

## Transcript

### Conference Call of Oriental Bank of Commerce

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#### *Presentation Session*

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**Moderator:** Ladies and gentlemen good afternoon and welcome to the 3QFY17 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 assistance during the conference, please signal the operator by pressing \* and then 0 on your touch tone telephones. Please note this conference is being recorded. I now would like to hand over the floor to Mr. Darpin Shah from HDFC Securities. Thank you and over to you Mr. Shah.

**Darpin Shah:** Thank you. Good afternoon everyone. On behalf of HDFC Securities, I welcome you all for 3QFY17 earnings conference call of Oriental Bank of Commerce. We have with us Mr. Animesh Chauhan, MD and CEO, Mr. Rajkiran Rai, Mr. Himanshu Joshi, Executive Director, and Mr. Jitendar Mohan Singh, CFO. And now I would like to hand over the conference to Mr. Chauhan for his initial comments. Thank you and over to you sir.

**Animesh Chauhan:** Good afternoon everybody. The results of OBC this time, our business is at Rs.3,59,103 crores, which is almost the same level as a year ago period. The total deposits have gone up by around 2% to Rs.2,10,657 crores, and total advances are down 6% to Rs.1,48,446 crores. The CASA, there is increase from 24.70 to 32.25%, that's a rise of 755 basis points. The increase in the retail term deposit is 9.03% YOY. The operating profit has gone up from 766 for Q3 last year to 1280 crores in Q3 this year and the net profit or loss, the loss last year same quarter was 425, it is now 130 crores for Q3 mainly due to reversal of about 235 crores for SDR, S4A as per the recent clarification of Reserve Bank of India. The NPA position as on December is 20,492, which is up from 18,382 last quarters, and the net NPA is 13688 crores, which is 9.68%. The provision coverage ratio has slightly improved from 48.47 to 49.44 quarter-to-quarter. The fresh slippage this quarter is 2703. The Q3 last year, it was 3980 and September quarter was 2142. The CRAR as per BASIL III, the CET1 is 8.72, the AT1 is 1.41, so the total tier 1 capital is 10.13% and tier 2 is 3.03%, that gives a total capital of 13.16%, which is in comparison to 11.14% in the Q3 last year. I think that should be okay for the beginning and now I will be open for questions.

#### *Question and Answer Session*

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**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin with 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. Ladies and gentlemen, if you have any questions, please press \* and then 1 on your telephone keypad.

Sir, the first question comes from Ganatra from Subhkam, please go ahead.

**Ganatra:** Sir, my first question is, what's the outlook on the credit growth that is just a decline on YOY basis and how do we see the deposit growth panning out and what is the sustainable CASA. My third question is on the asset quality front, what are the...

**Animesh Chauhan:** Wait, wait, wait. Sustainable CASA, yes, and next is?

**Ganatra:** And third question is on the asset quality front, there is a substantial rise in the slippages and this is from which segment and how do you see the trend for FY17 as well as for FY18 on the recoveries and upgrades remains lower in third quarter what is the trend for the fourth quarter and how do you see the big resolution happening in the large corporates in consortium lending for FY18?

**Animesh Chauhan:** You have asked so many questions. Okay, I will try to remember what you asked. One is the credit growth outlook, we have seen in January the credit pickup happening. Last quarter was, in fact negative, because lot of deposits came in the smaller accounts after the demonetization, and so we saw a slight reduction in credit. Credit growth we have seen picking up in January and we are hopeful that when we end the year it will be 5% YOY rise, that's how we see the things coming up in this quarter. As far as deposit is concerned, it will be the same range, because we keep shedding the bulk deposits as and when other deposits comes in the smaller ones and all. Sustainable CASA, yes, it has shown quite a good increase as on December, as I said, it is 32.5, much improved from our earlier position. Because this demonetization is the first time that it has happened, so giving a prediction would not be a very good prediction, but still we would like to hold about 30% to 40%, anything between 30% to 40% we hope will still be in the books even at the end of March. But yes, this is only a guess, because this is something that has happened for the first time, we will not know the exact position. As on the asset quality trend, it will depend on how the resolutions work and how some of the issues in the industry gets resolved, we can't predict all that. This is one of your next question also on resolution, all the banks and government is also working on resolution on most of their larger NPAs and stressed assets, but as we all know, so far the SDR and S4A resolutions, there are lot of discussions, but final resolution is still taking time. So, depending on that will be the asset quality that will come out. So it will not be possible to hazard a guess at this moment. As for...

**Ganatra:** Then for coming quarter? How do you see the trend moving in the slippages front and how do you...

**Animesh Chauhan:** It should be better than this quarter, it should be something around what happened in September, that's our, again a guess depending on how resolutions happen. Because lot of accounts, SDR and this, if the resolution doesn't happen, it may slip into NPA. So it will be dependent on how the resolution process goes.

**Ganatra:** But as per the corporates and as per the media articles, resolutions are happening slow, so there could...

**Animesh Chauhan:** That's what I said, Resolutions are, but a lot of things are being discussed which are quite near to the finality. If once it happens, several accounts will happen together. But the timeline whether it will be Q4 or Q1 next year, is anybody's guess. So we will not be guessing a number.

**Ganatra:** (Not clear) number on the resolution for the full year for FY18, could you just give a ballpark number on this?

**Animesh Chauhan:** But it will depend on how it happens, how the trigger happens.

**Ganatra:** Okay. And if it happens then it is from which segment you are expecting this resolution?

**Animesh Chauhan:** Everywhere. Resolutions are being discussed in several sectors. It is only...unless it starts happening it is not worth commenting on that. Infra it should happen, in steel it should happen, power it should happen, several can happen. These are the bigger ones.

**Ganatra:** My second question is on the fee income side, fee income has shown...

**Animesh Chauhan:** Second, you have already had a lot...Yes fee income, what is...

**Ganatra:** Hello?

**Animesh Chauhan:** Yes.

**Ganatra:** Sir, on the fee income side sir, that has shown a substantial rise of 16% quarter-on-quarter, could you throw some light on that? And on the treasury front are we still sitting on the silver spoon?

**Animesh Chauhan:** Are we still sitting on silver spoon, yes, naturally.

**Ganatra:** And on the fee income side would you share what is the reason behind the substantial rise of 16% quarter-on-quarter?

**Animesh Chauhan:** See, it is basically non-fund business that has gone up and plus the processing and all, lot of...I said no, we have been in the processing of good number of loans, so all that has given us some income, processing fees and commission on specially bank guarantees that are coming in infra sector and all, that has given us good income.

**Ganatra:** Okay. And where is your cost-to-income ratio, which is currently standing at 37% and one more thing, on the employee expenses, have you taken a yield difference for the employee expenses fund?

**Animesh Chauhan:** See, that we will know exactly...we have been doing enhanced provisions, but when the actuaries give us the calculations, we will know much

better, much specific we can be on that. But we have been doing lot of provisions on the employee front, so I don't see much of a difference, maybe yes, 50, 60 crores difference quarter-to-quarter that may happen.

**Ganatra:** Okay, thank you, if further questions, I will come back in the queue.

**Animesh Chauhan:** Oh yes.

**Moderator:** We have the next question from Chinmay Desai from Anvil, please go ahead.

**Chinmay Desai:** Yeah, hi sir. Hello?

**Animesh Chauhan:** Yes.

**Chinmay Desai:** Yeah, hi. Sir, could you give me your outstanding SDR 5:25 and what you have done in this quarter? Standard SDR...

**Animesh Chauhan:** One minute, I will give it to you. Standard SDR, see our SDR accounts as on 31st December, it is 21 outstanding accounts 3117 crores, and the NPAs are (not clear) crores. What is (not clear) during this quarter is only three accounts, about 300 crores. And the next you wanted is 5:25.

**Chinmay Desai:** Sir, I couldn't hear the outstanding standard figure on the SDR, if you can repeat that?

**Animesh Chauhan:** 3100 crores and NPA 2166 crores, the mandate given this quarter are three for three hundred crores.

**Chinmay Desai:** Okay. Sir, so similar numbers for 5:25, if you could give?

**Animesh Chauhan:** 5:25 during the quarter there is none. Total accounts as on today are 13, out of which nine are standard with 801 crores and four have slipped to NPA with 1320 crores.

**Chinmay Desai:** Okay sir. Sir, you haven't done any S4A?

**Animesh Chauhan:** S4A, yes, we have done. S4A is three accounts, but the outstanding is about 460 crores.

**Chinmay Desai:** This quarter or that was last quarter, I can't recollect.

**Animesh Chauhan:** This quarter.

**Chinmay Desai:** Okay sir. Sir, and like on the slippages if you could give some color as to where they have come from, I mean, from which sector?

**Animesh Chauhan:** See, in these slippages, retail is very low, agriculture is hardly 170, MSME is 240, it has basically come from, it is really spread, construction is about 450 crores, infra is 270, roads is 230, then iron and steel is 290, they are all

spread out, sugar is 109, paper is 145, so they are all spread across industries. Not a very concentrated one in the larger industries, corporate credit.

**Moderator:** Thank you sir. Next question comes from Sangam Iyer from Shubkam, please go ahead.

**Sangam Iyer:** Hi, yeah. Sir, two, three questions, one, for the next quarter you said you are looking at slippage of similar to 2100 crore that happened in Q2, right? Hello? We are looking for a similar kind of slippages of 2100 crores in Q4 as well, at the gross level. And sir from a recovery and upgradation perspective, how should one be looking at it, given that incrementally we have not seen much increase in your overall reduction, 520 crores going to only 591 crores, so how should one be looking at it given the current economic scenario and also going forward. Is there something...

**Animesh Chauhan:** I am not able to get you in these disturbances, I don't know...

**Moderator:** Mr. Sangam Iyer, because there is so much of background noise from that line sir. Can I take the next question? The next question comes from Mr. Nilesh from Edelweiss, please go ahead.

**Nilesh Parikh:** Yeah, hi sir. Sir, just one question, you mentioned the outstanding standard restructuring is about 3100 crores, now from a timeline perspective, there is an 18-month window for performance, in terms of the entire resolution on SDR, so where do we stand on a weighted average basis on this standard... Just wanted to gauge that if nothing happens over the next three to six months, is there a possibility that the entire 3100 will slip into NPA?

**Animesh Chauhan:** No, I think, if nothing happens, then we should see about 15 to 1700 crores slipping. Though we are not that sure on nothing, we expect a few things happening, but even if nothing happens, means, no resolution in next two months, still the slippage will be something between 15 to 1700 crores.

**Nilesh Parikh:** Okay. And, in terms of the balance, do you think will get resolved over the next six months?

**Animesh Chauhan:** Something should be resolved. We hope lot of things...

**Nilesh Parikh:** What are we...?

**Animesh Chauhan:** There are lot of discussions happening, once the finality starts reaching, lot of accounts should happen. That's our expectation.

**Nilesh Parikh:** It is just that there is an 18-month window right, so in terms of a timeline period.

**Animesh Chauhan:** No, it happens during that period only hopefully.

**Nilesh Parikh:** And sir, you mentioned about the resolutions, so if you can just talk about where is it getting stuck, I mean, obviously there are too many parties...

**Animesh Chauhan:** These are all larger accounts to come in, those things have to...the terms have to be finally negotiated. Bankers issue on future monitoring has to be incorporated. So these are not straightforward things where you sit across and resolve in one sitting. And several banks are involved. Then the parties, there are two, three, four getting involved. So it takes its own time. It is nowhere stuck. And with oversight committee in place, I don't think there is anything that is stuck. But the discussions are taking longer to resolve on various issues that crop up. That's all. It is not stuck anyhow.

**Nilesh Parikh:** And this, I am sorry, apologies, if there is a repetition on this one, but see other operating expenses have come down significantly this quarter, so on a Q-on-Q or YOY basis, anything particular that I may have missed out.

**Animesh Chauhan:** One minute, I will tell you. It is probably one of the depreciation reversals that we got because of the IT Hardware Depreciation Policy that was around 158 crores...

**Nilesh Parikh:** Okay and this is one time, right?

**Animesh Chauhan:** Yes.

**Nilesh Parikh:** Okay, fair enough. Thank you. All the best sir.

**Moderator:** Thank you sir. The next question comes from Nilesh Parikh from Edelweiss, please go ahead. The next question comes from Mr. Nilesh Parikh from Edelweiss, please go ahead sir?

**Animesh Chauhan:** I think Nilesh only talked right now.

**Moderator:** This is Mr. Nilesh Parikh sir. Alright, I will just move on to the next one. It is from Mr. Anand Ladda from HDFC Mutual, please go ahead.

**Anand Ladda:** Hello sir?

**Animesh Chauhan:** Yeah.

**Anand Ladda:** Sir, of the 6600 crore restructured standard assets, could you just give us some colour on how much would come out of moratorium next quarter?

**Animesh Chauhan:** See, most of it is already, one minute, restructured assets where repayment has not commenced, is around 1000 crores only. In restructured portfolio, it is 10,300 and where the repayment has not started is only 1033 crores, so this may happen in next six months, all the repayment starting, exit for the quarter I will not be able to tell, I don't have it.

**Anand Ladda:** Sure. Sir, of the SDR accounts which are standard, how much are from restructured books? You said 3100 crores is the standard SDR book, outstanding.

**Animesh Chauhan:** SDR, out of which restructured is about 1095 in eight accounts.

**Anand Ladda:** Okay. And balance 2000 which are SDR, they are not part of restructured book?

**Animesh Chauhan:** No.

**Anand Ladda:** Okay. Sir, and any colour on our margins outlook sir, where do you see your margin for next three years, how do you see things improving?

**Animesh Chauhan:** See, margins improvement is an issue, we would ideally like to expect a 2.5%, but it depends on how the scenario unveils, means how much of the CASA gets retained, how we are able to get accounts in mid corporates and MSMEs, lot of it will depend on that. Ideally we would be targeting about 2.4% to 2.5% NIM, around 2.5.

**Anand Ladda:** Okay. That's from my side sir, thank you.

**Moderator:** Thank you sir. The next question comes from Ojasvi Khicha from SBI Cap Securities, please go ahead.

**Ojasvi Khicha:** Yes sir. Sir, if you could just highlight numbers in terms of NPA movement for the quarter?

**Animesh Chauhan:** You have the presentation?

**Ojasvi Khicha:** No, I don't have it.

**Animesh Chauhan:** NPA movement, see, I will give you. December the fresh slippages are 2700, as I said, the total reduction including write off is 593, so the closing gross NPA is 20492.

**Moderator:** Sir, are you done with the questions sir?

**Ojasvi Khicha:** Yes, I am done, you can move on.

**Moderator:** Alright, thank you. The next question comes from Jai Munthra from BNK Securities, please go ahead.

**Jai Munthra:** Yeah, hi sir, thanks for the opportunity. I just had a couple of questions, one is that in our (not clear) we have mentioned that we have redeemed 250 crores of tier 1 capital. So what is that regarding, I mean, is it a newly tier 1 AT1 bonds that we raised some time last year or is it some kind of a legacy book tier 1...

**Animesh Chauhan:** It is legacy book, Basel II bonds; it is the legacy book, not what we raised last year.

**Jai Munthra:** Okay. And secondly sir, if you can highlight the fraud that has happened in this quarter, earlier we have had history of series of frauds that has happened in this bank, last quarter there was no fraud, but this quarter again some fraud has come, so if you can elaborate, you know, why...

**Animesh Chauhan:** This quarter some fraud has happened, which one. That was last quarter, this quarter; I don't think there is a major fraud.

**Management:** It may be 100 crores.

**Animesh Chauhan:** 15 crores, not 100, I don't think there is a major fraud that has come up in this quarter. It is, we keep providing 1/4th of each of the previous things, no, 79, what is left is that only, which will get cleared in March.

**Jai Munthra:** So this quarter there is no new fraud?

**Animesh Chauhan:** This quarter is only, total fraud, 15 or 16 crores, that's all.

**Management:** That too, as a consortium.

**Animesh Chauhan:** That was consortium account. I don't think there is any big fraud this quarter.

**Jai Munthra:** And sir, if you can also highlight, I mean, if you can quantify the SMA 2 book for us and how has that behaved versus last quarter. If I am not wrong, last quarter...

**Animesh Chauhan:** Last quarter the SMA 2 book was, one minute,

**Jai Munthra:** Last quarter the book was 11,400 crores.

**Animesh Chauhan:** Yes, and this quarter it is 11,151 crores.

**Jai Munthra:** And sir, do you have the figure for SMA 1 book?

**Animesh Chauhan:** No, that I don't have right now.

**Jai Munthra:** And sir, just one clarification, this restructuring standard that you mentioned, is borrower-wise, right? If I include the borrower-wise, the figure goes to some 10000 crore? As you mentioned...

**Animesh Chauhan:** What, borrower-wise? What do you maintain?

**Jai Munthra:** Restructured standard book, so if the figure that was given in the presentation is 6600 crores...

**Animesh Chauhan:** It is borrower-wise, na? One minute, the restructured standard book, what do you want in that? You said it is?

**Jai Munthra:** (Not clear), if I were to take the borrower-wise, then I believe it is higher.

**Animesh Chauhan:** No, it is borrower-wise only. The restructured book is maintained borrower-wise only.

**Jai Munthra:** Sure sir that will be all from my side. Thank you sir.

**Moderator:** Thank you sir. Sir, the next question comes from Mr. Mahesh MB from Kotak Securities, please go ahead. The next question comes from Mr. Mahesh MB from Kotak Securities, please go ahead sir.

**Mahesh MB:** Sir, my first question is around the SMA 2 book which was asked earlier...

**Animesh Chauhan:** Regarding?

**Mahesh MB:** The closing movement in the SMA 2 has not changed despite a 2400 crore of slippage in the current quarter, any broad idea as to till when do we expect such high levels to remain in the books of the bank?

**Animesh Chauhan:** See, that is co-related to the country's economy and the industry and the major sectors, like steel, power, infra, improving. So we expect that Q1 onwards it should start showing some improvement.

**Mahesh MB:** (Not clear) if I just compare the construction sector of about 450 crores (not clear) outstanding exposure (not clear)?

**Animesh Chauhan:** To?

**Management:** Construction sector.

**Animesh Chauhan:** There is one account slippage which is 400 odd crores. So what is the question on?

**Mahesh MB:** (Not clear)

**Moderator:** Sorry for the interruption sir. Mr. Mahesh you are not audible sir, could you speak a little louder please?

**Mahesh MB:** (Not clear)

**Animesh Chauhan:** Yeah it is a large account. One large account.

**Mahesh MB:** My final question one, in the last four to five years if we keep writing off loans (not clear) 5000 crores, it is hardly....

**Moderator:** Sorry for the interruption sir, Mr. Mahesh can you please use your handset sir.

**Animesh Chauhan:** Yeah, you are saying the technically written off accounts are going up but the recoveries are much less here. Is that the question?

**Mahesh MB:** Yeah.

**Animesh Chauhan:** See technically written off account happens after a few years when it goes from stress to NPA to D1, D2 and then loss. The technical write off has been happening from loss asset. So yes, had it been easy to recover, the recovery does

come during that period of movement of aging. So these are hard core NPA accounts that's why the recoveries are less. They come more through OTSs or property sales sometimes or that. So the recovery is not expected to be very good in these accounts.

**Mahesh MB:** Sir just one clarification (not clear) fully provided in the book, you still don't have buyers for 20%, 30% of the value of the assets?

**Animesh Chauhan:** Which ones? Technically written off?

**Mahesh MB:** Yeah the ones you have provided 100% of it, why are we not able to sell it off at 20% or 30% of the value?

**Animesh Chauhan:** That will depend on how the ARCs show an interest or how the securities are available in those accounts or whether the securities have already been sold and this is the residual account which has gone into TWO. There are several accounts where there was X outstanding we recovered an amount by selling the securities; the remainder is clean and it has gone down to 100% provisioning and written off. So there it will not be going on sale and that's the industry phenomena. That's not specific to our bank.

**Mahesh MB:** Okay so if you think it is not going to be a very high number is it?

**Animesh Chauhan:** Not going to be a very big number certainly.

**Mahesh MB:** Okay thanks.

**Moderator:** Thank you sir. The next question comes from Mr. Abinash Singh from Jeffries. Please go ahead.

**Abinash Singh:** Hello sir, a couple of questions. First, on the CASA deposit; how hopeful are you of retaining of certain percentage of that CASA and are you also targeting your customer to sell some third party product like mutual fund or insurance to get the fee income? My second question will be more in terms of your experience in terms of collection of 30 DPD trends during the quarter particularly for demonetization. How have the 30 DPD trended in the segment like SME, business loans upto November and December?

**Animesh Chauhan:** See the collections since November....I will reply to the second question first....the 30-day means SMA 0 and 1 recovery, in November when some of the people when they deposit their SB in currency in smaller accounts, they did deposit a few, not very big number, into their loan account. It was more in the smaller accounts, not in the larger accounts. Then December we have not seen deposits into those accounts, then the recovery is impacted because some of the smaller loans there is an impact. Smaller means, all the MSMEs and this, we hope that by March it will all be normal business so the recovery should come back into those accounts. As the CASA deposit retention, I already said that the growth is quite substantial and because this is the first time such a phenomenon has happened, anything we say will be more of a guess, but still I am ready to guess on that, I say between 30 to 40; our attempt is to try and talk to them of retaining and shifting to (audio break) using more of cards and digital products but (audio break) side it should be 30% to 40% that may be retained

upto March. Post March it will depend on how the things go forward. As far as third party product sale is concerned, we are not targeting anything very specific on those who have now deposited this thing...we didn't see a thing on that. Normally we are targeting the segments which we are targeting and our TPP sales have not jumped on the target that we were working from April onwards. We have not seen those jumps.

**Abinash Singh:** Okay as a follow up on the SME front, of course there have been issues during the quarter, but looking forward, particularly say a few quarters ahead, are you worried that this demonetization and its impact on informal sector, is it going to create some sort of problem for you? Are you going to see some sort of stress on this segment what you had seen in your loan book in the large corporate? Are you worried about that or you think that this demonetization sort of impact is sort of transitory in nature?

**Animesh Chauhan:** See RBI already has given a 90-day window for them to correct themselves, but going forward we are seeing businesses returning to normal very fast. In fact accounts where the turnovers had dried down post the demonetization, the smaller accounts, we have seen their sales coming back quite fast, so I don't see going forward beyond March, means next year there should be any impact on.....because a lot of re-monetization has happened quite fast and they have also gone for digital channels so their turnovers are returning back to normal quite fast. So I don't see any impact of demonetization in '17, '18 on the smaller accounts slipping in a big way or anything.

**Abinash Singh:** Okay thank you.

**Moderator:** Thank you sir. The next question comes from Sneha Ganatra from Subhkam Ventures. Please go ahead.

**Sneha Ganatra:** Sir have we used RBI dispensation?

**Animesh Chauhan:** For?

**Sneha Ganatra:** For the accounts which are below one crore or anything?

**Animesh Chauhan:** Yes, we have.

**Sneha Ganatra:** What is the amount?

**Animesh Chauhan:** That I don't have the exact amount.

**Sneha Ganatra:** Okay and sir I want to know what is the credit cost guidance you want to share with us for FY18 and the slippages trend we can expect.

**Animesh Chauhan:** See what we wish to what happens have not been keeping pace. So credit cost guidance will be very difficult to talk of. It is around 2% for the Q1 and Q2, we hope in the next...Q4 and next year Q1 it should come down to that and then keep on going down in the quarter.

**Sneha Ganatra:** Okay and how do you see the slippages run-rate for the next year and the same on the recoveries and.....?

**Animesh Chauhan:** Very difficult to say because most of the slippages have been coming from the larger credits and if the resolutions start happening in the very large scale, the other things start correcting on their own. Specially the power and infra, as the things are getting stabilized we hope the slippages reduce substantially in those and steel also the type of slippages we have seen in the last one year, we expect next year a lot of stabilization, so that is where we expect the slippages to keep going down.

**Sneha Ganatra:** So it would be a fair assumption that your slippages run-rate would be near to 1500 to 1700?

**Animesh Chauhan:** That we can talk of Q4 and Q1; going forward, we expect it to be little less than that also.

**Sneha Ganatra:** But in Q4 you were expecting it to remain elevated right?

**Animesh Chauhan:** Yeah.

**Sneha Ganatra:** And if the resolution are happening on the lower (not clear) we can say some slippages can happen from the SMA 2 account which is also substantially high?

**Animesh Chauhan:** No, we are taking....means around, a little over 2000 may happen in the worst case scenario if there is resolution, but resolution will reduce the existing lot of NPAs going forward.

**Sneha Ganatra:** Okay. But on the resolution could you share, any ballpark number, what type of resolution you are expecting for FY18, any number, that would be really helpful for us. And on the recoveries and the upgrades also for FY18? And where do you see your gross and net NPA to be?

**Animesh Chauhan:** Recoveries and upgrades will depend on resolutions in a big way. When I cannot talk of a number on resolutions, then talking of upgrade in this, will be a wild guess, which I would not like to hazard right now.

**Sneha Ganatra:** Okay. Any target for the PCR to be maintained?

**Animesh Chauhan:** PCR we hope, see, last quarter it has improved by around 1%, next quarter also it should improve by a similar amount, if not a little more, and then we would like to take it to, by next year end, we will definitely like to take it to above 55 by '18. But this Q4 also we expect it to be above 50.

**Sneha Ganatra:** Okay. Sir, on the resolution part, this resolution will be coming from which segment you are expecting?

**Animesh Chauhan:** The major segments where there are stressed assets, power, infra, and steel, all the three may see good resolutions hopefully, that can be struck.

**Sneha Ganatra:** And your outlook on the cost to income ratio to be maintained?

**Animesh Chauhan:** Cost to income this time is 37, it should be around 40 going forward next year, 40, 41 that should be the position.

**Sneha Ganatra:** Currently we are standing at 37; you are expecting it would be 40?

**Animesh Chauhan:** This quarter.

**Sneha Ganatra:** Yeah, this quarter is 37. Hello?

**Animesh Chauhan:** Yes. This quarter is 37, see, look at the movement. It was quite elevated. It has come down this time because of this depreciation write back, which is a onetime affair, which we talked few minutes back. So, it should be around 41, 42, something like that, going forward. Will not remain at this, this was a onetime plus that we got.

**Sneha Ganatra:** And later on could you share the number of the RBI dispensation, which was...

**Animesh Chauhan:** See, RBI dispensation, the number that we have, I don't have right now, so maybe later we can...

**Sneha Ganatra:** Yeah, could you share later on, on that.

**Animesh Chauhan:** Yeah, maybe five, six days later, we will be specific on that.

**Sneha Ganatra:** Okay, thank you.

**Moderator:** Thank you ma'am. Sir, the next question comes from Roshan Chutkey from ICICI Pru AMC, please go ahead.

**Roshan Chutkey:** Thank you for taking my question sir. Am I audible?

**Animesh Chauhan:** You are.

**Roshan Chutkey:** Basically...

**Animesh Chauhan:** A little louder, I think, you just go down.

**Roshan Chutkey:** Sir, in the last conference call, from the restructured book, you had mentioned only about 900 crores worth of accounts are there where not a single payment has come through and then our restructured book size was about 7600 crores, if I remember right. Whereas, now you have a much lower restructured book and you are claiming that it is about 1100 crores, whereas maybe 1300 crores or so where you haven't got a single payment. Where is the disconnect?

**Animesh Chauhan:** No, not got a single payment, where repayments are yet to commence, 1033, that's all.

**Roshan Chutkey:** 1033, that's right. Last quarter the same number was 900 crores or so on lower base.

**Animesh Chauhan:** No, no, in fact last quarter numbers I don't have, I don't think it was 900, it was little more than this.

**Roshan Chutkey:** I am referring the call notes sir. It was 900 crores on what you said in the call; I am quoting from that particular call notes.

**Management:** Restructured, there was some advance also happened, so that would have gone up.

**Animesh Chauhan:** Some fresh restructured may have happened then,

**Roshan Chutkey:** Fresh restructured, only 37 crores is fresh restructured in this quarter.

**Animesh Chauhan:** This quarter, restructured during this quarter is only 37, but in some of the restructured accounts there must have been fresh disbursements. I will have to check up. Because this reduction in restructured is basically because of shifting to NPA. Other part, I don't remember last con call, but this is basically maybe some disbursement...

**Roshan Chutkey:** No problem sir, you can get back to me on that.

**Animesh Chauhan:** See, one of the restructured accounts, there have been some disbursements. So, because of that that particular amount must have gone up. That exact flow I can share with you later, but there have been one or two accounts where there have been disbursements.

**Roshan Chutkey:** Sure. If you can just explain the SMA 2 movement also, how much was the movement into SMA 2 and out of SMA 2 this quarter?

**Animesh Chauhan:** That I will not have right now, I only have the SMA 2 outstandings. The movement plus and minus is not available.

**Roshan Chutkey:** Okay. And if you can...Sorry?

**Animesh Chauhan:** Yes?

**Roshan Chutkey:** What was that 7000 number you mentioned?

**Animesh Chauhan:** The SMA 2 amount.

**Roshan Chutkey:** SMA 2 amount is 11000 odd crores, right, 11150?

**Animesh Chauhan:** Yes. The movement I don't have right now.

**Roshan Chutkey:** Sure sir, no problem. And can you tell me qualitatively at least what sectors, if you can't give me the numbers exactly, which sectors contributed to this slippage of 2700 crores?

**Animesh Chauhan:** Slippages, I did tell you, it is very dispersed. The slippages this time have come from several sectors. I did...I will tell you where it is...I will tell you. Construction, one account of 443 crores, then infra including infra power is 269, infra roads is 226, then iron and steel is 290, sugar was about 110, so it is quite dispersed.

**Roshan Chutkey:** Okay. Sure sir, that is all from my side. If you can, in a ballpark give me any, just one last question, if you can ballpark, give me any colour on the total watch list that we are working with. Have we identified our watch list of stressed assets and where are we on that?

**Animesh Chauhan:** Watch list, see, the SMA 2s and restructured, that is from where the slippages will be coming, so we don't have an exact calculation, but SMA 2 and the restructured where the repayment has not come in, that is where the slippages may come from. 11151 and plus that 1000, that's all.

**Roshan Chutkey:** Alright, yeah, thank you so much.

**Moderator:** Thank you sir. The next question comes from Anand Ladda from HDFC Mutual, please go ahead.

**Anand Ladda:** Sir, can you just share what was the interest reversal done during this quarter?

**Animesh Chauhan:** The total reversal of interest done is 343 crores, out of which for NPA it is 107, but the SDR and S4A reversals, as per the new clarification is 236 crores, that is why it is very elevated.

**Anand Ladda:** Okay. And sir, of the 11000 odd crores of SMA 2 account, how much are from SDR and what proportion is from restructured book?

**Animesh Chauhan:** Restructured book SMA 2 is 3085 crores.

**Anand Ladda:** Okay fine sir. So of the 11000, 3000 is from restructured book.

**Animesh Chauhan:** Yeah.

**Anand Ladda:** Okay, thank you sir.

**Moderator:** Thank you sir. The next question comes from Mahesh MB from Kotak Securities, please go ahead.

**Mahesh MB:** Just one question. Since we've been sitting and negotiating with the borrowers, with large corporate books, what are the discussions that you are having if resolutions are coming through, what are the kind of efforts that you are...

**Animesh Chauhan:** I am not able to get you properly dear. On the resolution front what is the...

**Mahesh MB:** What is the kind of matters are we discussing in most of these resolutions?

**Animesh Chauhan:** That we cannot talk right now. As the resolutions comes then only we will be finalizing those things. I think it will be premature to talk on it right now. Most of them have lot of provisions already being made in the books.

**Mahesh MB:** If I were to kind of ask this the other way round. Currently your PCR is about 50. If I exclude the technically written off portfolio (not clear) figure, 33, is 33 a good enough number or do you think this number....?

**Animesh Chauhan:** We don't know, that will depend on how the resolution comes, on what terms? See, even otherwise, these accounts will be slipping on the aging...the provision will be going on with aging of all these accounts. So provision, any case will go up, aging also takes that additional provisions.

**Mahesh MB:** In the sense that even if resolutions were to come tomorrow and banks have been told to take a haircut; the question what we are asking is that even though you are saying a decline in gross and net NPA. P&L has to take a substantial charge for (not clear).

**Animesh Chauhan:** See, I don't think it will be very substantial charge, because these resolutions will not happen all in one quarter or one or two quarters, it will be quite spread out, because these are all complicated accounts. It will not happen everything in one quarter, it will happen two, three quarters put together, a big number. And even if there is no resolution during these quarters, the aging will have provisioning. So the impact may not be very different. Maybe a little higher, but we will not be very different.

**Mahesh MB:** Okay. So kind of just (not clear) if this year you are looking at a provisioning cost of anywhere between 2 and 2-1/2% of NIM, is this number sufficient for 2018 or 2019?

**Animesh Chauhan:** Is this number sufficient for?

**Mahesh MB:** 2018 and '19. Currently our positioning is running at (not clear) anywhere between 700 to 1400 crores for bad loans for quarter....

**Animesh Chauhan:** Yes.

**Mahesh MB:** Just trying to understand should we take this as an estimate for FY18 as well given the fact that even if resolutions comes, (not clear) will be substantial.

**Animesh Chauhan:** This is quite an elevated number of provisioning on our books already. I don't see this going up. We can look at it coming down, quarter-to-quarter basis. 1450 is quite an elevated number for us.

**Mahesh MB:** Is 700 a good number for the next three years, for the next quarter?

**Animesh Chauhan:** Which one? The provisioning number?

**Mahesh MB:** Of 700 crores.

**Animesh Chauhan:** See, I can't guess a number just like that. What I said is the present quarter 429 is a big enough provisioning and I don't see it going any further.

**Mahesh MB:** Okay sir, done, thanks a lot.

**Moderator:** Thank you sir. Sir, we have one more question from Jai Munthra from BNK Securities, please go ahead.

**Jai Munthra:** Hi sir. Just to take us through from the previous question, sir, this quarter slippages was 2700 crores versus 2100 crores last quarter and our provisions have doubled or more than doubled. So the question is, have we...I mean, some part of that also comes from aging provision from last year. Have we made only according to IRAC norms or have we provided extra to those aging provisions. So, I mean, just because, let's say, next quarter if the slippages remain elevated, so could this number can still be as high as this quarter or how have you provided for the aging? So is it only as per IRAC or have we provided something above that?

**Animesh Chauhan:** Our provisioning has been as per IRAC, except where the securities are short where we tried to cover up that number. So, what I have said is, we expect a little lesser slippage in this quarter and the provisioning will be accordingly happening.

**Jai Munthra:** Okay. So, let us say, next quarter there will be some aging provisions from the slippages which happened last year for this quarter.

**Animesh Chauhan:** Yes, it will.

**Jai Munthra:** And then lastly, the SMA2s you mentioned, some 3000 crores from restructured, anything which is there to the government companies or government exposure, which is some sort of sovereign exposure including Discom or some other PSU?

**Animesh Chauhan:** Discom in restructured books, will be very less now. Now, there is...

**Jai Munthra:** No, in SMA 2, apart from Discom, could there be any other sovereign exposure?

**Animesh Chauhan:** I don't think there should be, I don't remember of anything.

**Jai Munthra:** Because mostly it will private only, right?

**Animesh Chauhan:** One minute, I will just glance at...restructured book will have probably Air India will be there, about 1100 crores...

**Jai Munthra:** No, that is in restructured, but I am talking about SMA 2, would there be any sovereign exposure?

**Animesh Chauhan:** Air India is SMA 2 in this quarter, so that 1100 crores is part of, that is all...Discom's will be under 200 crores that is left in this, so I don't think Discom is much, but yes, Air India one account. Other than that there is no government account.

**Jai Munthra:** That is helpful sir. Thank you very much.

**Moderator:** Thank you sir. And that will be the last question for the day. I now would like to hand over the floor to Mr. Darpin Shah for closing comments. Over to you sir.

**Darpin Shah:** On behalf of HDFC Securities, I thank the management of Oriental Bank of Commerce and I also thank all the participants to spare time over the weekend. Thank you all.

**Animesh Chauhan:** Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a good weekend everyone.

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**Note:**

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