



“Bank of Maharashtra”  
Q3 and 9M FY '23 Earnings Conference Call”  
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GENERAL MANAGERS OF BANK**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Bank of Maharashtra Q3 and 9M FY '23 Earnings Conference Call. 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 Sri. A. S. Rajeev. Thank you, and over to you, sir.

**A. S. Rajeev:** Thank you, ma'am, and good afternoon to all. Today, we have reviewed results, and we would like to share results of the Q3 as well as the nine months ended on - 31<sup>st</sup> December, 2022 to all of you as you are one of the main stakeholders of the bank and we would like to have your suggestions, if any, in future also. Whatever the corrections have to be made, that also we are ready to do that.

Just I'll briefly explain the results of the bank at a glance. As you've seen that interest rates in the system has increased by around 200 to 210 basis points during the nine months period, and more particularly, 50 to 60 basis points in case of deposits for the current quarter. Same way the advances, lending rates, also, most of the banks are increased. We have also increased the lending rate. At present, our MCLR rate is around 8.20% level which is the median of the banking system—As per the indication given by the RBI Governor two, three days back, there may be chances of that interest rates may be either in the same level or slightly it will increase by another 25 basis points and thereafter, there may be chances of reducing the interest rates. That is the indication is given.

Being that interest rates and economy in mind and our results, the total business for the last quarter has increased by around 16% to INR 3,65,000 crore and total deposits increased by 12% to INR 2,08,000 crore. Gross advances increased by 22% to INR 1,57,000 crore. CD ratio, at present is 75%, with an indication that by March we will be able to increase CD ratio by another 200 basis points, that is the 77% to 78% level.

Gross NPA declined to 2.94% and net NPA reduced to 0.47%. Provision coverage ratio improved to 97%. And as we are in profitability, the net profit has increased by 139% to INR 775 crore as against INR 325 crore corresponding last quarter of previous year. Operating profit has increased by 36% to INR 1,580 crore as against INR 1,162 crore last corresponding period. Net interest income has increased by 30% and net interest margin improved 3.6%. Cost-to-income ratio has improved to 39.69%, which is below 40% for the past two, three quarters, and we will able to continue the same level. ROA improved to 1.30% as against 0.60%. Return of equity has improved to 25% and CRAR improved to 17.53%, which is Tier 1 is 13.47%.

As you're aware that the current CRAR, this current year's profit is not yet added. If we add the current year's profit, the CRAR may be around 19.21%. So earlier, COVID provisions, whatever, we have provided INR 1,200 crore, as it is we have kept it and it is not considered for either capital adequacy purpose or for provisioning purpose.

So for profitability for the nine months, net profit is INR 1,762 crore as against INR 796 crore corresponding nine months last year. Operating profit also shown a growth of 16% to reach to INR 4,244 crore. Net interest income grown by 25% year-on-year. Fee-based income increased by 8% to INR 927 crore. Cost-to-income ratio is 39.48% for nine months. Return on assets for full year is 1.02% for nine months as against 0.52% for nine months ended 31/12/21. Return of equity has also improved to 18.50% as against 11% for the last year.

So during the last quarter, we have added 1.2 million customers and 62 branches are opened to reach to 540 districts as of now. We have recruited around 1,200 employees in the process. In the process because just other things are over -- this is basically for, the new branches opening and retirement and other wastages. As far as SMA is concerned, SMA is well under control, below 2.5% of the total assets, including SMA one and two.

So these are the main highlights what we wanted to share with you. And regarding the digital area, I will request our ED what are the initiatives we have taken for past one quarter. Earlier, we have already shared with you.

In our digital area, there is good improvement during the last quarter. That will be shared by our Mr. Pandey. He is looking after the digital area and Shri. Vijayakumar is looking after the entire internal control system of the bank and other areas, so he will share the major points with you. Afterwards, we'll have the question-answer-session.

**Moderator:** Yes, sir, this is fine. Thank you.

**A. S. Rajeev:** Over to Mr. Pandey.

**Asheesh Pandey:** Yes. Thank you, sir, you all have got on the bank's performance in the business which indicates that we are inching towards the bettering ourselves quarter-to-quarter. We are just making all our efforts and endeavors in that line.

Certainly, the technological intervention and the digital is going to play two key role, as we said earlier and we emphasize always. The first is sustainability of the business growth that is quality, as well as the percentage or maybe the amount wise. The second one important thing is the embedded compliance. So you keep on having a well complied culture and other things using the technology.

So as you see that the last quarter, we gave and then this quarter also there is a slide on it, two slides are there, which shows the digital footprints. So key growth, if I say, UPI/BHIM users from 2.49 million to 2.53 million which is consistent. Transaction wise also grown from 326

million to 352 million. Digital transactions, which were 96.34% moved to 96.66%. So similarly, Internet banking users moved from 21.73 lakhs to 23 lakhs; mobile banking, 21.31 lakhs to 22.76 lakhs. WhatsApp is 2.35 lakhs to 3.15 lakhs. QR merchant also we take, 22.30 lakhs to 28.49 lakhs transactions are happening.

So what we indicated last time also, and we are very much cautious and also very much progressive on the IT and digital interventions. So UPI on some of the identified things where we wanted to be more hold and also, we analyze the cost is better when we move from opex to capex. So similarly, you would have seen the various RFPs which are floated for last three to four months' time. So for UPI already one of the best player in the market has come in, and we have started and we are trying to close this project by March.

The robotic process automation, again, one of the bank, public sector, 62 processes in which 48 are high complexities. So already, it is awarded and one of the best player, which is -- now we can very well clear, UiPath has been empaneled. So we are planning five to six or seven processes delivery per month which is going to help on three things, the first is the business, which is the customer expectations and convenience, the more business, second is the compliance and third is ease to my staff on ease of banking.

So the third is data we have announced we have already completed, and the bank is well complied and we are already, actually, it is working for last 1 - 1.5 months we are using it for various our returns and other things. The bank is on the private cloud, which is Nakshatra. And three to four cyber security solutions are implemented and three to four are in process even now. So already bank is on the asset, liability and the services side, has planned around three to five STP journeys going forward. And similarly, the fintech onboarding is also poised for.

So when I say the upgradations, so the bank has also having the advisers from IIT Mumbai and the others. So we are having the upgradations of software, hardware, UPI switch and NEFT already we have done it, FI Gateway. So in totality, we have started with the 4 COEs as of now, one center of excellence in database, another on CBS with TCS, another cyber security with Inspira Analytics. And now we are thinking of on the recon side because it is very important to have some well-defined frequencies within the day under reconciliation and the other things.

So with this, I would only like to say that on the business side, how to start with, say, 3% to 5% of the business occurring from the digital side, moving to around 15% to 20% for next two to three years' time. That is one. Secondly, the cost-to-income, certainly, that how the expenses with the change to digital systems, change to IT interventions or robotic process, automation, so all those things, how it can be further made cost conscious.

And third is the customer expectation how to be met with the technology. So these three, four key areas which are going to support the bank and all the stakeholders, because customer is the important stakeholder. So on a customer service and better journeys. The staff certainly, because it is the most important, ease of doing business is there and they are deployed for the better, prudent and productive branches rather than the repetitive complexities.

And the third is the regulator. So more-and-more digital intervention which you make in the compliance will enhance the bank to achieve as we progress with the business. So with this, I leave it to Shri A.B. Vijayakumar, ED.

**A. B. Vijayakumar:**

Yes. Good evening to all of you. Welcome to this analyst meet. I am Vijayakumar, Executive Director. As you all know, Bank of Maharashtra being the premier public sector bank, we have been doing extremely well in the last several quarters. At the same time, we are constantly working in line with the national priority, upkeeping our technology and with a focus of customer-centric activities.

While doing so, we are focusing on improving and controlling internal control measures, compliances and risk management. In a nutshell, I would like to say from HR side, we are transforming ourselves from Government Karmachari to Karmayogi. Is what I would like to say at the initial. We'll take up questions as and when it comes, not only the business, any other area improvements, because quite often the question comes the sustainability, and that's why I made announce remarks on that point. Thank you very much. Now, we are ready to take on the questions.

**Moderator:**

We have the first question from the line of Ashok Ajmera from Ajcon Global Services Limited.

**Ashok Ajmera:**

I have a few questions and observations, and I request the moderator to please do not cut me unless I complete at least those two, three questions and some observations. Sir, my compliments to you, sir, the MD and CEO and both the EDs and the entire team of the top management of the bank for the fantastic performance quarter-after-quarter. And this quarter, your profit before tax is touching to almost INR 1,000 crore for a quarter.

On other parameters also if you see the -- I think one of the best net NPA figure in, I think, the entire public sector bank of 0.47%. Even the gross NPAs are under very much control. Slippages are under control. Your NIM is growing quarter-after-quarter. I think 3.6% or something even in this quarter. And the asset quality has been improved to that extent of, I think, one of the highest provision again of almost about 97%.

So my compliments to you, sir. On all these parameters, I think, your bank, if one do not consider the size among the public sector bank, which also is now almost INR 3,65,000 crore can be said as one of the best performing bank, especially among the public sector bank. And it can match with any other private sector bank also.

Sir, I have just a few observations and some questions. I would have liked to have some clarity on the calculation of the net worth at various places, in the results also, in the balance sheet. So like the net worth of INR 12,699 crore is said there in the results, point number 7, 11, where if you add up the profit and everything, it doesn't come to that level. It is rather higher. So if you take the net worth of -- the equity of INR 6,730 crore and the reserves without the profits of this year of INR 5,577 crore, it becomes INR 12,307 crore. And if you take the profit of three quarters of INR 1,762 crore, it comes to INR 14,069 crore.

But if you look at the balance sheet, again, there the reserves and surplus and capital if you add up, it is INR 15,644 crore, even, again, in your own note. So what I would like if somebody who has done the calculation of this net worth of the bank at various places, can explain me or can send me the details a little later, also I don't mind about that.

Sir, my second one is that there is a SR. And I am asking a bit that I hope it is 100% provided for, INR 197 crore of this pending SR, note number 12, 4. And I would also like to know on the accounts acquired, INR 1,916 crore in this quarter with a tangible security of only 24.91%. So what kind of account these are, because the accountability of the person from whom you bought this account is, I think, about 10% or 11%, which he is holding. So I would like to have some clarity on this.

And sir, if I look at the segment-wise results, then our treasury income has come down to INR 34 crore -- rather profit has come down to INR 34 crore as against INR 105 crore in the last quarter. And the wholesale book profit has gone to INR 676 crore against INR 487 crore, while the retail banking, it has again gone down to INR 280 crore against INR 326 crore. So if someone can give explanation because of the provisioning or because of what -- because corporate book has just increased now in this quarter by 7%. But how much -- why this anomaly in this segment-wise profitability I would like to know?

I would like to complement on CASA, which is, of course, going 52.5%, which is not less as compared to the other banks. But it has come down from 56.27% in the last quarter. So any specific reason for that if it can be explained? And going forward, where do we see the CASA to be, because it is the one which is giving you the maximum yield and maximum profit?

I would also like to appreciate here that while the yield on advances has gone up to 8.28% from 7.81%, which is almost 19 plus 28, it's almost about 50 basis points, whereas the cost of funds have gone up only, to 3.61% from 3.31%, that is only 30 basis points, which is another good point for the bank. So sir, some of these issues.

And one on the provision for taxation, in spite of the profit going up, the taxes provision has come down to INR 223 crore from INR 348 crore in the last quarter. If time permits later, I would like to discuss something about the advances and the credit growth going forward.

**A. S. Rajeev:**

Regarding this networth, we will give you the details.. Mainly because of revaluation reserves and the other things it may be because in some of the areas -- for example book value of the share, in some of the areas, revaluation reserves has to be reduced and in case of capital adequacy also, we have to change that revaluation reserves, Rs.55,000 only. So that maybe the reason. But our CFO will be in touch with you and give you the details. Regarding SR and other thing, as per the valuation, 100% provision we have made and there is no issue.

Treasury yield has come down mainly because of the profit on sale of securities because of the increase in interest rates. Last quarter, only a small amount, INR 20 crore to INR 30 crore was the treasury profit and in case of other income, we have changed the accounting methodology..

Earlier, commission on guarantees earlier it was on cash basis, this year onwards, we have converted to accrual basis. So the other income has come down by around INR 30 crore during the current year. And that is only accounting aspects.

Regarding CASA, which is around 52.5%. Of course, you are well aware that in the highly increasing investment scenario, there is a shift from deposits, term deposit shifting is there. But here, CASA we may be able to contain it at the rate of 52.5%. So generally, 3% to 4% government deposits and the corporate deposits are there generally because of the higher interest rates. Government deposits and corporate deposits we have shifted to term deposit. But otherwise, CASA rate in the range of 52% to 53% we will be able to continue in the going forward also.

Regarding taxation for the next two to three years, the bank may not provide any tax. But however as a precaution, we have kept some DTA we have reversed and we have kept for some INR 200 crore-INR 300 crore because we have more than INR 15,000 crore to INR 20,000 crore loss created for the past two years, it is continuing in the books. So two to three years, taxation will not come. But we have kept some amount for taxation purpose for futuristic purpose. So otherwise, this can be considered as a profit also.

So we will be in touch with you. And our CFO, Mr. Srivastava, will give you the detailed working on your net worth as well as other areas wherever -- regarding treasury also, we will be giving to you.

**Moderator:** We have the next question from the line of Sunny Agarwal from SBICAP Securities Limited.

**Sunny Agrawal:** Sir, my first question pertains to the sector or corporates. From which sectors we are seeing a healthy credit demand for us? And in the current, I mean rising interest rate scenario, where do we see NIM panning out, especially for the corporate on our corporate book? So that is the first question.

And my second question pertains to the customer base. So I believe we are adding a few customers on current account and saving account side. So if you can throw some light on what kind of customer or salary account we are adding, especially in a hypercompetitive environment where everyone is chasing those CASA in the rising cost of deposit scenario?

**A. S. Rajeev:** So first question is regarding NIM on corporate book, and corporate book NIM is around 2.75% to 3% NIM and so that yield is comparatively good and we have not gone for any lower interest rate scenario, any of the accounts, we have not got for cases. So the average yield is good. And so that in current account and SB account, mainly the salary accounts and other things, we are getting state-wide, for example, I can tell you that we are having a tie-up with some of the state governments and other things, and their salary accounts as well as their loan accounts like your housing loan accounts we are getting.

Plus, we have SME accounts which is the major area of our source. That is, we are having so many state governments. Our team is very strong government department team in Delhi as well as in Mumbai and different states, head of the states, our team is very strong. It is a strong force of around 250 to 300 people. That is a major area of benefit is coming from current account and SB account. So these are mainly SME accounts and corporate accounts as well as the salary accounts.

**Sunny Agrawal:** Sir, so which are the sectors from where we are seeing a healthy rate demand, or loan demand? Which are the industries which we are planning to land over the next 12 to 18 months?

**A. S. Rajeev:** I think our GM will give you data.

**Management:** We are seeing good demand from all the sectors, be it infra, manufacturing. So there is no dearth of good proposals.

**Moderator:** We have the next question from the line of M.B. Mahesh from Kotak Securities.

**M.B. Mahesh:** Sir, could you give us an update on the NARCL and also if there's been any further traction on recoveries and upgrades on the corporate side, sir?

**A. S. Rajeev:** Yes. Our GM Recovery will give you that.

**P.R. Khatavkar:** Yes. This NARCL, as you know, that shortlisting has been done. From our bank, 13 accounts are already shortlisted, around INR 2,700 crore. Now that guarantee issue is also resolved because the government has given the approval about these guarantees of SR. And now that work of actual transferring the account to NARCL has been started. So we expect that within this week the first account will be transferred to NARCL. And then the things will move.

**M.B. Mahesh:** And visibility of recovery, sir?

**P.R. Khatavkar:** Recovery, sir, as you already noticed that we are at the lowest GNPA and NNPA. Now it's a challenge to maintain that level, below 3% and below 0.5%. So recoveries in this quarter, we expect at least INR 500 crore recovery in write-off account and almost equivalent reduction in the NPAs.

**Moderator:** We have the next question from the line of Sridhar Sivaram from Enam Asset Management Company.

**Sridhar Sivaram:** Yes. Sir, my question is on the credit cost and the provisioning. For a bank which has 97% coverage and more than INR 1,000 crore of provisioning, the first nine months credit cost is 1.6%. And even for the third quarter, it is 1.4 almost. So some guidance on provisioning going forward? We've seen credit costs coming off for many of the other PSU banks. You've may be prudently continued to provide very high. But if you could help us with some guidance on how to look at it for the next year?

**A. S. Rajeev:** So credit cost, we expect, sir, it come down to 1% by next year. So this is 1.4%, this come basically because for -- a small amount is utilized for reducing the net NPA ratio because earlier -- last quarter, it was -- 0.68% was there. Now it has come to 0.47%. So now for going forward, we have reached our target below 0.5%. Now in and around, this NPA will continue in the same level, 0.4% to 0.5% level. So there will not be any requirement for credit provisioning for reducing the net NPA.

Otherwise, our addition is coming only INR 572 crore is the last quarter added, and the recovery is almost in the same level. So there will not be any additional credit provisioning requirement is not there. Actually, it is all maximum INR 100 crore or INR 120 crore something, a small amount only will come. So that will continue next year also. But we expect that up to 1% credit cost is always -- is better to keep it in mind.

**Sridhar Sivaram:** Sir, INR 100 crore -INR 200 crore and 1%, there's almost INR 1,500 crore difference. So you're throwing numbers like 1% we want to keep. So the range you are talking is so wide. So it will help us if you can give some reasonable number. Because you'll do almost INR 2 lakh crore of, say, loan book next year. 1% would almost mean almost INR 2,000 crore. So should we expect around INR 1,000 crore of credit cost next year? Is that a reasonable number?

**A. S. Rajeev:** So that -- as a conservative way only I'm telling that 1% maximum.

**Sridhar Sivaram:** That seems like a very conservative number, sir.

**A. S. Rajeev:** You can reduce the number. There is no problem. I am telling the outer limit.

**P.R. Khatavkar:** You have to see that we are keeping that NPA ratio 0.47% and to bring down that ratio, you are required to weigh projects more than IRAC Norms. So that's why sir has taken that into consideration.

**Sridhar Sivaram:** My other question is you mentioned about tax also, that you have substantial losses which are carry forward and you don't need to provide tax. So what number should we model for next year? If you could help with some number that will help, because both the provisioning and the tax numbers are -- they are varying so much that it is very difficult to make any forward estimates. So if you could help us with some tax number. What should we -- what percentage or what absolute number should we keep for tax? Is INR 500 crore or INR 1,000 crore a reasonable number for the full year next year, or some sort of guidance will help?

**V. P. Srivastava:** Yes. I'm CFO here. You see that whatever tax budget we have made, it is not the actual tax level. It is DTA reversal. So we have created DTA, this allowed provision when we have written off from that. We have reversed that DTA, and this DTA reversal will help us in improving CRAR during third quarter. And the profit cannot be added during the quarter. So one thing is that DTA reversal we are using for improving the CRAR during the quarter.

Secondly is that we are holding INR 10,000 crore losses. And whatever our profit projection for two years, we don't expect that there will be any actual tax liabilities. Having said that, there may be some DTA reversal to improve the CRAR. That's all.

- Sridhar Sivaram:** But should we expect about INR 500 crore of DTA reversal coming in next year?
- V. P. Srivastava:** It would be on lower side.
- Moderator:** We have the next question from the line of Jai Mundhra from B&K Securities.
- Jai Mundhra:** Sir, on wage revision hike, have you started providing on the bipartite? and what is the salary growth that you are estimating?
- V. P. Srivastava:** CFO here. That we are expecting 15% wage revision and accordingly, INR 32 crore we have provided during this quarter.
- Jai Mundhra:** So this INR 32 crore is for two months, right?
- V. P. Srivastava:** Right. Yes.
- Jai Mundhra:** At INR 16 crore per month, right? That is the math.
- V. P. Srivastava:** Right.
- Jai Mundhra:** And secondly, you said at 15% you have provided, right?
- V. P. Srivastava:** Yes.
- Jai Mundhra:** And secondly, sir, it looks like that the standard assets provisioning has been negative in third quarter. Is it because restructuring loans are slipping? Or otherwise, what would cause the standard assets negative provisioning because you are growing your assets reasonably well?
- V. P. Srivastava:** Some of the restructure, it has become the standard also for which we need not to make the provision. And what in terms of restructure has slipped, in that case the restructuring will be written back. That is the case. Which have become standard now, it is no longer to provide restructuring provision. So accordingly, we have written back the restructuring provision.
- Jai Mundhra:** So may be the first restructuring, these people -- the two years term has got over, right? And that is how they are turning back into standard?
- V. P. Srivastava:** Yes.
- Jai Mundhra:** And secondly, sir, on your loan mix by benchmark, sir, how much is repo-linked, how much is T-Bill and how much is MCLR? If you have that number for your loan book?

- Sanjay Rudra:** Our out of the total loan book, 43% is repo-linked rate and remaining 57% is the MCLR-linked rate.
- Jai Mundhra:** And sir, you would have something on gold, etcetera, also, right, which is fixed rate? Or that is like negligible?
- Sanjay Rudra:** See, that is linked to repo.
- Jai Mundhra:** Gold loan also?
- Asheesh Pandey:** Yes, actually, fixed we do not have as such in the portfolio.
- Jai Mundhra:** Sir, last question. Sir, on your EBLR, right, so when you had started this EBLR, what was your reset time line? And can you change the reset time line for a customer who is on repo rate? So if someone who has taken a home loan at, repo plus spread and his reset was initially, what was the reset period was every month, every quarter. And has that been changed also?
- Sanjay Rudra:** Repo-linked rates are linked to the repo only. So whenever there is a change in the repo, the rate of interest undergoes a change.
- Jai Mundhra:** But when would it be effective? So let's say, RBI 7 December...
- Sanjay Rudra:** As we said before, the same day it will be affected.
- Jai Mundhra:** Even from the beginning of this regime, right, you would have almost immediate basis?
- Sanjay Rudra:** That is the basic concept of the repo-linked rate, sir. As the repo changes, we have to pass on the benefit to the customer.
- Jai Mundhra:** No. I understand that, sir. What I was asking is, does this changes overnight to every customer.
- Sanjay Rudra:** It is applicable to all customers who are linked to repo-based lending.
- Moderator:** We have the next question from the line of Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** A wonderful set of numbers, so many congratulations for that. Sir, I just wanted to know, now you one point you mentioned was about INR 500 crore of recovery you are expecting from a written-off account, right, in this quarter itself. So ideally, that effectively means that you will have that -- I mean, the neutral provisioning, right? I mean we are currently doing INR 500 crore per quarter, and if we can kind of recover that amount or you're planning to reduce the net NPA from that amount?
- P.R. Khatavkar:** Yes, that recovery is -- in write-off account INR 500 crore is definite there. We expect in this Q4. With this, of course, it will be useful for both ways, because that is direct profit, as you know. So how we use it for -- because the net NPA as we have reached to 0.47% level, so now

it is I think the idealist level which we have to maintain over a period. So a lot depends upon how the slippages work. Accordingly, we'll plan.

**Deepak Poddar:** So that effectively means our credit cost can be much below 1%, right, as we go into fourth quarter?

**P.R. Khatavkar:** Yes, a lot depends, sir. What you said, we also expect. But we always are conservative.

**Deepak Poddar:** Yes, of course, we should be conservative. Sure, I understood that point. And what sort of recovery we are expecting next year, FY '24?

**P.R. Khatavkar:** FY '24, sir, again the 13 accounts are lined up with NARCL. So that will keep happening now in next year. And the big accounts also that is in NCLT, which is already NARCL-only bidding. So likewise some big accounts will come. So in the same line, we'll keep our GNPA and NNPA. And accordingly, we'll if you see that, my recovery and upgradation is our aim to be at least not more than, but least equal to the slippages.

**Deepak Poddar:** And my second question is around your growth. I mean, we were expecting around 24%, 25% growth this year. And we are, I mean, currently at 22%. So largely in line what we have been guiding?

**A. S. Rajeev:** Yes. Our target is 20% to 22% growth under advances and 12% to 13% under deposits.

**Deepak Poddar:** And what sort of growth we're looking next year?

**A. S. Rajeev:** Next year also around the 18% to 20% we are expecting. Because when the balance sheet size is increasing, definitely 1% to 2% growth rate may come down.

**Moderator:** We have the next question from the line of Mangesh Kulkarni from Almondz Global Securities.

**Mangesh Kulkarni:** Sir, I just wanted to know, today's media, paper suggests that we are looking for fund raising and appointing the merchant banking. So what kind of time line we are looking? Will it be in the first quarter or second quarter of FY '24 or later on?

**V.P. Srivastava:** You have rightly heard about the capital raising plan of the Bank of Maharashtra. Recently, we have come with the RFP for selection of BRLM. And what we are planning that in first or second week of February, we will hit the market. We intend to raise INR 1,000 crore capital.

**Mangesh Kulkarni:** And in terms of our prudentially written-off accounts, what will be the quantum on which we will be sitting? And what kind of recovery targets we are looking from that?

**P.R. Khatavkar:** Yes. Prudential write-off, we have already told that INR 500 crore we are expecting recovery in this quarter, Q4.

**Mangesh Kulkarni:** So what is your total outstanding quantum which is there?

- P.R. Khatavkar:** Around INR 18,000 crore that quantum is.
- Mangesh Kulkarni:** So going forward also we will be looking similar kind of run rate in every quarter, around INR 500 crore?
- P.R. Khatavkar:** So we keep our aim like that only.
- Mangesh Kulkarni:** And slippages also you are guiding similar what -- equal to or like upgrade and recovery will be equal to the slippages, right?
- P.R. Khatavkar:** That is again our aim.
- Moderator:** We have the next question from the line of Ashfaque Ahmed from A Squared Financial Services.
- Ashfaque Ahmed:** Many congratulations, MD sir, ED sirs and the vertical Heads for an amazingly and a consistent result. So I have -- two small questions. One is that, especially, with regard to your MSME and retail portfolio, because in the last -- around more than a year, we have increased our footprint across India in a very calibrated way. So what boost in the MSME and retail credit we are expecting because of the increase in our footprint across India, - in the interlines also?
- And the second is that since we have increased our footprint with additional zonal offices, additional branches, obviously, to boost the business, so, and how do we see because of this the impact on the cost-to-income ratio?
- A. S. Rajeev:** MSME and retail as of now for the past two years we are growing at the level of 24% to 25%. And MSME, we are expecting around 20% to 22% growth rate in coming quarter also. And retail, around 23% to 24% is the growth rate we're expecting. And second point is regarding...
- Ashfaque Ahmed:** Cost-to-income ratios?
- A. S. Rajeev:** Current year, we have opened 106 branches, and another 150 branches permissions is already given and in the process. So before March, another -- this quarter, another 50 to 60 branches we'll open to end with 2,200 branches by March. And the remaining branches, we'll be opening next year.
- Ashfaque Ahmed:** And on the cost-to-income ratio, sir, how do we see that guiding.
- A. S. Rajeev:** Cost-to-income ratio now, I think, 39%, 40%, our aim is to keep around the 40% cost-to-income ratio. We will be able to do that.
- A. S. Rajeev:** Yes.
- Ashfaque Ahmed:** And sir, one small question, a very strategic question. Like if you see in the MSME and retail, the majority of the transactions that are happening on the ground is not because of the credit formation right now. It is because of the balance transfer that is happening, that is the customers

are moving from one bank to another every six months. So how do we put ourselves -- means on -- what is our strategy so that we can grab the majority of the pie that is shifting from one bank to the another? Especially, in the MSME, it has been the trend off lately for the last around 1.5 years that even for 50, 25 bps the customers are moving from one bank to another. So what is our strategy to maintain the MSME book, consistent MSME book? This is just strategic questions I have?

**Asheesh Pandey:**

Yes, Ashfaque, as you have asked, I am Asheesh Pandey here. So as you have asked about the MSME growth in retail. So you had one more thing in mind, like when we are increasing the branches, so how the growth. So MSME, it is already explained. And very clearly told you that how we are going to do the growth from the MSME, retail. And even you agreed like outside Maharashtra with this new footprints.

Now you wanted the cost-to-income ratio. Certainly, you feel probably that with the increase in branches, there will be more than the expenses.

**Asheesh Pandey:**

Yes. So I think having a spoke model. So where we have only one branch mainly, and then we are having either BC and the CSP model to service customer which is very cost effective one. Secondly, the bank has also looked the entire processes and is reviewing it. So wherever with technology we can reduce the cost that is also taking place across various functions in the bank that is why cost-to-income 40% plus/minus 1%.

Now your third question was the MSME and retail. So what you are like probably perceiving is that there is a huge balance transfer. Am I audible?

**Ashfaque Ahmed:**

Yes, sir.

**Asheesh Pandey:**

Okay. Like balance transfer is going on. But actually we are perceiving differently, if you see even the various credit rating agencies and various research reports. See, the demand is very welcome. If you take the housing itself and both vehicle loan, particularly the EV segment, the demand which is coming in is very huge. So what we are doing is that the Bank of Maharashtra has also fine-tuned its various policies, where the DSA appointment in the specific areas, specific locations.

And also, bank has identified along 15 clusters. So I would not say the cluster scheme basically which is also in place. But then specifically focus with mid corporate branches and the corporate finance branches where we are targeting location-wise and we are trying with each location like the tiles maybe a cluster, maybe a textile can be clustered. There are three to four clusters if you take textiles, which Bhilwara, Tirupur, then engineering, Coimbatore is there. Ichalkaranji again in the textile.

So if you take -- the bank is very clearly like INR 300 crore to INR 400 crore eyeing for this cluster specifically at each location. So not only the balance transfer. The bank is having very

much competitive edge because of the interest rate. So if you see, the home loan is also one of the lowest.

So two, three products are very competitive. So we do have a competitive advantage and the balance transfer, but then demand is also very much picking up, which bank is catering with specific tie-ups, with specific approach, focused approach and the locational approach.

**A. B. Vijayakumar:** Yes, I would like to add -- Vijayakumar here - regarding MSME. You asked a specific question that only the files are shifting. Yes, I do agree. But we are also in the market and we also have a scheme called Gharwapsi. So we continue to focus on the customers who left a few years before -- I mean four, five years before. We are bringing them by giving them a very market rated demand, attractive rate of interest in the terms. Our sense is now improvement in TAT, which we're are focusing. And focused approach we have identified now major centers that we are giving a trust for improving in this particular cluster. Through that also we are improving MSME.

If you look at the MSME, there are three MSMEs only micro, small and medium. We have got a very, huge increase in the portfolio of micro. All our banks all our branches, the brick-and-mortars, are doing by growth on aligning with the national priorities, be it be a Mudra or PM Stand Up India or even PM Svanidhi we have been focusing. So we are aligning with the national priorities' objective. And that is the reason why the MSMEs growth is now robust. And we continue to focus on this.

**Ashfaque Ahmed:** Perhaps my complement: your TAT is perhaps the best in the industry, I would say, right now. And many congratulations, sir, for answering all the questions.

**Moderator:** We have the next question from the line of Akash Jain from Ajcon Global Services Limited.

**Akash Jain:** Congratulations, sir, on a very good set of numbers. My question sir, regarding the co-lending book. What is the size of the current co-lending book? And what is the target to increase it?

**Amit Sharma:** Sir, at present, total loan book size in co-lending is around **INR 500 crore**. We have developed our software. So once that is stabilized, we'll take it forward, sir, on a much larger scale.

**Akash Jain:** Okay. And have we are in talks with NBFCs to increase this book?

**Amit Sharma:** Yes, sir, we regularly have discussion with all the stakeholders in this regard, sir.

**Akash Jain:** Okay. And also on the gold loan book, what is the size of the gold loan book? And what is the bank's strategy to increase it?

**A. S. Rajeev:** Now the gold loan balance outstanding is around INR 6,000 crore. And gold loan is growing at the level of around 30% to 40%.

**Akash Jain:** Okay. And what is the target for this book?

- A. S. Rajeev:** So target is given to the branches to reach INR 7,500 crore in March. I think we may be able to reach INR 7,000 crore to INR 7,500 crore by March.
- Moderator:** Sorry to interrupt. Sir, we missed on the number. Can you please repeat it?
- A. S. Rajeev:** Yes. Target to the branches is given around INR 7,500 crore by the March end. So we may be able to do that for gold loan book.
- Akash Jain:** And what is the yield that we are getting on this book?
- A. S. Rajeev:** Yield is around the 7.90% to 8%.
- Akash Jain:** Okay. And also in last quarter, we had talked about using the excess SLR. So I think it was around INR 18,000 crore as on last quarter. So what is the excess SLR as of now? And what has been utilized so far?
- A. S. Rajeev:** As of now, only 3% to 4% excess SLR is there. Balance we have already utilized. That is why we have not raised much funds through deposits. So another INR 5,000 crore to INR 6,000 crore excess SLR we may be able to utilize through increasing the CD ratio.
- Akash Jain:** Okay. And CD ratio we have talked about, I think, increasing to 80%. So that number we are sticking to.
- A. S. Rajeev:** Now it is 75%. Another 3% to 4%, we will be able to increase that.
- Moderator:** We have the next follow-up question from the line of Ashok Ajmera from Ajcon Global Services Limited.
- Ashok Ajmera:** Thank you for giving this opportunity again. Of course, a lot of clarity has come after the deliberations with my other colleagues, analysts. But sir, I would touch again this raising the capital of INR 1,000 crore through equity. Sir, now of course, our share prices are firming up and it has come to a very good level, almost about, I think, 1.75 to book, or maybe it may reach to maybe two times of the book.
- But whenever capital adequacy is already 17.5% and we are having a very good profitability. And in any case, it doesn't help as far as your CD ratio is concerned. What is the basic purpose of raising this INR 1,000 crore as a equity now, just to take advantage of the rising, share prices or anything else is there?
- V.P. Srivastava:** That as per the SEBI guidelines, we have to reduce the government value to 75%. So partly for this purpose, we are coming with the issue of equity share capital. And you know that we are having the growth of advances to 25% we are planning. For that here we require the capital. So for that, we are going to raise the equity share capital.
- Ashok Ajmera:** So from 90.97%, it might just come to...

- V.P. Srivastava:** Sir, it will not remain 90.7% once you increase advances by 20% to 21%. So at the time, you require the capital.
- Ashok Ajmera:** Okay. The government holding will come down to...
- V.P. Srivastava:** Yes, government will come down by...
- Ashok Ajmera:** Only by 3% or 4%, I think.
- V.P. Srivastava:** Yes, yes.
- Ashok Ajmera:** It will come down with this. Okay, sir. Sir, my one question which was there last time also, which was remained unanswered, was that note number 12, the accounts acquired, INR 1,916 crore at 24.91 tangible security. I just wanted to know the quality of these accounts which are required with such a low percentage of the tangible security. What are these accounts? And after having acquired, is there any stress or anything that has been seen in the last couple of months on these accounts?
- Sanjay Rudra:** I will tell you. These accounts are basically related to the securitized asset which we have purchased from other NBFCs. These are basically pertaining to MFI. MFI loans are not considered as a secured asset in our book. So we have classified these assets under the unsecured category. Mostly, these are pertaining to that only. And here, when we are going for the full buyout, we go for the loss estimation also. And as for our book, it is loss estimation given where most of the MFI is below 3%, but it is basically in the range of 1% to 1.5%, which we are observing as on date for the last so many quarters. So the NPA percentage in this book is very low and the returns are very good.
- Ashok Ajmera:** So going forward, are we continuing the same trend? Like it becomes to almost about - I think this is INR 1,916 crore is a good amount during the quarter. So are we going to keep the same trend? Or we have reached to a certain level now and we don't want to increase much?
- Sanjay Rudra:** Yes. I will explain here that, see, these are the MFI loans, which is the maximum duration of the loan is between 1 year to 15 months only, because they are giving for 24 months. Then there is a holding period is there. So effectively, it is coming in our book for a period of 12 months to 15 months.
- So, we are acquiring this too, but the repayments are equally fast. Most of the loans are repaid within a period of 18 months. So, these are the acquisitions. But outstanding's are always much lower than what is acquired during the quarter.
- Ashok Ajmera:** Thank you sir. Now, as the discussion was going on that we are already on the net NPA of 0.47% and whether net-to-net the recovery from the accounts which are totally written off will come either as a reversal of provision or as a profit to the book. So naturally, do we need to have any further provision? So, what do we have in mind about that ad-hoc provision of INR 1,200 crore which we have on the COVID account developing the COVID situations in future?

So, do we have any plan to even make use some part of that even in March for the whole year ending, so that no further provisioning as such net-net is required in the March and we can have a bumper profit in the books? Any idea on that?

**A. S. Rajeev:** As of now, nothing is given by the Board. For this last quarter also at the Board level they have discussed, under Reserve Bank of India level also. Then only this third wave started somewhere here and there. Then they told that we will wait and see. And of course, finally, it has to come to the books as a profit and it will come to capital or profitability.

**Ashok Ajmera:** Sir, on credit side, what is our position on direct lending for onward lending to the priority sector to NBFCs? Have we reached to that particular level? Are we considering them still? Second is our corporate book has again started growing well.

**Ashok Ajmera:** Some color was given that -- I think the GM Credit observed, infrastructure and something. Can we be a little more specific on that...

**A. S. Rajeev:** No, NBFC, we have a Board approved level is given up to -- 8% to 9% of the total advances we can go NBFCs. But we have gone only 5% to 6%. There is a gap of 3% to 4% of the total advances. But very cautiously we have gone for that. And now presently, we have gone for some of the accounts, basically corporate is one, some of the pharma sector or some petroleum sector and some aviation.

Aviation means not this type of aviation sector per se. It is for development of airports. As well as highly rated AA and above accounts we have gone for that. And some accounts - some amount has gone to NBFC also, INR 2,000 crore to INR 3,000 crore. But keeping - 5% to 6% of the total advances, we have kept it for NBFCs.

**Asheesh Pandey:** Yes. Ashok, particularly manufacturing we are looking more as a banking focus where exports are more.

**Management:** Yes. Actually, we are looking more in pharma or maybe a textile or maybe even the engineering goods. And what we are looking is that it should be an export more. So, the bank is focusing to augment its even fee-based income. So that's the reason that we're focusing more on the ventures, particularly like the pharma, textile, maybe in some of the things which we have seen. The glass is doing very well, industry and some of the places. And particularly, in some of the locations, we have seen even the EPC is also doing somewhere better, slightly.

So, these are some of the sectors which we are looking apart from the infra. And as such the forex part, where import, export are more and where the good working capital and the manufacturing sector is the focus.

**Ashok Ajmera:** What are your views on auto ancillary?

**Asheesh Pandey:** Yes, auto ancillary too, particularly EV side.

- Ashok Ajmera:** We are open for that...
- A. S. Rajeev:** And I think that our export growth rate was quarter-to-quarter, it is around 40% to 45% for the current year. Export is doing well and earlier, bank was not having that much export area. And medical devices, medical equipment's, that types of areas.
- Asheesh Pandey:** Even hospital sector, we are...
- A. S. Rajeev:** It is a wide range of areas, not a specific area.
- Ashok Ajmera:** Yes. A very wide range. My last question, sir, is on treasury again, where do we stand? So, you have already given the idea that as per the RBI -- I mean, what we can infer is there can be another 25 to maximum -- I think 25. Because 35 basis already came, 60 was expected total.
- So, if that is -- if it comes, say, another 25 basis point, does it make any change in our dynamics, in our way of working or everything is fine, we are capable of taking care of that?
- A. S. Rajeev:** Yes, everything -- that is what -- first itself, I told that 210 basis point change has come. It will not change any dynamics. So, another 25 or 50 basis points comes also, it is not going to much impact.
- Moderator:** We have the next question from the line of Franklin Moraes from Equentis Wealth Advisory. Please go ahead.
- Franklin Moraes:** Yes. So, I joined a bit later in the queue. So sorry if this question has already been answered. I wanted to know what is your total write-off book?
- A. S. Rajeev:** The total write-off book is around INR 18,000 crore.
- Franklin Moraes:** So this is which is already part of your book, but it has not yet gone out of the books, right?
- A. S. Rajeev:** No, it is already written off in the books. And it is not in the books actually. But recoverability is concerned, legally it is recoverable and we are recovering also. So, this quarter, we have recovered around INR 200 crore. And next quarter, as our GM Recovery has already told, that the expectation is around INR 500 crore recovery for next quarter.
- A.B. Vijayakumar:** Sir, I'll make it more clear. See, INR 18,000 crore it is written off from the financial results we have published today. But this INR 18,000 crore is very much in the branches of our bank. And our branch at the field level, they are -- day in and day out, they are focusing on recovery. The target for recovery is also on the basis of the outstanding line in the branch book. But publication of results, it is not there.
- Franklin Moraes:** Also, what part of this book would probably go under NARCL maybe in the next one year or two years?

- P.R. Khatavkar:** It is around INR 3,000 crore, INR 2,700 crore to be precise.
- Franklin Moraes:** This is already transferred?
- P.R. Khatavkar:** No. The process will start now. First will be transferred in this month. It is expected to be now. The process has started.
- Franklin Moraes:** And what could be the maybe time line for transferring of this INR 3,000 crore?
- P.R. Khatavkar:** See, it is shortlisted accounts. Now certain accounts will get finalized in a process. So, it keeps -- a dynamic list always. It keeps changing also with the circumstances. So, at present, at least we expect one account in the first quarter, definitely will get transferred.
- Franklin Moraes:** And could you also share some insights in terms of what is happening at the NARCL level? Because last year is when they started, but so far we have not seen any accounts getting resolved?
- P.R. Khatavkar:** Yes. See, in NARCL, actually, there was a delay because of that approval of bank guarantee, which are SRs are given which is backed by the government guarantee. That approval in NARCL was to be received. Now very recently in the last week only, the government has given the approval. So that process has now started. Now everything will happen fast. The account transfer will start happening now.
- Franklin Moraes:** Any quantum that is being targeted maybe in the next six to nine months?
- P.R. Khatavkar:** See, for our bank concern, we expect at least in the first quarter one account is definitely -- this Q4 one account is definitely going to be transferred. Remaining accounts will follow in the next year.
- 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 remarks. Over to you, sir.
- A. S. Rajeev:** So, thank you so much for having one hour discussion of -- and afterwards, also any update -- anybody having any kind of queries or anything, we will be in touch with you and our CFO will be open to give any clarification or any figures, whatever required. 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. Thank you, everyone. Have a great day.

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