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## “Punjab National Bank Q2 FY2025 Earnings Conference Call”

**October 28, 2024**



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**MANAGEMENT:** **MR. ATUL KUMAR GOEL – MANAGING DIRECTOR  
AND CHIEF EXECUTIVE OFFICER – PUNJAB NATIONAL  
BANK**  
**MR. KALYAN KUMAR – EXECUTIVE DIRECTOR –  
PUNJAB NATIONAL BANK**  
**MR. BINOD KUMAR – EXECUTIVE DIRECTOR – PUNJAB  
NATIONAL BANK**  
**MR. M. PARAMASIVAM – EXECUTIVE DIRECTOR –  
PUNJAB NATIONAL BANK**  
**MR. BIBHU PRASAD MAHAPATRA – EXECUTIVE  
DIRECTOR – PUNJAB NATIONAL BANK**  
**MR. DEEPAK SINGH – GENERAL MANAGER -PUNJAB  
NATIONAL BANK**

**MODERATOR:** **MS. MAHRUKH ADAJANIA – NUVAMA WEALTH  
MANAGEMENT**



*Punjab National Bank  
October 28, 2024*

**Moderator:** Ladies and gentlemen, good day, and welcome to the Punjab National Bank Q2 FY '25 Earnings Conference Call hosted by Nuvama Wealth.

As a reminder, all participants' 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 touchtone phone.

I now hand the conference over to Ms. Mahrukh Adajania from Nuvama Wealth. Thank you, and over to you, ma'am.

**Mahrukh Adajania:** Hello, everyone, and welcome to this Earnings Call of Punjab National Bank.

We have with us the entire team of PNB headed by Mr. Atul Kumar Goel – Managing Director and CEO; Mr. Kalyan Kumar – ED; Mr. Binod Kumar – ED; Mr. Paramasivam – ED; and Mr. Bibhu Prasad Mahapatra – ED.

With this brief introduction, I will hand over the floor to the PNB Team. Mr. Deepak Singh will read out the disclaimer after which Mr. Goel will address the conference. Thank you, and welcome again.

**Deepak Singh:** Ladies and Gentlemen, good day to all.

Disclaimer statement:

I would like to submit that the statements given herein are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results placed or implied by such forward-looking statements. Investors are, therefore, requested to check the information independently before making any investment or other decisions.

Thank you. over to MD and CEO.

**Atul Kumar Goel:** Thank you very much, Deepak. Very good afternoon to everybody. I welcome all the team from the analyst for this Earning Call as well as the Quarterly Result for September 2024 as well as the half-year result of the Punjab National Bank.

As far as the gross business is concerned, the gross business of the Bank increased by 11.9% Y-o-Y and stood at 25.20 trillion. The combination of the gross business, gross deposit increased by 11.3% and stood at 14.58 trillion. The gross advance, there was good growth in the advance,

12.8% Y-o-Y and increased from 9.42 trillion of September '23 to 10.62 trillion. The CD ratio of the Bank is also very comfortable, it is 72.82%.

As far as the savings Bank and the CASA and the current account is concerned, savings Bank also there is a Y-o-Y growth of 3.7% and it increased to 4.88 trillion. Similarly, the current account, there is also a positive growth of 1.6% Y-o-Y. It was 67,038 and increased to 68,104. CASA of the Bank was 5.38 trillion in September 2023, which has improved to 5.57 trillion with a growth rate of 3.4%.

As far as RAM is concerned, the ratio of RAM to the total advance, which was 55.63% in September '23, and it was 55.46% in June '24, has further improved to 55.77%. As I told you earlier in the last call also, our Endeavour is to increase this ratio to 58% by the end of March '25 and within the range of 60 to 61 in the 3-to-4-year horizon.

As far as profitability of the Bank is concerned, net interest income which used to be around 9,923 in the September 2023 quarter has improved to 10,517 crores with a growth rate of 6%.

As far as operating profit is concerned, it used to be 6,216 crores in the September '23 quarter has increased to 6,853 with a growth rate of more than 10.3%. Net profit which was 1,756 crores in September '23 has improved to 4,303 with a growth rate of 145%. And if even you compare quarter-to-quarter, June '24 it was 3,252, and there is a growth of around 32%. And I think this is the best number we are presenting in the last 14 quarters.

These 3 numbers net interest income of 10,517 and the operating profit 6,853 and the net profit 4,303 is the highest in the 4 to 5 years in the history of the Punjab National Bank.

As far as assets quality is concerned, there is a significant improvement in the gross NPA as well as the net NPA. Gross NPA which was 65,563 September '23 has reduced to 47,582 crore, and in terms of the percentage, it was 6.96% in September '23, 4.98% it was in June '24 has reduced to 4.48% in the September '24 around 50 basis point deducted from the June quarter.

Net NPA, which used to be 13,114 in September '23 has reduced to 4,674. In terms of the percentage, the net NPA was 1.47% in September '23 and 0.60% in June, and it has further improved to 0.46%.

As far as this guidance for the gross NPA net NPA is concerned, at the beginning of the year, we have given the guidance that our gross NPA will be around 5% by the end of March '25. But since in the June '24 itself we have reached to 4.98%, so we have revised our guidance that our gross NPA will be around 4% by the end of the March '25. Since we have now 4.48%, and if you see every quarter, every quarter there is a reduction of the 50-basis point. So, we are further revising our guidance that our gross NPA should be in the range of the 3.5 to 3.75 by the March '24.

As far as net NPA, that is a very reasonable number. So, there is no guidance. 0.5 we have given. That we will maintain.

As far as credit cost is concerned, the credit cost of this, it was 1.31% in September '23 quarter, and 0.32% in the June '24 Quarter and 0.08% in Sep'24, it has reduced to 0.08%. So, as far as guidance of the credit cost is concerned, at the beginning, we have given guidance that the credit cost will be around 1% for the current financial year considering it was 1.40% in '23-'24 and 2.03% in the '22-'23.

But since we have already reached to 0.32% in the June, so we have revised our guidance for the credit cost from 1% to 0.5%. And if you see this average, the average cost of the credit cost is coming for the half year is 0.20. So, we are further revising our credit cost guidance. It will be around 0.25% to 0.30% by the end of the full year for March 24-'25.

The reason behind that because if you see the recovery is more than the double, and we have already improved our PCR to 97%. So, there is a very hardly little requirement for the ageing provision, which is coming around 250 every quarter. And as I told you, the recovery is double, so provisions will be released much more as compared to the delinquency which we have seen in the last 4-5 quarters. So, the delinquency is also reduced.

I will give one more number as far as delinquency is concerned, how the new underwriting is behaving, which I give every quarter. This is the number for the 51 month i.e., 4 years 3 months. It is from 1st of July 20. See, how the new underwriting is behaving. From the 1st July '20 to September 30th, '24, we have sanctioned 9 trillion loan, out of which 9 trillion means 8.19 trillion we have disbursed. The outstanding new loan is 6.31, which is more than 50% of my total loan book. Out of this outstanding 6.31 trillion, the NPA is hardly 2,374, which is coming, 0.29% for the new underwriting.

I will give further break up of this segment wise:

Agri, it is 0.45. MSME, it is 1.44. And retail, it is 0.28. And corporate, it is basically negligible. This is the reason, so we are further revising our credit cost. Even I am seeing there will be a scenario where the negative credit cost will be there because as I told you 97% PCR. Recovery is more than double of the delinquency. Delinquency is also reduced. Delinquency we are giving the guidance for the slippage 1%. That we will maintain.

As far as capital is concerned, the total capital of the Bank is 16.36% as against 15.79% in the June '24 quarter and 15.09% is September '23. First time in the history of the Punjab National Bank, we have crossed the capital adequacy more than 16% in the last 5-10 years, which is the number I am having. It used to be around 15% to 16%, but we have not crossed 16%. This is the first time we have crossed 16% and contribution to this is the QIP, which we have raised the last September quarter, Rs. 5,000 crore. And against it, we have received a bid of around Rs. 41,000

crore, which was more than 8x subscribed. Around 65 basis points was the impact of the new capital raise.

As far as the CET-1 is concerned, it is 11.59% as against 10.95% in the June '24 quarter and 10.23% in the September '23. As far as plan for the capital is concerned, we were having approval of the Board for Rs. 7,500 crore QIP, of which 5,000 we have already raised. We are in hand Rs. 7,000 crore for the AT1 and 3,000 crore for the tier 2. Although as of date, there is no requirement for the capital to be raised in the subsequent quarter, but we will see if the rate will be of our choice, so we will not mind to raise part of the AT1 in the current quarter. Current quarter means this December quarter.

As far as the cost of deposit is concerned, it was 5.08 in June '24. It has further increased 5.16 because you all are aware because the deposit on the one-year deposit or the other deposit has increased substantially in the last quarter. The one-year deposit is not available as on date even between the 7.70 to 7.80.

As far as the NIM is concerned, we have given guidance for the 2.9 to 3, and we have given guidance that absolute number, our NII will be positive. And if you see the last 12 quarters, every quarter NII in absolute number is more than the earlier quarter. So, although we have as on date 2.92 is my global NIM and 3.06 is the domestic NIM, we will remain on the same guidance 2.9 %to 3%.

Yield on advances was 8.43 in the June quarter. It was similar on the same line; it is 8.42 and it used to be around 8.23 in the September '23 quarter.

As far as the cost-to-income ratio is concerned, it was 52% in September '23 and 53.28% in June '24, and it has increased to 54.58% in the September '24 quarter. The reason of the increase in the cost-to-income ratio is on account of the AS-15 provision. Last quarter we had made a AS-15 provision for 7.42, but this quarter, September quarter, we have made a provision of Rs. 2,057 crore, it means additional, around Rs. 1,300 crore we were required to make more provision for AS-15.

Reason behind it because the G-Sec in the June 2024 was 7.01, and it was closed at 6.75 in the September '24. So, there was a reduction of around 26 basis points in the G-Sec. So, on account of the reduction in the G-Sec, as per the actual calculation, we have to provide 1,300 additional. This was the reason of the increase in the cost-to-income ratio.

So, maybe if you see as on date, further there is an increase in the rate of interest in 10 years which is hovering around 6.85. So, maybe a current quarter, December quarter, this requirement will further reduce.

As far as an increase in the advance is concerned, we have given the guidance around 11% to 12% and we have clocked in 12.8%. So, retail, there was a growth of 14.62%, agri there was a growth of 11.07%, MSME there was a growth of 8.9%. The reason behind that is because some of the MSME account which was classified under MSME on account of the increase of the turnover or investment limit, they have come out from the purview of the MSME. So, otherwise, if we will add that account, particular account, so it is coming more than in double digits.

RAM, it is 12.02%. Home there is a good growth 19% as well as Vehicle, it is a 25%.

As far as the movement of NPA is concerned, the opening balance of the Gross NPA was 51,263 and 2,181 was the addition. I will give the breakup of this fresh addition. Slippage was in agri Rs. 565 crore, MSME 621, retail 415, and the other corporate 470. And the cash recovery was 1,508 and the upgradation 1,407, making the total of the total upgradation in the cash recovery was 2,915 and write-off was 2,946. The closing figure was Rs. 47,582. Total recovery including the recovery in the technical written-off and recovery which we have booked in the de-recognised interest. So, it was Rs. 4,891 crore, which was Rs. 3,249 crore in the previous quarter.

So, if you see the recovery was 4,891 and slippage was in this quarter 2,181. So, it was more than 2x, and the target for the entire year is Rs. 18,000 crore. If you add the June and September recovery, it is coming around Rs. 8,000, we are confident, because some of the account LC/LD is about to resolve in the current quarter or lastly in the last quarter. So, 18,000 we will definitely achieve.

As far as SMA more than 5 crore is concerned, that is hardly Rs. 2,125 crore. As far as because normally used to ask how much is the credit on the MCLR? So, around 34% on the MCLR, repo around external benchmark of 41% and T- bill around 8.39% and fixed is around 10%. As far as RAM, as I told you already 55.77% and our annual to increase to 60% in times to come 2 to 3 years.

One important thing, out of total unsecured loan book unsecured retail loan, which is normally the worry of the investors also, is hardly 27,966. The breakup of the 27,966 is credit card around Rs. 1,000 crores, education loan 4,333 and pension loan 4,513.

In the pension loan, we are receiving the pension. There is no worry in that. The personal loan amount is 18,119. Out of this personal loan, the digital PAPL 4,239 and non-digital is 13,880. Normally the percentage in this personal loan used to be around 2% and 2.10% and that's already been factored at the time of pricing this product, and we are also making this at the time of the initial making the, what should be the pricing, we have also taken the 2% will be the NPA in this product also.

As far as NCLT recovery or the NARCL is concerned, in NCLT may around 831 account we have applied for 1.03 trillion, out of which 797 account of the 1.01 trillion has already been

admitted, 30 account of 1,835 crore is to be admitted. out of 797 accounts, 275 account has already been resolved of Rs. 47,444 crore and 304 account already liquidated 35,120. 218 account pending at the various states with the amount involved is 19,351.

As far as asset transfer to the NARCL is concerned, we have transferred 14 account of 3,778. Against this, we have received cash of Rs. 987 crore. 13 account is under discussion of 2,370. Out of this 13 account, in 9 account of outstanding 1,691 NARCL has submitted already their bit, which is under evaluation.

So, this is my initial remarks about the performance of the Bank. Once again, I think this is the best result we have shown in the last 3 to 4 years.

Now I am open for any questions, clarification if you require. I will try to give the answer. Thank you. Thank you very much.

**Moderator:** Thank you very much, sir. We will now begin the question and answer session. Our first question is from the line of Nitin Agarwal from Motilal Oswal. Please go ahead.

**Nitin Agarwal:** Congrats on a very strong quarter and also achieving the milestone of 1% ROA well ahead of the guidance.

**Atul Kumar Goel:** Deliberately I am not touching my initial remarks because I want to hear from you. So, it may be one more thing I can tell you also, because we have given the guidance for the 0.8 for the entire year and we have given the guidance that it will be 1% at the exit of the current financial year. Since we have already achieved more than 1% in the half year, it is around 0.9%. So, we are revising our guidance, it will be around 0.9% to 1% for the whole of the year from the 8% earlier guidance.

**Nitin Agarwal:** So, my first question is on the contingent provisions. This quarter we have made a small amount, but now that you are indicating that the credit cost, we have already reduced the guidance second time on credit costs now and there is a possibility it may be negative also as you mentioned. So, will we look to make contingent provisions and prepare ourselves for a day's transition as and when it starts? So, what is the thought on that line?

**Atul Kumar Goel:** Nitin, see, already we have made a provision of Rs. 350 Cr as a floating provision for the NPA and you are worried about the ECL et cetera also. 97% already we are having the PCR. What is ECL provision? ECL provision is how is your new underwriting behaving. I have already given the 51 month data of the new underwriting, 9 trillion we have sanctioned, 8.19 trillion we have disbursed, 6.31 trillion is outstanding, which is around 60% of my total loan book. And out of this 2,374 is NPA. Even if you see the OTR, OTR-1 and OTR-2, Rs. 170 crore provision we have made additional. As against the requirement of the 5% and 10% RBI, we are making 12.5%.

So, I think there is no need for further provision. Also, already 500 and 350 we have made a provision for the floating provision in this quarter and total is the 500.

**Nitin Agarwal:** But will this be enough like when you look at the total ECL provisions, whenever it kicks in, will this much be enough?

**Atul Kumar Goel:** No, it will not be appropriate that whether it is enough because we have not calculated. I told you that we should wait for the final guidance also because there is a different method is being used by the different banks. The moment we will get the guidance, so this I can tell you, PNB will not be the outlier. Earlier there was a worry because we were having the highest NPA, highest gross NPA and so everybody was worried that the ECL provision, the PNB will be the higher. However, as on date that worry is gone.

**Nitin Agarwal:** And the second question is on the credit deposit ratio. If I look, like PNB has a very good room to expand on that. It is very well positioned to pursue credit growth, but the credit deposit ratio over the last one year has been in a very narrow range. So, why are we not using this lever to expand margins? Because margins is one area wherein we are seeing some softness and which is similar to the other banks also. So, what is your thought on that, like on the credit deposit?

**Atul Kumar Goel:** Nitin, see, in margin, I told you also, if you see, we have given the guidance 2.9% to 3% because ultimately it depends which type of underwriting you are doing. We can increase the margin. We can increase the margin, but there is a risk of slippage also. And moreover, you see what is our AAA, AA, etc., also.

So, this is the reason because there is some transaction, because PNB is one of the larger Bank, there is some transaction where I am getting only 1% with 2%. If I have to maintain 3% or more than 3%, you may be happy. So, it means I should not do such type of transaction. This is the reason I am telling again and again; the ratio may be misleading. We will not give the guidance amount to 2.9% to 3%, but in absolute number, in absolute number if you see the NII every quarter is increasing.

I am not naming the Bank. One of the big banks, the number of this current quarter 400 negative NII number. So, this is the reason we are not going to change the margin, we are saying, but we are saying where we can get the more margin also, we are doing that one also, but if there is some accountability, we are not in a position to make more margin also. So, in terms of the percentage NIM will be reduced, but ultimately it will add to my absolute number.

**Nitin Agarwal:** And the last question is on the OpEx, wherein Q-o-Q we have seen a sharp rise in the employee provisions. So, what has driven this? And how should we factor in for the coming quarters?

**Atul Kumar Goel:** No, actually it is a function of the rate of interest. As I explained in my initial remarks also, 7.01 was the 10-year G-Sec, which has reduced to 6.75. So, there was a reduction of around 26 basis



point. Last quarter we made 742. This year on account of the 26-basis point, so increased 2,057. So, I do not foresee, because if you see as on date also, it is hovering around 6.85. So, definitely it will remain in the same range, so the requirement will be very less for the next quarter.

- Moderator:** Our next question is from the line of Piran Engineer from CLSA. Please go ahead.
- Piran Engineer:** Congrats on the quarter and the successful turnaround of Punjab National Bank. Firstly, sir, what is LCR, our liquidity coverage ratio? And is there a scope to further reduce liquidity on balance sheet?
- Atul Kumar Goel:** As far as the liquidity of the coverage ratio is concerned, it was around 129%. On account of this revised guidelines also, there is a difference of around 10 basis points. So, the requirement of 100%, so we will be in a position to easily maintain more than that also. So, although impact will be there on account of the guidelines if it is really implemented, so around 10% to 11% they will be different.
- Piran Engineer:** And what is the level we are comfortable with?
- Atul Kumar Goel:** Actually, we are comfortable, it should be around because 100% is the requirement, so 115, between 115 to 120. But minimum, 115 we would like to have.
- Piran Engineer:** Sir, and on your slide 18 in the PPT, there is a CG Recap Bond, 55,000 crore. So, what is that?
- Atul Kumar Goel:** That is the government has inducted into the capital. That is that. Because they have inducted into the capital, then we have subscribed the bond also.
- Piran Engineer:** Sorry, can you please repeat?
- Atul Kumar Goel:** Whatever the government has infused the capital. Suppose they have introduced Rs. 55,000 crore as the capital. To buy that, that has been increased the capital liquidity ratio. Rs. 55,000 crore, same amount, we have subscribed the government bond also.
- Piran Engineer:** So, you bought government bonds and then the government infused capital.
- Atul Kumar Goel:** Right, very much right.
- Piran Engineer:** And our credit cost guidance for the year, is it 0.5% or 0.25%?
- Atul Kumar Goel:** Actually, beginning it was 1%, then June it was 0.5%. As on date for the half year, it is coming around 0.2%. So, we are giving the guidance, it should be around 0.25 to 0.30 basis point.
- Moderator:** Thank you. Our next question is from the line of Gao Zhixuan from Schonfeld. Please go ahead.

- Gao Zhixuan:** Just two data keeping questions. First of all, on the margins, do we have an impact from reclassification of penal interest into the incomes that impact some of our peers?
- Atul Kumar Goel:** That is definitely there, because some of the amount which we were using as a penal interest, that is not coming under the interest calculation now, that is coming under the other income also.
- Gao Zhixuan:** And do you mind sharing what's the rough quantum of it? Do you mind sharing what's the impact on margins this quarter?
- Atul Kumar Goel:** Impact will be only 1, 2 basis point, nothing more.
- Unknown Analyst:** And on gross slippages, there is a slight pickup on a sequential basis, obviously from a variable level. But just wondering what's driving that, and does that include some of the big corporates that we hear in the news?
- Atul Kumar Goel:** You are right. Actually, if you see, we have given the guidance for the 1%. Even as on date, it is less than 1% also. It was Rs. 2,181 crore. There was one account, one account which I think you are trying to ask. That was around 425. Otherwise, the second highest slippage was around Rs. 35 crore only.
- Gao Zhixuan:** So, 430 crores from that one account.
- Atul Kumar Goel:** Yes.
- Moderator:** Our next question is from the line of Rakesh Kumar from B&K Securities. Please go ahead.
- Rakesh Kumar:** Very good performance, especially on the recovery front, sir. Just on the personal loan, you had given some data point in your opening remarks. What was the gross slippage that we have posted on this personal loan in this quarter, sir?
- Atul Kumar Goel:** In personal loan, 18,119 is the total book. Apart from the pay stub that is also in the personal loan, that is 4,513. So, in that, there is no issue because pension is coming. Out of this Rs. 18,000 crore, it is around 2%.
- Rakesh Kumar:** Gross NPA?
- Atul Kumar Goel:** Yes, gross NPA.
- Rakesh Kumar:** And the slippage in this quarter?
- Atul Kumar Goel:** It is on the same line. It doesn't mean there was a much difference in the last quarter and this quarter also. It remains in the same range.

- Rakesh Kumar:** And sir, margin movement is very peculiar this quarter. So, if you look at Slide 23, we have yield on advances from June quarter to September quarter, almost at 8.42, and cost of fund has slightly gone up by around 8 bps this quarter. But the funding cost number, cost of fund number is flat and yield on fund number is coming down but yield on investment is flat. So, what is driving lower yield on funds, though the yield on advances number is flat, yield on investment number is flat. So, why yield on fund is coming down, sir, from 7.23 to 7.13?
- Atul Kumar Goel:** That is on account of some of the overseas loan book also.
- Rakesh Kumar:** But this will get, okay, but this slide does not include, so I am looking at the global number, sir. Global number is 8.42 as compared to 8.43, and yield on investment is 7.06. So, yield on fund is coming down from 7.23 to 7.13. So, why is that?
- Atul Kumar Goel:** 7 point, yield on fund is coming from 7 point?
- Rakesh Kumar:** 7.23 to 7.13, 10 bps fall is there in the yield on fund. So, why was that, sir?
- Atul Kumar Goel:** You have to see the composition. Please try to understand what is the composition of the advances, what is the composition of the investment, because if you see the outstanding of the investment has increased in this quarter. This is the reason it is coming down.
- Rakesh Kumar:** We will take that offline, sir. Sir, there is a rise in the growth.
- Atul Kumar Goel:** No, there is no need for the offline. I am trying to, please understand, what I am telling you, what was the growth in the advance book, what is the growth in the investment book. Growth in the investment book is much more as compared to the advance book. This is the reason this is coming down.
- Rakesh Kumar:** I was also coming to that. Non-SLR growth is very high, especially in the others category.
- Atul Kumar Goel:** Yes.
- Rakesh Kumar:** So, what is that, sir?
- Atul Kumar Goel:** That is the investment in the CD sector also, because sometimes we were having the extra liquidity also, so we have passed that fund in the CD of the banks.
- Rakesh Kumar:** And, sir, fee income, drop in the fee income, especially in the processing fee.
- Atul Kumar Goel:** Because the processing fee, we used to charge in the first quarter only for the entire year. This is the only reason.

- Moderator:** Thank you. Our next question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.
- Ashok Ajmera:** Good evening and compliments to you, Atul sir and the entire team of PNB for the fantastic results. In fact, you are improving your performance on all the parameters quarter after quarter. I think in last, if you see 10, 12, 15 quarters, continuously there is improvement. And now, we can say that the Punjab National Bank has overcome all the biggest negative legacies and everything. And it's firing on all the cylinders. So, compliments for the same, sir.
- Atul Kumar Goel:** Thank you very much.
- Ashok Ajmera:** Having said this, sir, I have got just a couple of few questions and some observations. And, sir, on the profitability front, if you look at the, basically from the non-interest income point of view, there is a major improvement right from the recovery, in the return of account to handsome treasury income in this quarter, if you compare with the last quarter of 1,581 crore as compared to 648 crore. That is good profit on sale of investments, good profit on the revaluation of the asset. So, my question is that, going forward, do we expect in the remaining two quarters of the current financial year, the same performance of the Treasury so as to assess the correct profitability of the Bank for the whole FY '25? That is the first question.
- Atul Kumar Goel:** Yes, definitely, Ashokji, definitely, because as on date also, if you see my total, the TWO, it is 92,584. It is the gold mine for the Punjab National Bank. So, whatever the recovery in the technical written-off we have made in the last quarter, the same or even more also we can expect in the current quarter as well as in the last quarter of the current financial year. And Treasury income is also, treasury income is also, we will be in a position because my Treasury is very active. Not only the SLR or non-SLR, even we are making the good profit in the equity funding also.
- Ashok Ajmera:** Yes, so that's basically treasury front. Even in the trading book also I think there seems to be a good profit on that. Sir, a data point, just a calculation of tax. So, tax, if you look at this current half year, I think on the profit of 11,834 crore, our provision is 4,276 crores. So, it's almost about 36% on the tax front. And we have not discussed this for a couple of quarter on the tax front, DTA and other things. So, can you...?
- Atul Kumar Goel:** I have understood your question, Ashokji. Actually, we have not shifted to the new regime. This is the reason. Because earlier also we have explained in the last con call also, because we are in the old regime. This is the reason this is coming 36% because we are having some of the claim which is available. If we will shift to the new regime, then we have to forego. This is the reason. It is a matter of time. Moment we will shift to the new regime, definitely there will be around 10 basis point increase in the ROA only from this entry.
- Ashok Ajmera:** How much is that total carry forward benefit and the...?



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- Atul Kumar Goel:** Not only carry forward, there is some other benefit also, MAT etc. So, it is not only one thing.
- Ashok Ajmera:** MAT.
- Atul Kumar Goel:** There is so many other things also if we will shift to the new. So, we have to forego that. This is the reason. It is a matter of time only. The moment we will be in a position to absorb all our already benefit, then we will go to the new regime also. We have discussed this matter with our consultant. So, he advised, immediately there is no need to shift from the old to new regime.
- Ashok Ajmera:** Yes, point well taken. Sir, on the employee benefit front, you have talked about AS-15 and because of that, there is an increase in the overall employee cost. But sir, similar in this quarter, we have not seen in the couple of other banks which have come out with their result this kind of major impact because of AS-15 in this quarter. So, was there something different in our Bank on that? Even in Bank of Baroda, there was hardly any difference in the overall employee cost in this quarter.
- Atul Kumar Goel:** So, I have understood, Ashokji. Actually, I have explained to you what is the reason. You are also a chartered accountant. 7.01 to 6.75, G-sec. If there is a dip of 26 basis points in interest rate, so AS-15 is definitely bound to increase also. So, we are making on the quarterly basis. I don't know about the other Bank also. But I am telling you that on account of the decrease in the g-sec, this is the reason every quarter there is a fluctuation in this. Last quarter it was 743. Even in the September '23, it was 580. So, every quarter we are making. I don't know whether the other Bank are making on the quarterly basis or the yearly basis also. This may be the reason. But every quarter we are giving these changes.
- Ashok Ajmera:** Sir, one last question in this round is on NARCL and you had given some data points, I think 14 accounts, 3,771 crores. And you said that the cash recovery is 987 crores, isn't it?
- Atul Kumar Goel:** No, no, no. 987 is the, I told you, total recovery, cash filler SR. 15% of the 987 is the cash recovery.
- Ashok Ajmera:** So, balance is the guaranteed SR?
- Atul Kumar Goel:** Guaranteed by the government. Yes.
- Ashok Ajmera:** Guaranteed SR.
- Atul Kumar Goel:** Guaranteed by the government.
- Ashok Ajmera:** Yes, which must have been 100% provided for?

- Atul Kumar Goel:** Definitely, because as on date, there is no different treatment given by the regulator for the sale to the NARCL or DRC, although there is a demand. But because once we are transferring the asset to the NARCL, that is 100% provided. This is the reason carrying cost of the SR is zero.
- Ashok Ajmera:** Yes. No, but it goes in the benefit. Ultimately, we can assess that this amount in any case is going to come.
- Atul Kumar Goel:** Right.
- Ashok Ajmera:** Guaranteed and it has strengthened your book, basically. Sir, just if you permit me one more, we have done exceedingly well on the credit front as compared to many of the other peer banks in this quarter also and overall half year also if you see. So, sir, going forward, if you maintain the same tempo, are you revising your credit growth target also for FY '25, just like other targets which you have improved, even on the credit growth front also?
- Atul Kumar Goel:** 11% to 12% we have given. Between 11% to 12%. And if you see, it is 12.80%. So, I can safely say that we will be in a position to get 12%, but if opportunity will be available, Ashokji, if opportunity will be available, we will not allow opportunity to go, let down from the Punjab National Bank, because there should be demand also, no? Because in corporate, I am very honest to you, there is no much demand in the corporate, even as on date also, I am having the central limit of the 1 trillion, which they are not utilizing.
- Ashok Ajmera:** But you have done very well in MSME front also, I think, where in your this book MSME and Retail, you have performed very well. And corporate business also will come. So, we can hope that this current six month, now next six months will be better than what you have even achieved in the first half year. Thank you very much, sir, and all the very best.
- Moderator:** Thank you. Our next question is from the line of Marsal, who is an individual investor. Please go ahead.
- Marsal:** My first question is regarding this employee cost. Mr. Ajmera asked, but the voice of Mr. Goel was not very clear. So, I just want to ask you this that the employee cost has gone up by Rs. 1,205 crore in this quarter So, is it because of the one-time provision or this kind of number is going to continue in the subsequent quarter also?
- Atul Kumar Goel:** No, no, no. I may explain also. It is a AS-15 provision. It is not an actual outgo. Let me clarify. It is not a actual outgo. It is a provision we have to make based on the actual calculation. The reason behind that for this increase if you see the 10-year G-Sec, in June, it was 7.01, and this September '24, this 10 year G-Sec has reduced to 6.75. On account of this 26-basis point decline in the interest rate, this additional provision has come. So, it will not be a reckoning. Even if the interest rate will become harder in the times to come also, so it may be reversal also. So, it is not a one-time because if you see the last quarter, it's only 742.

- Marsal:** No, sir. I am asking ready employee cost. Employee cost has gone up by 1,205 crores.
- Atul Kumar Goel:** No, employee cost not gone. You see, in employee cost it is added. In employee cost, no, it is already added in the employee cost.
- Marsal:** No, sir. (Hindi language 00:42:22 - 00:42:30) compared to June quarter. Why it has increased? Because like the increment or only settlement was already counted for in the March quarter itself. So, why it has gone up so drastically this quarter, employee cost?
- Atul Kumar Goel:** No, this is the, let me try you once again. The AS-15 provision was 2,057 for this quarter and the June quarter was Rs. 742 crore. If you will make the difference, if 1,300 is the AS-15 provision only. If you see the actual payment of the employee cost, it is on the same line. It is equal. I can give you the number also. The payment of the employees I will give you. This is 6,692 for this quarter and it was 3,808 in the earlier quarter. So, there is a reduction of Rs. 400 crore.
- Marsal:** No, sir, whatever provision we are doing, is it over or will this provision still continue? That's the question.
- Atul Kumar Goel:** It depends on every quarter. May be if rate of interest because as on date, rate of interest is 6.85. So, there will be a reduction, reduced requirement in the current quarter.
- Marsal:** No, no, I am just, like, so it means this kind of provision is going to continue for some more quarters or only one, two quarters this will continue?
- Atul Kumar Goel:** No, no, no, it will remain. Whatever the provision we have made, it is a total provision. It is a cumulative figure. Please try to understand this provision we have made for this quarter 2,057. So, if we will add 2,057, so it has already been added. So, cumulative will remain same. If there is a change on the interest rate in the coming quarter, that cumulative total provision will change.
- Marsal:** Only incremental will change.
- Atul Kumar Goel:** Yes, very much right. Now you understood.
- Marsal:** So, it means a cumulative till this quarter. We have finished all the provision and whatever plus/minus can happen, only that will happen.
- Atul Kumar Goel:** Very much right. Now you understood.
- Marsal:** Sir, my second question regarding this other income, which has gone up by 1,049 crore, so how much is the recovery in this part, 987?
- Atul Kumar Goel:** No, recovery in this particular quarter is Rs. 1,369 crore.

- Marsal:** So, like that capital account is already considered there or it will come in this quarter or next quarter?
- Atul Kumar Goel:** No, it has already been taken in this September quarter, 1,369, already it is part of the other income.
- Marsal:** So, sir, here is my question that like this other income, this kind of recovery, like it is very good recovery you have made in this quarter. So, whether this temperament or this tempo will continue in the December and the March quarter also or like this will subside?
- Atul Kumar Goel:** Definitely because I am having the TWO book of 92,584. It is the gold mine of the Punjab National Bank. And this, if you see 1,630 was in the March quarter also and 1,369 in the September quarter, June quarter it was 859. So, normally, it will remain with the range of the 1,000 to 1,500 easily, every quarter we are making it.
- Marsal:** Sir, where can I see this figure of 94,000 because in the deck, in the PPT, in the Slide #34, I can see only 54,472 crores?
- Atul Kumar Goel:** No, no, that is not in the PPT. I am telling you the total NPA TWO book is the 92,584 in TWO book and 47,582 is the gross NPA. If you will add both, so my total recoverable book is Rs. 1,40,166 crores.
- Marsal:** Sir, my last question, that is, this provision has been reduced.
- Atul Kumar Goel:** Please, your last question is regarding credit cost. Please go ahead.
- Moderator:** Sir, his line got disconnected. We can move on to the next question and then once he presses "\*" and "1" again, we can let him answer. So, our next question is from line of Suraj Das from Sundaram AMC. Please go ahead.
- Suraj Das:** Sir, two questions. One, the floating provision that you are doing, where does it reside? Is it on the standard provision line item, which is 83 crores this quarter? Is it included?
- Atul Kumar Goel:** No, no, no, it is a NPA provision. 350 we have made for this quarter and cumulative provision is 500. It is a part of the NPA provision. It is a part of the CAD cost.
- Suraj Das:** So, it is part of this 199 crores number.
- Atul Kumar Goel:** Yes, otherwise if we would not have made a 350 provision, the credit cost would have been a negative credit cost, yes.
- Suraj Das:** And sir, on this, the below line item, standard asset provision, 83 crores, it seems like, I mean, since we have also restructured book, which is coming down, there is, the incremental provision



requirement is very less on the standard assets. How long this can continue, sir? I mean, what kind of headroom still you have in terms of...?

**Atul Kumar Goel:** See, it depends on the June 2019 circular. Some of the account, which they have come out from this category also. So, there was some reversal also. There was some additional provision for the other account. It depends on if the exposure of that particular account is much more for a particular limit. But since our SMA, more than Rs. 5 crore is very less, Rs. 2,125 crore, so I do not foresee any issue which will be requiring us to make more provision for this standard asset because it depends on the banking industry, not only the Punjab National Bank. If some individual is having the exposure more than Rs. 2,000 crore, then only we have to make this provision for the June 2019, yes.

**Atul Kumar Goel:** 2,500. 1500, yes.

**Suraj Das:** And sir, one last question. In terms of this quarter growth, if I look at both on deposit and advances, the overseas segment has contributed very favorably. So, anything specific that is happening there or is it just one-quarter phenomena?

**Atul Kumar Goel:** Last quarter also, this is the last quarter was the same growth, in June, as far as the credit is concerned. But definitely this quarter some growth in the deposit is better as compared to the last quarter.

**Suraj Das:** So, this quarter I think the advances growth on the overseas is something like 14% Q-o-Q. Anything, any particular segment that is value?

**Atul Kumar Goel:** No, our guidance is 12% for whole of the year.

**Moderator:** Thank you. Our next question is from the line of Yash Darak from RSPN Ventures. Please go ahead.

**Yash Darak:** First of all, congratulations for a good set of numbers. Most of my questions were answered. I just had a couple of book keeping questions. So, the first question is that we have observed in our peers that a big PSU telecom company is facing some stress. So, do we have any exposure in that?

**Atul Kumar Goel:** Definitely we are having the exposure in that. Already we recognized in the 2,100 something, already we recognized the exposure of 434.

**Yash Darak:** Okay, 434 crores is the total exposure. And we have already provided for it.

**Atul Kumar Goel:** Yes, already recognized, and it is in the figure of the 2,100 slippage, yes.

- Yash Darak:** Second question is, sir, on the deposit re-pricing, we were observing from last few quarters that the deposits were being re-priced. So, has that scenario been over now and the NIM guidance that you maintained considers the scenario that deposit pricing has been completed?
- Atul Kumar Goel:** I fully agree with you. I think deposit rate has, in my opinion, deposit rate has already reached on the peak. So, we do not foresee any further increase in the deposit. So, whatever the guidance for the NIM 2.9 to 3, I think we will be in a position to maintain it.
- Yash Darak:** Sir, just one final question, if I can squeeze in. This is in regarding that RBI had recently introduced some rules, regulations regarding the infrastructure loan book and provisions on infrastructure loans against which banks has made some representation to the statutes. So, has there been any development in this scenario?
- Atul Kumar Goel:** No, as of yet we have not yet. Whatever the draft guidelines have come, that is still. We have not issued a final guideline yet.
- Moderator:** Our next question is from the line of Kunal Shah from Citigroup. Please go ahead.
- Kunal Shah:** Most of the questions have been answered. One thing with respect to PNB Housing, this entire new draft circular which has been there, which talks about the group company. Obviously, it's an associate, but still the group entity, which says that it cannot carry on the business similar to that of a Bank. So, would maybe in terms of having a stake in that subsidiary, we can maybe prepone that taking into account that the draft circular or what would be our overall stance on the holding in PNB Housing Finance?
- Atul Kumar Goel:** See, as on date, there is no plan. We are reviewing whatever the draft guidelines is coming. We will discuss in the Board. As on date, we have not decided.
- Moderator:** Our next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.
- Jai Mundhra:** Congratulations on 1% ROA, sir. Sir, my first question is, you mentioned that the central PSU account in telecom that we have already recognized as an NPA. I just wanted to check, sir, what could be the provisions here that we would have made?
- Atul Kumar Goel:** Provision, I think it is not appropriate. Otherwise, we have made a good provision. Actually, I think individual account we should not discuss.
- Jai Mundhra:** And secondly, sir, you would have the other stretched steel PSU account, that is still in SMA, or what is the status, or you think that will be resolved?
- Atul Kumar Goel:** That is in the SMA with the other Bank, but as on date, because that is a working capital with me, so my account is okay, but we have to see in totally.

- Jai Mundhra:** And sir, what would be your total SMA-1 and 2 including below 5 crores accounts also?
- Atul Kumar Goel:** Total SMA-1 is 14,688 and SMA-2 is the 13,509 for a whole book.
- Jai Mundhra:** And if you have the SMA-0 number also, sir?
- Atul Kumar Goel:** SMA 0 number is 1,02,728, but as on date if you ask me because there is an accounting issue also, because some of the installment is doing in the first week, so it is coming one day, it is coming SMA-0. So, as on date, this SMA-0 has reduced from the 1,02,728 to 21,599.
- Jai Mundhra:** And last question, sir, is we look at revaluation of investment income, right? Because RBI has permitted that the banks can accrue the national gain also, is there any, I mean, so we have and I think if I remember right, we have done around the treasury of the treasury, the income is around 700 crores. Would you believe that this number will stay or what is this number linked to? What could drive this number lower or higher this quarter? Is it like equity M2M or bonds M2M or what is it?
- Atul Kumar Goel:** 761 is the trading profit. Let me clarify you, Jai Mundhra, 761 is the real profit, which is the profit from the G-Sec, which is the profit from the non-SLR, and the profit from the equity also. In addition to that, because on account of the change of the new balance in the valuation, there was another Rs. 731 added in the P&L for the devaluation in this time. So, because our Treasury is very active, so we are hopeful because if you see the last quarter, we have made 325. So, it depends on the yield etc also. Our Treasury is very active. So, we will be in a position to make good profit in the times to come also. No issue.
- Moderator:** Our next question is from the line of Saurabh from J.P. Morgan. Please go ahead.
- Saurabh:** Sir, just two questions. So, one is historically on your written-off book, what's the recovery rate that you get? So, that's the first one. And secondly, what is the total magnitude of AFS reserves that you have right now?
- Atul Kumar Goel:** Actually, 92,584 is the TWO book. Normally, within the range of the 1,000 to 1,500, we are recovering every quarter. And the AFS book is the 1,09,615, which is around 23.3% of the total investment book.
- Saurabh:** No, sir, I was asking, it's normally like over a cycle of 90,000 crores, how much will be your recovery rate? Will it be 10%, 13%? How much should it be?
- Atul Kumar Goel:** Around Rs. 5,000 crore we are recovering every year. So, you can think it is around 5% to 6%.
- Saurabh:** 5% to 6%, okay.
- Moderator:** Our next question is from the line of Anand Dama from Emkay Global. Please go ahead.

- Anand Dama:** Sir, I just wanted to ask a question related to your overseas loan book that is expanding at a very fast pace. What is the reason? What are these kind of loans that you are giving to, what kind of corporates are there that you can give?
- Atul Kumar Goel:** Actually, Anand, it is a combination of all. One is RAM. There is a growth in the RAM also. I will give you some of the number of RAM. If you see the retail, the number was 5,44,954 in June 24. So, it has increased to 5,64,000. So, Rs. 20,000 crore, more than Rs. 25,000 crore increase in RAM. Even retail also, in retail around Rs. 15,000 crore is increased. Another is the corporate. There is also an increase in the NBFC side. And there is an increase in the sum of the renewable projects, solar, etc. So, it is a combination of all. So, mainly in the RAM, RAM is the focus area. There is some increase in the NBFCs also, but all are basically triple A and third is the other corporate advances. The major part is the road, and another is the solar, renewable energy.
- Anand Dama:** My question was specifically related to overseas loans.
- Moderator:** Can you repeat? Yes, Anand, can you repeat?
- Anand Dama:** My question is related to overseas loan book, which is expanding.
- Atul Kumar Goel:** Overseas, oh, overseas basically most of the exposure is on the Bank or buyers credit, yes.
- Anand Dama:** But BC also, because that book to some extent is dragging your margin down.
- Atul Kumar Goel:** Yes. Margin is less, no doubt, margin is less, yes.
- Anand Dama:** Sir, is it basically that you can cut down the exposure to overseas anytime soon, or you would...
- Atul Kumar Goel:** We are having only 2 branches. We are having, why there is a need of the cut down the exposure also, because ultimately we have to see whether we are earning or not. As I told you in my initial remarks also, in some of the transactions, if we are getting 1%, 2% or even less than 1%, why we should allow that opportunity should go down from the Punjab National Bank, because we are not concerned about the 3% NIM. We are concerned with the absolute number of the net interest income.
- Anand Dama:** Sir, is it possible to share what is the LCR for this product?
- Atul Kumar Goel:** LCR, I told you 129%. In draft guidelines, there is a peak of around 10% to 11%.
- Anand Dama:** If the new draft guidelines come, it will come down by 10% to 11%.
- Moderator:** Next is a follow-up question from the line of Rakesh Kumar from B&K Securities. Please go ahead.

- Rakesh Kumar:** Sir, just I was coming back to the same question on the change in the yield on fund. So, I was looking at cash investment and advances composition as a percentage to your deposit and borrowings. So, I find that there is a decrease in the cash balances number as a percentage of deposit and borrowings. And also there is a decrease in the advances number and increase in the investment number. And some of the gap has been funded by the equity around 4,200 crore, but still the margin is coming down. So, the margin falls what we have seen in this quarters, like should we see this as a kind of a regular thing going ahead also, or what is that? Because probably we have used the QIP money, I think, is in this quarter.
- Atul Kumar Goel:** Yes, maybe on account of the QIP money, it is not a general, because I told you that sometime if we are having the liquidity, where will we park the liquidity? Either in the short-term investment opportunity available, where the yield is there. So, this is the only reason which I explained to you also. But it is not for a long period also, very short period also.
- Moderator:** Our next follow up is from the line of Marsal, who is an individual investor. Please go ahead.
- Marsal:** Sir, my question was that this quarter, provision has also reduced by 1,024 crores. So, are we going to, like, whether this provision will sustain to this level what it was there in the September quarter or it can also spike in the September quarter?
- Atul Kumar Goel:** The provision, there is three, four provisions. Which provision? See, as far as credit card is concerned, we have already revised our guidelines. So, the provision for the NPA will further reduce and these standard assets also. I do not foresee there will be any increase in the provision and OTR-1, OTR-2, we have already made 170% additional provision, which I told you. So, only the provision for the income tax will be the main provision. I do not think there will be any increase in the other provision also.
- Marsal:** And sir, like this, we have also made a floating provision of Rs. 350 crores. So, what is the purpose for which this floating provision can be utilized?
- Atul Kumar Goel:** This floating provision is permitted by the regulator. Rs. 350 crores we have made for this quarter, cumulative provision is Rs. 500 crores. Rs. 150 crores we have made earlier also. So, this will help to reduce and to maintain our net NPA number.
- Marsal:** No, understand, but what I am saying, like, because in the other banks, I was reading through that, like they mentioned that, that this floating provision can't be utilized without the prior approval of regulators. So, that's why I am asking you like for what kind of thing this can be utilized?
- Atul Kumar Goel:** Yes, with the permission of the, in the bad time, if there is a requirement to use this proposal, then we have to take the permission from the regulator.

- Marsal:** So, this, my last question regarding the CASA. So, what special steps the Bank is taking to increase the number of current accounts, sir?
- Atul Kumar Goel:** See, point number one, I will give you the savings as well as the current account. CASA is definitely a challenge, not for the Punjab National Bank, for the entire industry. But we are having 10,000, more than 10,000 branches, more than 24 customer, and we have provided all the branches with the tap banking. So, time for opening of the new account has already been reduced. Last year, we have opened more than 1 crore savings Bank account, and the first quarter we have opened more than 60 lakh accounts. The money will come in this account.
- Your specific question about the current account. So, last year, we have opened 2.68 lakh accounts. In first half, we have already opened 1.21 lakh. We have also provided this corporate mobile app, which was not available earlier, which we have launched in the last month. Only by using this corporate mobile app, so definitely we are hopeful that there will be an increase in the current account opening as well as the balance in this current account.
- Marsal:** Beautiful. Sir, you are doing fantastic, sir.
- Moderator:** Our next question is from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.
- Ashlesh Sonje:** First question is on the slippages side. If I look at the agri slippages, they go quite sharply on a Y-o-Y basis. Any reason for that?
- Atul Kumar Goel:** Slippage, you are asking about the slippages, no, Y-o-Y?
- Ashlesh Sonje:** Agri slippage.
- Atul Kumar Goel:** 1,826 to 2,181.
- Ashlesh Sonje:** Sir, no, that's the agri part. Agri slippages for the quarter, which is about 570 crores.
- Atul Kumar Goel:** You are asking for the agri?
- Ashlesh Sonje:** Correct, yes.
- Atul Kumar Goel:** 565 is for the agri. Normally, it keeps within the 500, 600, because we are having the book of more than 1 trillion. So, sometimes 500, sometimes 600, there is no much difference here.
- Ashlesh Sonje:** And secondly, on the PSU account, which has slipped this quarter, are there any other PSU, large PSU accounts which are sitting in the SMA book for you?
- Atul Kumar Goel:** You do not worry. Only one account was only in the SMA that we have already recognized. As I told you, as on date, I do not find.



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October 28, 2024*

**Moderator:** Thank you. As there are no further questions, I request Mr. Atul Kumar Goel for any closing comments.

**Atul Kumar Goel:** Thank you very much once again. I think this was one of the best quarter as far as the Punjab National Bank is concerned and whatever the guidance we have given, I think we have achieved most of the guidance except the CASA and the most important was the ROA also. Although we have given the guidance that we will be in a position 1% by the exit of the current financial year, but we have achieved. So, I think with the support of all my investors also and the analysts also, and I assure you whatever the number we have shown in the coming quarter and the coming to the next, last quarter of the current financial year, we will be in a position to show the better performance whatever we have shown in this quarter.

**Moderator:** On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.