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The Vice-President, B S E Ltd., Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 BSE CODE-532134	The Vice-President, National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051 CODE-BANKBARODA

Dear Sir / Madam,

Re: Disclosure under Regulation 46(2) (LODR)

We enclose transcript of Analyst and Media Meet held on 05.08.2023 for Q1 (FY2023-24) Financial Results.

We request you to take note of the above pursuant to Regulation 46 of SEBI (LODR) Regulations, 2015 and upload the information on your website.

Yours faithfully,

PRASHANT KAMAL AGARWAL
Digitally signed by PRASHANT KAMAL AGARWAL
Date: 2023.08.11 15:16:54 +05'30'

P K Agarwal
Company Secretary

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Bank of Baroda Analyst Meet for Quarter ended 30th June 2023

5th August 2023

Participating members from the Management Team of the Bank

- *Mr. Debadatta Chand, Managing Director & CEO*
- *Mr. Ajay Kumar Khurana, Executive Director*
- *Mr. Joydeep Dutta Roy, Executive Director*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: Thank you all for joining us. We have with us today, Mr. Debadatta Chand, the Managing Director & CEO of Bank of Baroda and he's joined by the Bank's Executive Directors and the Chief Financial Officer. We will start with a short presentation followed by opening remarks by Mr. Chand followed by the Q&A session. Over to you Chand Sir.

Mr. Debadatta Chand: Good evening all. I'm D. Chand. I'm the MD & CEO of Bank of Baroda. To introduce you to the management team, we have, Mr. Ajay K. Khurana - he's the Executive Director looking after the Recovery vertical and also the MSME and Agri along with other platform function. We have with us Mr. Joydeep Dutta Roy. He's the Executive Director. He looks after the Digital and also the Retail Asset and Retail Liability. We have Mr. Lalit Tyagi. He is the Executive Director. He looks after the Corporate Credit, the International Banking, the Treasury and the HR function. We have Mr. Ian Desouza, the CFO of the Bank, I believe that you know him from last many quarters now.

So, with this, I request Ian to run through the presentation. Thereafter, I will have my opening address and then we'll go for the Question-Answer.

Mr. Ian Desouza: Thank you, Sir. Good evening, everyone. So, we'll start with the headline numbers in terms of business growth. In terms of Advances, we had a strong growth in global advances of 18%. So, this was largely broken down into Domestic Advances growing by close to 17%, International has grown 23%. There is some element of exchange movement there that resulted in a little murkier growth than would have been reported. Otherwise in terms of Retail, we have Retail growing 25% leading the growth and advances across the board. Agri has been growing at 15%, MSME at close to 13%, Corporate Advances growing strongly at close to 15%. Within Retail, we've had the entire secure book growing strongly, Home Loans at 18.5%, Mortgage growing 16%, Education growing 21% and Auto Loan growing 23%. While Personal Loan has been a small base for us, that too has grown very strongly but it continues to be a little more than 2% of the overall book size.

In terms of Total Deposits, Total Deposits grew at 16% led by international and domestic which is the bulk of our deposits growing at close to 16%. As has been a secular trend across the industry, CASA has been growing at a little lower rate and we'll talk more about it as we get into our discussion as to what we plan to do on our CASA growth. Term Deposits grew around 24%. In terms of Domestic CD ratio, we have adequate headroom and you would see our CD ratio gradually inching up over the last few quarters. Global CD ratio is at 84%.

In terms of yield of advances, year-on-year our yield of advances has gone up smartly. But in terms of the exit Yield on Advances, if we normalize that for the more than expected recoveries that we had in Q4, you would actually see a 10 basis points increase in Yield on Advances. In terms of cost of deposits, as has been for the sector that has been inching up over the last few quarters, this quarter the cost of deposits at 4.7% almost. Our exit NIM at the end of FY23 was around 3.53%. If we normalize this for the strong recoveries, I spoke about in Q4 of last year that would be a normalized NIM of 3.41%. Against the normalized NIM of 3.41%, we've seen some compression of around 14 basis points to end this quarter at around 3.27%, slightly below the full year NIM of 3.31%.

In terms of NII, we've grown strongly at almost 35% year-on-year a quarter ago. In terms of Operating Profit, it's up by 73% over the last year. Profit Before Tax is 106% up and Profit After Tax is almost 88% up.

In terms of GNPA that has been steadily coming down and it is almost halved to end the quarter at 3.51%. NNPA, we're happy to report, is below 0.8% at 0.78%. We've strengthened our PCR and our PCR including TWO advances is now at 93.23%. Our slippage has been coming down quarter-on-quarter and is now at 1.05% against a slippage of 1.71% a year ago. In terms of credit cost, our reported credit cost is 70 bps and it's on account of the fact that we took a floating provision of INR 200 crores in the June quarter as well as we made certain account specific provisions of around INR 420 crores to strengthen our PCR. Combined together, if you adjust for that, the credit cost on a normal basis would be 44 basis points.

In terms of SMA 1 and 2 for CRILC loans above INR 5 crores, we've seen that ratio coming down steadily. It was more than 2.5% about more than a year ago but consistently we've been reporting it below 50 basis points. This quarter as well adjusted for one large aviation account, which we spoke about last quarter and which we have prudentially provided for, adjusted for that which is an SMA 2, we would be just at 0.29% SMA 1 and 2 above INR 5 crores. In terms of collection efficiency, we've seen that strengthening quarter-on-quarter and maintaining a level of around 98%. This quarter there was just one account which got collected after the quarter end and if that account had been collected on the last day of the quarter, as was scheduled, we would have reported a collection efficiency of above 98% at 98.86%.

In terms of CET, the Bank continues to be strongly capitalized. And this quarter we reported a CET1 ratio of 11.94%. If he had added back the profits of the quarter, we would have been at 12.39%; at a CET1 higher than the exit CET1 of FY23. This is despite the fact that our RWAs grew by almost INR 20,000 crores. Similarly, overall CRAR while reported at 15.84%. If the profits had been added back CRAR would have been 16.3%, a tad above exit March 2023 CRAR.

With that, I come to the end of my presentation and hand it back to, Phiroza, the Moderator.

Moderator: Thanks, Ian. Chand Sir, will you make your opening remarks, please?

Mr. Debadatta Chand: Yeah. So, once again, all ladies and gentlemen, good evening to all of you. And, again, we are thankful to all of you for sparing your Saturday afternoon for us. Let me have my opening remarks on the entire presentation run through by Ian.

Normally, the June quarter is considered as a moderate quarter but as a Bank I'm quite delighted that we have shared a very strong all-round performance for the Bank that has focused on the profitability and also some aspect of the Balance Sheet strengthening. We maintain our journey towards the asset quality that is a very core as far as the Bank is concerned. We are also reinforcing our commitment towards excellence and sustainable growth.

If I have a credit outlook, the quarter has seen a strong quarter to quarter growth of 2.2%. And normally in many quarters of June quarters you would have seen last or earlier years, there is a sequential decline normally happens but then this is one of the strong June quarter wherein our loan book has gone up by 2.2% quarter to quarter and also on 18% YoY, which is a very strong growth. At the same time, the retail growth has been 3.4% quarter to quarter and the full year is 24.8%, highlighting our emphasis on the retail loan book growth as a portfolio mix. We continue to have the same guidance that of last quarter to grow above the industry by 1%-2% and on the retail side we wish to grow almost 4%-5% above the industry average. The full year FY24 estimate would be, we expect the loan growth to be in the range of 14%-15%, the corporate growth would be 12%-13%, the retail growth would be 18%-20% and can be higher also whereas the international, which is one of the strong growth we have seen in the earlier year, would grow in line with the book growth i.e. at 15%.

The strategy, as I said, will continue to pursue our retail strategy to grow significantly on the retail side of the book and in a couple of years from now we look for a corporate share of 35% and non-corporate would be as high as 65%, pursuing the same growth in all segments of 15% on the corporate and slightly higher in the non-corporate segment.

On the NIM side, the last full year NIM was 3.31%. If you compare the last full year NIM, there is a marginal dip in the quarter ending June and this is obvious because of the trend that we have seen in the market also, bit of cost push in terms of deposit has come up to the books and that has resulted in marginal dip. But if I compare the NIM of that of last June quarter of last financial year, there is a significant improvement. So, we keep our guidance of putting a NIM of 3.3% for the FY24 estimate also.

On the cost to income, although we have not given any guidance but again as a Bank, as a strategy we tend to pursue a lower cost to income ratio. We have seen some traction in this quarter itself on the cost to income and pursue the lower trending of cost to income in the consequent quarter also.

On the corporate side, we have introduced the concept of Share of Wallet and Relationship Management. We have created Relationship vertical for the corporate and we are again getting the same Relationship Management vertical and Account Planning concept to mid-corporate and MSME customer also.

One important strategic initiative that we have taken that this year is a year of Fees and Flows i.e. F&F. What exactly I mean by Fees and Flows, the Fees talks about channelizing the Bank's entire resources to augment the fees side of the book. At the same time, Flows talks about capturing the flows of each customer, whether it is a retail customer or corporate customer. Another tool to capture that, we do have a very strong CMS tool. We have on-boarded large number of customer this financial year and also last year and we will be aggressively pursuing for more and more CMS onboarding of customer. At the same time, the retail customer who are transacting with us will try to capture the more flows of those retail customer. The idea is to have more cash flows in the system so that I can customize product to the requirement of the customer.

The profitability has been very strong. As I said that 88% jump in the YoY growth for the June quarter is a substantial growth that we see. At the same time, we continue to maintain our guidance of 1% ROA going forward. Another important thing I'm happy to announce, that if you compare the last full year profit of INR 14,110 crores the first quarter profit is almost 30% of the last full year profit.

Asset quality is one of the important aspect of it and as we said that we are also making efforts to strengthen the balance sheet further. The PCR is at all time high up almost above 93%. The GNPA improved by 275 bps YoY. The NNPA is now less than 0.8%. As we said earlier, saying that we had uniquely created the Collection vertical and because of the efforts in terms of close monitoring and collection on the asset quality, the trending is positive. And the net slippage, we have talked about in terms of less slippage and also the cash recovery plus upgradation, it would be very less or negligible in that respect.

Deposit is one of the core area for this financial year as far as the Bank is concerned. This is the same trend that we see in across the industry. The CASA growth has not been very strong for most of the banks and this is obviously because of the rate cycle we are in. But having taken note of the lower CASA growth, a lot of focus would be on the CASA growth going forward. We have taken a lot of initiative in terms of extending our franchisees, strengthening the relationship management on CASA so that at least we wish to grow higher than the growth that we have achieved for this quarter.

With this, I close my initial comments and then I open the forum for question and answer. Thank you.

Moderator: Since there are no questions at the moment, we will wait for 30 seconds for the lineup to populate. Thank you.

The first question is from Nitin Agrawal. Please, unmute yourself and ask the question.

Mr. Nitin Agrawal: Yeah, hi. Good evening everyone and congrats on good quarter, Sir. So, first question is on the margins. You are suggesting that NIMs will remain stable here on at 3.3% for the year, so are we not looking at any further compression at all, say in the second quarter? Has the cost of deposits peaked out? And, Sir, what is the extent of asset repricing and the deposit repricing that you are looking at when you make the guidance?

Mr. Debadatta Chand: Thanks, Nitin, for asking this question. When you say the guidance of 3.3% for the full year, it's for the full year, point 1. Secondly, the cost of deposit, the impact would be there in this financial year but there are two positive up sides we have in the book. One is with regard to the resetting of the MCLR book. All the book has not reset as on today because there is a one year resetting time period. So, there is a bit of upside available there and that typically compensate part of the cost matrix, cost push; what do you can say the impact of the cost push on the deposit side.

Secondly, if you look at because earlier also we articulated that we typically try to have a high cost deposit on a lower tenure. So, thinking through a scenario wherein there is a rate cycle reversal happening maybe something in Q3 or Q4, we will be one of the banks taking advantage of the repricing because of that. So, to sum up the entire thing and if you look at my international book the

NIM is rather increasing in that way because you have seen the global market how it is behaving and we do have a 15% significant international book in the entire book. So, considering all the factors we are still hopeful to maintain the 3.3% NIM margin. But any update further, will let you know in subsequent quarters but we are quite hopeful that we'll maintain the 3.3% NIM for the FY24.

Mr. Nitin Agrawal: Right, Sir. And, Sir, related to it the other question is on the yields. Now this quarter, the yield improvement has been very calibrated and I believe MCLR linked loans would have got repriced this quarter also but probably the improvement is looking small because of the one-off recoveries that you had in the fourth quarter. So, how much benefit did you really get? And are you able to pass on the MCLR linked rates to the borrowers?

Mr. Debadatta Chand: I think MCLR linked it is, like the entire resetting see, there is a lag in terms of the book, in terms of MCLR and BRLLR, right. BRLLR is the external repo linked portfolio but at some point of time both will converge, right, that is what the lag effect of that. So, in terms of passing on the MCLR impact, we are fully able to pass on the impact to the customers and that is how the market is at this point of time. But, Ian, anything further you want to supplement on this question?

Mr. Ian Desouza: Yes, Sir. So, in terms of if you normalize the Q4 yield on advances then we actually see a 10 basis points of sequential quarter increase in Yield on Advances. So, I just wanted to add that point to give you a context.

Mr. Nitin Agrawal: Okay, sure. Sir, if you could just quantify the restructured assets number as to how much it is outstanding?

Mr. Debadatta Chand: Yeah, I'll pass on to Khurana Sahab. Can you take this question?

Mr. Ajay K. Khurana: Total restructure book is INR 13,000 crores.

Mr. Nitin Agrawal: INR 13,000 crores?

Mr. Ajay K. Khurana: Yes, and around INR 2,800 crores has been reduced from there and almost 90% is upgraded or closed.

Mr. Nitin Agrawal: Right, Sir. Okay-okay, thank you. And, Sir, the last question is on the tax rate. This quarter the tax rate was slightly elevated, so what has driven that?

Mr. Ian Desouza: Can I take the question, Sir?

Mr. Debadatta Chand: Yeah-yeah-yeah, please.

Mr. Ian Desouza: So, actually, from time to time we have been strengthening our Balance Sheet. So, we had certain tax provisions which we had taken, which we prudentially chose to take this quarter. That has slightly taken up the effective tax rate from around 27% which we used to see earlier to around 29% which you see this quarter.

Mr. Nitin Agrawal: Okay, sure, Sir. Thank you so much, Sir.

Mr. Debadatta Chand: Yeah.

Moderator: The next question is from Saurabh Kumar. Please, unmute yourself and ask the question.

Mr. Saurabh Kumar: Yeah, Sir. First on the restructured book, what is the provisions you're carrying against this? The second is, you know, the specific provisions you did highlight why it's gone up but any, I mean, any other reason which is driving the specific provision increase? And third is basically on the credit card subsidiary. I mean any plans of, you know, when we can consummate the transaction? These are the 3 questions. Thank you.

Mr. Debadatta Chand: So, Khurana Sahab, can you take the first two questions?

Mr. Ajay K. Khurana: For restructuring, restructure provisioning total is around INR 1154 crores and the standard assets we have INR 5981 crores. Few accounts, we have provided specific provision also.

Mr. Debadatta Chand: So, just to add to Khurana Sahab's statement, on a strategic basis we wish to strengthen the Balance Sheet. The PCR is almost at 93% plus at this level. And on the standard provisioning also, we do have a significant amount but going forward also we would like to strengthen Balance Sheet more so that any headwinds subsequently can be handled well.

And, Credit cards, Joydeepji can take this question?

Mr. Debadatta Chand: Yeah. Saurabh, just give a minute.

Mr. Saurabh Kumar: Yeah.

Mr. Debadatta Chand: Joydeepji, can you take the credit card question? Yeah?

Mr. Joydeep Dutta Roy: Yeah. So, the credit card divestment process that was already initiated by the Bank, the process is still continuing. We have gone into the financial due diligence and the legal due diligence portion completion and the prospective investors who have evinced interest or expressed interest, they are evaluating those reports and the data that has been provided to them and with the strength of those data points, etcetera they will come back with their final bids or offers which we can consider and take forward; number one. But, again, as we go through the process it has a sort of a regulatory and a market element also which we will have to look at and then go forward. So, the entire process which is the usual processes of diligence and the RFP and the binding offers, et cetera coupled with the market as well as the regulatory. So, that is how we are planning to take it forward.

Mr. Debadatta Chand: Saurabh, if I add to what Joydeepji said, all our decision would be based on the valuation, the market conduciveness and also subject to regulatory approval.

Mr. Saurabh Kumar: Right. Got it, Sir. Sir, if I can ask, how much is the airline account provided for now versus your exposure?

Mr. Debadatta Chand: Yeah, if you look at the book, last time we said there was almost a 30% exposure which was backed by the ECLGS. Out of the balance, 70% we have a collateral backup almost to the extent of 35% means half of that. And the balance, again, we had provided last time and this quarter also we have provided and that provision is exceeding the balance portion, right. So, in terms of accounting provision, everything we are well provided on this point of time. As far as the recovery is concerned, we are expecting it's a good asset and we recover amount in full based on the primary and also on the collateral.

Mr. Saurabh Kumar: Got it. Thank you, Sir.

Moderator: The next question is from Kunal Shah. Please, unmute yourself and ask the question.

Mr. Kunal Shah: Hello? Yeah, can you hear me?

Mr. Debadatta Chand: Yeah, Kunal. Go ahead.

Mr. Kunal Shah: Yeah. So, firstly, with respect to the deposits, if we look at it between the wholesale and retail, how would have been the growth this quarter? Last time we have shared between the wholesale and retail, actually, I'm not able to see that. So, how much of the term deposits maybe what has grown almost like 3.6% odd sequentially, how would be the wholesale and the retail TD? And what would be the rate differential on an incremental basis between the two?

Mr. Debadatta Chand: See, you said right that if you look at the system the growth has been more on the term rather than the CASA. So, that's a point we've taken note and in my initial address also I said that going forward we will be focusing on the CASA.

In terms of term deposit, there is not much of a difference at this point of time because you have seen a lot of retail scheme; there are a lot of scheme that many of the banks are running. So, in terms of the cost matrix I don't think there is any difference between the cost of raising a wholesale deposit and retail deposit at this point of time. The only difference would be that the retail deposit of that cost would be slightly for a longer tenure as compared to wholesale deposit of that cost. Suppose, going at the rate outlook at this point of time, thinking through some kind of a rate reversal happening maybe in Q3 and Q4. The benefit because we are not carrying a high cost deposit for a longer tenure and in that way the Bank would be benefitting in terms of repricing all this deposit at a cheaper cost in case the rate reversal is happening.

But you are right, the growth in term deposit is high and within the term deposit the growth of let's say the retail and the rate of wholesale, wholesale is higher than the retail but tenure is much less as compared to the retail. In terms of cost matrix, there is not much difference at this point of time because most of the banks on retail also having large number of schemes, like we do have the Tiranga Plus kind of a scheme. Many other banks have their different scheme.

Mr. Kunal Shah: Okay-okay. But this 3.6%, so if we have to look at exact number in terms of the wholesale TD growth on a sequential basis, last quarter also it was quite high, so would that be upwards of 6%-7%? How would that be?

Mr. Debadatta Chand: The cost side you mean to say?

Mr. Kunal Shah: No-no-no, overall growth quarter-on-quarter, so what would be the amount of bulk deposits? Like last time we have clearly highlighted, so what would that number be?

Mr. Joydeep Dutta Roy: Yeah, I can take this.

Mr. Debadatta Chand: Yeah, please.

Mr. Joydeep Dutta Roy: Yeah. So, the 3.6%, Kunal, that you are seeing on the sequential side, the bulk is around 11% and retail term is largely flat.

Mr. Kunal Shah: Okay, got that. So, bulk is 11% and retail TD flat.

Mr. Joydeep Dutta Roy: Yeah.

Mr. Kunal Shah: Okay, yeah. Yeah, thank you. And in terms of fee income, so again, good traction on what we are focusing. Maybe that's one of, again, the strategic focus area of Fees and Flow. But in terms of the ROA contribution, how do we see the delta coming through over the next 12-18 odd months particularly from the fee income side?

Mr. Debadatta Chand: See, that's a very fair point and as a strategy, actually, the strategy has been done through in the first quarter, right. So, a lot of journey has to be traveled on that but the traction is clearly positive. The growth in fee income this time is 18% and this is one of the highest in the last five or six quarter I could see where the growth has been 3.5-4-4.5% kind of a level. So, the traction is there but how much delta it would generate to the ROA we cannot quantify at this point of time but definitely it would be ROA accretive but the overall guidance that we are giving ROA more than 1%, so in a worst case scenario going forward, let's say not this year or next year but a couple of years going forward, if there is a bit of NIM squeeze happening also, this would compensate to a substantial scale for ROA. So, although our guidance is 3.3%, we will maintain that and if you look at the ROA this quarter, it is 1.11% although our guidance is above 1%. So, it has created some delta, right. So, in that way the delta will continue to accretive but the quantification we are not in a position to do at this point of time.

Mr. Kunal Shah: Sure, yeah. Okay-okay, yeah. Thank you.

Mr. Debadatta Chand: Thank you.

Moderator: The next question is from Jai Mundra of ICICI Securities. Please, unmute.

Mr. Jai Mundra: Yeah. Hi, Sir.

Mr. Debadatta Chand: Hi, Jai.

Mr. Jai Mundra: Yeah, hi.

Mr. Debadatta Chand: Good evening.

Mr. Jai Mundra: Sir, first question is on your floating provisions that we have created of INR 200 crores this quarter, is that in preparation to Ind-AS or what is the rationale here? And is this going to be a recurring quarterly phenomena?

Mr. Debadatta Chand: I have a couple of comments, then I'll hand it over to you Ian. As far as, strengthening Balance Sheet is concerned, I mean, that's a clear glide path will be looking forward, going forward. ECL is not an immediate necessity but then it is yet to evolve. And in terms of the impact migration on my book, I'm better prepared because my PCR is 93% and above, I'm holding substantial standard asset provisioning with floating provision also one of that. So, I'm better prepared to migrate to that scenario. One of the guidance that we have given last time if there is an ECL impact, we said our credit cost would be maintained below 1% i.e. the guidance that we had given. So, that's a broader thing. Anything further, Ian, you want to supplement?

Mr. Ian Desouza: Yes, Sir. So, I think what we had called out in the last quarter when we were doing the Analyst Call is, there are several things going in our favor. For example, we have a standard assets provision of almost INR 7200 crores and in terms of the floating provision, I think, it is more in terms of our own policy which requires us to make floating provisions if our profit estimate for the year is above a certain level. So, at that stage we are following our policy as to whether we will be able to utilize this floating provision towards ECL from a regulatory standpoint it's still not clear. But once that clarity comes, we'll be able to tell you whether this can be utilized towards ECL. But at this juncture, there's no regulatory prescription saying that floating provision can be used towards ECL. Though the regulator lays out various scenarios in which floating provision can be drawn down on.

And as to the future outlook in terms of quantum, it will depend on our risk appetite and if we feel that the credit cost is trending, you know, much below what we estimate then we may take further full provision given that our PCR is at all-time high but we may take some floating provision.

Mr. Jai Mundra: Right. Coming back to yields again, right, so loan yields even adjusted for the recovery or the differential in recovery has increased at 10 basis point but that rise seems substantially lower if we compare to last two quarters wherein we had witnessed 50-60 or even 70 basis point rise in the yields. So, would it be safe to assume that 10 basis point rise will flatten further as we go ahead into the coming quarters? Or would you say it is too early to say that glide path?

Mr. Ian Desouza: See, as Chand Sahab said, the MCLR books still has to fully reset. So, as of now, that is one of the levers. Another lever would be the change in mix of the retail portfolio. So, that would contribute, though it wouldn't greatly contribute, but there would be some 5 basis point we estimate on that regard. So, I wouldn't say it's totally flattened but you can't compare it to last year. Last year you had a whole sequential quarter-on-quarter increase in repo, so you can't really compare this year's outlook with last year unless there's a further repo hike. So, it's not comparable at all.

Mr. Jai Mundra: Okay. And, Sir, in that context if you can quantify the MCLR book, which got repriced in Q1 and which is likely to reprice in Q2 in rupees crores? I mean, that that will help us.

Mr. Ajay K. Khurana: I'll speak to you offline and give that to you.

Mr. Jai Mundra: Yeah, that’s fine.

Mr. Ajay K. Khurana: But still there's a significant portion which is yet to reprice.

Mr. Jai Mundra: Sure. And last question is, Sir, on staff cost, right. So, I see that we have provided INR 460 crores wage bipartite in this quarter. But if I look at the slide wherein we give salary and the provisions, I'm not able to understand where these INR 460 crores have been shown.

Mr. Ian Desouza: Yeah, I'll explain you. So, there are two lines. One is Provisions. Provisions is largely a retirement provision, which is your AS15 that is in line with previous quarter. So, essentially it is in the main first line itself where it is factored. Then you will notice a significant increase year-on-year and quarter-on-quarter. So, if you normalize for the INR 460 crores of wage revision provision, then the employee cost only increases by around 6%-7% year-on-year.

Mr. Jai Mundra: Right. And, Sir, in your broader context when you intend to push more retail versus wholesale, right, 400-500 basis point differential, do you also see a case where OpEx because when you do more retail, you know, it is a more cost intensive. So, how do you look at your OpEx growth for FY24 and beyond because when we are more focusing on Retail, it sometimes tend to have more cost intensive?

Mr. Debadatta Chand: No, that's a very fair question. See, the retail in terms of growing at 4.5%-5% extra doesn't require much on the HR resources, on the underwriting side. The only requirement that we are adding with regard to more of Relationship management side, more tie ups. So, one thing that we said that we need to have more project approval for a housing loan kind of stuff. The digital penetration in terms of retail is significantly going up. So, now we have a couple of products which are entirely end-to-end digital on the retail side. We, again, intend to make to a large subject to a particular ticket size, more of digital in case the attributes, everything can be digitally processed and the sanction can be given.

So, one way when there would be an additional requirement of OpEx, at the same time, as I said also earlier, we are also carrying out a huge process automation journey. So, it would be a balancing out to a very large extent but the only thing that retail we try to get is a margin more accretive as compared to corporate, right. So, any bit of extra spent on the OpEx would be well compensated by a higher margin on the retail. So, that fairly would maintain my NIM and also the ROA going forward.

Mr. Jai Mundra: Sure, Sir. Thank you and all the best.

Mr. Debadatta Chand: Thank you.

Moderator: The next question is from Rakesh Kumar of BMK. Please, unmute yourself and ask the question.

Mr. Rakesh Kumar: Yeah, hi. Thank you, Sir. So, Sir, firstly, related to this stressed loan number which is there in the notes of accounts from 11 to 14, total number was coming to around INR 81 billion around INR 8100 crores and the provision if I see like notes of accounts in 10, we have given provision of around INR 1100 crores that we have made. And there is another provision of INR 296 crores that is also there that we have made in the notes of accounts number 12 or 13. So, here on the stressed asset number, standard asset stressed number, provision is around 17%. So, apart from that the restructured number that you have, which you have mentioned just now, on that how much is the provision, Sir??

Mr. Ian Desouza: Sir, can I just take one item?

Mr. Debadatta Chand: Yeah-yeah, please. Yeah.

Mr. Ian Desouza: So, I'll talk about note of accounts number 10. So, largely we spoke about a couple of large accounts which we have provision for. One is a power account, one is the whole Go First account. So, we have INR 639 crores of Go First and one par account, which I will not name since it is not in the public domain, we have around INR 255 crores. Then we have taken one hospitality account INR 87 crores. So, largely, broadly that gives you the texture. These are not restructured accounts, these are accounts where we felt there could be imminent stress including the Go First. So, that largely explains you that INR 1100 crores. So, this is nothing to do what we talked about restructured.

Mr. Rakesh Kumar: Got it. So, total standard asset stress number is around INR 8100 crores if we take the summation from 11 to 14 details. If we take the summation of numbers, the stressed asset number from notes of accounts number 11 to 14, so total the stress number is INR 8100 crores. Correct?

Mr. Ajay K. Khurana: No, total SMA 1 and 2 that is that is around INR 15,000 crores and our restructure book is INR 13,000 crores but the entire restructure book is not under stress. Most of the accounts are getting, you know, paid. Earlier also if we look at that, only INR 5,000 crores which have already been slipped to NPA and now stress is very less in that. So, this stress book includes restructure as well as the SMA 1 and 2 i.e. 2.95% of total book.

Mr. Rakesh Kumar: Okay, Sir. Second question was pertaining to the Power sector exposure like, you know, in the presentation that we have given, so there is a reduction like, you know, we have seen constant reduction in that number, the outstanding exposure in the Power sector. So, is there any guideline coming from the regulator that, you know, to reduce exposure in a specific state, SCBs or is there anything pertaining to that or what is the reason for the same?

Mr. Debadatta Chand: See, as far as the exposure to Power sector, we will continue to be long on Power sector. So, absolutely, there is no kind of any pull back on that. And, secondly, there is no instruction from anywhere with regard to any particular state or so. Thirdly, normally portfolio churn happens depending upon on the timing of all these loans. Tyagiji, anything further you want to add on this?

Mr. Lalit Tyagi: So, in fact, there is no specific assets we can talk about right now. The only thing is that, as MD said, that there can be some portfolio churning, some redemptions or lack of drawdowns on the working capital side. But other than that the portfolio is behaving normally.

Mr. Rakesh Kumar: Got it. See, pertaining to like, you know, Bank of India management stated that they have got some guideline from the regulator saying that they have to reduce exposure in some of the states and there is some category also where the RBI has put different states in different category. So, have we also received any such guideline, notification from the RBI?

Mr. Lalit Tyagi: No, we have not received.

Mr. Debadatta Chand: That's what we said that, see that would be linked to the portfolio concentration. So, if you look at our concentration, it's fairly balanced. So, absolutely, nothing like that.

Mr. Rakesh Kumar: Okay, thank you. Thanks for the clarification, Sir. Thanks a lot.

Mr. Debadatta Chand: Yeah.

Moderator: The next question is from Ashok Ajmera. Please, unmute yourself and ask the question.

Mr. Ashok Ajmera: Thank you for giving me this opportunity and compliments to you, Chand Sahab and the entire team, especially to improve the asset quality of the bank. Like if you have taken the Gross NPA come down substantially to 3.51%, Net NPA 0.78%, PCR 93.23% and you also have a buffer of the provision as per note number 10 of INR 1107 crores though you are putting it into some specific accounts but actually it is beyond the IRAC norm, which is strengthening the overall Balance Sheet of the Bank. Having said that, Sir, I've got a couple of questions and some observations. Sir, on the recovery front, especially in this quarter, if you compare with the last quarter our performance is a little dismal because our overall recovery in this quarter has come down to INR 986 crores against INR 1795 crores in the March quarter and as well as the recovery in the written-off account also has come down to INR 663 crores against INR 1447 crores. So, on the recovery front, though we got the figures of the restructured account and all that but what are our efforts and why did this quarter did not perform so very well? On the recovery side, maybe some breakup towards like any change in the

OTS scheme or any change in the, you know, so, some color on that, Sir. And going forward, where do we stand the recoveries? Where we see the recoveries?

Mr. Debadatta Chand: So, thank you, Ajmera Sahab. Actually, I was expecting you be the first in asking question but then I mean based on the last time, physically…

Mr. Ashok Ajmera: Sir, I was there right from the beginning. My hand was raised first but I don't know.

Mr. Debadatta Chand: Okay-okay.

Mr. Ashok Ajmera: But anyway.

Mr. Debadatta Chand: Okay-okay. So, next time we will catch up physically. So, giving a color on the aspect. Thank you very much for complimenting the entire management team on the performance. And, secondly, before I hand over to Khurana Sahab just to let me give you some color. Typically, if you look at the June quarter vis-a-vis the quarter of last year, I mean, previous year, they are typically not compatible because this is the beginning of the slack season and then all those things do happen and these are time when a lot of transfer happens, lot of processes happens and it impacts what you can say the normal momentum on the recovery kind of a drive. But one guidance that we are clearly giving when looking at the fresh slippages vis-a-vis the cash recovery plus upgradation, the net would be very minimal going forward for the full year. But specific point, Khurana Sahab, you can answer the question.

Mr. Ajay K. Khurana: Yeah, I would like to add what MD Sir told. Actually, last quarter there were some very big accounts which were settled. INR 1700 crores came from some big accounts and then it also depends upon the addition which is happening in the previous quarters. So, quarter by quarter this slippages have been reducing. If we look at Q1 of last year, in the March quarter the slippage was INR 4300 crores which has been reduced to INR 2200 crores in last quarter and now to INR 2452 crores in this quarter. So, because slippages are also reducing, the recovery also is reducing.

In addition to that, what we MD Sahab told, because of the season and the staff but otherwise our efforts are on and whatever targets we have already fixed for the recovery, we will surely achieve them and so many other OTS scheme and many other processes are going on for recovery. Every step, whatever is possible to recover, we have been taking very efficiently.

Mr. Ashok Ajmera: What is the target, Sir, for FY24 for the overall recovery?

Mr. Ajay K. Khurana: INR 12,000 crores.

Mr. Ashok Ajmera: INR 12,000 crores?

Mr. Ajay K. Khurana: Yes.

Mr. Ashok Ajmera: So, out of that INR 986 crores has come only in this quarter, so remaining INR 11,000 crores in the next three…

Mr. Ajay K. Khurana: No-no, it includes upgradation as well as the recovery in return of accounts. That comes to around INR 2600 crores as of now.

Mr. Ashok Ajmera: Sir, my one small question, just a point which I saw in the note number 18, there is some penalty by RBI of INR 57 lakhs. So, is it a routine kind of a penalty or some specific incident has taken place or some violation has taken place, Sir?

Mr. Debadatta Chand: Yeah. Ian, can you take this point or otherwise offline we can clarify on the matter? Ian?

Mr. Ian Desouza: Yes, we'll clarify it offline, Sir. I will get back to him.

Mr. Ashok Ajmera: Sir, my other point of information is, given that the entire Fraud account in this quarter have been provided for but the number has not been given that how much was the Fraud account and how much so that we come to know that exactly in this quarter how much provision on account of the fraud was made, Sir.

Mr. Ian Desouza: There are two things. One is the opening balance of Fraud at the end of March that was about INR 13 crores. Second is, incremental fraud during the quarter was around INR 16 crores. So, not a very significant number if you treat both together.

Mr. Ashok Ajmera: Sir, coming last to the Aviation account. Of course, you have given some color on that, that how much has been provided for and the collateral but in absolute terms, Sir, I understand that it is around INR 1400 crores to INR 1500 crores our total because you and Central Bank are the two main banks and I think Central Bank is around INR 2000 crores and yours is about INR 1400 crores to INR 1500 crores. So, in absolute terms if we understand, then according to you 30% of the provision was made in the last year itself on this account, then some provision is under note number 10 and that INR 1107 crores which is extra and some provision which has gone into the provision of, I think, it is SMA 2, into the regular provision also. So, overall provision out of this INR 1500 crores is how much, so far stands in our book?

Mr. Ian Desouza: Sir, can I take that?

Mr. Debadatta Chand: Yeah, please.

Mr. Lalit Tyagi: So, there's a non-ECLGS component for INR 1200 crores, out of which we have made a provision of INR 639 crores.

Mr. Ashok Ajmera: How much?

Mr. Lalit Tyagi: INR 639 crores. INR 509 crores in the March quarter and INR 130 crores this quarter.

Mr. Ashok Ajmera: Then you said that you have got a substantial collateral of almost 60%-70% of the value. So, is it the consortium collateral or there is some standalone separate collateral also to you?

Mr. Debadatta Chand: It's consortium collateral.

Mr. Ashok Ajmera: It's all consortium collateral only which may fetch almost about 50% of the total…

Mr. Debadatta Chand: 50% of the balance of the ECLGS exposure.

Mr. Ashok Ajmera: Balance? All right, Sir. The point well taken. Sir, now going forward like we have grown our credit book well in this quarter…

Mr. Debadatta Chand: But just I add also on this point, although accounting provision we have made but as far as the recoverability is concerned, we expect full recovery out of this account. That is what our management view on that.

Mr. Ashok Ajmera: And you see the airline flying again? I mean the…

Mr. Debadatta Chand: No, I am not commenting. I'm only commenting as far as the collateral, primary collateral. ECLGS, we expect a full recovery but accounting we have provided what is required.

Mr. Ashok Ajmera: So, anyway, we are also concerned with that only that whatever recovery you are expecting. Sir, coming to the now this credit side, we have grown our book very well in this quarter, 2.1 or 2.2% for the global, as compared to some of the other bank which couldn't carry the same as compared to the last quarter. So, now going forward your guidance is around 14%-15%

overall of the credit book. Looking at Bank of Baroda and the way you all are, I mean, like major thrust you are putting on retail as well as you have also opened up the corporate, you have started the Relationship Managers, the full-fledged concept and this thing, don't you think that our target though is good it's a little more than the industry norm but can be still increased to say 16%-17% up the range?

Mr. Debadatta Chand: I said in one of the conversation that we have bit of trend of over performing vis-a-vis guidance, so you take it in that way.

Mr. Ashok Ajmera: All right, Sir. Thank you very much for giving me this opportunity.

Mr. Debadatta Chand: Thank you and pleasure interacting.

Mr. Ashok Ajmera: Just one small end of this thing. We have the pension, you know, revision in the pension amounting to almost about, I think, it was about INR 880 crores something balance of the last year. We have provided in this quarter about INR 72 crores, if I'm not wrong. So, this INR 799 crores has been carried forward to be amortized which an auditor has mentioned that had this been provided, our profit would have been lower net of tax of INR 589 crores. So, was there any need of mentioning that when it is allowed as a dispensation by RBI and you are permitted to do so? Was there any talk with the auditor on that because I don't see some of the other banks this point coming that had this been 100% provided the profit would have been lower by INR 589 crores? So, this is number one and going forward if the ECL guideline comes then I think all this kind of, you know, amortized or to be amortized or un-provided thing also will have to be taken into consideration.

Mr. Ian Desouza: Sir, can I take that question?

Mr. Debadatta Chand: Yeah, Ian, please.

Mr. Ian Desouza: So, Ajmeraji, there are two things. One is, it is permitted as per regulations but this is a special dispensation given by RBI, but this is a carve out from the accounting standards. So, as per the audit requirement, since it is a carve out from accounting standard, we need to mention it and quoting the regulatory reference. That is the reason why it is mentioned. Secondly, this is something that we are evaluating on a regular basis and well before the Ind-AS guidelines come in, this will probably no longer be there.

Moderator: Thank you, Sir. We are taking a question from M.D. Mahesh of Kotak. The overall cost of deposit that increased QOQ was 25 bps QOQ but the July interest rate disclosure does not see an increase in MCLR. The June disclosure saw an increase only in one bucket. Why is there a poor transmission of cost of deposit into MCLR? Thank you.

Mr. Debadatta Chand: See, as far as MCLR computation is there, that depends upon a lot of other metrics. So, it's not typically linked, it depends on the cost of deposit the Bank has, right. So, that is one point.

The second aspect is, some of the upside that we see on the loan MCLR book is a resetting of MCLR. Even when the MCLR was increased earlier but the reset has not happened. So, that's the upside available quarter to quarter. And this typically, I believe, is the answer to it. Anything Tyagiji or Ian can take further or supplement further.

Mr. Ian Desouza: Yes. So, the MCLR formula as defined by RBI is different. It is not typically taking it as we typically see it from a commercial sense. So, I think, what Chand Sahab said is correct and it is a reset of the one yearbook that we are seeing as a guidance that we are giving that there is an upside still left.

Mr. Lalit Tyagi: Yeah, nothing to add, Sir. Thank you.

Mr. Debadatta Chand: That's fine.

Moderator: We have another question in the Q&A box from Krishna Kumar Srinivasan. What is the mix of growth plan for FY24 and FY25 in terms of corporate and retail? What's the pipeline looking like in terms of loan approvals and sanctions? Thank you.

Mr. Debadatta Chand: Sure. I'll first just answer and then give it to Tyagi Sahab on this. See, we set a broader guidelines with regard to the portfolio mix of 35-65 in a couple of years from now. If you look at the current corporate, it is almost at 42%. So, while our target, let's say three year target, of 35% so that trend would be pro rata you can that way reduce it down. But anything, Tyagi Sahab, further you want to add on this?

Mr. Lalit Tyagi: So, in terms of the pipeline in corporate, there are good traction from the infra, renewable and some of the industrial sectors where working capital demand is now coming up. So, whatever our goal projections are there in corporate, we are pretty confident that we will be able to make. And as MD said, in terms of the retail growth we are consistently growing our retail book to rebalance our mix of corporate and retail and we are confident to maintain the guidance which we gave at the beginning of the year. Yeah.

Moderator: Thank you everyone. I'm sorry but we're running out of time. So, this is the last question. I'll now invite Ian to please give the vote of thanks.

Mr. Ian Desouza: Thank you, everyone, for joining us. And as usual, these questions had all given us food for thought and we will, you know, be building some of them into the way we interact with you going forward. Look forward to interacting with you some on a one on one basis. I think many of you have interacted with us on a one on one basis, looking forward to those interactions from Monday onwards. Thank you very much for joining us on a Saturday. I know it's already 5.30 on a Saturday. Thank you for being engaged with us. Take care.

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

Mr. Ajay K. Khurana: Thank you very much.

Mr. Debadatta Chand: Thanks.

Mr. Lalit Tyagi: Thank you, everyone.

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Bank of Baroda Media Conference for Quarter ended 30th June 2023

5th August 2023

Participating members from the Management Team of the Bank

- *Mr. Debadatta Chand, Managing Director & CEO*
- *Mr. Ajay Kumar Khurana, Executive Director*
- *Mr. Joydeep Dutta Roy, Executive Director*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: Good Afternoon everyone. Sorry for the short delay. Thank you everyone for joining us for the Media Conference for Bank of Baroda's financial results for the quarter ended 30th June, 2023. Thank you all for joining us. We have with us today our MD and CEO – Shri. Debadatta Chand, 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, and then we will have the Q&A session. Over to you sir.

Mr. Debadatta Chand: Yeah, good afternoon ladies and gentlemen. Let me introduce the management team of Bank of Baroda. I'm D. Chand – MD and CEO of Bank of Baroda. Along with me is Mr. Ajay K. Khurana, who is the Executive Director looking after Recovery, MSME and Agri vertical, along with the platform function. Then we have Mr. Joydeep Dutta Roy, who looks after the IT and the Digital piece, along with Retail Assets, Retail Liabilities and some platform functions. Along with him, Mr. Lalit Tyagi, who looks after Corporate Credit, Industrial Banking, Treasure and some of the HR functions. And as you know, Mr. Ian Desouza, the CFO of the Bank; you know him well. So, for this conversation, we all are available. Over to Ian for taking you through the presentation, and thereafter, I'll have my opening remarks.

Mr. Ian Desouza: Thank you so much sir. First off, we've had a very good set of numbers in terms of business. Our global advances grew at 18%, domestic grew at close to 17% and international advances grew at around 23%. In terms of our domestic numbers, they were led by strong growth in our Retail, of close to 24%, and also supported by growth in Agri, MSME and Corporate. As you will see, across segments, we have grown in Retail, led by home loan, mortgage, education and auto loans. In terms of unsecured, our book size is quite small compared to some of our larger peers, in terms of total proportion, but we grew at 82%.

In terms of our deposit growth, our total deposits grew at 16.2% and our domestic deposits grew at close to 16%. As you will see our domestic CD ratio is very comfortable, we are still at around 75-76% levels. But it has improved in terms of deployment from a year ago. We are about close to 3% higher than a year ago. Our global CD ratio also improved significantly demonstrating that we have put to work our deposits.

In terms of yield on advances, from a year ago, we have smartly grown our yield on advances to 8.4%, and this is higher than our full year average for FY23 of 7.54%. In terms of cost of deposits, as you probably know, cost of deposits have gone up in the market, and the same has happened at BOB as well. However, if you see the net outcome of all this, which is our Net Interest Margin, that has gone up by 25 bps year on year.

In terms of our Net Interest Income that has grown by close to 25%, Operating Profit is up by close to 73%, Profit Before Tax is 106% up and Profit After Tax is almost 88% up year on year.

Now we come to some of the asset quality and balance sheet strength ratios. Our GNPA has come down tremendously, it's almost half to reach 3.51%, and NNPA is below the 0.8% mark. We've seen our provision coverage go up smartly, it's now almost 93.23% for all our loans, including the technically written off loans. In case of slippage, that ratio has come down. So basically, lesser loans have slipped during the quarter as compared to the quarter a year ago. So, our slippage ratio is 1.05%. Our credit cost, our reported credit cost is 70 bps, but we have taken significant provisions for strengthening our balance sheet, and we've taken a INR 200 crore floating provision. Net of these, our adjusted credit cost would be just 44 bps.

In terms of SMA, we've been reporting lower SMA numbers trending quarter on quarter. This quarter, there was one large account, an aviation account for which we'd already taken provisions last quarter, and have ramped up those provisions this quarter. Excluding that one account, our SMA 1 and 2 above 5 crores would be 29 bps. In terms of collection efficiency, our collection efficiency has been 98% throughout, and this quarter as well, there was just one account which was collected a day after the quarter end, which pulled down our collection efficiency. But for that one account, our collection efficiency would have been little above 98% at 98.86%.

Another number to look for is the capital adequacy. That has continued strengthening on the back of internal accruals. As of the end of the quarter, our capital adequacy was reported at 15.84%, but however, if you include the profits of the quarter, net of the dividend pay-out percentage, our capital adequacy would've been higher than the last quarter, and would've been 16.29% and our CET would be 12.39%.

Thank you very much for being part of our presentation. I'll hand it over back to Phiroza.

Moderator: Thanks Ian. Chand saab, would you like to make some opening remarks?

Mr. Debadatta Chand: Yeah. So, once again, good afternoon ladies and gentlemen, and thanks for sparing your Saturday afternoon for us. Though the June quarter is normally considered a moderate quarter, but then, I'm very happy and delighted that we have a very strong all-round performance, focus on robust profitability and a strong growth momentum. And also, we are maintaining our journey towards asset quality. The result is reinforcing our commitment for excellence and sustainable growth.

If I talk about the credit growth in our loan book, the growth has been 2.2% sequentially, quarter to quarter, and 18% YoY with a retail growth of 3.4% quarter to quarter and 24.8% YoY. We continue to maintain our guidance of growing above the industry by 1-2% on the overall book, and also 4-5% higher on the retail book. Our overall guidance for FY24 estimate is that loan growth would be almost at 14-15%, corporate growth would be around 12-13%, retail would be 18-20% and international would be around 15% in line with the book growth. As far as the mix of the book is concerned, we have also earlier given guidance that, we wish to grow robustly on the retail side. So, on a medium-term, we're looking at a corporate 30% and non-corporate 65%.

As far as NIM is concerned, we have seen, a marginal reduction on a quarter to quarter. But, the NIM margin still continues to be very strong. Last year, the full year NIM was 3.31%, and far as our guidance is concerned, we continue to maintain the guidance of the NIM to be around 3.3%.

Cost to income is one of the prime focus as far as our strategy is concerned going forward. We have seen a reduction in the cost to income ratio, where although not giving any guidance in terms of numbers, but then we strongly believe that the process automation journey that we've undertaken, it would give us a substantial leeway to reduce the cost to income ratio.

Another important aspect for the corporate book is that, we have introduced the concept of Share of Wallet (SOW). And, we also announced the year FY24 as the year of Fees and Flows i.e. F&F. We are focusing significantly on the CMS business. We are also focusing on the wealth side of the business, and also the commission and fee business. This quarter has also seen some kind of significant movement on the fees and flows, and will drive the fees and flows concept this year very aggressively. The branches are also getting into a bit of sales culture, and we're moving away from transactional banking to more of an engagement-based relationship banking.

The profitability almost doubled, the growth has been 88% as you've seen in the presentation. Our profit is INR 4,070 crores. And, for consecutively two quarters now, the March quarter and the June quarter, we maintain a net profit of about INR 4,000 crores. And also, we're happy to note that, in terms of the full year profit, this quarter profit is almost at 30% of the last full year profit.

Asset quality is a very important aspect as far as the Bank is concerned. Ian already made a comment that we are trying to strengthen the balance sheet also at this point of time. The net NPA improved to less than 0.8%, the GNPA improved by 275 bps YoY.

As we said earlier, we do have a collection vertical, which is one of the important aspects as far as the recovery and collection mechanism that is yielding positive dividend. And, because of that, the target for the net slippage, which is the fresh slippage and the recovery and upgradation, would be very negligible or very minimal. Rather, we'd like to pursue more recovery as compared to the slippages.

Deposit growth is one of the important aspects in this financial year; that's an industrial trend. And, most of the banks have a lower CASA this time, so do we. We'll be pursuing very strongly on the CASA side by trying to leverage our corporate relationship for CASA. We're augmenting our distribution channel, at the same time we're also augment our relationship business based deposits. And, we hope that we'll improve the CASA growth going forward. The deposits, although being behind the asset growth in this quarter, but we expect some kind of a growth of 12-13% as the FY24 estimate.

With this, I once again, thank all of you for joining us on a Saturday afternoon, and we'll now go for the Question & Answer session.

Moderator: We now open the floor for Question & Answer session. I request everybody to limit their questions to two, and we will give you the chance to ask your question. You may also ask your question in the Q&A section. Thank you.

The first question is from Joel Rebello. Please unmute yourself and ask your question.

Mr. Joel Rebello: Sir, if you could elaborate a bit more on this fees and flows model which you'll will concentrate on this year and what has been the growth? If I'm not wrong, I think the fee income has grown by about 18% year on year this quarter. So, in fees and flows what is the target like? How quickly do you'll expect it to grow this year? Can you tell us anything?

Mr. Debadatta Chand: That's the concept that we have driven in this financial year. If you look at the fee-based income growth, which is part of the PPT, the growth is 18%, and this is the highest growth in any quarter, if you compared the past 5-6 quarters. So, the focus is with regard to leveraging on the relationship side. We're pursuing the Cash Management Business because we do have the CMS application which is very strong.

Recently, we on-boarded a very large customer also who is part of CMS. CMS earlier was more of a corporate product, but now we're pushing it to mid-corporate and MSME also. So when we have CMS, flows are part of CMS; all the cash flow of that company would be routed through the CMS. So, this is the flows that we're talking about, that my systems would capture the maximum flows that company would have. So, the drive for that is fees and flows. So, the fees concept is to augment the fee side of it, and the flows concept is to augment the entire cash flow of any entity who are banking with us. So, this is precisely the fee and flow. There's no target in terms of achieving any number, but the trend would be positive, because the outcome is in terms of a higher fee-based income, at the same time, higher cash flow within the system. Thank you.

Mr. Joel Rebello: Okay. A couple of clarifications on the numbers. Is there any prudential provisions that you'll have done or extra provisions that you'll have done, that you'll can share, in this quarter? I think, I heard that there's been some extra provisions done on a prudential basis. Can you explain that? And also, because the bank attrition has been in the news for some time, I just wanted to understand, what has been your attrition for the last year, if you can tell us? Thank you.

Mr. Debadatta Chand: Before I hand it over to Ian, I just want to give a comment that, we made efforts to strengthen the balance sheet. So, that has typically been our focus, and Ian will tell you the numbers on that.

The second aspect, in terms of attrition, we don't have ready data, but I think it's very negligible or absolute NIL at this point of time, that is what my belief is. But, Ian, if you can share on the provisioning side?

Mr. Ian Desouza: Yes sir. So Joel, on the strengthening of provisions, what we did is, account specific provisions were around INR 420 crores, and we made a floating provision of around INR 200 crores. So totally, around INR 620 crores of additional provisions were made.

Mr. Joel Rebello: Okay. Attrition, if I've seen your Annual Report, it shows 1%. I just want to cross-check whether that number is correct?

Mr. Debadatta Chand: No, it would be correct, but then, it's very negligible in terms of that. Any further data, I'll update you, but then, you go by the percentage you took a note of.

Mr. Joel Rebello: Okay. Thank you so much sir. All the very best for this year.

Mr. Ben: This is Ben from PTI. Can I have my question?

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

Mr. Ben: I would like to know, that your wage talks are over and that would be hopefully effective by November, what is the provision that you made for wage increase?

Mr. Debadatta Chand: That's already listed therein. So, that is a total provision that we've made. I believe, that is INR 760 crores, Ian?

Mr. Ian Desouza: Yes, correct. So, we have made provision in this quarter of around INR 460 crores. In the prior year, we made provisions of around INR 500 crores.

Mr. Ben: Okay. And, how much was your recovery, and how much was cash recovery?

Mr. Debadatta Chand: Khurana saab, can you just respond to this question?

Mr. Ajay Khurana: Yes. Cash recovery is INR 986 crores towards the NPA accounts.

Mr. Ben: Okay. And total recovery?

Mr. Ajay Khurana: Total recovery is INR 1,937 crores, and INR 663 crores is for written off accounts.

Mr. Ben: Sorry, what is the total?

Mr. Ajay Khurana: INR 1,937 towards NPA, and another INR 663 crores from written off accounts.

Mr. Ben: And what is your recovery target for the year?

Mr. Ajay Khurana: INR 12,000 crores.

Mr. Ben: Okay. Anything that you have planned or identified for sale to NARCL?

Mr. Ajay Khurana: Yeah. Two accounts we have already identified and selected. Rest others are under process.

Mr. Ben: How much is that sir?

Mr. Ajay Khurana: Total amount actually, from the earlier list, all now have gone. New list, new accounts are getting identified and then they are getting evaluated. So, the exact data cannot be given at this juncture.

Mr. Ben: And how much is your exposure to Go Air?

Mr. Debadatta Chand: See, that was clarified last time. Actually, already data was given last time. Out of that, we had a substantial ECLGS provision. Out of the balance amount also, there is a hard collateral to the extent of 50%. Balance, we have already provided more than that. But, as far as the account is concerned, going forward, we expect full recovery.

Mr. Ben: Do you have exposure to Bombay Metro Line 1? Ambani Group Metro Line 1?

Mr. Debadatta Chand: I mean, that's a bilateral thing, we don't discuss, neither we share the exposure therein, sorry.

Mr. Ben: Either way, there is NCLT. That has gone to NCLT, so, why not?

Mr. Debadatta Chand: There is hygiene around that, but then, I would say that, bilateral things we normally don't discuss. So, NCLT, the details would be available to you otherwise, right?

Mr. Ben: Okay. And, what is your treasury income?

Mr. Debadatta Chand: So, treasury income, the entire treasury is INR 1,152 crores, out of which, the recoveries are roughly around INR 625 crores, treasuring trading profit INR 331 crores, exchange profit is INR 196 crores. So, it's summing up to INR 1,152 crores.

Mr. Ben: Okay.

Moderator: I request you to join the question queue.

Mr. Ben: Yeah, I'm done.

Moderator: The next question would come from Vishwanath Nair of BQ Prime.

Mr. Vishwanath Nair: Hi, the question I had was with regard to your corporate portfolio. Now, the composition of the portfolio shows that A and above rated is over 85%, I think 87%, if I'm not wrong. Is that one of the reasons why your margins have dipped also, because pricing in those segments is becoming finer and finer?

Mr. Debadatta Chand: No. See, the issue is, NIM bit of around 3 bps is not because of anything on the loan side. In fact, it is mostly because there is a cost push happening on the liability for all banks. See, all the liability that we raised last year, the impact would not have been full year for the last year. So, that's a trend for all banks in this year where the cost is catching up, because the cost of deposits slightly moves with a lag time. So, that's precisely the reason for a bit of compression that is on the NIM side. But, as far as full year's profit is concerned, if you compare the NIM vis-à-vis June quarter last year, it has improved substantially, right? If you look at the exit NIM of March 2023, then there's a bit of compression there. But then, overall NIM of 3.3%, we're holding that guidance 3.3% for FY24 also.

Mr. Vishwanath Nair: Okay. The other part is on the international book. Now obviously, that is growing faster than your domestic portfolio. Just yesterday, the largest lender in the market highlighted lot of evolving scenarios in the international markets, and they are going to go slow as far as their lending is concerned. I'm trying to understand what Bank of Baroda's strategy is?

Mr. Debadatta Chand: See, we've also aligned a similar strategy. In my opening address also, I said the growth in international would be in line with the domestic growth. So, the growth we are expecting for FY24 is around 15%, which is the domestic growth also, unless and until the currency fluctuation impacts that growth. But on an organic scale, we'd like to grow at around 15%.

Mr. Vishwanath Nair: So, are you saying that going ahead, it might slow down a little bit? Maybe this is just a quarterly…

Mr. Debadatta Chand: Slow down as compared to last year, yeah.

Mr. Vishwanath Nair: Understood sir, okay. And, one last question on the asset quality outlook. You said INR 12,000 crores were the recovery targets, but overall by the end of the year, where do you want your GNPA and NNPA to be at?

Mr. Debadatta Chand: Khurana saab, can you take this?

Mr. Ajay Khurana: Yes, it is INR 12,000 crores. Any question on that?

Mr. Vishwanath Nair: My question was, on your GNPA and NNPA targets for the year?

Mr. Ajay Khurana: See, GNPA and NNPA level you are asking about?

Mr. Vishwanath Nair: That's right.

Mr. Ajay Khurana: See, the guidance for gross NPA is, total recovery is INR 12,000 crores. Guidance will be around 3 and a half. And, for net NPA also, we're presently at 0.78%, so 0.75%, is what we initially thought of, that was our plan.

Mr. Vishwanath Nair: Would you be revising these guidance going ahead?

Mr. Ajay Khurana: No, this Go Air has already hit for us. So, let us see. This we can do in Q3. Q2 of course not, Q3 we might consider that.

Mr. Vishwanath Nair: Alright. Thank you so much.

Mr. Debadatta Chand: If I supplement Khurana saab, the overall guidance is trending downward is the guidance we give, both on the GNPA and NNPA, but this is based on the outlook as on today, right? So, depending on the scenario, it can change, but the efforts would be to trending both GNPA and NNPA downwards.

Mr. Ian Desouza: If I may just supplement sir?

Mr. Debadatta Chand: Yeah, please.

Mr. Ian Desouza: In terms of guidance, typically what we do is, we give you a credit cost guidance and we give you a slippage guidance. I think, GNPA and NNPA are more an outcome. So, I think if you look, our guidance is consistent of slippage of between 1 to 1.25%, and you already have a guidance on recovery. So, whatever else, will be more an outcome rather than a metric.

Mr. Debadatta Chand: See, as far as the credit cost is concerned, last year it was 0.53%. But, the guidance also we'd given last time that was maintained below 1% and that guidance would continue. And, as far as slippage is concerned, the guidance that we'd given last time, we're maintaining the same guidance of 1 to 1.25%.

Mr. Vishwanath Nair: Alright sir. Thank you so much.

Moderator: The next question is from Abhijit Lele of Business Standard.

Mr. Abhijit Lele: With regard to the international territory, you will align it, that is clear. But in terms of the territories, which are the ones which will see a marked slowdown and you will recalibrate the strategy?

Mr. Debadatta Chand: I'll make my initial comment and then I'll ask Tyagiji to supplement that. The initial part is that, our major growth territories have been the US, UK and UAE, and to some extent Singapore and Australia. So, as on today, as far as the outlook is concerned, all the territories which I mentioned, in terms of NIMs are doing pretty well. In Africa, we have the entire business on the subsidiary mode. Wherever, but the Bank is very clear, wherever we are not getting the requisite return on capital, possibly may look for downsizing or putting less focus therein. But, where we are getting substantial return, both in terms of ROA and NIM, we'll continue to grow in those markets. So Lalitji, anything you want to supplement on this?

Mr. Lalit Tyagi: One thing I could say is that, you would've noticed, that as we progress in the year, probably the base effect will also have its own course. That will moderate the growth in terms of percentage. And also last year, some amount of growth in Rupee terms was witnessed due to the Rupee depreciation vis-a-vis the Dollar and other major currencies. And, we hope that this year, probably this may not be that large. So, all in all, we maintain that our international book should grow around 15%, what we have guided.

Mr. Abhijit Lele: Okay, fair enough. In terms of the CASA, yes, it is a secular banking phenomenon. But, are you witnessing some kind of a slow movement of money from the SA to the term, now that interest rates are more or less stabilizing?

Mr. Debadatta Chand: No, that's very fair thing for a market. But, as far as the outlook on interest rates in Indian conditions, as on today, it's very stable now. But the focus, as far as the Bank is concerned, because we do have large digital penetration and also networking, we'll try to augment with regard to CASA growth. So, Joydeepji, if you can slightly highlight with regard to strategy we have on the CASA side that would be useful.

Mr. Joydeep Dutta Roy: So, just to add, on the CASA, of course, as we'd already discussed earlier, the guidance on the NIM is there of maintaining that NIM. So, we are looking on the deposit front, strategies which would be NIM accretive. So, on that side, CASA and the low cost deposits, assume a lot of importance. So, from that point of view, even though the CASA growth that we have seen is around 5.5%, but the focus of this year is to get it to double-digit growth on CASA through a combination of a few strategies that we would like to implement throughout the year, and that will definitely help us in improving the CASA.

So, one of the strategies that we are looking at, is as again, what MD sir was mentioning on the fees and flows concept. In the fees and flows concept, the flows again, come through a lot of the merchant flows that happen. So, on the merchant flow side, the current accounts become very important. So, we are targeting the merchant flows in a very active manner this year. The POS, IPG penetration, etc., we are looking to penetrate in a much more deeper way this year.

Apart from that, the salary accounts, institutional accounts, we are creating sales teams across branches, across various outreach points, etc. which would help us canvas more salary accounts and institutional accounts. Again, there's a flow concept here, and that again adds to the fee and flow concept that we have been speaking about.

And plus, the Relationship Manager concept at various verticals, whether it is corporate, whether it is MSME, because each of the corporates, MSMEs, there's a CASA leg there also for all the corporates, all the MSMEs also. So, the Relationship Manager would look at those aspects also and tie it all in as we look at the growth for CASA for this year. So, those are some of the strategies that we're working on, and I think, all those strategies would be very NIM accretive for the Bank also. So, that's how we plan to take it forward.

Mr. Debadatta Chand: Just to add to Joydeep's view, see, currently the current structure is that the branches are the retail branches, but there is no adequate sales support therein. So, the orientation we were trying to change is towards sales support so that they grow. And that, typically would generate the delta that you're talking about, slightly growing higher than the market.

Mr. Abhijit Lele: Okay. Last is a small about the state of Manipur. It has been in the state of disruption for long. What exactly is the exposure across altogether to the customers or entities there? And, how much has come for restructuring? Is there any data there that you can share?

Mr. Debadatta Chand: Sure. Nothing much to add at this point of time. Like any market participant, we are also a market participant, and frankly, I don't have that data as of this time. So, if there's anything that we can share, then we'll share. But, we're one of the market participants and we're playing in line with what the market does vis-à-vis the reference that you're making.

Mr. Abhijit Lele: Okay. Thank you.

Moderator: The next question is from Piyush Shukla of Financial Express.

Mr. Piyush Shukla: Thank you for taking my query. Firstly, I wanted to ask Joydeep sir if there's any update on the BOB financial solution stake sale that we're looking to do? Any update there?

Mr. Joydeep Dutta Roy: So Piyush, like we also shared last quarter, the process has gotten started. And, as part of the process, we had created a data room etc. where we had engaged consultants for doing the legal due diligence and financial due diligence. Those processes have been completed, and the data, etc. has been shared with the prospective strategic investors and bidders. So with that, the process has started. But again, there is a time which the investors would probably take to evaluate and come back with firm binding proposals or offers. And with that, I think we would be able to take it forward. So, that's where we are in the process. The process is on, very much.

Mr. Debadatta Chand: Just to add on this. See, all our decision triggers to all this would be based on two factors. One is, the valuation and the market conduciveness, right? So, that adding to in terms of evaluating everything. Thank you.

Mr. Piyush Shukla: Would it be possible for the sale to go through this year in H2, or will it take more time?

Mr. Debadatta Chand: My last statement was more towards that. All would depend upon, we are on track with regard to what Joydeepji said on that, and it looks very positive at this point of time. But, everything would depend upon the valuation and the conducive market therein. So, that may crystallise into the timelines that you're talking about, and it may also not be also in that way.

Mr. Ian Desouza: Can I add one point here? There would also be a regulatory process that we need to follow. So, this would all be subject to what Chand saab already said, and the regulatory permissions that is required. So, it's not something we can actually put a date to.

Mr. Piyush Shukla: Okay, fair enough. Just two queries. Firstly on treasury income, what is your guidance for the full year, because like you said earlier, 4-5 quarters was really negligible in terms of growth? And, we were actually saying the treasury income being in minus. So, what's your outlook there? And secondly sir, as a percentage of your OpEx, how much of spends will you make in the digital side on your app and upgrading your digital capabilities, sir?

Mr. Debadatta Chand: So, if I respond to the first point with regard to treasury, again, you know that treasury, both in terms of income and trading income, are both market-linked. So, it all behaves the way the market, the rate of interest structure moves, the income moves. But if you look at the last full year, where the treasury income in terms of profit not being very high, but the income growth has been very robust, if you look quarter to quarter. And, as a normal yardstick, what we follow within the treasury, is that my income growth has to be higher than the book increase. And, that's the delta that we talk about. And all the quarters, we are following this yardstick of the growth in income being higher than the book increase, at the same time, optimising on the trading profit.

So, if I see, as on today, the rate outlook looks very stable, as far as India is concerned, but, there are global headwinds in terms of the regulators in other markets may increase their rates. So, it's a very mixed kind of a scenario, but it's very stable at this point of time. Any rate reversal happening this year, then possibly, the trading income in terms of profit would go up. Otherwise, we'd hold the same kind of guidance in terms of the performance that we have done for the 1st quarter. And on the OpEx side, Ian can take this question. No, Joydeepji, can you take this question.

Mr. Joydeep Dutta Roy: I'll take this question. So, on the digital front, see Piyush, I think investments in technology is actually now very much almost an imperative. All banks run huge technology infrastructure and a lot of the banking is now moving into technology platforms, etc. So, with that, our investments in technology, infrastructure, processes, security, all that is also going up very substantially. So, we will be making significant investments as far as the technology is concerned, both on the automation side, as well as on the infra side. So, both are being given almost a very disproportionate, sort of, share in the overall expenditure increase that we have for the Bank.

Mr. Piyush Shukla: Do you have any figure in percentage terms, sir?

Mr. Ian Desouza: So I would say, maybe a 50% increase is definitely there for this year, given that we are running very large projects on the technology side this year. We are having a very expansive project on the overall digital architecture for the Bank. We are also running a project for the entire cloud migration. So all that, again, have large investments. So, I think, at least around a 50% increase is definitely there.

Mr. Debadatta Chand: Just to add to the point, see, the current budget outlay on the IT and IT infrastructure is the existing strategy on the IT and IT platform. This year again, we have taken a task of a process automation. Lot of processes which are not fully automated, we'll try to automate that. So, any additional budgeting also required for that purpose, we'll be doing that. And secondly, when I took a call with regard to cost to income ratio, actually the delta that you're looking at, which would be lowering cost to income, can also come to a large extent from the process automation.

Mr. Piyush Shukla: Okay sir. Thank you so much, and good luck.

Moderator: The next question is from Ram Kumar of Hindu Business Line. He has typed his question, I'm reading it out. Why is the consolidated net profit down? Can you give us an update on divestment of Nainital Bank? And third, is the current level of capital enough to support 14% credit growth? Thank you.

Mr. Debadatta Chand: So, let me take the second and third point. The third first. The level of capital is quite adequate to take a 14% growth requirement. And, the current level of capital is almost at 15.85%, and if you add back the profit of this quarter minus some kinds of assumption on dividend, it is way above 16%. So, it's fairly capitalised at this point of time. Rather, we do have a mandate to raise INR 5,000 crores of tier 1 and tier 2, but that we are not doing because of the level of capital. So, as far as the growth capital is concerned, within the existing capital level, there is substantial component for growth capital; the Bank would be in a position to sustain.

On Nainital Bank, again I say, these are all on track. But, all would again, depend upon the market conduciveness, the kinds of regulatory permissions. So, definite timelines won't be possible, but the bank would be making all efforts to do that. Joydeepji, do you want to supplement anything further on Nainital Bank?

Mr. Joydeep Dutta Roy: Yes, of course. It would be very difficult to give a timeline to Nainital Bank, because there's regulatory permissions, etc. required. So, while the process is on, it will again require regulatory clearance, etc. So, we cannot put a timeline to that.

Mr. Debadatta Chand: And Ian, can you take this point, why the consolidated profit has been lower than the standalone profit?

Mr. Ian Desouza: Yes. So, there are two things. One is, if you look year on year, the consolidated profit is significantly higher. But, if you see quarter on quarter, there is a dip in the consolidated profit. A year ago the consolidated profit was INR 1,943 crores, and this quarter it is INR 4,452 crores. So, there's a significant increase.

But, if you see sequential quarter, it was INR 5,255 crores in the March quarter. But if you realise, Bank of Baroda is the biggest component of the consolidated profit. And, in the consolidated profit of INR 4,452 crores, Bank of Baroda itself is INR 4,070 crores. So, QoQ, Bank of Baroda profit was sequentially a little down, it was INR 4,700 in March, and now it is INR 4,070. So largely, that explains the sequential quarter dip. But, year on year, there's a significant increase.

Moderator: Thank you. Now we are moving to Ankur Mishra from ET Now.

Mr. Ankur Mishra: Hi, I just wanted to understand more on your retail strategy. You've mentioned in your guidance as well that you want to grow at least 3-4% there, and even the results in the current quarter shows that number. So, what steps are you taking for that kind of growth? Is your digital strategy working on that front?

Mr. Debadatta Chand: Thanks Ankur for asking this question. The strategy is very clear for us. Actually, a couple of things that we've done, yes, digital is also one of the main channels for the growth of this one.

Secondly, on the retail asset side, there are couple of new things that we're trying to do. One is, with regard to revisiting all our channels for that. The channel can be a branch, the channel can be some kind of a DST model, and the channel can be in terms of the way we look at the entire business growth to happen. So currently, if you look at the momentum for the last couple of quarters, clearly the momentum is on the upswing. Supposing, I give a guidance continuing the same momentum, the existing channel would be sufficient to drive that kind of a momentum. Secondly, as I said initially also, how do I look at the entire organisation to be? We are putting a lot of re-orientation towards sales focus. So, currently, we do have sales channel to support the growth in retail, but now we're going to augment the same.

Secondly, when I talked about fees and flows, particularly the aspect of flows, we are trying to capture that wholesomely for many of the customers. And the moment you get the flows, then you have the data points to customise products for the customers. So, there are couple of strategies wherein, possibly, if I say that I contain to maintain the momentum, that is already there for the last couple of quarters. But beyond that also, the Bank would be trying to create that so called delta, by initiating some new strategy to augment the growth on the retail front. Joydeepji, do you want to supplement anything further on this?

Mr. Joydeep Dutta Roy: Yeah. So, just to supplement what the MD said, I think on the retail growth, we have been growing very well. Of course, the market is also buoyant. And as guided, we will go higher than the market, at least 4-5% which we have been doing over the last couple of quarters also. Some of the steps, I think on the processing centres, we are making some changes in the way we used to process the loans, etc. We had a centralised processing centre. We are now making it much more decentralised, which will speed up the amount and volume of loans that we can handle, and also in much quicker time than earlier. So, we are going into a concept called RAPC – Retail Asset Processing Centres, across all these zones and regions. So, that itself will be a sort of a big milestone in our efforts to decentralise and have a much more quicker processing of the retail loans, and with that we'll be able to help our retail growth strategy also.

Plus, as the MD mentioned, there are various channels we're looking at, the DSA channel, DST. Project approval is a very big piece which we are looking at. We are revamping how we do project approvals with creating small teams for project approvals at various levels, which again will help us take the number of approved projects in the Bank from the current figure to almost three times. So, those are some of the strategies that we are putting in this. I think, we'll continue the growth momentum as we have showcased in the last few quarters.

Mr. Debadatta Chand: Just to add to what Joydeepji has said, actually, it's not exactly decentralisation, but we're trying to have more processing centres in different geographies with the same control mechanism in place. So, to that extent, please take it in that way.

Mr. Ankur Mishra: Okay, got that point. And, another thing at the risk of repetition, I would like to ask about net interest margins sir? What has been the reason for a decline QoQ? And, can you also elaborate a bit on how you'll be able to maintain the margins at this level or even better?

Mr. Debadatta Chand: So, that's a very fair question. As we initially also said, June is normally a moderate quarter. But, we booked the trend and have given very fantastic numbers this time for June. Typically, the Q4 of last financial year and Q1 are typically not comparable, because the NIM also, to a large extent, depends on lot of income that we booked in the last quarter, a one-off kind of thing. So typically, it is not comparable, because, if you see, the last quarter NIM on a global scale was 3.51%. So, that is typically not comparable with Q1. So, Q1 should be compared with Q1 of last financial year, particularly on aspects related to income and cost side of it, one.

Secondly, there is no denying the fact that, the cost of deposit would catch up with a lag. But, there are two numbers which typically can satisfy your requirement. That's as far as the repricing of large components of MCLR loans are concerned, these are not fully repriced as on today, because there is a reset that has to happen after one year. So, there's a bit of offside available on that count also.

Thirdly, when I talked about NIM and cost to income, these are both linked, and we are making substantial efforts to reduce the cost to income ratio. So taking all together, I believe that the NIM can be maintained, but we said it's around 3.3%. And, also as Joydeepji said, we have taken lot of measures with regard to NIM accretive measures. NIM accretive measures, one can be slightly growing higher on the CASA front. I mean, slightly also, when I talked about fees and flow, overall profitability, beyond NIM if you go to the RoA level, then we're augmenting the fee side as a focus area for this year. So, to sum it off, we maintain the NIM. At the same time, our guidance of ROA above 1%, I believe, is a sustainable one going forward.

Moderator: Thank you sir. We have a couple of questions in the Q&A box again. This is from Kshipra Petkar of Informist. Could you please repeat the target for advances in FY24? Also, where are you seeing slippages coming from? Our fresh slippages increased on quarter. What is the Bank's outlook on cost of deposits? When do you see it falling? Thank you.

Mr. Debadatta Chand: Thanks Kshipra. The target of advance, already I said, although we have a track record, because of the good market conditions we are in, delivering more than the guidance. But then, the target loan growth would be overall book size 14-15% for FY24 estimate. The corporate out of the entire book would be growing at 12-13%. The retail would be growing, 18-20%. The international, which is also a substantial book as far as we as a Bank is concerned, would be growing at 15%. On the slippages part, I think, Khuranaji, would you want to take this up?

Mr. Ajay Khurana: Yes. Actually, if we look at YoY, slippages have reduced from 1.71% to 1.05%. Sequentially, from March, there's a little increase i.e. a few accounts in corporate and few slippages in retail, which we could control in March, they have slipped. Otherwise, there is no big increase in any slippages.

Mr. Debadatta Chand: Just to add, if you look at the absolute slippage, always the book has gone up. Because the book has gone up, absolute also, marginally somewhere it would increase, somewhere it would decrease. So, in that way, we don't foresee much of slippage going forward.

And the third aspect, cost of deposit, again, cost of deposit is all a factor of the rate cycle in the entire economy. But I believe, it has stabilised at this point of time, because you are seeing no further movement for the last 3-4 months, and we believe it will continue to be so. One thing last time we said is that, as far as the high-cost deposits that we have raised, these are all short-term in nature. Rather I would say, there's much more traction in terms of the reduction in cost of deposits the moment there's a reversal happening on the rate cycle.

Moderator: Thank you sir. I'm now going to Hamsini Karthik from HBL.

Ms. Hamsini Karthik: Hi sir. You gave a very nice strategy on your approach to corporate banking. This is pretty much at par with what most private banks do. There is a bit of CMS, CASA, everything that banks buy. So in that case, where does BOB really sort of get its right to win? Is it just on the pricing part? How else do you find yourself differentiated sir?

Mr. Debadatta Chand: I believe, this is a very fair and strategic question. Again, CMS is part of my overall strategy with regard to fees and flows, right? So, if you look at most of the PSU peers, the fees as a percentage of the total income is slightly lower in comparison to some other private sector banks that you talked about. So, my corporate banking now leverages me in terms of both, fees and also flows. Flows would give me slightly more data points to move away from asset-based finance into cash-flow based financing. Those are all important for me.

So, the winning strategy here, I believe, is not only the strategic part, but also on the delivery side mode. On the delivery side mode, when I talked about process automation, the entire corporate process credit delivery is under focus now to improve efficiency there. The second is the service side. Mr. Joydeep also talked a bit on the TAT side. So, TAT is one aspect that we're very closely looking at.

The third is with regard to the more, we have segregated the relationship management from the underwriting side. We have hired a market professional on the relationship management side. So, the relationship management concept is not only going to be on the corporate side, it's going to be on the mid-corporate side too. Last year, we also announced one strategy saying that we opened 19 odd mid-corporate branches. This year again we'll be scaling that up. These are couple of strategies, which I think, would be a winning strategy to create that delta right for me, and that differentiation that you're talking about, in terms of me or any other bank in that comparison.

Ms. Hamsini Karthik: Thank you sir. The second question is, this is also your first quarter that you're addressing media post results, and first quarter since you've taken charge. Would you want to redefine the focus of the Bank? That's because, BOB has seen a massive overhaul in terms of approach, etc. in the last 3 years. Where do you think there is still gaps to be filled here?

Mr. Debadatta Chand: Absolutely. Let me also say that, I was part of the earlier management also. So, I've spent almost more than 2 ½ years in the Bank. And, everything that we have done with regard to creating efficiency in the Bank, all this strategy stance would continue. So absolutely, since I was part of the earlier management and now MD & CEO, the focus on the same would continue. However, the dividend has been very positive for the Bank.

There are two aspects that we talked about, slightly giving some kind of an extra focus. What is that extra focus we're talking about? One is the fees and flows. So, this is a concept that we built in this year with regard to fees and flows. The second aspect we talked about is the process automation. See, we have the best of products, best of people, but at the same time, I need to look back at the process part of it. So, we are trying to create a huge journey in terms of creating the process automation. So, I believe, with these two extra focus, we can still create the right. See, the market is always in some kind of an agile mode, competitive mode. We as a bank also need to be agile and competitive, and are trying to change ourselves to the extent of the market demand changing. So, I think this is a combination of few things; continuation of all strategies which are giving very positive dividend at this point of time, changing my requirement of strategy depending on the market condition evolving, and also keeping in mind some of the structural things like process. Fees and flows would give us the right dividend, is what I think, going forward. And thank you, this is my first press release. I'm very happy that we've given very strong results in the first press meet. Thank you very much.

Ms. Hamsini Karthik: Great sir. Sir, one more question as an add-on. You've also slipped in terms of your business size post the HDFC merger. Now you are in the No. 3 level, and the differential with PNB is also sort of gapping down. Is that something that, at a strategic level, you would want to get back to the position? You'd held it for quite a bit of years now.

Mr. Debadatta Chand: So, this is a fair question. Actually, if you look at the earlier articulation which my predecessor also mentioned multiple times, in terms of business strategy, we clearly look at three building blocks. The first thing is the asset quality and the underwriting scheme. The second block is with regard to the profitability and the margin, and the third is the growth. So, growth has never been our key target, but then, sometimes it's an outcome of the first two strategies. So in that way, we'll maintain the position. We'll continue to guide the market, guide us with regard to all these three pillars. And in the process, suppose we again get some more market share, we'd be very happy to do that. But, there is no specific strategy to be getting into No. 2 or any other position, for that matter. But, I believe, our focus has been quite strongly on sustainable business, our focus is quite strong with regard to all the three building blocks that we talked about, and that would help us to possibly close the gap in the near future.

Ms. Hamsini Karthik: One last question sir, this is more from an understanding perspective. What would be the differential in interest cost on your SA over INR 1 crore and your lowest tenure TD, term deposit?

Mr. Debadatta Chand: Can you come again?

Ms. Hamsini Karthik: Sure. What would be the pricing or the rate differential between a savings account more than INR 1 crore, and your lowest tenure term deposit? I'm trying to see if there is a narrowing of rates

Mr. Debadatta Chand: Yeah. You're talking about 7-14 days deposit cost and the SA cost, right?

Ms. Hamsini Karthik: Yes.

Mr. Debadatta Chand: It may be 0.25 to 0.5% at best.

Ms. Hamsini Karthik: Okay. Thank you sir.

Moderator: Thank you everyone. We'll have to leave it here. Thank you all for joining us. There are few questions we couldn't take, sorry about that. Thank you all for joining us. Have a good day!

Mr. Debadatta Chand: Thank you all. Thanks for sparing your Saturday afternoon, and hope that we'll meet physically sometime later. Thank you very much.

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