Punjab National Bank — Apr 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Weak Miss **One-line:** While headline GNPA/NNPA ratios improved due to aggressive write-offs (□10,548 Cr), a massive sequential spike in slippages (□9,575 Cr vs □3,431 Cr in Q3) and significant margin compression (NIM down 17bps QoQ) signal that the "clean-up" phase is more protracted than the market anticipated.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	PAT of □202 Cr plummeted 82% QoQ due to a 44.6% jump in provisions.	□
Earnings Quality	Low (Asset Quality Spikes)	Profitability was weighed down by a surge in slippages, primarily in RAM segments.	□
Guidance Confidence	Neutral	Capital raising plan of □12,000 Cr suggests readiness for growth/cushioning.	□
Management Credibility	Neutral	Conservative provisioning on NCLT (97.5%) is a positive for future reversals.	□
Business Quality Signal	Deteriorating	ROA of 0.06% is deeply sub-par; slippage ratio (FY22) remains high at 3.90%.	□
Key Q&A Exchange	Not applicable	Concall not available.	□
The Street's Primary Anxiety	Asset Quality Tail Risk	Massive Q4 slippage (□9,575 Cr) confirms legacy stress is still surfacing.	□
Capital Cycle Stage	Consolidation	Focus on capital optimization (RWA density down to 43%) and balance sheet repair.	□
Margin / Return Ratio Trajectory	Deteriorating	Global NIM fell to 2.76% from 2.93% in Q3; ROE dropped to 1.35%.	□
Pricing Power	Eroding	Global Yield on Advances dropped 47bps QoQ to 6.64%.	□
FCF Conversion & Quality	Distorted	PAT vs Provisioning gap; CFO data not provided in PPT.	□
Competitive Moat Signals	Stable	Massive distribution (10,098 branches) remains the primary funding advantage.	□
Balance Sheet Strength	Adequate	CRAR at 14.50% with CET1 at 10.56%; Board-approved capital raise provides buffer.	□
Working Capital Efficiency	Stable	Credit-Deposit ratio hovering at ~63.5%.	□
Mgmt Guidance Track Record	Mixed	Asset quality ratios improving but core slippage control remains volatile.	□
Key Vulnerability / Red Flag	Slippage Volatility	RAM (Retail, Agri, MSME) slippages spiked 148% QoQ.	□
Management Tone	Not applicable	Concall not available.	□

Sentiment: □Neutral (Asset quality ratios improving through write-offs, but underlying slippage and low ROA remain major overhangs).

Key Takeaways: * **Positives:** Gross NPA and Net NPA ratios improved sequentially to 11.78% and 4.80% respectively; Provision Coverage Ratio (PCR) on NCLT accounts is extremely high at 97.5%, effectively derisking the legacy corporate book. * **Negatives:** Profitability is extremely thin (ROA 0.06%) as the bank continues to use operating profits to fund high credit costs (□4,851 Cr this quarter); Slippages in the RAM (Retail, Agri, MSME) segment spiked sharply to □9,575 Cr, indicating that post-pandemic stress has not fully subsided. * **Watchpoint:** The execution and pricing of the proposed □12,000 Cr capital raise will be critical to determine if the bank can transition from "repair mode" to "growth mode" in FY23.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q4FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	5.0%	--	--	↑	First entry
NIM (Global %)	2.76%	+7 bps	-17 bps	↓	First entry
Cost of Funds (Global %)	3.51%	-19 bps	+9 bps	↓	First entry
Cost of Deposits (Global %)	3.90%	-32 bps	-4 bps	↑	First entry
CASA Ratio (%)	Not in document	--	--	--	Not in document
Credit-Deposit Ratio %	63.53%	+258 bps	+208 bps	↑	First entry
Loans Growth (% YoY)	6.2%	--	--	↑	First entry
Deposits Growth (% YoY)	3.6%	--	--	→	First entry
GNPA %	11.78%	-234 bps	-110 bps	↑	First entry
NNPA %	4.80%	-93 bps	-10 bps	↑	First entry
Slippage Ratio (FY22 %)	3.90%	-37 bps	--	↑	First entry
Credit Cost (FY22 %)	1.91%	-33 bps	--	↑	First entry
Capital Adequacy (CRAR %)	14.50%	+18 bps	-41 bps	→	First entry
PAT (□Cr)	202	-65.6%	-82.1%	↓	First entry
Fee Income Growth (% YoY)	-1.2%	--	--	↓	First entry
Revenue (Total Income □Cr)	21,095	-1.4%	-4.2%	↓	First entry
ROE (%)	1.35%	-286 bps	-599 bps	↓	First entry
ROA (%)	0.06%	-12 bps	-28 bps	↓	First entry

2B. SEGMENT BREAKDOWN

Segment	GNPA (□ Cr)	GNPA %	Trend	vs Company Avg	Key Development
Retail	6,955	4.98%	↑	Better	Housing loans remain the bulk of the retail book.
Agriculture	25,572	20.58%	↓	Worse	Significant stress continues in the Agri portfolio.
MSME	26,520	21.21%	↓	Worse	Portfolio size stagnant; high delinquency levels.
Corporate & Others	31,536	8.52%	↑	Better	Improved significantly from 13.42% in Mar-21.
Overseas	1,865	7.20%	↑	Better	Stable performance in the international book.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capex / Capital	Raise ₹12,000 Cr via Basel III Bonds (₹5,500 Cr AT-1, ₹6,500 Cr Tier-2).	Market dependent for FY23.	First entry	Low
Strategy	Asset Quality	Continuous efforts to improve Brand Value and "Collection & recovery measures".	Needs recovery >₹10k Cr/ quarter to offset slippage spike.	Mixed	High
Strategy	Digitalization	Re-imaging PNB One as a "Super App"; focus on digital sourcing and partnerships.	Target 70%+ digital transactions (currently 69%).	Strong	Low
Strategy	Growth	Improve market share by boosting growth in high-potential ecosystems.	Requires loan growth >10% (FY22 was 6.2%).	Mixed	Medium
Macro	Industry Headwinds	Focus on ESG framework and social presence through 39,167 touchpoints.	Continuous implementation.	Strong	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

List of key baseline metrics established this quarter: * **Asset Quality Pivot:** Headline Gross NPA improved to 11.78%, but underlying slippage spiked to ₹9,575 Cr (Q4). * **Profitability Floor:** ROA hit a near-zero level of 0.06% for the quarter due to elevated provisioning. * **Capital Positioning:** Board approved a significant capital raise of ₹12,000 Cr to bolster CRAR (currently 14.50%). * **Margin Pressure:** Yield on advances showed a sharp sequential decline, leading to a 17bps compression in global NIM. * **Write-off Strategy:** The bank utilized ₹10,548 Cr in technical write-offs to clean the balance sheet this quarter.

STOP HERE.