



**ANALYSTS' MEET Q1 FY22**

**August 9, 2021**

**Participating members from the Management Team of the Bank**

- *Mr. Sanjiv Chadha, Managing Director & CEO*
- *Mr. Shanti Lal Jain, Executive Director*
- *Mr. Vikramaditya Singh Khichi, Executive Director*
- *Mr. A K Khurana, Executive Director*
- *Mr. Debadatta Chand, Executive Director*
- *Mr. Sameer Narang, Chief Economist*
- *Mr. Ian Desouza, Chief Financial Officer (CFO)*

**Mr. Sameer Narang:** Good morning everyone and welcome to Bank of Baroda Q1 FY22 Analysts Conference Call to hear the highlights of our performance. Today we have on the call Shri. Sanjiv Chadha who is the MD and CEO. He will be leading the call along with the Executive Directors. The call will start with brief remarks by the MD followed by Q&A and then the closing remarks. Over to you, sir.

**Mr. Sanjiv Chadha:** So, a very good morning to everybody. Thank you very much, Sameer. Let me first begin by wishing you all a very good morning, and also, I hope everybody is well. I have with me my fellow directors on the board of Bank of Baroda – Mr. S.L. Jain, Executive Director, who is in charge of Corporate Banking and International Banking, Mr. Vikramaditya Singh Khichi who is in charge of our Retail Banking, Mr. Ajay Khurana, in charge of IT and Digital Banking and Mr. Debadatta Chand, who is our Executive Director in charge of all the platform functions including Risk Management, Compliance and HR.

So, I think you would have seen the results and the presentation, so I will not impose myself on you by going through the details which you have already seen, except to say that, it has been a year which has been difficult, the beginning of the year because of the second wave. But the Bank has largely delivered in terms of what we had guided at the time of the last quarterly meeting.

Our focus has been to make sure that we keep tight discipline both the liability as well as the asset side. On the liability side, by making sure that our deposit growth does not run too far ahead of our loan growth, and we are not taking deposits in an indiscriminate manner to make sure that most of the growth comes from CASA deposits. On the loan side, it has been to make sure that the liquidity overhang does not overly impact our Net Interest Margins (NIM), and therefore to make sure that the core growth comes from the retail side.

For Corporates, in case, we cannot get a risk return right, we would let those opportunities go because we are of the view that as the year progresses, the liquidity position is likely to normalise and we might have a little more pricing power as compared to what we have today. So, you would have seen that we have seen a bit of a run off in the corporate book. Most of it was very low yield and it also consumed capital.

So, on account of the fact that we have been disciplined, we see both an uptick in the Net Interest Margin (NIM) and in capital efficiency. The NIMs have moved north of 3% and the capital adequacy now, is above 15%.

So, in terms of asset quality also, we have been guiding for the past few quarters that we would expect stress on the MSME and Retail segment. It has been more than we might have expected because of the second wave, but nevertheless we have been of the view that improvement in the corporate trade cycle will more than offset that. And therefore, we should see a sustainable and continuing improvement in credit quality including a lower credit cost. So, I think things have largely transpired on those lines. Thank you very much again for joining us and now we're open for questions please.

**Moderator:** Thank you very much sir. Hello participants, if you have any questions, please raise your hand and please limit your questions to two per person at the start. We can come back to you once we have finished the line of questions from everybody. There is also an option of typing the questions on chat which we can read out to the officials for them to respond. Sir, we will open the floor to Mr. Ashok Ajmera. Mr. Ajmera please unmute yourself and you can go ahead with your question.

**Mr. Ashok Ajmera:** Good morning sir. Can you hear me?

**Mr. Sanjiv Chadha:** Yes Ajmera ji, we can hear you.

**Mr. Ashok Ajmera:** Yes sir. So again, compliments for the good set of numbers in such difficult times. But having said that, no. 1, there was pressure in other non-interest income in this quarter. I mean, we see it declining from 4,848 crore in the last quarter to 2,970 crore mainly because of two reasons – recovery from TWO accounts, and the other head where the non-interest income has come down. So, it is a drastic reduction

of almost about 1,900 crore if you compare it with the last quarter. So, this is my first question. If you could give your comments and observations on how do we look at it for the next 3 quarters?

My second question is on the credit growth. You said in your own opening remarks that there will be improvement of the corporate credit in the future and we can offset some of those things which you said. But then, when the credit is declined so much, when the total book has gone down from 7,51,590 crore to 7,11,487 crore, so where do you see that credit coming from? I mean, where are the opportunities that we will see in the next 3 quarters? And, what could be your guidance for the loan book for 2021-22, because ultimately the Bank's business is to lend irrespective of the times we are facing. And we cannot depend all the time on treasury income, which has of course, performed very well giving an income of 1,566 crore as compared to 940 crore on the last quarter.

So these are some of my initial questions sir, if you can just, and one more data point only. We have purchased and sold some PSLC certificates. You know, small and marginal farmers we had to buy and then we sold it for micro credit. How much cost have we incurred or what is the amount of commission which we have earned or have to pay on this?

**Mr. Sanjiv Chadha:** Okay, thank you very much Mr. Ajmera. I'll just address the 3 comments that you have made one by one. First, when it comes to fee income, you would notice in the presentation that our fee income as actually gone up by 28% YoY. In terms of comparison with the last quarter, there is always a trend that in Q4 banks generally tend to book a higher amount, the 1<sup>st</sup> quarter tends to be a little softer. But if you look at our YoY comparison, and in both the years the 1<sup>st</sup> quarter was impacted by COVID, the first wave in the first instance, the second wave in the second instance, but nevertheless, we have had a good 28% increase in fee income.

Now, if you look at the total other income, of course, yes you are absolutely right, there is a decrease which is there, particularly if we compare it with the last quarter, and as you pointed out, because of recovery in TWO accounts. Now this is something that I always resist to predict that what is going to happen in NCLT cases, in which quarter would any particular recovery come? And that's something, very frankly, if it comes, it's manna from heaven, but that's not something, that we should hold our breathe for. So, I think that kind of volatility will keep on happening, but that's not really something that either we should focus on or we should be losing sleep over. When that recovery comes, it comes.

But our focus is to make sure that the fee income that we get from our normal business, is something that will be increased and we take it on a sustainable basis. If we look at that, even in key categories for instance, one of the areas for emphasis for us has been the wealth product where again we're recording a YoY increase of about 70%. So, I'm fairly positive that both on the fee income from corporates, and also in terms of forex income, we should continue to see good growth going forward.

As far as treasury is concerned, yes, this quarter has been good. And that is something which might continue for maybe one more quarter at best, because we know that we are in a regime where the interest rates are likely to go up. It makes sense to front end some of that profit booking, which we are doing. And we expect that as it peters out over the next few quarters, they should correspondingly, be matched by an increase in the loan offtake and the interest income from loans.

The second point that you made was about credit growth. So, this is again something where we have been fairly focused that we would want to grow credit where we believe we can grow at a healthy risk-return equation. So, you would have noticed that our retail loans organically have grown by nearly 12%. Within that, categories that we are focused on, which we believe that even during these pandemic times that they are reasonably safe for us to do - gold loans, car loans, they are doing very well. Our gold loans have gone up by 35%, car loans by 25%, home loans are also going pretty much as per market. So, I believe the categories in which we really want to grow, we are growing.

In corporate, everybody is aware that there is a liquidity overhang. And again, I don't believe that lending out money only for the sake of top-line helps anybody. That is changing, it ought to change and I believe from the next quarter onwards, now that we have run down our book which was at sub-optimal spreads, particularly given the fact that we expect spreads to improve, things should start building up on a more sustainable basis.

The third piece was about PSLCs. So typically again, this is something that happens over a year where you might have a particular quarter where a particular segment you might be short. You buy PSLCs there and then over a period of the year, you actually sell them also as your book builds up. Last year also, we had bought PSLCs in the 1<sup>st</sup> quarter, sold off PSLCs in the subsequent part of the year, and ended up making some money on a net-net basis because the priority sector is above the benchmark of 40%. So that's something again, you might say, is in the normal course of business. But in terms of the exact amount that we expended on the PSLCs, I would just request Khichi sahab, our Executive Director to chip in there.

**Mr. Vikramaditya Singh Khichi:** Thank you and a very good morning to Mr. Ajmera. Thank you for putting this question. I think, more or less, MD sir has already explained why we had bought these PSLCs and a similar transaction we had done last year also and ended up making money on that. This year again, now Reserve Bank of India had actually increased the priority sector lending on small and marginal farmers from 8% to 9%, and similarly for weaker sections from 10% to 11%. So, we found ourselves a little short in the small and marginal front, but simultaneously, we were okay on the micro enterprises. So, we bought a little piece of small and marginal farmers, but sold on the micro enterprise front and the exact amount is 109 crore, we bought around 3,500 crore of small and marginal farmers and in the micro enterprise we sold around 1,000 crore and made 24 crore. So that's our net-net. But this whatever we have bought is for the entire year.

**Mr. Ashok Ajmera:** Thanks a lot sir for such an elaborate answer. Sir, if I may just ask one more thing. You know the telecom company now which is now suddenly in problem and in the news, have we started thinking something on that depending on the exposure that we have, on making some kind of provisions or taking stock of the situation and looking at it? Any views on this Sir?

**Mr. Sanjiv Chadha:** Our exposure is very small as far as that piece is concerned. It is also non fund based. We do not see any possibility of any crystallised position in the near future. So, it's a very marginal issue for us.

**Mr. Ashok Ajmera:** Alright sir. If I'm permitted, I have one more small...

**Moderator:** Mr. Ajmera, kindly come back in the queue.

**Mr. Ashok Ajmera:** Okay, thank you.

**Moderator:** Thank you so much sir. Sir, now we move on to the next set of questions from Ms. Mahrukh Adajania. Ma'am, please unmute yourself and ask your questions. Thank you.

**Ms. Mahrukh Adajania:** Yeah hi. Sir, my first question is that there were upgrades of around 3,400 crore during the quarter in the NPA movement. So, Future Retail and MMTC, they have been upgraded. So, would you have similar upgrades, or do you have more than these two accounts that have been upgraded, because the amount is quite large at 3,400 crore.

**Mr. Sanjiv Chadha:** I request Jain sahab to address that please.

**Mr. S.L. Jain:** Yeah. Rightly said, one account is Future Retail and we are not having exposure in MMTC. The other account of international operations is there.

**Ms. Mahrukh Adajania:** Sorry?

**Mr. S.L. Jain:** One more account is in international operations.

**Ms. Mahrukh Adajania:** Got it sir. And sir, just in terms of Future Retail, if the arbitration goes on for a very long time, then what is the time frame within which this account would slip, because you have to honour various covenants at various points in time, right? So even within moratorium, you have to honour some covenants, otherwise even if we are in moratorium, you can slip, right? Is my understanding correct sir?

**Mr. Sanjiv Chadha:** Jain sahab?

**Mr. S.L. Jain:** Yes, this is basically based on our restructuring terms. They have to pay us as per restructuring terms, if terms are saying it will slip then it will. But presently we are not seeing that kind of situation.

**Ms. Mahrukh Adajania:** Sir, my last question is again on loan growth. It's good that you've shed your lower yielding corporate loans. But, why were the lower yielding corporate loans having a higher capital charge as well? What sectors were these loans in?

**Mr. Sanjiv Chadha:** So, I think there would be a variety of sectors. Some of them would be by way of food credit policies others would be corporate advances. Again, all of us are aware that last year in particular, there were challenges in terms of loan growth, as well as, again, abundance of liquidity. Our view is that those challenges should abate, which is why we are positioning ourselves to make sure that we switch over to what might be a high yielding asset base.

**Ms. Mahrukh Adajania:** Yes sir, and just one last question regarding the retail slippage. Of course there was COVID, but slippage in the retail segment has also been high in this quarter. So basically, your retail was based on credit scoring, right? So, which are the segments in retail that have really seen high NPAs, because your overall retail slippage was on the higher side this quarter. So, is it in home loans as well? And is it from the salaried section or self-employed?

**Mr. Sanjiv Chadha:** So, I think ultimately the credit scores are based upon past payment records and also the stable circumstances which obtain. The second wave in particular was, I think entirely exceptional. We did not have such an impact of the first wave. Even when we offered restructuring last year around, people did not really take advantage, but this time there have been both slippages as well as restructuring. So, I think it is simply because of the fact that the circumstances were entirely out of the ordinary and you might say that the credit scores may not necessarily, at least in the short term again, be good indicators.

So, I think there have been challenges, but having said that, we have discussed in the past that 70% of our retail book is mortgage backed, most of them are home loans. Also when you look at the slippages, home loans still are a fairly large proportion, more than 50%. So therefore, while there are issues, in terms of the liquidity mismatches that people faced because of expenditure on healthcare that has transpired, we believe that the stress that we have seen was pretty much at peak in the last quarter. It should now dissipate as we go along. So, I think it reflects pretty much in the entire book including the home loan book.

**Ms. Mahrukh Adajania:** Thank you sir.

**Moderator:** Thank you ma'am. Sir, now we move on to the questions from Mr. Rakesh. Mr. Rakesh, please unmute yourself and ask your questions. Thank you.

**Mr. Rakesh:** Hello, can you hear me sir?

**Mr. Sanjiv Chadha:** Yeah, please do go ahead. Thank you.

**Mr. Rakesh:** Thanks sir. The first question is with respect to our rating profile for NBFC's standard outstanding. So, number in rating profile BB and below has risen on a sequential basis. The number now, is around 3,700 crore. So, what is the exact position there? Are these potential stress for the bank? What is the status, if you can help us understand sir?

**Mr. Sanjiv Chadha:** So, there is one particular NBFC which has been stressed. It was in the watch-list for the better part of last year, and there's been a rating downgrade. So, that is the major part of that. You might see, otherwise, except that one NBFC, I don't think there's any change in the nature of the book

**Mr. Rakesh:** And how large is that one particular account?

**Mr. Sanjiv Chadha:** I'll just request Jain sahab to take that.

**Mr. S.L. Jain:** There are two accounts. So, the aggregate outstanding is close to 2,100 crore.

**Mr. Rakesh:** Okay. Sir, this India Infra Debt which is focused on renewables and transport and its performance is quite good. So, if you can help us understand, does our bank also take any kind of loan through that transaction in our book in the renewable and transport sector?

**Mr. Sanjiv Chadha:** So again, it's an independent company. There may be a coincidence of triumphs which might be entirely accidental, but again, I don't think there's any deliberate policy to have coordinated lending. Risk appetites tend to be different. And also, in terms of scale, it's still relatively small. So, even if there is a conversion situation, it would be very marginal.

**Mr. Rakesh:** And sir, would you clarify on Notes to Account no. 19, where we have discussed about interest on interest of 505 crore, some amount might get credited back. So, what is that, if you can just help us understand? What is our position there?

**Mr. Sanjiv Chadha:** I'll just pass it on to Mr. Chand. He's the Executive Director, in charge of the finance function.

**Mr. Debadatta Chand:** Good morning. See, this is a provision that we have made for March quarter and the pay-out out of that. It's a normal disclosure as far as the balance sheet is concerned. So, it's not specific to anything. It's pertaining to the provision that we have made in March and the subsequent pay-out in June.

**Mr. Rakesh:** No, but we have said, 'Amount no longer required on crystallisation of such liability will be credited to interest earned during the quarter September 2021'.

**Mr. Debadatta Chand:** See, the pay-out that we have made in the quarter ending June, has to be duly audited. So, there is a provision with regard to crystallising anything in the September quarter, that's what has been mentioned.

**Mr. Rakesh:** So, it has not happened as yet?

**Mr. Debadatta Chand:** Can you come back?

**Mr. Rakesh:** I'm saying, so that has not yet happened, you mean to say?

**Mr. Debadatta Chand:** Yeah. The complete audit of the entire process of payment is yet to happen. So that's what we have to capture in the September quarter.

**Mr. Rakesh:** Thank you.

**Moderator:** Thank you Mr. Rakesh. Sir, we move on now, to questions from Mr. Jai Mundra. Mr. Mundra, please unmute yourself and ask your questions. Thank you.

**Mr. Jai Mundra:** Yeah hi. Good afternoon sir. I have a couple of questions. First, is on your restructuring, we have been given a restructuring number for resolution framework 1.0 and 2.0, and we also were running MSME schemes wherein we have restructured some 9,000 crore. So, if I were to look at the outstanding restructured numbers, should I just add 9,000 crore or is there any overlap in the MSME which would have been there in 1.0 and 2.0?

**Mr. Sanjiv Chadha:** I request Khichi sahab to address that, if possible.

**Mr. Vikramaditya Singh Khichi:** Sorry, can you come back on that once more?

**Mr. Jai Mundra:** Yes sir. In slide no. 20, you have said that the restructuring under 1.0 is 11,000 and under 2.0 is 4,300. Now, we were also running a separate scheme for MSME wherein the restructuring is around 9,000 crore. So, should one add all these three together or is there some overlap?

**Mr. Vikramaditya Singh Khichi:** No, definitely there will be some overlap, because this is a cumulative number. 9,151 of the total restructured of MSME is over a period of time, and there is definitely an overlap.

**Mr. Jai Mundra:** And sir, can you give the Retail, Corporate and MSME break-up of the outstanding, or at least the 15,000 crore restructuring under framework 1.0 and 2.0? How much is Corporate, Retail and MSME?

**Mr. S.L. Jain:** I'm giving you these numbers. In the resolution framework 1.0, we have restructured 11,070 crore, right? So out of that, Retail is 1,025 crore and Corporate is 10,045 crore. But here again in Corporate, in out of 10,000 crore, 3,000 crore of non-fund based is included. So, this 11,070 and we are having a provision of 1,257 crore as against this. So, if you see the funded outstanding, it works out to 7,000 +1,000 i.e. 8,000. So against 8,000 we are having a provision of 1,257 crore which works out to around 15% or so. This is about the framework 1.0. In framework 2.0, we have a restructured amount of 4,359 crore. This includes Retail of 3,800 crore and MSME of 552 crore.

**Mr. Jai Mundra:** Understood sir.

**Mr. S.L. Jain:** And the provision against this is 637 crore.

**Mr. Jai Mundra:** Okay. Sir, this 3,000 crore of non-fund based exposure which has been restructured, this is pertaining to which industrial segment?

**Mr. S.L. Jain:** When we give limits, we give funded and non-funded both together. But RBI says, while doing restructuring, we have to make the provision for total exposures. So that's why this 10,045 crore includes funded and non-funded. These are in various sectors – Retail, Retail trade, it is in road and some other companies as well.

**Mr. Jai Mundra:** Okay. That is helpful sir. The second question sir, is on this Retail account which has been restructured and has been upgraded. What is the moratorium on the loans? Is there any moratoriums on the loans for, let's say, the next 3, 6, 9 months under the restructuring?

**Mr. S.L. Jain:** No, this restructuring has been done as per the Kamath Committee recommendations, right? So, moratorium is also there for some period as per the Reserve Bank of India schemes.

**Mr. Jai Mundra:** Right. The reason I'm asking, even if, let us say, if there is a moratorium on the loan repayment, so this company can remain standard, right? Even if there is litigation which may keep on... which may not be settled in the near term? Is that understanding right?

**Mr. S.L. Jain:** Yeah. So far, as they are meeting our restructuring terms, they will be standard.

**Mr. Jai Mundra:** No, I'm saying, when does the repayment start? Is it like in the next 3-6 months of maybe over 12 months?

**Mr. S.L. Jain:** That we have to see sir, for that we have to go deeper into that.

**Mr. Jai Mundra:** Understood. And the second question is, on your Notes to Account no. 8, which says that apart from Delhi Airport, there are 4 accounts which have been standard as per the court ruling, and the exposure is somewhere around 3,200. I think you had mentioned there is one account, NBFC account which

has 2,100 crore exposure. But I was just curious to know, because the residual exposure itself is like 1,000 odd crore, what segment could these two accounts be from?

**Mr. S.L. Jain:** So, that one big account is having a power exposure, it is a power company. And you see this, in our notes, 3,200 plus Delhi Airport 200, so, 3,400 crore, right? But we are having a provision of 1,800 crore against this. Besides this, we are having around close to 400 crore provisions on account of June 7 circular. So, the provision that we are having is around 2,200 crore which works out to be around 63%.

**Mr. Jai Mundra:** Right.

**Mr. S.L. Jain:** So, though these accounts are standard, but we are having a provision of around 63% on an average.

**Mr. Jai Mundra:** Correct sir. Okay, and the last two data questions sir. If you have the Corporate GNPA, PCR, so you have given the Corporate NPA at around 20,000. If you have the corresponding net NPA number or maybe the PCR there, that is one.

And second is, sir in CET 1, in absolute amount it has gone down by around 500 crore. So, what could be the reason? I mean, not in percentage, but in absolute amounts CET 1 has declined by 500 crore. So, these two questions sir. Thank you.

**Mr. S.L. Jain:** In CET, basically the decline is because of two reasons, one part is the DTA component. Suppose you make certain DTA which is above your threshold, naturally it will be reduced from your CET 1 because it is more than 10%. So, this is one part. What was your second question?

**Mr. Jai Mundra:** Corporate PCR sir. On your 20,000 crore Corporate Gross NPA, what is the provision that you are carrying?

**Mr. S.L. Jain:** That exact calculation may not be there, but it should be on similar lines. We are having a...

**Mr. Jai Mundra:** I think it should be higher.

**Mr. S.L. Jain:** ... we are having 83% of PCR and 68% of PCR exclusive of TWO. So, it should be on similar lines.

**Mr. Jai Mundra:** Understood. Okay sir, I will come back in the queue. Thank you.

**Moderator:** Thank you, Mr. Mundra. We move on to now questions from Saurabh Kumar. Mr. Kumar, please unmute yourself and ask your question, thank you.

**Mr. Saurabh Kumar:** Sir, just two questions, the first is this note 11, you have this 14,400 crore restructuring in the corporate book, this overlaps with the number which you commented earlier right?

**Mr. S.L. Jain:** This note is regarding 7<sup>th</sup> June circular, so 7<sup>th</sup> June circular talks about your PA and NPA both and where the exposure is more than 1,500 you have to make a provision of, if the resolution has not happened in 180 days, 20% otherwise 35%. So, this 14,463 which we talked about are both PA and NPA and we are having provision of around 4,800 crore on account of this.

**Mr. Saurabh Kumar:** Okay, I understood. And secondly, sir.

**Mr. S.L. Jain:** This is around 35%.

**Mr. Saurabh Kumar:** Okay, got it. The second is on this NARCL have you got any idea about how much NPAs will move out from your book? And the last thing is, if you can even guide to what you think should be your net NPA by the year end?



**Mr. Sanjiv Chadha:** So, I think as far as the NARCL is concerned it is still, I might say, in the process of formation. I wouldn't think it is fair to talk about numbers given the fact that the incorporation is still taking place. But let me at least say this, that for us it is a not a very large figure. And if we are looking at asset quality and if we are looking at our recoveries, it is not so much contingent upon what happens in NARCL. For us, it is not really an overwhelming proportion of the likely recoveries, that's one. This brings me to the second part of the question in terms of NPAs, I think we had guided last quarter also, that we believe that our net slippages should be below 2%. We believe that despite the second wave, we should be able to move on the same lines for the rest of the year.

**Mr. Saurabh Kumar:** I am sorry, net slippages should be below?

**Mr. Sanjiv Chadha:** 2%.

**Mr. Saurabh Kumar:** 2%, okay. So and sir, just one follow up on that if you look at SBI the net NPA is now in that 1% ballpark, would you also want to take accelerated provisions and kind of get your NPA to that level by the year end.

**Mr. Sanjiv Chadha:** So, look the fact is at the end of the day there's a cycle which is there, right, in India, you provide as per what the regulatory requirement is. And the tax regime also supports that kind of provisioning, so I think there is a natural cycle to that. So, I don't think that there is any room for accelerating it, beyond a point.

**Mr. Saurabh Kumar:** Understood, sir, thank you.

**Moderator:** Thank you, Mr. Kumar. Sir, now we move on to questions from Shri Manish Shukla. Mr. Shukla please unmute yourself and ask your questions, thank you.

**Mr. Manish Shukla:** Good morning and thank you for the opportunity. Could you tell us the total restructured loan outstanding under the different schemes of RBI, what is the aggregate restructured loan book today?

**Mr. Sanjeev Chadha:** Jain sahab?

**Mr. S.L. Jain:** Yeah, see the restructuring we have given disclosure about Framework 1/Framework 2, right, and the MSME there is one note is in the notes of accounts. So around 9,500 crore of rupees in under MSME and around 10,000 crore will be Framework 1, which includes of course, non-fund exposure of 3,000, so  $9 + 7 = 16,000 + 4,000$  is from Framework 2. So around 20,000 crore.

**Mr. Manish Shukla:** And June 7 circular.

**Mr. S.L. Jain:** June 7 circular is not restructuring, sir. June 7 circular talks about the resolution plan, so if we are not going for resolution within 180 or 365 days, we have to make a provision of 20% and then accelerated 35% and then we have to move to the NCLT.

**Mr. Manish Shukla:** Okay. And in your opening remarks you mentioned that the yields have got boosted because you let go of some lower yielding corporate loans. I would assume that these would carry lower risk weights as well. So ideally, if your book is shifting towards higher yielding loans your risk rates should also go up, right. So, capital consumption of the book should go up. Is that correct, or am I missing something?

**Mr. Sanjiv Chadha:** Yeah, so two pieces again, one is that we are in those times where even if capital consumption was higher, still yields were low. So that's again what we are trying to correct. I think, there has to be a correspondence between the consumption of capital and the yield you derive from that, that is the improvement that we are trying to bring in. So, it may not necessarily be a logical corollary in these difficult and strange times.

The other part is that we have also been looking at our international book and trying to see how we can again optimize that in terms of both capital consumption as also in terms of yields. So, to my mind, it should be possible to achieve an improvement in yields while also making sure that capital consumption is more efficient as compared to what it was in the past.

**Mr. Manish Shukla:** Okay. And the last question, despite the second wave, the SMA book as of June is lower than that of March on a lower balance sheet. So, can you please help us understand what has exactly happened there and what does it mean going forward.

**Mr. Sanjiv Chadha:** So, I think partly, you might say that what happened in March was really the fallout of the first wave, Supreme Court judgment and so on and so forth. It was a very abnormal kind of submission. So has been the case also you might say to some extent in the second wave. But then we have also had the restructuring which has happened. Also recoveries now seem to be picking up.

The third part which I think is ultimately the most material is that the continuing improvement of the corporate trade cycle, I think that is coming through and to the extent that always used to be a large part. I think that's the trend that we should continue to see that improvement in the corporate credit cycle, should be showing through in all categories, in terms of slippages, NPAs, and also in the SMA book.

**Mr. Manish Shukla:** Okay, and the last question sir, on the domestic credit book, how do you see that book growing this year relative to the banking system, and I am talking only domestic book here, ignoring the international operations for now, even the stance that you have taken on the wholesale book.

**Mr. Sanjiv Chadha:** Yeah, our stance has always been we would want to grow as per market, but while growing as per market, we would want to make sure that we put an equal or larger emphasis on improvement in margins and capital efficiency. So, I think if we look at last year that is pretty much what we had delivered, we had grown our book by 5 to 6%, 5% odd which is where the market had grown but tried to make sure our margins remain intact and capital improves. I think this year is going to be similar, we would want to grow as per the broader market, protect our market share but while doing that make sure we are disciplined enough to again sustain an improvement in debt interest margins and also make sure that capital is optimally utilized.

**Mr. Manish Shukla:** Thank you, those were my questions.

**Moderator:** Thank you, Mr. Shukla. Sir, now we move on to questions from Mr. Sameer Bhise. Mr. Bhise, could you please unmute yourself and ask the questions, thank you.

**Mr. Sameer Bhise:** Thank you for the opportunity. Just wanted to check on the BB and below NBFC exposure, what explains the rise over the last one year from around 1,000 crore to 3,700 crore?

**Mr. Sanjiv Chadha:** So, I think that was possibly addressed in the previous question, but let me again reconfirm that it is on account of a single account which earlier had a higher rating, had shown signs of stress, was already on the watch list, which now has had a degrade in terms of ratings. That's over 2,000 odd crore, or it is two accounts actually which are again from the same group which adds to 2,000 crore.

**Mr. S.L. Jain:** Just a minute, and we are having a particular percent provision in this account, one is in NPA, and second one is 7<sup>th</sup> June circular.

**Mr. Sameer Bhise:** Okay, this is helpful. Secondly, one small question on the gold loan portfolio. It is showing decent growth on a YoY basis, of course, on a small base what would be the LTVs on this book incrementally?

**Mr. Sanjiv Chadha:** So, our loan to value ratio would be I think maybe about 65-70% range because the max we lend is 75% that would be what we are looking at. But again, I would just ask Mr. Khichi sahab, for any clarification or amplification there.

**Mr. Vikramaditya Singh Khichi:** That's right, sir, our LTV overall on a general portfolio is around 60-65% because the maximum that we are lending is only 75%, we are not lending beyond that. On an average portfolio, it comes to around anywhere between 60-65%.

**Mr. Sameer Bhise:** This is agri as well as non-agri both?

**Mr. Vikramaditya Singh Khichi:** Yeah.

**Mr. Sameer Bhise:** Okay, sir. This is helpful thank you and all the best.

**Moderator:** Thank you, Mr. Bhise. Sir, now we move on to questions from Mr. Mohit Surana. Mr. Surana, request you to unmute yourself and ask the questions. Thank you.

**Mr. Mohit Surana:** Sir, I wanted to know, in terms of the upgrades that have happened in this quarter, how much of those upgrades are the slippages that have reversed in the same quarter?

**Mr. Sanjiv Chadha:** So, my sense is that these are the accounts which have been restructured accounts for the majority but again pass it back to Jain sahab to clarify that.

**Mr. S.L. Jain:** Major upgrade is basically the previous year's slippage and whatever has been upgraded during the quarter we are not reflecting, basically. Now, with the daily movement of the NPA it will come.

**Mr. Mohit Surana:** Okay. And, sir, the second question is that in terms of the flow of NPA and non NPA provisions in this quarter there were significant non NPA provisions in terms of standard asset provisions and other provisions. So, can you clarify what are these? I believe these are against restructured book, if I am not wrong.

**Mr. S.L. Jain:** You are right, majority of these provisions are for restructuring.

**Mr. Mohit Surana:** Okay, thank you, sir, those were my questions, thank you.

**Moderator:** Thank you, Mr. Surana. Moving on we have questions from Mr. Mayank Gulguliya. Mr. Gulguliya, could you please unmute yourself and ask your questions, thank you.

**Mr. Mayank Gulguliya:** Yes, my question is regarding any potential capital raised, we are already having capital adequacy ratio 15% and we are looking at more efficient use of capital now and we have board approval for fund raiser of another 2,000 crore, what is the broad thought process around that and whether we will be comfortable at fund raised below 90 rupees, like what is the broad thought process around that.

**Mr. Sanjiv Chadha:** So, I think your assessment is correct. We are comfortable in terms of capital with the overall CRAR above 15%, CET above 11%, so I don't really think that the current circumstances or the likely growth in the book would warrant any fresh capital raise. We believe that the growth in the book this year should be fully funded from internal accruals whilst maintaining our capital ratios. So, it is unlikely that we would be going to the market to raise capital. The board approval was only an enabling clause, I don't see the possibility as things stand today.

**Mr. Mayank Gulguliya:** Thanks a lot.

**Moderator:** Thank you, Mr. Gulguliya. Moving on, sir, we have next set of questions from Mr. Gaurav Agarwal. Mr. Agarwal, could you please unmute yourself and ask questions, thank you. Mr. Agarwal?

**Mr. Gaurav Agarwal:** Hello?

**Moderator:** Yes, we can hear you.

**Mr. Gaurav Agarwal:** Thank you so much, sir, for the opportunity. My question is to Mr. S.L. Jain, so, sir, you mentioned a number of 20,000 crore where you added restructuring under Framework 1 and restructuring under Framework 2. What is the 4-5,000 crore balance I couldn't get that figure, sir, if you could help me get some clarity?

**Mr. S.L. Jain:** No, I talked about 3 things, sir, one is a Framework 1, second is Framework 2 and third one is the MSME group, right. So, framework 1 is around 11,000 crore, out of this 11,000 crore, I have excluded 3000 crore for non-funds, and generally we talk about the funded outstanding when we talk percentage and all. So, this is 8,000 crore. Around 4,000 crore is in Framework 2 as we have mentioned in our presentation, 8+4 = 12,000 crore. And 9,000 crore of amount is MSME restructuring so that is 21,000 crore. A small account of resolution plan maybe there, but this is not a big amount.

**Mr. Gaurav Agarwal:** No, sir, that is helpful.

**Mr. S.L. Jain:** That is all, maybe small amount for 7<sup>th</sup> June which we might have done earlier, small amount maybe.

**Mr. Gaurav Agarwal:** Perfect, sir, thank you for the clarity. And, sir, on the SMA, I was looking at the presentation that you uploaded in Q4 that is March 2021. That time for the period ending March 2021, our SMA plus SMA2 was 3.87%, while in the latest presentation you have shown that the number to be 3.23%. There is a good 56 basis point difference for the same period. So, is there a change in the way you show the SMA data to us or is there any number which you used to include in that slide or which you have excluded now? What has been the reason for this change?

**Mr. S.L. Jain:** Basic reason for this is that earlier we had considered exposure in the numerator. This time we have considered exact outstanding because exposure add much value because in the denominator side we are taking the outstanding, so why should we take in numerator side the exposure? So we have presented the SMA numbers calculated on outstanding amounts on both numerator and denominator.

**Mr. Gaurav Agarwal:** Okay, and so if I were to ask, what would be the exposure than this 2.68 hypothetically, I know that it doesn't pose you any risk.

**Mr. S.L. Jain:** It should be slightly higher, not much.

**Mr. Gaurav Agarwal:** Okay, maybe 3% kind of a number.

**Mr. S.L. Jain:** Exact number I don't know but it should be slightly up.

**Mr. Gaurav Agarwal:** Sir, last time this SMA number used to, there was a note below that it includes a restructured amount of 2,800 crore, that is for March 2021. So, is there any similar number for this quarter, whether some part of restructured is part of SMA1 and SMA2.

**Mr. S.L. Jain:** Yeah, not much amount because SMA 1 and SMA 2 can always happen, suppose you have done restructuring and there is some delay then it will come in SMA 1 and 2, but I have seen SMA1 and 2 not much amount of restructured book is there.

**Mr. Gaurav Agarwal:** Similar for Q4, like for the revised number 3.23, so is it similar?

**Mr. S.L. Jain:** Q4 I have to re-examine, as far as June number is concerned it is okay.

**Mr. Gaurav Agarwal:** Thank you so much.

**Moderator:** Thank you, Mr. Agarwal. So moving on we have questions from Mr. Nilanjan Karfa. Mr. Karfa, could you please unmute yourself and ask your questions, thank you.

**Mr. N. Karfa:** Am I audible, sir?

**Mr. Sanjiv Chadha:** Yes, please.

**Mr. N. Karfa:** Thank you, sir. Sir, just to keep on going back to this restructured number, just wanted to check this 11,000 odd that we report in OTR1, but then if we look at the notes to account number 18, what is that 10,600 crore number, what is the difference between these two numbers.

**Mr. S.L. Jain:** What happens in the reporting, there is a 10,600 is the balance outstanding and the difference is additional funding we have given while doing this OTR. So, if you add these two it works out to be 11,070.

**Mr. N. Karfa:** Okay, that 380 crore in the next....

**Mr. S.L. Jain:** ...That is the additional funding, that is the difference.

**Mr. N. Karfa:** Okay, right. And, sir, the margins were fairly strong, Chadha sir has already explained. Just wanted to understand, if there any more one-offs which are related to any OCA recoveries which are also booked into that line.

**Mr. Sanjiv Chadha:** So, there would be, there would be certainly I think there was one dead end account where the bookings came, part of it would have been booked under the interest head. So, my own sense is that the margins we believe should be improving YoY but again you might say that they could always be exaggerated or repressed by what happens in a particular quarter.

**Mr. N. Karfa:** Sir, any quantification of that one-off interest income?

**Mr. Sanjiv Chadha:** It is not very large very frankly in this quarter, but as a general proposition, I would say that once again, in this quarter the bigger impact might have been both on account of the fact that the loan book came down, there was a run off of the low price corporates. So, what we are looking at is maybe a 15-20 bps improvement in the net interest margins, and in any particular quarter there could always be small distortions but that would not really bother us. But in this quarter there was not any significant difference on that account.

**Mr. N. Karfa:** Right, sir. Two data questions, could we have the total ECLGS that we have disbursed till June quarter, and if you can split across 1-2-3-4.

**Mr. Sanjiv Chadha:** So, we had sanctioned loans I think loans under this category of 9,000 odd crore, 90% which means more than 8,000 crore has been disbursed, this is what my sense is. But Khichi sahab would again have a better understanding, I will pass it on to him, please.

**Mr. Vikramaditya Singh Khichi:** Thank you, sir. The total amount of the ECLGS that we have sanctioned up till 30<sup>th</sup> June is around 9,600 crore, out of which 8,350 crore has already been disbursed and that constitutes almost 90%. And you have asked for a breakup between the 1-2-3, so ECLGS 1 comprises the main amount that is around 7,753 crore. ECLGS 2 comprises of a very meagre amount around 13 to 15 crore and ECLGS 2 non-MSME that is around 544 crore.

**Mr. N. Karfa:** Right. Sir, have we seen any incremental slippages from this ECLGS book, any early colour, I know I think the moratorium starts ending September onwards. Any indication how...?

**Mr. Vikramaditya Singh Khichi:** Early days.

**Mr. N. Karfa:** Okay. And, sir, last question have we any colour on the total exposure to the Future group, you want to disclose?

**Mr. Sanjiv Chadha:** So, I think there have been a lot of television tickers going, right, we keep it at that.

**Mr. N. Karfa:** All right, thank you so much, sir.

**Moderator:** Thank you, Mr. Karfa. Sir, we move on to questions from Mr. Shashank Verma. Mr. Verma, please unmute yourself and ask your questions. Thank you. Mr. Verma, can you hear us?

Okay, so we will come back to Mr. Shashank Verma. We move on to Mr. Sanjay Parekh. Mr. Parekh, please unmute yourself and ask your questions, thank you.

**Mr. Sanjay Parekh:** Yeah, sir, thank you very much. One good part, we really appreciate is the judicious capital allocation and not doing non-remunerative business in corporate and also not needing capital because it is certainly not accretive at the current book value, so that is really appreciated.

Sir, in terms of, we are beyond Covid now hopefully and if we assume there is no major third wave, if you were to plan internally for a ROA and ROE, not in the next 12 months but over 24 and 36 months, which are the areas where you would want to improve and what would be the internal target you would have for '23 and '24.

**Mr. Sanjiv Chadha:** So I think in terms of the ROA and ROE, they are just I think 2 or 3 drivers which will move the needle. One is of course to make sure that we keep our discipline on the liability franchise. And there the improvement we are seeing in terms of the CASA franchise that should be something which should give us abiding value. Now the CASA ratio is above 43%. We believe there still may be a little bit of improvement which might be possible so I think that's something which is going to be important.

The second piece again is if we believe that the interest rate should start rising a wee bit as we go along then I think there should again be a bit of benefit because of the fact that there will be lag in terms of the liability re-pricing.

Third, again I think and what would be the overwhelming proportion of the upside, comes from the fact that the credit cycle is expected to improve and it will disproportionately benefit banks which have a large corporate book. So, our corporate book is 50%, if we include the international, it moves up nearly 60%. So, I think that's what we saw in this quarter also that although we had slippages because of exceptional circumstances in MSME and in retail but nevertheless the overall situation remained under control.

Now, if we were to extrapolate and say that the corporate credit quality should continue to improve which I believe it should, and also the pressure that we felt on account of the second wave should dissipate. So, I think that should be a key driver. So, credit costs should on a stabilized basis, tend toward the 1% mark over the kind of time period that you have indicated. I think from there it is reasonably simple to extrapolate what it does to the ROA and ROE.

**Mr. Sanjay Parekh:** Thank you very much. I mean would there any targets that you would have internally set even if you don't guide us for '23 and '24 in terms of ROA.

**Mr. Sanjiv Chadha:** So, to my mind again as we go forward we believe that what we should aspire for is again a ROA which is at 1% thereabouts and also ROE which is in the mid-teens, I think that is what we might be looking to target over that kind of period.

**Mr. Sanjay Parekh:** That's very assuring, thank you and best wishes.

**Moderator:** Thank you, Mr. Parekh. Sir, we have one question from Mr. Vishal Goyal on the chat. The question is how much was interest reversal due to NPA in this quarter versus Q4?

**Mr. Sanjiv Chadha:** I will just pass this onto Mr. Jain sahab or Mr. Chand sahab, for these figures please.

**Mr. Debadatta Chand:** Jain sahab, you want to take it up or the CFO...?

**Mr. S.L. Jain:** No, go ahead please.

**Mr. Debadatta Chand:** CFO, can you please answer the question. Mr. Ian?

**Mr. Ian D'Souza:** So, we will have to get back to you on this question but typically this is something that we reverse in the normal course.

**Mr. Sanjiv Chadha:** So, I think we will have to come back on that, my apologies for that.

**Moderator:** Sir, we have a question from Mr. Shashank Verma on the chat, can we get to know the overall SMA1 and 2 numbers including accounts less than 5 crore also? And also our next question from him is what would be the unrealized gains on our treasury book?

**Mr.S.L. Jain:** We have already shared the SMA1 and SMA2 numbers as per CRILC data in the presentation.

**Mr. Debadatta Chand:** The extent of unrealized treasury gains in our treasury book depends upon the market movement.

**Moderator:** Thank you, we move on to the next set of questions from Mr. Gandhi. Mr. Gandhi, please unmute yourself and ask your question. Mr. Gandhi can you hear us?

**Mr. Gandhi:** Yes, am I audible?

**Moderator:** Yes, thank you.

**Mr. Gandhi:** Sir, so on the restructuring again, on the corporate side out of the 10,000 crore, does this also include the overseas book?

**Mr. S.L. Jain:** Yes.

**Mr. Gandhi:** And how much would that be?

**Mr. S.L. Jain:** Overseas book is close to 1,000 crore.

**Mr. Gandhi:** 1,000 crore is it?

**Mr. S.L. Jain:** Yes.

**Mr. Gandhi:** Okay, and, sir, how much Covid buffer are we holding as of date, excluding the restructured provisions.

**Mr. S.L. Jain:** We are using provisions as per RBI, of course what the RBI says 10% over the existing provisions which is more. So, we are holding more in case of Framework 1, it comes around 15% as against 10%, and likewise in case of Framework 2 also as against 4,300 we are having 600 crore provisions which is again 15%.

**Mr. Gandhi:** Okay, but other than towards the restructuring asset we are not holding any provisions, is that the right understanding?

**Mr. Sanjiv Chadha:** Yeah, I think that is the right understanding, our prognosis is that in terms of provisioning which ultimately translates into credit cost, we would see a downward trend therefore we do not see any reason to have any extra provisioning.

**Mr. Gandhi:** And sir, just last question how much recoveries are we building in for FY22?

**Mr. S.L. Jain:** We are expecting a recovery of 14,000 crore in the current financial year, so around 5000 crore of recovery we have done in the first quarter. And the remaining nine months, we are expecting around 9,000 crore plus. And while the basis for this is around, out of 1,20,000 crore of NPA and TWO book, 50,000 crore is NCLT and in NCLT where the resolution plan is approved we are likely to get 3,000 crore, or even from the restructured or the account which has gone into liquidation also we are likely to get 1,200 crore. So, around 3

to 4,000 crore of recovery, we expect from NCLT, we expect good recovery from SARFAESI sale, from compromises fund account asset sale, so put together, we are expecting recoveries of around 14,000 crore in the current financial year.

**Mr. Gandhi:** Got, it, that's it from my end sir, all the best and thank you.

**Moderator:** We will just take a couple of questions on the chat before we close. One of the questions is from Mr. Siddharth Bortika. He wants to know what is the total restructured work including MSME, Covid and other schemes.

**Mr. S.L. Jain:** That answer I have already given, madam.

**Moderator:** Okay, and the last question is, sir, when is the DHFL recovery expected in Q2 or Q3, what formalities are still remaining for DHFL recovery?

**Mr. S.L. Jain:** Account specific discussion, madam, we don't do that.

**Moderator:** Thank you sir. Sir, thank you.

**Mr. Sameer Narang:** Sir, would you want to give some closing remarks, MD sir.

**Mr. Sanjiv Chadha:** So, I think I just want to thank again all our friends who had joined for the call, and in case there are any supplementary queries again please feel free to reach out to Ian our CFO and also Sameer our Chief Economist, so thank you very much again.

**Mr. Sameer Narang:** Thank you so much, sir, and thank you all the participants who have joined us on this call today. Hope to see you in person during the next quarter, all the best, stay safe, thank you.

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