**Bank of Baroda Media Conference for Quarter ended 31st March 2023**

**16th May 2023**

**Participating members from the Management Team of the Bank**

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

**Moderator:** We have with us Mr. Sanjiv Chadha – Managing Director and CEO of the Bank. He is joined by the Bank's Executive Director and the Chief Financial Officer. We'll start with brief opening remarks by Mr. Chadha, and we have a short presentation, followed by the Q&A session. Over to you sir.

**Mr. Sanjiv Chadha:** Thank you very much Phiroza, and a very warm welcome to everybody here. Very grateful that you have been able to make it and join us. So, let just begin by introducing my colleagues.

To my right we have Mr. Ajay Khurana- Executive Director who is in charge of Retail Banking. To his right Mr. Lalit Tyagi who looks after International Business and most of our platform functions, including Risk & Compliance.

To my left is Mr. Debadatta Chand, Executive Director in charge of Corporate and Treasury, and our Managing Director designate. To his left we have Joydeep Dutta Roy who looks after Digital, IT and also all our subsidiaries and to my extreme left we have Mr. Ian Desouza, our Chief Financial Officer.

So, I'll just take maybe about 7-10 minutes max of your time, and then we'll open it to questions.

**Moderator:** Show the PPT please.

**Mr. Sanjiv Chadha:** So, we did, for the first time this quarter, declare the number in terms of business in advance, immediately after the quarter ended. So, you would be familiar with them. But just to refresh your memory, and to bring both, the business numbers and the margins in context, I'll start with the business numbers that you see before you. So, we have been guiding that for us, in order of priority, the most important is underwriting standards and credit quality. Thereafter, margins and thereafter, growth. We'd also guided at the beginning of the year that we believe in this year it should be possible to not only have a margin, but also to get growth. So, we are pleased that at the end of the year, we have growth which has been good, better than our guidance, and also better than the average for the industry.

If you look at the advances in particular, they have grown very handsomely. The global advances have grown by 18.5% and international has been an outstanding performer here growing by 30%. For those of you who have been following numbers in detail, would recall that international had grown by 40% towards to middle of the year. It has come down a little bit, and we believe that the trend should accelerate. The reason why the international book grew faster was, that last year, the opportunities of getting margins on corporate business were limited. So, we grew international more. Going ahead, next year we would believe that international would grow broadly in line with the overall loan growth as we go ahead.

What is equally gratifying for us is that, in terms of the composition of growth, Retail is the one which is the standout performer for us, right through the year, growing by nearly 28% YoY over the full year. This is something, which again, has been a matter of deliberate strategy and our board mandate. We have been guiding that it would be our endeavour, that is growth is X, we should make sure that our Retail growth is about 1.5X, and Corporate

0.7X. As you will see in the numbers, the numbers have panned out exactly on that basis, which has meant that progressively, our balance sheet has become more retail oriented. This, I think, will de-risk the balance sheet as we go ahead also, because relatively speaking, the proportion of retail was low for us. The second part is, even if you look at delinquencies, delinquencies have been the lowest in the Retail segment for a long long time. So, this also means that if you were to look ahead, the asset quality should also improve as the composition of the growth changes.

If you look at Retail growth, again, it is very diversified, and each of the segments is growing pretty fast. That's again a matter of much satisfaction, because we recognise that there are cycles. There may be times when some segments growth is fast, but you have all cylinders firing, you can be much more sanguine in terms of the fact that the growth is sustainable. The slowest growing segment is really mortgages and home loans, which is again at 18% plus. And, some areas like retail personal loans, continue to grow extremely fast at 100%, that's at a relatively low base. But nevertheless, it has now become a size where it is contributing to margins very handsomely.

If you look at the last quadrant, you'll find that the growth in disbursements is even quicker, which again augurs well for the longevity of this growth. Next slide.

Deposits has been a challenge for all of us this year. Here again, the Bank actually has outperformed the market by a significant margin. And equally importantly, the difference between deposit growth and loan growth, which for some Banks has been a proportion of 2:1, is marginal for us. Deposits have grown by 15% against a loan growth of 19% odd. This means that, if you look at the CD ratio at the end of the year, and the material CD ratio is the domestic CD ratio, because that is driven largely by deposits as a resource, unlike international business where you actually raise MTN and the like to fund the business. So, domestic CD ratio, even at the end of this year, is just about 75% which means, there is plenty of headroom for us to grow our loans without being constrained by deposits, in any manner whatsoever.

The international growth, again, has been funded almost on a 1:1 basis by deposits, which is remarkable. So, you'll find that the CD ratio in international has remained constant through this period. Domestic CASA, again, has grown by about 8%, which might be system or little better than that, and term deposits growth has been faster, which is completely understandable when rates are picking up, because the differential between the savings rate, which is sub 3% and the term deposit rates which move up to 7.5-8% is very substantial, and even lazy people like me, might want to move their deposits from savings bank to term deposits. Next slide.

So, if we were to now compare our growth with industry, just in terms of numbers, what we have done is, we have compiled the results of all the banks which had declared their results up to yesterday, and you find that we have outperformed the industry significantly. Again, you might recall our guidance, that it is our endeavour to make sure that we grow at industry plus. We don't target a particular number in terms of growth, but we are very very keen that we protect our market share, and we have, again, outgrown the industry by a substantial margin, when it comes to schedule commercial banks. So, the middle slide is the top 8 banks, public and private sector. The slide on the side is all banks. So, I think the outperformance is significant there. Next slide.

So the good part again is that we have been able to protect and improve our margins along with growth. As I told you, for us in order of priority, margins come first, growth comes later, and therefore, again, the margins are something which actually have improved. In some ways, the margins have been a bit of a surprise for me. You might recall, when we had met at the end of the last quarter, my own sense was that, now that the lag between the deposit pricing and the loan pricing is gone, we should find again margins stabilising. But, we actually have been surprised by the continued improvement this quarter also. While some banks actually have reported a sequential decline in margins, we have seen a very very smart uptick in margins this quarter also. Next slide.

So again, if you see the margins compared to the industry, just to put the numbers in stark relief, so our margins sequentially have grown by 16 bps as compared by industry, again top 10 banks, private and public sector by 4 bps. Similarly, the NII expansion is also substantially faster as compared to our peer group. Next slide.

This is the quarterly profitability. So, as a consequence of the smart growth and also the margin improvement, profitability again has shown a very sharp improvement. And for the quarter, you'll find it in all operating metrics, whether it is Net Interest Income, Operating Profits, Profit Before Tax, Profit After Tax. We actually have had a record quarter by some margins. The Profit After Tax is about 4,800 crores, which again, given that we are exiting the year, gives us some comfort in terms of how the next year might be for us. And, the Operating Profit also, that is up significantly, and even again as we see, YoY by 20%. So, the uptick that we see is derived from very very strong growth and operating metrics.

This is the annual profitability figure. So, we ended up with a Net Interest Income growth of 28%, Operating Profit, as I mentioned, 20%, and PBT and PAT again are up by a very handsome margin, Profit After Tax by nearly 94% at 14,000 crores, which for us, by a very very long margin, is best we have ever done. And we see, in terms of ROA and ROE, it translates into very significant numbers. Next slide.

So, if you were to compare us again with the industry, here again you'll find that almost in every metrics, we are outperforming the industry, including again, Operating Expenses. I think this is something which is really significant for us. I think we are one bank which have not grown our physical footprint. In fact, it has substantially shrunk as compared to 3 years back. Our manpower numbers are also very well contained, which is why, consistently, the growth in Operating Expenses has been much lower as compared to the industry. And, this, you might say, is still a bit of an overstatement in terms of the Operating Expenses, overstated on two accounts. One is, that of course, the wage revision which happens once in 4-5 years for public sector banks. This quarter was the first quarter where it was fully reflected. And then also, again, there are some other one-off expenses. But, even if we take this, I think we are pretty successful in making sure that even as we grow better than the industry in terms of revenues, the growth in expenses is much lower as compared to industry.

The last piece, if we can just go back to the last slide, is of course, the credit cost, which is the single biggest determinant in terms of the performance of a bank. We had been guiding for a credit cost of about 1%. Again, we have surprised ourselves very pleasantly, and credit cost has come out at about 0.5%. We have been guiding that while there were some residual challenges when it came to the MSME sector, but the benign corporate cycle would far outweigh those challenges, and that is what has been borne out. In our view, again, the corporate credit cycle continues to be very very favourable. In fact, if you were to look at our composition of balance sheet, corporate along with international business is about 60% of the balance sheet. And, that is where we are seeing credit cost as virtually negligible. So, I think, this improvement that we see, we believe is sustainable as we move ahead.

This is the asset quality number, where again, we have seen consistent improvement right through the cycle, even during COVID. Now we have reached a stage where, because of the fact that credit cost is low, we are finding that NPAs have almost stopped growing. Which means that, even if you were to ignore any write-offs, the recoveries we are getting are more than the slippages which are there. Slippages have come down to about 1%, they used to be as high as 3%. So, I think in every way, whether you look at Gross NPAs, Net NPAs, Credit Costs, Slippages, in all metrics, the quality of the book is absolutely first rate. There is an additional metric which is there, which I think we'll discuss again, in terms of how the numbers look like in terms of SMAs, which would again tell us that not only are we currently in a very good place, but even if we can peer into the future as far as we see, we seem to be in a good place in terms of future trends.

So, this is again, what I was alluding to. You might remember that in terms of the CRILC numbers, they used to be pretty high, as high as 2% about 1.5-2 years back. This has come down progressively and today stands at 0.32%. And, this largely is on account of the fact that we have put in again a very efficient collection machinery. We brought in a market professional who has built a very very efficient department, and therefore, you find that quarter after quarter, the collection efficiency is 98% and above.

Because of the improved profitability and despite the fact that the growth we have seen is record, we find that our capital ratios are better as compared to the beginning of the year. Let me re-emphasise that. When you are growing your balance sheet very fast, you would expect again, that you would need to go to the market for capital. But, what find is, that without going to the market for capital, and despite paying 20% of our profit as dividends which we have, we find that the year end capital adequacy ratio is better than what it was at the beginning of the year. So, what does it say for the future? What is says for the future is, that we expect loan growth to moderate a little bit, as long as we can keep our profitability intact. We need not go to the market to raise capital. And which again, augurs well in terms of dividend capital for the future also.

The second piece that I would want to draw your attention to, is the CET-1, which is the key ratio, and which is again, boosted only by profits or by raising of capital. So, without raising capital, and despite paying 20% dividend, there's been a 1 percentage point increase in the CET ratio. This is something that we'd expect to continue as we go ahead.

This is again, in terms of our digital business. You might argue that if there is one single factor which has allowed us to grow our business at the pace at which it has grown, without increasing the costs. It is the change that has happened in the Bank through the digitalisation agenda. We are today the fourth largest bank in the country. But in terms of e-signing, which is the best proxy possible to the digitalisation of the bank, we are no. 1. No. 1, including all public and private sector banks. Similarly again, if you are looking at other infrastructure usage, debit cards, fourth largest bank, second in terms of debit card issuance. So more and more, we are finding that we are able to service our customers very efficiently without depending solely on the branch network. The branch network will remain very important. But in terms of the ability of the Bank to reach our customers without them having to come to you, I think it has enormous benefits. Benefits in terms of costs, benefits in terms of customer service, benefits in terms of customer engagement, because normally, you depend upon the customer to come to you to a branch in order to cross-sell. But since you can now engage with a customer digitally through BOB World, you actually can engage with them on an ongoing basis.

So, these are the other milestones which are there in terms of what we have been able to do. And today, in terms of active customers, we have 30 million active customers on BOB World. So, that's something which is growing. Now, it is for us to see how we can leverage this connect with the customer more efficiently. To my mind, over the last 2 years, we have made great progress in achieving penetration of BOB World. But, in terms of using BOB World to sell to the customer, we probably have only scratched the surface, and there's a lot more which we can do with this instrument of customer engagement.

That's it! So good! Thank you very much.

**Moderator:** We'll now open it up for Q&A. So, if anybody has a question, please raise your hand, we'll get a mic to you. I think Joel.

**Mr. Joel Rebello:** Hi Sir, I'm Joel Rebello, I work for The Economic Times. Your credit costs have come down, slippages were expected to come down. I think you mentioned in your presentation that it's sustainable because of your large corporate and international book. Can you please elaborate on what is the expectation going forward? Is this 0.5% really sustainable?

**Mr. Sanjiv Chadha:** So, I think the point was that, if you see where we are in the credit cycle and where is improvement coming from, and for most banks, the corporate cycle is benign. For our international business, if you'd look at the last 2-3 quarters, there were virtually no slippages. So, since in terms of our composition of balance sheet as compared to some others, it was, you might say, a handicap when the corporate cycle was adverse to have a balance sheet which was 60% corporate and international. Today, it's an advantage. So therefore, it becomes a competitive advantage for us. We're not saying this is what we want to be forever.

We do recognise that cycles turn, and in the long-term it makes much more sense for us to have a more retail-oriented balance sheet. In fact, the composition, if you look at the balance sheet and if you look at the detailed presentation, you'll find that the percentage of retail has gone up by 2 percentage points. But, given where we stand in the cycle today, it is something that gives us enormous comfort and support when we look ahead at the medium term, that we can actually sustain this kind of credit costs or this kind of slippage ratios.

**Mr. Joel Rebello:** In the next 6-8 months, do you think it will be at 0.5%? Do you think that there could be some increase in the cost?

**Mr. Sanjiv Chadha:** So credit costs, we are, as of now, guiding should be sub 1% and we believe that should be the long-term structural rate for the Bank. That is what we are guiding and we believe that's something we can deliver.

**Mr. Joel Rebello:** Just a sense on your recoveries, because the drop in provisions, increase in credit costs has played a very important part in the results today, besides of course, the loan growth. So, just a sense on your recoveries, your upgrades and what are the trends that you're seeing, if you can drill down a little bit on that?

**Mr. Sanjiv Chadha:** Khurana sahab,

**Mr. Ajay K Khurana:** This year, the recovery is of 10,000 crores and TWO recovery is 3,200 crores. And, our upgradation is more than the previous year, and we are expecting that, one is, overall our target is, our recovery and upgradation should be more than the slippages. So, if slippages are going to be controlled, this is of course, it will be a lesser one, but still it will be more than that, is what is our overall target. Last quarter recovery? Overall slippages? 2,800 was the recovery, and 2,100 is the slippages.

**Mr. Sanjiv Chadha:** So effectively, the implication is that, even if there were no write-offs, the Gross and Net NPAs keep on down, because your recoveries are more than slippages, which is what Khurana Saab is guiding.

**Moderator:** Thanks Joel. Vishwanath, you had a question?

**Mr. Vishwanath Nair:** Sir, in one point in your presentation you said that the NIM as a surprise, the NIM growth was a bit of a surprise. I'm just curious to understand where this is coming from? Is this your personal loan book adding to the margins, is it largely that? And the other part of that question is also that, there is going to be some amount of deposit rate increases still, right? Going ahead, you still have to raise deposit rates. How soon will this growth sort of normalise, according to you

**Mr. Sanjiv Chadha:** Why again it has surprised us is, because I think, in terms of the pressure for rate of deposit growth, I think it had eased a little bit. If you were to see announcements of banks in terms of deposit rate increases, there are not as many as you saw a couple of quarters back. The other part is, if you also look at the stance of the central bank, that also seems to indicate that we might be somewhere near the tip of the cycle. Third, apart from the pricing of deposit and advances, there are other levers which are there, which you cannot predict, again, because they depend upon the macro economy. For instance, in our case, the fact is that, corporate loans, where there was a challenge in terms of pricing, now we are able to get much better pricing power. Also, we are able to grow the corporate loans much faster. The growth was about 6% I think, last year, now this year it's about 13%.

Third, in terms of the out pacing of the international book vis-à-vis the domestic book, that is something which is likely to dissipate. The international NIM today is about 2%, the domestic NIM is about 3.6% in the last quarter. So, proportion wise, if the proportion of growth coming from international comes down, the overall Net Interest Margins ought to increase. Fourth is, the point you made in terms of the unsecured personal loans, which again, is contributing very significantly in terms of margins now. So, this year, the growth in unsecured personal loans, was I think at the odd of 15,000 crores there or thereabouts. So, 15,000 crores of unsecured personal loans will probably give you a Net Interest Income which might be equivalent to maybe 50,000 crores of home loans. So, it's a very significant benefit that we are deriving from that. And, this is because the proportion is going up. And, this proportion is likely to keep on increasing over the next few years.

Fifth, it is on account of the fact that 60% of the book is priced at… sorry, 60% of the book is priced at 1 year MCLR. Now 1 year MCLR, you get the benefit of that for a full 12 months after the last rate increase, right? So, that is again, something which is likely to play out as we go ahead. So, we believe that there are some levers which are there, but again, the fact is that that major benefit that was to come from the lag effect is gone. Which is why, what are guidance was, we have been pleasantly surprised. But we believe, that going ahead, margins growth will now moderate. The only reason why we remain optimistic is that, our full year Net Interest Margins is 3.3 odd. The existing Net Interest Margin for the quarter is 3.5. So, we believe that even if there's some moderation, we should be able to protect this 3.5 exit margin that we have.

**Mr. Vishwanath Nair:** The other question I had was with regard to your NBFC credit, and that's shown some amount of growth as far as the corporate book is concerned. You've given the breakup of what is AAA and what is AA and all of that, great! I just wanted to understand still, if this push to NBFC credit is something that is going to continue for a fairly long period of time, or is that something where you'll probably take a call in the coming quarters?

**Mr. Debadatta Chand:** See, NBFC as a segment has the intermediary business in terms of reaching out to customers where we aren't present. And, this is one way, but we're quite conscious of the fact that there is a percentage we need to keep in our book. So, in that way, we do have the risk metrics therein. It can grow definitely, but again, on the overall portfolio we need to be quite balanced. If you look at the last growth vis-à-vis the outstanding growth, the growth has been balanced. Yes, in NBFC the percentage is slightly higher, but in terms of other sectors of the industry, the growth has been fairly stable. So, it would continue, but not to the extent where you think that it would be slightly outpacing any other growth in any other segment.

**Mr. Sanjiv Chadha:** So, I think, as Chand Saab said, if you look at the detailed presentation, you'll find that the percentage NBFC loans to the overall portfolio is exactly the same at 13.7% odd. So, the stance remains that this is an important business, we would want to do that. But, we are not dependent upon this particular segment for growth. So, we want to make sure that it remains moderate, calibrated approach to NBFC lending.

**Moderator:** We have few people who have joined us on Zoom. If you have a question, please raise your hand on Zoom or type the question in the Q&A box, and we'll come to you. Anybody else? I think Ankur has a question.

**Mr. Ankur Mishra:** Hello everyone. Ankur Mishra from ET now. Sorry for my bad throat. I want to know about the lending growth. You have mentioned that there will be a moderation next year. But given the fact you have also said that you are not looking to raise capital, how much of the loan growth is actually possible with the current capital?

**Mr. Sanjiv Chadha:** So I think this year, as you might say the base case, right, so we have grown our loans by 19%, not raised capital. But nevertheless the CET ratio has gone up by one percentage point. So the corollary is that even if you were to grow at 18-19% we can actually generate the accruals internally to fund that growth. Next year, I think the market consensus is that probably growth will be near 12-13%, early teens. We would want again to make sure that we grow a percentage point two faster than that. So that takes us to about 13-14% range, which we can very clearly fund ourselves through internal accruals.

**Mr. Ankur Mishra:** Okay. Another question I wanted to ask about your exposure in Go First which, ever since the company has filed for insolvency, I want to know that have you already made provision for that. How are you guiding for that?

**Mr. Sanjiv Chadha:** I think my apologies, I had promised myself I'll address the question right at the beginning, so we don't have question on that. But I forgot that. So our stance always has been that we are proactive in taking any provisioning which is required, which is why you find credit cost has come down. Because we again identify issues in advance and make sure we take provisions. Now, normally we do not comment on any specific account. In this case we will make an exception because the company has made a filing and therefore again there are figures which are public knowledge. So the company has indicated that they have exposure to BOB about 1300 crores. This does not count exposure which is guaranteed by the government. And of this exposure about Rs. 1000 crores is collateralized by way of tangible collateral security and by way of corporate guarantees, right? And we have in this quarter, gone ahead and made a provision of Rs. 500 crores for this account, which means any potential downside has been fully taken to account and we are completely protected as far as this account is concerned.

**Mr. Ankur Mishra:** Thank you so much.

**Moderator:** Thank you. Hamsini?

**Ms. Hamisini Karthik:** Sir most of my questions would be around the pages 11 and 12 of your presentation. If I look at your deposit growth, bulk deposits on a Y-o-Y basis have grown up by about 60%. Retail deposit growth is in single digit, about 2-3% or so. Would this change as a strategy for you all in FY24? And is that also another reason which helped you maintain NIM at around 3 ½%?

**Mr. Sanjiv Chadha:** So at the end of the day, your strategy, whether it is on the asset side or on the liabilities side, is a function of market conditions. One is of course, that we tried to make sure that you calibrate the bulk deposit to what the market conditions are. So two years back, we were surplus in terms of liquidity, so we quickly paid down our bulk deposits. So the growth you now see is pretty much a replenishment of the bulk deposit figures that might have been there about a couple of years back. That's one.

Number two, as a strategy, we have tried to make sure that the current elevated interest rate regime does not compromise the future profitability of the Bank. Now, how you can do it is through two ways. One is, you make sure that the term deposit growth is targeted relatively at the short end, so that should there be a correction, the Bank is not hooked into a high interest rate regime. So our flagship scheme in terms of retail term deposits is 399 days, which you might see again on the posters. Now, that means that within one year you can reprice those deposits.

Similarly, bulk deposits by definition actually have tenure up to one year and you are able to get it at rates which are pretty much similar to retail deposit rates. So bulk deposits have been again a matter of conscious strategy because the maturity profile of these deposits suits us and the cost is also something that works well for us, which is why you find the margins where they are.

**Ms. Hamisini Karthik:** So is it a part of your ALM strategy then that you decided to grow your PL and Gold loan faster? Because these are short running books. PL, I presume, has doubled in over a year, although on a very low base, relatively.

**Mr. Sanjiv Chadha:** Yeah. So again, actually for us, the home loan of course, is the core of the retail franchise. That's 70% of all retail loans, and unless you grow these quickly, you cannot grow overall. This was the Achilles heel for us. A year back we were growing home loans at 12-13% and therefore that put a ceiling to our growth in retail loans. Now that home loans are growing at 19%, you can actually have a retail organic growth at 27%. So that's strategy because that's core for us. In terms of retail personal loans, this was an outcome of the technological advances that we have been able to make as a Bank over the last few years. The fact that you actually have Bob World and you can reach out to customers without again, they coming to your branches meant that you can actually reach out to a far bigger body of customers. That's A.

Secondly, again, the Bank had invested in data lake quite a few years back. Now we have been able to leverage that data lake to again analyse a customer base and make offers to customers while making sure that although they are unsecured, the credit risk is something which is well contained. I think somewhere in the presentation, we have also given the delinquencies in our portfolio. Home loan NPAs are 1.5% as far as I recall from that slide and in the case of unsecured personal loans, around 0.89% or something, right? So which means that you are able to have good margins, you are able to have, as you said very correctly, a favourable ALM profile and you also, again are having good growth there.

**Ms. Hamisini Karthik:** Last question sir. There is a little bit of trouble in the fintech space. I'd like to understand what would be BOB's exposure to fintech, both through equity as well as debt on a consolidated basis. Are you beginning to become a little prudent on your exposure to the fintechs as well?

**Mr. Sanjiv Chadha:** So I think we don't really have too much exposure to fintechs again at all as far as I'm concerned. But we do believe that fintechs are very important partners for us in terms of growth, and whatever challenges we have seen first in the NBFC sector and then the fintech sector, it means we have reached a modus vivendi where again, both partners, the banks as well as fintechs know that the best option for them is to work together. So for us actually, in terms of a lot that we have been able to do, it is because of collaboration with fintech. Bob World became possible because of collaboration with fintech. Today, if we are able to have straight through processing in MSME loans or in retail loans, it's because we collaborated with fintechs again to get various data points. So we see it as a very collaborative cooperative relationship, which works well both for the fintech and for us.

**Moderator:** Thank you. Siddhi?

**Ms. Siddhi Nayak:** Hi Sir, Siddhi here from Reuters. Sir my first question is on the corporate loan growth. You said 13% was your year-on-year growth. Where are you seeing demand coming from? What sectors are you seeing this demand coming from?

**Mr. Debadatta Chand:** The sectors are diversified in terms of, if you look at the slide that we have given in terms of the industry growth, it is fairly balanced. Sectors like road, some of the power sector, even chemicals is doing well. There are multiple sectors where the demand is coming. Let me again, when we see the projection for next year, there is a huge in terms of the on run, actually these are all term loans given, sanction disbursement would happen in phases. So with that, the kind of growth outlook that we are giving for the next financial year, that is quite achievable. There is demand all along, may not be to the extent, but then, slightly a lower projection we have given because now we are at an elevated base and that can slightly…keeping the same growth would be a challenge. So that is what, slightly a marginal lower growth we have forecasted for the current financial year.

**Ms. Siddhi Nayak:** Okay. Sir my second question was on the stake sale in Bob Financial Services. What is the update on that? By when can we expect it to be concluded?

**Mr. Joydeep Dutta Roy:** So right now the process is on. We have actually issued an expression of interest and called for some interested investors who are interested in this. So we have got a good participation, we have got a good interest from the market. The process for the diligence etc. is going on - the legal diligence and the financial diligence. So it will take approximately a month and a half to two months or so, and that is when we want to conclude the process.

**Ms. Siddhi Nayak:** So by one month, two months you are expecting…

**Mr. Joydeep Dutta Roy:** Two months or so, the diligence part will get concluded, and then we'll have the final investors who could be taken on board.

**Ms. Siddhi Nayak:** Okay. So my last question is how many vostro accounts has the Bank opened and what is the amount of trade that has been facilitated with Russia?

**Mr. Debadatta Chand:** As far as Vostro, we do have quite a lot of Vostro opened now. But these are again on a bilateral basis. So as things goes in terms of those transactions, in case opportunity arrive then we'll let you know at that stage.

**Mr. Richard Fargose:** Hi, Sir Richard from Informist Media. Sir, any update on a strategic partner on Nainital Bank?

**Mr. Joydeep Dutta Roy:** So Nainital also, I think the same process has been adopted, as I just mentioned, for the credit cards company. So there also I think we have got interests, the diligence part is going on right now. Another two months or so of the diligence and then we'll have some answers as to who is the final investor.

**Mr. Richard Fargose:** Sir one more on ECL. ECL norms are on discussion now. So is the Bank prepared for the ECL?

**Mr. Sanjiv Chadha:** So actually, we'll have to wait for the final guidelines from the Reserve Bank to come. At the outset, I mentioned that on a stable basis, 1% credit cost is what we should normally assume for a bank. My sense is that with given where credit costs are and given where the trend is, we should be able to absorb any ECL provisions within a normalized credit cost and which means that the trajectory of improvement we have seen in the Bank's profit that should not get impacted by the production of ECL norm because the RBI has also said that it will be implemented over a period of time. But I think we'll have to wait for the exact norms to come to have more definitive answers.

**Mr. Abhijit Lele:** Your capital is quite healthy but coming to the AT-1, additional tier and tier 2 how much of it is coming from maturity in the current financial year and is there a plan to replace that and how much that it would be?

**Mr. Sanjiv Chadha:** We'll have our CFO answer the question.

**Mr. Ian Desouza:** So, effectively we plan to raise about Rs. 2000 crore through bonds in this financial year.

**Mr. Abhijit Lele:** The other is on your life insurance subsidiary filed for the listing. What would be the time frame to go ahead?

**Mr. Joydeep Dutta Roy:** So we have received the DRHP approval from SEBI in March and post the DRHP approval, of course now the final market, of course it depends on the market conditions. So organization wise we are ready, but again, depending on the market conditions we'll select a suitable time. We have a year from the SEBI approval so within this year we'll decide depending on the market.

**Mr. Abhijit Lele:** Coming to the international side, you spoke about that there will be certain degree of substantial moderation. Will it also go through some kind of a change in the composition?

**Mr. Sanjiv Chadha:** So, I think the composition is likely to remain as it is. We have been very clear that we value the risk diversification that the international book brings to the Bank. So therefore a large proportion of the growth that we have seen in international book that has come from global companies, not Indian companies, because then the diversification benefit is lost.

The second thing is that in terms of credit cost, I think this model has worked very well. As I mentioned in the beginning, credit costs on the international book are negligible. So if you were to look at it in terms of net terms, we today have a net interest margin of 2%. The operating cost in that portfolio is sub 20%, which means they are left with about 1.6% and on that, credit cost is very minor, maybe 25 basis points. So we actually have a return on assets which is as good or better than the domestic book. So it remains very important for us as we go forward.

But nevertheless, there's improvement in the domestic economy, in the possibilities which are there. We believe that in today's market we can possibly generate as good or superior returns. So therefore, again we would want to make sure that the share of international is moderated but the composition will remain the same because it seems to have stood the test of time. But I would again request Lalit, who's actually not only our executive director who's in charge of international banking, but he also was fundamental to the improvement you have seen. So he was in New York branch which probably has contributed 75% of the growth that you have seen. So we'll request him for his comments.

**Mr. Lalit Tyagi:** So continuing from where MD has left is that because of our wide geographical presence we leverage the opportunities available across various geographies and that's how we are able to generate a higher delta, what we were not able to earlier, and going forward also, the strategy will remain same. Whenever we get the opportunity to spread our margins, we will tap those opportunities.

**Mr. Sanjiv Chadha:** Just one additional point, I'll make, that in terms of the composition of portfolio it is the same but the geographical composition has changed. So we are emphasizing very significantly on GIFT City as a major locus for our international business. Even as we speak today, after New York, Dubai and London, GIFT City is our fourth largest international geography today. We expect that within this year it will become the third largest, outstripping London.

So that's a great opportunity because it gives us tremendous advantages. One, when it comes to our domestic clients who take dollar loans, you are nearer to them, right? Two, you are able to actually recycle the talent which has come back from international postings. You can post them to the GIFT City. It works very well for us. Third again, even in terms of other banks, all of them are making GIFT City again as a very important part of their business. So there is almost a critical mass which has developed. So, quite apart from tax efficiencies, I think Gift City is going to be an important focus for us as we go forward. So GIFT City, in terms of the overall book, I think it's about if you take deposits and loans combined, it's about $5 billion nearly now.

**Moderator:** We'll take one last question from here. Mayur, I think you had a question.

**Mr. Mayur Shetty:** Yeah, it is more of a clarification. On ECL did you all have a pro forma exercise? And are you saying that it will below 1% even if the framework was there?

**Mr. Sanjiv Chadha:** So the fact is that it is, again, something which is still not crystallized, right? But our sense is it's probably in the one and a half percent odd range. That is how we see it as things stand today. But as we move forward in terms of time, I think this is a figure which is likely to moderate, given where we are in the cycle. And also, since ECL provisions are dependent upon past history, as we put more distance between the exceptional COVID period and the current benign outlook that also should be a positive. Just to see again if Chand sir wants to again contribute to that apart from mine.

**Mr. Debadatta Chand:** No, that's fairly articulated, sir. Actually, ECL as a framework need to evolve over a period of time, right? As a Bank, the time you consider my GNPA at a much lower level and net NPA much lower, my restructured book as a book also is quite low, the stage two in terms of SMA two book also quite low. So as a Bank, we're quite prepared to have that framework, but then we'll get a lot of clarity the moment the real framework chips in. right?

**Mr. Mayur Shetty:** And on international, are you saying that the growth has been driven by GIFT City? I was trying to understand how your strategy is different from the past when you all had a bad experience earlier, a few years back.

**Mr. Sanjiv Chadha:** So I think international has two components, right? One is international as in international clients, which means global companies with India. So most of that gets funded out of New York. That is one major focus of international business. And then there is international as in Indian companies who are taking dollar loans. Now it is very advantageous to conduct that business from GIFT City. So I would believe that is how the future is likely to evolve with these two pivots really accounting for a major proportion of the wholesale business for us.

**Moderator:** Thank you. We'll just take a couple of questions from Zoom. There's one question from Dharini of Mint. Could you provide the breakup between floating and fixed loan book?

**Mr. Ian De Souza:** So, fixed loans are a very small proportion of our book. It's about 6-7% in quantum. Otherwise, it is largely floating.

**Mr. Sanjiv Chadha:** There was one question which was there I think in the row there.

**Participant:** Sir, I just wanted to understand you know how…Mr. Chand was mentioning about undrawn sanctions limits. How big is that portfolio actually?

**Mr. Debadatta Chand:** See that's why again, whatever term loans that we give it's not necessarily that would be availed fully in the next year, but the pipeline is quite strong.

**Participant:** How big is it? If you can quantify?

**Mr. Debadatta Chand:** We will not articulate in that way. But then I can say that the growth of let's say 11-13% that we are talking about on the corporate, half of it can come out of that on run also. There is such a large pipeline with us. Secondly, on the capacity utilizing and the working capital, there is scope for withdrawal therein. So considering the overall scenario in terms of my pipeline cases and the growth that we look for in terms of new to bank customer, a growth of 11 to 13% can be kind of outlook that we are carrying for this financial year.

**Participant:** And can you throw some light on NARCL? How much you recover from the accounts last financial year and going forward, what is the outlook actually?

**Mr. Ajay K Khurana:** NARCL in 2022-2023, there is no account from Bank of Baroda and in coming year we have 4-5 accounts in pipeline but the process is on. So we cannot give any figure for that.

**Participant:** Thank you.

**Moderator:** Okay, thank you. I'm sorry we'll have to close it now. Thank you all for joining us. Please do join us for high tea which is in the executive canteen. There'll be people to show you around. And thank you very much. We have the analyst meet at 03:30 PM, please. Thank you.

**Mr. Sanjiv Chadha:** Thank you very much.

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