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“Punjab National Bank Conference Call Q1 FY 2025 Earnings Conference Call”

July 27, 2024



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MODERATOR: **MR. NITIN TIWARI – ELARA SECURITIES PRIVATE
LIMITED**



*Punjab National Bank
July 27, 2024*

Moderator: Ladies and gentlemen, good day. On behalf of Elara Securities, I would like to welcome you all to the Q1 FY '25 Earnings Conference Call of Punjab National Bank.

We have with us the Senior Management Team of Punjab National Bank represented by Managing Director and CEO – Mr. Atul Kumar Goel; Executive Director – Mr. Kalyan Kumar; Executive Director – Mr. Binod Kumar; Executive Director – Mr. M. Paramasivam; and Executive Director – Mr. Bibhu Prasad Mahapatra .

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 the “*”, then “0” on your touch tone phone. Please note that this conference is being recorded.

With this introduction, I would now like to hand the conference over to the Management of Punjab National Bank.

Atul Kumar Goel: Thank you very much, Prakhar. Good afternoon to everybody. I welcome all the persons from the analyst team, other teams also, welcome to this Conference Call of the Punjab National Bank for the 1st Quarter Result, June '24 Quarter.

I will give my brief about the Results, then I will be answering any questions which you want to ask me, whatever the doubt in your mind also. This is a very good quarter as far as the result of the Punjab National Bank is concerned, in all the parameter, whether it is a business, whether it is profitability, whether it is asset quality.

First time we have achieved the total business of the Rs. 24 trillion. The gross business increased to Rs. 24.39 trillion with the growth rate of 10%. And deposit grew Rs. 14.08 trillion with the growth rate of 8.5%.

As far as gross credit growth is concerned, that is a very robust growth, Rs. 10.28 trillion we have achieved the credit with the growth rate of the 12.2% Y-o-Y. And if you see the quarter-on-quarter, it is 4.63%. And if you annualize the quarterly growth, it is coming more than 18%. So, this is a good growth. As far as the CD is concerned, that is a very comfortable position, 73.05%.

There is a growth in the savings bank, also CASA is the challenge for the banking industry, but saving bank there was a positive growth, it was 4,84,377 as against the figure of 4,64,000 in the last year June '23 Quarter as against the Rs. 4.80 trillion in the last quarter. So, there is growth from the June '23 Quarter as well as the March '24 Quarter.

As far as the RAM is concerned, there is a growth in the RAM also. And the percentage of the RAM to the total credit has also increased, it was 54.74% in last year of the corresponding quarter, 54.74%, which has improved to 55.46%, even it is better than 55.18% in the March Quarter.



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As far as profitability is concerned, the net interest income increased to Rs. 10,476 crores with the growth rate of 10.2%. As far as operating profit is concerned, it has increased to Rs. 6,581 crores, with a growth rate of 10.3% Y-o-Y. And net profit, there was a growth of 159%. Last year in the same quarter, June '23 Quarter, the profit was Rs. 1,255 crores, it has increased to Rs. 3,252 crores total with the growth rate 159%. And if you compare it with the last quarter, the last quarter also it was Rs. 3,010 crore, so 8% growth from the quarter-to-quarter.

And one thing I want to highlight to all of you, this NII, this operating profit and the net profit number of the Rs. 10,476 crores, Rs. 6,581 crores, Rs. 3,252 crores is the highest in the history of the Punjab National Bank in the last four years after the amalgamation of the two more banks.

As far as asset quality is concerned, the gross NPA which used to be around Rs. 70,899 crores a year ago in June '23, it reduced to Rs. 51,263 crores. And the percentage of the gross NPA which used to be around 7.73% in June '23 Quarter has reduced to 4.98%, and this last quarter, March quarter it was 5.73%. So, there was around 75 basis point reduction from the quarter-to-quarter. Net NPA, which used to be Rs. 17,129 crores reduced to Rs. 5,930 crores. And the net NPA percentage, 1.98% June '23 reduced to 0.60%, and last quarter March Quarter it was 0.73%.

The PCR was improved from 89.83% one year back to 95.90%. And the credit cost last year, June '23 was 1.99%, and last quarter in March it was 0.81%. The figure of the provision of the last June '23 Quarter of Rs. 4,374 crores, March '24 it was Rs. 1,958 crores and June '24 it is Rs. 859 crores. It is 0.33%, the credit cost has improved drastically because there are two, three things. Provision has already improved 95% and recovery every quarter either doubled or sometimes tripled also. If you see the last year also, the recovery was more than triple also. So, this is one of the reason.

And we are revising the guidance for two numbers. Last time we had given the guidance for the gross NPA will be 5% by the end of the March '25. So, since we have already achieved 4.98%, we are revising, it will be around 4%. Similarly, the credit cost, which is one of the major factor for the profitability is concerned, we have given the guidance for the 1% for the whole of the year since we have already 0.32% in this current quarter, we are revising it 0.5 for the whole of the year. Because I am seeing time, time will come when there will be a reversal also. Because as I told you, if there is a recovery, in recovery 60%, 70% will be the write-back and in new addition we have to provide 20%. So, time is not far when we see the reversal in the credit cost. But as on date we are giving the guidance of 0.50 is concerned.

As far as capital is concerned, 15.79% is the capital, Tier-1 10.95%, AT-1 2.09%, Tier-1 13.04, and Tier-2 is 2.75%.

As far as capital plan is concerned, last time I told you that we have Board approval for 7,500, 7,000 for AT-1, 3,000 for the Tier-2, total 17,500. So, today because as I told you we are adequately capitalized, instead of this 7,500 we will reduce this quantum from 7,500 to 5,000 for this particular year. And 10,000 will remain unchanged for the Tier-1 and Tier-2 is concerned.

As far as cost of deposit is concerned, cost of deposit 5.08%, it was 5.06% in the last quarter, and the yield of advance 8.43%, last quarter it was 8.54%, and last year it was 8.13%.

As far as NIM is concerned, NIM is 3.21% for the domestic and 3.07% for the global. And we have given the guidance 2.9% to 3%, and I think the same guidelines we will give you.

As far as the cost-to-income ratio is concerned, this is a very important issue, cost-to-income ratio, it was 56.09% in the March quarter, last quarter. The reason was that when we have explained in the last quarter also, because on account of the wage revision and AS-15 provision was Rs. 2,396 crores in March '24 Quarter, it has reduced to Rs. 742 crores. And it will remain in the same line basically, it will not further increase. So, this was the reason to reduce the cost-to-income ratio also from 56% to 53.28%, and last year June '23 it was also on the same lines, 53.83%.

As far as I told you the NIM, etc., also, the guidance will remain changed. In the movement of NPA I would like to tell one thing. The recovery as I told you is Rs. 3,249 crores for this quarter. This is the recovery including the technical write-off as well as some interest has been booked in the interest income. The entire amount is not reflected in the movement of the NPA also. The remaining amount which is in addition to the TW and the recovery of the de-reorganized interest are coming in the movement.

The slippage, Rs. 1,750 crores slippage, it is the 0.76% we have given the guidance for the 1%. We are not revising our guidance. But this slippage is the least slippage in the last 12 quarters, in the last three quarters it is the lowest, it is Rs. 1,755 crores. And it will remain within 1%, so that will remain the same. As far as this SMA-0/1/ 2 is concerned, total SMA is 0/1/2 was 1,01,883 and the Rs. 5 crores and above SMA-2 is hardly 1,600.

As far as slippage is concerned, Rs. 1,700 crores, as I told you. This sector-wise slippage is, in agri it is Rs. 399 crores, MSME Rs. 637 crores, retail Rs. 493 crores, others Rs. 124 crores, others mean corporate, etc., And existing account Rs. 102 crores. So, Rs. 1,755 crores is the highest NPA in this quarter, Rs. 89 crores. Otherwise, if you see, the first five, six highest NPA of this quarter, the first is Rs. 89 crores and the fifth is only Rs. 7 crores. So, the quality has been improved too much.

As far as growth is concerned, growth, as I told you in business 12.20% is the credit growth and in domestic it was 11.56%. RAM was 13%, MSME is 7.92%, agriculture 15.75%, retail 14.93%. So, this is about the growth and the slippage and the CD ratio I have already discussed with you.

One more thing I would like to tell you which normally I give every quarter, how the new underwriting is behaving. The data from the 1st July, '22 to 30th July, '24, it is the data of four years, 48 quarters' data. This Rs. 8.32 trillion we sanctioned, Rs. 7.49 trillion we have disbursed. Outstanding is Rs. 5.93 trillion. The NPA in this new underwriting of the last four years, Rs. 2,276 crores which is coming around 0.30%. I will give the sector wise also. Out of 0.30% retail is 0.27%, MSME 1.54%, and agri 0.52%.

As far as capital, I have already discussed. I will give one more data, really you may be interested in that data because on account of the worry from the regulator side also. Unsecured loan in the retail is Rs. 27,630 crores only. Out of which Rs. 938 crores is the credit card, educational loan is the Rs. 4,219 crores, personal loan against pension is Rs. 4,451 crores, and personal loan apart from the pension loan is Rs. 18,022 crores. So, it is Rs. 27,630 crores. Out of this, Rs. 18,022 crores are in PA/PL, digital Rs. 4,307 crores, non-digital Rs. 13,715 crores. The NPA in this PA/PL either digital or the non-digital is less than 2%, it is around 1.86%.

One more thing. Because there is a change in the guidelines for the valuation of the investment which was affective from the 1st of April 2024. In this whatever the unrealized profit, unrealized profit on the bonds or the G-Sec or the equity, it was Rs. 2,099 crores net of tax. Please note, Rs. 2,099 cores net of tax, otherwise gross was Rs. 3,155 crores, but net of tax has been added only in the Rs. 2,099 crores. Out of which Rs. 3,155 crores in gross Rs. 2,582 crores were in the unlisted stock, which is not allowed to be used for the capital computation. So, in CET-1 only Rs. 573 crores is the gross but Rs. 373 crores net of tax has been added only in the CET-1. I am again repeating, Rs. 373 crores added in the capital net of tax for the CET-1 computation. Otherwise, Rs. 2,099 crores net of tax has been added in the general reserve.

As far as the other thing is concerned, the investment of 73.59% is the HTM and everything has been market-to-market also. RAM was already discussed, 55.46%, it was 55.18% in the March Quarter and 54.74%. Our focus on the RAM to leverage the branch network of the 10,000 branches.

In CASA I would like to give only one thing, because CASA may be challenge for the banking industry. But it is not for the Punjab National Bank, 10,000 branches, we are having, 24 customers we are having, last year we have opened more than 1 core account. In this quarter also 27 lakhs account we have opened. In the current account last year we have opened 2.68 lakh, in this particular quarter we have opened 54,000.

As far as NCLT is concerned, 813 accounts we have applied of Rs. 1,04,383 crores, out of which 790 accounts were admitted of Rs. 1,03,058 crores, 23 account remaining to be admitted of Rs. 1,325 crores. Out of which, as on date 259 accounts resolved for Rs. 46,425 crores, 307 accounts under liquidation Rs. 34,739 crores, 224 accounts pending at various stages for Rs. 21,894 crores.

As far as the recovery in the NCLT is concerned, in last year 1st Quarter we did Rs. 566 crores, second quarter Rs. 556 crores, 3rd Quarter Rs. 1,831 crores, Rs. 648 crores in the last quarter. Total recovery was Rs. 3,603 crores in the 1st Quarter. Rs. 292 crores we have recovered, and we are estimating Rs. 1,200 crores in the current quarter of September quarter, Rs. 997 crores around 3rd Quarter, and 4th Quarter Rs. 500 crores. So, around Rs. 3,000 crores plus we are also estimating in the current financial year also.

And in NARCL we have 14 accounts, we have transferred of Rs. 3,778 crores, out of which Rs. 974 crores we have realized by way of SR as well cash. And nine account under discussion for the



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outstanding of Rs. 1,549 crores modified duration of the investment of AFS/MHFC is 3.61 and for total portfolio is 4.76.

So, I have tried to cover all the main thing of the financial results. And I think whatever we have promised last quarter we have tried to deliver that also. Again, I am repeating the guidance. The credit growth we have given the guidance of 11% to 12%, we have achieved 12.20% and we are not revising. Deposit growth 9% to 10%, 8.5% we have achieved. CASA here we have around 42%, it was 40.08%, operating profit 10% to 11%, we have achieved 10.27%. NIM, net interest income around 10%, we have achieved 10.23%. NIM 2.9% to 3%, we have achieved 3.07%. Gross NPA we have given the guidance less than 5%, we have already achieved 4.98%, we are revising it to 4%. PCR, 95%, 95.90% already we achieved, so this will remain in the same range, 95%. Credit cost, definitely credit cost we have given the guidelines for the 1%, actual is 0.33%. We are revising 2.5%. Although time will come, there will be reversal because if you see the recovery is more than the slippage, sometimes 2x, 3x, and 95% is the PCR. Not much requirement for the aging provision, but we are revising to 1% to 0.5% is the reason. Rs. 18,000 crores recovery target. And we are confident, definitely, although recovery in the 1st Quarter on account of the election, on account of the transfer posting was more than 50% staff in the branches was involved in the election process also. So, this was a little bit on the lower side, 3,249. But definitely we will be achieving much more than the full of the financial, Rs. 18,000 crores. Slippage, as I told you, 1% is the guidance we have given 0.76 we have already achieved. So, I am not revising this guideline. We will try to control, but 1% is I think a reasonable, Rs. 2,000 crores per quarter out of the Rs. 10 trillion book.

So, this is my initial remark. Thank you very much to all the analysts, friends from the industry, I thank you for your confidence which you have reposed in the Punjab National Bank. And I hope that will remain continue also. So, I am open for any question and answers, whatever you want credit in any number, etc., which is in your mind. Thank you very much.

Moderator: Thank you, sir. We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania from Nuvama Wealth. Please go ahead.

Mahrukh Adajania: Congratulations. Sir, I had a few questions that you yourself mentioned in a brief comment on your annualized credit growth. So, is it likely, or do you see scope for your credit growth being faster than what you have guided given that your annualized run rate is already high? And do you think there are enough deposits in the system to be able to support any up move in credit growth forecast, if at all there is any? That's my first question, sir. And then I have a few other questions.

Atul Kumar Goel: Mahrukh, as far as credit growth is concerned, we had given the guidance of the 11% to 12%, we will stick to save 11% to 12%. Although we have achieved 12.20%. So, it is in the same range, 12% we have given the guidance. So, I am not revising, it will remain in the region of 11% to 12%. As far as deposit is concerned, I may tell you one thing that deposit, although there is a challenge in the banking industry, I am not denying that, because there is a gap between the cash cost and the deposit cost. But as far as Punjab National Bank is concerned, as on date I am not foreseeing



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any challenge, because we are having 10,000 branches, 24 customers, as I told you we have opened more than 1 crore accounts last year, more than 27 lakh accounts we have opened. The money will come definitely even because if you see my CD also, it is 73%. So, deliberately we are not raising the bulk deposit because the bulk deposit is available but that is costly. But I will use that deposit if I am not in the position to deploy that deposit in the more remunerative manner. So, deliberately we are not taking the bulk deposit. So, we are trying to improve the CASA. And as I told you, 73% is my COVID ratio. So, whatever additional deposit I will raise, I will not be required to maintain that SLR because I am sitting on the more than Rs. 78,000 crores SLR. So, I will be in a position to use 100% incremental deposit for the credit growth. So, this is my answer of your query.

Mahrukh Adajania: And sir, the new LCR guidelines, have you got a chance? I know you will be busy with results, but have you got a chance to have any rough impact of the new LCR draft norms? I know it's a draft, but based on the draft.

Atul Kumar Goel: Mahrukh it is a draft guidelines, they have invited comment also, it will be applicable from the 1st of the April, '25, next year. As on date, my LCR is 125%, we have made a rough calculation also, impact will be around 10%. So, 115% will be as per the new guidelines.

Mahrukh Adajania: And sir, just a few questions on the net interest margin and income. So, sir, what was the recovery income this time versus last year 1st Quarter which is included in NII? And then, what was the improvement in yield on investment because of the new investment guidelines, the new investment norms that kicked in for which your reserves have also increased?

Atul Kumar Goel: Yes. As far as this interest income in the concern in the recovery, that is in the range of Rs. 600 crores to Rs. 700 crores. And I have seen that data also, that is in the same range. This quarter is also between to Rs. 600 crores to Rs. 700 crores. Even in the June '23 Quarter it was in the same range, so that has remained on the same. As far as your investment guidelines is concerned, I would like to tell you, reserves already I have told you, Rs. 2,099 crores have been added net of tax in the general reserve. And mark-to-market is Rs. 257 crores, which is through P&L.

Mahrukh Adajania: No, that's true. Other income, is there any uptick in yield on investment because of the new guidelines, the mark to market on investment will be in other income, no?

Atul Kumar Goel: Mahrukh, if you see my investment yield, it was 6.82%, it is 7.06%. Because the little bit sharing cost has been revised, if you see the annual report, unrealized profit has already been added in the asset side. So, if you see, it is on the higher side because you have to break up it, because part is the equity, part is the bond. In bond there is no too much uptick, because the appreciation which is 2,000 is coming that is on account of the equity because we are aware, because there was a depreciation in the investment portfolio, which we have reversed. So, there is no impact as far as yield on investment is concerned on account of these revised guidelines.

Moderator: Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.



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Ashok Ajmera:

Compliments to you, sir. Your hard work of last two, three years has been really paid up, and fantastic set of numbers are given by Punjab National Bank, and it is now firing on all the cylinders once again, achieved the past glory. Numbers are really wonderful, fantastic numbers, sir. Once again, compliment. Having said that, sir, I have got certain questions and some observations. Now going ahead, sir, the same question which Mahrukh has raised, like when you say that you are already 4.5 and above in the credit one quarter itself, and if you analyze it is 18% plus growth is possible. Still, you are retaining the guidance of only 12% whereas you said you are comfortable on the extra SLR front even if there is some challenge on the deposit. So, what is stopping you to revise this guidance on the credit growth? Like the way you are going now, can it not be considered like say 15%, 16% for FY '25? This is number one.

Like you said that the modified duration of the overall investment book you said is around 4.76 times or 4.75 times, don't you think that this modified duration has gone up little bit high? And are you expecting, surely, some rate cut in the coming quarter so as to take the advantage of this higher duration? This is on the treasury front. And I would also like to hear a little more on NARCL, the pipeline, to ascertain the recovery pipeline. And one point on NARCL is that some accounts have already gone and accepted by NARCL, so how much amount of the SR which we have received on those accounts, because they are fully provided for the current value. So, just to ascertain, since it is guaranteed 100% by the government. I mean, one or other day I mean that provision will come back, that amount. So, these are the few questions and observation on the round one, sir.

Atul Kumar Goel:

Okay. Ajmera ji, I will give one by one. First is credit growth. Definitely, I told you 4.6 is the quarterly 18%, but I am giving the guidance for the 11% to 12%. Why I am giving 11% to 12% because we are a big bank, there is some short-term advance also available in the book. Because we have to see what our incremental cost of the deposit is and whether we will reprice that advances or not. Because we are not doing any business, we should not get any remunerative profit also. We will not give anywhere there is a negative carry, this is the reason we will not roll over if we will not get the pricing of our choice. This is the reason we will stick 11% to 12%. But definitely we will try. If opportunity is available, business is available, we will definitely do. Deposit is not the challenge, we will raise the bulk deposit as well as I told you. If I am raising the bulk deposit at 8 percent, if I get the deal on the asset side of more than 8%, I will not allow the opportunity to go down. Suppose I am getting the asset side on the 8% because typically customers are asking for the 8%, sometimes there's an 8%. What is the benefit to raise the bulk deposit of 8% giving the loan to just only increase the top line? So, this is the answer of cash growth.

As far as modified duration is concerned, as I told you, 4.76 is my modified and reason for the entire portfolio and 3.61 is the duration for the AFS and HFT. You have said that it has been little bit increased, definitely, so 3.61 is very reasonable because mark-to-market has to be done on the AFF and HFT, mark to market is not to be done for the HTM as on date also, even for the revised guidelines also. Because I think definitely interest rate will be the declining scenario, in declining scenario I think you will agree to me there should be a higher modified duration. But we have kept a reasonable duration. As rate cut is very difficult to predict also. We were thinking the rate cut

will come from the last six, seven months, even whatever the inflation number we have seen in the last month also, immediately I am foreseeing that they will not be lifted, although the Fed will give their commenting on the 31st of this month also. So, even I am of the opinion, immediately four to five months I am not expecting any rate cut will be there, but definitely we have to wait for the regulators' call also. So, as far as the NARCL is concerned, in this NARCL 14 accounts of Rs. 3,778 crores we have sold, out of which we have received Rs. 970 crores. In Rs. 974 crores, 15% we have received as cash, remaining is the Security Receipts. Definitely SR is guaranteed by the government, the moment we will get the recovery from the SR, the entire 100% provision will be reversed.

Ashok Ajmera: So, about Rs. 800 crores is about SR, which is included in this total SR which is accommodated in this total SR from NARCL, isn't it sir?

Atul Kumar Goel: Yes. 15% we have got, yes.

Ashok Ajmera: Sir, this new discussion paper on the double provision on the deposit which are generated through digital media or online. Sir, what is our assessment if that comes in, are we really going to be impacted by much? Because I don't know the exact mix of the deposit which are generated through the online media, I mean, digital media. So, what is your take on that and how do we take care of that? And the bank's overall position on the digitalization that how far we have succeeded in completing all the verticals which we started, and a good amount has been also spent on digitalization. So, what is the plan and how much budget is there which is spent, which is yet to be spent? How many verticals started already giving the result?

Atul Kumar Goel: Ajmera ji, as far as budget is concerned, Rs. 2,800 crores is the budget for the IT expenditure for the current financial year. And we have started this journey two years back. And more than 100 product, process and service we have revised. And we are getting the result of the digital transformation also. And digital is the future of banking, whatever you are told, on account of this runoff from the 5% to 10% or the 10% to 15%, it is a calculation everybody will be impacted. We have made our calculation also whatever the deposit where we are providing the Internet banking, digital, mobile banking, etc., even the another category also deposit less than Rs. 7.5 crores apart from the individual and the joint name also trust, etc., that is also included. So, 125% of our LCR was there and it will be reduced to 115% around 10% there will be an impact.

Ashok Ajmera: Alright, so you don't feel that they will create any problem in the liquidity.

Atul Kumar Goel: Yes, problem is not much, it is a simple calculation. And they have given the time up to one year also, so eight, nine months also is available. But digital will remain, I can conclude that we are not going to stop the digital, digital is the future of the banking industry.

Moderator: Thank you. The next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

- Nitin Aggarwal:** Congrats on a very good quarter. Sir, I have two questions. One is on the OPEX. Like if I look at the OPEX number this quarter, that still looks a tad higher, especially the other OPEX. So, was there any one-off in this and how should we see the run rate going ahead?
- Atul Kumar Goel:** Yes, there were definitely one-off because we have incurred Rs. 558 crores for purchase of PSLC. That is the only thing, on account of this this number has increased. Otherwise, this number will be normalized in the subsequent quarter also.
- Nitin Aggarwal:** So, this is non-recurring?
- Atul Kumar Goel:** It is non-recurring, because whatever the requirement was for whole of the year we have already incurred, Rs. 558 crores, which is one time.
- Nitin Aggarwal:** Sir, secondly, while you have realigned the credit cost guidance, but that will directly feed into ROA, or you will want to keep the ROA guidance and change that 1% by '25?
- Atul Kumar Goel:** Nitin, you are very smart. I was given the guidance of 0.8% at the beginning and I have kept the credit cost of 1%. And if you see the 1st Quarter result also, it is around 0.82%. So, there will be definitely impact of the ROA, but I am not revising the ROA guidance 0.8%. I can only give one guidance, because I have given last time guidance that 1% ROA will be exit of the current financial year '24-'25. So, I think we will be in a position to achieve this 1% ROA before the exit of the current financial year, this was only my worry, but guidance I am remaining until '25.
- Nitin Aggarwal:** And the other thing is on the tax rate, because that is something that will really drive up the ROA beyond 1. So, by when can we expect the PNB tax rate to come down to 25%?
- Atul Kumar Goel:** Can you repeat what you told, 1% what?
- Nitin Aggarwal:** The tax rate is still around 38%, so when can we expect this to normalize and come down?
- Atul Kumar Goel:** As on date we are on the old regime, we are under discussion with our tax consultant because last time also I have said, we have some benefit. If we switch over to the new, so immediately we will lose whatever the benefit we have. But definitely we have to take a call. I fully agree with you, the moment we will shift to the new tax regime, immediately the ROA will be more than 1%.
- Moderator:** Thank you. The next question is from the line of Rakesh Kumar from B&K Securities. Please go ahead.
- Rakesh Kumar:** Sir, a couple of questions, sir. Firstly, the PSL, like I saw in the previous quarter also and this quarter also, so we are actually fulfilling, meeting all the targets, especially in the small and marginal farmer also. So, what was the need to purchase PSC?
- Atul Kumar Goel:** There is a target for 40% for the priority sector, 18% for agriculture, out of the sub-sector in agriculture 10% is for the marginal or the small farmers. So, we have to not only achieve the

agriculture, sub-sector also. This is the reason we are purchasing this PSC from the market because we are short of the target.

Rakesh Kumar: This number is including the purchase, correct?

Atul Kumar Goel: Yes, number, definitely. That number will not come in the balance sheet in the form of the advance. It is only for the calculation for the priority sector, whatever the presentation we have given, this amount has already been included.

Rakesh Kumar: There is a slight volatility in the recovery on return of number, sir, on a year-on-year basis, now it is approximately Rs. 800 crores. So, what is the full year target only on the recovery and return of number sir?

Atul Kumar Goel: Rakesh, total target we have given for the Rs. 18,000 crores. Today I am having the TWO of Rs. 93,000 crores, and more than Rs. 50,000 crores we have in the gross NPA book. I think it is difficult, it is difficult to estimate whatever the recovery will come from the TWO. But total recovery we are confidence whatever the number we have given, Rs. 18,000 crores, definitely we will be in a position to achieve.

Rakesh Kumar: I was asking, sir, this Rs. 390 crores of investment depreciation, which category this has come from? This would not be from AFS, so just wanted to know this Rs. 390 crores number.

Atul Kumar Goel: This I can explain. This is on account of the one of the subsidiary. Because as per the revised guidelines, you have to revalue your subsidiary, etc., also. So, this year one of the subsidiary where there is accumulated loss is also there, the valuation we have to take in from the market, in that Rs. 399 crores we have provided.

Rakesh Kumar: Which subsidiary, sir, sorry sir I missed it, sir?

Atul Kumar Goel: I think it is not advisable to disclose the name of the subsidiary. It is only for one subsidiary, this I can tell you.

Rakesh Kumar: And this food processing NPA is around, though it has come down, but it is still very elevated, food processing gross NPA. So, can you elaborate, please?

Atul Kumar Goel: You are talking about the gross NPA?

Rakesh Kumar: yes, gross NPA in food processing.

Atul Kumar Goel: Food processing gross NPA, if you see my 4.98%, it is the total cost number, but in food processing it is a legacy, because some of the nice seller, etc., I will give you one, as I told you, new acquisition is not, it is only on account of the legacy issue, some rice seller, food processer which is coming under the food processing.

- Moderator:** Thank you. The next question is from the line of Jai Mandra from ICICI Securities. Please go ahead.
- Jai Mundra:** Sir, excellent quarter and excellent steady performance on asset quality. Sir, I wanted to check, in the opening amounts did you mention that SMA-0 plus 1 plus 2 at the entire bank level was around Rs. 1 lakh crores? I mean, all tickets size including what was the number?
- Atul Kumar Goel:** Yes, you are very much right, it is Rs. 1,01,883 crores. But Rs. 5 crores and above it is Rs. 1,604 only SMA2.
- Jai Mundra:** So, sir, if you were to bifurcate this into SMA-0, because that should be the least risky –
- Atul Kumar Goel:** I will give you; I understood your question. Out of this Rs. 1,01,884 crores, Rs. 77,952 crores is in the SMA-0. And I will give you the number of the SMA-0 today also, it is only Rs. 22,344 crores. Rs. 50,000 crores got reduced just like that.
- Jai Mundra:** And SMA-1 and 2 also?
- Atul Kumar Goel:** SMA-1 is Rs. 11,432 crores, and SMA-2 is the Rs. 12,499 crores. Out of Rs. 1 lakh crores, Rs. 12,000 crores number is okay, because there is some of the borrower who was making the payment at the very last day. Yes, please go ahead.
- Jai Mundra:** I wanted to check the SMA-1 and 2 number, has this increased or this kind of a number is steady because the slippages run rate is very, very low, 17,050. So, given this SMA book, should the current run rate sustain, or you think slippages can go up from here?
- Atul Kumar Goel:** No, it will not increase. I am promising you. If you see the last four or five quarters, my slippage is around on the same number. If you see this number, it was seven Rs. 1,700 crores, Rs. 1,800 crores, Rs. 2,000 crores were the number in the March quarter. And I am just seeing the SMA-1/2, if you only compare it with the March '24 with June '23 it is on the same line, it is not decreasing or increase, it is in same line.
- Jai Mundra:** Right. Sir, maybe I will. I will take this offline, this number. The performance on asset quality is exceptionally good even though this extended 0 plus 1 plus 2 is still an elevated number.
- Atul Kumar Goel:** I may correct you also, elevated only 0. SMA-1 and SMA-2 only less than Rs. 25,000 crores. If you are having the book of Rs. 10 trillion, Rs. 25,000 crores of borrowers are making the payment on the very last day, 55 day, 60 days. This is the reason I am giving more than Rs. 5 crores SMA-2 number they may be in danger of slipping from the SMA-2 to SMA-1, which is hardly Rs. 1,604 crores. Even the slippage of the Rs. 1,753 crores if I take highest 10 number also, the number one is Rs. 89 crores, the fixed fees is only Rs. 7 crores.
- Jai Mundra:** Right, I heard you said in your opening remarks, which is very, very satisfactory. Sir secondly, in your opening remarks you mentioned that there will be a time when slippages are lower and then

the recovery remains strong. So, you would have a reversal of provision. But would you think that that may be the time to increase the buffer on ECL? Any thought process on contingent provisions to prepare the bank for ECL transition?

Atul Kumar Goel: You are very much right, we will think, because 95%, 96% is only PCR. There is no room available to add something there also. I mean, recovery is sometimes 2times, 3 times also. So, because ECL, last time also I explained, what is ECL, ECL is how your new underwriting. I have just been given the data of the new underwriting. We have this NPA percentage is 0.3%. So, I am also not thinking there will be too much of requirement of the ECL also. But definitely if there is too much of the recovery available, we will not mind. We want to give the strength of the balance sheet. This is the result of the strength of the balance sheet in the last year or last to last year also. Now we are getting this. Whatever you are saying, I fully agree with this. If the situation warrants, we will not mind allocating some of the account of the ECL provision if there is a requirement.

Jai Mundra: No, sir. Have you done any calculation on ECL as to what could be the rough --

Atul Kumar Goel: No, that we have not done.

Jai Mundra: And then lastly, this recovery this quarter and for the full year of Rs. 18,000 crores, if you can highlight sir how much is retail and how much is corporate, or these are all small ticket, or you are also envisaging some large ticket corporate delivery also?

Atul Kumar Goel: It will be a mix of everything, because NCLT I have given the number of around Rs. 3,000 crores pillars. So, that may be from the large account basically, that will be large, but it is very difficult to identify which sector. But major NCLT you can account that entire Rs. 3,000 crores will be incorporated because we are having the big chunk of the small account also of the less than Rs. 1 crores. So, it will be a mix of each segment.

Jai Mundra: So, Rs. 3,000 crores from corporate and rest maybe Rs. 15,000 crores from --

Atul Kumar Goel: No, no, no, let me cut you. Rs. 3,000 crores only from the NC LT. So, NCLT I am just saying that NCLT will be normally in the corporate. And this will be the mix of each and everything. Recovery from '24-'25 -- you want for quarter one or the whole of the year?

Jai Mundra: No, for a full year, sir.

Atul Kumar Goel: For the whole of the year Rs. 18,000 crores. Whole of the year I told you Rs. 3,000 crores will be NCLT. So, that Rs. 3,000 crores you can apportion particularly for the corporate. I can give the breakup of the recovery of this current quarter also if I see it is the retail around Rs. 449 crores, agri around Rs. 716 crores, MSME around Rs. 900 crores, other is the Rs. 1,156 crores. So, same proportion I can think. Then if you can bifurcate this Rs. 3,249 crores, it will remain in the same proportion. Some recovery will come from the MSME, remaining from the corporate.

Moderator: Thank you. The next question is from the line of Ankit Bansal from AB India. Please go ahead.

Ankit Bansal: Congratulations for the greatest set of numbers in the history of PNB. This is what we want to see PNB. Very, very congratulations sir. Very, very congratulations. Number one, we want to see PNB above straight at go India. Very good number, sir. Felt very good. Sir, my question is, how do you see the business environment? In which sectors are you disbursing more loans? Economy side, how is your perspective, is the business growing, are SMBs comfortable in taking loans? What are the sectors, your view, sir?

Atul Kumar Goel: Ankit, our focus is on RAM. In the last call also I said that we want to increase this number from 54% to 60%. And there is an increase also, it is more than 55%. So, focus will be on retail, RAM, agri and the MSME, because there is a good demand in the sector, not only in the metro, not in the semi-urban. Even I can tell you there is a good demand in the rural sector also. So, there is an opportunity available to the bank to target this segment. And we are having 10,000 branches, most of the branches in the rural. So, this is one area.

As far as the other area regarding corporate is concerned, there is a good demand in the infra also. Even in the Budget also Rs. 11.11 lakh crores they have put up in the infrastructure CapEx. So, there is a good demand in the road. And we are also providing considering who is the best customer. So, road there is a demand, in cement also there is some demand. Some of the corporate borrowers are coming for the expansion, and in even steel also. And also, there is a demand in the NBFC, but NBFC we are very cherry picking. We are very choosy also. I you see my exposure to the NBFC, 99% is in the A and above. And the double and above is 98%. So, demand is coming from this sector, and the focus area is RAM.

Ankit Bansal: Sir green energy, how's that going?

Atul Kumar Goel: In green energy, definitely. In green energy we have a Board approved policy. We have opened a separate department under the Risk Management department. So, we are also doing this solar where we are getting the opportunity we are financing.

Ankit Bansal: Sir, this is all for me. And I am proud now to be a PNB shareholder, sir. Thank you. Thank you very much.

Moderator: The next question is from the line of Yash from Citigroup. Please go ahead.

Yash: Sir, wanted to check on the number for at RT gold if you can give. And also, second, anything unusual on the slippages because it was significantly lower than the 1Q trend which we have seen as well in the past. And also, agri slippages have been quite low given the usual run rate which you were guiding in the last quarter for around Rs. 7 billion to Rs. 8 billion.

Atul Kumar Goel: You are asking about the gold, right? The gold outstanding is Rs. 7,767 crores in agriculture, retail is Rs. 720 crores. So, the total outstanding is around Rs. 8,500 crores.

Yash: And on the slippages, sir, if you can?



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- Atul Kumar Goel:** Slippage is around seven Rs. 7 crores, yes. And that also we will recover.
- Yash:** Sir, on the corporate recoveries, how do you see the corporate recovery coming from here?
- Atul Kumar Goel:** Corporate recovery for this particular last quarter June quarter?
- Yash:** Yes. And how would that impact the overall recoveries?
- Atul Kumar Goel:** No, I could not understand your question. Can you repeat the question, what do you want?
- Yash:** Sir, for 1Q what was the corporate recoveries and in coming quarters how would be the impact?
- Atul Kumar Goel:** See, recovery, as I told you, out of the Rs. 3,249 crores basically, in corporate recovery is around Rs. 1,159 crores. Maybe some part of the MSME Rs. 923 crores that is also coming in the corporate also, some part. And as I told you earlier also, the recovery will come probably all the segment also. The Rs. 3,000 crores number we are expecting from the NCLT. There is a so many other accounts which are coming in the category of the corporate, there also recovery is coming through the OTS and other mode, etc., also. Because if you see there 25% you can easily assume will come from the corporate, remaining from the agri and the retail and the MSME.
- Moderator:** Thank you. The next question is from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.
- Ashlesh Sonje:** Congratulations on the result. A couple of questions from my side. Firstly, you have given out the NPA ratio in the pre-approved personal loan portfolio which was at 1.86. Can you also share what was the NPA ratio as on March '24 and few quarters before that as well?
- Atul Kumar Goel:** March '24 in PAPL, it was between 1.5 to 1.6. I don't have the exact number, but it was between 1.5 to 1.6. There is not much increase, because I am monitoring this number every fortnightly.
- Ashlesh Sonje:** And secondly, what would be the reclassification of income which you would have done between the interest income line and non-interest income line because of the penal charge related regulation from RBI?
- Atul Kumar Goel:** That is not implemented as on date.
- Ashlesh Sonje:** Sir, because a few other banks have indicated that it has come into force starting 1st of April.
- Atul Kumar Goel:** Yes, I am not aware of the exact amount, we will give the answer of your query. You are right, it was applicable from the 1st of April.
- Ashlesh Sonje:** Sir. And lastly, on the capital raise front, you have indicated --
- Atul Kumar Goel:** I can give the answer. I have got the number also. Around Rs. 13 crores we have booked in the penal interest, shifted to the penal charges in the piece, other income.

- Moderator:** Thank you. The next question is from the line of Bhavik Shah from Morgan Stanley. Please go ahead.
- Bhavik Shah:** Congrats on the set of numbers. Sir, just two questions. Sir, you mentioned that SMA-1 and SMA-2 is Rs. 23,000 crores. I just wanted to understand how it is broken up between retail, agri, MSME and corporate?
- Atul Kumar Goel:** Bhavik, your voice was breaking, you are asking for the slippage?
- Bhavik Shah:** No. Sir, I am asking for the breakup of SMA-1 and SMA-2 which is Rs. 23,000 crores.
- Atul Kumar Goel:** Breakup of the SMA-1 and 2. I have the consolidated number as on date, just a bit, I will give you the number also. You want the SMA-2 number or individually SMA, because it will take time. I can give you the SMA-0 in the retail is around Rs. 20,000 crores. SMA-1 is Rs. 6,000 crores in retail, and SMA-2 is around Rs. 6,000 crores. And in agri SMA-0 is Rs. 16,000 crores, SMA-1 is around Rs. 800 crores, and SMA-2 is around Rs. 900 crore. As far as MSME is concerned, SMA-0 is around Rs. 800 crore, then Rs. 4,000 crore plus in the SMA-1, and Rs. 5,000 crores plus is the SMA2. Others is corporate, then Rs. 22,000 crores in the SMA-0, Rs. 110 crores in SMA-1, and Rs. 290 crores in SMA-2.
- Bhavik Shah:** And sir, the pre-approved personal loans, sir, can you share some light on what is the ticket size and what kind of borrowers are these?
- Atul Kumar Goel:** There are two types of PAPL, one is digital mode. In the digital mode, the maximum eligibility is around Rs. 10 lakh. The average ticket size if we see, it is around sometime between Rs. 2 lakh to Rs. 3 lakhs. As far as others is concerned, other than digital there is also around Rs. 10 lakh we are giving. So, around is between Rs. 4 lakh to Rs. 5 lakh will be the maximum amount.
- Bhavik Shah:** And sir, do we have the last quarter number for SMA also? Sir, you had given a very detailed break up, if you can share the last quarter number, it will be very helpful.
- Atul Kumar Goel:** Okay, we will give you, no problem.
- Moderator:** Thank you. The next question is from the line of Rakesh Kumar from B&K Securities. Please go ahead.
- Rakesh Kumar:** Sir, the CET-1 would have increased because market risk rate including the PAT. So, if you can tell CET-1 as of June with these two numbers?
- Atul Kumar Goel:** CET-1 you are asking the June '23 number?
- Rakesh Kumar:** June '24, sir.
- Atul Kumar Goel:** June '24 number CET-1 is the Rs. 82,383 crores.

- Rakesh Kumar:** This is including PAT and the impact of the marketer risk also.
- Atul Kumar Goel:** Let me clarify to you. For the calculation of the capital adequacy ratio, quarterly profit is not added. If notionally we will add, our CR will be more than 40 basis point above, because on 1,000 around 13 basis point is increasing. So, PAT is not included in the CET-1 for the computation of this capital adequacy ratio. Only this evaluation reserve which I told you is Rs. 373 crores net of tax was added for CET-1.
- Rakesh Kumar:** And sir, just last question, with respect to this credit growth in the fixed loan segment and pay related segment. So, we have given bifurcation of loans based on lending rates. So, where the growth is coming in the fixed rate and T-bill related loan, sir?
- Atul Kumar Goel:** Fees related, normally in fees related 10% is coming from agriculture also. You may be aware, the loan up to Rs. 3 lakh, that is fees on the 7% basically, the major person is from the agriculture side.
- Rakesh Kumar:** And T-bill, sir?
- Atul Kumar Goel:** T-bill, naturally this product we are giving for the loan less than one year. Suppose somebody is having the CC limit that 60% has to be kept in the WCTL, so they are asking for the quote, etc., so T-bill for that. It is less than one year.
- Rakesh Kumar:** Thanks a lot, sir. And all the best. Very good quarter this time, sir.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, which was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.
- Atul Kumar Goel:** Thank you. Thank you very much. I want to thank each and every who have attended this conference. And I want to place on the record continuous support from all of you, because on account of your continuous support we are able to perform better and better also. And you are encouraging us to do further better, some of the person has told that you should be better than the State Bank of India, that definitely we will keep in the mind also. And somebody has told me that this is the best quarter. This was just a trailer; the picture is yet to come. With these words, once again I thank all of you. And I hope whatever the support we were getting from all of you, it will remain continuous. Thank you. Thank you very much.
- Moderator:** Thank you. On behalf of Elara Securities Private Limited, that concludes the conference call. Thank you for joining us. And you may now disconnect your lines. Thank you.