

Transcript

Conference Call of Oriental Bank of Commerce

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Presentation Session

Moderator: Good evening ladies and gentlemen, I am Maria, moderator for the conference call. Ladies and gentlemen, good evening and welcome to the Q4FY15 earnings conference call of Oriental Bank of Commerce hosted by HDFC Securities Limited. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference, please signal the operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Darpin Shah from HDFC Securities. Thank you and over to you Mr. Shah.

Darpin Shah: Good afternoon everyone. On behalf of HDFC Securities I welcome you all for 4th quarter FY15 earnings conference of Oriental Bank of Commerce. We have with us Mr. Animesh Chauhan, MD & CEO; Mr. Bhupinder Nayyar, Executive Director, Mr. Suresh N Patel, Executive Director and other senior members of the team. I would like to hand over the proceedings to Mr. Chauhan to take us through the details for the quarter. Over to you sir.

Animesh Chauhan: Thank you and good afternoon to everybody. A brief on what we have declared today. The total business of the bank is up 5.32% YoY to Rs 3,50,049 crores; advance is up by 5.17%, deposits by 5.44%. The retail term deposit is up by 14.61% and the bulk deposit is down by 7.65%. In credit, the retail credit is up by 12.37%. On the earnings front, the total income sequentially has gone up by 4.77%. The total income on a year on year basis has gone up by 5.34%. The non-interest income sequentially is up by 22.75%; operating profits sequentially up by 19.79% and fresh slippages are sequentially down to Rs 762 crores from Rs 1342 crores in the last quarter and Rs 1205 crores in Q4 March 2014. The gross NPA is sequentially down to 5.18% from 5.43% and on absolute terms also it is at the same number; a few crores down. Net NPA is also down to 3.34% from 3.68% last quarter. The provision coverage ratio is now increased to 60.59% from 57.39% last quarter and 60.15% a year ago period. The Basel III capital adequacy has improved to 11.41% from 11.26% in the previous quarter and 11.01% in the year ago period. The business per employee is up to 17.43 crore from 17.10 crore last year. Because of some exceptional items, the net loss for the - Q4 is 178.44 which brings down the net profit for the whole year to 497 crores. The Board has recommended a dividend of 33% or 3.30 per share for the year. I would now like to open up for the questions.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question is from Mr. Nilesh of Edelweiss. Please go ahead.

Nilesh Parikh: Hi sir this is Prakash from Edelweiss. The first thing was the wage revision that we have done during this quarter that is currently taken from the provision line item right? Going forward when this settlement happens maybe in Q1...so that will be ideally taken through OPEX or how will the accounting be done in that situation?

Animesh Chauhan: It will go as staff expenses in the operating expenses part only. The previous impact will not be there as we have fully provided for at 15% up to March 15

Prakash: Okay. And sir, second thing on...first the growth perspective, a large part of your growth during this quarter has come from vehicle loans; so from which segment of the vehicle loan that you see growth coming from?

Animesh Chauhan: Our growth has come from housing and vehicle....both I think. Vehicle loan is not a very big loan, the housing loan growth is 11.49% and vehicle loan growth is 8.54%.

Prakash: No sir, on a sequential basis 6% is the QOQ growth on vehicle portfolio....?

Animesh Chauhan: Vehicle loan is basically a retail segment loan that has been happening and basically it is car loans to individuals that has happened.

Prakash: Okay sir one last question. In your notes to accounts there was an announcement wherein you have said that you have made financing to farmers pertaining to a sugar mill and you have an outstanding of 37 crores for which 34 crores that you need to provide in the balance three quarters. So sir can you give some highlight on what exactly is this?

Animesh Chauhan: There was an arrangement with industries, to finance farmers supplying produce to them and this is with regards to that and there have been complaints from the farmers so taking proactively they have made the provisions. We are investigating into the issues and we are in touch with the investigating agencies also on this.

Prakash: Sorry, it says that the loans you have given to farmers who are supplying to sugar mills?

Animesh Chauhan: Yeah.

Prakash: So sir what is the....I don't get it. Why do you have to...what sort of complaints you are getting from farmers and why do you have to provide...?

Animesh Chauhan: See they did not receive the money so we are investigating into this and the investigating agencies are also investigating. So we will not be able to give further details beyond this right now.

Prakash: Okay. Thank you.

Moderator: Thank you sir. We have our next question from Mr. Rakesh Kumar of Elara Capital. Please go ahead.

Rakesh Kumar: Thank you, thanks for the opportunity. Firstly, with regards to the question of loans given to farmers....is this a loan given to the farmer or given to the sugar mills?

Animesh Chauhan: It is a loan to the farmers...crop loan to farmers on which bank has not claimed any interest subvention but these are loans to the farmers.

Rakesh Kumar: But sir, in the sugar industry it is a very general practice that loans are given to the farmers and they give their crops to the sugar mills and all the pre-payments are done by the sugar mills....so is it only confined to some geography or is it happening across....like what is the problem right now?

Animesh Chauhan: We don't have any arrangements. We had only this one arrangement and here when the complaints came we had taken a call.

Rakesh Kumar: Then I believe in the sugar belt like UP or Maharashtra, this might be happening elsewhere also and other banks would also have exposure to similar kinds of incidence?

Animesh Chauhan: I will not be able to comment on that. It is for those banks to find out.

Rakesh Kumar: Okay. And sir, in slide number 13, there is a circular due for adjustment of T.W.O sale of assets to ARC....So is there any amount yet to be de-valued on the SR or everything is done now?

Animesh Chauhan: I will explain to you on this. There was a sale to asset reconstruction companies in 2013-2014 where the value of SR was Rs 291crore. Rs 11 odd crores was received in cash, the total sale value was Rs 291crore. So the bank took the entire 291 to profit during the previous year 2013-2014. But as per the further clarifications of RBI, only the cash component was to be taken so we have reversed the 280 crores in this quarter. Previous year's reversal which has happened in this quarter, that is why we have tried to explain that if you see the 2B item of 280.43, if you re-adjust to previous year Q4 previous to Q4 this, this is the net amount that comes. This is just an illustration we have tried to give.

Rakesh Kumar: Okay and sir, this establishment cost is looking....we were presuming that establishment cost would be higher this quarter considering that we had a gap, we were doing at 11%, 12% the wage hike and the settlement came at 15% plus we had to reduce the discount rate also, but the establishment cost did not go up to that extent if you can kindly explain that?

Animesh Chauhan: If you refer to the same page 13, the wage revision provision this quarter is Rs 201.74 crores which has taken care of the entire 15% from November 12 to March 15. So whatever the backlog, we have provided in this quarter. That has what has increased the provisions.

Rakesh Kumar: Any change in discount rates and salaries collection rate we have done?

Animesh Chauhan: No.

Rakesh Kumar: Thanks a lot sir.

Moderator: Thank you sir. We have our next question from Mr. Sushil of Indus Equity, please go ahead.

Sushil: Good afternoon sir, Sushil here, how are you?

Animesh Chauhan: Good afternoon. Fine.

Sushil: Sir two questions, how do you see the visibility of the book this year and quality of the book?

Animesh Chauhan: Growth per se, we are ourselves are directing towards the RAM sector, the retail agriculture and MSME and therefore we are not projecting a very big growth, but we are projecting around 12% rise in the loan book. But as far as quality is concerned, this quarter is encouraging; but we will have to see one or two more quarters to be very firm on it. But we are quite optimistic that we will close the year below 5% of gross NPLs.

Sushil: Can I assume that barring large few accounts which have been spoken in the market and I don't know the individual advances which you have; barring that the book is under control or are you aware that surprises are not visible in the bank book sir?

Animesh Chauhan: See surprises as on date are not there, but some of the large things which we would not like to take names, but they are quite apparently known to the market. If anything goes adverse on that maybe in fact we will be there otherwise, what we are projecting we hope to achieve.

Sushil: Where do you see specific retail book ending at what percentage of the advances.

Animesh Chauhan: Our present....even if this year you see the retail credit growth has been 12.37% and going forward what we have said is that retail, agriculture and MSME only we will be looking towards that growth only. So we are not looking towards our present retail corpus is 12.24% and probably it can go upto 13%? It will be a bit higher also because we are not looking at corporate credit growth in a big way so in the 12% growth where the retail book may go up a few notches from this 12.25%.

Sushil: Sir, is it possible that this 18,000 crore number based on your process is getting better which you are competent on can be visible in the vicinity of 25,000 crores in the near future?

Animesh Chauhan: See I will not like to give a number straight away, but then we expect to accelerate both in retail as well as in MSME.

Sushil: Sir barring your past provisions which has hit you are you seeing any kind of pain as you said in media in Q1 or that is....

Animesh Chauhan: Pain on what? The asset sale and all is over.

Sushil: You said that there is something visible on re-structured which might have missed in March and some account may....?

Animesh Chauhan: See when there is a provision with RBI that things which are already under, consortium and all which are under re-structuring requests and are being taken forward, can be allowed to be restructured by June. So they may be restructured.

Sushil: I appreciate that answer. What I am saying is in worst case scenario, the number which you have put it up, can I assume that?

Animesh Chauhan: Yes, as on date that is what is our number.

Sushil: Sir as far as the quality of the infra structure book is concerned, is the pain over visible to you barring these three, four accounts?

Animesh Chauhan: Infra....a lot will depend on how the economy goes, and how the infra issue goes, the way the government has been taking steps, especially on mining that has already happened and on roads that they have announced yesterday and all, we hope that infra book, further deterioration should stop.

Sushil: Sir my last question on achieving operational efficiencies along with ROA and ROE, what kind of steps have been initiated at OBC in the last six, eight months which would endeavor that OBC's dreams are met?

Animesh Chauhan: See, there are a few....it will be long if I explain on it. There are a few things that the processing part in that is being mechanized on smaller loans. Transaction levels on ADCs are being shifted so that the efficiency per employee business is quite high in the public sector domain, will go up further and the use of the alternate channels and the BC network will increase the costing of the operations in the future going forward.

Sushil: Thank you sir, if I have questions, I will come back.

Animesh Chauhan: Okay, thank you.

Moderator: Thank you sir. We have our next question from Mr. M. V. Mahesh from Kotak Securities. Please go ahead.

M.V. Mahesh: Sir just a question on the restructuring part. Is it possible for us to get the restructured loans in iron and steel and textiles?

Animesh Chauhan: Re-structured loans means this quarter? What are you asking for?

M.V. Mahesh: On The outstanding portfolio of 20,000 crores; how much would be in iron and steel and textiles?

Animesh Chauhan: Iron and steel is around 3700 crores out of this total book and what is the other sector you said?

M.V. Mahesh: Textiles.

Animesh Chauhan: Textile is about 1000.

M.V. Mahesh: So out of your 7080 crores of Iron and steel exposure, 3700 crores has been restructured and 939 has been declared as NPAs.

Animesh Chauhan: Yeah.

M.V. Mahesh: So that's nearly 66% of the book.

Animesh Chauhan: Iron and steel, the sector is like that as on date.

M.V. Mahesh: Sure, just wanted that clarification. Second one is for this year is it fair to assume that these one-offs will not repeat? You had 180 crores of this JNPT related provision. Is that fully provided for?

Animesh Chauhan: It has been fully met.

M.V. Mahesh: You received anything against it so far?

Animesh Chauhan: We had already received 110 long back, so we have not provided for that because that has already been accounted for and returned. The remaining 70 is provided for. We have not received anything from that 70 though something has been sealed, but that will be vetoed when it comes.

M.V. Mahesh: Okay next year....we are just trying to understand the reversals which can happen next year; so 70 crores of JNPT and then you had made a provision of about 420 for the SR, security receipts related, 202 crores of wage settlement and 170 crores of amortization of the wage settlement. These are the broad reversals which we can expect not to happen next year?

Animesh Chauhan: Reversals means wage revisions will be paid.

M.V. Mahesh: Yeah so it will be paid.

Animesh Chauhan: The amortization of pension is different. They are all accounted for. We have nothing more to do on that now.

M.V. Mahesh: Your pension assets and pension liabilities are neutral now, there are no gaps in that...

Animesh Chauhan: No gaps.

M.V. Mahesh: My last question is on the cost of deposits; any specific reason why we are seeing an increase because most of the other banks and the market indications are showing the other way round.

Animesh Chauhan: It is a very small increase, basically because the deposits have not gone up in the later part of it. We had costlier deposit in the first quarter...first half year. So that is...going forward, rate reductions have happened in the fourth quarter, so that impact will be felt in Q1 now.

M.V. Mahesh: So is it fair to assume a margin compression in the next quarter given the fact that you have cut the base rate as well?

Animesh Chauhan: No, because the base rate has been cut from 15th May and the impact of the deposit rate cuts on our cost will also be felt now onwards certainly entire quarter it will be felt. So we do not expect other than a marginal impact on our margins in Q1, but going forward in the year, we expect the margins to remain intact.

M.V. Mahesh: Okay sir, thanks a lot.

Moderator: Thank you sir. We have our next question from Mr. Haresh Kapoor of IIFL. Please go ahead.

Haresh Kapoor: Just want to get your view on your loan growth, did you look at 12% overall loan growth for FY16? I just want to clarify that number.

Animesh Chauhan: Our loan growth that we expect is 12% for 2015-2016.

Haresh Kapoor: In FY15, there has been around a 5% loan growth that has happened now; and the industry is growing above 9%, 10%; just want to understand two things from that. First thing is what makes you confident that you will be able to achieve 12% and second thing is what were the challenges that has led you to 5% loan growth which is sub-par on the overall industry? Could you just comment on these two things?

Animesh Chauhan: Yeah. The loan growth has been very muted, because of our muted growth on 53% of our loan book which is corporate credit; so that 53% of the loan book has grown by less than 3%, so that has impacted the overall loan to be 5.17% growth. And the growth in agriculture also this year has been quite muted for us. So these two sectors account for almost 65% of our loan book. Going forward, though we are not expecting a larger growth in corporate credit, but retail which was this year at 12.24%, we intend to almost double it and MSME which was 8-8.5% will also be substantially improved almost we have... activity has already started on those end and agriculture is also expected to grow a little better than what it has been for the year. That put together should take us to 12% growth.

Haresh Kapoor: Just in terms of CAPEX for branches, any plans over there to increase that and what kind of expenditure is going to go on that?

Animesh Chauhan: CAPEX to....?

Haresh Kapoor: To branches....any branch expansion...anything lined up?

Animesh Chauhan: Branch expansion, we opened 125 branches during 2014-2015 and we are proposing to open 100 branches in 2015-2016. We are not going beyond that.

Haresh Kapoor: Okay sir and you expect the gross NPA to be around 5% right and your provision coverage should be around 60%?

Animesh Chauhan: 5% by the year end is the normal projections today.

Haresh Kapoor: Okay sir thank you and best of luck to you.

Moderator: Thank you sir. Our next question is from Mr. Nilesh Shah from Forefront Capital. Please go ahead sir.

Nilesh Shah: Hi, hello? Am I audible?

Animesh Chauhan: Yeah, you are.

Nilesh Shah: I see that one major fact that has led to the reduction in your NPA number is that the addition we have seen in this quarter is much lower than the previous quarter and previous year right?

Animesh Chauhan: Yes.

Nilesh Shah: The amount of hedging that you see from the standard restructuring book into the NPA book has been much lower than what it had been in the previous years or is it like there is something else? I was hoping that you can clarify on that?

Animesh Chauhan: I will clarify on that. In Q3, our slippage from restructured book was about Rs 731 crores but in Q4 it is down to Rs 337crore. Sequentially, the slippages have come down but compared to last year Q4, that time it was around Rs 202crore. So compared to that it is higher but compared to Q3, it is lower. But as far as the overall lower slippages are concerned, it is because of the rapid rise of the NPA numbers, the entire workforce was channelized for containment of NPA.... be it through recovery and upgradations or through prevention of slippages. So the upgradations and recoveries have remained at a pace they have been but the containment of slippages has been quite good because early warning signals were caught and the workforce worked on it, so that has helped us in containing this slippage number.

Nilesh Shah: Okay I see that...I just see that the major changes in the reduction of NPA has probably not come from the NPA account rather....34, 58 and 51 we don't see much change on that number...?

Animesh Chauhan: Yes, if I can explain, the NPA containment has come basically because of the reduction in fresh addition. It is the reduction in slippage. The recovery upgradation right now has been almost at the same number. Q4 last year it was 406, it is 395; that number has not changed much but what has changed is the slippages which have been contained to a very big extent. That is what has resulted in the NPA number being contained. In fact it is not a very big reduction if you see in the absolute number it is only marginal 3 crores, but percentage wise it has come down because it has remained static in absolute numbers.

Nilesh Shah: Right so you are saying that both in terms of...NPA addition from standard loans and restructured standard loans are both low. Are they both low or is that the case for only one of them?

Animesh Chauhan: It is both.

Nilesh Shah: Right and you are saying that it is because you have a more mobilized workforce with a strong focus on pre-empting an NPA and reducing that number and containing it. So you expect that this will stay this way in the next quarters to come?

Animesh Chauhan: Plus on containment on slippages by identifying early warning signals and acting on that as also on the recovery and upgradations will continue, we expect the upgradations to be more as the economy rebounds. As the economy goes up, the upgradations are expected to go up and slippages to get contained, that's the expectation.

Nilesh Shah: But given the fact that you have a very strong corporate loan book, with industrial projects, how do you really act on an account that you see might be going into an NPA? I am sure when you have a large retail book, you are much better off in having an entire team of recovery group, but when you have large conglomerate based industrial loans, how do you really act on that pre-emptive method that you were describing?

Animesh Chauhan: See it can be a long-drawn discussion, how in totality but if you get the early warning signals and start acting early, the chances of prevention of slippage goes up and that's what we are attempting at in the corporate loan book also. So when the dialogue and contact becomes intensive, as we see any warning signals and not waiting upto account going to SMA 2 and all those procedures, so that will of course impact the containment of corporate loan book, both when it is a consortium or an individual financing or multiple....

Nilesh Shah: Yeah right so by containment do you think you will make this loan into some sort of re-structuring program? Now, re-structuring has been stopped by RBI, will be stopped from this quarter right?

Animesh Chauhan: Yeah. It does not mean restructuring; we will start improving with the economy rebounding.

Nilesh Shah: Okay thank you.

Moderator: Thank you sir. Dear ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad. I repeat, if you have a question, please press * and 1 on your telephone keypad. We have our next question from Mr. Mehrukh from IDFC. Please go ahead.

Mehrukh: Hello, I just wanted to check what would be your....how much is the extra funding what you have provided to SEBs during the year and during the fourth quarter?

Animesh Chauhan: Discoms how much of funding, I will not have the figure right now. It is not much. The Discom outstanding disbursements were around 104 crores basically to Rajasthan and Haryana during the quarter.

Mehrukh: 104 crores?

Animesh Chauhan: Yeah but that is as per the FRP plan that is already on; so not beyond any FRP planning.

Mehrukh: So the Discoms are not drawing anything beyond the FRP plan, is that correct?

Animesh Chauhan: Yeah. At least we can vouch we have not sanctioned beyond the FRP to any of the Discoms as on date.

Mehrukh: Okay and has the plan been revised on the original agreement?

Animesh Chauhan: So far not, there are discussions but then so far the FRP funding that was to happen, upto the fourth quarter, has happened and undrawn portion only can be drawn now nothing more.

Mehrukh: Okay perfect, thanks.

Moderator: Thank you ma'am. We have our next question from Mr. Praful Kumar of Birla Sun Life Insurance. Please go ahead.

Praful Kumar: Hi sir thanks for the opportunity. Can you just tell us in terms of now re-financing of this 5:25, how many accounts, what exposure are we looking at in terms of...any assessment that we have done?

Animesh Chauhan: I cannot tell you how many accounts. It will depend on how the things progress in the days to come. We expect accounts to come under that. It is a good provision that RBI has done, but telling the number would not be possible at this moment.

Praful Kumar: Number, quantum....because I am not asking for names anyways.

Animesh Chauhan: It will not be possible for us to tell exactly the number and quantum.

Praful Kumar: Okay. In terms of SMA 2, what's that number for us?

Animesh Chauhan: SMA 2 number as on March? Just a minute....it is around Rs 3500cr.

Praful Kumar: Okay, finally sir do you have any restructured that has been sanctioned to be implemented in Q1? Any...book there?

Animesh Chauhan: Restructured that is sanctioned.....

Praful Kumar: We have gone through the restructured but will be implemented in Q1, but few banks are saying that....

Animesh Chauhan: There are restructuring requests and in advanced stage of discussion in around Rs 1400 crores of our loan book which are either in consortium or in sole banking.

Praful Kumar: This will be called restructuring in quarter one when we get our numbers or this will be treated as NPAs?

Animesh Chauhan: No this will not be treated as NPA; this is the number where the restructuring process has started in Q4.

Praful Kumar: Then this can still cover your restructured book in quarter one?

Animesh Chauhan: Yeah.

Praful Kumar: Okay sir, that's it thank you and all the best.

Moderator: Thank you sir. We have our next question from Mr. Manish Agarwal of Phillip Capital. Please go ahead.

Manish Agarwal: So just one data point; can you provide us the duration of AFS and your entire investment portfolio?

Animesh Chauhan: AFS is 4.16. Entire investment portfolio is 4.83.

Manish Agarwal: Thank you sir.

Moderator: Thank you sir. We have our next question from Mr. Rahul Jain of Goldman Sachs. Please go ahead.

Rahul Jain : Can I get some data point for how much is the slippages from re-structured book to NPA category?

Animesh Chauhan: It was 337 crores this quarter. Slippage from restructured to NPA.

Rahul Jain: Okay, next would you be, would you be able to share how much was the amount related to FITL provision as well as any write-back of interest income because of this?

Animesh Chauhan: FITL provision....is 119 crores....provision for FITL 119.60.

Rahul Jain : Okay and this would be part of provision for standard assets or NPA?

Animesh Chauhan: This will be....it is part of the restructured in this others....other provision. Not in the standard or re-structured.

Rahul Jain: Understood and what would be the reversals of interest income because of this? Had you de-recognized any....?

Animesh Chauhan: due to fresh slippage in NPA...that is Rs 48 crores

Rahul Jain: Okay. Lastly would you be able to share the breakup of restructured loans excluding SEB and Air India because that you have already mentioned in your presentation.

Animesh Chauhan: Yeah, wait a minute. The restructured book in infra we have Rs 8684crore out of which state discoms are Rs 5500cr. So about Rs 3200cr on infra other than discoms. Aviation is Rs 1148cr, iron and steel is Rs 3728cr odd, textile is about Rs 984cr, sugar is Rs 531cr and rest is others. These are the major portions.

Rahul Jain: Sir because of this unseasonal rainfall, what will happen in the next quarter? Would you be restructuring those loans and if so then what would the cost of....?

Animesh Chauhan: It would depend on how the state government recommends and how the SLBCs of the state actually adopts it. The process is, unless the SLBCs adopt the deferment of recoveries, it cannot be done by banks on their own, so whichever State, the SLBC decide and whichever area or district, they decide. Only in those we will be going for the deferment of the recoveries.

Rahul Jain : Okay in the worst case what could be our possible build up of slippages because of this?

Animesh Chauhan: That cannot be said right now because we don't know where the SLBCs are adopting because it is happening as a process; so we will not be able to predict as of now what will be the worst case scenario.

Rahul Jain: Assuming that SLBCs don't....

Animesh Chauhan: But they are sensitive, they do it.

Rahul Jain: Okay fair enough. Okay sir, one last question in terms of outlook...FY15 was perhaps the worst period hopefully. How do you see the next year panning in terms of fresh slippages as well as fresh re-structuring happening? I am sure you would be watching your books very closely and

Animesh Chauhan: See, restructuring is going to be muted because of the forbearance being withdrawn; there will be no rush as was seen in Q3 and Q4. So that has to be contained beyond Q1 because the pendency is...as we have already said, will be over by Q1 or Q2, otherwise restructuring will happen only if it is very essential and we can save the unit in production even if it is to be made NPA. So it will be very focused re-structuring. I hope it would be less....that's the belief; that it should be less than what has happened in '14-'15 and as the economy is expected to bounce back in the coming quarters, we hope some of the major sectors should show improvements.

Rahul Jain: Yeah, because if I look at...let's take iron and steel and all; there restructuring plus NPA put together and all is anyways 45.....

Animesh Chauhan: Yeah very high and I think it is across the industry. It is across banking sector iron and steel has behaved in the same fashion.

Rahul Jain: Yeah, so which other sector can surprise you negatively should the economy.....?

Animesh Chauhan: I don't think even iron and steel is going to be....because government has taken a lot of steps. Hopefully those steps will work. On mining and on duty on imports and all which have been taken, hopefully that should revive them. The other sectors also the government has taken a lot of stand....in road, in power, in gas-based power, a lot of steps have been taken; so we hope we will be able to....we hope the economy will be able to help banks into that.

Rahul Jain : Alright. Sir just one last clarification...so this everything due to reversal due to FITL you said was 48.6 crores right?

Animesh Chauhan: No, no because of the slippage of accounts.

Management: What happens is, once the accounts become NPAs, money that we cannot book interest on that and if some interest has already been booked but not recovered, that also we have to reverse, that reversal we are talking about is 48 crores.

Rahul Jain: That I understand but you need to reverse also the interest income when re-structuring happens, then you convert interest payment into term loan, then whatever interest....

Animesh Chauhan: That is what is FITL, that is what is 119.60 crores that's what I told you.

Rahul Jain: Okay fair enough, understood, alright sir, thank you so much.

Moderator: Thank you sir. We have our next question from Ms. Sneha Kothari from Subhkham Ventures. Please go ahead.

Sneha Kothari: Sir what about the capital raising plans could you share for the next fiscal?

Animesh Chauhan: We have 11.41% as on date capital adequacy in Basel III and we have in our hand approvals for going to QIP route for Rs1000 crores and AT I bonds of Rs 500 crores; but the timing will be decided based on the market.

Sneha Kothari: What would be your slippages in the credit slippage ratio and credit cost retail for the next year and the PCR you would like to maintain?

Animesh Chauhan: See our PCR has gone up to 60.5 odd percent and we would expect this PCR to improve a little further. As far as guidance on slippages, I don't think it will be possible for me to give but yes we expect our gross NPAs to be contained below 5%.

Sneha Kothari: And what is the target for the cost to income ratio?

Animesh Chauhan: We are at 41.3 odd and I think it should remain on the same horizon.

Sneha Kothari: Okay, thank you sir.

Moderator: Thank you ma'am. We have our next question from Ms. Shrey Loonker of Reliance Mutual Fund. Please go ahead.

Shrey Loonker: Hi sir, this is Shrey Loonker here. Just one data point if you can help us with; the restructured book, what percentage of the re-structured book is outside the moratorium?

Animesh Chauhan: The repayment has not started.

Shrey Loonker: Then completed the moratorium?

Animesh Chauhan: That is around Rs 8000 crores.

Shrey Loonker: So the remaining Rs 12000 crores is under moratorium?

Animesh Chauhan: Yeah.

Shrey Loonker: Out of the 12,000 crores how much next year comes out of moratorium?

Animesh Chauhan: That figure I will not be able to give you right now because that has to be worked.

Shrey Loonker: Just to clarify out of 20000 crores odd, 8,000 crores is already outside moratorium and the remaining 12,000 crores will get out of moratorium in the years to come.

Animesh Chauhan: Yeah.

Shrey Loonker: Thank you.

Moderator: Thank you sir. We have our next question from Indranil Das from Eight Capital. Please go ahead.

Indranil Das: Hi good afternoon.

Animesh Chauhan: Good afternoon.

Indranil Das: My question is regarding the power sector exposure that you have, what percentage of your power exposure is in NPA today and specifically in thermal, that is going to now start getting repaid with maybe coal auctions being completed and particularly in the gas plant auction that just completed yesterday, what percentage of your NPAs will start getting repaid with that? So if you could answer that it will be great thank you.

Animesh Chauhan: It would be very difficult to answer. Discoms part we know but other power sector which will start getting repaid....we will have to see....I will not be able to give you now, tomorrow probably but not now.

Indranil Das: Thank you. Is it a significant amount?

Animesh Chauhan: I think on the gas part, it is not a very significant amount in our loan book.

Indranil Das: In coal based plants?

Animesh Chauhan: In coal based plants, I think what will change right now we will have to wait and see because auctions have happened for a very few mines only. So we will have to wait and see how the scenario develops.

Indranil Das: Thank you sir.

Moderator: Thank you sir. We have the next question from Mr. Amit of UTI Mutual Fund. Please go ahead.

Amit: This additional incremental facility in the standard re-structured account of the Rs 6000 crores, is it already part of the loan book or this is still sanctions....?

Animesh Chauhan: It is already a part of the loan book and therefore we have said that the total book is around 20,000crore. It includes the new sanctions of 5000 odd crores.

Amit: Is it already disbursed?

Animesh Chauhan: Yeah. That is why it is part of the loan book.

Amit: That's it from my side.

Moderator: Thank you sir. Dear ladies and gentlemen if you have any questions please press * and 1 on your telephone keypad. I repeat, if you have a question, please press * and 1 on your telephone keypad. We have our next question from Mr. Sushil from Indus Equity. Please go ahead.

Sushil: Most of my questions have been answered. What is the NIM target for the year sir and ROA, ROE?

Animesh Chauhan: See, our NIM is presently about 2.61; we expect it to be between 2.61 to 2.65 anywhere and as far as ROA is concerned, with this reversal of previous year income it is 0.23%.If we don't take the previous year it will be 0.36%, so for the actual working it is 0.36%, we expect to improve it to anywhere between 0.42% to 0.45%.

Sushil: Okay and on the ROE?

Animesh Chauhan: ROE is the resultant; we have not got the figures.

Sushil: Okay no problem. Thank you sir and sir this 5:25 SBI as of last quarter results had indicated they were working on nine projects. I am quite sure lead bank is SBI in majority of these large projects or the larger banks, at least you can indicate how many people have approached you as a lead banker in terms of....I am not saying number of proposals but are you seeing a sizeable benefit coming to our bank so the 5:25 can

result into a lot of benefits for the infra-structure projects including power, which will resultant into our bank.

Animesh Chauhan: Should come because it means that impact should be substantial in the days to come but because these things are not yet finalized, telling a number would not be feasible, but yes, the impact on 5:25 on infra should be quite good in the days to come.

Sushil: The reason I am asking you in three, four other analysts meets in private banks, there are four or five projects including, Lanco buyout or some other projects, re-structuring is over including for 5:25. So are we not part of any of these projects....?

Animesh Chauhan: We will be a part of a few projects.

Sushil: See what has happened, we are already a part or are we expecting in part?

Animesh Chauhan: We are part of one or two projects only but a lot is under discussions.

Sushil: There is a flash, bank is seeking relaxation on 5:25 rule sir, hope better days are coming round.

Animesh Chauhan: Banks as a whole not individual banks.

Sushil: Yeah. Thank you sir.

Moderator: Thank you sir. We have our next question from Mr. Sangam Iyer of Shubkham Ventures, please go ahead.

Sangam Iyer: Sir just one clarification, when we are talking about our gross NPA being curtailed below 5% and the provision coverage increased, are we giving a kind of target of around 2.8, 2.9 for the net NPA? Is that what we are targeting?

Animesh Chauhan: We are targeting below 3 in the net NPA.

Sangam Iyer: But on a logical basis, if you are increasing the provision coverage as well, it should actually still be lower at least by 10 basis points.

Animesh Chauhan: I can't give a specific number, it is a projection.

Sangam Iyer: Right and sir I just missed out was there any cost to income ratio target that we are looking that we are looking for FY16 going forward?

Animesh Chauhan: Cost to income, I think our this thing in public sector domain is quite healthy and we intend to retain it that way.

Sangam Iyer: Thankyou.

Moderator: Thank you sir. We have our next question from Mr. Rahul Jain of Goldman Sachs. Please go ahead.

Rahul Jain: Sir just one clarification. In your answer to Shrey's question to how much of the book is outside of moratorium you said 8000 odd crores right? How much of this would be SEB and Air India?

Animesh Chauhan: How much of it would be SEB and Air India, outside the moratorium book? Then that tabulation has to be done. I will not be able to give you off hand.

Management: I can tell you Air India is 1100 crores....

Animesh Chauhan: No, no is it outside the moratorium?

Management: Yes.

Rahul Jain: Alright thanks a lot.

Moderator: Thank you sir. We have our next question from Mr. Nilesh of Edelweiss.

Nilesh: This is Prakash from Edelweiss. What is the outstanding SR...?

Animesh Chauhan: The total outstanding SRs are about 143 crores.

Prakash: How has the behavior been of SRs? As in we have seen some write downs on this because we have around 1-1/2 years and the SRs are now 1-1/2 to 2 years old.

Animesh Chauhan: No we have not got any write downs on SRs, no depreciations.

Prakash: But the valuations for the SRs have been done?

Animesh Chauhan: Yes, they have been done upto March.

Prakash: And we have not seen any write downs on that as well?

Animesh Chauhan: No.

Prakash: Okay thank you sir.

Moderator: Thank you sir. We have our next question from Mr. Indranil Das of Eight Capital.

Indranil: Yes thank you again. A couple of questions with sales to ARCs having changed to 15:85, are you getting any interest from ARCs approached for buying your NPAs? The next question is, on the 5:25, could you give us some light on how you are calculating the discount rate or the MCV on this because I think that's the issue. If you can just walk us through that calculation, then we will have models. We need to understand how this is worked out.

Animesh Chauhan: I think it would be improper to discuss a model on a concall. The model of 5:25 is exactly what is already given in the RBI circular. We will not be able to walk through that in a concall my dear.

Indranil: Right, perhaps some light on the 15:85, whether there is any action going on?

Animesh Chauhan: What is 15:85?

Indranil: The rules having changed for selling to ARCs.....

Animesh Chauhan: Oh 5% and 15% cash component? Yes, because of that I think the asset recovery companies were having their own issues so the asset sales were impacted after Q1 in the present 2014-2015 year. But now we expect that they must have now reconciled to it and got their cash books in place and we will be attempting some asset sale in this quarter end and the next quarter to see whether we have certain enquiries from there. But as of yet, we have not yet done any sale of late.

Indranil: Thank you.

Moderator: Thank you sir. Dear ladies and gentlemen if you have any questions, please press * and 1 on your telephone keypad. I repeat, if you have questions, please press * and 1 on your telephone keypad. We have our next question from Mehrukh of IDFC. Please go ahead

Mehrukh: Sir so what sort of changes have you asked or the banks as a group have asked RBI on 5:25?

Animesh Chauhan: There are several small, small things on.....see the ongoing projects when do it on that plus the provisioning requirements, there are a few things going on discussions.

Mehrukh: What kind of things sir?

Animesh Chauhan: Please wait for the discussions to come, it will be made public through IBA or RBI.

Mehrukh: Okay sir, thank you.

Moderator: Thank you ma'am. We have our next question from Mr. Sumit Morgan Stanley, please go ahead.

Sumit: Can you please share the common equity tier 1 ratio for the quarter or the year?

Animesh Chauhan: Yeah, Common equity tier 1 ratio, one minute, tier 1 for March 2015 is 8.73 and the common equity tier 1, for 31st March 15 is 8.09.

Sumit: Thank you sir.

Moderator: Thank you sir. Ladies and gentlemen, if you have any question please press * and 1 on your telephone keypad. I repeat, if you have questions, please press * and 1 on your telephone keypad. Ladies and gentlemen if you have any question please press * and 1 on your telephone keypad. We have our next question from Mr. Nilesh Parikh from Edelweiss. Please go ahead.

Nilesh Parikh: All my questions have been answered thanks.

Moderator: Thank you sir. Ladies and gentlemen, if you have any question please press * and 1 on your telephone keypad. There are no further questions. Now I hand over the floor to Mr. Darpin Shah for closing comments.

Darpin Shah: On behalf of HDFC Securities, I thank Mr. Chauhan and the entire management team of Oriental Bank for their valuable inputs and providing insights on the bank. Thank you very much.

Animesh Chauhan: Thank you dear, thank you.

Moderator: Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.