



“Punjab National Bank  
Q4 FY2022 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Punjab National Bank's 4Q FY2022 post results conference call hosted by Batlivala and Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. Participation in this conference call is by invitation only. Punjab National Bank reserves the right to block access to any person to whom an invitation is not sent. Unauthorized dissemination of the contents or the proceeding of the call is strictly prohibited and prior explicit permission and written approval of Punjab National Bank is imperative. Please note that this call is only for investors or analysts. I now hand the conference over to Mr. Suraj Das from Batlivala and Karani Securities India Private Limited. Thank you and over to you Sir!

**Suraj Das:** Thank you. Good everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities, we welcome you all to Punjab National Bank's Q4 FY2022 post results conference call. We have with us today the management team of Punjab National Bank represented by Mr. Atul Kumar Goel, MD & CEO, Mr. Sanjay Kumar – Executive Director, Mr. Vijay Dube – Executive Director; Mr. S.K Saha – Executive Director, and other senior officials. I would now request MD & CEO Sir to start the call with his opening remarks on Q4 FY2022 results, post which we can start the Q&A session. Thank you and over to you Sir!

**Atul Kumar Goel:** Thank you very much Mr. Suraj Das. I am very happy to present the result of Punjab National Bank for the quarter ended 2022 March quarter as well as the FY 2021-2022. The key highlights of the results are net profit for the Q4 financial year 2022 was at Rs. 202 Crores. Net profit FY 2021-22 grew to Rs. 3457 Crores with an Year-to-year growth was 71% from the figure of Rs.2022 Crores in the last financial year that is 2021. Operating profit increased to Rs. 5265 Crores during the Q4 of the current financial year 2021.2022 with a growth of 17.30%. Global NIM improved by 7 basis points to 2.76% in the Q4 financial year 2022 from 2.69% in Q4 of the financial year 2020-2021.

Cost to income ratio improved by 690 basis points to 46.02% in Q4 financial year 2022 from 52.92% in the Q4 of the last financial year that is 2021; GNPA ratio improved by 234 basis points to 11.78% in March 2022 from the figure of 14.12% in March 2021; Net NPA ratio improved by 93 basis points to 4.80% in March 2022 from 5.73% in March 2021.

PCR improved by 146 basis points to 81.60% in March 2022 from 80.14% in March 2021, CRAR improved to 14.50% in March 2022 from 14.32% in March 2021. Retail credit increased by 6.69% on Y-O-Y basis to Rs. 1,30,225 Crores at the end of March 2022.

Agriculture advance grew by 9.79% on Y-O-Y basis to Rs. 1,24,286 Crores. Domestic CASA share improved by 195 basis points on year-to-year basis to 47.43% in March 2022 from 45.8% in March 2021. Savings deposit grew by 8.25% on Y-o-Y basis to 4,51,680 as on March 2022. If you see the deposit of the bank grew by 3.61% but the growth in the savings bank was much more as compared to the normal deposit growth of 8.25%. Current deposit grew by 8.51% on Y-o-Y basis to Rs. 81,975 Crores as of March 2022.

Now coming to business key parameter as on March 2022, global business increased by 4.64% on Y-o-Y basis to Rs. 19,31,322 Crores as March 2022 as against the figure of Rs. 18,45,739 Crores in March 2021. Global deposit grew by 3.61% on Y-o-Y basis to Rs.11,46,218 Crores as at end of March 2022 as against the figure of Rs. 11,06,332 Crores in March 2021. Global advance grew by 6.18% on Y-o-Y basis to Rs.7,85,104 Crores as at end of March 2022 as against the figure of Rs.7,39,407 Crores as of March 2021.

In retail segment housing loan grew by 3.6% at Rs.73,805 Crores, vehicle loan increased by 23.4% on Y-o-Y basis to Rs. 12,615 Crores. Personal loan grew by 14.1% on Y-o-Y basis to Rs. 12,193 Crores.

As far as priority sector is concerned bank has achieved all the target of the priority sector. In agriculture as against target of 18% bank has achieved 18.35%, a smaller margin for small and marginal farmer as against the norm of 9%, bank has achieved 9.87%, for credit to weaker sector as against the norm of 11% the bank has achieved 13.46% and total advances stood at Rs.90002 Crores. Credit to micro enterprises stood at Rs.53,963 Crores and achieved the normal goal of 8.07% as against the requirement of 7.50%. Efficiency ratio is concerned of the bank cost to income ratio for the Q4 2022 improved by 690 basis points to 46.02% in Q4 of the financial year 2022 from 52.92% in the Q4 of the financial year 2021.

Global cost of deposit improved to 3.9% in the Q4 financial year 2022 from 4.22% in Q4 of the financial year 2021. Return on Assets improved to 0.26% in the financial year 2022 from the figure of 0.15% in the financial year 2021. Yield on Advances at 6.64% in Q4 2022. Yield on investment at 6.41% in Q4 FY 2022. Business per employee improved to Rs.1941 lakhs in March 2022 from the figure of Rs.1885 lakhs in March 2021.

As far as assets quality of the bank is concerned there is an improvement in the assets quality. Gross NPA number stood at 92,448 Crores as of March 2022 as against Rs.1,04,423 Crores as on March 2021, declined by 11.47%.

Net growth of nonperforming asset stood at Rs.34,909 Crores as of March 2022 as against the figure of Rs. 38576 Crores as on March 2021, declined by 9.51%. Provision coverage ratio including TWO stood at 81.60% in March 2022.

As far as capital adequacy is concerned CRAR improved to 14.50% in March 2022 from a figure of 14.32% as on March 2021, Tier I is 11.73% CET 1 at 10.56%, AT-1 and 1.17% is the AT-1. The entire Tier II CRAR is 2.77% as on March 2022. In the last two years we have raised the capital Rs. 3788 Cr in 2021 and Rs. 1804 Cr in 2021-2022 by way of QIP. As far as AT-1 is concerned the bank has raised Rs. 495 Crores in 2020-2021 and 3971 Crores in 2021-2022. As far as tier 2 is concerned Rs. 3994 Cr raised in 2021 and Rs. 1919 Crores raised in the last financial year 2021-2022 and bank has already got the approval from the board for raising of the further capital of 12,000 Crores rupees in 2022-2023 by way of Basel III compliant AT-1 bond up to Rs 5500 Crore and remaining Rs.6500 Crores through Tier II bonds.

As far as digitalization is concerned because the future of every banking industry is the improvement in technology as well as the digital platform, internet banking, service user increased to 3.40 Crores as of March 2022. PNB One mobile banking service user increased 69% Y-o-Y to 3.37 Crores during FY2021-22 from the figure of 1.99 Crores in FY 2020-21.

Number of debit card issued stood at 7.61 Crores as of March 2022 with 71.33% debit card penetration to eligible base. As far as UPI transaction is concerned that has increased by 81% to 200 Crores rupees as of March 2022 and other new initiative the bank has taken in 2021-2022 PNB 360 comprehensive dashboard to monitor the business performance of the bank, collection of the loan EMI through BBPS, repaying loan EMI through Bharat Bill Pay System because in the composition of the total advance of the bank of Rs.785,000 Crores 50% is the retail loan where the monitoring and collection is very, very efficient is required.

Trade, Finance Redefined Portal as it is customer to initiate the forex rate transaction online. Digitalization of the recovery process for optimization of the tax, ASBA on PNB One facilitated the investor to subscribe the IPO 24 x 7, insta personal loan to the pensioner, cardless cash withdrawal, PNB virtual debit card and PNB EcoLens, this is a monthly bulletin covering economy and the banking indicators.

As far as NIM is concerned, NIM of March 2022 quarter domestic NIM was 2.86% and the global NIM was 2.76% and if you see the NIM for the whole of year 2021-2022, it was 2.79% domestic and 2.71% is the global so our guidance our esteem analyst from the domestic NIM of 2.86% in March 2022 whole of the year 2.79%, our endeavor should be to reach around 3% of the NIM in domestic.

As far as credit growth is concerned last financial year 2021-2022 we have achieved a credit growth of around 6.18% and the guidance for the current financial year 2022-2023 will be in double digit that will be around 10%. As far as guidance for the gross NPA is concerned our

gross NPA number is 11.78% at the end of March 2022 and our guidance for gross NPA number should come in single digit less than 10% by the end of financial year 2022-2023 and the guidance for the net NPA number should be less than 4%, so this is my initial remark to all of you. Now whatever your question I will try to reply all the questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Akhil Hazari from RoboCapital. Please go ahead.

**Akhil Hazari:** Good evening. The main question I wanted to ask related to the PAT guidance which you had given, you would have been able to reach that had not been for this increase in provision that you made in Q4 so I just want to know the reason behind the increase in provision?

**Atul Kumar Goel:** The increase in provision is on account of the ageing provision as well as the slippage also because if you see the number of slippage of the last quarter, it was around Rs.10,506 Crores so all this we are required to make the provision around 15% and remaining one on account of the ageing provision.

**Akhil Hazari:** Going forward the guidance that you had given in the last concall for credit cost was 1.5% so I just want to know does that guidance still stand?

**Atul Kumar Goel:** If you see the guidance for the credit cost, quarter to quarter and the whole of the year, the last quarter of the last financial year 2021-2022 credit cost was around 1.91% and this has declined. If you see the last year of the last quarter of 2021 that was 2.24% so our guidance for the credit cost for the next financial year 2022-2023 I think it should be around 1.75% whatever the number we have given to you because I think we should revise the 1.75% the reason behind that is we want to strengthen the balance sheet. We want to increase the provision coverage ratio. Provision coverage ratio which was 80.14% on March 2021 already improved to 81.60% and the reality whether we will be in the position to achieve the PCR of 85% in March 2023. This is the reason we are little bit revising the credit cost from 1.5% to 1.75%.

**Akhil Hazari:** Right. Okay fine and my next question is regarding cost to income ratio. Sir any guidance since this decreased quite a bit going forward for FY2023 what could it be.

**Atul Kumar Goel:** The cost of income ratio if you see the last quarter of the March 2021 it was around 52.92%. If you see the last quarter of the last financial 2021-2022 it was 46.03%. I would like to inform to all of you because the reduction in the cost to income ratio in the last quarter of 2021-2022 on account of the reversal AS-15. Because on account of increase of the ten year G-SEC yield, there was a reversal of Rs.1600 Crores in the AS-15 basis so on account

of that is reversal that was the main reason for the deduction in the cost to income ratio to 46.03%. If you see the whole of the year, the cost to income ratio was around 49.38% so my guidance to all the esteemed analysts it should be less than 50% for the next financial year.

**Akhil Hazari:** Sir this was one time reversal?

**Atul Kumar Goel:** Yes one time reversal so that is the reason why I am giving the guidance of less than 50% because if you see the whole of the year it was 49.38%.

**Akhil Hazari:** Okay fine. That is it from me. Thank you Sir.

**Moderator:** Thank you. We take the next question from the line of Ashoka Ajmera from Ajcon Global Services Limited. Please go ahead.

**Ashoka Ajmera:** Sir good evening and welcome to you in this bank. Having said that I have got some couple of observations and some questions, my first observation is on note number 7 of the family pension were Rs.1520 Crores is amortized and if you look at the auditor's comments when you say that had this not have been amortized for the future the profit would have come down to Rs.2468 Crores. I fail to reconcile the number that if Rs. 2468 Crores if you add Rs. 1520 Crores it does not match with Rs.3457 Crores of profit so is there any other component the auditor had look at?

**Atul Kumar Goel:** It is net of tax. If you will adjust the computation of the taxation then they have given this number otherwise whatever the notes is the notes is very clear the bank has opted to share provision of the RBI in addition to the minimum amount of Rs.618. 79 Crores for the financial year. This is the family pension because I may tell you Mr. Ajmera the liability for the family pension was around Rs. 3093 Crores out of which Rs 618 Crores we have provided in the last quarter and this quarter we have provided Rs. 952 Crores so ultimately they have unamortized expenses for Rs. 1520 Crore which they have adjusted the tax implication and given this number, because if you charge Rs. 1520 Crores in your P&L then taxes and liability will be reduced. The movement taxable liability reduced whatever the profit we have seen that will be adjusted accordingly.

**Ashoka Ajmera:** We have been seeing the other banks the section number 10, you have done, as per the RBI circular, you have amortized Rs. 1028 Crores debited to the reserve and which will be taken care of in the future but auditor has put this note in the emphasis to the account. The auditor should not emphasize something which is already as per the terms of the RBI circular. This note has not been see in any other banks so far?

**Atul Kumar Goel:** Ajmera Ji I think this question it will not be appropriate on my part. You should raise this question to the auditor also because you are also chartered accountant. Normally whatever I have seen whether the RBI has permitted or not whatever the amortized amount you are taking in the balance sheet for the next financial year. Each and every auditor normally we are seeing in the emphasis also and the emphasize clarification we are giving in the note to accounts.

**Ashoka Ajmera:** But anyways emphasize is given on something which is not regular or which is not accepted by the auditor that is the emphasis but anyway this is just for your information and knowledge because I think we have seen already last three banks they have already come, nowhere this note has come accordingly.

**Atul Kumar Goel:** May be Ajmera Ji they have fully provided also because some of the banks because this dispensation was given by the RBI whatever the pension liability you can amortize in the next five years whatever the fraud you can amortize in the four quarter there are some banks also who have not availed this facility but this maybe my view maybe recently it has not come in emphasize of those bank.

**Ashoka Ajmera:** Anyways I will come back to my question Sir. Sir the guidance of operating profit last quarter also Mallikarjuna gave that still 22,000 Crores to 24,000 Crores it is there in the answers given when we have come down to 20,762 Crores so something unusual as happened in this quarter with this profit even so near last quarter itself you said it will be 22,000 to 24,000 Crores for the whole year so what has gone wrong in that Sir?

**Atul Kumar Goel:** Ajmera Ji nothing has gone wrong because if you see the operating profit of the last quarter of the last financial year it was Rs. 5265 Cr. It is much more the figure of the operating profit of December 2021 that was Rs. 5076 Crores only and if you compare this Rs. 5265 Crores rupees of the operating profit from March 2021 there is a growth of 17% because March 2021 operating profit of that quarter was Rs.4489 Cr so nothing has been wrong because the operating profit of March last quarter of the 2021-2022 is much more than the December 2021, so my guidance to you, next year what is the operating profits we have achieved in this financial year 2021-2022 around 15% there should be an increase. One more thing I would like to tell you Mr. Ajmera because there is two to three numbers which comes in the operating profit which was not coming earlier. First is the trading profit is already part of the operating profit now mark-to-market of the investment portfolio is factored in the operating profit. Now you have seen also after the improvement, by 40 basis points where the 10-year G-SEC has gone up so whatever the mark-to-market will be safe in the June quarter or the subsequent quarter on account of the hardening of the interest, this provision of the investment was coming below the operating profit. Now it is a part of the operating profit so this is one of the reasons also but as I have told you this particular quarter March quarter

operating profit was quite good at Rs. 5265 Cr which was much more than the earlier quarter.

**Moderator:** Thank you. We take the next question from the line of Mahrukh from Edelweiss. Please go ahead.

**Mahrukh:** Sir my question is on slippages, Sir usually there was an impression that fourth quarter you have seen slippages for Q4 would be lower than third quarter slippage. But why PNB slippages especially in agri, MSME retail gone up quarter on quarter? that is my first question and my second question is if at all if you can give the number for SMA below 5 Crores because SMA above 5 Crores has reduced substantially. It is hardly anything thing right. It is almost zero now.

**Atul Kumar Goel:** Thank you, Mahrukh. The number of the slippage was around Rs. 10506 Crores of the last quarter of the financial year 2021-2022. If you see normal you are seeing normally in the last four quarter of the financial year slippages always less. I tend to disagree with you. If you see the number of all the banks in the last year also, normally the slippage in the last quarter is normally high as compared to the previous quarter so out of Rs. 10,506 Crores. It is not in a particular segment it is among all the segment. During Q4'22 Retail was around Rs. 1157 Crores, agri was Rs. 2726 Crores. MSME was Rs.2871 Cr and remaining was in the corporate and the others. Another question is the number of the SME below 5 Crores as on date I having the number of SME to more than 5 Crores which is very less, Rs. 120 Cr this number used to be around Rs. 3000 Crores in December 2021 and more than 13,000 Crores in March 2021 so you are asking the number of SME below 5 Crores that is not immediately available I will send this number to you.

**Mahrukh:** Sir thanks a lot. Would you have the amount of slippage from ECLGS so how much does ECLGS in included in the MSME slippage of Q4?

**Atul Kumar Goel:** The slippage in ECLGS is around Rs. 838 Crores which has already been settled in the slippage.

**Mahrukh:** Okay but was this related to the fourth quarter only.

**Atul Kumar Goel:** Normally more or less in the fourth quarter because they were also eligible for moratorium and the resolution too also, mostly in the last quarter little bit maybe in the past also but maximum part is in the fourth quarter.

**Mahrukh:** Okay Sir but Rs. 838 Crores that is the full amount right. It includes ECLGS plus the cleared loan correct?



- Atul Kumar Goel:** The ECLGS plus.
- Mahrukh:** The ECLGS is 20% of the outstanding loan right. This Rs. 838 Cr includes ECLGS and the big loan?
- Atul Kumar Goel:** Yes.
- Mahrukh:** Okay thanks a lot Sir.
- Moderator:** Thank you. We take the next question from the line of Ankit Bansal from AB Private Limited. Please go ahead.
- Ankit Bansal:** Sir looking at your numbers I want to ask about the shareholders. Sir their value is getting eroded day by day what are your comments on that.
- Atul Kumar Goel:** Your question is very good but I think you should be happy. After 8 years of the last financial year we are declaring the dividend of 32% to the investor I think it is a good sign.
- Ankit Bansal:** Sir all other banks are delivering more than you. You can see Canara Bank it has delivered a dividend of Rs. 7 but in terms of size PNB is much, much bigger than Canara Bank.
- Atul Kumar Goel:** I partly agree with you. Time will come we will deliver much more expectation of the other bank also.
- Moderator:** Thank you. We take the next question from the line of Rahul Jain an individual investor. Please go ahead.
- Rahul Jain:** Thank you for the opportunity. So my first question is on what is our guidance on slippages, recovery, and on loan growth going ahead in this quarter and for the full year?
- Atul Kumar Goel:** As far as loan growth is concerned the last financial year we have closed with a growth rate of 6.18% so we are of the view and we have given the target also. This financial year 2022-2023 we should be in a position to achieve the credit growth in double digits that is 10%. Your another question is the guidance on the slippage also and the recovery also. As far as slippage is concerned so our endeavor is like this financial year our addition should be less than the recovery and we will try to monitor every fortnightly, monthly also,
- So in terms of** number if you see the addition of 2021 was Rs. 28100 Crore which has already reduced to Rs.24744 Crores in the last financial year 2021-2022 and as far as slippage is concerned I do not foresee slippage from the big account because we have just checked our SMA 2 portfolio more than Rs. 5 Crores, so Rs. 5 Crores more than this

number is hardly Rs. 120 Crores which used to be around Rs. 3000 Crores in December 2021. But definitely slippage may be from some small account so we will strengthen our monitoring system also and the collection system also so I can give you the guidance of the credit cost rather than slippage, so I have already given the credit cost which was 1.91% the last quarter of the last financial year so our credit cost should be around 1.75% for the next financial year.

**Rahul Jain:** Thank you and my next question do we have any exposure to Future Group and if yes what will be the PCR here and has it slipped into this quarter?

**Atul Kumar Goel:** Around Rs. 1600 Crores. We are having exposure in the Future Group and out of which already 50% already slipped to the NPA in the last financial year and we have made adequate provision, adequate provision which we have classified in the NPA so it is around 70% and I am happy to say that yesterday also we have received some recovery around 100 Crores collectively this group amount also.

**Rahul Jain:** Sir one last question. Suppose yield increased by say 40 to 50 basis points going ahead then what will be MTM hit on the AS-15 book?

**Atul Kumar Goel:** You are asking from the today 50 basis points or already it has increased around 40 basis points. If you see my duration of the portfolio is less than 3 so less than 3 is the normal calculation. If 3 is multiplied by 4 so my portfolio will be impacted by 1.2% so I am having around 1 lakh Crores so may be around 600 Crores 700 Crores maybe the 40 basis points from today's date.

**Rahul Jain:** Sure got it. Thank you Sir.

**Moderator:** We take the next question from the line of Bhavik Shah from Morgan Stanley. Please go ahead.

**Bhavik Shah:** Sir thanks for the opportunity. Sir our CET 1 declined by 40 basis point so can you help me understand why?

**Atul Kumar Goel:** There are three factors; one is fraud which is not amortized which we have already told also Rs. 1000 Crores plus, another is unamortized amount of the family pension as I told you Rs.3093 Cr was number of the family pension and in addition to the minimum amount required of Rs. 618 Cr we have provided in the loss, Rs. 955 Cr, so Rs. 1500 Cr was also pending. Third important thing is also because we have got the reversal of AS-15 Rs 1600 Crores although we have taken a credit of this but as per Basel guidance it has shifted to the prepaid expenditure, so prepaid expenses are also being deducted from CET 1.

- Bhavik Shah:** Okay Sir. I understood Sir. Sir I was looking for your segmental loan growth mortgage growth seems very low Sir any colour on that?
- Atul Kumar Goel:** As far as growth of the total is concerned basically it is 6.1% of the whole of the year. You are asking for the retail. It was around 6.69%, You have questioned on the personal loan also so personal loan definitely as I told you last two years definitely on the account of COVID was very different for Punjab National Bank so we are thinking at least the growth for the housing loan or the personal loan in 2022-2023 because it is secured loan should be more than 13% to 14% because the total growth which we are envisaging around the two digit percent but for this particular segment housing loan housing loan and the personal loan we are estimating a growth of around 15%.
- Bhavik Shah:** Sir what would be our net restructured loan book, I mean net of slippages from restructured book?
- Atul Kumar Goel:** Can you repeat the question please.
- Bhavik Shah:** Sir what would be your net restructured outstanding loan book?
- Atul Kumar Goel:** Net restructured loan book there are three types of restructuring first is whatever the RBI is given the resolution that is around Rs.5000 which was August 08, 2019. Another dispensation has come in May 05, 2020, which is around Rs.11,000 Crores, so Rs.11,000 Crores plus Rs.5000 Crores. Another normal restructuring is Rs.2500 Crores.
- Bhavik Shah:** Sir these are net restructuring or these are gross restructuring?
- Atul Kumar Goel:** This I am giving the outstanding. Number was much more because this amount which I told you Rs. 11,000 crore around is resolution 2 of the RBI and the resolution 1 of RBI is Rs. 5500 crore , which is the outstanding as on date so some of account has also been closed. This is the net outstanding.
- Bhavik Shah:** Sir on Future exposure you said Rs.1600 Crores exposure was there, 50% is already to NPA so we are left with Rs.800 Crores then you said adequate provision of 70%. 70% you are talking about the balance Rs. 800 Crores?
- Atul Kumar Goel:** NPA account 70%.
- Bhavik Shah:** So nothing has been provided apart from that.
- Atul Kumar Goel:** There may be some guideline also because 7 July 2019 RBI circular. There may be some provision in the standard also.

- Bhavik Shah:** Okay so basically Rs. 550 Crores is the provision towards NPA account and apart from that standard provisioning?
- Atul Kumar Goel:** Yes standard provision, the rate is very high because 15% for the first six months and we have to increase the provision to 35%.
- Bhavik Shah:** Thanks a lot for the opportunity. That is it from my side.
- Moderator:** Thank you. We take the next question from the line of Debashish Deb from Horsepower Security. Please go ahead.
- Debashish Deb:** Good afternoon gentlemen. This is Debashish Deb from Horsepower Security. I want to ask you that to reach targeted 85% **Provision Coverage Ratio** what would be the additional provision you would require in the next financial year.
- Atul Kumar Goel:** Because my portfolio is around 1 lakh Crores, less than 1 lakh Crores of the gross NPA. If we want to increase by 4% which I told you so the number will be around 4% i.e. Rs.4000 Crores.
- Debashish Deb:** ASBA 85% are you comfortable with 85% or still need to increase it to 88% or 89%?
- Atul Kumar Goel:** We will not to mind to increase even more than 90% also in times to come.
- Unknown Speaker:** Considering the shareholders value delivery I mean your bank is every quarter out of Rs.5000 Crores operating profit you are just creating around 4000 at least above 3000 Crores to 3500 Crores provision. I mean for how long it will take. You have to revamp the business; you are the only bank that has been hit so much of fraud cases right. This cannot go on forever you need to do something to revamp your current business model and look at SBI your next competitor?
- Atul Kumar Goel:** Debashish Ji your worry is very genuine. We are all concerned all the top management is very concerned whatever you have raised and we are working on how to reduce the slippage and how to increase the recovery from NPA so we are all concerned. Your worry is very genuine.
- Unknown Speaker:** I have more or less similar questions on slippages right so it looks like your SMA 2 numbers is not at all indicative of another bank because this quarter we have had Rs. 10000 Crores slippages, the SMA2 of ASBA was only Rs. 3000 Crores. As it was clearly explained the number is not any help in understanding what could be the future slippages. I think the more better clear indicator would have been if you improve below 5 Crores even in this quarter as per your slide it says that RAM and RAM slippages are total of Rs. 6700 Cr which is maybe

a part of that is below 5 Crores and hence they are not covering out so if you have the numbers for SMA 2 which is at the bank level including all ticket size and how is that behaving is that trending from last quarter to this quarter is there any significant drop there if you were to include big size loan?

**Atul Kumar Goel:** You are right. I fully agree with you. What I was trying to tell, I was giving the indication that account more than 5 Crores, my sense is there is no big lumpy account as on date in the bank which we have to recognize but your question is very right see we have to make our system very robust for the account less than 5 Crores. I fully agree because the main slippage of the Rs.10000 Crores, Rs.6000 Crores was the small account so I fully agree with you and we are working on that. That will be the correct idea I fully agree with you.

**Unknown Speaker:** Just on this Future exposure which is pending roughly Rs.800 Crores this is not SMA 2 as of March right is that right or because it was restructured and hence it is not coming in SMA, this may slip. Is that the reason?

**Atul Kumar Goel:** It was definitely in the SMA2 also because this amount was overdue. Because what I told you out of Rs.1600 Crores rupees only 50% has been recognized so whatever number I am telling you more than 5 Crores rupees that was the number of Rs.3000 Crores in December 2021 and definitely it may be crossing the Rs.3000 Crores numbers.

**Unknown Speaker:** Now we have around 5000 plus and SMA is around 6000 Crores is the restructuring loans which are under MSME category and clearly we have seen some sharp jump in the MSME slippages. What is your sense Sir, I mean how much of this MSME loans of 6000 Crores roughly can slip?

**Atul Kumar Goel:** This is very difficult to predict at this particular time because time is definitely difficult on account of the COVID also and the discussion have also given to increase for the period for the repayment but now because the COVID period is over now we are reaching to the pre pandemic situation so we are quite hopeful that SMA who are restructured they will be behaving good also in times to come also, some number may be slipped to NPA. Some number may be slipped to the NPA category but I am very optimistic on account of the fact that COVID is over so I am of the view that business of MSME to whom we have to do the restructure they will also grow in the times to come.

**Unknown Speaker:** Right and Sir out of this corporate slippages of Rs.3700 Crores; Rs.800 Crores is roughly one future retail what else is there Sir in the account which is more than Rs. 100 Crores?

**Atul Kumar Goel:** I can you give one of the account, Jai Prakash I can give you the name. Otherwise I think it will not be appropriate for us to give the name also Rs. 698 Cr was Jai Prakash and Rs. 759

Cr was the Future. Two or three accounts were also there of Rs. 367 Crores and other is Rs. 287 Crores one another account is Rs. 284 Crores.

**Unknown Speaker:** Sir this Jai Prakash Power is part of divergence right and hence or failed restructuring sort of a thing Sir the question was on slippages only so I was saying that out of this Jai Prakash and some other smaller account want to be downgraded because no other bank downgraded is this because they were part of our diversion report or they were failed restructuring etc, so that is what I wanted to know.

**Atul Kumar Goel:** Jai Prakash Power you are saying the other bank is not downgraded.

**Unknown Speaker:** Now in this quarter?

**Atul Kumar Goel:** My request is please recheck because it was upgraded also but they have not come with whatever the terms of restructuring also so this was the reason so it was again downgraded.

**Unknown Speaker:** There seems some reclassification in the loan book Sir. I mean last quarter and this quarter is there any some change of principal. Is there some reclassification in the loan book?

**Atul Kumar Goel:** I think we have not changed any particular number you having that you are thinking there is a change. I think we have not changed any classification of the loan in the last quarter or from the December quarter.

**Unknown Speaker:** Understood Sir and now you are saying for the last year we have said that slippages will be lower than recovery upgrade and we did that for nine months and this quarter clearly the slippages are much, much higher and we are again saying that slippages will be lower than upgrade recovery so you are confident about this thing panning out right that slippages should be lower than upgrade recovery?

**Atul Kumar Goel:** We will work on that. We want to reduce the number of gross NPA then we want the gross number in single digit so that is the only method available. Our recovery should be more than the addition so both our team recovery they are working day and night for the recovery and the monitoring department also they are working and we are using the technology also some of the solution is also available we are discussing so we will also use those solution and we are increasing the efficiency of call center also so whatever the demand on SMA 2, 0, 1 also that can be registered in the mind of borrower for making the repayment.

**Unknown Speaker:** Sir this capital that we have shown this is already adjusted for dividend right even if we have not paid?

- Atul Kumar Goel:** Yes definitely because it is a part of appropriation of the P&L that has already been reduced from the reserve and surplus that has come in the liability side.
- Unknown Speaker:** That was my questions. Thank you.
- Moderator:** Thank you. We take the next question from the line of Akash Jain from Ajcon Global Services Limited. Please go ahead.
- Akash Jain:** Sir my question is regarding write off this quarter. It is significantly high in this quarter could you throw some colour on it?
- Atul Kumar Goel:** Write off is two types one is the actual write off another is technical write off. So we have definitely used where we have made already 100% provision out of Rs. 10548 Crores may be around Rs. 558 Cr and around Rs. 10,000 Crores is the technical write of remaining is the actual write off.
- Akash Jain:** What is your written off for the years built up over the years? Written-off book you can advances under collection account.
- Atul Kumar Goel:** I cannot understand this. You are asking about the recovery from the written off account. I can give you the total number. The total number of the closing TWO is Rs. 97801 Cr. This number was 89800 and I can give you the recovery from the technical written off it was Rs. 2498 Cr in 2021 which has improved last year Rs. 3441 Cr.
- Akash Jain:** In terms of corporate credit what is the sanction's pipeline?
- Atul Kumar Goel:** Sanction pipeline in the corporate credit there are two types of sanction. One we have already sanctioned but they have not taken the disbursement. Another is we are clearing the NBG and we have to in principle we have sanctioned and total number of pipeline is Rs.1,20,948 Crores.
- Akash Jain:** What has been disbursed till so far out of this?
- Atul Kumar Goel:** This is on the pipeline. Sanction was Rs.1, 81,000 Crores and pipeline is Rs.1, 20,948 Crores.
- Akash Jain:** Sir regarding the slippages as you said that that this slippage would be lower than recovery considering the macroeconomic environment?
- Atul Kumar Goel:** Akash, we are very optimistic because that is the best approach.

- Akash Jain:** Because in this Q4 we were not expecting this kind of slippages, but still we have.
- Atul Kumar Goel:** I can give answer for your question. If slippage will be more on account of whatever you are saying then we will make our effort for recovering more amount also. I may give one more thing also, if you see my NCLT book. It is around Rs. 68,550 Crores as on date against which we have made a provision of Rs. 66,852 Crores rupees so it is 97.52%. Last year we have recovered around Rs. 2703 Crores rupees from the account referred to NCLT and we are optimistic next year 2022-2023 we are expecting the recovery of around Rs. 6000 Crores rupees. As I told you the percentage of the provision is 97.52% so whatever we get the recovery it will add to the profitability of the Bank.
- Akash Jain:** Sir one more question regarding this SREI account I think in the last call that account was around 70% and it was supposed to be 100% by this quarter so have you fully provided for it?
- Atul Kumar Goel:** SREI, we are having around Rs. 2600 Crores is the provision, 100% we have not made in this current quarter.
- Akash Jain:** Balance we are planning to do it when?
- Atul Kumar Goel:** It will be in the next-to-next quarter also, we will see. I told you we want to improve the provision coverage ratio also.
- Akash Jain:** How many accounts we have identified and what is the kind of amount that we elected to transfer to NARCL?
- Atul Kumar Goel:** NARCL we have already identified the account of more than Rs. 2000 Crores and I think it will be transferred in the very near future. It is in the first phase; Total amount is Rs.8000 Crores in the first phase around Rs2000 Crore plus will be transferred in the first phase.
- Akash Jain:** What is the kind of pressure you are seeing in the MSME book? Any headwinds you are witnessing in that sector?
- Atul Kumar Goel:** Pressure in the MSME was earlier not there, this is a new phenomenon, because some of the other MSMEs are also asking what is your restructuring number also so there must be pressure in the past also, pressure is in current also but we should be very optimistic as I told because that is the segment that is contributing for the export of the country and the GDP of the country we should support definitely this sector.
- Akash Jain:** Thank you Sir. All the best. That is all from my side.



**Moderator:** I now hand over to Mr. Suraj Das for closing remarks over to you Sir.

**Suraj Das:** Thank you. On behalf of Batlivala & Karani Securities, we thank Punjab National Bank management for giving us the opportunity to host the call. Thank you everyone and have a good day.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Batlivala and Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.