



# “Punjab National Bank Q1 FY2023 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Punjab National Bank Q1 FY2023 earnings conference call hosted by Batlivala & Karani Securities India Private Limited. As a reminder to all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. Participation in this conference call is by invitation only. Punjab National Bank reserves the right to block access to any person to whom an invitation is not sent. Unauthorized dissemination of the contents or the proceedings of the call is strictly prohibited and prior explicit permission and written approval of Punjab National Bank is imperative. Please note that this call is only for investors and analysts. I now hand the conference over to Mr. Suraj Das from Batlivala and Karani Securities India Private Limited. Thank you and over to you Sir!

**Suraj Das:** Thank you. Good evening everyone and thanks for joining the call. On behalf of Batlivala and Karani Securities, we welcome you to Punjab National Bank’s Q1 FY2023 post results conference call. We have with us today the management team of Punjab National Bank represented by Mr. Atul Kumar Goel, MD and CEO Sir, Mr. Sanjay Kumar, Executive Director, Mr. Vijay Dube, Executive Director, and Mr. Kalyan Kumar, Executive Director and other senior officials of the bank. I would now request MD and CEO Sir to start the call with his opening remarks on Q1 FY2023 post results after which we will start the Q&A session. Thank you and over to you Sir!

**Atul Kumar Goel:** Thank you very much Suraj. Good evening to everybody. I welcome all the analysts to this quarter call. I am happy to present the quarterly results of the Punjab National Bank for the quarter ended June 2022. As far as business of the bank is concerned global gross business increased by 6.21% on Y-o-Y basis to Rs.1936923 Crores at the end of the June 2022 as against Rs.1823685 Crores in June 2021. Global deposits grew by 3.56% on Y-o-Y basis to Rs.1136747 Crores as at the end of June 2022 against the figure of Rs.1097649 Crores in June 2021. Global gross advance grew by 10.21% healthy growth on the advantage of Y-o-Y basis to Rs.800177 Crores as at the end of the June 2022 as against the Rs.726036 Crores in June 2021 and first time we have crossed the advance business of the Rs.8 lakh Crores. Domestic CASA share improved Y-o-Y by 119 bps to 46.34% in June 2022 from 45.15% in June 2021. Savings deposit grew Y-o-Y by 6.61% to Rs.447258 Crores although as I told you global deposit grew by 3.56% but savings grew by 6.61% Y-o-Y. Retail credit increased by 10.77% Y-o-Y and 4.82% on quarter-on-quarter basis to Rs.146321 Crores at the end of the June 2022 in retail segment. Core retail credit means without **including any IBPC or the pool** is there increased by 9.10% on Y-o-Y basis to Rs.121349 Crores. Housing loan increased by 5.25% on Y-o-Y basis to Rs.74565 Crores. Vehicle Loan increased by 34.25% on Y-o-Y basis to Rs.13446 Crores after the pandemic is over so everybody prefers to travel their own vehicle this is the reason there is a growth of 34.25% in the vehicle loan. Personal loan increased by 25.52% on Y-o-Y basis to Rs.12938 Crores. MSME advance increased Y-o-Y by 3.15% to Rs.124947 Crores, agricultural advances increase Y-o-Y by 3.78% to Rs.133237 Crores, that Q-o-Q growth on the agriculture advance was

7.20%. CD ratio improved by 425 bps on Y-o-Y basis to 70.39% in June 2022 from 66.14% in June 2021.

As far as profitability of the bank is concerned net profit for Q1 FY2023 was at Rs.308 Crores and grew 52.48% on quarter-on-quarter basis. Quarter-to-quarter there is a growth but if you compare from the last financial year June 2021 there is a dip. Operating profit was at Rs.5379 Crores during Q1 of FY2023 and grew by 2.17% on the quarter-to-quarter basis. If you compare the operating profit of the June 2022 from June 2021 there is a dip because June 2021 the operating profit was Rs.6400 Crores. I will give the reason of the dip in the operating profit as compared to the June 2021 to June 2022 because on account of the increase in yeild of G-SEC. There was a decline in the trading profit in June 2021 was Rs.1118 Crores which has reduced to in the quarter ending June 2022 to Rs.573 Crores it means there is a dip around Rs.500 Crores plus in the profit and second another factor is MTM losses because on account of the increase in the G-SEC which was around 6.18 in March 2021, 6.84 in March 2022 increased to 7.45 in June 2022 on account of increase in the interest rate and G-SEC. Rs.1409 Crores was MTM loss which we have booked in the June 2022 and not only this in June 2021 quarter there is a reversal of Rs.301 Crores in the MTM. In June 2021 quarter there was a gain and June 2022 quarter there is a loss so if you add both so Rs.1700 Crores is the total loss as compared to June 2021 so this is the major reason. If you add Rs.1700 Crores plus Rs.500 Crores is Rs.2200 Crores, if you will add this amount in the Rs.5379 Crores so our operating profit will be much more what we have achieved in the June 2021. Total income of the bank for the Q1 FY2023 was at Rs.21294 Crores grew by 0.94% on quarter-to-quarter basis, operating profit of the bank for Q1 FY2023 was at Rs.10080 Crores and grew by 3.34% on quarter-to-quarter basis. The total interest income of the bank for Q1 FY2023 was at Rs.18757 Crores and grew by 0.60% on the quarter-to-quarter basis. Net interest income grew by 4.27% on Y-o-Y basis and also 3.27% on quarter-to-quarter basis in Q1 of FY2023 to Rs.7543 Crores from the figure of Rs.7234 Crores in June 2021 quarter. Other income increased by 3.55% on quarter-to-quarter basis to Rs.2537 Crores in Q1 FY2023 from Rs.2450 Crores in Q4 FY2022 despite MTM loss of Rs.1409 Crores in Q1 FY2023. The trading profit for Q1 FY2023 increased by 47.23% to Rs.573 Crores in Q1 of FY2023 from Rs.389 Crores in the Q4 of FY2022; however, Y-o-Y declined from Rs.1118 Crores which I just told you in June 2021 quarter. Fee based income increased by 25.68% Y-o-Y, 34.13% quarter-to-quarter to Rs.2055 Crores in Q1 FY2023 from Rs.1635 Crores in Q1 of FY2022 and Rs.1532 Crores in the last quarter of the last financial year FY2021-FY2022. Total expenditure of the bank for Q1 FY2023 declined by 3.05% to Rs.15915 Crores similarly the total interest pay register declined of 4.1% on Y-o-Y basis to Rs.11214 Crores in Q1 FY2023 from Rs.11694 Crores in Q1 FY2022. As far as efficiency ratio of the bank is concerned global NIM improved by five basis points to 2.79% in Q1 FY2023 from 2.74% in June 2021 and three basis points from 2.76% in March 2022. Global cost of deposit improved to 3.79% in Q1 of the current financial year June 2022 from 4.08% in June 2021 and 3.90% in the March 2022 quarter. Yields and advances at 6.49% in the June 2022 quarter yield on investment at 6.36% in June 2022 quarter. Business per employee improved to Rs.1914 Crores in June 2022 from Rs.1854 Crores in June 2021 quarter.

Assets quality, assets quality there is improvement in assets quality Y-o-Y as well as the last quarter also. Gross non-performing assets were at Rs.90167 Crores as on June 2022 as against Rs.104073 Crores as on June 2021 declined by 13.36% on Y-o-Y basis and 2.46% on the quarter-on-quarter basis because the number of the gross NPA was Rs.92448 Crores in March 2022. Similarly the net non-performing assets net NPA was at Rs.31744 Crores as on June 2022 as against Rs.38581 Crores as on June 2021 declined by 17.2% Y-o-Y and 9.06% on the quarter-to-quarter basis net NPA in March 2022 was Rs.34909 Crores. GNPA ratio improved by 306 basis points to 11.2% in June 2022 from 14.33% in the June 2021 and there was improvement of 51 basis points from 11.78% in the March 2022. Similarly the net NPA ratio improved by 156 basis points to 4.28% in June 2022 as against 5.84% in June 2021 and 50 basis points improved from March 2022 quarter which was 4.80% in March 2022. PCR including TWO improved by 270 basis points to 83.04% in June 2022 from 80.26% in June 2021 and further there was an improvement by 144 basis points from 81.6% in March 2022. Slippage ratio declined by 192 basis points to 3.75% in June 2022 from 5.67% in June 2021 and there was an improvement of 272 basis points from 6.47% in March 2022. As against the original restructuring amount in OTR 1 17952 accounts with Rs.6253 Crores, OTR 2 214535 accounts with Rs.12648 Crores the present position is Rs.3686 Crores in the resolution 1 and Rs.10832 Crores in OTR 2. SMA account above Rs.5 Crores has reduced from Rs.12524 Crores 1.77% of the domestic advance in June 2021 to Rs.2027 Crores which is coming around 0.26% of the domestic advance in June 2022. As far as capex adequacy is concerned the capital adequacy improved to 14.82% in June 2022 from 14.50 as on March 2022 and Tier-1 capital is 12.1% and CET-1 was at 10.91%, AT1 was 1.16% and Tier-2 at 2.72% in June 2022.

As far as digitalization is concerned internet banking service users increased to 347 lakhs as in June 2022 a growth of 32.44% Y-o-Y basis. Similarly the mobile banking service user increased 38.24% Y-o-Y to 347 lakhs as of June 2022 from the figure of 251 lakhs in June 2021. UPI transactions increased by 106% to 74.97% as of June 2022. So this is about the financial position of the bank. Treasury profit I have already told. Recovery in the written off accounts has also improved in the current quarter, current quarter means June 2022 quarter to Rs.1246 Crores. This recovery in the written of accounts in June 2021 quarter was Rs.837 Crores and also in the March 2022 quarter it was Rs.871 Crores. As regard to family pension total liability of the family pension was Rs.3094 Crores and as per the RBI decision it can be amortized in the five year, five year means 154.70 Crores per quarter in the financial year. We have provided this family liability up to March 2022 Rs.1573 Crores the balance left Rs.1521 Crores as on March 31, 2022. I am happy to inform you that the entire liability of the Rs.1521 Crores has been provided in the last quarter means June 2022 quarter. As far as NCLT cases are concerned as on date 561 accounts which is admitted in the NCLT for an amount of Rs.66846 Crores and there is another 61 accounts which has been referred to the NCLT for the amount of Rs.4606 Crores but that is still to be admitted. Total number will be Rs.622 Crores and total amount will be Rs.71451 Crores. As far as position of the RBI list one is concerned the outstanding list one is Rs.3802 Crores and second list was Rs.4572 Crores makes a total of Rs.8982 Crores and provision against this 99.1% for the list one and list two and for the entire bank NCLT

cases total provision coverage is 97.8%. As far as sector wise slippage is concerned because slippage for the current quarter, current quarter means, the Q1 of the current financial year it was Rs.5889 Crores, but if you see the composition of this slippage the sector wise slippage Agriculture was Rs.2315 Crores, MSME Rs.1735 Crores, retail Rs.820 Crores, and large and other was Rs.1020 Crores respectively and one of the accounts which was slipped in the figure of the Rs.525 Crores out of this Rs.423 Crores which was slipped in June 2022 fully has been recovered in the July 2022 so there is not a single account. In my opinion, there is not a big corporate account, which we have to recognize entire big account has already been recognized. Why I am telling this if you see my SMA2, SMA2 as of June 2022 it was Rs.11730 Crores for the total rank out of which this number has reduced as on date Rs.8438 Crores and SMA out of this amount more than Rs.5 Crores is Rs.1618 Crores and out of this more than Rs.5 Crores the maximum amount in single account is Rs.162 Crores so I told in the last time also there was some stress in the small account also, main sector also and we have taken lot of new initiatives to improve the collection efficiency as well as the underwriting standard. On account of this we have also reviewed our portfolio for the last two years where we have sanctioned and what about the slippage. The loan which has been sanctioned from June 2020 to June 2022 outstanding amount is around Rs.1 lakh Crores. Out of this Rs.1 lakh Crores amount only slippage is 0.59% on account of better underwriting standard as well as the better collection efficiency also. One more thing I would like to tell you also because this is the first time I think because in the last three concall also accord of the bank is we will increase the recovery fund and recovery number will be much more than the additional so I am happy to share to all of you our fresh addition was Rs.6468 Crores for the June 2022 quarter but total recovery, total recovery means because there is two type of recoveries some recovery in the NPA accounts and some recovery in the TWO because recovery from the TWO is not coming in part of the movement. It is coming directly to the operating profit and part is coming to the interest income also so total recovery is Rs.7057 Crores as against the slippage of Rs.6468 Crores. If you see the slippage number also, slippage number in March 2022 quarter Rs.10506 Crores and June 2021 quarter it was Rs.8972 Crores so slippage has also been reduced. As far as credit cost is concerned, credit cost was 2.45% in the March 2022 quarter and it is only same like 2.46% credit cost for June 2022 and our guidance is we will try to reduce this credit cost by 2.25% so this is from my side. I think I have covered most of the points so whatever the questions will be there from the analysts I will like to answer all the questions. Thank you very much. Once again I welcome all of you for attending this concall and give your precious time. Thank you very much.

**Moderator:**

Thank you. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.

**Ashok Ajmera:**

Good evening Atul and all the ED and top managements. Complements on one major front that is controlling the slippage and also comparatively a good recovery in the difficult circumstances and situations. Having said that Sir I have got a couple of observations and questions. Sir you said that

additional family pension charge to P&L of Rs.1520 Crores in this quarter only June quarter but our total employee cost still remains only Rs.2547 Crores so what is the factor by which the employee cost has gone down because if you reduce this Rs.1520 Crores then the employee cost remains only Rs.1000 Crores as against Rs.2158 Crores of the last quarter so this is one question of mine which can be answered, my other observation is on the treasury we are mainly concerned now for the future because you have got a very large treasury I think total investment is more than Rs.4 lakh Crores you have justified the income that why the income has gone down operating as compared to the corresponding Rs.5379 Crores now, we have accepted that explanation but going forward where we do we stand because our modified duration is still little higher I think it is 2.14 and our AFS book is also almost about Rs.80000 Crores so from the treasury can I know what is our outlook on the treasury income coming forward or the losses where do we stand because treasury income is only Rs.1251 Crores as against the reevaluation of the investment is Rs.1409 Crores so net-net we are down only so this is my two major observation and question and once you answer I have got a couple of more questions?

**Atul Kumar Goel:**

Ajmera your observation is okay. I will give you the answer of the first question. As I told you the family pension which was the remaining to be provided from the March 2022 Rs.1521 Crores we have provided in the current quarter itself in June 2022 but your question is why this is down because down was on account of the reversal of the AF provision, AS 15 provision from the pension, from the gratuity, there was a reversal of Rs.1682 Crores so against the Rs.1682 Crores reversal we have already provided Rs.1521 Crores this is the answer to your first question. Regarding your second question how it will behave because Ajmera you are a chartered accountant you are saying keep duration 2.14 normally G-SEC is a 10-year GSEC we are seeing in the market what is the 10-year GSEC normally if you see the portfolio of the entire banking industry total duration considering the HTM as well as the AFS will be in the tune of around 5% to 5.5% but I think complement to the bank to maintain the modified duration of the 2.14%. If I will make the duration less than 2.14% it means I have to invest only treasury bill, if I will invest in the treasury bill tomorrow you will make the question how you are managing the treasury by investing in the treasury bill where after return is very low so I think 2.14% is the very appropriate duration but further our endeavor will be to reduce further to 2. As far as you have asked the plan unless and until rate will not come down I think there is no treasury can make the profit but our treasury is very active. We are taking the position in the HFT as well as the AFS and if the market is volatile we are trying to make the profit out of that from the current investment but as far as earlier investment which is already exist in the treasury I am very transparent to you it is very difficult to make the profit out of that particular stop.

**Ashok Ajmera:**

That is fine and well taken. Sir I have got a couple of questions on the credit side? Our energy portfolio has gone up to Rs.44792 Crores as against Rs.41000 Crores in the last quarter so what kind of this power sector or energy sector this almost Rs.4000 Crores credit has gone?

**Atul Kumar Goel:**

This is normally to the NTPC or their subsidiary like this year.

- Ashok Ajmera:** Good. Sir on the chemical there is a downside of Rs.2500 Crores the portfolio has come down to almost Rs.8000 Crores from Rs.10500 Crores so is there any repayment of some account or some slipping into NPA or what is it about in the chemical sector?
- Atul Kumar Goel:** If slippage will be there so outstanding will remain in the books of the bank because whatever we are giving that is not only for the standard account so it is a repayment only.
- Moderator:** Thank you. The next question is from the line of Dev from Horsepower Securities. Please go ahead.
- Dev:** Good afternoon gentlemen. Sir I have a query regarding the wholesale banking segment it is still in loss and how many quarters would it take to recover the losses to turn into black and what would be your comfortable provision coverage ratio at this point of juncture?
- Atul Kumar Goel:** It is not an actual loss it is a notional loss because we are making the provision against the corporate book also. This is the reason our PCR has improved from the 81% to 83%. The moment we will be in a position to make the recovery out of it, it will be automatically return to the profit. It is not an actual loss it is a notional loss because it is coming under the segment on account of the higher provision made on the corporate book.
- Dev:** What is the comfortable provision coverage ratio for you at this point of juncture?
- Atul Kumar Goel:** 83% is very good. For the management like us also we will try to make the net NPA zero 100% but 83% is very appropriate.
- Dev:** But do you intend to take it forward to 86% or something like that?
- Atul Kumar Goel:** Why not.
- Dev:** Sir what is the reason for this muted loan growth in this condition are you optimistic about the whole year that loan growth will be 6% to 7% or something like that or still you are facing difficulty in that front?
- Atul Kumar Goel:** No. Basically it is not 7%. If you see the growth on the Y-o-Y on my gross rate it is 10.21% and if you see further take of this 10.21% is the total growth and more than 10.77% in the retail so there is a lot of traction in the market because there is a demand on the NBFC side, there is a demand from the road sector also and infra, there is a demand from the civil supply also, there is a demand in the project because that is also as per the priority of the government. After this COVID-19 there is a lot of demand 10% is a growth as on date and still we will try 11% or 12% also. We have given the guidance for the 10% we will revise our guidance also because there is a traction in the market. Demand is coming. We have reached to the pre-pandemic level.

- Dev:** For this full year you are going by the 11% right?
- Atul Kumar Goel:** 11% yes.
- Dev:** In this competition scenario how do you feeling about the business situation right now when your peers like SBI is also present they are going all cylinders firing so how is the situation you are facing at your end?
- Atul Kumar Goel:** Healthy competition is always welcome. That is not a challenge. Healthy competition is always welcome. If you see my rate on the MSME filing, if you see my rate on the liability side or the asset side we are par with the market. We are providing the loan at a very competitive rate which is in cue with the market. Similarly on the liability side visit my website also the rate of interest which is given on the deposit it is also in line with the other banks which they are giving.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Edelweiss. Please go ahead.
- Mahrukh Adajania:** Good evening. Sir I had a few questions. Have you transferred any securities from AFS to HTM?
- Atul Kumar Goel:** Yes. On the Q1 of the current financial year we have also shifted the securities from AFS to HTM as well as from the HTM to AFS also.
- Mahrukh Adajania:** Was there any transfer loss?
- Atul Kumar Goel:** Yes there was a transfer loss also. It is included in the Rs.1409 Crores.
- Mahrukh Adajania:** What was the transfer loss?
- Atul Kumar Goel:** It was around Rs.275 Crores.
- Mahrukh Adajania:** Would you have sold any portion of HTM in this quarter?
- Atul Kumar Goel:** As on date I think we have not sold. As the limit is available for the 5% I think we have not used this loan we have not used this option now.
- Mahrukh Adajania:** Got it Sir and my other question is your restructuring under OTR2 it has risen over the disclosure in March correct why would that be?
- Atul Kumar Goel:** I will tell you. That is not a problem. If you see the debt was the outstanding because that was the outstanding in March if you see my current position as on date also. This is Rs.3866 Crores as on date. Rs.6253 Crores was the total implemented but outstanding was Rs.3863 Crores. In March 2022 we have also given the outstanding.



- Mahrukh Adajania:** Got it Sir. Okay thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Bhavik Shah from Morgan Stanley. Please go ahead.
- Bhavik Shah:** Good evening Sir. Thanks for the opportunity. Sir I wanted to understand what will be your outstanding total restructured amount for this quarter?
- Atul Kumar Goel:** Restructured there is a two type of restructure I will give you the data. In RBI resolution one we have done total restructuring of Rs.6253 Crores this is a two type personal, other exposure and the MSME I will give you the total. Out of this Rs.6253 Crores as on date outstanding is Rs.3866 Crores. Now come to the RBI resolution two, implemented means restructured amount Rs.12648 Crores it includes the individual borrowers, it will include the small business as well as the MSME against the implementation amount of the Rs.12648 Crores as on date outstanding is Rs.10832 Crores.
- Bhavik Shah:** Any MSME restructuring?
- Atul Kumar Goel:** MSME restructuring I can give you the data also. MSME restructuring in the resolution one was Rs.856 Crores against which outstanding as on date is Rs.506 Crores and within resolution two MSME restructured amount was Rs.6047 Crores which is outstanding Rs.4783 Crores.
- Bhavik Shah:** Sir the MSME outstanding restructuring outside COVID restructuring?
- Atul Kumar Goel:** I think we do not have any other outstanding as on date.
- Bhavik Shah:** What would be your LCR this quarter?
- Atul Kumar Goel:** LCR?
- Bhavik Shah:** Liquidity coverage Sir?
- Atul Kumar Goel:** Liquidity coverage ratio, it was in the range of 150% to 160%.
- Bhavik Shah:** The slippages of Rs.6500 odd Crores how much was in the restructured book?
- Atul Kumar Goel:** You are asking for the current quarter only or the out of the total restructuring. I can give you for the total. In resolution two as I told implemented was Rs.6601 Crores so there was a slippage of around Rs.552 Crores. It is not only for this quarter I am giving the total figure. Similarly in the MSME also the total restructuring was Rs.647 Crores in the resolution two out of which Rs.1264 Crores was slippage.

- Bhavik Shah:** Other segments?
- Atul Kumar Goel:** Other segments I have already given. This is for the entire. This is not only for the MSME. I have told you both OTR2 Rs.6601 Crores was the other and where Rs.552 Crores was the NPA and the MSME Rs.6047 Crores was the total restructuring and Rs.1264 Crores was the NPA this is OTR2.
- Bhavik Shah:** OTR1?
- Atul Kumar Goel:** OTR1 Rs.5396 Crores was the restructuring out of which Rs.2037 Crores was the NPA and MSME Rs.856 Crores and the NPA was around Rs.351 Crores.
- Bhavik Shah:** Thanks a lot Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Jay Mundhra. Please go ahead.
- Jay Mundhra:** Sir can you tell us what is the PV01 of that treasury book?
- Atul Kumar Goel:** Rs.13 Crores.
- Jay Mundhra:** Sure Sir you have mentioned the OTR1 and OTR2 restructuring is there any legacy CDR Rs.525 Crores, etc., also there outstanding?
- Atul Kumar Goel:** That debt has already been gone. CDR I think no case is pending. Whatever the CDR already credited to the NPA.
- Jay Mundhra:** Any Rs.525 Crores, etc.?
- Atul Kumar Goel:** Nothing is outstanding.
- Jay Mundhra:** Understood. Secondly Sir on your ECLGS right so you have given decent disclosure there is some Rs.18400 Crores is the amount disbursed what is the outstanding or NPA there as of June?
- Atul Kumar Goel:** The total sanction was Rs.20918 Crores outstanding as on date is Rs.13749 Crores out of which NPA is Rs.758 Crores which is coming now 5.52%.
- Jay Mundhra:** What is this Rs.18000 Crores then the sanction is Rs.20000 Crores, outstanding is Rs.13000 Crores?
- Atul Kumar Goel:** NPS Rs.758 Crores.
- Jay Mundhra:** Right then this amount of Rs.18400 Crores what is this amount?

- Atul Kumar Goel:** This was disbursed amount.
- Jay Mundhra:** Sure secondly Sir on your agri slippages this quarter, agri slippages of course have a seasonal pattern but it looks like only PNB has shown higher agri slippages in this quarter any specific reason there or any specific geography where these agri slippages are coming from?
- Atul Kumar Goel:** There is not any special reason. I think we should expect more recovery in the coming quarter also. This I can reply you. If there is a high slippage there are chances of high recovery in the subsequent quarters. No special reason.
- Jay Mundhra:** You said the total SMA including below Rs.5 Crores loans?
- Atul Kumar Goel:** Rs.11732 Crores is the total SMA2 as on June 2022 which has reduced to Rs.8438 Crores as on date. Out of Rs.8438 Crores SMA more than Rs.5 Crores is hardly Rs.1618 Crores which also maximum amount of a single account is Rs.162 Crores.
- Jay Mundhra:** Understood lastly Sir I think you had mentioned that there was a provision reversal on staff cost of Rs.1600 Crores right this is because of higher yields but of course there is a negative correlation when yields go up but is this after statutory audit or this is your internal calculation?
- Atul Kumar Goel:** No it is not internal calculation it is a calculation taken by the actuary. Every quarter we are taking this calculation from the actuary, every quarter we are booking whether it is a reversal of the provision.
- Jay Mundhra:** No other bank has done this thing but anyway okay great Sir.
- Atul Kumar Goel:** Every bank has done it cannot be. Even in March also not only on this quarter even March quarter also there was a reversal.
- Jay Mundhra:** Understood Sir. thanks.
- Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Edelweiss. Please go ahead.
- Mahrukh Adajania:** Sorry I just want a clarity on a previous question asked so you said in OTR1 non-MSME restructured is Rs.552 Crores that is slippage right?
- Atul Kumar Goel:** Yes.
- Mahrukh Adajania:** Slippage of the total restructured books other than MSME correct?

- Atul Kumar Goel:** Yes. I may recorrect you madam. There is OTR1 with OTR2. The slippage in the OTR2 which you are referring Rs.552 Crores the outstanding was Rs.1601 Crores it was not Rs.5396 Crores, Rs.5396 Crores was the OTR1.
- Mahrukh Adajania:** But Rs.552 Crores is the slippage?
- Atul Kumar Goel:** Rs.552 Crores is slippage out of Rs.6601 Crores.
- Mahrukh Adajania:** Alright and then in terms of MSME the slippage was?
- Atul Kumar Goel:** The slippage in MSME OTR2 which was Rs.1264 Crores against the outstanding of Rs.6047 Crores, but I may keep one more thing to you for the benefit to you. In last call also I told there was a stress in the small account, the small account means the rare sector. Corporate we have already recognized and little bit stands on the NIM side but I may tell you in the last two years from June 2020 to June 2022 we have reviewed our entire portfolio. Outstanding loan of around Rs.1 lakh Crores the hardly slippage is 0.59% because we have taken a lot of new initiatives highly underwriting standard as well as the collection efficiency and use of the digital and technology available in the market as on date. Slippage whatever is coming it is the loan which has been sanctioned two years back.
- Mahrukh Adajania:** Got it Sir. Thank you.
- Moderator:** Thank you. As there are no further questions we have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.
- Atul Kumar Goel:** Thank you very much once again and I am thankful to all the analysts who have attended this meeting and the cooperation which you are giving always every quarter-to-quarter also. I may tell only one thing to you. The bank is on the very right track. As I told you we have already recognized all our big corporate clients also, visualization is happening and whatever the guidance for the current financial year and as on date our gross NPA 11.27%. We are giving the guidance. It will come in the single digit by the end of the current financial year March 2023. Similarly my guidance to all the analysts also net NPA which is as on date 4.28% should be around 3.5% because every quarter-by-quarter there will reduction so we will be in a position to achieve 3.5% and the PCR somebody has asked me 85% we are giving the guidance. The bank is on the right track and the healthy provision coverage ratio we have made. I can give you the guidance for the operating profit. The operating profit there is an increase of around 10% to 15% whatever we have given in the last year. Thank you very much.
- Moderator:** Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.