

Punjab National Bank Q3 FY21 Earnings Conference Call

February 08, 2021

Hosted by Batlivala & Karani Securities India Private
Limited

MANAGEMENT: **MR. CH. S. S MALLIKARJUNA RAO – MD & CEO**
MR. SANJAY KUMAR – EXECUTIVE DIRECTOR
MR. VIJAY DUBE – EXECUTIVE DIRECTOR
MR. A.K. AZAD – EXECUTIVE DIRECTOR

MODERATOR: **MR. JAI MUNDHRA – BATLIVALA & KARANI SECURITIES**

Jai Mundhra:

Ladies and Gentlemen, Good afternoon everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities, we welcome you all to Punjab National Bank Q3 FY21 post result conference call. We have with us today the management of Punjab National Bank represented by Mr. C.H. S. S. Mallikarjuna Rao – MD and CEO, Mr. Sanjay Kumar – Executive Director, Mr. Vijay Dube – Executive Director, Mr. A K Azad – Executive Director and other senior officials.

I would now request MD and CEO Sir to start the call with his opening remarks for Q3 FY21 results, post which we can start the Q&A session. Over to you, sir.

Mallikarjuna Rao:

Good afternoon every one. My Self Mallikarjuna Rao, M.D. and CEO of Punjab National Bank. Today I have with me the three Executive Directors, Mr. Sanjay Kumar, Mr. Vijay Dubey and Mr. A.K Azad. Besides, I also have my top management team here in case of any queries to be answered by them. Now with this, I would like to give a brief related to the performance indicators as at the end of 31st December 2020. We've already uploaded the analyst presentation in the Bank's corporate website along with the reviewed results as at the end of 31st December 2020. Notes on accounts and other details are also available in the public domain for your understanding. Though the figures are known to you, I will take few minutes to briefly indicate the performance. Global Business of the Bank stood at Rs.18,09,587 crore as on 31st December as against Rs.17,90,640 crore. Similarly global deposits were at Rs. 10,82,156 crore and global credit stood at Rs.7,27,432 crore. The savings deposits grew by 8.4% year on year. CASA deposits has grown by 6.4% year on year, Overall share of CASA stood at 44.66%. Credit growth year on year has been flat at 1.5%. Housing loans in retail has grown by 6.5%. Capital adequacy ratio stood at 13.88%, well above the requirement as at the end of December 31st 2020. Further in January, we've raised a AT-1 bonds of around Rs.500 crores. We are planning to raise the remaining Rs.2500 crores from the market soon. Operating profit grew by 13.9% year on year to Rs 6,391 crore. Net profit for the quarter stood at Rs.506 crores. Then global NIM was at 3.09% for Q3 against 2.49% a year back. Then cost to income ratio improved to 43.38% year on year from 47.87%. The global cost of deposits has declined to 4.23%. The global gross NPA declined to 12.99% & Net NPA declined to 4.03%. Provision coverage ratio has improved to 85.16% including TWO and excluding TWO it is at 71.85%.

These are the main highlights of the performance. Besides we've also indicated about the stress book in the presentation including the fresh slippage and proforma NPA because of Hon'ble Supreme Court judgement. However we've marked the accounts and then made the provision accordingly to the extent of 15%, besides derecognizing the interest income. Details of the same are also provided in the presentation. Further we've also provided the details of amount related to one-time restructuring invoked. Further the credit cost stood at 2.05 % at the end of December'2020.

However if you factor in the provision made on proforma NPA from standard to NPA category, the credit cost almost goes to 2.5 %. This we had indicated earlier also when we'd given the guidance while interacting with the investors that the credit cost upto March 2021 will remain at 2.5%. However in the next year, it could be between 1.25% to 1.5%. That guidance remains same. Regarding the restructuring, though initially expectation was high, but it is pegged down at Rs.11,998 crore. While this has been invoked in entirety, as at the end of 31st December 2020, in terms of the RBI guidelines, only for MSMEs the window is open upto 31st March 2021 for undertaking the restructuring. So far in MSME, we've done the restructuring of Rs.968 crore. Even if some more amount comes, it will not be more than 1,000 crore before 31st March 2021. So overall, the restructuring profile is expected to be around Rs.12,500 to 13,000 crore. With respect to the additional provisioning, we've already undertaken the provision required on proforma NPA and other accounts so that there is no legacy to be carried forward. The Slippage guidance what we had provided earlier that there will be Rs.12,000 crore of fresh slippage in the H-2, we'll be sticking to that even though as on today it appears Rs.13,000 crore is the proforma NPA. The collections have improved a bit in January and we're expecting further improvement and even overall considering Q4, we're confident that the slippage in H-2 will be contained at Rs.12,000 crore. So these are the indications from my side. Now I am open for the questions from your side.

Jai Mundhra:

Thank you Sir. We may start the Q & A session. Anyone who wishes to ask the question, may do so by using their virtual hand by clicking on the raise hand button against their name in the participant list panel at the bottom right. Participants can also send their question through chat window. We'll wait for a minute before the question assembles.

Ashok Ajmera :

At the outset, congratulations to you for the very good set of numbers during the quarter. Our taxation is very high; it is going almost about 45%. So is there any reason that why our provision for taxation is so high. Are we making too many provisions which are not allowed under the income tax or how it has been calculated, if somebody can throw some light on it?

Mallikarjuna Rao :

No, it is only around 34% in line with all other banks. It is not a very high provision. Only thing is we can go through the calculation little more intricately.

Ashok Ajmera :

Sir, if you look at your tax provision is Rs.4,52 crore it comes to almost about 42-43% and similarly for the nine months also.

Mallikarjuna Rao :

Our CFO will be responding to this. Would you like to respond, Mr. Jain?

CFO :

If you go through the issues, we're reversing the DTA and we've also accounted for some of the expenses which are not additional. So accordingly, it is coming what you're suggesting.

Mallikarjuna Rao:

There is a DTA reversal as well because slowly DTA components which are becoming due for reversal we're also undertaking, that is why it is appearing. Otherwise it is in line with other banks and is around 34%. It is not very high.

Ashok Ajmera :

Sir, if you go to your segment wise results, treasury income has gone up from Rs.1,582 crore in Sept'20 Quarter to Rs.2,535 crore in Dec'20 Quarter. Treasury income has taken a big jump whereas the corporate wholesale book has taken a hit of total Rs1,462 crore and there is retail banking which has also come down to Rs.612 crore as compared to Rs.1,370 crore in Sept'20 quarter. So is there any reshuffling in the portfolio or some re-categorisation ?

Mallikarjuna Rao :

No, major reason is interest rate reduction. Interest rates have gone down heavily in the last 6 -9 months and the effect was more in Q3 and the entire MSME portfolio have been converted to RLLR category, where the interest rates have gone down. So these are the reasons for reduction there. In Treasury, I've also given an indication to you last time. In the Q1 in the current financial year, we've Rs.1,308 crore, Q2 we've 808 crore, in Q3 again Rs.1243 crore, in Q4 again we are expecting around Rs.800 crore. So based on the market position we've been judiciously trading in the book whereby treasury profits been there. So if you go through, there was consistency. In H-1 it was around Rs.2,100 crore and in H-2 in the first quarter Q3 it is Rs.1,243 crore and another Rs.800 crores which we expect in Q4. So it is in line with our expectations in treasury.

Ashok Ajmera :

And just if your future expectations are in spite of the recent hike and jump in the bond yield. You expect the returns to be the same? Will the treasury income be as per the target?

Mallikarjuna Rao :

The bond yield will taper off in next few days. That's because RBI is coming with OMO. Though we're aware that now it has gone upto 6.11% but it will go down. We are expecting it to be tapered down with intervention of RBI. So we've the availability of profit within our HTM as well as AFS portfolio but we will utilise to the extent of Rs.800 crore before March.

Ashok Ajmera :

OK, alright Sir. Now I come to the advances. Advances are still muted and just like other banks, focus is mainly on retail loans. How do you see your corporate book now going forward because this Union Budget has build up a lot of government spending in the infrastructure and other things. Rs5,54,000 crore of allocation and the promoters will be bringing in their own money also. So a huge investment is going to take place and as you've seen, market also responded to the budget provisions. So do you want to give some kind of strong advances, growth or target. Are you revisiting the previous things so that we can draw conclusion on that?

Mallikarjuna Rao:

In corporate credit, the demand has been very muted and no new investments are coming up. One is because of pandemic. Second, if you remember the tax reforms brought over by the Government, effective from 1st October, 2019. However we're not seeing a new investment, which is main reason. Though we're concentrating on retail and MSME, we're also focused on corporate credit. So what we're expecting is overall by March 2021, the credit growth would be around 4% year on year whereas at the end of December our growth has been very muted at 1.5 %. But we're expecting the disbursements to take place in the two months now, February and March. Thereby our growth could be moderating to 4% by March 2021. With respect to 2021-22, the government has come out with various measures in the budget which will play out subsequently and the GDP growth is also expected to grow by anything between 10.5- 11%. We also expect that in PNB, the credit growth would be anything around 10% in 2021-22. So accordingly we're planning and gearing up with respect to the capital as well.

Ashok Ajmera:

What is your collection efficiency ratio in this December quarter?

Mallikarjuna Rao:

Collection efficiency upto November was 92%. December was little muted, now again in January it has improved. So we're expecting that in January, February and March, our collection efficiency will go beyond 94%.

Ashok Ajmera :

So presently for December quarter it may be around 87-88%. Isn't it?

Mallikarjuna Rao :

Correct. 88% or 89% for the whole quarter, ended December.

BuntyChawla :

Thank you for the opportunity. As of 31st December, we've Rs.6,807 crore of COVID-19 benefits out of which Rs.2,347 crore has been already shifted proforma NPA. So rest amount remains at Rs4,460 crore. How one should see this number, is it the part of restructured which you've already announced at Rs12,000 crore or is it still a standard and good move into the NPA in Q4. How should one see this?

MallikarjunaRao :

As of 31st December, this was not NPA. It was the component where the advantage of the asset classification was provided in terms of RBI guidelines. It continues to be standard category. It has moved to proforma NPA where we've done the provisioning. So these accounts (Rs.4460 crore) are not expected to slip into NPA. Some part may go but I've given the overall indication that in the H-2 we would like to control the fresh slippage at Rs.12,000 crore. So within that, it will be subsumed. Now in this also, we're maintaining the 10% provision in terms of the RBI guidelines so there won't be any legacy issue on P&L.

Bunty Chawla :

That was very helpful Sir. Secondly as you've already highlighted, Rs.12,000 crore of restructured asset on which 10% of provision already being done on 31st of December or some part is remaining? and secondly on this also, how one should see going forward in FY 2022, the fresh slippage out of this restructured on a normal basis?

MallikarjunaRao :

In terms of one-time restructuring, the component which is part of proforma NPA, we've already provided at 15%. Now Rs1,206 crore is the amount where we've provided as of 31st December because we've invoked and that it had to be restructured during the current quarter. So roughly around 1,000 crore could be the impact of provision requirement in Q4 related to restructuring but anyway we'll be able to manage. That is why, we did not keep any legacy related to proforma NPA where we've provided completely by December itself. Now with respect to how this restructured profile is going to play out in 21-22, we'll have to wait and see. The reason is thoroughly after going through the accounts only the restructuring is done and within the restructuring for the RBI guideline the moratorium can be given maximum up to 2 years.

So accordingly I'm not expecting much of an area coming under stress during 21-22 except in the category of MSME and retail. For example, in personal loan category, allocation is done to the extent of Rs 2,000 crore, another Rs 2,000 crore, I'm expecting in the MSME. Already restructured maybe another Rs.1,000 crore. Out of these Rs 4,000 crore there could be anything around Rs 1,500 to Rs.2,000 crore which may slip in 2021-22 overall in the year.

In corporate book I don't expect because we'll be taking care of properly after getting the RP 4 rating and also undertaking the moratorium applicable under restructuring. Since we'll be doing that we don't expect to be under stress immediately.

Bunty Chawla :

Thirdly on the COVID provision, if on the balance sheet the net asset which is minimum requirement and you've already done the provision against the restructured assets, can you share the number COVID provisionally and say separately stood on the balance sheet as of 31st December 2020?

MallikarjunaRao :

In our Presentation, Page no. 41, Rs.446 crore is COVID provision, page no. 42, Rs.2304 crore is related to proforma NPA and page no. 43 gives you completely the entire provision held under standard category amounting to Rs3,041 crore including the derecognised interest of Rs.431 crore.

BuntyChawla :

Lastly Sir, can you share the SMA-0,1&2 number, how it has moved as of December and if you compare with the pre-COVID level so if you can share that comparison, that will be very helpful Sir?

MallikarjunaRao :

SMA- 0,1&2, it will not be very clear for us to discuss at this point of time because proforma NPA has already been there because of the Supreme Court Judgement. That is why in page no. 39 we've given the stressed asset book comprising fresh slippage, then total slippage in 9 months, invoked figure proforma NPA and total stressed we've given at Rs 26,382 crore in page no. 39. SMA 0,1 and2 in the last six months may appear to be very high which for we're concentrating for improving collection efficiency. The more appropriate figure would be once we calculate at the end of March. This is an ongoing exercise. Post pandemic, problem has been there while we were declaring the figures earlier in Q1 and Q2. In Q3, it would be difficult because we have not identified properly the NPA itself that is the reason we did not give the figure. But more appropriate figures will be available by the end of March.

BuntyChawla :

That was very helpful. I truly agree that number could be not correct to see but as you can share see how that number has been at pre-COVID levels.

MallikarjunaRao :

If you look at the end of June, our SMA 2 was Rs 10,000 crores. If you remember that was almost pre-COVID figure only even though three months into COVID.

That is the range generally we carry in the combined position in SMA 2, anything between Rs 10,000 - Rs.15,000 crore. It was in Q2, when we declared it was around Rs. 19,000 crore. In Q3 it was a little higher than that but we didn't give the figures because it may distort position of understanding since we've already given the proforma NPA which otherwise should've become NPA.

Anonymous :

Congratulations for your numbers. Sir I want to ask you recently, you launched your QIP but it didn't get fully subscribed, can you tell me what is the reason.?

MallikarjunaRao :

On the contrary I will tell I've got Rs 3,788 crore. We were very bold to come to the market. We wanted to indicate the market that we've that kind of an appetite. We've got Rs.3,788 crore, which is more than the issue size. So it is not correct to say that it did not get fully subscribed. I do agree that under green shoe option, money has not come but it was a bold step even from PNB indicating that we've large amount of appetite for QIP and boldly we've gone to the market even though some of the investors have advised us that you can go for Rs 4,000 crore or Rs.3,000 crore. However, we don't want to have a second thinking in that. That was the reason, why we came in the market. So it has been successful at Rs 3,788 crore. We've got it and we're even contemplating for the remaining amount at appropriate time.

Anonymous :

I want to ask I've seen your list of investors of QIP, sir....

MallikarjunaRao :

We can erase the perception only through consistent performance of PNB. PNB has been performing consistently in the current financial year. In the beginning of the financial year, we've indicated that we'll have moderate profit in FY 21 by increasing the provisions and increasing the provision coverage ratio. Accordingly in Q1 we declared profit of Rs 308 crore, in Q2 we declared a profit of Rs 621 crore and Q3 we declared a profit of Rs 506 crore. Our guidance of Rs 2000 crore profit for the entire year will remain. With respect to gross NPA, consistently we've reduced. With respect to net NPA, consistently we've reduced. With respect to provisioning coverage ratio, consistently we've improved.

So for the investors not only that we'll be speaking to them, but we need to deliver in terms of the performance. Then only the perception will increase.

Coming back to the list of investors out of Rs.3,788 crore, LIC has invested only Rs.1,500 crore and all other banks, commercial banks, otherwise their investment is only roughly Rs.270 or Rs.300 crore. So out of that, if you imagine more than Rs. 2,000 crore has come from investors only, they could be foreign investors, they could be other investors.

So foreign institutional investors have also 43% in that. Our endeavour will be to talk to them regularly and display our performance.

Rahul Nandwani :

In terms of recovery, what kind of recoveries are you seeing next quarter or in the possibly next 6 months from your big NCLT accounts or probably say Dewan or other big NCLT accounts?

MallikarjunaRao :

In the next three months, that is in the Q4 of the current financial year, we've marked around 17 accounts under NCLT with the cash recovery of Rs. 3,720 crores, debt reduction of Rs 9,450 crore. This does not include DHFL, where we may expect a recovery of Rs 1600 or 1700 crore because our exposure is Rs 3,688 crore in that account. However since formalities are there, before everything is completed, we have not properly accounted in Q4. It could come in Q4 or it could come in Q1 of the next financial year. Other than NCLT, we also have an expectation of recovery in NPA accounts, cash recovery of more than Rs 3,000 crore roughly every quarter. Post pandemic December has been very slow and even September as well. But we're seeing good amount of movement in the current quarter, so accordingly our anticipation is that there could be around Rs 2,500 to Rs.3,000 crore of cash recoveries other than in NCLT cases.

Rahul Nandwani :

Sir, on your collection efficiency what kind of trends are you seeing on that?

MallikarjunaRao :

Collection efficiency, this quarter was much better upto November at around 91-92%, By quarter ended December it moderated to 88-89%. Now once again we anticipate it could go upto 94% during the current quarter.

Rahul Nandwani :

Versus your peer Banks let's say even private banks or even SBI their collection efficiency was greater than 97% or something, so why is it lower for us?

MallikarjunaRao :

I've given an estimate to you during current quarter, it could be higher than that but as far as December was concerned, 92% we achieved in November, in December it was little less with result it moderated to around 90%. So we're expecting it to be much better in the current quarter.

Rahul Nandwani :

And lastly on your SMA 1, 2 how is that book trending?

MallikarjunaRao :

As I've indicated earlier also, it won't be appropriate for me to discuss on SMA 0, 1 and 2. Because proforma NPA and restructuring figure already have been provided. The reason is, the post pandemic situation and Supreme Court judgement has also impacted the recovery. Otherwise quarter wise generally our average SMA 2 stands at Rs 15,000 crore to Rs 16,000 crore, Q1 at Rs 10,000 crore Q2 it was Rs19,000 crore . So Q3 we did not come up with because proforma NPA was there.

Jai Mundhra :

Meanwhile, we will take few some Question from chat that has come up.

Breakup of the proforma slippages for nine months into Retail, Agri or Corporate.

MallikarjunaRao :

Proforma NPA is at Rs.12,919 crore. Sector wise, if you see, agriculture it is Rs 2,182 crore, MSME Rs.6,049 crore , Retail Rs2,798 crore and Corporate Rs.1,890 crore.

Anonymous :

On staff cost, have we done the full adjustment on bi partite settlement. How should we see next quarter staff cost assuming yield remaining the same?

Mallikarjuna Rao :

There is no requirement as far as bipartite settlement. It is done fully. It will be the normal AS-15 provisions what comes every quarter. It will come only in the next quarter.

Anonymous:

How many branches have been rationalised or identified for rationalisation, what could be the opex for the next year?

Mallikarjuna Rao :

We've identified 500 branches for rationalisation. Of this, 275 branches already have been approved against which more than 50 branches have been merged. Remaining will be merged within 3 months' time, because after we give the decision, it takes 3 months for giving notice and merging the database of the branches, which we are doing. By March end, we will complete 275 branches merger and by June end, the remaining 225. So overall 500 branches we've identified and they'll be merged. We may open branches at different locations where business potential is there. More importantly, in the Southern and western part of the country.

Anonymous –

Sir if I heard you correctly, in your in opening remarks, you said you are planning to raise 25 million from the market before March 2021. Is it correct?

Mallikarjuna Rao -

Absolutely right. That is AT-1 Bonds.

Anonymous -

I missed the provision coverage that you mention on the restructured book. Can you please repeat that?

Mallikarjuna Rao-

We have given the stressed book restructured under OTR in our presentation. Normal restructuring has been given in Page No 38. Proforma NPA is at Rs 12,919 crore. Overall, the stressed book is at Rs.26,382 crore. Against this, we have either provided 15% or 10%. Only in invoked category, those restructured have been provided at 10%. There is still Thousand Crore provision required to be done in Q4 for the accounts which are invoked but restructuring to be completed during Q4.

Anonymous –

Understood sir, for invoked there is 10 % provision on net ?

Mallikarjuna Rao- –

Yes, overall presentation on page no. 43, we have indicated Rs.3,041 crore provision.

Anonymous -

Could you please repeat the Proforma slippage breakup that you gave?

Mallikarjuna Rao -

It is totally Rs12, 919 crore, comprising agriculture Rs.2182 crore, MSME Rs.6049 crore, retail Rs. 2798 crore and others Rs 1890 crore.

Anonymous -

Thank you

Anonymous –

As you have said that SMA-2 numbers may be not the right proxy to look at this point of time, if you give just some sense on SMA-2 even excluding Performa NPA or in other way. So let's say, you are saying that your collection efficiency is 94% and you are expecting for this Quarter which is Q4. So, let's say the rest 6% will be your overdue book right. So out of this, there will be significant portion on SMA-2 number. Am I right sir?

Mallikarjuna Rao-

Correct, it may come around to Rs. 15000-16000 crores. See that is why, I did not indicate the figure because the proforma NPA of Rs12,000 crore, we have seen around Rs.11000 crore in OTR.

Majority are standard only. But some of them could be in a MSME. Because, it is invoked, that is why I indicated that there may not be a proper figure at the end of December. Because some account is invoked. It has to be standard and while we implement the restructuring. So these figures will not be properly playing out until we complete the process of restructuring and identification. That is why, I said March figure would be much better. However, going by what you indicate, the collection efficiency, etc., the general SMA book is around Rs 15000 crore to Rs 16000 crore.

Anonymous –

My next Question is Slide number 40 and slide number 38, regarding MSME restructuring. Is there any overlap with the already MSME restructured book which is around 30 Billion or roughly Rs. 3071 crore which is mentioned?

Mallikarjuna Rao-

Rs 968 Crore is specifically restructured during Q3 after post Covid. Whereas restructured book in page no. 38, indicates about the window for MSME restructuring being open from 1 January 2019 for restructuring.

Anonymous –

My last Question is on subsidiary monetization. Any expectation of that?

Mallikarjuna Rao –

In case of UTIAMC, we have already monetized 3% through stake sale. And we got Rs.167 cores of profits. Non-Core assets in term of real estate, we have already identified. Rs.500 crores of realization, we are expecting before June and the process has been initiated. We will wait and see how the response is coming. But we are looking around Rs.500 cores of monetization by June 2021.

Anonymous –

Any expectation on PNB MET LIFE?

Mallikarjuna Rao-

No, in PNB MET LIFE, currently we have 30% holding. Similarly, in CHOICE, i.e Oriental Bank of Commerce insurance company, we have 23% stake. That is also unlisted. So, in order to have a better understanding of the investment value, they should be listed. We will think on those lines. But currently we will continue to hold 30% and 23% in both the Insurance Companies.

Jayant-

One Question, Rs19000 crore of SMA 2 book which we mention in Q2?

A- Does that make up only Rs.5 Cores and above corporate account and retail MSME also.

B- Would that have any of the restructured proforma NPA.

Mallikarjuna Rao-

No, Q2 is figure of Rs19000 crore cover everything. In Q1 also, we have given the figure covering all the accounts. So, the stress is playing out in Q3 in terms of proforma NPA. Given the details, majorities form RAM only, Retail, Agriculture and MSME. Out of 12919 crore, the other category is only Rs1890 crore. So, in corporate restructuring OTR book, Rs 9000 core is already received for restructuring. If you look at the combination of these things, the correct position in SMA2 will play out in by 31 March in a proper manner.

Jayant-

Sir I was asking that in Q2 number what part of the Q2 number would be include the Performa NPA and restructured?

Mallikarjuna Rao –

Majority, the reason is Rs 6000 crore in Q2 is part of proforma NPA. & there are few accounts in the corporate which come under OTR. So account to account mapping we have not done. But that is the major account. Remaining accounts, we have recovered. They may continue to be in SMA 2, some of them. Q2 SMA-2 what we had given is Rs.19,137 crore out of that MSME Rs 6,600 crore and Retail is Rs.3,371 crore. Means Rs.10,000 crore was the composition from Retail & MSME and major part is currently in OTR or proforma NPA.

Jayant-

Thank You sir.

Abhijeet –

First Question is on Bhushan and DHFL what are the pending issue which are causing delay?

Mallikarjuna Rao-

Bhushan is pending because Hon'ble Supreme Court has not given Judgment so far. The hearing is over but it is hold for judgment. However, Judgment not coming forward doesn't hinder the process of settlement, if the party has to pay the money. In JLF, already discussion has taken place. We expect the money is to be received before 31 March. So at this point of time I don't see any legal reason of delay in terms of Bhushan. With respect to DHFL, there is a process. RBI approval is required and NCLT has to approve. So, these two processes may take 45-60 days. It could happen on or after 31 st March but before end Q1.

Abhijeet –

What is the amount disbursed under ECLGS?

Mallikarjuna Rao-

Yes, we have sanctioned around Rs.12,000 crore, and disbursed approx.Rs 11,000 crore.

Abhijeet-

Any plan to invest money in PNB Housing for the next quarters?

Mallikarjuna Rao –

The intention we have already conveyed in public Domain. We have taken approval from Board and requested RBI that we are looking for investment there. But that is already in public Domain quite some time. Probably RBI was also looking that PNB has the Capability. Now we have gone to the market and have CRAR of 13.88%. So, we await the final clearance by RBI.

Abhijeet-

What is the % share of repo linked Lending rate as percent of overall?

Mallikarjuna Rao-

Share of repo linked Lending rate as percent of overall 13.33%. MCLR is 49% and RLLR is 13.33%, and foreign currency and others are 11.5%.

Jayant-

I just wanted the number of customers, who have not paid any EMI on date. That number was around 4.5% last quarter. What is that number added to now?

Mallikarjuna Rao-

No, once again that number is distorted because the proforma NPA & OTR is there and so that is why we didn't cull out those figures. SMA-2, SMA-1 & SMA-0 and that kind of figure.

Because it was not giving any definite understanding. The better position would be by March. See if you want to take the figure it is Rs 3,418 crore, where no installment is paid.

Jayant –

Proforma NPA, what is the movement in Q2 V/s Q3?

Mallikarjuna Rao-

Rs.12, 919 crore is what we have indicated at the end of Q3. Some of the account may not be in proforma NPA in Q3. That's why indicating overall in Rs12,000 crore fresh slippage in H2.

Jayant –

Thank You.

Mahrukh-

I had a couple of question, firstly restructuring amount that you have given, that is purely standard right doesn't include any Performa GNPA of the Rs.12,000 crore ?

Mallikarjuna Rao –

It includes the Performa NPA also. For example, look at page no.43 provision on OTR implemented in personal segment at 10% amounting to Rs.238 crore and MSME at 5% amounting to Rs.1026 crore. These two categories are nothing but Proforma NPA.

Mahrukh-

Sir can you please tell me the exact amount of restructuring overlapping with proforma NPA? Rs.11998 crore is the restructuring, so how much overlap with the proforma NPA?

If you see the 9-month NPA. Its running much higher than Rs 10000 Cores including Proforma. Rs.124 Billion is the proforma its self and then you have debit to exist account and other slippage for the first 3 quarters. Are you expecting such a sharp pullback in the 4th Quarter, Recovery is going to be very strong?

Mallikarjuna Rao-

While I agree that guidance which are already given at end of Q1 was Rs 10,000 Cr, subsequently, we moderated.. In Q3, the recovery has been more than Rs13000 crore. Overall in H2 , the slippage will be moderated lower than Rs 12,000 Crore.

Mahrukh-

There has been fair bit of slippage in Agri. and MSME. Why has that happened?

Mallikarjuna Rao-

No, Major concern is that area because Supreme Court judgment got delayed. The thinking in the mind of the people is that nothing will become NPA. With continuous follow up in retail & MSME category, we could get recovery. During December, collections were down. Collections were little impacted. That is the reason why impact is more in Retail & MSME. In the current month, there is a lot of improvement. From that Confidence, I am indicating you that the overall slippage in the H2 will be controlled.

Mahrukh –

Sir, Because of the farmer agitation, is there going to be impact entry on any slippage in Q4 special in the Agri. segment?

Mallikarjuna Rao-

This is an area of concern definitely. The repayments are due in the month of June, generally in agriculture. So whatever due by December, some of them could not be recovered. That is why Rs.2,182 crore is the proforma NPA in Agriculture. Regarding other things you mentioned, we will have to wait and see.

Mahrukh-

There is a fair bit of repayments, which are due in the March Quarter?

Mallikarjuna Rao-

Not Very high. Generally, the repayments in agriculture are during June and December.

Mahrukh –

Sir, if could give a flavor, how many very large accounts are under corporate restructuring and any hint on the sector they are in?

Mallikarjuna Rao-

If you look at one group or one big account, if I can remember it was Future retail Ltd. There are 71 or 73 accounts comprising of Rs.9000 crore and individual group account is only one.

Mahrukh –

What about SREI. It is obviously standard because of the court judgment but which way this account moves now?

Mallikarjuna Rao-

See Rs.2600 crore is our exposure in both the accounts, that is SREI infrastructure and SREI equipment finance. We are closely watching that. The equipment finance is better placed account rather than infrastructure. We will have to wait and see.

Anonymous:

And anything in double B and below book sir what is the outlook there?

Mallikarjuna Rao-

Increase in BB & below rated accounts is because of the pandemic for which the rating downgrade has taken place. But if we look at the outlook, we don't have much concern in that area. In fact, if you at the total portfolio at RS 41465 crore, there are certain accounts which are already under NPA. In C&D. rated accounts, there are thirty accounts amount into 4,455 crore. So that is the only area of concern for us.

Anonymous:

So out of unrated, ten thousand crore is the sovereign P.S.U. right Correct.

Mallikarjuna Rao-

Correct

Anonymous -

Right sir, my question is to reconfirm SMA -2..If I were to exclude both proforma slippages and both potential restructuring under OTR, that number is RS 15000 crore, right or it could be more than that?

Mallikarjuna Rao - It could be RS 15000 crores roughly.

Jai Mundhra - Sure sir. We have to move to the last two questions. Participant can unmute themselves by pressing star six and can ask question .

Unkown- Sir this question is about capital raise. You mentioned that you are planning to raise Rs 2500 Crore of AT-1. Are you also planning to raise some equity capital now?

Mallikarjuna Rao-

See in Q.I.P. out of RS 7000 Cr what we have taken the approval , we have already taken from the market Rs 3788 Crore. So still Rs 3200 Crore is left. We will definitely go to the market at the appropriate time .

Unkown- Could you throw some light ?

I was just thinking like you have plan to raise Q.I.P. and raise AT-1so what is the ..

Mallikarjuna Rao-

We have taken approval of RS 14000 crore from the Board which is valid as well today. Out of RS 14000 Crore, AT-1 is RS 3000 crore , Tier II is RS 4000 crore , and Rs 7000 Cr is QIP. Tier II we have already taken in three tranches ending November. Out of AT-1 of RS 3000 Crore, we have raised five hundred crores and RS 2500 crore , we are definitely taking before March . With respect to Q.I.P, out of rs 7000 Crore, we have taken RS 3788 Cr from the market . With respect to the remaining Rs 3200 Crore amount, we will wait for an appropriate time to come to the market again because approvals are valid as on today.We don't have to do anything except engaging with the investors and BRLM, before moving to the market.

Unkown- Ok thank you .

Mallikarjuna Rao-

Otherwise we are adequately capitalized 13.88 % in the end of December. So it can take care not only regulatory requirement but also growth capital requirement for 2021-22 as well.

Jai Mundhra- We will take the last question

Jai Mundhra –

There is a question in the chat that the book value that we have shown of 53 and 79. What is the difference?

Mallikarjuna Rao-

The book value of 53 excludes intangible assets including DTA..

Jai Mundhra–

Thank you, sir we don't have, have any response from participant. At this point of time, we conclude the session. Sir request you to give a concluding remark and have a good day.

Mallikarjuna Rao-

Thank you very much. Under the pandemic, It has really been tough for every bank. And particularly in the public sector space . However the kind of guidance which was given in the beginning of financial year of 2021, we are able to stick to that in terms profitability, increasing provisioning coverage ratio and in terms of maintaining the asset quality. The only challenge what we have faced is related to credit growth. Commercial banks have grown up little over 6% where as our growth is 1.5%. That is only an area of concern which we are confident of overcoming in the current quarter. However, during the same period, we had an additional challenge of amalgamation of two banks & accordingly the data base migration have been completed for both the banks by December itself. So, the resources concentration of two banks in that area and creating one bank with revamped organization structure was also a challenge for us. But we have achieved them everything by December itself in terms of technology integration as well. So, we see Q4 as a springboard for increasing the business both in credit and deposit. Deposit is not a worry because we carry our own Rs.30000 crore liquidity continuously. While our CASA has grown 6% and savings has grown more than 8 % which is healthy and that has ultimately brought down the cost of deposit. So in terms of performance parameter, there have been a lot of positives in last nine months and even the asset quality has improved. Profitability has also improved except one factor that our credit growth has been flat at 1.5%.In term of credit growth, we would like to see year on year 4% growth at least by March 2021. So, with this concluding remark. I thank every one of you who have participated and the B&K securities as well. We look forward to any other interaction required from your side.

Thank You.