Bank of Maharashtra

Operator: Ladies and gentlemen, good day and welcome to the Bank of Maharashtra Limited Q1 FY27 earnings conference call hosted by Nuvama Wealth. As a reminder, all participant lines will be in 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 and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sagar from Nuvama Wealth. Thank you and over to you, sir.

Management: Thank you, Sagar. Good evening, everyone. Thank you all for joining Bank of Maharashtra's Q1 FY27 post-results conference call. From the management team, we have Mr. Nidhu Saxena, Managing Director and CEO; Mr. Prabhat Kiran, Executive Director; and Mr. Sushant Kumar Mohanty, Executive Director. We at the Nuvama Wealth team are grateful to the bank for giving us the opportunity to host this conference call. Without further delay, I would now like to hand over the call to Mr. Nidhu Saxena for his opening remarks. Post that, we will open the floor for the Q&A session. Over to you, sir.

Management: Thank you, and at the outset, I extend a warm welcome to all the investors for joining this investor call. June 2026, the first quarter of this fiscal year, has been yet another good quarter of business growth for the bank, wherein we have seen no major challenges around our asset quality, which is being maintained at the same good healthy levels. The stress in the loan book is also being well managed; there has been improvement around that. Our efficiency ratios and profitability ratios are also showing signs of consistency, and we continue to consistently maintain our performance over the past several quarters.

Coming to specific numbers, I had shared the guidance on approximately 15-16 parameters during my last interaction. I am happy to share that for all the guidance around growth parameters, profitability parameters, asset quality parameters, and efficiency parameters, we are maintaining a performance in Q1 that is above the guidance numbers. Specifically speaking, total business, which had a guidance of 16-17%, has grown year-on-year by 19%. 1,04,000 crores of business was added in the past 1 year. Total advances, against 18% guidance, have grown at 27% year-on-year. 65,000 crores of advances have been added. Against our 14% guidance for total deposits, we are at 13%.

CASA has also grown year-on-year by 9% in percentage terms and 14,000 crores in absolute terms. The ratio of the RAM book versus the corporate book has been maintained at 63:37. Individually, our retail has grown at 25%, agri at 30%, MSME at 23%, and the corporate book also has a healthy 30% growth year-on-year.

Gross NPA is maintained at the March level of 1.45% against our guidance of maintaining it below 2%. Net NPA, likewise, against our guidance of maintaining less than 0.25%, is maintained at 0.13%. PCR stands at a healthy 98.55%. Recovery performance in Q1 has also been reasonably good. 709 crores of recovery occurred, within which cash recovery was approximately 490 crores and upgrades were 208 crores. Recovery from the write-off book was 305 crores in Q1. Our stress percentage has also come down in the overall loan book to 3.18%, which is a 140-bps improvement year-on-year. In absolute terms, the stress number has come down by 1,300 crores. The SMA 0, SMA 1, and SMA 2 book has also registered an improvement of 5 basis points. It is now at 1.34%

year-on-year.

Coming to profitability, operating profit has shown a healthy growth of 21% year-on-year with the addition of 547 crores. Our operating profit is 3,117 crores. Net profit for Q1 is 2,020 crores, which is a year-on-year increase of 27%. The NIM stands at 3.85%. There has been a reduction of 10 bps, but we are a healthy 10 bps above our guidance number of 3.75%, which I would say is a decent number to maintain at this level. ROA at 1.9% is again an improvement of 10 bps year-on-year. Likewise, ROE has improved 165 bps year-on-year and stands at 24.65%. The cost of funds and cost of deposits have both seen improvements by way of reductions of 25 bps and 22 bps respectively. Our credit cost has also come down by 20 basis points and has remained within our guidance of maintaining credit cost below 1%. CET1 capital adequacy is 15.56% and CRAR at 18.64% qualifies us to be a well-capitalized or adequately capitalized bank. I think this is the high-level information I wanted to share. I would like to take questions from investors, and then we would also like to keep adding some more inputs around the overall decent performance of the bank in Q1.

Operator: Should we open the floor for questions now, sir?

Management: Yes, please.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Priyank Chedda with Vallum Capital. Please go ahead.

Priyank Chedda - Vallum Capital: Hi, this is Priyank Chedda from Vallum Capital. What a fantastic start to FY27, Nidhu sir. First question: our NII growth, which is net interest income growth, has lagged our total advances growth of 27% versus NII growth of 14.5%. I understand and reconcile that PPOP growth, which is operating profit growth, has been 21%. This is higher but still lagging the loan growth, which means NIMs have compressed a bit, yet they are higher than what you have guided. I would like to understand if you want us to focus only on operating profit growth along with the loan growth, which is expanding and improving well above system-level growth? Please guide us on how NII growth and loan growth will pan out for the full year, or if there are any one-offs to call out in Q1.

Management: While if you look at the guidance, I will be audible to the investors, right?

Priyank Chedda - Vallum Capital: Yes, sir.

Management: Okay, there was a recorded message that played. Anyway, coming to the question, if you see the NII guidance which was given as 15% and the NIM guidance you rightly observed at 3.75%, what we have done in Q1 is maintain both numbers. As a management team and as a bank, we are committed to the guidance numbers we shared and will continue to maintain these levels going forward. Profitability, rather than mindlessly increasing the top line, has always been a conscious element in our growth journey. We focus on growth that is profitable without compromising asset quality, looking at the medium to long term.

To ensure good interest income and overall profitability, we have implemented several initiatives that are pioneering in the industry for our review mechanisms with field leadership. Specifically, our risk management team has developed a simple profitability dashboard that gives branch and zonal managers a sense of whether the incremental profitability from new business in the quarter has grown at the same, higher, or lower level than the business itself. They are very consciously tracking both top-line and bottom-line growth.

We have built this consciousness down to the branch head level. When they negotiate pricing with clients, they ensure the negotiation is smart. They aim for a price that the Bank of Maharashtra brand deserves. We are conscious of our turnaround time and service quality, and often find that clients are happy to pay a fair price for efficient service and good turnaround times. With every credit decision, we build in this consciousness. We anticipate that in coming quarters, we will command good rates at the account level and that concessions in charges will be well-negotiated, ensuring our NII growth happens as it ought to.

Priyank Chedda - Vallum Capital: Correct, we understand, sir. There are many operating level changes happening. When you guided for loan growth for FY27 at the end of last quarter, system-level growth was accelerating compared to that guidance, and your advances growth has also accelerated in kind. Would you want to revisit your guidance of 18% loan growth for the full year?

Additionally, I wanted your observation on current account balances. I understand Q1 is usually weaker and typically about 10% softer than the year-ending quarter, but this time it was a steeper decline. I could not reconcile this since there was corporate loan growth happening; I thought current account balances should have seen a sharp increase. I would be happy to hear your observations.

Management: Regarding your question on advances, we have 27% growth. 3% of that contribution comes from the IBU, which has become a sizable book for us at 8,200 crores in about 8-9 months. 24% is the healthy growth we are seeing across all verticals—retail, agri, MSME—and even corporate is growing at a decent rate. We have maintained high double-digit corporate loan growth for the last 4 quarters at around 17-18%, and this time it is almost 30%. This trend is likely to continue. I would not like to revisit our 18% growth guidance yet, though it looks like we are able to perform at a higher level similar to other players in the industry. We will maintain the 18% guidance for now.

As for the current account, it is not a major concern. A dip of 2,500 to 3,000 crores in the overall current account book is not massive when compared to an SB book of 1.28 lakh crores. Fluctuations occur, but our overall CASA has grown 9% year-on-year despite this. We have added 14,000 crores of CASA.

We are taking many initiatives to ensure fresh accounts are added to the bank and that stable individual deposits grow. We are differentiated by our fast expansion, opening 200 branches annually. These are strategically located in potential growth centers using pincode-level data. These branches are bringing in stable deposits, including savings and current accounts.

Our new products and technology, such as our revamped mobile banking application, are providing differentiated options. In 9 months, the active registered users on our mobile platform have grown from 2.75 lakhs to over 14 lakhs and counting. As more people are onboarded digitally, we see the balances in those individual accounts increasing. We last year launched a "global saving options" product that brought significant traction. These product ideas and technology support will ensure the stable core CASA in the book continues to grow.

Priyank Chedda – Vallum Capital: Very heartening to hear that. Just a last question on provisions; there was a slight increase quarter-on-quarter. Was that likely related to agri loans and the deferment of the debt waiver scheme? If you can confirm that, could you also mention what the benefits and the P&L or balance sheet implications are for Bank of Maharashtra regarding the debt waiver? Also, I need clarification on the taxation rate for FY27. I remember we utilized all DTA last year, so what explains the current lower tax rate as a percentage of PBT?

Management: I will take those one by one. The debt waiver scheme is still under formulation, but we have the covenants of the scheme and a rough eligible portfolio of approximately 3,500 crores. The receivable amount from the government will be 2,750 crores, and 260 crores from that amount must come from the farmers. The maximum haircut to the bank is in the range of 450 to 500 crores. We already hold a provision of 1,700 crores for these debt waiver eligible accounts. There is also a technical write-off (TWO) of 1,100 crores for these accounts.

Like other banks with a predominant presence in agriculture, particularly in Maharashtra, we stand to benefit. Since we already hold a 1,700 crore provision, any haircut we take is already provided for. Recovery from the TWO book will incrementally help our operating profit. Furthermore, the Maharashtra government has a provision to incentivize farmers for regular payments, providing 50,000 per farmer into their SB accounts. We expect to see significant SB balances through these settlements once the debt waiver occurred within this fiscal year. Credit cost has also come down to 0.99% for Q1, which is a 20-bps year-on-year improvement and within our guidance of staying below 1%.

Regarding the tax rate, as we shared earlier, our tax rate is 13-14% on an operating profit basis and 16-17% on a PBT basis. There are multiple levers. We are now in a normal tax bucket rate.

Priyank Chedda – Vallum Capital: Excuse me, I could not hear you clearly. Could you repeat the benefits for the larger audience? Is this structural? Will it remain for multiple years?

Management: Essentially, we get the benefit of rural advances since about 40% of our branches are in rural areas. We also get a tax benefit for bad debt write-offs. DTA is also a factor. Considering these factors, our tax rate on an operating profit basis will be around 12-13%, and on a PBT basis, it is 16-17%.

Priyank Chedda – Vallum Capital: Wonderful. Thank you.

Operator: Thank you. Your next question comes from the line of Akshay Badlani with Motilal Oswal. Please go ahead.

Akshay Badlani – Motilal Oswal: Thank you for taking my questions. My first question is about deposits. The CD ratio is now around 87-88%. How is deposit growth progressing beyond the state of Maharashtra, and what CD ratio levels are you comfortable with given that growth has been very healthy? Also, what progress has been made in institutional deposits outside Maharashtra?

Management: I will answer this in two parts. Regarding deposit growth, for some time in Q1, we very consciously prioritized margins. We decided not to do any fresh CD issuances in Q1. We achieved 13% deposit growth with no CDs raised. In comparison, the PSB average for deposit growth is 11%, but only 10% if you exclude CDs since most players used them. Private banks had 14% deposit growth, but 11% if you exclude CDs. So, our core deposit growth of 13% is significantly higher.

CDs typically have a run-off factor of 40% and a maximum tenor of 1 year. We are funding our credit growth entirely through deposits because we are conscious of margins. Regarding the CD ratio, the global ratio is elevated because of the IBU, where we borrow and lend without traditional deposits. Our domestic CD ratio is 86%. However, for the last 6 quarters, we have focused on refinance. We have almost 19,000 crores in refinance, which brings the CD ratio to 81.99%. We chose refinance over high-cost bulk deposits because the blended cost is in the range of 6% to 6.5% and doesn't have CRR and SLR loading.

We are mindful of these numbers and tracking them. We do not want to lose growth opportunities. There is a shift of consumers toward other asset classes like mutual funds. If we depend solely on individual deposits, growth becomes difficult, so refinance and CDs are options. We also have a Board-approved plan to raise 5,000 crores in equity this fiscal year. RBI and shareholders have approved it, and we are awaiting government approval. While we are adequately capitalized, we can raise equity to support fast credit growth. Finally, out of 43,000 crores total deposit growth last year, 21,000 crores came from outside Maharashtra.

Akshay Badlani - Motilal Oswal: Thank you for that. One last question on opex. This quarter, opex growth was around 8-9% against balance sheet growth of over 20%. Is this a one-off or are we structurally seeing better operating leverage?

Management: We need manpower to man the 200 new branches we open annually. Two years ago, our staff strength was around 13,000; we are now at 17,500. We adequately staff every new branch from day 1 to ensure operational safety and to focus on customer acquisition. Our guidance is to maintain the cost-to-income ratio below 40%. We have been maintaining it at 36-38%.

The branches we opened 3 or more years ago are all profitable, and many opened within the last 2-3 years have reached break-even. When you open branches in the right growth centers, business comes quickly. The revenue and profitability these branches generate more than offset the cost of expansion and recruitment. We will not be reducing the pace of opening branches.

Akshay Badlani - Motilal Oswal: Sure, sir. Thank you for answering my questions.

Operator: Thank you. Your next question comes from the line of Parth Gupta with 361 Capital. Please go ahead.

Parth Gupta - 361 Capital: Hi sir, thank you for the opportunity. Can you give some color on why the yield on advances declined during the quarter?

Management: I believe you may need to look at that again because we have seen advances growth of 27% year-on-year in Q1.

Parth Gupta – 361 Capital: Sir, I am talking about the yield on advances.

Management: Okay, yield. I did not hear that clearly. The yield is 8.57%. We had MCLR resets following interest rate cuts in the past fiscal year, the full effect of which was felt this quarter. We maintained our NIM guidance at 3.75% because we expected possible further rate cuts. However, given the West Asia crisis and current evolution, there is no discussion of further cuts; there may even be a rate hike.

We are very conscious of profitability at the transaction level. We are bringing that sensibility to our branches so that they focus on profitable growth, not just top-line growth. In fact, I may decide to allocate weightage in performance appraisals toward the profitability of the business they generate. Additionally, the Gift IBU is a recent addition. The domestic yield is actually 8.66%, while the 8.57% you cited is the global figure. We are mindful that the margins in overseas IBU business are different from domestic business, but it currently represents a small part of our book.

Parth Gupta – 361 Capital: Sure, sir. My second question is about the covid provisions buffer. You had around 1,200 crores last year. How are you thinking about that? Also, am I correct in asessing that you do not hold provisions toward ECL?

Management: Our covid provisions peaked at 1,200 crores when we had a 4,000 crore restructured book. That book has now come down to 1,050 crores. We have nearly 100% provision for the restructured book, which is a prudent way to provide for future contingencies. Regarding ECL, we made a provision of 255 crores during the draft stage. Our calculations suggest we will require total provisions of 2,500 crores over a 4-year period ending March 31, 2031. That equates to about 125 crores every quarter. We have already accounted for two quarters' worth. The final guidelines say ECL provisions will impact net worth rather than the P&L, so ECL is no longer a concern.

Management: Furthermore, RBI has changed the CRAR calculations. Quarterly profit is now allowed for CRAR calculations. Considering the 4-year path for ECL impact on CRAR, we believe we are sufficiently buffered.

Parth Gupta – 361 Capital: When I look at the gross NPA across your retail segments—housing, vehicle, and education loans—as well as the MSME segment, the gross NPA has gone up on a quarter-on-quarter basis. Is there anything to read into there? Also, what was the LCR at the end of the quarter?

Management: Retail NPA is 0.34%, agri is 7.58% (down from 9% a few quarters ago), and MSME is 1.60%. Total RAM NPA is 1.23%. These are not causes for serious concern. The amount went from 73 crores to 115 crores in one area, but overall, it is not something to worry about. We have stringent underwriting standards. For the past 15 months, we have stopped underwriting for any segment where the CIBIL score is less than 681. All our recent sanctions are in prime and super prime categories. In home loans, 80% of new sanctions over the past year were to individuals with a CIBIL score of 750 or higher.

Regarding LCR, we maintain a target band of 115-120%. The average for the quarter was 118% and the terminal LCR was 114%. Maintaining liquidity in this band allows for good deployment and interest earnings.

Parth Gupta – 361 Capital: Sure, sir. Thank you for answering my questions.

Operator: Thank you. Your next question comes from the line of Suhani Goel with ICICI Securities. Please go ahead.

Jai Mundhra – ICICI Securities: Hi sir, good afternoon. This is Jai Mundhra. Congratulations on the steady numbers. First, what is the trajectory for yield on advances and cost of deposits from here, assuming there is no rate change? Including the overseas and IBU business, how should we look at the incremental yield on advances?

Management: Thank you, Jai. We have improved on the cost of deposits; the reduction was 22 bps to 4.38%. Our focus remains on core deposits and CASA through innovative products and technology. Regarding IBU, you will not get the same NIM in overseas business as you do in domestic business. However, IBU currently represents a small part of our book at 8,200 crores. It provides opportunities for our corporate clients to stay with us for ECB needs and other banking requirements. While I do not have a specific number for the yield, we are mindful of maintaining profitable growth on both the asset and liability sides in a dynamic market.

Jai Mundhra – ICICI Securities: I understand. I was trying to understand if there is any lever to improve the spread on the yield side if you think the cost of deposits will increase.

Management: I understand. We are not expecting further rate cuts. If a rate hike occurs, it will add to our yield. Currently, 53% of our loan book is repo-linked, and 44% is MCLR-linked. A repo rate hike would immediately benefit 53% of our book. Furthermore, we have looked at increasing MCLR in our last two ALCO reviews. As these accounts fall due for reset over the next year, the interest earnings will reflect those MCLR hikes. These factors should prevent the yield from declining further and may actually lead to it increasing.

Jai Mundhra – ICICI Securities: That is very helpful.

Operator: Sorry to interrupt, sir, but your audio is breaking. As there is no response from the line of the current participant, we will move on. Your next question comes from the line of Ashlesh Sonje with Kotak Securities. Please go ahead.

Ashlesh Sonje – Kotak Securities: Hi sir, good evening. First, regarding the ECLGS scheme: what is the amount of sanctions and disbursements you have done so far, and is any specific borrower segment showing more interest?

Management: Our performance has been decent. We have a 6,700 crore eligible portfolio under ECLGS, and we have sanctioned 4,500 crores, which is 65% of the portfolio. Out of those sanctions, 3,560 crores have been disbursed. MSMEs are more willing to avail of this facility than corporates. Out of the 3,560 crores disbursed, 2,700 crores is MSME and 400 crores is corporate.

Ashlesh Sonje – Kotak Securities: Understood. Second, regarding the FCNR deposit scheme: what is the progress so far, and what qualitative color can you give on the partnerships and approvals needed to mobilize these deposits?

Management: This is an opportunity to raise dollar deposits. RBI issued an FAQ that addressed concerns from banks. We are taking an aggressive stance and offering a rate of 6.60% for a 5-year FCNR deposit, which is competitive with the best offers in the industry. We are working on strategies for outreach. While mobilization has started, it is in clinical stages. We expect to see more traction throughout August and September.

Ashlesh Sonje – Kotak Securities: Your cost of deposits increased by 5 basis points quarter-on-quarter. Do you expect this to increase again next quarter?

Management: Year-on-year, cost of deposits reduced by 22 bps to 4.38%. We are seeing a shift where term deposit growth is at 16% while total deposits are growing at 13%. Retail depositors are taking advantage of high interest rates through our special, limited-period schemes. We want to remain competitive for retail savings. A significant amount of CASA has converted to retail term deposits, which explains the 5-bps quarter-on-quarter increase.

Ashlesh Sonje – Kotak Securities: That is understood. Given the visibility into the mix of incremental deposits and renewals, do you think the cost of deposits has bottomed out?

Management: I do not believe so because we are exploring new avenues to raise resources. There is a clear shift in household savings from banks to other asset classes like SIPs and mutual funds. Even in Tier 2 and Tier 3 cities, the number of demat accounts is growing. People want better returns than what bank deposits offer. To fund credit growth, we have to look beyond just deposits. We have used refinance extensively, where our blended cost is 6% to 6.5%. We can also look at capital raising; we have approval to raise equity at an opportune time to fund our high double-digit growth. We will carefully manage these various sources.

Ashlesh Sonje – Kotak Securities: Thank you, sir. That is all from my side.

Operator: Thank you. Next question comes from the line of Abhishek Murarka with HSBC. Please go ahead.

Abhishek Murarka – HSBC: Hello. My questions have been answered. Thank you so much and all the best.

Management: Thank you, Abhishek, for joining our call.

Operator: Thank you. Next question comes from CA Dr. Ashok Ajmera from Ajcon Global. Please go ahead.

Ashok Ajmera – Ajcon Global: Thanks for giving me this opportunity. Compliments to you, sir, for a very steady performance in a traditionally difficult first quarter. Many questions have been answered, but I will ask about treasury operations. They contributed 266 crores to profitability this quarter compared to 33 crores in the March quarter. How do you see treaty operations and profitability on investments and forex panning out?

Management: Thank you, Ajmeraji. I should clarify that the treasury income include a one-time SR of 104 crores.

Ashok Ajmera – Ajcon Global: Going forward, do we expect good treasury income to match this quarter even without that one-time item?

Management: Regarding the SR, this was not the final payment; we may see more in subsequent quarters. We have also improved our skill sets at senior levels in the treasury by recruiting people from other public sector banks. We do not give treasury specific profit targets, but we aim to manage operations smartly and will not lose out on any opportunities to augment income.

Ashok Ajmera – Ajcon Global: Point well taken. In the net worth calculation, I observed that 488 crores was added beyond the quarterly profits. Did this come from reserves in the AFS book?

Management: Yes, sir, that came from the AFS reserve.

Ashok Ajmera – Ajcon Global: On the SMA front, SMA 2 increased from 56 crores to 208 crores. Does this mean SMA 1 from last quarter turned into SMA 2? Also, gross NPA increased by 188 crores. Are you sensing stress in the MSME or the below 5 crore accounts due to current geopolitical disturbances?

Management: Ajmeraji, a single government entity account entered SMA 2 momentarily. That is not a problem; the funds will flow from the government and be regularized. Overall stress in the loan book has come down by 140 bps year-on-year to 3.18%. In value, stress is down by 1,300 crores. SMA 1 plus SMA 2 is 1.34%, an improvement of 5 bps. The single government account of 87 crores distorted the SMA 2 figure, but it will be regularized.

Ashok Ajmera – Ajcon Global: Bank of Maharashtra is known for phenomenal credit growth. Given the current 27% growth, do you think the bank will continue to grow at 24-25% for the rest of the financial year?

Management: We have seen private capex, renewable energy, and data centers emerge as growth sectors. We are bullish on clean energy and solar. Corporate growth in Q1 was 30%. One differentiator for us is that we open 200 branches annually. For every new branch, the base is zero, and all incremental business adds to our overall growth. Our branch expansion is a 5-year plan, so you will continue to experience this credit growth for the next 2-3 years. We are focused on specific products as well, such as gold loans, which grew 75% year-on-year to 13,000 crores. We will stick to our 18% guidance for now. If we over-deliver, it gives confidence that we are performing.

Ashok Ajmera – Ajcon Global: All right, sir. Thank you very much and all the best.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, we will take that as our last question. I now hand the conference over to the management for closing comments.

Management: I believe most points were covered in my opening remarks and the Q&A. I must thank the investors for their questions. There is not much more to share regarding the profit numbers. I would like to thank the investor community in general. FII holding in the bank has gone up from 0.39% to 6.08% in 2 years, and DII holding has increased from 0.24% to 7.42% (excluding LIC). We are committed to our guidance and will work to over-deliver where possible. Thank you for joining the call.

Operator: Thank you, members of the management. On behalf of Nuvama Wealth, that concludes this conference.