बैंक ऑफ़ बड़ौदा Bank of Baroda

BCC:ISD:116:16:277 05.08.2024

The Vice-President, B S E Ltd., Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 BSE CODE-532134	The Vice-President, National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051 CODE-BANKBARODA

Dear Sir / Madam,

Re: Disclosure under Regulation 46(2) (LODR)

We enclose transcript of Analyst and Media Meet held on 31.07.2024 for Q1 (FY2024-25) Financial Results.

We request you to take note of the above pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015 and upload the information on your website.

Yours faithfully,

P K AGARWAL

Digitally signed by P K AGARWAL
Date: 2024.08.05 16:51:56 +05'30'

P K Agarwal
Company Secretary

Bank of Baroda Analyst Meet for Quarter ended 30th June 2024

31st July 2024

Participating members from the Management Team of the Bank

- *Mr. Debadatta Chand, Managing Director & CEO*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Sanjay Vinayak Mudaliar, Executive Director*
- *Mr. Lal Singh, Executive Director*
- *Mr. Manoj Chayani, Chief Financial Officer (CFO)*

Moderator: Good evening, everyone, and welcome to the Analyst Meet for Bank of Baroda's results for the quarter ended June 30th 2024. Thank you all for joining us. We have with us today our MD & CEO, Mr. Debadatta Chand, and he's joined by the Bank's Executive Directors and our CFO. We have a brief presentation that we will take you through followed by opening remarks by Chand Sir and we'll then move to the Q&A Session. Chand Sir, over to you for brief introduction and then we move on to the PPT.

Mr. Debadatta Chand: Sure. Thank you, Phiroza, and good evening to all who have joined on call. So, let me introduce the management team. I'm Mr. D. Chand, MD & CEO of the Bank. I've been interacting with you for quite a while now. So, with us we have Mr. Lalit Tyagi. He's the Executive Director. He looks after Corporate Credit, International Banking and Treasury apart from couple of other functions. Then we have with us Mr. Sanjay Mudaliar. He looks after the IT part of it and the Retail Asset and Retail Liability and couple of other platform function. Then we have with us Mr. Lal Singh. He's the Executive Director looking after the HR, the Agri, MSME and also more important the recovery part of it. And with us we have the new CFO, Mr. Manoj Chayani. This is his first call as far as all of you are concerned. So, with this introduction, over to you, Chayani ji, and then I will come back with the comments after the presentation.

Mr. Manoj Chayani: Thank you, Sir. Good evening, everyone. It, in fact, gives me immense pleasure in welcoming you to this Analyst Call of Bank of Baroda. Let me take you through the highlights of the Bank's performance as of 30th June, 2024.

Coming to the Asset side. If you can see that the Asset has been grown, our Advances portfolio has grown by 8.1% with domestic advances growing by 8.5%. This growth is a little bit on a muted side as against our guidance. However, as you all know, the first quarter is practically a sluggish quarter and there is also a consistent focus of the Bank to increase the RAM portfolio. Further, there are certain low yielding assets, consciously we have shed it. So, that's the reason why the growth is 8.1%. Segment wise if we say, we are going strong with the Retail growth of 21%, Agriculture is around 9.1%., MSME 9.8%, Corporate is at 2.5%.

In the Retail portfolio itself the secured portion, that is Mortgage as well as Home Loan, we have grown 11% and 14.7%. Education; we have grown by 18.8%. Auto Loan by 25%. And as we said earlier also, we have moderated our growth as far as the Personal Loan is concerned and Personal Loan growth is 39% as of June’2024. Next slide, please.

Coming to the Liability side. As you all know, the liability is a challenge for all the banking industry and besides that there are certain external factors also. Further, there is a conscious effort on the part of the Bank to reduce the dependency on the bulk deposit. As a result of which despite all of those things, the Deposit has grown by 8.9%. Here the point to be noted is that the Deposit has been grown by 8.9% and our Advances has grown by 8.1%, which is lesser than the Deposit growth. However, if we look at our CASA, our CASA has grown by 6%, which is better than the peer banks also, and we are continuing our CASA ratio more than 40% and it is 40.62% as of 30th June 2024. If I look at our Credit Deposit (CD) ratio, it is 82%, which is being maintained at that level. Next slide, please.

Coming to the profitability metrics. The Operating Profit is down by 8.5% to 7161 crore. However, here I would like to mention that this Operating Profit has been down only because there is a dip in the Treasury income due to the newer valuation norms given by the RBI. Coming to the Profit After Tax, there is a growth of around 9.5% and the Profit After Tax has improved from 4070 crores to 4450 crores. One of the strongest profitability metrics is Return on Assets and for last eight quarters we are posting Return on Asset more than 1%. And as of June, Return on Asset is 1.13%, which is 2 bps more than Q1FY24. Return on Equity is almost around 18%; i.e., 17.45% as of June'24.

Coming to some of the key ratios. Yield on Advances has improved from 8.40% to 8.55%, 15 bps higher. We are having a tight lid as far as the cost of deposit is concerned. And if you can see, the cost of deposit sequentially we could manage to maintain at the same level of 5.06%. Coming to the Net Interest Margin. Our margin is posted at a very comfortable at 3.18. If I compare that with the Q4, it is a dip from 3.27 to 3.18. However, if I normalize last quarter NIM with the higher year end recoveries, it becomes 3.14. As compared to that, we have posted a NIM of 4 bps higher at 3.18.

We are having a stronger and robust asset quality and our Gross NPA has improved by 63 bps from 3.51 to 2.88. Similarly, as against our guidance of Net NPA of less than 1%, we continue to be at 0.69; improved from 0.78. Provision Coverage Ratio is comfortable at 93.32%. Slippage Ratio, our guidance was 1-1.25 and we are at 1.05, maintained at the same level as of Q1 FY24. The robustness of our quality of the asset is depicted in our Credit Cost which has improved from 0.70 to 0.47%. Next slide, please.

As far as our portfolio is concerned, we are not facing any incipient sickness in our portfolio. SMA book is only 0.18% of our total standard asset and collection efficiency, as compared to March, it has improved to 99%.

Similarly, the bank is enjoying a robust capital position with CET1 improving from 12.54 to 13.08 and overall CRAR has been improved from 16.31 to 16.82. And the bank is also having a healthy LCR of around 138%.

That comes to the end of my presentation. Over to you, Chand Sir.

Mr. Debadatta Chand: Sure. Thank you, Chayani ji. And let me make some qualitative comments on the financial of the current quarter, Q1.

So, in terms of the guidance with regard to the loan growth and the deposit growth, slightly it is below the guidance and the outcome is more of a strategic outcome that we wanted and that the CFO highlighted with regard to our liability management. So, it is Q1 of the financial year that allowed us to manage the liability in a manner that protects the margin more importantly and improve the bank's capital position.

So, if you look at this quarter, I mean, if you have the number, the bulk deposit outstanding as of March'24 was 2,24,000 crores and the bulk deposit outstanding as of June end is 2 lakh crores. So, there is a dip of 24,000. Out of that, there was a reclassification benefit available as per the RBI guidelines between the 2-3 crores. So, that's something around 16,000 crores. The balance is the dip, again, in the bulk deposit outstanding. And earlier also since December I have been outlining this point that as a prudent profile, we want to reduce dependency on the bulk deposit. At that time also we almost reduced bulk by 20,000-25,000 crores. I will just also give you another data point. If you compare the FY23 bulk as a percentage of total deposit over FY22, the increase was almost 600 BPS. And if you look at the bulk including CD as a percentage of total deposit as on June vis-à-vis March'23, they are almost at the same level; almost. Only 50 BPS increased. So, clearly, we are focusing CASA more. Precisely, the bulk has two components. It impacts the margin because there's obviously a high costs deposit. At the same time, also want to improve the quality of liquidity in the bank. So, this worked well for the bank for this quarter. The LCR is almost at 138% now. The margin; we had the full year margin of 3.18 and we could maintain the Q1 also the same margin at 3.18. Although our guidance has been at 3.15, plus/minus 5 bps, which we continue to hold on this quarter.

Secondly, on the profitability, as you know, we have a 9.5% growth vis-à-vis the Q1 of last year and the profit metrics is working well. Another data point which will be important for you to also understand that on the cost of deposit it's flat vis-à-vis the March'24. June'24 cost of deposit is the same like March'24, whereas March over December was almost an increase of 11 bps. So, we wanted to manage the liability so that on the cost side we have a complete control and so as the margin is protected. And, as I said, in terms of the bank's objective in terms of building block, we look at asset quality as the first piece and the profitability as the second and the top line is the third, the growth is the third. So, in that way this has worked well for this quarter. This profit has been almost now…this is the 6th quarter we are posting in excess of 4000 crores Net Profit. ROA; in the 8th quarter we are posting ROA in excess of 1.

So, the financial metrics and all the profitability metrics is working well for the bank and at the same time looking for the next quarter and going forward because this quarter is a strategic outcome of what we wanted to happen but the bank has a strong pipeline cases. We again hold the same guidance of Deposit growth 10%-12% and Advance growth at 12%-14%. So, I think, that's something we wanted to reiterate the bank's growth metrics and at the same time the profitability metrics.

In terms of Asset quality, it's fairly stable now and the GNPA sequentially has improved by 4 bps, although Net NPA has gone up by 1 bps. But in terms of the guidance that we had given to the market earlier. In terms of the Slippage ratio between 1-1.25, the current quarter has been 1.05. The Credit Cost, which is again, earlier we said it would be less than 1 and now we are improving that to less than 0.75. The Credit Cost has gone below 0.5. I mean, earlier also multiple time people asked about the recovery target. We're targeting 10,000 crores recovery this financial year.

In terms of GNPA and Net NPA, we are not giving guidance but the trending is clearly towards…because we have already achieved sub-three level of GNPA, the trending would be towards 2.5. As I said, margin is almost like there is something, I think, very positive as far as this quarter is concerned. A strong profitability with containing margin is the strong point for this quarter and the bank would continue to have in this journey but clearly outlining the factor like we need to do a tradeoff in terms of the margin requirement and also the growth at the same time.

With this, over to you, Phiroza, for the Question-Answer.

Moderator: Thank you, Sir. We will now start the Question-Answer session. I request all the participants whoever want to ask question to raise their hands. I request all the participants to restrict to two questions at a time so that all your colleagues can get a chance to ask their questions. If you have more questions, you can always come back in the queue.

With that, I start with Rikin Shah. Please, unmute yourself and ask the question.

Mr. Rikin Shah: Hi. Thank you for the opportunity, Sir. So, I had a bunch of questions but probably I'll restrict myself to two in the beginning and I'll come back in the queue. So, firstly, you did mention that the slower growth in this quarter was a function of the strategic initiatives. The Corporate Loans de-grew 6%. So, in terms of you articulating loan growth guidance of 12%-14%, would you be able to share how the mix would be moving in terms of the growth? And just to clarify on this, if your deposit is 10%-12% and loan growth is 12%-14% are we saying that the LDR can move up even slightly higher than 80%? And would the regulator be broadly, okay? So, that's the first question.

The second one is on the yields on global investments. So, it has increased almost 135 bps sequentially to 5.37%. Was it because of the new investment norms only? And if you could elaborate what brought this increase sequentially?

So, those would be my two questions. I have few questions on Asset quality but, perhaps, I'll have to come back.

Mr. Debadatta Chand: Thank you, Rikin. Actually, looking at the guidance and the current, if you look at the corporate growth, as we said, when I reduce the dependency on the bulk at the same time almost 25,000 crores of assets on the fine price asset, obviously high quality, but then we allowed that to mature. So, the idea is clearly, as you understand, that the liability management leading to the margin protection. Actually, that's the strategy. So, if you exclude the institution piece out of the corporate book, the core corporate has grown by 12%. So, I mean, the corporate growth metric is intact, the pipeline cases are a strong. So, I think, what we intend to do in September quarter is to grow almost at the level of 10%-12%. And Retail has been growing faster; 20% odd for many quarters now. Slightly we'll keep focusing on the Agri and MSME, which is slightly below 10% and need to go above 10%. So, broadly, in case we do that, I think, we'll be in a position to achieve that 12%-14% growth we are talking on the Advances side.

We normally do not disclose the pipeline but as of today I have a very strong pipeline cases for us to give a growth of 10%-12% on the corporate book. And a moment we get into that market of fine price, anytime the book can increase, right. So, that's something already inherently there with the bank.

The second aspect we talked about is Deposit growth. Yes, the deposit has been…while slightly reducing the dependency, as I said, the bulk has gone down. Well, the focus was on the CASA. If you look at my CASA growth, it is 6%; even better than the industry peers, right. We'll be working very strongly on that. Recently, we came out with the scheme on the Retail term deposit. So, the focus clearly would be on the Retail side more. And, I mean, bulk as a percentage, substantially we are content but still there is scope. Why there is a lower dependence in the bulk? Because of the elevated cost. And the moment there is a bit of moderation happening, we'll again get into that market slightly so as to we protect the margin at the same time.

So, I think, fairly when I look at the current flow of both on Deposit and Advances, I think, we'll be in a position to achieve this guidance of 10%-12% for the Deposit side and 12%-14% on the Advances side.

On the LDR front, you are right. Actually, why we wanted slightly a lower growth, the bank had a peak LDR of almost 84% right, and that was something…Actually, in terms of peers we had the highest LDR. And as on today, with all this, we are at the LDR of 82% and we intend to operate between a band of 80%-82% and slightly the bias would be towards 80%. So, in that way we are comfortable maintaining that kind of because we do have a strong borrowing pipeline also. We raised last year almost 20,000 odd-25,000 through infra and the capital bonds. So, we have an overseas channel open to us. Actually, we are one bank having a huge international presence. So, I think, these are all achievable in terms of managing the growth guidance, both on deposit advances at the same time, operating in the LDR of around 80% to 82%.

Your second question, I believe that was on.... just repeat that also.

Mr. Rikin Shah: Yeah. So, it was on yield on global investments which is there in your PPT. So that has increased almost 135 bps QOQ to 5.4%. So, is it only led by the new investment norms or something more to read into it?

Mr. Debadatta Chand: Global does include the domestic including international, right. So, Mr. Tyagi....

Mr. Rikin Shah: Only the international. Yeah. Sorry.

Mr. Debadatta Chand: International is more of a pricing actually some of the time you will not be surprised, some of the return you get out of the international investment is as good as a domestic because of the scenario in overseas market. But Mr. Tyagi would you like to comment on this?

Mr. Lalit Tyagi: So, in fact, the international investment yield has been largely impacted because of the yield movement therein and probably it is in line with the expectations as we were holding those investments. And if you analyze our investment portfolio in overseas, it largely remains the same or flat, barring some churning within that. In domestic also, you rightly picked up slightly it has been aided by the new valuation norms or classification norms, I would say, because of the RBI. So, some margins we have got there also.

Mr. Rikin Shah: Okay. Got it sir. Thank you. I'll come back in the queue for the rest of my questions.

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

Mr. Ashok Ajmera: Good evening, sir. Yes, Chand Saab, EDs and of course, Mr. Chayani. Sir, I would in my opening observation say, Sir we are a little bit disappointed, sir with the overall profitability, the overall results of the bank. Now, we need to understand the reasons.

So, like, this other income has gone down substantially from 4,191 crore to 2,487 crore and Mr. Chayani said that basically it is because of the RBI change in the framework of the investment valuation, but it is not so. I mean, almost 2000, 1700 crore has gone from the other income in which that part is very small. So, on every front in the other income, including other, other income of ₹1313 crores, if you look at every head, you know, like recovery from the written off account. Now, this we used to consider is going to be robust. You got a very big, large book of those accounts from where the recovery plus return of accounts. And it has gone down to ₹554 crores as compared to ₹1,202 crores. So, on every front in the other income, which has I think made a major dent on the overall profitability, one.

The other is we are not very clear that because you are probably the only bank or whatever I have seen which says in the note number 5 that the impact of the revised framework on the profit and loss account is not ascertained as the same are not comparable, but others have given whatever is the impact. So, with a huge downside like operating profit, margins have also gone down 13.88% as compared to 14.47% and in spite of the provisions also being lower, our overall profit has gone down. Even the tax is also lower. So, these are the 2 major factors I believe. One is the norms changing for the investment valuation, the profitability on AFS book. But you have a good trading profit which has come in the other income. So net net where have we lost, as against the profit increase, which we were expecting at least about ₹500 to ₹700 crores more than the last quarter. We are rather losing. We have lost here. So, this is my first question, major question on profitability?

Mr. Debadatta Chand: So, I'll take your second question later because this is a lot of coverage on the first question. Can I reply to this, Ajmera sir?

Mr. Ashok Ajmera: Yes, sir. So that I can come back with other 1 or 2 observations.

Mr. Debadatta Chand: Yeah. Fair. So actually....

Mr. Ashok Ajmera: Because the moderator will switch me off otherwise. Yeah.

Mr. Debadatta Chand: Actually, it is not where we have lost, actually the issue is where we have gained. Even if there is a lower other income and non-interest income, how the profit has been so strong. And that is what the point, actually. Let me again clarify a couple of things, like. On the non-interest income, which consisting of fee-based income and treasury income for the matter. Right. First let me come to the Treasury income, on the Treasury income we are seeing a change of almost like ₹850 crore. Why? Because the trading profit, which was almost like a ₹400 crore in the Q1 of last year, has gone down to ₹164 crore, precisely for the accounting norms. I will come to that.

The second aspect is that there was a write back of depreciation to the extent of ₹625 crore, which is an additional depreciation to the extent of some ₹76 crore. Why this change? That is what is important here. As per the new valuation which came in, although the shifting of security was not allowed but there was a, I mean, need to reclassify the entire book, right. If you look at the reclassification vis-a-vis other banks and us actually, the trading book which was earlier the HFT, which is a FVTPL we have taken a lower book there and the in-money position of the AFS entirely we took it to the normal AFS. Right. If you compare me, and that's why the trading profit on the FVTPL, which was purely a trading position, has been lower as compared to maybe many of the other banks.

At the same time, if you look at the reserve that we have created in the CET1 because of this stance of putting in-money in the AFS, that is in excess of ₹3,200 crore. That has contributed to the CRAR on the CET1 to the extent of 30 bps. So clearly the family silver Ajmera Saab we have kept it with the book not otherwise, leading to a position wherein I have strengthened the structural balance sheet of the bank, rather than, again, a short-term objective of booking profit. This is point one with regard to the Treasury. If you net it up both sides, we are better off as compared to many others. That is point one.

The second is something on the fee-based income. Yes, you are right, there actually that's a core area that we earlier also articulated we need to focus. Growth has been slightly lower on two counts. The corporate book has gone, I mean, the growth is only 2.6%. A lot of processing fee linked with the fresh sanction. And we deliberately wanted this because of the liability management, this book has to have a lower growth. So, the processing fee has gone down.

At the same time on the wealth side of the business actually on the wealth distribution, we implemented many controls mechanism therein. And the wealth income has also seen a significant dip, almost to the extent of 30%, leading to a lower fee-based income. So, the only point that I can assure you that the management, we will be concentrating on the fee-based income this quarter clearly, that's something we wanted to perform better that we didn't do. But the Treasury income is a clearly a strategic output wherein the strengthening of balance sheet was a more important factor as compared to booking trading profit, because that doesn’t serve me the objective as I have a high what you can say net profit on the matter.

Recovery out of written off account, actually last quarter was a one off. My normalized run rate is almost like ₹700 crore to ₹750 crore. So, in line of that, if you look at first last eight quarters, the trend has been the same. I mean, the normalized around ₹750 - ₹700 crore. That we have done this quarter. So, in spite of all this the net profit is higher because....

Mr. Ashok Ajmera: Sir, it is 554.

Mr. Debadatta Chand: I will come to that. The provision you said is lower, actually, what has happened, the provision last quarter, this quarter out of a 100% provided account, there was a government guarantee component and we got almost ₹300 crore the guarantee money out of it. So, the provision has to be reversed. That can't be comparable because the provision has to be released therein. So, leading to a lower provision, it looks like, but the lower provision is because of a higher I mean better credit cost, better asset quality, not otherwise. Right. So, in that way I think the bank is on a very strong fundamental part of it. This is not a one time you have a Y-o-Y increase in net profit to the extent of 9.5%. Right. So, we are, in the last 6 quarter posting more than ₹4000 crore of net profit. The profitability metrics is structural, sustainable and that is what possibly can answer to your question on that. Can you go to your second one?

Mr. Ashok Ajmera: Yeah. No, sir on this, so does it mean that if it is one time in the coming quarter, we can expect the back that ₹8,100 crore operating plus some ₹300 - ₹400 crore more kind of a profitability?

If all the events were one off events, can we...

Mr. Debadatta Chand: No, actually.......

Mr. Ashok Ajmera: .... in the coming quarters, we will come back to that 8000 plus operating profit, ₹8200 crore plus operating profit?

Mr. Debadatta Chand: No, no, actually, the Treasury income is not going to be because of the reclassification, it has gone to the reserve. Actually, you would have seen the CET1 of maybe comparing with banks, then look at the CET1 level for other banks and me. I have increased the CRAR, normally, the June quarter CRAR is lower than the March, I have increased the CRAR by 54 bps. And the impact of the investment norms on the CRAR is 30 bps. If you compare those CRAR CET1 you can get a fair picture with regard to the investment strategy that we are talking about. Right. So, on the operating profit scale, normally we don't give a guidance on the operating profit but clearly what is important to me on the net profit and the ROA guidance. So, we continue to hold that ROA this time also, it is 1.13 and we said last time that we need to maintain 1.10. So that is what actually I can guide you at this point of time.

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

Mr. Kunal Shah: Yeah, hi. So, with respect to the slippages when we look at it in terms of the SME slippage, it's still continuing to be slightly at the higher end over past few quarters running at almost like, say 4 odd % kind of run rate. So, anything much to read into that. And when we look at it, even on the PL side there has been the inch up in the GNPAs to almost like 2.5odd %. Maybe there is still some kind of a seasoning, which is expected, but do we further see, like the inch up in the GNPAs of the PL and that's the reason we have moderated the growth?

Mr. Debadatta Chand: No, no, moderate growth is more of a strategic outcome in terms of the liability management and consequently holding on the margin side, actually, that's clearly if you look at....

Mr. Kunal Shah: No, I was just talking in terms of PL growth moderation....

Mr. Debadatta Chand: Oh, PL, personal loan.

Mr. Kunal Shah: Yeah. Not the overall. Yeah. Not the overall. Yeah.

Mr. Debadatta Chand: Actually, personal loan the growth has been almost YoY 39 and quarter to quarter is much lower. I think it is something around 3% sequential growth, which was almost 80% earlier and sequential 12%. So clearly the moderation has happened. In terms of the quality of the book, as I said earlier, these are again existing customers and backed by the cash flow. Thirdly, in terms of any incipient part, we are not looking at the component of GNPA on the PL is almost fairly stable for the last many quarters. So, there is no per se any concern on the PL side. So, Mr. Lal Singh, anything you want to supplement on this? Particularly more on the PL side that he's asking.

Mr. Lal Singh: PL side, in fact is not increased. In fact, our PL is mostly to the service class individuals. So, there is no challenge on the slippage side in the PL.

Mr. Debadatta Chand: In fact, Kunal, if I add the PL model itself, we changed around 6 months back slightly capturing because a lot of what you can say, guidances in the market in terms of the PL, the outcome of building stress in the book. But then now the model is also robust. It does cover many other parameters apart from the cash flow therein, because a lot of market data now will take input at part of the model while deciding on the PL side. But clearly, we have moderated to a large extent and continue to I think because our base is very small as compared to many of the other banks right on the PL. So, we'll continue to grow at a normalized rate of around 30%, 35% year-to-year. That's what I can say.

Mr. Kunal Shah: Okay. And on MSME?

Mr. Debadatta Chand: MSME, we want to focus. Actually, the budget has a lot of take away from the MSME and that is what actually, if you look at the overall corporate growth, I mean overall advance growth at 8.1, the retail is growing good at more than 20% for many quarters. Corporate was an outcome that we decided at the beginning of the quarter because of the liability management that we talked about. Agri and MSME want to grow higher, obviously. And MSME after the budget, I think there is a huge scope to upsize that growth with a strong cash flow metrics. Actually, you maybe knowing that we had a cash management product for the large corporate. Now, we rolled out the cash management to the MSME customers. That means the cash flows are there with us, and we are able to now read into the cash flow more than as compared to what it was earlier. I think the MSME growth should normally get into that 14% to 15% growth model, and that is what will be the budget has a lot of positive things.

Mr. Kunal Shah: Asset quality, more on asset quality side of MSME?

Mr. Debadatta Chand: MSME, actually, asset quality for last 4 quarters has fairly stabilized. And if you look at my asset quality on MSME, it is I mean one of the good levels as compared to many of the peers in the market. So, we think a very stable outlook on the MSME for last many quarters. Yes, if you talk about FY22 and FY23 to some part of '24 also there has been elevated NPA level in MSME because obviously Covid impacted them more than any other sector. But now these levels are fairly stabilized now, and we are much comfortable to increase the growth at this point of time.

Mr. Kunal Shah: Okay. And last question on growth. So again, you highlighted in terms of the priority, it's going to be asset quality, then profitability and then growth but again when we look at it, we have just reached the stabilization, be it in terms of getting the bulk deposits down. now we'll try to grow retail as well but doesn't that mean like maybe in even in terms of reaching the guided levels of growth there could be some challenge out there if we don't see the stabilization and the improvement in the liability profile, and if there is any further risk, which can happen on the margins or on the ROA front?

Mr. Debadatta Chand: No. On the ROA, we are fairly confident as I said, that we wanted to have some outcome this quarter. And on the growth, we are fairly, also conscious of the fact that we need to achieve those guidances on growth, both in terms of deposit and advances. So, this quarter we will try to catch up, whatever shortfall of the last quarter. We will try to catch up in this quarter. So, your point is on the consequent impact on the margin. That's a very fair take. Currently, if you look at the cost of deposit, it's flat for June over March. When I was in the month of March, I mean, in the month of April, looking at the March number the March over December was almost 11 bps. So now we have fair control on the cost of deposit.

So, at this point of time, I think we have the right bandwidth to increase a bit of bulk because the bulk level has been all time low now after many years. So, I think we can grow on that segment and not necessarily a high bulk. Actually, this quarter we slightly didn't focus because of the elevated cost. It's not necessary for this quarter, the same thing continues because although the rate stance has been the same, but the liquidity profile in the market is improving. So, the rate can go down even if a case there is a without a rate change because of the liquidity availability in the market. So, we are very certain of slightly managing asset liability in a manner where we give the growth, expect the guidance. That means 10 to 12 and 12 to 14 at the same time are fairly getting into our margin guidance. The margin guidance is 3.15 plus minus 5 BPS. Right. So that is what's something and we will work on the growth side definitely this quarter.

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

Ms. Mahrukh Adajania: Yeah. Hi. So, sir my first question was again on asset quality that the slippage in retail has gone up substantially. The growth in retail slippage is much higher than growth in retail loans. So, anything you would like to call out specifically, and even within that your gold, non-Agri gold has grown. It was always growing very well but it's grown even much stronger. So, what are your strengths vis a vis the other banks in this portfolio? Is it some new geography that you explored? If you could explain and then I have one follow-up question.

Mr. Debadatta Chand: Ok, so Mahrukh, the 1st thing you talked about on the slippage side. Right? On the retail? So, if you look at the slippage, the slippage has been at an all-time low in corporate and many other books and retail has gone up a bit. In the sense that, sometimes there is a seasonal factor on a couple of cash flow happening on the retail side and if I look into the composition of this retail book, there is one group asset which has a dependency on the subsidy and that has gone bad actually and I hope that we'll pull back that as early as possible. So, in terms of incipient stress, we also track our SMA position on the retail and also the collection efficiency, both look very strong and good at this point of time. So that actually is not the concern or not significant at this point of time for me to raise anything with regard to the retail slippage. See, the guidance on the slippage ratio is giving 1-1.25 and we are at 1.05 in spite of what you said about the retail bit of more slippage. I think this is one-off, seasonal. Going forward, we will be much better on the retail front.

On the 2nd, I just forgot what you asked for.

Ms. Mahrukh Adajania: Gold loans.

Mr. Debadatta Chand: Actually, if you look at the gold loan base of me and many of the peer banks, our base is low, that is point 1. Secondly, I have 2 gold loans – one is a retail gold loan and other is agreed gold loan.

Ms. Mahrukh Adajania: I am asking retail Sir, retail, retail.

Mr. Debadatta Chand: Ya, I know that. So, when you look at these two growths, we balance it out at different points of time and depending upon the margin and the potential available. Yes, definitely retail gold gives a slightly higher margin as compared to the Agri loan. So, we want to again slightly focus more on that. We have gold shoppe that is branches that do have a separate wing for the gold loan, so that's working well now but the base is very small as compared to many other peer banks would look on the retail gold side.

Ms. Mahrukh Adajania: Got it Sir! Sir, just one more question in terms of your credit cost, so your annualized credit cost is around 40 basis points. Now if ECL were to be implemented, effective FY25, is this kind of a credit cost through the rest of the year good enough to meet the new norms? I mean the draft norms? I know it's not finalized but you would already have a rough idea.

Mr. Debadatta Chand: Yes. Actually, there are 2 scenarios. This time credit cost is .47 and anything below .5 is a good number. You annualized at 0.4. So, the fact which is important, we are giving a credit cost guidance of below 0.75, earlier it was one. So why this guidance is higher than the current level is precisely to factor in any ECL impact there. There are 2 factors on the ECL. ECL also talks about, there is a loss provision impact on the standard asset. If you look at my SMA book as on today, on the asset quality, they are all fairly stable. There is also a standard provision in-built to it. So, I don't think there is a substantial impact because of the ECL. Anyway, the ECL impact is to be spread over many years, that is what the guidance is, in case it comes as a framework to be implemented. So fairly provision that ECL impact and I don't think any, as on today, accounting that impact we have to change any guidance in terms of ROA of anything for that matter.

Ms. Mahrukh Adajania: Thank you, Sir. Thank you.

Mr. Debadatta Chand: Thank you.

Moderator: The next question is from Jai Mundra. Please unmute yourself and ask the question.

Mr. Jai Mundra: Ya, hi, good evening, Sir and thanks for so much of clarification that you have already given. I have a question on LCR. So, this quarter, we have seen LCR rising to 138. Last quarter it was around 121 something. What has changed? I mean if I look at your investment book, that has not changed materially. It is only 1%, plus minus. On loan deposit, both have declined more or less similar. What has changed that has driven so much uptake in the LCR and also a request, if you can also publish your LCR disclosure on a quarterly basis? What we see is only in the annual report and 4 quarters come together but a request, if you can also publish on a quarterly basis.

Mr. Debadatta Chand: See, on the LCR front, again we had 122 in the last March and wanted to optimize that. So, there are many components, I will not come to the specific components therein. But typically, if you look at the new draft guidelines and the impact thereof, then you have to make provision and account for it. In that way the LCR is currently comfortable to take the impact of draft guidelines in case it comes as final guidelines. But a component increase, anything you can add Mr. Tyagi at this point of time?

Mr. Lalit Tyagi: So, in fact Sir, we have brought down our borrowings against the excess SLR, that is one point. The 2nd point is that in terms of raising the fresh liabilities which have lower run-offs, that is also one contributing factor to the increase in LCR, quarter on quarter.

Mr. Debadatta Chand: Thank you.

Moderator: The next question is from Pritesh Mashru. Please unmute yourself and ask the question.

Mr. Pritesh Mashru: Good evening and thank you for the opportunity. I am a retail investor and I have been tracking Bank of Baroda for quite some time, the most right earlier, as early as when the merger happened, which was the 1st PSU merger. I have couple of questions, not on the specific quarter numbers but on a long range. I understand that before general elections, all the PSU banks were asked to provide their 5-year roadmap to the Prime Minister's office and certainly there are good plans and I think the overall objective was for the PMO to look at how the banks can support the economic growth. Obviously, I am foreseeing that all the pieces of economic growth are there in place and how the banks can play their role. So, taking some clues from there, my question is that – how the bank is going to grow in terms of balance sheet size over the next 3-5 years and related to that, you know, how the quality of the asset, how the profitability of the bank overall is going to look like? If you can throw some broad guidelines around it, then it will be really helpful. That's the 1st question.

The 2nd question is that, again in terms of profitability parameters, while return on asset is great to know and I believe Bank of Baroda is well capitalized for that matter in terms of capital adequacy. So not sure how the plans of fund raising would be there but the point is, how the return on equity is going to look like this year and over maybe 3-5 years on an average going forward?

Mr. Debadatta Chand: Ok. So, your 1st point is very pertinent. So, irrespective of the conversation between us and the government. Let me share that earlier we, announced to the market also that there is something already in the domain of public information, that we want to grow at a CAGR of almost 13.5% for the next 5 years. That's a rolling plan. Because in the earlier years also, you must have seen FY23, the growth has been almost 16%. This year, because of the liquidity issue as system liquidity issue, it's not one bank but many other banks have lowered the growth guidance because obviously liquidity gives you a deposit and then you lend money. But the intention of the banks to grow at a CAGR of 13.5% for the next 5 years and in normal math, if you compute, it almost comes to doubling the number vis a vis March 24. So that is something I can outline at this point of time.

We are mindful like when you said that, earlier also I said, "On a business plan, the underwriting standard and the quality of asset is something paramount as far as strategy is concerned. Actually, one way to look into RWA density that we do have for multiple product lines and that's fairly stable and which are improving also on a 100 bps scale. So I think when we plan out a growth, we will be mindful of the quality of the asset. For ROE, we are giving guidance and currently, actually why the ROE has gone down vis a vis the last quarter because as I said, because of a strategic call on the investment side, where we wanted in- money more on the AFS which goes into reserve or the CET one expanded by almost 54bps. The CRAR has also gone up by around 50 odd bps. And normally if you see the June quarter because the profit is not added back to capital, you see a dip vis a vis March. But in our case, it has gone up 54bps which is not also, if you compare the peer CRAR, that they have not had. Because of the elevated capital level, because of one investment reserve getting into, because of the accounting norms, ROA has gone down to 17.5% or something but on a guidance scale, we normally give a ROA but at the same time intend to maintain ROE in excess of 15-16%. I think that's a fair return on equity that we can think of.

There is no plan to raise capital because of a comfortable CRAR but as a substitution of tier1 and tier 2, we have announced to the market that roughly around 7500 crores capital we'll be raising in this year. With a growth of roughly, let's say on the advanced side, although we are giving 12-14%, taking also a growth of 14% at the current level of CRAR, I think and the kind of internal accrual that we are generating out of the net profit, then I think equity raise may not be an immediate visibility at this point of time. So, no plan as on today's equity. I think I have answered your 3 but clearly the bank is focused for a 5-year business plan and internally, we are working out a lot of other levers of the matrix on the 5year business plan.

Moderator: The last question for the evening is coming from Rakesh Kumar. Please unmute yourself and ask the question.

Mr. Rakesh Kumar: Hi! Thanks a lot Sir. Sir, firstly the question was related to credit yield number which has fallen quite sharply this quarter. If you can tell us, what is the reason for that?

Mr. Debadatta Chand: Can I go ahead?

Mr. Rakesh Kumar: Yes Sir.

Mr. Debadatta Chand: We said earlier that this quarter being the 1st quarter of the year, we wanted to a bit realign on the growth numbers. The idea was to protect margin actually. And if you look at the liability side, we announced that we reduced the dependency on the bulk deposit again in this quarter. We have announced that earlier also. We have reduced almost by 6000-7000 crore after excluding the reclassification benefit of 2 to 3 crores. So that's something important. Now we are at a fairly stable level. The idea of dependency on the bulk is more from the costing part because the rates continue to be elevated in the market as on today. But going forward, there may be a bit of moderation possible. Then we can raise bulk to the extent we need to fund our advances for the matter.

The advances growth is typically linked with the deposit growth. We are, one Bank where the deposit growth of this quarter was higher than the advances growth. But in the advances segment also, retail continues to be stronger, more than 20%. The MSME Agri almost, slightly below 10% which we think that will improve this quarter and particularly after the budget, there is a possibility to increase MSME significantly. The asset quality on the MSME is now fairly stable for the last 4 quarters and then that gives us confidence to increase the MSME.

Corporate again, as I said, growth of 2.6%. If I exclude my institutional book, the growth has been more than 12% on the core corporate. So that pipeline continues to be strong. As far as the institutional side with their high-quality fine price book which again this quarter decided more than 25000 crore, we wanted them to mature so that we get the benefit on the repricing at a later quarter. That's something we have done it in this quarter. Going forward, we will optimize on that also so that we get a decent growth of corporate in excess of 10%.

Mr. Rakesh Kumar: Sorry Sir, I was just referring to credit yield number Sir. The credit yield in the domestic rate fallen by around 25. Only the credit number changed. I couldn't understand.

Mr. Debadatta Chand: Can you come back? What you said? Credit…..?

Mr. Rakesh Kumar: Credit yield, fall in the credit yield Sir.

Mr. Debadatta Chand: Ok, ok, yield. Sorry. So, actually if you look at the cost and the advances, these are both flat right? Cost of deposit is flat, June over March. Advances, there are 2, on the repo link which is the most 50% of the book, these are already priced in actually, the repo rate has been flat for many quarters now. So, the yield on that count is still flat. MCLR and other segment, there is a little bit of churn happening in those markets also because the market is competitive. So, in that way, the yield has taken a slight cut. So, Mr. Tyagi, can you address on this issue?

Mr. Lalit Tyagi: So, precisely it is related to our strategy of shedding the fine priced assets as and when they came up for the repricing or at the time of maturity, we didn't go further to onboard them. And to continue that, you know or to protect the margins, precisely that was the reason that we thought of that at one point of time, this is enough and now we do not want to take beyond that. So, you are right. Through some extent, we accepted that and beyond that, we said, "that's enough to take a call."

And as MD said that in core corporate, we saw this growth of nearly 11-12% and which is at a price point where we wanted to onboard them.

Mr. Debadatta Chand: To supplement what he said, I will just give you one data point. My average advanced growth is higher than the terminal growth. So that can address the issues that we are talking about here.

Mr. Rakesh Kumar: Got it. The last question, the 2nd question, the investment depreciation provision is like, there is a 136 crore which is like you know, credit to P/L. So that number and write back on the standard provisions, so why these 2 things have happened and where is this investment depreciation write back is coming from?

Mr. Debadatta Chand: There is no write back, rather we have provided additional depreciation as compared to the write back which we did in the Q1 of last financial year. But on the standard asset provision, I think there are couple of milestones on those assets and those got fulfilled so we have to write it back. Anything CFO, you want to add on this?

Mr. Manoj Chayani: Sir, basically Rakesh you are referring to the write back in case of the investment. There was a specific account in which we got a valuation gain and a specific account, NPA account, that's the reason why this has been NPA account.

Mr. Debadatta Chand: Is it NPA account? Above the line or was it a depreciation provided on the standard investment? On the NPA investment, there was a write back because of NPA market value.

Mr. Manoj Chayani: Right Sir. In a specific account.

Mr. Rakesh Kumar: Ok, got it, thank you.

Moderator: Ok everyone, that's the last question for today. Chayani Sir, if you can give a vote of thanks. Thank you.

Mr. Manoj Chayani: Thank you all for sparing your valuable time and joining us for this analyst meet. The bank has posted a good quarter and if any further query or clarification which we could not take during this call, please feel free to contact me or my team. I am always available and let us not close interaction with each other to get more clarification. Thank you and have a wonderful evening.

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Bank of Baroda Media Meet for Quarter ended 30th June 2024

31st July 2024

Participating members from the Management Team of the Bank

- *Mr. Debadatta Chand, Managing Director & CEO*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Sanjay Vinayak Mudaliar, Executive Director*
- *Mr. Lal Singh, Executive Director*
- *Mr. Manoj Chayani, Chief Financial Officer (CFO)*

Moderator: Good afternoon, everyone and welcome to the Media Meet for Bank of Baroda's financial results for the Quarter ended 30th June 2024. Thank you all for joining us. We have with us today our MD and CEO, Shri Debadatta Chand and he's joined by the Bank's Executive Directors and our CFO. We have a short presentation followed by brief opening remarks by Mr. Chand, after which will be the Q&A. Chand Sir, I will hand it over to you for the introduction first.

Mr. Debadatta Chand: Good evening, my media friends. So, it's again a pleasure to introduce the management team before all of you. I'm D. Chand, the MD & CEO of the Bank and I've been interacting with you almost for a year now as MD & CEO. And with me, Mr. Lalit Tyagi, he's the Executive Director in charge of Corporate Credit, International Banking, apart from a couple of other functions. Then we have with us Mr. Sanjay Mudaliar, he's the Executive Director, he looks after, more importantly, the IT and also the Retail Asset and Retail Liability of the Bank, apart from a couple of other platform functions. We have the Executive Director, Mr. Lal Singh, he's the Executive Director looking after, more importantly, the Recovery and the HR function, and also the Agi & MSME business of the Bank. And we have the CFO who is joining for the first time as far as this call is concerned, Mr. Manoj Chayani, he's the CFO for the Bank and he's joining before you for the first time.

So, with this, I will just hand it over to Mr. Chayani just to run through the presentation, and then I'll come back with a couple of qualitative comments therein. Please go ahead.

Mr. Manoj Chayani: Thank you, sir. So, good evening, everyone. It gives me immense pleasure to welcome you all to this Media Meet of Bank of Baroda. Let me take you through the detailed, highlights of the Bank's quarterly financials as of 30th June 2024.

Coming to the asset side, there is a growth in the advances of 8.1% with domestic growth of 8.5%. Segment-wise, if you'll see, our retail book is growing at a faster pace of 21%, agriculture at 9.1%, MSME is almost at 10%. Within the retail also, if you can see, there is a growth of around 11% in mortgage book and home loan of around 15%. Education loan is growing at around 19%, auto loan at 25% and personal loan, as we said earlier also, we have moderated the growth of the personal loan which used to be at a higher pace. Now, the growth in the personal loan book is around 39%. Next slide, please.

Coming to the deposit side, as you all are aware that the deposits are the major challenge for the banking industry. There is a growth of around 8.9% in overall deposit. However, our CASA growth remains at a higher pace of 6% and better than our peer banks. Coming to the CASA ratio, we are above 40%, and as of Q1 we are at 40.62%. This time the deposit growth is more than the advances growth and our CD ratio is maintained at 82%.

As far as our profitability metrics is concerned, our operating profit is a little bit down to 7,161 crores. This is mainly because of our treasury book. Because of the new RBI guidelines, there is a change in the valuation method which has impacted the operating profit. Profit after tax, you can say there is a YoY growth of around 9.5% with an increase from 4,070 crores to 4,458 crores. For the last eight quarters, we are maintaining our return on asset more than 1% and as of quarter ended 30th June, our return of asset has improved to 1.13% from 1.11%, and our return on equity is 17.45% as of Q1 FY25.

Some of the key ratios. The yield in the advances has improved by 15 bps from 8.40% to 8.55%. And as I said, there is a conscious strategy on the part of the Bank to reduce the bulk deposit. That's the reason why we were able to maintain the cost of the deposit sequentially at 5.06, which is at the level of 31st March 2024. If we will come to the net interest margin, net interest margin is comfortably placed at 3.18% as of Q1 FY25. Here I would like to make you certain clarifications in this regard, is that in Q4, it was 3.27%. However, in Q4, 3.27% was including certain higher year-end recoveries. If I exclude those higher year end recoveries, the normalized yield will be 3.14%. As compared to that, our net interest margin has improved to 3.18% with an increase of 4 bps.

We continue to maintain our robust asset quality. As you can see, there is a decline in the gross NPA percentage from 3.51% to 2.88%. Similarly, as we have given the guidance earlier, the net NPA position is 0.69%. We had given a guidance that it will be less than 1% and we are at 0.69%. We are comfortably placed as far as provisional coverage ratio is concerned at 92.32%. One of our significant metrics – the slippage ratio is 1.05% which is maintained at the same level as that of previous Q1. However, if I compare that with March, then there is a decrease in the slippage ratio showing the robustness of the asset quality.

Coming to the credit cost, credit cost has improved due to the improvement in the asset quality. It has improved from 0.70% to 0.47% as against our guidance of 0.75%. Our SMA book is on a lower side of 0.18% of the total standard assets, and collection efficiency is comfortably placed at 99%. Next slide.

The Bank enjoys a strong capital position with CET1 increasing from 12.54% Q4 to 13.08%, with tier 1 increasing. And overall CRAR is improved from 15.84% to 16.82% YoY. The bank enjoys a comfortable LCR of 138%, and we are having a stronger capital position.

And thank you all. Over to Chand sir.

Mr. Debadatta Chand: So, thanks, Mr. Chayani. Again, to all of you, let me make some comments with regard to the performance of this quarter. As you said rightly, the focus on this quarter was more on the liability management side. And he said very clearly that the bulk deposit, which is wholesale deposit, we reduce in terms of our dependency on that. If you look at the numbers which has been published there in the presentation, on the wholesale book, which was of the bank on the deposit side was almost 2,24,000 crores, which has gone down in June from March to almost 2,00,000 level. So, there is a dip of almost 24,000 crores in this quarter vis-a-vis the March ending. And out of this 24,000, roughly around 17,000 is because of the reclassification because of the RBI guidelines between 2 to 3 crores. So, excluding that, the real impact, the real dip in the wholesale deposit is around 7,000 crores. And I've been highlighting this point since December 2023 also, the bank wished to reduce, in terms of managing the liability profile, the dependency on the bulk deposit.

And consequent to that, we had to calibrate on the advance side also. And the advance side, particularly the fine price book on the corporate book, we allowed that to mature. And these are all the high-quality asset, but finely priced. So that we allowed. So, the corporate book which we are looking at also had a muted growth of 2.6%, precisely for the reason of our managing on the liability side and consequently impacting the asset side. The retail continued to be growing very strong at 21%. And in terms of last one year between June '24 over June '23, the retail book has almost increased by 258 bps. So, we earlier talked about a retailising the book and that precisely is the purpose wherein the retail is going to continue to be very strong and in the overall book, the percentage is higher now.

So, the focus of the bank is clearly on the CASA side. If you look at the CASA growth this time, it has been 6%. It is better than the growth of the last quarter of that last year. So, the focus is clearly managing the liability profile. And in case you are mapping out the wholesale deposit as a percentage of total deposit, it is almost the level that we had in June '23. And if you compare the March '23 vis-à-vis March '22, the wholesale increased by almost 550-600 bps. So that dependency, clearly, we are trying to reduce that.

And some of the lower growth than the guidance would have seen precisely for this part of the liability management. And when we announced also the unaudited, some of the numbers would have seen that is below the guidance. But as far as the full year guidance is concerned, we continue to hold the same guidance. The deposit of full year would be around 10 to 12% and the advances would be 12 to 14%. So, any shortfall of this quarter, we'll cover up in the September quarter. So that we're holding the full year guidance, which we had given earlier. But this quarter, it did allow us to realign the ALM profile, at the same time, managing the liability management, and the impact would have seen on the margin side. So, the full year margin last time was 3.18. And the Q1 of this year has been also at the same level of 3.18. So, we are able to protect the margin because of the liability management.

One important data point also, please note that, the cost of deposit has been flat vis-a-vis June over March. And if you compare March '24 vis-a-vis December '23, the increasing cost of deposit was to the extent of 11 bps. As against the 11 bps increase vis-a-vis Q4 and Q3, vis-a-vis Q1 and the Q4 of last year, it's flat. So, we are able to get a control on the cost of deposit part. That's important for us to again, plan out our business growth in this financial year.

Secondly, two elements you would have noticed on the Agri and MSME side. So there the growth has been almost at 9%. And the focus clearly would be, in this quarter, to optimize on this count. At the same time, corporate also would look to grow higher in this quarter. The reason being, now on the cost of deposit, we do have a control. So, that would allow us to grow higher.

On the income side, as Mr. Chayani also said, this 4,000 plus crore of profit, this is the sixth quarter, we're going to have a profit more than 4,000 crores. And in terms of a YoY change, it is almost 9.5%. And ROA, this is the eighth quarter, we are giving a ROA in excess of 1. So that's very significant. At the same on the income and expenditure side, you would have seen the income is growing at 11.1%. At the same time, the interest expenses, we got a control on that. The increase in interest expenses is only 15.9%, which was almost 24-25% earlier. So consequently, the NIM growth has been 5.5, which is better than the last quarter of 2.3%.

On the operating profit, there was a dip, which was explained by the CFO, because of the new change in the accounting vis-a-vis the RBA guidelines. On the change vis-a-vis on the treasury income, the Q1 of this year and vis-a-vis the Q1 of last year, the change is almost 850 crores. And there is a lower trading profit, point one. And secondly, the revaluation, which was written back in the first quarter of last year, the same is not available this quarter. So, because of a lower treasury income and slightly a lower exchange side on the fee also, the operating profit has been lower. But clearly, we'll be working on to improve the operating profit. But then, the net profit has seen a significant growth vis-a-vis the Q1 of the last financial year.

We'll continue to work on the fee side, because the fee has been a very strong point for the bank in the earlier quarters. So that is something we need to work. As far as the corporate book is concerned, because there is a lower pipeline, because the growth has been 2.6% as compared to 10%, 11% earlier, so obviously, the processing fee and all has gone down to a bit. But we'll be working on this. On the recovery from TWO, which the CFO highlighted, last quarter, we had a one off, but our normalized rate is almost like 600 to 700 crores on every quarter. So that's something we'll continue, I think, to maintain on that.

Operating profit, we'll be working on that. And mainly, slightly the lower operating profit is because of the treasury income. But let me again, highlight one other data points here. If you look at our… because the new RBI guidelines allowed us to put that in the AFS or FVTPL. So, we're taking a lower book as compared to many other banks in terms of the book in the FVTPL. Consequently, the trading profit has been lower. But a major part of the in-money AFS has gone to the reserve. And in case you look at the Notes to Accounts, almost 3,200 crore of in-money position has gone to the reserve in the CET1. And you would have seen that the CET1 has gone up by almost 54 bps vis-a-vis the March of last year.

Normally, on a June quarter, we see a lower CET… I mean, because the profit is not added when growth is there. But because of the strengthening of the balance sheet in terms of reserve, the impact has been very positive for us. Almost 30 bps is the impact of the reserve accruing out of the investment which goes into the AFS reserve and the general reserve as per the new accounting norms. So that's something I want to note.

The capital adequacy has been very strong now at 16.82 as compared to 16.31 that of March '24. The net profit has seen a good growth of 9.5%. And as I said, the best part of it is the sustainability of net profit for the last six quarters now. And consistently, the net profit has been in excess of 4,000 crores. At the same time, it gives immense financial strength of the bank to have net profit in excess of 4,000 crores.

The NIM already I highlighted, our guidance would continue to be 3.15 plus/minus 5 bps. In this quarter, it is 3.18. And the focus is clearly on managing liability well, so that the margin is important aspect. And as I said earlier, also, when I look at the bank's objective, we have three critical building blocks in terms of looking at the asset quality as the first block, margin or the profitability as the second and growth is the third. So, we optimize on all count and trade-off between the margin and growth.

On the asset quality front, as he already highlighted, the outlook is very stable. On the sequential basis, the GNPA improved by 4 bps, although the net NPA, there is only 1 bps… I mean, it has increased. On the guidance side, we'll continue to have the same guidance of the slippage ratio between 1 to 1.25. This quarter, it is 1.05. On the credit cost, actually, earlier we said it should be less than 1. This quarter has been 0.47. Anything below 0.5 is very good in terms of the quality of asset. So, the guidance that we are making for full year on the credit cost would be lower than 0.75. We are targeting a recovery of more than 10,000 crore, which we outlined last time also for this year. So, the outlook on the asset quality is fairly stable at this point of time, and we continue to maintain the quality of asset that's important as far as the bank is concerned.

So, with this, again, I think we had a very strong quarter as compared to many of the quarters we have been doing in the past. So, with this, I again thank all of you for joining us today, and we'll open for question and answer now. Over to you, Phiroza.

Moderator: We are now open for question and answer. I request the media who wants to ask questions to raise their hands. We will come to you in a sequential manner. We request all the media friends to restrict yourself to two questions so that everybody gets a chance. We can come back to you if you line up again if you have more questions.

We start with Siddhi Nayak. Siddhi, please unmute yourself and ask the question.

Ms. Siddhi Nayak: Hi, Chand. Sir. Good evening. Congrats on the results.

Mr. Debadatta Chand: Thank you.

Ms. Siddhi Nayak: My first question is on the slippages bit. Retail has seen some kind of an uptick quarter-on-quarter. I wanted to understand within retail, which segments are these that have slipped and I'll come to my next question later.

Mr. Debadatta Chand: Yeah, actually, slippages in retail has been slightly, if you look at other components, they are fairly stable rather decrease therein, but retail, there are some segments where we have seen because of more of the seasonal nature. Actually, this quarter is slightly different as compared to the Q1 of last year because it's the first quarter and it's more of a seasonal nature. So, there is one account wherein I believe there was some slippage happened, but I think because of that quality of that particular asset, we can pull it back. So, that impact is almost 50-60 crore. Other than that, I don't think any major slippage in the retail which can raise any concern to us at this point of time.

Ms. Siddhi Nayak: Okay. And you gave you gave guidance on most of the ratios, but on the bad loan side, if you could also guide on you know the gross and net NPA ratio that you would like to keep for FY25?

Mr. Debadatta Chand: See, as far as both the gross NPA and net NPA, we are at a fairly what you can say top tier, in terms of the current levels like on the GNPA we are below 3 and net NPA almost at 0.75 or 0.76, 0.77 level. So, here onwards we're not giving any guidance, but the trending clearly would be downwards. Suppose as far as gross NPA, I would say that having achieved less than 3 , we will try to, I mean go towards 2.5, but I can't give a guidance that it would happen immediately in this year or next year, but clearly the trending would be downwards. Similarly, the net NPA for the matter, I mean the trending too would be towards 0.5, but there's no guidance per say on the on the GNPA net NPA, but we are currently at a fairly top league in terms of the level of NPA's in the market, right.

Ms. Siddhi Nayak: Okay. Sir, my last question is on your corporate loan book side. You said you wanted to grow your corporate loan book any guidance on that front how much you know would that be and from which sectors would you expect this demand coming from?

Mr. Debadatta Chand: See, as far as the corporate book, if you look at the current quarter, the growth is 2.6%, but as I said that some of the high-quality fine asset, we have actually allowed that to mature, but my core corporate growth has been almost 12%. That means I exclude some of the exposure towards the institution. I mean within that 2.6% also the core corporate has grown by grown by 12%. So, in that scenario what we're looking at because overall we're giving a guidance of 12% to 14%, I think for September quarter, the growth would be almost at 10% to 12% for the corporate book.

Ms. Siddhi Nayak: That's for Q2, right?

Mr. Debadatta Chand: That's for Q2.

Ms. Siddhi Nayak: 10 to 12 you said.

Mr. Debadatta Chand: But overall advances book, we'll keep it at like if you on the corporate also full year would be at 10 to 12 and the overall advances book would be 12 to 14.

Ms. Siddhi Nayak: Sir, 10 to 12 is for the whole year that you're saying?

Mr. Debadatta Chand: Whole year, yeah, yeah.

Ms. Siddhi Nayak: Corporate book?

Mr. Debadatta Chand: Yeah.

Ms. Siddhi Nayak: Okay. Okay. Thanks. Thanks. I'll come back.

Moderator: Thank you, Siddhi. She is from Thomson Reuters. Now, I request Joel Rebello from Economic Times to ask his question.

Mr. Joel Rebello: Hello, can you hear me, Sir?

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

Mr. Joel Rebello: Good evening, Sir. Sir, couple of clarifications because before I asked my question, if I've understood it correctly, you said your corporate loan book came down because you all had to adjust your asset ALM basically. So, in other words, when the corporate loans go up, your liabilities also go up, so that liabilities you all wanted to adjust, is that understanding correct?

Mr. Debadatta Chand: Obviously. Actually, see, I mean, if you look at this quarter, it's on the liability side, we do have a control now because I have said that the cost of fund is almost flat as compared to the last quarter, right.

Mr. Joel Rebello: Right.

Mr. Debadatta Chand: So, moment, we grow on the asset, obviously we again raise more liability, but the focus will be more towards the retail and the CASA rather than again focusing because we want to reduce dependance, but I think current scenario the market is bit up on the moderation phase now, on the rate cycle is concerned. So, if that happens obviously, we'll be in a position to raise money maybe at the same cost or slightly lower cost and that would allow us to increase our corporate book.

Mr. Joel Rebello: Okay, but this has helped you all to balance your ALM also, the slower corporate growth, that's what you meant, is that correct?

Mr. Debadatta Chand: See, ALM, yeah, yeah. ALM is not exactly the liquidity side. ALM is also talks about the margin side actually initially when we talked about the lower dependency, the lower dependency and more particularly on the margin side and you would have seen the margin sustained for this quarter as compared to the last year, right. So, that's very important year. So, it covers both the liquidity aspect and also the margin aspect.

Mr. Joel Rebello: Okay. Sir, another clarification of other income is down. You all mentioned it is basically the treasury. I know that there have been some rule changes on the bond side from the RBI, but can you give us some you know details on where it is come from the treasury income, how much is it trading income is down, Forex income if you can give us. I've not had a chance to go through the presentation actually.

Mr. Debadatta Chand: So, I tell you that if I compare the Q1 of FY23 vis-à-vis Q1 of FY24-25, I mean Q1 of FY23-24, so last year the trading profit was something roughly around 400 crore which has gone down to 164 crore because the book accounting where the book has been created on this side. The other aspect was that last year on the first quarter there was a write back to the action of 625 crore on the depreciation and on the same element in this quarter has been additional depreciation of 74 odd crore. So, the change that we are talking about is almost 850 crore here. So, that has impacted the operating profit.

Mr. Joel Rebello: Okay. So, both these issues. Sir, I have also noticed, I think Siddhi mentioned about the slippages increasing in retail, can you give us some outlook. I think slippages overall have also increased, right? I think it's the first increase in many quarters, if I'm not wrong?

Mr. Debadatta Chand: No, no. Slippage, we have been giving you guidance of 1 to 1.25 on the slippage ratio, right, and we are at 1.05, right.

Mr. Joel Rebello: Yes, Sir.

Mr. Debadatta Chand: So, on the major segment of the slippage, it's always contained. The retail, slightly, the slippages has up almost by one 150-200 crore and that's precisely in one account where there is a 50-60 crore. We think the quality of the asset is good, it's a group account and that can be pulled back. So, the normal seasonal slippage would be always there in Q1 because Q1 is a different Q1 as compared to earlier Q1, right. So, in that scenario, I think this is seasonal and it's not going to pan out for a future quarter.

Mr. Joel Rebello: Okay. Last clarification Sir, the corporate loan book overseas, has it shrunk basically this quarter?

Mr. Debadatta Chand: No, it has not shrunk actually, slightly there is another actually we debate on the LDR or the CD ratio that is what actually most of the time we discussed. We wanted to moderate that. Actually, our peak LDR was almost like 84%. So, now it has gone down to 82, right. So, it's more of a managing on the credit deposit ratio rather than anything on the international loan side. It has not shrunk; the growth is 6.4%.

Mr. Joel Rebello: Okay. And this 2.6 is domestic corporate basically?

Mr. Debadatta Chand: 2.6 is the domestic corporate. Yeah, you're fairly right and let me again, let me make one mention that the core corporate actually excluding institution, it has grown by 12% this quarter.

Mr. Joel Rebello: And when you say institution NBFC is included in that, I think I'm just trying to understand, you know, the RBI dictate against insecure, is that where you also made some adjustments on the NBFC side?

Mr. Debadatta Chand: On the NBFC, that you would have seen on the analyst presentation which is uploaded. There is a churn that happened in the book clearly, but it's combination of institution that I meant to say large institution. These are high quality assets, but finely priced. So, keeping the margin objective into - I mean consideration this quarter, we slightly churned that book.

Mr. Joel Rebello: So, NBFCs were included in this, just to clarify?

Mr. Debadatta Chand: Yeah, would have been part of that, yeah.

Mr. Joel Rebello: Okay Sir. Thank you. All the best for the rest of the year. Thank you.

Mr. Debadatta Chand: Thank you very much.

Moderator: Thank you, Joel. The next question will come from Piyush Shukla of Financial Express. Please unmute yourself and ask the question.

Mr. Piyush Shukla: Hi, good evening, Sir. Sir, two queries.

Mr. Debadatta Chand: Good evening, Piyush.

Mr. Piyush Shukla: Yeah. Sir, what is the impact on your LCR and your NIM because of the RBI's draft guidelines on LCR that have just come in? One question is that and second question, I'm seeing that you know just the NII in comparison to your peers, yours has grown in 6%, that single digit, others same PSB's have seen double digit rise in NII and NIM also for that matter you know, I understand last year, last quarter we had some one-off event. So, why are we growing our NII slower than our peers and on this LCR other questions? Thanks.

Mr. Debadatta Chand: See, first on the LCR, as on June, we are closing LCR at 138% right and as far as the draft guidelines, normally we do not draft guidelines unless and until it comes into a finality, actually, normally we don't comment, but let make some kind of a thumb rule impact. The impact won't be more than around 12% to 15% on that. So, our normally baseline LCR, we want to maintain at around 120% or slightly marginally lower than that. So, I think suppose the draft guidelines that's implemented full, the impact would be absorbed in the book and still we maintain a comfortable or a handsome LCR in that matter.

With regard to NIM rather, I would think NIM is a positive side of the story as far as this quarter is concerned. We maintained 3.18 NIM as compared to the full year NIM of 3.18 and because of the cost impact that would have seen in the entire system, the NIM otherwise would have gone down, right. So, the liability management, everything that I talked about was precisely for the purpose of this NIM. So, in that way I think the bank has done well in terms of maintaining the NIM part of it.

NII growth, it's because why this liability management because the NII growth in Q4 of last year, the growth was only 2.3% and that is because of the cost boost that is coming and impacting the book and on the liability management that I talked about is precisely to upsize that and this quarter it is 5.5. So, that is what actually we are working on, so that asset liability particularly in an area where there is a cost of deposit catching up in terms of faster as compared to the because on the yield side these are all because the repo has been done and the yield impact is flat on the advances side. So, we intend to upsize this NIM growth and that is what precisely the purpose. I mean, the bank who manage on the liability piece more would get a higher growth in NIM in that way, right. So, you are fairly right, the growth has been 5.5, but we would again look at increasing that going forward.

Mr. Piyush Shukla: Sir, just wanted to clarify for slippage ratio, you have given a guidance of 1% to 1.25%, right?

Mr. Debadatta Chand: Yeah.

Mr. Piyush Shukla: Credit cost is the aim is to come at 0.5%?

Mr. Debadatta Chand: No. A credit cost, actually we achieved 0.47, but earlier we used to give a guidance of credit cost less than 1, but I have told that this time again for the full year, we are putting a guidance at below 0.75.

Mr. Piyush Shukla: 0.75 and finally deposit is 10% to 12% and advances is 12% to 14%?

Mr. Debadatta Chand: Yeah. That's fairly – full year, we we'll hold on to that guidance. Yeah.

Mr. Piyush Shukla: Thank you. Thank you so much.

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

Mr. Abhijit Lele: Good evening, Sir.

Mr. Debadatta Chand: Good evening.

Mr. Abhijit Lele: How exactly you are going to address the fall in the other income, that one time change in the investment policy is understood, but going forward, what are going to be the steps and can you give some guidance on that?

Mr. Debadatta Chand: Yeah, that's a fairly a good take. Actually, this quarter we have seen a decrease; one because of the treasury income and other is because of fee-based income, right and fee is one of the focus areas as per the bank is concerned. On the fee, also, particularly, there is a component called CEB; Commission Exchange and Brokerage, wherein lot of processing fee depend upon the kind of sanction you give on the credit side. So, as the corporate credit slightly moderated on growth, obviously the fee would be less and now we're telling that going forward, we will improve the corporate growth, so the fee precisely would come out of that.

Secondly, the other areas like earlier also we said, we had a concept of a fee and flow and we targeted cash management as one of the flagship products of the bank and within this current quarter, also if you look at the fee that we get from the cash management is improved by almost 50%. So, there again we are trying to optimize more so that we get more fee out of the cash management business at the same time other fee levels in the bank, we are going to put more focus this quarter and I think the non-interest income which is a bigger component consisting of treasury on the fee based income, we are going to have a better outcome that is what our belief is.

Mr. Abhijit Lele: Second is with regard to this as you spoke about increasing the pace of corporate growth, what is the current sanctioned pipeline on the corporate books?

Mr. Debadatta Chand: Actually, normally we do don't give a guidance on the pipeline case, but the pipeline is quite strong. Mr. Tyagi would like to comment on this?

Mr. Abhijit Lele: I'm not asking for a guidance. What is the current outstanding pipeline? That's the only limited point I'm asking.

Mr. Debadatta Chand: Yeah, over to you, Mr. Tyagi.

Mr. Lalit Tyagi: Yeah. Thank you, Sir. So, in fact, Mr. Abhijit, as MD said that we do not speak about the pipeline, but all I can say that we are having good traction from the infra, from renewables, from other upcoming sectors such as data center development, warehousing, etc. and some traction is there from the core corporate also. All we can say that this quarter we will be in a position to make up to the drop we have been able to suffer in the Q1 and we are quite hopeful that we will be able to achieve corporate growth of 10% for the full year.

Mr. Abhijit Lele: And my last query is with regard to the Tier 1 and Tier 2, to your 16-point is quite a substantial, but how much of Tier one and Tier 2 is maturing in this year, so that either you may need to replace it and also augment, so how much would be broadly the Tier one and Tier 2 combined and if you can give the split?

Mr. Debadatta Chand: So, actually already Board has approved that. We have also informed to the Stock Exchange that we are looking at Tier 1 and Tier 2 to largely offset the maturing Tier 1, Tier 2 and the amount is 7,500 crores. So, that's the ballpark number that we have the approval. We may raise the full amount or maybe slightly less than that, but typically to take care or not on the additional increase in the Tier 1 and Tier 2, but mostly replenishing the maturing Tier 1 and Tier 2.

Mr. Abhijit Lele: And as per the overseas fund raise, you raised about 300 million, if I understand it correctly, in the quarter one, what is really the outlook on that on the board?

Mr. Debadatta Chand: No, we have not raised. Mr. Tyagi, can you address this?

Mr. Lalit Tyagi: No, we have not raised funds from the overseas. Of course, our territories time to time raised bilateral loans from other banks, but as corporate bank, corporate office is concerned, we have not raised any overseas loans.

Mr. Abhijit Lele: Okay. *Theek Hai*, I'm done with my queries. Thank you.

Mr. Debadatta Chand: Thank you.

Moderator: Thank you. The next question is from Ramkumar of Hindu Business Line. I'll read out his questions. The SMA book has gone up slightly, are there any signs of incipient stress and in which segment? And his second question is, where does your RAM to corporate loan mix stand as of now compared to last year? Will this mix change in the current financial year? Thank you.

Mr. Debadatta Chand: So, on the SMA side, it has gone up marginally as ratio, right. This SMA is computed as a percentage of gross advance right and this quarter slightly on the gross advance, the growth has been lower as compared to the earlier quarters. Let's say if I talk about June 23, on the growth in advance was almost 16%, and if you talk about this time on the growth in advance is almost at 8.1%. So, considering that, that is the denominator effect there in, but it has improved only, I mean increased only from 0.15 to 0.18 sequentially whereas from Q1 of the last year it has decreased from 0.48 to 0.18. So, in that way, there is no incipient stress anywhere as far as the SMA book is concerned. Couple of accounts would have been impacted because of the seasonal factors normally we see in Q1 because as you know this is an election year quarter and in administratively within the bank also, we do carry out a lot of administrative action in terms of transfer and all. So, slightly different quarter, but then this marginal 0.03 bps I don't think any way getting into any kind of an incipient stress that in the book, right.

Secondly, on the RAM side, we have significantly improved the - if I compare the June 24 over June 23, the RAM book has increased almost by 300 bps now. So, earlier also we gave a guidance that at some point of time we'd like to have almost 64% as a RAM book and 36 as the corporate. So, currently it is around 59 and 41 kind of a level and that possibly I mean the direction is going in those direction only to improve the RAM and reduce the corporate book, but considering the corporate book still continues to grow at a stronger pace but the RAMs would grow faster than that. But I think a couple of years from now we will see that level of 64:36 then.

Moderator: Thank you, sir. Next question is from Vishwanath Nair of NDTV Profit.

Mr. Vishwanath Nair: Hi, sir, I hope my audio is clear to you.

Mr. Debadatta Chand: You are audible, please go ahead.

Mr. Vishwanath Nair: You know, most of the questions have already been asked but the point that I wanted to ask you was with respect to the cost to income ratio, there we have seen a large jump. Could you please explain what happened and what is the strategy going ahead. Second question I will come to you after you answer this.

Mr. Debadatta Chand: That's fine. So, actually on cost to income ratio earlier also we guided as a bank we intend to reduce the cost to income ratio and that's not immediate, it is a long-term plan to reduce the cost to income ratio. One I said very clearly at that time of outlining cost to income is we are trying to improve on the process efficiency part. So, there are two components to it, one is on the cost comes from the NII which is interest cost is a big component over there. And secondly on the other than the NII, the operating expenses. If you look at the operating expenses, we have a fair bit of control if you look at this quarter, as against a growth of almost 25% operating expenses the growth has been 16% this time, I mean that with regard to other than the NII component.

Interest cost is something we have been seeing because of the market push up therein. So, that didn't allow us to improve the cost to income significantly but clearly as a broader strategy for a medium to long term we intend to reduce cost to income more by way of process automation and the moment your interest cost is going to moderate in future which is the outlook as on today, I think we will be having a fair bit of control on the cost to income ratio.

Mr. Vishwanath Nair: Sorry, if you can tell me a little bit about how you are expecting the interest cost to come down because as of now there has been no indication from the RBI or the MPC at least that they are going to reduce it even this fiscal. And that any kind of reduction is likely only maybe in June of next year.

Mr. Debadatta Chand: See, that is what it is actually, if you look at the I mean earlier also while explaining the cost of deposit of June over March I said it is flat, right. So, on a maturing deposit for let's say next 6 months even the current level of interest rate is there then possibly I am going to maintain the cost of deposit or going to reduce it. Couple of things are very important, if you look at the liquidity scenario has slightly turned positive as compared to the earlier quarters that is one.

Secondly, any time if any stance be it on the global level if there is an outlook that rate card is going to happen possibly the other rate would start moderating. So, everything is a demand supply kind of an outlook. So, slightly on the expectation side we are more positive in terms of a rate cut maybe happening in the Q3 or Q4 and that possibly would moderate the rate structure in the market.

Mr. Vishwanath Nair: Okay. And you are also guiding for higher deposit growth during this fiscal I mean that's understandable considering that the market is looking for higher deposit. I wanted to get a sense from you there is a lot of competition, lot of private players are looking for those deposits. Rates then become a critical factor determinant. How does that then come into what you have already guided on the cost?

Mr. Debadatta Chand: That's a fair point actually. The market is very competent at this stage not because the banks are offering it is because the saver's money getting into alternate avenues than the deposit that's a fact you all know. So, a scenario like that there are huge competition - we also announced a monsoon dhamaka plan recently to garner more retail deposit. So, the only positive part which I am looking at going forward is that once there is a certainty of some kind of greater probability of a rate card happening in, I mean Q3/Q4, both at the FED level or maybe at the India level, then possibly things would start moderating because liquidity scenario has seen a change from a hugely negative it has come to positive on a systemic level. So, I think that would be improvement there.

And that possibly again future is always future and the moment you get into those scenarios we try to address that. But as a bank we always intermediary try to balance out and protect the margins in terms of passing onto the customer. So, any scenario you can pan out but currently the outlook that you are looking at, the view would be that maybe moderation happening on the deposit going forward, not immediately, this is not immediately maybe a quarter from now possibly.

Mr. Vishwanath Nair: One last point, sir, sorry, you said 138% on the LCR, right? So, you are already on the higher end of the market at this point in time as far as liquidity or free liquidity is available. Do you need that many deposits there as a bank to stay in that advance's growth?

Mr. Debadatta Chand: No, LCR is a different component, actually, it may be blocked in the form of government security. There are LCR because of the new norms there is a run-off factor being so there are multiple things therein actually. But let me tell you one thing because when I talked about the liability management very clearly in terms of my liability profile and the liquidity therein, I am much better in terms of the earlier quarters, right. So, that's the management clearly when I said that reducing the dependency on bulk deposit…. the ability of liquidity available within me in terms of funding credit is much higher now. So, I will plan it all in that way, these are all like how much liquidity you require, how much growth you need to have, how much dependency you need to have, bulk deposits, these are all interlinked. So, we will work it out.

But the guidance of the margin that we are giving at 3.1 plus/minus 5 bps I think we will be in a position to hold onto that. At the same time growth that you are talking about like 10 to 12 on the deposit and 12 to 14 that is also something good to go. Possibly this quarter you would have seen actually the CFO pointed out that our deposit growth has been higher than the credit growth this quarter, so in the system we are talking about credit outpacing the deposit. But we in this quarter has been we had deposit growth as compared to credit, these are all interlinked. Let's see how it goes and accordingly we will take necessary action.

Mr. Vishwanath Nair: Thank you, sir.

Moderator: The next question is from Ashish Agashe of PTI. Please unmute yourself and ask the question.

Mr. Ashish Agashe: Thank you so much. Hope I am audible, sir?

Mr. Debadatta Chand: Yes, Ashish you are audible, please go ahead.

Mr. Ashish Agashe: A small thing, you mentioned that in Q2 and a remainder of the year you will catch up on the credit growth. Of course, you mentioned about advance growth being slower than deposit growth for Q1. But, sir, I am sure… you also mentioned about the calibration which happened. So, here you are sort of facing the challenge of deposits not growing enough due to which advances have also so to say suffered. And what gives you the confidence that you will be able to do this catch up because the market would be what it is. There are the fears of rate was on the deposit front are only getting exacerbated so what gives you the confidence, sir.

Mr. Debadatta Chand: Actually, there are two things that this quarter we have not suffered, it is a strategic outcome that we wanted to I mean moderate on two counts. One is the case I wanted to reduce the wholesale deposit that's clearly earlier also we said multiple times. At the same time protect the margin actually some fine price asset we didn't participate in terms of going forward, right. So, if you exclude this fine price which is high quality fine price the book has grown on the corporate more than 12%. There are strong pipelines we have. So, growing is not a challenge, any point of time, moment I….and this is a Q1 of the full financial year so that allowed us to slightly realign the balance sheet in terms of what we want, what level of dependency on bulk deposits we want. So, I mean the banks have very strong pipelines, the retail growths have been in excess of 20%, it has been there for many quarters, we are growing more than 20%. Agri and MSME are almost slightly less than 10%, earlier year you would have been seen that the bank was growing at almost 16%. So, everything is available it is only how do I manage on the asset liability looking at the market scenario. Some of the thought that went I mean went in this quarter has been clearly on the margin side, and that is what outcome you are seeing that the margin has been protected fully well, right.

Mr. Ashish Agashe: Sir, you also mentioned about calibrating the international side of business due to which we see the 34% growth on deposits internationally and 6.5% growth on the advances. Where is the 34% growth on deposits really coming from, sir?

Mr. Debadatta Chand: See, there are two things I would again request Mr. Tyagi to supplement, there are two things that we look at international you have the advance then your reserve requirement and then the liability. So, international the dependency is also on the borrowing other than on the deposit actually. Actually, unlike in India a lot of dependency on the borrowing side. And this borrowing was a high-cost thing actually we wanted to replace this borrowing with the deposit. So, the deposit has seen higher growth, borrowing has gone down, at the same time the NIM of international you would have seen that it has improved more than 2 to 2.03, I mean first time we are seeing a NIM of international going above 2. So, this is what is the strategy in terms of managing the international book. Mr. Tyagi, anything you want to supplement on this.

Mr. Lalit Tyagi: So, in fact, Mr. Ashish, if you see of course, on a Y-o-Y basis the growth in the deposit appears this skewed number of 34%. But if you see Q-o-Q the growth is 1.6%. So, that means this strategy we have already started implementing for the last couple of quarters. And now what is happening is that all overseas centers are tapping the cost-efficient market. So, if deposits are efficient than the borrowings then they are going for deposits. It can happen vice versa also in case going forward borrowings become cheaper and deposits are costlier, then they may tend towards the borrowings. But ultimately the aim is to optimize the cost of resources and if deposits are cheaper then they are going for that.

Mr. Ashish Agashe: Thank you so much, sir. Sir, a small question of the 39% growth on personal loans what is the overall unsecured share in the overall book right now. Is there a comfort level which you have put for yourself beyond which you will not grow especially given the regulatory concerns on it.

Mr. Debadatta Chand: On the personal loan if you look at the corresponding quarter growth it was 80 odd percent, right, as against 80 odd percent Y-o-Y for this Q1 has been 39%. The sequential of June '23 over March '23 was 12% which has gone down to almost 2 or 3%. So, clearly the moderation has happened.

Secondly, as I said earlier also as far as personal loan of Bank of Baroda is concerned these are all our existing customers, and based on the cash flow. So, that gives a huge strength to the book itself and we are not seeing any sign of anything that we talk about in terms of any stress book in that. So, it is fairly the same level which is continuing earlier also, continuing in terms of the NPA percentage in the book. As far as percentages are unsecured, I think by and large these are all unsecured, but any further data you have, Mr. Mudaliar, otherwise you can update later. So, he wants what is the unsecured component in the unsecured loan.

Mr. Sanjay Mudaliar: Sir, we will supplement this information a little later to them, thank you.

Mr. Debadatta Chand: That's fine, okay.

Moderator: We are down to last two questions of the evening. I request Hamsini Karthik from Moneycontrol to ask her question.

Ms. Hamsini Karthik: Hi, sir, before I go ahead with my question there is a request to put forth. It has been a year since you took charge, it will be nice if Bank of Baroda could roll back to its format of at least doing two quarterly meetings with us in person. That would help us understand the team better. It is a new team I mean you are not anymore new but the rest of them are, we are not so familiar with them. So, I would like to take this opportunity to make that request.

Mr. Debadatta Chand: Thank you for that actually we have taken a serious note of your request, so we will do that, thank you.

Ms. Hamsini Karthik: Thank you, sir, I will wait. So, my questions – one, this quarter we saw BOB World, the ban getting lifted. How has the traction been since? And if you could also take us through some of the broader changes that you had to go through in order to ensure that the ban got lifted. I will come to you with my second question once this is addressed, please.

Mr. Debadatta Chand: So, firstly last time possibly I said that the flows within BOB World actually there was a dip of almost 10%, that is what actually the flow is not account opening or anything, it is completely the flow within BOB World. And as far as the ban got lifted during the intervening month of this quarter actually, we opened up channels in a direct way. So, after ensuring full compliance and all, we may not look for and I said that in a quick time we will again try and go back to the old level of transaction therein. But this quarter may not be the right quarter, the Q2 will be the right quarter where we will try to get into the old level because many of the channels were open in a very graded way. I think in Q2 I will be in a fair position to tell how much we have recouped vis-à-vis the earlier pre-ban transaction level. Secondly, what…

Ms. Hamsini Karthik: Would it be fair to assume….sorry, sir, I am interrupting, would it be fair to assume that at least half of what you had lost earlier was recouped in Q1 or you would request we wait till Q2 to get a better picture.

Mr. Debadatta Chand: I would better request for Q2 to get the full details but some bit of recoup is already done, I am not giving a percentage therein because it is not a full quarter, I can say this is what is the actual number. But Q2 ideally, we will be in a fair position to say how much has been recouped. Secondly, whatever we have done to get the ban lifted this is a regulatory process please appreciate the fact and the ban has lifted by the regulator after that, right.

Ms. Hamsini Karthik: Yes, sir. My second question is with respect to some of the divestment processes that were undertaken at the bank about 18 months to 24 months before. We were told that one of your subsidiary banks, Nainital is on the block. Then BOB cards also you are looking or you had invited, you made bids to bring in new investors. Where do we stand on that, have those processes been stalled right now and will they continue to remain your subsidiaries for a foreseeable period of time.

Mr. Debadatta Chand: No, let me again make a couple of… actually the divestment or the selling of stake all would depend upon two scenarios which is very critical. One is the market scenario and secondly on the valuation side at an opportune time and the opportune valuation, I mean good valuation. As far as our divestment currently we are only looking at two assets which can be divested. One is Nainital as you said, other one is India First in terms of OFS and IPO for that entity. So, Bob Card is not on any scheme of things at this point of time. On this also both the entities the work is in progress and these are all on track. But everything would depend upon I mean many of these processes being completed and then getting a lot of approvals in the process and then hitting the market at a right time, at the right valuation. So, a lot of stages being there. So, like India First already the new MD has taken charge because the earlier MD retired and he already because that includes IPO plus fresh capital plus OFS, he said 12 to 18 months is the timeline there. Nainital Bank the process is going on continuing so at the right time we will be in a position to announce that.

Ms. Hamsini Karthik: Have you come to a stage of bids getting invited and the bank screening through the bids, sir, and selecting appropriate candidates.

Mr. Debadatta Chand: Actually, it won't be appropriate because it is a very what you can say process being followed in a very, I mean right manner, so will not be appropriate to disclose the stage of that divestment. But currently we are pursuing actively that is what I can say.

Ms. Hamsini Karthik: Any timeline you would want to sort of guide us with, sir, on this?

Mr. Debadatta Chand: No, it is difficult, IndiaFirst already I said 12 to 18 months the MD of the entity has already announced, but as far as Nainital is concerned we are pursuing that actively but I can't give a timeline for that.

Ms. Hamsini Karthik: Perfect sir, and thank you, sir. And hope to see you all soon, thank you.

Mr. Debadatta Chand: Thank you very much.

Moderator: Last question for the evening comes from Amol Dethe, ET, online. Do you see private capital picking up henceforth? How are corporates reacting specifically after government stability and budget? Thank you.

Mr. Debadatta Chand: I think it is very positive, I mean post budget the sentiments are quite high. There are significant takeaways from the budget in terms of the capital formation within the country both in terms of investment and the flows of funds from overseas to India and the banking sector coming upto that extent to fund all these requirements. So, I think it is all positive in terms of the outlook, the stage at which where we are in and we as a bank is quite committed for in terms of lending so that productive capacity created in economy. Thank you.

Moderator: Those are all the questions for today.

Mr. Debadatta Chand: Thank you very much. Thank you all, media friends, again one of the suggestions to have physical twice in a year, we have taken a note of that. Thank you very much, next time hope to see you physically. Thank you very much.

Moderator: Thank you, everyone.

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