"Punjab National Bank

Q3 FY '26 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Punjab National Bank Q3 FY '26 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, 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 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 Ms. Palak Shah from Elara Securities Private Limited. Thank you, and over to you, ma'am.

Palak Shah: Hello, everyone, and welcome to Q3 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; 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, MD sir will address the conference. Thank you, and over to you, sir.

Ajay Kumar Singh: Good afternoon, everyone. At the outset, I will read out the disclaimer statement. 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 make his opening remarks.

Ashok Chandra: Good afternoon, ladies and gentlemen. Welcome to the Q3 analyst meet. On behalf of the entire PNB team, we wish you all a very happy and prosperous New Year. During Q3, our bank has demonstrated a steady progress across all key metrics of business growth, asset quality, profitability and regulatory compliance. Our focus has been on sustained business growth of both liability and asset side. Towards this end, we have focused on growth in retail business through customer-centric initiatives like outreach programs and opening of new outlets.

We have opened 82 new branches in this financial year to increase our presence and expecting to open another 100 branches in next 6 months. We are also using digital enablers to improve business growth and operational efficiency. Digital journeys for almost all credit products have been launched.. Our mobile banking app has been revamped for better customer experience.

We are mindful of asset quality and have improved asset quality, both through reduction of GNPA and NNPA substantially. Controlling slippages has been our focus and through analytics-based models, we are focusing on delinquent as well as pre-delinquent assets to reduce slippages. The collection efforts are being made on a real-time basis. Our focus on profitability has resulted in sequential growth of both operating profit and net profit, which is highest till date.

Now I will enumerate the segment-wise figures. First, I will touch the business. Global gross business of the bank stood at INR28.92 trillion as on December '25 with a Y-o-Y growth rate of 9.5%. Within this composition of this global business, global deposits stood at INR16.60 trillion with a yearly growth rate of 8.5% and global advances stood at INR12.31 trillion with a yearly growth rate of 10.9%.

We have sanctioned credit lines of more than INR3.12 lakh crores during 9 months of this financial year, out of which we have pending disbursement to the tune of INR1.02 lakh crores, which are yet to be disbursed. That will favor the overall credit growth of the bank.

CD ratio of the bank has increased to 74.2% as on December '25, from 72.6% as on December '24, and 72.3% as on September '25. We are witnessing sustained growth in our low-cost deposit base and CASA ratio has remained at 37.1% as on December '25.

We are focusing on targeted growth in SB individual portfolio of the bank. Bank opened 38.03 lakh CASA accounts in the revamped schemes with CASA balances to the tune of INR20,650 crores during 9 months of this financial year. Our RAM advances portfolio is increasing sustainably and stands at INR6.62 trillion, which is around 56.7% of the domestic advances. The share of RAM advance was 56.3% as on December 2024.

Coming to the profitability numbers, the net interest income stood at INR10,533 crores for Q3 of this year as against INR10,469 crores of Q2 of financial year 2026. Our domestic NIM percentage is at 2.65% for the Q3 of this year, whereas global NIM percentage stood at 2.52%. At the beginning of Q3, we expected that our cost of deposits will reduce sharply where yield of advances will remain -- roughly remain at the same level as that of Q2.

However, we have not reduced the deposit rates much in this quarter, keeping in view the market dynamics and expectations of the customers. Whereas yield of advances has reduced on account of rate cut in December and 5.3% Q-o-Q growth in global advances, which has resulted in dip of NIM for Q3.

For Q4, we expect our NIM to remain at the same level as that of Q3 despite full impact of December rate cut in Q4. For full financial year, our domestic NIM will remain at about 2.70% and global NIM will close at 2.60%, subject to no further rate cuts in current financial year.

Operating profit of the bank is increasing on a sequential basis. Operating profit for the Q3 is INR7,481 crores as against INR6,621 crores for Q3 of last year, witnessing a Y-o-Y growth rate of 13%, well above the guidance of 8% to 9%. Net profit of the bank for Q3 FY '26 stands at INR5,100 crores as against INR4,508 crores of Q3 of last year, depicting healthy Y-o-Y growth rate of 13.13%.

Efficiency ratios. Efficiency ratios of the bank are improving consistently. Our return on assets is at the level of 1.06% for Q3 of '26 as against 1.03% for Q3 of last year. Return on equity stands at 17.80%. Earnings per share not annualized is INR4.44 for Q3 of this year against the INR3.92 of Q3 of last year.

Our tangible book value per share as on 31st December is INR101.89, which has significantly improved from the level of INR82.75 as on 31st December 2024. We are mindful of improving of our cost-to-income ratio, and the same has remained at 51.91% in Q3 of this year as against 54.16% in Q3 of last year.

Asset quality. Our asset quality is improving consistently and our GNPA has reduced to 3.19% as on 31st December 2025 from 4.09% in December 2024 and 3.45% in September 2025. Similarly, the net NPA percentage, which was 0.41% in December '24 has reduced to 0.32% in December '25. Our PCR stands at 96.99% as on 31st December 2025, which is well above our guidance of more than 96% for entire financial year.

Total fresh slippages during Q3 of this year was INR1,901 crores against INR1,955 crores in Q2 of this year. Our guidance for slippages ratio was to remain below 1% in FY 2026, and we are well within our guidance levels as slippages ratio for the 9 months 2026 is 0.56% on an annualized basis.

Total recovery stood at INR4,090 crores for Q3 of this year against INR3,412 crores for Q3 of last year. Our recovery is 2.2x of the slippages, reflecting our commitment towards improving asset quality. We have made additional floating provisions of INR955 crores on a prudential basis in Q3 on account of which credit cost is looking elevated at 0.46%.

Now total floating provision is INR1,775 crores, which will help us in moving towards ECL transition. This is mindfully we have done to minimize the impact of ECL, which is likely to be implemented from 1st April 2027.

I will provide an analysis on underwriting standards, which will provide confidence regarding the asset quality and underwriting standards of the bank. From the 1st July 2020 to 30th December 2025, that is almost 5.5 years, we have sanctioned around INR13.20 trillion loans, out of which we have disbursed INR11.50 trillion loans.

The outstanding in these loans is INR8.24 trillion as on today, which is close to 67% of our total outstanding loan book. The NPA in this book is hardly INR4,687 crores, which is only 0.41% of the disbursed amount under same underwriting. I think this speaks about the underwriting standard of the bank for the last 6 years.

Capital. Our capital adequacy is 16.77% as on 31st December 2025 compared to 15.41% as on 31st December 2024, which is 136 basis points above December 2024. Our CET1 capital stands at 12.52% against the regulatory requirement of 8%. Tier 1 capital stands at 14.13% against the regulatory requirement of 9.5% and Tier 2 capital stands at 2.64% as at 31st December 2025.

Digital initiatives of our bank. Bank is consistently enhancing its digital foundation with a strong emphasis on developing advanced digital capabilities. Efforts are particularly concentrated in the areas of artificial intelligence, machine learning and analytics-driven business generation. These initiatives have started to deliver significant results, contributing meaningfully to the bank's overall growth and operational efficiency.

Today, we have digital journeys for almost all the credit products in the RAM segment. In Q3 of this year, we launched the Digi Saarthi, that is a two-wheeler loan through the digital channel. Tractor Xpress, Digi MSME (TL Facility) and e-PM SVANidhi 2.0. These all journeys are through the digital channels.

In Q3 of this year, we have sanctioned and disbursed digital loans to the tune of INR12,672 crores under RAM segment to 3.18 lakh customers. Every third loan is being sanctioned in digital mode in our bank. The share of digital transaction is close to 95% for Q3 of this financial year.

We have launched our revamped mobile banking application, PNB One 2.0 in the Q3 with enhanced UI and latest technology stack. The app is applicable on all -- it is available in 14 languages with 350-plus features and there are more than 2.50 crores activated users on this app.

PNB One now supports complete UPI integration, including UPI Lite, UPI Mandate and UPI Credit Line. Number of WhatsApp banking users have gone up by -- have grown by 81% from 52.7 lakh as of 31st December 2024 to 95.4 lakh as of December 2025. KYC updation through WhatsApp banking has also been enabled.

There is very good traction in our corporate mobile banking app, PNB One business, which serves to more than 2.42 lakh customers with more than 200 features. We have onboarded more than 5.96 lakh CBDC customers and 98.42 lakh transactions done through CBDC app till 31st December 2025.

We are also in the process of CBDC activation through business correspondent channels. Going forward, we are launching UPI in our PNB One business application as well as retail and corporate Internet banking services will also be revamped.

New initiatives, bank appointed Indian women's cricket captain, Ms. Harmanpreet Kaur as its first-ever female brand ambassador with the theme banking on champions, and we expect good results from this strategic collaboration. Bank launched its first metal credit card, PNB LUXURA, with a target market of HNIs, high-end professionals and affluent business owners on 3rd December 2025. We are witnessing good traction in this credit card, and we have set a target of more than 10,000 credit cards this year by 31st March 2026.

HR initiative. Our bank has adopted new HR ecosystem driven by Project UDAAN. We are undertaking this project in 2 parts, namely digital performance management system and capacity building. Under digital performance management system, 16,160 KRAs have been mapped directly linking individual and team efforts to the strategic outcomes and aligning the entire organization with Vision 2030 of the bank.

This will increase the accountability and data-driven decision-making in the organization. Under capacity building, we are undertaking numerous steps involving leadership development programs, Gen AI learning chatbot and comprehensive skill development programmes for employees.

My concluding remarks, we are extensively focusing on improving customer service to generate business organically. Average time taken for grievances redressal has come down to 3 days in December '25 from 14 days in April '25, and performance has been recognized by DFS as well. Customer service has been one of the focus areas for the bank. PNB remains committed to reinforce its core business fundamentals.

The bank is focused on increasing the CASA share within its total deposits as well as enhancing our RAM portfolio in total advances. These strategic priorities are designed to collectively support improvements in overall profitability and efficiency ratios. The bank continues to prioritize containment of slippages and robust recovery efforts to improve the asset quality.

Ongoing digital and human resources transformation initiatives are paving the way for long-term growth and operational excellence. Going forward, the bank aims to further enhance its market share across all the segments.

Thank you very much, and I am open for the questions or any clarification or clarity is required related with the performance results of our bank. Along with me, my executive directors and entire top management team is here with me now. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Mahrukh Adajania from Nuvama Wealth. Please go ahead.

Mahrukh Adajania: Yes, good afternoon. I have a couple of questions. My first question is on the provision. So last quarter, we had discussed that there's going to be a write-back of provisions from an account which other banks like Union has already written back in the second quarter, and we were supposed to take that write-back on provisions in the third quarter.

And that was roughly around INR7 billion to INR9 billion. So why wasn't the floating provision offset against that? I think that if we had that much of a write-back and our floating provisions were also around INR9 billion only, then there shouldn't have been an increase in provisions, right? That was my question. And -- so that was my first question, and I'll let you know the others.

Ashok Chandra: Yes. Good afternoon, madam. First of all, I will give you the clarity that provision, we have not released. That account, you are right, that account was -- became a standard in the last quarter, but the provision which we are holding in the standard account is still we are holding it. We have not yet released that amount.

This INR955 crores floating provision which we have made, it is from the -- other than whatever the profitability was available in our system. From that, we have made this floating provision, keeping in mind that ECL implementation is going to happen from 1st April 2027.

So, the pressure will not be there in our balance sheet going forward. Since we had a good profitability, good operating profit and net profit, we have made this provision. If we would not have made this provision, our profit would have been more than INR6,000 crores.

Mahrukh Adajania: Okay, sir. And any specific reason on why the provision was not released? You don't want to release it or any other reason because other banks seem to have released this.

Ashok Chandra: No, no, no. We do not want to release -- it is not like that. We are still looking for that. And maybe we'll take a call at the right time. Maybe in the Q4, we may take the call. But that is -- provision is still -- we are holding it more than around INR900 crores, that is there in the standard.

Mahrukh Adajania: Okay. And sir, my other question was on ECL. So, most PSU banks seem to suggest a 40 to 50 basis points credit cost run rate under ECL. What would that be for PNB? Because our credit cost last quarter and last 2 last quarters were very negligible, I'm talking about second and first quarters now.

So, what will be the run rate of provisions, say, once the ECL is implemented, how much of credit cost per quarter or per year do you expect? Would it be 40 to 50 basis points? Would it be lower? And also, if you could spell out the SMA-1, SMA-2 below INR5 crores?

Ashok Chandra: Yes, yes. First of all, I will give you some clarity about the ECL calculation and where we are now. I think last time also, we had given because it is a rough calculation. Bank has done it. We are putting the digital framework in place. Then we will have the exact calculation, but rough calculation, which we have done, it comes to around INR9,000 crores to INR10,000 crores. That is the total capital that is required for the full implementation to happen in the 5 years' time.

Now if you see, out of this INR1,775 crores, already we have made the provision. Like this quarter, we have made INR955 crores provision. And last quarter also, we had made some provision. So floating provision against this INR9,000 to INR10,000 ECL requirement, which is going to have, we have already INR1,775 crores provision now.

So that is already in place. So, bank is not going to have any impact -- major impact on account of ECL implementation. Because INR5,000 crores and above -- every quarter, profit is going to happen. With that thing in place, I think every quarter, we will have something where we will keep the extra for the floating provision. And that when the ECL gets implemented, we will adjust this floating provision against that ECL as per the RBI guidelines.

So absolutely, I want to clarify to you as well as to all the analysts who are present here that this quarter, once you see the elevated provision of INR 1341 crores, it is on account of a conscious decision of the bank to make additional provision of INR955 crores.

Otherwise, our actual provision, which is required only INR386 crores on account of the slippages, which has happened and to keep 97% of the PCR. Otherwise, other than that, absolutely, there is no pressure in the bank as far as the provisioning requirement is concerned.

Mahrukh Adajania: Sir, my question was a little different. I know that you are well prepared for the transition impact of ECL. You had stated that perhaps in your last quarter as well. But I'm talking about the run rate impact, say, ECL was to be implemented this quarter. What would be the actual credit cost?

Because under ECL, you have to provide for Stage 2, you have to provide for Stage 1, and of course, you have to provide for Stage 3 as well. So, on a run rate basis, say, ECL is already implemented, what will be the credit cost every quarter? Will it be 40 basis points? Will it be 50 basis points? What will it be?

Ashok Chandra: No, no, no. It will not be. First of all, I will tell you, at Stage 1, we are already providing 0.40%. So absolutely, there is not going to be impact on the Stage 1 because standard asset already we are doing that. Stage 3 also having 97% provision coverage ratio, we are not going to have any impact on the Stage 3 provision also. Stage 2 only because of the elevated provision is there, 5%. There only, the impact is going to come. And that calculation roughly as of today is around -- around INR10,000 crores.

Now if I distribute this INR10,000 crores for 5 years, 5 years, multiply by 4 quarters, it comes to 20 quarters. So, 20 quarters means every quarter, if I am able to do INR500 crores, I am able to meet that requirement. And that INR500 crores every quarter, hardly it comes to around 10 to 15 basis points.

Like in this quarter, INR955 crores we have kept. And with that, the credit cost with INR386 crores, it comes to only 0.46%. So, with this implementation, every quarter, around INR500 crores will be required. With that, hardly around 15 basis point credit cost will increase.

Mahrukh Adajania: Okay, sir. So, there will be an increase of maybe 15 to 20? And what will be the SMA-1 and SMA-2 below INR5 crores?

Ashok Chandra: I will give you the entire portfolio, SMA-0, 1, 2 all put together. The ratio in the bank is 4.61%.

Mahrukh Adajania: And that is below INR5 crores and above.

Ashok Chandra: All, all. INR1 to the higher amount, all put together.

Mahrukh Adajania: So 4.8% of loans?

Ashok Chandra: 4.61%. 4.61%, that is the total SMA of the bank.

Mahrukh Adajania: Okay, okay sir got it. Thank you very much and all the best.

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

Jai Mundhra: Yes. Hi, good afternoon, sir. And thanks for the opportunity. Sir, I have a few questions. First is, sir, this floating provisions of INR1,750 crores, have they been netted off to arrive at net NPA or they are not part of specific PCR?

Ashok Chandra: No, no, no. They are not part of net NPA.

Jai Mundhra: Okay. So that is good. And secondly, sir, if you...

Ashok Chandra: That's why you are seeing the absolute number, INR3,834 crores in the net NPA.

Jai Mundhra: Correct. Correct. Okay. So that is good. And secondly, sir, if you have the number separate for 0, 1, 2, that will help because maybe you need not provide for SMA-0 as per the draft regulation, but the 1, 2 on a continuous basis, bank may have to provide. So, if you have that number separately for 0, 1 and 2 for SMA loans of the bank?

Ashok Chandra: SMA-0, what is the percentage? You can tell, madam. Our CGM in charge, the CRMD Risk Management is there. She will tell you.

Management: SMA-0 is INR34,176…

Ashok Chandra: No, percentage.

Jai Mundhra: Sir, absolute number is also okay.

Ashok Chandra: No, I'll give you the percentage. SMA-0 is INR34,176; SMA-1, INR9,439; and SMA-2, INR13,122.

Jai Mundhra: Sure sir. And sir, would you have also done a calculation that, let us say, if in this quarter itself, you were to apply for ECL norms, what would be the credit cost? I mean that is what I think Mahrukh was also trying to understand, that assuming you are in ECL, what could have been the provision in this quarter, let us say?

Ashok Chandra: See, if 5 years implementation period is there as per the RBI guidelines, so it means I have 20 quarters to implement it. And a rough calculation, which we have done, it comes to around INR10,000 crores. It means, sir, INR500 crores every quarter, we need to provide for ECL implementation for 5 years. It's INR500 crores, hardly it comes to around 15 basis points down, 0.15%.

And since INR10,000 crores is required, out of that, INR1,775 crores I have already provided. So, since we had a cushion in this quarter and we had a good profitability, we took a conscious decision that let us make the provision floating. And as per the RBI guidelines, this floating provision will get adjusted against the ECL when it gets implemented. So, it is -- for a strengthening of our balance sheet, this provision has been made this year, this quarter.

Jai Mundhra: Right. No, no. This is all welcome, sir. I understand this is contingent and floating in nature for the contingency only. Okay. And second question is, sir, a few banks have sounded some RBI compliance on PC Agri crop loan PSL requirement, that the criteria for maybe PSL tagging has been tightened. Has that exercise been over for our bank? And what is the status here?

Ashok Chandra: No, no, no. We don't have any such challenge. And the bank, which you are quoting, their RBI supervisory review had happened. In our bank also, every bank, RBI supervisory review happens every year. And we are totally compliant in that. We don't have any such challenge.

Jai Mundhra: Sure. And lastly, sir, this quarter, the interest on -- I mean we have a very good -- we had a very good TWO, but still the interest income that has gone to NII from TWO recovery is more or less similar, right, INR400-odd crores. That has not changed. So that has no material impact, right? I mean despite having a large TWO recovery?

Ashok Chandra: No, no. It almost around INR400 crores to INR500 crores RI recovery every quarter happens. So that has remained the same. Because whatever recovery we do in TWO, generally, it goes in our operating profit straight away, not through the interest route.

Jai Mundhra: Sure. And sir, one thing that I observed was interest on investment, right, that has declined. Is there any one-off? Or you think that could be the new normal basis, the interest rate environment? Or is there any reason for a slightly higher decline in that line item?

Ashok Chandra: No, no, no. It is not -- it is in line with the market scenario. Nothing else. You can't -- you should not read anything else other than this.

Jai Mundhra: Sure. Okay. Thanks a lot, sir. I will come back in the queue. Thanks, and all the very best.

Ashok Chandra: Thank you.

Moderator: Thank you. Our next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: Yes. Thanks for taking the question. So firstly, on margins, again, so I think there would have been some impact of repo repricing and we have like 50% EBLR portfolio. So that would have taken the knock-on margins. But in terms of deposit repricing, when should we actually start to see the deposit repricing benefit? If we look at it, it's hardly like, say, 25-odd basis points, which we have over the last 3 quarters.

So when does that happen? And in fact, we revised our margin guidance also down. So was it purely the repo rate cut, which is leading to the revision in the guidance? Or is there any other element in terms of lower benefit from deposits coming through?

Ashok Chandra: No, absolutely -- it is only because of the 125-basis point repo cut. And second thing related with this is the deposit rate pricing. Because 125 basis point rate cut has happened in the credit side and that you are very rightly mentioned that more than 50%, we have the Repo Linked...

Moderator: Sir, sorry to interrupt you. Kunal, can you please mute your line.

Kunal Shah: Yes.

Ashok Chandra: So since 50% and above the Repo Linked rates were there -- so that we have passed on immediately. In fact, in our bank, immediately on the next working day, we pass on those benefits. But to that extent, we have not gone for the deposit repricing. In fact, we are very mindful of the deposits, the scenarios, dynamic situation and keeping the customers' interest also because we have 18 Crore plus customers, and they have a lot of faith in our system.

So we thought that let us continue that deposit rate. That is the reason in the Q3, we have not cut much the deposit rate. We have kept it intact. And that is the reason that has impacted our -- the overall NIM. And going forward, what we are seeing that we had one special scheme where we had mobilized more than INR 248,000 crores. That deposit was for 440 days.

And that scheme was there till March 2025. Now from 1st April 2025, this scheme was withdrawn. Now those deposits are getting repriced. 70% repricing has already happened by December'25. And 21% is going to be repriced in the fourth quarter, this quarter and 9% still it will get repriced in the first 2 months of first quarter of '26- '27.

So entire deposit repricing will happen by somewhere in the month of May 15. By that time, this entire thing, which is there at 7.25%, it will at least 60 to 70 basis points, the reduction will happen in when the repricing happens. And you all know that -- see all these impacts will be visible after 6, 7 months now. So I am expecting that by Q2FY '27, at least the impact of these things will be visible in the system.

Kunal Shah: Sure. Got that. And secondly, with respect to growth, so still in terms of the guidance, we are at 11% to 12%-odd, while maybe year-to-date growth itself is like, say, 10.5% to 11%. So would we be seeing some kind of traction on the corporate side or we should able to...

Moderator: Sorry to interrupt.

Ashok Chandra: Credit growth, I am expecting that as of now, 9 months credit growth is 10.9%. And I am confident that this 11% to 12% guidance which we have given by March also, we will be crossing this guidance. Deposit growth guidance also 9% to 10% we have given. And as of now, we are at 8.5%. 100%, we are going to touch around 9% of the deposit growth.

So there has been good momentum in the system, and we are encashing those opportunities. At the same time, there are some low-yielding advances are there in the corporate book. That also we are selling it and we are replacing it with high-yielding advances.

Otherwise, our corporate loan book would have grown more than 11% to 12%. So we are also ensuring that all those -- the low-yielding advances, slowly, we should replace it with high-yielding advances. And that is the reason corporate loan book is still at around 9.5%.

Kunal Shah: And this would continue even in the next quarter. So that's the reason like even after 11%-odd we are saying that 11% to 12% is the only guidance and not revising it to like 13%, 14%-odd or so?

Ashok Chandra: Yes. In this quarter also, we are going to shed some deposits, corporate loan book. And that is the reason I am still holding that 11% to 12% growth will be there, overall credit growth.

Kunal Shah: Got it. Perfect. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Bhavik Shah from InCred Capital. Please go ahead.

Bhavik Shah: Hi, sir. Thanks for the opportunity and congrats on good quarter. Sir, I just wanted to understand what was your average LCR for this quarter?

Ashok Chandra: 125% -- yes, 127%. At September, it was more than 125% -- 130%. It is 130%. 130%.

Bhavik Shah: Okay. And sir, there is a change in guidelines of LCR from 1st April 2026. How much of that impact will have?

Ashok Chandra: I think around 5.25% impact will be there, yes.

Bhavik Shah: Negative impact?

Ashok Chandra: Positive impact. Yes, yes.

Bhavik Shah: Okay. Okay, sir. And sir, this quarter, we had a good treasury gain. Does it include the stake sale of Canara HSBC Life?

Ashok Chandra: Yes, yes, yes. That includes that.

Bhavik Shah: How much was it?

Ashok Chandra: Net gain was around INR912 crore. That is actual impact of that sale.

Bhavik Shah: And the balance INR400 crores would be the normal treasury gains?

Ashok Chandra: Yes.

Bhavik Shah: Sir, I just want to understand this year...

Ashok Chandra: And one more point, and more point, there has been a hit of INR400 crores MTM also, despite that INR300 crores now.

Bhavik Shah: Understood, sir. So we have done very good on treasury gains over the past 2 years, and that has also been because of the yields. Now incrementally, the yields are kind of steady or rising. So how should one understand treasury gains in F '27? Like will it be INR2,000 crores or no, I mean that is not how we think. We have clocked like INR4,000 crores over the past few years?

Ashok Chandra: I think you are talking about the next year, let us wait for another -- it is a very, very dynamic situation now. So one more MPC will come in between, and then we will see how the impact comes. And anyway, I think March, we are also coming out with the strategy paper for '26- '27. And definitely somewhere in the March, April, we will discuss about the '26-'27.

Bhavik Shah: Understood, sir. And sir, why not increase our loan growth guidance to 15% when the opportunity is so good and LDR is at only 74%, 73%?

Ashok Chandra: See, if you see, MSME, we are growing at 18%. Retail, excluding IBPC, we are growing at more than 18.5%. IBPC, every quarter, we are reducing it. And December '24 to December '25, the net reduction in the IBPC book is more than INR13,000 crores. So what is happening, we are growing in the credit scenario.

But at the same time, there are some low-yielding advances are there, including this IBPC. We want to come out of those things so that going forward, we will have the good quality high-yielding advances, and that will be sustainable for a longer period. So that is the reason we are not revising this 11% to 12%. Otherwise, sector-wise, if you see, we are growing at more than 17%, 18%.

Bhavik Shah: Sir, assuming in FY '27, deposit growth is 9%, 10%, would you grow at 15% plus?

Ashok Chandra: I will give you the number once the strategic paper comes out, Board strategy meet happens, but...

Bhavik Shah: You carry forward thought process, sir.

Ashok Chandra: I'm giving you the thought process. I'm telling you my thought process because 1 or 2 quarters more, I will take for in the '26-'27 also to reduce my low-yielding corporate loan book. And afterwards, definitely, bank will grow at more than 12% to 13%.

Bhavik Shah: Understood, sir. And sir, just last question. Sir, any guidance on your recovery from written-off for 4Q and next year?

Ashok Chandra: Yes. For the Q4 also, we are likely to grow more than INR4,000 crores of total recovery and around INR1,500 crores to INR1,600 crores, TWO recovery we are expecting, and that is a thing which we have targeted.

Bhavik Shah: Okay. Okay. And sir, FY '27, would it be broadly similar to FY '26 or lower?

Ashok Chandra: It will be -- I think let us wait for that '26-'27 number. But definitely, I think the last year also, if you see around INR12,000 crores to INR13,000 crores. So definitely between INR13,000 crores to INR15,000 crores, we will be aiming for another 2 years.

Bhavik Shah: Understood, sir. Okay. Thank you so much, sir. And that is all, sir.

Moderator: Thank you. Our next question is from the line of Vansh Solanki from RSPN Ventures. Please go ahead.

Vansh Solanki: Hello. Good afternoon, team. Am I audible?

Ashok Chandra: Yes, good afternoon. Yes, you are audible.

Vansh Solanki: So my question is on the treasury income that we have around INR1,300 crores of treasury income, including the INR900 crores of the Canara HSBC gains. So normalized treasury income is only INR400 crores approx. Am I -- is my thinking, right?

Ashok Chandra: Yes, yes. You are absolutely right. See, what has happened, there is an MTM loss was there for one account, INR400 crores. In the last quarter, there was a gain of MTM was there of around INR350 crores in the same account. So, there is a fluctuation in there -- in that sometimes loss happens, sometimes profit happens, but the treasury gain will be in the line of around INR1,300 crores to INR1,500 crores.

Vansh Solanki: Okay. And my last question is on the new labour code. So how much impact we have -- like onetime impact we have taken here?

Ashok Chandra: No impact on implementation of labour code. Bank was already implementing all those clauses which the labour code has provided and absolutely nil impact.

Vansh Solanki: Okay. And the fee-based income, I just want to ask that even after a good growth, why our fee-based income is almost in a similar line of Q2? Like will it increase in Q4 and like next year or will be in the same range?

Ashok Chandra: Generally, what happens in the fee-based income, there are some components like processing charges, the ATM charges, the locker rent, all these things we collect in the very first quarter of every financial year. So first quarter, there will be very good collection. And afterwards, all the renewals whatever happens for the new proposal which we source, to that extent, only the fee-based income will increase.

So it will be muted in the Q2, Q3, Q4. But first quarter of every year, it will be substantially, it will be high. But we have come out with 3 new streams. And I'm very hopeful that going forward, there will be a lot of traction will happen in the fee-based income. One is the supply chain vertical, which we have created in this financial year.

And there is a INR4,500 crores is a sanction book under the supply chain. Their vendor financing, dealer financing, this new vertical we have created. Second vertical, which we have created is the cash management services, which is totally it is a fee-based income only. So this vertical also, second quarter, we had created, and we are expecting good revenue should happen from this stream also in the '26-'27 financial year.

And third vertical, which we have created headed by General Manager is credit card vertical now. And we have also launched a first-time metal credit card, very high net worth individuals, the PNB LUXURA.

And there also, we want to build up a good number now. We already have a credit card in our bank, and that is owned by our bank itself and more than 7 lakh credit cards are there in that scheme. But this is a high-end credit card, which we have launched PNB LUXURA. Through all those things, I want to see that on a sustainable basis, on a regular basis, there has to be improvement in the fee-based income in the '26, '27 financial year.

Vansh Solanki: Okay. Thank you. That is from my side and all the best for the future. Thank you.

Ashok Chandra: Thank you.

Moderator: Thank you. Our next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Thank you for the opportunity. Sir, what explains the sharp fall in your investment yield? And how do you see margins on a quarter-on-quarter basis? I know that for a full year, basically, you have downgraded the margin guidance. But on a quarter-on-quarter basis, how should we look at the margins here on? And if you can explain why the investment yields have fallen on a quarter-on-quarter basis?

Ashok Chandra: The yield, you are all knowing that it is a totally market driven now. And we are all seeing that as of today also yield is quite tough now, very hard now. So it all depends upon the market scenarios and what opportunities that comes in that particular segment. And the -- I'm not seeing that sharp decline is happening. It was 6.87% December '24 and today, it is 6.76% now. So decline is hardly around 11 basis points Y-o-Y.

Anand Dama: But sir, if you look at from where it has come down, it was about 6.9% or so. And there from...

Ashok Chandra: September, it was 6.9%. September, it was 6.9%. And see, when the average yield is coming down, so definitely, it will have the impact here also. But there is no concern -- as far as the revenues are concerned and the total contribution from the treasury book, I think it is -- contribution is intact, INR1,300 crores to INR1,700 crores every quarter we are getting it. This quarter also, we got INR1,300 crores. And going forward also, we have a visibility that we are going to have a good gain overall credit -- the total contribution from the treasury book.

Anand Dama: And sir, is there any labor code impact that you have taken during the quarter? Or is it very negligible for the public sector bank because you do not have any contractual labor?

Ashok Chandra: Yes, yes, correct. We don't have any impact because of the same reason what you have mentioned. So we are already being guided by the salary revision of IBA. And we are already paying to whatever that has been mentioned in the labor code. More than that, we are doing it. So absolutely, there is no impact.

Anand Dama: And sir, during the current quarter, you have had a very strong recovery from written off pool. Is there any large specific account that you can talk about which has been recovered? And do you expect similar kind of a trend in fourth quarter as well?

Ashok Chandra: Yes. Out of this INR4,100 crores recovery, there is one account where we got more than INR700 crores. So other than that, all was below INR100 crores recovery. All small, small accounts were there. This quarter, we are also expecting around INR400 crores to INR500 crores one single account. And all other accounts are below INR100 crores, and that momentum is there in this particular quarter also. So, we have already set the target for this quarter that more than INR4,000 crores of recovery overall and INR1,500 crores TWO recovery should happen in this quarter also.

Anand Dama: Sure, sir. That's very helpful. Thanks a lot.

Ashok Chandra: Thank you.

Moderator: Thank you. Our next question is from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.

Ashlesh Sonje: Hi sir, good afternoon. A few clarifications, firstly from my side. Can you explain why the tax rate was a bit lower at 19%? That is one. Secondly, this INR9,000 crores to INR10,000 crores ECL impact which you quoted, is that the provision shortfall? Or is that the post-tax impact on capital? And thirdly, your -- the progress on PSL compliance seems to be quite good over the past few quarters. Do you expect to purchase any PSL certificates in the next year?

Ashok Chandra: Yes. First of all, I will touch that part, PSLC. I think this year, we have made good progress under that PSLC. And I'm expecting that at least around 50 to 60 basis point cut should be happening in the next year. More than that, we are already targeting in that direction now. And we are already compliant as far the RBI regulatory guidelines are concerned. We don't have any issues related with the PSLC compliant. Your -- another question was related with?

Ashlesh Sonje: Tax rate and ECL impact.

Ashok Chandra: ECL, yes. ECL, see, there are 3 stages are there, all of you know. So Stage 1, 0.40% provisions are required. And we are...

Ashlesh Sonje: Yes, sorry to interrupt you, sir. I understand the calculation you have mentioned. I'm just asking if this INR10,000 crores, is that the pre-tax impact or the post-tax impact? That's all.

Ashok Chandra: Post-tax impact.

Ashlesh Sonje: Understood. Okay. And lastly -- and the tax rate?

Ashok Chandra: Yes, yes. You can –

Raman Grover: Actually, we have made a tax provision of INR1,231 crores this time. And there was a reversal of provisions to the extent of INR506 crores in the tax provisions because when the actual computation of the tax liability, it come up to be less, which we envisaged during the 31st March 2025. So there was a reversal of INR506 crores. So net change to about INR1,230 crores, which may be giving you a percentage of 19%.

Ashlesh Sonje: Understood. And one more question from my side. On the margin front, you had guided last quarter that it would improve by 5 basis points Q-o-Q. I understand a couple of things would have changed. One is the repo rate cut, which I assume would have had an impact of about 5, 6, 7 basis points. The second one, which you mentioned was on TD rates that you have not cut in this quarter, but I assume that would have a negligible impact because TD rates take time to pass through. So what exactly changed as per your earlier expectation?

Ashok Chandra: No. It was -- one is that the 25 basis points, the rate cut has happened, definitely, that has put some impact. And the repricing, which we were expecting that will happen and that too, with the revised rate, we were expecting that we'll cut some rate in the month of October and

November, but we have not done that. Now that exercise we have done on the 1st of January. We have cut some deposit rate in the different bucket now around 20 to 30 basis points. If you would have cut that, definitely some impact would have come. See INR100 crores to INR200 crores is still impact the NIM now. So 3 to 4 basis points. So that is the impact it brings in the overall calculation.

Overall, if you see, our total NII is greater than the September quarter. But once we get a final number, I think it has -- in the NIM calculation, it has impacted. So I'm expecting that this repricing is going to be fully complete by end of April, somewhere 15th of May. Entire INR2,48,000 crore, which we had mobilized at a very high rate last year, the retail term deposits, 7.05 and 7.25, I think that is going to be repriced with the revised rate. And I think another 3, 4 months, it will take to bring down the NIM. I'm expecting that somewhere from the Q1 and Q2 onwards, definitely, the NIM will improve, and we will be back to the original scenario.

Ashlesh Sonje: Understood, sir. Thank you very much.

Ashok Chandra: Thank you.

Moderator: Thank you. Our next question is from the line of Ankit Bansal from AB Investment. Please go ahead.

Ankit Bansal: Hello? Am I audible?

Moderator: Yes.

Ankit Bansal: Sir, my question first will be, sir, what will be your net guidance net for net NPAs and net GNPAs now for quarter 4 and for whole FY '26?

Ashok Chandra: Gross NPA, it will be below 3%, which we have already given the guidance in the beginning of this financial year. We will be below 3%. Net NPA below 0.35%. We are already at 0.32%. So definitely, this guidance which we have given, we are going to do and we are going to achieve that.

Ankit Bansal: Any revision in net NPAs guidance?

Ashok Chandra: No, I think we are trying to bring it below 0.30. We'll try to do it. But guidance which we have given, we are already -- we have done that. Somehow we'll try that. We'll try to bring it below 0.30.

Ankit Bansal: Okay. Sir, my -- the bigger question, bigger picture is that, sir, PNB delivers numbers like you say one quarter good, other quarter. Sir, the momentum is not keeping like this quarter, you have done a provision like last quarter slippages elevated happen. Sir, how an investor which is invested in PNB for years, how it could feel safe after 1 or 2 quarters, he feels, okay, bank is delivering good numbers like this. Another quarter slippages happens of any reason. I'm not saying you will happening, of any reason. This quarter provision happens. Sir, look at other banks like State Bank, Bank of Baroda, they are delivering a constant set of numbers. So investor feels safe in these banks. Sir, can you please assure your investor that is invested in you and invested a lot of their faith in your bank?

Ashok Chandra: Sir, we have full confidence. I will tell you, you should have full confidence in the performance. First of all, you see none of the parameters, the guidance which we have given in the beginning of the financial year, despite the strain in the system, despite 125 basis point cut in the system, we have not revised any of my guidance. You see the guidance which was given in the month of April.

We gave the guidance that gross NPA below 3%, net NPA 0.35%. Credit cost, which you are talking about in this particular quarter, credit cost, our guidance was below 0.5% in the entire year. In this particular quarter, we are at 0.46%. That also deliberately, we have kept it because of the ECL implementation, which is going to happen from 1st April 2027.

Now we had the profitability in this particular quarter, and it was the right time for us to keep the INR955 crores set aside and that we have kept it as a floating provision as per the RBI guidelines. Now this will help us in adjusting our ECL implementation, which is going to happen from 1st April 2027. So whatever guidance -- you see the guidance on return on assets.

We have given a guidance of above 1%. We are at 1.06%. September, we were at 1.05%. So slippages ratio, we gave the guidance of below 1%. We are at 0.7% in this particular quarter, we are at 0.67%. And 9 months, if you see, we are at 0.56%. Credit growth, we gave a guidance of 11% to 12%. We are at 10.9%. So all the parameters, we are maintaining the guidance.

Operating profit, we gave a guidance of 8% to 9%. We are at 13%. That is the growth which we are showing you. I think that should -- you should see the overall guidance which the bank has given and whether we are meeting those guidance or not. And this is always better to see that whatever the future that is going to happen, prepare ourselves for the future situation. When the ECL got the announcement happened somewhere I think Q1 or Q2, I think this is the right time if we have the cushion, why to get a hit when the actual implementation happens.

So I think you should see broader things and not Q1 or Q2. You should see the consistency in our performance. You tell me in any of the parameter, except the NIM, except the NIM, any parameter, there has been a degradation or downward reduction, anywhere in any of the parameters.

We are very mindful that for the investor, there has to be consistency. And each and every quarter, there has to be improvement in every ratio. We are committed to that, and we are doing it. This quarter also, you see except the NIM, all parameters, there has been improvement. Every parameter improvement is there.

Moderator: Thank you. Sorry, Ankit, please rejoin the queue for a follow-up question. Our last question comes from the line of Mahrukh Adajania from Nuvama Wealth. Please go ahead.

Mahrukh Adajania: Yes, thank you, sir. Thank you for giving me a chance to ask a question again. Sir, my question was on investments. So could it be that the investment yield has declined because of treasury profits booked over the last few quarters? Could that be a reason?

Ashok Chandra: That is also one of the reasons. Second reason is, in the Q2, there was one-time income of INR60 crores was there from one company that was booked in that particular quarter. So there was another one dividend income there to an extent of INR130 crores, which was booked in the Q2, which has not...

Mahrukh Adajania: But that is in income on investments?

Ashok Chandra: Yes. Yes, income on investment. These are all income on investments. Otherwise, there is a consistency there in the treasury income also and INR1,300 crores to INR1,500 crores income will be there from this particular treasury.

Mahrukh Adajania: Okay. And sir, how much of HTM would we have sold in the first 9 months?

Ashok Chandra: Out of 5% cushion, we have just used around 1.5%. We have not sold.

Mahrukh Adajania: HTM.

Ashok Chandra: HTM, I'm talking, yes. We have utilized only about 1.5%.

Mahrukh Adajania: Okay, sir. Thank you so much. Thank you.

Ashok Chandra: Thank you, madam.

Moderator: Thank you. I would now like to hand the conference over to management for closing comments.

Ashok Chandra: So, thank you very much for all the analysts and who are reposing faith in our performance. We are committed to the consistency -- consistent performance and the quarter-to-quarter improvement in all the parameters. In this quarter also, if you see in all the parameters, including the operating profit, net profit, all the efficiency ratios, I think we have shown the consistency, and we are committed to do that. We value your relationship with our bank and you being one of the stakeholders in our organization, definitely, I think we are committed to provide good value to you for -- in the long run, and we will do whatever best is possible to do that. Thank you very much.

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