"Punjab National Bank's Q4 FY'2023-2024 Earnings Conference Call

May 09, 2024

MANAGEMENT: **SHRI ATUL KUMAR GOEL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**
SHRI KALYAN KUMAR – EXECUTIVE DIRECTOR
SHRI BINOD KUMAR – EXECUTIVE DIRECTOR
SHRI M PARAMASIVAM – EXECUTIVE DIRECTOR
SHRI BIBHU PRASAD MAHAPATRA – EXECUTIVE DIRECTOR

MODERATOR: **MR. RAKESH KUMAR – B&K SECURITIES**

Deepak Singh: Good afternoon, ladies and gentlemen. I, Deepak Singh, DGM at Strategic Management, Welcome you to the Punjab National Bank's Earnings Conference Call for the Period-ended 31st March 2024.

The Bank is represented by the Managing Director and CEO – Shri Atul Kumar Goel ji, Executive Director – Shri Kalyan Kumar ji, Shri Binod Kumar Ji, Shri M Paramasivam ji and Shri Bibhu Prasad Mahapatra ji and other senior members of the top management.

The structure of the concall is that include an "Opening Statement" by M.D. and CEO Sir and then the floor will be open for interactions.

Before getting into the concall, I will read out usual disclaimer statement. 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 statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future period to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Investors are therefore requested to check the information independently before making any investments or other decisions.

Over to M.D. and CEO, sir.

Atul Kumar Goel: Thank you very much, Deepak ji. Good afternoon to everybody. I welcome all the Analysts and the Investors attending this Conference Call also and it is my pleasure to present the Quarterly as well as the Yearly Result of the Punjab National Bank for the Financial Year March 2023-24.

This quarter as well as the financial year was the one of the best quarter in the year for the Punjab National Bank as well as financial result of Bank is concerned. And I think whatever I have promised to all the analysts and the investors in the last quarter or the previous quarter also, I think we are in a position to deliver the same number whether it is NII, we have projected around 10% growth, similarly, the operating profit we have projected the growth of around 10% and we have given the guidance that gross NPA will be less than 6%, it is 5.73%, then we have given the guidance net NPA will be less than 1% and PCR will be more than 90%, that is 95%.

So, I think we have tried our level best to come up to the expectations of all the analysts also and we definitely need your support also.

I will give my opening remarks. As far as the gross business of the Bank is concerned, it is 23.53 trillion with a growth rate of 8.6%. The composition of this gross business, the gross deposit it is 13.69 trillion at the end of March '24 with a growth rate of 6.9%. As far as advances or credit is concerned, there is a good growth of around 11.2% YoY, and it stood at 9.83 trillion.

CD ratio is very comfortable, 71.79%. Saving, there was a growth of around 3.5% and it stood at 4.80 billion and total CASA is 5.38 trillion as on March '23 increased to 5.52 trillion, with a growth rate of 2.7%. The CASA percentage was 41.44% as of March '24 and our guidance for the CASA for the next financial year '24-25 will be around 42%.

As far as RAM is concerned, RAM is around 55.18%; it is 5.20 trillion out of the total advances of 9.83 trillion, and we want to increase RAM to 60% in two to three years span.

As far as come to the profitability number, the net interest income, there was a growth of 9.1% in YoY. 9,499 was the number of the NII March '23 quarter which has increased to 10,363. If you see the whole of the year '22-23 the NII was 34,492, which has increased to 40,083 with a growth of 16.2%. The quarterly was 9.1% and yearly growth is 16.2%.

Similarly, the operating profit for the quarter ended March '23, it was 5,866 which has improved to 6,416 in March '24 quarter with a growth rate of 9.4%. If you see the operating profit for whole of the year, it was 22,529 for the financial year '22-23, which has improved to 24,931 with a growth rate of 10.7% and with the guidance of around 10%.

As far as net profit is concerned, there is a jump in the net profit. The net profit of the Q4 '22-23 means March '23 was 1,159 crores which has increased to 3,010 crores in March '24 quarter with a growth rate of 159.8%. And the profit of the whole of '22-23 was Rs.2,507 crores which has increased to 8,245 in '23-24 with a growth rate of 228.8%. I would like to tell the net profit of whole of the year in '22-23 was 2,507, in the last quarter itself, we have crossed this mark and the net profit of the last quarter of the '23-24 was more than 2,500, it was 3,010. So, whole of the quarter we have achieved in the last quarter of the current financial year that is '23-24.

One more thing, I would like to tell you. The operating profit number of 6416 crores, NII of 10,363 crores and net profit of 3,010 crores, these three number for the last quarter of the financial year '23-24 means March '24 quarter is the highest in the last 16 quarters of the Punjab National Bank.

As far as GNPA number is concerned, the GNPA which used to be around 77,328, it has reduced to 56,343 and percentage has reduced from 8.74% to 5.73% from March '23 to March '24. Similarly, the net NPA which used to be 22,585 in March '23 has reduced to 6,799, less than 7,000, 2.72 was the percentage of the net NPA in March '23 has reduced to 0.73 and our guidance was, it should be less than 1%. So, we have also achieved this guidance.

The PCR of 86.90% was in March '23 has improved to more than 95%, 95.39% in March '24.

Most important is the credit cost. If you see the credit cost, the credit cost for the last quarter of the '23-24 was Rs.1,957 crores. We have provided provision for the NPA which is coming to

0.81% as against December ‘23 quarter 1.26%. And if you see the full of the year it was 1.40% credit cost as against 2.03% in ‘22-23. And our guidance for the next year ‘24-25, it will be less than 1% the credit cost.

Slippage ratio if you see, last quarter slippage ratio was 0.98 and slippage ratio for the whole of the year ‘23-24 it was 0.72% as against the ‘22-23 last year was 2.31%. Our guidance for the next year ‘24-25, the slippage ratio will be less than 1%.

As far as capital is concerned, the capital adequacy has been improved from 14.63 in December ‘23 to 15.97 in March’24, this is on account of the profitability of the whole of the year as I told you 8,445 was the total profit, then after the dividend part which I will also explain it has been increased and last quarter also we have raised around Rs.1,800 crores. So, on account of this, this capital adequacy ratio has increased to 15.97% as against the requirement of 11.5%.

Domestic Cost of deposit if you see it was 4.54 in the March ‘23 which was 4.9 in the December ‘23, has increased to 5.06. You are aware on account of the increase in the deposit rate, this cost of deposit was bound to increase.

Similarly, the domestic yield of advance which was 8.05 in March ‘23, in December 23, it was 8.54 and it is flat 8.54 in the March ‘24 quarter.

As far as NIM is concerned, NIM for last quarter of the last financial year March ‘23, it was 3.38, domestic NIM it was 3.25 for the last quarter March ‘24 and NIM global it was 3.24 in the March ‘23 quarter which is 3.10 for the March ‘24. If you see the whole of the year, it was 3.23 domestic and 3.09 is for the global. Last time we were given the guidance, our NIM will be around 2.9% to 3% that we have achieved and the next year also guidance is the 2.9% to 3%. Although we are giving the guidance little whatever we have got the NIM but our effort will be there. Last time also I advise you our effort will be like this that every quarter-by-quarter net interest income should increase in the absolute number.

So, as far as fresh addition is concerned, last year March ‘23 Quarter, the addition was 3,996, which has reduced to 2,206 in the quarter March ‘24. And if you see the whole of the year 22-23 total addition was Rs.16,029 crores which has reduced to Rs.5,826 crores.

So, two things. I think we were able to contain the slippage, we were able to reduce the credit cost. This was one of the factors to increase the profitability of the Bank. And since we have already improved our PCR by 95%, I am hopeful in times to come there will be a scenario, there will be a reversal of the NPA provision because the movement of the NPA which you must have seen because the recovery in the TWO account because we are having the good kitty of the TWO around Rs.90,000 crores, that is not reflecting in the movement of the NPA. The total recovery of the Bank, including TWO as well as derecognized interest. In '22-23 it was 29,095 crores as against 32,000 crores. If you adjust the recovery and the addition of the same year that it will be 24,576 and this number we have given for the current financial year '23-24, 22,000 was our target, total recovery was 22,530. So, you can see the fresh addition was 5,826 against this total recovery was 22,530, including the recovery from the write-off account.

One more thing I would like to clarify. If you see our establishment cost has increased because that is only on account of one thing, AS-15 provision AS-15 provision for the March '24 quarter was 2,396 as against 1,244 in March '23 and only 333 crores in December '23.

The reason for the increase of the AS-15 was on account of 3-4 reasons: First is as per the new settlement leave encashment which was 240 has increased to 255. Additional leave encashment will be available to the employee at the time of the entire 15 days at the enhanced salary for the entire 255. This was one of the reasons. GSec rate which was 7.18% in the December '23 has reduced to 7.05% on account of the change of the yield on the reduction side. Pension requirement has been increased. The third is the pension requirement. AS-15 has increased on account of the increase of the wage revision which was 17%.

The one more thing. Because ex-gratia was also introduced first time in the new settlement. It has also impacted the AS-15 provision. On account of this 2,396 we have provided in the March '24 quarter. This was the reason. Otherwise, if we reduce this from the establishment cost, payment to the wage revision is more or less on the same lines on quarterly basis, point number one.

Another thing is the credit cost. I have already discussed this with you also. It was 0.81% for the quarter and 1.4% for the whole year and which will be less than 1% of the next financial year.

Sector wise slippage, in agri it was 804, also, MSME is 666 crores, retail 422 crores, others 187 crores and 128 crores were increase in the existing. This was the breakup of Rs.2,206 crores.

Normally you ask about what is the floating rate on the credit side. As on date MCLR 35%, repo around 40%, TBLR 10%, fixed 9%, other is base rate 2%. So, this is about the composition of the interest rate on the floating and the fixed also.

One more thing I would like to tell you is our new underwriting, which normally I give you every quarter, how the new underwriting is because you may be asking why there is a reduction in the slippage. So, we have taken a lot of initiative how to improve the underwriting standard as well how to improve the collection efficiency. So, we have done a lot of work on this. On account of this, I will give you the data from the 1st of July '20 till March'24. So, it is a data of more than 3.5-year. So, in new underwriting, 7.87 trillion we have sanctioned, 7.10 trillion, we have disbursed, outstanding is 5.53 trillion and NPA in this new underwriting in more than 3.5-years is 1,775 crores which is coming only to 0.25% of the new underwriting. So, this is one of the reasons for containment of the slippage.

I can give you the further breakup segment wise of 0.25%. In agri it is 0.38 only, MSME it is 1.42, retail it is 0.21 and others means corporate it is negligible.

As far as capital adequacy is concerned, we are adequately capitalized because our capital ratio is 15.97 as against the requirement of 11.50, even CET-I is 11.04% as against the requirement of 8%, more than 3% we are having. Similarly, the AT-I is at 2.13% as against the requirement of the 1.5 and the Tier-2 is at 2.8%.

And as far as our capital raising plan is concerned, although we are not in immediate need of the capital because we are already at 15.97, we have got the approval of the board for raising 7,500 QIP in the coming financial year '24-25. In addition to that, we already had the approval of the board for 7,000 crores for AT-I bonds and 3,000 crores for Tier-2. The total we are having in place board approval was 17,500. So, this is the capital plan.

One more thing I would like to highlight you what is the position of the NCLT which you normally ask. In NCLT 805 accounts we have applied for 1.03 trillion, out of which 776 accounts of 1.02 trillion has already been admitted, 24 accounts of 1,737 is still to be admitted.

As far as recovery in NCLT is concerned, 3,603 crores recovery we have made in the last financial year '23-24. Quarter wise recovery, first quarter 566, 556 in the second quarter, 3rd Quarter 1,831 and the 4th Quarter is 648. This is from the NCLT, and we hope more than 3,000 crores within the range of 3,000 or 3200 we should be in a position to recover from the NCLT route in the coming year '24-25.

As far as transfer of asset to NARCL sale is concerned, last year we have transferred around 12 accounts to the NARCL of outstanding of Rs.3,524 crores.

I think I have tried my level to cover all the things also. So, I will stop myself with this my initial remarks. We will be happy to answer of your any question, any query you are having in mind. Once again I place on record, the support which we are getting from all of you and to improve the performance of the Bank.

Thank you very much.

Rakesh Kumar: So, just to start with sir, like you know there are a couple of PSU banks which have already announced their numbers and RBI draft circular has also come on this provisioning requirement on this project finance issue. So, would like to get your opinion and what is the exposure that we have and would there be any impact on our Bank or not?

Atul Kumar Goel: Rakesh, I think this is a very important question. So, point number one, it is draft guidelines. The RBI has given draft guidelines, it is for the consultation to all stakeholders whether it is from the borrower side, whether it is from the Bank side. I think we should not panic.. The regulator is thinking that if there is more risk, there should be more provision and they are trying to bring in the discipline.. So, from the regulator's point I think there is a merit to this also. Now, your question will be 5% earlier we are making 0.40%, now we have to make 5% then 7.5% where it is increasing, then it will come down to 2.5% for the operational project and 1% after the cash flow has been paid, 20% after the issue. This may be the point of discussion whether it is adequate or not, this is a consultative process because the RBI has given the timeline up to 15th June 2024. So, we will discuss this matter regarding the provisioning requirement. And one more thing I would like to tell you, Rakesh, a lot of clarification is also required. In my personal opinion whether this draft guideline is applicable to all types of infra projects, non-infra project also, project loan, and it is applicable for small amount also whether it is 50 lakhs, 1 crore. We will also take clarification whether it there would be some limit on which it will be applicable. You are also asking what is our exposure. I have given so many loans which I am classifying in infra. Let us take the example of the InvIT. I have given the loan to so many. They are operational projects. I will classify in the infra. I think we should wait for a little bit, we should think and we should take up the matter. But the question will be what should be the provision requirement. I think as on date the Bank has a very healthy balance sheet and provision is normally required when the position is healthy. So, I think from the regulator point of view, I think it is an appropriate guideline. So, I am not panicked. Even if we are required to provide, we are very comfortable, we will be easily in a position to provide.

Mahrukh Adajania: Sir, I have a few questions. Firstly, if you can help us on what the monthly wage bill will be or quarterly wage bill will be from next year, that will be helpful. Secondly, if you could give us some outlook on loan growth and margins. Because 4th Quarter anyway, margins look a little better than previous quarters because of higher recovery income. So, if you could call out the recovery income separately in the 4th Quarter and 3rd Quarter. And also talk about sustainable margins for the whole of FY'25, that would be helpful.

Atul Kumar Goel: Mahrukh, as I have clarified, Rs.2,396 crores we have made a wage provision for Q4 FY24. If you see my total payment to the employee for the last quarter is Rs.5,630 crores. So, you reduce Rs. 2,600 Cr, it is coming around Rs. 3,300 Cr, but our average bill will be around Rs. 3,500 Cr, because if you see the wage arrears, in December '23, we have made Rs. 800 crores provision because we have provided sufficient in the earlier quarter also. There was no requirement to make the provision for wage revision in the March '24 quarter which was Rs. 150 Cr. So, this is the reason actual payment is coming on the lesser side. So, in my opinion, wage revision should be around 3,500 to 3,600 per quarter as far as wage bill is concerned apart from the AS-15 provision. Your second question about the margin also. Margin, as I told you, Mahrukh, if you see my NII is 3.25% for the last quarter (domestic) and 3.10% global NIM and last year also we have given the same guidance, that 2.9-3% NIM is sustainable. . And one more thing if you see every quarter our endeavor is that quarter-by-quarter my net interest income absolute number should increase and if you see the last eight quarters every quarter it is increasing.

Mahrukh Adajania: I just have a comment on what you said about the draft circular. So, your point is very well taken that the Bank has good provisioning now. So, you are in a comfortable position to take any higher provision. But sir, that on the back book or on the existing book, you will be able to take the provisions that are due, right, and you will also have a lot of operational projects, so to that extent your provisions will be lower. But the point is that each incremental loan in capex say the guidelines are applicable from today and you are doing new capex today, each incremental loan will come with a 5% burden for three years at least, because that is the time to construct any basic project, right? So, I mean, these loans may be loss-making or maybe very, very costly for at least three years after which the pool stabilizes and that's the concern that it will hurt capex and therefore it will hurt overall banking loan growth because people were very optimistic that with capex, loan growth in the banking system will improve.

Atul Kumar Goel: Mahrukh, to some extent, you are right. As I told you from the regulator perspective it is a draft guideline,.Whether it is coming to implement over the 5%, the regulator has given this paper for the consultation. Every stakeholder will give their views. If there is a risk in any project or in implementation of this, definitely from that point it looks good, but definitely it will hurt the Bank if you are required to make the provision. So, let us wait for the final guidelines. 15th June is the time. Because you are saying if 5% has to be implemented, so we will try to pass on also because ultimately profitability will be a little less than capital requirement of the Bank.Even for the NBFC also, regulator has increased the RWA on the NBFC and whatever the additional pricing we have passed on I think more than 80-90% borrowers have already agreed. So, even in this case, if there is some need of the increase of the pricing also, we will pass that on.

Jay Mundhra: I have just a couple of questions. Firstly, on the LDR side, sir, like LDR has reduced this quarter. Like What is the LDR target that we would like to keep for FY'25 basically?

Atul Kumar Goel: Loan-to-deposit ratiowas 69.05% in March '23, if you compare March '24, it has improved to 71.79% and if you compare from the last quarter whenit was 73%, it has reduced. So, I we are on the lower side also, we will try to improve from 73% to 75%. This was the reason if you ask me why there is not much growth in deposits, the question should be why the deposit growth is 6.9%. Because I don't require deposits, my CD ratio is very comfortable. Even I am having the excess SLR of more than Rs.1 lakh crore.

Ankit: Sir, my first question is after performing this much, sir what is the future trajectory and from which segments queries for loan are coming? Given the prevailing economic conditions, which sector are you more confident for distributing the loans?

Atul Kumar Goel: Ankit, two, three points I would like to tell. There is good demand in the RAM sector, in retail, particularly for housing loan, and vehicle loan. My percentage of the total loan to the RAM is around 55% and we want to increase this number to 60% in times to come. This will be our focus area. Second, we are the one of the largest Bank in the country. If really we want to support the economic growth of the country definitely we should give loans to corporates also. What trend I am seeing is earlier they were not using the working capital to the extent. They have already got the sanction now maybe on account of the profit earning outlook is also good for the corporate also, now they have started utilizing also. Even if you see a lot of capex has not come in the last year from the private side also. Now I am seeing the traction. Steel industries, cement industries on account of infra there is a lot of demand from this sector also. So, some of the corporates now are approaching us for expansion in their steel production as well as in cement.. And there is a lot of demand from theroad project side also. We have financed a lot of road projects in the last year and there is a good demand in the current year also.So, I am seeing demand from the retail, RAM sector, infrastructure sector, particularly road, etc., even there is credit in pipeline for capex in the steel and the cement.

Ankit: Recently you have tied up with IREDA. Are you seeing any traction in green projects there, why you have tied up, any comment on that?

Atul Kumar Goel: We have tied up with IREDA, we have tied up with the REC also and we are going to tie up with one more of the infrastructure financing company. The purpose is that sometimes they are getting the project for more than their appetite.. They can pass on part of debt to us. Also, they have the expertise of financing the project like IIFCL, REC, PFC, etc. also for the power project, they have the expertise. So, if they are not in a position to take the entire loan for that particular that we are participating in that..

Ankit: Slippages quarter-on-quarter have increased. Any concern, sir?

Atul Kumar Goel: No concern. We are having the book of more than 9 trillion. So, slippage amount if you see was Rs.2,206 Cr in Q4 and in Q3 it was 1793 Cr . I mean, if you see the last eight quarters, every quarter the slippage is reducing, I will give you the sector-wiseslippage also; the agri is Rs. 804 crore, MSME is Rs. 666 crore, retail is Rs. 422 crore, and other is Rs.187 crore, out of only one account of around Rs. 115 crores. So, there is no worry at all. And if the slippage is there, we will recover. If you see our recovery is more than two times of the slippage.

Ankit: Why the dividend is so low, sir?

Atul Kumar Goel: Last year, we have declared the dividend of 32.5% it was 65 paise per share, we are having the share of Rs.2. This time board has recommended subject to approval of the shareholders 75%, Rs.1.5 per share of Rs.2 and total payout of the profit is 20.03%.

Ankit: I am saying, sir, now you are very profitable. Other PSU banks are giving a lot more than your face value like you have given 75%, Canara Bank has given a lot, I think double. Sir please sir for about shareholders.

Atul Kumar Goel: I have given more than double; 32 to 75, , I have given you 75%.

Jay Mundhra: I wanted to check on CD ratio. Our focus is to improve net interest income in absolute amount and that we have been doing for the last few quarters. Our CD ratio to start with was already low. Now in this quarter, the loan growth is not very high, only 1%. So, what happened? I mean we had excess liquidity, we could liquidate some excess SLR also. So, what actually happened that our LDR actually declined, and we could have improved even further, if the growth was low, we could have improved.

Atul Kumar Goel: Jay, I will give the answer to your question. 73% was the CD ratio in December '23, definitely it has declined to a little bit, 71.79%. So, if we will not raise further deposit because there is no need for the deposit, automatically CD ratio will improve. As I told you for next year, our guidance for the credit growth will be 11% to 12% and this is the reason we have not raised the bulk deposit because bulk deposit is not available less than 7.5 or 7.6.

Jay Mundhra: No, I understand about the future, sir. I am asking in the March Quarter why did our CD ratio declined? If in future we want to improve or increase CD ratio -

Atul Kumar Goel: It is a simple answer. The deposit growth was much more in that particular quarter as compared to the credit growth, that was the only reason. Nothing else.

Jay Mundhra: Would that change sir, because at system level there may not be any change, but would it change for your Bank that now credit growth will be higher and deposit growth will be slower?

Atul Kumar Goel: Jay, as I told you, I am having the 1 lakh extra SLR also. Then we will see whether if deposit is cheaper and I am having another avenues also to deploy that fund in the more remunerative manner, then we will raise the deposit. If I do not have the opportunity to gain on the deposit side also, otherwise we will not because then we have to see at what rate we are getting the deposit, what I am getting on the yield on the investment.

Jay Mundhra: We have a guidance of 18,000 crores of recovery for full year. Is there any exposure out of this, let's say, where do you have a visibility of more than let's say 500 crores, are there any some of those assets or this is likely to be granular only?

Atul Kumar Goel: Jay, it is our gold mine. Rs.90,000 crores we are having the TWO and around Rs.55,000 crores We are having the gross NPA, 1,45,000 crores. We have just made an analysis of how much we are in a position to recover. Even if we think 40% to 50% of the total, every year we will be in a position to recover easily around 15,000 to 20,000 crores easily. Even if you are asking for \some bulky account also, we have made an analysis that what should be the recovery from basically NCLT. So, NCLT last year we have recovered around 3,600 crores and we have made a quarter wise analysis. Even we are thinking around 3,000 to 3,300 will be recovery from the NCLT in the next financial year. And definitely we are also giving the focus on the small account also because we are having the very good amount in the NPA, the smaller account also and some of the account where we are having the sole banking and we are equivalent, mix of all.

Jay Mundhra: So, out of this, let's say 3,000 to 3,300 crores is going to be the NCLT-related and -

Atul Kumar Goel: Yes, that is our estimation.

Jay Mundhra: Rest could be granular only, right, below 100 crores size?

Atul Kumar Goel: It may be much more because it is a recovery amount which I told you. Sometimes you have to take the haircut also. Account may be more than 100 crores but you are getting less than 100 crores also.

Jay Mundhra: On credit growth, we are saying 11% to 12% which is lower than last year 12% to 13% guidance. Our net NPA has improved, our capital has improved, our profitability is also improving. So, why 11%, 12%, sir? And within that, how much could be corporate credit growth?

Atul Kumar Goel: If you see my credit growth in the June quarter, September quarter and the December quarter, the growth was more than the guidance, 12% to 13%, June quarter, it was 14.6%, September quarter, it was 13.4%, December quarter, it was 12.9%. But last quarter was 11.2 because if you see the March '23 quarter we have done some bulk deal also. On account of this it has decreased otherwise we were at par whatever guidance we have given. This is the reason we are giving the growth of the 11% to 12%. If definitely opportunity will come where we are in a position to give more than the 11% to 12% also, we will revise the guidelines but as on date it is 11% to 12%.

Jay Mundhra: And how much of that could be corporate, sir, would it be similar 11%, 12% or higher or lower?

Atul Kumar Goel: It is the availability of the corporate as well as the RAM also. As I told you, our focus will be on the RAM. If we are in a position to garner good deal in the corporate also, we will not mind to lend them also.

Jay Mundhra: There is a new investment norms effective from April 1st. If you can quantify what is the accretion to CET-I, AFS reserve and general reserve as of April 1st.

Atul Kumar Goel: Because this new guidelines is applicable from the 1st of the April and we are required to shift from the HTM, AFS, HFT, there is two more, the FVTPL, FCOCI. Your specific question what will be the amount which will be transferred. That will be around 5,000 crores.

Jay Mundhra: So, that number is good, sir. I mean, other banks have reported 1/3 of your number. So, this number of 5,000 crores accretion looks very good.

Saurabh: So, just two questions. One is on your OPEX growth. Could you just quantify how much do you expect it to be, especially both if you can break up in staff and other expenses? And the second is in terms of your gross slippages what is the number you would guide for?

Atul Kumar Goel: As far as the OPEX, I will divide it into two parts. First is the employee cost and other is the Other OPEX. And if you see the payment to the employee, it is around 5,630 in the last quarter, but there was an AS-15 provision around 2,396. So, if we are thinking definitely in the times to come, our requirement of the AS-15 will reduce because it is on account of the increase in the wage revision, etc., also. So, I think wage revision will be in the range of 3,500 to 3,600. And then in addition to that, whatever the requirement of the AS-15 provision we will make. As far as the other operating expenses is concerned, other operating I think within the range of 5% to 7%, they will be increased, there will not be much increase in the other operating expenditure.

Saurabh: Sir, just I had one question on SLR, sir. So, net-net, if we see from March '23 to March '24, we have SLR on the outstanding basis is still rising and though the non-SLR number is stagnant. So, just a broader question that how we would like to, because we have excess SLR so that we would liquidate the SLR and do the credit growth or we will kind of raise the duration further and try to take some gain on the profit on sale of investment side. So, what is the play that we are trying to have on the SLR investment side, sir?

Atul Kumar Goel: It will be the mix of both. Point #1, whether we want to increase the SLR portfolio or not, it depends on whatever interest rate view. If my theory is thinking interest rate will file in times to come, definitely it is an appropriate time to invest in the SLR securities. If they are thinking about interest rate, definitely we would like to shed some of the excess SLR also. As I told earlier also how much I am getting on the investment in the SLR and vis-à-vis what will be my incremental cost of the deposit. So, I have to see both the number also. If the incremental cost of deposit is lesser than whatever yield I am getting on the investment, I would prefer to raise the deposit instead of shedding my SLR. If deposit is much more than whatever I am getting the yield on the investment, definitely I will not mind to shed my SLR investment.

Saurabh: And on non-retail term deposit growth side how is the dependence there because that is also being handled by the treasury itself, so like on the non-retail term deposit growth side if you can tell us that, like are we increasing the dependence there or how the things are -?

Atul Kumar Goel: You see my deposit growth. This is the reason. My growth is only 6.9%. We are not dependent on the bulk deposit. Need-based we are raising because we are not in this market but definitely where we are getting more return also then we are raising, otherwise we are not.

Saurabh: Just one question on your current accounts it seems that there's obviously lots of market share. Can you just quantify like what's happening there on current accounts for you specifically? And if let's say we do get a cap, I mean, improvement in CAPEX, you think that share for you can go up given your exposure into like corporate accounts. So, if you can just talk about your current account.

Atul Kumar Goel: Saurabh, actually I will take it differently. We are not losing the market share in the current account. This type of the deposit is very volatile. Sometimes you don't know at what time it will be increased, at what time it will be decreased. Point #1 we have just issued the corporate mobile app, which will definitely help to come to this segment also, lot of people will come, they will open the current account through mobile app which was not earlier which we have launched in the last month only. And another thing, current account if you see how many account we have opened in the last year; '23-24 we have opened around 2,68,000 accounts as against the 2,00,000 accounts which we have opened in '22-23. So, amount will also flow in this account. But this segment is very volatile; sometimes you have 60,000, sometimes 70,000, sometimes 80,000, it is very fluctuated, but you are right and we are very sanguine for this how to improve this because it is a zero sum game for us also, we are aware and we are taking a lot of steps on how to increase the current account.

Vinayak: Can you please quantify the amount of deferred tax assets you have and is it possible for you to move to the lower tax regime from FY'23?

Atul Kumar Goel: Vinayak, actually, we are under discussion with our tax consultant also. As on date we have not moved. Definitely, we are aware. If we will move definitely there should be a benefit of the tax rate also but as on date our tax consultant is advised not to move to the new regime because we are having some entry which is beneficial for us in the old regime.

Vinayak: And can you quantify the amount, sir?

Atul Kumar Goel: DTA? I will send you, Vinayak.

Rakesh Kumar: So, there is one question in the chat box that out of the total Write off pool, what is the composition in the NCLT and non-NCLT?

Atul Kumar Goel: You are asking the how much is the pool in the NCLT and-?

Rakesh Kumar: Non-NCLT sir. Out of the total Written off pool of around 90,000 crores, how much is part of NCLT and how much is the part of non-NCLT loans?

Atul Kumar Goel: I have to check the exact number, Rakesh, but normally because the account which are in the NCLT is of high value. So, such type of the account we have already written off. So, in my opinion I will check the exact number. NCLT whatever the account that must have been little. The other will be the non-NCLT number here.

Aslesh: The slippages in the agriculture sector has increased in this quarter. So, any reason for that? And secondly, if you can share the average cost of outstanding term deposits and also on the incremental term deposits?

Atul Kumar Goel: As far as slippage is concerned, not very increased slippage. If you see it was around 1,800 crores and it was around 2,200, so 300 to 400 crores is the total slippage. But if you see the agri, normally it remains around 800 to 700, there is not much increase in the agri side also. So, it is on the same line, but 200, 300 there may be fluctuations also because we are having the loan book of more than 9.85 trillion. As far as your question about the average cost of the term deposit, normally 95% of our deposit has already been shifted to the new term deposit. So, if you see my oneyear term deposit is around 7.25.

Aslesh: So, you don't expect a lot of increase in the cost of deposits for you over the next few quarters?

Atul Kumar Goel: 95% has already been repriced, only 5%, which was in the long-term in the nature maybe for five years, six years that has to be. So, I don't think there will not be because most of the deposits is one year in the nature.

Anand: So, basically first thing is the new investment classification norms, which have come from 1st April 2024. What will be the CD-I benefit that we will reach because of that? Secondly, we have heard a lot of news going around particularly in the state of Punjab, where the microfinance players have seen some stress. Any repayment behavior changes that basically we have seen for any of our retail or the agri loan in state of Punjab, basically if you can talk about?

Atul Kumar Goel: Anand, as far as your first question, what will be the increment on account of new valuation. Basically, the unrealized profit has to be taken into consideration. So, as I just told you, around 5,000 crores… because it keeps on changing. Let me clarify to all of you because we are having a subsidiary also, that is listed also. It keeps on changing. It depends on the market. Because what was the market as on date, it keeps on changing because entire is not the debt because we are having some subsidiary, etc., also and share is listed. Around 5,000 crores I am carrying as on the date of the 1st of April, it keeps on changing. Another your question is regarding the Punjab, etc., also. I have not seen any delinquency in the retail or the agriculture side. It is across the same we are getting, and I have given that number also what is my new underwriting, the slippage in the agri, less than 40%.

Anand: The third question that I had was about the project financing exposure. So, basically, I know that the guideline is still drafted. Obviously, IBA certainly will go back to RBI and sit down over there. But is it possible for you to quantify the financing project exposure as on date of our book?

Atul Kumar Goel: Anand, because there is a three type of exposure, because infra, non-infra then DCCO etc., also. So, as I clarified earlier also some of the loan like InvIT loan we have given, it is classified in the in the infra, but it is not as per the circular also. Another we are discounting a lot of HAM project also, that is coming under infra also, there is no DCCO because this basically is linked with the DCCO, circular has come. So, as on date we are not in a position to quantity what is the exact amount here.

Anand: But sir, if we have to just quantify the overall project financing exposure, be it DCCO, not DCCO then what would be that, would be 10% of the overall loan book?

Atul Kumar Goel: Anand, because as I clarified you also because lot of project which is very cash flow generative like the InvIT I have done. This circular is not applicable. Even the discounting we have done for the HAM there is a running operational project where the cash flow is coming. So, I think it will not be correct on my part also to give that particular data where only the circular is not applicable. And it is a draft and let us wait for the final guidelines also. I can assure all of you, whatever the guidelines of the regulator will come in the final guidelines what it will be, we will be in a position to provide adequately, this I can tell you.

Rakesh Kumar: So, I think that is all for today, sir. We have no questions further from here. So, we can wind up the session. We would like to request you to give any closing remark if you have sir.

Atul Kumar Goel: Thank you very much, Rakesh, and thank you to all the analysts also who attended this meeting also, and we have noted some of the suggestions etc., also, whatever we have discussed, and we have tried to reply all the questions also. My request is if any question which they want to ask, they can contact my Investor Relations department also, if you require further information also so we will give you that information.But one thing I can tell you Bank is on the very right path. There is an all-time growth in all the parameters whether it is the operating profit, net interest income, whether recovery from the NPA account or the provision coverage. We are very comfortable in all the issues also. And one more thing I would like to tell; two things this time we have made Rs.150 crores floating provision also for the NPA also. And not only this, we have also disclosed in our notes-to-accounts also, this OTR-1and OTR-2 where the requirement in some of the cases is 5%, in some of the cases is 10%, as on date around Rs.238 crores extra provision we have made with the approval of the board, not only in this quarter, in the last financial year, we are providing 12.51%. So, we are adequately providing all the thing also. And wage revision which I just explained you also, whether it is a pension liability, whether it is a gratuity liability, whether it is on account of the other leave encashment, we have adequately provided, our balance sheet has become very strong also. Normally the question of the analyst is when you will be in a position to get the ROA of the 1% also. So, definitely by the exit of this financial year '24-25 we should be in a position to achieve the 1% ROA. With this what I place on record the support and the guidance that we normally get when we meet the analysts or the industry leaders also for the comment on our result also, that is encouraging us to improve further better with this work. Once again, thank you to all.

Rakesh Kumar: Thank you, sir, thanks to all the participants and the PNB management. On behalf of B&K Securities, we would like to thank the PNB management to giving us the opportunity to host you. Thank you everyone. We can close the session now.