

Banks / Diversified Financials

India

Sector View: **Attractive** NIFTY-50: **25,461**

July 05, 2025

Rate cuts to bite banks; NBFCs a tad weak as well

We should expect a relatively weak performance of banks, led by weak loan growth and NIM compression. 1QFY26 would be the first quarter where the recent rate cuts start to hurt revenue growth. Banks have fewer levers to offset this weakness, although trends in asset quality and consequently in credit costs should partially cushion this impact. Performance of NBFCs may be eclipsed by slowdown in disbursements and inch-up in delinquencies during the quarter. In capital markets, AMCs benefit from a market rebound, while rating agencies benefit from a weak base and healthy issuance momentum.

Entering a period of cyclically weak revenue growth for banks

We expect earnings to decline ~2% yoy on the back of weak revenue growth for banks. Provisional business data released by various banks confirms loan growth for frontline banks is at 7-12% yoy. FY2026 is expected to be a challenging year for NII performance across banks, as we enter a sharp downward rate cycle wherein loans re-price faster than deposits. We are building in NIM to decline by ~10-15 bps qoq, but note that different lenders may display different sensitivities to interest rates, given their composition of loans linked to different benchmarks and the timing of the pass-through. We expect public banks to take a higher impact in 1Q, while private banks would see a higher impact in 2Q. From a near-term commentary perspective, we expect most discussions to center around loan growth and the path of NIM over the next few quarters. The asset quality outlook is likely to be favorable. We expect lenders to report lower slippages from unsecured loans and MFI (slippages peaked in FY2025, but we are awaiting 1QFY26 trends, especially in the early warning buckets).

Rough patch for non-banks

Slowdown in new businesses and inch-up in delinquencies will likely be key takeaways from 1QFY26 performance of non-banks. Weak 1Q trends are typically discounted to be seasonal, although they remain monitorable this year. 1QFY26 NIMs enjoy comfort from falling rates, although the majority of borrowing-side benefits are expected in 2H. Stabilization of stress in unsecured PL and microloans is positive with moderate weakness in vehicles and secured MSMEs. Affordable home loans remain stable compared to most others; the performance of gold loans is likely at its peak.

Capital markets: Rising tide lifts some boats

1QFY26 was a strong quarter for equity markets, with Nifty-500 up ~10% on closing and 5% on an average basis, along with largely stable net MF flows. Among AMCs, equity AAUM growth is the highest for Nippon/HDFC due to healthy net inflows, reflecting the underlying fund performance. Among RTAs, Kfin's earnings trends are likely to be stronger versus CAMS (impacted by pricing issues). Angel One is likely to report weak earnings due to both revenue pressures and high expenses. The rating business is likely to have a decent quarter, given mid-teen qoq growth in bond issuances (along with a weak yoy base), while non-rating revenue growth remains uncertain.

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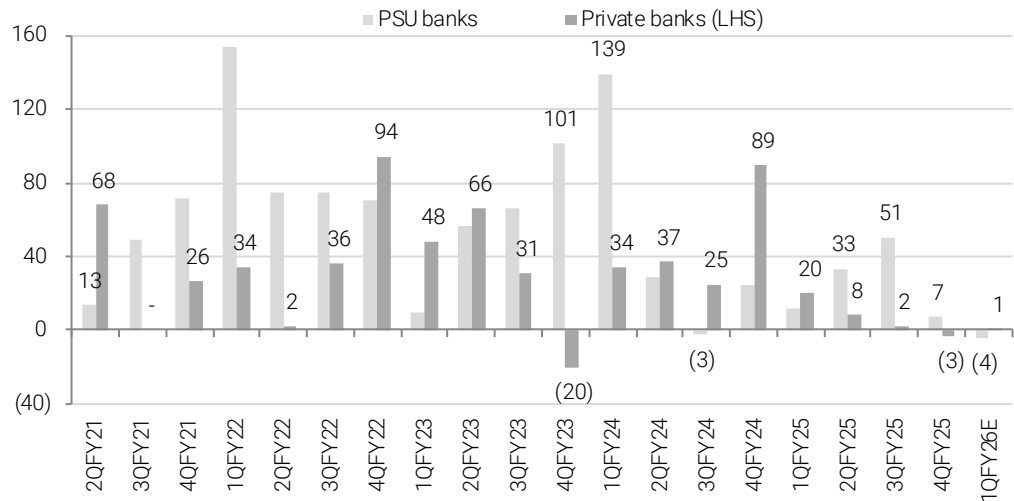
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Earnings growth expected to be negative for the sector

Exhibit 1: Growth in PAT for banks under coverage, March fiscal year-ends (% yoy)



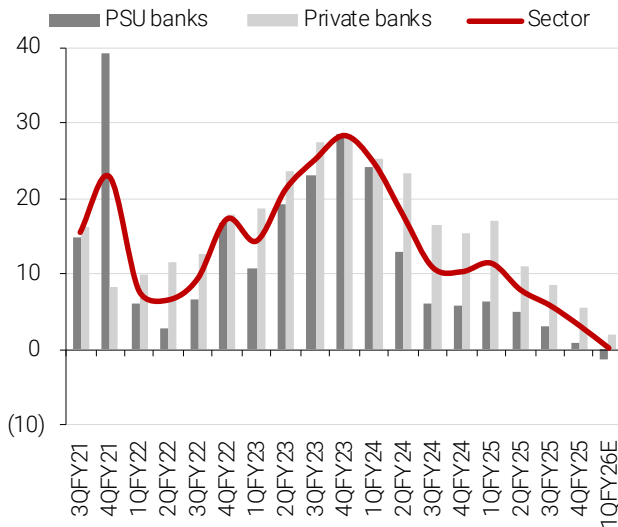
Notes:

(a) For PSU banks that merged in April 2020, we have computed yoy growth for proforma merged entities.

Source: Company, Kotak Institutional Equities

NII growth to remain flat yoy

Exhibit 2: Growth in NII, March fiscal year-ends (%)



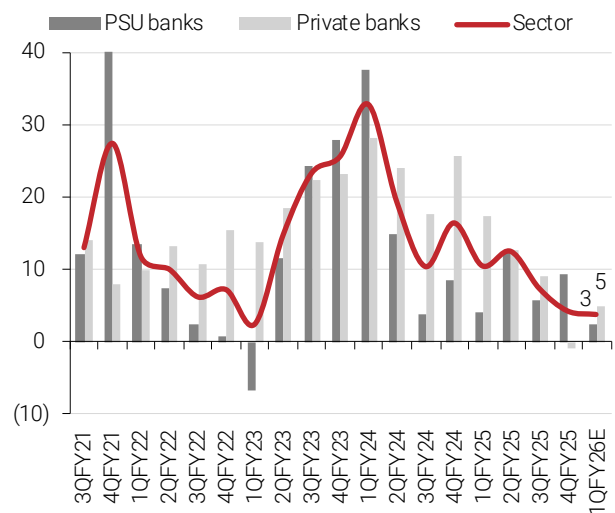
Notes:

(a) For PSU banks that merged in April 2020, we have computed yoy growth for proforma merged entities.

Source: Company, Kotak Institutional Equities

Revenue expected to be positive aided by treasury gains

Exhibit 3: Revenue growth, March fiscal year-ends (%)



Notes:

(a) For PSU banks that merged in April 2020, we have computed yoy growth for proforma merged entities.

Source: Company, Kotak Institutional Equities

Earnings growth yoy to be negative for banks driven by muted growth and margin pressure

Exhibit 4: Yoy and qoq growth in NII, PPOP and earnings, March fiscal year-ends

	Net interest income					Pre-provisioning profit					PAT				
	1QFY25	4QFY25	1QFY26E	YoY	QoQ	1QFY25	4QFY25	1QFY26E	YoY	QoQ	1QFY25	4QFY25	1QFY26E	YoY	QoQ
	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)
Banks															
Public banks															
Bank of Baroda	116,001	110,196	106,951	(8)	(3)	71,613	81,321	66,825	(7)	(18)	44,582	50,477	34,671	(22)	(31)
Canara Bank	91,663	94,419	90,488	(1)	(4)	76,161	82,837	72,320	(5)	(13)	39,053	50,027	44,772	15	(11)
PNB	104,763	107,570	103,527	(1)	(4)	65,812	67,757	63,769	(3)	(6)	32,515	45,670	43,698	34	(4)
State Bank of India	411,255	427,746	412,884	0	(3)	264,486	312,860	244,100	(8)	(22)	170,352	186,426	143,811	(16)	(23)
Union Bank	94,121	95,140	91,774	(2)	(4)	77,853	77,001	67,442	(13)	(12)	36,789	49,849	41,910	14	(16)
Old private banks															
City Union Bank	5,452	6,003	5,994	10	(0)	3,735	4,410	4,026	8	(9)	2,645	2,880	2,542	(4)	(12)
Federal Bank	22,920	23,774	23,210	1	(2)	15,009	14,654	15,293	2	4	10,095	10,302	9,409	(7)	(9)
Karur Vysya Bank	10,244	10,893	10,870	6	(0)	7,459	8,350	7,901	6	(5)	4,587	5,134	4,938	8	(4)
New private banks															
Axis Bank	134,482	138,105	135,386	1	-2	101,062	107,524	104,125	3	(3)	60,346	71,175	60,414	0	(15)
Bandhan Bank	30,050	27,559	26,576	(12)	(4)	19,409	15,713	14,779	(24)	(6)	10,635	3,179	3,561	(67)	12
DCB Bank	4,966	5,580	5,735	15	3	2,054	3,054	2,594	26	(15)	1,314	1,771	1,525	16	(14)
HDFC Bank	298,371	320,658	314,084	5	(2)	238,846	265,367	263,398	10	(1)	161,748	176,161	178,374	10	1
ICICI Bank	195,529	211,929	207,104	6	(2)	160,248	176,643	171,286	7	(3)	110,591	126,296	123,198	11	(2)
IndusInd Bank	54,076	30,483	42,269	(22)	39	39,267	(4,725)	23,940	(39)		21,522	(22,360)	5,338	(75)	
Yes Bank	22,440	22,764	22,421	(0)	(2)	8,853	13,144	9,507	7	(28)	5,024	7,381	5,597	11	(24)
Small finance banks															
AU	19,206	20,939	21,720	13	4	9,517	12,923	13,025	37	1	5,026	5,037	5,419	8	8
Equitas SFB	8,015	8,294	8,188	2	(1)	3,404	3,113	2,953	(13)	(5)	258	421	118	(54)	(72)
Ujjivan SFB	9,415	8,643	8,875	(6)	3	5,095	3,598	3,507	(31)	(3)	3,011	834	548	(82)	(34)
Utkarsh SFB	5,732	4,114	4,071	(29)	(1)	3,113	2,340	1,534	(51)	(34)	1,374	30	(518)	(138)	(1,847)
Total banks	1,638,699	1,674,811	1,642,129	0	(2)	1,172,996	1,247,882	1,152,324	(2)	(8)	721,463	770,690	709,326	(2)	(8)
Public banks	817,801	835,072	805,624	(1)	(4)	555,925	621,776	514,457	(7)	(17)	323,290	382,449	308,863	(4)	(19)
Private banks	820,898	839,739	836,505	2	(0)	617,071	626,106	637,867	3	2	398,174	388,241	400,463	1	3
Diversified financials															
Auto finance															
Cholamandalam	25,738	30,557	32,578	27	7	18,499	23,315	23,177	25	(1)	9,422	12,667	11,707	24	(8)
Mahindra Finance	17,836	19,276	19,800	11	3	11,345	12,128	12,555	11	4	5,197	5,631	5,542	7	(2)
Shriram Finance	52,339	55,655	58,465	12	5	38,541	43,353	43,600	13	1	19,806	21,394	21,504	9	1
Housing finance															
Aavas	2,446	2,705	2,795	14	3	1,695	2,009	1,870	10	(7)	1,261	1,537	1,390	10	(10)
Aptus	2,611	3,002	3,187	22	6	2,253	2,789	2,776	23	(0)	1,717	2,070	2,079	21	0
Home First	1,467	1,726	1,857	27	8	1,191	1,456	1,484	25	2	878	1,047	1,065	21	2
LIC Housing Finance	19,891	21,664	21,893	10	1	17,715	18,790	19,357	9	3	13,002	13,680	14,556	12	6
Gold loans															
Muthoot Finance	23,049	29,039	31,657	37	9	17,153	21,478	23,374	36	9	10,787	15,078	16,251	51	8
Multi-product NBFCs/others															
Bajaj Finance	83,653	98,072	102,011	22	4	69,475	79,675	84,215	21	6	39,120	45,456	46,762	20	3
Five Star	4,829	5,594	5,895	22	5	3,547	3,964	4,160	17	5	2,516	2,791	2,890	15	4
L&T Finance Holdings	20,200	19,350	19,789	(2)	2	14,370	14,080	15,299	6	9	6,860	6,360	6,928	1	9
SBFC	1,764	2,114	2,225	26	5	1,199	1,461	1,535	28	5	787	944	968	23	3
SBI Cards	14,765	16,199	16,418	11	1	18,998	19,637	17,980	(5)	(8)	5,945	5,342	5,039	(15)	(6)
Total NBFCs/HFCs	255,822	288,755	302,152	18	5	196,984	224,497	233,400	18	4	111,354	128,655	131,643	18	2
Wealth management/ AMCs/CRAAs															
360 One WAM	5,731	6,520	6,288	10	(4)	2,729	3,180	3,015	10	(5)	817	750	751	(8)	0
Aditya Birla AMC	3,656	4,288	4,394	20	2	1,931	2,331	2,383	23	2	2,084	2,281	2,469	19	8
AngelOne	14,024	10,488	10,537	(25)	0	4,194	2,643	1,373	(67)	(48)	2,927	1,745	1,077	(63)	(38)
CAMS	3,105	3,562	3,573	15	0	1,367	1,500	1,349	(1)	(10)	1,035	1,140	1,025	(1)	(10)
CRISIL	7,377	8,132	8,832	20	9	1,751	2,022	2,253	29	11	1,377	1,598	1,822	32	14
HDFC AMC	6,954	9,014	9,499	37	5	5,230	7,110	7,260	39	2	5,408	6,385	6,795	26	6
ICRA	1,240	1,362	1,319	6	(3)	454	534	412	(9)	(23)	471	560	465	(1)	(17)
Kfintech	2,283	2,827	2,817	23	(0)	889	1,042	998	12	(4)	745	851	818	10	(4)
Nippon AMC	4,683	5,665	5,822	24	3	2,818	3,548	3,557	26	0	3,426	2,983	3,535	3	19
UTI AMC	3,177	3,602	3,698	16	3	1,153	1,480	1,605	39	8	1,814	1,020	2,083	15	104
Total wealth/asset managers/CR	52,229	55,459	56,780	9	2	22,516	28,446	25,388	13	(11)	20,105	19,313	20,841	4	8
Total diversified financials	308,052	344,215	358,932	17	4	219,501	252,943	258,789	18	2	131,458	147,968	152,483	16	3
Grand total	1,946,750	2,019,026	2,001,061	3	(1)	1,392,496	1,500,825	1,411,113	1	(6)	852,922	918,658	861,809	1	(6)

Notes:

(a) We have assumed PBT rather than PPOP for asset managers/wealth managers and revenue from operations rather than NII.

Source: Company, Kotak Institutional Equities

Earnings decline expected for banks under coverage
Exhibit 5: Yoy growth in PAT, March fiscal year-ends

	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Public banks					
Bank of Baroda	10	23	6	3	(22)
Canara Bank	10	11	12	33	15
PNB	159	145	103	52	34
State Bank of India	1	28	84	(10)	(16)
Union Bank	14	34	28	51	14
Old private banks					
City Union Bank	16	2	13	13	(4)
Federal Bank	18	11	(5)	14	(7)
Karur Vysya Bank	28	25	21	13	8
New private banks					
Axis Bank	4	18	4	(0)	0
Bandhan Bank	47	30	(42)	482	(67)
DCB Bank	3	23	20	14	16
HDFC Bank	35	5	2	7	10
ICICI Bank	15	14	15	18	11
IndusInd Bank	1	(39)	(39)	(195)	(75)
Yes Bank	47	146	165	63	11
Small finance banks					
AU SFB	30	42	41	36	8
Equitas SFB	(87)	(93)	(67)	(80)	(54)
Ujjivan SFB	(7)	(29)	(64)	(75)	(82)
Utkarsh SFB	28	(55)	(245)	(98)	(138)
Total banks	16	19	20	2	(2)
Public sector banks	12	33	51	7	(4)
Private sector banks	20	8	2	(3)	1

Notes:

(a) 'NM' indicates loss in the base quarter and profit in current quarter.

Source: Company, Kotak Institutional Equities

Banks: Muted loan growth continues, MSME resilient

Muted loan growth at 9.6% yoy amid easing rates and liquidity infusion

As per the latest available data (June 13, 2025) for the banking system, loan growth has remained slow at 9.6% yoy. Sector-wise deployment of banking credit as of May 2025 indicates some convergence in loan growth across sectors. Credit to large corporates is not picking up and is growing at ~1% yoy. Credit to MSMEs has been growing at a healthy pace of 15% yoy, although lesser than a peak of 37% yoy (May 2022). Services segment growth has also slowed down over the past few months to ~9% yoy. The growth rate in bank lending to NBFCs (flat yoy) has slowed down significantly from a peak of ~35% yoy in June 2023. In retail credit, growth was healthy at ~11% yoy. Housing credit was up 9% yoy—marginally below the 15% yoy growth pre-Covid. Growth in auto loans has also been subdued at 9% yoy. Credit card outstanding grew 8% yoy in May 2025, while growth in consumer durable loans declined 4% yoy.

We have shown the reported estimated credit growth data for banks in the exhibit below. Credit growth seems to have moderated for most banks, although marginally slower than recent quarters. Credit growth is being driven by retail and MSME loans, while growth in credit to industry is still quite sluggish.

Based on the business updates for the quarter released, we note that the advances growth of frontline banks is growing slower than recent quarters. Frontline private banks have reported a growth of 6-12% yoy, while PSU banks have posted loan growth numbers of 10-12% yoy.

MFI disbursements remain weak after the implementation of MFIN guardrails. With the RBI relaying concerns of over-indebtedness and higher interest rates, business momentum remains weak for the sector. GLP declined to Rs3.8 tn, and number of unique active borrowers declined to 83 mn at the end of FY2025. The decline in disbursements (down 38% yoy) was led by SFBs (down 52% yoy) and is expected to continue, although not at such a sharp rates. Easing of interest rates and signs of recovery in asset quality can provide a bit of cushion for this decline. The sector may continue to face headwinds, with disbursement volumes likely to remain subdued.

Some moderation in loan growth for most banks

Exhibit 6: Loan growth for banks, March fiscal year-ends

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Advances (Rs tn)														
AUBANK	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.9	0.9	1.0	1.1	1.1
AXSB	7.1	7.0	7.3	7.6	8.5	8.6	9.0	9.3	9.7	9.8	10.0	10.1	10.4	10.5
BANDHAN	1.0	1.0	1.0	1.0	1.1	1.0	1.1	1.2	1.2	1.3	1.3	1.3	1.4	1.3
BOB	8.2	8.4	8.7	9.2	9.7	9.9	10.2	10.5	10.9	10.7	11.4	11.7	12.3	12.1
CBK	7.4	7.8	8.2	8.5	8.6	8.9	9.2	9.5	9.6	9.8	10.1	10.5	10.7	10.9
CSBBANK	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
CUBK	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
DCBB	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5
EQUITASB	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4
FB	1.5	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.1	2.3	2.3	2.4	2.4	2.5
HDFCB	13.7	14.0	14.8	15.1	16.0	16.2	23.3	24.5	24.8	24.6	25.0	25.2	26.2	26.2
ICICIBC	8.6	9.0	9.4	9.7	10.2	10.6	11.1	11.5	11.8	12.2	12.8	13.1	13.4	13.7
IDBI	1.4	1.4	1.5	1.5	1.6	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2	
IDFCFB	1.2	1.3	1.3	1.5	1.5	1.7	1.7	1.9	1.9	2.0	2.2	2.2	2.3	
IIB	2.4	2.5	2.6	2.7	2.9	3.0	3.2	3.3	3.4	3.5	3.6	3.7	3.5	3.5
KVB	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.9
PNB	7.9	8.0	8.3	8.6	8.8	9.2	9.4	9.7	9.8	10.3	10.6	11.1	11.2	11.3
RBK	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
SBI	27.3	28.2	29.5	30.6	32.0	32.4	33.5	35.2	37.0	37.5	38.6	40.0	41.6	41.7
SIB	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9
UJJIVANS	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
UNBK	6.6	6.8	7.3	7.6	7.6	7.7	8.0	8.6	8.7	8.8	9.0	9.2	9.5	9.7
UTKARSHB	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
YES	1.8	1.9	1.9	1.9	2.0	2.0	2.1	2.2	2.3	2.3	2.4	2.4	2.5	2.4
Yoy growth (%)														
AUBANK	33.2	43.3	44.4	38.4	26.7	29.2	24.0	20.0	25.2	42.6	47.8	49.2	46.4	22.6
AXSB	15.2	14.0	17.6	14.7	19.4	22.4	22.7	22.3	14.2	14.2	11.4	8.8	7.8	7.3
BANDHAN	14.1	20.3	17.4	11.1	9.8	6.7	12.3	18.6	14.3	21.8	21.4	13.8	9.8	6.9
BOB	8.9	18.0	19.0	19.7	18.5	18.0	17.3	13.6	12.5	8.1	11.6	11.8	12.8	12.6
CBK	9.8	14.5	20.0	16.7	16.4	13.3	12.1	11.7	11.3	9.9	9.5	10.4	11.7	12.3
CSBBANK		21.4	28.6	17.1	22.8	24.9	22.3	18.2	14.3	17.8	19.6	26.4	29.6	32.0
CUBK	11.2	12.5	12.3	12.0	6.8	3.6	2.3	2.3	5.7	9.8	11.5	14.5	14.2	14.1
DCBB	12.1	16.9	16.5	19.2	18.2	19.0	19.1	18.2	19.0	18.9	19.3	22.7	24.7	24.6
EQUITASB	15.0	22.5	22.4	27.1	33.2	34.4	31.7	25.5	20.0	16.0	18.1	21.1	16.9	20.2
FB	12.0	17.1	20.0	19.1	20.1	22.0	19.0	21.0	21.0	19.5	19.3	15.1	13.1	10.0
HDFCB	20.8	21.6	23.4	19.5	16.9	15.8	57.5	62.3	55.2	52.5	7.0	3.0	5.4	6.4
ICICIBC	17.1	21.3	22.7	19.7	18.7	18.1	18.3	18.5	16.2	15.7	15.0	13.9	13.3	11.9
IDBI	6.7	12.2	11.2	9.8	18.9	19.8	14.8	18.1	16.0	17.3	19.3	18.2	15.8	
IDFCFB	17.2	22.0	31.8	26.4	28.8	26.3	29.7	26.1	28.2	21.0	23.0	20.3	19.8	
IIB	12.4	17.7	17.8	19.3	21.3	21.5	21.3	19.9	18.4	15.5	13.2	12.2	0.5	0.1
KVB	9.0	13.9	14.8	15.0	11.5	12.3	13.9	13.3	16.0	16.1	14.0	14.0	13.5	15.0
PNB	6.2	10.2	12.8	13.4	12.7	14.6	13.4	12.9	11.2	12.2	12.8	14.8	13.6	9.9
RBK	3.4	6.6	15.4	14.1	15.8	20.1	21.0	19.6	19.3	18.4				
SBI	11.6	15.8	20.8	18.6	17.0	14.9	13.3	15.1	15.8	15.9	15.3	13.8	12.4	11.2
SIB	6.5	14.4	16.6	22.1	16.6	14.5	10.3	10.8	11.4	11.4	13.0	11.9	9.0	8.0
UJJIVANS	20.0	38.3	44.3	33.0	32.6	30.5	26.9	26.7	23.6	18.7	14.2	9.8	7.9	10.7
UNBK	11.8	15.7	25.2	22.6	15.3	13.9	10.5	14.0	14.3	14.0	11.6	6.7	9.5	10.7
UTKARSHB	26.3				31.3	31.4	26.4	30.8	31.1	30.6	28.3	16.2	7.5	8.8
YES	8.5	13.9	11.3	10.4	12.3	7.4	8.7	11.8	12.1	14.7	12.4	12.6	8.1	5.1
Qoq growth (%)														
AUBANK	14.7	5.6	6.3	7.5	5.1	7.6	2.1	4.0	9.6	22.5	5.8	5.0	7.6	2.6
AXSB	6.4	(0.9)	4.3	4.3	10.9	1.6	4.5	3.9	3.5	1.6	2.0	1.5	2.6	1.0
BANDHAN	12.9	(2.7)	(0.8)	2.0	11.6	(5.5)	4.3	7.7	7.6	0.7	4.0	1.0	3.8	(2.0)
BOB	6.0	2.6	4.0	5.8	4.9	2.2	3.4	2.4	3.9	(1.7)	6.7	2.6	4.9	(1.9)
CBK	1.6	5.7	5.2	3.3	1.4	2.9	4.1	2.9	1.1	1.5	3.8	3.7	2.3	2.0
CSBBANK		(2.4)	7.7	5.3	11.1	(0.8)	5.4	1.8	7.5	2.1	7.1	7.6	10.1	4.1
CUBK	7.2	(0.5)	4.3	0.7	2.2	(3.6)	3.0	0.8	5.6	0.1	4.7	3.5	5.3	0.1
DCBB	5.2	2.5	5.0	5.4	4.3	3.2	5.1	4.5	5.1	3.1	5.4	7.5	6.8	3.0
EQUITASB	5.8	5.7	6.6	6.6	10.8	6.7	4.5	1.5	6.0	3.1	6.4	4.2	2.3	6.0
FB	2.8	4.6	6.7	3.8	3.7	6.2	4.0	5.6	3.7	4.9	3.8	1.9	1.9	2.0
HDFCB	8.6	1.9	6.1	1.8	6.2	0.9	44.3	4.9	1.6	(0.9)	1.3	0.9	4.0	0.1
ICICIBC	5.5	4.3	4.8	3.8	4.7	3.7	5.0	3.9	2.7	3.3	4.4	2.9	2.1	2.0
IDBI	1.3	0.9	6.3	1.0	9.7	1.7	1.9	3.9	7.8	2.9	3.6	2.9	5.6	
IDFCFB	1.2	12.5	1.7	9.2	3.2	10.3	4.4	6.1	4.9	4.1	6.2	3.7	4.5	
IIB	4.6	3.7	4.9	4.9	6.3	3.9	4.7	3.7	5.0	1.3	2.7	2.7	(6.0)	0.9
KVB	3.1	3.6	3.7	3.8	-	4.3	5.2	3.2	2.4	4.4	3.3	3.2	2.0	5.8
PNB	3.9	1.9	3.8	3.2	3.3	3.6	2.7	2.7	1.7	4.6	3.2	4.6	0.6	1.3
RBK	3.4	0.3	4.0	5.8	5.0	4.0	4.8	4.5	4.8	3.1	1.4	3.5	(0.1)	-
SBI	6.0	3.0	4.8	3.6	4.6	1.1	3.4	5.2	5.2	1.2	2.9	3.8	4.0	0.1
SIB	7.7	4.7	5.0	3.2	2.8	2.8	1.1	3.7	3.4	2.8	2.6	2.7	0.7	1.9
UJJIVANS	10.3	6.9	7.9	4.6	10.0	5.2	4.9	4.4	7.3	1.0	0.9	0.4	5.4	3.6
UNBK	7.2	2.3	7.6	4.0	0.7	1.1	4.3	7.3	1.0	0.9	2.1	2.6	3.6	2.0
UTKARSHB		3.0	7.6	6.5	11.3	3.1	3.5	10.2	11.5	2.7	1.6	(0.2)	3.2	4.0
YES	2.7	2.9	3.2	1.2	4.5	(1.5)	4.4	4.0	4.7	0.8	2.4	4.1	0.6	(2.0)

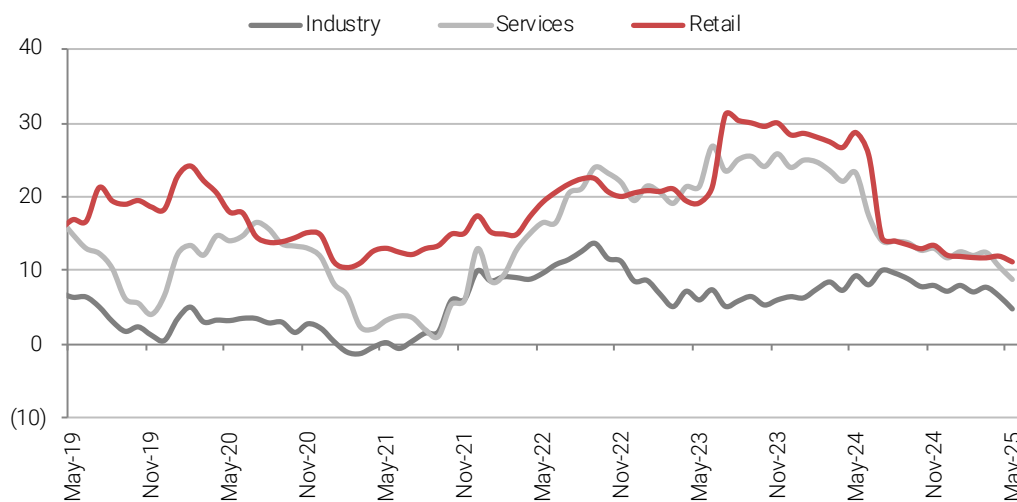
Notes:

(a) Actual numbers released have been marked in pink.

Source: Company, Kotak Institutional Equities

Credit growth continues to be driven by retail and services, while growth in credit to industry is sluggish

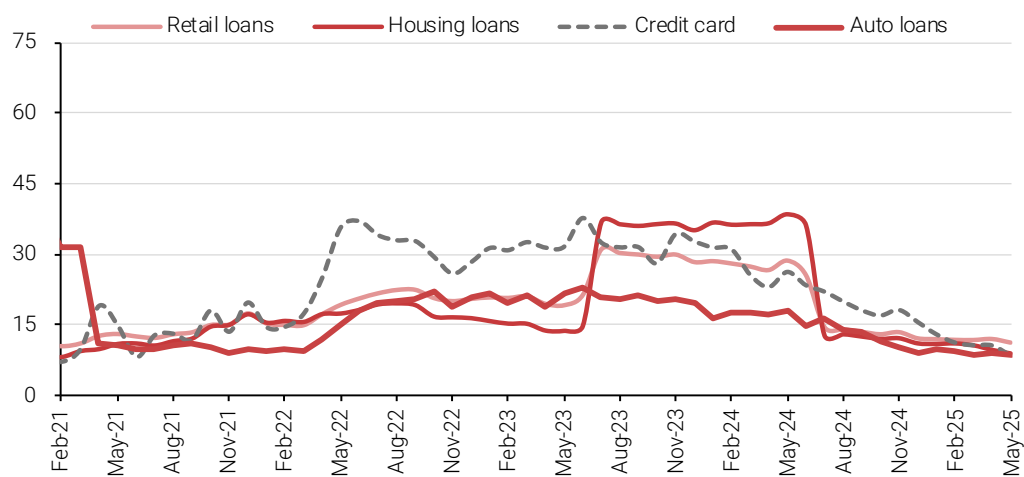
Exhibit 7: Yoy credit growth by segment (%)



Source: Company, Kotak Institutional Equities

Housing loan growth stood at 9% yoy

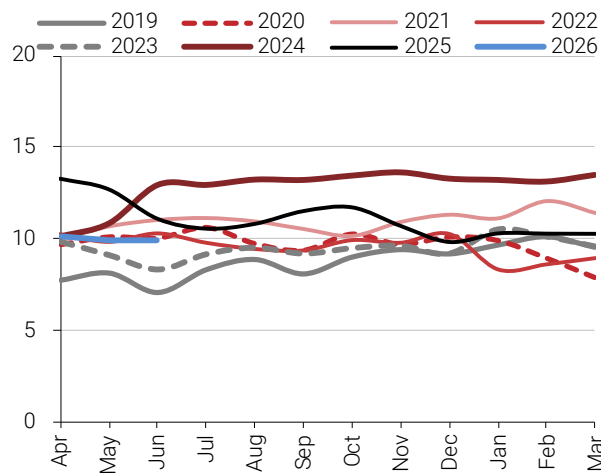
Exhibit 8: Yoy growth in retail loan segments (%)



Source: Company, Kotak Institutional Equities

Deposit growth had also come down in 4QFY25

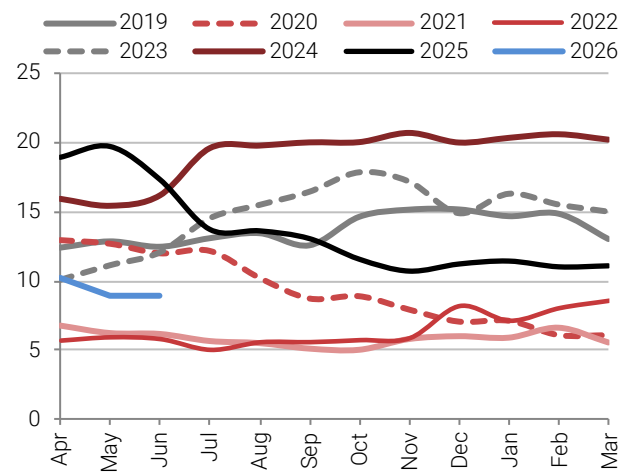
Exhibit 9: Yoy growth in deposits, March fiscal year-ends (%)



Source: RBI, Kotak Institutional Equities

Credit growth has decelerated a bit from levels seen in FY2023

Exhibit 10: Yoy growth in advances, March fiscal year-ends (%)



Source: RBI, Kotak Institutional Equities

Deposit growth edges ahead of loan growth despite weak momentum

As per the latest RBI release, deposit growth stood at ~10.4% yoy as on June 13, 2025. We have shown the growth in overall deposits in the following exhibit.

In June 2025, RBI reduced the repo rate by 50 bps further to 5.50%. Cumulatively, a 100-bps rate cut has been passed on to the banks. Term deposit rates across banks seen proportionate changes toward the end of 1QFY26. RBI also cut CRR by 1%, although the reduction will happen across four tranches from September 2025. Deficit of Rs1 tn at the beginning of the quarter has turned into Rs3.7 tn surplus as of July 7, 2025, led by sustained VRR & OMO ops, plus a rate cut. Alongside release of primary liquidity release, bank funding costs are set to ease. This can lead to a tempered deposit mobilization approach, focusing on maintaining stable funding while optimizing margins.

CASA ratio has been steady over the past couple of quarters, as systemic liquidity has slowly eased to a surplus. Weighted average term deposit rates on outstanding book are still ~200 bps from trough level after the rate cut transmission. Weighted average term deposit rates on fresh deposits are also ~200 bps from trough level, although the rates have reduced ~40 bps yoy and 23 bps mom. Private banks are leading the rate adjustment cycle, showing a swifter response in lowering deposit rates. This proactive transmission may help optimize funding costs, although it could also influence competitive dynamics in deposit mobilization going forward.

Deposit growth has improved for many players

Exhibit 11: Deposit growth for banks, March fiscal year-ends

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Deposits (Rs tn)													
AUBANK	0.55	0.58	0.61	0.69	0.69	0.76	0.80	0.87	0.97	1.10	1.12	1.24	1.28
AXSB	8.04	8.11	8.48	9.47	9.42	9.56	10.05	10.69	10.62	10.87	10.96	11.73	11.74
BANDHAN	0.93	0.99	1.02	1.08	1.08	1.12	1.17	1.35	1.33	1.43	1.41	1.51	1.55
BOB	10.33	10.90	11.50	12.04	12.00	12.50	12.45	13.35	13.07	13.63	14.03	14.72	14.26
CBK	11.18	11.34	11.63	11.79	11.92	12.32	12.63	13.12	13.35	13.47	13.69	14.57	14.79
CSBBANK	0.20	0.21	0.23	0.24	0.24	0.25	0.27	0.30	0.30	0.32	0.33	0.37	0.36
CUBK	0.49	0.50	0.50	0.52	0.52	0.53	0.52	0.56	0.55	0.57	0.58	0.64	0.63
DCBB	0.35	0.37	0.40	0.41	0.43	0.45	0.47	0.49	0.52	0.55	0.57	0.60	0.62
EQUITASB	0.20	0.22	0.23	0.25	0.28	0.31	0.32	0.36	0.38	0.40	0.41	0.43	0.45
FB	1.83	1.89	2.01	2.13	2.22	2.33	2.40	2.53	2.66	2.69	2.66	2.84	2.92
HDFCB	16.05	16.73	17.33	18.83	19.13	21.73	22.14	23.80	23.79	25.00	25.64	27.15	27.64
ICICIBC	10.50	10.90	11.22	11.81	12.39	12.95	13.32	14.13	14.26	14.98	15.20	16.10	16.43
IDBI	2.3	2.3	2.3	2.6	2.4	2.5	2.6	2.8	2.8	2.8	2.8	3.1	
IDFCFB	1.13	1.23	1.33	1.45	1.54	1.71	1.83	2.01	2.10	2.24	2.37	2.52	
IIB	3.03	3.16	3.25	3.36	3.47	3.60	3.69	3.85	3.99	4.13	4.09	4.11	4.02
KVB	0.71	0.74	0.76	0.77	0.81	0.83	0.86	0.89	0.92	0.96	0.99	1.02	1.07
PNB	11.37	11.94	12.10	12.81	12.98	13.10	13.23	13.70	14.08	14.58	15.30	15.67	15.89
SBI	40.46	41.90	42.14	44.24	45.31	46.89	47.62	49.16	49.02	51.17	52.29	53.82	54.36
SIB	0.88	0.88	0.91	0.92	0.95	0.97	0.99	1.02	1.04	1.05	1.05	1.08	1.13
UJJIVANS	0.18	0.20	0.23	0.26	0.27	0.29	0.30	0.31	0.33	0.34	0.34	0.38	0.39
UNBK	9.93	10.43	10.65	11.18	11.28	11.38	11.72	12.22	12.24	12.42	12.17	13.10	13.23
UTKARSHB	0.10	0.12	0.13	0.14	0.14	0.14	0.15	0.17	0.18	0.19	0.20	0.22	0.23
YES	1.93	2.00	2.14	2.18	2.19	2.34	2.42	2.66	2.65	2.77	2.77	2.85	2.76
Yoy growth (%)													
AUBANK	47.6	49.4	38.0	31.9	26.9	29.8	31.1	25.7	40.4	44.8	40.1	42.5	31.3
AXSB	12.6	10.1	9.9	15.2	17.2	17.8	18.5	12.9	12.8	13.7	9.1	9.8	10.5
BANDHAN	20.3	21.3	21.0	12.2	16.6	12.8	14.8	25.1	22.8	27.2	20.1	11.8	16.1
BOB	10.9	13.6	17.5	15.1	16.2	14.6	8.3	10.9	8.9	9.1	12.7	10.3	9.1
CBK	9.4	9.8	11.5	8.5	6.6	8.7	8.5	11.3	12.0	9.3	8.4	11.0	10.8
CSBBANK			18.9	21.2	20.8	21.2	20.7	21.4	22.2	25.2	22.2	24.0	20.3
CUBK	9.3	7.7	7.0	9.9	5.9	5.7	4.6	6.2	6.2	8.8	11.5	14.1	14.6
DCBB	14.6	16.3	22.6	18.9	22.6	23.1	19.3	19.7	20.2	19.9	20.3	21.6	20.8
EQUITASB	19.3	20.1	30.8	33.9	35.9	41.9	38.4	42.3	35.4	29.2	25.8	19.3	20.6
FB	8.2	10.0	14.8	17.4	21.3	23.1	19.0	18.3	19.6	15.6	11.2	12.3	9.8
HDFCB	19.2	19.0	19.9	20.8	19.2	29.8	27.7	26.4	24.4	15.1	15.8	14.1	16.2
ICICIBC	13.4	11.5	10.3	10.9	17.9	18.8	18.7	19.6	15.1	15.7	14.1	14.0	15.2
IDBI	1.3	3.1	4.5	9.6	8.7	8.3	11.1	8.7	13.3	11.3	9.3	11.8	
IDFCFB	24.1	36.8	43.4	36.9	36.2	38.7	37.2	38.7	35.8	30.6	29.8	25.7	
IIB	13.3	14.7	14.3	14.6	14.6	13.9	13.4	14.4	14.8	14.7	11.0	6.8	1.0
KVB	10.5	12.5	13.5	11.6	13.4	12.8	12.8	16.3	14.4	15.4	15.7	14.5	15.5
PNB	3.6	7.0	7.4	11.8	14.2	9.8	9.3	6.9	8.5	11.3	15.6	14.4	12.8
SBI	8.7	10.0	9.5	9.2	12.0	11.9	13.0	11.1	8.2	9.1	9.8	9.5	10.9
SIB	4.2	1.9	2.6	2.8	8.3	9.7	9.4	11.2	8.4	8.6	6.3	5.5	9.1
UJJIVANS	34.9	44.8	49.1	39.6	44.5	42.9	27.9	23.2	22.0	16.9	16.3	19.6	18.8
UNBK	9.3	14.1	13.6	8.3	13.6	9.0	10.1	9.3	8.5	9.2	3.8	7.2	8.1
UTKARSHB	32.2	45.5	41.6	36.1	35.6	19.0	17.6	27.4	30.0	39.6	33.5	23.4	24.7
YES	18.3	13.2	15.9	10.3	13.5	17.2	13.2	22.5	20.8	18.3	14.6	6.8	4.1
Qoq growth (%)													
AUBANK	3.9	6.8	4.7	13.5	(0.1)	9.3	5.8	8.8	11.6	12.7	2.3	10.7	2.8
AXSB	(2.2)	0.9	4.6	11.6	(0.6)	1.5	5.2	6.3	(0.6)	2.3	0.8	7.0	0.1
BANDHAN	(3.4)	6.8	2.9	5.7	0.4	3.3	4.8	15.1	(1.5)	7.0	(1.1)	7.2	2.3
BOB	(1.3)	5.6	5.4	4.7	(0.3)	4.1	(0.3)	7.2	(2.1)	4.3	2.9	4.9	(3.1)
CBK	2.9	1.4	2.6	1.4	1.1	3.3	2.5	3.9	1.7	0.9	1.6	6.4	1.5
CSBBANK			8.0	8.0	0.0	3.9	7.5	8.7	0.7	6.4	4.9	10.3	(2.4)
CUBK	2.3	2.3	0.2	4.8	(1.4)	2.1	(0.8)	6.5	(1.4)	4.6	1.6	9.0	(1.0)
DCBB	1.1	5.4	6.9	4.4	4.3	5.8	3.6	4.7	4.7	5.5	3.9	5.9	4.0
EQUITASB	7.6	6.6	7.7	8.5	9.2	11.3	5.0	11.6	3.9	6.2	2.2	5.8	5.0
FB	0.9	3.2	6.5	5.9	4.3	4.7	2.9	5.4	5.4	1.1	(1.0)	6.5	3.0
HDFCB	2.9	4.3	3.6	8.7	1.6	13.6	1.9	7.5	(0.0)	5.1	2.5	5.9	1.8
ICICIBC	(1.3)	3.8	2.9	5.2	4.9	4.5	2.9	6.0	0.9	5.0	1.5	5.9	2.0
IDBI	(3.4)	2.2	1.0	9.8	(4.1)	1.8	3.6	7.4	(0.0)	0.0	1.7	9.9	
IDFCFB	7.3	8.9	7.8	8.7	6.8	10.9	6.6	9.9	4.5	6.6	5.9	6.4	
IIB	3.1	4.4	3.0	3.4	3.2	3.7	2.5	4.3	3.6	3.6	(0.8)	0.4	(2.1)
KVB	3.6	3.4	3.1	0.9	5.3	2.9	3.1	4.0	3.6	3.8	3.5	2.9	4.5
PNB	(0.8)	5.0	1.4	5.8	1.3	0.9	1.0	3.5	2.8	3.6	4.9	2.4	1.4
SBI	(0.1)	3.6	0.6	5.0	2.4	3.5	1.6	3.2	(0.3)	4.4	2.2	2.9	1.0
SIB	(1.1)	0.3	2.5	1.1	4.2	1.7	2.1	2.8	1.6	1.9	(0.1)	2.0	5.0
UJJIVANS	0.9	10.6	13.8	10.1	4.4	9.3	1.8	6.0	3.3	4.8	1.2	9.1	2.6
UNBK	(3.8)	5.1	2.1	4.9	0.9	0.8	3.1	4.2	0.2	1.5	(2.0)	7.7	1.0
UTKARSHB	2.2	14.0	9.5	6.7	1.9	(0.0)	8.2	15.6	4.0	7.3	3.5	6.9	5.0
YES	(2.0)	3.5	6.8	1.8	0.9	6.8	3.2	10.1	(0.5)	4.6	0.0	2.6	(3.0)

Notes:

(a) Actual numbers released have been marked in pink.

Source: Company, Kotak Institutional Equities

Margins expected to see contraction in 1QFY26

With the RBI cutting repo rate by total of 100 bps, loans priced on EBLR would have been repriced quickly. Banks have started to pass on the rate cuts to the deposit rates, thereby reducing the cost of deposits. The cost of funds had already peaked out at 3QFY25 for most banks. Most banks did not face the rate cut pressure in 4QFY25, and rate cuts are poised to hit margins in 1QFY2026.

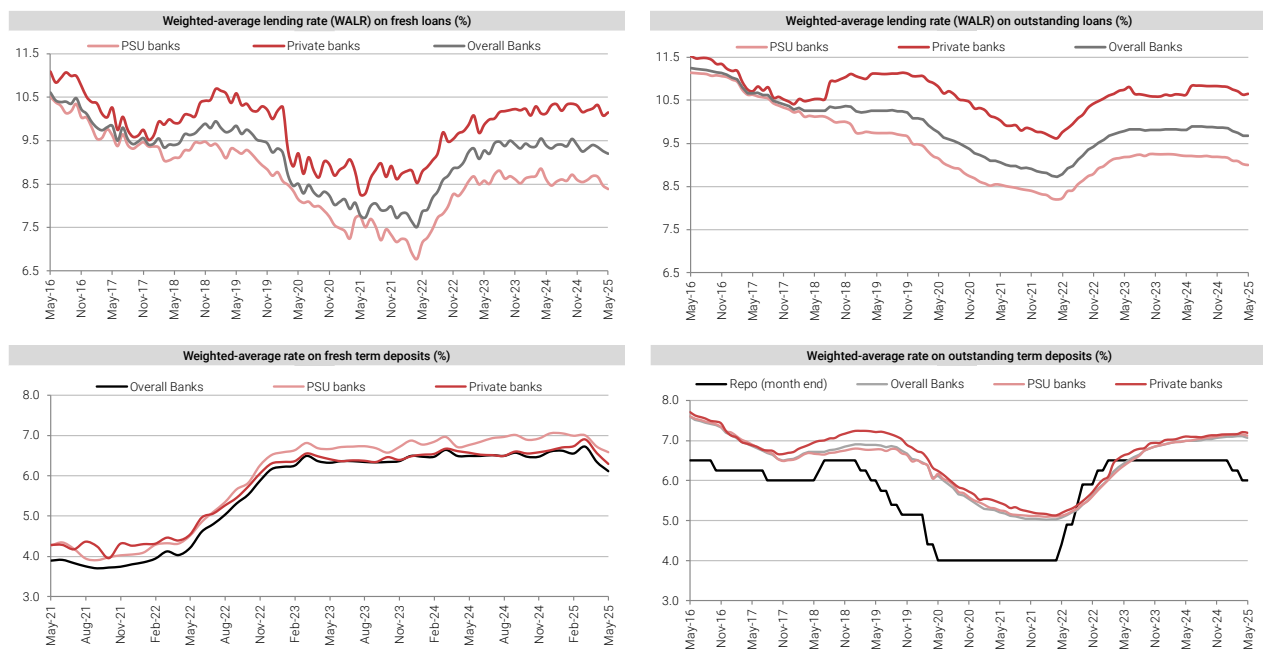
System liquidity moved to surplus of Rs2 tn in 1QFY26 from a deficit in 4QFY25. Given both these developments, we believe that NIM for banks would see considerable pressure during 1QFY26. Both SA rates and retail TD rates have been swiftly passed on by banks.

Our assessment indicates that public sector banks are likely to experience the sharpest NIM pressure in 1QFY26, making it the weakest quarter. For private banks, the most significant NIM compression is expected in 2QFY26, with 3QFY25 likely to remain under pressure. These projections are contingent on multiple variables, including rate trends, deposit dynamics, and competitive intensity, which need to align for this trajectory to materialize.

Frontline private banks such as HDFC, ICICI and Axis, which have a high proportion of EBLR-linked loans, are expected to see margin contraction of ~10-15 bps in the quarter.

Pricing of fresh term deposits has declined ~60 bps and ~40 bps for private and PSU banks since March 2025; pricing of fresh loans has declined ~15 bps and ~30 bps for private banks and PSU banks, respectively, over the same period

Exhibit 12: Trajectory of interest rates in the banking system, March fiscal year-ends



Source: RBI, Kotak Institutional Equities

NII growth is expected to be weaker for most banks

Exhibit 13: NIM (calc.) and yoy growth in NII, March fiscal year-ends (%)

	NIM (% calculated)					NII yoy growth (%)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Public banks										
Bank of Baroda	3.0	3.0	2.8	2.6	2.5	5.5	7.3	2.8	(6.6)	(7.8)
Canara Bank	2.5	2.5	2.4	2.4	2.2	5.8	4.6	(2.9)	(1.4)	(1.3)
Punjab National Bank	2.8	2.7	2.7	2.5	2.4	10.2	6.0	7.2	3.8	(1.2)
State Bank of India	2.9	2.9	2.8	2.8	2.7	5.7	5.4	4.1	2.7	0.4
Union Bank	2.8	2.7	2.7	2.7	2.5	6.5	(0.9)	0.8	0.8	(2.5)
Old private banks										
City Union Bank	3.2	3.3	3.2	3.2	3.1	4.3	8.2	13.9	9.8	9.9
Federal Bank	3.1	3.0	3.0	2.9	2.8	19.5	15.1	14.5	8.3	1.3
Karur Vysya Bank	3.8	3.8	3.7	3.7	-	14.2	15.8	7.7	9.4	6.1
New private banks										
Axis Bank	3.8	3.8	3.8	3.7	3.5	12.5	9.5	8.6	5.5	0.7
Bandhan	7.2	7.0	6.5	6.1	5.7	20.7	20.7	12.1	(3.9)	(11.6)
DCB	3.1	3.1	3.1	3.0	2.9	5.5	7.0	14.5	9.9	15.5
HDFC Bank	3.5	3.5	3.5	3.5	3.4	26.4	10.0	7.7	10.3	5.3
ICICI Bank	4.4	4.3	4.3	4.3	4.0	7.3	9.5	9.1	11.0	5.9
IndusInd Bank	4.1	4.0	3.8	2.2	3.1	11.1	5.3	(1.3)	(43.3)	(21.8)
Yes Bank	2.8	2.8	2.7	2.8	2.7	12.2	14.3	10.2	5.7	(0.1)
Small finance banks										
AU	6.2	6.1	5.9	5.7	5.6	54.1	58.1	52.7	56.6	13.1
Equitas SFB	7.9	7.5	7.4	7.3	7.0	7.9	4.8	4.2	5.5	2.2
Ujjivan SFB	9.4	9.1	8.2	7.7	7.5	18.8	14.6	3.1	(7.4)	(5.7)
Utkarsh SFB	9.7	9.0	7.5	6.2	5.9	35.8	26.4	(0.5)	(23.8)	(29.0)

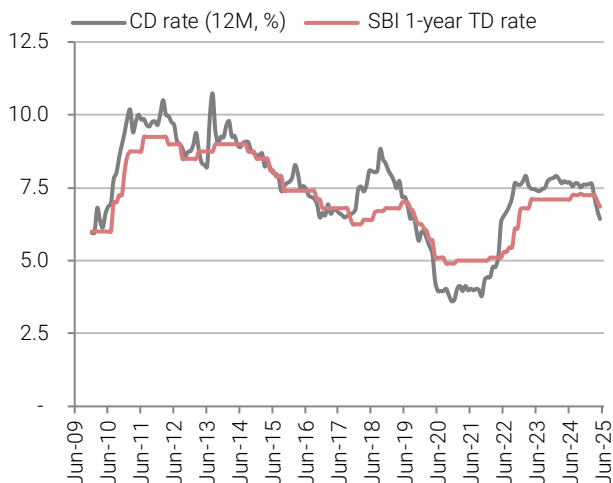
Notes:

(a) We calculate NIM as: net interest income/ average earning assets for the period. HDFC Bank's NIM (calc.) for 2QFY24 is optically higher because the denominator includes the pre-merger earning assets for 1QFY24.

Source: Company, Kotak Institutional Equities

CD and TD rates (fresh) have declined after rate cut

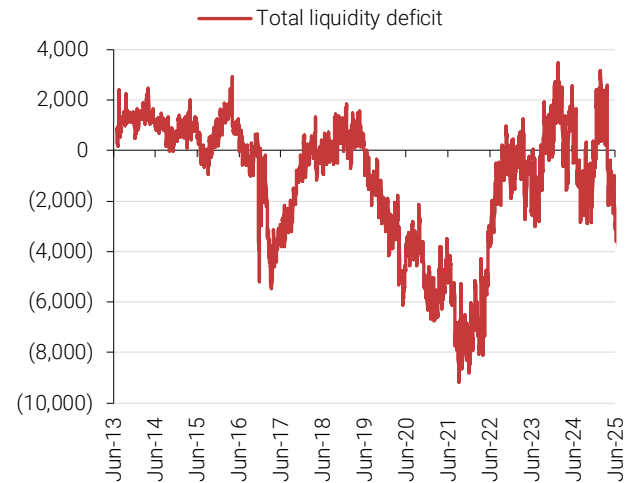
Exhibit 14: SBI TD rate (1-year tenor), CD rate (12M tenor) (%)



Source: RBI, Kotak Institutional Equities

Banking system liquidity eases into surplus

Exhibit 15: Liquidity deficit in banking system (Rs bn)



Source: RBI, Kotak Institutional Equities

One-year MCLR rates are still up by ~200 bps for SBI from March 2022 levels

Exhibit 16: SBI MCLR interest rates across tenors (%)

	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Sep-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Overnight	8.20	7.45	6.65	6.65	7.95	8.00	8.20	8.20	8.20	8.20	8.20	8.20	8.20	8.20
One month	8.20	7.45	6.65	6.65	8.10	8.20	8.45	8.45	8.20	8.20	8.20	8.20	8.20	8.20
Three month	8.25	7.50	6.65	6.65	8.10	8.20	8.50	8.55	8.55	8.55	8.55	8.55	8.55	8.55
Six month	8.40	7.70	6.95	6.95	8.40	8.55	8.85	8.90	8.90	8.90	8.90	8.90	8.90	8.90
One year	8.55	7.75	7.00	7.00	8.50	8.65	8.95	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Two years	8.65	7.95	7.20	7.20	8.60	8.75	9.05	9.05	9.05	9.05	9.05	9.05	9.05	9.05
Three years	8.75	8.05	7.30	7.30	8.70	8.85	9.10	9.10	9.10	9.10	9.10	9.10	9.10	9.10

Source: Company, Kotak Institutional Equities

Trading gains to aid non-interest income

Fee income growth is expected to decline sequentially, following a seasonally strong 4QFY25. A natural tapering in disbursements and distribution products is expected, weighing on core fee income. However, the investment book is expected to provide support to non-interest income. The recent decline in G-Sec yields has improved mark-to-market valuations of the AFS portfolio of banks, and are likely to realize gains on their treasury portfolios.

Treasury income performance is expected to be mixed during 3QFY25

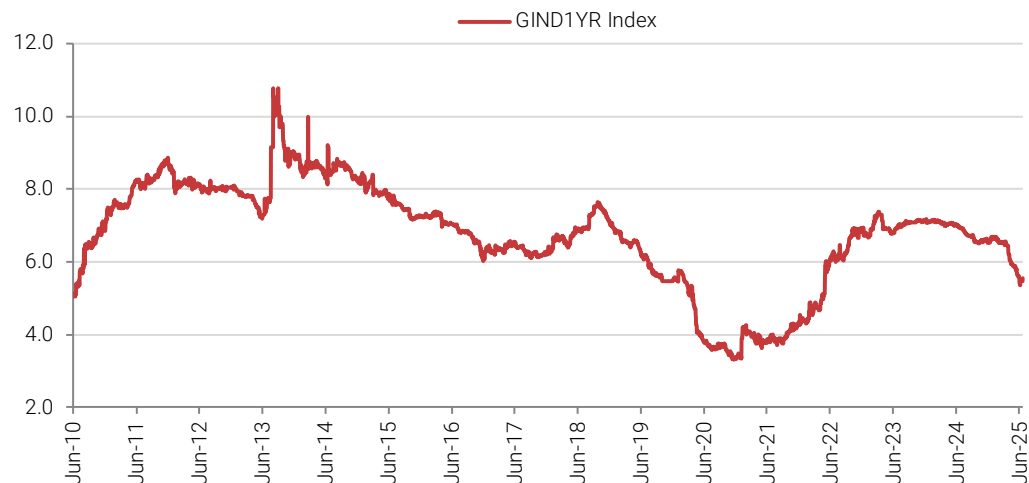
Exhibit 17: Growth in treasury income, March fiscal year-ends (%)

	Income from treasury (Rs mn)					Income from treasury (% of PBT)				
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Public banks										
Bank of Baroda	880	6,920	7,070	12,450	7,857	1	10	11	19	16
Canara Bank	3,490	6,610	9,450	7,110	8,532	7	12	17	11	14
PNB	5,820	14,930	9,330	9,150	11,209	11	23	14	14	19
State Bank of India	25,890	46,410	11,940	68,790	33,333	11	19	5	28	17
Union Bank	5,030	8,240	6,050	13,470	8,500	10	13	10	22	15
Old private banks										
City Union Bank	172	268	178	262	500	5	7	5	7	15
Federal Bank	350	840	1,000	460	833	3	6	8	3	7
New private banks										
Axis Bank	4,070	11,110	3,680	1,730	3,750	5	13	4	2	5
DCB Bank	170	520	380	430	188	10	25	19	18	9
HDFC Bank	2,200	2,900	700	3,900	15,000	1	1	0	2	6
ICICI Bank	6,130	6,800	3,710	2,390	4,000	4	4	2	1	2
IndusInd Bank	933	589	2,272	(15,962)	1,667	3	3	12	NM	24
Yes Bank	(320)	650	1,120	1,310	1,000	(5)	10	14	13	13
Total	49,785	98,547	50,830	92,020	87,868	6	10	6	10	10
Public banks	36,080	74,870	37,790	97,500	60,930	9	17	9	22	17
Private banks	13,705	23,677	13,040	(5,480)	26,938	3	5	3	(1)	5

Source: Company, Kotak Institutional Equities

G-Sec yields have been broadly flat over the past year

Exhibit 18: Yield on 1-year G-Sec (%)



Source: Company, Kotak Institutional Equities

Overall asset quality stable, but MFI stress showing early signs of improvement

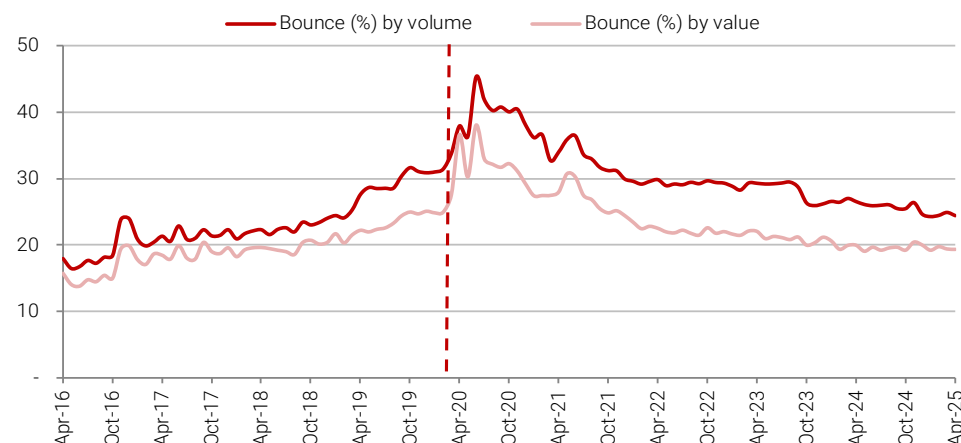
We expect non-MFI banks to report healthy asset quality numbers for another quarter in 1QFY26. Corporate asset quality continues to be pristine. Credit quality seems to be holding up well as NACH bounce rates have stayed below pre-Covid level. Banking sector exposure to retail unsecured credit has been limited, especially lower in the small ticket personal loans segment, which has seen some signs of deterioration. Hence, we are not worried about it either.

Gross slippages can be high seasonally, peak of MFI slippages have already been seen through and we are seeing signs of improving ex-bucket collection efficiency and in forward flow. The risks in the sector are not entirely gone, with Karnataka continuing to be in a relatively weak position despite signs of recovery in past 3 months. Impact on Tamil Nadu, although not widespread impact being observed, remains a monitorable.

RBI's FSR highlights a rise in retail delinquencies, primarily driven by the unsecured loan segment. However, the situation is not too worrisome, with improvements in early-stage delinquencies—SMA-2 accounts have declined, and upgrade rates have increased. Banks are responding with tighter underwriting and enhanced monitoring, keeping retail asset quality broadly stable.

Cheque bounce rates continue to be fairly low

Exhibit 19: Bounce rates on NACH debit transactions (%)



Source: NPCI, Kotak Institutional Equities

Most banks continue to carry healthy provision coverage

Exhibit 20: Calculated provision coverage ratio, March fiscal year-ends (%)

	Ex technical write-off				Including technical write-off			
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY25	2QFY25	3QFY25	4QFY25
Public banks								
BoB	76.6	76.3	76.0	74.9	93.3	93.6	93.5	93.3
Canara	71.0	74.1	74.1	76.7	89.2	90.9	91.3	92.7
PNB	88.4	90.2	90.2	90.3	95.9	96.7	96.7	96.8
SBI	74.4	75.7	74.7	74.4	91.8	92.2	91.7	92.1
Union	80.9	78.4	79.3	83.1	93.5	92.8	93.4	94.6
Old private banks								
City Union Bank	52.8	55.1	58.6	60.1	73.0	75.0	77.0	78.0
Karur Vysya Bank	71.3	75.2	75.9	74.1	94.9	96.1	96.9	96.8
Federal Bank	71.9	72.9	75.2	76.2				
New private banks								
Axis Bank	78.1	76.6	76.2	74.6				
Bandhan	73.7	73.5	73.5	73.7				
DCB	65.2	65.2	62.9	63.2				
HDFC Bank	71.2	69.9	67.8	67.9				
ICICI Bank	80.2	79.0	78.7	76.9				
Yes	67.6	70.0	71.2	79.7				
IndusInd Bank	70.6	70.1	70.2	70.2				
Small finance banks								
AU SFB	65.1	62.8	61.2	68.1				
Equitas SFB	70.3	67.7	68.3	66.8				
Ujjivan SFB	84.0	78.1	79.7	78.1				
Utkarsh SFB	91.0	77.7	61.1	51.2				

Source: Company, Kotak Institutional Equities

NPL ratios have been on a declining trend over the past few quarters

Exhibit 21: Gross and net NPLs, March fiscal year-ends (%)

	Gross NPL (Rs bn)				Gross NPLs (%)				Net NPLs (Rs bn)				Net NPLs (%)			
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY25	2QFY25	3QFY25	4QFY25	1QFY25	2QFY25	3QFY25	4QFY25	1QFY25	2QFY25	3QFY25	4QFY25
Public banks																
BoB	309	286	285	278	2.9	2.5	2.4	2.3	72	68	68	70	0.7	0.6	0.6	0.6
Canara	404	377	351	315	4.1	3.7	3.3	2.9	117	98	91	74	1.2	1.0	0.9	0.7
PNB	513	476	454	441	5.0	4.5	4.1	4.0	59	47	44	43	0.6	0.5	0.4	0.4
SBI	842	834	844	769	2.2	2.1	2.1	1.8	216	203	214	197	0.6	0.5	0.5	0.5
Union	414	405	366	354	4.5	4.4	3.9	3.6	79	88	76	60	0.9	1.0	0.8	0.6
Old private																
CUBK	18	17	17	16	3.9	3.5	3.4	3.1	9	8	7	7	1.9	1.6	1.4	1.3
Federal	47	49	46	44	2.1	2.1	2.0	1.8	13	13	11	10	0.6	0.6	0.5	0.4
KVB	10	9	7	6	1.3	1.1	0.8	0.8	3	2	2	2	0.4	0.3	0.2	0.2
New private																
Axis	162	155	159	145	1.5	1.4	1.5	1.3	36	36	38	37	0.3	0.3	0.4	0.3
Bandhan	53	61	62	64	4.2	4.7	4.7	4.7	14	16	16	17	1.2	1.3	1.3	1.3
DCB	14	15	15	16	3.3	3.3	3.1	3.0	5	5	6	6	1.2	1.2	1.2	1.1
HDFC Bank	330	343	360	352	1.3	1.4	1.4	1.3	95	103	116	113	0.4	0.4	0.5	0.4
ICICI	287	271	277	242	2.2	2.0	2.0	1.7	57	57	59	56	0.5	0.4	0.4	0.4
IndusInd	71	76	84	110	2.0	2.1	2.3	3.1	21	23	25	33	0.6	0.6	0.7	1.0
Yes	38	39	40	39	1.7	1.6	1.6	1.6	12	12	11	8	0.5	0.5	0.5	0.3
Small finance banks																
AU SFB	16	19	23	25	1.8	2.0	2.3	2.3	6	7	9	8	0.6	0.8	0.9	0.7
Equitas SFB	9	10	11	11	2.7	3.0	3.0	2.9	3	3	3	4	0.8	1.0	1.0	1.0
Ujjivan SFB	7	7	8	7	2.5	2.5	2.7	2.2	1	2	2	2	0.4	0.6	0.6	0.5
Utkarsh SFB	5	7	12	19	2.8	3.9	6.2	9.4	0	2	5	9	0.3	0.9	2.5	4.8
Total	3,551	3,456	3,419	3,253	2.5	2.4	2.3	2.1	818	791	803	753	0.6	0.6	0.6	0.5
Public banks	2,481	2,377	2,299	2,157	3.2	3.0	2.8	2.5	543	503	493	443	0.7	0.6	0.6	0.5
Private banks	1,069	1,079	1,120	1,096	1.7	1.7	1.8	1.7	274	289	310	310	0.5	0.5	0.5	0.5

Source: Company, Kotak Institutional Equities

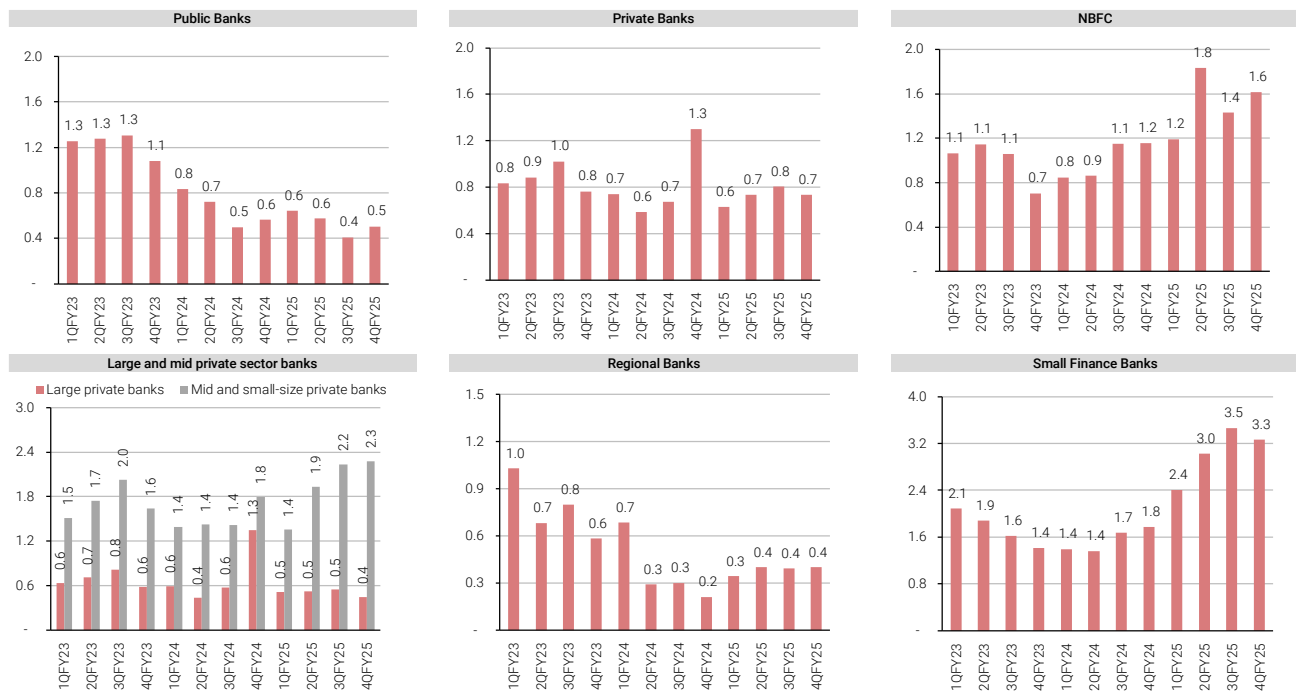
Credit cost is likely to remain benign for most players except those with sizeable microfinance business
Exhibit 22: Credit cost of banks (loan loss provisions to advances ratio), March fiscal year-ends (%)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Public banks											
Bank of Baroda	1.0	0.6	0.8	0.8	0.3	0.5	0.4	0.8	0.4	0.5	0.6
Canara Bank	1.5	1.4	1.2	1.1	0.8	1.0	0.9	0.9	0.9	0.7	0.5
Punjab National Bank	2.4	1.8	1.8	1.5	1.2	0.7	0.5	0.1	(0.1)	0.1	0.2
State Bank of India	0.8	0.4	0.3	0.0	0.1	0.2	0.4	0.5	0.1	0.6	0.5
Union Bank	1.6	1.5	1.0	0.9	0.8	0.6	1.3	0.8	0.7	0.6	0.4
Old private banks											
City Union Bank	2.1	1.4	1.4	0.5	0.4	0.3	0.3	0.6	0.6	0.6	0.6
Federal Bank	0.5	0.3	0.3	0.1	0.2	(0.2)	0.3	0.3	0.5	0.2	0.4
Karur Vysya Bank	2.3	1.8	1.0	0.7	0.8	1.6	0.7	0.9	0.7	0.8	0.5
New private banks											
Axis Bank	0.8	0.3	0.5	0.4	0.4	0.5	0.8	0.9	0.8	0.5	0.9
Bandhan	6.7	2.8	2.5	2.5	2.5	5.9	1.7	1.9	4.3	3.8	3.1
DCB	0.5	0.6	0.4	0.4	0.4	0.2	0.3	0.4	0.6	0.5	0.4
HDFC Bank	0.7	0.7	0.7	0.5	0.7	2.2	0.4	0.4	0.5	0.5	0.4
ICICI Bank	0.9	0.6	0.5	0.2	0.4	0.2	0.4	0.4	0.4	0.3	0.3
IndusInd Bank	1.6	1.4	1.3	1.2	1.1	1.0	1.2	2.0	1.9	2.8	1.9
Yes Bank	1.7	1.2	0.7	1.0	1.0	0.8	0.4	0.5	0.4	0.5	0.3
Small finance banks											
AU	0.2	0.3	0.2	0.6	1.0	0.7	1.3	1.6	2.0	2.4	2.1
Equitas SFB	0.9	1.9	0.9	0.9	1.2	1.4	3.8	3.9	2.7	2.9	2.9
Ujjivan SFB	(0.0)	(0.0)	0.5	0.8	1.0	1.2	1.6	2.1	3.0	3.4	3.4
Utkarsh SFB	2.8	1.0	2.3	2.4	2.8	1.8	3.0	4.6	9.1	4.8	4.6

Source: Company, Kotak Institutional Equities estimates

Peak of credit costs seems to be behind us, unsecured retail stabilizing, other segments remain strong

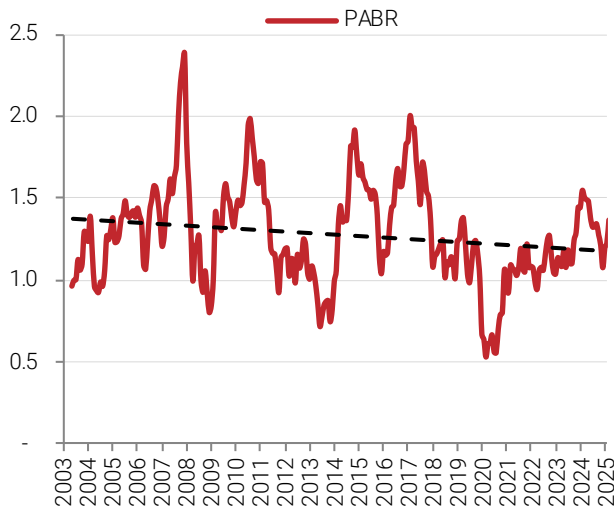
Exhibit 23: Credit cost across lending groups, March fiscal year-ends (%)



Source: Companies, Kotak Institutional Equities estimates

Public banks are trading well below their valuation peak

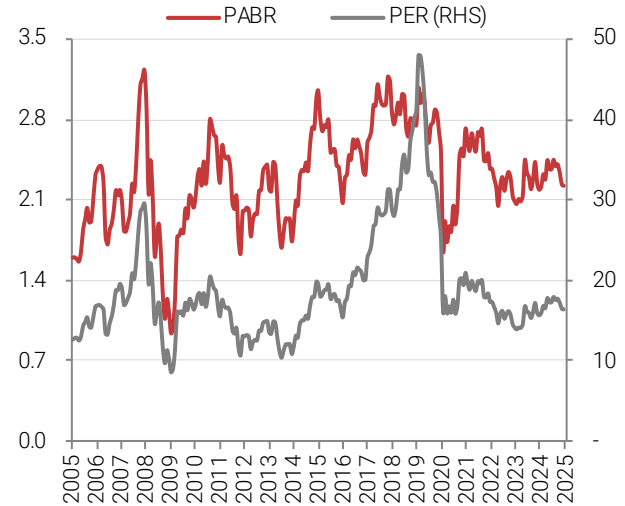
Exhibit 24: Public banks – one-year forward PBR (X)



Source: Bloomberg, Companies, Kotak Institutional Equities estimates

Private banks have also seen a drop in valuation multiple

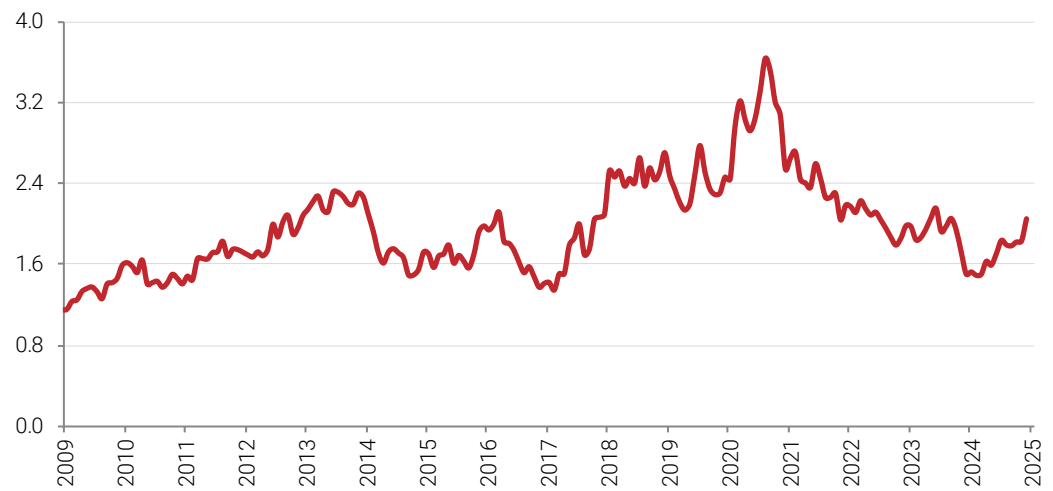
Exhibit 25: Private banks – one-year forward PBR and PER (X)



Source: Bloomberg, Companies, Kotak Institutional Equities estimates

Valuation premium of private banks over PSU banks has declined

■ Exhibit 26: PBR (adj.) of private banks relative to public banks (X)



Source: Bloomberg, Companies, Kotak Institutional Equities estimates

Diversified financials: Rough patch for non-banks

Slowdown in new businesses and inch-up in delinquencies will likely be key takeaways from 1QFY26 performance of non-banks. Weak 1Q trends are typically discounted to be seasonal, although remain monitorable this year. 1QFY26 NIMs enjoy comfort from falling rates, although majority of borrowing-side benefits are expected in 2H. Stabilization of stress in unsecured PL and micro loans are positive with moderate weakness in vehicles and secured MSMEs. Affordable home loan remains stable compared to most others; performance of gold loans is likely at peak.

Earnings growth remains in 20s

Exhibit 1 shows that earnings growth for most non-banks under coverage is in 20s with select players facing headwinds from slowdown in vehicles, yoy yield compression or mix change, while gold loans remain clear positive outlier. NII trajectory remains the largest driver with stable/well managed expense ratios and stable yoy credit costs (on arguably high base that was marred by elections and heatwave last year).

AUM growth moderates; slowdown across the board

Exhibit 4 shows that yoy AUM growth has moderated 200-1,300 bps yoy due to a high base and moderation of disbursements over past few quarters. Sector-specific factors include slowdown in consumer durables, vehicle in 1Q, change in disbursements policies (process changes) and rundown of business in micro and personal/fintech loans. Most lenders and channel partners have cited slowdown in demand despite stable screens, as also reflected in weaker vehicles and CD sales. Typically, 1Q is sluggish period and business picks up post the festive season (typically 3Q), but overall momentum seems sluggish this year; this will remain an important trend to monitor.

Affordable HFCs, as a pack, remains in high growth mode with 20%+ growth for all players except Aavas that has been marred by process changes. Among large players, Muthoot will likely report highest growth of 39%, following 14% average qoq prices in gold in 1QFY26. Bajaj twins and Chola remain at 24-25%, although 600-1000 bps lower yoy. Shriram Finance will likely remain stable at 16/17%, although a deceleration from 21% growth in 1QFY25. Mahindra Finance has moderated to 15% (down 800 bps yoy), reflecting high (90%+) share of vehicle business, which is slowing down. While slowdown in two-wheelers and microloans is a drag for LTF, recently-acquired gold loan portfolio will support high-teen retail growth. LICHF's prime home loan have been muted for past several quarters, improvements in select markets in south will inch up growth this quarter.

NIM down yoy, qoq trends better

Exhibit 6 shows 6-132 bps yoy compression for most reflecting lower yields (see Exhibit 7) and increase in funding costs (see Exhibit 8) in 2HFY25, following hikes in MCLR of banks. Qoq trend is mixed with interplay of incremental versus book yield and change in business mix. Increase in stress has prompted NBFCs to cut exposure to high risk/yield segments of micro loans, fintechs and unsecured loans over the past few quarters. Intense competition in affordable home loans led to lower incremental (versus book) lending rates that drags overall yields. We pen down borrowing cost to decline 5-20 bps qoq for most; yoy increase reflects increase in funding costs in 2HFY25 due to higher incremental rates and hike in MCLR by banks. The benefit of 100 bps policy rate cut and 80 bps rally in AAA-rated bonds (in last one year) is hardly reflected with low (10-20% for most) borrowings linked to repo, marginal MCLR rate cuts by banks, although incremental funding costs are much lower. Most companies are bullish on significant reduction in 2HFY26.

We expect earnings growth to remain strong for most players in 1QFY26E

Exhibit 27: Quarterly trends in yoy PAT growth, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Affordable housing									
Aadhar	NA	NA	NA	43	37	15	17	21	21
Aavas Financiers	23	14	9	13	15	21	26	8	10
Aptus	20	20	25	21	21	23	21	26	21
Home First	35	37	34	30	27	24	24	25	21
India Shelter	80	67	54	47	77	49	55	39	37
Other NBFCs and HFCs									
Bajaj Finance	32	28	22	21	14	13	18	19	20
Bajaj Housing Finance	NA	NA	31	26	5	21	25	54	19
Cholamandalam	28	35	28	24	30	26	24	20	24
Five Star	32	38	44	40	37	34	26	18	15
LICHF	43	290	142	(8)	(2)	12	23	25	12
L&T Finance	103	47	41	11	29	17	(2)	15	1
Mahindra Finance	58	(48)	(12)	(10)	47	57	63	(9)	7
Muthoot Finance	22	14	14	17	11	26	33	43	51
SBFC	47	48	63	72	68	60	38	29	23
Shriram Finance	25	13	2	49	18	18	96	10	9

Source: Company, Kotak Institutional Equities estimates

Core earnings growth to remain strong for most players in 1QFY26E

Exhibit 28: Quarterly trends in yoy core PBT growth, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Affordable housing									
Aadhar	NA	NA	NA	67	24	14	21	26	22
Aavas Financiers	19	28	3	5	21	16	27	6	7
Aptus	16	20	21	19	21	26	21	26	23
Home First	34	31	14	24	18	24	38	22	26
India Shelter	60	65	61	47	85	65	78	50	17
Other NBFCs and HFCs									
Bajaj Finance	33	34	30	27	23	20	22	22	29
Bajaj Housing Finance	NA	NA	23	14	18	20	30	48	26
Cholamandalam	25	36	41	25	39	35	34	40	24
Five Star	35	33	40	43	35	37	33	19	22
LICHF	40	102	39	8	(12)	(8)	(7)	(1)	9
L&T Finance	3	11	15	11	21	17	6	3	6
Mahindra Finance	6	10	5	24	14	27	15	3	11
Muthoot Finance	35	15	10	19	23	44	49	42	37
SBFC	40	42	71	62	71	64	41	31	28
Shriram Finance	3	19	14	20	28	17	10	10	12

Source: Company, Kotak Institutional Equities estimates

Loan growth to moderate for most players

Exhibit 29: Quarterly trends in qoq loan growth, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Affordable housing									
Aadhar	4.3	5.2	5.2	6.3	2.9	5.0	5.1	6.5	2.4
Aavas Financiers	3.4	4.6	5.0	7.7	3.1	3.1	4.6	6.1	2.2
Aptus	5.7	6.8	6.2	8.1	4.0	6.7	5.7	6.2	3.4
Home First	8.0	7.6	7.8	7.6	8.0	7.2	6.4	6.4	6.3
India Shelter	9.4	8.6	8.3	8.5	7.0	8.1	8.2	7.5	6.4
Other NBFCs and HFCs									
Bajaj Finance	9.2	7.5	7.1	6.3	7.1	5.6	6.5	4.7	5.9
Bajaj Housing Finance	7.1	9.6	5.8	6.3	6.2	5.7	5.6	5.9	5.0
Cholamandalam	7.8	8.2	7.7	8.8	6.8	5.9	6.0	5.8	5.5
Five Star	9.7	9.0	8.1	7.9	7.3	5.6	2.3	6.3	6.8
LICHF	0.5	0.6	1.2	2.0	0.6	2.1	1.5	2.9	1.2
L&T Finance	(2.9)	0.2	3.9	4.6	3.7	4.8	2.3	2.8	4.1
L&T Finance (retail)	5.3	8.0	7.7	7.1	5.5	5.4	3.7	3.2	4.9
Mahindra Finance	4.8	8.1	3.5	5.7	3.6	5.8	2.4	3.9	1.8
Muthoot Finance	7.0	2.0	3.2	6.5	11.2	7.0	8.1	11.4	8.0
SBFC	7.8	8.9	8.0	8.9	5.1	7.6	5.6	7.4	7.0
Shriram Finance	4.1	4.9	5.7	5.0	3.8	4.1	4.7	3.4	3.8

Source: Company, Kotak Institutional Equities estimates

Loan growth to moderate for most players on yoy basis

Exhibit 30: Quarterly trends in yoy loan growth, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Affordable housing									
Aadhar				22.8	21.1	20.8	20.7	20.9	20.4
Aavas Financiers	23.2	22.1	22.9	22.2	21.8	20.1	19.6	17.9	17.0
Aptus	29.1	28.2	28.0	29.4	27.4	27.3	26.7	24.6	23.8
Home First	33.3	33.3	33.5	34.7	34.7	34.2	32.6	31.1	28.9
India Shelter			41.9	39.6	36.5	35.9	35.8	34.6	33.9
Other NBFCs and HFCs									
Bajaj Finance	32.4	32.9	34.7	33.6	31.1	28.8	28.0	26.0	24.6
Bajaj Housing Finance			31.0	32.0	31.0	26.3	26.1	25.5	24.0
Cholamandalam	40.1	41.7	40.1	36.7	35.4	32.5	30.5	26.9	25.4
Five Star	43.2	44.2	43.1	39.4	36.4	32.2	25.2	23.2	22.6
LICHF	8.1	6.0	4.8	4.3	4.4	6.0	6.4	7.3	7.9
L&T Finance	(10.8)	(12.6)	(7.5)	5.8	12.9	18.1	16.3	14.3	14.7
L&T Finance (retail)	34.5	33.4	31.2	31.1	31.4	28.2	23.4	18.9	18.2
Mahindra Finance	28.1	27.0	25.5	24.0	22.6	20.0	18.6	16.6	14.5
Muthoot Finance	19.3	20.6	23.3	20.0	24.7	30.7	37.0	43.3	39.2
SBFC	46.8	42.6	40.0	38.0	34.5	32.9	30.0	28.2	30.6
Shriram Finance	18.6	19.7	20.7	21.1	20.8	19.9	18.8	17.0	17.0

Source: Company, Kotak Institutional Equities estimates

Growth has slowed down for most players in 2025

Exhibit 31: Loan book of NBFC/HFC across segments, March fiscal year-ends, 2022-25 (Rs bn)

	2022	2023	2024	2025	YoY (%)			
					2022	2023	2024	2025
HFCs	7,861	8,644	9,703	11,454	7	10	12	18
Aavas	114	142	173	204	20	25	22	18
Aditya Birla Housing	120	138	184	311	1	15	33	69
Aptus	52	67	87	110	27	30	29	26
CanFin Homes	267	316	350	382	21	18	11	9
Home First	54	72	97	127	30	34	35	31
LIC Housing Finance	2,453	2,750	2,868	3,077	8	12	4	7
Shriram Housing	54	80	138	178	36	50	71	29
Diversified	4,651	5,653	7,295	8,619	15	22	29	18
Aditya Birla Capital	552	806	1,056	1,264	13	46	31	20
Bajaj Finance	1,975	2,474	3,306	4,167	29	25	34	26
Edelweiss	168	120	109	78	(14)	(29)	(9)	(28)
IIFL	512	646	790	783	15	26	22	(1)
L&TFH	883	809	856	978	(6)	(8)	6	14
Tata Capital	562	798	1,178	1,350	25	42	48	15
Vehicle Finance	3,316	4,095	5,170	6,201	17	23	26	20
Cholamandalam	769	1,065	1,456	1,847	10	38	37	27
Mahindra Finance	650	828	1,026	1,197	1	27	24	17
Shriram Finance	1,602	1,857	2,249	2,632	37	16	21	17
Sundaram Finance	295	346	440	525	(4)	17	27	19
Gold loans	782	830	973	1,341	9	6	17	38
Manappuram Finance	202	197	215	255	6	(2)	9	19
Muthoot Finance	581	632	758	1,086	10	9	20	43
MFI	966	1,371	1,700	1,450	21	42	24	(15)
SME Finance	83	119	165	206	24	44	39	25
Five Star	51	69	96	119	14	36	39	23
SBFC	32	49	68	87	44	55	38	28

Source: Company, Kotak Institutional Equities

We expect qoq NIM compression for most players

Exhibit 32: Quarterly trends in NIM, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E	YoY (bps)	QoQ (bps)
Affordable housing											
Aadhar	8.3	8.6	8.3	8.0	8.2	8.6	8.8	8.1	8.1	(10)	2
Aavas	7.8	7.4	7.0	7.0	6.8	6.7	6.8	6.8	6.8	(7)	(5)
Aptus	12.2	12.4	12.2	12.0	11.7	11.8	11.7	11.5	11.5	(24)	5
Home First	8.0	7.8	7.4	7.0	6.9	6.9	6.7	6.7	6.7	(19)	7
India Shelter	8.6	9.2	9.0	10.5	9.9	9.7	9.5	9.8	9.7	(18)	(7)
Other NBFCs and HFCs											
Bajaj Finance	10.4	10.3	10.2	10.0	9.7	9.7	9.7	9.7	9.5	(22)	(14)
Bajaj Housing Finance	3.7	3.7	3.6	3.3	3.2	3.2	3.5	3.4	3.2	-	(14)
Cholamandalam	6.8	6.8	6.8	6.8	6.9	6.8	6.9	6.9	7.0	8	8
Five Star	20.3	20.1	19.6	19.9	19.3	19.4	19.5	19.4	19.2	(13)	(21)
L&T Finance	8.2	8.8	9.1	9.1	9.3	9.0	8.7	8.0	7.9	(134)	(9)
LIC Housing Finance	3.2	3.0	3.0	3.2	2.8	2.7	2.7	2.9	2.8	6	(3)
Mahindra Finance	7.5	7.0	7.1	7.3	6.8	6.6	6.7	6.6	6.6	(27)	(1)
Muthoot Finance	11.6	10.9	10.9	11.6	11.5	11.5	11.6	11.3	11.2	(31)	(6)
SBFC	8.7	9.5	10.7	10.9	10.8	10.9	11.1	10.9	10.7	(6)	(16)
Shriram Finance	10.2	10.7	10.8	10.7	10.5	10.7	10.6	10.2	10.5	(7)	28

Source: Company, Kotak Institutional Equities estimates

Yields to moderate for most players in 1QFY26E

Exhibit 33: Quarterly trends in yields, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E	YoY (bps)	QoQ (bps)
Affordable housing											
Aadhar	14.9	14.9	14.7	14.3	14.6	14.9	15.1	14.4	14.3	(32)	(9)
Aavas Financiers	14.2	14.2	13.8	13.5	13.4	13.6	13.7	13.5	13.4	(5)	(13)
Aptus	17.1	17.6	17.3	17.1	17.1	17.3	17.4	17.2	17.2	7	3
Home First	14.7	14.6	14.4	14.3	14.2	14.4	14.5	13.9	13.9	(30)	(1)
India Shelter	15.7	16.0	15.5	16.5	15.6	15.6	15.4	15.8	15.8	17	-
Other NBFCs and HFCs											
Bajaj Finance	16.8	16.8	16.7	16.5	16.4	16.5	16.4	16.1	15.9	(44)	(20)
Bajaj Housing Finance	10.3	10.3	10.2	9.9	10.0	10.1	10.0	9.7	9.4	(57)	(28)
Cholamandalam	14.1	14.3	14.4	14.3	14.4	14.5	14.6	14.5	14.5	7	(3)
Five Star	25.6	25.4	25.6	25.8	25.7	25.5	25.7	25.5	25.1	(53)	(36)
L&T Finance	15.1	15.5	15.9	15.5	15.5	15.5	15.4	14.7	14.6	(87)	(6)
LIC Housing Finance	9.7	9.7	9.6	9.7	9.4	9.4	9.4	9.4	9.3	(12)	(13)
Mahindra Finance	14.3	14.0	14.1	14.2	13.8	13.7	13.9	13.7	13.6	(23)	(9)
Muthoot Finance	18.1	17.7	17.8	18.3	18.3	18.6	18.6	18.6	18.5	24	(6)
SBFC	16.5	16.8	17.2	17.2	17.1	17.2	17.3	17.4	17.4	26	(2)
Shriram Finance	16.2	16.6	16.5	16.5	16.3	16.5	16.6	16.7	16.7	36	3

Source: Company, Kotak Institutional Equities estimates

Moderate 4-13 bps decline in cost of borrowings for most players in 1QFY26E

Exhibit 34: Quarterly trends in cost of funds, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E	YoY (bps)	QoQ (bps)
Affordable HFCs											
Aadhar	7.7	7.6	7.7	7.7	7.9	8.0	8.0	8.0	7.9	(2)	(10)
Aavas Financiers	7.3	7.5	7.7	7.4	7.5	8.0	8.0	7.8	7.7	11	(13)
Aptus	8.5	9.1	8.8	8.8	8.9	8.7	9.0	9.0	8.8	(15)	(19)
Home First	8.2	8.1	8.1	8.2	8.2	8.4	8.5	8.2	8.2	(3)	(4)
India Shelter	8.9	8.8	8.9	8.6	8.6	8.8	8.6	8.5	8.5	(18)	(9)
NBFCs/other HFCs											
Bajaj Finance	7.3	7.4	7.5	7.5	7.6	7.8	7.8	7.5	7.4	(20)	(13)
Bajaj Housing Finance	7.6	7.6	7.6	7.7	7.9	8.2	7.9	7.7	7.5	(35)	(20)
Cholamandalam	7.8	7.8	8.0	8.0	7.9	7.9	8.1	7.9	7.8	(6)	(6)
Five Star	9.0	9.3	9.7	9.1	9.7	9.6	9.6	9.2	9.1	(61)	(8)
L&T Finance	6.9	7.0	7.1	7.0	6.9	7.1	7.3	7.2	7.1	18	(10)
LIC Housing Finance	7.4	7.6	7.6	7.5	7.5	7.6	7.6	7.4	7.3	(20)	(13)
Mahindra Finance	7.5	7.6	7.8	7.7	7.8	7.8	7.9	7.7	7.6	(16)	(14)
Muthoot Finance	8.4	8.7	8.6	8.4	8.7	9.0	8.7	8.9	8.8	14	(12)
SBFC	9.3	9.4	9.3	9.2	9.4	9.5	9.2	9.4	9.4	(6)	(2)
Shriram Finance	8.7	8.9	8.7	8.8	8.7	8.7	8.8	9.1	9.1	32	(6)

Source: Company, Kotak Institutional Equities estimates

NII growth to remain strong for most players due to strong loan growth

Exhibit 35: Quarterly trends in yoy NII growth, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Affordable housing									
Aadhar	NA	NA	NA	27	20	20	27	22	19
Aavas Financiers	26	18	6	7	8	9	15	14	14
Aptus	19	20	20	18	23	21	21	19	22
Home First	34	32	24	18	18	19	21	26	27
India Shelter	25	42	35	58	59	45	45	27	32
Other NBFCs and HFCs									
Bajaj Finance	27	30	29	28	25	23	23	22	22
Bajaj Housing Finance	NA	NA	18	11	10	13	25	31	24
Cholamandalam	24	35	36	33	40	35	33	30	27
Five Star	36	34	32	33	31	30	28	21	22
LICHF	37	81	31	12	(10)	(6)	(5)	(3)	10
L&T Finance	15	11	8	14	23	19	11	1	(2)
Mahindra Finance	5	10	9	13	13	14	13	6	11
Muthoot Finance	23	18	12	15	22	35	43	36	37
SBFC	45	40	62	53	53	44	32	25	26
Shriram Finance	12	22	21	22	25	19	14	9	12

Source: Company, Kotak Institutional Equities estimates

Private banks have cut MCLR rates by 35-60 bps but PSUs have held on to higher rates

Exhibit 36: MCLR rates of select banks, March 2023-June 2025 (%)

	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Change (bps)	
											YoY	QoQ
Axis	8.95	9.10	9.15	9.25	9.30	9.30	9.35	9.45	9.40	8.90	(40)	(50)
BoB	8.55	8.65	8.70	8.75	8.80	8.85	8.95	9.00	9.00	8.90	5	(10)
Central Bank	8.45	8.60	8.60	8.70	8.70	8.85	8.85	9.00	9.00	8.95	NA	(5)
HDFC	8.95	9.05	9.15	9.20	9.35	9.40	9.45	9.45	9.40	9.05	NA	(35)
ICICI	8.75	8.85	8.95	9.00	9.10	9.10	9.10	9.10	9.10	8.50	(60)	(60)
SBI	8.50	8.50	8.55	8.65	8.65	8.75	8.95	9.00	9.00	9.00	25	-

Source: Company, Kotak Institutional Equities

Bank lending to NBFCs has moderated

Exhibit 37: Breakup of bank credit, March fiscal year-ends, 2019-25 (Rs bn)

	2019	2020	2021	2022	2023	2024	2025	YoY (%)
Overall bank credit (1)	86,749	103,709	109,495	118,913	136,752	164,322	182,439	11.0
Bank credit to NBFC/HFC (2)	7,011	9,570	9,486	10,335	13,425	15,480	16,361	5.7
Bank credit ex-NBFC/HFC (3:1-2)	79,737	94,139	100,009	108,578	123,327	148,841	166,078	11.6
PFC and REC (4)	843	1,101	1,132	1,269	1,458	1,588	1,454	(8.4)
Total Lending to NBFC/HFCs (5:4+2)	7,855	10,671	10,618	11,603	14,883	17,068	17,815	4.4
Share of bank credit to NBFC (6:5/1,%)	9.1	10.3	9.7	9.8	10.9	10.4	9.8	-62 bps

Source: RBI, Kotak Institutional Equities estimates

Bank borrowings constitute 32-60% of overall borrowings for HFCs
Exhibit 38: Break-up of borrowings across select HFCs, March fiscal year-ends, 2019-25 (%)

	2019	2020	2021	2022	2023	2024	2025
Aadhar							
Bank	NA	NA	62	60	54	55	53
NHB	NA	NA	16	22	25	25	23
NCD	NA	NA	21	17	21	20	21
Others	NA	NA	1	2	1	-	3
Aavas							
Term loans	42	43	34	38	45	48	51
Assignment	28	25	24	23	22	24	25
NHB	19	14	23	22	21	20	14
NCD	11	19	19	18	12	9	10
Aptus							
Bank	42	49	52	50	60	63	52
NHB	9	14	23	32	26	24	15
NCD	44	32	17	14	10	5	19
Others	6	5	8	4	4	8	14
Bajaj Housing Finance							
Term loans	NA	69	64	59	59	51	41
NCD	NA	25	27	30	36	35	46
NHB	NA	-	-	-	3	10	10
CP	NA	6	9	9	1	4	3
ICD	NA	-	-	1	0	0	-
Home First							
Bank	60	58	44	45	58	60	60
NBFC	-	2	1	2	2	2	2
NHB	26	21	29	27	15	18	16
NCD	-	-	6	4	6	3	3
DA	13	19	20	23	19	17	16
ECB	-	-	-	-	-	-	3
India Shelter							
Bank	NA	NA	56	72	69	56	54
NHB	NA	NA	36	17	19	15	15
NCD	NA	NA	6	9	6	1	1
DA	NA	NA	2	2	3	22	20
ECB	NA	NA	-	-	3	6	4
PTC	NA	NA	-	-	-	2	7
LIC Housing Finance							
Bank	15	22	25	30	34	34	32
NCDs	75	65	54	53	50	52	55
Deposit	4	7	9	8	5	4	3
NHB	1	1	5	4	5	4	4
CP and others	4	4	6	4	5	5	5

Source: Company, Kotak Institutional Equities

Bank borrowings constitute 28-56% of overall borrowings for NBFCs
Exhibit 39: Break-up of borrowings across NBFCs, March fiscal year-ends, 2019-25 (%)

	2019	2020	2021	2022	2023	2024	2025
Bajaj Finance							
Bank	34	38	32	28	31	33	28
NCDs	38	41	44	50	47	44	48
Subordinate debt	5	4	4	3	1	1	4
Deposits	15	17	20	19	21	22	20
CPs	7	NA	NA	NA	NA	NA	NA
CBLO	0	NA	NA	NA	NA	NA	NA
Chola							
Bank	49	66	61	63	57	49	47
CP	11	8	10	10	8	6	10
NCDs	21	10	15	15	16	16	14
Subordinated debt	8	8	7	7	9	11	14
Securitisation	11	8	7	5	10	18	15
Five Star							
Bank	NA	NA	NA	32	56	65	56
Other term loans	NA	NA	NA	6	6	12	17
NCDs	NA	NA	NA	39	12	5	10
Securitisation	NA	NA	NA	19	23	17	17
ECB	NA	NA	NA	3	2	1	1
L&T Finance							
Term loan	39	44	38	41	50	53	56
NCDs and others	47	50	55	52	38	40	35
CP	14	6	7	7	12	7	9
Mahindra Finance							
Bank loans	28	30	25	28	40	48	48
NCDs	44	35	33	37	32	28	25
FDs	11	15	16	15	7	8	10
CP/ ICD	9	0	2	2	8	7	3
Securitisation	8	15	18	14	9	6	8
Offshore borrowings		5	7	5	4	3	6
Muthoot Finance							
Gold bonds	2	1	1	0	0	-	-
Listed NCDs	28	26	29	25	27	28	26
Bank loans	49	39	43	55	60	63	53
Subordinated debt	2	1	0	0	0	0	0
Others	2	24	18	17	10	1	14
SBFC							
Bank	NA	84	91	92	78	49	50
NCDs	NA	11	5	1	1	10	13
Securitisation	NA	5	2	2	10	7	4
FCNB	NA	-	-	-	-	21	18
FI	NA	-	1	4	10	13	15
Foreign bank	NA	-	-	-	1	0	-
Shriram Finance							
NCDs	29	22	20	19	19	17	18
Deposits	12	13	15	19	23	24	24
Securitization	20	23	22	17	14	16	17
Subordinated debts	7	6	4	4	3	2	1
Term loans	18	16	16	20	26	25	22
ECB	6	15	18	17	8	6	7
ECB loans	3	5	4	4	6	8	8
Others	2	2	1	0	0	3	2

Source: Company, Kotak Institutional Equities

Mixed trends in stressed loans in 3QFY25

Exhibit 40: Stressed loans for select NBFCs, March fiscal year-ends, 4QFY24-4QFY25 (%)

	Gross stage-3 (%)					Gross stage-2 (%)					Write-offs during the quarter (%)					Overall stressed loans (%)					YoY (bps)	QoQ (bps)
	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25		
Affordable housing																						
Aadhar	1.1	1.3	1.3	1.3	1.4	3.6	3.7	3.7	3.7	3.8	0.1	0.2	0.1	0.1	0.1	4.8	5.2	5.2	5.1	5.2	42	15
Aavas	1.0	1.1	0.8	0.9	1.0	1.8	1.7	1.6	1.5	1.6	0.1	0.1	0.1	0.1	0.1	2.8	2.8	2.5	2.5	2.6	(21)	14
Aptus	1.1	1.3	1.2	1.3	1.2	4.3	5.0	5.0	4.9	4.7	0.1	0.1	0.2	0.3	0.1	5.5	6.4	6.4	6.5	6.0	49	(48)
Home First	1.7	1.7	1.7	1.7	1.7	1.1	1.1	1.1	1.3	1.3	(0.0)	0.1	0.0	0.2	0.2	2.8	3.0	2.8	3.3	3.2	43	(2)
India Shelter	1.0	1.1	1.2	1.2	1.2	2.2	2.7	2.8	2.8	2.8	4.5	4.4	5.0	5.0	6.4	7.7	8.3	9.0	9.1	10.4	269	126
Other NBFCs and HFCs																						
Bajaj Finance	0.8	0.9	1.1	1.1	1.0	1.2	1.4	1.2	1.2	1.3	1.5	1.6	1.7	1.6	1.7	3.6	3.8	3.9	3.9	4.0	42	10
Bajaj Housing Finance	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.6	0.7	0.6	(4)	(6)
Cholamandalam	3.5	3.6	3.8	4.0	2.9	1.3	1.7	1.9	1.8	2.7	0.7	1.0	1.0	1.0	1.0	5.6	6.3	6.7	6.9	6.7	110	(20)
Five Star	1.4	1.4	1.5	1.6	1.8	6.5	6.7	7.0	7.5	7.9	0.3	0.3	0.4	0.7	0.6	8.2	8.4	8.9	9.8	10.3	210	46
LIC Housing Finance	3.3	3.3	3.1	2.8	2.5	4.2	4.1	3.9	4.0	3.4	1.5	1.0	0.4	0.6	0.2	9.1	8.4	7.3	7.5	6.2	(297)	(130)
Mahindra Finance	4.3	5.5	4.0	4.7	3.4	5.7	4.4	6.0	3.7	5.0	1.6	1.9	1.9	2.5	2.5	11.6	11.9	11.9	10.9	10.9	(74)	-
SBFC	2.4	2.6	2.7	2.7	2.7	4.4	3.7	3.2	2.8	3.1	0.1	0.1	0.2	0.2	0.1	6.9	6.5	6.1	5.7	6.0	(93)	30
Shriram Finance	5.5	5.4	5.3	5.4	5.5	6.8	6.7	6.6	6.7	6.9	0.3	0.2	0.2	0.2	1.2	12.5	12.3	12.1	12.3	13.6	103	129

Notes:

- (a) Stressed loans: Gross stage-2+gross stage-2+restrctured loans (excluding those clubbed under stage-2) + write-offs during the quarter.
(b) Write-offs are annualized.

Source: Company, Kotak Institutional Equities

Credit cost to remain elevated for most players in 1QFY26E

Exhibit 41: Quarterly trends in credit cost, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Affordable housing									
Aadhar	0.7	0.0	0.2	(0.1)	0.3	0.2	0.3	0.1	0.3
Aavas Financiers	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.2	0.2
Aptus	0.1	0.3	0.4	0.4	0.2	0.4	0.5	0.3	0.4
Home First	0.4	0.4	0.3	0.1	0.2	0.2	0.3	0.2	0.3
India Shelter	0.4	0.4	0.3	0.4	0.4	0.5	0.5	0.2	0.5
Other NBFCs and HFCs									
Bajaj Finance	1.5	1.5	1.7	1.6	2.0	2.1	2.1	2.3	2.0
Bajaj Housing Finance	0.0	0.1	0.0	0.2	0.0	0.0	0.1	0.1	0.1
Cholamandalam	1.3	1.3	1.1	0.5	1.5	1.6	1.6	1.4	1.6
Five Star	0.8	0.5	0.5	0.8	0.7	0.8	0.8	0.9	1.0
LICHF	0.5	0.6	0.6	0.6	0.2	0.1	(0.1)	0.1	0.2
L&T Finance Holdings	2.4	2.6	2.6	2.4	2.4	2.6	2.5	2.5	2.4
Mahindra Finance	2.5	2.8	1.4	1.4	1.7	2.6	0.0	1.6	1.7
Muthoot Finance	0.5	0.1	0.1	0.5	1.1	0.9	0.9	0.5	0.5
SBFC	0.8	0.8	0.8	0.8	0.8	1.0	1.0	1.0	1.1
Shriram Finance	1.9	2.3	2.4	2.3	2.1	2.1	2.1	2.4	2.2

Source: Company, Kotak Institutional Equities estimates

Cost ratios to decline yoy for most players in 1QFY26E

Exhibit 42: Quarterly trends in cost-to-AAUM, March fiscal year-ends, 1QFY24-1QFY26E (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Affordable housing									
Aadhar	3.2	2.9	3.1	3.4	3.0	3.1	3.0	3.2	2.9
Aavas Financiers	3.7	3.5	3.4	3.4	3.1	3.0	3.1	3.5	3.1
Aptus	2.6	2.9	2.6	2.8	2.7	2.6	2.5	2.7	2.5
Home First	3.0	2.8	2.8	2.5	2.6	2.7	2.6	2.6	2.5
India Shelter	4.8	4.5	4.4	4.4	4.4	4.4	4.3	4.2	4.0
Other NBFCs and HFCs									
Bajaj Finance	4.4	4.3	4.2	4.1	4.1	4.0	4.0	3.9	3.8
Bajaj Housing Finance	0.9	0.9	0.8	0.9	0.7	0.7	0.7	0.7	0.6
Cholamandalam	2.8	3.2	3.3	3.7	3.1	3.3	3.3	3.2	3.2
Five Star	7.0	7.0	6.6	6.4	6.3	6.1	6.2	6.5	6.2
LICHF	0.4	0.4	0.4	0.5	0.4	0.4	0.5	0.6	0.4
L&T Finance	3.9	4.4	4.5	4.7	4.4	4.2	4.5	4.2	3.9
Mahindra Finance	3.2	3.2	3.2	3.2	3.1	2.9	3.1	3.2	3.0
Muthoot Finance	3.4	3.4	3.3	3.7	3.2	3.0	3.1	3.3	3.1
SBFC	5.3	5.4	5.4	4.9	4.7	4.6	4.6	4.6	4.4
Shriram Finance	2.9	3.0	2.9	2.9	2.8	3.0	3.0	2.9	2.7

Source: Company, Kotak Institutional Equities estimates

Capital Markets: Market rebound aids recovery for select players

Asset managers

- ▶ 1QFY26 is expected to be a strong quarter for AMCs. Benchmark indices recovered during the quarter, with the Nifty, mid-cap, and small-cap indices rising by 8.5%, 15.6%, and 18.5%, respectively. This market rebound supported AUM growth across equity-oriented schemes.
- ▶ QAAUM growth for AMCs was up by 6–10% in 1QFY26, as per AMFI data. Net inflows across the seven major categories we track increased by 10% during the quarter. HDFC AMC and Nippon continued to perform well, gaining market share in both flows and scheme performance. Revenue for AMCs under coverage is expected to rise by 2-3% in 1QFY26.
- ▶ SIP inflows have also picked up in FY2026, with the first two months tracking Rs533 bn in inflows into SIP AUM. The trend of SIP redemptions seen in 4QFY25 appears to have reversed, with both SIP registrations and inflows improving in June 2025. This indicates a return in retail investor confidence and sustained participation in equity markets.
- ▶ The percentage of equity mix in AUM increased in 1QFY26 after a weak 4QFY25, supporting higher revenue yields for AMCs on a qoq basis. However, changes in AUM mix, particularly the reduction in equity-oriented AUM and MTM impacts, may weigh on sequential earnings. For UTI AMC, management's focus on cost control remains a key monitorable, going forward.

Wealth managers/brokers

- ▶ 360 One will likely report modest growth as strong growth in recurring revenue is offset by decline in transaction revenues. We expect stable cost income ratio qoq.
- ▶ Angel One is expected to report weak earnings for 1QFY26, driven by revenue pressures and elevated operating expenses. While monthly order volumes grew 4.8% qoq, it is still 25.8% decline yoy, weighing on topline performance. Coupled with IPL-related and employee costs, the earnings outlook remains subdued.

RTAs

- ▶ Among RTAs, both CAMS and Kfin are expected to benefit from the recent revival in AUM growth. While CAMS had earlier faced more pressure due to its larger share in the MF business—leading to yield compression and negative operating leverage—the improving AUM trajectory is expected to support a recovery in operating profit growth and ease margin concerns. Both players also continue to see encouraging momentum in their non-MF businesses, providing additional growth levers, going forward.

Rating agencies

- ▶ 1QFY26 is likely to be a strong quarter (qoq) for rating business due to the pickup in private debt issuances (qoq) and a weak base quarter (yoy). We expect CRISIL and ICRA to report strong core earnings growth, aided by cost control. However, revenue growth predictability for non-rating remains a challenge.

1QFY26 likely to be a sequentially weaker for AMCs and RTAs

Exhibit 43: Yoy revenue and core PBT (i.e., PBT-other income) growth, March fiscal year-ends, 2QFY23-1QFY26E

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26E
Revenue growth												
ABSL AMC	(6)	(6)	(8)	2	8	9	23	24	27	30	17	14
CAMS	6	2	2	10	13	19	25	27	33	28	15	8
HDFC AMC	0	2	5	10	18	20	29	35	38	39	30	23
IIFL Wealth	22	10	(7)	8	12	6	46	48	37	37	14	5
Kfin				8	16	16	25	31	34	33	24	19
Nippon AMC	1	5	3	12	20	20	34	43	44	39	21	15
UTI AMC	4	1	(9)	(2)	0	2	18	19	28	29	13	10
AngelOne					41	42	65	74	44	19	(23)	(25)
CRISIL	20	16	20	15	8	12	3	3	10	(1)	10	11
ICRA	19	19	16	11	6	11	14	12	20	5	10	15
Core PBT growth												
ABSL AMC	(9)	(19)	(20)	(5)	5	6	30	29	32	42	21	14
CAMS	(3)	(8)	(4)	11	15	20	36	43	46	39	9	(8)
HDFC AMC	(2)	(0)	4	11	20	24	32	40	48	51	36	25
IIFL Wealth	38	45	12	(5)	7	(11)	27	65	30	37	17	(10)
Kfin				(70)	36	28	27	52	40	36	17	19
Nippon AMC	0	(0)	(0)	13	25	23	41	60	57	50	26	15
UTI AMC	(7)	(10)	(24)	(18)	(7)	(8)	47	41	59	75	28	11
AngelOne					43	13	25	34	41	12	(47)	(71)
CRISIL	4	14	18	25	33	30	(1)	7	27	8	13	16
ICRA	60	3	(3)	9	(6)	(29)	10	(8)	19	57	39	41

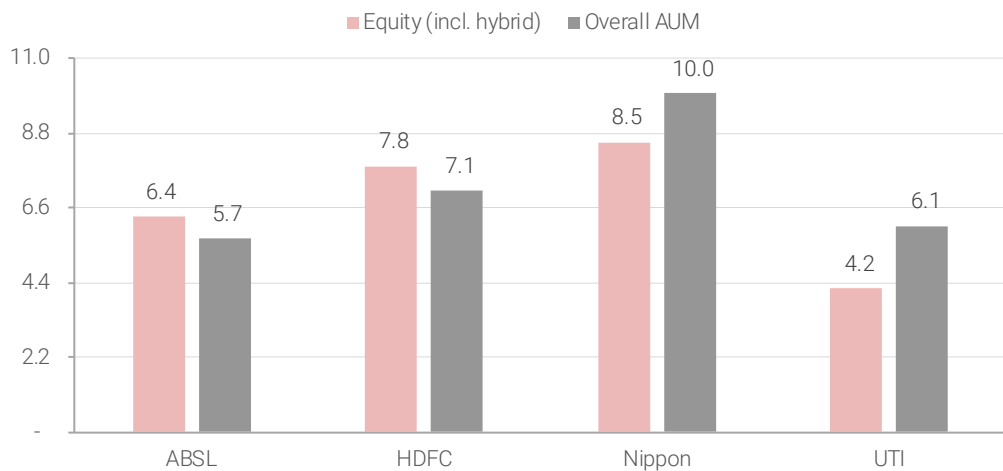
Notes:

(a) CRISIL follows December year-end. 1QFY26E refers to 2QCY26E.

Source: Company, Kotak Institutional Equities estimates

Nippon Life AMC and HDFC AMC are witnessing stronger equity AUM growth

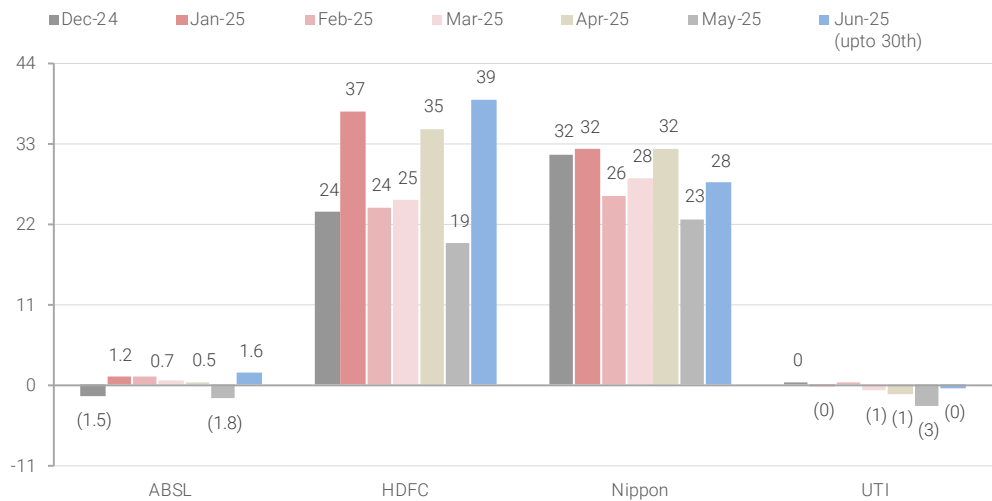
Exhibit 44: QoQ AAUM for 1QFY26 (%)



Source: AMFI, Kotak Institutional Equities

Stronger flows for HDFC and Nippon

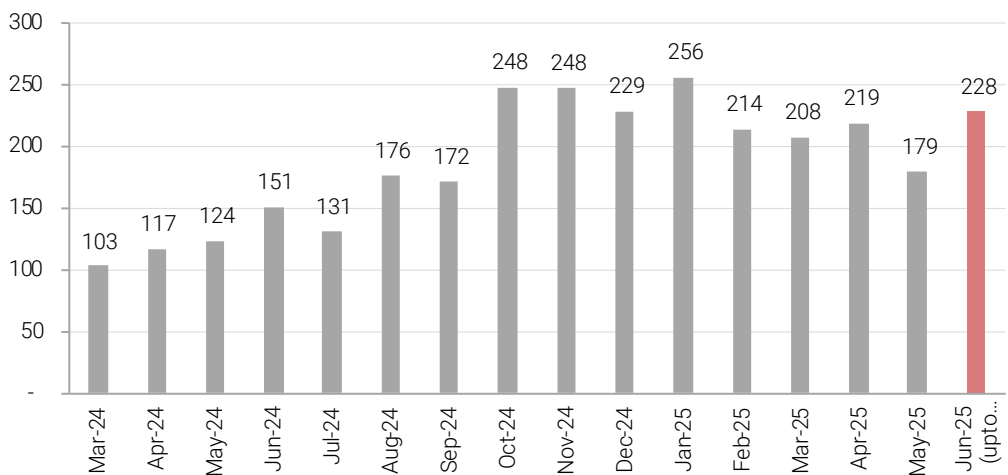
Exhibit 45: Net inflows for listed AMC's across select categories, February-June 2025 (Rs mn)



Source: AMFI, Kotak Institutional Equities

Flows were weak in the first 2 months of the quarter, calc. flows rebound in June

Exhibit 46: Estimated flows for seven large equity-oriented categories, February onwards (Rs bn)



Source: AMFI, Kotak Institutional Equities

AUM growth across equity categories

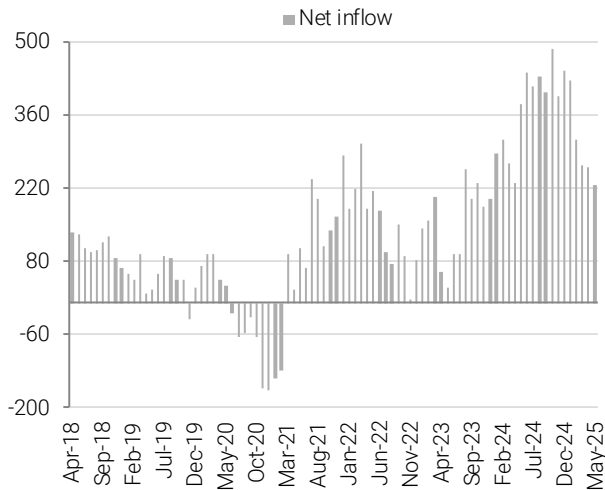
Month-end AUM, 2022-25 (Rs bn)

	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	YoY (%)	QoQ (%)
Flexi cap	2,656	2,863	3,217	3,445	3,895	4,457	4,378	4,358	4,810	24	10
Large cap	2,688	2,675	2,963	3,138	3,410	3,815	3,602	3,616	3,963	16	10
Mid cap	2,144	2,432	2,811	2,964	3,537	3,983	4,024	4,032	3,961	12	(2)
Balanced advantage	2,027	2,166	2,348	2,490	2,597	2,922	2,879	2,885	3,067	18	6
Thematic	1,785	1,970	2,329	2,576	2,888	3,720	3,777	3,746	4,766	65	27
ELSS	1,752	1,770	1,975	2,105	2,312	2,579	2,428	2,331	2,561	11	10
Small cap	1,668	1,960	2,312	2,391	2,850	3,242	3,234	2,952	3,464	22	17
Large & mid cap	1,494	1,631	1,869	2,036	2,316	2,707	2,680	2,632	2,899	25	10
Focused	1,087	1,133	1,243	1,293	1,412	1,551	1,459	1,450	1,607	14	11
Value	787	859	971	1,043	1,101	1,319	1,234	1,204	1,316	20	9
Multi cap	732	841	997	1,160	1,393	1,706	1,699	1,667	1,999	43	20
Equity savings	182	222	261	301	344	411	437	435	469	36	8
Total	19,003	20,523	23,295	24,942	28,055	32,412	31,832	31,309	34,881	24	11

Source: AMFI, Kotak Institutional Equities

Net equity inflows have been strong in recent months

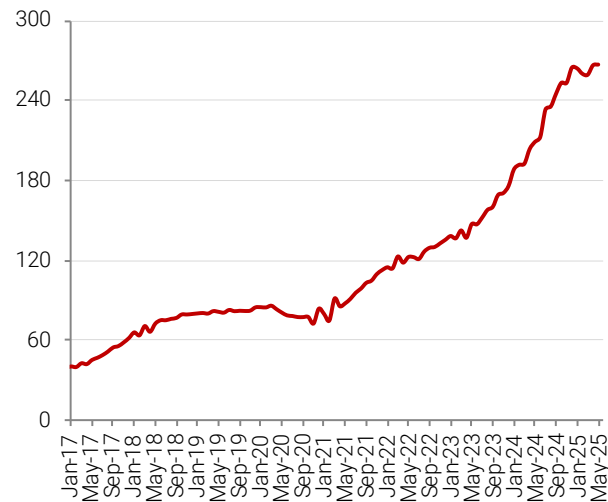
Net and gross inflows to actively-managed (equity-oriented) mutual funds, December 2017-February 2025 (Rs bn)



Source: AMFI, Kotak Institutional Equities

SIP flows have seen rebound in 1QFY26

SIP inflows for mutual funds, October 2016-June 2025 (Rs bn)



Source: AMFI, Kotak Institutional Equities

Stable/increase in equity market share for HDFC AMC, Nippon and decline for ABSL/UTI

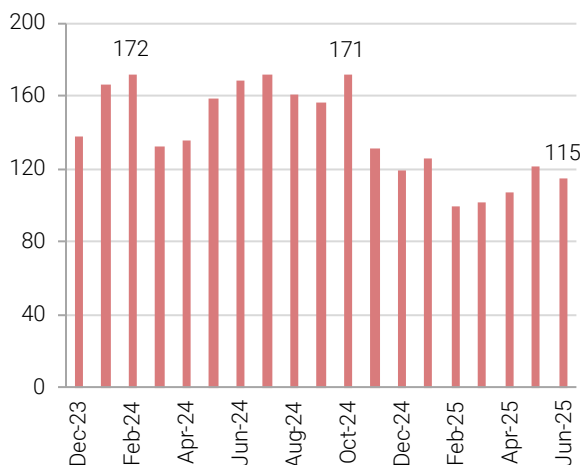
Actively-managed equity oriented MAAUM market share, March fiscal year-ends, 2014-25 (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	1QFY25	1HFY25	3QFY25	2025	1MFY26	2MFY26
Market share in equity oriented MAAUM																	
Aditya Birla Sun Life	6.0	7.2	7.7	8.7	9.2	8.8	7.7	7.2	6.4	5.5	4.8	4.6	4.5	4.3	4.2	4.2	4.2
Axis AMC	1.5	2.3	3.1	3.3	3.6	4.6	6.8	8.0	8.4	7.1	5.6	5.4	5.2	5.0	4.9	4.8	4.8
Bandhan AMC	4.0	3.8	2.9		2.2	2.2	2.6	2.0	1.6	1.5	1.6	1.6	1.6	1.7	1.7	1.8	1.8
Canara Robeco				0.8	0.7	0.9	1.1	1.6	2.3	2.7	2.6	2.5	2.5	2.4	2.4	2.4	2.3
DSP Mutual Fund	4.5	4.1	3.7	4.4	4.4	3.9	3.9	4.1	3.8	3.4	3.1	3.2	3.2	3.1	3.1	3.1	3.1
Franklin Templeton	7.1	6.8	7.5	7.5	5.6	5.2	4.3	3.7	2.8	2.6	2.5	2.5	2.5	2.4	2.3	2.3	2.3
HDFC AMC	19.9	18.5	15.1	15.8	16.2	15.6	14.4	13.0	11.4	12.2	12.9	13.0	12.9	12.9	12.8	12.9	12.9
ICICI Prudential AMC	11.2	13.5	14.2	15.2	15.0	14.3	13.5	12.5	12.4	13.0	13.2	12.9	13.1	13.0	13.6	13.6	13.5
Kotak AMC	1.8	2.5	3.2	3.7	4.7	5.1	6.4	6.7	7.0	7.0	7.2	7.3	7.2	7.3	7.3	7.3	7.3
Mirae AMC	0.3	0.5	0.7	1.2	1.5	2.2	3.5	4.7	4.9	4.9	4.4	4.2	4.0	3.9	3.8	3.7	3.7
Nippon Life India AMC	12.3	12.2	11.2	9.7	9.2	8.9	7.4	6.9	6.3	6.4	6.8	7.0	7.0	7.1	6.9	7.0	7.0
PPFAS				0.1	0.1	0.2	0.3	0.6	1.1	1.5	2.0	2.0	2.1	2.2	2.5	2.5	2.5
Quant				0.0	0.0	0.0	0.0	0.0	0.3	0.8	1.9	2.3	2.3	2.2	2.0	2.1	2.1
SBI AMC	7.3	6.1	7.0	8.0	7.9	8.9	9.7	10.2	12.0	12.6	12.8	12.8	12.7	12.5	12.7	12.7	12.5
Tata AMC	2.2	2.0	2.5	2.1	1.7	2.3	2.3	2.5	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.7
UTI AMC	10.6	8.7	7.4	6.3	4.8	4.7	4.4	4.8	4.8	4.5	3.9	3.8	3.8	3.7	3.7	3.7	3.7
Total of above players	88.8	88.1	86.4	89.1	86.9	87.5	88.3	88.5	88.6	88.1	87.8	87.3	86.6	86.7	86.6	86.6	86.5
Top 10	85.2	83.3	80.2	82.7	80.7	79.9	78.5	78.0	77.4	76.6	74.7	74.1	73.5	72.8	73.0	72.9	72.7
Others	11.2	11.9	13.6	10.9	13.1	12.5	11.7	11.5	11.5	11.4	11.9	12.2	12.7	13.4	13.3	13.4	13.5

Source: AMFI, Kotak Institutional Equities

Monthly orders of AngelOne dropped post SEBI regulations

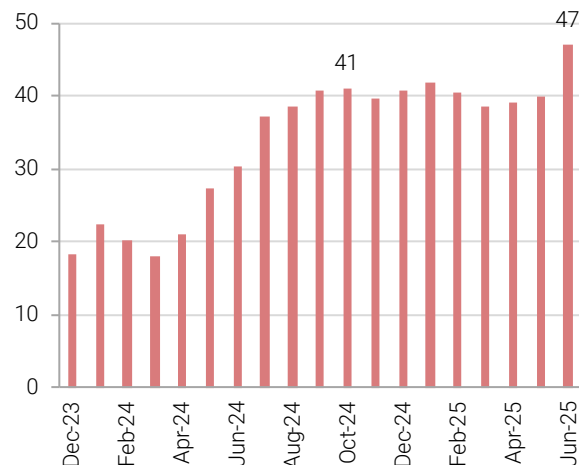
Exhibit 47: Monthly active orders received by AngelOne



Source: Company, Kotak Institutional Equities

Average client funding book increased 129% yoy

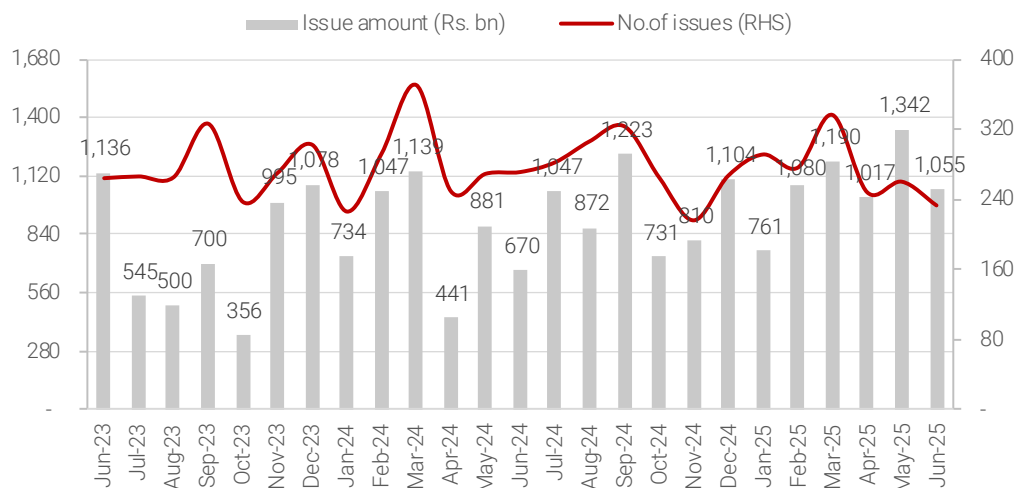
Exhibit 48: Average client funding book, 2020-25, Rs bn



Source: Company, Kotak Institutional Equities

Debt issuance volumes have been steady in 1QFY26

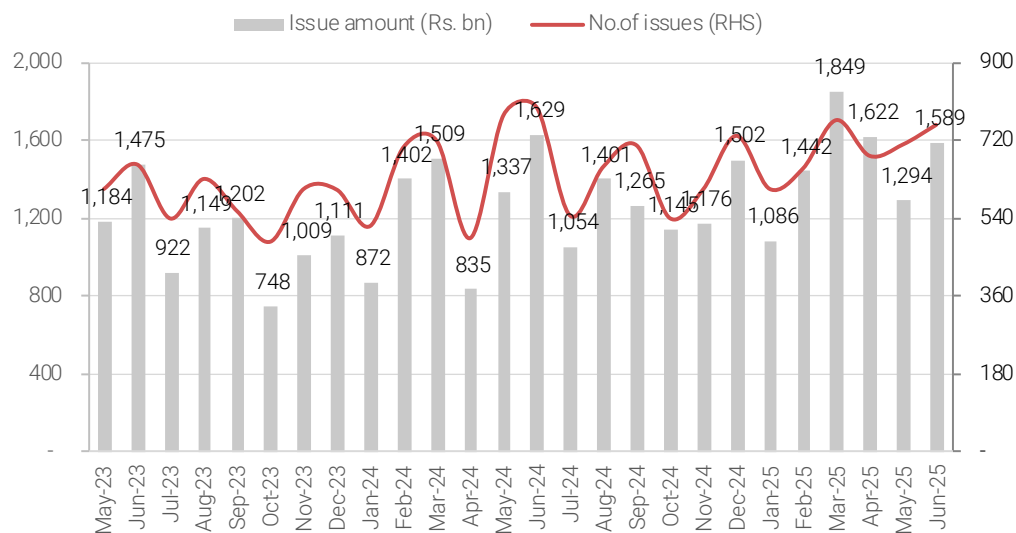
Exhibit 49: Private debt issuances, June 2022-June 2025



Source: Prime Database, Kotak Institutional Equities

CP issuance volumes have been steady

Exhibit 50: Private debt issuances, May 2022-June 2025



Source: Prime Database, Kotak Institutional Equities

Exhibit 51: Key valuation metrics for banks and non-banks, March fiscal year-ends

	Reco.	Fair Value	Price	Market cap.	EPS (Rs)			PER (X)			ABVPS (Rs)			APBR (X)			RoE (%)		
		(Rs)	7/4/2025	US \$bn	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Public banks																			
Bank of Baroda	ADD	255	241	14.6	38	35	33	6.4	6.9	7.2	246	273	299	1.0	0.9	0.8	15.7	12.5	10.9
Canara Bank	ADD	105	114	12.1	19	17	19	6.1	6.8	6.1	95	105	120	1.2	1.1	1.0	18.2	14.4	14.3
PNB	ADD	110	111	14.9	14	15	15	7.7	7.3	7.5	102	112	124	1.1	1.0	0.9	14.2	13.0	11.4
SBI	BUY	975	812	84.8	79	68	84	8.0	9.1	7.4	453	507	576	1.5	1.3	1.1	17.3	13.2	14.5
Union Bank	BUY	160	153	13.7	24	22	22	6.5	7.1	6.9	135	152	170	1.1	1.0	0.9	17.1	13.7	12.8
Old private banks																			
City Union Bank	ADD	185	217	1.9	15	15	17	14.3	14.7	12.5	121	134	150	1.8	1.6	1.4	12.6	11.0	11.7
Federal Bank	BUY	225	215	6.2	17	17	22	13.0	12.5	10.0	132	146	163	1.6	1.5	1.3	13.0	12.0	13.5
Karur Vysya Bank	BUY	260	272	2.5	24	23	26	11.3	11.8	10.4	147	163	182	1.9	1.7	1.5	17.7	14.7	14.9
New private banks																			
Axis Bank	BUY	1,500	1,178	42.8	85	89	101	12.5	12.0	10.5	833	646	729	1.3	1.7	1.5	15.9	14.4	14.5
Bandhan Bank	BUY	225	180	3.4	17	22	26	10.6	8.1	7.0	161	165	186	1.1	1.1	1.0	11.9	13.6	14.2
DCB Bank	BUY	160	143	0.5	20	22	31	7.3	6.6	4.7	158	175	200	0.9	0.8	0.7	11.4	11.4	14.3
IndusInd Bank	REDUCE	800	856	7.8	34	49	92	25.2	17.6	9.3	796	828	917	1.1	1.0	0.9	4.2	5.7	10.1
HDFC Bank	ADD	2,100	1,989	178.6	88	98	112	20.6	18.5	16.2	644	718	800	2.8	2.5	2.3	14.3	14.2	14.5
ICICI Bank	BUY	1,600	1,443	120.5	67	70	77	19.0	18.4	16.7	404	457	515	3.1	2.7	2.4	18.1	15.9	15.5
Yes Bank	SELL	17	20	7.4	1	1	1	26.1	18.6	13.6	15	16	18	1.3	1.3	1.1	5.4	6.8	8.7
Small finance banks																			
AU SFB	ADD	650	820	7.1	28	37	48	29.0	22.3	17.1	223	260	305	3.7	3.1	2.7	13.1	14.8	16.5
Equitas SFB	BUY	85	68	0.9	1.3	3.8	7.3	52.7	17.7	9.3	51	54	60	1.3	1.3	1.1	2.4	7.0	12.2
Ujjivan SFB	BUY	55	49	1.1	3.8	2.6	5.3	12.9	19.0	9.2	31	32	37	1.6	1.5	1.3	12.4	7.9	14.8
Utkarsh SFB	BUY	32	24	0.3	0.2	(1.9)	4.0	128.0	(12.5)	6.1	25	24	28	1.0	1.0	0.9	0.7	(7.4)	14.7
NBFCs																			
Aadhar HFC	BUY	560	460	2.3	21	25	31	22.0	18.3	15.0	148	173	204	3.1	2.7	2.3	16.9	15.9	16.4
Aavas Financiers	REDUCE	2,050	1,910	1.8	73	88	106	26.3	21.7	18.1	551	639	745	3.5	3.0	2.6	14.1	14.8	15.3
Aptus Value Housing	BUY	400	323	1.9	15	17	21	21.5	18.7	15.6	86	99	113	3.7	3.3	2.8	18.6	18.6	19.5
Bajaj Finance	ADD	950	925	67.3	27	33	42	34.7	27.7	22.1	152	178	212	6.1	5.2	4.4	19.4	20.0	21.3
Bajaj Finserv	ADD	2,175	1,994	37.3	67	84	104	29.7	23.9	19.2	334	348	412	6.0	5.7	4.8	22.8	24.5	27.3
Cholamandalam	ADD	1,575	1,527	15.0	51	61	78	30.1	25.1	19.7	281	355	426	5.4	4.3	3.6	19.7	19.3	19.8
Five Star	BUY	850	771	2.7	37	42	51	21.0	18.4	15.1	216	258	309	3.6	3.0	2.5	18.7	17.7	18.0
Home First	BUY	1,500	1,356	1.6	42	51	65	31.9	26.4	20.8	280	412	471	4.8	3.3	2.9	16.5	15.7	14.8
India Shelter	ADD	950	877	1.1	34	41	49	25.9	21.4	17.9	243	284	333	3.6	3.1	2.6	15.1	15.5	15.9
LIC Hsg Fin	BUY	725	611	3.9	99	97	96	6.2	6.3	6.4	659	746	832	0.9	0.8	0.7	16.0	13.9	12.1
L&T Finance Holdings	REDUCE	160	206	6.0	11	12	15	19.3	17.3	14.0	103	111	122	2.0	1.8	1.7	10.8	11.1	12.6
Mahindra Finance	ADD	300	266	4.3	19	20	24	14.0	13.1	11.3	160	172	185	1.7	1.6	1.4	12.4	12.3	13.3
Muthoot Finance	REDUCE	2,550	2,663	12.5	130	161	178	20.6	16.5	15.0	708	829	962	3.8	3.2	2.8	19.7	20.9	19.8
SBFC	REDUCE	100	111	1.4	3	4	5	35.5	29.5	24.3	26	30	35	4.2	3.7	3.2	11.6	12.3	13.1
SBI Cards	ADD	950	910	10.1	20	24	30	45.1	37.5	30.5	145	166	191	6.3	5.5	4.8	14.8	15.6	16.7
Shriram Finance	BUY	750	676	14.9	52	53	63	13.0	12.8	10.8	272	329	380	2.5	2.1	1.8	18.6	16.5	16.9
Capital market entities																			
HDFC AMC	ADD	4,500	5,034	12.6	115	134	147	43.7	37.5	34.2	380	407	437	13.2	12.4	11.5	32.4	34.1	34.9
UTI AMC	BUY	1,300	1,290	1.9	57	54	58	22.6	24.0	22.4	359	370	382	3.6	3.5	3.4	16.3	14.7	15.3
Nippon AMC	ADD	700	790	5.9	20	22	25	39.0	35.6	32.0	66	69	71	11.9	11.5	11.1	31.4	32.9	35.4
Aditya Birla AMC	ADD	750	804	2.7	32	34	36	24.9	23.6	22.1	129	143	157	6.2	5.6	5.1	27.0	25.0	24.2
IIFL Wealth	ADD	1,150	1,245	5.9	27	30	34	46.9	41.6	36.5	180	207	273	6.9	6.0	4.6	19.8	15.7	14.6
CAMS	ADD	4,000	4,232	2.4	95	101	116	44.5	42.0	36.4	226	252	281	18.7	16.8	15.0	46.3	42.2	43.7
CRISIL	REDUCE	4,300	5,853	5.0	94	112	128	62.5	52.5	45.9	390	435	486	15.0	13.5	12.0	30.1	30.9	32.0
ICRA	REDUCE	6,500	6,801	0.8	177	207	235	38.3	32.8	28.9	1,074	1,147	1,229	6.3	5.9	5.5	17.1	18.6	19.8
Angelone	BUY	2,800	2,776	2.9	135	108	149	20.6	25.6	18.6	NA	NA	NA	NA	NA	NA	27.1	16.5	19.6

Notes: (1) We have shown core PER and APBR for SBI and ICICI Bank.

Source: Company, Kotak Institutional Equities

Exhibit 52: Stock price performance—absolute and relative (%)

	Change in price (%)					Relative performance to BSE-30 Index (%)					Change from	
	1 month	3 month	6 month	12 month	YTD	1 month	3 month	6 month	12 month	YTD	52 week high (%)	52 week low (%)
Public banks												
Bank of Baroda	(5)	3	(0)	(11)	0	(8)	(7)	(5)	(14)	(6)	(12)	26
Canara Bank	(3)	27	13	(2)	14	(5)	14	7	(6)	7	(4)	46
PNB	1	15	4	(9)	8	(2)	4	(1)	(12)	1	(14)	30
SBI	1	6	2	(3)	2	(2)	(4)	(3)	(7)	(4)	(10)	19
Union Bank	(0)	25	23	13	27	(3)	13	17	8	19	(4)	52
Old private banks												
City Union Bank	10	33	24	26	26	7	20	18	21	18	(7)	52
Federal Bank	2	10	5	19	8	(1)	(0)	(0)	14	1	(2)	25
Karur Vysya Bank	18	25	22	32	25	15	13	16	27	17	(2)	47
New private banks												
Axis Bank	1	8	9	(8)	11	(2)	(3)	3	(12)	4	(12)	26
Bandhan Bank	6	18	14	(13)	13	3	6	8	(17)	6	(19)	40
DCB	(2)	22	18	3	18	(5)	11	12	(1)	11	(5)	41
IndusInd Bank	5	26	(14)	(41)	(11)	2	13	(19)	(43)	(16)	(43)	41
HDFC Bank	2	9	14	15	12	(1)	(1)	8	11	5	(2)	25
ICICI Bank	1	8	14	17	13	(2)	(2)	8	12	5	(2)	25
Yes Bank	(5)	17	0	(16)	2	(8)	5	(5)	(20)	(4)	(27)	25
Small finance banks												
AU SFB	13	48	43	22	47	10	34	36	17	37	(3)	71
Equitas SFB	6	21	2	(28)	6	3	9	(3)	(31)	(1)	(29)	31
Ujjivan SFB	12	33	41	8	44	9	20	34	4	35	(6)	57
Utkarsh SFB	3	3	(29)	(55)	(29)	0	(7)	(33)	(56)	(34)	(55)	13
Non-banks												
Aavas Financiers	6	(7)	12	6	14	3	(16)	7	2	7	(15)	19
Aptus Value Housing	5	8	9	(6)	11	2	(3)	3	(10)	4	(20)	21
Bajaj Finance	3	6	25	30	36	(0)	(4)	19	25	27	(5)	44
Bajaj Finserv	2	4	17	26	27	(1)	(6)	11	21	19	(7)	31
Five Star	12	12	(2)	(4)	(0)	9	1	(7)	(8)	(7)	(18)	30
Home First	8	35	27	27	28	5	22	21	22	20	(10)	62
India Shelter	2	10	26	18	24	(1)	(1)	19	13	16	(7)	45
LIC Housing Finance	1	9	0	(23)	2	(2)	(2)	(5)	(26)	(4)	(26)	26
L&T Finance Holdings	17	34	43	9	52	14	21	36	5	42	(2)	59
MMFS	2	4	(1)	(8)	3	(1)	(6)	(6)	(12)	(3)	(20)	15
Muthoot Finance	17	13	19	48	25	14	2	13	42	17	(0)	60
SBI Cards	(3)	7	26	27	37	(6)	(3)	19	21	28	(11)	38
Shriram Finance	5	3	11	19	17	2	(7)	5	14	10	(7)	37
Capital market entities												
HDFC AMC	6	29	19	19	20	3	16	13	14	12	(5)	43
UTI AMC	12	22	(5)	26	(4)	8	10	(10)	21	(10)	(8)	43
Nippon AMC	6	40	4	21	9	3	26	(1)	17	2	(4)	73
Aditya Birla AMC	6	23	(2)	23	(4)	2	11	(7)	18	(10)	(12)	44
AngelOne	(11)	21	(3)	18	(5)	(14)	10	(8)	14	(11)	(21)	43
IIFL Wealth	22	47	(4)	34	(1)	18	32	(9)	29	(7)	(6)	63
CAMS	1	15	(17)	14	(17)	(2)	4	(21)	9	(22)	(21)	40
CRISIL	10	40	(4)	36	(12)	7	26	(9)	30	(18)	(16)	50

Source: Company, Kotak Institutional Equities

Exhibit 53: Quarterly result expectations for banks under coverage

	Jun-24	Mar-25	Jun-26E	Change (%)		Comments
				yoy	qoq	
Banks						
AU Small Finance Bank						
Net interest income	19,206	20,939	21,720	13	3.7	We expect the bank to report modest growth in earnings as a healthy operating profit growth is likely to be partially offset by higher provisions yoy. NIM is expected to decline by ~5-10 bps qoq led mainly by lower yield on loans.
Non interest income	5,093	7,607	7,337	44	(3.5)	
Pre-provision profit	9,517	12,923	13,025	37	0.8	
Loan-loss provisions	2,828	6,351	5,851	107	(7.9)	
PAT	5,026	5,037	5,419	8	7.6	
EPS (Rs/share)	6.8	6.8	7.3	8	7.6	
Net advances (Rs bn)	897	1,071	1,099	23	2.6	
Deposits (Rs bn)	973	1,243	1,277	31	2.8	
NIM - calc. (%)	6.25	5.70	5.60	-65 bps	-11 bps	
Yield on advances - calc. (%)	14.12	13.76	13.60	-52 bps	-16 bps	
Cost of funds - calc. (%)	6.94	6.74	6.62	-32 bps	-12 bps	We expect asset quality situation to show signs of improvement because of recovery in the microfinance industry, while credit card book challenges are likely to continue. Credit cost is likely to remain elevated as the bank provides for residual stress in microfinance. We will also watch out for commentary on the broader operating environment which has been relatively soft in the past few quarters.
Slippages (%)	2.5	3.6	3.2	64 bps	-41 bps	
Credit cost (%)	1.29	2.46	2.16	86 bps	-31 bps	
BVPS (Rs/share)	209	231	238	14	3.2	
RoA (%)	1.7	1.3	1.4	-36 bps	1 bps	
RoE (%)	14.3	11.9	12.4	-190 bps	49 bps	
Axis Bank						
Net interest income	134,482	138,105	135,386	1	(2.0)	We are building loan growth of 7% yoy (flat qoq). We are building NIM to decline 20bps qoq (~3.5%) qoq to factor the impact of the rate cut cycle. Fee income growth to be sluggish reflecting weak loan growth.
Non interest income	57,835	67,795	63,618	10	(6.2)	
Pre-provision profit	101,062	107,524	104,125	3	(3.2)	
Loan-loss provisions	22,980	15,210	22,815	(1)	50.0	
PAT	60,346	71,175	60,414	0	(15.1)	
EPS (Rs/share)	19.5	23.0	19.5	(0)	(15.1)	
Net advances (Rs bn)	9,801	10,408	10,512	7	1.0	
Deposits (Rs bn)	10,625	11,730	11,741	11	0.1	
NIM - calc. (%)	3.82	3.70	3.51	-32 bps	-19 bps	
Yield on advances - calc. (%)	9.76	9.57	9.37	-39 bps	-20 bps	
Cost of funds - calc. (%)	5.28	5.28	5.26	-3 bps	-2 bps	We expect slippages of ~Rs60 bn (~2.3% of loans) mostly led by retail and LLP of ~90bps. Key discussion areas: slippages, especially from unsecured segment, deposit mobilisation and NIM progression.
Slippages (%)	2.0	1.8	2.3	35 bps	46 bps	
Credit cost (%)	0.95	0.59	0.88	-7 bps	28 bps	
BVPS (Rs/share)	513	580	600	17	3.4	
RoA (%)	1.6	1.8	1.5	-15 bps	-32 bps	
RoE (%)	15.6	16.2	13.2	-237 bps	-296 bps	
Bandhan Bank						
Net interest income	30,050	27,559	26,576	(12)	(3.6)	The bank has reported a loan growth of ~6% yoy (-2% qoq) mostly led by slower growth in EEB portfolio. Deposit growth healthy at 16% yoy (2% qoq) but mostly led by term deposits. We could see NIM at 6.7% (35bps qoq decline) as there is a higher pressure on cost of funds.
Non interest income	5,275	6,996	5,803	10	(17.1)	
Pre-provision profit	19,409	15,713	14,779	(24)	(5.9)	
Loan-loss provisions	5,230	12,602	10,081	93	(20.0)	
PAT	10,635	3,179	3,561	(67)	12.0	
EPS (Rs/share)	6.6	2.0	2.2	(67)	12.0	
Net advances (Rs bn)	1,216	1,320	1,294	6	(2.0)	
Deposits (Rs bn)	1,332	1,512	1,547	16	2.3	
NIM - calc. (%)	7.15	6.06	5.72	-143 bps	-35 bps	
Yield on advances - calc. (%)	15.56	14.17	13.97	-160 bps	-20 bps	
Cost of funds - calc. (%)	6.81	6.76	6.77	-5 bps	0 bps	We expect slippages (Rs15 bn, ~4.4%) as there is stress in the MFI industry (situation is improving but still trends are yet to normalise). Key monitorable: (a) Situation of the MFI portfolio of the bank compared to the rest of the players and (b) medium term strategy with change in management especially on NIM progression.
Slippages (%)	3.2	5.3	4.4	117 bps	-93 bps	
Credit cost (%)	1.72	3.89	3.09	136 bps	-81 bps	
BVPS (Rs/share)	143	153	155	8	1.4	
RoA (%)	2.4	0.7	0.7	-169 bps	5 bps	
RoE (%)	19.1	5.2	5.7	-1332 bps	54 bps	
Bank of Baroda						
Net interest income	116,001	110,196	106,951	(8)	(2.9)	We expect operating profits to decline ~5% yoy as there would be pressure on revenue growth (slower loan growth and pressure on NII). We are building NIM to decline 10bps qoq to factor the rate cut. Reported loan growth at 13% yoy (ahead of industry average) while deposits grew 9% yoy.
Non interest income	24,873	52,098	36,061	45	(30.8)	
Pre-provision profit	71,613	81,321	66,825	(7)	(17.8)	
Loan-loss provisions	12,690	12,970	15,564	23	20.0	
PAT	44,582	50,477	34,671	(22)	(31.3)	
EPS (Rs/share)	8.6	9.7	6.7	(22)	(31.3)	
Net advances (Rs bn)	10,479	12,096	11,865	13	(1.9)	
Deposits (Rs bn)	13,070	14,720	14,263	9	(3.1)	
NIM - calc. (%)	3.04	2.61	2.50	-55 bps	-12 bps	
Yield on advances - calc. (%)	8.38	7.83	7.83	-56 bps	0 bps	
Cost of funds - calc. (%)	5.10	5.02	4.97	-14 bps	-5 bps	We expect slippages at ~1.3% (Rs38 bn) mostly driven from retail and SME. Credit costs normalising off a low base. Key discussion would be the loan growth, deposit related challenges and NIM outlook in the near term.
Slippages (%)	1.1	1.1	1.2	12 bps	15 bps	
Credit cost (%)	0.38	0.53	0.61	22 bps	8 bps	
BVPS (Rs/share)	232	264	271	17	2.5	
RoA (%)	1.1	1.2	0.8	-37 bps	-40 bps	
RoE (%)	15.3	15.1	10.0	-535 bps	-507 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 54: Quarterly result expectations for banks under coverage

	Jun-24	Mar-25	Jun-26E	Change (%)		
				yoy	qoq	Comments
Canara Bank						
Net interest income	91,663	94,419	90,488	(1)	(4.2)	
Non interest income	53,189	63,508	56,335	6	(11.3)	
Pre-provision profit	76,161	82,837	72,320	(5)	(12.7)	
Loan-loss provisions	21,709	28,471	12,822	(41)	(55.0)	We expect bank to report healthy ~15% yoy earnings growth led by ~40% yoy decline in provisions, while operating profit declined ~4% yoy. NIM is expected to decline modestly yoy.
PAT	39,053	50,027	44,772	15	(10.5)	
EPS (Rs/share)	4.3	5.5	4.9	15	(10.5)	
Net advances (Rs bn)	9,752	10,733	10,948	12	2.0	
Deposits (Rs bn)	13,352	14,569	14,787	11	1.5	
NIM - calc. (%)	2.51	2.38	2.19	-33 bps	-19 bps	
Yield on advances - calc. (%)	8.85	8.80	8.62	-23 bps	-19 bps	
Cost of funds - calc. (%)	5.63	5.73	5.64	1 bps	-10 bps	We do not expect any major surprise on asset quality in this quarter either. As the net NPL ratio is now low and similar to other PSU banks under our coverage, credit cost is likely to decline closer to peers.
Slippages (%)	1.4	1.0	1.0	-44 bps	-8 bps	
Credit cost (%)	0.94	0.69	0.47	-48 bps	-22 bps	
BVPS (Rs/share)	102	110	115	13	4.5	
RoA (%)	1.0	1.2	1.1	2 bps	-17 bps	
RoE (%)	17.4	20.2	17.5	14 bps	-267 bps	
City Union Bank						
Net interest income	5,452	6,003	5,994	10	(0.2)	
Non interest income	1,921	2,512	2,261	18	(10.0)	
Pre-provision profit	3,735	4,410	4,026	8	(8.7)	
Loan-loss provisions	390	780	741	90	(5.0)	We expect loan growth at ~14% yoy while deposits to grow better than industry average at 15%yoy. We expect NII to grow at ~10% yoy. NIM likely to decline 10bps qoq. Non-interest growth would be better led by higher contribution from treasury income.
PAT	2,645	2,880	2,542	(4)	(11.7)	
EPS (Rs/share)	3.6	3.9	3.4	(4)	(11.7)	
Net advances (Rs bn)	465	531	531	14	0.1	
Deposits (Rs bn)	549	635	629	15	(1.0)	
NIM - calc. (%)	3.18	3.19	3.09	-9 bps	-11 bps	
Yield on advances - calc. (%)	9.34	9.61	9.51	16 bps	-10 bps	
Cost of funds - calc. (%)	5.63	5.89	5.87	24 bps	-3 bps	We expect a slippages to be low (~2% of loans or Rs2.5 bn) and a stable commentary on asset quality outlook. Key discussion would be on loan growth/demand, provisions and recovery in RoA/RoE.
Slippages (%)	1.5	2.1	1.9	32 bps	-21 bps	
Credit cost (%)	0.34	0.60	0.56	22 bps	-5 bps	
BVPS (Rs/share)	117	128	131	12	2.7	
RoA (%)	1.5	1.5	1.3	-22 bps	-25 bps	
RoE (%)	12.4	12.4	10.6	-180 bps	-177 bps	
DCB Bank						
Net interest income	4,966	5,580	5,735	15	2.8	
Non interest income	1,430	2,188	1,677	17	(23.4)	
Pre-provision profit	2,054	3,054	2,594	26	(15.1)	
Loan-loss provisions	284	672	538	89	(20.0)	We expect operating profits to grow ~25% yoy led by healthy loan growth (25% yoy) and stable opex growth . We see NIM to decline ~10bps qoq at 3.2% led by cuts in lending rates and slower re-pricing of deposits. We see deposit growth at ~20% yoy.
PAT	1,314	1,771	1,525	16	(13.9)	
EPS (Rs/share)	4.2	5.6	4.9	16	(14.0)	
Net advances (Rs bn)	422	510	526	25	3.0	
Deposits (Rs bn)	517	600	624	21	4.0	
NIM - calc. (%)	3.11	3.01	2.89	-23 bps	-12 bps	
Yield on advances - calc. (%)	11.22	11.21	11.11	-11 bps	-10 bps	
Cost of funds - calc. (%)	7.05	7.11	7.05	-1 bps	-7 bps	We expect asset quality to show stable trends with slippages at ~3% (Rs3.8 bn) and mostly from MFI, retail and erstwhile restructured loans. Key discussion: NIM, growth and RoE outlook would be the key variables to monitor.
Slippages (%)	3.6	3.1	3.0	-67 bps	-9 bps	
Credit cost (%)	0.27	0.54	0.42	14 bps	-13 bps	
BVPS (Rs/share)	166	181	186	12	2.5	
RoA (%)	0.8	1.0	0.8	-5 bps	-18 bps	
RoE (%)	10.2	12.7	10.6	33 bps	-210 bps	
Equitas Small Finance Bank						
Net interest income	8,015	8,294	8,188	2	(1.3)	
Non interest income	2,087	2,254	2,296	10	1.8	
Pre-provision profit	3,404	3,113	2,953	(13)	(5.2)	
Loan-loss provisions	3,046	2,580	2,797	(8)	8.4	We expect ~55% yoy earnings decline led by ~13% yoy decline in operating profit, while provisions will decline modestly yoy. NII growth is likely to be modest at ~2% yoy (meaningfully lower than 20% yoy growth in on-book loans) as NIM is expected to decline further due to steady shift in loan mix away from microfinance. We expect credit cost to remain elevated due to residual stress in the microfinance industry.
PAT	258	421	118	(54)	(71.9)	
EPS (Rs/share)	0.2	0.4	0.1	(54)	(71.9)	
Net advances (Rs bn)	319	362	384	20	6.0	
Deposits (Rs bn)	375	431	453	21	5.0	
NIM - calc. (%)	7.87	7.35	7.00	-88 bps	-36 bps	
Yield on advances - calc. (%)	16.56	15.86	15.56	-101 bps	-30 bps	
Cost of funds - calc. (%)	7.28	7.37	7.27	-2 bps	-10 bps	Discussion on asset quality will be predominantly centered around the microfinance business where the recovery has been a bit slower for Equitas as compared to peers. We await commentary on the expected timeline of recovery in disbursements and collections in this business.
Slippages (%)	4.5	5.9	5.9	145 bps	0 bps	
Credit cost (%)	3.88	2.88	3.00	-88 bps	11 bps	
BVPS (Rs/share)	53	53	53	1	0.2	
RoA (%)	0.2	0.3	0.1	-14 bps	-24 bps	
RoE (%)	1.7	2.8	0.8	-95 bps	-202 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 55: Quarterly result expectations for banks under coverage

	Jun-24	Mar-25	Jun-26E	Change (%)		
				yoy	qoq	Comments
Federal Bank						
Net interest income	22,920	23,774	23,210	1	(2.4)	The bank is likely to report loan growth of ~10% yoy (growth trends slowing down) and deposits by ~10% yoy. We expect NII growth at ~1% yoy with NIM declining 10bps qoq. We expect a weak operating profit growth due to weak revenue growth. Fee income growth likely to be steady.
Non interest income	9,152	10,060	10,436	14	3.7	
Pre-provision profit	15,009	14,654	15,293	2	4.4	
Loan-loss provisions	1,510	1,400	2,660	76	90.0	
PAT	10,095	10,302	9,409	(7)	(8.7)	
EPS (Rs/share)	4.1	4.2	3.8	(7)	(8.7)	
Net advances (Rs bn)	2,208	2,348	2,395	8	2.0	We expect slippages at ~1.2% of loans (Rs6.8 bn) driven by retail and MSME. Gross NPL ratio could marginally increase qoq. The key discussion points would be to understand the impact of the rate cut on NIM over the next few quarters.
Deposits (Rs bn)	2,661	2,836	2,922	10	3.0	
NIM - calc. (%)	3.06	2.90	2.79	-28 bps	-12 bps	
Yield on advances - calc. (%)	9.14	8.79	8.89	-26 bps	9 bps	
Cost of funds - calc. (%)	5.79	5.67	5.77	-2 bps	9 bps	
Slippages (%)	0.8	0.9	1.2	36 bps	31 bps	
Credit cost (%)	0.27	0.24	0.45	18 bps	21 bps	
BVPS (Rs/share)	125	136	140	12	2.8	
RoA (%)	1.3	1.2	1.1	-21 bps	-14 bps	
RoE (%)	13.5	12.5	11.1	-244 bps	-143 bps	
HDFC Bank						
Net interest income	298,371	320,658	314,084	5	(2.1)	The headline reported number was slower-than-industry- average on loan growth (~5% yoy) as strong efforts are being made to improve their CD ratio. CD ratio has improved qoq to ~95%. Deposits grew strong at 16% yoy. We are building NIM to decline due to faster re-pricing of loans this quarter.
Non interest income	106,681	120,279	126,640	19	5.3	
Pre-provision profit	238,846	265,367	263,398	10	(0.7)	
Loan-loss provisions	26,021	31,931	24,641	(5)	(22.8)	
PAT	161,748	176,161	178,374	10	1.3	
EPS (Rs/share)	21.3	23.0	23.3	10	1.3	
Net advances (Rs bn)	24,635	26,196	26,222	6	0.1	We expect gross NPL ratio to be stable with slippages at 1.3% of loans. Near term focus would be the progress of NIM (NIM to improve slower-than-expected), growth outlook and impact of PSL (FY2026).
Deposits (Rs bn)	23,791	27,147	27,645	16	1.8	
NIM - calc. (%)	3.53	3.54	3.40	-13 bps	-14 bps	
Yield on advances - calc. (%)	9.49	9.41	9.26	-24 bps	-15 bps	
Cost of funds - calc. (%)	5.74	5.68	5.58	-17 bps	-10 bps	
Slippages (%)	1.3	1.2	1.4	17 bps	25 bps	
Credit cost (%)	0.42	0.50	0.41	-1 bps	-9 bps	
BVPS (Rs/share)	603	655	679	13	3.6	
RoA (%)	1.8	1.8	1.8	0 bps	-3 bps	
RoE (%)	14.4	14.3	14.0	-42 bps	-34 bps	
ICICI Bank						
Net interest income	195,529	211,929	207,104	6	(2.3)	We expect a PPoP to grow at 7% yoy as we build in slower NII growth led by recent cut in policy rates. Loan growth is likely to be at 13% yoy (expect slowdown in all segments though still better than industry average). We are building NIM to decline ~20 bps qoq at 4.0% (KS Calc) -reported NIM would be higher than our estimates). We expect commentary on NIM to be negative to factor the recent rate cuts and time taken for cost of term deposits to decline.
Non interest income	70,019	72,601	76,157	9	4.9	
Pre-provision profit	160,248	176,643	171,286	7	(3.0)	
Loan-loss provisions	13,322	8,907	10,243	(23)	15.0	
PBT	146,927	167,736	161,043	10	(4.0)	
PAT	110,591	126,296	123,198	11	(2.5)	
EPS (Rs/share)	15.7	17.7	17.3	10	(2.5)	
Net advances (Rs bn)	12,232	13,418	13,686	12	2.0	We expect stable credit costs resulting in similar provisions to the base quarter. We are building slippages of ~2% (~Rs70 bn). We don't expect any negative commentary on asset quality. Key discussion areas would be recovery of NIM and improvement in loan growth trajectory.
Deposits (Rs bn)	14,261	16,103	16,426	15	2.0	
NIM - calc. (%)	4.35	4.28	4.04	-31 bps	-24 bps	
Yield on advances - calc. (%)	10.00	9.89	9.77	-24 bps	-12 bps	
Cost of funds - calc. (%)	5.04	5.02	4.97	-7 bps	-5 bps	
Slippages (%)	2.0	1.6	2.1	7 bps	50 bps	
Credit cost (%)	0.44	0.27	0.30	-15 bps	3 bps	
BVPS (Rs/share)	361	410	427	18	4.2	
RoA (%)	2.4	2.4	2.3	-5 bps	-15 bps	
RoE (%)	18.0	17.9	16.5	-145 bps	-140 bps	
IndusInd Bank						
Net interest income	54,076	30,483	42,269	(22)	38.7	We expect fewer negative surprises this quarter. Operating profits to decline (40% yoy) led by weak loan growth, NIM pressure and weak fee income growth. NIM (reported) likely to improve 90bps qoq at 3.1% as the prior quarter had several one-off related charges which is unlikely to be repeated. Deposit growth was weak at 1% yoy but the print appears to be better than expected considering the recent news event at the bank.
Non interest income	24,413	7,088	23,544	(4)	232.1	
Pre-provision profit	39,267	(4,725)	23,940	(39)	NM	
Loan-loss provisions	10,498	24,166	16,916	61	(30.0)	
PBT	28,769	(28,891)	7,024	(76)	NM	
PAT	21,522	(22,360)	5,338	(75)	NM	
EPS (Rs/share)	27.6	(28.7)	6.9	(75)	NM	
Net advances (Rs bn)	3,479	3,450	3,482	0	0.9	We expect provisions to remain higher considering the overall slippages from the MFI portfolio is still elevated. We are building slippages of ~2% (Rs17 bn). Key focus area would be (a) deposit mobilisation, (b) marginal cost of funds, (c) situation at the bank post the recent episode of derivative accounting and (d) MFI portfolio.
Deposits (Rs bn)	3,985	4,111	4,025	1	(2.1)	
NIM - calc. (%)	4.14	2.21	3.08	-106 bps	87 bps	
Yield on advances - calc. (%)	11.98	9.37	11.07	-91 bps	170 bps	
Cost of funds - calc. (%)	6.53	6.57	6.67	13 bps	10 bps	
Slippages (%)	1.8	5.5	2.0	18 bps	-350 bps	
Credit cost (%)	1.22	2.72	1.95	73 bps	-77 bps	
BVPS (Rs/share)	842	828	833	(1)	0.6	
RoA (%)	1.6	(1.6)	0.4	-126 bps	201 bps	
RoE (%)	13.4	(13.6)	3.5	-989 bps	1711 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 56: Quarterly result expectations for banks under coverage

	Jun-24	Mar-25	Jun-26E	Change (%)		
				yoy	qoq	Comments
Karur Vysya Bank						
Net interest income	10,244	10,893	10,870	6	(0.2)	
Non interest income	3,884	5,093	4,466	15	(12.3)	
Pre-provision profit	7,459	8,350	7,901	6	(5.4)	
Loan-loss provisions	950	850	1,140	20	34.1	
PBT	6,129	6,736	6,674	9	(0.9)	
PAT	4,587	5,134	4,938	8	(3.8)	
EPS (Rs/share)	5.7	6.4	6.1	8	(3.8)	
Net advances (Rs bn)	777	845	894	15	5.8	
Deposits (Rs bn)	923	1,021	1,067	15	4.5	
NIM - calc. (%)	3.76	3.65	3.54	-23 bps	-12 bps	
Yield on advances - calc. (%)	9.93	9.95	9.80	-14 bps	-15 bps	
Cost of funds - calc. (%)	5.42	5.59	5.56	13 bps	-4 bps	
Slippages (%)	0.9	0.9	1.4	48 bps	55 bps	
Credit cost (%)	0.70	0.77	0.56	-14 bps	-21 bps	
BVPS (Rs/share)	131	148	154	17	4.1	
RoA (%)	1.7	1.7	1.7	-6 bps	-9 bps	
RoE (%)	17.8	17.6	16.2	-157 bps	-139 bps	
Punjab National Bank						
Net interest income	104,763	107,570	103,527	(1)	(3.8)	
Non interest income	36,095	47,159	47,223	31	0.1	
Pre-provision profit	65,812	67,757	63,769	(3)	(5.9)	
Loan-loss provisions	7,920	5,883	5,035	(36)	(14.4)	
PAT	32,515	45,670	43,698	34	(4.3)	
EPS (Rs/share)	3.0	4.0	3.8	29	(4.3)	
Net advances (Rs bn)	9,840	10,775	10,910	11	1.3	
Deposits (Rs bn)	14,082	15,666	15,888	13	1.4	
NIM - calc. (%)	2.78	2.54	2.38	-40 bps	-16 bps	
Yield on advances - calc. (%)	8.53	8.28	8.04	-49 bps	-24 bps	
Cost of funds - calc. (%)	5.02	5.22	5.16	13 bps	-7 bps	
Slippages (%)	0.8	1.1	0.9	13 bps	-24 bps	
Credit cost (%)	0.55	0.13	0.19	-37 bps	5 bps	
BVPS (Rs/share)	102	111	115	13	3.4	
RoA (%)	0.8	1.0	1.0	13 bps	-7 bps	
RoE (%)	11.9	14.4	13.5	157 bps	-94 bps	
State Bank of India						
Net interest income	411,255	427,746	412,884	0	(3.5)	
Non interest income	111,619	242,099	128,362	15	(47.0)	
Pre-provision profit	264,486	312,860	244,100	(8)	(22.0)	
Loan-loss provisions	45,181	39,642	31,714	(30)	(20.0)	
PAT	170,352	186,426	143,811	(16)	(22.9)	
EPS (Rs/share)	19.1	20.9	16.1	(16)	(22.9)	
Net advances (Rs bn)	37,491	41,633	41,675	11	0.1	
Deposits (Rs bn)	49,017	53,822	54,360	11	1.0	
NIM - calc. (%)	2.90	2.77	2.73	-17 bps	-5 bps	
Yield on advances - calc. (%)	8.31	8.27	7.92	-39 bps	-35 bps	
Cost of funds - calc. (%)	5.12	5.18	5.05	-7 bps	-13 bps	
Slippages (%)	0.9	0.4	0.9	-1 bps	50 bps	
Credit cost (%)	0.37	0.63	0.49	12 bps	-14 bps	
BVPS (Rs/share)	445	494	510	15	3.3	
RoA (%)	1.1	1.1	0.8	-26 bps	-28 bps	
RoE (%)	17.6	17.0	12.8	-477 bps	-419 bps	
Ujjivan Small Finance Bank						
Net interest income	9,415	8,643	8,875	(6)	2.7	
Non interest income	1,971	2,697	2,365	20	(12.3)	
Pre-provision profit	5,095	3,598	3,507	(31)	(2.5)	
Loan-loss provisions	1,099	2,645	2,796	155	5.7	
PAT	3,011	834	548	(82)	(34.3)	
EPS (Rs/share)	1.6	0.4	0.3	(82)	(34.3)	
Net advances (Rs bn)	271	314	325	20	3.6	
Deposits (Rs bn)	325	376	386	19	2.6	
NIM - calc. (%)	9.43	7.67	7.52	-191 bps	-15 bps	
Yield on advances - calc. (%)	20.01	17.49	17.14	-288 bps	-35 bps	
Cost of funds - calc. (%)	7.42	7.21	7.11	-32 bps	-11 bps	
Slippages (%)	2.6	4.6	4.7	210 bps	9 bps	
Credit cost (%)	1.63	3.47	3.50	187 bps	3 bps	
BVPS (Rs/share)	31	31	32	3	0.9	
RoA (%)	2.9	0.7	0.5	-247 bps	-27 bps	
RoE (%)	20.9	5.5	3.6	-1729 bps	-194 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 57: Quarterly result expectations for banks under coverage

	Jun-24	Mar-25	Jun-26E	Change (%)		Comments
				yoy	qoq	
Union Bank						
Net interest income	94,121	95,140	91,774	(2)	(3.5)	We expect earnings to grow ~14% yoy mainly driven by a sharp decline in provisions yoy, while PPOP is expected to decline modestly yoy. NIM is expected to decline sharply qoq led by lower yield on advances, while cost of funds might decline modestly.
Non interest income	45,092	55,591	42,651	(5)	(23.3)	
Pre-provision profit	77,853	77,001	67,442	(13)	(12.4)	
Loan-loss provisions	16,510	16,758	10,807	(35)	(35.5)	
PAT	36,789	49,849	41,910	14	(15.9)	
EPS (Rs/share)	4.8	6.5	5.5	14	(15.9)	
Net advances (Rs bn)	8,787	9,535	9,726	11	2.0	We expect slippages to be broadly flat qoq and credit cost to decline to <0.5% as most of the journey towards net NPL reduction is complete. Discussion will stay around the recovery pipeline and drivers of NIM going forward.
Deposits (Rs bn)	12,242	13,097	13,228	8	1.0	
NIM - calc. (%)	2.83	2.73	2.52	-31 bps	-21 bps	
Yield on advances - calc. (%)	8.85	8.69	8.51	-35 bps	-18 bps	
Cost of funds - calc. (%)	5.43	5.62	5.55	12 bps	-8 bps	
Slippages (%)	1.0	1.1	1.0	-3 bps	-9 bps	
Credit cost (%)	1.26	0.66	0.45	-82 bps	-22 bps	
BVPS (Rs/share)	134	148	153	14	3.7	
RoA (%)	1.1	1.4	1.1	5 bps	-27 bps	
RoE (%)	14.8	17.8	14.6	-20 bps	-320 bps	
Utkarsh Small Finance Bank						
Net interest income	5,732	4,114	4,071	(29)	(1.0)	We expect another weak quarter for the company led by elevated provisions, while operating profit is also expected to decline yoy/ qoq. NIM will be impacted qoq due to steady shift in loan mix, however impact of interest reversals from slippages will be lower because of lower expected slippages.
Non interest income	1,046	2,871	1,360	30	(52.6)	
Pre-provision profit	3,113	2,340	1,534	(51)	(34.4)	
Loan-loss provisions	1,250	2,227	2,227	78	0.0	
PAT	1,374	30	(518)	(138)	(1,846.6)	
EPS (Rs/share)	1.2	0.0	(0.5)	(138)	(1,846.6)	
Net advances (Rs bn)	168	187	195	16	4.0	We expect slippages to decline sharply because the PAR 1-90 book in microfinance declined from 10% to 5% between December and March 2025. However, credit cost is likely to remain elevated because of the residual stress on the balance sheet. We expect discussion on collection trends and the pace of shift in loan mix away from microfinance. We would also expect some clarity on the bank's plans to raise equity capital.
Deposits (Rs bn)	182	216	226	25	5.0	
NIM - calc. (%)	9.72	6.25	5.90	-383 bps	-36 bps	
Yield on advances - calc. (%)	20.89	16.41	16.26	-464 bps	-16 bps	
Cost of funds - calc. (%)	7.91	8.17	8.07	16 bps	-10 bps	
Slippages (%)	4.3	16.2	8.9	454 bps	-730 bps	
Credit cost (%)	3.01	4.78	4.67	165 bps	-12 bps	
BVPS (Rs/share)	28	27	27	(6)	(1.7)	
RoA (%)	2.3	0.0	(0.7)	-298 bps	-77 bps	
RoE (%)	18.0	0.4	(7.0)	-2508 bps	-744 bps	
YES Bank						
Net interest income	22,440	22,764	22,421	(0)	(1.5)	We expect a muted NII growth (flat yoy) led by slower loan growth (5% yoy) and mix change. The bank is a bit more cautious in select segments of the retail portfolio. Deposit growth was slower at 4% yoy. We expect NIM at ~2.3% (10bps decline qoq) but there is likely to be a lot of volatility given the nature of income booked when security receipts mature and impact of RIDF investments.
Non interest income	11,990	17,393	14,927	24	(14.2)	
Pre-provision profit	8,853	13,144	9,507	7	(27.7)	
Loan-loss provisions	5,300	8,270	4,135	(22)	(50.0)	
PAT	5,024	7,381	5,597	11	(24.2)	
Net advances (Rs bn)	2,296	2,462	2,413	5	(2.0)	We should see steady traction on recovery and upgrades this quarter (mostly reflected in changes to the value of security receipts). Building slippages of Rs13 bn (2.1% of loans). Earnings impact is difficult to forecast given the nature of provisioning policy. Focus is shifting towards rebuilding the business for the bank.
Deposits (Rs bn)	2,651	2,845	2,759	4	(3.0)	
NIM - calc. (%)	2.82	2.77	2.72	-11 bps	-5 bps	
Yield on advances - calc. (%)	10.00	9.51	9.36	-65 bps	-15 bps	
Cost of funds - calc. (%)	6.33	6.08	5.98	-36 bps	-10 bps	
Slippages (%)	2.1	2.0	2.1	-1 bps	11 bps	
Credit cost (%)	0.37	0.52	0.33	-5 bps	-20 bps	
RoA (%)	0.5	0.7	0.5	3 bps	-18 bps	
RoE (%)	4.6	6.2	4.6	7 bps	-159 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 58: Quarterly result expectations for NBFCs under coverage

	1QFY25	4QFY25	1QFY26E	Change (%)		Comments	
				YoY	QoQ		
Aadhar Housing Finance							
Key P&L items							
Net interest income	3,574	4,077	4,262	19	5	We expect Aadhar to deliver 20% yoy AUM growth in 1QFY26E driven by 15% yoy growth in disbursements. Spreads will likely be stable qoq at 6.4% as the benefit of rate cut (muted in 1Q) will be offset by lower incremental yields..	
Operating expenses	1,602	1,968	1,865	16	(5)		
PPOP	2,759	3,211	3,307	20	3		
Provisions	187	64	204	9	219		
PBT	2,572	3,159	3,103	21	(2)		
PAT	2,001	2,448	2,420	21	(1)		
Core PBT	2,384	2,653	2,897	22	9	Operating expense growth will be moderate at 16% leading to moderation in cost-to-AAUM ratio to 2.9% (3.0-3.2% in the previous four quarters). We pen down credit cost of 32 bps for the quarter (10-35 bps in the previous four quarters).	
Key balance sheet items							
AUM (Rs bn)	217	255	262	20	2		
Key ratios (%)							
NIM	8.2	8.1	8.1	-10 bps	2 bps		
Cost-to-income	36.7	37.9	36.1	-67 bps	-185 bps		
Cost-to-average AUM	3.0	3.2	2.9	-10 bps	-29 bps		
Credit cost	0.3	0.1	0.3	-3 bps	21 bps		
Aavas Financiers							
Key P&L items							
Net interest income	2,446	2,705	2,795	14	3	We expect Aavas' low-double digit disbursements to drive 2.2% qoq and 17% yoy AUM growth. NIM will likely remain stable qoq at 6.8% as marginal decline in funding costs is offset by lower incremental yields.	
Operating expenses	1,379	1,719	1,582	15	(8)		
PPOP	1,695	2,009	1,870	10	(7)		
Provisions	86	76	88	2	15		
PBT	1,609	1,932	1,782	11	(8)		
PAT	1,261	1,537	1,390	10	(10)		
Core PBT	1,329	1,296	1,420	7	10	Operating expenses growth will likely be moderate at 15% leading to cost-to-AAUM ratio of 3.1% (3.0-3.4% in the previous four quarters). We pen down credit cost of 17 bps for 1QFY26E (11-20 bps for previous four quarters).	
Key balance sheet items							
AUM (Rs bn)	178	204	209	17	2		
Key ratios (%)							
NIM	6.8	6.8	6.8	-7 bps	-5 bps		
Cost-to-income	44.8	46.1	45.8	98 bps	-29 bps		
Cost-to-average AUM	3.1	3.5	3.1	-7 bps	-40 bps		
Credit cost	0.2	0.2	0.2	-3 bps	2 bps		
Aptus Value Housing							
Key P&L items							
Net interest income	2,611	3,002	3,187	22	6	We expect AUM growth to moderate to 3.4% qoq and 24% yoy in 1QFY26E (4.0-6.7% qoq in the previous four quarters) reflecting 1Q weakness. NIM will likely expand 5 bps qoq, reflecting lower cost of borrowings.	
Operating expenses	595	706	703	18	(0)		
PPOP	2,253	2,789	2,776	23	(0)		
Provisions	36	79	110	203	39		
PBT	2,216	2,710	2,665	20	(2)		
PAT	1,717	2,070	2,079	21	0		
Core PBT	2,138	2,611	2,634	23	1	We expect cost-to-average AUM to moderate to 2.5% driven by operating leverage (2.6-2.7% in previous four quarters). We pen down credit cost of 40bps in 1QFY26E in line with previous four quarters (16-52 bps).	
Key balance sheet items							
AUM (Rs bn)	91	109	112	24	3		
Key ratios (%)							
NIM	11.7	11.5	11.5	-24 bps	5 bps		
Cost-to-income	20.9	20.2	20.2	-68 bps	2 bps		
Cost-to-average AUM	2.7	2.7	2.5	-14 bps	-15 bps		
Credit cost	0.2	0.3	0.4	24 bps	10 bps		
Bajaj Finance							
Key P&L items							
Net interest income	83,653	98,072	102,011	22	4	Bajaj Finance reported strong AUM growth of 25% yoy and 5.9% qoq in 1QFY26E. We bake in qoq stable spreads of 8.5% as the yield pressure is offset by lower cost of borrowings. We model low (12%) fee income growth (9-17% yoy for last four quarters).	
Operating expenses	34,709	39,493	40,717	17	3		
PPOP	69,475	79,675	84,215	21	6		
Provisions	16,847	23,289	21,452	27	(8)		
PBT	52,654	56,474	62,852	19	11		
PAT	39,120	45,456	46,762	20	3		
Core PBT	64,223	73,915	83,028	29	12	We expect cost-to-average AUM ratio to remain moderate at 3.8% (3.9% in 4QFY25 and 4.1% in 1QFY25). We pen down credit costs to 2.0% for 1QFY26E (2.0-2.3% in the previous four quarters).	
Key balance sheet items							
AUM (Rs bn)	3,542	4,167	4,414	25	6		
Key ratios (%)							
NIM	9.7	9.7	9.5	-22 bps	-14 bps		
Cost-to-income	33.3	33.1	32.6	-72 bps	-55 bps		
Cost-to-average AUM	4.1	3.9	3.8	-26 bps	-8 bps		
Credit cost	2.0	2.3	2.0	3 bps	-29 bps		
Bajaj Housing Finance							
Key P&L items							
Net interest income	6,648	8,228	8,268	24	0	Bajaj Housing reported 5% qoq AUM growth in 1QFY26E (24% yoy) lower than 5.6-6.2% growth reported in the previous four quarters. NIM will likely compress 14 bps qoq to 3.2% as company as lending rate cuts are partially offset by benefit on the liabilities. 30% of borrowings are linked to EBLR.	
Operating expenses	1,701	2,078	1,881	11	(9)		
PPOP	6,398	7,493	7,667	20	2		
Provisions	100	296	294	193	(1)		
PBT	6,299	7,198	7,374	17	2		
PAT	4,826	5,867	5,745	19	(2)		
Core PBT	5,891	7,222	7,397	26	2	Operating expense growth will remain moderate at 9% yoy leading to 9 bps yoy decline in cost-to-AAUM ratio to 0.6% in 1QFY26E. We pen down credit cost of 10 bps (11 bps in 4QFY25 and 13 bps in 3QFY25)	
Key balance sheet items							
AUM (Rs bn)	971	1,147	1,204	24	5		
Key ratios (%)							
NIM	3.2	3.4	3.2	0 bps	-14 bps		
Cost-to-income	21.0	21.7	19.4	-161 bps	-232 bps		
Cost-to-average AUM	0.7	0.7	0.6	-9 bps	-12 bps		
Credit cost	0.0	0.1	0.1	6 bps	-1 bps		

Source: Company, Kotak Institutional Equities estimates

Exhibit 59: Quarterly result expectations for NBFCs under coverage

	1QFY25	4QFY25	1QFY26E	Change (%)			
				YoY	QoQ	Comments	
Cholamandalam							
Key P&L items							
Net interest income	25,738	30,557	32,578	27	7	Chola will likely deliver moderate 5.5% qoq AUM growth in 1QFY26E (23% yoy) lower than 5.8-6.8% qoq in the previous four quarters; this reflects weaker momentum in vehicle finance and moderation across other business lines. NIM will likely expand 10 bps qoq to 7.0% driven by moderation in cost of borrowings.	
Operating expenses	11,834	14,269	14,966	26	5		
PPOP	18,499	23,315	23,177	25	(1)		
Provisions	5,814	6,253	7,357	27	18		
PBT	12,685	17,062	15,820	25	(7)		
PAT	9,422	12,667	11,707	24	(8)		
Core PBT	18,175	21,807	22,527	24	3		
Key balance sheet items							
AUM (Rs bn)	1,554	1,847	1,950	25	6	Cost-to-AAUM ratio will likely remain moderate at 3.2% (3.2-3.3% in the previous four quarters). We pen down credit cost of 1.6% in 1QFY26E (1.4-1.6% in the previous four quarters).	
Key ratios (%)							
NIM	6.9	6.9	7.0	8 bps	8 bps		
Cost-to-income	39.0	38.0	39.2	22 bps	127 bps		
Cost-to-average AUM	3.1	3.2	3.2	1 bps	-2 bps		
Credit cost	1.5	1.4	1.6	0 bps	16 bps		
Five Star							
Key P&L items							
Net interest income	4,829	5,594	5,895	22	5	Five Star' will likely report AUM growth of 7% qoq in 1QFY25E (2-7% qoq in previous four quarters). We build in NIM compression of 20 bps qoq to 19.2% driven by lending rate cuts.	
Operating expenses	1,565	1,880	1,900	21	1		
PPOP	3,547	3,964	4,160	17	5		
Provisions	185	254	307	66	21		
PBT	3,362	3,711	3,853	15	4		
PAT	2,516	2,791	2,890	15	4		
Core PBT	3,329	3,823	4,070	22	6		
Key balance sheet items							
AUM (Rs bn)	103	119	127	23	7	Cost-to-AAUM ratio will likely remain moderate at 6.2% (6.1-6.5% in previous four quarters). We pen down credit cost of 100 bps for the quarter (74-88 bps in the previous four quarters).	
Key ratios (%)							
NIM	19	19	19	-13 bps	-21 bps		
Cost-to-income	30.6	32.2	31.4	74 bps	-81 bps		
Cost-to-average AUM	6.3	6.5	6.2	-8 bps	-34 bps		
Credit cost	0.7	0.9	1.0	26 bps	12 bps		
Home First Finance							
Key P&L items							
Net interest income	1,467	1,726	1,857	27	8	We expect AUM growth to remain strong at 6% qoq (6.4-8.0% qoq growth during the last 4 quarters) and 29% yoy growth. NIM will likely remain stable qoq at 6.7% as cost of borrowings peaks out.	
Operating expenses	658	803	813	23	1		
PPOP	1,191	1,456	1,484	25	2		
Provisions	56	77	82	48	6		
PBT	1,135	1,379	1,402	23	2		
PAT	878	1,047	1,065	21	2		
Core PBT	946	1,140	1,194	26	5		
Key balance sheet items							
AUM (Rs bn)	105	127	135	29	6	Operating expense growth at 23% will lag AUM growth leading to moderate cost-to-AAUM ratio of 2.5% in 1QFY26E (2.6-2.7% in the previous four quarters). We pen down credit cost of 25 bps for the quarter (21-34 bps over the previous four quarters).	
Key ratios (%)							
NIM	6.9	6.6	6.7	-18 bps	7 bps		
Cost-to-income	35.6	35.5	35.4	-20 bps	-15 bps		
Cost-to-average AUM	2.6	2.6	2.5	-13 bps	-12 bps		
Credit cost	0.2	0.2	0.3	3 bps	0 bps		
India Shelter							
Key P&L items							
Net interest income	1,328	1,658	1,755	32	6	We expect India Shelter to deliver strong AUM growth of 6.4% qoq and 34% yoy (7.0-8.5% in the previous four quarters). NIM will likely remain stable qoq at 9.7% as cost of borrowings peaks out.	
Operating expenses	694	831	845	22	2		
PPOP	1,053	1,423	1,575	50	11		
Provisions	66	31	95	43	205		
PBT	1,078	1,393	1,480	37	6		
PAT	833	1,079	1,139	37	6		
Core PBT	1,031	1,399	1,210	17	(14)		
Key balance sheet items							
AUM (Rs bn)	65	82	87	34	6	We expect cost-to-AAUM ratio to moderate to 4.0% in 1QFY26E driven by operating leverage (4.2-4.4% in the previous four quarters). We pen down credit cost of 45 bps for the quarter (16-48 bps in the previous three quarters).	
Key ratios (%)							
NIM	9.9	9.8	9.7	-18 bps	-7 bps		
Cost-to-income	37.7	36.8	34.9	-282 bps	-192 bps		
Cost-to-average AUM	4.4	4.2	4.0	-41 bps	-21 bps		
Credit cost	0.4	0.2	0.5	3 bps	29 bps		
L&T Finance Holdings							
Key P&L items							
Net interest income	20,200	19,350	19,789	(2)	2	LTF has reported 4.9% qoq retail AUM growth (3.2-5.5% qoq for last four quarters), driving 15% yoy overall AUM growth, boosted by acquisition of gold loan book while momentum in microloans remains weak. We expect NIM+fees to compression 100 bps yoy (flat qoq, aided by 10 bps lower cost of borrowings) reflecting shift in loan mix.	
Operating expenses	9,660	10,040	9,729	1	(3)		
PPOP	14,370	14,080	15,299	6	9		
Provisions	5,150	6,030	5,987	16	(1)		
PBT	9,220	8,050	9,312	1	16		
PAT	6,860	6,360	6,928	1	9		
Core PBT	14,370	14,080	15,299	6	9		
Key balance sheet items							
AUM (Rs bn)	887	978	1,018	15	4	Operating expenses to moderate further with cost-to-AAUM ratio of 3.9% (4.2-4.5% during the previous four quarters). We pen down credit costs of 2.4% in 1QFY26E (2.4-2.6% over the last four quarters) acknowledging stress in state of Karnataka.	
Key ratios (%)							
NIM	9.3	8.0	7.9	-134 bps	-9 bps		
Cost-to-income	40.2	41.6	38.9	-133 bps	-275 bps		
Cost-to-average AUM	4.4	4.2	3.9	-53 bps	-26 bps		
Credit cost	2.4	2.5	2.4	4 bps	-10 bps		

Source: Company, Kotak Institutional Equities estimates

Exhibit 60: Quarterly result expectations for NBFCs under coverage

	1QFY25	4QFY25	1QFY26E	Change (%)		Comments	
				YoY	QoQ		
LIC Housing Finance							
Key P&L items							
Net interest income	19,891	21,664	21,893	10	1	We expect LIC HF to report strong 16% yoy growth in disbursements on a low base, loan growth will remian muted at 8%. Spreads will likely remain stable qoq at 2.0% as the lending rate cut of 25 bps is offset by benefit on liabilities. 45% of borrowings are linked to EBLR.	
Operating expenses	2,621	4,536	3,097	18	(32)		
PPOP	17,715	18,790	19,357	9	3		
Provisions	1,431	1,094	1,161	(19)	6		
PBT	16,284	17,696	18,195	12	3		
PAT	13,002	13,680	14,556	12	6		
Core PBT	17,677	18,770	19,337	9	3		
Key balance sheet items							
AUM (Rs bn)	2,887	3,077	3,116	8	1		
Key ratios (%)							
NIM	2.8	2.9	2.8	6 bps	-3 bps	Cost-to-AAUM ratio will likely remain moderate at 40bps in 1QFY26E (60 bps in 4QFY25, 36 bps in 1QFY25). We pen down credit cost of 15 bps in 1QFY26E (11-20 bps in the previous four quarters).	
Cost-to-income	12.9	19.4	13.8	90 bps	-565 bps		
Cost-to-average AUM	0.4	0.6	0.4	4 bps	-20 bps		
Credit cost	0.2	0.1	0.2	-5 bps	1 bps		
Mahindra Finance							
Key P&L items							
Net interest income	17,836	19,276	19,800	11	3	Mahindra Finance reported 15% growth in loans book with yoy flat disbursements. We expect NIM to remain stable at 6.5% qoq as lower cost of borrowings is offset by yield compression; the latter reflects MMFS' shift to lower yielding leases and loan products.	
Operating expenses	7,970	9,427	9,178	15	(3)		
PPOP	11,345	12,128	12,555	11	4		
Provisions	4,482	4,571	5,106	14	12		
PBT	6,864	7,557	7,449	9	(1)		
PAT	5,197	5,631	5,542	7	(2)		
Core PBT	11,340	12,067	12,545	11	4		
Key balance sheet items							
AUM (Rs bn)	1,063	1,197	1,218	15	2		
Key ratios (%)							
NIM	6.8	6.6	6.6	-27 bps	-1 bps	Cost-to-AAUM ratio will likely remain moderate at 3% (2.9-3.2% in the previous four quarters). We expect credit cost of 1.7% for the quarter (0-2.6% in the previous four quarters) on the back of 3% ECL coverage (2.9% in 4QFY25) and 1% annualized write-offs (1.1-1.7% in last four quarters).	
Cost-to-income	41.3	43.7	42.2	97 bps	-151 bps		
Cost-to-average AUM	3.1	3.2	3.0	-1 bps	-17 bps		
Credit cost	1.7	1.6	1.7	-2 bps	13 bps		
Muthoot							
Key P&L items							
Net interest income	23,049	29,039	31,657	37	9	We expect loan book growth to remain strong at 8% qoq (7-11% qoq in the previous four quarters) reflecting sharp 8% qoq rise in gold prices. NIM will likely remain stable qoq at 11.2%.	
Operating expenses	6,437	8,610	8,866	38	3		
PPOP	17,153	21,478	23,374	36	9		
Provisions	2,236	1,274	1,412	(37)	11		
PBT	14,917	20,204	21,961	47	9		
PAT	10,787	15,078	16,251	51	8		
Core PBT	16,920	21,084	23,132	37	10		
Key balance sheet items							
AUM (Rs bn)	843	1,086	1,173	39	8		
Key ratios (%)							
NIM	11.5	11.3	11.2	-31 bps	-6 bps	Cost/AUM will likely remain stable qoq at 3.1% in 1QFY26E (3.0-3.3% in the previous four quarters). We pen down credit cost of 50 bps in 1QFY26E (0.5-1.1% in the previous four quarters).	
Cost-to-income	27.3	28.6	27.5	21 bps	-112 bps		
Cost-to-average AUM	3.2	3.3	3.1	-8 bps	-20 bps		
Credit cost	1.1	0.5	0.5	-62 bps	1 bps		
SBFC							
Key P&L items							
Net interest income	1,764	2,114	2,225	26	5	We expect SBFC to deliver strong AUM growth of 7% qoq (5-8% in the previous four quarters) and 31% yoy in 1QFY26E. Spreads will likely remain stable qoq at 8.1% as cost of borrowings peaks out.	
Operating expenses	828	965	1,005	21	4		
PPOP	1,199	1,461	1,535	28	5		
Provisions	148	209	249	68	19		
PBT	1,051	1,258	1,291	23	3		
PAT	787	944	968	23	3		
Core PBT	1,155	1,390	1,480	28	6		
Key balance sheet items							
AUM (Rs bn)	72	87	94	31	7		
Key ratios (%)							
NIM	10.8	10.9	10.7	-6 bps	-16 bps	Cost-to-AAUM ratio will moderate to 4.4% (4.6-4.7% in the previous four quarters). We pen down credit cost of 110 bps in 1QFY26E (85-102 bps in the previous four quarters) reflecting marginally weaker recoveries.	
Cost-to-income	40.8	39.7	39.5	-135 bps	-20 bps		
Cost-to-average AUM	4.7	4.6	4.4	-30 bps	-13 bps		
Credit cost	0.8	1.0	1.1	25 bps	11 bps		
Shriram Finance							
Key P&L items							
Net interest income	52,339	55,655	58,465	12	5	We expect Shriram Finance to report loan growth of 3.8% qoq (3.4-4.7% in the previous four quarters) and 17% yoy in 1QFY26E. NIM will likley expand 15 bps qoq to 8.8% driven by lower liquidity on balance sheet.	
Operating expenses	16,140	19,010	18,215	13	(4)		
PPOP	38,541	43,353	43,600	13	1		
Provisions	11,875	15,633	14,696	24	(6)		
PBT	26,666	27,720	28,904	8	4		
PAT	19,806	21,394	21,504	9	1		
Core PBT	38,235	42,104	43,000	12	2		
Key balance sheet items							
AUM (Rs bn)	2,334	2,632	2,731	17	4		
Key ratios (%)							
NIM	10.5	10.2	21.0	1041 bps	1076 bps	Cost-to-AAUM ratio to remain moderate at 2.7% (2.8-3.0% in the previous four quarters). We pen down credit cost of 2.2% in 1QFY26E (2.1-2.4% in the previous four quarters).	
Cost-to-income	29.5	30.5	29.5	-5 bps	-102 bps		
Cost-to-average AUM	2.8	2.9	2.7	-10 bps	-22 bps		
Credit cost	2.1	2.4	2.2	12 bps	-22 bps		

Source: Company, Kotak Institutional Equities estimates

Exhibit 61: Quarterly result expectations for NBFCs under coverage

	1QFY25	4QFY25	1QFY26E	Change (%)		Comments
				YoY	QoQ	
SBI Cards						
Key P&L items						
Net interest income	14,765	16,199	16,418	11	1	We expect revenues to increase 4% yoy led by weak fee income growth. NII growth is expected at ~10% yoy on the back of ~12% yoy growth in receivables (share of revolvers likely to remain unchanged qoq). NIM to remain flat qoq as the benefit of lower cost of funds is likely to take more time. Non-interest income to decline due to weak spend growth and mix (corporate spend and share of late fees likely to decline as asset quality is showing improvement).
Non-interest income	22,393	24,166	22,313	(0)	(8)	
Operating expenses	18,160	20,728	20,752	14	0	
PPOP	18,998	19,637	17,980	(5)	(8)	
Provisions	11,006	12,451	11,206	2	(10)	
PBT	7,992	7,185	6,773	(15)	(6)	
PAT	5,945	5,342	5,039	(15)	(6)	
Key balance sheet items						
Net loans (Rs bn)	508,070	539,350	550,137	8	2	
Key ratios (%)						
Yield on advances (%)	18.0	18.1	18.1	13 bps	0 bps	We expect provisions to start declining from current levels though this quarter should see a lower change. This would imply that we at the peak of credit costs for the franchise. Key monitorable would be the outlook on credit costs and recovery in revenue growth.
NIM	10.4	10.5	10.2	-20 bps	-24 bps	
Cost-to-income	48.9	51.4	53.6	471 bps	223 bps	
Credit cost	8.7	9.0	7.9	-71 bps	-106 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 62: Quarterly result expectations for capital market companies under coverage

	1QFY25	4QFY25	1QFY26E	Change (%)			
				YoY	QoQ	Comments	
Aditya Birla AMC							
Key P&L items							
Revenue from operations	3,866	4,288	4,394	14	2	We are expecting 5% qoq jump in AUM (~6% growth in equity) 1QFY26 for the domestic MF business. We expect yields to decline qoq due to AUM growth offsetting mix shift.	
Total income	4,814	5,008	5,314	10	6		
Operating expenses	1,664	1,849	1,903	14	3		
Employee expenses	892	988	1,028	15	4		
PBT	3,045	3,050	3,303	8	8		
PAT	2,357	2,281	2,469	5	8		
Core PBT	2,097	2,331	2,383	14	2		
Key balance sheet items							
Quarterly AAUM	3,525	3,817	4,008	14	5	We expect ~15% yoy growth in core earnings led by similar growth in revenues and expenses. Focus to remain on efforts to improve equity market share.	
Key ratios and yields (%)							
Yields (bps)-average of closing MF and f	42.1	42.3	41.3	-78 bps	-100 bps		
Cost-to-income (%)	36.7	39.1	37.9				
HDFC AMC							
Key P&L items							
Revenue from operations	7,752	9,014	9,499	23	5	We are building in ~7% qoq growth in overall QAAUM in 1QFY25 for the domestic MF business reflecting higher equity indices along with sustained net inflows. Average Nifty-500 was up ~5-6% qoq (up 10% on period-end). We expect yields to decline qoq due to sharp AUM growth.	
Total income	9,487	10,255	11,299	19	10		
Operating expenses	1,965	1,904	2,240	14	18		
Employee expenses	1,011	969	-	(100)	(100)		
PBT	7,523	8,351	9,060	20	8		
PAT	6,038	6,385	6,795	13	6		
Core PBT	5,788	7,110	7,260	25	2		
Key balance sheet items							
Quarterly AAUM	6,716	7,740	8,282	23	7	We expect ~25% yoy core PBT growth driven by ~23% yoy revenue growth and ~14% yoy expense growth. Other income is up sharply qoq due to market rally. Focus to remain on stability of retail flows and yields.	
Key ratios and yields (%)							
Yields (bps)-MF QAAUM and average of	46.2	46.6	45.6	-57 bps	-98 bps		
Cost-to-income (%)	20.7	18.6	19.8	-89 bps	125 bps		
Nippon AMC							
Key P&L items							
Revenue from operations	5,050	5,665	5,822	15	3	We are building in ~10% qoq growth in overall QAAUM in 1QFY26 for the domestic MF business reflecting growth in equity indices and strong flows. Average Nifty-500 was up ~5-6% qoq.	
Total income	6,358	5,896	6,917	9	17		
Operating expenses	1,970	2,118	2,266	15	7		
Employee expenses	1,051	1,105	1,193	14	8		
PBT	4,388	3,778	4,652	6	23		
PAT	3,322	2,983	3,535	6	19		
Core PBT	3,080	3,548	3,557	15	0		
Key balance sheet items							
Quarterly AAUM	4,838	5,572	6,120	26	10	Core earnings are expected to be up ~15% yoy, led by similar revenue and expense growth. Other income is higher qoq due to market rally. We expect yields to be lower qoq due to AUM growth and mix effect.	
Key ratios and yields (%)							
Yields (bps)-average of closing MF and f	41.8	39.7	39.0	-278 bps	-70 bps		
Cost-to-income (%)	31.0	35.9	32.8				
UTI AMC							
Key P&L items							
Revenue from operations	3,368	3,602	3,698	10	3	We forecast 6% overall and 5% equity AUM decline qoq. Net inflows in equity remains weak.	
Total income	5,337	3,662	4,798	(10)	31		
Operating expenses	1,924	2,122	2,093	9	(1)		
Employee expenses	1,137	1,162	1,200	6	3		
PBT	3,413	1,540	2,705	(21)	76		
PAT	2,743	1,020	2,083	(24)	104		
Core PBT	1,444	1,480	1,605	11	8		
Key balance sheet items							
Quarterly AAUM	1,160	1,223	1,272	10	4	We expect core PBT growth of ~11% yoy, led by similar revenue and expense growth. Low other income drives sharp fall in PAT.	
Key ratios and yields (%)							
MF yields (%)	34.0	34.0	33.0	-96 bps	-100 bps		
Cost-to-income (%)	36.1	57.9	43.6	757 bps	-1433 bps		
360ONE							
Key P&L items							
Recurring revenues	3,576	4,430	4,648	30	5	We expect recurring AAUM growth of 5% qoq (~22% yoy) in 1QFY25 given strong market returns and stable flows. Expect wealth unit to continue to drive flows.	
Non-recurring revenues	2,427	2,090	1,640	(32)	(22)		
Overall revenues	6,971	6,590	6,738	(3)	2		
Operating expenses	3,002	3,193	3,340	11	5		
PBT	3,229	3,577	3,250	1	(9)		
PAT	2,412	2,749	2,500	4	(9)		
Key balance sheet items							
Recurring AUM	2,213	2,468	2,699	22	9		We expect nearly flat PAT growth yoy as recurring revenues growth (~30% yoy) is offset by transactional income decline (~30% yoy). Cost-income ratio to be marginally higher qoq (~51%).
Key ratios and yields (%)							
Recurring revenue to overall revenues	51.3	67.2	69.0	1769 bps	176 bps		
Cost-to-income	43.1	48.5	49.6	650 bps	111 bps		

Source: Company, Kotak Institutional Equities estimates

Exhibit 63: Quarterly result expectations for capital market companies under coverage

	1QFY25	4QFY25	1QFY26E	Change (%)		Comments	
				YoY	QoQ		
CAMS							
Key P&L items							
Revenue from operations	3,314	3,562	3,573	8	0	We expect ~7% qoq growth in AUM with stable share of equity (~55%) on a sequential basis. Earnings to decline ~5% yoy due to weak revenue growth (impact of contract repricing) and higher expense growth.	
Other income	117	134	120	3	(11)		
Total income	3,431	3,696	3,693	8	(0)		
Operating expenses	2,007	2,217	2,364	18	7		
Employee expenses	1,130	1,178	-	(100)	(100)		
PBT	1,424	1,479	1,329	(7)	(10)		
PAT	1,082	1,140	1,025	(5)	(10)		
Key balance sheet items							
Managed AAUM (Rs tn)	40	46	49	22	7		
Key ratios							
Asset-based MF fees (bps)	2.43	2.27	2.15	-0.28 bps	-0.118 bps	We expect yields to decline 5% qoq (for asset linked MF revenues) reflecting impact of AUM growth and repricing. We expect higher cost-to-income ratio qoq at ~64%. We expect non-MF revenue growth to be area of focus apart from revenue yields.	
Cost-to-income (%)	58.5	60.0	64.0	552 bps	404 bps		
EBITDA margin (%)	45.2	44.7	100.0	5479 bps	5525 bps		
Share of equity-oriented AAUM (%)	54.0	54.4	54.4	42 bps	0 bps		
Kfin Technologies							
Key P&L items							
Revenue from operations	2,376	2,827	2,817	19	(0)	We expect ~23% yoy growth (~7% up qoq) in AUM. Earnings to grow of ~20% yoy, reflecting strong weaker revenue growth (~20%).	
Other income	81	100	100	24	(0)		
Total income	2,456	2,927	2,917	19	(0)		
Operating expenses	1,538	1,785	1,819	18	2		
Employee expenses	958	1,017	1,121	17	10		
PBT	918	1,142	1,098	20	(4)		
PAT	681	851	818	20	(4)		
Key balance sheet items							
Managed AAUM (Rs tn)	19	22	23	23	7		
Key ratios							
Asset-based MF fees (bps)	3.60	3.61	3.55	-0.05 bps	-0.056 bps	We expect sequential dip in EBITDA margin due to seasonality (stable yoy). Expect focus on potential client wins and revenue growth in alternatives and international business, including updates on M&A.	
Cost-to-income (%)	62.6	61.0	-	-6263 bps	-6098 bps		
EBITDA margin (%)	42.0	43.2	41.7	-22 bps	-151 bps		
Share of equity-oriented AAUM (%)	58.6	58.0	58.0	-59 bps	1 bps		
CRISIL							
Key P&L items							
Revenue from operations	7,974	8,132	8,832	11	9	Expect PAT growth of ~20% yoy driven by EBIT growth of ~35% yoy in ratings and nearly flat yoy in non-ratings business.	
Other income	181	306	200	11	(35)		
Total income	8,154	8,438	9,032	11	7		
Operating expenses	6,075	6,165	6,634	9	8		
Employee expenses	4,475	4,271	4,292	(4)	0		
PBT	2,080	2,273	2,397	15	5		
PAT	1,501	1,598	1,822	21	14		
Other items							
Rating revenues	2,125	2,679	2,879	35	7	We build ~200 bps yoy improvement in margins led by growth uptick in ratings business. Bond issuances are up ~13% qoq with CP issuances at ~5% qoq. Focus to remain on growth and margin outlook for international business.	
Non-rating revenues	5,849	5,453	5,953	2	9		
Key ratios							
Cost-to-income (%)	74.5	73.1	73.5	-104 bps	39 bps		
ICRA							
Key P&L items							
Revenue from operations	1,148	1,362	1,319	15	(3)	Expect revenue growth of ~15% yoy driven by rating revenue growth (22% yoy). Overall PAT growth of ~33% yoy with EBIT margin expanding to 46% (+500 bps yoy).	
Other income	179	206	200	12	(3)		
Total income	1,327	1,568	1,519	14	(3)		
Operating expenses	855	828	907	6	10		
Employee expenses	650	611	700	8	14		
PBT	472	741	612	30	(17)		
PAT	359	560	465	30	(17)		
Other items							
Rating revenues	650	828	790	22	(5)	Bond issuances are up ~13% qoq with CP issuances at ~5% qoq. Focus on growth and margin concerns in non-ratings business linked to Moody's (linked to global volumes outsourced).	
Non-rating revenues	498	534	529	6	(1)		
Key ratios							
Cost-to-income (%)	64.4	52.8	59.7	-473 bps	692 bps		
ANGELONE							
Key P&L items							
Revenue from operations	14,024	10,488	10,537	(25)	0	Angel One's average daily orders is up 6% qoq (led by cash) with MTF book up 4% qoq. Flow through to revenues (flat qoq) is weaker due to lower revenue per order in cash vs F&O.	
Other income	46	18	15	(67)	(18)		
Total income	14,071	10,506	10,552	(25)	0		
Operating expenses	10,132	8,221	9,530	(6)	16		
Employee expenses	2,010	1,867	2,400	19	29		
PBT	3,968	2,357	1,095	(72)	(54)		
PAT	3,968	2,357	1,095	(72)	(54)		
Other items							
Gross Broking revenue	9,173	6,332	6,293	(31)	(1)	Overall PAT is expected be substantially weaker qoq due to IPL-related costs in 1Q; weakness on yoy basis is due to F&O regulations impacting order growth.	
Interest on client funding book	2,944	3,378	3,444	17	2		
Key ratios							
Cost-income ratio	71.86	77.72	89.70	1784 bps	1198 bps		
EBDAT (%)	37.7	31.8	16.5	-2119 bps	-1532 bps		

Source: Company, Kotak Institutional Equities estimates

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

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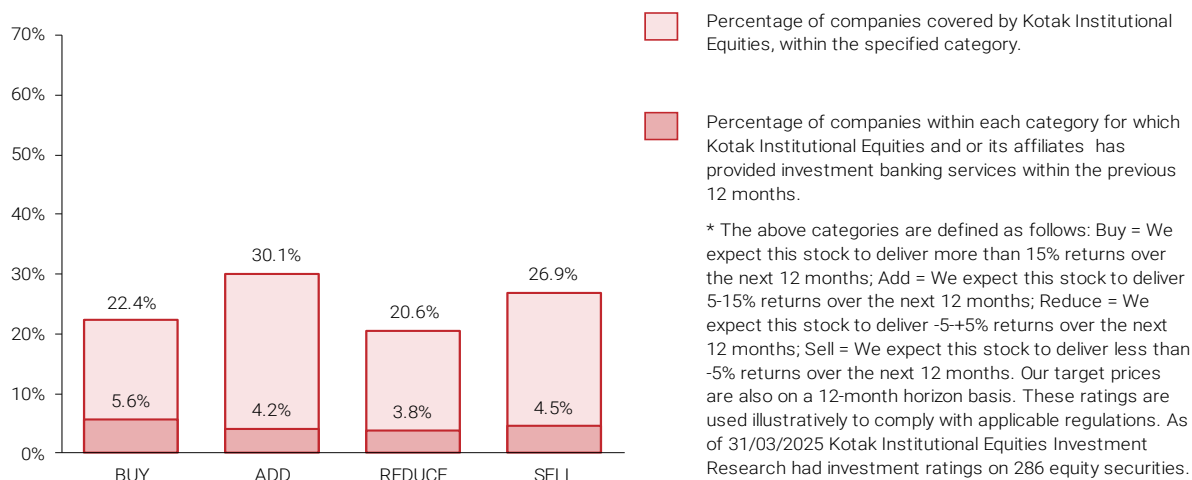
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