

Punjab National Bank

Refer to important disclosures at the end of this report

Higher provisions push PNB into loss, once again

CMP: Rs 35
as of (June 19, 2020)

TP: Rs 30 (■)
12 months

Rating: SELL (■)

Upside: (14.3) %



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- Despite higher margins and other income, PNB once again reported a loss of Rs7bn, mainly due to higher NPA provisions in the quest to improve specific PCR. However, for full year FY20, the bank returned to profit after a gap of two years.
- Credit growth during Q4 was far better at 11% qoq/3% yoy, mainly led by strong growth in the corporate book, leading to better LDR and thus, margins stood at 2.4% (up 13bps qoq).
- Gross fresh slippages remained elevated at Rs50.2bn/4.4% of loans, however, higher write-offs led to lower NPAs qoq. This, coupled with higher credit growth, led to 210bps qoq improvement in GNPA ratio to 14.2%. Specific PCR also improved to 63%.
- As per management, nearly 30% of customers have availed the moratorium, including Rs518bn/10% of loans under the SMA/overdue category. SMA 2 loans now stand reduced to Rs96bn, 1.9% of loans from 4.1% in Q3FY20.
- The bank has extended the standard asset classification benefit on overdue loans to the tune of Rs28.5bn and has provided Rs1.4bn (5% of loans).
- The bank has also availed provision dispensation on frauds to the tune of Rs7.7bn, which has been adjusted from the reserves.
- The bank's standalone CET 1 stood high at 10.7% due to capital infusion by the govt in the run-up to merger, however, details post-merger (1st April) of OBC and United Bank are not available.
- PNB continues to trade at rich valuations – 0.8x FY22 ABV (unadjusted post results). Currently, we have a Sell rating on the stock due to its weak asset quality, poor return ratios, weak internal controls and merger overhang with OBC/United Bank.
- **Note:** Earnings Concall is scheduled on June 22, 2020, at 15.00 hrs IST; Dial-in nos. - +91-22-62801360/71158261.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-Banks](#)



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Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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