“Punjab & Sind Bank Ltd Q3 FY26 Earnings Con-call”

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MANAGEMENT:

1. Shri Swarup Kumar Saha, Managing Director, and Chief Executive Officer
2. Shri Ravi Mehra, Executive Director
3. Shri Rajeeva, Executive Director
4. Shri Arnab Goswamy, Chief Financial Officer

Moderator: Mr. Ganesh Shankanawar

Moderator: Good afternoon, everyone. My name is Ganesh Shankanawar, the moderator for today's earnings call. I welcome and thank each one of you for joining us today for the Punjab & Sind bank earnings call for Q3 FY26.

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, Shri Rajeeva, Executive Director and Shri Arnab Goswamy, Chief Financial Officer. I would now like to hand over the conference to Shri Swarup Kumar Saha, MD & CEO 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.

Mr. Swarup Kumar Saha: Thank you Mr. Ganesh and good evening, everybody. I welcome you all on behalf of Bank to the analyst conference call for Q3 FY 25-26. The results were declared on 17th of January and the results were also uploaded on the Bank’s website and the website of the Stock Exchanges. I'm very sure that most of you have already seen the presentation and the Bank's results. However, just to set the tone, I’ll give a brief snapshot of the highlights of the performance of the Bank for Q3 FY 26.

The Total Business of the bank stood at Rs.2,49,499 Crore and we have shown a growth of 11.75% Y-o-Y. The Deposit growth was 9.27% and stood at Rs.1,39,202 Crore. The Advances grew by 15.05% and the same stood at Rs.1,10,297 Crore. Despite the challenges of CASA in the entire system, the CASA deposits also showed a moderately handsome growth of 8.78%.

Another important component of the liability resources, the retail term deposits has been growing at a very handsome rate and for the quarter ending December ‘25, the retail term deposits grew at 18.34%.

In terms of the Operating and Net Profit, the Bank's Operating Profit for the quarter ending December ‘25 grew at 22.73% and stood at Rs.594 Crore and for the nine-month period it stood at Rs.1639 Crores showing a growth of 30.18%. The net profit for the quarter stood at Rs.336 Crores showing a growth of 19.15% and for the nine-month period it increased to Rs.900 Crores showing a growth of 28.02%. The NII grew at 5.01% for the quarter and 6.57% for the nine-month period. What is significant is that we are focussing a lot on the core fee income which excludes the treasury, recovery and write-off accounts. This traction continues to be positive and for the quarter ended Q3 the core fee income grew at 28.97% YoY and for the nine-month period it is around 19.33%. Overall, the non-interest income grew at 50% Y-o-Y and 51.52% for a nine-month period.

The asset quality continues to be significantly improved. The gross NPA now stands at 2.60% and it shows a decline of 123 bps Y-o-Y the net NPA of 0.74%, which is as per our guidance that we should bring it below 0.75% and we have already achieved that guidance in December and we have brought it to 0.74%, which shows the 51 bps decline Y-o-Y. The PCR continues to grow, and here again, the PCR on a Y-o-Y basis has increased by 270 bps to 92.23% with TWO and without TWO it has shown a significant improvement of 408 bps to 72.28%. The Slippage ratio continues to decline and is at a moderate level of only 0.16% and the credit cost also is at low level of 0.05%.

In terms of the other parameters, as far as business is concerned, as we have been interacting with you for the last few years, we have been saying that we will like to focus on the increasing the Retail, Agri, MSME segment. Here again in the December quarter, we have been able to show a consistent performance in the segments and they grew at 21.94%. The percentage of RAM to the Total Advances has now improved to 57.45% and we expect that this percentage will gradually go up and by the end of March 26, we should be at 60% and the guidance for FY 26-27 is 70%. In terms of the individual segments also, the retail has shown a growth of 19.58%, Agri by 24.29% and MSME by 22.94%. So all around in all the three segments there is a healthy and consistent growth.

In terms of the capital adequacy, the bank continues to have a good capital adequacy of 16.83%. If you add back the nine-month profit, which we have not added so far as per norms, the CRAR is at 18.01%. This shows that the bank continues to work on capital optimized growth. In fact, the credit risk weighted asset density which we call RWA density has also shown improvement from 61.18% to 58.64%. So overall we believe that we'll continue on this capital optimized growth going forward as well.

Cost to income ratio has also declined 373 bps YoY and stands at 60.84%. Return on assets is at 0.79% and we'd like to take it forward to around 0.80%. So, these were some of the numbers in terms of the efficiency parameters. If you observe our progress in the operating profit and the net profit, the bank continues to have a steady growth in terms of the operating and net profits if we look into from June 23 onwards. There is an uptick every year in the quarterly operating and net profits. The other areas, in terms of slippages also, we find that the slippages also continue to decline overall. We had a retail slippage of Rs.34 Crore, Agri of Rs.39 Crore. MSME on a Y-o-Y basis slightly increased Rs.94 Crore, but we don't think that's a very worry some area, and overall the percentage gross NPA amongst the three Segments has also shown significant improvement.

In terms of the SMA 1 and 2, while sequentially the total amount of SMA 1 and 2 has shown an uptick, but these are primarily due to two state government guaranteed accounts which we have also adequately provided for in our internal books as a standard, but it is backed by state government guarantee. We don't foresee any immediate delinquency situation, but however, as a as a precautionary measure and as per the norms we have significantly provided for in these two-state government guaranteed standard accounts.

Finally, as far as the futuristic outlook, we continue to focus on branch expansion, expanding our delivery channels through branches, brick and mortar, BCs, ATMs. We are also now decentralizing more and more in terms of operations. 4 four new zones were opened during the year and another four zones are planned for the next financial year. We have now two FGM offices, we intend to increase it to five, increasing by another three, and also expansion of BCs further to around 6000. In terms of the other areas which are very important for any banking institution today innovation, we find that our digital journeys have streamlined. In fact the digital home loans during the quarter of December '25, 40% share of the total housing loans sanctioned was digitally or digitally assisted. Similarly for the digital car loans, 54% share was the total vehicle loan that was sanctioned was either through digital STP or digital assisted journey. So that shows that it is picking up. MSME loans we have just launched so it will take a bit of time to take traction, but we find that initial signs are very encouraging. In fact, we have also now launched the digital rooftop solar and a scheme under STP journey and also the digital commercial vehicle loans, and by March we'll have a host of other new digital journeys on personal loan, gold loan, self helps, mutual funds, second hand car finance, educational loans. So these are all lined up at very advanced stages. We expect that by March 2026 most of these will be actually implemented. A bit of one or two areas may spill over to Q1, but overall we will continue to focus on smart delivery of our products from the bank side.

In terms of the customer protection, we all know that we are living in a very dynamic world and therefore we need to create a multi-layer defence to protect our customers in terms of cyber related frauds that happen. So we have taken a host of measures, we have integrated with 14C, Mule Hunter, the Enterprise Fraud Risk Management Services also has been activated and much more activities are happening in that as we learn from the system. The FRI MNRL of the negative list of mobile numbers for enhanced due diligence are also being worked on. So, we have been very conscious of the fact that we need to take all the mitigants that are required to protect our customers in various forms that are happening in today's ecosystem.

In terms of future, of course, a lot of technology driven interfaces are getting created for customers and also for Bank staff through various AI generated chatbots. I think these will all play a role going forward and with excellent CRM solutions, the audit systems have also brought in a lot of value to the bank. The security operations centres are also getting upgraded. The back office is one of the very important steps that the bank has taken. You know, there are a lot of news items floating around the mule account process. So, we had earlier announced that the savings accounts have been integrated. All the savings accounts were getting opened through activation from the backend where one lakh accounts have been opened. That's the only channel for the branches to open and now the current account and the non-individual accounts opening has also been made live recently. So we hope that by these robust measures on opening accounts and customer acquisition, a lot of much more due diligences will be there. The activations will be done at the back end, which is through a centralized software system and we expect that going forward these sort of risks that we carry in terms of the challenges of the ecosystem, will to a large extent get mitigated. However, we can never be complacent, we need to continuously upgrade our systems and processes to mitigate the emerging operational risks. Forex businesses are also under pipeline. The Centralized Forex State Finance Solution is at a very advanced stage. By March we intend to complete the project and to increase our forex business. In fact, we have also approached RBI for the gift city and we are hopeful that we will get the approval sometime but at the present point what matters is that we have requested RBI for the approval for the gift city. So if that is done, I think the bank will also get a lot of opportunity to do forex business sitting in India. A lot of other initiatives also being planned in terms of operational cost management CRM led generation, AI driven features, mobile apps, etc. Regarding HR initiatives, I think when I joined this bank, a lot of questions came from the analysts as to how we are building capacities, and we are now in a position where we have got the state of the art processes to not only manage manpower, but also skill and reskill them through various scientifically devised tools. So we are doing it in two phases. The 1st one has been implemented and 2nd phase is under implementation. 2nd phase particularly focuses on learning and development. I think that would be the key. The 1st part was on performance management systems, target settings, appraisal tools, manpower assessment, succession plan etc. All these are primarily the 1st phase that has been now done. Now 2nd phase is getting implemented. I'm very sure these will all deliver results to the bank going forward. Various products have been introduced and finally, if you come to the achievements of the bank, viz-a-viz the guidance that we have been given, I think we have summarized the guidance in the last slide and we find that overall, whatever targets that we have set for the financial year, we are all on track and we have achieved most of them. We are also on track in the gross NPA which we are already at 2.60% and we are very sure that we are going to bring it to below 2.5% very shortly. So thank you for very much for your patient hearing. Now we can open up the floor for the discussions. Thank you.

Moderator: Thank you sir. We will now begin the question-and-answer session. Our 1st question is from the line of Ashok Ajmera. Please go ahead.

Mr. Ashok Ajmera: Yeah, thank you for giving me this opportunity and congratulations Swarup sir, Ravi sir, all the top management, the other management staff and the staff of the bank for very good results in this quarter. If you talk about the operating profit also has gone up, the net profit also has gone up, a good growth in the credit also in this quarter of 4.48%. So on the whole it's a very good quarter and my compliments to you all for the same. Having said that sir, I got certain observations, some queries and some clarifications. So my 1st question is on basically on the overall business and the especially the credit and deposit growth. Now, whereas the deposit is at 7.26% in nine months and targeted to be around 8% to 10%. Our credit growth target is 15% to 16% out of which 10.73% we already achieved in nine months. So with this kind of difference in the deposit growth and the credit growth, how are we matching our ambition of going for large credit growth of 15% to 16%? This is my 1st question, sir, if you can just little bit elaborate on that.

Mr. Swarup Kumar Saha: Sure. Yeah, thank you Mr. Ajmera for your kind words and a very appropriate question that you have raised in terms of the mismatch between the credit and deposit growth, and you have rightly pointed out that our credit growth is a bit higher comparatively to the deposit growth.

Having said that, if you will appreciate that in the present situation that we are in at this point of time, our CD ratio is around 79.24%. What is interesting here is that while the pressure of the CD ratio may look a bit challenging in terms of managing the overall outlook of the Bank's business growth, what I would like you to focus on is that though the total deposit growth is a bit less, our Retail Term Deposit is growing at around 18% plus and overall the credit growth we are aligning around 15% to 16%, right, and also, in terms of the various dynamics of the ecosystem to protect our margins as much as possible. We are also very conscious of that and strategically and dynamically we are trying to monitor that how do we fund credit in terms of the various resources that we have.

So, deposit is a very important a resource for funding credit growth. So what we are trying to do with this is that our LCR average, the liquidity coverage ratio, we feel that if we are able to maintain a comfortable LCR we can have a leeway in terms of the increase in the CD ratio so that we don't get choked in terms of our business projections. So therefore, we are following a very calculated methodology of trying to fund our credit growth because as the last quarter comes, the interest rates are getting hardened now. While the retail, we have taken a lot of steps, we have rationalized our deposit interest rates, our savings bank interest rates. So these are some of the steps we have taken to maintain the margin but going forward, we'll take a very quarter on quarter analysis. How do we handle this situation of the hardening of rates on one side and also the impact of the repo rate cuts that the Reserve Bank has done continuously. Overall, at the end of it, if I summarize, my submission is this that we don't feel any challenge in terms of funding our overall credit growth and we are very confident that we will be able to maintain the guidance that we have been giving you but on a quarter on quarter basis, these things will be monitored going forward.

Mr. Ashok Ajmera: Yes sir, the point well taken sir, but with a low NIM of 2.59%, I mean it is continuously coming down, which alternative source you feel can be cheaper than the deposit or CASA so that you can protect your NIM also at the same time growing the advances to this level?

What are your views on the NIM going forward with this alternate method, with this dynamic methods which you are using to raise the funds and maintaining the LCR at a comfortable level of say 120 or so? So, from where do you get access to the cheaper fund than the normal deposits?

Mr. Swarup Kumar Saha: Yeah, point well appreciated. If you see, there are two things here in the dynamics of the ecosystem. While it is very difficult to really get a substitute of a CASA which is the low cost resources and the only option for us, as deposit is very important, to go strongly on the retail term deposits. So, what I'm trying to tell you is this that despite the challenges of the deposit mobilization, we are still growing handsomely at 18%, in spite of lowering the rates in various deposit buckets. But, in terms of the NIM, if you see that in spite of the insignificant reduction by way of the report rate cuts by the regulator, in the December quarter, we were still more or less at the level of September quarter. So that shows that the NIM, will get bottomed out by the end of this quarter or maximum by the end of the next quarter. The alternative is that we price our products and we go into the segments of the asset side where we can really get a margin of 3%-3.5%. If you see the dynamics of our external credit rating portfolio you will find that we have moved from the AAA to the AA and overall we are keeping the balance well though the AAA at one point of time was 19.49%, it is at 16.60% now. AA rated was 22.38%, now it is 26.43%. So this is where we create a room for us, and also, as we increase our Retail, Agri, MSME growth. Now you find that earlier in our bank, the agriculture was not growing at any rate which was to be boasted about. Now you find that all three segments Retail, Agri, MSME, all the three segments are growing in tandem each other and these are the areas where we find that the margins are still possible, because in the corporate world we will not be able to compete with a low CASA base. It is very difficult for us to compete in the corporate world in terms of pricing of the good rated accounts. In fact, we have shed around Rs.3000 crores of corporate loan book just because we didn't want to provide a repricing at a rate which is not convenient to us.

So we have let go those. In spite of that, we are still growing our corporate book at a reasonable rate. So how do we balance our portfolios, it'll be very important and it is a challenge which we will like to overcome this by increasing our Retail, Agri, MSME segments to 60% and maybe from next year to a significant level of 70%. This dynamic will play out very solidly in favour of the bank in protecting the margins.

Mr. Ashok Ajmera: Yeah, so taking this your point forward of rating and getting a higher yield or higher margin on the advances, what I see is that in NBFC and gold loan, there are greater opportunities, at the same time, a good security also but, when it comes to the NBFC, you know, we are still on A or AA kind of a thing. Well, there is a small business NBFCs which are even AAA- also, but their business is very secured. They are giving to low-cost housing, average size is Rs.5 Lakh Rs.7 Lakh and not a single default and other things but at the same time we get very good returns with the interest ranging between 9.15% to around 10.25%. So those kinds of strategies should be relooked. It should also be looked at similarly for the gold loan also. I would just like to know the composition of NBFC and gold loan and for gold loan also, how much is the agriculture and non-agriculture and the kind of yield we are getting sir.

Mr. Swarup Kumar Saha: Yeah, from your 1st point regarding taking exposures in the NBFCs with the lower credit rating, we will take your feedback, and we'll look into that strategically in house to see what we can do. I think it's a fair point that you have raised and regarding the gold loan portfolio, I request Mr. Ravi Mehra to come in here.

Mr. Ravi Mehra: Regarding the overall Gold Loan portfolio of Rs.4800 Crore, Rs.1700 Crore is through co-lending and out of that Rs.1000 Crore is agriculture and with regard to the yield in gold loan, it is somewhere around 8.85%.

Mr. Ashok Ajmera: So that's what only I'm saying sir, that in case of even some of this lower NBFC where with the secured business also you can get a very good margin and can increase the profitability. So having said that sir, now in the segment results, I was looking at the segment bifurcation because of this high profitability in the corporate book and the retail book of Rs.269 crore and Rs.390 Crore. So overall it was coming at Rs.863 Crore out of those unallocated expenses of Rs.270 Crore, has gone for the 1st time so high as compared to Rs.50 Crore – Rs.70 Crore unallocated. So what happened this time that unallocated expenses has gone up to so much of Rs.269.58 Crore, whereas the segment wise profitability, if you visually look at Treasury, Corporate, Retail book and Retail Banking, then it is Rs.863 Crore.

Mr. Arnab Goswamy: It is mainly on account of provisions made during the quarter.

Mr. Ashok Ajmera: Sir, my last question in this round is about the two state government backed accounts, they slipped 1st SMA one and other SMA two and you need not worry and you made some reasonable provision also. Are those accounts going to slip finally as per IRAC norms in the NPA category or before that only they are going to be resolved?

Mr. Swarup Kumar Saha: See these are these are systemic accounts, as of now, we don't foresee the accounts getting delinquent, number one, and I can also tell you if they if they do so at any point of time, at present we are having more provisions in a standard account than it is required in a substandard account. So we have built that cushion already but we don't foresee because in one of the accounts, we had an exposure of Rs.1500 crores, exposure has come down to Rs.1000 crores, another account we had an exposure of Rs.1200 crores, it has come down to Rs.627 Crores. So, the repayments are coming, albeit not at a pace that we like to have, but we don't foresee any immediate delinquency in these two accounts.

Mr. Ashok Ajmera: All right, thank you very much sir. I'll give the opportunity to others, but if time permits, I'll come back.

Moderator: The next question is from Mr.Jai Mundhra. Over to you sir.

Mr. Jai Mundhra: Yeah, hi Sir. Congratulations on a steady quarter sir, and thanks for the opportunity. So I have a few questions. One is this quarter we had a stable NIM almost and negligible credit cost, right? But still the ROA is below 80 basis point. All other banks, they are now very close or higher than 1% ROA. This quarter we had a negligible credit cost and still we are far off from 1% mark. Of course it is a journey and it will take some time, but I wanted to know sir do we have an aspiration for 1% ROA and how soon can we reach there? Hopefully the NIMs will expand and credit cost may not be negligible, but I do not see any problematic thing on credit costs. So in your assessment, when can we reach that 1% threshold?

Mr. Swarup Kumar Saha: We have already discussed how we have maintained the September quarter. See, ROA is a component straight away from the net profits and as you rightly said, that is a journey, we would like the bank to move in a very steady and a very strong footing in terms of our efficiency parameters. So there is a lot of cushion being built up in the balance sheet in terms of managing our portfolios. In fact, as I said that in terms of the standard account provisioning, we have an ECL framework coming up in future. So we are building up, in one of those two state government guaranteed accounts we are having provision of 30% and the other one is at 20%. So we are providing more than required, firstly. Secondly, we also see increasing our provision coverage ratio and we have also built up cushions in that. Our ageing related provisions are as extended up to October ‘26. So we are building that and we should be ahead of this at least by six months in terms of our ageing. You could ask, why are we building it when the credit cost is low, what is pushing the bank to these sorts of strategies? We are doing it very consciously Mr. Mundra and we would like that whatever assets that we are having and any semblance of stress in some form or the other must be adequately provided for. While we do have several standard assets, there are certain accounts which are technically classified as NPAs, against which we are already carrying provisions in excess of 80%**.** Although the number of such accounts is limited, given the relatively smaller size of our balance sheet, even a single large corporate exposure, for instance, an exposure of around Rs.1,000 crore turning bad could have a massive impact on the overall scheme of things. Accordingly, we are building these provisions steadily and in terms of in terms of the futuristic ROA guidance, we think that ROA of 1% is surely possible by the end of March '27.

Mr. Jai Mundhra: Sir, if you see in this quarter, you have made excess provisions and all along you have been making some extra buffer, but in this quarter the credit costs are negligible, right? It may not become negative, right? So I was under the impression that if credit cost is negligible, still ROA is only a very minor uptake. I'm saying over the next five quarters, even if asset quality remains steady, but your credit cost will not fall down below this level, right? So credit cost is not a lever anymore. From this quarter perspective, all you have to do is either improve NIM or fee or Opex.

Mr. Swarup Kumar Saha: Absolutely, you're right. On fee income, as I mentioned earlier, the bank was not doing well in core fee income in the past. While Treasury income and recoveries from written-off accounts also contribute quite significantly, but those are also part of market dynamics. We are more concentrating on the areas other than these two big non-interest income methods. So our core-fee income continues to increase, a lot of stress has been given to stop revenue leakage, to promote third party products, to increase non-fund business. In fact, this time we have also been able to generate some additional income through sale of PSLCs. The PSLCs component has contributed Rs.21 crore in this quarter. So now with the agriculture portfolio picking up, we think that we have a lot of scope for getting more and more income through these sorts of methods. In terms of futuristic planning, we are going to very shortly implement supply chain financing. We are going to have cash management services by June.

Some of the banks are generating lots of fee income through these methodologies. So I think your point is right. We need to improve NIM and that's why I was talking of how we churn our assets book into the various segments and also increase our fee income to that. Hopefully with supported by sometimes good or sometimes moderate treasury performance because of the market dynamics and good recovery. Our slippages continues to be less and less, but a lot of focus continues to be given on recovery in NPA accounts. So, in this quarter also we expect around Rs.250 crore to Rs.300 crores of recovery in the Written off accounts and if all that materialises, this will add value going forward in our overall scheme of things. So, we will focus on generating more and more NII, NIM and other income from various sources.

Mr. Jai Mundhra: Sir, have you migrated to the new tax regime or you're still on the old regime.

Mr. Swarup Kumar Saha: No, not yet but we have covered all our accumulated losses and now time has come for us to look into this subject and maybe going forward we'll look into this.

Mr. Jai Mundhra: Sure and secondly sir, on, on gold loan? So there is a hundred percent Y-o-Y increase in the gold loan. Is there any reclassification that in the sense that earlier you were having retail gold or Agri loan which has now reclassified from Agri to retail or retail to Agri or these are all I mean like to like sort of a number.

Mr. Ravi Mehra: Yeah, Gold loan growth is there as I have just informed that we have done co-lending in gold loan for the first time and Rs.1700 crore is through co lending. So because of that growth is there and there is no reclassification among these two sectors.

M**r. Swarup Kumar Saha:** As far as retail and Agri classification, that's dynamics, but overall what I would like to say is that the portfolio is growing both organically through our branch network and also through our co-lending platform. Our co lending has been doing exceedingly well. Our experience has been excellent so far. So we will promote more and more such models of financing both organically and inorganically, and so far I think the quantum jump that you see are contributed by both the segments, both on the branch side and also from the Co-lending side.

Moderator: Thank you Sir. Now we'll begin to the next participant. Next question we have from Mr. Sushil Choksey. Over to you, sir.

Mr. Sushil Choksey: Good evening and congratulations for very good numbers. Starting in reverse, going to your guidance slide, you have tick box everything except gross NPA. I know you would not revise, but on a general discussion basis, is it likely to get further enhanced from where we stand. So why don't you elaborate because these are positives and we are not willing to change your guidance.

Mr. Swarup Kumar Saha: See, I think the colour combination sometimes maybe misleading. So I'll tell my CFO to be careful in the colour combination. Why we have put it in a different colour is that we have not reached that level. That's the other thing. We are going to be much better than what we have guided. I can assure you that.

Mr. Sushil Choksey: No sir. I sense in the numbers that your deposit growth is as at what the market is estimating and RBI is also forecasting. Your advances are doing very well. Your RAM specifically second-hand car, solar, agri, housing loan, all are doing well. Your gross NPs have performed well. Net NPA has performed well. PCR is stable. Recovery and upgradation, possibly you will far exceed the number what you have said. Credit Cost is minimal and slippage ratios also under control. So I feel that your numbers outlook and Bank is on a superior stage compared to what you are guiding. I just feel that if you can throw a better picture than what you are looking at aspirational on March 26, nobody's gonna hold the gun that you have not achieved it, but if you think it is what is gonna show your credit cost, can it collapse from where we are by one or two notches? Maybe your NIMs can improve far better, whatever it maybe. You may highlight that.

Mr. Swarup Kumar Saha: So, absolutely I think I think we can clear the air in that manner. See while we are objectifying that 2.50% is a reasonable guidance, I think we are looking at a number of 2.25% by the end of March. I think that is the number we have.

Mr. Sushil Choksey: 2.75% or 2.25%.

Mr. Swarup Kumar Saha: 2.25%

Mr. Sushil Choksey: Okay, second thing is that what is our technology spend and human resource spend? Because we are moving on digitization, co lending, branches, geographical expansion, new initiatives. So basically, entire staff and technology is a must enabler, so what is that we are going to do different and what is that spend you can tell us?

Mr. Swarup Kumar Saha: Yeah, I think I have while I was submitting my initial remarks, I did talk of the areas where we are working on HR front and amongst the other host of things that we are doing in various things I think we have also worked very strongly on the HR front. On the HR front, particularly in terms of investment, basically, we have taken the global consultant who is implementing the best of the HR practices, which is across all the Banks, particularly the public sector banks, and I think we are getting the best of the benefits. It is not a big cost in that way, in the overall package of things that we are doing the entire cost is in terms of the engagement of consulted, whether we are taking any tools, on the various tools that have been mentioned in the presentation. That was 16 to 20 tools are being adopted on whether it is target setting, whether it is performance management, whether it is other areas. I think there we are investing in terms, through a consultant more. So that's not a very significant number for us to really be worried about. But the point is that on the HR front and 2nd phase of the HR transformation that we are doing, it really talks about the leadership development. I think that's the key area which we will like to work on in the current six months. Its six months project that we are going to implement and hopefully at the end of it, we create more skill assessments, more and more tools for training purposes and engage staff members in a much more efficient manner. I can just give you one example in terms of capacity building, what we have done internally through our AI chatbots, our staff members normally nowadays are more used to reading WhatsApp messages and circulations that come through WhatsApp and do not get enough time to read formal circulars in the banks internal portal. So what we have developed is that we have created an AI chatbot in an internal circulation where any staff member would have any query whether it's a regulatory guideline, whether it's a board approved guideline, whether it's any SOP, he can just put a chat into that, we call it R-YaBot portal in our bank, and through that he can get an updation immediately with an immediate response through a system generated AI tool that has been utilized. It will give them the immediate answer to a problem that he may immediately face at any point of time. So this is just a small area which I have talked about and trainings is another area which we are investing very strongly.

We find that internally amongst the total number of employees that we have, around 10000 odd, we are now working on how many unique employees are getting trained every year and that figure is also significantly increasing year on year. A unique employee means our employee who is not given multiple trainings, Earlier, we were giving trainings around 3000 employees. Now that figure is ranging 6000 to 7000.

So, it's nearly doubled. So a lot of investment is happening there also through our training colleges. We're opening a 2nd Excellence Centre Staff Training College, which will call our Centre of Excellence on Food and Agro processing. It'll be hosted in Chandigarh and which will give another fillip to our overall capacity building initiatives that we intend to take going forward because we all realized that how IT and HR has to go hand in hand in the overall scheme of things for any efficient bank. So we are taking a lot of initiatives. Hopefully this will all give better results as we go forward.

Mr. Sushil Choksey: So what is the digital spend and human resources spend likely to be additional on all these measures.

Mr. Swarup Kumar Saha: On the human resources spend, I can give you a snapshot that just to give you an idea of what you are trying to arrive at. In the last three years, we have an approved outlay of Rs.900 crores in IT. Okay, I think that will give you an overall idea of scheme of things which will get utilized as we go forward.

Mr. Sushil Choksey: Sir, your RAM is doing well, how well efficiently we are able to market some other products including CASA to the same customer.

Mr. Swarup Kumar Saha: Yeah. So, the next transformation journey that we have decided internally would be on the digital front, which is one of the key area of customer acquisition, whether it is on the liability side or whether it is an asset side. So the bank has been internally working out and I think we'll be roll it out by the end of the financial year next, which we may call PSB UniC 2.0 and demonstrate to the external stakeholders that we also have the capacity to turn around a digital oriented customer journeys and with a great UI/UX experience and overall make a stickiness.

The idea is having more stickiness from the customer’s perspective, more product per customer or cross selling. So, as of now on the asset side, we are doing a lot of digital transformation on the lending side, but we like to have it a common platform where in both the assets and the liabilities will be taken care through a very robust digital platform. So, that is on the offering in the next year, we have taken a lot of steps in various areas. I think, it is now culminating for business purpose. The digital transformation will be taken forward. So we will be going through the process, approvals by the end of this month or maybe next month and then we will open it up and we engage somebody which is efficient and delivers to the best of the apps in terms of the industry. So I think those acquisition journeys of salary stickiness also will work. One more thing, we are also much more focused on garnering as much salary accounts as possible. We have done host of tie-ups with various state government organizations to build up this CASA portfolio in terms of salary accounts. Off late, of course the central government employee connect program will be across all public sector banks where central government employees have been advised by their local ministries to open all their accounts in a public sector bank only. Although it's a competitive market, but we think we can have a fair share in that. The defence salary accounts is playing out very well. Earlier we had a centralized Major General, who was the Central Defence Banking Advisor. We had one person. Now we have five persons on the ground to assist the Major General at the centre. There's a lot of leg work required to mobilize salary accounts from the defence establishments and we have recruited them, they're already on the job, they're going places and we are getting a lot of positive feedback. Going forward, we may make some significant breakthroughs in the defence salary accounts as well, because our package is one of the best, if not the best, it is one of the best amongst all the banks that offer the products to the defence people. So stickiness of customer would be important, giving them good UI/UX experience, giving them all the facilities under one mobile app to maintain accounts with us, have good credit card business, mutual fund business. So putting them all together and trying to build a robust digital journey. So these will be some of the few points which will be taken forward in the next financial year.

Mr. Sushil Choksey: Sir, my next question, what is the unavailed credit limits which you have sanctioned in recent months and what is the pipeline looking for the quarter? Specifically on the corporate side?

Mr. Swarup Kumar Saha: I think on the corporate side, overall if I see the sanctions in hand, the undisbursed portion and the proposals under consideration with a good NBG in-principle approval given which are going to get converted. The overall pipeline so far is Rs.20,000 crore.

Mr. Sushil Choksey: Okay and does it give you a colour of any kind of sector or it is across?

Mr. Swarup Kumar Saha: It is across. Of course NBFCs we are there, but other than that, we are looking for good infrastructure, LRDs, real estate, good real estate projects. If we get something like renewables, manufacturing. We are now getting into cement. We are getting good leads. Many of the big corporates, the cement manufacturing companies are in touch with us and we hope that at least one or two of them will be converted in terms of our acquisition.

So, Manufacturing is there, a lot of state government entities, who are doing well in the power sector are also bringing out new Capex programs in their respective states, and we are also giving them line of credits or credit lines in those areas, whether it is Northeast, Central India, Northern India, we are getting it from across the country, Orissa, Andhra. So now our business expansion is really being taken forward in the geographies which we think are going to be very important today, whether it is a Central part of the country, Southern part, Eastern part of the country. So we are going to expand our business horizon across this and that's why we are making a lot of visits, our MD, EDs are visiting them, meeting the chief ministers, top bureaucrats, meeting top officials. Anywhere our MD or ED visits, we generate at least Rs.5000 Crores of leads. That's the bottom line we have taken that if any MD / ED goes to a visit in a particular zone for business mobilization, that zone should generate Rs.5000 Crore of leads otherwise we don't go. Initially people who are hesitant, I think now it has picked up whether it is Gujarat, Chhattisgarh, Orissa, Madhya Pradesh, Karnataka, I think that's how the things are moving in the bank and I'm very sure as we move more and more, these will be converted in a better way.

Mr. Sushil Choksey: So then you need to accelerate your deposits, nothing more.

Mr. Swarup Kumar Saha: Yes, that's true or we find an alternative way funding and maintaining the LCR but that situation has not come yet. For many banks the CD ratio is already at 82%-83%, we're at 79%. We'll work on that leeway that we still have and then take a call. Of course deposits will be very important as you said.

Mr. Sushil Choksey: Yeah, because five state itself amounts to Rs.25000 crores, Sir my last question, you understand treasury well, what is it today that rates are where it is and what's the outlook? Secondly, how do you manage cost of funds better than where we stand today in near quarters?

Mr. Swarup Kumar Saha: Yeah, in terms of the outlook, as you know the yields have hardened and a lot of dynamics are happening, particularly on the SDL front. I'm very sure that the Reserve Bank is looking very closely on it and I think the subsequent OMOs may again come since there's a lot of discussion going on that OMOs may be brought in.

We also feel that some of the SDLs which RBI has experimented earlier in the OMO, they have not off late done that, maybe because the hardening is happening in the SDL front more, the spread is increasing more there. RBI may consider as some as a measure to bring down the yields from that perspective. But the global situation is something very dynamic. I don't expect immediate cuts happening in terms of it, the GDP numbers are also holding on, which doesn't really trigger any potential action by the Monetary Policy Committee. So in the scheme of things as we stand today, I feel that RBI will have a wait and watch, we have a long pause maybe in terms of the overall guidance and take it every two months going forward. That's on the treasury front. On the cost of fund, we have brought it down. In fact, if you see our trajectory in the cost of deposit and cost of funds, we have taken a lot of steps and that is yielding a lot of results. We have re-priced our savings very aggressively and we don't find any challenge there. Savings continues to grow. We feel that today it's the stickiness of the customer which gives the bank savings accounts. So we have drastically reduced our savings deposit rates, retail term deposits, particularly on the special schemes. At one point of time we were giving as high as 7.45% in the retail term deposits in one of the brackets. That has gone down to 6.60% and that if you see our movement sequential movement in the cost of deposit and the cost of fund, we feel that that is a positive development there. What you and I need to do is increase our yield on funds and the yield on advances. So that is the work in progress, you may say.

Moderator: So we will move on to the next question, which is from Mr. Hriday Choksey.

Mr. Hriday Choksey: Good evening, thank you for the opportunity. So a very quick question, you earlier guided on our vision for a 1% ROA over the next few quarters so looking at your numbers, so we have a very volatile and a much higher cost to income ratio versus majority of our peers. So what is our vision in bringing this down because you spoke a lot about digitization and operations so where can we bring this down to and how do we move to that 55% target because this will also eventually help our way, so what are your guidance here?

Mr. Swarup Kumar Saha: Yes, absolutely right. The only solution is to increase income. Cost only has limited impact that happens in terms of reduction in costs. Traditionally our bank's Cost to Income ratio has been very high. So the only way is to generate more and more income out of our business models. So we expect that if all the things work out the way that we have planned, by the end of March 27, we should be nearly around between 50% to 55%. I think that's the overall dynamics that we are working on. We'll try to phase it by 3 to 4 bps every year and if you see our trajectory so far we are holding on. Earlier it was 75% at one point of time and it was 72% also. So now we are able to maintain the 62% to 64% range. We expect that this range will come down to around between 58% to 60% very shortly and then move on to a range between 53% to 56%, once it starts to stabilize. So, in another two years down the line, we should be having a much better cost to income ratio. The only way to do it is to increase income and that's what I have been telling all along, and that's what we are trying to do also if you see our income is going up, churning the balance sheet etc, which I've already said. So that will continuously take place going forward.

Mr. Hriday Choksey: Noted, thank you very much.

Moderator: Thank you sir. As, as there are no further questions from the participants, we now conclude this conference. Thank you. Have a great day.

Mr. Swarup Kumar Saha: Thank you, Mr. Ganesh, and thank you everybody.