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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