

Retail Equity Research



Punjab National Bank

BUY

Sector: Banking

04th June, 2025

| Key Changes | | Target | Rating | Earnings | | Target | Rs. 126 |
|-------------|----------------|--------|----------|----------|------------|--------|---------|
| Stock Type | Bloomberg Code | Sensex | NSE Code | BSE Code | Time Frame | CMP | Rs. 109 |
| Large Cap | PNB:IN | 80,998 | PNB | 532461 | 12 Months | Return | +16% |

Data as of: 04-06-2025

| Company Data | | | |
|-------------------|---------|---------|--------|
| Shareholding (%) | Q2FY25 | Q3FY25 | Q4FY25 |
| Promoters | 70.1 | 70.1 | 70.1 |
| FII's | 8.4 | 5.7 | 5.7 |
| MFs/Insti | 11.6 | 14.3 | 14.7 |
| Public | 9.2 | 9.2 | 9.0 |
| Others | 0.7 | 0.7 | 0.5 |
| Total | 100.0 | 100.0 | 100.0 |
| Promoter Pledge | Nil | Nil | Nil |
| Price Performance | 3 Month | 6 Month | 1 Year |
| Absolute Return | 8.0% | 5.7% | -19.4% |
| Absolute Sensex | 8.3% | 5.8% | 10.3% |
| Relative Return | -0.3% | -0.1% | -29.7% |

*over or under performance to benchmark index



| Y.E March (cr) | FY25A | FY26E | FY27E |
|----------------------|--------|--------|--------|
| Net Interest Income | 42,782 | 49,318 | 58,926 |
| Growth (%) | 6.7 | 15.3 | 19.5 |
| NIM (%) | 2.8 | 2.9 | 3.1 |
| Pre-Provision Profit | 26,831 | 31,539 | 37,960 |
| Net Profit | 16,630 | 19,121 | 22,169 |
| Growth (%) | 101.7 | 15.0 | 15.9 |
| Adj. EPS | 14.5 | 16.6 | 19.3 |
| Growth (%) | 93.3 | 15.0 | 15.9 |
| BVPS | 110.8 | 124.2 | 139.7 |
| P/E | 6.6 | 6.1 | 5.3 |
| P/B | 0.9 | 0.8 | 0.7 |
| RoE (%) | 14.2 | 14.2 | 14.6 |
| RoA (%) | 1.0 | 1.0 | 1.1 |

Robust quarter, asset quality improved

Punjab National Bank (PNB), a leading Indian public sector bank, provides corporate and personal banking services. It has 10,189 branches and 11,822 ATMs.

- PNB's standalone interest income grew 13.8% YoY to Rs. 31,989cr in Q4FY25, driven by a rise in interest earned from loans (+10.5% YoY), income from investments (+15.1% YoY), and bank funds (+45.3% YoY). Interest expenses, on the other hand, jumped 19.6% YoY to Rs. 21,232cr, due to higher deposit costs. Thus, net interest income rose 3.8% YoY to Rs. 10,757cr.
- Net interest margin (NIM) shrunk 29bps YoY to 2.81% in Q4FY25, due to a higher cost of deposit and a drop in yield on advances.
- Pre-provision profit rose 5.6% YoY to Rs. 6,776cr in Q4FY25, fueled by higher net interest income and non-interest income (+11.0% YoY).
- Cost to income ratio largely remained flat at 56.21% in Q4FY25 (56.09% in Q4FY24), due to higher costs associated with deposits. However, staff expenses to income declined to 37.44% from 38.53% in Q4FY24.
- Reported profit after tax jumped 54.7% YoY to Rs. 4,657cr due to a sharp 77.4% fall in provisions.

Outlook & Valuation

PNB reported a satisfactory Q4FY25 performance, driven by robust growth in its loan book and deposits. Looking ahead, the bank's strategic focus on retail, agricultural, and small business lending is poised to fuel expansion. Meanwhile, the improving asset quality ratios, strengthening recovery prospects, robust deposit and credit growth, and reduced credit costs are expected to support overall performance. Additionally, the transition to the new tax regime is expected to boost profitability. Therefore, we reiterate our **BUY** rating on the stock, based on 0.9x FY27E BVPS, with a rolled-forward target price of Rs. 126.

Quarterly Finance Standalone

| Rs.cr | Q4FY25 | Q4FY24 | YoY Growth (%) | Q3FY25 | QoQ Growth (%) | YoY Growth (%) | |
|----------------------|--------|--------|----------------|--------|----------------|----------------|---------|
| | | | | | | FY25 | FY24 |
| Net Interest Income | 10,757 | 10,363 | 3.8 | 11,032 | -2.5 | 42,782 | 40,083 |
| Total Income | 36,705 | 32,361 | 13.4 | 34,752 | 5.6 | 138,070 | 120,285 |
| Total Expenditure | 29,930 | 25,945 | 15.4 | 28,131 | 6.4 | 111,239 | 95,354 |
| Pre-Provision Profit | 6,776 | 6,416 | 5.6 | 6,621 | 2.3 | 26,831 | 24,931 |
| PBT | 6,416 | 4,828 | 32.9 | 6,906 | -7.1 | 25,156 | 13,194 |
| Rep. PAT | 4,657 | 3,010 | 54.7 | 4,508 | 3.3 | 16,630 | 8,245 |
| Adj PAT | 4,657 | 3,010 | 54.7 | 4,508 | 3.3 | 16,630 | 8,245 |
| EPS (Rs.) | 4.0 | 2.7 | 45.4 | 3.9 | 1.3 | 14.8 | 7.5 |
| | | | | | | | 97.2 |



Key Concill Highlights

- PNB's loan book expanded 13.6% YoY to Rs. 1,116,637cr, driven by robust growth in overseas (+23.6% YoY) and domestic (+13.1% YoY) markets. Domestic advance growth was led by retail (+16.5% YoY), agriculture (+14.2% YoY), and MSMEs (+16.8% YoY).
- The deposit base also saw a significant increase of 14.4% YoY to Rs. 1,566,623cr, driven by a 52.1% YoY surge in overseas deposits. Domestic deposits grew 13.3% YoY, led by term deposits (+21.5% YoY) and current and savings account deposits (+3.8% YoY). As a result, the bank's current and savings account ratio dipped slightly to 37.95% from 41.44% in Q4FY24.
- The bank's asset quality showed significant improvement, with gross non-performing assets (NPAs) declining to 3.95% from 5.73% in Q4FY24. Net NPAs fell sharply to 0.40% from 0.73% in Q4FY24. Furthermore, the provision coverage ratio rose to 96.82%.
- The management anticipates that the gross NPA will remain under 3% and the net NPA will be ~0.3%.
- PNB targets a net interest margin of 2.8-2.9%.
- The management expects lending to grow 11-12% and deposits to increase 9-10% going forward.

Gross Advances



Total Deposits



Net Interest Income



PAT



Change in Estimates

| Year / Rs cr | Old estimates | | New estimates | | Change (%) | |
|----------------------|---------------|-------|---------------|--------|------------|-------|
| | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| Net Interest Income | 48,248 | - | 49,318 | 58,926 | 2.2 | - |
| Net Interest Margin | 2.9 | - | 2.9 | 3.1 | 0bps | - |
| Pre-Provision Profit | 33,274 | - | 31,539 | 37,960 | -5.2 | - |
| Net Profit | 16,894 | - | 19,121 | 22,169 | 13.2 | - |
| EPS | 14.7 | - | 16.6 | 19.3 | 13.2 | - |

Standalone Financials

Profit & Loss

| Y.E March (Rs. cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|--------------------------|---------------|----------------|----------------|----------------|----------------|
| Interest Income | 85,144 | 106,902 | 121,761 | 135,859 | 152,007 |
| Interest Expense | 50,652 | 66,819 | 78,979 | 86,541 | 93,081 |
| Net Interest | 34,492 | 40,083 | 42,782 | 49,318 | 58,926 |
| % Change | 20.2 | 16.2 | 6.7 | 15.3 | 19.5 |
| Non-Interest Income | 12,143 | 13,384 | 16,309 | 19,245 | 22,709 |
| Net Income | 46,634 | 53,467 | 59,092 | 68,563 | 81,635 |
| Total Income | 97,287 | 120,285 | 138,070 | 155,104 | 174,716 |
| Operating Ex- | 24,105 | 28,536 | 32,261 | 37,024 | 43,675 |
| Total Expenditure | 74,758 | 95,354 | 111,239 | 123,565 | 136,756 |
| Pre-Provisioning Profit | 22,529 | 24,931 | 26,831 | 31,539 | 37,960 |
| Provisions | 18,240 | 11,737 | 1,675 | 2,614 | 4,427 |
| Profit Before Tax | 4,288 | 13,194 | 25,156 | 28,924 | 33,534 |
| Tax | 1,781 | 4,950 | 8,526 | 9,803 | 11,365 |
| Tax Rate (%) | 41.5 | 37.5 | 33.9 | 33.9 | 33.9 |
| Minority Interests | - | - | - | - | - |
| Net Profit | 2,507 | 8,245 | 16,630 | 19,121 | 22,169 |
| % Change | -27.5 | 228.8 | 101.7 | 15.0 | 15.9 |
| Adj. | - | - | - | - | - |
| Adj. Net Profit | 2,507 | 8,245 | 16,630 | 19,121 | 22,169 |
| No. of Shares (cr) | 1101.1 | 1101.1 | 1149.3 | 1149.3 | 1149.3 |
| Adj. EPS (Rs.) | 2.3 | 7.5 | 14.5 | 16.6 | 19.3 |
| % Change | -27.5 | 228.8 | 93.3 | 15.0 | 15.9 |
| DPS | 0.7 | 1.5 | 2.9 | 3.3 | 3.8 |

Balance Sheet

| Y.E March (Rs. cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash & Balances | 155,109 | 129,105 | 148,720 | 155,150 | 162,224 |
| Investments | 395,997 | 420,318 | 497,311 | 533,366 | 572,035 |
| Advances | 830,834 | 934,431 | 1,077,475 | 1,195,997 | 1,333,536 |
| Fixed Assets | 12,051 | 12,319 | 13,053 | 13,343 | 13,640 |
| Other Assets | 67,841 | 65,663 | 81,612 | 78,992 | 76,456 |
| Total Assets | 1,461,831 | 1,561,835 | 1,818,171 | 1,976,848 | 2,157,891 |
| Capital Reserves & Surplus | 2,202 | 2,202 | 2,299 | 2,299 | 2,299 |
| Deposits | 1,281,163 | 1,369,713 | 1,566,623 | 1,723,286 | 1,895,614 |
| Borrowings | 51,292 | 50,430 | 83,777 | 87,966 | 92,364 |
| Other Liabilities | 29,521 | 35,216 | 40,408 | 22,909 | 9,368 |
| Total Liabilities | 1,461,831 | 1,561,835 | 1,818,171 | 1,976,848 | 2,157,891 |
| BVPS | 90.7 | 96.7 | 110.8 | 124.2 | 139.7 |
| Adj. BVPS | 70.2 | 90.5 | 107.1 | 121.2 | 136.7 |
| % Change | 4.6 | 6.6 | 14.6 | 12.0 | 12.5 |

Ratios

| Y.E March | FY23A | FY24A | FY25A | FY26E | FY27E |
|---------------------------------------|-------|-------|-------|-------|-------|
| Valuation | | | | | |
| P/E (x) | 20.3 | 16.6 | 6.6 | 6.1 | 5.3 |
| P/BV (x) | 0.5 | 1.3 | 0.9 | 0.8 | 0.7 |
| Div. Yield (%) | 1.4 | 1.2 | 3.0 | 3.2 | 3.7 |
| Profitability & Return (%) | | | | | |
| Yield on Advances | 7.4 | 8.6 | 8.6 | 8.7 | 8.7 |
| Cost of Deposits | 4.0 | 4.9 | 5.1 | 5.0 | 4.9 |
| Spread | 3.3 | 3.7 | 3.4 | 3.7 | 3.8 |
| NIM (calculated) | 2.8 | 2.9 | 2.8 | 2.9 | 3.1 |
| ROE | 2.6 | 8.0 | 14.2 | 14.2 | 14.6 |
| ROA | 0.2 | 0.5 | 1.0 | 1.0 | 1.1 |
| Capital Adequacy (%) | | | | | |
| CAR | 15.5 | 16.0 | 17.0 | 17.1 | 17.2 |
| Tier I | 12.7 | 13.2 | 14.1 | 14.2 | 14.4 |
| Tier II | 2.8 | 2.8 | 3.0 | 2.9 | 2.8 |
| Asset Quality (%) | | | | | |
| GNPA | 8.7 | 5.7 | 4.0 | 3.0 | 2.9 |
| NNPA | 2.7 | 0.7 | 0.4 | 0.3 | 0.3 |
| Operating Ratios (%) | | | | | |
| Credit/Deposit | 64.8 | 68.2 | 68.8 | 69.4 | 70.3 |
| Cost/Income | 51.7 | 53.4 | 54.6 | 54.0 | 53.5 |
| CASA | 43.0 | 41.4 | 38.0 | 38.2 | 38.4 |

Recommendation Summary - (last 3 years)



| Dates | Rating | Target |
|-----------|--------|--------|
| 05-Aug-22 | HOLD | 36 |
| 10-Nov-22 | HOLD | 47 |
| 07-Feb-23 | HOLD | 54 |
| 14-Sep-23 | HOLD | 80 |
| 13-Nov-23 | HOLD | 81 |
| 02-Feb-24 | HOLD | 138 |
| 20-Nov-24 | BUY | 111 |
| 04-Jun-25 | BUY | 126 |

Investment Rating Criteria

| Ratings | Large caps | Midcaps | Small Caps |
|-------------|----------------------------|---------------------------|---------------------------|
| Buy | Upside is above 10% | Upside is above 15% | Upside is above 20% |
| Accumulate | - | Upside is between 10%-15% | Upside is between 10%-20% |
| Hold | Upside is between 0% - 10% | Upside is between 0%-10% | Upside is between 0%-10% |
| Reduce/sell | Downside is more than 0% | Downside is more than 0% | Downside is more than 0% |

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:  Upgrade  No Change  Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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