Bank of Baroda Analyst Meet for Quarter ended 31st December 2023

31st January 2024

Participating members from the Management Team of the Bank

- *Mr. Debadatta Chand, Managing Director & CEO*
- *Mr. Ajay Kumar Khurana, Executive Director*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Lal Singh, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: Good afternoon, everyone and welcome to Bank of Baroda's financial results for the quarter ended 31st December 2023. Thank you for joining us for the Analyst Meet. We have with us today our MD and CEO – Shri. Debadatta Chand, and he is joined by the Bank's Executive Directors and the CFO. We have a short presentation which will be followed by brief opening remarks by Mr. Chand, and then we will open it up for the Q&A session. Chand sir, over to you.

Mr. Debadatta Chand: Good afternoon, all. Thanks all of you for sparing your time and joining us today. So, I am D. Chand, I am the MD and CEO. And with me, we have Mr. Ajay K. Khurana who is a familiar face, and he has been there in the Bank for more than four years, and he looks after our MSME vertical and also the recovery vertical, importantly the recovery vertical. Then we have Mr. Lalit Tyagi who is the Executive Director looking after the Corporate Credit, the International Banking and Treasury. And possibly Mr. Lal Singh is joining for the first time. The third Executive Director is Mr. Lal Singh. He is looking after the IT, the HR and all platform functions, most of the platform functions. So, with this Ian, please make the presentation and thereafter I will come with some qualitative remarks after that.

Mr. Ian Desouza: Good evening, everyone and I would like to take you through the key highlights of our results for this quarter.

So, in terms of global advances, we grew our global advances a little shy of 14%, at 13.6%. Domestic advances grew at 13.4%. International grew at 14.4%. We have been guiding that international advances will moderate in terms of growth, and this has started to track from this quarter onwards, wherein international advances have been growing in line with the domestic advances. Domestic advances had grown at a little faster clip in the last quarter. But, you will see on the graph on the right-hand side that we have moderated our wholesale advances from 16% in the last quarter to around 10.2%. In terms of retail, we continue to grow very strongly and continue to grow at 22%. Agri and MSME also are growing well at a little shy of 13%.

Within retail, you will see the education, auto and personal loans are growing strongly, whereas our core retail, which is our home loan secured book, is also growing well at a little shy of 16%. In terms of personal loan, you will see that the growth, as we had guided, has moderated a bit from what we had reported in the last quarter. The sequential growth is also around 8% as against the sequential growth of 16% that we had reported in the September quarter.

In terms of our deposit franchise, we had called it out in our stock exchange filing, that we have de-grown bulk deposits. So, bulk deposits, excluding CD, had come down by around INR 20,000 crores and including CD, bulk deposits have come down by around INR 14,000 crores. If we had done bulk deposits to that extent, our growth in total deposits would have been around 9.5%, a little shy of 10%. In terms of domestic deposits, we grew at 6.3%. And overall if you see, as I was calling out earlier, bulk deposits have de-grown quarter-on-quarter 6.6%. So, this is a NIM accretive measure we believe, and you will see in a later slide that our NIM has improved sequentially. Domestic CASA as well has grown by around 81 basis points quarter-on-quarter.

So largely the key P&L metrics, NII has grown around 10.5% year-on-year on 9-month basis. Operating profit is up by 22%, profit after tax is up by 38% and return on assets is up by 22 basis points and is tracking well above the 1% guidance that we had given for return on assets.

The same numbers, if you look at from a quarter lens, a year-on-year quarter lens, operating profit while it may look optically down, if from the same quarter in the previous year you exclude the reversal of mark-to-market provisions that we have done of around INR 750 crores, you would have a normalized operating profit for Q3 FY23 of INR 7,482 crores. If you view the normalized operating profit of Q3 FY23 versus this, there is a gap of around INR 400 crores. In terms of profit after tax, we are up by 19% and ROA is at 1.2% for the quarter, up by 7 basis points.

In terms of yield on advances, essentially on a sequential quarter base, we have actually improved our yield on advances by around 8 basis points, where our cost catch-up has moderated down to around 4 basis points. We believe that the impact of re-pricing deposits will be lower going up year on out, unlike the last 2 quarters where we saw a quick catch-up on re-pricing of deposits. Our deposit tenure is generally around 1 year. So, we believe the deposits that will be maturing now will already have the deposit high-cost priced in. So, we will not see sudden catch-ups on deposit costs year on out. In terms of net interest margin, we had guided that it will be around 3.15% plus or minus 5 basis points. If you see the 9-month figure, it is tracking to that at 3.14%. Whereas, for the quarter, it has increased by 3 basis points to print at 3.1%.

In terms of asset quality, the asset quality of the Bank continues to strengthen, and GNPA has dropped sharply to print at 3.08%. NNPA is at 0.7%. Our provision coverage ratio remains strong on TWO loans, it is close to 94%. In terms of slippage, our slippage guidance had been between 1 to 1.2%. We are well below that at 0.95%. In terms of the sequential quarter also, which is not mentioned on this page, the slippage was higher optically because of one large aviation account which slipped in that quarter and one large mortgage loan from overseas territory of around INR 500 crores. So, INR 2,200 was the slippage in the last quarter just because of these two loans. Otherwise, slippages has been tracking well across quarters. Our credit cost has printed at 0.39% for the quarter.

Largely, if you see SMA 1 and 2, has been well below the 40 basis points for a long time now. And now it has printed at 0.24% for the quarter ended December '23. This is the CRILC above 5 crores SMA 1 and 2. So that's an indicator of that there's no large buildup of non-current loans which have not yet become an NPA in our book. In terms of the collection efficiency, it is tracking very well at 99%.

In terms of our capitalization position, as you are all aware, there were new RBI norms on risk weighting of loans to NBFC and personal loans, unsecured loans. Taking that impact into account, we've seen our RWAs go up and we have had some ding on our capital adequacy from 15.3 to 14.72 in the quarter ended as of 31st December. However, CET-1 continues to be at 11% and Tier-1 is at 12.67%. However, if you include the profit for the 9-month period and exclude the dividend, which we have been paying, net of dividend, the profit would have increased our CET-1 to 12.44% and our CRAR would be 16.05%. If you look at our LCR, that is our liquidity coverage ratio, it is comfortable at 133%.

That's all from me in terms of opening remarks. I will now hand it over to our CEO, Mr. Debadatta Chand for his comments.

Mr. Debadatta Chand: So, thanks Ian, and once again, a very good afternoon to all of you. So, I'll make some qualitative remarks with regard to the performance we had. As you know, we had a good quarter for the Q3. The net profit has been at INR 4,579 crore, which is a YoY 18.8% growth. On a 9-month basis, the net profit has been INR 12,902 crore up by 38%. And with this quarterly profit, for last four quarters consecutively we're posting profit in excess of INR 4,000 crore. And on a run rate scale, if I say that, the cumulative 9-months profit has been almost 91% of the last full year profit.

As we said earlier also, we pursue NIM and ROA as a twin objective to achieve. And there have been a lot of discussions last quarter when we announced the Q2 results. So, I'm happy also to share that the NIM part, not only we sustained that, rather we have increased the NIM vis-a-vis the last quarter. So, the NIM for Q3 has been at 3.10% and for 9 months it has been at 3.14%. This is exactly in line with the guidance that we had given to the market on the NIM where we said that, for the full year NIM would be 3.15% plus minus 5 bps. So, we hold the same guidance for the full year. And as also I said last time while discussing on the NIM part, we wanted to slightly moderate on the growth of bulk deposit or the dependency on the bulk deposit that we have done for this quarter. I'm talking about the Q3. At the same time, the international NIM, obviously, the NIM is not at the same level like the domestic NIM. So, the growth of international is also being moderated. Now, the growth of international also will align with the domestic growth. So, otherwise, if you take the domestic NIM, it is at a very good level of 3.23% for the quarter and for 9 months, it is 3.27%.

See, on the bulk deposit, Ian already highlighted and that we announced also while publishing the unaudited numbers, that the reduction in bulk deposit vis-a-vis the Q2 outstanding is almost INR 20,000 crores, and something around INR 6,000 crore we got it repriced through a CD route. So, the bulk and CD has gone down by INR 14,000 crores. So, that's something NIM accretive and that is what something we intend to pursue for optimizing with regard to the bulk deposit. At the same time, as I said, the international growth also around 15% which is aligning with the domestic growth. As I said, NIM and ROA, both are a twin objective for the Bank. The ROA has been pretty well placed at 1.20%. We have the guidance at more than 1. We continue to hold that guidance. Now, for six quarters consecutively, we are maintaining ROA in excess of 1%.

On the balance sheet side, on the domestic advance, the growth has been 13.4% and global is at 13.6%. As we shed a bit of bulk deposit at the same time also shedding a bit of low yielding corporate asset. You have seen the corporate asset growth is almost at 10% as against 16% growth in the earlier quarter. So, without this, the growth would have been much higher. So, we hold to the same guidance of the increase in advances by the 14 to 16 % range.

At the same time, deposit has been at 6.3% for domestic and 8.3% for global. And normally what we see in this quarter, that is I'm talking about the January-February-March quarter, is normally a very productive quarter for all the banks. And a scenario like that, although we also acknowledge that there is a tight liquidity condition prevailing in the market and systematically also all banks are having a lower growth on the deposit, we are optimistic to optimize on the deposit front. And typically, you would have seen that, we as a Bank, we have come out with large number of differentiated products, both on the savings and also on the current account. If I outline some of them, we have introduced differentiated the savings account, which we introduced the last time during the festival time, that is a bob LITE, bob BRO, bob Parivar account, bob Salary account, bob NRI account, on the savings front side.

At the same time, current account, we introduced seven new differentiated products a couple of days back. These are all bob Lite, bob Women Power, bob Smart, bob Gold, Rhodium, Platinum, Diamond. These are all differentiated products just to meet the needs of different customer segments in this market and try to get them by offering some differentiated products or differentiated offer based on their customer profiling. So, we hope that the March quarter will be a better quarter in terms of the growth of deposits. In case we have not reduced the bulk deposit, the growth would have been much higher on the deposit front, but then we are hopeful of optimizing in this quarter.

On the asset quality, we have been, as per the guidance which Ian already highlighted. We guided the market for a slippage ratio between 1 to 1.2%. On the credit cost to less than 1%. And I'm happy to share that as already we have highlighted, the slippage ratio has been at 0.95% for Q3 and 1.06% for 9 months. The credit cost has been at 0.39% for the Quarter and 0.69% for 9 months. And in terms of GNPA and Net NPA also, you have seen the movement on the positive side. So going forward, the stance of the Bank is very clearly to have a tight leash on fresh slippages, at the same time optimizing on the recovery efforts.

Apart from the normal guidance, we said a couple of things last quarter while talking to all of you. One is, already highlighted that, aligning the international growth in line with the domestic growth. Let me again say that we are a unique bank in terms of, almost 16% of the book coming out of international exposure. Although the ROA in international has been better than that of domestic, but the NIM is obviously because of the market has been lower than the domestic NIM. At the same time also, I said about reducing our dependency on bulk deposit to a large extent, and that also we have done in this quarter. The third thing which also we said last time against multiple question, is to moderate on the personal loan segment. So, if you see as Ian already highlighted, as against more than 100% growth YoY, the growth has gone down to 60% this quarter YoY. But what important is that, I announced this measure in last quarter, and the sequential growth in this quarter i.e. Q3 over Q2 has been 8%. And in case I annualize, it would come in the range of 30 to 35%.

So, these are a few of the thoughts that I thought let me make some qualitative remarks. So, now we are open for questions.

Moderator: The first question is from Ashok Ajmera. Please unmute yourself and ask the question.

Mr. Ashok Ajmera: Thank you very much for giving me this opportunity. Compliments Chand saab and the entire team of Bank of Baroda. Am I audible?

Mr. Debadatta Chand: Yeah you are audible. Please go ahead.

Mr. Ashok Ajmera: Sir, a very good set of numbers. Especially if you look at the profits and all the asset quality and recoveries, as well as slippages control, your credit cost. So, complement for the same. I have few questions based on these results. Number one is that in the employee's cost, can you comment that what is the impact in this quarter which we had to have because of the increase in the revision in the expected increase from 15% to I think 17%? So how much amount or how much hit we have taken in this quarter in the employee's cost? And why the same is not being reflected if you compare with the last quarter? So, this is one on this.

Second sir on the operating profit side also. Even though it is explained in the initial note presentation, that reversal of M2M provision of INR 750 crore account, but still the operating profit is almost about INR 1,000 crores down as compared to the last quarter. So there definitely would have been some growth in the operating profit with this difference. Where is the difference of another INR 300 or 400 crores? Is it because of the because of the gap or because of certain increase in the cost? Because I couldn't go through in detail, every breakup of the cost. So this is my second point.

And sir my third point is sir, that you are now launching many more new digital products. So are we behind that bob World episode? Are we totally cleared from Reserve Bank of India, and no penalty or no major consequences are there of that, and we are moving away ahead now normally as was before that episode? So, these are a few just questions and thoughts sir. If you can just do some kind of colour on that.

Mr. Debadatta Chand: Yeah. Let me take the second first and then come to the employee last. As far as operating profit is concerned, you would have seen that the change vis-a-vis on the MTM, I mean on the investment portfolio is almost in excess of INR 500-600 crore now, because last time there was a write back as far as the mark-to-market is concerned, and this time we have provided depreciation in the book. So that's a change of INR 500-600 crore.

Another is, if we look at the commission and income, that we have provided under non-interest income, there is a dip there. Our normalized commission and interest income is roughly around INR 700 crores to 750 crores. But last quarter we had some kind of a one-off in terms of few underwriting bills which we had done in the international, giving us a substantial fee out of those transactions, which was not in this quarter. So, if you normalize both the things it would match vis-a-vis the operating profit of last quarter and this quarter. And if you compare the year back, the MTM change is more than INR 1,000 crores. So, it would all normalize into a normal operating profit in excess of INR 7,000 crores that you are talking of, going forward.

On the second on the bob World thing, bob World is a digital platform, so nothing to do with regard to the scheme that we are introducing. Last time also when we interacted, we said that if bob World is only one of the channels, we have significantly scaled up the other channels for acquiring customers. The other channels can be multiple in terms of tab banking, branch banking, multiple channels we do have. So, there is no impact in that way. And these are all the schemes where these are typically to be sourced at the branch level. So, this independent product has nothing to do with regard to bob World. With regard to the restriction of RBI, we are already on the compliance mode between the regulator and the regulated entity’s discussion going on, and I hope that the ban is revoked at the earliest.

On the employee cost, we are maybe one of the banks where we have adequately provided in terms of the revision of wages and salary, and rather they have disclosed that. We have more than adequately provided in terms of the increase that we are talking vis-a-vis the settlement. Ian anything further you want to add on this?

Mr. Ian Desouza: Yes sir. So Mr. Ajmera, we have taken in the quarter a provision of close to INR 425 crores for the wage arrears, and this is tracking in line with the provisions we made in earlier quarters. It is only marginally higher by around INR 50-60 crores. That is why you cannot spot it as a huge variation. So, we've been providing at a high level for almost 9 months now. So, you cannot actually spot it out in the QoQ sequential. So cumulatively, just for your knowledge, as we have disclosed in the Notes to Accounts, we have a cumulative provision for wage arrears of INR 1,745 crores.

Mr. Debadatta Chand: Sure, Ajmera saab, just to add again, because I know you track the treasury quite closely, in terms of the depreciation, as we said earlier also, we run a large FRB book. And although the 10 year G-sec is almost the same level vis-a-vis September and December, but the FRB, because you have to take the market price in terms of valuation, there is a dip therein. So, because of that, the additional depreciation.

Moderator: I request everybody to stick to two questions per person. The next question is from Rikin Shah. Please unmute yourself and ask the question.

Mr. Rikin Shah: Thank you for the opportunity. I had two questions. First one was, the CASA growth for the system in general is weak, and for us this quarter we de-grew the bulk deposits. Now with the LDRs of 83-84 percent and the CASA problem for the system persisting, so in that context do you still expect to keep running down the bulk deposits, or would you be looking to mobilize it going ahead? That's number one. And second is pertaining to the reversal of the provisions on the standard loans that we are seeing in the P&L in the last two quarters. Why are they reversing and how long this reversal will continue? Thanks.

Mr. Debadatta Chand: Okay, so let me address the CASA, this is a systemic phenomenon, considering the tight liquidity the growth in CASA has been low. In terms of our guidance if you look at couple of things that allowed us to slightly de-grow on the deposit because last quarter, also, I raised almost INR 7500 crores through the bond route, that is the infra and also the tier two route. And the same way we also have 7500 planned for this quarter. Out of that, INR 5000 already we have raised on the infra bond and the pricing would have seen that has been very good, the market has good response vis a vis the Bank of Baroda brand. So, it again, a mix and match of multiple sources just to support the credit growth. As we are guiding, that we will grow at 14 to 16% credit growth. Then to the extent the required amount of liquidity required, whether it is a CASA growth or a bulk deposit growth or some kind of a borrowings in the form of bond, these are all the options available. But the fact that we are conscious of, while doing all this, that also we discussed last time, is the impact on the NIM. So, to the extent we manage both in terms of how do you manage the NIM at the same time, optimize the cost will keep doing. We said dependency on the bulk, going forward, just we see the market and also may raise bulk but at the same time clearly conscious of the fact that the NIM impact is more important in terms of how do you see the growth, on the bulk.

On the standard reversal of provision, what I understand that because the restructured book is going down, there is a reversal happening. Khurana Saab, anything further you want to add on this?

Mr. Ajay Khurana: Yes sir, this is the same thing, because this standard book also contains a restructured book. So, there is a reduction of INR 2200 crores in restructured book. So, because of that, this provision has been reduced.

Mr. Rikin Shah: Sir just two follow ups on the same question, the restructured book, if you could quantify what is the outstanding number today and assuming that this continues to trend down for how many more quarters do we expect a reversal on the standard loans? That's the first follow up. And the second one, going back to my first question Chand Sir is, are you targeting any particular level of credit deposit ratio?

Mr. Debadatta Chand: Just to address on the credit deposit. See, we earlier also I said, we have a very unique, in terms of that may not be true for many of the banks here in India. We have almost 16, 17% of the exposure coming out of international. And there are two things that happen in international - one is a NIM is low, at the same time, credit deposit is much higher. So, in a scenario like that, if you look at my credit deposit on a normalized basis, it is normally higher than any other bank. So, if you look at the domestic credit deposit, we are almost trending at 80%. Right. So, that is something again, we intend to continue with that level of around 80%, but international, because of that, it goes above 80%. But then we have aligned, moderated the international growth and don't think the impact would come much from that. So, there is no specific, what you can say, targeting level for the credit deposit ratio but we like to operate within, around 80% level. And the earlier thing, Khurana Saab can you just take it up on the restructured.

Mr. Ajay Khurana: Yes. Regarding this restructured, present restructured book, at this, now we are around 9900 crores. So, every quarter there is a reduction between 15 to 20%. So, this is what we are expecting that this is going to happen even the next quarters also. So accordingly, the provision also will be reduced.

Mr. Debadatta Chand: Just to add one point while giving particularly on the asset quality, see we normally mimic the economy in that way. If you look at the current the economic cycle is in a very good form. So, the asset quality concerned, I do not see stress for many quarters now, but all these are guidances basis on how the economic cycle will behave and then accordingly adjusting those guidances.

Moderator: The next question is from Mahrukh Adajania. Please unmute yourself and ask the question.

Ms. Mahrukh Adajania: Yeah. Hello. Congratulations.

Mr. Debadatta Chand: Thank you, thank you, Mahrukh.

Ms. Mahrukh Adajania: Yeah. So, I have a couple of questions you did mention about….

Mr. Debadatta Chand: We can't hear you Mahrukh, can you repeat your question?

Ms. Mahrukh Adajania: Sir, can you hear me now?

Mr. Debadatta Chand: Now I can hear you. Please go ahead.

Ms. Mahrukh Adajania: Yes, sir. So, Sir my question was on deposit growth, you did mention on your deposit growth that your deposit growth will pick up in the fourth quarter. There was bulk repayment, etc. so that would be true of loan growth as well. Right? As in that maybe corporate loan growth picks up a bit and then your sequential loan growth would be higher than what we saw this quarter. It was 2.5% this quarter on a sequential basis. So, the same holds true of loan growth as well. Correct.

Mr. Debadatta Chand: Now if I reply, my loan growth guidance has been 14 to 16%. That is what we said earlier and this time it is marginally below 14% because of a precise strategy that we talked about. So, for as far as the Q4 is concerned, we'll operate in the 14 to 16% band. And if the resources are quite strong, then possibly the growth can be higher. But all will depend upon how the resources side mapping up.

One thing that clearly we said to the market or to you is that I'm not only dependent on the deposit now, I have the bond route also to strengthen my ALM structure. Right. So last quarter we raised INR 7500 crore. This quarter we are going to raise INR 7000 crore, already INR 5000 crore is raised. So, these are all supporting me in terms of how do I again look at the loan growth. So, I think we'll operate within that band of 14 to 16% for the entire loan growth. If you have seen the components of the loan growth, also the retail, MSME and Agri continue to be at the same rate, which was in September. The only what you can say the change thing in the corporate growth. So that's a number which can be aligned very well. So, if there is a pick up further in the corporate growth, we'll look at the resources and raise money accordingly. Right.

Ms. Mahrukh Adajania: Okay, sir. Sir, and what do you do in terms of yield on loans then, do you see a further pickup, especially in domestic yields, of course, international is difficult to predict, but do you see do you see margins expanding in the fourth quarter? Since, your deposit growth would have stabilized.

Mr. Debadatta Chand: My guidance as we sad that full year guidance is 3.15%. So again, the quarter NIM is around 3.10%. So another five bps to cover on a quarter and sequentially, I mean, for nine months, we are almost at that level. So, two things can I say that in terms of the MCLR book still can be a component in the book, which can be repriced, because everything happens with a lag that can be quite a possibility. Secondly, on the NBFC book, because there was RBI guidelines where there was a higher risk weight. So, a bit of resetting happening on the NBFC book. So that can also be an upside therein. And I think a very stable outlook in terms of the NIM structure, because the cost of deposit already like my entire deposit is now repriced in one year time because the incremental rate, the new rate is only on the incremental deposits. So already one year has been lapsed, and the duration of deposit in banks are almost like at one year. So, I don't think much of cost pressure coming out of deposit in any way. At the same time, bit of upside is there in the income side. So, we'll maintain the same guidance and operate within the NIM of 3.15%.

Moderator: The next question is from Nitin Agarwal. Please unmute yourself and ask the question.

Mr. Nitin Agarwal: Yeah. Hi. Thanks for the opportunity. And congrats on a good set of numbers. So, first question is on the fee growth. While other incomes I understand is down because of the Treasury and the revalue of investments related effect. But even the fee growth, which has been a focus area for us, and we talked about it in the prior quarters, has been running a bit slow. So how do you see that shaping up in the coming year?

Mr. Debadatta Chand: Okay, so fee, as I said earlier, the Bank is focusing very strongly on the concept called fee and flows. So, flows is talking about capturing the cash flow, whether it is a retail customer or corporate customer, at the same time on the fee side. So, you are right on that. Actually, the growth has been almost 16% on the fee side on a YoY basis. We want to optimize that and try to make it more higher. We have instituted some kind of a structural change within the Bank in terms of how do you look into particularly the charges, the commission and all those stuff. So going forward, we are going to have a comprehensive look. In terms of the relationship, corporate side things have started doing well.

One small component that may not be, but that is a decision already we have taken because a lot of fee and commission is to come out of the personal loan segment. And there as a strategy, we told to slightly de-grow impacting on the fee or the processing fee side more. So, these are small what you can say impact as on today but then Bank would short term, medium term and long term continue to focus very strongly on the fee and our concept of fee and flows, we want really to see that coming into real, what you can say value for the Bank in that way. So, we'll continue our focus. I do agree that slightly this quarter has been low against our expected because of a small component of personal loan where we deliberately tried to pull the growth down. Otherwise, it would continue to be strong in that way.

Mr. Nitin Agarwal: Right Sir, sure. So that was my question. So, thank you so much.

Mr. Debadatta Chand: Thank you very much. Thanks.

Moderator: The next question is from Rakesh Kumar. Please unmute yourself and ask the question.

Mr. Rakesh Kumar: All right. Thank you, sir. So, most of the questions have been already asked. Just one question I had that was with respect to, this margin again. So, in our view you know, correct us if I'm if we are wrong, so LDR, domestic LDR is already at 81%. And this quarter, as you also said in the opening remarks that we have shed a lot of wholesale number and we might have also shed some of the corporate asset also, so that margin can be held up and there is an increase in the overseas yield also overseas margin also. So is that because of the, we are kind of going slightly slow on that. So, what is the headroom here in the margin like to my understanding, it like, we don't have much of space on the asset composition side. And if we can't do anything on the credit composition side, please kindly highlight just to understand the margin trajectory, possibly from here.

Mr. Debadatta Chand: See as far as, thanks Rakesh for asking this question. As far as margin is concerned will be sticking to the guidance of 3.15% plus or minus five bps. In terms of composition of the asset side all would depend upon, as you have seen also last quarter on the balance sheet number on the bulk deposit and the corporate is one key driver in terms of how do I construct the book. But personal loan, we have said that we'll because that was a high margin product, we are slightly moderating that's given at this point of time. So not much I can see a change in composition in any way from the current and all would depend upon how the yield curve or the rates structure start moving off or going down for the next two months. So, it's a strategy, balanced strategy in terms of how do you see a decent growth at the same time maintain the margin for the bank. On the cost of liquidity is a key factor while that you have seen that you have done in last quarter and going to do also in this quarter. On the cost side Tyagi Saab anything further you want to add based on the market scenario?

Mr. Lalit Tyagi: So, sir, we see that in terms of the RBI stance on the rates and globally also, rates appear to be have peaked unless and until there is any sudden market development on either side. So, we feel that going forward, rate either should stay for some time and then come down post second or third quarter. As far as liquidity is concerned, we also think that after some time when the government spending comes to the market liquidity situation should also improve. So overall, we feel that deposit cost pressure, which is felt now by banks, including us, should get soften out probably from the next quarter onwards. This quarter, probably we may not, we do not think that much of ease. As far as the asset side is concerned, as MD Saab has already encapsulated, we also feel that there is a slight upside in terms of the MCLR repricing book or some sort of upward movement. However, because the business pressure margins will always remain in pressure on the asset side. So that's why the NIM is going to stay where it is. And we have already said this. And from the next quarter onwards, probably there should be a softening on the deposit side.

Mr. Debadatta Chand: So just to add to that, actually we last time said that margin expansion is not the only objective for the bank. So, we also have a twin objective of both margin and also ROA. So, it's a balance in terms of how do you do the trade-off. So, to the extent the margin get impacted, then you add the fee income and others to improve the ROA. So, we'll continue to do that. And the margin is in a very tight spot as far as banks are concerned at this point of time. So I'm also arranging a band of maximum five bps offside in that way. So, we are still sticking to a 3.15% kind of a guidance for the current year.

Mr. Rakesh Kumar: Thanks. A very elaborate response, sir. Thanks very much, sir. Just one clarification we needed, sir. On the wage revision, what was the assumption that we had as on September'23?

Mr. Debadatta Chand: Ian, can you take this question?

Mr. Ian Desouza: Yes. So, the assumption has been similar, so essentially from June onwards, we've been providing at 18%. So, no change. Only thing we had a small increase in the provision in December of around INR 65 crores. But essentially our assumption has been throughout been the same. In terms of wage areas where we seem to be sufficiently provided the only thing I'd like to call out since you asked the question, is that there may be some small catch up on the AS 15, which is the retirees and gratuity payments, but we will see that once the full details of the wage settlement are published in probably this quarter.

Moderator: The next question is from Jai Mundra. Please ask your question.

Mr. Jai Mundra: Yeah. Hi. Good evening, MD sir, ED sir and CFO. Sir, a small question on term deposits. So, in the presentation, we see that, we have introduced a new retail products, retail deposit products, which are priced at 7.6, 7.8, 7.9 and have a decent tenure also, which is clearly higher than the current outstanding cost of term deposit, right, if one were to assume something. So, and as you said that you want to focus more on retail term deposit side versus bulk deposit side. So, this should ideally move the pressure, I mean, this should ideally move the cost of deposits upward for the next, you know from next quarter onwards. Is that right understanding because you don't want to focus too much on the bulk, whereas the retail term deposit, you have hiked the price.

Mr. Debadatta Chand: Couple of things here. One is that the rate that you are talking about these are loaded rate. Right. So, loading with the senior citizen and all those stuff. The base rate on those are much lower as compared to the rate we are saying. So, the peak rate is always the all loading factors and the peak rate and that is how banks do announce, in the same way we announced. The two strategies clearly, we have done this is that we recently increased the interest rate for buckets below one year short term rates and moment I am getting any short term rates the cost would be definitely cheaper than the one year rate but higher than the rate we had earlier. So, I am able to reprice those deposits at a lower cost.
Our sense is that possibly post May 2024 the liquidity scenario may completely change. And in that scenario, I'm not trying to lock in on a very high on a longer term. The second strategy was that while putting the 360 BOB deposit, which is the flagship deposit scheme now, on the base rate of that is 7.10. So even if we are getting the deposit on under that segment that will be much cheaper than the current bulk rate. Current bulk rate are really very high, higher level.
Thirdly we also in the presentation added 2 coming soon products on the term deposit and that will introduce as early as possible. One is with regard to MIBOR linked floating rate deposit for slightly HNI and institutional customer at the same time coming out with green deposit because green deposit is a different segment altogether. So, all the strategies possibly that we are thinking of would optimize the cost structure on the term deposit. There is a big push going on in terms of, if you see the retail term deposit, the growth has been better than the last quarter. And that is something we want to optimize in this quarter fully. Rather, we are asking extensively asking the branches that let's say retail term deposit, CASA, these are the things we need to source considering the very tight liquidity scenario. So, it's a mix and match option in terms of how do we optimize. But the idea is to reduce the cost, not to add to the cost. Right.

Moderator: We are taking last question for the evening from M.B. Mahesh. There has been a drop in recovery and upgradation of loans. Could you let us know what is in the pipeline? From an accounting perspective, how are inter-quarter slippages and recovery or upgradation accounted for retail loans? The second question is break up of slippages in retail loan book. What would be the contribution from personal loan within the retail segment? And thirdly of the personal loan, is there co-lending also in this portfolio? What is the contribution and how is it risk shared?

Mr. Debadatta Chand: So Khurana Saab can you take a couple of them? I'll come at the last.

Mr. Ajay Khurana: Yes. As far as the drop in recovery is concerned, we are as per the target, the target, whatever we have fixed for the quarter, as well as for the till nine months, we have already achieved the targets. And similarly, whatever internal targets are there, those are going to be achieved for, even for the next quarter also. All the pipelines are there, although there is no big NCLT recovery in pipeline but the normal recovery, what we have been doing through our franchisees, through all the branches that and that we are going aggressively because this is a very, you know last quarter, mostly the you know, the everything gets activated. So, this is what we are expecting, that the entire recovery is going to happen.
As far as these retail NPAs are concerned, total it was around INR 553 crores, which includes co-lending but there is no NPA in co-lending. NPA in co-lending is zero as of now. And the majority, of course, it comes from personal loan a little bit it is higher than you know which is normal. The unsecured personal loan remains

higher than the home loan or the other auto loan. So, but still within, the overall slippages is 1% in retail this is what is the status.

Mr. Debadatta Chand: So just to add to what Khurana Saab said as far as personal loan the NPA is quite low number as on today. And if you have the risk-based pricing, they are all covered up in terms of the risk based pricing. So absolutely no concern at this stage. And our book percentage to a very large extent is our existing customer, so there is no concern. But as a normally the regulatory guidance with regard to the, the risk weight and all we have decided to moderate that is what we have outlined last quarter and continue to follow till we come out with a new stance on the personal loan segment.

Moderator: Thank you, sir. That'll be it for the evening. Ian, if you can, please give the vote of thanks.

Mr. Ian Desouza: So, I'd like to thank everyone for engaging with us this evening and it's been a very constructive and engaging conversation. Look forward to seeing you in the following quarter. Thank you very much.

Mr. Debadatta Chand: Thank you. Thank you all. Thanks for joining.

****