Punjab National Bank — Jul 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Beat **One-line:** PNB has transitioned from a legacy "cleanup" story to a structural efficiency play, successfully expanding NIMs and hitting the elusive 1.0% RoA target through aggressive shedding of low-yield assets and a massive reduction in PSLC costs.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	RoA at 1.04% and Global NIM at 2.50% (reversing last quarter's compression).	□
Earnings Quality	High (Core driven)	Profit growth driven by NII expansion (+4% QoQ) and opex efficiency, not one-offs.	□
Guidance Confidence	Strong	Reaffirmed credit growth (12-13%) and asset quality targets (<2.5% GNPA).	□
Management Credibility	Strong	Delivered on the "NIM bottoming" promise made last quarter; successfully reduced PSLC reliance.	□
Business Quality Signal	Improving	Core RAM growth (ex-IBPC) at 17-19% is offsetting the strategic exit from low-yield corporate loans.	□
Key Q&A Exchange	Q2: ECL Impact	Mgmt quantified □9,500-10,000 Cr one-time impact; total provisions/buffers make it "no challenge."	□
The Street's Primary Anxiety	Margin Sustainability	Analysts feared sticky deposit costs; Mgmt proved yields are rising faster by shedding □35,000 Cr low-yield book.	□
Capital Cycle Stage	Growth & Consolidation	CET-1 at 14.52% provides ample runway for 12-13% growth without equity dilution.	□
Margin / Return Ratio Trajectory	Improving	Global NIM rose 3bps QoQ; RoA crossed the 1% threshold (1.04%).	□
Pricing Power	Expanding (Selection)	Shedding corporate loans below 7% yield shows ability to walk away from unprofitable business.	□
FCF Conversion & Quality	N/A (Banking)	CRAR at 18.13% is well above regulatory 11.5% requirement.	□
Competitive Moat Signals	Improving (Digital)	50% of all loans now sanctioned digitally (vs 33% last year).	□
Balance Sheet Strength	Very Strong	NNPA at 0.28% and PCR at 97.2% signify a nearly "risk-free" legacy book.	□
Working Capital Efficiency	Improving	CD Ratio at 73.8% gives room for credit growth without chasing high-cost bulk deposits.	□
Mgmt Guidance Track Record	Reliable	Consistently hitting slippage (<0.9%) and recovery (1.34x slippage) targets.	□
Key Vulnerability / Red Flag	Deposit Growth Lag	Deposit growth at 8.5% is lagging credit growth (12.7%), potentially tightening liquidity later.	□
Management Tone	Confident & Disciplined	Focused on "Profitability as a core agenda" over vanity volume growth.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The thesis has evolved from "asset cleanup" to "structural profitability." PNB delivered a 1.04% RoA, a key milestone. This was achieved through a 3bps expansion in Global NIM (2.50%) and a sharp reduction in Cost-to-Income (50.3%). The bank is aggressively "cleansing" its loan book by shedding ₹35,000 Cr of corporate loans yielding <7%, replacing them with MSME (+19.8%) and Retail (+17.5%) growth. Asset quality is impeccable with NNPA at 0.28% and a massive provision buffer (97.2% PCR + ₹2,435 Cr floating provision). * **Negatives:** Deposit growth (8.5% YoY) remains the primary constraint, trailing credit growth (12.7%). While this aids short-term NIM by reducing bulk deposit reliance, it may cap future expansion if the CD ratio (73.8%) climbs too high. * **The Street's Concern:** Margin sustainability in a high-interest environment. Management responded by highlighting that 95% of high-cost deposit repricing is complete and the strategic shift to a 60% RAM (Retail, Agri, MSME) mix will structurally support yields. * **Forward Watchpoint:** The transition to ECL in April 2027. Management has built a ₹2,435 Cr floating provision, but the total one-time hit is estimated at ₹10,000 Cr; the pace of further buffer building in FY27 is critical.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr (Q1FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII (□Cr)	10,798	Not Stated	+4.0%	↑	Turned positive this quarter; Volume driven growth in RAM.
NIM (Global %)	2.50%	↓ (vs 2.81%)	↑ (vs 2.47%)	↑	Reversal of compression; helped by shedding low-yield corp.
NIM (Domestic %)	2.64%	Not Stated	↑ (vs 2.61%)	↑	Focus on high-yield MSME and Retail sectors.
Cost of Deposits %	Not Stated	↓ (34 bps)	Not Stated	↑	Reduction driven by avoiding bulk deposits and CD market.
CASA Ratio %	Not Stated	Not Stated	↓ (vs 37.0%)	↓	Strategic focus on individual core SB (grew 9.3% YoY).
Credit-Deposit Ratio %	73.8%	↑ (vs 71.3%)	↑ (vs 73.6%)	↑	Rising as advances growth (12.7%) outpaces deposits (8.5%).
Loans Growth (% YoY)	12.7%	--	--	→	Core advances (ex-IBPC) grew 15.4%. MSME up 19.8%.
Deposits Growth (% YoY)	8.5%	--	--	↓	Deliberate slowdown to manage cost of funds; avoided bulk.
GNPA %	2.78%	↑ (vs 3.78%)	↑ (vs 2.95%)	↑	Guidance met; 100 bps reduction YoY.
NNPA %	0.28%	↑ (vs 0.38%)	↑ (vs 0.29%)	↑	Approaching zero-risk levels.
Slippage Ratio %	0.68%	↑ (vs 0.72%)	↑ (vs 0.94%)	↑	Well within guidance of <0.9%.
Credit Cost %	Not Stated	--	--	--	PCR at 97.23% limits future P&L hit from legacy assets.
Capital Adequacy %	18.13%	↑ (vs 17.50%)	↑ (vs 17.74%)	↑	Robust CET-1 at 14.52%; no capital raise planned.
PAT (□Cr)	5,253	Not Stated	+0.5%	→	Consistent performance despite □390 Cr floating provision.
Fee Income Growth %	29.0%	--	--	↑	Processing fee (□938 Cr) grew 29% via TAT improvement.

2B. SEGMENT BREAKDOWN

Segment	Advances (□ Cr)	YoY Growth	GNPA %	Trend	vs Company Avg	Key Development
Retail (Ex-IBPC)	Not Stated	17.5%	Not Stated	↑	High	Core retail focus; digital sanctions driving volumes.
MSME	Not Stated	19.8%	Not Stated	↑	High	Cash-flow based lending; targeting 25% growth for FY27.
Agri (Priority)	Not Stated	16.4%	Not Stated	↑	Avg	Gold loans grew 103% YoY to □31,888 Cr.
Corporate	Not Stated	10.0%	Not Stated	↓	Low	Strategic exit from □35,000 Cr low-yield (<7%) book.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Credit Growth	12% - 13%	Current 12.7%. Pipeline of □1.38L Cr disbursement pending. Feasible.	Delivered	Low
Guidance	NIM (Global)	2.60% - 2.70% (FY27)	Currently 2.50%. Needs ~10-20bps expansion over 3 quarters. Feasible if RAM mix hits 60%.	Improving	Medium
Guidance	GNPA %	Below 2.50%	Currently 2.78%. Requires □3,000-4,000 Cr further reduction. Feasible via □13k Cr recovery target.	Delivered	Low
Guidance	RoA %	Above 1.0%	Delivered 1.04%. Floor established; dependent on opex discipline.	Delivered	Low
Strategy	PSLC Cost	Self-sufficient by next year	FY27 Q1 cost □360 Cr (vs □893 Cr YoY). On track to become a seller (□5k-10k Cr).	Delivered	Low
Strategy	Digital Sanctions	□2 Lakh Cr (Cumulative)	Currently >□1 Lakh Cr; Q1 did □19,000 Cr. Needs acceleration to hit FY27 target.	On Track	Medium
Macro	FCNR Mobilization	USD 2.5 Billion	USD 425 Million raised till July 17. Needs USD 2bn in ~8 months. Feasible.	New	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Mahrukh Adajania, Tara Capital	NIM Sustainability	Financials	"How sustainable are these margins? Do you think you can hold these margins?"	Management stated higher-cost deposit repricing ended in May and they are avoiding the bulk/CD market entirely. Structural shift to higher-yield RAM and exit from low-yield corporate loans supports a Q-o-Q expansion thesis.	None	5.0	Clear and quantified
2	4.0	Jai Mundhra, ICICI Securities	SMA Levels	Financials	"Can you share SMA 1 number at the bank level? And SMA 0?"	Management provided specific data: SMA 0 at 1.55%, SMA 1 at 0.62%, and SMA 2 at 0.73%, totaling 2.9%. This confirms front-end stress is at a multi-year low, supporting the asset quality guidance.	None	5.0	Specific data rich
3	5.0	Jai Mundhra, ICICI Securities	ECL Readiness	Financials	"What is your assessment on the transitional provisioning requirement under ECL?"	Management estimated a one-time impact of □9,500-10,000 Cr and a recurring 10-12 bps credit cost. The existing □2,435 Cr floating provision + 97% PCR	None	4.5	Quantified impact

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						makes the transition manageable via internal accruals.			
4	4.5	Nitin Aggarwal, Motilal Oswal	PSLC Costs	Financials	"By when do you think we will be able to completely plug this gap and go on to earn PSLC income?"	Management reduced purchase costs from ₹893 Cr to ₹360 Cr YoY and expects to be a net seller of ₹5k-10k Cr by next year. This is a ~₹1,200 Cr+ annual P&L swing factor that supports the RoA 1% floor.	None	5.0	Clear pivot signal
5	4.0	Sushil Choksey, Indus Equity	Recovery Outlook	Financials	"What is the recovery estimate for the current year in written-off book?"	Management is targeting ₹13,000 Cr total recovery, with ₹4,000 Cr specifically from the Technically Written-Off (TWO) book. This high-margin recovery directly supports the bottom line.	None	4.0	Guidance reaffirmed
6	3.5	Ashlesh Sonje, Kotak Securities	Low-yield Assets	Financials	"What do you mean by low-yielding advances? Is there some threshold?"	Management defined the threshold as loans yielding below 7%, of which they shed ₹35,000 Cr this quarter. This explains the lower overall loan growth	None	5.0	Clear pricing policy

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						but supports the higher core NII/NIM.			
7	4.5	Ankit Bansal, AB India	Profit Volatility	Financials	"Why the profitability has not increased quarter-on-quarter? No other bank is doing ECL provision like you."	Management defended the ₹390 Cr floating provision as "prudent" to avoid future balance sheet surprises during the 2027 ECL transition. This signals a preference for "fortress" building over headline profit beats.	None	5.0	Prudent stance

PATTERN FLAGS & SENTIMENT

- **The Yield-over-Volume Pivot:** Analysts repeatedly questioned the 12.7% credit growth vs peers. Management's response—that they intentionally exited ₹35,000 Cr of sub-7% yielding corporate loans—signals a hard shift toward capital discipline. This resolved the "NIM floor" anxiety that plagued the prior quarter.
- **ECL/Buffer Building:** Analysts were divided on the bank's continued use of floating provisions (₹390 Cr this quarter) which "muted" the PAT beat. Management remained steadfast that building buffers now is better than a massive hit in 2027. This builds long-term credibility even if it creates short-term friction with retail investors.
- **Analyst Sentiment Verdict:** The tone shifted from "skeptical" in Q4 to "convinced" in Q1. The successful delivery of >1% RoA and NIM expansion proved the strategy is working. The most significant friction point—PSLC costs—has been effectively addressed, leaving deposit mobilization as the only remaining major variable for FY27.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **IBPC Book** | Core advances growing 15.4% | ~₹8,000 Cr of low-yield IBPC still to mature. | 1-2 quarter tailwind remains before the full yield benefit is realized. | Low | | **ECL Provision** | Buffer building is prudent | ₹9,500-10,000 Cr total one-time hit estimated. | Net gap of ~₹7,500 Cr still to be covered by internal accruals or capital. | Medium |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY26)	This Quarter (Q1FY27)	Direction
Global NIM	2.47%	2.50%	↑ Rebound
Return on Assets (RoA)	0.89% (FY Avg)	1.04%	↑ Hitting target
Asset Quality (GNPA)	2.95%	2.78%	↑ Improving
PSLC Expense	₹893 Cr (YoY Q1)	₹360 Cr	↑ Significant savings
Floating Provision	₹2,045 Cr	₹2,435 Cr	↑ Buffer increased
Credit-Deposit Ratio	73.6%	73.8%	↓ Tightening
Gold Loan Portfolio	₹15,694 Cr (YoY Q1)	₹31,888 Cr	↑ 103% growth
Cost-to-Income	55.31% (YoY Q1)	50.31%	↑ Efficiency gain
Low-Yield Asset Strategy	Monitoring	Aggressive exit (₹35k Cr shed)	↑ Strategic shift
ECL Quantification	General readiness	₹9,500-10,000 Cr quantified	↑ Greater clarity