



“Central Bank of India
Q1 FY '24 Earnings Conference Call”
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MANAGEMENT: **MR. M.V. RAO – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CENTRAL BANK OF INDIA**
MR. VIVEK WAHI – EXECUTIVE DIRECTOR – CENTRAL BANK OF INDIA
MR. M V MURALI KRISHNA – EXECUTIVE DIRECTOR – CENTRAL BANK OF INDIA
MR. MUKUL DANDIGE – CHIEF FINANCIAL OFFICER – CENTRAL BANK OF INDIA

MODERATOR: **MR. RAJU BARNAWAL – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Central Bank of India Q1 FY '24 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 star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Raju Barnawal. Thank you, and over to you, sir.

Raju Barnawal: Thank you, Aman. Good afternoon, everyone. On behalf of Antique Stock Broking Limited, I welcome you all to the Central Bank of India Q1 FY '24 Earnings Conference Call. And I thank the management for providing this opportunity to host a call. From the senior management side, today we have with us Mr. M. V. Rao, MD and CEO, Mr. Vivek Wahi, Executive Director, Mr. M. V. Murali Krishna, Executive Director, and Mr. Mukul Dandige, Chief Financial Officer.

So now without further delay I hand over the call to MD sir for his opening remarks post which we 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. And let me thank wholeheartedly for your time investing in our analysis part. I will give the brief highlights of our performance for this June quarter. And detailed financial presentation will be done by our CFO. Coming to the highlights, let me share the happy news that this is the ninth straight quarter where banks have recorded the net profit, and this net profit has jumped by 77.87%. Now, it stands at INR418 crores, compared with June '22 amount of INR 235 crores.

And coming to the gross NPA which was 14.90% now it has come down to 4.95%. So net NPA stands at 1.75% and then provision coverage ratio now stands at 92.23% and operating profit grew by 50.53% now stands at INR1,838 crores. Net interest income, NII, increased by 48% now at INR 3,176 crores. NIM improved to 3.62%, showing a growth of 74 bps and return on assets, there is an improvement of 16 basis points, now stands at 0.43%. Return on equity is 1.63% vis-a-vis 0.98% of financial year '22. And CRAR that Capital Risk Asset Ratio has improved to 14.42%.

Coming to the other ratios, like yield on advances, now it stands at 8.29%, which is 195 basis points higher than the previous June '22, which was at 6.34%. And the yield on investments is at 6.50%, which is 37 basis points more than the previous June '22. Cost of funds slightly increased because of the increase in the rate of interest in all the deposits. Now it stands at 4.42%.

Cost of deposit is okay. Coming to the NIM, now it stands at 3.62%, which is 74 basis points more than the June '22, which was at 2.88%. And coming to the credit cost, now it stands at 0.45. And in the previous June '22, it was 1.78%. Coming to the ROA, already I told you it is at 0.43%. These are all the financial highlights and regarding the details, anyhow we have uploaded our presentation in the website, probably you

must have gone through, but anyhow our CFO will explain with little bit details. Thank you.

Mukul Dandige:

So, the total interest income has improved by 30.75% on a Y-o-Y basis and it stands at INR 7,225 crores. The total interest expenses have gone up by 19.65% at INR 4,049 crores and in net interest income as MD sir said it has registered an increase of 48.27% and it stands at INR3,176 crores now. The operating profit which is a significant part has improved by 50.53% and it stands at INR1,838 crores and the net profit improved by INR77.87 crores and it stands at INR418 crores as compared to INR235 crores for the June 22 quarter .

The fee-based income has remained more or less the same at INR401 crores compared to INR406 crores for the previous quarter. The major part of fee-based income is our service charges which is at INR276 crores, the treasury income which is at INR282 crores. Then the expenses part, if we come to the interest, expenses have moved to INR4,049 crores registering an increase of 19.65% and the interest paid on deposits which is the major component has registered an increase of 20.07% and it is at INR3,930 crores.

The operating expenses have increased by 31.11% at INR2,297 crores. Major portion of that is the staff cost, which is now at INR1,490 crores registering an increase of 31.98%. As far as the provisions and contingencies is concerned, the provision made for NPAs is INR244 crores which is lower by 70.39% on a Y-o-Y basis. The standard asset provision has increased to INR632 crores from a write-back of INR38 crores.

The tax outgo has increased to INR607 crores compared to INR73 crores during the same period last financial year. So the total provisions are at INR1,420 crores. The asset quality as I mentioned, the gross NPA has moved from 14.90% to 4.95% and the net NPA has moved from 3.93% to 1.75%. In absolute terms also the net NPA amount has come down from INR6,785 crores to INR3,718 crores.

If we see the sector-wise NPA, there also there is substantial improvement during this quarter and the net NPA in total net NPA is 1.75% with retail at 0.74%, agriculture and allied at 4.58, MSME at 3.13 and the corporate and others at 0.38%. The capital adequacy ratio is at 14.42% compared to 13.33% in June '22, wherein the CET has improved from 11.41% to 12.13% now. And similarly, the leverage ratio has improved from 4.32% to 4.94%. This is after reckoning the net present value of the recapitalization bonds which the government of India has issued.

Thereafter, the business performance if we see, the special mention accounts, above INR5 crores book, the outstanding was at INR1,200 crores in June '22. That has gone up to INR2,750 crores in June 23 because of one major account under corporate category where it has come under stress.

Thereafter, if we see the business performance, our total business has improved by 8.55% and stands at INR5,83,261 crores. The deposits have shown an improvement of 6.05% and stand at INR3,63,398 crores. CASA grew at 3.17% and has crossed

INR1,80,000 crores mark. And the total advances growth was 12.95% and the total advances stand at INR2,19,863 crores.

RAM, which constitutes almost 66% of our total advances, has grown by 13.15% and it stands at INR1,44,477 crores. Within deposits, the total constitution is current has slightly de-grown by 2.76%, savings has grown by 3.81% and the core time deposits have grown by 9.07%. The retail, which is one of the focus areas of the bank, has grown at 17.11%. MSME has grown at 15.46% and agriculture has grown at 5.51%. So that comprises, I mean that constitutes the total growth in advances at 12.95%. The credit risk-weighted assets also have remained more or less the same and we continue to be under 65% of credit risk-weighted assets to total gross advances ratio.

The bank has got a very diversified loan book with risks spread across various sectors, housing loan, auto, personal loan and education loan comprising the total retail book of INR63,641 crores. Agriculture comprises INR40,812 crores which is 19% of the book. MSME is INR40,024 crores, which is 18% of the book and corporate credit is INR75,386 crores, which is roughly about 34% of the total book.

The total composition of the retail book is home loan constitutes almost 62% of our total retail portfolio and the growth in home loan was 24.37%. Auto loan is 5%, roughly, of the total loan book. The growth was 2.65%. Education loan, we have done a lot of education loan for the elite institutions of IITs and IIMs and the growth there was 8.04%. The personal loan segment, because of a very low base, has shown a good improvement now at 26.70% and it constitutes only 5.96% of the total retail advances.

Rated standard advances, as the bank has got a policy of, I mean, because of the advantage in CASA that we are enjoying, so we have that luxury of getting good rated corporate accounts. So we have continued that journey and AAA, AA and A rated advances have shown an increase in the total rated advances book. Out of INR78,094 crores worth of eligible accounts and rated accounts, INR66,423 crores comprises of BBB and above rated books.

The sanctions and disbursements under normal and also co-lending have shown a very good uptick and our co-lending book where we had the first mover advantage, we still continue to hold on to that advantage and the co-lending book has touched INR7,178.50 crores as of 30 June, 2023. We have achieved all the mandated targets under the priority sector and not only achieved, we have surpassed those targets.

As far as the other important ratios are concerned, the provision coverage ratio is at 92.23%. Our net interest margin as MD sir has told it is at 3.62% for the current financial year this current quarter. So those were the other highlights of our performance.

Now I request for any of the questions. We are open for the questions. Investment book, because it comprises almost INR1,43,500 crores of our book, so investment book has remained almost same, but it is very-very well spread out and government

securities are at INR1,06,125 crores, the debentures and bonds are at INR31,009 crores and the others are at INR2,819 crores. If we see the yield on investment has shown an uptick at 6.50% and the yield on investment if we include the trading profit it has crossed 6.81%. All this keeping the M duration under check at 1.93%, whereas the 10-year benchmark yield is at 7.11%.

I will also tell you about the distribution across HTM, AFS and HFT of the Treasury book. So under HTM we have almost 74.05% of the total book at INR104712 crores. AFS is INR36,431 crores at 25.76% and held for trading is only INR261 crores. This was June '22. Vis-a-vis if we see now in June '23, out of INR1,43,500 crores, the HTM book is INR1,06,097 crores, which is almost 74%. AFS book is 25.73% at INR36,924 crores and HFT is INR479 crores, which is 0.33% only.

The modified duration if you see during this financial, I mean, comparable period, now that modified duration stands at 1.93% and the modified duration only for the SLR portfolio is also at 1.62% only.

That is all I had to say. Now we are open for any questions that analysts may be having. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer-session. The first question is in the line of Ashok Ajmera from Ajcon Global Services Limited. Please go ahead.

Ashok Ajmera:

Thank you for giving me this opportunity. Before I start, let me congratulate Mr. Mukul Dandige for having his name having been cleared to be appointed as the Executive Director. Compliments to you, sir. And compliments to Mr. Rao and the entire team for a very good set of numbers. If you compare the numbers with the corresponding figures, because in the last one year also the bank has really performed very well.

Having said that, on this particular quarter, on the June quarter, sir, I have got certain observations and some questions and some few clarifications. One is that our, we have done a major write-off in this quarter, in fact, of a huge amount of almost about INR8,000 crores, against INR9,500 crores of the entire year last year. So one was the strategy and the, I mean, what is the planning went behind it and what is the reason? Of course, it's a very good thing that we have come, our gross NPA has come below 5% for the first time after so many years.

Secondly, on net advances, I'm talking mainly on the quarter, sequential. I have gone up to INR2,12,690 crores, against INR202984 crores. So about, almost about INR10,000 crores or INR9,500 crores increase, increment in the net advances. Where has this come from? I mean, in which sector. And again, if you can give some color on that.

And third thing is on the HMA book for this quarter. I think, the book has gone a little bit deteriorated, if you compare with the last quarter. You know, above INR5 crores, it has gone up to INR2,750 crores. And in fact, SMA2 has gone up to INR180 crores

against INR40 crores only. Similarly, below INR5 crores, it has gone to INR3,581 crores, against only INR267 crores. And if you check these, here also the SMA2 I'm talking about mainly. SMA1 of course has come down, but what about SMA0, SMA2, and overall. So what do you read in it? I mean, are there more delinquencies? What is the future? I mean, coming in the coming quarter, what are we going to see? Are we going to see some pressure on that?

And other one is on the income front. We have done well on the profit before tax, INR1,025 crores, as compared to INR903 crores in the last quarter, but because of the higher tax provision of INR606 crores, against INR332 crores, so this INR606 crores on a profit of, I mean, is there any other element other than the direct tax and whether the tax is payable or the DTA is, all those adjustments are taken care of. So net amount payable is maybe less or something. So on the tax front, if you can just highlight, I have got a couple of more questions also on the investment book, but then I'll come later once you please give the answers to this question. Thank you.

Management:

Mukul, give the clarification on the tax issue.

Mukul Dandige:

Tax part, sir, I can clear. If you see, sir, the provisions majorly have gone up on standard assets, where I do not create any DTA. So because of that, the tax outgo has been there. So that is why it appears that the effective tax rate is almost like 69%. So because on standard asset also, I have to create I mean, tax outgo will be there at 34.599%. INR632 crores, that provision is made on the standard asset. Right, standard asset which we provisioned, we do not create any DTA.

M. V. Rao:

And Ajmera, sir, regarding this SMA account, your observation was very much in the right perspective. Just I would like to give the clarification. This is the bank where we give the entire SMA book that gives the above INR5 crores and below INR5 crores put together. It is not just above INR5 crores we give. It is the entire SMA book we provide to all our investors because to maintain the transparency and to have a clear insights of the SME. Having said that, regarding the above INR5 crores, there is an increase that you what you observed. It is just because of one big account of the aviation industry that has come into the SMA 0.

Ashok Ajmera:

Go Air?

M. V. Rao:

I do not want to give the name that what you are saying must be in the similar line, Okay. Because of one account that has gone up above INR5 crores, we have enough buffers in that, which we have given to stock exchanges when this item came up in the newspapers just two and a half months. And coming to the up to INR5 crores, there is an increase. In that increase also, when we have analysed, the majority is from the GECL book. Actually, when we have seen the GECL, total sanctions what we have in the GECL is around INR6,900 crores and right now outstanding is only INR2,932 crores in which total SMA book in this GECL is INR1,257 crores.

So this is the actual SMA granularity part, where that spurt is there in the up to INR5 crores bracket. This is the SMA analysis and to give the confidence to all my

participants here, let me make it clear that, our slippage ratio is 0.53% and going forward also, we have the full grip on the regularization of these accounts. Even if something extreme happens, because GECL book is completely protected in terms of the coverage, guarantee coverage that is available, but this is not the point for complacency for the bank, but recovery efforts will continue.

And our endeavour at that point of time is to ensure that, these units starts working and they continue to work. If something happens, it comes into NPA that recovery measures will continue. This is a limited submission, if something extra the details required, we are ready to provide. Thank you.

Ashok Ajmera: Sir, on the credit terms, the net advance has increased by INR9,706 crores. That was my first question. What is the component of that segment?

Mukul Dandige: Ajmera, sir, in retail advances, if you see, retail there is a growth of 17.11%, MSME there is a growth of 15.46%, and agriculture there is a growth of 5.51% corporate has grown by 12.58%.

Ashok Ajmera: I am talking only for this quarter, sir. Sir, main growth, in net advances which is INR2,12,690 crores versus INR2,02,984 crores, where has this come from, which segments and where?

Mukul Dandige: See, net advances basically, sir, because of the technical write-off also, because the provision held in earlier quarter was comparatively higher. So the net advance was comparatively lower. Now this time around because of this technical write-off of INR7,804,crore the net advances have increased.

M. V. Rao: You want the details of this INR9,800 crores? What you want?

Ashok Ajmera: What point I'm deriving is that, in this quarter, the advance is then in that case, real advance real credit is mute maybe 0.5% or 0.6%, isn't it?

M. V. Rao: No, it is reverse, sir. Actually whatever the increase that you are seeing from March to June, add the technical write-off also to that,. the actual increase in advances will cross the 16% to 17%.

Ashok Ajmera: So that's what, only I'm saying, sir, that if it is a real credit in this quarter, where has it come from?

M. V. Rao: You want the retail, how much disbursement and sanctions done in this quarter? Yes, we will give you the details.

Ashok Ajmera: Because it is net to net.

M. V. Rao: Yes, we understand.

Ashok Ajmera: The gross I can understand, because of the technical write off. That is what I was going to say Anyway, sir, I will pass this question. I will take it offline. Then my

question is on, sir, another one is on co-lending. Co-lending, we have performed very well. And our book is now more than INR7,700 crores. Can you give some color on that, sir? What kind of yield are we getting? What is the slippage or NPAs situation there? Is there any particular problem in some of the accounts or some places?

M. V. Rao: Let me tell you, sir. In co-lending, we have the total outstanding of INR7,178 crores. In this, SMA is around INR218 crores. And actual NPA, what has slipped is INR2.79 crores. It comes into decimals only. I cannot put it in percentage because out of INR7,178 crores, it is only a fraction that has gone into the NPA and a very small amount less than 1% will be under total SMA.

Ashok Ajmera: That is greatly commendable, sir.

Moderator: Mr. Ajmera. Sorry to interrupt you. Thank you. The next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: Sir, congratulations to Central Bank team for a very sustainable result and very growth oriented outlook for the year on the guidance side. Sir, my first question, I'll take it from Mr. Ajmera, where he left. You've done remarkably well, where co-lending is concerned on INR7,000 crores. Can you just break up, what sectors is it more on housing or MSME or what is it starting with?

M. V. Rao: Maximum is in housing and in that, it constitutes around INR4,600 crores and followed by the MSME, it is INR2,552 crores.

Sushil Choksey: Sir, seeing our book at INR39,000 crores on housing currently and where our MCLR stands, do you foresee that, our net advances on the annual basis in FY '24, almost 25% of our advances or almost nearing 27% to 30% will be housing loans in the book?

M. V. Rao: Yes, it should be in a similar way. See, one thing, sir, what we are doing here is consciously, we are maintaining the balance of 65%, 35%. I'm explaining this 65%, and 35% part. Even in that 65% RAM segment, retail, agriculture, MSME, almost it contributes 30%. Another 30%, remaining is 40%. So in that similar proportion, whatever the disbursement we are making, we are consciously seeing that, growth should be in such a way that, this broader ratio should not get disturbed. In that way, we are acting. And coming to the nitty-gritties of exact housing, your observation will be right, that we will be reaching a growth of 25% to 27% in housing.

Sushil Choksey: My next question is more on treasury outlook. Mr. Wahi last year had forecasted very well and we were the first of the block among all the banks, whether it was private or public on forecasting. What's the outlook of the bank and Mr. Wahi on the quarter and the year to come by on treasury?

Vivek Wahi: See, treasury forecast more or less continues to hold, what I had expressed in the quarter of March. There could be a minuscule rate hike possible in Indian tax. In US economy, of course, we are eyeing at least one or two hikes but almost Indian bond

market again 7.25% continues to be a top-ish level. Presently, it is 7.10%. So from Q4 or now of course, it is a dynamic situation. From Q4, we are seeing some reduction in the duration as well as we also, that is why, we are building a little bit on our duration book also. So this is our forecast and we are still holding on to that.

Sushil Choksey: Sir, couple of questions I'm combining. One is what is outstanding sanction limit? Second thing what's the outlook on subsidiaries I see a great profit achieved in all the Grameen Bank and some of the subsidiaries. And third is, do you estimate our advances growth much higher than the system because based on our CASA matching advances, we have much higher and better potential on a sustainable CASA to garner at least retail advances higher than the system?

M. V. Rao: Sir, as far as growth in the advances, we will be very, very conscious. We will never put the accelerator on that, never be aggressive. Having said that, since our CD ratio is 60%, and to achieve a reasonable bottom line we should reach at 70%. But whatever forecast we have given for the March '24 will be, we will be reaching around 66% to 67%. So, in the similar way our activity will be there.

Sushil Choksey: But will it led by retail or it will be led corporate

M. V. Rao: 65-35 that's what I am saying because my bigger picture always remains the same on the credit books. So, whatever the percentage that is required accordingly we will tweak and we will accelerate our activities in that particular direction.

Sushil Choksey: The brand, Central Bank is attracting a lot on RAM and specifically on retail and including co-lending, so that was the question pertaining to that?

M. V. Rao: Yes.

Sushil Choksey: Sir, before too many questions come on the airline accounts, how much of provision and assets we have as security, I understand that there is not going to be any liability on the bank where this account on provisions are required, I mean provisions may be required, but NPA is not likely to happen in absolute terms?

M. V. Rao: See, in absolute terms almost we are holding 67% of the provisions. So, we are not much worried on this account because we have already built up the enough buffers for the extreme scenario.

Sushil Choksey: But is my understanding right that we hold sufficient assets where other than the airline in terms of guarantee, personal guarantee and others to back the loan program which we have originated for the...

M. V. Rao: Yes, I think in the entire industry this is the account where we have good collaterals.

Sushil Choksey: Sir, on the subsidiary you didn't answer the profitability aspect?

M. V. Rao: Just a minute subsidiary both are profit making. Both the RRBs are profit making. What is that specifically you want on the RRBs?

- Sushil Choksey:** Is the profit sustainable because that can add to...
- M. V. Rao:** Yes, it is sustainable because these two RRBs already they have presented to us three year roadmap for their turnaround and already one year is over and they are on the same track. And wherever any support is required our bank is also providing handholding for them. So, they are on track and they are showing the profits and whatever the liabilities that were there regarding the pension liabilities as per the Supreme Court that is also fully provided for. Now there is no amortization or anything in that book.
- Sushil Choksey:** So, our share of profit based on the numbers provided is sustainable for the year, that's what you assume?
- M. V. Rao:** Yes, correct.
- Sushil Choksey:** Sir, my last question on the government holding. I think we've reached a state that we may be taking a little positive flight on the much faster than the system. What is your outlook on the holding patterns?
- M. V. Rao:** That is, let me not divulge the things which right now under discussion with the government. Let us wait for some more time.
- Moderator:** Mr. Choksey, may I request you to join the queue for any follow-up as we have several participants waiting for their turn. The next question is from the line of Drashti from ThinQwise Wealth Managers. Please go ahead. It seems as there is no response from the current participants. Hence, we will move to the next question that is from the line of Akash Jain from Ajcon Global Services Limited. Please go ahead.
- Akash Jain:** Congratulations, sir, on a good set of number. My question pertains on the outlook on credit cost. What is the outlook for the credit cost for FY '24 and what is the recovery target from return of accounts?
- M. V. Rao:** As far as the credit cost for the FY '24 is below one, that is the guidance we have given and we will continue to hold on to that.
- Akash Jain:** Okay. And with cost to income ratio also going down right now the ROE is at a subdued level, so what is our expectation in terms of improvement in ROE?
- Mukul Dandige:** See, the ROE last time -- last financial year the ROE was at 6.42%. So, we expect that this time around it should be in the range of 7% to 8% minimum.
- Akash Jain:** Okay. And target for recovery from written-off accounts?
- M. V. Rao:** See, written-off accounts, let me tell you, major chunk of written-off that is what I'm saying is a technical write-off. It is not the regular write-off. Regular write-off, it will be only a miniscule part that comes and whereas in the technical write-off, unless until there is some resolution whether if accounts are taken by the NARCL or some

resolution happens in the NCLT then we will have some kind of positive movement in the recovery.

As far as March '23 earlier we had INR1,200 crores in this segment. Let us wait for the developments what is going to happen, because in the June quarter we had only INR190 crores till now. Unless and until major chunk, accounts resolution happens, so we can't expect anything in this TWO accounts.

Akash Jain: Okay., thank you, sir. That is all from my side.

Moderator: Thank you. Next question is a follow-up question from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.

Ashok Ajmera: Yes,. Sir, a little more dwelling on that airline account only, GoAir account only. Sir, I believe that our total exposure including fund-based, non-fund-based altogether is around, in the range of around INR2,000 crores. Now our provisions are also you said is sufficiently provided for 60%, -65%. But what is my question is that provision is one thing I mean which is an accounting things, but actually if something goes wrong, how much out of this INR2,000 crores our bank will be because Bank of Baroda is also there. They also got substantial exposure lesser than us?

M. V. Rao: Let me give you the figure, sir. It is almost INR1,930 crores that is the total amount exposure, of which almost INR620 crores is guaranteed by the government under GECL. So, our actual exposure comes to INR1,400 and against which already we are holding around INR800 crores provision. And whatever the collateral we have, we are sufficiently secured and we are not seeing any type of haircut or loss even in the extreme situation. Having said this, let us be aware that this company is admitted under Section 10 of the IBC, not for the insolvency or bankruptcy purpose.

It is as if to preserve and then to take up the operations once again. So, in this direction it got admitted and then necessary inspections that is also happening from the DGCA. And there is some positive movement in the arbitration, final arbitration at the Singapore arbitration also. So, in all possibility, we are optimistic as far as this particular company activities are concerned.

Ashok Ajmera: Sir, thanks a lot sir, for giving a great insight. In fact, that gives a lot of comfort. And you are always very transparent and because this was one major account which suddenly came up like otherwise even our profitability and bottom line also would have been much better than because of this provision, it has affected the basic targets which we were making, .

But anyway, my second question which I couldn't ask in the last time is on the overall treasury, of course, a little bit explanation has been given about the treasury book and the modified duration period. But just going forward with this, I think yield is around 7.11% and our modified duration is 1.93% or 1.75% in some the thing and we have our comfortable AFS book and very small book for the sale. So, what is the future

outlook on treasury now going forward because our rates are almost stable here. In U.S., still some pain is there. So, considering that...

M. V. Rao: Let me tell you, sir, our philosophy for our treasury is very simple. When we have seen our credit book and investment book the principle on which we are operating is, let us not have any losses from the treasury books and we don't expect profits also, we expect only reasonable return for the amounts what is being invested in my investment book.

Ashok Ajmera: No, that's a very good especially in these times. It's a very good strategy which you are adopting and of course even the treasury income is also quarter-on-quarter is becoming good only as against INR128 crores this side treasury income was INR282 crores. So, definitely, and thanks for giving your perspective on that. Having said that, sir, I just want to know the overall restructured book including the GECL and how much percentage, as per our experience we feel or we think can be slipped?

M. V. Rao: See, total restructured book what we have is INR6,400 crores of which a standard restructured book is INR 4,400 Crores standard – this is all standard, COVID is INR 4,447 Crores and in this what will be the slippage as you are concerned. We do not have much bifurcated issues except we capture them under the SMA accounts only because in this SMA we have the restructured book stressed accounts and also GECL stressed accounts also. So, SMA slide will give you the right picture rather than the slides if you see of the restructured book or GECL books because these are all the standalone slides. It is given just for the information for the analyst.

Ashok Ajmera: Sir, so this SMA 0 above INR5 crores INR 1,773 crores versus INR 253 crores. So, out of that INR1,773 crores, how much is that airline, this quarter it is around about INR500 crores, INR700 crores, INR1,000 crores. How much is SMA 0 because I believe this airline account is only in SMA 0 only?

M. V. Rao: See. It is almost INR1,300 crores airlines out of INR1,773 Crores

Ashok Ajmera: Do you think now it will slip to SMA 1 and then SMA 2?

M. V. Rao: Yes, See, in the March quarter itself, we have cushioned foreseeing some type of stress in this.

Ashok Ajmera: All right, sir. Thanks a lot, sir, for giving great insight into the bank operations and for the future guidance. I wish you all the very best, sir.

M. V. Rao: Thank you very much.

Moderator: Thank you. The next question is from the line of Narendra from Robo Capital. Please go ahead.

- Narendra:** Congratulations on a good set of numbers. I just wanted to know if you could shed some light on the loan book growth for the year FY '24 and also NIM targets that you might have for the whole year?
- M. V. Rao:** For the credit guidance what we have given is 14% for the FY 2023-2024 and definitely we will be reaching that you can take it as a floor level 14%.
- Narendra:** So, there's a chance to improve that too, right?
- M. V. Rao:** Yes there is a chance.
- Narendra:** And the NIM?
- M. V. Rao:** The NIM already previous year also we have given floor, we have given the three and we will continue to hold on to the three and over and above because of some of the things one of incomes also comes in between. But with the core operations, we always say we will be above three.
- Narendra:** Okay, Thank you so much. All the best.
- M. V. Rao:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rushil Dedhia from Antique Stock Broking. Please go ahead.
- Rushil Dedhia:** Sir, I wanted to ask you, so on NIM decline for the quarter was high by 1,500 bps which was led by a sharp increase in the cost of the deposits, right? And there was also a fall on the yield side as well. So, what percentage of the deposit book on the bank is yet to be repriced and also what is your outlook on the NIM going forward?
- M. V. Rao:** See as far as the NIM is concerned vis-a-vis cost of deposits. This is only if you exclude the one-off item there is a one basis point difference on the March 23 to June 23. Why I am saying March 23 to June 23 instead of taking June 22 is, that is the lag effect that what we had on the rate increase in the advances and then subsequent increase in the deposit rates.
- The deposit rate effect comes after a lag. So having said this, this point, one basis point, that is the difference what we have in the NIM. But as far as our guidance goes, we always say that we will continue to be above the floor level of three that we are going to maintain. As far as the cost of deposit that increase, definitely in the market the way rates are being increased.
- Though, we do not have that much of necessity and also having a liquidity of almost INR35,000 crores to be in the market and protect our turf, we have increased our term deposits, that's why growth is around 8%. So, I think in the next nine months, this is going to stabilize in a similar way, and we are going to protect our NIMs the way guidance what we have given.

Rushil Dedhia: Okay, sir. Thank you.

M. V. Rao: Thank you.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for their closing comments. Thank you and over to you.

M. V. Rao: Yes, thank you for all the arrangements, what you people have did for this conference. And I thank you all the participants for investing their time. And once again, I assure you that the bank is on the sound footing. And then whatever the guidance we are giving that we are sticking to that and we will continue to excel in the area. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Antique Stock Broking Limited, that concludes today's call Thank you all for joining us and you may now disconnect your lines. Thank you.