ANALYSTS' MEET Q2FY22

10th November 2021

Participating members from the Management Team of the Bank

- *Mr. Sanjiv Chadha, Managing Director & CEO*
- *Mr. Vikramaditya Singh Khichi, Executive Director*
- *Mr. A K Khurana, Executive Director*
- *Mr. Debadatta Chand, Executive Director*
- *Mr. Joydeep Dutta Roy, Executive Director*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

Moderator: Good evening and a very warm welcome for the Bank of Baroda Q2 results for quarter ended 30th September. Without further ado, I request MD & CEO, Shri. Sanjiv Chadha to give the opening remarks. After the initial remarks, we can begin with the Q&A. Over to you sir.

Mr. Sanjiv Chadha: A very good evening to all our friends. Thank you very much for joining us and it is good to see all of you again, in times which are improving, if not absolutely back to normal. So let me just begin by introducing my colleagues on the call who will help me in addressing whatever questions you might have. So, we have on the left of the screen Mr. Ajay Khurana, our Executive Director who is in charge of IT, Digital banking, including BOB World, and also stressed assets. Mr. Vikramaditya Singh Khichi, our Executive Director in charge of Retail banking. On the right extreme of this screen, we have Mr. Debadatta Chand, Executive Director whom you might have met the last time as in charge of the Finance function, he is now in charge of Corporate banking, Treasury and International banking. And we have a new colleague, who is an old BOB hand, Mr. Joydeep Dutta Roy, Executive Director who has taken over as the Executive Director in charge of all platform functions, including Finance, Risk, Compliance and Audit. So thank you very much. And we of course, have our old friend Ian Desouza, CFO, also on the call. So thank you again for joining us.

I will just take two or three minutes in terms of some broad numbers which are there. You would have a copy of the presentation, so I am sure you would have gone through that. But if you look at the current quarter, I believe that we have largely delivered on the guidance that we had given when we met last. We have been guiding that although the second wave has been damaging, particularly in creating stress on the MSME and the retail book, but the continued improvement in the credit cycle, as far as corporate is concerned will outweigh that, and therefore on a net-net basis, credit costs will continue to trend downwards and that will have a salutary impact on profitability. I think we have seen that play out during this quarter.

We had also guided that we will be expecting our slippages to be around 2% and our credit cost to be between 1.5-2%, and if we are fortunate, to trend towards the lower part of that range. I think that is something which we see in the numbers here. We see that the cost to income ratio actually has come down. We have given half one number because that actually gives a better perspective because last year in particular, there was a lot of movement that happened between quarters distorted figures. So you had a large loss in one quarter and a large profit in one quarter. So we have put the H1 numbers here. You of course, have the quarterly numbers with you.

So we have seen the cost to income ratio come down, the operating profit improved substantially, and the profit before tax has improved even more impressively from about INR 1,200 crores to INR 4,500 crores. And since we had migrated to a lower tax regime in the last quarter of the last year, that is when we took a one-time hit on that account, the net profit has gone up even more in proportion. So it has nearly quadrupled, from about INR 800 crores to nearly INR 3,300 crores. So all-in-all, in terms of most of the profitability ratios, I think we are reasonably well placed and that is because of again, the trends that we have talked about in the opening part of the conversation.

Now going ahead, the large piece in terms of again, making sure we protect our margins has been how we have handled our deposit franchise. We have been very clear that we would want to grow our deposit base in line with our advances because in the liquidity surplus situation otherwise you might be borrowing at 5% and lending at 3%, which gives nobody any joy. So, we have seen almost our entire growth come from CASA. So, you see the current deposits have grown 15%, savings by more than 12%, and bulk deposit, which was the expensive part of the value book has come down by 23%. So all-in-all, we believe that we have been fairly disciplined deposit growth and that has been a key part in terms of making sure that we maintain margins.

On the credit side also, we have had a similar view that we would not want to chase growth in a liquidity surplus situation, which can depress margin to a point where the risk adjusted return becomes negative, which is why our corporate growth has been muted. Although this quarter has seen a fair bit of recovery and last quarter there was about a de-growth of 10%. Now we actually are on a Y-o-Y flat basis. But within the loan portfolio, our retail portfolios grew reasonably well, at 10%. Within that, we acknowledge that home loan is muted and needs to pick up. This is largely because of the fact that, there is a lot of refinance that happens in a falling interest rate regime. I think that should level off now, but that is responsible for the fact that net growth is low. But in other parts of the portfolio like auto loans, personal loans, education loans, we have grown significantly ahead of the market. So, we are fairly comfortable in terms of the kind of advances growth we have seen.

Going ahead, I think slippage is one piece which is very important. We had guided last time that we believe that the worst is over that in terms of MSME and retail also, we should expect these to trend downwards, and that is apparent in this quarter where in MSME the fresh slippages have come down very significantly as they have in agriculture and also in retail. In International, you might recall from our previous conversations last year in particular, we had some one-offs which were there and I think the current quarter slippage of just about INR 85 crores bears out the fact that overall the quality of the international book is fairly good.

So I think that is pretty much, I think in terms of the key numbers, which we thought we would just sharply focus on. But we can now move on to questions. So, thank you very much.

Moderator: Thank you very much Sir for the brief presentation. Now we will move on to the Q&A session. All of you are quite familiar with the Zoom platform. In case anybody wants to ask a question, please raise your hand and even a Q&A option is available for the same, where you can type your question and we can read out to the management. We are now opening the floor to you. Please limit your questions to two initially. If you want to ask more questions, we can come back to you at a later stage. The floor is open.

Operator: Hi, Good evening everybody. Mahrukh, please go ahead and ask your question.

Ms. Mahrukh: Hello Sir, Good evening. Sir, what is the size of the restructured book now? So, both restructuring one, restructuring two and the MSME restructuring that you would have done in the earlier schemes. So what is the total size of the restructured book?

Mr. Sanjiv Chadha: So, thank you Mahrukh. Good to hear from you and good to see that you have beaten Mr. Ajmera on the first question. I wonder whether he is there or not. But I will request Mr. Khurana to answer the question, please.

Mr. Ajay K Khurana: Yeah. Total in standard assets our restructured book is INR 20,500 crores which includes the framework one, framework two as well as the old MSME restructuring.

Ms. Mahrukh: Sorry, how much Sir?

Mr. Ajay K Khurana: INR 20,500 crores.

Ms. Mahrukh: Got it, Sir. Sir, there has been a sharp decline in yield on domestic loans, though the home loan piece has not grown that much. So would there have been a reversal on the NBFC account that slipped? What would explain the falling yield during the quarter?

Mr. Sanjiv Chadha: So, I think Mahrukh, you are right in your assessment to some extent that is the reason. So, we were provisioning for the interest we were booking on the NBFC loan, because there was a stay in terms of its classification. Now that figure has moved up from the provisioning line into the interest line so that has had some impact. Otherwise in terms of NIMS, between last quarter and this quarter we would largely be steady.

Ms. Mahrukh: Okay. So, what will be the rough reversal of interest this quarter?

Mr. Sanjiv Chadha: Ian, if you would want to take that, please?

Mr. Ian Desouza: So the rough reversal would, if you look at it on an incremental basis, it is a normal BAU interest reversal. But on an incremental basis, I would say there would have been an incremental reversal of around INR 300 crores.

Ms. Mahrukh: That is on the quarter over the last quarter?

Mr. Ian Desouza: Yeah, it's sequential quarter wise and incremental INR 300 crores.

Ms. Mahrukh: Okay, thank you. Thanks a lot.

Operator: The next question is from Amit Prem Chand. Please go ahead and ask your question. We will move on to next. Mr. Mahesh MB, please ask your question**.**

Mr. Mahesh MB: Hi. Sir, just a couple of questions from my side. One, is just a clarification to Mahrukh's question. You indicated that these restructure loans was INR 20,000 crores this quarter. Sequentially, what was it in the previous quarter? Because, I think I have a number of INR 25,000.

Mr. Sanjiv Chadha: So, I think there are various ways of classifying, right? One is standard restructured and then there is restructured. So, the INR 20,500 crore figure is the standard restructured.

Mr. Mahesh MB: And, do you have a corresponding number for the previous quarter as well?

Mr. Sanjiv Chadha: We can, I think give that to you. My own sense is it may not have changed very much, but if Khuranaji has it readily available, he can just share it.

Mr. Ajay K Khurana: Yeah. From previous quarter there is a little movement, only INR 1,400 crores had been added.

Mr. Mahesh MB: Okay. Sir, if I go to slide number 20, and if you just kind of look at the outstanding stock of your gross NPL book today, what is the kind of visibility you have in terms of the resolutions from here onwards? The stock of loans is reasonably high here on the NPL line. Just if you could give us some clarity on how are you approaching this book?

Mr. Sanjiv Chadha: Khuranaji would you want to take that?

Mr. Ajay K Khurana: Our total INR 59,504 crores is the gross NPA, 18,769 that is corporate. So, most of the accounts, we are moving towards NCLT and going for that process, the process is going on. And, wherever it is not initiated and recently added that also will we are going to start. Regarding this MSME and retail, I would like to tell you that our resolution in retail, particularly those accounts which are added in March and June, there has been a good up gradation and recovery in those accounts. And we have been going for campaigns also, and there is a good movement. And for agriculture also, we are running a campaign for these accounts. This is how we are moving and…

Mr. Mahesh MB: Ajay sir, sorry. Just to step in here, just wanted to understand on the corporate side specifically. Is there some visibility of how are you seeing for the second half of this year, given that there has been some resolutions on the ground? Are these completely a sticky ones that you will have to write it off? What is your assessment from here onwards?

Mr. Ajay K Khurana: We are hopeful of getting good recovery in NCLT; that is one. Second is, some OTS has also already been sanctioned. We are expecting recovery from that also. So, almost in this quarter itself we are expecting between INR 1,000-1,500 crores from this accounts only.

Mr. Mahesh MB: Okay, perfect. One last question. On the NBFC exposure which slipped, just a clarification on what is the size of that exposure?

Mr. Sanjiv Chadha: So that would be about INR 2,000 crores I think, roughly. And just to again supplement what Mr. Khurana just said that, the NPA book also includes a certain proportion where accounts have been restructured and there is a fairly positive prognosis on some of them, particularly if you look at the international book where we have got about INR 13,000 crores of NPAs. I think about 20-30% is something which actually would be coming up for up gradation next year, should it perform as per the restructuring.

So, I think there is an upside which is there A) By way of the resolution of NCLT cases, which is now gathering steam. B) In terms of the restructured account which have been classified as NPA's, but will get reclassified should they perform as per restructuring going forward. And third of course, what we have seen is that at least there has been a fair bit of pullback which happened in accounts which had slipped simply because of COVID and the stress that was created on individuals on that account. So, I think these three factors in aggregation give us, you might say, some visibility in terms of improvement in the NPA book.

Mr. Mahesh MB: Perfect sir. Thanks.

Operator: The next question is from Gaurav Agarwal. Please ask your question.

Mr. Gaurav Agarwal: Hi Sir. Sir, I didn't get the restructuring numbers which you discussed. Can you please share that again? If I remember correctly last quarter, total restructuring, SMA framework one and framework two put together all of them was around INR 25,000 crores. So whether that Q1 number was correct, first of all? And secondly, if it is not correct, if you can give the Q1 number as well as the Q2 number?

Mr. Sanjiv Chadha: So, I think we will just again, repeat what we said and then again, if there is any clarification, we will be happy to give that. So we have just said that standard restructured book currently is INR 20,500 crores, which is about 1,000-1,500 more as compared to what it was in the last quarter, and this includes SMA one and SMA two also. So if you have to add some figures and you are looking at SMAs also, you will have to take that out.

Mr. Gaurav Agarwal: How much is it sir?

Mr. Sanjiv Chadha: SMA one, two is about INR 4,000 crores, we will get you the exact figures. So it is about INR 16,000 crores sans SMA one and two, 20,000 as the aggregate standard restructured book.

Mr. Gaurav Agarwal: Got it. Okay. Sir, SMA one and two, you have disclosed above INR 5 crores. If you can give some idea or some broad colour how the situation is for your book, which is below INR 5 crores in size. Does it mimic the number that you have given for 1.7% something? Or is it higher? Is it lower? Because other banks who have given SMA one and two below INR 5 crores, there the situation has become quite bad.

Mr. Sanjiv Chadha: Okay. So, I think we try to again make sure that we give these standard figures so that again the comparisons are possible. What you see in the CRILC outstanding, SMA one, twos is that there is a downward trend which is there vis-à-vis the previous quarter, which where the second wave actually hit very badly. So I think what we can say is that we see improvement even on the overall SMA book also.

Mr. Gaurav Agarwal: Okay sir, thank you.

Operator: The next question is from Gaurav Kochar. He has written the question in chat. I am reading out to you, Sir. What does the corporate slippages comprise of? How much was the exposure to Srei Group? Has it been 100% provided for? Any other large corporate accounts that slipped?

Mr. Sanjiv Chadha: So as a general proposition, we don't talk specific names, but let us say that the account which was under stay in terms of asset classification, we had an outstanding of about INR 2,000 crores, which has now become part of the slippages for the current quarter. And in terms of providing for it, we have provided to the extent of 50% currently. Ian, would that be the current position?

Mr. Ian Desouza: Yes Sir, it would.

Operator: The provision says it includes INR 600 crores on some accounts. Which one is this? What kind of recoveries do you expect or anticipating from the second half of FY22 and FY23, if you can broadly call out?

Mr. Sanjiv Chadha: Khuranaji?

Mr. Ajay K Khurana: So, the INR 600 crores, you are talking about are for the standard assets or the NPA?

Mr. Gaurav Kochar: Standard assets, sir.

Mr. Ajay K Khurana: These are the accounts that, mainly because of resolution restructuring, these additional provisions have been given in our standard assets. And as far as recovery is concerned in NPAs, we don't expect any big account here but our small book as well as in NCLT we are expecting a good amount of the recovery in those accounts.

Operator: The next question is from Suraj Das. Please ask your question.

Mr. Suraj Das: Thank you so much for the opportunity, Sir. So, I just had a question on the restructured book again. On the breakup of the restructured book, so you said that the all-inclusive total standard restructured book is something around INR 20,500 crores. If you could give the breakup segment wise, like how much is agri, how much is retail, corporate and SME? That is my first question.

Mr. Sanjiv Chadha: I think Khuranaji can give you the figure.

Mr. Ajay K Khurana: So, this INR 20,500 crores which is total restructured book under standard assets, INR 7,400 crores is large corporate, INR 6,700 crores is the MSME, INR 5,400 crores is in retail and all others including International is around INR 900 crores.

Mr. Suraj Das: Okay sir, understood. And the second question is on the Srei exposure that you said something around INR 2,400 crores. How much provision you are currently having on that NBFC account?

Mr. Ian Desouza: We said we had a 50% provision. It is around INR 1,900 crores. 1,900-2,000 around 50%.

Mr. Suraj Das: Okay sir. On the recovery from TWO accounts, we have seen a large number here in this quarter. So does this include the Diwan recovery or the Diwan recovery has been included in the upgrades number in movement in GNPA?

Mr. Ajay K Khurana: No, that includes the Diwan recovery.

Mr. Suraj Das: Okay so that is inclusive of Diwan recovery. And sir, if I may know the amount as well here?

Mr. Ajay K Khurana: The total Diwan recovery has been INR 877 crores.

Mr. Suraj Das: Okay sir. I have one last question on the recovery pipeline. So you said that you have certain bit of expectations on the NCLT account as well as the other granular accounts as well where you are expecting a fair bit of a recovery going ahead. So broadly sir, in the second half of this fiscal, how much recovery you would expect? Because in the first half the recovery plus up gradation is pretty good to the tune of INR 9.000-10,000 crores. So are you expecting similar amount or it will be like, much higher or something like that? If you have a fair bit of guidance there.

Mr. Ajay K Khurana: In the first quarter, two major things that happened, that is one is of course Diwan and the other is restructure up gradation. So those two things are not there in this next half year, but still we are expecting around INR 7,000-8,000 crores recovery during this half year.

Operator: The next question is from Saurabh Kumar. Please ask your question.

Mr. Saurabh Kumar: So Sir, first is on this Air India exposure. From what we understood, you had a provision of INR 2,500 crores. Will that get reversed next quarter, if the transaction goes through?

Mr. Sanjiv Chadha: I think we will have to wait for the exact structure of the transaction to actually see what would be the timetable in terms of any provisioning reversals. So, I think in terms of having a definitive answer in terms of timelines, I think, this possibly, is premature. Maybe when we meet next quarter, we will have a clearer view on that. But it is a fact, that the resolution of Air India is something which is going to be of enormous comfort and benefit to the bank.

Mr. Saurabh Kumar: Okay. And this will not be part of any restructuring or anything, right?

Mr. Sanjiv Chadha: Absolutely.

Mr. Saurabh Kumar: Okay, understood sir. The second is on this family pension, on your notes to accounts, note 11 we are effectively going to take approximately INR 300 crore rate every year. Is there a view like SBI to just kind of front end it because your CET1 is already very good or you will still continue with this policy of having this INR 300 crore odd every year for the next 5 years?

Mr. Sanjiv Chadha: So, I think you always try to choose where do we want to create extra provisioning buffers. So if there is an opportunity at some point in time, we might want to look at it. But as of now, we are going with the RBI dispensation which allows us to spread it over a 5 year credit.

Mr. Saurabh Kumar: Okay. And the last one is on again, this note 16. It says that accounts where resolution framework has been implemented so the balance is INR 18,000 crores of which INR 10,000 crores is NPA. So this INR 8,000 crores which is there extra, will that have an overlap with restructured or no?

Mr. Sanjiv Chadha: So I will hand it to, again Khuranaji and Ian, I think.

Mr. Ajay K Khurana: No, that is a part of the total INR 20,500 crores. All restructure whatever is mentioned in our notes on accounts that is a part of 20,500.

Mr. Saurabh Kumar: Okay, understood. Thank you and all the best.

Operator: The next question is from Ashok Ajmera. Please go ahead and ask your questions Sir.

Mr. Ashok Ajmera: Good evening Sir. Congratulations for yet another quarter have very good performance, both in the net profit front, and also managing the asset quality. Sir, my main question is on the road ahead. So, what are your views for the credit growth in the coming quarters and the year, about the bank, since you are comfortable now with capital adequacy and other things, will you be looking at some of those sectors where you're going slowly in the past, like again, the real estate, construction, the NBFC. So where do you see the credit growth coming in from and what are the pipelines Sir?

Mr. Sanjiv Chadha: So thank you very much Ajmeraji. We missed you at the beginning of the call; that's where we normally again meet you. But thank you very much for joining us.

I think when it comes to credit growth, I think we have tried to focus on the areas where we believe we could have protected our margins, and therefore we find that retail credit growth has been 10% and corporate is largely flat. But corporate is a very large part of our book, more than 50%, and therefore if the overall book has to grow, corporate must contribute and that's something that we are hoping that that starts happening now, now that there is some kind of recovery in place.

Also again, working capital limits which were at a low level of utilization, we expect that to start improving. We also have seen a fair bit in terms of proposals for brownfield expansions. Large players who are fairly dominant in this segment increasing capacity. So those are proposals which we already have and we are actually in the process of approving or we have already approved. So these also should be getting disbursed.

So we are fairly sanguine that over the next few quarters, the corporate growth should be significantly better as compared to what it was because the climate has improved substantially. But I'll just hand it over to Mr. Debadatta Chand who now handles the portfolio to give you a ground level feel in terms of how he sees things.

Mr. Debadatta Chand: Yes Sir, sure. So, if you look at the corporate growth on a YoY basis its flat, sequentially the growth is almost like 6%. So, we have built up momentum now in terms of capitalizing on the corporate loan book growth, and as MD Sir rightly said, this is the start of the busy season also and a lot of un-availed limits are there, lot of pipeline cases are there, so we're quite hopeful of growth at the industrial average line at least, and that's quite a good possibility as far as the loan growth is concerned.

Mr. Ashok Ajmera: Sir, my extended question on this was, regarding industries like NBFCs, even A rated which is still not being looked at positively, and some of the construction loan, and also the core lending things by which you can penetrate the lower segment of the society where the average ticket size is 2 lakh, 2.5 lakh rupees through these NBFCs and core lending. So, do you have any firm view or have you taken any policy decisions on that so that we can understand the kind of growth which is coming in?

Mr. Sanjiv Chadha - MD & CEO, Bank of Baroda: I think one of the challenges that we have was that there was a point in time when our exposure to the NBFC sector was disproportionate as compared to other players in the market. So it was as much as 14-15% as compared to 8% average for the market. I believe the correction that was necessary has already happened.

And therefore for us, you are absolutely right, it is the right time to again look at NBFC growth and have good quality growth. And among the instruments that are available to us, of course, is to lend directly and also to lend again, co-lending, pool purchases once we actually have some, you might say, clarifications in terms of the regulatory dispensation. But we are fairly positively inclined towards again looking at the NBFC portfolio and see how it can again return to growth mode.

Mr. Ashok Ajmera: My last question is, our treasury has been performing very well. There is good amount of trading gains from the sale of investments also, like almost about 2,200 crores in these last two quarters profit on the sale of investments, treasury income and recovery from the written off accounts. Is this pattern going to continue according to you for the remaining two quarters of this year, the same trend, or do you see some kind of decline in that?

Mr. Sanjiv Chadha: So I think the interest rates have started hardening, and therefore I don't think there is any possibility that the kind of gains that we saw over the last 2, 3 or 4 quarters, that we could see them extending indefinitely into the future. They will start trending downwards going ahead, but this is something which is part of the normal business cycle that when the economic climate improves, interest rates tend to rise, and along with interest rates rising, your NII will start improving on your loan book, but the treasury gains will get muted. So we expect that pattern to manifest itself.

Mr. Ashok Ajmera: Okay thanks a lot Sir. Thank you very much Sir.

Operator: The next question is from Manish Agarwal. What is the total standard restructured provision outstanding? Is there any contingent provision and floating provision in the book and if it can be quantified? Thank you.

Mr. Sanjiv Chadha: Ian, would you want to take that question please.

Mr. Ian Desouza: I'll just come back with the data Manish if you can reach out to me? I'll give you that data separately, I don't have it handy.

Mr. Sanjiv Chadha: I'll just broadly address the question for Manish. So actually, we are not carrying any specific COVID provisions on our book. But again, we have also pointed out in the past, and you might say that's consistent with the fact that credit costs are coming down, right? You would normally provide when you expect credit costs to go up; we expect them to come down.

The other part is that the bank again traditionally does provide at slightly higher levels as compared to the regulatory requirement. For instance, we provide at 20% for our substandard assets as compared to 15% which the RBI requires. And similarly also, there are certain other categories including unsecured loans where we make higher provisions. So to that extent, we hold provisions which are more than the regulatory requirement.

Operator: The next question is from Rakesh Kumar. Please unmute yourself and ask your question.

Mr. Rakesh Kumar: Hi good evening Sir, can you hear me?

Mr. Sanjiv Chadha: Clearly.

Mr. Rakesh Kumar: Thank you for the opportunity Sir. Sir, the first question is pertaining to slide no. 20 – industry wise NPA in telecom sector which has now become a kind of negligible number. Was this completely provided and written off in this quarter? What is the status on this Sir?

Mr. Sanjiv Chadha: So yes, I think that would probably be the position, but I'll just request Khuranaji to take the question.

Mr. Ajay K. Khurana: Yes you are right, that has been fully provided and we have written off.

Mr. Rakesh Kumar: Which loan account is that Sir?

Mr. Sanjiv Chadha: So let's refrain from names, but I think there are no prizes for guessing them, right?

Mr. Rakesh Kumar: Okay. Out of this total write off of around 5,300 crores, is there any other lumpy account apart from this number?

Mr. Sanjiv Chadha: So I think there would be about another account, which would also be a significant figure, but again, Khuranaji and Ian, if you might want to give any colour on that please.

Mr. Ian Desouza: There were a set of 3 accounts belonging to the same group which collectively… so there was a finance company in that group, telecom company in the group, and all of them together were around INR 3,500 crore out of the 5,200 crore. So, a large portion of the INR 5,200 crore was just in these three accounts.

Mr. Rakesh Kumar: Okay. Pertaining to the Notes of Accounts No. 11 in the standalone entity, there is INR 600 crores of additional provision that we have made in this quarter. So, can you just clarify because, it was also pertaining to the previous question asked by Manish. So what is the total stressed standard asset provisions that we have, apart from this INR 600 crores?

Mr. Ian Desouza: So, let me attempt to take the first question first, the second question we'll reply separately. This 600 crores is for three accounts that could potentially get downgraded in the next quarter or in the next quarter and a half. So they are specific accounts where there are signs of excipient stress and we chose to take a provision in these three accounts in this quarter.

Regarding your more overarching question to which I will get back to you. You can reach out to me separately and we can discuss that separately.

Mr. Vikramaditya Singh Khichi: Ian, I can pitch in there. In fact 20,500 is the standard restructured book, and in RF 1 and RF 2 it was 10% provision, that makes it around 2,000 crores there. And in MSME, the old MSME restructuring, it was 5% provisioning and that comes to around 300 crores odd amount. So I think it's around 2,500 ballpark range.

Operator: The next question is from Manish Shukla. Have you reduced lending rates in any of the segments in Q2? The entire QoQ decline in NIM is due to interest reversal of NPA, or is there something else dragging the NIM? Thank you.

Mr. Sanjiv Chadha: So, I think we have been having specific schemes where interest rates have been reduced as part of campaigns. I think in home loan in particular we always have very competitive rates, we have very competitive rates even today. Similarly in the MSME we are trying to reach out to good quality borrowers and that's also where we actually have got quality accounts, good rated accounts, we have reduced rates.

To answer your question about the Net Interest Margins, if we were to look at the net of one offs, including interest reversals on account where there was a stay, our Net Interest Margins would be broadly unchanged between last quarter and this quarter, but I think you can again reach out to Ian for the detailed calculation. But that is what the position is, that there is no dilution of margins, if we were to take one offs out of the picture for both the last quarter as well as this quarter. In terms of interest rates, I'll again request Khichi sahab if there is anything else he might want to add to what I said.

Mr. Vikramaditya Singh Khichi: No, I think that's enough Sir. I think you've articulated well. Thank you.

Operator: The next question is from Prabal Gandhi. Please clarify Note 13 pertaining to two accounts amounting to INR 1,200 crores where the court has a stay order. And the second question is, also we reported strong growth in corporate QoQ. What drove this? Thank you.

Mr. Sanjiv Chadha: Khuranaji, would that note to account be something that you might want to comment on?

Mr. Ajay K. Khurana: Yes Sir. These are two accounts where actually there is no repayment and their accounts are NPA. But because of court order, we are unable to make them NPA. But we have provided for them in full, it's almost 100% that we have provided. So these are the two accounts because of which this amount is mentioned.

Mr. Sanjiv Chadha: And as far as corporate is concerned, I'll again request Chand sahib, if he would want to answer that question please.

Mr. Debadatta Chand: Can you please repeat the question on the corporate side?

Mr. Sanjiv Chadha: So, the question was about the QoQ growth again. How is it that after a de-growth in the 1st quarter, we had a fairly smart growth QoQ?

Mr. Debadatta Chand: So, if you look at the corporate credit growth on a YoY basis it's flat, but on sequential it's almost 6%. So there is a good momentum with respect to growth in corporate credit. And now in Q3 at the start of the busy season, with lot of pipeline cases we do have, we expect a substantial robust growth for this quarter, at least to the extent of the industry average.

Operator: Thank you. The next question is from Jay Mundra. Please go ahead and ask your question.

Mr. Jay Mundra: Yeah hi Sir, thanks for the opportunity. I have a couple of questions. First, on this 600 crores additional provisioning over and above IRAC that we have done, does this pertain to accounts which are already NPA but standard due to court orders? I mean, would that pertain to those accounts or is this something else?

Mr. Sanjiv Chadha: So, I think Ian mentioned that these are accounts which we believe are likely to slip. So in anticipation of the slippage, we have made provisions. They are not constrained by any court order. Ian, would that be a correct position?

Mr. Ian Desouza: Yes sir, yes sir.

Mr. Jay Mundra: Understood. And this 600 would cover what kind of provisioning there? 30%? 25%? Just to understand what would be the…

Mr. Ian Desouza: It's at different stages. Its three diverse companies. In one case it would probably be 100%, in another case about 20%, so it really varies, it is a mixed bag.

Mr. Jay Mundra: Okay. And if you could specify the sector Sir for these three groups where you are envisaging slippages going ahead?

Mr. Ian Desouza: No, these three companies, these three loan accounts, actually, largely 2 out of the 3 are power companies.

Mr. Jay Mundra: Okay. And I think this power group or power company has been technically NPA, but has been made standard because of the court order, right? It must be the same…

Mr. Ian Desouza: No, it's not the court orders. It is just showing a bit of stress in the banking sector and hence it may slip is our prognosis.

Mr. Jay Mundra: Understood. And the second question Sir is on slippages. So, in your opening remarks you mentioned that the endeavour would be around 2% kind of slippages. And if I see the fresh slippages without taking into account the debits to existing NPA, this is around 10,000 crores for the 1st half which would translate to somewhere around 1.5% of loans. So how should one look at the… I mean, does this mean that the 2nd half should be a very normal kind of slippages to have that 2% run rate?

Mr. Sanjiv Chadha: So, I think we can look at it in two contexts, one is that the figure must be lower than 9,000 crores. I think that's what we have seen in the 1st half of the year and within that there's a figure of 2,000 crores which actually pertains to last year, where we were making provisions but it was not classified as slippage. So, I think the guidance that we have given of about 2% should still stand.

At worst, you might say it is going to be adjusted for what was the slippage of last year. But we are broadly in line in terms of where they are, where things are. You're right, we expect a better 2nd half as compared to the 1st half, understandably because of the fact that the 1st half, particularly for MSME and retail was damaged by the 2nd wave.

Mr. Jay Mundra: Right, understood. And just to clarify, in your slippages for the 1st half, these are gross slippages for the quarter, right?

Mr. Sanjiv Chadha: Yes.

Mr. Jay Mundra: We are not netting off inter quarter…?

Mr. Sanjiv Chadha: These are gross slippages.

Mr. Ian De Souza: So, net of pull backs of the 1st quarter that we saw in the 2nd quarter, the 1st quarter net slippage would be 3,374 crores.

Mr. Jay Mundra: Sorry Sir, I didn't get this.

Mr. Sanjiv Chadha: This is gross slippages. The net slippages would be significantly lower. In the 1st quarter the net slippages were not 5,000 something, it was 3,300 as compared to gross.

Mr. Jay Mundra: No, I'm saying the slippages for this quarter, 5,200 crores, if you have recovered something from the 1st quarter slippages that is part of recovery and upgrade, right? It has not been netted from this quarter slippages?

Mr. Sanjiv Chadha: Absolutely.

Mr. Ian De Souza: No, it's not netted, correct.

Mr. Jay Mundra: Great sir. And the second thing, on margins, if I see, there was clearly some one-off in the 1st quarter, and that's why the margins went up to 3% plus which has now come back to 2.85%. If you can quantify what was the one-off in Q1 so that so that the QoQ number does not look haywire in that sense. I think there was some recovery or there was something else.

Mr. Sanjiv Chadha: So, we'll give you the details in terms of what the Q1 one off and what the Q2 one off, which was the stayed account. And as I mentioned, if we would net off both, we would pretty much have a steady picture. But we'll give you the details just to again make sure that we get the arithmetic right.

Mr. Ian De Souza: On a normalised basis our NIMs for both Q1 and Q2 would be around, little upwards of 3%. Domestic NIMs I'm talking about, it would be little upwards of 3%.

Mr. Jay Mundra: Okay. And last thing, just to come back on restructuring, it looks like QoQ there was very small restructuring on net basis. If you have the gross restructuring during the quarter, otherwise it looks like the net restructuring on outstanding basis is almost zero, or maybe even negative. Or, there was some inflow and there was some outflow, maybe some lumpy account went out of restructured. Is that the case or the gross restructuring itself was very small?

Mr. Sanjiv Chadha: Ian or Khuranaji, do you want to take that?

Mr. Ajay K. Khurana: Yes sir. See, from June to September, there is a 1,400 crores addition in restructuring, there is no big reduction. So, the restructuring number is slow in the 2nd quarter. Whatever restructuring has to happen, happened in Q1 or prior to that.

Operator: The next question is from Sonaal Kohli. Please go ahead and ask your question.

Mr. Sonaal Kohli: Sir, the total restructured book which you gave of 20,500 crores, does that also include the MSME old restructured book?

Mr. Ajay K. Khurana: Yes, it includes the old MSME also.

Mr. Sonaal Kohli: And Sir, as far as Air India is concerned, is it is part of your restructured book or SMA 1 or SMA 2 or NPA?

Mr. Ajay K. Khurana: No, they are not part of restructuring as well as NPA.

Mr. Sonaal Kohli: But they would be part of your SMA 2 numbers?

Mr. Ajay K. Khurana: Yes.

Mr. Sonaal Kohli: Sir, can you quantify your exposure because it would help us delete that number from the SMA estimates.

Mr. Ian Desouza: Can we tell you that number offline?

Mr. Sonaal Kohli: Sure Sir. Sir lastly, if you could give some idea from your overall SMA 1 or SMA 2 book, whatever is feasible for you, and the improvement that you've seen from the June quarter, because the trend in the smaller accounts and the large corporates maybe very different. This would give us a good picture of how the asset quality looks like.

Mr. Sanjiv Chadha: So, let me say that the trend that you see in the CRILC accounts in terms of the reduction in the SMAs is also reflected if not exactly in the same measure, in substantial measure in the overall book.

Mr. Sonaal Kohli: Sir, but would it fair to say that your SMA 1 and 2 in below 5 crore accounts would be significantly higher than your above 5 crore SMA?

Mr. Sanjiv Chadha: I think now we are getting into specifics which may be beyond what is part of our standard presentation, right? We can always discuss some things offline. But the improvement in the trend vis-à-vis the previous quarters will extend beyond the CRILC account.

Mr. Sonaal Kohli: Sure Sir. Thank you so much. We'll discuss it offline.

Operator: We will now take only the last two questions of the evening. The next question is from Aman Elahi. Please unmute yourself and ask your question.

Mr. Aman Elahi: Hi Sir. Again, on the corporate front, you have already expressed your view that you're expecting growth to pick up from here. So just wanted to understand, where is this growth going to come from? You mentioned some pipeline of brownfield expansion, etc. So, are you expecting better utilisation on the working capital front, or are you expecting better capex demand coming in in the coming quarters? And again just to set some context, could you also share what is the current working capital utilisation there?

Mr. Sanjiv Chadha: I think it's pretty much what we discussed, that, we should see working capital utilisation levels start improving. We will give you the exact figures. That's something that Ian can supply, that's not an issue at all, it may be done. As far as Capex is concerned, we are seeing brownfield expansion which tends to get reflected sooner in terms of growth. When you look at greenfield projects, even if you have sanctions now, it will take a few quarters for that to get reflected. I think when it comes to the private investment cycle, given where capacity utilisations are, we still might be a few quarters away from really having a robust growth in terms of demand. So in the short to medium term, that's why we believe that the improvement in corporate credit will come from, again, the brownfield piece, and also the improvement in the utilisation of working capital. In terms of what the current utilisation levels are, we'll supply that to you.

Mr. Aman Elahi: Okay thanks, that was useful. And the other one was Sir, we have seen around 4,000 crores of upgrades and recoveries during the quarter. How much of this would be on account of some of these stressed accounts getting restructured?

Mr. Sanjiv Chadha: Khurana sahab?

Mr. Ajay K. Khurana: In this quarter, there is no major upgradation due to restructuring. Whatever was there, it was in Q1.

Mr. Aman Elahi: Okay, got it. Thanks a lot. That's it from me Sir.

Operator: The last question for the evening is from Kush Shah. We have a fairly large SME restructured book. How is this performing and how do we think of slippages from this? Were the corporate loans driven by short term loans, and do we expect some of this to reverse? What are the yields on this book? Thank you.

Mr. Sanjiv Chadha: So, I think in terms of the MSME piece, I think it's unarguable that there is stress. There has been restructuring and I think it is going to play out over the next few quarters. I believe it's too early to really have a very high degree of confidence in terms of predicting what the stress is going to be and how it will play out.

But I think what is important and this is what we have been emphasising is, that if we were to look at the proportion of the book and the proportion of the corporate book, it is the improvement in the corporate credit cycle which will have the impact which will probably outweigh whatever negative impact is going to come from the MSME book. This is why again, we have been guiding for the last few quarters that we expect credit costs to keep on trending downwards over the next few quarters and we stand by that commentary.

Now, in terms of the corporate book, I think the quality of the growth is fairly good. I don't think there's too much growth which might be volatile and therefore could get reversed. We expect steady growth going ahead. We're not saying spectacular growth because we would still like to keep discipline in terms of making sure that our margins remain intact. But we expect to see steady growth. I will again hand it back to Mr. Chand again to give more colour on that.

Mr. Debadatta Chand: Yes Sir. Typically a corporate, as the MD Sir rightly said, we as a framework are slightly more RAROC and NIM sensitive. Saying so is that, we believe in more capacity creation and sustainable loans rather than any short term loans. So, that's a bias and that would continue.

Moderator: Thank you sir. That was the last question. I now request our CFO Shri. Ian Desouza to give the vote of thanks.

Mr. Ian Desouza: Thank you everyone for joining us on this call. It has been an immense pleasure addressing you. We've had a very good quarter and look forward to many more. Thank you for your support on an ongoing basis. Many of you have joined us in analyst calls in the past. We look forward to hearing from you. If there are any questions that remain unanswered in this call, please do feel free to reach out to me on my email id. And, thank you so much. Back to you.

Operator: That is a wrap for the evening. Thank you ladies and gentlemen. Have a pleasant evening.