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Punjab National Bank

BSE Code: 532461 NSE Code: PNB Reuters Code: PNBK.NS Bloomberg Code: PNB:IN

Satisfying over 72 million satisfied customers from a decade, Punjab National Bank (PNB) is the second largest Indian financial services company, founded in 1895. The bank with global footprints possesses about 5000 branches across 764 cities. The lender is offering all the technology enabled services to its customers ranging from Mobile Banking, Call Centre, Internet Banking etc. Towards developing a cost effective alternative channels of delivery, it has added 304 branches and 215 ATMs in the year ended March 2013, pushing up the branch network to 6,313 branches and ATMs network to 5,873 ATMs at end March 2013.

## Investor's Rationale

**Good retail loan book and vertical performance lifted topline 5.4% YoY**— PNB focused in managing credit quality rather than volume registered a modest surge in topline by 5.4% YoY to ₹115.5 bn in Q4FY'13 on standalone basis. The reported top-line numbers were triggered on a retail loan growth of 7.2% YoY to ₹310 bn. On sectoral front barring retail banking, revenue from all other verticals spiked. The treasury operations and wholesale banking soared 19% and 29.1% YoY to ₹28.3 bn and ₹55.8 bn respectively.

**Net profit fell 20.6% YoY due to rise in provisions & contingencies**— The company witnessed a drop in its net profit by 20.6% YoY to ₹11.3 bn against ₹14.2 bn driven by 43.8% YoY surge in provisions & contingencies to ₹15 bn. Profit further get impacted due to decline in non-interest income by 8% YoY to ₹11.7 bn on account of 16% dip in core fee income and 46% decline in recovery in written off accounts. On sectoral front, retail banking declined significantly 35.3% YoY to ₹8.9 bn. Further, the cost-to-income ratio jumped 645 bps YoY to 42.4% that again hampered the bottom line. The Net Interest Margin (NIM), however, improved slightly to 3.5% YoY aided by strong 466 bps YoY surge in CASA ratio to 40.9% at Q4FY'13. The net interest income (NII) rose 14% YoY to ₹37.8 bn in Q4FY'13.

**Resilient asset quality**— Net non-performing asset (NNPA) declined to 2.4% of the advances to ₹72.4 bn for Q4FY'13 as against 1.5% of the advances in Q4FY'12. Gross NPAs also declined to 4.3% of advances to ₹134.7 bn against 2.9% of advances in Q4FY'12. However, provisions for bad loans went up 58.8% YoY to ₹14.8 bn during Q4FY'13. Capital Adequacy ratio stood at 12.72% with the Tier I capital of 9.76% for Q4FY'13.

**Healthy deposits and advances**— The deposits of the bank grew 3.2% YoY to ₹3,915.6 bn while the advances eased by 5.1% YoY to ₹3,087.3 bn in Q4FY'13. CASA deposits reported a growth of 14.3% YoY to ₹1,533.4 bn during the same period. Credit Deposit Ratio stood 78.8% as at Q4FY'13.

## Market Data

Rating	BUY
CMP (₹)	787.7
Target Price	870
Stop Loss	744
Duration	Short-term
52-week High-Low (₹)	920.0/659.2
Rise from 52WL (%)	19.5
Correction from 52WH (%)	14.4
Beta	1.5
1 year Average Volume (mn)	0.7
	3M- (64.1)
Stock Return (%)	6M- 54.9
	1Y- 64.9
Market Cap (₹bn)	278.4
Book Value (₹)	880.7

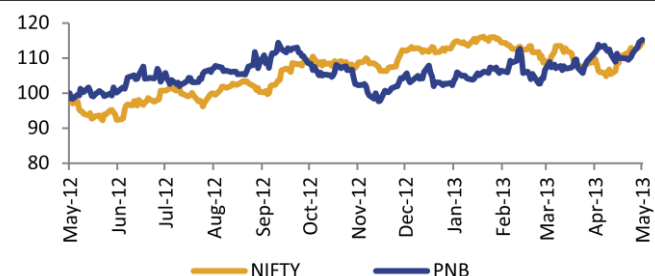
## Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	57.8	57.8	-
FII (%)	18.0	18.0	-
DII (%)	18.9	16.4	2.5
Public & Others (%)	5.2	7.7	(2.5)

## Quarterly Performance (Standalone)

(₹bn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	YoY Change(%)	QoQ Change(%)
Total inc.	115.5	109.6	115.0	5.4	0.5
Op. exp	21.0	16.5	20.2	27.4	3.9
Net profit	11.3	14.2	13.1	(20.6)	(13.4)
NII	37.8	33.1	37.3	14.2	1.2
CAR%	12.7	12.6	11.7	0.1bps	1.1bps
Gross NPA (%)	4.3	2.9	4.6	134bps	(34bps)
EPS(₹)	32.9	44.8	38.5	(1,187)	(558)

## One Year Price Chart





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