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Dear Sir/Madam,

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

We submit herewith transcripts of conference call held with the Analysts on 28<sup>th</sup> July 2021 on Bank's Unaudited Financial Results for the First quarter ended 30<sup>th</sup> June 2021.

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 FY22 Earnings Conference Call  
Hosted by Antique Stock Broking Ltd.

**Time:** July 28, 2021 17:00 Hrs India Time

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

*Total 32 Participants including the Speakers.*

### Participants List

Sr. No.	Name	Phone	Company
1	HOST: Management	022 66387590	Central Bank of India
2	HOST: Mr. Sohail Halai	09820876839	Antique Stock Broking
3	Abhay Agarwal	916350537168	Kotak Mahindra Bank Ltd.
4	Abhijeet	919892909970	Kotak Securities
5	Akash Jain	9820246922	Ajcon Global Services Ltd.
6	Akshay Karwa	919999996768	Deloitte
7	Amit Mishra	919920493408	Indus Equity
8	Anirvan Sarkar	918657410035	Principal India
9	Ashlesh Sonje	9930704725	Kotak Securities
10	Ashoka Ajmera	919930320115	Ajcon Global Services Ltd.
11	James Smith	919738221773	Bloomberg Data
12	Juee Desai	919920334687	Motilal Oswal Financial Services Ltd.
13	Karan Gupta	9920080710	India Ratings
14	Kriti Lohia	919828194141	Anand Rathi
15	M Alimchandani	919323030394	AFRS
16	Mahesh	918108306662	Individual Investor
17	Nitish Khatavkar	918097043384	Indasia Fund Advisors Pvt. Ltd.
18	Paresh Girkar	2240969760	Dolat Capital
19	Prabal Gandhi	8109870105	Antique Ltd.
20	Prem Kumar	0005102269000	Alphastreet
21	R Song	0005102269000	Bloomberg Data
22	Rahul	919567589629	SBI MF
23	Raj Nath	16097380451	Nexa
24	Ranganathan	918779552138	LKP Securities
25	Ranjeet Kumar	05624070000	PNC Infratech Ltd.
26	Ravi	918885558244	Individual Investor
27	Sai Kishore	15102269000	Bloomberg Financial
28	Samiksha Karnavat	918793221981	ICRA Limited
29	Sayli Kate	919324495841	Research Bytes
30	Sushil Choksy	9664114765	Indus Equity
31	Sweta Padhi	917004093609	Ashika Stock Broking
32	Trimukh Phene	919769501086	CRISIL Ratings



“Central Bank of India Limited  
Q1 FY2022 Earning Conference Call”

July 28, 2021



**ANALYST: MR. SOHAIL HALAI - ANTIQUE STOCK BROKING**

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

**Moderator:** Ladies and gentlemen, good day and welcome to Q1 FY2022 Earnings Conference Call of Central Bank of India hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sohail Halai from Antique Stock Broking. Thank you and over to you, Sir!

**Sohail Halai:** Thanks Margaret. Good evening everyone, I welcome all of you to Central Bank of India's 1Q FY2022 earnings conference call and thank the management of Central Bank of India for giving us this opportunity to host the call. Today, we have with us, Mr. M.V. Rao MD & CEO, Executive Directors, Mr. Alok Srivastava, Mr. Vivek Wahi and Mr. Rajeev Puri, and CFO, Mr. Mukul Dandige, along with other senior members from the management team. First, I would like to take this opportunity to congratulate the management team on a good set of earnings and now handover the call to Mr. Rao for his opening remarks. Over to you, Sir!

**M.V. Rao:** Thank you for sparing your time. Though you are aware of the impact of the second wave, just I would like to give brief on the first internal staff issue. First of all, all my 33000 staff valiantly and untiringly served n number of customers during these trying circumstances and thousands of our own staff got affected and we lost a few of them. As far as the services are concerned, we have kept all our services in running mode and all our ATMs up and running and all my BCs were also functioning with the full strength.

Towards the vaccination almost 71% of my staff is vaccinated with the first jab now and around 21 completed the two doses and has a commitment to the society to bring the awareness about the immunization in the month of March we started a scheme immune India deposit scheme where we have offered a higher rate of interest for the depositors as a commitment and also to bring the awareness in the society about the immunization, and you are aware that this time second wave has more impact on the rural side and then our bank is having 62% of my network in the rural and semi urban in the similar way we got affected, and then in the first two months it was very terrible and then June we had certain respite and July we are having still we are seeing the brighter picture.

With this and then coupled with this COVID and all those things on the digital front we made a lot of improvement and then lot of transactions have moved on to the digital channel it was a very positive and then we have uploaded in our presentation the number of transactions that moved on to the digital channel.

Now coming to the performance of this first quarter of this financial year, you know that two months got affected even then we have a little bit that improvement YoY basis in the total business from 4.97 lakh Crores to 5.06 lakh Crores with a mix of deposits of 3.31 lakh Crores and advances of 1.75 lakh Crores.

Notable thing is the CASA deposit which was 47.30% it has improved further with 190 basis points and it stands at 49.20 CASA deposits, and then in the advances if you see that there is a deduction in the gross advances but if you see the retail our growth was 6% and agriculture is 4.09%, MSME 3.38 and there is a huge reduction on the corporate book from 67009 Crores in June 2020 to 60611 in June 2021.

Let me give you the color on this, first one is in the previous interaction with all of you we had given the guidance that going forward we will be rebalancing our credit book with 70/30 that is 70 will be RAM and 30 will be the corporate in that direction we are moving, so our RAM which was there 62.03 in June 2020 now it has gone up to 65.41 and further reduction in the corporate happened because of the technical write-off what we have done in the month of March.

Coming to the mandated targets we have achieved all the mandated targets regarding total priority against a norm of 40% we are at 43.76%, agriculture we are at 19.74% against a target of 18%, small on marginal farmers we are against a target of 8% we are at 10.70% and weaker sections against the norm benchmark of 10% we are at 16.69% and most notable aspect is commission earned in the PSLC sales was around 134.73 Crores during this quarter.

Coming to the credit support what we have extended under ECLGS 1, 2 and 3 it is 3000 Crores in the ECLGS 1 and 369 Crores in the ECGLS 2 and it is a small amount in the ECGLS 3 that is 15 Crores.

Coming to the ratings the standard advances what we have it is almost flat 76% of my total book is rated and it is investment grade and only BB and below there is an increase from 6939 to 8755 and without naming the company let me tell you that which was A rated has gone to D and then they have again operate for the OTR and OTR was implemented in the month of April, so that is why that increase is there in the BB and below grade.

Coming to the retail segment there is a YoY growth of 6% in that home loan which is a major contributor to the portfolio has grown by 6% and auto loan though we have a smaller base, we have grown at 9.61% and personal loan has grown by 1.89 and one thing I would like to make it clear regarding the personal loan, we are not extending to all the general public, only to those who have the salary accounts with us to them only we are giving the personal loans and coming to the most important aspect of the restructured book.

Now we have the standard restructured book of 3326 that is as per the pre-COVID schemes whatever RBI has allowed it and during the COVID that COVID regulation framework we have 4750 so total restructured book what we have is 8039.

Next is coming to the SMA because we have not given the June 2020 figures because it was not comparable because of the moratorium and also hold what we were having at that point of time on the asset classification because of the Supreme Court judgment. So comparing with the March

figures which was 9.85 with the 17422 for the June 2021 it is 9.14 it is 16016 it is a total SMA book, it is not only the above 5 Crores it includes both above and below 5 Crores.

Coming to the NPA classification on sector wise in retail we have 2.31, agriculture and allied 8.65, MSME 6.90, corporate and others it is 4.36.

Coming to the NPAs opening balance was 29277, slippages what has happened during this quarter is 1281 and then total recoveries was 2790 and gross NPAs was 27892 and write-off whatever we have given it is regular write-off that is 98 Crores it is not the technical write-off. So all together if you see the gross NPA which was 18.10 in June 2020 now it is a 15.92 and net NPA which was 6.76 in June 2020 now it is at 5.09.

Coming to the provision coverage ratio which was 79.12 in June 2020 now it has gone up to 84.28 and slippage ratio it is 0.95 and the net interest margin it is 2.84 now in June quarter. Regarding the NCLT accounts RBI first list 868 Crores, second list 5425 Crores and others that is which is filed on solo basis or other banks which have filed to the NCLT that accounts amounts to 16069 Crores, total we have 22364 Crores under NCLT for which we have provisioned 99.31% in accounts.

Coming to the CRAR ratio this is a very healthy trend we have in June 2020 we are at 11.50 now it is at 14.88 with the CET 1 increasing some 9.22 to 12.94. Leverage ratio well above the benchmark, now we are at 5.13.

Coming to the financials total income which was there at 6727 now is at 6246 and if you go drill down to the further details of total interest income and also expenses and net interest income, 6017 was the total interest income in June 2020 now it is 5479. So we have a reduction of 538, interest expenses is -527 if you see the net interest income which was 2146 in June 2020 now it is 2135.

Let me give you further details in this. There was a one off item of interest on the IT refund of 131 Crores in June 2020, if I take the same figure for the June 2021 and equate similarly then I will have a 5.56% of growth in the net interest income. So operating profit in the similar way 1291 and now it is 1179 if one off item is accounted for on both the sides then it will be almost equal operating profit what I have from the June 2020 to June 2021.

Nevertheless, let me tell you the interest income is having that MCLR reduction what we made from previous year to this year almost there is a 90 basis points which was 8 MCLR which has come down to 7.10 right at this moment. So there is a lot of reduction in the MCLR side and lot of loans which were moved on to the RB repo based linked rates that is also there. Combined effect though there is a general reduction I the rate of interest we could able to maintain the similar levels in the operating profits.

Accordingly in net profit which was 135 and then loss in March 2021 now we have come to 206 Crores net profit, and we have a fee based income there is a small increase from 710 to 767 that

is 8% increase is there from June 2020 to 2021. So similarly in the total expenses what I explained as on total we have a reduction of 527 Crores.

Regarding the provisions total provisions which was there 1156 in June 2020 now it is at 973. Here two things I would like to highlight in the standard assets this time we are having 240 Crores this is because of I do not want to name the company which is the NBFC from the eastern side we are foreseeing some type of issues may come up that is why proactively we have cushioned our balance sheet with the buffer so 240 Crores is there for that and further restructured accounts that is a major amount which has gone into 328 which is correlating with our OTR which we have undertaken under the RF1 and RF2 that is a resolution framework 1 and framework 2.

So when you are coming to the financial indicators, cost of deposits now it has come down to the 3.93, yield on advance of 6.55, yield on investments 6.12, NIM it is 2.84, ROA is 0.24 which was 0.16 in June 2020, credit cost 1.16 which was there in June 2020 though because the figures are irrelevant because of the hold that what we had it is 0.17 now. Business for employee has improved a quite little and operating profit has also little bit reduced.

Net profit it has gone up and coming to the investment portfolio and main important what I would like to highlight here is from June 2020 to 2021 modified duration which was 2.89 at the time now it has come down to 1.74 and we had a very conscious effort of shifting such a security and PV01 15.85 which was there in June 2020 now it is 8.73 in June going forward at September we have a further target of reducing further.

So interest on investment, yield on investment it is 6.12 and then return on investment including trading profit is 6.63 and ten years benchmark 6.02 in June and with the things hardening now we are protected up to 6.14.

In the digital transactions I told you there is a lot of increase in the traffic in the digital transactions and Central Bank is one of the top most bank ranked by the Ministry of Electronics and Information and Technology MIET among all the PSBs in giving the seamless service in the digital transaction and in financial inclusion we are maintaining our lead position and all my group companies whatever we have Central Bank Home Finance, Central Bank Financial Services and our both the Gramin Banks one is in Muzaffarpur, Bihar and another one is in Pooch Bihar, West Bengal all are profit earning.

Before closing from my side let me give you a slight color on the goals on which we are working. First and foremost is the rebalancing of our credit book we are on track and we want to have 70/30 and then deposit growth we would like to have 8% and advance of growth 9% to 11% and one more thing I would like to share with all of you that ours is the first public central bank which has entered into co-lending arrangements with the NBFCs for the home loans and MSME loans and already integration on the technology front almost over from the next month onwards sourcing of applications and then business through these co-lending channels will start, and

business growth 8% to 10%, NIM above 2.75 that is guidance we are maintaining and that we are confident of achieving that, CASA is also above 48 that the guidance will be there and net NPA we are focusing for 2.84 for March let me give the range that 2.84 to 2.95 that range we would like to have and PCR will be around 86% slippage ratio on the higher side we have given 2 but our endeavor always will be for 1.25 to 1.50 and the credit cost almost it is maintained and then controlled if it will never cross 1.5 and cost to income ratio we will be bringing down to 54% and this is from my side and then welcome for any clarifications you require. Thank you.

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

**Ashok Ajmera:** Complements to you Sir for very good set of numbers. Central Bank was waiting for a long time for this kind of numbers and the results, and what is more important is a very candid disclosures giving the SMA 0, 1, 2 figure of below 5 Crore and above 5 Crore both together, and also the targets which you have given seems to be achievable and the kind of confidence which you have reposed, I mean, which you have shown is definitely very welcome, you have got a good team along with you, Executive Directors also. Sir having said that I would instead of asking any individual questions on a particular number, I would like to know Sir now this since your GD ratio is very comfortable and your CR, AR is also very comfortable you may come out of the preventive measure from RBI also now after seeing the June results so where do you see the scope for growing the bank. I mean the growth in the credit side now having COVID II also gone this is my question number one. My question two is on a specific number of provisions for income tax out of the profit of 621 Crores, we have shown a provision of 416 Crores which is almost about 65% so I would just like to know a little numbers that how this provision for tax has been calculated but for which the profit would have been much higher? My third point is how come the income the NII has gone up so high as compared to March the yield also coming to 6.5% which has increased the total operating income and the other expenditure have come down substantially from 832 Crores in March to 585 Crores in June so these are some of my questions and observations if you can just please reply to that so that I can ask some further questions if time permits.

**M.V. Rao:** Thank you. I think whole gamut of entire presentation you have covered whatever the questions. There is nothing left in that. Thank you for the complements and then coming to the advances growth yes your observation is right with our CRAR at the comfortable position we have even if I take the floor rate of 11.5 if I keep whatever the surplus I will be in a position to extend around 35000 Crores that is lendable resources I will be having. But cautiously we are moving on both the fronts one is from our own channels and another is the co-lending channel. Co-lending channel will be a baby steps we will be taking in this in September quarter and then further we have our own plans of ramping up further and for that advances growth what we have given 9% to 11% and then from the September definitely we will be looking into these numbers whether upward revision is required otherwise we will be pegging at around 9% to 11%, and coming to the provision for IT yes there are deferred tax issues were there I may ask my CFO to explain on this nitty-gritty's of income tax calculations before ending my this one regarding your third

question about March financials regarding the interest income that also he will be covering, Mr. Mukul.

**Mukul Dandige:** For calculation of income tax, there are various aspects to be taken into account one is how much is the provision that we are making on the NPAs. How much is the provision for terminal benefits we are making, how much is the deferred tax asset that benefit we have taken earlier, how much is the write-back going to be in to the deferred tax asset. So because deferred tax asset I have to wipe out over a period as early as possible. So taking into account all those things the income tax calculation of 416 Crores has been arrived at.

**M.V. Rao:** Coming to the specific question of providing 65%, it is a conscious decision anyhow we have to wipe out the DTA in due course whenever we feel that cushion is there we are allocating more on that front that is why it has gone up to 65%.

**Ashok Ajmera:** This expenditure reduction from 832 Crores to 585 Crores was it any one-off item in March quarter or how almost about 270 Crores reduction in one quarter in the other operating expenses. I will take it later Sir. Instead of that we will utilize this time. On this your co-lending you are giving lot of stress on this co-lending so what kind of a co-lending arrangement and how much what kind of business growth or the income the bank is expecting what kind of co-lending with one company or there are several co-lending two, three companies or some NBFCs what is this arrangement Sir?

**M.V. Rao:** Yes, we have arrangement with the three NBFCs for the housing and MSMEs which are backed by the collaterals, all are secured lending that we will be stepping into and then most important aspect in our SLA that is agreement what we have is NPAs are pegged at 0.5% for the housing and 1% for the MSME to operate this model.

**Ashok Ajmera:** It includes gold loan also.

**M.V. Rao:** No. Gold loan we are not right now at this moment it is in negotiation only it is not fructified.

**Ashok Ajmera:** One point Sir on that A rated you are BBB and below rated you said that one account went from A to D and that OTR has been worked out will you throw some more light on that Sir, what is the amount involved and what is the position after the restructuring?

**M.V. Rao:** 1500 Crores. It is a group account having 3, 4 accounts in that which is on the retail side.

**Ashok Ajmera:** What is our expectation I mean this account will come back to us?

**M.V. Rao:** This OTR is implemented and now it is under standard category and then since it has moved from NPA to standard on account of OTR 15% provision is also made in that.

**Ashok Ajmera:** Thank you Sir. I will come back again if I get some opportunity Sir. Thank you, thanks a lot.

- Moderator:** Thank you. The next question is from the line of Anirvan Sarkar from Principal India. Please go ahead.
- Anirvan Sarkar:** Couple of questions Sir first of all if you could share the breakup of slippage across your different segments that would be helpful?
- M.V. Rao:** This time we have a slippage of 1404 where there was an increase in the existing NPA around 124 remaining 1300 in that 368 is from the retail and 455 from the agri and 429.25 from the MSME. This is the breakup and 151 is from the corporate side. Till now already 189 Crores got upgraded out of which retail 57 and agriculture is 24 and MSME 102 got upgraded and another 140 Crores gold loan because of wrong feeding in the software that has turned into NPA for June and by this month end it will get upgraded.
- Anirvan Sarkar:** Sir one more question on the MSME restructuring. Now of the account which has restructured could you provide some color on the kind of covenants you have put there and how and when can we expect normalization in those accounts?
- M.V. Rao:** Sir restructured in my presentation I have given two tables one is pre-COVID restructuring as per the RBI guidelines that were there in court at that point of time. Total in the MSME that was restructured in that is 2060 out of which, which is there as standard till now is 1617 and we are not foreseeing any type of stress in those accounts, they are performing well, and coming to the RF 1 and RF 2 that is resolution framework 1 and framework 2 in the COVID period we have extended MSME 823 Crores in the RF 2 and only 15 Crores is in the RF 1. So main is 823 Crores it is in the resolution framework 2 and where we have gone for the opt in model it is not that whosoever their blanket we have given that relief and then it is happening but we are very selective whosoever has approached us and we did the outreach program also whosoever has opted for that relief after evaluation we have extended that is why you can very much correlate with the slippages in the MSME in my June quarter book that is 429. Otherwise, I could have avoided this 429 if you would have extended this RF 2 relief measures.
- Anirvan Sarkar:** Sir on the retail restructuring, could you provide the breakup of the segment wise book for retail restructuring?
- M.V. Rao:** CSR we have home loan segment 1073 Crores, and mortgage 224 Crores and educational loans 124 Crores and vehicle loans 61 Crores, others is remaining maybe around 25 Crores.
- Anirvan Sarkar:** Sir one question and this applies to the entire sector and not just our bank. Is that in this cycle we are seeing a lot of restructuring especially in home loans so while that is understandable given that whereas in some kind of an income loss in the economy, it has also to be noted that this is one of the sectors which have seen the strongest growth in the last one year since COVID since there are number of factors working in favor interest rates came down, there was stamp duty and custom duty administered, there were certain changes in customer preferences. So what is the

color on this restructuring what part of it would be from loans that have been disbursed in the last one year?

**M.V. Rao:** Last one year we do not have such bigger issue. I can give the broad picture because what the loans we have disbursed are sanctioned a year one or two years back those people who have availed this type of relief that minute details I have to get. Do we have?

**Mukul Dandige:** Last one year there has been growth of roughly 6% in housing loan but so far none of those accounts are there.

**Anirvan Sarkar:** These are all the old accounts we have.

**Mukul Dandige:** Yes.

**Anirvan Sarkar:** That is all old accounts there is nothing from the accounts?

**Mukul Dandige:** Yes.

**Anirvan Sarkar:** Sir one question on your SMA book so now SMA 1 and 2 now stands at 5.3% of loans so what has been the earlier run rate on this book and should we expect this to be a steady state number or will this come down.

**M.V. Rao:** Yes, it will come down see let me tell you even for the July figure earlier SMA 2 if you are seeing 5115 that was there for the June 2021 for July this came down to 700 something as on date and going forward another 3, 4 days are there, there are certain accounts perennially they will service only on the last day. So we are not much worried after this providing relief under COVID under SMA 2 whatever the figure that is there it is under our control and within our estimate.

**Anirvan Sarkar:** Sir what is our recovery pipeline for the rest of FY2022 look like are we expecting any large ticket recovery here?

**M.V. Rao:** Just a minute our recovery in-charge will throw a light on that because we have a aggressive targets and then NARCL is also there and then some accounts we may see some shifting from bank to the NARCL and one of two big accounts which are in NCLT also may come for some type of resolution within December.

**Company Speaker:** All together considering sale to NARCL our recovery efforts and through NCLT process we expect a reduction in NPA from 4500 to 5500 Crores at the end of the year.

**M.V. Rao:** That is why I have given my guidance of gross NPA will be around 9.5 and net NPA will be around 2.8.

- Anirvan Sarkar:** Sir one last question on east based NBFC that has been showing times of shift. So what is the status there I mean the status of payment?
- M.V. Rao:** The status of payment is NCLT has given that almost a stay for all types of measures to be taken by the lender and whatever the escrow account that is maintained with the lead bank, whatever the credits they are getting they are distributing but whatever the distribution that is happening is around 60% of the interest what I am booking on monthly basis so that is why as a prudence I told you the amount what we have provided for.
- Anirvan Sarkar:** I know it is difficult but if there do you have timeline on mind by which could take totally take?
- M.V. Rao:** Sorry it is not clear.
- Anirvan Sarkar:** Thank you Sir. This is all very helpful I will come back in the queue if I have any questions.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey from Indus Equity. Please go ahead.
- Sushil Choksey:** Thank you for the stable result. Sir my first question pertains to the previous question was asking about your co-lending arrangement and actually it has interrupted can you reply on an elaborate basis what is the arrangement how we are working in that?
- Vivek Wahi:** Co-lending arrangement we have entered into co-lending agreements. Agreements have already been signed last month and these are three big NBFCs and the co-lending will be done only on housing loans and MSME loans the totally on secured basis.
- Sushil Choksey:** My side I understand the reply the results are already public about the tie-ups which you have done because those companies also missed it so they have announced, so I was asking about 80/20 loans we passed on to the book, so how will the 80/20 arrangement work or whatever that is, mostly I think our MD Sir was elaborating on that and then he has got interrupted that is why I am asking.
- Vivek Wahi:** No, so the formula is as strictly as per RBI guidelines we have given our board approved parameters to the NBFCs the loans which fall in those categories they would be proving those loans and they will be sharing with us then we will make our own diligence on those loans and if we find them fit in our parameter will be parting with the will be reverting the 80% so it will be working like this escrow arrangement will be there with our bank only so sourcing and monitoring will be the responsibility of the NBFCs.
- Sushil Choksey:** Sourcing means collection or you are talking anything else?
- Vivek Wahi:** Yes, it is collection also, sourcing also and collection also.

- Sushil Choksey:** Sir so this announcement of co-lending was pertaining to NBFCs were housing 70% sir and one is pertaining to MSME. What about other retail section what are we looking at and what kinds of tie-ups are we in advance stage?
- M.V. Rao:** Sir right now co-lending as per the RBI guidelines it should be on the priority sector. So with the recently ministry had also announced to bring the traders under priority sector we feel that opportunity is there in the trading again on the same basic principal of 100% collateralization that opportunity comes we will examine.
- Sushil Choksey:** Now so just touching upon the same that we have guided avoiding that RAM would be since 70% growth and it would be 30% so most of the co-lending would fall into RAM category as per my understanding?
- M.V. Rao:** Exactly correct.
- Sushil Choksey:** Now if that is so with 49 point I think we are one of the most efficient where CASA is concerned besides Bank of Maharashtra and SBI maybe even lower than us in CASA and then priority sector for two banks which are higher than us possibly so how has we capitalizing on the strength with Central Bank depositors has empowered the bank would be a fantastic competitive business because our cost of fund cannot be match by 75% to 80% of the banks in India?
- M.V. Rao:** We are unable to figure out the crux of your question.
- Sushil Choksey:** Sir my question is that we enjoy 48%, 49% CASA on a consistent basis on all India in the last two, three years?
- M.V. Rao:** Exactly.
- Sushil Choksey:** It is possible that we may cross 50% even because the brand royalty to Central Bank and the kind of deposits which we are tracking these are not retrofit deposit they are from tier II and tier III as one understanding it from previous calls and even last call with your office. So what I am asking is when we have such elaborate strength on deposits our cost of fund is low how are we going to capitalize on our own branches with the same growth which we can unable within our own employee sets?
- M.V. Rao:** See here because of PCR our recruitment was truncated and then first of all suffering on this front was on the sourcing of good proposals and also to have an effective collection mechanism to ride to first to bring the business to a respectable level of improving the interest income, we thought now it is the opportune time to work on the co-lending where sourcing and the collection management can be handled efficiently. Going forward, once we build up of this then on our own strengths other than priority sector, we will be focusing. Now on the agri side let me explain you on this on the agri side, now CKCC that is crop loans. Now we are not much interested on the crop loan side. We are now moving onto the agri related industries like processing and in all my coastal area we have identified around 350 branches where we are bringing only aqua financing

from the rural centers so like that we are segregating how to diversify our agri portfolio further so for that we will be using our own infra.

**Sushil Choksey:** I appreciate that your strength in agri has been much superior to most of the bankers who are running business today but will it be backed by some gold secularity like most of the agriculture finance so this would be pure finance on agriculture and priority?

**M.V. Rao:** It is our own financing that diversification will be happening on the agri and agri processing industries, horticulture industries and aqua based industry.

**Sushil Choksey:** Basically you would be a great and then we have farming and horticulture is something that has been visualized and the bank would get strength because your rural connectivity is good already?

**M.V. Rao:** Exactly and one more thing just I would like to share we have a very good big size of account where they have procured all the raw material from the farmers of different states. Already our people are on job and probably in next month first week we will be launching one FPO connected program of bringing almost 300 farmers into that so where ring-fencing of cash flows is also ensured.

**Sushil Choksey:** Will this be a neutral with any crop or will the specific crop which you look at cotton, tobacco?

**M.V. Rao:** No see this particular account is the spices. It is in the spices of business they have turmeric, they have the chillies, they have the jeera, they have pepper and they are procuring this is from 6 to 7 states and we have already taken the database of these famers and already our people have contacted and they are ready to take the finance from our bank so it is only that bringing them into our fold and then on the other side payments are assured because he is my own customers who is having the track record of more than 8 to 9 decades.

**Sushil Choksey:** No Sir. I appreciate that effort. What I was asking is that neutral to any crop in any part of India that is what I am asking?

**M.V. Rao:** Yes, any crops from wherever is these types of companies are procuring.

**Sushil Choksey:** You have the great progress in agriculture finance sector and Sir by moving to the next question enabling your thought process on co-lending, RAM business what kind of strength are we building with RBI restriction on hiring, digital is on supportive as an enabler with current human resource or empowerment of current human resource which is a great challenge in Central Bank of India. How would you enable this digital expenditure and digitization in the bank that you succeed over a period of next two quarters or three quarters nearly two years whatever be the timeframe?

**M.V. Rao:** Sir let me tell you as far as the digital channels are concerned the bank has already embarked on this mission two years back and then know we are reaching the finalities and even certain products also we have brought onto the digital lending platform, and going forward this is one

channel where we will be having growth contribution to the advances along with our physical channels of brick and mortar branches and the through co-lending so we will have the three channels for the business improvement and this is anyhow they are there but they will be coming through the branches so we are not spiriting the BC as a channel but primarily we will have the three channels for improving the business.

**Sushil Choksey:** So ultimately what you are seeing the branches BC as well as co-lending all partners will be onboarded into Central Bank digital system to have a turnaround time the attritions and your attrition chain credit deployment will be superior that is what I understand?

**M.V. Rao:** Exactly, at the end of the day this is only the tag that works in the market.

**Sushil Choksey:** So what kind of TAT figures can you assume in such a retail product?

**M.V. Rao:** In co-lending we have given the time of 7 days, we have given the 7 days and then to enable for the documents moving digitally even our advocate lawyers also who are empanelling who are tax savvy.

**Sushil Choksey:** So what kind of capex would we incur on digitization in the current financial year or the next year.

**M.V. Rao:** See we have a budget of around 700 Crores for the IT spending for this year. It is a too huge number and then whatever the allocation that is required for the co-lending it is only not even double digit in Crores.

**Sushil Choksey:** Sir my next question is presentation shows that Uttar Brahmin Gramin Bank Muzaffarpur has profits with 35% holding and moved from 11.39 to 107 Crores there is anything specific in recovery or it is a fantastic growth which you have achieved?

**M.V. Rao:** Can you throw some light on this net profit which one this Uttar Bihar Gramin Bank the basically recovery we will give the final details Sir.

**Sushil Choksey:** I do not touch up Mukul Sir. That is not a problem. Sir your outlook you have given a NIM CASA, cost to income and gross NPA, net NPA. Now if I assume that all these challenges we have assumed with conservative outlook on the scenario with the global challenges which are there within India too and the ongoing case of COVID II and maybe of third phase comes or not do you think the guidance is on a conservative basis or we can even do better than what you say.

**M.V. Rao:** I do not say it is a conservative it is a balanced figure what we have worked out thinking that after November there will be a total opening up of all the sectors in the economy and then least is whatever the figures who have committed here that is the list one what we will be achieving.

**Sushil Choksey:** The next question is if our economy does far better than what would be assume by IMF we were report yesterday or our GST numbers are early build rollout in July and GST collections is likely

to come and our interest rate scenario on ESOP has managed by government on RBI as well and Central Bank tends to penetrate. What is the treasury outlook is one? Second thing if in the GDP growth gets almost to double digit will we advance more aggressively then what are your outlook on corporate or we will not look at the corporate at all on that side?

**M.V. Rao:** No, corporate we will be cautious then that is what the commitment what we have to all the not only to our investors and to the market but also to our stakeholders. If at all there is any all the ring fencing happens for the cash flows then we will go back to the board and then we will have some flexibility before that I cannot comment that we will be crossing that.

**Sushil Choksey:** No, I am not asking you to commit to me I am just asking you Indian GDP look generally typically 1.5 points of GDP growth is about corporate priorities so if the AAA accounts the names like Tata Steel, Steel Authority or BPCL, all these people take off on capex which the Government of India and everybody else is talking about if that kind of capex has to start to Central Bank do a little change in balance so that will come?

**M.V. Rao:** Anyhow these are all will be reviewing on quarterly basis and as and when river comes we will cross this. We will see how to navigate at this moment it is too difficult to tell.

**Sushil Choksey:** Can you indicate Mukul Sir answered on the tax percentage but can you indicate on annualized basis what is the effective tax rate which will be paying based on all the parameters which we have to consider.

**M.V. Rao:** Choksey sir we are not going into the new tax regime.

**Sushil Choksey:** No I understand that but still effective based on your income what would be the effective tax rate for the current year based on your deferred and other benefits in this format?

**M.V. Rao:** It is difficult to give a flat tax rate because it has to take care of various factors what are all the allowances, what are all the disallowances so based on that what exactly will come and how much of the DTA also we have to account for so based on all those sectors and the tax payments will be done and accordingly I mean the tax rate could come.

**Sushil Choksey:** So effective 30% should be a reasonable rate or we will be abnormally have them on the system?

**M.V. Rao:** Yes that will be the flow over and above as and when that cushion may happens we will ramp it up.

**Sushil Choksey:** I will come back in the queue if there are any further question from my side. Thank you and all the best Sir.

**Moderator:** Thank you. The next question is from the like of Prabal Gandhi from Antique Limited. Please go ahead.

- Prabal Gandhi:** Thank you for the opportunity. Sir so my first question is on the MSME side so we have seen a restructuring of 8% of the book and if I also calculate the slippages from the numbers that you have given around 5.7% on the annualized basis has slipped during the quarter so the stress on the MSME side seems to be on the higher side so need your understanding on the color of OTR so how has the restructuring taken place there whether it is more on the moratorium side or how it has been in general?
- M.V. Rao:** In general, it is on the moratorium. No other tweaking in that it is only the moratorium that is also ranging from 6 months to two years.
- Prabal Gandhi:** Sir any ECLGS restructuring proposal that we have seen from the ECLGS side?
- M.V. Rao:** No we do not have whatever the ECGLS work we have provided that accounts are not there in the RF 1 or RF 2.
- Prabal Gandhi:** Any color on MSME restructuring any particular segment for example textile or some other segments which are giving you a lot of proposals on the restructuring?
- M.V. Rao:** No. We cannot pinpoint on particular sector here. It is across the board we have and not even specific to any geographical region also.
- Prabal Gandhi:** Sir similar has been on the retail side also so we have given moratorium of 6 to 2 years and like that only.
- M.V. Rao:** Yes, exactly.
- Prabal Gandhi:** And more reduction in the EMI that what you have mentioned?
- M.V. Rao:** One thing is our profile of retail customers as far as housing is concerned maximum are salaried people and only those salaried from the corporates where that work from home was there and little stress they were foreseeing in their emoluments they would not be approached and we have considered and in general we do not have anything which is from the business cash flow servicing for the housing loan.
- Prabal Gandhi:** But Sir even then if I have see the slippage number the retail that is around 3% so that does not what we used to have so it is on a higher side?
- M.V. Rao:** Yes. That is there see that is what I was saying we have totally gone in for opt in model see it is not that across the portfolio we have offered the release measures we have only gone for the outreach and whosoever is off late evaluated and then we have given them whatever the relief otherwise the 368 Crores and even in that also 140 that gold will be gold related things will get upgraded by this month end so math to math we will have 220 Crores in this.

- Prabal Gandhi:** Sir on the retail you have mentioned the salaried proportion is on the higher side can you specify any number there?
- M.V. Rao:** No. I do not have that particulars right now but if you send me your email we can ask our department to send you the details.
- Prabal Gandhi:** I will do that. Sir from the collection efficiency side so how has that improved from I know it would have dipped in April and May but how has it improved now and what are the levels currently?
- M.V. Rao:** Let me tell you July almost we have reached the pre-COVID levels and there is no issue as far as July is concerned for the past 20, 25 days statistic shows there is nothing of that sort as far as the June is concerned when you go for the demand collection balance this one at that time it was hovering around to like that 85% to 88% in that range it was there April and May really it was very bad.
- Prabal Gandhi:** Sir pre-COVID level meaning what are the levels that we had in pre-COVID times?
- M.V. Rao:** It was around 95 to 96.4.
- Prabal Gandhi:** Is there some variation in different segments for example corporate would be doing well MSME would have even lower?
- M.V. Rao:** Let me tell you corporate and agri we do not have any issue and next little concern on the retail side but we are confident because of the customer's profile only worrying and concerning portfolio is the MSME and then lot of measures we are taking and also relief that the government has extended through ECGLS and this is what eth status right now.
- Prabal Gandhi:** That is it from my side. Thank you for the opportunity.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global Services Limited. Please go ahead.
- Ashok Ajmera:** Thank you for giving the opportunity again. Rao Sir I have one question on we have been varying about the privatization of the banks. Is there any kind of signal or any message or anything or any preparation is being done by your bank so that we can understand something on this is there anything from your side on this?
- M.V. Rao:** Sir as far as this privatization is concerned, I am also watching the same TV channels and also reading the same newspapers what you people are reading or watching so more than that I cannot supplement anything.
- Ashok Ajmera:** My second question is sir on NARCL the bad bank by now we must have crystallized everything the number of accounts and the amount and...

- M.V. Rao:** We have seven accounts amounting to 2700 Crores.
- Ashok Ajmera:** How much are we going to get the kind of valuations or something have been worked out on this?
- M.V. Rao:** Around 18% to 20%.
- Ashok Ajmera:** 15% of that so you get about 3% maximum is the liquidity which will come in rest all the government guaranteed this thing so around 55-60 Crores you will get will it materialize in this current quarter?
- M.V. Rao:** December.
- Ashok Ajmera:** In December quarter?
- M.V. Rao:** Yes, we have factored in our estimates.
- Ashok Ajmera:** Now Sir this SMA 0 as we discussed earlier also has gone up from 5129 Crores to 6580 out of that by now since 25 days are already over some clarity might have come that what is the recovery or regurgitation of this almost everything 90%, 95% of this?
- M.V. Rao:** Sir let me give you one more aspect we will be first focusing on the SMA 2 because that is the first hurdle what we had to cross otherwise they will slip into NPA at the end of the month. So out of 5115 I told you that given the figure 700 and something is outstanding as on date in SMA 2 if nothing happens in the next two days that will move into NPA but we are confident that many of the accounts which they will be servicing on the last day that amount will still come down so as far as adding to the NPA kitties and the SMA portfolio focus more will be on the SMA 2 rather than a SMA 0 because lot many issues will be there in the SMA 0.
- Ashok Ajmera:** Alright Sir I take that my question on that. Sir this COVID dispensation I mean various schemes of RBI restructuring especially for MSME has been done and because of that the slippages numbers have come down or the NPA is under whatever on the books is controlled but is there any internal exercise has been done that out of the total restructuring in phase I and now phase II how much internally we think that account could have really gone bad if the dispensation would not have come?
- M.V. Rao:** That is what I told you earlier. We have gone for the optimum model with the customer outreach it is not that as a blanket release measure we have extended across the MSME portfolio whatever the government or RBI has given otherwise my slippage of 429 Crores in the June quarter I would have avoided if I have given the blanket relief as given by the government that we have not given. So proper evaluation we are doing upfront while extending the relief measures.

- Ashok Ajmera:** Sir on this housing loan we have a very strong portfolio home loans is there any breakup that how many accounts or amount above 10 Crores or between 5 and 10 Crores and 1 to 5 Crores is there any such exercise or any figure numbers are available.
- M.V. Rao:** Right now it is not there sir we will be sharing with you I do not have that.
- Ashok Ajmera:** Alright Sir. Thank you Sir. Thank you very much for this information. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today I now hand the conference over to Mr. Sohail Halai for closing comments.
- Sohail Halai:** Thank you everyone for joining the call and thanks again to Rao Sir and the management team for taking time out for this call. Sir before we close would you like to add any closing remarks.
- M.V. Rao:** It is our pleasure to talk to you and then all our analyst friends. Our endeavor is to give the clarity and also transparency in our working and we will continue to put our efforts and then whatever the bad that was there that will be the history for Central Bank and we will moving onto the progress orbit now.
- Sohail Halai:** Thank you Sir and wish you all the best sir. Stay safe.
- M.V. Rao:** Thank you very much.
- Moderator:** Thank you. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.