



“Oriental Bank of Commerce Q3 FY19 Earnings Conference
Call”

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MODERATOR: **MR. AMIT MISHRA - ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Oriental Bank of Commerce Q3 FY19 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 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 Amit Mishra from Antique Stock Broking. Thank you and over to you, sir.

Amit Mishra: Thank you Mallika. I on behalf of Antique Stock Broking welcome everyone to 3Q FY19 Earning call of Oriental Bank of Commerce. We have with us today Mr. Mukesh Kumar Jain - MD & CEO, Mr. Vijay Dube - Executive Director, Mr. Balakrishna - Executive Director and Mr. Mahesh Dhawan – GM and CFO who will be representing the Bank. 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: Thank you very much. Good afternoon and welcome to this conference call. As mentioned by you, I have with me, my both Executive Directors – Sri. Vijay Dube, Sri. Balakrishna Also and entire top management team including our CFO, Treasury Head, Accounts Head and our Credit Heads, etc.

Initially, I would like to give highlights of the financial results for Q3. During December 2018 quarter Bank has posted a net profit of Rs. 145 crores against net profit of Rs. 102 crores in the previous quarter i.e. September 2018. There is an increase of 42.15% and against corresponding quarter loss of Rs. 1,985 crores. The operating profit of the Bank has increased to Rs. 1,002 crores in Q3 from 972 crores in Q2 that is growth of around 3.09% and against corresponding quarter previous year operating profit of 743 crores thereby increase of around 35%. The increase is mainly due to increase in net interest income and treasury income. The net interest income of the Bank has increased to Rs. 1,419 crores in Q3 from 1,275 crores in Q2, thereby increase by 11.29%. During corresponding quarter of previous year net interest income was Rs. 1018 crores thereby there is an increase of around 40%.

Capital adequacy ratio, the CRAR of the Bank is at comfortable level of 12.62% comprising of Tier-I 9.53%, Tier-II 3.09% and CET I stood at 9.37%. That is above regulatory new requirements.

As you are aware Government of India has infused capital Rs. 5,500 crores on 31st of December, 2018. The Bank has used this capital of 5,500 crores, #1. To maintain our regulatory capital requirement and #2. To front load additional provisions amounting to approximately Rs. 3,000 crores which have helped the Bank to bring down net NPA drastically from 10.07% to 7.15%. And with this progress, now we are optimistic to come out of PCA at an early date. There is a consistent improvement in asset quality since March 2018, Fresh slippage has reduced to Rs. 1,293 crores in this quarter from Rs. 1,451 crores in September quarter and from 2,831 crores in June quarter.

As you maybe knowing that for the last 2 years Bank was having fresh slippage of around 3,000 crores per quarter that is approximately 12,000 crores per year. So, the Bank's portfolio has demonstrated lower delinquency and fresh slippage to standard advance has now reduced to 1% and 1.20% in December 2018 quarter and September'18 quarter respectively.

The stress portfolio of the Bank has reduced to around 3,500 crores which comprises restructured S4A, 5/25, etc. portfolio of around 750 crores, SMA of around 2,000 crores and IL&FS and other exposure of around 750 crores. There is an overall improvement in all the parameters of the Bank. Bank is entering in the period of falling provisions, loan growth, higher profitability and control cost.

As far as the recovery and resolutions concerned both gross NPA, net NPA of the Bank have reduced. Gross NPA has reduced from 17.24% in Q2 to 15.82% in Q3 and net NPA from 10.07% in Q2 to 7.15% in Q3 mainly due to front loading of additional provisions. The provision coverage ratio has improved to 74.99% that is approximately 75% from 65.31% on Q-on-Q basis and in NCLT referred cases our provision coverage ratio is more than 85%. The tangible PCR has also improved to 59.05% from 46.27% on Q-on-Q basis. As far as cash recovery up-gradation is concerned Bank has made cash recovery and up-gradation to the tune of Rs. 4,770 crores in all 3 quarters together cumulative for 3 quarters against Rs. 2,333 crores in 3 quarters of the previous year. So, thereby there is an increase by 105%. During previous fall financial year 2017-2018 there was a cash recovery and up-gradation to the tune of Rs. 3,161 crores.

During Q3 of the current financial year Bank has made a cash recovery and up-gradation to the tune of Rs. 1,267 crores against Rs. 1,491 crores in September 2018 quarter and Rs. 954 crores in the corresponding quarter of the previous year. Bank has made cash recovery in TWO and fully provided account to the tune of Rs. 1,007 cumulative for 3 quarters of the current financial year that is 2018-2019 against only Rs. 217 cumulative 3 quarter of the previous financial year. So, thereby there is an increase by 364%. During entire previous years 2017-2018 Bank had made a cash recovery in TWO fully provided account to the tune of Rs. 363 crores. Bank has moved to NCLT in 154 accounts there is an exposure of 14,748 crores that is 38.4% of GNPA and that include our TWO portfolio 5,394 crores. As mentioned by me earlier also, we have made a provision of above 85% in there NCLT referred accounts.

Business mix of the Bank stood at 3.62 crores against 3.55 crores in September, thereby there is a modest growth of 2%. The deposit or advances stood at 2.08 lakh crores and 1.54 lakh crores and there is a growth in deposit by around 1%, in advance 3.40% respectively. The Bank has been focussing on retail business and our retail advances have grown by 27% on Y-o-Y basis. The retail portfolio of the Bank has improved to 21.27% in December 2018 from 16.54% in December 2017. The share of RAM sector has also improved to 53.09% in December 2018 from 47.25% in December 2017. Bank is shedding its portfolio in high risk assets, high risk sectors, poor risk related corporate and reducing unsecured exposure. MSME advance of the Bank has increased by 2% on sequential basis. Bank is leveraging on contact less loan platform that is PSB 59 minutes, and enhancing focus through rule base lending,

TReDS platform, digital processing, appropriate product mix and pricing for loans with security and CIBIL CMR score.

The advances of the Bank has declined by 5.27% on Y-on-Y basis, but credit risk weighted assets have declined by 15.93% due to capital optimize growth. And credit risk weighted assets to advances declined to 72% December 2018 compared to 81.70% in December 2017, reflecting Banks focus on optimising risk efficiency and efficient use of capital. Our cost of deposit has improved by 13 basis point during 9 months of current financial year compared to 9 months of previous financial year that is to 5.57% from 5.70%. Similarly, yield on advances has improved by 40 basis points during 9 month to 8.19% compared to 7.79% during 9 months of the previous financial year. Cost to income ratio was also sequentially reduced from 50.19% to 49.50% thereby reduction of 69 basis point. Net interest margin of the Bank has improved to 2.80% from 2.58% on Q-on-Q basis. CASA share of the Bank has increased to 31.10% from 30.97% on Q-on-Q basis. The digital Banking penetration, an increase from 61.75% in December 2017 to 72.07% in December 2018.

As far as outlook is concerned, Bank intends to establish itself as a national Bank for retail and MSME segment as a differential Banking strategy. And there is a long term strategy Bank intends to increase Retail exposure from 51% in March 2018 to 75% over a period of 5 years by March 2023 and thereby reducing corporate exposure from 49% to 25% over a period of 5 years. During current financial year, we are expecting advances growth of around 8% to 10% and next financial year we expecting growth of 12% to 14%. The growth is expected to be predominantly in Retail & MSME sectors. During current financial year, Bank has targeted recovery of 8,000 crores include TWO recovery of 1,500 crores comprising of cash recovery 4,000 crores, NCLT recovery of 2,500 crores an up-gradation of 1,500 crores. We have already recovered 4,770 crores till December and we are confident to achieve our recovery target of 8,000 crores.

Credit cost, earlier it was planned at around 2.50% to 3% in financial year 2018-2019 but due to front loading of additional provision, the credit cost has increased to 5.19 annualized. However, with NCLT and other swift resolution, we are hopeful of substantial write-back in provision in Q4 and our credit cost is expected to be below 3.5% in the whole financial year 2018-2019. CASA share in current financial year is expected to improve to around 33% and next year 35%. We expect to maintain our net interest margin at around 2.50% to 2.75% and operating profit in Q4 also we expect to be maintaining at the level of Q3. These were the highlights of the performance of the Bank during Q3.

And now, I am open to your questions, please.

Moderator:

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.

- Sneha Ganatra:** Sir, during second quarter conference call you mentioned slippages guidance of 7,500 currently during third quarter we have achieved 5,500 crores. We are still continuing with the guidance of 7,500 or we are revising this guidance of the slippages?
- Mukesh Kumar Jain:** No, we are revising this guidance. So, we expect further slippage of may be around 1,200 crores or so. So, it will be below 7,000 crores in the whole year. This includes IL&FS also.
- Sneha Ganatra:** So, IL&FS we have not taken during third quarter, right?
- Mukesh Kumar Jain:** No, we have taken partly during third quarter.
- Sneha Ganatra:** How much we have taken?
- Mukesh Kumar Jain:** During third quarter, 380 crores.
- Sneha Ganatra:** And what would be the balance IL&FS exposure as of now which is standard?
- Mukesh Kumar Jain:** Rs.653 is the balance available. Actually, I may just inform you that some talks are going on at IBA level also. So, entire this left out exposure may not turn to NPA. Where we have exposure in subsidiaries become which are cash generating, there may not slip to NPA.
- Sneha Ganatra:** So that slippages of 1,200 crores would be there for the 4th quarter, right?
- Mukesh Kumar Jain:** Maximum, we are expecting around that level.
- Sneha Ganatra:** And for the next fiscal, financial year could you guide us what will the run rate of this slippages are we expecting?
- Mukesh Kumar Jain:** Next financial year we expecting a whole year may be around 4,000 crores or so.
- Sneha Ganatra:** And recoveries and upgrades?
- Mukesh Kumar Jain:** Recoveries like this year, we are having target of 8,000 crores. So, at least we will try for 8,000 crores next year also.
- Sneha Ganatra:** And recently RBI comes out with the MSME restructuring anything we are expecting to do only MSME restructuring?
- Mukesh Kumar Jain:** See, we have accounts amounting to 400 crores approx or so which are eligible for this restructuring. We will be taking a call on case-to-case basis wherever these units are viable.
- Sneha Ganatra:** And anything Mudra loans as shown as substantial amount of spike on quarter-on-quarter basis, any reason behind that?

- Mukesh Kumar Jain:** See, Mudra loan as far as our Bank is concerned as per our disbursements are concerned our delinquencies around 2% or so compared to the entire disbursement. Actually, as I mentioned last time also, Mudra loan we are doing only system based only. There is no discretion with any branch. So, they have to fill up the entire form on the online and then system takes the decision whether to approve or not. So, compare to the industry we can say our Mudra loan portfolio is better and if I see outstanding level also our NPAs around 5.5%. So, total disbursement we can say around 2%, outstanding level around 5.5%.
- Sneha Ganatra:** And you mentioned that you are trying to get out of the PCA, so when we are targeting our net NPA to be below 6% by this quarter end?
- Mukesh Kumar Jain:** See, yes definitely actually we have, as I mentioned we have front loaded around 3,000 crores, otherwise our net NPA would have been around 9% or so. We are now reduced to 7.15 and I am confident that by next quarter we will be definitely below 6%.
- Sneha Ganatra:** Post this government capital infusion any plans to fund raise or any plans to sell your non-core assets?
- Mukesh Kumar Jain:** See, basically we are coming out with ESPS of Rs. 250 crores most likely we will be launching tomorrow. And we are also trying some stake sale of our joint venture but now with the capital infusion of 5,500 crores we are not in that much pressing need of selling that Share. If we are getting good price we may be divesting only partly.
- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Sir, my first question is after receiving these 5,500 crores of capital and we have seen in some other Banks they have used this capital to front load provisions as we have also done. But what stopped us from let us say providing a bit more additional and hence our NPA would have come down to below 6% threshold. So, what stopped you? I mean, if I do just back calculate we would have, if we would have provided 1,600 crores additional, we would have had net NPA below 6% that would have made our claim of getting out of PCA much more strong. So, what are your thoughts on that?
- Mukesh Kumar Jain:** See, basically we have to maintain our capital also as per the regulatory requirements. If I may make even excess provision, I would have been able to reduce my net NPA to 6.55 only. It would not have gone below 6%. So, we thought why not to come out with some profits and this impact we will be covering in the March quarter. So, March quarter definitely we have some room available with our capital adequacy, expected recovery our ESPS, we are expecting that we must be much below 6% by March 2019.
- Jai Mundhra:** Secondly sir, on this DTA that we have created of around 2,800 crores. So, is there any, first I will not slightly perplex as to operating level we are still making decent profit and this is slightly, I mean interesting this DTA of 2,800 crores. So, do you sort of see any capital

implication because of this DTA? That is number one. Number two is, if let us say for next quarter also if we make the similar operating profit, what would be the tax out go for the full year?

Mukesh Kumar Jain: See, tax out go I do not think there will be tax out go during this full year. Because still we have some left out losses available there. So, next quarter also we are expecting some DTA.

Jai Mundhra: Even for fourth quarter they would be DTA as a negative provision for tax rate?

Mukesh Kumar Jain: There may be some amount will be available next quarter also.

Jai Mundhra: So, would that have an impact on your capital because this may or may not be ...

Mukesh Kumar Jain: DTA is not having any impact on the capital. If there was an impact on capital definitely I would have reduced my net NPA below 6% and maintaining the capital adequacy also.

Jai Mundhra: So, what is helping you to create such a large DTA, that is the question?

Mahesh Dhawan: As we have to comply with the accounting standard and accounting standard AS 22 it says that when there is virtual certainty, we have to create that DTA on the unabsorbed depreciation loss and carry forward losses. As we are in the profit for last 2 quarters and we expect that in the coming year also we will be in profit that is why we have to create this DTA and that will be adjusted against the profits in the future years.

Jai Mundhra: I just observed that write off amount is also lower than the DTA provision. So, I just thought you can some provision and so that helps sir and sir if I may ask couple of questions more on asset quality, sir how much is the SMA-2 number for us now and SMA-1, last quarter I believe it was somewhere around 6,000 odd crores?

Mukesh Kumar Jain: No, as I mentioned entire our stress portfolio is around 3,500 crores.

Jai Mundhra: This is SMA-2 book?

Mukesh Kumar Jain: No, SMA 1 and 2 together, 2,000 crores now.

Jai Mundhra: Sorry sir, what SMA-1 and 2?

Mukesh Kumar Jain: SMA 1 & 2 together 2,000 crores, IL&FS and others around 750 crores and our restructured S4A 525 altogether 750. So, altogether the stressed portfolio will be around 3,500 crores.

Jai Mundhra: And these 2,000 crores SMA-1 and 2 this is all this includes, I mean this is above 5 crores SMA-2 book, right?

Mukesh Kumar Jain: Which one? No, this is entire.

- Jai Mundhra:** All ticket size?
- Mukesh Kumar Jain:** All ticket size, yes. Then IL&FS I mentioned separately that is 750 crores, IL&FS some others 750 crores that is separate.
- Moderator:** Thank you. The next question is from the line of Praful Kumar from Pinpoint Asset Management. Please go ahead.
- Praful Kumar:** Sir just 2 small questions. One, so you just said there is no plan to raise any incremental equity that is correct?
- Mukesh Kumar Jain:** No, we are raising ESPS of Rs.250.00 crores.
- Praful Kumar:** That is employee's stock option.
- Mukesh Kumar Jain:** Yes, employees and if the market is good we may come out with QIP also.
- Praful Kumar:** And secondly sir, what is now the fully diluted number of shares for the Bank? So, fully diluted equity how much?
- Mukesh Kumar Jain:** No, government stake maybe around 88%.
- Praful Kumar:** So, what is the book value of the Bank now at quarter 3? So fully diluted shares and networks, so if you can give those numbers?
- Management:** 107
- Moderator:** Thank you. The next question is from the line of Amit Singh from B&K Securities. Please go ahead.
- Amit Singh:** Just a small question, sir. Did we have any one-offs in our interest income, this quarter?
- Mukesh Kumar Jain:** 82 crores is the interest on income tax, refund.
- Amit Singh:** And sir, also the recovery number is quite high. So sir have we, I mean any lumpy recoveries in that, any lumpy accounts where we have recovered?
- Mukesh Kumar Jain:** You are talking about 9 months or you are talking about Q3 onwards?
- Amit Singh:** Q3, sir.
- Mukesh Kumar Jain:** Q3, we have small accounts only and Rs.111 Crore was from Uttam Galva. We are expecting in Q4, Bhushan Power & Steal Ltd. resolution and few more.

- Moderator:** Thank you. The next question is from the line of Rajesh, who is an individual investor. Please go ahead.
- Rajesh Chhichhia:** Sir, what is the total quantum of non-core asset we have and we are planning to sell it in current future, near future?
- Mukesh Kumar Jain:** Without JV maybe around 300 to 400 crores.
- Rajesh Chhichhia:** That is the total quantum of non-core asset.
- Mukesh Kumar Jain:** Without JV, we have not included fixed assets.
- Rajesh Chhichhia:** And right now, we are not planning to sell any of the non-core assets in near future?
- Mukesh Kumar Jain:** If we get some good price we will be selling. Q3 we have already realized 26.50 crores.
- Moderator:** Thank you. Next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.
- Tushar Sarda:** What is your guidance for next 2 years, FY20 and 21 especially in terms of credit costs?
- Mukesh Kumar Jain:** Credit cost ...
- Tushar Sarda:** I mean aging provision going to still come in?
- Management:** See we have already made huge provisions, our PCR is around 75% and coming quarter it will increase further.
- Tushar Sarda:** But that was including your write-off, right? It is not based on the ...
- Mukesh Kumar Jain:** Without write-off also, it is around 60%. You can say it is a good provisioning and in next quarters also there will be more provisioning will be there. So, in next year we are expecting good write-backs only. So credit cost before 2.5% or so. Slippage will be contained and all those things are there, NCLT cases we have more than 85% provisioning.
- Tushar Sarda:** So, that is roughly 1,000 crores per quarter?
- Mukesh Kumar Jain:** See 1000 crores per quarter is the slippage we were talking. Next year.
- Tushar Sarda:** No, because your advances are 150,000 crores. So 2.5% will be what, around 3,000 to 4,000 crores, right? 3,750 crores plus 1,000 crores a quarter.
- Mukesh Kumar Jain:** No, that is slippages I am talking about 4,000 crores next year. But credit cost, we will give approx. We will work out and then give you the approx figure for next year

- Moderator:** Thank you. The next question is from the line of Arjun Tandon from Matsya Capital. Please go ahead.
- Arjun Tandon:** Can you please provide your, make a proper break down of your IL&FS exposure because you said 2-3 numbers, so it is a little confusing.
- Ashwani Kumar:** See with regard to IL&FS we have a total exposure of 1,090 crores in 19 IL&FS entities and out of that 19 IL&FS entities 10 are road project out of which are 7 are toll and 3 are annuity and out of there 10, 9 are where the CODs have been achieved and revenue are coming. Only one project under implementation that has already turned NPA. In 2 power projects we have a total exposure of 316 crores and both are running and revenue is coming. And NBFC level we have a total exposure of 143 crores of which one has already turned NPA 122 crores and one is non-fund based of 20 crores. On holding company level also we have exposure of 130 crores, 2 entities and out of which 105 crores has already turned NPA only 8 crores is standard. And on other income all we have exposure in 3 entities, that is 32 crores and that is all running standard now. So, in all total 19 entities we have exposure of 1,090 crores this is the breakup and out of 1,090 crores 378 crores in 5 entities have already turned NPA during this quarter and in many of the cases revenues also coming held up in Escrow account because of the NCLT moratorium but we are taking up with the IBA level also with RBI and NCLT. So, if we ensure that whatever amount lying in the Escrow account is available for servicing of these loans the slippage will be low.
- Arjun Tandon:** On the recovery front what you think the haircut might be on all the IL&FS assets?
- Ashwani Kumar:** It is yet to take a call because things are evolving because our stake is mostly in Subsidiaries and not on the NBFC and holding level. More than 80% stake is at the SPV levels where the revenue is coming. So, it is a, call is yet to be taken, let us see how the thing shape up in the near future and only after that we can give you some guidance on that.
- Arjun Tandon:** And the holding company levels, sir what haircut are you expecting?
- Ashwani Kumar:** Holding company level again it may be an overall package there maybe something but we have a very nominal exposure at the holding level of 113 crores of exposure. 113 crores, so out of the total 1,100 crores. So, let us see because it is yet to take a shape that how the NCLT and other things unfold.
- Arjun Tandon:** Because the people were talking about the haircut of 40% to 50%, so is that a fair range to assume?
- Ashwani Kumar:** It is too early to say anything.
- Arjun Tandon:** And sir, what is the status of power asset?
- Ashwani Kumar:** In this IL&FS or overall power assets?

- Arjun Tandon:** Overall power assets.
- Ashwani Kumar:** Overall power assets we will give you, just a minute. See, in power asset we have a total outstanding of 6,646 crores of which 2677 crore is already NPA. So, remaining 4,000 crores is standard and of which around 500 crores to 600 crores we expect to in stress and which may turn NPA and one of them is belong to IL&FS group only IL&FS Tamil Nadu, that we have exposure of 100 to 134 crores.
- Arjun Tandon:** And sir, what is the progress in like the Samadhan scheme and the Sashakt scheme?
- Ashwani Kumar:** There are assets under Samadhan scheme which is taking place I think 9 assets are under consideration for which the workability is going on and it is expected that recovery will be around 50% of the outstanding. We are not lead Bank in any of the assets SBI, PNB, REC, PFC are the lead Banks. So, they are working on those lines and then let us see, we expect some of the Samadhan assets resolution to happen in this quarter also.
- Arjun Tandon:** And sir just needed some clarity on the PCA, so if you come under 6% net NPA, so how is the process of the PCA coming out of the PCA like does the RBI straight away give you an exit or how do you go about it?
- Mukesh Kumar Jain:** See, regulatory guidelines are available to you also. Nothing more than that we can say what is the process they will follow and we are not disturbed by the PCA also. We are doing our work. We will continue to do our work. We are not even after exiting from PCA we are not going to take huge exposure in corporate book. We have identified ourselves to be a retail and MSME Bank. Our range of corporate may be around 50 crores to 100 crores or so.
- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Sir, we have mentioned this rating profile of our corporate book if you can provide the absolute number sir for BB and below? And just a clarification this BB and below which is 23% does that include NPA or this is the only break up for standard accounts?
- Management:** This is all standard books.
- Jai Mundhra:** So, how much, what is the quantum sir? I mean, in Rupees crores?
- Management:** Will give you the number, sir.
- Jai Mundhra:** And secondly sir, on your MSME growth and MSME engine, so can you tell as how much of your MSME book is actually centralized underwritten? Or is it branch driven, I mean how is underwriting happen in that book?

- Mukesh Kumar Jain:** It is largely centralized underwritten like we have the cluster system under the vertical structure. See, our entire credit more than 90% is under vertical structure only. So, agriculture is you can say largely underwritten by branches
- Jai Mundhra:** So, this is underwritten, this is branches source the proposal and sended to vertical?
- Management:** Our cluster, MSME cluster for around 20 branches we have one MSME cluster they process.
- Jai Mundhra:** And sir, on your retail loans do you mark daily NPA and daily reporting or this is daily marking end of the month reporting or end of the quarter kind of a reporting for retail loans?
- Mukesh Kumar Jain:** See, above 5 crores we mark on daily basis and other on monthly basis.
- Jai Mundhra:** And last question sir, if you can sort of quantify your exposure to some of these troubled names like DHFL and ESSD group that would be much helpful?
- Mukesh Kumar Jain:** See, DHFL, we have an exposure of around 1,175 crores and these are all AAA rated. For ESSD we have around 110 crores or so that is road project.
- Jai Mundhra:** Yes, so this at promoter level, right?
- Management:** This is SPV level, road project.
- Jai Mundhra:** Any number at the promoter level, sir?
- Management:** No, we do not have any promoter level.
- Mukesh Kumar Jain:** This is only the exposure we have in that group.
- Jai Mundhra:** And sir, RInfra because they have defaulted to some Banks.
- Mukesh Kumar Jain:** RInfra we do not have the exposure. And somebody was asking credit cost next year 2019-2020, so I would like to mention it may be around 2%.
- Jai Mundhra:** And are we there sir in Jet Airways because lot of restructuring which is happening there and if you can comment what is the solution which has been proposed?
- Mukesh Kumar Jain:** We are not in Jet Airways.
- Jai Mundhra:** I just need that number for BB and below book and that is all from my side, sir?
- Management:** See, BB and below is 27,000 crores put together.
- Jai Mundhra:** And this is all standard, right?

- Management:** All standard.
- Management:** And one more thing, BB and below is 19,000 crores and unrated is 7,000. So, BB below and unrated both put together is 27,000 crores.
- Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.
- Tushar Sarda:** I had asked about the credit cost. So, FY20 you are saying will be 2% which is 3,000 crores, right?
- Mukesh Kumar Jain:** Yes, approximately 3,400 crores. We are expecting advance growth in advance level also.
- Tushar Sarda:** And FY21, will it come down or will it remain at this level now at 2%?
- Mukesh Kumar Jain:** So, it should definitely come down but we have not now gone up to 21, we want to gradually reduce it.
- Tushar Sarda:** So, your quarterly operating profit is now 1,000 crores, so you will probably do 4,000 crores of operating profit or may be 4,500 and credit cost will be 3,000-3,500, right?
- Mukesh Kumar Jain:** This year we will try to increase our operating profit to around 4000 - 5000 crores.
- Tushar Sarda:** So, 5,000 crores of operating profit and 3,000 crores of provisions is what we should expect, right?
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey from Indus Equity. Please go ahead.
- Sushil Choksey:** What is the position on SME in agri portfolio slippage because they were higher in this reported quarter compared to the previous quarter?
- Management:** Agriculture slippage is around 330 crores this quarter and covering more than 12,000 accounts.
- Sushil Choksey:** Any specific state wise or it is problem across India that you have faced?
- Mukesh Kumar Jain:** This slippage is across India.
- Sushil Choksey:** So, it is not a particular state which you have figured in?
- Mukesh Kumar Jain:** Rajasthan MP & Karnataka.
- Sushil Choksey:** So, the states which we are under election has been where the main problems were there.

- Mukesh Kumar Jain:** Yes.
- Sushil Choksey:** And on SME, sir?
- Mukesh Kumar Jain:** SME slippage you are asking?
- Sushil Choksey:** Yes.
- Mukesh Kumar Jain:** Yes, slippage is 372 crores across 1,641 accounts.
- Sushil Choksey:** Sir, now with growth capital you can assume with government infusion there is potential for us to grown on a normal basis. What would be our likelihood target if not this quarter for the next year in terms of growth?
- Mukesh Kumar Jain:** See, this year Y-on-Y we are expecting around 8% to 10% and next year may be 12% to 14%. This is, I mean our estimate right now.
- Sushil Choksey:** And this growth would be balance between corporate and consumer Bank or it will be mainly retail loans?
- Mukesh Kumar Jain:** Largely retail, MSME, agriculture. Our corporate is around up to 100 crores or so.
- Sushil Choksey:** And you are not fearing any agri portfolio pressure due to the central election, upcoming election?
- Mukesh Kumar Jain:** See, basically we are expecting some announcements also in the coming budget. There may be some good schemes for the agriculture. We expect some balancing in the coming budget. Then recovery for our waiver will come, the states will be giving the money.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.
- Mukesh Kumar Jain:** See, basically whatever guidance we have been giving for the last 2-3 quarters we are complying with all those things. We are complying to all the guide lines and we expect now that is totally, we should be out of PCA tag, so that will give a moral boost to our employees as well as our customers also. We feel the time is good now and the time to come we should be performing better than what we are performing now. This is in brief we can say.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, with this we conclude the conference call. One behalf of Antique Stock Broking, that concludes this call. Thank you for joining us and you may now disconnect your lines.
- Management:** And on behalf of Oriental Bank of Commerce, thanks to all the members who have joined on the conference call. Thank you very much again.

Moderator: Thank you very much, sir. Ladies and gentleman, on behalf of Antique Stock Broking that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.