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To,

BSE Limited, **Department of Corporate Services,** 25th floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. **SCRIP ID : PSB** **SCRIP CODE : 533295**	**National Stock Exchange of India Ltd.,** Exchange Plaza, C – 1, Block – G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. **SYMBOL: PSB SERIES: EQ**

Dear Sir,

Reg: Transcript of the Earnings Conference Call on Unaudited Reviewed Financial Results for Quarter (Q2) / Half Year ended 30th September 2023.

With reference to above and pursuant to the applicable provisions of SEBI (LODR) Regulations, 2015, we enclose the transcript of post results Earnings conference call for the Quarter (Q2) / Half Year ended September 30, 2023 held on November 4, 2023.

The transcript of the Earnings conference call is uploaded on Bank's website and the same can be accessed through below link:

https://punjabandsindbank.co.in/system/uploads/document/7803_20231110114430878896.pdf

This is for your information and records.

Yours faithfully

SAKET MEHROTRA

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Punjab & Sind Bank H.O. Accounts & Audit Deptt. (Shares Cell) (शेयर कक्ष) Rajendra Place, New Delhi-8

Saket Mehrotra
Company Secretary

"Punjab & Sind Bank Q2 FY-24 Earnings Conference Call"

November 04, 2023

MANAGEMENT: Shri Swarup Kumar Saha, Managing Director and Chief Executive Officer

Dr Ram Jass Yadav, Executive Director

Shri Ravi Mehra Executive Director

Ms. Mahima Agarwal, Chief Financial Officer

MODERATOR: Ms. Shilpa Abraham

Moderator – Good Afternoon, Ladies and Gentlemen! I'm Shilpa Abraham, the moderator for today's earnings call. I welcome and thank each one of you for joining us today for the Q2 FY24 results of Punjab & Sind Bank. Please note that this conference is being recorded and all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the opening remarks by the management. Should you need any assistance during the conference call, please raise your hand on the Webex panel or press *3# on your phone. Thank you.

I would now like to introduce the management of Punjab & Sind Bank. We have with us today, Shri Swarup Kumar Saha - Managing Director & Chief Executive Officer, Dr Ram Jass Yadav - Executive Director, Shri Ravi Mehra - Executive Director and Ms. Mahima Agarwal - Chief Financial Officer.

I would now like to hand the conference over to Shri Swarup Kumar Saha, MD & CEO of Punjab & Sind Bank for the opening remarks, after which we will have the forum open for the interactive Q&A session. Thank you and over to you, sir.

Shri Swarup Kumar Saha: Thank you Shilpa and good afternoon, everybody. On behalf of Punjab & Sind Bank, I welcome you all to this virtual con-call for the performance of the Bank for Q2 FY 23-24. The results have been declared and the presentation has also been uploaded on the website of the stock exchanges and the bank. I'll just give a brief of the salient features of our Q2 performance. The business of the bank has been at Rs.198387 crore, showing a growth of 10.85%. The deposits stood at Rs.116481 crore, showing a growth of 10.68%. The advances stood at Rs.81906 crore, showing a growth of 11.08%. Within the advances, the core retail has grown by 17.93% and the overall yield on advances has improved by 95 bps. The capital adequacy ratio of the bank has improved further and stands at 17.23%. In fact, if we see our guidance, we will always continue with our capital optimized growth. So, as far as the Q2 performance is concerned, our credit growth has been at 11.08% while the credit RWA has grown at 8.3%. So, that's how we will try to maintain the capital optimized growth going forward also.

The significant improvement that has happened is also shown in the non-interest income growth, which has grown by 90.07%, aided primarily by recovery in write off accounts of Rs.131 crore and apart from the recovery in write of accounts, our core fee income has also grown at 28.43% on a YoY basis. The profit before tax has shown a growth of 53.64% and stands at Rs.295 crore. However, the net profit had declined by 31.77% to Rs.189 crore. The important point which I'd like to mention here is that the decline in the net profit was also due to some write back on tax that we got of Rs.85 crore in Q2 last year. So, therefore, the net profit on a bottom-line basis has gone down by 31.77%.

Our Gross NPA has been reduced to 6.23% and Net NPA has come down to 1.88%. This is being aided by good recovery and upgradation of Rs.594 crore and of course due to good recovery in the technical write off accounts. On a sequential basis, we have also certain good improvements in the profit before tax, non-interest income, yield on advances, core fee income. Our credit cost has come down and is now at negative 0.05%. The slippage ratio has been at 0.45%. The return on assets has improved sequentially by 9 bps. The net profit sequentially has improved by 23.53% on a QoQ basis. The return on equity has improved by 175 bps and the capital adequacy ratio has also improved by 4 bps.

Overall, these were some of the basic features of our performance of Q2 and in this intervening period, as far as the technology part was concerned, the Bank has now upgraded its technology platform from the core banking Finacle 7 to Finacle 10. So, it will give us a lot of leverage for improving our technology driven growth, improving our skills, underwriting standards and monitoring mechanism. Once the core banking Finacle 10 stabilizes, we expect that we can leverage this technology platform to build in new methods of lending, new methods of governance, new methods of underwriting and I'm sure that those developments will now get a boost. We were waiting for this big leapfrogging in our technology area and our digital platform will also get a great boost once we stabilize this platform. So, these were some of the basic highlights of our performance of Q2 FY 23-24. Now, the floor is open for the questions. Thank you.

Moderator: Thank you, sir. We will now begin the Q & A session. Anyone who wishes to ask a question or needs any assistance, may raise the hand by clicking on the hand icon on your Webex panel. For those who have joined us via audio call and wish to ask a question, please press *3#. Our first question is from Mr. Amit Mishra. Sir, I request you to please introduce your organization and go ahead with your question.

Amit Mishra: Hi. Good afternoon, sir. Amit Mishra here from Indus Equity Advisors. Sir, thanks for the opportunity and my 1st question is on your gold loan portfolio. It has grown by 45% on YoY basis. What are the asset quality and yields that we are getting?

Ravi Mehra: Good afternoon. We have introduced this product last year, hence our base is very small presently but we have been specifically focusing on this portfolio, reason being that it’s a capital led product and stress is very minimal in our gold loan portfolio.

Swarup Kumar Saha: The NPA percentage is only 0.2% in the gold loan portfolio.

Amit Mishra: Do we have any targets as to how much we want to achieve in gold loan portfolio particularly?

Ravi Mehra: We are targeting a growth of somewhere around 40% to 45% during this financial year.

Amit Mishra: Okay and what are the yields on this portfolio.

Ravi Mehra: It's somewhere around 9%.

Amit Mishra: Ok. Sir, your cost to income ratio has gone up significantly as compared to last year. So, it is somewhere around 72% and last year it was around 65%. I can see there is increase in employee cost. Can you talk about that why there is increase of 10%?

Swarup Kumar Saha: Yeah, as you rightly said, some of the market factors are impacting the cost to income ratio such as the treasury yield movement. You must have seen in my presentation that there has been a MTM depreciation of Rs.25 crore during this quarter, this has also impacted my cost to income ratio, apart from the re-pricing of the various retail term deposits that are happening, which is an industry phenomena. We are seeing a migration from the CASA to the retail term deposits and that's a liability franchise we need to protect.
If you see, our deposit growth has been over 10% in Q2. So, some of the re-pricing impact of our liability franchise is impacting the cost. That's why the cost of deposit has increased. MTM depreciation of Rs.25 crore is an additional hit in this quarter. Hopefully, going forward, it will improve in one or two quarters as the market scenario improves.

Amit Mishra: Okay, sir. So, what will be your NIM and credit cost for full year, if you can give us some guidance?

Swarup Kumar Saha: The credit cost is at negative 0.05% and we will continue to maintain it below 1%. The corporate scenario looks pretty sound at this point of time, barring one or two accounts which are sometimes as SMA 1 or 2. We are still having some residual stress in our portfolio in the RAM segment, particularly in the agriculture and the MSMEs.
As far as agricultural slippages are concerned, you must have seen that our agriculture slippages this time are a bit higher than what it was last year. This is because of a geographical skewedness in our branches which are particularly in the northern belt of

the country, where we had this residual stress. However, we feel that most of the residual stress, particularly in the agriculture segment, has somehow stabilized or has been recognized. Therefore, the credit cost overall, we will be able to manage it below 1%.

With respect to your other question regarding NIM, yes, it is under stress and we are at 2.32% in the quarter. We expect that there will be some more impact, maybe another quarter, in the Balance Sheet of Q3. However, as we have revised our MCLR significantly, its impact will be there in the coming quarters maybe from Q4 onwards. So, that will be addressed in the Q4 results. On the financial year side, we'll try to keep it anything between 2.30% to 2.35% which would be our range as far as March is concerned.

Amit Mishra: Ok. As you mentioned that re-pricing will kick in from next quarter, as I can see your yield on advances increased in one year by 100 bps but your cost of deposit increased by almost 120 bps. So right now, it's at 5.6%. Do you see any increase in cost of deposits from here?

Swarup Kumar Saha: Yeah, there will be some incremental cost that will be added up. If you look from the perspective of Punjab & Sind Bank's overall legacy wherein we have a low CASA ratio and we are not spread across all over the country. So, the pressure on our portfolio of the low-cost liability resources has been an issue, which has been for a long time with the bank. We are trying to address this issue in multiple ways. First of all, we need to protect the existing liability, which is why we are also in the market trying to mobilize the retail term deposits. At one point of time we were losing the retail term base also on the deposit side. What we find is that the retail term deposit, though, it is adding to my cost, but overall, my customer base is getting retained and that's why my retail term deposits is growing at over 7% - 8% at this point of time. This was not happening for the previous two to three years when we were losing our retail term base also and the re-pricing that happens in line with the market scenario will continue to have some more impact on the Q3 numbers. So, we expect a marginal shift in the cost of deposit but overall going forward, as our MCLR re-pricing resets start happening, I think we'll be able to manage it in the next coming quarters.

Amit Mishra: Thank you so much sir and all the best.

Moderator: Thank you, Sir. Our next question is from the line of Ashok Ajmera. Sir, please go ahead with your question.

Ashok Ajmera: Good afternoon, sir.

Swarup Kumar Saha: Good afternoon, Mr. Ajmera.

Ashok Ajmera: Sir, my first question is directed to the credit growth. Our advances have grown from Rs.80982 crore as on March '23 to Rs.81906 crore as on September '23. Even our Corporate Book was at Rs.40391 crore as on March '23 and now stands at Rs.40386 crore. I would like to have your comments on how you would grow your book over a period of time, say in three months, six months, one year, two years?

Swarup Kumar Saha: Okay. We appreciate your concern, Mr. Ajmera, on the credit growth. Let us try to put the perspective in a proper manner. From March '18 to March '22, the bank had a lot of issues and we had to rebalance our portfolio due to various constraints such as capital etc. The bank came out with certain measures, which resulted in a turnaround in the bank. The bank's Gross NPA had shot up to as much as 14% plus at one point of time.

So, for a bank of our size and geographical reach, the bank with its prudence had decided to shift gear in terms of moving towards a different way of lending. While I appreciate the point that the bank is not growing as per the expectations of the stakeholders but let me also put this in a proper perspective that, first of all the bank intends to grow, there is no doubt about it. Number two, the bank intends to grow qualitatively. Number three, the bank has a constraint of growing its book aggressively with respect to the cost of resources that we bear. There is no point in growing the book, if my cost is not covered in my portfolio. Bring a Bank of our size, we do not have the market dominance to dominate the rate of interest that is being asked for by the corporates and the PSUs. So, we have a constraint there and we are willing to sacrifice our book, if we do not get the returns accordingly. The other banks, which are able to grow have that advantage to grow much more aggressively than we can grow. We can understand that and we had increased the book size last year with a quantum jump in '22-'23, with 15% credit growth compared to what we are doing in the last five years. So, I think the stakeholders will appreciate the point that there is an intent to grow but when the market scenario moves in a reverse direction in terms of the policy rates, in terms of the global dynamics that happen, Bank of our size need to rebalance very quickly. Otherwise going forward, the bank again can get into a recycle mode of what happened in the previous three years, at least in terms of efficiency. So, we would like to maintain or efficiency parameters in the foremost, while we do our business. Accordingly, we paced ourselves when we found that the repricing was happening very aggressively. Now, I cannot deny my retail franchisee, the deposit rate of interest, which they deserve to get in terms of market. So, I should get an equivalent sort of yield from my advances. Therefore we need to grow our RAM book very strongly, instead of the corporate finances and if you see in our presentation, the corporate finance has increased 12% YoY, which is not a very bad figure in terms of what the market trends are. There is an indication that we need to grow but we need to grow with a high yielding advance ratio. So, there's a balance that needs to be done between how much we can grow and at what cost.

Accordingly, we are framing ourselves. So, we don't mind at this point of time to sacrifice a bit of growth if it doesn't encourage my profitability and my bottom-line ratios. Further, it should also be noted that we were having some technology constraints, which was halting our development in terms of creating new ways of lending. So, now that we have done our Finacle 10 upgradation and are in a position to now bring those enablers in the market for the bank. We can lend faster, our LOS systems will be faster and our underwriting skills will be a much better strengthened. This will also help us in our digital acquisition of customers on the lending side. So, we have a host of plans which will be implemented and we will progress in line with the banks risk appetite and as per the bank strategic thought process.

Ashok Ajmera: Point well taken, sir. So, you further touched upon this digital journey, whereas many of the other bank, have come to a very good stage. You know, they have undertaken many journeys and have many models or modules already ready, put in practice and started giving the results. So, in our case, what exactly is the situation? How many such journeys we have completed or we have put in practice and what kind of business has already generated. Or, if not, then, what is the timeline now?

Swarup Kumar Saha: So, a very good question. First of all, I appreciate the point on the credit growth that you raised, we will take care of your suggestions and we will imbibe it in our strategic thought process. Number two, on the digital transformation, any digital transformation of the banks that you must be seeing in the industry now was based on a strong technological platform. So, the constraints that we had, we were struggling to bring those journeys as we wished we would like to bring and because the earlier version of the Finacle was not enabling this process. So now, we have done it in October itself. We have given announcement that Finacle upgradation has happened. You will appreciate that any such big upgradation project requires some stabilization but thankfully, as of now, we have done it very smoothly. There are certain back-end issues, which will be resolved very soon one by one. So, maybe within a month or so we will be in a position to completely stabilize the process. We have already created journeys, which we think can be immediately implemented. One such journey, of course, was the pre-approved personal loan, which we have already done in the earlier version and will now get a leapfrogging in the upgraded version.

So, the pre-approved personal loan category is one of our main areas. We'd like to bring such category of loans into our mobile journeys and in other areas also like gold loan, personal loans and any other schemes that we think can be enabled. We are also working to collaborate with fintechs. The fintech collaborations are at a very, very advanced stage and we are not doing so well in agriculture. Hence, we are now focusing on fintech collaborations for agricultural segments so that we can generate business out of that.

We are talking with the big universities in Punjab, considering our predominant base there, tying up with them for a collaborative effort as they have a lot of research work. We intend to collaborate with them, bring it to the table and also make it a part of our strategic thought process in increasing agriculture business.

So, journeys will be on the acquisition side. We faced constraints on the CASA acquisition, because today, most of the banks, on their mobile app journeys are also giving a host of journeys on the liability side for customer acquisition. In the particular area of the current account, we are now in a position to bring those methods of customer acquisition in our bank and we expect that by December or January end, we'll be able to develop those processes, so that we can bring more customers in our fold. What we found in our various interactions with the customers is that we have a real great loyalty portion of customers in our bank but because of the technology constraints, many of the customers are not banking with us. They're only maintaining account but doing their main business with another private or public sector bank. We would like to reverse that now and give our own customers the platform which will enable them to do transaction with us, which will ultimately build opportunities for various other methods of banking services.

We also now brought in the business correspondents. We have already initiated the process and we have already increased the number to nearly 700 at this point of time. We intend to bring it up to 2000 by December and 4000 by March. Many of our activities will get outsourced through this which will also help in customer acquisition. There is a technological integration here also, which will be done. The onboarding of the bank business correspondents under the corporate BC model has been initiated. We are increasing it very rapidly. These are some of the enablers that the field will get to acquire more and more customers. Our omni-channel digital app that we have, which we call PSB UnIC, is itself a unique app compared to many other banks. We were not able to leverage this because of the technology platform. It's a unique omni-channel experience, both on the net banking and on the mobile. Only a few banks are having this in the market. As I said earlier, at the cost of repetition, once this technology gets stabilized, we are going to bring in more and more value-added products under this area, which will enable the bank on a digital path. I think any digital transformation takes about a year or so. So, the period that we are looking at, on a transformation perspective, is March '25.

Ashok Ajmera: Sir, our recovery in this quarter is good. You know the cash recovery is also good and the recovery in written of accounts is also good. So, can you give some color for the overall year on the recovery front? I think our recovery target overall was Rs.1500 crore this year and coupled with that on the other side of the asset quality, our SMA 2 book has increased in this quarter to Rs.407 crore as compared to Rs.310 crore.

Swarup Kumar Saha: Yes, our recovery & up gradation target, we maintain at over Rs.1500 crore. We have some big resolutions in the offing in Q3 and Q4 and we are very confident that the target will be easily achieved, there is no doubt about that part.

Regarding SMA, yes, one of our mid segment accounts on the real estate front, a Rs.106 crore account has temporarily slipped to SMA 2. We are confident that it will not slip and we are going to bring it back to the fold. There are certain resolutions which we are planning on this account. Otherwise, overall, the book, is on a controlled environment. One legacy account which we declared in the notes to accounts, a NPA account which is declared standard and there is a state government guaranteed account, which sometimes go into SMA 0 or 1 and 2.

So apart from that, we don't foresee too much of an issue. Therefore, our recovery up gradation target will remain more than Rs.1500 crore. I'm very confident that we are going to achieve those figures and the slippages, if you are asking what would be the expected slippages for the current year. Overall, on an annual basis we feel that we'll be able to maintain the slippages as at the level of last year, which was around Rs.900 crore.

Ashok Ajmera: I think in the last two quarters, we already have about Rs.791 crore, isn't it?

Swarup Kumar Saha: Yeah, but if you see the half year figures, it is at Rs.653 crore. This means that what has slipped in June quarter we are able to recover very aggressively in September quarter.

Ashok Ajmera: So, the net slippage in the next two quarters maybe around Rs.247 crore

Swarup Kumar Saha: Net slippage. Yes, that's what I'm saying because some of the accounts which have slipped in September have already been recovered in October. So, this trend continues and we expect slippage minus recovery another Rs.250 odd crore.

Moderator: Sir, I have a question on chat from Mr. Bimal Panchal from Bimal Panchal & Associates. His question is, has management received any communication or indication from President of India, promoter of the Bank regarding any dilution of their holding?

Swarup Kumar Saha: No, not yet.

Moderator: We will come back to Mr. Ajmera for his additional questions. Sir, please go ahead.

Ashok Ajmera: We were talking on the slippages and you said this is under control and the net slippages maybe Rs.250 crore to Rs.300 crore. Does it mean that you are sure that that Rs.106 crore construction account which is in SMA 2 will not slip, isn't it?

Swarup Kumar Saha: That's what we are confident about, yes. It's a project under implementation and the last mile activity is going on. We are expecting that some resolution will happen, not a resolution in terms of restructuring but in terms of bringing the account back to its normalcy. We are very sure that it will not slip. We'll be able to maintain it's at atleast SMA 1 and 2 category till the project gets completed. It's a real estate project, housing project which for some reason got stagnated. Now the production is going on and it will complete soon. Once the project is completed the revenues will come in.

Ashok Ajmera: Ok Sir. A few things on this profitability like wage revision provision. Where do we stand? Have we provided for fully?

Swarup Kumar Saha: We are providing at 12% now. I would like to add one more thing here, we have provided additionally Rs.80 crore towards ageing provisions and some other accounts. So overall, we are building up the provision coverage. The ageing provision for December quarter has been provided in this September itself and we have also provided another Rs.40 odd crore in certain accounts. So overall, we have provided more than Rs.80 crore additionally in this quarter on the NPA side, apart from the wage revision of 12%.

Ashok Ajmera: On this, other operating expenses. Of course, I didn't see that slide in detail, but it has gone up comparatively to the last quarter from Rs.207 crore to Rs.251 crore. Any special account?

Swarup Kumar Saha: If you see the half yearly figures in the same slide, Mr. Ajmera, you will find that the other operating expenses actually gone down by 3%. Many of the expenses are actually booked in the September quarter due to its routine nature. I think that is the comfort that we draw.

Ashok Ajmera: So, sir on this on this technology front, what is the percentage of the capex and P&L. Are you putting something more to the P&L, some part of this expenditure?

Swarup Kumar Saha: See, there are two parts of any technology expenditure. One is the capital expenditure and the other is the revenue. So far, we have been bringing the hardware, etc and we had a projected around Rs.250 crore of investment, which was invested there on the capital side. Now, the AMC will start as we have moved into the implementation. So, some revenue expenditure will continue to occur in terms of this technology upgradation, which is a balanced figure and can be made up. It is not a big deal for the bank.

Ashok Ajmera: I think you had given an answer for this lower NIM of 2.32%. So, where do we see our NIM to be and how can we increase the NIM? Which is the composition on which you are working? Is there any calculation done for the NIM and where would we be by the end of this year on the NIM?

Swarup Kumar Saha: I've already given this figure, we'll try to be anywhere between 2.30% to 2.35% by the end of the year. To answer your specific question on from where this NIM will improve. We have identified the assets, particularly, corporates we cannot compete. Let us be very honest about our position in the industry. PSUs are asking very low rates which I cannot tell here in the open market but you all know what the demand is from the PSUs in terms of the rate war that is going on in the market. So, we are not there.

We thought that we can increase a book on that side, but, we find that it is not getting cost effective. So, we have retraced our steps on that and now, we need to go into those areas where we are getting higher yields. So, the main focus, of course, would be RAM and we have been increasing the RAM. We have increase the onward lending to NBFC, if you see that slide, it has increased to over 53%. So that is where my yields will come from.

We are also improving our co-lending. We have already increased the book to Rs.1500 crore at this point of time. We are going to increase it further. We intend to bring it to around Rs.3000 crore by the end of March '24. So, the co-lending will get traction. We are preparing our technology platform for pool purchase. So once that happens, we'll have traction in that area also. Maybe a bit more time is required in terms of the technology setup that requires to be done. So then, we'll focus on the gold loans, the personal loans, where we get better yields.

The MSMEs, of course, again, is a big focus. We have increased our GST product, which is on a cash flow base. We are providing up to Rs.5 crore which is giving good traction on that product and it's a very popular product in the bank. We expect that the yields will improve in that area. We have internally strategized on various segments, how much to do it for housing, vehicle, personal education, gold. Internal targets are fixed so that it all impacts my NIM but because of the interest rate that has happened. We were all expecting a repo rate cut happening sometime this year.

Now we all know the circumstances in which we are and how that is getting delayed. So that factor is also impacting us. We had factored that in Q3 or Q4 we'll get a rate cut benefit, which will beneficially impact the bank's overall balance sheet but because of the global factors and the factors of the international standards of the monetary policy committees, there has been a delay in how the rate cut is going to translate in India. We are moving into a prolonged pause now. So again, we need to just hold our horses. The MTM depreciation has happened and another war situation has been created in Europe that is also impacting in some way the various decisions that need to be taken. So, these are some of the global factors that also impact a bank and a bank of our size and balance sheet, the factors get a bit aggravated in that fashion. We are confident that this year though we will try to improve our credit growth but there may be interference of the various factors on the low-cost liability resources. We are looking for a better year ahead when the market also helps us with the treasury. The treasury will also rebound, I'm very sure from Q1 next year, where we are expecting some traction will happen. So once that traction happens and the treasury also supports the bank in the way it has supported earlier, we can have a much better performance in next year '24-'25.

Ashok Ajmera: Sure, sir

Moderator: With that ladies and gentlemen, as there are no further questions from the participants, we now conclude this conference. On behalf of Punjab & Sind Bank, I thank each one of you for joining the press conference today. You may now disconnect your lines. Thank you and have a good weekend.

Swarup Kumar Saha: Thank you all.

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