



“Punjab National Bank Q3 FY25 Earnings Conference Call”

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MODERATOR: **MS. PALAK SHAH – ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Punjab National Bank Q3 FY25 earnings conference call hosted by Elara Securities 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.

I now hand the conference over to Ms. Palak Shah from Elara Securities Private Limited. Thank you, and over to you, ma'am.

Palak Shah: Yes, hello everyone, and welcome to the Q3 FY25 Earnings Call of Punjab National Bank. Today we have with us the entire team of PNB Management headed by Mr. Ashok Chandra – MD and CEO; Mr. Kalyan Kumar – Executive Director; Mr. Paramasivam – Executive Director; and Mr. Bibhu Prasad Mahapatra – Executive Director.

With this brief introduction, I will hand over the call to the PNB Management, PNB Team, Mr. V. P. Bansal to read out the disclaimer, post which he will hand over the call to MD, sir, who will address the conference.

Thank you, and over to you, sir.

V. B. Bansal: Thank you, Palak. The disclaimer statement is that this presentation contains certain forward-looking statements apart from historical information.

These forward-looking statements involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Punjab National Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the present date.

Thank you. Over to MD sir.

Ashok Chandra: Good evening to all the participants. I am presenting the highlights of our Bank for this particular quarter and then we will open the session for question and answer and for clarification.

Highlights of our performance:

I will be giving it under three segments. One is the business parameter. Global gross business of the Bank stood at 26.40 trillion as on December '24 with the yearly growth rate of 15.20%. Within the composition of this, the gross business, the total global deposit stood at 15.30 trillion with a YoY growth rate of 15.6% and global advances stood at Rs. 11.10 trillion with a YoY growth rate of 14.8%. The CD ratio of the Bank is comfortable level at 72.58% as on December '24 against 73.08% as December '23. The CASA share is 38.12% as on December '24.

Coming to the profitability side:

Highlights are coming to the net interest income stood at Rs. 32,025 crore with a YoY growth of 7.8% for nine months ending 31st December '24. There is a sequential growth in net interest income for the last 12 quarters and our current quarter NII is Rs. 11,032 crore. Our domestic NIM is 3.12% for nine months of FY25 whereas global NIM stood at 2.97%. The operating profit for the nine months ended December '24 is Rs. 20,055 crores, which has improved from Rs. 18,515 crores in the same period last year, with a growth rate of 8.3%. Our quarterly operating profit is Rs. 6,621 crores, which has improved from Rs. 6,331 crores in the same period last year, with a growth rate of 4.6%. The net profit of the Bank for the nine-month period FY24-25 is Rs. 12,063 crore, recording a growth rate of 130.5% YoY compared to the nine-month period of FY23-24 at Rs. 5,234 crore. For the December quarter, net profit stood at Rs. 4,508 crore against Rs. 2,223 crore Q3 FY23-24, with a YoY growth rate of 102.8%.

If I compare the ratios, ratios on return on assets that stood at 1.03% for Q3 FY25 and 0.96% for nine month FY25 in line with the guidance of our FY25. Return on equity is 19.22% for Q3 FY25 and 18.87% for nine month Financial Year '24-25.

Highlights of Asset Quality:

As far as the asset quality is concerned, GNPA has reduced from 6.24% in December '23 to 4.09% in December '24. Similarly, the net NPA ratio, which was 0.96% in December '23, has improved to 0.41% in December '24. The PCR (incl. TWO) of 94.28% in December '23 has improved to 96.77% in December '24, which is well above our guidance of more than 95% for FY25. The total fresh slippages during nine months is Rs. 4,557 crore and Rs. 1,774 crore in this particular quarter as against Rs. 1,793 crore in Q3 of FY'24 and Rs. 2,181 crore in Q2 of FY'25. Total recovery stood at Rs. 3412 crores for Q3 FY25 and Rs. 10,400 crore for 9M FY25. Bank initiated a lot of digital tools; our mobile app and WhatsApp banking is very active. The Bank is focusing on building digital capabilities by using new technology. The share of digital transaction has increased to 91% for Q3 FY25 against the 88% in Q3 FY24.

Highlights of capital if I talk about capital adequacy is 15.41% as on 31st December '24 compared to 14.63% as on 31st December '23. During Q3 of FY2024-25, Bank raised Tier-2 bonds of Rs. 3,000 crore and CET-1, AT-1 and Tier-2 stands at 10.65%, 1.88% and 2.88% respectively. That is the growth that has happened in this particular quarter.

Thank you very much and now I open the forum for the question answer and any clarification which anybody would like to have. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask questions may press "*" and "1" on the touchtone telephone. If you wish to remove yourself from question queue, you may press "*" and "2". Participants are requested to use handsets while asking your question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: Hello, congratulations. I had a couple of questions. Firstly, congratulations on your appointment, sir.

Ashok Chandra: Thank you very much.

Mahrukh Adajania: So, basically my question was that obviously you've not spent much time with PNB, but, over the last three, four quarters, there was a stable growth path of PNB. They were kind of acquiring market share in loans and deposits, keeping margins more or less stable, reversing provisions. So, that has been the strategy over the last four quarters. Now under you, do you see that change? Because that is, whenever there is a change in CEO, that is the biggest investor concern, right? That the CEO may have his own strategy, may have his own thought process, which will always be good for the medium to long term. But how do we view it? Or how do we assess the short-term financial impact of any change in thought process? So, that's my first question. And then I have a few questions on numbers. So, the question I have on numbers is that your NIM has held much more steady compared to other state-owned banks. So, what could be the outlook for Q4? Because your deposit growth is strong, your loan growth is also strong, and that helps. But your margin performance has been better than other PSUs. So, what is the outlook here? And then what will be a steady state of credit cost? Because this quarter, there were reversals. And last quarter also, credit costs were very low. So, what would be a steady state credit cost in FY26? So, these were my questions?

Ashok Chandra: First, thank you very much, madam. In fact, we used to interact frequently there. See, the first you talked about the strategy. See, PNB has a strong legacy of 129 years. And generally, the Bank like this, we go by the system in place which is already there in built now. It doesn't change with the MD and CEOs, the position changes. So, whatever the growth path is there and the profitability angles are there, I think definitely we are going to continue the same momentum. Yes, some of the cost of deposit and yield on advances, some adjustments and some tweaking we would like to do in the interest of the profitability. And there is enough potential which I see that even if some tweaking happens in the cost of deposit and yield on advances, we have enough kitty in the book which will take care of my growth also and the profitability part also. We have more than 1,30,000 corporate book sanctions in place and I think if any some adjustments which we need to do in the yield on advances, low yield advances, assess, I think we have enough cushion to do that and we will maintain the growth which is there in the PNB for the last three years. I think that growth momentum will be there and I can assure you that the profitability which is there in the system, I think definitely that is going to continue. This is the core strength of the balance sheet of our Bank and the profitability part, definitely it is a very, very core strength is there now. And that is the reason Bank is able to maintain the NIM in the range of 2.9% to 3%. The reason being is that the provision coverage ratio is already ~ 97%. So, almost the entire book is already provided. So, today, whatever recovery that happens, either by way of write back of provision in the GNPA recovery and in the TWA, whatever we are covering it, it is directly adding to my operating profit. And despite around Rs. 700 crore dip in the recovery in the TWA compared to the previous quarter, we are able to maintain the NIM at this level now. And if you see our recovery, which used to happen every quarter, in the TWA itself is more than Rs. 1,400, Rs. 1,500 crore. Even if that has not happened, but we are able to maintain that NIM

and the NII and all those key ratios. So, I think that is one strength which is there in our Bank is we have Rs. 91,000 crore of technical written off accounts. So, there is enough cushion for us to recover it and maximize our operating profit, thereby maximizing the net profit of the Bank. So, that is going to continue. And I am very sure that in the coming quarters and the years also, the profitability part, all of you should rest assured that it is going to happen now. Your related question is the credit cost, which I am already covered now. Since already provision coverage ratio is 97% and I am seeing for the last three quarters, our recovery is higher than the slippages. And when I am talking about recovery, the recovery in the gross NPA, not in the TWA recovery, recovery in the gross NPA and the upgradation which is happening in the gross NPA, that itself is higher than the slippages to the tune of around Rs. 100 to Rs. 200 crore. So, in a true sense, there is a good write back of provisions are happening and that is one of the reasons that my credit cost is very-very low and this trend is going to continue in the coming quarters also.

Mahrukh Adajania: Got it sir. Thank you so much. Thanks a lot.

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

Ashok Ajmera: Thanks for the opportunity. Congratulations, Ashok Chandra sir, for coming and heading the largest, I mean, the next State Bank of India, Public Sector Bank, with over, I think, Rs. 26 lakh crore business. And with you being there, yes, we are, again, reassured that PNB will have almost come back and will come back further and will reach to its previous glories. You are a class master. And on that note, I wish you all the best here in this Bank. Having said this, sir, again, my question on the Mahrukh's a little more extended this thing that in PNB, even in this quarter also, both your business growth, I mean, credit and deposit growth has been phenomenal. I mean, so far, whatever results are declared of the other Bank. Hello, am I loud?

Ashok Chandra: Yes, very clear.

Ashok Ajmera: So, on the credit front also, it is 4.56 in this quarter and on the deposit front also 4.75. And overall also, if you look at the nine months also, it is over 12%, almost 13%. So, sir going forward, are we going to maintain the same tempo for the overall business growth, especially the credit growth with you being there, and what kind of target we can look at. That is my first question. And the second one on this other income has come down from Rs. 4,572 crore to Rs. 3,412 crores, other income in this quarter. I couldn't go much in detail because I was traveling and I just landed in Mumbai. So, on that, is it anything one time or it is going to be maintained the same tempo of having a larger income? Because from the written off account, recovery this time is only Rs. 823 crores as compared to the last quarter of Rs. 1,404 crores. Maybe this may be the main reason. And sir, on the third question. You already covered that digital footprint and PNB also going very aggressive on digitization. So, what is the exact status today and how many journeys have been completed and what kind of plan we have for making this Bank fully digitized not only in the retail but in all kind of businesses?

Ashok Chandra:

Thank you, Ajmera ji. And first I will touch the credit growth part. Yes, this quarter and this entire year, there has been good growth and the deposit has grown by 15.60% and advances 14.8% growth is there in YoY. And QoQ also, what you have told is that is the fact. I am expecting that the credit growth will continue to move in the range of 13% to 14%. I think that will continue to have that because we have already 1.3 trillion corporate book sanctions are in place. And I am expecting that in this quarter and the subsequent quarter, all these books are going to be availed by the corporates. So, there is going to be good growth in the corporate segment. At the same time, we are going to have very focused attention and activity for the RAM sector now. Because that is one area I have seen that the MSME segment if I talk about, we have grown in the single digit and we are going to put a lot of focus on the RAM activity and you will see that in this particular quarter, there will be a good growth in the MSME segment particular and the overall retail also will grow substantially. So, I am expecting that my credit growth will flow in the range of 13% to 14% in this particular year as a whole. Second part is the other income. See, other income there are two components which has brought down the operating profit. First part is the technical write-off, you have touched this point compared to the last quarter and subsequent previous quarters also. We used to have around 1,400 to 1,700 crore recovery in the technical write-off accounts. But this quarter, it is a very muted recovery that has happened in the TWO. And the TWO recovery is Rs. 823 crore against Rs. 2059 crore in subsequent, means last year, FY'23-24 and 1,404 crore in Q2FY25. So, that is one of the reasons why our operating profit has come down and other income also it is appearing less. Second reason is the MTM provision. I think this quarter it has affected in the negative, whereas in the last quarter, we were Rs. 700 plus crore positive. So, that has also put a dent on our other income. And I am expecting that some situation change should happen in this particular quarter, even if we are not going to be positive, at least some changes should happen in this portfolio in this particular quarter. But retain of account recovery, definitely that is going to happen in a very, very big way in this particular quarter because we have Rs. 91,000 crore of the technical write-off book now. And there are a lot of the accounts where resolutions have happened. We were expecting the recovery to come in this quarter. I think those accounts are getting matured, and definitely in the upcoming quarter, we should have a TWO recovery of around minimum 1,500 to 1,600. And already I have seen that targeted accounts are there and it is going to happen now. Your third part is the digital footprint. See both side, one is the liability side and the asset side. Bank is in a very active status now. We have more than 2 crore logins and the activation is there of our PNB ONE mobile app. It is a big number, and I am seeing that the transactions which are happening, that is also almost doubled or tripled in the last one year if I talk about. The average daily active users on that mobile app is 13 lakh. It used to be 9.5 lakh. And if I talk about the average daily UPI transactions, last year during the same period it was 37,000. This year it is Rs. 1,23,000. That is the transaction that is happening now. So, I think if we see the transactions which is happening that reflects that digital footprint of our Bank has become very strong. So, this is about the liability side and if I talk about the lending side, asset side, a Bank has already created the lot of journeys up to 25 lakh. We are one of the few banks who have started cash flow based digital journey for MSME now. Even if the MSME, those who are not having any balance sheet or any documents based on their transactions happening in that account, their credit score model, the system is inbuilt and it is totally end to end up to 25 lakh. And it is both for the existing customer as well as the new to Bank customers. This is one journey which we have

started just last month. Besides that, all our digital footprints in the MSME segment, this one is the 25-lakh segment, then MSME SVANidhi scheme, MSME Vishwakarma scheme, I think already all those things are under the digital footprint. We also have the PAPL, the personal loan. That is also against the digital, by reading the account statement and other footprint which the customer had. We are also doing that. I think we have also initiated the process of renewal of our MSME book. I think that journey has also started and all of us know that up to 25 lakhs, highest number of accounts under that particular segment, not only in our Bank, in the banking sector as a whole. So, that renewal part up to I think 10 or 25 lakhs, that already 25 lakhs. Up to 25 lakh renewal through the digital footprint already we have started. And besides that, we have also strengthened our data analytics center. We have created a lead management system and lead management portal is there. So, any customer who is banking with us, we are analyzing their transactions in the account, and we are giving the lead to our branches to follow up for the further loan requirement of that particular customer. So, I think a lot of initiative Bank has done and going forward, I think Bank is poised for digital transformation. So, that is all I can talk about the digital things that are happening in the Bank. Thank you.

Ashok Ajmera:

Point well taken, sir. Just last question in this round. Sir, we have this thing at this time, it is in the provision, we have negative Rs. 285 crore as compared to Rs. 288 crore in the last quarter. Whereas in NPA, we have Rs. 318 crore provision. So, in all the effect of about Rs. 602 crore. So, going forward, how do we see the provisioning on account of overall provision, including NPA? And do you have some additional buffer left to be a zero provision Bank, which will add up to our bottomline further? And we will be a Bank of about Rs. 22,000 crore profit in this whole financial year.

Ashok Chandra:

Thank you very much for such an ambitious figure which you are giving now. But yes, I can assure you that as far as the provisioning of the Bank is concerned, Bank is adequately provided. We have 97% of provisions are there. And if I talk about the tangible provisioning, that is, if I exclude that TWA provisioning, still we have more than 90% of provision in the GNPA also. So, that gives the cushion for the Bank to reduce the credit cost. And the write back of provisions are going to happen in the subsequent quarters also. It is not that one particular quarter this phenomenon has happened. I think definitely the write back of provisions will be there, negative trend will continue further now. Now this additional provision which we have made, which you are talking about is Rs. 318 crore. This is for reducing the net NPA which we have made the provision. And that is one of the reasons our net NPA has subsequently has come down compared to the last quarter.

Ashok Ajmera:

Yes sir. Will the moderator permit me for one more question?

Moderator:

Yes sir, you can go ahead.

Ashok Ajmera:

So, that is, I want to ask to give some color on the treasury operations. Our segment wise result if you look, the treasury profit has come down from Rs. 3339 crore to Rs. 2780 crore. That is for the segment wise. But overall, since the treasury is very active, and must be making a lot of good deals and good profit. So, in this coming quarter also, whether treasury performance and with

the little sign of rates coming down, how do we stand on the treasury front and how much more the treasury can add to our bottomline in the coming quarter so as to make FY25 as Rs. 22,000 crore profit by itself pre-tax?

Ashok Chandra: I think if I can talk about this particular quarter and because we will have to wait for the MPC to be announced and how it pans out. But two, three decisions which the RBI has taken last week, I think that is going to add to the profitability part of the treasury. One is that open market operation, that Rs. 60,000 crore which has been announced, I think definitely that is going to add to the kitty of the treasury. I think I am expecting some rough calculation is there around Rs. 150 crore plus should happen on account of this transaction. And liquidity front also, yes, liquidity front also. So, that will also ease my cost of deposit. So, I think we need to wait for the further announcement. One is the budget and the second is the MPC, how it happens. And I am expecting that the performance, which is there in December quarter, there will be some improvement in the treasury performance in this particular quarter.

Ashok Ajmera: Thanks a lot, sir, and all the best to you. Yes, definitely we will see PNB growing more faster and healthier in the coming quarters. Thank you.

Ashok Chandra: Thank you. Thank you, Ajmeraji.

Moderator: Thank you. The next question is from the line of Jay Mundra from I-Sec. Please go ahead.

Jay Mundra: Hi, good evening, sir, and congratulations on good numbers and also on your appointment as MD & CEO of the Bank. Sir, I have a few questions. First is that I just wanted to check the other interest income this time around, which is Rs. 500 odd crores. Does this include any IT refund or any one-off receipts?

Ashok Chandra: Yes, there is one IT refund component is there. I think Rs. 350 crore, one component is there in this.

Jay Mundra: Okay, sure. And the second thing is, sir, if you can also talk about the total SMA of the Bank, including below 5 crores ticket size?

Ashok Chandra: See if I talk about the SMA-1 and SMA-2, I think 5 crore already it is disclosed, it is already there with all of you. And if I talk about the SMA-0, 1, 2 for the entire segment, it is in the range of around 7%.

Jay Mundra: So, total 0 plus 1 plus 2 is 7% of the overall loans, right?

Ashok Chandra: Yes.

Jay Mundra: And would you have the bifurcation also, sir? 0 is how much, 1 is how much, and 2 is how much?

Ashok Chandra: The highest of that is under the SMA-0 segment. SMA-1 and 2, it is in the range of around 4%. So, I think SMA-0 is the highest. And if I can give you the number, Rs. 49,522 crore is SMA-0. And SMA-1 is Rs. 15,000 crore. And SMA 2 is 13,000 crore. And this SMA-0 also, there are most of these accounts under the retail segment. And because of the repayment period which is creating the system and the actual repayment that happens, there is a delay of around 1 week, 10 days' time. And that is one of the reasons SMA-0 book is a little high. So, we are putting some system in place so that this book also gets reduced. But SMA-1 and 2 itself only if I take and in fact that is one of the concerns for any Bank that is well within our tolerance limit now.

Jay Mundra: Okay, sure. Sir, within this, with this set of SMA numbers, at maybe at 7% and maybe 4% of 1 plus 2, are you confident on sustaining this current Rs. 1700, Rs. 1800 crores kind of gross slippages? Or you think there is a chance that it may go up?

Ashok Chandra: No, I am very much confident because this is not one of the performance of this quarter. If you can track for the last 1.5 years, quarter-to-quarter, reasonable slippages have happened and all are in the almost in the same range. So, 1,600-1,800 like that only the slippages are happening and we are very confident that we will be able to retain this slippage in the same range.

Jay Mundra: Right. Sure. And sir, we had also created floating provisions in this quarter, right, some Rs. 250 odd crores. What is the policy? I mean, how do you, is this ad hoc provisions or there is some formula-driven policy in creating these provisions?

Ashok Chandra: There is a proper guidelines there, and RBI also permits to have this floating provision. And we have the board approved policy also. And under that provision set up only, this provision has been made. So, this is a floating provision. And as and when it is required to be made for any particular account, we will use that provision for that particular purpose.

Jay Mundra: And we do not make any provisions on SMA-1 or SMA-2, right? That is not the policy as such.

Ashok Chandra: We don't provide for SMA book, but if it is any restructuring, if we are doing it, then definitely we are supposed to make some provision. And any account, I think all of you know that 7th June circular, if any accounts are there, and any restructuring under that 7th June circular, if it is there, then we are also supposed to make provision under that particular account.

Jay Mundra: Right. Sir, coming back to net interest income, so if I strip this Rs. 350 odd crores of interest on IT refund, then the margins decline by 8, 9 basis point, right, on QoQ basis. And in fourth quarter, as you step up on corporate loans, the margins may again sort of soften, right. So, how should one look at the NIM trajectory? Because this quarter, of course, it has been aided by one-off of this interest on IT refund. And as you go along growing corporate book also, how should one think of NIM?

Ashok Chandra: I will give you two parts in this. One is we are repricing our corporate book. That is one strategy we have already initiated. And there are, I think, around Rs. 10,000 crore which renewals or repricing it came and we have gone for some modification in the pricing and it has already

happened. So, that is one strategy we are going to put in place in this particular quarter so that our yield on advances in this particular quarter should improve from the existing level. That is one strategy which we are doing it. Second is we are expecting that treasury income in the interest income also, some improvement will happen in this particular quarter. And as far as this one-off provision of this income tax, see it is also happens on a regular basis also. It is not that one time it has happened. We will have to see that in this quarter also, maybe we would like to get some part of this income tax refund also and that will be a part of this setup. All put together, whatever contribution that has come through this particular setup, I think that will make good the loss which you are suggesting that it will not happen and if that doesn't come how it will happen. I think these things will take care of that part.

Jay Mundra: Right. And sir, any ballpark number that you will envisage for FY26 on ROA front, would you like to sustain this 1% trajectory that we have achieved in the last two quarters? Or, you know, because as we go along in FY26, there is a rate cut, which will depress margins for all banks, including PNB. How should one think of the ROA for FY26?

Ashok Chandra: As of now, the guidance which we have given for this financial year, that is 2.9% to 3%, that we are definitely we are going to achieve and we will cross that. Let us wait for the important events which are already there in the system, budget announcement plus the MPC, how it happens. And further we need to have a strategy meet and board strategy discussion and what will be our plan of growth for deposits, advances, and all those different parameters. And then only we can, I think we can disclose that what is the growth and what is the NIM which we are envisaging in 25-26.

Jay Mundra: Fair point, sir. If I can just ask one data point, sir, what is the NPA recovery that goes to NII line item for this quarter? I mean, the NPA recovery that goes to interest income, not in the other income, but interest income, how much is that amount in this quarter?

Ashok Chandra: That is around Rs. 645 crores, both from the GNPA recovery side also, interest component it has gone, and from the TWO recovery side also, some part has gone to the interest income. And that is also every quarter, I think 500 to 600 we are able to recover that.

Jay Mundra: So, Rs. 645 crore in this quarter. And maybe if you have the number for last quarter, sir, that will be very, very helpful to just get a sense?

Ashok Chandra: I will tell you. 606, sir.

Jay Mundra: Okay, so it's not too much change, right?

Ashok Chandra: It will not change, sir, because whatever recovery we are doing, some part of that recovery goes to the interest income side and then it gets reduced to the book balance.

Jay Mundra: Sure, thank you so much, sir, and all the very best.

Ashok Chandra: Thank you.

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

Rakesh Kumar: Yes, hi, sir. Could you hear me, sir?

Ashok Chandra: Yes, please.

Rakesh Kumar: Congratulations, sir, on the new assignment.

Ashok Chandra: Thank you.

Rakesh Kumar: So, a couple of questions, sir. Firstly, like, even with quite good deposit growth that we had this quarter of around 4.9%, TD cost has not gone up on a sequential basis. So, in case of other banks, especially in the PSU banks also and the private Bank also, we saw that even banks not having much deposit growth, they had witnessed deposit cost rise. So, what is happening differently in our case because that protected our margin this quarter?

Ashok Chandra: See, one is we are able to mobilize a sizable amount under the retail term deposit. And we have one special scheme of 7.25% for more than one year. And we are able to mobilize a good number of amount under that particular bucket. And you also know that we are one of the largest Bank under this CASA segment, Rs. 5,62,156 crores is our portfolio under CASA. And it is next to State Bank of India that is the highest CASA which we have now. And there has been growth also in the CASA despite having such a large base. There is a growth of around 2.7% that has happened in the CASA segment. So, all those put together, we are not seeing much strain on our NIM.

Rakesh Kumar: Got it. And secondly sir, like looking at your bifurcation that we have given in EBLR, MCLR, T-bill and all. So, T-bill composition if I see, it has gone up from 8.4% to 11% and if I look at the like domestic industrial loan growth that is around approximately 3.5% sequential. Against that growth if I see or maybe against that composition change of the credit if I see the composition change of the lending rate benchmark, especially on the T-bill which you might have used for corporate lending has gone up sharply. And for MCLR it has come down. So, have we changed our benchmark for corporate lending and like there is pressure coming from corporate borrowers in terms of pricing? So, if you can clarify, sir.

Ashok Chandra: There is no pressure from the corporate side. It is a conscious decision of the Bank when we had the liquidity. And with a thin margin also, we are able to rotate our fund and make good of that particular fund. And that is the reason if you see the TBLLR, the growth, substantially it has gone up. So, for the 31 days, 45 days, 90 days period also, through our short-term loans, WCDL, we are making good money out of that. So, one is that we are getting the funds, shorter fund also, and we are able to deploy those funds in that particular segment, and we are able to make good money out of that. So, this is the conscious decision Bank has taken. It is not because of the strain in the system.

Rakesh Kumar: But it looks very contrary, sir, like our reported margin is looking flat, but we have gone on the T-bill pricing. So, where else have we made surplus margin to make up for the loss when we are doing corporate lending on the T-bill?

Ashok Chandra: No, it is not like that because we are also doing some repricing of the corporate book which we had given below 7%, there was some which we had given 0.7%, 0.25% also. So, some price adjustments we are doing there also and wherever there are opportunity to make the good of the surplus which we are having or the overnight borrowing which we are doing it. We are also using that fund on a regular basis for the WCDL and all for making the, even if some small spread is there, we are able to make some good money out of it.

Rakesh Kumar: And sir lastly, on the AS 15, we had Rs. 2,060 crore provision in the Q2. This quarter, we have Rs. 1,400 crore. So, during the nine months for this fiscal year, have we changed our discount rate for either gratuity or pension because last quarter, we made quite high provision on the ad hoc basis. So, if you can help us, where are we on that?

Ashok Chandra: See, generally, AS 15, the provision happens and we decide in the beginning of the financial year. March, the actuarial calculation happens and based on that calculation, we make the provision in the very first quarter and subsequently, subsequent quarters also, we go by that. But when we saw that there is a dip in the yield which is happening and based on that, I think, 7.78. So, there was some 30 paisa dip was there in the yield. So, because of that, we recalculated our actuarial provision. And then we found that there is excess provision has to be done in the September quarter. And that is the reason we have gone for some higher provision in the September quarter. And that point of time, we calculated that the entire year, I think it was 5,600 was the total provision that was required for the entire year based on the calculation in the month of September. And accordingly, we have worked the calculation and we have done the calculation for this quarter for to the extent of Rs. 1,400 crore. If the same situation remains as it is, and we are expecting almost the yield will remain the same, then in the March quarter also, we will require to have the provision of only Rs. 1,400 crore.

Rakesh Kumar: So, it means, sir, at the current yield of around 6.7% in your G-Sec yield, and we had a discount rate of 7.2% on March '24. So, we would not be required to make any further change in the discount rate like what you are assuming right now?

Ashok Chandra: Absolutely.

Rakesh Kumar: And what is that discount rate numbers are now that we have?

Ashok Chandra: 6.75 we have done in this particular quarter.

Rakesh Kumar: For gratuity and pension both?

Ashok Chandra: Yes, both.

Rakesh Kumar: Thank you so much, sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Aditi Nawal, an individual investor, please go ahead.

Aditi Nawal: Hello. Am I audible? Hi, thanks for the opportunity, and congratulations on your appointment, and congrats on the quarter result. I just had one question. So, it is regarding your recovery that you've been guiding to the tune of around Rs. 18,000 crores. Now until Q3, we have done around Rs. 11,500 odd crores of recovery. So, now, as I run some calculations and also with the guidance that you've provided that in Q4, we'd be expecting TWO recoveries to the tune of Rs. 1,500 to Rs. 1,600 crores. I still am able to calculate some shortfall of around Rs. 2,000 to Rs. 2,500 crores in the recovery amount. So, could you just help me with whether we will be able to meet the target of Rs. 18,000 crores, or there will be some softening on that?

Ashok Chandra: Yes, we are aiming for Rs. 18,000 crore, but with a conservative estimate, I can tell you that in this particular quarter, we should be in a position to mop up the recovery to the extent of around Rs. 5,000 to Rs. 6,000 crores. Because there were some recoveries which we are expecting in the last quarter to come. There were some bigger accounts where there which didn't materialize. Generally, in the corporate recovery, it happens like this. But all those recoveries are, we are expecting that I think in this quarter and some bigger recoveries are going to come in this February month itself now.

Aditi Nawal: So, I think Rs. 5,000 odd crores of recoveries in TWO as well as write back of provisions?

Ashok Chandra: Both which is going to happen.

Aditi Nawal: That will be it from me. Thank you so much.

Moderator: Thank you. The next question is from the line of Sarvesh Mutha from AGFR Financial Research. Please go ahead.

Sarvesh Mutha: Hi. Thank you for the opportunity. Sir, I had a question on the tax rate. We have a tax rate currently of around 34.5%. Now going into FY26, do we plan to migrate to the 25% tax rate anytime next year?

Ashok Chandra: We are estimating and we are planning now to decide in the 25, 26 at any quarter, depending upon our position. I think definitely we would like to move to the new regime.

Sarvesh Mutha: Okay, and sir, on margins, you had said that you will be maintaining the 2.9% to 3% margin. Now, if we look at FY26, now there could be a couple of rate cuts during that year. Do we think that this 2.9% to 3% could be held even for FY26 as well?

Ashok Chandra: We will have to see that what sort of the announcement comes from RBI side and how the budget announcement comes, what are the provisions that come. And then we will take a call that what is the business model which we are going to adopt. And see, whenever the repricing happens, the repricing will happen on the deposit side also. I think we will take care of the margin part,

even if the rate fall happens. I think we will declare and we will announce that what is our guidance for 25-26 by end of this financial year.

Sarvesh Mutha: Thank you. Thanks for the opportunity. Thank you.

Moderator: Thank you. The next question is from the line of Krish Shah, an individual investor. Please go ahead.

Krish Shah: Hi sir, I have two questions to ask. So, first is, are we looking to do anything to improve our CASA growth because as I observed, banks are in some sort of an interest rate war going on. And second would be on operating expense cost. Are you going to follow this circuit and how much are we investing in digital? That's it.

Ashok Chandra: The first is the CASA growth. See, our assumption is that in CASA, interest rate doesn't make much difference. And the interest rate which we are offering already, it will continue. And there will not be any interest rate changes that are going to happen in the CASA front now. And as far as the growth is concerned, we are mindful of that, that today if we want to initiate and grow in the CASA front, a lot of initiatives are required. One is that how much additional facilities which we are offering in the particular CASA product, whether we have the segment-based CASA products, all those things we are going to review in our Bank also. And we will have the best probable facilities which are being given by the different banks. Definitely, we are going to adopt in our CASA products also. So, we will be very, very competitive as far as the CASA is concerned. And being the major presence in the North and North Eastern states, we have the locational advantage also as far as the CASA growth is there. So, I think that piece we are not going to miss. And we will be one of the market leaders in the CASA growth front now. And operating cost-wise, see, one cost is almost it remains fixed and flat. That is the employees related cost. There may not be any changes which we are envisaging in this coming quarter also and going forward also. What we are going to put emphasis on that, how much improvement we can do it in the non-interest income part. There are a lot of avenues are there and which we are discussing at Bank level. One is that the cash management services, we would like to explore that how much income we can generate through that activity. Supply chain, vendor management, that is wonderful opportunities that is there in the system and the Bank has just initiated that process for the supply chain and vendor financing. So, I am seeing that wonderful opportunity for this two segment which will increase our non-interest income and thereby the operating income and operating profit, I think that we will be able to sustain, and we will be able to grow.

Krish Shah: Thank you so much sir. All the best.

Moderator: Thank you. The next question is from the line of Farz Patel, an individual investor, please go ahead.

Farz Patel: Hi, sir. Sir, my first question is around the provisions you hold for the SMA, the standard, and the restructured book put together. So, the non-NPA part, how much provisioning are you holding in total for that? And the second question is, sir, around this year, we are seeing Rs.

18,000 crores in terms of NPA recovery. But if you just look at the TWO recovery, you said you have Rs. 91,000 crores of TWO book. So, next year do you think that the TWO recovery will be more than FY25, less than FY25. Do you have any number in mind?

Ashok Chandra: See, one is first your provision part. See, in the standard account provisioning, there are only two ways which we do. One is the normal RBI mandate is there for making the provision, I think 0.40% which we are supposed to do that, we do that. And wherever the restructuring that has happened in the standard account, see one is the OTR 1 book, OTR 2 book, and the normal 7th June circular any restructuring has happened. In those accounts only we are supposed to maintain the provisioning norms and provisions. So, other than the guidelines, we are not supposed to maintain any provision for the standard book. But we have around Rs. 750 crore of floating provision, which we are holding it, and whenever it is required to be used for any purpose, we are going to use that provision. So, we are a well-capitalized and well provisioned held Bank now. So, there is no challenge as far as that part is concerned. Your second question was the TWO recovery. See the book is so high that I am expecting that not only this quarter, going forward also Bank is going to have a good recovery under the TWO because 91,000 is a big book and we have Rs. 54,000 crore of NCLT book and all these NCLT book which we are holding it, it is under the TWO now. So, this 54,000 out of 91,000, definitely it is going to be realized in the next year or the subsequent years also. So, that is the opportunity which is there in the system for the Bank to get back that recovery. So, I am very hopeful that the TWO recovery will continue to bring the good income for the Bank.

Farz Patel: Got it, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Parag Thakkar from Fort Capital. Please go ahead.

Parag Thakkar: Congratulations for new assignment, and congratulations for a good set of numbers. As everybody is expecting, the rate cuts are going to happen, and so there will be some margin compression. But don't you feel that because you have a CD ratio of 72% only. And if the system liquidity improves due to RBI steps, like as you mentioned, VRR and OMOs, the growth will also be better?

Ashok Chandra: Yes, I fully agree with you, sir. We have enough cushion for growth now, having 72% of the CD ratio and 15.41% of the CRAR. And the profit which we are holding it, we have enough cushion to grow in the system. And if further rate cut happens, I think opportunities will be immense for the corporate also to come forward and avail the facilities.

Parag Thakkar: Sir, do you feel like growth will abstract whatever little bit margin contraction which happens due to interest rate cuts because as you very rightly say deposit will also get repriced, but there will be some lag effect right?

Ashok Chandra: Yes. So, we will have to see what is the rate cut that is being offered and that happens in this particular quarter when the MPC happens and I think see in a shorter time one quarter, two

quarter, definitely there will be some impact. If I say that no impact will be there, I will not be doing justice to that. So, there will be some impact, but whatever happens, the impact for this quarter will be very, very minimal. I think with the growth in the credit pipeline, which we are holding it, I think that should offset the effect of the rate cut, which is going to happen. So, in this particular quarter, I am not seeing any major impact of the rate cut, even if it happens.

Parag Thakkar: And sir when you say 13% to 15% loan book growth, you have said for FY25 or for next year 26?

Ashok Chandra: No, see our guidance for this year is 11% to 12% of the loan book now and I am expecting that our growth will be in the range of 12% to 13% in the Financial Year '25.

Parag Thakkar: Correct and 26 you are saying?

Ashok Chandra: 26, I have not told anything and we need to wait. See, there is a process for fixing the number for the next financial year and somewhere in the first week of March, we will have the board strategy meet and then we will decide the growth path, what is the profitability which we are going to fix up? What will be the NPA number and the guidance we will give at the end of the financial year to the analyst and everybody that on the 13 basic parameters where we want to place our Bank in 25-26.

Parag Thakkar: And sir when you say that out of your technically written off Rs. 91,000 crore, Rs. 54,000 crore book is in NCLT. So, how much portion of that you expect to recover? For example, if it is in NCLT and the site is monetized, what is your general assumption that out of this Rs. 91,000 crore or say Rs. 54,000 crores which is in NCLT, based on your assessment, what is the total recovery amount? Of course, it will come over a period of time, not necessarily next year itself, but what is your general assessment on that?

Ashok Chandra: See, in this particular quarter, the recovery through the NCLT is only Rs. 380 crores in Q3 and I am expecting the accounts and the resolutions which are maturing now. I am expecting around Rs. 570 crore recovery through the NCLT route in this particular quarter. And through NARCL route also, we are expecting around Rs. 500 crore of recovery in this particular quarter. So, if I can put it, because this Rs. 54,000 crore is NCLT also and there are some accounts which are in NCLT but getting resolved through the NARCL. So, both put together, I am expecting that a recovery of around Rs. 1000 crore from the NCLT and NARCL and this entire book will be the TWO book.

Parag Thakkar: Okay. And there is another number which you said Rs. 1400 to Rs. 1500 crore of recovery, right, in Q4?

Ashok Chandra: That is the TWO recovery I was talking about. That is the TWA recovery. So, Rs. 1,000 crore through NARCL and the NCLT, that is a part of the 1,400 or 1,500, which we are aiming to do it in the Q4 quarter.

Parag Thakkar: Okay, so total recovery number is 1,500?

Ashok Chandra: Total 1,500 under the TWA, and total recovery in this particular quarter, we are expecting around Rs. 5,000 to Rs. 6,000 crore.

Parag Thakkar: Okay, thanks a lot sir. All the best.

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

Rakesh Kumar: Thank you. Thank you for the opportunity again. So, just one question, sir. On the provision line, we have a write back in the investment depreciation. So, what is this number of Rs. 190 crore pertaining to write back?

Ashok Chandra: Yes, that is the recovery in the one account is there. See, there has been a write back of provision that has happened in a few of the accounts and that is the reason there is a provisioning the credit cost and if you see that is the impact of that money, the write back of provision has gone up now.

Rakesh Kumar: Yes, how many accounts that we have for kind of this must be non performing investment where the recovery has happened. So, like how many accounts are there and from which sector if you can help us understand?

Ashok Chandra: Yes, there are two ways of write back of provision happens. One is when we recover the amount of the NPA account under the GNPA, it comes back as a write back of provision. And in the TWO whatever recovery happens, it directly goes to the operating profit. So, this is one way of write back of provision. Second write back of provision which has happened in this particular quarter, generally that happens is in the restructured book we are supposed to maintain the provision. Now if that account becomes the standard account once again, it gets revived, then that provision we have to roll it back. And that is the provision which has been rolled back and that has come as a write back of provision. So, a standard account also because of the restructuring, whatever provision we do that, and once after the timeline provided in the restructured account, if that timeline meets and the account behaves properly, that provision we need to reverse back. So, there are two ways of write back of provisions.

Rakesh Kumar: Yes, correct. So, like referring to that notes to accounts where you were talking about the resolution for stressed asset whether we have written back around Rs. 320 crores. So, that is one write back of provision of Rs. 425 crores this must be included there and over and above we have another investment depreciation or NPI write back. So, how many accounts?

Ashok Chandra: NPI write back is that Rs. 190 crore on account of the NPI write back. That is because of that it has happened. On account of OTR write back, it is Rs. 81 crores. Second, the third point is the 7th June circular, there were some accounts where Rs. 447 crores write back has happened. So, these three things put together, the write back provision has happened in the system.

Rakesh Kumar: Okay, and what is the continuity possibly if you have anything because discussions must be going on such larger accounts, so any visibility we have for fourth quarter such kind of recoveries or write backs?

Ashok Chandra: Definitely, the write back of provisions, definitely it is going to happen in the system and we are also expecting that both in the NPA side and the non-NPA side, the standard account side, I think Rs. 300 to Rs. 400 crore write back of provisions will happen in this quarter also.

Rakesh Kumar: Understood sir. Okay, great sir, great. Thank you sir, thank you and all the best sir.

Moderator: Thank you. As there no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you, sir.

Ashok Chandra: So, thank you very much to all the esteemed investors and the analysts for reposing your faith and confidence in Punjab National Bank. On behalf of the top management and the entire PNB family, we assure you that we will continue to have the robust growth. We will continue to have the robust operating profit, net profit and all the financial parameters, you will see that there will be continuous improvement. Thank you very much.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.