

Bloomberg Code	PNB:IN
No of share O/S (Cr.)	1,101.1
Market Cap (Rs. in Cr.)	39,199
Face Value	2.00
Dividend Yield	0.00
52 Wk High/Low	46.4/26.3

Shareholding	
Promoters	73.15
Institutional	12.02
Public	13.78
Total	100.00

Key Highlights:

Punjab National Bank Limited (PNBL) reported net interest income (NII) of Rs 7,227 cr in Q1FY22, which represents a YoY growth of 6.6%, aided by reduced cost of funds and loan book growth. NIMs for the quarter stood at 2.73% as against 2.68% in Q4FY21 and 2.50% in Q1FY21 impacted by the income tax refund and negative spread, partly offset by favorable interest reversal. Global Gross Business stood at Rs. 18,23,685 Crore as on June'21. Internet Banking Services (IBS) users increased to 262 Lakhs as at June'21 from 233 Lakhs in June'20. PNB One Mobile Banking Services (MBS) users increased 49% YoY to 251 Lakhs as at June'21 from 169 Lakhs in June'20. Domestic Gross Business increased to Rs. 17,87,019 Crore as at the end of June'21 from Rs. 17,46,461 Crore in June'20 with a YoY growth of 2.32%. Credit to Small and Marginal farmers stood at Rs. 61,900 Crore in June'2021. National Goal achievement is 9.17% of ANBC, exceeding the target of 9%. Overall, Fee and other income for Q1FY22 grew 1.9% YoY and by 5.4% QoQ to INR 1,635 crores, mainly aided by fee income growth and increased trading profits.

Operating expenses declined by 4.5% YoY and by 24.7% on a QoQ basis, respectively. On a YoY basis, Establishment expenses were lower by 10.6% due to lower growth in branches and employee expenses fell by 27.3%. Gross slippages during the quarter were Rs. 1,917 crore, compared to Rs. 25,001 crore during Q4FY21 and Rs. 5,923 crore in Q1FY21. Slippages in Q1FY21 were moderated due to regulatory forbearances that do not exist in the current quarter.

Operating profit (before Prov & Cont) posted a growth of 15.5% YoY and 8.2% QoQ to Rs. 6,099 cr in Q1FY22 mainly on account of low interest expenses and operating expense. PBT for the quarter stood at Rs. 1,421 cr (+139.1% YoY sequentially) due to lower provisioning. Provisions stood at Rs. 4,678 cr in Q1FY22. PAT for the quarter stood at Rs. 1,023 crores, a change of +231.7% YoY and +74.5 QoQ. During the quarter, the Bank has issued 53,33,33,333 equity shares having a Face Value of Rs. 2 each for cash to Qualified Eligible Buyers pursuant to Qualified Institutional Placement (QIP) in accordance with the provisions of Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended at a premium of Rs.31.75 per share aggregating Rs.1,800.00 Crore. This has resulted in an increase of Rs.106.67 Crore in the issued and paid up Equity Share Capital and Rs.1,686.38 Crore (Net of share Issue Expenses) in Share Premium Account.



Performance Highlights :

Advances grew by 0.8% YoY and dipped 1.5% QoQ to Rs. 7,08,082 cr. Retail loans grew 1.7% YoY and were down by 2.7% on a sequential basis at INR 1,32,096 crores and accounted for 18.7% of the net advances of the Bank. The share of secured loans was ~ 84%, with home loans comprising 37% of the retail book. Corporate credit seems to be muted for this quarter, however, it is set to improve with a pipeline of sanctions amounting to Rs. 50,000cr to be disbursed. The SME loan book grew 2.9% YOY to INR 1,21,134 crores. Retail, Agriculture & MSME (RAM) Share to Domestic Advances improved to 53.9% in June'21 from 53.2% in June'20. The Corporate loan book de-grew by 0.6% YoY. As on 30th June' 21, the Bank had 10641 branches (including extension counter). Rural: 3873, Semi-Urban: 2636, Urban: 2216 & Metro: 1916, 2 International Branches, 13690 number of ATMs and 12518 BCs.

The Deposit book declined by 2.1% YoY and 2.8% QoQ to INR 10,74,917 cr with Savings account deposits grew 8.3% YoY to Rs. 4,19,525 and, current account deposits grew 1.6% YoY to 67,611 and retail term deposits (RTD) grew 1.7% YoY to Rs. 6,21,101. On a QAB basis, CASA and RTD deposits put together de-grew 6.8% YOY and 7.9% QOQ. The share of CASA plus RTD deposits in total deposits on QAB basis was down 216 bps YoY to 42% as of 30th June 2021.

GNPA for the quarter stood at 14.33%, up 22 bps YoY and 21 bps QoQ sequentially. NNPA's stood at 5.84%, increasing 45 bps YoY and 11 bps QoQ on a sequential basis. Provision Coverage Ratio (PCR) excluding TWO stood at 62.93% in June'2021 against 65.34% in June'2020. CRAR improved to 15.19% in June'2021 from 12.63% as at June'2020. Out of which Tier-I is 12.47%, CET-1 is 11.56% and Tier-II CRAR is 2.72% as at June'21.

**Conference Call Highlights:**

- With slippages being high in MSME for 2 consecutive quarters, management reiterated that the sector could continue to remain stressed till Q4FY22.
- Considering healthy capital adequacy ratio at 15.19%, management believes that the current capital would suffice for their expected 8-10% credit growth and hence no further equity dilution would be required.
- Bank's Q1FY22 total recovery recorded as Rs. 8,270cr (including upgradation). In line with RBI's guidelines, the Bank's one-time restructuring of loans amounted to Rs. 6,787cr (involving 20,269 accounts).
- Cost/Income Ratio has been decreasing and stood at 43.6% for Q1FY22, on account of Branch Rationalization. The management expects to rationalize 1000 Branches by the end of FY22. The bank has been doing reversal of Deferred Tax Assets on account of utilization of accumulated losses of merged entities.
- Slippages are expected to moderate in the coming quarters. With overall Slippages in the range of Rs. 18,000 -20,000 cr for FY22 (Including Q1FY22) the management guides to bring NNPA below 5% by March'22.
- The bank has Rs.26,700 cr worth of SMA of above 0, of which Rs.~4,000 is guaranteed by the government and the management expects a recovery of Rs.5,200 cr from NCLT. It expects recoveries of Rs.3,000 cr every quarter.
- Bank expects Credit Growth to be 8% for FY22 with revival in sectors like Road, Steel, Cold Storage, Warehousing, Gas, Oil Refineries amongst others. The management expects the Credit/Deposit Ratio to be 69% by March'22. ECLGS disbursements are Rs.~13,500 cr.
- It has launched New Credit Cards - PNB Signature Credit Card – for the Elite/Super premium segment of Customers on VISA Platform. PNB Millennial Credit Card – for youth to serve mid segment of customers on NPCI RuPay platform. Corporate Credit Card on VISA Platinum

Valuation:

At the CMP of Rs. 35.6, the stock is trading at 0.41X FY21 P/Adj BV.

Financial Summary

Net Interest Income (NII) witnessed a growth of 4.2% QoQ aided by reduced cost of funds.

Other income de-grew by 4.0% QoQ and total income declined by 0.1% QoQ despite the improved fee income.

Total Recovery including cash recovery and Up-gradation during Q1 FY'22 improved to Rs. 8,270 Crore. PAT grew on account of higher business volumes and investments in technology.

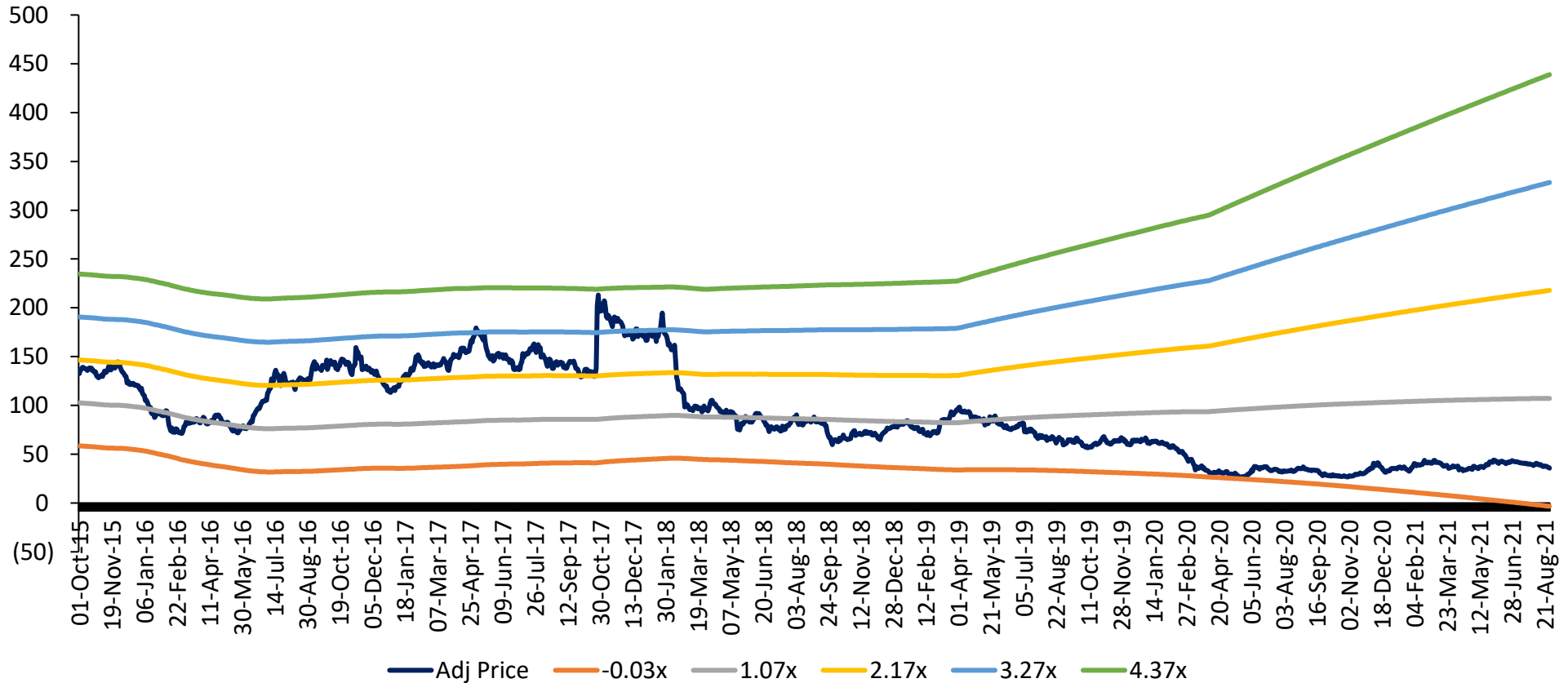
Year ending Mar (INR Cr)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY20*	FY21	YoY (%)
Total Income	22,515	24,292	-7.3	22,532	-0.1	63,074	93,562	48.3
- Interest Income	18,921	20,638	-8.3	18,790	0.7	53,800	80,750	50.1
- Other Income	3,594	3,654	-1.6	3,742	-4.0	9,274	12,812	38.1
- Fee & Other Income	1,635	1,604	1.9	1,551	5.4	6,585	5,765	-12.5
- <i>Fee & Other Income as % of TI</i>	7.3	6.6		6.9		10.4	6.2	
Interest Expense	11,694	13,856	-15.6	11,852	-1.3	36,362	50,273	38.3
Net Interest Income (NII)	7,227	6,782	6.6	6,938	4.2	17,438	30,477	74.8
Net Interest Margin (NIM, %)	2.7	2.5		2.7		2.6	2.9	
Employee Cost	2,956	3,307	-10.6	2,700	9.5	6,962	12,176	74.9
Operating Expenses	1,766	1,849	-4.5	2,346	-24.7	5,012	8,133	62.3
Opex to Total Income (%)	7.8	7.6		10.4		7.9	8.7	
PPoP	6,099	5,279	15.5	5,634	8.2	14,739	22,980	55.9
Cost to Income Ratio (%)	16.3	17.7		22.0		18.8	18.8	
Provisions & Contingencies	4,678	4,685	-0.1	4,686	-0.2	14,000	19,501	39.3
PBT	1,421	594	139.1	948	49.8	739	3,479	370.8
Tax Rate (%)	28.0	48.1		38.2		54.5	41.9	
PAT	1,023	308	231.7	586	74.5	336	2,022	501.3
Total Funded Assets	7,08,082	7,02,171	0.8	7,19,138	-1.5	7,02,171	7,19,138	2.4
- Corporate	3,26,466	3,28,350	-0.6	3,44,156	-5.1	3,28,350	3,44,156	4.8
- <i>Share of Corporate (%)</i>	46.1	46.8		47.8		46.8	46.1	
- Retail	1,32,096	1,29,910	1.7	1,35,814	-2.7	1,29,910	1,35,814	4.5
- <i>Share of Retail (%)</i>	18.7	18.5		18.9		18.5	18.7	
- Agriculture	1,28,386	1,26,219	1.7	1,13,202	13.4	1,26,219	1,13,202	-10.3
- <i>Share of Agri (%)</i>	18.1	18.0		15.7		18.0	18.1	
- MSME	1,21,134	1,17,692	2.9	1,25,966	-3.8	1,17,692	1,25,966	7.0
- <i>Share of MSME (%)</i>	17.1	16.8		17.5		16.8	17.1	
Deposits	10,74,917	10,97,649	-2.1	11,06,331	-2.8	10,97,649	11,06,331	0.8
- Term Deposits	6,21,101	6,10,513	1.7	6,13,549	1.2	6,10,513	6,13,549	
- <i>Share of Term Deposit (%)</i>	57.8	55.6		55.5		55.6	57.8	
- CASA	4,53,816	4,87,136	-6.8	4,92,782	-7.9	4,87,136	4,92,782	
- <i>Share of CASA (%)</i>	42.2	44.4		44.5		44.4	42.2	

Financial Summary

Year ending Mar (INR Cr)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY20	FY21	YoY (%)
Stressed Assets								
Slippages	1,917	5,923		25,001		28,408	25,001	
GNPA	1,04,075	1,01,849	2.19	1,04,423	-0.33	73,479	1,04,423	42.11
GNPA (%)	14.33	14.11		14.12		14.21	14.12	
SMA 1								
SMA 1 %								
SMA 2								
SMA 2 %								
SMA 3								
SMA 3 %								
PCR %	62.93	65.34		63.06		63.56	63.06	
NNPA	38,580	35,303	9.28	38,576	0.01	27,219	38,576	41.72
NNPA %	5.84	5.39		5.73		5.78	5.73	
CAR (%)	15.19	12.63		14.32		12.32	14.32	
Tier I Capital (%)	12.47	10.25		11.50		9.97	11.50	
Tier II Capital (%)	2.72	2.38		2.82		2.35	2.82	
RoAA (%)	0.30	0.09		0.18				
RoAE (%)	7.13	2.50		4.21				
No of branches	36,851	36,851		36,851				
Adj P/BV (x)		0.4		0.4				
P/E (x)		72.3		16				

1 Year Forward Band Chart

1 year forward P/BV band chart



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