Bank of Baroda Analyst Meet for Quarter ended 30th June 2023

5th August 2023

Participating members from the Management Team of the Bank

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

Moderator: Thank you all for joining us. We have with us today, Mr. Debadatta Chand, the Managing Director & CEO of Bank of Baroda and he's joined by the Bank's Executive Directors and the Chief Financial Officer. We will start with a short presentation followed by opening remarks by Mr. Chand followed by the Q&A session. Over to you Chand Sir.

Mr. Debadatta Chand: Good evening all. I'm D. Chand. I'm the MD & CEO of Bank of Baroda. To introduce you to the management team, we have, Mr. Ajay K. Khurana - he's the Executive Director looking after the Recovery vertical and also the MSME and Agri along with other platform function. We have with us Mr. Joydeep Dutta Roy. He's the Executive Director. He looks after the Digital and also the Retail Asset and Retail Liability. We have Mr. Lalit Tyagi. He is the Executive Director. He looks after the Corporate Credit, the International Banking, the Treasury and the HR function. We have Mr. Ian Desouza, the CFO of the Bank, I believe that you know him from last many quarters now.

So, with this, I request Ian to run through the presentation. Thereafter, I will have my opening address and then we'll go for the Question-Answer.

Mr. Ian Desouza: Thank you, Sir. Good evening, everyone. So, we'll start with the headline numbers in terms of business growth. In terms of Advances, we had a strong growth in global advances of 18%. So, this was largely broken down into Domestic Advances growing by close to 17%, International has grown 23%. There is some element of exchange movement there that resulted in a little murkier growth than would have been reported. Otherwise in terms of Retail, we have Retail growing 25% leading the growth and advances across the board. Agri has been growing at 15%, MSME at close to 13%, Corporate Advances growing strongly at close to 15%. Within Retail, we've had the entire secure book growing strongly, Home Loans at 18.5%, Mortgage growing 16%, Education growing 21% and Auto Loan growing 23%. While Personal Loan has been a small base for us, that too has grown very strongly but it continues to be a little more than 2% of the overall book size.

In terms of Total Deposits, Total Deposits grew at 16% led by international and domestic which is the bulk of our deposits growing at close to 16%. As has been a secular trend across the industry, CASA has been growing at a little lower rate and we'll talk more about it as we get into our discussion as to what we plan to do on our CASA growth. Term Deposits grew around 24%. In terms of Domestic CD ratio, we have adequate headroom and you would see our CD ratio gradually inching up over the last few quarters. Global CD ratio is at 84%.

In terms of yield of advances, year-on-year our yield of advances has gone up smartly. But in terms of the exit Yield on Advances, if we normalize that for the more than expected recoveries that we had in Q4, you would actually see a 10 basis points increase in Yield on Advances. In terms of cost of deposits, as has been for the sector that has been inching up over the last few quarters, this quarter the cost of deposits at 4.7% almost. Our exit NIM at the end of FY23 was around 3.53%. If we normalize this for the strong recoveries, I spoke about in Q4 of last year that would be a normalized NIM of 3.41%. Against the normalized NIM of 3.41%, we've seen some compression of around 14 basis points to end this quarter at around 3.27%, slightly below the full year NIM of 3.31%.

In terms of NII, we've grown strongly at almost 35% year-on-year a quarter ago. In terms of Operating Profit, it's up by 73% over the last year. Profit Before Tax is 106% up and Profit After Tax is almost 88% up.

In terms of GNPA that has been steadily coming down and it is almost halved to end the quarter at 3.51%. NNPA, we're happy to report, is below 0.8% at 0.78%. We've strengthened our PCR and our PCR including TWO advances is now at 93.23%. Our slippage has been coming down quarter-on-quarter and is now at 1.05% against a slippage of 1.71% a year ago. In terms of credit cost, our reported credit cost is 70 bps and it's on account of the fact that we took a floating provision of INR 200 crores in the June quarter as well as we made certain account specific provisions of around INR 420 crores to strengthen our PCR. Combined together, if you adjust for that, the credit cost on a normal basis would be 44 basis points.

In terms of SMA 1 and 2 for CRILC loans above INR 5 crores, we've seen that ratio coming down steadily. It was more than 2.5% about more than a year ago but consistently we've been reporting it below 50 basis points. This quarter as well adjusted for one large aviation account, which we spoke about last quarter and which we have prudentially provided for, adjusted for that which is an SMA 2, we would be just at 0.29% SMA 1 and 2 above INR 5 crores. In terms of collection efficiency, we've seen that strengthening quarter-on-quarter and maintaining a level of around 98%. This quarter there was just one account which got collected after the quarter end and if that account had been collected on the last day of the quarter, as was scheduled, we would have reported a collection efficiency of above 98% at 98.86%.

In terms of CET, the Bank continues to be strongly capitalized. And this quarter we reported a CET1 ratio of 11.94%. If he had added back the profits of the quarter, we would have been at 12.39%; at a CET1 higher than the exit CET1 of FY23. This is despite the fact that our RWAs grew by almost INR 20,000 crores. Similarly, overall CRAR while reported at 15.84%. If the profits had been added back CRAR would have been 16.3%, a tad above exit March 2023 CRAR.

With that, I come to the end of my presentation and hand it back to, Phiroza, the Moderator.

Moderator: Thanks, Ian. Chand Sir, will you make your opening remarks, please?

Mr. Debadatta Chand: Yeah. So, once again, all ladies and gentlemen, good evening to all of you. And, again, we are thankful to all of you for sparing your Saturday afternoon for us. Let me have my opening remarks on the entire presentation run through by Ian.

Normally, the June quarter is considered as a moderate quarter but as a Bank I'm quite delighted that we have shared a very strong all-round performance for the Bank that has focused on the profitability and also some aspect of the Balance Sheet strengthening. We maintain our journey towards the asset quality that is a very core as far as the Bank is concerned. We are also reinforcing our commitment towards excellence and sustainable growth.

If I have a credit outlook, the quarter has seen a strong quarter to quarter growth of 2.2%. And normally in many quarters of June quarters you would have seen last or earlier years, there is a sequential decline normally happens but then this is one of the strong June quarter wherein our loan book has gone up by 2.2% quarter to quarter and also on 18% YoY, which is a very strong growth. At the same time, the retail growth has been 3.4% quarter to quarter and the full year is 24.8%, highlighting our emphasis on the retail loan book growth as a portfolio mix. We continue to have the same guidance that of last quarter to grow above the industry by 1%-2% and on the retail side we wish to grow almost 4%-5% above the industry average. The full year FY24 estimate would be, we expect the loan growth to be in the range of 14%-15%, the corporate growth would be 12%-13%, the retail growth would be 18%-20% and can be higher also whereas the international, which is one of the strong growth we have seen in the earlier year, would grow in line with the book growth i.e. at 15%.
The strategy, as I said, will continue to pursue our retail strategy to grow significantly on the retail side of the book and in a couple of years from now we look for a corporate share of 35% and non-corporate would be as high as 65%, pursuing the same growth in all segments of 15% on the corporate and slightly higher in the non-corporate segment.

On the NIM side, the last full year NIM was 3.31%. If you compare the last full year NIM, there is a marginal dip in the quarter ending June and this is obvious because of the trend that we have seen in the market also, bit of cost push in terms of deposit has come up to the books and that has resulted in marginal dip. But if I compare the NIM of that of last June quarter of last financial year, there is a significant improvement. So, we keep our guidance of putting a NIM of 3.3% for the FY24 estimate also.

On the cost to income, although we have not given any guidance but again as a Bank, as a strategy we tend to pursue a lower cost to income ratio. We have seen some traction in this quarter itself on the cost to income and pursue the lower trending of cost to income in the consequent quarter also.

On the corporate side, we have introduced the concept of Share of Wallet and Relationship Management. We have created Relationship vertical for the corporate and we are again getting the same Relationship Management vertical and Account Planning concept to mid-corporate and MSME customer also.

One important strategic initiative that we have taken that this year is a year of Fees and Flows i.e. F&F. What exactly I mean by Fees and Flows, the Fees talks about channelizing the Bank's entire resources to augment the fees side of the book. At the same time, Flows talks about capturing the flows of each customer, whether it is a retail customer or corporate customer. Another tool to capture that, we do have a very strong CMS tool. We have on-boarded large number of customer this financial year and also last year and we will be aggressively pursuing for more and more CMS onboarding of customer. At the same time, the retail customer who are transacting with us will try to capture the more flows of those retail customer. The idea is to have more cash flows in the system so that I can customize product to the requirement of the customer.

The profitability has been very strong. As I said that 88% jump in the YoY growth for the June quarter is a substantial growth that we see. At the same time, we continue to maintain our guidance of 1% ROA going forward. Another important thing I'm happy to announce, that if you compare the last full year profit of INR 14,110 crores the first quarter profit is almost 30% of the last full year profit.

Asset quality is one of the important aspect of it and as we said that we are also making efforts to strengthen the balance sheet further. The PCR is at all time high up almost above 93%. The GNPA improved by 275 bps YoY. The NNPA is now less than 0.8%. As we said earlier, saying that we had uniquely created the Collection vertical and because of the efforts in terms of close monitoring and collection on the asset quality, the trending is positive. And the net slippage, we have talked about in terms of less slippage and also the cash recovery plus upgradation, it would be very less or negligible in that respect.

Deposit is one of the core area for this financial year as far as the Bank is concerned. This is the same trend that we see in across the industry. The CASA growth has not been very strong for most of the banks and this is obviously because of the rate cycle we are in. But having taken note of the lower CASA growth, a lot of focus would be on the CASA growth going forward. We have taken a lot of initiative in terms of extending our franchisees, strengthening the relationship management on CASA so that at least we wish to grow higher than the growth that we have achieved for this quarter.

With this, I close my initial comments and then I open the forum for question and answer. Thank you.

Moderator: Since there are no questions at the moment, we will wait for 30 seconds for the lineup to populate. Thank you.

The first question is from Nitin Agrawal. Please, unmute yourself and ask the question.

Mr. Nitin Agrawal: Yeah, hi. Good evening everyone and congrats on good quarter, Sir. So, first question is on the margins. You are suggesting that NIMs will remain stable here on at 3.3% for the year, so are we not looking at any further compression at all, say in the second quarter? Has the cost of deposits peaked out? And, Sir, what is the extent of asset repricing and the deposit repricing that you are looking at when you make the guidance?

Mr. Debadatta Chand: Thanks, Nitin, for asking this question. When you say the guidance of 3.3% for the full year, it's for the full year, point 1. Secondly, the cost of deposit, the impact would be there in this financial year but there are two positive up sides we have in the book. One is with regard to the resetting of the MCLR book. All the book has not reset as on today because there is a one year resetting time period. So, there is a bit of upside available there and that typically compensate part of the cost matrix, cost push; what do you can say the impact of the cost push on the deposit side.

Secondly, if you look at because earlier also we articulated that we typically try to have a high cost deposit on a lower tenure. So, thinking through a scenario wherein there is a rate cycle reversal happening maybe something in Q3 or Q4, we will be one of the banks taking advantage of the repricing because of that. So, to sum up the entire thing and if you look at my international book the

NIM is rather increasing in that way because you have seen the global market how it is behaving and we do have a 15% significant international book in the entire book. So, considering all the factors we are still hopeful to maintain the 3.3% NIM margin. But any update further, will let you know in subsequent quarters but we are quite hopeful that we'll maintain the 3.3% NIM for the FY24.

Mr. Nitin Agrawal: Right, Sir. And, Sir, related to it the other question is on the yields. Now this quarter, the yield improvement has been very calibrated and I believe MCLR linked loans would have got repriced this quarter also but probably the improvement is looking small because of the one-off recoveries that you had in the fourth quarter. So, how much benefit did you really get? And are you able to pass on the MCLR linked rates to the borrowers?

Mr. Debadatta Chand: I think MCLR linked it is, like the entire resetting see, there is a lag in terms of the book, in terms of MCLR and BRLLR, right. BRLLR is the external repo linked portfolio but at some point of time both will converge, right, that is what the lag effect of that. So, in terms of passing on the MCLR impact, we are fully able to pass on the impact to the customers and that is how the market is at this point of time. But, Ian, anything further you want to supplement on this question?

Mr. Ian Desouza: Yes, Sir. So, in terms of if you normalize the Q4 yield on advances then we actually see a 10 basis points of sequential quarter increase in Yield on Advances. So, I just wanted to add that point to give you a context.

Mr. Nitin Agrawal: Okay, sure. Sir, if you could just quantify the restructured assets number as to how much it is outstanding?

Mr. Debadatta Chand: Yeah, I'll pass on to Khurana Sahab. Can you take this question?

Mr. Ajay K. Khurana: Total restructure book is INR 13,000 crores.

Mr. Nitin Agrawal: INR 13,000 crores?

Mr. Ajay K. Khurana: Yes, and around INR 2,800 crores has been reduced from there and almost 90% is upgraded or closed.

Mr. Nitin Agrawal: Right, Sir. Okay-okay, thank you. And, Sir, the last question is on the tax rate. This quarter the tax rate was slightly elevated, so what has driven that?

Mr. Ian Desouza: Can I take the question, Sir?

Mr. Debadatta Chand: Yeah-yeah-yeah, please.

Mr. Ian Desouza: So, actually, from time to time we have been strengthening our Balance Sheet. So, we had certain tax provisions which we had taken, which we prudentially chose to take this quarter. That has slightly taken up the effective tax rate from around 27% which we used to see earlier to around 29% which you see this quarter.

Mr. Nitin Agrawal: Okay, sure, Sir. Thank you so much, Sir.

Mr. Debadatta Chand: Yeah.

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

Mr. Saurabh Kumar: Yeah, Sir. First on the restructured book, what is the provisions you're carrying against this? The second is, you know, the specific provisions you did highlight why it's gone up but any, I mean, any other reason which is driving the specific provision increase? And third is basically on the credit card subsidiary. I mean any plans of, you know, when we can consummate the transaction? These are the 3 questions. Thank you.

Mr. Debadatta Chand: So, Khurana Sahab, can you take the first two questions?

Mr. Ajay K. Khurana: For restructuring, restructure provisioning total is around INR 1154 crores and the standard assets we have INR 5981 crores. Few accounts, we have provided specific provision also.

Mr. Debadatta Chand: So, just to add to Khurana Sahab's statement, on a strategic basis we wish to strengthen the Balance Sheet. The PCR is almost at 93% plus at this level. And on the standard provisioning also, we do have a significant amount but going forward also we would like to strengthen Balance Sheet more so that any headwinds subsequently can be handled well.

And, Credit cards, Joydeepji can take this question?

Mr. Debadatta Chand: Yeah. Saurabh, just give a minute.

Mr. Saurabh Kumar: Yeah.

Mr. Debadatta Chand: Joydeepji, can you take the credit card question? Yeah?

Mr. Joydeep Dutta Roy: Yeah. So, the credit card divestment process that was already initiated by the Bank, the process is still continuing. We have gone into the financial due diligence and the legal due diligence portion completion and the prospective investors who have evinced interest or expressed interest, they are evaluating those reports and the data that has been provided to them and with the strength of those data points, etcetera they will come back with their final bids or offers which we can consider and take forward; number one. But, again, as we go through the process it has a sort of a regulatory and a market element also which we will have to look at and then go forward. So, the entire process which is the usual processes of diligence and the RFP and the binding offers, et cetera coupled with the market as well as the regulatory. So, that is how we are planning to take it forward.

Mr. Debadatta Chand: Saurabh, if I add to what Joydeepji said, all our decision would be based on the valuation, the market conduciveness and also subject to regulatory approval.

Mr. Saurabh Kumar: Right. Got it, Sir. Sir, if I can ask, how much is the airline account provided for now versus your exposure?

Mr. Debadatta Chand: Yeah, if you look at the book, last time we said there was almost a 30% exposure which was backed by the ECLGS. Out of the balance, 70% we have a collateral backup almost to the extent of 35% means half of that. And the balance, again, we had provided last time and this quarter also we have provided and that provision is exceeding the balance portion, right. So, in terms of accounting provision, everything we are well provided on this point of time. As far as the recovery is concerned, we are expecting it's a good asset and we recover amount in full based on the primary and also on the collateral.

Mr. Saurabh Kumar: Got it. Thank you, Sir.

Moderator: The next question is from Kunal Shah. Please, unmute yourself and ask the question.

Mr. Kunal Shah: Hello? Yeah, can you hear me?

Mr. Debadatta Chand: Yeah, Kunal. Go ahead.

Mr. Kunal Shah: Yeah. So, firstly, with respect to the deposits, if we look at it between the wholesale and retail, how would have been the growth this quarter? Last time we have shared between the wholesale and retail, actually, I'm not able to see that. So, how much of the term deposits maybe what has grown almost like 3.6% odd sequentially, how would be the wholesale and the retail TD? And what would be the rate differential on an incremental basis between the two?

Mr. Debadatta Chand: See, you said right that if you look at the system the growth has been more on the term rather than the CASA. So, that's a point we've taken note and in my initial address also I said that going forward we will be focusing on the CASA.

In terms of term deposit, there is not much of a difference at this point of time because you have seen a lot of retail scheme; there are a lot of scheme that many of the banks are running. So, in terms of the cost matrix I don't think there is any difference between the cost of raising a wholesale deposit and retail deposit at this point of time. The only difference would be that the retail deposit of that cost would be slightly for a longer tenure as compared to wholesale deposit of that cost. Suppose, going at the rate outlook at this point of time, thinking through some kind of a rate reversal happening maybe in Q3 and Q4. The benefit because we are not carrying a high cost deposit for a longer tenure and in that way the Bank would be benefitting in terms of repricing all this deposit at a cheaper cost in case the rate reversal is happening.

But you are right, the growth in term deposit is high and within the term deposit the growth of let's say the retail and the rate of wholesale, wholesale is higher than the retail but tenure is much less as compared to the retail. In terms of cost matrix, there is not much difference at this point of time because most of the banks on retail also having large number of schemes, like we do have the Tiranga Plus kind of a scheme. Many other banks have their different scheme.

Mr. Kunal Shah: Okay-okay. But this 3.6%, so if we have to look at exact number in terms of the wholesale TD growth on a sequential basis, last quarter also it was quite high, so would that be upwards of 6%-7%? How would that be?

Mr. Debadatta Chand: The cost side you mean to say?

Mr. Kunal Shah: No-no-no, overall growth quarter-on-quarter, so what would be the amount of bulk deposits? Like last time we have clearly highlighted, so what would that number be?

Mr. Joydeep Dutta Roy: Yeah, I can take this.

Mr. Debadatta Chand: Yeah, please.

Mr. Joydeep Dutta Roy: Yeah. So, the 3.6%, Kunal, that you are seeing on the sequential side, the bulk is around 11% and retail term is largely flat.

Mr. Kunal Shah: Okay, got that. So, bulk is 11% and retail TD flat.

Mr. Joydeep Dutta Roy: Yeah.

Mr. Kunal Shah: Okay, yeah. Yeah, thank you. And in terms of fee income, so again, good traction on what we are focusing. Maybe that's one of, again, the strategic focus area of Fees and Flow. But in terms of the ROA contribution, how do we see the delta coming through over the next 12-18 odd months particularly from the fee income side?

Mr. Debadatta Chand: See, that's a very fair point and as a strategy, actually, the strategy has been done through in the first quarter, right. So, a lot of journey has to be traveled on that but the traction is clearly positive. The growth in fee income this time is 18% and this is one of the highest in the last five or six quarter I could see where the growth has been 3.5-4-4.5% kind of a level. So, the traction is there but how much delta it would generate to the ROA we cannot quantify at this point of time but definitely it would be ROA accretive but the overall guidance that we are giving ROA more than 1%, so in a worst case scenario going forward, let's say not this year or next year but a couple of years going forward, if there is a bit of NIM squeeze happening also, this would compensate to a substantial scale for ROA. So, although our guidance is 3.3%, we will maintain that and if you look at the ROA this quarter, it is 1.11% although our guidance is above 1%. So, it has created some delta, right. So, in that way the delta will continue to accretive but the quantification we are not in a position to do at this point of time.

Mr. Kunal Shah: Sure, yeah. Okay-okay, yeah. Thank you.

Mr. Debadatta Chand: Thank you.

Moderator: The next question is from Jai Mundra of ICICI Securities. Please, unmute.

Mr. Jai Mundra: Yeah. Hi, Sir.

Mr. Debadatta Chand: Hi, Jai.

Mr. Jai Mundra: Yeah, hi.

Mr. Debadatta Chand: Good evening.

Mr. Jai Mundra: Sir, first question is on your floating provisions that we have created of INR 200 crores this quarter, is that in preparation to Ind-AS or what is the rationale here? And is this going to be a recurring quarterly phenomena?

Mr. Debadatta Chand: I have a couple of comments, then I'll hand it over to you Ian. As far as, strengthening Balance Sheet is concerned, I mean, that's a clear glide path will be looking forward, going forward. ECL is not an immediate necessity but then it is yet to evolve. And in terms of the impact migration on my book, I'm better prepared because my PCR is 93% and above, I'm holding substantial standard asset provisioning with floating provision also one of that. So, I'm better prepared to migrate to that scenario. One of the guidance that we have given last time if there is an ECL impact, we said our credit cost would be maintained below 1% i.e. the guidance that we had given. So, that's a broader thing. Anything further, Ian, you want to supplement?

Mr. Ian Desouza: Yes, Sir. So, I think what we had called out in the last quarter when we were doing the Analyst Call is, there are several things going in our favor. For example, we have a standard assets provision of almost INR 7200 crores and in terms of the floating provision, I think, it is more in terms of our own policy which requires us to make floating provisions if our profit estimate for the year is above a certain level. So, at that stage we are following our policy as to whether we will be able to utilize this floating provision towards ECL from a regulatory standpoint it's still not clear. But once that clarity comes, we'll be able to tell you whether this can be utilized towards ECL. But at this juncture, there's no regulatory prescription saying that floating provision can be used towards ECL. Though the regulator lays out various scenarios in which floating provision can be drawn down on.

And as to the future outlook in terms of quantum, it will depend on our risk appetite and if we feel that the credit cost is trending, you know, much below what we estimate then we may take further full provision given that our PCR is at all-time high but we may take some floating provision.

Mr. Jai Mundra: Right. Coming back to yields again, right, so loan yields even adjusted for the recovery or the differential in recovery has increased at 10 basis point but that rise seems substantially lower if we compare to last two quarters wherein we had witnessed 50-60 or even 70 basis point rise in the yields. So, would it be safe to assume that 10 basis point rise will flatten further as we go ahead into the coming quarters? Or would you say it is too early to say that glide path?

Mr. Ian Desouza: See, as Chand Sahab said, the MCLR books still has to fully reset. So, as of now, that is one of the levers. Another lever would be the change in mix of the retail portfolio. So, that would contribute, though it wouldn't greatly contribute, but there would be some 5 basis point we estimate on that regard. So, I wouldn't say it's totally flattened but you can't compare it to last year. Last year you had a whole sequential quarter-on-quarter increase in repo, so you can't really compare this year's outlook with last year unless there's a further repo hike. So, it's not comparable at all.

Mr. Jai Mundra: Okay. And, Sir, in that context if you can quantify the MCLR book, which got repriced in Q1 and which is likely to reprice in Q2 in rupees crores? I mean, that that will help us.

Mr. Ajay K. Khurana: I'll speak to you offline and give that to you.

Mr. Jai Mundra: Yeah, that’s fine.

Mr. Ajay K. Khurana: But still there's a significant portion which is yet to reprice.

Mr. Jai Mundra: Sure. And last question is, Sir, on staff cost, right. So, I see that we have provided INR 460 crores wage bipartite in this quarter. But if I look at the slide wherein we give salary and the provisions, I'm not able to understand where these INR 460 crores have been shown.

Mr. Ian Desouza: Yeah, I'll explain you. So, there are two lines. One is Provisions. Provisions is largely a retirement provision, which is your AS15 that is in line with previous quarter. So, essentially it is in the main first line itself where it is factored. Then you will notice a significant increase year-on-year and quarter-on-quarter. So, if you normalize for the INR 460 crores of wage revision provision, then the employee cost only increases by around 6%-7% year-on-year.

Mr. Jai Mundra: Right. And, Sir, in your broader context when you intend to push more retail versus wholesale, right, 400-500 basis point differential, do you also see a case where OpEx because when you do more retail, you know, it is a more cost intensive. So, how do you look at your OpEx growth for FY24 and beyond because when we are more focusing on Retail, it sometimes tend to have more cost intensive?

Mr. Debadatta Chand: No, that's a very fair question. See, the retail in terms of growing at 4.5%-5% extra doesn't require much on the HR resources, on the underwriting side. The only requirement that we are adding with regard to more of Relationship management side, more tie ups. So, one thing that we said that we need to have more project approval for a housing loan kind of stuff. The digital penetration in terms of retail is significantly going up. So, now we have a couple of products which are entirely end-to-end digital on the retail side. We, again, intend to make to a large subject to a particular ticket size, more of digital in case the attributes, everything can be digitally processed and the sanction can be given.

So, one way when there would be an additional requirement of OpEx, at the same time, as I said also earlier, we are also carrying out a huge process automation journey. So, it would be a balancing out to a very large extent but the only thing that retail we try to get is a margin more accretive as compared to corporate, right. So, any bit of extra spent on the OpEx would be well compensated by a higher margin on the retail. So, that fairly would maintain my NIM and also the ROA going forward.

Mr. Jai Mundra: Sure, Sir. Thank you and all the best.

Mr. Debadatta Chand: Thank you.

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

Mr. Rakesh Kumar: Yeah, hi. Thank you, Sir. So, Sir, firstly, related to this stressed loan number which is there in the notes of accounts from 11 to 14, total number was coming to around INR 81 billion around INR 8100 crores and the provision if I see like notes of accounts in 10, we have given provision of around INR 1100 crores that we have made. And there is another provision of INR 296 crores that is also there that we have made in the notes of accounts number 12 or 13. So, here on the stressed asset number, standard asset stressed number, provision is around 17%. So, apart from that the restructured number that you have, which you have mentioned just now, on that how much is the provision, Sir??

Mr. Ian Desouza: Sir, can I just take one item?

Mr. Debadatta Chand: Yeah-yeah, please. Yeah.

Mr. Ian Desouza: So, I'll talk about note of accounts number 10. So, largely we spoke about a couple of large accounts which we have provision for. One is a power account, one is the whole Go First account. So, we have INR 639 crores of Go First and one par account, which I will not name since it is not in the public domain, we have around INR 255 crores. Then we have taken one hospitality account INR 87 crores. So, largely, broadly that gives you the texture. These are not restructured accounts, these are accounts where we felt there could be imminent stress including the Go First. So, that largely explains you that INR 1100 crores. So, this is nothing to do what we talked about restructured.

Mr. Rakesh Kumar: Got it. So, total standard asset stress number is around INR 8100 crores if we take the summation from 11 to 14 details. If we take the summation of numbers, the stressed asset number from notes of accounts number 11 to 14, so total the stress number is INR 8100 crores. Correct?

Mr. Ajay K. Khurana: No, total SMA 1 and 2 that is that is around INR 15,000 crores and our restructure book is INR 13,000 crores but the entire restructure book is not under stress. Most of the accounts are getting, you know, paid. Earlier also if we look at that, only INR 5,000 crores which have already been slipped to NPA and now stress is very less in that. So, this stress book includes restructure as well as the SMA 1 and 2 i.e. 2.95% of total book.

Mr. Rakesh Kumar: Okay, Sir. Second question was pertaining to the Power sector exposure like, you know, in the presentation that we have given, so there is a reduction like, you know, we have seen constant reduction in that number, the outstanding exposure in the Power sector. So, is there any guideline coming from the regulator that, you know, to reduce exposure in a specific state, SCBs or is there anything pertaining to that or what is the reason for the same?

Mr. Debadatta Chand: See, as far as the exposure to Power sector, we will continue to be long on Power sector. So, absolutely, there is no kind of any pull back on that. And, secondly, there is no instruction from anywhere with regard to any particular state or so. Thirdly, normally portfolio churn happens depending upon on the timing of all these loans. Tyagiji, anything further you want to add on this?

Mr. Lalit Tyagi: So, in fact, there is no specific assets we can talk about right now. The only thing is that, as MD said, that there can be some portfolio churning, some redemptions or lack of drawdowns on the working capital side. But other than that the portfolio is behaving normally.

Mr. Rakesh Kumar: Got it. See, pertaining to like, you know, Bank of India management stated that they have got some guideline from the regulator saying that they have to reduce exposure in some of the states and there is some category also where the RBI has put different states in different category. So, have we also received any such guideline, notification from the RBI?

Mr. Lalit Tyagi: No, we have not received.

Mr. Debadatta Chand: That's what we said that, see that would be linked to the portfolio concentration. So, if you look at our concentration, it's fairly balanced. So, absolutely, nothing like that.

Mr. Rakesh Kumar: Okay, thank you. Thanks for the clarification, Sir. Thanks a lot.

Mr. Debadatta Chand: Yeah.

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

Mr. Ashok Ajmera: Thank you for giving me this opportunity and compliments to you, Chand Sahab and the entire team, especially to improve the asset quality of the bank. Like if you have taken the Gross NPA come down substantially to 3.51%, Net NPA 0.78%, PCR 93.23% and you also have a buffer of the provision as per note number 10 of INR 1107 crores though you are putting it into some specific accounts but actually it is beyond the IRAC norm, which is strengthening the overall Balance Sheet of the Bank. Having said that, Sir, I've got a couple of questions and some observations. Sir, on the recovery front, especially in this quarter, if you compare with the last quarter our performance is a little dismal because our overall recovery in this quarter has come down to INR 986 crores against INR 1795 crores in the March quarter and as well as the recovery in the written-off account also has come down to INR 663 crores against INR 1447 crores. So, on the recovery front, though we got the figures of the restructured account and all that but what are our efforts and why did this quarter did not perform so very well? On the recovery side, maybe some breakup towards like any change in the

OTS scheme or any change in the, you know, so, some color on that, Sir. And going forward, where do we stand the recoveries? Where we see the recoveries?

Mr. Debadatta Chand: So, thank you, Ajmera Sahab. Actually, I was expecting you be the first in asking question but then I mean based on the last time, physically…

Mr. Ashok Ajmera: Sir, I was there right from the beginning. My hand was raised first but I don't know.

Mr. Debadatta Chand: Okay-okay.

Mr. Ashok Ajmera: But anyway.

Mr. Debadatta Chand: Okay-okay. So, next time we will catch up physically. So, giving a color on the aspect. Thank you very much for complimenting the entire management team on the performance. And, secondly, before I hand over to Khurana Sahab just to let me give you some color. Typically, if you look at the June quarter vis-a-vis the quarter of last year, I mean, previous year, they are typically not compatible because this is the beginning of the slack season and then all those things do happen and these are time when a lot of transfer happens, lot of processes happens and it impacts what you can say the normal momentum on the recovery kind of a drive. But one guidance that we are clearly giving when looking at the fresh slippages vis-a-vis the cash recovery plus upgradation, the net would be very minimal going forward for the full year. But specific point, Khurana Sahab, you can answer the question.

Mr. Ajay K. Khurana: Yeah, I would like to add what MD Sir told. Actually, last quarter there were some very big accounts which were settled. INR 1700 crores came from some big accounts and then it also depends upon the addition which is happening in the previous quarters. So, quarter by quarter this slippages have been reducing. If we look at Q1 of last year, in the March quarter the slippage was INR 4300 crores which has been reduced to INR 2200 crores in last quarter and now to INR 2452 crores in this quarter. So, because slippages are also reducing, the recovery also is reducing.

In addition to that, what we MD Sahab told, because of the season and the staff but otherwise our efforts are on and whatever targets we have already fixed for the recovery, we will surely achieve them and so many other OTS scheme and many other processes are going on for recovery. Every step, whatever is possible to recover, we have been taking very efficiently.

Mr. Ashok Ajmera: What is the target, Sir, for FY24 for the overall recovery?

Mr. Ajay K. Khurana: INR 12,000 crores.

Mr. Ashok Ajmera: INR 12,000 crores?

Mr. Ajay K. Khurana: Yes.

Mr. Ashok Ajmera: So, out of that INR 986 crores has come only in this quarter, so remaining INR 11,000 crores in the next three…

Mr. Ajay K. Khurana: No-no, it includes upgradation as well as the recovery in return of accounts. That comes to around INR 2600 crores as of now.

Mr. Ashok Ajmera: Sir, my one small question, just a point which I saw in the note number 18, there is some penalty by RBI of INR 57 lakhs. So, is it a routine kind of a penalty or some specific incident has taken place or some violation has taken place, Sir?

Mr. Debadatta Chand: Yeah. Ian, can you take this point or otherwise offline we can clarify on the matter? Ian?

Mr. Ian Desouza: Yes, we'll clarify it offline, Sir. I will get back to him.

Mr. Ashok Ajmera: Sir, my other point of information is, given that the entire Fraud account in this quarter have been provided for but the number has not been given that how much was the Fraud account and how much so that we come to know that exactly in this quarter how much provision on account of the fraud was made, Sir.

Mr. Ian Desouza: There are two things. One is the opening balance of Fraud at the end of March that was about INR 13 crores. Second is, incremental fraud during the quarter was around INR 16 crores. So, not a very significant number if you treat both together.

Mr. Ashok Ajmera: Sir, coming last to the Aviation account. Of course, you have given some color on that, that how much has been provided for and the collateral but in absolute terms, Sir, I understand that it is around INR 1400 crores to INR 1500 crores our total because you and Central Bank are the two main banks and I think Central Bank is around INR 2000 crores and yours is about INR 1400 crores to INR 1500 crores. So, in absolute terms if we understand, then according to you 30% of the provision was made in the last year itself on this account, then some provision is under note number 10 and that INR 1107 crores which is extra and some provision which has gone into the provision of, I think, it is SMA 2, into the regular provision also. So, overall provision out of this INR 1500 crores is how much, so far stands in our book?

Mr. Ian Desouza: Sir, can I take that?

Mr. Debadatta Chand: Yeah, please.

Mr. Lalit Tyagi: So, there's a non-ECLGS component for INR 1200 crores, out of which we have made a provision of INR 639 crores.

Mr. Ashok Ajmera: How much?

Mr. Lalit Tyagi: INR 639 crores. INR 509 crores in the March quarter and INR 130 crores this quarter.

Mr. Ashok Ajmera: Then you said that you have got a substantial collateral of almost 60%-70% of the value. So, is it the consortium collateral or there is some standalone separate collateral also to you?

Mr. Debadatta Chand: It's consortium collateral.

Mr. Ashok Ajmera: It's all consortium collateral only which may fetch almost about 50% of the total…

Mr. Debadatta Chand: 50% of the balance of the ECLGS exposure.

Mr. Ashok Ajmera: Balance? All right, Sir. The point well taken. Sir, now going forward like we have grown our credit book well in this quarter…

Mr. Debadatta Chand: But just I add also on this point, although accounting provision we have made but as far as the recoverability is concerned, we expect full recovery out of this account. That is what our management view on that.

Mr. Ashok Ajmera: And you see the airline flying again? I mean the…

Mr. Debadatta Chand: No, I am not commenting. I'm only commenting as far as the collateral, primary collateral. ECLGS, we expect a full recovery but accounting we have provided what is required.

Mr. Ashok Ajmera: So, anyway, we are also concerned with that only that whatever recovery you are expecting. Sir, coming to the now this credit side, we have grown our book very well in this quarter, 2.1 or 2.2% for the global, as compared to some of the other bank which couldn't carry the same as compared to the last quarter. So, now going forward your guidance is around 14%-15%

overall of the credit book. Looking at Bank of Baroda and the way you all are, I mean, like major thrust you are putting on retail as well as you have also opened up the corporate, you have started the Relationship Managers, the full-fledged concept and this thing, don't you think that our target though is good it's a little more than the industry norm but can be still increased to say 16%-17% up the range?

Mr. Debadatta Chand: I said in one of the conversation that we have bit of trend of over performing vis-a-vis guidance, so you take it in that way.

Mr. Ashok Ajmera: All right, Sir. Thank you very much for giving me this opportunity.

Mr. Debadatta Chand: Thank you and pleasure interacting.

Mr. Ashok Ajmera: Just one small end of this thing. We have the pension, you know, revision in the pension amounting to almost about, I think, it was about INR 880 crores something balance of the last year. We have provided in this quarter about INR 72 crores, if I'm not wrong. So, this INR 799 crores has been carried forward to be amortized which an auditor has mentioned that had this been provided, our profit would have been lower net of tax of INR 589 crores. So, was there any need of mentioning that when it is allowed as a dispensation by RBI and you are permitted to do so? Was there any talk with the auditor on that because I don't see some of the other banks this point coming that had this been 100% provided the profit would have been lower by INR 589 crores? So, this is number one and going forward if the ECL guideline comes then I think all this kind of, you know, amortized or to be amortized or un-provided thing also will have to be taken into consideration.

Mr. Ian Desouza: Sir, can I take that question?

Mr. Debadatta Chand: Yeah, Ian, please.

Mr. Ian Desouza: So, Ajmeraji, there are two things. One is, it is permitted as per regulations but this is a special dispensation given by RBI, but this is a carve out from the accounting standards. So, as per the audit requirement, since it is a carve out from accounting standard, we need to mention it and quoting the regulatory reference. That is the reason why it is mentioned. Secondly, this is something that we are evaluating on a regular basis and well before the Ind-AS guidelines come in, this will probably no longer be there.

Moderator: Thank you, Sir. We are taking a question from M.D. Mahesh of Kotak. The overall cost of deposit that increased QOQ was 25 bps QOQ but the July interest rate disclosure does not see an increase in MCLR. The June disclosure saw an increase only in one bucket. Why is there a poor transmission of cost of deposit into MCLR? Thank you.

Mr. Debadatta Chand: See, as far as MCLR computation is there, that depends upon a lot of other metrics. So, it's not typically linked, it depends on the cost of deposit the Bank has, right. So, that is one point.

The second aspect is, some of the upside that we see on the loan MCLR book is a resetting of MCLR. Even when the MCLR was increased earlier but the reset has not happened. So, that's the upside available quarter to quarter. And this typically, I believe, is the answer to it. Anything Tyagiji or Ian can take further or supplement further.

Mr. Ian Desouza: Yes. So, the MCLR formula as defined by RBI is different. It is not typically taking it as we typically see it from a commercial sense. So, I think, what Chand Sahab said is correct and it is a reset of the one yearbook that we are seeing as a guidance that we are giving that there is an upside still left.

Mr. Lalit Tyagi: Yeah, nothing to add, Sir. Thank you.

Mr. Debadatta Chand: That’s fine.

Moderator: We have another question in the Q&A box from Krishna Kumar Srinivasan. What is the mix of growth plan for FY24 and FY25 in terms of corporate and retail? What's the pipeline looking like in terms of loan approvals and sanctions? Thank you.

Mr. Debadatta Chand: Sure. I'll first just answer and then give it to Tyagi Sahab on this. See, we set a broader guidelines with regard to the portfolio mix of 35-65 in a couple of years from now. If you look at the current corporate, it is almost at 42%. So, while our target, let's say three year target, of 35% so that trend would be pro rata you can that way reduce it down. But anything, Tyagi Sahab, further you want to add on this?

Mr. Lalit Tyagi: So, in terms of the pipeline in corporate, there are good traction from the infra, renewable and some of the industrial sectors where working capital demand is now coming up. So, whatever our goal projections are there in corporate, we are pretty confident that we will be able to make. And as MD said, in terms of the retail growth we are consistently growing our retail book to rebalance our mix of corporate and retail and we are confident to maintain the guidance which we gave at the beginning of the year. Yeah.

Moderator: Thank you everyone. I'm sorry but we're running out of time. So, this is the last question. I'll now invite Ian to please give the vote of thanks.

Mr. Ian Desouza: Thank you, everyone, for joining us. And as usual, these questions had all given us food for thought and we will, you know, be building some of them into the way we interact with you going forward. Look forward to interacting with you some on a one on one basis. I think many of you have interacted with us on a one on one basis, looking forward to those interactions from Monday onwards. Thank you very much for joining us on a Saturday. I know it's already 5.30 on a Saturday. Thank you for being engaged with us. Take care.

Mr. Debadatta Chand: Thank you, all. Thank you very much.

Mr. Ajay K. Khurana: Thank you very much.

Mr. Debadatta Chand: Thanks.

Mr. Lalit Tyagi: Thank you, everyone.

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