"Punjab National Bank
Q4 FY '26 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the Punjab National Bank Q4 FY '26 Earnings Call hosted by Elara Securities. As a reminder, all participants' 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Palak Shah. Thank you, and over to you.

Palak Shah: Hello, everyone, and welcome to Q4 FY '26 Earnings Conference Call of Punjab National Bank. Today we have with us the management of the bank headed by Mr. Ashok Chandra, MD and CEO; Mr. M Paramasivam, Executive Director; Mr. Bibhu Prasad Mahapatra, Executive Director; Mr. D Surendran, Executive Director; and Mr. Amit Kumar Srivastava, Executive Director.

With this introduction, I would like to hand over the call to Mr. Ajay Kumar Singh, General Manager, Strategic Management and Economic Advisory Division to read out the disclaimer statement, post which the MD sir will address the conference. Thank you, and over to you, sir.

Ajay Kumar Singh: Good afternoon, ma'am. At the outset, let me read the disclaimer. This representation contains certain forward-looking statements apart from historical information. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Punjab National Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the present date.

Now I request MD sir to address the analysts. MD sir, please.

Ashok Chandra: Good afternoon, ladies and gentlemen. Welcome to the Q4 and financial year '25-'26 Analyst Meet of the bank. During FY '26, the bank delivered broad-based sustainable performance across all four dimensions, customer service, business growth, asset quality, profitability and operational efficiency.

We met or exceeded our stated guidance for 2025-'26 financial year across most key parameters. The only areas of variance were the CASA ratios and margins, which were largely influenced by liquidity and interest rate dynamics. To drive growth, the bank is sharpening its focus on retail, agriculture and MSME segments through targeted outreach campaigns.

A calibrated network expansion is complementing this. We added 144 branches in FY '26 and plan to open 250 more in current financial year. These branches will be primarily in the Southern and Western regions. A new zonal office in Bengaluru has already been operationalized to strengthen our presence and execution in the Southern region. We are also leveraging digital enablers to accelerate growth and enhance operational efficiency. A key initiative is the Digi MSME Prime schemes launched on our 132nd Foundation Day, offering end-to-end digital MSME loans up to INR 10 crores.

We remain highly vigilant on asset quality, delivering a sharp reduction in both GNPA and NNPA. Our sustained focus on profitability has driven sequential growth in operating and net profit reaching their highest ever levels.

Now I will touch upon the segment-wise business figures, profitability, asset quality. First, business. The bank's financial performance for the period ending March 2026 reflects a steady growth coupled with ongoing a strategic realignment. Our gross global business reached INR29.7 lakh crores, marking a healthy 10.7% Y-o-Y growth.

On the asset side, advances grew by 12.7% Y-o-Y to INR12.59 lakh crores despite INR18,231 crores reduction in IBPC exposure, which we have done concisely. Excluding the IBPC book, underlying average growth remains a strong at 15% Y-o-Y, reflecting robust core business momentum. Our retail book, excluding IBPC grew by 18.2%, MSME by 19.9%, agri priority sector witnessed growth of 16.2%. Future credit growth remains well supported by a strong pipeline.

The bank sanctioned over INR4 lakh crores in corporate credit lines during financial year '25-'26 with INR1.18 lakh crores still pending for disbursement. Global deposits of the bank have reached to INR17.11 lakh crores, up by 9.2% on a Y-o-Y basis.

CD ratio of the bank is at comfortable level of 73.6%, which gives us comfort to grow in advances while being mindful of raising high-cost deposits. On account of various customer-centric initiatives and revamped the products, the CASA ratio of the bank has stabilized at around 37% and consistent 37% in all the 4 quarters of the financial year.

In CASA, we strategically focus on enhancing our individual saving account balances. Over 35% of our customers are under 30 years of age, giving us a strong foothold in the next generation segment. We are focusing on serving them across their financial life cycle with tailored digital first solutions driving long-term relationship value.

Coming to the profitability our domestic NIM stood at 2.61% for Q4 whereas global NIM stood at 2.47%. In Q3 the impact of the December rate cut was limited to 26 days, whereas in Q4, it played out over the full quarter. While we had anticipated an offset through moderation in deposit rates, deposit rates remained a sticky and did not fully compensate for the compression in yield on advances.

We expect the margins to improve moving forward and our NIM to witness Q-o-Q increase from the level of Q4 '25-'26. We expect our global NIM to remain in the range of 2.6% to 2.7% for financial year '26-'27. Operating profit of the bank increased on a sequential basis. Operating profits for the Q4 INR7,500 crores as against INR6,776 crores for Q4 of 2025.

This is witnessing a growth rate of 10.7%. For the full year, there is a 9.2% growth, well above the guidance of 8% to 9%. Net profit of the bank for Q4 of FY '26 stands at INR5,225 crores as against INR4,567 crores for Q4 FY '25, depicting a healthy Y-o-Y growth of 14.4%.

Coming to the efficiency ratio, efficiency ratios of the bank are increasing consistently, our Return on Assets at the level of 0.89% for FY '26, as against the 0.97% for FY '25, as the bank has taken onetime hit on account of switching to new tax region in the Q1 of FY '25- '26.

In remaining 3 quarters, return on assets has consistently remained above 1% at 1.05% in Q2, 1.06% each in Q3 and Q4. Return on equity stands at 15.67% for FY '26. Our tangible book value per share as on 31st March 2026 is INR102.95 which was significantly improved from the level of INR84.83 as on 31st March 2025.

We are quite mindful of improving our cost-to- income ratio and the same has reduced to 51.79% in FY '26 as against 54.59% in FY '25. Coming to asset quality. Our asset quality is improving consistently, and our GNPA has reduced to 2.95% as on 31st March 2026 from 3.95% as on March '25. Similarly, the net NPA percentage, which was 0.40% as on March '25, has reduced to 0.29% as on March '26.

We are well within our guidance for gross NPA as well as net NPA ratio. Our PCR stands at 97.14% as of March '26, which is well above our guidance of more than 96% for financial year '25- '26. Total fresh slippages during Q4 2026 was INR2,674 crores as against INR2,904 crores in Q4 of FY '25.

Our guidance for slippage ratio was to remain below 1% in FY 2026, and we are well within our guidance level as slippage ratio for the full year is 0.60%. Total recovery stood at INR4,082 crores for Q4 FY 2026 and for the financial year 2026 is INR15,501 crores.

Our recovery is the 2.4x of the slippages in FY 2026, reflecting our commitment towards improving asset quality. We have made additional floating provision of INR270 crores on prudential basis in Q4 of this financial year '25-'26.

I will provide analysis on underwriting standards, which will provide confidence regarding the asset quality and underwriting standards of the bank. From 1st July 2020 to 31st March 2026, almost 5.75 years, we have sanctioned around INR14.28 lakh crores loans out of which we have disbursed INR12.46 lakh crores.

The outstanding in this loan as on 31st March is INR8.75 lakh crores, which is close to 69.5% of our total outstanding loan book. NPA in this book is hardly INR5,034 crores, which is only 0.40% of the disbursed amount under fresh underwriting.

I will talk about the capital. Our capital adequacy is 17.74% as on March 2026 compared to 17.01% as of March 2025, which is 73 basis points above March 2025. Our CET1 capital stands at 13.62% against a regulatory requirement of 8%. Tier 1 capital stands at 15.15% against the regulatory requirement of 9.5% and Tier 2 capital stands at 2.59% as of 31st March 2026.

More than 85% of the total externally rated advances above INR25 crores are above A rated and more than 52% are AAA rated, which indicates our balance sheet strength from risk point of view. Institutional participation has strengthened progressively throughout the year, underpinned by our proactive and structured investor outreach across both global and domestic markets.

FII holdings increased from 5.71% to 6.39%, while domestic investors and mutual fund shareholding rose from 14.67% to 15.95%, signalling rising conviction in bank strategy performance and future trajectory.

I will talk about digital banking. Punjab National Bank is rapidly evolving into a faster financial powerhouse, leveraging advanced AI machine learning and analytics to drive unprecedented operational efficiency and growth. We have established end-to-end digital journeys across most lending products, which are being leveraged to scale digital lending and drive growth.

We have sanctioned and disbursed more than INR20,873 crores through digital mode in Q4 to 4.8 lakh customers. Every third loan is being sanctioned in digital mode in our bank. On a gross basis, bank has crossed digital sanction of INR1 lakh crores, demonstrating commitment to our faster technology-enabled credit solutions. The digital-first approach has shifted the landscape of the bank's operations with digital transactions now accounting for more than 95% of all transactions.

The flagship PNB ONE 2.0 mobile app leads the charge, offering 350+ features and enterprise-grade security like mobile threat detection and SIM binding. There is a very good traction in our corporate mobile apps. PNB One BIZ, which serves to 3 lakh customers with more than 200 features.

Number of WhatsApp banking users had grown by 77% from 61.5 lakh as on March '25 to 1.09 crores as on March '26. Combined with a robust WhatsApp banking platform and an Internet banking ecosystem, PNB is delivering a highly accessible, secure and automated banking experience built for the scale of modern India.

Human resources under our Udaan transformation initiative the bank is driving growth through a robust objective performance framework aligned with a strategic priorities. We have revamped the digital performance management system to strengthen accountability, integrating new age metrics such as conduct risk and customer feedback alongside launching the Unnati Path to accelerate women's leadership development.

We have also announced the tentative dividend. I think we need to wait for the AGM approval, but the Board has approved INR3 for every INR2 of the face value the shareholding almost it comes to 150% of the face value.

While concluding, Punjab National Bank is sharpening its a strategic focus on core franchise strength with targeted efforts to build a stronger CASA base and expand the RAM portfolio, supporting better margins and operating efficiency. A disciplined approach towards risk management, anchored on containing slippages and accelerated recoveries continues to reinforce asset quality trends, while digital and workforce transformation are reshaping operating capabilities.

The Bank has strengthened three important verticals: credit card, cash management services, and supply chain finance. We will see lots of traction in current financial year in these segments. With these structural levels in place, the bank is poised to sustain growth momentum and progressively strengthen its competitive positioning across all the segments.

Thank you very much. Along with me, all my Executive Directors and the top management of our bank is here. And I welcome any clarity or any queries or anything which you would like to discuss about the financial results of our bank for FY '25-'26. Thank you very much.

Moderator: The first question is from the line of Ashok Ajmera from Ajcon.

Ashok Ajmera: Thanks for giving this opportunity. Compliments to Ashok Chandraji and the entire team of the Punjab National Bank for achieving most of the, I mean, parameters, guidance on the main, most of the parameters and especially very heartening to note that the credit growth for FY '26 has been 12.7%, which is better than even the guidance which was given. And everybody was apprehensive about that, which you achieved. Very good. Even reasonably good deposit growth also and good business growth also.

Having said that, sir, I have got a couple of data points and some discussions, some comments of yours on a few points. So if you look at the slippages in this quarter, the slippages in this quarter has gone up a little bit higher by almost about INR800 crores and SMA-2 numbers have come down from INR1,800 crores to INR450 crores, in which measure is MSME and Agri, which has come down.

So does it mean that many of these accounts have slipped because you have given only SMA-2 numbers. We would like to also know the overall color on the SMA book because of the present situation and also about the slippages, sir? This is the first question, sir.

Ashok Chandra: Thank you very much, Ajmera saab. First I will touch the slippages' part. See in this financial year, the slippages is INR2,758 crores and if you compare it with the last financial year '24-'25, that time the slippages was INR3,001 crores, almost INR3,000 crores. And we have seen the trend almost every year, Q4 because of the review renewal that falls in this particular month, the quarter from January to March.

And most of these MSME loans and Agri loans that comes for the review renewal. And because of those things, in this particular quarter, there will be slightly elevated slippages will happen compared to the Q1, Q2, Q3. But still if you see the overall slippages which has happened in the bank, it is well within the guidance which we had given, 0.60% our guidance was below 1%.

So we have kept the slippages fully under control. And I will give you the figure also. In the retail, INR439 crores has slipped compared to INR490 crores has slipped in '24-'25 in the same quarter. Agri, it is INR1,069 crores, which was INR1,400 crores, which has slipped in '24-'25. And MSME INR1,106 crores, whereas it was INR995 crores. So almost in all parameters, we have brought it down and it is fully under control. Absolutely, there is no challenge.

Now SMA-2, you have mentioned that INR5 crores and above which we have given in the analyst presentation, but I will give you what is the total SMA-0, 1, 2. The actual number is 3.30% without percolation effect, it is lowest ever in our bank now. So everything is fully under control. Retail it is 8.21% Agri it is 3.06%. MSME, it is 6.43%. Others it is 0.28%. So almost all segments put together grand total is 3.30% for SMA-0,1,2 irrespective of the amount.

Ashok Ajmera: Yes sir. Point well taken sir, and you explained it very well. Sir, just now ECL guidelines have been finalized by RBI. So we have been talking about it for last 4 to 6 quarters about the preparedness of the bank, every bank on the ECL.

So now the guidelines having come out in full and final, where do we stand to take care of the additional provisions which will be required? Like you already said that you have got a floating provision additional of INR2,045 crores. Is it to take care of the ECL provisions only? How are we prepared and how do we plan to take care of that, sir, in the coming years?

Ashok Chandra: See, if you see our capital position, the CRAR and the CET1, both the parameter, the capital is 17.74% in the CRAR, the CET1 is also 13.62%. So we have enough cushion to take care of any requirement which will come on account of implementation of ECL from 1st of April 2027. That is first thing.

Second, keeping in view that additional provision which is likely to come, we have already kept more than INR2,000 crores, which already you have also mentioned, INR2,045 crores in precise. It is kept for the floating provision that can take care of my ECL requirements or any eventuality which comes because of the Middle East crisis or anything.

So we have enough room to take care of anything which happens in the system. And since I have already mentioned the underwriting standards of our bank and the SMA position, so we do not see any much challenge in implementation of the ECL from 1st April 2027.

Ashok Ajmera: Okay. So the one thing I observed in the employee cost, which has gone tremendously -- I mean, down as compared to the last quarter of INR5,089, to INR3,747 crores. Does it mean that in the earlier quarters, a little more provision for the employee cost, I mean, were taken? Or is it because of the rate change in the pension and other this thing?

What is the reason which can be for INR1,342 crores reduction in this quarter and which is added to the profit and having -- if that would not have been there, then our profitability would have got terribly affected.

Ashok Chandra: You must see in the financial ratios, there is always if and things will be there. If this happens. See how -- I will tell you why and how it has happened. One is the some additional provision which was kept during the Q1, Q2, and Q3. Definitely some plow back has happened because of the additional thing. AS-15 also, what has happened, bond yield has gone up.

Now if it would have reduced, it would have increased my treasury income. Now my treasury income is very subdued in this quarter. So somewhere that impact will be there. So that impact has come on the AS-15 positive way. So in the entire system, somewhere some challenge will be there, somewhere some opportunity also will come.

Now, in the Q1, Q2, and Q3, we had calculated as per the yield which was prevailing at that point of time. Now the yield has hardened, so that has affected my treasury income. But that has put me in the gain by the actual calculation which has happened through the actuarial. So we need to see overall how the bank is performing, and it is not a one time the operating profit has happened in this particular order. See Q1, Q2, Q3, Q4.

All four quarters, we are more than INR7,000 crores of operating profit, more than INR5,000 crores of the net profit we are giving. So it is the consistency will be there. And you see our chart, whether it is a net profit, operating profit or the ROA, all those ratios if you see, very, very consistent growth is there. I can assure you to you and your entire investors who are here that this consistency will be there in the system.

Ashok Ajmera: Yes, sir. Quite well taken, sir. Treasury income has gone down and that is what is reflected here. Because of that reduction the treasury income loss is offset by the reduction in the employee cost.

Ashok Chandra: Yes.

Ashok Ajmera: Sir, one thing we again see in the taxation also, sir. In the first quarter the hit was taken of INR5,083 crores coming into the new regime. But there after it is INR1,700 crores, then INR1,200 crores, then again now INR1,852 crores.

So, is that some other factors? Because in this quarter the profit before tax has increased only by INR745 crores. On that, the tax is increased by INR621 crores. Almost 90% of the -- 85% of the additional profit before tax. So is there any still some items which are going in the tax or some of the items which we do not know about?

Ashok Chandra: Yes. Yes. I will ask my CFO, Mr. Grover, to answer this question.

Raman Grover: Sir, last quarter our, this rate of actually we are paying at the rate of 25.168%. Last quarter, quarter 3. So it was 19.44%. We also conveyed earlier in this investor meet that quarter 3 we got a refund of about INR506.01. It was not a refund, it was a release of the earlier provisions which were made in anticipation of our higher tax outflow. So last quarter was this reversal, and this quarter 26.16% is our rate against our 25.168%. So, sir, we get some disallowances. So, our 25.168% rate, we have booked the tax expense at the same rate.

Ashok Chandra: Which is even beyond 25.17% also it is more by about INR60 crores-INR70 crores.

Raman Grover: But anyway. Sir, in that, sir, we get some disallowances. So, factoring the disallowances, 26.16% has come.

Ashok Ajmera: Okay. Okay, sir. Now one point last is on the NIM, that you had given a very good target of the NIM of 2.8% to 2.9%, but we have lended up to 2.57%, and that is what is the scenario. I mean, everybody is under that pressure. But going forward, you have given the 2.6% to 2.7%. Can we not think of again giving the guidance of 2.8% or 2.9% something and try to achieve it, rather than slimming down or loading down the NIM target? This is one.

Second is last is. Now what is happening in the West Asian crisis, the war which is going on between Iran and U.S.A. and Israel, have you started seeing any impact on our accounts, especially the MSMEs? Some pressure is being seen or we are almost neutral on that or muted on that.

Ashok Chandra: First of all, sir, I will touch on the NIM. See, we could have done that 2.8% to 2.9%. But considering the prevailing situation which is there and the deposit rate which is still at a very elevated level even in the first month and first quarter of this financial year also, we do not see much change happening in the deposit front as far as the rate is concerned.

Deposit is available. There is no challenge in the liquidity. Rate is little bit high. And you are seeing the totally environment of the bond rate is very high. So things are totally different at this point of time. So we thought that instead of giving 2.8%, 2.9% and showing a very rosy picture and coming down, we thought let us keep that 2.6% to 2.7%.

We will watch the situation for Q1 and Q2. And then if it is any required to be modified, we will do -- we'll take a call in the third quarter of this financial year. Now coming to the stress. As of now, we have not seen any challenge in our book now. In fact, we had interaction with my exporters and importers of all these affected areas. And we had conducted twice a webinar with all those people.

And we have also told them that any challenge which comes in the system, we are there to protect them. We are there to help them. And any such eventuality comes, definitely, bank is there to take care of those requirements

Ashok Ajmera: Thanks a lot sir and all the best to you.

Ashok Chandra: Thank you.

Moderator: The next question is from the line of Mahrukh Adajania from Tara Capital. Please go ahead.

Mahrukh Adajania: Good evening sir. Sir on your provisions, see earlier also, there was a write-back from ILFS one of the accounts and you have not taken it into the numbers. And now other banks this year, this quarter have taken another account, Sterling Biotech in their numbers as a write-back. Have we accounted for the write-backs on these 2 accounts in our numbers now? Were they both accounted for in 4Q? And under which line item?

Ashok Chandra: Sterling has been factored, madam. Sterling is technically write-off account. So that amount is factored in our operating profit. The ILFS is still it is in the standard provision, it is kept. We have not taken up in our, the operating profit. So we will see that maybe Q1 or Q2 depending upon the situation, we will take back in the operating profit.

Mahrukh Adajania: And there was a reversal in your standard asset provision also this quarter, right? It's a negative number. So what was that for?

Ashok Chandra: That is because of the 7 June circular implementation, the restructuring which we keep it or, the, and the account gets upgraded. So those things the reversal happens madam. And one more thing madam NPL also reversal has happened because of the RBI modified guidelines.

Mahrukh Adajania: No, no. Sorry, I didn't get that. Sorry, sir, could you please explain again?

Ashok Chandra: There was a release of INR727 crores, which was kept in the standard account provision, because of the large borrower account framework under the guidelines of RBI, which the RBI modified that guidelines and it was effective from 1st January 2026. So because of that, there is a release of INR727 crores in the standard account provision has happened.

Mahrukh Adajania: Got it sir. Okay sir. Sir these were my questions if I have more I will come back. Thank you.

Ashok Chandra: Yes madam thank you.

Moderator: Thank you. The next question is from the line of Jayant Kharote from Axis Capital. Please go ahead.

Jayant Kharote: Thank you sir. So, first question is on the LCR. What was the average LCR during the quarter? And what is our comfort for the next year at what levels do you want to run it?

Ashok Chandra: Around 125% we would like to keep it. And we are at almost at the same level as on March '26, 125%.

Jayant Kharote: Great. So the second question is in your guidance. I can see that you are building in NII growth of 7% despite the fact that you expect NIMs to be slightly better and credit growth of 12% to 13%, which means essentially you are running down your non-loan assets, right? It could be investment book or others, but your LCR doesn't have that headroom. So how do you plan to achieve that?

Ashok Chandra: See two things which we are planning now and we have already started working on that. One is if you see our CASA growth and especially in the CASA SB individual, there has been a very significant growth has happened 9.1% growth has happened in the SB individual fund which is a core deposit.

And last year, lot of initiative in the bank has taken. Entire CASA products of the bank was revamped, and more than 40 lakh new quality accounts were opened. And in that, good traction has happened. Because of that, 9.1% growth has happened. And we are expecting in those accounts further accretion will happen and the new account will get opened. So one is that we are expecting the good traction should happen in the CASA deposit this quarter.

Second is the retail term deposit. The bank is putting a lot of focus now. Because of these 2 things, we are expecting that cost of deposit going forward, it will come down. Second important aspect from the asset side is that we have started putting last year onwards, focus on mobilization in the RAM portfolio, Retail, Agri and MSME. And we have seen the impact that is happening. Almost 20% every quarter, there has been a growth in the MSME front.

And we know that MSME is the largest contributor and highest contributor in the profitability of the bank, not only our bank, in all the banks. High yield will be highest in the MSME segment. There we want to build up a good portfolio.

Second is the Agri sector. We have grown at 16% in the Agri priority sector. Retail excl. IBPC, we have grown at 18%. So Core Retail, Agri, and MSME, last year a lot of activities have happened. Lot of outreach at plants there happened. And because of that, this growth we have seen, and this momentum is going to continue in this financial year also.

Already in the first month itself, massive outreach activity for the retail has happened in more than 200 centres. We have mobilized INR9,000 crores of the retail portfolio from the leads we have generated. On 27th of April, we had the MSME outreach activity at MSME clusters at 200 centres, 220 centres in the country. We have mobilized INR21,000 crores of leads under that MSME segment. And then on 8th May, we are going to have a Agri Outreach at more than 200 centres.

So these are the activities which we are doing it so that the dependency on the corporate loan book as of now, which is there to the extent of around 46% to 47%, we want to bring that share down to, in the long term it is 40%, short term it is 42%, and in the RAM we want to bring it to 60% in the long run and around 58% in this financial year.

So if that composition happens, automatically my yield on advances will go up, and that will contribute in a bigger way in our NII.

Jayant Kharote: So this would be baked in your NIM guidance of 2.6% to 2.7%, right?

Ashok Chandra: We are definitely. Yes, yes definitely we are going to do this.

Jayant Kharote: So I'm just trying to understand why would you guide for an NII growth of only 7% when you're expecting NIM expansion and 12%, 13% credit growth?

Ashok Chandra: You are talking about NII. Okay. Now, see, when we are talking about this growth to happen and it is not that the entire scenario will get changed. When our NIM will be in the range of 2.6% to 2.7%, so I don't think and we should not expect that NII will grow at 10% to 12%. It will not happen.

So if my NIM is just growing by 10 basis points improvement is going to happen, then definitely I think the NII also will be in the same range. We are going to revisit. Because of the present situation, we have kept this for the next two quarters. We will watch the situation, how the deposit rate happens in the system and how the credit outflow happens. Based on that, we'll revisit in the month of October.

Jayant Kharote: And sir, just one data point, I don't know if you've given already. What was the adjustment in the employee cost on the yield hardening, the amount?

Ashok Chandra: Total impact of, positive impact is INR2,121 crores.

Jayant Kharote: INR2,121 crores?

Ashok Chandra: Yes.

Jayant Kharote: Thank you very much sir.

Ashok Chandra: Yes.

Moderator: Thank you. The next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Sir, continuing from the previous question. Sir, it looks like mathematically, you know, the guidance, if you were to break down for loan growth will remain at 12%, 13%. And NII, we are saying, will be lower than credit growth. So then mathematically, NIM should decline, right? So how these 3 things tally if the NII growth is lower than credit growth, then ideally your NIM should decline.

If NIM is expanding, then NII growth should be higher than credit growth. So that is the question, sir. Or are the NIM number is exit quarter, though it does not look like that, but, just wanted a clarity there.

Ashok Chandra: No, no. See, we have kept this NII at 7% as a conservative level because the portfolio under the deposit and portfolio under the asset side, still a lot of things have to happen in the system. See our core RAM growth, RAM share in the overall credit is around 54%. Now in this financial year, we are trying to at least from 54% to 56%, 57% we are trying to reach now.

If that happens, there will be some improvement in our yield on advances. Because as of now, bank is totally in reverse towards the corporate side. We had, in fact, one year back, we were having around almost 49%, 50% in the corporate loan book, which we have brought it down to around 46% now.

So, the moment my corporate loan book starts coming down, and it comes to around 40% and the RAM share becomes 60%, I think the lever of the NII will definitely, it will improve now, because then we will have a total visibility at what rate we have quoted and what rate the asset is started, I think that is going to continue.

Corporate loan book, every day there is a challenge. So, there is a uncertainty in the corporate loan book, and that is the reason we can't forecast that my NII can grow at 12% to 13% since our credit growth is happening at 12% to 13%. That doesn't happen. So, we need to rebalance and redesign our portfolio in such a way that there has to be sustainable growth in the interest side, it should be there. So that is the reason we have kept some conservative level at the NII level.

Jai Mundhra: Okay, sure. And secondly, sir, this portfolio core retail, core RAM and the reported RAM, it looks like that IBPC portfolio is still INR70,000 crore. Is that the numbers are broadly correct?

Ashok Chandra: No, no, no. It has come down to INR34,049 crores now.

Jai Mundhra: Okay. And this will come down to almost a negligible level by, let's say, FY27 end?

Ashok Chandra: Yes, yes, yes. See, last year almost INR19,000 crores we have shed, and that too in the retail segment, because this was all the low-yielding advances. Despite that, we have grown at reasonably well.

So, what we are doing is we are going to replenish all those IBPC at whatever is there at the lower range, and around INR18,000 crores to INR20,000 crores further it will be reduced. We want to totally come out of this IBPC business. In fact, going forward, a lot of things you will see happening in the retail, agri and MSME side, the core activities.

Jai Mundhra: Right, right. So, sir, I'm just looking at the slide 10, so which says that retail INR2,80,000 crores and retail excluding IBPC is INR2,51,000 crores. So roughly INR29,000 crores there. And Agri PS. Okay, so only -- Agri PS is priority sector, right? The difference is not the IBPC. The only IBPC sitting is only in retail.

Ashok Chandra: IBPC is only in the retail. It is only in the retail.

Jai Mundhra: Sure. Okay. Sir, sorry, coming back to NIM question. So there are two components. One, is yield, which you explained as this core retail portfolio improves, there will be uptick in the yield. On the cost of deposit side, this quarter, the cost of deposit has only declined by four basis point.

Maybe there was some activity on the wholesale bulk deposit short-term also. So, how should one look at cost of deposit? Will your cost of deposit keep declining, or they will be broadly stable or they will start moving up? How to look at cost of deposit?

Ashok Chandra: I think, we are seeing and we are very closely watching our incremental cost of deposit. And I have compared the January, February, March and April, 30th of April also. There has been some decline happening in the incremental cost of deposit, and that is one part.

Second part is that, '24, '25, we had one special scheme, which I had mentioned last time also, 7.25% and 7.75%, 444-day. Almost 95% of those things also have been repriced by end of the Q4. So, the new deposit, which we are garnering it, and that too if it is happening at a lower cost, so we are expecting that the Q1 and Q2, definitely there will be some improvement on account of this in our NII. So maybe around five basis point I am expecting that definitely some improvement it will happen in the cost of deposit side.

Jai Mundhra: Right, right. Sure. Secondly, sir, on the let's say on the SMA book and ECL, sir, last quarter we had said that INR9,000 crores to INR10,000 crores was the provisioning shortfall as per the draft guidelines. Now, if you had a chance to look at the final circular, does that ECL transition impact of INR9,000 crores to INR10,000 crores, does that broadly number remains, or there is a revision to that number?

Ashok Chandra: I think, for the final number, I think, we just wait for another two quarters, because already we have onboarded the digital platform now, and the modelling is also in place. But I can assure you one thing that, the credit -- the capital adequacy, which the bank is having and the floating provision, which we have kept, it is sufficient to take care of my ECL requirement, which will start from the 1st April. Absolutely, we don't see any challenge and any the threat on our balance sheet at all.

Jai Mundhra: Right. No, no, sir, capital is very robust, maybe all-time high and that NPA anyway has been coming down.

Ashok Chandra: And one more thing I will tell you, towards this capital side. See, last year, we have taken permission for INR4,000 crores CET1 and INR4,000 crores of AT1, INR8,000 crores of capital raising, which we had planned and we have taken the approval from the Board. And we didn't get an opportunity or didn't feel that we should go to the market, and we have not raised any capital last year. Despite that, INR 5,489 crores got matured. AT1 INR 495 crore, and Tier 2- ~INR 5,000 crores maturity/ exercise of call option was there. With all those things and not raising the capital, our capital position is 17.74% now.

So to some extent, the interest, which we were paying on these bonds, that also we have calculated that how much additional gain, which is going to happen because of non-raising of the bond. That amount is coming to around INR175 crores. That accrual will happen in this financial year. So we are very mindful. And in fact, this year also INR5,890 crores AT1 bond plus Tier 2, they are completing now. And we are not going to raise any capital.

Jai Mundhra: Okay. Sure. And sir, if you have this number in absolute rupees crores for SMA-0,1 and 2. You had given 3% for total. But I just needed the 0, 1 and 2 separately at the bank level?

Ashok Chandra: I will give you.

Jai Mundhra: Yes sir. Then I have one question. Yes sir.

Ashok Chandra: You want, retail segment-wise, or SMA-0, 1, 2 you want?

Jai Mundhra: 0, 1, 2, sir.

Ashok Chandra: Okay. SMA-0 is INR24,643 crores.

Jai Mundhra: Okay.

Ashok Chandra: SMA-1 is INR13,970 crores and SMA-2 is INR2,922 crores. All put together it is INR41,534 crores which is 3.30% of the total advances. This is irrespective of amount. It is the entire SMA-0, 1, 2 portfolio.

Jai Mundhra: Right. And last question, sir, on AFS reserves, right? So, we have had some, I think, INR500 crores of revaluation, a negative number. But last quarter, we also had one listed investment, which keeps fluctuating. So, was it due to that? And what was the change in AFS reserves, I mean, what is the outstanding AFS reserves as of March 31st versus maybe December 31st?

Ashok Chandra: It is only because of that particular asset, which you are mentioning, mainly because of that only the fluctuation has happened. One asset only.

Jai Mundhra: Okay. But, sir, we had taken the MTM in last quarter also, and then this again we had MTM…

Ashok Chandra: See what has happened, if you see the -- March 26, what has happened because of the crisis, market has, deeply it has fall down in that particular day. And we take the figure as on March 26th. So, now it has gone up now. So that is the challenge in the system.

Jai Mundhra: Right, right. And sir, you said the number for outstanding AFS reserves as of March and maybe as of December? That will be it from my side, sir.

Ashok Chandra: AFS reserves, yes, we'll give you. We'll give you.

Jai Mundhra: Sure, sir. No problem. I'll take it from Grover. No problem. Thank you.

Moderator: Thank you. The next question is from the line of Param Subramanian from Investec. Please go ahead.

Param Subramanian: Yes, hi. Good evening, sir. Thanks for taking my question.

Ashok Chandra: Good evening.

Param Subramanian: Sir, firstly, on the ECL, I think you spoke about the one-time adjustment rough numbers about that. But, say, on a run rate credit cost basis, have you evaluated what can be the impact? So, like, you're saying that credit cost is below 0.4% is your guidance for FY27. But if you were to implement ECL, how much, say, would the impact be on your run rate credit cost?

Ashok Chandra: Yes, yes, we have roughly calculated. And I will tell you that for ECL, let us wait for another 2 quarters. By July, I think we will have a very clear visibility that what is going to happen in our system. But rough calculation which we have done, we are perfectly in line with the capital requirement, what is to be done and the asset quality, what should be there. We are perfectly in line and we don't have any challenge. Floating provision, we have already kept more than INR2,000 crores, INR2,045 crores.

So rough calculation which bank has done, we are able to meet all those things, which is going to happen in the system from 1st April 2027. Actual number, let us wait for some time and then we will discuss about the actual number which is there in the system.

Param Subramanian: Just a follow-up on that title. Capital, I think we appreciate, right, that you are very capitalized. But the question is more how it affects your ROA. Will you be able to deliver over 1% ROA...

Ashok Chandra: Yes, yes, absolutely. Why I will tell you, see we have 97% PCR, right?

Param Subramanian: Yes.

Ashok Chandra: Stage 3, I think sufficient release can happen in the system now once the ECL gets implemented. Having 97% PCR, INR2,000 crores of floating provision in the system and 17.74% for the capital adequacy, I think these 3 things should give the confidence to all the investors that perfectly bank is in a very, very comfortable position.

Param Subramanian: Right, sir. Sir another question...

Ashok Chandra: And that too had to implemented in 5 years. We don't require 5 years, I can tell you. We will do it in 1 or 2 years itself.

Param Subramanian: Perfect. I look forward to the more detailed numbers that you'll discuss on next quarter. Sir, secondly, on your NIM. So last quarter you had given this, you know, on TD repricing, you had given some rough numbers, that 70% of your term deposit had repriced. Where are we now, roughly?

Ashok Chandra: Now, so those -- yes, those special deposits, which I had mentioned in our previous call, that is almost 95% have been repriced in the end of March. But we have not seen much the traction happening or the reduction happening in the cost of deposit has happened, we were expecting that the February and March the deposit rate will come down because of the repo cut and the inflation scenario.

But that has not happened in the system. Still the deposit rate is a little bit elevated. So that is one of the reasons why the impact we are not able to see in our NII and the NIM. But I will tell you, incremental deposit, which we are mobilizing in the month of February, March and April, every month, there has been a reduction. Of course, 2 to 3 basis point reductions are happening every month.

Param Subramanian: Fair enough. So, this improvement in NIM that you're talking about to 2.6% to 2.7% will mainly be funding cost or it will mainly be the mix shift you're talking about on the loan book?

Ashok Chandra: Both I'm talking. One is the deposit side. And second is the RAM share, which we are planning to increase and the activity which we are doing. Both sides it will improve.

Param Subramanian: Fair enough, sir. Sir, one last question, sir, on the wage revision. So, Finance Ministry has started asking the public sector banks to start the negotiation. So, by when can we -- and where are we positioned, if you have any rough numbers that we can talk about in terms of...

Ashok Chandra: See. The wage revision due itself is the 1st November 2027. So financial year '26-27, it doesn't impact at all.

Param Subramanian: Sure, sir. So, it is not -- you will not start making provisions for this?

Ashok Chandra: No.

Param Subramanian: okay. Fair enough, sir. Thank you so much and congrats on the quarter.

Moderator: Thank you. The next question is from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: Hi, Sir. Good afternoon firstly, just a clarification on the AS-15 provision number you gave of about INR2,100 crores. Is that the amount of provision that you have reversed in this quarter? So, it was a negative provision which you made in this quarter?

Ashok Chandra: Yes, correct. My CFO will respond to you.

Raman Grover: Sir, we have a total provision of INR1,814 crores AS-15 for this financial year. There was a reversal, but now to that extent, it was in 3 digits only. It was up to INR736 crores.

Ashlesh Sonje: Okay. But in this quarter, the provision towards AS-15 was a negative INR2,100 crores. Is that, understanding, correct?

Raman Grover: No, no. It was not. Sir, I tell you, first quarter it was INR1,150crores we made the provision. Second quarter we have again made a provision of INR700 crore. Quarter 3, again we made a provision of INR700 crore. And this time, because of the hardening of the government security rates, there was no need of making further provisions in AS-15. We treat it as a prepaid AS-15 to the extent of INR736 crore, and the balance INR1,814 crores has been booked as an expenditure in the employee cost, sir.

Ashlesh Sonje: Sir secondly, if you can share what is the average yield on your corporate book versus the average yield on the RAM book so that we can get a sense of how much benefit you can get from a loan mix?

Ashok Chandra: Yes. Corporate yield on standard advance is 7.55%. And MSME standard advance yield is 9%. And if you see our domestic yield on standard advances, that is 8.23%. So corporate loan book gives us lower than the domestic yield of all the sectors.

Ashlesh Sonje: Understood, sir. Got it. Thank you, sir. Those are all the questions I had. Thank you.

Moderator: That was the last question for the day. I now hand the conference over to the management for closing comments.

Ashok Chandra: Thank you very much to all the esteemed the investors and analysts. I think the way you are reposing faith in our bank. On behalf of the entire bank, I can assure you that we have a very, very robust system in place, and we are mindful of growth, profitability and asset quality.

I think the faith which you have maintained, I request that you maintain the same trust and confidence in PNB. We will continue to give the very consistent profit performance. Thank you very much.

Moderator: Thank you. On behalf of Elara Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.