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Any further slippages in corporate book is unlikely: BoB's Ramaswami

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Murali Ramaswami, executive director, Bank of Baroda.

Murali Ramaswami, executive director, Bank of Baroda, expects gross non-performing assets to be below 10% by the December quarter. Edited excerpts:

Slippages are high. In the conference call you said 90% of slippages were from the stressed list, yet your stressed list has gone down only by ₹2,000 crore. At ₹14,500 crore it is still high. Do you expect the stressed list to rise? How is it likely to shape up in Q3?

Last quarter, our slippages were about ₹6,001 crore and there were about four accounts. These four accounts constitute 60-65% of the slippage. The worst is behind us.

There is nothing much to worry about in our ₹14,000-crore watch list. There are no lumpy accounts. As far as the future is concerned, we don't see any problem in the slippages. Our provision coverage is also quite adequate and our operating profit is also growing continuously, it is about ₹5,336 crore.

In your ₹14,500-crore watch list, have you included non-banking financial companies (NBFCs)? Is DHFL included in that, for instance, and how much is the exposure?

DHFL is there on our watch list. The exposure is ₹1,900 crore.

More than 25% of your corporate book is BBB and below, and your annual slippage ratio has gone up to 4.5%. Is there further risk of the corporate book slipping? Will the slippage ratio rise further?

I don't expect any further slippage in the corporate book. Most of the BBB accounts are with us for quite some time. They are not new accounts. So, barring one-two accounts, there is not much worry for us in the coming quarters. For corporates, the worst is behind us.

> 'We don't see any issue in the slippages. Our provision coverage is quite adequate and our operating profit is also growing continuously.'

What is your exposure to NBFCs? Today, Credit Suisse came out with a report saying it was around 14%. Of that, how many are private sector, not backed by conglomerates?

My exposure is ₹1.05 trillion and outstanding is ₹97,000 crore. As of now, there is no worry, as far as NBFCs are concerned. One of the group NBFCs had slipped last quarter, but as of now, none of the NBFCs are showing any sense of any overdue with us.

Even DHFL is not showing much overdue, but we have still shown it in the watch list, because of certain developments. Otherwise, there is no worry as far as any of these accounts are concerned.

Out of the ₹97,000 crore, how much of it is backed by conglomerates like the Mahindra group or Birla group or HDFC or Bajaj? And, how much are not backed? How much of them are private sector not backed by big names?

Around ₹10,000 crore is not reputed private sector, some are public sector financial institutions. So there is no issue, as ₹10,000-12,000 crore will be such private sector.

You mentioned that you don't anticipate further slippages in the corporate book, but overall, gross NPAs are still at over 10%. What will be the gross NPAs by the end of FY20?

Though gross NPA has come down from 10.28% to 10.25% on a quarterly basis, with tepid advanced growth, we are still able to maintain the percentage. It should be sub-10% by the end of December quarter.

What about net interest margins (NIMs) now that you have improved it by 20 basis points? How will margins likely to do in Q3? What are you guiding for loan growth?

We are at 2.81% overall in NIM, and 2.95% for domestic stand-alone. This should be around 3% in the coming quarter. In loans, we are doing very well to grow around 16% in retail.

Our retail growth is primarily driven by auto and home loans, which have shown good growth.

We expect it to increase by 20%. Normally, we don't give much pressure on personal loans because most of it seems to be unsecured.

Auto and home loans are showing good growth—16% is the current growth rate, we expect it to increase to 20%.

So retail loan, which is around ₹1.05 trillion, I expect it to rise to ₹1.3-1.35 trillion in this quarter.

> 'Gross non-performing assets are down from 10.28% to 10.25% on a quarterly basis. It should be sub-10% by end of the December quarter'

But overall advances remain flat...

Overall advances are flat. Our focus was more on retail and the MSME sector. Some NBFCs have paid us back. Those sectors where little bit of stress is there, deliberately we didn't take additional exposure. But otherwise, there are about ₹7,000 crore sanctioned already in the pipeline.

So, I don't think there should be any problem, going forward. Even our international operations are doing well. I don't think there should be any problem in credit growth henceforth, because normally in the first two quarters, it is tepid. Besides, we have our amalgamation also.

We have already shifted all the corporate accounts and NPAs, technical integration is going on. I am happy to announce that HR integrations are complete, and we have already saved ₹150 crore in amalgamation profits. So, amalgamation has been a great success. Historically, amalgamations normally put breaks on the system. In our bank that didn't happen. It has been business as usual.

Corporate growth, because the repayment happened in some NBFCs, which we deliberately wanted because we wanted certain sectors, wherein we visualise some problem, we asked them to pay back also.

Did you hear anything from the government on your MD?

There is no effect on the business. Our meetings are happening every week, the government has given us the power, so there is no impact in the business. We are having a business conference, we are having board meetings. We do miss Mr Jayakumar, the process is on and we are looking for somebody who can take over in the near future. As far as business is concerned, there is not even a single percentage effect. We are working in good coordination with all three of our EDs. By January, we will know how affective our coordination has been.

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