



“Bank of Maharashtra Limited  
Q4 FY '23 Earnings Conference Call”

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**MANAGEMENT: MR. A S RAJEEV – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BANK OF MAHARASHTRA  
MR. A.B VIJAYAKUMAR – EXECUTIVE DIRECTOR – BANK OF MAHARASHTRA  
MR. ASHEESH PANDEY – EXECUTIVE DIRECTOR – BANK OF MAHARASHTRA**

**Moderator:** Ladies and gentlemen, good evening and welcome to the Q4 and FY'23 Earnings Conference Call of Bank of Maharashtra. 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. We have with us from the management, Shri A.S Rajeev, Managing Director and Chief Executive Officer; Shri A.B Vijayakumar, Executive Director; Shri Asheesh Pandey, Executive Director and all General Managers of the bank. I now hand the conference over to Shri A.S Rajeev. Thank you, and over to you, sir.

**A S Rajeev:** Thank you, And good evening to all. Today, our Board of Directors adopted the financial results for the quarter and the year ended, 31st March 2023 of our Bank of Maharashtra. And we are happy to share our results with all the investors. And this year, particularly the quarter, it was one of the best quarters as far as bank is concerned.

And for the whole year, the result is comparatively good. I'll share some of the results at a glance, then we can start our question-and-answer session. The total business grown by 21% to INR 410,000 crore, the deposit increased by 16 % to reach INR 234,000 crore, gross advances increased by 30% to INR 175,000 crore. As of now, the CD ratio is improved to 75% and gross NPA 2.47%, net NPA 0.25%.

With this provision coverage ratio is raised to 98%. For the current quarter, net profit increased by 136% to reach INR 840 crore and operating profit grown by 57% to INR 1,855 crore. Net interest income increased by 36% to INR 2,187 crore for the current quarter and NIM improved to 3.78% as of the 31st March, 2023. Cost-to-income ratio improved to 38% and ROA improved to 1.32%, return of equity improved to 26%. The CRAR improved 18.14%, of which Tier 1 is 14.25%.

For the full year, net profit increased by 126% to reach INR 2,602 crore as against INR 1,152 crore for the year last year. Operating profit has shown a growth of 26% to INR 6,099 crore, against INR 4,848 crore for the year ended March 31st, '22. Net interest income for the full year grown at 28%. Fee-based income is increased by only 6% as during the current year because of the shift in interest rates. Profit on sale of securities was not there. Instead of that, we have given around INR180 crore MTM provision for SR more than five years at 100% provision we have made.

If the provision was not there, there would have been a growth of around more than 20%. So onetime measure, we have given SR provision of 100%. Cost-to-income ratio, for the full year, it is 39%, as against 44% last year. ROA for the full year is 1.1% as against 0.55% for the year ended, March 31, 2022. Return of equity improved to 20% as against 11% for the last year. RAM sector is the one where major growth happened. Retail grown by 23%, MSMEs grown by 27% and Agriculture grown by around 25%.

So, the total RAM sector is grown by around 24% to 25%. Net advances have grown by 31%. So, last year, up to last quarter, we have kept INR 1,200 crore provision, COVID-19 provision we have kept it, so that provision we have not utilized and it is kept as it is. It is not considered

for capital adequacy purpose also. It is like floating nature. As and when required, that may be able to utilize that. So, these are the major area of the financials, and now I request Mr. Pandey to brief regarding digital area, about initiatives that we have taken for the current year, if it is okay, Madam. Thank you.

**Asheesh Pandey:**

Thank you, sir, and good evening to all the analysts. You would have already seen the bank performance results. So, accordingly to inch up further, you would have seen almost say, for last one year or so, bank is adding up the business in the range of say, INR 60,000 crore to INR 80,000 or INR 90,000 crore. So, that is very much imperative to augment its technology.

So first of all, the Board has already adopted and directed to have a budget of more than INR 1,000-plus crore to augment this technology and various accounts.

So, bank is working upon the three important pillars. One is the digital operations which means whatever banking operations we are doing, converting it to more and more technology, whether it's a reconciliation, whether it is reconciliation even not T+1, but whether more frequency within the day. So that is one sort of thing.

And so second is what sort of operations can be converted to digital journeys? So, bank, you would have seen the two press release, one which has come on our Commencement Day, 8th of February and another last month because the bank has also taken a decision that each month, there will be a digital launch day.

The third pillar is digital compliance. So, because the compliance is one thing, when it becomes a legacy, it takes a lot of time and the resources as well. We are thinking to imbibe all those sort of compliances within the journey itself. So, within these three, we are banking upon, amongst others, basically on the three cases. The one is the artificial intelligence that we are on the verge of finalizing so that we will be directly taking up the robotic process automation long back, we have already started deploying.

So almost 10 processes we have concluded and the 62 approval we had. Around 100, we have already identified. So, that business process finalization and all is happening. And the third is machine learning, which is analytics or deep learning, I should say. It is in place with the analytics team in the bank which we are using for our soft collections, also for the upsell, cross-sell and also some of the areas where we have to strengthen or to understand where our stress book will be. So, I think under these three pillars, which we are working, the fourth is that already, which is in our website.

We have come with almost more than 50 RFPs for our various collaborations and IT initiatives. And going forward, within this month itself probably we'll be seeing some of the biggest RFPs, which we are coming on the lifestyle banking and other things. So, in this, again, what we proposed and the Board has deliberated is that on the business acquisition side, we are thinking for starting with the 5%, not only on the asset and liability, but even on the third-party products. So, with starting from, say, 4% to 5% this year to increase it to almost 25%, 30% in the next three years' time.

So, this is what we are looking from the technological side. And secondly, we have done some very big collaborations on the technological development/ digital journey. Second is the CRISIL, which is already in the press release and it is corpus history. So, we have strengthened our system of appraisals in the bank. And the third is where we are using AI. So, in brief, this is the total vision that the Board is having and on which the entire bank, all of us, we are functioning. This is the brief on the technological or the digital initiative, which bank is aspiring and the areas which we want to cover. Thank you.

**Moderator:** Should we begin with the question-and-answer session, sir?

**A S Rajeev:** Yes. There is one point I forgot to tell you and the Board has already recommended 13% dividend for the current year as well as against the last year, it was 5%. Yes, now we can take up the question-answer.

**Moderator:** We have a first question from the line of Ashok Ajmera from Ajcon Global. Please go ahead.

**Ashok Ajmera:** Thank you for giving this opportunity. My compliments to you, sir, very rich compliments to you, Rajeev sir, Vijayakumar, Asheesh for the fantastic performance. I mean, it's not that only one quarter or two quarter, quarter-after-quarter. And in the whole year, you have given one of the best performance taking the bank total business beyond INR 4,00,000 crore. And I think you can be ranked as one of the best banks, if you look at least eight to nine parameters out of 10 parameters we have excelled exceedingly well. So, my compliments to you all. And especially even on the dividend front, going from 5% to 13%, I mean, 13%, is also another big achievement for a small bank like, small in the sense their business if you compare with other banks.

Having said that, sir, and even on the operating profit, you have performed well INR 1,855 crore this quarter as against INR 1,580. On the provisioning side, sir, the provisions have increased, even though the provision for NPA is not increased much hardly INR 7 crore. So, these other provisions which have increased. Will you elaborate on that? And whether it is going to be the feature in the coming years, too, this is one. Secondly, after growing so fast, even in the last quarter, I think the credit growth is almost 29.5% or so. Where do we see the bank going forward that are we going to, because still our base is low. So, are we going to go on the same pace in percentage terms? And making it almost totally 100% provided bank with the ROA of, say, 1.5% or so.

So, what is our plan for the future for the FY '23-'24. And on this digital journey, I mean, he has taken through the digital initiative, out of this INR 1,000 crore, which has been approved by the Board, how much has already been spent till now? And how much do we plan to spend in '23-'24? These are few observations and questions in the first round. And I think I'll get only chance for the second round.

**A S Rajeev:** Yes, Mr. Ajmera, thank you so much. And first query is regarding provisioning. The total provision for March '23 is INR 945 crore as against INR 582 crore for December and INR 365 crore for corresponding March. You can see that the script which we have given in this page number 17 of the presentation, that provisions for standard assets is given, INR 545 crore is the provision for nonperforming assets which is in tune with other quarters also. And basically, 0.47

was the net NPA for last quarter and additional INR 250 crore -INR 300 crore was given for the reducing the NPA.

So otherwise, provision may not be required for in coming years, coming quarter also because there is nothing to reduce now because of the 0.25 range, we may have to continue as net NPA ratio that will continue. I think, INR 200 crore -INR 300 crore excess provision we have made. Second point is that regarding INR 280 crore provision we have grown for standard assets. The standard assets have two components. One component is it should increase in the growth corresponding to December '22. From December '22, INR 10,000 crore to INR 15,000 crore standard assets has increased.

On an average, it is coming around 0.5% if it comes around INR 70 crore, INR 75 crore will come for standard asset provisioning and the remaining provision we kept for cushion little floating provision, we kept it because when the bank is coming for ECL, then next year RBI has given that from 2024 onwards bank has to give importance for conversion from the present provisioning to see expected credit loss methodology. We are creating certain provisions for in standard assets provisioning for moving forward because once the expected credit loss has to be classified under standard asset provisioning, not from NPA provisioning.

So, some INR 150 crore is kept for that, which is a floating type nature. So, INR 167 crore non-performing investment is given, INR 167 crore is given that is basically for SR provisioning because we have some SR that is below five years or three to four years, above five years. So that 100% provisioning we have made and with this, I think we don't have any SR. Now the provision is to be given 100%, we have provided. So otherwise, provisioning in future also there may not have much impact requirement for provision is concerned.

Second point is regarding the growth. Current year, the growth was 30% in advances and 16% to 17% for deposit growth. Deposit growth we have not taken much deposits because wherever possible, we have gone for our borrowing window which we have utilized. So slightly deposit growth rate has come down. The second point was the interest rate, the market interest rate was also slightly high so we have not utilized that window. In the coming years, 2023-24, bank may be able to perform as per the direction given by the Board.

20% to 22% is the growth rate envisaging by the credit and 15% to 16% is the growth rate for deposits. The growth rate of deposits of the current year will continue for next year also but the advances growth we are bringing down because last year, 30% growth rate was there and the base also year-after-year, base also is increasing. Definitely, 2% to 3%, we have to bring down the growth rate. So, otherwise, there is no such problems, and we will continue to grow. And we kept INR 500,000 crore business target of financial year '24.

Last year, we have kept, INR 400,000 crore business target., Super achievements target of INR 410,000 we have reached. So, INR 500,000 crore target is kept for financial year FY'24 and with these growth rates, we may be able to reach that. Regarding the digital, I think Mr. Pandey will tell you that correctly.

- Asheesh Pandey:** Yes, Ajmera sir for every year, we are thinking INR 1,000 crore plus. It generally starts from the August, September to the next August. So, in this already, we have spent, I think, more than INR 600 crore. Some of the RFPs are already floated, which are on the way for the closure. Some are already closed and some we are going to float another, say, 1 month time. As we said, the budgeted more than INR 1,000-plus crore that we will be going to inch up and end up with in this year as well as the next year.
- Ashok Ajmera:** Okay. Sir, if I'm permitted, we had certain accounts that are allocated for 13 accounts, I think, about INR 2,700 crore, shortly said. So, what is the status there in NARCL?
- Management:** This NARCL account list is, of course, dynamic. It keeps changing every time because some accounts are getting added, some accounts are getting deleted. At present, it is INR 2,400 crore now. We feel that, it is shortlisted for NARCL. Some accounts will come in the first quarter and remaining in the current financial year. One account has already been, two accounts have already been received in Q4. One is JP Infra and another is Mittal Corp. Of course, though it was NARCL bid, actually, it was won by another ARC in Swiss challenge and finally, the account was transferred. So, two accounts finally done for our bank and remaining will happen now in the current financial year.
- A. B. Vijayakumar:** Little more I add along with our GM. I'm Vijayakumar here, ED. Total number of accounts short listed NARCL 43, Bank of Maharashtra has got 12 accounts, amounting to INR 2,673 crore., JP Infra that one account is in a discussion state, remaining 11 in the process.
- Ashok Ajmera:** Sir, the way we are going, the gross NPA is also expected to be reduced considerably in '24, as compared to what we have provided, net NPA has come down considerably to 0.25%, but gross NPA is still, I think, 2.47% or something. Is there any major reduction scope in the gross NPA in this year, I mean, '23-'24?
- A S Rajeev:** We will try to bring down below two.
- Ashok Ajmera:** Thank you, sir. I will come back. I've got some other queries also but just to give the opportunity to others.
- Moderator:** Thank you. We have a next question from the line of Akash Jain from Ajcon Global Services.
- Akash Jain:** Sir, congratulations for a fantastic set of numbers. My question is regarding the gold loan book size. What is your target for the gold loan book? How is the book behaving in terms of delinquency? And what is the yield of the gold loan book and the means that you are enjoying? That is my first question. And my second question is your outlook on the restructured loans. So, how is the MSME restructured book behaving? And what is the percentage of MSME restructured book to total advances as on date? That is my second question.
- Management:** Yes, total gold loan portfolio of the bank is around INR 7,000 crore, and we have kept a very competitive pricing for the gold loan because the risk weight is zero. Our average yield on the gold loan is around 7.25% with a zero delinquency which is one good sign of our gold loan portfolio. This comprises both on the retail side segment also and the agriculture segment also.

Regarding the restructured book, we had only INR 4,200 crore of total restructure, which are most likely to be come out from the current year because the periods are getting over.

Accounts are more or less working fine. There are not much delinquencies are observed. Even in our total SMAs, you see, it is almost 0.45% of our total advances book. So, restructuring book is performing nicely, and there is no major risk on the restructuring book also.

**Akash Jain:** Okay, sir. Another question is considering the accumulated losses that you're carrying on your book. So, what kind of taxation we can expect in FY '24 and your comments on the DTA reversal going forward?

**Management:** Sir, we do not have any accumulated loss in our accounting book. In the income tax, we have an accumulated loss. Accordingly, we don't need to make any tax provision for that. But whatever the DTA we have created earlier against our losses that also is already reversal is done. Now not much DTA is available. It is only the timing difference DTAs are on book of a small amount.

**Asheesh Pandey:** And overall carry forward loss is roughly INR 8,000 crore and it will give us benefit for another two years.

**Akash Jain:** Okay. And with regards to credit cost, what would be your guidance since the provision requirement seems to be less now and slippages are also under control. So, can we expect credit cost below 0.5% for FY'24?

**A S Rajeev:** Yes, it will be around 0.5% to 0.75% range, we can keep it.

**Akash Jain:** Okay. For FY'24?

**A S Rajeev:** Yes.

**Asheesh Pandey:** Whatever credit cost fee, that is on account of additional provision we have made in order to bring down the net NPA. The goal what sir has told, that it will below 0.5%.

**Akash Jain:** And your outlook on the treasury book?

**Asheesh Pandey:** In treasury book whatever bad patch we have already seen and you know that now the RBI this time has paused the rate also and going forward, we are expecting that softening of yield. We are expecting not only the yield of the treasury will go up. As well as that, we will book the trading profit and there would not be any MTM depreciations. So overall outlook is good in respect of the treasury.

**Akash Jain:** And with regards to corporate credit growth, which are the sectors that have led to this kind of good growth in the corporate book? Earlier we were focusing on different clusters like pharma cluster, textile cluster, also infrastructure projects, especially Namami Gange. So going forward now, which sectors are we focusing? Are we continuing the same focus, the sectors we discussed earlier?

**Asheesh Pandey:** Yes, I think we are continuing...

- A S Rajeev:** Yes, these are the same sectors what we have grown, earlier bank has not grown some of the sectors like pharma loan. This is LRD area where bank was not having any exposure, little exposure we have taken in LRD, other manufacturing sector and the corporate sector, the growth is though it is classified as corporate, the major component is coming from mid-corporate sector that we are looking for now, not these bigger corporates which we are not looking for.
- Akash Jain:** And sir, what is your sanction pipeline as on date for the corporate book?
- Asheesh Pandey:** Around INR 7,000 crore we already have in sanction pipeline.
- Akash Jain:** And fund based, non-fund based?
- Asheesh Pandey:** Basically it is more of a fund based only. Non-fund will be extra.
- Akash Jain:** Okay, that is all from my side. As of now I will come back in queue.
- Moderator:** Thank you. We have a question from the line of Ashok Ajmera from Ajcon Global. Please go ahead.
- Ashok Ajmera:** Thank you. I think Akash is also from my company and we have been only asking the question to the management. Most of the points have been covered. I would just like to know something about the NBFC exposure of the bank and how are we placed on overall limit on that and co-lending and where are we heading? What kind of yield are we getting from the NBFC business and what is our outlook on that sir?
- Asheesh Pandey:** Sir, regarding NBFC sector, we are continuously assessing our sanction exposure and based on that we are taking decisions as and when required and we are taking exposure in the top rated NBFCs only with the focus of having good return also which is prime sir. Regarding co-lending, after having gained experience, we are poised for good growth in co-lending and we are working on that front along with digitalization of that co-lending process.
- Ashok Ajmera:** What is our total book size of NBFC loan book?
- A S Rajeev:** It is approximately INR 10,000 crore.
- Moderator:** Thank you. We have our next question from the line of Himanshu Taluja from Aditya Birla Sunlife AMC. Please go ahead.
- Himanshu Taluja:** Thanks for the opportunity. Just a few small quick questions. Firstly, given we have seen a margin expansion of 18 basis points in this quarter as well and as the deposit pricing is catching up, how you see the margin outlook going ahead? Do you see any still further scope of a margin expansion? So that is my first question.
- Second question is around, are you seeing any signs of withdrawal of the sanction limits of the corporate because of any nature of slowdown in any of the sectors? So that is my second question. And my third question is how is the pricing competitive intensity at this point from the corporate pricing? So these are small quick question two-three?



**A S Rajeev:** The first one is regarding the margins. I think now as of the present quarter it is 3.78%. I think we will be able to continue with the same range of margins with a plus or minus 20-25 basis point here and there. Something definitely, it will be about 3.5%. We may be able to keep that, pricing is also connected with the margin and as far as pricing is concerned, we are looking to consider the pricing factors and even if corporates also, wherever highly competitive corporates we are not looking for.

So the pricing and reasonable profit or reasonable pricing, that type of corporation we are looking for that. So the pricing part, as of now, no competition is there in spite of competition and our cost of deposit is comparative and CASA ratio is high so slightly we can go with the lower pricing in the market with highly rated customers for whom we are looking. As you are aware that our pricing in housing loans, 8.40% is the lowest in the industry actually.

So the same kind of pricing, differentiated pricing will be due for highly qualitative customers. so that is the strategy which we are adopting. For example our housing loan portfolio or that type of retail portfolio, over 800 Credit Score is coming, it's a double digit is coming, that 15% to 20% is coming above 800 number is coming. So the quality is improved. The strategy of the board is to improve the quality above the operating profit level so that the provision has to be nil, that is the strategy we are adopting that.

The third point is regarding sanction, withdrawal, there is no such issues and we have enough cushion, but we are on selective basis only, corporate selections are doing only on a selective basis with reasonable pricing. So there is no such issues or concern. Still there is good flow of corporate is coming and on a selective basis we are picking up that.

**Himanshu Taluja:** Okay, sure sir. Just one small last final question. When you mentioned that you are expecting the margins to range between plus minus 25 basis point in the coming fiscal year, I understand that downside triggers for the margins if decelerated to 25. What would be the margins uptick trigger according to you in the coming year?

**A S Rajeev:** Why I am keeping that 25 basis margin plus or minus because as you are aware when the 48% to 50% advances of the RLLR is based upon the external benchmark. So RBI has already paused the rates and we do not know maybe one more quarter they may pause and chances are there the interest rate cycle is coming down then definitely the rates may come, started coming down 25 basis or 50 basis point each, definitely this will impact the RLLR. So then when the prices are coming down definitely that transfer of pricing has to be happened.

So that is why I used that 25 basis point here and there we told but with the 3.50 range bound is kept at the margin. We feel that 3.50% to 3.60% is one of the good margin actually.

**Himanshu Taluja:** Okay, sure sir. Thanks a lot.

**Moderator:** Thank you. We have a next question from the line of Vikram Damani from Damani Securities. Please go ahead.

**Vikram Damani:** Okay. Congratulations on a good set of numbers. I just had a question with relation to taxes. Year-on-year on a percentage basis it has fallen significantly and even on a quarter-on-quarter

basis there does not seem to be any sort of consistency in terms of percentages. So if you could throw some light on it, I understand you said that INR 8000 crore worth of carry forward losses but going forward what can we expect? If you can just explain this a little bit. Thank you.

**Asheesh Pandey:**

Regarding taxes, what figure you are seeing in the profit and loss, this is not the outgo of any tax liability, it is the reversal of DTAs that we have done. When we are writing off the account and over-the-top provision, so what are DTA you have created on the disallowed provision that has to be reversed once you are writing off that. So because of that there was a tax liability in the form of DTA reversal. And since because we are holding INR 8000 crore carry forward losses, even though the taxable income may come but it will be adjusted by the whatever that losses we are having.

**Vikram Damani:**

Okay. So that is a good thing to come from a couple of parts. Good to know. That is it for me. Thank you very much and congratulations again. It has been a great quarter. Thank you.

**Moderator:**

Thank you. We have a next question from the line of J K Jain from J K Jain and Company. Please go ahead.

**J K Jain:**

Thanks for the opportunity and congratulations for a very good set of numbers. One question, when we have got a capital adequacy ratio of 17%-18%, then where is the need for further capital infusion? Is it just a resolution to be in hand because it was said that in the first quarter about INR 1,000 crore of equity will be raised.

And second question, what will be the price of the equity? Because the company is now just looking very good. So if you dilute the capital, already about two years back the capital was diluted and the equity was doubled. So a bank of your size having an equity of INR 6,000 crore looks a little embarrassing while you are showing a very good set of numbers. But if capital is diluted, so it will affect shareholders. So your view on this please?

**A S Rajeev:**

Yes, this capital adequacy ratio is now 18.14%. And what you are correct that ratios will be affected because of the high equity of INR 6,000 crore. But that is already what is already happened and the Government of India's equity investment is already done. But for the business, growth is concerned.

Now the present rate is 18%. When the bank is wanted to grow at the 20% to 22% range, if you grow, the same profitability profit itself may not be sufficient to keep the pace of the growth. So what we thought it should be 50%-50% that whatever the growth rate is coming, 50% growth rate will that growth will take care of the additional net profit generated during the years and the remaining has to be funded the capital through either borrowing or for equity.

So over a period of time, this INR 7,500 crore umbrella provision is given by the board is only for two to three years growth capital is concerned and we don't want to require any capital from government also. The equity we are raising that this is only for growth capital. But you can see that ROE if you see the bank is able to grow at the rate of 20%-22% ROE, it is one of the best return for the equity holders also.

So for the time being to reach then second point is regarding SEBI guidelines, bank has to follow it is a compliance issue. By '24, you have to bring down to 75%. So this capital raising process is mainly for reducing the shareholding of the Government of India to below 75% over a period of time.

**J K Jain:**

So you can do one thing that Government of India disinvest their percentage instead of floating the equity capital of the bank of your size and which is progressing so fast and so good. Because I don't think there is any other bank in India which has got a virtually negative NPA and such a good profitability and all these things. So why -- because I have seen that in all the PSUs, the capital is so high, your bank and Canara Bank and all these things, it is high time that when the conditions of bank has improved because of the very good work done by people like you and in other banks also. So you can impress upon the government that if they want the money and they want to keep it below 80%, they disinvest. Why the bank suffers?

**A S Rajeev:**

I think that the government also may look into that, we will see that because they are also getting the opinion from different sides. I think how they may think we have to, I think already some of the market participants have already asked like you suggested, they have already suggested to the government and they may look for that. That is my feeling.

**J K Jain:**

In any case what will be the rate of, if suppose you issue shares in the first quarter, what is your expected rate for the shares? I think at least may be INR40 - INR45 something like that?

**A S Rajeev:**

That depends upon the SEBI valuation has to be seen, so that depends upon the value, we have to see that. For this issue actually we have planned for last quarter also because of the value was not there, so we have postponed actually. So postponement any time it can happen, if it is not good, definitely it will postpone that.

**J K Jain:**

So would you say that the result which you have shown in this quarter, this fourth quarter, it will be bettered in the first quarter of 2024? We can jolly well accept, feel that?

**A S Rajeev:**

Yes, as of now it is, it will be better. As of now, because we don't know that the things that are from the present point of view of the results, I think we can have a better result. That is what we are expecting.

**J K Jain:**

Another question, very small question, it is out of my curiosity, because we generally see that NIM is usually 4%, 5%, 3%, but I usually talk to people and I say that the banks are having a margin of 60%, 40%, because if you are lending at INR9 and getting fund at INR6, so I will say you have got a margin of 50%. Why you banks, people are saying that we have got a name of 3% only? What is this statistical calculation? Can you highlight this or can you throw some light?

Why don't we say percentage operating profit, that should be the percentage of gross profit? When we talk about any industry also, we say this company is earning a profit of 30% gross margin. Why banks all over the world, they go for 3%, 2%, it looks very low. If you start saying that yes, we are having a margin of 40%, the prices of shares and stakeholders will go up like anything. Your view?

- A S Rajeev:** We may have to look into that, I don't have any, because market practices are there generally, but we will, if you have any suggestions, we will look into that, if any disclosure is required, we will do that.
- J K Jain:** It is a question not to you, but question to the general fraternity of the banking sector, particularly from the American side. Thank you sir, thanks a lot.
- Asheesh Pandey:** One thing is that, since the measured income of the bank is from the interest income, so other parameters are also measured in that interest, based on the interest income. That's why the name etcetera, it is coming into picture. And one thing we should not forget that there are the operational costs, that can be also factored in percentage term.
- Moderator:** Thank you. We have our next question from the line of Jayesh Shah from OHM Portfolio Equity Research. Please go ahead.
- Jayesh Shah:** Hello, thank you sir and big congratulations for excellent results. I just wanted to clarify, I don't know if I heard it right, did you say you have a INR1,000 crore of expense budget for digital infra? And how much of this, you said you spent some INR 600 crore, so is this INR600 crore coming into P&L or it is capitalized?
- Asheesh Pandey:** No, it is the total budget, both capital and revenue and we used to calculate in that way that how much we are going to have an IT expense, IT and digital now put together. So actually both it is collective only.
- Jayesh Shah:** I see. Can you give a break up of capital and revenue expense of the INR600 crore that you spent in FY '23?
- Asheesh Pandey:** I think you can take it around say I think 60-40 right now because now many RFPs are already floated in last one year and some of the RFPs are going to be floated in next one or two months. So that is the reason that since you are going to acquire the software, so the first year you know what is the license cost and other things will go into the capital and then ATF, AMCs and other things will go into the revenue.
- Jayesh Shah:** I see. So 60% will be the capital expenditure and 40% will be revenue.
- Asheesh Pandey:** It will be in between 60%-40% or 70%-30% range it will come, mainly for AMCs and other things. Then depreciation also will be one of the part it will come because within three year period we may have to write-off. That means one third you have to write-off that.
- Jayesh Shah:** I see. So INR600 crore will go to INR1,000 crore for the next two years each year.
- Asheesh Pandey:** Yes.
- Jayesh Shah:** I see. Okay, thank you very much.
- Moderator:** Thank you. We have our next question from the line of Akash Jain from Ajcon Global Services. Please go ahead.

- Akash Jain:** Sir, my question is the recovery from written off accounts. So as on that what is the accumulated written off accounts amount and what is the recovery target from that? And my second question is since we are taking many initiatives, especially on the process fund, making it digital. So is there any scope of improvement in cost to income ratio? We are already having one of the good cost to income ratio. We are one of the most efficient banks. So is there further scope of improvement?
- Asheesh Pandey:** Recovery in written off accounts is at present it is INR1,000 crore, it is almost 5% of what is the stock. And we expect same 5% to 6%, 7% in current financial year also, around INR1,200 crores.
- Akash Jain:** I think last quarter it was around INR18,000 crore total written off in last year?
- Asheesh Pandey:** The write-off rightly said by you INR18,000 crore, it is growing also now it is INR20,000 crore.
- Management:** Out of that INR1,000 crore we have recovered in the current year. I think the same 5% to 6% range will continue for future years also. It is a continuous process.
- Akash Jain:** And last quarter also we had a discussion regarding excess SLR. I think it was last quarter it was around INR5,000 crore to INR6,000 crore. So as on date what is the excess SLR we have? Would it be used for improving CD ratio?
- A S Rajeev:** For first 5% excess SLR is still it is there. So that around INR12,000 crore excess SLR is there that we can utilize for borrowing or it can be converted to for credit purpose.
- Akash Jain:** And what is the target we are having for our CD ratio?
- A S Rajeev:** CD ratio is now around 75%. So 75% to 78% is the target we have kept it. 78% is ideal according to us at present.
- Akash Jain:** Any plans to rationalize branches?
- A S Rajeev:** Yes, this is a continuous process. Last year also we have rationalization done by 30 to 40 branches either merged or we have closed and another 200 branches we have opened. New branches in different districts. So this year also this is a process same way because loss making and those branches where compounded annual growth below 5% for continuously for 5 years. So especially rural branches all these things. Those branches will either will be closed or it will be merged or if it is a loss making branch and correspondingly we will open 200 branches. Permission is already given by the board for the current year. So as of now 2,203 branches is there. So by FY24 I think we may be able to reach around 2,400 branches.
- Akash Jain:** Any comments on NCLT? Any recovery expected through NCLT resolution?
- A S Rajeev:** NCLT one big account of SREI is there where now we are expecting in the current financial year. DSKDL is there. 2- 3 small accounts are also there. But SREI is one big.
- Akash Jain:** So when are we expecting recovery from this?
- A S Rajeev:** It should happen in current quarter or at the most up to September.

- Akash Jain:** Okay. Thank you sir. All the best. That is all from my side.
- Moderator:** Thank you. We have a question from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.
- Ashok Ajmera:** Thank you for giving the opportunity once again. Sir I would like to discuss a little more on the treasury side now because it can give another good flip now to the profitability of the bank after having seen in this quarter the losses in both. The segment also the treasury in this quarter has given the loss. So how since the rates are stabilized and the RBI has taken a fall, now how do we see the treasury operation going ahead and giving us what kind of roughly the profitability so that other profitability being intact this will add further to that. So any color on that I mean how much are we estimating and our modified duration also has come down. So I think we should have a good operating profit from the treasury operation.
- Asheesh Pandey:** Yes you, Ashokji you rightly said during this period when the yield was higher side we have accumulated 8000-10,000 securities where the yield is about 7.5%. So now with the RBI has paused the rate and going forward that it is expected that yield will further soften. This would be right time to earn the good trading profit. Secondly in previous year we suffered most because of the MTM. With the softening rate the MTM was not there and one thing is that if you see our overall [M duration 0:50:12] it is below 1.25 so this will also help in keeping the check on the MTM. So going forward there will not be much MTM or the MTM will be nil and by selling the securities when the yield is softened the bank will earn good profit. You can expect good contribution from treasury side in the current financial year in the profit and loss account.
- Ashok Ajmera:** Are we looking to park if we have a proper liquidity the funds into the CP where the rates are comparatively higher. The yields in CPs you are getting especially 6 months, 9 months CPs I think you are getting anything from 8.75 to 9.25 in A rated well rated companies. Are you looking at that opportunity?
- Asheesh Pandey:** It will depend on what is the lending demand. If the lending demand is there and we are getting good rate so we will prefer to put the fund in the lending instead of putting in treasury. You know that treasury rate you will not get what you are going to get in lending. Having said that we will explore the good opportunity and at the right time we will purchase security and sell it. So that trading profit we are going to do and good thing is that if you see this financial report in quarter you will see that treasury yield has also gone up from 6.04% it has gone up to 6.34%. So with this accumulation of the security not only the yield will go up we will have more opportunity to earn the trading profit.
- Ashok Ajmera:** Sir a little observation I was just going through one note on the fraud account where the total amount of last year of I mean INR 933 some odd crore has come down to 735 or something I do not exactly remember the figure. So is that the recovery from the fraud account or I mean when it was already 100% provided for what is that exactly and where it has come in the profit quarter or this year?

**A S Rajeev:** No, no the fraud which has been identified of INR 933 crore this includes also the unrecovered interest but basically we made the provision only for the balance which is outstanding so INR 735 crore is the balance which is outstanding against that we have made a 100% provision.

**Asheesh Pandey:** Only for clarification this provision has not made during the current year. We are holding the provision and that since it was declared fraud same provision is carried out.

**Moderator:** Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Shri A.S. Rajeev Managing Director and Chief Executive Officer for closing comments. Over to you sir.

**A S Rajeev:** Thank you so much for all support given by you and once again thank you madam and if any further questions or any clarification anybody needs please let us know that you can send it the query and we will respond that immediately and once again thank you.

**Moderator:** Thank you. On behalf of Bank of Maharashtra that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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