"Punjab & Sind Bank Q4 FY-24 Earnings Conference Call"

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MANAGEMENT: **Shri Swarup Kumar Saha, Managing Director and Chief Executive Officer**

Shri Ravi Mehra, Executive Director

Shri Arnab Goswamy, Chief Financial Officer

MODERATOR: Ms. Shilpa Abraham

Moderator - Good afternoon, ladies, and gentlemen. I am Shilpa Abraham, the moderator for today's earnings call. I welcome and thank each one of you for joining us today for the Annual Financial Results of Punjab & Sind Bank. Please note that this conference is being recorded and all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the opening remarks by the management. Should you need any assistance during the conference call, please raise your hand on the Webex panel or press *3# on your phone.

I would now like to introduce the management of Punjab & Sind Bank. We have with us today, Managing Director and Chief Executive Officer, Shri Swarup Kumar Saha, Executive Director, Shri Ravi Mehra and Chief Financial Officer, Shri. Arnab Goswamy. I would now like to hand the conference over to Shri Swarup Kumar Saha, MD and CEO of Punjab & Sind Bank for the opening remarks, after which we will have the forum open for the interactive Q & A session. Thank you, and over to you, sir.

Swarup Kumar Saha: Thank you Shilpa and good afternoon everybody for having joined this analyst meet and concall for the Q4 results of Punjab & Sind Bank. I know that the results have been declared on Friday and then subsequently the presentation has also been uploaded on the website of the Bank and the Stock Exchanges. I am very sure that most of you must have been able to go through the presentations for the potential question-and-answer session today but to set the context for today's meeting and this call, I just like to mention some of the highlights of the Bank during the year 23-24 and particularly of March quarter.

The business of the Bank grew by 7.72%, advances grew by 6.15%, deposits at 8.89%. I'd like to mention here regarding the deposit growth and the advance growth. It may look that our growth has been muted but we are trying to build up momentum for sustainable growth. On the deposit side, we are now more focused on CASA and retail term deposits, and we have been able to shed bulk deposits to the extent of 5% during this entire year. So that gives us a strong stability on our liability resources. The CASA grew at 5% and, of course, with CASA and the retail term deposit, we like to improve our liability franchise to a larger extent.

As far as the muted advance growth is concerned, yes we are much below par as compared with the industry. We like to mention here that during this year, particularly Q3, we had done the technological upgradation on core banking which takes its time to stabilize. Therefore, we had some spillover effect in the Q4 business also. We also were conscious of our growth in the RAM segments and you will find that our growth in the retail segment has been pretty in line with the industry which is at around 14% plus. However, the agriculture and the MSME segment were a bit muted. On the MSME segment, we are facing competition from the private sector counterparts because of a geographical skewedness in our branches and offices, particularly in the northern part of the country, where the private sector counterparts are much more aggressive. However, that notwithstanding this reason, we need to focus much more on agriculture and MSME. My ED, Mr. Ravi Mehra will be answering those areas of your concern in the Q & A session.

The non-interest income, as I said, that the Bank is moving towards a sustainable growth pattern and we are rejigging our business models. You will find that the non-interest income, again, during the Q4, has grown by 29% And, if I look into the core fee income also, though at a smaller base, but the core fee income also shows a steady growth of over 21%.

The gross slippage ratio has come down. The Gross NPA and Net NPA numbers have significantly reduced to 5.43% and 1.63% respectively. The PCR as of March '24 has improved by 53 bps on a sequential basis at 88.69%. In a sequential basis, the operating and net profit percentage both grew, the operating profit grew by 21.30% and the net profit grew by 21.93%. The overall impact on the profitability of the entire year was primarily due to some specific write-back of provisions that we got in Q4 last year due to recovery in some big-ticket resolutions. That is one of the major reasons where we had significant NPA provision write-back and also, the impact of the spillover impact of the DA neutralization that has happened in Q4. During this quarter, we have also done some forward-looking provisions. We will take your questions on those when it comes.

The RAM percentage on the total advances also improved to 51.73%. The recovery-upgradation continued to be robust in the Bank and we followed up last year. We had around Rs.2100 crore of recovery and upgradation last year, which is more or less in line Rs.2085 crore which has been done this year. The SMA asset quality, on the SMA 1 and 2 front, particularly of the above Rs.1 crore category, continues to show a decline and as on March '24, the overall SMA 1 and 2 above Rs.1 crore stands at 0.84% of the overall gross advances. The capital adequacy of the Bank remains healthy at 17.16% as of March '24 with a CET 1 ratio of 14.74%. So, our Bank still remains very, very strongly capitalized and we can build on the platform that we have created.

As far as the new initiatives that the Bank has taken so far, as I said in my opening remarks that the Bank has been investing heavily in technology. Over the last five years, we have invested around Rs.800 crore in information technology systems and in the next three years we expect to invest another Rs.500 crore on various technology requirements. We also did a lot of capacity-building exercises, which was identified as a key area which need to be looked into. So, the capacity building exercises are also being done. We have recruited CXOs from our various positions and now we are also moving into the other areas of capacity building.

In terms of branch expansion, as we said earlier, the Bank would continue to focus on branch expansion and we have been able to add around 42-odd branches over the last two years. We intend to increase another 100 branches in the current year. We have strengthened our CASA vertical for liability resources and that is paying good dividends for us. We intend to play strongly on how to improve our CASA and have a penetration in the institutional CASA accounts all over the country.

The fee income vertical also has been strengthened and that is showing good results so far. As you see, back-to-back, in the last two years, we have been able to show reasonable good growth in the fee income vertical. We're also working very closely on how to procure defense accounts. We have appointed an advisor on defense accounts and going forward we hope that we'll be able to track some of the accounts related with defense establishments.

Now we are in a stronger IT platform and we have also upgraded our treasury platform. While the system has stabilized to a large extent, some minor hiccups were there. Now we find that over the last two, three months, things have stabilized to a large extent. Therefore, we are going to improve our value-added services in our digital app, which is PSB UnIC and we will be taking lot more initiatives on various areas.

So that is my opening remarks from my side. And now I'm open to the Q & A session. Over to you, Shilpa.

Moderator - Thank you, sir. We will now begin the Q & A session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question is from Ms. Mamta, an individual investor. Sir, her question is what is the Opex growth, and can you quantify how much is staff expenses and other expenses? Second, what is the loan-to-deposit ratio for Q4 and what is the target for FY '25?

Swarup Kumar Saha - Okay. So, I'll take the second part and then move to the first part. The CD ratio of the Bank was 71.99%, nearly 72% in Q4, and we intend to bring it at the level of 73% to 74% going forward. So that is the second part of the question.

The first part was on the operating expenses. If you see Slide 18 in our presentation, the operating expenses for the quarter was Rs.766 crore. It has actually gone down from Rs.824 crore in quarter ended December '23. For the entire year, the operating expenses was at Rs.2931 crore.

The establishment cost for the quarter is at Rs.513 crore and compared to Q3 the establishment expenses dipped from Rs.547 crore to Rs.513 crore. However, overall, the establishment cost increased from Rs.1544 crore to Rs.1944 crore i.e. by Rs.400 crore increase for the entire year. This is particularly due to the impact of the wage revision.

Moderator - Thank you, sir. Our next question is from the line of Mr. Ashok Ajmera from Ajcon Global Services. Sir, please go ahead with your question.

Ashok Ajmera - Thanks for the opportunity. Yes, sir, definitely, the results as far as the profitability is concerned for the quarter are very good. I mean, the both the operating profit and net profit are higher than the last quarter. But my concern, as you also raised in your opening remarks, is mainly on the growth prospects of the Bank. The credit growth of just 6%. This quarter, of course, it has been little better. RAM also is now 51.73% and Corporate book 48.27%. Whereas other banks are going for much higher RAM and rapidly expanding the business, as well as the corporate book also, especially the MSME. What I feel is that the Bank's lending infrastructure, not necessarily only digital, even the manual, the underwriting, we have to go a little above the board to appraise the proposals, whether small or MSME. If we take the right call on that, take little risk also, because ultimately from MSME we are going to get a big chunk of business. We have to compete with the private sector bank, I understand, and other public sector banks but this is where we can put in more efforts, so that we can get good results. This is my first question.

Swarup Kumar Saha - Yes, I appreciate your point Mr. Ajmera, and whatever you have informed is quite practical and those are the areas which we need to work upon. I request my ED, Mr. Mehra to address your concerns about the lending infrastructure in the Bank.

Ravi Mehra - Sir, very rightly said by you that our growth is muted in the advances side and not as per the expectations. But there are a few things which we need to take into consideration. First is that as what MD sir told in the opening remarks that we are rebalancing our portfolio, moving from corporate to RAM segment and once we shift towards RAM segment, the quantum jump generally is not seen in that context as compared to the corporate.

Secondly, recently, last year, we have moved our entire RAM segment portfolio to the backend processing center. So when such kind of structural and transformational changes take place in a bank, sometimes the things get slowed down. Earlier we were doing all the things manually, now the things have been moved to LOS. Each and every proposal, barring very low value loan accounts, be it Retail, Agri or MSME, has been moved to the back end. So, things will take some time to settle down.

Secondly, in October, we migrated to Finacle 10 platform as well. So, such technological changes, which totally change the platform, also need some stabilization time. That is why we could not grow this year. But definitely, as you said, besides all things, we need to grow and this year we need to work on all the product optimization and whatever we want to do to be in line with the industry benchmarks.

Ashok Ajmera - What is the target you give on credit this year, FY '25?

Ravi Mehra - Sir, basically, we are targeting a growth of around 10% to 12% for the credit with RAM segment somewhere around 14%. Under the RAM segment, MSME will be somewhere around 13% - 14%, Agri will be somewhere around 8% - 10% and in Retail we are almost at the industry level of 14% or around 15%. Under the overall RAM segment, we are exploring co-lending platform, adding more partners to that and bringing digital sanctions as well. So, this is our guidance for this year.

Ashok Ajmera - Sir, now I come to some specific points of information. Number one is that you said, sir, that overall, our employee cost has increased by Rs.400 crore from Rs.1544 crore to Rs.1944 crore because of the wage revision and some of these other factors. So, going forward, what will be the run rate on employees cost on a monthly or quarterly basis?

Swarup Kumar Saha – Yes, in fact, the cost will be moderated and whatever cost has been borne in FY '23- '24, we'll have a lesser cost in the overall macro picture. Overall, lesser cost during '24-'25 on establishment. We'll be saving some amount of money on this.

Ashok Ajmera - Alright. Sir, on note number 9b, NPA account had been transferred, one account for Rs.14.83 crore outstanding and consideration Rs.1.67 crore, we have received cash of only Rs.0.25 crore. It is sold to the ARC. Is it NARCL or which ARC?

Swarup Kumar Saha – Yes, this is the resolution under NCLT for a corporate account.

Ashok Ajmera - Why have we not received the SR so far? It is said that SR is yet to be received.

Mahima Agarwal - We have received SR in that now, sir.

Ashok Ajmera – I ask because generally these are simultaneous transactions actually.

Swarup Kumar Saha - No, there is some lag effect. Now we have received.

Ashok Ajmera - Sir, this another notes of the stressed loan, NPA and SMA, there are three accounts, Rs.186.30 crore. The consideration is Rs.134 crore. So, this is all cash consideration?

Swarup Kumar Saha - Yeah. All 100% cash sold to an ARC.

Ashok Ajmera - They said that was power and water

Swarup Kumar Saha - Yes

Ashok Ajmera - Okay

Swarup Kumar Saha - The news was in the public domain and we got one of the best recoveries in the industry, by the way

Ashok Ajmera - Yes. I understand, sir. Thank you.

Swarup Kumar Saha - Thank you, sir.

Moderator - Sir, our next question is from the line of Ms.Palak from Elara Securities. Can you give the breakup of slippages and what is the total return of pool, of which how much is NCLT and non-NCLT?

Swarup Kumar Saha - The slippages breakup is in slide number 16. Out of the overall slippages of Rs.370 crore, retail slippage is at Rs.60 crore, Agriculture was Rs.184 crore, MSME was Rs.115 crore and corporate and others was Rs.11 crore.

Moderator - Okay. Thank you, sir. Our next question is from the line of Mr. Sushil Choksey. Sir, please go ahead with your question.

Sushil Choksey – Thank you for the analyst call and giving me the opportunity to ask questions. Sir, I heard your remark about the growth pattern, the technology upgradation and all the changes, including the cost which had gone up, led by human resource under the IBA, the norms which you provided. Now, looking at our current structure, will only technology and upgradation and reforms of moving to back-office is going to change the future outlook or there is something more dramatic needs to be done?

Swarup Kumar Saha - Yeah. Thank you for the question, Mr. Choksey. I think there are two ways of looking into things. One is we need to grow, and the second part, we need to grow qualitatively. We have to address these issues simultaneously. The transformations or structural changes happen, keeping in mind both these considerations, we need to implement. So while we moved to the back office structure, it is important to assure from the regulatory perspective also to segregate the sourcing and sanctioning of loans. So that is a regulatory issue and it also gives lot of quality. In fact, we find that since we have implemented this back-office structure in the Bank, the delinquency and the SMA levels is bare minimum in this structure. So, we have learned from our past history, legacy loan book, and the ways we did our credit delivery. That structure has to be implemented both as a part from a regulatory point of view and also from the qualitative point of view. We are planning more such transformation exercises. One, of course, is opening the back office structure for opening of CASA accounts. We're going to build and also, we'll follow it up with the implementation of the Tab banking for customer acquisition. So there, again, we will be having certain work for us to do.

We are also going to enter into the Forex trade finance module, which is a task that we have taken on ourselves and our Forex business also needs to be looked into in a much more granular fashion. We have very limited Forex business. Though our treasury is quite effective in terms of treasury functioning. However, the Forex business as such has not been caught up. So, we require a lot of technological interventions for that. The first stage was to have the core banking and the treasury solution getting upgraded and the next step is creation of back-office structures for the Forex business and also create the Forex module for trade finance, which many of my competitor banks are offering.

On the technology front, as I said, that we intend to invest heavily in information technology. We have already invested Rs.800 crore over the last five years. We intend to invest another Rs.500 crore over the next three years, including one of our critical projects of a data warehouse, which is a long project with gestation period of around 36 to 48 months, but it is very essential for the Bank. So, we are going to venture into that by investing in that data warehouse project, which will also give lot of insights in the data part and customization and then move on AI/ML subsequently. So those are some of the transformation projects that we need to implement.

To answer the second part, how do we manage the growth? Yes, if you see FY 22-23, we had a decent growth in line with the industry. FY 23-24, we had the factors of external movement of the interest rates very aggressively and with a CASA ratio of around 31% to 32%, managing liability resources and managing LCR as per the regulatory guidelines, becomes a challenge for banks of our size and network. So, we had to rebalance our portfolio very efficiently and quickly when the interest rates moved very significantly. So, while we are sacrificing growth at this point of time, maybe we are not at par with the industry and maybe your analysis of us will not be favorable for the Bank but we also need to appreciate the point that it is important for an organization to have a sustainable growth. I am very sure with some of the banks having grown very effectively and efficiently, but with a differential of more than 5% to 7% between credit and deposit growth, I'm not very sure whether those growth stories will remain sustainable going forward.

As far as our book is concerned, we are, as Mr. Ajmera has said, at a low base. We acknowledge that fact and we need to grow faster on a qualitative basis. So, we are rejigging our entire structure, our entire business processes, bringing in changes for quicker delivery of loans, renewals, and review of accounts. We are bringing in systemic review and renewals of term loans and working capital, so that that repetitive work goes away from the branch and they can concentrate on core business. We are going to revamp our call center. That is another area where we are strongly focusing on because today call center also becomes a profit center, both from the monitoring aspect and also on customer acquisition & lead management and we have a one-year project for revamping our call center.

So, keeping all this in mind, these are some of the steps, the fundamental steps which we are building into our system. Though, we are late, and these things have been implemented in many banks much earlier, but we are now working in this direction to build those platforms where we can have much more sustainable growth.

As regards branch expansion, we intend to expand very strongly in our branch network, ATM network and BCs. Another area where we are strongly working on is implementation of the BC network in the Bank. A few years ago, we had 357 BCs. Today we are having 1,709 BCs. By the end of this financial year of March '25, we intend to have 4,000 BCs in the Bank and by '26, we intend to have 6,000 BCs in the Bank. So, this is another area which will help both on the acquisition side and monitoring side. I'm very sure if we can implement these sorts of structural processes in the Bank efficiently, the Bank will have a stronger platform for a healthier growth in the future.

Sushil Choksey - Sir, I have noted your comment on a positive side, led by all the Capex, digital initiative, call center, back office, processing changes. But technology can be bought, whereas human resource, whether it's top to bottom or bottom to top, if that is not aligned with technology, your entire effort may go futile or take longer. So, what have we done, where human resource integrates with the updated technology, so people transform, bank transforms and the shareholders also get transformed, which is predominantly Government of India with the holding they have. Second question is on your current treasury, it should be a big benefit because today I see the positive side because of your holding. Maybe because of the inclusion in global indices, a treasury should give you a substantial profit. Third is, despite all your efforts and challenges, in the current tenure of Sh.Ravi Mehra and yourself, do you see cost to income going towards 50%, 55%?

Swarup Kumar Saha – Yes. All very important questions, Mr. Choksey. Thank you. I appreciate your questions. Firstly, we have got four CXOs; CFO, the CCO, the CRO and the CTO in the Bank on a different recruitment methodology which will add value to my key positions in the Bank. Number one.

Number two, lot of focus has now been given on trainings of our staff members, both in India and abroad. We have identified people, top executives in the Bank who deserve further training and who can be groomed as future leaders in the industry. We are also an effective part of the overall DFS and FSIB initiative regarding grooming of DGMs and GMs on the industry-wise pattern that all public sector banks are working on. Today morning itself, I was attending one training program for the zonal heads on leadership development with a very, very reputed institute in NCR. There again, we are trying to project that the capacity building of our people has become very, very important. Internally also, we will be recruiting much more specialized positions in the Bank. We have identified those positions at various levels from scale 2 to scale 5. We have taken the necessary Board approvals for that, but because of the code of conduct issues, we have not been able to go to the market for advertising those recruitments. So as soon as the code of conduct ends, you will find a lot of activity going on in terms of recruitment at specialized positions, particularly where domain knowledge becomes a very key factor. So yes, we are very much focused. We understand that IT and HR together are the two pillars of banking financial sector. So, we are giving very much a lot of importance on that.

Regarding treasury, as I said in my remark also, I know that treasury can become a game changer for any organization and that way there again we are building capacities. If you find on a comparative degree, analyzed our performance on yield on investments compared to other banks, we stand fairly well in terms of our comparison on the yield on investments compared to other banks. Though a smaller treasury, but we are effectively managing it. As I already mentioned, we are now focused on the Forex business, particularly because we have opportunities on Forex business. So, if you can build platforms for Forex business and bring in expertise in the treasury, in the authorized dealer branches, I think we can give good returns and my team can get returns there.

And your last question was on cost to income ratio. Yes, the Bank has a legacy of the higher cost-to-income ratio. We were able to pull it back a bit in '22-'23 from 65% to 62% but due to the wage impact that we have this year, the cost-to-income ratio annually has moved up to 72%. For the quarter four, we have been able to pull it back below 70% but that's not a comfort that we are relying on.

Going forward, as you said, whether in my tenure or Mr. Mehra's tenure, the cost- to-income ratio will come back to 50% to 55% range. I don't predict that range at this point of time, but we surely predict that this will be below 60% in another two years' time.

Sushil Choksey – Sir, with our indices getting included in JP Morgan and Bloomberg, India is likely to be have a bonanza or not, that only time will say, where the inflows are concerned. How are we positioned to capitalize on the treasury book which we have, on one side? The other side is, I've asked this question to most of these big banks, peer banks and PSU banks. The inflows will have to be managed, whether it is Forex participant, the kind of paper you own. Have we done any internal exercise to maximize the profit out of the holdings that we have?

Swarup Kumar Saha - To a little extent, yes, not to the maximum extent that you expect. See, first of all, we are going through the transition on this new investment policy of the RBI. So, all of the banks, you must be also knowing, have now rejigged their portfolio and have made the required changes as per the new treasury guidelines, which is to be implemented from April 1. We have also now rebalanced our portfolio and I'm certain you must be all knowing what are the key areas of differentiating between two policies before and after. As for now, since we are allowed once for shifting of securities under the new treasury guidelines, we have shifted part of the securities to the trading book, and we expect that there will be a rate cut sooner or later, maybe second half of the year, we will be able to generate some income there.

But the other side is that the fluctuation due to the MTM on the treasury book, which was earlier creating some conflict in the overall scheme of things, has eased out. So, the MTMs will now be part of the overall reserves of either HTM or AFS, and therefore, the balance sheet will look much steadier, if not healthier.

With respect to your specific question on whether we have done any homework on building this portfolio, since it's just a transition stage that we are in, as the policy has been implemented only a month and a half back. The markets have moved in a different direction so far, which we were expecting a month ago. So therefore, we are observing this trend very closely in our treasury books and, maybe, as we go forward and build up our capacity in our treasury department, as I was mentioning a few moments ago, we will be able to capture more and more possibilities that come out of this new region. How that JP Morgan Index will impact our portfolio, that time will say and we are not in a position to comment on that but we will be looking out for opportunities so that my treasury department will give more returns to the Bank in the present circumstances.

Moderator - Thank you, sir. We have a follow-up question from Mr. Ajmera. Sir, please go ahead with your question.

Ashok Ajmera - Sir, I have just a couple of specific questions. Sir, looking at our size of the Bank, RBI levying a penalty of Rs.2 crore in the whole year and Rs.1 crore in this quarter is a very, very big amount for us. So, why this penalty has been imposed and what corrective measures are taken to avoid these kinds of penalties in future? Note number 16

Swarup Kumar Saha - Yeah. The penalty that was imposed on the Bank that you are referring to, has been industry-wise penalties that have been imposed on all banks who have an exposure to a particular state government account. RBI thought differently on certain regulatory issues. The account is standard and there is no default in the account but in terms of RBI's scheme of things, they felt that the Bank should have been more careful in selecting the borrower and understanding their cash flow. So, it is not a one-off case that has happened with our Bank only. It is an industry-wise penalty that has been imposed on all banks which have exposure in that government account. It's a state government account.

Ashok Ajmera - So it's a one-off only for us

Swarup Kumar Saha - Yes, it's a one-off only.

Ashok Ajmera - Sir, in note number 14, on these two accounts which are under litigation, funded exposure is Rs.119 crore. Adequate provision has been made. So, what is that adequate provision amount out of this Rs.119.28 crore?

Swarup Kumar Saha - We have provided 40% in the first account. The second one is a small account of Rs.5 crore which is also adequately provided for. Major account is that one mid-corporate account which we have been declaring consistently. So if the account slips also, we are adequately provided at this point of time.

Ashok Ajmera - Sir, what is our total portfolio of written-off or AUCA accounts in aggregate and how much annual recovery target we have to recover from that written-off accounts?

Swarup Kumar Saha – The overall portfolio is around Rs.7200 crore. Last year, we had a recovery of around Rs.758 crore and this year we intend to have a recovery in Technical Write off accounts of Rs.500 crore. Overall, we intend to have a recovery upgradation of Rs.1500 crore

Ashok Ajmera - Including this Rs.500 crore?

Swarup Kumar Saha - Yes, as a bank of our size, the major accounts are getting resolved one by one. Last year, we kept a guidance of Rs.2000 crore overall and we achieved them. This year, we only have one or two big accounts under resolution with the NCLT/NARCL. So that's why the opportunity of recovery will be a bit less than last year.

Ashok Ajmera - Sir, when do you expect this, our gross NPA coming down below 5%?

Swarup Kumar Saha - This year itself. Very soon.

Ashok Ajmera - Very soon. In fact, last year also we were hoping this year which concluded that.

Swarup Kumar Saha - See, we appreciate the point. Last two quarters we have not resorted to technical write-offs which many banks normally do. We have also done in the past, but we feel that we still have room on that. So, it's just a matter of balance sheet management when we take the call and bring it to below 5%.

Ashok Ajmera - How much is our project loan portfolio which will get attracted if these RBI guidelines get implemented?

Swarup Kumar Saha - We have assessed that portfolio. I think you are more concerned with the provision impact than the actual number.

Ashok Ajmera – Yes, so if the total is about 15,000, I mean, including all infra and everything. So out of that, how much is project loan?

Swarup Kumar Saha - We have done some analysis there. There are various phases of this RBI circular. One talks of borrowers falling under operational phase, where the balance outstanding is more than 80% of the limit. Other is where the balance outstanding is less than 80% of the limit and there is another phase called the construction phase. Overall, the figure will be around Rs.5000 crore on the balance outstanding and the impact which we foresee is around Rs.100 crore, provided RBI brings the circular as it is. We expect that some moderation may happen but, overall, we feel that such the operational phase if we take the operational phase into consideration, the impact would be around Rs.100 crore-odd.

Ashok Ajmera - For extra provision, yes.

Swarup Kumar Saha - There are other considerations in this area. Accounts which are under construction, which has not been disbursed so far. So, we don't know when these disbursements will happen. Rs.100 crore is for projects which have been disbursed and the projects have been made operational. Some projects are under dispersal, and we don't know the actual drawing of the loans. So, if I take that on a rough back-of-the-envelope calculation, if I include that, another Rs.40 crore to Rs.50 crore may add up, depending on when the actual disbursements happen. The provision will be actually on the outstanding. It is very difficult to predict at this point of time. So, we are looking at an overall Rs.150 crore of impact for the current year.

Ashok Ajmera - So with the kind of planning, your CD ratio is already 71.99%. Up to what CD ratio you will be comfortable if your loan book growth

Swarup Kumar Saha - We will be comfortable between 72% to 74%. We'll average out ourselves accordingly. We are already at 72%. So, 73% would be a fair enough CD ratio for us.

Ashok Ajmera - And sir, one last question in this round. A lot of banks, including all the public sector bank treasury who are dealing in the equity treasury, they have made lot of good handsome money from the IPOs, investing into the IPO, whether SME or a main board. Do we have any figure or number that are we number one, are active in that area? And if yes, how much profit have we made on that?

Swarup Kumar Saha - Mr. Ajmera, we also do a bit in our in equity profits. I think we have done around Rs.17 crore of income on equity.

Ashok Ajmera - That's good.

Swarup Kumar Saha - That's through IPO only

Ashok Ajmera - Through IPO only. Compared to other Bank's, we made a decent amount looking at our size.

Swarup Kumar Saha - 4x times, depending on the size of the book.

Ashok Ajmera - Yeah. Of course. Okay, sir. Thank you very much and all the very best, sir.

Swarup Kumar Saha - Thank you Ajmera. Thank you very much

Moderator - Thank you, sir. Our next question is from Ms. Shivani Kumar, an Individual Investor. Ma'am, please go ahead with your question.

Shivani Kumar - My question is, what is your opinion on recent RBI draft guidelines on project finance which requires a higher provisioning by lenders? Also, what is our exposure there and would there be any impact on our Bank?

Swarup Kumar Saha - The overall impact in terms of provisioning we look into at around Rs.150 crore. The book which is involved in this is around Rs.6500 crore and if RBI brings the circular in total as the draft circular envisages, many granular calculations will be done on this front.

Moderator - Thank you, sir. We have a follow-up question from Mr. Choksey. Sir, request you to please go ahead with your question.

Sushil Choksey – Are we doing any synergy with any of the participants like foreign brokerage houses or PDs or anybody where we get maximum capitalization on buy/sell as well as FX trades?

Swarup Kumar Saha - Not yet. We have to reach to that level in our operations of treasury but if you ask me separately, these things are in mind. We have to build up some of our people to manage this sort of dealings and move steadily but surely in this direction. This is why I'm also recruiting some specialists in treasury and Forex going forward, just to take these things as a part of their business strategies.

Sushil Choksey - Sir, you highlighted a lot of initiatives for processes, human resource. How are we rectifying the business segment where RAM is concerned and detail is concerned, whereby the CD ratio moving up from 71% to 73% or 74%, we have hardly any appetite left for large businesses and large-ticket loans? So, the only way you can earn a super profit is your RAM segment or retail segment which gives you a sustainable profit. I see, year-on-year your Home Loan portfolio has not done in sync with the Bank's balance sheet. So, I suppose these two segments is somewhere where you'll have to look at a larger because that pie is larger and your NBFC/HFC is almost at a cap sector and the reputation in retail and RAM is the most essential part of a good partner in the Bank. And that partner in the bank, if it's not existing, then the customer is not going to become the first point of contact.

Swarup Kumar Saha - Yeah, I appreciate your point Mr. Choksey, and we'll keep this in mind in our future strategies. In terms of income generation, we will be focusing in various areas on personal loan also which will give me higher returns. On the MSME segment, we have one of the very important product that is helping us, is the GST ease loan, where our delinquency is at a bare minimum, and we are getting lot of good vibes in terms of our portfolio growth in GST. That is where we will be focusing on for our capitalizing on the yield on returns on our assets book. So, we have plans for that and we are also moving into the co-lending segment very strongly, both on the retail and MSME side. We have already built a book of Rs.2300 crore, retail plus MSME. We intend to build this book to Rs.4000 crore by the end of the current year. Our experience on co-lending has been very good and satisfactory. So, we think now that we will be able to build on the platform.

The way we are doing our underwriting in the co-lending segment under the RBI guidelines has paying off well. So, we will be working very strongly on the co- lending front where we can look into high-yielding assets. Also, because at the present juncture where RBI is putting some restrictions on NBFC regarding gold loans, we are observing that area also because that is a potential area for us. Our gold loan portfolio is also showing healthy growth and we have put in checks and balances for quality growth. So gold loan again gives us either on the standalone basis growth or on a co-lending side. Both will give us good yields in terms of our growth. So, point well taken. Housing loan will have a different connotation, but the other areas we will also focus strongly. In fact, our gold loan portfolio is growing at 27% at a lower base. So, we have a strong area of growth, which we will pursue in the current year as well.

Sushil Choksey - Sir, all the best in all the aspirations which you have at Punjab Sind along with your management team.

Swarup Kumar Saha – Thank you

Moderator – Thank you sir. We have one last question from Ms. Maira Mittal, an individual investor. Her question is, is it possible to move to a lower tax regime for FY '26?

Mahima Agarwal – We will decide on this based on the Bank's performance during the year.

Moderator- Thank you, sir. As there are no further questions from the participants, we now conclude this conference. Thank you.

Swarup Kumar Saha - Thank you, Shilpa, and thank you all participants for joining this concall. Thank you