"Punjab National Bank
3Q FY '23 Post Result Conference Call"
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.

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Suraj Das: So good evening, everyone. Thanks for joining the call. On behalf of B&K Securities, we welcome you to Punjab National Bank 3Q FY '23 Post Result Conference Call. We have with us today the management team of Punjab National Bank, represented by Mr. Atul Kumar Goel, MD and CEO, sir, and all the Executive Directors and all senior officials of the bank. I would now request MD and CEO, sir, to start the call with his opening remarks on 3Q FY '23 results, post which we will start the Q&A session. Thank you, and over to you, sir.

Atul Goel: Thank you very much, good afternoon Suraj and Mundhra also. Before I give the -- I welcome all the team from the analysts who are attending this call. Before I comment on the current quarter result of the 9 months ended 2022, I would like to tell all of you, please review the last four quarter results from the March '22, June '22 and September '22, December '22, you will find there is a growth in all the parameters, whether it is operating profit. Operating profit is increasing quarter by quarter. Whether it is a net interest income, it is improving quarter by quarter and whether the other income is also improving. Even the net profit also.

Net profit, if you compare from the March '22 to June, September and December, there is a substantial growth in the net profit also. However, there is a decline in the net profit from this quarter to as compared to Y-o-Y and even the growth NPA number. If you see the gross NPA number in terms of the amount and the percentage. Similarly, the net NPA in terms of the amount and the percentage, quarter-by-quarter, there is a decline in the gross NPA, net NPA and PCR is increasing. So this is why if you see the last four results, you will find a lot of improvement in the Punjab National Bank in the financial result. Some of the things, which is also not reflecting, I will try to cover in my deliberation also like digital transformation.

That is not in the coming that you are seeing the number. So we will -- other than a lot of work has been done in the last one year as far as the digital transformation is concerned. So coming to the number of the December quarter or the 9-month quarter ending 2022, gross business of the bank has increased by 9.80% to the figure of INR 20,67,116 crores. The gross deposit increased by 7.37% and it reached to the number of the INR 12.10 lakh crores. And the gross advances, there is a growth of 13.43% Y-o-Y. And it has increased to INR 8,56,757 crores. CASA, there is a growth of around 4%. Why there is a growth in the CASA is less as compared to the growth of 7.37% in the deposit growth because if you see the last January or the June also, the difference between the savings bank rate and the TD rate was very narrow.

But if you see it today the difference is wide, i.e the rate of it has been paid on the savings bank and the rate of interest being paid on the term deposit. Let us take the example of our bank also. We are paying 7.25% deposit for 600 days. So if somebody is having their liquid money in the savings bank and savings bank is less than 3% also, so some of the depositors who were not earlier transferring the fund from the savings bank to the term deposit. Now this trend, we are seeing. So this is the reason there is a growth of the 4%. But if you see the percentage of the CASA, that is 43.72%, I think that is a good CASA ratio, if we -- above more than 40%. Although we are trying to improve it, but my guidance is we should remain in the 43% to 44%.

Similarly, the RAM as on date is around 54% of the total advances. And our guidance is, we want to increase to 55% because our focus area is the RAM. Come to the profitability number. Net interest income, net interest income improved by 17.63% Y-o-Y. And if you see the quarter-by-quarter also, quarter-to-quarter also 10.98% because the last quarter number, the NII was INR 8,271 crores, which has improved to INR 9,179 crores. Similarly, the other income has also improved around 23% of Y-o-Y. And operating profit is also improved by 12.60%.

Operating profit of the last year, in December quarter 2021, it was INR 5,076 crores. It has improved to INR 5,716 crores. And sequential quarter-by-quarter, which I just told you, so 12.60% is the operating profit up. Now come to the asset quality. Asset quality, if you see, the gross NPA was INR 97,259 crores in December 2021, which has decreased to INR 83,585 crores. And if you see the percentage, 12.88%, say, it has reduced to 9.76%. Similarly, the net NPA, which was 4.90% in December 2021 improved to 3.30%. In terms of the amount, it was INR 33,800 plus crores in December 2021, which has reduced to INR 26,363 crores.

And PCR. PCR which used to be around 81% to 82% in December 2021 has improved to more than 85%, 85.17% is the number. And now come to the one more number, which I forget to, net profit. So net profit, if you see quarter-by-quarter, there is an increase by 53% because if you see the net profit for the September quarter, it was INR 411 crores and today, the net profit for the December quarter, INR 629 crores, which is 53% up as compared to the last quarter. But if you see, the Y-o-Y, Y-o-Y, there is a dip of around 44% because in December 2021, the net profit was INR 1,127 crores. Why it is -- it has reduced, there is two major components.

First is the AS-15 provision. So AS-15 provision, which is normally used to be INR 500 crores, INR 400 crores per quarter. This time, we made a provision of INR 1,330 crores. I will give you the reason. And we have made the provision of INR 181 crores of the wage revision also because you may be all are aware, November '22, there is a wage revision due as per the matter settlement.

So INR 181 crores, we have made a provision for the wage revision. And what will be the impact of the wages on the pension and the gratuity also? That also we have provided. This is the region, INR 1,330 crores, we have provided for the AS-15. And we have also made the provision for the PLI of around INR 79 crores because if you see our operating profit in 9 months is more than the 7.5% because as per the bipartite settlement, if your operating property is more than 5% to each and every employee is entitled for the 5 days PLI, 10% is for 10 days. So we have made a provision of the 5 days PLI.

This is the reason of the net profit. Otherwise, you see the each and every number whether it's your operating profit, whether it is NII, other income, business growth, gross deposit, gross advance, there is a positive growth except net NPA. So CET also, If the CET1. So it was 10.99% in the December 2021, it is 10.84%. If you see the total CRAR was 14.91% in the December 2021. And this time, it is 15.15%. So there is an improvement in the capital adequacy even in the Tier 1. Tier-1 was 12.22% in the December '21. Even in the September '21, it was -- September '22, it was 12.20%. So it is 12.21%. So we are adequately capitalized because we have got the approval from the Board for INR 12,000 crores. INR 12,000 crores to raise in the current quarter, out of this INR 12,000 crores, INR 5,500 crores by way of the AT1 and INR 6,500 crores by way of the Tier 2. So I'm happy to share with all of you. AT1 against the approval of the INR 5,500 crores.

We have raised until first 9 months INR 3,240 crores and Tier 2 INR 4,000 crores we have raised in the last quarter. So we are adequately capitalized in spite of the increase of the business. It is more than 15%. And coming to the cost of deposit. Cost of deposit because on account of the increase in the interest rate, it was 4% in December '21. Now it has 4.15%. Yield of advance has increased. It was 7.29% December '21. It has improved to 7.35%. Yield of investment also 6.28%, this was December '21, improved to 6.62%.

Cost-to-income, which I told you what is the reason because the -- on account of the AS-15 provision and NIM, it is -- it was 3.01% in December '21, it has improved to 3.30%, although I have given the guidance for the last year also. It is domestically and the global is the 2.93% to 3.16%. Last time also, I have given the guidance for the NIM, it should be a range around 2.8% to 3%.

So I'm also giving now -- this time also, I'm giving the guidance. It will remain around 3% because some of the advances, which are repo linked, immediately repriced, but the deposit has to be repriced although rate of increase, but it will take some time to reprice the deposit because the end the maturity, they will come from the renewal, so we have took it higher. So my guidance was 3% and two more guidance on the asset quality because in the June quarter, we have given the guidance, gross NPA will be single digit in the March '23.

So then September, we have revised because one single digit means maybe 9.99%, 9.90%. So we have given the guidance, it will be around 9.5% because we have already reached 9.76%. So I am again revising my guidance for the gross NPA. We are hopeful it will be around 9% by the March '23. Similarly, the guidance for the net NPA. Net NPA earlier, we have given the -- it will be around 4%, and we have revised our guidance, September, 3.5%. So since we have already reached 3.30%, so I'm hopeful it will be below 3% by March '23.

So two guidance I'm revising. And as far as one more thing which I have told you last time also, our endeavor is to how the recoveries should be increased. Our endeavor was recovery should be more than the addition. If you see the last 3 quarters, June, our total recovery -- total recovery missed, some of the part of the recovery is coming in the operating profit on account of the TWO. Some of the part of the recovery is coming in the interest income also. So I'm taking total recoveries. It is -- the first quarter June, it was INR 7,057 crores where the addition was INR 6,468 crores.

So recovery was more than the addition. Similarly, in the September quarter, it was more than INR 8,500 crores total recovery where the addition was less than INR 6,000 crores. And if you see the number of the current quarter, as of December quarter, the total recovery is INR 6,035 crores. But addition has reduced substantially. Addition has reduced to INR 4,072 crores.

We have reached to such a situation where recovery is quarter-by-quarter is more than the addition. And net profit, one thing I have told you, it is on account of the AS-15, which I have given the figure. Another reason of a little bit dip in the net profit is on account of the provision for the NPA. If you see, the provision for the NPA, it was INR 3,654 crores in December '21, which has increased to INR 3,908 crores. But on account of this, our provision coverage ratio, which was in the range of the 81%, 85% it has increased.

I am also giving the breakup of the slippage also. Total slippage is INR 4,072 crores. Last time I also told there is no lumpy big account in our portfolio, which, again, I'm confirming no big account is there. If you see the INR 4,072 crores slippage, agriculture INR 1,174 crores and MSME INR 1,502 crores and retail, it is around INR 652 crores. Medium and the large scale is INR 509 crores. Others is INR 235 crores. Even the big accounts, big accounts in the current slippage is only INR 167 crores. Coming to the SMA-2 number. SMA-2 number was around INR 10,287 crores by the end of the -- INR 10,207 crores in December 2022. But as on date, again, the INR 10,207 crores, it is INR 4,816 crores.

And further, if you make the more than INR 5 crores, it is INR 1,107 crores as on date. And the biggest account in the SMA-2 is less than INR 100 crores. Big single account is the INR 93 crores. And 1 more thing as far as the quality of the advances concerned, the March '22, our A and above rating account was 67% of the total portfolio, which has increased to 69%. And similarly, the NBFC where we are having the maximum exposure of INR 1,27,832 crores, A and above external rating account in the NBFCs, 97.2%.

As far as recovery from the NCLT account is concerned, as on date 559 cases is pending for the amount of INR 66,054 crores. Out of which 247 cases, of an amount of INR 27,168 crores under liquidation, 19 cases of INR 3,273 where NCLT has given the approval, which is under the process of the regulation, recovery of around 667 will come in that.

And another, the 38 cases of the outstanding of 511, where CSC has approved, but NCLT has to approve. So we will be recovering around INR 1,538 crores. So this is about the NCLT account, SMA I have covered and provision coverage -- PCR. One more thing I would like to tell you regarding this very important thing because the issue was in the slippage in the RAM sector also. So we have also made a study. Last time also I have given the figure.

New acquisition, one -- 1 July 2020 to 31st December 2022, whatever new acquisition, we have -- this was around INR 4,69,505 crores advance. Out of which, in this last 2.5 years, the delinquency NP is INR 898 crores only, which is coming 0.19% only and I can give you the further breakup. Agriculture was INR 65,892 crores as well where NPAs INR 106 crores, it is coming 0.16%. MSME, INR 39,000 crores plus, where delinquency INR 570 crores. It is around 1.46%. Retail, it is 0.27% around -- and others, the corporate. Corporate INR 2,89,090 crores, we have as well where the NPAs INR 18 crores only. It means 0.01% in the corporate basically.

So this is giving one of the good things to us, we have addressed the underwriting issue also because if you are making NPA, then recovery, what is the purpose if new acquisition is going to be NPA also. So this is -- and one more thing normally you ask how many in the floating and what is the fixed rate of interest? As on date, only 7.4% is the fixed rate, 36% MCLR, 24% RLLR, TBLLR 10%, PNB RLLR ELITE 13.9%, base rate 3.5%, foreign currency adjustment 4.20%. So this is from my side.

I think I have covered all the things, major things also. And I would like to be -- I would like to answer all the questions, which from the analysts' side. So once again, I welcome all of you. I thank to the B&K also for holding this for the PNB.

Suraj Das: The first question is from Mahrukh.

Mahrukh: Yes, so congratulations, sir, on your reduction in NPL and strong NII. So sorry, but could you repeat the AS-15 provision? And why is it so large? Will it recur in the next quarter?

Atul Goel: Madam, the point number one, because this wage revision is due from the November 2022. First, we had made a provision for the two months, INR 181 crores. If your salary is increasing, your DA is increasing, then your liability on the pension and gratuity is also likely to increase. So what I told you, the AS-15 provision, which normally used to be INR 500 crores, INR 600 crores per quarter, this time, we have taken INR 1,330 crores provided because we have taken the impact of the wage revision on the pension and the gratuity also.

Mahrukh: And the PLI provision is how much?

Atul Goel: PLI provision, we have made INR 79 crores, for the 9 months based on the 5 days PLI.

Mahrukh: Sir, and just in terms of your loan growth, what will be your outlook?

Atul Goel: Mahrukh, 13.43% is the Y-o-Y growth, which we have achieved in December 2022. If I will give the further breakup, there is a growth of around 33% in the retail. Agri, it was basically flat 1.28%. RAM, combination of the retail, agri and the MSME, it was 11.2% and 9% plus in the housing loan. So we are of the view, the growth in the Punjab National Bank, we've remained in the same rate, 13% to 14%.

So last time, we had given the around target of the 12%. So a little bit we are revising considering the demand in the market because all the corporate who are having the working capital limit, they have started utilization. Some new project is also coming in the -- either in the steel or the cement industry. There is a good demand in the infra side also, road, et cetera, and there is a good demand in the NBFC side.

So 13% to 14% we are targeting, we will be achieving the growth in the current financial year. If good opportunity will come, we will not allow to owe the opportunity out of the hand of the PNB.

Mahrukh: Sir, and what will your total restructured book including any non-OTR MSME restructuring?

Atul Goel: As far as OTR 1 is concerned, as on date, standard restructuring is INR 3,263 crores, OTR 1. OTR 2 is INR 9,062 crores. Your question is, in addition to that, other than the OTR1 and OTR 2, MSME restructuring, that is INR 874 crores.

Mahrukh: And sir, any standard provisions other than RBI mandatory provisions, what is the quantum there, means one is RBI...

Atul Goel: Yes. The 10%, we have to make the provision in the -- as per the OTR 5 of the May. And the -- other than whatever I told you, INR 874, 5% provision is required, which we have given in the note TWO accounts also, INR 43 crores provision is there.

Suraj Das: The next question is from Bhavik Shah.

Bhavik Shah: Sir, I understand recovery was strong this quarter also. So I just wanted to know how much would be the interest from recovery on written-off accounts in the NII line? This was around...

Atul Goel: Interest on the recovery on the...

Bhavik Shah: In the NII line, net interest income line?

Atul Goel: Can you further repeat? Interest on NII? What do you mean by NII? It means interest on the NPA recovery?

Bhavik Shah: Yes, sir, interest on NPA recovery in the interest income line?

Atul Goel: Okay.

Bhavik Shah: So how much would that be?

Atul Goel: Yes. Total recovery in this current quarter is INR 6,035 crores. Out of which INR 1,800 crores plus is the recovery from the written-off account and cash recovery is INR 1,820 crores, upgradation is INR 1,327 crores, remaining is the interest income.

Bhavik Shah: And sir, how much of the portfolio is still in Morat or everything is out of Morat now?

Atul Goel: Normally, some of the accounts, which are still in the moratorium because as I told you, INR 3,263 crores is the total OTR books in the OTR 1 and the INR 9,062 crores in the second book. So around 20% to 25% is still, month by month, it is under the moratorium.

Bhavik Shah: And sir, what would be the slippages around in the moratorium book? On the restructured book, I mean?

Atul Goel: Restructured book, if you see as on date also, INR 3,263 crores, which is the standard. Otherwise, total implementation was INR 7,328 crores. INR 1,952 crores in the OTR 1 and INR 2,382 crores is in the OTR 2.

Bhavik Shah: And sir, I understand bank is sitting on great excess liquidity. Last quarter also LCR ratio was around 160%. So do we still hold that much excess liquidity? What would be the LCR ratio this quarter?

Atul Goel: Okay, LCR ratio. So that will remain because we are having the excess SLR also. That is the major reason. Otherwise, there is no other reason also because if you see the growth in the advances that is much more as compared to the deposit growth because deposit growth is 7.37%, gross advance 13.43%. So liquidity ratio is on account of because we are having the excess SLR. And we are also utilizing the repo window also to take some time of the money from the market.

Bhavik Shah: So sir, would it be at broadly similar levels or it would have come down to 150%?

Atul Goel: It will remain 150% because as on date, it is very difficult to sell of the SLR because on account of the increase in the rate of interest. So moment if rate of interest will go down, definitely, we will be in a position to shed some of the excess SLR, otherwise not.

Bhavik Shah: And sir, there was a negative INR 140 crores...

Atul Goel: Investment depreciation?

Bhavik Shah: Yes, sir. Yes, sir.

Atul Goel: That is on the investment because in the NPI, we have made a recovery in some of the accounts. That is the reason for reversal of the INR 141 crores. There some variation also NPI, yes.

Bhavik Shah: And sir, in the overall deposit book, how much would be retail deposits? Sir, I understand we used to give this number a couple of quarters back. But then suddenly, as and I could not find that in the presentation. So retail deposits would be CASA plus TD and within TD, it would be below INR 2 crores?

Atul Goel: CASA will come in the real deposit and the core deposit is less than INR 2 crores. If you see, as on date, the core deposit is INR 5,67,983 crores and the aggregate term deposit is INR 6,64,827 crores. The remaining is coming in the DRI.

Suraj Das: Mr. Ashok Ajmera request you to please unmute and go ahead.

Ashok Ajmera: Okay. Sir, compliments to you Goel, sir, and the entire team for yet another good quarter of good set of numbers. Sir, I've got a couple of information points -- data points and some observations. Sir, my first point is that in the last analyst meet, you had given a recovery target for the whole year of INR 32,000 crores. And just now the breakup of the 3 quarters, which you gave us total -- if I total it up roughly, it is around INR 21,600 crores odd, INR 22,000 crores. Is that correct?

Atul Goel: Yes, you are very much right. INR 7,057 crores, INR 8,500 crores plus INR 6,000 crores, it is coming INR 21,000 crores. And still we are maintaining whatever the guidance we have given INR 32,000 crores for all of the year because reason behind it because some of the big account, which we're expecting recovery in the December quarter 3, 4 account. But on account of legal issues as I said, recovery has not come. So we are hopeful that we will recover in the March quarter. So our guidance is still, as on date, INR 32,000 crores for all of the year.

Ashok Ajmera: So INR 10,000 crores we can assume for this January, March quarter? Does it include NARCL recovery also?

Atul Goel: Everything. Everything is there because NARCL, I may tell you also, mostly NARCL account will go only, we have the 100% provision there. If account is already written off, there will be no impact on the gross NPA -- recovery in the gross NPA number, yes. Whatever the 15% we will get on the SR from the -- that will be the only coming the recovery.

Ashok Ajmera: Sir, though I know that you don't comment on the specific company or the group, but the group, which is in the news, it is an extraordinary circumstances. And even SBI tried to give the kind of guidance of that exposure on that group. Can you give some idea of your total exposure, including all their 9 companies and the SPVs?

Atul Goel: It is around INR 7,000 crores.

Ashok Ajmera: Altogether, total about INR 7,000 crores?

Atul Goel: Yes, yes. Total.

Ashok Ajmera: In that, is it the disbursed amount or even Mumbai Airport or few things like...

Atul Goel: But it is a total exposure whether -- because I'm talking the exposure amount, outstanding is less because it is a total exposure where we have not disbursed also. And all the accounts are very good. As far as our bank is concerned, we are having exposure in around 10, 11 companies. We are well immunized as all are cash-generating assets. There is no issue as on date.

Ashok Ajmera: Good to know that, sir. Sir, some data points, sir, note number eight, that the 100% provision of the fraud accounts have been given -- have been made. But can I get some idea that was there any fraud provision in this quarter so that to get the idea of the -- otherwise, what would have been the profitability?

Atul Goel: Normally, in September quarter also, we have given the full detail whatever dispenses we have availed in the earlier quarter also, we have made a full provision in the last quarter itself. So around INR 200 crores provision, we have made in the current quarter also.

Ashok Ajmera: On this account?

Atul Goel: Yes, yes, yes.

Ashok Ajmera: Which may or may not be there in the -- as a regular thing in the current quarter of January, March, isn't it, sir?

Atul Goel: Yes, yes.

Ashok Ajmera: Sir, this pool acquired at INR 2,701 crores, the tangible security is 49.14%, note #16. What kind of pool is it? Is it that microfinance kind of things or where the security coverage is only 49%? Or is it including...

Suraj Das: Okay. So some maybe -- some accounts maybe...

Atul Goel: For your information also, unsecured is behaving very well also without any delinquency.

Suraj Das: And sir, you had said that FY 2024 will be a golden year. You maintain the same statement now also?

Atul Goel: Because I told you, if you see the last 4 quarter number from the March '22 to till date, you see there is a growth in each and every parameter. Profit is increasing -- operating profit increasing, net profit increasing, net interest income increasing, NIM is increasing, gross NPA is reducing -- gross NPA reducing, PCR has increased to 85%. If PCR is increased to 85%, it means we will not be required to make more provision. Aging provision requirement will also be less in the '23, '24. So whatever statement I have told, I still maintain that.

Suraj Das: Mr. Suraj, I request you to please come back in the question queue as there are other participants also waiting. The next question is from the line of Ashlesh. Ashlesh, request you to please unmute and go ahead. Ashlesh, please go ahead with your question. I think he is not audible. There is some technical glitch. So we'll take the next question from Ruchika.

Ruchika: Congratulations on good set of numbers. So I had a question on staff costs. So apart from wage type provisions and PLA provisions, are there any other one-offs during the quarter? Because even if we exclude those one-offs, it is still up by 30% on a sequential basis? And what should be the normalized staff cost of...

Atul Goel: Normalized staff cost on the same time, there is no much into the normal staff cost. If you see the -- our note because whatever I told you, the provision which we have made, additional provision we have made around INR 830 crores, which I just explained. On account of the -- because there is a 5 basis point reduction in the G-SEC as well as the provision of the gratuity and pension on account of the wage revision. This was the reason, otherwise INR 500 crores is the normal provision, AS-15, and INR 830 crores is the more than that. INR 181 crores, wage revision I told you. Otherwise, if you reduce the INR 1,031 crores, INR 181 crores, INR 79 crores. So you will find it is on the same line.

Ruchika: Okay, sir. And sir, my next question is, how much is the provision coverage ratio on the security receipts book as of December '22?

Atul Goel: 100%.

Ruchika: 100%. Okay. And sir, any plans for equity capital raise in the near term?

Atul Goel: As far as capital raise is concerned, first, we are well capitalized because our capital adequacy is more than 15%. We have got the approval of the Board for INR 12,000 crores, out of INR

5,500 crores for the AT1, INR 6,500 crores for the AT2. We -- against the INR 5,500 crores, we have only raised in 3 tranches. INR 3,000 crores, INR 3,240 crores, and INR 4,000 we have raised in the Tier 2. I think Tier 2, there is no need -- immediate need for the current quarter, means January to March. However, we will try to raise some money in the AT1 also, whatever the remaining amount is available or part of the remaining if we are finding rate of interest of our choice. Otherwise, there is no immediate need.

Suraj Das: The next question is from Ashlesh Sonje, Kotak Securities Institutional Equities.

Ashlesh Sonje: The first question on the retail book, you have given a breakup of it into core retail, which is about INR 1.3 lakh out of a total retail book of INR 1.8 trillion. So what are the segments in this non-core retail book? Because it seems to have grown quite sharply at about 150% Y-o-Y?

Atul Goel: Non-core retail, Ashlesh, suppose we are purchasing pool. That we -- although it will come under the retail, but the core retail means whatever we are doing from the branches. Sometimes we are also purchasing the IBPC, suppose we've purchased the IBPS of the retail also, that is coming under the retail. This is the reason we are giving the core retail and the other also.

Ashlesh Sonjel: Okay, sir, understood. And secondly, on the overseas book, that also has grown quite well at 70% Y-o-Y? If I understand right, the margins in the domestic corporate market have gone up now. So do we still see any merit in growing the overseas book now?

Atul Goel: This overseas book is a mix of the loan to the corporate as well as to bank also. If I see, major portion is to the bank also.

Ashlesh Sonje: Okay, sir. Perfect. And lastly, we saw some good recovery from written-off accounts this quarter. Is there any lumpy account over that?

Atul Goel: There was no lumpy account some of these are small accounts. We have got the recovery. Some of the sales to the ARC also, so INR 1,800 crores we have received this quarter or 5 big amount was also their account, yes.

Suraj Das: Okay. So we'll take a couple of questions from the chat box. Sir, the first question in the chat book is, if you can please reconfirm the wage provision number, which you mentioned in your opening remarks. I think you have mentioned INR 8 billion on G-SEC movement. You have done provision, INR 1.8 billion on wage bipartite and some PLI provision and totaling to INR 10.79 billion. Is this number correct? That is the first question.

Atul Goel: Suraj, I can again repeat. First, wage revision. Wage revision for 2 months, November and December, we have made a provision of INR 181 crores. Second, we have made a provision of the PLI, performance-linked incentive, considering the 5 days PLI for 9 months. INR 79 crores is this. Third is the AS-15 provision. AS-15 provision, INR 500 crores is the normal provision we used to make and additional INR 830 crores provision is on account of the 2 regions. One is because G-SEC rate, which was 7.60% in September has reduced to 7.5%.

So this is 1 of the reasons to increase some of the AS-15. Another is, which I told you, on account of the wage revision, what would be the impact of the wage revision on the pension liabilities and gratuity, we have also provided among the INR 830 crores. The total has become INR 1,330 crores, AS-15 total is INR 1,330 crores.

Suraj Das: The next question from the chat box is, if you can, sir, what is the outstanding DTA as on December 31, 2022?

Atul Goel: DTA outstanding? It is INR 25,000.

Suraj Das: And the third question from the chat box is, sir, on the standard asset provisioning number. So you have made around INR 4.7 billion of standard asset provisioning in 3Q. If you would elaborate on this? I mean what this pertains to? Yes, that is...

Atul Goel: It is a two type of provision. If there is an increase in the advances, then you have to make a provision considering the size of the asset, 40.25% -- 41.25% on the commercial. The major portion in this provision is the -- in the standard account, if account is more than INR 2,000 crores, as per the June 7, 2019 circular, we have made a provision of the 2 accounting debt. That is the major reason. 20% we have to provide in debt, yes.

Suraj Das: So we'll take the next question. It is a follow-up question, I think, from Mahrukh.

Mahrukh: Sir firstly in interest income, is there any interest on tax refund? And if you at all have the -- how much is it?

Atul Goel: INR 355 crores. INR 355 crores, there is an income of the interest on the income tax refund.

Mahrukh: And what was it last quarter in Q2 '23?

Atul Goel: Last quarter, it was around -- it was nothing. It was 0 basically.

Mahrukh: Okay. And sir, this interest on recovery that you highlighted earlier, you gave us the break. You gave us the breakup of INR 6,035 crores into 3, 4 buckets. So this interest on recovery was how much in the second quarter?

Atul Goel: Madam, normally, it is in the range of the INR 400 crores to INR 500 crores. So every quarter, there is no exceptional recovery of the interest, this I can confirm in this quarter.

Mahrukh: So it's similar to last quarter?

Atul Goel: Similar to quarter. Hardly, there will be a difference only INR 50 crores to INR 75 crores. It is on the same line, yes.

Mahrukh: Got it, sir. Got it. Makes sense. And sir, my other question was I didn't follow this breakdown of standard advances that you gave on the June 7 circular, could you please elaborate?

Atul Goel: Yes. If any account is having exposure more than INR 2,000 crores, and if there was a no resolution plan after the -- even the account has become regularized. So we have to make a provision 20% as per the June 2019 circular. So in this quarter, we have made a provision in the two account. That is the major reason.

Mahrukh: And sir, you said that there was 1 large NPL, you gave the figure and slippage also, which sector does that belong to? It's not a big number. I think, you said INR 167 crores or something like that?

Atul Goel: That is the logistics sector, yes. Then we will, I think, in times to come, we are in a portion to recover also because it was downgrading some of the accounts. Some of the banks, it is running regular also. It is on the logistics side, yes.

Mahrukh: And sir, these two accounts on which you provided according to June 7 circular, they are two into which sectors?

Atul Goel: One is the power sector. Another is the -- that is chemical, I think, chemical industry, yes.

Mahrukh: But these are private or the state power as well in this?

Atul Goel: Madam, I think you should not ask. I have told you two accounts. Because otherwise, it will not appropriate on our part to give the name, etcetera. So I have given the segment also, only two accounts...

Mahrukh: Thank you so much, sir. Thanks. Thank you so much.

Atul Goel: Mahrukh, you were asking 1 thing. I can give you the exact number also. September quarter, recovery from the NPA account, which was booked in the interest, INR 652 crores. It is INR 593 crores in the current quarter. So what I can do, INR 500 crores to INR 600 crores, near about it remains, yes.

Suraj Das: So the next question is from follow-up from Ashlesh.

Ashlesh Sonje: Sir, just 1 last question. If I look at the GNPL ratio in the housing book, that is still pretty elevated at around 4%. What is the outlook on the quality of this book now? Why it still...

Atul Goel: Ashlesh, yes. Yes, I fully agree with you. If you see the existing percentage, 4%, it is on the higher side. It was 4% in the September '22, little bit of it has reduced, 3.8% in December 2022. But I have given you the new acquisition. I fully agree with you, and we are making effort to recover in the -- on the housing loan because there is a tangible security available. Retail, which I told you, from the new acquisition, from the first of the July 2020 because it includes all type of the retail. It is hardly 0.27% whether it is education loan, whether it is mortgaged house, mortgaged vehicle also, hardly 0.27%.

Suraj Das: The next question is from Jai.

Jai Mundhra: Sir, my question is on your net NPA, right? So now we have come down to 3.3%, and it has been a steady progress in the last 3, 4 quarters. I wanted to understand, sir, going into FY '24, you had said that maybe by March, we will come down to 3% or below. But how do you want to sort of see this number going down in FY '24? Because on net NPA, we are slightly behind most of the peers. Others have come down to 2% or below. So what would be your strategy to bring down net NPA further or at the same time, sort of a look at ROA also? So that is what the question is, sir.

Atul Goel: Mundhra, you have asked very right question because you have categorically asked whether you want to improve ROE, whether you want to improve the net NPA number because if you increase one number, the another impact. But if you see 3.80% was the number in the September, which has reduced to 3.30% because whatever guidance I have given, 3% because earlier we have given 3.5% for the March '23.

Now we are revising. We will be less than 3%. Whatever, we are trying our level best to make the recovery and we have reached through such a situation where addition is less than the recovery because I have given you the data about all the three last quarter that is our -- and our slippage number, if you see, slippage number in the June quarter, INR 6,468 crores. September, may it was less than INR 6,000 crores. And in this quarter, it is around INR 4,000 crores. It is INR 4,072 crores only.

So we are thinking that number will reduce -- the addition number will reduce quarter-by-quarter. But whatever you are asking guidance for the '24, I will give the guidance after March this year, for the next financial year. And we are trying our level best. Because if you see, 75 basis points every quarter we are reducing in the gross NPA and it's around 50 basis points in the net NPA and I fully agree with you that number of our bank whether it is gross NPA or net NPA, it is -- if you see the industry, it is on a higher side. That I fully agree with you and we are making effort. Our all team, all team from the recovery department working day and night for recovering in the NPA account.

But all the tools, whether it is SARFAESI, whether it is NCLT, whether it is OTS, we are -- and one more thing I would like to tell you, Mundhra, we have launched one digital platform, e-OTS where all the account up to INR 10 lakh, borrower is not required to visit to the branches without any intervention. The OTS of up to INR 10 lakh will be through system only, and we are having a big junk of the account less than INR 10 lakh. So we are thinking that if this e-OTS scheme is very good, a good number of the small account will be reduced.

Jai Mundhra: And sir, on your exposure to the INR 7,000 crores that you mentioned, this is all inclusive? Fund, non-fund and bond exposure, if any?

Atul Goel: Mundhra, it is including each and everything. I can give you further breakup for your clarity. INR 6,300 crores is the funded exposure, even un-avail also included in that. Outstanding is less. But when we are talking about the exposure, fund-based exposure, INR 3,300 crores around and the INR 700 crores is the non-funded and investment is INR 42 crores. So it is around INR 7,000 crores, yes.

Outstanding, plus to be disbursed, investment, funded, plus non-funded. And it is around 10, 11 companies. We are not having very big exposure in a single account. All our accounts are generating sufficient case to repay the loan dues, yes.

One more thing, Mundhra. For your further clarity. Because I have told you INR 6,400 crores is the funded exposure, but outstanding is only INR 3,000 crores, I have added around INR 4,000 crores, INR 3,000 crores, which is un-availed. If you see the actual outstanding it is much less. It is 50% of the total exposure, which I told you.

Suraj Das: Sir, a couple of questions again on the chat box. So first question, the NIM outlook that you have given for 3% in the near-term, is that for global NIMs? Or that is the domestic NIMs only? That is the first question.

Atul Goel: Suraj, I am giving, global 43%, yes, which is 3.16% as on date. 3%, we will be in a position to achieve, although last time, I've given 2.8% to 3%.

Suraj Das: The second question from the chat box is, sir, if you can just provide the overall all-inclusive SMA-0, SMA-1 and SMA-2 number for the bank as a whole, which you normally provide after the results?

Atul Goel: Suraj, December '22, SMA-0 is INR 57,082 crores, SMA-1 is INR 8,208 crores, and SMA-2, INR 10, 207 crores. Total is coming INR 75,497 crores. If you ask the latest number also of the 25, January, details of the SMA-0 is INR 17,169 crores, INR 8,747 crores SMA-1 and INR 4,816 crores. So the INR 75,000 crores number has reduced to INR 30,732 crores because it is a matter of the account -- I may clarify also. Some of the account, they have to make the EMI on the 2nd, 3rd, 4th or the 5th, moment we are debiting the interest on the 31st itself, so it is coming under the SMA-0. We are changing our system also.

And this is the reason, this number of the INR 57,082 crores has -- SMA-0 has reduced to INR 17,169 crores. Further, more than INR 5 crores out of this INR 4,816 crores SMA-2 hardly is INR 1,107 crores as on date. And even if you ask me further makeup of the maximum among the SMA-2 that is only one account is INR 93 crores.

Suraj Das: And just, sir, one more question on the chat box is that CET number that you were reporting that is inclusive of nine-month PAT or it is exclusive of nine-months PAT?

Atul Goel: No, PAT is never -- as per the Basel guidelines, PAT is never added while calculating the CET-1 in between also, only the PAT will be included in the March 2023.

Suraj Das: The last question from the chat box is on the, sir, benchmark-based loans behavior. So you have mentioned PNB RLLR scheme, which is something around 13.9% or 14% of your loan book. So how is the behavior here? Similarly, on the MCLR linked loan, how does the re-pricing happen? So as of now, how much of this book has already been re-priced and how much the rate has been passed on? And how much need to pass on?

Atul Goel: See Suraj, 36% book is based on the MCLR. It will be re-priced on the due date. Maybe some of the one month, some three months, some of the one year. So gradually, it is going to shift. Second, RLLR. RLLR is around 24%, which we have already re-priced because very next day, whatever the loan only based on the RLLR, it is re-priced.

Third is the TBLR, 10.5% is the TBLR. TBLR is normally for the loan less than one year. So normally, if we are giving for three months or six months, so its keep on changing. Fourth is the PNB RLLR ELITE that is around 13.9%. So this is also based on the RLLR also. The movement RLLR repo is revised, immediately it has been revised. The only MCLR is to be re-priced in the times to come. Otherwise, RLLR only re-price, you may think TBLR also because it is very short-term loan. PNB ELITE also. Base rate that is hardly 3.5%. So fixed only 7.4%. Maximum part, which is linked to the RLLR already re-priced.

Suraj Das: The next question is from the line of , I think it is a follow-up question from Mr. Ashok Ajmera.

Ashok Kumar: Sir, 1 point is on the treasury segment, treasury income. The profit segment wise you see is very good INR 1,940 crores as compared to INR 1,832 crores. And now going forward, also, we feel that the rates are peaked out and maybe a very small percentage of another 0.25% or something may be raised. So what are your views on that? And how do we stand on the in the treasury book from the point of view of the overall profitability of the treasury and trading as well as the mark-to-market. I mean, the profitability in the book going forward?

Atul Goel: Yes. Ajmera ji, your question is very valid. See, when we talk about the treasury book, we have to consider three points. What is the yield of the advances, what is the real treasury profit? Third is, what is the impact of the mark-to-market? So first, if you see the interest yield on the investment. Yield on the investment, it was 6.28% in the December 2021 and 6.56% it was in the September quarter, which has improved to 6. 62%. It means we have purchased the new assets also where we are getting the higher rate, and we have shifted some of the assets which are sold, which are carrying negative return.

As far as your profit is concerned, profit if you see, this is only INR 110 crores in this quarter as compared to INR 614 crores, which we have in the December '21 quarter. This, you are aware, you're a chartered accountant. It is a function of the interest rate movement. If interest rates fall, definitely, we will be in a position to make the profit. Otherwise, it is very difficult.

And third is the mark-to-market loss. So we have already provided in the June itself what is the mark-to-market. It is around 2.8%. If even there is a change in the interest rate on the impact side, we will not be much impacted on the mark-to-market losses.

Ashok Kumar: What is the modified duration of the AFS?

Atul Goel: AFS and the -- AFS as well as the HFT, it is 2.73% as against 3.17% in the last quarter.

Ashok Kumar: Sir, last question is on the NBFC side. You said that the -- you see the growth outlook in the credit of infra, road and NBFC. So where do we stand on the NBFC front as far as your internal policy is concerned, the percentage-wise and how much room is still there?

Secondly, are we getting a much better yield now from the NBFC onward lending, co-lending and also the opportunity in pool buyout?

Atul Goel: It is a mix of whether we are doing the direct lending, then you have to see which type of NBFC you are selecting. As on date, my exposure to the NBFC is INR 1,27,832 crores. And there is an exposure is available as on date also. But that depends on the rating also. Whatever I'm telling you, exposure if we had to take, that is rating wise also. Even as on date, 97% is A and above. So we are very selective while taking the exposure in the NBFC.

And your question whether the yield as a book because definitely if there is an increase in the interest rate on account of the change in the repo also, definitely, we are giving the loan to the NBFC at a much higher rate, which we are earlier proposing. Pool, definitely, if you segregate the pool and the direct funding to the company, pool, you will get better return because, pool, if delinquency is there that you have to own, which is not in the case of the -- if you are direct lending to the AAA or AA company to the NBFCs.

Ashok Kumar: And co-lending space, sir?

Atul Goel: Co-lending, definitely, sometimes, Ajmera ji, it depends on which type of association you are making the -- which type of NBFC...

Ashok Kumar: What you already have? I mean what co-lending arrangements you already have and what kind of book you're...

Atul Goel: Co-lending arrangement is very less as on date in our -- but pool, we are getting return. Pool, there is a good exposure we have taken in the last six months. In this, we are earning good. And the NPA is also very less.

Ashok Kumar: And sir, last, sir, you had given that INR 7,000 crores figure. I just want to know how much is disbursed out of that?

Atul Goel: Ajmera ji, as I said earlier to you, again cost of the repetition, INR 7,000 crores is the total exposure. Exposure means disbursed or non-disbursed. Funded exposure is around INR 6,300 crores. If, see the outstanding, out of INR 6,300 crores, outstanding is INR 3,000 crores only. And the non-funding is INR 700 crores around and investment is only INR 42 crores.

Ashok Kumar: That's a great data point, sir, which you have given which is what I wanted actually to have a clear view on our bank. Because everybody is concerned about that. Thank you very much, sir, and all the best to you for the next quarter and next year. Definitely, bank will do well under your dynamic leadership. Thank you.

Suraj Das: Our next question is from Mr. Rakesh Kumar.

Rakesh Kumar: Sir, just two questions. Firstly, on this written-off loan outstanding. So we have now close to INR 94,000 crores written-off pool?

Atul Goel: Yes. Not pool, entire TWO.

Rakesh Kumar: Yes. Entire TWO. So number has been pretty static if we look at from March end. March end, we had INR 98,000 crores approximately. So, and we recovered close to around 10% to 12% every year, like on a crawling basis, if we see, that is the run rate we have reported for the last four, five years. So the opportunity is very high here to make the recovery from this written-off pool. So the number what we have given, so can we have larger recovery from the TWO written-off pool or the number is what you have given remains the same?

Atul Goel: We give 10%, we are targeting, Rakesh, whatever you are saying, 10%, if you take the INR 90,000 crores is the total TWO number. We are also targeting at least every year, we should recover INR 9,000 crores, but that is not the case. If have to see the number of the last 4, 5 quarters, it is in the range of the INR 1,000 crores or INR 1,200 crores. Only this particular quarter, we could be able to recover INR 1,800 crores plus.

So your question because you have another -- number is only similar. Whatever we are recovering, suppose we have recovered INR 4,000 crores, INR 5,000 crores, even INR 9,000 crores, we are making some additional TWO also. Number will remain -- it is basically gold mine for the Punjab National Bank. You have rightly told there is a lot of chance available for making the recovery out of this TWO also.

Rakesh Kumar: Correct And secondly, sir, like we have seen in case of other banks also. So, reduction in SAAR deposit composition is like quite understood, but CAA deposit, like we have seen a couple of banks have reported a contraction in the CAA deposit outstanding number. So, we have to see how the industry number is panning out. But that is what we have seen in a couple of banks number also, including our bank. And on the contrary, what we see that credit growth number remains pretty strong.

So, at 1 hand, like there is -- the number is indicating that at the industry level, our customer base is like -- having lower amount of savings. And then our credit growth to those segments are also increasing. So, a bit of a contradiction is there. So, if you can help us understand what is exactly happening?

Atul Goel: Rakesh, look challenge will remain there. Because if you see the credit growth, credit growth is between 16% to 17% even in the RBI report also. And growth in the deposit is 9%. But as far as liquidity is concerned with the bank also because most of the bank is having excess SLR, so there is not a matter of worry, but on account of this CD ratio has improved. If you see the CD ratio of our bank also, CD rate vis-à-vis used to be run around 68%, has increased to 70%.

And if time will come, if some yield will favor because if there is a reduction in the -- interested in times to come also, we will be in a position to liquidate some of the excess SLR also. If yield we are not as of date also, there is a window available from the market where we can raise the fund with securities also. That is not an issue, but challenge will remain there, whatever you are telling because there is a significant gap in the deposit as well as the credit as of date. It is the not only in our bank, it is the issue of the banking industry.

Rakesh Kumar: Correct, correct. No, I was also referring to the point that is there -- like is there a reduction in the efficiency of our customers operating profit generation? So, is that also the case that the cash generation by the corporates or the midsized corporates has come down and which is reflecting in the CAA balances across the banks?

Atul Goel: No, that is not the issue, Rakesh. If you see the CAA, CAA is always fluctuating because nobody wanted to keep the money in the CAA, if they are availing the limit from the bank also. Sometime CAA may if you see some time, it is a 1-day figure also. So there is not much issue because we -- what we are also trying to make the increase in the CASA because that is a growth in 4%. So, we are providing the digital platform, either for the instant savings bank account. We are giving the focus for the salary account. We are giving a focus for the government deposits also.

So, we are taking a lot of initiatives and a lot of initiatives we have taken in the digital transformation, not only on the deposits, also even in the lending side also because now we are opening the instant savings bank account. Instant savings bank account also. And this is the -- otherwise, there is no issue also because 43% is the very good number. 43% is a very good number. And if you see the investment cycle is showing the increasing trend because on account of the credit, it has increased current account. This is the one of the reason as defined because sometimes they want to use their own money into the investment side also.

Rakesh Kumar: Correct. So that is a bigger worry that – they are corporates are going for treasury investments, and they are not going for capex?

Atul Goel: No, no, no, no. I may tell you, Rakesh, earlier, there was no demand from the corporate for the capital expansion. Now they are coming -- now they are coming because on account of this NCLT, et cetera, so behavior of the customer has changed. Now they -- first, they want to put their money in the form of the capital. Then, for the remaining amount, they are coming for the -- only for the loan. Earlier, position was different. They were not investing anything. They were taking the loan entire thing.

They were taking the money because now they have seen if they will not invest out of their own, if something happened wrong to the company, company will go out of their hands. It is not that they are not investing in the treasury. So, they are utilizing even -- they are borrowing less because I may tell you, Rakesh, earlier, people used to think if banks are risk covered, now banks are not risk covered. Even the corporate has become risk covered. Only they are taking the debt money where they are very certain. If something happens not to the company also, company will not go out of their hand.

Rakesh Kumar: Correct. Totally agree, sir. Totally agree. Thanks. Thanks a lot for the...

Atul Goel: There is total behavioral -- behavioral change. Yes.

Rakesh Kumar: Very nice. Very nice. Very nice. Thanks a lot for the elaborated clarifications, sir. Thank you.

Atul Goel: Thank you. Thank you, Rakesh.

Suraj Das: The next question is from the line of Rishikesh.

Rishikesh: Sir, can you please indicate on credit costs for Q4 and next year, FY '24?

Atul Goel: Yes. I can give you the data for the December '21. The credit cost was INR 3,654 crores. In terms of the percentage, it was 1.97%. December '22, INR 3,908 crores. It is 1.87%. In the September '22, also INR 3,555 crores, 1.76%. And June '24, it is INR 4,814 crores, it is 2.46%. Whole of the year, we are giving the guidance. We will be below 2%, around 2% or below 2%.

Rishikesh: And for FY '24, any indication, sir?

Atul Goel: '24, I will give the guidance only when we will declare the result of the March 2023 because Ajmera has just told if '23, '24 will be your golden year, I have maintained my comment also it will be a golden period for the Punjab National Bank.

Rishikesh: And sir, regarding your cost-to-income level, where do you see your cost-to-income levels going ahead?

Atul Goel: Cost of income, if you see for the particular quarter, has increased around 54% on account of this AS-15 also. If you see the 9-month position -- if you see the 9-month position, it is on the same line between the 50% or 51%. So, I am hopeful for the whole of the year, it will remain within the range of the 50%.

Suraj Das: Last three questions, sir, from the chat box. First question is, sir, what is your tech spend as a percentage of overall opex? Second question, sir, bipartite wage revision is done, assuming what percentage of salary hike?

Atul Goel: Okay two questions. What was your first question, Suraj?

Suraj Das: Sir, first question is what is the tech spend or technology spend as a percentage of overall opex?

Atul Goel: Okay. Technical spend? Okay. I will give the second question first. Yes, this bipartite settlement, which I told you INR 181 crores we have provided. It is around 10%, 10% of the total wage. And the -- what is the tech spend? It depends on the change quarter by quarter because I told you last 1 year, we have taken a lot of initiative for the technical upgradation, cyber security and the new product also. So as on date, whatever the budget we are -- got the approval from the bank, around INR 1,000 crores we have spent last year on the technology upgradation, yes.

Suraj Das: Okay. Okay. Sir, 1 more question. Is there -- what is the exposure and outstanding to 1 of the stressed telecom company?

Atul Goel: Telecom company, I do not find any exposure, which is under stress as on date. I don't find.

Suraj Das: And I think the question is for Vodafone specifically.

Atul Goel: Just let me check up. I have five accounts. It may be -- there is no issue. As on date, I do not find any exposure. Today, I'm having the exposure of INR 9,165 crores in five companies. All five companies are doing as on date.

Suraj Das: I think, sir, the question, the participant was trying to ask about Vodafone, I believe?

Atul Goel: Vodafone is, as on date, already the conversion has been made in the equity also. Whatever the payment they have to make to the government, the part has been converted also. We are having the exposure in the Vodafone also. But as on date, it is okay. There is no issue. Vodafone is okay as of date. Vodafone as on date, there is no issue, Suraj.

Suraj Das: Any ballpark number, sir? Any ballpark number on the exposure, sir?

Atul Goel: Number, I am having, but it is not approvable to give a particular number for a particular company. INR 9,165 crores is the total number. It is the exposure of the five companies and five companies are doing good.

Suraj Das: Right, sir. With this, there is the last question, I now hand over to you for any closing remarks, if you have, sir.

Atul Goel: Thank you, Suraj. Thank you very much for arranging this con call. I may press on the record we are getting good support from all the analysts as well and good suggestions also. Whatever suggestions they are giving, whatever the question they are asking, we are rethinking also as to what we can do better in the next quarter.

So I think the bank is on the very right path if you see the result, which I told in my initial remark for the last four quarters; March, June, September, December. There is a very good performance in all the parameters in this given the core efficiency of the bank. We are on the very right path of the growth, and we will see whatever number will be in March and definitely '23, '24, whether it is a credit cost, whether it's addition, whether it's underwriting, it will be very good for the bank.

So with this word, once again, thank you and all the team of the analysts who are attending this webinar through virtual mode. Thank you very much.

Suraj Das: Thank you, sir and that concludes the today's call. Yes, thank you, sir. Thank you all.