



# “Webinar of Punjab National Bank for the Financial Year Ended FY22-23”

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**MANAGEMENT:** **SHRI ATUL KUMAR GOEL – MD & CEO**  
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**MODERATOR:** **MR. RAKESH KUMAR – B&K SECURITIES**

**Moderator:** Welcome to the Webinar of Punjab National Bank for the Financial Year Ended FY22-23.

The Bank is represented by Managing Director and CEO – Shri Atul Kumar Goel, Executive Directors – Shri Vijay Dube, Shri Kalyan Kumar, Shri Binod Kumar and Shri M. Paramasivam and other Senior Members of the Top Management.

The structure of the con-calls shall include an opening statement by MD and CEO sir and then the floor will be open for interaction.

Before getting into the con-call I will read out usual disclaimer statement:

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

**Atul Kumar Goel:** Good afternoon to everybody. I welcome all the Analysts to the Q4-FY23 Results Webinar.

I am happy to share the result of the Quarterly closing March. 2023 as well as the whole of the Financial Year '22-23 of the Punjab National Bank.

Before I start, I think this quarter was a very good quarter for the Bank because if you see last five quarters, which we have published the result, this is one of the best quarters because the profitability has increased tremendously, gross NPA, net NPA has reduced drastically, operating profit and net interest margin has also increased and as well as PCR is also increased.

I will give some of the idea of whatever we have performed last quarter and the last financial year.

The gross business of the Bank increased by 12.14% to the tune of Rs. 21.65 lakh crore. Then gross deposit increase YoY of 11.77% to the Rs. 12.81 lakh crore. Gross advance increased by 12.7% at Rs. 884,681Cr.

Saving Bank there was a growth of around 2.72% and stood at Rs. 463,987 crore and CASA share is 42.98% and the RAM share out of the total advances is Rs. 4,69,981 crore, which is 55.3%.

Now come to the profitability part:

The net interest income, there is a robust growth of 30.05% YoY which used to be around Rs. 7304 crore in the March Quarter of the '21-22 r has increased to Rs. 9499 crore for the quarter ended March 2023.

Similarly, the operating profit there is an increase of around 11.42%. The operating profit for the March '22 Quarter was Rs. 5265 crore which has increased to Rs. 5866 crore.

As far as net profit of the Bank is concerned, net profit of the Bank in March 2022 was Rs. 202 crore, which has increased to Rs. 1159 crore with the growth of 473.57%.

As far as asset quality of the Bank is concerned, quarter-by-quarter there is an improvement in asset quality and one more important thing every quarter from the June '22 to March '23, the recovery was much more than the addition. GNPA which used to be around Rs. 92,448 crore as on the March 2022 as reduced to Rs. 77,328 crore and GNPA in terms of the percentage 11.78% March '22, has reduced to 8.74% by March '23.

Net NPA, which used to be around Rs. 34909 crore in March '22 reduced to Rs. 22,585 crore and net NPA, which used to be 4.80% reduced to 2.72% and we have given the guidance for the 9% for the gross NPA, which reduced to 8.74%. Similarly, we had given the guidance for the 3% of the net NPA which reduced to 2.72%. PCR, which used to be around 81.60% by the end of March '22 improved to 86.90%.

One more thing, as I told you recovery versus slippage, there was a lot of improvement in the recovery versus slippage. June '22 Quarter recovery was Rs. 7057 crore which increased to Rs. 8565 crore in September and Rs. 6035 crore was in December and Rs. 7439 crore was in March as against the target of around Rs. 32,000 crore for all of the year. We have recovered Rs. 29096 crores.

As far as slippage is concerned, slippage is reducing quarter-by-quarter. In 1<sup>st</sup> Quarter June '22 slippage was Rs. 6468 crores which reduced to Rs. 5979 crores in the September Quarter. Further it is reduced to Rs. 4072 crores in the December quarter and further it is reduced to Rs. 3996 crores in the March '23 Quarter. The Bank has done good as far as the recovery in the asset quality is concerned.

As far as capital adequacy is concerned, there is an increase of the 100 basis points in CAR It was 14.5% in March '22, which has increased to 15.50% and the Tier-1 which was 11.73% increased to 12.69%.

And the cost of deposit, which was 4.15% in December '22, 3.97% in the March '22 increased to 4.54%. Yields on advances has also improved which was 6.80% in the March '22 improved to 8.05% in the March '23 and it was 7.35% in the December Quarter last year 2022.

There is an increase in the cost-to-income ratio from 46% to 54.59%. This is major on account of the increase in the employee cost last quarter. In the last March Quarter, we have made a

provision of Rs. 278 crore for the wage revision which is due from November 2022. November and December we have provided in the December quarterly result and AS15, we have made a provision of Rs. 1244 crores, which includes the impact of the wage revision gratuity as well as on the pension.

We have also made a provision of (PLI) performance incentive of Rs. 103 crore out of which Rs. 79 crores was provided in the December Quarter itself because as per the bipartite settlement, if improvement in the 5% in the OP, all the staff is entitled for the five days PLI. So, this is the reason for the increase in the cost-to-income ratio.

As far as NIM is concerned, NIM domestic is 3.38% and the NIM Global is 3.24% as against the 2.86% in the March '22 and 2.76% global NIM in the March '22.

As far as provision for NPA is concerned, March '23 we have made a provision of Rs. 3624 crore. credit cost is coming 1.72%. It was Rs. 4563 crore in March '22, which was around 2.45% as the credit cost, December '22 figure was Rs. 3908 crores, which is 1.87%. For the full year, the credit cost was 2.03%.

As far as RAM is concerned, as I told you, it was 51.23% increased to 55.31%. OTR restructuring standard outstanding as only OTR-I Rs. 3174 crores OTR-II is Rs. 7760 crore.

As far as SMA-0, 1, 2 is concerned, SMA-0, 1, 2 in March '22 was Rs. 1,75,391 crores which reduced substantially in December and as of March '23, the total amount is Rs. 70,762 crores out of which Rs. 850 crore in the SMA-2 only and Rs. 5 crores and above SMA-2 in March '22 is hardly Rs. 82 crores.

As far as fresh slippage of Rs. 3996 crores is concerned, it is Agri is around Rs. 1253 crores, MSME Rs. 1337 crores, Retail is Rs. 660 crore and other is Rs. 260 crore existing Rs. 478 crore.

As far as our pricing on the credit portfolio is concerned around 85.20% is the floating which is based on the MCLR around 35%, RLL 26.39%, RLL Elite is 12% and TBLR 10%. Fixed is hardly 7.16%, 4.3% in the foreign currency, etc., and remaining 3.3% is the base rate as well as the BPLR.

One more thing I want to highlight to all of you. This fresh underwriting, we have taken a lot of initiative for the improvement in the underwriting as well as improvement in the collection efficiency. I will give one data from the first of 1<sup>st</sup> July 2020 to 31<sup>st</sup> March 2023 around Rs. 5,72,539 crore loan we have sanctioned out of which Rs. 5,18,257 crore we have disbursed and Rs. 4,16,638 crore is outstanding. Out of which the NPA is Rs. 1178 crores, which is coming around 0.23%. This you will get the how the new underwriting standard is being done in the Bank.

The recovery from the NCLT in the last full year, 1<sup>st</sup> Quarter was Rs. 693 crore, Quarter 2 was Rs. 778 crore, Quarter 3 was Rs. 730 crores, last quarter it was around Rs. 1000 crore.

As far as the investment is concerned, HTM around 79% is there, AFS is around 20% and the modified duration of the AFS and the HFT portfolio is 2.53%.

This is my initial remarks to all of all of you. Now I would like to answer your questions. Thank you. This last year was very good and I assure all of you this '23-24 will be a very good year for the Bank and I will give some guidance also. Credit growth we are giving guidance for the 12% to 13%, deposit growth we are giving the guidance 10% to 11%. And CASA share we are giving the guidance around 43% to 44%. The net interest income we are giving growth of 10% and NIM will be around 2.9% to 3% because repricing of the deposit has not taken place full in the last year. Although the loan repricing has been done immediately, the repricing of the deposit is to take place. Gross NPA, we are giving guidance it will be less than 7%, net NPA will be less than 2% and credit cost which was around 2.03% last year, we are hopeful that it will further reduce. It will be around 1.5% to 1.75% and the target of the recovery for the whole of the year will be around Rs. 22,000 crore.

So, this is of my initial remarks. Thank you very much.

**Rakesh Kumar:** Thanks a lot, Sir. It's a very strong set of performance the Bank has given considering the rise in the margin on a sequential basis in the domestic margin and also the set quality has been quite good. Just a couple of questions around on the margin side. So, CD ratio domestic ratio is around 68% currently for the for this quarter so is there a scope to further increase the domestic loan deposit ratio from here, Sir, because that would help us on the margin front.

**Atul Kumar Goel:** It was if you see it was around 69% as per our data, 69% was the CD ratio. So, because we are having excess SLR also you all are aware, so definitely we would like to use and without raising further deposit, even we will be in a position to improvement in the CD ratio in times to come.

**Rakesh Kumar:** ROA Guidance like that we have given for the FY24 would be Sir?

**Atul Kumar Goel:** Return on assets if you see as on date because the profitability was less, I will be in a position to give the guidance like it should be around 0.50% to 0.60%.

**Rakesh Kumar:** Super great Sir. I would request Mr. Ajmera, please go ahead with your question.

**Ajmera:** Compliments to Atul Goel sir and the entire team for another good quarter with a good set of. Of course, the Bank has still has to go a long way because of some past negative legacies. Still, our figures are not that very encouraging, though comparatively, yes, it is definitely better. On many points, especially just now we discuss about ROA of point 0.32% in this quarter and 0.17% in the last quarter is very low and even the target also of 0.50% doesn't inspire much and similarly on some of the other data, if you look at though, we are your target for bringing the gross NPA down to 7% and net NPA to 2% is definitely encouraging but finally, we would like the Bank to come down below 5% in the gross and maybe below 1% on the net NPA. Many of the peer banks have started coming down to net NPA 2.7% or 0.5% or even 0.27% one of the small banks. Having said that, Sir what are our plans to bring down the credit cost? Credit cost is very, very

high comparatively in our Bank and still I think the target is also not being given very encouraging. So, what exactly the Bank is planning to bring the credit cost down, increase the ROA and the write-offs are also very high in this quarter Rs. 6000 crore in the overall year, Rs. 16,578 crores. So, going forward, what are our views on that? This is my first question on these three things combined together.

**Atul Kumar Goel:**

Thank you for the compliment. As far as your question related to the credit cost, the credit cost in the last quarter was 1.72%. If you see the whole of the year credit cost was around 2.03% and we have already given the guidance it should be within the range 1.5% to 1.75% and why we are giving this statement because you must have seen our quarterly number of recovery as well as the addition. If you see the recovery quarter-by-quarter is reducing and recovery quarter-on-quarter is increasing and the addition is reducing because if I will give the number the 1st Quarter, if you take the Quarter of the June '22, the recovery was Rs. 7057 crore and the recovery was increased to Rs. 8565 in September and Rs. 6035 crores in December and Rs. 7439 crore in the last quarter. So, if you make the total, it was around Rs. 29,000 crore against the very robust target last year. We have done Rs. 32,000 crores. Similarly, addition is reducing quarter-by-quarter, 1<sup>st</sup> Quarter of the last Financial Year in June Rs. 6468 crores and September it was Rs. 5979 crores. December there was a steep fall around Rs. 4072 crore and in the last quarter also it further reduced to Rs. 3996 crores. So, if we are making more recovery and if addition is reduced the credit cost is bound to reduce because aging provision is also reduced because more than 86% we have the PCR. But your point is very right although we are giving the guidance for the gross NPA 7%, 2% for the net NPA number, as you are saying other bank has come down less than the 5% or the 1% the net NPA I agree with you, but because if you see from where we have started last year, 11.78% we have reached to 8.7%, it means 3% we have reduced last year and from the number of the net NPA from the 4.80% to 2.72%. Last time we have done very good. In the recovery and I'm hopeful this year will be a very good for the recovery as far as the addition will be further reduced and the credit cost which I am giving you the guidance for the FY in the range of 1.50%- 1.75%. One more thing I am giving the return on assets although I told around 0.50% to 0.60% but even if you see my net profit was around Rs. 2507 crores and we are targeting, it will be more than Rs. 1000 crore every quarter. So, if we take it will be more than Rs. 4000 crores for the whole of the year so even if we recalculate my return on asset will be around 0.40% to 0.42% even if we are giving the guidance but we will try to improve to 0.50% but I think when we are saying the target of the net profit I think you can take it 0.40% instead of 0.50%.

**Ajmera:**

No, I fully appreciate, Sir. After such a strong team led by you, definitely during your tenure things have been improved a lot. Yes, you are carrying the past negative legacy or whatever it is you are definitely trying to improve things and we have a lot of expectations from you and this this team sitting here. Sir now with this this ECL now coming, now the guidelines are not 100% clear but is in offering. So, the kind of report which you are submitting to RBI or the kind of internal preparation which you must have done, are you prepared for that without any shocks or without any negative effect going forward? Have you worked on the numbers and have you made some provision on that, Sir?

**Atul Kumar Goel:** Ajmera Ji I will answer your question like this. #1) this guidance of the ECL is the draft guidelines. And final guidance is. Likely to come, I think we should wait for the final guidance and moreover, in the draft guidelines, what will be the requirement of the additional provision, the RBI as proposed that they will give five years for this because ultimately when we are talking about the ECL, it is based on the expected credit loss. As on date, we are making the provision on the incurred loss basis, accounts which has turned to the NPA, we are making provision in the ECL for the expected credit loss. I have already given you the data of the more than 2.5 years from the 1<sup>st</sup> of July to 2020 to 31st March 2023, how we are giving our new book. Rs. 5.72 lakh crore we have sanctioned. Rs. 5.18 lakh crore we have disbursed. Rs. 4.86 crore is the outstanding where the gross NPA number is 0.23 only because this is the purpose of the underwriting standard only because role of the ECL is only for the underwriting and the role of the PCR is also in the ECL calculation because 81% to 86.90% we have already read and CRR also there is 100 basis points improvement from the March '22, which was 14.50% to 15.51%. So, considering all these things, I think there should not be any challenge whatever the guidelines will be received from the RBI. We will definitely ready for whatever final guidance will come.

**Ajmera:** Sir, coming to that how much buffer overall like standard provision, restructured book, COVID restructured book other than what is recognized and as per RBI guidelines and IRAC norms, what additional buffer or the provisions we have overall in the Bank?

**Atul Kumar Goel:** Ajmera what I'm trying to tell. First two type of questions, you are asking for the standard what is the buffer in the standard. Point number one is we should see how much buffer we are having in the NPA provision also. Last year it was 81%, now it is around 87%. Standard provision definitely we have to provide as per the RBI guidelines. So definitely there is some buffer which we have provided as per the July 2019 circular. If the account will be resolved, this provision will be reversed. In the last quarter also because we have made a provision for the standard provision for the some of the account which was falling under the July 2019 circular Rs. 500 crores to Rs. 600 crore was reversal in the March quarter itself. We are hopeful in June quarter also because the account is out of the resolution plan definitely you can think this provision which we have made, it is a buffer for us.

**Ajmera:** And my last question in this round is around treasury book, the treasury performance of course because of the upward trend going on till March, performance is not good everywhere. There are some reduction in the profits or somewhere losses, also MTM also. So, in our case how is our treasury book is placed and how do we see now going forward when the rates are softening up or sub-7 now 6.9 10-year so can we get some color on our Treasury performance in the coming quarters. And what are our basically plans for that to strengthen and make more profit.

**Atul Kumar Goel:** Ajmera ji our treasury is very active. We are having good exposure in the investment side. Also it is a movement of interest rate. Already interest rate further because if you see the 10-year G-Sec it was around 6.95 to 6.99 in 4-5 days also. And we have already provided mark-to-market, so the moment interest rate will decrease definitely we can make the profit because we are earning profit on daily basis also with this yield of the 6.99% and we are immunized also because

if there is a risk of the interest rate because our modified duration is hardly 2.53% for the AFS as well as the HFT portfolio.

**Rakesh Kumar:** Ajmera Ji, can I request you to come back into the queue? There are other person also waiting for the with their queries.

**Ajmera:** Sure. I'll come back. Thanks for giving me so much time.

**Rakesh Kumar:** Bhavik, can you go ahead with your question?

**Rakesh Kumar:** Hi sir, congrats on a good set of numbers. Just three questions from my side. So first for as in what would be the LCR ratio? Sir second question is we saw a very strong quarter-on-quarter uptick in yields so what drove that increase in yields and is there any one-off with respect to interest on income tax refund or some proportion of recovery from written-off accounts being apportion to the NII line.

**Atul Kumar Goel:** Bhavik first question is on the LCR. LCR in the range of 150%. It keep on changing. It is within the range of 150% to 160%. Your question is regarding the improvement in the yield, improvement in the yield on the 2-3 count. First count is the recovery, not only the recovery in the technical written-off is not coming in the interest side because we are recovering more than the principle in the written-off account, then only the part is coming to the interest income, but basically what is the USP of the Bank 43%, we are having the CASA that is one of the reason our NII growth is there and the yield of advance is also increasing. Basically, recovery is the main factor and even some of the account if we are making 50 basis points or 25 basis points also we are not allowing the opportunity to go. So, this is the reason our yield of advances has increased.

**Bhavik:** On the NII line as in for the full year, there is no interest apportion from recovery from written-off or there is some?

**Atul Kumar Goel:** Bhavik, some portion is there because we are getting the amount in the substandard or doubtful category. If we are getting some money in the interest income but your specific question was that if some of the recovery on the technical written-off account that was not there but definitely interest income was very much there in the account which was NPA. In addition, whatever the recovery we have made in the last year Rs. 29,000 crore. It will start earning the interest income because as on date we are not earning anything out of it. So, this is when the recovery has contributed to the improvement in the yield.

**Bhavik:** And sir how do we look at NIMs going forward, how much cost of deposits do you see rising from here?

**Atul Kumar Goel:** Bhavik as far as yield of advance is concerned 8.05% is the last quarter yield. So, definitely because some of the loan will be repriced which was earlier on the MCLR where tenure is as far as cost of deposit is concerned, cost of deposit is 4.54% the last quarter it is bound to increase



because entire repricing of the deposit will take place at the time of the maturity of the term deposit because most of the deposit within the range of the one year or two year. So, entire repricing of the deposit has not been affected definitely in FY'23-24 cost of deposit will definitely increase and as far as NIM also NIM also you have asked because the NIM was 3.38% in the last quarter domestic and global was 3.24% because we are also envisaging key cost of deposit will increase because the repricing of the interest which were linked on the repo immediately done. So, this is the reason we are giving guidance for the next year NIM will be between the range of the 2.90% to 3%.

- Rakesh Kumar:** We will request Mr. Sushil Choksey to go ahead with your question.
- Sushil Choksey:** What is your credit pipeline visible in this current quarter?
- Atul Kumar Goel:** Credit pipeline as far as concerned we have already told you key growth we are envisaging 12% to 13% around Rs. 1 lakh crore loan is already we have sanctioned we are in the pipeline for the disbursement at various stages.
- Sushil Choksey:** Are you seeing this more in infrastructure and corporate or you are seeing it in some other things?
- Atul Kumar Goel:** It is a mix of everything not only everything in the infra.
- Sushil Choksey:** Sir you highlighted that the treasury may have a substantial gain or a stable gain in coming quarters to come, can you broaden the statement a little bit?
- Atul Kumar Goel:** I just told the answer of the Ajmera ji up to last quarter because on account of increase in the yield we were not in a position to make the treasury profit because if you see the last quarter from the March 2022 to March current date March '23 rate was 7.31%. If you see the 10 years G-Sec as on date 6.99. So, my answer was this because already there is a reduction of around 32- 33 basis point. So, by reducing it to 32 to 30 basis point some of these securities which were in the losses in the profit. So, we can make profit also because it is a movement of the interest rate game 30 to 30 basis points it is too reduction in the 10 years G-Sec from the March to till date.
- Sushil Choksey:** Sir, my question was more directly related because the Fed is more or less indicated that it is topped out an interest rate MPC has already indicated. Today RBI's remittance of dividend to central government is already figured at Rs. 87,000 Cr. which may be in surprise. So, the borrowing plan so far which people were thinking would be huge will have an impact on money market. Currently, the short-term liquidity tightness may be there because of various factors led by RBI mopping up dollars, various maybe reasons, but what I am sensing some of the pure banks have indicated that 10-year bond may head towards 675 in the year end. So, one is has the rate cycle peaked second thing is are you seeing more credit in front ended in the first half and are you seeing a sustainable treasury profit in four quarters or you are just seeing in Q1, Q2 itself?

- Atul Kumar Goel:** It is a matter of the booking also. Suppose I am sitting on the profit as on date. Suppose let us take a hypothetical example whatever you are saying is 6.75 by the end of the current financial year. Today is 6.98. Suppose it is as on date 6.75 I will be in the huge profit. So, every profit I will know to book immediately, I will book the profit on the quarter-to-quarter basis. So, it will be scattered on the quarter-to-quarter basis and first whatever the liquidity, if there is a liquidity issue whatever you are saying some of the security if we are having the lesser yield definitely we will sell, we will book the profit and we will utilize that money for investing in the loan book so that we can earn more profit. It is a mix of each and everything. It is very difficult to answer whether when you will book, when you will say it depends on what is my liquidity position, what is the demand of the credit everything is interrelated.
- Sushil Choksey:** Sir, I am not asking you whether you will book in Q1, Q2 I am asking an estimate whether you are seeing front ended profit or the second half it is okay I will take up this question offline. Second thing sir what is your digital spend on the current year?
- Atul Kumar Goel:** What is the?
- Sushil Choksey:** Digital expenditure?
- Atul Kumar Goel:** If you see the IT expenditure last year March 2023 it was Rs. 1,750 Cr as compared to Rs. 1,133 Cr increase of the 54.5%.
- Rakesh Kumar:** Ashlesh, please go ahead with your question.
- Ashlesh:** Can you talk about the slippages that we are seeing we saw 2% gross slippages this quarter still meaningfully higher as compared to this....
- Atul Kumar Goel:** Slippage if you see quarter by quarter there is a reduction in the slippage in the last quarter it was in the range of the 4,000 it was less than 4000 crore rupees and quarter by quarter we are of the view definitely there will be reduction in slippage.
- Ashlesh:** So, I was talking about the recoveries you have guided for 22,000 crores for FY24, any chunky accounts that you expect recovery over here?
- Atul Kumar Goel:** It is a mix of all. I can give you for Quarter 1 and Quarter 2 what we are expecting from the NCLT. First quarter we are estimating it is estimation around Rs. 500 crore plus from the first quarter and second quarter we are hopeful around 1,300 plus will be recovery from the NCLT. So, it is a mix of all it is a small account also, some money will come from the sale of the securities through auctions, some money will come through the OTS also and we have also floated one scheme EOTS that is we are the unique in the industry and this eOTS applicable for the amount less than Rs. 10 lakh as on date we are having good number of account 11 lakh account of Rs. 11,000 crore eligible. Last year we have recovered around Rs. 900 crore from these EOTS the customer is not required to visit. They can make the payment sitting in their home and after making the payment it is an NDA scheme non-discretionary. In that they do not

require to negotiate also and after making the payment they can generate the no due certificate from the mobile app only.

**Ashlesh:** Can you give a breakup of the slippages?

**Atul Kumar Goel:** I can give you the breakup of the slippage for the last quarter. The agri is around Rs. 1,253 crore, MSME Rs. 1,337, retail is 660 others is 268 and existing account it was 478. So, 3,996 I can give you for full year also so maximum slippage are for the RAM only, Agri for whole of the years Rs. 6,691 crore, MSME was Rs. 4,452 Cr Retail it was Rs. 1,613 Cr and then remaining was Rs. 1,342 Cr and existing was Rs. 1,831 Cr

**Ashlesh:** So, wage related provision which you made of about Rs. 270 crore wealth bipartite?

**Atul Kumar Goel:** Yes, you are asking slippage for the next year or this year also Rakesh because your voice was not clear.

**Ashlesh:** Wage related provision that you have made this quarter?

**Atul Kumar Goel:** Wage revision we have made Rs. 278 crore provision in this current quarter, last quarter also we have made a provision of Rs. 181 crore. In addition to this AS provision Rs. 1,244 crore March quarter, which has also had the impact of the wage revision.

**Rakesh Kumar:** Mr. Ajmera ji would you like to go ahead with your question now.

**Ajmera:** Many of the questions have already been answered by Atul ji, but just some discussions since I got the opportunity. One thing is that it is a point of basically a compliment only. If you see most of the other peer banks the employee cost has gone up because of this two, three provisions and also maybe the performance linked, bonus and other things at least 10% to 20% the employee cost has gone up in this quarter, but in your case it is hardly gone up by hardly 100 crore employee cost 4,570 crore as compared to 4,460 crores. Similarly, the other operating expenses also in your case has gone up by only 140 crores. So, basically what have you done I mean one is that all possible provisions which are required have been made. You already said about the wage revision that the provisions have been made as far as the additional pension which was already made in the last year, any increment, so how this magic happened that this total employee cost and the operating cost has been under so much of control?

**Atul Kumar Goel:** No, operating cost is under control no doubt about it because there is not much increase. Other operating expenditure, but whatever you are saying the payment to employee. If you see the March 22 data I think you have not seen the data please March 22 the employees cost was 2,158 crore only which has increased to Rs. 4,571 crore in March '23. It is basically double there is no magic, there is double. If you see the whole of the year also whole of the ear '21-22 the employee cost was Rs. 11,841 crore which has increased to Rs. 14,810 Cr. So, employee cost definitely in the tune with the other bank has increased and we have also made a provision as I told you from the November to March, i.e. Rs. 278 Cr in this last quarter Rs. 181 Cr in the December quarter

and there was a provision for the AS15 at Rs. 1,244 crore in the last quarter March and similar provision was in the December also otherwise this provision used to remain within the range of the Rs. 500 to 600 crore.

**Ajmera:** Sir we generally once we finish the quarterly discussion we concentrate more on the quarterly performance only. So, I was comparing only with the December quarter and the March quarter and in that there is hardly any increase?

**Atul Kumar Goel:** You are very much right. December or March there was not much difference, but December vis-a-vis September or March 2022 it was double. We are worried how to reduce the employee cost.

**Ajmera:** So, what I was actually drawing the point is that in the coming quarters now whether it is going to remain around the same 4,500, 4,600 crore the employees cost and the other operating expenses about 2,500 crore so that we can have some idea about the future quarters this thing or is there anything coming there?

**Atul Kumar Goel:** Ajmera ji basically the employee cost major factories on account of the AS15 provision also and if you see the 10 years G-Sec movement there is a very volatile. I will give you the March 21 it was 6.18 March 22 it was 6.84, March '23 7.31 and current as on date it is hovering around 6.95 or 96. So, basically if there is a reduction in the 10-year G-Sec AS15 provision immediately increase. If there is a harder in the interest rate AS15 provision reduces. So, sometimes it depends on the movement of the interest rate also.

**Ajmera:** Now something on this NARCL what is the status there, how many accounts, whether any account has been settled during this last quarter January, March or it's in offing, what is the status there?

**Atul Kumar Goel:** Ajmera ji as far as in our bank NARCL is concerned around 38 account for Rs. 70,658 crore under discussion out of this one account of Rs. 447 crore we have already assigned to NARCL another two account also we have shown to the NARCL, but later on some other ARC they have increased the rate and which they have not made, two account sold to the other ARC. In addition to 38 account which I told you around 35,000 account is also under discussion for an amount of Rs. 16,892 crore where exposure of banking sector is more than Rs. 500 crore and in this 35 account we are the lead bank.

**Ajmera:** So, many of these resolutions are expected in the coming year now, is not it sir?

**Atul Kumar Goel:** Yes, definitely.

**Ajmera:** And Sir this 447 crore which has been done in March you must have received the SR for the 85% which are government guaranteed SR. So, those SRs are also put in SR and provided for 100% or a separate treatment or different treatment is given like suppose 447 crore account this must have been settled for about 100 crore or something. So, you must have received about 80 crores, 85 crores of SRs. I am just guessing I do not have the exact number, but for example, so

what treatment to this SR has been given and then your SRs of 1,518 debt crores that include this SR also and whether it is the entire amount has been 100% provided for?

**Atul Kumar Goel:** This is in addition to that whatever the other SR are available as on date that 100% we have provided. This is a very small amount and treatment is the same only the difference in this security received different because they are being government guaranteed and they are being traded in the market also. The amount was very less in this account here.

**Ajmera:** But you will be giving the same treatment like any other SR providing them 100%?

**Atul Kumar Goel:** You are right on the basis of the NAV.

**Ajmera:** Sir, the last if time permits is on your CASA every banks little bit decline is there in the CASA in the last quarter because people are opting for more of the term deposits. So, going forward do you have any specific plan or some scheme or something to increase the CASA of the bank because you are at a comfortable level in fact and you can go still further Punjab National Bank being a National Bank Pan India bank very old bank, so whether any plan anything is in place?

**Atul Kumar Goel:** I will tell you this is one of the focus area and this is the USP of the Punjab National Bank. As on date if you see 43% is the around the CASA of the bank and we are having the 16-core customer and we are trying to increase the new acquisition in '21-22 around 71.33 lakh account we have opened which has increased in the last year '22-23 to 85.02 lakh. We are providing facility, we have provided tab, we have provided all the 10,000 branches tab where they can open the account within one day earlier because the branches was getting the document, they were sending to the back office it was sometimes it was taking 3 days, 4 days sometime in the 15 days also because they are raising the query. So, after this implementation of the providing of the tab this process of the new acquisition has become very good and we are hopefully next year definitely we will increase substantial number of not only the SA also the CA also.

**Rakesh Kumar:** Mr. Choksey do you have any other question to the management. Please go ahead.

**Sushil Choksey:** Sir can you highlight something on your subsidiaries what is your plan going forward as that may be bringing in good benefit to the PNB?

**Atul Kumar Goel:** Subsidiary I think as of date there is no plan to sale of the any equity in the subsidiary as yet no plan. Actually, we want to increase the valuation of the subsidiary rather than to sell the subsidiary because most of the subsidiary they are getting the dividend and as of date there is no plan of sales invested in the subsidiary.

**Sushil Choksey:** Sir, I am not asking for sale of any holding from any of the subsidiaries, but as times may get better with PNB housing, MetLife and various other arms the profits can shore up and support on cross selling between PNB customer base and the company and that is the reason I asked you about digital spent I suppose as on today you are not even penetrating 2% or 3% or 4% of your customer base with your products, can it go to 5% like yesterday in one of your peer large banks

they had aspiration for \$1 billion of other income, do we have some number and what kind of cross sale will we do for our products and external borrowings?

**Atul Kumar Goel:** You are very much right definitely we are taking all the step how to improve the working of the subsidiary of the associate also so that whatever the dividend sector we are getting that should be improved. So, my balance during the consolidate number will also increase and we will also utilize this subsidiary for the other purpose also. We are having one of the subsidiary where we have got the approval from the regulator to do other activity also which will be beneficial for the bank. We will use that subsidiary as our marketing agent for generating the lead for the housing, generating the lead even for the retail side also.

**Rakesh Kumar:** Sir there are some questions which are in the chat box firstly starting through the question from Jai Mundra breakup of 70,700 crore SMA number into SMA-0, 1, 2 if you can provide the breakup?

**Atul Kumar Goel:** Yes, I can provide the breakup out of this 70,762 the SMA-0 is 52,622 SMA-1 is 17,290 and SMA-2 is 850. The maximum is the SMA-0 only there is an accounting issue also which we are also addressing.

**Rakesh Kumar:** Second question is from Kunal sir with respect EBLR, MCLR and fixed book breakup that is already there in the presentation. Sir the second question from Kunal sir is pertaining to the behavior of MSME restructure portfolio if you can elaborate sir please?

**Atul Kumar Goel:** The MSME in OTR-1 I will give you the only for the MSME. The OTR amount around is implemented was 670. The standard outstanding is 343 and if you see the OTR-2 also OTR-2 the MSME was around outstanding is Rs. 4,587 crore out of which standard is 2,657. Some of the account definitely in the OTR-1 and OTR-2 also has moved to the NPA out of this OTR-2 around 1,931 was the NPA.

**Kunal:** And sir I missed the total provision on the restructured book that we have sir standard restructured book total provision that we have?

**Atul Kumar Goel:** Total provision on the standard book it includes the if you are asking the OTR-1 and OTR-2 we have already given the note to account it is 10% of the outstanding but restructuring there is some provision also which we have to make the provision as per the 7th of July 2019 circular also although that is not restructured, but we have to make the provision also.

**Kunal:** And sir one thing I noticed compared to higher deposit growth number on a YoY basis NDTL growth is around 7%, so have we reduced like the borrowings from the book or what is the reason for lower growth in the NDTL on a YoY basis as compared to deposit growth?

**Atul Kumar Goel:** NDTL actually it is the combination of the deposit and the other liabilities also. So, maybe some of the other liability has reduced, but normally it keep on changing on the quarterly basis also because some part of the deposit is on the bulk side also so it keep on changing also.

- Rakesh Kumar:** And sir there is question from Bhavik pertaining to the SME details that we have already given?
- Atul Kumar Goel:** One more thing Rakesh from where you have taken this data of the NDTL if you see the NDTL is on the same line. I am not seeing any difference if you see my December '22 number it was 11, 52,439 and even if you see the March '23 number 11,75,099. So, from where you are there is a difference, so it is not a decreasing side you are saying decreasing.
- Bhavik:** No sir it is not decreasing in the slide number 16 we have given investment portfolio and the NDTL number where the YoY variation is 6.93 and if I look at deposit growth number that is global deposit growth?
- Atul Kumar Goel:** You are comparing with the deposit number also 11% and the 7% sometimes it is on average basis also because if some increase in the deposit in the last that is also Yes.
- Rakesh Kumar:** There is no more question from our end I think we are done with the questions and there is no further query.
- Atul Kumar Goel:** Thank you very much Rakesh. Thank you to all the persons who have joined this on concall also from my side now over to Deepak.
- Deepak:** Thank you Rakesh and we can log off we all. Please log off Mr. Rakesh and team.
- Rakesh:** We would like to thank everyone PNB Management for giving us privilege to host and thanks everyone. And we can log off.
- Atul Kumar Goel:** Thank you.