



“Oriental Bank of Commerce
Q3 FY2020 Earning Conference Call”

January 23, 2020



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Moderator: Ladies and gentlemen, good day and welcome to the Oriental Bank of Commerce Q3 FY2020 earnings conference call hosted by Antique Stock Broking Limited. 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 “*” then “0” on a touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sohail Halai from Antique Stock Broking Limited. Thank you and over to you Sir!

Sohail Halai: Thank you Nirav. I welcome you all to Oriental Bank of Commerce 3Q FY2020 earnings conference call. We have with us today Mr. Mukesh Kumar Jain, MD and CEO, Mr. Vijay Dube, Executive Director and Mr. Ashwani Kumar, CFO along with the other team members to represent and discuss 3Q earnings and future prospects of the bank. Without further delay I handover the call to Mr. Jain for his opening remarks. Over to you Sir!

Mukesh Kumar Jain: Thank you. Good afternoon friends. I welcome you all at OBC conference call and financial result of Q3.

I will first highlight our business financial position and I will take your queries. The performance in Q3 FY2020 was basically driven by healthy operating margin by way of increase in non-interest income including improvement in treasury income and recovery in NPA accounts. Business mix, in December 2019 stood at 4.02 lakh Crores against 3.62 lakh Crores in December 2018 thereby showing a growth of 11%. The deposits and advances have grown by 10.79% and 11.17% advance has grown by 11.17%. Net profit, bank has posted a net profit of 202 Crores in Q3 against 145 Crores in Q3 of the previous financial year registering a Y-o-Y growth of 39.31% and sequentially there is a growth of 60.32%.

Operating profit for Q3 registered a growth of 21% on Y-o-Y basis and stood at 1213 Crores against 1002 Crores in Q3 FY2019, the above increase is mainly due to increase in non-interest income. The core fee income increased to 1049 Crores in Q3 FY2020 from 922 Crores in Q3 FY2019 thereby registered a growth of 13.77% in Y-o-Y basis. Other income has increased to Rs.986 Crores in this quarter from 567 Crores during corresponding period thereby registering a growth of 74% on Y-o-Y basis. Other income shares of total income have increased to 17.47% in December 2019 from 11% that is by 647 bps on Y-o-Y basis.

Cost of deposits sequentially reduced by 11 basis points from 5.82% to 5.1%; however yield on advances have reduced to 8.09% from 8.53% in this quarter due to substantial



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interest rate reduction and build up a pressure on net interest margin. As a result NIMs reduced to 2.43% in Q3 from 2.62% in Q2 thereby reduction of 19 basis points for sequential basis. CASA of the bank has grown by approximately 10% on Y-o-Y basis and CASA share has also improved to 30.85% in December 2019 from 30.22% in December 2019.

Banks total capital adequacy as on December 31, 2019 is at healthy level of 13.70% Tier I 11.10%, Tier II 2.65% and CET1 at 11.04% i.e. bank is well capitalized and is poised for credit growth. Bank's asset quality has shown consistent improvement since March 2018 whereas slippage in last three quarters in this current financial year have reduced to 4924 Crores against 5575 Crores in corresponding period of previous year. Both gross NPA and net NPA of the bank reduced during Q3 financial year 2020. Gross NPA of the bank decreased from 15.85% in Q3 FY2019 to 12.64% in Q3 FY2020 and net NPA decreased from 7.1% in Q3 this last financial year to 5.98% in the current financial year due to both cost recovery and upgradation and containment of fresh slippage.

Provisional coverage ratio has improved from 74.99% in December 2018 to 76.53% in December 2019 and in NCLT referred cases it is more than 85%. Since last two years bank has changed its focus to our retail and MSME driven credit growth as a result RAM portfolio has increased to 89477 Crores in December 2019 from 80417 Crores in December 2018 thereby a growth of 11.47%. Bank is shredding its portfolio in high risk assets, high risk sector, and poor risk credit rating corporate and existing unsecured exposure. The retail portfolio has increased by 12.4% on Y-o-Y basis and MSME portfolio increased by 20.29% on Y-o-Y basis. During Q3 overhead advances has increased by 11.17% Y-o-Y basis while credit risk weighted assets has increased by approximately 4.64%.

Cost to income ratio the bank has reduced to 44% in Q3 FY2020 from 49.50% in Q3 of previous financial year thereby reduction of 206-basis point on Y-o-Y basis. Bank had surpassed a regulatory price target of 40% in Q3 and achieved 43.24% priority sector advances in terms of ANBC.

Outlook, bank's focus is now towards Retail, MSME and mid corporate segment and we are targeting a growth of 10% to 12% in the financial year 2019-2020. Fresh slippages we are expecting to be within 5500 Crores, net profit in view of favorable moment of credit income has expected recovery and resolution we expect net profit of approximately 750 Crores in the whole year. The operating profit is of around 4500 Crores to 5000 Crores.



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In FY2019 credit cost was 4.03% during FY2020 up to Q3 bank maintained credit cost of 1.98% on annualized basis. We expect to maintain our credit cost around 2% to 2.5% for the whole year. Then CASA share is expected to improve around 32% to 33%, net interest margin is expected to be around 2.5% to 2.6%, our digital penetration has already reached to 81.59% in December and we expect to take it to around 85% by the year end.

OBC has been adjudicated as a third best overall performer after SBI and Bank of Baroda and the best among midsized PSBs under EASE Reform Agenda in both June 2019 and September 2019 quarter.

So these were the few highlights. I am now open to take the questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Amit Mishra from Indus Equity Advisors. Please go ahead.

Amit Mishra: Thanks for the opportunity. Sir first question is regarding credit cost, Sir our provisional requirement has dropped significantly so do you think this could sustain or the with ageing credit provision this line could be volatile in future?

Mukesh Kumar Jain: Our present credit cost is 1.98% . I have given a guidance of around 2% to 2.50% or so.

Amit Mishra: Sir again this quarter, our margin has again dropped very significantly and led by sharp fall in yield so could you explain how do we see the progression?

Mukesh Kumar Jain: That is because we have come out with the external benchmark based interest rate also but this quarter we are expecting a good reduction in our cost of deposit also, in fact you may see its impact in this quarter.

Amit Mishra: In Q4?

Mukesh Kumar Jain: Yes, Q4.

Amit Mishra: Sir in fresh slippages excluding NBFC has come out sharply so do you think in terms of corporate book most of the pain is recognized?



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- Mukesh Kumar Jain:** Yes, it is recognized.
- Amit Mishra:** Sir what is happening in terms of resolutions in power and in HFC sector?
- Mukesh Kumar Jain:** I will ask my CFO to take up this question.
- Ashwani Kumar:** In the housing finance company, Dewan Housing Finance Ltd is the one resolution which is in the offing and they have submitted a resolution plan which is being examined by the consortium and we expect a resolution to come by this quarter. So far the power sector is concerned, certain resolutions are being talked about but nothing concrete has yet been received at our end so power sector NPAs are still continuing and Prayagraj Power is one which we resolved and in another account Jabhua Power also NTPC has given a resolution plan and Jayprakash Power Venture is also in the offing. We expect to get the resolution soon. These are the three major accounts in power sector which we are getting in the recent times, anytime we get. One is already resolved two are already in the offing.
- Amit Mishra:** Thank you Sir. I will get back in the queue if I have anymore question.
- Moderator:** Thank you. Next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.
- Pranav Tendulkar:** Thanks a lot Sir. Sir first of all out of the slippages that is approximately 1200 Crore comes from the NBFC and so this number corporate slippages for the last three quarters is also actually increasing by whichever whatever reason so can you guide us what would be a corporate slippage in next year roughly because rest of the things you have done very good job contrary to private banks where retail and other slippages are actually worsening quite worrisomely so industry slippages can you guide us how much will be in next year if the economic situation stays like it is?
- Mukesh Kumar Jain:** You are talking about 2021 or this quarter ?
- Pranav Tendulkar:** 12 months because investors has a patience to worry over next quarter but over one year?
- Mukesh Kumar Jain:** Corporate sector slippages have already come down so we do not expect much in corporate sector now.
- Pranav Tendulkar:** So around 500-600 Crores run rate per quarter.



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- Ashwani Kumar:** We have given a watch list of around 1500 Crores and in our presentation and that is the total watch list available with us and that is the watch list we have included those accounts which we are closely monitoring and they are not necessarily to result into NPA. There are certain accounts which are in SMA2 regularly but we keep them in close watch, so watch list has reduced around from 3500 Crores last quarter probably to 1400 Crores during this quarter mainly because NBFC was out of the list because they have already turned NPA and few other accounts which are become regular that is been taken out and few accounts which are showing some signs which have added so this is all about to corporate book including our agriculture portfolio small agriculture portfolio also we have included herein.
- Mukesh Kumar Jain:** So total slippages including agriculture we are expecting to maximum around 500 Crores or so.
- Pranav Tendulkar:** Sir SMA2 how much is the amount roughly?
- Mukesh Kumar Jain:** 1430 Crores.
- Pranav Tendulkar:** That is overlapping with the 1500 Crores of watch list that you are saying?
- Mukesh Kumar Jain:** I am talking 1430 precisely.
- Ashwani Kumar:** It is out of the SMA2 only.
- Pranav Tendulkar:** Sir also the cash recovery and upgradation that you have said is it not coming from Security Receipt ?
- Ashwani Kumar:** No we do not have any exposure in Essar Steel Ltd.
- Pranav Tendulkar:** No not SR, it is security receipts?
- Ashwani Kumar:** No security receipts.
- Pranav Tendulkar:** Okay and outstanding security receipts from ARC is how much on our balance sheet?
- Ashwani Kumar:** 900 Crores.
- Pranav Tendulkar:** And it is valued six monthly or yearly?



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- Ashwani Kumar:** Quarterly.
- Pranav Tendulkar:** Sir second thing is out of NCLT1, NCLT2 list how much resolution is remaining in our portfolio that is question No.1 and how much we have provided against those exposure that is question No.2?
- Mukesh Kumar Jain:** Provision we have already mentioned and given in page 34, see list 1 we have provided 94.36% and list 2 96.93% overall more than 95% in phase 1 and 2.
- Pranav Tendulkar:** Phase 1 and phase 2
- Mukesh Kumar Jain:** Exposure in these two cases 5268 Crores.
- Ashwani Kumar:** Both the list together list 1 and list 2.
- Pranav Tendulkar:** Okay and out of this how much you expect to be resolved in this year?
- Mukesh Kumar Jain:** This quarter I can indicate to you.
- Pranav Tendulkar:** Okay this quarter how much?
- Mukesh Kumar Jain:** Around 1800 Crore out of the outstanding.
- Pranav Tendulkar:** Out of the three power plants that you mentioned, Jabhua Power has been already resolved by with NTPC right?
- Mukesh Kumar Jain:** They have tendered the bid.
- Pranav Tendulkar:** You have to still to get the money?
- Mukesh Kumar Jain:** Yes.
- Pranav Tendulkar:** And how much is that in our account?
- Mukesh Kumar Jain:** 77 Crores.
- Pranav Tendulkar:** Okay and Jayprakash?



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- Mukesh Kumar Jain:** 221 Crores.
- Pranav Tendulkar:** That is to be also on the way to getting resolved?
- Mukesh Kumar Jain:** Yes.
- Pranav Tendulkar:** Thanks a lot for your time.
- Moderator:** Thank you. Next question is from the line of Gopal Agarwal from DSP Mutual Fund. Please go ahead.
- Gopal Agarwal:** Just few questions. First Sir, could you give SMA0 and 1 as well like you given SMA2?
- Mukesh Kumar Jain:** SMA0 around 2500, SMA1 around 1500.
- Gopal Agarwal:** Sir the second question was what is the amount of dispensation if any that we have taken on MSME loans on the RBI dispensation that was given last year?
- Mukesh Kumar Jain:** Restructured loan?
- Gopal Agarwal:** Yes.
- Ashwani Kumar:** 451 Crores.
- Gopal Agarwal:** Sir the performance of this in terms of whether they will be delinquent or standard we will get to know in Q1 FY2021 is that correct, June 2020 quarter?
- Mukesh Kumar Jain:** Yes. You are correct.
- Gopal Agarwal:** Sir the next one was in the NCLT cases, I just wanted to understand the roadmap on our exposure in terms of where are we for the textile account and other NCLT exposure, just the resolution on that front and also one more thing on resolution if you would provide some clarity on the iron and steel NPA which is still quite large for us so what is the status over there so some clarity on the resolution front?



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- Mukesh Kumar Jain:** In textile I think Alok Textile is the one that is already in process. It may get resolved as only some technical issues are going on and iron and steel major is that Bhushan Power and Steel that is also in the final stages?
- Ashwani Kumar:** We have Uttam Galva. These are already filed with NCLT.
- Ashwani Kumar:** It is admitted resolved filed with NCLT and we are waiting NCLT approval.
- Gopal Agarwal:** Which one Uttam Galva?
- Sunil Chugh:** Uttam Galva Metallic and Uttam Galva Value Steel, Uttam group accounts resolution plan is already approved by CoC and filed with NCLT and we are expecting NCLT approval in this quarter and money should flow in this quarter itself.
- Gopal Agarwal:** Sir just on Alok, we understand that the equity raise is already happening based on the filing that they are doing with the exchanges so where is it stuck Sir?
- Sunil Chugh:** Alok my latest update is that we are expecting the money to flow in by may be mid February.
- Gopal Agarwal:** Okay and once that is done then the account should get resolved by March 31, in your view?
- Sunil Chugh:** Yes, in my view it should get resolved within this quarter.
- Gopal Agarwal:** Okay and our exposure to Alok would be how much approximately?
- Mukesh Kumar Jain:** Our exposure is 410 Crores and we are expecting 97 Crore as our share of resolution amount.
- Gopal Agarwal:** Okay and Sir similarly for Bhushan Power what is the issue and in your view when should it get resolved?
- Mukesh Kumar Jain:** The matter of Bhushan Power & Steel Ltd is in public domain that the JSW resolution applicant wanted the immunity from proceedings under PMLA that ordinance has come in this regard and now this issue is with the court to give a decision on this issue whether this ordinance will apply to JSW or not and we are waiting for final approval of the plan by



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NCLAT and I hope that this should also get resolved soon and this quarter we should get the money.

Gopal Agarwal: What is the date of the final hearing of the NCLAT if you remember just in terms of monetarable?

Mukesh Kumar Jain: January 23, that is today only so we will know the outcome by end of today.

Gopal Agarwal: Our exposure to this one is approximately how much?

Mukesh Kumar Jain: 1600 Crores is our exposure in this.

Gopal Agarwal: Approximate recovery expected would be?

Mukesh Kumar Jain: We expect ₹822 Crores in this.

Gopal Agarwal: Uttam Group cumulative recovery that we expect is how much?

Sunil Chugh: Uttam group both the accounts we expect 106 Crores. That is our share of resolution amount, 106 Crores.

Gopal Agarwal: Any issues here like any further proceeding or this is final order you are just waiting for that?

Sunil Chugh: We are waiting for the final order. There are no pending issues.

Gopal Agarwal: Apart from that Sir any major resolution that is there in the pipeline like power you have already spoken about apart from that anything that is there for us which is there?

Mukesh Kumar Jain: You are talking of NCLT resolution or outside NCLT?

Gopal Agarwal: Outside of NCLT or within NCLT any major resolution more than 300 Crores?

Mukesh Kumar Jain: Outside of NCLT we are having some settlements going on Jai Balaji Industry is there and within NCLT we have Wind World India Limited which is 195 Crores exposure and our share in resolution amount is 46 Crores that is also filed within NCLT, we are waiting for the final approval. The Allied Strips Limited our exposure is 152 Crores. This also is filed



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with NCLT. We are awaiting judgement. Our resolution amount is 35 Crores, there are many others in the smaller brackets. These are the major one.

Gopal Agarwal: Thank you so much and Sir just last sorry missed one, what is our expectation of credit growth for next year or how do you see that progressing?

Mukesh Kumar Jain: See current year we are expecting 10% to 12%. So far we have grown by around 11% or so and you know next year bank will be amalgamating with Punjab National Bank so next year I think guidance will be given by the amalgamated entity. For this quarter I can say around 10% to 12%.

Gopal Agarwal: Thank you so much Sir. All the best.

Moderator: Thank you. Next question is from the line of Anirvan Sarkar from Principal Asset Management. Please go ahead.

Anirvan Sarkar: Thank you Sir for the opportunity. I am sorry I joined the call a little late so I am sorry if this has been asked already but just a couple of questions on couple of the key accounts which are problematic right now so regarding the HFC which is now being regarded as an NPA by all banks so one of the banks has classified this is a fraud and my question is that is this something I mean what is the basis used across banks so can one bank classified as a fraud and the others just classified as a regular NPA or is this something that is standardized practice across banks, how does it work?

Ashwani Kumar: See with regard to classifying any account as a fraud or no fraud in public space, we have a laid down procedure to follow. In this account that investigation is on by the third party agency consultant has been appointed and they had submitted the report. Consortium is analyzing the report and consortium leader and all members will take a call and once the call is taken then there will be a decision whether to classify account as a fraud or not. Further if they have pointed out a diversion of let us say 4000 Crores or 3000 Crores only whether it is advisable to classify entire one lakh Crores of lending as a fraud that is also a question being debated, so it is a matter of time, probably in this quarter we will see that how things move and decision will be taken whether to classify and how much to classify account as a fraud.

Anirvan Sarkar: Fair enough. Basically banks have the leeway to classify it as a fraud if they want I mean just trying to get a sense?



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Ashwani Kumar: Yes, in case evidence is there and it is proved then the bank has a levy to classify it has a fraud.

Anirvan Sarkar: Yes because especially for this instance as you mentioned it is 100 investigations but nothing has been concluded yet and one the bank had taken a decision so I was just trying to get some clarity on this. Anyway the other question is on the telecom account that is being spoken of right now, so what kind of exposure do we have to this account?

Mukesh Kumar Jain: We do not have any exposure to Vodafone, Idea or Airtel and we have RCOM is already NPA and provided for.

Anirvan Sarkar: One question for knowledge purpose on this so how do spectrum payment guarantees work in the sense that let us say to the I mean you do not have an exposure but definitely you would have knowledge on this that you know if I as a bank have given a spectrum payment guarantee to one of the telecom companies and if it is taken to NCLT then where does my payment status stand?

Ashwani Kumar: I think this is more of an academic question. We can discuss in one to one after the concall. I will call you separately on this issue and we will discuss. Probably I may also get benefited out of your experience.

Anirvan Sarkar: Sure Sir although it is me who is trying to learn but sure we can take this offline and my third question is that regarding the merger so how are we approaching this in terms of integration both our employees as well as processes and systems and that includes IT, HR and everything how are we looking at things herein and what are we doing to retain our good employees and look the productivity measure so how are, any color on that that you could provide?

Mukesh Kumar Jain: 34 task force committee has been formed on different aspects and as far as HR is concerned, amalgamated entities going to adopt the best practices among all the three banks and for the next year all the three banks are also going for one round of promotions in this quarter. So we are taking care of the interest of the employees so there should not be any worry as far as employees are concerned. As per technology is there you know we are under Finacle 7 and Punjab National Bank is Finacle 10. I think that is going to take some time. They are already in talks with Wipro and Infosys also to give the solution at the earliest but we expect from April 1, at least 14 services should be available to all the customers of three



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banks from any of the branch of any of the bank. Consultants are already working on different aspects and I can only say in once sentence that process is very smooth.

Anirvan Sarkar:

Thank you Sir. I will come back if I have any more questions.

Moderator:

Thank you. Next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra:

Good afternoon. Sir I wanted to know out of our total book how much of the corporate book, how much is the government/sovereign/PSU/PSU enterprise's exposure? How much is private and how much is government?

Ashwani Kumar:

PSU exposure is around 20% of our book.

Jay Mundra:

On corporate side Sir?

Ashwani Kumar:

Government means PSU like RSCP, PSP, state warehousing, HSEP, both state and centre.

Jay Mundra:

Correct. So that is and the absolute amount Sir how much would it be?

Ashwani Kumar:

I have told you the percentage out of the total advance book.

Jay Mundra:

So as a percentage of corporate it would be even around 40% let us say, give or take.

Ashwani Kumar:

May be, yes.

Jay Mundra:

Second Sir there were the talks of this LIC which has changed the annuity table so in your due diligence when you approach PNB and because of this merger integration you would have also been made aware of this LIC annuity table so does this change your pension kind of a requirement or how do you look at that?

Ashwani Kumar:

Currently the consultants are working on this aspect. They have not yet come back on this issue with us and we have given our data and all figures to actuarial also and they have to come back to us. So once they give us a feedback about the impact and everything only then we will able to comment on that. There can be a positive or negative it is still not known to us because our valuers and due diligence team on behalf of the merging entities and our actuarials they are all working on that.



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Jay Mundra: Sir what would be your rough share of people who had joined before 2010 I mean the old pension scheme?

Ashwani Kumar: That you can take after some time.

Jay Mundra: Sir you mentioned about some of the resolutions which are happening so can you also comment?

Mukesh Kumar Jain: Less than 50% around 10000.

Jay Mundra: Sure Sir and which LIC table are we using currently on that mortality 2006?

Ashwani Kumar: That we will let you know separately. I am not having the data right now.

Jay Mundra: In terms of resolution you commented on some of the names would you can also comment on RCOM because we are hearing that bankers are likely to get some 13000 Crores-14000 Crores on the total group what is your sense and does this get effected because of this AGR thing or this is even if the buyer were to pay AGR the banks would receive 14000?

Sunil Chugh: This is our view that banks should get 14000 Crores despite AGR issues that should be over and above that, but the full clarity, we are still awaiting.

Jay Mundra: Anything happening in IL&FS side Sir any exposures which are sort of eminent in terms of resolution may be power or may be some other road project?

Sunil Chugh: Yes, Pune-Solapur is on the verge of resolution and there is an advance stage of resolution on all the accounts.

Ashwani Kumar: In Thirunantapuram, NHAI has already given the arbitration award in favour of the banks doing the entire loan disburse to be repaid to the bank around subsequent to 75 Crores approximately so whatever loan has been disbursed to the bank that will be paid back to the banks so likewise there are advertisements coming in the newspaper you might be seeing that they are calling expression of interest for various assets so hopefully good amount of resolution is likely to come.

Jay Mundra: That is all from my side. Thank you so much.



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Moderator: Thank you. Next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

Pranav Tendulkar: Thanks a lot for again giving me an opportunity. Sir out of the 1800 Crores that next quarter is going to be expected to get resolved from NCLT what is the recovery that we expect on our accounts?

Mukesh Kumar Jain: 950 Crores.

Pranav Tendulkar: Sir also the credit cost guidance that you gave, does it have any estimate from its recovery from NCLT or is it just a credit cost on the existing NNPA remaining?

Mukesh Kumar Jain: This is overall including this impact of the recoveries.

Pranav Tendulkar: But then it looks a little bit higher because 12.6% is the GNPA and I think 6 is NNPA so 7% is remaining 7% of your 17000 Crores and probably 2.5% will come but recovery will be above this right?

Mukesh Kumar Jain: So that is the range I mentioned range from 2% to 2.5%.

Pranav Tendulkar: Correct and out of this 5 lakh Crores to 6 lakh Crores total NCLT which are the top five or ten accounts that we have exposure to?

Mukesh Kumar Jain: Bhushan Power and Steel, Alok Industries, Wind World India, Allied Strips, Uttam Galva, PMC, Uttam Value, and Trimax, IT Infra.

Pranav Tendulkar: Thanks a lot.

Moderator: Thank you. Next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Mohit: Actually in case of RCOM I understand that there will be some bids from Mukesh Ambani Group and UBI but if you look at it RCOM also have if I am not wrong some 20,000 Crores of dues related to AGR and penalties and interest etc., so in case there is some resolution who will bear this amount of 20,000 Crores, will it be taken by banks or will it be taken by the acquirer?

Mukesh Kumar Jain: Secured creditors have got the priority and banks are secured creditors.



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Ashwani Kumar: The bidding person or the bidding company already knows what are the dues available and how they have to be settled. Taking all due diligence to account only then they must be bidding.

Mukesh Kumar Jain: As per NCLT this IBC provision this government dues will fall lower in priority.

Mohit: Sir secondly in terms of DHFL we are getting some news report that in the resolution process it is being planned that book will be split in two three and will be resolved in this manner so where exactly is the resolution process on DHFL right now?

Ashwani Kumar: That is being discussed at the consortium level, once that is discussed and decided at the consortium level that will reach to us and yes there are options that would split the book into three and then to get the resolution in place that is also being discussed, let us see what is the final resolution which is decided by the consortium then we will be able to give you a more clarity.

Ashwani Kumar: This is only one of the options is being calculated.

Mohit: Are you aware of any other options?

Mohit: Lastly in terms of this partial credit guarantee schemes, have you disbursed anything under the scheme so far?

Ashwani Kumar: As of now, no.

Mohit: Thank you Sir and thanks a lot for your responses.

Moderator: Thank you. Next question is from the line of Venkat M from Kotak Securities Limited. Please go ahead.

Venkat M: Just on the recoveries that flowed into the P&L this quarter was there anything that came in the interest income line or the provision line?

Mukesh Kumar Jain: No there was only an interest recovery that has come into the income head otherwise there is no exceptional recovery that is reflected in the interest income.

Venkat M: Sir what was in the interest income line?



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- Mukesh Kumar Jain:** In the interest income only recorded interest recovery which is in NPA account we get recovery normal recovery that is reflected in the interest income apart from that there is no extraordinary interest recovery which is reflected in the interest income.
- Venkat M:** Any reversal of provisions that happen from any large accounts?
- Mukesh Kumar Jain:** Yes, reversal of provision happened from Dewan Housing Finance that was there and Religare also so around 110 Crores.
- Venkat M:** Reversal of provisions of recovery.
- Sunil Chugh:** That is Ruchi Soya Industry and I mean many accounts wherever we because we have a good PCR so most of the accounts we recovered, there were reversal of provisions involved and the next question was with regard to your interest, there was only nominal amount of 33 Crores which is a routine kind of a recoveries in small account which is gone to interest not the major one.
- Venkat M:** Okay so the major one it has flown into loan other income and your reversal of provisions line?
- Mukesh Kumar Jain:** Yes, and towards principal.
- Venkat M:** Thanks.
- Moderator:** Thank you. Next question is from the line of Rakesh Kumar from Elara Capital. Please go ahead.
- Rakesh Kumar:** Just I have a question regarding this ICA even recently RBI had indicated that now the case has to come to the NCLT and the banks have to follow the line so what is happening there and like you know what is our exposure to that total ICA based loans because for the system it is showing close to around one trillion number so just if you can say?
- Ashwani Kumar:** In ICA we have NPA and standard accounts. ICA has been signed in NPA accounts also and in standard accounts also. So in NPA accounts we have six accounts where ICA is there and where we can have an additional provisioning and our outstanding in those six accounts is 672 Crores fund based and 231 Crores non-fund based. So we expect an additional



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provisioning in case the resolution do not takes place or they are not refer to NCLT ₹135 Crores of additional provisioning in these six accounts.

Rakesh Kumar: For the accounts which are standard?

Ashwani Kumar: Yes, which are standard there are five accounts where this ICA has been signed and our exposure is around 161 Crores.

Rakesh Kumar: That is it 161 Crores?

Ashwani Kumar: Yes.

Rakesh Kumar: Okay and Sir this would be the last quarter while before the merger correct?

Mukesh Kumar Jain: In case merger is now notified then of course last quarter otherwise will continue in the next quarter as well.

Rakesh Kumar: Thank you.

Moderator: Thank you. Next question is from the line of Gaurav Agarwal from Bowhead Investment Advisors. Please go ahead.

Gaurav Agarwal: Sir any particular reason why you call your SMA2 as a watch list?

Ashwani Kumar: These SMA2 accounts are constantly under our radar, our credit monitoring vertical is there and they continuously on daily basis they keep on watching these accounts, they keep on talking to the customers, talking to the branch so we always keep these accounts under our watch list and these accounts are being discussed at the top level also on a weekly basis with the MD and CEO Sir and ED Sir, so we continuously keep watch list if we exclude these accounts from the watch list then we may miss out on certain vital accounts also. So we do not leave any account SMA2 out of the watch list.

Gaurav Agarwal: Okay but Sir there has to be in this whole 1430 Crores there should be some accounts which you know may be most of the times remaining SMA2 and never slip?

Ashwani Kumar: Yes, there are accounts but we need to have a close watch because if we miss out one day.



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- Gaurav Agarwal:** Those regular accounts out of this, what is the portion left which will slip for you?
- Ashwani Kumar:** 500 Crores, other accounts are regularly appearing in this watch list.
- Gaurav Agarwal:** Sir how is the progress or any update on this State Electricity Boards? Are they doing well are their incidences of coming to SMA1, SMA2 sometime?
- Ashwani Kumar:** We do not have any such instance any of the account we have majorly in this Uttar Haryana or Dakshin Haryana accounts and we do not have much exposure in other Discoms and we have not taken any additional exposure off late in Discoms also so in all accounts all are standard not even SMA0.
- Gaurav Agarwal:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Bhavik Shah from B&K Securities. Please go ahead.
- Bhavik Shah:** Thanks for opportunity. Sir this question is broadly related to the swap ratio and merger. While the swap ratio has announced on August 30, 2019 our price was around Rs.74 while our anchor bank, PNB price was Rs.65. At that point of time if we give one share we would be entitled for 1.1 share of PNB but now as I understand our prices have corrected a lot since then and now as per the swap it is 0.9% so given the earlier merger between Bank of Baroda, Dena and Vijaya the swap ratio was usually in line with the date of announcement so I just wanted to understand would it be detrimental to OBC if the swap ratio is below 1?
- Mukesh Kumar Jain:** Have you come to know this swap ratio actually we are not aware of this swap ratio.
- Bhavik Shah:** I do not know the swap ratio but Sir I am just understanding it is catering at a huge discount so is there something that we need to know whether how it is?
- Ashwani Kumar:** As far as swap ratio is concerned our valuers and due diligence consultants are working on that. Also GOI notification is yet to come. After notification the swap ratio will be decided. Our endeavour will be to protect the interest of the shareholders. We will make sure or we will try our level best so that the interest of the shareholder is protected.



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Bhavik Shah: Thanks.

Moderator: Thank you. As there are no further questions I will now hand the conference over to the management for closing comments.

Mukesh Kumar Jain: Actually, you will observe that whatever guidance we have been giving for the past few quarters, we are maintaining those guidance's and next quarter also we expect to be a good quarter. The merger is expected to be effective from April 1, that is what we are expecting and Q1 will be expected to be with the merged entity. So this current quarter that is ending March also we are expecting good results and good performance for the bank. Thank you very much for sparing your valuable time all the participants and Mr. Sohail also. Thank you very much.

Moderator: Thank you very much. On behalf of Antique Stock Broking Limited that conclude this conference. Thank you for joining us. You may now disconnect your lines.