Bank of Baroda Analyst Meet for Quarter and Nine months ended 31st December 2024

30th January 2025

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)*

Host: Good evening, everyone, and welcome to the Analyst Meet for Bank of Baroda's results for the quarter ended 31st December 2024. Thank you all for joining us. We have with us today our MD & CEO, Mr. Debadatta Chand. He's joined by the Bank's Executive Directors and the CFO. We have a short presentation, that we will take you through followed by the Q&A session. I request Chand Sir to please take it forward.

Mr. Debadatta Chand: Thanks, Phiroza. Again, good evening to all on call. So, let me introduce the management team. I'm D. Chand, the MD & CEO of Bank of Baroda and I'm interacting with all of you for many quarters now. With me, Mr. Lalit Tyagi, he's the Executive Director. He looks after the Corporate Credit, International Banking, and also Treasury for the Bank. With us again, Mr. Sanjay Mudaliar, he's the Executive Director looking after the entire IT operations of the Bank including the Retail Assets of the Bank. And with us we have Mr. Lal Singh, he is the Executive Director, looking after the Recovery, Agri and MSME vertical and also the HR function of the Bank. And again, with us in the management team, we have Madam Beena Vaheed, she is the Executive Director looking after all Control and Compliance function and including the Retail liabilities of the Bank. With all of us again the CFO of the Bank, Mr. Manoj Chayani, he is interacting with you for maybe two to three quarters now. So, with this Chayani ji over to you for your presentation and thereafter I will go for my opening remarks.

Mr. Manoj Chayani: Good Evening everyone and as you know, it's always a privilege to interact with you and we are ready with our financial highlights of Bank of Baroda for the quarter and nine months ended, 31st December 2024. Since, we are meeting in the New Year for the first time, wish you and your family members a very Happy New Year 2025. Coming to the financial highlights; the Bank has posted total business volume of 25.65 lakh crores as of 31st December 2024.

If you look at the advances side, the global advances have grown by 11.8%, which consists of domestic advance of 11.9% YoY growth and International 11.2%. Segment wise if we analyze, we continue to grow our retail, it's an organic growth of around 20%. Agriculture is growing at 13%. MSME at 14%, which is better than the previous quarters, corporate at 7%. If we look at the retail segment, we have seen a smart growth of around 16.3% in mortgage, 16.6% at home loan, education at 17%, auto loan at 21%, and personal loan continuously we are moderating the growth and as of December 24, we have grown at 24%.

Deposit remains a constraint for the banking industry at large. However, the Bank has grown deposit at 11.8% YoY. CD ratio is a little elevated to 84.24%. But the two noticeable aspect is that our CASA has grown YoY by 6.5%, which is better than the peer banks, and we could maintain our CASA ratio around 40% as per our guidance.

Bank enjoys a robust profitability and we have posted operating profit of 7,664 crore for the quarter with 9.3% YoY growth and continuously we are posting profit after tax of more than 4,000 crores and this quarter also we have posted a profit after tax of 4,837 crores with YoY growth of 5.6%. Return on asset, continuously the Bank has posted for the 10th quarter more than 1% as against our guidance of more than 1% and return on asset is 1.15% and similarly there is a robust return on equity of 17% as a 31st December 2024.

If you look at the nine months period, operating profit has grown by 6.3%, profit after tax 12.6%, return on asset has improved from 1.15% to 1.17%, and return equity as we said it is 17.03%.

Yield on advances, nine months ended, it has grown from 8.44% to 8.46%, however, there is an increase in the cost of deposit from 4.85% to 5.09%, as a result of which, the net interest margin for the nine months, as has come down a little bit from 3.14% to 3.08%. However, this, as per our guidance, is in the lower band of the guidance of 3.15 +/ - 5 bps that is 3.10% to 3.20%.

Bank enjoys a robust asset quality, healthy asset quality with gross NPA trending at 2.43%, which has reduced by 65 bps YoY. Similarly, net NPA also reduced from 0.7% to 0.59% and provision coverage ratio is robust at 93.51%.

One of the key parameters is slippage ratio. Slippage ratio, we could improve to 0.90%against our guidance of 1 to 1.25% and we enjoy a very healthy credit cost of 0.30%, which has again improved from 0.39%. If we look at nine months period, the slippage ratio has come down to 0.81% and credit cost is 0.47%.

SMA book as you can see as against 0.47%, it is 0.49%. It is at a similar level, and we enjoy a healthy collection efficiency of 99%. Also, we are having a robust capital base of CRAR trending at 15.96%, this is excluding the profit for the current year. If we include that, then the CRAR is improved further to 17.34% and CET 1 of 12.38% as of December will improve to 13.77%. That's all from my side. Chand Sir, over to you.

Mr. Debadatta Chand: Yeah. Thank you, Chayani ji, and once again, good evening to all of you and as the CFO said Happy New Year to you and all your team members and let me make some of the qualitative comments over and above the presentation made by the CFO and if we look at the numbers that we have announced for this quarter, this is again consistent to the numbers we've announced in the earlier quarters. So, the point here is that we are looking at a very sustainable business model wherein the growth in book, the growth in profit is something strong, robust, and consistent. The growth has been shared as against 9% to 11% deposit guidance and 11% to 13% advanced guidance, our deposit growth is 11.8% and the advance growth is 11.8%. This is one quarter where the growth of advance is almost equal to the growth of deposit.

As you know, this quarter also has I mean underlying market condition of a tight liquidity and also a tight deposit market wherein there are still elevated cost structure on the deposit side. We also said earlier one of the concepts of slightly retailisng the banks book more and typically we call it a RAM and the corporate, RAM is the Retail, Agri, and MSME. If you look at the percentage of RAM in December 24 over December 23, it has improved by 200 bps from 57.9 to 59.9%. As the retail continue to grow at 20% quarter-to-quarter for many quarters now on the Agri and MSME as compared to the September, we added almost 200 bps growth in December over September. The percentage of growth in Agri and MSME is almost 2% higher than the growth that YoY growth we had in September, so we'll continue to focus on the retailization story and would work on making a diversified book, so that we have margin accretive measures so that we improve the margin and the profitability going forward. At the same time a higher diversified book and a lower RWA density book, right.

On the CASA front, a noticeable thing that as the CFO said, our Growth is 6.5% this quarter and again, just to remind that our growth in September was 7% and earlier also we said that we continue to focus on the retail side of the CASA and also on the retail innovating product in the market trying to improve our service standard, adapting more and more digital part of the entire journey, so that's significantly giving us positive outcome and both the quarters the growth has been all you know the system growth on the CASA front and we are very satisfyingly placed at a growth of 7% in September and 6.5% in December.

The growth in operating profit, the key focus of the Bank is how do you again structure the operating profit as the core theme of optimizing that. If you look at the growth this time on the operating income growth is 9.2% and the operating expense growth is contained at 9.1%, the operating profit growth is 9.3% and a net profit for this quarter is 5.6%, whereas the nine months is 12.6%. So, considering that the major profit matrix of the Bank is quite strong, robust, sustainable, and we are working to maintain also going forward.

On the margin side, earlier, we guided the market 3.15 +/-, 5 bps. Let us also make a note that one accounting change that happened also during the year. There was a change in accounting from penal interest and penal charges. So, that impact is almost 5 to 6 bps lower. With that also, the bank could achieve a nine-month 3.08% margin, which is slightly lower than the lower band of our guidance earlier. So, going forward, our operating guidance for the margin for the full year is 3 to 3.10, that means 3.05 +/- 5 bps with an upside towards the upper band because of the change condition that you are looking at for this quarter particularly on the liquidity side and also on the rate expectation on the monetary policy that we have going to be. So, that continues to be something that we are quite mindful of how to operate at a margin guidance which again coming on the strong side, the book is calibrated keeping the margin and the ROA guidance. So, in that way you would have seen our growth is strong and robust for this quarter too. Asset quality as the CFO said right. The GNPA and net NPA trending downwards. The slippage ratio and the credit cost have been much lower than the guidance we had given, but we'll continue to retain the guidance at the same level.

On the digital, again, we're working. Recently, there was a IBA Digital Conclave wherein the Bank was a winner in two segments of the Digital Technology Awards and also runner up in two. So, digital continue to be a key focus on the business model that we have and continue to have. To sum up on the guidance, we keep the deposit guidance the same at 9 to 11%. The advanced guidance continues to be 11% to 13%. The slippage ratio continues to be 1% to 1.25%. The credit cost continues to be the guidance of less than 0.75%. The margin guidance is 3 to 3.10% that is 3.05 +/-5 bps. With a condition that we think can come, can be positively upward also, which can typically take us to the upper band of the guidance, which would be the lower band of the guidance earlier and in spite of the fact that the penal interest, penal charges impact is almost 5 to 6 bps for the full year.

With this again, thank all of you for joining on the call and open for question and answer. Over to you, Phiroza.

Host: Thank you, Sir. The first question is from Rikin Shah.

Mr. Rikin Shah: Hi am I audible?

Mr. Debadatta Chand: Yeah, Rikin, please go ahead.

Mr. Rikin Shah: Thank you, Sir. Good evening for the opportunity and just a few questions. The first one is on margins, the domestic advance yield has declined again very sharply in this quarter and what explains that because the corporate loan growth has also kind of slowed down versus the last quarter run rate and in your opening remarks, you mentioned that there could be an upside risk to our margin guidance of 3.05%, which is the midpoint. How would that really kind of come through because if the rates are cut, while of course your MCLR book is higher, why would that be an upside risk to your guidance? So, that's my question #1.

The second question is on asset quality. The personal loan GNPA ratio in the last few quarters has been rising and despite that, we have seen almost 7% QoQ PL growth in this quarter. So, what's the thought process there? Of course, your retail slippages have moved down, so that's a bit more comforting and the second part of the NPA would be gold NPA, even they have slightly moved up of course from a very low base, any color you would be able to share on that? So, that's my second question.

Thirdly, it is on SMAs, last quarter of course, we had called out couple of accounts because of which it was elevated. They seem not to have been rolled back. Do you expect them to see a rollback in the coming quarter and lastly, your slippage, credit cost guidance, you're kind of holding it up despite your nine month performance reasonably below that, so anything to read into it? Do you expect any kind of further deterioration, or should we expect the current run rate to kind of maintain? Those are my four questions and just two data keeping questions like always, the total number of employees and standard restructured account, that would be helpful. Thank you, Sir.

Mr. Debadatta Chand: Thanks, Rikin. Actually, on the margin side there is no upside risk. What I said upside bias. So, when I say 3 to 3.10%, what I'm telling is that we'll try to have an upside bias that means we'll try to achieve 3.10%, not a risk to that, right. So, that's a clarification I want to give to point 1.

On the personal loan, you are right. Actually, if you look at the GNPA that we announced for the personal loan, the book is small, let's say 32,000 crore and the GNPA for December and September there is almost a 0.5% increase on the GNPA. In terms of amount, it translates to 100 crores per quarter. My fresh slippage for the full quarter is 2500 crores. That's insignificant in that way, and you rightly said that because other segment of the retail is much lower, benign slippage. This is getting adjusted actually in that manner. So, there is no concern per say. Actually, the quality of the book we have improved significantly when we stated 1.5 years back that we're going to moderate on the growth in the process. Actually, we improved the underwriting standard. So, there is no concern. Similarly, gold loan, if you take the absolute amount in terms of the 0.71 to 0.80% amount transferred to 36 crores, so that also insignificant in that way. So, the normal slippage guidance is 2500 crore normalized basis quarter-to-quarter and that continue to hold on that. You also talked about SMA book rollback. Yes, that is already we rolled back actually. Lal Singh saab can you just throw some light on this. The SMA book at 0.49%.

Mr. Lal Singh: So, SMA book is including restructured around 28,400 crore, which is 2.48% of the total loan book.

Mr. Debadatta Chand: So Rikin, just to add to what Lal Singh saab said, actually slightly, you're looking at 0.49% to some 0.45% in the last quarter, right and that is higher than the 0.23 %earlier. So, couple of accounts 4-5 accounts, which was there, which was more of a technical or I mean what you can say temporary liquidity mismatch, out of that three already pulled back again today. So, if I look at the CRILC SMA that you have declared, actually it is not 0.49% now it is 0.19% because all these accounts have been pulled back by this time. So, there is no concern with regard to SMA in that manner, right.

Mr. Rikin Shah: Got it.

Host: Thank you, Sir. Before we go ahead, just I would request to limit yourself to two questions per person and we'll come back to you if there is time. The next question is a question from Rakesh Kumar.

Mr. Rakesh Kumar: Yeah. Hi, Sir. Can you hear me?

Mr. Debadatta Chand: I can hear you. Please go ahead.

Mr. Rakesh Kumar: Yes, Sir. So, just coming back to you know this margin number and the credited number, so we had a sharp fall in the recovery on the written off number and if I look at recovery coming from NPA, that number is broadly similar, there is not much of a change on a sequential basis. So, what I think that your recovery number on the written off book has kind of you know dented your margin number, so firstly what is the recovery on written off number is going to be for fourth quarter and going ahead? And is the recovery number you know the interest income accrual number going into the interest income line, was that number 300 to 350 crore that we lost this quarter.

Mr. Debadatta Chand: No, it is like just to clarify, last quarter the recovery from written off there was a one off, which is also clarified last time because of that the amount got boosted. Our normalized run rate for recovery out of written off is almost 750 to 800 crores and if you look at Q3 of December 23 also, it was almost at the same level. This quarter is almost at the same level and going forward, we will maintain the normalized rate. There may be a possibility of one off in couple of quarters, but that would be add on to that. So, the fall in the recovery from written off vis-a vis the last quarter, I'm talking the Q3 over Q2, it is also supported this time by the higher treasury income and also one element of the interest on the tax refund. So, that's clearly negating bit of the fall in that manner. So, in that way, banks book is well balanced in terms of taking any impact because of the recovery from written off account. Last quarter it was one off, otherwise the normal rate is the level that we have I mean this quarter the number is.

Mr. Rakesh Kumar: But Sir, just to know that what is the interest income accrual that we would have done in second quarter you know because of the recoveries, NPA recovery and TWO recoveries, what that number was?

Mr. Debadatta Chand: I think we'll update you roughly around out of that, it can be 500-600 crore. That is what actually, there was a one off. So, obviously there was an interest income written back on the matter. So, I mean on the interest income on the impact suppose because of one off is not there this quarter, almost to the extent of like 300 crore - 350 crore kind of level.

Mr. Rakesh Kumar: Impact is there, correct. So, that is what I was estimating that 300 to 350 crore is the impact that we have this quarter.

Mr. Debadatta Chand: Yeah.

Mr. Rakesh Kumar: And secondly Sir, fee income. Sir, fee income is pretty strong and asset quality is also pretty strong. So, on fee income, if you can, you know, highlight some of the things that why it happened, what are we doing, and why did we, you know, achieve this kind of a strong number on core fee income?

Mr. Debadatta Chand: So, you are very right, actually earlier also we announced that we started some kind of an internal kind of a thing which we talked about fee and flows kind of and the idea was to strengthen the core fee income. See, the recovery from written off accounts other than the normalized run rate can be worn up at some point of time. Treasury income is also highly dependent on the market condition. So, the core fee income, if you look at the core fee income this quarter, the growth is 12.6% and that is where we have to optimize that. There are challenges in terms of, because some of the core fee income going shifted like a moment ago for a normal physical transaction to a digital transaction and the fee goes off. But there are challenges to optimize, but clearly as a management, as a banker, we clearly focus how to optimize on the core fee income. So, this quarter, the core fee income leaving apart the treasury income or the tax refund or the core also is going up by 12.6%. That's something significant. See the numbers that we are looking at, the book increase is almost 12%, 11.8%. The operating profit increase is almost 9.3%. The operating expenses is contained at 9.1%. So, I think somewhere we have to have a stability of all this income and that is where we actually were, if you look at the core fee income this quarter, the growth has been good, but will be trying to focus more on that and try to optimize more also going forward.

Mr. Rakesh Kumar: Thanks, Sir. Many thanks. All the best, Sir.

Mr. Debadatta Chand: Thank you very much.

Host: Thank you. The next question is from Piran Engineer.

Mr. Piran Engineer: Yeah. Hello. Congratulations, Sir, on the quarter. Just firstly on the previous question, a clarification this 300-350 crore lower interest income, if we adjust for that, our margins would be about 10 Bbps higher, is that a correct understanding?

Mr. Debadatta Chand: It is actually, the last time as I said there was one account which was one off in terms of a recovery of NCLT resolution and significantly, the recovery was full in that case, putting a positive interest income impact of roughly around 300-350 crore.

Mr. Piran Engineer: Okay.

Mr. Debadatta Chand: So, there is a normalized, what we said that what is a delta that changed last quarter we saw vis a vis this quarter and that is about 300-350 crore and thank you very much for congratulating the Bank. The Bank would again, try to have one, I said initially to have a stable, sustainable kind of a growth both in terms of book and also in terms of the profit number. Thank you very much for that.

Mr. Piran Engineer: No, no, no, no problem. My pleasure. So, Sir, just one or two more questions. Firstly, on our borrowings in the last two quarters, it's gone up from roughly 90,000 crores to now 1.3 lakh crores, can you just help us as to you know, what are these borrowings, are they more refinanced, NABARD, SIDBI, because we are growing on MSME or are they more infra bonds and ballpark what would be the cost of these borrowings - of the entire borrowing book?

Mr. Debadatta Chand: Yeah, yeah, actually, you said all of that, actually part of the borrowing and clearly the borrowing is to substitute on the deposit cost otherwise, right. So, Mr. Tyagi can you just slightly update more on this?

Mr. Lalit Tyagi: Yeah. So, thank you very much, Sir. So, in fact, last quarter we raised infra bond to the extent of 5000 crores. Put together this financial year, we have raised infra bond to the extent of 15,000 crores and we also, you know, tap time-to-time the competitive refi from some of the domestic specialized distributions. Put together that and the market borrowings have elevated as the MD saab said that you know, when that option is available and cheaper and all of us know that deposit side, there are some, you know, limitations in terms of managing the cost. So, we balance it out with that.

Mr. Piran Engineer: Understood, understood, and Sir just lastly on gold loans. There is a lot of talk about Agri gold loans you know below 2 lakhs should actually be collateral free and you can't take gold from the farmer. Sir, can you just probably clarify these rumors that are or whatever these news are that is going around as to whether this is what the RBI wants, collateral free up to 2 lakhs. And also in regular consumer gold loans a lot of talk about you know refinancing at the end of it, doing EMI payment, 75% LTV throughout the loan rather than at disbursements. So, maybe if you can just share some light on what is what's the RBI thinking and what is the conclusion that would be very helpful?

Mr. Debadatta Chand: See, as long as it's not guidelines normally, difficult to comment on that. Actually, they are matter which are again not crystallized yet, so we've not framed a stance on the matter, but Lal Singh saab, anything you want to update on this on the gold loan side, agri gold?

Mr. Lal Singh: Thank you, Sir. In fact, Agri gold, there is no such guideline till date, but yes on MSME there is guideline that up to 10 lakhs we can't take any collateral. That may be land building or gold, whatever is there. So, those we are adhering to.

Mr. Debadatta Chand: On the retail gold loan, you have some question, right? So, what is that?

Mr. Piran Engineer: Basically, you know RBI has expressed some concerns on things like bullet repayment on maintaining LTV of 75% throughout the term of the loan and there was a meeting of you know, the Gold Lenders Association with RBI a couple of weeks back. So, some updates, even qualitative, is fine, but some updates would be useful, Sir?

Mr. Debadatta Chand: No, actually, as far as the retail gold, my book is almost hardly 6,000 crores. So, it's not a very significant amount therein, but then some of the conversation we are not aware as in today, but our business is a compliant business as on today. Mudaliar saab anything you want to add on this?

Mr. Sanjay Mudaliar: No, Sir. In fact, since the details are not available, I don't think it will be appropriate to give any comment at this stage. Thank you.

Mr. Debadatta Chand: Okay. Thank you.

Mr. Piran Engineer: Okay. Fair enough. Fair enough. Thank you, Sir and wish you all the best.

Mr. Debadatta Chand: Thank you very much once again.

Host: Next question is from Mahrukh Adajania, please.

Ms. Mahrukh Adajania: Hello.

Mr. Debadatta Chand: Yes, Mahrukh, please go ahead.

Ms. Mahrukh Adajania: Yeah. Hi. Hello, Sir. Good evening. I had two questions. Actually, three questions. Basically, firstly on your credit cost, right. So, you had explained that you had made higher specific provisions last quarter and a floating provision of 2 billion and that's why we understand that this quarter, the credit costs are lower, but they are at 38 basis points. So, is this a new normal now or where do you see your credit cost settle in the fourth quarter or maybe over the next three to four quarters? What should we build in like 40 basis points, 35 what is the number? That's my first question.

Mr. Debadatta Chand: Okay. We'll reply first one. There's not any new normal. The only normal is that the credit cost would be below 0.75%, right. So, that is point 1. Point 2, is a case wherein yes, the credit cost is also linked with the asset quality and as in today, when we look into the SMA book, the stress book, we are quite comfortable as on today with regard to the asset quality. So, in that scenario, I don't think anything like nine months credit cost is 0.47%, right. So, maybe a band between 0.5 to 0.75% we would like to end in the full year, but again, it all depends upon the forward, what you can say emerging facts and figures that would come to us, but then the full year it would be below 0.75%, that is what fully we are convinced on the piece, right.

Ms. Mahrukh Adajania: Okay, Sir. Sir, my next question is on home loans. Obviously, your home loans are growing well. They have grown 4% quarter-on-quarter, but if you see some private banks, they are not being able to deliver growth of four, very few are delivering even 3% QoQ. So, is it that you are getting a lot of refinancing requests from private banks? What is your rate to the most prime customer that you offer?

Mr. Debadatta Chand: See, there is no, actually the numbers that we have given is the organic book. So, there is no refinancing or anything from private banks on that matter. The numbers that we see is 20% or 19.5% on the home loan 16.6% is the organic book. It's not like this quarter ,we have a growth of 16.6%, right. That is consistent for Bank of Baroda, particularly in the segment of home loans, we do have the right delivery channels, the right relationship measures, the right project approval, so that is giving us bit of a positive outcome for many quarters. So, continue to grow therein and I don't think there are elements which again can slightly put the guidance below what we are growing, but we are quite comfortable with the growth both in terms of asset quality.

In terms of the best rate, they are all card rates being defined in the website. I mean the bias is obviously, I mean borrowers having a better CIBIL score. So, that's on the asset quality we are quite mindful in terms of what is that book we built. In terms of rather, actually one data we didn't share. The RWA density that we compute for many of the products including home loan is showing a positive outcome. So, in that way, we believe in good quality borrower. We believe in the right relationship manager. Actually, one of the important factor in the home loan segment is the time you take to give a sanction, right. So, that is what actually we improved significantly in our last many years. So, I think there's a sustainable growth that we've maintained and on the quality side, it is on much better side. Actually, there is no concern as on today.

Ms. Mahrukh Adajania: But your best borrower would be getting at 8.50, 8.40, what would be the rate?

Mr. Debadatta Chand: They are all card rate ma'am. Actually, the card rate is defined on the website.

Ms. Mahrukh Adajania: Alright. Okay, Sir. Sir, and my last question is just one clarification that you did say that you know your recovery income that goes into interest on loans, it goes there, right, has come down though the QoQ growth in loans and interest on loans is matching, but okay it's gone down from say around 830 to around 500-550, that's correct, right?

Mr. Debadatta Chand: No, no, I will just update you. Actually, the conversation we had actually our normalized recovery out of written off accounts is almost 750 to 800 crores. What had happened last quarter, there was one off in that recovery of written off accounts and because in that particular recovery, the recovery was substantial that we could recover the full amount. The positive impact because of that particular one off is roughly around 350 crores on the interest income, which is not available this quarter, right.

Ms. Mahrukh Adajania: Got it.

Mr. Debadatta Chand: So, otherwise, normal is going to be 750-800 crores that we are going to have a future quarters also.

Ms. Mahrukh Adajania: Right. So, the normalized reversal or the normalized accretion to interest income will also be then what happened this quarter only, right?

Mr. Debadatta Chand: No, no, that cannot be quantified, Mahrukh that cannot be quantified, the reason being, many of the recovery, you are not recovering the full amount to get benefit of the interest reversal, right. You may recover your principle out of the recovery, but last quarter there was a one-off case where the recovery was full that included the reversal of the interest income and also the full extent of the principal. So, the delta that we made last quarter, that was the point of discussion, not on a normalized. Normalized, it may give some reversal of the interest income, it may not give any reversal of the interest income.

Ms. Mahrukh Adajania: Got it Sir, very helpful. Thanks a lot, Sir. Thank you.

Mr. Debadatta Chand: Thank you. Thank you, Mahrukh.

Host: The next question is from Kunal Shah.

Mr. Debadatta Chand: Yeah, Kunal, good evening.

Mr. Kunal Shah: Yeah. Good evening. Can you hear me?

Mr. Debadatta Chand: Yeah, I can hear you.

Mr. Kunal Shah: Yeah. So, couple of questions. Firstly, on the international slippages and international margins. So, again, this quarter we saw decline, last time you indicated it can still be managed at 1.9 to 2 odd percent and given the global rate environment, do we see pressure over there or is it on account of maybe the slippage in the, it's a small number, but still like 200 crores slippage which is leading to a lower NIM in the international market?

Mr. Debadatta Chand: See, one is the slippage, another is the margin. The margin is stable. Actually, if you look at the nine months margin on international, it is 2.02% and this quarter it set 1.8%, slightly when the reset of pricing happens in the international book, both on the advance and also on the deposit, there is a lag clearly. So, a lot of refi transaction happened on the asset side, which again not passed on to the exchange of the deposit, but broadly our NIM on the international would be 1.9 to 2%, that is what we are hopeful going forward we can maintain. On the slippage particularly that you talked about, although a very small amount of 200 crores, Tyagi saab can you just update on the slippage side?

Mr. Lalit Tyagi: So, actually this was one of the cases in our one of the territories and probably it is not the normalized degradation rate in international book. In fact, for many quarters, international book has not shown any distress. So, at individual asset cases, sometimes you know these emerges, but this is not the normal case for the international book.

Mr. Debadatta Chand: In fact, it's a very combination of many of the small accounts, which again based on some accounting change we made that NPA, but during last many quarters it's a very fairly stable asset quality as far as the international book is concerned.

Mr. Kunal Shah: Yeah and secondly, again, maybe someone asked with respect to the personal loan growing at 7% quarter-on-quarter, most of the players we have seen there is a slowdown which has happened, but I think for us it is still continuing to be faster pace and there is a rising NPL on this growing book. So, wouldn't we be slightly cautious or conservative in this segment that we see?

Mr. Debadatta Chand: Kunal, you're right on that. Actually, if you look at my base is very low, 32,000 odd crores in personal loan as compared to and out of that maybe 50% is the non-digital personal loan then the digital personal loan, the point you are referring is on the digital personal loan, right? So, that book is almost 12,000-13,000 crores, not a big amount therein. Earlier, the growth in this segment was almost 80%-100% quarter-to-quarter, right. Actually, I mean quarter-to-quarter on a YoY basis and like in July 2023 even when the market was not discussing, we started talking about moderating this growth. So, from almost 80% to 100% YoY in one and half years' time have come back to 24%.

Couple of measures that we have undertaken during the process is to completely change the underwriting model based on a much state of art Bureau model now. At the same time, some of the segment which has given a slightly elevated slippage, we completely stopped those segments. So, the book is fairly balanced. We are comfortable growing at 24% or 30% or 35% maintaining the asset quality. In terms of the incremental slippage that you may be talking about in this quarter, it's 100 crores on a slippage of 2500 crores for the quarter. So, it's not any way significant. You get a like unsecured personal loan is something that you need the market growing in that segment, you want a bit of margin is quite high also, you can't put everything on the same yeah, but I don't know other banks, but we're quite comfortable at 25%-30% growth because underwriting quality is much better as compared to what you had in the past because of the model part of it. Anything Mudaliar saab you want to add further on this?

Mr. Sanjay Mudaliar: Sir, only one additional point I will give it is, we are now moving towards more of the salaried class account where we are going into the personal loan. So, that gives us some additional comfort on this.

Mr. Debadatta Chand: Okay.

Mr. Kunal Shah: Okay. Got it and last question on employee provision, so this quarter the run rate has been high. Is it more to do with the interest or discount rate assumption or maybe now and maybe if the rates decline would we see a relatively higher provisioning requirement or we have already factored that in because that's going up to almost like closer to 1150 odd crores for this quarter?

Mr. Debadatta Chand: You're right. Actually, we are slightly adequately covered in the segment with regard to the discount rate that you are referring. So, we are quiet, I mean that way the adequately provided on the matter. Anything CFO, you would like to add here?

Mr. Manoj Chayani: Yes, Sir. So, Kunal, as you know, there is a movement in case of the gratuity it has moved from 6.99 to 7.05% and also the fund size, the requirement is there. So, as a result of that, there is an increase in this provision amount, but we are prudent in taking the provision. All the provisions as required has been provided till date.

Host: So, the next question is from Jay Mundra.

Mr. Jay Mundra: Yeah. Hi. Good evening, Sir. Thanks for the opportunity.

Mr. Debadatta Chand: Good evening. Please go ahead.

Mr. Jay Mundra: Sir, few questions, first on, if I look at your interest on advances, right only the gross interest on advances that has gone up by 9.7% YoY in this quarter? Versus 11.8% growth in advances, right? So, we are in at least we would have increased the MCLR, we are doing more PL, less corporate, asset quality has been holding up, so why is that the interest on advances growth is lower than the loan growth?

Mr. Debadatta Chand: Okay. Let me respond to that. Actually, rather, that's very positive that the book increase is 11.8% and the interest income increase is almost 9.7%. See, once stance, that you would have seen that we are also at the meantime building the quality of the book, right. So, the quality of book covers with regard to, as we discussed on the previous, can we reduce the personal loan growth, you know the margin in personal loan is very high.

Similarly, a segment where there is bit of elevated stress therein, you would have seen my NBFC book has gone down as a percentage. The YoY growth is very less because this is induced by the regulatory norms that came in. So, it's a balance in terms of how do you again put the income growth at the same time create the underwriting quality and earlier also we said for us the underwriting quality is one of the main building blocks while creating the book. So, in that way I'm quite happy that the growth is both balancing out in the 11.8% and 9.7%. So, going forward, I mean depending upon the interest outlook, there may be changes on the pricing of the loan asset and then we'll map it out accordingly what is the percentage increase there will be. Anything, Madam Beena you would like to comment on the planning prospective on the income growth in advances? You are on mute ma'am.

Ms. Beena Vaheed: No, Sir.

Mr. Debadatta Chand: Okay. Fair.

Mr. Jay Mundra: Okay. Secondly, Sir, on your margins, right. Sir, I heard your commentary, if I were to adjust for the 350 odd additional recovery that we had in second quarter, right. So, then the margins in second quarter would have been 3% and that has now come down to 2.94. Would you believe, considering your emphasis on quality and still tight liquidity, the trend maybe should be similar, right? I mean Q4 margins can actually be lower by a similar adjusted number 5-10 bps lower, could that be a fair assumption?

Mr. Debadatta Chand: See, my nine months NIM is 3.08%, so one factor again I said during commentary that the penal interest and penal income impact is almost 5-6 bps negative, right. So, otherwise, it would have been 3.13 or 3.14%. On the recovery out of written off accounts exactly, it depends on the recovery that happens, how much you are recovering. If you are able to recover higher than the principle, obviously there could be an interest component which will go to the interest income. So, there are some one off on that, so that positively attributed, but at the same time, let us also look at the deposit cost, which is again being elevated across the system. Rather on the margin cut that you have taken is much lower as compared to many of the industry that we have seen. So, it's a balanced call. You would have seen that there is a corporate loan growth slightly lower as compared to what we did in September. Typically, while providing full money to the CapEx, the term loan segment, lot of refi transactions that happens, lot of takeover transactions that happen which is again at a very fine price, obviously high-quality asset, and there again slightly we try to grow lower as compared to the last quarter.

So, these are all calibrating calls, in terms of how do you manage it, but the full year guidance that on the margin side we said 3.05 +/- 5 bps, that means 3% to 3.10% for the full year. I am talking about Q4 can be any number that you can estimate, but the full year would be 3 to 3.10% with an upside bias. Why the upside bias is that a couple of factors that we are anticipating that the market to happen particularly, there is an improvement of liquidity that is happening because the regulator, the RBI, injected durable liquidity now. If there is an expectation of a rate stance change or a cut happening in Feb policy. So, our market borrowing size that is also significant amount will undergo a change because that rate can reset quickly on that. Typically, the CD book that we are carrying, almost can reset in no time. A lot of other deposits also, there are maturing deposit happening before March. So, based on that we anticipate that full year guidance will be keeping somewhere between 3 to 3.10%, whatever may the scenario going forward on the credit front.

Mr. Jay Mundra: So, Sir you're saying this is assuming some rate action also, right? Even if there is a rate cut, you will hold onto this more or less the guidance, right?

Mr. Debadatta Chand: Yeah. The upside that is what I said. Ideally, otherwise, you can take the median number at 3.05, right. Hopefully, but I can still optimize to 3.10%, if some of the assumption comes true for us, in that way.

Host: Thank you, Sir. The last question for this evening will take it from Nitin Agarwal.

Mr. Nitin Agarwal: Yeah. Hi. Thanks for the opportunity. Sir, I have a question around your business growth. While you have reported a similar growth in advances and deposits and that's something we appreciate, but at the same time bulk deposit mix has also gone up during the year. So, what will be the any particular threshold that you will look to maintain because as you go forward, the requirement of deposits will remain as is to support the loan growth and CD ratios are already elevated. So, any particular level of bulk deposit beyond which you will not want to venture in?

Mr. Debadatta Chand: Sure. We said earlier multiple quarters, the dependency on the bulk has to go down. Actually, if you look at Bank of Baroda the earlier quarters, there was a high amount of dependency vis-à-vis bulk deposit. We said now for almost 6-7 quarters the dependency has to go down. The dependency doesn't mean that the outstanding would go down for every time. Although, we reduced the outstanding consistently for many quarters, this quarter it is slightly increased. The slight increase vis-à-vis the normal growth of deposit of let's say 11.8%, this 14%. This is precisely for two reasons. One is that we are able to grow CASA higher than many of the peer in the system right. My last quarter CASA growth was 7% and this quarter is 6.5%, where also at the same time, the retail term deposit also able to grow at 9.5-9.6%. That is allowing us slightly on a mix to grow slightly higher in the bulk deposit keeping, there is a liquidity constraint in the market, right. So, in that way the stance continues to be lowering the dependency, but if there is a requirement while you can optimize on the both side or if there is a requirement to give a certain resource mobilization, then we will keep on raising on the bulk deposit. The number that you're looking at, 2,44,000, there is almost 25%-28% component of certificate of deposit therein.

And the certificate of deposit as you know is for a short-term, at a much lower rate than the wholesale bulk deposit rate. And in case there is a, hypothetically thinking, a cut happening, this market would react very fast to that. So, in that way you balance out, it's a combination of many strategies in terms of how do you optimize on a cost. The stance continues to be lower dependency on the bulk deposit. That means this is a percentage of total deposit should not go up rather for many quarters actually significantly we have reduced, although we have not disclosed to the market the number, but we said we will reduce the dependency in the bulk deposit and then continue to be the same stance for the future quarters.

Mr. Nitin Agarwal: Right Sir and Sir the second question is on the retail GNPA, because if I look at the segmental GNPA, retail is one space where in the GNPAs have gone up over last one year pretty sharply and within that specifically the personal loan where in on a book which is growing well, the GNPA ratios have been inching up. So, how do you look at that and how long will you think the stress will continue especially in the first loan book?

Mr. Debadatta Chand: Personal loan, see the GNPA personal loan December over September, the growth is, it has from 3.16% I believe it has gone to 3.9% level. In terms of the absolute number, this is roughly around slippage of 100 crores right and my normalized slippage amount is roughly around 2500 crores, that's not significant for me. Again, retail we in one and half year, we improved the underwriting quality, but then there are legacy book therein. This book is a small book. Actually, my outstanding is 30,000 odd crores. The incremental slippage that you are talking about is much lower and the retail GNPA is going down. Like other components of the GNPA, I mean the elevated slippage is not there. So, it is much more manageable. This is a segment where it's a NIM accretive. It gives a good margin. There is a requirement. People look for a bundle product rather with a secured loan along with unsecured loan. So, we will grow at 24%, 25%, 30% kind of a level. I'm quite comfortable growing at that level and not going to put anything stress in terms of slippage, particularly on the unsecured personal loan. So, on the planning perspective, Madam Beena, anything you want to comment on the retail personal loan on this?

Ms. Beena Vaheed: Sir, with regard to the retail personal loans, we have been going quite slow. The growth this year has been, though it has been 7% we are more or less going with salaried class advances and we are not looking at the other advances as we looked in the previous years. So, our focus would continue to be on the salaried class personal loans. Not that we would de-grow, but focus would be more on the salaried class and we would continue to grow, but with regard to the best of advances.

Mr. Nitin Agarwal: Okay. Thanks. Wish you all the best.

Mr. Debadatta Chand: Thank you very much. Thank you.

Host: Thank you. That's the last question we will take today. Can I request Manoj Chayani Sir, to please give the vote of thanks?

Mr. Manoj Chayani: So, as we conclude today's Analyst Meet, I would take a moment to express our sincere gratitude to all of you for your time and participation. We are thankful to each of our analyst for their valuable contributions and their feedback, which will help this organization to grow a long way. Your continued support, engagement means a lot to us, and we look forward to have a stronger bond with you. If there is any query, any clarification required in future, you can contact me or our investor relations team anytime you feel like to get it clarified. Let's have a stronger bond with each other to have a stronger organization. Thank you for your participation.

Mr. Debadatta Chand: So, thank you very much all analysts on call. Thank you very much.

Host: Thank you.

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