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

4th November 2023

Participating members from the Management Team of the Bank

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

Moderator: Good afternoon everyone and welcome to the analyst meet for Bank of Baroda's financial results for the quarter and half year ended 30th September, 2023. Thank you all for joining us. We have with us Mr. Debadatta Chand, the Managing Director & CEO of Bank of Baroda and he's joined by the Bank's Executive Directors and the CFO. We have a short presentation followed by brief opening remarks by Mr. Chand and then the Q&A session. Chand Sir, over to you.

Mr. Debadatta Chand: Yes, good afternoon all. Before we start, let me introduce the entire team. I'm D. Chand, the MD & CEO. Along with me we have, Mr. Ajay K. Khurana, he looks up at the entire MSME vertical along with other platform function. Then, we have Mr. Joydeep Dutta Roy. He's the Executive Director looking after the retail part of the entire book, both on the Retail Asset and Liability. Then, we have Mr. Lalit Tyagi. He is the Executive Director. He is looking after the entire corporate book of the bank along with the International Banking and Treasury, and again pleasure to introduce for the first time Mr. Lal Singh, who joined as Executive Director and he is looking after most of the platform functions, including the IT and the HR. We have the CFO, Mr. Ian Desouza, whom you know since long. So, over to you, Ian.

Mr. Ian Desouza: Thank you, Sir. Can we have the PPT please? Can we move ahead? Good afternoon, everyone. So, to take you through highlights of our results. During the quarter, our global advances grew 17% supported by strong growth in domestic at 16.5% and international at 21%. Within our domestic advances, retail advances grew 22%, Agri grew 13%, MSME continued the trend of growing 12% to 13%, and corporate advances after a long time showed strong growth at 16.5%. In terms of our diversified retail loan book, our home loan book is growing at 16%. Education and auto loans are growing at 18% and 21% respectively. Personal loan growth has been 67%, but here on, our growth may moderate a bit.

Next, in terms of our liabilities, our total deposits grew almost 15%. Our CASA, growth was a little muted at 4.5% year-on-year. Domestic term deposits grew at 17.7%. A notable fact here is term deposits on the retail side have shown sequential growth and the growth in bulk deposits from double digits last quarter sequentially has moderated down to single digits.

In terms of our CD ratio, our domestic CD ratio is more or less in line with the CD ratio we printed in last quarter, though it is about 450 bps higher than a year ago.

Moving ahead please. NII for the half year has grown close to 15% year-on-year. Operating profit strongly printed at 50% higher year-on-year. Profit after tax is also around 52% higher. ROA is a metric that we've been tracking ourselves on and for many quarters we have been at 1% plus ROA and this half year is no exception. We had 1.12% ROA as compared to a ROA of 0.84% for the same period in the previous financial year.

Next please. The same metrics if you look at from a quarterly perspective, operating profit is up 33% on a YoY basis. Profit after tax almost close to 30% and ROA is further strengthened. It was 1.01 the same quarter a year ago and 1.14 now.

Moving ahead. In terms of deposit costs, we have seen some spike given the continuing liquidity scenario. We had expected the scenario to start to abate, but it looks like given the signals from the Fed and the regulators that this liquidity scenario will continue and elevated rates will continue for a while. So, we've seen deposit costs go up quarter-on-quarter, but if you see H1 to H1, we have maintained the NIM, but, however, given the steep deposit hike and the advances yields being in line with the previous quarter, we have seen some NIM compression and NIM has on a quarterly basis has come down by around 20 basis points.

Please go ahead. In terms of asset quality, you see that the asset quality has strengthened almost 200 bps have been shaved off our GNPA as compared to a year ago position. NNPA remains benign at 0.76%, almost 2 basis points sequentially down. Provision coverage ratio including TWO accounts remains high at 93%. Our slippage ratio looks elevated at 1.81% as compared to the previous quarter sequentially, but however, this includes the slippage of a large aviation account of almost INR 1,773 crores. If that were to be excluded, this slippage would be just 1.08%, which is just about 2 bps higher than the slippage in the previous quarter and within the range of guidance that we had given for slippage. Similarly, if we look at the cost of credit, it is a bit elevated at 0.92%, but however, we'd like to call out on the non-guaranteed portion of the aviation account, we have provided 100%, so we've taken almost INR 534 crores of extra provision on that account.

We've also taken prudential provision to maintain our NNPA and coverage ratios, so put together, that's almost INR 1,000 crores of provision that has been taken to strengthen the balance sheet. If that were excluded, our credit cost could be around 0.52%. That is in line with the adjusted credit cost for the previous quarter of 0.44%. This 0.52% would also include a provision of INR 639 crores for the aviation account that slipped.

Please go ahead. In terms of our collection efficiency, that continues to be strong at close to 99%. The SMA 1 and 2 CRILC above INR 5 crores is at 0.22% indicating that there's no large account that's on the horizon for slippage.

Please go ahead. Our capital position remains strong. Our capital position as compared to a year ago is about 5 basis points stronger in terms of CET 1, we have 11.57%. But as you probably know, these numbers don't include the profit for the half year. If the profit for the half year was to be included ex-dividend, our CET 1 would have been at 12.47% and our CRAR would have been at 16.20%, which is very close to the number we ended the previous financial year at, which was 16.24%. That brings us to the end of my opening remarks. Back to you, Phiroza.

Moderator: Thanks, Ian. Chand Sir, can I request you to give your opening remarks, please?

Mr. Debadatta Chand: Yeah. Once again, good afternoon to all and the current quarter performance is a consistent in terms of the performance we had for the earlier quarter and also the last full financial year where the bank had a very healthy profit of INR 14,100 crore. So, most part of the presentation has covered the financial for this quarter, but let me make couple of comments with regard to the overall financials.

If you look at our loan growth book, the loan grew by 3.4% quarter to quarter and 17% on YoY with the retail growth of 22.2% YoY and 5.2% sequentially. We continue to maintain our guidance of growing above the industry by 1% to 2% on the overall loan book. At the same time on the retail side, we need to grow 3% to 4% higher than the industry average on the retail book. We continue to maintain that the overall loan growth would be 14% to 16% and last time also I guided the market that we will be growing at 15% and this quarter it has been 17%. With the guidance of 14% to 16% for the overall loan book, the corporate would continue to grow at 12% to 13% and the retail would grow 20% to 22% and international would be around the Banks growth that is 15%. That is what the guidance is, going forward.

Our loan book strategy has been to increase our retail business aggressively. Currently, the retail is around 27% on the retail book and we intend to take it to 35% in next two to three years' time and the corporate book would come down to 35%. In terms of the NII or the Bank, already you have seen that the YoY growth is 6.5% backed by a strong loan book growth of 17% despite bitter margin compression in this quarter that we have seen.

On the NIM outlook, although on H1 scale, we maintain the H1 of last year on the NIM, but there is a NIM compression and the outlook or the guidance that we are going to give it now is around 3.15% plus minus 5 bps going forward. We had guided the market earlier that we will have a full year NIM of 3.3% as against that the guidance is now 3.15% with a plus minus 5 bps around the guidance number. On the cost to income, we are again guiding the market to be around 45%. We have not added much cost with regard to the branches or manpower in this quarter.

The good part of this quarter, as you would have seen in the numbers that there is a strong fee-based income and also non-interest income. It's precisely as per the last time where we outlined a strategic initiative in terms of the year of fees and flows. We are seeing significant traction on this concept. We have implemented a couple of particularly for large corporate and mid corporate the concept of Share a Wallet, account planning, and relationship management. We're trying to have the culture of sales in branches and we're driving the bank from engagement or relationship banking to drive across sell.

In terms of profitability, it was a healthy profit that you have seen, a net profit of INR 4,253 crore for this quarter and this is the consistently the third quarter we are posting in excess of INR 4,000 crore. The H1 profitability grew by 52%. In terms of the last year full profit by Q2 half year of current financial year, we have almost achieved 60% of last year's full year profit. The good part is that the ROA has been more than 1% consistently for last one year and our endeavor is also to maintain this ROA guidance of more than 1% going forward.

On the asset quality, NNPA improved to 0.76% with GNPA improving by 199 bps on YoY basis. We have dedicated collection vertical for RAM which is unique in the entire PSB space.

Deposit has been growing in line with the industry. We can expect going forward deposit growth of 12% to 13%. We have calibrated the retail term deposit and wholesale deposit. We have given the breakup this time and you can see the wholesale growth in this quarter is around 3.4% sequentially, which continue to be 11% to 15% for last many quarters from now. So, considering the overall scenario we are trying to contain the growth of wholesale deposit.

Couple of things which are very important for the first time in the entire festive campaign which is normally on, during the festival time, we have started a campaign with regard to *BOB Ke Sang Tyohaar Ki Umang* and it is not only a campaign on the asset side, but also on the liability side. There are five new products that we introduced on the liability precisely to give boost up to the CASA, particularly the saving. BOB, Light, BOB Bro, BOB Parivaar Family Account, and BOB SDP Account and Baroda NRI Pack Account. We are seeing significant traction on all these deposits and I feel that this campaign going forward would push up my CASA further at the same time allow me to contain the bulk deposit and consequently improve or optimize on the NIM side. Thank you very much. We'll go for the question answer now.

Moderator: We now open the floor for question and answer. I request everybody who has to ask questions to raise their hand. Please restrict yourself to two questions at a time, so that everybody gets a chance to ask. We'll wait for five seconds for the line up to populate. The first question is from Jay Mundra. Please unmute yourself and ask the question.

Jay Mundra: Yeah. Hi, good afternoon, Sir. First question, Sir is on your international slippages. So, that has also increased in this quarter at around INR 500-crore plus. So, A - if you can provide some details as to where that is coming from and you know, could this be a bit of a recurring nature?

Mr. Debadatta Chand: So, good afternoon Jay. Its one account which slipped during this quarter and this is one account which is fully asset based. So, it's typically because of some liquidity issue, the account has slipped. We are hopeful that maybe in the coming quarters the asset is a good quality asset and it will be upgraded also.

Jay Mundra: And which segment would this account be, Sir? I mean which sector?

Mr. Debadatta Chand: It is on the typically, the real estate sector.

Jay Mundra: Okay, okay. Sure. Secondly Sir, you have revised your NIM guidance. Is this more, I mean we can see that the yields have started to flatten whereas cost of deposit is still rising? So, would that trend sustain, that yield, you know, barring the loan mix thing, barring the loan mix improvement, the yields would be more or less flattish and the cost of deposit could keep rising. Is that the way to look at it?

Mr. Debadatta Chand: A couple of things happened last time. We gave a guidance of 3.3% on the backdrop where there was an outlook at that time that the rate of interest would reverse in Q3 or Q4, but since then, the outlook has completely changed and currently if you look globally also in here in India, the outlook is higher and going to stay for longer. So, on that particular outlook, there was a cost impact therein, but if you clearly see the cost impact mainly came out of the term deposit. So, if you look at the current numbers that you have declared, we are going to have a containment on the wholesale deposit and cost on that.

So, now if you look at the outstanding, the entire cost impact has come in this quarter. So, going forward, I don't expect any further cost impact on the cost of deposit because of the higher rate in the term deposit. At the same time, as a strategy we have pushed aggressively with regard to the saving and CASA. Saving, I've already announced a couple of schemes where there is traction going on and on the CASA front also there is relationship manager again on the entire retail liability piece, we have changed the structure in terms of how do you deliver this product. So, we implemented a relationship management concept therein. So, I'm thinking that going forward the CASA would grow slightly better than what we are looking at currently. At the same time, clearly we will contain the wholesale deposit and I don't see any impact of further rising on the cost of deposit going forward and at the same time, maintaining our asset quality and the return on the asset and then possibly the NIM guidance that we are doing is going to be maintained.

Jay Mundra: Understood Sir. And Sir, just if I can ask this account which has slipped in the overseas? This is from which country I mean because you know we have grown overseas book at a rapid pace in the last year. So, just wanted to check you know if there is any country which I mean you mentioned the real estate, so if you can also share the country where this had slipped?

Mr. Debadatta Chand: It is in the Middle East. It is not in the US market or any other market, it is in the Middle East.

Jay Mundra: Right, right, right. So, okay and this is no India linkages, right, the group would be Middle East based only or this is like you know India based or having some JV kind of a thing?

Mr. Debadatta Chand: No, I don't think much of India exposure, they are in, but then it's basically a UAE entity. Khurana saab, anything you want to add on this?

Mr. Ajay K Khurana: No, it's a company having business everywhere, but they're based in UAE only, not here.

Jay Mundra: Okay. Thank you, Sir. I'll come back in the queue.

Mr. Debadatta Chand: Thank you.

Moderator: The next question is from M B Mahesh from Kotak Securities. The Bank has reported a strong income in recovery from write off. How should one look at the contribution in second-half of FY24?

Mr. Debadatta Chand: Okay. Khurana saab, can you take this question?

Mr. Ajay K Khurana: Yeah, few one offs were there during this quarter, but you know maybe little bit here and there, but we are expecting the next two quarters also, a little less than this in write off accounts.

Moderator: The next question is from Rikin Shah of IIFL. Would you please elaborate on what is driving the strength and fee income growth and is it going to be reoccurring in nature?

Mr. Debadatta Chand: Yeah, it's very good, this typically is the strategy that we last time said that the Bank is keenly focused on the initiative called fees and flows. So, the aspect of fees that we have seen this year is particularly on the large corporate, in the mid corporate we implemented the concept of relationship manager and the idea of relationship manager is to measure the SOW, the share of wallet of all these accounts and try to leverage the main relationship for multiple other engagement and that's seeing now good traction therein. So, it's something strategic, it's something structural now, and we expect going forward, the growth would continue to be there in this particular front.

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

Kunal Shah: Yeah. Hi, Sir. So, particularly on the recoveries from write off, so, the only question was when you look at it significantly higher amount this quarter, so was there any particular maybe particular account which is leading to that, so I think MB also asked that question, but didn't get the reply in terms of what has led to almost like INR 1,230 odd crores kind of recovery and in terms of the outlook, should we expect that to normalize to less than INR 500 crores kind of a number or we should see this kind of trend because that is supported the earnings this quarter in particular?

Mr. Debadatta Chand: Khurana Saab can you take it and then CFO can join then.

Mr. Ajay K Khurana: Some INR 400 to 500 crores was one off in this quarter that is one ILF account was there, but what we see is in next two quarters also there are few accounts lined up. So, we are expecting almost whatever we have recovered in half year overall. For 10% here and there we should, we are expecting this.

Mr. Ian Desouza: I agree with Khuranaji's view. So, we should see around 2,000 crore level for the H2 of financial year 24 similar to H1.

Kunal Shah: Okay. So, that kind of a recovery will continue in H2 as well?

Mr. Ian Desouza: Yes.

Kunal Shah: Okay. Great. Yeah. Thank you.

Moderator: The next question is from Sushil Choksey. Please unmute yourself and ask a question.

Mr. Sushil Choksey: Congratulations to BOB team for excellent result. Sir, my first question is our new mantra is to grow more on retail. What are the new initiatives which you would take to sustain a growth with a good margin on a year-to-year basis and does bank view that every bank is looking at retail as a priority sector in terms of growth engine? So, housing loan is concerned, auto loan is concerned, education loan is concerned, competition may not give you that kind of a healthy margin, which Bank has initiated so far. So, what would be the difference which BOB would do it if you can publicly speak about it, which would make your product more viable compared to competition?

Mr. Debadatta Chand: No, that's fair. Thanks for the question. On the retail asset side, consistently we're growing higher than the market. I mean that is what, it's not one quarter, it has been almost now seven, eight quarters where our growth is higher than the industry average. The second aspect is very important. Recently in terms of structure of all these branches, we have segmented branches in the entire Bank now in terms of retail oriented branches, priority sector oriented branches, corporate branches, and all these branches as I said also initially there is a clear sales focus now and the sales focus in terms of implementing some kind of a relationship management concept about their RMs should be there now in all these branches more than what it used to be earlier, one.

The second is clearly in terms of generating bulk leads also one separate section looking into bulk leads in all these segments like if I'm talking about housing loan or a car loan or an education loan or personal loan, we are more going for bulk also.

Thirdly, if you look at Bank of Baroda in terms of other digital delivery, particularly I'm talking about the digital lending platform. So, the delivery in terms of all these loans are, I mean very competitive service the market. So, I'm typically referring the TAT in terms of the delivery. So, already we do have a bit of delta over the market average. Best Bank can be growing much higher than me. I know the bank that we are talking about, but in terms of market average, I am slightly growing above the market average and that's already the USP as far as Bank of Baroda is concerned and I think the new initiative that we started to make the organization more sales focused and more of a digital orientation in terms of process delivery, one thing also last quarter we announced that we have now the regional processing centers for retail asset sanction at the regional level, which earlier used to be at a centralized level. So, that is a bit of decentralization they are in, but the same time we have ensured that the underwriting standards are clearly maintained in those centers. So, a lot of churn also happening within the Bank to drive it further and I think the market is growing also across this segment across all banks and since we have a guidance of growing slightly higher than the market, I believe we're going to sustain this going through. Anything, Joydeepji you want to supplement to this or?

Mr. Joydeep Dutta Roy: No, I think you have covered beautifully. Just to add one more thing that on the asset side, we are also giving due focus to various channels even within a product, for example within housing loan also we are looking at different types of channels through which we onboard customers and give more loans etc. So, there's a builder channel, the DSA channel, the aggregator channel, the branch channel. So, all of these are now given proper focus and teams have been created, which again would help us, do much better business and also that guidance of doing better than the industry in terms of retail being 4% to 5% above industry, that continues and the focus on relationship at the branch level, which has been a recently introduced concept and which MD was talking about that again would help us even though the margins may be small, may be competitive in terms of the competition also giving very fine rates etc., but at the same time these are loans which have a lifetime value and customers are there for longer tenure. We need to build the relationship and through cross sell etc. there is a lot of value that we can generate. So, that relationship management also helps us in that direction.

Mr. Sushil Choksey: So, basically, you're saying that formalization of economy and Indian economy going to 5 trillion would enhance the potential on a consumer demand far larger than where we stand today?

Mr. Debadatta Chand: Very fair, very fair.

Mr. Sushil Choksey: Secondly Sir, based on current Fed outlook which has emerged post Wednesday meeting, the answer you are expert at treasury don't you see what was the turmoil going into the next second-half and based on RBI governors speech at Business Standard event and the way world is transformed between Wednesday and Friday for yields are concerned, don't you see second-half being a little different compared to what the fear in the street is?

Mr. Debadatta Chand: See anyway being a market person also I believe we normally anticipate the market, not predict the market. So, in that way my current anticipation is that the levels have already peaked out because market moves ahead of most of this event. In terms of the stance part, everything, I think the yield is a lead indicator to give direction to the market. So, in that way particularly from the treasury side, I do not expect yield to go up further. Already it is finding near peak level that is what my sense is. Market has resilience. We have seen a different scenario also particularly our bond market is much more resilient, much more robust, not that volatile like any other market globally is. So, in that way if I find not much of what you can say any adverse impact come out of the yield movement in the next quarter or going to be the next half year.

We are broadly at this level discounted most of the factor at least for near future subject any geopolitical issue not disturb, I mean disrupting the market globally also Indian market. Otherwise fairly balanced level of the 10-year yield and I don't think in terms of rate of interest anything is going to be much of change in the coming quarters, rather in case you get fair lead with regard to the rate reversal then possibly the levels will start discounting that and start moving in a positive direction.

Moderator: Thank you, sir. The next question is from Abhishek Murarka from HSBC. What is the breakup of your loans by MCLR, EBLR at fixed rate? How much of MCLR linked loans are likely to re-price in the second half of financial year? Can that lead to increase in your yield specifically?

Mr. Debadatta Chand: I believe, Ian, you can correct me, the MCLR link is almost now 52% now.

Mr. Ian De Souza: Yes

Mr. Debadatta Chand: There is a bit of book still left to be repriced at the MCLR but then going by the cost metrics I believe there is still upside for MCLR going. Because normally MCLR moving with a lag vis-à-vis cost of deposit. So, still there is upside rather than the repriced book giving me a better ROA. I believe possibly the level of MCLR is going to give me a higher yield on advances. So, that's the sense correctly, in terms of repriced books there is upside but then that may not be significant to offset the cost of deposit which we have seen this quarter. But I believe the level of MCLR needs to re-align and then possibly can give further income pushing up the yield further. Is there anything, Ian, you want to supplement on it?

Mr. Ian Desouza: So, there is a very small proportion of less than 30% which is probably up for repricing. Bulk of the book is already repriced. And it is the cost pressure that has to be transmitted to the MCLR.

Moderator: Thank you, sir.

The next question is from Prakhar Agarwal of Elara Capital. His questions are in 3 parts – what explains strong growth in international deposits? Second question, can you please explain the product differentiation on the new products that you mentioned. Is it rate or something else? And third question is given that have to give our NIM guidance how you look at ROA guidance now?

Mr. Debadatta Chand: Okay, so let me address the last first, in terms of NIM and ROA as far as the Bank is concerned, we have put NIM and ROA on the same platform. Rather if you want me then I will flip it, the ROA and NIM combination that is what strategy the Bank is going with forward. We continue to hold our ROA guidance in excess of 1 because NIM is purely driven by the interest expenses and income earned whereas ROA is driven by a lot of fee and non-interest income that you are generating based on our concept of fees and flows. So, apart from the normal income which is captured in the NIM, I believe my fee income and non-interest income the growth is going to be significant in the coming quarters. And in that sense slightly because of the cost pressure that we have seen this quarter, we have revised the NIM guidance. But ROA continues to be in excess of 1% rather the last quarter is at 1.14% which is a very healthy one, not only for us for the entire industry also. So, we will continue to have ROA in excess of 1%, and at the same time try to optimize NIM based on the evolving scenario which the market will offer to us.

The second is regarding the new products that we have talked about. In terms of the pricing - there is no differentiation therein, but the differentiation is more on the offerings. The offerings are like the first product BOB LITE we talked about is 0 balance. So, in terms we are slightly looking at a growth with 0 balance. But then with certain balance then a lot of advantage will accrue to the customer in case they maintain the balance. These are all on the services and offerings rather than the pricing, the pricing will continue with the same like a general saving product in that particular segment. Joydeepji, do you want to add anything on this – the product side?

Mr. Joydeep Dutta Roy: Just to add that this time the focus has been on bringing out a very comprehensive offering in the festival campaign, not just focusing on the asset side but also on the liability side. And in the liability side, there is a range of products that have been introduced, not just one or two products addressing different segments of customers. As our MD was mentioning about BOB LITE, this is again sort of a requirement that many customers themselves responded in a survey that they don't want any minimum balance requirement etc. But at the same time they want offers and very attractive offers, etc., on various transactions that they do. This account is basically a 0 balance with no minimum balance required, but at the same time very high on offers and if people have to, sort of take advantage of the offers they automatically end up keeping balances which also helps the banks.

There is a BOB Bro account which is targeted to the student population. There is a Parivar Concept account which has been introduced which is like a family plan in a telecom or in normal phone accounts that we have, we have this concept of a family plan. Similarly, here we have introduced a family plan for group of accounts belonging to the same family where there is no individual balance requirements for each individual family member but for the family as a whole if they meet some total balance requirements then they get advantages in terms of various benefits, etc., from the Bank.

Then there is a re-positioning of our RD product as SDP or Systematic Deposit Plan which is both possible for a fixed amount or a flexible amount. So, a lot of product features and innovations have been brought about which are not on the pricing side but in terms of giving what the customer wants and addressing some of the customer needs. And I think that would be much more helpful for the bank as a part of its CASA strategy also in the CASA and deposit build up, plus also addressing the needs of the customers.

Mr. Debadatta Chand: So, addressing your first point with regard to the international deposit growth typically in international market we raise the deposit based on our asset growth. But this quarter the growth in the deposit is slightly higher than the asset so as to fund the asset, point one, and secondly to make some interbank operation therein because that gives a bit of differential rate of interest. And some part of global market on the investment side also looking very, very attractive. Just typically a mix of the asset strategy, investment strategy and international operation for that matter. But broadly we guided the market both in terms of asset and liability international book. There is a moderation that happened vis-à-vis Q2 over Q1, and going forward it will converge to domestic growth. So, maybe Q3 and Q3, the numbers would almost converge to domestic growth excluding the USD and differential, it would normalize to the domestic growth.

Moderator: The next question is from Manish Shukla from Axis Capital, please unmute yourself and ask your question.

Mr. Manish Shukla: Good afternoon and thank you for the opportunity. The previous three quarters you had a very decent growth in bulk or short term deposits. Now in Q2 obviously you have not grown but these past deposits will come up for repricing over the next two quarters. So, what kind of cost of funds impact they are likely to have.

Mr. Debadatta Chand: That is a fair question, if you look at current quarter, the growth in bulk has been much lower as compared to earlier quarters, and this is a conscious strategy to grow slightly lower in that. But you are right, there is going to be a repricing of all these deposits mobilized in earlier quarters. But if you look at the retail term deposit also the growth is now higher as compared to earlier quarters.

So, my first objective would be to reprice the position of deposit not in a bulk segment but in the segment of other retail or on the CASA segment because we are pushing CASA aggressively now. At the same time on the level of bulk deposit cost I think now levels are peaking out now. Actually, I don't think much further costs are coming on the bulk segment rather I would think going forward subject to the liquidity being consistent then there can be a moderation also possible, in that case I will get the repricing benefit.

But the third aspect which is very important for bulk segment like that, thinking through maybe in Q1 of the next financial year or Q2 of next financial year if there is a rate reversal coming then one of the biggest beneficiary of that would be Bank of Baroda because then we have this bulk segment going to repriced in those quarters. So, it is a combination of multiple things. But then on the cost side, I am not expecting or not anticipating any significant change vis-à-vis the current cost on bulk deposits.

Mr. Manish Shukla: Sure, my next question is post the RBI restrictions related to the BOB World App what are the steps you have taken within the Bank and can it have any near medium term business impact.

Mr. Debadatta Chand: No, that we have clarified, if you see one of the notes to account, it is amply clarified by the auditor also. So, a scenario like this where there are basically two impacts, one is service another is account opening. If you look at my account opening through BOB World the percentage was very, very less, less than 3% or less than 2.5%, so it not going to impact me. And normally a scenario wherein for a new customer I am onboarding into a platform then there are multiple channels where these channels go up significantly high. So, if you look at my deposit that let's say 10th October is the date and today, my all segment deposits have been much higher compared to the level at that time. So, business is as usual for us, so we don't see any impact because again, yes, there are certain services we are unable to provide to new customer. But then they have multiple channels available to do their transaction. So, in that way the impact is minimized or impact is very less.

So, going forward again if you go to the main part of it, there is a regulatory action and there is a compliance for the Bank on the regulatory action. So, a lot of action we have already done in terms of compliance and we are hopeful that the ban is revoked at the earliest on the matter. But in terms of business the business is as usual. We have strengthened channels to compensate any loss that is accruing out of bringing on new customers, existing customer having seamless service, rather the number of financial transactions and non-financial transactions through all digital platforms have significantly gone up during this time. My other channels are working very strongly at this point of time.

Mr. Manish Shukla: Okay. So, the last question is on fees, I mean fees have been a very big growth engine as you mentioned, but if I see over the last one year six months the rating profile of your corporate book has gone up and you are saying that the fees is coming from the corporate channel. So, can you give a specific example in terms of either the type of the product or the type of the corporate which are driving these fees. Because typically what we understand is that making fees from large corporate is a difficult task. You seem to be doing it, so, what is it that is working for you.

Mr. Debadatta Chand: So, generally what happens there are couple of things that we implemented, you are precisely right on that. My asset quality in terms of earlier also multiple times we have said on the corporate book, underwriting is a very key aspect for Bank of Baroda in terms of underwriting standard. At the same time when we implemented the SOW concept or the relationship management concept we are aggressively pushing for the cash management business now.

And I will just give you a data point without actually sharing the data, the number of customers we would have on boarded in the last 6 months are almost equal to the number of customers we have on boarded for the last many years. So, a significant push is on the CMS, the moment you push the cash management service there are a lot of flows being captured and there are charges therein. So, this is pushed up significantly.

Thirdly, when we do all this processing fee and all, let's say a year back or a year and half back all these customers the base pricing used to be a particular level but then all these charges also because liquidity was abundant was very competitive and the charges also are very low, now we are revisiting all those charges in terms of what is the actual you need to charge in the current market. So, even if your base price may not go up significantly high but at the same time the charges are being reviewed and they are getting captured. So, in that way there is a good traction therein. Tyagi saab, anything add on this further?

Mr. Lalit Tyagi: In fact, you have covered all, all I can say that right now we are able to capture more share of the flows of the customer and we have been able to engage them bit more and that's where the income is getting added up.

Moderator: Thank you, sir.

The next question is from Rakesh Kumar of B & K, please unmute yourself and ask the question.

Mr. Rakesh Kumar: Thanks, sir. So, a couple of questions I have, firstly with respect to term deposit being in the bucket of more than two years, could you quantify the proportion of that term deposit sitting in more than two years' bucket.

Mr. Debadatta Chand: See, we will provide you the data exactly but then if you look at the duration of my term deposit portfolio, I am excluding the behavioral pattern of getting rolled over again and again. But it is almost like one year two months kind of a number that talks about deposit below one year and deposit above one year. Exactly, Ian, you have the data, you can share otherwise you can share it later.

Mr. Ian Desouza: We will share it offline, sir.

Mr. Rakesh Kumar: Because see the reference to the question is that RBI says that in the term deposit more than 2 years in the fresh deposit transmission is only 130 bps as compared to repo rate rise around to 250 bps. So, I think there is a quite large amount of repricing is yet to be done on the term deposit side for the industry and for you also. I wanted a clarification on that front. But anyways if you can help me with that data later on it will be helpful.

Mr. Debadatta Chand: Actually, I can respond to that, most of the deposits particularly on the term segment the preference is on the one year, around one year, I mean that's the normal preference, it would do higher means slightly a tendency to put long term then they put in the higher buckets. In 2-3 years' segment let me say that recently we were offering a peak rate in that bucket now, that revision we have made it just two months back I believe. There is one segment where again we are trying to bit of more deposit because that adds to my liquidity stability, right, so in that way there is a very clear strategy as far as we are concerned but the fair data we will provide.

Mr. Rakesh Kumar: Sure, sir. Can you share the NPA what we have sold this quarter so there is a reversal of provisions of close to around INR 150-160 crores in this quarter, is it correct.

Mr. Debadatta Chand: No, that's typically because of that classification. Ian, can you just clarify that.

Mr. Ian Desouza: Yes, in terms of slippage are you asking about?

Mr. Rakesh Kumar: NPAs sold to ARC, so there is a reversal of provision of INR 160 crores as per the notes to account.

Mr. Debadatta Chand: Khurana saab

Mr. Ajay K Khurana: Yeah, this is correct, the figure is correct.

Mr. Rakesh Kumar: And secondly, sir, there is another reversal of provision of around INR 82 crores as per the notes to accounts No. 17, so if you can just reconfirm if that is also correct.

Mr. Debadatta Chand: Mr. Khurana, otherwise you can provide him offline.

Mr. Ian Desouza: We will provide this offline.

Mr. Rakesh Kumar: Sure, sir. There is another, you know, we saw that from certain accounts….

Mr. Ian Desouza: We will take your questions offline, you can contact me because we have one more panelist who wants to ask a question.

Mr. Rakesh Kumar: Just the last question, sir, just a clarification again on the notes to accounts. We had close to around INR 1100 crores provision on certain accounts and now that provision has come down to INR 810 crores. So, what has…?

Mr. Ian Desouza: Correct, I will take that question. It is included provision on the aviation account, that account has slipped and that provision has now shifted to NPA provision. It is no longer standard account so we have released that provision and the provision has been made under the NPA provisions.

Mr. Debadatta Chand: Can we go to the next person?

Moderator: The last question of this evening is from Mr. Chintan Shah of ICICI Securities, please unmute yourself and ask the question.

Mr. Chintan Shah: Thank you for the opportunity. Just two questions from my end. Firstly, on the domestic LDR, sir, currently CD ratio is 78% on the domestic side. So, is there any scope for taking it further out from here or would it stabilize at these levels that is the first question.

Mr. Debadatta Chand: So, obviously we would like to, for a NIM accretive measure we would like to have higher CD ratio, but then again all would depend on the kind of growth that you are looking at in all the segments. Would you improve yes, we would definitely like to have higher CD ratio.

Mr. Chintan Shah: But sir, is there any upper ceiling or something like you are ….

Mr. Debadatta Chand: There is no upper ceiling, it is only optimizing the CD ratio that is how we look at. Because CD ratio is not the only parameter that we look into, it is the combination of many parameters we evaluate CD ratio. There is no upper ceiling but obviously we try to optimize on the CD ratio.

Mr. Chintan Shah: Sure. Sir, secondly on the slippages we had one large aviation account and one international book, there would be some interest reversal also on account of these slippages. So, if you could quantify the amount and what would be the margins which is 3.07, what would be that if those two slippages were not there. How much would that be?

Mr. Debadatta Chand: Khurana saab or Ian, could you?

Mr. Ian Desouza: We will come back to you, you can ask me this question separately but these accounts were in stress for quite some time so it should not be a big amount but we will come back to you on this.

Mr. Chintan Shah: Sure, that's it from my side, thank you.

Moderator: Thank you, everyone, that's the last question we will be able to take today. Ian, can I request you to give the vote of thanks, please.

Mr. Ian Desouza: So, thank you everyone for joining us on a Saturday afternoon and as always it has been a pleasure to have you with us, look forward to seeing you the next time around, thank you so much.

Mr. Debadatta Chand: I thank all of you, thank you.

****