



**PUNJAB & SIND BANK Q4 & FY 2020-21 EARNINGS CONFERENCE CALL**

**May 24, 2021**

**MANAGEMENT:** Sh S Krishnan – MD & CEO  
Sh K V Raghavendra – Executive Director



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Moderator: Good Evening everyone, firstly apologies for the slight delay. On behalf of Punjab & Sind Bank, a very good evening to the Broker and Analyst Community and the distinguished guests. I hope everyone has been safe and healthy during this time of pandemic. I would like to thank you all for taking out the time and joining us today. We welcome you all to the virtual analyst and broker's conference of Punjab & Sind Bank to discuss the Bank's Q4 FY 2020-21 financial results. Before we begin, I would like to introduce the management who would be addressing today's gathering. To the left of your screen we have Sh S Krishnan, Managing Director and CEO and to the right of your screen we have Sh K V Raghavendra, Executive Director of the Bank. We have placed all microphones on mute. Post the presentation, we will have the Q & A session. During this session, you will be able to see a small hand symbol on your screen. I request, to kindly click on the symbol which will inform us that you like to ask a question. We would be un-muting you person by person for asking the question. A gentle reminder to all to kindly identify your name and organization name before proceeding with the question. Now I would to request Sh S Krishnan to address the gathering. Over to you sir.

Sh. S Krishnan: A very good evening to one and all. It is a great pleasure for me to invite you for this meet. A detailed presentation has already been uploaded on the website of the Bank and on the website of the Stock Exchanges. Nevertheless, I will also touch upon the highlights of the performance of the Bank during the FY 2020-21 and also the Q4. The total business of the Bank grew by about 7.68% year on year while the Deposits grew by 7.18%, the Advances grew by 8.39%. The focus on this year or I will say particularly of Q4 was to minimize expenses and see that how we can arrest the slippages and to strengthen the Balance Sheet and improve Profitability. Towards this end, various measures were taken. Just for the information of the members present here, I would like to say that I took charge of the Bank in September 2020 and you all know that the Bank has been under pressure for one issue or the other and has been continuously incurring losses for the past eight quarters. So we took a turnaround strategy document to the Board, got it approved and went ahead on the implementation of the same which has yielded the results and we could turnaround this Q4 into Profit Zone. In this direction, if you look into, the CASA has grown by about 19% and the retail term deposits has grown by about 18.5%. We have consciously shed high cost deposit / bulk deposit which is about 17.94% now against 25.96% last year. In the advances, Agriculture, MSME, Retail were given focus. Agriculture grew by about 15.16%, MSME by 16.93% and overall RAM grew by about 9.01%.



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Coming to the asset quality, as far as the asset quality is concerned, I can say that the Gross NPA has been slightly brought down while the Net NPA has been substantially brought down due to improvement in the provision coverage ratio. Net NPA has come to 4.04% from 8.03%. Slippages during the year were around Rs.1500 crore. If you compare the Q-o-Q it may appear that it has gone up but I will request and of course, there is no need for requesting as you are all well known analysts so you know that because of the orders of the Hon'ble Supreme Court of India, NPA's were only declared in Q4 and hence there is an impact. Accordingly, we may compare year on year. The Gross NPA ratio which was 14.18% has been brought down to 13.76% and Net NPA from 8.03% to 4.04%. While the total slippages were around Rs.1500 crore. The recovery and upgradation is around Rs.1000 plus crore. NII if you look into, the NII has grown during this year and the NIM for the full year has grown to 2.11% from 1.88%. So these are some of the positives. Of course the Capital Adequacy ratio is around 17.06%. You all know that Government of India has infused capital of Rs.5500 crore during this year which helped to improve the Capital Adequacy substantially.

For the brevity and also considering the time, and since the presentations are available I will stop here and request my analyst members that if they need any clarifications, we can discuss on that.

Moderator: Thank you so much sir. So we move straight into the Q & A session. You all notice a small icon on your screen which is a hand sign. Once you press this, it will alert us that you will like to ask a question. We will be going around one by one and the person asking the question will be unmuted. A gentle reminder to please identify your name and organization name before asking the question. The first question is from Mr. Ashok Ajmera. Could you unmute Mr Ajmera please.

Mr Ashok Ajmera: Good Evening sir. First of all congratulations for a good performance. I mean coming back in profit after 2 years. In fact some of us analysts had stopped tracking this bank because of the poor performance in the earlier years or some of the quarters but things have started looking up now. So Sir, now Mr Raghavendra has also joined as an executive director from a very big bank i.e. Bank of India and you along with your team can definitely change the ways of



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the entire trade. So sir, first of all do not mind if I take little more time. First of all the morales of the people in the bank are very low. If you look at capital adequacy has come the money has also come in and you need a good business growth but as per our experience what we know little bit about the bank, the branches and the people who are heading the branches and some of the people in the head office, the morale has to be boosted so that this bank comes in the mainstream. Its not good to compare but one of the PSU Bank which had suffered a lot in the past has moved very fast in last 2 year changing all the systems, boosting the morales of the people. I would like to hear your comments as you have also said that you would want to change many things in your presentation of the Bank. Where do you see the growth coming in the business because your corporate book is already heavy infact in power and infra you are very heavy. So we would like to know the existing position of the accounts in the power and infra sector and then from where you see 2021-22 and 2022-23 onwards in what direction the bank is heading?

Sh. S Krishnan:

Mr Ashok, thank you for the good words what you said and you will see that you continue to keep tracking our stocks. Regarding the morales of the employees, I totally agree with you. Definitely the right observations made by you that the morale of the employees of the bank is down but we will see to it that they are motivated and I have seen last 6 to 7 months that the people are good by and large and now there is fire in them and I'm sure with further motivations things will turnaround. Now coming to where do you see the growth coming. We already have in the fray our executive director. I will also request my ED to dwell upon this. We will be by and large focusing on the retail segment than the corporate and you are observing that for the Bank of our size we have reasonable good corporate exposure but does not mean that we will close down the corporate doors. We will be cherry picking in expanding in the corporate sector but the doors are open for the corporate and we will be focusing more on the retails segment and towards increasing our retail segment what all is required is one on the marketing front and the other is strengthening the underwriting standards. You know that the retail lendings are by and large a rule based lending. When it comes to the rule based lending what is required is the TAT because if the TAT is good the customer will definitely be coming to us because the other aspect pricing is concerned we are as good as anyone else. In fact home loan if you look into we have certain products where it is comparable even with the best in the industry.



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- K V Raghavendra: I would like to add that our focus is on RAM definitely. As you have seen our composition is 45%:55% where retail is at 45% and we would like to take it to atleast 50%. But at same time as our MD said our doors are not closed for corporate. We will be taking good exposure on good rated accounts and we will be targeting medium sized advances. Since we are very comfortable with the capital we would like to start the growth story and there will be good growth on quarter to quarter basis now onwards.
- Mr Ashok Ajmera: Sir, can you throw some light on SMA 2, Q4 is Rs.3064 crore, with 3 large accounts in SMA 2 portfolio as on 31.03.2021 of Rs.2839 crore. Is it same that the NCLT order? Any linkage from that group because that group only 2 companies?
- K V Raghavendra: You are aware that one of these is Government Guaranteed advance and the other one is as what you said. So the 2 comprises what you said Rs.2839 crore. Rest is small amount of Rs.200 crore.
- Mr Ashok Ajmera: Sir this existing exposure, I said that you have got a lot of exposure in power and infra sector. How is the position of those accounts? Are there any chunky accounts there? They are standard but how are they performing?
- Sh. S Krishnan: We don't have chunky accounts. We have a lot of state government guaranteed accounts. we have good rated accounts as per the data available with me.
- Mr Ashok Ajmera: Sir coming to this one note on the transfer of some securities from HTM category to AFS and AFS to HTM. There was loss element of around Rs.20 crore which has not been accounted for in this quarter as per audit note. Can you throw some light on that?
- Sh. S Krishnan: We will come back to you on this.



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Moderator: The next question is from Mr. Manoj Anilchadani. If you could unmute Mr. Manoj Anilchadani please.

Mr. Manoj Anilchadani: Good Evening sir. Punjab & Sind Bank had a very strong legacy of a loyal customer base and a deposit base. The brand is I think several decades old. So I would like to know what are the non-core assets as of today being a legacy bank you would be having some non-core assets. What is the value of these non-core assets? What is the strategy going forward? Most of the Banks have said they are moving from corporate bank to retail Bank. that is always good as P & S Bank is always a good deposit franchisee who could be borrowers also. There is now a new strategy everyone is talking about, cost reform, everybody is opened to mergers or strategic sale or bring in investors, capitalize it and now the sentiment for the market is also really great. Confidence is come back in the system, maybe it is due to global reasons and also lot of enthusiasm will come post second wave. Companies are really raving to go and set up new capacities. The inflation seems to be going through and inflation point. So if you can elaborate on that what is the strategic mindset of the management? We are hearing that P&S Bank is one of the 4 banks that have been identified for privatization or strategic sale. This may be because the government has a positive approach towards the management. Some management are conservative they would like to go for merger some are open for transformation. So maybe good transformation can come from could be one of the main reasons of selection and also to maintain its identity that's why it is not identified as merger candidate. What are the strengths and weaknesses from that angle. If you could highlight that will be very useful.

Mr S Krishnan: The Bank has got excellent brand equity and you said about the legacy. Yes it is more than 111 years old bank and excellent clientele. After taking charge, I have been discussing with a cross section of customers. The customer have been banking with our bank for generations. So that is the brand equity which has been built over a period of time. Coming to your next question about non-core assets. Let me tell you that we do not have non-core assets. All that we have gained is by way of core assets that are my customers. The Bank does not have any non-core assets. Normally people think that since it is centuries old bank there will be land, building, premises and so on a so forth. But really if we look into what is there being used there is nothing that I can call as non-core assets that can be disposed off. Coming to the strategy for going forward, as you have rightly said this bank is basically a retail franchise in the sense that it is



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household name in many part of this country particularly the northern part of the country. So we will be focusing on the retail as I was telling previously that corporate will not be closed but retail will be in focus. We will be able to grow in retail. One will be leveraging the brand equity that we have and atleast in the pockets that we have and building it to other parts of the country. Second is as I was telling is that TAT is very important. To address that we have set up a centralized processing centre. We have put in place software, the rule engine will take care of the assessment. This way I do not compromise on the underwriting standards and I also ensure the timely delivery. One the timely delivery is there, the customer naturally coupled with the branch equity which has been built over the last century we will be able to achieve what we estimate.

Mr.Manoj Anilchadani: Now from what you have said, the technologies become the biggest enabler and become biggest competitive tool for advantage. So many payment banks are coming even the old banks are using technology. Like SBI has the fantastic YONO app and now it is giving even the private sector bank a big run and grabbing market share. So what is the stage of technology used in the P& S Bank. What is the app doing, how many downloads are there and what are the digital initiatives you have taken or plan to take with the digital team. If you can highlight and how strong is your digital team. What is the vision going forward? Current status and plan if you could share that would be useful.

Mr.S Krishnan: We have taken up the total transformation of the digital and IT. The digital banking is now in advanced stage for giving through omni channel to my customers. So the omni channel consists of various alternate delivery channel like net banking , mobile banking, UPI, RTGS. It will be one of the state of the art matching with the best in the industry. It is in the advanced stage of the completion. My plan is to roll it out to my customers by the end of Q1 of this fiscal but because of this second wave I foresee a little time overrun because my staff and vendor team is affected. I foresee a little time overrun but not much. So hopefully I will be able to roll out as quickly as possible which will match the best in the industry. As I said we have taken up transformation of IT also. We are in the process of upgrading the CBS to the latest version. The RFP has already been floated and it is in advanced stage. In terms of board approval we have set up an IT advisory board with eminent people from the industry having both the domain and the technology knowledge. So we are working with them very closely, getting their guidance, so that we are able to transform the IT of P& S Bank also as quickly as possible.



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Mr. Manoj Anilchadani: What is the size of the Technology Investment?

Sh K V Raghavendran: It will be approximately Rs.100 crore

Mr. Manoj Anilchadani: Thank you for holding this by way of video conferencing and we hope you will continue this practice.

Mr. S Krishnan: We will be holding the investor / analyst meet regularly hence forth atleast on a quarterly basis.

Sh K V Raghavendran: You will witness lot of changes in the days to come, maybe in Q1 only. We are in the process of transformation and you will see the changes in the days to come. We are also in the process of revamping our website.

Mr. Manoj Anilchadani: Thank you Manoj sir. Now the next question is your CASA as % of total deposits stands at 32%. How are you placed as compared to other public sector banks?

Sh K V Raghavendran: As far as our CASA is concerned we are at 32%. If you compare YoY you will see a growth. But still I am not happy with the composition of CASA because if you compare with some of the bigger PSUs, our CASA is little less. However if you compare with south based PSU we are almost at par. We have a good franchise in north india and taking advantage of this we would like to improve both CASA and the retail advances. That is why our focus during the current year is on increase on retail deposit and advances. So you will see improvement in CASA growth in the days to come.

Mr. Manoj Anilchadani: How do you plan to reduce your NPA's

Sh K V Raghavendran: To reduce the NPAs we have a multi pronged strategy. We have set up a war room in our HO. The war room in HO is mainly focusing on slippages. The other aspect is that whatever the recovery possible in respect of soft NPA. So our first focus is in case of recovery of soft NPA. We have a detailed strategy. As MD said earlier, we have an approved turnaround strategy document as per which the bank has detailed the recovery plans also. The focus is now to contain the slippage and focus on soft NPA recovery. We are focusing in recovery in respect of the middle level advances in the range of Rs.25 crore to Rs.100 crore where we have the OTS also in place. We expect the NPA figure to come down drastically by the year end and there will be good progress QoQ also.

Mr S Krishnan: Let me supplement what my Executive Director said that apart from the Head Office at each and every zone we have created a task force / war room and every working Saturday is totally dedicated as the recovery day of NPA. Specific accounts are assigned to the officials to have a close monitoring and close recovery. Wherever security is available under the SARFAESI, immediate actions





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are being taken. In fact, last year, particularly in the second half / Q4 we were able to take lot of properties to the auction and we are able to get recovery. You know that still the Indian sentiments are that if you have a residential property naturally that is the best security. So we do not leave any stone unturned for enforcement of security and we will be utilizing the technology also to a greater extent to augment the recovery.

Mr. Manoj Anilchadani: Thank you sir. Next question is what is your cost of funds and how do you see it panning going forward?

Sh K V Raghavendran: Our cost of funds if you see is gradually coming down. Our cost of fund last year was 5.19% in March 2020 which is down to 3.84% in March 2021. So we have good reduction. This has happened mainly on account of 2 things, one is that we have consciously shed our high cost bulk deposit and the other is that we have growth in CASA. Our treasury has been good in the reduction of the cost and this has resulted in the overall reduction of cost of deposit and cost of funds and I think this trend will continue.

Mr. Manoj Anilchadani: Why has the NIM declined for the March Quarter and what is the outlook for the same?

Mr S Krishnan : As I was telling that let us look at the NIM for the year as a whole instead of the quarter because you know that all the NPAs are recognized only in this quarter. When NPA is derecognized there is de-recognition of interest and secondly the Supreme Court said that the interest on interest may be adjusted with the next installment / next amount due. Ideally, the next amount will be due in April, but we decided and have derecognized it. Since it is our one off, it is requested that we compare our NIM on year to year. If you look in to our NIM for 2019-20 it was 1.88% against that our NIM is 2.11%. Going forward we may have NIM greater than 2%.

Moderator: We will be taking the last few questions. The next question is how is Punjab & Sind Bank contributing towards Financial Inclusion?

Sh K V Raghavendran: We have large network of Branches in North India and north western India and we have a strong BC network. We would like to strengthen it and we are strengthening on two counts. One is we are adding few more products to the BC Channel and the second is that we would like to add some of these retail advances also in this channel. So this will bring strength to the BC's who are servicing lot of rural customers. One more thing I would like to emphasize here is after the outbreak of Corona, the BC channel has been working better as



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more and more people are going towards BC's and the digital and BC channel has been strengthened. Now leveraging on this we would like to introduce more and more products further strengthening it. Total number of BC's we have is 354 and we would to add some more in this channel and also consolidate some of these BC's.

- Moderator: Next question is from Mr Ashok Ajmera. Request you to unmute Ashok Sir.
- Mr Ashok Ajmera: Thanks for giving me this opportunity again. On a specific question, a fraud account of Rs.3824 crore on which provision of Rs.3803 crore has already been made. But there was a Rs.205 crore fraud of the investment account. Can I know what this investment account fraud was and what are the chances of recovery of approximately Rs.4000 crore fraud?
- Sh K V Raghavendran: It was an investment of the same group account that was declared as fraud and not something new.
- Mr Ashok Ajmera: Coming to other points like your cost to income is very high at about 78% with your salary cost itself at about 52% to 53%. So have drawn any programme on the cost point because ultimately at the end of the day, that will only make the Bank profitable.
- Sh S Krishnan: It is a good question. See the thing is that cost income ratio is very high and also the employee cost. You could have seen our notes to accounts, basically about Rs.370 crore we have provided for As-15 due to the shifting of the mortality table to the latest IALM table. So it is conscious decision taken. Let us strengthen this. Rs.370 crore for a bank of this size is not a small amount. This has played a substantial role in increasing the employee cost. Having said this, we have also taken as part of our strategy wherever possible expenditures will be contained and be kept to the minimum and also to improve the income on various fronts such as non-interest income and other avenues available. All these things have been chalked out.
- Mr Ashok Ajmera: Sir, our recoveries are good in this quarter also but what would be the collection efficiency if you look at March and also in April out of the demand which is raised. How do you calculate collection efficiency in your bank and how was it?
- Sh S Krishnan: My April collection efficiency was good but May onwards there may be some reduction because of the Second wave and the consequent lock downs and restrictions. There may be a slight dip but what I foresee is that I do not see much of this. April recovery was not affected we will be closely monitoring and we will get back to you.



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- Mr Ashok Ajmera: Yes sir, it should be tread carefully, like almost every bank has started now. Like State Bank of India said its collection efficiency is 95% to 96%.
- Sh S Krishnan: My April recovery is like that but May we have to see. As far as recovery is concerned me and my ED are personally looking into on day to day basis and we have a separate dedicated General Manager especially to look into that. As we already said recovery was good in the last quarter, all this was possible as we were giving focused attention which you will be able to see in the days to come also. Why I said this was, it was not specific to PSB, it was for the country as a whole because of the second wave.
- Mr Ashok Ajmera: Coming to this point of income that is the various sources of income. Many Banks have started very minutely, in your case you have said you have very good quality of staff and only morale boost has to be given and now with the performance bonuses coming in to the system. If you have more profit people will get more money. So any plans on your third party products and their income like 3 in one accounts, life insurance general insurance.
- Sh S Krishnan: There are plans, we already have tie up as far as insurance is concerned. We also have plans for 3 in one accounts as you said amongst other things and they are in our drawing room and are working on that.
- Mr Ashok Ajmera: They might be source of some income.
- Sh S Krishnan: You were asking about the notes on accounts. Let me clarify that there was no loss rather there was notional profit.
- Mr Ashok Ajmera: Similarly segment reporting should also have little more clarity.
- Sh S Krishnan: I thank you for your excellent suggestions. Thank you
- Moderator: Thank you for joining the Analyst / Brokers conference. You can reach out to me i.e adfactors team if you have any query. We will be happy to help you. Stay home stay safe.
- Sh S Krishnan: Thank you to all the participants, whosoever were there on behalf of the entire team of Punjab & Sind Bank as MD I thank each and everyone of you who are taking out time even in these difficult of times. Thank you Mr Nikhil and Sagar