




# Punjab National Bank

Sector: Banking

07<sup>th</sup> November, 2025

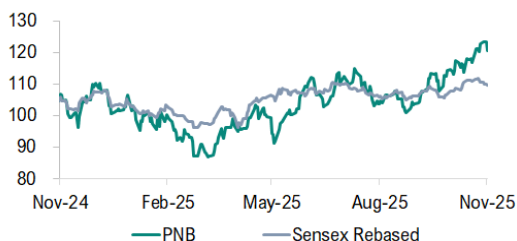
# BUY

Key Changes		Target		Rating		Earnings		Target	Rs. 135
Stock Type	Bloomberg Code	Sensex		NSE Code	BSE Code	Time Frame		CMP	Rs. 122
Large Cap	PNB:IN	83,216		PNB	532461	12 Months		Return	+11%

Data as of: 07-Nov-2025, 16:00 hrs

Company Data			
Market Cap (Rs. cr)	138,490		
52 Week High — Low (Rs.)	125 – 86		
Outstanding Shares (cr)	1,149.3		
Free Float (%)	29.9		
Dividend Yield (%)	2.4		
6m average volume (cr.)	2.2		
Beta	1.4		
Face value (Rs. )	2.0		
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	70.1	70.1	70.1
FII's	5.7	5.5	5.7
MFs/Insti	14.7	15.1	15.5
Public	9.0	8.8	8.2
Others	0.5	0.5	0.6
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	16.0%	27.4%	12.6%
Absolute Sensex	3.4%	3.3%	3.6%
Relative Return	12.6%	24.1%	9.0%

\*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Net Interest Income	42,782	47,184	53,466
<i>Growth (%)</i>	<i>6.7</i>	<i>10.3</i>	<i>13.3</i>
<i>NIM (%)</i>	<i>2.8</i>	<i>2.8</i>	<i>2.8</i>
Pre-Provision Profit	26,831	28,486	33,662
Net Profit	16,630	16,220	18,632
<i>Growth (%)</i>	<i>101.7</i>	<i>-2.5</i>	<i>14.9</i>
Adj. EPS	14.5	14.1	16.2
<i>Growth (%)</i>	<i>93.3</i>	<i>-2.5</i>	<i>14.9</i>
BVPS	110.8	122.1	135.2
P/E	6.6	8.5	7.4
P/B	0.9	1.0	0.9
<i>RoE (%)</i>	<i>14.2</i>	<i>12.1</i>	<i>12.6</i>
<i>RoA (%)</i>	<i>1.0</i>	<i>0.9</i>	<i>1.0</i>

## Poised for growth, backed by stability

**Punjab National Bank (PNB), a leading Indian public sector bank, provides corporate and personal banking services. It has 10,228 domestic branches, two international branches and 11,187 automated teller machines.**

- PNB's standalone interest income grew 6.7% YoY to Rs. 31,872cr in Q2FY26, primarily driven by a rise in interest earned from investments (+10.7% YoY) and increase in global advances (10.1% YoY).
- Interest expenses, on the other hand, rose 10.6% YoY to Rs. 21,403cr, mainly owing to a 10.9% YoY increase in global deposits.
- Net interest income fell 0.5% YoY to Rs. 10,469cr, and consequently, net interest margin (NIM) shrank 30 basis points (bps) to 2.6%, owing to a drop in yield on advances to 7.9% (-40bps YoY) in Q2FY26.
- Pre-provision profit rose 5.5% YoY to Rs. 7,227cr in Q2FY26, fuelled by drop in employees cost (-17.4% YoY), partially offsetting the impact of elevated operating expenses (+14.2% YoY).
- Reported profit after tax (PAT) rose 13.9% YoY to Rs. 4,904cr owing to a 25.7% fall in tax expenses due to a shift to the new tax regime, although provisions and contingencies increased 123.3% YoY.

## Outlook & Valuation

PNB put in a steady performance in Q2FY26, driven by healthy growth in its loan book and deposits. The bank's efforts to enhance the share of current account and savings account (CASA) in total deposits, as well as that of its retail, agriculture and MSME (RAM) portfolio, are expected to support net interest margin and overall profitability. The bank's focus on minimising slippages and maximising recoveries will be a key driver of asset quality stability. Additionally, ongoing digital and HR transformation initiatives are expected to position PNB to achieve sustained expansion and improved profitability. Therefore, **we reiterate our BUY rating on the stock, based on 1.0x FY27E BVPS, with a revised target price of Rs. 135.**

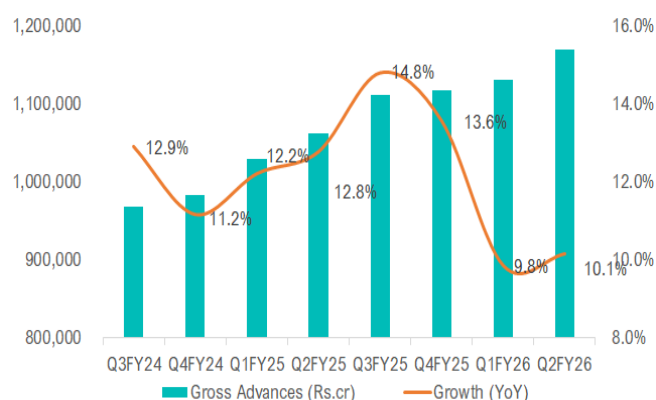
## Quarterly Financials Standalone

Rs.cr	Q2FY26	Q2FY25	YoY Growth (%)	Q1FY26	QoQ Growth (%)	H1FY26	H1FY25	YoY Growth (%)
Net Interest Income	10,469	10,517	-0.5	10,578	-1.0	21,047	20,993	0.3
Total Income	36,214	34,447	5.1	37,232	-2.7	73,445	66,613	10.3
Total Expenditure	28,987	27,594	5.0	30,150	3.9	59,137	53,179	11.2
Pre-Provision Profit	7,227	6,853	5.5	7,081	2.1	14,308	13,434	6.5
PBT	6,584	6,565	0.3	6,758	-2.6	13,342	11,834	12.7
Rep. PAT	4,904	4,303	13.9	1,675	192.8	6,579	7,555	-12.9
Adj PAT	4,904	4,303	13.9	1,675	192.8	6,579	7,555	-12.9
EPS (Rs.)	4.3	3.9	9.5	1.5	192.5	5.7	6.9	-16.4

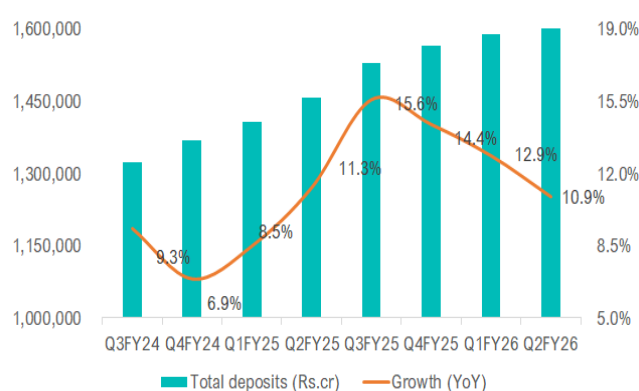
## Key Concall Highlights

- Global advances for Q2FY26 grew 10.1% YoY to Rs. 1,169,592cr, wherein RAM advances, which accounted for 56.8% of domestic advances, stood at Rs. 635,417cr. This proportion is expected to increase to 57-58% in the near term, as part of a broader strategy to optimise yield on advances while managing risks. Ultimately, the goal is to reach a 60:40 RAM-to-corporate loan mix.
- Global deposits rose 10.9% YoY to Rs. 1,617,080cr, with CASA deposits increasing 4.7% YoY. The CASA ratio improved to 37.29% in Q2FY26 from 36.99% in Q1FY26 and is expected to continue its upward trajectory, with gradual improvements anticipated in future.
- Asset quality has also shown improvement, with the gross NPA (GNPA) ratio declining to 3.45% in Q2FY26, down from 4.48% in Q2FY25. The net NPA (NNPA) has also shown a notable reduction, declining to 0.36% in Q2FY26 from 0.46% in Q2FY25. This trend is expected to continue, with the bank on track to meet its FY26 guidance of maintaining a GNPA below 3% and an NNPA below 0.35% .
- The domestic NIM for Q2FY26 stands at 2.72%, a sequential improvement of ~5bps, with a further 10bps anticipated in Q3FY26 and Q4FY26, supported by the ongoing repricing of deposits and the favourable impact of the cash reserve ratio cuts, which are expected to be fully realised in Q3 and Q4. For the entire FY26, the NIM is guided to range between 2.8% and 2.9%.
- PNB is poised to venture into the initial public offer (IPO) financing segment, capitalising on the Reserve Bank of India's increase in the individual financing limit from Rs. 10 lakh to Rs. 25 lakh, and expects to generate attractive double-digit margins of ~10% with a special-ised policy for IPO financing currently in development.

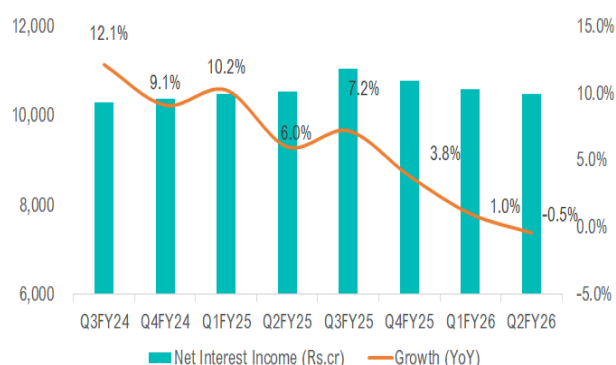
## Gross Advances



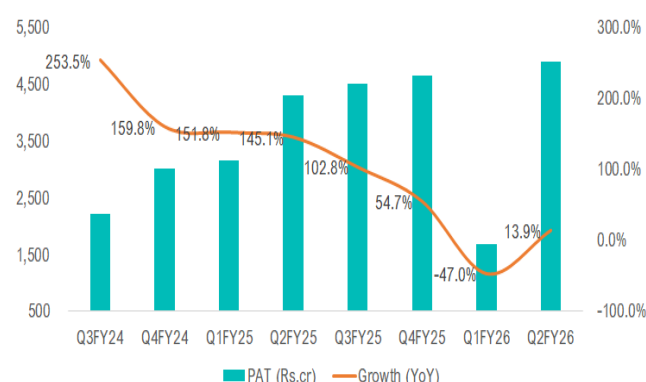
## Total Deposits



## Net Interest Income



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income	49,318	58,926	47,184	53,466	-4.3	-9.3
Net Interest Margin	2.9	3.1	2.8	2.8	-10bps	-30bps
Pre-Provision Profit	31,539	37,960	28,486	33,662	-9.7	-11.3
Net Profit	19,121	22,169	16,220	18,632	-15.2	-16.0
EPS	16.6	19.3	14.1	16.2	-15.2	-16.0



## Standalone Financials

### Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	85,144	106,902	121,761	133,676	148,815
Interest Expense	50,652	66,819	78,979	86,492	95,349
<b>Net Interest Income</b>	<b>34,492</b>	<b>40,083</b>	<b>42,782</b>	<b>47,184</b>	<b>53,466</b>
% Change	20.2	16.2	6.7	10.3	13.3
Non-Interest Income	12,143	13,384	16,309	18,756	21,757
Net Income	46,634	53,467	59,092	65,940	75,223
<b>Total Income</b>	<b>97,287</b>	<b>120,285</b>	<b>138,070</b>	<b>152,431</b>	<b>170,571</b>
Operating Ex- penses	24,105	28,536	32,261	37,454	41,561
<b>Total Expenditure</b>	<b>74,758</b>	<b>95,354</b>	<b>111,239</b>	<b>123,945</b>	<b>136,909</b>
Pre-Provisioning Profit	22,529	24,931	26,831	28,486	33,662
Provisions	18,240	11,737	1,675	3,950	5,478
<b>Profit Before Tax</b>	<b>4,288</b>	<b>13,194</b>	<b>25,156</b>	<b>24,536</b>	<b>28,184</b>
Tax	1,781	4,950	8,526	8,316	9,552
<b>Tax Rate (%)</b>	<b>41.5</b>	<b>37.5</b>	<b>33.9</b>	<b>33.9</b>	<b>33.9</b>
Minority Interests	-	-	-	-	-
<b>Net Profit</b>	<b>2,507</b>	<b>8,245</b>	<b>16,630</b>	<b>16,220</b>	<b>18,632</b>
% Change	-27.5	228.8	101.7	-2.5	14.9
Adj.	-	-	-	-	-
<b>Adj. Net Profit</b>	<b>2,507</b>	<b>8,245</b>	<b>16,630</b>	<b>16,220</b>	<b>18,632</b>
No. of Shares (cr)	1,101.1	1,101.1	1,149.3	1,149.3	1,149.3
<b>Adj. EPS (Rs.)</b>	<b>2.3</b>	<b>7.5</b>	<b>14.5</b>	<b>14.1</b>	<b>16.2</b>
% Change	-27.5	228.8	93.3	-2.5	14.9
DPS	0.7	1.5	2.9	2.8	3.2

### Balance Sheet

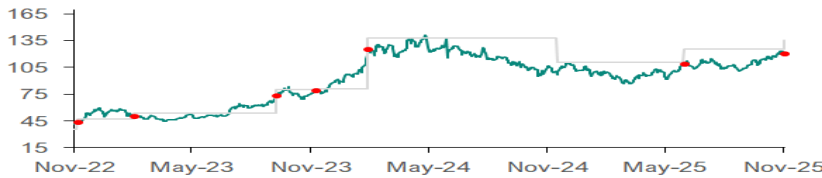
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash & Balanc- es	155,109	129,105	148,720	151,199	157,508
Investments	395,997	420,318	497,311	532,123	569,904
<b>Advances</b>	<b>830,834</b>	<b>934,431</b>	<b>1,077,475</b>	<b>1,179,835</b>	<b>1,333,213</b>
Fixed Assets	12,051	12,319	13,053	16,969	19,175
Other Assets	67,841	65,663	81,612	82,428	84,901
<b>Total Assets</b>	<b>1,461,831</b>	<b>1,561,835</b>	<b>1,818,171</b>	<b>1,962,554</b>	<b>2,164,701</b>
Capital	2,202	2,202	2,299	2,299	2,299
Reserves & Surplus	97,653	104,274	125,064	138,064	153,072
<b>Deposits</b>	<b>1,281,163</b>	<b>1,369,713</b>	<b>1,566,623</b>	<b>1,721,719</b>	<b>1,890,447</b>
Borrowings	51,292	50,430	83,777	87,547	91,486
Other Liabilities	29,521	35,216	40,408	12,926	27,396
<b>Total Liabili- ties</b>	<b>1,461,831</b>	<b>1,561,835</b>	<b>1,818,171</b>	<b>1,962,554</b>	<b>2,164,701</b>
<b>BVPS</b>	<b>90.7</b>	<b>96.7</b>	<b>110.8</b>	<b>122.1</b>	<b>135.2</b>
Adj. BVPS	70.2	90.5	107.1	119.1	132.2
% Change	4.6	6.6	14.6	10.2	10.7

### Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Valuation</b>					
P/E (x)	20.3	16.6	6.6	8.5	7.4
P/BV (x)	0.5	1.3	0.9	1.0	0.9
Div. Yield (%)	1.4	1.2	3.0	2.3	2.6
<b>Profitability &amp; Return (%)</b>					
Yield on Advances	7.4	8.6	8.6	8.5	8.5
Cost of Deposits	4.0	4.9	5.1	5.0	5.0
Spread	3.3	3.7	3.4	3.5	3.5
NIM (calculated)	2.8	2.9	2.8	2.8	2.8
ROE	2.6	8.0	14.2	12.1	12.6
ROA	0.2	0.5	1.0	0.9	0.9
<b>Capital Adequacy (%)</b>					
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
<b>Asset Quality (%)</b>					
GNPA	8.7	5.7	4.0	3.1	2.9
NNPA	2.7	0.7	0.4	0.3	0.3
<b>Operating Ratios (%)</b>					
Credit/Deposit	64.8	68.2	68.8	68.5	70.5
Cost/Income	51.7	53.4	54.6	56.8	55.3
CASA	43.0	41.4	38.0	38.2	38.4



## Recommendation Summary - (Last 3 years)



Dates	Rating	Target
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
07-Nov-25	BUY	135

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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