




Punjab National Bank

Sector: Banking

04th June, 2025

BUY

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

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

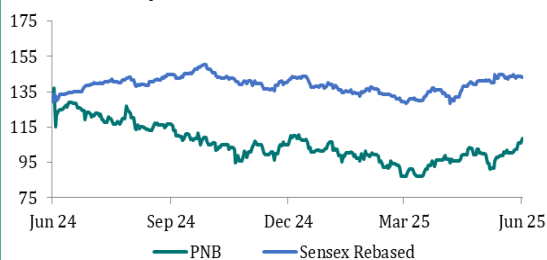
PNB reported a satisfactory Q4FY25 performance, driven by robust growth in its loan book and deposits. Looking ahead, the bank's strategic focus on retail, agricultural, and small business lending is poised to fuel expansion. Meanwhile, the improving asset quality ratios, strengthening recovery prospects, 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

R.s.cr	Q4FY25	Q4FY24	YoY Growth (%)	Q3FY25	QoQ Growth (%)	FY25	FY24	YoY Growth (%)
Net Interest Income	10,757	10,363	3.8	11,032	-2.5	42,782	40,083	6.7
Total Income	36,705	32,361	13.4	34,752	5.6	138,070	120,285	14.8
Total Expenditure	29,930	25,945	15.4	28,131	6.4	111,239	95,354	16.7
Pre-Provision Profit	6,776	6,416	5.6	6,621	2.3	26,831	24,931	7.6
PBT	6,416	4,828	32.9	6,906	-7.1	25,156	13,194	90.7
Rep. PAT	4,657	3,010	54.7	4,508	3.3	16,630	8,245	101.7
Adj PAT	4,657	3,010	54.7	4,508	3.3	16,630	8,245	101.7
EPS (Rs.)	4.0	2.7	45.4	3.9	1.3	14.8	7.5	97.2

Company Data			
Market Cap (Rs. cr)			125,790
52 Week High — Low (Rs.)			137– 86
Outstanding Shares (cr)			1149.3
Free Float (%)			29.9
Dividend Yield (%)			2.6
6m average volume (cr.)			2.8
Beta			1.4
Face value (Rs.)			2.0
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

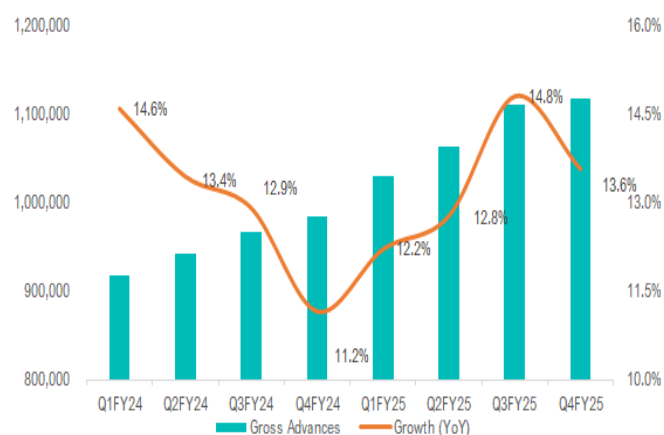


Y.E March (cr)	FY25A	FY26E	FY27E
Net Interest Income	42,782	49,318	58,926
<i>Growth (%)</i>	<i>6.7</i>	<i>15.3</i>	<i>19.5</i>
<i>NIM (%)</i>	<i>2.8</i>	<i>2.9</i>	<i>3.1</i>
Pre-Provision Profit	26,831	31,539	37,960
Net Profit	16,630	19,121	22,169
<i>Growth (%)</i>	<i>101.7</i>	<i>15.0</i>	<i>15.9</i>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

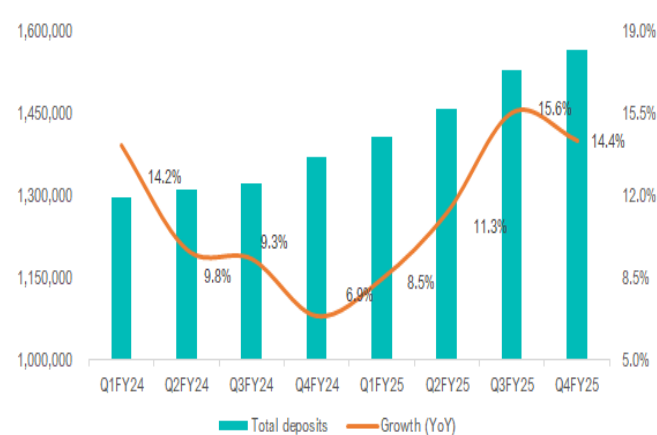
Key Concall Highlights

- 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.

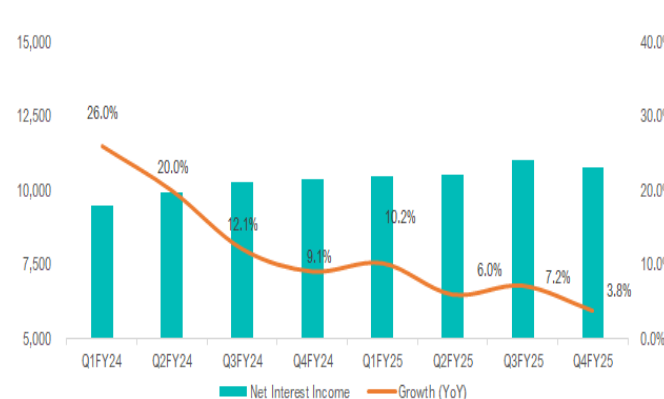
Gross Advances



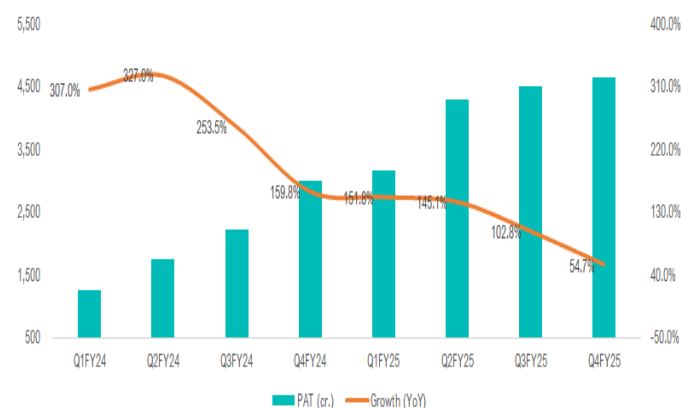
Total Deposits



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	2,202	2,202	2,299	2,299	2,299
Reserves & Surplus	97,653	104,274	125,064	140,389	158,246
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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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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