



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra
भारत सरकार का उद्यम
एक परिवार एक बैंक

Teleconference with
Financial analysts on financial Results for
Q- 1 FY 2017-18, **August 07, 2017**

Edited Transcript of Bank of Maharashtra's teleconference with

Financial analysts on financial Results for Q-1 FY 2017-18

August 07, 2017

PARTICIPANTS FROM BANK OF MAHARASHTRA:

Mr. R.P. Marathe, Managing Director & Chief Executive Officer

Mr. R.K. Gupta, Executive Director

Mr. A.C Rout, Executive Director



Good Afternoon Sir,

Moderator: Good Afternoon Ladies and Gentlemen, My name is Shivani, I am the moderator for this Conference call of Bank of Maharashtra. Bank of Maharashtra welcomes the Financial Analyst and Participants to conference call for financial results of the Bank for quarter 1 ended 30th June 2017. I have put everybody on question answer mode. The floor will be open for question and answer, after the presentation concludes. The participants need to press *1# to ask a question, only one by one, I will keep unmuting the lines and they can ask their questions. MD and CEO of the Bank, Shri R. P. Marathe Sir will brief you about the financial performance of the Bank for quarter ended 30th June 2017.

R.P.Marathe: Good Afternoon Dear Investors, fund managers, Analysts. This is the second conference call we are holding here. Earlier we had this conference call on 6th of May, 2017, which was for the full financial year 2016-2017. The first quarter results were declared on 31st of July and here we are meeting for the conference call. We have uploaded analyst presentation as well as results on our website and I am sure that all of you must have gone through that presentation. So I will not go by the presentation which will be a matter of discussion later on. I will give you highlights of our Bank performance for this first quarter of financial year 2017-2018. To begin with the business side, total business of Bank has grown by 1.38% Y-o-Y Since we are dealing with the Q1 results, all my analysis and talk will be restricted to Y-o-Y basis i. e. June 2017 vis a vis June 2016. Total business has grown by 1.38% to Rs. 2,33,725 Crores within which the deposits have shown a growth of 7% whereas advances have shrunk by 5.87%. Our total loan book which was at Rs. 1,01,537 Crore as of March 2017 now stands at Rs. 97,096 crores. It has come down by almost Rs. 4,500 crores.

Within deposits, we have shed our entire certificate of Deposit and bulk deposits. So practically there are no Certificate of Deposit and bulk deposits in our portfolio. Our CASA continues to grow, it has grown by 21.80 % Y-o-Y and the ratio stands at 44.09% as against 38.82% in Q1 of last year. There has been some outflow after waning of the demonetization effect but still we are maintaining a good CASA percentage. So that is the business position. Coming quickly to the P&L we observe that our net loss position has come down to Rs. 412 Crores as against the trailing quarter of March'17 when we had shown a loss of Rs. 455 Crores. However, compared to Q1 of last year there is a marginal increase in the loss, when it was Rs. 397 crores in Q1 of last year, However there are various positive points which I would like to highlight here.

- 1) Our operating profit has shown a Y-o-Y growth of 16.30% at Rs. 533 Crores.
- 2) Cost of deposit has come down to 5.58% from 6.32%
- 3) Non-Interest Income has shown a healthy rise of 61.50% to Rs. 465 Crores, even on trailing quarter it has shown a rise of 21%.
- 4) Net Interest Income has been Rs. 693 Crores



- 5) Treasury income has shown a healthy rise of 184% at Rs. 216 Crores and compared to March'17 quarter also it has shown a rise of 41%.
- 6) Yet another positive feature has been reduction in cost-income ratio. Our cost income ratio has been very high at 60% during last year's first quarter and it has come down to 54% now.
- 7) Similarly, operating expenses have shown a reduction of 10% to Rs. 624 Crores, within operating expenses both staff expenses as well as the other operating expenses have shown a reduction.
- 8) The Capital Adequacy has been above the bench mark level. As far as CET1 is concerned we are at 7% as against the mandatory requirement of 6.75%. Tier 1 ratio is 8.85% and the total CRAR stood at 11.08%
- 9) The positive feature as far as capital planning is concerned has been the ratio of risk weighted assets to the total advances which has come down to 91.56%. That was mainly because of the rebalancing of the book as well as the data cleaning exercise which we conducted. The total risk weighted assets as a percentage of advances has come down from 94% in March to 91.5%.
- 10) Now coming to Asset Quality, here again sequentially the slippages have come down. If you take stock of the last five quarters starting from the June of last year, the slippages have gradually come down and this Q1 of FY 18, fresh slippages have been of the order of Rs. 1626 crores. However, there is some increase in the existing NPA's which was of the order of Rs. 356 Crores. So that is how the total slippages are coming to Rs. 1982 crores. Now if you take Q-o-Q slippages starting from the first quarter of last year, it was of the order of Rs. 2900 crores in Q1 of last year which came down to about Rs. 2200 crores in Q2 and further down to about Rs. 1700 crores in Q3 and in Q4 because of the ageing impact and some chunky accounts slipping, the total slippages had shot up to Rs. 3500 crores in Q4 March'17. As against this there has been a sharp reduction in Q1 and within these Rs. 1626 crore value of slippages also, if you exclude one or two big accounts; the slippages have been of a very low order, nearly Rs. 400 crores.
- 11) The other aspects of NPA management have been very healthy recovery position. The cash recovery in Q1 have been of the order of Rs. 630 crores as against Rs. 507 Crores of March and Rs. 201 Crore of the corresponding quarter of last year. So on a Y-o-Y basis there is threefold rise. The up gradation has also been of the order of Rs. 177 crores as against Rs. 69 crores in 1st quarter of last year.
- 12) Provision coverage ratio which was at a very low level of 42.89% in June'16 & has gone up to 47.32% in June 2017, It was 44.5% in March 2017.
- 13) Coming to the NPA position of various sectors, we have seen some increase in the NPA's of agriculture, MSME and the large corporate advances. However, the retail NPA's have shown a reduction from 4.20% last year to 3.32%. The total stressed assets of the Bank stood at 20.95%, because 18.58% is the NPA ratio and 2.37% is the standard restructured advances. The share of large advances in the total loan book have come down from 54% as of June last year to 46% now. This has been a result of our proactive strategy, to shed large exposure and also increase the retail portfolio. So this is as far as the NPA management is concerned. As far as 12 accounts that have been referred by RBI, we have 10 out of the 12 accounts in our



portfolio, with total outstanding balance of Rs. 3800 crores on which already 29% provision is made and by natural progression by the end of this year we would have made another Rs. 900 crores of provision. So stipulation by the RBI to make 50% provision minimum, if it is referred to NCLT then in our case the gap is Rs. 400 and odd crores. So more or less additional Rs. 400 crores will have to be provided, If there is no other resolution in sight till March next year. We have been put under the PCA by RBI for the reason that our net NPA ratio had gone upto 11.76% as of March. For that single parameter our Bank has been put under PCA. But absolutely there is no restriction on business growth, both on the asset as well as liability side. The only guidelines that RBI has issued are in terms of improving our credit appraisal system, improving cost control, improving our risk profile, which are usual guidelines, which any regulator would like to give to the member bank.

- 14) Similarly, for capital infusion by the government of India, as you may be aware that 10 banks have been asked to sign the MOU with government of India. Ours was also one of the banks and we have also signed the MOU, where a turnaround plan has been chalked out. It is a three year plan and each year plan has been broken into quarterly targets also. As per our own internal analysis we are more or less on track as far as this turnaround plan is concerned.

So this is overall picture of the Bank and there are very clear signs of turnaround. Whether you see it in terms of the operating profit, cost control, NPA management and rebalancing of the books.

In terms of both the PCA as well as MOU signed with the Government of India, we are not planning for any increase in our Branch Network. We have a total network of about 1900 branches which we will continue. On the contrary there is a plan for consolidation of branches as well as rationalization of our zonal office structure. Unlike many other banks, we are having a three tier structure, the head office, zonal office and the branch network. We have 32 Zones which control these 1900 branches. We have already taken the board sanction for rationalization of these Zonal offices, whereby we will be reducing the number of zonal offices, more particularly in the state of Maharashtra, where we have a share of 50% both in terms of branches as well as business. And similarly, on the branch network side also we are going for merger, relocation or closure of some of the branches depending on viability, potential and other parameters within the guidelines of the RBI. So that is the strategy.

Going forward we are looking at increasing our portfolio of retail, MSME and agriculture. As far as retail advances are concerned there has been a healthy growth in retail sector, total credit under retail sector has grown by 26% Y-o-Y, within which the housing sector has grown by 28% , and the other elements of retail are not contributing much, however there has been 38% growth in vehicle loan and 11% growth in education loan. So this is the overall structure. With this I



will stop here, we can have more discussion when you are raising your questions, which will throw light on aspects which are not covered by me. Thank you.

Moderator: Thank You Sir, Participants if you wish to ask any question please press *1# on your telephone key pad. First question is from Deepak Kumar.

Deepak Kumar: I am Deepak Kumar from Macrofig Ltd, Sir My first question on stressed Assests. Apart from these ten accounts you have in the IBC list, can you please mention how many more accounts you have under stress, which may be referred by RBI to the NCLT further.

R.P.Marathe: Yes, I got your question, first of all let me clarify that accounts which have been referred to NCLT are already NPA, so they are not standard restructured advances. Now out of the 12 accounts which have been referred by RBI, we have 10 accounts. However, our top 25 NPA accounts, account for almost 45% of our total NPA book. So, as and when there are opportunities, we are examining the remaining accounts also and out of 25 accounts where we are not the leaders, barring two or three accounts where we are the leader, further in most of the accounts, our share is hardly 2% to 4%, So there we will be going by the decision of the JLF or the lead bank. We are following up with our consortium member banks and we will take actions at appropriate time.

Deepak kumar : Can you give guidance apart from this Rs. 400 crore required for that 10 account what will be the credit cost going ahead?

R.P.Marathe: Those numbers are not immediately crystalized because decision will have to be taken first to refer the cases to NCLT and we will try to minimize the impact on our P&L by choosing those accounts already in the doubtful category where the provision is already done to the extent of acceptance that will not put too much of pressure.

Deepak kumar: One more question, how is our Agri, SME and MSME portfolio behaving after this loan waiver and GST?

R.P.Marathe : As far as agriculture portfolio is concerned. June is the relevant date for all agricultural loans and we can see that there has been some increase in the agricultural NPAs to the tune of 13% earlier this ratio of NPA in agriculture was 12%. In MSME there is a marginal increase in MSME NPAs from 23% to 24%. As far as total loan waiver issue is concerned, relevant guidelines are already issued as far as UP is concerned we don't have much exposure of agriculture in UP, our major exposure is in Maharashtra. Here also detailed guidelines are issued, the data collection procedure is going on. Bank will start to reinforce that the entire portfolio will be cleaned and to that extend we will be able to start afresh and give new loans to these borrowers.

Deepak kumar: Thank you, that's all from my side.

Moderator: We have next question from Mr. Omkar from GEPL Capital.



- Omkar : This is Omkar from GEPL Capital and my question to you is. How much capital Bank is expecting from the government side?
- R.P.Marathe: If we are able to grow on a very nominal growth of 10%, our total capital requirement for the current year will be Rs. 1,800 crores, out of which it is difficult to say that how much Government will give but our expectation is at least Rs. 1,000 crores and the remaining Rs. 800 crores we will try to raise from our other sources.
- Omkar: Ok, another question is, whether the Bank is planning to enter any capital market for capital.
- R.P.Marathe: Yes, definitely, as I said that Rs. 800 crores will be raised from the market only by QIP route and if the QIP route is not successful then we will have to look for the follow on issue, these are the two options we are looking at.
- Omkar: Ok, Thank you, this is all from my side.
- Moderator: We have next question
- Anonymous: Hello, Just wanted to understand Sir, as I think it is a challenging time, basically we have recovered a good amount this quarter, that is what I understand from the result. Going forward what is the recovery plan for at least next one year?
- R.P.Marathe: These days we are having a very stringent target for recovery, since the raw material in the form of NPA is increased, we have 17-18 thousand crores of NPA's out of which we have been able to recover only Rs. 630 crores this quarter, which was definitely better than the previous quarter but going forward the kind of atmosphere which is emerging now, the pressures of NCLT and the expectations of the economic revival; all these things will play their role simultaneously and we expect that this recovery trend will continue and will be enhanced further because of the various cases which are under discussion as of now.
- Anonymous: Sir one more question, debt waiver for the farmer loans in Maharashtra, I think it is not clarified as of right now but just in that case, what would be amount and how much percentage are you looking at, for that debt waiver.
- R.P.Marathe: Roughly Rs. 1400 crores will be the corpus which will get impacted by this loan waiver. For all those farmers who have outstanding dues to the tune of Rs. 1400 crores will be now eligible for fresh financing and that loan will be waived off which means the government will pay for those loans. Detailed guidelines are already given, various GRs have been issued by the State of Maharashtra. Based on the eligibility of the farmer and per family limit various other exclusions are also there. Precise figure will be known only when they collect the data. All the customer service points from the state government "Aapli Sarkar Kendra" have been facilitated to collect the data and that will be punched on an online portal and based on that we will be finalizing the number of farmers that will be eligible for the loan. The whole exercise will get completed in four months.
- Anonymous: Ok Sir, Coming back to NPA, what you said was; going forward how we see the NPA- standard as well as substandard falling into new zone, New NPA, what would



be our target for this year? How much further would be range coming down in our books?

R.P.Marathe: Whatever results we have declared as in our Bank and also the results of various other banks, we are seeing that there is a gradual improvement. The sequential slippages are coming down, unless and until we have some unusual shock from some other sector, but the general trend line is showing that the sequential slippages will be less and the sequential recoveries will be stronger. So this is the trend and the gap between the delinquencies and the recoveries will be narrowing down and all the banks including our Bank will try to keep it at 1:1 or the recoveries, up gradation and write off, we will try to keep above the slippages. So there will be an incremental overall reduction in the NPA portfolio. This is the overall plan and the developments which are happening in the country, we believe that with the monetary policy action, various government initiatives on the IBC front and on other policy matters and the group of ministers who are discussing stalled projects etc., things should be improving.

Anonymous: Sir, one last question just to understand how do you see our credit growth panning out?

R.P.Marathe: This is a related question, just now I have answered that as things are looking up, the demand for credit should pick up. Generally the busy season starts from the festive season of October, the credit demand picks up faster. This is a lean season, and because of heavy rainfall, things have been slow, the movement of goods and other business activities are generally slow in monsoon season. So post this season we expect that the things will start improving and there will be a pick in the demand for credit, because of rationalization of interest rate as well as general economic activity which will take place.

Anonymous: Thank you Sir.

Moderator: We have next question from Sanjeeb Mukharjee from B P Equities.

Sanjeeb Mukharjee: Hi, I am Sanjeeb Mukharjee from B P Equities, I have a question that in this quarter we have made a very good recovery, is there any special effort in that matter?

R.P.Marathe: Yes, we have chalked out a detailed strategy for improving our recovery. The first and foremost mantra for recovery is follow-up, the more closely you follow up with the borrower, the response is in direct proportion to the efforts. There is no other substitute for hard work in this, since credit growth is not happening, we have devoted more resources towards recovery. All the potential accounts where recovery is possible, they have been identified. The teams have been formed. Departments at the head office and the zonal office have been strengthened. We have come out with a theme of 'Ghar Ghar Dastak' which means every borrower must be contacted, every borrower should be talked to and various other measures have been employed for recovery. It could be a simple follow up and getting the overdues recovered and upgrading the account. It could be by way of settlement as onetime settlement or it could be sale to the asset reconstruction



companies and taking the people to wilful defaulters list and to NCLT. All these things are happening simultaneously and there is a larger focus on recovery. The customers are becoming aware that they cannot get away by not paying and not coming forward for the repayment of their dues. There are recovery agents, there are resolution agents who are also assisting us. Various cases which are filed in various courts are also pursued with more vigour. So these are the strategies which are followed and they have shown results. We are sure that by continuing these strategies we will get better results in quarters to come.

Sanjeeb: Sir, one more question; like SBI and Bank of Baroda, are you planning to cut interest rate on saving accounts.

Shri. R.P.Marathe: So far we have not taken a call, we are examining that. We will decide it in course of time.

Sanjeeb: Thank You very much.

Moderator: We have next question from Chaitanya from ATK consultants.

Chaitanya: Thank you for taking my question, this is Chaitanya from ATK consultants, can you give us a break-up of your other income.

Shri. R.P.Marathe: The total non-interest income has shown a growth of 61% which was Rs. 465 crores. If you have seen the presentation on our website, it is very much there but still I will mention. It has basically two major components one is the fee based income and other is treasury income, the other components are recovery from the written off accounts and miscellaneous income that means various types of incidental charges. As far as fee based income is concerned it is directly linked to the credit growth and since the credit growth has been on a very low key and more particularly the credit growth from the large corporate, the fee income in the form of LC and bank guarantee commission has been very much subdued and there is a negative growth Y-o-Y of 6% as far as that portion of fee income is concerned. As far as treasury income is concerned it has grown by 184% from Rs. 76 crores last June to Rs. 216 crores this June, out of which there are two components, one is the profit from the sale of investment which has grown by 240% which is Rs. 188 Crores and there is a exchange profit, the exchange profit has grown to the extent of 34% Y-o-Y, these are the two major components. Third component is recovery in written off accounts, though the quantum is less but the percentage growth has been 468% because it has grown from a very low base of Rs. 5 crores to Rs. 26 crores, which is the recovery in our written off accounts, which goes directly into our profit & loss account and the fourth component which comprises income from various government business transactions, other incidental charges, locker rents etc. that income has also grown by 116% from Rs. 23 crores to Rs. 51 crores. So barring the traditional fee income from LC and bank guarantee commission all the other components have shown a healthy rise as far as the fee income or the non-interest income is concerned



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Chaitanya: Ok sir, that is all from my side, thank you

Moderator: Thank you Sir, that was the last question for the day.

Shri. R.P.Marathe: Thank you Mam, can we close it.

Moderator: I will close it, Bank of Maharashtra, sincerely thanks you all for participation in today's conference call as well as your continuous support. Bank looks forwards for continuous support from all of you. Thank you once again have a good day.