

Q3 2024 – Punjab National Bank Earnings Call

Date :25.01.2024

Company Participants

- Shri Atul Kumar Goel, Managing Director & Chief Executive Officer
- Shri Kalyan Kumar, Executive Director
- Shri Binod Kumar, Executive Director
- Shri M Paramasivam, Executive Director

hosted by Emkay Global Financial Services

Presentation

Anand Dama, Analyst

Thank you for providing us the opportunity. Good evening. On behalf of Emkay, we welcome all the participants to the Punjab National Bank Third Quarter FY 2024 Post Results Conference Call.

From the bank, we have entire top management, including MD& CEO, Shri Atul Kumar Goel ji; and Executive Directors, Shri Kalyan Kumar, Shri Binod Kumar, Shri M. Paramasivam, Shri B. P. Mahapatra; and the CFO, Shri D. K. Jain.

We would first request MD sir to briefly summarize the key highlights from the third quarter results, followed by an outlook on the growth margin and asset quality, post which we will take questions from the participants. Over to you, MD sir.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you very much, Mr Anand. As far as business is concerned, the total business has grown by 10.82% Y-o-Y and the total business stood at INR 2,29,074 crores. As far as the deposit is concerned, there is a growth of around 9.35% in the deposit, which has improved from INR12.10 lakh crore in the last year on December 2022 to INR13.23 lakh crore in the current quarter, current means last quarter of December 2023. Advances have grown by 12.90% and stood at INR9.67 trillion.

As far as saving is concerned, there is a growth of 5.96%, and CASA -- current is -- there is a growth of 6.26%, and the CASA -- total CASA stood at INR547,515 crores and the total percentage of the CASA to total deposit stood at 42.47% and it has little improved from the last quarter, which was 42.15%.

The share of the RAM to the total advances is 55.07% and total RAM stood at INR5.12 trillion.

As far as the net interest income is concerned, it has improved from INR9,179 crore in the December 2022 quarter to INR10,293 crore, there is an increase of 12.14%. And the operating profit, which used to be around INR5,715 crore -- increased to INR6,331 crore with a growth rate of 10.77% . And both the number, net interest income, and operating profit are higher than the last quarter. Last quarter, NII was INR9,923 crores and the operating profit was INR6,216 crores on YoY basis.

As far as net profit is concerned - net profit is concerned, it was INR629 crore in the December 2022 quarter last year and it has increased to INR2,223 crore, there is an increase of 253.39%. For the information to all the -- my analysts also, the net interest income as well as the net profit, it is the highest in the last 15 quarters of the Punjab National Bank.

As far as the asset quality is concerned, there is too much improvement in the asset quality whether it is a gross NPA, whether it is a net NPA, or whether it is a provision coverage ratio. Gross NPA, which used to be around 9.76% has reduced to 6.24%. And if you compare from the corresponding last quarter, last quarter it was 6.96%. As far as the amount is concerned, INR83,584 crores, the gross NPA was in December 2022, which has reduced to INR65,563 crores in September 2023, and further improved to INR60,371 crores.

Similarly, the net NPA has reduced to INR8,816 crores from the figure of INR13,114 crores from the last quarter, that is September 2023, and a percentage of the NPA, which used to be around 3.3% in December 2022 and 1.47% in September 2023 has reduced to 0.96%.

The provision coverage ratio has increased to 85% from December 2022 and 92% from September 2023 to 94%.

As far as credit cost is concerned, we have given the last time the credit cost will remain in the range of 1.5% to 1.75%, and credit cost in the last quarter, December quarter, it was 1.26% and the September quarter it was 1.31% and the nine-month credit cost is 1.56%. The absolute number may -- the NPA provision, which was INR3,018 crore in September 2023 has further reduced to INR2,994 crores.

And slippages -- as far as slippage is concerned, slippage has reduced to 0.81% and the total slippage is hardly INR1,793 crores and the slippage in the last seven quarters, every quarter, it is reducing.

As far as capital is concerned, total capital is 14.63%. It has slightly reduced from the 15.09% in the last quarter, September 2023. It was majorly on account of the increase in the risk-weighted asset in the NBFC portfolio. If you see, my total risk-weighted credit RWA, it has increased around INR31,000 crore from September 2023 to December 2023. And out of this INR31,000 crore, around INR27,000 crore on account of

the increase in the RWA, in the NBFC. So, this is the reason of the reduction in capital adequacy.

So, although we have also raised INR1,153 crore in the last quarter Tier 1. And as far as the CET 1 is concerned, 9.86%, and AT1 is 1.87%. Total Tier 1 is the 11.73% and Tier 2 is 2.90%. The total is 14.63%. And we have -- as you are aware, we have already got the approval of the Board to raise the capital of INR12,000 crore in the current financial year 2023-2024. Out of which, INR7,000 crore was for Tier 1, and INR5,000 crore for Tier 2, against which we have raised INR3,090 crore for Tier 2 in the earlier quarter. And the Tier 2 -- Tier 1, we have raised a total INR4,153 crores, INR3,000 crores we have raised in the September quarter, and INR1,153 crores raised in the last quarter, that is December quarter.

The -- as far as capital is concerned, another -- in the last Board Meeting, we got the approval of the Board for raising INR7,500 crores equity or FPO in the next financial year 2024-2025.

The cost of deposits, which was 4.86% in the September quarter has increased to 4.96%. There is an increase of 10 basis points. But as far as the yield on advances is concerned, it was 8.23% in the September quarter, which has improved to 8.54%. It means there was an increase of around 29 basis points, 30 basis points as against the 10 basis point increase in the deposit cost. This is one of the reasons there is an increase in the NII of the bank.

Cost to income ratio, although it has been a little bit declined as compared to the last quarter. It was 52% in the September, and it is 51.18%. As far as NIM is concerned, the total NIM, domestic NIM is 3.30% and the global NIM is 3.15%, where we have given the guidance (Foreign Language) our NIM will be in the range of 3%. Our guidance will remain the same.

As far as the movement of NPA is concerned, the fresh addition was INR1,793 crore as against INR4,072 crore in the December 2022 quarter, and INR1,826 crore in the September quarter. If you see the slippage data from the last seven quarters, it is reducing every quarter. As far as cash recovery is concerned, it was INR1,828 crores and upgradation is INR1,217 crores. Total recovery for the quarter, December quarter, including the recovery from the technical written-off was INR7,387 crore. We have set a target for INR22,000 crore in the current financial year. As against the INR22,000 crore, we have already recovered INR17,000 crore. So, I think, we will be in a position to achieve the -- whatever the target we have fixed for the recovery in the current year.

As far as other things are concerned, I would like to tell you regarding the wage impact. AS-15 provision we have made around INR 332 crore. And arrear provision -- arrear provision last quarter, September quarter, it was INR694 crore. And, at that time, we have made a provision of the 14% from November 2022 from where the wage revision is due. Now, we have made a provision of INR800 crore in the last quarter, that is December 2023 quarter, and we have made a provision of around 17%, where the negotiation has been done.

As far as the credit cost, I have already discussed it. Slippage is concerned, slippage in the December quarter mainly is from the RAM, Agri, INR439 crores; MSME, INR709 crores; retail, INR434 crores; and others, INR13 crores; and INR198 crores in the existing NPA account, where we were having the non-fund exposure that has been devolved.

Further for the information to all of you, as far as floating and the fixed rate is concerned in the advances around 90% in the -- linked with the -- either MCLR or repo or the repo ELITE, and around 9% to 10% in the fixed rate.

And one more thing for the recovery from the NCLT. The first quarter recovery from the NCLT was INR566 crore, second quarter it was INR556 crore in the current financial year, and the last quarter, December quarter, it was INR1,831 crore. We are expecting we will be in a position to recover around INR1,200 crore in the current quarter, that is the March quarter.

One number I would like to give, which normally I give every time, is the new underwriting. This data is from the 1st of July 2020 to 31st of December 2023. It is data of more than 3 years, 3.5. Total loan, new underwriting, we have sanctioned INR7.11 trillion. The disbursed is INR6.48 trillion and the outstanding is INR5.08 trillion, against which the NPA is only INR1,576 crores, which is coming around 0.24%.

I will give a further breakup of the sector-wise. Agri, it is 0.31% slippage, MSME 1.49%, retail 0.19%, and as far as other is concerned, it is hardly 0.01%. So, as far as SMA is concerned, SMA 2 was INR11,362 crores in December 2023. As on date, on 21st January, it was around INR7,136 crores. And December 2023, the SMA 2 more than 1 -- INR5 crore and above was only INR1,336 crores. So, from this, you will see the all-around performance, whether it is business performance, whether it's a profitability performance, whether it's a performance in the assessed quarter, there is an all-around performance in all the -- and the provision requirement is reducing quarter-by-quarter. And on account of the 94% PCR, we are of the view there will be a drastic reduction in the NPA provision in times to come.

So, with this word, this is the one brief about the financial performance of the quarter three. Now, you are

open to the question, and I would like to give answers to whatever query you will raise during the discussion.

Thank you very much, and thank you, Mr Anand. Thank you to all the people who are attending this virtual meeting.

Questions And Answers

Anand Dama, Analyst

Sir, thanks a lot for the update. Sir, the first question I have is about, - we have made about wage revision provision of INR800 odd crores during the current quarter. But when we look at the staff cost, it remains largely flat on a quarter-on-quarter basis. So, can you just explain, like, how it has remained largely flat, despite making this kind of provision?

Secondly, some banks have made retirement liability provisions as well in 3Q. For example, Canara Bank talked about INR250 crores of additional provisions that they have made for retirement liability. Have we also made some kind of provision on the retirement liability during the current quarter?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah, Anand. Point number one, this wage revision, was INR694 crore in the September 2023 quarter, which has increased to INR800 crore. We have been making wage revision provision at the rate of 14%, up from 10% since November 2022 and so the base number already includes the wage revision provision. And INR800 crore, we have made a provision from November 2022 to December 2023, 17%. This is the point number one.

We have also made retirement provisions for the pension, on the increased wages, which I am telling you every quarter. We have made 100% provision last quarter itself. Your question is, why -- there is the same staff cost in December 2022 and December 2023? The reason is that, in December 2022, the AS-15 provision was INR1,330 crore, which has been reduced to INR332 crore in this current quarter, for the December 2023 quarter. The reason was that, in September -- December 2022, the G-Sec rate was 7.33%, and in September 2022 the rate was 10 basis points higher. On account of the reduction in the 10 basis points, we were required to provide an additional INR800 crore in December 2022. This is the reason. This is the reason it is flat.

Anand Dama, Analyst

Ok sir. Now, we will open up the floor for questions.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Anand, we may add one more thing also. I told you...

Anand Dama, Analyst

Yeah.

Atul Kumar Goel, Managing Director & Chief Executive Officer

...INR800 crore for that. Total provision was INR1,330 crores, December 2022. Yeah. For the clarification, yeah.

Anand Dama, Analyst

Got it. First question we have from Mahrukh. Mahrukh, please unmute yourself and ask your question.

Mahrukh Adajania, Analyst

Yeah. Hello, sir. Congratulations.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you very much, Mahrukh. Thank you.

Mahrukh Adajania, Analyst

Sir, sorry, but -- sir, I have two questions. One is on wages, you explained, but just to get the math right, so the provision for the quarter, only for the third quarter, is INR332 crore, correct?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah.

Mahrukh Adajania, Analyst

Yeah. And then what is the backlog provision?

Atul Kumar Goel, Managing Director & Chief Executive Officer

That is -- Mahrukh, that is AS-15 provision, both are different provision. INR800 crore provision in December 2023 for the wage revision and INR332 crore is the provision for the AS-15, that is related to the pension liability or the gratuity liability.

Mahrukh Adajania, Analyst

Okay. But, sir -- so, basically, you had said that -- okay, so, last quarter, what was the AS-15 provision, because there seems to be a write-back, right?

Atul Kumar Goel, Managing Director & Chief Executive Officer

No. Last quarter means September 2023?

Mahrukh Adajania, Analyst

Yes.

Atul Kumar Goel, Managing Director & Chief Executive Officer

You are telling -- what is it? Last quarter means September 2023 or December 2022?

Mahrukh Adajania, Analyst

December -- September 2023.

Atul Kumar Goel, Managing Director & Chief Executive Officer

September 2023, the arrear provision was INR694 crore. In this particular quarter, we have increased the provision, which earlier we used to make 10%, we have made 14% from November 2022. The total was INR694 crores. And the INR580 crores was the provision for the AS-15.

Mahrukh Adajania, Analyst

Okay. So, again, INR694 crores plus INR580 crores, you have provided INR800 crores plus INR332 crores.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Very much right. Absolutely right. INR800 crores plus INR332 crores.

Mahrukh Adajania, Analyst

Okay, sir. Okay, sir. And, sir, my next question is actually very basic. So, you have a domestic LDR of around 72%, right? And so, it's one of the lowest. And next quarter, say in the March quarter, that is in the current quarter, say if your deposits grew only 2%, because you have excess LDR, so suppose they grew only 2%, the year-on-year deposit growth will look as low as around 6%. So, would you monitor it that way or would you look at it from an overall LDR point of view only? Because in the last year's fourth quarter...

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. Please go ahead. Please go ahead.

Mahrukh Adajania, Analyst

In last year's fourth quarter, you had a very, very strong deposit growth like a few other banks, that's why I'm asking. So, the year-on-year growth will look lower than current, but that should be okay, right, because a lot of people -- because a lot of managements like to focus even on year-on-year growth. That's why I'm asking you.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. I will give the reply of your question, Mahrukh. First, if you see my CD ratio, loan-to-deposit ratio, and net advance to total deposit is 69.24%. So, it is less than 70%. There is a worry for those who -- if you are having more than 75%, if you see the gross advance to total advance then the CD ratio is 73%. So, point number one, as far as deposit is concerned, deposit -- the 9.35% of the growth of the deposit as against the 12.90% of the growth. The reason why we are not raising the deposit is because one year deposit we can raise, no doubt. But it is very costly, because today the rate of the one-year deposit, et cetera, has been key, so we are not giving the rate to the bulk deposit. We are not giving the rate to the bulk deposit. And because I have an excess SLR also of more than INR80,000 crore. In case of the need, I can use that channel also. And for the Punjab National Bank, the deposit is not an issue, because we have 10,000 branches.

In last year, 2022-2023, we opened around 85 lakh accounts in savings bank accounts, or 2 lakh accounts in the current account, which number has increased in the first nine months of the current financial, 76.65 lakh accounts we have opened and the current account we have opened 1.97 lakh. Even if you see the -- my deposit growth in the term deposit, less than INR2 crore is much more as compared to the bulk deposit. I will give you the data. My total term deposit is INR7.71 lakh crore, which has increased to INR7.75 lakh crore. Even the less than INR2 crore may INR540,000 crores is -- INR550,000 crores, there is also an increase of INR10,000 crores. So, we are not depending on the bulk deposit, because I don't require the bulk deposit too. After all, it will impact my -- unnecessarily the NII.

Mahrukh Adajania, Analyst

Okay, sir. And just one very last question. You recovered a very big amount from NCLT, INR1,800 crore something, how much of that would have been recognized through the NII line?

Atul Kumar Goel, Managing Director & Chief Executive Officer

INR1,831 crores. Normally -- Mahrukh, normally, every quarter, because we have a good portfolio of the NPA, because we are having the technical written-off as well as the gross NPA also INR60,000 crores, then INR90,000 crores, around INR500 crore to INR600 crore. It depends on the every quarter. Normally, INR500 crore to INR600 crore is coming in the NII.

Mahrukh Adajania, Analyst

So, is this quarter also same?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Little bit -- this quarter around INR100 crore was more as compared to the earlier quarter, INR100 crore to INR150 crore.

Mahrukh Adajania, Analyst

Okay, sir. That's so very helpful. Congratulations once again, and best of luck.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you. Thank you, Mahrukh. Thank you.

Anand Dama, Analyst

Yeah. Thank you, Mahrukh. Jai, you are next in the line. Please unmute yourself and ask your question.

Jai Mundhra, Analyst

Yeah. Hi. Good evening, sir, and congratulations on a great quarter.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you, Jai Mundhra. Thank you.

Jai Mundhra, Analyst

Great, sir. Excellent number and excellent performance on asset quality. Sir, I have a question which partly you have already answered, but on wage provisions, right, so 15% going to 17% will also have some bearing on the AS-15 liabilities also, right? So, have we -- have you provided anything on that aspect?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. Jai Mundhra, we have already provided it. We have already provided, as I told you, because there is two things. One is the wage revision, then an increase in the pension liability on account of the wage revision.

Jai Mundhra, Analyst

Correct.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Then we have -- because one thing -- one more thing I may clarify for you. We have made a 17% provision, normally it will not be 17% on the basic, because there is a lot of components. Some part will go to the HRA, some part will go to the lease accommodation. So -- but we have provided 17% of the basic, which will not be the case. It will not be 17% on the basic. So, whatever the impact will be on the pension because of that factor we have already provided in September itself. Yeah.

Jai Mundhra, Analyst

So, in a way, the 17% you are saying will take care of part provisioning needed on the pension AS-15, enhanced AS-15 liability?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. We have provided. Enhanced AS-15 is also provided and the 17% we have provided for the basic pay, although it will not be that -- under -- 17%.

Jai Mundhra, Analyst

Right. Okay. But, sir, I mean, the only question is few banks have started providing the enhanced AS-15 also, but that is okay. So that is -- that clarifies this thing.

Secondly, sir, there is some treasury loss, there is a loss on the revaluation of investment, right, and is there any -- what is the nature of this INR10,000 crore of negative MTM or negative revaluation of investment? What is the nature of that?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. Jai Mundhra, there was one account which has been changed the classification from the NPA to standard. NPA to standard.

Jai Mundhra, Analyst

Okay.

Atul Kumar Goel, Managing Director & Chief Executive Officer

So, there was a INR700 crore provision in the mark-to-market loss, because it has been shifted from the NPA to standard. The provision for the standard mark-to-market, we have to provide on the -- above the operating profit. The same amount was released in the -- below the operating profit. You have seen, we have already mentioned in the -- our clarification also on account of the -- because if you see my total provision, total provision was less than the provisions on the NPA. So, there was a decrease.

Jai Mundhra, Analyst

Right.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah.

Jai Mundhra, Analyst

Right. Okay. Understood. And, sir, a few questions on the margin side. So, we see this quarter the yields have expanded by 30 basis points, right, the loan yields. So, A, is there any one-off or do you think that you can, let's say, effectively implement the MCLR regime or higher rates or this kind of yield increase may not be very sustainable?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Mundhra, last time also and this time also telling, as far as our guidance for the NII is concerned, that will be remain in the range of the 3% and the...

Jai Mundhra, Analyst

Right.

Atul Kumar Goel, Managing Director & Chief Executive Officer

...yield of advances, it may be plus/minus -- let -- maybe 5 basis points, 10 basis points. But our endeavor is our NII in terms of the actual number should increase quarter-by-quarter.

Jai Mundhra, Analyst

Right. So, sir, do you --

Atul Kumar Goel, Managing Director & Chief Executive Officer

We will try to maintain, Jai Mundhra, in the absolute number NII in the current quarter itself, but hardly there may be a change in the NIM also, because 3.3% is my NIM as of date, domestic by 3.15%. Because some of the transactions where I am not getting 3%, if I'm getting the 15% -- 20 -- or only 20 basis points, 30 basis points, I am not allowing that transaction should go. The absolute number, we will try to maintain. This is our -- every quarter we are doing like this. This is the reason our NII in terms of the number is increasing.

Jai Mundhra, Analyst

Right. No, that is very clear, sir. And so related to that is, sir, that NBFC exposure is -- has gone up, right? Few banks have said that post the RBI risk weight hike, they have started implementing higher yield on NBFC, and in the process they have seen some churn from that book and they have let it go that exposure. Did the same thing happen to us as well or that may come up later in some point of time?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Jai, there is no much difference. If you see the -- there is hardly only INR4,000 crore increase, because INR123,000 crores to INR127,000 crores, because we are having the books of the 9.7, sometimes some of the loan in the short term in the nature also. So, there is not much impact in INR4,000 crores. But as far as the increase in the risk weight is concerned, so we are negotiating the higher pricing to the existing as well as the proposed one.

Jai Mundhra, Analyst

Right. And last question, sir, what is your sense on the corporate loan growth for PNB and also in the system, but for PNB, right now, I think we are running at -- loan growth of corporate book is now running, If I were to calculate, then we are running at -- around this quarter, we have seen around 4% quarter-on-quarter growth and around 10%, 11%

Y-o-Y growth. Do you think that over the next 12 to 18 months it can rise to like 15%, 20% or more likely to remain at 10% around it, the corporate group, large corporate group?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Corporate, I think -- we may think a little bit increase also, because some of the corporates, have started utilizing the working capital, which they are neutralizing. There is some demand in the CapEx also, but not too much -- but not too much, but there is a too much of demand in the infra as well as the road, et cetera, also. So, I do not foresee immediately there will be an increase of the 15%, but I can think there will be a -- some jump also from the 10% to 12% also. But as far as our guidance is concerned, our guidance will remain the same 12% to 13% for the current financial year, and next year we will see what will be the scenario in the end of the March quarter, then we will decide what should be our credit growth for the next financial year.

Jai Mundhra, Analyst

Understood, sir. That is very helpful, sir. Thank you, and I'll come back in the queue.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you. Thank you very much.

Anand Dama, Analyst

Thank you, Jai. Next question we have from Saurabh. Saurabh, please unmute yourself. Seems like Saurabh

has dropped off. Rahul, you are next in the queue. You can ask your question.

Rahul Jain, Analyst

Am I audible, Anand?

Anand Dama, Analyst

Yeah.

Rahul Jain, Analyst

Yeah. Sir, a couple of questions. First of all, a great set of numbers. Sir, first question, can you give as your personal loan and vehicle loan, et cetera, the book is too small compared to the peers, what is the target? Can we expect a similar kind of run rate of growth in the high, mid-teens, or any percentage of loan book you want to achieve, especially in the unsecured and the retail part apart from the home loan side?

And second question, sir, how much of NCLT-based project recovery you expect? So, for the next two years, what kind of recovery can we expect? Because currently, we are witnessing the recoveries and upgrades are higher than the slippage run rate. This trend shall continue for the next year itself also. These are two my -- these are the two questions. Thank you.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Saurabh (sic - Rahul), as far as retail unsecured loans are concerned, there is two questions, the vehicle loan and the unsecured. First, I will take the unsecured loan. Total unsecured loans in retail is INR26,800 crores, out of which around INR3,500 crores is the educational loans, and around INR4,300 crores in the personal loan to pensioner, and the remaining is personal loan. Out of that personal loan, two types of personal loan. One is the digital, digital is around INR4,328 crores, remaining is the physical. So, the NPA percentage for the digital personal loan is hardly 0.40%. Now, your question is, what is your vehicle loan growth as well as the personal loan growth --

Rahul Jain, Analyst

Sir, sorry to interrupt, sir. I got your point on the growth side. I'm expecting a similar run rate of growth will be there for the next year, or two years looking at the peers, where their loan book as a percentage of share is there?

Atul Kumar Goel, Managing Director & Chief Executive Officer

I think, there will be the same. Because there is a good demand in the retail side, either in the vehicle loan, or in the housing loan. For housing loans, if you see, my growth is 30%, and vehicle loan growth is around 26%. And personal loan, because the base was less, this was the reason it is a growth of 30%, otherwise 30% on account of the base, it is looking on the higher side. But there is a -- growth is -- there is a good demand in the -- all the retail side, even for the MSME as well as the agriculture. The RAM sector total I can say whatever the demand is there, that will remain there.

Rahul Jain, Analyst

So, you -- on RAM sector side, you will be continuing to grow at 15%, 16%...

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah.

Rahul Jain, Analyst

...which is the point.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. That is our focus area. Yeah.

Rahul Jain, Analyst

Okay. And, sir, on the recovery from the NCLT, will the trend of recovery and upgrades be higher than the slippages for the next year, FY 2025?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Not -- I think, you should not concentrate only on the NCLT also, because I am having the stock other than NCLT also. Because last time we took a key -- our recovery -- 2022-2023 recovery should be more than the slippage and all the quarter on 2022-2023 recovery was more than the slippage. And the total target was INR32,000 crores, against which we have achieved INR29,000 crores this year. (Foreign Language) 2023-2024, we have set a target, recovery should be double the slippage. And then, if you see the last quarter, the December quarter, the slippage was only INR1,763 crores and the total recovery was INR6,387 crores. So, it is 3x. So, we will not consider only NCLT, because we have the other stock also. So, our recovery should be double. That is our target, recovery should be double in the current financial year. Even for the next financial year, we will set a target.

What will be the slippage? Recovery should be double, because we are having so much of -- INR60,000 crore is the gross NPA, then INR90,000 crore booked in the TW also. So, your question is, recovery from the NCLT, because if you ask me the INR6,300 crore, which we have recovered in December, the recovery from the NCLT is only INR1,831 crore. So, it is one-third only. So, we should not think only for the -- NCLT is the only reason, there is a -- another recovery measure also.

Rahul Jain, Analyst

And, sir, just related question as your PCR has reached to a very optimum level, but what kind of credit cost guidance you would be giving for the next year, sir? Because I'm just asking this question means within that 84.5%, has PNB taken some contingent provision buffers or extra buffer in case of any contingencies taking ahead in FY 2025 or RBI intervenes for some higher risk weights or et cetera?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Rahul, actually 94% will be the PCR. Movement, 94% PCR has been there. There will be a very low requirement of the provision for the NPA because if you see my net NPA, net NPA is only INR8,000 crore. I will -- if I will make the provision of INR8,000 crores, there will be no requirement. And if slippage is -- if slippage is half of the recovery or so, though. So, credit cost is -- bound to reduce, because for the current financial year 2022 -- 2023-2024, we have given the guidance of 1.5%. If you see the nine-month data, it is coming to 1.59%, but for particular December quarter it is 1.26%. I think we can easily assume in 2024-2025 credit cost would not be more than 1%.

Rahul Jain, Analyst

Okay. That's very helpful, sir. Thank you, and best wishes, sir. Thanks.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you.

Anand Dama, Analyst

Sir, thank you, sir. Sir, before we take up the next question, we have one question in the chat box regarding your tax rate. Sir, your tax rate still seems to be on the higher side, more than 35%. When are we going to shift to the new tax regime? So, that is the question that we have on the tax rate.

And then another question that we have is on the interest income. What is the amount of interest recognition that we have done on the recoveries that we have had during the current quarter?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Okay. Anand, as far as the tax rate is concerned, we have still using the old regime also. We have not shifted to the new regime, which is under discussion. We are discussing with our tax consultant what is the appropriate time ? because there are some other deductions, et cetera, also. So, as of date, we have not decided. We will take an appropriate decision at the appropriate time. It is under consultation.

Your another question, whatever the interest income on the recovery from the NPA. Normally -- Anand used to

-- Mahrukh had asked also the same question. Normally, it remains in the INR500 crore to INR600 crore every quarter. Sometimes plus minus INR50 crore, INR100 crore. But this -- as I told you earlier also, this time -- but there was one recovery in the bigger account, so there was an INR100 crore extra in this particular quarter.

Anand Dama, Analyst

Okay. And do you have any pipeline like of big recovery and because of this that should lead to higher interest income going forward?

Atul Kumar Goel, Managing Director & Chief Executive Officer

We always opt for the higher recovery, because INR60,000 crore is the gross NPA, and INR90,000 crore is the technical written-off. We have a book of INR150,000 crore. Every time, it is our focus area, how much we will be in a position to recover in the existing outstanding NPA account. So, that is a very focused area. Whatever the tools available, whether it is NCLT, whether it's the NARCL, or whether it is a SARFAESI, we are not left out with any opportunity that is available to us for recovery of the extra amount.

Anand Dama, Analyst

Sure. Next question we have from Saurabh. Saurabh, please unmute yourself and ask your question. Saurabh, please unmute yourself. The next question we have from MV Mahesh.

MB Mahesh, Analyst

Sir, could you just let us know which sector contributed to this higher recovery for the quarter from this NCLT account?

Atul Kumar Goel, Managing Director & Chief Executive Officer

NCLT account, there are two major accounts. I think giving the name is not appropriate in this format. Two key accounts, but I can tell you there are two big accounts which were recovered in this December 2023 quarter.

MV Mahesh, Analyst

Sir, these recovery rates, how are they looking, sir, from these NCLT accounts?

Atul Kumar Goel, Managing Director & Chief Executive Officer

NCLT, I will give you the data, because it depends on the regulation and also, because you cannot set criteria, for what would be the recovery in a particular quarter. You can assume for the whole of the year -- we can make a recovery from the NCLT if you see the trend. INR566 crore was in the first quarter. Then INR556 crore in the second quarter and the third quarter recovery from the NCLT was INR1,831 crore. We are thinking around INR1,200 crore odd number will be recovered in the last quarter i.e. March quarter. So, if you see, around INR4,000 crore to INR5,000 crore easily. INR4,000 crore to INR5,000 crore we can fix. Every year, we can make a recovery from the NCLT, but it depends on the total legal. Sometimes recovery, we are thinking

of coming in this particular quarter, but sometimes it shifted to the next quarter. It depends on the regulation process.

MV Mahesh, Analyst

Okay. Perfect, sir. Thanks a lot for this.

Anand Dama, Analyst

Yeah. Thank you, Mahesh. Next question we'll take from Rakesh Kumar. Rakesh, please unmute yourself.

Rakesh Kumar, Analyst

Yeah. Hi. Thank you. Thank you, sir. Good numbers. Good sets of performance overall. So, sir, a couple of questions. Firstly, sir, this quarter, the interest accrual is from the recovery on the written-off. Is it close to around INR1,100 crores, INR1,200 crores, sir, in the interest income line, sir?

Atul Kumar Goel, Managing Director & Chief Executive Officer

See, you are asking for the recovery from the technical written-off account?

Rakesh Kumar, Analyst

Yes, sir.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Rakesh, recovery from the written-off account is INR2,055 crore.

Rakesh Kumar, Analyst

Interest income line, sir. How much would be the -- in the interest income line, sir, INR1,100 crores, INR1,200 crore?

Atul Kumar Goel, Managing Director & Chief Executive Officer

No. INR2,055 crore is the recovery from the written-off account. And the -- as I told you, normally it remained -- interest income INR500 crore to INR600 crore. There is a -- around INR700 crore. Because I told you, in this particular quarter, there was some excess recovery. But I may clarify to you, INR2,055 crore recovery here, but there is some provision also against this recovery. Because if there is a change of management, we have to make the provision on the investment side also.

Rakesh Kumar, Analyst

Okay. And, sir, in slide number 30, like, there is a mention of gross NPA sector-wise, industry-wise that we have given.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah.

Rakesh Kumar, Analyst

So, in the energy, there is a some increase in the gross NPA number, from INR450 crore to around INR1,300 crore, so if you can help us understand, sir, where this increase has happened on this gross NPA?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yes. I may -- Rakesh, I may tell you also. There was one account, which was technical written-off, which was technical written-off. But later on, it has been restructured now. This was the reason there was an increase in the -- this NPA figure. Yeah. Because it was in the technical written-off book, so now --because when we have restructured the account and they are making the payment as per the restructured terms. So, it has come in the live book. This is the reason.

Otherwise, there is no addition. Actually, there is no addition.

Rakesh Kumar, Analyst

Sir, after having written-off the book from the balance sheet, so how do we take it back in the balance sheet then?

Atul Kumar Goel, Managing Director & Chief Executive Officer

See, that is a book entry. The account is remained in the book, amount remains in the book. You have made a provision. This is also one of the regulation processes. Normally if we are writing off the account, so we are getting the cash recovery. But one of the accounts, on account of the change in the -- because the -- they are -- now they are having the PPA agreement, et cetera, also, so now unit has run, unit has running, but then we have restructured the account. So, this is the reason it has increased. Yeah.

Rakesh Kumar, Analyst

Instead of, sir -- instead of restructuring the account, if we recover the account, the TWO account, so was it written-off or it was only 100% provided, sir?

Atul Kumar Goel, Managing Director & Chief Executive Officer

As I told you, it was 100% provided and written off.

Rakesh Kumar, Analyst

Okay. Sir -- okay, but (Foreign Language) we will take it later maybe (Multiple Speakers)

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yes. I will explain to you offline also. Yeah.

Rakesh Kumar, Analyst

And second point was, sir, on the NBFC private, sir, there is a good growth that we have seen in the NBFC private in the -- within the NBFC vertical, the slide number 14...

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah.

Rakesh Kumar, Analyst

...so considering the risk weight increase, sir, how do we price the fresh exposures?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. Whatever you are seeing, INR53,000 crores to INR60,000 crores private NBFCs also. This was mostly before the increase in the RWA. And I may clarify one more thing also, there is one sector -- if you are giving the loan to the private NBFC for the priority sector, suppose for agriculture, for the MSME, et cetera, also. So, there is no increase in the risk weight. So, this is the reason exposure has increased. Even the pricing will not increase in the sector where the loan is for the priority sector.

Rakesh Kumar, Analyst

Got it.

Atul Kumar Goel, Managing Director & Chief Executive Officer

For the other, you were asking about the pricing also, but, for the other NBFCs where the classification is not coming in the priority sector, we are charging the higher rate to the entrepreneur. There is a -- around -- we have calculated on account of the increase in the RWA. There is around a 20 basis point to 25 basis point increase in the pricing. So we are demanding.

Rakesh Kumar, Analyst

Okay. Great, sir. Great. And, sir, last question, sir, on the ROA, what is the estimated ROA or guidance you can provide, sir, for maybe FY 2025, sir?

Atul Kumar Goel, Managing Director & Chief Executive Officer

1%. 1%, I have given the guidance because every analyst is asking when you will be reaching the 1%. So, we have told 1% ROA. I think we should be in a position to reach the exit of 2024-2025.

Rakesh Kumar, Analyst

At the exit, okay. But, overall, sir, overall, on an average for the full year?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Average, we're a little bit -- maybe a little bit less also, but 1% I think we should be in a position to achieve at the exit of the 2024 2025.

Rakesh Kumar, Analyst

Got it. Got it, sir. All the best for the future performance, sir, and great performance.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you, Rakesh. Thank you very much, Rakesh.

Rakesh Kumar, Analyst

Thank you, sir.

Anand Dama, Analyst

Thanks, Rakesh. Next question we'll take from Ankit. Ankit, please unmute yourself.

Ankit Bansal, Analyst

Thank you, sir, for taking my question. Hello?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. Yes, Ankit. Please go ahead.

Ankit Bansal, Analyst

Sir, my question is, the performance of the bank is improving quarter-by-quarter, looking good, everything is looking good. Sir, my question mainly -- sir, gross NPA and net NPA, there is a long gap, like net NPA has reached below 1%. There is almost nil gap to cover. But in GNPA's, you have a lot to cover. Sir, why is this so much of the margin, sir?

Atul Kumar Goel, Managing Director & Chief Executive Officer

You tell me, Ankit. Only one thing. Suppose my net NPA is zero, suppose -- because as of date only INR8,000 crore number is the net NPA. Suppose we'll make the provision of INR2,000 crore in the fourth quarter, let's assume. In INR2,000 crore, we have an operating profit of INR6,000 crore odd, and after four years it will become zero. So, what is the relevance of the gross NPA number? Gross NPA number can be reduced by writing off the -- we are not choosing that route either. Otherwise, the gross NPA number can also be reduced, if we are doing the more write-off. But if you see -- the -- this 6.24%, it was 11.78% in the March 2022. It is hardly 50% from March 2022 -- it takes some time to reduce the gross NPA number. Yeah.

Ankit Bansal, Analyst

Okay. Okay, sir. My next question is, sir, how are -- how you're seeing the growth at -- of India in which PNB can participate, which sectors -- forthcoming new sectors are being -- coming where you are seeing a great loan growth? How you are defining the next one or two years as an economy point?

Atul Kumar Goel, Managing Director & Chief Executive Officer

All these sectors, Ankit. We are -- one of the largest banks of the country. We cannot fix only one sector or the another sector. Where the growth opportunity is available, PNB is part of the growth story of the country. And you see, now India is one of the choicest places in the entire world, because it's the one of the best economy developing, and even the last RBI policy also, 6.5% GDP has been increased to 7%. So, it is one of the best destinations in the world. Everybody is thinking about setting up their manufacturing unit. So, we cannot restrict ourselves to one particular segment, because any segment where we can participate, we will not mind to participate.

Ankit Bansal, Analyst

Sir, lastly, sir, I have not seen your presentation. Sir, what are the net interest margin for this quarter?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Net interest margin, yeah. Do you mean to -- NII or the net interest income? Net interest margin. The net interest margin is 3.3%. 3.3% was domestic and 3.15% the global. And we have given the guidance. We will remain at 3%. Last time, also we had. Our NIM should be around 3% because there is some transactions where we are not getting more than 100 basis points, and 50 basis points, but we are utilizing that opportunity, that market is available. This is the reason in terms of the percentage it may reduce, but we will try to maintain the absolute number.

Ankit Bansal, Analyst

Okay, sir. Okay. Thank you, sir. Thank you very much.

Anand Dama, Analyst

Yeah. Thank you, Amit -- Ankit. Mahesh, do you have a question, because your hand is raised? Yes, Kunal

please unmute yourself, and ask your question.

Kunal Shah, Analyst

Hi, sir. Congratulations on the great set of numbers. I just have one question, sir.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Please.

Kunal Shah, Analyst

So, when do we expect the final ECL norms to get implemented?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Kunal, I think, it depends on the regulator also. I think, it will not be appropriate to give me the answer of this question, because draft guidance has already come. It is a call to be taken by the regulator. But we are ready -- we can say we are ready. Whenever the regulator will take that decision, we will implement it.

Kunal Shah, Analyst

Okay. Thank you, sir.

Anand Dama, Analyst

Thank you, Kunal. Next question we'll take from Chintan. Chintan, please unmute yourself.

Chintan Shah, Analyst

Yeah. Thank you for the opportunity. Sir, first of all, congratulations on a great set of numbers. Sir, I had a question on slippages, so agri slippages. Sir, we have seen a dramatic reduction in agri slippages. So, what has been the strategy there? How are we able to reduce these slippages to such an extent? Yeah, any help there? Any guidance there you have?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Chintan, we have been working for the last one and a half years, not only in this particular quarter. If you see, INR439 crores in this quarter, even in the last quarter, (Foreign Language) September quarter, it is INR424 crores. You see -- and in Q1 also it is INR360 crores. It has not reduced in particular quarter. We have been working in the last more than one and a half years. And every quarter whatever the slippage in agriculture, we are recognizing. This is one of the reasons, nothing else. Yeah.

Chintan Shah, Analyst

Sure, sir. And so, sir, on ECL, sir, any guess, what would be the total provisioning required for us under Ind-AS and also how are we provided on that? Any idea there?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Last time also somebody has raised this question. My answer is the same. It is the draft guidelines. There is no set formula also as of date. Everybody is taking different formulas. And if -- what will be the guidance? Five years will be available for this. So, I can say only what will be the -- we will not be much impacted. Earlier there was a worry, because your provision coverage ratio is less, et cetera. Now my provision coverage is 94%. So, we will be at par with the industry. We will not be the outer of the industry. Earlier this was the worry. As of date, let us not worry.

Chintan Shah, Analyst

Sure, sir. And, sir, on the outstanding DT amount what would be our current outstanding DT? And when do we plan to migrate to the new tax regime? Any thoughts there?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. We are just discussing. We are just discussing this with our tax consultant also. So, as on this date, we are using the old regime also. Then, when we are in a position, where there is a benefit to shifting in the new regime also, it is under discussion.

Chintan Shah, Analyst

And, sir, one data point question. What is the PV01 number, you could share?

Atul Kumar Goel, Managing Director & Chief Executive Officer

PV0 (sic - PV01) number, I think, if I am correct, it is around INR10 crore.

Dilip Kumar Jain, Chief Financial Officer

Yeah.

Chintan Shah, Analyst

And, sir, one last thing, in the restructuring part, so what would be our total restructuring including DCCO and SME restructuring? I think, there are two tables (Technical Difficulty) finding there are some separate research and numbers on the PPT. So, I just wanted to understand exactly what is outstanding.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Chintan, I may give you OTR 1, OTR 2. OTR 1 outstanding is standard. It is INR2,939 crore. And OTR 2 is INR6,781 crore. This I'm telling only the standard, not the NPA. And one of your questions, for the DCCO, is if there is a change in the DCCO, that is not coming under restructuring.

Chintan Shah, Analyst

Sure, sir. Sure. Thank you, sir. That's it from my end. Yeah. Thank you. Yeah. And all the best to you.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you.

Anand Dama, Analyst

Yeah. Thank you, Chintan. Sir, we have one question in the chat box, which talks about how there is a lot of noise around the loan waivers being asked for the public, particularly in Northern India. So, any thoughts over there?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Hello, Anand, can you repeat your question, Anand?

Anand Dama, Analyst

Sir, basically, a lot of -- there's a lot of noise around the karza mafi (sic - karj mafi) and loan waivers asked by some activists in Northern India. So, this was a question that was also posed, I believe, in one of the other public sector banking call. So, any thoughts over there? Do you see any impact that actually this can have on your asset quality?

Atul Kumar Goel, Managing Director & Chief Executive Officer

As of date, I don't have any thought on this. Yeah. Not at all. Yeah.

Anand Dama, Analyst

Sure, sir. (Operator Instructions) Yeah. Someone from Indus Equity has raised a hand. Please unmute yourself and ask your question.

Sushil Choksey, Analyst

Congratulations to the PNB team for the excellent result. And, sir, my question --

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you.

Sushil Choksey, Analyst

Sushil Choksey here. Sir, my question is, sir, what is your expenditure on digital and human resources as you've taken good care of your past legacy to resolve all your problems? To be future-enabled, digitization is a must. And second thing, the human resource for betterment is also a must. So, what initiatives have you taken and what kind of CapEx are you going to incur on that?

Atul Kumar Goel, Managing Director & Chief Executive Officer

As far as HR is concerned, we have taken lot of initiative on the HR transformation also. Even this HR transformation is under implementation where we have taken the very big consol, and it will be implemented by March 2024 completely. As far as total expenditure on HR, including salary, et cetera, is concerned, it was around INR4,460 crores in December. It is in the same range because it is on account of the change in the provisioning, which was made in the AS-15 in December 20th of the -- in this particular quarter. Otherwise, it is on the higher side.

Your second question regarding the digital, the digital depends on how much we are making the expenditure on the IT initiative also. So, normally, our budget for IT for the whole year is around INR2,500 crore.

Sushil Choksey, Analyst

Sir, your outlook on treasury is based on what the Fed is guiding and what the RBI Governor is speaking, and the inflation is tapering off, if oil is stable, how do you see your treasury behaving? And are we seeing the peaking of deposit cost by this quarter's end, or the next quarter, and how are we placed on that?

Atul Kumar Goel, Managing Director & Chief Executive Officer

There is a -- some different view. However, if you see -- what was the December 2022 -- 2023, 7.17%. It is the -- 10-year G-Sec, it is 7.77% and in September it was 7.22%. Although there is an ease in the 10-year G-Sec from 7.22%, 7.17%, 5 basis point reduction, but I may tell you there is no reduction in the deposit rate. Deposit is not cheaper as on date as compared to the September. The deposit rate has increased. So, I do not foresee any change in the deposit in a very short period. Deposit will be cheaper in the one quarter or the second quarter also, even if there is a reduction in the G-Sec rate.

Sushil Choksey, Analyst

Sir, then you are expecting that the repricing of the deposit plus the cost of deposit for the next six, eight months on the next two, three quarters will stay elevated, so neither will your NCLR drop and you don't see lending price going down?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Yeah. At least for six months, we can think. Six months, because whatever the team prevailing as on date in the market, because one year deposit is not available around 7.80%, 7.90%. I was told some of the banks have quoted more than 8% also. So, in the short term, I do not think, that everybody is after the deposit, but we are not on the bulk deposit side, we are not giving a very aggressive rate, because we have the NCLR -- SLR around INR80,000 crore.

Anand Dama, Analyst

Yeah. Thank you, Mr. Sushil. The next question we have from Rahul. Rahul, please unmute yourself.

Rahul Jain, Analyst

Thank you, once again. Just a follow up question, sir. Can you give some color going forward on the fee income part, because it has been muted even in this quarter and even if you look at on a nine-month basis, but as you are finding the RAM segment of the share on a mid-teens growth, how should we be looking at a fee income?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Rahul, there is a lot of pressure on the fee-based income. Reason behind that, is that there is two things, if you are choosing a very good quality account, so there is very competition in the interest rate as well as the other charges also, because good corporate clients, AA or AAA, are not ready to pay the processing fee, et cetera, also. Even if they are getting the non-funded facility also, that is very competitive -- also -- so, we have to decide which type of customer we want to lend. If definitely, we want to lend the good-rated customer, though fees income will not increase too much. But, ultimately, what we can think, we can increase the turnover. Ultimately, we have to see, that because we are not compromising on the asset quality, we are compromising on the yield. But if you see my NII, there is an increase in the NII quarter-by-quarter. It means we are growing much faster as compared to compromising on the -- compromising on asset quality.

Rahul Jain, Analyst

And, sir, rightly understood, sir. But are you bundling for a particular corporation in terms of getting its wallet share or you are just focusing on a good quality corporation even though it comes at a lower yield and go for more asset turn so that it leads to volume growth?

Atul Kumar Goel, Managing Director & Chief Executive Officer

No, that is not the -- I am just telling you, because if you see what is my portfolio of the AAA, what is my portfolio of the AA, even I can give one example. You see the portfolio of the NBFC. NBFC, my portfolio is around INR127,000 crores, of which 99% is the A and above A. One more thing I can tell, A only INR2,799 crore. So, such type of borrower is not giving the proceeding. But we have set up our new vertical marketing, where we are giving the focus on the -- garner the other business, like personal loan of the corporate, salary account of the corporate. So, we are trying to give the combo deal. If we are compromising on the terms, we are giving the combo deals, we should get the other business of that particular corporation by way of salary account, housing loan, car loan, and the other loan to their employee also. So, there we can think of increasing some other income, fee-based income.

Rahul Jain, Analyst

Okay. That's very helpful, sir. Thank you so much. Thank you.

Anand Dama, Analyst

Yeah. Thank you, Rahul. Sir, we have one question in the chat box, that's primarily related to the funding cost. So, how do you see the funding cost shaping up in the next one or two quarters?

Atul Kumar Goel, Managing Director & Chief Executive Officer

Funding cost, yeah, basically (Foreign Language) if you see my -- first, I will take two things. One is the -- cost of deposit. If you see my cost of deposit, it is 4.94%, 4.94% as against the 4.84%. They are hardly only 10 basis points, because my 95% deposit has already been repriced. So, my only 5% is the deposit, which has to be repriced. The cost of fund, if you see, it is in the range of 4.3%, 4.4%. So, I do not foresee. Except for 5 basis points, 10 basis points, there should not be much increase as far as the cost of funding is concerned of the Punjab National Bank.

Anand Dama, Analyst

Okay. Sir, there is another question in the chat box from Shashin. He's asking what will be the sensitivity of the investment book provision linked to the 10-year benchmark. And what is the average duration of the AFS book at this point in time?

Atul Kumar Goel, Managing Director & Chief Executive Officer

I will give you the -- one of the modified duration of the AFS as well as the HFT book. It is 3.54. We are not required to book the provision on the mark-to-market on the STM as on the date. So, 3.54 is the very reasonable. And as of date, we are immunized as 7.17%. So, 7.17%, we have already been immunized. We have made a provision, which was the prevailing rate on December 2023. So, we are not seeing much change in the mark-to-market provision as of date. Yeah.

Anand Dama, Analyst

Sure, sir. I think we are largely done with all the questions that we had. With this, we would want to end the call. But before that, if you have any closing remarks to make.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Closing remarks - I want to assure all the analysts also, if you see the performance of the bank, last seven-quarter, in all the parameters, whether it is a growth in the business, whether it is profitability, profitability if you see the previous operating profit, net interest income as the net profit, it is increasing every quarter. Similarly, if you see the quality of the asset, gross NPA, and net NPA in terms of the percentage as well as in terms of the amount also, it is reducing every quarter. Similarly, the PCR, which is one of the major factors to increase the profitability of the organizer, is also improved to 94%. So, I can assure you only. I can assure that the -- bank is on the very right path. All the employees, 1 lakh people, they are working. Whatever they can do betterment of the organization, day and night they are working.

The focus area is the recovery, focus area the containment of the slippage, the focus area is how to improve the CASA and how to make use of the digital, which is also one of the priority areas, and HR transformation, which I just told, March 2024 it will be completed. After that, we will be in a position to make the difference between the performance and the non-performance. Then it will further add to the productivity of the organizer as well as every employee.

So, this is my closing remarks. Nothing more I want to add. And I hope every quarter you will see further -- next quarter you will see some good numbers also. This can I wish only.

Anand Dama, Analyst

Thank you, and best wishes, sir. With that, we will end the call. Happy evening to all. Thank you.

Atul Kumar Goel, Managing Director & Chief Executive Officer

Thank you. Thank you very much. Thank you, Anand, and all the team who have attended this call. My thanks to all of them also.