

10th August, 2018

CMP – ₹83.4

View – Positive

Company Background

Punjab National Bank is India's first Swadeshi Bank which commenced operations on 12th April, 1895 from Lahore. Punjab National Bank had a network of 6,983 branches, 9,668 ATM's and 8,044 business correspondents as on Mar-18. The deposits and net advances as on 31st March, 2018 stood at ₹6.4tn and ₹4.3tn respectively.

Company Information

M.Cap (Cr)	23,023
52 Week H/L (₹)	231.6/72.35
NSE Code	PNB
BSE Code	532461

Investment Argument

As per the Govt. of India's re-capitalization plan, Punjab National Bank has received ₹5,473Cr from the GoI by way of preferential allotment of equity shares in the first tranche. Further infusion of ₹2,816Cr has been received by Punjab National Bank on 23rd July, 2018. The Bank had also raised ₹5000Cr in Dec-17 via QIP route. To further enhance its capital adequacy ratio, the Board of Punjab National Bank has approved divestment of its stake in PNB Housing Finance, PNB Metlife India Insurance Co., ICRA Ltd., CRISIL Ltd. and BSE Ltd. This would enable the Bank to improve its financial position and meet the regulatory requirements.

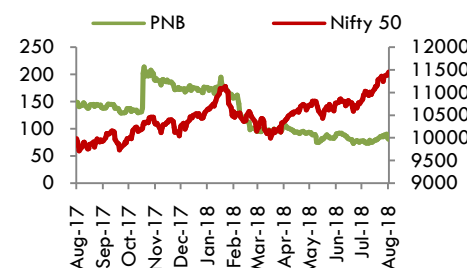
Financials (Standalone)

(₹ Cr)		
Particulars	FY17	FY18
Interest Earned	47,276	47,996
Profit before Provisions and Contingencies	14,565	10,294
PAT	1,325	(12,283)
Book Value per share (₹)	198	149

Source: Company, Way2Wealth Inst. Equity.

Key highlights of Q1FY19 results are as below:

- Interest earned increased by 15.2% to ₹13,113cr in Q1FY19 from ₹11,385cr in Q4FY18.
- Net Interest Income increased by 53.2% to ₹4,692Cr in Q1FY19 from ₹3,063Cr in Q4FY18. Domestic Net Interest Margin improved to 2.9% in Q1FY19 from 2.42%
- Cost to income ratio improved from 56.75% in Q4FY18 and 48.00% in Q1FY18 to 36.93% in Q1FY19, an improvement of 19.82% and 11.07% respectively.
- Profit before Provisions and Contingencies increased by 30.4% to ₹4,195cr in Q1FY19 from ₹3,217Cr in Q1FY18. Loss before Provisions and Contingencies for Q4FY18 stood at 447Cr.
- Gross NPA and Net NPA ratio stood at 18.26% and 10.58% as at June-18 as against 18.38% and 11.24% as at Mar-18. Provision coverage ratio improved to 61.18% as at Jun-18 from 58.42% as at Mar-18.
- Tier-I Capital Adequacy ratio improved to 7.33% in Q1FY19 from 7.12% in Q4FY18. Common Equity Tier-I ratio improved from 5.95% as at Mar-18 to 6.05% as at Jun-18 and Additional Tier-I Ratio improved from 1.17% as at Mar-18 to 1.28% as at Jun-18. Tier-II Capital Adequacy Ratio improved from 2.08% in Mar-18 to 2.29% in Jun-18.
- During Q1FY19, recoveries of ₹8,445cr were made as against ₹5,617Cr made during FY18. This reflects increased efforts being taken by Punjab National Bank towards recovering their non-performing assets, which augurs well for the bank.


Valuations

At CMP of ₹83.4, Punjab National Bank is trading at a Mar-18 P/B of 0.56. Given the recent measures taken to improve the capital adequacy ratio, improved operational parameters in Q1FY19 and attractive valuations, we are **POSITIVE** on Punjab National Bank.

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Disclosure of Interest Statement in Punjab National Bank as on August 10th, 2018

Name of the Security	Punjab National Bank
Name of the analyst	Chintan Gupta
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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