ANALYSTS' MEET Q3FY21

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Participating members from the Management Team of the Bank

Mr. Sanjiv Chadha – Managing Director & CEO

Mr. Shanti Lal Jain – Executive Director

Mr. Vikramaditya Singh Khichi – Executive Director

Mr. A K Khurana - Executive Director

Mr. Sameer Narang – Chief Economist

Moderator: Ladies and Gentlemen, Good day and welcome to the Bank of Baroda Q3 FY21 Analysts Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sameer Narang. Thank you and over to you, sir.

Mr. Sameer Narang: Thank you very much. Good evening, everyone. Welcome to Bank of Baroda's Analyst Conference Call. Hope you and your family members are safe and doing well. We have on the call today, Mr. Sanjiv Chadha, MD and CEO of the Bank; along with the Executive Directors. We will start with initial remarks from the MD, then follow it up with the question-and-answers. Before I hand over the call to the MD and CEO, I would like to say that the analyst presentation has been uploaded on the website, and the standard disclaimer in the presentation applies to this conference call as well.

Mr. Sanjiv Chadha: A good evening to everybody. Thank you very much for joining the conference call. First of all, a very happy new year to all of you. I do hope that in the next quarter things will be better and we can meet in person at our office. I'll just make four or five broad remarks, which I hope can cover some of the questions you might have in mind and then we can go to the actual questions.

So first of all, as of 12 December, all the branches for Vijaya Bank and Dena Bank were migrated onto the core platform of BOB. So the merger stands completed in all respects. It has been a fairly successful, smooth execution with very few issues along the way. It also has gone a long way in terms of meeting the objectives that we had set ourselves, when we went ahead with the amalgamation.

There was a very aggressive plan for cost reduction in particular and very happy to share that the bank has adhered to that cost reduction plan almost to a tee and in some cases actually exceeded that. In terms of broad numbers, we expect this year to make cost savings about Rs. 1,300 crore on account of the merger and over the next five years, a total aggregate saving of about Rs. 10,000 crore. As I mentioned, we are going as per plan.

So among the targets that we have set for ourselves was the rationalisation of 1,300 branches. Closing 1,300 branches of the combined entity is pretty ambitious if we consider the total network stood at about 9,500 odd. So as things stand today, 1,300 branches have been closed and we actually have achieved that target.

Similarly, against a target to close 500 low performing ATMs, we actually have shut 1,000 ATMs down. So these are significant cost savings that we expect to accrue. Some of them are visible within this year and a larger proportion they'll be coming next year when we will not be paying the rents on these branches for the full year.

So even if you were to look at the presentation, you will see some signs in terms of these cost savings being effected. Rents for instance actually are about 5% lower in this nine- month period as compared to what they were in the previous year. This is despite most of the savings coming at the tail-end of this period. Secondly, if we were to look at the salary bill, the salary bill is also lower in absolute terms as compared to last year. Because, we have not gone in for any significant recruitment at all and we do not propose to do that also over the next few years.

The second key benefit which came in terms of costs has been through the expansion of the savings bank franchise across the entire network. From 1 April '19, which was the effective date of the merger, the CASA ratio has increased by 400 basis points. That's something which is very significant in terms of savings for the Bank.

The second point I want to touch is in terms of the emerging business profile. So what we have been trying to do is to see how we can get a disproportionate part of the growth from retail loans and secured retail loans. So you will see that our retail loans actually have increased by about 13% YoY during the period under review. The growth in car loans is 22%, home loans is also double-digit, and we believe this is a strategy that we wish to continue to pursue because the Bank is as of now skewed in terms of balance in favor of corporate. While that is indeed a very valuable franchise, since BoB is the second-largest corporate lending bank in the country. But, nevertheless, we believe that the rebalancing would benefit both in terms of having a handle on any volatility in asset quality and in terms of getting margins in the current context since liquidity is plentiful.

It is this combination of aggressive secured retail growth and corporate growth of high quality to absorb excess liquidity which has allowed us to outperform the industry in terms of loan growth with a domestic book growing by 8.3%.

As we have discussed in the last quarter in terms of deposits, we have tried to keep the discipline that deposits are required only to fund loan growth and we should not be having any deposits which result in excess liquidity which has to be sub-optimally deployed. So our deposit growth has been as per plan and is again heavily tilted in favor of CASA, which is up 13% and as I mentioned, there is a significant uptick in CASA as proportion of total deposits.

Within CASA, current accounts have grown even more; growth is nearly 18% YoY. In current accounts, the key driver of growth has been our cash management product which is very successful. You would see in the presentation the figures both in terms of the deposits as also the fee income accruing from the cash management product. Going forward, we believe, we should be able to continue to push this product aggressively.

As we mentioned, we are the second-largest corporate Bank with about an 8% - 8.5% share in the total corporate lending. So there is a huge potential in terms of pushing our cash management product, particularly in the context of the recent RBI guidelines, where the current accounts are largely to be held with lending banks. So we would want to push that opportunity and we believe that should help us drive current account growth even going ahead.

The third point I would want to focus on is in terms of asset quality. So we have continued to have very tight underwriting standards and whatever growth that you see is despite those tight underwriting standards. 3/4 of the underwritten corporate book has come from either accounts which are either A rated or government entities or PSUs. Similarly, on the retail side, 73% of our borrowers have credit score above 725.

Third unsecured retail forms less than 1% of our total loan book. When we look at the agriculture side, nearly 40% of the growth that we see in agriculture has come from gold loans. Gold loans are about 20 -

21% of our total agriculture book. In terms of the incremental agriculture book, they are more than 40% and we do hope that going ahead, 40 - 50% of agricultural growth will come from gold loans.

Similarly, on the MSME side, more than half of the growth that we see, has come from the government guaranteed schemes. Of the other growth also, a large part comes from PSB59, which is the digital channel which is there for all banks to access MSME loans. And here, the quality is proved to be significantly better as compared to general MSME loans.

The Bank as of now is currently executing a very ambitious project for digital loans, of which MSME loans will be a big part. And we believe, going ahead also that should help us improve the underwriting quality.

Having said that, we do accept that there will be some stress which will play out in the MSME and retail book, that is still something which is in the works, but we believe that this stress which we expect to see will be offset by lower credit cost on the corporate book. So our GNPA ratio stands at 8.48%, the pro forma GNPA ratio if you would take into account the implications of the Supreme Court judgment is 9.63%. Net NPAs is 2.41%, and the pro forma ratio comes to 3.36%. Despite whatever we have seen, we believe there is YoY improvement.

We do expect again that even as we end the year, despite the impact of COVID, we should end with figures of gross and net NPAs, which may not be any worse as compared to what they were a year back. Coming to the restructured book, our restructured book is about 1.39% of our total loan book. But a part of this is again already counted in the pro forma NPAs. If we were to eliminate that, it is only 0.80% of the total loan book. And there is a significant proportion of this which is could be upgraded within this financial year.

In terms of provisioning, we are adequately provisioned. PCR is 85%. The impact of the Supreme Court judgment is fully provided, both in terms of provisions on loans, as well as the interest which has been booked. The NCLT loans are provided up to 93%. We hold COVID provision of about Rs. 1,700 crore. Over and above that, as we have discussed in the past, on certain categories of impaired assets like substandard loans and on certain other categories like unsecured loans, BOB provided a higher rate as compared to RBI norms And on this account, we have hold the provision of nearly Rs. 1,500 crore, which is over and above what the RBI requires. So we feel fairly comfortable in terms of where we are in terms of provisioning.

While the Bank has made provision against interest reversal and pro forma NPA, the cost-to-income ratio would have been near 50% as against 48% as reported. Similarly, domestic NIM, which is 3.07% would have been near 2.9% otherwise.

Collection efficiency continues to improve and as compared to 91% last quarter it is at about 92%. There will be residual challenges in retail and MSME, but in corporate it is above 95%.

Lastly, in terms of capital plans, since we met last quarter, we have raised about Rs. 1,200 crore by way of fresh AT1 funds. Of our AT1 program of Rs. 4,500 crore, we have already raised Rs. 3,700 and the balance we are likely to raise in this quarter. In terms of pure equity, we are looking at accessing that through QIP market during this quarter and that might be to the order of Rs. 2,000 - 4,000 crore.

Now in terms of our overall capital position, if we were to take into account the AT1 that has been raised and the profits that have accrued in up to Q3, we would have CAR of about 13.4%, which is slightly better as compared to what it was at the beginning of the year.

So, we believe in terms of capital, we are fairly well positioned both for taking into account any residual stress and also the growth that we want to target. Those are the points I thought which might be useful in terms of questions you might have in mind. Now, I'll take whatever questions that come.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session.

Mr. Gaurav: Sir, just couple of questions I was looking at SMA-1 and SMA-2 which you have disclosed in your presentation and I think the numbers seems to have changed for September 20 it was 5.46% at the end of September 2020 which is reported at 2.88% in this quarter for September 20, so is there anything which I am missing why is that reclassification is there the way you have changed the data?

Mr. S L Jain: This time we have reported based on the CRILIC data and it is more than 5 crore.

Mr. Gaurav: But what is the need of changing the data because you have been reporting in the previous format for like more than 8-9 quarters. So the way you used to report till last quarter if you could share number for December quarter also it would be very helpful?

Mr. Sanjiv Chadha: I think Gaurav what we have tried to do is make a presentation to closely benchmark to what it is on a peer basis so that helps your comparison also, but we'll give you those figures.

Mr. Gaurav: And sir your international slippages they came at around 4,000 crore, so is there like one or two accounts which reflect the slippage or like it is more of broad based and how do you see the run rate from this side going forward?

Mr. Sanjiv Chadha: So in international slippage, increase is largely on account of two accounts. One of that is almost I think around Rs. 2,700 crore. That account had slipped in Dec'19, got upgraded in March and now again it has slipped, and it is likely to get restructured. That is one single biggest loan which is there. There is another loan of about Rs. 800 crore which is likely to get restructured. So these two pieces account for the major proportion. Going ahead, we do not believe that this is something which is likely to repeat anywhere near similar proportions.

Mr. Gaurav: Sir if I could just ask another question on the Dewan Housing front considering there is a lot of reporting from news channels, so what could be your recovery considering you had Rs. 4,000 crore of exposure, but direct exposure was around Rs. 2,000 crore, so if the account recovers let us say in the next 6 months how much recovery can you show in your books, is it a Rs. 2,000 crore recovery or a Rs. 4,000 crore recovery?

Mr. Sanjiv Chadha: So as far as the exposure which is not a book side that we had purchased there is no issue anyway that is performing well. So there is no question of any significant haircuts at all there. Now when it comes to the direct exposure to Dewan, our recovery will be exactly of the same order of as any other Bank which is near about Rs. 2,000 crore, but again I'll defer to Mr. Jain for his comments.

Mr. S L Jain: Our direct exposure to Dewan Housing is close to Rs. 2,000 crore and we are expecting a recovery of around 800 crore and this account we have fully provided for.

Moderator: Thank you.

Mr. Jai Mundhra: Sir if you can talk about the restructuring request? Is this the final or do you still have something in pipeline especially from the corporate or MSME side and maybe if you can quantify the three large sectors and maybe the individual cases above 500 crore?

Mr. Sanjiv Chadha: So this is I think should be pretty much final. The window for invoking the restructuring ended on 31 December. There is still of course the MSME scheme which runs up to March, but then in terms of relative proportion that is likely to be a smaller figure so we do not expect this figure to change very much from where it is now. In terms of sectors you will have the usual suspects, there is of course organised retail, construction. But again hand it to Mr. Jain to give a little more color on that.

Mr. S L Jain: This OTR is 9,500 crore and part of this is on account of pro forma slippages. Second the account belong to sectors such as retail, construction, power, iron and steel, textile, and real estate.

Mr. Jai Mundhra: Sir what would be the number of accounts which are let us say more than 500 crore or more than 1,000 crore? May be more than 500 crore?

Mr. S L Jain: It may not be more may be around five-six accounts.

Mr. Jai Mundhra: My second question is on SMA-1 and 2 so given the collection efficiency is 92% and SMA-1 SMA-2 is 4.4%, the rest is actually SMA-0? Is that right because we have already bifurcated the pro forma number in this calculation?

Mr. S L Jain: Yes, remaining will be the SMA-0 that is right.

Mr. Jai Mundhra: Last question sir from my side the ECLGS what is the quantum, and do you see any signs of quality wise incipient stress there, of course there will not be any stress in the near term but just your comments there?

Mr. Sanjiv Chadha: I think we have disbursed more than 8,000 crore in terms of ECLGS loans. It is early days in terms of stress, but as I mentioned earlier we do believe that there is going to be some stress which is likely to play out in the MSME and retail.

MSME, of course, to some extent is mitigated by the fact that the ECLGS exposure is not on the books. Retail stress has never been an issue, but there is no doubt that we are likely to see the stress which is more than historical levels.

But we expect this to be balanced by the fact that we have a better handle on corporate and we expect stress to be less compared to historical levels.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania. Please go ahead.

Ms. Mahrukh Adajania: Sir, my first question was on ECLGS. What is the base of loans on which these disbursals of Rs. 8000 crore are made? What is the amount of loans that have taken ECLGS of 8,000 crore?

Mr. Sanjiv Chadha: There is a clear proportion there that you can give 20% of the limits. In terms of the people who were eligible, nearly 90% of them availed of that facility. We must recognize that this loan came at an interest rate significantly lower than the coupon of the regular loan.

Ms. Mahrukh Adajania: Sir it is fair to assume that everyone who took the loan took the full 20%?

Mr. Sanjiv Chadha: Absolutely. Since you are getting the rate lower than what we are charging you in your main loan.

Ms. Mahrukh Adajania: In terms of slippage, does the total slippage for the quarter of Rs. 130 billion include the standstill NPL?

Mr. S L Jain: Rs. 8,600 crore is pro forma and Rs. 3,986 is slippage.

Ms. Mahrukh Adajania: You already gave an outlook on corporate, MSME and retail, but in terms of slippage do you think this would be the peak because we already had Rs. 130 billion of slippages which is probably high, so could we say that it is a peak of slippages now?

Mr. Sanjiv Chadha: I would venture to say probably yes and that is on two accounts. One is of course, that slippages which would have happened in previous quarters were postponed either because the moratorium or because the Supreme Court judgment. If we were just by way of testing the hypothesis aggregate the slippages in the three quarters in FY21 and compare them with similar period of FY20, you will find that the figures are not very different. Two, wherever there was some residual stress there was an opportunity for large proportion of borrowers to go for restructuring and that is something which has completely played out. Three, this includes the international side which was an exceptional level and hence is unlikely to be replicated in future quarters. So, therefore I think this represents by far the peak for all these reasons.

Ms. Mahrukh Adajania: Sir in next year when the slippages normalize what level would you anticipate because there was a spike in slippages after the merger and then now because of COVID. How much would it be, would it be below 2%, would it be under 1.5%, what would be your best guess?

Mr. S L Jain: There are two points that you talked about. Out of this Rs. 13,000 crore close to Rs. 3,000 crore will be upgraded when we carry out restructuring as it is a part of OTR scheme.

Second point is about the slippage number, Bank had around Rs. 19,000 crore of slippage in last year ending March' 20 and our pro forma slippage is around Rs. 8,300 crore so it is Rs. 13,000 vis-à-vis Rs. 19,000.

Mr. Sanjiv Chadha: The point that Mr. Jain is making is that this Rs. 13,000 crore figure includes accounts in which restructuring has been invoked and they will get implemented. Therefore these do not count as slippages by March. Also, when adjusted you will find that they are actually lower as compared to the previous year and going ahead we should be fine. What I venture that the slippage number is likely to be pretty much in that ballpark maybe on the lower side.

Ms. Mahrukh Adajania: As in what ballpark what we saw in?

Mr. Sanjiv Chadha: About 1.5 to 2 as you mentioned.

Moderator: Thank you. The next question is from the line of Manish Shukla. Please go ahead.

Mr. Manish Shukla: At one point you mentioned that there is an overlap between pro forma and restructuring and adjusted for that, restructuring would be 0.8% is that number right?

Mr. Sanjiv Chadha: That is correct.

Mr. Manish Shukla: The other question, is there an overlap between the SMA book and the restructured book?

Mr. Sanjiv Chadha: Absolutely.

Mr. Manish Shukla: So what would be the quantum there?

Mr. Sanjiv Chadha: I think we can give you the exact number there, but I think that is absolutely correct.

Mr. Manish Shukla: Going back to your comment, on the retail and SME stress likely going forward one would have thought that by 31 December 2020 those loans would become NPA or they would have been restructured or remained performing loans. I am wondering why you see further stress beyond the restructuring numbers on retail and SME. Do you still see stress in the performing class, is that what you are trying to imply?

Mr. Sanjiv Chadha: So what I am trying to say is that we are looking at two contexts. You have very high degree of clarity in terms of what the quality of the corporate book is and also what might be the residual stress there. Also, if you see the restructuring figure, about 80% has come from corporate. Given the degree of stress on the retail book due to issues in the economy, the restructuring figures are very low which means that the stress has not been significantly addressed through the restructuring options. It might be simply because of the granular nature of the book.

On a historical basis the stress of retail has been very low. So a higher degree of uncertainty would be on the MSME and the retail piece and this of course is anecdotal. What you are saying is absolutely correct. On empirical basis you would expect if something had to become NPA it would have become NPA now. But I still believe that there may be little more note of caution which should be exercised where it comes to retail and MSMEs compared to corporate.

Mr. Manish Shukla: Last question on the international book. What is the level of comfort, in terms of any likely stress coming through from an international book or you think that is fine beyond what you have seen in the December quarter?

Mr. Sanjiv Chadha: The single largest piece of stress in the international book came from an account which slipped in December last year, got upgraded and now has slipped and probably will get restructured. I think that is a fair indication that the accounts under stress have been identified and they are addressable. So as a specific answer, we believe that we are reasonably comfortable with our international book, the big chunky pieces which might have caused us trouble are here for us to see in this quarter.

Mr. Manish Shukla: Last question on ECLGS. When, if at all, is that stress likely to start showing up after 12 months, after 18 months? How is basically the scheme structured, so let us say some of those borrowers want to say I mean not service the debt when do they actually become NPA?

Mr. Sanjiv Chadha: I think once you have taken advantage of the scheme they will become NPAs exactly the same way as others, so there is no issue. Again, as of now we do not really know how the factors will play out as 20% of the raised funds available to the borrower adequately addresses the challenges of extension of working capital cycle so things should be all right. I am only being cautious simply because my understanding is whether the kind of stress has been fully addressed or whether they are still challenges. People also have issues in terms of availability of labour. I think these things are very difficult to get a handle on in a granular portfolio so I would prefer to be cautious, but again in terms of an exact timeline within which this possible stress would play out is tough to say.

Moderator: Thank you.

Mr. Mahesh MB: I just wanted a confirmation on what is the total slippages that you reported on a pro forma basis?

Mr. Sanjiv Chadha: I think totally 8,000 odd Mr. Jain again has a better head for figures, I will request him to give his numbers.

Mr. S L Jain: So the number is Rs. 8,637 crore

Mr. Mahesh MB: And would you have a breakup between retail, corporate on this?

Mr. S L Jain: Agri slippage is Rs. 682 crore, corporate is Rs. 5,669 crore, MSME is Rs. 1,054 crore, retail is Rs. 1,103 crore, and others are Rs. 129 crore, adding up to Rs. 8,637 crore.

Mr. Mahesh MB: And does this Rs. 5,669 crore include the international loan book of Rs. 4,000 crore?

S L Jain: No international is already slipped because Supreme Court order is applicable in India.

Mr. Mahesh MB: So do we have some color on where is Rs. 5,669 crore of corporate slippages coming from?

Mr. S L Jain: Rs. 5,669 crore includes construction, NBFC, retail, of course part of this is under OTR. So as a rough figure a significant proportion of this figure is where restructuring has been invoked and is likely to help us get significant up gradations.

Mr. Mahesh MB: Sir on this slipped international account of Rs. 2,700 crore, could we have some color on which sector it has come from or which geography it is?

Mr. S L Jain: It is a chemical company which operates out of the Middle East.

Mr. Mahesh MB: Final question. The question was asked earlier. Is it possible for us to get the outstanding SMA-1 and 2?

Mr. Sanjiv Chadha: We can do that, but as a general proposition if we look at the SMA-1 and 2 I think even if we were to again go granular the proportions will be pretty much in a similar ballpark which means 4% to 5%.

Mr. Mahesh MB: Of the overall number is it?

Mr. Sanjiv Chadha: Yes.

Mr. Mahesh MB: And has this improved or has it remained stable, has it deteriorated? Where is it as compared to March?

Mr. Sanjiv Chadha: It is elevated as if we were to compare to last year which is quite understandable, but as we mentioned that this is where part of my caution comes from. Even within this SMA we have corporate and a fair assessment of how it is likely to play out, but when it comes to smaller loans we really do not know. As mentioned in the previous question that if they were to have become NPAs logic says they should have become NPAs now, but having said that the fact is that there are possibilities.

People took a moratorium and they have paid full installments. Now whether it has been simply a question of good habit coming back or actually they are constrained of the cash, that is tough to make out as of now.

Mr. Mahesh MB: Just reconfirming this. You said that we reported SMA-1 and SMA-2 as per your presentation shows 4.4% for loan above 8,500 and how is it that it is the same for the overall loan book as well?

Mr. Sanjiv Chadha: There are too many complications in this which is the reason why we did not give it out. There are too many complications coming from things which are showing in SMA, but actually are also part of the Supreme Court book. There are SMAs where restructuring has been invoked which is why again we thought that let us give a number once we actually have more clarity in terms of how it is likely to play out. We will give you the number but we will have to adjust that number for again all these factors.

Mr. Mahesh MB: Just one clarification. If I say SMA-2 book of 4.4% and you have also included this quarter a corporate slippages of 5,669 crore so this is also included in SMA-2?

Mr. S L Jain: We have reported 4.41%. It includes pro forma slippage, net of pro forma slippage it would be around a 3.6% or so.

Mr. Mahesh MB: Sir is it possible to give out the retail numbers because we wanted to see how much of same is sitting in that smaller ticket loan?

Mr. Sanjiv Chadha: We could do that. Again we will have to do detailed numbers in terms of where restructuring is invoked, how much is in the pro forma slippage.

Moderator: Thank you. The next question is from the line of Ashoka Ajmera. Please go ahead.

Mr. Ashoka Ajmera: Sir I have couple of observations and some questions. Last time also we discussed that in the segment wise reporting, for the first time in the many quarters we had shown a profit of Rs. 63 crore in the wholesale book and Rs. 3,836 crore loss before that. You had said that since 85% provision has already been done there is no much pressure on them, but again in this quarter if you look at segment Rs. 1,800 crore of loss in the wholesale book and all the income is coming again from the treasury books only, can you throw some light on that?

Mr. S L Jain: The point is that we have made a provision for this pro forma slippage and if you see this out of Rs. 8,600, Rs. 5,700 crore is from corporate book. So whatever provision has been made it has been factored while calculating this segment report and that is why it is a loss.

Mr. Ashoka Ajmera: I was looking at NBFC exposure of the quarter while the BBB exposure had come down by around Rs. 500 crore the BBB and below exposure has gone up by Rs. 1,700 crore. Are there any reasons or are these NBFC TLTRO? Why has Rs. 1,700 crore in the BB below book has gone up and BBB has come down by Rs. 500 crore?

Mr. Sanjiv Chadha: You are right. It is largely driven by the fact that we have accessed funds under TLTRO or also taken advantage of the partial credit guarantee scheme which is why that exposure has gone up. I think very large proportion of our NBFC exposure 70% + is to entities which are either owned by large private sector entities or PSUs.

The balance we are trying to see how it can be more diversified so that concentration is not high in any particular exposure. So most of the exposure in the private sector have come down significantly in terms of quantum and we have substituted that by exposures on smaller NBFCs which we believe are of good quality and where we are able to get the benefit of a partial credit guarantee scheme.

Mr. Ashoka Ajmera: Coming to few cost points. Now the operating expenses have gone up by 250 crore in this quarter, that is why the cost-to-income ratio has also gone up to 47.48% from 46.15% and the employee cost also has gone up substantially by 250 crore in this quarter. While we are saying that we are getting the benefit of the merger of all these banks, what is the reason of this cost operating cost in this employee cost going up?

Mr. Sanjiv Chadha: Within employee expenses, salary expenses are showing a decline YoY, but there are other employee related costs. These are largely on account of the AS-15 requirements and the provisions made as per the actual valuations, but again Mr. Jain can share more light on that.

Mr. S L Jain: AS-15 provision has increased because of the wage revision and hence the pension liability will increase so we have to make a higher provisions.

Mr. Moderator: Thank you. The next question is from the line of Shashank Verma. Please go ahead.

Mr. Shashank Verma: I have two questions. On this slippage of approximately Rs. 4,000 crore in your international books, have we taken any provisions?

Mr. Sanjiv Chadha: Yes of course. This is something where you do not have any protection. This is recognised as NPA and we have taken provision as per our norms which is 20% provision what we provide on sub-standard assets.

Mr. Shashank Verma: Sir we used to provide a watch list a couple of quarters back of stressed accounts. We have not shown that since the last two quarters and has something changed significantly or is it because of lot of these regulatory overhang that we are not providing that number as of now?

Mr. Sanjiv Chadha: I think any specifics always becomes challenging at times.

Moderator: Thank you. Next question is from the line of Mohit Surana. Please go ahead.

Mr. Mohit Surana: My question is that there is around Rs. 1,900 crore of provisions against potential interest reversals and the potential slippages on pro forma NPAs, then there is around Rs. 1,700 crore of COVID provision. Is there any overlap or the two are separate?

Mr. S L Jain: Both these two are separate. One is the pro forma slippage of Rs. 8,600 crore, so we have a provision of Rs. 1890 crore and the COVID provision of Rs. 1,700 crore, so put together we are having a provision of Rs. 3,600 crore.

Mr. Mohit Surana: The second question is that 1.4% of restructuring that you have mentioned, all of this restructuring is incremental restructuring, there is no carry forward from previous quarter, right?

Mr. Sanjiv Chadha: So this 1.38% is the aggregate amount of restructuring which has been invoked, a very small proportion of Rs. 1,000 crore has actually been implemented and the balance will get implemented over the March and June quarters.

Mr. Mohit Surana: And the last question is on the employee expense. Can we expect the similar run rate going forward on employee expenses or is there any provision that are still to be made in future quarters?

Mr. Sanjiv Chadha: I believe that in March we should see a similar run rate and possibly we should actually see a decline after that quarter.

Moderator: Thank you. The next question is from the line of Sonaal Kohli. Please go ahead.

Mr. Sonaal Kohli: As far as your retail book is concerned would you broadly know how much of that would be from government-based employees because at least that part of the base would not have been impacted because of COVID. State Bank gives you some idea of that kind of book, would you have some color on that?

Mr. Sanjiv Chadha: Frankly no. I think the only relevant figures that might have allowed us to get a handle in terms of the risk that the book carries are two indicators which I mentioned before. First that 73% is credit score is above 725. Second, 70% of the book is home loans. So I think, in terms of both quality as well as loss given default that is where we get the comfort from.

Unfortunately, and that is more again a data issue. I do not think we have a very accurate estimate in terms of whether these employees are employed in PSUs, governments and alike.

Mr. Sonaal Kohli: Sir if not an exact a very rough estimate it can be 78%, 80%, 40%?

Mr. Sanjiv Chadha: I do not think it is going to be that large. It is lower than SBI more certainly simply because of the kind of business that BoB does, but again if I were to give you an estimate again, I would not be confident about that.

Mr. Sonaal Kohli: Secondly, do you have any idea about what is the breakup of the book which would have become NPA had it not been for Supreme Court order what I mean to ask breakup in terms of agriculture, retail, SME, corporate?

Mr. S L Jain: Yes I think Jain Sahab gave that figure earlier, but I will request him to see if he can just give that again.

Mr. S L Jain: Yes, agri is Rs. 682 crore, corporate is Rs. 5,669 crore, MSME is Rs. 1,054 crore, retail is Rs. 1,103 crore and others are Rs. 129 crore aggregating up to Rs. 8,637 crore.

Mr. Sonaal Kohli: Considering that the retail and MSME is not that large a portion in terms of stress, I think for SMA-1, SMA-2 the similar trends would have also unfolded. So historically you used to give SMA-1, SMA-2, you are one of very few banks who used to do that, but this time you have not shared your total SMA-1 and SMA-2, would it possible for you to share these number by notifying the exchanges in line with your historical trends or would it be possible for you to share these?

Mr. Sanjiv Chadha: I think the only challenge as we mentioned was that when it comes to large alarms, it is much easier for us to give a clear transparent impression in terms of how the overlaps play out between restructured and accounts which are part of pro forma NPA. It is a bit of challenge again but we'll try to see how we get it there.

Moderator: Thank you. The next question is from the line of Mona Khetan. Please go ahead.

Ms. Mona Khetan: Just two quick clarification so this Rs. 8,600 crore of pro forma slippages or the notional slippages that we have during this quarter, I understand this is for Q2 and Q3 together right?

Mr. Sanjiv Chadha: Right. As on 31 December.

Ms. Mona Khetan: So it includes both the quarters?

Mr. Sanjiv Chadha: Right.

Ms. Mona Khetan: Secondly your 1.4% of restructured book this is all COVID related restructuring there would also be some onetime restructuring that was in part of the earlier MSME relief program which is not part of this pool right?

Mr. Sanjiv Chadha: Right, which we have separately placed in notional accounts around Rs. 4,000 crore of that total aggregated number.

Moderator: Thank you. The next question is from the line of Deepak Kumar Tapadia. Please go ahead.

Mr. Deepak Kumar Tapadia: Sir, can you give me the exact adjusted book value after removing the deferred tax assets and revaluation reserve?

Mr. Sanjiv Chadha: We will give you the exact number, but we just need to work it out and give it to you please.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania. Please go ahead.

Ms. Mahrukh Adajania: Just to clarify the overlaps in restructuring and pro forma slippage is around Rs. 30 billion. Is that correct Rs. 3,000 crore?

Mr. Sanjiv Chadha: Right.

Ms. Mahrukh Adajania: When we talk about collection efficiency of 91% or 92% what is the denominator the denominator will not include NPL?

Mr. S L Jain: Collection efficiency is what is demanded and of that what is received.

Ms. Mahrukh Adajania: Sir just one last question I could not catch the proportion of gold loans and agri loans?

Mr. Sanjiv Chadha: The proportion is as of now is about 21% and in terms of incremental growth it is more than 40%.

Moderator: Thank you. The next question is from the line of Jai Mundhra. Please go ahead.

Mr. Jai Mundhra: In the rating breakup slide, where we have written some 12% is below BBB, sir can you give the absolute amount I mean because I do not know which figure to use is it the entire corporate book or I mean what is the absolute amount for this chart?

Mr. Sameer Narang: We will get back to you later on with this answer.

Mr. Jai Mundhra: Just on collection efficiency once again. What is the meaning of this word where we have written there is a collection efficiency stands adjusted for Supreme Court order because I think you had clarified that 92% does not include GNPA of course and does not include the pro forma slippage also or does it include that way?

Mr. Sanjiv Chadha: It will not include the pro forma slippages you can either show it as NPA or you can show it as a standard asset.

Mr. Jai Mundhra: So the rest 8% also does not include the pro forma slippages?

Mr. Sanjiv Chadha: That is my understanding.

Moderator: Thank you. The next question is from the line of Ashoka Ajmera. Please go ahead.

Mr. Ashoka Ajmera: Sir if you look at the outstanding advances there are two segments like power and telecom where it has gone up in this quarter substantially if you compare with the overall. What kind of companies these are in this power and telecom that has gone up?

Mr. Sanjiv Chadha: There are not too many telecom companies that still survived today who could borrow money. I'm pretty sure that these are companies are strong and robust from where the new exposure is coming, but not possible to give you the names there.

Mr. Ashoka Ajmera: Same thing is in power also?

Mr. Sanjiv Chadha: Yes absolutely.

Mr. Ashoka Ajmera: Sir when you say that like rating profile of standard NBFC and when we see the exposure column of December 2020 the total exposure is Rs. 99,760 crore and down below there is a note of outstanding advances that is Rs. 93,647 crore, so the exposure as on 31 December is Rs. 93,647 crore?

Mr. Sanjiv Chadha: That would be the outstanding.

Mr. Ashoka Ajmera: Not Rs. 99,700 crore?

Mr. Sanjiv Chadha: That would mean there may be committed lines, undrawn limits which is how you would compute the overall exposure.

Mr. Ashoka Ajmera: Again coming back to this collection efficiency. Now 92% is the collection of December quarter or say last demand must have been made in December, so the collection includes the collection which has taken place even after 31 December that is may be from 1st January to 15th January?

Mr. S L Jain: Collection during the quarter ended December, from 1st October to 31st December.

Mr. Ashoka Ajmera: But is demand made only in this quarter or demand of the earlier quarter also, but collection in this quarter?

Mr. S L Jain: No. Demand is of the current quarter collection can be of the previous quarter. If your account is SMA-0 or SMA-1, so they will pay the amount. So the numerator is collection, denominator is demand.

Mr. Ashoka Ajmera: Suppose the collection is 92% and whatever the demand was made, now out of this 92% can some percentage of the collection be from the demand from July to September quarter?

Mr. S L Jain: Suppose the account is SMA-1 in September quarter it can be an SMA even in December quarter, collection is there. The account is perennially in 0 or 1, but he is paying whatever is the demand for the quarter.

Mr. Ashoka Ajmera: Will it there be in absolute number?

Mr. S L Jain: Suppose my demand is Rs. 100 and borrower has paid me Rs. 92 so Rs. 92 may be of September quarter may be of December quarter. So you can always say that there is a Rs. 5 of arrear demand of September quarter, but Rs. 5 will continue for the next quarter.

Mr. Ashoka Ajmera: Sir, it can be December quarter to March quarter?

Mr. S L Jain: It can happen sir.

Mr. Ashoka Ajmera: There was a great confusion in some other public sector banks. Earlier they said 75% collection and then they said 87% collection they rectified after the conference on this question.

Mr. S L Jain: In a numerator collection denominator demand.

Moderator: Thank you. The next question is from the line of Sonaal Kohli. Please go ahead.

Mr. Sonaal Kohli: Sir you know what kind of recovery would you expect from Dewan Housing now that it is reaching settlement? In addition to Dewan Housing any major recovery do we expect by the time we have Q1 results next 6 months?

Mr. Sanjiv Chadha: We have exposure of Rs. 2,000 crore Dewan Housing so our share in the recovery should be in the region of about Rs. 800 crore there. In addition, there are some NCLT accounts including a large steel company where we expect the recoveries to come in. Also, if we look at impact of upgradation, even accounts which actually have been classified as pro forma NPAs where restructuring has been invoked, I think we should see a significant improvement on that account, but again request Mr. Jain to see if he wants to add to that.

Mr. S L Jain: Sir you rightly said our exposure to Dewan is Rs. 2,000 crore and expecting a recovery of Rs. 800 crore and we have already fully provided for in this account. In addition to that, we are having around Rs. 3,000 crore of a recovery where the NCLT has also approved the resolution plan and even Rs. 5,000 crore where the COC has approved the resolution plan, so we are expecting recovery there.

Mr. Sonaal Kohli: Sir are you saying that we are expecting Rs. 8,000 crore of recovery?

Mr. S L Jain: No. Rs. 5,000 crore of an account where COC has approved the resolution plan. Out of this Rs. 5000 crore, Rs. 3,000 crore is where NCLT itself has approved.

Mr. Sonaal Kohli: Sir you said the pro forma NPAs which would get upgraded due to restructuring do you have that quantum? I am sorry I joined the call late, but then if you have already shared this?

Mr. S L Jain: Actually, out of this may be around Rs. 3,000 crore of accounts where the restructuring can happen in that March quarter and remaining in June quarter also.

Mr. Sonaal Kohli: Lastly considering the economy is reviving, do you expect a reasonable part of pro forma NPA not to become NPA if the order is further delayed by another one or two months?

Mr. S L Jain: Naturally, it would reduce when we will do restructuring. Also, wherever we get any recovery the NPA will reduce.

Moderator: Thank you. The next question is from the line of Shashank Verma. Please go ahead.

Mr. Shashank Verma: There was one NBFC account based in the east which we had tagged sometime back under our watch list. Is it a part of our SMA book today or is it separate from that?

Mr. S L Jain: Generally, we do not discuss about account specific.

Mr. Shashank Verma: I had one more question on your consolidated operating profit Q2 to Q3 there is a sharp jump of close to a Rs. 900 odd crore. What is it pertaining to because our standalone Bank operating profit remains similar?

Mr. S L Jain: May be in our subsidiaries there are some probabilities.

Moderator: Thank you. The next question is from the line of Naishi Shah. Please go ahead.

Ms. Naishi: I do not know if I missed this already, but could you tell me how are we placed in terms of the ALM?

Mr. Sanjiv Chadha: Given the fact that liquidity position is very comfortable I am sure all banks are very comfortable. So I think the LCR should be of the order of 160 - 170% so very comfortable there.

Moderator: Thank you. The next question is from the line of Mahesh. Please go ahead.

Mr. Mahesh: Sir you had this international slippages of Rs. 2,900 crore coming from some chemical company and you mentioned that this account will be restructured, so how does the accounting happen means by when do we expect restructuring and what will happen to the provision which you have taken?

Mr. Sanjiv Chadha: So this restructuring is likely to happen as per the June 7th circular which should mean that there is a period of 12 months before it gets upgraded to standard and that is when you write back the provisions.

Mr. Mahesh: Which is the second account you mentioned? There is one more account of Rs. 800 crore, which sector is that?

Mr. Sanjiv Chadha: I am not sure how I can track that sector.

Mr. S L Jain: It is classified under manufacturing of candles. This is covered under the One-Time Restructuring (OTR) dated August 6, 2020 and once the OTR is approved then it can be upgraded.

Mr. Sanjiv Chadha: The first account which is Rs. 2,700 crore will take a year for that to be upgraded. As for the second account of about Rs. 800 crore I think that should get done within this financial year or by June.

Mr. Mahesh: Sir, we had Rs. 2,500 crore of provisioning in some government guaranteed accounts have you written back the provision because it is almost four quarters now?

Mr. Sanjiv Chadha: So there has been a partial write back I believe, but again Mr. Jain can clarify that.

Mr. S L Jain: We are carrying this provision because exposure is more than Rs. 2,000 crore and till resolution plan is implemented we cannot reverse it back.

Mr. Mahesh: Sir, there is one large steel account in which we have been waiting for Supreme Court to give some judgment, but for last six months there is no hearing. Recently some 29 A article has been also ratified by Supreme Court, but still the judgment is not happening, so when do we see some light on that?

Mr. S L Jain: We do not discuss account specific generally.

Moderator: Thank you. Ladies and gentlemen that would be the last question for today. I now hand the conference over to Mr. Sameer Narang for closing comments. Thank you and over to you, sir.

Mr. Sameer Narang: Thank you everyone for taking out time for joining us today for our investor call and hopefully next quarter we would be able to meet in person. All the best till then. Thank you so much again.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Bank of Baroda that concludes today's call. Thank you all for joining us and you may now disconnect your lines. Thank you.

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