



Q2 2023 Earnings Call

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Presentation

Suraj Das

Good afternoon, everyone, and thanks for joining the call. On behalf of Batlivala & Karani Securities, we welcome you to Punjab National Bank's Q2 FY '23 Post-Results Conference Call. We have with us today the management team of Punjab National Bank, represented by MD and CEO Sir, Executive Directors and other Senior Officials of the Bank.

I would now request MD and CEO Sir to start the call with his opening remarks on 2Q FY '23 results, post which we will start the Q&A session. Thank you, and over to you sir.

Atul Kumar Goel

Good afternoon very much Mr. Suraj Das from the B&K. I welcome all the analysts who are attending this meeting. I am happy to present the quarterly as well as the half-yearly result of the Punjab National Bank for the period ended September 30, 2022. As far as business of the Bank is concerned, gross business of the Bank has increased by 9.33% on Y-o-Y basis. Similarly, the gross deposit increased by 7% on a year-to-year basis and gross advance increased from the figure of INR 735,724 from September 2021 figure to INR 830,212 crore, with a growth rate of 12.84%. At the time of the guidance credit growth, we are targeting in the range of the 10% for the whole of the financial year. Since we have already achieved the 12.84% Y- o-Y growth in the gross advances, so we are revising our credit growth guidance. It will be within the range of 12% to 13% because now there is high credit demand in the market. Saving bank, there is a growth of the 5.84%, and CASA of the Bank stood at 44.91% as against the 46.34% in the June quarter.

Coming to the operating part, there is a robust growth in the net interest income of the Bank, 30.19% on Y-o-Y basis. In last September 2021 quarter, it was INR 6,353 crore which has improved to INR 8,271 crore with a growth rate 30.19%. Even if we compare with quarter-to-quarter, June to September, there is an increase of 9.65%. Similarly, the operating profit, there is a growth of 38.4% on a YoY basis, and if we compare quarter-to-quarter, it is a 3.5% growth. As far as net profit of the Bank is concerned, if we compare quarter-to-quarter, there is an increase of around 33.44% because last quarter profit was INR 308 crore, which has increased to INR 411 crore. But if you see year-on-year wise, definitely there is a dip around 63%.

Assets quality, which I am comparing only quarter-to-quarter and I will give you the number of the last year also. 13.63% in September '21 and which was reduced to 11.27% in June 2022, further reduced to 10.48%. And similarly, amount has also reduced of the gross NPA and net NPA also. Net NPA, it was 5.49% in September 2021, 4.28% in the June'22 i.e. last quarter has further reduced to 3.8%.

And last time we have given the guidance, our gross NPA will be in the single-digit by March '23. So we are maintaining that. My purpose was telling to single-digit, it may be 9.98% or 9.90%. But since we have already achieved 10.48% and you have seen, every quarter, there is a reduction of around 70 to 75 basis points. So although I am maintaining single digit, but it will be further reduced, maybe whatever it is coming in the single digit. Similarly, the net NPA guidance, we have given it will be around 3.5% by March '23. This we are revising.

Since we have already achieved 3.80 by the September quarter, so now we are



confident by March '23, this net NPA figure will be 3% or less than 3%.

PCR has improved to 83.96%. And one more thing I want to tell you. Last time we have told, we have made a target of the INR 32,000 crores of the total recovery in the full financial year. It means INR 8,000 crore per quarter. And if you see the number of both the quarter, first quarter, June it was INR 7,057 crore. And the second quarter, it is INR 8,564 crores. This number, which I am telling you, it is including the technical write-off, as well as the part of the recovery booked in the recognized interest also, because the movement of the NPA, technical written off, and the income which we have booked in the interest, that is not reflecting.

And second point I have told you, our endeavor is like this, our slippage should be less than the recovery number. So if you see both the quarters, we have achieved that parameter. In June 2022, total recovery was INR 7,057 crore, whereas the addition was INR 6,400 crore-plus. And in the current quarter, September quarter, recovery was INR 8,564 crore, and the additional was less INR 6,000 crore. So we have achieved both the numbers. There should be INR 32,000 crore recovery. Similarly, the addition should be less than the slippage. This is about the asset quality.

As far as capital adequacy is concerned, you may be interested in the capital adequacy result. As on date, my Tier 1 is 12.20%, as against the normal requirement of CRAR at 11.5% it is 14.74%. There is no immediate need of raising the capital, but definitely, we will raise the capital either in the current quarter or the next quarter seeing the market, what is the market expectations and whatever the rate we are going to get. So we have already got the approval from the Board for the INR 12,000 crore. Out of this INR 5,500 Tier-1 capital crores and INR 6,500 crore is the Tier 2. Out of INR 5,500 crore, we have already raised INR 2,658- plus crore in the last quarter, September quarter. So remaining we will see if the rate at which we want to raise the capital. Definitely, we will not mind raising the capital also, particularly AT1. If there is a need of Tier 2 also, we will also raise the Tier 2.

Coming to the asset quality again. I reconfirm my statement which I given last quarter, there is not a single big account as on date in my kitty, which we have to recognize. We are working for the big account already recognized. We are doing resolution as well as the recovery, but definitely there was issue in the small account that we are addressing. Even as on date, whatever the addition is INR 5,979-plus crore in the September quarter, highest single account is only INR 178 crore. And even for the SMA2 figure, it was INR 10,287 crore in September 2022. As on date it has further reduced to INR 4,363 crore, and the highest account in the INR 4,363 crore is only the less than INR 100 crores, that is INR 94 crore single account.

So, again, I am reconfirming, we are not thinking as on date to recognize any big account in times to come. And one more thing, when we are talking about the sales quality, I told there was an issue in the small account. Both the underwriting as well as the collection efficiency. I am giving one very important data. We have made the analysis from July 1, 2020 till date, September 30, 2022, more than 2 years, what type of credit requisition we have made. So in that, more than 2 years -- last 2 years, INR 270,812 crore we have sanctioned, against which as on date outstanding is 190,756. Out of this outstanding of 190,756, hardly INR 945 crore is NPA, which is around 0.35%.

And further, I am giving breakup, because you may be interested in it further for the segment. Agriculture only 0.25%. MSME, there is a little bit on the higher side, 2.14%. Retail, 0.38%. Others, means corporate, 0.02%. So it means it will give off the cushion, which type of underwriting we are doing. I think one or two quarter everything will be cleared. So as far as NCLT account is concerned, as on date 560 account of INR 66,855



Crores already admitted and 61 account amounting Rs. 4,869 Crore is to be recognized.

And NARCL, we have already identified in first phase nine accounts of INR 2,752 crore. Out of it, five accounts, we have got the offer from the consortium offer for the outstanding of the PNB i.e. INR 1,099 Crores.

Yes, fraud -- as far as dispensation of the fraud is concerned, entire amount, INR 651 Crores was pending in the last quarter, which was to be amortized in two quarters, half in the September quarter, half in the December quarter. But entire 651, we have already provided in this quarter itself. Nothing amount is pending for the amortization in the times to come.

So this is from my side. If you have any question also, I would like to answer all the queries also. I may confirm Bank is on the very right path. Whatever the future guidance we have given, I think we have achieved all the guidance which we have given you the last time. So, Bank is on the growth path. Only there is one or two quarters. '23 or '24, whatever that number I have given, I think it should be a golden period for the Punjab National Bank.

With this word, I conclude my remarks. Now floor is open for you. Suraj, you can take over the charge.

Questions And Answers

Q - Suraj Das

Yes, sir. Thank you, sir. So we have the first question from the chat window. It is from Harsh Agarwal. So the question is, why we still have very high NPA from agriculture and MSME sector?

A - Atul Kumar Goel

Yeah. I have already explained in my opening remarks also, there was definitely a legacy issue and which we are addressing also. So out of this INR 6,000 crore number -- around INR 6,000 crore in the slippage, the Agri was INR 2,785 Crores. And this is not only in the Punjab National Bank. NPA in the agriculture is the issue of the banking industry. It is not only the issue of the Punjab National Bank, because some of the states, if the government has already announced the debt waiver also, the customer are not making the payment. This is the only reason I want to tell you. But I have already given the data for the last 2 years for agriculture also. Total amount, we have sanctioned in agriculture from July 1, '22 to September 30, 2022 is INR 35,485 Crores we have sanctioned fresh loan, where NPA is INR 89 crores, which is 0.25% only.

Q - Suraj Das

The next question is from Neil Mehta. Neil Mehta, I request you to please unmute yourself and go ahead with your question. Neil, your voice is very feeble. Can you come closer to the mic and ask your question?

Q- Neil Mehta

Yeah. Am I audible now?

Q - Suraj Das

Yeah. You are audible now.

A - Atul Kumar Goel

Yeah. Neil, go ahead. You are audible, yeah.

Q- Neil Mehta

Thank you, sir, for the opportunity. So, sir, we posted a profit -- Treasury profit this year -- this quarter of INR 102 crores, which was against a loss of INR 532 crores in the last quarter. Just wanted to understand what was the reason for posting a profit in a rising interest rate environment, because our modified duration of the book, it actually rose back to 3.15, around. So if you can please explain what led to the profit on the Treasury front.

A - Atul Kumar Goel

Treasury profit, it was INR 160 crore. Point number one. It is INR 160 crore, Treasury profit. And mark-to-market, we have to provide INR 158 crore. So your specific question is the increasing interest rate, how the profit has come? Some of the security was already purchased prior to increase of the rate of interest, which were in the profit we have sold. And this is profitable, not only from G-Sec. There is some profit also which is related to the trading in the equity also. So it is a combination of the sale of the equity, combination of the SLR and the non-SLR also. And sometimes there is a profit in the SR also. So, it is a combination of all the things.

Q- Neil Mehta

Okay, got it. So you are saying it's not just on account of dealings in government securities. This could also be on account of equity investments. Got it, sir. And if you could also give some color on what would be the guidance for the growth of the corporate book. I guess, currently, it was I think 14% Y-o-Y. So, if you can just throw some color on what do you -- what rate do you expect it to grow at?

A - Atul Kumar Goel

Yeah. If you see my credit growth, it is 12.84% in total and composition of 12.84%, it is 14.15% from the corporate sector, in addition to the retail, it was around 16.95%. If we go further for the retail it was 35%. So, our focus is on the RAM side. I'm very honest to all of you. Our focus is on the RAM side, we want to increase the RAM portfolio because yield is much better as compared to the corporate book. But we are also financing in the corporate also because corporate there is a good demand in some of the sectors like road sector. In Infrastructure also, there is a good demand. Further, the government PLI scheme -- and the government is giving the thrust on the Infrastructure. In the other sectors, port et cetera there is also a demand. NBFCs also present a huge demand. As on date, we are having the exposure of around INR 1,18,000 crore in the NBFCs. We have taken a good exposure in the good NBFCs, and I'm happy to share you, out of INR 1,18,000 crore, 97% exposure to the NBFC, either A or AA or AAA, externally rated. So, we will do financing of all these sectors, but RAM is the focus. And corporate, maybe, if we are getting good proposal, we will not mind to go avail the opportunity which is available as on date.

Q- Neil Mehta

Got it, sir. Thank you so much.

Q - Suraj Das

Thank you. The next question is from Sanjeev Dawani. Sanjeev Dawani, please unmute yourself and go ahead with your question. Sanjeev, request you to please unmute yourself and go ahead with your question.

Q - Sanjeev Dawani

Hello? Yes. I think -- am I audible, sir?

A - Atul Kumar Goel

Yes, yes. Your picture is also -- we can also -- seen you also.

Q - Sanjeep Dawani

Thank you, sir. Sir, actually just now you mentioned about INR 6,500 crores, which is amortized. So amortized means it is already written off from the P&L account. Should I take it this way?

A - Atul Kumar Goel

May I correct you? I have not told the figure of 6,500, I told you INR 651 crore fraud, which was to be amortized in two quarters 50% of the 651, were to be provided in September. So we have provided the full amount and nothing is pending for the next quarter.

Q - Sanjeep Dawani

So, it is written off from our P&L account. So to that extent, our profits are lower in this quarter?

A - Atul Kumar Goel

Yeah, it is coming under the head of the provision, because as per RBI guidelines if any account has been declared fraud, we can take the dispensation and to make the provision in the four quarter. So INR 651 crore was outstanding, which has to be amortized in two quarters. 50% was to be provided in the September and 50% was provided to the December. But we have provided entire amount in this quarter. Yeah, you are right, by this amount profitability has been impacted.

Q - Sanjeep Dawani

Impacted. And since it is a provision, this will carry on for next quarter. If it is recovered, then we can always take it back as profit?

A - Atul Kumar Goel

Definitely. It is not an actual expenditure, I fully agree with you. It is not an actual expenditure, it is a provision. If we make the recovery in the fraud account, definitely there will be a reversal of the provision. Fully agreed

Q - Suraj Das

Thank you. The next question is from Mr. Anand Dama. Request you to please unmute yourself and go ahead with your question.

Q – Anand Dama

Yes, sir, thank you for the opportunity. Sir, first question was in this quarter, RBI auditor basically had asked a lot of banks to make some standard asset provisions on the public sector entities. First, whether we have got any instruction like this? And if yes, what is the kind of provision that we have made? Is it the INR 170 crores that we have mentioned in the notes to accounts or is it more of that?

A - Atul Kumar Goel

Anand, actually, there is no such communication, let me clarify. Normally, this type of provision is being made. As on date, we have not received the report. But we are aware of the accounts. The other banks already made the provision. And we are also having the exposure in those accounts also. So around INR 900 crores provision we have made in the standard assets in this quarter.

Q - Anand Dama

Okay. So is it pertaining to that instruction itself or like is it on an ad hoc basis that we have done?

A - Atul Kumar Goel

I clarified you, there is no written instruction from the RBI to make the provision in this account. Point number one. Point number two, regulator is taking the holistic view. If there is a weakness in some of the account, not in a particular bank, if there is weakness in the other bank also, they are suggesting, I think it is the right approach also. So as on date because we have not received our AFI, but we have got the information, some of the banks, they were required to make the provision. So we were also having the exposure. So we have made it. It is not an ad hoc basis, it is account-specific.

Q - Anand Dama

Okay. So you believe that this is largely done with, right?

A - Atul Kumar Goel

Yes.

Q - Anand Dama

All the provision that we had to make, we already made it?

A - Atul Kumar Goel

Around INR 800 to 900 crore, we have made a provision in 3-4 account. Definitely, if we receive the report, these accounts will already be there. So not required. If some other account will be there, then definitely we are required to make.

Q - Anand Dama

Okay. Okay, got it. Sir, secondly was the outlook on the margins from here on. One, is basically, I think you said that growth is going to be far better in the second half of the year, again, where you are basically focusing more on RAM. But even the corporate growth is going to come back. So what is the outlook on the margins in the second half of the year and then going forward?

A - Atul Kumar Goel

Anand, I may clarify you, I have not told we will not do the financing to the corporate. There is no question of the Bank. But in corporate sector we are very cherry-picking; AAA, AA also, what yield we are getting. This is the reason I told you our focus on the RAM side because we are getting more yield as compared to the corporate. If you see my NIM also, in terms of the approved number, already I have told you 30% growth is there, and I have told in the last call also. I have given guidance of the two number. I have never given the guidance for the net profit, I have given guidance for the two number, operating profit, at least there will be a growth of 10% year-on-year basis. And similarly, I have given the guidance, 10% growth in the NII also. But in this particular quarter, there is a very good growth, 30% in the NII and 38% in the operating profit. It is only for the one quarter. And I'm maintaining whatever the guidance I've given. NIM, last time, we have given the guidance, it was 2.9%, and I'm talking about the domestic NIM which has improved to 3.11. So last time, we have given the guidance our NIM will be within the range of the 2.80 to 2.90. Today we are revising our guidance, we are giving the guidance our NIM will be in the range of 2.90 to 3.00. So, we are improving 10 basis points.

Q - Anand Dama

Okay, got it.

A - Atul Kumar Goel

And the absolute number, I am again telling quarter-by-quarter our NII should be increased.

Q - Anand Dama

Okay. Sir, third is about your staff cost. So for the past two quarters basically your staff cost was lower and again it spiked up in the current quarter. So is it more of a normalization of staff cost, because earlier I believe you were carrying excess provisions?

A - Atul Kumar Goel

No, Anand, it is only one impact, because on account of the hardening of the interest, there was a reversal of the AS-15 provision in the earlier quarter, March quarter as well as the September quarter. But you may remember, last time what were the reversal of available, we have made the entire provision of the family pension. Total provision of the family pension was INR 394 crore, and part we have provided in last December and March. The remaining we have provided in the June itself. So this is the impact of the -- only on account of the AS provision, nothing more. Otherwise, there is no increase in the salary cost, yeah.

Q - Anand Dama

This run rate should continue going forward, is it?

A - Atul Kumar Goel

Yeah. But definitely, I am very honest to all of you, because November will be the time where the wage settlement is due for the next year. So, definitely, we would like to make the provision, whatever the provision we have to make from the November itself for the wage revision.

Q - Anand Dama

And sir, any increase in DA cost that you expect?

A - Atul Kumar Goel

Any?

Q - Anand Dama

Increase in the DA cost, dearness allowance that also will have an impact (multiple speakers)

A - Atul Kumar Goel

It depends on the inflation. That is very difficult to presume also what will be the inflation. It depends on so definitely.

Q - Anand Dama

Sir, any ballpark figure as to what would be the impact on a quarter-on-quarter basis on the because of the wage settlement that you would try to build?

A - Atul Kumar Goel

It will be very difficult to say. November 2022 is when next wage revision is due. If you see the past trend also the wage revision was in the range of 12% to 13%. So definitely, I think it will be within the same range, 10% to 12%.

Q - Anand Dama

Sure sir. Thanks.

Q - Suraj Das

Thanks. The next question is from the line of Priyance. Request you to please unmute yourself and go ahead with your question.

Q - Priyance

Hello, am I audible?

A - Atul Kumar Goel

Yeah, Priyance, you are audible. Please go ahead.

Q - Suraj Das

I think there is some technical difficulty from the line of Priyance. We will go ahead with the next question. That is from the line of Mr. Bhavik Shah. Request you to please unmute yourself and go ahead with your question. Mr. Bhavik also seems to be unresponsive. So we will go ahead with Mr. Himanshu Taluja. Request you to please unmute yourself and go ahead with your question.

Q – Himanshu Taluja

Hi, sir, thanks for opportunity. Just few questions at my end. Firstly is on the restructured pool of 14,000 OTR 1 and OTR 2. Can you just give a breakup where is this in the DPD buckets? Right now they are part of standard SMA 1, SMA 2. And how much is already the part of the NPA?

A - Atul Kumar Goel

Yeah, OTR 1 as on date, outstanding in the retail and the others, INR 3,088 crore. And MSME, it is INR 479 Crores. If you make the total, OTR 1 outstanding is INR 3,567 Crores. It is a standard book. And you are also asking whatever the NPA also. So NPA in this INR 1,930 crore in the OTR 1. And this OTR 2, outstanding as on date in the individual and small is INR 5,927 Crores and MSME it is INR 4,446 Crores. If you make the total, so 10,373, which is coming in the standard book. And NPA, NPA was around INR 1,900-plus. INR 589 crore was the NPA in the individual and small, and INR 1,384 Crores was in the MSME.

Q - Himanshu Taluja

Sir, what portion of your standard restructured pool is out of the moratorium right now? And how much of this standard pool you expect to slip?

A - Atul Kumar Goel

I think two years is already over, because two years was the moratorium period, two years has already been over as on date. So I think nothing is in the moratorium. Let me -- still, because some of the avilment was on the later side. So as on date, moratorium up to September 30, 2022, was around INR 3,558 Crores.

Q - Himanshu Taluja

Okay, fair. So of the remaining of 13,000 standard pool, out of this moratorium is 3,500, how much you expect the restructured to slip basically in the coming quarters?

A - Atul Kumar Goel

As on date, we are of the view that no account will be slipped, but considering the -- whatever the -- out of the total restructuring, major portion which was to be downgraded, already downgraded. So whatever I'm trying to tell you in OTR 1, only 1,221 is the moratorium and the OTR 2 is around INR 2,329 Crores. So as on date I think there is no threat, because some of the accounts, even they are not coming in the SMA 02 book also. So I am quite of optimistic, whatever account to be downgraded already downgraded, because you see, number which you already around if you make the total, 1,925 already downgraded. Further only nominal amount will be there.

Q - Himanshu Taluja

Okay. Sure. The second is, you have already given -- since there are no big accounts which are under stress and you have already given the SMA 2 above INR 5 crores. Since the pain is in the lower end of the accounts, can I get the number of the SMA 1 and SMA 2 which is below INR 5 crore?

A - Atul Kumar Goel

The numbers in presentation, they have given INR 5 crore and above. But I am giving you total number, whatever the number I have repeated in my conversation, INR 10,287 crore was the number of the SMA 2, it is entire.

INR 10,287 crore is not more than INR 5 crore, it is the entire SMA 2 number, Bank as a whole, which has reduced to INR 4,363 crore as on date. And if you want SMA-0,1 & 2 number also, as on date, I am giving the latest number. SMA-0 is INR 16,183 Crores, and SMA 1 is the INR 9,553 Crores. Total SMA-0,1 & 2 as on date is around INR 30,000 only. There is no question of the INR 5 crore and above and the less than INR 5 crore. This is the entire amount.

Q - Himanshu Taluja

Okay. Sir, now finally, ultimately, our phase of the recovery is healthy, but by when you expect the slippages, because still on the gross slippages we are on an elevated side. So by when you expect the slippages to normalize?

A - Atul Kumar Goel

Himanshu, I think I have given you the answer of your question in my conversation also. What was the issue? Issue was, if there is a stress in the RAM sector also, there was a major issue, what type of fresh underwriting we are doing. So, we have worked on both the -- first the underwriting standard, another is the collection efficiency. I have given you the data of the last two years sanction also. And I have told you NPA slippage is only 0.35%. So whatever your specific query, I think only by March '23, maybe one or two quarter. So whatever the legacy issue of the RAM is there, it will be completely wiped out and 2023, 2024 as I told you earlier also will be the golden period, no slippage only the recovery will come.

Q - Himanshu Taluja

Okay, sure sir. Thanks. That's it from my end.

A - Atul Kumar Goel

And you see the GST collection also. GST collection has improved, INR 1.40 lakh crore. This is giving signal that there is economy growth which is on the right track, consecutive from the last eight months.

Q - Himanshu Taluja

Yeah, sure sir. Thanks.

Q - Suraj Das

Thank you. The next question is from the line of Mahrukh. Request you to please unmute yourself and go ahead with your question.

Q - Mahrukh

Yes. Hello sir. Good evening. Sir, my first question is can you please tell me the ECLGs slippages? And if you could please repeat the SME numbers.

A - Atul Kumar Goel

Yeah. ECLGS, Mahrukh, around INR 21,460 crore we have sanctioned, out of which INR 12,868 crores is the outstanding, and out of which NPAs on date is INR 840 crore, which is coming around 6.53%.

Q - Mahrukh

Hello? Okay, sir, thank you. Can you please repeat the SMA numbers, please?

A - Atul Kumar Goel

SMA number is as follows. SMA 2 was 10,287 from the zero rupees. It is not a one quarter ago, two quarter ago. 10,287 was the entire SMA 2 in the Bank as a whole in the September 2022, which has drastically reduced to 4,363. If you want to ask the number of the total SMA 01 also and 16,183 for the SMA 0. Then SMA 1 is 9,553. 4,363 is SMA 2.

Q - Suraj Das

Thank you. Okay, we'll go ahead with the next question, which is from the line of Mr. Bhavik Shah. Bhavik, request you to please unmute yourself.

Q – Bhavik Shah

Hi, sir. Sir, thanks for the opportunity. So I have two questions. So first is, so what is your current liquidity coverage ratio?

A - Atul Kumar Goel

Current?

Q – Bhavik Shah

Liquidity coverage ratio.

A - Atul Kumar Goel

Liquidity coverage ratio. It is 160 -- it remains between 150% to 160%, as against the requirement of the 100%. So it is 150% to 160%, because we are sitting on excess SLR of approximately INR 50,000 crore as on date.

Q – Bhavik Shah

Okay. Sir, thanks for that. And sir, one more thing. Sir, what would be the outstanding deferred tax asset and when do we plan to consider shifting to the new tax regime?

A - Atul Kumar Goel

As on date, because we are already having the accumulated loss in our book, so we have taken the opinion of our consultant also. I think as on date, we are not getting any benefit to shift to the new tax regime. And we have given the disclosure in our note to accounts also. So, as on date, there is no plan. We will take appropriate decision when we are of the view, definitely it is the right time to shift from the old regime to new regime.

Q – Bhavik Shah

Okay. And sir, we saw a couple of banks getting divergence report from RBI. Is that divergence done, as in, is it reportable material?

A - Atul Kumar Goel

As on date, we have not received our report.

Q – Bhavik Shah

Okay. Okay. Thank you, sir. So that's it from my side.

A - Atul Kumar Goel

Thank you, Bhavik.

Q - Suraj Das

Thank you. The next question is from the line of Mr. Priyance. Request you to please unmute yourself.

Q – Priyance

Yeah. Sir, my first question is that --with respect to our CASA growth, our current account deposit growth has been very, very minor. You can see that as of September '21, we had current account deposit of INR 71,958 crores, whereas as of September '22, it's only INR 72,741 crores, hardly 1% growth. And you know, current account deposit is like free money, no interest has to be paid. So I would like to understand, and I would like to give you a constructive feedback that the Board must give a concrete target to all the CGM and GM and the branch managers to incorporate and to introduce additional number of corporate accounts, wherein we can get current account.

A - Atul Kumar Goel

Yes, we are aware whatever you are saying. It is really a concern area for us also. As you have told, there is a very nominal growth, we are aware of that, it is 1.09%, but if you compare from the June. In June there is a good growth. It was INR 69,332 crore, which has increased to INR 72,740 crore -- around INR 3,000 crore. What we have done, we are targeting the corporate clients where we can open the CMAC account also. And some of the large corporates, if they are having some other associates also, we are targeting them. And we have also provided the tabs to our all 10,000 branches. After providing the tab, there is a lot of improvement in opening of the account, time has reduced, data has been reduced. But that is being done on the saving bank account as on date. We are to the current account. The time will come definitely, current account mobilization will also be approved, but I fully agree, whatever your concern you have shown, we are fully aware of it.

Q – Priyance

So appreciate your positive feedback. I'm only requesting that you being the Chief of the Bank, from the Board level some solid guideline and instruction must be passed down to all the Executive Management of the of the Bank to mobilize additional number of corporate account and also salary account, so that we can have -- like when the final bill will be there, automatically whatever money will pass through. Bank will make some money out of this. So I think this is one of the niche area to be tapped into with a constructive implemented strategy.

A - Atul Kumar Goel

You are right, Priyance, already part of the advice has already been done. We have already instructed to all the zonal heads who are in the state capital, because current account normally big accounts can be garnered in the state capital. This instruction has already been passed to the zonal heads they should garner more and more current deposit accounts operation.

Operator

Thank you. The next question is from the line of Mr. Sunil Mehta. We request you to please unmute.

Q – Ashok Ajmera

Yeah. This is not Sunil Mehta, he is my colleague. I'm Ashok Ajmera. Good evening, sir. I met you in the morning also.

A - Atul Kumar Goel

Good afternoon, good evening Ajmera ji, good afternoon. Yeah, please.

Q – Ashok Ajmera

Yeah. Yeah. I was waiting for a long time. Most of the queries have been answered. But I just need to ask a few questions and some observations. Now you see, with the interest rate hardening up and inflation going up, we feel that even in the RAM book there can be some pressure. So though your SMA 2 is INR 10,287 crore, going forward, especially in this quarter, September-December quarter, do you see some pressure coming in SMA 2 book, if not, the NPA finally?

A - Atul Kumar Goel

As on date there is no much pressure, because Ajmera ji, I have given SMA2 data also i.e., INR 10,287 figure which I have given to you that is standing of the SMA 2 as on September 30. But we have taken the current data also and the figures have been reduced to INR 4,363. So it means there is not a pressure, there is reducing, because all our machinery in the field, having 10,000 branches. Main focus of the Bank is on the recovery because profit has to come from the recovery. And INR 87,000 Crores is the gross NPA number. And in addition to the 87,000 is the technical write-off. So each and every employee of the Bank is for the recovery. When they are making the recovery of the NPA, they are also making the effort to recovery in the standard account. But definitely whatever your specific question, because interest rate has started hardening and the MCLR has already been changed. Even the RLLR has also been changed, and as per the RBI guidelines, all the retail and the MSE loan have to be linked with the external benchmark. When external benchmark has already been increased, naturally there will be an increase in the EMI or they have to make more payment. But as on date, we have kept our watch open for this. As of yet, we are not seeing any pressure.

Q – Ashok Ajmera

Okay, sir. Now, sir, in case of this NARCL, you said the nine account of INR 2,752 crores, they have been considered now and out of that five you have got already the offer from NARCL for INR 1,099 crore. So this is our portion in the consortium or the total consortium amount?

A - Atul Kumar Goel

Yes. I have earlier clarified also, out of the nine account, five account we have got the offer from the NARCL INR 1,999 Crores is the outstanding, it is not the amount also, it is outstanding in my book because in some of the accounts, the other bank is the leader of the consortium. So it is only my outstanding. INR 1,099 crores is outstanding.

Q – Ashok Ajmera

So you expect approximately a realization of about 20%, 25%, because in one account we see only 5%, in another account we are seeing about 35%. So in this five account, you must have by now calculated that how much percentage of it, especially with NARCL we are getting, forget about the cash recovery and the SRs. But what is the total recovery you expect from this five account, sir?

A - Atul Kumar Goel

Yeah. Ajmera ji, it will be finalized only after the completion of the processes. I may tell you in one account. We were the leader of the consortium, sir. And we have got the offer it is in the newspaper also. It is the newspaper also, where we have got the offer from the NARCL, around INR 238 crore. I can take the percentage what is my share also, but where we have gone to the Swiss challenge method, so we have got around more than INR 400 crore. So it is very difficult to say what will be the actual recovery, it is under process. The final outcome will be in -- we will be in a position to give what will be the actual recovery.

Q – Ashok Ajmera

Okay, sir. My next question is, sir, on the treasury front, how are we placed, like so far you're managing it well. But going forward, if we expect about 50 to 60 basis point still rise in the interest rate depending on the Fed rate today, late night coming in, so how much we are cushioned for any treasury mark-to-market losses and also the trading income point of view?

A - Atul Kumar Goel

My Treasury is very active and they were making very good profit. But on account of the increase in the interest rate, this is the function of the interest, not the function of the Treasury person. So as on date whatever the requirement of the mark-to-market provision, we have already provided in June and September. So we are immunized. So whatever you are saying, if there is a further increase in the rate of interest also, so naturally we have to make the provision -- additional provision we would require to make also. But if you see, it is keeping on changing also. Why I'm saying keeping on changing, that if you see the 10-year G-Sec, it was 7.45 in June 2022, and in between also it has reduced to 7.11 also. So it is a function of the Treasury, they must have taken some provision to make the profit, but as on date we are immunized, we have provided, but definitely there will be further increase in the rate of interest. So we have to make the provision there.

Q - Suraj Das

Thank you. The next question is from the line of Asley Sanjay. We request you to please unmute and go ahead with your question.

Q – Asley Sanjay

Hi sir, just one question from my side. Can you explain what is driving that 27% QoQ increase in staff expenses this quarter?

A - Atul Kumar Goel

Asley, your voice was breaking. Can you repeat your question? Asley, can you repeat your question, your voice was breaking?

Q - Suraj Das

Sir, I think the question was what is the reason behind sharp increase in the staff cost on a QoQ basis?

A - Atul Kumar Goel

Okay. Already I have explained to Anand. Last quarter, on account of the increase in the interest rate, AS provision in the June quarter as well in the March quarter, there was a reversal. But in this particular quarter, there was some provision also. That was the only reason, because if you compare from June to September, it has reduced, because Gsec was 7.5 in the June quarter and 7.45. There was a difference of 5, 6 basis point. On account of this, we have to make the provision for AS- 15, otherwise my employee cost is flat. That is -- whatever increase you are seeing, that is on account of the AS-15, because last time there was a reversal. And whatever the reversal was there, we have not utilized. We have made the entire provision of the family pension, which was supposed to be in the 3 to 4

years.

Q - Suraj Das

Thank you. The next question is from the line of the Ronak. Request you to please unmute yourself and go ahead with your question.

Q – Ronak

Hello, am I audible?

A - Atul Kumar Goel

Yeah. Yes Ronak ji, please.

Q – Ronak

So, sir, good evening. I wanted to ask what is the segment-wise slippages breakup for the quarter?

A - Atul Kumar Goel

Yeah. Segment-wise slippage, the bifurcation of the INR 5,978 Crore is 2,785 Crores in the agriculture, MSME there is 1,597 Crores, retail 623 Crores, and others is 296 Crores. And remaining 378 Crores in the existing account. So it is coming to be 5,979 Crores.

Q – Ronak

Okay. Thank you sir. And one more question was, what is the guidance on advances and deposit growth?

A - Atul Kumar Goel

Advances growth last time we have given the target of around 10%, because we have already achieved 12.84%. So we are revising our guidance. Current year there will be at 12% to 13%. But deposits, I think there is no need any guidance also. Deposit is the function of the advances, how much you require. Whatever the incremental growth is there, either we can raise the fund. If fund is not available at a cheaper rate, we will also try to redeem some of the SLR, if we are in a position, considering the movement in the interest rate.

Otherwise, need based, we will raise the deposits from the market.

Q – Ronak

Okay. And what will be the cost-income ratio and slippages and the credit cost for the next quarter?

A - Atul Kumar Goel

Credit cost, if you see, it was reduced to 1.76% in September. Last quarter it was 2.46%. So we are giving the guidance, it will be around 2% for whole of the year. Cost to income I think it will remain in the same range. There is no much as I told you we have to provide for the wage revision also. So a little bit there may be an increase also. But we are trying to increase the NII and also the other income. So whatever the ratio, ratio should not be impacted.

Q – Ronak

Okay. Thank you, sir. Yeah, that's it from my side.

Q - Suraj Das

Thank you. The next question is from the chat window. So, the question is on the loan book breakup by benchmark that you present on the presentation. Share of FCI and other currencies loans -- other variable rate loans seems very high at around 27% while your overseas book seems to be only 5% of the overall loans. So, can you give some color that why the share of FCI

A - Atul Kumar Goel

Yeah. I can give you the breakup of this also. Actually, 26% we have given the -- which is in the foreign currency and the others. The major portion of this which is apart from the RLLR or the MCLR. The maximum portion is coming in this particular bucket is the TBLR. So all of the loans which we have given is 26.48%, it is basically on the floating side. So I can give you the further breakup of this. TBLR 9.07%. ELITE is 12.43%. ELITE another category of the repo linked rate. And the foreign currency is 4.98%. It is floating-- I'm confirming it is floating. Your worry will be whether it is a floating or fixed. As on date, my fixed rate is only 7% to 8% only.

Q - Suraj Das

Okay. And a related question to that is regarding the overseas book growth. So, that book saw healthy growth this quarter. The question is, if you can just give us some color on the segment from where the growth is coming. Is it local credit or bias credit or linked to Indian corporates or any other refinancing or I mean what it is?

A - Atul Kumar Goel

Major portion is from the loans to the banks also. Major portion in this is the exposure to the bank.

Q - Suraj Das

Bank, as in sir, I mean is it related to Indian corporates or buyers credit or

Q - Unidentified Participant

Some portion to the Indian corporate is there. But major portion in the total exposure in the loan to the banks, where we are getting some spread.

Q - Suraj Das

Okay, understood, sir. Understood. Okay. The next question is from the line of Mr. Sathish. Request you to please unmute yourself and go ahead with your question. Sathish, request you to please unmute yourself and go ahead with your question.

A - Atul Kumar Goel

Sathish Ji, please go ahead. Sathish Ji, please go ahead.

Q - Suraj Das

Thanks. The next question is from the line of Mr. Priyance. Request you to please unmute yourself and go ahead with the question.

Q – Priyance

Yes sir. Sir, like, in February '22, Mr. Tushar Mehta, Solicitor General, has submitted to Honorable Supreme Court that INR 18,000 crore have been recovered from the three defaulter -- big defaulter; Nirav Modi, Choksi, and Vijay Mallya. So, sir, how much is the sale of PNB, proportionate share of -- out of that recovery and when that one is going to come to our Bank?

A - Atul Kumar Goel

We are trying in the process of the recovery. It will take some time. Some of the amount has been recovered and given to the government, out of which some amount has been released to us also. So we are taking up the matter. It will take some time. But I think around INR 800 crore to INR 1,000 crore in another six to nine months will be recovered. That is our estimation.

Q – Priyance

Hi, sir. A few questions, sir, from my side. Sir, you've mentioned this SMA 2 number, which has come down from INR 10,000 crores to INR 4,600 crores, this is from September to as on-date, right, one, two days before?

A - Atul Kumar Goel

Yeah.

Q – Priyance

Right. So, sir, this INR 30,000 crore is actually corresponding to this INR 4,600 crores of SMA2, right, on that basis? If you can share the SMA-0, 1 & 2 number as of September number, sir. So that would have more quarter-to-quarter (multiple speakers)

A - Atul Kumar Goel

No, it is not 40, it was 91,000-plus in this September. It was 91,000-plus number because SMA-0 own account if there is one day, INR 71,614 crore was the number, which has reduced to INR 16,183 crore . I may tell you, sometime it is not actual SMA-0, please try to understand, I'm trying to explain that is an accounting issue also. Suppose we have given some loan, we are working on that, we are trying to address that issue also. Suppose we have given housing loan, their installment is due on the second of the month or the third of the month or the fourth of the month. So whatever as on date -- suppose we are debiting the interest on the last day of the month, so system is generating the demand of the interest. It is included in the EMI. So very next day it is coming in the SMA- 0, but moment we are receiving the EMI installment, it is brought down immediately. So we are trying to change the system also. So it is an accounting issue. Sometime on account of the zero-day default, it is not an actual SMA, but it is coming.

Q – Priyance

Understood, sir. Understood. And secondly, sir, is there any NPA recovery that goes through interest income in this quarter, or in general also that if there is an NPA recovery, how do we apportion that towards principal, interest and fee?

A - Atul Kumar Goel

Yeah, definitely I told you INR 8,564 crore was the total recovery. And if you see my movement of account, total cash recovery and upgradation is INR 6,497 crore. It means INR 1,705 crore has come either in the recovery in the written off account, and either in the recovery in the interest. So I have the number of the recovery in the written-off account is INR 1,053 crore. If you reduce 1,053 from 1,705, remaining is in the interest income.

Q – Priyance

Understood, very well explained, sir. So the principal or the order would be NII, fee and then lastly in the provisions, right? Is that the way to understand, because that is what most of the banks still got?

A - Atul Kumar Goel

It is as per our Board policy. This I can tell you.

Q – Priyance

Sure sir. And last thing, sir, because you would have seen a lot of questions on staff cost, it would be easy, sir, if you can bifurcate either now or maybe from next quarter onwards, the proportion into cash, salary and AS-15 provisions, so that there is more clarity that (multiple speakers)

A - Atul Kumar Goel

I may tell you, this particular quarter, around INR 300 crore was the AS-15 provision. The remaining was the cash-based provision. Whereas there was a reversal in the last quarter, because I told you, last quarter because there is a gap of the 5, 6 basis point in the G-Sec yield. September it has reduced as compared to the June.

Q – Priyance

Right, understood, sir. Yeah, that is very well explained, sir. Thank you so much.

Q - Suraj Das

Thank you. The next question is from the line of Mr. Bhavik. Request you to please unmute yourself and go ahead.

Q – Bhavik

Hi, sir. Taking this question further -- hello, am I audible?

A - Atul Kumar Goel

Yeah, yeah. Bhavik, please go ahead.

Q – Bhavik

Yeah. Taking this question further, so the recovery which is apportioned to NII, sir, what was the amount last quarter? I understand this quarter it was INR 650 crores.

A - Atul Kumar Goel

INR 650 crore? Hardly difference was the INR 1,500 crore. So you cannot say NII has increased only on account of this count, because there is hardly difference of INR 75 crore.

Q – Bhavik

Sir, will this sustain over the coming quarters? I guess, this will be a function of recovery, right, the traction of recovery or how do we look at it?

A - Atul Kumar Goel

Yeah. Definitely, recovery, you see in this plus, and we have the target of the INR 32,000 crore for whole of the year. This will remain same also. And even in some of the accounts, which is sub-standard, if they are upgraded also, the entire money which is overdue, it will come to the interest income of the bank.

Q – Bhavik

Sir, next year, what would be the recovery target then?

A - Atul Kumar Goel

I think first we should be in a position to recover INR 32,000 crore, then we will set a target for next year also. But next year, I told you, because slippage will be very less, recovery will be the only focus area. So that would be the golden period for the Punjab National Bank.

Q – Bhavik

Okay. And sir, last question from my side. Sir, for example, if repo hike happens today, the reset is on T-plus one basis, or it happens after a quarter (multiple speakers)

A - Atul Kumar Goel

Very next day.

Q – Bhavik

Okay, thanks a lot, sir. That's it from my side. Good luck and all the best, sir.

A - Atul Kumar Goel

Thank you. Thank you, Bhavik.

Q - Suraj Das

Thank you. The next question is from the line of Mr. Daga. Represent you to please unmute.

Q – Daga

Yeah, sir. Thanks for taking my question again. So wanted to ask what is the reason for decline in core fee income quarter-on-quarter?

A - Atul Kumar Goel

Fee-based income quarter-to-quarter, if you see, that is on account of the -- some exchange income also, some of the processing fees also. Normally the processing fees, we are mostly recovering in the first quarter that is the major reason. Otherwise not. And if you see the year-to-year also, September 2021 it was 1,162, and it has improved to INR 1307 crore. Year-to-year it has increased. But quarter decline is on account of accounting policies.

Q – Daga

Okay. Thank you, sir. And another question was that why there is a depreciation on investments in the second quarter despite some moderation in 10-year yields quarter-on-quarter?

A - Atul Kumar Goel

One is the INR 551 crore was in the provision side on account of the NPI. NPI, that is not in the mark-to-market. So whatever the provision is there which you are saying that is we have

taken some position also. The 7.50 was the yield in the June and in between 7.19 was also the -- it has gone to 7.19. Maybe some position must have been taken. This was the reason.

Q – Daga

Okay. Yeah. Thank you sir. That was my questions, and all the best. Thank you.

Q - Suraj Das

Thank you. Couple of questions from the chat window. Question number was, sir, last quarter you mentioned some 25 billion of restructuring for the earlier restructured scheme, which is CDR, SDR and 5-25 et cetera. So if you can just provide the same number for the corresponding this quarter?

A - Atul Kumar Goel

Number we have in restructuring now, there is no CDR et cetera as of date, all the account of the CDR, SDR, has already been turned to the NPA As on date, only the OTR1 and OTR number are relevant. We have already given. As on date CDR, SDR, I think we don't have any outstanding as on date.

Q - Suraj Das

Okay, understood. One more question from the chat window is relating to your food credit. So if the food credit I mean, if we see the RBI data of the food credit growth, that growth is coming down for the last couple of months. And related to that is that one of the larger government, semi-government kind of account has larger exposure, you have some something like INR 14,000 crore, INR 15,000 crore related to food credit of India. So if you can just provide us what would be the total exposure of Punjab National Bank to FCI and are there any concern in that particular account?

A - Atul Kumar Goel

I may tell more thing also, particularly. There is a two type of the food credit. Like you have raised the specific question for the FCI some part will be coming under the food credit, some part they are sourcing from the market which is not coming under food credit. I may tell you, we were having very good exposure on the FCI before September, but as on date, September, apart from the food credit, we are having nil exposure. Whatever food credit that is there, but apart from the food credit, it has become paid by them.

Q - Suraj Das

Okay. And sir, how would the exposure to FCI would be divided amongst many lead bankers, like including you and other PSU banks?

A - Atul Kumar Goel

That is based on the data. Every year they decide how much share, based on your total exposure to the balance sheet size basis -- that is on the base of the balance sheet size of each and every bank -- on the basis of the assets of the particular bank it has been divided, yeah, on the same proportion.

Q - Suraj Das

Okay, understood. And one last question from the chat window, what is the strategy for gold loan business? What is the target for gold loan business going ahead?

A - Atul Kumar Goel

Gold loan, if you see the gold loan as compared to other bank, our portfolio was very less. We have revamped our gold loan scheme, which is at par with the industry. And we have given a good target, around INR 4,000 crore, INR 5,000 crore for the Bank as a whole for this current financial year.

Q - Suraj Das

Okay, understood. And I think that was all. I mean that was the last question from the investor's side. So I think we can now close this question-and-answer session. I hand over the mic to MD, sir, for your closing remarks.

A - Atul Kumar Goel

Thank you. Thank you very much, Suraj Ji, very live interaction with all the analysts. And whatever -- I think whatever their worry and the question also, we were in a position to reply you all the question also. We have noticed some of the suggestion also. One or two, three there was a good suggestion also. So we will try to implement those suggestions for the betterment of the country. So I may I tell only the bank is on the right path -- Bank is on the right -- why I'm telling Bank is on the right path? Operating profit is increasing, net interest income is increasing, recovery is increasing, slippage is declining as compared to the recovery number, gross NPA is reducing, net NPA is reducing and PCR is increasing

Only concern, you may be aware is the net profit only because we are addressing the earlier issues. RAM, because there was a lot of delinquencies with them. So time will come after one or two quarters. I think we will be in a position to show the decent net profit also. So this is my assurance to all the investors. Nothing more I want to add now and I want to conclude now.

Thank you to all the persons who have joined this meeting of the announcement. Thank you. Thank you very much.

Q - Suraj Das

Thank you, sir.

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