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

AX1/ISD/STEX/2022-23 **Date: 21.10.2022**

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

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

BSE Scrip Code: 532525

NSE Symbol: MAHABANK-EQ

Sir/ Madam,

Sub: Transcript of Earnings Conference Call with Institutional Investors / Analysts held on 17th October, 2022.

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 Q2 FY2022-23 held on Monday, 17th October, 2022 at 04.30 p.m.

The transcript of conference call for Q2 FY2022-23 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

CHANDRAKANT CHHOTULAL BHAGWAT
Digitally signed by CHANDRAKANT CHHOTULAL BHAGWAT
Date: 2022.10.21 17:53:43 +05'30'

(Chandrakant Bhagwat)
Company Secretary & Compliance Officer

Encl: As above

“Bank of Maharashtra Q2FY'23 Earnings Conference Call”

October 17, 2022

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

Moderator: Ladies and gentlemen, good day, and welcome to the Bank of Maharashtra Q2FY'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 "*" then "0" 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 CEO; 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 (MD&CEO):Good afternoon to you all. I am Rajeev and today our Board of Directors has approved the Q2-FY2023 results. I think you might have seen that we have already published in Stock exchanges as well as our Bank's website alongwith presentation of the bank results. We feel that the results are very good in the present economic scenario. And as you are aware that our growth rates are much above the industry growth rates especially in case of advances., The industry is grown around 16% to 17% while our growth rate is almost double around 28% to 29%. And the deposit is in tune with industry growth rates.

The growth rate was 28% to 29% but it was not reflected in pricing, and NII also grown in the same level. The operating profit and the profitability of the bank also was good. The interest rate is slightly increased so, we have changed our borrowing strategy.. And with the excess SLR, we have used for borrowing and we have funded for the credit which has improved the CD ratio from 66% to 76%.

So, during this period, we have added around eight lakh new customers in SB and around 50,000 current account holders. We have added 37 branches and now the total branches have reached to 2,066. Our coverage is enlarged to almost around 510 districts all over India which was two to three years was below 300 districts in India. The growth rates of MSME growth rate was 25%, retail 27%, RAM sector 22% corporate is around 38% and the agriculture is 12% mainly because we have sold off some of the IBPCs around Rs. 2200 crore in the agri for increasing the NII.

So, financial results for the quarter, at a glance the business has grown at 16%, deposit is grown at 8%, and CASA is increased by 13%. The CD ratio improved to 76%, advances the growth is 29%, NPA declined to 3.4% and net NPA reduced 0.68%. PCR improved to 96%. Operating profit is grown by 4.43% on year-on-year basis, which is likely so while seeing the numbers, but in reality corresponding last Q2 in '22, it was Rs.

260 crore exceptional item of DHFL recovery. It was accounted under other income, barring that exceptional item, the operating profit if you see that it is around 20% to 22% growth rate. And Q-on-Q basis, Q1 of this year and Q2 of this year, operating profit is increased by 22% which is mainly on account of NII growth through the pricing, not under other income growth. Other income is almost in the same level, growth rate is single digit, mainly because, as I already told that Rs. 260 crore, corresponding last year it was booked on as other income.

And second point was profit on sale of investments last year, the profit interest rate was favorable, this year interest rate was moving northward and we could not able to get for profit on sale of investment, though it was Rs. 32 crore profit is booked. But our portfolio is fully protected and modified duration of the HFT as well as AFS is around 1.29%. So, there is nothing to worry with the portfolio of the investments.

And this has impacted the yield on investments also, it is around 6.3%. So, Net Interest Income is increased by 26% on a year-on-year and 12% on quarter-to-quarter basis. Net interest margin reached 3.55%, cost-to-income ratio improved to 38.82% in spite of other income which has not improved much, because of the reduction in the profitability, profit on sale of investments. So, return of assets improved 0.92% and CRAR is improved 16.71% where Tier-1 is 13%. Return on equity also is improved to 18.32%.

So, net profit for the current quarter is Rs. 535 crore as against Rs. 264 crore, Q2 of last year. Operating profit is Rs. 1,462 crore as against Rs. 1400 crore in Q2 of last year.. Return of assets 0.92% as against 0.53% for last Q2 of last year, and 0.81% for Q1FY23. So, as far as our profitability is concerned, you might have seen that it is growing steadily for the past 12 quarters, our business growth, is happening around 30% growth rate continuously, we are showing for the past eight quarter. And in the meantime, we can see that the asset quality is also under control, SMA as well as the NPA addition, slippages, all are under control.

So, while coming to Assets and Liabilities, Net Advances is grown by around 31%, RAM sector has grown by 22%, Retail advances 27%, MSME 25%. And like last quarter we hold around COVID-19 provision of Rs. 1,200 crore as of September, 2022 also. And we have not worked any amount and cushion available for the bank is around Rs. 1,200 crore.

So, these are the major highlights of the results of the current quarter. And our regarding digital area our Executive Director Shri. Pandeyji will give you some brief of digital initiatives. I want to hand over mic to Mr. Pandey.

Asheesh Pandey (ED): Thank you, welcome to all of you for this analyst meet and thanks for the good support along with the bank. So, coming to your digital initiatives certainly,. So, if you know like the business, the bank is sustaining, the growth and the business parameters as you can see for last seven to eight quarters and even today, on the various performance indicators. So, certainly this is also one thing that whether the Press or the Analysts people would like to know the sustainability through the digital because digital is the order of the day.

So, coming to that, I would like to say one more thing that not only for your own sustainability, but even the ecosystem, whether the Central Government or the State Government or the local bodies, the ecosystem which is changing is also demanding, the development on the technology and digital side.

Now in brief, your bank is actually concentrating on the three pillars in the technology front, the Digital Journeys, Digital Operations and third is the Digital Compliance. In this one what we are trying to cover is those initiatives which are yielding to customer convenience, staff convenience that is ease of doing business and the third is cutting my cost. So, we are also reviewing the processes, where the process can be made, more technologically driven, and where the time can be saved, customer convenient can be maintained, and also what we are looking particularly probably you may all find one word. Digital Compliance that the compliance function which is from the regulator side, one of the major stakeholder of the banking industry that it should happen within the journey itself. So, these are the three pillars which your bank is focusing on.

Now, if you see our website for last five to six months, there were so many RFPs.. So, one is that related to, you would have seen recently Robotic Process Automation were 50 the Board approved the RFP was floated and it is on the culmination stage. The next is also UPI which is we wanted to scale up at a very large scale. So, that is also now on the conclusion stage.

Some five to six on Cybersecurity, because that is also very important today to take care of when you think of digital and technology. So, five to six already the purchase order proper after the RFP and CVC guidelines, the process was done and already the purchased order is issued.

Similarly, I can assure you that some like WhatsApp Banking, if you see, there is a presentation also which has been uploaded on our website and also on the stock exchanges. So, if you see the growth particularly for last two quarters, whether it is a WhatsApp Banking or from the Chatbot or from the Mobile Banking or the ATM transactions and on, so it is in moving.

So, yesterday also we have opened two digital banking units, one in Satara and the one in Aurangabad. But then not only related to 75 which is announced by Honourable FM in the budget, but then we are trying to have our own scale up in the days to come from say 10 to 15, and then 25 to 50 in a year or so. So, this is what I wanted to say that on like Team 2.0, it was also a press news we are the third bank to integrate with the team recently.

So, like this, I can say the team is not only working upon the new initiatives, which is going to give the good fillip to the business, but also the good convenience to the customers. Like, shortly the bank is also poised for the video KYC where the bank opening accounts will happen. So, in totality like some of the RFPs as per the Reserve Bank, like Bureau Integration and all, it was a close between the four bureaus only, where it is not only a selection, but then into an integration with the bureau company, data aggregators and some scrutinized impaneled FinTech companies. So, in brief, this is the whole, let me tell the framework, thought process and the architecture of technological initiatives by the bank.

I think EASE also, you would like to know, we inched up from position #9 to #6, and we were benchmarking again there, we improved a lot. Now EASE 5.0 as far as the internally EASE 5.0, there are three pillars one is the common for all the 12 banks. The second pillar is where the bank is specific roadmap. So, there bank has selected from 20 to 22 some projects which is being placed to the Board and will be submitted to DFS. Already draft and all like other banks, other banks are also doing in the same way. It has been also submitted to IBA.

And the third is collaboration. So, let me also brief your bank is also working on all these fronts. So, not only the initiatives, but let me tell you like Digital Journeys, Digital Operations and Digital Compliance. So, like three are the major stakeholders, government, customers, my own staff, and certainly the Reserve Bank of India, regulator. So, these three pillars which we are working is going to help us in sustaining and going forward. We look in a one, two year, three year tenure that whether it is our own business, maybe the retail or other or account opening, asset and liability side or whether third-party, it is also a RFP in our website, which you can see. There also even in third-party which we are trying that we should start with a sourcing of end-to-end from 5% onwards and increase it to 20% to 25% in two to three years' time. So, this is the roadmap of the bank.

A. S. Rajeev (MD&CEO):And now, if we can start the question answers, , then in the meantime we will discuss any of the queries regarding digital or any of the areas wherever as and when it is required. Over to Madam. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Ashok Ajmera from Ajcon Global Services Limited. Please go ahead.

Ashok Ajmera: And my heartiest compliments to you once again sir, to all of you, Mr. Rajeev, Mr. Vijayakumar and Mr. Asheesh Pandey. Along with your team of all General Managers and performing people for the best performance, in fact, your bank is a bank of only Rs. 3.5 lakh crore business, but on many of the parameters I mean you have excelled even better than the other top banks also. Your PCR coverage ratio is now 96%, your NIM is 3.55%, your gross NPA is under control, less than 3.5% and net is less than 0.75% that is 0.68%. So, my compliments to you on all the front.

I just have a couple of questions or rather observations and seeking some information also. Now, of course, you had a small base so your growth is in percentage terms is very high as compared to many other banks as far as especially the credit goes and overall business also goes. So, now going forward:

1) Where do you see the growth coming forward?

2) With this kind of turmoil in the global markets, the interest rates are hardening up, and lot of uncertainties which have come up even local interest rates have gone up, whether do you see the pressure coming up now into the coming quarters though the September quarter has been saved, even on the treasury front also you don't have losses, rather you have made some money only. So, going forward, where do we see and how are we cushioned to take care of those major blips or major happening?

3) There was a report that on agriculture loan portfolio, there is a tremendous pressure and on an average about I think 18% to 19% of the agriculture portfolio is going into the NPA yours is around 14% to 14.5%. So, what are your views on the agriculture loan front? And little bit on the education loan because the interest rates going up the currency rupee becoming weak, now, the repayment pressures are there. So, these are the couple of few questions.

A S Rajeev (MD&CEO): Yes, thank you for your compliments, and definitely we will continue our good performance. And regarding growth, the growth is happening around 28% - 29%out of that, you might have seen that the growth is averaging among all the sectors especially in case of RAM sector. Housing loan is growing by around 22%. MSME or Retail sector or RAM sector is the major thrust we are given 27% to 28% growth rate. In the current quarter, corporate sector has also grown around 33% basically because earlier some limits and other things sanctioned by the corporate, they have utilized because of the interest rate pressure. The corporate sector may not grow much in future, because they have already utilized the limits and so we are not much going aggressively in the corporate sector. So, as per our board's direction we are targeting mainly RAM sector that was the reason we are concentrated now, yesterday also we have reduced our interest rates in case of housing loans and other retail sector to improve the quality of the credit, and to increase the RAM sector.

The second point is regarding the turmoil or the interest rate increase in the market. Of course it is true that market interest rates have increased, but, our position as of now, is comparatively good and you can compare with other banks that some of the banks their CASA has come down by 2% to 3% during this time. We were able to sustain the CASA ratio at the level of June itself or March slightly has come down, because you are aware that March and because of the budgetary allocations and other things, 1%, 1.25%, 1.5% because budgets allocation collection will come, this is a temporary nature. So, above 55%, CASA we could able to continue this quarter also. And we may be expecting that it will continue.

And Term Deposit we have not grown much, the specific reason is because of the cost of deposits. We have not taken any bulk deposits with the differential or we were able to manage with the present level. Of course, we have gone for little borrowing, that borrowing is gone for excess SLR and it's a strategic move as Director Advisory Board, our all Board members are highly qualified people who have good experience in treasury and other areas like LIC also. As per their direction we have switched over through borrowing mode we have gone to excess SLR and through this diversion our CD ratio is gone up from 66% to 76% and this will fetch additional 2% to 2.5% NIM for as against average yield of the investments. In the meantime, we have reduced our modified duration of securities to 1.29 and over a period of time we will reduce to 1.10. So, there will not be any additional depreciation from the investment point of view. As of now, we have around 5% to 6% or 6% to 7% of the excess SLR is there. That we can able to move further towards the increasing CD ratio, that we are going to do in the second half of this year.

The third point is agriculture as you are aware, that agriculture is slightly difficult. And our portfolio, two years back it was more than 20%, because of the divergence where we have, earlier more importance was given for CC or KCC. Now, this year, the presentation also we have given agriculture investment is grown by 50% to 55%, and CC is not at all grown. So, based on our strategy we have taken that KCC to agriculture investment and allied activities that's more kind of, in that industrial area, MSME sector, food processing or rural godowns, where it is a good return also as well as there is risk is not much risk like a monsoon issues may not be there like in KCC.

So, the fourth one is education, our education loan is grown, mainly for outstation students, that's not for these, smaller loans is very less. And most of the loans are above

Rs. 20 lakhs, Rs. 25 lakhs which are fully covered by mortgages and very capable people have taken the education loan and that is why you can see that NPA under Education Loan is very small amount.

So, this portfolio is built up through the department and particulars are there education loans or housing loans it is the job of the vertical has to see that the NPA or slippage management of the particular vertical. So, in future also this is the area where we are more concentrating on slippage management as well as SMA-1 and 2 management as from the figure it shows it is proved that our slippage management as well as SMA management is comparatively good.

Ashok Ajmera: I have just two small other question, one is that loan acquired through assignment of Rs. 2,294 crore where we say the tangible security coverage is 28.79%. So, what kind of loan this has been acquired where 11% the originator is holding, and 89% we are holding. And with a tangible security coverage of only 28.79%, So, one is, I mean this what kind of loan these are.

And secondly, on Income Tax front I have got a query of Rs. 348 crore provided against Rs. 201 crore in the last quarter. And this is also net of the DT**A** and write back. If somebody can explain me that about Rs. 348 crore, how did we arrive at this picture?

A S Rajeev (MD&CEO): This first question what you have raised and we have not acquired any loans according, to this actually we have only sold off some IBPCs–

Ashok Ajmera: Report #13, loan acquired through assignment Rs. 2,294 crore where the tangible security is only 28.79%. I don't know I may be wrong, but I read this note --

Sanjay Rudra (CRO): Yes. Good evening, Mr. Ajmera. These are the actually the pool buyout which we have done, during the quarter and half year. Actually these are the some of the pools which are related under the gold loan category also. These are the mainly secured category only, but few of the loans pool which we have acquired under the education loan and others which are unsecured in nature, those are appearing under that particular category. Earlier also we have acquired those type of assets and the repayment in those accounts are quite satisfactory. And we are not facing any problems in these type of accounts.

V.P. Srivastava (CFO): Regarding, Income Tax liability, I would like to share with you that we have not provided for any current Income Tax liability, as that as per the computation of income tax there is no tax, because we are having the carry forward losses. What are that Rs. 348 crore, this is on account of DT reversal? So, we were having that DT on the losses that roughly Rs. 280 crore that we have reversed. And you know that when we reverse the DTA it will improve your CRAR also, and rest is that because of reversal of provision we have revised the corresponding DTA. So, there is no current Income Tax liability provision in respect of the overall Income Tax liability what we have shown.

Moderator: Thank you. I now request Mr. Mahesh M. B. from Kotak Securities to please proceed with your question.

Mahesh M.B.: If you could just kind of give us some color on what is the kind of corporate recoveries that you are expecting, on the corporate NPL book side.

P.R. Khatavkar (GM): (Recovery) See corporate recoveries, we are expecting more from now NARCL transfer, because lot of accounts are lined up because of this final bits finalized and the entire process will be completed by the end of this month. And as regards to other NCLT accounts, there are DSKDL and then IL&FS, all these accounts are also there. Our corporate NPA portfolio is very less now, in NPA category and whatever is there is in either NCLT or for ready for transfer of NARCL. So, amount of around Rs. 500 crore we expect in this current remaining Q2.

Mahesh M. B.: Sorry, in terms of NARCL you are saying that the full, I mean what is the status here, in the sense how much of the accounts are expected to be transferred now?

P.R. Khatavkar (GM): Actually, the 20 accounts are shortlisted amounting to Rs. 3,000 crore, but the final bits confirm bits are issued in case of two accounts at present. So, immediately by the end of this month, two accounts will be transferred that will be the actual recovery will be around Rs. 160 crore, balance of course, these are all written-off account so, it will go to P&L directly.

Mahesh M. B.: And the other one you said the combined total Rs. 500 crore impact at the P&L front is it?

P.R. Khatavkar (GM): Yes.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: I just wanted to understand more on the credit cost, now your PCR is 96%, even your gross NPA is declining, but your credit cost is still at 1.6%. So, how do we see that stabilizing going forward?

A S Rajeev (MD&CEO): So, this current cost actually it’s Rs. 587 crore credit provision we have made, this is two components is there, one is new slippages as well as the existing NPAs. So, our net NPA ratio was earlier it was 0.88%, for bringing down 0.68%, additional provision of around Rs. 250 crore to Rs. 300 crore provision we have made. So, once this net NPA is coming down, our estimate aim, it has to come below 0.5% that is what we are expecting that. So, once it is come to this level, then further provision requirement for bringing down the net NPA, the additional requirement will not be there. And in the meantime, parallelly we are trying for further reduction now in slippages also. And SMA-2 also, SMA-1 and SMA-2 also we are under close monitoring.

So, then this provision coverage provision will come down, once the real provision for addition is this year this quarter was Rs. 597 crore. And we are providing 100% provision we are making, for this that is the reason in reality as per RBI norms, it may not be required, only maybe Rs. 100 crore, Rs. 150 crore is sufficient. So, we are giving 100% provision and bringing down these that is why credit cost is high. Real credit cost is not even, I think 0.4% to 0.5% may come in the present scenario. And in future also is 0.3%, 0.5%, 0.4% credit cost will continue.

Deepak Poddar: So, this Rs. 250 crore to Rs. 300 crore of additional provisioning. So, you are targeting to reduce net NPA to below 0.5%. So, this additional provision will continue only for a couple of next quarter's right then your net NPA will fall below 0.5%.

A S Rajeev (MD&CEO): Correct. Yes.

Deepak Poddar: So, from 4th quarter onwards is it safe to assume a credit cost of 0.5%, I mean, if you subtract this Rs. 300 crore, so, the remaining is what Rs. 250 crore to Rs. 300 crore, right?

A S Rajeev (MD&CEO): Correct. Another one or two quarter, most likely it will continue then the credit cost will come below, definitely it will come below 1% definitely.

Deepak Poddar: Below 1% right, that would be a stabilized level of your credit cost.

A S Rajeev (MD&CEO): Yes.

Moderator: Thank you. We will move to the next question from the line of Prabal Gandhi from Ambit Capital. Please go ahead.

Prabal Gandhi: Sir, my question is on the borrowings, can you highlight what is the SLR currently that we are holding in the balance sheet?

V.P. Srivastava (CFO): We are holding excess SLR at roughly Rs. 18,000 crore and out of that, we have taken the borrowing. And if you see the borrowing cost is roughly 5%. And if you want to take the Term deposit at present, they could cost more than 6%. So, we have taken a conscious decision and we have switched to the borrowing and you know that this borrowing is against the SLR securities, and taking on average 5%, giving 8% is giving the NIM more than 3%. So, that was the conscious decision taken by the bank to increase the borrowing.

Prabal Gandhi: And these borrowings are overnight. So, it has to be rolled over, or what is the tenor of these borrowings?

V.P. Srivastava (CFO): Mostly these are the overnight borrowings and every day we are rolling over it.

Prabal Gandhi: And so these Rs. 18,000 crore is the excess SLR and you would also be dipping into some part of the mandatory SLR --?

V.P. Srivastava (CFO): No mandatory SLR, we are taking borrowing against the excess SLR.

Prabal Gandhi: Second question, are we actively sanctioning corporate proposals or have we, how are we restraining ourselves from them?

Sanjay Rudra (CRO): No, it was not said in that reference. This quarter our corporate credit growth is in the range of around 35% to 36% which is quite a high growth rate. We are targeting to grow corporate book by 20% to 22%, on year-on-year basis, we will continue to grow. It is not that we are not targeting the corporate also, but if you want to have a proper mix of RAM and corporate, which is our target to maintain at around 42% to 43% of the corporate and remaining in the RAM sector. So, that way we are growing and we will continue to grow on the corporate side also.

Prabal Gandhi: And which are the segments within the corporate that you are most confident on, currently?

Asheesh Pandey (ED): Certainly pharma, I think this is one of the segment. And we are also looking at the sectors where there is a good exports, which is well supported with the country. So, as of now, if you see like on the corporate side we are looking at the good quality infra, then second pharma, even in textile which are doing and having good exports. So, I think these five six sectors we are looking to and will continue to support the sector while continuing you have a heard our MD also that on the retail loan book we have reduced our rate of interest. So, combining both we would like to continue in the range of say 22% to 25%, range of the growth in the segment.

Prabal Gandhi: And just on the CAPEX bit, so, the proposal that we are seeing, are they more into the Greenfield side or they are still on the on the Brownfield side which is where the CAPEX was being given.

Asheesh Pandey (ED): It is continuing both on that because there are certainly, if you see today the EV also is coming very well, as a economic green projects. So, we are having both on the retail side also and if you see the CAPEX on the corporate side, so, not only the Brownfield or the Greenfield, but what we are looking at is the prospect of that particular segment or the industry and where actually they are selling. And you may see actually this presentation. So, if you see a 'AA' and 'A', if you see there is a good increase that itself gives a good clue that the bank is very much selective on choosing the client. So, what we are looking at, yes, industry analysis and audit is there with the bank. But that even within that we are having some more parameters to look into. And then expand into those lines, whether it can be Greenfield or maybe a Brownfield.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: My question is on the CD ratio, so it's 76%, how much higher can it go from here? What is your comfort level? Because at the end of the day, CD ratio depends on management comfort level, but what I have seen historically is that state banks are comfortable with 76% to 77% CD ratios, whereas private banks, probably because they have higher Tier-1, are comfortable with 85% to 86%, maybe even 87%. So, where do you stand on your opinion on the CD ratio? That's my first question. And then I will have more questions.

A S Rajeev (MD&CEO): I think we can go up to 80% CD ratio now.

Mahrukh Adajania: So, till 80%, you will not have a big pressure on growing your deposits or offering very high rates, right, because you still have leeway to liquidate your existing investments or borrow against them.

A S Rajeev (MD&CEO): Yes.

Mahrukh Adajania: So, you are comfortable on deposits, I mean, when do you think will the deposit tightness start hitting you?

Shri A S Rajeev: Another 2% to 3% definitely we can go for increasing the CD ratio. And we have not raised any CDs or any bulk deposits or any differential rates. So, our strategy is to first to build up the assets then we will go for raising resources if it is required. As far as our excess SLR is already there, excess SLR is Rs. 17,000 crore to Rs. 18,000 crore is there, so that is sufficient for us to reach that 80% CD ratio.

Asheesh Pandey (ED): Actually, it is a trade-off between the returns on the either of the side okay. Let me put, the bank itself is now expanding so almost some 60 to 70 branches bank has opened and now going forward we do have a plan of around 150 to 200 branches to open like the new format of digital banking units, which yesterday you would have seen honorable PM. So, what we are feeling that we are entering into the new territories and there also we are targeting both on the retail side, retail means both on asset and liability side. Now, coming to the CASA that is also adding me so it is not like only one sector or one location or one cluster which we are specific to and then we may face issue. So, we are also trying to compensate, because of the increase in rate what portion is moving from CASA to fixed deposit side or maybe to other banks right, but then we are trying to build up our own base on the CASA sides. So, like continuing in the range of say 54% to 56% going forward as well entering into the new territories and then having the tradeoff that which option is better whether it is from the investment side or from the loan book side and where the profitability is protected.

Mahrukh Adajania: And given that your LDR can expand from here, your margins could continue to improve in the next few quarters.

A S Rajeev (MD&CEO): Margin now itself I think that we have reached to 3.55% which I think it is comparatively one of the best margins. It may be difficult to increase too much, so it will be around 3.5%. It may be here and there maybe 10 to 15 basis point, it may change.

Mahrukh Adajania: And what about the quality of MSME loan? Any particular feedback you have on ECLGS or on any segment of MSME?

P.R. Khatavkar (GM): Yes, it MSME, we are containing our slippage, in MSME quality is improving. And this ECLGS also is performing well, it's not that, barring some few exceptions.

Mahrukh Adajania: What would your total cumulative slippage from ECLGS, yes?

Asheesh Pandey (ED): Madam in specific, there we have given, so actually her point is that what is your field wherever you have given ECLGS here, if I am not wrong, that is the feel she wants to know.

Ideally that is, looking into the book both from the credit monitoring and from credit risk side, both the departments are looking into it and we have not seen as such any pressure coming in on the mid-size or maybe the MSME where the ECLGS is given and some signs of stress. Yes sometimes, it moves to SMA-0, but then maybe the very good regular follow up. So, there is a roll forward some time and roll back but more or less the position is same, but then not moving to slippages more or less I think that is not an issue.

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

Suraj Das: Couple of questions, first question is on the restructuring slide. So, this Rs. 4845 crore restructuring number, is it inclusive of everything I mean, the previous CDR, SDR and earlier MSME restructuring number as well, because your restructuring 1.2 and 2.2 the sum is not equal to Rs.4845 crore.

Sanjay Rudra (CRO): Yes, it includes entire restructured book.

Suraj Das: There if I see the agriculture and corporate restructuring has increased on a QoQ basis. So, if you can explain the rationale behind it, why this number has increased?

Sanjay Rudra (CRO): Agriculture, actually restructuring is done purely based on the natural calamity and that too at the district level. Some of the centers wherever the restructuring has been done, but that is very marginal increase in there in the agriculture sector. In corporate few accounts where the DCCO has been extended and if the DCCOs are extended for non-infra for a period of two years and one year more than one year and for infra from more than two years, then it amounts to a restructured accounts, though it is a performing asset and it is only purely because of the extension of the DCCO.

Suraj Das: And the second question would be, if you can provide the loan mix by benchmark how much would be your EBLR linked, how much MCLR, and how much fixed rate? And what will be the total quantum of ECLGS number?

A.B.Vijayakumar (ED): Now, I would like to clarify one answer to the three questions regarding the agriculture NPA and then the digital player, so the digital journey and compliances level and the latest question on restructural agriculture. All put together, there is one, good thing is happening, across the country apart from the digital level is happening at the individual bank level, Government of India has initiated Jan Samarth Portal wherein 13 of the major Government of India schemes have been uploaded that end-to-end from the application to the process, sanction, disbursement and close everything going to be digital. And KCC is now they are giving a topmost priority, where most of the problems are there, you can say credit culture or waiver of loan that happened in the past due to any political reasons or vagaries of monsoon. Going forward the digitalization going to play a very big answer for all bringing the most credit culture, ease of doing business and above all, the tax will also come down and there is some percentage of multiplication of load is happening at the top load level by this mini banks and also cooperative societies. All these things will go and there will be a healthy agricultural growth will be there in the country. This is what I would like to make clarification.

Moderator: Thank you. Let's move to the next question from the line of Rohan Mandora from Equirus. Please go ahead.

Rohan Mandora: On the RAM portfolio, just wanted to understand growth that we are seeing. So, what is our origination channel here? Is it a DSA driven or RAM channel? And also, how are we pricing these loans vis-à-vis the market leaders in terms of the market share that are there, that was the first question.

And the second is that you alluded earlier to the fact that on the agri side, we are targeting agri businesses here, so the new proposals that we are getting in these agri businesses are these fresh proposals or are they takeover from other banks? And if so, like what kind of banks or lenders are we targeting in this segment?

Sanjay Rudra (CRO): Channel we use all the channel for mobilization of the RAM sector, whether it is a DSA we have in place, branch definitely we have the branch, aggregator model also we follow. So, there are various models, which we follow for channelizing the business, but as far as the rate of interest is concerned for the RAM sector, if you see recently we have reduced our housing loan rate to the lowest in the industry that we are at present at 8%. For personal loan also we have reduced to 8.90% this is also the lowest in the industry. Both these are the rates revision has been done in spite of the increasing rate rising scenario, we have reduced the rate only to attract the good quality of assets, good quality of customers, which we can onboard that is our target for raising the RAM sector advances.

V.N. Kamble (GM): In case of agricultural sector, we are focusing for the investment credit and particularly food processing, then pack house, grading or cold storage and there is no any takeover from the other banks. We find out the fresh candidates and fresh customers who are taking, onboarding our bank.

Rohan Mandora: So, this could be fresh entities also which are getting set up that we will be funding in this case that will be a correct understanding here?

V.N. Kamble (GM): Yes.

Rohan Mandora: On the first reply in terms of the origination channel, so, just wanted to check on the DSA side like is it a predominant origination channel and if so, the payouts higher? And second, again in terms of the pricing that we talked about. So, just want to understand the customer segment which has been targeted isn't predominantly a salary segment or is it across the board in terms of the customer segment in the RAM?

Sanjay Rudra (CRO): DSA commission is at par with the industry level. We cannot have a lower DSA commission payout and higher DSA commission payout. So, our DSA commission is at par with the industry level. As far as the rate of interest is concerned for the RAM segment we have recently launched that scheme for the defense, we have given the best possible rate that is 8%. And as well as the salaried customer with some PSU or good organizations are there working, there also we have given the rate of interest. In addition to that general rate of 8% has been given for CIBIL score of 800 plus the cibil score of 800 plus so they are very good assets book which we can build. That is the target customer for us.

Rohan Mandora: And lastly on the corporate sanctions, are this consortium being sanctioned or are these all-standalone sanctions that the bank is giving in the A and AA rated segment?

Asheesh Pandey (ED): Maximum it is consortium only, I can say that almost 65% to 70% and the rest of the things maybe somewhere one or two bankers

Moderator: Thank you. The next question is from the line of Rakesh Kumar from Systematix Shares. Please go ahead.

Rakesh Kumar So, firstly, this question on this excess SLR thing. So, basically like we are lending the excess SLR as such through the RBI borrowing window. First, you said, I think that your borrowing cost is around 5%. So, just wanted to understand under which window we are taking this borrowing from RBI at 5%?

V.P.Srivastava (CFO): We have taken and if you say when I am talking about average borrowing costs is 5%, I am taking the half year. And so initially that you see the borrowing costs was 4% plus and now, recently it has increased to 6%. So, see overall the borrowing cost was 5%. And whereas that term deposit now, it is crossing 6.50% or more. So, we have taken this arbitrage opportunity, where we did not go for the bulk deposit and we resorted to the borrowings.

Rakesh Kumar So, your incremental spread by lending excess SLR would not be 3% correct as you said on the call just now.

A S Rajeev (MD&CEO): All borrowing, no, it is not only you know the –

Then borrowing will not only excess SLR there are some SIDBI borrowing there are other NSP borrowing, that type of borrowing also is there.

V.P.Srivastava (CFO): Recently we have taken borrowing from SIDBI which is 4.17%. So, we are taking into account all borrowing.

Rakesh Kumar But you just mentioned in your response to some other question that you are taking from RBI at this rate and you are many maintaining a state of 3% so I was a little surprised.

Asheesh Pandey (ED): No, he was actually talking about the six-month spread, #1. #2, on a bouquet of the borrowings, not only the RBI specific.

Rakesh Kumar That is now understood.

Asheesh Pandey (ED): Yes weighted average sort of you can consider it.

Rakesh Kumar Secondly on this the tenor of your borrowing obviously it is like, it's a overnight thing, but on the lending side, where you are using this borrowing through the excess SLR and what is the tenure there?

A S Rajeev (MD&CEO): That is a different tenure is there, one-month MCLR also is there. Some cases overnight also is there. And I think that borrowing is not only overnight it is a term repo also is there. So, term repo is up to 45 days is there. So, it is a combination of borrowing not really fully I think overnight borrowing might not be more than Rs. 2000 crore or Rs. 2500 crore. And no other borrowing windows we have not utilized that also kept outside actually.

Rakesh Kumar No, so basically your all this detail position, then your excess SLR position and then borrowing position and the lending position, all the asset liability, maturities will be matched. So, first of all, if you can tell us what is the average maturity period that you have for your NDTL, because if your NDTL keeps on rising which will happen in the natural course of process, then your excess SLR will actually come down. Then your borrowing should come down, then you have to wind up those loans which you have given against these borrowings which you have taken from the RBI.

So, if you can give some clarity that what is the average maturity you are maintaining throughout, because the flow is coming from NDTL. So, if you can help us understand that, it will be helpful.

A S Rajeev (MD&CEO): Our CFO will give you the details that ALM statements of this borrowing as well as where it is utilized, he will provide you that.

Moderator: Thank you. The next question is from line of Pushkar Jain from Joindre. Please go ahead.

Pushkar Jain: How much part of the book is fixed and floating, if you can give a number?

Sanjay Rudra (CRO): We don't have any fixed rate of interest, our entire portfolio is floating. They are linked to either repo linked or the MCLR based lending, which we are doing. We don't have any fixed rates.

Moderator: We will have to move to the next question, which is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: If you can explain the formula for your interest rate and this 30 basis point cut that you have effected 1 or 2 days prior only, what have you changed in the formula? I mean, if you can first tell us the 590 repo and then what is the business spread or credit risk for mortgage and how that has changed in the last few days?

Sanjay Rudra (CRO): And then see the interest rate has a simple formula one is the marginal cost of lending that is we are having mainly for the corporate and other agricultural borrowers, but for retail borrower it is a repo link. So, it is 5.90% is the repo and it is linked to that rate. As far as the cost of the lending rate pricing is done, it is mainly depending upon the business trade and the credit risk. Credit risk in case of the mortgage loan is less than point 0.5%. And if you see my cost of deposit or cost of funds is in the range of 3.31% to 3.50%. So, comfortably I have a margin over that around 4.5%. If I remove my cost of the fund, other establishment cost and all, I am very comfortable for giving the 8% rate of interest to my borrower, because at the same time if you see the marginal cost of lending one year MCLR is 7.80%. So, still I have a spread of 20% over my MCLR pricing. So, I don't find any problem in giving this rate of interest and that to the segment specifically having the CIBIL score of more than 800 scores so which are one of the best, where the delinquency I will say even is less than 0.01%. So, credit costs will be in the range of 0.1%. So, two components are there one is a profitability is one aspect and second the market competition is also there. If I had to compete in the market, then I have to offer one of the best. And since our cost of deposit is very low, so, bank is capable enough to offer that type of pricing.

Jay Mundra: Of course you have thought through but what I was trying to understand that in the last few days your cost of deposit would not have gone down, right the incremental cost of deposit would not have gone down. So, you would have reduced the credit risk premium or business risk premium. And one of these two has to go down so as to bring down the overall cost lower. So, what have you changed? Have you changed the credit risk premium or have you changed the --

Sanjay Rudra (CRO): It is the only, Diwali Dhamaka it is a business strategy. So, we have changed our Business Strategic Spread which we call the BSS that we have changed and our rate has come down.

Jay Mundra: So, how frequently can you change this so let’s say Diwali gets over --?

Sanjay Rudra (CRO): Yes, this rate is valid till 31st January, 2023 so entire Diwali then Christmas, all these will be covered.

Jay Mundra: And how frequently can you change in a calendar year or in a fiscal year?

Sanjay Rudra (CRO): BSS is case-to-case basis. On portfolio level we can take a decision, it’s a Business Strategy Spread so that call can be taken by a bank at any point of time.

Asheesh Pandey (ED): Yes just to supplement you, because you wanted to know, it is not only related to one product, the bank is strategically also viewing a customer relationship from 1:4. Now, certainly the bank is growing up various segments for the salary accounts and various others the PPF and all it is not in that presentation, but then around two lakh we have targeted and more than 60% we have covered. So, what we are looking at this product not in isolation per se, that matching only everything from neck-to-neck, but then it is a relationship and like the CIBIL score of 800 and above what Mr. Rudra has told. So, like it is a total bouquet of services on which the rate is also offered and team field below is approached with the customers and then look into the total wallet of the share.

Moderator: Sorry, to interrupt. We will have to restrict your question here. For further questions, you may please email your queries. Due to time constraint that was the last question for today. I would now like to hand the conference over to management for closing comments.

A. B. Vijayakumar (ED): I am Vijay Kumar here, Executive Director, on behalf of the Maha Bank Parivar Bank of Maharashtra we convey our sincere thanks to all analysts who have participated this concall today. You are being a source of support to us for quarter after quarter. You must have observed that Bank of Maharashtra has been doing extremely well in terms of the growth for the last three years and particularly for the last eight quarters. And with all your support and guidance and your analytical skill which helps to the market to push our prices also in the market. And on behalf of the Bank of Maharashtra we convey our sincere thanks to you. Besides we are concentrating in the growth, we also want to be #1 in terms of the digital, compliance, integrity; this is what is our focus. We want to be more ethical banking. And once again I convey my sincere thanks on behalf of the Bank of Maharashtra Wish you a Happy Diwali.

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