



“Central Bank of India Limited  
Q2 FY 23 Earnings Conference Call”  
October 20, 2022



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**MODERATOR:** **MR. RAJU - ANTIQUE STOCK BROKING**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q2 FY '23 Earnings Conference Call of Central Bank of India 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Raju from Antique Stock Broking. Thank you, and over to you.

**Raju:** Yes thank you, Yashasvi. Good afternoon, everyone. On behalf of Antique Stock Broking, I welcome you all to the Central Bank of India's Q2 FY '23 Earnings Call. I thank the management for providing this opportunity to host the call. So from the management side, today we have with us; Mr. M.V. Rao, MD & CEO; Mr. Alok Srivastava, Executive Director; Mr. Vivek Wahni, Executive Director, Mr. Rajeev Puri, Executive Director; and Mr. Mukul Dandige, Chief Financial Officer. Now without further delay, I hand over the call to Mr. Rao. Sir, for his opening remarks post which will have a Q&A session. Thank you and over to you, sir.

**M.V. Rao:** Yes. Thank you, and good afternoon to all the participants. Before presenting the detailed performance figures, just I will give the key highlights. Our total business now, it stands at INR 5.40 lakh crores, and CASA is at 50.99%, that is almost 51% of the total deposits. And the gross advances stands at INR 1.97 lakh crores. From the previous September, it is a growth of 12.20%.

RAM portfolio, it stands at INR 1.32 lakh crores with 13.37% growth. Coming to the profit loss side, operating profit, there is an increase of 20.97%. Now it has increased to INR 1,445 crores. Net profit, now it stands at INR 318 crores compared to the previous September '21, that is INR 250 crores, there is a growth of 27.20%. And interest income on advances has increased by 24.90%, now it stands at INR 3,577 crores.

NII, there is a growth of 24.52% and stands at INR 2,206 crores. Regarding the NIM, it stands at 3.44% now. Cost-to-income ratio, it is decreased from the previous 55.38% to 52.21%. Slippage ratio, it is 0.54%. Earlier in September '21, it was 1.45%. Credit cost, 2.59%, which was there in September '21. Now it has come down to 2.21% in September '22. But if you remove the front-loaded ageing provisions in September '22, trade cost will stand at 0.92%.

Asset quality, gross NPA has reduced from 15.52% to 9.67%, and net NPA 4.51% to 2.95%. And the PCR stands at 89.20% and CRAR at 13.56% And coming to the details of business figures. Now the total business has grown with 5.47%, where advances have grown at 12.20% and CASA deposits have grown at 4.24% and the CD ratio stands at 57.64%. Earlier in September '21, it was 52.29%. Now it has grown 535 bps, and it stands at 57.64%.

In the deposit mix, already I told you that CASA percentage stands at 50.99%. That is total CASA deposits is INR 1.74 lakh crores. Time deposits is INR 1.67 lakh crores and total

deposits is INR 3.43 lakh crore. Total deposit growth is 1.96%, Y-o-Y . Credit performance, RAM has increased by 13.37%, where retail has grown 18%, now stands at INR 57,411 crores.

Agriculture stands at INR 39,870 crores with 7.88% growth. The MSME stands at INR 35,684 crores with 12.59% growth. Corporate, which stands at INR 64,057 crores with 9.86% growth. Total gross advances stands at INR 1,97,022 crores with 12.20% growth. Total credit RWA, that is risk-weighted assets, it is at 65.04%. Total risk-weighted assets is INR 1,28,138 crores. So previously, this credit RWA was 65.41%, 37 bps have come down, 65.04% is the present figure.

And coming to the loan book, that is well diversified, the way we are maintaining our balance in the credit book with the RAM and corporate, it continues to be with the balance of 65/35. And INR 1.33 lakh crores is the RAM segment, and INR 64,057 crores in the corporate book. So total is INR 1.97 lakh crores.

In the retail segment also, it is dominated by the home loan segment with INR 34,141 crores, that is 59% of the total retail advance. Auto loan is INR 3,155 crores, Education loan is INR 3,408 crores. Personal loan is INR 3,115 crores, and the other retail loans are INR 13,592 crores. So total, this retail segment is 29.14% of the total advance. And in agriculture, I already told you that stands at INR 39,870 crores, and MSME is INR 35,684 crores. This is total division of the advances portfolio.

As far as the rated category is concerned, there is an increase in AAA category from earlier INR 10,222 crores to INR 18,251 crores. AA has increased from INR 10,870 crores to INR 13,505 crores. A rated has increased from INR 4,585 crores to INR 6,915 crores. So in the rated category, it has increased.

Regarding the disbursements, in the retail, agriculture, MSME, when you compare with the September '21 to September '22, total advance of disbursements has increased to INR 14,536 crores. In the previous September '21 for the half year, that disbursement was INR 7,162 crores, almost disbursement was doubled. So now total disbursement happened during this half year is INR 14,536 crores. We have started one more stream, that is co-lending, that is going well. Now total outstanding stands at INR 3,362 crores. In the previous September, it was just INR 355 crores, that time just we started this portfolio. Now almost INR 3,000 crores have increased in this portfolio.

Regarding the mandated targets, bank has achieved all the mandated targets, whether it is a priority sector, now it stands at 54.13% against 40%. Agricultural advances stands at 22.45% against the 18%. Weaker sections stands at 17.48% against 11.50% and advances to small and marginal farmers, it stands at 11.85% of ANBC against the norm of 9.50%. Regarding the financial performance, our total interest income, now it stands at INR 6,155 crores, Y-o-Y growth is 12% and quarter-on-quarter growth is 11%. And total interest expenses, it is now

stands at INR 3,408 crores, that is Y-o-Y growth is 3.65%. So when it comes to the NII, it stands at INR 2,747 crores with a growth rate of 24.52% Y-o-Y and quarter-to-quarter 28%.

Total income stands at INR 7,065 crores with a growth of 8.24% Y-o-Y and 11% quarter-on-quarter and operating profit, now it stands at INR 1,748 crores which is 20.97% increase on Y-o-Y and 43% increase on quarter-to-quarter basis. Provision, now it stands at INR 1,430 crores that is 21% growth from Y-o-Y and 45% from quarter-on-quarter. Our net profit, that is INR 318 crores compared to the previous September of INR 250 crores, there is an increase of 27% Y-o-Y basis. And likewise, our fee-based income is a slight dip in that. Y-o-Y, there is a minus degrowth of 11.99% which stands at INR 910 crores when compared with the INR 1,034 crores of the previous September. But with comparison after June '22, it has increased 9.51%.

Mainly, we have lost on the treasury side because of sale of investment earlier which was at INR 215 crores in September '21, it has come down to INR 31 crores in September '22. Coming to the provisions, in NPAs, now we made INR 1,070 crores. That is 29.85% more compared to quarter-on-quarter, on a year-to-year basis, 3.95% lesser. I already told you about the credit cost, much of the ageing provisions for the December and part of March quarter is also accounted for. And the standard assets provision stands at INR 162 crores, Income tax INR 305 crores. Total provisions is INR 1,430 crores.

And coming to the asset quality. Regarding the SMA accounts, which was 9.53% of the total advances in September '21, now it has come down to 6.67%. Here, we have included all types of advances, below INR 5 crores, above INR 5 crores, SMA-0, 1 and 2. So on the corporate side, above INR 5 crores, if you see, it is only INR 953 crores in September '22, it's total SMA, in which SMA-0 is INR 746 crores, we do not find any type of spread. It is only a matter of a few days within which these accounts get regularized. Only INR 169 crores is in the SMA-2. And likewise, up to INR 5 crores, it is INR 3,583 crores. So SMA accounts are also very much under control.

Coming to the gross NPA, which was 14.84% in March and 15.52% in September '21, now it has come down to 9.67%. Likewise, in net NPA, which was 4.51% in September '21, now it is below 3%, now it stands at 2.95%. Regarding the NPA movement, the opening balance was INR 28,156 crores. And slippages for this quarter is INR 886 crores, where INR 777 crores is the slippages from PA to NPA. And increase in the balance of existing NPA was INR 109 crores, total, INR 886 crores. And wherein upgradation happened INR 499 crores. Recovery, it is INR 719 crores. Regular write-off which is INR 82 crores. and technical write-off, INR 9,514 crores and total is INR 10,829 crores. And gross NPA stands at INR 19,059 crores, that is 9.67%. And regarding the sector-wise NPA -- net NPA, retail, it is 1.15%. Agriculture 6.99%, MSME 4.02%. Corporate, 1.44%. So even within the retail sector, housing is 1.19%, Vehicle loan 1.03%, Education loan 3.66%. Other personal segment loans is 0.61%.

Regarding the capital ratios, now we are comfortably at 13.56% with CET1 of 11.62% and Tier II of 1.94%. The leverage ratio is 4.51%. Regarding the coverage ratio, it is at 89.20%,

NIM stands at 3.44%. and slippage ratio is 0.54%. Cost of deposits is, 3.89%, Yield on advances is 7.37%.. Return on assets is 0.35%. And return on equity is 1.31%. Book value per share is 28.09. Credit cost is 2.21%. When we take out the front-loading of the provisions, it will stand at 0.92%. Cost-to-income ratio reduced from 55.38% to 52.21%. And business per employee now stands at INR 17.13 crores. Coming to the investment portfolio, and previously also in my interaction, we used to say it is well protected. Even in the month of March, June, we never had any M2M losses. Now also, we maintain the same track record. And just to share with you, in the AFS book, our modified duration stands at 1.55% and SLR 1.16%. PV01 is 4.12% and SLR 2.43%.

So entire book is protected against the fluctuations, what we foresee. And going forward, our guidance what we have given previously will continue to be there with the deposit growth of 8% to 10%. Advances growth slightly, we have revised it to 13% to 15% instead of 12% to 13%. Corporate credit; 65/35, we will continue to maintain, with plus or minus 5% variations. NIM will be around 3%. CASA, we will try to maintain at 50%, now we are at 51%. And the gross NPA, earlier we used to say that we will be reducing below 9% for the March '23, but we should be able to achieve below 10% in this half year itself.

Going forward, there will be further reduction in the gross NPA. And net NPA, we have given 2.75%. We will see that in the next quarter that we will be reaching this number. And cost-to-income ratio definitely will be bringing below 50%. This is from my side. And if anything is from your side, I'm happy to share the further information. Thank you.

**Moderator:**

Thank you very much. We will now begin for the question-and-answer-session. Anyone who wishes to ask a question, may press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets, while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have a first question from the line of Sohail Halai from Antique Stock Broking.

**Sohail Halai:**

Yes, and thank you for the opportunity and congratulations in terms of a good set of results and also coming out of the PCA. So I think so a lot of events. So heartiest congratulations to you, sir.

In terms of the questionnaires, basically there are a couple of questions. So once that you are out of the PCA, how do you look at basically in terms of your risk appetite and growth? I understand that you'll still continue to focus on RAM portfolio. But if you could just share whether there would be any change in the trajectory in terms of the business that we are pursuing. That's the first one, sir.

**M.V. Rao:**

See, as far as coming out of PCA, we are not going to change our business model drastically and we will continue to hold the same line, that is 65/35, plus or minus 5%. So that is a

combination in the trade book what we have planned, and we are sticking to the same thing. And as far as the risk appetite is concerned, we are more focused picking up the capital-light assets.

If you see my RWA, which is still at 65%, right now, so higher rated accounts and low risk-weighted assets only we are preferring because we have that pricing power, because of the CASA, we are at 51%. So right at this moment, for this financial year, there is no change in our approach as far as our business is concerned.

**Sohail Halai:**

Understood. Sir, second question relates to in terms of asset quality. We have seen a decline in slippages as well as your core credit cost, which you mentioned excluding the one-off has gone down to 90 basis points.

Just wanted to understand that we also have a significant amount of written-off pool. This quarter also, we had a written of around INR 9,500 crores. So sir, in your assessment for this year as well as next financial year, what is the kind of a credit cost that one should build and are you looking at basically recovery from written off account? How do we build that are you seeing any large account that would get resolved during the quarter?

**M.V. Rao:**

As far as the credit cost is concerned, our aim is to be below 1.25 always. That our efforts will continue to be on that front regarding the credit cost, maintaining the credit cost and that is our floor level, what we have said, that is a sky level we are giving.

But this time, you have observed, it is only 0.92 and going forward, our efforts will be in the same direction and credit cost will continue to be below 1. That is one part. Coming to the written-off, that is actually gold mine we are building up now. And this INR 9,000 crores is also fully provided. That's why we have taken the consideration of writing off on technical front. This is a gold mine and whatever the amount we recover, that actually adds to my bottom line. As far as any major accounts getting resolved, we are not forcing anything for this December quarter. Probably by March, some of the accounts may move to the NARCL. If at all it happens, that will add to my bottom line.

**Sohail Halai:**

But sir, any sense that you can give in terms of this recovery from write-off pool? What could be the recoverability, whether it could be a 10%, 15%, 20%? So any ballpark number that you have in mind that probably from this pool, this much will be recovered over a course of period?

**M.V. Rao:**

No. For this March, I'm not having anything except if something comes out from the NARCL. From our efforts, we are foreseeing that almost 2% to 3% of recovery by September of next year. It is not in this financial year.

**Sohail Halai:**

Understood. Sir, last question from my side. If I actually look at your other income breakup as well, so there is one thing other received that is PSLC and others. We are basically in terms of

have significant amount of priority sector lending but the PSLC fees is going down. So any light on that? Like what is happening? We understand that the premium has also gone down. If so, then why?

**M.V. Rao:** See, in the recent past, if you see the RBI circular, they have enhanced the coverage of priority sector. The banks which were purchasing earlier because, of this flexibility in the priority sector definition, now they don't require that much because of the enhancing the bucket of the priority sector. So even in that, we could able to sold 4,650 and almost INR 200 crores, we could be able to realize from that. Going forward, I don't think we are much more depending on this revenue stream as such on the PSLC.

We also understand that much more activities are also raising the cap in the priority sector is pushing the rates down in the PSLC certificate space.

**Sohail Halai:** So sir, will your strategy change towards PSL because we will do less of PSL, something like that, priority sector lending? Because here, even though credit costs would be higher...

**M.V. Rao:** No. It is not a lesser PSLC, because of enhancing the coverage, even INR 100 crores portfolio also in some of the activities, it comes under priority sector. There, I'm not having any limit of further charging ROA. So it's not any hindrance for us in any way.

**Moderator:** Thank you. We have a question from the line of Ashok Ajmera from Ajcon Global Services Limited. .

**Ashok Kumar Ajmera:** Yes, congratulations to you Rao Sir and the entire team for the fantastic set of numbers in this quarter two. And also coming out finally from the PCA framework which will give you at least some leverage, some flexibility, even though you are not changing your business model because of that. Sir, having said that, I've got a couple of observations and questions and complements to you for maintaining very good NIM, but the concern on the cost to income and the credit cost remains which you have explained to some extent.

I would like to have a little more details of it that how would it come down? While some specific questions are there, so that if you look at the sanction pipeline in the corporate credit, the sanctions and disbursement, if you see, as against INR 11,248 crore of sanctions, the disbursement is about INR 3,173 crores only, so only about 30% of the sanction. So whereas in other segments, it's not so. So what is holding on? Is it that the corporates are not drawing the limits or there is an issue with some documentation or procedure completion? So why that the disbursement is so low as compared to the sanctions in this particular quarter? This is my first question.

Secondly, sir, on Note 13, the fraud amount in this quarter of INR 54 crores, out of which borrower fraud is around INR 47.48 crores and the provision during the quarter of INR 2.3

crores, which means the bank holds full provision. So is it the full provision as per RBI norms or it's a 100% provision?

**M.V. Rao:** It is 100%. Yes, as per RBI, if any fraud is identified, that can be amortized for the next two or three quarters within that financial year. That option were not exercised. Because we have enough resources, we have provided fully.

**Ashok Kumar Ajmera:** So the provision is only INR 2.3 crores, whereas the fraud during the quarter is INR 54 crores. The note 13 says. if you read it out.

**Management:** Ajmera ji, if an account where I'm already holding 100% provision is identified as a fraud now and need not do any provision additional to it.

**Ashok Kumar Ajmera:** No, what I'm saying, the wordings of that note, the fraud amount to INR 54.03 crores in this quarter.

**Management:** Right.

**M.V. Rao:** What happens in this type of cases, these accounts were provided 100% even before declaring the account as fraud. Only in this quarter, after due process, the bank would have declared it as a fraud and it doesn't mean that we have not provided 100% for that.

**Ashok Kumar Ajmera:** All right. Yes, a point well taken, sir. Yes, this was a little confusing, so I thought we are saying 100% full provision and anyways?

**M.V. Rao:** It appears only 2422 crores, yes.

**Ashok Kumar Ajmera:** Sir, there is a pressure on the agriculture credit. I mean, as we read in the newspaper and, like as we talk and the news are there. Our aggregate portfolio is INR 39,870 crores, whereas the provision is around 6.7 or something. Do you see a pressure coming forward for more provisions in the agri portfolio?

**M.V. Rao:** No, we don't foresee much pressure as far as the asset quality is concerned. Because agriculture net NPA, stands at around 7% and that is well within our control. And here also, sir agriculture, nowadays, it is not that the old system of only that KCC what we call crop loan. And in many of the states, when nearing to the election or something is coming, people stop repayment. That's the type of risk we are slowly getting eliminated in terms of increasing the agriculture portfolio into the investment category. Agriculture investment, it is FPO (cropping) industry like that. So the original risk, what we used to have is no more -- much more predominant in our books right now.

**Ashok Kumar Ajmera:** All right, sir. Sir, one is on treasury. Our treasury so far is managed very well. I mean we don't see, but sir, going forward now, where do we stand, sir? Because now again, the interest rates



are still there is a scope of hardening because the inflation is not coming under control. So where do you see in the next two quarters, we will be able to manage without any major mark-to-market or investment loss in the investment book, sir?

**M.V. Rao:** Yes, full details our Executive Director Shri Vivek Wahi will give you.

**Vivek Wahi:** Ajmera ji, actually, see, your question on hardening of yields is right to an extent because we are also having a view that yields will further rise maybe in next three to six months before at least stabilizing, if not coming down. But you see, our SLR modified duration of SLR portfolio is just 1.16.

So we have a very healthy modified duration here. And our PV01 in our SLR portfolio is also just 2.43. So going forward, if you even touch to the level of even 7.75, we do not foresee any major MTM. And even for your information in September quarter also we had in fact, a reversal of more than INR 100 crores of the year. So we do not foresee any major hits.

**Ashok Kumar Ajmera:** My last question in this round sir is on the investment in the debenture bonds of INR 33,898 crores. Sir, how much is the major percentage, I think, must be in the well secured and government bonds? But is there any investment in these bonds and debentures which are below AA?

**Vivek Wahi:** Sir, majorly our quarterly investment pertains presently to only AAA government PSUs or even some market AAA issuance. Whereas if you see the number, a majority of it pertains to the bonds transferred from credit restructuring. So there, we do not foresee any further depreciation sort of things. So that portfolio is very limited.

So I don't see our treasury investment is purely in AAA. And although double AA is which we have done in COVID for those TLTRO, LTRO. They are all over, so now their investor remains only in AAA and most of them are in PSUs, instead marquee AAA companies, maybe the names of HDFC sort of thing. That's all.

**Moderator:** Thank you. Reminder to participants to press star and one to ask a question. We have our next question from the line of Prabal from Ambit Capital.

**Prabal:** Congrats on the good numbers. Sir, I want to make your sense on the growth in the deposits. So across all the banks and systems, we are seeing deposit growth slowing down. Even for us, the deposit growth has slowed down. What is the reason behind this?

**M.V. Rao:** As far as our bank is concerned, since our CD ratio in the previous year was 52%, we never focused more on increasing my liability portfolio. That's why if you see the differential rate of term deposits, ours is one of the lowest rate of interest on the term deposit. That's why that growth is almost negative in the term deposit. As far as the CASA is concerned in SB and

current there is a growth. And this time also, now we have reached 57.64% CD ratio. And we have enough lendable resources.

But to be in the market, in the previous ALCO meeting, we have studied other banks' deposit rates. And to protect our turf on the deposit side, we have also enhanced our rate of interest in certain buckets.

**Prabal:** Right. So you believe that despite having -- not only for us, so many persons and on us, we have quite a good cushion on the buffer side with respect to deposits. But just to prevent the market share now in an environment where deposits not coming so easy, we are going to raise rates across buckets.

**M.V. Rao:** No, that's why in some of the buckets, we have increased. If you see my reach, that is the network. We have 69% of my network is in the rural and semi-urban, where in more stuff in these areas, this is agnostic to the rate of interest. That we will continue to hold on to the deposits there even then. Because of other players are increasing, that's what I told you, to protect our own turf, we have increased the rate of interest in certain buckets after doing the analysis and whatever the data we have and historical runoff in the different periods, that we have taken into account and enhances rate of interest that will be continue towards the percentage.

**Prabal:** Very clear. Sir, on the corporate side, so the growth that is coming here, is it more of the utilization of previous sanction limits or is it the new demand which is driving this one?

**M.V. Rao:** See, in the corporate side, majority in between is on the infrastructure and specifically on the road side. There, disbursements that is distributed over a period of one to -- up to 370 to 400 days. So immediate pickup will not be there. The sanctions will be there and that withdrawal will be as per the progress. So it's not that unutilized limits, but it is only the withdrawals that has to happen during the course of time.

**Prabal:** Sir actually my question was that is the demand because of the **working capital** or is it the term demand that we are seeing, if you have to...

**M.V. Rao:** It's not that only on the working capital side or on the term loan side. But specifically, if we see that, I can put the figure of 60/40, 60 on the working capital side and 40 on the top loan side.

**Prabal:** And from your experience, you have to put a similar number let's say, few years back then what would this ratio has been?

**M.V. Rao:** I didn't get it. What is that?

**Management:** Two years back you know ratio, the term loan versus working capital.

- M.V. Rao:** That would be term loan may be negligible.
- Moderator:** Thank you. Ladies and gentlemen, to ask a question please press star and one on your phone now. We have our next question from the line of Sumere Sushil Choksey from Indus Equity Advisors Private Limited.
- Sumere Sushil Choksey:** Sir, my conversations is on our results as good set numbers, as of you know, coming out of the PCA. So I had a few questions, sir. Firstly, given that we are out of PCA now, what would be our strategy for undertaking branch expansion? Would we be more aggressive in opening more branches now?
- M.V. Rao:** For the physical branch expansion, we are not Gung ho on that. And wherever little things that are required by the government, that may not be more than five to 10 in a year that we'll have to open. But as far as the network is concerned, because we have already embarked on the digital journey and already we are in the process of bringing many more products on the digital line.
- Further, since we have enhanced our BC reach, earlier it was used to be 3,800, now we have 12,000, now we will be moving up to 15,000 as far as the BCs are concerned. So my customer touch points are moving up and the services which are being offered through BC outlet, we have enhanced from the earlier eight to nine services to the 38 services.
- So we don't foresee that the presence of a physical branch is required, but banking services will be made available and we have the reach and also connect and the way we have tying up with the partners like in co-lending and other tiers, that is going to help us. We are not going to increase the physical branch network.
- Sumere Sushil Choksey:** Understood. Sir, in your presentation, which you provided, on Slide 16, if we see, your unrated book has increased by 61% roughly year-on-year, so close to INR 4,000 crores. So can you share some light on the quality of borrowers in this portfolio?
- M.V. Rao:** See, unrated, if you correlate with the previous line of BB and below, what happened in this bank earlier, it was INR 5 crores was the limit, over and above each account has to be rated. When we have traded other banks, some of the banks, up to 50, they are not insisting for the rating. Majority of the banks, they have put the threshold level of INR 25 crores and above for the rating. In that scenario, what we have seen is good accounts having the more than 100% collateral coverage and time-tested parties were moving away just because we are insisting for the rating. Yes, for them, it is a cost also. So we have also increased our cap from 5 to 25, that's why many of these accounts have moved to the unrated category.
- Sumere Sushil Choksey:** Sir, our co-lending book has seen some very robust growth. So if you look at it in terms of this financial year-end, where could you see the numbers in terms of the book size ramping up purely on co-lending?

**M.V. Rao:** On co-lending, we are aiming around INR 7,500 crores. That is the minimum floor we have kept for the '23 March.

**Sumere Sushil Choksey:** And sir, if we see what many other players in the banking industry are looking to do, they're cementing partnerships with a lot of fintech players to grow businesses in a mutually beneficial manner. These entities at times tend to have expertise in terms of customer acquisition. So are we looking to leverage this and enter into any partnerships as such?

**M.V. Rao:** Yes, that is happening from our side.

**Sumere Sushil Choksey:** Understood, sir. And sir, so just as an add-on on this will shed some light on that. Would we be looking to use these guys to source customers for ourselves and once we acquire them, provide further value upgrade products? Is this something you're looking at as a strategy?

**M.V. Rao:** Yes, that we are looking at. And then in already we have started with a nimble-footedness. And then we are evaluating so that we are also getting the experience in handling these partners and also ultimate customers. These things are already started at our end. And once we get confidence in that, we will move aggressively.

**Moderator:** Thank you Reminder to participants to press star and one to ask a question. We have our next question from the line of Sushil Choksey from Indus Equity Advisors.

**Sushil Choksey:** Congratulations on the performance.

**M.V. Rao:** Thank you.

**Sushil Choksey:** Specific note for stable CASA and treasury performance. Sir, now we have reenergized ourselves coming out of all the hurdles. And with the core strength of CASA and the reach which we have developed over the years, where do we see the outlook accelerating from here and not seeking only numbers from a performance point. If I take a 12 to 18 month outlook, where do we figure in the stack where we either corporate or consumer or multiple digital or whatever required?

**M.V. Rao:** This is a very big catalog painting you are asking, but let me give you some glimpses of the big picture, what we have. The co-lending partnership, collaboration, fintech, the area what we started in the previous year. Now we are moving aggressively and probably in the total credit book of INR 2 lakh crores credit book.

In the similar percentage, we are eyeing not less than 10% from these lines for these next 18 months. And then sourcing of the businesses and acquisition of the customers, it is main stay will be through the brick-and-mortar channels because we have larger presence in rural and semi-urban. But for the urban and metro, with the differentiated customer acquisition, we will be moving on to the digital channels.

This is a broad way of only putting the things how customers will be acquired. And as far as the businesses are concerned, we have the traditional businesses that we will continue to leverage. And then new businesses, anyhow we have opened up one more vertical in the bank where General Manager is heading that emerging businesses, that he will be handling and that we'll be expanding further, but to put the numbers, that will be very naive and also very difficult at this moment.

**Sushil Choksey:** Sir, my next question was where we stand today where MCLR is concerned, housing market led by Mr. Puri and the retail team or MSME. How do we foresee ourselves that we grow faster than the industry to capture the market share because of our strength in CASA and our MCLR is taken?

**M.V. Rao:** See, that is very much evident from our figures also what we have provided. This Y-o-Y growth in housing is 22% for me. So this is precisely because of the aggressiveness what we have on our housing portfolio. Likewise, the portfolios where we see that have to move fast, always we leverage with our pricing.

**Sushil Choksey:** Sir, I understand that we have grown and we are doing far better than many of our competitive peers or many others, but enablers, because this is a very sensitive market and the market can sense that Central Bank can do a better efficient job than where we stand from the past. So enabling those kind of prevailing situations which are in our favor, can we accelerate? Or can we sense that in second half or time to come, our growth will be much ahead of what is visible as of today? That's what my first question.

**M.V. Rao:** Yes, exactly. That's why I have changed my forecast of credit growth. Earlier we used to say 10% to 12%. Now we have given 13% to 15% for this half year.

**Management:** And maintaining 35/65.

**Sushil Choksey:** And secondly, sir, do we sense that housing can similar way SME lap, which many of these NBFCs are doing, borrowing from open lending or maybe consumer loans where average ticket is little reasonable today, those kind of loans also we'll be able to do because we are also taking digital initiatives?

**M.V. Rao:** Yes. We are very much on the track. That's why there is an increase in that portfolio. But as far as the unsecured loans are concerned, we are not moving with any aggressiveness and we have not opened up on the unsecured portfolio. On the secured, with the mortgages, whether it is SME or any business loan backed by the mortgages, that we are moving fast.

**Sushil Choksey:** But these loans will be originated by a bank or this is under the co-lending model?

**M.V. Rao:** On both the sides. In co-lending also, we are pursuing and then bank our own network also, we are getting the business.

- Sushil Choksey:** But is it possible that co-lending is a part and partnership where we may be doing 80/20, 70/30? But our own branches footfall and connectivity with so many customers who bank with us, but the borrowings are with some other banks. So that kind of gold mining would lead to much better with our captive customers possibly?
- M.V. Rao:** Exactly. That also, through business analytics, we are already moving on to that. That database is also ready with us and we are getting good results also on this.
- Sushil Choksey:** And I heard -- sir why you comment that we would do well for time to come with 7.75 on a 10-year reset to, does it mean that we are churning or earning and current volatility of the market even today in the treasury?
- Management:** Sir, Choksey ji, I think the rising yield scenario churning does not have much scope. Only thing is that we may build some duration gradually. But as you see, our PV01 SLR is just 2.43 and our SLR AFS book, is the book which is really affected is hardly around the INR 10,000 crores. So that way, we are protected. I mean even if there is a jump of around 30, 40 basis points in the yield, our maximum hit would not be even cross INR 50 crores. So that would not be some of worry for us.
- Sushil Choksey:** So your experience is rewarding the bank, but can we take an extra mileage for profitability even in this circumstances added numbers?
- Management:** For the time being, we are cautious because it is a rising yield scenario. We don't want to build duration. But going forward, for interest income, we are trying to manage and putting in some long-yielding efforts. That's all.
- M.V. Rao:** And one more lucrative opportunity that was explored is placements. That's yielding very good return on that, even to the extent of 7.8 to 7.9, around 8 also, we are getting in that.
- Management:** Yes.
- Sushil Choksey:** So can you elaborate a bit on that?
- Management:** Sir, we have surplus rupee funds. And what we do is we do it buy-sell-swap with these rupee funds which is on back-to-back. And then by buying dollars, we place those dollars to India-based banks abroad who need dollar funds for their funding. So this buy-sell premium plus the interest on deposits, that total yield, as MD sir is saying that sometimes we even get to the extent of it.
- And all these swaps are ranging from three to nine months or next one year. So that gives us a very decent income. And very few banks in the industry are doing it because you have to be surplus on the rupee side and you need to have lines with your overseas name.

- Sushil Choksey:** What about Indo-Zambia and Cent Bank Home Finance Ltd?
- M.V. Rao:** Cent Bank Home Finance Ltd is a domestic subsidiary?
- Sushil Choksey:** No, what is the outlook on that?
- M.V. Rao:** Cent Bank Home Finance Ltd outlook is we have fixed some decent numbers.
- Management:** What we have done in Cent Bank Home Finance Ltd, that we have given a very aggressive target at this side because of the low base. We have gone in for the expansion of the branch network. We have gone in for the upgradation of technology. Therefore, the way forward even for Central bank also looks very good. Continues to be a good earning asset. Our investment remains is very old. It remains same, and we get a decent dividend every year. So that is a good earning investment.
- Moderator:** Thank you. Ladies and gentlemen, to ask a question please press star and one on your phone. We have a next question from the line of Nimish Maheshwari from RSPN Ventures.
- Nimish Maheshwari:** Congratulation on good set of numbers and I have two questions. First is the write-off during this quarter is INR 9,500 crores technical write-off. What does this include? And how much recovery we expect moving on? And another question is provision increased in this quarter. So can you a little bit explain, in the upcoming scenario, what will be the trajectory in the provisioning?
- M.V. Rao:** See, as far as the write-off is concerned, all these accounts were provided with 100%. Only those accounts who are picked up and we have gone for a technical write-down. As far as the recovery in these technical written-off accounts, we don't foresee much recovery in this financial year. If at all if it comes, it is only adding to the bottom line, that's all. That is one part. Second, coming to the provision is already what I explained regarding the credit cost part, where front loading of ageing provisions for the December quarter and part of March is also accounted for in our books for the September. This is how this provisions the number -- specific thing you want here?
- Nimish Maheshwari:** That will moderate in the upcoming quarters?
- M.V. Rao:** Exactly. That's what is going to happen.
- Management:** We want to avoid the spikes which will sometimes get due to ageing provisions.
- Nimish Maheshwari:** It will be mostly below INR 1,000 crores?
- M.V. Rao:** It is more than that we have accounted for.

- Nimish Maheshwari:** Yes. In this quarter, we accounted INR 1,450 crores, and we are expecting less than INR 1,000 crores in the upcoming quarters?
- M.V. Rao:** Yes.
- Operator:** Thank you sir. Ladies and gentlemen, to ask a question please press star and one now. As there are no more questions, I would now like to hand the conference over to Mr. Raju from Antique Stock Broking. Please go ahead, sir.
- Raju:** Thank you sir for your detailed insight and giving us this opportunity to host the call. Once again, thank you.
- M.V. Rao:** Thank you. Thank you very much from our side. And we all wish you a very Happy Dipawali to you and your team.
- Moderator:** Thank you, sir. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.