



# RESEARCH REPORT

## PUNJAB NATIONAL BANK



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# About

Punjab National Bank is India's first Swadeshi Bank. PNB is a Banking and Financial service bank owned by the Government of India with its headquarters in New Delhi, India. It is the Third largest PSU after SBI and BOB.

## Revenue Break-Up

Treasury Operations : 26%

Corporate/Wholesale Banking-42%

Retail Banking-28%

Other Banking Operations- 2.3%

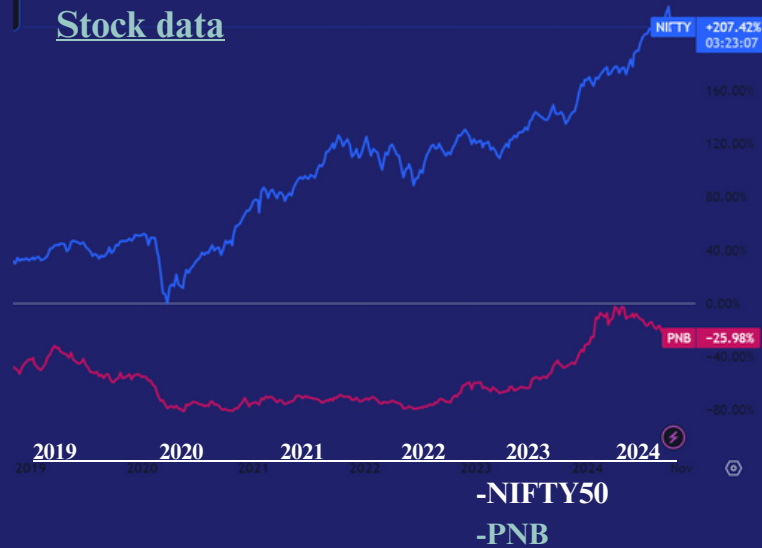
## Synopsis of Financials

- Total Business Growth: Achieved total business of ₹24 trillion, with a gross business increase to ₹24.39 trillion, reflecting a growth rate of 10%.
- Deposits: Deposits grew to ₹14.08 trillion, an increase of 8.5%.
- Gross Credit Growth: Reached ₹10.28 trillion, marking a robust year-on-year growth of 12.2% and a quarter-on-quarter growth of 4.63%.
- Credit-to-Deposit (CD) Ratio: Maintained a comfortable CD ratio of 73.05%.
- Savings Bank Growth: Positive growth in savings bank accounts, increasing from ₹4.64 trillion in June '23 to ₹4.84 trillion in June '24.

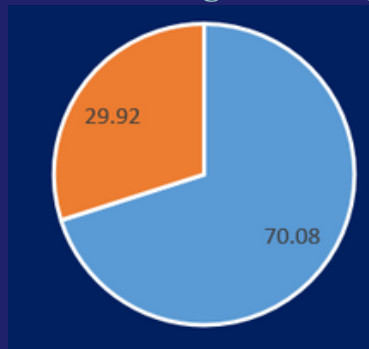
## Stock data (as 11th Oct 2024)

Nifty Price	: 24,948.85
52 week High (in Rs.)	: 143
52 week Low (in Rs.)	: 67.3
Market Cap. (in Crore)	: ₹ 1,19,182 Cr.
NSE Code	: PNB

## Stock data



## Shareholding Pattern (March 2024)



-PUBLIC GROUP  
-PROMOTER GROUP

## Financial Summary

Particulars	March 2022	March 2023	March 2024
Revenue	76,242	86,845	109,065
Interest	46,823	51,817	68,534
Expenses	36,026	41,502	39,623
Financing Profit	-6,607	-6,473	908
FPM%	-9%	-7%	1%
Net Profit	3,908	3,359	9,157
EPS in Rs	3.51	3.04	8.27

# Yearly Results

Particulars	March 2022	March 2023	March 2024
Equity Capital	2,202	2,202	2,202
Reserves	95,380	100,678	108,185
Borrowings	1,213,606	1,360,496	1,451,811
Other Liabilities	28,113	30,273	36,438
Total Liabilities	1,339,301	1,493,649	1,598,636
Fixed Assets	10,696	12,084	12,348
Investments	388,586	416,914	446,421
Other Assets	940,019	1,064,651	1,139,867
Total Assets	1,339,301	1,493,649	1,598,636

# Synopsis Quater Results

## Con-Call Aug 25: Key Highlights

### Profitability Metrics:

- **Net Interest Income (NII):** Increased to ₹10,476 crores, a growth of 10.2%.
- **Operating Profit:** Rose to ₹6,581 crores, reflecting a 10.3% year-on-year growth.
- **Net Profit:** Surged by 159% to ₹3,252 crores compared to ₹1,255 crores in June '23, and grew by 8% from the previous quarter.

### Asset Quality:

- **Gross NPA:** Reduced from ₹70,899 crores in June '23 to ₹51,263 crores, leading to a decrease in the gross NPA ratio from 7.73% to 4.98%.
- **Net NPA:** Decreased from ₹17,129 crores to ₹5,930 crores, with the net NPA ratio falling from 1.98% to 0.60%.
- **Provision Coverage Ratio (PCR):** Improved from 89.83% to 95.90%.
- **Credit Cost:** Reduced significantly to 0.33%, down from 1.99% in June '23.

### Guidance and Future Outlook:

- **Revised NPA Guidance:** Original guidance for gross NPA at 5% by March '25 has been revised to around 4%.
- **Credit Cost Guidance:** Revised from 1% to 0.5% for the whole year, indicating management's confidence in continued recovery and reduced slippages.
- **Recovery Target:** Aiming for recoveries of ₹18,000 crores for the financial year, with expectations of strong performance despite the election impact on recovery in Q1.

### Capital Position:

- **Capital Adequacy:** Total capital at 15.79%, with Tier-1 capital at 10.95%.
- **Capital Raising Plans:** Planned reduction in AT-1 capital raise from ₹7,500 crores to ₹5,000 crores for the current year.

### Operational Efficiency:

- **Cost-to-Income Ratio:** Improved from 56.09% in March '24 to 53.28% in June '24, aided by reduced wage revision provisions.
- **Digital Transformation:** Significant investment in IT with a budget of ₹2,800 crores for the current financial year, focusing on enhancing digital banking capabilities.

### Sectoral Insights:

- **Focus on RAM (Retail, Agriculture, MSME):** RAM credit accounted for 55.46% of total credit, with continued emphasis on growing this segment.
- **Corporate Lending Demand:** Notable demand in infrastructure, cement, and steel sectors, with selective lending to NBFCs.

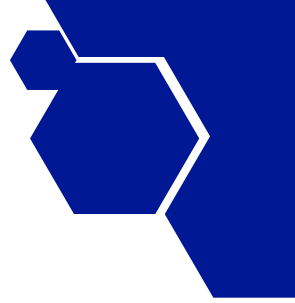
### Challenges and Risks:

- **CASA Growth:** While CASA is a challenge for the banking industry, PNB has opened over 1 crore accounts last year and continues to focus on improving CASA ratios.
- **LCR Guidelines Impact:** Anticipated impact of new liquidity coverage ratio (LCR) guidelines expected to reduce LCR from 125% to 115%.

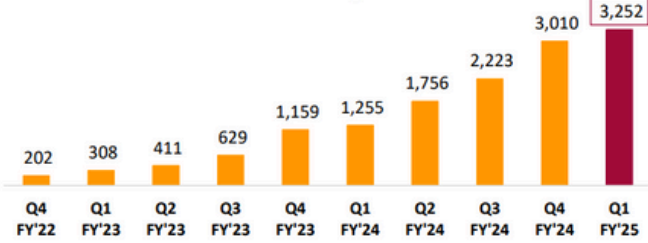
### Conclusion:

The management expresses optimism about the future, highlighting strong financial performance, improved asset quality, and a strategic focus on growing the retail and MSME sectors. The bank is well-capitalized and anticipates continued recovery and growth, despite industry challenges.

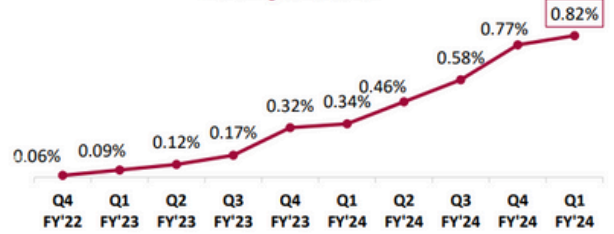
# Revenue Highlights



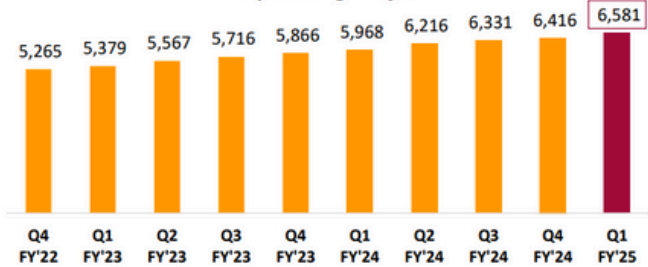
**Net Profit**



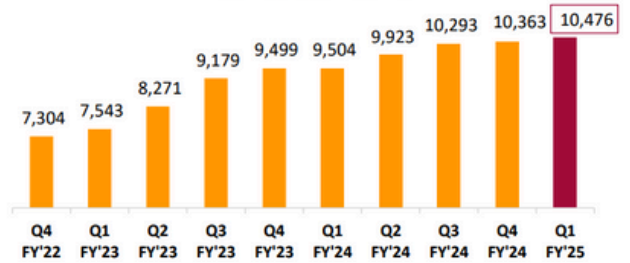
**Return on Assets (%) (Annualized)**  
Marching towards 1%



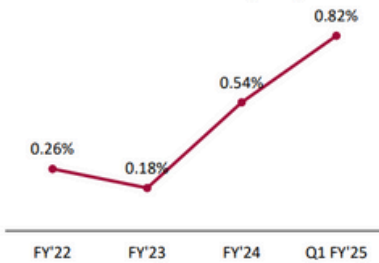
**Operating Profit**



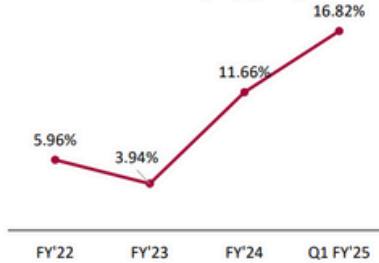
**Net Interest Income**



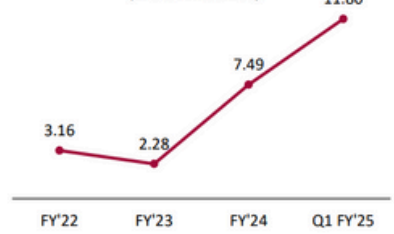
**Return on Assets (ROA)**



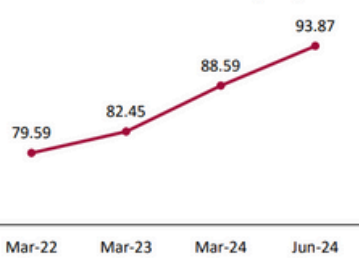
**Return on Equity (ROE)**



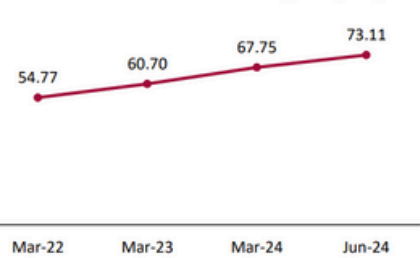
**Earning Per Share (EPS) – (INR)**  
(EPS is Annualized)



**Book Value Per Share (INR)**



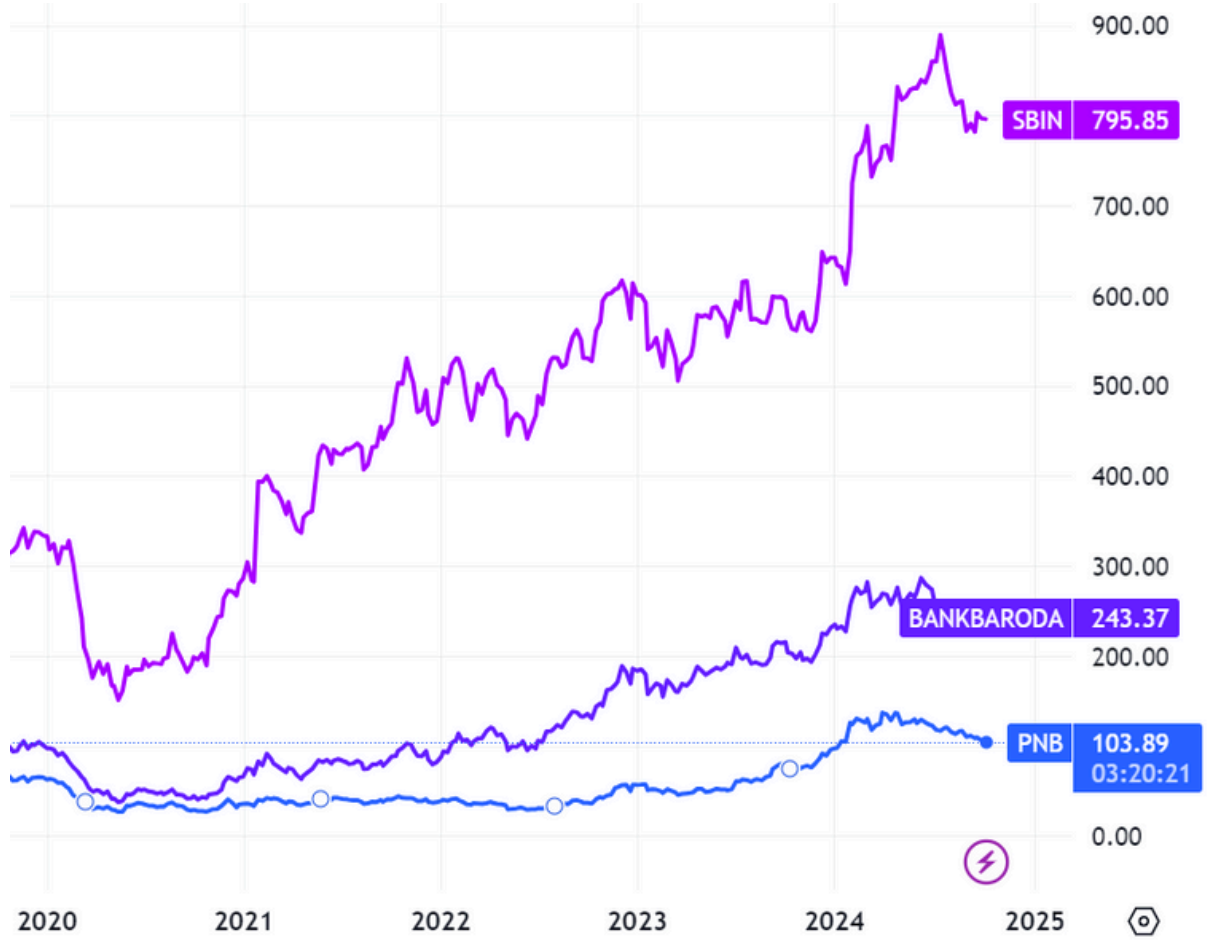
**Book Value Per Share – Tangible (INR)**



# Peer Comparison



## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	<a href="#">St Bk of India</a>	796.80	9.77	711113.11	1.73	20094.36	4.25	118242.45	16.54	6.16
2.	<a href="#">Bank of Baroda</a>	244.75	6.65	126569.12	3.08	4764.03	6.19	31143.01	11.21	6.33
3.	<a href="#">Punjab Natl.Bank</a>	103.65	10.13	119124.34	1.45	3991.38	196.25	29144.54	13.52	5.46

Source: Screener

# Final Outlook

PNB : HOLD | LTP: 104

Loan book grew 14% YoY (5.3% QoQ) to INR9.8t, led by a healthy traction in retail loans (5.4% QoQ growth). The C/D ratio inched up to 70%, which still remains lower than most peers.

CASA mix moderated 136bp QoQ to 40.1%

Sharp decline in GNPA/NNPA ratios by 75bp/13bp to 4.98%/0.6%. PCR improved 50bp QoQ to 88.4% in 1QFY25.

Earnings were above estimates in Q1FY25 driven by lower credit cost resulting in RoA at 0.82%. Core credit cost stood at 41 bps annualised vs 85 bps q-o-q.

The bank has been guiding that quality of loans sanctioned in post-COVID times is far superior with very low delinquency. Thus, lower slippages trends is likely to sustain and narrow the perceived gap in underwriting with respect to peers.

System-level credit offtake (ex-HDFC Ltd) grew by ~16% y-o-y in the fortnight ending June 14, 2024, indicating loan growth has been healthy and sustaining given distinct signs of improved macros, a revival in private capex, and healthy demand.

Additionally, improvement in operating performance led by a moderate opex growth is expected to support earnings.

Recommendation: Given levels of performance are decent, with potential upside of 11-15%, target price for some being as high as 140. If risk appetite is smaller we can wait till the next quarter to see for further improvements in performance ratios, and asset quality improvement. Currently giving **HOLD** recommendation, considering that lower credit rates will improve business.