Bank of Baroda Media Conference 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 evening everyone and welcome to the media conference for Bank of Baroda financial results for the quarter ended 31st December 2023. We have with us today the MD & CEO Shri Debadatta Chand and he is joined by the Bank's Executive Directors and the CFO. We have a short presentation followed by brief opening remarks by Mr. Chand and then the Q&A session. Chand Sir, over to you.

Mr. Debadatta Chand: So good evening to all. Thank you very much for joining this media interaction. I am D. Chand, MD & CEO of Bank of Baroda, with me Mr. Ajay K Khurana, who is the Executive Director and has been with the bank as a whole time director for more than 4 years now. He looks after the MSME vertical along with the recovery apart from other functions. Then we have Mr. Lalit Tyagi. He is the Executive Director looking after the corporate credit, the investment banking and also treasury. Then we have with us Mr. Lal Singh, possibly you are meeting him for the first time. He looks after the HR, the IT and other platform functions And Ian has been a familiar face with all of you for long. So before I hand it over to Ian to run through the presentation, let me again thank all of you because you must have seen a change for this quarterly media interaction. Earlier, many of the media interactions we used to do on Saturdays and there used to be a lot of feedback from all of you that Saturday is a non-working day. So this change is because of all of you so I am thanking all of you on this. Over to you Ian.

Mr. Ian Desouza: Thank you Sir. So just want to take you through the highlights of our performance so far in terms of this quarter. In terms of growth and advances YoY at a global level has been close to 14%, domestic advances has been tracking at 13.4%. One reason why domestic advances are tracking at a little below YoY growth we showed in September quarter is that we have consciously moderated our wholesale advances which is our corporate advances to 10.2% as against 16% in the last quarter. Our international advances also has been moderated from 20+ levels in the previous quarter to around 14% and this is as we have guided.

Retail on the other hand continues to strongly grow at 22% and the rest of the RAM that is Agri and MSME grew at close to 13% year on year. In terms of within the retail, the portfolio home loan which is our secured book and relatively safer advance is growing at a strong 16%. Education loan growing at 18%, auto loan 24% and from 67% growth that we showed in the last quarter year on year, personal loans have moderated down to 60%.

In terms of deposit profile, in our stock exchange filing we had said we had reduced our bulk deposit by around INR 14000 crores and if we had not done that, our total deposits which are increasing by 8.3% would have increased by 9.6% year on year. Reducing the bulk deposits has helped us improve our net interest margins. In terms of domestic CASA, it is growing at 4% and domestic term deposits are growing at 8%. In terms of as I said bulk deposits have de-grown quarter on quarter by around 6.6%. In terms of the CASA ratio, CASA ratio has improved on sequential quarter basis by 81 basis points thus helping us in the NIM journey. Please go ahead.

So this is our 9 months profit matrix. In terms of net interest margin, we have seen almost 10.5% NII growth versus the previous year's 9 months and in terms of operating profit, we are up by close to 22%. Profit after tax is up by 38% and our return on assets which is an important matrix for us where we guided above 1% continues stand at 1.15% which is 22 bps higher than the same period in the previous year. Can we go ahead?

When it comes to the quarter numbers, the operating profit optically looks a bit lower but if we exclude from the year ago period, reversal of mark to mark provision of INR 750 crore which is volatile item since it is linked to market conditions and not core operating profit of the Bank. If we reduce that volatile item of INR 750 crore from INR 8232 crore, you would arrive at an operating profit of a sustainable level of around close to INR 7500 crore. So this year's operating profit of INR 7000 crore has to be viewed in that light. In terms of the profit after tax for the quarter, it's been 4 quarters now since we have printed profit above INR 4000 crore and this is almost 19% growth year on year. ROA for this quarter remains strong at 1.2% which is 7bps higher than the year ago period in FY23.

If you look at our yield on advances in a sequential manner of quarter on quarter, yield on advances has grown by around 8 basis points whereas the cost of deposits has only grown by around 4 basis points. That is helping us accrete our NIMs and improve our NIMs from 3.07% in the last quarter to 3.1%. We had given guidance for the full year NIM of 3.15%, + or – 5 basis points and if you see the 9 month period, NIM is within that range of guidance. Can we go ahead?

In terms of our asset quality numbers, you would see our GNPA continues to reduce and we are at 3.08% GNPA. NNPA is well below 1, at 0.7%. Provision coverage continues to remain strong and sprints at almost 93.4%. Slippage has moderated and is below 1%, though we had given guidance in the range of between 1 and 1.2. Credit cost remains well below the 1% guidance we gave at .4%. Go ahead.

If we look at the CRILC SMA 1&2 which is loans above 5 crore which are not in the zero day bucket, that figure continues to trend very well and it is at just .24% and it compares well with the sequential quarter and is much below the same period in the last financial year. Collection efficiency is trending at an all-time high and is close to 99%.

So in terms of balance sheet strength, we already saw the asset quality ratio. The other parameter for balance sheet strength is capital adequacy and liquidity coverage. In both these ratios, we are trending very well and we are at a capital adequacy of 14.72% and our tier1 capital is close to 13% and CET1 is 11%. If we were to include the profit for the 9 month period excluding dividend, our CET1 would be well above 12% and our capital adequacy will be at 16.05%. LCR, as I mentioned is very well printed at 133%.

With this, I come to the end of my presentation and I would hand it over back to Mr. Chand to give us his remarks.

Mr. Debadatta Chand: Thanks Ian and once again to all of you, a very good evening for joining us today and I would give some qualitative remarks with regard to the performance we had for this quarter. This quarter has been a good quarter. We have a profit of INE 4579 crore which is a YoY growth of almost 19%. For the 9 months cumulative profit, the growth has been 38.2%. By posting a profit of more than INR 4000 crore for the last consecutively 4 quarters, we are now posting a net profit in excess of INR 4000 crore and with the 9 months profit of INR 12,902 crore, we have almost achieved 91% of the profit in the last full year. So that talks about the sustainability of profit for the Bank going forward.

Also, I said last time, when I talked about the margin, we said that we as a Bank pursue NIM and ROA as twin objective to optimize and also happy to see the NIM for Q3 has been at 3.10% as against 3.07% in the last quarter and for 9 months, it is at 3.14%. So we gave a guidance earlier to maintain NIM at around 3.15%, +/- 5bps. Now we are holding the same guidance for the full year, based on the performance that we are going to have for this quarter.

At the same time, we also last time said that we are a unique Bank because on the international book, we have almost 16-17% of the global book and internationally we operate at a much lower margin, almost at less than 2%. So we last time also said that we are going to moderate on the international growth aligning with the domestic growth and we have done this also in this quarter. If you look at the domestic NIM, it is at a very good level of 3.23% for this quarter and for 9 months at 3.27%. So at the same time, as I said that NIM and ROA, we are pursuing as a twin objective. We gave a guidance of maintaining ROA in excess of 1% so in this quarter, the ROA has been 1.20% and for 9 months, it is at 1.15% and with this, for the last 6 consecutive quarters, we are maintaining ROA in excess of 1% which is considered as a good benchmark performance.

On the balance sheet side, Ian already said that the growth in advances has been at 13.4% for domestic and global at 13.6%, which is marginally below our guidance of 14-16%, precisely because of the result that we already outlined when we announced the unaudited numbers saying that in this quarter, we reduce our bulk deposits to the extent of INR 20,000 crore and bulk and CD composite by INR 6000 crore. Because of that, we had to realign our corporate book so precisely for that reason, the growth is slightly lower than the guidance of 14-16% but again for looking forward for this quarter in the full year, we maintain our guidance of growing at 14-16%.

On the deposit side, you have seen the growth has been, global growth has been at 8.3%. Had that earlier strategy of not de-growing the bulk deposit, our growth would have been higher. But again going forward, if you look at the industry scenario also, this is one aspect we are concentrating heavily to augment the retail in the deposit franchise of the Bank. You would have seen that in the last 2 quarters, we would have announced host of differentiated savings and current account products which are having different offers for other segmented customers in both the segments. If I talk about savings account, then we have a BOB LITE that we announced. We have BOB BRO accounts, we have BOB PARIVAR accounts, we have BOB SALARY account, we have BOB NRI account which we announced in the last quarter.

Couple of days back, on the current account we announced now in the BOB LITE account, BOB WOMEN POWER account, BOB SMART account, BOB GOLD RODIUM PLATINUM and DIAMOND account. On the fixed deposit front, we have announced a deposit scheme of BOB 360 deposit. At the same time, in the presentation also I mentioned that we are going to announce 2 more deposit products. One is, with regard to the green deposit, which is a different segment altogether and also some kind of a floating benchmark linked product also in this quarter. The focus clearly for this quarter is on the resource because all of us know that we are in a tight liquidity scenario and at the same time, we need to optimize on the retail base of the Bank.

Asset quality, whatever we guided last time, we have come through on all the guidances. We said that on the slippage rate, our guidance has been 1-1.2% and the credit cost is less than 1%. For this quarter, the slippage ratio is .95% and for 9 months, it is at 1.06%. The credit cost for this quarter is .39% and for 9 months, it is .69% both in terms of training of GNPA and NNPA, you would have seen a reduction sequentially in the last quarter. But while going forward, we as a strategy, we will keep a tight leash on the slippages and at the same time would optimize on the recovery front.

Couple of things that I also said last time while discussing with you in terms of aligning our international book which already I said, we have aligned. Growth is now aligning with the domestic book now. The lower dependency on the wholesale deposit as I already said that we have reduced rather than moderated the growth on the outstanding in December as compared to September. The 3rd thing also, lot of queries we received last time with regard to the personal loan growth. I said that in the earlier growth, although it was a very small base, earlier growth we were going to moderate on that. If you look at the YoY growth on the personal loan this time, it is at 16% and sequential growth is at 8%, which used to be more than 100% YoY and sequential around 15%. So if I take the sequential growth of 8% and annualize that, it will come to the level that we wanted to be around 32-35%.

So with this, I thank all of you for showing your faith on the Bank and the market has also reverted post our quarterly results. So now we are open for question answer. Thank you very much.

Moderator: Thank you Sir. We are now opening the floor for question and answer. I request everybody to stick to 2 questions per person. The 1st question is from Joel Rebello from Economic Times. Joel, please unmute yourself and ask the question.

Mr. Joel Rebello: Good evening Sir. Sir, if you look at your numbers, the retail loan has been good but your NII and margins have been pretty weak. If not for the provision write back, I think the profit would have been much lower, the growth in profit would have been much lower. I just want to understand, what's the outlook on the growth? Because that big provision of decline of 72% actually helped the profits. So if you could just comment on that. I have a couple of follow-up questions also.

Mr. Debadatta Chand: Ok. So in terms of NII growth, we have said 2.6% and that's pretty better as compared to many of our industry peers in terms of that. And the provision that we said is not a provision write back. A lowering of provision is because last quarter we said that we made a prudential provision in the aviation account along with the international account. So that was one off. Otherwise our normalized provision rate is the same that we have done in this quarter. So in that way, there is no, like it's a normalized provision that we have done so there is no impact in terms of the profit being lower or higher but we believe that we continue with the same but also it shows that better asset quality for the Bank. So the moment you have a lower provision, there is a better asset quality. In that way, we have been fairly comfortable. As I said, the net profit has been consistently now more than 4000 crore for 4 quarters. So our guiding would also be in the similar lines. So ya, further what do you want to add on this?

Mr. Joel Rebello: I also wanted to understand why are your operating expenses up? If you see, year on year, your operating expenses are up. Also written off provisions and written off accounts are also up. So in these 2 lines, if you can just explain why your operating expenses are up and provisions on written off accounts?

Mr. Debadatta Chand: Ian, can you take the operating expenses and then hand it over to Khurana Saab?

Mr. Ian Desouza: I will take it. So if you look at operating expenses, I think a big component of our operating expense is more than 50% is the employee cost. If you understand about the wage settlement, so the wage settlement was due in November'22. So in the 9 month period ended December'22, we had only 2 months of wage arrears provision which amounted to around INR 200 crore whereas in this financial year, we had 9 months of wage arrears provision amounting to almost INR 1545 crore. So cumulatively, we are carrying a provision of INR 1745 crore, out of which INR 1500 crore was made in this financial year itself. So if you adjust for that, I don't think the operating cost has really shot up. And if you look at the other operating costs, I think it is growing around 13% which is not significantly higher than what we see in our peer group as such.

Mr. Joel Rebello: How much was done this quarter Sir for this employee cost?

Mr. Ian Desouza: Around INR 425 crore.

Mr. Joel Rebello: And the total number is INR 1745 crore, if I have got it right?

Mr. Ian Desouza: Yes, perfect.

Mr. Joel Rebello: Ya sorry, please go ahead.

Mr. Debadatta Chand: Just to add to that, the operating expenses for this quarter sequentially it has gone down. If you compare the 9 months, there is an increase for the precise reason the CFO said. Right?

Mr. Joel Rebello: I am looking at year on year Sir. Sorry, ya.

Mr. Ajay K. Khurana: Joel, what is the question on – is it on the provision on written off?

Mr. Joel Rebello: Yes, yes Sir. Year on year, the provision on written off accounts has gone up. I just wanted to understand the reason.

Mr. Ajay K. Khurana: We do not provide anything on written off accounts. Written off accounts are already provided and written off. So I think there is some confusion somewhere.

Mr. Ian Desouza: What is the question precisely Joel? Which line are you looking at?

Mr. Joel Rebello: 1min. Sir. This is the break-up that you all have given Sir.

Mr. Ajay K. Khurana: Which page?

Mr. Joel Rebello: This is from the release you all have given.

Mr. Ian Desouza: What is the number you are looking at?

Mr. Joel Rebello: Sir. In the table that you all have given, if you look at provision for bad debts and written off accounts….

Mr. Ian Desouza: Its INR 1000 crore

Mr. Ajay K. Khurana: INR 1000 crore.

Mr. Joel Rebello: It's up year on year 23%.

Mr. Ian Desouza: So INR 1000 crore, pretty much if you see in the last 6 quarters is a normalized run rate for us. So it would have been an aberration in the year ago period but INR 1000 crore is pretty much the run rate. If you see the sequential quarter of the previous quarter, it was a little elevated at INR 2200 crore because we had provided for an aviation account 100% but INR 1100 to 1200 crore is the normalized run rate for NPA provisions.

Mr. Joel Rebello: Ok. Just wanted to get a final comment from Mr. Chand. You mentioned that you all decreased the bulk deposits, you all went slow on deposits but you all still think that the, you all can make up for it, the one reason the loan growth was little slower was because of this decrease in deposits. You all still think that you all can maintain the growth in deposits at 16-17% for this year and where will the growth come from? Some outlook on the same?

Mr. Debadatta Chand: So fairly you are right on that. We agreed on a guidance of 14-16% and we can fairly do that. The reason being we augmented our resources in terms of raising bonds from the market. You would have seen that last quarter, we raised almost INR 7500 crore through the infra and the capital bond. Again there is a plan for INR 7500crore out of which INR 5000 crore is already raised at a fairly tight price. So these are all mix and match with the objective to optimize on the cost structure and we will continue the same strategy.

Mr. Joel Rebello: Sorry, you said that INR 7500 crore has been raised and more has been planned.

Mr. Debadatta Chand: No, in Q3, we raised INR 7500 crores consisting of INR 5000 crore infra and INR 2500 crore tier 2. And in Q4 also we have a similar plan for raising INR 7500 crore, out of which INR 5000 crore of Infra we have already raised.

Mr. Joel Rebello: Ok. Ok, Sir. All the best for the rest of the year.

Mr. Debadatta Chand: Thank you very much.

Moderator: The next question is from Abhijit Lele from Business Standard. Please unmute yourself and ask the question.

Mr. Abhijit Lele: My query is on the, with regard to the NII. It is quite low at 2.6. What can be the trajectory we can see in quarter 4? How the, your treasury income has also fallen quite substantially in the 4th quarter. In the 3rd quarter when we saw a fairly stable kind of an interest rate environment in the later part. So how is that going to work out? These are the 2 things.

Mr. Debadatta Chand: 2 things, NII growth has been 2.6% and more particularly, we track the NIM. The NIM on the margin side improved vis a vis the last quarter, NIM of 3.07%. It is what actually the guidance we have given to the market of 3.15% +/- 5bps and we are fairly confident to achieve that number. At the same time, we also said that our ROA is more than 1%. That is also something that we have done for the last 6 quarters and we are going to maintain that. So the profit matrix is actually, the NII growth is aligned with the entire industry if you have seen the other industry players doing on the NII front because clearly there is a cost pressure for all the banks and that's the element we need to factor in. At the same time, we are able to optimize on the profit that is INR 4500 crore which is a significant profit as compared to the earlier quarters also.

On the treasury income, you are right on that. Actually in the last quarter, there was a depreciation write back whereas we have provided this quarter. The interest rate scenario is fairly stable and the one reason for that is actually, earlier also we said, we do have a significant FRB book in our portfolio and the FRBs are valued based on the market price, the traded market price and there is a distinct change in terms of traded market price vis a vis December over September. That resulted to some additional depreciation and changing the delta, almost INR 500 crore sequentially between Q2 and Q3.

Mr. Abhijit Lele: Would the volatility be now behind us or there could be some…..

Mr. Debadatta Chand: The rate scenario is quite stable now and rather globally if you look at the positive statement coming in terms of FED cutting rates going forward in the next year, currently it is very stable. So the only positive thing we can look into would be lowering from, mean we are almost on a scenario of almost peaked out kind of a scenario I believe. So in that scenario obviously this is going to be a not recurring one, I believe.

Mr. Abhijit Lele: In regards to the deposits, CASA part, you have shown a sequential improvement. So should we see that the pressure or the stabilization is now through us? My query is that, now that you have entered the stability zone. Will there be further pressure downwards?

Mr. Debadatta Chand: It is, it is. Actually we have given a lot of focus with regard to the retail depositors, be it on the saving, on the business account, on the current account we have announced a host of schemes couple of days back. On the retail term deposit, there are 2 more products which are coming so we are one Bank trying to innovate segment customer, trying to customize our products based on the customer needs. The branches have been very clearly focused with regard to the retail deposit so I believe that the growth that we are showing is stabilized that we are thinking of optimizing in this quarter. Because normally for all banks, JFM is a very productive quarter and the business normally being higher as compared to the earlier quarters, so with that rather will improve those numbers and growth for Q4 as compared to Q3.

Mr. Abhijit Lele: Last query is on the, what is the update on the on-boarding of the mobile application? Where do we stand? Do we expect to resume that activity in quarter 4?

Mr. Debadatta Chand: I hope so. We have given the compliance as far as the regulator is concerned. The regulator is vouching on all those compliances and I hope that we can start resuming as early as possible and that's my hope.

Mr. AbhijIt Lele: Sir, on the personal loans, now that there was an increase in the risk weights of any unsecured loans. So what has been the effect in terms of percentage on the capital that you had to set aside?

Mr. Debadatta Chand: The capital impact on the Personal Loan is 17 bps. Actually, the overall impact that we have said is almost a 60 bps that includes the NBFC and Capital. But as far as Personal Loan much but prior to the regulatory announcement, we announced to the market to moderate vis-a-vis the earlier growth. Although, the base of the Bank is quite low. And if you look at the last quarter growth, Q3 over Q2, the sequential growth is 8%. Suppose I annualise that, then it comes to around my guidance level of 30%-35%. So, that can be factored in. The pricing, again, being slightly reset because of the impact there in. So, we are fairly balanced in terms of how do you structure the Personal Loan in terms of the impact on the risk weight. It's more of a risk based pricing in terms of taking care of the delinquency and also the risk weight factor and that is fairly comfortable at this point of time.

Mr. Abhijit Lele: Okay. And the last is on the capital side, out of that INR 7500 crores that you intend to raise in the Q4, INR 5000 crore you already invested in Infra Bond. So, balance would be the Capital Bond?

Mr. Debadatta Chand: No, INR 7500 crore is the total constituting Infra and the Capital. So, the Infra side we have raised in the last week and the Infra pricing is a very tight pricing in the current market scenario. And we intend to raise the balance of capital of INR 2500 crores maybe in near time.

Mr. Abhijit Lele: That is Tier 2 or Tier 1?

Mr. Debadatta Chand: Tier 2

Mr. Abhijit Lele: Okay, fine. I'm through with my queries. Thank you.

Mr. Debadatta Chand: Thank you very much

Moderator: The next question is from Siddhi Nayak of Reuters. Please, unmute yourself and ask the question.

Ms. Siddhi Nayak: Hi, Sir. Am I audible?

Mr. Debadatta Chand: Yes, Siddhi, you are audible. Please, go ahead.

Ms. Siddhi Nayak: One clarification I wanted Abhijit Sir's question. You said that you've given compliance as far as that mobile app thing is concerned. So, can we say that the report has been submitted to the RBI and the RBI is currently mulling on that?

Mr. Debadatta Chand: No, that report, actually, between the regulator and the regulated entity always there is communication and the communication is there absolutely and the compliance we have given and the compliance vouching is being processed. So, entirely it's a conversation between the regulated entity and the regulator at this point of time.

Ms. Siddhi Nayak: So, can you hope to on-board customers soon and the ban to be lifted soon?

Mr. Debadatta Chand: I hope so. I hope so. So, that is what my sense. I hope so.

Ms. Siddhi Nayak: Okay. Sir, my next question was on your Deposit side. If you could provide some number on the guidance for Deposits? What would that be? And even on the CASA front if you could throw some light on what the plans for the Bank are?

Mr. Debadatta Chand: Yeah, that's a fair question because would have seen the growth for the industry also so as the Bank has been lower in terms of the Deposit growth but then we said that we shed the high costs Bulk Deposit, if we included that, the growth could have been much higher. So, it would have been in excess of 10% as compared to 8.4% that we are talking about; maintaining the same level of Bulk Deposit not reducing that. So, going forward normally JFM we see a lot of traction in terms of Deposit do happen and we had given a guidance of 12%-14% on the Deposit growth considering the advanced growth will be 14%-16%. But now the advanced growth we are keeping at the same time, so naturally you'll be asking 'How do you raise resources?' As I said, last quarter we have raised INR 7500 crores through Bonds route. This quarter, again, we are going to have INR 7500 crore of Bond raising. So, that is again supplementing in terms of not going on a high costs deposit on a manner which would increase my cost. So, our normal guidance that we give as 12%-14% and we are hopeful of maintaining around 12%, which can be slightly lower or higher, as far as the Deposit growth to maintain my advances growth of 14%-16%.

Ms. Siddhi Nayak: Okay. And, Sir, last question continuing with the Deposit question only, there's how much scope for Deposit rates to rise from here?

Mr. Debadatta Chand: Yeah, that's a fair question. I would request to Mr. Tyagi also but I'll tell my thinking is that as far as cost of deposit has almost peaked out in that scenario and if you look at the portfolio of deposit, the average duration of portfolio is almost one year and the moment you increase the deposit rate it only goes for the incremental deposit to pay a higher cost. But over a period of one year now, because the one year has been lapsed, so most part of the deposit got replaced. So, further, I don't think there is going to be impact.

Anything, Tyagi Sahab, you want to supplement on this? You're on mute, Mr. Tyagi.

Mr. Lalit Tyagi: I'm so sorry. So, if you look at the system level, majority of quantum of the rate transmission has happened into the Deposit rate and Deposit rates on the retail and the bulk side both are at the elevated level. So, as far as going forward it will look like at that rates are peaked out a little bit here and there looking to the demand and supply. But in terms of the trajectory, we believe that from now on there should not be any major increase as far as the Deposit rates are concerned.

Mr. Debadatta Chand: See, another take on the liquidity like normally we have seen in the past also possibly post, I mean, this financial year the position of liquidity may improve because now inflation is under tight control. So, they what is sensed. So, we are making the pricing strategy and everything based on that kind of outlook.

Moderator: The next question is from Ben Jose of PTI. Please, unmute yourself and ask the question.

Mr. Ben Jose: Hello?

Mr. Debadatta Chand: Yes, Ben. Please, go ahead.

Mr. Ben Jose: Hi. Can you hear me?

Mr. Debadatta Chand: Yeah, I can hear you.

Mr. Ben Jose: This is regarding you said that your Personal Loans growth has come down from 68% to 60%, where do you see? And what is it since November 21 last year? RBI directions, what is the impact on the growth? And where do you see it by the end of the year? And what is your total book? What is the total book?

Mr. Debadatta Chand: Total book is around INR 25,000 crore. Okay, what is the Personal? Ian can you just supplement me in this?

Mr. Ben Jose: No-no, personal loan book. How big is it?

Mr. Debadatta Chand: Yeah, it is around, I believe, around INR 25,000 crore. And as far as the outlook, I said earlier prior to the regulatory action in November that we're going to moderate on Personal Loan and that was a strategy we outlined prior to the regulatory action on the Personal Loan. The Personal Loan post regulatory action, the impact on CRAR because of Personal Loan is only around 17 bps.

Actually, if you look at the pricing of Personal Loan, it's a risk based pricing, right. That do take care of the Capital impact and all the impacts. So, our base is quite low as compared to many other banks who are active on the Personal Loan segment. But at the same time we gave a guidance of operating within 30%-35% YoY and that we have done it for this quarter. The sequential growth is 8% for this quarter and if you annualise that it would be in that range. So, that guidance would continue and we would like to operate within 30%-35% growth in the Personal Loan segment.

Mr. Ben Jose: There are Credit Bureau reports that Personal Loans there is distress or there is delinquency happening in the Personal Loans fund. How good is the quality of the account?

Mr. Debadatta Chand: The quality is fairly good. Actually, a large percentage of our book is they are our own customers and we follow a very, what you can say, a strong scoring model to figure out their creditworthiness on this. So, I think, the credit cost on this is very fairly low.

Khurana Sahab, can you just give a number on that?

Mr. Ajay Khurana: The quality is of course, as MD Sir told, compared to the other unsecured loan outside because most of them are our own customers based on their cash inflow with us Personal Loan is granted to them or to the salaried employees. So, our NPA book is around 2.2%.

Mr. Ben Jose: 2.?

Mr. Debadatta Chand: 2.2%.

Mr. Ben Jose: Okay-okay. And after the diplomatic tie up with Canada, how good has been or bad has been the Education Loan for you? And how big is your education book?

Mr. Debadatta Chand: See, Education Loan, the growth is the same and the instance that you are referring is not significant because we don't have a large percentage in terms of the overseas book on that. So, that is going strong.

Mr. Ben Jose: Okay, but totally what's the book? What is the book? 2 of my nephews are your customers on Education Loan.

Mr. Debadatta Chand: Thank you. Thank you very much for that. Thank you. Thank you so much on that. So, the Education Loan book, I'll just update you.

Mr. Ian Desouza: It is INR 9393 crores; close to INR 9400 crores the book size.

Mr. Ben Jose: Okay-okay. And, Sir, one last question, after the November RBI regulation what has been the incremental capital cost on NBFCs? And how much you have passed on to your borrowers? And how big is your NBFC account book?

Mr. Debadatta Chand: So, the NBFC we already declared 1 lakh. I mean, that is there in the presentation but the impact is on two counts. One is with regard to the impact on the capital. That is almost 53 bps impact on the capital. And for the size of the entire book, there is a resetting exercise which is underway. So, we'll try to recover to the extent the risk appetite and do match it up and there's an upside because of that possible in this quarter.

Moderator: The next question is from Ram Kumar of Hindu Business Line. Please, ask your question. Ram Sir, please ask your question.

We move on to Sachin Kumar. Please unmute yourself and ask the question.

Mr. Sachin Kumar: Can you hear me? Hello?

Mr. Debadatta Chand: Yeah, we can hear you. Please, go ahead.

Mr. Sachin Kumar: Sir, can you give me some sense on this Recovery and Slippages? How has that been in this current quarter, I mean, in the last quarter? And what's your outlook going forward for in terms of recovery?

Mr. Debadatta Chand: Khurana Sahab, can you take it up?

Mr. Ajay Khurana: Yes. Total Recovery is close to INR 2800 crores, which includes the written off account also. And as far as Slippage is concerned, it is INR 2363 crores and going forward also, as we have, given guidance that Slippage is going to be less than 1% and Recovery whatever targets we have fixed those we are going to achieve.

Mr. Sachin Kumar: So, if we see the first three quarters, so, what is the total amount for Recovery? And what's your target for this current Fiscal for recoveries?

Mr. Ajay Khurana: INR 9000 crores so far we have recovered and the INR 12,000 crores is the total Recovery target.

Mr. Sachin Kumar: Right. And you also touched upon there's a bulk deposit, so what will be your going forward stand on this bulk deposit? So, will you be maintaining the same stance in the next quarter or so?

Mr. Debadatta Chand: No, we said that last quarter was a particular instance wherein we have to maintain margin and growth. So, it was a churn that we wanted to do to see the impact on the margin side and that we have done it. So, going forward, as I said that, we supported resources in terms of raising bonds now almost INR 15,000 crore these two quarter resources where I don't have to mobilize deposit for that, right so, INR 7500 crore last quarter and again INR 7500 crore this quarter. So, our stance is more with regard to optimizing the cost rather than saying that will de-grow. So, we have given advance guidance of 14-16% and to achieve that I need to have all this math right in terms of how do I again raise resources for that. So, the only guidance I can give you that our dependency on bulk, which is to be slightly higher in earlier quarters, the dependency won't be to that extent.

But how do I look at the terminal level of bulk deposit going forward? We entirely do based on overall scenario in the market and then optimize on the cost. The idea to reduce bulk was only optimizing on the cost because of specific to that quarter but the dependency would be definitely less. At the same time, we'll also try to see that we grow at a level which gives me a decent margin, maintaining margin, I can allow the growth to happen both on the Advance and also on the Deposit front.

Mr. Sachin Kumar: Sir, Bank of Baroda is amongst select few banks who have actually improved CASA ratio sequentially. So, what has worked in favour? I mean, how have you managed to do that? And do you see this trend continuing in the coming next few quarters?

Mr. Debadatta Chand: No, that's is the focus area that we have been discussing for the last couple of quarters 'How to again improve CASA?' I was highlighting earlier, a lot of initiatives we have taken on the Retail Deposit, whether it is a savings or the CASA, on the institutional side or a Term Deposit entirely focused in terms of mapping out the cost of Deposit for the Bank.

And if you say the sequential change, it is around 81 bps but then one may say that because the denominator reduced, so the ratio got improved and all that. But our normalized CASA, as what you can say, as a strategy we look at around 40% as a CASA that we need to maintain. So, within that strategy of maintaining 40 we'll try to see what best we can do. But, clearly, the focus is on the Retail Deposit. I do have 8000 branches and they are meant for the raising resources, low cost resources, for that. So, we'll try to again push this in terms of raising more of Retail Deposit and more of CASA and at the same time try to maintain the CASA ratio around 40%.

Mr. Sachin Kumar: Thank you so much, Sir.

Moderator: Sir, the next questions are from Ram Kumar from Hindu Business Line.

- Your cost to income ratio has increased quarter-on-quarter and year-on-year basis, what is your strategy to bring it down?
- How big is your corporate loan sanction book?
- And, thirdly, how much capital will you need to raise to absorb the impact of increase in risk weight on consumer loan and exposure to NBFC?

Thank you.

Mr. Debadatta Chand: See, Cost to income ratio, fairly you raised the right point, it is slightly elevated for this quarter for multiple reasons and the cost structure would have seen a similar trend for most of the bank. But as a strategy, clearly, we want to reduce the Cost to income ratio and that is what the strategy we do have.

One thing that I outlined earlier also, let me again target the same thing that I want to lower the Cost to income ratio by 2 count. One is to improve productivity per branch per employee and at the same time going for a massive process automation so that the cost goes down. So, these are all work-in-progress which can give me a dividend in a medium to long term and there we have a team now working on this and they clearly see a lowering on the Cost to income ratio.

The second aspect on the corporate book, we normally don't give a pipeline cases but our growth is, because if you look at the earlier quarters the corporate growth was almost 15%-16% and only this quarter with a deliberate purpose we reduced low cost advances and reduce the bulk deposit. So, in terms of the growth that you can see for corporate, I have fairly a robust growth in terms of growing at the range of 14%-15% on the Corporate Loan book and that we intend to do for this quarter because I'm maintaining my Advances guidance at the same level of 14%-16%.

Thirdly, you talked about the impact of the Consumer Loan. The overall impact, I mean, CRAR impact if you say with regard to everything vis-à-vis the last sequential, it is around 68% on the capital charge and that includes the risk weight on the NBFC and also on the Personal Loan. Personal Loan has been around 17 bps, I believe, and the other part is the NBFC book.

So, there is a bit of resetting that is going to happen or already happened in terms of both on the outstanding exposure and also on the incremental exposure. Entire NBFC book, there is a resetting exercise going on, some of them already we have done and consumer because it's a pricing that you decide to take, what you can say, margin impact or the CRAR impact, so both the exercise are on.

And if I look at the income for this quarter, there is an upside on both the accounts vis-à-vis we see but how much that would be compensating the capital impact that we'll see over a period of time and not immediately for this financial year.

Moderator: The last question from the evening is from Alekh Angre of Economic Times Prime. Please, ask your question.

Mr. Alekh Angre: Hi, am I audible?

Mr. Debadatta Chand: Yeah, please you are. Go ahead, you are audible.

Mr. Alekh Angre: So, yeah, so you spoke about the reprising of Deposit. Industry wise it's almost done and we will be seeing the earlier rate hike Deposits being passed on to consumers but tectonically there has been a shift in terms of savers, right. More and more money is going into Capital Markets, be it direct investment in stocks or even SIPs. SIP net inflow numbers have been strong. You as a Bank, what's the strategy in terms of because clearly savers are comparing interest whatever is offered by banks to the other financial instruments. So, as a Bank what's the strategy? And how do you plan to tackle it?

Mr. Debadatta Chand: Yeah, that's a very fair question in the current market scenario. Market scenario is at tight liquidity, no doubt about that, and savers choice has been either a Deposit or an alternate to Deposit, which you're talking about Capital Market. So, if I see my last two quarters we have announced some 11-12 different schemes and we also renamed one scheme as Systematic Deposit Plan (SDP Deposit).

So, with regard to a deposit scheme, we made it a Systematic Deposit Plan which is exactly a proxy for a SIP where somebody get a variable return. Here, somebody gets a fixed return that they should target those segments of the market where they will be comfortable getting a good return and put into a Deposit scheme.

So, all other schemes that we talked about like earlier I was highlighting the BRO Account, Parivar Account, NRI Account, Salary Account and the Current Accounts we have large number. This is precisely to address the issue that you are talking about. These are all innovation in terms of, again, segmenting customer, trying to understand their need, trying to make offers out of my charges and all those things so as to get the best return for the customer. They are all work in progress. We're seeing good traction on that and going forward, I believe, it would give a positive dividend as far as our strategy to segment, offer a differentiated product and get deposit out of it.

But you are fairly right, as a banking system we have alternate available where the returns are quite, again, because of the current market scenario there is a challenge in terms of savers money going through a banking system or for alternate what you can say the Capital Market. But that's a market scenario what we are trying to, again, look into our aspect of Deposit and how we can increase that.

Mr. Alekh Angre: Sir, 10,000 crores of Infra bonds you have you have raised in two quarters. I wanted to understand the economics of it because is it fair to compare say, you know, something like Infra bonds or affordable Housing bonds to Term Deposit whereas on these bonds you also get an exemption from CRR/SLR plus it goes to PSLC. So, between the CASA term and your bonds, what's the strategy and the economics of it?

Mr. Debadatta Chand: Tyagi Sahab, can you just respond then I'll comment at the last.

Mr. Lalit Tyagi: So, see, this is one of the market instruments which banks are tapping in recent times more frequently. The reason is that, as you said that there are exempt from CRR, that's one aspect. Another aspect is, there is a great demand in the market for these instruments and banks are also increasing their book on the Infra side, asset book. So, it is fairly balanced in terms of the ALM that we are having long term assets on one side and if they are funded from the long term liability that is also one attraction for the banks to tap the Infra Bond market.

And in terms of the investor appetite, we have seen the yields are also quite attractive from the bank's perspective. So, if I quote recently, we could raise the 10-year Infra Bond at 7.5%, which we quoted to the market also, and it was below our expectation. Even market was expecting slightly higher coupon on that. So, overall, we see it as one of the diversified liability instrument. And, I believe, as you said that in the question of Deposits, we feel that going forward banks will be tapping more and more such instruments to support the liabilities.

Mr. Alekh Angre: Okay. Would you give a thought for affordable housing bond, a retail issue of it and maybe some of the retail guys can also participate in? Is it allowed? Regulation, does it allow?

Mr. Lalit Tyagi: So, as of now it is on the private placement basis and taken by the institutional investors and large bucket investors.

Mr. Debadatta Chand: So, I only add with regard to affordable, that we're quite active in the segment. Like we do have a large percentage in terms of affordable finance. So, sourcing resources for that, we do have different types of liability structure in order to support this growth, right. This is one on the affordable side.

Just to supplement Tyagi Sahab on the yield, one of the purpose also to raise the Infra Bond is to statute duration profile of liability, right, to the extent that you do ALM mismatch and clearly identifying this as a resource and deploying these resources at a spread, which is again comfortable to me. So, these are clearly identified as far as we are concerned.

Mr. Alekh Angre: So, from a NIM point of view also it makes sense?

Mr. Debadatta Chand: Yeah-yeah, absolutely.

Mr. Alekh Angre: Sir, just a one bit. You know, money flowing into Capital Markets, I mean, what is your conversations with depositors and savers other than metro cities reveal? Is it only an urban phenomenon? What's really happening, if you could just? Then anecdotally we keep hearing people are getting interested but are you? As a banker what are your conversations?

Mr. Debadatta Chand: No, actually, see the growth in Deposit is also growing and around 8%-9%-10% is fairly a good growth, right. So, absolutely there is a preference for Capital Market, no doubt about it, but there are alternate options available. So, we don't see as any way and we try to, again, optimize our Deposit in that way. So, it's not we have no geographical idea of who are going to Capital Market. We know that but then we clearly see aspect like we introduce a scheme called SDP i.e. Systemic Deposit Plan and there the current is almost at a peak level of rate. So, somebody interested to get a fixed rate, high rate for a longer term this is what the deposit. Somebody wants a variable rate linked to Capital Market, he can go to SIP.

So, clearly, we're positioning to get segmented market and trying to optimize on our Deposit. But then this is the normal market scenario. Things would happen like people would have their own preference to put money, whether in Capital Market or banks deposit. That would continue and it is the option of the depositor rather than we can say but we'll try to mobilize as much as possible.

Moderator: That was the last question. Thank you everyone for joining us this evening. Have a good day.

Mr. Debadatta Chand: Thank you very much, all of you, for joining us today. And as I said that the change from a non-working day to a working day is because of all of you. Thank you very much. Thank you very much.

Mr. Ian Desouza: Thank you. Thank you so much. Take care.

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