

# Federal Bank Ltd

## Soft quarter not structural in any manner

### Absolute slippage not elevated, higher NIM compression not structural

**Asset Quality** – Even a worsening of asset quality takes FED to a still benign absolute gross slippage ratio: Gross NPA additions amounted to Rs. 6.61bn for 1QFY26 (Rs 4.92bn in 4QFY25), translating to an annualized slippage ratio of 1.1% for the quarter. Slippages were driven by the agri MFI segment, excluding which the slippages were in a similar range as witnessed last financial year. Microfinance slippages have peaked in May, with June lower than May and July lower than June. Provisions were Rs 4.0bn, up by 189.7% QoQ and 177.4% in 1QFY26, translating to calculated annualised credit cost of 67bps. Provisions were elevated as the bank moved to make provisions on stressed Microfinance book, with more to come in 2Q as the bank aims to fully provide for this book. However, the company maintains its full year credit cost guidance of 55bps.

**Balance sheet growth** – Loan growth has slowed to a single digit figure, while management guides for the lower end of usual range: The net advances for the bank stood at Rs. 2,412 bn, up 2.7% QoQ and 9.2% YoY. Normally, the bank guides for 1.2-1.5x of nominal GDP growth but has currently guided for 1.2x given the environment. This is a near term guidance applicable for FY26.

**Net Interest Margin** – Margin declined materially on sequential basis due to quick asset repricing and interest reversals: NIM was at 2.94%, down -18bp QoQ and -22bps YoY. The negative impact of interest reversals amounted to 4-5 bps for the quarter. Also, the EBLR advances have repriced fast since the bank follows a T+1 approach for repricing after repo rate cuts. Management does not expect NIM decline to be more than 5-10 bps on sequential basis in 2Q. Margin is expected to bottom in 2Q and improve in 2H assuming no further repo rate cuts.

**We maintain 'BUY' rating on FED with a revised price target of Rs 250:** We value the standalone bank at 1.4x FY27 P/BV for an FY26/27/28E RoE profile of 11.1/12.7/13.7%. We assign a value of Rs 15 per share to the subsidiaries, on SOTP.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

### Other Highlights

- **Opex control:** Total cost to income ratio was at 54.9% down/up by -180/169bps QoQ/YoY and the Cost to assets was at 2.2% down/up by -7/1bps QoQ/YoY.
- **Fee income:** Core fee income to average assets was at 0.8%, down/up -4/7bps QoQ/YoY

### Exhibit 1: Result table

Particulars (Rs mn)	Q1FY26	Q4FY25	% qoq	Q1FY25	% yoy
Total Interest Income	66,866	66,484	0.6	63,309	5.6
Interest Expense	(43,498)	(42,709)	1.8	(40,389)	7.7
Net Interest Income	23,368	23,774	(1.7)	22,920	2.0
Fee Income	7,350	7,520	(2.3)	6,080	20.9
Non-fee Income	3,780	2,540	48.8	3,072	23.0
Total Non-Interest Income	11,130	10,060	10.6	9,152	21.6
Total Income	34,498	33,834	2.0	32,072	7.6
Employee Expense	(7,976)	(7,838)	1.8	(7,397)	7.8
Non-employee Opex	(10,959)	(11,342)	(3.4)	(9,665)	13.4
Total Operating expenses	(18,935)	(19,180)	(1.3)	(17,063)	11.0
PPOP	15,563	14,654	6.2	15,009	3.7
Provisions	(4,002)	(1,381)	189.7	(1,443)	177.4
PBT	11,561	13,273	(12.9)	13,566	(14.8)
Tax	(2,944)	(2,971)	(0.9)	(3,471)	(15.2)
PAT	8,618	10,302	(16.4)	10,095	(14.6)

Source: Company, YES Sec-Research

Recommendation : **BUY**

Current Price : Rs 196

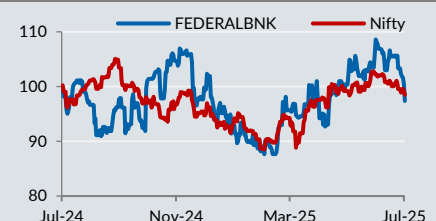
Target Price : Rs 250

Potential Return : +28%

### Stock data (as on August 1, 2025)

Nifty	24,565
52 Week h/l (Rs)	220 / 173
Market cap (Rs/USD mn)	497521 / 5704
Outstanding Shares (mn)	2,458
6m Avg t/o (Rs mn):	1,683
Div yield (%):	0.6
Bloomberg code:	FB IN
NSE code:	FEDERALBNK

### Stock performance



	1M	3M	1Y
Absolute return	-10.0%	3.4%	-0.8%

### Shareholding pattern (As of Mar'25 end)

Promoter	0.0%
FII+DII	74.6%
Others	24.4%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	250	265

### Financial Summary

(Rs mn)	FY26E	FY27E	FY28E
NII	101,414	117,809	137,646
PPOP	67,529	81,143	98,461
Net Profit	39,038	49,548	60,660
Growth (%)	-3.7	26.9	22.4
EPS (Rs)	15.9	20.2	24.7
BVPS (Rs)	150	169	192
P/E (x)	11.4	9.0	7.3
P/BV (x)	1.2	1.1	0.9
ROE (%)	11.1	12.7	13.7
ROA (%)	1.1	1.2	1.3
Tier-1 (%)	14.5	13.9	13.3

### in earnings estimates

Rs. bn	FY26E	FY27E	FY28E
PAT (New)	39.0	49.5	60.7
PAT (Old)	46.5	56.4	65.0
% change	-16.1%	-12.2%	-6.7%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Asset quality

- **Slippages**
  - Gross NPA additions amounted to Rs. 6.61bn for 1QFY26, translating to an annualized slippage ratio of 1.1% for the quarter. (Gross NPA additions had amounted to Rs. 4.92bn during 4QFY25.)
  - Slippages were driven by the agri MFI segment (the only MFI which the bank does), excluding which the slippages were in a similar range as witnessed last financial year.
  - **More on Microfinance asset quality**
    - The microfinance book is diversified across India but 20% is from Karnataka, from which a significant amount of pain has emerged.
    - Microfinance slippages have peaked in May, with June lower than May and July lower than June.
    - There will some more provisions coming in 2Q as the intention would be to take the coverage to 100% (presumably on the Microfinance NPL / stressed book).
  - **Other segments**
    - There are no significant changes in asset quality trends in any segment outside of agri MFI.
    - **CV book**
      - The bank does not have significant presence in retail CV and is more present in medium and large CV and some premium retail CV.
    - **Business banking**
      - The business banking book has 30% share in Kerala and is almost entirely secured with very little under CGTMSE.
      - There are no alarming tendencies on this book.
- **Recoveries and upgrades**
  - Recoveries and upgrades amounted to Rs. 1.6bn for 1QFY26, implying net NPA addition of Rs. 5.01bn for the quarter.
- **Write-offs**
  - Write-offs amounted to Rs. 2.07bn for 1QFY26 as against Rs 2.35bn in 4QFY25 and Rs 0.01bn in 1QFY25.
- **Provisions**
  - **P&L provisions**
    - Provisions were Rs 4.0bn, up by 189.7% QoQ and 177.4% in 1QFY26, translating to calculated annualised credit cost of 67bps.
    - **Guidance on Credit cost**
      - The company maintains its full year guidance of 55bps.
  - **Outstanding provisions**
    - The specific PCR stands at 74.4%, down by -96bps QoQ

### Net interest margin

- **Margin for the quarter**
  - NIM was at 2.94%, down -18bp QoQ and -22bps YoY.
  - The negative impact of interest reversals amounted to 4-5 bps for the quarter.
  - Also, the bank's EBLR book repriced lower faster than several other banks.

(Con call takeaways continue on the next page)

- **Near-term NIM discussion**
  - **Repo rate cut impact**
    - The EBLR advances have repriced fast since the bank follows a T+1 approach for repricing after repo rate cuts.
    - The impact of the last rate cut of 50 bps impacted the EBLR book for 1 month in 1Q and the full impact will be felt in 2Q, impacting yield by 15-16 bps.
  - **Cost of funds**
    - The bank will be able to offset the impact of yield decline by 7-8 bps in 2Q.
    - The bank has cut SA rates twice, the last time on 15<sup>th</sup> June and now offers its lowest rate at 2.5%.
  - **Net impact in 2Q**
    - Management does not expect NIM decline to be more than 5-10 bps on sequential basis in 2Q.
- **Loan mix by business segment**
  - There has been an improvement in the share of mid-yield assets, as per strategy.
- **Loan mix by rate category**
  - The share of EBLR has been reduced from 52% to 48% and there is scope to bring down this share further.
  - The share of fixed rate loans has gone up from 26% to 33%.
  - Segments such as car loans, gold loans, CV and others would drive the share of fixed rate loans.
- **Yield on Advances**
  - Yield on advances was at 9.04%, down by -27bps QoQ and -39bps YoY.
- **Cost of Deposits**
  - The cost of deposits was at 5.78%, down by -20bps QoQ and -6bps YoY.
- **Guidance**
  - NIM to bottom out in 2Q with expectation of improvement in 2HFY26.

## Fee income

- The fee income was down by -2.3% QoQ but up 20.9% YoY with fee to average assets has grown.
- There are no one-offs in fee income and the healthy growth in fees is here to stay.
- The drivers of fee income would be the wealth business, transaction banking including trade and forex, para banking driven by banca fees and cards.
- **Guidance**
  - The bank is still scratching the surface and fee growth is expected to outpace asset growth for several quarters.

## Return Ratios

- The RoA was at 1.0%, down -24bp QoQ.
- The RoE was at 10.3%, down by -252bp QoQ.
- The RoA would have sustained at 4Q level but for the microfinance issues.
- Improvement in CASA, fee income and loan mix will be drivers of RoA going forward.

(Con call takeaways continue on the next page)

## Capital adequacy

- The CET 1 and total capital adequacy ratio was at 14.7% and 16.0% respectively.

## Loan growth

- **Segmental outlook**
  - The regulation around gold loans was clarified in June paving the way for improved growth.
  - The other retail lending business has also been restructured and will see healthy growth.
  - The bank has slowed down business banking even though they are not seeing any significant rise in stress.
  - Commercial banking, which is the upper end of SME, is a segment the bank is more confident of.
- **Guidance**
  - Normally, the bank guides for 1.2-1.5x of nominal GDP growth but has currently guided for 1.2x given the environment.
  - This is a near term guidance applicable for FY26.
- **Outcomes**
  - The net advances for the bank stood at Rs. 2,412 bn, up 2.7% QoQ and 9.2% YoY.
  - In June, it saw uptick in gold loans post RBI regulation, with the full impact expected by 2QFY26.
  - Retail loan restructuring was completed in 1Q, with strong momentum expected in 2HFY26.
  - **Segmental Growth**
    - Business Banking book is up 5.9% YoY
    - Gold loan advances are up 14% YoY.
    - Home loan has de-grown by -0.4% QoQ but up 6.7% YoY.
    - LAP has de-grown by -1.1% QoQ but up 6.0% YoY.
    - Microfinance has grown by 3.9% YoY.
    - Auto loan has grown by 0.3% QoQ and 10.6% YoY.

## Deposits growth

- The deposits were at Rs. 2,874 bn, up by 1.3% QoQ and 8% YoY.
- **CASA**
  - CASA ratio was at 30.4%, up 12bps QoQ.
  - CASA deposits are up 1.7% QoQ and 12.0% YoY.
  - The current account deposits are down -6% QoQ and 17% YoY.

## Operating expenses

- **Guidance**
  - The cost to income ratio will remain in the same range since the bank is trying to optimize at a certain level.
  - Since the bank is in investment mode, the ratio will remain in the mid-50s.

(Con call takeaways continue on the next page)

- **Total opex**
  - Total Opex, at Rs. 18.94bn, is down -1.3% QoQ but up 11.0% YoY.
  - Cost to income ratio came in at 54.9%, down by -180bps QoQ but up 169bps YoY.
- **Staff opex**
  - The staff opex is up 1.8% QoQ and 7.8% YoY.
- **Other opex**
  - Other opex is down by -3.4% QoQ but up 13.4% YoY.
  - **Branches**
    - The company has added 2 branches in 1Q.

## Exhibit 2: Key quarterly balance sheet / business data

Particulars (Rs mn)	Q1FY26#	Q4FY25	% qoq	Q1FY25	% yoy	Q1FY26*	chg qoq*	chg yoy*
Total gross advances	2,446,790	2,381,340	2.7	2,241,610	9.2	100	0bps	0bps
Core retail	690,850	693,350	(0.4)	654,670	5.5	28	-88bps	-97bps
Agri	82,400	82,080	0.4	76,830	7.2	3	-8bps	-6bps
Business Banking	191,940	189,630	1.2	181,240	5.9	8	-12bps	-24bps
CV/CE	48,580	46,440	4.6	37,280	30.3	2	4bps	32bps
MFI	39,390	41,120	(4.2)	37,900	3.9	2	-12bps	-8bps
CoB	250,280	237,230	5.5	197,290	26.9	10	27bps	143bps
Corporate	836,800	832,830	0.5	792,080	5.6	34	-77bps	-114bps
Gold	312,620	305,050	2.5	274,310	14.0	13	-3bps	54bps
Total deposits	2,874,360	2,836,475	1.3	2,660,650	8.0	100	0bps	0bps
CA deposits	192,740	205,620	(6.3)	164,230	17.4	7	-54bps	53bps
SA deposits	679,620	651,950	4.2	614,610	10.6	24	66bps	54bps
Term deposits	2,002,000	1,978,905	1.2	1,881,810	6.4	70	-12bps	-108bps
Investments	685,010	662,456	3.4	638,320	7.3	NA	NA	NA
Investments/(Invest. + Net Adv.) (%)	22.1	22.0	12bps	22.4	-31bps	NA	NA	NA
Borrowings	197,760	237,263	(16.6)	217,100	(8.9)	NA	NA	NA
Borrowings/(Borr. + Deposits) (%)	6.4	7.7	-128bps	7.5	-111bps	NA	NA	NA
Risk-weighted assets	2,161,160	2,101,030	2.9	1,971,350	9.6	NA	NA	NA

Source: Company, YES Sec – Research, \*Share in total and change in share, #The total gross advances figure is adjusted for IBPC but the individual segment figures are not.

## Exhibit 3: Key quarterly ratios

(%)	Q1FY26	Q4FY25	chg qoq	Q1FY25	chg yoy
Net interest margin	2.94	3.12	-18bps	3.16	-22bps
Yield on advances	9.04	9.31	-27bps	9.43	-39bps
Cost of deposits	5.78	5.98	-20bps	5.84	-6bps
CASA ratio	30.4	30.2	12bps	29.3	108bps
Loan to Deposit ratio	83.9	82.8	112bps	83.0	93bps
Non-interest income/Total income	32.3	29.7	253bps	28.5	373bps
Fee Income to Avg. Total Assets	0.8	0.9	-4bps	0.8	7bps
Cost to Income ratio	54.9	56.7	-180bps	53.2	169bps
Opex to Avg. Total Assets	2.2	2.2	-7bps	2.1	1bps
Credit Cost	0.7	0.2	43bps	0.3	40bps
RoE	10.3	12.8	-252bps	13.6	-334bps
RoA	1.0	1.2	-24bps	1.3	-27bps
Annualised Slippage Ratio*	1.1	0.8	26bps	0.8	32bps
Provision Coverage	74.4	75.4	-96bps	70.8	362bps
Gross NPA	1.9	1.8	7bps	2.1	-20bps
Net NPA	0.5	0.4	4bps	0.6	-12bps
Capital adequacy ratio	16.0	16.4	-37bps	15.6	46bps
Tier 1 capital ratio	14.7	15.0	-35bps	14.2	52bps

Source: Company, YES Sec – Research, \* Annualised Gross NPA Addition Ratio

## Exhibit 4: Retail Loan Mix - Quarterly

Particulars (Rs mn)	Q1FY26	Q4FY25	% qoq	Q1FY25	% yoy	Q1FY26*	chg qoq*	chg yoy*
Agri	82,400	82,080	0.4	76,830	7.2	3.4	-8bps	-6bps
Business Banking	191,940	189,630	1.2	181,240	5.9	7.8	-12bps	-24bps
CV/CE	48,580	46,440	4.6	37,280	30.3	2.0	4bps	32bps
MFI	39,390	41,120	(4.2)	37,900	3.9	1.6	-12bps	-8bps
Housing	364,590	366,170	(0.4)	341,620	6.7	14.9	-48bps	-34bps
LAP	72,370	73,210	(1.1)	68,280	6.0	3.0	-12bps	-9bps
Gold	312,620	305,050	2.5	274,310	14.0	12.8	-3bps	54bps
Auto	86,290	86,050	0.3	78,000	10.6	3.5	-9bps	5bps
Personal	37,370	37,890	(1.4)	39,280	(4.9)	1.5	-6bps	-23bps
Credit Cards	38,500	35,500	8.5	32,400	18.8	1.6	8bps	13bps
Others	91,730	94,530	(3.0)	95,090	(3.5)	3.7	-22bps	-49bps
<b>Total retail loans</b>	<b>1,365,780</b>	<b>1,357,670</b>	<b>0.6</b>	<b>1,262,230</b>	<b>8.2</b>	<b>55.8</b>	<b>-119bps</b>	<b>-49bps</b>

Source: Company, YES Sec – Research, \*Share in total gross advances and change in share

## Exhibit 5: Quarterly Actuals Vs Estimates

Q1FY26 (Rs. mn)	Actuals	Estimates	Diff, %
Net Interest Income	23,368	23,774	(1.7)
Pre-Prov. Operating Profit	15,563	14,653	6.2
Profit After Tax	8,618	9,838	(12.4)

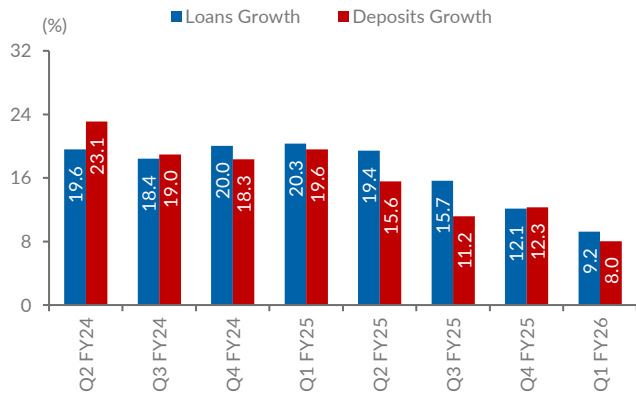
Source: Company, YES Sec – Research

## Exhibit 6: Non-Interest Income Break-up

(Rs mn)	Q1FY26	Q4FY25	% qoq	Q1FY25	% yoy
<b>Total Fee Income (A)</b>	<b>7,350</b>	<b>7,520</b>	<b>(2.3)</b>	<b>6,080</b>	<b>20.9</b>
Cards	2,080	2,150	(3.3)	1,910	8.9
Para banking	730	870	(16.1)	460	58.7
Banking Comm. & Exch.	840	810	3.7	720	16.7
Proc. Fee & charges on Loans	1,550	1,770	(12.4)	1,740	(10.9)
General Service charges	2,150	1,920	12.0	1,250	72.0
<b>Total Other Income (B)</b>	<b>3,780</b>	<b>2,540</b>	<b>48.8</b>	<b>3,072</b>	<b>23.0</b>
Sale of Investments	1,270	460	176.1	350	262.9
Exchange	510	490	4.1	440	15.9
Others (inc. recovery and revaluation)	2,000	1,590	25.8	2,282	(12.4)
<b>Total Non-Interest Income (A+B)</b>	<b>11,130</b>	<b>10,060</b>	<b>10.6</b>	<b>9,152</b>	<b>21.6</b>

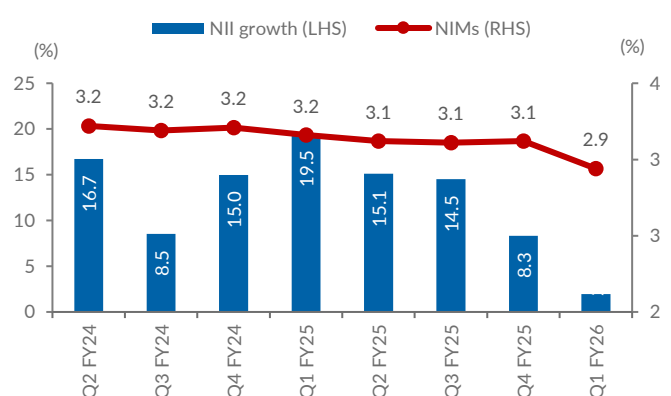
Source: Company, YES Sec – Research

**Exhibit 7: Loans and Deposits growth (YoY %)**



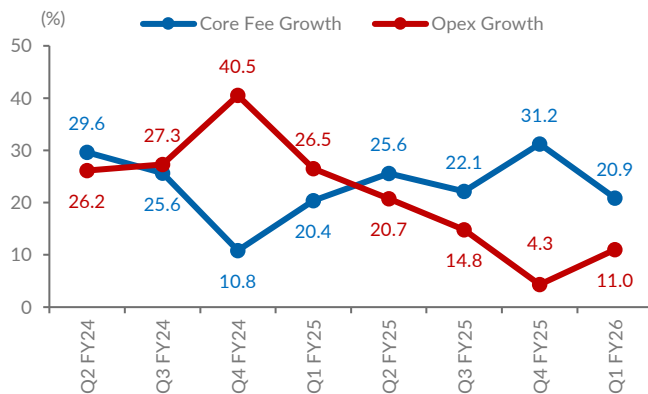
Source: Company, YES Sec – Research

**Exhibit 8: NII growth (YoY %) and NIM**



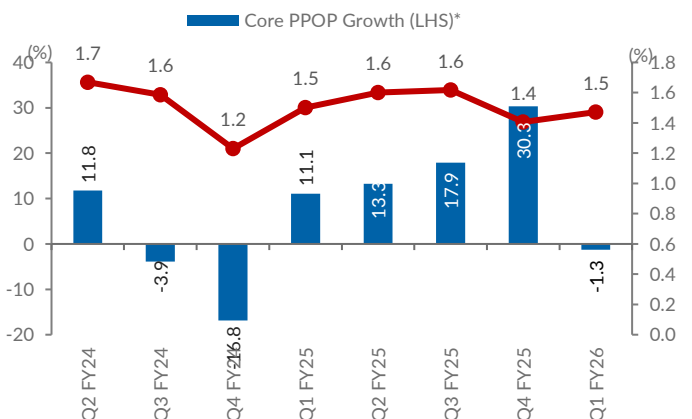
Source: Company, YES Sec – Research

**Exhibit 9: Core Fee and Opex growth (YoY %)**



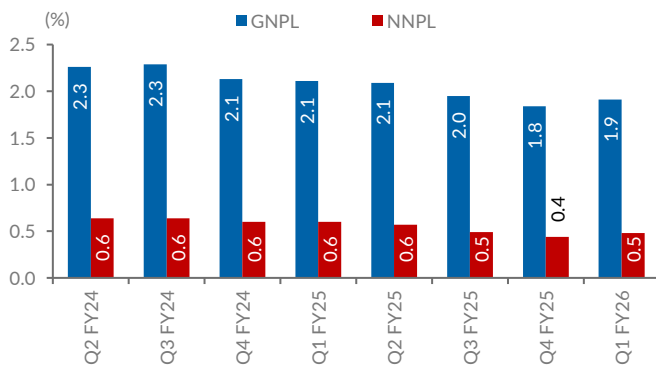
Source: Company, YES Sec – Research

**Exhibit 10: Core PPOP growth (YoY %) and Core PPOP margin (%)**



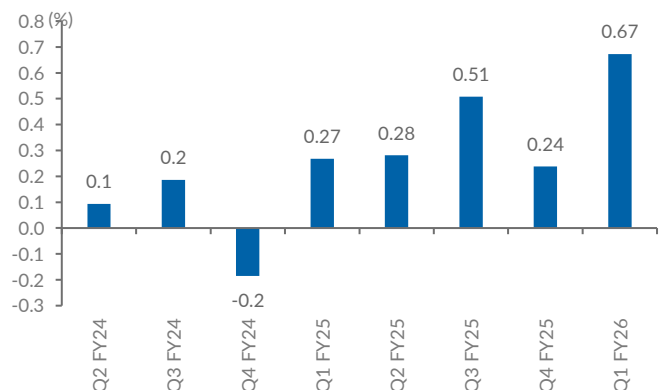
Source: Company, YES Sec – Research, \* Core PPOP is derived by adjusting PPOP for gain/loss on sale of investments and misc. income

**Exhibit 11: Gross NPA and Net NPA (%)**



Source: Company, YES Sec – Research

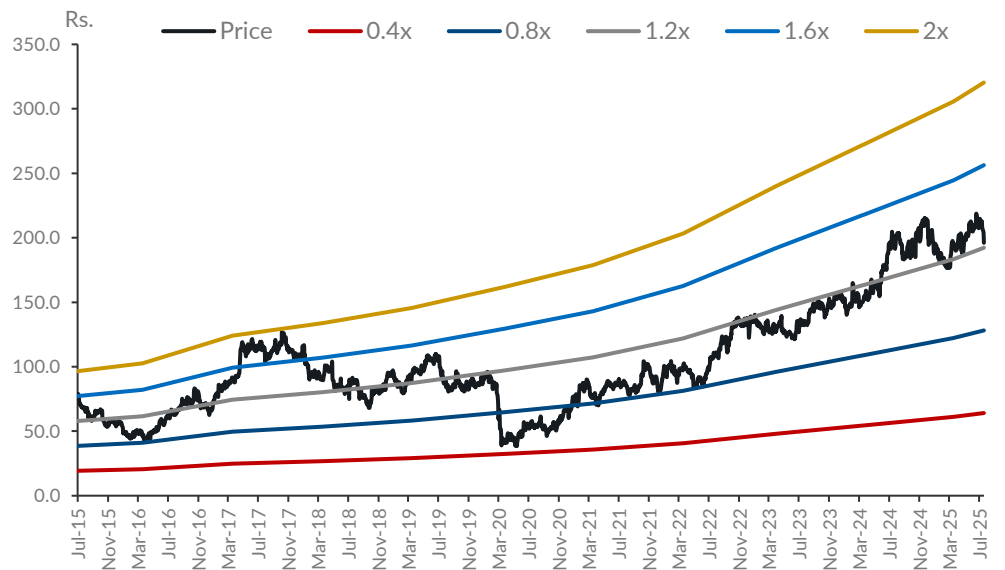
**Exhibit 12: Credit Cost (%)**



Source: Company, YES Sec – Research

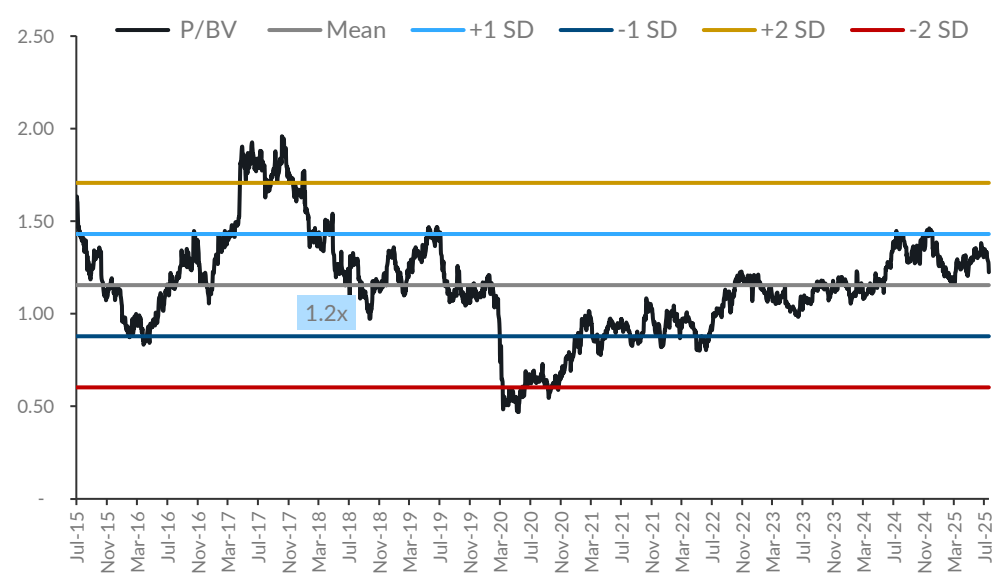


**Exhibit 13: 1-year rolling P/BV band**



Source: Company, YES Sec – Research, N.B. Valuations in this chart are not adjusted / netted out for subsidiaries' value

**Exhibit 14: 1-yr rolling P/BV vis-a-vis the mean and standard deviations**



Source: Company, YES Sec – Research, N.B. Valuations in this chart are not adjusted / netted out for subsidiaries' value

## ANNUAL FINANCIALS

### Exhibit 15: Balance sheet

Y/e 31 Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Total cash & equivalents	189,629	308,592	252,097	289,911	336,297
Investments	608,595	662,456	746,314	854,117	985,304
Advances	2,094,033	2,348,364	2,653,651	3,051,699	3,539,971
Fixed assets	10,201	14,783	16,261	17,887	19,676
Other assets	180,660	155,853	179,231	206,115	237,033
<b>Total assets</b>	<b>3,083,118</b>	<b>3,490,048</b>	<b>3,847,554</b>	<b>4,419,729</b>	<b>5,118,280</b>
Net worth	290,944	334,206	367,887	414,488	472,201
Deposits	2,525,340	2,836,475	3,196,714	3,666,410	4,242,571
Borrowings	180,264	237,263	199,690	261,292	335,651
Other liabilities	86,570	82,104	83,263	77,540	67,858
<b>Total liabilities incl. Equity</b>	<b>3,083,118</b>	<b>3,490,048</b>	<b>3,847,554</b>	<b>4,419,729</b>	<b>5,118,280</b>

Source: Company, YES Sec – Research

### Exhibit 16: Income statement

Y/e 31 Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	221,883	263,653	286,617	325,022	378,473
Interest expense	(138,948)	(168,973)	(185,203)	(207,213)	(240,827)
<b>Net interest income</b>	<b>82,935</b>	<b>94,680</b>	<b>101,414</b>	<b>117,809</b>	<b>137,646</b>
Non-interest income	30,793	38,013	46,284	55,594	65,801
<b>Total income</b>	<b>113,728</b>	<b>132,692</b>	<b>147,698</b>	<b>173,403</b>	<b>203,447</b>
Operating expenses	(61,983)	(71,681)	(80,169)	(92,261)	(104,986)
<b>PPoP</b>	<b>51,745</b>	<b>61,011</b>	<b>67,529</b>	<b>81,143</b>	<b>98,461</b>
Provisions	(1,961)	(7,331)	(15,360)	(14,929)	(17,398)
<b>Profit before tax</b>	<b>49,784</b>	<b>53,681</b>	<b>52,169</b>	<b>66,213</b>	<b>81,064</b>
Taxes	(12,578)	(13,162)	(13,131)	(16,666)	(20,404)
<b>Net profit</b>	<b>37,206</b>	<b>40,519</b>	<b>39,038</b>	<b>49,548</b>	<b>60,660</b>

Source: Company, YES Sec – Research

## Exhibit 17: Du Pont Analysis (RoA tree)

Y/e 31 Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.8	8.0	7.8	7.9	7.9
Interest expense	-4.9	-5.1	-5.0	-5.0	-5.0
<b>Net interest income</b>	<b>2.9</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>	<b>2.9</b>
Non-interest income	1.1	1.2	1.3	1.3	1.4
<b>Total income</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.2</b>	<b>4.3</b>
Operating expenses	-2.2	-2.2	-2.2	-2.2	-2.2
<b>PPoP</b>	<b>1.8</b>	<b>1.9</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>
Provisions	-0.1	-0.2	-0.4	-0.4	-0.4
<b>Profit before tax</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.6</b>	<b>1.7</b>
Taxes	-0.4	-0.4	-0.4	-0.4	-0.4
<b>Net profit</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>

Source: Company, YES Sec – Research

## Exhibit 18: Sum of the Parts (SOTP) - Subsidiaries

Subsidiaries/JVs	Market Cap / Assigned value (Rs mn)	Valuation metric	Metric value (Rs mn)	Trailing multiple (Implied / Assigned)	Stake (%)	Stake value (Rs mn)	Per share (Rs)
FedBank Financial	48,838	BV	26,340	1.9	61.7%	30,108	12.4
IDBI Federal Life	22,174	EV	20,158	1.1	26.0%	5,765	2.4
<b>Value of Subsidiaries</b>						<b>35,874</b>	<b>14.7</b>

Source: Company, YES Sec – Research

## Exhibit 19: Change in Annual Estimates

Y/e 31 Mar (Rs. mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Interest Income	101,414	117,809	137,646	106,327	124,109	143,355	(4.6)	(5.1)	(4.0)
Pre-Prov. Operating Profit	67,529	81,143	98,461	74,265	91,152	105,263	(9.1)	(11.0)	(6.5)
Profit after tax	39,038	49,548	60,660	46,504	56,435	64,993	(16.1)	(12.2)	(6.7)

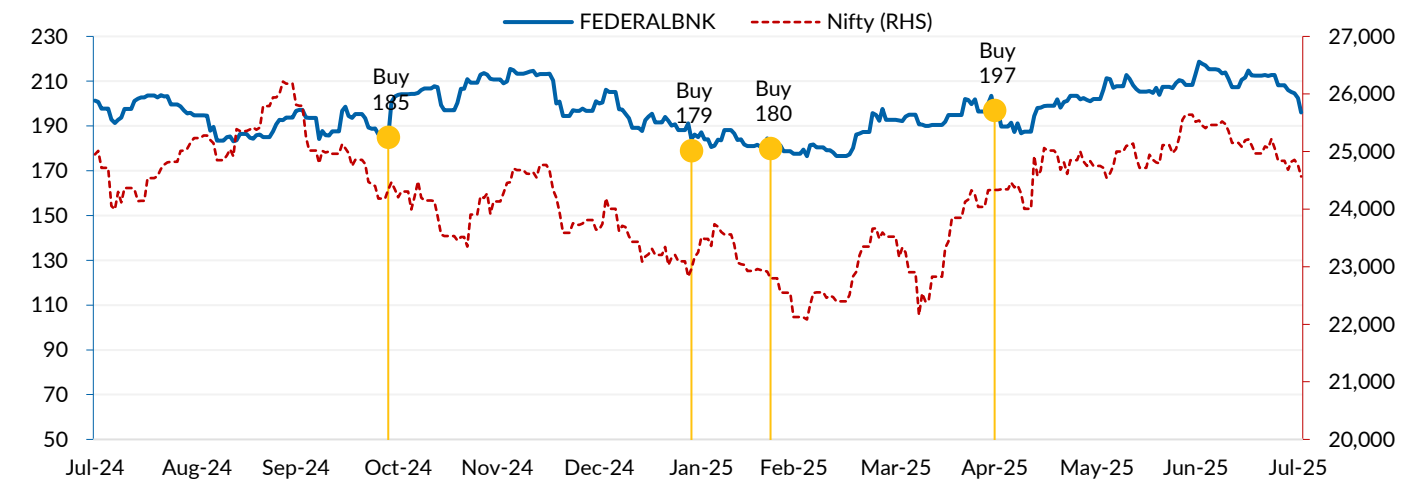
Source: Company, YES Sec – Research

## Exhibit 20: Ratio analysis

Y/e 31 Mar	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth matrix (%)</b>					
Net interest income	14.7	14.2	7.1	16.2	16.8
PPoP	7.9	17.9	10.7	20.2	21.3
Net profit	23.6	8.9	-3.7	26.9	22.4
Loans	20.0	12.1	13.0	15.0	16.0
Deposits	18.3	12.3	12.7	14.7	15.7
<b>Profitability Ratios (%)</b>					
Net interest margin	3.2	3.1	3.0	3.1	3.1
Return on Average Equity	14.7	13.0	11.1	12.7	13.7
Return on Average Assets	1.3	1.2	1.1	1.2	1.3
<b>Per share figures (Rs)</b>					
EPS	15.3	16.5	15.9	20.2	24.7
BVPS	119	136	150	169	192
ABVPS	114	132	145	163	186
<b>Valuation multiples</b>					
P/E	11.9	11.0	11.4	9.0	7.3
P/BV	1.5	1.3	1.2	1.1	0.9
P/ABV	1.6	1.4	1.3	1.1	1.0
<b>NIM internals (%)</b>					
Yield on loans	9.2	9.5	9.1	9.2	9.3
Cost of deposits	5.5	5.8	5.7	5.6	5.6
Loan-deposit ratio	82.9	82.8	83.0	83.2	83.4
CASA ratio	29.6	30.2	30.2	30.2	30.2
<b>Opex control (%)</b>					
Cost/Income ratio	54.5	54.0	54.3	53.2	51.6
Cost to average assets	2.2	2.2	2.2	2.2	2.2
<b>Capital adequacy (%)</b>					
Tier 1 capital ratio	14.6	15.0	14.5	13.9	13.3
<b>Asset quality (%)</b>					
Slippage ratio	0.9	0.8	1.1	1.0	1.0
Gross NPL ratio	2.1	1.8	2.0	2.0	1.9
Credit cost	0.2	0.4	0.6	0.5	0.5
Net NPL ratio	0.6	0.4	0.5	0.4	0.4

Source: Company, YES Sec – Research; Valuations are the implied valuation of standalone entity net of subsidiaries

## Recommendation Tracker



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