



# “Punjab National Bank Q2 FY2022 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Punjab National Bank Q2 FY2022 earnings conference call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. Participation in this conference call is by invitation only. Punjab National Bank reserves the right to block access to any person to whom an invitation is not sent. Unauthorized dissemination of the contents or the proceeding of the call is strictly prohibited, and prior explicit permission and written approval of Punjab National Bank is imperative. Please note that this call is only for investors or analysts. I now hand the conference call to Mr. Suraj Das from Batlivala and Karani Securities. Thank you, and over to you Sir!

**Suraj Das:** Thanks Jacob. Good afternoon everyone and thanks for joining the call. On behalf of Batlivala and Karani Securities, we welcome you all to Punjab National Bank Q2 FY2022 post results conference call. We have with us today the management team of Punjab National Bank represented by Mr. CH. S. S. Mallikarjuna Rao, MD & CEO, Mr. Sanjay Kumar, Executive Director, Mr. Vijay Dube, Executive Director, Mr. S. K. Saha, Executive Director and Mr. Kalyan Kumar, Executive Director, and other senior officials of the bank. I would now request MD and CEO Sir to start the call with their opening remarks on Q2 FY2022 results post which we will start the Q&A session. Over to you Sir!

**Mallikarjuna Rao:** Good afternoon once again with only a small correction that Mr. S. K. Saha who is the executive director is currently not there. There was requirement of official work where he has gone otherwise I am there with Mr. Sanjay Kumar, Mr. Dube and Mr. Kalyan Kumar and the top management. Now continuing with the brief presentation in fact our presentation has already been published in our corporate website; however, I will trigger the discussions by giving the brief of what we have done at the end of September 2021.

I will directly go to the asset quality with respect to gross NPA you must have observed that we have reduced from 14.33% to 13.63% sequentially compared to June 2021 in September 2021. Similarly the net NPA we have reduced it to 5.49% quarter-on-quarter from 5.84%. Then with the net profit what we have declared is 1105 Crores which is 78% above when you compare with the year-on-year that is September 2020. With respect to CRAR ratio it improved to 15.20% in September from 15.19% in June or 12.84% in September 2020. Coming to the business figures, our retail has grown by 6.7%, agricultural has grown by little over 7%, MSME has grown by 2% overall RAM growth has been reasonably good. Total loan book has grown by 2.7%. You are aware that because of the pressure on interest rates and the high liquidity available, the corporate lineup credit whatever we have given has been changing from one bank to other bank still we were able to create good amount of pipeline in the current quarter.

With respect to priority sector and other advances as we have achieved the targets whichever are required from the government perspective and coming to certain critical points related to net interest income where we have seen the reduction in operating profit though we have booked a net profit of 1105 Crores. If you compare the net interest income with the Q2 of last financial year, we need to remember that in the last financial year until March 2021 for the nine months period there was no identification of NPA because of Supreme Court holding their judgement and when the Supreme Court judgement came in the month of March we have identified and as a result in the quarter ended September and December, the interest income appears elevated because the identification of NPA not being there, interest reversal was not there, that is one reason. Second reason because of the pressure of interest rates we have drastically reduced our interest rate for the MSME and retail segment in view of the competition and we have also reduced our processing fee, particularly for the period from July onwards, once the COVID wave has picked up. Now we expect that these kinds of prices and other things will moderate in the next couple of months to come. However, there are certain other expenses which have been there in this quarter only for example the expenditure related to pension 30% when the family pension has been done, RBI has permitted us to spread it over a period of five years and the total five years component comes to 3800 Crores out of which this year applicability one-third of it we have already provided in this quarter. Similarly performance-linked incentive applicable for the yearly expenditure also has been booked in this quarter that amounts to around Rs. 270 Crores. Other than that there are few staff related expenditure particularly the transfer and other expenditure booked in Q1 because of COVID when the other things are delayed they got booked. There was cumulative impact of few expenses which had also contributed to the decrease.

Another important factor was one time profit which was there in the last quarter of around Rs. 630 Crores out of the recovery in Kingfisher account. The current operating profit appearing at Rs. 4000 Crores at the end of September does not actually reflect the potential of the advances book of our bank. Our December projection will be anything between Rs 5000 Crore to Rs. 5500 Crores which is a normal one. Even if you look at earlier guidance also what we had given Rs. 22000 Crore to Rs. 24000 Crores is our operating profit expected in the financial year, which we will be confidently able to achieve by making up in the next two quarters. This quarter is a little amount of aberration since we have taken care of various other factors.

Coming to the provisioning, the credit cost remained at 1.47% which even earlier we had indicated that it could be hovering between 1.25% to 1.5% accordingly it has stood at 1.47%. There was a write back of around Rs1271 Crores because of settlement of DHFL account which was provided 100% that was also utilized and second there is a new NPA in the September related to SREI Group amounting to Rs.2600 Crores whereupon we have provided 40% so that in future we will not have any difficulty in terms of when the settlement takes place. You will also observe that there is a tax negative just before the net profit, the amount was roughly around Rs. 345 Crores, but the actual figure is around Rs. 700 Crores. That Rs.700 Crores was a provision done by the bank earlier against the dispute between the tax authorities, but the judgement came in favor of the bank as a result of that

we have reversed, but the reversed amount in entirety we will utilize for providing to SREI account. SREI requirement is only 15% based on the record of recovery when the account has become NPA however we have provided additionally by upfront the provision by additional 25% so we have utilized the Rs.700 Crores there and because the requirement of provisions were limited and as was expected the net profit as per the guidance given by us stood at Rs. 1105 Crore, still we retain our guidance our overall profit would be between Rs.4000 to RS. 6000 Crores. It could be so that in the next two quarters the profit may be around Rs.1500 Crore each.

Coming to treasury, treasury has continued to contribute up to H2, last Q1 it was around Rs.1100 Crores what we got treasury income and this quarter is around Rs.1030 Crores and though probably it will come down in the next two quarters but still we are not used any amount from the HTM as per RBI guidelines 5% of HTM is available which assures me around Rs. 650 to Rs.700 Crores of profit whenever we do that. We will be doing it appropriately before the price move up. So otherwise in the next two quarters, our treasury income estimate could be anything around Rs.1200 to Rs.1300 Crores is what we are expecting. This is the overall position with respect to what we have done and now I am open for the queries. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Subrat Trivedi from SBI Life. Please go ahead.

**Subrat Trivedi:** Good afternoon sir and thanks for taking my question. This is regarding the fresh slippage as in Q2 while in most of the segments the slippage has been much lower than that of Q1, in the other segment it is much higher, so if you can throw some colour as to in which segments within these other it has been high and why?

**Mallikarjuna Rao:** That Rs. 4000 Crore settlement contains Rs. 2600 Crore of SREI.

**Subrat Trivedi:** Rs.2031 Crores

**Mallikarjuna Rao:** If you look at retail slippage was Rs. 650 Crores, agriculture Rs.1384 crore , MSME Rs.1555 Crore, everything is under control, others category what you see Rs. 4031crore . There are two big accounts, one is Rs. 2600 Crores of SREI, and another is Entertainment City around 800 Crores.

**Subrat Trivedi:** Okay and any guidance on what could be the recoveries and upgrade for the full year?

**Mallikarjuna Rao:** Right if you have seen the recovery in current quarter itself in Q2 Rs 9126 Crores which you must have observed. This Rs.9126 Crore comprises of Rs. 1589 Crore from retail and Rs. 1256 Crore from agriculture, Rs. 2947 Crore from MSME, and Rs. 3334 Crore from others. So I wanted to drive away the point is that the recoveries have been higher than the slippages in the current quarter. If you take out the exception of Rs. 2600 Crores of SREI which we are aware, the recovery has been much higher than the slippage. Similar element of performance we are foreseeing in the next two to three quarters

and with respect to the recovery I want to give you the little colour on that. We are expecting Rs.1500 Crores of recoveries through NCLT cases in the next two quarters and further recovery and upgradation I am expecting anything around Rs. 15000 Crores so roughly it would be anything between Rs.16000 to Rs. 18000 Crores that would be recovery cum upgradation in the next two quarters and our slippages will be controlled at a gross level at Rs.8000 Crores in the two quarters however when you club all these things because in H1 the slippage has been Rs.13700 Crores roughly. Our guidance has been between Rs. 16000 to Rs 18000 Crore that means in the slippage whatever has happened now there will be a further upgradation during the next two quarters and overall for the year end the slippage will be between Rs.16000 Crore to Rs. 18000 Crore but at the gross level next two quarters it could be around Rs.7000 Crores to Rs.7500 Crores. You must have observed that out of the slippage of Q1 we have upgraded Rs. 2500 Crores in Q2. So based on that kind of a diagram I am giving these details.

**Subrat Trivedi:**

Okay sir, thanks a lot.

**Moderator:**

Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

**Mahrukh Adajania:**

Sir my question is on margins, so you did explain that resale and MSME rates have come down, so rate reduction is the only explanation for lower margins because they have declined quite sharply.

**Mallikarjuna Rao:**

No there are a couple of other reasons also one is that impact is only Rs. 150 Crores in the quarter, the impact of rate reduction is retail and MSME overall impact has been roughly Rs. 150 Crores. However that is related to retail but otherwise large amount because of the high element of liquidity available the repricing of the advances has taken place during the quarter in many of the corporate advances wherever we have funded at the MCLR based funding it has been repriced at repo linked pricing and G-Sec linked pricing that is a major impact on the income. I am expecting this to moderate down from December onwards and because of other sectors also contributing we have seen lower net interest income, lower margin, and lower operating profit, but some of the factors will not be there in the current quarter so there will be a better performance in the current quarter and furthermore in Q4 because the interest rate I am expecting to moderate down because as per the RBI indication itself they will set the liquidity expected to reduce the liquidity to Rs. 2.5 lakhs Crores, Rs.2.5 trillion by December second week. So these are the expectations.

**Mahrukh Adajania:**

Sir you said that the Dewan recovery was Rs.1097 Crores is that what you said?

**Mallikarjuna Rao:**

Dewan recovery Rs. 1271 Crores.

**Mahrukh Adajania:**

Okay sir and what is status on Air India now in terms of what our exposure is and how much is secured and how much is not?

**Mallikarjuna Rao:** In our case everything is what you call government guaranteed only except Rs.400 Crores we have an exposure of Rs. 5457 Crores against which Rs. 400 Crores is the one where the government guarantee is not available remaining entire amount guarantee is available, number one as you are seeing in the public domain we are also seeing the public domain discussions have already started. We are expecting that the resolution could take place to a greater extent by December and if any residual area is there in the next quarter that is in Q4.

**Mahrukh Adajania:** Sir when you have to provide it till the government guarantees how does it work?

**Mallikarjuna Rao:** No now that resolution is decided if you go through the RBI circular also there is a requirement of pursuing for the resolution and if there is any reason of delay in the resolution there is a provision requirement it should be done that is accounting issue, however, coming back now because the resolution is in the sight everything is in the pipeline we are expecting that the things should be to a greater extent resolved, when I say greater extent the resolution with respect to the Tata who have bid for it will be completed by December and the other things where the some of the debt will be transferred to another account where assets will be transferred by the Government of India that would take another one quarter for resolution.

**Mahrukh Adajania:** Right wherein the entire amount do we need to take any provision

**Mallikarjuna Rao:** We have already done that as per RBI guidelines, there is government guarantee.

**Mahrukh Adajania:** Okay sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Karan Gupta from KP Synergies. Please go ahead.

**Karan Gupta:** Thank you. Sir you mentioned some one-off expenses related to employee fund etc. Could you just quantify how much was the total was for this quarter.

**Mallikarjuna Rao:** When I say one-off expense it is related to EF for example performance driven incentive Rs.271 Crores we have booked in this quarter that is related to employee. Second yearly transfer generally it takes place in the first quarter itself because of the COVID that was spread beyond first quarter in fact we did not do anything in the first quarter even though we have done everything was affected in the second quarter generally around Rs. 70 Crore to 100 Crores will be the expenditure on complete overall transfers when we met the transfers. Last year we could not do many transfers because of severity of COVID, but this year there was some element of what you call levy as such we have done transfers even backlog together so that is one more area. Second the NPS contribution increase from 10% to 14% which anyway regularly it is required to be done but the tendency of 10 months amounting to roughly Rs.120 Crores also we have taken care. Then there was also a requirement of medical related issue that is around Rs.139 Crores which we have done. Another related to pension where 30% pension has come for the family pension without any limit there the overall requirement is

Rs.3800 Crores as per RBI guidelines to be spread across five years it comes to roughly Rs.750 Crore to Rs. 780 Crores per year now this quarter being number 2 one third we have done the provisioning so this provisioning will continue in the next quarter up to Rs.50 Crores which we will take care normally, this is not one off provision, it is a new provision started which was not there earlier so I would like to signify these expenditures were not there earlier which we have done in this quarter. Some of them will continue some of them will not be there.

**Karan Gupta:**

Okay sir and sir one more question with the repricing of credit lines as well as the lower interest that you are offering to the retail and MSME segment have you seen an increased competitiveness for the bank or do you expect higher loan growth compared to other banks or do you think now you are at par where the competition was and so basically are you expecting accelerated loan growth going ahead.

**Mallikarjuna Rao:**

See frankly speaking prior to this quarter that means in the quarters of December, March, and June, tremendous amount of competition was there from other banks where some of our smaller accounts in MSME category with a lower interest offered by the other banks were taken over that was a very important trigger for us then we have completely reviewed in all the zones then after taking this feedback and also understanding what kind of interest rate is offered by the other bank who was taking over our accounts we have reviewed the interest rate. So the purpose was two dimensional one purpose is to that we take over at any cost there was a call given by us not a single account should be allowed to be taken over that we achieved from the month of July onwards. Second was taking advantage of this and increasing the credit so reasonably at the end of September we have done that if you compare with others, even in overall credit as well as in other segments but the growth will be much better in the December quarter because from 1<sup>st</sup> of October we have launched a campaign for all these areas and as on today within one month I am seeing a very reasonable sanctions which have come in all these areas so this has got two dimensions, one is to arrest the takeover, second is to see that the growth will be there so our guidance of 6% to 8% growth by March we are very confident of achieving that because of these measures.

**Karan Gupta:**

With regards to occupancy cost, etc., so after the merger we noticed the occupancy cost have also gone up this quarter so any guidance for that going ahead like any cost savings, etc., should we expect it to be similar?

**Mallikarjuna Rao:**

When you say occupancy cost, are you looking at the employee cost to the income ratio?

**Karan Gupta:**

No operating expenses apart from employee expenses there were other operational expenses also that have increased so I just wanted to...

**Mallikarjuna Rao:**

There are two things the ratios appear to be little distorted because of the income being low so denominator is low. Second, even on this value while if you look at yes there has been increase in the employee cost as well as other cost. Employee cost I have already given explanation to you as to what were the factors. In others there are certain AMC's of what you call technology applications which

were done in the quarter 2 which are actually undertaken yearly once and this AMC's majority of them were paid in the quarter 2 that is one and second while we were undertaking the exercise of rationalization of branches wherein almost 750 branches we have merged with other branches, the residual issues related to lease payments completely we have cleaned and those payments were also done in quarter 2, as a result you will find that there is an increase in the cost but these are also actually one off cases no regular cost will be there but otherwise it will not be recurring cost.

**Karan Gupta:**

Okay sir thank you I appreciate your responses.

**Moderator:**

Thank you. The next question is from the line of Bhavik Shah from Morgan Stanley. Please go ahead

**Bhavik Shah:**

Thanks for the opportunity. Would we take slight bit of NPA? Recovery includes written off accounts and I wanted to understand the accounting for which RBI had asked to knock a few provisioning.

**Mallikarjuna Rao:**

See RBI 30<sup>th</sup> of August circular has indicated about two areas. One is the provision required to be done on MTM to be booked operating income rather than the provisioning level and the second one is recovery from the written off. What we have done at the end of September is that MTM, we have booked the operating income thereby there was an impact on operating profit to the extent of Rs.168 Crores and in terms of recovery from written off accounts we have since shown in other income only and accordingly whatever we have mentioned in our notes of accounts.

**Bhavik Shah:**

With respect to this overall restructuring number, sir restructuring under 1.0 had been around Rs.7000 Crores and 2.0 is Rs.10000 Crore and MSME additional RS.2700 Crore, so there is no overlap right.

**Mallikarjuna Rao:**

There is no overlap.

**Bhavik Shah:**

Sir with the disclosure in the BSE site whether there has been repayments from restructuring 1.0 and slippages from 1.0 so I was going through the filing I did not understand that?

**Mallikarjuna Rao:**

Actually in terms of the OTR that is restructuring RBI guidelines say that if the DPD is more than 30 days the account has to be identified with an NPA, if I understand your point exactly so those accounts where there was DPDs more than 30 days out of that OTR first. We have already identified them as NPAs.

**Bhavik Shah:**

Okay and sir just one last thing. What will be the restructured MSME book and how was the performance?

**Mallikarjuna Rao:**

MSME book, restructured books?

**Bhavik Shah:**

Yes sir.



- Mallikarjuna Rao:** That's what I indicated it is only a small amount, Rs.52 Crores.
- Bhavik Shah:** Okay sir.
- Moderator:** Thank you. The next question is from the line of Mohit Surana from CLSA. Please go ahead.
- Mohit Surana:** If I heard you correctly. You said in the corporate segment there was some re-linking of loans which were previously based on MCLR based credit to repo linked pricing, did I hear you correctly?
- Mallikarjuna Rao:** It is not relinking it is repricing, reason is it is not the loan being continued and rate has been changed these were all short-term loans initially they were given for one month MCLR and three months MCLR after 30 days or 90 days were as WCDL, they were not ready to take at MCLR then we had to give other external rates that is either GSEC based or repo based that is what I was indicating about repricing it is not a continuous loan it is a short term loan, WCDL which is regularly taken and both were repriced very aggressively in the last three months.
- Mohit Surana:** Sir and one more thing just wanted to understand you know some of the repricing in corporate as well as retail MSME at which point in quarter where they done I am just asking because I just want to know the names that we have achieved in this quarter can we assume the same kind of run rate or if these adjustments were done if you say in the middle of the quarter then there are some more pressure in names to come in the subsequent quarter.
- Mallikarjuna Rao:** It has been effective from August in the current quarter if you look at August and September were the months where this was implemented, and the impact is not very high in MSME and other things. It is only Rs. 150 Crores of the impact in two months so roughly around Rs. 75 Crores impact in a month if you compare with around Rs 4000 Crores of an interest income what we get in every month it is around 75 Crores, but the more impact is on re-pricing which anyway is a short-term phenomena that is going to undergo change in the next quarter that is in the current quarter from October to December.
- Mohit Surana:** Okay sir you will again reprice those loans when conditions are more conducive to repricing them higher you will again reprice them based on MCLR rate which you were doing.
- Mallikarjuna Rao:** Absolutely if the liquidity is drying down, automatically price will go up.
- Mohit Surana:** Okay sir, understood.
- Mallikarjuna Rao:** The amount of liquidity we are carrying there were no choice but to utilize that because otherwise in the investment I am getting 3.35% if I am putting in the reverse repo, if I go for variable reverse repo option last time when they have gone for 2 lakhs weighted average was 3.55% so if I am getting more

than that I am deploying here. So this position will improve from November onwards, mid of November onwards. Slowly RBI will be reducing the liquidity.

**Mohit Surana:** Sure sir. Understood. Thanks a lot for your response.

**Moderator:** Thank you. The next question is from the line of Saurabh Kumar from J.P. Morgan. Please go ahead.

**Saurabh Kumar:** Sir just wanted to ask few questions. One is can you quantify in the agri book what is the total gold loan book or what was a gold loan book at the bank?.

**Mallikarjuna Rao:** Gold loan is very small. See our bank is not very strong in gold loans. Since it is a northern based bank it is very low it is even around Rs.400 Crore to Rs.500 Crores as low as that.

**Saurabh Kumar:** Okay. The second sir is on your comments on the peak off said Rs.5000 Crore to Rs.5500 Crores per quarter so basically the core number if you remove the treasury income the core peak off should be now Rs. 4000 Crores.

**Mallikarjuna Rao:** No what I said is a reasonable treasury income, treasury income also currently if you look at in the last one-and-a-half years it has been elevated to an average income for treasury will be roughly Rs.2500 Crore to Rs. 3000 Crores, it is also cycle depending upon the price it will go but last year our income was more than Rs. 4500 Crores and this year we are expecting, already we have got Rs. 2130 Crores in H1 but in H2 it will not be more than Rs. 1200 Crore so it will to come around Rs. 3300 so my Rs.5500 Crore expectation was in a quarter or if you look at Rs. 22000 Crores for the entire year of operating profit the reasonable estimate from the treasury will be anything around Rs.3500 Crores.

**Saurabh Kumar:** Okay so your core keep off should be in that Rs.19000 Crores odd mark?

**Mallikarjuna Rao:** That is without treasury, so when I said that anything between Rs.4000 Crore to Rs. 4500 Crores will be my interest income and other income.

**Saurabh Kumar:** Okay and if move as per RBI circular I mean the recovery income then what should the core keep off will be I mean what I am trying to get is once you fully migrate to this new RBI circular the recovery income?

**Mallikarjuna Rao:** That could be you can say on an average we are booking around Rs. 1000 Crores of profit; Rs. 1000 Crores is per quarter I am saying, Rs. 1000 Crores is coming because one or the other bigger accounts they get settled in every quarter there we must have made full provision 100% provision for example DHFL is one of course DHFL provision write back only we have taken so Rs. 1000 Crores will be roughly anything around Rs.800 Crore to Rs.1000 Crore in a quarter. So it could be Rs 3600 Crore to Rs.4000 Crores in a year.

- Saurabh Kumar:** Okay so if we take Rs. 22000 Crores for the year, Rs.3500 Crore for treasury and about Rs.4000 Crores for the recovery, the core number should be closer to Rs.7000 Crore.
- Mallikarjuna Rao:** Suppose Rs.7000 Crores if you remove from Rs.22000 Crore, Rs.15000 Crores should be the credit income straight away.
- Saurabh Kumar:** Got it. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.
- Anand Dama:** Thank you Sir. Sir I just wanted to understand basically that you said you had two large lumpy accounts settled in the current quarter? I think one is SREI and the other is entertainment company?
- Mallikarjuna Rao:** Entertainment City which is Rs.790 Crores.
- Anand Dama:** Sorry Sir.
- Mallikarjuna Rao:** Rs.790 Crores.
- Anand Dama:** Sir are there more lumpy accounts which are there in pipeline in terms of NPA?
- Mallikarjuna Rao:** Not many. There are six to seven accounts where we are expecting but that overall amounting to Rs.700 Crores. In the entire point of the financial year that is H2 maximum it could be anything around Rs.1300 Crores to Rs.1400 Crores.
- Anand Dama:** Sir any large account which are there after resolution particularly in the power sector or the infrastructure this month?
- Mallikarjuna Rao:** No. what our estimate is Rs.1500 Crores recovery I am expecting in the next two quarters from NCLT. All are smaller accounts only. Roughly around 20 accounts are there where I am expecting Rs.800 Crores recovery by Q3 and there are seven accounts we are expecting around Rs.750 Crores to 800 Crores recovery in Q4.
- Anand Dama:** Sir does that mean that basically not any larger account is actually expected to be resolved?
- Mallikarjuna Rao:** Large account is there but the extraction is very low. For example, Jet Airways is there. What we are getting is very small amount. Splendid Metals Products, bigger account only, but what we are getting is smaller amount so like that. I am counting only on amount what I am going to get even though the account is bigger one.
- Anand Dama:** Sure that is recovery but from entry is the entire...

- Mallikarjuna Rao:** Rs.3920 Crores in Q3 and Rs.2200 Crores in Q4 so what I told you Rs.1500 Crores I am getting recovery. It will effectively reduce the outstanding of around Rs.6200 Crores.
- Anand Dama:** That is very helpful.
- Mallikarjuna Rao:** That is what you want that I am giving to you yes correct compressing around 27 accounts.
- Anand Dama:** Sir what is the status on the NARCL transfer when it will happen and in that case how much of that NPL actually we will get because I think I believe some of these accounts since they are providing the NARCL are basically written off completely?
- Mallikarjuna Rao:** NARCL we have identified Rs.8800 Crores out of which phase one which we are expecting the transfer to take place before December 31, 2021, it is Rs.6700 Crores. Out of this Rs.6700 Crores there is an amount of what you call Rs.700 Crores which is an outstanding account otherwise Rs.6000 Crores is written off so not much of reduction will be there in the gross advances however there could be a profit of around Rs.162 Crores when these are transferred there we are expecting an extraction of 18%. Out of that 18%, 15% will be the cash component which comes to roughly around Rs.162 Crores to Rs.165 Crores that could be going through the profit in the Q3.
- Anand Dama:** Sir NARCL as such you are not going to exhume much in terms of interest reduction?
- Mallikarjuna Rao:** NARCL will not be give me in the first phase probably in the second phase but what we have done is we have identified around Rs.6600 Crores of the accounts where we are either member of consortium or member in the multiple banking where other banks have sold. One of the banks have sold to ERC so what we are now going to handle that is before December we want to sell them to ERC. Already one of the banks have sold which we would like to have in the process. Then out of these Rs.6000 Crores almost Rs.4500 Crores is given which we are expecting to go out of the gross book. Like I have indicated in the beginning our gross NPA is 13.63. By December I am expecting to be below 13% and our net NPA is 5.49%. I am expecting it to be below 5% by December 31, 2021.
- Anand Dama:** Sir, will there be a phase three and phase four as well as in the NARCL?
- Mallikarjuna Rao:** It will be there. Phase two will be there because now the criterion is where each bank has Rs.500 Crores and above and written of accounts, this was the criteria. Now the criteria will not be written off. All the accounts will be taken care.
- Anand Dama:** Sir what is happening in terms of recovery from Nirav Modi case or from Mr. Mallya?
- Mallikarjuna Rao:** The Nirav Modi case the amounts which are coming from abroad are not very huge amounts very small and also legal cost is very high. Suppose we recover Rs.40 Crores roughly, legal cost itself goes to around Rs.15 Crores to Rs.16 Crores and residual comes to us, but the major development has

happened locally when recently Enforcement Directorate claims was nullified by NCLAT in terms of the Vijay Mallya case that is Kingfisher case thereby the consortium of banks could sell the shares of United Breweries so that the side effect has come on Nirav Modi as well because there were assets which were confiscated amounting to Rs.1000 Crores. Now the ED has permitted us to file for the same and we have already filed. I am expecting that these assets are handed over to the recovery officer and he will go for auction. Some of the part of recovery could happen before December may be around Rs.400 Crores and the remaining around Rs.500 Crores to Rs.600 Crores could come in the next quarter.

**Anand Dama:** Sir any power sector resolution in terms of takeover of these assets by NTPC or some other companies that can happen and whether that is going to benefit us in any way?

**Mallikarjuna Rao:** Not much. In power sector no.

**Anand Dama:** So far not?

**S. S. Mallikarjuna Rao:** Yes.

**Anand Dama:** That is all. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Prabal Gandhi from Antique Limited. Please go ahead.

**Prabal Gandhi:** Thank you Sir. Sir you mentioned that fixed buyback of nearly Rs.700 Crores and in this quarter we utilized around Rs.340 Crores so can we expect more utilization on the coming quarter?

**Mallikarjuna Rao:** Which one. It is only one off case where the provision was done in the earlier years. The dispute of recurring certain amount of exemptions that was settled the last three years of the tax returns as a result of which they have recognized our contention that was the reason why this Rs.700 Crores as a one off case has been reversed. While reversing what we have done is this entire Rs.700 Crores we have added to the provision of free account as I have indicated because the provision now covers around 40%. Further if you see the balance sheet you will find that provision for income tax negative is only Rs.345 Crores. That means out of Rs.355 Crores we have reversed it from the DTA.

**Prabal Gandhi:** Going forward what is the tax rate that we could assume?

**Mallikarjuna Rao:** The same thing that the tax rate, we have not shifted to the new tax regimen. We are still working on that, and we are not recognizing any DTA in the last one and a half years since one fourth we have not recognizing additional DTA. On the contrary as of now around Rs.2000 Crores DTA we have reversed from Rs.1420 Crores onwards.

- Prabal Gandhi:** Sir on the restructuring and on the ECLGS if you can comment how the performance has been of the book?
- Mallikarjuna Rao:** ECLGS one, two, three and four the various sanctions are there. Rs.14000 Crores we have sanctioned and Rs.12,700 Crores is roughly the amount of disbursement. Now because of the further change in terms of eligibility what the government has brought out very recently we are expecting that we could sanction anything around Rs.6000 Crores to Rs.7000 Crores additional. Work is in progress, and we are expecting these to be crystallized before December.
- Prabal Gandhi:** How has been the performance for the ECLGS disbursed so far?
- Mallikarjuna Rao:** It has been good. Absolutely there has not been any problem except very few accounts very small accounts.
- Prabal Gandhi:** On the restructuring front what is the performance like?
- Mallikarjuna Rao:** The restructuring front also earlier I indicated that there was small amount. Overall Rs.200 Crores is the one which we have identified as NPA from OTR one because of the overdue being more than DPD 30 days.
- Prabal Gandhi:** That has slipped into NPA Sir?
- Mallikarjuna Rao:** Correct.
- Prabal Gandhi:** Sir just last question on the corporate side so you have initial remark you have mentioned that you created a good pipeline for the quarter by sanctioning, what is the sanctioned pipeline that we have?
- Mallikarjuna Rao:** If you look at the overall there are two components in principle approval and final sanction together Rs.1,25,000 Crores. In principle approval is around Rs.68,000 Crores and the remaining is final sanction given disbursement only have to take place. Already sanctions have been conveyed so we are expecting that these disbursements could take place up to March 31, 2022. Further we are creating a pipeline. We want to create a pipeline of roughly around Rs.2 lakh Crores by December so the disbursement will happen as it is required rather on our anticipation. We expect disbursement generally is of the pipeline around 30%.
- Prabal Gandhi:** 30% of the sanction in the next?
- Mallikarjuna Rao:** Total sanctions whatever we conveyed we expect that 30% only to happen over a period of time that means suppose we create a pipeline of Rs.2 lakh Crores. Around Rs.60,000 Crores could be disbursed up to what you call March.

- Prabal Gandhi:** Sir which are these segments which are getting these?
- Mallikarjuna Rao:** Various. For example state government is there which is in the public domain if you have observed, we have given around Rs.5900 Crores to Uttar Pradesh infrastructure where we have discounted the cash flow of Agra Lucknow Expressway so that disbursement is in progress. Similarly there are various other government related public sector related where we have sanctioned. There are road projects as well more than two dozen road projects have been approved even though each project amount of sanction is not very high. It could be around Rs.300 Crores to Rs.400 Crores on average but there are more than two dozen projects so that the pipeline created slowly disbursement will take place. There are even other what are some of the other categories in the infrastructure segment where we have funded and these are the pipelines, some of the pipelines could happen immediately because some of the sanctions are to NBFC also. They could happen immediately.
- Prabal Gandhi:** These are all linked meaning the interest rate goes up the interest component will increase further?
- Mallikarjuna Rao:** What did you say.
- Prabal Gandhi:** The projects what you have sanctioned these are all linked so in case the utilization takes place and if the interest rate increases we are going to get benefited out of that?
- Mallikarjuna Rao:** Correct absolutely right. There is no fixed rate we have given not to anybody. Even if it is an external benchmark like what you call repo rate or G-Sec they are all margin based and if the repo rate increases automatically the price will increase and if the G-Sec increases automatically it will increase, but for road projects we have given link to MCLR only.
- Prabal Gandhi:** Thank you so much Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.
- Abhijeet Sakhare:** Sorry I missed the comment on the NII decline this quarter Sir?
- Mallikarjuna Rao:** Our NII was Rs.6353 Crores at this quarter. If you compare with the Q2 of last year it was Rs.8455 Crores. The first comment what I made was that. Last year as you remember NPA identification was not done because of Supreme Court embargo on that. The judgement came only in the month of March. As a result the quarter ended interest income for September and December was not impacted by the reversal of interest which otherwise would have happened through NPA that is one reason. The second reason what we have done is we have reduced the pricing in the MSME segment aggressively during the current quarter from August so two months of an impact was roughly around Rs.150 Crores. Then there was an aggressive repricing in short term corporate book where people take WC DLs so that book is more on Rs.50,000 Crores where repricing has taken place, so these are the

reasons. Now will these reasons prevail now or in the next quarter there will be improvement, I am expecting improvement in the next quarter because of the high liquidity volume this problem has come. While the liquidity is slowly being removed by the RBI and I am expecting them to bring it down from Rs.9 lakh Crores to Rs.2.5 lakh Crores by December second week as a result of which there will be little amount of hardening in the pricing and liquidity reduction so our pricing will be moving to a better margin in the Q3 and Q4, so this was the detail what I had given earlier.

- Abhijeet Sakhare:** What is the reversal because of slippage this quarter?
- Mallikarjuna Rao:** It was very low. Our slippage was as I have indicated to you Rs.7600 Crores out of which roughly around Rs.4000 Crores is only corporate book which includes Rs. 2600 Crore in two accounts from SREI group, around Rs.700 Crores is from one account that is Entertainment City and one more account is around Rs. 200 Crore with the corporate book and interest reversal Rs.616 Crore..
- Abhijeet Sakhare:** Got it and Sir would you have the segmental yields that you are earning on a normalized basis excluding the reverse impact across retail, corporate and MSME?
- Mallikarjuna Rao:** No we have not done that. We will take your feedback and next time we will do, but then when we are giving the yield and other things it is only earning assets. We do not take what you call all other assets.
- Abhijeet Sakhare:** For example the yield on advances that we report is the number like 6.5% right? It is almost like very close to what we are earning on the investment book itself so across the segments just wanted to understand how is the deviation.
- Mallikarjuna Rao:** 6.85% which is appearing in the half year if you look at this segment, corporate segment will be very low. The retail and MSME is still in spite of reduction in the rate our yield is still much better.
- Abhijeet Sakhare:** Got it and Sir second one was on the opex line how should we look at the normalized run rate from here on?
- Mallikarjuna Rao:** Operating profit?
- Abhijeet Sakhare:** Operating expenses?
- Mallikarjuna Rao:** Operating expenses if you look at it, it has been very high, only very few areas where expenditure looked to be little higher I have indicated already couple of various. One is in the segment of employees and another other than employees. Other than employees the AMC cost cumulative cost has come in the current quarter which was pending for the almost one to one and a half years related to the amalgamation and various license which we have taken for the combined entity so that has come and that is one of the areas and then we have rationalized this 750 branches during this period



where we have completely cleaned with respect to the pendency related to lease payments. That was also one cumulative, which has come. This will not be repeated in the next quarter. We will be able to control normally in terms of the next three quarters like what I have indicated our operating profit could be anything around Rs.5000 Crores to Rs.5500 Crores even though the MTM will be booked to operating income area only but still the operating expenses and then still we will show the recovery from the rate of accounts in other income. With that expectation next quarter onwards we will be expecting the operating profit to be between Rs.5000 Crores to Rs.5500 Crores.

- Abhijeet Sakhare:** Sir the last one is what have we guided in terms of slippages and reductions for this year?
- Mallikarjuna Rao:** I have indicated that if you look at our slippage now it is half year Rs.13700 Crores roughly. If you look at gross slippage addition, it will be Rs.2500 Crores more that means Q1 slippage Rs.2500 Crores we have upgraded in Q2 so similarly gross slippage for Q3 and Q4 we are expecting around Rs.7700 Crores roughly however overall slippage will be between Rs.16000 Crores to Rs.18000 Crores because I am expecting further upgradation of the slippage of Q2 and successfully like that.
- Abhijeet Sakhare:** Understood got it Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Himanshu Taluja from Motilal Oswal. Please go ahead.
- Himanshu Taluja:** Sure Sir. Thank you. Sir what is your total SMA overdue as you have already given the SME two number if you can give you total SME overdue?
- Mallikarjuna Rao:** For the SMA Rs.25,000 Crores, Rs.5 Crores and above. Out of that Rs.9000 and odd Crores we have shown already. Rs.9000 and odd Crores for your information it includes Air India Rs.5500 Crores.
- Himanshu Taluja:** Air India was Rs.45 billion or Rs.5500 Crores?
- Mallikarjuna Rao:** Rs.5500 Crores.
- Himanshu Taluja:** Thanks. Your SMA overdue below Rs.5 Crores?
- Mallikarjuna Rao:** Below Rs.5 Crores no SMA zero also. If it is SMA2 only overall including above everything it is Rs.12,000 Crores. That is SMA2 only I am saying.
- Himanshu Taluja:** SMA2 below?
- Mallikarjuna Rao:** Below and above everything together it is Rs.12000 Crores excluding Air India.
- Himanshu Taluja:** Sure Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Ajay Chaudhary an individual investor. Please go ahead.

**Ajay Chaudhary:** I have been a shareholder of your bank since 2018 and share price was around Rs.200 and now it is around Rs.42 and meanwhile you have sourced from the government and other sources multiple times to cover high NPA and to raise your ratio so we are in a huge loss what are the steps bank is taking for the shareholder to get rewarded and when do you see that we can get to a point that it start?

**Mallikarjuna Rao:** The first thing is that I appreciate your idea on still holding onto us because you told that you purchased at Rs.200 in 2018. I do agree if you look at from 2017 to 2018 when the government has declared the capital infusion of roughly Rs.2 lakh Crores across all public sector banks the prices have gone up and afterwards there was various developments with respect to PNB individually and with respect to other banks as a result of the share prices gone down. Now I am not going more in detail into that. Now what is future I would like to put before you. September 2019 was the last one. The government has infused capital in Punjab National Bank the amount was Rs.16016 Crores or Rs.16062 Crores roughly. Now afterwards we have not gone to the government. The reason why the price of public sector banks in general and PNB in particular do not move in the market is we are not a very big piece being available for trading in the retail segment so that is why consciously the bank did not go for capital from the government in the last one and half year. Obviously we have gone for QIP two times even though the valuation was low at that time, but we wanted a good amount of peace to be available in the market so that trading takes place better. Now the value to increase over a period of time will depend on the perception of the market with respect to the performance what we have done and how we are going to perform for the future in the days to come. The Rs.42 today is because there has been a reduction of roughly 9% as an immediate reaction to what we have declared the results as of yesterday in the evening otherwise it was around Rs.46 yesterday. I am expecting as per the investors discussions what do they take place so we will improve from here our bench mark of Rs.42.65 as indicated in the analyst we have crossed very recently and now the bank is not expected to go down below that and if you are talking about Rs.200 probably I do not have a reply as to when we will achieve that but I am expecting that in the next one to one and a half years there will be good value for Punjab National Bank because in many areas we have bottomed out on internal things to clean the asset quality existing as well as bringing in better underwritings standards in terms of the future asset what we having so thereby I can assure you that the bank's position in terms of the share pricing will be much better in the next one to two years.

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

**Suraj:** Thank you. Sir a couple of questions. You clearly explained the rationale behind blocking NII for this quarter? I just want to know what is the normalized level for NII from here on for the next couple of quarters?

- Mallikarjuna Rao:** I indicated about actually the operating profit. Now with respect to NII the figure at the end of Q2 was Rs.6353 Crores, in Q1 Rs.7234 Crores of the current year. If you have looked it was Rs.8455 Crores in Q1 of the last year, but if you ask me the average revenue it should Rs.7200 Crores to Rs.7500 Crores.
- Suraj:** Thank you Sir. The next question you have given two disclosure on slide 14 as well as on slide 32 so are these numbers added so let us say the total restructured book will be Rs.7254 Crores plus Rs.10,244 Crores and the figure on the slide 32 which is Rs.3422 Crores correct me if my understanding is wrong Sir?
- Mallikarjuna Rao:** Slide number 32 is restructuring of the old that is earlier restructuring where the MSME window was available and other accounts were available that is what we have indicated but the OTR1 and OTR2 are different, so this is mutually exclusive.
- Suraj:** Then the total restructuring would be something around 2.8% of loans which Rs.209 billion?
- Mallikarjuna Rao:** No earlier what is your other slide you said.
- Suraj:** Slide number 14?
- Mallikarjuna Rao:** Slide number 14 the restructuring if you see Rs.7254 Crores OTR1 and 10244 in OTR2 so together it is around Rs.17400 Crores and this Rs.3400 Crores, Rs.20,800 Crores.
- Suraj:** Understood Sir and Sir any nonspecific provision you are carrying as of now?
- Mallikarjuna Rao:** Nonspecific provision. No in SREI we have required to make 15% additional 25% we have made so total 40% we have made.
- Suraj:** Understood and Sir on the Dewan you recovered something around Rs.1200 Crores so how has been the accounting and all the recovery has been accounted as provision write back or for the bonds and are you still caring the provisions?
- Mallikarjuna Rao:** No there is nothing to be carried provision, why there is a requirement of provision DHFL because we change the management as well as it is same through NCLT, bond is not continued or given by the DHFL. It is given by Pyramid and at the market coupon.
- Suraj:** Overall recovery has been?
- Mallikarjuna Rao:** We have provided 100% so Rs.1270 Crores of recovery has been a write back in the provision.

- Suraj:** Understood Sir and the last question from my side on the GTA what would be the outstanding GTA number as of now and Sir what are your plans on moving on to new taxation?
- Mallikarjuna Rao:** It is a high amount. Last time also we have indicated around Rs.4000 Crores to Rs.5000 Crores impact will be there on the P&L and there are two ways of looking at it. The impact on capital will not be there. Capital impact is only limited to 17 basis points so it is not going to impact us however if you book in entirety in the same year, it will impact the profitability whereupon the dividend and other things will not be available so if you look at the guidelines, it is not mandatory as of today. Anytime it can be done. It can be shifted then of course as on today there are few banks like State Bank of India, Axis Bank and other banks who have shifted. We are just waiting for the right opportune time. If the permission is given generally by RBI for debiting the reserves that will be the best option any time we can undertake but I am not sure about that however if everything goes as per plan in 2022 to 2023 probably we should be doing that.
- Suraj:** Understood Sir. Thank you so much. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Sneha from Subhkam Ventures. Please go ahead.
- Sneha:** Sir just wanted to know that what is your outlook on the credit cost from here on considering the lower slippages as well as recoveries to be remain higher on the second half?
- Mallikarjuna Rao:** The guidance what we have given was for the year 2021-2022 will remain the same between 1.25% to 1.5%. This quarter it was 1.47%, last quarters it was 1.76% so the average will reach roughly between 1.25 to 1.5. Later on next onward it will reduce. For example in Q3 and Q4 I am expecting it could be around 1.1% to 1.2% but the average will be around 1.25%.
- Sneha:** How much are we expecting from the restructured book going ahead?
- Mallikarjuna Rao:** Not much as on today as per RBI guidelines DPD is more than 30 days. We need to identify as an NPA not 90 days so Rs. 200 Crores we have identified as on today of the OTR1 when we have done the restructuring in the first stance as per the August 6 guidelines.
- Sneha:** How do we see the margins to be panning out over the next few quarters?
- Mallikarjuna Rao:** It will improve acutely this time margin has gone down comparative to the other quarters but then it will improve.
- Sneha:** The cost to income ratio?
- Mallikarjuna Rao:** Predominately if you look because income being low the ratio is highly elevated, but we will come back to the position of what we were there in June.

- Sneha:** Got it Sir. Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from S&P Global Market Intelligence. Please go ahead.
- Ashok Ajmera:** Sir good evening Sir, sorry I arrived little late because so many things are happening around. Sir there is a little disappointment looking at your results my question is also on the margin in the loan book has not taken place how the margins have gone down whether the interest rate deducted on the existing loans or what is the reason for this low performance in this quarter of the bank Sir?
- Mallikarjuna Rao:** Since you have joined late probably you did not hear to what explanation I had given earlier so I would like to repeat the same. There was reduction in the interest price for retail and MSME, but the impact was not very high. The impact has been Rs.150 Crores since this reduction took place in the month of August, so August and September together Rs.150 Crores is the reduction out of this however the major reduction was because of the repricing of the short term loans in the corporate book. Earlier they were linked to MCLR of one month or three months but in the last three months there was an aggressive position of interest rate competition because of high amount of liquidity available as a results we had to offer link to repo and link it to G-Sec. This is the main reason, but this reason is going to improve in this quarter because the liquidity is slowly going down. Earlier Rs.9 lakh Crores liquidity was there. Now it has already gone down to 7 to 7.5 and I am expecting for it to go down up to 2.5 by December second week. So in the process the liquidity once it gets reduced the prices also will be better.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.
- Mahrukh Adajania:** Thank you Sir. Thank you for taking my questions again. Sir I just wanted a few clarifications? What was your guidance for gross slippage for the next one to two quarters?
- Mallikarjuna Rao:** What I have indicated was Rs.7800 Crores of gross slippage we are expecting in Q3 and Q4. Overall if you look at in H1 our slippage has been Rs.13700 Crores or Rs.13600 Crores, but for the entire year it will be between Rs.16000 Crores to Rs.18000 Crores.
- Mahrukh Adajania:** Got it and net slippage will be?
- Mallikarjuna Rao:** When you say net slippage what is the meaning?
- Mahrukh Adajania:** Net of recovery, upgrades, and everything?
- Mallikarjuna Rao:** It will be recovery and upgrades only. After that it will be around Rs.16000 Crores to Rs.18000 Crores. That is recovery and up gradation internally NPA identified during the year otherwise if you

look at the recovery and up gradation of old NPA accounts then my net slippage may be zero also so if I have to understand your question properly.

**Mahrukh Adajania:** No I just wanted to know what will be gross slippage without recovery? Can it be net of EBITA quarter recovery but without any old recovery or upgrade or items?

**Mallikarjuna Rao:** If you look at the current quarter also our up gradation cash recovery was round Rs.9126 Crores and if you look at our first slippage it is only Rs.9077 Crores even including the increase in the existing NPA so that means our net reduction was there a little amount around Rs.50 Crores to Rs.100 Crores. That means there was no slippage if you are talking about that kind of a discussion. If it so then will be no addition to NPA. That you can observe in the last few quarters the addition has been very, very limited in the net level and in the next two quarters there will not be any addition done, there will be reduction.

**Mahrukh Adajania:** Got it Sir and you did quantify Rs.3800 Crores of the pension impact what is the actual contribution taken this quarter? You said it is over five years?

**Mallikarjuna Rao:** Rs.253 Crores.

**Mahrukh Adajania:** Rs.253 Crores?

**Mallikarjuna Rao:** Yes it is overall Rs.3800 Crores divided by five years and now since three quarters are there once again that factor divided by three we have taken this quarter.

**Mahrukh Adajania:** Got it perfect Sir. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Jai Mundhra from Batlivala & Karani Securities. Please go ahead.

**Jai Mundhra:** Just to clarify, I think this NII drop in Q1 did we have some extraordinary income from Kingfisher or some other NPA which was there which has bumped up the interest income in 1Q?

**Mallikarjuna Rao:** You are correct Rs.634 Crores.

**Jai Mundhra:** Right so this quarter we had a drop of around let us say Rs.900 Crores?

**Mallikarjuna Rao:** Out of that Rs.634 Crores is that and another Rs.300 Crores is what I have told you about repricing and others.

**Jai Mundhra:** Right and so that is why the bump looks or the drop looks much higher?

- Mallikarjuna Rao:** It is correct.
- Jai Mundhra:** Understood and second Sir if you can share in rupees and Crores total nonspecific provisions so while you have provided additional on SREI but that has already gone in the rising of PCR so what is the rupees Crores of provision which is getting outside of PCR may be on restructuring or something else?
- Mallikarjuna Rao:** In the slide number 14 we have indicated Rs.756 Crores in OTR1 and Rs.1033 Crores in OTR2 and other restructuring so together it is around roughly Rs.1900 Crores to Rs.2000 Crores.
- Jai Mundhra:** Understood and Sir if I were to break up your restructuring outstanding restructuring one, two and previous restructuring which was Legacy restructuring how much would the corporate MSME retail and agri I think would be?
- Mallikarjuna Rao:** Corporate is very low Rs.1066 Crores which we have indicated in the slide number 32. If you want the total all the three it is Rs.5468 Crores and Rs.1066 Crores so it is Rs.6600 Crores.
- Jai Mundhra:** Right and so how much is the corporate Sir?
- Mallikarjuna Rao:** Rs.6600 Crores.
- Jai Mundhra:** How much is the retail and MSME?
- Mallikarjuna Rao:** You can say the remaining for example our total book is Rs.20,800 Crores. Retail and MSME together will be Rs.14,200 Crores.
- Jai Mundhra:** This includes even the MSME restructured scheme right which was started in January?
- Mallikarjuna Rao:** Correct that includes everything.
- Jai Mundhra:** Understood and now Sir in terms of your SMA so I think you have given the SMA movement but if you can share some perspective on the overall SMA for the bank including below Rs.5 Crores?
- Mallikarjuna Rao:** For example SMA2 above Rs.5 Crores we have indicated around Rs.9600 Crores which includes Rs.5500 Crores to Air India so if you remove Rs.5500 Crores from Rs.9600 Crores it is only Rs.4154 Crores which is above Rs.5 Crores. If you calculate for everything all the accounts of SMA2 excluding Air India it is Rs.11500 Crores. That is the latest position.
- Jai Mundhra:** Understood. Sir just the last thing on the RBI master circular which had said that recovery from write off should now be used as a credit to provisions we would be shifting to that circular that accounting by Q3 or there is some leeway?

**Mallikarjuna Rao:** There are two ways one is that we are discussing the level first thing is regarding M2M on investment we have done that. Already we have debited our expense only, so we are the only one even in the balance sheet of Q2 we have shown as other income. We will be observing from other banks because if you have seen the balance sheet of State Bank of India and HDFC Bank they have also done like this and they have given an indication there in notes of accounts. So no bank has so far done. We will just wait and see from IBA if it becomes mandatory then we will fall back.

**Jai Mundhra:** I think there are a few private banks like IDBI it is done so I think this quarter?

**Mallikarjuna Rao:** I am not seeing that, but SBI has not done. HDFC has not done. Canara has not done.

**Jai Mundhra:** Understood Sir and so that is this and that is all from my side. Thank you so much for your time.

**Mallikarjuna Rao:** I thought we could adequately explain with respect to the decrease in NII and operating profit otherwise if you have seen the entire results these are the only two elements which are probably today acted negatively in the price to go down. I expect that in the next few days once the analysts keep on talking the market will understand. There is no concern as far as our balance sheet is concerned and I am expecting the improvement in the next quarter only because of few issues. There was a high element of pressure because of the liquidity in terms of the pricing where we were losing the advance, losing means the short term lending they will pay the money and they will take from some other bank so there was no choice but for us to offer the price at a lower level as a result of this repricing the income has gone down, but I am expecting that this quarter it will be much better however we have shown net profit effective as promised Rs.1105 Crores and we still stick to our guidance of profit of overall anything between Rs.4000 Crores to Rs.6000 Crores for the entire year and next two quarters I am expecting the better profit may be around Rs.1200 Crores to Rs.1500 Crores each.

**Jai Mundhra:** Ideally when such situation happens when there is a sharp drop between one quarter to another quarter in any of the line items on PPT itself you can provide some qualitative thing. Let us say in NII there was a Rs.600 Crores was clearly one off correct? That was there in the base quarter and similarly in Y-o-Y base quarter there was one off there this NPA interest was not being recognized so that would anyway help other people just looking at the presentation itself.

**Mallikarjuna Rao:** Absolutely we will do that. Thank you for your feedback.

**Jai Mundhra:** Last thing sorry on Diwan so again here the noncash recovery that we have got in the form of bond we have taken that as these as cash right? The other way could have you could have taken the bonds at negligible value, but we have taken as same as let us say safe value right?

**Mallikarjuna Rao:** Yes like that only we have to do. There is no way you can do. The point is whether you consider the cash recovery or otherwise there are two elements of recovery. One element of recovery is cash and other element for recovery is by way of a bond. Now Rs.1270 Crores is the amount, which we have



recovered as was the amount of outstanding of Rs.3200 Crores to Rs.3688 Crores overall including the investment. Since it was 100% provided Rs.1270 Crores was a write back in the provision. There was nothing which has come in the income. Operating income we have not taken anything. Everything is the provision write back.

**Jai Mundhra:**

Right understood Sir. Thank you.

**Moderator:**

Thank you. As there are no further questions, from the participants, I now hand the conference over to Mr. Suraj Das for closing remarks.

**Suraj Das:**

Thank you. On behalf of Batlivala & Karani Securities, we thank you very much Punjab National Bank management for giving us the opportunity to host the call. Thank you everyone. Have a good day.

**Moderator:**

On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.