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Central Bank of India
1911 से आपके लिए "केंद्रित" "CENTRAL" TO YOU SINCE 1911

केन्द्रीय कार्यालय Central Office

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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 26th October 2021 on Reviewed Financial Results of the Bank for the second quarter and half year ended 30th September 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

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"Central Bank of India Limited Q2 FY2022 Earning Conference Call"

October 26, 2021

ANALYST:	MR. PRABAL GANDHI - ANTIQUE STOCK BROKING
MANAGEMENT:	SHRI M.V. RAO – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - CENTRAL BANK OF INDIA SHRI ALOK SRIVASTAVA - EXECUTIVE DIRECTOR - CENTRAL BANK OF INDIA SHRI VIVEK WAHI - EXECUTIVE DIRECTOR - CENTRAL BANK OF INDIA SHRI RAJEEV PURI - EXECUTIVE DIRECTOR - CENTRAL BANK OF INDIA SHRI MUKUL N. DANDIGE - CHIEF FINANCIAL OFFICER - CENTRAL BANK OF INDIA

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

Prabal Gandhi: Thank you. Good afternoon, everyone. I welcome you all to the Earnings Call of Central Bank of India. We have with us today the entire management team represented by Shri M. V. Rao – Managing Director and Chief Executive Officer, Shri Alok Srivastava – Executive Director, Shri Vivek Wahi – Executive Director, Shri Rajeev Puri – Executive Director, Shri Mukul N – CFO and the other team members on the call. Without further delay I would hand over the call to Shri M.V. Rao Sir for his opening remarks, post which we can open the floor for question and answers. Thank you and over to you, Sir.

M V Rao: Thank you. A very good afternoon and welcome to all participants. Thank you for sparing your time. Before presenting business highlights let me share some of the information on the activities as organization we have carried out in the previous quarters.

Number one we have started central connect, this is the campaign what we started to bring back our own customers who left us in the last five years, there is very good response and then we have fine tuned our processes to improve the efficiencies and also we have brought changes in our structure and we have brought the CPAC that is approval centre concept to bring the confidence in our field functionaries to take the correct decisions. These are all on the activities part.

Now, coming to the business highlights, let me share with you the net interest income (NII) has improved from Rs.2354 Crores to Rs.2495 Crores i.e., 5.99% increase on year-on-year basis and also 16.86% on quarter-on-quarter basis.

On the operating profit side, it has increased 1.08% year-on-year basis and 29% on quarter-on-quarter basis and with this sustained performance we have registered net profit of Rs.250 Crores compared to net profit of Rs.161 Crores on year-to-year basis i.e., 55.28% increase on year-to-year basis and on quarter-to-quarter basis there is an increase of 21.36%.

Coming to the CRAR it has improved from 12.34% to 15.38% on year-on-year basis and on quarter-to-quarter to basis it is 14.88% to 15.38% and gross NPA slightly reduced it now at 15.52% and net NPA which was 5.60% in September 2020, now it has come down to 4.51% on year-on-year basis and from quarter-to-quarter it was 5.09% in June 2021 now it is 4.51% in September 2021.

Likewise, this provision coverage ratio is improved from 82.24% to 85.86% now, we stand at 85.86% on the provision coverage ratio and NIM has improved from 3.21% to 3.36% on year-on-year basis and quarter-to-quarter basis it is 2.84% to 3.36%. You know very well because of our network and larger presence in the rural and semi-urban centres we used to maintain the leader role in the CASA, now it stands at 49.79%.

Coming to the network, brick and mortar branches continue to be our forte and now with the increasing adoption of the BC network total customer touch points now reached at 15185 as at the end of September 2021 and the plans what we have at the BC outlets will be ramped up to 15000 by March 2022 and by December we will be reaching around 12000.

Coming to the topline, deposits total business is Rs.5.12 lakh Crores i.e., 2.27% year-on-year basis and total advances is down by -0.96% but if you take the Rs.4810 Crores which we have written off in the month of March 2021, if we compute that then our growth will be 1.75% on the advances side.

In the deposit mix already, I have shared with you, the most important and heartening is the CASA which we are at 49.79% and total deposits stood at Rs.3.36 lakh Crores. In the advances mix, earlier we have given you the guidance that 70:30 will be our objective and for this financial year we will be thriving to reach 68% and 32% i.e., 68% will be RAM and 32% will be the corporate and now RAM has reached 66.79%, if you see a year back it was 63.94%, now we are at 66.79% and we stand by our guidance that our objective is to reach and we will be 68% to 70% in between by the end of this financial year.

Regarding the mandated targets we have achieved all the mandated targets agriculture and priority sectors, small and marginal farmers, and weaker sector and more so I would like to share that we have sold PSLC i.e., priority sector lending activities to the tune of Rs.15000 Crores in this half year, so we have availed a sizeable income from that. Regarding the credit support, we were there in the ECGL as 1, 2 and 3 and 4, all together we have given around Rs.3478 Crores under COVID support schemes. Regarding the standard advances rated, earlier it was 76.16% now we are at 79.53%. There is a good increase as far as the rating accordingly risk weighted asset has also come down.

Coming to the retail segment, our home loan year-on-year growth was around 5%, in auto loan it is 6.68% and education there is a degrowth, other retail loans there is an increase of 3.86% and in this retail let me share with you just one and half months back we started our co-lending arrangement with NBFCs where we have already disbursed around Rs.296 Crores where the sanctions were more than Rs.383 Crores, going ahead this will be a separate vertical and bank is eying to reach at least Rs.3000 Crores by the end of March 2021.

Regarding the SMA, if you see from June 2021 to September 2021, I have not given September 2020 because of the moratorium and other issues you are also aware they are not comparable figures. Here if you see above Rs.5 Crores and up to Rs.5 Crores both the figures we have shared in the presentation both in June 2021 SMA-1 and SMA-2 were consisting 5.38% now it is 4.86%, there is a reduction and going forward also we are confident in reducing this SMA portfolio from the book and if you observe June 2021 above Rs.5 Crores it was SMA-2, Rs.1516 Crores, now this stands at Rs.222 Crores. So almost we can say that SMA-2 which we see that as a stress in the corporate book almost it is only 0.13% in the corporate side.

Coming to the restructured book, COVID resolution framework and COVID related restructuring i.e., Rs.6014 Crores that is there and in standard restructured which was restructured long back and continues to be under standard category because of its performance i.e., Rs.3136 Crores and total restructured book what we have is Rs.9150 Crores. As far as provision of that we are maintaining for this COVID book is around Rs.650 Crores.

Coming to the NPAs, classification total NPA which is 4.51% net NPA and retail is 1.75%, Agriculture is 7%, MSME is 5.7% and corporate and others is 4.52%.

Coming to the retail sector, within the retail sector of 1.75% we have housing is 2% and vehicle is 0.42%, 4.2% is education loan, other personal loans stands at 0.75%.

Provision coverage ratio which I shared with you which was 82.24% in September 2020, now it stands at 85.86% and slippage ratio now it is at 1.45% and similar guidance we have given for this year also that 1.5% to 1.75% in that range slippage ratio will be there.

Regarding the net to interest margins, now it is at 3.36% and in that 3.36% there is a small clarification what we have given because of the Rs.285 Crores income booked in treasury of Kingfisher, if we subtract then also our NIM stands at 2.97%.

So, coming to the NPA movement, the opening balance which was there at Rs.27892 Crores, the total slippage Rs.2104 Crores and reduction happened is Rs.2781 Crores and again closing figure is less than the opening figure i.e., Rs.27252 Crores i.e., percentage of gross NPA stands at 15.52% and net has come down to 4.51%.

Regarding the NCLT accounts, we have total around Rs.22399 Crores under NCLT, almost 98.67% is provided whatever the settlement that happens or resolution that happens in NCLT directly it is going to add to our bottomline.

Regarding the capital ratios, now we are at 15.38% i.e., CEP-1 at 13.41% and tier-2 is 1.97%. Regarding the leverage ratio, we are at 5.15%.

Coming to the financials, again just I would like to touch upon the net interest income. We are positive on quarter-to-quarter basis and year-to-year basis and in the similar way on the operating profit on year-to-year basis and quarter-to-quarter basis we are positive and provisions on quarter-to-quarter there is an increase of 30.94% and the net profit which already I shared with stands at Rs.250 Crores, if you compare with the September 2020 i.e., Rs.161 Crores and June 2021 is Rs.206 Crores.

Regarding the expenses, there is a good control on the expenses side and more so on the interest paid and there is a slight increase on the operating expenses that we know well that because of transfers and other staff related expenses that happened during the previous quarter that has contributed for the little increase it is not a matter of concern for us.

Provisions, now it is Rs.1151 Crores that is the total provisions made for NPA Rs.311 Crores, for written of debts it is Rs.777 Crores and depreciation and provision for investment including SRs is Rs.292 Crores and for income tax it is Rs.103 Crores.

Financial indicators, cost on deposits further reduced to 3.84% in the previous quarter it was 3.93% and in September 2020 it was 4.45% and yield on advances is 6.66% which is reflective of transmission of the rates to the ultimate borrowers and also lot of loans which were in September 2020 around 12% to 13% under RLRR i.e., Repo Rate Link and now it has jumped to 23%, so that is also having an effect on the yield on advances.

Cost of funds 3.90% and credit cost is 0.72% and ROA is 0.29%, ROE is 1.09%, likewise business for employee and net profit per employee also has gone up.

Coming to our investment portfolio, just I would like to touch upon on one slide where you will find how this tweaking has happened for the past six months and if you see the HKM, AFS and HFC portfolios of September 2020 and September 2021, in the AFS books modified duration which was 2.71% at that time now it is at 1.95% and SLR modified duration is 2.37% in September 2020 now it is 1.66% and PV is 01 i.e., SLR plus non-SLR put together which was 14.51% in September 2020 now we have moderated and brought it down to 8.29% and likewise for SLR PV 01, 11.56% which was there in September 2020 now we are at 6.07% that means whatever the book we have it is totally insulated from the arising yields whatever will be and our estimation is even by December even if reaches 6.5% we are fully protected from the MTM.

This is my brief presentation, thank you for your time. Any questions are welcome now it is open for you. Thank you. Just before that let me tell, you regarding the PCA, this is only the now in the PCA as far as the four triggers, four indicators that what we have, we are totally above the benchmark even in June we have satisfied the four benchmarks and now also capital expenses ratio is 15.38%, net NPA is 4.51%, trigger was 6% and ROA now0.29% and leverage ratio now we are at 5.15%. Thank you, thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question is from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.

Ashok Ajmera: Good evening, Sir. Congratulations Rao Saab and the entire team for the fantastic results. We were expecting even in the last quarter also we got a feel that this bank is now getting totally transformed and performance will be better. Having said that, I have got a couple of information point and some queries, Sir on these two accounts major DHFL and SREI what is our position in our bank, how much did we had the exposure on DHFL, how much have we got in cash and in bond and in Srei how much provision have we done, if at all we had any exposure?

M V Rao: We have an exposure in both the accounts, in DHFL and Srei both were around Rs.1200 Crores it is only just supplemented that is why there is no big change in the gross NPA. If you see that total our gross NPA there is very little change in the gross NPA because Srei has replaced the DHFL and as far as the provisions that are concerned, Srei we have already made 50% this time.

Ashok Ajmera: Okay, 50% provision has been made. Sir, in case of DHFL out of that whatever 34% - 38% also total we got out of that cash and the equal amount or little more than that is bonds. So, what treatment to that bond we have given like out of this Rs.1200 Crores if you have bought about say Rs. 550 Crores or Rs.600 Crores total, out of that maybe Rs.300 Crores bonds. So, what treatment have you given to those bonds and how much provision has been reversed?

M V Rao: It is Rs.313 Crores that is bonds what we have received and as far as the treatment is concerned these bonds were issued by the Piramal which is AA rated. It is nothing to do with the DHFL. So whatever the rating that goes and the subscriptions to these bonds happened it is just like another market operation. So, there is no requirement and also necessity to make any provision for this.

Ashok Ajmera: No, Sir even on the security or the bond about 15% - 20% is required to be provided has that provision been done on this bond or it is 100% taken in the investment book?

M V Rao: It is 100% taken on the investment, because it is issued by Piramal.

Ashok Ajmera: Yes, that is there but even on the security as a ten-year bond, anyway so no provision has been made on that, how much total has come in the income, so this entire Rs.313 Crores and also the best part of about Rs.275 Crores or Rs.300 Crores, is it not?

M V Rao: Yes.

Ashok Ajmera: That has all come in the income of this quarter?

M V Rao: Yes, it has come to income.

Ashok Ajmera: And against that you said that Rs.600 Crores provision you have made for Srei?

M V Rao: Rs.273 Crores is the cash component.

Ashok Ajmera: Good Sir, now will you through some more light on the slippages of Rs.2104 Crores as against Rs.1281 Crores, so one is that Srei?

M V Rao: Rs.1200 Crores is Srei book.

Ashok Ajmera: Last quarter, so out of this about Rs.600 Crores is the Srei is it not or the slippage and how did you calculate this Rs.2104 Crores?

M V Rao: Rs.2104 Crores comprises just a minute our GM Recovery will give you that details.

Alok Srivastava: Mainly Srei is Rs.1149 Crores then next biggest is Panipat – Jalandhar Rs.168 Crores rest are all miscellaneous small accounts.

Ashok Ajmera: Okay, Sir so this is one off kind it means we do not have any such other lumpy account for the future?

Alok Srivastava: No, no lumpy account, no corporate side and we are not seeing stress on the corporate side.

M V Rao: That is why in our SMA-2 that is what I was stressing more, if you see the SMA figures on the corporate side above Rs.5 Crores which was Rs.3157 Crores June 2021 now it is Rs.1017 only total and SMA-2 which is most worrying always for any bank, which was Rs.1516 in June 2021 now it is only Rs.222 Crores. Going forward we do not foresee much of the stress on the corporate book.

Ashok Ajmera: Definitely it is a very strong performance and control on the SMA, Sir this Rs.16788 Crores of SMA–0, SMA-1 and SMA-2 it includes I believe this Rs.5 Crores also, below Rs.5 Crores?

M V Rao: Yes, both the things we have given. You have seen a number of accounts above Rs.5 Crores, up to Rs.5 Crores total we have given.

Ashok Ajmera: Good Sir, now since we are comfortable on all the parameters what could be the reason according to you for RBI not taking it out from this PCA when all other banks have been done with. How positive you are that after this September results how soon we will be out of the PCA?

M V Rao: See, I have no comments to offers from the RBI perspective but one thing I can make it very clear we want to assure them once again, again we are going back to regulator through a letter through my SSM saying that the factors which were contributing for the spike in provisions in the previous, previous years that is already taken care in this year, that means this ageing provisions which used to be high in some quarters, in some quarters it used to be less. What we did in this financial year is, for the entire financial year we have calculated the total provisions that are required for the ageing irrespective of the recovery which may happen also definitely, but as a prudent banker, we have taken the total provisions and we have equated for the four quarters even though in one quarter my provision requirement is less even then I have provided in such way that it should take care the spikes in the provisions in the subsequent quarters that means that we have even those of spikes. So, going forward we may not have any problem as far as the ageing provisions that are going to come in the next, next quarter. So, the same thing which in detail we are going to elaborate to the regulator and also request them to move us out of PCA and one more thing just I would like to clarify PCA or non-PCA it is not going to affect our performance, we will continue to do our best and we will be excelling in our area.

Ashok Ajmera: Sir, what was the need of providing 100% for that fraud account of Rs.130 Crores in this quarter, then we were allowed four quarters so that would have given a little better performance also, though of course it is taking care of the future liabilities but since it was allowed by RBI to be written off in four quarters, what is the reason of entire Rs.130 Crores being provided this quarter?

M V Rao: Same reason Sir. Same logic we can apply here also the way we have evened out our requirements and the provisions that means we do not want to have any spikes. So, in the similar way here also same logic is followed. I do not want to show one time more growth and more profit and next time again going down, no consistency we want to maintain, and we will show and demonstrate to the market this organization has come out of the woods and we will be consistent in the performance.

Ashok Ajmera: Sir, just last question on this co-lending will you give some colour, I mean how it benefits to the bank and how much like you said that Rs.380 Crores is already there, and you have a very ambitious target of Rs.3000 Crores or so under the co-lending scheme. How much is co-lending for gold and how much is co-lending for MSME and other which you have tied up and how is it helping the bank as far as yield returns are concerned?

M V Rao: See, number one gold is yet to yield appreciable number. It is in double digit only it has to grow. Coming to housing loan and MSME loans, the co-lending concept if you go into that as a bank in certain areas, I do not have the reach. Number two is monitoring mechanism what banks are having and then what the NBFCs are having totally different, and we are confident that the mechanism what the NBFCs are having they are going to deliver more on the monitoring so that whatever the stress I foresee in MSME or in retail may not happen in this co-lending portfolio that is number one. Number two is, I have a surplus of more than Rs.30000 Crores now because my CD ratio is very, very low in the entire banking industry. Now I am searching out for the avenues where profitable deployment will be there and also whatever the risk that arises on account of lending will also be taken care. On both the fronts this co-lending model works well and that is why we have gone into this arrangement and going forward we will be having tie ups once this stabilizes that is what I indicated in the previous quarter also, so within a month or two once this stabilization happens, we will be going furthermore tie ups.

Ashoka Ajmera: So there you give 80% and this NBFCs they give 20% is not it?

M V Rao: Yes.

Ashoka Ajmera: 80%, 20% is the gel. Our interest rate remains competitive in this.

M V Rao: Definitely. They are competitive sometimes we are better off than in our usual direct lending. So it is very competitive.

Moderator: Thank you very much. Mr. Ajmera please come back in the queue. The next question is from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.

Ashlesh Sonje: Just one question from my side. I wanted to know on our corporate NPA books which are the accounts where we expect recoveries during the second half of FY2022?

M V Rao: In the second half we are only just hoping for NARCL to start their operation, so that whatever the identified accounts which are 7 in number and maybe amounting to around 3000 Crores may move out of our books, 2570 to be precise.

Ashlesh Sonje: Sir anything apart from NARCL?

M V Rao: Apart from NARCL right now, we are not seeing any visibility in bigger accounts.

Ashlesh Sonje: Thank you.

Moderator: Thank you very much. The next question is from the line of Sohail from Antique Stock Broking. Please go ahead.

Sohail Halai: Good evening Sir and congrats on good set of numbers. Sir few questions from my side; one I just wanted to understand in terms of this SMA portfolio a little better. So if I look at basically the SMA portfolio below 5 Crores that is at around 15700 Crores? So how comfortable or basically how worried are you in terms of these portfolios and how does this portfolio behavior is different from the pre COVID level, if you could just help understand that?

M V Rao: Just I would like to bring you back to the June 21 figures. 3599 is the SMA2. Earlier also I have clarified that SMA2 will be the much more worrying factor for all the bankers rather than SMA0, so out of 3599 if you see the slippage as what happened in September is around 600, so likewise even SMA2 which is there in September is 3539. Going forward what we see is we are having the war room concept here and then it is working well and it is controllable and also we see that much of the slippages may not be there. It is only controllable and expected lines only that slippages will happen. That is why our guidance just we have given around 1.5.

Sohail Halai: Sir if you could shed some light in your experience, how was this portfolio in terms of the pre-COVID. Because this portfolio is slightly on the higher side and you may look at the declining trend going forward as well?

M V Rao: See COVID what happened you know because of the Supreme Court moratorium and all those issues the figures would not give you the comfort to infer anything from that. Meaningful inferences may not be there, but what we see from the SMA2 figures of June, September and whatever things that are slipping and the activities and also geographical area we are confident that slippages may not be to that extent of what we cannot manage.

Sohail Halai: Sir is there any overlap between the SMA and the restructured book?

M V Rao: There may be a little spill over here, but as a restructured portfolio our focus when it moves to this one, SMA category. It will come under SMA category but definitely as you say that little overlap may happen there.

Sohail Halai: Sir finally broader question in terms of your strategy for probably a little longer time. If I actually at one thing, slide 13 where you have given the standard advances exposure, I see that there is a lot of churning happening where you AAA proportion has actually increased quite significantly and your BBB and even A as actually shrunk and BB and below. So once we are out of the PCA framework would our risk appetite be to go again into these segments and actually lend?

M V Rao: No Sir. Never it is going to happen. We do not want to learn the lessons again and again, okay. Definitely this one, but your observation is quite right regarding the AAA. What the churning has also taken place because of the conscious focus that as a bank you know we have lot of CASA. This is one of the best in the industry that is 49%. My cost of deposit is only 3.8%. There is no point for me even in the pricing you know I will always have the upper hand if I compare with my peers as far as the pricing is concerned. There we entered that market, so even though I am earning less I know that it is dead sure that nothing is going to happen. So that is why our AAA has gone up and it also aided us in reducing our risk weighted assets portfolio.

Sohail Halai: Bur do you believe that actually the corporate cycle is behaving well and because of the past experience do you think that you may miss on the opportunities of making more money?

M V Rao: No. It is not like that. Even in the corporate side where we are very choosy that is what I am saying. In the corporates now we are maintaining the balance. We want to maintain the balance of 70:30 and in the near term it will be 68 and 32. In the 32% we know very well what are all the assets that are maturing in this time and we know what type of assets we have to pickup. Even on the pricing side I am getting the good return where I am confident and going for the SPVs where totally it is ring-fenced mechanism and we are totally avoiding financing the gold portion now and we will be focusing on the SPV and we should have a definitive visibility on the equity front from where it is coming and what is the quality and strength of that equity and also when cash flow starts the total ring-fencing should be there. So there is nothing from our side to abstain from the opportunities but definitely as a bank we will be looking at the reasonably qualitative corporate portfolio.

Sohail Halai: Sir in this one more thing in terms of on the growth prospective because of cost of funds is so low, are we actually capturing in terms of the customers where the financial institution or other financial institution maybe given the loans at a higher rate so is the balance transferring happening to us or how do we actually look at the growth in terms of the retail and housing despite a lower cost of fund?

M V Rao: See retail and housing is entirely different ball game, it much depends on the refinancing. As far as the corporate side is concerned you are also aware now in this market very few capacity expansion or new things are happening otherwise it is only refinancing where corporates are reducing their cost of borrowing.

Sohail Halai: Okay and there we are seeing benefit that is reflected in actually growth in the AAA rated entities.

M V Rao: Exactly.

Sohail Halai: Sir finally in terms of just if you could actually give an outlook in terms of how much would we selling down to NARC and broadly your require from the technical write off. How do we actually look forward towards these two numbers in next three, four, five quarters?

M V Rao: Yes NARCL we can give reasonably calculated numbers.

Mukul N. Dandige: We have seven accounts which are identified out of 22 as you are aware there are 22 accounts pan industry and our exposure there is 2507 Crores so the reduction expected through NARCL is 2500 Crores.

Sohail Halai: Sir if could also help in terms of the treatment whether these would be written off or fully provided accounts.

M V Rao: I can say out of 7 all of them are fully provided, 100% provided for.

Sohail Halai: This will come as basically the provision write back in the provision line item and the gross NPA will fall.

M V Rao: Yes whatever we recover we will add to the bottomline.

Sohail Halai: The gross NPA will fall by 2500 Crores?

M V Rao: Exactly.

Sohail Halai: This is very helpful. Thanks a lot and all the best. If I have anything more I will come back in queue.

Moderator: Thank you. The next question is from the line of Amit Mishra from Indus Equity. Please go ahead.

Amit Mishra: Good evening Sir. Thanks for the opportunity. I have two questions. Seeing this as loan growth opportunity, which segment are we expected to contribute growth for us and the second question is what is the recovery pipeline for second half of the year?

M V Rao: See the recovery pipeline that is what in the bigger accounts. What we see is only NARCL that bigger accounts will move out from our book and then because since this is all are 100%

provided that will be contributing to our bottomline in appreciable extent. As far as the loan growth is concerned it is on track as far as the corporate book which we are eyeing for that 30 what I am again repeating 30% and 32%. So we are in a position to pick up the asset there we never any issues as far as the loan growth on the corporate book. Coming to the RAM segment yes now we are focusing more on the growth side on the retail segment, agriculture and MSME and coupled with that it will be our co-lending will be complimenting to this portfolio.

Amit Mishra: Thank you.

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

Ashoka Ajmera: Thanks for the opportunity again. Taking this our NARCL discussion forward, so almost about 1.5% of our gross NPA will come down in the next quarter when this 2507 Crores goes so it becomes our gross NPA will otherwise also come down to 14% is not it?

M V Rao: Correct. Perfect.

Ashoka Ajmera: Sir one more thing in the case of the Srei you know we objected to the section of government saying that I was solvent and I could have you know run the business with restructuring and other thing, so it means he is capable of paying the amount and this thing so almost I mean full 50% provision is that informal message from the RBI because the other bank today said that we also made 50% provision as against the 15% which is mandatory required, so have you got some feelers that minimum 50% has to be provided for?

M V Rao: No such type of direction or indication from anyone. It is only our own internal capability of providing that amount since we had the opportunity to provide we have provided and whatever the Srei's comments on this platform I have no comments to offer.

Ashoka Ajmera: Now point well taken Sir. Answer well taken. Sir in case of DHFL also though the settlement has taken and Piramal has paid you the cash and the bond but still the banks are saying that we can still go against the promoters because they had given personal guarantee and there are some prospect of recovery?

M V Rao: That is there. Personal guarantee invocation is there.

Ashoka Ajmera: So any assessment of some possibility of, I mean any idea of some more?

M V Rao: No speculations at this time because lot of things are involved. Okay that legal provision is there and everyone is exploring that.

Ashoka Ajmera: When I was abruptly cut in the first time of my opportunity because I had taken a lot of time. We were on the point of this NBFC and co-lending so there I was asking you that yes it is a very good move and you said that you have got lot of because your CD ratio is only 52.29% and you have lot of cash to deploy so I was just asking whether in that case you are open to A+ rated NBFC for direct lending also for the priority sector or otherwise?

M V Rao: Through co-lending route only we would like to increase our book there. As far as direct financing to NBFCs because we have internally fixed ourselves that 10% of our loan book should be towards the NBFCs. Right now we have around 11.7% or 11.8% that is why direct financing to NBFCs is not happening at our end except for the exposure neutral lending. New one may be going forward we may see but not at this moment.

Ashoka Ajmera: That is also another opportunity you know because all this NBFCs are doing very well these days again.

M V Rao: But always, we always learnt rich are incubated only during the good times.

Vivek Wahi: Ashoka ji, Vivek Wahi this side if NBFCs are really doing very that means they are growing more than 10%. If they are growing more than 10% then for them also co-lending is a very good option.

Ashoka Ajmera: That is okay, but there are I think some practical problems also especially I saw in case of gold lending and the security creation, the gap between the you know there are any way, those are the problem which, I mean these are the teething problems because you are expand your business in that direction because the main thing is you know the security creation, coming to the bank vault and the certification, the valuation, and all those things, so co-lending as its own issue. But direct lending and especially to the private sector onward lending I do not think should be a problem.

M V Rao: Not a problem but only our internal, our own restrictions what we have kept ourselves.

Ashoka Ajmera: Alright Sir apart from your retail and co-lending do you see any green shoots now in the business industry, MSME, some mid size corporate because unless you do that to increase the book size, loan book. I think only by retail or this very big competitive product you may not achieve that kind of thing when you are so comfortable 52.29% of the CD ratio and good capital adequacy norms. So are you looking at are you working on that?

M V Rao: We are open to you know all avenues as far as lending is concerned. Only base rule is again we should not go back and repent afterwards that is the only base rule we have. Just what I was saying is we are open to all avenues as far as the lending is concerned. Only principal and base rule what we apply is we should not repent in future. That's all. That is the only base rule we apply.

Ashoka Ajmera: That prudence is required in the base rule because of that the bank is now again coming back you know its past glory having said that Sir on the treasury income what is your future outlook on that and you said I think in some of the answering some of it as a question that you are very comfortable on your yield.

M V Rao: It is not that comfort. Comfort we are deriving an account the way we have immune our ASF book from the possible increase in yields that we are foreseeing. We had that ink link and now it is coming true what we expected as far as the yields are concerned. In that perspective we had tweaked and also shifted lot of securities in the month of April. At that point, whatever the loss we have booked because of the shifting that appears to be very small amount. Now what we have seen in the increase in the yields when it has gone for the MTM. So for keeping that in mind we had moderated and also shifted that is why our moderate duration and PV01, all the things are in place. Even for December if yield touches 6.5% we are totally immune from that MTM losses.

Ashoka Ajmera: Yes because you got almost about 1750 Crores this half year from the treasury operations?

M V Rao: I think we lost Mr. Ajmera.

Moderator: Thank you very much. In the meanwhile we will move on to the next question that is from the line of Sohail Halai from Antique Stock Broking. Please go ahead.

Sohail Halai: Good evening Sir. Sir just couple of questions again. One if I actually look at your loan to deposit ratio of 52%. In the environment what we believe is slowly and steadily the interest would rise and probably the liquidity will get tightened. In this can you actually tell me how far away are you from basically raising the rates in terms of your deposits?

M V Rao: Right now there is no thought on that and as and when the situation evolves again our ALCO will meet and take the appropriate decisions at that juncture. Right at this moment, we are not tweaking any of the rates and we are also conscious because of our presence in the rural and semi urban areas and also our demographic exposure tilted towards us, the senior citizens we do not want to reduce the deposit rates even at this moment it is very easy for me, but keeping our commitment to the society and senior citizens problem our committee has taken the view that let us not reduce the rate drastically, let us maintain and whatever the liquidity we have let us go for the profitable deployment.

Sohail Halai: Sir let me little rephrase the question say about 6 months or 9 months down the line probably the private banks may start raising their deposit rates, would we actually chase private banks in terms of raising the deposit rates or we would be comfortable till the time there is liquidity in our balance sheet?

M V Rao: See one thing I can tell you. We will be balancing our activities from the proactive measure and reactive measures. We will not be totally fully on the reactive side when other bank raises then we will think what to do or liquidity exhaust at our end what to do. In that way we would not go. We will be balancing and anyhow on daily basis we have the liquidity reports on our MIS. We will be taking the conscious decision on that. It is premature for me forecast at this moment.

Sohail Halai: No Sir I agree. The only question that actually came in my mind is probably in the medium term prospective while we have very, very excess liquidity, this could help us as well as some of the other PSU banks because the cost of fund differential will continue to increase as the liquidity pent up between us and the private banks, so just wanted to collaborate that with you. Sir second in terms of you have actually grown significantly as discussed in terms of the AAA book, but if I look at the current account growth that has still muted are we able to in terms of increase the relationship or strengthen the relationship with some of the large corporates and your thoughts on that?

M V Rao: That is the precise reason why we are entering into AAA with the pricing advantage what we have and we have already worked out for the two big corporate how ancillary business can also be taken into, so that value added services and also to their employees and retail out to their employees, all sort of things we have bundled it together, so the way you see the private banks are making the ecosystem some terminology we may not be using the terminology but precisely we are doing the same activities so that once we have an entry we want to ring fence the entire cash flows not only for the company to all the employees further added to that we have gone one step ahead of taking their creditors and debtors information so that we can also explore for further business.

Sohail Halai: This is basically the entry point and then you would be targeting the entire ecosystem.

M V Rao: Exactly.

Sohail Halai: That is it Sir. That is it from my side. Thanks a lot and all the best Sir.

Moderator: Thank you very much. That was the last question for today. I would now like to hand the conference to Prabal Gandhi for closing comments. Over to you Sir!

Prabal Gandhi: On behalf of Antique Stock Broking I would like to thank the entire management of Central Bank of India and MV Rao Sir especially for the time that he has given us and Sir would you like to make some closing remarks?

M V Rao: First of all thank you for sparing your time and we would like to assure you to the market that we will continue to perform and excel in our operations and whatever the interests you are showing earlier please continue to bestow such type of interests in our bank. Thank you.

Prabal Gandhi: Definitely Sir. Thank you so much and we will end this call. Thank you everyone for participating.

Moderator: Thank you very much. Participants on behalf of Antique Stock Broking Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.