Bank of Baroda Analyst Meet for Quarter & Financial Year ended 31st March 2024

10th May 2024

Participating members from the Management Team of the Bank

- *Mr. Debadatta Chand, Managing Director & CEO*
- *Mr. Lalit Tyagi, Executive Director*
- *Mr. Sanjay Vinayak Mudaliar, Executive Director*
- *Mr. Lal Singh, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: Good evening, everyone. Welcome to the analysts meet. We have with us Shri Debadatta Chand, the MD & CEO and he's joined by the Bank's Executive Directors and the CFO. We have a short presentation for you, followed by opening remarks by Chand Sir, followed by the Q&A session. Chand Sir, over to you.

Mr. Debadatta Chand: So, thanks Phiroza. So, to introduce the management team, I'm D Chand, MD & CEO and I've been interacting with you for a couple of quarters now and with me, I have Mr. Lalit Tyagi, he's the Executive Director, he looks after corporate credit, International and treasury apart from a couple of other departments. We also have with us Mr. Sanjay Mudaliar; he's joining for the first time in terms of analyst meet. He is Executive Director looking after the digital side and also importantly he is the retail face of the Bank in terms of looking after both retail assets and retail liabilities. We have with us Mr. Lal Singh, he has been there for at least a quarter now for interacting. Mr. Lal Singh is looking after the recovery more importantly and also the priority sector department like MSME and Agri. And as you know, we have Mr. Ian Desouza, he is the CFO of the Bank. So, with this, over to you Ian. You can make a presentation and thereafter I will give some comments on that, please.

Mr. Ian Desouza: Good afternoon, everybody. Very nice to see you all once again and to bring to you some highlights of our results that we just declared. So, one of the top line numbers that we declared today as of March is a 24 trillion benchmark which we have crossed for the first time in terms of our total business and we have retained our pole position as one of the second largest public sector banks.

In terms of growth in advances, we had given you guidance that we will be growing around 13%. We are very near that mark at 12.5% year-on-year growth in global advances. In terms of stated aspiration to grow our RAM book, we are growing excellently well in retail at close to 21%. In MSME and Agri, we continue to grow around 12%. Corporate, we had been growing at a faster pace earlier. We have consciously taken a thought to grow at a lower rate. In terms of within the retail portfolio, home loan is printing at close to 14.5%. Education is around 19%, and Auto loan is around 23.8%. We had given guidance in earlier quarters that we would moderate the growth of our personal loan. So, last financial year our personal loan portfolio grew close to 100%. We had moderated it sequentially down to 60% last quarter year-on-year. This time it's printing at 52% almost year-on-year. So, this is a portfolio which we will continue to focus on, but we will not grow it that aggressively.

In terms of deposits, we had given guidance of around 12%. Our deposit growth has been a little muted, but this is the number that we will be focusing on in the coming quarters to get it up in a trajectory. In terms of CASA, sequentially our CASA grew at 7.5% though year-on-year it has grown at around 5.5%, this is a little ahead of the peer group that we have been seeing the results coming out in the last few days. In terms of CD ratio, this is a ratio we are conscious of needing to manage and we have reduced our CD ratio by 200 basis points sequential quarter wise. Our CASA ratio has improved sequentially by 64 basis points.

Operating profit has grown above 15%. Profit after tax has grown more than 26%. ROA, we've been delivering 1% plus ROAs for seven quarters now and this quarter we have delivered ROA at around 1.25% and for the full financial year, it's 1.17%. This is the second financial year we've delivered a 1% plus ROA. In terms of ROE, we are close to 19%.

In terms of a yield on advances, our yield on advances grew almost 100 basis points year-on-year. There has been pressure on our deposit cost as the liquidity scenario remains tight. We've seen almost 100 basis point increase in deposit costs as well. Our NIM for the quarter has printed very smartly at 3.27%. However, I would like to call out here that there has been some seasonal effect here on account of the year end recoveries and if we had to exclude the seasonal effect of higher-than-expected year end recoveries, our 3.27% would print at close to 3.15% for the quarter and our full year, excluding the exceptional recoveries we had in the last year, instead of printing at 3.18%, would have printed at around 3.14%. So, even on a normalized basis, that is normalizing for excess one offs, we have achieved our guidance of around 3.15% full year NIM.

In terms of asset quality metrics, we see our asset quality improving year-on-year. GNPA is below 3% and NNPA is well below 1% at 0.68%. Provision coverage ratio is very comfortable at 93.3% including TWO. Slippage has been below our guidance of 1 to 1.25%, it's been at the lower end of the range. I'd like to draw your attention though it is below our range of 1 to 1.25%. There were two large slippages during the course of the year and even after that this has been below 1%. So, there was the aviation account which was 1700 crores and an international account of 500 crores. So, on account of these two accounts, there was a slippage of 2200 crores, despite this, we have delivered as per our guidance.

In terms of credit costs, it is clearly a bit high because we had taken a conscious call to provide for the aviation account slippage. Earlier till quarter three, we had provided around 1200 crores on the aviation account and this quarter we have provided a further 550 crores. So, essentially, we have provided 100% on this account in this financial year whereas we were required as per our policy to provide around 20%. If we had provided around 20% that would have been a provision of just around 500 crores. So, essentially, we provided around 1200 crores more on the aviation account. That's a floating provision we had taken in the June quarter of 200 crores if you exclude for that, our credit cost would be in line with the previous year's credit cost.

So, in terms of our CRILC SMA 1 & 2, you would see this number has been trending down continuously. At this moment in time, it is just 0.15%, which indicates a very strong asset quality as nothing that is on the radar in terms of large exposures as being non-current. In terms of collection efficiency, we continue to print strongly at 98%.

In terms of our capital adequacy, as you're aware, there were the RBI guidelines, which actually required the banks to provide higher risk weights on certain NBFC and unsecured loans that actually have pulled down our capital adequacy by around 65 basis points and we had called that out in the earlier call last quarter. Despite that our capital adequacy is printed at a level which is higher than the last year capital adequacy solely on the basis of internal accruals. We have done bond raising but the bond raising has only been to the extent to replace maturing bonds. So, this is entirely organic replacement of capital and our CET-1 is also printing very smartly at 12.54%. Our LCR remains at close to 121% as of March 24. With that, I come to the end of my presentation. Back to you, Sir, for your remarks.

Mr. Debadatta Chand: Thanks Ian. Again, good evening to all of you and let me make a couple of comments on this year’s performance. The quarter performance has three strong outcomes, one is that we do have a robust book growth. This book growth is calibrated to the growth in deposits because earlier we said that we want to reduce our dependency on wholesale deposits. So, calibrating our growth of deposits, the advances book has been almost at 13% to 12.5%. The domestic advances growth is at 12.9% and the important part is that earlier also we said that the international book will moderate. We have moderated to 10.5% as compared to a 40% increase earlier. So, considering that it's a robust growth in terms of book calibrating to the growth in deposits.

The second aspect which is important out of this financial result is that, we do have a very strong financial performance and the book is growing at 12.5% to 13% wherein the operating profit has gone up by 15.1% and the net profit has gone up by 26%. So, this is a strong financial performance as far as this year's financial results that is FY2023-24 is concerned.

The third thing which is important is a much better asset quality. Why it is important that we have seen and there is a significant improvement in all parameters as far as the asset quality is concerned. Please also take a note that as far as asset quality is concerned, in the earlier position also, we are benchmarked to some of the best in the banks in the entire industry. At the same position also, we have reduced both GNPA and NNPA.

Some specific comments then I have, apart from these three important aspects that I talked about, it is that we have achieved a significant milestone this financial year that's in terms of scale or the total business, we have exceeded 24 trillion mark in this financial year ending March 2024. So, that's a very significant scale in terms of the space we operate in, in terms of PSU. Our retail advances also crossed 2 lakh crores this year, which is again significant. Our retail has been growing almost more than 20% for last many quarters now and earlier also we talked to all of you that we want to slightly push for retailising our book. So, in line with that, the retail growth has been very strong.

Our net interest income has exceeded 44,000 crores for the first time and that gives a growth of around 8.5%. There is bit of squeeze because of the cost pressure therein. The operating profit exceeded 30,000 crores for the first time and that's something I already talked about, a growth of 15.3%. The operating profit growth has also been supported by the very strong and sustained focus on the non-interest income and if you look at the non-interest income for this year vis-a-vis last year, the growth is almost 40.7% from 10,000 crore, it has gone up to 14,495 crores. It is coming mainly for two sub - heads. One is with regard to the CEB, the Commission Exchange and Brokerage where the growth is also 19.9% whereas the treasury income has been almost at 40%. So, consequently all these what I highlighted on net profit has seen an increase of 26.1%, which is a 17,789 crore as compared to 14,110 crore last year. So here a couple of comments I would like to give that for last five quarters including March 2024, we have been posting a profit in excess of 4000 crore. In terms of a run rate, if I said that this year profit is almost 123% of the last year's profit.

So, a couple of guidance that we'll all like to be interested to know for FY24-25. We are expecting the outlook that we see as in today, we're expecting a deposit growth between 10% to 12% with a focus on CASA and the retail term deposit. On the advances growth, we are looking at 12% to 14% with a focus on retailising the book more, with retail as such growing at more than 20% and with a corporate growing almost 11% to 12%.

The NIM guidance as Ian already said, if you look at the full year NIM, it is at 3.18%. Rather the sequential growth in the NIM has been better because we last time discussed with regard to the dip in the NIM on December quarter, but we have improved this for this quarter and on a normalized basis also it is higher than that of the last quarter that I'm talking about the December quarter and the full year NIM is almost at 3.18%. So, we are maintaining our guidance of NIM at 3.15% plus minus 5 bps, but as the market outlook would change then we will just see going forward whether we need revise the guidance. The ROA has been consistently for last seven quarters more than 1% and earlier we had given a guidance of ROA in excess of 1, but we are revising the guidance upward from 1% to 1.10%. So, considering the strong profit matrix we do have, we are fairly confident that we will achieve a full year ROA of 1.10%.

On the slippage ratio, we continue to have the same guidance of 1 to 1.25%. So, we are preparing ourselves for all scenarios going forward. So, although the slippage for this year has been less than 1%, but we are maintaining the guidance at 1 to 1.25%. The credit cost continues to be, it is already less than 1%, continue to have the same guidance of less than 1%. On the asset quality particularly, I would like to highlight that apart from the reduction in GNPA and NNPA, typically you all look at the portfolio at risk or the book at risk and that typically if I take the SMA1 and 2 of the CRILC plus the restructured standard book. In terms of percentage to the outstanding standard advances which was at 2.04% as on March 2023, has gone down to 0.92%. So, not only on the GNPA, net NPA, we have seen significant improvement, but also the portfolio which can be at risk also has gone down significantly. So, going forward the outlook looks much better as far as asset quality is concerned.

So, these are a couple of points that I wanted to highlight and we are fairly confident that the Bank has a strong robust business model and we will continue to sustain that going forward.

With this, I open for question and answer. Over to you, Phiroza.

Moderator: Thank you, Sir. We'll now open it up for question answer. The first question is from Ashok Ajmera. Sir, if you can unmute yourself and ask your question, please.

Mr. Ashok Ajmera: Yeah, I got the unmute sign just now only. So, there was a delay.

Mr. Debadatta Chand: Please go ahead Ajmera saab. Please go ahead.

Mr. Ashok Ajmera: Good evening, all of you and Chand saab. Definitely the results are very good. Overall performance of the bank on all the parameters is really, I mean on some of the parameters it is more than what was expected. Having said that Sir, I have got a couple of points of information and some concerns on the slippages and the provisions. So, some like you see this, our provision on this aviation account 1750 crore was the total I think approximately outstanding and you said 1200 crores was already provided for it and now 550-crore has been provided now and that is why our provisioning is little higher. But Sir, here I feel that we had some major collateral security also from this account. So, #1, yes, it is as a prudent measure it's really good that you provided for fully, but when do you expect the recovery to come if not from the main account, at least from this collateral, because only I think you two or three, two banks are only mainly are there, I think you and Central Bank, if I'm not wrong or maybe. So, can we expect some major recovery from those collateral securities on this? This is just my first question Sir, I will come over, I'm on the line.

Mr. Debadatta Chand: Okay. If I respond to that, as you said rightly, the account is now 100% provided. In terms of the recoverability out of this account, earlier also we said that we have a very high, what you can say, expectation of recovering the amount in full. Why because apart from the primary, we said earlier the account is heavily collateralized, 1/3rd of the exposure is government guaranteed and the balance also if you look at the collateral value, it's covered as of today, including a bit of leftover primary.

So, we are hopeful like, if you look at this account, the upside is there for the subsequent years out of this account. In terms of timeline, there are two litigation processes, the legal process is going on. One is with regard to the Delhi High Court, that you have already seen. And the second is with regard to the NCLT process. NCLT process now the CIRP date has been extended by another two months. So, these are all legal processes and consumes its own time to get a recovery. We expect it to be done at the earliest but then again, we will be depending on the legal process to get recovery. But as far as the upside is concerned the entire upside is there with us and we expect also full or maximum recovery out of the account as we stand today.

So Mr. Lal Singh, anything further you want to add on this?

Mr. Lal Singh: No sir. It is okay, sir.

Mr. Ashok Ajmera: My second question is Sir, on a very talked about subject of recent guidance note by RBI for higher provisioning on the project loans of 5% going forward in next two or three years. We had a very detailed discussion yesterday in State Bank of India also on this because you come next to SBI. And there they said that out of our total…you know, on book it looks Rs. 4,50,000 crore total infra and everything. The project loan which might come under the purview of this guidance note maybe only 1.5 lakh or something or 1.4 lakh or something. And in that also there are ifs and buts and there is no full clarity. So, in our case as a ballpark figure, out of your total portfolio, how much portfolio do you think can come under the purview of these guidelines, if these guidelines are implemented as it is? And what are the other finer points? Have you done some calculation that how much need to be provided for in next two, three years for us and whether it is under control, manageable, we are comfortable or yes, there is some concern on the capital adequacy also later going on that?

Mr. Debadatta Chand: Yeah, actually you are fairly right but there are two aspects, you will have to excuse me for that. Actually, as far as this particular circular concerned, this is a draft guideline issued as part of the consultative process. So, there is no finality. So, as per our corporate policy, we cannot have views with regard to a draft guidelines and consultative process. So that's why I am not in a position to tell you with regard to the outstanding book.

But as far as the impact is concerned, as on today what you see out of this, is that there are two things that a bank typically can do. One is with regard to in case you have huge capacity you can absorb the cost, otherwise you can pass on. So, we as an intermediary obviously would like to pass on that impact. So, even if on an impact scale, I don't think the credit cost would go up significantly. It can be a couple of like percentage points, less than 10 bps for the matter. But as of today, as per corporate policy, we are not commenting on the draft guidelines because that is what we believe is not fair at this stage because the guidelines have not been issued. It is only a consultative one. The final circular can be different than the original, we do not know about that. So, that's why I'm not commenting.

Mr. Tyagi, do you want to answer that?

Mr. Lalit Tyagi: So, sir, you said it all. I would say that since these are the draft guidelines and consultations are there, RBI in fact has also solicited the views of the stakeholders and these guidelines are getting evaluated at our end and also at the industry level. And I would urge to have little bit more time for clarity to emerge, as far as the impact is concerned.

Mr. Ashok Ajmera: Yeah, no problem. I mean impact you said will not be more than 10 basis or 15 basis point. That's okay. Point well taken, sir. Sir, my last question in this round, if otherwise time permits, I may ask some more, is on our other income other than interest income. There we have performed very well on the treasury front, you said. So one is that. And another one is sir, there is one other income without any explanation of Rs. 313 crores in this quarter. Can I have some colour on that, some information on that, this Rs. 313 crores? And going forward in treasury, now with some sings of rate might…you know, because our AFS book is also good so some colour on the treasury. And similarly in the written off account also the recovery this quarter has been very handsome, Rs. 1,202 crores as compared to Rs. 847 crores. So, on these three covering, on these three other income, can you just comment on that, sir?

Mr. Debadatta Chand: Yeah. On the treasury I will comment, then I will pass it on to Ian and Lal Singhji to address the remaining two. Treasury as you said that two things contributed. One is a higher trading profit this year as compared to last year. Secondly last year there was a depreciation in the book whereas this year there is a write back to the extent of Rs. 489 crores. So that has contributed in terms of non-interest income. But nevertheless, we also said earlier, we strongly what you can say, running a drive for a fee and flow within the bank. So, we'll be augmenting the CEB, the Commission Exchange Brokerage going forward and it is going to be a sustained effort and focus to improve the fee income and also the non-interest income.

Going forward as you know, you are also part of treasury, there is a change circular now, right? So, in the change circular, the trading profit won't be to the extent that we booked last year because we are not going to have the AFS profit getting into the profit and loss, right? So, there may be a dip in the trading profit going forward. But one thing is very clear, that the interest income on investment would go up significantly and that would compensate to a very large extent the dip in trading profit. So that's something again is important to note and the new circular is quite positive on the capital front, right? So that would go to reserve and that's something very positive on the capital front. So, this all sum up, will be in a position to optimize on all the front so as to maintain the profitability, income earning potential, contribution to the capital out of treasury books. So that is what we believe is going to happen for next year. On the interest rate also, I do believe things although may be elevated for a longer time but then there is a moderation expected maybe in Q2 or Q3. And that may give some further upside to the profit side. So, on the 313 crore Ian, you just take that call and the income on the written off accounts possibly Lal Singh saab can contribute, yeah?

Mr. Ian Desouza: Yes, sir. So, the other income - other, is actually interest we have received on an income tax refund. So, since that time is elapsed and the refund was due so we have received the interest. This might not accrue sequentially, but it can come in the future.

Mr. Debadatta Chand: So, Lal Singh saab, the recovery on written off accounts, can you give some colour?

Mr. Lal Singh: Yeah. So, the recovery in the written off account in 2024-2025 is also expected to be sustainable on the same basis last year. Last year, we did Rs. 5098 crores and this year also we expect similar recoveries in this portfolio. We have the portfolio of around Rs. 46,000 crores. So, we expect this much of recovery.

Mr. Debadatta Chand: Okay.

Moderator: Thank you, sir. The next question is from Kunal Shah. Kunal, you can please unmute yourself and ask your question.

Mr. Kunal Shah: Yeah, good afternoon. So firstly, with respect to yields and more so domestic yield on advances, no doubt you highlighted the impact of recoveries to be 5 bps on the overall NIMs. So that would be translating to say 7 odd bps on the domestic yields. But besides that, also there is quite a significant expansion in the yields even after growing the corporate substantially on a quarter-on-quarter basis. So, what would have led to that? So, is there a repricing or some other element as well in the yields?

Mr. Debadatta Chand: That's a fair thing. If you look at our EBLR or the BRLR which is repo linked, that is already done. So, there is no upside in that book for last many quarters now. Whereas MCLR, it moves along with the cost of deposit. And if you look at from many months now, often when we are increasing the MCLR, the repricing on the MCLR book, that is one. Secondly, we also said last time that when we announced in the June quarter saying that there is bit of upside left with regard to the repricing of the MCLR book because then normally if it is a one-year MCLR only you can reprise the revised MCLR up to one year. So that upside was also available, leading to a good growth in the yield of advances in that way.

Anything further to add to this, Ian?

Mr. Ian Desouza: I think it's perfectly called out because for us actually it works in two ways, right? Because when the repo rate was going upward because of a smaller share of retail advances, we got lesser benefit. But when the repo rate is stabilized and perhaps policy rates could come down in future, we actually ring fence to that extent because 50% of our domestic book is on MCLR. So, we will be to that extent protected because that would take longer to come off. So that's something just to keep in mind when you're running your models.

Mr. Kunal Shah: Sure. And secondly, when we look at it in terms of the provision on employees so that at least on a sequential basis that number seems to be high compared to Rs. 800 crores kind of a run rate. It is like 1600 crores while we were well provided on the wage revision and the related cost. So, what is this element of incremental?

Mr. Ian Desouza: Yes, so let me just take that one. So essentially, if you recall in our previous calls, we had guided that once the wage settlement details are out, we could potentially have a Rs. 400 crore impact on account of retirals. So, essentially that guidance has played out and there is a Rs. 400 crore impact. However, what we could not foresee that bond yields would fall at the end of March and as a result, the discount rate has come down sharply. So, the discount rate has contributed to another Rs. 400 crore impact. But in this Rs. 400 crore impact on account of the discount rate is unlikely to repeat. And with bond yields hardening, you could see some reversal of the second tranche of Rs. 400 crores. But these are more one-time hits. These are not to be built in on a sequential impact, going forward.

Mr. Kunal Shah: Okay. So yeah, so 400 is on that count.

Mr. Ian Desouza: No, no. Totally 800 because you would see 812 in Quarter 3 and double to 1600.

Mr. Kunal Shah: Yeah.

Mr. Ian Desouza: The one impact of 800 in two components.

Mr. Kunal Shah: Okay, got it. And one last question with respect to the GNPAs on PL. So that is now almost 1.95%. And that too, on a growing book, at 50 odd percent on a year-on-year basis. So slightly on a leg book, it seems to be quite higher. So how we are…maybe, at least in terms of the pricing and how protected we are with respect to the credit cost on that front. Yeah. So even though a small component, but yeah.

Mr. Debadatta Chand: As you said right, the book is small and 1.9% GNPA but we are also looking at, more importantly, the collection efficiency and also the slippage part of the PL book. And these are all within the threshold in terms of the slippage. So absolutely no concern at this stage with regard to any stress building up in the PL book. Secondly, there are two things we did vis-à-vis the last year on the PL book and we had discussed on this. One is, we said we're going to moderate growth and we've clearly moderated because moderation started in December and March quarter. If you run two more quarters, the growth would come almost at a 30-35% as compared to almost 80%-100% earlier.

Secondly, in the meantime also, we strengthened our underwriting model by taking lot of advice from many of the rating agency consultants and bureaus part of it. So, the underwriting model is much stronger. This is on a backdrop of two facts which you need to account. One that, almost all are my existing customer and they are already availing one loan apart from this loan. And conduct of all these loans are fairly good. So, I do not think there is any concern or alert at this stage with regard to that. But then some of the aspects that we are raising we are mindful of and almost already curated on that book in that way. So, there is no elevated risk out of the portfolio at this stage. They are all within the normal norms.

Mr. Mudaliar, anything you want to supplement on this?

Mr. Sanjay Vinayak Mudaliar: No, sir. I think you have covered it.

Mr. Debadatta Chand: Yeah, fair.

Moderator: Next question is from Rikin Shah. Please unmute yourself and ask the question.

Rikin Shah: Yeah, thank you for the opportunity. I have a few questions. First one is on international deposits. So, that has been growing quite rapidly at north of 25% Y-o-Y. So, if you could explain a bit more what the nature of these deposits are, who are we getting it from etc. So that's the first one.

The second one is on the fee income. Of course, the focus on flow is translating into recent commission exchange brokerage. But it has been a bit volatile in terms of the Q-o-Q trends. So, the full year fee-based income has grown at 16%. How would you expect this fee income growth in FY25, is the second question.

The third one is on asset quality. So, the MSME slippages have also inched up in this quarter. Is there a common trend or any colour that you could provide on the MSME slippage? And further to the question on personal loans, if you could just give more details about the yields that we charge, every ticket size and the credit bureau score of our customers that would be helpful. And the final question is a data keeping one. If you could just help quantify what is the outstanding quantum of restructured loan book for us. I think it was Rs. 9,900 crores in the previous quarter. What is that number now? Thank you.

Mr. Debadatta Chand: So, on the international thing Mr. Tyagi would supplement me later. Actually, it's something to fund the asset growth internationally and also to do a bit of treasury operation therein, right? So, treasury operation typically where you can optimize your investment and the returns. So, these are typically leading to slightly higher growth. This is one. Mr. Tyagi, you can supplement later.

On the fee side, I think it's sustainable because we have created a relationship vertical that was fully stabilized across the bank particularly for mid-corporate and large corporate in last year. And they are looking at share of wallet, they are doing account planning, they have one-to-one relationship manager with the customer, whenever they talk with customer they are talking about all sides of the relationship. I think because we have made structural changes and this outcome, I think this is sustainable. Rather will optimize beyond 16% as far as the growth in the future is concerned.

On the asset quality MSME, obviously MSME, the class is different than other. Like, we had seen a corporate slippage legacy some time back but MSME was going. COVID impact was maximum on the MSME. Rather the MSME, if you look at the GNPA on the COVID time was much higher. Now it has gone down significantly aligning towards the median average. The slippage is slightly marginally above our normal slippage ratio of 0.99% but then again, we are in control of that. But also, there are two things which are again supporting growth in MSME. One is with regard to these are accounts highly collateralized as compared to a normal corporate account, one. Secondly the yield on these accounts is much higher as compared to a normal corporate. So, in terms of a trade-off vis-à-vis the pricing and the risk I think these are all within the tolerance for us to grow at the same level, going forward. So, I don't think anything further concerned on this.

On the personal loan as I said a couple of details you asked for, but I'll leave it to Mr. Mudaliar because he has the data ready. But otherwise, we can supply that to you offline. With regard to the outstanding restructured book has gone down. Mr. Lal Singh, you can tell on the outstanding restructured book.

So, on the international deposit, anything Tyagi sir you want to supplement?

Mr. Lalit Tyagi: So, you have already shared the broad aspect. The little bit which I can add is, that in international segment, the deposit trails the advances. The more we grow the advances book the more we raise the deposit. Sometimes we also raise the deposits for our market making as well as into the investments. And there are various avenues such as customer deposit, institutional deposits, etc. And whatever markets offers us the better opportunities, bank raises them and then deploys them accordingly. So that is one of the reasons for the faster growth of the deposit than the advances.

Mr. Debadatta Chand: I can add also one point here. My investment on international is growing up, almost by Rs. 1500 crore and all said and done, the inflation levels are almost same and the yields are much higher, even almost comparable with the domestic yield as far as the investment goes overseas. So, these are all treasury operations just to optimize on the yield side.

So, on the MSME asset quality, anything further Lal Singh saab you want to supplement?

Mr. Lal Singh: Yeah. So, as far as asset quality is concerned, the slippage ratio, quarter on quarter last quarter it was 2.57%. It's come down to 2.04%. And the recovery also, it’s robust in the NPA. NPA recovery in MSME book is 2655 crore. And as far as the restructured book is concerned, that book has reduced to 8148 crores now.

Mr. Debadatta Chand: Yeah. So, that's okay on the personal loan, Mr. Mudaliar anything you want to supplement or?

Mr. Sanjay Mudaliar: Sir, we will provide the relevant data offline to them.

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

Moderator: The next question is from Nitin Agarwal. Please unmute yourself and ask the question.

Mr. Nitin Agarwal: Yeah, I am audible?

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

Mr. Nitin Agarwal: Hi. Good evening, sir, and thanks for the opportunity. Sir, a couple of questions, one is on the liquidity coverage ratio, which has seen a sharp fall this quarter while we had a very strong deposit growth. So, what has really driven this fall in the LCR ratio?

Mr. Debadatta Chand: Okay. So, LCR you know we're actually required to have more than 100%. But we used to maintain at 135% taking the global and domestic together. So, bit of that change happened because we wanted to realign some of the assets both on the international and the domestic side. But still we're at 120% which is healthy and as for our normal stance is concerned, we will continue to maintain at 120% and above, going forward. So, in that way, there is a good coverage in terms of the LCR going forward, right.

Mr. Nitin Agarwal: Right Sir. And second, as of the CD ratio. So, what is our domestic CD ratio now? And while we are looking to grow higher in terms of loan growth versus deposit growth next year, what will be a comfortable CD ratio range that you would look to maintain?

Mr. Debadatta Chand: Okay, that's a fair question. Now, even if earlier also when we had 84% CD last quarter the domestic was at 76%. The international much higher. In case you look at this quarter we have moderated the international growth substantially down particularly in the asset side. So, the current CD is 82% approx. which already we have shown there in the PPT. So, our guidance now with regard, not guidance but our range for operating the CD is between 80 to 82% going forward. So, when I said 80 to 82% the bias again would be towards slightly towards 80 than 82%. So, that is what the normal we are looking for. But then again, when you construct the entire balance sheet in terms of both assets and liabilities, a lot of other moving parts are therein, but then we'll try to operate within the band of 80 to 82%.

Mr. Nitin Agarwal: Right. And Sir, lastly, on the margins, because we had a very sharp NIM improvement on the domestic book by almost 22 basis points NIM recovery. So, can we say that the NIMs have bottomed out any, one offs that we had this quarter, any color around the same?

Mr. Debadatta Chand: So, that is what the CFO already outlined, if you look at the last quarter and this quarter, it is from 3.27% vis-à-vis 3.10%, but if you normalize, it would be at 3.18%, yeah. Am I correct?

Mr. Ian Desouza: So, from a 3.15% for the quarter and full year also around the same level. So, full year would be normalized 3-4 basis points lower than the full year, 3.18%. But for the quarter would be at 3.15% normalized versus 3.27%.

Mr. Debadatta Chand: So, one thing that we discussed last time, typically we discuss much more on the margin side. And we announced to the market at that time saying that we reduce the deposit by 25,000 crores for the December quarter, although some increase in this quarter. So, if you look at a policy scale, we are trying to slightly reduce the dependency on wholesale deposit to grow. That's a clear policy. That's why we said initially that I'm calibrating on the advances growth vis-a-vis the growth in deposit, that is, point 1. Point2 is a case where the liability book, which is a retail term deposit that I'm talking about that's almost repriced in last quarter. So, we think the margin as we are guiding should be sustainable, going forward.

Mr. Nitin Agarwal: Okay. Thank you. Thank you so much.

Moderator: The next question is from Mahrukh Adajania. Please ask the question.

Ms. Mahrukh Adajania: Yeah. Hello, sir.

Mr. Debadatta Chand: Hello.

Ms. Mahrukh Adajania: Hi, hi. Sir, two questions. So, we had excess provisions, as in that our wage hike assumptions were higher than the final settlement. So, how much was the write back? We can see some movement in employee expenses. I mean, not in provisions, but in employee expenses. But what was the actual write back on the provisions? And then what would be the run rate per month or per quarter of the non-actuarial employee expenses for the next year?

Mr. Debadatta Chand: Ian.

Mr. Ian De Souza: Let me take that one. Mahrukh, in terms of the way you see wage arrears, I think we were providing in line with the final hike, that was around 17%. We were providing just marginally above that. So, it's not that we were providing significantly above that. So, I think when the wage settlement was made known in the last quarter, we were fully provided. So, there's been no write back per se in that line. In terms of the retirals as I had called out in earlier comments, we made additional provision on account of retirals, on account of wage settlement for around 400 crores. In addition, there is a one-off increase in retiral provision on account of the discount rate coming down because bond yields are down in the March quarter. So, totally on retirals we've seen an 800 crore one off increase in the quarter ended March. I hope that answers your question.

Ms. Mahrukh Adajania: No. My question was that for FY 25, what is the quarterly run rate of employee expenses that we should expect?

Mr. Ian Desouza: If you leave aside the 800 crore one off increase, I think this is the run rate you can expect. So, if you take your provision for retirals at around 800 crores, plus what you're seeing in terms of employee expense, I think that's the run rate you would expect.

Ms. Mahrukh Adajania: Oh. Got it. That's very helpful. Also, would you comment on the Agri slippage? Any seasonality there? I mean, usually the seasonality is in the 1st and the 3rd quarter. So, or any geographic issue like in Punjab or anywhere, the Agri slippage also rose Qo Q along with MSME. So....

Mr. Debadatta Chand: Just to answer that, if you look at the normal slippage ratio because the corporate slippage has been pretty low, right. So, the average slippage is almost at 0.99% at this point of time, but a couple of products wherein slippage would be higher. That is a normalized slippage. I don't think there is an elevated slippage on the agriculture. So, Lal Singh Saab anything that you can highlight on this.

Mr. Lal Singh: So, as far as Agri slippage is concerned during the year, it is 2033 crores and last year it was 2100 crores. But quarter on quarter in Q4, it is 917 crores, whereas the Q423 was 540 crores. So, there is an increase of around 400 crores in the Agri segment

Mr. Debadatta Chand: But on a yearly basis, this is almost normalized, right?

Mr. Lal Singh: On a yearly basis it is normalized. It is less than last year.

Mr. Debadatta Chand: Okay, fair.

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

Mr. Rakesh Kumar: Yeah. Hi, thanks a lot, sir. So, sir. So, a couple of questions. Firstly, on this non-retail term deposit growth which is at around 18.5% year on year. And now composition has reached to around 1/5th of the total domestic deposit. And if you look at CASA and retail TD growth is around 5-5.5% year on year, kind of 5.3%, so basically, like, you know, if we anticipate this kind of growth, say, in FY25 then and looking at LDR of around 80-81% how do we look at credit growth number? So, should not you know we will have to depend more on wholesale TD number considering that CASA and RTD growth is just around 5.5%?

Mr. Debadatta Chand: That's why I said on particularly on the retail side and CASA last six months, we have made concerted efforts to increase this book. If you look at sequential CASA growth it is higher than the annual growth. So, clearly the traction is building up. In terms of product offering, both on the term deposit and CASA we have differentiated large number of products we are one bank having differentiated offerings like we came out with a product called SDP, which is equally like a SIP, which is a recurring deposit scheme. We are one of the banks, along with another bank to offer the green deposit at this point of time. So, there are multiple efforts going on and you are right that we need to optimize on the retail deposit, no doubt about it. But going by the guidance that we have given, as you would have seen that last year, also we raised almost 20 odd 25,000, both in terms of the capital issuance and also on the infra bond. So, there are areas where there is a possibility of getting refinance at a much cheaper cost. So, there are areas where I can source my international deposit and convert and still get a margin. So, there are multiple ways to support the credit growth. That's why I think, again, we said as a policy we want to reduce dependency on the bulk deposit, if you look at the June quarter and September quarter, the bulk was growing almost at 55-60%, whereas for December it was 10% and March it is 18%. So, efforts are on to not to have dependent on bulk deposit too much. But at the same time, I think the guidance can be fully achievable within the LDR that we have announced of around 80 to 82%.

Mr. Rakesh Kumar: Just one last question, sir. On the recovery side, basically NPA recovery and written off recovery the number is now 8600 crore, 70 crore. And previous year we had 13,400 crore number in the slide number 18. So, there's quite a lot of drop is there and we have seen in some of the other PSU banks also, we have seen that NPA recovery number has been coming down, especially in the Q4, where it should have been a bump up, actually. So, how do we look at this number, NPA recovery plus TWO recovery in FY 25, if you can help us with some guidance, would be very useful?

Mr. Debadatta Chand: So, I'll give a couple of comments and then I'll hand it over to Lal Singh Saab. One is regarding the high recovery last year that was at the opening base of 1st April 2022, the NPA base was much larger as compared to the base we had for this year. The base we had for this year is around 36,764 crores, which was lower as compared to that of 31st March 2022. So, once the kitty is going down, obviously the recovery would be less. There are a couple of again, one off in terms of last year's recovery out of NCLT resolution. So, this typically has behaved in terms of how do you look at the recovery last year and this year.

As far as guidance as against 12,000 crore of recovery guidance we had last year, we have announced to the market that 10,000 is the recovery target. At the same time the trending of GNPA, NNPA would be downward from the current level of 2.92%, although we are not giving a guidance, but the trending would try to move towards 2.5%. Similarly, the net NPA from the 0.68% to 0.5%. But then we are not giving typical guidance whether it can happen in six months' time or one year time. So, clearly see, if you compare my absolute number and also the level of GNPA and net NPA, these are comparable in the best in the industry. So, I am not at an elevated level to reduce substantially. I've already achieved substantial progress in terms of creating a much better asset quality.

So, in that scenario the incremental impact would be very less as compared to the earlier impact. So, with whatever recovery that you are talking about we will be in a position to achieve all these trending downwards kind of GNPA and NNPA, we are talking about. So, we're quite hopeful of that. So, Lal Singh Saab, anything further you want to add?

Mr. Lal Singh: No. You have covered everything.

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

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

Mr. Saurav Kumar: Hi sir, the first one is essentially on this AFS. Can you quantify the capital impact? That's first? Secondly, I mean, what would be your expectation of both the slippage and the recovery upgrade for next year? And the third is essentially on this core fee growth. You've obviously done very well this year; do you think this 20 odd percent run rate is sustainable into next year? These are few ones. Thank you.

Mr. Debadatta Chand: Yeah, yeah. AFS, you mean to say on the new guidelines?

Mr. Saurav Kumar: Correct. Correct.

Mr. Debadatta Chand: Yeah. So, it's positive. I don't know if I shared the number or not or otherwise, we can share you offline with regard to this number, but then it's in money in the sense that there is going to be accretion in the reserve, a substantial amount. Right. So, that's one.

Second is with regard to slippage and recovery, we set a recovery target of 10,000 crores and we have an internal policy wherein the cash recovery, upgradation and recovery out of written off accounts has to be higher than the slippage. So, obviously I'm targeting a slippage much lower than 10,000 for the year. Right. And terminal level goes down.

And third is core fee when we have seen a core fee growth particularly also to a large extent dependent on the liquidity scenario. If you look at the current liquidity scenario, it's possible to change of creating a relationship vertical, whose job is to again mine the customer in terms of relationship fee-based income and all those stuffs. We have significantly improved our BCMS, cash management service, wherein huge transaction flow business, I mean fewer generating. So, I think it's sustainable unless and until there is a major change in the liquidity scenario tremendously from a current to a highly surplus zone, then there can be a change therein, otherwise I think it's sustainable. So, anything on the AFS Mr. Tyagi, want to add or.

Mr. Lalit Tyagi: No, sir. I think you have covered it.

Mr. Debadatta Chand: Slippage recovery, Lal Singh Saab, probably were in line. Right. Okay. So, thank you. Anything further from you, otherwise we are done with the question.

Mr. Saurav Kumar: Thank you, thank you.

Moderator: Thank you everyone, that's the last question we'll be able to take today. Ian, can I request you to give the vote of thanks.

Mr. Ian Desouza: Thank you, everyone for attending our call and this time thankfully, our call has been on a working day. I think that's the feedback we got time and time again that we should not keep it on a Saturday. So, thank you and you can always write to us if you have any queries which remain unanswered in today's call. Write to me personally. All of you have my email ID, or you can write to Investor Relations. Thank you very much and have a great evening ahead.

Mr. Debadatta Chand: So, thanks all again for joining for today's conversation. Thank you all.

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