



“Punjab & Sind Bank Q4 FY-22 and FY-22 Earnings Conference Call”

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S Krishnan: You may remember that the Bank has been incurring losses continuously and we took a detailed study and then in the Q4 of the last year we turned around by making a reasonable profit. Since then the bank is on its path of increasing its profit Quarter after quarter and for Q4 of this FY 21-22 the profit stands at Rs.346 crore taking the overall profit of around Rs.1039 crore for the FY 21-22 and this is the highest ever profit of the bank. Before we take questions, I will give you a small presentation, though the detailed presentation is available on the website of my bank and also with the stock exchanges. I'm sure that my friends who are with us today, have already gone through but still, I will quickly take a few of the slides for the ready reference and information of my friends. I hope that the PowerPoint is visible?

Moderator: Yes, sir it is.

S Krishnan: So this is the highlights of the performance. The operating profit is Rs.1330 crore showing an increase of 7,228 bps Y-o-Y, the net profit is Rs.1039 crore showing an increase of 13802 bps basically because it was a loss during the last year. You may recollect that as I was telling that the bank has consciously decided to shift its business model towards improving the profit and also reducing the concentration risk. The CASA if you look into, it has increased by 951 bps and stands at Rs.34528 crore. The net interest margin is 2.80% showing an increase of around 18 bps Y-o-Y. The return on assets at 0.85% showing a 340 bps increase Y-o-Y. Based on the data I have gathered from the public domain, I observe that the return on assets amongst the Public Sector Banks, who have come out with the results so far, this is the highest. Provision Coverage Ratio has also improved 87.89% showing an increase of 500 bps. The Gross NPA has come down to 12.17% and the Net NPA has come down to 2.74% which is a good sign as it indicates that there is good provision ratio. The cost of deposit has come down. The other pain point for the bank is the cost to income ratio which has come down by about 1245 bps Y-o-Y. It is still high and we'll be consistently working to bring it down in the years to come. Now, as far as the business mix is concerned, the total business increased by about 5.25%, the deposits increased by 6.27% and the advances has increased by 3.80%. It you look, the growth is little less than the industry average but it is basically because we have been focusing on strengthening the bottom line. So, we shifted our focus from corporate to retail as far as the advances are concerned. When we shift to that, naturally there will be a little slower growth in advances and there is no purpose of taking further deposits. We were very cautious in reducing our high cost deposits and replacing it with the low cost or no cost deposits. Thus the percentage of growth may look that it is less than industry average but it has really helped in building a strong balance sheet i.e. the bottom line has become very strong. The total deposit, as I said, increased by 6.27% and advances by 3.80%. In CASA, the increase in current deposit is 0.73% and savings by around 11%. Now advances, the RAM segment has grown by about 10.45% and the corporate advances has come down by about 2.26% and overall the mix of the RAM and corporate advance, the composition has gone from about 47% to 51% in case of RAM and corporate from 52% to 49%. Within the RAM segment, the retail has grown by 15.29% agriculture has grown by about 2.78% and MSME has grown by 13.26%. As far as the Priority Sector lending is concerned there is growth in all. In agriculture

there is marginal decline you can say that it is flat. Regarding the achievement of the mandatory requirement in case of Priority Sector, agriculture or small farmer, all the mandatory targets have been surpassed by the bank as on March, 22. So this is on asset quality, you can look into the gross NPA has come down to 12.17% and NET NPA which was 4.04% as year back has come down to 2.74% and the provision coverage ratio has increased to 87.89% from 82.89% a year back. The operating profit is Rs.317 crore as on March 22 as against Rs.184 crore a year back and the net profit is Rs.346 crore against Rs.161 crore a year back. The net interest income is Rs.697 crore against Rs.495 crore a year back. If you see, the net Interest Income was Rs.758 crore in December and it has marginally come down to Rs.697 crore. This is basically because in December there was a 1 off entry. You all know that Air India, which was settled so the interest income had gone up because of that. Otherwise, the interest income, during the March also there is good growth. The NIM continues at around 2.9% for March against 2.19% in the previous year. The capital adequacy continues to be very, very comfortable. While CET-1 is 12.77%, the Tier-1 is 14.80% and the overall capital adequacy is 18.54%. The Government of India holds about 98.25% of the total shares and the rest are, a small portion, with LIC amounting to about 0.62% and the 1.13% are with other retail investors. These are some of the key financial ratios, the cost of the deposits have been consistently coming down as we were shedding the high cost deposits and it has come down to 4.17% and the cost of funds to 3.48%. While the yield on advances is 7.13% against 6.76% a year ago, the yield on funds is 5.69%. The credit cost for March 22, quarter on quarter, is 0.01% and the slippage ratio is 0.76%, which is a good sign. Cost to income ratio, as I said, we were able to bring down from 78% in March 21 to 65% in March 22. The EPS is Rs.3.39 for March 22. The ROA Q-o-Q comes to 1.1% otherwise for the full year it is 0.85%. Return on equity annualized is 25.84% quarter on quarter. You all know that the bank has embarked upon strengthening its digital transactions. We have floated a "UniC" product which is giving you mobile and netbanking as a Omni channel for my retail customers, corporate customers and NRI customers. Last time when I met I had said that we have rolled out and we will be extending to all the people. Now we have extended this to all the customers and it is working extremely well. Now I will be more than happy to interact with my analyst friends.

Kollegal V Raghavendra: 1 more information is that bank has declared a dividend of 31 paisa or 3.1% for the shareholders after 4 years.

Moderator: Thank you so much sir and congratulations on a great set of numbers. Now we will move on to the Q & A session. Ladies and gentlemen you will notice a small icon on your screen, a hand sign, once you press this, it will alert us that you'd like to ask a question. We will go around 1 by 1, the analysts and investors asking the questions will be unmuted. I will request you to identify yourself and the firm that you represent before asking your questions. For those who have joined us through audio call, request you to kindly WhatsApp me if you would like to ask a question. We will ensure to take all the questions and we will take the questions in an orderly manner. So with this, I will start with session. Firstly, we have Mr. Ashok Ajmera. Mr Ajmera, I have unmuted you please introduce yourself and go ahead and ask a question.

Ashok Ajmera: Hi, I am Ashok Ajmera from Ajcon Global a very senior broking company and a research firm. Sir, compliments to both of you.

S Krishnan: Thank you

Ashok Ajmera: Good quarter and a year of a very good result and what is important is that you have come back on the dividend list, it is very encouraging. So, having said that I got a few questions, some data points. Sir, recently you declared the SREI as fraud account, these 2 accounts of the SREI group which you declared on the Stock Exchanges also. Would you like to throw some light on that? What is going on and what are the recovery prospects and something about the future group to begin with?

S Krishnan: Okay. So as far as the 1st group of account is concerned, the resolution process is in place. A separate administrator has been appointed who will take care of the resolution process. Regarding the second group of account, I don't have any large exposure.

Ashok Ajmera: Sir, the fresh slippages is around Rs.433 crore as compared to the last quarter of Rs.214 crore. Would you throw some light on that? Whether there is any major account in slippages and similarly there is a major Write-off of Rs.1095 crore, which has never been there in last 4 or 5 quarters in the bank. Can you throw some light on that?

S Krishnan: As far as Rs.433 crore is concerned, I don't have any big account. These are spread in smaller accounts. I don't have much of big accounts. In fact, for the whole year, when I look into, the slippage is around Rs 2000 crore out which around Rs.1300 crore are those which are about Rs.5 crore and above or so. Out of that again, the 2 accounts that you referred are contributing about Rs.1200 crore. So, that way, others are not big accounts. Regarding the write-off, these are basically technical write off which the Banks are permitted as per the prevailing standards. So the technical write off has been done, it has not been totally written off from the books.

Ashok Ajmera: So you are expecting good recovery also in the future from these write off accounts.

S Krishnan: Yes.

Ashok Ajmera: Now, coming to the provision. It has been stagnant last quarter and this quarter. So, have we reached to the peak of providing for the slippages and NPA's or do you want to still go further because I think the NPA provision is only Rs.9 crore for this quarter as compared to Rs.324 crore last quarter. Is it optimally provided for or do you find any further need?

S Krishnan: Yes, optimally provided for, even more than what is required.

Ashok Ajmera: Can you elaborate on that?

S Krishnan: What I say is when I look at recoveries in the NPA's and the provision write back because of the recovery and the regulatory provision what is required for the fresh slippages, my provision write back itself is more.

Ashok Ajmera: You also fully provided for the fraud account unlike many of the other banks, which are amortising for the future?

S Krishnan: I have fully provided for all fraud declared accounts.

Ashok Ajmera: Even Rs.168 crore you have fully provided for this quarter.

S Krishnan: Yes.

Ashok Ajmera: Then the profit would have been much larger. How do you look now at FY 22-23 from the advances / credit point of view because we have been little slow as you have yourself said that your concentration is more on the bottom line and the profitability of the bank, rather than increasing the size either in deposit or credit. But, ultimately, we'll have to venture out and we'll have to go into a little beyond the retail portfolio also, like MSME, large corporate credit. So, what is your thinking and what are the plans / target for the Year 22-23. Your ROA is very good at 0.85% which is highest in the Banking Industry, as you said, so far as even I endorse that.

S Krishnan: What I can say is that the bank was concentrating more on the bottom line basically because, as I said, I believe that the foundation has to be made strong and that there was need for course correction in the mix of the advances. So we shifted from the corporate focus to the RAM Segment. You may also recollect, even in my last interaction with you, not last rather even before that, I was telling that we have not closed the door for corporate. Only thing is, we will be selective given the strength of the bank, more particularly my network. If you look into my network, it is mostly in the rural and semi urban areas. I have a great reach, so I have to leverage that reach which I can do very well in the RAM segment than corporate segment. So that is what we started, leveraging and it has started yielding the results. Now, having stabilized, this is the time that we'll be further going on that and also be on the corporate so that I expect the credit growth of around 8% to 10% in this year.

Ashok Ajmera: Any relook on the NBFC space and the construction industry on which you are comparatively slow and also the co-lending which is increasing very rapidly. One other nationalized Bank has got more than Rs.1500 crore of co-lending book. So any internal discussion on that.

S Krishnan: Already we have partnered with one of the NBFCs. Further, we are in discussions with 3 more companies also. With 1 company we have already started the business, which is around Rs.400 crore. Rs.250 crore has already been done on the

co-lending so far and the other 3 companies are also almost started. So that we'll be able to build that loan book.

Ashok Ajmera: Onward lending to NBFCs sir?

S Krishnan: On NBFCs also we are not closed, we are selective. Now if you look into our position, we are very comfortable. So we are with open minds.

Ashok Ajmera: Okay, then lastly sir, on the digital journey, you have already developed all these platforms. So, how much of the business started now through the digital means, and how much benefit the bank is getting and what is the road map now? What the technical expense now?

S Krishnan: Okay, as you said we have put a good platform for the digital transactions. As of now, 84% of my transactions are through the electronic mode and only 16% are through the brick and mortar. Going forward I expect much more improvement. I am happy to share 1 or 2 things with you. You may recollect that the Hon'ble FM in the budget speech said that 75 digital banking units would be established in the country and accordingly the RBI has constituted a committee and different banks were given different locations. Punjab & Sind Bank was given 2 locations and both were in Punjab. I'm happy to share that the Bank is ready to go live for the digital banking unit as and when it will be decided for the nation across all the banks for a particular date so when they do, we are fully prepared. Till such time, what I have done is that to get to the feel of that and if you call it as a trial or whatever it is, I made it as the E-lounge with all these facilities. Both are in the state of Punjab, one is in Faridkot and the other in Ludhiana. The digital is going to be one of the strong point for the bank in the days to come.

Ashok Ajmera: So the parting question on the Treasury book, on the AFS book. The pressure you see in the margin, now the interest rates are hardening up. Where do you see your Treasury income? It has already come down in this quarter.

S Krishnan: Income has come down, but still I'm safe. My M-duration has come down substantially. I'm managing the M-duration weekends hence the hit may not be there much. I may not go to the negative trajectory but the profit has come down. You know the market and how the market is today itself.

Ashok Ajmera: So you can absorb 50bps to 70bps if it goes in June, further hardening.

S Krishnan: I'll come back to you on that.

Ashok Ajmera: Thank you sir and all the best to you.

S Krishnan: Thank you.

Moderator: Thank you Mr Ajmera. If you have any further questions, you may join the queue. If anyone has a question, please raise your hand, or use a chat box or Q & A box to ask a question. Alternatively, if you aren't able to use any kind of controls you can always WhatsApp me your question and I'll be more than happy to take it. Our next question is from Mr. Devesh Kasliwal. Request you to please unmute yourself and introduce yourself before asking the question.

Devesh Kasliwal: Thank you. Good Afternoon, sir. I just wanted to have a bright idea about the current accounts that we have that can actually going forward convert into NPAs and are these significantly large accounts are these smaller ones looking at the future prospect?

S Krishnan: I don't have big accounts, which will be slipping as such. In fact, if you look into my SMA book, my SMA 2, which is 60 days delinquent, is very small. That is itself around Rs.266 crore for the Bank. So that is negligible. I don't have much of big accounts.

Devesh Kasliwal: So basically you don't have that much of a risk of NPA shooting up.

S Krishnan: Yes, I don't expect.

Devesh Kasliwal: And another thing that I wanted to ask is, like, what are the measures that we are undertaking to expand in the rural or semi urban areas because there are a lot of micro finance firms that are spouting largely. So, like, those firms might be a threat to us. So, what type of strategy are we using to expand our business over there?

S Krishnan: I don't look at micro finance as a threat to me, basically, but, your 1st question of what are the strategies that I have to tap more business from these areas. If you look into my great advantage is the network in these areas. Apart from that, the bank is also working on expanding its BC model. Today as per the RBI guidelines even the BC is an outlet. So, we are working on expanding the BC network to a greater extent where I will be able to reach the last mile and serve them and tap the business.

Devesh Kasliwal: Okay, thanks a lot for answering the questions. I'll get back to you if I have any more questions.

Moderator: Thank you Mr Kasliwal. Our next question is from Mr Nitesh Bhanushali. Please go ahead, unmute yourself and ask your question.

Nitesh Bhanushali: Congratulations on such great results. So my question is around cost to income ratio. The numbers are higher than 60%. So where do we target to bring that number in next coming years, because we believe in expanding and what I heard that we believe that the profitability will expand also at a greater pace. So do we expect the numbers to grow up or we'll have some control on it.

S Krishnan: When I say I will be expanding, my expansion will be mostly on the digital mode now. Now, if you look into both the place where I have a plan to have the digital banking unit, which are currently in the name of the e-lounge they are basically Tier II cities. So going forward, the cost of acquisition of the customer through the digital mode is much cheaper than cost of acquiring the customer through a brick and mortar. So what I will be doing is I will be leveraging the technology reduce the cost and I'll be expanding my customer base and reducing the cost. This is the business strategy. The other strategy is for increasing the income. Increasing the income comes by way of, as this bank's business model is mostly of the plain vanilla banking, mostly interest income. The non interest income is of small portion where there is a good scope for the third party products. The 3rd party products has also started yielding. With the introduction of the digital, I may be able to onboard some of the partners where I can get the non interest income. With this, I expect that my cost will be reduced on the 1 hand and on the other hand, my income will increase. Thus the ratio will come down.

Nitesh Bhanushali: Understood sir. On the GNPA, even after such reduction it is around 12%. So, where do we want to put the number, is it in the 5% to 10% range and something like that? You do you have any strategies to bring that that thing also down?

S Krishnan: It will come down below at around 11% to 10% in a year's time easily. It can come down, if you look into the cushion that I have and other things it can come down and there are also some of the accounts, their recovery, if you look into, the recovery is one of the good in my bank. So, I expect that it will come down to around 10% to 11%.

Nitesh Bhanushali: Thanks for your time. I'm done with my questions.

Moderator: Thank you Mr. Bhanushali. Our next question is from Mr. Tejpal Jain. Mr.Jain, I request you to unmute yourself and go ahead and ask your question.

Tejpal Jain: Good evening sir and my congrats for good set of numbers. I've got 2 questions, first is which are the big account that can convert to NPA currently.

S Krishnan: I don't have bigger accounts which are expected to become NPA.

Nitesh Bhanushali: And sir, given the fact that the inflation rate is going quite high, how do you see the retail portfolio shaping up going forward?

S Krishnan: This is a macro level inflation. I hope that all are taking necessary steps. Basically if you look into the retail people, by and large, though, there are inflation, but I think, they try hard, as far as the credit discipline is concerned. I was telling that the credit discipline is very good in our country but there will be certain strain if the inflation is very high. If they are not able to generate the cash, cash flow is affected, but inflation alone is not going to stop all those things. There will be activities, I expect that now the pandemic being behind us, the last year we had a hell of that time. Now that it

is almost over, I hope that the activities will be back to the normal and we will be able to face these challenges.

Nitesh Bhanushali: Internally what target we have set going forward.

S Krishnan: As far as credit is concerned that we will be growing around 8% to 10%.

Nitesh Bhanushali: Any major RBI policy that you think, will be shaping up the credit and the deposit.

S Krishnan: I don't expect as of now.

Nitesh Bhanushali: Okay, thank you. That's it for my side.

Moderator: If anyone wants to ask a question, please use the raise of hands tool on your tool bar, or you can use the chat box to ask you a question. Alternatively, you can also Whatsapp me if you have any questions. Can we give it a moment? Mr. Ajmera, your hand is still raised, if you have a question you can go ahead and ask.

Ashok Ajmera: Basically on the Treasury part, how are we planning now this current year? Because a lot of things are happening you know, 40bps has already hardened up. RBI has already signalled today that we did not want to give a shock in June that is why we have raised this rate in between. So, what is our planning, because unless you simultaneously grow your loan you are not going to be anywhere.

S Krishnan: I agree. As I said there'll be credit growth and as far as credit growth is concerned for me, the funds is not a tension, the capital is not a tension. My CD ratio is around 69% to 70%. I still have a good scope to increase. As far as the treasury numbers and other things are concerned. I will ask my GM treasury to be in touch with you. Okay.

Ashok Ajmera: Now sir, something on this NCLT resolution would you like to throw some light on what is in the pipeline and how much recovery can we get from some of those resolution accounts and the kind of provisioning we have done on the accounts already under resolution in the note number 10. How much percentage of this can further slip?

S Krishnan: As far as the NCLT is concerned, I have made a provision of around 96%, it's almost as good as 100%. If you talk about RBI list 1, list 2 and the cases filed by our bank, all 100% has been done and the overall average comes to 96%. We also find that that where we have not done there's a good scope and there is no need also. We have slowly built. So we don't expect much stress from that point of view. As far as the resolution which is expected, is a question which nobody will be able to answer at this point in time. We hope that there will be a reasonable recovery during FY 22-23.

Ashok Ajmera: A feeling is dropping in among the bankers that NCLT route is not yielding the kind of result which it was expected, except the initial few large account, which have been settled and more and more bankers are going toward the at one time settlement / negotiated settlement rather than going to NCLT and then waiting for not only 270 days, but beyond that. So, what is your policy?

S Krishnan: See 1 thing is, as far as my bank is concerned, my large ticket accounts now left out which are likely to go there are as good as nil. As of now, I don't find that any big account is likely to create me a problem of knocking the doors of NCLT as of now. So, that question does not come to me now, but these are individual cases and the banks will be taking a call keeping in mind the time value of money.

Ashok Ajmera: And what is the status of NARCL. Any change in the account which was identified to be transferred to NARCL.

S Krishnan: As of now it is the same. As and when it starts it will be changed.

Ashok Ajmera: In this quarter something is expected?

S Krishnan: Yes, expected.

Ashok Ajmera: CASA, the base is still very low. Though the growth is there in that like 32.63% to 33.81% so, what are the long term plan to make it as a Pan India kind of a thing and exploring some market for increasing our CASA.

S Krishnan: As you observe that the CASA has improved though it may look at the lower pace, but again, if you look into our CASA are the real retail CASA. My strategy, now we will be expanding to the territory where I'm not present. The bank is working on expanding the network, particularly to the places where we don't have a presence, rationalisation of some of the places where I have and going forward, I strongly believe that we'll be focusing more on digital unit than the brick and mortar.

Ashok Ajmera: All right, thank you very much and all the best.

Moderator: Thank you for your question. Since there are no further questions, I would like to hand over to the management for closing remarks. Over to you sir for your closing remarks.

S Krishnan: My analyst friends, thank you very much for sparing your valuable time. I'm sure that whatever clarifications were required, we were able to provide. I can see that the bank has demonstrated good results in the past 5 to 6 quarters, we'll be doing better and hope to meet you in the next quarter with good results. Thank you very much.