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SS MUNDRA, CMD, BANK OF BARODA

WE TRY TO SPOT LOANS THAT MAY TURN BAD EARLY

HISTORICALLY, Bank of Baroda (BoB) has always grown 2-3% above the industry rate thanks to its pan-India reach and a strong presence across all segments whether, corporate, SME or the retail space. Thanks to some good work on the liabilities side — essentially growing CASA — the bank has successfully reined in the cost of funds. Chairman and managing director **SS Mundra** tells **FE**'s **Shashidhar KJ** that the bank should be able to maintain its historical growth trend next year with the international business chipping in. Edited excerpts:

Bank of Baroda has weathered the slowdown fairly well...

What has helped us is that almost 30% of our business and a similar share of our profits come from our international book. This de-risking of the portfolio has stood us in good stead. Also, while like others we have had our share of problems with asset quality, relatively our gross NPA ratio is among the best. We have contained slippages and that has helped us keep provisioning requirements in check, which in turn has boosted the bottom line. However, we are prudently providing for both pension liabilities and possible wage revisions so there is no laxity on that score.

BoB has managed to sustain profitability where others have not...

We've maintained profitability through some prudent liability management. Essentially, we have focused on garnering more of the cheaper current and savings accounts. Our CASA, which was about 30% in March 2013, has gone up to more than 32% at the end of December 2013. We have also learnt to depend less on bulk deposits and focused on mobilising term deposits — retail term deposits, which contributed just 45% of total deposits in March 2013, have moved up sharply to 55% in December. That is how in the last three quarters we have been able to consistently improve our net interest margins (NIM) — at the end of December the NIM was 2.95%.

Could you give us some insights into how BoB manages to control asset quality?

The Reserve Bank of India has recently come out with a new set of guidelines for NPA recognition within 30 days and 60 days so that banks are able to spot distress early on and before it is too late to do anything. At BoB we have been using a similar tracking system and our in-house system has been in place for almost 15 years now. So we have attempted to identify loans that might turn delinquent early on and address the problem. Now we're focusing equally on recovery by strengthening the teams across the regional and branch levels and this has paid off. Our bank hasn't sold distressed assets but we may be looking to do so soon if we get the right price. We have identified some loans worth ₹1,100-1,200 crore that we want to sell to asset reconstruction companies.

OUR PHILOSOPHY IN THE ORGANISATION IS NOT TO GROW ACROSS TOO MANY NEW AREAS SINCE THE CAPITAL REQUIREMENTS TOO ARE INCREASING. WE NEED TO ENSURE THAT THE CAPITAL WE'VE PUT IN IS EARNING AN EFFICIENT RETURN

How do you see BoB's corporate loan book growing?

We have been trying to rebalance the portfolio and grow the retail and SME segments at a slightly higher pace than we grow the large corporate book, over a period of time, say three to five years. That

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would bring down the share of large corporates. So we're working towards that objective and in the last quarter, the retail segment grew at almost 21% while the SME segment grew at almost 39%. Of course, some of the SME growth was on account of the reclassification by the RBI, but even adjusting for that the increase would still have been more than 25%. Loans to large corporates have increased by about 16-18%. So our strategy seems to be working.

BoB's overseas operations have been faring well...

We have been growing steadily across different geographies, in 24 countries where we have 101 outlets. So our business has reach and it is also well-diversified. While we do look to do business with the Indian diaspora, it's a combination of both following the diaspora as also looking for trade-related opportunities. So wherever there is a strong trade flow, we try to set up branches. While the overseas business may fetch us thinner, the risk-management is very robust and about 60% of the loan book comprises short-term loans.

> OUR BANK HASN'T SOLD DISTRESSED ASSETS BUT WE MAY BE LOOKING TO DO SO SOON IF WE GET THE RIGHT PRICE. WE HAVE IDENTIFIED SOME LOANS WORTH ₹1,100-1,200 CRORE THAT WE WANT TO SELL TO ARCs

Since 2008, as you know, regulatory norms have become harsher in all international geographies and the environment is uncertain. Europe is still seeing some volatility though some segments are bouncing back. In the given environment, our philosophy in the organisation is not to grow across too many new areas since the capital requirements too are increasing. We need to ensure that the capital we've put in is earning an efficient return.