

Punjab National Bank Earnings Con-call hosted by Emkay Global

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Management Participants

- **Shri. Atul Kumar Goel, Managing Director & Chief Executive Officer**
- **Shri. Vijay Dube, Executive Director**
- **Shri. Kalyan Kumar, Executive Director**
- **Shri. Binod Kumar, Executive Director**
- **Shri. M. Paramasivam, Executive Director**

Anand Dama (Host - Emkay Global): Welcome everyone to Punjab National Bank First Quarter FY '24 Results Call. We have with us the entire Punjab National Bank top management including Shri. Atul Kumar Goel, Managing Director and CEO. We have the Executive Directors, Mr.Vijay Dube, Mr.Kalyan Kumar, Mr.Binod Kumar and Mr.Paramasivam. First I would request Mr.Deepak to read out the disclaimer statement and thereafter would request Atul sir to give opening remarks and talk about the growth, margins, asset quality particularly during the current quarter and also provide a brief outlook which will actually set the context of the call. Over to you Deepak sir.

Deepak Kumar: Yes, yes thank you, thank you Anand. Just a disclaimer statement I am reading out. I would like to submit that the statements given herein are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking assessments necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking assessments. Investors are therefore requested to check the information independently before making any investments or other decisions. Thank you. Over to MD sir.

Shri. Atul Kumar Goel: Thank you very much Deepak and thank you Anand also. Good afternoon to everybody. I welcome all the analysts and investors in this results concall for the first quarter June 2023. I am happy to present the result for the first quarter. The result of the first quarter, whatever the guidance we have given in the last March '23 quarterly and as well as the yearly result for the current financial year. I think we are achieving all the guidance, which we have given. So, I will give the brief about the financial performance, then profitability and then assets quality and then I will take your questions also.

So, this is a good quarter. First I would like to tell you this is a very good quarter for the Punjab National Bank the gross business grew by 14.34% at Rs 22.14 lakh crore YoY similarly the gross deposit of the bank grew by 14.18% to Rs 12.97 lakh crore YoY. Similarly the gross advance grew by 14.58% at Rs 9.16 lakh crore as far as saving is concerned, saving there is also a growth of the YoY 3.74% and the saving has increased to Rs 4.64 lakh crore. As far as CASA is concerned CASA was 42.98% in March 2023, which has marginally declined to 41.90%. The reason for the decline in the CASA is because there is a wide gap

between the saving bank interest as well as the term deposit interest. Some of the customers who is having their liquid fund, they have shifted from the saving bank to term deposit. Another thing is also because to finance the growth also, because the increase in the growth is 14.18% and in the case of guidance for the 12%-13%, so we have taken some bulk deposit also. This is the reason of the decline in the CASA. And as far as profitability of the bank is concerned, this net interest income increased by 26% YoY from the Rs 7,543 crore to Rs 9,504 crore and I am happy to share this NII growth and the NII number, which we have achieved Rs 9,504 crore, it is the highest in the history of the Punjab National Bank, the last 12 quarterly result. Similarly, the operating profit also increased by 10.95% from the Rs 5,379 crore to Rs 5,968 crore. Net profit, net profit there is an increase of 307%. The net profit for the June '22 quarter was Rs 308 crore and now we have closed our net profit as Rs 1,255 crore with a growth of 307%. I am happy to say this net profit Rs 1,255 crore is the highest quarterly net profit in the last 12 quarter of the bank.

Now coming to the assets quality, GNPA if you see there in terms of the amount the gross NPA of the bank was Rs 90,167 crore in the June 2022, which reduced to Rs 77,328 crore in the March '23. And there is a further decline of Rs 70,889 crore in the June '23. As far as percentage of GNPA is concerned, the GNPA of the bank was 11.27% in June 2022, which has reduced to 8.74% in March '23. And there is a reduction of more than 100 basis point. 7.73% was the number of the gross NPA and last time you may be remembering, I have given the guidance by March '24, we will be in a position to reduce the gross NPA number to 7%. Since we have already achieved 7.73%, I'm revising my guidance. So now instead of the 7%, we are targeting the gross NPA number will be around 6.5% by March '24.

Similarly, if you see the net NPA, there is a very much reduction in the net NPA, net NPA was Rs 31,744 crore in June '22 which reduced to Rs 22,585 crore by the end of the March '23 and there is a further decline to Rs 17,129 crore. And now net NPA which was 4.28% in the June '22 quarter, then 2.72% in March '23 quarter has reduced to 1.98%. So there is a around more than 75 basis point reduction in the net NPA and net NPA guidance we have given by the end of the March '24 our net NPA number should be in the range of 2%. Since we have already achieved in the first quarter itself 1.98%, so we are further revising our guidance for the net NPA number also and now we are targeting our net NPA number should be around 1% or below 1% by the end of the March '24. As far as PCR is concerned, there is a substantial increase in the PCR also, it was 83.04% in June '22, which improved to 86.90%, and I have given the target that we will improve to PCR around 90%, and March-June '23, it is around 89.83%, so we have already achieved 90%. As far as credit cost is concerned, if you see the provision, provision for the NPA was Rs 4,374 crore for this quarter as against the figure of Rs 4,814 crore in June '22 quarter. Although there is a reduction in the provision of the NPA if you compare from the June '22 to June '23 quarter, and June '22 credit cost was 2.46%, and this quarter credit cost is 1.99%, but if you compare from the March '23, then the little bit provision has increased. In March, it was around Rs 3,624 crore, and credit cost was 1.72%. Last time I have given the guidance our credit cost will be around 1.5% to 1.75%, although this quarter it is little bit on higher side 1.99% but still I am maintaining my guidance for whole for whole of the year FY '24 our credit cost definitely will be in the range of 1.5% to 1.75%. Why, I am giving this statement because on account of increase my PCR, which is around 90% my ageing provision for the NPA has reduced drastically. So I am maintaining my earlier guidance also for the credit cost. As far as capital adequacy is concerned, the Tier 1 capital is 12.29%, as against the requirement of the 9.5% and total CRR is 15.54% and against the 11.5%. And if you see, compare this from the June '22 quarter it was 14.82% and the March '23 it was 15.5% so we are adequately capitalized. So as on date,

there is no immediate need for the capital for the either for the growth for the other purpose also and last and we have already having the approval of the board for Rs 12,000 crore to raise in this current financial year, Rs 7,000 crore by way of AT1 and Rs 5,000 crore by way of Tier 2. So I am happy to share in this current quarter itself as against the Rs 5,000 crore Tier 2 we have already raised Rs 3,090 crore at a very competitive rate in current quarter. As far as AT1 is concerned, so immediately as I told you immediately there is no immediate need of the capital, so we are just watching the market at appropriate time when we will be finding rate of interest in our favor, we will hit the market. So this is about the capital adequacy. And come to the cost to income ratio, if you see it is 53.87% which is less than the 54.59% in the March '23 quarter, but if you compare with the June '22 quarter it is on higher side because June '22 it was 46.63%. So what is the reason for this increase in the cost to income ratio, if you see last time also I explained November '22, there is a date where the wage revision is due of all the employees. So in this current quarter we have provided Rs 283 crore as a for the wage revision in the last quarter of the March '23 also we have made the provision of the similar amount and the around some little amount has been provided for the two month in the December quarter.

And on account of this wage revision and the impact of the wage revision on the pension also, so this is on account of debt, AS-15 provision we have made Rs 1,240 crore in this current quarter current for the AS-15 provision on account of the pension et cetera. Because there is a little bit change in the yield also because you are aware AS-15 based on the movement of the yield. In March '23 the yield was 7.31% and June '23 it has declined to 7.11%, so there is a decline of 20 basis point. The moment interest rate will fall AS-15 provision will be increased, so this is about the expression of the cost to income ratio as far as cost of deposit is concerned it was 4.54% in the March quarter, which has increased to 4.71% as against the 3.85% in the June '22 quarter and I have given in my earlier last call also, on account of the repricing of the sum of the deposit, which has not happened and cost of deposit in bound increase, this is the reason. I have given the guidance for the NIM also between the 2.9% and between 3% and I'm still maintaining 2.9% to 3% although the current quarter the Global NIM is 3.08% as against the 3.24% in the March quarter.

So we are maintaining 2.9% to 3%, because still some of the deposit has to be repriced yield of advance has also increased from the 8.05% to 8.13% from the March '23 quarter to June '23 quarter but it is substantially increased from the June '22 quarter, which was 6.6%. As far as recovery from the return of account is concerned the first quarter we have made a recovery of around Rs 1,022 crores from the recovery in the return account. One more thing I would like to tell you the last time also I have given the whole of the year in FY'23 in every quarter addition was much below than the recovery number. Again at the cost of the repetition if you see the June '22, my recovery was Rs 7,057 crore where the addition was only Rs 6,468 crore. September '22 quarter, recovery has further increased to Rs 8,565 crore, and addition was Rs 5,979 crore. And the third quarter recovery was Rs 6,035 crore, and addition was Rs 4,072 crore. And the fourth quarter recovery was Rs 7,439 crore, and the addition was Rs 3,996 crore. So recovery addition is declining quarter-by-quarter. So every quarter recovery was much more than the addition. And we have set a target for the current financial year, Rs 22,000 crore, which we have given the guidance in the last con call Rs 22,000 recovery for the whole of the year FY'24, if you divide by four, so Rs 5,500 crore per quarter. Again, the Rs 5,500 crore, we have already achieved Rs 5,417 crore recovery in the current quarter, where the addition is Rs 2,390 crore. So this year, our target is our recovery should be double than the addition in the current financial year. So, this is about the recovery as well as the addition in the last year as well as the current financial year.

Another thing is the slippage, slippage as I just I told you Rs 2,390 crore, if the breakup of the slippage is segment wise. Agri it is Rs 360 crore, MSME it is Rs 879 crore, retail it is Rs 601 crore, and others is Rs 418 crore, others means corporate sector. So, and existing account NPA is Rs 132 crore, so it is a 2,390. One more important thing I want to highlight to all of you, even last call I have also advised, we are working how, what is the reason for improvement in the recovery and what is the reason for declining in the addition also because we have worked on both the side, Plan A, is how to improve the underwriting standard, the another is the how to improve the collection efficiency.

So, underwriting standard may I would give you one data, every month, we are monitoring from the 1st of the July '22, 31st March '30, 30th June 2023, it means it is a data of around three years How our new underwriting is behaving, in last three years we have sanctioned around Rs 6.16 lakh crore out of which this Rs 6.16 lakh crore disbursement was Rs 5.63 lakh crore and against which the outstanding as on date is Rs 4.40 lakh crore. And NPA in this new underwriting is hardly Rs 1,259 crore, which is coming 0.22% of the new underwriting. And I will further give you the segment wise data, Agri it is 0.20%, the MSME it is a 1.56% and retail it is 0.18% and other, other means corporate it is coming 0.01%. So, this will give the comfort, how the bank is doing, the lot of step has been taken for the underwriting also and lot of step has been taken to improve the collection efficiency.

As far as NCLT recovery is concerned, the last year we have made Rs 6,093 crore in the first quarter, Rs 778 crore in the second quarter, Rs 730 crore in the third quarter, Rs 1,003 crore in the fourth quarter. So, in particular one quarter, first quarter of the current financial year, the recovery from the NCLT account is Rs 566 crore and the second quarter we are expecting Rs 1,356 crore, third quarter we are expecting Rs 438 crore and fourth quarter we are expecting Rs 1,302 crore. So, as on date as far as total number is concerned, 565 account of Rs 64,839 crore is the in the NCLT. Of which 20 account of Rs. 2,884 Cr has been approved by the NCLT which is under process of the implementation and 252 account of amount of Rs. 26,713 Cr. is under liquidation and remaining 293 account of Rs. 35,242 Cr. will be pending for the resolution. So, this is about the NCLT.

As well as NARCL is concerned that 35 account of NARCL under discussion of amount of Rs 12,546 crore of which one account resolved for of Rs 447 crore, two account under final stage of the transfer of Rs 307 crore, nine account under various stage of Rs 2,225 crore and 23 account of Rs 9,567 crore where bid has to be received. So, this is about the NARCL. And as far as RAM percentage is concerned, RAM percentage it was 52.57% in the June 2022, which has improved to 54.74% in the June '23. This is our definitely focus area. And as far as investment is concerned as on date the SLR to NDTL is 24.81% as against the required of the 18% it means around 6% we are having the excess SLR and modified duration of the AFS and HTF is the 3.33 in the June 2023.

So this is another thing is this segment wise NPA retail it is 2.86, housing it is 3.72, and car it is 1.22. So I think I have covered most of the point. As far as guidance is concerned credit growth we have given the guidance of 12% to 13% although we have achieved 14.58% but we are still holding our guidance for the 12% to 13%. Deposit, we have given the guidance 10% to 11% for the here, although 14.18% we have achieved in the first quarter, but still we stick to our guidance for the 10% to 11%. CASA, although there is a decline, but 43% to 44%, we have given the guidance, so I think we may think around 43%, we will try to, because why I am giving this statement, last year around 84.74 lakh accounts we have opened, and first quarter saving bank account. And in first quarter we have opened 22 lakh account, and current account last year we have opened 2.09, and first quarter we have opened 72,614.

So I am still hopeful, if there is a further chance to increase the CASA also. So 43%, we are maintaining, we will see how we will behave, because on account of this difference in the interest, some of the money is definitely is to be transferred from the saving bank to the term deposit. Operating profit, we are maintaining the same 10% to 12%.

Net interest income we have given the guidance for the 10% whole of the year. NIM we will remain 2.9% to 3% but gross NPA, as I told you earlier guidance 7% to 6.5% and net NPA from 2% to less than 1% we are giving the guidance.

PCR around 90%, we have given the guidance, so around 90% we have achieved and credit cost although once again at the cost of the repetition, credit cost although it was 1.99% in the current quarter but still we are confident and hopeful it will remain within the 1.5% to 1.75% whole of the year.

The total recovery Rs 22,000 crore out of which Rs 5,416 crore we have already given the guidance versus the actual which we have given the last call color.

Now I think I have covered most of the point I will be answer to any query from your side also. Thank you very much.

Anand Dama (Host - Emkay Global): Yes, thank you, sir. Before we open up the queue for questions, sir, I had one question. I mean, if you can just give guidance on your ROAs as well for FY '24, number one, and number two is that if you can just tell us what's the treatment on the ECLGS front that we have been doing, because if you I mean, there is a Bandhan Bank, which said that post the RBS circular, they had to recognize NPS from the ECLGS tool. So what is that we have done over there?

And third, when we look at the Canara Bank results, they tell us that they have had a very significant PSLC fees during the first quarter. I don't see that kind of fees at least for Punjab National Bank. So why is it we are not pursuing the PSLC, route basically to generate fees? Yes, and then we can take up the questions from the line.

Shri. Atul Kumar Goel: Yes, Anand, your first question is about the return on assets. So whatever the profitability we have earned last year, although in the last call, I told we will be earning Rs 4,000 crore. So, I am telling whatever the profit we have earned, it will be double, it will be double what we have earned. So, this is my guidance for the return on assets. As far as ECLGS is concerned, as on date we have not made any provision for the ECL because it is a draft guidance of the RBI. It is a draft guidelines of the RBI. We are waiting for the final guidelines.

Anand Dama (Host): Sir, sorry but I am talking about ECLGS, basically that is GECL that you would know.

Shri. Atul Kumar Goel: GECL. GECL I can give you the data also. In GECL, the total amount we have sanctioned is Rs 21,935 crore out of which Rs 19,274 crore was the disbursement and outstanding as on date is around Rs 10,053 crore against which Rs 96.3 crore is the NPA which is coming 4.39. And I am telling already Rs 963 crore is the NPA which is 4.39 in the GECL there is there is no much delinquency in this account. So this is about the ECLG.

Third is the PSLC definitely we are also talking to all of our branches also so that whatever the Canara Bank is doing, because they are very strong as far as gold loan is concerned. Although we are in at the

initial stage because even if you see we have started from the Rs 0 to Rs 2,500 crore we have already achieved and we have a set a target of around Rs 10,000 crore for the current financial year.

The moment we will be in a position to achieve this, so definitely our position will also be stronger but definitely I agree with you the Canara Bank I am aware Rs 1,500 crore they have earned from this one segment only because they have the portfolio more than Rs 1 lakh crore with the agri gold.

Anand Dama (Host): So it's only about the agri gold that they tend to sell or like there are other crop loans and other also which basically you can sell?

Shri. Atul Kumar Goel: Most, I am not fully aware but mostly what I am aware they are selling only the agri gold because there is a good margin also. Even if we are purchasing, we are also actually in some of the segment, so we are also selling that also yeah.

Anand Dama (Host): Sure sir. Great. Sure. So now we'll take the first question from Mahrukh. Mahrukh, please go ahead.

Mahrukh Adajania, Analyst: Hello sir, congratulations.

Shri. Atul Kumar Goel: Thank you very much Mahrukh. Thank you.

Mahrukh Adajania, Analyst: Sir sorry first of all I have question but I missed the RoA guidance what would that be sorry?

Shri. Atul Kumar Goel: RoA I told you whatever the profit we have earned last year double of the profit will be earned in this year so, what was the RoA last year it will be double, yeah.

Mahrukh Adajania, Analyst: Okay. Got it sir. Got it. And sir just in terms of deposit growth obviously most PSU banks have excess liquidity because their LDRs are lower than private banks. But most of the excess LDR or excess liquidity would be used up by now. So how do you think about deposit mobilization from here on? And what will be the impact of that on margins? Right and means do you think that incremental deposit mobilization will put pressure on margins? And also of the rate hikes that have happened so far, now has the full deposit repricing happened? Or you will still see pending rise in deposit cost in the next few quarters?

Shri. Atul Kumar Goel: Okay Mahrukh, I will give you the answer as far as deposit mobilization is concerned. First, I would like to tell all of you, we are having 16 crore customers in our fold. And last year also as I just given the data, more than 84 lakh account we have opened in the saving bank, 2 lakh account we have opened in the current account.

So, as far as mobilization of deposit is concerned there is not a problem in the Punjab National Bank, although we have given the guidance of the 10% to 11%, but if you see the actual guidance of the actual YoY growth was 14.18%. So, still we are maintaining 10% to 11%.

Now, your second question, the deposit repricing. Last time also I told NIM will be impacted on account of the repricing of the deposit because entirely deposit has not been repriced because if you see last year there was a increase around 250-basis point in the deposit rate. So, definitely as on date also the entire deposit has not been repriced, some of the deposit has to be repriced at the time of their maturity.

Mahrukh Adajania, Analyst: Got it, sir. But, what will be the incremental impact on margins, will margins fall from here as well or how do we view margins from here on from first quarter level?

Shri. Atul Kumar Goel: Little bit may be impacted, madam. This is the reason, last time also I have given the guidance for the NIM for the 2.9% to 3%. If you see my as on date domestic NIM is 3.21% and global NIM is 3.08%, so I am still maintaining 2.9% to 3%, definitely the deposit which is not being repriced.

Definitely there will be a little bit impact in the NIM but what we are trying, our NIM in the absolute number NII, net interest income. If you see the net interest income of our bank, whatever we have won in the last quarter, also it is on the positive side. So, absolute number, we will try to maintain the net interest income but because sometime ratio is misleading also, so we are not very giving the guidance more than the 2.9% to 3% but absolute number we will try to maintain.

Mahrukh Adajania, Analyst: Got it sir. Okay sir. Thanks, thanks. Thank you sir

Shri. Atul Kumar Goel: Thank you thank you Mahrukh

Anand Dama, (Host): Yes, thank you Mahrukh. Next question we have from Mr.Ashok Ajmera. Mr.Ajmera you have to unmute yourself and ask the question

Ashok Ajmera, Analyst: Yes. I unmuted myself. Congratulations to you sir. All of you sitting there for yet another good quarter of good performance and many of the questions have been answered by your initial remark and some of the question by my colleagues. I have just might be some repetition one is that when your advances in this quarter grew to by 3.84%, as compared to the last quarter. Which in other bank it is not so, I mean some of the bank we have seen the result, the growth in this quarter our credit growth was muted. So, why is our overall credit growth target is still you are maintaining to low only?

Shri. Atul Kumar Goel: Ajmera, your voice is breaking and now we are not in a position to hear you up to we are not able to hear you.

Ashok Ajmera, Analyst: Okay, am I clear now?

Shri. Atul Kumar Goel: Yes, now it is okay

Ashok Ajmera, Analyst: My question is that we have given a good credit growth in this quarter of I think 3.84% which in other bank credit growth in first quarter itself. Still we are keeping the target so low for the overall.

Shri. Atul Kumar Goel: I will give an answer to your question also, although your voice is breaking, but I have understood your question. Your question is very clear. We have given the guidance for 10% to 11% as against the 10% to 11%. We have already achieved 14.18%. While we are maintaining as of date we are maintaining our earlier guidance also, 10% to 11%. If there is a need of the revision of the guidance, so I will not revise the guidance in this quarter. Let us wait for another more quarter. Then we will be in a position to see what the real growth in the advances here is.

Ashok Ajmera, Analyst: Okay. Point well taken, sir. Now my second question is on recovery in written off of account also as well as overall in this quarter.

Shri. Atul Kumar Goel: On the recovery front, sir. Recovery, I can give, although I have not heard your question. Also, I have understood you want to about the recovery. Recovery, Ajmera, I have already given the last year, the recovery was more than the slippage in each and every quarter. For this year, Rs 22,000 crore is the target, against which we have already achieved Rs 5,417 crore, which is as per the guidance, because quarterly number is coming 5,500. And this time, the addition is hardly Rs 2,390 crore. So we are trying this year. Recovery will be double of the addition.

Anand Dama, (Host): Yeah, we can take next question from Saurabh. Saurabh, please go ahead. Saurabh, please unmute yourself and ask the question

Saurabh, Analyst: Yeah, hi. My question relates to your stake in PNB Housing Finance. So, the recent rights issue you had infused about Rs 500 crore, and your stake had marginally come down. So, just wanted to know, going forward, what is the thought process in terms of your stake in this entity? Are you looking to over a long run, looking to diversify the stake in the entity or you will continue to maintain it at these levels. Is there any sort of regulatory direction on that also in this direction or you will continue to maintain it?

And I mean related question given that you also have like a brand sharing agreement with PNB Housing Finance, so how will that evolve considering that PNB Housing also raises deposits, which probably is helped by the PNB brand name.

Shri. Atul Kumar Goel: You are very much right, Ashwin as far as our stand is concerned. We will remain as a promoter in the PNB Housing Finance. There is no as on date a plan to disinvestment this stake which we are having in the PNB because there is a regulatory guidelines. We were having more than 30% earlier after right issue. We have invested Rs 500 crore in the right issue so that we have to brought down our investment in the PNB also less than 30%.

As on date, it is 28.15%. So, there is no plan as on date to go below that 26%, not even the sale of the any stake which we are having. So, we will remain in the category of the promoter. Our regulatory guidelines, whatever it is, we have already reached the regulatory guidelines less than 30%. So, we will remain as a promoter category.

Anand Dama, (Host): Okay, thank you. Yes, Saurabh, can you unmute yourself and ask the question? Saurabh, we are not able to hear you.

We can take question from Mr.Ashwin Kumar. Next question we can take from Mr.Sushil Choksey.

Sushil Choksey, Analyst: What is your outlook on all the subsidiaries and associate companies and your international business?

Shri. Atul Kumar Goel: As far as our subsidiary is concerned, we are having one subsidiary in the PNBIL in London also. That subsidiary is doing very good also. We are having another joint venture in Bhutan also. That is also doing very good. We are having another joint venture in Nepal also. So all the three, one subsidiary, two joint venture is working very well. As well as our overseas operation is concerned, we are having two branches. As on date, we are having one branch in Dubai. Another branch is having in the GIFT CITY, so they are also performing well, both the branches. As on date there is no plan for opening any new branches, yeah.

Sushil Choksey, Analyst: And your outlook on treasury, sir?

Shri. Atul Kumar Goel: Outlook of treasury basically it is a function of the rate of interest if you see as I just told you March '23 it was 7.31%, then as on date June it was 7.11%. So, already 20-basis paid. And down was in the interest rate and as on date also if you see it is hovering around 7.7% to 7.8%. So, as far as our modified duration is concerned we are very comfortable 3.33% in the June, 2023. And I think we have reached the peak also, as far as interest rate is concerned we have reached the peak, so we are just waiting if there will be a further decline in the interest rate because whatever the amount we have shifted from the HFT to AFS.

So we are just waiting at the appropriate time to book some profit also. So, we are very optimistic in the treasury operation.

Sushil Choksey, Analyst: Sir, do you estimate the second half would support the bank's income in a larger way from treasury compared to the first half?

Shri. Atul Kumar Goel: If first half, definitely first half, as I told you, even after shifting of the amount, we have not booked much of the amount because Rs 308 crores was the total profit from the treasury also. So, definitely we, we not immediately, but we will see how the movement of the interest rate will we are just watching. We are talking to our dealer also, what is their view on the interest rate. They will say it is the right time to book the profit, then only we will tell them to book the profit.

Sushil Choksey, Analyst: Sir, the next question is on your asset monetization and human resource, and digital capability which PNB would aspire to do over next two yearRs, three yearRs So, what is the CapEx plan? What is the human resource development plan? Because most of the banks have to become an enabler in talent and that is becoming a problem from most of the public sector or private sector and the poaching is happening. So now to build your next level of banking, how are we spending money and what kind of digitalization and human resource capability you are building?

Shri. Atul Kumar Goel: As far as digital is concerned, in last one year around more than 50 product or service we have launched and if you talk about this, my PNB mobile app, PNB ONE, the rating of the PNB mobile app was 2.3 one year back, today it is a 4.3, I think which is the highest in the industry.

Even I will tell you about the, when you are talking about the digital, as I told you 50, I will give example on the one product, PAPL, Pre-Approved Personal Loan, we have revamped this product, June 2022, the outstanding was mere Rs 58 crore but after revamping this product, we have disbursed more than Rs 4,000 crore in the last one year. And outstanding is more than Rs 3,700 crore and around 2 lakh customer has used this product and delinquency is around only 200 odd account.

And as far as HR is concerned we have on-board the consultant also we have got the approval from the board the name Udaan lot of things we are doing it is a market linked target for the each branches clarity of the roles and expectations from each employee clear tracking measurement and visibility of the performance metric so by putting this we will be in a position to make the difference between the performer and the non-performer by using this HR transformation system, I think we will be in a position to provide the incentive mechanism also, because as on date, as per the guidance of the government, 3% of the profit can be used for the distribution.

We are on the very advanced stage of the HR transformation and digital both. As far as CapEx plan is concerned, Rs 2,800 crore is the IT investment for the financial year. You were raising hand, you can go ahead, you were raising hand please.

Sushil Choksey, Analyst: Sir, I was asking human resource talent management training more, so digital spending Rs 2,800 crores, I noted, but thousands of PNB officials which need to be trained for next level and generations.

Shri. Atul Kumar Goel: That is part of the, this is the part of the HR transformation. Even we have already started giving the training for the soft skill of the behavior for a scale five and above each and every employee and we are giving the coach also, we are giving the mentor also, the training has to be given each and every, this is the part of the HR transformation.

Sushil Choksey, Analyst: Sir, second thing is how much of asset monetization are you expecting other than recovery?

Shri. Atul Kumar Goel: Assets monetization is relating to the subsidiary, et cetera. As of date, we don't have any plan to monetize any assets.

Sushil Choksey, Analyst: No, but other than subsidiaries, any other asset monetization plan?

Shri. Atul Kumar Goel: Some of the assets, some of the assets which on account of the merger, we are, but that is not a very big amount. Last quarter also around Rs 40 crore, Rs 50 crore, some of the assets we have monetized which were not in our use also. So sometimes, a small amount here and there, we are, every quarter we are monetizing. But that is not a very big amount.

Sushil Choksey, Analyst: Sir, you have the largest number of customers, among the largest customer base in your bank. How many products are we able to sell on a cross-selling basis?

Shri. Atul Kumar Goel: As I told you, we are having the 16 crore customers The average of our target is, at least we should be in a position to sell to sell two products to each customer also. We are trying to get also on account of this we have established one marketing department in the form of the BARM, Business Acquisition Relationship Management. So all it is being monitored by the CGM and the head office and we have given all the person in this department, in the circle offices, zonal offices, so this will definitely help to increase the cross-selling to the existing and as well onboard the new customer.

Sushil Choksey, Analyst: If I take a fee income number of the current quarter and if I have to aspire with a two-year vision or a three-year vision somewhere in FY '25 or '26, how many fold you expect that fee income will grow because of mutual fund, broking, insurance or any other product which you are distributing from third party or any kind of a vision document or a thinking process?

Shri. Atul Kumar Goel: Yes, that is very much there, as on it date we are having one partner MetLife, where we are having the 30% stake, so we are the bank insurance agent also, even now each and every product, whether it is a mutual fund, whether it is a share, whether it is a other LIC policy, that is available on the digital mode.

You can use my mobile app and you can purchase any type of the mutual fund and shares, et cetera also, where we are getting the commission from the partner, which we have onboarded. And we are trying to increase non-interest income by way of the BG Commission, LCE, and we are targeting to increase the income from the ForEx also, because that is one of the areas where we can increase substantially, even from the government business. So, four-five areas we are targeting, and definitely it is our focus area, how to improve the other income of the bank.

Sushil Choksey, Analyst: Sir, my last question, you just mentioned ForEx, how much of NRI deposit are we able to collect?

Shri. Atul Kumar Goel: As I told you, this is the reason because the marketing was the only on account of this PRN, we are targeting the NRI.

Sushil Choksey, Analyst: Sir, I was asking on NRI deposit.

Shri. Atul Kumar Goel: That is our target, because we want to target the NRI account. We are having 10,000 branches also. Each and every branch is able to get the NRI account. And we are making some seminar et cetera, also when the Pravasi Divas is also there, when we are going to make the seminar et cetera on the Pravasi day also.

Sushil Choksey, Analyst: Thank you very much for answering all my questions and all the best for the year to come.

Shri. Atul Kumar Goel: Thank you. Thank you very much Mr.Sushil.

Anand Dama, (Host): Thank you, Mr.Choksey. Next question we have from Ashlesh. Yes, Ashlesh, please go ahead.

Ashlesh Sonje, Analyst: Hi, team. Congratulations. Sir, three questions from my side. Firstly, can you just repeat the NPA numbers on the retail segments, housing and car? I missed those numbers

Shri. Atul Kumar Goel: Okay, okay, definitely. Retail it is 2.86% and housing 3.72%, car it is 1.20% and personal 1.22%.

Ashlesh Sonje, Analyst: Okay, perfect, sir. And secondly, I see that our slippages have declined quite meaningfully quarter-on-quarter. And especially this seems to be coming from the Agri book. Can you explain, can you give some detail whether this was something seasonal or something more structural that we have been able to achieve?

Shri. Atul Kumar Goel: No, not structural reasoning. Everything has been recognized. Quarter-by-quarter, I think I am hopeful. Whatever the number, we have Rs 2,390 crore, even in the next quarter also we are hopeful. It will be further decline, because I have given you the data for the last three years, from 1st, of July '20, how the new underwriting is behaving.

And if you see the share of the agri, it is hardly 360 also. Only 360 in the current quarter. As it is normally used to be sometime 1,000, 2,000, as on date, there is no issue as on date in the retail book either on the agriculture or the MSME. So this slippage is bound to reduce quarter-by-quarter

Ashlesh Sonje, Analyst: Understood, sir. So lastly, on the OpEx front, a couple of questions there. This AS-15 provision for the last three quarters has come out to be in the range of Rs 12 billion to Rs 13 billion per quarter. What do you expect the run rate to be on this one that is first question.

And secondly, if I look at our cost ratios and compare them with our peers, the cost ratios whether it's the cost to income ratio or cost to assets ratio that seems to be slightly higher and mainly this seems to be coming from the staff cost side so why do you think that is and if that can probably decline in the future.

Shri. Atul Kumar Goel: You are right, you are right and we are aware of this also because this AS-15 provision is based on the movement of the yield and movement of yield which I just told you 7.31 to 7.11 from as compared to the March to the June, so what was the requirement. We have provided as per the actual, entire we have provided. So I think, if tomorrow what is you are asking what is my takeaway in the future also.

If I am hopeful, if rate of interest whatever as on date, if they will remain change my requirement will be very less, I think it will be in the range of the Rs 400 crores only in the current subsequent quarter, if rate of interest will remain same. If there is a further decline in the rate of interest also then I am not saying otherwise whatever Rs 1200 crores, we have provided in the last three quarter. So, in the subsequent quarter definitely, if yield will remain same, so I think I will not be in a position to provide more than Rs 400 crores to Rs 500 crores.

Ashlesh Sonje, Analyst: So, Rs 400 crores to Rs 500 crores, you are saying for the AS-15 provision?

Shri. Atul Kumar Goel: Yeah, But Rs 283 crore, which we are providing for the wage revision that will remain constant both of we are providing at 10% then we have to see what is the actual, after the wage revision has been settled.

Ashlesh Sonje, Analyst: Understood, sir. Perfect. Thank you. Those are all the questions I had.

Anand Dama, (Host): Thank you, Ashlesh. So, our next question we'll take from Jay. Jay please unmute yourself.

Jai Mundhra, Analyst: Yeah. Hi, sir, good evening. Sir, I have a couple of questions. One is you have a retail book which is Rs 2 lakh crore, right, and you have a core retail which is Rs 1.40 lakh crore, right, so essentially there is a Rs 60,000 crore non-core retail book, if you can share why do you call that non-core and what goes into that Rs 60,000 crore book?

Shri. Atul Kumar Goel: Jay Mundra, the core means which business is being generated by the branches, which is we are taking in the call what is the difference because sometimes we are purchasing the pool also.

The pool we are giving in the one or two, three, four branches in case of maybe Mumbai or Chennai, etc. So, pool or IBPC, which we are purchasing that we are not taking in the core retail.

Jai Mundhra, Analyst: Okay. So, sir the pool outstanding the number is right, right, I mean the total retail is Rs 2.05 lakh crore.

Shri. Atul Kumar Goel: Yes

Jai Mundhra, Analyst: And the core retail is Rs 1.4 lakh crore. So, around Rs 60,000 crore is pool outstanding.

Shri. Atul Kumar Goel: Pool as well as the IBPC also. Pool as well as the IBPC. Suppose we are taking the IBPC for the retail, it is a combination of both.

Jai Mundhra, Analyst: Right. And sir, so what would be this portfolio? Will this be housing loan or it could be a mix of everything?

Shri. Atul Kumar Goel: It is a mix. Sometime it is mostly of the housing and mostly of the sometime in the personal loan also. Sometime it is a lap also. It is a mix of each and everything.

Jai Mundhra, Analyst: Okay. Understood. And sir, secondly on corporate, right. So, Slide 8, that shows that our corporate and others have grown from Rs 3.8 lakh crore in round figure to Rs 4 lakh crore, whereas the corporate infra, steel, even NBFC has not grown quarter-on-quarter. So, where is the growth coming from quarter-on-quarter basis? I see infra has declined, metals has declined, other industries has actually gone up, but where is the growth coming from?

Shri. Atul Kumar Goel: See growth is coming from the NBFC, although you are saying from **the March'23 Rs.135 Cr to Rs. 129 Cr. In June'23, on yoy basis it is increasing.** So, growth is coming, some of the steel industries we are giving. So, there is a lot of demand in the road also, road also there is a very good demand. And in some other industries also like textile and some of the gas pipeline companies, some of the oil companies also they are raising. So, it is a mix of that, it is a basically demand is coming from the road, infra basically, and the demand is also coming from the some of the cement industry, they are going for the expansion, even the steel and some petroleum company also. And gas pipeline also, gas pipeline, yeah.

Jai Mundhra, Analyst: Okay. And, sir, you said that the credit growth is 12%, 13%, and you are having excess liquidity of 600 basis point, and so, I wanted to understand your thought that why do you need to grow deposits at 10%, 11%, ideally, you should not be growing deposit only?

Shri. Atul Kumar Goel: Jai Mundhra, this is the reason I told you, our guidance for the growth of the deposit is 10%, 11%, although the actual growth was 14.18%, you are very much right. There is no need for increase the unnecessary growth also I have to see what deposit, what rate I have to pay on the deposit or what I am earning on the investment.

If I am giving lesser rate on the deposit, whatever I am earning in the investment, then there is a sense keeping the amount in the investment. So, this is the reason I am giving 10% to 11%. So, we are, it is a combination of both because saving bank as well as the current account definitely we want to improve because it is an improvement for the NII's essentially, yeah.

Jai Mundhra, Analyst: Okay. And lastly, sir, if you can quantify of your corporate loans or the loans which are on the MCLR, how much are going to get repriced in second quarter itself, right? So, while, yeah, that will help us understand the level of repricing which is pending in the book. So, how much of the MCLR book are yet to reprice?

Shri. Atul Kumar Goel: I will give you the broad guidelines, Mundra, the 37.12% in the MCLR, RLLR 27.20%, RLLR elite 11%, TBLR 10%. The loan book which is RLR elite, TBLR debt has been repriced very next day. So your specific question, the 37% which we are having the MCLR, most of the part has already been repriced but still some of the account where the term of the, suppose we have given one year MCLR, so some of the definitely is to be repriced.

Jai Mundhra, Analyst: Right. Okay. Sure, sir. And anything on the term deposit side? You mentioned that some of the deposits are yet to be repriced. But if you can quantify, sir, I mean, Rs 1 lakh crore, Rs 2 lakh crore, Rs 3 lakh crore, how much?

Shri. Atul Kumar Goel: Around whatever the deposit is around 20% to 25% is still to be repriced.

Jai Mundhra, Analyst: Of the total deposits.

Shri. Atul Kumar Goel: Of the total deposit, of the term deposit because there is no repricing.

Jai Mundhra, Analyst: Right

Shri. Atul Kumar Goel: Yes, so I am talking about the 25% not only total deposit only the term deposit 25%.

Jai Mundhra, Analyst: Alright, so 25% of the total term deposit you are yet to reach. Right.

Shri. Atul Kumar Goel: Yes

Jai Mundhra, Analyst: 60%, 70% has already repriced.

Shri. Atul Kumar Goel: Yes, yes

Jai Mundhra, Analyst: Okay. Great sir, thank you and all the very best sir.

Shri. Atul Kumar Goel: Thank you. Thank you.

Anand Dama, (Host): Thank you Jai. Next question we will take from Yash. Yash please unmute yourself.

Yash, Analyst: Hi sir thanks for this. Sir just wanted to check one question on the restructured book while the overall restructured book seems to have declined the OTR 1 has seemed to slightly increase on a sequential basis. So just wanted to check if I'm looking at it correctly and secondly how's the restructured book behaving overall and if there are any slippages in the current quarter.

Shri. Atul Kumar Goel: Okay. I will give the exact data as on date OTR 1 is Rs 5,247 Cr is the outstanding out of this Rs 3,231 Cr is the standard, Rs. 2,016 Cr is the NPA. If you see the OTR 2 the outstanding is Rs. 9,911 Cr. out of which standard book is Rs. 7,323 Cr NPA is 2,588 and we have already made the provision on this book around 10% as per the regulatory guidelines. It is declining quarter-by-quarter, it declining and 10% provision is already had on the entire book.

Yash, Analyst: Okay. So the slight increase in OTR 1 is just a part of it I mean.

Shri. Atul Kumar Goel: The increase part, but if you compare from the March number also you see it is declining it is a total implemented was Rs 7,328 crore, outstanding is Rs. 5,247 Cr.

Yash, Analyst: Okay. Got it, thank you

Anand Dama, (Host): Yeah, thank you, Yash. So next question will take from Mohit.

Mohit, Analyst: Yeah. Good evening, sir. So just one question. While our slippage numbers have gone down on a quarter-on-quarter basis, if I'm looking at the SMA 2 number that has increased, as I'm comparing with March '23. Is it because of seasonal factors? Or it's not so working with the possible reasons for it.

Shri. Atul Kumar Goel: Mohit, there is a days calculation because on account of the February, so 90 days means account is not coming. April 1, if you see the other quarter also the number is declining quarter-by-quarter is declining, but if you're comparing from the March that is on account of the 90 days calculation. Yes.

Mohit, Analyst: Understood. You're saying in March quarter because of February month. It's not crossing 90 days

Shri. Atul Kumar Goel: So that impact is coming on the 1st or the 2nd April.

Mohit, Analyst: Okay. Okay, thank you sir. Thanks

Anand Dama, (Host): Thank you, thank you Mohit. The next question will take from Rakesh. That will be the last question.

Rakesh Kumar, Analyst: Hi. Thanks, thanks Anand. So, first question was sir, sir, on the non-PSL agri, it's a pretty sizable number for us. So, so what is the status in terms of yield and asset quality sir, nonPSL agri loan?

Shri. Atul Kumar Goel: Non-PSL, there is no challenge. Non-PSL to be very good corporate

Rakesh Kumar, Analyst: No, no, so non-PSL agri is corporate you are saying?

Shri. Atul Kumar Goel: So, yeah, corporate basically, I can give another like etc also, yeah.

Rakesh Kumar, Analyst: Okay. Okay, so that is on sir, like, so what is the yield that we generate on that book sir?

Shri. Atul Kumar Goel: Yield because both the things we cannot maintain if we have to maintain the credit quality we have to little bit compromise on the yield also.

Rakesh Kumar, Analyst: Correct, correct, correct sir. Okay, okay, okay. Thank you sir. Thank you. Thanks a lot sir

Shri. Atul Kumar Goel: Okay, okay Rakesh, thank you very much.

Anand Dama, (Host): Thank you Rakesh. Sir we will now wind up the call if we have any closing remarks to make. Over to you sir.

Shri. Atul Kumar Goel: Thanks Anand. If anybody has any query also they can send to my investor relation department also we will love to reply any query if they have not on account of any reason they could not ask the question also.

Anand Dama, (Host): Sure sir. Sure. That's great sir.

Shri. Atul Kumar Goel: Thank you. Thank you, Anand. I want to assure to all my analysts and the investor also this last quarter was also very good, this quarter is also very good, you must have seen the improvement in the assets quality, which is that normally the challenges and the question from the analyst side also. So, now we have revised our guidelines also this 1% for the net NPA and 6.5% for the gross NPA number.

Bank is doing very good because there is so many other thing also like digital transformation, HR transformation, which is not reflecting in the number reflecting in the number by improvement only, but a lot of step we are taking for the digital transformation, HR transformation, a result on account of result of this number is coming. Even the as far as assets quality, we have taken a lot of improvement for the underwriting as well as the collection efficiency.

Collection efficiency, each and every account if we are giving for the retail loan either NACH is mandatory either the standing instruction for the link account. On account of this our SMA is reducing, our collection efficiency has improved, yield of advances also been increased, and the recovery also because we are having that is my goldmine, whatever the recovery fees are having more than Rs 70,000 crores and apart from that we are having around more than Rs 90,000 crores TWO book.

Our focus is on the recovery, the moment we are in a position to recover more amount also, it will increase our profitability, it will increase our operating profit, and it is helping us to increase the NII. So, bank is on the right track and the bank is going on the right track for and the profit also I told you instead of the Rs 4000 crores, profit at least will be double from the last year, what we have won. Thank you. Thank you very much, Anand.

Anand Dama, (Host): Thank you, sir. And the best wishes to the management and all participants on this call. That's all for today. Thank you.