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

## July 29, 2024

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

**Shri Ravi Mehra Executive Director**

**Shri. Arnab Goswamy, Chief Financial Officer**

**MODERATOR: Ms. Shilpa Abraham**

**Moderator -** Good afternoon, ladies, and gentlemen. I am Shilpa Abraham, the moderator for today's earnings call. I welcome and thank each one of you for joining us today for the Q1 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, Shri Swarup Kumar Saha - Managing Director and Chief Executive Officer; Shri Ravi Mehra - Executive Director and Shri Arnab Goswamy - Chief Financial Officer. 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. Good afternoon to all for joining this Q1 FY 2024-25 earnings call of Punjab and Sind Bank.

Our Board has approved the Q1 results of the bank on 26th July and you must have all gone through our results and the presentation. However, in view of setting the context of today's interaction with all of you, I would like tell you in brief some of the key highlights of the bank performance for the Q1 of FY’2024-25. The business of the bank grew by 7.10% on Y-o-Y basis and stands at Rs.208331 crores. Deposits have grown by 5.59% on Y-o-Y basis and stands at Rs.120593 crores. Advances grew by 9.24% on Y-o-Y bsis and it stands at Rs.87,738 crores. The retail, agri, and MSME advances which we are focusing on as a part of our revised business model, has grown at 15.69% Y-o-Y. The net interest income of the bank has grown by 15.18% on Y-o-Y basis. The operating profit has grown by 23.35% on Y-o-Y basis. The net profit of the bank has grown by 18.95% Y-o-Y and on a sequential basis the net profit has grown by 30.94%. The net interest income has grown by 23.37% on a sequential basis. The gross NPA, with thanks to the recovery efforts of our department, has now been reduced by 208 bps to 4.72% as on 30th June. The net NPA has gone down to 1.59%, a reduction by 36 bps Y-o-Y. The bank's capital adequacy remains healthy at 17.30%, which shows a 11 bps growth Y-o-Y. In terms of some of the other salient features of the bank's performance, we'd like to mention that the CD ratio of the bank has improved to 72.76%. We all know that the banking system is undergoing some challenges in terms of deposit growth, vis-a-vis the credit growth. In our bank also, our CASA has grown at only 5.36%, which is in line with other banks also. The retail term deposits has shown good traction and in the June quarter, we have seen that the retail term deposit has grown by 10.15%, which has helped the bank for reduction in the bulk deposit ratio of the bank.

So, we will continue to focus on mobilization of retail and CASA deposits. We have taken out a lot of campaigns, re-priced some of our deposit products and we will continue to move to the market for garnering fresh CASA and retail term deposits.

In terms of the advance book, while the overall gross advances grew by 9.25%, the retail grew by 23%, Agri over 9%, and MSME at 13.60%, which, as we said earlier, has helped the bank as the bank is now moving towards a RAM-based credit growth. So, the percentage of RAM to the total advances has now improved from 51.73% of March '24 to 52.49% as of June '24. In terms of some of the other areas, our credit profile continues to be healthy. Our asset quality also remains looks pretty good and sound.

In terms of the core fee income, our core fee income grew by 14% Y-o-Y. In terms of the advance growth, I would like to mention that, while the overall advance has grown by 9.24%, we are focusing on average growth. The average of the retail Agri MSME on a Q1 to Q1 has grown by 12.56%. So that's an encouraging sign for the bank.

We're able to translate our products and services so that we improve our average RAM growth. Our slippages have been contained in this quarter and the slippages has been only Rs.276 crores in the June quarter, which is against Rs.451 crores of June quarter last year and Rs.370 crore of March quarter. Our collection efficiency has been given a lot of focus and it is now paying dividends in terms of some of the containment in the slippages front, particularly on the agriculture and the MSME front.

The yield on advances has improved to 8.70%. We have been able to reduce the cost of deposit from 5.71% to 5.64%. So that is how we are managing our liquidity. The NIM has improved to 2.69%, it has shown improvement on Y-o-Y and on sequential basis.

The return on assets was at 0.50%. The cost to income has marginally reduced to 69.67% and the capital adequacy still remains healthy at 17.30%. On the digital front, we have been taking a lot of initiatives to improve our digital traction and a lot of value-added services are being added every day in our system.

The Google Play Store rating of Punjab and Sind Bank UNIC today is at 4.60, which is one of the best in the industry. So, we'll continue to work on that direction and try to improve our services through the digital mode. This will also reduce our operational cost and give much more value-added transactional satisfaction to our customers. Our endeavor to expand our branches will continue to happen. As of now, we are having 1,569 branches. We have opened 5 branches in the first quarter. We are having a plan of increasing branches by 100 for the entire year. Our ATMs will also be increased as we open new branches. While opening new branches we will be focusing on the semi-urban areas and the urban areas, other than the northern belt. We have identified 100 potential locations for that. We started off 357 BCs two years back and now we are having 2,000 BCs. We intend to bring another 2,500 BCs by this year-end. So that will expand our delivery network through the corporate BC network to a large extent.

On the new developments that has happened on the CASA front, we are organizing a lot of campaigns for that and as far as the enablers are concerned, we have signed a MOU with the Indian Army to garner defense accounts. We have brought in the mutual fund Fintech and will take a partner for demat accounts. This was earlier announced in FY 22-23 which has now been fortified and is working very well. We have tied up with Maruti Suzuki for digital car loans and we are also trying to collaborate with reputed institutions like IIM Amritsar, ISB Mohali and Punjab Agricultural University to garner more and more fresh ideas on innovation, on agri-innovation, on innovation of financial inclusion and we'll continue to explore that. We are taking a lot of measures on cyber security and having a robust IT infrastructure in the bank and we'll continue to invest as per requirements so that we are able to create a future ready bank which will also be equipped to handle the future IT challenges that may crop up at any point of time. So that was a brief of our bank's performance of Q1. Now over to you Shilpa and we can take the questions as they come.

**Moderator -** Thank you, sir. We will now begin the Q & A session. Mr. Bimal Panchal from Bimal Panchal & Associates, has asked whether Q1 FY '25 trend will continue for the year?

**Swarup Kumar Saha -** Yes, we expect to keep this momentum going as we have done in Q1.

**Moderator -** Sir, we have received another question from Mr. Godwin & Associates. What measures are being taken by the bank to more than double the BC network this fiscal year?

**Swarup Kumar Saha** - Yeah, as you all know that the bank was earlier having the model of individual BCs (business correspondents). We have moved from the individual BC concept to the corporate BC model. In a public sector bank, there is a process of onboarding such corporate BCs. So last year we had one single corporate BC empaneled in the bank, which has spread the network to 2,000. Having learned from the experience, we have now completed the RFP process for the second round and we will be onboarding a few more corporate BCs so that every part of the country is catered by some BC or the other because we do not have BCs who are strengthened on a PAN-India basis. So, we need to expand the BCs, some may have a good traction in the eastern part of the country, some may be good in the southern part of the country, some in the north east part of the country. So, we will be onboarding a few more so that our entire pan-India BCs can be catered. So, we have taken various measures and maybe after learning from the experience we intend to increase the number to 4,500 in the current year and to 6000 BCs by the end of March '26.

**Godwin** - Sir, I also wanted to ask you what new products and services the bank has planned to add in the PSB-UNIC app in the current fiscal year?

**Swarup Kumar Saha -** Bank had launched this PSB-UNIC app around 3 years back but we were constrained by the technology platform that we had on the CBS side. So, our CBS had an earlier version of 7, which was constraining the further value-added services which are required under the present ecosystem. So, once we have had the Finacle 10 upgradation done, our UNIC app is now having a robust platform. We are now trying to use it in different directions. As I have just announced that, it is in the presentation also, along with the existing services, we have now brought in the demat services in the PSB-UNIC, we have brought in the SIP mutual fund investment process, which is very simple. It is integrated in my bank's PSB-UNIC. We have brought in government PPF account opening and government accounts like Sukanya Samriddhi.

Another constraining factor for our current account mobilization was that today private banks are providing a lot of value-added services for the current account holders in their mobile app itself, like bulk transfers, which we were unable to provide. Now, the system is enabled to a certain extent to provide those value-added services. We will be bringing in much more, very much refined current account corporate biz app, which will cater to exclusively for my current account holders. If you've seen some of the apps, you will get a free credit score, we have enabled this also in our app. You can also download your CKYC number in your app. Suppose you are having an account in our bank, you can get the CKYC number free in my app. So, there are a lot of other projects, value-added services which will bring some traction in the attracting young customers in the bank.

**Moderator -** Thank you, sir. Our next question is from Ms. Saloni Shah from Lime Waters. Her question is, what is the NIM guidance for fiscal year '25?

**Swarup Kumar Saha -** Our Q1 NIM was at 2.69% and we intend to keep the NIM at between 2.75% to 2.8% for the March '25 year-end.

**Moderator -** Thank you, sir. We have received another question on the chat from Mr. Ashlesh. His question is, can you explain the reason for Rs.4000 crores to net worth due to the shift to new investment guidelines?

**Swarup Kumar Saha -** You are all aware that the RBI has issued revised guidelines on the valuation of the treasury book. The calculation is also well-defined in the RBI policy. We are having recap bonds of Rs.11672 crores and as per the Reserve Bank Circular, Rs.4200 crores has been adjusted with the general reserve of the bank. The treatment of these Bonds is as per RBI guidelines and similar treatment has also been done by other Banks.

**Moderator** - Thank you, sir. We are receiving a few more additional questions on chat. Our next question is from Mr. Hetal Gandhi, an Individual Investor, his question is, just wanted to understand about the recent RBI draft LCR norms for additional 5% runoff for retail deposit. So, going forward, how much impact will it have on our bank's earnings?

**Swarup Kumar Saha -** Yeah, I think a lot of studies have already come out regarding the banks as a whole and the overall bank scenario seems that the impact on the banking system will be anything between 10% to 20%. Our back of the envelope calculations have shown that our impact will be between 10% to 12%. We are sufficiently cushioned at this point as we normally maintain LCR around 130%. I think a lot of feedback will go to the regulator on the circular, but it comes in to effect from 1st April. We'll take cognizance of that and take our liquidity measures accordingly.

**Sushil Choksey** - I'm starting on Slide 22. You gave a guidance on net interest margin that you mentioned about 2.75%. Can you give the guidance on the rest of the graphics?

**Swarup Kumar Saha -** Yeah, sure. As far as the return on assets is concerned we are at 0.50% and we intend to have it between 0.65% to 0.75%. The cost to income ratio, we will gradually reduce and bring it down to below 69% by the end of March and maybe, if possible, below 68% also, but it will be between 68% to 69%. Return on equity we will try to move forward between 9% to 10%. That's the range we are working on.

**Sushil Choksey** - Sir, can I understand why our cost to income ratio on a sustainable basis can't go down to 60% and even 55% in the next two years during your tenure and the able leadership of Mr. Ravi Mehra?

**Swarup Kumar Saha -** Overall, if you look into the time span of next two to three years, we feel that the bank is in a position to bring it to around 60% to 62%. The only challenge that the bank was facing in this transition period was augmenting income. You will find that last year's impact was particularly due to the impact of the wage revision. If you take that as a one-time impact, the cost to income ratio last year was 65.69%. Notwithstanding that fact, we need to augment our income quickly. So therefore, we are creating pipelines for our credit growth and trying to increase our fee income, trying to mobilize our resources because we are constrained by a low CASA and by a very competitive environment in the corporate segment, which is very, very demanding.

So, we are going through a process where we have to balance the LCR calculations along with what sort of deposits we take. So, one of the churning that has happened in my liability resources is that while my bulk deposit percentage was hovering around nearly 22% to 23% at one point of time, it has now come down to 16% in a matter of two years. So that is a very, very important segment on which my bank's overall future growth will depend. So, we did a lot of working on this, first to get out of this bulk deposit phenomena and try to focus on the retail term deposits.

So once my deposit liability starts coming into the bank, in spite of the challenges that are happening, you will find that my cost of deposit in Q1 has come down sequentially, which shows that we are able to manage our resources well. So, one is the big income growth that was not coming into the picture because ultimately the big income would come if I grow very heavily on the corporate side where i'll get squeezed in my margins to a large extent. So, we are balancing it, we are trying to go for a sustainable growth and in a calibrated manner. That's why I said that if you see my RAM advances growth, which gives me better yields than the corporate segment, it is growing at a 12% plus trajectory which is giving me yields also in return.

So, yes, our low CASA and a high cost to income are a Pain point and are the two areas where we still need to work strongly. We are working very efficiently to bring that down but if you remember, if we go back three to four years, my cost to income ratio was as high as 75% and we were able to bring it down to 64% - 65%. However, we had the wage revision impact and we were unable to supplement with the growth trajectory. That's why this has again gone off track a bit but again. Now we are slowly and slowly bringing it down. We assure you that we are very focused on the cost to income ratio factor and our Board is also monitoring it strongly. We have done some strategic thinking and I'm very sure we will be able to come out of this.

**Ajmera -** My question is on the credit growth side, which I think in this quarter is around 2% and you said that we are constrained by the corporate credit. Can we not look at some midsize corporates rather than the large corporates for our credit disbursal and having a lower base, we have a lot of scope to grow our book, MSME and mid-corporate. So, what is change on that as far as the bank's policy or the view is concerned?

**Ravi Mehra** - Good afternoon, sir. We acknowledge that our year-on-year growth for corporate is around 2.9% but having said that, we are not averse to the corporate credit. It was a conscious decision, as MD sir said, that we were balancing it towards the RAM segment because of the better yield opportunities available. We have got a reasonable pipeline as well as of now for the year, somewhere around Rs.6000 crore. We hope that this is going to give us a stable kind of growth in the corporate segment as well. With regard to your question on MSME, definitely we are working on modernizing our products as well. We have rebalanced our portfolio towards MSME as we are looking for some mid-corporate branches. We have designated some of the branches in mid-corporate and more importantly, focusing on the STP journeys for MSME as well. We will be in the market with some STP journeys for MSME within a span of two to three months,

**Ajmera -** Yeah because I would like to see Punjab & Sind Bank to be in the range of 14%-16% overall credit growth. I mean that will basically make the difference. Otherwise, on the asset-quality, you have improved a lot. Our gross NPA is now under control and our net NPA is also under control. On the whole, the profitability is also good. I think in order to go to the next level, we'll have to think on that and as you said, with all these efforts, our credit portfolio should increase substantially. Thank you very much.

**Swarup Kumar Saha -** I would like to also supplement what Mr. Mehra said to give you a vision of what we are thinking. Our co-lending portfolio is also showing traction. We are moving very strongly on the MSME. If you see, this time our MSME growth has been 13% which was 6%-7% growth in MSMEs earlier. So, co-lending is another opportunity of working very strongly. We have increased our portfolio to Rs.800 crores in TREDS platform that again builds up the MSME portfolio. We're also looking for direct assignment opportunities where we are really looking for retail and MSME portfolios. So these are the three segments apart from the core business growth from our own network where we are focusing strongly.

**Ajmera -** All right, sir. Thank you very much. Thank you.

**Moderator** - Thank you, sir. Our next question is from Ms. Saloni Shah from Lime Waters. Sir, her question is, how will the funds plan to be raised through QIP in H2 fiscal year '25 be utilized to support the bank's growth?

**Swarup Kumar Saha –** We have given the disclosure that the bank has now got an approval of around Rs.10000 crores overall, Rs.2000 crores of QIP, Rs.5000 crores of infra-bond and Rs.3000 crores of AT-1/Tier 2 bonds. We are having all the internal approvals in place and will hit the market whenever we are in a position to take all other approvals. So, these sorts of areas will not only help our LCR to be under control, it will also help us to grow in our credit and also take care of our future IT investments that we are going to have. In fact, we have already chalked out a plan of around Rs.800 crores of IT investment spread over three years and these are very important sort of investments which are required just to sustain the ecosystem that we are working on. So, the capital raising that will happen will not only be utilized for the future credit growth but also be utilized for the future IT investments.

**Moderator** - Thank you sir. Our next question is from Mr. Mahesh, his question is the valuation of the recapitalization would have been done at fair value. Why would it have such a large impact? Two, can you sell these bonds in open market? If yes, would that result in an actual loss? Just to clarify, he is also asked how do you have a loss of Rs.4250 crores on a face value of investment that is at Rs.11672 crores?

**Swarup Kumar Saha –** Yeah, my DGM treasury, Ms.Mahima Agarwal is going to answer this.

**Mahima Agarwal** - Good afternoon. The bank has Recapitalization Bonds of Rs.11672 crores which were subscribed to by the Bank as part of the capital infusion made by Government of India. As per the new investment policy this has to be valued at the fair market value and the valuation was around Rs.7200 crores. Accordingly, the MTM loss in this respect has to be routed through the general reserve. Further, these are not tradeable in the open market.

**Muskan** - I would like to know regarding our agri-exposure which has reduced quarter on quarter by roughly 2.5%. So, what could be the reason for that?

**Ravi Mehra** - Yeah, good afternoon. We could not grow in agri because we are primarily concentrated in Punjab and Haryana but to cover up that gap and achieve the PS targets as well, we are moving towards other assets wherein we will be focusing other than KCC and Agri-Farm loans. We have tied up with some equipment manufacturers like tractor Manufacturers. We're also looking for the opportunity towards co-lending in agriculture and MFI financing.

**Swarup Kumar Saha –** In addition, because of our primary presence in Punjab, there is a seasonal fluctuation in the agriculture, particularly the KCC accounts, where the availments happen more in bi-annually methodology. We were growing at a lower pace in a Y-o-Y factor earlier but now we have reached a 9%. We'll take it forward to a double-digit growth in the next few quarters.

**Shivani Kumar**- Thank you. My question is, I just wanted to understand the breakup of retail loans between urban and rural areas. Also, going forward from which area you are expecting more growth?

**Ravi Mehra** - With regard to the growth aspects in retail loans, definitely we are looking towards home loan and auto loan and personal loan as well to augment the growth.

**Choksey** - Sir, when I was taking your guidance, you highlighted that you will get into co-lending or you will do retail but what steps have you taken within the bank, because there is no better time for your colleagues and employees at PSB than what is prevailing in last 12 months or 24 months as far as the business possibilities are concerned. CD ratio of a bank can easily move up with all kind of products which you're endorsing. So, was there difficulty with technology? Was it because of something else that we can't improve quarter-on-quarter to get to that place earlier than what you desire on paper?

**Swarup Kumar Saha –** Yeah, I think that's a relevant question, Mr. Choksey. I'll try to answer that. You're right that for a bank of our size, the CD ratio can be improved much faster than what we have been doing but what I personally feel is that having understood the bank, we have to create proper systems and underwriting processes before we actually do some leapfrogging. This is the area where we are plugging for the last two years. We didn't have a very effective credit delivery structure, which we have now implemented in the bank. We didn't have a proper underwriting mechanism for augmenting credit growth in the way you are expecting to happen. See, while aspiration is all we look forward to, we also need to realize that the ground realities of every organization has its own legacy, which we need to carry forward and transforming things in a knee-jerk manner may not get the desired results.

So, for a bank, which four years back was having corporate credit of 55% and RAM percentage of 45%, and suddenly if two big NBFCs go down in the market dynamics, the balance sheet goes topsy-turvy for the bank as a whole. We cannot go into that trajectory again. So now if I have to do a role reversal with a bias towards the RAM segment, the bank needs to go through that pain point of creating proper structures in place, proper personnel in place, proper monitoring in place and proper digital infrastructure in place to augment finance. If you see, how can a bank have a retail NPA of more than 3%? There's are some issues, which we need to address. So those issues have been addressed over the last two years by creating proper credit underwriting offices at the back end, which is giving a very healthy sign that the future delinquency of those new sanctions, which have happened over the last two years, are under a reasonable level. So, I can easily increase my book at 20% at this point of time with the leads that I have, but is that sustainable?

So, the bank's own legacy, number one, number two, the position where we stand at this point and the future in which we want to take it forward, where we don't go through a process of 2018 to ‘21, when the bank went into a serious shrinkage mode of the balance sheet. For a bank of our size, any small value here and there can create havoc in the overall figures. So, that's why it's better, I personally feel, though it's a pain we go through, but transformation goes through pain and if this transformation is to be a sustainable one, we need to create proper systems first, before we go into the big league and my team is working strongly. We have taken CXOs from the market, we are taking specialized positions from the market, we are increasing the capacity of our top executives, sending them for trainings in India and abroad and these are all investments for us.

Our technology, of course, was a damager in this entire story. If I have to augment credit growth aggressively, I have to have a very strong system. So, now I think by 15th or 31st August, we are going to go digitally in 4-5 areas and which will be the most updated system in the entire industry. We were able to sign a MOU with the Indian army, which was not there previously. Many banks are with Indian Army and now we are also getting traction actually on the ground to open defense salary account, which is a great boost for this bank. We are now progressing on other salary accounts, we have created new current accounts products which will help in deposit mobilization. So, deposits has to come, credit has to be augmented. We assure you that through all the sustainable measures that we are taking, the bank is slowly, steadily moving in the right direction.

**Choksey** - Sir, my next question is, if treasury yields are nearing 6.9% and if it hits between 6.80 and 6.85, would you take adequate profit to deploy money in view of the current CASA issues and bulk deposit rate towards credit, which is yielding over 9%?

**Swarup Kumar Saha –** See what we will take the profits as it comes, we are having sufficient cushion to build on this yield curve movement, which is a positive sign. See that my credit growth can be managed either by my resources or by my borrowings. I am not at this point thinking of reducing my investment book because of the situation that is coming. We need to continue to leverage this yield movement curve and try to supplement the credit growth through other means, if not the CASA retail, then the Infra Bond and the other bonds. First we will try to go with Infra Bond in the market. See how it hits the market and what pricing we are able to manage. So we will try to build this credit growth on the platform or on the fundraising that we have now talked about.

**Choksey -** Sir, the technology spend which you mentioned about Rs.800 crores, this is for the year or?

**Swarup Kumar Saha –** No, next three years.

**Choksey -** Next three years. When you mean by technology spend of Rs.800 crores, what kind of products and initiatives are they comprising it?

**Swarup Kumar Saha –** We are trying to build a state of the art call center which is a 6 months project from now on. We are trying to build a centralized trade finance module, which is another 8 months to 10 months project. We are trying to increase our servers, our cyber security measures, which has become very important. We are also going to implement the back office structure for mobilizing CASA accounts. This is a big project for the bank, we have been talking on this before also. This is another around 6 months, it is in a very advanced stage now, but it will take 6 months to 8 months' time. These will entail a cost of around Rs.150 crores to Rs.200 crores in the next one to two years.

As for the long-term projects, we are going to go for a data warehouse project, which is going to become an important development for the bank. This will help us leverage our own data and CRM management for leveraging our own captive data. So, data warehouse is a big project which will entail a significant cost, which is a long-term project of around three years. So that's the long-term project that we are working on and the others are within 1 to 2 years as I said.

**Choksey -** Stock price, thanks to limited float is expensive. How do you plan to propose to do your QIP or follow on offer [inaudible]?

**Swarup Kumar Saha –** Sorry, I didn't get the last part of your question.

**Choksey -** Based on the float is very low, so the stock price is pretty reasonably priced. Looking at a book value, which is approximately at Rs.20 and government is not likely to go over this and you may have to increase your capital, which is not a necessity, but you are forced to do it because you have to dilute as per SEBI.

**Swarup Kumar Saha –** Yeah, absolutely.

**Choksey -** Such environment, how will you meet your criteria when the market is not conducive because of price to book or market cap to advance or market cap to deposit?

**Swarup Kumar Saha –** Yes, those are the practical constraints we may face but as you said, the one factor that is driving this concept is, of course, the regulatory side that we need to dilute. Many other banks are also coming into the market, maybe in the same period of time. Many other banks have also announced their intent on QIP and we have started talking to some of the potential investors. It is not that it is a very bleak picture, it has some green shoes, the picture that we are getting from the market. Reasonably, we will try to hit it as we feel and when it should be hit in the market. So, we feel that it is possible, we are confident that we can raise this in spite of whatever you said, because there is a positive atmosphere for PSBs as a whole both nationally and internationally. So, we'll try to encash that sentiment notwithstanding the constraint.

**Choksey -** I'm not negative on PSU banks. My observation is based on the current float and the pricing mechanism. It is very clear that yourself, PSB, IOB, Bank of Maharashtra, Central, all will hit the market in more or less similar time zone and because of the crowding, how do we manage that? That was more the question.

**Swarup Kumar Saha –** Yes, that is the key point, you are absolutely right, I agree with you, that the timing would be very key to us and once the merchant bankers are on board, we will have this discussion internally and see what we can do about the timing of the issue. But this is a one-year project that we have in mind, the approvals are for a one-year period, so we will take that into that consideration while setting the time for this.

**Choksey -** My earlier questions are more directed to this achievement; you successfully do it and that is what my wish is.

**Swarup Kumar Saha –** Yeah. Thank you.

**Godwin** - Sir, my question is, what factors influenced Punjab & Sind Bank's decision to open 100 new branches this fiscal year and which regions other than the northern region are being targeted for the new branches?

**Swarup Kumar Saha –** Yeah. See, you must be knowing that our branches network is very much skewed to the northern part of the country with around 42% of our network existing in Punjab itself. So, now we are trying to open branches in areas which are other than the northern belt, primarily in the Central, Southern, Eastern side and the Western side. So that would be a guiding factor for the bank. Also we are looking more into the urban and semi-urban areas where we done some studies ourselves regarding district-wise business that are available in the country and according to the study that we are having, we will identify the districts where we can penetrate, where there is a scope or viability of opening new branches. Presently, we are hardly present in around 335 districts of the country, so there is a long list of uncovered districts that our bank can penetrate.

So, we will be primarily focusing on regions other than northern belt, we will be focusing on South, Eastern belt, Central, Western belt. Western means Maharashtra, Gujarat Rajasthan. UP also, eastern UP also we may look into, northeast we have some scope we can still look into. So, these are some of the 100 potential areas that we intend to we intend to open.

**Saket -** Namaskar, sir. And sir, if you could give us some understanding of the repricing of our deposits, that is our liability franchise, what percentage of our deposits have been repriced to the market and how much is pending to be up for renewal?

**Swarup Kumar Saha –** See, the repricing that happens, we have now taken out special products for maybe 333 days, 444 days, 660 days. So, these sort of special products, which are getting repriced at the current level. I think the question that you are trying to get into is, what is the impact on the cost that is going to happen?

**Saket -** Yes, yes.

**Swarup Kumar Saha –** So, yeah, I think that is what you are going directly.

**Saket –** Yes, the benefit of old pricing is looking to wane out?

**Swarup Kumar Saha –** Yes, what we find now at this point of time is that this pricing impact is going to plateau now. If you see my Q1 cost of deposit, it has come down marginally, but it has come down. So, we were finding that this traction of quarter on quarter was increasing in previous year. There is a possibility, which we feel very strongly is that we are not going to be repricing further, whatever we have repriced now in terms of certain products, we are going to hold at that level. The ecosystem will automatically mould itself to this new level of deposit interest rates. There will be a competition in the market to raise deposits but I think the competition would be in similar rates. All banks, at a point will offer similar rates. So, we feel that it may still have a marginal positive bias in higher cost maybe in one or two still quarters but overall, the traction will now plateau slowly. It is not an uphill curve that was happening earlier.

**Saket –** So, in nutshell we can conclude that the NIMs are not under pressure. We can see the NIMs trajectory.

**Swarup Kumar Saha –** The NIM impact can be gauged really after one or two quarters when the LCR calculations finally come into the picture. This is a draft circular, we have done some assessment as of now and how it translates into our overall mobilization of deposits, how it impacts our liquidity management that we will be monitoring. As I said the 10% to 12% is a back of the envelope calculation. We are still working on it and for the one or two quarters it does not seem to get impacted but once it gets implemented from April onwards, in that situation, the geopolitical situation what the current trend is, that will also get factored in the situation. So, I feel should be remain open but in the next one or two quarters, I feel that the NIM should not be under pressure.

**Saket –** Sir, LCR point, if you could repeat once again sir. What does the new guideline on LCR that you are talking about?

**Swarup Kumar Saha –** What it states is that the liquidity coverage ratio is a combination of various factors such as how much of CASA we have, how much of retail term deposit we have, how much of bulk deposit we have, how much we borrow against our additional securities, how much we take certificate of deposits. The regulator wants us to be in a comfort zone to avoid any situation like Silicon Valley Bank.

So, the banks are told that you have to take a calculated methodology with respect to the outflow and inflow of funds and your LCR should be at a minimum level of 100%, which is stipulated by RBI, so that you take your deposits accordingly. Suppose you are taking deposits and you are borrowing against SLR securities also. There is a calculation method under which we find out what is the LCR we maintain daily. Now, the broad factors so far was CASA, retail term deposits, bulk deposits, borrowings and certificate of deposit. Now, the Reserve Bank has gone ahead and said that if a customer is doing internet banking or a mobile banking, there is an additional runoff factor that has to be provided in that LCR calculation. Meaning thereby that suppose a customer is having internet banking, maybe you are yourself doing mobile banking, based on your transactions and your activation of your account, you are actually taking out money from the bank. So, there is an outflow, you are doing numerous transactions on your UPI, because UPI has gone ahead in a big way. RBI is trying to caution us, because digital transactions are now in a majority front compared to the manual transactions. So, this has to be taken as an outflow risk that can happen. So, whether it is an internet banking customer or a mobile banking customer, based on that, how much of an outflow can happen in a CASA account i.e. current account, savings account.

Some calculations have been given, it is either 5% or 10% or 15%. Based on that, the banks now have to keep additional cushion, so that the banks do not get into a breach of the regulatory guidelines of 100% minimum. Average banking system, there may be exceptions here and there, but average LCR is maintained between 120% to 130%, 135%. Some may be a bit low; some may be a bit high.

**Saket –** From the current 100 level, we have to go to 125.

**Swarup Kumar Saha –** No. The minimum threshold is 100. Banks are always maintaining cushion of 20% or 30%, because it is always better to keep a cushion.

**Saket –** It is similar to the Silicon Valley Bank where $42 billion were withdrawn by depositors.

**Swarup Kumar Saha –** Absolutely. So, RBI is asking us is that we are aggressively growing credit. For credit, deposit is required. We must always have a cushion that in such an unprecedented situation, there is no pressure on the bank to pay deposits back to the customer. So that runoff factor, technically it is called a runoff factor, RBI has told us, to have between 5% to 15% additional.

**Saket –** Right, sir. And last point, sir, what should be our loan growth? How are our advances going to grow for this year and for the next year, what is that trajectory, sir, if you could give some understanding?

**Swarup Kumar Saha –** This year, we should grow at 12% to 14% and the next year, maybe between 14% to 16%.

**Saket –** And this year basis, sir, what is our base on which we will go?

**Swarup Kumar Saha –** Around Rs.88,000 crore.

**Saket –** Okay. Right. So, we will be 1 lakh in the next two years.

**Swarup Kumar Saha –** If everything goes okay, maybe this year itself.

**Saket –** In this year itself, right. Okay, this year itself on a base of Rs.88,000 crore.

**Swarup Kumar Saha –** Yeah, we are trying for that. We are given a conservative guidance because the scenario changes very dynamically. But if all things go well, a 1 lakh crore advance by March '25 it is not impossible.

**Saket –** Okay. Thank you sir

**Moderator -** Thank you, sir. As there are no further questions from the participants, we now conclude this conference. Thank you. Have a good day ahead.

**Swarup Kumar Saha –** Thank you all. Thank you for your participation. Thank you very much. And thank you Shilpa.