



“Oriental Bank of Commerce
Q2 FY2019 Earnings Conference Call”

October 25, 2018



ANALYST:

MR. SOHAIL HALAI - ANTIQUE STOCK BROKING

MANAGEMENT:

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*Oriental Bank Of Commerce
October 25, 2018*

Moderator: Ladies and gentlemen, good day and welcome to the Oriental Bank of Commerce Q2 FY2019 earnings 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 the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. 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: Thank you Karuna. I behalf of Antique Stock Broking welcome everyone to Q2 FY2019 earnings call of OBC. We have with us today Mr. Mukesh Kumar Jain, MD & CEO, Mr. Himanshu Joshi, Executive Director and Mr. Mahesh Dhawan, GM & CFO who will be representing the OBC. Without any further delay, I would like to hand over the call to Mr. Jain for his opening remarks. Over to you Sir!

Mukesh Kumar Jain: A very good afternoon and welcome to analyst and investors. Let me first brief you highlights of our performance in Q2 of financial year 2018-2019. Our bank has made a net profit of Rs.102 Crores in Q2 FY2018-2019 against losses in seven consecutive quarters. During the previous quarter bank incurred loss of Rs.393 Crores and in September 2017, the loss was Rs.1750 Crores. Operating profit of the bank had increased by 34.25% to Rs.972 Crores in Q2 from Rs.724 Crores in Q1 of financial year 2018-2019 mainly due to increase in non-interest income and reduction of operating expenses. Non interest income of the bank has increased by 47.14% on Q-o-Q basis to Rs.677 Crores in Q2 FY2018-2019 from Rs.460 Crores in Q1 FY2017-2018. Net interest margin of the bank has improved to 2.58% from 2.44% on Y-o-Y basis. Both gross NPA and net NPA of the bank have reduced. Gross NPA reduced from Rs.26141 Crores in Q1 to Rs.25,673 Crores in Q2. In percentage terms it has reduced from 17.89% to 17.24%. Similarly net NPA has reduced from Rs.14262 Crores to Rs.13795 Crores and in percentage term 10.63% to 10.07%.

The provision coverage ratio was improved to 65.31% from 59.75% on Y-o-Y basis. During the last two years the average fresh addition to NPA on quarterly basis has been around Rs.3000 Crores. Bank have the fresh slippage to the extent of Rs.1451 Crores during Q2 down from Rs.2832 Crores in Q1 that is approximately 50%. The credit cost accordingly has reduced to 2.69% annualized in September 2018 from 3.29% annualized in June 2018. During whole previous year i.e. FY2017-2018, bank had made a cash recovery and upgradation to the tune of Rs.3161 Crores, against this bank has made a cash recovery and upgradation to the tune of Rs.3504 Crores in the first half, itself i.e. 110% of the whole previous year during entire FY2018-2019 bank is targeting a recovery of approximately Rs.10000 Crores and we maintain the same outlook.



*Oriental Bank Of Commerce
October 25, 2018*

During previous year 2017-2018 bank had made cash recovery in technically written off accounts to the tune of Rs.363 Crores against these bank has made cash recovery in TWO accounts of Rs.750 Crores in the first half itself that is 206% of the total amount recovered during the whole year previous year. For financial year 2018-2019, the bank is targeting the recovery of approximately Rs.1500 Crores in TWO accounts. The resolution is under process in 124 NCLT cases having the exposure of Rs.12,432 Crores and bank has made a provision of above 75% in these accounts. Many more resolutions are expected under NCLT during the current financial year. Businesses mix of the bank as on September 2018 stood at the Rs.3.55 lakh Crores as against Rs.3.47 lakh Crores in June 2018 thereby indicating a growth of 2.13%. The depository advances stood at Rs.2.06 lakh Crores and Rs.1.49 lakh Crores respectively. The advances have declined by 8.15% on Y-on-Y basis while the credit risk weighted assets have declined by 18.28% due to capital optimized growth and credit risk weighted assets to gross advances declined to 76% in September 2018 compared to 82% in September 2017, reflecting bank's focus on optimizing risk efficiency, more profitable efficient use of capital resulting in CRAR in Q2 10.35% in September 2018 compared to 10.25% in June 2018 without infusion of any additional capital.

Bank has been focusing retail business that is retail lending and CASA deposits and strengthening of retail customer base. The retail portfolio of the bank has improved to 18.81% of total advances in September 2018 from 15.19% in September 2017. The share of RAM sector has improved to 51.42% in September 2018 from 46.64% September 2017. Cost to income ratio has sequentially reduced from 59.72% to 50.19% on sequential basis. The digital banking penetration has increased from 60.53% in September 2017 to 68.91% in September 2018.

Outlook as mentioned earlier, bank will most likely achieve recovery in guidance during FY2018-2019, bank is targeting recovery of around Rs.10,000 Crores comprising of cash recovery of Rs.4000 Crores, NCLT recovery of Rs.2500 Crores, upgradation of Rs.2000 Crores and TWO recovery of Rs.1500 Crores. We maintain the same outlook. Credit cost to be maintained around 2.5% to 3% in FY2018-2019. CASA share in FY2018-2019 to be improved to 33% to 35% (approx) and net interest margin to be maintained around 2.50%. So these are the brief highlights of our financial performance during Q2 and now we are open to your questions.

Moderator:

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles.

Sohail Halai:

Sir, this is Sohail here from Antique Stock Broking. Sir just wanted to understand we have seen a sharp fall and slippages during the quarter, so how we look at fresh accretion to NPAs going forward?



*Oriental Bank Of Commerce
October 25, 2018*

- Mukesh Kumar Jain:** Remember we had given a guidance of slippage of around Rs.7000 to Rs.7500 Crores, so in Q1 and Q2 the slippage is around Rs.4200 Crores. In Q3 and Q4 we are expecting to restrict slippage to around Rs.2500 Crores.
- Sohail Halai:** And Sir but will this include basically any exposure we have that to IL&FS?
- Mukesh Kumar Jain:** Yes, if you want I can give the details also?
- Sohail Halai:** Yes Sir.
- Mukesh Kumar Jain:** In 20 ILFS entities we have exposure of Rs.1175 Crores, it includes investment exposure of Rs.85 Crores and non-fund based exposure of Rs.110 Crores. Approximately 50% of this we are taking as a stressed asset.
- Sohail Halai:** Okay, this includes in your guidance as well?
- Mukesh Kumar Jain:** Yes it includes in our guidance, we have factored that.
- Sohail Halai:** And Sir what is your view in terms of current liquidity situation that is going in NBFCs and what is our NBFC/HFC exposure?
- Mukesh Kumar Jain:** NBFC/HFC exposure is around 10% of the entire portfolio and that is around Rs.15000 Crores and we have less than Rs.20 Crores NPA in that.
- Sohail Halai:** Okay and Sir how many NBFCs would be there...? NBFC, HFCs would be there that we have actually given the exposure to and what is our view in terms of giving them more, sanction more disbursements as well as can we buyout your portfolio?
- Mukesh Kumar Jain:** This Rs.15000 Crores we have taken exposure in 83 NBFCs, so you can see that it is widely spread.
- Sohail Halai:** Yes.
- Mukesh Kumar Jain:** Out of that Rs.15000 Crores, Rs.14000 Crores is rated "A" & above.
- Sohail Halai:** Okay, so can you bifurcate into basically NBFCs and HFCs as well?
- Mukesh Kumar Jain:** Two minutes may be requiring, I can take next question in the meanwhile. I will just give the information.
- Sohail Halai:** Sure and Sir in terms of basically how long do we think that we can actually come out of the PCA and what are the challenge that we can actually see?



*Oriental Bank Of Commerce
October 25, 2018*

- Mukesh Kumar Jain:** See we expect to come out of PCA-2 to PCA 1 by this March and entirely exit from PCA in March 2020. We are expecting to make profit including this year and we expect to bring down our net NPA below 9% by March 2019. If I just explain even the single account Bhushan Power & Steel Ltd that is already at the verge of the resolution. This single account will reduce our NPA both gross NPA, net NPA by more than 1%.
- Sohail Halai:** Yes and Sir basically what is the difference between PCA-2 and PCA-1, what is the flexibility that we will get?
- Mukesh Kumar Jain:** This is a process basically PCA-2 means our net NPA is above 9%. We are trying our level best to bring our NPA below 9% also by March 2019, but as a guidelines we would prefer to switch over from PCA-2 to PCA-1 by March 2019 and entirely exit from PCA by March 2020.
- Sohail Halai:** So I was just thinking in terms of once we actually migrate from PCA-2 to PCA-1, what are the restrictions that will get removed because of this migration?
- Mukesh Kumar Jain:** There are not so many restrictions right now also, but this is the process.
- Sohail Halai:** Okay and Sir your take on basically your fresh lending to NBFCs or buyout of the portfolio will we be doing anything of those?
- Mukesh Kumar Jain:** Portfolio buyouts we can think of, we are examining the different NBFCs.
- Sohail Halai:** Okay and Sir any fresh credit line that you are giving to NBFCs now, are you disbursing basically loans to NBFCs?
- Mukesh Kumar Jain:** This is on case to case basis.
- Sohail Halai:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Nakul Gupta from CLSA. Please go ahead.
- Nakul Gupta:** Hi Sir. Thank you so much for taking my question. Just going back to your exposure in IL&FS which you mentioned is about Rs.1200 Crores in 20 entities, just to recall did you mention that you have taken a provision of 51% only?
- Mukesh Kumar Jain:** Not provision, all are standard assets, so whatever the provision required for standard asset we are maintaining that.
- Nakul Gupta:** Would you be able to give slightly more granular breakup of these in terms of the 20 entities or these road projects or is it the NBFCs at the HOLCO.



*Oriental Bank Of Commerce
October 25, 2018*

- Mukesh Kumar Jain:** Okay, road projects is around Rs.500 Crores in 10-road projects and only one project is under implementation, nine projects COD is already achieved and we are getting the cash flows and annuity as well. Two power projects are there and total exposure is Rs.306 Crores CODs achieved in both the cases. In NBFC Rs.155 Crores is the total outstanding in the NBFC exposure and one company's EPC contractor that is ITNL that is Rs.110 Crores in that account and one is relating to that water project that they are doing is around Rs.14 Crores, so total all put together is Rs.1088 Crores and plus Rs.85 Crores is our investment in mutual fund.
- Nakul Gupta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Arjun Tandon from Matsya Capital. Please go ahead.
- Arjun Tandon:** Good afternoon Sir. Can you give some color on how the NCLT cases are proceeding and can you give some timeline to by when NCLT List-2 accounts are expected to be resolved?
- Mukesh Kumar Jain:** Which two accounts you are talking?
- Arjun Tandon:** NCLT-2. Sir if can I ask another question?
- Mukesh Kumar Jain:** In this, Uttam Galva, we have already received the amount and the account is upgraded also during the current quarter and then Ruchi Soya, we are expecting this quarter.
- Arjun Tandon:** So these are resolutions we are expecting in this December quarter?
- Mukesh Kumar Jain:** Yes from list 2 and Bhushan Power & Steel Ltd which is from List-1.
- Arjun Tandon:** Yes, okay and Sir on the capital position?
- Mukesh Kumar Jain:** ...we are expecting.
- Arjun Tandon:** Sir Can I ask on the capital position?
- Mukesh Kumar Jain:** Yes, why not.
- Arjun Tandon:** You had asked, I think in the previous concall you mentioned Rs.5300 Crores you had asked from the government, are you still expecting that amount?
- Mukesh Kumar Jain:** See we have requested them, but really speaking we may not be requiring that much amount.
- Arjun Tandon:** Okay, so how much do you think it will require and by when do you expect the inflow from the government?



*Oriental Bank Of Commerce
October 25, 2018*

- Mukesh Kumar Jain:** We are expecting around Rs.3500 Crores from the government, this is our own estimate you can say, there is discussion we are having with the department and that will be sufficient for us.
- Arjun Tandon:** Do you expect that to come before March or do you think it will go into next year?
- Mukesh Kumar Jain:** May be by December also.
- Arjun Tandon:** Okay Sir.
- Mukesh Kumar Jain:** That is in tune with our RBI guidelines also, government has also taken with Reserve Bank of India, so we also expect some headwind there.
- Arjun Tandon:** Okay, any view on consolidations like how Dena Bank, Vijaya Bank merger has happened, do you expect or have you made any presentations with OBC?
- Mukesh Kumar Jain:** No, nobody has asked us to make any presentation, so that is the government, who will take a call on that.
- Arjun Tandon:** Okay and Sir Can you just give a general guidance on loan growth and credit cost for this year and next year?
- Mukesh Kumar Jain:** Credit cost as I also mentioned we are expecting, guidance has given 2.5% to 3%.
- Arjun Tandon:** Okay and Sir loan book?
- Mukesh Kumar Jain:** Loan book, around 5% or so.
- Arjun Tandon:** Okay and what do you expect for FY2020 Sir?
- Mukesh Kumar Jain:** FY2020 till we will take a call when we finish this current financial year depending up on our appetite, our capital position all those things, not right now.
- Arjun Tandon:** And Sir what is the latest update on power accounts?
- Mukesh Kumar Jain:** Total exposure in power sector is Rs.10104 Crores, out of which exposure in private sector is Rs.6622 Crores and government sector is Rs.3483 Crores.
- Arjun Tandon:** No Sir just generally asking on what has been the latest development on like Samadhan and the other schemes and how is it progressing the resolution of power accounts?
- Mukesh Kumar Jain:** Now I think we will be going by the Supreme Court order.



*Oriental Bank Of Commerce
October 25, 2018*

- Arjun Tandon:** Okay, we have to wait November 14?
- Mukesh Kumar Jain:** I think further court will actually decide that.
- Arjun Tandon:** Okay Sir. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey from Indus Equity. Please go ahead.
- Sushil Choksey:** Sir. Thank you for stable result in such a market. First question is what is in the view of resource mobilization, how are we seeing CASA in this quarter as I heard on the street that a lot of deposits are flowing to public sector banks?
- Mukesh Kumar Jain:** CASA growth actually we are expecting our share to improve to around 33% by the year end.
- Sushil Choksey:** But in the month of October after the IL&FS debacle are we seeing that the flow from liquid mutual funds as well as bond markets and capital market activity slowing down, so deposit mobilization month on month basis is much better in the first 25 days of October?
- Mukesh Kumar Jain:** Actually this quarter we are also running a campaign for opening more and more CASA accounts, we are getting good response in that.
- Sushil Choksey:** Okay and in view of NBFC constraints all the products, which are generally looked after by NBFC and banks are able to compete whether it is auto, two-wheelers, cars, maybe some other kind of consumer loans, how are we trying to tap that kind of business in the retail segment?
- Mukesh Kumar Jain:** Actually bank is already having schemes about all the products and since we are having campaign during this quarter we are targeting good number of accounts and we are getting good results also in all retail accounts.
- Sushil Choksey:** We estimate that in the current quarter your retail growth will be better than what was in the previous quarter?
- Mukesh Kumar Jain:** Yes, we are expecting that, even housing loan, we have the scheme of 40 years repayment period then in vehicle loan also we have 10-year repayment scheme, we are getting very good response in this 40 years housing loan.
- Sushil Choksey:** How much is the housing portfolio as of today?
- Mukesh Kumar Jain:** In slide #23.
- Sushil Choksey:** I will have a look at that.



*Oriental Bank Of Commerce
October 25, 2018*

- Mukesh Kumar Jain:** Approx 12% of total advances.
- Sushil Choksey:** Okay Sir. Second is that most of the large housing finance companies are tapping for full buyout right now and these are going at a reasonable good so that are we taking any such proposals, loan sizes are below 50 lakhs tickets or 20 lakhs tickets or it is an affordable segment?
- Mukesh Kumar Jain:** Any opportunities there we definitely will go for that, if the company is good.
- Sushil Choksey:** But the deals are available, have we already looked at it or we are not open to it that is what I am asking?
- Mukesh Kumar Jain:** We are not very aggressive right now, but we are looking at it.
- Sushil Choksey:** We are looking at it, only in housing finance or you looking at truck financing and various other segments Sir?
- Mukesh Kumar Jain:** Pardon could not hear? Can you repeat your question?
- Sushil Choksey:** Are we looking at companies like Shriram Transport or Ashok Leyland Finance or Tata Finance or in companies who are doing truck finance was that I was asking about?
- Mukesh Kumar Jain:** We are interested in this asset based only, I mean LAP type only.
- Sushil Choksey:** On the capital from the government, which you are estimating in second half based on the current quarter performance and what you are envisaging because we make 75% provision in NCLT-1 and NCLT-2 and what is your expected recovery in the second half again in NCLT cases?
- Mukesh Kumar Jain:** Basically we have expected recovery of Rs.2500 Crores from NCLT and we are on track on that, more than 1300 we already received and balance we are expect to receive in last two quarters.
- Sushil Choksey:** But the provision rate is higher names like Uttam Galva you already received which is 100%, Ruchi bid is in the court, but Ruchi be perceived by Adani...?
- Mukesh Kumar Jain:** More than 75% we are expecting good write back also.
- Sushil Choksey:** Yes so that is what I am estimating, is the estimates conservative compared to the reality right now that is what I am asking?
- Mukesh Kumar Jain:** Around 45% or so.
- Sushil Choksey:** But then you will have write back of 20% that is what it means?



*Oriental Bank Of Commerce
October 25, 2018*

- Mukesh Kumar Jain:** Yes.
- Sushil Choksey:** How are we placed on the government security market because of RBI move and the current DNDs going compared to the previous quarter, how are we likely to shape up in this quarter because last quarter we were prudent to take losses and get out. How are we placed currently?
- Mukesh Kumar Jain:** I will request Mr. Joshi who is our ED to take this question.
- Himanshu Joshi:** We have protected it 8.02 and current DNDs are in the range of 7.87 as of now and this quarter also we have made reasonable profit not very aggressive profit and hope this yield remains in this 7.80 to 7.90 to 7.95 range, you will be able to make good money, we are sitting on some amount of expected profits.
- Sushil Choksey:** Okay Sir my next question is we are the closest to NCL trouble in the real estate market is concerned, what you feel most on your client perspective only on Supertech, but overall because oriental bank has more of connect to the construction and the contractors around area what is your feel on the dividend? It is not relevant from general, but your bank is large lender in the area that is the reason I am asking?
- Himanshu Joshi:** We had bank of contractors only if you visit any branch of ours you will find 15, 20 contractors even in a small branch and we had exposure on all of them which are duly collateralised, you are referring to Supertech. So Supertech yes we are facing problems, but the security coverage ratio is very good in these accounts and some of these assets are being negotiated by the promoter with large financiers. I think some resolution will come in this quarter or next quarter in Supertech.
- Sushil Choksey:** No I was asking more from overall feel in the area of?
- Himanshu Joshi:** Overall feel we have comfortable, we are not very aggressive in real estate exposure, we are not...All contractors are faring reasonably well, we do not to see any problem in that sector basically that is our strength as well.
- Sushil Choksey:** Prudently in last two quarters whenever I have asked you question I always got a positive answer that you escape most of the negativity which some other banks have faced on some of names which have had a problem so the bank has done well and I hope in the current coming quarters from NCR region, you have done well on that side?
- Mukesh Kumar Jain:** Yes hopefully.
- Sushil Choksey:** Thank you Sir and congratulation all the best to you Sir.
- Moderator:** Thank you. The next question is from the line of Amy Truesdale from Jupiter Asset Management. Please go ahead.



*Oriental Bank Of Commerce
October 25, 2018*

- Amy Truesdale:** Apologies if this has already been asked before I am afraid I missed the beginning of the call, just wondering in terms of PCA, do you think you are going to come out of PCA and if so what might be the timeline for that?
- Mukesh Kumar Jain:** PCA as I mentioned also we are expected to come from PCA2 to PCA1 by March 2019 and completely exit from PCA by March 2020.
- Amy Truesdale:** Great. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Harshit Toshniwal from Jefferies. Please go ahead.
- Harshit Toshniwal:** A couple of questions so I think I missed this in the initial comments what were the resolutions you were expecting in the next couple of quarters and if possible if you can let us know the amount of the claims, which you are expecting?
- Mukesh Kumar Jain:** You are talking NCLT or general you are talking?
- Harshit Toshniwal:** NCLT cases the list one and list two cases?
- Mukesh Kumar Jain:** From list one, we have Amtek and Bhushan Power & Steel Ltd and from list two Castex, Ruchi Soya, Uttam Galva Metallics. Uttam Galva Steels we have already received, so around Rs.3000 Crores we are expecting by March.
- Harshit Toshniwal:** From both these list one and list two?
- Mukesh Kumar Jain:** Yes.
- Harshit Toshniwal:** Sir, can you also let us know what are the total claims within these accounts?
- Mukesh Kumar Jain:** Overall 45% recovery we are expecting. These figures are not right now available we can give afterwards.
- Harshit Toshniwal:** Okay, so you're expecting Rs.3000 Crores which is 45% so total overall claims would be around Rs.6000 Crores?
- Mukesh Kumar Jain:** Rs.3000 Crores is the principal amount.
- Harshit Toshniwal:** Okay. Rs.3000 Crores in the principal amount and you are expecting recovery of 45% broadly?
- Mukesh Kumar Jain:** Maybe even more also.



*Oriental Bank Of Commerce
October 25, 2018*

- Harshit Toshniwal:** Thank you.
- Moderator:** Thank you. The next question is a followup from the line of Arjun Tandon from Matsya Capital. Please go ahead.
- Arjun Tandon:** Hi Sir can you also tell us what your SMA 2 would be right now?
- Mukesh Kumar Jain:** SMA 2 around Rs.2000 Crores now.
- Arjun Tandon:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Amit Mishra from Antique Stock Broking. Please go ahead.
- Amit Mishra:** What is our CRE exposure and expected stress in the segment?
- Mukesh Kumar Jain:** This is around 5% of the entire loan book and we do not see any further stress in our portfolio.
- Amit Mishra:** Okay Sir. Sir what is the proportion of bulk deposit a year ago?
- Mukesh Kumar Jain:** On slide #9, Rs.17789.
- Amit Mishra:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.
- Mahrukh Adajania:** Sir may I please request you to repeat what NCLT recoveries are expected in the second half and if there were any in this quarter?
- Mukesh Kumar Jain:** Around 45% and total principal outstanding is around Rs.3000 Crores which we are expecting in these two quarters, so you can say around Rs.1400 Crores to Rs.1500 Crores we are expecting out of 3000 crore.
- Mahrukh Adajania:** Rs.1400 to Rs.1500?
- Mukesh Kumar Jain:** Rs.1400 to Rs.1500 Crores we are expecting out of Rs.3000 Crores.
- Mahrukh Adajania:** Okay got it and there we write back to interest like in the first quarter?
- Mukesh Kumar Jain:** Because we have made provision of above 75% so 20%, 25% we are expecting write back.



*Oriental Bank Of Commerce
October 25, 2018*

- Mahrukh Adajania:** And that will all be through interest only?
- Mukesh Kumar Jain:** It depends upon the resolution, but that will be adding to our bottomline.
- Mahrukh Adajania:** But that will be Essar and Bhushan or what?
- Mukesh Kumar Jain:** Not Essar, we are not having exposure in Essar, it is Bhushan power, Ruchi Soya, Uttam Steel we have already received, Uttam Galva Metallics, Amtek, Castex, these are the accounts.
- Mahrukh Adajania:** Got it Sir thank you and Sir how much did you receive in Uttam Steel this time?
- Mukesh Kumar Jain:** We received Rs.111 Crores and the account has also been upgraded so our entire provision we have written back and received in the current quarter Q3.
- Mahrukh Adajania:** Right oh Q3 okay, not Q2?
- Mukesh Kumar Jain:** Not Q2 yeah that was in October.
- Mahrukh Adajania:** Got it but this has is there any write back to interest here?
- Mukesh Kumar Jain:** Yes we have, around Rs.60 Crores interest has been booked.
- Mahrukh Adajania:** Rs.60 Crores interest and then provision write back of Rs.100 Crores?
- Mukesh Kumar Jain:** No provision write back is of Rs.74 Crores.
- Mahrukh Adajania:** Okay got it. Rs.74 Crores is provision right back got it Sir. That is very helpful. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** Sir in Q1 you had mentioned of slippages guidance of Rs.7500 Crores so are we maintaining the track or we are changing our guidance on the slippages front?
- Mukesh Kumar Jain:** Yes we are maintaining that, Q1 and Q2 slippage was around Rs.4200 Crores and we are expecting slippages of around Rs.2900 Crores in these two...coming two quarters so entire may be around Rs.7000 Crores or so.
- Sneha Ganatra:** Okay and simultaneously recovery and upgrade you are mentioning of around Rs.10000 Crores right for the full year including NCLT?



*Oriental Bank Of Commerce
October 25, 2018*

- Mukesh Kumar Jain:** Maintaining Rs.10000 Crores.
- Sneha Ganatra:** Okay and what is the target of PCR, would like to maintain in this?
- Mukesh Kumar Jain:** We are now about 65% so maybe one or two percentage more.
- Sneha Ganatra:** And on the loan book growth currently we have degrowth our advances mostly and the focus is on the RAM and going forward how do you see your loan book growth for this fiscal and for the next fiscal and second question is on the capital adequacy of standard 7.13 are we expecting any capital infusion from the government or how would be the scenario on that front?
- Mukesh Kumar Jain:** See as far as loan growth is there, the expected Y-on-Y growth is around 5% during this fiscal. Next year I cannot tell you right now because we will see full capital adequacy position at the end of current year and we are expecting capital infusion from Government of India during this year maybe by December. Also our conservative estimate is around Rs.3500 Crores though we have requested Rs.5300 Crores from the Government of India since our position is improving, I feel we may be getting around Rs.3500 Crores.
- Sneha Ganatra:** Okay and question on the power sector considering private sector power exposure any stress are we feeling about what is the status of it?
- Mukesh Kumar Jain:** We have a total exposure of Rs.10100 Crores and stress is around Rs.700 Crores that is exactly Rs.689 Crores.
- Sneha Ganatra:** So that we have considered in the calculation of the slippages numbers, which was mentioned?
- Mukesh Kumar Jain:** Yes that we have all taken into account.
- Sneha Ganatra:** Okay any exposure we are having on the IL&FS?
- Mukesh Kumar Jain:** Yes actually we informed in detail also. We have exposure on ILFS Rs.1175 Crores in these 20 entities and include investment exposure Rs.85 Crores and non-fund-based exposure of Rs.110 Crores.
- Sneha Ganatra:** Investment exposure how much Sir?
- Mukesh Kumar Jain:** Rs.85 Crores.
- Sneha Ganatra:** Okay.
- Mukesh Kumar Jain:** Non-fund-based Rs.110 Crores, so totally about less than 1% of total loan book.



*Oriental Bank Of Commerce
October 25, 2018*

- Sneha Ganatra:** Okay and on the NBFC exposure what is the status and are we lending further to NBFC or we having actually internal cap in our books?
- Mukesh Kumar Jain:** NBFC we have around Rs.15000 Crores exposure out of that Rs.14000 Crores in “A” & Above rated.
- Sneha Ganatra:** Okay are we lending further to NBFCs or where we have curtailed down on of our lending to NBFC?
- Mukesh Kumar Jain:** Right now we are not aggressive on that just in case we may consider.
- Sneha Ganatra:** Okay and our credit card guidance is around 1.5....?
- Mukesh Kumar Jain:** 2.5.
- Sneha Ganatra:** 2.5 that is the main thing and that will be continuing with that or any changes in the credit card guidance level?
- Mukesh Kumar Jain:** No we will continue with that.
- Sneha Ganatra:** Okay got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Singh from B&K Securities. Please go ahead.
- Amit Singh:** My first question is that out of our exposure of Rs.10000 Crores in power and how much is NPA?
- Mukesh Kumar Jain:** In slide #44, Rs.2925 Crores.
- Amit Singh:** And Sir secondly what is SMA numbers, SMA 0, 1 and 2 what are that number Sir ?
- Mukesh Kumar Jain:** SMA 2?
- Amit Singh:** SMA 0, 1 and 2 all together?
- Mukesh Kumar Jain:** SMA 2 is around Rs.2000 Crores.
- Amit Singh:** Rs.2000 Crores okay and Sir have you mentioned double B and below portfolio somewhere close to Rs.24 Crores, Rs.25 Crores so Sir how much of that is already NPA? Sir we have mentioned that almost 26% of our exposure is double B and below so how much of that is already NPA slide #19 &2?



*Oriental Bank Of Commerce
October 25, 2018*

- Mukesh Kumar Jain:** Data is readily not available, but we will get back to you.
- Amit Singh:** Okay Sir and Sir last thing if I missed that part where you mentioned about our slippages guidance for the next two quarters, Sir how much are we expecting in the next two quarters?
- Mukesh Kumar Jain:** Rs.2900 Crores.
- Amit Singh:** Rs.2900 Crores. Okay thank you Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nakul Gupta from CLSA. Please go ahead.
- Nakul Gupta:** Just two followup questions on IL&FS, one is just wanted to understand you mentioned that all the accounts right now is still standard, but any plans in the works to make provisions going forward or if you can give guidance and secondly are you expecting any haircut on those accounts if yes how much?
- Mukesh Kumar Jain:** See right now I do not think we can comment on that, but we are following RBI norms around 50% around 600crore we are taking under stress exposure, but we have taken into consideration by projecting our estimated slippage review next two quarters, provisions will be as per the RBI IRAC norms.
- Nakul Gupta:** I understood. Thanks.
- Moderator:** Thank you. The next question is from the line of Nilanjan Karfa from Jefferies. Please go ahead.
- Nilanjan Karfa:** Sir I might have missed out if you have spoken earlier but wanted to understand about power sector resolutions in what stage therein or we should expect some more delays on that?
- Mukesh Kumar Jain:** I think now all these cases are in the Supreme Court, so depending upon the guidelines from Supreme Court.
- Nilanjan Karfa:** Right so unilaterally no banks are going to do any one off settlement this that the position right now?
- Mukesh Kumar Jain:** Mostly accounts are NCLT or consortium. I think Supreme Court may be giving some guidelines how to proceed further.
- Nilanjan Karfa:** Okay. Alright thank you very much Sir.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you Sir!



Oriental Bank Of Commerce
October 25, 2018

Mukesh Kumar Jain: Thank you so much everybody and as we had given the guidance in Q1 we are happy to maintain the same guidance rather we have performed better than what the guidance were was given from us. I again reiterate that we are trying to come out of PCA as early as possible and certainly we are expecting to come from PCA 2 to PCA 1 by March 2019 and completely out of PCA by March 2020. Thank you once again to all participants.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Antique Stock Broking that concludes this conference call. Thank you for joining us and you may now disconnect your lines.