



“Punjab & Sind Bank's Meeting with Analysts and Investors”

November 15, 2022

Management: **Shri Swarup Kumar Saha, Managing Director and Chief
Executive Officer**
Shri Kollegal V Raghavendra, Executive Director
Dr Ram Jass Yadav, Executive Director
Ms Mahima Agarwal, Chief Financial Officer

Mahima Agarwal: Good afternoon all. Myself, Mahima Agarwal, CFO of Punjab & Sind Bank, I welcome all the analysts present today on behalf of Punjab & Sind Bank.

On the dias, we have our M.D. and CEO Sir – Sh. Swarup Kumar Saha; ED sir – Sh. K V Raghavendra; ED – Dr. Ram Jass Yadav alongwith our GMs.

Our M.D. and CEO sir will give a Brief Presentation followed by the Questions & Answers. Now, I will request M.D. and CEO sir to please carry forward.

Swarup Kumar Saha: Good afternoon everybody. On behalf on Punjab & Sind Bank, we welcome you all to this Analyst Meet on the Q2 and the Half Yearly Performance of the Bank and it's a pleasure for me to be standing here in front of you in Mumbai and discuss with you the state of affairs of the bank and how we are taking it forward.

It's also a pleasure for me personally to be talking to you amidst one of the stalwarts of the industry. Sir, Narendar ji, thank you for coming. And I am happy to connect with many other people around the industry.

I know you all are having the results with you. So, I will not delve too much into the individual parameters. I'll just go through them in brief and I will leave the questions to you and we'll try to answer the questions as much as possible.

In the opening remarks wkhath I would like to tell you is that the bank is the smallest public sector bank and it had its share of challenges in the past. During the period of March '18 to March '22, the bank was in a consolidation phase. There were a lot of issues on asset quality, on capital adequacy and on the profitability of the bank. So, thanks to the government who had also infused substantial capital in 2021 and 2022 and with the entire team PSB getting into the consolidation phase, the bank was able to make a great turnaround last year with a record profit for the bank of Rs.1039 crore.

Having said that, we are moving into a phase of '22-23 and we have two quarters of consistent performance in terms of efficiency parameters. If you have noticed, our balance sheet is also now incrementally showing some traction on the top line. The top line has grown by around Rs.6000 crore in last two quarters, while in the last four years from '18 to '22, if anybody has analyzed our balance sheet, you will find that the business top line growth was around Rs.1000 crore.

So, we are now well capitalized to take on quality credit growth and based on the capital that we are now having, we have done certain performance matrix. The important point here is that we were able to show consistent net profit growth both on YoY and QoQ basis. Our PCR has increased to 89.10% and we were able to provide additional provisions in our balance sheet of Q2 of Rs.210 crore against another Rs.142 crore we have done in Q1. So, that is the strength we are building on.

On the asset quality front, you will find significant improvement when our gross NPAs come down to 9.67% from 14%-plus a year ago. On the net NPA, we are at 2.24%. So, we intend to work on the asset quality also in a strong way.

I'll just give a backdrop about our credit growth, which I'm very sure will be main area of discussion during the Q&A session, so far has been 9.12%. We started the year in March '22 with a 3.80% credit growth. We increased it to 7.06%. Now, we are at 9.12%. Our deposit has seen 3.27% growth.

Our main strength is now moving into the RAM segment. We are growing at 16%-plus in our RAM segment. These are some of the numbers in the individual segments. The ROA is at 0.84.

In the sequential improvement also, there are certain green shoes that are coming for the bank. Our operating profit as sequential has improved by 26%. The fee income, again, an important parameter for us is at 13.33%.

Our strength is that we like to rebalance our portfolio. Why we are not growing in the past four years was that we were rebalancing our portfolio in between the corporate and the RAM. The corporate was dominant with 55% plus and RAM was 45%. We're trying to reverse that trend, and we are nearly at 52:48 ratio with a bias towards RAM. So, that's what we intend to bring.

In the retail segment, we are working on bringing in new and new products. The bank has now diversified its products. We have brought in on the liability side and also on the asset side. On the on the retail side, we have brought in a new product on the pre-approved personal loan which is driving my personal loan segment of 100% growth, and that is a data analytical based offering and we will be bringing that again to the digital platform in three clicks very shortly, the UATs have been done.

The gold loans also is showing some traction. The core housing loan has touched double-digit so far. So, we'll be focusing on housing loan, vehicle and the personal loan segment. So, in retail and RAM in overall, we expect to grow at 20%, 22%, and our corporate segment we would like to improve to 7% to 8%. The important point in

terms of our asset portfolio is that the AAA rated has improved from 6.85% to 13.23% on Y-o-Y basis and that is giving us encouraging signs that we can have the cushion to expand our corporate credit book on the top-rated accounts. Government guaranteed accounts are at 37.23% and BBB and above is 46.22%. We are having around 83% of our accounts in that category. On the treasury front, we are consistently bringing down our duration portfolio.

The important point here is that we are moving in such a direction that our net interest income has a good YoY growth. We are unable to take strong cuts in the interest rates considering the size of our Bank. The competition that is happening in the industry, particularly also in the PSU segments. So, we are judiciously working on that so our NIM, overall going forward, does not get too much of impact on that. At current September '22 level, we are at a NIM of 3.06%. We are conscious of that. We expect that the NIM should be around 2.92% to 2.95% going forward for the bank.

The provision coverage ratio, we have been able to increase. In spite of additional provision of Rs.210 crore for the quarter, our net profit was Rs.278 crore. We showed a YoY growth of 27% and a sequential growth of 35%. So, that is where we stand and improving our bottom line. If we had not provided that Rs.210 crore extra, our net profit percentage would have grown up much higher.

One of the key numbers is on our cost-to-income ratio. Here again, we'd like to tell you that with 65.57% in Sep '21 to 65.30% in Sep '22, our bank is an outlier in the cost-to-income ratio. We are aware of that and we are addressing the issue.

In spite of the muted return from our investment portfolio due to the market dynamics, we have been able to bring down the cost-to-income ratio by 27 bps YoY and substantially on a QoQ basis.

So, that gives us encouragement that we can do better and we are working on various third-party products. I like to tell you here at this point, that the bank is diversifying into various third-party products to diversify its fee income opportunities. We are going into a co-branding credit card business with one of the largest credit card issuing institutions. We are opening up for wealth management, health standalone business and we are opening up our third-party life insurance for a third partner. So, these all opportunities will give us good traction.

On the reduction of the cost, I have said in my various interactions with others that we're focusing to a large extent on augmenting our salary account base. Two of the

success stories that has happened for the bank, which I'm happy to share with you, is that we have been able to mobilize 10,000-plus salary accounts of Municipal Corporation of Chandigarh and another 14,000 salary accounts of Nagar Nigam of Lucknow. Overall around 25,000 accounts we have been able to mobilize, which gives us the encouragement going forward in this segment. Though a small size bank with limited presence in pan India, geographically skewed presence, we have the skill or ability to penetrate deep into the salary account base of government employees. So, that is an area which we are working on. In fact, if you see our CASA percentage on a YoY basis, has moved from 30% to 33%. So, that is the area which we are working on. So, cost-to-income ratio will be a factor of both cost and income. Our priority will be to increase our income to reduce the cost-income ratio.

Gross NPA, as I already covered, is significantly coming down at 9.6% at this point of time. We expect that going forward we shall bring it below 9%. We have seven accounts amounting to Rs.1590 crore which are under consideration for NARCL. We expect some resolutions to happen and we have certain NCLT accounts for which resolution will happen.

In the small value accounts, we have opened up non-discriminatory scheme which will give the lot of traction in the small value accounts particularly up to Rs.1 crore.

So, overall we have done a recovery of around Rs.700 crore plus in half year. We are very hopeful that with some big resolutions happening and with some small value account settlements happening, we can bring the recovery upgradation figure to beyond Rs.2000 crore in the current year. Our PCR, we have discussed is at 89.16%. Credit cost remains less and our slippage ratio is also very less.

Fresh slippages sequentially increased by Rs.56 crore from Rs.321 crore to Rs.377 crore primarily in the agriculture sector and one mid corporate type of an account in which we have already provided 50%. It is around Rs.70-72 crore of advances, which we have already accounted 50%. What I'm happy to share with you is that out of that Rs.56 crore, we have already recovered Rs.52 crore in the month of October itself and the overall recovery for the month of October has crossed Rs.200 crore already. So, we are focusing on this area very strongly.

On the SMA book of above Rs.5 crore, we have SMA 2 of Rs.288 crore, but this figure has also come down to Rs.210 crore approximately in October 31st, and SMA 1 of Rs.542 crore has also come down to around Rs.340 crore in October. So, though overall it is only 0.74% and 0.39%, but we are strongly monitoring this and

we will be improving our collection efficiency. We will be involving our call centers in future and the expansion of the scope of the call center is under progress. We're also going into expanding our BC network. We didn't have the corporate BC model in the bank. Our total BC network is 327, which we intend to increase to 2000 plus by March '23 and maybe it's 8000 plus in March '24. So, that will improve my collection efficiency also.

Capital, as you all are aware that we supported by the government with substantial capital, and our capital adequacy at this point of time is, we are well capitalized at 15.68%, much above the regulatory requirement.

We're focusing on digital transactions also. A lot of innovations we are bringing in on the digital side. We were late starter there also. We have a PSB UNiC app. We are upgrading that by bringing a lot of value added services. The Google Rating which was at 2.6 in June had improved to a maximum of 4.4 in two months due to various upgrading of the overall onboarding. Now through that, we'll be introducing Online Savings Account, Online Wealth Management Products, Credit Card Products.

A lot of questions come here regarding the plan for the future? We are still a northern-based bank and the pan India presence is limited. So, what we have decided is that now we'll be expanding on a pan India basis and in the first phase we will be opening 25-odd branches primarily in the other segments of the country. We have already opened two in Rajasthan and one in eastern region. We have lined up for another 25 in total for this year, and 25 for the next year.

One of the success stories was also that first time the bank got into this EASE Agenda. As you all are aware that the public sector banks are under reforms agenda called EASE and for last year Punjab & Sind Bank was awarded into two categories, the Top Improvers Award - First Runner Up and Synergistic Collaborations. So, two awards we got for that. Way forward, we'll discuss these in Q&A.

The final slide is on the on the guidance, we still maintain a guidance of deposit growth of 12%, advances growth between 10% and 15%, gross NPA, earlier we had given a guidance of below 10%, we intend to give a guidance of below 9% now, net NPA we will keep in line with the earlier guidance of less than 2%, PCR more than 89, inch it to 90%, recovery and upgradation more than Rs.2000 crore. NIM today at 3.06, but as you are all aware that the deposit rates are increasing, so we will have to understand how it pans out. So, conservatively, we have kept a guidance of 2.9%

but we will do much better than 2.9%, we are very hopeful on that area. Credit cost of course will be less and the slippage ratio will be less than 1.5.

So, on the whole, what we would like to tell you at the end of it is that the bank has made a turnaround last year, the bank is into a transformational journey from now onwards. So, from a turnaround to a transformation, that is what we are looking at, and for that the entire team of Punjab & Sind Bank is now very agile. We want to make this the most efficient bank in the country, agile bank in the country, and a lot of capacity building will happen, the system processes are being strengthened. On the credit underwriting also, we have now segregated the sourcing and sanctioning. Now the entire stuff is being done at the back offices. On the sanction part only limited amount is given to the branch level. Our underwriting system, what we call a loan origination system (LOS) has been further strengthened. We have created good risk appetites for the bank. Our risk management practices have improved. So, all in all, this is a time for a quality growth for the bank with a focus primarily to improve the bottom line and the efficiency parameters. Thank you very much. Now, I'm ready to have your questions please.

Participant: As we were discussing even every time on online interaction after your last results, I would repeat in the physical form, compliments to you for the fantastic progress which the bank has made on all the fronts. Some of my observations or questions are, number one, recently, we read that IL&FS payments have started coming in to the banks. So what is our number there and when do we expect some of these payments coming in? How much do we expect before 31st March 2023, because this was not considered earlier?

Swarup Kumar Saha: I think the exact numbers, my GM, Recovery will tell you. We have already started getting the recovery in those. The first part we got was around Rs.62 crore, another Rs.105 crore is coming in by 30th November.

Participant: This will be directly added back to the bottom line or provision reversal?

Swarup Kumar Saha: Yes.

Participant: So you have made these targets or the objective after considering this?

Swarup Kumar Saha: Yes.

Participant: Secondly, sir in the NARCL of Rs.1590 crore, how much we expect to go before 31st March, and what is the NPA numbers there, what kind of recovery percentage wise we are looking at from those seven accounts or are all the seven going now in this current financial year only?

Management: The total under consideration in seven accounts is Rs.1590 crore. That we have already told. This includes the two accounts of SREI also of overall Rs.1200 crore approximately. We expect one or two resolutions happening in the next quarter also. News on this respect is already there in the public domain. So, Rs.1,590 crore is the total amount.

Participant: So, about half of that will be in this financial -?

Management: We cannot say half of it. We feel that in the first two accounts, the amount is very less around Rs.150 crore. So, we expect Rs.150 crore resolution in this current quarter, and in the next quarter with SREI something may happen.

Participant: But out of these two, one is happening at a very good realization value. So, approximately, we can consider 30% in the initial thing?

Swarup Kumar Saha: That is how we may look into it.

Participant: Sir, now, coming to the credit growth. This is absolutely a very, very prudent measure which you are taking and sir was also telling that the muscles which had become weak, now have been brought into a reasonable level and now we are strengthening those muscles and once it happens then we can go with the full throttle. Having said that I still feel that we have come to a stage now, looking at your performance, your capital adequacy ratio and your CD ratio, that the process can be speeded up even during the current year, because 15% on a low base. I think will be just appropriate, not beyond like doing something extraordinary. That is something on which we can look at.

Swarup Kumar Saha: I think you asked the same question at our concall also. Let us all appreciate our banks size and appetite also, okay. We are a bank which has not been able to grow for a significant period of time. Suddenly, to put the accelerator pedal and it goes into an accident mode, that should not happen. So, what we need to do is to calibrate our approach to that level and we are seeing the system at 18% to 19% credit growth. We don't know how it will pan out in the next two, three quarters. Whether this is a sustainable growth, because much of this growth we are also getting because of working capital requirements, certain festive season also has credit spurt, and of course, coming out of COVID situation. That will also help to this entire credit growth. So, on a bank of our size with an approximate advance of Rs.74000 crore, we really cannot move very strongly immediately on the credit growth competition that is happening. So, what we feel is that once we have come out of a bad phase, it is first important to have a sustainable phase interim before we actually press the accelerator pedal and move a bit fast. While the credit growth is at 18%, my RAM segment is more or less in tune with that. My retail is at 19%, agriculture at 12%, MSME 17%. So, in that segment, it is all okay. Now coming to your basic question why corporate credit may not be growing? As I told you, we need to calibrate our approach. The market is very dynamic, the competition is very tough, both on the quantum of loan that people are bargaining for and the rate of interest that they are bargaining for. I have to have a judicial approach in both of them. So, I have to protect my NIMs, I have to protect my NIIs. I'll be in the business of corporate credit, but not at the cost of my efficiency. So, if you have seen our balance sheet over the last three quarters, we have incrementally moved from a negative zone in the corporate to at least a positive zone in September '22 with a 2% growth. Which is not significant, but for a bank which has not grown for four years, it is significant. So, what I'm trying to tell here is that we will take a calibrated approach on this and as we build our inherent strengths, we build our inherent capacities to lend with good risk management practices in place. I think we'll be poised maybe also to come in line with the other banks.

Participant: Are you looking for some decentralization because in light of the recent problems most of the things have been centralized. Even from the credit point of view even some of the scheme for liability side also. So, are we now looking so that the local offices become very competitive, is there any such plan or something?

Swarup Kumar Saha: You are talking of delivery services?

Participant: Yes.

Swarup Kumar Saha: We have now segregated both sourcing and sanctioning. Sourcing is done at the branch level. Sanction is done at the back office. Technically, we call those units as Cen-MARG in our bank. So, we have created Cen-MARG in every zone, 25 Cen-MARGs we are having. Branches are having limited powers, up to 10 lakhs. Those mortgage backed loans, also irrespective of the amount, goes to Cen-MARG. So, the small value and low risk categories have been left to the branches. Branches have been primarily told to source credit proposals and give it to the back end for the sanctions. It all goes through the loan origination system and we have strengthened that. So, we have two large corporate branches, where proposals are dealt directly at the head office level. We are now going to open four mid-corporate branches pan India, where we don't have large corporate branches, that announcement we will be making very soon. So, two large corporate and four mid-corporate branches. Their powers are being redefined internally and the credit delivery will slowly pick up pace also.

Participant: Last one on this round is on treasury. Now, the interest rate and I think the inflation also is a little bit coming to a reasonable level and not that alarming as per the RBI governor statement also. So, how are we placed, I mean, are we looking at rather some gains instead of having the mark-to-markets because we were expecting another 50 to 60 basis points further increase after the Fed increase there, but I think may or may not come. So, how are we exercising those information, I mean, putting it into the use, some information on that?

Swarup Kumar Saha: In Q1 we had a depreciation hit of Rs.109 crore. In Q2, we had an incremental of Rs.9 crore. So, we are immune to that minor fluctuation. Now, the CPI numbers that have come yesterday and the global numbers and the tone of the global numbers also is very important. So, we feel that maybe overall the regulator here will also take cognizance of the positive developments that are happening. Maybe the cycle is peaking to a level, we will have some proportion of hike maybe in the next level also. But I personally feel that that a below 6% CPI is

very, very possible. In that scenario, which is being built up for the future, we are now in a position to get back some of the MTMs. Let us all pray that these things happen and the entire banking industry is benefited for that.

K K Gupta: I am K K Gupta from Resurgent India. We will complement you in respect of your Net Profit growth and asset quality which has improved a lot and the Net NPA has come down to 2.24%. My point is during this financial year i.e. September '22 to September '21 your growth in deposit is only 3.27%, where your business growth is about 7.06%. When we are talking about the market cap, it is around Rs.13000 crore and we are talking about the deposit or credit, other issues. how do you feel that during this financial year, whether your market cap will go up? Another important aspect is what the business growth will be there? I think for the NPA level and Profit level your bank had done a wonderful job. What is your feeling for the next year, how much growth you're projecting?

Swarup Kumar Saha: See, first of all, we are a part of a system and we are not immune to the things that happen in the system. The system is growing credit at 18% and the deposit is growing at 9%, there is a gap there itself. If I cull out in my bank, 9% credit growth, 3% growth in the deposit. So, there is a difference. So, what we have done is that now, we are also now in the domain of getting good deposit products per se in the bank. So, not only in terms of interest rates, but also in terms of new types of products of the bank. First coming to fixed deposits side. Now, we have got a very good product of 601 days. We are providing a very competitive rate of interest on the fixed deposits. So, that will give us traction on the fixed deposit and mobilize retail term deposits for the bank. What we are focusing on primarily is, because we are having a low CASA ratio also, that we need to improve salary account base further. So, that's why I narrated two stories of Chandigarh and Lucknow wherein we have been able to generate a mass 25,000 salary accounts. Now, this we tend to take it forward. So, our primary focus would be to have low cost liability products in the bank and if I can improve my digital innovations, if I can improve my third-party bouquet of products and gives me more opportunity to cross-sell, I think that ratio will improve. In fact, if you see our YoY ratio of CASA, it has improved from 30% to 33% and that is a significant jump in terms of ratio of 3% for a bank of our size. We like to take that forward from 33.5% to 35% in March '23 and

maybe 36%, 37%. We'll see how it pans out in March '24 and touch 40% maybe in a three year horizon. So, that is one side of the story. On overall business growth, we are hopeful that our 15% credit growth will happen and a deposit growth of 11% to 12% we like to achieve. So, overall we would like to have 12%, 13% of our business growth. So, on a credit side, suppose you ask me at this point of time, what would be my calibrated approach, we may do around 11% to 12% in December and then the last busiest quarter to 15% plus in the March quarter. Similarly, for the deposit side. So, that is what we are at this point of time looking into in terms of the overall growth story of the bank. Going forward, yes, once we stabilize in the market in the way that we should be placed in the market, I think with the strong capital that we already have, we can really move very qualitatively. One more thing, which I think I just missed saying about this is that any business growth will depend on technological upgradation also, and our bank also has been a bit laggard in terms of my finacle systems. So, we are now moving to that category, 7 to 10, and that should be done by June '23. The process has started, it's a very long process internally. So, by June '23, I will have that robust platform also with me, which will give me more teeth to acquire customers, to go more strong. Once my fundamental systems are very strong, I can proactively move to a better situation. So, we'll wait for that. So, '23-24 will be a better year for us.

K K Gupta: We compliment you for diversifying for having the non-fund based income. I think you are taking steps, whether you're talking about the insurance or talking about the co-branding of the credit card or something different. I also find that in the market your housing loan interest or vehicle loan interest is at a lower level. So, how you maintain all such things sir because of the size of your bank, you are competing with the State Bank of India or other banks, I think it is very competitive. So, what is the reason for that?

Swarup Kumar Saha: I gain somewhere, I lose somewhere, it's a give and take matter I'm not competing on the corporate side. If somebody asked me you take Rs.1000 crore at 6.25, it is difficult for me. So, I compensate there. If I get a much better return at 8% plus, and if I can build my portfolio and get the turnover on the volume in that portfolio, I think I'll be in a better position to compete. That's why we are sacrificing there and trying to build our portfolio there.

Participant: Very important decision because I find from Chandigarh because maximum housing loan Punjab & Sind had done it. So, that means your rate of interest, other things are very competitive. Talking about the other banks, even State Bank, HDFC and other things, I think your rate is very competitive. Just I want to find out what was the reason for that as your cost of deposit is very less for that or your CASA is very high?

Swarup Kumar Saha: So, those dynamics will be there for any organization. Those figures are there. My cost of deposits is 4% plus, my cost of funds is 3.62%. So, those dynamics are there but ultimately somewhere you have to penetrate. So, that is what we say the calibrated approach is very important. How we do a calibrated approach in my lending practices. So, I will try to get penetration in my high CIBIL score rated and give them concessions more, so they are onboarded in my bank, and I do more and more cross-selling. My PAPL story is panning out very well. My (PAPL) Pre-Approved Personal Loan category product, we didn't have. We have a small customer base, we don't have a big customer base but we didn't offer them that earlier. Already, we are at Rs.150 crore in that category. And that is a data analytical based, historic transaction based product. So, the chances of delinquency will be very less. This new innovation is very important nowadays. So, that is where we like to more get into.

Participant: Credit cost for the first half is 0.1% and you are anticipating for the full year closer to around 1% odd. So, it implies that in the second half, you're anticipating higher amount of slippages coming in?

Swarup Kumar Saha: Not really. So, we have given a conservative estimate. One of the mid-corporate type accounts, the Rs.70-75 crore category, is actually NPA in the books, but technically due to the court intervention, we are unable to classify that account as NPA. So, maybe that may add up to the volume and maybe certain stress in the MSMEs. We are confident that our slippages would remain below Q2 level but we'll see how it pans out because certain dynamics we cannot be very sure of all the factors that come into play while determining my credit costs. So, we have given that conservative guidance, but we will do much better than that.

Participant: And sir, your deposit growth, if I just look at it, the first half is at 3% and you are anticipating closer to around 12% odd growth. So if I just look at the industry, even the industry is at 10%, PSU banks are also 10%. You are lacking there as compared to PSU banks as well. So what are the missing product gaps or services, which is not there currently? You want to fill up the gap?

Swarup Kumar Saha: That is what I was explaining, this entire deliberation is that. We were hard up of our products in our bank and both on the asset side and on the liability side. The bank was very much focused on its recovery and balance sheet requirements and the capital constraints that we had. So, innovation in product development also didn't happen. So now that we are developing these products, we have created a new type of current account, the flexi current account, which we say, that product was not there. We have created the current account with POS terminal product, a combo which was not there. We have very good salary account which is enabling me to mobilize the salary accounts, salary plus we call it, with a very attractive insurance cover and that we are marketing very strongly. If you see my CASA growth, 12-13% growth is there, my savings growth is 14%. So, overall, it may be stiff, but we have kept that guidance. We feel that to achieve the overall objectives of the bank, we will try to mobilize as much as deposits as possible.

Participant: Sir, on the advances side, you are expecting 15% growth. What will drive this growth because on the corporate side, I guess PSU banks are still not growing aggressively? So one thing I want to understand whether PSU banks are participating in the current corporate rally, demand that is coming in or it is coming at a very low margins and still you want to choose not to grow in that segment?

Swarup Kumar Saha: Yes, I also covered this in my earlier deliberation. My 50% credit growth will come primarily from the RAM segment which we expect between 20% and 22%. We are 16% now because we are in co-lending mode. We are also upgrading our infrastructure for pool purchase in Q4 may be. So, all the usual drive and my PAPL product is there. So we will be augmenting our RAM segment growth quite strongly. We will do our corporate growth. As you rightly said, the competition is very tough there and for me as a bank, keeping in view my size, CASA ratio, cost of deposit, I need to be judicious in balancing my portfolio. So I have kept conservative

guidance of corporate credit of about 7 to 8% and the RAM segment around 21-22% maybe to overall balance of 15%. In the RAM segment, it will be driven by housing, gold loan, personal loan, vehicle loan.

Participant: Sir, any rough estimate as to what could be the return ratios in terms of ROA and ROE for the current fiscal, realistically which you might achieve, any rough estimate?

Swarup Kumar Saha: We are at 0.84 now and we are looking into profitability around Rs.1100 crore for the current year. So, we will improve it and bring it close to 0.90 as much as possible. That is what we will endeavor to do it.

Participant: And one last thing, want to understand, what has operationally changed in terms of functioning of the bank, in the last 3 to 4 years, in terms of improving your performance at the ground level for PSUs in general and more particular about your bank. Anything that has changed?

Swarup Kumar Saha: See, on the ground level, as I told you earlier that the bank was going through a rough patch as any PSU was doing earlier. We were also not immune to the ecosystem. So, we also had our rough batches and the bank was primarily into just consolidation. We were just trying to take measures to preserve our capital. So the capital infusion is minimum from the Government perspective. So, that was the basic endeavor and we were focused on recoveries primarily on the old toxic assets that we had. Now, that situation has grossly changed for the better and we are now in a business environment. We are now focusing primarily to improve our business to grow qualitatively, to grow efficiently. So, the entire system has now been calibrated towards that objective. The team is now much more motivated. When your organization is down in terms of your profitability, the morale also gets hit to a large extent. We are all human beings and we are not immune to such behavior but however with the change that has happened, we are now finding that we are much more agile, trying to talk business, trying to connect with customers. One strength that I have in my organization, I can share with you is that we have a very good loyal customer base. Some of our customers in spite of so much of competition and availability of organizations where they can shift, we are still having good base

of royal customers who are banking with us for 50-60 years, four generations and whenever I have done town hall meetings, customer meets, I found that as a great encouraging sign. We just have to keep that, encash on that. Number two, our average age of 75% of my employees is below 40 years of age. So, though the bank is very old and 114 years old, but age of my employees are young. So I can really take them on board and that is what is happening now on the ground. They are getting back the confidence that this bank can also be a part of the overall growth story of the country.

Manoj Anilchandani: At the outset, compliments to you for excellent benchmarks. In fact you have achieved the highest benchmarks in key ratios like ROE, I think 20.88%. I think this is the best among all PSU and private sector, I don't think anybody has higher.

Swarup Kumar Saha: Thank you. I will let the CFO look into that.

Manoj Anilchandani: Second thing is on price-to-book ratio, which is evaluation for banking, I think you are the highest in PSUs?

Swarup Kumar Saha: May not be the highest, but very close to that. I can tell you that. I monitor that myself also. I know that.

Manoj Anilchandani: Even bigger than big brothers, SBI and PNB. So this is really wonderful. A few things, in fact you answered most of the relevant issues. A few important things after looking at your presentation, one thing left out on one key ratio. That is the third one we see besides ROE and price-to-book i.e. the operating profit ratio. When we saw, first is the delight and we see NIA growth, operating profit, half yearly also is low, quarter is so bad. So we wonder without operating profit, something is there. So, here, we would like to know from you what you are doing to improve you operating profit ratio in line with your other ratios where you are benchmarking against excellence. Operating ratio growth normally should be over 15% in such type of an environment?

Swarup Kumar Saha: Correct, absolutely. I think you have hit the nail correctly and what I would like to tell you is that is my operating profit, though low still has grown sequentially by 26% on a Q-on-Q basis, number one. Number two, my half yearly operating profit is on negative territory because of the impact of the investment book income that we get normally on the trading side. That is what has made me negative, but what I like to tell you is that, in spite of having that challenge of not getting that return on my trading book, my operating profit has sequentially improved by 26%. The base is less, I agree with you, but that is just that means I have now been able to recoup that loss in that income category by some other income. That is my core income is growing at 18% Y-o-Y and that is where I am focusing. I should not be over independent on my investment book. So, that is one part of the answer. The second part is what is going forward. That is more important for me to answer.

Manoj Anilchandani: Normalized operating profit growth.

Swarup Kumar Saha: Yes, that is I think the outlook what I am looking into. See, ultimately operating profit would be a component of my income and my recoveries & all that. So, all that will be all collate into and somehow it will result into an operating profit for me. So, as I was mentioning, my income primarily from the growth story was not happening. Last year we had Rs.1300 crore of operating and Rs.1000 crore of net profit. This year, we are having in quarter Rs.318 crore of operating and Rs.278 crore of net profit. I need to improve this. So, last year, we had Rs.1,300 crore overall operating and I am expecting Rs.1,400 crore to Rs.1,500 crore on operating profit of the current year and from where will I get this. As I was saying I will try to grow more on my high yielding assets, I will try to increase my other incomes, focus on recovery and TWO accounts, focus on Bancassurance business which the bank had, but it has not been able to extract the total potential out of it. So, that is one part I would like to highlight that my gross income from my basic business of credit. That is why we are trying to augment our credit growth story. What Ajmera's point is also correlated here is if I cannot augment my credit growth, my other ratios also may get impacted in the future. Today, we are all okay, but we need to prepare ourselves for the future and again we cannot really go whole hog immediately. So, again a calibrated effort, so this cycle is we like to tell before all our stakeholders is that we have learnt what has happened in the past. We are going to

position ourselves very strongly this current year and once my infrastructure is in place, my technology platform is in place, my capacity building is created, my skill steps are improved, my systems are improved, I can really take, may be a big leap forward in the next year going forward. So, my income, primarily we will try to get from the business side and from my other fee income on my commissions and non-fund business also. Non-fund business is another territory where we need to work. My Forex business is very limited. There is nothing, it is very paltry. So, now if you have seen in the newspapers we have gone into a recruitment drive for Forex officers at higher scales. So, the specialized positions we required to be also put in place, we are getting into data analytics, we are going to go and recruit people on the data analytics part, treasury part, Forex part, on the CXO also. We have appointed a CRO on a contract basis. The other CXOs which are important also will be taken on contract basis. We are searching market for that. So, this period is for establishing those processes and we are not in a short term quick wins and the solutions, we are not in that run. We are trying to stabilize and maybe we take much more better qualitative approach to our growth story from the next year onwards and we will see how the ecosystem also pans out. It is very dynamic. Today, we are 18%-19% credit growth, maybe it is a short term and may not be sustainable in the long future. It will say that this may peter down over year-on-year basis, so again we have to recalibrate again there. So, we will see how it goes, so it will help us in both ways, study the market, prepare ourselves internally and grow for it.

Manoj Anilchandani: Sir, few important points, in fact in the last couple of years in this pandemic, we had very good online meets and online interactions. We were talking about technology, we had also talked about technology apps, at that time you have been talking about development. As of now would like to know what is the stage of app and the number of downloads and the number of business done?

Swarup Kumar Saha: We have been talking on that and any more question here on this?

Manoj Anilchandani: Yes, few, this is one of it, other I will just raise the point, so we can discuss. Gold loans is a very good opportunity in this area, which is worth thousands of crore, or in fact tens of thousands of crore and the number we saw

from the PPT, I think this is about 600 and it is a very high NIM product. So whether we can go and grab market share at earlier stages, there is huge competition in that everybody wants to get into it? Second thing is we talked about what we were lacking, in fact P&S Bank was always known for most loyal customer base and you talked about the flexi current. Do we have a flexi savings account which goes into FD directly, in fact most of the private sector banks, ICICI, Axis are good?

Swarup Kumar Saha: We didn't have the current, so we went into the current. Savings we already have.

Manoj Anilchandani: Another thing, which stands out in P&S bank and your PPT, ROE, price-to-book fine, but we have among the lowest, if I am not mistaken it is Rs.7?

Swarup Kumar Saha: Yes, you are right.

Manoj Anilchandani: Possibly in the next two years, just accrual of profits, it will cross 10. So, is it going to stand that way? I believe corrective course of action has to be done?

Swarup Kumar Saha: Let us answer one by one. You have put in lot of things in the basket.

Manoj Anilchandani: Yes, and also the payout, definitely everybody looks for dividend and the government looks for more dividend as it has been helping you and other investors also and all PSU banks are going to give good apparently interim dividends and finals also.

Swarup Kumar Saha: Let us calibrate our answers a bit. On the digital side, first of all, we have a digital app called what we technically call PSB UnIC internally. This was launched in Q3 of last year and any new technological advances are teething in, so the bank took its time to stabilize that app itself. My rating in the Playstore suffered significantly due to that. The users were not using it because of the teething issue who would use the app which does not work properly. So, the first primary task

for me was to get things stabilized. We worked relentlessly on it, so that at least whatever services we are providing at this point of time, let it be much more smoothed and do it efficiently. That is how my Google Playstore rating went from 2.6 to 4.4, so we got good feedbacks on that. There are still a lot of things to be done. That is hitherto my technological platform also. So, now we have got to a place where we can now move very strongly. In terms of downloads, you also asked I think.

Manoj Anilchandani: Downloads and size of business done through, percentage of business does through?

Swarup Kumar Saha: Percentage of business is not too insignificant for me to tell you, but first of all I want to market this mobile app to my customers. So, we have taken a call internally that we have in our customer base, non-BSBD customers of 58 lakhs, in overall customer base of nearly 1.40 crore. So, we have want 25% of them, at least for the current year to have that app itself. So, that marketing has now started and we are progressing, working on that and with the improvement in the rating, it is easier for us to tell people also to download. So, by March 23, we feel that we can reach 8 to 10 lakhs of downloads for the current year and with the valued services that we will be providing with online account opening, video KYC, wealth management, credit card, health insurance, as we imbibe more on services, the digital traction will start happening. That is one. The second question was on the gold loan, we have seen our traction 92% growth in the gold loan and Southern base bank has territorial advantage as far as gold loan is concerned and we are not in the Southern part of the country in a big way. In spite of that, with the low base only we are growing at around 90% gold loan and we feel that as you rightly said there is a lot of potential, my returns are better here, so we will take this forward and try to bring in new products like we have brought it in the personal loan preapproved, we would like to bring in certain preapproved gold loan category also going forward.

Manoj Anilchandani: We have to build systems because in gold loan safe custody is important.

Swarup Kumar Saha: That is what I am saying. We can all talk of big numbers. We can all talk of my competition with the industry, but ultimately as you rightly said, my inherent strengths also need to be put in place. So, whatever we do, whatever we go big, we first have to have systems in place. Now, it is the time for that, we are building those systems and growing. So, as we build up more and more systems, we will be improving our portfolio on that part. Your next question was on payout, so last year we gave the dividends significantly to the government also, our public shareholding is only about 1%, so we are working on that, how we can bring a bit more visibility in that 1%.

Manoj Anilchandani: The IPO came at a very high price and then public, this is because of government infusion bailouts.

Swarup Kumar Saha: Yes, that is the story. You already know that.

Manoj Anilchandani: The book value was very high, it was more than 30-40%.

Swarup Kumar Saha: Now, the good part was that in the last week in fact, I touched my 52 week high. Now the figure is not big, but at least for the bank which is growing, ROE made the difference, it touched 19.95. So now it is hovering around 18.60. So it is good that these things are happening and once the overall bank's growth story unfolds and we go into profitable growth trajectory, these are all subsets of this performance and I think we can tap market with some capital and try to dilute some portion of the government holding. So, if these all things happen and with traction happening in the bank, we can take the bank forward and all the numbers will fall into place. As I told you in the initial also, top line is important for us, but I think our important focus in this entire growth story will be on our efficiency parameters which we have also highlighted a few of them. So, that is what we will be working.

Manoj Anilchandani: A few years back, when the consolidation happened, the big mergers, BOB, PNB, etc., This our small bank was left out apparently for certain reason and there were 4 or 5 other banks and among all those banks, this one has a highest government holding. So as of now what is the, like our thought process, you

have achieved through lot of efforts and may be environment has now helped in the last few months to have excellent parameters, benchmarks, but would that thought process in the bank and outside be a standalone bank, as of now you have excellent numbers, but consolidation or divestment. It becomes a easiest candidate at a time also, there was a thought process, but as you said 98% it becomes much easier than any other thing and you have much better numbers than the other banks under divestment. They don't have such attractive numbers, but there are many willing bidders across the globe because of the huge customer base and huge opportunity it provides. So, which way would we go, divestment or second phase of consolidation or standalone for whatever reason or any other option?

Swarup Kumar Saha: See, the answers are not with me, first of all. This question is supposed not to be answered by me. It is not in our hands, why X bank is merged and Y bank has not been merged is not proper for me to get into this part. What I can tell you for my side is that we have been left alone in that process and we should feel that we have good reasons to be left alone. That is all and we try to encash that situation and we prove our worth and we are trying to do that exactly and if you find in many of the banks which have been left are somehow coming back into the story. So, it is not proper for me to.

Sushil Choksey: Congratulation to the dais for stabilizing the bank and performing well. The cumulative experience between Sh Raghavendra ji and yourself, between PNB, BOI and Bank of Baroda stands tall. You have covered most of the topic on operational parameters, technology, enablers to be put in place. The biggest enabler which every bank, whether it is State Bank of India or Punjab & Sind or HDFC needs is human resource. What are we doing that whatever you speak today on this dais can be transformed in the vision of the bank over a period of 3 years. May be in your tenure the next tenure and the tenure after that and that is the necessity more than any other question need to be answered because that is what I see lacking among the five banks which are left out. I am being direct and candid because I compare all the banks?

Swarup Kumar Saha: Thanks for the question, in fact. Every bank has its own strengths and weaknesses. We should also appreciate that. A bank of our size also,

has its key strengths also. Big banks also went through rough patches very badly in their growth story over the last 4-5 years. Now they are recouped with the practices that they have brought themselves, they have also done lot of improvements. We also as a bank need to address this core issue very strongly. Two of the important issues today, in any growth story will be infrastructure and the human resources. Infrastructure we are addressing, as I already told you about the migration etc. On the human resources, we are now going to engage more qualitative people within the bank. We are taking lateral, contract or in-house. The in-house training processes are getting magnified through our training colleges and training through other big institutions. We have taken that big on the agenda. In fact we are going through the process of first of all training because we are primarily going in the RAM segment. We need to be careful on the future bubbling in the RAM segment also. So, we need to understand that part. We are training our people how to do MSME and retail loans also on the current context and how to use the various sources information that we have on due diligence through our processes. We are also trying to bring capacity building in our corporate trading approaches because with the passage of time and with various balance sheet re-management exercise that we were doing, we have somewhere lost the bus in terms of our capacity building. For capacity building, this needs to be improved. Reskilling is required, upskilling is required. The digital culture has to be put into place in the entire organization and there is no quick wit on the human resources front. Any human resources reskilling and bringing it upgraded to a level which is compatible to the ecosystem, it is the time we have to give, we cannot really just push things along. The good part as I told you, the bank is by heart young in terms of my employees and the buy-in of the employees in this entire growth story will be easier for us and once that buy-in is done I think the results will automatically come.

Sushil Choksey: Sir, a question added to this, as the top 5, 10, 20 banks have leapfrogged with lot of technology mistakes and good products both and today a stage is come where most of the products are matured where banking solutions are concerned. Now, you have moved where your technologies from 7 to 10. The tested products which are in the market whether it is for auto loan, RAM or credit or everything is concerned, is already in place. So when you leapfrog from nothing to everything possible overnight, your human resource connect to this technology

products needs a faster pace of training. So will you train the top 1000, 5000 or the entire bank and what kind of budget you have for technology and human resource which may be the primary growth drivers of this bank?

Swarup Kumar Saha: I think I can separately give you the figures exactly. I will give you separately. I don't have the figure with me now, but the exact point that you raised on the reskilling of our employees on the Finacle approach that is very important. We learn from our earlier banks various experiences and we are now trying to get into that mode and we have created the policy and going to the authorities for the proper training program. How many members we will train and the trainer will train the others, so we will go into that, but the objective over would be to train as much as possible. That is why we are taking so much time also. We started this project in May 22 and we intend to finish it by June and significant part of 3 to 4 months in between is exactly earmarked for this process.

Sushil Choksey: So, the teething portion would be complete within June and not after that?

Swarup Kumar Saha: Yes, within June.

Sushil Choksey: Because the gentleman on the dais would know in the previous banks what has happened, so that depreciation was again in other bank?

Swarup Kumar Saha: Yes, and being a smaller sized bank, the churning of training will also be faster, so we have kept a three-month churning for that and that is included in this process and it will shortly get rolled out from next quarter onwards.

Sushil Choksey: Sir, one point which I took as a highlight of today's event that you have a dedicated customer base which has stuck to you for 4 generations. Now, how many products, because you want to build wealth management, you have started retail products, you are talking about gold loans, approved loan segment, you are talking about salary segment accounts being taken from government entities and non-government also possibly and you are sitting in Delhi so public sector, private

sector both can be tapped. How many products would you target to reach out, like HDFC has ambitioned to be 7 like Wells Fargo, will you target 2, will you target 5?

Swarup Kumar Saha: We are at 1.2 around, frankly speaking we are at that level and many public sector banks are at that level. Our target is immediately to go to at least 3 in a 2-year horizon. So, 2-year horizon we are moving on a product per customer to 3 and then we will take it forward as we learn from our past experiences. So, that is why this entire bouquet of products is very important for us and we didn't have that. We only had deposit taking and giving advances. We didn't have the entire set to cross sell and once I put this practices on the field, the product per customer will get greatly influenced by that and I would like to target myself on a March 24 pattern, I will talk to target 3, I think it is 1.3 may be at this point in time.

Sushil Choksey: Congratulations and all the best to the entire team and management of PSB.

Swarup Kumar Saha: Thank you.

Vikas Sharma: Sir, I am Vikas Sharma from Infomerics Ratings. Sir, talking about credit growth, so which are the key sectors you are focusing in terms of credit growth, so the credit uptake will enhance and we can support the corporate rally for the demand?

Swarup Kumar Saha: Overall, of course I have given the mixture in the RAM and corporate and within the corporate, I think we will go into the good quality HAM projects and the renewables and investment credit also. We have been looking into that also and infrastructure and health also.

Participant: Sir, I think a few months back, I had discussed this with you also when you came in this that ours is a public sector bank where the government of India is holding almost 98-98.5%, but still our bank's LCs are not being accepted to be discounted by the foreign banks. In fact we had got a credit limit sanctioned also, non-fund base for Rs.75 crore, but the party did not avail because there was no point for him if the LCs are not accepted for onward discounting or for trade finance and

other things. So has it been taken up with some of them or is it a very expensive exercise to get it approved or are we doing anything in that direction, sir?

Dr Ram Jass Yadav: It is a very relevant question. So being a small at times it is hard to recognise but going forward we are going to have certain kind of business with other part of the world and soon we will be able to provide.

Swarup Kumar Saha: Can you share which are the particular banks.

Participant: I shared four banks in Dubai. So like in that case, our scope for the non-fund-based facility increases which will help in getting secured good corporate accounts.

Swarup Kumar Saha: Correct.

Dr Ram Jass Yadav: After taking this kind of feedback when we have started to made in even within country arrangement Bank of Baroda, PNB which has the large business in the market.

Swarup Kumar Saha: All this will fall into place once the perception of the bank also improve while we take this on a standalone basis to address the issue, but ultimately it is a perception.

Vikas Sharma: But if you can talk to one to one with them then what are we and how we are, our LCs can be honored, fully guaranteed.

Swarup Kumar Saha: Yes, that is what I am going to tell that. Thank you very much for your patient hearing and spending your valuable time here. We like to have these introductions going forward much more proactively done and we hope that we will be able to deliver on what we have discussed today. Thank you very much. Thank you all.