

## Transcript

### Conference Call of Oriental Bank of Commerce

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#### *Presentation Session*

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**Moderator** : Good evening ladies and gentlemen. I am Moumita, moderator for the conference call. Welcome to the Q1 FY15-16 earnings conference call of Oriental Bank of Commerce hosted by HDFC Securities Limited. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touchstone telephones. Please note that this conference is being recorded. I would now like to handover the floor over to Mr. Darpin Shah from HDFC Securities; thank you and over to you Mr. Shah.

**Darpin Shah**: Thank you. Sorry for the slight delay. I would like to welcome you all for the conference call of Oriental Bank of Commerce for its first quarter earnings. We have with us Mr. Animesh Chauhan, the MD and CEO, Mr. Suresh N. Patel, the Executive Director and the other senior members of the team. I would like to hand over the conference to Mr. Chauhan, to take us through the details; over to you sir.

**Animesh Chauhan**: Thank you and good evening to everybody. As you know, you must have seen the result is out today. The growth in the sectors that the bank has been targeting has been bit better than the March quarter on the YoY basis. The deposit growth has been 5.04%, but the deposits of retail term is plus 16%. Bulk deposit we have reduced by 21% YoY. On advances, the growth is 5.95%; but, the retail credit growth is better at 17.33% and RAM credit at 10.24%. Similarly, the NII and NIM went up sequentially and as well as on the YoY basis. And the ROA is now back to 0.46 from the negative territory last quarter. The gross NPA has increased to 5.85% at 8577 and net NPA to 3.76%. The operating profit is 1044, compared to YoY period earlier. It is being shown as 1142. But, that has the component which you know had to be reversed in (audio break) 138 crores of TWO sale proceeds, which had to be reduced. So, that is added in the operating profits and the net profit for Q1 2014. And therefore it is showing a higher number. But, if we adjust it to this number, the YoY growth also in the net profit is about 13.5 and the YoY growth in operating profit is 4%. With this I would like to (audio break) questions of the participants. Thank you.

**Moderator**: Thank you sir. Sir, shall we begin the question and answer session then?

**Animesh Chauhan**: Yes.

#### *Question and Answer Session*

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**Moderator:** 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.

Sir, the first question comes from Mr. Gaurav Agarwal from ENR Advisors. Please go ahead sir.

Mr. Gaurav Agarwal, your line is open sir. You may ask your question.

**Gaurav Agarwal:** Can you hear me sir? Hello?

**Animesh Chauhan:** Yes, probably you are not getting my voice.

**Gaurav Agarwal:** Yeah, I am getting your voice sir.

**Moderator:** Please go ahead.

**Gaurav Agarwal:** Yeah. So sir, I am asking you, that this quarter we have seen quite a bit slippages. It is around 1600 crores. So, any specific, any lumpy account in this or any particular sector which has contributed to this high slippage?

**Animesh Chauhan:** Not a particular sector. But, two accounts basically which have accounted for about 640 crores, these have slipped from the restructured category and that is the reason of the larger slippage in the NPAs, gross NPAs.

**Gaurav Agarwal:** Okay. But, out of the restructured books which we have today, would you see similar kind of slippages coming in the (inaudible)?

**Animesh Chauhan:** No, these were one of the weaker of the restructured accounts. And somehow they could not come up to what they were trying to do. And so we had to classify them as NPAs. The restructured books otherwise about 35% is already in the, 35%-40% is Government guaranteed accounts and the other (audio break) basically are into improvement stage, except a few. So, we don't see this much of a slippage going forward.

**Gaurav Agarwal:** Okay. And sir, any sales of assets which we have done this quarter, net?

**Animesh Chauhan:** Only two or three accounts of 35 crores, that is too little (not clear).

**Gaurav Agarwal:** And so that is (not clear).

**Animesh Chauhan:** Yeah.

**Gaurav Agarwal:** And sir, what was the same amount in the last quarter, in Q4 FY15, net (inaudible)?

**Animesh Chauhan:** About sale of assets? There was no sales in Q4.

**Gaurav Agarwal:** There was no sales in Q4. And sir, under 5:25 are there any accounts which we have classified under the 5:25?

**Animesh Chauhan:** We have done four accounts and around 1400 crores, mostly in iron and steel sector of the (inaudible).

**Gaurav Agarwal:** Iron and steel sector is classified under 5:25, is it?

**Animesh Chauhan:** Yeah.

**Gaurav Agarwal:** Then from power, any account from the power sector. And also sir, the quantum of those (inaudible).

**Animesh Chauhan:** No, nothing in power sector with us, into this.

**Gaurav Agarwal:** And lastly sir, the quantum of this 5:25.

**Animesh Chauhan:** 1400 crores.

**Gaurav Agarwal:** In total, right?

**Animesh Chauhan:** Yeah, in total.

**Gaurav Agarwal:** Thank you sir. I will come back in the queue. Thank you.

**Moderator:** Thank you sir. Sir, our next question comes from Mr. Jay Mundra from BNK Securities. Please go ahead sir.

**Jay Mundra:** Hi sir. Good evening. Sir, I just wanted to get some more detail on the notes of account which you have mentioned that there is some fraud, wherein the bank has provided 125 crores. And the rest is still likely to be amortized. So, can you just elaborate a bit on that front?

**Animesh Chauhan:** These are not yet fraud. They are suspected frauds. And because of the red flagging of the accounts, the investigations are on. And on reaching the conclusion, we will continue to deal as per the RBI provisions.

**Jay Mundra:** Okay. Sir, are these accounts specific to...

**Animesh Chauhan:** These are from the NPA category accounts.

**Jay Mundra:** Okay. Are these kind of accounts, our bank specific issue or the borrower in general has done some fraud to banking in (inaudible)?

**Animesh Chauhan:** Borrower in general....borrower in general. It is not specific to our bank's operations.

**Jay Mundra:** Okay. So, then the other banks which also have exposure to these accounts, they would also have classified as a suspected fraud, because of RBI (not clear)?

**Animesh Chauhan:** Not from as on date, but maybe in the next few months we will know.

**Jay Mundra:** Yeah, not as on date, but these are kind of system wide.

**Animesh Chauhan:** Yeah, this will happen in, yeah, this will be classified.

**Jay Mundra:** And sir, can you just comment on the nature of the fraud or the suspected fraud or why there are some red flags, what is the (inaudible)?

**Animesh Chauhan:** I would not like to comment on that, because it is still under investigation and it would not be proper for me to comment on that.

**Jay Mundra:** Okay. And this is only one account, which is....?

**Animesh Chauhan:** No, it is more than one.

**Jay Mundra:** More than one. Okay. And sir, secondly on the restructuring that we have done in this quarter, so largely all this would have been done, there is no pipeline per se for restructuring?

**Animesh Chauhan:** No, the restructuring that we did this time is around 1000. Pipeline are 300-400 crores. But, there is the agricultural account restructuring. This time out of 1000 odd crores that we have restructured, about 457, the largest chunk is agriculture, agriculture crop loans and few term loans. So, it is basically on the affected areas, where the Government and the SLBCs gave relief. So, it is basically those loans. So pipeline, it depends. Agriculture, the rules are different. So it may happen on natural calamities or draught cases.

**Jay Mundra:** Sure. And without, except agri, there is no such restructuring which is likely to happen in the (inaudible)?

**Animesh Chauhan:** I told, out of 1023 odd that we did, 457 is agriculture and others are all spread out accounts, various categories.

**Jay Mundra:** That is okay sir. So, at the end of March quarter, there was some pipeline.

**Animesh Chauhan:** Pipeline, there are about 400 crores, which are still yet to be decided upon. But, agriculture will be other than that.

**Jay Mundra:** Okay, sure. And sir, this slippage we kind of, 1600 is slightly a bit high for our bank. So, what is the kind of visibility that you are having in terms of this number moving, because anyway they will not be restructuring? So, how are you seeing this 1600 crores of number?

**Animesh Chauhan:** Out of this 1600 crores, 840 has slipped from restructured book. So, 640 was two accounts, plus some 200 smaller accounts. That is the slippage. But, they are then spread across. So, going forward I don't think this, I think this restructured books slippage should go down. And the other one, (audio break) in the

agriculture and MSE also, this slippage should be less in the quarters to come, that is our projection, looking to how the economy is being projected going forward.

**Jay Mundra:** Sure sir. And sir, secondly if I may ask this, your 1400 crores of 5:25 refinancing that we have done, how much of this was under SMA-II account.....if 1400 crores of exposure that we have done 5:25, how much of this was in our SMA-II category?

**Animesh Chauhan:** I can't give you the number, whether it was from SMA-II or SMA-I, but this is the account which were stressed, which has been (audio break).

**Jay Mundra:** And none of them was restructured earlier, which was earlier restructured?

**Animesh Chauhan:** Earlier restructured, I don't think there was any. No, no, it was not restructured. They were stressed. These are those accounts.

**Jay Mundra:** Sure sir. I will come back in the queue if I have more questions. Thank you.

**Moderator:** Thank you sir. Sir, we have our next question from Mr. Anand Ladha from HDFC Mutual Fund. Please go ahead sir.

**Anand Ladha:** Hello sir. Sir, just again on the slippages, you just mentioned that of the 1600 crores slippages, 840 are from restructured book.

**Animesh Chauhan:** Yeah.

**Anand Ladha:** Sir, can you quantify how much, how many number of accounts have slipped sir? Is it just too large, lumpy (not clear) or it is spread across?

**Animesh Chauhan:** 640 is for two accounts. 640 is for two accounts. And other than that it is total of, if you take the total 840, there were twelve more accounts which were all together 200 crores.

**Anand Ladha:** Okay. Sir, this 640 you mentioned, the two accounts are from which sector sir?

**Animesh Chauhan:** One is a logistics company and one is a trading company.

**Anand Ladha:** Okay. Sir, based on your restructured book now, what proportion would be completing the moratorium and how do you see these books now going forward? Do you expect some more slippages to happen from the restructured book sir?

**Animesh Chauhan:** We don't expect much of a slippage, at least much larger in quantity. Few accounts will (not clear). Out of our about 20,000 crores, rounding up figure, about 9000 crores (inaudible). The repayment that has commenced is in 9000 crores.

**Anand Ladha:** Okay. Sir, is it fair to say that FY 2016 your slippages should be similar to what FY15 has or it should be lower than the FY15 number, if I can get a full year guidance from you?

**Animesh Chauhan:** Exactly we can't comment right now, because it will depend on how the economy moves. We expect it to be much better in Q3 and Q4. So, we expect slippages there to be much less. But yes, it will be the overall situation of the economy that will impact it.

**Anand Ladha:** Okay. Sir, what is the outlook on the margins? Our margins improved (not clear) this quarter, what do you think for the full year, how much of margin improvement do you expect?

**Animesh Chauhan:** As we said earlier, we expect our NIM to be around 2.65. And that is where we have reached now. And we would like to see it improving dramatically in the near.....because the pressure is on reducing the lending rates. So, the NIMs are around the same number.

**Anand Ladha:** Okay. Sir, how much would have been the interest reversal (not clear) on the NPA this quarter sir?

**Animesh Chauhan:** Interest reversal on NPA is around 50 crores.

**Anand Ladha:** How much sir?

**Animesh Chauhan:** 50 crores.

**Anand Ladha:** 50 crores. So, this margin improvement has happened despite interest reversal of 50 crores and despite recent cut.?

**Animesh Chauhan:** Yeah, yeah. You can see, because our cost of deposits has also gone down. We have shed a lot of bulk deposits. Then the growth is minus 21% year on year. So, we have to readjust to the resource cost and once the resource cost is controlled, we are aligning accordingly.

**Anand Ladha:** Okay. That is all from my side sir, thank you sir.

**Moderator:** Thank you sir. Sir, our next question comes from Mr. Nilesh from Edelweiss Securities. Please go ahead sir.

**Prakash:** Hi sir, this is Prakash from Edelweiss. Sir first thing on the 5:25, you have said that around four accounts were rescheduled this quarter, around 1400 odd crores, any pipeline?

**Animesh Chauhan:** Not rescheduled my dear, put into the 5:25 structure.

**Prakash:** Yeah, put into the 5:25 structure, so, any pipeline in that, further pipeline in that?

**Animesh Chauhan:** There are different, different accounts on this. Some are the completed projects, where take out financing has been discussed under this. So the

pipeline, it is very difficult to put numbers on it. And some are stressed where they want to go for 5:25, so there are degrees of accounts, where discussions on 5:25 (audio break). I cannot give a number or amount on that.

**Prakash:** Okay. The second thing is on your SMA-II accounts. Have you seen any trending down in your SMA-II account or it still continues to be at the same level what we have seen in the last quarter or some trend on your SMA-II accounts?

**Animesh Chauhan:** SMA-II, the numbers remain more or less of the same this thing, same levels.

**Prakash:** Sir, will you be able to quantify....?

**Animesh Chauhan:** Quantify what, SMA-II? I will not like to quantify SMA-II, because that keeps fluctuating because of the recovery efforts and pushups. It keeps fluctuating. So, I will not like to talk on exact numbers on SMA-II.

**Prakash:** And sir, we have seen large part of stress for us has been coming from iron and steel and textile per se. So, any sense on the quality of the ....?

**Animesh Chauhan:** Iron and steel, stressed assets are there in the restructured books. But, we hope with the measures taken by the Government and with the iron ore mining commencing in India, which has started in few States and expected to commence in others, the sectors should not see any further slippage....not in a big way.

**Prakash:** Okay. So, in textile and iron and steel, we don't see much of the slippages from the restructured books, current restructured books?

**Animesh Chauhan:** Yeah, we don't see much.

**Prakash:** Okay. Thank you so much. I will come back in the queue.

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

**Rakesh Kumar:** Thanks. Sir, just I had a couple of questions. Firstly on the agri loan book, this quarter incrementally we have seen fresh slippages of around 410 crores, if I am not mistaken. And the fresh restructuring number what you gave around 457 accounts also. So, what is happening in that sector? The stress in that segment appears to be quite high basically.

**Animesh Chauhan:** Fresh slippage has been 169 crores. Yes.

**Rakesh Kumar:** Okay. And fresh restructuring is 457?

**Animesh Chauhan:** Yeah, that is because of those conditions in several States where the State Governments and SLBCs wanted their recovery to be deferred that is that number.

**Rakesh Kumar:** Okay. Sir, in the 4Q presentation, we had given total NPA outstanding of 1039 crores in the agri books. And if you see the similar presentation

here in, for the Q1, the NPA outstanding is 1450 crores for the agri books. I understood that slippages are at around 400 crores for the agri in this quarter?

**Animesh Chauhan:** There is a little bit of issue here, because after 1<sup>st</sup> April some of the MSME accounts which were agro processing have been shifted to agriculture. So, that is why agriculture and MSME put together you will have to see. Agriculture means, the classification has undergone a little change after the April directives of RBI. So, some of the MSMEs, the agro processing units have shifted into agriculture. So, those NPAs would be shifted from MSME to agriculture. So, it is not the fresh slippage there.

**Rakesh Kumar:** Okay, understood. One other PSU bank also in their recently published numbers, they had very high stress on the agri books. So, just I was a bit skeptical that what is happening in that sector and why is the stress.....?

**Animesh Chauhan:** One of the things that I told you is that because of the reclassification, lot of MSME accounts have been shifted to agriculture. It means the agro processing units, the traders and all those have been shifted. So, because of that the NPA portfolio of that sector also gets shifted to agriculture. So, some rise may be seen, a disproportionate rise because of that.

**Rakesh Kumar:** Okay. And sir, again to that question which has come in with a reference to the notes of account number five. So this is.....this account, which being leveled as a fraud account, is this because of the RBI annual financial inspection? It has come after that or that is our own recognition or classification?

**Animesh Chauhan:** That is our own. That is our own. RBIs financial inspection last year's was long back and this year not yet commenced. So, it is our own.

**Rakesh Kumar:** And sir, if we look at the deposit cost, it is looking more or less flat kind of. But, if we look at the borrowing cost, it has gone up. And in this scenario, I was assuming that the borrowing rate should have come down actually. So, why the trend is otherwise?

**Animesh Chauhan:** You said that the deposit cost?

**Rakesh Kumar:** Deposit cost, if you look at the presentation which is there, so if you look at the deposit cost is looking slightly lower as on the reported basis. And the cost of fund is (not clear). So, I am assuming that the cost of borrowing has gone up, which is leading to cost of funds being flat. So, on the calculated basis, the cost of borrowing is looking on the higher side.

**Animesh Chauhan:** Cost of borrowing has not gone up. The cost of deposit has come down. If you look you may think it is flat, it has come down by 17 bps quarter on quarter and (not clear) bps YoY. So, it is not flat.

**Rakesh Kumar:** That is what I am saying. Your cost of deposit has come down. And deposit size is very high and the cost of fund is just flat.

**Animesh Chauhan:** Cost of fund also, YoY is down 21, compared to 26 reduction in cost of deposit.

**Rakesh Kumar:** No, I am saying on the sequential basis.....on the sequential basis.

**Animesh Chauhan:** Sequential basis it has come down by 2 basis points. So, basically cost of fund is not gone up. I don't know, we will have to check this. Cost of funds, it has not gone up. What he is saying is that 17 bps is reduction in cost of deposits, then why cost of fund reduction is only 2 bps. Has the refinances cost gone up? Probably because what I understand is, probably because the borrowing throughout the quarter was more. And the previous quarter we were mostly in the lending mode in the markets overnight. So, here the borrowing was more. So, the overall cost of borrowings in these two quarters must be a bit different. That can be the only reason. Basically there is no refinance and all, where the cost has gone up.

**Rakesh Kumar:** Sir, if I am not mistaken, 8500 was the total borrowing as on March end. So, how much is the number right now?

**Animesh Chauhan:** One minute, I will just check it. Total borrowing number on March was 6545 and presently it is 6446. That is the day end figure. That is the day end figure and not the overall daily figure. This is the day end figure.

**Rakesh Kumar:** Okay sir, we can discuss it offline. Thanks. Thanks a lot sir. Thanks a lot.

**Moderator:** Thank you sir. Sir, our next question comes from Mr. Gaurav Agarwal from ENR Advisors. Please go ahead sir. Mr. Gaurav Agarwal?

**Gaurav Agarwal:** Sir, on your presentation slide number twenty three, sir I am referring to your slide number twenty three in the presentation. In this presentation it is shown that standard restructuring accounts as on 31<sup>st</sup> March 2015, it is around 18923 crores, while your annual report gives the number which is like 20,000.

**Animesh Chauhan:** 20,000 odd, that is why we say here outstanding as on 30<sup>th</sup> June. Accounts restructured up to March 2015, the outstanding in those accounts as on 30<sup>th</sup> June.

**Gaurav Agarwal:** So, that number is as on 31<sup>st</sup> March.

**Animesh Chauhan:** The number has gone up and down because of some recovery, some slippages, some up gradation. The net number residual out of that total balance is 18923.

**Gaurav Agarwal:** Okay, as on today. But, as on 31<sup>st</sup> March (inaudible)

**Animesh Chauhan:** (Not clear) verified there.

**Gaurav Agarwal:** Okay. And sir, this one off item of TWO, can you tell me what exactly is that?

**Animesh Chauhan:** Which one off item?

- Gaurav Agarwal:** T.W.O related item in your other income.
- Animesh Chauhan:** That is 138 crores. That was the sale of technically written off assets. (audio break) into profit, subsequent (audio break) during the discussions with RBI, it came out that only the cash component can be taken and then that was reversed. So, in the June it was 137, which was reversed in the December quarter.
- Gaurav Agarwal:** Okay, it is like you have not reversed those Q1 financials (not clear)?
- Animesh Chauhan:** No, no, we have reversed it in Q3. If you look at the Q3 presentation, we have said that we are reversing this number. That is how the Q3 profit was very low.
- Gaurav Agarwal:** Okay. And sir, lastly your accounting note number four, which says that you have changed some discount rates to arrive at the net present value, is it for one particular account....?
- Animesh Chauhan:** Note number four?
- Gaurav Agarwal:** Sir, this is related to.....
- Animesh Chauhan:** Foreign currency exports.
- Gaurav Agarwal:** No, no, I am referring to the change in the method of calculating the discount rates?
- Animesh Chauhan:** It is note number five. RBI circular dated 2<sup>nd</sup> July 2015.
- Gaurav Agarwal:** As a result, there is reduction of provisioning for diminution in fair value by Rs.114 crores.
- Animesh Chauhan:** Diminution in fair value?
- Gaurav Agarwal:** Yeah. Sir, is it related to one particular account or all?
- Animesh Chauhan:** No, it is not one particular account. It is the total book.
- Gaurav Agarwal:** So, you have changed the discount rate based on the new.....
- Animesh Chauhan:** We did not change. It is the RBI which has changed the rule, as per their circular.
- Gaurav Agarwal:** Because, I have looked at other banks process, this was the first time when I have come across this kind of item.
- Animesh Chauhan:** You have?
- Gaurav Agarwal:** I have seen other banks financials.

**Animesh Chauhan:** This is there in several banks. You will find it mostly in several banks. We have seen it there. It is there in several banks.

**Gaurav Agarwal:** Okay sir. Thank you. All the best.

**Moderator:** Thank you sir. Sir, we will move on with the next question and it comes from Mr. Amit Premchandani from UTI Mutual Fund. Please go ahead sir.

**Amit Premchandani:** Hello sir. Sorry if this is a repeat question, I joined late. What is the amount of refinancing that you have done this quarter, how many deals, what are the sectors involved? And if you can explain one such deal?

**Animesh Chauhan:** Refinancing on what? 5:25?

**Amit Premchandani:** 5:25, yes.

**Animesh Chauhan:** We have done four accounts of around 1400 crores. 1100 crores is in iron and steel.

**Amit Premchandani:** And sir, what are the terms of the refinancing? How have they changed from the earlier loan?

**Animesh Chauhan:** It is 5:25 now, against fixed tenure of seven years.....

**Amit Premchandani:** So, it was the seven year loan, which has changed to 25 year 5 and 25 year loan or what is the duration of the new loan?

**Animesh Chauhan:** It is 5:25, the scheme is called. It is 80% tenure of the period of asset. It can be twenty years, it can be twenty two years and it can be eighteen years. 5:25 is basically we refer to the scheme. Then based on the residual earning capacity of the project, 80% of the tenure is taken. And then a loan is given with the take out option every five years.

**Amit Premchandani:** So, the loan of iron and steel which you have done, which was, I am presuming a seven years loan, which has been....

**Animesh Chauhan:** A few accounts, not one.

**Amit Premchandani:** Sure. Take any one of the account, so here seven year loan has moved to five years plus 80% of the residual life, then what is the residual life that has been assumed?

**Animesh Chauhan:** That will be different in different projects. I will not be able to tell which account it was how much. It will be different. If the tentative production tenure is taken as 25, then the tenure for loaning will be taken at 80% is twenty years. And then we will give a loan of total repayment period twenty, which can be take out financed at five, fifth year. That is in the circular of RBI.

**Amit Premchandani:** Right. And sir, interests are being paid on these loans or there is a moratorium?

- Animesh Chauhan:** It is being paid on the loans.
- Amit Premchandani:** No moratorium on the interest?
- Animesh Chauhan:** These accounts can be done only after COD and not before the COD.
- Amit Premchandani:** And on the principal, principal is getting amortized over twenty years or most of the payment is coming after significant tenure?
- Animesh Chauhan:** You see the RBI circular, because we have to go into each account to tell you what is what. It is the bank's loan is with a provision of take out every five years, for (audio break) in five years.
- Amit Premchandani:** Okay. And have the exposure to those accounts in which you have refinanced increased after refinance of 5:25 or they are the same?
- Animesh Chauhan:** It is different for accounts, each account. How the bank takes a call in each account, it can be increased and it can be decreased, it can be anything. Generally it will be there, because the take out is done by ten banks against fifteen or maybe it is done by fifteen banks against the present consortium of ten. So, that flexibility is available there.
- Amit Premchandani:** So, this 1200 crores that you have done, that was 1200 earlier also or it has increased to 1200.....?
- Animesh Chauhan:** You are asking the same question in a different way. I will not be able to reply to you on this.
- Amit Premchandani:** Okay sir, thank you.
- Moderator:** Thank you sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad.
- Sir, we have our next question from Mr. Sachin Upadhyay from ICICI Securities. Please go ahead sir.
- Sachin Upadhyay:** Good evening sir; sir just one quick query. Out of the gross NPA of 8500 odd crores, sir what is the proportion which is there in the restructured books as an outstanding restructured NPA sir, if I could get that amount?
- Animesh Chauhan:** In the NPA book, what is the restructured portfolio?
- Sachin Upadhyay:** Yes sir.
- Animesh Chauhan:** It is about 47%. It is around 4000 crores.
- Sachin Upadhyay:** Okay. And sir, of your total restructured book...
- Animesh Chauhan:** Hello? I am not getting you properly.

**Sachin Upadhyay:** Now, is it proper sir?

**Animesh Chauhan:** Yeah, yeah.

**Sachin Upadhyay:** Sir, out of the total restructured book, could you give me some sense of accounts which are coming out of moratorium in FY16 and FY17, as in what will be the quantum of....?

**Animesh Chauhan:** I can tell you, as on today 9000 are out of moratorium, 9000 crores, the amount of the total book. Exact number of accounts, I will not be able to give you at the moment.

**Sachin Upadhyay:** So, 9000 crores is something which is coming out of moratorium in FY16?

**Animesh Chauhan:** Which is already out of moratorium.

**Sachin Upadhyay:** Which is already out of moratorium. So, a larger part of the book is yet to come out of moratorium.

**Animesh Chauhan:** Almost 11000 now is yet to come out.

**Sachin Upadhyay:** Okay. And sir, would you know how much in FY16 and FY17, would you have that number?

**Animesh Chauhan:** I will not be having that figure right now.

**Sachin Upadhyay:** Okay. Thank you. Thank you very much.

**Moderator:** Thank you sir. The next question comes from Mr. Haresh Kapoor from IIFL. Please go ahead sir.

**Haresh Kapoor:** I had a couple of questions. Sorry if it is repetitive, I just joined late. But, I just wanted to know what is your outlook in terms of the loan book growth for this year?

**Animesh Chauhan:** We did say in the beginning of the year and we maintain now that our targeted loan book growth is 12%.

**Haresh Kapoor:** Sir, and could you comment on the asset quality, how do you see it for the remaining of the year and are they going to be only.....?

**Animesh Chauhan:** We expect in percentage terms, the gross NPA should come down, gross and net, both.

**Haresh Kapoor:** Okay. So, any major account where you feel next couple of quarters that could be an issue for you?

**Animesh Chauhan:** Cannot predict who will slip, if they do. But, we do not like any of it to slip.

- Haresh Kapoor:** Yeah. But, anything that you see in the pipeline?
- Animesh Chauhan:** We cannot have a pipeline. I don't think any banker will be able to predict on that my dear.
- Haresh Kapoor:** Okay, fine. Thanks a lot and best of luck.
- Moderator:** Thank you sir. The next question comes from Mr. Anurag from Jeffries. Please go ahead sir.
- Anurag:** Good evening sir. Just one question, if you can give me the split up of your infra outstanding NPA book for roads and ports, telecom and power.
- Animesh Chauhan:** One minute, one minute. NPA in infrastructure is 611; out of that power is 280. Power is 280. And other sectors are all then split up. Almost 50% is power itself. Rest is all a combination of all the sectors.
- Anurag:** Okay. And sir, would you have the figures for, the same figures for construction sector and for gems and jewellery?
- Animesh Chauhan:** In the NPA book?
- Anurag:** Yeah, the outstanding NPA.
- Animesh Chauhan:** Gems and jewellery and the other one you said construction?
- Anurag:** Yeah.
- Animesh Chauhan:** One minute, one minute. Construction sector, the total NPA is, construction is 354 and then you asked gems and jewellery. Gems and jewellery is almost negligible.
- Anurag:** Okay sir, okay. Thank you.
- Moderator:** Thank you sir. Sir, we have the next question from Mr. Rahul Jain from Goldman Sachs. Please go ahead sir.
- Rahul Jain:** Good evening sir, just two questions. So, somebody asked you about the restructuring book which is already out of the moratorium and you said some 9000 crores. Would this also include the distribution companies as well as Air India?
- Animesh Chauhan:** Air India will be there. Air India, the repayments are on. But, discoms under FRP, the repayments have not yet begun. It will be beginning by the end of the year, yes.
- Rahul Jain:** Okay. So, this 9000 crores only Air India repayment will be included in this and the rest of it would be largely private sectors?

**Animesh Chauhan:** The rest would be Government guaranteed accounts, yes. Discom and Air India, between Discom and Air India, Air India the repayment has begun and moratorium is over. But Discom the moratorium will be over by end of the financial year.

**Rahul Jain:** So, out of this 9000 crores, large part of it is basically the other restructured book that we have got, out of the 21000 crores. And can you just broadly tell me the top two-three sectors that are out of this moratorium period?

**Animesh Chauhan:** Out of moratorium period.

**Rahul Jain:** As in, of this 9000 crores, can you just list me couple of large sectors?

**Animesh Chauhan:** Air India itself is 1100. Then rest...

**Rahul Jain:** How much will be iron and steel, construction and textiles?

**Animesh Chauhan:** Let me see if I have it. I will not have that figure right now. I will not have it right now.

**Rahul Jain:** Sure. Maybe I will connect with somebody else at your bank. Second question sir, regarding this change of methodology for calculating NPV for restructured loans. So this, please correct me if I am wrong, so this is applicable even on the retrospective book or the outstanding book that we have done, is that the case? Because, have you clarified with RBI about this change of methodology that you can do on your outstanding book?

**Animesh Chauhan:** Yeah, this point seems to be very clear that from the applicable rate to the sanctioned rate, it can be done on the sanctioned rate, on the outstanding restructured book.

**Rahul Jain:** Okay, so outstanding also it can be done?

**Animesh Chauhan:** Yeah, yeah. I think most of the banks; this is appearing in the notes.

**Rahul Jain:** Maybe we have missed it, so I think in your bank perhaps we have seen it for the first time. So, maybe we will check it again.

**Animesh Chauhan:** Yeah, you can check it. It is there. As a pure reference you can see.

**Rahul Jain:** Sure. Sure sir. Thank you so much sir.

**Moderator:** Thank you sir. Sir, we have our next question from Ms. Sneha Kothari from Shubhkam Ventures. Please go ahead.

**Sneha Kothari:** Sir wanted an outlook in the margin front and second question is how do you see the power sector?

- Animesh Chauhan:** The outlook on?
- Sneha Kothari:** Margins.
- Animesh Chauhan:** See, the net interest margin, we are saying it will be remaining around the same levels.
- Sneha Kothari:** And how do you see the outlook on the power sector and especially on the (not clear)?
- Animesh Chauhan:** On the?
- Sneha Kothari:** (Not clear).
- Animesh Chauhan:** Now, all discussions are on with the Central Government, the State Governments. The Reserve Bank of India in all involved parties, so we hope something positive comes out.
- Sneha Kothari:** And sir, in percentage terms the gross and the net NPA numbers, you mentioned that it will come down, but any ballpark number you can give us?
- Animesh Chauhan:** What, what, the gross and (not clear)? Can you repeat a bit loudly, I am not getting it properly?
- Sneha Kothari:** I am saying on the percentage terms, you were mentioning that it will come down, the gross and the net NPA, could you just share some ballpark numbers 4%-5%, what level you are going to maintain?
- Animesh Chauhan:** Numbers will not be proper, because ultimately it depends on the movement of the economy. So, even when I say it may come down, it is on the expectation of the economy remaining good and improving. It is not possible to pinpoint numbers.
- Sneha Kothari:** Okay, thank you sir.
- Moderator:** Thank you. The next question comes from Mr. Anurag from Jeffries. Please go ahead sir.
- Anurag:** Sir, just a clarification regarding the refinancing scheme. Sir, can you just explain, recently there was a change in the interest rates norms that the RBI had recommended. What would be the impact of that on the diminution of fair value? Will you be getting any benefit from that? And if so, then how will the benefit be accounted for? Will it be in the form of (not clear)?
- Animesh Chauhan:** Restructured books?
- Anurag:** In the refinancing sir, in the 5:25 scheme.
- Animesh Chauhan:** What is the change? Any change in the...

**Anurag:** There was a change in the discount rate that would be taken for calculating the NPV.

**Animesh Chauhan:** That was on the restructured books. Not on the refinancing.....

**Anurag:** Okay. And will there be any benefit coming in from that?

**Animesh Chauhan:** In the restructured books. Yes, it is in the note of accounts of our bank, plus maybe some other banks also.

**Anurag:** Okay. And sir, how is that basically accounted for, as in are there any different methods that you can use that money or account for that money in terms of putting it in provisions or using it maybe tier-II capital?

**Animesh Chauhan:** No, no, it is not a question of tier-II capital. It is a question of quantum of provisioning. That is all.

**Anurag:** Okay. So, the provision that is freed up that can be used as provisions for NPA?

**Animesh Chauhan:** The total provision will go down.

**Anurag:** Okay.

**Animesh Chauhan:** The provisioning, outstanding provision will go down. That is all and rest everything will happen as per the balance sheet movement.

**Anurag:** Right. Got it sir. Thank you.

**Moderator:** Thank you sir. Our next question comes from Mr. Ravi from 8 Capital. Please go ahead.

**Ravi:** Good afternoon. Has there been some talks going on about creating a bad bank for the bad assets that PSU banks have had?

**Animesh Chauhan:** I have read it in newspapers, thats all.

**Ravi:** Okay. Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad.

Sir, we have the next question from Mr. Sachin Upadhyay from ICICI Securities. Please go ahead sir.

**Sachin Upadhyay:** Sir, you did mention that you have seen some applicants or some requests for 5:25 implementation with them. In terms of quantum, could you indicate what effectively that quantum that would be?

**Animesh Chauhan:** I cannot indicate the quantum, because that is there are various levels the talks are on.

**Sachin Upadhyay:** No, no, it is only on application that they are doing and in terms of, I am quite sure that they would want their term exposure to be converted into 5:25.

**Animesh Chauhan:** Naturally, naturally.

**Sachin Upadhyay:** So, what quantum will be and if you are not lead bank, then what will be their overall systemic exposure in terms of term financing that would be.....?

**Animesh Chauhan:** I will not be able to tell you the quantum. It is such a wide nature of applicability that on several sectors it is being discussed, whether it is steel, whether it is hotel industry and whether it is road projects, it is being discussed in several accounts. So, I cannot quantify as to how much is being discussed.

**Sachin Upadhyay:** Okay, fair enough sir. Fair enough. That is all I wanted to know. Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad.

Sir, we have the next question from Ms. Sneha Kothari from Shubhkam Ventures. Please go ahead.

**Sneha Kothari:** Sir, any capital infusion plans?

**Animesh Chauhan:** Yes, we have. We have permission on hand for raising capital from market and we have also asked Government for infusion, once the Government takes a call and depending on the market, (not clear) go for raising the capital.

**Sneha Kothari:** Thank you sir.

**Moderator:** Thank you. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad.

Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad.

Sir, there are no further questions on the floor. Now, I hand over the floor to Mr. Darpin Shah for closing comments. Please go ahead sir.

**Darpin Shah:** There is just one question from my end. Hello? There is one question from my end. Sir, one of the previous calls of another PSU bank, the management had mentioned that they have identified some few 100 crores of assets which are stressed and there are no chances of recovery. So, they have decided to sell it off. So, have you thought anything on this parameter, on this aspect?

**Animesh Chauhan:** It is not a question of whether there is no chances of recovery. The issue is stressed assets, where we don't see an immediate solution. We may like to exit sometimes by selling it to ARC. We have identified something. The process is on. And we will be coming out to the ARCs very soon.

**Darpin Shah:** So, how much will be that quantum that you have identified or which you have thought about, next two-three quarters which you are looking to sell any.....?

**Animesh Chauhan:** No, after the cash component being increased to 15, The issue of actual sale to what is offered has gone down substantially. So, to say how much we will be able to sell is a different issue. But, it is few 100 crores that we have offered to ARC.

**Darpin Shah:** Okay, fair enough sir. That is it from my side. Sir, we will conclude the call now. On behalf of HDFC Securities, I thank the senior management team of Oriental Bank of Commerce for giving their insights and also thank all the participants. Thank you.

**Animesh Chauhan:** Thank you.

**Moderator:** Thank you sir. 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 good evening 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.