma	16613804437	Max Group
36	Rupali Zade	8419922122	Research Bytes
37	Sachin Gupta	16613804975	Citigroup
38	Sandeep Joshi	02240969762	Dolat Capital
39	Sneha Ganatra	9833825108	Shubhkam
40	Sushil Choksey	9664114765	Indus Equity
41	Vaibhav Mehrotra	919011602115	Altamount Capital
42	Vijay G	917303680548	Capital Market
43	Vijay Pawar	15403173295	Google Finance
44	Vikas Shinde	15595158094	Global Ltd.
45	Vishesh Gupta	15595158457	Capital Group



**“Central Bank of India Q1 of FY’21 Earnings  
Conference Call”  
August 11, 2020**



**MANAGEMENT:**    **MR. PALLAV MOHAPATRA – MANAGING DIRECTOR & CHIEF  
EXECUTIVE OFFICER, 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: MR. SOHAIL HALAI, ANTIQUE STOCK BROKING**

**Moderator:** Ladies and gentlemen, good day and welcome to the Central Bank of India Q1 FY'21 earnings conference call hosted by Antique Stock Broking. 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. Sohail Hallai from Antique Stock Broking. Thank you.

**Sohail Halai:** Thank you, Sir. Good evening everyone. I welcome you all to Central Bank of India Q1 FY'21 earnings conference call. Today we have with us, Mr. Pallav Mohapatra – M.D. and CEO; Mr. Shekhawat and Mr. Srivastava – Executive Directors and Mr. Mukul – CFO, along with other senior members from the management team to give us insights about the performance of the bank and its future outlook. Without further delay, I will now hand over the call to Mr. Pallav Mohapatra for opening remarks and after which we can open the floor for question and answers. Over to you, Sir.

**Pallav Mohapatra:** Thank you. Sohail and Good evening to all who are on the call today. I will start with the highlights of the Q1 FY'21 result. The bank has earned a net profit of Rs. 135 cr. as against Rs. 118 crore in last year in the first quarter and showing a YoY growth of 14.41%. Our CASA share in total deposits has improved from 45.77% to 47.30%. The PCR has also improved from 76.85% to 79.12% on YoY basis. Gross NPA has come down from 19.93% to 18.10% on YoY basis and net NPA has come down from 7.98% to 6.76% on YoY basis. On the profitability side, the operating profit of the bank has improved from Rs. 1,104 crore to Rs. 1,291 crore showing the growth of 16.94% on YoY basis. The Net Interest Margin (NIM) has improved from 2.62% to 3.08% during this financial year on a YoY basis. The cost to income ratio has improved from 57% for Q1 FY'20 to 54.79% Q1 FY'21. Business per employee, operating profit per employee and net profit per employee has also improved. On the asset quality front, figures have already been quoted. Net NPA has reduced along with improved PCR.

Now, I go into the business highlights. Total Business of the Bank increased to Rs. 4,97,748 crore in Q1 FY'21 from Rs. 4,62,883 crore in Q1FY'20, registering a YoY growth of 7.53%. Total deposits increased to Rs. 3,21,252 cores in Q1 FY'21 from Rs. 2,97,781 crore in Q1FY'20, registering a growth of 7.88% on YoY basis. Investments increased to Rs. 1,50,283 crore in Q1 FY'21 as against Rs. 1,32,569 crore in Q1FY'20, registering a growth of 13.36% YoY basis. Retail loans as of Q1 FY'21 is Rs. 45,392 crore compared to Rs. 40,646 crore as of Q1 FY'20, registering a Y.o.Y growth of 11.68%. CASA percentage improved to 47.30% in Q1 FY'21 as compared to 45.77% in Q1 FY'20, registering a growth of 153 bps.

Capital Adequacy Ratio (CRAR) as per BASEL III stood at 11.50 % as of Q1 FY 21, of which, Tier I capital is at 9.22% and Tier II is at 2.28%. Bank's Net Worth is at Rs. 18,660.50 crores as on Q1 FY'21. Bank's performance in digital banking

has improved in this quarter since, during this pandemic, most of the people were not able to come to the branch. We also ran campaigns to increase our digital presence during this period. This led to improved transactions through digital channels from 45.46% to 70.79%, which does not include the transactions done on the ATM. Our internet banking users also improved considerably showing a growth of 24.09% along with mobile banking growth of 28.78%. UPI transactions increased by 86.82% on YoY basis. Our active debit card users have achieved growth of 12.84%.

In Financial inclusion, we have done good work. We have now 146.12 lakhs live accounts under Pradhan Mantri Jandhan Yojna having an outstanding balance of Rs. 3,668 crore as on 30.06.2020. Performance of the bank under various schemes also showed improvement. Enrolment under PMJJBY scheme increased to 14.33 Lakhs in Q1 FY'21 showing a YoY growth of 13.91%. Enrolment under PMSBY scheme increased to 44.49 Lakhs in Q1 FY'21 registering a YoY growth of 14.49%. Enrolment under APY scheme increased to 8.81 Lakhs with YoY growth of 32.48%. As on 30.06.2020, we have 4,649 branches, of which 63% are in rural and semi-urban areas. We have 3,642 ATMs as on 30.06.2020. We have 6387 Business Correspondents. If BC's engaged by RRBs are included, the total BC network will be more than 9,300.

We have also started some new initiatives for further improvement of business in the Bank. We plan to enable the business in a very tech-savvy manner. So we have started "Project DISHA", where we are planning transformational changes in the business models. This pilot run has started from 20<sup>th</sup> July 2020. We are hopeful that this project will be completed by June 2021 and we will start reaping benefits in the next financial year. We are revamping our Single Data Repository (SDR) or Data Warehouse (DW) with the modern technology. This will be completely implemented by June or latest by September 2021.

We are planning to make the loan processing technology enabled, and centralised. This will enable the Branch to focus on marketing. We have also obtained permission for 50 MSME hubs from RBI and we have already set up 35 and remaining are in process of being set up. We are also planning to set up 49 agriculture loan processing hubs. We have taken few other initiatives also, which have been given in this analyst presentation. We have initiated the process of impact assessment of our training modules. We have implemented HR audit in our bank, which as per my knowledge is the first of its kind in the banking industry. We have also started with a new performance management system with Business-Outcome focused performance appraisals.

In other technology initiatives, we have started two major initiatives, Loan Life Cycle Management System (LLMS) and Enterprise wise Fraud Risk Management Solutions (EFRMS). The LLMS platform under implementation will be a state of the art technology. This is expected to be fully implemented by March 2021. The process will be automated to the extent of 95% to 98% and collection of the information will be from different sources. We have also implemented the Enterprise wise Fraud Risk Management Solutions (EFRMS) which will help the

bank in early detection of frauds. It will enable us to be proactive and also predictive in detecting the frauds. Its rollout has started. The first phase has been completed in June 2020 and we are hopeful that by the end of the current FY, we will complete this project. This is about the bank's highlights for Q1 FY'21 and the initiatives we have taken in the last financial year and continuing in this financial year which will take the bank forward in all the areas. These are my opening remarks, I wanted to share with you. Now, I am open for questions.

**Moderator:** Thank you very much. Moving now, begin the question and answer session. Anyone who wishes to ask a question may press "\*" and "1" on the attached telephone. If you wish to remove yourself from the question queue, you may press "\*" and "2". All participants requested to use the handsets while asking a question. Anyone who wishes to ask a question may press "\*" and "1", the first question is from the line of Amit Mishra from Indus Equity. Please go ahead.

**Amit Mishra :** Good Evening Sir, Thanks for the opportunity, my question is about the PCA, when the Bank will be getting out of PCA. Can you elaborate?

**Pallav Mohapatra:** Concerning the PCA, there are three parameters as per RBI, out of which on two parameters, Leverage Ratio and Capital Adequacy Ratio we are above the threshold and only on the Net NPA Ratio, which should be less than 6%, we are below the threshold. NPA Ratio has started to turn towards its benchmark and you can see from the presentation that it has come down to 6.76%. We are sure that by December 2020 end, we will be able to bring it down below 6%.

I also want to make it clear that though PCA tag is not good, practically under PCA as such, there are no restrictions in doing quality business, e.g. Bank cannot increase unsecured loans from the level on the date of imposition of PCA and normally our focus is not on unsecured loans which are generally high risk. The other restriction is based on the MOU, which we signed with the Government of India as per which, we will not lend to the below the investment grade borrowers. Lending to investment grade borrowers improves the quality of portfolio and this restriction is helping the Bank in improving the quality of its loan base. There is no restriction on increasing the business, but the capital adequacy ratio to be maintained. There are some restrictions in the opening of the new branches but this does not apply to Rural and semi-urban areas. So we are fine with that, however, we want to get out of this tag of PCA.

Moderator: Thank you. Reminder to the participants. Anyone who wishes to ask a question may press "\*" and "1" at this time, the next question is from the line of Miss Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania :How are you, Sir. I just want to get your thoughts on the one-time restructuring that has been announced by RBI, even we had various forms of restructuring and a lot of those schemes have failed because a lot of accounts restructured have turned NPAs. I know that there's an expert committee and not everything is final about the new scheme, but still from whatever information we have.

Pallav Mohapatra: Do you want my opinion on one-time restructuring?

Mahrukh Adajania: Yes, that's correct.

Pallav Mohapatra: Why the earlier restructuring schemes, which were implemented failed because those were not one time. First, there was a CDR, which failed, then there was SDR, which failed, then flexible restructuring, which failed and then S4A which also failed. It indicated that if there are repeated restructuring, the risk of failure is very high. As per RBI's one-time restructuring circular, they are keeping things very clear. Firstly it should be an ICA approach. That means approval of lender with 75% by value and 60% by number is required for ICA and if they sign, then that particular plan will be worked out. They have also said that those lenders who are not signing this ICA within 30 days, there will be penalty in the form of additional provisions.

Usually, all the lenders don't come onto the same page within a reasonable period and then the resolution plan goes haywire. This type of penalty in the form of provision will enforce discipline among the lenders. The second good part is that this time RBI has appointed an expert panel and this panel is going to give the benchmark on various financial parameters for different sectors and different activities. So it will not be one size fits all. The only challenging part is that this scheme covers accounts as on 1<sup>st</sup> March should not be overdue for more than 30 days. That means that only SMA-0 accounts are eligible. SMA-1 and SMA-2 accounts are not eligible. They have also included personal loans in the restructuring exercise for the first time.

MSME restructuring has been offered vide circulars with various cut-off dates of 01.01.2019, 01.01.2020 and 01.03.2020. Everthing is fine, but non-inclusion of SMA-1 and SMA-2 in the restructuring also excluding NBFCs may be somewhat challenging from the point of view of resolution of stressed assets.

Mahrukh Adajania :My other question was on your moratorium. So how you define moratorium?

Pallav Mohapatra: Moratorium in our Bank is based on Opt-out. That means this will be available to all unless the borrower does not want to avail it. If I exclude agriculture, percentage of borrowers availing the moratorium has come down from 38.30% to 31.91% in June 2020. If I include the Agriculture, the ratio has come down from 23.81% to 20.53% in June 2020.

As a banker, I am not much concerned about moratorium, because this will be backended. I am more concerned about the deferral of interest payments. Deferral of interest payments means interest applied from 01.03.2020 to 31.08.2020 and not been paid, will be converted into a term loan and it will be paid over six months, starting from 01.09.2020 till 31.03.2021. The borrowers who have availed interest deferral have come down from 32.30% in April 2020 to 17.60% as on 30.06.2020. I am quite hopeful that we will be able to manage this in our Bank.

Mahrukh Adajania: Are you viewing the principal and interest of the loan separately for moratorium?

Pallav Mohapatra: The moratorium is on the EMI. That is principle plus interest. When I am talking about the deferral of interest, it is the interest on CC/OD accounts. It can be also the interest payment during the moratorium on term loan. We are trying our level best to educate the customers. Whenever I participate in any webinar or any panel discussion, I always say that if the borrower has the cash, he should pay. If he doesn't have the cash, then he may avail moratorium or deferment of interest. But he should be aware that moratorium/deferment of interest will increase the interest cost as during this period of moratorium/deferment, the interest is accruing and there is a compounding effect.

Mahrukh Adajania: I wanted to ask about your loan growth.

Pallav Mohapatra: This year in the first quarter, there is a growth of 2.47% over March'2020 and our credit growth will be as per our plan. In this year, we are planning to grow our advances by around 9%, out of which retail will be 12%, Agriculture will be 8%, MSME will be 13% and corporate will be 5%. The way our loan book is growing, we will be able to achieve this. We need growth capital and we will be approaching the market for raising the capital.

Mahrukh Adajania: Did MSMEs which are under the moratorium, availing the emergency credit line?

Pallav Mohapatra: Under the MSME, they have availed both emergency credit lines i.e. our scheme and GOI scheme. Our scheme to MSME and Corporate ended on 30.06.2020. Some of the MSMEs have opted out of the Emergency Credit Line Guarantee Scheme of Government of India because they did not want to take additional debt. If I take out those who opted out, around 15% to 20%, in the remaining 80% cases, sanction has been given in many accounts, around 92% . Disbursements have been made in around 88% of these sanctioned accounts. This has helped us in growing our MSME book. The risk weight on this portion is nil and we need not deploy any capital on this portion.

Mahrukh Adajania: Did most of the moratorium customers avail this emergency credit line?

Pallav Mahapatra: No, not all availed. If they were in need of the funds to deploy in their business , they availed the credit line. Wherever the borrower felt that they have to reduce their interest costs and they will use some part of the money to pay off their monthly instalment, they used portion of it to pay interest/moratorium. But we never asked anyone to use any part of this money to pay off their instalment or service interest of the existing loan.

Mahrukh Adajania: My last question is about current account guidelines, how will that impact you?

Pallav Mohapatra: These guidelines should have come 5-6 years back. In general, we always make a condition that if we are the sole banker, transaction account should be with us and all transactions should be routed through us only. We also have guidelines as per which if minimum 85% of the transactions are routed through CC/OD account, then only enhancement in the limit will be considered otherwise we will not consider entity's enhancement irrespective of whatever collateral they offer to us. If these borrowers look for the liability product like cash management product which is not available with the lending bank, then borrower should avail the loan from the bank which is offering liability product. On the other side, the borrower wants to take a loan and doesn't want to route its sales through the account with that particular bank, it is not acceptable at all. Now, as per the circular, if any entity having exposure more than Rs. 50 crores, there has to be an escrow account. This will bring in the credit discipline.

Mahrukh Adajania: Does PSB's will be benefitted due to this and borrowers will now start taking cash credit from Private banks to PSBs? How do you think it plays out?

Pallav Mohapatra : Let us see what happens. I think more than 75% of the CC / OD facility is given by the public sector banks.

Moderator: Thank you. The next question is from the line of M B Mahesh from Kodak Securities, please go ahead.

M B Mahesh: If you could give us some clarity on what are the large cases pending to be recovered during this financial year?

Pallav Mohapatra: I can give you details of four or five cases since I am not carrying the list with me. I was very hopeful that in March we would have been able to make recovery in four or five accounts, but because of the lockdown, we were not able to do it. In one account, which is in the business of offshore drilling, interest was shown by some investors from outside India. But due to lockdown, that didn't go through. I am hopeful that when lockdown will be fully lifted, the investors may come back. I am hopeful that in another account, which is a power plant, we will be able to get the money. In the third account, I was hopeful for the upgradation in the Q4. In another account, all banks except 2 had given approval for the settlement by 31.03.2020. We are hopeful that we will be able to get the approval from the remaining Banks soon. So that will also be resolved. In total, we were expecting around Rs. 2,500 to Rs. 3000 crore of recovery in March quarter, somehow because of the lockdown, it didn't go through. I am quite sure that with the economy opening up and these investors still evincing interest, we will be able to make good recovery by 3<sup>rd</sup> quarter of this FY.

M B Mahesh: We've been in discussion about these accounts for the last little over six months.

Pallav Mohapatra: We have discussed these accounts when we declared the results of December Quarter when I was quite hopeful for getting the recovery by the end of the fourth quarter. But as I told you, due to certain reasons we were not able to get the recovery in the fourth quarter. The borrowers/investors are still in touch with us and they want the resolution. I am quite hopeful that by December 2020 substantial recovery will happen.

M B Mahesh: Perfect. So the second question is that entire disbursement in the credit guarantee scheme, any particular reason, why have you not been a lot more aggressive with your SME borrowers? Because it relieves capital, which is sitting out there locked in. Why have you not replaced your existing loan with the credit guarantee so that it releases capital for the MSME borrower?

If the borrower has Rs. 100 facility with you, why not ask him to repay Rs. 20 from the credit guarantee scheme and he uses Rs. 20 that amount which given by the government to the borrower.

Pallav Mohapatra : For all the PSBs, the total sanction amount is around Rs. 120000 crore and disbursement are more than Rs. 80,000 crore. In our case, as I have already replied to another analyst that if I take out 15% to 20% MSME borrowers who opted out, of the remaining 80% borrowers, 92% have been sanctioned and out of the 92%, disbursements have been made in 87% accounts.

In my opinion replacing existing MSME loan with the credit guarantee loan is not the right approach. Some of these complaints have gone to the Government of India. They are very clear that this Credit Line should not be used by the banks to adjust their dues.

Moderator: The next question is from the line of Anirvan Sarkar from Principal AMC, please go ahead.

Anirvan Sarkar: Hi, thank you. Let's have just a couple of questions first. How much of wages factoring in by the Bank and how much has been provided.

Pallav Mohapatra : Sir, we have adequately factored wage increase, some left over portion will be covered in the remaining three quarters.

Anirvan Sarkar: How much you provided until now?

Pallav Mohapatra : We have already provided Rs. 810 crores.

Anirvan Sarkar: Do we have a plan of raising capital?

Pallav Mohapatra: Yes, we have a plan for raising capital. We are planning for QIP in the second quarter. The Bank is in need of the growth capital in this FY.

Anirvan Sarkar: Do we have board approval for that?

Pallav Mohapatra: Yes. We got the board approval and we got the shareholders' omnibus approval for Rs. 5000 crores. We don't need that much capital in this financial year. We need approx. Rs. 2000 crores capital to grow our balance sheet by around 12% or 13%.

Anirvan Sarkar: Regarding BB and below book, I think it is Rs. 12000 crores and what could be the concentration of this book and can we make an estimate as to how much of slippages out this?

Pallav Mohapatra: We have BB and below exposure of Rs. 11927 cores and majority of this would be in the MSME and the remaining in the corporates. Normally, MSMEs do not get investment grade rating. I don't think that there will be major slippages out of this.

Anirvan Sarkar: How much have we disbursed under the credit guarantee scheme?

Pallav Mohapatra: We have already disbursed around Rs. 2240 crore under the credit guarantee scheme.

Anirvan Sarkar: Can we have the provision break up in terms of NPA and the standard assets?

Pallav Mohapatra: We have provisions of Rs. 496 crores for NPA assets, Rs. 20 crores for restructured assets, Rs. 282 crores for investments, Rs. 182 crores for standard assets as on 30.06.2020.

Anirvan Sarkar: Have we made any COVID related provisions and if yes what are the quantum?

Pallav Mohapatra: Yes, we have COVID related provisions of Rs. 305 crores in standard assets. Rs. 143 crores and Rs. 162 crore provision made in the March quarter and June quarter, respectively.

Anirvan Sarkar: Do we have any fraudulent accounts or any fraud that happened in this quarter?

Pallav Mohapatra: Yes, some accounts were declared as fraud, but all these accounts already have 100% provisioning based on IRAC norms. We have already made additional provision on DHFL account which was declared as fraud. We have provided Rs. 307 crore in the March quarter and Rs. 191 crore in this quarter.

Moderator: Thank you. The next question is from the line of Harsh Shah from Asian market securities. Please go ahead.

Harsh Shah: In term of wholesale book, what is the ratio between the term loan and working capital?

Pallav Mohapatra: We have corporate advances of Rs. 67,009 crores as on 30.06.2020 out of it around 48,000 will be the Term Loan.

Moderator: The next question is from the line of Keshav Kanoria from ITI capital, please go ahead.

Keshav Kanoria: First of all congratulations sir for performing well in this quarter. I think most of my questions have been answered. Has the bank completely moved to the new tax structure.

Pallav Mohapatra: No Sir, We have opted for old structure and not moved to the new tax structure.

Keshav Kanoria: If I look at IBC Cases, what is Bank's expectation from that accounts?

Pallav Mohapatra: I am hopeful of recovery of around 15% to 20%. And if I get a recovery of 15 to 20%, I am expecting a write-back of provisions of 10-12%.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital, please go ahead.

Mahrukh Adajania: Hello, again Sir. Yesterday Bank of Baroda downgraded an Infra Finance NBFC to their watchlist. So do you have any such experience in your NBFC Book? Do you have any Infra Finance NBFC in your loan book?

Pallav Mohapatra: I can say with a lot of confidence that my NBFC book, as of today after excluding DHFL, IL&FS and Religare, is quite good and I don't see any risk on this portfolio. We have only one Infra Finance NBFC exposure.

Moderator: Thank you. The next question is from the line of Sushil Choksey from Indus Equity, please go ahead.

Sushil Choksey: Good Evening all, can you put some colour on CASA. How much we are getting from large towns, small towns and other details?

Pallav Mohapatra: Percentage of CA share as on June 2020 in Rural, Semi-urban, Urban and Metro is 60.78% 54.81%, 44.14% and 38.37% respectively. So it is clear that the major portion of the CASA is coming from RUSU Branches. Even if I look at the YoY growth in the CASA, it is around 30% for rural & semi-urban. This number I have given only for the current deposits. If I look at the savings growth, the rural, semi-urban, urban and metro have a growth of 15.46%, 10.88%, 11.38%, 8.69%, respectively.

Sushil Choksey: What are we going to achieve over the next six months? Can this be a roadmap for banks potential earning?

Pallav Mohapatra: The roadmap for the next six months, our plan is to grow CASA percentage to 49%, total advances growth to 9% and total deposit growth to 8.50%. For the growth in the advances of 9%, we will go to raising capital as we need growth

capital. During this financial year, the initiatives we took in FY 2019-20, most of the initiatives are 80% to 100% completed and some of the initiatives are going to be game-changer e.g. Loan Lifecycle Management System for loan origination, credit administration and generation of alerts. The second initiative is Enterprise wise Fraud Risk Management Solutions (EFRMS) which will enable the Bank in tracing the pattern of the suspicious transactions which may have the Risk of Fraud. The third initiative is the revamping of Single Data Repository (SDR), which will be the single source of data for our data analytics. Especially in case of the retail, we will be using the analytics in financing and for that, we have started the transformation journey, where we have already engaged with the consultant. With above we are focusing to increase Retail, Agriculture and MSME, by leveraging the technology and also to use analytics and data to increase the fee-based income. So these are the major initiatives that we have taken last year by getting the approval from the board and all these initiatives have started and some will be completed in this financial year and the remaining will be completed by the first quarter of next financial year. So all these initiatives will make the Bank future-ready. Some of these initiatives are state of the art technology.

Sushil Choksey: So my question was, I understand that you're putting the bank to a roadmap for the long term synergy and requirements. If I look at current CASA and assuming that capability of best in class is possible from a technology improved and sources deployed. Multiple sales touchpoint which we are already having, other banks are struggling to have. The non-interest income we can generate in CDSL, NSDL, broking, demat, insurance, car loan, home loan, credit card etc. by tapping non-urban customers.

Pallav Mohapatra: Non-urban means you are talking about rural and semi-urban?

Sushil Choksey: Yeah, about the non-metro customer.

Pallav Mohapatra: Yes but the major portion of the CASA is coming from them.

Sushil Choksey: How are we capitalising on them with these other products?

Pallav Mohapatra: When I look at my cross-sell business, a small portion of the cross-sell business is coming from rural and semi urban. We can drive these products in rural and semi urban branches. In the current financial year, we are planning to set up a platform for 3 in 1 account i.e. Demat, online trading and bank account. This will go a long way in providing the services to our customers who are into the capital market. Once we have this platform, it will help us greatly in retaining a major portion of the balances in the CASA.

Sushil Choksey: My question is about CASA customer loyalty since in the current environment everybody is looking for the safety of deposits in public sector banks.

Pallav Mohapatra: If you look at the performance of our rural and urban branches compared to the other peer public sector banks, our performance is much better in the CASA deposits.

Sushil Choksey: What is your plan for divestment of stake in Indo Zambia Bank?

Pallav Mohapatra: As of now, the Indo Zambia Bank is not in consideration but we are working on divestment of Cent Home Finance.

Sushil Choksey: In NCLT accounts, in which a total outstanding of Rs. 25,000 crore comprising of RBA list I, II and others, where you estimate the recovery in the next 12 months for 15%-20% recovery or less?

Pallav Mohapatra: I am expecting a recovery of 15% to 20% and if I am able to get the same, there will be a write back of provision of around 10%-12%.

Sushil Choksey: Are you looking with a negative perspective or breakdown in the retail sector due to moratorium?

Pallav Mohapatra: I think the question of the breakdown is not there because if I look at the entire retail segment, whether it is a credit card, auto loan, except home finance, loan against pension, or loan against the Salary, the other retail are more discretionary in nature. These retail customers as of now are not opting for it. Other retails have come down sharply, but the home loan is picking up and education loan remains the same.

Sushil Choksey: What is your outlook on treasury as investment is equal to the advances?

Pallav Mohapatra: As of today, it is 60:40 and we are planning to bring this ratio to somewhere around 75:25.

Sushil Choksey: That's fine. But I'm assuming in next six months interest rate grows, what will be the effect on the investment book?

Pallav Mohapatra: We are quite aware of that and we are taking necessary steps in that direction.

Sushil Choksey: But I am hinting for the current quarter and the following quarter.

Pallav Mohapatra: I have done my analysis. I can see that unless there is an increase in the interest rate of around 125 to 150 basis points, my portfolio is not going to take a hit.

Sushil Choksey: Sir, how much is the sustainable profit you are projecting in Q2, Q3 and Q4 of FY'21?

Pallav Mohapatra: It's very difficult to anticipate how the economy is going to pan out. So it will all depend on several industries such as aviation, airport, commercial real estate, LRD etc. In infra sector, we are taking exposure in HAM road projects in which I don't see any problem. Similarly, when I am looking at renewable energy, we are funding medium and small units where the stress level is not high. Also, if I look at some other sectors like state power transmission lines, not much stress is visible.

Moderator: Thank you, Ladies and gentlemen, there has been no further questions, I would now like to hand the conference call to Sohail Halai for closing comments?

Sohail Halai: Thank you Mohapatra Sir for giving us this opportunity of hosting a conference call and sharing your insights about the bank and environment. All the Best for future quarters and anything that you would like to add in the country.

Pallav Mohapatra: There were some issues and the Bank went through those difficult phases, but some of the parameters are good if the analysts have a look at them. The first parameter is CASA, that despite our bank reducing the rate of interest in the saving deposits and linking it with REPO, our growth in the savings deposits is reasonably good, so our CASA is very strong. Secondly, if you look at the liquidity coverage ratio which is 376%, which indicates money not deployed in the loan book are used in high-quality liquid assets. Normally investment in high-quality liquid assets reduces the yield but in our case, our yield on the investment including the trading profit, is going up. So that means we are investing in such a manner that we can extract the best. Today as I need growth capital and I will go to the market for the capital, I feel that the risk in investing in Central Bank of India because of these positives is much lower. If you look at the price to book value ratio today, it is half. These are my closing comments.

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