ANALYSTS' MEET Q1FY21

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Participating members from the Management Team of the Bank

Mr. Sanjiv Chadha – Managing Director & CEO

Mr. Shanti Lal Jain – Executive Director

Mr. Vikramaditya Singh Khichi – Executive Director

Mr. Murali Ramaswami – Executive Director

Mr. A K Khurana - Executive Director

Mr. Sameer Narang – Chief Economist

Mr. Vineet Dudeja – CGM, Treasury

Mr. Sameer Narang: A warm welcome to everyone to the Q1FY21 results of Bank of Baroda. Hopefully everyone is safe and doing well. First of all, we apologize for the delay and we have uploaded the presentation on the link and we can directly start with the opening remarks by MD. And then we will be taking the questions and answers which will be followed by the closing remarks. Over to you, sir.

Mr. Sanjiv Chadha: Thank you, Sameer. A very good evening to everybody. We had some challenges in terms of auditors in Delhi getting results signed, so sorry again for the delay which has been there. I do hope everybody is well and all your families doing well. This is one year since the bank reported its first results post amalgamation for June of 2019. So to that extent it has been an eventful year, the impact of the merger which was, of course, beneficial in the medium term. But the short term impact is something which has been, there are always challenges and then, of course, COVID. You have a copy of the presentation. So we will not go through the entire presentation since you have a copy, but I will just dwell upon 5 main themes which I believe are important and which we can discuss and which I also think would be the major part of your questions.

Mr. Sameer Narang: Yes, sir.

Mr. Sanjiv Chadha: Fundamentally what we see is that despite the challenges that have been there on account of the merger, and also on account of the COVID-19 situation the growth impetus of the bank remains pretty much intact and we have been gaining a fair bit of traction in terms of business as we have gone along. On the deposit side we have both in terms of CASA as well as in retail term deposits seen very good figures which are at par with the industry or better. CASA has gone up by 11.9% and in the process, the CASA percentage has moved by nearly 3 percentage points from about 36.5% to 39.5% YoY. Retail term deposits have similarly gone up by 10.4%. The overall deposit growth has been more muted at about 4.3% because we are very careful in pricing our deposits and making sure that the deposit growth is closely aligned to the advances growth. As a consequence the CD ratio has actually gone up significantly during this period from about 78% to 81%, so that's been a significant movement. Going ahead also, we would want to make sure that we align our deposits and our advances growth. On the loan side also, again in most heads we have seen growth which has been pretty much at par with the industry and some measures better than industry. Net of pool purchases, home loans have grown by 11%, education loans have again grown by 16% and car loans have grown by about 35%.The overall growth in retail loans has been about 15.6%, aligned to the corporate loan growth which has been about 9.2%, you end up with a total advances growth of nearly 8.6%. So overall we have had very good robust growth despite the challenges. And if you were to look at slide 3,the YoY change in advances would suggest that the momentum has been gathering pace as we have gone along. It was 5.6% in the quarter ended June'19 and then post-mergerdue to the integration related challenges it came down to nearly 3%. And now over June'20 it has moved up to 8.6% YoY, so to that extent I think we are seeing gathering momentum. Along with good growth in business, we have seen improvement in asset quality. The gross NPA ratio has moved down 1 percentage point from 10.28% to 9.39%. The net NPA ratio is down by more than 1 percentage point from 3.95% to 2.83%. The slippage ratio this quarter is down possibly understandably from 3.56% to 1.64% but I would want to draw your attention to domestic slippage ratio because they were some one-offs in the international book.Domestic slippage ratio is down from 3.90% to 0.45%. So all in all we have been able to deliver both, fairly good growth in terms of business figures, both deposit and advances and also significant improvement in asset quality.

The PCR now stands at 83%, so the question of course is that if our loan growth has been good, our deposit growth is mostly composed of CASA, then why is it that we actually have reported a loss during the quarter. So this is largely on account of the increase in provisioning of standard assets. If you were to look at Slide 9 of the presentation there was a write back of provision of about Rs. 100 crores in Q1 last year on account of standard assets. As against that there is about Rs. 1800 crores provision on standard assets this year. About half of it, of course, on account of the COVID loans, but the other half is on account of actually a standard asset which is guaranteed by the government. The circular advised that in case you are not able to restructure the account or take it to NCLT, then you are required to make a provision. Since the circular does not distinguish between government guaranteed accounts and others, so therefore we made a provision.We do believe that this provision over the next few quarters as the situation resolves, would get written back. So we see this provisioning as something which will be available to the bank for COVID related stress should it arise as this gets released in the subsequent quarters. The total amount of provisioning we hold against this loan which we again provided both in the last quarter and this quarter is at aggregate of Rs. 2500 crores, of that about Rs. 1000 crores came this quarter. So that is really the context in which there's a loss and which is how we are actually square the circle, to have good growth in deposits, good growth in advances. NII has grown up by 5%, slippages have come down, but nevertheless there is that figure which is there in terms of a loss on the account. Along with that the other interesting piece is the moratorium which I believe would be a matter of discussion today. So you might recall that in the first round of moratorium BoB had given an opt-out to all our customers and a moratorium came out at a relatively high figure at about upwards of 60%. In the second round from June, we decided that only accounts which are upto 10 lakh we would actually do a moratorium where it could be opt-out, for everybody else it would be opt-in. As a consequence the moratorium figure has come down very significantly. And we have tried to again express it pretty much in a standard way because all banks were doing it in different ways. So the moratorium, term loan book which are in moratorium as a percentage of total loans is today 21%. I repeat that figure, term loan book which is under moratorium as a percentage of total loans is today at 21%. And for this what we have taken is all loans where the last installment has not been paid. Of this the ones which are in less than 10 lakh loan category is 5.74% and the balance 16% is the loans which have opted in for the moratorium. If we were to take a definition of say where two installments have been paid this 21% figure would drop down further to 17%. So to that effect we have a very significant improvement in the loans under moratorium which is in line with the guidance that we had given earlier.A lot of people who were opting for moratorium only to preserve liquidity, not necessarily because there was an inability to pay.

The last piece which I would just mention briefly before we can move to questions, is our amalgamation exercise. We have targeted 1300 branches to be rationalized which is a significant part of the cost base and the network, out of that about 900 have already been co-located and the balance will be done within the next few months. And in terms of executing the entire amalgamation process we expect to complete that within this financial year despite the three months which were lost on account of COVID. So in summary the amalgamation process is absolutely on track.

So with that I will end the opening remarks. Very happy to receive any questions that might be there.

Mr. Sameer Narang: The first question is on what were the additions to, and downgrades from the watch list during the quarter?

Mr. Sanjiv Chadha: The addition to the watch list is mostly on account of the NBFC which we have added to the watch list that accounts for the major additions. In terms of downgrades I think 90%of slippages have come from the watch list. But having said that the downgrades during this quarter are relatively small. In terms of the total outstanding standard asset provisions, including general provisions, maybe again, Sameer, you can give that figure.

Mr. Sameer Narang: Yes, sir. The next question pertains to which segments will undergo one-time restructuring, will retail segment have more restructuring and why has the NBFC watch list gone up?

Mr. Sanjiv Chadha: I don't believe again one-time restructuring is going to be segment specific, but if you look at the composition of our book, I suspect that the larger portion would come from corporate loans, simply because of the 21% of term loans under moratorium about 10% are by corporates. MSME would face some restructuring as there are other schemes by the government. As far as retail is concerned, there is the possibility of restructuring and there would be some stress as COVID has impacted personal incomes of people. However, we have a very robust retail book in terms of quality with nearly 74% of our retail loans with credit scores of above 725, and relatively small proportion of unsecured loans in our retail book. So we believe that our retail book should hold up relatively well.The NBFC watch list has gone up only due to one single large account which remains standard, and is reasonably highly rated but since it showed some signs of stress, we had have placed that on the watch list.

Mr. Sameer Narang: The answer to the earlier question regarding outstanding total standard asset provision is Rs. 7,906 crores.

Mr. Sanjiv Chadha: Just again to emphasize on the NBFC piece that overall our NBFC book tends to be very good quality and there is only one-off account which we have on the watch list. Otherwise looking at the risk profile of the NBFC book given on slide 16 of the presentation the percentage of book which is private others has come down from 34% to 27%. These are NBFCs which are not backed by state governments, PSUs or large private institutions.Of the overall book, accounts rated AAA and AA continue to be very high at about 89% to 90%. So we are very comfortable with the overall quality of the NBFC portfolio.

Mr. Sameer Narang: The next question is on the watch list of March'20 which stands at 12,500 and now it is at 13,000 crores, so any color or clarification on that?

Mr. Sanjiv Chadha: I think we made this point earlier, the increase in the watch list is mostly on account of one NBFC which we placed on the watch list because we believe that portfolio of NBFC is showing some signs of stress, that is the single largest and addition to the watch list which accounts for the increase of the watch list.

Mr. Sameer Narang: Sir, the next question is on the quality of the below BBB book in terms of some quantification or color. It refers to slide 14.

Mr. Sanjiv Chadha: These are loan accounts which are above Rs. 5 crores, these are normally medium-sized enterprises and which have balance sheet structures which then required them to be rated BBB. If you would look historically at the stress levels, our BBB book is of fairly good quality and has held up well. Also loans under moratorium have come down precipitously after we chose to extend the sametoall borrowers above Rs.10 lakhs suggests that the quality of the book remains pretty good. So we have no reason to suspect that the BBB book is more prone to stress and the BBB book is of good quality in my assessment.

Mr. Sameer Narang: Right Sir, the other question is on what are the outstanding provisions on standard global assets.We have already shared that for domestic assets at Rs. 7,906 crores, and for global, that number will be approximately Rs. 9,000 crores.

The next question is quantify the unrealized MTM treasury gains.

Mr. Sanjiv Chadha: So I think this I won't really have an answer, if Mr. Dudeja is on the call maybe he can answer that.

Mr. Dudeja: MTM gains is Rs. 8,900 crores as on June 30.

Mr. Sameer Narang: The next question says can we have the standalone balance sheet for the quarter; that we have already uploaded.The next one is how much is the term loans as a percentage of the overall loan book. I think it is approximately closer to 65-35 kind of ratio.

Mr. Sanjiv Chadha: Okay.

Mr. Sameer Narang: The next question is some color on the moratorium on working capital, what is the total exposure to government guaranteed accounts both funded and non-funded and the third question is the NIM outlook.

Mr. Sanjiv Chadha: So, I think we can send you the figures on the working capital, here I think the point is that it is only interest which has not been paid for the period in the moratorium and which again will be put into FITL and paid in this financial year.

The total amount of loan which are again guaranteed by the government not readily available for the moment. But I think what we need to bear in mind is that it is not the issue of government guarantee, the point was that there is actually a circulardated June 7 stating that if we provide 20% against a loan in the first instance, and in case you do not refer the account to NCLT, then you need to move up the provisioning to 35%. This circular does not make a distinction specifically between a government guaranteed loan or otherwise, so the provision we made was only in the limited context of the June 7 circular and not government guaranteed accounts per se.

The last part was in terms of NIM outlook, the net interest margins certainly is going to be a little bit under pressure as liquidity surplus situation yields on some credits are coming down but we have been able to contain thatas deposit growth a large percentage has come from CASA and going ahead also our endeavor would be to make sure that deposit growth is on one hand contained pretty much in line with the loan growth so that the impact of the liquidity overhang is minimized and the second to make sure that in terms of composition the deposit growth comes as far as possible from CASA growth. Our CASA has moved up from about 36.5% to 39.5% over the last one year and we are targeting to take it up further to about 42% by the end of this year. But again given the way the liquidity is playing out we believe that it is possible that there could be some further pressure on NIMs and as of now our base case is that it could considerably come down by another 5 basis points or so.

Mr. Sameer Narang: Right Sir. The next question is on our equity raising plans, so please share your equity raising plans in the future, rights issue, etc., to maintain your share in the banking business. Please share plans and indications for deposit growth and CASA growth. SBI and Kotak have shown satisfactory growth, please share indications for operating cost, slippage ratio and credit cost for 2021.

Mr. Sanjiv Chadha: Alright, so we propose to raise a total Rs. 13,500 crore by way of equity during the current year, Rs. 4,500 crores by way of AT1 issue and we are partly through that already and the balance amount will also be raised in the next few quarters. Rs. 9000 crores is going to come by way of pure equity in the second half of the year, subject to market conditions. Now the exact composition or the option is something which we have not frozen as of now.

In terms of deposit growth as I mentioned we would want to align deposit growth to our loan growth. As of now we are looking at a growth in the loan book of about 7% to 8% during the year and we believe that the deposit growth should also be aligned largely on the same lines between 7% to 8% with a predominant proportion coming through CASA which should move up from 39.5% now as close to 42% as is possible.

In terms of operating cost, I think the operating cost has gone up in this quarter while it is up by a few decimal points. We believe that given the fact that the cost synergies are going to play out over time but nevertheless fee income in particular has taken a hit in this quarter,as seen on slide 7,growth in fee income and non-interest income is negative whereas NII has grown by 5%. So as recovery gathers momentum, we believe the income would be under pressure YoY as compared to previous year. Therefore in terms of cost income ratio we possibly might end up similar to where we are now hopefully with some improvement, but we do not expect the cost to move north of 50%, it should remain well under 50%.

The slippage ratio has come down during this quarter significantly as compared YoY and if you look at the domestic slippage ratio even more so because there were some one-offs ininternational slippages. We do expect that the slippage ratio should be significantly lower as compared to the previous year on two accounts a) we have seen the moratorium book has come down and b) the RBI restructuring option is available.

Mr. Sameer Narang: Sir, we will take the next question, this is on what is the reason for decline in CET 1 of around Rs. 20 billion on a quarter-on-quarter basis. What is the total term loans of the bank and what is the share of loans which has not paid any EMI in April to July period?

Mr. Sanjiv Chadha: So I think, I will just speak about the last piece first. So the 21% figure that we have given are the loan accounts which have not paid the last EMI, which means even if they had paid the previous EMI we have included them under moratorium. This 21% figure would come down to 17% if we consider accountswhich had paid two installments. In terms of the CET figure again I think Mr. Jain would probably again give you some color on that.

Mr. S. L. Jain: Yeah, reduction in CET is basically due to 2-3 reasons. One is because of the losses, second because of the DTA we created and the third one is because of the revaluation reserves.

Mr. Sameer Narang: The next question is what percentage of your retail loans are to government employees and employees working for government companies?

Mr. Sanjiv Chadha: So I think we don't readily have the figure of retail loans to government employees but the figure that we do have is that 74% of our retail loans are to borrowers who have a credit score of above725. So the quality of the retail book is very good.

Mr. Sameer Narang: The next question is regarding the breakup of total savings and current account figure global. So this we can provide it separately.

The next question is which sectors your credit risk team considers are stressful? What are your views on home loan growth and infra sector?

Mr. Sanjiv Chadha: So I think in COVID times it is tough to again talk of which sectors are stressed right. There are the usual suspects of aviation, hospitalities, CRE. So all exposures to those sectors are 2.8%, it's inevitably small, particularly if you take off the government guarantee portion.

Regarding home loan growth, we remain comfortable simply because of the way we have positioned our home loans. As we mentioned a) we have a very aggressive loan pricing but linked towards customers' credit scores. And our exposure to infra sector has come down from 14% of the book to about 10% of the book as can be seen on slide 15. So we are okay in terms of growthin the infrastructure book but we are very, very careful in terms of quality and given the opportunities present today, we believe that the proportion of infrastructure loans is likely to come down as part of the overall loan book.

Mr. Sameer Narang: So we move to the next question. That is on the domestic NIM has been declining over the last 5 quarters. Where do you see the domestic NIM? Anything that the bank is doing to improve it to 3%?

Mr. Sanjiv Chadha: First of all I think it is very important that we make sure that the NIM improves significantly, and it is going to be a function of the composition of the book. I think part of the challenge is corporate forms around 50% of our loan book and yields have been impacted due to excess liquidity and the only way you can protect this for the moment is to make sure that the deposit rates come around in tandem. So our deposit rates are pretty much the lowest in the market and also bring up the CASA ratio. So we expect that CASAratio could possibly be close to 42% which would place us amongst the best banks as far as CASA ratiois concerned. But taking net interest margins to 3%, I think we need to rejig our portfolio. For instance again, when it comes to mortgage loans,compared to home loans, the former carries a higher rate of interest. So we would be looking at our loan book very carefully, very actively within this year to see how the Bank can start pushing up its net interest margins. However, since these portfolio rejig happen over a bit of time, we expect the net interest margin to be under little bit of pressure simply because of the liquidity overhang which gives us some more time.

Mr. Sameer Narang: Another question is whether the stressed NBFC isinto infrastructure financing or real estate developer finance?

Mr. Sanjiv Chadha: I presume it would be in infra financing.

Mr. Sameer Narang: The next question also pertains to stressed NBFCs. Which is the NBFC loan under the watch list?

Mr. Sanjiv Chadha: NBFC is a small part of our portfolio. Our total NBFC book is about Rs. 1, 10,000 crores. About 90% of the portfolio is in AA and above. I believe that the one account which has been placed under the watch list is a bit of a one-off and that too has been done out of prudence.

Mr. Sameer Narang: The next question is, what is the loss given default historically from our below Triple B and Triple B rated accounts?

Mr. Sanjiv Chadha: So I can get a sample which probably we will have to see if we can provide offline.

Mr. Sameer Narang: Thanks. The next question is what is the reason behind the higher standard asset provision this quarter? What has been the disbursements under the ECLGS scheme?

Mr. Sanjiv Chadha: So I think we did mention the reason for the higher standard asset positioning during the quarter. So this was on account of one account, and also the applicability of the June 7 circular to that. We expect that this provision should again get back over the next few quarters In terms of the ECLGS scheme, I would request Khichi sir, to give you the figures please.

Mr. Vikramaditya Singh Khichi: We have sanctioned Rs. almost Rs. 8000 crore which translates to around 94% of the eligible accounts have been sanctioned, out of which Rs. 5564 crore has been disbursed. So that was 53%of the all eligible accounts**.**

Mr. Sameer Narang: Thanks. Sir the next question is there is a slippage of Rs. 2100 crores from the international book. Any particular loan account which accounts for a large portion of this and if so in which sector?

Mr. Sanjiv Chadha: So I think it is an important question. You know this international slippages is something which is really out of the ordinary. Out of this, about Rs. 1100 crores is from one group from the Middle-East. The balance amount is composed of 2 accounts. One is large diversified group from India. One of the group concerns is headquartered in Singapore. All the assets have been sold off, we expect to get the money by September and there is Rs. 600 crore outstanding. So that is part of this dimension which means in some that Rs. 600 crores slippage which has happened we expect a full recovery within 3 months or so. Another Rs. 250 crores is on account of a loan which is an account in Australia is again a large move from India where the restructuring happens on account of the fact that the restructuring, the account has been classified as NPA and therefore there is provisioning but the loan is being serviced on time.

Mr. Sameer Narang: We will move to the next question. What percentage of loans haven't paid a single due between March and July end which is 5 months? Is the moratorium is only from the term loans? We have answered that with the term loans. What is the moratorium in working capital? Why has the domestic NIM or the loan yields declined in Q1?

Mr. Sanjiv Chadha: I think most of the questions have been answered except the oneregarding percentage of loans whichhave not a paid a single installment. As far as we are concerned, we are not very focusing on that piece. If people have not the paid the July instalment as far as we are concerned that will be the moratorium. We are taking a fairly conservative view of that and as I mentioned before if we were to take people who have paid two installments the moratorium figure would come down from 21% to 17% so we are being fairly conservative on this and we actually don't have any quantitative figure of who has not paid a single installment.

Working capital is only interest and which we had also been paid back within this financial year which is why it is not part of the figure but we can give that to you separately. In terms of domestic NIM I have answered the question. The decline is actually I think if you are looking at year-on-year I think about 7-8 bps then have been under pressure which is mostly on account of the liquidity position and how that impacts the NIM and the corporate book, and the highly rated corporate book in particular.

Mr. Sameer Narang: Sir the next question is within our retail loans what proportion of customers would have a liability relationship with us?

Mr. Sanjiv Chadha: So I will request Mr. Khichi to answer the question. My understanding is at least 90% of those people have accounts with us. But Mr. Khichi will give the answer for this.

Mr. Vikramaditya Singh Khichi: Yes sir, around 90%+ would be having liability relationship with us. Even if we have new-to-bank relationship on the asset side we do develop it into the liability relationship also.

Mr. Sameer Narang: Thank you. And the absolute number in Rs. crore for moratorium. That we'll share separately. There is a question on guidance on the credit-deposit ratio as well as the net interest margin?

Mr. Sanjiv Chadha: So, I think the credit deposit ratio is now settled upwards of 80%. I think there's still some room to push it up. Although I would believe that first we would want to make sure that you optimize the credit cost by increasing the CASA figures as high as possible. The other part of course is that we are in slightly uncertain times, so you might want again to be a little more conservative in terms of liquidity cushions. If we're looking at guidance for next few quarters, we are looking at growing the asset and liability book in tandem. As of now we expect the assets to grow by about 7 to 8% in current year and we want to grow our deposits by similar percentage.

Mr. Sameer Narang: Sir the next question is, is wage revision entirely done or is spilled over to the next 2-3 quarters?

Mr. Sanjiv Chadha: Mr. Jain please.

Mr. S. L. Jain: Yeah we have made the provision of Rs. 278 crore in this quarter. We are having a total provision of Rs. 2200 crore. And as per the MOU we are more or less covered. Of course the final details are awaited. But as per the MOU we are more or less covered.

Mr. Sameer Narang: Right. Sir the next question is on the assessment of impact of the circular on our current account by RBI. What do you, in your opinion is the assessment of the impact?

Mr. Sanjiv Chadha: Maybe Mr. Jain may have or Mr. Khichi may have a better idea of this please.

Mr. S. L. Jain: As far as current account is concerned we are having around 667 consortium accounts and we are having around 210 multiple accounts. Around 877 accounts. And we have more than 10% share in majority of these accounts.

Mr. Sanjiv Chadha: We welcome the RBI circular. We believe that this circular should really help us in terms of maintaining credit discipline. And it really is a big help. We want to implement it again as rigidly as we can.

Mr. Sameer Narang: Right sir. The next question is – what is the amount of interest accrued and deferred that has been booked in the P&L in the quarter?

Mr. Sanjiv Chadha: Okay. Again Mr. Jain, if you have the figure, otherwise we'll need to probably provide that later.

Mr. S. L. Jain: Yeah. That will, that information we'll provide later. But fact remains all accounts we're applying interest and it is a part of our income. Of course as far as capitalization is concerned that will be after August only.

Mr. Sameer Narang: Right sir. Sir the next question is – as per the last Finance Ministry disclosure Bank of Baroda has approved only about Rs. 8000 crores under MSME Guarantee Scheme. But the broader question is, why is the cumulative approval from banking system very slow and is only about 1.3 lakh crores still? Are MSMEs declining the take out of funds or banks are more reluctant? Some thoughts will be useful based on your discussion with SME clients.

Mr. Sanjiv Chadha: So I think I can only speak for Bank of Baroda. I think Mr. Khichi just now mentioned that of all accounts which are eligible, right? And the eligibility criteria has been very clearly laid down by the Government of India. Of all accounts that are eligible for assistance 94% have already been sanctioned loans. And more than 60% have already been disbursed also. So I think as far as BoB is concerned we believe that this scheme of the Government is very dynamic, very useful and we would want to do our best to make sure that we can help our customers access credit under the scheme. So I don't think there's any challenge at all. Now there's been an expansion of the definition and we'll make sure that we similarly help the clients who are part of the enlarged definition.

Mr. Sameer Narang: Sir the next question is again similar, what is the impact of the new regulations of the current account circular by RBI? What will be the impact on the bank in the medium term?

Mr. Sanjiv Chadha: So I don't believe that there're too many cases where people have got loan accounts somewhere else and they have current account with us. It's mostly the other way. So the bank will greatly benefit from the credit discipline that this will instill among our borrowers and I think given the challenges that we've had in terms of issues like diversion of funds, I think it's in the line of interest of our borrowing clients also to make sure that their current accounts are kept with the lending banks.

Mr. Vikramaditya Singh Khichi: If I add on that I think the report that is coming right now is for all the PSU Banks. Almost 65% have that credit but 45% current account. So it's basically in our favor. These guidelines are definitely going to be good for us.

Mr. Sameer Narang: The next question has two parts. First is on the current account guidelines again, which we've explained. The second one is if you can quantify this stress Government account for which the bank has made higher standard asset provision. I believe this also you've already explained. So we can move ahead. Sir the next question is- what is the other adjustments of Rs. 700 crores as part of reductions from the asset quality movement?

Mr. S. L. Jain: Yeah, basically in one account given the procedure and part of the outstanding has been shifted to our investment book, since we cannot consider this as a recovery. So NPA is restricted by way of equity or preference shares.

Mr. Sameer Narang: The next question is kindly share proportion of your working capital loans and the moratorium. This we can share separately or we'll add in the presentation given the need. The absolute amount of global clients, our balances also we'll share specifically. Is the NBFC added in watchlist a domestic exposure?

Mr. Sanjiv Chadha: Yes, indeed it is a domestic exposure.

Mr. Sameer Narang: Sir, the next question is you were quite confident of the NBFC book last quarter, but now we've shown 1800 crore increase in the watchlist in the NBFC sector. What is the reason for this deterioration?

Mr. Sanjiv Chadha: So I think the fact is that in any book there will be some accounts which will be under stress, right. And the NBFC book is no different. But I would want to emphasise that if you look at the overall loan book and the overall size of the watchlist, the overall size of non-performing assets, I think the NBFC book stands up well. And that is largely on account of the nature of the NBFC book. As I mentioned before 90% of the NBFC book is rated AA (Double A) and above. So that is the reason why we're comfortable with the NBFC book. It is not again that NBFCs are not having any challenges. But we're comfortable with the quality of the NBFC book that we have. And this one account being put under watchlist to my mind is not again any kind of reflection on the overall portfolio. I think if there were to be no account on the watchlist, I think I would be worried whether we actually are monitoring our portfolio carefully or not.

Mr. Sameer Narang: Right sir. Sir the next question is, we've already taken it up, what are your views on the current account guidelines issued by RBI, what are the expected gains for you? We've already taken this question.

Mr. Sanjiv Chadha: So I'll say it again, the gains are going to be more in terms of credit discipline, not so much in terms of current account balances. Because if your credit account is with them then they will go towards again those loan balances coming down. But the credit discipline is invaluable as a gain for the bank.

Mr. Sameer Narang: Sir the next question is, what is the total exposure to the Government guaranteed single asset which is delinquent and we have provided Rs. 25 bn.

Mr. Sanjiv Chadha: Yeah, so the total exposure is of the order of about Rs. 7600 odd crores. Of that about Rs. 5800 crores I think is guaranteed by the Government. And we are carrying today a provision of about Rs. 2500 crores again because as I mentioned the rule book says that in first instance if you do not take an account to NCLT or restructure it, you provide 20% and after elapsing of certain period of time this move up by another 15% to 35%. So we have gone ahead and done that because technically, just technically the current circular does not make a distinction between Government guaranteed account and others.

Mr. Sameer Narang: Right sir. And sir the next question is what is the provisioning that we have done for the weak overseas asset?

Mr. Sanjiv Chadha: I think I have answered that question in some form. So the provisioning is done as per standard provisioning norms. Which would mean that substandard asset the bank provides 20% in the first instance. But in this particular quarter of the Rs. 2000 odd crores which has slipped about Rs. 800 -900 crores is contributed by two accounts. One is where we expect recovery in coming three months.

Mr. Sameer Narang: And sir, the next part is – is the residual watchlist in the overseas book pertaining to the same weak book?

Mr. Sanjiv Chadha: Residual watchlist, I think I confirmed that. I think it's possible. But I just have to look at all the details. I need to just come back to confirm it. And it seems like your logical deduction but we just need to confirm that.

Mr. Sameer Narang: I think that was the last question. Sir, would you like to give some closing remarks before we close the call?

Mr. Sanjiv Chadha: Thank you very much everybody for being on the call late in the evening. And again I'm very thankful for you all joining in. Please keep safe and thanks once again. Hope to catch up with you soon certainly in the next quarter.

Mr. Sameer Narang: Thank you sir. So thank you everyone for joining us on this conference call. And look forward to seeing you again. Thank you.

(END OF TRANSCRIPT)