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Dear Sir/Madam,

**Sub : Disclosure under Regulation 30 of SEBI (LODR) Regulations, 2015 -
Transcripts of Bank's conference call with the Analysts**

We submit herewith transcripts of conference call held with the Analysts on 25th July 2022 on Unaudited Financial Results of the Bank for the first quarter ended 30th June 2022.

Please take the above on your record.

Thanking you,

Yours faithfully,
For CENTRAL BANK OF INDIA



SMRUTI RANJAN DASH
GENERAL MANAGER



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“Central Bank of India Q1 FY-23 Earnings Conference Call”

July 25, 2022



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 DANDIGE – CHIEF FINANCIAL OFFICER, CENTRAL BANK OF INDIA

MODERATOR: **MR. SOHAIL HALAI – RESEARCH ANALYST, ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Central Bank of India Earnings Conference Call for the Q1 FY2023 hosted by Antique Stock Broking Limited. As a reminder, all participants' lines will be in 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, this conference is being recorded.

I now like to hand the conference over to Mr. Sohail Halai from Antique Stock Broking Limited. Thank you, and over to you, sir.

Sohail Halai: Thanks, Vikram. Good afternoon, everyone. I welcome you all to Central Bank of India's First Quarter FY '23 Earnings Call. And thanks Rao, sir, and the management team of Central Bank of India to provide us this opportunity to host the call.

Today, we have with us senior management team from Central Bank of India, led by Mr. M.V. Rao – MD and CEO; Mr. Alok Srivastava – Executive Director; Mr. Vivek Wahi – Executive Director; Mr. Rajeev Puri – Executive Director; and Mr. Mukul Dandige – CFO.

Now without further delay, I hand over the call to Rao sir for his opening remarks, post which we can open the floor for Q&A. Over to you, Rao, sir.

M. V. Rao: Yes. A very good afternoon to all of you and thank you for participating in this con call. And I am very happy to share with all of you that this is the fifth straight quarter the bank is making the net profit. And our balanced approach has kept the bank in the orbit of controlled growth path.

Just I will be sharing the highlights, and again, I will come to the specifics of any clarification that is required. As far as our total business is concerned, now it stands at Rs. 5.37 lakh crores. We are seeing a growth of 6.04%. And then gross advances now stands at Rs. 1.94 lakh crores with a growth of 11.08%. And RAM advances, now it is at Rs. 1.27 lakh crores.

And the guidance, what we have given earlier, our balanced approach, we are maintaining 65:35 composition that is RAM is 65 and 35 is corporate. Though we have given a range of 65 to 70 and 30 to 35, now we are maintaining 65:35 in this June quarter.

Our net NPA, now it has come down to 3.93%. If you compare it with the previous June, it was 5.09%. And then slippage ratio and credit cost, I will come when details I will be presenting. CRAR, we are comfortable at 13.33%, and the PCR, that is provisioned coverage ratio, has now gone up to 86.61%.

And now in small details just to wrap up. This is a network, what we have customer touch points is 18,171; with brick-and-mortar branches, is 4,528; and our ATMs is 2,999; and BC outlets 10,644. So, among this, liability part total deposits, that was Rs. 3.42 lakh crores, in which CASA is Rs. 1.74 lakh crores. That is 51.15%. And then total advance of Rs. 1.94 lakh crores, in this RAM is Rs. 1.27 lakh crores and corporates is Rs. 66,963 crores. So, we have an

improved CD Ratio when compared with the previous June, which was earlier 52.9. Now we have reached to 57.04.

And coming to the credit RWA because though we have Rs. 194,648 crores, our total credit RWA, that is risk-weighted assets, is Rs. 124,259 crores that is 63.84% of the total advances. That means you can evaluate the good-rated portfolio in our credit book. And our loan book is also very much diversified. 28% is under retail and 19% with agriculture loans, 18% with the MSME in among the RAM itself. Corporate credit, I told you, is 35%. Total stands at 1.94%.

And sanctions and disbursements. Now with the changes in our structures, what we did in the previous year, and some processes we have changed and there is appreciable increase in our sanctions and disbursements. In the previous June quarter, it was earlier Rs. 8,031 crores for the total disbursement or total sanctions.

This time, it has moved up to Rs. 20,154 crores. And in similar way in disbursements, earlier in the June quarter, we could be able to do Rs. 6,066 crores. This June quarter, we could able to disburse Rs. 11,210 crores. So, there is an appreciable increase in our sanctions and disbursement. And going with the RWA, that is just 63.84%, that gives you insights into the quality of the portfolio, what we are enhancing.

And in co-lending, you may be aware that now we were having the first mover advantage and total outstanding as on 30th June stands at Rs. 2,342 crores. And as far as the mandated targets are concerned for Bank Creditor, Agriculture, Weaker Sector advances, we are well above the mandated targets, and we have also earned a decent amount in our PSLC sales.

And regarding the SMA, this will be the most interesting part for all of you. In June, we used to have Rs. 16,000 crores, June '21. And it has slightly dipped in the March by Rs. 14,924 crores, that is around Rs. 15,000 crores. Now we are at Rs. 13,700 crores. Even in this, if you see the bifurcation of above Rs. 5 crores and below Rs. 5 crores. Above Rs. 5 crores, we are comfortably placed, that is the total amount is only Rs. 1,200 crores, where SMA-0 is Rs. 700 crores and Rs. 300 crores in SMA-1 and Rs. 200 crores in SMA-2.

As far as up to Rs. 5 crores, there is a number which is around Rs. 12,500 crores which is less than the March '22. And we are well accepted to deal with this portfolio as we have expertise and also a lot of reach at ground level with that retail and MSME borrowers.

And coming to the NPA classification. Total net NPA is 3.93%. In retail, it is 1.53% and agriculture 9%; MSME, 5%; and corporate is 2.3%. The gross NPA, is at 14.90%. Going forward, in the previous one, we were expecting some accounts will be taken over by the of NARCL. But still there are issues, we have to be sort out, I think it may take some more time. Meanwhile, for the next quarter, we are figuring out how we can reduce the gross NPA. It may not have the impact on any of the issues as far as the bank functioning is concerned.

And most importantly is our net NPA, which was 5.09% in June '21. Now it is at 3.93%. So, there is a lot of improvement in this. And going forward, we will be sticking to our earlier guidance of 3.5%. And when you come to the NPA movement, the opening balance was Rs. 28,156 crores; closing was Rs. 29,002 crores. There is an increase in the gross NPA because of

the three major accounts in the corporate. That is The Future Group, three account and one Bajaj Hindusthan. These accounts, that turned to NPA. That is why there is an increase in the gross NPA.

Coming to the slippage ratio, where I will be spending one minute extra for giving a picture how this has come. Overall, it is 1.29%, and if you can drill down to the specifics, in agriculture, in total, there is a Rs. 2,100 crores slippage was there, of which Rs. 1,020 crores are from the corporate portfolio, the accounts, which I already shared with you. And in agriculture, Rs. 326 crores slippage, that is 1%; and in retail, Rs. 217 crores slipped into NPA, it is 0.43%; and in MSME, it is Rs. 530 crores, that is 1.8%.

In corporate, it is 2.03%. So overall, it is 1.29% slippage ratio. And the way SMAs are being controlled in the RAM portfolio and restructured portfolio, for September quarter, we are confident that it will be below 1.25%. And capital ratios, that is what I have shared, we are comfortable with the capital ratio.

Coming to the financials, that is the total income, interest income, and interest expenses and NII. That is almost June '21, Rs. 2,127 crores. Now it is at Rs. 2,142 crores. Only a small 0.71% growth is there. We are aware that the interest income from the treasury coupon interest also come down, and that is the effect here.

And provisions, if you come to the Slide #9, NPA provisions. Here, you can see very well that Rs. 959 crores, that is a net additional NPA provision we did and Rs. 826 crores was the provision write-back that was there. But we never utilized it. We have pumped in again to strengthen our balance sheet so that the balance sheet even for the September, whatever the things that are required to be done, we have front loaded those provisions.

That is why we are not used this Rs. 826 crores of write-back in our provision for any further requirements. So, this gives you a fair idea how this balance sheet is strengthened for the future. And our philosophy of balanced approach with controlled growth that we are going to achieve in the quarters ahead.

And regarding the indicators, cost of deposit is 3.85%. And then yield on investments is 6.13%, Cost of Funds is 3.90%, Yield on Funds 7.44% and NIM is at 2.88% and return on assets has inched up to 0.27%, and ROE has also gone up to 0.98% and book value per share is 27.71%. Credit cost is at 2.07%. This is the precise reason how these provisions were built, even though my slippage is less, but provisions are built up. That is why credit cost appears to be high. By going forward, this will be moderated.

And coming to the investment book. This is one of the portfolio which was managed really well in the bank. Even if you compare with the other peer banks, you will feel the difference how investment book is maintained at our end because we have a portfolio of Rd. 141,000 crores.

Now my ED, Mr. Vivek Wahi, he will explain you about the investment portfolio. Yes.

Vivek Wahi: Yes, sir. Sir, investment portfolio has shown a good improvement over last year-on-year as well as quarter-on-quarter also. Only on SLR book, the modified duration is 1.29, which was 1.31 in March. And our PV01 on SLR portion is 3.03, which was 4.30 in March and which was in June '21, it was 6.79. So there has been a very good improvement in these numbers as far as treasury is concerned.

Sir, overall provisioning is also very little. In SLR book as well as in our non-SLR corporate bond book, the provisioning is less than what was in March. It was only a little bit provisioning, more on the equity portfolio and SR portfolio. We have done a very nominal additional provision of around Rs. 125 crores. So, this is a good number, sir, as compared to peer banks.

M. V. Rao: And sir, further, to add from our subsidiaries, Centbank Home Finance Ltd and Centbank Financial Services Ltd, both are in a profit mode, and including my RRB. And all my subsidiaries and RRBs are doing well. And as far as the Canbank Home Finance is concerned, now we are revamping the entire Centbank Home Finance Ltd., which was headquartered from Bhopal, we have shifted to Mumbai. And a lot of work is being done, and we expect a lot of value addition from my NBFC.

This is from our side, and if any specifics or any clarifications are required, it is welcome. Thank you.

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

Ashok Ajmera: Comparatively of course a good result barring that there is the net profit has come down as compared to the March quarter. What I see sir, here this one expenditure item on the employees. So, will you comment that why the employee cost has increased so much as compared to the March quarter, sir?

Vivek Wahi: In March, if we see, there was a reduction in employee cost because of the reversal in the actuarial valuation for the terminal benefits. If we compare June to June, my employee cost is almost the same. There is no increase in the employee cost. It is only because we got a reversal of around Rs. 680 crores in the terminal benefits in the actuarial valuation. That is why March was an outlier quarter, we can say.

Ashok Ajmera: So, which means that on an annualized basis, we can say that the employee cost will be Rs. 4,400 crores or Rs. 4,500 crores as compared to Rs. 3,900 crores in the last full year, is it not So, Rs. 400 crores, Rs. 500 crores increase in the whole year?

Vivek Wahi: Right, we can say that whatever the employee cost during this quarter, it will be 4x during the financial year. Again, the same thing. I mean, the actual valuations if they come in March, that we are eligible for some reversal then to that extent, the employee cost will again come down.

Ashok Ajmera: Okay, sir. My compliments to Wahi sir, investment portfolio has really been handled very well because we are seeing lot of pressure in the investment portfolio. Even Bank of Maharashtra has come out with the result for the first time, where also there was a pressure. Whereas you have given if you see the segment-wise income, the Rs. 540 crores from the treasury income as compared to Rs. 393 crores in the last quarter. So, sir, going forward, how are we placed, sir? Your modified calculation is upwards 1.29 in SLR. But there can be losses in the AFS and other portfolio which you are holding.

Secondly, you provided something in the equity also. So, going forward for the next three quarters or maybe one or two quarters, what do you see, sir? How do you see the future from the investment income point of view or the total treasury operations point of view, sir?

Vivek Wahi: See, now tenure is hovering around 738 or 740 levels. So, it is expected that the yield should not be crossing it in this financial year. For up to March '23, we do not expect the yield to go beyond it because last time also when the tenure in 2018, it briefly touched 8 point something levels for a couple of days. So, it again went back below it.

So even if it goes up to 8, so that means another 60-basis point hit. So, 60 basis points in terms of our portfolio, if we could really say it will not be more than, max more than around Rs. 150 crores to Rs. 200 crores. So, our investment side, that can be surely taken care of by our interest income by our yields. So, we do not really foresee any major hiccups in our investment book going forward.

Of course, we do not predict, we do not have a view beyond 8%, which is unlikely to go. So that is the reason we are not growing our book in a big way in non-SLR. Only for this purpose that it is a rising yield scenario. So once the yields touch around 770, 775 level, then we will look to invest something in non-SLR also. So that is the thing. That is the way forward.

Ashok Ajmera: And the trading profit also will offset some of the losses, I believe?

Vivek Wahi: Yes, sir. Definitely, trading profit will not be much in next 2 to 3 quarters. But of course, we expect that to be compensated by our interest income.

Ashok Ajmera: Sir, on recovery front, on the slippage front, you said that the three major accounts, including Bajaj Hindusthan, the slippages were 1.29%. But sir, again, I think Puri sir, going forward, what do you see the similar kind of accounts are going to come in the future? Or what is our total slippage target or target for the whole year as well as the recovery from the return of accounts. And coupled with that, the NARCL now, I think, should materialize in this quarter. So, can you comment on all these three points connected with the recovery and asset quality, sir?

Rajeev Puri: So, I will only add what our MD sir has told that my RAM portfolio, it will not be more than 1,500 to 1,800 slippage total during the year. And most of the accounts like future and Bajaj Hindusthan, that have already been brought it up to some extent or rather, I can say up to the maximum extent. And as far as other accounts, I do not see any risk slippage.

You can see that my SMA-2 in corporate is only Rs. 100 crores, and SMA-0 and SMA-1 are placed in a very comfortable way. So that way, our slippage will not be much and recovery will be more than the slippage. That I can assure you.

Ashok Ajmera: Now coming to this my last question in this round. One is that RBI PCA regime, I think for the last two quarters we have been hoping that you will come out of that. And it will definitely help in performing better. So, is there any development on that? And secondly, on the CRAR of 13.33%, are we comfortable for our future growth, credit growth? And what are our plans on that, sir?

M. V. Rao: Sir, as far as the PCA is concerned, already we made our representation to the RBI, and we believe that it is under process now because all the benchmarks we are satisfying for the past 5 quarters. Today, also, we are mailing one more after these results. So that will give much more comfort to the RBI regarding the sustainable performance of the bank. So that will be the major parameter that they may take into account, the sustainability part.

Vivek Wahi: As far as CRI and credit growth is concerned, at least for this year, we do not envisage any reason because we have still surplus liquidity of around Rs. 14,000 crores. Going forward, when PCA is removed and we may be needing growth capital, we will definitely be exploring a market for these things. But that will be only done only after when PCA is lifted.

Ashok Ajmera: Some of the targets of the cost-to-income ratio or the credit cost, which is credit cost of 2.07. Maybe because of the higher provisioning in this quarter, and also about the credit growth and business growth, some targets for this current year, 2022-23?

M. V. Rao: 2022-23, the guidance what we have given around 10% to 12% advances growth. And that is already demonstrated for the June quarter, where 11% growth was there. So, regarding growth part, that is what I say. It is a very balanced approach we are adopting. Even in the RAM also, I told you 65:35. And then even within that 65, there is a percentage allocation is there for agriculture, retail, and MSME. So, in the balanced growth approach, we do not foresee any type of issue.

Ashok Ajmera: And the credit cost, sir, target for 2022-23?

M. V. Rao: That we have given 1.5, that we maintain, but our floor level is something below that, that at the end of the year we will be reaching we are confident.

Ashok Ajmera: And sir, last question is on co-lending, sir. You are very bullish on co-lending, and you said Rd. 2,342 crores portfolio. What is our basically, the spread over the normal leading through this co-lending business? And how is our experience so far because this entire business has been grown in the two quarters majorly. So, would you like to comment something on that? And what are your targets for co-lending for 2022-23? Maybe I think last time we were discussing about Rs. 5,000 crores or something?

M. V. Rao: Yes. See, we have internal target of much more than what we have discussed earlier. This Rs. 10,000 crores is one limit, Rs. 5,000 crores, we would like to reach by December. As far as the

quality part is concerned, just I would like to share with you still now we have not had any account in SMA-1 and SMA-2, till now.

Whatever the little accounts that come into SMA-0, again, they are moving back to the standard category within 7 to 10 days. With that, you can gauge into the quality part. And then the profitability of this portfolio, whatever the net raised what the agreed upon with each of the NBFC, that is separate for each NBFC. That as per our expectations, that yields are there in that portfolio.

Ashok Ajmera: You can say generally about 100, 150 basis points more than the normal direct lending rate of the bank, the net yield?

M. V. Rao: Definitely, sir.

Moderator: Thank you. We have next question from the line of Anirvan Sarkar with Max Life Insurance. Please go ahead, sir.

Anirvan Sarkar: Just one question. So, as our loan book growth has been more tilted towards the corporate book, and I believe there are good corporate opportunities at the moment which we are looking to grow in. But just want to know what does this imply for our margins going ahead? And would you like to guide towards the same? Where should we see margins heading to in the next 1 or 2 years?

M. V. Rao: One or two years, will be a little long to predict. But as far as our planning for corporate side, yes, there are opportunities that are coming. And for RAM also, we have, that is what I was saying, that ours is a balanced growth approach. We are not pedaling or accelerating on any of these 4 segments, retail, agriculture, MSME and corporate. And we are only picking up good quality assets where that capital cost should be less for me, that is why I could be able to maintain to my RWA to the extent of 64%.

Going forward, I do not see that we are going to maintain 64% of RWA. It may still go up, up to 70%. But there is a trade-off between these rated advances and the yield what I am expecting. And comfortable if I am reaching minimum, that is a floor of 2.75% NIM in my transaction.

Anirvan Sarkar: And also, I wanted to understand the source of this corporate growth. So, is this more of inflation-led working capital demand? Or are you seeing CAPEX slowly pick up? What is the nature of growth that we are seeing?

M. V. Rao: Nature of growth, sir, as far as corporate side is concerned, you know that because of the push on the infra side, there is a demand on the infra sector, including roads and also other areas, like cement and steel. And then we are very cognizant of the fact of the previous lessons and where to go and where to trade off with the quality and pricing. So very cautiously, we are trading on that part.

Moderator: Thank you. We have next question from the line of Amit Mishra from Indus Equity Advisors. Please go ahead, Mr. Mishra.

- Amit Mishra:** My question is on PCA since we are in the PCA right now. So, what kind of lending restrictions we have currently? And we are expecting what kind of growth we can see? Restrictions and growth?
- M. V. Rao:** Yes. Some disturbance was there. But what I understand from you is what are the restrictions we have in lending because of this. There was only one aspect that was there as a restriction is not to increase the unsecured credit portfolio. Because in 2017, when PCA was imposed, my unsecured portfolio was 7.3% something. That percentage we should not breach. Subsequently that we are maintaining. But as per the RBI guidelines, any bank can go up to 15% of up to unsecured portfolio.
- So, if that leverage is not there, probably we would have used some tools in such a way that our gross NPA should have come down by using certain flexibility in unsecured portfolio. That could not happen. We are waiting for the PCA to lift so that gross NPAs can also be brought down below 10%.
- Amit Mishra:** Next question is on margin. I may be missed. What are the guidance for margin for full year?
- M. V. Rao:** 2.75.
- Moderator:** Thank you. We have next question from the line of Vidhi from Antique Stock Broking. Please go ahead.
- Vidhi Shah:** Sir, can you please give the breakup of slippages for the quarter?
- M. V. Rao:** In this quarter, around Rs. 2,100 crores were slipped to NPA. In which, Rs. 1,020 crores is on the corporate portfolio, and Rs. 217 crores is from the retail and Rs. 326 crores is from the agriculture and Rs. 530 crores is from MSME. In percentage terms, retail, 0.43%; in agriculture, it is 1%; 1.8% is MSME; 2.03% is corporate. But overall is 1.29%.
- Vidhi Shah:** And sir, on the restructuring book, for what portion of the book has the billing started?
- M. V. Rao:** Yes. Please come back. What is that?
- Vivek Wahi:** Repayment started in the restructured portfolio?
- M. V. Rao:** Restructured, almost all the accounts is sorted now. There is no moratorium. No account is under moratorium right now.
- Vidhi Shah:** But I am trying to understand majority of the book, when the repayments will be seen, like from which quarter or which month the majority of the repayments will be seen. Or it is already started?
- M. V. Rao:** No, already started. Even in that slippages, if I can drill down and give you the further breakup. In agriculture, see total Rs. 326 crores was slipped. Among that Rs. 30 crores is from the restructured portfolio. Likewise, in MSME, it was Rs. 213 crores. Retail, it is Rs. 26 crores. In all the accounts that repayment has started.
- Vidhi Shah:** And sir, lastly, sir, on the fee income, what engagements are we doing to ensure that we see good momentum in this line item, which can help improve our operating performance?

M. V. Rao: Well, as far as our government business is concerned, that is one area I would like to just touch upon. And if we compare with the previous June, there are some Rs. 13 crores, it has gone up to Rs. 18 crores. Now you are also aware that in 5 ministries our Central Bank is the accredited bank. Now we are going back to them and exploring further avenue. And in the states, in Madhya Pradesh, we are the state SLBC convenor.

Almost in 8 of the government departments, we have placed our specially purchased and designed software for the government business, that has taken a lot of traction. And we are expecting a lot of revenues from that particular business. That is government business.

And as far as our LC, BG, DD are concerned, again, the old thing that was there we are again contacting, and there is an appreciable increase in our revenue from that line item also. And as far as other fee-based income, bank assurance, yes, there is an increase. And now we will be onboarding our customers for the bank assurance on the digital mode.

We are very, very particular on that aspect regarding spending resources for mobilizing the bancassurance business. We want that this particular bancassurance products should be a self-servicing one through my digital means. That is how we are progressing.

Vidhi Shah: Any other further companies are we planning to onboard for the bancassurance business?

M. V. Rao: Right now, it is not. For the existing one only, we are again taking up because this digital onboarding has to happen. Once that gets stabilized, then we may think of to increase the channels.

Moderator: Thank you. We have next question from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: Congratulations on a stable results and good fortune. Mr. Wahi and team has done wonderful at the current CD ratio. Sir, my question pertains to growth. Our guidance is very visible. But with our CASA almost matching advances, are we in a position to enhance our market share specifically in the retail business, which is the priority of the current management team?

M. V. Rao: Sir, that is what I was sharing, that we will be focusing on the balanced approach in the growth. In the retail, 28% of my portfolio is in retail and that we will continue to maintain that and then agriculture, 19%; MSME 18%. Because I want to have 65:70 and 30:35 combination in my credit book. So that there will be a balance because it is not that we will be accelerating on certain segments like retail or MSME. It is not like that. And balanced growth will be, we will be envisaging and we will be ensuring that.

Sushil Choksey: No, sir, my question was a little different. With 50% CASA at the size of the deposit what we have, within the cross-selling, within our banking customer need, the housing loans, the auto loans, maybe some secured other loans, education, various other parameters, as lot of initiatives have been taken at the bank for the digitization, co-lending, various other things. Is it possible that what is visible to us in the number which are printed in the Q1, and by the year we end we have a different picture in terms of our market share on those aspects?

M. V. Rao: Yes, definitely, sir. Definitely, market share will improve. But to what extent, we are not calculating in that way. What we are doing right now is, in my overall portfolio is Rs. 1.94 lakh crores, okay? Once the PCA moves happens, then I will get some flexibility on the unsecured portion, where I will be eyeing more to reduce my gross NPA so that my earning assets will move up.

So, in that rebalancing of the credit corporate book itself, my yield will go up. So, whatever this agriculture, retail, MSME, and also CASA, which is the main strength for me, that I will be leveraging not on one level because we have the product profitability review internally and certain products on the retail side and certain products in MSME and certain areas in agriculture, like what I would like to say is, KCC, we are not accelerating. We are moving more on the investment agriculture crediting processing, agri-processing, and horticulture and FPO. In those lines, we are moving.

Sushil Choksey: Okay. Sir, second thing is, based on the current PCA and various other provisions, possibly you are not able to hire a lot of talent which you may be thinking for digital or retail. Is it possible that the Reserve Bank of India may permit you on that aspect?

M. V. Rao: There is no bar as far as my spending is concerned on the technology upgradations are concerned. And just I would like to share with you, this year, it is a maximum recruitment that has taken place in the bank. This is around 2,600, where specialists like IT specialists, risk management, CAs, and engineers we have recruited. Why because on the digital onboarding, now we have embarked on the digital transformation project, where already we have shortlisted McKinsey as our partner.

And we will be moving ahead. And for that, this entire people from the specialized category will be deployed in that particular project for our digital transformation. So as far as the spending part and the IT is concerned, there is no restriction. And as such, we do not have any resource crunch also on that.

Sushil Choksey: Sir, I did not mean on IT resources. I am talking from human resource because you are taking a lot of pain in the last 15 months for getting Central Bank on par with on technologies with any private or public sector banks. That is what my question is.

M. V. Rao: Yes. That is why we have recruited a lot of IT specialists now.

Sushil Choksey: Okay. Sir, this project would take, what. 6 months, 12 months to see the result?

M. V. Rao: It is the 18-month journey. In these 18 months, in first 3 months, you may not be seeing any visible fruits. And then what we are eyeing is 4.5 months onwards, then we will be seeing the results.

Sushil Choksey: Sir, are you seeing any sensible contribution coming from the subsidiaries, that are Cent Home, Central Financial Services or all the subsidiary banks?

M. V. Rao: Central Financial, as far as concerned, we are reworking the way how this can contribute to us or how it can supplement our efforts in terms of certain outsourced activity. As far as the Cent

Home is concerned, now it is totally revamped and then it may take another 3 months for you to see the difference in their functioning and also in the numbers.

Vivek Wahi:

The new technology is coming.

M. V. Rao:

New technology is already put in place. I think.

Vivek Wahi:

Next month.

M. V. Rao:

Next month, we will be seeing that technology adaptation in the new platform.

Sushil Choksey:

Okay. Sir, secondly, as I sense from the marketplace that Central Bank housing loans are the cheapest currently compared to your peers of any competitor. Are we seeing after this rate hike cycle which has started that on month-on-month, market share or our business size on housing loans would be far better than what we were standing at?

M. V. Rao:

Yes, it is inching up. Exactly. It is moving up.

Sushil Choksey:

Is it possible that we see Rs. 1,000 crores plus on a monthly basis?

M. V. Rao:

Monthly Rs. 1,000 crores, it may be happening in October, November.

Moderator:

Thank you. We have next question from the line of Ashok Ajmera with Ajcon Global. Please go ahead.

Ashok Ajmera:

Sir, I have some question on this ARC sale and NARCL. Now so NARCL will help us in bringing the gross NPA also a little bit down. So, any specific numbers of the ARC sale, either in this quarter or going forward in the next 3 quarters or maybe 1 or 2 quarters? In NARCL, what is the actual number of accounts which are identified in this Rs. 50,000 crores? And how much amount finally it is going to go?

M. V. Rao:

As far as our NARCL is concerned, still it is work in progress. We are not getting any concrete accounts for references because NARCL also sends us account-wise NDA signing. Still, it is a work in progress. Going forward, I think if at all something materializes in this quarter, it is a great boom for the bank.

Ashok Ajmera:

And on the ARC, other ARC sale?

M. V. Rao:

Other ARC sale, we have to evaluate in the sense just we are waiting for some of the restrictions to go. Then we will have certain freedom to think and plan. But as such, with the way things are there as on today, if it continues, definitely, we will be thinking to bring certain accounts for ARC sale.

Ashok Ajmera:

Sir, case of this again Cent Bank Home Finance, yes, of course, in this quarter, you have shown a profit of Rs. 8.5 crores compared to Rs. 1.41 crores in June '21. And you are saying that your activity has been digitalized. And so, what will be basically your plans for housing loan in the Bank, and this is also a housing finance company. So how are you basically strategizing so that both banks also get benefit and your housing finance company also get the benefit or look for the market, which the bank is not there? Or bank look for the or the company look forward for this thing?

Secondly, the capital and reserves, I think this is Rs. 143 crores to Rs. 170 crores, the increase of Rs. 27 crores, this is all due to the profit of the last one year? Or some capital also has been infused into it?

M. V. Rao: No. It is ploughing back the profits. That is number one. Number two is regarding the housing portfolio of the bank and our subsidiary. Let me tell you, stake is too large. When I was in Canara Bank, this was also a repetitive question for the Canara Bank and CanFin Homes. Stake is too large. No issues for any of us, there is no overlapping.

Vivek Wahi: We operate on totally on the lend basis.

Ashok Ajmera: And the scale of operation defers, so competitiveness would be there in both?

M. V. Rao: Yes, definitely competitiveness will be there. And I do not think we are a competitor to each other. It is only the complementing certain efforts. If they get some of the leads which are big enough and where they could not handle, those things also now we are putting some mechanism to refer it to the parent bank.

Ashok Ajmera: And sir, these associate companies, the associate banks which are there like Indo-Zambia Bank, the profit for this quarter is still was Rs. 66 crores in this and we have 20% share in it. So, whether they declare any dividend or something how the income?

M. V. Rao: Yes. Whatever the dividend that we have received from Indo-Zambia Bank are already surpassed our investment.

Ashok Ajmera: Okay. So, it means on an annualized basis, this is a bank of almost about Rs. 300 crores of profit?

M. V. Rao: Yes. Correct.

Ashok Ajmera: And similarly, your other two investments are also doing well. Now sir, just coming back to the like there was one question already on the income side. Like, Non-interest income increasing in third-party and like on that, can you elaborate a little more on that? How we plan to increase our noninterest income, which is the main like it gets directly added to the bottom line of the bank. So, your third-party products, also that 3-in-1 account or even fees for the government business and services. So, what is our actual planning on that? And how do you see? Where do we stand in this current year 2022-23 on that front, sir?

M. V. Rao: See, as far as really you gave me a good lead about the 3-in-1. That 3-in-1 is almost done now and probably on our Founders Day, that is August 9th, our bank will be launching that product. 3-in-1 entire technology integration is done. And now some of our internal staff is doing the transactions to see the stability and scalability. And that will be finally rolled out on August 9th. That will be additional source for us to increase our fee-based income.

And as I told you earlier, government business, now traction has picked up. And then the separate package, what we have developed for the government institutions, a lot of departments are advancing interest, and we are deploying there. And it is only a matter of time to reap the benefits.

And as far as bank assurance is concerned, earlier I shared with you that as a bank, I do not want to put my manpower and resources further in this channel. But definitely, my customers should have that opportunity to invest, but it will be purely on the digital channel. That is why we have renewed our existing contracts with our existing partners for one year with the condition that they will be bringing everything on the digital channel. Once that gets stabilized, then we will be in a position to scale up and also add multiple partners as per the regulatory, within the regulatory ambit.

Ashok Ajmera: So, congratulations in advance for your August 9 Foundation Day. I hope we will be invited for that if there is any physical function?

M. V. Rao: Yes, definitely

Ashok Ajmera: My last question is on NBFC front. Sir, okay, co-lending is okay. But for the onward lending or pool buying on that, how are you playing? I mean, what are your views? I mean, whether we can expand a little more through the NBFC onward lending business than what we have today?

M. V. Rao: Yes. See, but here, as far as the NBFC funding is concerned, for an onward lending. I am not including full buyout or this co-lending. So, only purely for NBFC funding for their on-lending programs, we have fixed an internal target of 12%. I do not want to scale up my portfolio on the NBFCs beyond 12%. So, we are almost at 11.8% something. So, we would like to maintain that at 12%. Once this trade book grows, then there will be opportunity for me to add further NBFCs in my portfolio.

Moderator: Thank you very much, sir. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Rao for closing comments. Over to you, sir.

M. V. Rao: Yes. Once again, I thank all the participants for investing their time and energy, knowing our future plans. And let me assure you that the bank is well positioned. Our way of approach is the balanced controlled growth approach and then this is going to yield and add value to my bank, and all the stakeholders will also be get benefited in due course. Thank you. Thank you very much.

Sohail Halai: Thank you, Rao sir, for giving us this opportunity to host the call and for a very detailed insight. Thanks a lot, sir.

M. V. Rao: Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining with us and you may now disconnect your lines.