

# Canara Bank

Estimate change



TP change



Rating change



Bloomberg	CBK IN
Equity Shares (m)	9071
M.Cap.(INRb)/(USDb)	1363.5 / 14.8
52-Week Range (INR)	161 / 79
1, 6, 12 Rel. Per (%)	2/34/54
12M Avg Val (INR M)	3293

## Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
NII	370.7	369.8	434.9
OP	313.9	346.7	363.8
NP	170.3	192.3	197.8
NIM (%)	2.4	2.2	2.3
EPS (INR)	18.8	21.2	21.8
EPS Gr. (%)	17.0	12.9	2.9
BV/Sh. (INR)	106	119	132
ABV/Sh. (INR)	99	113	126
RoA (%)	1.1	1.1	1.0
RoE (%)	19.9	19.3	17.8

## Valuations

P/E (x)	8.0	7.1	6.9
P/BV (x)	1.4	1.3	1.1
P/ABV (x)	1.5	1.3	1.2

## Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	62.9	62.9	62.9
DII	10.5	12.2	11.7
FII	14.6	11.9	11.1
Others	12.0	12.9	14.2

**CMP: INR150**

**TP: INR175 (+16%)**

**Buy**

## NII inline; stake sale gains drive earnings beat

### NIMs contracted 5bp QoQ to 2.45%

- Canara Bank (CBK) reported 3QFY26 standalone PAT at INR51.6b (26% YoY/ 8% QoQ, 15% higher than MOFSLe) amid stake sale gains, which resulted in pre-tax profit of INR19.3b.
- NII stood flat at 1% YoY/ 1% QoQ, reaching INR92.5b (largely in line). Margins moderated 5bp QoQ to 2.45% vs our est. of 2.48%.
- Loan book grew 15% YoY/ 4% QoQ to INR11.7t, while deposits grew 12.9% YoY/1.4% QoQ to INR15.2t. CASA deposits grew 9.3% YoY/declined 3.7% QoQ. As a result, CASA ratio moderated 117bp QoQ to 29.5%.
- Slippages declined to INR18.9b (INR21b in 2QFY26). GNPA/NNPA ratio, thus, improved 27bp/9bp QoQ to 2.08%/0.45%, respectively. PCR improved to 78.6% (up 118bp QoQ).
- **We fine-tune our earnings estimates and project CBK to deliver FY27E RoA/RoE of 1.03%/17.8%. Reiterate BUY with a revised TP of INR175 (based on 1.2x Sep'27E ABV+ INR12 for subs).**

### Business growth healthy; asset quality improves

- 3Q PAT grew 26% YoY to INR51.6b (15% beat), amid stake sale gains (pre-tax: INR19.3b). NII stood flat at 1% YoY/ 1% QoQ, reaching INR92.5b (largely in line). Margins moderated 5bp QoQ to 2.45% vs our est. of 2.48%.
- Other income grew 36% YoY/12% QoQ to INR78.9b (18% higher than MOFSLe), amid stake sale gains of Can AMC and Can HSBC Life. Total revenue, thus, grew 15% YoY (6% beat).
- Operating expenses grew 13% YoY/5.6% QoQ to INR80.3b (4% higher) due to two one-off items: IPO-related expenses of INR0.8b and employee benefit expenses of INR0.8b. Additionally, the bank recognized INR1b in technology-related expenses. Thus, C/I ratio stood at 46.8% in 3QFY26. PPop grew 16% YoY/6% QoQ to INR 91.2b (7% beat). Provisions came in at INR24.1b (in line, up 2.6% QoQ).
- Loan book grew by a healthy 14.6% YoY/3.8% QoQ, led by robust growth in the retail segment at 31% YoY/8.8% QoQ. Within this, vehicle loans grew 26% YoY/7.4% QoQ. Deposits grew 12.9% YoY/1.4% QoQ to INR15.2t. CASA deposits grew 9.3% YoY/declined 3.7% QoQ. As a result, CASA ratio moderated 117bp QoQ to 29.5%. CD ratio increased to 77.1%.
- Slippages declined to INR18.9b (INR21b in 2QFY26). GNPA/NNPA ratio, thus, improved 27bp/9bp QoQ to 2.08%/0.45%, respectively. PCR improved to 78.6% (up 118bp QoQ).
- Reported credit cost stood at 0.64%. SMA book increased to 0.69% in 3QFY26 from 0.65% in 2QFY26. SMA-1 increased due to the Kaleshwaram irrigation project being classified under SMA-1; however, the bank does not expect this to slip further.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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### Highlights from the management commentary

- Stage 1 and Stage 3 exposures have a similar impact under ECL. The total transition impact of ECL across Stage 1, 2, and 3 is estimated at INR100b.
- The bank is comfortable with the transition, supported by improving slippage trends. The total SMA book stands at INR356.04b, while the slippage ratio at 0.64% is among the best in the industry.
- NIMs remain lower than peers due to repo rate cuts and the fact that 49% of the loan book is repo-linked. Consequently, yields declined 6bp, while the cost of funds reduced 4bp. With improving CASA and RAM growth, the bank expects to manage NIMs better.
- Slippages during the quarter stood at INR19b, comprising INR7.89b from agriculture, INR7.39b from MSME, and INR2.94b from retail, with no slippages from corporate accounts.

### Valuation and view

CBK reported a mixed quarter with net earnings reporting a beat led by stake sale gains of INR19.35b, while margins contracted 5bp QoQ. NII stood in line, and the bank believes that NIM is close to bottoming out. Loan growth was healthy, driven by robust growth in the retail segment, while deposit growth was modest, with the CASA ratio moderating slightly. Asset quality improved, with slippages too witnessing a reduction, leading to a controlled credit cost for the bank. CBK expects the ECL transition impact to be ~INR100b across stages 1,2 and 3. **We fine-tune our earnings estimates and project CBK to deliver FY27E RoA/ RoE of 1.03%/17.8%. Reiterate BUY with a revised TP of INR175 (based on 1.2x Sep'27E ABV+ INR12 for subs).**

### Quarterly Performance

	FY25				FY26E				FY25	FY26E	FY26E	(INR b)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	V/S our
<b>Net Interest Income</b>	<b>91.7</b>	<b>93.2</b>	<b>91.5</b>	<b>94.4</b>	<b>90.1</b>	<b>91.4</b>	<b>92.5</b>	<b>95.7</b>	<b>370.7</b>	<b>369.8</b>	<b>95.6</b>	<b>(3)</b>
% Change (Y-o-Y)	5.8	4.6	-2.9	-1.4	-1.7	-1.9	1.1	1.4	1.4	-0.3	4.5	
Other Income	53.2	49.8	58.0	63.5	70.6	70.5	79.0	69.5	224.5	289.6	66.8	18
<b>Total Income</b>	<b>144.9</b>	<b>143.0</b>	<b>149.5</b>	<b>157.9</b>	<b>160.7</b>	<b>162.0</b>	<b>171.5</b>	<b>165.2</b>	<b>595.2</b>	<b>659.4</b>	<b>162.4</b>	<b>6</b>
Operating Expenses	68.7	66.4	71.1	75.1	75.2	76.1	80.3	81.2	281.3	312.7	77.4	4
<b>Operating Profit</b>	<b>76.2</b>	<b>76.5</b>	<b>78.4</b>	<b>82.8</b>	<b>85.5</b>	<b>85.9</b>	<b>91.2</b>	<b>84.0</b>	<b>313.9</b>	<b>346.7</b>	<b>84.9</b>	<b>7</b>
% Change (Y-o-Y)	0.2	0.5	15.2	12.1	12.3	12.2	16.4	1.5	6.7	10.4	8.4	
Other Provisions	22.8	22.5	24.0	18.3	23.5	23.5	24.1	23.2	87.6	94.4	24.9	(3)
<b>Profit before Tax</b>	<b>53.3</b>	<b>54.0</b>	<b>54.4</b>	<b>64.5</b>	<b>62.0</b>	<b>62.3</b>	<b>67.1</b>	<b>60.9</b>	<b>226.3</b>	<b>252.3</b>	<b>60.0</b>	<b>12</b>
Tax	14.3	13.9	13.3	14.5	14.5	14.6	15.5	15.4	56.0	60.0	15.3	2
<b>Net Profit</b>	<b>39.1</b>	<b>40.1</b>	<b>41.0</b>	<b>50.0</b>	<b>47.5</b>	<b>47.7</b>	<b>51.6</b>	<b>45.4</b>	<b>170.3</b>	<b>192.3</b>	<b>44.8</b>	<b>15</b>
% Change (Y-o-Y)	10.5	11.3	12.3	33.1	21.7	18.9	25.6	-9.2	17.0	12.9	9.1	
<b>Operating Parameters</b>												
Deposit (INR b)	13,352	13,473	13,469	14,569	14,677	15,003	15,213	15,909	14,569	15,909	15,562	
Loan (INR b)	9,464	9,840	10,237	10,492	10,736	11,301	11,728	11,918	10,492	11,918	11,541	
Deposit Growth (%)	12.0	9.3	6.6	11.0	9.9	11.4	12.9	9.2	11.0	9.2	13.6	
Loan Growth (%)	10.7	10.3	11.2	12.6	13.4	14.8	14.6	13.6	12.6	13.6	12.7	
<b>Asset Quality</b>												
Gross NPA (%)	4.1	3.7	3.3	2.9	2.7	2.5	2.1	2.0	2.9	2.0	2.3	
Net NPA (%)	1.2	1.0	0.9	0.7	0.6	0.6	0.5	0.4	0.7	0.4	0.5	
PCR (%)	71.0	74.1	74.1	76.7	77.1	77.4	78.6	78.4	76.6	78.4	77.2	

E: MOFSL Estimates

INR b	FY25				FY26			Change (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Net Interest Income	91.7	93.2	91.5	94.4	90.1	91.4	92.5	1.1	1.2
Other Income	53.2	49.8	58.0	63.5	70.6	70.5	79.0	36.1	12.0
Total Income	144.9	143.0	149.5	157.9	160.7	162.0	171.5	14.7	5.9
Operating Expenses	68.7	66.4	71.1	75.1	75.2	76.1	80.3	12.9	5.6
Employee	42.3	43.6	44.8	47.8	48.0	48.2	49.0	9.5	1.7
Operating Profits	76.2	76.5	78.4	82.8	85.5	85.9	91.2	16.4	6.2
Core Operating Profits	72.7	69.9	68.9	75.7	69.4	73.7	65.3	-5.3	-11.4
Provisions	22.8	22.5	24.0	18.3	23.5	23.5	24.1	0.7	2.6
PBT	53.3	54.0	54.4	64.5	62.0	62.3	67.1	23.3	7.6
Taxes	14.3	13.9	13.3	14.5	14.5	14.6	15.5	16.2	6.2
PAT	39.1	40.1	41.0	50.0	47.5	47.7	51.6	25.6	8.0
Balance sheet (INR b)									
Loans	9,464	9,840	10,237	10,492	10,736	11,301	11,728	14.6	3.8
Deposits	13,352	13,473	13,469	14,569	14,677	15,003	15,213	12.9	1.4
CASA Deposits	3,814	3,873	3,772	4,150	3,957	4,281	4,124	9.3	-3.7
- Savings	3,322	3,407	3,297	3,371	3,417	3,522	3,577	8.5	1.6
- Current	492	466	475	778	540	759	546	14.9	-28.1
Loan mix (%)									
Agriculture & Allied	24.7	24.0	23.2	23.0	22.7	23.1	22.6	-58	-48
MSME	13.8	13.5	13.5	13.0	13.4	13.4	13.5	2	11
Retail	18.0	19.2	19.8	20.8	21.5	21.8	22.9	310	111
Corporate and others	43.4	43.3	43.5	43.2	42.5	41.7	41.0	-254	-74
Asset Quality									
GNPA	403.6	377.3	350.6	315.3	295.2	270.4	248.3	-29.2	-8.2
NNPA	117.0	97.8	90.8	73.5	67.7	61.1	53.2	-41.4	-12.9
Slippages	33.4	56.8	81.5	108.5	130.1	151.2	170.2	108.9	12.6
Asset Quality Ratios	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY (bp)	QoQ (bp)
GNPA (%)	4.1	3.7	3.3	2.9	2.7	2.4	2.1	-126	-27
NNPA (%)	1.2	1.0	0.9	0.7	0.6	0.5	0.5	-44	-9
PCR (Calculated, %)	71.0	74.1	74.1	76.7	77.1	77.4	78.6	447	118
PCR (inc TWO, %)	89.2	90.9	91.3	92.7	93.2	93.6	94.2	293	60
Slippage Ratio (%)	1.5	1.0	1.0	1.1	0.9	0.9	0.7	-27	-11
Business Ratios									
CASA	31.0	31.3	30.0	31.2	29.6	30.7	29.5	-48	-117
Loan/Deposit	70.9	73.0	76.0	72.0	73.1	75.3	77.1	109	177
Other income/Total Income	36.7	34.8	38.8	40.2	43.9	43.6	46.1	725	250
Cost to Income	47.4	46.5	47.6	47.5	46.8	47.0	46.8	-75	-14
Cost to asset	1.9	1.8	1.9	1.9	1.8	1.8	1.9	2	6
Tax Rate	26.8	25.7	24.5	22.5	23.4	23.4	23.1	-142	-30
Capitalisation Ratios (%)									
Tier-1	14.4	14.6	14.6	14.4	14.6	14.3	14.6	5	32
- CET 1	12.1	12.0	12.0	12.0	12.3	12.2	12.4	40	16
CAR	16.4	16.6	16.4	16.3	16.5	16.2	16.5	6	30
Profitability Ratios									
Yield on loans	8.7	8.8	8.8	8.8	8.5	8.4	8.3	-45	-6
Yield On Funds	7.7	7.7	7.7	7.7	7.4	7.3	7.3	-38	-5
Cost of Funds	5.3	5.3	5.3	5.3	5.3	5.2	5.2	-10	-3
Cost of Deposits	5.7	5.7	5.7	5.7	5.7	5.7	5.6	-8	-4
NIMs	2.9	2.9	2.7	2.7	2.6	2.5	2.5	-26	-5
Other Details									
Branches	9,623	9,658	9,816	9,849	9,861	9,948	10,066	250	118
ATMs	10,014	9,881	9,715	9,579	7,907	7,405	7,048	(2,667)	(357)

Source: MOFSL, Company



## Highlights from the management commentary

### Opening remarks

- Global business grew 13.23% YoY, with global deposits up 12.95% YoY and global advances increasing 13.59% YoY.
- RoA improved 9bp to 1.13%, while credit cost declined 4bp QoQ to 0.64%.
- CET-1 ratio strengthened 40bp YoY, and slippages declined 32bp QoQ.

### Advances and deposits

- SA book continues to grow at a healthy pace and is outperforming peers, while the CA book declined due to one specific account.
- The bank rolled back certain products in metro and urban centers, following which gold loan growth has picked up meaningfully.
- Retail loan growth during the quarter was entirely organic, with no buyouts undertaken.
- The bank continues to grow in line with its earlier guidance of 10-11% and maintains its growth aspiration.
- Borrowings increased marginally during the quarter due to the issuance of AT-1 bonds and refinancing from NABARD and SIDBI.
- In 2Q, the bank received INR260b in the CA book, which led to volatility in CA balances during the current quarter.
- A reclassification of overseas deposits as borrowings resulted in a reduction of INR330b in reported deposits.

### Yields and margins

- NIMs remain lower than peers due to repo rate cuts and the fact that 49% of the loan book is repo-linked. Consequently, yields declined 6bp, while cost of funds reduced 4bp. With improving CASA and RAM growth, the bank expects to manage NIMs better.
- Only 15% of deposits remain pending repricing.
- The bank believes NIMs are close to bottoming out, supported by OMOs and systemic liquidity infusion.
- Recoveries contributed approximately INR3.7b to interest income during the quarter.
- Retail yields stood at 8.7%, RAM yields at 8.88%, and vehicle finance yields at 8.5%.
- NIMs were impacted by slower CASA growth, with average CASA at 30%. The bank remains focused on improving this ratio.

### Other income and opex

- PSLC income is typically recognized in the first quarter and ranges between INR12b and INR13b. The bank earned INR9b in 1Q and INR1.4b in 2Q and expects to recognize PSLC income again in 4Q.
- No material change in PSLC income is expected in FY27.
- Opex included two one-off items: IPO-related expenses of INR0.8b and employee benefit expenses of INR0.8b. Additionally, the bank recognized INR1b in technology-related expenses.
- The bank offloaded stakes in Can HSBC and Can Robeco, resulting in gains from these subsidiaries being recorded under other income.

### **Asset quality**

- SMA-1 increased due to the Kaleshwaram irrigation project being classified under SMA-1; however, the bank does not expect this to slip further as it has remained in SMA.
- The total written-off book stands at INR660b, with the bank targeting recoveries of INR20b annually.
- Recoveries from written-off accounts are evenly split between retail and wholesale, with retail contributing around INR10b.
- Certain accounts aggregating INR19.56b are under monitoring, though no immediate risk is perceived.
- Total slippages during the quarter stood at INR19b, comprising INR7.89b from agriculture, INR7.39b from MSME, and INR2.94b from retail, with no slippages from corporate accounts.

### **ECL draft guidelines related**

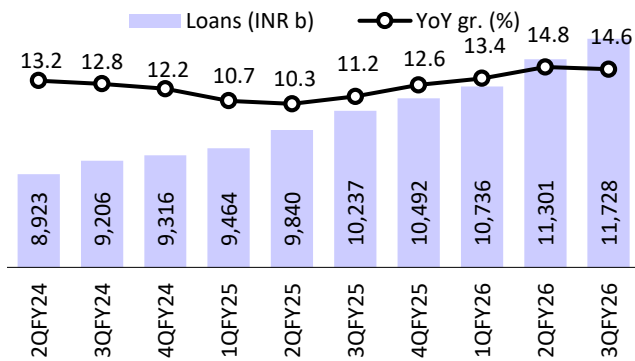
- Stage 1 and Stage 3 exposures have a similar impact under ECL. The total transition impact of ECL across Stage 1, 2, and 3 is estimated at INR100b.
- The bank is comfortable with the transition, supported by improving slippage trends. The total SMA book stands at INR356.04b, while the slippage ratio at 0.64% is among the best in the industry.
- ECL requirements are expected to moderate over time, and even post ECL implementation, the CET-1 ratio is expected to remain above 11%. The bank does not foresee any material impact, as quarterly profits are sufficient to absorb the transition impact.

### **Miscellaneous**

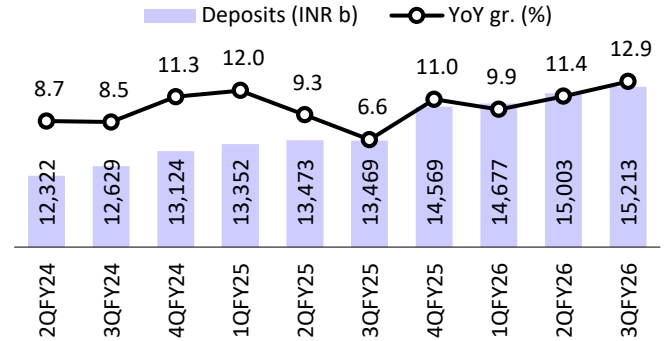
- The bank's LCR stood at 125%.
- The bank is adequately capitalized to support double-digit growth going forward and, therefore, does not see a need for raising capital in the near term.

## Story in charts

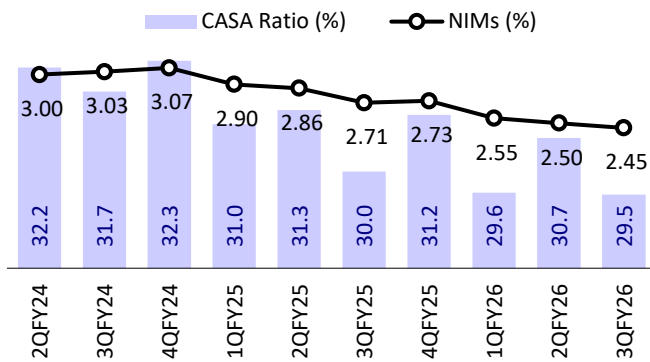
**Exhibit 1: Loan book grew ~14.6% YoY (up 3.8% QoQ)**



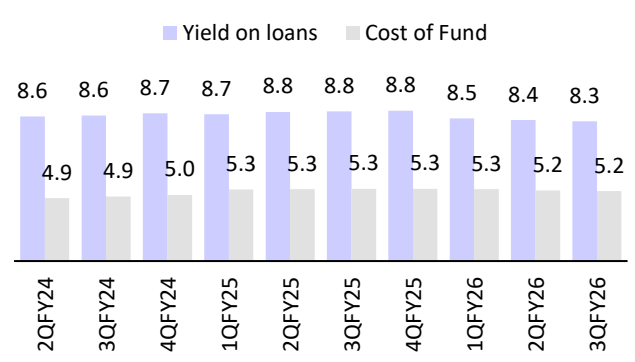
**Exhibit 2: Deposits grew 12.9% YoY (up 1.4% QoQ)**



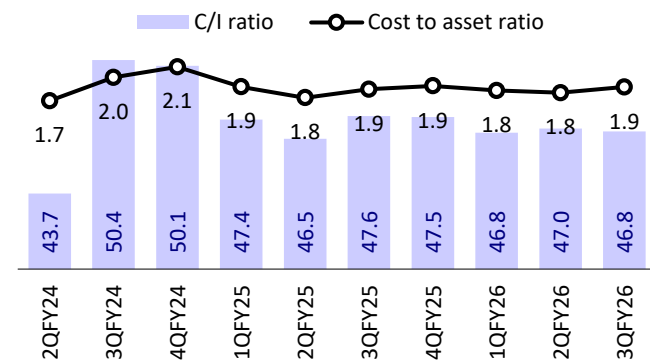
**Exhibit 3: NIM contracted 5bp QoQ to 2.45%**



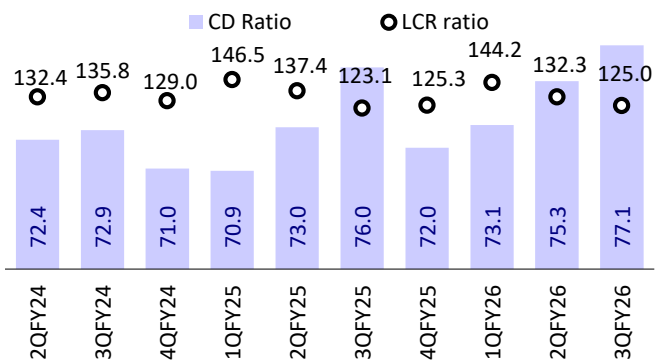
**Exhibit 4: Yield on advances declined 6bp QoQ to 8.3%**



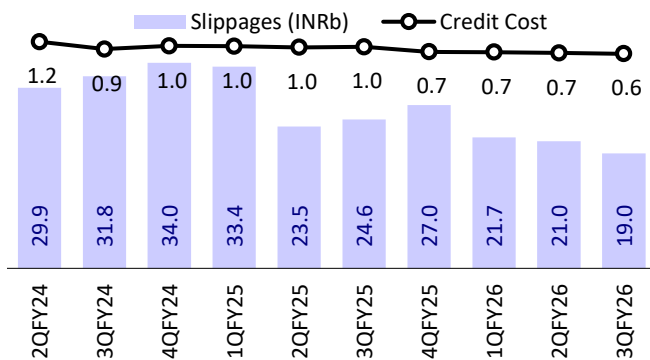
**Exhibit 5: C/I ratio moderated 14bp QoQ to 46.8%**



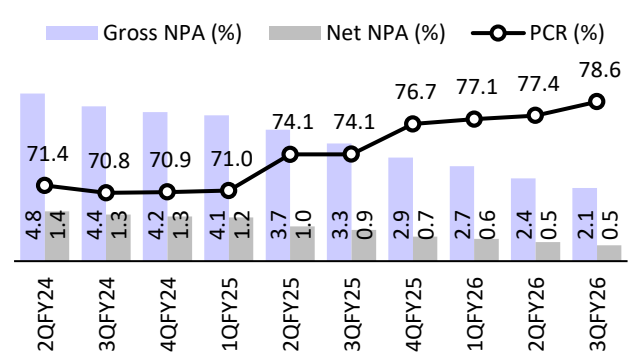
**Exhibit 6: C/D ratio increased 177bp QoQ to 77.1%**



**Exhibit 7: Slippages (fresh + existing) declined to INR19b**



**Exhibit 8: GNPA/NNPA ratios improved 27bp/9bp QoQ**



Source: MOFSL, Company

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### Valuation and view: Reiterate BUY with a revised TP of INR175

- CBK reported a mixed quarter, where earnings beat was led by stake sale gains of INR19.35b. NII stood in line, with margins moderating 5bp QoQ, and the bank believes that NIM is close to bottoming out. Loan growth was healthy and driven by robust growth in the retail segment, while deposit growth was modest with CASA ratio moderating. Asset quality improved, with slippages too witnessing a reduction, leading to a controlled credit cost for the bank. The bank expects the ECL transition impact to be ~INR100b across stages 1,2, and 3. **We fine-tune our earnings estimates and project CBK to deliver FY27E RoA/RoE of 1.03%/17.8%. Reiterate BUY with a revised TP of INR175 (based on 1.2x Sep'27E ABV+ INR12 for subs).**

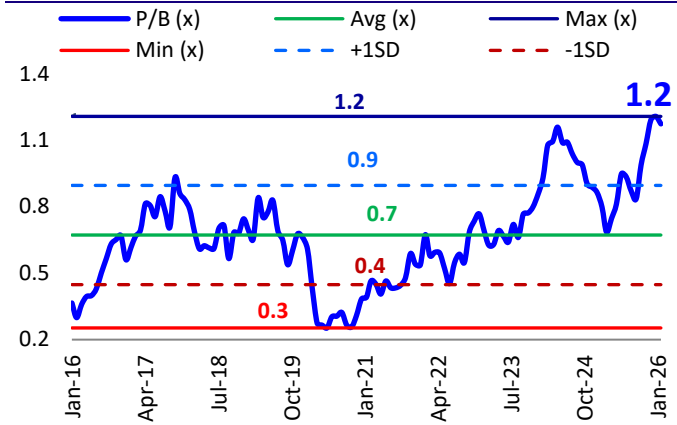
#### Exhibit 9: Changes in earnings estimates

INR b	Old Est			Rev Est			Change (%)		
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26E	FY27E	FY28E
<b>Net Interest Income</b>	<b>376.3</b>	<b>436.6</b>	<b>501.7</b>	<b>369.8</b>	<b>434.9</b>	<b>506.7</b>	<b>-1.7</b>	<b>-0.4</b>	<b>1.0</b>
Other Income	280.7	261.0	287.1	289.6	269.4	296.3	3.2	3.2	3.2
<b>Total Income</b>	<b>657.0</b>	<b>697.6</b>	<b>788.8</b>	<b>659.4</b>	<b>704.3</b>	<b>803.0</b>	<b>0.4</b>	<b>1.0</b>	<b>1.8</b>
Operating Expenses	309.6	338.2	371.6	312.7	340.5	373.1	1.0	0.7	0.4
<b>Operating Profits</b>	<b>347.3</b>	<b>359.4</b>	<b>417.1</b>	<b>346.7</b>	<b>363.8</b>	<b>429.9</b>	<b>-0.2</b>	<b>1.2</b>	<b>3.1</b>
Provisions	95.8	97.6	120.8	94.4	101.7	131.7	-1.5	4.2	9.0
<b>PBT</b>	<b>251.6</b>	<b>261.8</b>	<b>296.4</b>	<b>252.3</b>	<b>262.0</b>	<b>298.2</b>	<b>0.3</b>	<b>0.1</b>	<b>0.6</b>
Tax	61.4	64.9	73.5	60.0	64.2	73.1	-2.2	-1.1	-0.6
<b>PAT</b>	<b>190.2</b>	<b>196.8</b>	<b>222.9</b>	<b>192.3</b>	<b>197.8</b>	<b>225.2</b>	<b>1.1</b>	<b>0.5</b>	<b>1.0</b>
Loans	11,803	13,101	14,556	11,918	13,325	14,857	1.0	1.7	2.1
Deposits	15,967	17,452	19,145	15,909	17,389	19,075	-0.4	-0.4	-0.4
Margins (%)	2.20	2.33	2.44	2.16	2.32	2.46	-1.6	-0.3	0.9
Credit Cost (%)	0.86	0.78	0.87	0.84	0.81	0.93	-2.0	2.8	7.0
<b>RoA (%)</b>	<b>1.08</b>	<b>1.02</b>	<b>1.05</b>	<b>1.09</b>	<b>1.03</b>	<b>1.07</b>	<b>1.3</b>	<b>0.8</b>	<b>1.3</b>
<b>RoE (%)</b>	<b>19.2</b>	<b>17.8</b>	<b>18.5</b>	<b>19.3</b>	<b>17.8</b>	<b>18.6</b>	<b>1.0</b>	<b>0.3</b>	<b>0.7</b>
BV	119	131	141	119	132	141	0.2	0.3	0.4
ABV	113	124	133	113	126	135	0.8	1.0	1.6
EPS	21	22	25	21	22	25	1.1	0.5	1.0

Source: MOFSL, Company

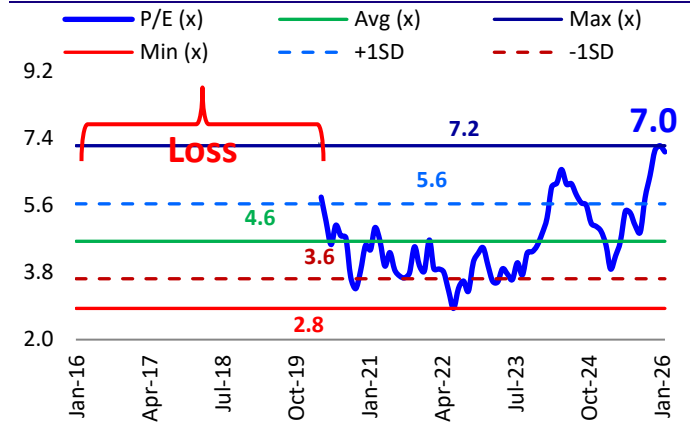


**Exhibit 10: One-year forward P/B ratio**



Source: MOFSL, Company

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



Source: MOFSL, Company

**Exhibit 12: DuPont analysis**

Y/E MARCH	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	6.56	7.66	7.55	7.11	7.17	7.25
Interest Expense	4.12	5.08	5.21	5.01	4.91	4.85
<b>Net Interest Income</b>	<b>2.44</b>	<b>2.58</b>	<b>2.34</b>	<b>2.10</b>	<b>2.25</b>	<b>2.40</b>
<b>Non Interest income</b>	<b>1.46</b>	<b>1.34</b>	<b>1.41</b>	<b>1.64</b>	<b>1.40</b>	<b>1.40</b>
<b>Total Income</b>	<b>3.90</b>	<b>3.91</b>	<b>3.75</b>	<b>3.74</b>	<b>3.65</b>	<b>3.80</b>
<b>Operating Expenses</b>	<b>1.75</b>	<b>1.84</b>	<b>1.77</b>	<b>1.77</b>	<b>1.76</b>	<b>1.76</b>
Employee cost	1.07	1.16	1.13	1.12	1.12	1.11
Other operating expenses	0.68	0.68	0.65	0.65	0.64	0.65
<b>Operating Profits</b>	<b>2.15</b>	<b>2.07</b>	<b>1.98</b>	<b>1.97</b>	<b>1.88</b>	<b>2.03</b>
<b>Core operating Profits</b>	<b>2.01</b>	<b>1.96</b>	<b>1.81</b>	<b>1.84</b>	<b>1.75</b>	<b>1.89</b>
<b>Provisions</b>	<b>1.05</b>	<b>0.68</b>	<b>0.55</b>	<b>0.54</b>	<b>0.53</b>	<b>0.62</b>
<b>PBT</b>	<b>1.10</b>	<b>1.39</b>	<b>1.43</b>	<b>1.43</b>	<b>1.36</b>	<b>1.41</b>
Tax	0.28	0.36	0.35	0.34	0.33	0.35
<b>RoA</b>	<b>0.82</b>	<b>1.03</b>	<b>1.07</b>	<b>1.09</b>	<b>1.02</b>	<b>1.07</b>
Leverage (x)	18.42	17.67	16.99	16.66	16.44	16.60
<b>RoE</b>	<b>15.18</b>	<b>18.13</b>	<b>18.22</b>	<b>18.16</b>	<b>16.85</b>	<b>17.68</b>

Source: MOFSL, Company



## Financials and Valuations

Income Statement						(INR b)
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	844.2	1,086.9	1,197.6	1,254.0	1,383.6	1,532.0
Interest Expense	529.9	721.2	826.8	884.2	948.7	1,025.2
<b>Net Interest Income</b>	<b>314.4</b>	<b>365.7</b>	<b>370.7</b>	<b>369.8</b>	<b>434.9</b>	<b>506.7</b>
- growth (%)	19.1	16.3	1.4	-0.3	17.6	16.5
Non Interest Income	187.6	189.7	224.5	289.6	269.4	296.3
<b>Total Income</b>	<b>502.0</b>	<b>555.3</b>	<b>595.2</b>	<b>659.4</b>	<b>704.3</b>	<b>803.0</b>
- growth (%)	17.1	10.6	7.2	10.8	6.8	14.0
Operating Expenses	224.8	261.2	281.3	312.7	340.5	373.1
<b>Pre Provision Profits</b>	<b>277.2</b>	<b>294.1</b>	<b>313.9</b>	<b>346.7</b>	<b>363.8</b>	<b>429.9</b>
- growth (%)	13.4	6.1	6.7	10.4	4.9	18.2
<b>Core PPOp</b>	<b>258.2</b>	<b>277.9</b>	<b>287.2</b>	<b>324.3</b>	<b>338.0</b>	<b>400.3</b>
- growth (%)	18.2	7.6	3.4	12.9	4.2	18.4
Provisions	135.4	97.1	87.6	94.4	101.7	131.7
Exceptional Item	0.0	0.0	0.0	NA	NA	NA
<b>PBT</b>	<b>141.7</b>	<b>197.0</b>	<b>226.3</b>	<b>252.3</b>	<b>262.0</b>	<b>298.2</b>
Tax	35.7	51.5	56.0	60.0	64.2	73.1
Tax Rate (%)	25.2	26.1	24.7	23.8	24.5	24.5
<b>PAT</b>	<b>106.0</b>	<b>145.5</b>	<b>170.3</b>	<b>192.3</b>	<b>197.8</b>	<b>225.2</b>
- growth (%)	86.7	37.3	17.0	12.9	2.9	13.8

Balance Sheet						
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	18.1	18.1	18.1	18.1	18.1	18.1
Reserves & Surplus	717.9	851.4	980.9	1,100.0	1,211.6	1,299.1
<b>Net Worth</b>	<b>736.1</b>	<b>869.5</b>	<b>999.0</b>	<b>1,118.1</b>	<b>1,229.8</b>	<b>1,317.3</b>
<b>Deposits</b>	<b>11,792.2</b>	<b>13,123.7</b>	<b>14,568.8</b>	<b>15,909.2</b>	<b>17,388.7</b>	<b>19,075.4</b>
- growth (%)	8.5	11.3	11.0	9.2	9.3	9.7
<b>- CASA Deposits</b>	<b>3,665.8</b>	<b>3,924.1</b>	<b>4,150.5</b>	<b>4,327.3</b>	<b>4,921.0</b>	<b>5,512.8</b>
- growth (%)	-0.6	7.0	5.8	4.3	13.7	12.0
Borrowings	580.9	575.9	896.7	997.8	1,088.9	1,184.8
Other Liabilities & Prov.	348.2	346.3	364.0	407.7	456.6	511.4
<b>Total Liabilities</b>	<b>13,457.3</b>	<b>14,915.4</b>	<b>16,828.5</b>	<b>18,432.8</b>	<b>20,164.0</b>	<b>22,088.9</b>
Current Assets	1,414.2	1,507.6	2,053.4	1,927.4	1,940.1	1,985.5
<b>Investments</b>	<b>3,190.4</b>	<b>3,574.5</b>	<b>3,803.4</b>	<b>4,031.6</b>	<b>4,354.2</b>	<b>4,711.2</b>
- growth (%)	13.1	12.0	6.4	6.0	8.0	8.2
<b>Loans</b>	<b>8,306.7</b>	<b>9,316.1</b>	<b>10,491.6</b>	<b>11,918.4</b>	<b>13,324.8</b>	<b>14,857.1</b>
- growth (%)	18.1	12.2	12.6	13.6	11.8	11.5
Fixed Assets	102.3	122.3	102.2	137.4	147.0	157.3
Other Assets	443.7	394.9	378.0	417.9	397.9	377.7
<b>Total Assets</b>	<b>13,457.3</b>	<b>14,915.4</b>	<b>16,828.5</b>	<b>18,432.8</b>	<b>20,164.0</b>	<b>22,088.9</b>

Asset Quality						
GNPA (INR b)	461.6	406.0	315.3	247.6	257.7	271.0
NNPA (INR b)	143.9	118.6	73.8	53.4	53.7	50.8
Slippages (INR b)	119.8	106.3	85.4	112.0	138.8	155.0
GNPA Ratio (%)	5.4	4.2	2.9	2.0	1.9	1.8
NNPA Ratio (%)	1.7	1.3	0.7	0.4	0.4	0.3
Slippage Ratio (%)	1.7	1.3	0.9	1.0	1.5	2.2
Credit Cost (%)	1.3	1.0	1.0	0.8	0.8	0.9
PCR (Excl Tech. write off) (%)	68.8	70.8	76.6	78.4	79.2	81.3

E: MOFSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Yield and Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>6.9</b>	<b>8.0</b>	<b>7.8</b>	<b>7.3</b>	<b>7.4</b>	<b>7.4</b>
Avg. Yield on loans	8.0	8.9	8.9	8.4	8.4	8.4
Avg. Yield on Investments	6.6	6.8	6.8	6.8	6.7	6.6
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>4.3</b>	<b>5.3</b>	<b>5.5</b>	<b>5.4</b>	<b>5.3</b>	<b>5.3</b>
Avg. Cost of Deposits	4.3	5.3	5.5	5.4	5.3	5.3
<b>Interest Spread</b>	<b>2.6</b>	<b>2.6</b>	<b>2.3</b>	<b>1.9</b>	<b>2.0</b>	<b>2.2</b>
<b>Net Interest Margin</b>	<b>2.56</b>	<b>2.68</b>	<b>2.41</b>	<b>2.16</b>	<b>2.32</b>	<b>2.46</b>
<b>Capitalisation Ratios (%)</b>						
CAR	16.7	16.3	16.3	17.1	16.7	18.1
- Tier I	13.8	14.0	14.4	13.9	13.4	14.3
- CET-1	11.6	11.7	12.0	11.4	11.2	12.3
- Tier II	2.9	2.3	2.0	3.2	3.3	3.8
<b>Business Ratios (%)</b>						
Loans/Deposit Ratio	70.4	71.0	72.0	74.9	76.6	77.9
Investment/Deposit Ratio	27.1	27.2	26.1	25.3	25.0	24.7
CASA Ratio	31.1	29.9	28.5	27.2	28.3	28.9
Cost/Assets	1.7	1.8	1.7	1.7	1.7	1.7
Cost/Total Income	44.8	47.0	47.3	47.4	48.3	46.5
Cost/Core Income	46.5	48.5	49.5	49.1	50.2	48.2
Int. Expense/Int. Income	62.8	66.4	69.0	70.5	68.6	66.9
Fee Income/Net Income	33.6	31.2	33.2	40.5	34.6	33.2
Non Int. Inc./Net Income	37.4	34.2	37.7	43.9	38.2	36.9
Empl. Cost/Op. Exps.	61.1	62.9	63.5	63.4	63.4	63.1
<b>Efficiency Ratios (%)</b>						
Employee per branch (in nos)	8.8	8.6	8.3	8.8	8.9	9.0
Staff cost per employee (INR m)	1.6	2.0	2.2	2.3	2.5	2.6
CASA/Branch (INRm)	377.7	408.6	421.4	441.7	497.3	551.6
Deposit/Branch (INRm)	1,214.9	1,366.5	1,479.2	1,623.9	1,757.4	1,908.7
Business per Employee (INR m)	236.5	271.5	308.4	323.7	350.2	379.4
Profit per Employee (INR m)	1.2	1.8	2.1	2.2	2.3	2.5

### Profitability and Valuation

RoE	17.1	20.2	19.9	19.3	17.8	18.6
RoA	0.8	1.0	1.1	1.1	1.0	1.1
RoRWA	1.9	2.2	2.3	2.2	2.0	2.3
Book Value (INR)	77	90	106	119	132	141
- growth (%)	13.1	17.9	17.6	12.4	10.3	7.3
<b>Price-BV (x)</b>	<b>2.0</b>	<b>1.7</b>	<b>1.4</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>
Adjusted BV (INR)	64	80	99	113	126	135
<b>Price-ABV (x)</b>	<b>2.3</b>	<b>1.9</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>
EPS (INR)	11.7	16.0	18.8	21.2	21.8	24.8
- growth (%)	78.1	37.3	17.0	12.9	2.9	13.8
<b>Price-Earnings (x)</b>	<b>12.9</b>	<b>9.4</b>	<b>8.0</b>	<b>7.1</b>	<b>6.9</b>	<b>6.1</b>
Dividend Per Share (INR)	2.4	3.2	4.0	5.9	9.5	15.2
<b>Dividend Yield (%)</b>	<b>1.6</b>	<b>2.1</b>	<b>2.6</b>	<b>3.9</b>	<b>6.3</b>	<b>10.0</b>

E: MOFSL Estimates

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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

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