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Bank of India BOI

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Sub: Unaudited (Reviewed) Financial Results (Standalone & Consolidated) for the 1st Quarter ended 30.06.2024
Earnings Conference Call with Analysts/ Investors – Transcript.

With reference to above and pursuant to the applicable provisions of SEBI (LODR) Regulations, 2015, we herewith enclose the transcript of post results Earnings Conference Call for the 1st Quarter ended June, 2024 held on 3.08.2024.

The transcript of 1st Quarter ended June, 2024 Earnings Conference Call is uploaded on Bank's website and the same can be accessed through below link :

https://bankofindia.co.in/analyst-conference-call-transcript

This is for your information and records.

भवदीय Yours faithfully,

RAJESH VENKATA RAJ UPADHYA

Digitally signed by: RAJESH VENKATARAJ UPADHYA
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बैंक ऑफ़ इंडिया BANK OF INDIA प्र. का. H.O. निवेशक संबंध विभाग Investor Relations Dept

(Rajesh V Upadhya)
कंपनी सचिव Company Secretary

Classification: Public

"Bank of India
Q1 FY'25 Earnings Call"
August 03, 2024

Management Team Represented by

Shri Rajneesh Karnatak, Managing Director & CEO

Shri P.R. Rajagopal, Executive Director

Shri M Karthikeyan, Executive Director

Shri Subrat Kumar, Executive Director

Shri Rajiv Mishra, Executive Director

Moderator

Very good afternoon, ladies and gentlemen,

On behalf of team Bank of India, I extend a very warm welcome to all the esteemed Analysts who have joined us today here in this auditorium. And also an extra special welcome to all those Analysts who have joined virtually from different cities of India. We are pleased to announce the Q1 FY25 Financial results of Bank of India. As you all can see, our Top Management has already taken the dias. Our respected Managing Director and CEO, flanked by Executive Directors Shri P R Rajagopal, Shri M Karthikeyan, Shri Subrat Kumar and Shri Rajeev Mishra. So, we'll begin this Analyst Meet. To start with, it will commence with the address of our MD and CEO Sir, followed by a Question & Answer session. So it's my proud privilege to invite our MD and CEO, Shri Rajneesh Karnatak for his address.

Shri Rajneesh Karnatak, MD & CEO

Thank you. Good afternoon everyone. All the Analysts present at the hall and also joined through VC, ladies and gentlemen, it is my pleasure to welcome you all for today's interaction and share with you the financial results of the Bank for Q1 for FY25. On the Indian economy side, the Indian economy has shown remarkable resilience in FY24 and achieved 8.20% GDP growth amidst geopolitical uncertainties. India has emerged as one of the only two major economies whose GDP at constant prices is 20% above the pre-pandemic level. IMF has also revised the growth projections of India for FY25 at 7%, very close to the RBI estimate of 7.20%. The economy is enjoying a twin balance sheet advantage with sound and stable banking sector and strong corporate sector.

In light of the prevailing optimism, the bank is focusing on inclusive and consistent growth to become the catalyst in the Government's vision for Viksit Bharat 2047 and will formulate strategies for the key drivers such as financing MSMEs, Agriculture and expanding the net of Education Loans and PMAY as outlined in the Union Budget 2024-25. The focus area will be strengthening liability franchise through augmentation of low cost deposits and retail term deposits to fund credit growth. Maintenance of Asset Quality will be priority by improving the collection efficiency and NPA recovery, along with slippage containment. Our endeavour will be enhancing customer experience by adopting more STP journeys of our various products with safety, security and compliance.

In this direction, we have taken few initiatives which I would like to highlight to you. Number one, on the business side is the introduction of the innovative MSME products; namely the Star MSME THALA. Thala meaning that we are going into the Hotel Industry, Tourism and Logistics Sector under the MSME units. Number two is the co-lending tie-ups which we are doing. Number three is, Bank of India, along with other six banks, have come together and invested in the CCIL-IFSC Limited for providing Foreign Currency Settlement System called the FCSS in the Gift City, Gujarat. The new product, Commercial Vehicle Loan has also been launched during this quarter.

On the IT and other initiatives that we have taken, 25 products have been made live on the E-platform under RAM segment, with 15 more products under development, which will be launched during the current Financial Year. In line with the PM-Surya Ghar: Muft Bijli Yojna, we have made solar rooftop products live on our e-platform. Under the MSME MUDRA Loan, STP for seamless renewal cum enhancement up to Rupees Ten lakhs are made live. With this, customers can renew and enhance their loans through the website from anywhere and anytime. Portable UPI QR Sound-box has also been introduced to provide real time audio confirmation for successful UPI payments. Bank has enabled its ATM acquiring switch for NFS, UDIR, which is the Unified Dispute and Issue Resolution to reduce the TAT in handling various disputes. E-commerce facility is made live through Debit Cards in our 3 RRBs. CRM Next Compliant Management Module and Service Management Module have been made live for all our Branches. UPI functionality has been integrated in the Mobile App for instant payments, scan and pay group payments, collect requests from peers for convenience and accessibility, secure transactions and reducing the cash dependency.

We have published and shared the financial results of the Bank for Q1FY25 today in the afternoon. The main highlights are as under:

On the business side, the global business has increased by 12% plus on a Y-o-Y basis from Rs.12,14,000 crores in June'23 to Rs.13.64 Lakh Crores in June'24 with incremental growth of Rs.1,49,000 crores. Global Advances have increased by 15.82% on Y-o-Y basis from Rs.5.18 Lakh Crore in June'23 to Rs.6,00,000 Crore in June'24, with incremental growth of nearly Rs.82,000 Crores. Global Deposit has also increased by 9.74% from Rs.6,96,000 Crores in June'23 to Rs.7,64,000 Crores in June'24 with incremental growth of Rs.68,000 Crores. CASA has increased by 5.50% on a Y-o-Y basis from Rs.2.60 Lakh Crores in June'23 to Rs.2.75 Lakh Crore in June'24, with incremental growth of around Rs.15,000 Crores and a CASA ratio of around 42.68% for this June quarter. Domestic advances have increased by 17.29% on a Y-o-Y basis, from Rs.4,33,000 Crores in June'23 to Rs.5,08,000 Crores in June'24, with an incremental growth of around Rs.75,000 Crores. RAM advances have increased by 18.78% on a Y-o-Y basis to Rs.2,84,000 Crores in Q1FY25. Retail

Advances have also increased by 20% and Agriculture advances by 22%. And finally, the MSME have also grown by 13% plus during this quarter.

As regards the profitability and Asset Quality is concerned, Net Profit in Q1 FY25 stands at Rs.1,703 Crores, witnessing a Y-o-Y growth of 19.80%. Global NIM has improved by four basis points to 3.07% in Q1 FY25, as against 3.03% in Q1 FY24. The domestic NIM improved by 6 bps to 3.43% in Q1 FY25 against 3.37% in Q1 FY24. The Return on Assets stood at 0.70% in Q1 FY25. Net Interest Income has increased by 6% on a Y-o-Y basis, and stood at Rs.6,275 Crores in Q1 FY25 as against Rs.5,915 Crores in Q1 FY24.

There has been improvement in Asset Quality with reduction in both Gross and Net NPA. Gross NPA ratio stood at 4.62%, improved by 205 bps on a Y-o-Y basis for Q1 FY25, and Net NPA ratio at 0.99% improved by 66 bps on a Y-o-Y basis, and for the first time, we have been able to reduce the Net NPA to the below 1% number.

As far as our guidance is concerned, in line with the growth of the economy, the credit will be growing at around 13% to 14% and deposit growth we will be around 11% to 12% for FY 25. We will be concentrating on acquisition of new customers consistently to improve our CASA ratio and retail term deposits for funding sustainable credit growth. Going forward, the emphasis will be on strengthening the bottom line by improving the Asset Quality through better underwriting standards, with increased digitization initiatives and minimizing the fresh slippages and recovery in NPA accounts shall continue to be the thrust area for FY25.

I would like to thank you for all of you for showing your faith and coming here today, and also for your continued support all through this time. The floor is now open for the discussion and Question and Answer. Thank you so much.

Ashok Ajmera

Thank you very much, Sir, for the good set of numbers in the first quarter of FY25. And in fact, some of the concerns which were there in the last quarter, like, especially there was an increase in the provision, you know, Rs.1,800 Crore. Now it has come to the reasonable level, which you had promised in the last quarter. So our only concern is that so many new norms are being announced every day. And some guidance paper by RBI. There are 2 or 3 such things. So going forward, number one, what would be the impact on us, including even this online deposit mobilization. The increase in the provisions, or rather doubling of the provisions. As well as there is a pressure on the deposit side. Every bank we are seeing it. So, how do we answer or address that problem? A mismatch in the credit, 13% to 14% and the deposit 8% to 9%. From the capital adequacy point of view and from underwriting point of view, the demand which is there in the market. So what are your views on that going forward? Would you like to revise some of the guidance or targets given in the last quarter or towards little on the higher side? And, something on the Asset Quality also? Yes, we have come down, now Net NPA below 1%, gross was already below 5% even in the last quarter. One point was there on the recovery, on the recovery from the written off account. I think, we had about Rs.40,000 Crore in written-off accounts, in the last quarter. So what are the recovery targets from that in percentage terms or in absolute? We can convert it. So this is just a few.

Moderator

Sir, request you to kindly introduce yourself and a small briefing for all those who are coming up with your questions, first you have to introduce yourself, your organization and kindly restrict for one or maximum two questions and we will be definitely coming back to you for more, if time permits. Kindly introduce yourself.

Ashok Ajmera

I am the Chairman of Ajcon Global Services Limited and I have been tracking the banks, especially Public Sector Bank, for the last 20-25 years. Thank you.

Shri Rajneesh Karnatak, MD & CEO

Thank you so much. As regards the recent guidelines which have come in the recent past, one which is the latest on the LCR guidelines, the draft circular of RBI basically, which is effective from 1st April 2025. However these are guidelines. They have called for certain feedback and observations from the banks. We will be giving the feedback to Reserve Bank of India directly and also through the IBA. The ballpark calculation that we have done on these numbers, and what the industry has also done is that the LCR may come down by between 10% to 15%. With this kind of thing, and because of the RBI guidelines says about the digital banking impact also, which will have to be factored in into these guidelines. So 10% to 15% is the number on the impact of the LCR due to that. Definitely, because of that some pressure will be there on the margins. And we'll have to keep more SLR and other securities aside for maintaining those kinds of margins. So that would be the first impact. But these are all ballpark numbers. All banks are working on it. And once we submit our feedback and suggestion to RBI, definitely, we are hopeful that RBI will come out with some more nuanced guidelines in the final circular, which will be effective from 1st April 2025.

As regards the DCCO circular, which was earlier circulated, in which the banks have already given the feedback to Reserve Bank, and we have also submitted our feedback to RBI through the IBA, we definitely feel that again, there will be some nuanced guidelines which will be coming after taking into account the feedback which has gone from the entire banking system, not only from the stakeholders like Banks and Financial Institutions, but also from the borrower side, the industry and also the infra guys who are there in the system. So there also we have done some ballpark computation over there. On the CET-1 side, the impact will be at around 10 to 15 basis points, because overall the guideline is such that it will not impact the CRAR. So CET-1 impact will be around 10 to 15 bps. And on the credit cost side, it will be also at around 15 basis point. As far as we are concerned, it will be there only for the new accounts. Very little portion is there which will be for the existing accounts, where most of the things have already been taken care in the existing account.

As regards your third main point, with respect to the challenges in resources side is concerned, if you see our Balance Sheet, we have grown our advances by around Rs.80,000 Crores on a Y-o-Y basis. And deposits have grown by around Rs.65,000 Crores, so there is a gap of around Rs.15,000 Crore between the deposits and the advances. Let me tell you very frankly, we have strategized our-self in the June Quarter itself and we have started raising deposits, resources. Through CDs we have raised in the 1st Quarter and also some borrowings we have done in the 1st Quarter. So this is how we have reached this gap and the borrowings have been done through our excess SLR, which is with us. We have also done few of the borrowings through SIDBI and NABARD. There also we have done as a strategy. So going forward, the strategy will be that we will be trying to raise as much CASA as possible and also retail term deposits. Let me tell you one more thing is that, as far as Bank of India is concerned, we have a very strong franchise and if you see our presentation also, you will see that only 13.60% of our total domestic deposit is bulk deposit. Which means that nearly 86% of our deposit is either CASA or Retail term deposit, which is helping us to maintain our cost of deposit and overall cost.

As far as the interest income and interest expenses are concerned. So that is some part which is there and we will be strategizing. Already we have raised Rs.5,000 Crores of Infra Bonds, in the middle of July. The advantage of these Infra Bonds will be for the Bank that we don't have to keep SLR and CRR on this. And number two, the interest to be paid out is once in a year, annualized interest rather than a quarterly interest. So that advantage will be there for the Bank. We have taken a Board approval for raising Rs.10,000 Crores. We may be again hitting the market sometime in the month of September for another round of Rs.5,000 Crores of Infra Bonds. And CD is always, another avenue. And then we'll be also borrowing from SIDBI and NABARD and other Institutions, wherever we feel that the rates are lower than the rates at which the bulk deposits are coming in the market at present. Apart from that, what we have done is, as a part of the strategy, we have 69 Zonal Offices and 13 FGM Offices. In all these 82 offices, separate Resources Officer has been placed now, whose only duty in the area is with respect to raising of resources, whether it is retail term deposit, whether it is for CASA and also for bringing Government accounts. We have given them the targets to do tie-ups with the Corporates, tie-ups with the Central and State PSUs, Central and State Governments, so that a lot of Savings and Current account we are able to garner. Along with that, we'll be able to get some retail term deposits and also retail loans, also like Personal Loan, housing loan and other kinds of things. So a whole lot of strategy we have already formulated for improving our resources franchise in the remaining nine months of this year, and you will be seeing the results coming out as we go to the September quarter.

Mr. Ashok Ajmera

Thank you very much, Sir. Okay. How will be the recovery?

Shri Rajneesh Karnatak, MD & CEO

The recovery number has also been very good for the Bank. This time, if you see the slide no.25, we have given a clear presentation. Now that we have done 1.42 times the recovery of the slippage which has happened. So that is the kind of number we have already achieved. That is, for the first time, we have achieved this kind of number and going forward, I would clarify here that, on the written off account, we have already launched a campaign scheme on the written off accounts that has already been passed on to the field. We will be seeing good traction in the coming 2 or 3 quarters in this recovery in written off accounts and some of the big accounts also. So written off account is a clear strategy for us. We are targeting at least 5% recovery from written off account during this financial year. That is the internal target we have kept for the field. So our Rs.40,000 crores is 5%. We will be getting at least Rs.2,000 crore and this entire amount would be going to the P&L of the Bank. So that is the internal target we have kept for ourselves.

Shri Sushil Choksey

Sir, Sushil Choksey from Indus Equity. Congratulations to team Bank of India for excellent performance in the quarter. And best wishes for time to come. Sir, dramatic changes will happen in this week on the global front. Whether it is interest rate, bond market and challenges despite many other situations led by war which may emerge or not, we don't know yet. Oil is down. Now, second half seems to be very conducive with interest rates from the global scenario and domestic interest rates with good agriculture crop expected in the monsoon. Would you revise your ROA, Gross NPA, Net NPA, advances? Despite all the challenges which are visible on the CASA front and the deposit front? Maybe the second half is very positive where deposits are concerned compared to the first by Government as well as the public market deposits.

Shri Rajneesh Karnatak, MD & CEO

You are right that a lot of challenges are there. We have fine-tuned our guidance to a certain extent over there. So as you know that there are a lot of challenges on the CASA side and on the resources side, and the interest rates on deposits have started moving up and bulk deposits and other deposits, it is difficult to raise. And in fact, the one year rate at which we are getting bulk deposits is now coming at around 7.50%. That is the fact. Another fact is that if you go for AAA advances, there also there are a lot of challenges on the pricing side. So a lot of undercutting is happening within the banks also. Like banks are lending at 7.60% to 7.80% to these AAA advances where the RWA is only 20%. So that kind of challenge is already there. And with this global international scenario, if we keep aside the war, which may happen or not happen, but otherwise also on the interest rate side, as you rightly said, that there are certain challenges which may come because now interest rate scenario is also changing globally, at the international level. So, though we have shown good Net Interest Margin in this quarter, in fact, it has been better than what we had shown in the sequential quarter in March'2024. It is better for this June quarter. In fact, the global Net Interest Margin is 3.07% and for domestic, it is 3.43%, and for the international, it is at 1.25%. So we have improved. But on the guidance side, what we are saying for March 2025, NIM, we are seeing a guidance of 2.90%, considering the fact that the cost of deposit is going up and the Yield on Advances is not coming to that extent. So that is the NIM guidance we are keeping for March 2025.

Shri Sushil Chokey

So with your focus moving towards RAM and retail, would you not be able to hold margin at the level which you achieved in Q1? Or we want rather be conservative is the answer.

Shri Rajneesh Karnatak, MD & CEO

RAM will help on the positive side for the simple reason that it is externally benchmarked and the pricing is better over there than a 'AAA' advance on the corporate side. So we will continue the RAM book. As I said earlier also, our continuous focus on the credit side will be that 55% will be booked on the RAM side and 45% on the corporate lending side.

Shri Sushil Chokey

Based on the new Accounting Standard, visibility of the profit in Treasury may not flow to NIL. But it looks like the bond market may hit 6.75% first and 7.00% later. In such scenario, would you capitalize on those profits and deploy to retail credit, which is possible at 9% or approximate range. Or you rather remain conservative and hold bonds due to the challenges led by the deposit mobilization.

Shri Rajneesh Karnatak, MD & CEO

It all depends on how the resources journey pans out. So if you see the present June numbers for us, I will not talk anything on July. June numbers. Our credit growth on domestic side has been at around 17%, and our deposit growth is only around 10%. So there is a gap of 7%. And deposit growth is happening at around 11% to 12%. Definitely as a strategy, when we sell those bonds, we'll have to deploy them for credit growth only. So that will be all seen how things pans out and how the credit growth finally keeps the pace with the deposit growth, which is coming.

Moderator

Thank you. Sir. Apart from those who are present here, we are also joined by many analysts virtually. So I'm getting questions from them as well. Shri Gupta from SBI Pension Fund has raised a query that there has been a sharp rise in SMA accounts in retail and corporate accounts. Could the management provide some information on it? And second part of his question is that any lumpy recoveries from NCLT referred cases?

Shri Rajneesh Karnatak, MD & CEO

So as regards the SMAs are concerned, there has been a rise in the SMA numbers. If you see that there are some corporate numbers also. If you remove those corporate numbers, the actual sum for the June quarter is very less. The typical thing in this Q1 was on the RAM side, especially on the retail side. There was lot of Staff transfers in the system, another thing was a lot of our staff was deployed in the election duties during Q1FY25 and also the heat wave which was there. So collection efficiency in the entire system got impacted, including Bank of India. So that is what the basic reason why the SMA numbers have gone up in retail for our bank also, as in the entire industry. But definitely what we are seeing from July onwards is that the SMA numbers are coming down now and it will normalize in this September quarter.

As regards the recovery is concerned, the recovery numbers have been already good and we are expecting a good recovery in the big ticket size of around Rs. 500 Crores, if I give a ballpark number in this quarter itself on the large ticket NPA accounts. That is the guidance here.

Shri Sushil Choksey

Indian banks specifically, SBI, does a lot of arbitrage in FX and shows a profit of almost Rs. 2,000 to Rs.3,000 Crores. I'm sure you are aware of the same being earlier present in Indian Banking. Do we do something of that kind or we avoid those kind of products?

Shri Subrat Kumar, Executive Director

Sir, if I can answer. We also do a lot of arbitrage transaction in FX also. And nowadays again market has started becoming favourable. So you would have seen that in the recent past, the Forward Rates were very low. So that's why there was not much of arbitrage opportunity. Now, I think there is opportunity and again when it arises we definitely take advantage of that.

Shri Sushil Choksey

So keeping that in mind, how you see this accounting of profit goes through, Treasury, I suppose. On the international book, how do you see the future shaping up? Because most of the large corporates, which are present in overseas market and the large corporates from India, are again showing some signs of stability and expansion. Be it in autos, steel, renewable energy, hydrogen, various things how are we shaping up on that front?

Shri Subrat Kumar, Executive Director

As far as international book is concerned and advance is concerned, syndicated loan market is quite active there. And we are definitely looking for opportunities there. Even Indian originated companies operating there because they are also tapping the overseas market for raising fund. So definitely yes, we are participating actively in the primary as well as secondary market, in the syndicated loan market. Apart from that Trade Finance, where margin is very thin, based on the requirement and wherever we can make more money and the margin is better. There only we are participating. So it's very selective. So ultimately the bottom line is important. That we don't want to compromise. That is the idea.

Just in terms of what has happened in our industry. Once upon a time, Trade Finance proportion was very high at 57%. Now it has already come down to 45%.

Shri Rajneesh Karnatak, MD & CEO

To supplement what the ED has said that we have also kept giving loans at the local level also, in the New York centre, in Tokyo centre, Hong Kong centre, Singapore Centre, even London Centre. We have started some transactions on the syndicated loan side on the local corporates also. That call also we have taken. We will be diversifying our international book. It has already started shifting from Trade Finance towards the structured Loan Products.

Shri Sushil Choksey

So recently, I saw a tie up we have done with Tata Power for rooftop solar scheme. Can you elaborate, what kind of growth numbers we are seeing? Because very few Banks have tied up and this is a big market which is likely to explode not only for domestic, globally also is possible on EPC. So, if there's any thought process because companies like REC, PFC, IREDA are flying high. I'm sure with a book of Rs.10,000 Crores we may get a much better, multiple too.

Shri Rajneesh Karnatak, MD & CEO

It is there. See, Solar Rooftop is also something which will be a big paradigm game changer in the country. It has been with the Government guidelines. So a lot of solar rooftop things will also be coming and we have also done a tie up on that. We will also be going for that apart from this Tata tie up which is there. So a lot of traction, both on the wholesale and corporate solar side will be coming in. Also, on this solar rooftop funding, already put a mechanism over there. The product has already been sanctioned and approved and the field has already started working on it.

Shri Sushil Choksey

So hopefully you will tap with more EPC players who borrow on this?

Shri Rajneesh Karnatak, MD & CEO

Yes, definitely.

Moderator:

Thank you. Choksey ji. There's another question coming up virtually is from Mr. Abhishek Kashyap from M/s. S A Artha Securities Private Limited. So he has three parts to his question. The first being your top line numbers are constantly improving. Numbers are not being translated into bottom line margins. Second, can you provide any guidance with respect to the trajectory of the net margins in the coming quarters? BOI valuation is behind its peers, how confident the management is with respect to catching up to the peers?

Shri Rajneesh Karnatak, MD & CEO

Thank you madam. So as regards our income and profitability is concerned, if you see in detail, our Interest Income has increased by 18%. So that is all because of the increase in advances which have gone up, though Interest Expense has also gone up by 26%. We have been able to maintain our Net Interest Margins and Net Interest Income has gone up by 6% on a Y-o-Y basis. Net Interest Margin has now improved to 3.07% in June'24. That is one number which is there and in the quarter ended March'24, it was only 2.92%. So some improvement definitely has come as far as our NIM is concerned.

As regards the Operating Profit, which you said that the top line is improving, but the bottom line is not. If I give you the number, it is that we have touched the Operating Profit of Rs.3,677 Crores in this quarter. On a sequential basis, it was only Rs.3,557 Crores in March'24. So, there has been an increase over there. As regards the Y-o-Y, it is a minus by 2%, but that minus is only because of the fact that there was an interest on Income Tax refund which had come during the Q1 of FY24, in June 2023, which was at around Rs.450 Crores. If you remove that number, the net number then comes to around Rs.3,200 Crore of Operating profit in Q1 of FY24, which means that on a Y-o-Y basis, actually our Operating Profit has gone up by nearly 10% if you remove that interest on Income Tax refund. So there is no challenge as far as Operating Incomes are concerned and Operating Profit is concerned. As regards our net profit / bottom line is concerned, there also, if you see we have shown a profit of Rs.1,703 Crore. In March 2024, we have given a profit of Rs.1,524 Crore. In June 2023, it was only Rs.1,551 Crore. It has grown by 10%. So, definitely as the top line is improving, our bottom lines are definitely improving and the numbers are there. But had we not done the provisions which we have done in this quarter of Rs.2,384 Crores in total, the Net Profit would have been much better. So there is no challenge as far as the Operating Profit is concerned.

And what was the third part? Well, the margins. As far as the margin is concerned on the guidance side, the Net Interest Margin, if you see the Net Interest Income growth has been at around 13% in FY24. And on the guidance side, we say that the Net Interest Income guidance will again be at 13% for FY25. Net Interest Margin, which we have already touched, 3.07%. We say that the guidance for March 2025 would be considering all the scenarios of tightening of interest rates and other kinds of things, is 2.90%, as I said earlier, would be the guidance.

As regards the Yield on Advances is concerned, there also, presently we are at 8.60%, and we feel that at around 8.50% plus, the guidance will be there as far as that is also concerned. As regards the share price is concerned, you would appreciate that the share price has improved over the last 12 months and definitely with other peer banks, I would not say it is lower, but the benchmark is that we are below the book value. Book value is Rs.132 presently, and the share price at around Rs.125. There is some gap. Only with the good numbers which we have given for Q1, and the even better numbers which we will be able to give for Q2, this challenge shall also get obviated.

Shri P R Rajagopal, Executive Director

If margins improve, then naturally it will translate into catching up with the book value. As regards the marginal difference between the book value and the market value, market value will catch up with the book value without any problem in the coming two to three quarters.

Moderator:
Thank you very much, Sir. I hope the query as raised by Mr.Abhishek Kashyap is satisfied to the fullest. Any questions coming from this side, gentlemen?

Shri Himanshu, Aditya Birla MF

Hi Sir, thanks for the opportunity. Given the some slight rise in the SMA trends, how do you expect this slippages tends to be in the coming quarters? Although it has improved on a Q-o-Q, how the slippage trajectory will be. And second part to it, how one should estimate the credit cost? Third, if any calculation would you have done in terms of giving any guidance if as and when the ECL guidelines comes in, how do you expect?

Shri Rajneesh Karnatak, MD & CEO
As far as this SMA number is concerned, if you see, I'll give you more details on the SMA side. In June, in above Rs.5 crore SMA, if you see our slide no. 23, our SMA has increased to Rs.9,600 Crores as against Rs.7,131 Crores. Further, if you see within

that break up, the corporate number is Rs.6,783 Crores. So, if you remove that Rs.6,700 Crores of that corporate book which consists of only a few accounts predominantly, which is from one State Government, three-four PSUs are there in that. So the SMA number is only around Rs.3,000 Crores. In that also, the maximum increase has happened in the Retail SMA which has touched Rs.1,200 Crores as against the number of around Rs.183 Crore in March 2024. So Retail. As I explained that it was because of the issues of the Q1, wherein there was a lot of Staff transfers happening within the Bank and then electioneering duty was there and overall collection efficiency had got impacted across the industry, not only from the Bank side, but also in NBFCs, collection efficiency are impacted. But however, it has normalized now. As we speak on 3rd of August in this quarter, and we do not see any much of concern going over there in the coming quarters in Q2 and Q3.

As regards the Credit Cost is concerned, the Credit Cost presently, as we have shown in this quarter, is 0.85% and it has increased from 0.78%, which was there in the entire Financial Year. Sequentially, it has also gone up from 0.78%. But as I have clarified earlier, it is also because of the excess provision we had prudently made during this quarter. Otherwise, we would have shown better net profit, which would have been there. On the guidance side, we would say that the Credit Cost would be at 0.70% for the current financial year.

As regards the slippage ratio is concerned, the present slippage ratio is only 0.35%, which was 1.58% for the entire year and 0.38% for the March quarter. And in the last year it was 0.53%. So as against 0.53% in Q1 FY24, we have come to 0.35%. So if you multiply it into four, it comes to 1.40%. But however, we are confident that we will be able to keep the slippage ratio at around 1.20% only during the current financial year, which will be much better than what it was in the financial year 2023-24. So that is the guidance which we are giving, at 1.20% for the slippage ratio.

And the third part was with regard to the ECL. On the ECL also, we have done a ballpark calculation over there. We are expecting when the guidelines come, it will be spread across the five year period, and once it is spread across the five year period, we have sufficient cushion with respect to the profitability, which we will be achieving and improvement in the CRAR, which will happen. And also with respect to the capital raising in form of Tier-I or Tier-II Bonds, which we will be doing, which will take care of the ECL provisioning, which will be coming to us this year. Also, we have a plan to raise around Rs.5,000 Crores in capital in the form of Tier-I and Tier-II. Tier-II, we will be raising in this current quarter and Tier-I, maybe in the quarter three or quarter four. So with both these things, profitability and the capital being raised, we will easily be able to manage this ECL extra provisioning, which will be coming in the next five years.

Shri M Karthikeyan, Executive Director
One more thing. Regarding the Roll Forward segment, we have also improved their roll backward, we have increased from 22% to 29% and then roll forward, which should be low, we have decreased from 26% to 22%. That is also coming down though. These are positive trends happening in SMA accounts.

Shri Jay Mundhra:

Sir. Good evening, and thanks for taking the question. Sir, my question is on this Standard Assets provisioning that we have done. If you can share some more details here, I think you also said that we have done more provisioning, more than needed provisioning. If you can elaborate some more details. Is it, like corporate? Is it stress that you are seeing or what is it pertaining to?

Shri Rajneesh Karnatak, MD & CEO
Thank you, Jay, for joining us. If you see the Standard Asset provisioning in our presentation, we have done Rs.359 Crore of Standard Assets and other provisioning. It was only Rs.111 Crore in Q1 of FY24, which was June 2023, and it was Rs.189 Crores as on March 2024. So in this quarter, what we have done is that when we were seeing more of SMA numbers coming in Retail and MSME, as you see in the SMA numbers, we thought it prudent to have more provisioning for the Standard Assets which are there, wherein we can have some delinquency in the coming quarter, which is a normal delinquency, which is there. However, as I said earlier, the credit cost and the slippage ratio guidance which we have given will continue and there will not be a concern. It is only a prudent decision on these accounts which we have taken, and it is none because of any of the corporate accounts.

Shri Jay Mundhra:
Okay. Thanks Sir. And secondly, Sir, if I look at your Yield on Advances somehow it is very volatile, you know, this quarter, it has gone up. I would have thought that first quarter is slightly poor in terms of higher slippages but nonetheless, how should one read and you have said that your Yield on Advances for the full year should be 8.50% plus? But I still wanted to check, Sir, if you can share, maybe the dummy interest booked in this quarter and what could have led the higher uptick in the Yield on Advances this quarter?

Shri Rajneesh Karnatak, MD & CEO
So Yield on Advances in this quarter has been at 8.60% for this quarter. For the entire year in the last quarter, it has been 8.38% and for Q4 it was 8.47%. So it is not that it has suddenly jumped up in this quarter. If you see our Q1 of last year, it was 8.10%. In Q4 of the last Financial Year, it improved to 8.47%, and now it has improved by 13

basis points to 8.60%. If you see the Bank of India trajectory of the MCLR, we are the first to increase the MCLR during the last 12 to 15 months. If you see, we have increased the MCLR by 7 to 8 times and we are the first one to increase the MCLR this time. Also in the last ALCO, with effect from 1st of August, we have increased our 1 Year MCLR by 5 basis points. So we are very proactive as far as increasing in the MCLR is concerned. If you see our presentation also there you see that 33% of our book is on the MCLR side, and another 46% plus book is on the EBLR side. So the moment we increase the interest rate on the MCLR, immediately the interest income starts coming in. So that is the kind of thing, and we are very conscious on the pricing also. We have in fact, left some of the transactions in ‘AAA’ where the pricing was low. Another very conscious call the Management has taken in the Bank as far as the pricing is concerned, that we are not giving any external benchmark rate pricing of loans which are above 180 days. So up to 180 days, we are giving only RBI Repo Rate advances. All other advances on the corporate side are linked to the MCLR. So, our lowest MCLR is the overnight MCLR at 8.15%. The book is not very large there. Majority of our transactions which are happening is on 3 month, 6 months or 1 Year MCLR.

We are very conscious on improving the Yield on Advances, though I am saying that on the guidance side, the Yield on Advances for the full year will be 8.50%, and with the kind of increase in interest rate that we are seeing, the Yield on Advances definitely will be at a number which will be somewhere around 8.50% for the entire year.

Shri P R Rajagopal, Executive Director

So just add to what MD Sir said. If you look at the numbers, you know, if you look at interest income, which is almost Rs.16,000 plus Crores for this quarter and if you look at my dummy ledger that I have booked is only Rs. 649 Crores and there is only marginal increase on a sequential basis in dummy book. So naturally the percentage in the proportion of the ledger that is becoming part of the Yield on Advances is very, very insignificant. So actually, the Yield on Advances has gone up by 13 bps because of the mix going up. If you look at my RAM mix, it is slowly going up. It is now 56%. So naturally, the RAM mix is giving me a little uptick in terms of yield and once it is going to go up like this because our long term trajectory, including the medium term trajectory, is that now we should be at least 60 to 65% RAM book and corporate book will come down. So naturally, the top line that we have where we have sub 8% advances will get automatically taper out over a period of time, and then we will have better Yield on Advances. So that's what we are looking at very seriously. We will look at most of the peer Banks who have 60% plus RAM their Yield on Advance at 9%. So we will be reaching it very shortly. It may be coming in another 2 to 3 quarters. That's what we are planning.

Moderator:
Thank you very much, Sir. There's another gentleman who has joined virtually is Shri Rakesh Kumar.

Shri Rakesh Kumar
Sir, the first question is with respect to the ROA guidance. What is the full year ROA guidance that we have?

Shri Rajneesh Karnatak, MD & CEO

As far as the Return on Asset is concerned, presently our ROA is at 0.70% as on June'24, which was again on the entire financial year at 0.61%. For the guidance we are giving at 0.80% for FY25, for the entire financial year, for FY25 0.80%.

Shri Rakesh Kumar

And the second question was with respect to the Market Risk Weight, so certainly there is a decrease in the market risk weight on a sequential basis. And that we have seen in case of other banks also, but the decrease in case of our Bank is relatively lower as compared to other PSU Banks. Sequential drop in the market risk weight.

Shri P Harikishan, CRO

The decrease in market risk weight assets is lower because the quantum of securities that we have shifted to HTM is also on the lower side. It's only Rs. 9,700 Crores. That's the only reason why there is decline in Risk Weighted Assets and so far as the market risk is concerned, it is now only Rs.10,000 Crores.

Shri Ashish, Kotak Securities.

Sir, two questions from my side, One is on the Personal Loans book, you have a decently sized book of more than Rs. 10,000 Crores now. What is the trend on GNPA in this book? If you can share the numbers for this quarter as well as last quarter? That is one. And secondly, can you share the movement of your net worth on the 1st of April? Because if I add your net worth as on 31st March and add the profit which you have had in Q1, the net worth on June is meaningfully lower than that.

Shri Rajneesh Karnatak, MD & CEO
Okay. On the Personal Loan number side, GNPA side, I will ask my CGM recovery to give the numbers. Just to give you a flavour and the colour on the personal book,

which has now touched Rs. 10,000 Crores as against Rs. 7,000 Crore, which was there on a Y-o-Y basis. So the increase is around 40%, though it is because of the low base, the incremental growth of 40% is there. But just to clarify, the entire personal loan book is secured with the cash flows. So, predominantly this Personal Loan book is to the salaried class and salaried class where the salary is coming in the Bank of India saving accounts that is one thing. Another thing which is there is that we are giving these Personal Loans to mostly to CIBIL score of more than 700. So that is another guardrail which we have placed in our system. And the third thing which is over there is that we also have a Personal Loan for the housing loan customer. There also good traction is coming that where the housing loan has been given to the borrower, we are offering them a Personal Loan product where the house is already mortgaged to us, though we are not extending the charge on that, but definitely there is a cushion with us that there is a long term housing loan available with us.

Kotak Securities.
If you can just share what is the NPA numbers in the Personal Loan book?

CGM, Recovery
Exact numbers in Personal Loan, I don't have as of now. But if we see the slippages for this year, it is very, very minuscule. The total slippages of Personal Loan out of the total slippages is only 1% for this quarter.

Shri Rajneesh Karnatak, MD & CEO
So just to clarify further, we are not seeing much of a stress or any of the stress in these Personal Loan numbers and within that there is the credit card outstanding also, which is there. Again that number is not very high. It is only Rs.500 to Rs.600 crores and whatever the NPA is there in credit card, it is 100% provided for.

Kotak Securitites:
Sir, the second one on net worth. Just one clarification before you move on to the second one, can you share what is the definition of your Net Slippage which you share in the presentation? Net slippage which we are seeing in the SMA. Just the definition of net slippage.

Shri P R Rajagopal, Executive Director
It is like this for example. The NPA calculation is always on an annual basis. So when you actually jot down the amount of NPA that we have at the end of the financial year. You have a particular amount outstanding at the end of the financial year that is called the Gross NPA. Now what happens is, during the quarter, the standard accounts, as you rightly pointed out, that may be rolled forward, from SMA to NPA. So they become NPA say in April, they may become NPA in May and in May some of it may get

upgraded again because there is a recovery that is coming because the RBI circular says the up gradation has to happen on the basis of Record of Recovery. So if Record of Recovery is there as per the guidelines, it gets upgraded. So what happens is Gross NPA replaces the total slippage during the quarter minus the accounts that are upgraded during the quarter. So that is the net slippage. These are essentially recoveries which happened intra quarter, during the quarter.

And in respect to the net worth question. See what happened was for last year, we have declared dividend to shareholders of Rs. 1,200 Crores and that has been accounted for this time. So naturally, there is a drop in net worth and apart from that, because of the new valuation guidelines of investments, there is a general reserve adjustment that have happened.

Kotak Securitites:
So the reserve adjustment has been negative on an overall?

Shri P R Rajagopal, Executive Director

Yes. Naturally for all banks. Ours is not a big number. But most of the banks it is negative.

Moderator:
Another question by Mr. Dheeraj Singh. First of all he just congratulated for the good numbers that we have shown. The question is, what is the full guidance for NPA and what impact of Japan on our financial markets?

Shri Rajneesh Karnatak, MD & CEO
As regards the Japan rate hike on the financial markets, it will impact when other countries also start doing that, like UK and USA. So till that thing happens, not much of global impact will be there on the market. We also have a Branch in Japan. Definitely there, the cost of fund raising will go up. That will be sure. That will be the local impact as far as our Japan Branch is concerned.

As regards the Gross NPA and Net NPA is concerned. As you are aware, that we have reduced our Gross NPA to 4.62% as against 4.98%, which was there in the month of March for the full year ended. As regards the guidance is concerned for FY25, we are saying that we will be at around 4% by March'25 on the Gross NPA numbers. On the Net NPA, we were at 1.22% in March'24. We have now closed at 0.99%. On the guidance side, we are saying that we will be at around 0.90% by March'25. That is a conservative number, but we are sure that we will be improving that on this number.

Shri Ashok Ajmera:
Sir, some colour on NARCL accounts transfers. Like, a lot of things have happened in this quarter and the last quarter. So some traction was there. So one is that, what is the status there? And secondly, how much amount of the SRs which we have received in this quarter from NARCL. Because we might have provided 100% like any other SR. But here this is guaranteed by the Government. So that will help us in understanding that this is basically a standard thing on which also the provision has been made.

Shri Rajneesh Karnatak, MD & CEO
So a lot of activity happened in NARCL. That activity mostly happened in the month of March and April. So no new activity has happened in the last 2 or 3 months on the NARCL side. So only a few accounts have been shifted to the NARCL. So I don't think much of a thing happening in the immediate quarter. So this quarter we have not expected any impact on any account.

Shri Ashok Ajmera
Sir any recovery is expected on from NARCL accounts in this quarter?

Shri Rajneesh Karnatak, MD & CEO

Whatever accounts that we have shifted, they are all old legacy accounts, right? So in those old legacy accounts where resolutions were not happening, so it was decided by all banks to shift them to NARCL. Then the NARCL will start finding the resolutions through the process, which is there now in all the accounts. The status which we get on a monthly meeting is that the process has started, so it will take now some time, at least 2 to 3 quarters for that process to get completed. But then finally the resolution to happen.

Shri Ashok Ajmera
Does it goes off from our Gross NPA.

Shri Rajiv Mishra, Executive Director
It is with us only. It will move to investment. What happens is that this is a 15% and 85%. So 15% is a cash recovery, which we get and 85% moves from this book as an investment to the NPA, which we make 100% provision. So for that we make 100% provision. But then, as you rightly said, it's a Government backed guarantee is there. So where the recoveries will be assured for that recovery. But then still the provision is being made and we expect that the resolutions will start coming.

In Q1, we did not have any account and there was no recoveries as far as the recovery against the SRs, which is concerned. We did transfer a good number of accounts in the last quarter. That is Q4 of previous financial year. For the Q4 accounts, which we had transferred that already have been accounted for, the money has been received. That's all. That's all accounted for.

Shri Ashok Ajmera

And some last, some colour on the digital transformation. It is going on for the last two and a half years. Three years. And you have achieved a lot of things out of that. Maybe 60% or 70%. And out of that Rs. 2,000 Crore of the original budget, I think 75% was spent up to the last quarter. So what is the status now? Any fresh budget on digital spend? And where do we stand on that? How many verticals are still pending to be introduced?

Shri Rajneesh Karnatak, MD & CEO

So as I said in my speech also, that 15 products will be digitized in this financial year. Already 20 odd products we have been digitized. They are right from liability side to the asset side, on retail lending, MSME lending, also in agricultural lending also. And also on the liability side like Saving, Current account those have been digitized. Another thing important we are doing is, we are in the later stages for digitizing for the Current account. So that also will get open from the digital mode. That is another thing which we will be doing in this quarter itself. And on the expenditure side, as far as the digital and IT is concerned this year also the budget is around Rs. 2,000 Crores and we expect that good amount of money will be spent both on the digital and the IT side for this year also. We are also on the final stages of on boarding one of the leading consultants in the industry. One of the big 4s for transformation of the IT and the digital stack in the Bank. So that should also happen by end of this quarter. On-boarding of the new vendor for that will help and give us a long way in taking the transformative journey on the IT and the digital side, making the Bank of Open Architecture as far as the digital stack and IT stack is concerned. And integration plug and play with the APIs and the Fintechs which are there. So that is we are committed to that. And we are very sure that in the next coming 3 to 4 quarters, our IT and digital stack will further improve. A lot of improvement has already happened. It will further improve. And the cyber security issue also, which is coming in the last few days, it has not impacted our Bank because all the ring fencing and the work on cyber security that the bank has done and the IT spend Bank has done. So these are the things which are already there. And definitely there will be some much better things happening on the IT and digital side in the Bank in the coming days.

Moderator:
Thank you. Sir, again SBI Pension Funds has raised a question Management has guided 2.90% NIM. So a retreat at the end of Q4 likely to be sub 2.75%. What is the guidance around staff cost?

Shri Rajneesh Karnatak, MD & CEO
As far as the NIM is concerned, you rightly observed that the present NIM is 3.07% on a global basis, and we are giving a guidance of 2.90% considering the fact that the challenges which we are facing as far as the resource mobilisation is concerned and the costing which is going up as far as the resources are concerned. So deposit prices are going up and it is a challenge to get the resources. And with the kind of credit growth which is happening, if we have to keep pace with the deposit growth on with the credit growth, definitely we will have to raise some high cost deposit. That is one challenge which is there because of which we are saying that the NIM should be for the entire year at 2.90%. And when you have calculated rightly that it will be at around 2.75% to 2.80% for the Q4, because the average for the entire year we are giving at 2.90% as we have already touched 3.07% for the current quarter. It is keeping in mind the liquidity position, which is there and presently the LCR guidelines which have been issued by the Reserve Bank. That is also we have kept in mind while we are saying that 2.90% will be the guidance for the current financial year, because the LCR guidelines will also impact the overall profitability in the Banks.

So regarding the staff cost. So staff cost will remain the same for the simple reason that as per the bipartite settlement, whatever amount had to be paid and the provision which had to be done has been done, so no more provision to be done, all actual cost has been taken, so there is no additional cost on the staff side is to be done. So whatever is the number is the running number on the staff cost side. So no incremental increase will be there on the staff cost side.

Moderator:

Thank you then, I think we have had enough questions and can we call it a day? Thank you the Top Management for enlightening with the strategy on Q1 results. And also, I thank all the gentlemen and one lady sitting here for having spared your precious time to be with us on our big day. Thank you very much. And I would like to request all of you to join the High Tea. Thank you.