



“Punjab & Sind Bank Q3 FY-22 Earnings Conference Call”

February 07, 2022

MANAGEMENT: SHRI S KRISHNAN, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
SHRI KOLLEGAL V RAGHAVENDRA, EXECUTIVE DIRECTOR
DR RAMJASS YADAV, EXECUTIVE DIRECTOR

Moderator : Good evening ladies and gentlemen. On behalf of Punjab & Sind bank a very good evening to members of the analyst community and distinguished guests. I hope everyone has been safe and healthy in this time of the pandemic. I'd like to thank each and every one of you for taking out time and joining us today. I welcome you all to the virtual Analyst meet of Punjab & Sind Bank on the announcement of the banks Q3 FY 22 financial results. Before we begin, I would like to introduce the management who would be addressing today's virtual meeting. We have with us Sh S Krishnan Managing Director and CEO, Sh K V Raghavendra, Executive Director and Dr Ramjass Yadav, Executive Director. We have placed all microphones on mute. At the end, during the Q & A session, we will be coordinating for unmuting the respective representative for asking questions. I will take you through this process before the Q & A session begins. However, the management will continue to remain unmuted throughout the session. I would now request Sh S Krishnan to address the gathering. Thank you and over to you, sir. Thank you.

S Krishnan: A very good evening to the analysts. Welcome to the discussion. I'm very happy to share with you the results of the bank for the Q3 of the Financial Year 2021-22 which was adopted by the Board today morning and I am sure that all of you have seen the results and the PowerPoint presentation, which is made available on the website of the bank and also with the stock exchanges. I will walk you through few of the important slides before I open the forum to you for the discussion. Now, I'll be taking you through a few slides as a part of my presentation. You can look at the highlights of performance. The operating profit has grown to Rs.332 crore registering a growth of 1030 bps quarter on quarter. The net profit is one of the highest in the recent times of the bank registering Rs.301 crore which was Rs.218 crore last quarter showing an increase of around the 3807 bps. You all know that, last time when I met you and also the last few quarters, I have been discussing with you and telling that the bank is in the path of the transformation and a turnaround strategy has been prepared. The bank is going to be on the right path of turn around. You may also recollect that in March 21 Quarter i.e Q4 of the last fiscal, the bank turned around after having a very tough time of more than 8 quarters or so with heavy bleeding, we could come to the black in March 21 quarter. Since then I've been addressing you and telling you that quarter after the quarter we have been making the profits. Not only just making the profit but also improving the profits quarter after the quarter. So if you look back it was

around Rs.161 crore in March 21 which increased to Rs.174 crore in June 21 and increased further to Rs.218 crore in September 21, and now at Rs.301 crore. The bank has been focusing on changing its strategy, focusing more on the low costs deposits, shedding away the high cost deposits and also to concentrate on the retail lending which has yielded the results that is before you. CASA has increased by 626 bps Q-o-Q. The cost of deposit has come down to 4.24% as on 31st December and the Net Interest Margin has gone up to 3.17% and has shown a growth of 57 bps over the previous quarter. Yield on advances has also gone up by about 77 bps to 7.69%. With respect to the provision coverage ratio, I have to tell you that we have made a lot of front loading of the provisions. We have strengthened the balance sheet. The provision coverage ratio has increased by 333 bps during Q3 and stood at 84.77%. This in turn has brought down my Net NPA to 3.01% that is about 80 bps below what it was in September 21. This is a snapshot of the business. As I was telling, if you look at the deposit it has grown by about 10.87% Y-o-Y, and the advances have grown by 3.26%. I had informed earlier that we have been focusing on the RAM segment and it is very clear from this slide that the composition of the RAM, which was a 48% a year back has gone up to 50% and in turn the corporate advance has been brought down. Basically I was discussing with some of you as to how we are able to turn around, we have been analyzing various pain points and one such reason that we found was that there was a lot of concentration. So we wanted to concentrate on the RAM segment where the risk is spread and accordingly the RAM segment has been focused. Now, if you look into the year on year growth in RAM it is 6.37% and within that RAM you can look into the Retail, Agriculture and MSME where in each of the sector we have seen reasonable growth despite the challenging time of the pandemic. While the retail has gone up by 12.15%, Agriculture has gone up by 3.53% and the MSME has gone up by 4.06%. Corporate advances is about Rs.33500 crore and out of that nearly around one third, i.e. Rs.12000 crore is guaranteed by the government and the rest are having a mix of high rating. So, the corporate advance has come down from September. Let me also make it clear that we are selective on corporate. We have not shut the door and the data clearly indicates that the corporate advance is coming down. Out of my Corporate Advance nearly 35% is guaranteed by the Government of India or state Governments. These are some statistics for you as to the infrastructure where we have grown. In the power sector we have a growth which is again promising. Telecom is basically given with letter of comfort to state owned companies. So I really don't foresee any

major NPA in that. The Road and Ports has come down marginally and overall not much increase. As far as the priority sector is concerned the bank has exceeded all the mandatory requirements. You can see that the Priority Sector Lending is around 48% against the requirement of 40%. This is despite the fact that around Rs.650 crore has been sold under PSLC and also made a good income out of that. Despite that we are above the requirement of 40%, the fact the bank continues to focus on the priority sector lending fulfilling the objective for which the bank was established, and also the National objective. This is the breakup of the retail lending and almost on each of the product that we have grown. Housing Loan we are showing a growth of 4.67%, vehicle loan by 24%, personal loan by 9.59% and other retail by 36.45%. Other retail basically includes the loan against the property, loan against rent receivables which are highly secured and a small portion of the educational loan also. So in each of the product in the retail we have shown reasonable growth. With respect to asset quality the Gross NPA and Net NPA has been brought down. Gross NPA has come down to 14.44% from 14.54%. Net NPA has come down to 3.01% from 3.81% which when seen with the provision coverage shows the strength of the Balance Sheet. This is the distribution of the assets showing the break-up of my standard, substandard, doubtful and loss assets. This is the movement of NPA. You can see here that for this quarter my slippage is the lowest at Rs.214 crore against which my cash recovery and upgradation is around Rs.401 crore. So, it clearly indicates that I have brought down the NPA by Rs.200 crore. Gross NPA was around Rs.9823 crore as at the end of the previous quarter which has been brought down to Rs.9636 crore. This is sector wise NPA. As you can see, in almost every quarter we have reduced the NPA except the retail where there is a marginal increase. This is the statistics on restructured advances which is around Rs.3446 crore. It is flat or marginally down from what it was in September 21 indicating that there is no addition to the stress. If you really look into the SMA position, it may look to be higher but I will draw attention to SMA 2 which is vulnerable to slippage which has come down substantially from Rs.3271 crore to Rs.1766 crore. This overall increase is also because of implementation of the latest RBI guideline. So, for example, the interest charged, as on 31st of December, if it is not paid on 31st of December itself, it is classified as a SMA 0. That has been strictly implemented. This is on the status of NCLT. You can see we are holding provision coverage of about 96% as of now for all the accounts put together. These are some of the highlights, the operating profit is

Rs.332 crore, net profit is Rs.301 crore as compared to net loss of Rs.2376 crore last year. The net interest income also has grown to Rs.758 crore and the NIM has grown to 3.17% from 2.60%. This is the breakup of interest income and interest expenses. While the interest income year on year has increased by 6.13% the interest expenses have been curtailed during the quarter which has helped me to increase the net interest income substantially. There is reduction in the Non-Interest Income basically because of treasury profit which was available during the last year and not there this year in Q3 to that extent. With respect to provisions, as I previously said, we have frontloaded some of the provisions and my slippage is only Rs.214 crore against that I have made a provision of Rs.325 crore. So it's obvious that we have front loaded and we have built provision for future shocks if any. During the pandemic it is better to be more cautious, more conservative. So that has been made. The capital adequacy of the bank continues to be comfortable with CET 1 at 12.34% and the overall CRAR at 17.82% and this is without reckoning the 9 months profit. The net worth has also gone up from Rs.5341 crore to Rs.5665 crore. So, you can see that almost every quarter our net worth is increasing and also the book value. The cost of deposits has come down to 4.24% and the yield on advances has increased to 7.69%. The cost of funds has come down to 3.64% and yield on funds has gone up to 6.11%. If you look into my credit cost, the credit cost for the quarter is just 0.49% that too, as I said, we have frontloaded some of the provisions and our slippage ratio is the lowest at 0.37. I can say that no big accounts have slipped. Cost to Income ratio was one of the concern for the bank which was as high as 84% a year back which has been brought down to 64.20% percentage and hope that going forward we will be able to further bring it down. The earnings per share, ROA and ROE has gone up. Thank you and I would like to take questions from analysts on any of the points.

Moderator

: Thank you, sir for the address. Ladies and gentlemen, you will now notice a small icon on your screen, a hand sign, once you press this, it will alert us that you would like to ask a question. We will accordingly unmute you, you can unmute yourself and go ahead and ask a question. The analyst asking the question should please mention his or her name and the firm that you represent. Anyone who's joining from the audio call may WhatsApp me your question and we will ensure to take a question in the queue. We will wait for a few seconds before we take go ahead and take questions. I noticed that most of the participants have joined via the phone. So, if you have any questions, please Whatsapp me your question.

Anil Gupta : Good evening Sir. This is Anil Gupta from ICRA.

S Krishnan : Good Evening Mr Anil.

Anil Gupta : Sir, I have a question on your stress book i.e. on the restructured book and the SMA book. What is your view on this book? How much of this book is out of moratorium now? The restructured book, if you can just throw some light on this.

S Krishnan : I can tell you that I do not foresee any pain points on this restructured book. As of now the repayments by and large are as per the terms of the sanctions. With reference to the SMA, if you look into my slippage in the last quarter was very, very low and we are confident that we will be able to maintain that because we do not have any big shocks expected during this quarter, the machinery for follow up is fully geared to see that we are able to reach out and my collection is improved. That is how we are able to address the slippages.

Anil Gupta : The reduction in SMA 2, which is Rs.3200 crore to Rs.1700 crore is because of Air India?

S Krishnan : Yes.

Anil Gupta : Has the exposure been paid off?

S Krishnan : Yes, totally paid off.

Anil Gupta : Sir, if you look at the SMA position, it was mentioned that it is because of the strict compliance of the recent RBI circular and that is why it has marginally gone up.

Anil Gupta : Okay. Sir, the capital position has been very good after the recapitalization and the numbers are looking very strong and if we have to compare the operating profit of the bank you have close to Rs.1000 crore for 9 months and that is excluding that Treasury profit which incrementally is going to be low. Let us say we are looking at an annual run rate of Rs.1000 crore incrementally on the operating profit. So do you think you will need capital given the restructured book and SMA book you have in relation to your operating profits?

S Krishnan : No, I don't think that I'll be requiring the capital as per the existing accounting standard.

Anil Gupta : And presently no Board Approval has been taken till now?

- S Krishnan : As I said as per the existing accounting standard what I have is sufficient. But going forward if the accounting standard is to be migrated to the IND-AS there maybe some requirement. The bank has proactively taken steps to address that also.
- Anil Gupta : Okay Sir and Congratulations on improving trajectory.
- Moderator : Thank you Mr. Gupta for your question. There's a question from Mr Singh from Dalal Street Investments. Sir he wants to know what are the sectors of focus going ahead where we look at increasing our credit exposure?
- S Krishnan : Our focus will be on the preferred sectors such as food processing, Renewable energy, health care companies, Hospitality. So these will be preferred sectors where we will be focusing and there is a good promise and demand for these sectors now. So we would like to capitalize that opportunity.
- Moderator : There is a question from Mr. Vipul Birla from Reliance securities. What is the outlook on the credit cost going ahead?
- K V Raghvendra : If you see the credit cost, it has been decreasing over the period and this quarter also it was one of the lowest. So, we expect in the quarters to come to contain it below 0.50%. So our credit cost is expected to be annually below 2% and quarterly below 0.50%.
- S Krishnan : I think this is what we had told last time also, we gave the guidance when we met that the credit cost will be maintained at this level and we have maintained for the quarter at 0.49% which translates to less than 2% on annual basis. Going forward, we'll be at that range.
- Moderator : We have another gentleman Mr. Inderjeet Singh.
- Inderjeet Singh : Could you shed some light on the Bond Yields going forward?
- S Krishnan : It will be hardening, no doubt on that but not much. As far as my Bank is concerned, I am relatively comfortably positioned. We have planned well so that we may not be affected to a great extent.
- Anil Gupta : In slide 10 we have shown other infrastrucuture. What is this and what is the guidance on recovery? The last nine months you have done quite good recovery in

the previous 9 months, almost double we have recovered. So what is the guidance in recovery?

S Krishnan : We hope to continue the same recovery. If you will see, we have not resorted to any technical write off. You know that we can do that as well but so far in the last nine months we have not resorted to this. Without that I am able to bring down my Gross NPA. Similarly, in Q4 also, it will be brought down even without that. At the board level we are deliberating about the technical write off. That call will be taken subsequently, but now it will be brought down similarly in absolute number. As far as other infra is considered , it is by and large given to state government guaranteed accounts, drinking water projects, irrigation project, state development project, hospitality project etc. Most of them are guaranteed by the state government.

Anil Gupta : Sir with respect to ECLGS. How much loan you have given in ECLGS?

S Krishnan : ECLGS 1 to 4 onwards we have given around Rs.1673 crore.

Anil Gupta : In terms of the income recognition in restructured accounts what is the policy in interest income recognition.

S Krishnan : It is recognized on receipt basis.

Anil Gupta : So, there can be an upside when the repayment actually happens.

Inderjeet Singh : So what would be the areas where the highest NPAs will come from and any guidance on a ballpark number where we can see this number settling by year-end.

S Krishnan : As I already said I do not expect any additional addition to the NPAs in absolute numbers. Meaning that my recovery and upgradation will be equal to or more than what I will have as fresh slippage. Similarly, I do not foresee any big accounts which is expected to slip. So slippage may be in smaller accounts spread across the different category like MSME. As you know that the most vulnerable will be the MSME particularly during the challenging times though the government has taken lot of steps to hand hold them and the Bank is also focused on that. In spite of that some retail may slip. Even in Q3 no major accounts slipped. So I expect that the slippage could be in smaller accounts which will be well within control.

Moderator : Sir, I hand over the call to you for your closing remarks.

S Krishnan : I on my behalf of the entire team, thank you very much for sparing your time to come for this meet. You know that you have been tracking the stock of our bank particularly in the recent times maybe the last 4 or 5 quarters and during this period what we had promised has been delivered. The management is fully committed to see that the bank is taken to the greater heights. I'm sure that the analysts will also be having the good opinion on analysis of the bank's performance. Looking forward for support and any information that you require at any point in time you may feel free to contact me or my 2 executive directors. Thank you very much again for your time.