

# Federal Bank | REDUCE

## Risk-rewards turns unfavourable, downgrade to REDUCE

Federal Bank reported a largely steady quarter with 21% QoQ growth in reported PAT, supported by a INR 1.15bn reversal in tax provision. Adjusting for this, PAT was up 10% QoQ, ~4% ahead of our estimates, translating into ~12% RoE (12.5% in Q4FY25). Loan growth was healthy (13% YoY), supported by traction in gold, CV/CE, Agri and LAP. On the liability side, deposit growth was stable (11% YoY) with CASA improving to ~33%. Reported NIM expanded sharply to 3.74%, aided by a one-off benefit of INR 4.56bn, which was completely utilised to build additional provisioning buffers. Adjusted for this, implied NIM was broadly stable (despite LCR coming down to 119%), whereas implied credit cost was 0.44% (-9bps QoQ). Gross slippages ratio inched up by 3bps QoQ to 0.76%, driven by retail/MSME and write-offs jumped 100bps QoQ to 7.2%. We continue to build in 15% loan CAGR over FY26–28E but given the average 11%/1.2% RoE/RoA versus current valuation of 1.4x FY28E BVPS, we see limited room for further re-rating from current levels. We believe the risk-reward has turned less favourable and, accordingly, downgrade the stock to REDUCE (from ADD earlier) with an unchanged TP of INR 290, valuing it at an unchanged 1.4x FY28E BVPS.

- Growth momentum sustained:** Loan growth sustained at 13% YoY/4% QoQ, driven by commercial banking (+6% QoQ), Agri (+7% QoQ), CV/CE (+8% QoQ), gold (+9% QoQ) and LAP (+8% QoQ). The bank is seeing strong momentum in credit cards and expects MFI/BuB to pick up. Additionally, the continued focus on mid-market corporate lending is likely to support growth. Deposits grew by 11% YoY/5% QoQ led by 7% QoQ growth in retail deposits, with CASA ratio improving ~90bps to 32.9%. The bank LCR has reduced to ~119% from 124% in Q3FY26.
- Margin expanded supported by one-off; implied margins stable:** Margins expanded sharply in Q4FY26, with reported NIM rising ~56bps QoQ, largely driven by interest on IT refund; however, adjusted NIM was broadly stable at ~3.2% (+2bps QoQ). Management indicated that there is scope for some deposit repricing over the next 1–2 quarters. Further, benefits coming from rising contribution of cards/MFI should support NIM. Operating expenses remained largely controlled, with total opex up ~1% QoQ, broadly in line with expectations. The management reiterated its cost-to-income guidance of 53–56%.
- Asset quality steady:** Broader asset quality was stable during the quarter despite marginal increase in stress. Annualised gross/net slippages increased marginally to 0.76%/0.33%. Reported credit cost rose to 1.14% (+61bps QoQ), primarily driven by additional floating provision buffer of INR 4.6bn. Adjusted for the same, implied credit cost moderated to 0.44% (-9bps QoQ). Management highlighted that the additional buffer of INR 4.6bn in PCR is to smoothen the transition towards upcoming ECL guidelines.
- Valuation and view:** The bank has demonstrated stable asset quality, improving CASA franchise and gradual margin expansion. Near-term positives appear priced in as the stock has delivered 20% return in the past six months. Also, despite management's confidence in margin expansion, the core NIM trajectory remains gradual, while loan growth is yet to see meaningful acceleration amid competitive intensity in key segments. Given the subdued return profile versus valuation, we believe the risk-reward has turned less favourable, with better opportunities in stocks like Axis, which trades at a similar valuation and offers better risk-reward. Hence, we downgrade the stock to REDUCE (from ADD) with an unchanged TP of INR 290, valuing it at 1.4x FY28E BVPS.



**Ajit Kumar**

ajit.k@jmf.com | Tel: (91 22) 66303489

**Raghvesh**

raghvesh@jmf.com | Tel: (91 22) 66303099

**Pratik Matkar**

pratik.matkar@jmf.com | Tel: (91 22) 66301881

**Shubham Karvande**

shubham.karvande@jmf.com | Tel: (91 22) 66303696

**Arun Nalkara**

arun.nalkara@jmf.com | Tel: (+91 22) 39533640

**Aryan Singhal**

aryan.singhal@jmf.com | Tel: (91 22) 66303253

**Sunita Nayak**

sunita.nayak@jmf.com | Tel (91 22) 69703682

### Recommendation and Price Target

|                            |        |
|----------------------------|--------|
| Current Reco.              | REDUCE |
| Previous Reco.             | ADD    |
| Current Price Target (12M) | 290    |
| Upside/(Downside)          | 1.8%   |
| Previous Price Target      | 290    |
| Change                     | 0.0%   |

### Key Data – FB IN

|                          |                     |
|--------------------------|---------------------|
| Current Market Price     | INR285              |
| Market cap (bn)          | INR701.5/US\$7.4    |
| Free Float (%)           | 88.4                |
| Shares in issue (mn)     | 2,463.6             |
| Diluted share (mn)       | 2,463.6             |
| 3-mon avg daily val (mn) | INR2,398.6/US\$25.4 |
| 52-week range            | INR302/183          |
| Sensex/Nifty             | 77,496/24,178       |
| INR/US\$                 | 94.8                |

### Price Performance

| %         | 1M   | 6M   | 12M  |
|-----------|------|------|------|
| Absolute  | 5.7  | 21.2 | 40.0 |
| Relative* | -1.8 | 31.3 | 44.9 |

\*To the NSE Nifty 50

### Financial Summary

|                      | (INR mn) |        |        |        |        |
|----------------------|----------|--------|--------|--------|--------|
| Y/E Mar              | FY24A    | FY25A  | FY26A  | FY27E  | FY28E  |
| Net Profit           | 37,206   | 40,519 | 41,173 | 47,417 | 58,460 |
| Net Profit (YoY) (%) | 23.6     | 8.9    | 1.6    | 15.2   | 23.3   |
| PPOP (YoY) (%)       | 7.9      | 17.9   | 18.1   | 12.1   | 21.6   |
| Loan (YoY) (%)       | 20.0     | 12.1   | 12.7   | 14.9   | 15.0   |
| Deposit (YoY) (%)    | 18.3     | 12.3   | 10.7   | 14.0   | 14.7   |
| ROA (%)              | 1.3      | 1.2    | 1.1    | 1.1    | 1.2    |
| ROE (%)              | 14.7     | 13.0   | 11.4   | 11.0   | 11.6   |
| EPS (INR)            | 15.3     | 16.5   | 16.7   | 17.3   | 21.4   |
| EPS (YoY) (%)        | 7.4      | 8.0    | 1.3    | 3.7    | 23.3   |
| P/E (x)              | 18.6     | 17.3   | 17.0   | 16.4   | 13.3   |
| BV (INR)             | 119.5    | 136.1  | 157.1  | 174.4  | 194.1  |
| BV (YoY) (%)         | 17.6     | 13.9   | 15.4   | 11.0   | 11.3   |
| P/BV (x)             | 2.4      | 2.1    | 1.8    | 1.6    | 1.5    |

Source: Company data, JM Financial. Note: Valuations as of April 29, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Key quarterly trends

## Exhibit 1: Federal Bank: Q4FY26 result snapshot

| (INR bn)                                | 4QFY25       | 3QFY26       | 4QFY26       | YoY (%)         | QoQ (%)        | 4QFY26E      | A/E (%)        |
|---|--------------|--------------|--------------|-----------------|----------------|--------------|----------------|
| Interest Income                         | 66.5         | 68.7         | 74.0         | 11.3%           | 7.7%           |              |                |
| Interest Expenses                       | 42.7         | 42.1         | 42.3         | -1.0%           | 0.3%           |              |                |
| <b>Net Interest Income</b>              | <b>23.8</b>  | <b>26.5</b>  | <b>31.7</b>  | <b>33%</b>      | <b>20%</b>     | <b>26.6</b>  | <b>19%</b>     |
| <b>Net Interest Income (adjusted)</b>   | <b>23.8</b>  | <b>26.5</b>  | <b>27.2</b>  | <b>14%</b>      | <b>2%</b>      | <b>26.6</b>  | <b>2%</b>      |
| Non-interest income                     | 10.1         | 11.0         | 11.4         | 14%             | 4%             | 11.8         | -3%            |
| <b>Total income</b>                     | <b>33.8</b>  | <b>37.5</b>  | <b>43.2</b>  | <b>28%</b>      | <b>15%</b>     | <b>38.5</b>  | <b>12%</b>     |
| Employee Cost                           | 7.8          | 8.5          | 7.8          | -1%             | -9%            |              |                |
| Other Operating Expenses                | 11.3         | 11.8         | 12.7         | 12%             | 8%             |              |                |
| <b>Total Operating Expenses</b>         | <b>19.2</b>  | <b>20.2</b>  | <b>20.4</b>  | <b>6%</b>       | <b>1%</b>      | <b>20.6</b>  | <b>-1%</b>     |
| <b>Operating Profit</b>                 | <b>14.7</b>  | <b>17.3</b>  | <b>22.8</b>  | <b>55%</b>      | <b>32%</b>     | <b>17.9</b>  | <b>27%</b>     |
| Provisions                              | 1.4          | 3.3          | 7.4          | 437%            | 123%           | 3.2          | 134%           |
| Provisions (adjusted)                   | 1.4          | 3.3          | 2.9          | 107%            | -14%           | 3.2          | -10%           |
| <b>PBT</b>                              | <b>13.3</b>  | <b>14.0</b>  | <b>15.4</b>  | <b>16%</b>      | <b>10%</b>     | <b>14.7</b>  | <b>4%</b>      |
| Tax                                     | 3.0          | 3.6          | 2.8          | -7%             | -22%           | 3.7          | -26%           |
| <b>PAT</b>                              | <b>10.3</b>  | <b>10.4</b>  | <b>12.6</b>  | <b>22%</b>      | <b>21%</b>     | <b>11.0</b>  | <b>14%</b>     |
| <b>PAT (adjusted)</b>                   | <b>10.3</b>  | <b>10.4</b>  | <b>11.4</b>  | <b>11%</b>      | <b>10%</b>     | <b>11.0</b>  | <b>4%</b>      |
| Loan (Rs bn)                            | 2,348        | 2,556        | 2,646        | 13%             | 4%             | 2,671        | -1%            |
| Deposit (Rs bn)                         | 2,836        | 2,978        | 3,139        | 11%             | 5%             | 3,131        | 0%             |
| C/D ratio                               | 82.8%        | 85.8%        | 84.3%        | 150 bps         | (153) bps      | 85.3%        | (100) bps      |
| CASA ratio                              | 30.2%        | 32.1%        | 32.9%        | 270 bps         | 87 bps         |              |                |
| NIM-reported (%)                        | 3.12%        | 3.18%        | 3.74%        | 62 bps          | 56 bps         |              |                |
| <b>NIM-reported (%) -adjusted</b>       | <b>3.12%</b> | <b>3.18%</b> | <b>3.20%</b> | <b>8 bps</b>    | <b>2 bps</b>   |              |                |
| Yield on IEA (Calc, %)                  | 8.23%        | 7.93%        | 8.38%        | 14 bps          | 45 bps         | 7.86%        | 52 bps         |
| <b>Yield on IEA (Calc, %) -adjusted</b> | <b>8.23%</b> | <b>7.93%</b> | <b>7.86%</b> | <b>(37) bps</b> | <b>(7) bps</b> | <b>7.86%</b> | <b>(0) bps</b> |
| Cost of funds (Calc, %)                 | 5.75%        | 5.39%        | 5.28%        | (47) bps        | (10) bps       | 5.35%        | (7) bps        |
| Loan - deposit spread                   | 2.48%        | 2.54%        | 3.09%        | 61 bps          | 55 bps         | 2.51%        | 59 bps         |
| NIM (calc, %)                           | 2.94%        | 3.06%        | 3.59%        | 65 bps          | 53 bps         | 3.03%        | 56 bps         |
| <b>NIM (calc, %) -adjusted</b>          | <b>2.94%</b> | <b>3.06%</b> | <b>3.08%</b> | <b>13 bps</b>   | <b>1 bps</b>   | <b>3.03%</b> | <b>4 bps</b>   |
| Gross Slippages (Rs bn)                 | 4.9          | 4.4          | 4.8          | -2%             | 9%             | 4.4          | 10%            |
| Net Slippages (Rs bn)                   | 0.6          | 2.0          | 2.1          | 256%            | 7%             | 1.9          | 10%            |
| Gross Slippages (annualised)            | 0.86%        | 0.73%        | 0.76%        | (10) bps        | 3 bps          | 0.69%        | 7 bps          |
| Net Slippages (annualised)              | 0.10%        | 0.32%        | 0.33%        | 23 bps          | 1 bps          | 0.30%        | 3 bps          |
| Credit cost (%)                         | 0.24%        | 0.53%        | 1.14%        | 90 bps          | 61 bps         | 0.5%         | 66 bps         |
| <b>Credit cost (%) -adjusted</b>        | <b>0.24%</b> | <b>0.53%</b> | <b>0.44%</b> | <b>20 bps</b>   | <b>(9) bps</b> | <b>0.5%</b>  | <b>(5) bps</b> |
| ROA (%)                                 | 1.20%        | 1.15%        | 1.34%        | 14 bps          | 18 bps         | 1.2%         | 16 bps         |
| ROE (%)                                 | 12.5%        | 11.7%        | 13.5%        | 93 bps          | 176 bps        | 11.8%        | 167 bps        |
| ROA (%) - adjusted                      | 1.2%         | 1.2%         | 1.2%         | 2 bps           | 6 bps          | 1.2%         | 4 bps          |
| ROE (%) - adjusted                      | 12.5%        | 11.7%        | 12.2%        | (30) bps        | 53 bps         | 11.8%        | 44 bps         |

Source: Company, JM Financial. Note: Q4FY26 includes one-offs, such as interest on IT refund of INR 4.56bn (utilised to build NPA provision buffer) and INR 1.15bn reversal of income tax provision.

## Exhibit 2: Healthy deposit growth driven by strong traction in CASA

| Domestic Deposits (INR bn) | 4QFY25       | 3QFY26       | 4QFY26       | YoY (%)      | QoQ (%)     |
|----------------------------|--------------|--------------|--------------|--------------|-------------|
| Current                    | 206          | 213          | 253          | 23.2%        | 19.1%       |
| Savings                    | 652          | 742          | 781          | 19.7%        | 5.2%        |
| <b>CASA</b>                | <b>858</b>   | <b>955</b>   | <b>1,034</b> | <b>20.6%</b> | <b>8.3%</b> |
| Time                       | 1,979        | 2,023        | 2,105        | 6.4%         | 4.1%        |
| <b>Total deposits</b>      | <b>2,836</b> | <b>2,978</b> | <b>3,139</b> | <b>10.7%</b> | <b>5.4%</b> |
| <b>Mix (%)</b>             |              |              |              |              |             |
| Current                    | 7.2%         | 7.1%         | 8.1%         | 0.8%         | 0.9%        |
| Savings                    | 23.0%        | 24.9%        | 24.9%        | 1.9%         | -0.1%       |
| <b>CASA</b>                | <b>30.2%</b> | <b>32.1%</b> | <b>32.9%</b> | <b>2.7%</b>  | <b>0.9%</b> |
| Time                       | 69.8%        | 67.9%        | 67.1%        | -2.7%        | -0.9%       |
| <b>Total Deposits</b>      | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  |              |             |

Source: Company, JM Financial

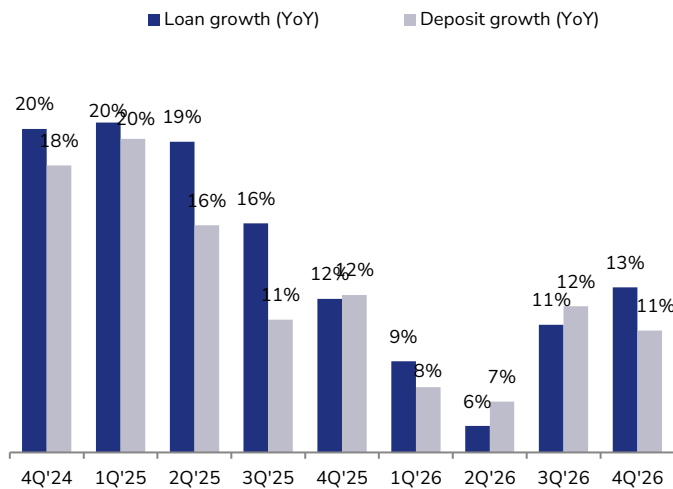
**Exhibit 3: Loan growth led by gold, agri, CV/CE and commercial banking (CuB)**

| <b>Loan Mix (INR bn)</b>              | <b>4QFY25</b> | <b>3QFY26</b> | <b>4QFY26</b> | <b>YoY (%)</b> | <b>QoQ (%)</b> |
|---------------------------------------|---------------|---------------|---------------|----------------|----------------|
| Corporate                             | 881           | 949           | 954           | 8%             | 0%             |
| SME & Agri                            | 814           | 922           | 969           | 19%            | 5%             |
| SME                                   | 427           | 486           | 500           | 17%            | 3%             |
| Business Banking - retail nature      | 190           | 204           | 202           | 7%             | -1%            |
| Commercial Banking - wholesale nature | 237           | 282           | 298           | 26%            | 6%             |
| Agri                                  | 387           | 437           | 468           | 21%            | 7%             |
| CV/CE                                 | 46            | 53            | 58            | 25%            | 8%             |
| Agri (new)                            | 82            | 85            | 84            | 3%             | 0%             |
| Gold (retail+agri)                    | 305           | 352           | 384           | 26%            | 9%             |
| Retail (new)                          | 734           | 732           | 745           | 1%             | 2%             |
| Retail                                | 734           | 732           | 745           | 1%             | 2%             |
| Retail, housing                       | 366           | 360           | 361           | -1%            | 0%             |
| Retail, mortgage/LAP                  | 72            | 75            | 81            | 13%            | 8%             |
| Retail, auto                          | 86            | 86            | 88            | 2%             | 2%             |
| Retail, personal                      | 38            | 37            | 38            | 0%             | 3%             |
| Retail, other                         | 173           | 174           | 177           | 2%             | 2%             |
| Retail, Credit cards                  | 36            | 43            | 44            | 23%            | 2%             |
| Retail, MFI                           | 96            | 90            | 90            | -7%            | -1%            |
| <b>Total gross advances</b>           | <b>2,476</b>  | <b>2,657</b>  | <b>2,725</b>  | <b>10%</b>     | <b>3%</b>      |
| <b>Loan Mix %</b>                     | <b>4QFY25</b> | <b>3QFY26</b> | <b>4QFY26</b> | <b>YoY (%)</b> | <b>QoQ (%)</b> |
| Corporate                             | 36%           | 36%           | 35%           | -1%            | -1%            |
| SME & Agri                            | 33%           | 35%           | 36%           | 3%             | 1%             |
| SME                                   | 17%           | 18%           | 18%           | 1%             | 0%             |
| Business Banking - retail nature      | 8%            | 8%            | 7%            | 0%             | 0%             |
| Commercial Banking - wholesale nature | 10%           | 11%           | 11%           | 1%             | 0%             |
| Agri                                  | 16%           | 16%           | 17%           | 2%             | 1%             |
| CV/CE                                 | 2%            | 2%            | 2%            | 0%             | 0%             |
| Agri (new)                            | 3%            | 3%            | 3%            | 0%             | 0%             |
| Gold (retail+agri)                    | 12%           | 13%           | 14%           | 2%             | 1%             |
| Retail (new)                          | 30%           | 28%           | 27%           | -2%            | 0%             |
| Retail                                | 30%           | 28%           | 27%           | -2%            | 0%             |
| Retail, housing                       | 15%           | 14%           | 13%           | -2%            | 0%             |
| Retail, mortgage/LAP                  | 3%            | 3%            | 3%            | 0%             | 0%             |
| Retail, auto                          | 3%            | 3%            | 3%            | 0%             | 0%             |
| Retail, personal                      | 2%            | 1%            | 1%            | 0%             | 0%             |
| Retail, other                         | 7%            | 7%            | 6%            | 0%             | 0%             |
| Retail, Credit cards                  | 1%            | 2%            | 2%            | 0%             | 0%             |
| Retail, MFI                           | 4%            | 3%            | 3%            | -1%            | 0%             |
| <b>Total</b>                          | <b>100%</b>   | <b>100%</b>   | <b>100%</b>   |                |                |

Source: Company, JM Financial

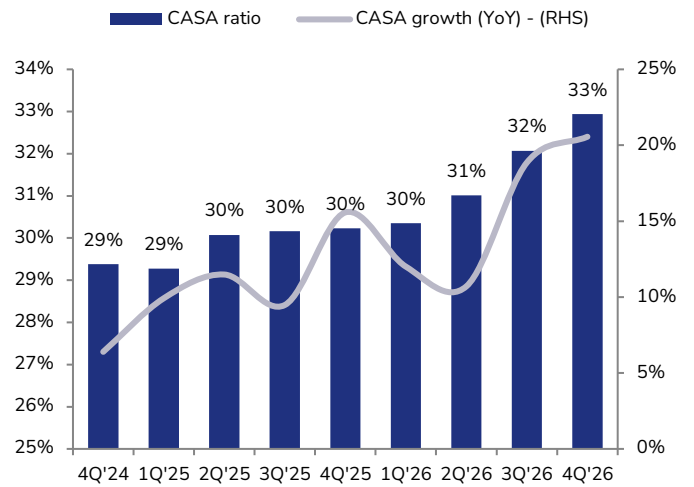
## Key trends in charts

**Exhibit 4: Overall growth steady**



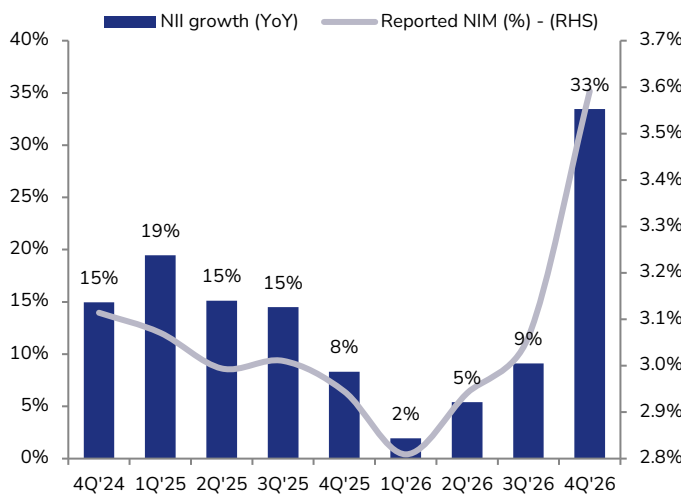
Source: Company, JM Financial

**Exhibit 5: CASA continues to improve**



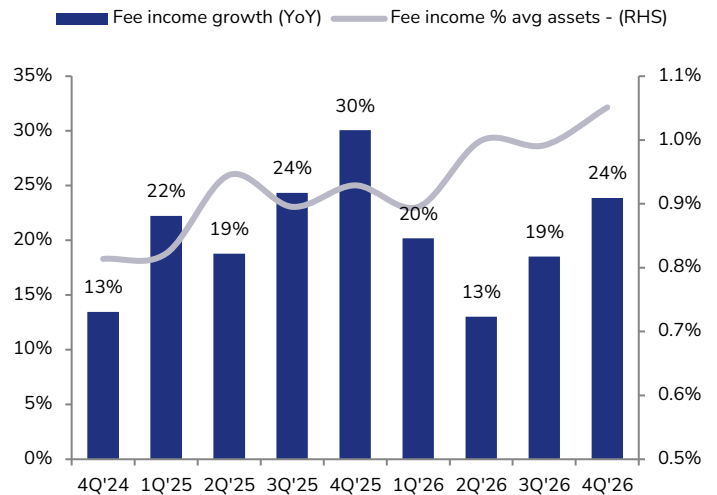
Source: Company, JM Financial

**Exhibit 6: Margins expanded due to one-off; adjusted NIM stable**



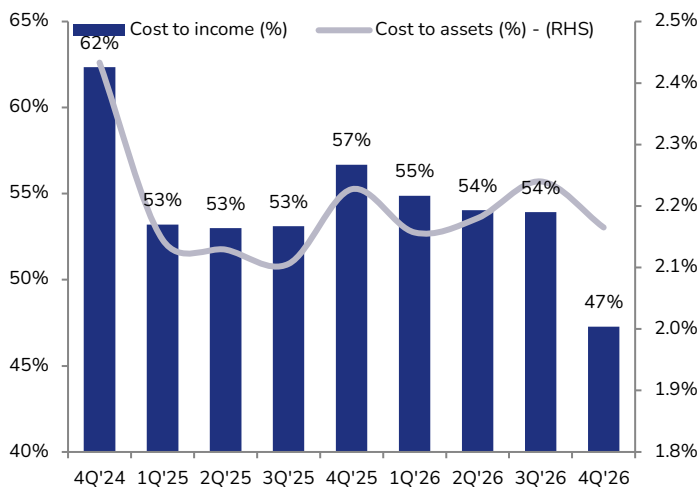
Source: Company, JM Financial

**Exhibit 7: Fee income continues to expand with healthy growth**



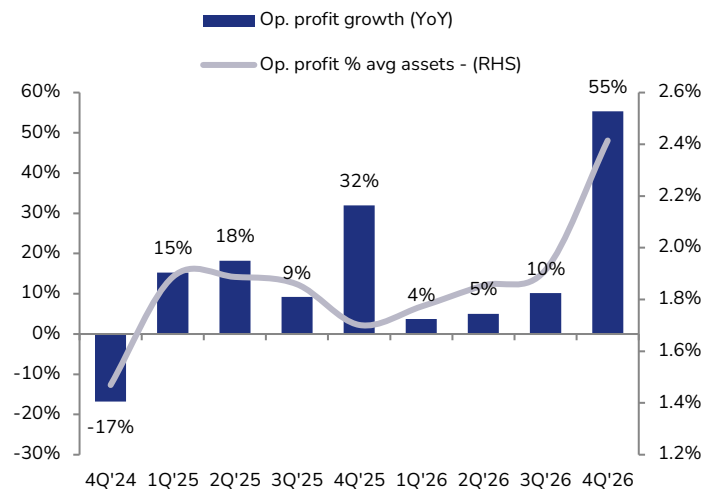
Source: Company, JM Financial

**Exhibit 8: Cost-to-assets stable**



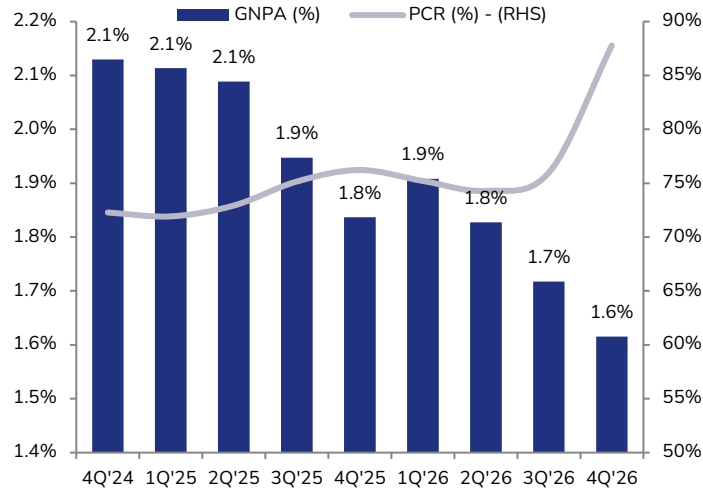
Source: Company, JM Financial

**Exhibit 9: PPOP jumped due to one-off related to interest on IT refund**



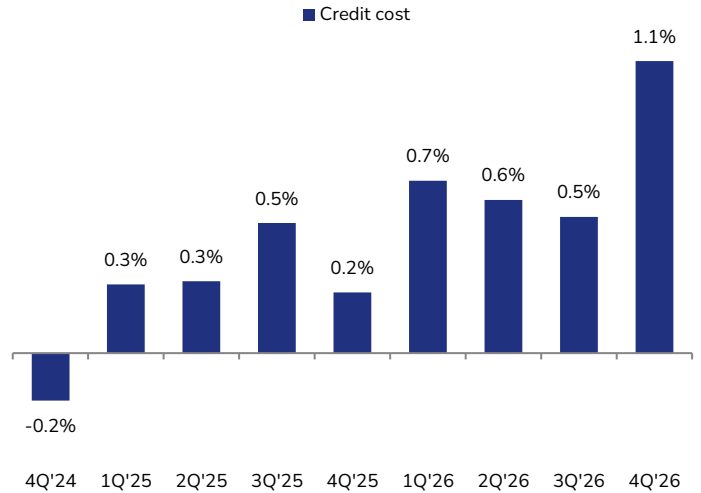
Source: Company, JM Financial

**Exhibit 10: Asset quality improves; PCR strengthens**



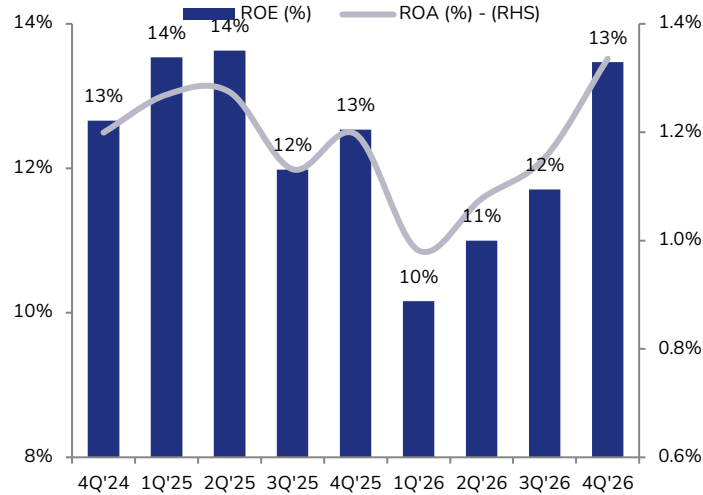
Source: Company, JM Financial

**Exhibit 11: Credit cost spike due to utilisation of one-off towards PCR**



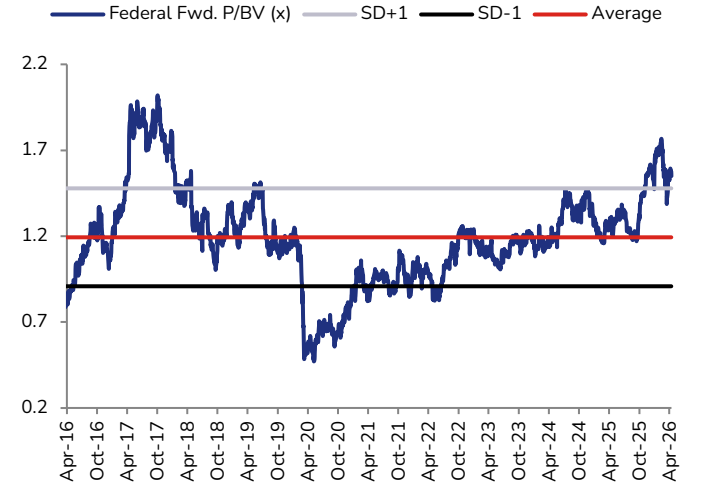
Source: Company, JM Financial

**Exhibit 12: Return ratio improves, marginally up adjusted for one-off**



Source: Company, JM Financial

**Exhibit 13: One-year forward P/B**



Source: Company, JM Financial

## Exhibit 14: Change in estimates

|                                   | New Estimates |       | Old Estimates |       | Change  |          |
|-----------------------------------|---------------|-------|---------------|-------|---------|----------|
|                                   | FY27E         | FY28E | FY27E         | FY28E | FY27E   | FY28E    |
| <b>Recommendation</b>             | ADD           |       | ADD           |       |         |          |
| <b>Target price (Rs)</b>          | 290           |       | 290           |       | 0%      |          |
| <b>Assumptions</b>                |               |       |               |       |         |          |
| YoY loan growth                   | 14.9%         | 15.0% | 15.0%         | 14.9% | (8) bps | 12 bps   |
| Net interest margins (calculated) | 3.2%          | 3.2%  | 3.0%          | 3.12% | 12 bps  | 9 bps    |
| Core fee income to assets         | 1.0%          | 1.1%  | 1.0%          | 1.09% | (1) bps | (1) bps  |
| Cost to assets                    | 2.2%          | 2.1%  | 2.2%          | 2.12% | 1 bps   | 3 bps    |
| Credit cost                       | 0.62%         | 0.62% | 0.61%         | 0.57% | 1 bps   | 5 bps    |
| <b>Outputs (INR bn)</b>           |               |       |               |       |         |          |
| NII                               | 124           | 143   | 119           | 141   | 4%      | 1.7%     |
| Operating profit                  | 81            | 98    | 79            | 98    | 3%      | 0.6%     |
| Net Profit                        | 47            | 58    | 46            | 59    | 4%      | -1%      |
| EPS (Rs)                          | 17            | 21    | 17            | 22    | 4%      | -1%      |
| ROA (%)                           | 1.1%          | 1.2%  | 1.1%          | 1.25% | 4 bps   | (0) bps  |
| ROE (%)                           | 11.0%         | 11.6% | 10.6%         | 11.7% | 38 bps  | (13) bps |

Source: Company, JM Financial

## Financial Tables (Standalone)

| Income Statement                 |                |                |                |                |                | (INR mn) |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------|
| Y/E Mar                          | FY24A          | FY25A          | FY26A          | FY27E          | FY28E          |          |
| Net Interest Income              | 82,935         | 94,680         | 106,574        | 123,502        | 143,160        |          |
| Profit on Investments            | 2,466          | 2,658          | 5,160          | 500            | 2,000          |          |
| Exchange Income                  | 2,106          | 2,303          | 2,879          | 3,167          | 3,547          |          |
| Fee & Other Income               | 22,405         | 27,978         | 33,230         | 39,211         | 47,054         |          |
| <b>Non-Interest Income</b>       | <b>30,793</b>  | <b>38,012</b>  | <b>44,404</b>  | <b>46,578</b>  | <b>55,800</b>  |          |
| <b>Total Income</b>              | <b>113,728</b> | <b>132,692</b> | <b>150,978</b> | <b>170,080</b> | <b>198,960</b> |          |
| Operating Expenses               | 61,983         | 71,681         | 78,916         | 89,284         | 100,674        |          |
| <b>Pre-provisioning Profits</b>  | <b>51,745</b>  | <b>61,011</b>  | <b>72,062</b>  | <b>80,796</b>  | <b>98,286</b>  |          |
| Loan-Loss Provisions             | -              | -              | -              | -              | -              |          |
| Provisions on Investments        | 13             | -150           | -80            | -              | -              |          |
| Others Provisions                | -43            | -100           | 207            | 207            | 207            |          |
| <b>Total Provisions</b>          | <b>1,961</b>   | <b>7,331</b>   | <b>18,367</b>  | <b>17,573</b>  | <b>20,339</b>  |          |
| <b>PBT</b>                       | <b>49,784</b>  | <b>53,681</b>  | <b>53,695</b>  | <b>63,223</b>  | <b>77,946</b>  |          |
| Tax                              | 12,578         | 13,162         | 12,522         | 15,806         | 19,487         |          |
| <b>PAT (Pre-Extraordinaries)</b> | <b>37,206</b>  | <b>40,519</b>  | <b>41,173</b>  | <b>47,417</b>  | <b>58,460</b>  |          |
| Extra ordinaries (Net of Tax)    | -              | -              | -              | -              | -              |          |
| <b>Reported Profits</b>          | <b>37,206</b>  | <b>40,519</b>  | <b>41,173</b>  | <b>47,417</b>  | <b>58,460</b>  |          |
| Dividend paid                    | 4,871          | 5,894          | 5,914          | 3,651          | 4,536          |          |
| <b>Retained Profits</b>          | <b>32,335</b>  | <b>34,625</b>  | <b>35,259</b>  | <b>43,766</b>  | <b>53,923</b>  |          |

Source: Company, JM Financial

| Key Ratios                  |       |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|-------|
| Y/E Mar                     | FY24A | FY25A | FY26A | FY27E | FY28E |
| <b>Growth (YoY) (%)</b>     |       |       |       |       |       |
| Deposits                    | 18.3  | 12.3  | 10.7  | 14.0  | 14.7  |
| Advances                    | 20.0  | 12.1  | 12.7  | 14.9  | 15.0  |
| Total Assets                | 18.4  | 13.2  | 11.0  | 13.1  | 14.3  |
| NII                         | 14.7  | 14.2  | 12.6  | 15.9  | 15.9  |
| Non-interest Income         | 32.2  | 23.4  | 16.8  | 4.9   | 19.8  |
| Operating Expenses          | 30.0  | 15.6  | 10.1  | 13.1  | 12.8  |
| Operating Profits           | 7.9   | 17.9  | 18.1  | 12.1  | 21.6  |
| Core Operating profit       | -0.4  | 17.2  | 19.7  | 20.1  | 21.5  |
| Provisions                  | -73.8 | 273.8 | 150.5 | -4.3  | 15.7  |
| Reported PAT                | 23.6  | 8.9   | 1.6   | 15.2  | 23.3  |
| <b>Yields / Margins (%)</b> |       |       |       |       |       |
| Interest Spread             | 14.51 | 15.08 | 13.93 | 13.63 | 13.68 |
| NIM                         | 3.36  | 3.31  | 3.32  | 3.39  | 3.44  |
| <b>Profitability (%)</b>    |       |       |       |       |       |
| Non-IR to Income            | 27.1  | 28.6  | 29.4  | 27.4  | 28.0  |
| Cost to Income              | 54.5  | 54.0  | 52.3  | 52.5  | 50.6  |
| ROA                         | 1.31  | 1.23  | 1.12  | 1.15  | 1.24  |
| ROE                         | 14.7  | 13.0  | 11.4  | 11.0  | 11.6  |
| <b>Asset Quality (%)</b>    |       |       |       |       |       |
| Slippages                   | 1.01  | 0.89  | 0.93  | 0.90  | 1.00  |
| Gross NPA                   | 2.13  | 1.84  | 1.62  | 1.43  | 1.48  |
| Net NPAs                    | 0.60  | 0.44  | 0.20  | 0.19  | 0.19  |
| Provision Coverage          | 72.3  | 76.2  | 87.8  | 87.0  | 87.0  |
| Specific LLP                | 0.10  | 0.33  | 0.74  | 0.62  | 0.62  |
| Net NPAs / Networth         | 4.3   | 3.1   | 1.4   | 1.2   | 1.3   |
| <b>Capital Adequacy (%)</b> |       |       |       |       |       |
| Tier I                      | 14.6  | 15.0  | 15.9  | 16.9  | 16.5  |
| CAR                         | 16.1  | 16.4  | 17.2  | 18.0  | 17.5  |

Source: Company, JM Financial

| Balance Sheet              |                  |                  |                  |                  |                  | (INR mn) |
|----------------------------|------------------|------------------|------------------|------------------|------------------|----------|
| Y/E Mar                    | FY24A            | FY25A            | FY26A            | FY27E            | FY28E            |          |
| Equity Capital             | 4,871            | 4,912            | 4,929            | 5,475            | 5,475            |          |
| Reserves & Surplus         | 286,073          | 329,295          | 382,122          | 471,816          | 525,739          |          |
| Networth                   | 290,944          | 334,206          | 387,051          | 477,291          | 531,214          |          |
| Deposits                   | 2,525,340        | 2,836,475        | 3,139,094        | 3,578,029        | 4,104,037        |          |
| Borrowings                 | 180,264          | 237,263          | 211,591          | 208,245          | 193,384          |          |
| Other Liabilities          | 86,570           | 82,104           | 137,479          | 118,784          | 181,806          |          |
| <b>Total - Liabilities</b> | <b>3,083,118</b> | <b>3,490,048</b> | <b>3,875,215</b> | <b>4,382,350</b> | <b>5,010,441</b> |          |
| Investments                | 608,595          | 662,456          | 766,762          | 832,980          | 945,433          |          |
| Net Advances               | 2,094,033        | 2,348,364        | 2,645,944        | 3,040,378        | 3,495,952        |          |
| Cash & Equivalents         | 189,629          | 308,592          | 257,276          | 283,971          | 322,307          |          |
| Fixed Assets               | 10,201           | 14,783           | 14,725           | 15,461           | 16,235           |          |
| Other Assets               | 180,660          | 155,853          | 190,508          | 209,559          | 230,515          |          |
| <b>Total - Assets</b>      | <b>3,083,118</b> | <b>3,490,048</b> | <b>3,875,215</b> | <b>4,382,350</b> | <b>5,010,441</b> |          |

Source: Company, JM Financial

| Dupont Analysis       |       |       |       |       |       |
|-----------------------|-------|-------|-------|-------|-------|
| Y/E Mar               | FY24A | FY25A | FY26A | FY27E | FY28E |
| NII / Assets          | 2.92  | 2.88  | 2.89  | 2.99  | 3.05  |
| Other Income / Assets | 1.08  | 1.16  | 1.21  | 1.13  | 1.19  |
| Total Income / Assets | 4.00  | 4.04  | 4.10  | 4.12  | 4.24  |
| Cost / Assets         | 2.18  | 2.18  | 2.14  | 2.16  | 2.14  |
| PPP / Assets          | 1.82  | 1.86  | 1.96  | 1.96  | 2.09  |
| Provisions / Assets   | 0.07  | 0.22  | 0.50  | 0.43  | 0.43  |
| PBT / Assets          | 1.75  | 1.63  | 1.46  | 1.53  | 1.66  |
| Tax rate              | 25.3  | 24.5  | 23.3  | 25.0  | 25.0  |
| ROA                   | 1.31  | 1.23  | 1.12  | 1.15  | 1.24  |
| RoRWAs                | 2.15  | 2.03  | 1.87  | 1.89  | 2.01  |
| Leverage              | 11.2  | 10.5  | 10.2  | 9.6   | 9.3   |
| ROE                   | 14.7  | 13.0  | 11.4  | 11.0  | 11.6  |

Source: Company, JM Financial

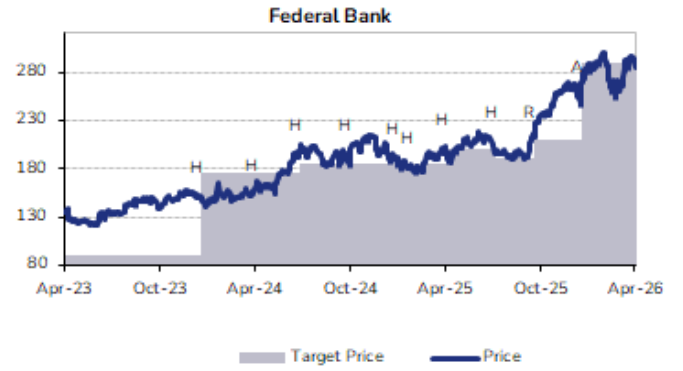
| Valuations           |         |         |         |         |         |
|----------------------|---------|---------|---------|---------|---------|
| Y/E Mar              | FY24A   | FY25A   | FY26A   | FY27E   | FY28E   |
| Shares in Issue (mn) | 2,435.4 | 2,455.8 | 2,464.3 | 2,737.3 | 2,737.3 |
| EPS (INR)            | 15.3    | 16.5    | 16.7    | 17.3    | 21.4    |
| EPS (YoY) (%)        | 7.4     | 8.0     | 1.3     | 3.7     | 23.3    |
| PER (x)              | 18.6    | 17.3    | 17.0    | 16.4    | 13.3    |
| BV (INR)             | 119.5   | 136.1   | 157.1   | 174.4   | 194.1   |
| BV (YoY) (%)         | 17.6    | 13.9    | 15.4    | 11.0    | 11.3    |
| P/BV (x)             | 2.38    | 2.09    | 1.81    | 1.63    | 1.47    |
| DPS (INR)            | 2.0     | 2.4     | 2.4     | 1.3     | 1.7     |
| Div. yield (%)       | 0.7     | 0.8     | 0.8     | 0.5     | 0.6     |

Source: Company, JM Financial

**Recommendation History Table**

| Date      | Recommendation | Target Price | % Chg. |
|-----------|----------------|--------------|--------|
| 17-Jan-26 | Add            | 290          | 38.1   |
| 19-Oct-25 | Reduce         | 210          | 10.5   |
| 3-Aug-25  | Hold           | 190          | -5.0   |
| 2-May-25  | Hold           | 200          | 8.1    |
| 23-Feb-25 | Hold           | 185          | 2.8    |
| 28-Jan-25 | Hold           | 180          | -2.7   |
| 28-Oct-24 | Hold           | 185          | 0.0    |
| 24-Jul-24 | Hold           | 185          | 5.7    |
| 2-May-24  | Hold           | 175          | 0.0    |
| 17-Jan-24 | Hold           | 175          | 94.4   |
| 25-Jul-21 | Hold           | 90           | 0.0    |
| 17-May-21 | Hold           | 90           | 5.9    |
| 20-Jan-21 | Hold           | 85           | 93.2   |
| 18-Oct-20 | Sell           | 44           | 18.9   |
| 15-Jul-20 | Sell           | 37           | 0.0    |
| 28-May-20 | Sell           | 37           | -64.8  |
| 26-Feb-20 | Buy            | 105          | 0.0    |
| 20-Jan-20 | Buy            | 105          |        |

**Recommendation History Chart**



## APPENDIX I

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

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|--------------------------------------|---|
| Rating                               | Meaning   |
| BUY                                  | Expected return $\geq$ 15% over the next twelve months.             |
| ADD                                  | Expected return $\geq$ 5% and $<$ 15% over the next twelve months.  |
| REDUCE                               | Expected return $\geq$ -10% and $<$ 5% over the next twelve months. |
| SELL                                 | Expected return $<$ -10% over the next twelve months.               |

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: [jmfinancial.research@jmfl.com](mailto:jmfinancial.research@jmfl.com) | [www.jmfl.com](http://www.jmfl.com)

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: [ashley.johnson@jmfl.com](mailto:ashley.johnson@jmfl.com)

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