Bank of Baroda Media 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 Media Conference for Bank of Baroda's financial results for the quarter ended 30th September, 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 followed by brief opening remarks by Mr. Chand, after which we will have the Q&A. Chand Sir, request you to begin, please.

Mr. Debadatta Chand: So, good evening, media friends. Just to introduce the management team. I'm D. Chand - MD & CEO of Bank of Baroda and we have been interacting almost for five quarters now. With me is Mr. Lalit Tyagi. He's the Executive Director looking after the Corporate Credit, International Banking and Treasury. And we have with us, again, Mr. Sanjay Mudaliar. He's the Executive Director looking after the IT part and also the Retail asset of the Bank. And then we have Mr. Lal Singh. He's the Executive Director who has been there with us for a couple of management discussion. He's the Executive Director looking after the Recovery part of it, more importantly the HR and some of the other functions. And we have a new member, as far as the last interaction goes, is Madam Beena Vaheed. She's the Executive Director looking after most of the platform functions including the Retail liability piece. So, with this, the CFO, as you know, Mr. Manoj Chayani, so the CFO would run through a short presentation and thereafter I'll give my brief remarks on that. So, over to you.

Mr. Manoj Chayani: Thank you, Sir. Good evening, everyone. In advance I wish you all and your family members a Happy Diwali and it's my privilege to present before you the financial highlights of the Bank for quarter and half year ending 30th September, 2024. As you all know, the bank has surpassed 25 trillion of business as of 30th September, 2024.

Coming to the components. Advances side, Asset side; it has grown at 11.6%. Domestic Advances have grown by 12.5% and international by 7.6%. Coming to the component wise - our organic Retail growth remains steady and robust at 20%, Agriculture at 10.6%, MSME is growing comfortably at 12% and corporate at 10.6%. In case of Retail also mortgage piece and home loan piece, they are growing at 13.2% and 16.2% respectively. Education at 17%, Auto Loan at 22.9%. As you can recollect, in case of Personal Loan, last time we had said that we have moderated the growth and this as of 30th September our growth is 25.2% as compared to our previous growth of 39%. Next slide, please.

Coming to the Liability side, liability remains a key focus area for the banking industry as a whole. Our deposits have grown by 9.1% YoY. However, two highlights I would like to bring to your notice is that domestic CASA has grown by 7% and Retail Deposit has grown by 7.2%, which is better than our peers. Coming to the Credit Deposit Ratio. The Bank is having CD Ratio of 83.83%. Domestic CASA is running around 40%. Next slide, please.

Profitability metrics, very happy to submit that Operating Profit has increased by 18.2% from 8,020 to 9,477 crores. And all-time record high PAT for the quarter we have posted at 5,238 crores with a YoY growth of 23.2%. We also have a robust mechanism to monitor the profitability and in terms of the Return on Asset and for last nine quarters we are posting Return on Asset more than 1%. And as of 30th September, Return on Asset is 1.30% YoY, 16 basis point more. Half yearly basis if I see, our profitability, Operating Profit, has increased by 5%, Profit After Tax has increased by 16.5%, Return on Asset, by 8 basis point and Return on Equity is at 17.79%. Next slide, please.

Yield on Advances, YoY there is an improvement from 8.43% to 8.48%. However, there is a shrinkage as far as Q1 is concerned. It has come down from 8.55% to 8.48%. Cost of Deposits, there is an increase from 5.06% to 5.12%. Net Interest Margin; as per our guidance, we have posted a Net Interest Margin of 3.10% which is within our guidance of 3.15, plus/minus 5 basis points. And if I compare with the YoY growth, there is a growth of 3 basis points. And the sequential shrinkage from 3.18% to 3.10%, what you are seeing is because of the regulatory requirement of some of the penal interest being converted to the penal charges to comply with the regulatory guidelines.

Next, please. Asset quality remains healthy with Gross NPA at 2.50%. Net NPA YoY half yearly basis, it has come down from 0.76% to 0.60%. Provision Coverage Ratio is healthy at 93.61%. Next slide, please.

Slippage Ratio remains 1.07% within our guidance. Credit Cost has come down from 0.92% to 0.65%. Slippage Ratio, if H1 I have compared, then it has come down from 1.28% to 0.90%. And, similarly, Credit Cost H1 '24 to H1 '25, it has come from 0.82% to 0.55%. Next slide, please.

SMA book remains very healthy at 0.47 and this is as compared to 0.18% of June. That is because of some of the prudential provisions which the bank has provided. Collection Efficiency remains at 98.5% and it's a healthy sign. Next, please.

Bank enjoys a strong capital position and CRAR remains at 16.26% there is a shrinkage as compared to Q1 due to increase in the risk weighted asset. However, this 16.26% as such, is a very healthy CRAR position. That's all from my side. Over to you, Chand Sir.

Mr. Debadatta Chand: So, thank you very much, Mr. Chayani. To media friends, again good evening to all of you. And as you have been interacting from quarter to quarter, let me again say that this quarter has been a very strong quarter both in terms of the top line and also in the bottom line. As the CFO said, the Net Profit growth has been YoY 23.2% and quarter-on-quarter also has been over 17.4%. So, the Bank is trying to balance in terms of both the business and margin and we had slightly a lower growth last quarter, although the profit was very strong. But this quarter, the growth has been very strong, particularly I'll highlight on two aspects here. One on the Liability piece if you see, we have been guiding the market that our reliance on the Bulk Deposit will be lower. At the same time, the focus on the Retail, particularly on the Retail CASA and the Retail Term Deposit, has to be higher.

And as the CFO said that not only this quarter, that means September, but in June also the Retail CASA and the saving has almost been the 7% growth. And if you look at the market scenario, because there is a huge, I mean, Deposit growth constraint, this growth has been very, very satisfactory as far as the bank is concerned.

At the same time, let me also highlight that on the Advances side the Retail continue to grow at 20%, which has been one of the strong points of the bank for last many quarters now. At the same time, the corporate growth is almost 10.6% and the Domestic Advance growth is at 12.5%. So, in terms of the growth aspect, the bank is quite clearly focused and at the same time keeping the margin guidance intact and that you would have seen that the margin has been maintained at 3.10%. Barring that, roughly around 4-5 bps impact because of the penal interest and penal charges, the NIM would have been higher otherwise.

So, as we go forward, the bank would be quite conscious of the fact that while constructing the business on the top line we need to again be mindful of the margin side. And that is what the core business philosophy of the bank in terms of how do you then construct both book and at the same time the profitability.

The profit growth has been substantially this quarter boosted by the Non-Interest Income, more from the recovery out of TWO and also on the Treasury Income. So, going forward, the focus also continues to be that other core element of Non-Interest Income, that is the commission exchange brokerage aspect, and we would try to optimize that going forward also.

Another aspect, which is also important for us to understand is that the profitability metrics of the bank is strong. In earlier quarters also we announced, almost now 7-8 quarters, we are announcing Profit in excess of 4,000 crores and to our satisfaction now this quarter the Profit has gone above 5,000 crores. And this again, the half year for this year, the Profit has been 9,696 crores as against the full year profit of last year at 17,789 crores.

ROA, as the CFO said, now the 9th quarter we are posting ROA in excess of 1%. Rather, the ROA has been optimized this quarter to 1.30% and for the full half year it is at 1.20%.

On the Asset quality front, our GNPA is trending downwards. Initially, couple of quarters back we wanted the GNPA, the guidance, I mean not the guidance but the efforts was just to make it below 3% and now almost we reached a level of 2.50% for this quarter means the half year ending. That's something very, very satisfying as far as the Asset quality is concerned. Same time, the Net NPA is also at 0.60%, which is below that of the same quarter last year and also the Q1 of this current FY.

Both Slippage Ratio and the Credit Cost has been within the guidance that we had given earlier. We always used to give the guidance of Slippage Ratio at 1-1.25%. We are at 1.07% this quarter. Similarly, the Credit Cost last quarter, as against our earlier guidance of less than 1%, we revised to 0.75% and we are able to achieve the Credit Cost at 0.65% for this quarter.

Couple of other initiatives, let me again as a management take, outline that as the Deposit market is quite competitive, I mean, it's a competition over there. We have been one bank innovating on the product side, bundling it so that we can grow and that is what has been reflected in the growth in the Retail CASA and the Retail Saving. At the same time, we're also trying to like recently, as you would have taken note of that we have onboarded the cricket legend as our global brand ambassador. So, the idea here is to like actually earlier also we gave a guidance to retailize the book, so I think with the cricket legend being the brand ambassador we are going to retailize the book more and reach out to each and every customer of the country in terms of Bank of Baroda being a Retail bank and this would help us greatly with this.

Another aspect, again, which is core to us with regard to our ESG commitment and mandate. We have been working a lot in terms of the ESG, both in terms of, greener planet and at the same time a lot of ESG agenda. And let me again outline while interacting today that ESG is going to be one of the core things for the bank to again committed big time with regard to our ESG commitment.

Digital has been one of the key themes and we have been guiding the market that we want to be on the curve on digital. We want to be rather ahead of the curve on digital. We are spending good money with regard to the Capex on the IT side, both on the revenue side also and at the same time the headcount on the IT resources. Rather, you would have noticed that on the Foundation Day we announced a virtual Relationship Manager called ADITI and now that virtual Relationship Manager has got good feedback in terms of the customer service and the way the interaction happening with the customer has improved significantly.

So, these are a couple of points that I thought let me highlight at the beginning of the interaction. As far as the guidances are concerned, let me again highlight the fact that the Credit growth that we said earlier that it was between 12%-14%, that was the guidance we had given earlier. But because of the reduction in the Liability, slightly it is growing lower than that. We have reduced that guidance now. So, the Credit guidance is going to be 11%-13% as compared to 12%-14% earlier. Similarly, the Deposit growth, which again we gave a guidance earlier with regard to 10%-12% and now because of the changes in the deposit market, slightly we are reducing that. The Deposit growth guidance is now going to be 9%-11% as compared to 10%-12% earlier. At the same time, we are keeping the margin guidance the same while reducing the growth guidance by 1%. But clearly the objective is that on the margin side we are keeping the margin guidance the same at 3.15, plus/minus 5 bps. So, the margin guidance continues to be the same even if there is a slight reduction on the growth guidance, growth on the Deposit side and also the one Advances side. Looking at the Slippage Ratio and Credit Cost, they continue to be the same like the guidance we are given earlier. The Slippage Ratio was 1-1.25% and continues to be the same guidance. At the same time, the Credit Cost is going to be below 0.75%. And the third thing, the last thing, is with regard to the ROA. We had guided the market that we need to have ROA in excess of 1% and trying to optimize at 1.10%. So, we continue to have the same guidance of keeping the ROA guidance above 1% but trying to optimize at 1.10%.

With this, I think, I'm done with the opening remarks. So, now over to you for the question-answer. Phiroza.

Moderator: Thank you, Sir. We now open it up for questions. If you have a question, please do raise your hand. Alternatively, you may also type in your question in the Q&A box and we'll come to you.

The first question is from Vishwanath Nair. Vishwanath is from NDTV Profit. Vishwanath, if you can unmute yourself and ask your question, please.

Mr. Vishwanath Nair: Hi, Sir. Good evening. I just wanted to get a sense about your guidance reduction. You're saying you're going to maintain your NIM. Currently, what, 3.1%. That's where you are likely to maintain your NIM. But despite the festive season coming in, I mean, we're already one month into the festive season. Is there a reason? Is something looking a little slower for you for the rest of the financial year, in terms of growth and margins both?

Mr. Debadatta Chand: Growth have revised it 1% downward, because if you look at the deposit growth both in the Q1 and Q2, it has been lower than the guidance, right? And as all of us know, the deposit is one market where it is something not growing to the extent because of the savers' money is going to capital market more than the deposit market, in that way. So, it is a competition over there. So, having a slightly achieved lower on the deposit market, both for Q1 and Q2, we are reducing that deposit guidance by 1%. And as you calibrate the advance vis-a-vis the deposit growth, then we are reducing the advance guidance also by 1%. At the same time, we're quite mindful of the margin aspect. Actually, the reduction of 1% on the growth is more from the point of keeping the margin guidance in impact. So, it is a balance in terms of how do you calibrate the book going forward and that is what we are trying to do.

A couple of things I would say why again we keep the margin guidance is that, we still expect a bit of moderation to happen on the deposit cost Q3 and Q4, going by some of the fundamental factors happening in the global market and also in Indian market. The liquidity in October, system liquidity if you talk about in October, it has improved vis-a-vis September. I think then if the system liquidity goes up significantly, possibly even if the rate stance to be the same, I think the cost of deposit for banks would go down. So, keeping the margin guidance the same, I think that is a fair call to take at this point of time.

Mr. Vishwanath Nair: Sure. On the advances side, what exactly are you looking to cut back on? Is there anything specific that you are looking to cut back or is it broad-based?

Mr. Debadatta Chand: No, the retail continues to grow at rather 20%. At the same time, the Agri and MSME would grow at 12 to 14%. The only aspect which slightly because, again as you know, corporate advance is also very price sensitive. So, that is something we can look into in terms of our margin guidance so as to how to protect that. The cut that can happen marginally is only on the corporate side, not otherwise.

Mr. Vishwanath Nair: Okay. In the corporate side also, I just want to get a sense of is there a pricing issue? Which is why you are probably looking at that as a way to maintain margins?

Mr. Debadatta Chand: No, it is a call like how do you optimize on everything? So, the market is quite competitive as far as corporate credit is concerned. There are assets available, but then it may not fit into your price objective. So, it is something of a balance game. You would have seen that Q1 the growth was only 1.6%, Q2 we are at 10.5%. So, that is the element where you can typically balance so as to protect the margin, at the same time giving a decent growth on the book side.

Mr. Vishwanath Nair: Right. One last question, sir. In terms of the unsecured portfolio, is there something that you are looking at in terms of delinquencies? Are you seeing anything rising? And future growth, you are seeing Retail will continue to grow at about 20%. But unsecured side is the growth likely to continue?

Mr. Debadatta Chand: Earlier also we guided market as far as unsecured personal loan, we started moderating from September '23 onwards. You would have seen the growth in the personal loan book, it is almost come to the level of 25 to 30% on an annualized basis. So, clearly, we have moderated that substantially. The housing loan has picked up if you compare the Q1 growth in housing loan and the Q2, the Q2 has picked up over Q1. So, the focus more would be on the mortgage side, auto side, rather than on the personal loan side. In personal loan the book is also not very significant, it is very small. So, in that manner, that is not going to be a substantial driver in terms of maintaining margin. The non-personal, which you can say is the mortgage-based, asset-based, there the growth would come.

Mr. Vishwanath Nair: All right. Thank you.

Moderator: Thank you, Vishwanath. Sir, the next question is from Ritu Singh of CNBC. She said, we have seen that you have cut your deposit growth to the range of 9% to 11%, FY25. What was the credit growth guidance?

Mr. Debadatta Chand: That is what we said. Actually, earlier we guided the market that the credit growth would be 12 to 14% and the deposit would be from 10 to 12%. Having achieved slightly lower in terms of the deposit, we are revisiting the deposit guidance to 9 to 11%, at the same time, making the credit guidance at 11 to 13%. We are at 11.6% global advances growth and domestic advances we are at 12.5%. So, I think we will operate in the upper band of this guidance of 11 to 13% that we are giving on the credit side.

Moderator: The next question is from Mayur Shetty of Times of India. Are you seeing a general slowdown in the economy? Why have you scaled down growth target?

Mr. Debadatta Chand: No, the general economy is going to be robust. Our house view on the GDP has been almost like around 7.3 or 7.5 level. The only, as the regulatory guidance is also coming, that you need to calibrate your asset growth based on the deposit growth, so that you do not run into issues on the ALM. So, that precisely is the purpose. Actually, the deposit market is quite competitive. Actually, it is not Bank of Baroda, if you look at the system, the growth has been very muted for last couple of quarters, right? So, based on that, it is a realistic call to realign the growth guidance. Otherwise, it is something that we do not want to run faster than on the system in terms of the credit and deposit gap. Actually, the gap has to be minimized to the extent that I do have borrowing and other means of alternate resources to match it. So, the change of guidance on the credit side is precisely to calibrate on the deposit, not otherwise. The economy is going at a very good pace. There are good potential opportunities available. Pricing corporate is something where it possibly can moderate a bit, so as to maintain the margin guidance.

Moderator: The next question is from Siddhi Nayak of Reuters. Siddhi, you can please unmute yourself.

Ms. Siddhi Nayak: Hi, sir. So, my first question is going to be on your asset quality. Any guidance that you could give on your Gross NPAs going forward? And also, if you could help with the kind of recoveries that you're expecting, both in Q3 and Q4.

Mr. Debadatta Chand: Okay. So, in terms of the Gross NPA, normally we don't guide the market, although efforts of the bank are always to trend it downwards. Actually, when we're at 3% also, the same thing we told to the market that the efforts would be trend it downward. Two guidances normally on the asset quality side we give, one is the slippage ratio and other is credit cost. So, the slippage continued to be 1 to 1.25%, the credit cost continued to be below 0.75%. So, with those guidances, I believe, we can maintain the level of Gross NPA and Net NPA going forward. Having achieved 2.5% and 0.6%, actually, it's very difficult to bring it further down to a large extent. But we're be trying our best to trend the GNPA and Net NPA downward.

The recovery this quarter has been slightly higher because we got some good recovery on the TWO side. So, on a normalized run rate, our quarterly run rate would continue to be the same, like 2,700 to 2,000. The overall recovery has been 5,200, but then, we'd continue to maintain at a normalized rate rather than the one-off that happened this quarter. Mr. Lal Singh, anything you want to update on this?

Mr. Lal Singh: Yeah. So, we are quite optimistic in the recovery side and we are going to surpass the target set by the board for the recoveries.

Ms. Siddhi Nayak: Sir, any target that you'd want to share with us?

Mr. Debadatta Chand: Just to update you, I have a recovery target of roughly around 12,000 crore for this year. And at the same time, containing slippage around 9,000- 10,000, so that I get an incremental delta in terms of reduction to the external 2,000 to 3,000.

Ms. Siddhi Nayak: Okay. Also on the microfinance side, we are seeing quite some stress from the private players that reported earnings. I wanted to get a sense from you on how that portfolio is doing for the bank? And in particular, what's the reason for the stress in the economy that we are feeling?

Mr. Debadatta Chand: Our book is not large enough in microfinance. Actually, we do have two kinds of finance in micro. One is a direct, another is through all these NBFC microfinance institutions. So, as far as the current book position is concerned, it's fairly comfortable. Currently, there is no stress level as far as either my direct exposure to microfinance, the MFI, the SHG and all loans we give, at the same time, on the lending through the indirect means in terms of the NBFC microfinance. So, the current level is very fair as far as we are concerned. Our book has not shown any kind of elevated risk in terms of any slippage as far as MFI is concerned.

Ms. Siddhi Nayak: Okay, thanks.

Moderator: Sir, the next question is from Ram Kumar of the Hindu Business Line. He has two questions. First one is, why have provisions from standard assets gone up? And the second question is, with the moderation in credit growth projection, how will the loan portfolio composition change?

Mr. Debadatta Chand: So, these two are fair questions. The provision on standard asset has been a bit up because of the prudential provisioning we have taken on the standard asset. You would have seen that the SMA-1 and 2, there is a bit of incremental level as compared to the last quarter. So, consequent to that, we have taken a bit of prudential provisioning on the standard asset.

At the same time, the other question was what? Can you repeat the second question?

Moderator: With the moderation in credit growth projection, how will the loan portfolio composition change?

Mr. Debadatta Chand: See, the moderation is not actually, if you look at the global credit growth, this is 11.6%. And the guidance that we are giving is 11 to 13%. And as I said, that we will be operating at the upper band of this guidance, which is almost going to be 12.5 to 13%. The domestic advance growth is 12.6%, which is one of the strongest growths in the entire system. In a scenario like that, when we try to have a range operated, rather, if I operate at 13%, that will be higher than the current quarter growth. And all of us know that we are walking into a busy season of Q3 and Q4. So, the guidance has been fairly balanced because the guidance has slightly been lowered considering the deposit growth, at the same time, keeping the margin intact. That is very important while we talk the slight reduction that we are talking about.

So, the composition of book is more to retailize. That is something we have very clearly outlined earlier. We have added a couple of percentage points on the composition of Retail to Corporate. Retail means all our RAM book and the corporate book. The intention was to grow slightly, adding a further couple of percentage points on the RAM book. The RAM book is almost 58% now. So, as we migrate towards March '25, possibly I'd like to add further 50-100 bps while deciding on the mix of the loan book vis-à-vis March '25.

Moderator: Thanks, sir. The next question is from Mr. Ashok from The Hindu. Ashok, if you can please unmute yourself.

Mr. Ashok: Good evening, sir. So, I have two questions. One is, what will be the impact of the LCR regulations that RBI brought in? And second one is, in the run up to the implementation of the Ladki Bahin Scheme in Maharashtra, there are some snags in some of the branches; shortage of staff has been reported. Is there a shortage of staff? And, what does the headcount ratio look like in this quarter, and coming down? And, is there cost overrun in employee compensation expense?

Mr. Debadatta Chand: So, on the LCR side, this is a draft guidance as on today, and even if I assume the impact, normally, we don't comment on the draft guidelines, but assuming that the draft guidelines become the final guidelines, the impact would be something around 12 to 15 percentage points. So, the current LCR that we have declared on this quarter is 123%. So, it would to take around 10-12% further impact on that, because again, as the classes of assets are changing.

Mr. Ashok: 10 to 12 percentage points, you mean?

Mr. Debadatta Chand: Yes. So, our normal band for operating the LCR post the guidelines coming into effect, would be something between 115 to 120%. And once the guidelines are issued, then we'll be operating in that band. So, that's why the current LCR is quite comfortable to account for any impact because of the new guidelines. This is one.

Secondly, with regard to the scheme that you talked about, we have no issue today with regard to anything that you're talking about, neither any kind of issues that you addressed. It's business as usual, it's normal and on an on-going basis. So, I think there's much of anything that we can articulate at this point of time on the issues that you've raised with regard to the scheme that you referred to.

Mr. Ashok: Okay, thank you.

Moderator: Thank you. The next question is from Kshipra Petkar of Informist. Her question is on slippages. Slippages have picked up since the last quarter. From which segment are these coming from?

Mr. Debadatta Chand: So, the slippage for the quarter is 2,700 crores, and that's our normal rate. If you would have seen our Q1 as well, the slippage would almost be the same level. So, there's nothing incremental happening vis-à-vis this quarter than the last quarter. Slippages have been mostly on less than 5 crore kind of segment, because you would have seen that the data that we have provided on Corporate, there's hardly any slippage therein. Even out of the 2,700 crores, mostly slippage is on the Retail side and some of the other MSME and Agri side, which is a normal run rate for us as far as slippage is concerned. When we guide the Slippage Ratio to be 1 to 1.25%, anything between that would be fairly comfortable to take the impact therein. So going forward also, the guidance is to operate in this range. So, the normal run rate would be something around 2,700-2,800 kinds of range.

So, within that, Retail as a component, MSME as a component, Agri as a component, some of the data that we have provided on the Retail side also, the slippage has been fairly stable, including all the loans, including all the personal loans. Yes, if you compare the personal loans this quarter vis-à-vis a year back, obviously, there would be a higher amount therein. But then, my book is also increasing in the same pace, right? So, we do not see any incremental slippage immediately on a case like personal loans, which is very very marginal, which would significantly change my guidance or as far as its impact on my book is concerned. So, we're fairly comfortable at the current level, because we're able to, again, recover more than the slippage. That's the normal strategy we have. We want to recover more money out of the current kitty of NPA and TWO, rather than the slippage. Normal slippage would continue to happen. The guidance run rate of 2,700 is a fairly balanced level for us to manage.

Moderator: Thank you, sir. The next question is from Ashish Agashe of PTI. He has two questions. The first question is on corporate lending. On the corporate lending front, what helped in the growth going up in Q2? What are the sectors? How much of it is Capex demand from companies for greenfield, brownfield expansions, and also what is the pipeline of loans right now?

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

Mr. Lalit Tyagi: Yes, Sir. So, the corporate growth has come from various sectors and primarily which are the sunrise sectors of the economy such as infra, power, renewables, then chemicals, and other sectors of manufacturing, FMCG, chemicals. So, it is fairly spread across various sectors. As far as Greenfield and project exposure or disbursements are concerned, exact distribution probably we may be in a position to give you separately offline, but fairly balanced, some amount which has gone into the project loans, Greenfield, brownfield, of course we know that infra is all Greenfield. Similarly, some of the traction has come from the working capital side also as corporates have gone into that.

Moderator: And his next question is, how does the bank look at alternative avenues of raising liabilities beyond deposits?

Mr. Debadatta Chand: Yeah, that's a very fair question. We are like our tagline is, India's International Bank. So, for me, resources, not only domestic, it is also international. So, like the guidance, as I said that when I slightly lower the credit guidance precisely to calibrate with the deposit growth happening in the system. At the same time, not to widen the credit deposit gap, which has been much talked about in the media nowadays as far as the gap of credit and deposit growth is concerned. We have multiple ways and there are borrowings that we have done possibly we have raised infra almost 10,000 crore refinance option is there. So, any alternate option which is a cheaper option for me, I'll always be there. So, that is what precisely while I mean creating the mix of the liability in the book at the same time keeping the margin thing into consideration that fairly balancing this aspect wherein anywhere that helps me to create a stable kind of a resource at the same time optimize on the rate side, we normally get into that. So, we have multiple options available and fairly these are very large options which also we can explore in case the deposit is not going to the extent that we desire. Anything Madam Beena, you want to supplement on this, on the resource side?

Ms. Beena Vaheed: No, Sir. Yes, Sir, whatever you just mentioned, Sir apart from the liability side, which actually we have just reduced the guidance only by one basis point, but apart from that, whatever the MD Sir has just mentioned, there are other avenues for us to raise funds for our credit growth. So, liability we are seeing a decent growth apart from that we have other avenues for whatever was just mentioned.

Mr. Debadatta Chand: Yeah. Okay.

Moderator: Thank you. The next question is from with Pushpita Dey of Outlook Business. Pushpita, can you please unmute yourself?

Pushpita Dey: Hello. Hello Sir, am I audible?

Mr. Debadatta Chand: Yeah. Hello. Please go ahead. You are audible. Please go ahead.

Pushpita Dey: Yes, Sir. Sir, could you please give us an idea like, what is the plan going ahead in terms of opening new branches? I mean any plans of opening new branch in the coming quarter and number of branches opened this quarter?

Mr. Debadatta Chand: Yeah. Actually, we have planned to open almost 250 to 300 branches this year. As on today, we have almost opened 102 branches and the remaining part of the year we will open the remaining branches. As I said earlier, we are opening branches in those areas where we are underserved in those market and those potential geography. So, clearly the focus is to grow on those area where there is a potential area where we are not present to that extent. That is what is the strategy of the bank, so 250 to 300 branches this financial year. Already, we have opened 102 branches as on today.

Pushpita Dey: Okay and Sir, just one more question. Sir, what is the plan for green financing because we are expecting the green taxonomy to be out soon. So, any plans of green financing in the coming quarters? What is the road map for it, if you could give us an idea?

Mr. Debadatta Chand: Absolutely, actually, on the ESG front, as I said in my initial remarks also, the bank is quite committed, that is point 1. The second point is on the green financing, we have created a very large book on the renewable side. So, as on today, if I talk about, it's almost more than 2 billion in USD terms the kind of book that we've created in last three years' time. We are one of the banks having issued a green deposit and the outstanding green deposit as on today almost 700 crore. Significant traction coming on depositors willing to put money in the green deposit for a definitely for a large intention and large purpose. So, the bank is quite keen. We are exploring multiple options in terms of taking green financing overseas also lines and then deploying green book. So, the ESG mandate, the bank does the ESG policy and it talks everything with regard to how do you again take resources and deploy into assets, which are green in nature and typically helping the country to achieve its carbon emission commitment whatever the mandatory target as far as the country is concerned. So, the bank is quite committed on that and on the book size, we have almost more than 2 billion USD in terms of the exposure to the renewable side.

Pushpita Dey: Okay, Sir. Thank you, Sir.

Moderator: Thanks, Pushpita. Sir, one question coming from Rajesh of Mathrubhumi. Your gold loan growth is 118.4% YoY. What is the reason for the whopping growth and which parts of the country is it mostly distributed in?

Mr. Debadatta Chand: Mr. Mudaliar, can you take it up and then I'll supplement on that. You're on mute, Sanjay.

Mr. Sanjay Mudaliar: See, if you see the gold loan portfolio has been doing pretty well over a period of time and this time there was a special focus was there, special efforts were there to market it in a calibrated way in a compliant way, and that has given us some kind of a traction. As far as areas are concerned, obviously, it is spread out, but dominantly in the southern part of the country where the gold loan business is high, we do have some traction coming from there.

Mr. Debadatta Chand: Okay.

Moderator: Okay. The next question is from Bapu Narayankar of UNI. Sir, can you please unmute yourself.

Mr. Bapu Narayankar: Am I audible?

Mr. Debadatta Chand: You are audible. Please go ahead.

Mr. Bapu Narayankar: Yeah. Look, I have 3 questions quickly, I will field it for you. How does the bank foresee interest rate fluctuations impacting its future net interest income? Secondly, what sectors are contributing most to the bank's loan growth and are any new segments being targeted? And thirdly, has the bank made any provisions for potential loan defaults and how are these affecting overall profitability?

Mr. Debadatta Chand: So, on the interest rate side, as you know, the market on the asset side, the prices are fairly stable now on the incremental MCLR changes are very, very less now. So, the return on the asset side is very fairly balanced and that is what the position as on today. On the liability side also, I think the deposit rates have peaked out in the sense, the cost of deposit although or this quarter there is a marginal increase almost by 6 bps, but I think the deposit cost also has fairly stabilized now and there are two outlook we have going forward. One outlook is with regard to the kind of like the scenario that you're seeing globally and also in Indian market. As I said, the liquidity has improved in October as compared to September and that's on an improving trend. So, globally, as you know that the Fed has cut the rate and couple of central banks have cut the rate. RBI changed the stance of the monetary policy. So, I think the liquidity would improve then possibly a bit of moderation should happen on the cost of deposit. So, for Q3, although the levels would be almost like the same like Q2, but I think Q4, we can see some changes either because of the rates trends or substantial liquidity coming into the system.

Then, I think the margin guidance that we are giving would be intact as it is. If you look at the like the Q2 of last year, also our NIM was 3.07%, but the overall year was 3.18%. So, now the NIM of Q2 of this year is 3.10 levels. So, I think we will maintain our margin guidance of 3.15 + /-, 5 bps. We in banks normally align our pricing based on the market movement. So, in case there is a cost pressure, then we pass on to the borrower. In case there is a reduction in the cost of deposit, we again pass on the benefit to the borrower. So, it's so that the margin remains the same. So, in terms of our outlook, I think our interest is fairly balanced and stable now. We won't see much of change in the cost of, I mean the return on advance and cost of deposit, but some change can typically put us in a better position on the margin side.

On the loan growth, as I said, retail, we have what we can say the consistency of growing more than 20% and continue to be the same for the future quarters. MSME and Agri, which is something around 11%-12%. We slightly intend to grow higher on that going forward on Q3 and Q4, as these are again productive quarters on these two counts. Corporate is almost like 10% growth, that is what actually this quarter we achieved and going forward also the same thing we'll try to achieve. So, in the manner the mix of RAM and corporate slightly would undergo a change in terms of a higher RAM as compared to the corporate. So, this typically you can maintain the margin and also the growth that we're talking about, so retail 20+, Agri and MSME 12% to 14%, and corporate around 10%, which is also our current quarter almost the growth in the same manner.

Your third question was with regard to potential loan segment that you are targeting, yes. Corporate, you know, these are the scheme, but on the MSME side, we think there are couple of sectors where we can play slightly bigger role therein.

Mr. Bapu Narayankar: Sir, can I interfere here?

Mr. Debadatta Chand: Yeah, please.

Mr. Bapu Narayankar: Sorry to correct you. The question was on potential loan defaults and how are these affecting overall profitability? That was my question.

Mr. Debadatta Chand: No, no. Actually, as I already said that as far as the run rate in terms of the default or the slippage that we talked about, the guidance is around 2700 crore, the same level. So, the economy going forward is very, very productive. The quality of assets is very good. The collection efficiency has been very high at 98.5% and keeping everything intact, I do not see any elevated risk in terms of slippage. These are all contained. That's we are guiding the market saying that rather on the GNPA and net NPA, we will be trending it downwards. So, we do not expect any potential loan losses impacting the banks book anyway.

Mr. Bapu Narayankar: And one last question, how do these results compare with Q2 results of other leading banks in India, very briefly you can answer?

Mr. Debadatta Chand: I think that's for you to compare and let us know that what you understand about our performance, but our performance is good in this quarter, particularly as I say that we have achieved more than 5,000 crore of net profit. On many of the parameters that we guided; we are in line with those guidances on the advance's growth at 12.5% for domestic which is one of the best in the market. Many banks have not declared results so far. So, it will be difficult to compare, but our growth, I think we have given the robust performance for this quarter.

Mr. Bapu Narayankar: Thank you very much, Mr. Debadatta.

Mr. Debadatta Chand: Thank you. Pleasure talking to you.

Moderator: Thank you, Sir. Sir, we will take the last two questions. One question is from Shipra of Informist asking, are there are any fundraising plans for the rest of the year?

Mr. Debadatta Chand: To reply that on the equity side, absolutely no, because our CRAR is quite comfortable actually at 16.26% level and if I add back the profit, it will be in excess of 17%. So, there is no plan on the core equity side. As far as AT-1 and Tier 2 as we have already announced to the market that we intend to raise 7500 crores this financial year and as on today, we have not raised anything, so any raise would be in these two quarter like Q3 and Q4, but on the core equity, no plan to raise any money this year.

Moderator: Thank you, Sir. Last question, Vishwanath Nair has a follow up question, I'll just ask you to unmute yourself.

Mr. Vishwanath Nair: Thank you. Just a quick question, Sir. On the corporate loan growth, coming back to that. Are you looking to moderate the growth because of your pricing and margin concerns or is it a demand issue - is there a demand issue as such? You said that you have done 10.6% odd this quarter Q2, but Q3 and Q4, I'm just trying to understand because I don't think we got a clear answer on the pipeline going ahead for the rest of the fiscal?

Mr. Debadatta Chand: So, the industrial demand is very strong. Let me be very clear on that and we do have very strong pipeline for growth. Just I'm only comparing couple of data points here. The Q1 growth on the corporate credit was 1.6%. So, clearly, we wanted to realign the book at that point of time in terms of fine priced book and the book which are again above MCLR kind of a number. So, to maintain a 10% growth for the full year, I need to grow higher than 10% in Q3 and Q4 and in case you normalize, the growth can be as high as 12%-13%. I'm giving you guidance of 11 to 13%. Again, I said that in the guidance, I'll be operating in the top band in the sense that I would like to attain 13% growth on the corporate credit, I mean overall book. So, in that scenario, our growth in all segment including corporate for Q3 and Q4 has to be higher and what again we have achieved in Q2, that means there is a strong demand pipeline, we want to go ahead on that, but Q1 of the financial year, we wanted to realign the book more from the point of margin, I mean achieving our margin guidance.

So, the Q1 book, all of you would have seen that the growth has been 8.5% or 9% or 9.5%. So, going forward Q3 and Q4 would be stronger than that of Q2 in terms of growth both on the corporate side, noncorporate side in terms of RAM, but in the process, we'll try to slightly increase our retailization concept of retailization the book slightly more as compared to the corporate. That's a long-term plan. We have announced earlier also. We want to achieve this 58% RAM to 65% in three to five years' time. That's something work in progress actually that would give me more I mean, the book would be more diversified in that way. The income earning potential of the book would be also higher in that way and that is what actually we're trying to achieve out of the process.

Mr. Vishwanath Nair: Sure. Sorry, if you allow me one more. The RBI put out a draft around subsidiaries and associates and it is in that sort of context that I'm asking you, the plans with Nainital Bank and Bobcards, we haven't heard much since the last announcement that came, were you were looking to hire bankers to try and see if you can find investors or looking at public listing. Just trying to get a sense as to is there some kind of plan, any movement in that direction?

Mr. Debadatta Chand: See, as far as the RBI draft guidelines is concerned, the focus is more on the NBFC and HFC on that. Actually, we do not have any NBFC or HFC. So, I mean the part A of the guidelines is complied in that way. There are two only, not only Nainital Bank, there is also, we have promoted the IDF also which again can be part of the draft guidelines. Once the guidelines are issued in finality, then we will take a call how to comply to the regulatory guidelines on that. Coming to specific to Nainital Bank, the process is on because as all of you know process has multiple, I mean there are building blocks therein to achieve and the only I can say at this point of time the process is on, on that, right. So, that's where we are currently. So, as far as the guidelines is concerned, once it is issued, then we'll definitely comply to that, but we don't have NBFC or HFC subsidiary. So, I mean major part of the guidelines is compliant as far as we're concerned.

Mr. Vishwanath Nair: What about the card subsidiary, sorry?

Mr. Debadatta Chand: Card subsidiary, I don't think that guidelines have that implication as on today because we have not evaluated, but again today there is no plan to divestment in Bobcard for the matter, right, but in case the guidelines comes and there is a requirement, we'll look at that point of time, but currently we're not posting any process for divestment in Bobcard.

Mr. Vishwanath Nair: Alright, thank you, Sir. Thank you. Thanks.

Mr. Debadatta Chand: Thank you.

Moderator: Thank you everyone. Sir, this was the last question. Thank you all for joining us. Have a good day.

Mr. Debadatta Chand: Thank you very much. Thank you all again for sparing your time to join in our Q2 performance. Thank you very much.

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