Bank of Baroda Analyst Meet for Quarter and Half year ended 30th September 2024

25th October 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*
- *Ms. Beena Vaheed, Executive Director*
- *Mr. Manoj Chayani, Chief Financial Officer (CFO)*

Moderator: Good afternoon, everyone and welcome to the Analysts' Meet for Bank of Baroda's financial results for the quarter ended September 30, 2024. Thank you all for joining us. We have with us today, Shri Debadatta Chand, the Managing Director & CEO of Bank of Baroda, and he is joined by the Bank's Executive Directors and the CFO. We will start with a short presentation. We will then have brief opening remarks by Mr. Chand, after which we will have the Q& A session. Mr. Chand, over to you.

Mr. Debadatta Chand: Good evening, friends. Just to introduce the management team, I'm D Chand - MD & CEO of the Bank. I've been interacting with you for almost six quarters now. With me Mr. Lalit Tyagi, he is the executive director looking after Corporate Credit, International Banking and also Treasury. And with us Mr. Sanjay Mudaliar, he is the Executive Director. He looks after the entire IT infrastructure of the Bank, along with the Retail Asset book of the Bank. With us again, Mr. Lal Singh, he is the Executive Director looking after the Recovery, the Stressed Asset Book and also the HR function apart from a couple of other platform function. And vis-a-vis the last quarter and this quarter, the new member of the management team is Madam Beena Vaheed. She looks after most of the platforms including control and platform function and also the Retail Liability piece. So, with this Mr. Chayani, he's the CFO. He's interacting with all of you for two quarters now. Over to you Mr. Chayani.

Mr. Manoj Chayani: Thank you, sir and a very good evening to everyone. In advance, I wish you and your family members a very Happy Deepavali. It's my privilege to present before you the financial highlights of Bank of Baroda for the quarter and half year ending September 2024. You all will be happy to note that Bank has crossed a business volume of 25 trillion as of 30th September, 2024.

If I look at the components, the Asset side global advances have grown by 11.6% and especially domestic advances has grown by 12.5%. Component wise, we are exhibiting a robust growth in our organic retail by around 20%. Agriculture is growing around 11%, MSME at 12% and Corporate at 10.6%. In Retail also, our growth trajectory is very significant with respect to the Mortgage growing at 13.2%, Home Loan at 16.2%, Education at 17.2%, Auto Loan as almost 23%. And as you all recollect, last quarter and for the past quarters, we have said that we are moderating the growth in our personal loan book. It has come down from 39% as of the last quarter to 25% this quarter. Can you please change the slide?

Coming to the Liability piece, the Liability remains a focus area for the banking industry as a whole. Our total deposit has grown by 9.1%. Our two highlights of performance as of 30th September is that consistently in Domestic CASA, we are growing at 7% and Retail Deposit, we are growing at 7.2%, which is better than some of our peers. As far as our CD ratio is concerned, CD ratio is at 83.83% and CASA remains strong at 40%. Next slide, please.

With regard to our profitability metrics, Operating Profit has a YoY growth of 18.2%, and moved from 8,020 to 9,477 crore. I'm very happy to submit that, for the first time, we have posted a Profit After Tax of more than 5,000 crores with a YoY growth of 23.2%. One of the strong profitability metrics is Return on Asset and for last nine quarters we are posting Return on Asset more than 1%. As of 30th September, Return on Asset on quarterly basis is 1.30. Similarly, Return on Equity is comfortable at 19.22%. Next slide.

If we come to the half yearly piece, Operating Profit has grown from 15,844 crores to 16,638 crores, with a growth of 5%. PAT has increased by 16.5% on a half yearly basis. Return on Asset, half yearly it is 1.20% and Return on Equity is 17.79%. Next slide, please.

Yield on Advances in Q2FY25 versus Q2FY24, there is an increase from 8.43% to 8.48%. However, if I compare that with Q1FY25, there is a slight reduction in the Yield on Advances from 8.55% to 8.48%. Cost of Deposit remains elevated up to 5.12% as compared to Q1FY25 of 5.06%. Net Interest Margin has been within our guidance of 3.15 +/- 5 bps, and as of September, Net Interest Margin is 3.10%. It is more than that of Q2FY24 with three basis points. However, there is a dip as far as Q1FY25 is concerned. This is mainly because of the fact that with the change in the guideline regarding penal interest to be converted to the penal charges, the interest component has gone down. That has resulted in reduction from 3.18 to 3.10. Next slide, please.

Asset quality remains strong at 2.5% Gross NPA. Half yearly basis, it has reduced from 3.32%. Similarly, Net NPA has reduced from 0.76% to 0.60%, and Provision Coverage Ratio remains at a stronger point of 93.61%, improved from 93.16%. Next, please.

If I look at the Slippages, slippages are within our guidance of 1 to 1.25%. As of September, it is 1.07%. Credit Cost again is 0.65%. Slippage Ratio, if I compare each one, then it has come down from 1.28 to 0.90% and Credit Cost is 0.55%, which is within our guidance. Next, please.

SMA book, as of 30th September is 0.47% and our collection efficiency remains robust at 98.5%. Next slide, please.

The Bank is enjoying a strong capital position. CRAR as of 30th September is 16.26% and enjoys a healthy LCR of 123.7%.

That's all from my side. Over to you, Chand sir.

Mr. Debadatta Chand: Sure. Thank you very much, Mr. Chayani. Again, to my investor and analyst friends, a very good evening to all of you. The CFO covered everything, but let me make some of the qualitative comments with regard to the financial results we have announced today.

We have again declared a very good quarter due to, both in terms of a very strong top line and also a strong bottom line in terms of the Net Profit going up at 23.2% YoY and 17.4% QoQ. The aspect which is again important on the book side is, that despite the strong growth on the Asset side, we are able to achieve our margin objective, and that is what the CFO outlined before all of you.

On the resource side, a couple of qualitative comments. Earlier also we said that we should not grow books based on the wholesale deposit growth. Our focus was clearly on the Retail CASA, the Retail term deposit. And the numbers you see for this quarter which is at 7% and 9.6% for the Retail term deposit, this is the same growth that we achieved in Q1 also. Clearly, in terms of the peer comparison, we have a very strong performance and that is what the focus is going to be. We want to optimize on the retail space more in terms of the liability, rather than growing on the bulk deposit, which again can be a price impact for me in terms of margin therein.

On the Asset book, again, the domestic asset book, the growth is 12.5%. The global is 11.6%, because earlier also we said that the growth of International which used to be very high earlier, we clearly want to moderate. We have seen that the international book growth is only 7.6% this quarter. And because of that, the global book is 11.6%, but the domestic book, which is very large in terms of the overall book, is still going very strong at 12.5%.

The margin guidance that we had given i.e. at 3.15 +/- 5 bps, in spite of the deposit cost going up by 5-6 bps quarter-to-quarter. Because of the management of the ALM, we are able to maintain the margin guidance. I mean, barring that impact of 5 bps, otherwise the NIM would have been higher than that we have announced, 3.10%, the penal interest to penal charges. Otherwise, the NIM is still very strong, and that is one of the objectives, in terms of how do we balance the growth and margin. That's clearly our strategy as we move forward. The domestic margin NIM is 3.27%, which is fairly very satisfactory in terms of the peer comparison also and the kind of margin we are generating out of the book.

The Net Profit has been very significant. CFO has already announced the first quarter where we have crossed 5,000 crores of Net Profit. The Net Profit growth YoY is very high, 23%. Quarter-to-quarter is also quite high. Obviously, the Net Profit has been boosted from the recovery out of TWO, which would have seen that we announced the data to you in the market.

ROA has been consistently; we had given guidance earlier to maintain above 1. This quarter it is 1.3% and the half-year is 1.20%. And earlier also we said, while constructing the book both in terms of the Asset-Liability, we operate the NIM and the ROA as twin parameters to optimize in that. So, we will continue to have those focus, going forward also.

The Asset quality has been the GNPA of 2.5%, Net NPA of 0.6%. We have improved vis-a-vis quarter-to-quarter. Although we do not give guidance on the GNPA and Net NPA, but always we say that we intend to trend it downwards, both GNPA and Net NPA on the matter.

And on Slippage Ratio and the Credit Cost, we are within the targeted guidance. The Slippage Ratio, the guidance is 1 to 1.25%, we're at 1.07%. The Credit Cost guidance has been 0.75%, which was reduced from 1 to 0.75% last quarter. We are at 0.65% on that.

A couple of other things which are again important for an overall business perspective is that, as all of you know, we announced a cricket legend as our global brand ambassador recently. And the idea for the face is to retailize the Bank more. So, I think with this brand ambassador face, we are going to have more of retail presence in the entire country. We want to go to each and every customer in the country for the purpose of retailizing the book.

The Bank is committed big time on the ESG commitment. We have earlier also announced a couple of new initiatives. We are one of the banks to be the first or second to announce green deposit. We have a significant green outstanding loan exposure as of today. We planted trees across the country to have a greener planet. Actually, we got some award because of that. On the priority sector lending, the Bank is quite strong at. So, ESG is one of the core themes the Bank is working on, while overall business trying to achieve the business growth, as we said earlier.

Digital is also another focus areas. And as you know, we announced a Virtual Relationship bot, Aditi, wherein it was a Virtual Relationship Manager interacting with the customers based on an AI model. And there are a large number of customers who have onboarded into this customer relationship engagement. And there we are getting good satisfactory comments from the customer on that. Digital customer service is one of the core things that the Bank is working on. And whatever we are doing today, going forward, we'll try to improve the digital customer service. That is one of the things that we are working strongly on.

With this, let me come to some of the guidances part of it. As you know, the deposit market is quite challenging at this point of time. Most of the banks, although I think we have done better quarter-to-quarter on the Deposit, but the growth is a challenge because of the saver's money going to alternate like capital market and all. That is what we have seen in the past. And in case you look at quarter-on-quarter growth, it is almost at around 9% or 8.6%. So, with this actually, earlier we gave a guidance of 10 to 12% deposit growth. But now, because the system has the same issue, we are slightly lowering the guidance from 10 to 12% to 9 to 11%. Although we'll try to operate in the upper band of that i.e.

at 11%. Currently, the growth is 9%. That means my Q3 and Q4 growth on deposit has to be higher than obviously 9% to achieve the 11% kind of a number going forward for FY24-25.

Because the credit growth and the deposit growth are much talked about in the system, because we are revising on the deposit guidance based on the actual numbers we've have achieved; although the growth in Q3 and Q4 has to be much higher than the Q1 and Q2. But then, the loan side guidance also we are revising from 12 to 14% to 11 to 13%. Although we'll try to operate at 13 level. That is precisely on two counts. One is that, we do not want to increase credit deposit growth to a level where it should not be sustainable, point one. Keeping the margin guidance in mind, number two. Third is that, as the deposit is revised, obviously the credit target has to be revised.

The international book is going to moderate actually. That is actually what we're talking about the global book, although the domestic will continue to be higher than 12.5% that we achieved. So, the guidance on the advances is 11 to 13%, with our efforts to operate at 13 for the full year, because we are walking into both, very productive quarters, Q3 and Q4. These are the busy season quarters, and I think we'll be in a position to achieve, rather surpass the guidance that we are giving on the asset side.

Margin, the same guidance we had given, 3.15 +/- 5 bps. The reason being, slightly realigning the balance sheet has given positive outcome to us. We have done that in Q1. And going forward, we are expecting a bit of moderation to happen on the deposit cost based on the liquidity stance or the rate stance possibly that would happen in the economy. So, there are Q3 and Q4 available to us. so, I think we still maintain the NIM guidance at 3.15 +/- 5 bps.

The Credit Cost guidance continued to be the same below 0.7%5. The Slippage Ratio continued to be the same, like 1 to 1.25%. The ROA guidance continue to be above 1% and try to optimized at 1.10%.

So, these are a couple of guidances were given to the market, and I want to reiterate now the same thing. The bank has a significant growth this quarter and Q3, Q4 is going to be higher than the growth that we have seen on the Asset and Liability side in Q1 and Q2.

As you know that in Q1 we realigned the book slightly keeping the fine price book on the corporate side… I mean slightly reducing. The corporate growth was 1.6% in Q1, and this quarter it is 10.6%; very strong and going to again add 10.6% to achieve a 10% growth on the corporate so that I achieve the overall advances growth of almost like 13% or in the band of 11 to 13%.

With this, I think I'm done with regard to my comments and now over to you Phiroza for the question/answer.

Moderator: Thank you, Sir. We'll now start the Q&A session. If you have a question, please raise your hand or you may also type in your question in the Q&A box. I would request you to please keep your - limit yourself to two questions, and if we have time, we'll come back to you if you have any additional question, and I would also request you to just introduce yourself before you ask your question. So, the first question is by Kunal Shah. Kunal, request you to unmute yourself please.

Mr. Kunal Shah: Yeah. Am I audible?

Mr. Debadatta Chand: Yeah, Kunal, you're audible. Please go ahead.

Mr. Kunal Shah: Yeah. Congratulations. Couple of questions. First, want to understand on the provisioning side. So, obviously there was recovery from written off, but at the same point in time provisioning was slightly on the higher side. We did 230 crores of floating provisions, but besides that was there any prudent specific provisioning also done just to make sure that okay, whatever has been the one off on the recovery trying to offset that and if you can just quantify that amount of specific prudent provision?

Mr. Debadatta Chand: See Kunal, you said, right, we have 230 crores of floating provision. With this, the floating position has gone up to 600 crores now, outstanding floating provision therein. As you have seen that bit of potential provisioning you have taken both on the standard asset side and also on the NPA side, right. So, exact quantum I can't tell you at this point of time, but then in case you can provide you subsequently, but then clearly, we have taken bit of extra provisioning both that is a prudential provisioning obviously specific provision that is both on the standard asset and also on the NPA side.

Mr. Kunal Shah: Okay, because despite write off, our coverage is still sustained, which is a good thing and I think that's more the prudent specific provisions seem like okay and secondly, if you can quantify this impact of penal charges on NIM. So, from 3.18 to 3.10, how much was the exact impact because of this penalty charges?

Mr. Debadatta Chand: Yeah, as you said that, it's impact of almost 5 BPS, the amount is almost like 179-180 crore on that. So, that has moved from on the interest income to the other income in that way.

Mr. Kunal Shah: Okay, okay. Thanks. Thanks, and all the best, yeah.

Moderator: Thank you. The next question is from Param Subramanyam.

Mr. Param Subramanyam: Hello? Hi Sir, I'm Param Subramanyam. Yeah, Sir just the question again on the write offs, so we saw high write offs this quarter and then higher recovery from written off as well, are both of these linked? Is it part of one settlement where we see a higher write off and then you know recovery from written off because one of the large private sector banks also talked about this previously, yeah.

Mr. Debadatta Chand: No, actually these are not linked in that way. There are different accounts for the write off and different accounts for the recovery that happened. There is one large NCLT account where actually we got good amount of recovery out of that because that got resolved. Write off is typically linked with the level that you can do on the write off and based on that, we have done that. Actually, that's part of the normal that we have been doing for many quarters now. This quarter slightly may be elevated because it does allow me because there was a substantial TWO recovery, allow me to have a higher write off on that. Anything, Mr. Lal Singh, you want to add on this?

Mr. Lal Singh: So, there is a guideline and accordingly as per the guidelines of DFS and RBI, we have the provision of writing off the accounts up to the recoveries done in the quarter.

Mr. Param Subramanyam: Yeah, fair, okay.

Moderator: The next question is from Mahruk.

Mr. Debadatta Chand: Yes, Mahruk, good evening. Please go ahead.

Ms. Mahruk: Yeah. Good evening. Hi. Sir, I have two questions. Firstly, that was there any penal interest reversal even last quarter, it would have been smaller, but was there any?

Mr. Debadatta Chand: Yeah, there is a small amount really because

Ms. Mahruk: And then my other two questions, sorry, I'll slip in one more. Sir, my other two questions are that you know a lot of state banks are seeing some central government accounts and some of them are even talking about state government account either slipping or becoming SMA, so without naming, what would be your collective exposure to these accounts? Because your SMA has not gone up, so you may not have any significant exposure or maybe you have and it's not part of SMA already? So, if you could throw some color on any potential SMA or slippage you are likely to see from any central government accounts, at least some color on the exposure there? So, that's my second question and Sir my third question really is, how do you see your cost of deposits given that you know a lot of competition is still happening and there are so many new festive offers now, the real impact of which will be seen in the next quarter in terms of deposits? Sir, these are my questions. Thank you.

Mr. Debadatta Chand: See Mahruk, the first aspect in the penal interest in the last quarter, which got reversed into charges that was only around 13 crore therein. So, the major part in the Q2 like almost 176 crore in the Q2 only not in Q1. The second aspect of the SMA book that you are talking about, yes, if you look at our CRILC data, SMA 1 and 2 and there is a bit of increase therein and there are two state PSU accounts therein, but these are purely technical delay which typically would be, I mean recouped in to standard at the earliest. So, absolutely no challenge therein. The state PSU accounts couple of and the amount would be in the range of around 3300-3400 on that. So, they're actually it's a more of a technical overdue, which can immediately be pulled back based on the past track that we have seen. So, there's no slippage of any state PSU or Central PSU in any manner as far as Bank of Baroda is concerned. So, absolutely we have a very good book on that. Thirdly, on the cost of deposit, as you would have seen that Q2, the cost of deposit has gone up by 6 BPS, Q1 over March was almost flat, but it has gone up. With this, actually I believe the repricing effect of the deposit is almost over by this time and there are two outlooks as a house view we are working on. One is a case wherein there may be a bit of cost moderation that can happen maybe towards the late of Q3 or the early of Q4. Considering that the RBI changed the stance from withdrawal to neutral now and the liquidity in the system we have seen October is much better than September. September is much better than August.

So, scenario wise, the liquidity comes back, actually we've seen the CD rates going down substantially till the wholesale deposit and the retail has been kept high because the growth has not been substantial, so the festive campaign is going on. I believe, broadly the cost of deposit side is fairly balanced and, in any scenario, as you are keeping the same margin guidance that means through the ALM asset liability management, I think we'll be able to maintain the margin case where cost of deposit goes up, then we have to pass on to the borrower if it goes down, we'll pass also the benefit to the borrower. So, in that scenario for the full year, we are keeping it balance. So, I don't think much of impact coming out of the cost of deposit going forward, although the levels are elevated, no doubt about it, but then somewhere maybe late Q3 or the early Q4, we are hoping for some kind of a moderation considering better system liquidity.

Ms. Mahruk: Okay, Sir. Thank you.

Moderator: Thank you, Mahruk. We now go to Ashok Ajmera. Sir, please unmute yourself, you can ask your question.

Mr. Ashok Ajmera: Good evening, Chand saab and the entire team of Bank of Baroda and compliments to you, Sir, for a very good quarter of very good set of numbers especially like many a time we just plainly look at the bottom line and the bottom line in these difficult times, when you even the market is also going down for last few days gives a very good feeling like if that has improved. Of course, a major part of his contributed by the other income and I think in your initial comment and the giving the answer of the first question, you had said that there is some smart, I mean recovery from some account and the other income has gone up to 5,081 crore this quarter as compared to 2,487 crore. So, my first question is only on the, I mean considering that the NIM and other thing is not going to change much. I mean you are still continuing your target of 3.15. Going forward, in the coming two quarters, what kind of bottom line we see like your operating profit is growing rapidly, so naturally and the provisions should be under control if there is no chunky account. So, where do you see the profitability of the Bank going forward, are we matching this quarter improving it? So, this is my just the first question and basically, you're a little broader guidance on that and my second question is on the Treasury, treasury is also doing very well Sir. Treasury income even from the trading gains are to the range of 550 crores as compared to last quarter of 164 crore and overall treasury profit, even on the revaluation of the investment has also gone up. So, whether that trend is going to continue in coming two quarters, sequentially when we see that the rates might come down in December review by the regulators. So, on that whether this is going to continuously help the profitability of the Bank.

So, this is on the second this thing and third is, Sir on the deposit front and overall business growth front, many of the senior bankers in last couple of months have been saying that lot of money has flown to the capital markets and because of that there is a pressure on the especially on the CASA side, but now, since the market has gone down, you know like some of these stocks have gone down to maybe 15%, 20%, 25% and maybe the appetite of the people might come back to keep the deposit in the banks. So, going forward, what do you see this pressure on deposits will continue or it may be little bit eased out? So, these are some questions and some of your guidance and observations, Sir.

Mr. Debadatta Chand: So, thank you, Ajmera saab. Actually, I was looking forward to when you will come, I'll answer on the treasury side, actually that's something very good between I believe you and me. First with regard to you talked about profit guidance actually normally we don't provide any profit guidance. Only guidance we provide on the ROA. So, we are looking at the asset growth of almost 11%-12% and keeping the ROA at 1.1% you can estimate in terms of that because profit actually we don't know, neither will, but always try to optimize that at any point of time, but the guidance that I can provide is on the ROA. ROA continue to be - we have achieved 1.3% this time. Yeah, and full year is 1.10%, although guidance is above 1, but we'll try to full year 1.10 on the ROA. So, that is something I can tell at this point of time.

On the treasury side, this has been a good quarter, but our trading profit is only by the bond, not equity. So, equity maybe couple of IPOs has given some money, but then mostly on the bond side. So, still with the outlook prevailing, although the market has bit of discounted some of the cuts that likely to happen, but then I think the bond market would be fairly stable going forward and even if the rate cut and all are happening then still it will be very positive because equity, we don't have much of exposure in that way. So, in that way I'm not very largely influenced by what is happening on the equity market.

One positive that I would say that, actually last time when you interacted, the treasury gain was slightly less than the many of the peers. I said that please look into an element of the AFS reserve, right and I would, again request you or else if it is not captured in the analyst, my people would give you the data and we have added almost 1200 or 1300 core of AFS reserve this quarter and that's significant, that's significant. Let's say a scenario of a - we're all migrating to Ind AS and the treasury impact coming into books. So, we're very well prepared on that and that very significant, the outstanding book would be almost 2800-3000 on the AFS, that's why the capital has also gone up, I mean CRAR. So, that's something very fundamental to us, so we want to have a balance out my Treasury gain at the same time keeping the reserve well in the book, so that we are there for the long term I mean opportunity on that right. So, that is what - You also talked about deposit constraint. That's the issue that we slightly reduced the deposit guidance because on the Q1 the growth was almost 8.5% Q2, it is almost at 9.6%. I had given a guidance of 10% to 12% which again something not happening and all of us know the deposit constraint happening in the system because of alternate like savers are also preferring capital market big time on that.

So, it's impacting us. So, we reduce that guidance, but then at the same time we also said earlier that we are one bank on the deposit innovating, bundling, and trying to capture the market sentiment therein. So, if you say that SIP mutual fund is flexi, now I introduced a product called SDP, which is a recurring deposit scheme, but we are marketing well, getting good traction from many of the savers who come in to this product. This quarter itself we raised almost 250 crore on the SDP. I think the public would appreciate well in case this picks up and some correction happening in the capital market, I think people would more come to the deposit market. So, I think fairly, although I've given a 9% to 11% deposit for the full year, but then I think we will operate at the top notch of 11%. That is what our that means Q3 and Q4, I need to have a higher deposit growth and higher advance growth to achieve my revised target both on the deposit and advances.

Mr. Ashok Ajmera: Sir, just one question comes to my mind, some old, I think in the aviation account, that one large you along with the Central Bank, I think you 2 are the main bankers to that and we have been in earlier, I mean a couple of quarters back we were talking very, very strongly about that, that we have got lot of collaterals and the losses ultimately will be very less or we'll recover the whole amount. So, I just remembered that we have not talked about that in the last quarter also, and I think previous to that also. So, what is the development on that account and is there any chances of some major recovery happening or something has already happened or where do we stand on that account on the recovery front, Sir?

Mr. Debadatta Chand: No, as I said earlier, $1/3^{rd}$ of the exposure was based on the guarantee cover it had and now we have received the full amount on the guarantee. So, the exposure has gone down to $2/3^{rd}$, right. So, out of the two third, there are again collaterals over there. There are some primary over there and some litigation finance money also can be expected. So, in that way fairly collateralized for us to recover money to the full extent possible. We are quite hopeful on that, processes are going on because some of the process takes time, but as far as the outlook on the account is concerned, we are fairly confident that we can recover to a very large extent out of this account. $1/3^{rd}$ guarantee we have already received.

Mr. Ashok Ajmera: So, in terms of absolute numbers the balance outstanding is about 800-1,000 crore?

Mr. Debadatta Chand: No, something around 1100-1200 core in there.

Mr. Ashok Ajmera: Yeah, 1100-1200 crores. Okay, alright Sir. Thank you very much, Sir for giving me the time and if time permits, I may come back again, Sir. Thank you.

Mr. Debadatta Chand: Okay. Thank you. Thank you.

Moderator: Thank you, Sir. We now go to Jay M. Jay, can you please unmute yourself?

Mr. Jay M: Yeah, hi. Good evening, Sir, and thanks for the opportunity. Sir, first is, Sir, we had said about that this year is going to be the year of fee and flow, we have done reasonably well in the corporate growth pickup in this quarter and yet the commission exchange brokerage has not picked up to the extent you know or commensurate with the credit offtake, any, any sense there, Sir?

Mr. Debadatta Chand: Yeah, yeah, yeah, you said right, actually. That is one area we are trying to optimize. Although, we could not get it to the desired outcome on that, precisely for two reasons. One is that, actually, the corporate book and the Commission Income is getting a proportional increase therein but on the Retail side because we are running lot of campaigns in terms of all this, so the waivers are there on the processing fee and all those stuffs. We had the 'Monsoon' campaign and then immediately after that the festival 'Utsav' campaign. Both on the Liability side and Asset side there are some, what you can say, lower growth happening on that commission exchange on those things. A lot of market, again, on the operational side has moved to digital, so we are not getting the requisite commission out of those. On the Wealth business, again slightly we restricted the business. As you know that the guidance has been to more to focus on the core business. So, there is a dip in the Wealth income therein leading to overall, I mean, there is a growth but the growth has not been substantial to tell us that the fee and flow really impacted the book big time.

But on the Corporate side, there has been good traction on that. The CMS fees and all are going up significantly. Beyond the Corporate, now we are targeting all the MSME account to get into the CMS and there actually we onboarded large number of accounts. The outcome would come later. So, as an action point, clearly internally as a management take also, yes, we have not optimized on the CEB. We'll try to optimize going forward but a couple of aspects, which again has given a lower growth, so we'll focus on those and that, yeah, some point on the management take on this.

Mr. Jay M: Sure, Sir. Thanks for the detailed answer. Sir, on your Personal Loan book, which is 32,000 crores, if you can share the outstanding GNPA here and maybe the slippages if you have on this 32,000 crores loan book?

Mr. Debadatta Chand: Yeah, our outstanding NPA we have shared possibly somewhere, I don't know. It is around 3.18%. My Retail NPA is around 1.5%; the book as a whole. And, actually, there are two things. The digital Personal Loan is something around ₹10,000-₹11,000 crores, the remaining all is a branch underwriting where it has been there not only recently but it was there earlier. So, if you talk about a couple of segments because, again, Personal Loan is a data driven thing. So, looking at the outcome, we immediately take action like on a digital small ticket we have completely stopped it now. On the physical sourcing, there are segments which are salaried, there are segments which are non-salaried. Actually, we have tightened the non-salaried person.

The growth, actually if you look at, it has come down from 100% to almost normalized 25% now on the Personal Loan. So, clearly, we're acting on that. The Asset quality is much better, okay. Obviously, the Slippage would be, suppose you compare the Personal Loan slippage now and a year back, now would be higher than that. On a number if I give you, let's say, it was ₹100 crores earlier 6 quarters back the slippage, now it would be ₹250 crores out of the total Slippage of ₹2700 crores. So, it's insignificant in terms of impacting anything but is bit of elevated as compared to earlier because the moment the book gets aging then also the slippages do happen. So, in that way, it's a small book as compared to many of the peer banks. We have taken action on that and I think going forward the same kind of an outlook we have for the Personal Loan.

Mr. Jay M: Right. Just to get it clear, Sir, you said this 3.1% kind of a GNPA for the unsecured Retail book, right, which is 32,000 crores.

Mr. Debadatta Chand: Yeah, absolutely. My overall GNPA of the Retail is 1.5%; 1.49% something. So, it is only for the unsecured personal. It's 3.1%8.

Mr. Jay M: Right. And the Slippages you said is from 100 crores it has moved up to like 250 crores per quarter.

Mr. Debadatta Chand: Yeah. Yeah. Yeah. And that I'm talking about 1.5 years back when we never discussed on the issue because there never was elevated concern on that, right.

Mr. Jay M: Right. Right. And lastly, Sir, on corporate yield, right, so on your corporate book which is, let us say, I mean, the entire corporate book, what could be the blended yield here? And if you have the loan mix by yield also, I mean, what is the blended outstanding corporate yield? And if you have the percentage of loans for overall loans into EBLR, MCLR, fixed rate and others? Thank you.

Mr. Debadatta Chand: Mr. Tyagi, can you take up this question?

Mr. Lalit Tyagi: Thank you very much. So, in fact, we may provide you the data if CFO is having right now, otherwise offline we can provide. Largely the pack is, the highest yielding assets are RAM. Within that, Agri and MSME are the highest then Retail and then finally comes the Corporate. You know, within Corporate also we have been able to manage the yield. That's how in Q1 we allowed slower growth because we managed the book well. Q2, probably, we have some traction and we grew. That is visible in the 10.5% growth. However, that was managed well despite the fact that there were challenges on the yield side. So, exact corporate yield we can provide you of the Bank.

Mr. Debadatta Chand: So, there are two things here, actually if I say that. Slightly the corporate yield, if you compare the Q2 and Q1, it has gone down because of the penal interest and charges accounting. That's one. Secondly, actually, in terms of the composition of the book, almost 47% is MCLR, 33% EBLR. Roughly around 80% odd has been the floating rate side. So, that there is the ability to pass on is much higher with the bank at different market condition, right. As Mr. Tyagi said, right, Q1 we wanted to realign the book and that was the beginning of the quarter allowing us to realign. Realign only on the corporate side because of the fine priced book and then how do you want to, I mean, how much margin importance you give and how much book growth you want. So, we wanted to realign the growth of 1.6%. Clearly, this quarter, some of the price point was pulled up in the sense that market was offering us a higher yield on those advances. So, then we went ahead with that.

So, it's a balanced view in terms of pricing. But clearly, when we construct the book, clearly our margin is one of the objectives we keep that in mind. So, that's something the margin, RAROC these are all important, what I can say, parameters for us to consider when we increase the book.

Mr. Jay M: Right, Sir. And if I may ask one more question. Sir, I mean, your segmental GNPA suggests that the corporate GNPA is now only ₹600 crores, right. And you have ₹10,000 crores of MSME and slightly higher in Agri. But corporate GNPA are like almost zero. And you still said that you would want to keep bringing down Net NPA. So, I mean, you have already 0.6% Net NPA, so what is the thought process there of further reducing…?

Mr. Debadatta Chand: No, that's why actually…Yeah, please go ahead.

Mr. Jay M: No, no. So, that is why I wanted to check.

Mr. Debadatta Chand: So, I'll tell you. Actually, before this meet there was a Media meet and everybody was asking a guidance on the Net NPA. We said that we do not give Net NPA guidance but always we try to trend it downward. That is what I said. So, the trending downwards is up to what extent and what actually, that time and market would tell or our position would tell.

So, Corporate side actually, I mean, there is not much of scope in terms of the NPA outstanding. Although the Recovery out of TWO, there is a good kitty on that actually but then this is clearly less. The focus that we are giving much of the slippage that happened, that you have seen, it is more in less than 5 crores segment where the slippages happened. And these are again Retail book or MSME book or Agri. So, the probability of again getting them upgraded is quite high as compared to a Corporate Loan book because the moment corporate goes down because the exposure is huge, the market conditions are different, very difficult to pull it back unless and until you get into a resolution process or like the IBC process. So, I think, the recovery out of the small loans which slipped in last 2-3 quarters, although the level is very less as compared to the bank is concerned. ₹2,700 crore is the normal run rate kind of a slippage but then we'll try to again optimize on that.

So, when I was talking to the Media on the same thing, our Recovery target is ₹12,000 crores for the full year whereas the slippage you need to contain at ₹9,000-₹10,000, so giving us a ₹2000 at least a delta in terms of reducing all these percentages. But having achieved 2.5 and 0.6, I'm absolutely clear that it's a difficult move to again bring substantially down on these two ratios.

Moderator: Thank you, Sir. The last question for today, we'll take it from Rakesh Kumar. Rakesh, can you please unmute yourself?

Mr. Rakesh Kumar: Yeah, hi. Thank you, Sir. So, just a couple of questions I had. Firstly, on the Interest Income from the dummy ledger recovery, has it not been that great considering that we had return of recovery of ₹2,500 crores and margin was slightly soft. So, that was the first question. Second question, 18% of our Loan book, the overseas Loan book has quite a lot of volatility on the margin front, so if you could help us on that front? And the third question is, basically, we used to have the provision write back with this restructured book being upgraded. I think that did not happen this quarter and this was a regular thing in our provision line item. And the nature of Agri slippage, the last question, Sir? Thank you so much.

Mr. Debadatta Chand: So, I'll take the second with regard to the international margin. International, actually if you look at the international market, at some point of time the returns were quite high. So, we almost achieved a NIM of almost 2.13 or 2.14, which has gone down to 2 now. What is happening in the international market is that a lot of repricing happening at this point of time, right, because there is a Fed rate cut, there are overall cooling of the rate of interest in those markets. So, that's why the growth if you look at, we have clearly moderated keeping this in mind that the repricing pressure. And since overseas market, both Asset and Liability are floating, there is a bit of lag in terms of repricing on the Deposit side. So, that would eventually catch up putting the margin. And, normally on the international, internally we target something around 1.9 to 2% as the ideal margin level to maintain going forward. But the Advances growth clearly moderated. The growth has been lower this quarter.

On the interest from the Dummy Ledger, Mr. Chayani, can you take this question or you could provide later on?

Mr. Manoj Chayani: So, Sir, the interest, Rakesh, what you are talking about, the Other Interest Income and the comparison between the Q2 of FY24 versus Q2 of FY25, there is a reduction in the interbank the placement of around 13,000 crores. Hence, there is a dip what you are observing. And if any further clarification/queries required, please contact with me and I'll provide that.

Mr. Debadatta Chand: He also has a third question. What is that, you said? Agri slippage has been broad base, actually. That's sometime seasonal also. The moment you migrate to Q3, actually, this is the time where the crop harvesting and the money they get. Actually, the position improved significantly in Q3 and Q4 as far as Agri book is concerned but these are all small ticket diversified across the country kind of a thing, so nothing specific with regard to that.

Mr. Rakesh Kumar: Got it, Sir.

Mr. Debadatta Chand: Anything else you wanted, Rakesh?

Mr. Rakesh Kumar: Just one question, Sir, that was, you know, the provision write back we used to do in the standard asset provisioning.

Mr. Debadatta Chand: Okay. Actually, if you look at the standard asset provision this quarter, there is a bit of prudential provisioning has happened actually. That is what, actually, if you look at the outstanding, not increasing the NPA level but there is a prudential provisioning. So, the standard asset provisioning is gone up marginally, I mean, maybe around ₹300 crores. That what we see from Q2 and Q1.

Rakesh, is that ok with you? All the question, we have answered that?

Mr. Saket Kapoor: Sir, I have one question here.

Mr. Debadatta Chand: Yeah, please.

Mr. Saket Kapoor: Saket Kapoor here. Yes. Sir, when we look at the Other Income component for this quarter, that has seen a big jump year-on-year also and quarter-on-quarter also. So, taking into account the nature of Other Income, what should we pensioning in going for H2? Because, Sir, if we remove the increase then the interest expenses don't commensurate with the bottom line which we have posted; if we remove that increase in the Other Income. So, if you could give us some more color how this line item is going to shape up or what factors led to this huge jump in the Other Income component, Sir?

Mr. Debadatta Chand: See, there are three components. One is the Fee Based Income, Treasury Income and Other Non-Interest Income, which typically the write back we got it because of the recovery in TWO accounts. And on a normal scale, this run rate is almost 800 crore as compared to 2,500 crores. 2,600 crores was for Q2, the normal run rate on this is around 800-850 crores on a quarter-to-quarter basis, right. The Fee Based Income, it's mainly the CEB and Other Income that have a steady state kind of a thing. We're going to focus on this. It may see a 5% or 10% increase. Treasury Income is again market dependent. One thing, while talking to Ajemera ji, I was telling that our AFS reserve is quite significant like from the sense the start of accounting from 1st April we built up substantial AFS reserve therein. That means the book has in money position significantly. So, that can be in a scenario where the market is not good, we can still leverage that.

So, it's, component wise, difficult to give you a clear run rate but the item which has seen a significant jump that is the Other Income from the recovery out of the Written off Accounts, TWO accounts. There the run rate is around 800-850 crores maximum. On a normal scenario, if we get again couple of other recovery that can happen, so we have a large kitty. The TWO kitty is also substantially large. Suppose you get, then it can further add to that like it happened in this quarter.

Mr. Saket Kapoor: But other than that, Sir, you are lowering your growth target for H2. Can you repeat? In terms of the Advances and the increase in the Loan book, we are lowering our expectation for H2 by what basis points? Sir, if you just repeat once?

Mr. Debadatta Chand: Yeah, actually, I'll start with the Deposit. You would have seen the Deposit growth for Q1 and Q2 has been around 9% or 9.6% and the guidance earlier was 10%-12%. And always debated in the market a lot the gap between the Credit growth and the Deposit growth, right. So, we wanted to take a call at this point of time. So, the 10%-12% on the Deposit, we have aligned to 9%-11%. Although, we'll try to grow at 9%. This is on the backdrop of a Q1 where we realigned the book, where the growth has been much lower. So, in case to achieve 11% growth in Deposit, actually the Q3 and Q4 is pretty much higher than the Q2 growth, right, and then only we will achieve 11%. So, very clearly, the growth in Q3 and Q4 will be much higher than the Q2; forget about the Q1. One, because on the Deposit here we have to recalibrate the Advances growth forecast and that is what actually it was 12%-14%. We have reduced by 1% point making it more realistic from 11%-13%. Although, again as I was saying earlier also, we'll try to operate at the upper band, that means at 13%. Current growth is 11.6% globally, 12.5% domestic. Domestic continue to be strong, that means the growth has been higher than 12.5% for Q3 and Q4. Internationally, since we are moderating as I said, because of couple of other reasons, the overall growth would be again at 13%. So, the 1% reduction is not a reduction per se on the growth forecast. It's something realigning or calibrating the growth outlook based on the Deposit growth, which you'll appreciate that it's not for Bank of Baroda. Rather, we have done well vis-à-vis the peers.

In case you have the data as on today, the Bank has done well on the Deposit front. But since there is a change, so we are expecting asset growth to realign keeping the margin at the same level. So, that's very important when I'm saying that there's a growth in the year, the margin. So, one of the objectives is to clearly keep the margin into consideration, particularly on the Corporate Loan book side. So, there are couple of guidances. We want more realistic as compared to what we can give you guidance of not lowering the growth in that way, right.

Moderator: Yes, Sir. Chayani Sir, would request you to give vote of thanks, please.

Mr. Manoj Chayani: Thank you all for sparing your time and guiding us for our future prospects. Due to shortage of time, we may not have answered some of your queries or clarification, please do connect with me or connect with my office any time to have more clarity on any matter. And with all your good wishes, the Bank is going to achieve new heights every quarter. Lastly, on behalf of our management, I wish you all and your family members a very Happy Deepawali. Thank you.

Mr. Debadatta Chand: Thank you all. Once again, thank you very much.

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