Academic Research Project- Not a Recommendation

Equity Research Report

Punjab & Sind Bank.

(Focusing On Retail & MSME Credit Expansion)

About the Company

Punjab & Sind Bank is a government-owned public sector bank in India, established in 1908 with its headquarters in New Delhi. It was founded with the objective of promoting social commitment and providing financial services to the weaker sections of society. Over the years, it has grown steadily and today operates a vast network of over 1,500 branches and more than 900 ATMs across the country, primarily concentrated in Northern India, especially in Punjab.

The bank offers a wide range of banking and financial services including personal banking, corporate banking, agricultural and SME banking, loans, deposits, digital banking, and financial inclusion initiatives. It also participates in various government schemes such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Mudra Loans, and others aimed at increasing financial access for all.

Overall View

- Strong growth in retail and MSME loans supported healthy NIM above 3%, with credit momentum expected to sustain through digital push and focused lending.
- Retail and MSME segments drove disbursement growth, contributing to stable interest income and reduced concentration risk.

Key Highlights

- Total income stood at ₹2,620 crore for the quarter, marking a 12% YoY increase and a 4% QoQ growth.
- Net Profit rose to ₹456 crore, reflecting a 28% YoY growth driven by higher interest income and lower provisioning.
- GNPA improved to 6.85% vs 8.36% YoY, supported by better recovery and resolution efforts.
- Advances grew by 10% YoY, led by strong growth in retail and MSME loan segments.
- CASA ratio stood stable at 33%, with continued focus on low-cost deposit mobilization.
- Digital transactions accounted for over 70% of total retail transactions, showing rising digital adoption.

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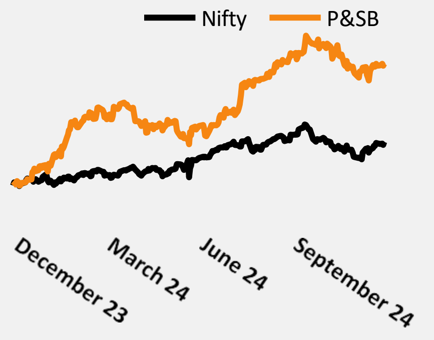
Recommendation	**:XXX**
CMP	**:31.90**
Target Price	**:XXX**

Stock Data

Nifty	:24,565.30
52 weeks H/L (INR)	:74/25
Market Cap (INR Cr.)	:22635
O/S shares (Cr.)	:709.6
Dividend Yield %	:0.24%
NSE Code	:Punjab & Sind Bank

Relative Stock Performance - 1Y



Absolute Return

1 Year	**:11.60%**
3 Years	**:17.00%**
5 Years	**:8.00%**

Shareholding pattern

Promoters	**:93.95%**
FIIs	**:0.25%**
DIIs	**:408%**
Government	**:0.11%**
Public	**:1.82%**

Financial Summary

In INR Cr.	**FY24**	**FY25E**	**FY26E**
Net Revenue	9,694	11,441	13,306
Growth YOY%	*21%*	*18%*	*16%*
EBITDA	497	881	1025
EBITDA %	*-60%*	*77%*	*16%*
Adj PAT	595	1,333	1525
ROE %	1.9%	4.4%	5.3%
Adj EPS (INR)	41.7	48	55.3
EV/EBITDA	13.7x	10.7x	17.9x

Prepared by – Sumit Kumar

पी.एस.बी.

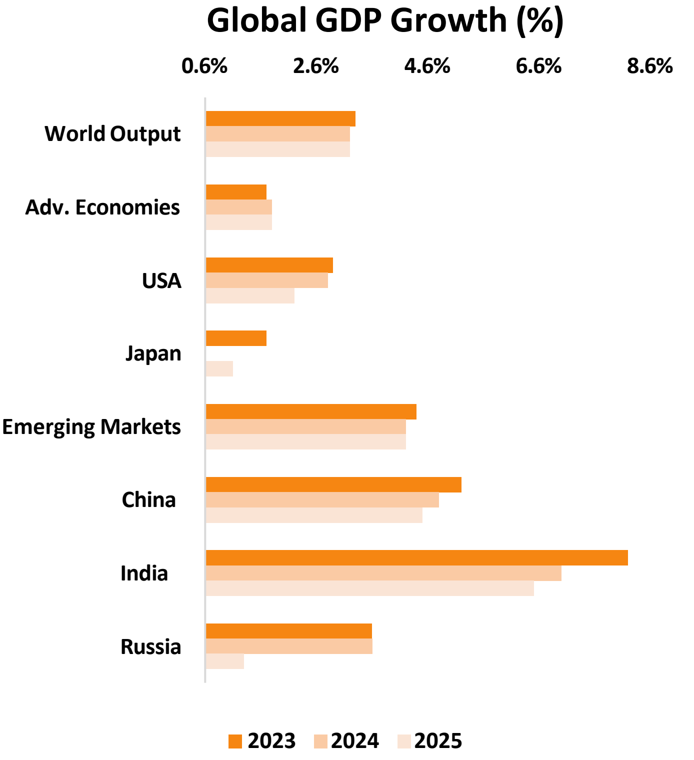
Economic analysis

Global Economy

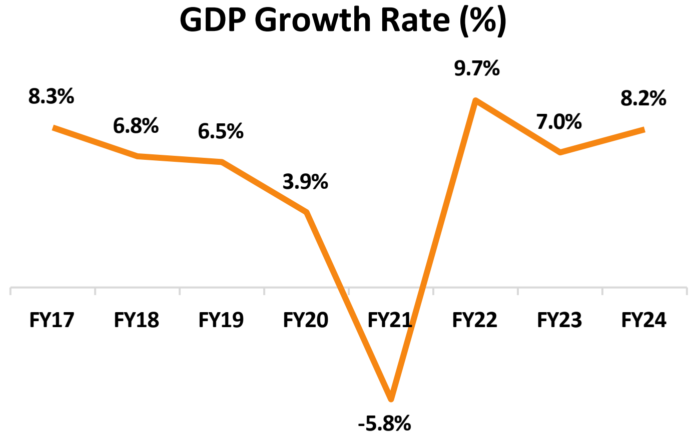
Central Banks in advanced economies have recently started to **cut rates after a prolonged period of hike**, Federal Reserve is expected to give upto three .25% rate cuts in the future after keeping the rates steady at 5.5% since September 23. This is expected to have **a significant impact on global GDP, especially in sectors like manufacturing and real estate.**

This is done after seeing a **decreasing trend in global inflation** falling from 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025. Although according to IMF, advanced economies are expected to reach the inflation targets sooner than emerging countries.

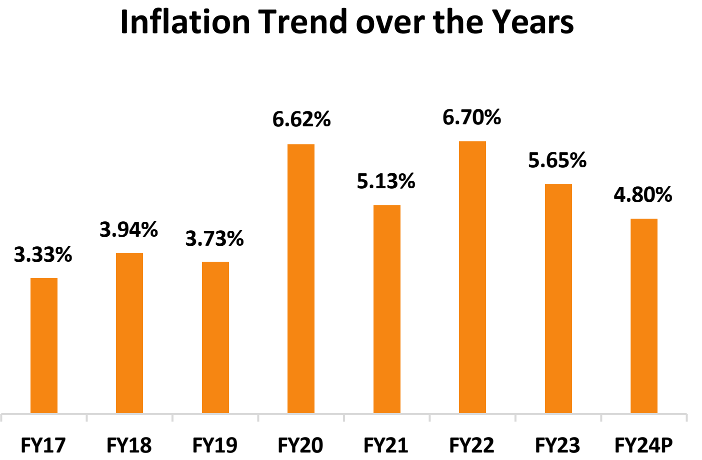
The world economy is expected to grow at a steady pace of 3.2% in 2024 and 2025 which **is below the historical average of 3.8%.** The **main reason for that is estimated to be protective policies by nations** due to the geopolitical tensions which will reduce productive growth and drive the commodity prices further high. **Advanced economies are projected to grow** from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025, **primary drivers of this being gradual ease in monetary policy and a expected recovery in real income growth** while emerging markets are expected to be stable at 4.2% in 2024 and 2025.



Source: IMF



Source: Trading Economics, MoSPI



Indian Economy

Indian economy, now the fourth largest globally after surpassing the Japan in FY25, continues to exhibit strong growth potential**. In FY24, the economy grew by an impressive 8.2%, driven by robust domestic demand and steady consumption**. **However, the growth rate is projected to moderate to 7% in FY25 and further to 6.5% in FY26. This slowdown reflects the Reserve Bank of India's (RBI) tight monetary stance**, with elevated interest rates dampening corporate lending and capital expenditure.

Inflation remains a critical challenge. In October 2024, inflation reached 6%, the upper limit of the RBI's target range. Recognizing the risks of further inflationary pressures, the RBI refrained from rate cuts during its December Monetary Policy Committee (MPC) meeting. Instead, it reduced the Cash Reserve Ratio (CRR) to 4%, ensuring liquidity while maintaining price stability. The central bank's cautious approach stems from concerns that premature rate cuts could inject excess liquidity, potentially spiking inflation. **However, a favorable rabi harvest is expected to ease food price pressures, providing some relief in the near term.**

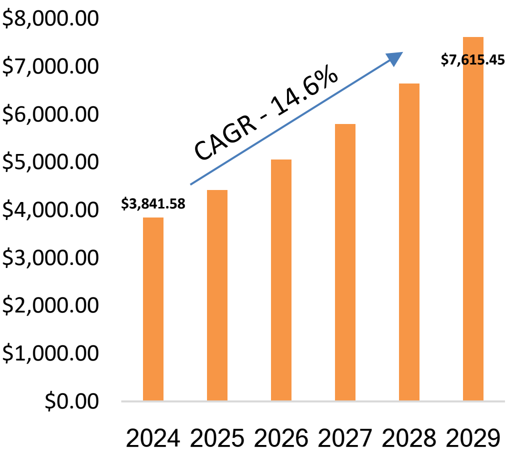
Source: Trading Economics

Banking Industry

Global Banking Industry

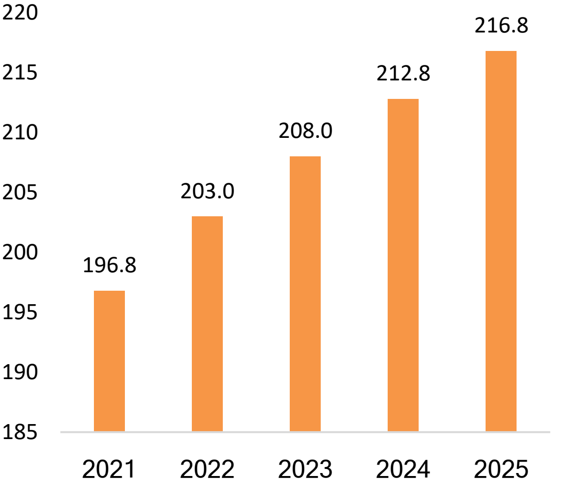
Global Banking Industry – A 2025 Outlook

The **global banking industry** has undergone a significant transformation over the past decade, driven by technological innovation, regulatory reforms, economic cycles, and shifting customer expectations. Between 2017 and 2022, the industry grew at a CAGR of around **4–5%**, with recovery post-COVID and increasing digitalization acting as key growth enablers. By 2023, total global banking revenues surpassed **$6.5 trillion**, and this number is expected to grow to over **$10 trillion by 2028**, backed by rising financial inclusion in emerging markets, higher interest rate regimes, and rapid digitization.



Traditionally, the dominance of the banking sector lay in developed markets such as **North America and Western Europe**, where institutions benefit from large, mature financial systems, strong regulatory frameworks, and high-value corporate banking activity. These regions continue to account for a majority share of global banking profits, particularly due to wealth management, investment banking, and institutional lending services.

Digital Banking Users & Penetration



However, a major structural shift is underway, with **emerging markets such as India, China, Brazil, and Southeast Asia** becoming key drivers of global banking growth. Rising middle-class income, smartphone penetration, and policy-led financial inclusion have opened up vast untapped markets. For example, India's digital payments ecosystem has expanded rapidly, with UPI (Unified Payments Interface) transactions growing at a CAGR of over **50% from FY17 to FY22**. Similarly, mobile banking users in Africa have surged, reaching **400 million in 2023**, up from just 100 million in 2017.

The role of **technology** has been transformative. Digital banking, AI-powered credit assessment, blockchain for secure transactions, and cloud-based infrastructure have allowed banks to reduce costs, improve user experience, and scale services to remote and underserved regions. Fintech collaboration and open banking models are also reshaping how services are delivered, pushing traditional banks to innovate or partner with tech players to stay competitive.

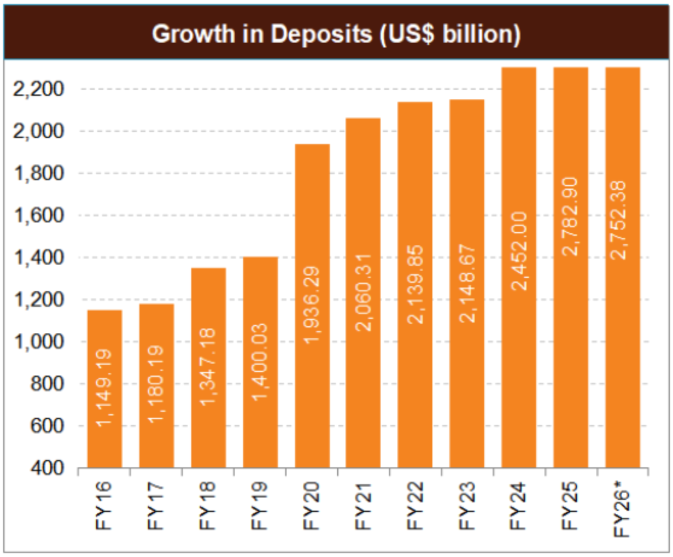
At the same time, the global banking industry faces critical **challenges**. Rising interest rates have improved margins for many banks, but also elevated credit risks, particularly in housing and SME lending. Regulatory tightening, cyber security threats, and geopolitical risks—including sanctions, regional conflicts, and inflation volatility—add to the uncertainty. Moreover, legacy banks are under pressure

Banking Industry

Indian Banking Industry

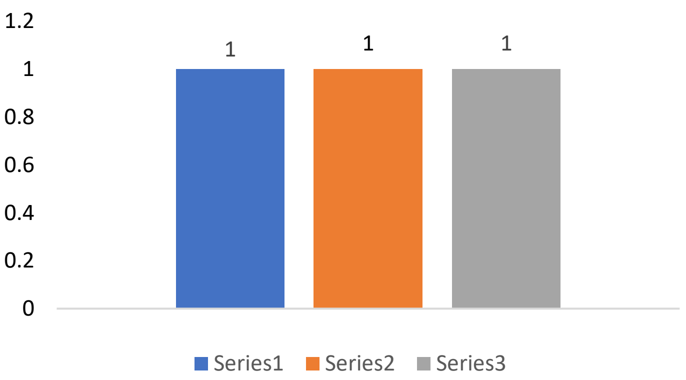
The Indian banking industry, a vital pillar of the nation's financial infrastructure, has shown strong resilience and transformation over the past decade. As of 2025, India has a well-structured and diversified banking sector comprising 12 Public Sector Banks (PSBs), 21 Private Sector Banks, 44 Foreign Banks, 56 Regional Rural Banks (RRBs), Payments Banks, Small Finance Banks, and thousands of cooperative and urban cooperative banks. The industry is regulated and supervised by the Reserve Bank of India (RBI), which ensures financial stability and inclusion across urban and rural regions.

As per IBEF, the total credit extended by Scheduled Commercial Banks stood at approximately ₹108 trillion (USD 1.45 trillion) as of March 2025, registering a credit growth of around 9.5% year-on-year. Meanwhile, aggregate deposits stood at ₹153 trillion (USD 2.05 trillion), growing at 10.1% annually.

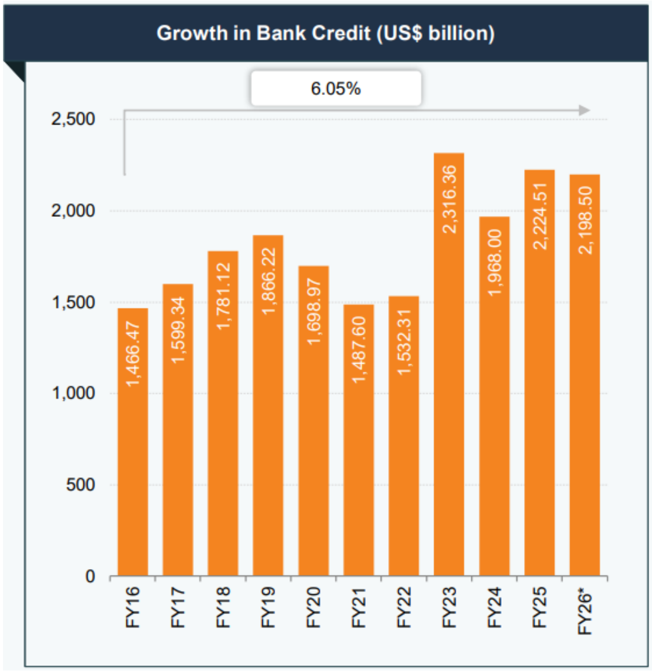


The banking sector has also witnessed a significant improvement in asset quality. According to the RBI Financial Stability Report, Gross Non-Performing Assets (NPAs) of Scheduled Commercial Banks declined to a 13-year low of 2.5% in March 2025, while Net NPAs fell to 0.57%. This remarkable decline was supported by improved provisioning, better recovery mechanisms under the Insolvency and Bankruptcy Code (IBC), and higher credit discipline. Consequently, bank profitability soared. In FY25, the total net profit of all scheduled commercial banks crossed ₹3.71 lakh crore—a 14-fold increase compared to FY14—driven predominantly by PSBs.

Total Banking sector assets (US$ billion)



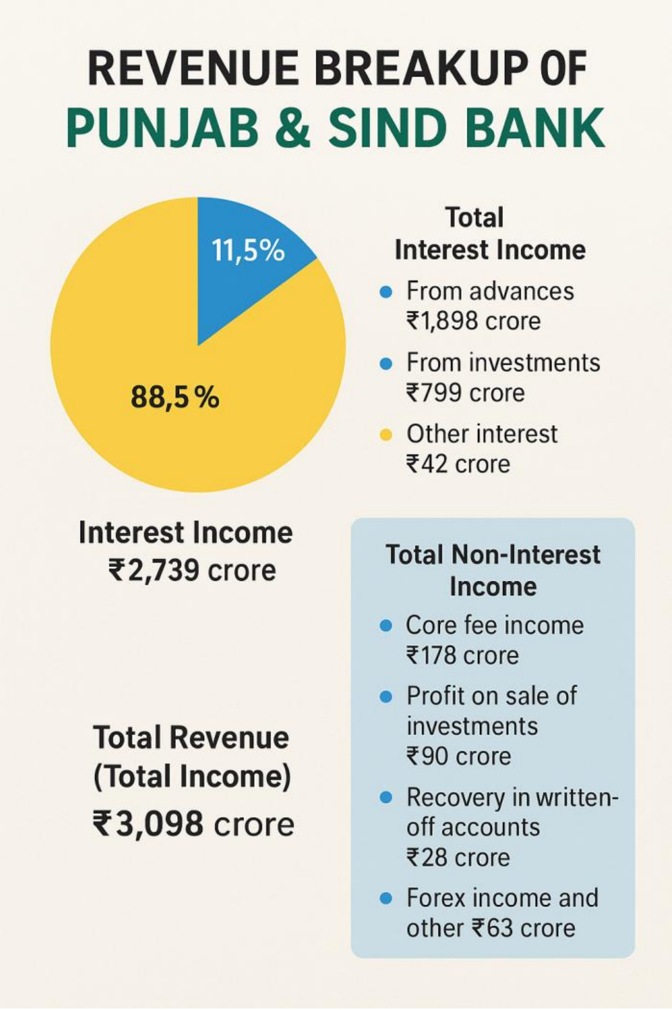
On the digital front, India is leading the global shift toward a cashless economy. The RBI's Digital Payments Index rose by 10.7% in FY25, indicating consistent growth in digital infrastructure and adoption. The Unified Payments Interface (UPI) has emerged as the backbone of digital payments in India. As of January 2024, UPI recorded over 106 billion transactions, with a transaction value exceeding ₹1.43 lakh crore (USD 1.66 trillion). In parallel, the RBI cut the repo rate by 50 basis points in July 2025, bringing it down to 5.50%, alongside a Cash Reserve Ratio (CRR) reduction, to support demand and economic recovery as retail inflation dropped to a 6-year low of 2.1%.



Earnings Call Analysis

Q2 FY25

Punjab & Sind Bank reported a strong performance for the quarter ending September 30, 2024 (Q2 FY25), showcasing significant improvements in profitability, asset quality, operational efficiency, and credit growth. The bank's net profit surged **26.98% year-on-year**, reaching ₹240 crore in Q2 FY25, up from ₹189 crore in the corresponding quarter last year. This substantial growth was driven primarily by higher core income, better cost control, and lower slippages in asset quality.



The bank's **Net Interest Income (NII)**, a key indicator of its core banking performance, increased by **29.33% YoY**, standing at ₹926 crore compared to ₹716 crore in Q2 FY24. This strong growth in NII reflects better credit offtake, improved yields on advances, and rationalized interest expenses. The **Net Interest Margin (NIM)** also witnessed a healthy expansion, rising by 38 basis points to **2.71%**, indicating a more profitable deployment of funds.

The **Operating Profit** saw a massive jump of **76.15%**, reaching ₹460 crore as compared to ₹261 crore in the year-ago period. This was supported not only by improved NII but also by higher non-interest income and better operating leverage. The bank reported improved operational efficiency with the **Cost-to-Income Ratio** declining by **958 basis points to 62.82%**, showcasing its efforts to control costs and enhance productivity across branches and support functions.

On the asset quality front, Punjab & Sind Bank reported commendable improvements. **Gross Non-Performing Assets (GNPAs)** stood at **5.43%**, down from **7.45%** a year ago—a decline of 202 basis points. Likewise, **Net NPAs** reduced to **0.91%**, down 42 bps from 1.33% in Q2 FY24. This improvement was a result of higher recoveries, prudent underwriting, and controlled slippage ratios. The **Provision Coverage Ratio (PCR)** also improved marginally, indicating a stronger risk buffer and more robust balance sheet health.

Return ratios showed steady improvement. **Return on Assets (RoA)** improved by 13 basis points YoY, reflecting stronger profitability relative to total assets. Likewise, Return on Equity (RoE) remained stable, signaling better shareholder value creation.

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Shareholding Pattern

	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Jun-25
Promotors	79.62%	85.56%	85.56%	83.06%	97.07%	98.25%	98.25%	98.25%	93.85%	93.85%
FII's	1.76%	1.11%	1.07%	0.76%	0.00%	0.00%	0.01%	0.02%	0.73%	0.25%
DII's	10.78%	7.62%	7.58%	6.14%	1.05%	0.64%	0.67%	0.65%	4.32%	4.08%
Public	7.84%	5.71%	5.79%	10.04%	1.88%	1.11%	1.07%	1.09%	1.11%	1.82%

Commentary

"Punjab & Sind Bank's evolving shareholding pattern over the past eight years reflects a journey of government-led revival and growing investor confidence, as promoter stake surged from 79.62% in FY17 to a peak of 98.25% during FY21–FY24 amid recapitalization efforts, later tapering to 93.85% by FY25 likely due to regulatory free-float requirements, while FII interest remained minimal except for a brief rise to 0.73% in FY25, DII stake rebounded from a low of 0.64% in FY22 to 4.08% by June 2025 signaling institutional trust recovery, and public shareholding, though consistently low, inched up from 1.07% in FY23 to 1.82% by June 2025, indicating cautious retail participation."

Peer Analysis

Peer Analysis - Punjab & Sind Bank

(INR in Crs)

		Market Data						Financial Data			Valuation		
Company Name	Ticker	Price ₹/Shares	Shares Cr	Market Cap Cr	Debt	Cash & Equivalents	EV	Sales ₹Cr	EBITDA ₹Cr	Earnings ₹Cr	EV/Sales x	EV/EBITDA x	P/E x
I O B	532388	39.7	1,925.7	76,410.2	3,54,166.5	16,880.4	4,13,696.3	28,131.0	22,146.5	3,334.7	14.7x	18.7x	22.9x
Bank of India	532149	118.0	455.3	53,731.0	9,43,675.4	50,343.9	9,47,062.5	71,307.7	59,751.6	9,552.2	13.3x	15.9x	5.8x
Bank of Maha	532525	57.3	769.2	44,088.3	3,30,972.8	36,967.7	3,38,093.4	26,126.9	20,053.0	5,751.1	12.9x	16.9x	7.7x
UCO Bank	532505	32.6	1,254.0	40,828.9	3,22,229.7	9,771.5	3,53,287.1	25,066.9	19,583.5	2,445.0	14.1x	18.0x	16.7x
Central Bank	532885	38.5	905.1	34,875.0	4,35,090.6	21,511.1	4,48,454.6	33,797.5	25,509.4	3,943.2	13.3x	17.6x	8.8x
Indian Bank	532814	631.7	134.7	85,090.0	7,78,650.6	24,768.0	8,38,972.6	62,039.4	52,239.9	11,264.4	13.5x	16.1x	7.6x
Punjab & Sind Bank	**533295**	**31.9**	**709.6**	**22,635.0**	**1,44,003.5**	**8,793.8**	**1,57,844.7**	**11,481.3**	**9,035.2**	**1,016**	**13.7x**	**17.5x**	**22.3x**

Commentary

Punjab & Sind Bank stands out among its public sector banking peers not for its scale or profitability, but for the surprising premium at which it is being valued. Compared to larger peers that exhibit stronger revenue streams, higher earnings, and more diversified operations, Punjab & Sind Bank continues to operate on a relatively modest scale with limited market presence and lower financial performance. Despite this, its valuation multiples remain on the higher side, suggesting that investors may be anticipating a turnaround in its operational efficiency, credit growth, or profitability metrics.

This optimism, however, appears to be at odds with the bank's current fundamentals. While peers such as Indian Bank, Bank of India, and UCO Bank show stronger financials with more balanced valuation levels, Punjab & Sind Bank's elevated multiples could reflect speculative interest rather than strong institutional confidence. The bank will need to demonstrate consistent earnings growth, improved asset quality, and better operating leverage to justify these valuations over time.

In essence, the bank's current market position signals a disconnect between price and performance, and unless backed by tangible improvements, this valuation premium may not be sustainable in the long run. Investors should approach with cautious optimism

Academic Research Report – Not a Recommendation

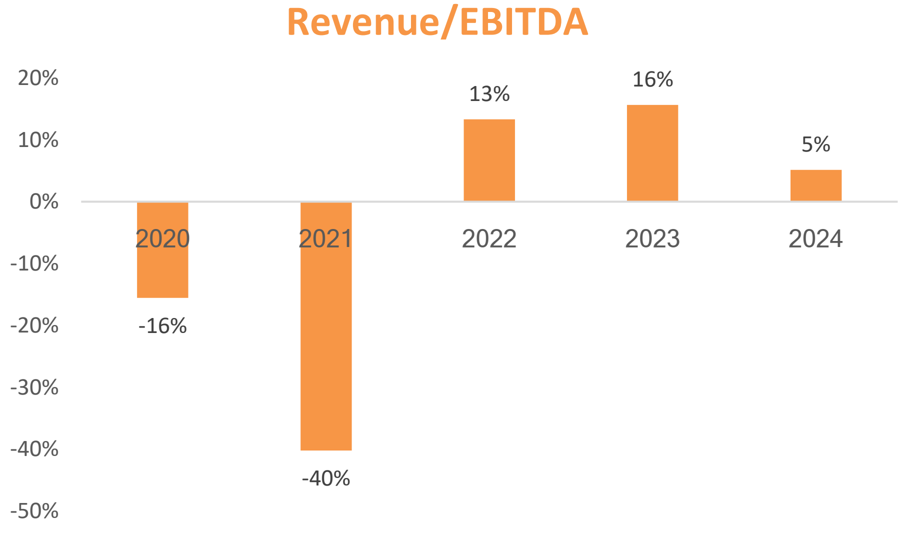
Financial Statement Analysis

Quarterly Income Statement Snapshot

Particulars	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Revenue	2,481	2,652	2,739	2,931	3,159	2,911
Revenue Gr. Y-O-Y	*0%*	*7%*	*3%*	*7%*	*8%*	*-8%*
Interest	1,792	1,802	1,866	1,992	2,037	2,010
Expenses	875	831	924	902	1,356	1,046
Financing Profit	**-186**	**19**	**-52**	**36**	**-234**	**-146**
Financing Margin %	*-8%*	*1%*	*-2%*	*1%*	*-7%*	*-5%*
Other Income	413	194	359	338	677	469
Depreciation	0	0	0	0	0	0
Profit before tax	**227**	**213**	**307**	**375**	**442**	**323**
Tax %	39%	15%	22%	25%	29%	17%
Net Profit	**139**	**182**	**240**	**282**	**313**	**269**
Net Profit % Y-O-Y		*31%*	*32%*	*18%*	*11%*	*-14%*

Commentary

Despite witnessing steady revenue growth from ₹2,481 Cr in Mar-24 to ₹3,159 Cr in Mar-25, Punjab & Sind Bank reported negative financing profits in four out of six quarters—with the lowest at ₹–234 Cr in Mar-25—due to rising interest and expense burdens, yet managed to consistently post positive profit before tax ranging from ₹213 Cr to ₹442 Cr and net profits improving from ₹139 Cr in Mar-24 to ₹313 Cr in Mar-25, primarily supported by strong other income contributions (peaking at ₹677 Cr) and lower tax rates in some quarters, reflecting that while core financing margins remain volatile and often negative, the bank's profitability is being sustained through non-core income streams and efficient tax management rather than fundamental operational strength.



Financial Statement Analysis

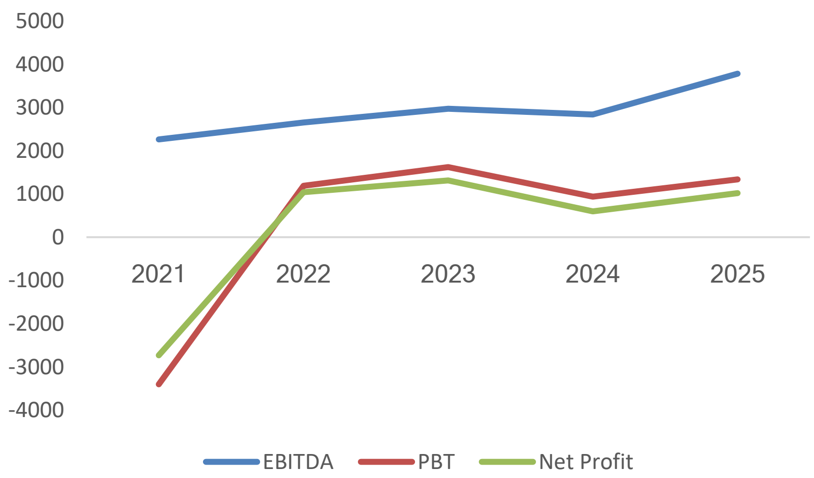
Yearly Income Statement Snapshot

(INR In Cr.)

Particulars	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Revenue	8,559	7,930	6,974	7,096	7,993	9,694	11,481
Revenue Gr. Y-O-Y		*-7%*	*-12%*	*2%*	*13%*	*21%*	*18%*
Interest	6,279	5,872	4,712	4,444	5,019	6,853	7,698
EBITDA	**2,280**	**2,058**	**2,262**	**2,652**	**2,974**	**2,841**	**3,783**
EBITDA Margin %	*-20%*	*-30%*	*-60%*	*5%*	*10%*	*-1%*	*-1%*
Expenses	3,981	4,423	6,468	2,287	2,145	2,975	3,869
Other Income	828	897	904	959	940	1,221	1,568
Depreciation	-15	54	102	137	148	150	145
Profit before tax	**-858**	**-1,522**	**-3,404**	**1,187**	**1,621**	**937**	**1,337**
PBT Gr. Y-O-Y		*77%*	*124%*	*-135%*	*37%*	*-42%*	*43%*
Tax %	-37%	-35%	-20%	12%	19%	36%	24%
Net Profit	**-543**	**-991**	**-2,733**	**1,039**	**1,313**	**595**	**1,016**
Net Profit Gr. Y-O-Y		*83%*	*176%*	*-138%*	*26%*	*-55%*	*71%*

Commentary

Despite initial years of financial distress with consistent net losses from FY19 to FY21 driven by high interest outflows and weak margins, Punjab & Sind Bank marked a turnaround from FY22 onwards as profit before tax swung from ₹–3,404 Cr in FY21 to ₹1,187 Cr in FY22, continuing its growth momentum to ₹1,337 Cr in FY25, backed by strong improvement in EBITDA which rose from ₹2,280 Cr in FY19 to ₹3,783 Cr in FY25, while revenue grew steadily from ₹6,974 Cr in FY21 to ₹11,481 Cr in FY25, and net profit rebounded from losses of ₹2,733 Cr in FY21 to ₹1,016 Cr in FY25, indicating significant operational recovery driven by higher other income, improved cost management, and stable revenue growth, although EBITDA margins remained weak at –1% in FY24 and FY25 due to elevated expenses and interest burden.



Financial Statement Analysis

Balance Sheet Snapshot

Particulars	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Equity Capital	4,053	6,778	6,778	6,778	7,096
Reserves	4,310	7,233	8,331	8,756	6,259
Deposits	96,108	1,02,137	1,09,665	1,19,410	1,29,774
Borrowing	2,644	2,444	9,018	9,771	14,230
Other Liabilities	3,367	2,476	2,662	2,943	4,457
Total Liabilities	1,10,482	1,21,068	1,36,455	1,47,657	1,61,815
Fixed Assets	1,585	1,577	1,519	1,756	1,779
CWIP	0	0	0	0	0
Investments	32,023	42,281	44,838	49,599	46,912
Other Assets	76,874	77,209	90,097	96,302	1,13,124
Total Assets	1,10,482	1,21,068	1,36,455	1,47,657	1,61,815

Commentary

Punjab & Sind Bank has shown a steady expansion in its balance sheet over the years, reflecting a consistent growth in both its liabilities and assets, which is indicative of improving financial stability and operational outreach. On the liabilities side, the bank has significantly enhanced its deposit base year-on-year, underlined growing customer trust and improving deposit mobilization efforts. There is also a noticeable increase in borrowings and other liabilities, suggesting the bank has been strategically leveraging external funds to fuel its growth and asset deployment. However, while equity capital has grown modestly, the fluctuation in reserves in the most recent year signals a possible impact from dividend distribution or revaluation adjustments.

On the asset side, the bank has continued to strengthen its investment portfolio, showing prudent capital allocation toward income-generating assets. At the same time, a substantial increase in other assets points toward rising lending activities and broader asset diversification, aligning with the bank's strategy to scale up its credit operations. The fixed assets have remained relatively stable, indicating that the bank has not been overly aggressive in physical expansion but is likely focusing more on digital and operational efficiency.

The overall growth in total liabilities and matching rise in total assets reflects a balanced and well-managed growth approach. It highlights Punjab & Sind Bank's ability to fund its operations effectively, improve customer acquisition, and deploy capital in a manner that supports profitability and asset quality enhancement. Despite some volatility in specific line items like reserves and investments, the bank's consistent year-on-year expansion signals a resilient financial structure, improved risk management, and readiness to compete more efficiently in the public sector banking space. This balance sheet trajectory suggests the institution is on a stable footing, with room for sustainable growth in the coming years.

Financial Statement Analysis

Cash Flow Statement

Particulars	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Cash from Operating Activity	**-5,848**	**-5,999**	**1,428**	**1,746**	**-2,294**
Profit from operations	1,119	1,699	1,713	1,384	-1,872
Loans Advances	-5,318	-3,709	-12,876	-5,779	-15,157
Operating investments	-7,573	-10,255	-2,714	-5,158	2,694
Operating borrowings	-370	100	7,575	752	1,459
Operating Deposits	6,441	6,029	7,528	9,744	10,364
Other WC items	77	-715	352	1,145	-443
Working capital changes	**-6,743**	**-8,551**	**-135**	**705**	**-1,083**
Direct taxes	-224	854	-149	-342	0
Advance tax	0	0	0	0	662
Cash from Investing Activity	**-446**	**-121**	**-88**	**-229**	**-168**
Fixed assets purchased	-446	-121	-90	-229	-168
Fixed assets sold	0	0	2	0	0
Cash from Financing Activity -	**5,055**	**4,068**	**-1,332**	**-431**	**3,898**
Proceeds from shares	5,500	4,600	0	0	1,219
Proceeds from debentures	0	0	0	0	0
Proceeds from borrowings	0	0	0	0	3,000
Repayment of borrowings	-200	-300	-1,000	0	0
Interest paid fin	-244	-231	-117	-106	-171
Dividends paid	0	0	-210	-325	-136
Other financing items	0	0	-5	0	-15
Net Cash Flow	**-1,239**	**-2,051**	**8**	**1,086**	**1,437**

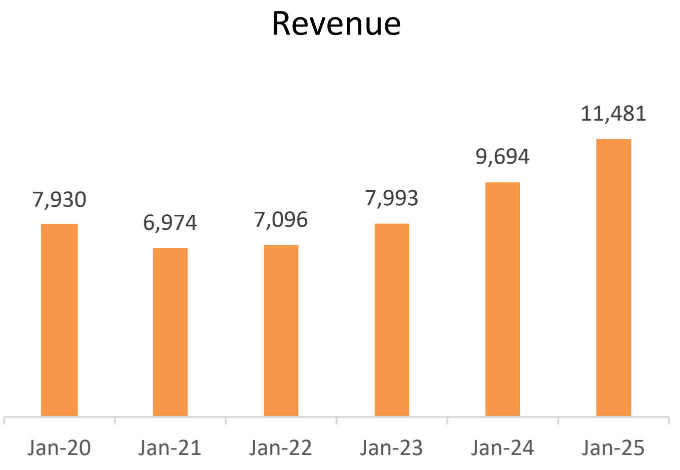
Commentary

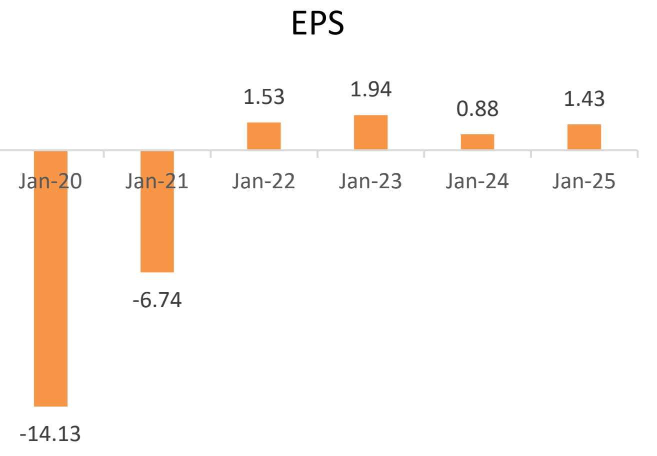
Punjab & Sind Bank's cash flow statement reflects fluctuating operating performance, driven largely by volatile movements in loan disbursements and investments. While the bank occasionally managed to generate positive cash from operations, working capital pressures and investment outflows posed challenges. Financing activities, primarily supported by equity infusions and borrowings, helped balance the deficits, resulting in improving net cash flow trends in recent years, highlighting stronger financial maneuvering and improved liquidity positioning

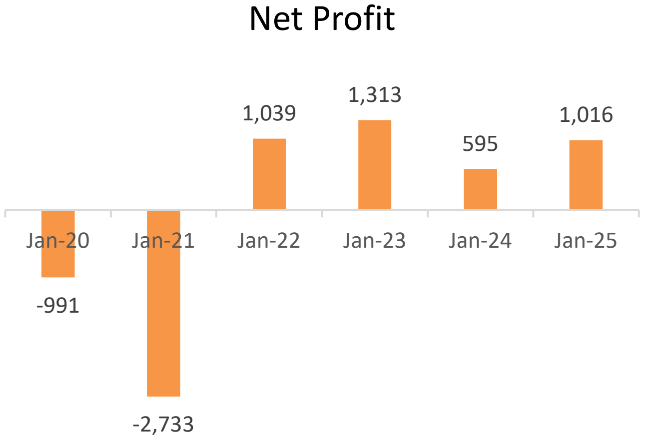
Academic Research Report – Not a Recommendation

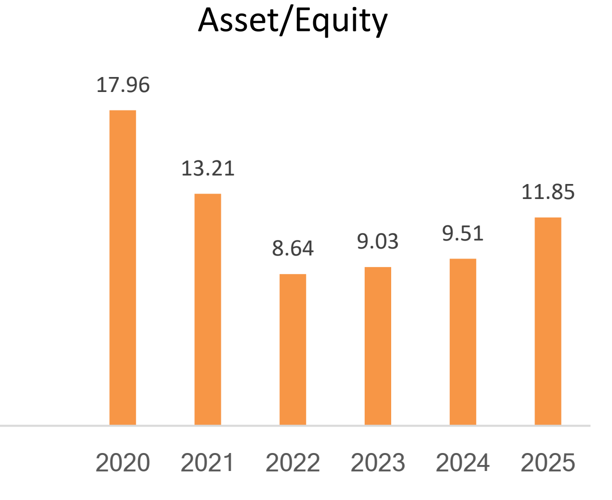
Financial Statement Analysis

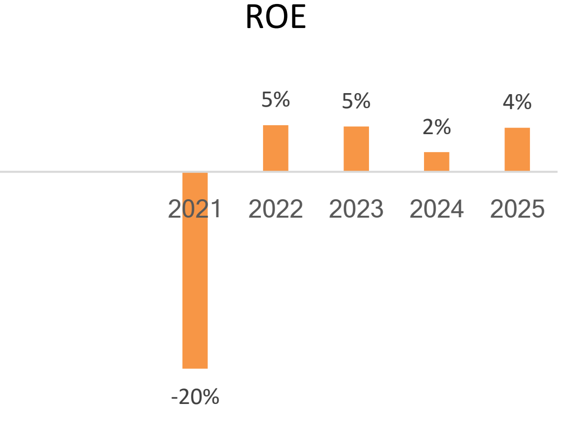
Financial Summary











Qualitative Analysis

Strengths

- **Government Ownership & Support:** As a Public Sector Bank (PSB), Punjab & Sind Bank benefits from strong implicit and explicit support from the Government of India. This provides a significant safety net, enhancing depositor confidence and aiding capital infusion when needed. The government holds a substantial majority stake (over 93%).

- **Improving Asset Quality:** The bank has shown a consistent decline in its Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA) ratios over the past few years (e.g., GNPA at 3.38% and NNPA at 0.96% as of March 2025). This indicates better credit risk management and recovery efforts.

- **Growing Net Interest Income (NII) and Net Profit:** The bank has demonstrated growth in NII and net profit, with net profit increasing significantly in FY2025 (70.6% YoY). This reflects improved core banking operations.

- **Improved Capital Adequacy Ratio (CAR):** Punjab & Sind Bank's CAR has shown an improvement (17.4% as of March 2025), indicating a stronger capital base relative to its risk-weighted assets, providing a buffer against potential losses.

Weaknesses

- **Suboptimal Earnings Profile (Historically):** While recent trends show improvement, the bank has historically faced challenges with its earnings profile, impacted by weak asset quality and higher operating expenses.

- **High Interest Payments Compared to Earnings (Red Flag):** This has been flagged as a red flag, indicating that a significant portion of earnings is consumed by interest expenses, potentially limiting profitability and reinvestment.

- **Below Industry Average CASA Deposits:** The Current Account Savings Account (CASA) ratio remains below the public sector bank average, leading to a relatively higher cost of funds for the bank. A lower CASA typically means higher dependence on more expensive term deposits.

- **Impact of Wage Revisions:** Increased operating expenses due to wage revisions can put pressure on profitability.

- **Moderate Growth in Advances:** While deposits have shown growth, the growth in advances has been moderate, which can limit the bank's ability to generate higher interest income. This is partly due to a strategic shift towards Retail, Agriculture, and MSME (RAM) segments.

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Qualitative Analysis

Opportunities

- **Focus on RAM Segment:** The strategic shift to focus on Retail, Agriculture, and MSME (RAM) segments can lead to diversified and potentially less risky loan portfolios compared to large corporate exposures.
- **Digitalization and Fintech Integration:** Leveraging technology to enhance digital banking services, mobile banking, and online loan applications can improve efficiency, reach new customer segments, and reduce operational costs.
- **Expansion in Untapped Geographies/Rural Areas:** With a significant presence in rural and semi-urban areas, the bank can further expand its reach in underserved regions, capitalizing on financial inclusion initiatives.
- **Cross-Selling Opportunities:** With its existing customer base, the bank can cross-sell various financial products like insurance, mutual funds, and other wealth management services to boost non-interest income.
- **Government Initiatives:** Government initiatives promoting financial inclusion, priority sector lending, and digital payments provide avenues for the bank to expand its business and contribute to national development goals.

Threats

- **Intense Competition:** The banking sector in India is highly competitive, with strong public sector, private sector, and foreign banks vying for market share. This can put pressure on margins and growth.
- **Economic Slowdown and Asset Quality Risks:** Any slowdown in the Indian economy can lead to an increase in Non-Performing Assets (NPAs), impacting the bank's profitability and capital.
- **Regulatory Changes and Compliance Burden:** Frequent changes in banking regulations by the RBI and government can increase compliance costs and operational complexities.
- **Technological Disruptions and Cybersecurity Risks:** The rapid evolution of financial technology (fintech) and increasing cyber threats pose risks to traditional banking models and data security.
- **Interest Rate Volatility:** Fluctuations in interest rates can impact the bank's Net Interest Margin (NIM) and profitability.
- **Global Economic Uncertainties:** Geopolitical tensions, global economic instability, and commodity price fluctuations can indirectly affect the Indian economy and the banking sector.

Stock Performance

Peer Comparison

(INR. In Cr.)

Name	CMP	Debt Rs.	Mark. Cap	Eq. Shares	P/E	Cash End	Sales Rs.	Net Profit	EV/EBITDA
St Bk of India	799	60,50,755	7,37,711	923	10	2,08,894	4,90,938	80,523	16
Punjab Natl.Bank	109	16,82,826	1,25,606	1,149	7	61,154	1,24,010	18,553	16
Bank of Baroda	242	15,93,293	1,25,281	517	6	54,139	1,30,143	19,618	16
Union Bank (I)	133	13,39,781	1,01,321	763	5	87,764	1,09,365	18,813	14
Canara Bank	110	15,46,160	99,859	907	5	86,837	1,23,951	16,826	14
Indian Bank	631	7,78,651	84,926	135	7	24,768	63,284	10,970	16
I O B	38	3,71,201	73,021	1,926	19	16,880	28,982	3,813	18
Pun. & Sind Bank	30	1,44,004	21,060	710	19	8,567	11,740	1,103	17

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