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

AX1/ISD/STEX/37/2023-24/ **Date: 25.07.2023**

The General Manager,
Department of Corporate Services,
BSE Ltd.,
P.J Towers,
Dalal Street, Fort,
Mumbai - 400 001

BSE Scrip Code: 532525

The Vice President,
Listing Department,
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051

NSE Symbol: MAHABANK-EQ

Sir/ Madam,

Sub: Transcript of Earnings Conference Call with Institutional Investors / Analysts held on 19th July, 2023.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the enclosed transcript of conference call with Institutional Investors/ Analysts regarding Financial Results of Bank for first quarter Q1 FY 2023-24 held on Wednesday, 19th July, 2023.

The transcript of conference call is uploaded on Bank's website and same can be accessed through below link:
https://www.bankofmaharashtra.in/financial_results

Kindly take the same on your record.

Thanking you.

Yours faithfully,
For Bank of Maharashtra

NEHAL RAWAT
Digitally signed by NEHAL RAWAT
Date: 2023.07.25 17:41:49 +05'30'

(Nehal Rawat)
Company Secretary & Compliance Officer

Encl: As above

"Bank of Maharashtra Limited
Q1 FY '24 Earnings Conference Call"
July 19, 2023

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 Bank of Maharashtra Q1 FY '24 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 Shri A. S. Rajeev. Thank you and over to you, sir.

A. S. Rajeev: Good evening to all and I am Rajeev. Along with me, both the Executive Directors all other general managers and top management teams is with you for any kind of clarification. In my opening remarks, I will take you all through our financial results.

So first of all, thank you for joining us today for this financial results for the quarter end of 30th June, 2023. Our total business grew by 25% to INR 4,20,000 crore and deposits grew by 25% to INR 2,44,000 crore and CASA stood at 51% of the total deposits. Advances increased by 25% to INR 1,75,676 crore. CD ratio is around 72%. Gross NPA and Net NPA improved to 2.28% and 0.24% respectively. Provision coverage ratio improved to 98%.

As regards business figures are concerned, RAM sector, retail, agri and MSME stood at 58.25% and the balance 41% corporate sector, which the bank envisage that this will continue. Retail advance is grown by 25%. Agriculture is grown by 22% and MSME by 29%. While coming to the profitability, the net profit is up by 95% to reach INR 882 crore on year-on-year basis as against INR 452 crore for last year.

Operating profit improved to INR 1,863 crore as against INR 1,202 crore corresponding quarter in FY '23. NII grew by 39% year-on-year basis as against INR 1,686 crore Q1 financial year 23. Fee based income increased by 17% year-on-year basis. Non-interest income improved to INR 629 crore as against INR 317 crore for Q1 'FY23.

The growth rate of non-interest income is high because in the corresponding last quarter, there was certain depreciation in investments in Q1 FY '23. The current year, as against depreciation, it is around INR 45 crore profit on sale of investments. Cost-to-income ratio improved to 37% as against 40% corresponding last year.

ROA improved to 1.33% as against 0.82% FY '23. Returns equity 23.73% as against 16.75% for corresponding last year. CRAR Basel III Capital Adequacy Ratio improved to 18.07% as against 14.36% for Q1FY24. Slightly the capital adequacy ratio has come back, has come down by 10 basis points, mainly because of the operational risk weighted assets which increased by around INR 2,200 crore for the current quarter, which is the computation based upon the average of three years operational risk and increase in operating profit.

So these were the major areas of results and then coming to question-and-answer session we will take it up but before that I will request our ED Mr. Pandeyji to brief regarding the digital transformation, what is happened during the current quarter, how the bank is planning to go for the digital transformation, so that the repetitive questions we can able to reduce that.

Asheesh Pandey: Sure, sir. Thank you very much, sir. And welcome to all the analysts for this meet. As you have seen, the presentation and the figures, everything is uploaded on the NSE and BSE, and also on the website. Now, coming to specifically on the front, because in the press meet and earlier in analyst meet as well, so there is certain times, you have a question of the sustainability and the other things.

So the bank is now putting up a lot of emphasis for almost last two years on the technology. So on the credit side, asset side, I would say, the three pillars are very important, like the sourcing, underwriting and monitoring. So bank has gone ahead a lot, and we have integrated model with which we have told last time also, with the Corpository, the CRISIL, the Probe42 and the CICs, all the four CICs.

So the bank has built the model on which it is working, and also similarly, on the liability side, many things the bank has already launched, including V-CIP. Now digital zone sort of thing which bank has opened in particularly, and a general manager cadre is posted where they are having the four wings within them. It is like, you will see in all the banks put together, there are generally one team which is looking on IT, IT infrastructure, DC network and the data center etcetera.

And another one is the digital, but the particularly what we observe that we need to understand the UI, UX, customer centricity and the emphasis that actually it is converted to business. We have now opened a digital zone headed by general manager, under which there is a digital CPC, there is all digital STP journeys, and there is an audit, digital audit which is happening through the external experts. There is a digital marketing team which will be doing and approximately INR 5000 crore of a business which is invested through this model.

So that is one thing. Now if you see on the website, so all our RFPs which are happening and mostly which we are concluded. So on the control function side, like you know, the entire audit software package we are concluding and the multi-function kiosk and various other alternative machines, you would be seeing the bank has already concluded those sort of RFPs.

Also, I would like to state that there was a press release already by our MD, sir, where it was emphasized that we have on boarded BCG for our digital transformation as our consultant, in which there are three pillars. One is the digital journeys, second is the digital operations, and the third is the digital compliance. So probably you will also analyze that digital compliance you would never have heard that an outside consultant that too top two is coming in for digital compliance so that the compliance is inbuilt in the journey itself.

So all the three, we have started working on that and that is taken as project Parivartan inside the bank and that is well taken off. Now coming to the fourth thing, like the collaborations so the bank is also collaborating with few. The bank is thinking to have almost 3% to 5% business from the first year, additional business, incremental business should come from these sources, and increasing to say 25% to 30% in next three years' time.

So I think this is the brief and yes, one robotic process automation, which is actually no public sector bank as of now, is very much on it, but then we have made already live and I think by next quarter when we are back, at that time we may have more than 25 to 30 processes which would be live. And in this year, we envisage that we will be crossing almost more than 60, and mostly on the reconciliation and the customer journey side.

So these are well bifurcated on the digital operation and journeys and on the compliance side. So this is the brief on the digital initiatives. And the budget which bank has taken is around INR 1,200 crore which the bank has taken on this digital initiatives total.

A. S. Rajeev: Thank you. And another two minutes, our ED Vijayakumar will talk regarding the staffing pattern and the HR initiative what we have taken during that quarter, because that is also very important. And that's the other aspect.

A. B. Vijayakumar: Thank you very much sir. Friends, once again a hearty welcome to this quick analyst call of Bank of Maharashtra. The results are before you. You have been tracking our performance for the last four to five years and we have been number one in terms of the financial numbers, out of 22 parameters last year, year on year, 16 parameters we were number one, major parameters, another three we were number two, another three, number three, third portion.

In fact, we almost captured the first three out of 12 public sector banks. When you compare with the private sector banks, we compared with those banks which have more than 3 lakh business they're also out of 14 parameters where very comparably compared. Out of 16 parameters, seven parameters, we were number one. Others also in top five position were there.

So some of the areas, we are not only benchmarking with our private banks in India, we would like to go along with the benchmarking the international in some of the areas. This is what overall view of what we have been thinking about internally to bench ourselves, to compare with ourselves other banks.

In any industry, whether it's a manufacturing service, the man began, the human capital much more important than anything else. In our bank, we give a lot of importance to that. The whatever the financial results we have been, quarter after quarter we have been giving, it goes to the investment we make in the HR, and we are consciously, I mean, attending to all the issues, particularly the optimum utilization of the HR, that was the objective, which we are to the most extent we have succeeded, that will be compared with the data.

We had a number of staff around 12,532 now as on 30th June 23 is 13,344, so 812 new staff has been added and to so as to say that per-employee business, per-branch business substantially increased and when we compare with all the banks have to come out of the results only this is the second our public sector banks have come but when we compare the last quarter there also in those aspects, per-employee business, per-branch business , Bank of Maharashtra has been number one.

We have taken many initiatives to give training, upskilling their skills and giving maximum opportunity available within India and to some extent now the executives also been sent to abroad for both India and abroad through the reputed management's like NIBM to get feel of what is happening the other side of the border and that also gives the input to us.

Our bank was operating within the Maharashtra predominantly. More than 65% of our branches were operating within Maharashtra about three years before. Now, exactly 50% only operating Maharashtra. We are consolidating, we are improving our efficiency within the Maharashtra because it is the heart and soul of our bank.

But at the same time, our eye is on to expand our business outside the Maharashtra, where we are getting a good response. In the last, exactly last three years, we opened more than 430 branches, out of which more than 95% is outside the state and which gives a lot of business. In fact, 15% of the business came from those numbers. INR 45,000 crore business come from these 430 branches opened.

Ideally, what we want to have, at least one branch in each district. As of today in our country, 797 districts are there. And I mean, every now and then, every state is also expanding, dividing the existing districts and making it more. When we started this idea, it was only 680 and in a span of two years, it has come to 797.

Of course, some of the areas like northeast and northern, we have challenges to open, but we are happy to announce that along with this journey, we opened 12 new zones when we opened 430 across the country and one exclusive zone in Northeast in Guwahati with 25 plus branches out there.

Our focus is on opening up branches where we get opportunity to do business and at the same time, we are also focusing on our HR in all fronts. We have been giving much importance to the HR matter. Apart from that, we always say in our all-internal meeting and also through, any forum when we address business first, business first, business first, but compliance always.

The compliance is a very wide term, which includes corporate governance, risk management, and audit system. So, these areas also we have been focusing because when there is a growth, there is always a question from all the stakeholders including analysts, whether it is sustainable, how far it will go. So, we are aware of this and we have been giving a much importance.

I'm happy to share one or two information to you. Like in this last quarter, 430 branches are audited, out of which 430 was due for audit and around 230 is completed I suppose. Out of this 10%, 23 branches were spot [certification 0:15:40] second place. It means, see there is an internal system of auditing inspection internally by our own team, inspection team. When they go, they will make some observation. But we are insisting that those audit compliances as far as possible should be compliant, rectified then and there.

So, the culture of rectification during the audit itself is happening in our branch. This is the one indication which I would like to share with you. Going forward, any specific information needed, which I would like to share with you – respond to you. Thank you very much for listening.

A. S. Rajeev: Sir, now I think we can go for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Jayesh Shah from OHM Portfolio Equity Research. Please go ahead.

Jayesh Shah: Congratulations, sir, for great results. I just wanted to understand on the provisions for doubtful debts. We thought with the level of gross NPA and the net NPA that you had, the provisioning figure should have come down and credit cost should come down. So, however, it has not. So, how do you expect this to pan out for the whole year? And have you really taken some extra provisioning in view of the RBI norm which were specified last year, which are also in the draft situation. Thanks.

Management: Yes, what you observed that provisioning we are keeping specifically with a approach to have a more provisioning to protect our self for future because our profitability is good. As you understand that there also we are growing. Our PCR is already 98.37%. So, the portfolio wise, we have to first take the stance and that is why we are controlling this, keeping the gross NPA and net NPA at lower level and some extra provisions for certain other things also we are keeping that is for ECL and that is for some standard assets also we are making additional provisions, though it is not required, but just to cover all these exigencies.

Management: For myself V. P Srivastava, CFO. This time INR 250 crore we have made provision, in standard asset in anticipation of our ECL provision. We will continue to build up the provision to meet out the future challenges. And the NPA provision, you know, that when you are making the net NPA 0.24%, so almost everything you have to provide so that will continue. We want to keep our net NPA between 0.24% to 0.25% ranges and will continue to do so. Going forward since that already legacy provision we have done so you'll see that the provision respectively will come down going forward.

Jayesh Shah: Okay, can you give a guidance now based on this thing, am I correct to expect that you don't need any other provisioning on your legacy assets and you would only need provisioning on your new loans that you have given?

Management: Yes

Jayesh Shah: So, if one should look at minimal credit cost going forward for the current year?

Management: Yes.

Jayesh Shah: Okay, would you be able to give a number for the total year for the provision?

Management: Provision would be roughly around…

A. S. Rajeev: We expect that the slippages may be INR 500 to INR 600 crore per quarter,that just means around INR 2,000 to INR 2,200 crore slippages for the year may happen, because advance is also growing. So, correspondingly, the provision may be required that, because then after adjusting these slippages because most of the assets we have already written-off then the recovery will come under other income. So, it will not be under reduction as well as the upgradation. So, if suppose INR 2,000 crore if it's adding for a year, reduction and recovery will be a small figure because assets are already written-off, it will reflect in other income, so it is affecting the profitability. So, whatever INR 2,000 crore of the provision INR 400 crore to INR 500 crore provision will continue to be there quarter wise that.

Jayesh Shah: I see, so if I understand you right, provisioning may still be around INR 2,000 crore and the recovery figure will come in the other income?

A. S. Rajeev: Yes.

Jayesh Shah: Okay, and going forward would we see NII growth of 20%-plus since you have raised the funding and you are in a fairly comfortable position?

A. S. Rajeev: Yes, NII will be definitely it will be double digit growth.

Jayesh Shah: Okay, thank you very much. And congrats once again for great numbers.

A. S. Rajeev: Thank you.

Moderator: Thank you. We have a next question from the line of Suraj Das from B&K Securities. Please go ahead.

Suraj Das: Yes, hello sir, thanks for the opportunity and congratulations on a good set of numbers. Sir, just wanted to understand your outlook on NIMS and specifically I mean this quarter you have seen increase in yield on advances. So, what is driving that point one and if you can give a hint on your book bifurcation in terms of how much is MCLR linked, how much is Repo linked, and how much is fixed rate loans. So, that would be my first question?

A. S. Rajeev: So this NIM, as of now it is 3.86%. I think we may be able to range bound if I can say that 3.75% to 3.85% level. I think we may be able to continue that as far as NIMS is concerned. And yield on advances, of course, it is slightly improved basically because the interest rates has increased last 1.5 years. And the same interest rate, if we continue, definitely the yield will continue to be the same level. And at the board level decision also, we have the growth where we have envisaged only based upon the risk-based pricing is fixed. And that was added the yield improvement as well as NIM improvement.

So, the assets created during the period are based upon the risk-based pricing, and which was reflected in the NII growth. Regarding the MCLR and this, I think it is at 48% MCLR, and the remaining is coming under [RLL 0:23:22] around 50-50 will come or here by and large 5 basis point here 5%-plus or minus, yes.

Management: And there is no fixed rate lending.

A. B. Vijayakumar: Yes. Suraj ji, actually if you see MCLR reset also happens, no? So, when the rate was increasing and suppose MCLR is also increased that takes time of six months, one year as per you know that whatsoever is given to companies, say one-year MCLR then it will be due in one quarter then another quarter and all. So, that has also given a good impact.

Suraj Das: Understood sir. And sir on this 48% MCLR, I mean, where we are in the journey of reset I mean how much of that book has already been reset or how much is still pending if you can give a color on that?

A. S. Rajeev: MCLR we have a different product under MCLR. We have majority of the MCLR under the one-year MCLR, and six months, and three months. These are the major MCLR product which we have so three months MCLR get reset within three months, six months MCLR get reset within six months and one year within one year. Most of the loans which were sanctioned almost one year back are already reprised. Our book presently running with the current MCLR mostly.

Management: Now going forward, actually that is more than one-year MCLR whatsoever was sanctioned and during the August to if you take January period that whenever it will be coming from next August onwards, that portion only will come. So, mostly are now reset.

Suraj Das: Okay, understood. The second question sir is on the asset mix on the retail credit, so I mean, if I see your other retail which is something around INR 15,000 crore that has seen good growth over the last many quarters. If you can give some color on this book, I mean, is this largely gold loans and staff loans or I mean, what are there in this other retail credit?

Management: Other retail credit is largely on the gold loan sides. The major growth has happened in the gold loans. In addition to that, recently we have started giving the personal loan also on the digital platform. So, some small, but this is the beginning, the personal loan is there. And then, third is the Aadhar loan which we call, is basically the loan against the pension of people. So, that is a major component. These are the three major components of personal loans. And in that the gold loan is mainly increasing with a rapid growth of almost 40% on year-on-year basis.

Suraj Das: Okay, so gold loan would be how much, I mean, approx. INR 10,000 crore or something like that or…?

Management: It is INR 7,000 crore approximately if I add both the gold loans it will be approximately INR 7,000 crore plus.

Suraj Das: Okay. And sir, what are the yields here, I mean, on this retail gold loans?

Management: So, the overall yield will be around 98.3%.

Suraj Das: Okay, okay understood sir. Sir, the next question is on the ECLGS, I mean, if you can give your ECLGS figure, how much you have you disbursed and sanctioned and what are the NPA levels there and do you see any impact on the new guidelines on this ECLGS to recognize this stress accounts as NPA that would be great?

Management: ECLGS we had originally sanctions around INR 3,200 crore when the scheme came in 2020 onwards. Till date, it is INR 3,200 crore has been sanctioned. But our observations on the ECLGS portfolio is that the portfolio is doing well. No, major risk is observed till date. Even if you can very well see, our SMA numbers and even the delinquencies also is not very high in the MSME sector also. Two years back it was slightly on the higher side, but for the last one year we have more or less we have controlled that MSME slippages also. So, we don't find any risk on the ECLGS portfolio. And since the pricing was lower rate of interest, so the customer has not defaulted on that large list. But yes, few accounts has slipped, that's a different thing, but it is in a routine course. But no major risk in the ECLGS portfolio.

Suraj Das: Okay, and you are recognizing all that stress accounts as NPA in line with the recent guidelines, right?

Management: Yes, whatever the IRAC norm says we follow that for recognizing the NPA.

Suraj Das: Okay, okay. And sir one last question, if I can squeeze in is on the ECL migration, so I mean what is your preliminary reading on the ECL migration, I mean, how much, let us say, total provisioning, additional provisioning requirement would be there and if you have any contingent buffer or something like that?

Management: As you know that bank is well capitalized – is already having 97%, 98% of PCR and for the last few years bank is also preparing the Ind AS balance sheet. ECL if I use the management overlay then approximately INR 2,000 to INR 2,500 crore of additional provision is required to meet the ECL guidelines. And as you know that the bank is holding -- already holding INR 1,200-plus crore of COVID provisioning plus additional INR 250 crore of the ECL provision which we have made for the current year. So, almost INR 1,400 crore, INR 1,500 crore is already in the books of the bank.

Management: Yes. So, INR 1,500 crore provision is already bank is having and we need INR 2,000 to INR 2,500 crore. So, bank don't foresee any challenge in ECL going forward.

Management: And RBI has also given dispensation that it can be amortized over a period of 5 years and looking to our profits that the business we are envisaging the profit is going to increase. So, we don't find any problem. It may happen that without waiting for 5 years it may be adjusted in 1 or 2 years.

Suraj Das: Okay, understood, sir. Great. And sir, one last question. So on the modified duration on the investment book, if I see that, this quarter, it has seen increase from 1.2 years to 1.8 years. Is it a one of thing or this is a conscious call taken by the ALCO or something like that? That will be my last question. Yes, thanks.

Management: It is a conscious call. If you see that, the short-term maturity rate has gone up and it is nearing to the 10-year G-sec. We have taken benefit of that and we started accumulating the security and having the duration of one years to two years. And that, we have accumulated a good yield. At a appropriate time, we will square up on the profit. And if it is lying in that portfolio, it will improve the yield of the investment.

Moderator: Mr. Das, does that answer your question?

Suraj Das: Yes, yes ma'am. Thank you so much, sir.

Moderator: We have our next question from the line of Akash Jain from Ajcon Global Services. Please go ahead.

Akash Jain: Sir, my question is regarding the deposits. Total deposits have increased to INR 2,44,365 crore as against INR 2,34,083 crore in the last quarter. As a result, our CASA ratio has been affected. So I wanted to understand, how is the growth from the deposits, is it from the fixed deposit size or bulk deposit?

Management: There was a growth in term deposit but you see that, we have not taken bulk deposit higher rates. So we have taken CD, short term CDs, where the interest rate is below 7%. So you know that, if you want to contain your cost of deposit in a cost of fund, so instead of taking bulk deposit, we switch over to borrowing, under interest rate, where interest rate is between 5.5% to 6.5%, and we have select short term or ultra-short-term series, because we are expecting that, maybe after two months that rate will come down. So at that time, you can again take the deposit and this is a good strategy in order to contain the cost and you see that, impact is that our NIM has also improved.

Management: I will supplement, what our CFO sir has said. If you go through our cost of deposit, you will find that, the entire quarter, when the rate has gone up and we have taken some deposit on the term deposit side also, but we have managed our cost of deposit. Our cost of deposit has increased by only 10 basis points. So whatever the deposit we have taken, though it may be in the form of the term deposit, but not at a very high-cost deposit.

Akash Jain: And my sir, second question is regarding co-lending book. So what is the size of the co-lending book as on date or as on Q1 FY ‘24 and how many NBFCs, we have tied up?

Vijay Srivastava: See this is, we have a four, we have tied up. Co-lending portfolio, March '22 was INR 147 crore. Now we are INR 371 crore, out of which retail is INR 13 crore.

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

Management: Look, we always keep our option open. Wherever we get opportunity, we do it as of, this last couple of quarters, it was initially started with a good book, but we don't find any kind of good quarters nowadays. And there is no -- not much is happening in this segment. In at least last quarter, I can say.

Management: Co-lending.

Management: Actually, the co-lending, I think, there are two. So actually, we are on-boarding now our software solution. So for that purpose, we are strengthening our systems and we are close to complete that software solution. But at the same time, we are in discussion with some 10 more people in that, so that we can take up the co-lending agreements with them. So we are also finalizing the rates or terms and conditions with all these people.

But what we were actually looking to strengthen the co-lending. Right now also we have one of the good software, but then the Edge and Newgen, what actually, is required? So you may see our website. So there also, we have come up with the co-lending fintech partners. We have impaneled. Now in that, three we have impaneled, one we are concluding for the final implementation.

Akash Jain: Okay. Also, sir, I wanted to understand as cost to income ratio is already, around 37% in this quarter. So with this robotic process automation, as earlier said, that 25 to 30 processes will be automated. So to what extent, this cost-to-income ratio can go down now?

Management: See, if you see the cost to income, it is really very, very good. But actually it is not only, the impact is not only the RPA. Or see, actually, if you see RPA, there are five clear benefits from this robotic process automation. The first is certainly, cost optimization, second is the customer service because whenever you are manual, it takes maybe a number of days and you may be having some errors.

But when RPA comes, so actually like your internet banking, that creation of the profile, now we have done all that. It is hardly one and a half of it is done in a single day. So six rounds, it is working, that both in a particular one day. The third is on the reconciliation side. EGL log, which is actually very, very important for the bankers to reconcile. It is very difficult also for the banks because you are having 3,000 to 10,000 ATMs. And how to read that electronic EGL logs? So that is also we have put into the robotic process automation.

So now, because your question was caring two things, one is the implementation of RPA, so we are using it certainly for the cost optimization but then the important three things is customer service, the third important thing is reconciliation, so we want to strengthen our compliances. Also, if you see the digital transactions, which are happening and increasing 1.5x to 2x, now it needs a robotic reconciliation because for the failed transaction, you need to credit the customer's account immediately.

But now coming to your cost to income, yes, we actually, if you see, our MD has also gave the sort of, I would not say guidance but then indication that, we may be in the range of say 39 plus minus 1, something like that. So what I feel, when we are opening a branch, so almost 150 to 180 and our MD sir has also told that, we are on-boarding around say 2,000 people in various cadres in the bank to sustain and give a comfort to such sort of business. Then certainly, we foresee that, we may continue in the same range going forward.

Akash Jain: Okay. And sir…

Moderator: Mr. Jain, I request you to join back the queue, sir.

Akash Jain: Thank you.

Moderator: Thank you. We'll take the next question from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Hi, sir. Good evening. I just have two questions on firstly, your views on AUM growth for FY '24 and another is ROA outlook. So if you can just help me with these numbers? Thank you.

A. S. Rajeev: AUM growth is we are expecting that, though the growth rate of deposits is slightly more in Q1, it will normalize during the current year around 14% to 15% deposit growth and 20% to 22% advances growth as far as growth is concerned. And ROA is concerned, that will be the same level, it can able to 1.3% to 1.4% level range bound, ROA as it may be able to continue that.

Rahil Shah: Okay. Did you say 20%, 22% in advances?

A.S. Rajeev: Yes.

Rahil Shah: Right. And ROA will be in the same range. Okay. Got it, sir. Thank you.

Management: We are targeting for a business of INR 5,00,000 crore up to March '24.

Rahil Shah: Right. Okay, sir. Sounds encouraging. Thank you, and all the best.

Moderator: Thank you. We have our next question from the line of Prashant Galphade from Whitestone Advisory. Please go ahead.

Prashant Galphade: Hello. Thank you for the opportunity. I have two questions. My first question is, if you see our NNPA was INR 435 crore in Q4 financial '23. During Q1 we did a provision of INR 776crore of which, INR 530 crore is for NPA. Still our NNPA did not come down in Q1. Still it is still INR 414 crore. Can you explain why?

Management: See our provision required for Q1 for NPA, NNPA for that INR 539 crore, which has brought and it was as compared to March, it was INR 545 crore and this time it is INR 539 crore. So not much difference is there and as we are already at the bottom of NNP of 0.25%. So it is always we use to maintain that range.

A.S.Rajeev: I will explain that INR 250 crore contingent provision, we have made and it is not impacted anywhere. Because ECL provision of around INR 250 crore contingent provision, we have kept for the current quarter. So that is not considered for NPA purpose or capital adequacy purpose.

So it's a part of creating ECL conversion for the next year like that. Though we have around INR 1,250 crore provision, COVID provision we held up. And another we, Board is of the opinion that, we have to create over a period of time at least INR 1,000 crore provision for ECL purpose. So that is why this difference has come.

Prashant Galphade: Okay. Understood, sir. And my second question is for Q1, our credit cost was 1.23%. For rest of the quarter, let's say Q1, Q2, Q3 sorry, Q2, Q3, Q4, what will be the level?

Management: It will continue to be around 1%. We'll continue.

Prashant Galphade: 1%. Okay.

Management: On conservative basis. Yes.

Management: If you see, as per IRAC norms, it would be below 0.5, because we want to maintain that NPA ratio within 0.25%. It means that, everything you have to provide with the accounts list. So that's the third rule,that it will be 1% is correct, but as per IRAC norm, it should be below 0.5%.

Prashant Galphade: Okay. Thank you, sir.

Moderator: Thank you. We have a next question from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: Sir, congratulations to top management of Maharashtra and entire bank for a good performance and a successful QIP during the quarter. My first question pertains to all the questions, which are asked. Has the Board taken to irrespective of RBI, whether they grant you time or not to start making a buffer on ECL provision and if so, how much have you made so far?

A.S.Rajeev: Yes, just now I told that ECL, we have already COVID provision is kept there that, we may utilize for the ECL that is around INR 1,250 crore. In addition to that, another INR 250 crore, we have already made. So another INR 500 crore provision is already kept under restructured area, where we have not utilized it. We have kept adequate provision kept for as and when ECL comes, we may be able to switch over that. That is our expectation.

Sushil Choksey: Sorry to interrupt, sir, but you made a provision between buffer and this at INR 1750 crore. Is that the bank has made some kind of a calculation that provisionally this can be a ECL number with a five year or a three-year window, whatever RBI provides with that calculation is not there?

A.S.Rajeev: This is based upon some rough estimates. Whereas the final guidelines is yet to come and this is all based upon some kind of draft based upon that. There may be some, definitely, there may be a good difference between the draft as well as the final guidelines. We are expecting that. So, based upon the draft guidelines, only we have kept it that. But however, we know that, even if the final draft guidelines, there may not be much impact is going to happen for the band. That is the purpose.

Sushil Choksey: Do you estimate your ECL provision requirement to be in approximately range of INR 3,000 crore to INR 4,000 crore or more?

Management: It will be INR 2,000 crore to INR 2,500 crore.

Management: Now you can take INR 2,500 crore approximately.

Sushil Choksey: So then you have already almost achieved the number, where you have a five-year window?

Management: Yes. You know that we are submitting the draft financial, that half yearly pro-forma financial India's statement to RBI. So yes, we are aware of that, and we have been making computation. Though there may be some changes in RBI guidelines, because already they have come with a discussion paper. So the estimation, we have done for additional provisioning, so we are able to meet it even from our existing provisioning.

Sushil Choksey: And my next question, what is the estimated cost fund likely to be for the year from you're the current level?

Management: Estimated cost for?

Sushil Choksey: Cost of fund right now is at 4.06%, therefore…

Management: Cost of fund, it will hover between -- around 4%. Same range, 3.70%.

Management: There is a pause also, right now. So we foresee that we'll continue in the same range.

Sushil Choksey: And yield on advances will remain at the current range? Or it may pick up a little higher?

Management: More or less, it will remain the same change. It will depend upon, what the RBI take the start in respect of the repo. So -- but our views that, RBI's is not going to do the hike. So for the year, it will be range bound.

Sushil Choksey: Sir, as a year between various quarters questions, which I might have asked the management or whatever commentary, I read in the newspaper or in the media, bank is working towards future enablers and future ready, whether it's digital, human resource and various other things. Some number was highlighted for digital spend for current year and the previous year also, I've heard that number. Based on the current estimates, have you revised the number upwards between human resource and digital or it is more or less same?

Management: It is more or less, the same and in that way only, we are going because if you take the last year and this year and compare to earlier years, so there is a good, high call period and it is not only related to the budget but actually using it and properly using it through various channels and which is actually giving good results for the bank. So I believe that, if you see the RFPs and for which it is going intended to be used, then probably, it is a very well thought of and well deployed sort of a budget in IT.

And similarly like, scale 2 and 3, so various skills, the bank is recruiting, which is also in our social media and for last, if you see one year period. And including the CTO sort of a position, which we are taking from the market. So both of them are going hand in hand and it is all intended to support, what the bank is trying to achieve for last say one year and going forward also.

Sushil Choksey: Sir, my last question is at any point of time to prove more from your, as your enablers are all for future, in your advances, how much is public sector and how much is private sector? Have you ever bifurcated in terms of advances total?

Management: Yes, public sector.

Sushil Choksey: Public sector including states?

Management: Yes, that already we have given, it is around INR 16,000 crore is the government guaranteed exposure, which are pertaining to various states and central government, almost 10%.

Sushil Choksey: No, I am not on government backed schemes or anything, I am saying in total advances?

Management: Out of total advances of INR 1,75,000 crore, INR 16,000 crore is almost government guaranteed exposure.

Sushil Choksey: Sir, I am not asking government guaranteed, I am saying, let's say whether it is REC, PFC, NHAI, Food Corporation, one side and the other side, the private sector. So have you aggregated total, so if there is more of a private sector, it speaks volume for your bank that you are market oriented that, is in the market?

Management: That data is not immediately available.

Sushil Choksey: No problem. I will take question on offline.

Vijay Srivastava: Even in such cases that, they are working at very fine margin. So last two years or three years that, we intend to keep our interest at reasonable rate. So, we have not invested much in that such PSUs. Instead of that, we have lent to the state-owned corporation backed by the state-owned government, where the returns are reasonable and the guarantee is available. And it is also helping in, when we are computing the CRA.

Management: So only one data immediately available in the [inaudible 0:49:07] out of INR 1,75,000 crore, INR 15,000 crore, almost INR 16,000 crore government guaranteed.

Management: Which we have given to state government corporation.

Management: But that also public sector, how much is there, we can provide.

Sushil Choksey: Thank you very much and I will come back and all the best for the years to come by.

Management: Thank you, sir.

Moderator: Thank you. We have our next question from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.

Ashok Ajmera: Thanks a lot. I've been waiting right from the beginning and my line got disconnected, three four time. So please excuse me, if there is any repetition and give me some time to ask my question. Sir, as the very outset, sir, compliments to you for the fantastic results and especially if you compare year-on-year, everything on and Vijay Kumar ji had already explained that the bank ranking on various parameters and even we have been writing about it. So compliments for that sir, to all of you.

Sir, my first question is on the credit growth. So now in this quarter, it is absolutely muted, INR 1,75,676 crore again INR 1,75,120 crore, hardly some INR 500 crore or so. But we are still maintaining our target of 22% or so. It means that, around INR13,000 crore to INR 14,000 crore per quarter now onwards, the credit growth has to be. So are we think, it is achievable and are we looking in the same ratio of the corporate and the non-corporate credit or in order to accelerate it, we are going to change that norm. So, this is my...

Management: So, we will continue to that 60-40. You have completed the question.

Management: Sir, your question is complete?

Ashok Ajmera: So, this is one of the questions, sir. And my second observation is on, when you go on the external rating slide, there the BBN below has gone up to INR 4,391 crore from as against INR 3,742 crore. Is it because of the revision in the credit rating? Because it cannot be because of the extended credit given now. So is it because of that? Related to that is unrated also has gone up by almost about INR 1,000 crore? So some observation, some color on that. This is my…

Management: Okay, so the question number two I will take first. So actually, when you are saying a few of the accounts, so because as such, we cannot take the name, but let me tell you, some five accounts are there, and one is a very good hospital like AIMS. So there are certain, accounts, we got very good opportunity, where the hospitals are still running and then part has to be done, but it is a very good and even it is a guaranteed.

So, there are some of the accounts which are un-rated, but we got a very good opportunity and say eight to nine accounts where, we can, we have underwritten those so that is where, you find those figure, which are coming. It is not something which has, downgraded or something like that. It is a fresh sanction and it is a very good sanction. So on those basis, it has come.

The second one which you asked, the part one was the credit growth. So quarter to quarter. So let me also brief you that, even if you see around 25% growth from June '22 to June '23. So if you take the March also, there is a growth but then we have sold IBPCR around INR 1,500 crore. So actually still we are banking upon that and we are still having the sufficient both on the RAM.

So RAM also, when we talked about and the corporate, so still we are maintaining 41% plus minus one sort of. So we are in that range only and the RAM also if see, we are continuing the same range bound group, and which is almost same, if we take quarter to quarter, which is 24.85% approximately. Are you fine, sir.

Ashok Ajmera: Sanction already in pipeline, the sanctioned amount undrawn?

Management: Sharma ji.

Management: Sir, it depends upon there are certain projects, which takes time to complete. So it depends upon the completion work.

Management: Roughly, around I think INR 7000 crore. More than that. More than that. it will be around INR 8000 crore approximately.

Ashok Ajmera: Okay, sir. My second question is on this SMA 2 and 1, there also our figure has gone up. SMA 2 has gone from INR 289 crore to INR 529 crore and SMA 1 from INR 504 crore to INR 743 crore, this is the quarter on quarter, sequentially. So how are we placed today, when already 15 days have gone, whether this is because of it's going to be regular feature or there is some improvement in that, sir?

Management: Sir, if I take the overall percentage of the SMA level, it is a little bit higher for the particular this first quarter and you are talking about SMA 1 and SMA 2. Hardly there is one or two account, where the amount is a little bit higher. But all other accounts are in retail and MSME. And that retail also, it is because of some difference between the EMI. So we are closely monitoring all the accounts. So, it will be, and we have also placed the loan tracking sale and we have also launched the new application Arjuna, which got Finovate 2023 award. So, we are closely monitoring and definitely, there will be much improvement to happen.

Management: And that June quarter is flat quarter, so sometime number is bound to increase, but definitely in further quarter, it will come down.

Ashok Ajmera: Sure sir, my next question is… All right, sir, my last question is on the investment book. That modified duration has gone to 1.81 years, against 1.22 years. So is that -- our little bit of INR 3,000 crore of the AFS book also has gone up. Can you give any reason for that? Have you gone into some -- what kind of investments?

Management: Ajmera ji, that I have already replied, since you have joined late. Again, I will repeat it. You know that, in this quarter, the short-term yield has gone up and it was almost touching the 10-year reset. And banks has taken the advances and one years to three years, many mature paper, we have accumulated, not only the [inaudible 0:57:01] going forward, that at the time of softening, we will be able to sell it and earn good profit.

So this is a delivered attempt to accumulate the security and of course, because of that, advances within tolerance, is below 2%, though our tolerance is 4.25%. But some time that you have to do, and it's a good strategy, to earn the profits.

Ashok Ajmera: No, definitely, you have done well on the treasury front. Treasury operations overall income is INR 352 crore as against INR 199 crore of loss. And even on the treasury book, the profit has been booked. So that's good, just I just wanted to know the reason for increase in the …Anyway, thank you very much.

Management: Ajmera ji, yield is also good.

Ashok Ajmera: Thank you very much, sir. Thank you.

Moderator: Thank you. We have our next question from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Yes. Hi, sir, good evening and thanks for the opportunity. Sir, I have a question on ECL provisioning only. So you had mentioned that the bank would need around INR 2,500 crore of ECL provisions. So just wanted to understand the math a little bit. Does this include the purely credit cost-related provisions? Or it includes some of the provisions pertaining to maybe investment book in terms of HTM, etcetera. Or this is the portion for credit provisions?

Management: So, it is an overall number, including your investment, non-fund or credit. So whatever ECL provisions, we are referring, it is overall number. All the assets together.

Jai Mundhra: Right. No, so I understand sir, but this is pertaining to the credit exposure, right? Not limited. So let us say, can there be a, so you are saying that the investment book of a corporate, right, not for HTM, etcetera. So, there may be some provisions, which may come on HTM book which is not included here. So, only the credit exposure?

Management: I will explain that, when you will land to India, most of your HTM property it will be converted to amortized cost. In amortized cost, that there is no M2M. So you need not to make the ECL provisioning. Yes, in respect of the fair value and [FOCI and FTPL 0:59:31], you have to make M2M provision. So when we are talking about the ECL provisioning, we are taking both. Investment as well as that advances.

Jai Mundhra: Okay, so even the non-credit, let's say credit in the sense, let's say default kind of a provision which is credit loss or loan loss kind of a provisions, you are also including some of the hit, when you migrate from on the treasury, standard treasury book also. Is that the understanding?

Management: Yes, most of the esteemed portfolio would be…

Management: Basically on the basis of draft report. Yes, this is the estimation in anticipation we are doing it. So, what is our draft report it carries, the department and the bank has worked out a single line.

Jai Mundhra: Correct. Right, sir.

Management: But it is entire book.

Jai Mundhra: Okay. And sir, when in the draft paper says that SMA 2 is clearly a credit event and there should be accelerated provisions on SMA 2, they have left open ended that should SMA-1 be treated as a credit event or no. So in your calculation, have you taken SMA-1 as a trigger point also or gone by SMA-2 as a trigger point?

Management: A significant increase in the credit risk has been considered for calculation of ECL. So, SMA-1 also the provisions, but that's a calculation is slightly different from the SMA-2 and the restructured book. Restructured is considered as a stage three and SMA-2 is a stage one. So, only the provision is calculated.

Management: Yes, so as per that RBI guidelines, SMA-2 will be taken in stage two, whereas the earlier guidelines of the RBI states, it has said that 38 party will be part of the Stage 2. So there is a difference. But having said that, our Stage 2 portfolio is very less. So the project provisions is less.

Jai Mundhra: Yes. So that is what I'm wondering, sir. Our SMA 2 portfolio or even SMA 1 portfolio is very, very miniscule number or is a very limited number. And the INR 2500 crore, if I calculate, it is around 1.5% of our loan book. So, and we have already provided more than adequate on our stock of loans. Ideally, there should be right back, when you look at lifetime losses on the already NPA. So, this INR 2,500 crore, I was a bit struggling that, how are you getting that number?

Management: It is arising on account of two things. One is the restructured book, which is around INR 4,000 crore. So that will be considered, as on date it has a normal provision of 10% maximum. But under the stage 3, it will have a ECL computations and provision is required for that. Second thing is the off-balance sheet items also has to be considered for provision and then standard asset provision itself is higher on ECL methodology. So all this taken together is a provision is calculated around INR 2,000 crore to INR 2500 crore.

Management: One thing is that I would like to inform you that, when we are making that provision under stage 3 category, impaired assets, so we have huge management holders. So where was the requirement of provision under Ind AS 40% to 60% and in Indian GAAP, we have made 100% provision, so we have taken 100%. That benefit we will get, when we land into Ind AS. Of course there will be some increase in the provision in respect of stage 1 and stage 2. So that will be offset by whatever the provision will be released under stage 3.

Jai Mundhra: Right, so you have not taken into consideration the probable provision released from where you have already provided, let's provided 99%- 100%?

Management: Okay. Yes.

Jai Mundhra: Okay. Understood. And sir, this ECL provision that we have done in this quarter, is it a part of standard assets? I mean in that INR 981 crore of total provision, including income tax, where does it sit? Is it in non-performing assets or standard assets?

Management: It is part of standard provision.

Jai Mundhra: And lastly sir, the INR 1200 crore provisions that we carry, right, this will also include the provisions on restructured assets, right?

Management: No.

Jai Mundhra: Sorry, that is not a part, I mean this does not include the restructure assets?

Management: We have a separate provision of INR 600 crore, which is separate from this INR 1,200 crore.

Jai Mundhra: Okay, so that INR 600 crore provision is a separate number only.

Management: Yes.

Jai Mundhra: This INR 1,200 crore is pure contingent in that sense, right?

Management: Yes.

Jai Mundhra: Sure. Understood, sir. That is very, very helpful, sir. Thank you and all the best, sir.

A. S.Rajeev: Thank you.

Moderator: Thank you. 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: So thank you so much and for all your support and all those, who are joined this meeting and whatever for the past eight quarters to 10 quarter or at least the 15 quarter to 16 quarter, whatever the commitments which we have given and the direction or some kind of guidance, whatever were give, we could able to do that. And in future also, we will try to do that. And whatever the figures and whatever we have talked, very conservative manner only, we have talked, but we will try to improve further, whatever we have talked. The figures may try to improve further in coming quarters. Thank you so much.

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.