



ANALYSTS' MEET Q4 FY21

31st May 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. Debdatta Chand, Executive Director*
- *Mr. Rajneesh Sharma, Chief General Manager, Stressed Asset Management*
- *Mr. Vineet Dudeja, Chief General Manager, Treasury & Global Markets*
- *Mr. Sameer Narang, Chief Economist, Head (Strategic Planning & Performance Budgeting)*
- *Mr. Ian D'Souza, Chief Financial Officer (CFO)*

Moderator: Good morning, everybody and thank you for joining Bank of Baroda Q4 FY21 Analysts Conference Call to hear the highlights of our performance. I would hand over now to Sameer to make the initial announcements. Thank you.

Mr. Sameer Narang: Good morning, everyone. Welcome to Bank of Baroda's Analyst Meet for Q4 and FY '21. Today we have on the call Senior Management of the Bank led by Shri Sanjiv Chadha, MD & CEO ; the Executive Directors - Shri S. L. Jain; Shri Vikramaditya Singh Khichi; Shri Ajay Khurana and Shri Debdatta Chand. Now, I hand over the call to MD for his opening remarks, which would be followed by a Q&A session. Thank you. Over to you, sir.

Mr. Sanjiv Chadha: Very good morning to everybody & thank you very much for joining the call. We are all conscious that this has been a very difficult year and we continue to live in difficult times. I hope all of you will have kept safe and thanks again for being associated with the bank and for doing this call again. I'll just give my opening remarks, in maybe just five or six minutes, just touch up on a few broad themes and then we can have question answers because you have had some time to look at the results.

So, when we look at the past year, given the background of the pandemic, I think the central question for all of us both in BOB as well as in all Banks was that how would asset quality really measure up, whether we will have the resilience when it comes to asset quality to get through this year. And I think if we were to look at the numbers, the one thing that does stand out is that, the asset quality has been very resilient.

So, if you look at the numbers in terms of credit costs, the most significant change we will see is that, there is an improvement of 67 basis points, which in a year that we have seen, is something which, at least we in the beginning of the year, were certainly not expecting. And the reason behind this is the guidance that we started with here in the second half of the year, our estimate was that it would be corporate credit and the improvement in the credit cycle when it comes to corporate credit, which should outweigh the possible downsides which were there as a part of MSME's and to an extent Retail.

What is even more heartening for us is that the domestic credit cost is coming down even more sharply, by nearly 1 percentage point. The reason is that a significant proportion of the credit cost this year came from our international operations. And those were more one-offs, there were a few accounts which slipped and now are getting restructured. So if you look at the total slippages in the international book, I'd say 50%-60% of those accounts should get restructured, some will get upgraded this year, some others early next year. So therefore, we are fairly sanguine about the fact that we may have room for further improvement in credit costs. As a general proposition, we have guided that our credit cost should be minimum 1.52%, given where we see credit costs and given the likelihood that the international book should stand up better this year. Our allegiance is towards the lower end of that range.

You'll also notice that slippages in the last year are lower as compared to the previous year and therefore on account of the slippages being lower, the credit cost being lower, both the GNPA's and NNPA's have come out at a lower level as compared to where we started the year. The Provision Coverage Ratio also is a little higher as compared to the previous year. So I think, this is to our mind again, the second theme, given what we have seen over the last few years and given the preponderance of the corporate loans in the portfolio of the bank, if there's one thing that moves needle for the bank, is where the credit costs are and how we are able to limit the volatility of that.

The second theme that was important for us was the liability management because we were in a situation of abundant liquidity, getting deposits was very easy and if you don't keep your eye on deposits they're very likely to run far ahead of your growth. So, we had guided at the beginning of the year that we want to keep our deposit growth almost exactly in line with our credit growth so that we don't end up picking up the deposits at higher costs and then deploying them at lower yields and we have been successful there. If you look at credit deposit ratio, so that pretty much has been steady. What is good again, is that the composition

of the deposit growth has been absolutely first-rate. So, we took advantage of the fact that we were in no desperation to raise deposits to make sure that the focus was fairly on the CASA ratio.

So you notice again that the growth in CASA deposits is more than 16% and the CASA ratio has actually expanded by nearly 4 percentage points. So, now the CASA ratio for the bank which had dipped post-merger is now not only back to where it was but significantly above of where it was. Partly, also this is because we have paid down bulk deposits and we have been very disciplined in terms of our term deposit rates which have been pretty much the lowest in the market. So we have had seen a positive term deposit growth. But I think, the standout is the increase in CASA deposits and also within that the current account deposits where one of the enablers for growth of course has been the RBI which requires that the clients and particularly corporate clients keep their current accounts with the lending banks and given the fact that BOB is the second largest corporate lender in the country, that certainly gives us an advantage.

The other part which has let us capitalize on this dispensation is our cash management product which has been very well received over the last few years. And if you look at the presentation, what you find is that the fee income on account of cash management has gone up 75% Y-o-Y and we believe that the kind of traction that we have seen over the last two years is something that we can sustain. So it is very fundamental in terms of both the cost of funds and again, if you look at the current accounts in terms of the proxy, in terms of fee income on the cash management product.

The third theme we want to again focus on is the retail growth. So when the year began as we mentioned, there was abundance of liquidity and the abundance of liquidity meant that incomes from the high liquidity corporate accounts, the yields were very, very low. So we want to clamp down on corporate lending, if it is suboptimal in terms of yields and particularly relative to risk. So, the growth in the overall loan books, the domestic loan book is about 5% and within that the organic retail growth is significantly faster at 14%. And within this, we have seen that certain categories have grown even quicker between personal loan which of course is a low base for us which has now been successfully delivered at scale -- home loans that was 11%, car loans by nearly 28%, and gold loans which is both agri as well as personal have grown by nearly 36%. So I think for us, this is the story that we have been able to grow in areas where we have chosen to grow, at significantly higher than the industry growth rate.

As a consequence of the two things that we think that we have seen; (a) the reduction in the cost of credit; (b) management of the liability franchise; and (c) making sure that the loan growth comes from our preferred categories. The profitability of the bank has shown a significant improvement. So therefore what you see is that we have, this year closed with a profit before tax of 5556 crores, now that's something which is again more than what we expected. The quarterly profit before taxes, was even higher at about 2,600 crores. So, we decided that this is the right time move to the lower tax regime because there was one, of course, is that although it might show up in a quarterly profit which is negative. But the fact is that it will not impact the internal accruals at all. So we would have made a PAT of about 4,100 crore and it is this amount which has gone back and added to our capital. So, which means that the increase in shareholders' funds is 4,000 crores, which would have been the case even otherwise.

But the advantage that we get moving to the lower tax rate is going to be abiding, which means that we move in terms of the return on assets, there is a bump up of about 10%. So I think that's something in terms of your calculation sheets should also help in terms of projections as far as ROA and the ROE of the bank is concerned. Now because of the fact, that we were able to have significant internal accruals which added to the capital account and additionally during the course of the last financial year, we successfully accessed the markets through QIP which was very well received, we raised 4,500 crores and also in addition, we raised AT-1 bonds at very competitive costs. So as an aggregation of these three factors, the internal accruals of the bank, the QIP and the AT-1 bonds, the capital adequacy of the bank, CRAR has moved up by 170 basis points, from 13.3% to 15%. So we're very comfortable with our capital as it stands.

Even if we have not raised any capital, our internal accruals were adequate to fund growth. And this year too, we believe that with the likelihood that credit costs may still be lower, internal accruals higher and given the prognosis of growth that is we believe that our internal accruals should be again adequate to take care of growth. So the approvals that we have taken from our Board in terms of raising fresh money is more by way of contingency, which means that is included as you take and see how things are at the end of the year. But as things stand, we do not believe that it may be necessary to visit the markets and our internal accrual should be adequate to fund the growth.

So, that really was the highlights from our perspective and we believe that the bank with the transition into the lower tax regime and also with credit cost trending downwards, the corporate book in particular which is 50% for the bank looking fairly strong, I think the bank is well positioned as we go into the new financial year. So thank you very much once again, and now we are open for questions.

Mr. Sameer Narang: Thank you sir. So, we will open the floor for Q&A. At this moment the attendees can raise their hands.

Moderator: Hello, everybody. Hope all of you are able to hear me and I'm audible. We have now opened the floor for the question-and-answer session. For this to proceed in a smooth manner, we request you to use the raise hand button to ask the question. Once you raise your hand the back end team will be unmuting you after which you will see a pop-up on your screen saying 'The Host would like to unmute you'. Do click on the unmute when prompted and go head to ask your questions to our panel here. We also request you to limit your questions to only 2 questions in the interest of time. In case your question is asked by someone else before you can, please do lower your 'raise hand' unless you have another question. Also the textbox for Q&A is available in case you have problems in connecting to your audio device while asking your question. We request you to go ahead now and raise your hand, you can find the icon on the bottom of your screen.

We will take the first two questions from Mr. Ashok Ajmera. Mr. Ajmera please go ahead with your questions once you are prompted to unmute. Thank you.

Mr. Ashok Ajmera: Good morning, sir and congratulations, Chadha Sahab and the entire team led by all the EDs, GMs and top management of the bank. You deserve a very rich compliment because in spite of such a tough time, I mean you've given fantastic numbers for the quarter in the year. Having said that Sir, I don't have many questions on the existing performance, but I would like to know something about things which are happening now from April onwards. We are in second wave of COVID, what was your experience up to March, with regard to the collection efficiency and April and May, going forward, what kind of calculations have you made about it?

Mr. Sanjiv Chadha: So thank you very much Mr. Ajmera. Very good morning to you. So, March closed with the collection efficiency pumped up a little bit as compared to December. In December, we had reported a figure of about 92% we moved up to 93% in March. As far as this quarter is concerned, it is still early days but we do believe that there would be some challenges in the short term as far as MSME and Retail is concerned.

But in terms of the general prognosis for the year, I think what happened last year to some extent can be right for us, which was that the MSME segment is something which was recovering and which has been hit. So we believe that the enablement coming in from both the government by way of the ECLGS and also the restructuring option which has again been put out by the Reserve Bank of India. We should be able to make sure that we can help our MSME borrowers to get through, to what has indeed been difficult period.

But then when it comes to retail, while there was certainly an impact on retail borrowers and the setback on a few installments. But when it came to electing restructuring, it was relatively lower percentage of retail borrowers who chose to do that because of obvious implications in terms of cost as well as their credit scores. So I would believe that we may possibly be seeing something similar this year. And just to take your question forward. As we saw last year, that whatever challenges that were there on MSME and Retail were more than made up by the fact that there was an improvement in the corporate credit cycle and we believe that improvement should sustain.

In fact last year, there were some doubts in terms of how things would be for the corporate sector. But now what we see is that the impact, particularly on large corporates that comes in the second wave, is muted. So that is something where the collection efficiency really should not be impacted and given the fact that a large corporate is 50% of our book and for agriculture we expect the normal monsoons. We believe that overall book of the bank should be in the good shape with again to re-emphasize the improvement in the corporate credit cycle making up for whatever challenges which are there in MSME and Retail and which to a large extent can be mitigated and be addressed because of the enablement's from both the Government of India and Reserve Bank of India.

Moderator: Thank you sir. We will now move to the next participant. Miss Mahrukh Adajania. Please go ahead with your question. Thank you.

Miss Mahrukh Adajania: Hi. My first question is that what were the inter quarter upgrade in the fourth quarter. So in the third quarter, you had said that around 3,000 crore of proforma NPAs could be upgraded in the fourth quarter on restructuring. So what was the actual number of upgrade?

Mr. Sanjiv Chadha: So, I'll pass on the question to Executive Director, who's in charge of both corporate as well as stressed assets, Mr. Shanti Lal Jain.

Mr. Shanti Lal Jain: Good morning, Mahrukh. Because of the Supreme Court decision, NPA were classified only in the month of March. So, in proforma slippages we've told about 8,600 crore and it is against this the total slippages of about 11,000 crore in the year. So the difference is basically incremental slippage. Now inter quarter it is very difficult to calculate, but we have told you about two or three things, we have told you that that some of that those accounts will be upgraded on implementation of OTR. So, around 1,000 odd crores have been upgraded because of OTR.

Moderator: Thank you sir. We will take the next question from Mr. Akshay Jain. Mr. Jain, please go ahead. Mr. Jain, can you unmute yourself?

Okay, we shall now move on to the next attendee. Miss Ayushi Gadodia, could you please ask your questions.

Miss Ayushi Gadodia: Yes, hi, sir. Congrats on a good set of numbers. So what I basically wanted to understand is your slippages and restructuring in international book as well as the corporate domestic book is pretty high. So can you give some color on that, basically which are the corporates from which this business has come and your guidance for FY '22 onwards seen?

Mr. Sanjiv Chadha: Could you just repeat your question, you are looking at the restructuring, is it?

Miss Ayushi Gadodia: Yeah, the slippages from the international book is pretty high at around 6% as well as the domestic book. So slippages as in restructuring which are the major accounts you saw in international

and domestic book from where the slippages and restructuring has come. And what is the guidance for FY '22.

Mr. Sanjiv Chadha: So thank you very much. So I think, as I mentioned in my opening remarks, we had a bit of a rough time as far as the international book is concerned and this was due to certain one-offs. There were some accounts in the Middle East which got impacted and also in addition there were two accounts which were manufacturing concerns, which were impacted by COVID. Now these are accounts which are fundamentally sound, and we are going ahead and restructuring these accounts.

So in terms of your specific question, the slippages in the international book was because of these one off factors. 60% of the accounts which account for these slippages are likely to get the restructured. The restructuring might mean, if it is successful, that one of these accounts might get upgraded this year and the other is likely to get upgraded early next year, which is the larger account.

As far as the slippages are concerned, we expect significantly lower slippages in the international book this year. And this is based on two accounts, one is because as we mentioned that these were on-offs which were there; number two in terms of recovery what we are seeing of course is that the global recovery is ahead of the recovery in India. So that also gives us room for optimism in terms of the quality of our international book and given the fact, that the domestic slippages, were to that extent significantly lower, right.

If you see overall slippages for the year are slightly lower as compared to the previous year and this is while we include the highest slippages for international. So, now therefore if you were to adjust for the highest slippages for international in the last year, the domestic slippages were trending downwards and we would expect that trend to continue.

Moderator: Thank you, sir. The next question is from the line of Mr. Vishal Goyal. Mr. Goyal, please go ahead.

Mr. Vishal Goyal: Hello. Hi, can you hear me?

Mr. Sanjiv Chadha: Yes, Vishal.

Mr. Vishal Goyal: Yeah. Hi sir. At a high level, what is the ROA and ROE we are targeting for the bank? Because there has been depressed ROE for some time, and part of it is credit cost and part of it is also because of our PPOPs also being weak over last few years. So any color on that would be great. Thank you.

Mr. Sanjiv Chadha: So I think for us, if you look at our numbers in the last few quarters, these as I mentioned in my opening remarks, the thing that really moves the needle most is credit cost, right. And we have seen that it has come down significantly for the domestic book even in the year under review, it has come down as much as by one percentage point. So I think that will be the main driver as far as the improvement in return on assets is concerned. As we are guiding, we believe there is hope for further improvement as far as credit cost is concerned for two reasons. One is that the international book should not see the challenges that we saw last year. And secondly, in this second wave, it is fairly clear that the large corporates have been left largely unscaled, and given the fact that 50% of our book is corporate and we saw the impact of that in the last year, in terms of credit cost, I believe the improvement is sustainable.

In terms of guidance when it comes to ROA, I would believe that this improvement in the cycle should lay out over the next 18 months or so. We should see continued improvement both this year and going into next year. And by the end of next year, we should be pretty much in terms of what have been the trend in credit

cost as compared to where they were in the last two or three years because of volatility when it came to the corporate book.

We are acutely conscious that while credit cycles may be improving when it comes to corporate, we would want to guard the bank in future against the kind of volatility we saw in the earnings for the last few quarters. Therefore, in terms of growth, we are trying to see that there is a bit of a rebalancing of the book from the corporate to the retail. So you will on one hand see the bank benefiting from the fact that we are getting 50% profits. And on the other hand, what you will see is that because we have been able to demonstrate the ability to grow in retail in our chosen segments at the rate which is faster than the market, we should also see some improvement in margins visibly, what margin might have been on the corporate side at time when liquidity is abundant. Number two, what we're also trying to do is make sure that when it comes to our corporate book, we capitalize fully on the opportunities to capture a larger part of the corporate value chain. And the 75% increase Y-o-Y in the cash management income is one of the cases in point in terms of what we are trying to do and the fact that we are seeing success there.

Moderator: Thank you, sir. The next questions are from Mr. Kunal Shah. Mr. Shah, please go ahead.

Mr. Kunal Shah: Yes, hello, sir. So now firstly in terms of Retail & MSME, I know you alluded to the fact that maybe there would be short-term challenges, but when we look at FY21 there were hardly any slippages when you look, out of 18,000 odd crore, major part was the domestic and international. So how should we look at it, in terms of the outlook, maybe you said the challenges, but would it be possible to quantify in terms of the slippages which we could see?

Secondly, even in terms of the ECLGS, now with the government also expanding the scope for ECLGS, would we go ahead and give the credit of additional 10 odd percent to the existing customers who are already there. So now, on both this front, if you can just highlight? And any kind of guidance on incremental restructuring, if you could provide for Retail as well as MSME?

Mr. Sanjiv Chadha: Thank you very much for the question. So I think when we have been emphasizing that challenges are there on MSME and Retail and in terms of the performance of the portfolio, then that is where again, we expect a few more issues. It is because of the comparative base which is in debt. So when we look at historical levels over the last few quarters and years, the corporate slippages have been much higher. And slippages in terms of Retail in particular have been very low. In fact, retail has not seen significant challenges possibly over the last 10 years. So our argument has been that if we were to compare with the past and ultimately anything in trend has to be the context. So given the context relative to the past, we would expect slippages to be lower as far as corporate is concerned and relative to the past we would expect to see slippages which are higher both for MSMEs and to some extent also in retail and we stand by that guidance.

We have also guided simultaneously that because of the composition of the book and the fact that the corporates being chunkier, they produce far more volatility. Volatility is likely to come down, and overall provisioning is also likely to come down. So, we saw in the last year that originally came down by 25%. So I think that is still our guidance. In fact, we can now possibly guide little bit more conviction because last time it was our prognosis that corporate cycle should keep on improving. And that fortunately that came through. This time because of what we see, as the impact of COVID, where large corporates are pretty much functioning the way they were functioning even in maybe February & March to a large extent. Of course, it would be back on demand and that will have an impact on corporate earnings. But that in fact, will not really impact the quality of the books of clients directly.

Now coming to the restructuring part, if you see the restructuring we did last year, I think there are two things will stand out. One, restructuring turns out to be lower as compared to what our initial estimates were. Number two, last year maybe two-thirds of more on the restructuring was for corporates. Now, given the fact that this year, one there's no special window, as far as the Reserve bank is concerned for corporate restructuring; and two also the objective circumstances don't warrant such kind of restructuring. Therefore two-thirds of the restructuring composition, it's not there.

On the other hand, personal finances have been impacted even if job losses have not been in the range of the first COVID wave because of the lockdown. But nevertheless, the health cost, the families had to bear, has impacted personal finances. So therefore there is a possibility that when it comes to Retail, there may be a little more in terms of restructuring as compared to what we saw last year. But nevertheless, given the fact as we mentioned that there is a general reluctance if people can manage without restructuring, they will like to manage without restructuring.

Therefore in comparative terms, restructuring is likely to be lower than what we expect. But nevertheless, if you're holding me to broad numbers, I would say overall restructuring this year will be lower as compared to last year because the corporate component is not going to be significant and also the MSME restructuring to some extent which would have been done will now get mitigated because of the ECLGS option that has come. So we'll see, restructuring but at a lower level as compared to last year.

Moderator: Thank you, sir.

Mr. Kunal Shah: Sir just on

Mr. Sanjiv Chadha: Yes. Go ahead, please.

Mr. Kunal Shah: Yes. Just on ECLGS, if we can highlight as to what our stance would be post yesterday's government decision that has expanded the scope. So are we looking in terms of how much we have given and what would be the incremental, which we will be giving out in terms of the ECLGS.

Mr. Sanjiv Chadha: So if we see the overall number for the banking system, right. About maybe 80% has been used up, around 2.4 out of total 3 lakh crores which has been made available to this instrumentality. So you might say that gives us the ballpark in terms of, if we compared this with last year, what is likely to be the incremental ECLGS disbursements this year. So, last year, the figure for us was about 9000 odd crores, right. So I think we can probably extrapolate from there.

On our part, I think we were very proactive in terms of making sure that our customers take full advantage of this. So nearly 90% of the people who are eligible for ECLGS actually opted for benefiting from the scheme and 90% of this actually got disbursed. So I think, the off take in this scheme was fairly high and to the extent, this option is available and to the extent that in MSMEs, in particular, I think there is a requirement for strengthening their liquidity position. I think we would be very proactive in terms of helping our borrowers, but I will just request our Executive Director, Mr. Khichi who has his ears close to the ground to give us an idea about what his expectation is.

Mr. Vikramaditya Singh Khichi: I think you have put it rightly Sir. This ECLGS which has been extended yesterday also, has a limit of 3 lakh crore and we have already exhausted around 2.5 of that. And in the last year, we have restructured almost 8,000 crores which has been disbursed, so we have sanctioned around 9,000 crores and 90% of that has been disbursed. Going forward, I think with all these interventions in time, I think the result has been very nicely and very rightly observed that our slippages even in the MSME sector

as well as the Retail & Agri sector has also come down on YoY basis and the delinquencies have gone down. So that is because of the interventions and support of all three, sir, including Reserve Bank of India, which has given us this window, the ECLGS which had been provided by the government and the proactive steps that the bank had taken. So al-in-all, we had actually been able to mitigate the stress which was there. It is there, but then nevertheless, going forward I think we should be able to do a similar thing and we are looking almost around 2,500 crores of additional disbursements under ECLGS this year.

Mr. Kunal Shah: Sure. Thanks. That's helpful.

Moderator: Thank you, sir. The next question is from Mr. Nilanjan Karfa.

Mr. Nilanjan Karfa: Hi, sir. Thank you so much. Just a question on the overall SMA-1 and 2, while you have alluded to the problems in the small ticket loans and even in the QIP prospectus, I mean, if you look at the overall SMA-1 and 2 that was nearly twice that of in the 5 crore plus ticket sizes. Just wanted to get a sense of where those numbers are for the March quarter?

And similarly for March '20, it looks like there has been a restatement. So the overall numbers used to be about 2.5% for SMA-1 and 2 for the entire book. How come we have raised just for the 5 crore plus to about 3.4% odd?

Mr. Sanjiv Chadha: So I'll just make one broad observation and then I'll hand it over to Mr. Jain to talk in more detail about the likely SMA numbers and what our assessment is. I think a lot of concern about both the SMA numbers came from the QIP papers, I think we have to see it in the perspective, that the figures that were there were for December '20 and the comparison was made with March. Now, March '20 was artificially depressed on account of the fact that by then the moratorium had kicked in. And December '20 was artificially exaggerated, because we were just coming out of the moratorium.

So I think that is a broad perspective that we need to see, but otherwise if we would compare the SMA numbers say on what were the stable SMA numbers in December '19, right, before again the moratorium came in and compare that to again as we're exiting from the year, the numbers are higher, but not that much higher. So I think to that extent the bank has been able to contain the impact of the pandemic well, but let me just hand it over to Mr. Jain to give you a little more color in terms of where do we stand.

Mr. Shanti Lal Jain: Yes, sir. We have talked about the SMA number, which we have reported while coming out of that QIP and then what is the current status. So in fact, we came out in QIP in February, at that time, there was a Supreme Court decision regarding not declaring the NPA as per norms, so at that time SMA-0 was slightly higher. But if you see SMA-1 and 2 and compare December '19, December '20 or March '21, so numbers are, of course, slightly higher in March '21, but excluding one or two big accounts where there is government guarantees, so our numbers are basically comparable from the December '19 numbers, of course, in December '20 it was slightly higher.

Moderator: Thank you sir. We move on, and next questions are from Mr. Mahesh. Please go ahead.

Mr. Mahesh: Sir, I had two questions. One is on the NARCL, which is likely to be launched in this quarter, what is your expectation of the total assets that could move out of your books? And second, on the recovery and write-offs, this year you've had about 6,500 of recoveries coming in from the NPL line, and about 3,500 crores from the written off line, what do you see the pipeline for FY '22?

Mr. Sanjiv Chadha: I thought I'll just give you again a quick answer to the NARCL piece and then hand over to Mr. Jain in terms of the recovery prognosis. So as far as NARCL is concerned the company is just about in the process of formation and then like any other ARC, they will be looking at giving their appetite in terms of what are the kind of accounts they will take over. So we as of now would not have any clear idea in terms of what the parameters would be, but to my mind, the guiding principles probably would be that these are larger accounts which are shared across banks for the primary benefit of the NARCL is aggregation and after getting aggregated to achieve quicker results.

And the second part is that these are likely to be accounts which have very, very high levels of provision, but I think these are the broad guidelines, which we believe are likely to operate. But in terms of numbers, we have to see, in terms of what are the accounts that the company might like to buy. My own sense again is that in terms of for us, possibly the impact maybe within 5% to 10% of our non-performing book probably not more than that. But I'll just hand over to Jain Sahab again in terms of what his assessment is, because again, he keeps his finger on the pulse all the time and also in terms of what is the likely recovery scene.

Mr. Shanti Lal Jain: Yes. So you talked about two things, one is the recovery and slippages, and what should be the expected numbers right? So if I see the recovery of last financial years, it was around at 11,000 crore as against the 9,500 crore of '19/'20. So it is 15% higher. So if you further deep dive into it, we've had our recovery, in light of this just doubled. Now, what should be the recovery for the current financial years?

So in fact, if you see in our presentation around 49,000 crore of account which are in NCLT, we are having around the 93%- 94% provisions. Out of this 49,000 crore of the book, around 14,000 crore of the book where resolution is already been approved, and we are likely to get around 5,000 crores maybe this year or in the next year. Second point is, out of this 49,000 crores again, around the 15,000 crores, which has already gone into liquidation, where we are expected to get liquidation values in this year and the next financial year, so we have that in the pipeline also.

In addition to that, under compromise generally, we have close to 2,000 crores of recovery every year. So we are having around 750 crores in the pipeline where we have already sanctioned. In addition to that, we have also identified the asset for sale and we are expecting a recovery of around at 750 crore from the assets held in the current financial year. Besides this we are having around 3,000 crore of assets which we have identified to sell under the SARFAESI act. So we are expecting a good recovery there as well, so we expect a better recovery in the current financial.

Mr. Mahesh: Thank you. Sir one question if I may ask on a clarification with respect to your notes. In the notes to account, you've kind of indicated that the total restructuring in MSME is about 9,039 crores, whereas in the presentation, you have mentioned that you have 9,434 crores of total restructuring request, what is the difference between the two?

Mr. Sanjiv Chadha: So I'll just see if Khichi Sahab has an answer on this. In case we have it readily available we'll give it to you. Otherwise, we will try to reconcile with the figures offline and provide it to you, but Khichi Sahab, you might want to add there.

Mr. Vikramaditya Singh Khichi: Sure Sir, so there are basically two types of restructuring, one was pre-COVID, the first set of restructuring, which was a special window made available by Reserve Bank of India, that covered all the accounts which were in stress as of 1 January, 2019 and then it was extended to 1 January, 2020 and there were little bit of a restructuring therein, and then came the COVID restructuring. So we were basically talking about I think, in one of the places the entire restructured book of MSME would have been

put, perhaps I'll just have to check on those figures, and in the other place there could be only the restructuring available under the COVID restructuring mentioned, so that could be the minor difference there.

Mr. Mahesh: In essence, should we add both as in, should we add 9,000 crores plus, as in should we add point number 22 plus point number 16 for understanding what is the current restructured number?

Mr. Sanjiv Chadha: Rajneeshji, would you want to again take that if you think again you have sufficient clarity or do you think you want to again come back later?

Mr. Rajneesh Sharma: Only one thing I just wanted to clear here, that total restructuring we have given in the notes is the restructuring under COVID scheme, we have declared the same in notes to account. Otherwise total restructuring in NPA whatever the analyst has asked, total recovery is same, total restructuring is same.

Mr. Sanjiv Chadha: Thanks, what we'll do is, if you need any further clarifications, we'll just give them offline.

Mr. Shanti Lal Jain: Let me clarify, Sir.

Mr. Sanjiv Chadha: Okay, Jain Sahab.

Mr. Shanti Lal Jain: In this, we talk about the restructuring applications received under the 6th August circular Reserve Bank of India where we are doing COVID restructuring. So here basically, there are application received from the retail and corporate as well. So this figure of 9,400 is the total application received by us, under COVID restructuring scheme from retail and corporates.

Mr. Sanjiv Chadha: So hope that answers your questions.

Mr. Mahesh: Thanks, sir. Thanks a lot.

Mr. Sanjiv Chadha: Thank you

Moderator: Thank you sir. The next line of questions are from Mr. Sanjay Parekh.

Mr. Sanjay Parekh: Yeah. Thank you, sir. Sir, my question is getting to an ROA of 1% and ROE of around 15% is a very sweet spot. Today as you would see that our valuation are at a steep discount to book value. In future, for our capital needs that get to that milestone will be very important because that would lead to valuations rerating upwards. So sir, in terms of our efforts, be it credit selection, the right allocation because some of like international – by and large for the sector international business has not been very ROE attractive, overall operating profit growth, cost controls, and most importantly, as I said, title credit cost for the future lending, all these would clearly get to your ROA, I just said 1%, and ROE of 15%. So sir, how do you drive the whole organization to that milestone sir, that will help us, sir.

Mr. Sanjiv Chadha: So thank you very much, I think, for what you have just laid out, you might say is a summary of again what should be our objectives going forward. And you are absolutely right, that when it comes to the international book, the margins are lower, the net interest margins in fact at about half of what they are investing into. But if you also look at the cost of credit strategy and we're not looking at the last year alone. Historically, the cost of credit has been also substantially lower, in the international book as compared to the domestic book. So if you were to take the adjusted rate of return, it may not be that different. But having said that, what you are saying is correct and given the fact that net interest margins are under pressure

in the international book, we believe that there needs to be again a discipline in terms of the assets that we underwrite internationally.

So we are trying to do two or three things. First, we are trying to focus on geographies where we actually are making very good money. For instance, our operations in Africa, in particular are very, very strongly placed when it comes to either ROA or ROE. Our subsidiaries in Kenya and Uganda are making returns on equity in the region 15% to 20%. So we want to make sure that we keep our focus there and expand our ambition of capital there. But where we believe that there is not much value, which is we needed today or is likely in the future, we would again be absolutely unemotional taking those decisions. Even as we speak, we have sold off our subsidiary in Trinidad and Tobago for instance. Our Hong Kong operation has been closed, we are looking at certain other geographies where we might want to exit.

The other thing which we are going to make sure that in terms of our way, we have better outcomes is, that for instance PCBs which can pretty much be done out of any geography, and the other business is also which again actually are geography agnostic, we are trying to see how we can do those out of our GIFT city operations, where obviously there are tax advantages.

Three, I believe that given the short to medium-term outlook for margins in the international operations, there is likely to be a movement of capital from the international book to the domestic book. Even this year, we would see that there is negative growth when it comes to international loans, right, and significantly slower as compared to the U.S. state book. I would believe that if the interest rate outlook continues as it is, that maybe a trend that remains for the next few quarters. So please be assured that we are fully conscious in terms of the impact of the international operations on our return on assets, and we are constantly trying to see how we can fine tune that, while not destroying any value which might be there for the medium and long term, but to make sure that we can recalibrate, reallocate capital to make sure that our return on capital is optimum. So your concern is absolutely valid and that is precisely the direction which we are moving.

Moderator: Thank you sir. We have some more questions from Ms. Mahrukh Adajania. Ma'am, please go ahead.

Ms. Mahrukh Adajania: Yes. Hi, sir. Thank you. Sir, my question is that, if you see the published CET-1 figures, there has been a strong increase in CET-1 between Q3 and Q4 of around 100 billion. So how does one explain the moment, has there been a favorable impact of DTA and how much is it? That's my first question. And my second question is, if you could give the number -- the amount of interest reversal on proforma NPA and the penal interest reversal for fourth quarter?

Mr. Sanjiv Chadha: So let me just give you the broad sense and then I'll probably request our Chief Financial Officer, Ian to give you the precise numbers. So you are absolutely right. One, of course, is that in the last quarter, the DTA reversal has again helped us. But again, I think it's very important to appreciate, let's assume we had not done the DTA reversal that I think a large part of the accrual would have anyway happened again owing to the profits getting added back, and of course we had the QIP issuance of 4,500 crores. So these two, I think, aggregated pretty much the increase in proportion of the figure. But can I request Ian to see if he can give you the precise numbers.

Mr. Ian D'Souza: In terms of the overall DTA that we saw getting adjusted, it was a DTA getting adjusted of around 3,800 crores. What we had, is a reversal of tax that we had provided in the earlier nine months of around 300 crores. The net impact of the DTA adjustment was around 3,500 crores. And we also have a corresponding impact in our capital adequacy. So while the DTA has been negative in terms of our PAT, in

terms of overall tax impact on the bank from a capital adequacy it has actually been favorable and have contributed to our accruals for offshoring our capital adequacy. Is there any other question on the DTA?

Mr. Sanjiv Chadha: So I think maybe what you can do is Ian, you can give Mahrukh exactly the breakup in terms of the increase in the CET-1, what have been the sources offline, how much of that's come from where, how much it came from internal accruals, how much came from the QIP release so that you can reconcile the numbers please.

Mr. Ian D'Souza: Sure sir. We will do that.

Mr. Sanjiv Chadha: Thanks, Mahrukh.

Moderator: Thank you. Mr. Ashok Ajmera is back with us and he also has a few questions, sir.

Mr. Ashok Ajmera: Thank you sir, I have just a few specific small questions. One is that this 500 crore of estimated liability on -- as per the note number 13, Jain Sahab, by now it must have been crystallized that on account of that interest reversal, note number 13 if you look at 500 crore estimated liability had been provided. So now we are in the end of May, so what the actual amount out of this was estimated liability provided?

Mr. Shanti Lal Jain: Yes, Ian, he is talking about the reversal on account of interest and penal interest which we've provided by 505 crores.

Mr. Ashok Ajmera: Or I would put it this way rather Sir, that can you give a color up to 31st of December that is the last quarter, because the circular came only in March 2021. How much out of that have been reversed and how much out of the current quarter? And out of this provision of 500 crore, what was the actual amount reversed?

Mr. Ian D'Souza: So if I were to understand, you have two questions actually. One is relating to interest reversal on account of NPAs, which was paid because of the Supreme Court order and so we did not declare NPAs after 31st August. But we have made a provision for such interest reversal in the December results, of 370 crores.

The second fact we're talking about is a different one which came from the same Supreme Court order which vacated the stay on declaration of NPAs. But this was a different one, in terms of the Supreme Court order any penal interest or compound interest charged on the borrower should be refunded. So that amount is 505 crores. This was not provided for earlier because this is a new development.

Mr. Ashok Ajmera: No, what I'm asking is, in the note you have used the word estimated liability. So what is the actual liability now that we're already two months in this year, so what was the actual liability, was it 500 crore only or?

Mr. Ian D'Souza: The liability is 505 crores. There may be a slight variation, but it is within that range.

Mr. Ashok Ajmera: Okay. My second question sir is that –

Mr. Shanti Lal Jain: Ajmera ji, this is 510 crore, 509.89 crore and you see my note to accounts number 12.

Mr. Ashok Ajmera: Okay, sir. Sir second is that up to the August, what was the interest, which was to be paid before 31st March 2021? What was the status of that? All those accounts were regular? I mean, all those people who have taken the benefit of carrying forward the interest up to 31st March 2021 or the interest

from the, I think March to August, whether all have paid or what is the actual position on that interest component? As per the dispensation, interest from March to August was to be paid on or before 31 March, 2021.

Mr. Shanti Lal Jain: So Ian, are you going to reply or I should take it up?

Mr. Ian D'Souza: Sir, I didn't quite understand the question.

Mr. Shanti Lal Jain: So Ian, the question is very simple, 510 crores interest on interest that pertains to 1 April to 31 August, right, because of moratorium. We have calculated based on the account wise outstanding. So these accounts are regular, this is one question or any NPA is there, I think this is the -- this is only question sir, Ajmera ji?

Mr. Ashok Ajmera: Yes. Yes. That –

Mr. Shanti Lal Jain: So Ajmera ji..

Mr. Ashok Ajmera: And the moratorium up to the August whatever interest was left to be paid which borrower had the opportunity to pay up to 31st of March, 2021.

Mr. Shanti Lal Jain: So this amount we have to refund. Because either interest or a penal interest of that particular period, we have to refund, and that is why we've made this provision and we'll pass on the credit to the customer's account.

Mr. Ashok Ajmera: Anyway sir, in fact, my question is that what was the amount of the interest of the moratorium up to 31 August, 2020, which was to be paid by a borrower up to 31st of March, 2021? Out of that amount, how much is paid and how much is not paid, which goes into NPA?

Mr. Sanjiv Chadha: So I think it is the FITL issue that probably Mr. Ajmera is alluding to. I think Ajmera ji, maybe you can have a conversation offline and we can just work to reconcile the figures with you, alright.

Mr. Ashok Ajmera: Yes, yes. Sure sir. One small other clarification, that the standard advances the provision of 1,663 crore has been reversed from Q3 to Q4 and the provision for NPA and bad debt written off it has become 4,593 crore from 2,080 crore. So on the standard advances, the reversal was on what account?

Mr. Ian D'Souza: Due to the Supreme Court stay, we had made provisions under the standard advance category, since we could not declare these accounts as NPA. The other part is that we had also made provisions for the moratorium cases, which had also got reversed. So it's a combination of these two impacts which we're seeing as a reversal in the standard asset provision.

Mr. Shanti Lal Jain: Ajmera sir, since these accounts were standard, classified NPA only in March. So for the provision, what we have done is, we have made a provision for interest reversal in addition to provisions at 20%, as per bank's guidelines. And this provision was lying in the standard asset column. Since these accounts have been classified as NPA's the relevant provision has also been shifted from standard asset to NPA holder.

Mr. Ashok Ajmera: My last question is sir on that note number 8 of 500 crore of the floating and counter cyclical provision, which has been utilized with the board permission in this quarter. So had that provision, would not have been there, this quarter would have been affected by 500 crore? And secondly, is there anything left out of it, still any such provision, floating provision or counter cyclical provision, any amount has been left to be taken benefit in the coming year?

Mr. Sanjiv Chadha: So Ajmera ji, you are absolutely right that this provision has been now reversed, because again, as we have seen the credit cost have trended downward as compared to what we anticipated. And I think in terms of what the guidelines are in terms of provisioning and what is the excess that we carry, that is largely on account of the fact that we made larger provisions on certain asset categories as compared to regulatory guidelines. I think we have had on occasion, mentioned before, that we continue to make a 20% provision for some substandard assets as compared to the 15% required. To that extent, the bank does continue to carry certain higher provisioning as compared to the regulatory guidelines.

Mr. Ashok Ajmera: Thank you, sir. Thanks a lot for giving me this opportunity. Thank you.

Mr. Shanti Lal Jain: So Ajmera ji, now I understood your question, you were talking about the FITL reversal, because there was an interest reversal from 1 April to 31 August, which we have created into FITL and it is to be repaid by...

Mr. Ashok Ajmera: Yes. Of course, of course.

Mr. Shanti Lal Jain: I think this was your question.

Mr. Ashok Ajmera: Yes. Yes. That was the first question. Yes.

Mr. Shanti Lal Jain: So FITL –

Mr. Ashok Ajmera: Anyway, no issue, sir. We will talk later, because let others have the opportunity.

Mr. Shanti Lal Jain: No problem.

Moderator: Thank you, sir. We move on, and the next set of questions are from Ms. Soumya Agarwal.

Ms. Soumya Agarwal: Yes, hi. Good afternoon, sir. I had a question related to your COVID related provisions, those were around 1,700 ascertained in December, and so what is the COVID provision now? And secondly, once the COVID risks abate, what is your strategy -- what would you be doing with the excess provisions? Would they be netted off against the standard assets or can you also use it to net it off against the slippages?

Mr. Sanjiv Chadha: So I will hand it over to Jain Sahab to clarify. But my understanding is that, the COVID related provisions again were to be used, if the account slipped to a possibility of becoming NPA. In case the account did not slip, in that case, there was a possibility of reversing provision on 31st March, this is what the RBI guidelines were. And we have gone as per the RBI guidelines. But again, request Jain Sahab to make any clarification which may be there.

Mr. Shanti Lal Jain: Sir, you have correctly said Sir. But what the RBI says that for a COVID related account, you have to have a 10% provision, or if you are giving a higher provision, keep that provision. So as per guidelines, we are keeping a provision of 10% or 20% whichever is higher for the particular account, and it is a part of the COVID provisioning of books.

Ms. Soumya Agarwal: Okay. And what would that be? What would be the COVID provisions outstanding be as at March 2021?

Mr. Sanjiv Chadha: So to my mind they would be specific to accounts, for instance, there may be an account which as we say has been classified as a NPA, right? And now the restructuring is going to happen. In case, restructuring happens, people really would migrate from 20% to 10%. So these all would be account specific unlike any general provisions.

Ms. Soumya Agarwal: Okay. And in terms of the write-offs during the year, you had some 15,000 crores of write-offs. So how much would be technical write-offs out of this? Or are these all pure play write offs?

Mr. Sanjiv Chadha: Jain Sahab?

Mr. Shanti Lal Jain: This is a technical write-off. Rajneesh?

Mr. Rajneesh Sharma: Yes. Yes, these all are technical write offs and we are not doing any complete write-off during this financial year, we have not done any write-off during this time.

Ms. Soumya Agarwal: Okay, thank you.

Moderator: Thank you, ma'am. Thank you, sir. The next set of questions are from Mr. Gaurav Agarwal.

Mr. Gaurav Agarwal: Thank you. So sir just wanted a bit more clarity on the SMA question asked by a previous participant. So if I see your 31st March 2020 presentation, the SMA figure disclosed was around 2.4%, SMA-1 plus SMA-2, which was I think on the total advances and that comes to around 16,000 crore. And in the latest presentation, we have given the number at 3.34%, which is around 23,000 crore. So sir which of the two numbers -- am I calculating in the right way, is the latest figure that you have given is it on the total advances or is it only on the advances that of 5 crore the denominator for calculating this figure?

Mr. Sanjiv Chadha: So I'll pass it on to Jain Sahab again for that.

Mr. Shanti Lal Jain: I think this is based on the CRILIC report and this is based on the exposures. Sameer, am I right?

Mr. Sameer Narang: Right, sir. It's based on CRILIC report.

Mr. Gaurav Agarwal: My query is on the discrepancy in data, March 2020 data, what you had reported last year versus what you have reported this year for last year 2020 is different. So I'm just asking whether I am calculating it in the right way. So last year, what I am doing is you reported 2.4%, 1.2% plus 1.2%, I am multiplying it with your total advances, which comes from 16,000 crore. In the latest presentation, you have reported it 3.34%, I am multiplying it again with your total advances for that year which comes to 23,000 crore. And previously we used to report for the whole book, now it is only above 5 crore and above. So if you could clarify why I'm getting this discrepancy?

Mr. Shanti Lal Jain: Sameer?

Mr. Sameer Narang: Yes, sir. Sir, in March '20, the demand wouldn't have been raised because of the moratorium that was put in place. So because of that there could be a difference when the numbers were reported that time around. So Gaurav, we can take this with you offline perhaps, we can explain it to you how it went and Mr. Rajneesh Sharma can also sit with you and explain you the entire calculation.

Mr. Gaurav Agarwal: Fine, sir. Fine. And secondly sir, for the restructuring, so you have MSME restructuring of around 9,000 crore and then we have COVID related restructuring requests of 9,000 crore. So if I understand correctly, COVID is for retail and corporate and MSME is obviously for MSME. So these are like numbers which should be added. So total restructuring MSME plus COVID is around 18,000 crore for us. Is that understanding correct?

Mr. Sanjiv Chadha: So my understanding would be that one maybe to some extent a subset of the other. So I think as Khichi Sahab has clarified that when it comes to COVID restructuring, it is segmented diagnostic,

right? When it comes to MSME, it could be COVID or it could be a pre-COVID dispensation also, which is why I think the aggregation the way you are saying, it may not be the best way to do it, but again, hand it back to Khichi Sahab.

Mr. Vikramaditya Singh Khichi: Sir, to an extent what he says may be correct because MSME restructuring has been going on for quite some time and there the provision required was only 5% of the restructuring. It wasn't 10% as now it is there. So now the total restructured book under COVID is for the corporate it's around 7,700 and the MSME it is around 5,550, and in retail, it is around 1,200. So the total restructuring under COVID is around 9,434 crores. And if I have to talk about MSME apart from COVID then another 8,000 crores that is there. So there is a part overlap in that as in, when I talk about the overall MSME restructured books, there is around 9,000 out of which 550 is a part of the COVID restructuring also. So all in all, the total restructured book for MSME is around 9,000, which include 550 of the COVID part.

Mr. Gaurav Agarwal: Got it sir, got it. That's very helpful. And sir last –

Mr. Shanti Lal Jain: Let me clarify further. So one is a MSME restructuring, second is a COVID restructuring where we are talking about the application received. So these account have not been restructured -- some of these might have been restructured. So till we're restructuring as per the existing guidelines, majority of these amount might lie in the NPA book, because when we will do restructuring, it will be upgraded from the NPA. So if you add, then NPA numbers are different, then there will be A plus, B plus, C, it does not work like this.

Mr. Gaurav Agarwal: So sir, if you could clarify how will it be? Because we sitting outside don't know, all these numbers work in your bank. So total is 9,000 plus 8,000 broadly, so comes to 17,000 crore. So 17,000 crore of what would be the NPA so that we could -- we don't over calculate these numbers?

Mr. Shanti Lal Jain: Yes, out of this 8,000 how much restructuring we have done? We have done only 2,000 crore of a restructuring so far on account of COVID and remaining restructuring we will be doing in the current financial year, because we can do up to June

Mr. Gaurav Agarwal: No problem, sir. Sir, that's okay, I understood the answer, thank you. And sir, just last question is on the watch list, if we have any watch list for corporate, SMA, any expectation that we could share for FY '22 based on our stress tests that these could be the bear case slippages for FY '22. If things go very bad from here, then these could be the slippages, and if things improved materially then these could be the slippages. If you could share any calculation that you would have done, would be helpful for us to understand the trajectory for the bank for FY '22?

Mr. Sanjiv Chadha: So I think we don't have a watch list, the SMA-1-2 data is what I think is the standard way, I think all banks seem to be reporting that. But the guidance again for slippages is that we expect slippages to be lower this year as compared to the previous year. And as we discussed earlier, that to a large extent is driven by the fact that we do not expect slippages in the international book on the scale that we saw the last year.

Mr. Gaurav Agarwal: Okay, sir. Thank you, and all the best for your future quarters.

Mr. Sanjiv Chadha: Thank you.

Moderator: Thank you sir. We have next Mr. Mangesh Kulkarni asking a few questions.

Mr. Mangesh Kulkarni: Hello. Sir my question is regarding the, unlocking of value that we are looking at our JVs and subsidiaries in FY '22 or going ahead?

Mr. Sanjiv Chadha: Yes, I think I've got the gist of your question. When it comes to joint ventures, I think this is what we had talked about in the last quarter, there are two subsidiaries that have raised hope for some unlocking of value. One was the life subsidiary where we had guided that we believe that there may be an opportunity towards the end of the next financial year, because that is a company which has gained traction in March. It is the fastest growing private life insurer. And therefore, we believe this is an opportunity take in the market, but that will come in next financial year.

This year, we may look for a partner for our credit card company. And the reason why we might look at that again is because we are seeing visual traction as far as the credit card business is concerned. The company has been in terms of relative size outside the top 10, but in the last quarter in terms of attracting new card customers, it was in the top 5. So I think that gives us some room for optimism that the company has been now able to leverage the strength of the brand and network significantly. So we believe towards the second half of the year, we might have discussions.

Mr. Mangesh Kulkarni: Thank you, sir. Thank you very much.

Moderator: Moving on sir. We have the next question from Mr. Sushil Chokshi.

Mr. Sushil Chokshi: Good afternoon, sir, and congratulation for a stable result. Sir I wanted to know we have taken great initiative for digitization of the total processing in bank as well as back office between Baroda, and GIFT City. We were looking at loan processing through digitization, SME business under digitization. And what kind of spend are we looking at digitization and digital products in the current financial year?

And secondly, you briefly spoke about asset monetization, as far as the credit card is concerned. Anything on any of the SLBs or subsidiaries or any asset monetization of any other nature if you could highlight?

Mr. Sanjiv Chadha: So in terms of the digital agenda that has obviously gained a large degree of momentum over the last 12 months, I think not only for us, I think for all businesses, and I think investment that the bank has made over the last few years, they have to be very opportune, both in terms of our back offices, the company BGSS, and also investments in the Big Data Lake for instance. So that means that as we have tried now to take the digitization process in such a way, that it works for our front end customers, I think in the time to market has been better in short. On the liability side, 90% of all accounts that we open -- all savings account that we open are now opened through tab banking.

On the asset side, we are rolling out a very aggressive program in terms of digital lending and then progressively personal loans, home loans, car loans and MSME loans will be on-boarded with this platform. But I request again, Mr. Khurana, our Executive Director, who has been driving this initiative very aggressively, who possibly again give you a bit more color in terms of what we can expect to see in terms of progress in the current financial year.

Mr. Ajay Kumar Khurana: Thank you, sir. Our digital lending, as you have heard that we have been going really very aggressively on that and hopeful that in next three years, 90% of our lending should be on this platform. So here the major problem that what we are facing is the adoption of our mobile products, our mobile banking, our internet banking, all these products are excellent in the market and well appreciated by the users. And we are still working on it, to improve its usability and acceptability by the customer.

And for adaptability, the issue that we are facing, probably every bank, public sector bank is facing this challenge. So here at the ground level, hand-holding of the customers through webinars, through our feet on street in every branch, we are providing and making sure that every customer gets shifted to that is they start using these products. And our staff is available for other sales purposes. Thank you sir.

Mr. Sushil Chokshi: Sir, any outlook on NIM and GNPA, NNPA for FY '22 and treasury outlook?

Mr. Sanjiv Chadha: Yes. So I think as far as net interest margins are concerned, I think because of the second wave, whatever expectation there was, that the liquidity might be withdrawn from the market, I think that seems to have been pushed forward by a few quarters. So therefore, I think the overhang of liquidity will remain as far as corporate lending margins are concerned, and therefore our emphasis in terms of protecting our margins is going to remain through two ways. One is to grow our book on the retail side more aggressively, while making sure we keep discipline on the corporate lending; and number two, as we discussed earlier, to see whether under these circumstances we can move some capital from the international book to the domestic book, where still margins can be better. So my own sense is, that at least for the next few quarters, margins will remain in a narrow range.

As far as treasury is concerned, I'll request our Executive Director who's in charge of our treasury function, Mr. Debdatta Chand who of course, you would not have met before, he has joined us in this quarter. So I think it's a very good time to get introduced to him. And he can give us his thoughts and his assessment in terms of how the scenarios could pan out.

Mr. Debdatta Chand: Thank you, sir. See, the last year has been very good as far as the treasury profit is concerned, and that's for the entire industry and for Bank of Baroda also. But going ahead, all will depend upon the market movement because until the tenure G-sec has substantial downward move, the trading profit won't be high. But normally it is like, in the year where the trading profit is high, the treasury income is slightly muted, and the year where the trading profit is low, the treasury income is normally high. So going ahead, anyway whether it is a trading profit or treasury interest income, the contribution from the treasury book would be substantial for the bank's book.

Mr. Sushil Chokshi: Thank you Mr. Chand. Thank you Mr. Khurana for updating everything and all the best. Mr. Jain, all the best for your new tenure which may commence post government announcement of course.

Mr. Sanjiv Chadha: You will meet Mr. Jain in the next quarter as well, don't worry. (In Hindi)

Mr. Sushil Chokshi: Thank you sir.

Moderator: Thank you, sir. Since we are running out of time, we will have the last set of questions from Mr. Saurabh Kumar.

Mr. Saurabh Kumar: On the operating costs sir, you would still expect 1,500 crore to 2,000 crore kind of cost savings for next year? I mean you had given a 10,000 crore guidance for five years. So I was just wondering how much would that be. Secondly, on the restructuring against –

Mr. Sanjiv Chadha: Can you just repeat that please, didn't get it clearly enough, in terms of what you are asking.

Mr. Saurabh Kumar: Sir, I was asking on the operating costs sir, given that the merger is now over, do you still stick with the 1,500 crore to 2,000 crore cost-saving guidance over the next 3-4 years and specifically what will this be for next year. And the second Sir, was on the restructuring. So this 2,800 crores odd of

International NPA, that's part of your NPA but it's also part of your restructuring pool. Will that understanding be correct sir?

Mr. Sanjiv Chadha: So let me just separate the two questions. In terms of operating costs, I think the benefits of the merger has flowed to the bank, precisely in the manner that it was anticipated, and we had guided for over the five year period, we expect about 10,000 crore savings for the bank. If you would look at the operating costs even this year, and if you would separate the salary cost, you will find that part of the savings have got affected in the operating cost of the bank in non-salary costs, it actually has come down. And the significant portion of the same impact it has come because we have closed down around 1,300 branches. This has been the most ambitious program in terms of branch rationalization, post-merger that we have seen in the industry.

And very obviously, when you shut down a branch during the event of the year or towards the end of the year, the savings are only partial in that particular year, and the full savings will come in the next year which is the current year. So we are very positive in terms of the fact that the savings from the merger would continue to flow through and this year we should see the full impact of those savings as far as that is concerned. And the second part of your question, once again, if you have -- sorry, I lost the track of that.

Mr. Saurabh Kumar: Sir, there was an NPA in the international book, I'm wondering if that's also included in the restructuring book, so there's in some sense an overlap on this too? And sir, on the operating cost, sorry for that, I mean what will your guidance be for fiscal '22 over '21, we should still see a reduction or no?

Mr. Sanjiv Chadha: So I think what happens is that typically in practical terms, you expect about 8% to 10% increase on operating costs as a general proposition. So these cost savings effectively neutralize the increase you might have seen. So my sense is that what you will see is that for Bank of Baroda in terms of non-salary costs in particular, in some instance salary costs also, because we are not really recruiting for numbers at all. You should see a lower growth rate as compared to other banks.

Mr. Saurabh Kumar: Okay. Thank you sir. On the international book.

Mr. Sanjiv Chadha: On international book, I'll just request Jain Sahab to again clarify please.

Mr. Shanti Lal Jain: So in international book, to give you a clear picture, there was 6,600 crore of slippages. 60% of this 6,600 crore is in two accounts, which is around 3,700 crore or so is a part of a restructuring, one under the COVID restructuring and one under the 7th June restructuring. These two 3,600 crore as on date is sitting in NPA. So, this COVID restructuring close to 1,000 crore will be upgraded immediately, and it is a part of restructuring of this 9,000 crore restructuring that we are talking. Remaining 2,700 crore is a part of 7th June restructuring and it will be upgraded next year. So it is not part of that because here we are talking about the COVID restructuring.

Mr. Saurabh Kumar: Okay, understood sir. Thank you.

Moderator: Thank you sir. We will be closing the Q&A session with these questions. To all the attendees who have mentioned the questions in the chat box or in the Q&A box, we have taken a note of those questions and we'll be addressing it offline. Sameer, I hand it over to you for the closing remarks. Thank you.

Mr. Sameer Narang: So, on behalf of the management of Bank of Baroda, I sincerely thank all of you for taking out time and joining us today. Stay safe, stay well, and we'll be in touch next quarter as well. Thank you. Thank you so much.
