



## “Oriental Bank of Commerce Q4 FY19 Earnings Conference Call”

**May 13, 2019**



**MANAGEMENT: MR. MUKESH KUMAR JAIN – MD & CEO**  
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**MR. MAHESH DHAWAN – CFO**

**MODERATOR: MR. SOHAIL HALAI – ANTIQUE STOCK BROKING**

**Moderator:** Ladies and gentlemen, Good day and welcome to Oriental Bank of Commerce Q4 FY19 Conference Call, hosted by Antique Stock Broking. 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 this conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sohail Halai from Antique Stock Broking. Thank you and over to you sir.

**Sohail Halai:** Good afternoon everyone. I welcome you all to Oriental Bank of Commerce Q4 FY19 Earnings Call. We have with us today Mr. Mukesh Kumar Jain – MD & CEO, Mr. Balakrishna – Executive Director, Mr. Mahesh Dhawan – CFO along with the other team members to represent and discuss Q4 Earnings and Future Strategy. Without further delay, I hand over the call to Mr. Jain for his opening remarks. Over to you sir.

**Mukesh Kumar Jain:** Very good afternoon to all of you. With me today are our Executive Director – Mr. Balakrishna Also, our CFO – Mr. Mahesh Dhawan, and team of other general managers. As highlighted in our last con-call, we are committed and continually focusing on our objective of overall improvement in asset quality, growth, and pre-provisioning operating profit and targeting bottom-line for improvement in profits. I will highlight the Results of Q4 and FY18-19 and then I will take your questions.

Before going in detailed question & answer session, let me inform you that we have kept an analyst meet on 16<sup>th</sup> May in Mumbai for granular discussion on the financial results, future outlook & strategy of the Bank, and I expect and request all of you to kindly participate in that meet also.

Now, I will start with the highlights.

The operating performance in the financial year ‘19 was driven by robust deposit growth, healthy growth in loan portfolio, expansion in NII, and improvement in other income.

Net profit:

Bank has turned-around and consistently showing profit since the last 3 quarters against losses of previous 7 successive quarters. For Q4 FY19, Bank has posted a net profit of Rs. 201.50 crores against net profit of Rs. 144.96 crores in Q3, thereby increasing 39%. During corresponding quarter of previous financial year, Bank incurred a loss of Rs. 1650 crores and during whole year financial year ‘19, Bank posted a profit of Rs. 55 crores against losses of Rs. 5872 crores in FY18. Operating profit for Q4 registered a growth of 5.22% on sequential basis and stood at 1055 crores. During corresponding quarter of previous financial year, operating profit was 401 crores. Thereby, there is an increase of 163%. The operating profit of the Bank has grown 1.37% in FY 2019 and stood at Rs. 3754 crores.

The above increase is mainly due to increase in net interest income and bad debt recovery in T.W.O. accounts.

Net interest income of the Bank has increased to Rs. 1473 crores in Q4 FY19 from Rs. 1418 crores in Q3 FY18, thereby registered a growth of 3.91%. During FY19, net interest income increased to Rs. 5498 crores from Rs. 4500 crores in FY18, thereby impressive increase of 22.16%.

Capital adequacy:

Bank's total capital adequacy as on 31<sup>st</sup> March '19 as per Basel-III norm stood at 12.73% comprising of Tier-1 of 9.98% and Tier-2 of 2.73% and CET-1 at 9.86% which is above the regulatory minimum for March-19. During FY19, there was capital infusion by the Government of India amounting to Rs. 6686 crores and ESPS subscribed by employees of the Bank of Rs. 250 crores. So, going forward, the Bank is well-capitalized for business growth with focus on good quality credits and consistent improvement in the profitability.

As far as asset quality is concerned, there is a consistent improvement in asset quality of the Bank since March '18. Fresh slippages have reduced to Rs.7066 crores in FY19 which were significantly lower from Rs. 12,430 crores in FY18. Fresh slippage of Rs. 7066 crores consist of retail 5%, agri 20%, MSME 21%, and balance 54% was corporate sector. During previous 2 years' average fresh additions to NPA was approximately 12,000 crores. Bank has strengthened its credit risk process. Marketing and credit underwriting is now separated by creating specialized vertical and funding through clustered-based approach. Sector-wise specialization is being developed in corporate credits.

Stress portfolio:

After addition of mounting NPA in last 2 years, our focus shifted to additional stress in corporate books. As a result, fresh NPA addition in Q4 was Rs. 1490 crores which includes IL&FS exposure of Rs. 405 crores. At present, our stress portfolio is reduced to Rs. 3800 crores and this comprised of restructured S4A/525 portfolio of 1000 crores and SMA-2600 crores and IL&FS exposure of 200 crores. Our focus is now addressing quality loan growth by way of strengthening systemic procedure, rule-based processing, strengthening credit-writing process, separating monitoring and sanctioning, and reorganize our structure into vertical system, and sanction of all loans through cluster-based approach. Entering a period of falling provisions, loan growth, higher profitability, and control cost, our cumulative 4 quarter results give an indication that stress in the system is cooling off substantially. Going forward for FY19-20, the trend should well continue. Moreover, Bank is planning to strengthen and pursue credit growth through low capital consuming businesses like regulatory retail, MSME, and externally A-and-above rated mid-corporate borrowers preferably maintaining capital-light model.

Both gross and net NPA of the Bank has reduced substantially during FY19. Gross NPA of the Bank declined from 17.63% in FY18 to 12.66% in FY19 and net NPA declined from 10.48% in FY18 to 5.93% in FY19 due to substantial cash recovery and upgradation including recovery through NCLT route, containment of fresh slippages, and additional provisions. As provision-to-debt ratio improved to 75.84% from 64.07% on Y-on-Y basis and in NCLT referred cases, our provisioning is above 85%. PCR excluding technical write-off increased from 45.35% in '18 to 56.33% in March '19.

Bank has made remarkable cash recovery including upgradation to the tune of Rs. 6597 crores during FY19 against Rs. 3161 crores in FY18, thereby increase of 108%. Bank has made cash recovery in T.W.O. fully provided accounts to the tune of Rs. 1571 crores in FY19 against Rs. 363 crores in FY18, thereby increase by 333%. Resolution is under process in 180 NCLT cases including cases filed by other banks having exposure of Rs. 15,474 crores. This comprised of Rs. 8074 crores, i.e., 37% of GNPA and Rs. 7400 crores of T.W.O. accounts, i.e., 42% of total T.W.O. portfolio, and Bank has made a provision of above 85% in the NCLT-referred cases.

The business as on March '19 stood at 4.04 lakh crores as against 3.55 lakh crores in March '18, thereby a total business growth of 13.68%. The advances and deposits have grown by 15.75% and 12.20% respectively on YOY basis.

Bank has been focusing on retail business and advance portfolio predominantly driven by retail advances growth of 41.62% on Y-on-Y basis. The retail portfolio of the Bank has improved to 21.37% of total advances excluding IBPC in March '19 from 16.23% in March '18. The focus of the Bank is on RAM credits which grow at over 17% during FY19. The share of RAM sector has improved to 54.94% in March '19 from 50.62% in March '18.

Bank is shredding its portfolio in high-risk assets, high-risk sectors, poor risk-weighted corporates and below hurdles rate. To boost credit portfolio, various proactive steps and digital initiatives are undertaken by the Bank. Within Q4, Bank has launched one Insta Vehicle Loan and Insta Top Up Loan for housing loan for existing good borrower accounts having good track record to reduce the turnaround time and improve customer service. Further, Bank has tied up with CIBIL Express acquisition tie-up with builder and corporate houses to garner retail business.

Bank is exemplary for sanctioning housing loan for 40 years' tenure and vehicle loan for 10 years' tenure. The MSME advance of the Bank has grown by 12.60% in FY19. Bank is leveraging the contact-less loan portfolio, i.e., PSB 59 minutes, TReDS platform, enhancing focus on digital processing, and automated loan processing that is straight through process. During FY16, Bank reorganized its structure and allocate two-tier vertical approaches for decision-making, adopted lending through clustered-based approach.

After the above changes and various initiatives, the fresh slippages in MSME in our new vertical structure has consistently reduced to 0.57% against Bank's overall MSME NPA of 10.09% due to legacy issues.

The risk-weighted assets and credit risk-weighted assets have been continuously declining on sequential basis reflecting Bank's focus on optimizing risk efficiency and efficient use of capital while delivering more than 50% credit growth.

Cost of deposits has improved by 3 basis points in FY19 to 5.64% compared to 5.67% in FY18. Yield on advances improved by 50 basis points during FY19 to 8.23% compared to 7.73% in FY18. Similarly, in Q4 FY19, Yield on advances improved to 8.37% compared to 8.28% in Q3 FY19, thereby increasing 9 basis points on sequential basis. Cost-to-income ratio has increased to 54.04% in FY19 from 49.22% in FY18 mainly due to increase in establishment expenses and making provision for wage revision.

Net interest margin was at 2.74% in Q4 of 2019 compared to 2.79% in Q3 of '19. The NIM of the Bank in full year has improved to 2.79% in FY19 from 2.18 in FY18, thereby increased by 55 basis points on Y-on-Y basis. Going forward, Bank expects to increase NIM to a level of 2.75% to 3% in the current financial year '19-20.

The CASA of the Bank has grown 4.09% on Y-on-Y basis; however, CASA share of the Bank has declined to 29.40% in FY19 from 31.68% in FY18 due to substantial increase in term deposit to meet increased requirement of advances during the period. Bank has undertaken various initiatives on digital front, not only improving penetration but also expand the customer base. The digital banking percentage has increased from 63.05% in March '18 to 73% in March '19. Bank has also achieved priority sector lending target of 40% by achieving 40.32% of total ANBC as on 31.03.2019.

#### Outlook:

Bank intends to establish itself as a National Bank for retail and MSME segment and focus on retail, MSME, and mid-corporate segments. Focus on increasing bottom-line growth by augmenting fee-based income. So, wealth management vertical has been created for increasing fee-based income for all third-party product investment in insurance, wealth management, etc., are covered under one umbrella for exclusively targeting the segment.

Bank is targeting advances growth of 10% to 12% in the next year. Growth will be driven by strong digital credit, higher demand from MSME and mid-corporate sector, increasing working capital requirements, etc. Bank is targeting cash recovery and upgradation of Rs. 8000 crores in FY19-20 comprising cash recovery of 4000 crores, NCLT recovery of 2500 crores, and upgradation of 1500 crores.

Over the past 4 quarters, our provision as percentage of average advances has been ranging between 2.15% to 4%. For financial year '19, credit cost was 4.03%. Our focus is now on a regulatory retail, MSME, externally A-and-above rated borrower. We believe credit cost on a normalized basis will be around 1.5% to 2% due to improvement in the asset quality, loan growth and improvement in net interest income, and substantial write-back in provisions due to recovery including NCLT cases.

CASA share in FY20, we have targeted to improve around 32% to 34% and net interest margin is also targeted to be maintained around 2.75% to 3%.

With this, I conclude my opening remarks and will be happy to take your questions please.

**Moderator:** Ladies and gentlemen, we will now begin the question & answer session. The first question is from the line of Marukh Adajania from IDFC. Please go ahead.

**Marukh Adajania:** Sir, I had a few questions. Firstly, what would your exposure to the ADAG Group and Dewan Housing and also to the SEBs? And then how much of it would already be NPL?

**Mukesh Kumar Jain:** Anil Ambani group total exposure is 1325 comprising of fund based 910 and 415 non-fund based.

**Marukh Adajania:** So, the fund base is already NPA?

**Mukesh Kumar Jain:** Out of 1325 cr, 900 cr is NPA. Out of 910 cr, 515 cr is NPA.

**Marukh Adajania:** And the 400 is anyway non-fund, right sir?

**Mukesh Kumar Jain:** Yes, total NFB is 415 cr..

**Marukh Adajania:** Your exposure to the Dewan group?

**Mukesh Kumar Jain:** Dewan group is 1177 crores.

**Marukh Adajania:** Are you aware of any resolution happening there like people say retail business being sold out, any idea?

**Mukesh Kumar Jain:** We are seeing the news only. There is no other source.

**Marukh Adajania:** So, the discussions happen only at the lead Bank level, is it or how does it work?

**Mukesh Kumar Jain:** May be at the lead Bank level, not very sure.

**Marukh Adajania:** And sir, your exposure to SEBs (State Electricity Boards) would be?

**Mukesh Kumar Jain:** 1597 cr.

**Marukh Adajania:** This is all loans to the SEBs? Bonds?

**Mukesh Kumar Jain:** Yes.

**Moderator:** The next question is from the line of Amit Singh from B&K Securities. Please go ahead.

**Amit Singh:** What is our outstanding SMA-1 and 2 and what is the sectoral breakup of this?

- Mukesh Kumar Jain:** It is totally around 7000. SMA-2 is around 3000. Sectoral: Large industries 468, MSME 855, agriculture 1152, retail 348, and others 116; so, this is around 3000 crore SMA-2.
- Amit Singh:** What is our BB and below corporate book? How much is that?
- Mukesh Kumar Jain:** 30% is BB and below.
- Amit Singh:** Of the total corporate exposure?
- Mukesh Kumar Jain:** Total Externally rated loan book.
- Amit Singh:** What is our exposure to the Essel Group?
- Mukesh Kumar Jain:** This detail we have given in Slide #24. In one SPV is 110 crores.
- Amit Singh:** Out of our total NBFC exposure, how much is to the entities like REC and PFC and then how much is to the entities like HDFC or Bajaj Finance and how much is to the entities like Dewan and India Bulls? Of these 3 broader categories, how much is our NBFC exposure distributed?
- Mukesh Kumar Jain:** REC 750, PFC is 1511, PNB Housing Finance 1438, Bajaj Finance is 1286, L&T 1190, HDB Financial Services 1140.
- Amit Singh:** How much would be towards the weaker NBFCs like Dewan and India Bulls? How much would be towards those kinds of entities?
- Mukesh Kumar Jain:** Dewan is 1177, Indiabulls 994 including investments.
- Moderator:** The next question is from the line of Praful Kumar from Pinpoint Asset Management. Please go ahead.
- Praful Kumar:** Sir, can you just talk about the real estate exposure in terms of how much is the developer book and how much is construction finance for you?
- Mukesh Kumar Jain:** Total CRE is 6190 out of which LRD is 3400.
- Praful Kumar:** The rest is builder and construction finance?
- Mukesh Kumar Jain:** Yes.
- Praful Kumar:** Have you seen any SMA-2 coming from this segment already? Because we have seen a very sharp slowdown and seeing lot of NPAs coming through especially in the north side. So, have you seen any delays or any trends there?
- Mukesh Kumar Jain:** SMA-1 and 2 together is around 225 crores.

- Praful Kumar:** How much is our outstanding restructured book as of now?
- Mukesh Kumar Jain:** 415.
- Praful Kumar:** Can you give some details on the slippages, recovery upgrade, and write-offs for the quarter?
- Mukesh Kumar Jain:** Recovery and upgradation is 2262, write-off is 2864, and fresh addition is 1491.
- Praful Kumar:** Sir, any chunky accounts here? Because it is a big number for the quarter. So, any few names that you want to take what contributed to such high recovery upgrades?
- Mukesh Kumar Jain:** Jayaswal Neco 111, Mahavir Ferro Alloys 124, Mahalaxmi TMT 55, Sriram Power 40, Xcel Energy 65. These are the large ones.
- Praful Kumar:** Sir, one last question. In terms of growth, you have done I think phenomenal growth quarter-on-quarter, but give the macro slowdown today and given the fact that you have 30% of the exposure on BB and below, don't you think it is prudent not to grow suddenly at 14% to 15% Q-on-Q? I agree it is RAM based, but still in retail also, we have seen significant slowdown in consumption. So, can you talk more about risk parameters you are watching on the ground?
- Mukesh Kumar Jain:** Now we are targeting the current year 10% to 12% growth only. Over the last year, we had taken some IBPC also. So, some of our IBPC we would like to convert into regular advances.
- Praful Kumar:** And what is the next year looking at? Because you have taken significant recovery upgrades this year itself, so what are you looking at next year for recovery upgrades and slippages?
- Mukesh Kumar Jain:** Recovery and upgradation, we are looking at around 8000 crores and slippages around 4000 crores.
- Moderator:** The next question is from the line of Bhavik Shah from B&K Securities. Please go ahead.
- Bhavik Shah:** What exposure do we have to Jet and Suzlon?
- Mukesh Kumar Jain:** In a group company, we have 3 crores only. We don't have exposure to Jet directly. Suzlon is around 320 - fund based 90 and non-fund based 230.
- Bhavik Shah:** A couple of more questions I had. One was with respect to your breakup of exposure to list 1 & list 2, the provision you hold on list 1 & list 2 and what is the recovery you estimate on these 2 buckets on NCLT basis?
- Mukesh Kumar Jain:** List 1 has an outstanding of 3364, there is a provision of 81%. List 2 is 2358 and provision is above 91%. There is a provision of 86% for entire NCLT referred cases.
- Bhavik Shah:** How much recovery do you expect in the current year FY20 from NCLT? There are some resolutions in pipeline, so from those resolutions.

- Mukesh Kumar Jain:** 18-19 full year, it was 1390. Around 1500 we are expecting for the full year FY20 looking by the position right now.
- Bhavik Shah:** This is over and above the 8000 crores recovery upgrade do you expect or including that?
- Mukesh Kumar Jain:** Including that.
- Bhavik Shah:** And sir, your NCLT T.W.O. balance would be? The written-off accounts in NCLT?
- Mukesh Kumar Jain:** 7400 crores.
- Bhavik Shah:** Loan book you have mentioned, but how do you see your operating profit growing for the next year?
- Mukesh Kumar Jain:** Loan book we are expecting 10% to 12% and operating profit we are expecting around 5000 crores for the full year.
- Bhavik Shah:** This would be including recovery from the written-off accounts?
- Mukesh Kumar Jain:** Everything.
- Bhavik Shah:** How much recovery do you expect from written-off accounts?
- Mukesh Kumar Jain:** Around 1500, almost this year's performance.
- Moderator:** The next question is from the line of Kaustubh Sharma from Rane Advisors. Please go ahead.
- Kaustubh Sharma:** In terms of life insurance joint venture with Canara Bank and HSBC, could you provide any update on the stake sale process?
- Mahesh Dhawan:** The process which we had initiated last year is still going on. There are certain issues under which clauses the joint venture agreements have been created, but we are trying to resolve those issues and go forward. As of now, we are in the process of still doing the price discovery.
- Kaustubh Sharma:** Any expectation about monetization proceeds?
- Mahesh Dhawan:** We will take a call as and when the time comes. After we go through the complete process of the price discovery and based on our requirements, we will take a call at the appropriate time during the course of this financial year.
- Kaustubh Sharma:** One follow-up question. Could you provide some clarity on how do we foresee ROA progression in this coming year?
- Mukesh Kumar Jain:** Around 0.5%.

- Kaustubh Sharma:** By when it would be expected to achieve, say 1% ROA?
- Mukesh Kumar Jain:** I think in 3 years' time.
- Moderator:** The next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.
- Sushil Choksey:** Can you highlight what is your thought process for credit cost for the current financial year?
- Mukesh Kumar Jain:** Last year it was 4.03% and current year around 1.5% to 2%.
- Sushil Choksey:** When do you see progress on return on ROA and ROE and when can we reach 1% on ROA?
- Mukesh Kumar Jain:** ROA as I just mentioned that 0.5% during the current year and over a period of 3 years, we expect to take it to around 1%.
- Sushil Choksey:** Sir, you are highlighting 10% to 12% credit growth? What kind of credit disbursement is already sanctioned and what kind of new customer acquisition are you doing?
- Mukesh Kumar Jain:** As I mentioned that our main focus has been on retail like this year, we have grown more than 41% in retail. So, entire RAM has been more than 17%. The balance will be by the A-and-above rated mid corporates only, not very large corporates.
- Sushil Choksey:** In RAM, are you generating more housing loans, more auto loans, or some other loans?
- Mukesh Kumar Jain:** This year, the housing loan growth is 31%, vehicle loan growth is 14%, personal loan is 38%, Other mortgage loan is 40%. This is breakup of 41%.
- Sushil Choksey:** All these loans are generated through our own branches or it is in some part of pool also?
- Mukesh Kumar Jain:** These are mix of both.
- Sushil Choksey:** So, we have purchased some pool?
- Mukesh Kumar Jain:** Yes, we purchased some pool loan.
- Sushil Choksey:** Any color how your CASA can improve?
- Mukesh Kumar Jain:** CASA we are expecting around 32% to 33% only by the year end.
- Sushil Choksey:** You are comfortable with this kind of growth in the current market?
- Mukesh Kumar Jain:** We are not comfortable but we have not been able to grow also, though now we are having a separate vertical and then we are targeting around 33% to 34% share. We are going to create separate vertical for marketing also, separate vertical for CASA especially the government

institutional and government departments also. We are trying to take a few steps in that direction. Let us see how the ultimately performance comes.

- Sushil Choksey:** Any tie-ups or anything to do with digital lending company, SME or Digital Lending?
- Ashutosh Choudhury:** For the Fintech tie-up, right now we are with PSB loans portal but we are going with a couple of Housing Finance Fintech companies so who can give lead as well as those who can convert the lead into credit underwriting process also, and internally also, we are going to tie up with CIBIL and CRISIL for giving us leads.
- Sushil Choksey:** Sir, what is your plan on capital raising as government ownership must be nearing 90% now?
- Mukesh Kumar Jain:** Capital raising as far as we are adequately capitalized as for our credit growth is concerned but to reduce government stake, we are targeting 1000 crores during this year and then 1000 crores next year.
- Sushil Choksey:** And this will be done in a single transaction 1000 crores or you are planning in 2 to 3 phases?
- Mukesh Kumar Jain:** 1000 crores we plan in single transaction. It is not a very big term.
- Sushil Choksey:** When do you estimate to do it?
- Mukesh Kumar Jain:** In 3rd quarter of current year.
- Moderator:** The next question is from the line of Ameshri Shah from Mohanlal Hemchand Stocks & Shares. Please go ahead.
- Ameshri Shah:** My first question is what were your largest top 3 real estate exposures be?
- Mahesh Dhawan:** We have largest exposure in DLF Group that is around 1200-1300 crores in largest DLF Group only. That is by LRD mainly. And another is Haryana State Industrial Development Infrastructure Board Corporation that is 900 crores. And Ambience Group is around 700 crores. These two are LRD only.
- Ameshri Shah:** And the largest NBFC portfolio buyout?
- Mahesh Dhawan:** One is from Dewan Housing also and another is PNB Housing and 3rd is SREI. These are the 3 bigger ones.
- Ameshri Shah:** In terms of your outlook for the next year, what are you all looking at and if any strategy to grow in any specific segments or overall as a whole?
- Mukesh Kumar Jain:** We will discuss in detail in analysts meet on the 16th.
- Moderator:** The next question is from the line of Prakhar Sharma from CLSA. Please go ahead.

- Prakhar Sharma:** Pardon me for joining a little late, but I just wanted to check sir, have you put up the presentation on the website or BSE? I couldn't find it.
- Mukesh Kumar Jain:** Not so far. Actually, we are going to call analysts meet on 16th in Mumbai. At that time, we will be having a detailed presentation.
- Prakhar Sharma:** Maybe you have clarified it in the earlier part of this call, but could you clarify the amount of gross slippages or gross additions to NPL in this quarter and for the full year?
- Mukesh Kumar Jain:** Full year is 7066 and quarter is 1490.
- Prakhar Sharma:** The amount of write-offs for the quarter and for the full year?
- Mukesh Kumar Jain:** Quarter is 2864 and whole year is 6457.
- Prakhar Sharma:** Two more data-keeping questions. What is the CASA deposit base?
- Mukesh Kumar Jain:** CASA is 68,387 and received 29.4%.
- Prakhar Sharma:** On the NCLT loans, what is the size of total exposure and the amount of provisions you are carrying? Only the top 40 odd cases of list 1 and 2.
- Mukesh Kumar Jain:** NCLT all put together overall provision is 86%. NCLT list 1 provision is 81%, list 2 is 91 plus. Average is 86%.
- Prakhar Sharma:** What is the rupee value amount of loans in this book 1 & 2, book value of loans?
- Mukesh Kumar Jain:** 5721, provision is 4862, i.e., 85%.
- Moderator:** The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.
- Pranav Tendulkar:** Can you just tell me what are the exposures to Reliance ADAG Group?
- Mukesh Kumar Jain:** Total is 1325; fund based is 910, non-fund based 415.
- Pranav Tendulkar:** This includes RCOM, RNAVAL, and Reliance Capital?
- Mukesh Kumar Jain:** Everything.
- Pranav Tendulkar:** Second is about any guidance on credit cost and slippages for next year?
- Mukesh Kumar Jain:** Credit cost is around 1.5% to 2% and slippages around 4000.
- Pranav Tendulkar:** Any sector color in these slippages?
- Mukesh Kumar Jain:** This is overall.

- Pranav Tendulkar:** Any color that you can give on the power sector loans that you have? How much percent is government and how much percent is private and how much percent is operational and how much percent is under construction?
- Mukesh Kumar Jain:** Total power sector is 12,333. Out of that, private is 9088, around 74%.
- Pranav Tendulkar:** So, roughly 3000 crores will be public.
- Mukesh Kumar Jain:** Yes.
- Pranav Tendulkar:** And commercial real estate is how much?
- Mukesh Kumar Jain:** CRE is 6190.
- Moderator:** The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** On Dewan, I wanted to know we have done a portfolio buyout but have we also disbursed additionally in the 4th quarter or maybe even in April?
- Mukesh Kumar Jain:** In 3rd and 4th, no.
- Jai Mundhra:** So, we are not additionally disbursing but we are okay to buyout the securitized pool. Is that the understanding, sir?
- Mukesh Kumar Jain:** Dewan, we have not bought anything. It was previously bought.
- Jai Mundhra:** So, there is no fresh money which has been lent, right?
- Mukesh Kumar Jain:** Last 2 quarters, nothing has been lent.
- Jai Mundhra:** But you are okay to do the securitized pool buyout from them. Is that the correct understanding? Because you mentioned the 3 large names wherein you are doing the pool buyout.
- Mukesh Kumar Jain:** After doing the due diligence, then we can look at it.
- Jai Mundhra:** Second question is on the growth side, sir. Maybe you have explained this in earlier part of the call, I was not there. After getting out of PCA, we have grown by around 14% quarter-on-quarter. This is like 20,000 crores of net addition in the loan book. How do you see this run rate in FY20 maybe?
- Mukesh Kumar Jain:** 10% to 12%.
- Jai Mundhra:** Have you provided any color on the recovery what is your budgeted recovery for FY20?
- Mukesh Kumar Jain:** It is around 8000 crores.

- Jai Mundhra:** So, it should be even more than much higher than the slippages that you are estimating, right?
- Mukesh Kumar Jain:** Yes, slippages we are expecting around 4000 crores and total recovery around 8000 crores.
- Jai Mundhra:** And this includes everything from IBC and non-IBC as well.
- Mukesh Kumar Jain:** Yes, it includes recovery in T.W.O. or fully provided accounts, around 1500. This year we had around 1600. So, similar we are targeting during the current year.
- Jai Mundhra:** And just last question from my side, sir. Now we have come out of PCA and there are a lot of talks on the consolidation in the PSU space as well. Just wanted to get your thoughts on merger. How do you look at the PSU Bank merger? And within that, how is OBC placed, either as a target or as an acquirer?
- Mukesh Kumar Jain:** We can be acquirer also. Now, we are financially sound Bank, well capitalized, good credit growth, good recovery, contained slippages. Given some opportunity, we can be acquirer also.
- Moderator:** The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.
- Pranav Tendulkar:** Sir, in comparison with 2397 crore employee expenses this year, how your project is going in next year?
- Mukesh Kumar Jain:** Almost same level. We have already provided for the pay revision.
- Pranav Tendulkar:** So, around 2400 crores only we should take?
- Mukesh Kumar Jain:** Yes, maybe around 2400, you are right.
- Pranav Tendulkar:** Sir, also in the commercial real estate portfolio, are you seeing interest accrued and not paid that is resulting in loan growth somewhere in the portfolio?
- Mukesh Kumar Jain:** NPA is 751 only out of the entire loan book of 6190 cr.
- Pranav Tendulkar:** SMA-1 and SMA-2 for this book, any idea?
- Mukesh Kumar Jain:** Around 220 both together SMA-1 & 2.
- Pranav Tendulkar:** Sir, any geography color in which Tier-1 or Tier-2 cities or in North India or South India, where is this portfolio concentrated?
- Mukesh Kumar Jain:** 74 accounts are there across the country.
- Pranav Tendulkar:** Sir, just 2 data points. Weighted average moratorium for this portfolio and weighted average rating for this portfolio?

**Mukesh Kumar Jain:** That we will have to work out.

**Pranav Tendulkar:** So, can I get in touch with you after the call?

**Mukesh Kumar Jain:** Yes, on 16th we will provide you. We are convening the analysts call meet on 16th in Mumbai.

**Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments. Thank you and over to you.

**Mukesh Kumar Jain:** Thank you so much. In fact, as I mentioned in the opening remarks also that we will be having a detailed discussion on 16th in Mumbai but with the numbers what we have declared and what we have discussed today, you will agree with me that the worst is over now and by and large numbers are quite good as far as containment of slippages is concerned, recovery is concerned, our operating profits, provision coverage ratio, our credit growth. So, I feel we are on the sound footing now. Thank you so much for attending this con-call.

**Moderator:** Ladies and gentlemen, on behalf of Antique Stock Broking, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.