

# Canara Bank

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CBK IN
Equity Shares (m)	9071
M.Cap.(INRb)/(USDb)	865.1 / 10.1
52-Week Range (INR)	129 / 79
1, 6, 12 Rel. Per (%)	-1/-9/-23
12M Avg Val (INR M)	3304

## Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
NII	370.7	392.8	430.2
OP	313.9	337.6	373.6
NP	170.3	178.5	197.5
NIM (%)	2.4	2.3	2.3
EPS (INR)	18.8	19.7	21.8
EPS Gr. (%)	17.0	4.9	10.6
BV/Sh. (INR)	105	119	131
ABV/Sh. (INR)	98	112	123
RoA (%)	1.1	1.0	1.0
RoE (%)	20.2	18.3	18.0

## Valuations

P/E (x)	5.1	4.8	4.4
P/BV (x)	0.9	0.8	0.7
P/ABV (x)	1.0	0.9	0.8

## Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	62.9	62.9	62.9
DII	11.9	11.7	14.4
FII	10.6	11.1	10.6
Others	14.7	14.2	12.1

**CMP: INR95**

**TP: INR115 (+21%)**

**Buy**

## NII in line; PAT beat led by lower provisions and healthy other income

### RoA outlook steady; NIM improves QoQ

- Canara Bank (CBK) reported a 4QFY25 standalone PAT of INR50b (+33.1% YoY, 20% higher than MOFSLe), fueled by healthy other income and lower-than-expected provisions.
- NII declined 1.4% YoY/rose 3.2% QoQ to INR94.4b (in line). NIM improved 2bp QoQ to 2.73% during 4QFY25.
- The loan book rose 12.6% YoY/2.5% QoQ to INR10.5t, while deposits surged 11% YoY/6.4% QoQ to INR14.6t. CASA ratio improved to ~31.2% in 4QFY25.
- On the asset quality front, total slippages stood at INR27b (vs. INR24.6b in 3QFY25). Healthy recovery and write-offs led to 40bp/19bp QoQ improvements in GNPA/ NNPA ratio to 2.94%/0.70%. PCR stood at 76.7%.
- We broadly maintain our projections and estimate CBK to deliver an FY27E RoA/RoE of 1.0%/18%. **Reiterate BUY with a TP of INR115 (premised on 0.9x FY'27E ABV).**

### Business growth guidance maintained; CASA improves 117bp QoQ

- CBK reported a 4QFY25 standalone PAT of INR50b (+33.1% YoY; 20% beat), led by higher-than-expected other income and lower provisions. For FY25, earnings grew 17% YoY to INR170b. We expect FY26E earnings at INR170b.
- NII dipped 1.4% YoY to INR94.4b (inline). NIM improved 2bp QoQ to 2.73%. Other income grew 9.5% QoQ to INR63.5b (21.7% YoY, 11.2% beat), amid reversals in SR provisions and healthy recoveries. Recovery from NPAs was INR24.7b vs. INR20b in 3Q. Thus, total revenue rose 6.7% YoY (4.3% beat).
- Operating expenses grew 1.3% YoY to INR75.1b (+5.6% QoQ, in line). The C/I ratio thus remained largely stable at 47.6%. Provisions stood at INR18.3b (-26% YoY/-23.6% QoQ; 15.4% lower). PPOP grew 12.1% YoY/5.7% QoQ to INR 82.8b (~8% beat).
- The loan book grew 12.6% YoY/2.5% QoQ, led by the retail segment, which was up 7.3% QoQ. Within this, housing grew 3% QoQ. Deposits surged 11% YoY (6.4% QoQ) due to a healthy seasonal flow in CA deposits. Hence, the CASA ratio improved 117bp QoQ to ~31.2%; the CD ratio stood at 72%.
- GNPA/NNPA ratios improved 40bp/19bp QoQ to 2.94%/0.7%. PCR stood at 76.7%. Total slippages were elevated at INR27b (vs. INR24.6b in 3QFY25) amid higher slippages in the MSME segment. Credit costs were 0.99% vs. the FY25 guidance of 1.1%. Further, the slippage ratio is expected to remain benign at 0.9% for FY26.
- The total SMA book moderated to 0.96% in 4QFY25 from 1.14% in 3QFY25 due to a reduction in the SMA-2 book.

### Highlights from the management commentary

- The bank carried out a provision reversal exercise, which resulted in a 150bp improvement in the PCR, bringing it in line with industry peers. Out of the INR17b in SR, INR11b was reversed during the Mar'25 quarter.
- The majority of slippages were observed in the MSME portfolio, and most of these were due to technical reasons rather than fundamental credit deterioration.
- Guidance for FY26: business growth at 10.5% YoY, advances growth at 10-11%, deposits growth at 9-10%, and CASA ratio at 32%.
- From the Dec'24 quarter, the bank's NIM improved 3bp. Yields on retail gold stood at 9%+ and have been aiding the overall yield.

### Valuation and view

CBK reported a healthy quarter with earnings beat driven by inline NII, healthy other income, controlled opex, and lower than expected provisions. The bank has reported an improvement in the NIMs, primarily driven by better yields from advances coupled with the steady cost of funds. Loan growth was steady and largely driven by growth in the retail segment, while deposits surged owing to a seasonal flow in the CA deposits. This resulted in a CASA ratio improvement for the bank. CBK has largely maintained its business growth guidance for FY26E. Barring some QoQ increase in slippages, asset quality stood quite stable, which led to benign credit costs in 4Q. Management expects credit costs to remain benign at 0.9% for FY26. SMA continues to decline during the quarter, with no major signs of stress in the book. We broadly retain our projections and estimate CBK to deliver an FY27E RoA/RoE of 1.0%/18%. **Reiterate BUY with a TP of INR115 (based on 0.9x FY'27E ABV).**

### Quarterly Performance

	FY24				FY25				FY25	FY26E	FY25E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est (%)
<b>Net Interest Income</b>	<b>86.7</b>	<b>89.0</b>	<b>94.2</b>	<b>95.8</b>	<b>91.7</b>	<b>93.2</b>	<b>91.5</b>	<b>94.4</b>	<b>370.7</b>	<b>392.8</b>	<b>94.3</b>	<b>0</b>
% Change (Y-o-Y)	27.7	19.8	9.5	11.2	5.8	4.6	-2.9	-1.4	1.4	6.0	-1.6	
Other Income	48.2	46.3	43.0	52.2	53.2	49.8	58.0	63.5	224.5	248.3	57.1	11
<b>Total Income</b>	<b>134.8</b>	<b>135.4</b>	<b>137.1</b>	<b>148.0</b>	<b>144.9</b>	<b>143.0</b>	<b>149.5</b>	<b>157.9</b>	<b>595.2</b>	<b>641.2</b>	<b>151.3</b>	<b>4</b>
Operating Expenses	58.8	59.2	69.1	74.1	68.7	66.4	71.1	75.1	281.3	303.6	74.5	1
<b>Operating Profit</b>	<b>76.0</b>	<b>76.2</b>	<b>68.1</b>	<b>73.9</b>	<b>76.2</b>	<b>76.5</b>	<b>78.4</b>	<b>82.8</b>	<b>313.9</b>	<b>337.6</b>	<b>76.9</b>	<b>8</b>
% Change (Y-o-Y)	15.1	10.3	-2.1	1.9	0.2	0.5	15.2	12.1	6.7	7.5	4.1	
Other Provisions	27.2	26.1	19.0	24.8	22.8	22.5	24.0	18.3	87.6	98.3	21.6	(15)
<b>Profit before Tax</b>	<b>48.9</b>	<b>50.1</b>	<b>49.1</b>	<b>49.1</b>	<b>53.3</b>	<b>54.0</b>	<b>54.4</b>	<b>64.5</b>	<b>226.3</b>	<b>239.3</b>	<b>55.2</b>	<b>17</b>
Tax	13.5	14.0	12.5	11.5	14.3	13.9	13.3	14.5	56.0	60.8	13.6	7
<b>Net Profit</b>	<b>35.3</b>	<b>36.1</b>	<b>36.6</b>	<b>37.6</b>	<b>39.1</b>	<b>40.1</b>	<b>41.0</b>	<b>50.0</b>	<b>170.3</b>	<b>178.5</b>	<b>41.6</b>	<b>20</b>
% Change (Y-o-Y)	74.8	42.8	26.9	18.3	10.5	11.3	12.3	33.1	17.0	4.9	10.8	
<b>Operating Parameters</b>												
Deposit (INR b)	11,925	12,322	12,629	13,124	13,352	13,473	13,695	14,569	14,569	15,895	14,147	
Loan (INR b)	8,551	8,923	9,206	9,316	9,464	9,840	10,237	10,492	10,492	11,688	10,453	
Deposit Growth (%)	6.6	8.7	8.5	11.3	12.0	9.3	8.4	11.0	11.0	9.1	7.8	
Loan Growth (%)	14.5	13.2	12.8	12.2	10.7	10.3	11.2	12.6	12.6	11.4	12.2	
<b>Asset Quality</b>												
Gross NPA (%)	5.2	4.8	4.4	4.2	4.1	3.7	3.3	2.9	2.9	2.7	3.2	
Net NPA (%)	1.6	1.4	1.3	1.3	1.2	1.0	0.9	0.7	0.7	0.7	0.8	
PCR (%)	70.6	71.4	70.8	70.9	71.0	74.1	74.1	76.7	76.7	75.1	74.5	

## Quarterly Snapshot

INR b	FY24				FY25				Change (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Net Interest Income	86.7	89.0	94.2	95.8	91.7	93.2	91.5	94.4	-1.4	3.2
Other Income	48.2	46.3	43.0	52.2	53.2	49.8	58.0	63.5	21.7	9.5
Total Income	134.8	135.4	137.1	148.0	144.9	143.0	149.5	157.9	6.7	5.6
Operating Expenses	58.8	59.2	69.1	74.1	68.7	66.4	71.1	75.1	1.3	5.6
Employee	36.5	37.9	45.3	44.6	42.3	43.6	44.8	47.8	7.3	6.7
Operating Profits	76.0	76.2	68.1	73.9	76.2	76.5	78.4	82.8	12.1	5.7
Core Operating Profits	73.1	72.6	65.0	67.2	72.7	69.9	68.9	75.7	12.6	9.9
Provisions	27.2	26.1	19.0	24.8	22.8	22.5	24.0	18.3	-26.2	-23.6
PBT	48.9	50.1	49.1	49.1	53.3	54.0	54.4	64.5	31.5	18.6
Taxes	13.5	14.0	12.5	11.5	14.3	13.9	13.3	14.5	26.2	8.6
PAT	35.3	36.1	36.6	37.6	39.1	40.1	41.0	50.0	33.1	21.9
Balance sheet (INR b)										
Loans	8,551	8,923	9,206	9,316	9,464	9,840	10,237	10,492	12.6	2.5
Deposits	11,925	12,322	12,629	13,124	13,352	13,473	13,695	14,569	11.0	6.4
CASA Deposits	3,645	3,676	3,693	3,923	3,814	3,873	3,772	4,150	5.8	10.0
- Savings	3,206	3,230	3,240	3,284	3,322	3,407	3,297	3,371	2.7	2.3
- Current	438	446	452	639	492	466	475	778	21.7	63.8
Loan mix (%)										
Agriculture & Allied	25.1	25.6	25.5	26.4	24.7	24.0	23.2	23.0	-336	-22
MSME	14.2	14.3	14.1	13.5	13.8	13.7	13.5	13.0	-42	-42
Retail	16.0	16.0	16.2	16.3	18.0	19.2	19.8	20.8	453	98
Corporate and others	44.6	44.1	44.2	43.9	43.4	43.0	43.5	43.2	-75	-34
Asset Quality										
GNPA	457.3	439.6	417.2	406.0	403.6	377.3	350.6	315.3	-22.3	-10.1
NNPA	134.6	125.5	121.8	118.2	117.0	97.8	90.8	73.5	-37.8	-19.0
Slippages	34.3	64.2	95.9	129.9	33.4	56.8	81.5	108.5	-16.5	33.2
Asset Quality Ratios										
GNPA (%)	5.2	4.8	4.4	4.2	4.1	3.7	3.3	2.9	-129	-40
NNPA (%)	1.6	1.4	1.3	1.3	1.2	1.0	0.9	0.7	-57	-19
PCR (Calculated, %)	70.6	71.4	70.8	70.9	71.0	74.1	74.1	76.7	580	258
PCR (inc TWO, %)	88.0	88.7	89.0	89.1	89.2	90.9	91.3	92.7	360	144
Slippage Ratio (%)	1.7	1.4	1.5	1.5	1.5	1.0	1.0	1.1	-45	8
Business Ratios										
CASA	33.0	32.2	31.7	32.3	31.0	31.3	30.0	31.2	-112	117
Loan/Deposit	71.7	72.4	72.9	71.0	70.9	73.0	74.8	72.0	103	-274
Other income/Total Income	35.7	34.2	31.3	35.3	36.7	34.8	38.8	40.2	495	140
Cost to Income	43.6	43.7	50.4	50.1	47.4	46.5	47.6	47.5	-253	-4
Cost to asset	1.8	1.7	2.0	2.1	1.9	1.8	1.9	1.9	-20	3
Tax Rate	27.6	28.0	25.5	23.4	26.8	25.7	24.5	22.5	-95	-207
Capitalisation Ratios (%)										
Tier-1	13.6	13.6	13.4	14.0	14.4	14.6	14.6	14.4	42	-18
- CET 1	11.5	11.6	11.3	11.6	12.1	12.0	12.0	12.0	45	6
CAR	16.2	16.2	15.8	16.3	16.4	16.6	16.4	16.3	5	-11
RWA / Total Assets	43.0	43.1	44.8	44.9	44.6	45.2	45.8	44.0	-88	-177
LCR	129.5	132.4	135.8	129.0	146.5	137.4	123.1	0.0	-12904	-12311
Profitability Ratios										
Yield on loans	8.4	8.6	8.6	8.7	8.7	8.8	8.8	8.8	12	4
Yield On Funds	7.3	7.3	7.5	7.5	7.7	7.7	7.7	7.7	11	-2
Cost of Funds	4.8	4.9	4.9	5.0	5.3	5.3	5.3	5.3	28	0
Cost of Deposits	5.2	5.4	5.4	5.5	5.7	5.7	5.7	5.7	24	2
NIMs	3.1	3.0	3.0	3.1	2.9	2.9	2.7	2.7	-34	2
Other Details										
Branches	9,653	9,518	9,585	9,604	9,623	9,658	9,816	9,849	245	33
ATMs	12,114	12,118	10,463	10,209	10,014	9,881	9,715	9,579	(630)	(136)

Source: MOFSL, Company



## Highlights from the management commentary

### Opening Remarks

- Global business rose 11.2% YoY; deposits increased 11.01% YoY, and advances grew 11.74% YoY. Net profit surged 33.2% YoY.
- PCR improved by 360bps YoY to 92.7%, while GNPA dropped 129bps to 2.94%, and NNPA declined 57bps to 0.7%.
- The Board recommended a dividend of INR4 per share on a face value of INR2.
- RAM credit grew 13.23%; retail credit remained at 42.8%. Home loans rose 13.57%, and vehicle finance expanded 19.6%.
- Fee-based income increased by 20.3%.
- Slippage ratio remained under 1%, better than the 1.1% guidance.

### Advances and Deposits related

- The gold portfolio has increased by 20%, the overall growth is not slow. But the Agri is shifting towards the Retail credit.
- The bank has an agri loan exposure of INR160b in metro regions, with some loans closed and others continuing, which has supported growth in retail credit.
- Agri gold loans have declined YoY as the bank stopped lending in metropolitan areas; however, overall growth is unaffected as the shift has been towards retail credit driven by new products.
- Demand for bulk deposits has decreased, and the interest rates have softened, now ranging around 7%.
- Core agri is growing at 10% YoY, the bank has stopped lending towards interest subvention and has stopped lending in the Metro cities due to Agri. This reclassification will not only impact CBK, but also the banking industry.
- The bank's total agri loan book is INR2.46t, of which agri gold loans account for INR1.33t, down from INR1.53t; retail gold loans have increased to INR480b from INR10–20b a year ago.
- Retail loans stood at 42% YoY, Retail gold loans were INR480b.
- EBLR is 44% and MCLR at 40%. Gold loans are MCLR-linked.
- The PL and CC book is INR180–190b, of which INR60b are standard PLs, and INR130b are loans to salaried/pensioner customers drawing income through CBK; the CC book is INR12–13b, and PL NPAs are at 0.49–0.50%.
- The bank has the highest priority on the CASA. The CASA is a bit difficult as the payment system has matured, and people will not keep CASA beyond the minimum requirements.
- To stabilize CASA, the bank opened 500 branches over the last two years and plans to open 250 more in the current year.
- A target has been set for each employee to garner INR1m in deposits; bulk deposit rates are declining, and while some stress is anticipated in H1, recovery is expected in Q3, with NIM expected to remain at 2.75–2.8%.
- Core agri loans are growing at 10.5%; the bank has discontinued interest subvention loans and stopped agri gold loans in metro areas to comply with RBI's new guidelines, which reclassify agri gold loans as retail, thereby excluding them from PSL eligibility.

### P&L related

- Recovery in technically written-off accounts and fee-based income contributed to the bank's PAT growth.
- Interest income saw some one-off gains during the year, with only a 3–4bps increase in funding cost; the bank earned interest on NPAs in both Q2 and Q4, including INR7b in 4Q.

### Yields and Margins

- Bulk deposit rates have come down, and not much reduction has happened in retail TDs.
- Yields on retail gold are 9% and above and have been helping yield.
- Retail gold loans are expected to grow by 8.6–8.7%, and the combined retail and agri yield stands at 9.1–9.15%.
- From the Dec quarter, the bank's NIM has improved by 3bp.
- SA rates are 2.9%, and this moment has a cushion to reduce to 2.75%. But this call will be taken later.

### Other Income

- PSLC certificates are the game of money and supply. The rates in the PSLC have already been touching 3%. The quantum shall reduce, but the demand in PSLC shall be very high.
- The bank has achieved 56% of the 40% PSL requirement, despite the reclassification of agri gold loans.
- PSLC commission income stood at INR15.5b for FY25; the bank earned a 2% commission for one quarter and 3% in Q4, and this income is expected to remain strong due to high demand and favorable commission rates.

### Asset Quality

- During the March quarter, the bank recorded slippages amounting to INR12.5b in the MSME segment, INR7.5b in the agriculture segment, and INR6.5b in the retail segment.
- The bank carried out a provision reversal exercise, which resulted in a 150 bp improvement in the PCR, bringing it in line with industry peers. Out of the INR17b in SR, INR11b was reversed during the March quarter.
- The reversed SR amount was utilized to enhance provisioning in the SR segment. Consequently, the provisioning on NPAs increased, leading to an improvement in the PCR to 92.7%, up from 91.26%.
- Of the INR11b reversed, INR5b was reflected as income in the profit and loss account, while the remaining INR6b was directed towards provisioning for NPAs, thereby further strengthening the PCR.
- The INR5b that was booked as profit from the SR reversal is not eligible for dividend distribution. Furthermore, the entire INR17b associated with SR is not permitted to be included in the CET I capital calculations.
- A total of INR17b was held in SR, and until December, provisions of INR11b had been created. Of this INR11b, a portion was routed to the profit and loss account, while INR6b was reallocated towards provisioning to boost the PCR.

- The bank is actively working to significantly enhance its PCR. The PCR, excluding TWO, now stands at nearly 77%, which is considered a core strength of the bank and brings it on par with its competitors.
- Only INR500m has flowed into the profit and loss account from the SR adjustments, indicating that the bank's core fundamentals remain unaffected.
- The bank has demonstrated a robust track record in recoveries, consistently achieving annual recoveries in the range of INR40–50b. These recoveries primarily stem from one-time settlements and collections, especially from small-value accounts. With a total loan book of INR780b, the bank has the potential to achieve similar recoveries in FY26, supported by dedicated recovery schemes that inspire further confidence.
- The total quantum of excess provisions reversed and credited to the profit and loss account due to the sale of stressed loans amounted to INR14.63b.
- For FY26, the bank has set a PCR target of over 93%. There has already been a notable improvement this year, and the aim is to reach a 95% PCR. The bank is focused on strengthening its balance sheet and will therefore continue to enhance provisioning against NPAs.
- There are currently three accounts classified under the SMA category, in addition to one corporate account based in Bangalore.
- While the usual quarterly slippages hover around INR10b, the slippages for the March quarter rose to INR12.5b. This increase was primarily attributed to MOC-related provisioning adjustments arising from minor changes in recognition criteria. The majority of slippages were observed in the MSME portfolio, and most of these were due to technical reasons rather than fundamental credit deterioration.
- On a QoQ basis, slippages under the SMA category have come down. This was driven by specific accounts such as RINL and two other government or corporate entities with a combined exposure of INR70b.

### Miscellaneous

- PLI incentive which has been provided in 4Q shall be at INR2.5b.
- The bank's average LCR remains healthy at 139–140%.
- The bank has invested INR8b in digital initiatives during the year.
- The bank will continue to expand its non-SLR investment book, following the trend from the previous year.

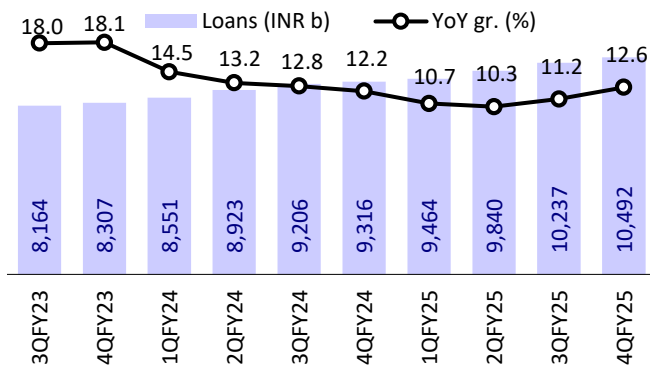
### Guidance – FY26

- Business growth at 10.5% YoY.
- Advances growth at 10-11%.
- Deposits growth at 9-10%.
- CASA ratio at 32%.
- NIM (Global) at 2.75% to 2.80%.
- GNPA ratio at 2.5% and NNPA ratio at 0.6%. PCR at 93%.
- Slippage ratio at 0.9%, and credit costs at 0.9%.
- RoE at 18.5%, and RoA at 1.05%.

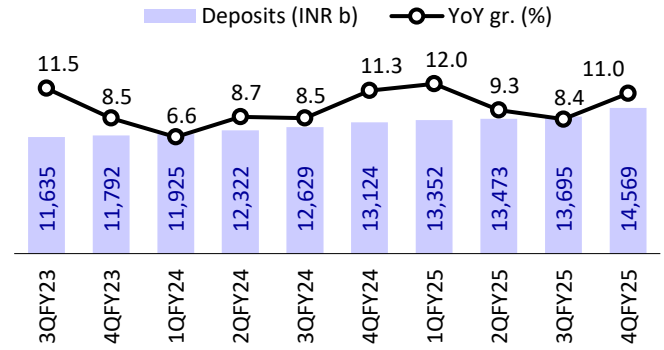


## Story in charts

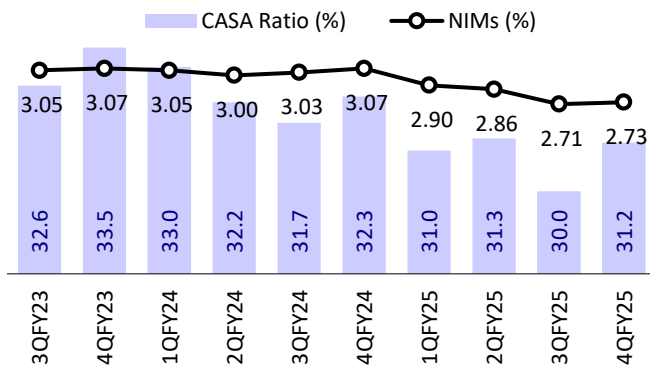
**Exhibit 1: Loan book grew ~12.6% YoY (up 2.5% QoQ)**



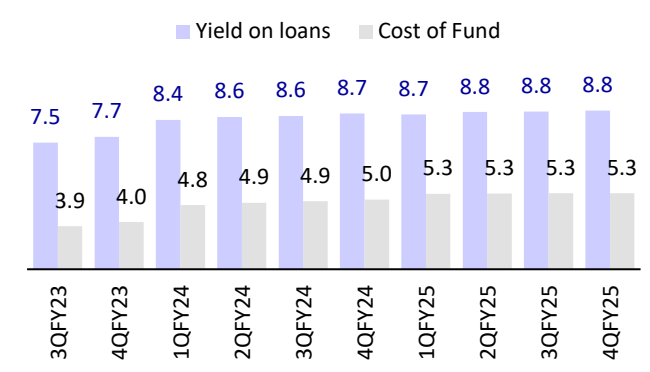
**Exhibit 2: Deposits grew 11% YoY (up 6.4% QoQ)**



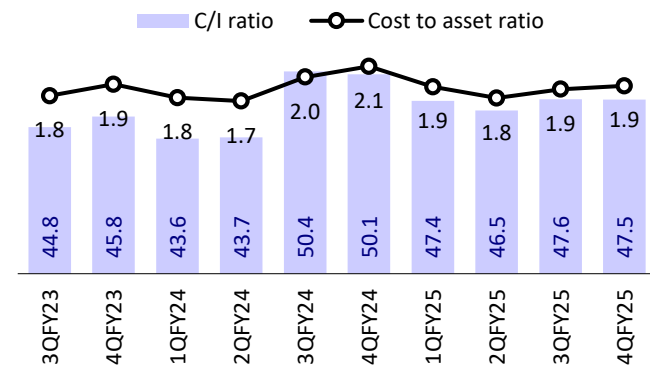
**Exhibit 3: NIM improved 2bp QoQ to 2.73%**



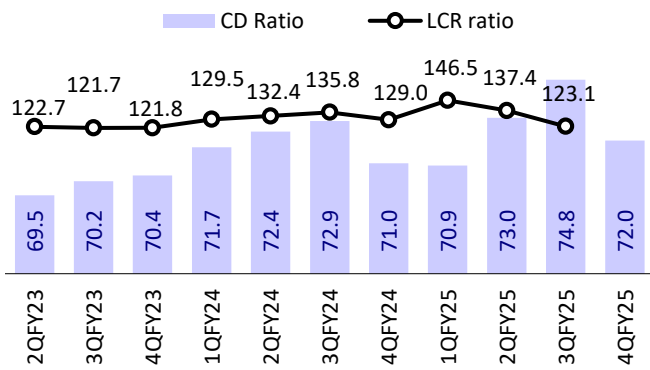
**Exhibit 4: Yield on advances increased 4bp QoQ to 8.83%**



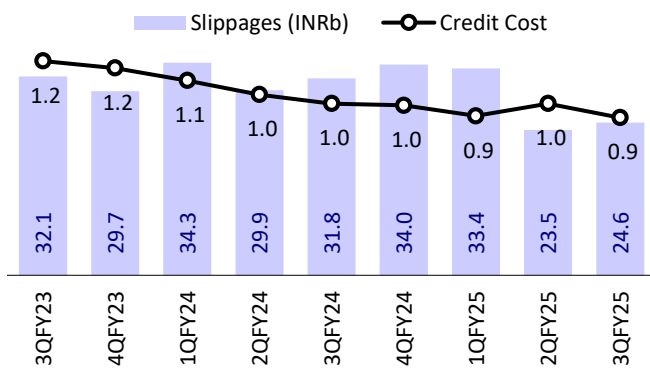
**Exhibit 5: C/I ratio declined 4bp QoQ to 47.5%**



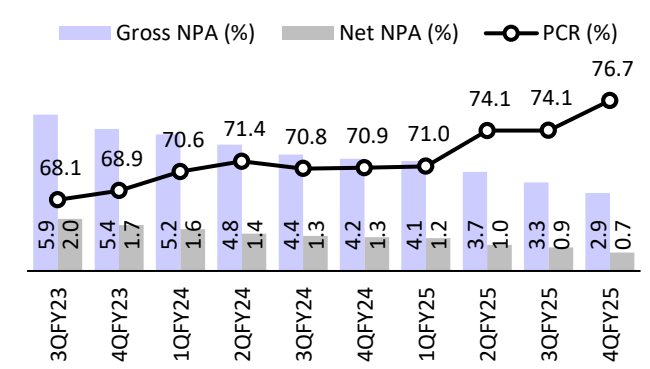
**Exhibit 6: C/D ratio declined 274bp QoQ to 72% (calc)**



**Exhibit 7: Slippages (fresh + existing) increased to INR24.6b**



**Exhibit 8: GNPA/NNPA ratios improved 40bp/19bp QoQ**



Source: MOFSL, Company

Source: MOFSL, Company

### Valuation and view: Retain BUY with a TP of INR115

- CBK reported a healthy quarter with earnings beat driven by inline NII, healthy other income, controlled opex, and lower than expected provisions. The bank has reported an improvement in the NIMs, primarily driven by better yields from advances coupled with the steady cost of funds.
- Loan growth was steady and largely driven by growth in the retail segment, while deposits surged owing to a seasonal flow in the CA deposits. This resulted in a CASA ratio improvement for the bank. CBK has largely maintained its business growth guidance for FY26E.
- Barring some QoQ increase in slippages, asset quality stood quite stable, which led to benign credit costs in 4Q. Management expects credit costs to remain benign at 0.9% for FY26. SMA continues to decline during the quarter, with no major signs of stress in the book.
- We broadly retain our projections and estimate CBK to deliver an FY27E RoA/RoE of 1.0%/18%. **Reiterate BUY with a TP of INR115 (based on 0.9x FY'27E ABV).**

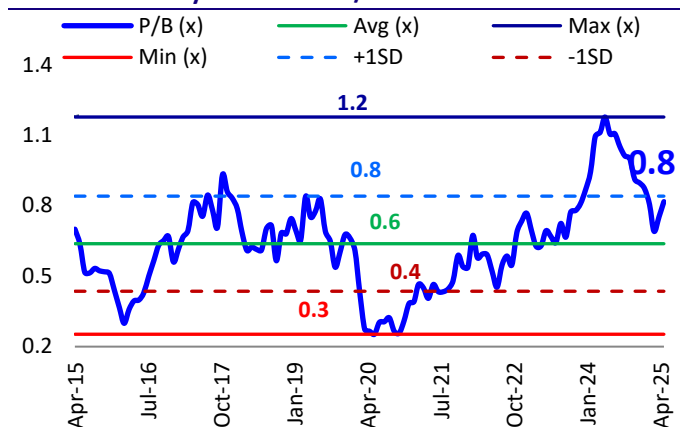
#### Exhibit 9: Changes to our earnings estimates

INR b	Old Est			Rev Est			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25	FY26E	FY27E
<b>Net Interest Income</b>	<b>370.6</b>	<b>396.1</b>	<b>432.1</b>	<b>370.7</b>	<b>392.8</b>	<b>430.2</b>	<b>0.0</b>	<b>-0.8</b>	<b>-0.4</b>
Other Income	218.1	244.3	271.2	224.5	248.3	275.1	2.9	1.7	1.5
<b>Total Income</b>	<b>588.7</b>	<b>640.3</b>	<b>703.3</b>	<b>595.2</b>	<b>641.2</b>	<b>705.3</b>	<b>1.1</b>	<b>0.1</b>	<b>0.3</b>
Operating Expenses	280.7	303.6	331.7	281.3	303.6	331.7	0.2	0.0	0.0
<b>Operating Profits</b>	<b>307.9</b>	<b>336.8</b>	<b>371.6</b>	<b>313.9</b>	<b>337.6</b>	<b>373.6</b>	<b>1.9</b>	<b>0.2</b>	<b>0.6</b>
Provisions	91.0	97.8	108.2	87.6	98.3	108.9	-3.7	0.5	0.7
<b>PBT</b>	<b>217.0</b>	<b>239.0</b>	<b>263.4</b>	<b>226.3</b>	<b>239.3</b>	<b>264.7</b>	<b>4.3</b>	<b>0.1</b>	<b>0.5</b>
Tax	55.1	60.7	66.9	56.0	60.8	67.2	1.6	0.1	0.5
<b>PAT</b>	<b>161.9</b>	<b>178.3</b>	<b>196.5</b>	<b>170.3</b>	<b>178.5</b>	<b>197.5</b>	<b>5.2</b>	<b>0.1</b>	<b>0.5</b>
Loans	10,453	11,623	12,867	10,492	11,688	12,962	0.4	0.6	0.7
Deposits	14,147	15,435	16,886	14,569	15,895	17,405	3.0	3.0	3.1
Margins (%)	2.45	2.38	2.36	2.41	2.33	2.35	-1.6	-2.4	-0.7
Credit Cost (%)	0.92	0.89	0.88	0.88	0.89	0.88	-3.8	0.1	0.1
<b>RoA (%)</b>	<b>1.03</b>	<b>1.04</b>	<b>1.04</b>	<b>1.07</b>	<b>1.01</b>	<b>1.02</b>	<b>3.9</b>	<b>-2.4</b>	<b>-2.1</b>
<b>RoE (%)</b>	<b>19.2</b>	<b>18.4</b>	<b>18.1</b>	<b>20.2</b>	<b>18.3</b>	<b>18.0</b>	<b>5.1</b>	<b>-0.4</b>	<b>-0.4</b>
BV	104	118	130	105	119	131	0.1	0.8	0.8
ABV	96	110	122	98	112	123	1.3	1.4	1.1
EPS	18	20	22	19	20	22	5.2	0.1	0.5

Source: MOFSL, Company

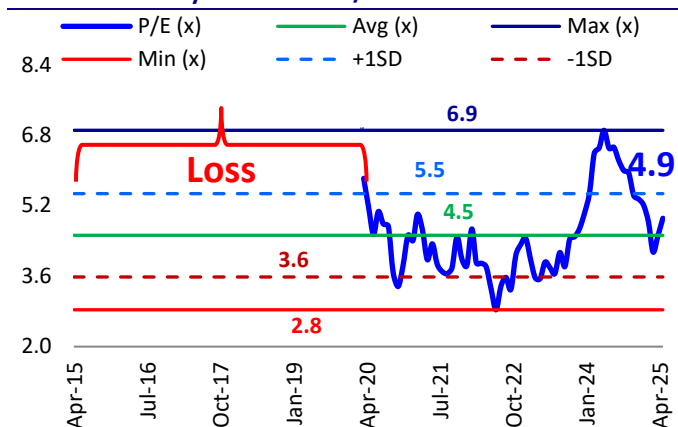


**Exhibit 10: One-year forward P/B ratio**



Source: MOFSL, Company

**Exhibit 11: One-year forward P/E ratio**



Source: MOFSL, Company

**Exhibit 12: DuPont Analysis**

Y/E MARCH	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	5.83	6.56	7.66	7.55	7.33	7.18
Interest Expense	3.61	4.12	5.08	5.21	5.11	4.96
<b>Net Interest Income</b>	<b>2.22</b>	<b>2.44</b>	<b>2.58</b>	<b>2.34</b>	<b>2.23</b>	<b>2.22</b>
<b>Non-Interest income</b>	<b>1.39</b>	<b>1.46</b>	<b>1.34</b>	<b>1.41</b>	<b>1.41</b>	<b>1.42</b>
<b>Total Income</b>	<b>3.60</b>	<b>3.90</b>	<b>3.91</b>	<b>3.75</b>	<b>3.63</b>	<b>3.64</b>
<b>Operating Expenses</b>	<b>1.55</b>	<b>1.75</b>	<b>1.84</b>	<b>1.77</b>	<b>1.72</b>	<b>1.71</b>
Employee cost	0.95	1.07	1.16	1.10	1.07	1.06
Other operating expenses	0.60	0.68	0.68	0.68	0.65	0.65
<b>Operating Profits</b>	<b>2.05</b>	<b>2.15</b>	<b>2.07</b>	<b>1.98</b>	<b>1.91</b>	<b>1.93</b>
<b>Core operating Profits</b>	<b>1.83</b>	<b>2.01</b>	<b>1.96</b>	<b>1.86</b>	<b>1.79</b>	<b>1.80</b>
<b>Provisions</b>	<b>1.19</b>	<b>1.05</b>	<b>0.68</b>	<b>0.55</b>	<b>0.56</b>	<b>0.56</b>
<b>PBT</b>	<b>0.87</b>	<b>1.10</b>	<b>1.39</b>	<b>1.43</b>	<b>1.36</b>	<b>1.37</b>
Tax	0.28	0.28	0.36	0.35	0.34	0.35
<b>RoA</b>	<b>0.48</b>	<b>0.82</b>	<b>1.03</b>	<b>1.07</b>	<b>1.01</b>	<b>1.02</b>
Leverage (x)	22.01	20.80	19.71	18.82	18.11	17.66
<b>RoE</b>	<b>10.50</b>	<b>17.14</b>	<b>20.22</b>	<b>20.19</b>	<b>18.33</b>	<b>18.02</b>

Source: MOFSL, Company

## Financials and Valuations

Income Statement						(INR b)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	694.1	844.2	1,086.9	1,197.6	1,293.7	1,390.4
Interest Expense	430.3	529.9	721.2	826.8	900.8	960.2
<b>Net Interest Income</b>	<b>263.8</b>	<b>314.4</b>	<b>365.7</b>	<b>370.7</b>	<b>392.8</b>	<b>430.2</b>
- growth (%)	9.5	19.1	16.3	1.4	6.0	9.5
Non-Interest Income	165.0	187.6	189.7	224.5	248.3	275.1
<b>Total Income</b>	<b>428.8</b>	<b>502.0</b>	<b>555.3</b>	<b>595.2</b>	<b>641.2</b>	<b>705.3</b>
- growth (%)	9.9	17.1	10.6	7.2	7.7	10.0
Operating Expenses	184.4	224.8	261.2	281.3	303.6	331.7
<b>Pre Provision Profits</b>	<b>244.4</b>	<b>277.2</b>	<b>294.1</b>	<b>313.9</b>	<b>337.6</b>	<b>373.6</b>
- growth (%)	24.2	13.4	6.1	6.7	7.5	10.7
<b>Core PPOp</b>	<b>218.5</b>	<b>258.2</b>	<b>277.9</b>	<b>294.4</b>	<b>315.2</b>	<b>347.9</b>
- growth (%)	30.9	18.2	7.6	5.9	7.1	10.4
Provisions	141.3	135.4	97.1	87.6	98.3	108.9
Exceptional Item	13.5	NA	NA	NA	NA	NA
<b>PBT</b>	<b>89.6</b>	<b>141.7</b>	<b>197.0</b>	<b>226.3</b>	<b>239.3</b>	<b>264.7</b>
Tax	32.8	35.7	51.5	56.0	60.8	67.2
Tax Rate (%)	36.6	25.2	26.1	24.7	25.4	25.4
<b>PAT</b>	<b>56.8</b>	<b>106.0</b>	<b>145.5</b>	<b>170.3</b>	<b>178.5</b>	<b>197.5</b>
- growth (%)	122.0	86.7	37.3	17.0	4.9	10.6

Balance Sheet						
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	18.1	18.1	18.1	18.1	18.1	18.1
Reserves & Surplus	643.0	717.9	851.4	980.9	1,112.9	1,224.3
<b>Net Worth</b>	<b>661.1</b>	<b>736.1</b>	<b>869.5</b>	<b>999.0</b>	<b>1,131.0</b>	<b>1,242.5</b>
<b>Deposits</b>	<b>10,864.1</b>	<b>11,792.2</b>	<b>13,123.7</b>	<b>14,568.8</b>	<b>15,894.6</b>	<b>17,404.6</b>
- growth (%)	7.5	8.5	11.3	11.0	9.1	9.5
<b>- CASA Deposits</b>	<b>3,688.3</b>	<b>3,665.8</b>	<b>3,924.1</b>	<b>4,006.4</b>	<b>4,434.6</b>	<b>4,942.9</b>
- growth (%)	11.5	-0.6	7.0	2.1	10.7	11.5
Borrowings	462.8	580.9	575.9	896.7	1,024.5	1,145.9
Other Liabilities & Prov.	293.0	348.2	346.3	364.0	407.7	456.6
<b>Total Liabilities</b>	<b>12,281.0</b>	<b>13,457.3</b>	<b>14,915.4</b>	<b>16,828.5</b>	<b>18,457.8</b>	<b>20,249.6</b>
Current Assets	1,820.5	1,414.2	1,507.6	2,053.4	1,658.1	1,818.0
<b>Investments</b>	<b>2,820.1</b>	<b>3,190.4</b>	<b>3,574.5</b>	<b>3,803.4</b>	<b>4,107.7</b>	<b>4,436.3</b>
- growth (%)	7.8	13.1	12.0	6.4	8.0	8.0
<b>Loans</b>	<b>7,036.0</b>	<b>8,306.7</b>	<b>9,316.1</b>	<b>10,491.6</b>	<b>11,687.6</b>	<b>12,961.5</b>
- growth (%)	10.1	18.1	12.2	12.6	11.4	10.9
Fixed Assets	113.6	102.3	122.3	102.2	137.4	147.0
Other Assets	490.8	443.7	394.9	378.0	867.0	886.8
<b>Total Assets</b>	<b>12,281.0</b>	<b>13,457.3</b>	<b>14,915.4</b>	<b>16,828.5</b>	<b>18,457.8</b>	<b>20,249.6</b>

Asset Quality						
GNPA (INR b)	556.5	461.6	406.0	315.3	322.3	347.4
NNPA (INR b)	190.6	143.9	118.6	73.5	80.3	88.6
Slippages (INR b)	138.9	119.8	106.3	108.9	133.1	154.1
GNPA Ratio (%)	7.5	5.4	4.2	2.9	2.7	2.6
NNPA Ratio (%)	2.7	1.7	1.3	0.7	0.7	0.7
Slippage Ratio (%)	2.2	1.7	1.3	1.1	1.2	1.5
Credit Cost (%)	1.5	1.3	1.0	0.9	0.9	0.9
PCR (Excl Tech. write off) (%)	65.7	68.8	70.8	76.7	75.1	74.5
E: MOFSL Estimates						

## Financials and Valuations

### Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Yield and Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>6.2</b>	<b>6.9</b>	<b>8.0</b>	<b>7.8</b>	<b>7.7</b>	<b>7.6</b>
Avg. Yield on loans	7.4	8.0	8.9	8.9	8.8	8.6
Avg. Yield on Investments	6.3	6.6	6.8	6.9	6.9	6.9
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>3.8</b>	<b>4.3</b>	<b>5.3</b>	<b>5.6</b>	<b>5.5</b>	<b>5.4</b>
Avg. Cost of Deposits	3.8	4.3	5.3	5.6	5.5	5.4
<b>Interest Spread</b>	<b>2.4</b>	<b>2.6</b>	<b>2.6</b>	<b>2.2</b>	<b>2.1</b>	<b>2.2</b>
<b>Net Interest Margin</b>	<b>2.35</b>	<b>2.56</b>	<b>2.68</b>	<b>2.41</b>	<b>2.33</b>	<b>2.35</b>
<b>Capitalisation Ratios (%)</b>						
CAR	15.0	16.7	16.3	16.8	16.8	16.7
- Tier I	12.0	13.8	14.0	13.7	13.7	13.3
- CET-1	10.3	11.6	11.7	11.4	11.3	11.0
- Tier II	3.0	2.9	2.3	3.0	3.2	3.3
<b>Business Ratios (%)</b>						
Loans/Deposit Ratio	64.8	70.4	71.0	72.0	73.5	74.5
Investment/Deposit Ratio	26.0	27.1	27.2	26.1	25.8	25.5
CASA Ratio	33.9	31.1	29.9	27.5	27.9	28.4
Cost/Assets	1.5	1.7	1.8	1.7	1.6	1.6
Cost/Total Income	43.0	44.8	47.0	47.3	47.3	47.0
Cost/Core Income	45.8	46.5	48.5	48.9	49.1	48.8
Int. Expense/Int. Income	62.0	62.8	66.4	69.0	69.6	69.1
Fee Income/Net Income	32.4	33.6	31.2	34.4	35.2	35.4
Non Int. Inc./Net Income	38.5	37.4	34.2	37.7	38.7	39.0
Empl. Cost/Op. Exps.	61.6	61.1	62.9	61.9	62.0	61.8
<b>Efficiency Ratios (%)</b>						
Employee per branch (in nos)	8.9	8.8	8.6	8.7	8.8	8.9
Staff cost per employee (INR m)	1.3	1.6	2.0	2.1	2.2	2.3
CASA/Branch (INRm)	378.9	377.7	408.6	413.0	452.6	499.5
Deposit/Branch (INRm)	1,116.1	1,214.9	1,366.5	1,501.9	1,622.4	1,758.9
Business per Employee (INR m)	205.9	236.5	271.5	297.3	320.8	346.3
Profit per Employee (INR m)	0.7	1.2	1.8	2.0	2.1	2.3

### Profitability and Valuation

RoE	10.5	17.1	20.2	20.2	18.3	18.0
RoA	0.5	0.8	1.0	1.1	1.0	1.0
RoRWA	1.1	1.9	2.2	2.2	2.0	2.0
Book Value (INR)	68	77	90	105	119	131
- growth (%)	2.6	13.1	17.9	15.8	13.9	10.3
<b>Price-BV (x)</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
Adjusted BV (INR)	52	64	80	98	112	123
<b>Price-ABV (x)</b>	<b>1.8</b>	<b>1.5</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>
EPS (INR)	6.6	11.7	16.0	18.8	19.7	21.8
- growth (%)	111.3	78.1	37.3	17.0	4.9	10.6
<b>Price-Earnings (x)</b>	<b>14.5</b>	<b>8.1</b>	<b>5.9</b>	<b>5.1</b>	<b>4.8</b>	<b>4.4</b>
Dividend Per Share (INR)	1.3	2.4	3.2	3.7	5.9	9.5
<b>Dividend Yield (%)</b>	<b>1.4</b>	<b>2.5</b>	<b>3.4</b>	<b>3.9</b>	<b>6.2</b>	<b>10.0</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
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