"Punjab & Sind Bank Q2 FY-25 Earnings Conference Call"

October 21, 2024

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

Shri Ravi Mehra, Executive Director

Shri Rajeeva, 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 Q2 Fiscal Year 2024-25 Earnings Conference Call 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, Executive Director - Shri. Rajeeva 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, who have joined this Q2 earnings con call of Punjab & Sind Bank. It's a pleasure for me to have you here and interact with you on the Bank's performance of the second quarter of the current financial year.

So, the results have already been declared on 19th and the presentation was uploaded with the stock exchanges. I am very sure all of you must have got the opportunity to go through our presentations but just to set the context of today's interaction and for this con call, I just like to mention a few of the highlights of Q2 performance of Punjab & Sind Bank and from there then we can go into the Q&A session.

The business highlights of the Bank is that the Bank's business grew at 8.4% to Rs.2,15,057 crores, the deposits grew at 6.48% to Rs.1,24,025 crores and the gross advances grew at 11.14% to Rs.91,032 crores. The RAM segment grew at 18% plus. The RAM percentage, we have also shown a 317 bps YoY improvement and now stands at 53.86% which is in line with our guidance for the entire year, which we like to take it beyond 56% by March.

In terms of the efficiency ratios, we are very happy to state that the operating profit of the Bank for Q2 increased by 76.15%. The net profit increased to Rs.240 crores showing an increase of 26.98% YoY, and this was possible by a robust net interest income of a growth of 29.33% which stood at for the quarter Rs.873 crores. The net interest margin, which has also shown a good improvement both YoY and partially sequentially has improved by 38 bps for the quarter end Q2. The cost-to-income ratio which was one of the areas where we were facing challenges and we were trying to address it into our various strategies, this time has been reduced to 62.82% for the quarter, a substantial reduction of 958 bps from a year-on-year basis.

The return on assets was at 0.65%, showing an improvement of 13 bps on a YoY basis. The Gross NPA percentage has also shown improvement and has reduced to 4.21% showing a reduction of 202 bps. The Net NPA has reduced to 1.46%, a reduction of 42 bps YoY. This was possible because of our management of our asset quality, our collection efficiency and the fresh slippages which grossly reduced to

Rs.230 crores for the quarter. One of the important components of our income this time has been the significant contribution of the core fee income, which has increased by 35.88% during the quarter.

So, these were some of the numbers of the Bank. Of course, with respect to CASA, we are still in that area of challenges but we are trying our level best to improve the CASA plus retail term deposit component. The CASA marginally reduced to 30.43%, but the traction of retail term deposit is still on. We are nearly at 9% YoY growth in terms of the retail term deposits.

The advances breakup, it still remains robust in terms of our September numbers, 64.25% of the total credit profile above Rs.5 crores was in the BBB and above which is primarily concentrated on the AAA and AAs of the portfolio. So, the core fee income actually, as I said, had increased by 35.88%. In fact, there has been a sequential increase of 26.05% also. This quarter, we all understand that, in view of the market dynamics, the treasury has contributed and that has also shown a good contribution to the overall non- interest income of Rs.359 crores for the quarter.

So, our gross NPA and net NPA, that is the asset quality, has shown significant improvement. The slippage ratio has improved and for the quarter it stands at 0.28%. The PCR is also an area where we are working on and it is at 88.56%. The fresh slippages of the various segments have also improved and particularly, being geographically skewed in the northern part of the country, the agriculture is always an area of challenge for us in the September quarter. It is heartening to see that the agriculture slippages for the quarter has been reduced to Rs.85 crores in September, compared to Rs.144 crores of the September quarter last year.

The cost of deposit has sequentially increased from 5.64% to 5.74%. We are addressing that through our mobilization of CASA and retail term deposit. Lot of those services and a lot of new products are being implemented to build that traction in terms of deposit mobilization. The capital adequacy stands at 16.89% without the contribution of the half-yearly profits. Of course, the numbers will increase if you add the net profit for the half year and the capital adequacy will improve to 17.47%.

We are expanding our branches, as of now we are at 1,580 branches. We have already opened 17 branches this year. We have a plan of opening total of 100 branches for the current year. We continue to work on that. We are also increasing our BC network and our ATM network. A lot of initiatives have been taken on the digital front. Some of them have been highlighted in Slide number 34. Various collaborations have also been done over the last three, four months, particularly for defense accounts, for salary accounts, for potential Punjab centering strategies and collaborating with Punjab Agriculture University, ISB Mohali. We also got the wealth tech partner FISDOM for the mutual fund and the demat business on our app. We also tied up with the Warehousing Development and Regulatory Authority for E-receipt financing.

So, these were some of the key highlights of the Bank for the Q2 of FY 24- 25 and now we are ready to take your questions and answers.

Moderator - Thank you, sir. We will now begin the Q & A session. Our first question is from the line of Shri Ashok Ajmera from Ajcon Global. Sir, please go ahead with your question.

Ashok Ajmera - Compliments to you, Saha sir

Swarup Kumar Saha - Thank you, Mr. Ajmera ji.

Ashok Ajmera - For really good set of numbers, especially in this quarter as compared to the last quarter and we have reasonably grown our credit book also, which is very, very heartening to know. I have got just couple of observations and some questions. Sir, our major contributor in the net profit is non-interest income. I mean, almost Rs.165 crore out of your total income of Rs.307 crore has come from non-interest income. So, my point is that, going forward in the remaining two quarter of FY25, are we going to see the same trend in our profitability so as to make a proper assessment of the profitability for the whole year?

Number two, in this round of the questioning. You also said that there is some areas of challenges because the whole interest changes have not been factored in so far, because there is a time lag. So, what kind of impact it can be on the NIM? And what is your target of the NIM for the whole year?

Swarup Kumar Saha - Yeah, yeah. Thank you, Mr. Ajmera and appreciate your questions. You are absolutely right, when you have analyzed it, that the major part of the Q2 results was due to the significant contribution of non-interest income. If you see our sequential performance, so nearly around Rs.165 crores have increased in terms of the non-interest income, primarily due to the treasury.

Now going forward in this area, yes, we feel that the movement will not be in Q3, particularly the movement where it stands now, the benchmark yields may moderate a bit more, but we still don't know. The RBI future projections on the policy cuts, we all know, though the official stance has undergone a change, but on the point of the rate cut, it still remains to be seen when it happens and of course, the global scenario that is also moving in various directions in the ecosystem.

So, we feel that there will be a moderation in the income from the treasury side but if you see the other part is that the core fee income other than the treasury has also moved significantly forward in this quarter. We have taken a lot of efforts to improve this. In fact, if you see there is nearly Rs.56 crore sequential increase in the core fee income. So, we are preparing ourselves, that whatever shortfall may come from the treasury side, because of the lesser movement in the yields, we will be able to make it up through our core fee income.

Number two, what we are also doing is that, if you see our movement of the Advances portfolio, we have been telling, talking on this consistently on our calls that we are moving to the RAM segment where the yields improve and we are churning our corporate portfolio. So now the figure stands at 53.86% on the RAM side and we want to move it to 56%. So, the NII, if you see is also showing a good traction of 29%. I think if you compare the 29% NII growth for the results that have been declared so far, you will find that our Bank has been in a favorable position in that segment at least compared to the other banks.

So, we are churning our corporate portfolio, moving from the low-yielding assets to the high-yielding assets and we will continue to churn the corporate portfolio, because as we discussed earlier the pricing is also very competitive. So, we will be able to make it up. We have already strategized our plan, post the declaration of this result in the bank and we already understood what one-off gains we got in Q2 and how we need to rebalance, to recompensate from the other sides if the one-off items do not face continuity in Q3.

The third option that we have also kept open is that we are giving lot of focus on recovery in written off accounts. The Q2 numbers may not justify those efforts, but there are a lot of things in the pipeline which will also help to boost the non-interest income. If those goes through and we are very hopeful that some of them will go through, that will also compensate to some extent the shortfall that may occur in terms of the treasury performance.

Your second question was also on the NIM. On the NIM side, we feel that we have improved to 2.71% and with all the things that we said now, we are hopeful that by the end of March, we shall be in a position to be at around 2.75% plus because we have some strategic thought process in that, it is a challenging environment. Deposit is a challenge, Cost of Deposit is a challenge but we will churn our portfolios accordingly, move our investments accordingly and try to maintain NIM at 2.75% plus for the March quarter.

Ashok Ajmera - Thank you, sir. Very elaborate reply and point well taken, sir. Having said that, I have got just one more question in this round. Sir, you have done really well on the credit growth side in this quarter, it is almost about Rs.3,294 crore and for the whole year, you have done almost about Rs.5,100 crore. So, with that and with the visibility and confidence with which you replied the earlier question also, don't you think that we can increase our credit target from 12% to 14% or 15% growth because even looking at this quarter, if you just multiply with another two quarters, use Rs.6,500 crores additionally you can raise in the next two quarters as against required amount of only Rs.5,000 crore. So is it, are you revisiting the number and giving us some revised target for that, sir?

Swarup Kumar Saha - You are right. First of all, I must acknowledge what you are saying and you have been saying this repeatedly for us. In your assessment, with a base like our Bank, we should grow faster. There is no doubt about it, but the point Mr. Ajmera, I think you will appreciate that if you see the Q2 trends so far for the banking industry as such, there is a moderation in the credit growth and when banks of larger sizes are moderating their credit growth, there is a genuine reason why they are moderating it. What would be our in that strategy now, in that way, we are keeping the guidance. If we have an opportunity to grow beyond 10% to 12%, we will of course grow. But we need to grow profitably, Mr. Ajmera. That is what I am trying to do. We are trying to say that we need to do a sustainable growth. I am not naming the public sector banks. You will find that some of the banks so far has grown lesser than our Bank has grown. So, there is a component of challenge of the deposit mobilization where we feel that, and I have told this two, three quarters ago, that the credit growth that is happening in the industry is not sustainable. It will happen because if you see the private sector banks also, their conversations you must be attending. You will find that the same thought process is going through their minds also.

So, what I am trying to simply say, at the end of the story, the bottom line is that, we can grow but if we have an opportunity to grow at a higher-yielding asset, we'll of course grow. We will not grow at the cost of my deposits. If my cost of deposit as 5.74% and if my deposit, suppose the bulk deposits, the CDs are at a very high cost. So I need to grow, I need to deploy funds much more than that. So, I maintain my NIM and my NII. So that is the overall strategy. If high-yielding assets come in our way, we will definitely do. We have kept the conservative guidance of 10 to 12, because in the corporate, we are having some low-yielding assets, because of the price movements, we are trying to churn them. We have told the big corporates that yes, please increase our pricing to some X level, otherwise please pre-pay our loans. That churning process is going on and that's a big number. So we are keeping that option open. With that overall my NIM, NII and my ROA gets protected.

Ashok Ajmera - Very good, sir. Thank you very much for just again giving the confidence and you are absolutely right, the bottom line is also very, very important ultimately at the end of the day. After last few quarters, I mean, like you are doing better than the industry except that one bank but otherwise, yes, there is a lot of improvement in our bank also, sir. Thank you very much.

Swarup Kumar Saha - Thank you, Mr. Ajmera. Good to hear that.

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

Swarup Kumar Saha - Yeah, Mr. Saket. Good afternoon

Saket - Namaskar, sir and thank you for this opportunity. Sir, you have mentioned about 10% to 12% loan growth for the current financial year, sir. I missed your number.

Swarup Kumar Saha - Yeah, yeah, that's in my slide also, if you see the last slide of our presentation**.**

Saket – Okay and sir taking into account the current business environment, what is your current take? As we see the consumption pattern also slowing down and the, whatever the GDP numbers have been, they are also pointing towards stress in the system. So, what are you penciling in terms of this 10% to 12% growth, wherein you are categorically moving towards your RAM trajectory. So, what are the factors that you have factored in giving this 10% to 12% loan growth, when the underlying sentiments, if I may use the word, have been deteriorating or are on the negative side?

Swarup Kumar Saha - Right. I think, and that's a fair question in terms of the ecosystem that is playing out. What we like to say is that, from our Bank's perspective, historically, we had a higher proportion of corporates and on three, four corporates going bust, had a lot of negative impact on the Bank. So, we have changed our strategy and moved towards de-risking the portfolios. Infact, in the movement towards RAM segment the first priority is to de-risk the portfolio, the entire advances portfolio. It diversifies the risk.

Now within the RAM, the question that is actually coming regarding the negative sentiments of consumption, etc and in certain segments, particularly in the unsecured segment and credit card business. First of all, in our Bank, we are not in that area, we are doing personal loans, but personal loans, our delinquency is very limited. We are very well positioned in that because the personal loans are basically done for salaried accounts. Though it is an unsecured loan, but it is for salaried accounts. So, our overall portfolio remains healthy.

The other unsecured part, which normally in a banking system is the educational loan. There again we are comfortable as far as we are concerned. The credit card business, we don't have. So, these three segments wherein the entire ecosystem and the regulator is also pointing out on various forums that we need to be careful.

So first of all we are not in those segments, if we are growing, we are trying to grow in solid retail, vehicle, gold. Gold loan also, some factors are there but again, as of now our Bank is well positioned in the gold loan portfolio. It is giving us good returns and we have got a robust system in place, vis-a-vis what the regulator and various other stakeholders are talking about. In our Bank, it is a low base, so we have a lot of scope to improve our gold loan portfolio. Vehicle alone is doing well and the housing loan, also the co- lending is of course another area where we are working very closely. We have already increased our co- lending portfolio to Rs.2,900 crores for the Q2 and we have good partners, around 10 partners we are having in the co-lending space, where as of now our experience is very healthy. We have got in some robust places there. We will do some direct assignments of housing loan of very reputed banks. This quarter also we have done some amount on that.

So overall, in terms of the risk perception of the retail segment, we are not foreseeing ant challenge in our Bank but as things play out, we will be very conscious of what is happening in the system. But so far, the segments that we are trying to build upon, trying to grow, are segments which are well with good mitigants and are areas which are giving me good returns also. Our GST product, we have been talking on this subject, the GST product in which our Bank gives loan up to an amount to Rs.10 crores is a very good product for the Bank which talks on the cash flows of MSMEs. In that situation, we have already created a portfolio of Rs.1,500 crores in GST and the delinquency there again is under control and nearly it is virtually negligible. I can tell you that.

So again, this is an area, where it gives me good yields and of course, we'll also go into the renewables, we will go into the LRDs which are in the corporate segment which will give me a better yield and also a secured portfolio. So, these are some of the areas in which we are working on.

Moderator - We will move on to the next question. I will request Mr. Sushil to please ask your question.

Sushil Choksey - Congratulations on a very stable and a positive result.

Swarup Kumar Saha - Thank you.

Sushil Choksey - You have a great team now to work on credit growth, which is reflecting in your result.

Swarup Kumar Saha – Yeah

Sushil Choksey - Sir, my first question is, how are we going to improve our CASA to get our margins up from 2.75% towards 3%?

Swarup Kumar Saha - Okay, see, this is a challenging area for all of us in today's ecosystem. All the bank's CASA ratios are coming down and particularly, we have a challenge because our geographical presence is still not as it should be in a Public Sector Bank. We are facing this challenge. First of all, we have to, in terms of customer retention, we need to build upon that.

In terms of customer acquisition, we are trying to create more and more customer-friendly products, both on the liability side and also asset side. What we understand and what we have internally strategized is, while we can, we will continue to hunt for more and more standalone CASA retail term deposits. But the crux will remain that we have to do more lending on the MSME side to improve our CASA. That is a correlation between the current account portfolio and the MSME advances that happen in the Bank.

So, at present, our MSME portfolio is growing at 11% which is not good enough at this point. We need to increase it to a much higher level and acquire more and more MSME customers. So, we have decided that we will work towards this in Q3 and Q4 and towards this we will be holding special MSME drives in all the 25 zones for every fortnight. We will press up on the point to our field functionaries that it is important for CASA to lend also.

Collaborations, as we discussed earlier, we have now created a lot of collaborations, particularly defence and other institutes in Punjab Employees Association, MCB Chandigarh, MCB Lucknow. We need to mobilize more and more salaried accounts into our Bank and for that we need to have excellent customer service, excellent user experience on a digital app. You will appreciate that our PSB UnIC app today in the Google Play Store is rated at 4.70, which is the highest among the public sector banks. We have moved from 3.7 to 4.7 in a matter of one year and that has happened particularly due to the Finacle upgradation in October last year. We have been able to add various value-added services. Now we are having mutual fund business in that. We are having PPF in the PSB UnIC app. We also have various other products that we are in the pipeline, loan against FDs and many others products which are in the pipeline some of which have been mentioned in our presentation.

So, customer acquisition is correlated with not only advances, it is also correlated with services that we provide, value-added services both at the brick-and-mortar level and also in the digital level. So, in both the areas we are concentrating on improving customer service both physically and also digitally so that we can build on that.

Some of the new projects that we are having, we have talked on that before but it is worth repeating them also again today, is that, the new projects that we are taking to build up this CASA component and which will be implemented in 5 months to 6 months' time. The first is of course the CASA back office which will not only take care of the regulatory part, but from the business part, we are going to introduce certain new methods of technology for customer acquisition like Tab Banking and that may come around January or February. We are also revamping the call center for which the RFP is on, which will give us the CRM module also and will take around 5 months to 6 months' time. Third, we are going to have the Forex trade module, which is going to come very shortly, in another 5 months to 6 months' time.

So, these new projects that are going to come are very important. We have created a data analytical cell now, which gives us lot of ideas on how to do cross-selling to our captive customers, which will also help us in creating this environment of acquisition of CASA accounts. This will not happen overnight, but once we take the right steps in the right direction, I think overall, it will play its part in the coming times.

Further, just an added point is that while we will consider CASA, we are now moving in a CASA plus retail term deposit way. You know, we are trying to build that. We are at 72% odd at this point of time. We would like to build it up to 75% and then move to 80%, so with that at least the depositor is retained and which will give me a fair lift to increase my advances and get out of the bulk and the CD borrowings that we do.

Sushil Choksey - How much of CD and bulk deposit we have sir?

Swarup Kumar Saha - 72% is the CASA and retail. So, the balance is bulk and CD. The bulk is around 20% and the remaining is CD.

Sushil Choksey - Sir you have been a treasury person also in the past between yourself, Ravi Mehra and Rajeeva, do you think that the interest rate scenario in '25 first quarter RBI should be acting, global interest rates scenario has peaked. Interest arbitrage between treasury and corporate, this may be the right time to move from treasury to corporate credit and this is my thinking. If the yield is moving between 6.50 to 6.70 in next quarter, how are we going to capitalize balance with a low CASA and locking-in long-term bonds or maybe loans which are yielding you 9% or 8.75% or 9.25% and where our deposit rates are where we are.

Swarup Kumar Saha - Yeah, that's a market dynamics. What I can tell you, Mr. Choksey, is that for the last two quarters we have moved a bit away from treasury and deployed in a higher yielding asset of credit. So that we have done in a small way, I am not saying in a big way, but because we were very conscious of this, the yields coming down in one or two quarters, so we were conscious, but we balanced it a bit. The sequential growth that you are seeing in the credit, some part is of course, due to some sort of a reduction in the treasury. We didn't build it up to the level we could have built up.

Now, coming to your second part, in terms of the global, we all know the global and domestic situation, and there is the rate cuts, maybe the rate cuts will actually eventually play out in the next financial year. So we are now looking into how, wherever opportunity, the bottom line now is this, instead of really having a script-to-script strategy, we will invest in a higher yielding investment or higher yielding assets that we have in pipeline. So, that would be the overall strategic thinking and try to improve our yields on investment. If you see our yields on investment is at 7.06 and our yield on advances is 8.75. So, there is a gap there. So now sources have to be deployed either in investment or in assets. So, from that perspective, whatever best comes, I'll ask Madam Mahima if you have anything to contribute. My treasury head will now supplement anything she wants to add.

Mahima Agarwal - As sir has said that we have consciously reduced our portfolio by around Rs.1,200 crores and we have not built up that way. If you see that our treasury, if you include the profitability also then it will be 7.85. We are managing our portfolio in a way considering our SLR requirements. So, in overall scenario, we are managing our trading book in such a way that we have good liquidity also. We can improve the advances and the treasury income also.

Sushil Choksey - Sir, what is unavailed credit sanctioned as of today on your books?

Ravi Mehra – Its around Rs.4,000 crores.

Swarup Kumar Saha - Yeah, I think when you ask this question a few quarters back, we were a bit subdued. Now we can at least tell you that.

Sushil Choksey - Sir, my next question before I come to the next round. Basically, we know where the bank stands, for digital transformation, you started the digital journey. Where have we reached up on the digital journey, how much spend we have done and what is likely to emerge in the next 6 months or the next year?

Swarup Kumar Saha - The bottom-line answer on this in a one-liner is that you will find a lot of changes that are coming in the next six months. It's too premature for me to tell you exactly what are the areas which we are working on. I just gave you a small example of the rating improvement which gives an overall idea how the app is now behaving towards a customer and that is very important. The UI/UX experience is very important in this part.

So, there are multiple projects that we have taken. Some of them have been listed in the presentation, I am not repeating them, but two things which can be talked about here is that the corporate biz app. We are having a retail app, which is doing well. Now to mobilize current account, which is also a part of the current account acquisition, we are developing the corporate biz app. We will give some name on that but internally, the biz app is going on and within 3 months to 6 months' time, we will be able to provide updated facilities to current account holders through our business app. That will be a game changer for the Bank in terms of customer acquisition and retention.

Besides that, as I told you that we have already started very advanced level of value-added services in the app, like sort of mutual fund. We did not have some of these products. We have already brought that. So today, the customers of our Bank can open a demat account through my app and it is a very, very customer-friendly experience. We are already building up on that and I am very sure in the long run, it will improve the stickiness of the customer.

So, I am only saying a few of them. There are multiple ones. Once we cross the bridge, I think we will announce it and you will find a lot of traction happening through our app.

Why are we so confident on this? You can ask me. The confidence comes from the basic point, that my core banking technology has been upgraded last October and this is the time where we are building it up. So now the impediments to do a transformation in digital side, which is particularly the base, that has now gone. It is only adding those products on that base. We will announce it slowly, maybe one quarter down the line.

Moderator - Thank you, sir. Our next question is from Mr. Saket. Sir, please go ahead with your question.

Saket - Yes sir. So, sir you were explaining about the granular details of the RAM part of the story, but sir, as we see the trend today, almost every bank is moving towards this RAM part, building a RAM part of the portfolio and with the same set of understanding that, it is going to de-risk the bank from the delinquencies going ahead. Could you please explain the reason there, why are the banks not moving towards the corporate part of the story, because the growth in the lending would always be headed by the corporate side. If you could just explain the story not only for Punjab & Sind Bank, almost all banks, wherever we are hearing, everybody is trying to build a portfolio that is skewed towards the RAM part of the portfolio, and everybody is exiting the corporate book. So, if there is de-growth in the corporate sector, where the actual lending or where the actual contribution will come into the economy? That was my basic point, sir.

Swarup Kumar Saha - So I will talk less about the system and more about my Bank, okay, it helps with the context also. While we appreciate the point that there could be a herding of RAM segment portfolio by all the banks, there is a possibility and we need to be conscious of that process, but in terms of our ecosystem, you will find that the corporate segment today, one part is that the opportunities are not as much as you think it is to be, particularly with the Capex. So, also the second part is very, very important. What important part is this? That the pricing war that goes into a corporate segment portfolio is literally a price war. The corporates have become more bargainable, so they bargained to the most and we are all cutting each other sometimes in terms of retaining customers, in terms of building portfolios, which in the long run is not a healthy way or sustainable way of growth.

So first of all, the sectors are limited. Secondly, wherever opportunities are there, there is a pricing issue and as you know there is a lot of pressure on the liabilities with the LCR. The LCR part also needs to be taken care, the lag effect between deposit growth and credit growth. So, these are multiple factors, which you cannot just ignore while you strategize the things going to be done going forward.

Now coming to my Bank, my Bank had a corporate portfolio of around 55% at one point of time and we all know what happened. Four or five corporates on the NBFC segments went bust. Some banks were able to sustain themselves in some way, but we got into big trouble. So, in terms of the appetite, in terms of the capital ratios that we have, we think that for a bank of our size, we need to move away from the corporate. Corporates we will do where we get good returns and we are much more comfortable not only on the return on investment on the asset, but also on the return of the money.

Number two is that the risk concentration in the corporate segment sometimes can create a systemic issue. You must be hearing the regulator talking frequently on one or two segments. Some actions have been taken on certain segments. So, these are some of the areas where we need to be conscious. Our point is that, in our case, we have shifted gears and if you see in our Bank's own books at this point of time, my yield on advances in the RAM segment is at more than 9.5, while the yield on advances on the corporate segment is much less.

So ultimately, it's a balancing game. The deposits that we have, the resources that we mobilize in the market has to be deployed in a profitable manner and that's the diversification we need to do. We are now building lot of MSME products, equipment financing, food processing, cluster-based financing and the more we diversify on various segments within RAM, not only it diversifies the risk, it also gives me better returns on my assets.

So, that is my view why we have moved towards this because RAM is not only retail, RAM is a Retail, Agri, MSME. Please appreciate that and within retail, there are secure, unsecured, mortgage-based loans, personal loans. We are not in the personal loans segment, we are not in the credit card business, we are not so much in the education loan. We are in GST, we are in mortgage, housing loans, car loans, gold loans, LAP i.e. Loan against properties.

For us those segments are doing well and we are going to bring in digital journeys. I forgot to mention in a previous question that we are now bringing the digital lending into our digital story in the retail and MSME segments.

So, there again we are conscious. I think these are some of the factors at this point of time. Of course, we can always take a call when the ecosystem advises us to take a call but at this point of time, we feel that this is a better option for the Bank.

Moderator - Sir, we will move on to the next question from Mr. Rajiv Srivastava. Sir, please go ahead and ask your question.

Rajiv Srivastava – Hello?

Swarup Kumar Saha - Yeah, good evening Mr. Srivastava.

Rajiv Srivastava – Thank you for this opportunity. My question is your guidance for the slippage ratio is below 1.25% for FY25 with the actual figure at 0.52% as of September 2024. So, what steps are you taking to control slippages, especially in the MSME and agriculture segments?

Swarup Kumar Saha - See the guidance that we have given, we have kept in mind the slippages that may occur in agri, MSME & retail partially and of our few mid-corporate-sized accounts. You know that the MTNL story has already played out. On 8th October our Bank has also declared the account as NPA. We have exposed around Rs.171 crores in that and we also provided it fully in terms of the classification in the 30th September results itself.

So, that will be part of the story unless and until some resolution happens in the industry segment. So MTNL is one area and one account of course is also being reported in the notes to accounts, i.e. Jonson Rubber. It continues to be classified as standard due to the high court order stay, but the account is technically NPA. We have not classified the account as NPA, but we are holding more than 60% or nearly 65% provision in that account. So, that part is also there.

We have also another mid-corporate account on a residential mortgage, a project loan which is under the SMA 2 category. We are on the SMA 2 category, it's about Rs.100 crore. We have adequately provided in the 30 September results. So, these are some of the accounts which may slip. MTNL has already slipped and this will impact our ratio a bit but from the profitability side, we are already protected.

On the RAM segment, we have started doing centralized calling. We identify accounts, the call center is activated, the department is activated and then an important structural change that we have brought in just recently is by way of creation of a credit mid-office concept in the zonal offices. What these mid offices do is that they go through each of the sanctions, before disbursement they go through and do a due diligence and the approvals are given by a centralized office in zonal office and some in head office, in some big cases for disbursement of loans. They also monitor constantly beyond a cut-off of the loans that are sanctioned.

We send regular SMSs to the borrowers for reminding them about their overdues. We have implemented the NACH mandate in a very big way. This was a bit lacking in our Bank. Lot of accounts were not registered as from the ECS point of view or the NACH point of view or the SI point of view in our accounts. So that standing instructions have been put into place. So therefore, you will find that the collection efficiency of the Bank was overall, was hovering around 60% 2.5 years back or 3 years back and that has moved to 97.82% in 30th September, overall, I am saying.

So, within the segments, retail, agri, MSMEs, things will vary. But the overall collection efficiency has improved to 97.82% and that's a fair enough positive movement that we have done. So through various methods we are now strengthening our underwriting engines, monitoring at the branches. We have created back office structures for sanctioning of loans. Earlier all the sanctions were done at the branch level. Now branch powers are limited. It goes to the back office and again, the trend shows that the delinquency of the accounts that have been sanctioned by the back office is very, very negligible. Therefore, this gives us encouragement to bring this sort of practices in the Bank which will take care of the future delinquencies. Yes, some of the legacy accounts within agriculture and maybe a bit of MSME are still there. We don't ignore that but credit monitoring division is working very hard. That's how you are seeing the significant downward trend in the fresh slippages that have happened.

And for a September quarter of our Bank which is particularly in the Punjab and northern side, restricting the agriculture slippages to only Rs.85 crores, I think the teams have done well in that. But we cannot be complacent as anything can happen on agriculture side. You know, there are a lot of political announcements that can happen. We have to be conscious of that. The monitoring teams are now well engrossed in improving the collection efficiency. We have to do a bit of improvement in MSME and retail also in terms of the segment wise. But I think things are picking up in the right direction.

Rajeeva - Sir, you have already spelt all these steps that we have taken and of course, there is marked improvement in the quality of underwriting after creation of centralized back office. Apart from that as you have touched, regularly we are in touch with all the borrowers for timely repayment and of course, we have implemented early warning systems also. So that throws the early warning signs and then we take immediately steps. So, with all these steps and as adequately reflected in our numbers also, the retail slippage was Rs.47 crores as against Rs.62 crores last year. Similarly, there's a reduction in agriculture and MSME also. So overall the slippage ratio has come down and hopefully going forward also we look towards lesser slippage.

Moderator - Thank you, sir. Our next question is from Mr. Ashlesh. Sir, he wants to know that you seem to have classified the PSU telecom account as NPA, while other banks have classified it as NPA. Any reason?

Swarup Kumar Saha - See that, that the NPA is based on a prudential guideline on the 90-day period and based on our disbursements and overdues our overdue the 90-day period was getting over on the 8 October. So, we declared it on the 8 October. However, we are fully provided for the, fully means, 15% provision has been done as on 30 September itself.

Moderator - Thank you, sir. Our next question is from Mr. Saket. What is the update on dilution of Government of India shareholding?

Swarup Kumar Saha - We have a plan of Rs.2,000 crores of QIP. We have taken the approvals and the merchant bankers are also now on board. We are going through the process of appointing the legal counsel for that. Very soon, we will be in touch with the market and we will time it accordingly. Rs.2,000 crores of QIP is still on the cards either this quarter or next quarter. That is part of the dilution that may happen on the government side. Apart from that, we have also taken approvals for Rs.5,000 crores of infra bond. We may raise it in tranches and another Rs.3,000 crores of Tier I / Tier II bonds. So, this overall Rs.10,000 crores of capital raising, out of that Rs.2,000 is QIP which impacts the dilution. So, we were waiting for this Q2 results and we will approach the market at the right time.

Moderator - Thank you, sir. The next question is from Ms. Isha Mehta. One, RAM now forms 53.86% of the total advances. What is your target for RAM's contribution in the next few quarters? Second, whether the Bank is looking to reduce the share of corporate loans in the future and focus on increasing the RAM loans in the portfolio?

Swarup Kumar Saha – If you see the guidance at the last page, it shows more than 56%. So, we are moving in that direction and if that happens the corporate segment will reduce.

Swarup Kumar Saha – Thank you, everybody. And thank you, Shilpa. Thank you.

Moderator - Thank you, sir.