

Banks - Sector Update (Q2FY25)

Challenging Q2: pressure on margin; credit cost rises

Bank's credit growth eased to 14.8% YoY in Q2FY25 (monthly avg. growth) vs 15.4% YoY in Q1FY25 and 14.9% YoY in year ago quarter. Despite some QoQ moderation, loan growth continues to be healthy as the impact of slowing retail unsecured/NBFC segments was largely offset by sustained strong growth in home loan/ loan against jewelry, agri, CRE and pick-up in industrial credit. Meanwhile, banks continue to face higher competition for deposits accumulation resulting in a higher cost of deposits (CoD) and margin moderation. Avg. LCR of the industry (12 PSBs+10 pvt leading banks) stood elevated at 82% in Q2FY25 (vs FY23 level of ~75%). Margin declined due to higher CoD and moderation in yield on relatively lower growth in high yielding products. Lenders witnessed higher slippages mainly from retail unsecured/micro-finance segments which led to increase in credit cost. Our coverage companies (exc. CIFIC) outperformed the industry in Q2 while retaining their full year growth/margin/credit cost guidance for FY25E.

Margin/growth moderates in Q2; lenders witness higher funding cost

Banks reported yet another quarter of margin moderation due to higher cost of deposits (CoD) amidst rising competition for deposits mobilization as depositors are lured toward high returning financial assets. Alternatively, yield declined on QoQ basis due to lower growth in high yielding segments such as retail unsecured/NBFC on risks weight increase and rising delinquencies. Industry avg. NIM reduced to 3.9% in Q2 vs 4.0% in Q1 (PSBs: 3.1% in Q2 vs 3.2% in Q1, pvt banks: 4.6% in Q2 vs 4.7% in Q1). Meanwhile, avg. NIM of our coverage companies rose by 6bps sequentially. Industry deposits growth modestly improved to 11.5% YoY/3.5% QoQ (vs 11.4% YoY/flat in Q1). Our coverage banks (SBI, BoB, ICICIBC, CUBK, FB) continue to outperform industry with >250 bps/550 bps YoY higher Q2 growth in deposits/advances. Overall, Q2 remained challenging for banks/NBFCs as moderation in margin and higher credit cost weigh on core profitability.

View: Lending businesses (Banks & NBFCs) reported mixed performance for Q2FY25 on margin compression, increase in credit cost and slowdown in credit growth. CoD is expected to further increase, though modestly, in the coming quarter which may weigh on margin. Banks are rising deposits rate and shore up liability franchise to ensure guided loan growth. Banks may face challenges on credit growth amidst higher competition for deposits accumulation and rising stress in some unsecured retail segments. Overall, near-term outlook seems challenging for the banks/NBFCs due to pressure on NIM, likely increase in credit cost and contained growth. Considering the prevailing scenario, we advise investors to adopt a stock specific approach for investing in the BFSI sector. Larger banks with deeper liability franchises and granular deposits book are better placed in this scenario. **Within our coverage universe, our top picks are 1) ICICIBC 2) SBIN and 3) AADHARHF.**

Exhibit 1. Coverage Universe: Valuation Matrix

Particulars	CMP	TP	Rating	Mcap (INR bn)	P/ABV(x)			P/E (x)			ROA (%)			RoE (%)		
					FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
ICICIBC	1,301	1,505	BUY	9,179	3.9	3.4	2.9	22.7	20.0	17.9	2.4	2.3	2.2	18.6	18.0	17.4
AADHARHF	400	555	BUY	172	3.7	2.7	2.4	22.1	17.9	15.1	4.2	4.6	4.4	18.4	17.9	16.8
BOB	247	300	BUY	1,278	1.1	1.0	0.9	7.2	6.5	5.5	1.2	1.2	1.2	16.9	16.2	16.6
SBI	844	1010	BUY	7,536	2.0	1.7	1.5	12.3	10.3	9.4	1.0	1.1	1.1	17.3	17.9	16.8
FB	213	212	ADD	522	1.8	1.6	1.4	14.1	12.1	10.1	1.3	1.3	1.3	14.7	14.0	14.7
CUBK	174	175	ADD	129	1.5	1.4	1.2	12.8	11.2	10.3	1.5	1.6	1.5	12.8	13.1	12.7
CIFIC	1,240	1,530	ADD	1,042	5.2	4.3	3.5	30.5	25.4	19.9	2.5	2.3	2.4	20.2	19.0	19.9
Shriram	2,948	3,675	ADD	1,108	2.3	2.0	1.8	15.4	12.9	10.9	3.3	3.3	3.3	15.7	16.6	17.2
HOMEFIRS	1,139	1,280	ADD	102	4.7	4.0	3.4	32.2	27.8	21.5	3.8	3.4	3.5	15.5	16.3	18.0

Source: Company data, MACM Research, *-P/BV for NBFCs

Credit cost increases on higher slippages; GNPA rises snapping the declining trend

During Q2, lenders (banks/NBFCs) reported higher slippages mainly from retail unsecured, micro-finance book which led to increase in credit cost. Meanwhile strong R&U and higher write-offs helped to contain GNPA. Avg. GNPA ratio of industry declined to 2.9% (vs 3.0% in Q1) led by PSBs (GNPA at 3.5% vs 3.7% QoQ). Our coverage banks performed better than the industry on assets quality front with contained slippages/credit cost. GNPA (avg.) ratio of our coverage banks (ICICIBC, BOB, FB, CUB, SBI) declined to 2.6% (vs 2.7% QoQ). Overleveraging of retail customers has emerged as an issue for lenders. Thereby, the assets quality outlook relies more on the slippages trend for these unsecured retail segments in the coming quarters as corporate sector continued to remain resilient with minimal stress/slippages.

Coverage Universe

During Q2FY25, our coverage banks/NBFCs performed better than industry. Managements of the respective companies kept their growth, margin & credit cost guidance intact. Loan book of our coverage banks (ICICIBC, SBIN, BOB, CUBK, FB) grew by 18% YoY in Q2 (vs 15% YoY industry) and deposits by 14% YoY (vs 11.5% YoY for industry). Avg. NIM of our coverage banks/NBFCs expanded sequentially compared to margin contraction for industry. PAT of coverage companies grew at a healthy pace of 22% YoY/8% QoQ, while the average GNPA reduced by 10 bps sequentially. Considering the prevailing scenario, larger banks with deeper liability franchises and granular deposits book are better placed to gain market share in key business segments. **Within our coverage universe, our top picks are 1) ICICIBC 2) SBIN and 3) AADHARHF.**

Our coverage companies performed better than industry peers in Q2FY25

Banks	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
Bank of Baroda	NII	108,307	116,001	116,221	7.3	0.2	<ul style="list-style-type: none"> Q2 performance seems healthy on a sequential basis as business growth picked up strongly while NIM & credit cost came within the guidance. Lender delivered much improved business performance sequentially with loans/deposits growth of 7%/4% on QoQ basis. Slippages rate came within bank's guidance of 1%-1.25%. Credit cost guidance reduced to 75bps from <1.0% earlier. Management cut loan/deposits guidance marginally by 1% each to 11-13%/9-11% for FY25E. BoB focuses on effective ALM to sustain NIM at the guided level. Global NIM guidance at 3.15% (+/- 5 bps).
	NIMs (%)	3.1	3.2	3.1			
	PPOP	80,197	71,613	94,770	18.2	32.3	
	Net profit	42,529	44,582	52,379	23.2	17.5	
	ROA (%)	1.1	1.1	1.3			
	Deposit (INR bn)	12,496	13,070	13,635	9.1	4.3	
	Advances (INR bn)	9,980	10,479	11,212	12.3	7.0	
	GNPA (%)	3.3	2.9	2.5			

Banks	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
City Union Bank	NII	5,384	5,452	5,825	8.2	6.8	<ul style="list-style-type: none"> Q2 performance looks strong on growth, profitability and assets quality fronts. In H1FY25, loan book grew by 12% YoY in line with double digit growth guidance. Management is confident to achieve industry level growth in FY25 and surpass it when new focused retail secured products start delivering growth from Q4 onwards. Management retained slippages guidance at INR 8,000mn and NNPA at 1.20-1.25% for FY25. Gold loan will continue to remain focused segment due to strong growth prospect.
	NIMs (%)	3.7	3.5	3.7			
	PPOP	3,866	3,735	4,282	10.8	14.6	
	Net profit	2,806	2,645	2,852	1.6	7.8	
	ROA (%)	1.7	1.5	1.6			
	Deposit	527,140	548,569	573,691	8.8	4.6	
	Advances	426,522	455,949	477,715	12.0	4.8	
	GNPA (%)	4.7	3.9	3.5			

Banks	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
Federal Bank	NII	20,564	22,920	23,672	15.1	3.3	<ul style="list-style-type: none"> Improved NIM level and focus on improving fee income has strengthened the core PPOP growth trajectory. Credit cost trajectory at 30 bps continues to remain best in industry providing strong traction to earnings growth. For NIM improvement bank said there are multiple levers on assets side as well as on liabilities side. The bank will utilize both to improve the NIM. The bank expects 18% loan growth in FY25.
	NIMs (%)	3.2	3.2	3.1			
	PPOP	13,245	15,009	15,654	18.2	4.3	
	Net profit	9,538	10,095	10,567	10.8	4.7	
	ROA (%)	1.4	1.3	1.3			
	Deposit	2,328,680	2,660,650	2,691,066	15.6	1.1	
	Advances	1,928,170	2,208,070	2,303,120	19.4	4.3	
	GNPA (%)	2.3	2.1	2.1			

Banks	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
ICICI Bank	NII	183,079	195,529	200,480	9.5	2.5	<ul style="list-style-type: none"> ICICIBC delivered yet another strong quarter contrary to industry trend driven by strong sequential pick-up in business growth and healthy core performance. Margin is likely to be broadly stable in H2 relative to H1 until a rate cut cycle starts. CoD is largely peaked out. Management confident to contain credit cost 40-50 bps in this fiscal. bank sustained GNPA reduction trend with the ratio slipping below <2.0%. Bank continue to grow business banking, credit card business. RoA/ROE trajectory is expected to remain at a healthy level at ~2.2%/17% over FY25-26E. Bank indicates a rise in employees' cost. Branch addition in H2 will be higher than H1.
	NIMs (%)	4.5	4.4	4.3			
	PPOP	142,293	160,248	167,232	17.5	4.4	
	Net profit	102,610	110,591	117,459	14.5	6.2	
	ROA (%)	2.3	2.4	2.4			
	Deposit (INR bn)	12,947	14,262	14,978	15.7	5.0	
	Advances (INR bn)	11,105	12,232	12,772	15.0	4.4	
	GNPA (%)	2.5	2.2	2.0			

Banks	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
State Bank of India	NII	395,000	411,255	416,195	5.4	1.2	<ul style="list-style-type: none"> SBI delivered in-line Q2 numbers as growth/assets quality improved sequentially. Advances growth at 15% YoY/3% QoQ remained in-line with guidance; deposits grew at a strong pace of 4% QoQ SBI reiterated its credit growth guidance of 14-16% in FY25E. The bank maintains credit cost guidance at ~50bps; slippages ratio is guided to maintain below 60 bps
	NIMs (%)	3.3	3.2	3.2			
	PPOP	194,166	264,486	292,937	50.9	10.8	
	Net profit	143,300	170,352	183,314	27.9	7.6	
	ROA (%)	1.1	1.1	1.2			
	Deposit	46,892	49,017	51,173	9.1	4.4	
	Advances	33,452	37,491	38,574	15.3	2.9	
	GNPA (%)	2.5	2.2	2.1			

NBFCs	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
Aadhar Housing Finance	NII	3,220	3,574	3,874	20.3	8.4	<ul style="list-style-type: none"> AUM grew by 5% QoQ on strong sequential pick-up in disbursements. Management maintained disbursements/AUM guidance at 18-20%/~22-24% for FY25E. Management said CoB may increase further; guided to exit FY25E at 8.20-8.25%. The company remains stick to plan for opening 70-75 branches in this fiscal. Deeper impact strategy is working well for the company enabling it to reach the niche markets in tier 4 cities
	NIMs (%)	7.1	6.7	7.0			
	PPOP	2,545	2,759	3,058	20.2	10.8	
	Net profit	1,973	2,001	2,276	15.4	13.7	
	ROA (%)	4.6	4.1	4.2			
	AUM	188,849	217,263	228,175	20.8	5.0	
	Disbursement	17,253	14,967	20,356	18.0	36.0	
	GNPA (%)		1.4	1.4			

NBFCs	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
Cholamandala m Investment and Finance Company	NII	20,153	25,738	27,128	34.6	5.4	<ul style="list-style-type: none"> CIFC reported muted Q2 performance as disbursements remained weak (flat on QoQ basis) while credit cost rose to 1.6% Management expects improvement in H2 and maintained full fiscal AUM guidance at 25%. Margin remained stable at 6.8% with sustained improvement in yield (+14 bps QoQ) in line with guidance. Used vehicle industry is poised to grow due to the increase in price of new vehicles over the years and increase in organised financing options.
	NIMs (%)	6.7	6.8	6.8			
	PPOP	14,209	18,499	19,221	35.3	3.9	
	Net profit	7,629	9,422	9,631	26.2	2.2	
	ROA (%)	2.4	2.3	2.1			
	AUM	124,246	155,442	164,642	32.5	5.9	
	Disbursement	21,542	24,332	24,314	12.9	(0.1)	
GNPA (%)	3.0	2.6	2.8				

NBFCs	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
Home First Finance Company	NII	1,321	1,464	1,566	18.5	7.0	<ul style="list-style-type: none"> HOMRFIRS sustained healthy business momentum with AUM growth of 35% YoY Management retains 30%+ AUM growth guidance and expects 20-30 bps credit cost for FY25E. Management expects leverage may increase to 5.0x. The company continue to expand distribution footprint, opened 9 branches in Q2 taking total count to 142. The company is expanding its presence in UP, MP and Rajasthan.
	NIMs (%)	6.8	5.8	6.0			
	PPOP	1,044	1,191	1,261	20.8	5.9	
	Net profit	743	877	922	24.1	5.1	
	ROA (%)	3.8	3.6	3.4			
	AUM	83,654	104,781	112,294	34.2	7.2	
	Disbursement	9,591	11,625	11,768	22.7	1.2	
GNPA (%)	1.7	1.7	1.7				

NBFCs	(INR mn)	Q2FY24	Q1FY25	Q2FY25	YoY%	QoQ%	Commentary/ Outlook
Shriram Finance	NII	45,947	52,339	54,641	18.9	4.4	<ul style="list-style-type: none"> SHFL delivered healthy Q2 performance driven by strong AUM growth (4% QoQ) and profitability (5% QoQ). Management expects margin to sustain at the current level. It also guided that strong traction in growth to continue in H2 as well. SHFL is well placed to deliver sustainable growth as it focuses on diversifying AUM mix, exploring cross sell opportunities and is effectively utilizing branch network for non-CV products such as MSME/gold/PL.
	NIMs (%)	9.5	9.1	9.3			
	PPOP	34,808	38,541	39,865	14.5	3.4	
	Net profit	17,508	19,806	20,713	18.3	4.6	
	ROA (%)	3.1	3.1	3.1			
	AUM	2,026,410	2,334,436	2,430,426	19.9	4.1	
	Disbursement	346,000	377,000	400,000	15.6	6.1	
GNPA (%)	5.7	5.4	5.3				

Banking sector Q2 performance review; weak quarter

Indian banks reported sequentially decline in loan and profitability growth, while deposits growth improved sequentially. NII of public sector banks (12 PSBs – inc. 10 of Nifty PSU Bank index) grew by 6% YoY/0.1% QoQ in Q2 (vs 16% YoY/7% QoQ in Q1) and PAT by 35% YoY/14% QoQ (vs 24% YoY/-1% QoQ). While private banks (Nifty private bank index -10 banks) reported NII growth of 11% YoY/1.0% QoQ (vs 16% YoY/4.5% QoQ in Q1) and PAT growth at 10% YoY/1% QoQ (vs 26% YoY/5% QoQ in Q1). Loan growth for industry moderated in Q2 on yearly basis due to slowed down of growth in segments like retail unsecured, micro-finance and NBFC segment due to regulatory concerns and rising delinquencies. **PSBs** reported loan growth of 13% YoY in Q2 as compared to 14% YoY in Q1. While **pvt banks** reported loan growth at 11.5% YoY (vs 29% YoY). PSBs reported deposits growth at 9.5% YoY (vs 8% YoY in Q1) and pvt bank at 16% YoY (vs 19% YoY in Q1). In Q2, avg. LDR ratio of PSBs stood flat at 75% on QoQ (vs 73% YoY) while LDR of private banks eased modestly to 90% (vs 91% QoQ and 92% YoY). During the quarter, banks reported moderation in margin and an increase in credit cost which weighed on NII growth/profitability. Though, PSBs’ strong PAT growth got a boost from higher treasury income and contained employee cost. Avg. C/I ratio of PSBs reduced to 49.8% (51.1% QoQ). On assets quality front, slippages increased during quarter on higher addition from retail unsecured assets and micro-finance segments. Though strong R&U and write-off, GNPA ratio remained largely contained. Slippages from the corporate book continued to remain minimal indicating a healthy balance sheet positioning of large borrowers.

Exhibit 2. Aggregate – Nifty Private Bank Index

(INR bn)	Q2FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
NII	798	873	883	10.6	1.1
PPOP	596	658	676	13.4	2.7
PAT	387	422	426	10.2	1.1
Advances	56,013	60,903	62,454	11.5	2.5
Deposits	57,979	64,408	67,095	15.7	4.2
NIM (%)	4.8	4.7	4.6		
C/I (%)	50.9	50.8	50.8		
GNPA (%)	2.9	2.3	2.3		
NNPA (%)	0.9	0.7	15.2		
ROA (%)	1.8	1.9	1.6		
ROE (%)	14.6	14.9	12.8		
CASA (%)	39.1	37.1	37.1		

Source: Company, MACM Research

Exhibit 3. Aggregate – Nifty PSU Bank Index

(INR bn)	Q2FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
NII	1,002	1,061	1,062	6.0	0.1
PPOP	629	712	787	25.0	10.4
PAT	336	399	455	35.4	14.0
Advances	89,642	98,232	101,435	13.2	3.3
Deposits	122,126	129,616	133,754	9.5	3.2
NIM (%)	3.1	3.2	3.1		
C/I (%)	53.1	51.1	49.8		
GNPA (%)	4.7	3.7	3.5		
NNPA (%)	1.1	0.8	0.7		
ROA (%)	0.8	1.0	1.1		
ROE (%)	14.2	16.5	17.8		
CASA (%)	40.4	39.7	39.2		

Exhibit 4. Business growth/profitability for PSBs/pvt banks

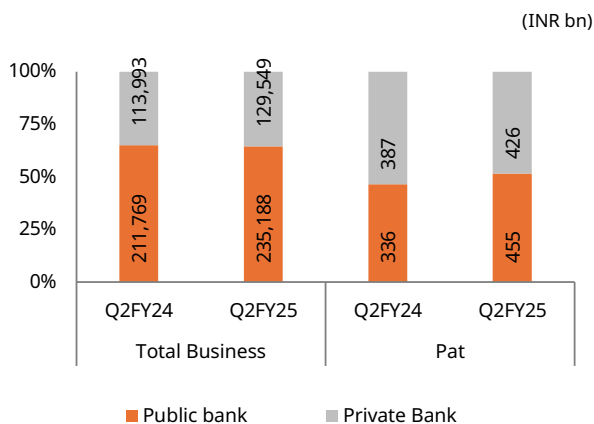
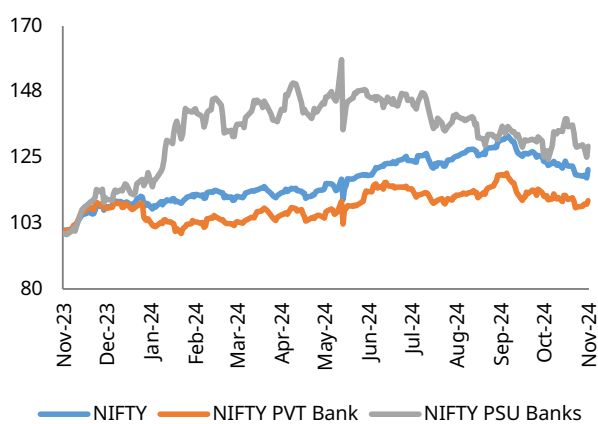


Exhibit 5. Performance of Nifty/Pvt Bank Nifty/PSU Nifty



Source: NSE, MACM Research

Public Sector Banks

Mixed Q2; PAT supported by high treasury income/ low employee cost

Margin of most of PSBs declined during Q2 due to an increase in CoD. Credit cost increased but remained largely contained compared to pvt banks due to checked GNPA. Higher R&U and write-off offset the impact of sequential increase in slippages. PAT growth remained strong for PSBs despite weak NII growth driven by higher treasury income and low employee costs.

Exhibit 6. Snapshot (as on Q2FY25)

	BOB IN	BOI IN	BOMH IN	CBK IN	CBOI IN	INBK IN	IOB IN	PNB IN	PJSB IN	SBIN IN	UCO IN	UNBK IN
Key metrics (INR bn)												
Loans	11,212	6,219	2,175	10,120	2,529	5,506	2,301	10,619	910	38,574	1,979	9,288
Deposits	13,635	7,752	2,763	13,473	3,919	6,931	3,107	14,583	1,240	51,173	2,758	12,419
NII	116	60	28	93	34	62	25	105	9	416	23	90
PPOP	95	41	22	77	22	47	21	69	5	293	14	81
PAT	52	24	13	40	9	27	8	43	2	183	6	47
Growth (YoY %)												
Loan Growth	12.3	14.5	18.8	9.5	9.5	11.9	10.2	12.8	11.1	15.3	18.0	9.6
Deposit Growth	9.1	10.1	15.5	9.3	5.6	8.2	13.8	11.3	6.5	9.1	10.6	9.2
NII	7.3	4.3	15.4	4.6	12.6	7.9	8.2	6.0	29.3	5.3	20.0	-0.9
PPOP	18.2	10.4	14.7	0.5	41.5	9.9	26.9	14.8	76.2	51.0	45.8	13.0
PAT	23.2	62.8	44.2	11.3	50.9	36.2	24.3	242.9	27.0	28.0	50.0	45.9
Ratios (%)												
CASA Ratio	39.8	41.2	49.3	28.7	48.9	38.9	42.4	39.3	30.4	40.0	38.2	32.7
CD Ratio	82.2	80.2	78.7	75.1	64.7	79.4	74.1	72.8	73.4	75.4	71.8	74.8
NIMs	3.1	2.8	4.0	2.9	3.4	3.4	3.1	2.9	2.7	3.2	3.1	2.9
GNPA Ratio	2.5	4.4	1.8	3.7	4.6	3.5	2.7	4.5	4.2	2.1	3.2	4.4
NNPA Ratio	0.6	0.9	0.2	1.0	0.7	0.3	0.5	0.4	1.5	0.5	0.7	1.0
PCR	76.3	92.2	89.7	90.9	96.3	92.5	97.1	90.2	88.6	75.7	77.6	92.8
ROA	1.3	0.9	1.7	1.1	0.9	1.3	0.8	1.0	0.7	1.1	0.8	1.4
CET1 Ratio	12.7	13.5	12.0	12.0	14.0	13.5	14.8	11.6	14.6	10.0	14.2	13.9
Valuation												
Market Cap (INR bn)	1,278	487	419	916	494	757	992	1,198	332	7,536	530	914
BVPS	261	162	32	113	37	447	15	110	17	519	23	141
PBV (x)	1.0	0.7	1.7	0.9	1.5	1.3	3.5	1.0	2.9	1.6	1.9	0.9

Source: Company, MACM Research

Exhibit 7. PSBs reported loan growth of 13% YoY in Q2 vs 14% YoY in Q1.

INR bn	Q2FY24	Q1FY25	Q2FY25	Q1FY25		Q2FY25	
				YoY (%)	QoQ (%)	YoY (%)	QoQ (%)
BOB IN	9,980	10,479	11,212	8.8	(1.7)	12.3	7.0
BOI IN	5,431	6,003	6,219	15.8	2.5	14.5	3.6
BOMH IN	1,831	2,090	2,175	19.0	10.3	18.8	4.1
CBK IN	9,240	9,752	10,120	9.9	1.5	9.5	3.8
CBOI IN	2,310	2,506	2,529	14.0	(9.9)	9.5	0.9
INBK IN	4,923	5,391	5,506	14.0	1.0	11.9	2.1
IOB IN	2,089	2,301	2,301	20.3	5.1	10.2	0.0
PNB IN	9,417	10,287	10,619	14.0	5.0	12.8	3.2
PJSB IN	819	877	910	9.2	2.1	11.1	3.8
SBIN IN	33,452	37,491	38,574	15.4	1.0	15.3	2.9
UCO IN	1,677	1,933	1,979	18.6	3.4	18.0	2.4
UNBK IN	8,472	9,122	9,288	11.5	0.8	9.6	1.8

Source: Company, MACM Research

Exhibit 8. Deposits growth of PSBs stands at 9.5% YoY in Q2 (vs 8.0% YoY in Q1)

(INR bn)	Q2FY24	Q1FY25	Q2FY25	Q1FY25		Q2FY25	
				YoY (%)	QoQ (%)	YoY(%)	QoQ(%)
BOB IN	12,496	13,069	13,635	8.9	(1.5)	9.1	4.3
BOI IN	7,038	7,644	7,752	9.7	3.6	10.1	1.4
BOMH IN	2,393	2,674	2,763	9.4	(1.2)	15.5	3.3
CBK IN	12,322	13,352	13,473	12.0	1.7	9.3	0.9
CBOI IN	3,713	3,849	3,919	5.9	0.0	5.6	1.8
INBK IN	6,408	6,812	6,931	10.0	(1.0)	8.2	1.8
IOB IN	2,731	2,987	3,107	13.0	4.5	13.8	4.0
PNB IN	13,099	14,082	14,583	8.5	3.0	11.3	3.6
PJSB IN	1,165	1,206	1,240	5.6	1.0	6.5	2.8
SBIN IN	46,892	49,017	51,173	8.2	0.0	9.1	4.4
UCO IN	2,494	2,682	2,758	7.4	1.9	10.6	2.8
UNBK IN	11,376	12,242	12,419	8.5	0.2	9.2	1.5

Source: Company, MACM Research

Exhibit 9. Avg. LDR at 75% flat on QoQ basis. Avg. CASA declines by ~50 bps to 39%. C/I ratio of PSBs reduces to < 50% driven by lower employees' cost

	LDR(%)			CASA (%)			C-I (%)		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
BOB IN	79.9	80.2	82.2	39.9	40.6	39.8	56.5	49.2	43.6
BOI IN	77.2	78.5	80.2	43.1	42.7	41.2	49.4	51.5	51.2
BOMH IN	76.5	78.2	78.7	50.7	49.9	49.3	38.0	37.9	38.8
CBK IN	75.0	73.0	75.1	29.8	28.6	28.7	43.7	47.4	46.5
CBOI IN	62.2	65.1	64.5	49.4	49.2	48.9	62.6	57.7	57.2
INBK IN	76.8	79.1	79.4	40.1	39.0	38.9	44.4	44.3	45.1
IOB IN	76.5	77.0	74.1	43.7	42.2	42.4	51.5	51.8	49.0
PNB IN	71.9	73.0	72.8	42.2	40.1	39.3	52.0	53.3	54.6
PJSB IN	70.3	72.8	73.4	31.2	31.6	30.4	72.4	69.7	62.8
SBIN IN	71.3	76.5	75.4	41.9	40.7	40.0	61.4	49.4	48.5
UCO IN	67.3	72.1	71.8	38.3	38.6	38.2	61.7	57.2	56.5
UNBK IN	74.5	74.5	74.8	34.7	33.4	32.7	43.7	44.1	43.6

Source: Company, MACM Research

Exhibit 10. NIM moderates sequentially due to higher CoD and contained YoA

	NIM%			YOA (%)			COD(%)		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
BOB IN	3.1	3.2	3.1	8.9	9.0	8.9	5.0	5.1	5.2
BOI IN	3.1	3.1	2.8	8.5	8.6	8.5	4.5	4.8	5.0
BOMH IN	3.9	4.0	4.0	8.9	9.0	9.2	4.3	4.5	4.7
CBK IN	3.0	2.9	2.9	8.6	8.7	8.8	5.4	5.7	5.7
CBOI IN	3.3	3.6	3.4	8.6	8.7	8.8	4.6	4.7	4.7
INBK IN	3.5	3.4	3.4	8.8	8.7	8.8	4.9	5.1	5.1
IOB IN	3.1	3.1	3.1	8.8	8.8	9.0	4.7	5.0	5.2
PNB IN	3.1	3.1	2.9	8.2	8.3	8.3	4.9	5.1	5.2
PJSB IN	2.3	2.7	2.7	8.6	8.7	8.8	5.6	5.6	5.7
SBIN IN	3.3	3.2	3.2	8.9	8.8	8.9	4.7	5.0	5.0
UCO IN	2.8	3.1	3.1	8.4	8.5	8.6	4.8	4.8	4.9
UNBK IN	3.2	3.1	2.9	8.8	8.7	8.7	5.2	5.4	5.6

Source: Company, MACM Research

Exhibit 11. Slippages increased in Q2, though higher R&U and write-off offset the impact on GNPA. PCR remains healthy for PSBs at >75%

	GNPA(%)			NNPA (%)			PCR (%)		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
BOB IN	3.3	2.9	2.5	0.8	0.7	0.6	77.6	76.6	76.3
BOI IN	5.8	4.6	4.4	1.5	1.0	0.9	89.6	92.1	92.2
BOMH IN	2.2	1.9	1.8	0.2	0.2	0.2	90.3	89.8	89.7
CBK IN	4.8	4.1	3.7	1.4	1.2	1.0	88.7	89.2	90.9
CBOI IN	4.6	4.5	4.6	1.6	0.7	0.7	92.5	96.2	96.3
INBK IN	5.0	3.8	3.5	0.6	0.4	0.3	88.5	90.0	92.5
IOB IN	4.7	2.9	2.7	0.7	0.5	0.5	96.8	97.0	97.1
PNB IN	7.0	5.0	4.5	1.5	0.6	0.4	80.0	88.4	90.2
PJSB IN	6.2	4.7	4.2	1.9	1.6	1.5	88.5	88.1	88.6
SBIN IN	2.5	2.2	2.1	0.6	0.6	0.5	75.4	74.4	75.7
UCO IN	4.1	3.3	3.2	1.1	0.8	0.7	74.0	77.1	77.6
UNBK IN	6.4	4.5	4.4	1.3	0.9	1.0	92.0	93.5	92.8

Source: Company data, MACM Research

Exhibit 12. Most PSBs records >20 bps YoY expansion in ROA

	ROE (%)			ROA (%)		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
BOB IN	8.6	16.0	18.1	1.1	1.1	1.3
BOI IN	12.9	13.5	16.3	0.6	0.7	0.9
BOMH IN	23.3	27.6	26.0	1.4	1.7	1.7
CBK IN	22.0	20.9	19.8	1.0	1.1	1.1
CBOI IN	9.2	12.6	12.8	0.6	0.8	0.9
INBK IN	19.9	19.8	21.0	1.1	1.2	1.3
IOB IN	16.2	14.1	16.9	0.8	0.7	0.8
PNB IN	10.2	16.8	19.9	0.5	0.8	1.0
PJSB IN	10.5	8.8	10.9	0.5	0.5	0.7
SBIN IN	8.6	18.4	18.8	1.0	1.1	1.1
UCO IN	10.9	13.5	14.2	0.5	0.7	0.8
UNBK IN	18.0	15.7	19.1	1.1	1.1	1.4

Source: Company, MACM Research

Exhibit 13. SBIN has lowest CET I among mentioned PSBs

	CET1			CAR		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
BOB IN	11.6	13.1	12.7	15.3	16.8	16.3
BOI IN	12.6	13.6	13.5	15.6	16.2	16.6
BOMH IN	12.3	12.2	12.0	17.6	17.0	17.3
CBK IN	11.6	12.1	12.0	16.2	16.4	16.6
CBOI IN	12.1	13.4	14.0	14.8	15.7	16.3
INBK IN	12.1	13.4	13.5	15.5	16.5	16.6
IOB IN	13.8	15.0	14.8	17.0	17.8	17.5
PNB IN	10.2	11.0	11.6	15.1	15.8	16.4
PJSB IN	14.5	14.8	14.6	17.2	17.3	16.9
SBIN IN	9.9	10.3	10.0	14.3	13.9	13.8
UCO IN	13.7	14.4	14.2	16.8	17.1	16.8
UNBK IN	13.1	13.8	13.9	16.7	17.0	17.1

Source: Company, MACM Research

Exhibit 14. Valuation Grid

Particulars	CMP	Mcap (INR bn)	P/E(x)			P/BV(x)			RoA (%)			RoE (%)		
			FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24
BOB IN	247	1,278	17.9	9.2	7.3	1.5	1.3	1.2	0.6	1.0	1.2	8.9	15.3	16.9
BOI IN	107	487	16.2	13.7	8.7	1.0	0.9	0.8	0.5	0.5	0.7	6.8	7.1	9.9
BOMH IN	54	419	38.8	17.2	11.0	3.2	2.9	2.3	0.5	1.0	1.4	8.9	17.6	23.0
CBK IN	101	916	17.8	9.5	7.0	1.5	1.4	1.2	0.5	0.8	1.0	9.1	15.2	18.1
CBOI IN	57	494	50.4	33.3	20.7	1.9	1.8	1.6	0.3	0.4	0.6	4.2	5.6	8.3
INBK IN	565	757	18.7	14.0	9.2	1.7	1.5	1.3	0.6	0.8	1.1	9.6	11.5	15.2
IOB IN	52	992	68.8	56.1	44.3	5.1	4.7	4.2	0.6	0.7	0.8	8.6	8.7	10.0
PNB IN	104	1,198	37.1	51.1	15.6	1.3	1.3	1.2	0.3	0.2	0.5	3.7	2.6	8.0
PJSB IN	49	332	39.3	31.1	68.6	2.9	2.7	2.6	0.9	1.0	0.4	9.3	9.0	3.9
SBIN IN	844	7,536	23.0	14.5	11.9	2.6	2.2	1.9	0.7	1.0	1.0	11.9	16.5	17.3
UCO IN	44	530	67.2	33.5	37.8	2.6	2.4	2.3	0.4	0.7	0.5	4.3	7.5	6.2
UNBK IN	120	914	18.2	11.3	7.0	1.4	1.2	1.0	0.5	0.7	1.0	7.7	11.3	15.6

Source: Company, MACM Research

Private Sector Banks

Decline in margin & increase in credit cost weigh on profitability. Loan growth eases on contained deposits growth and slowing down of retail unsecured, NBFC, micro-finance segments.

Exhibit 15. Snapshot (as on Q2FY25)

	AXSBIN	BANDHANIN	CUBKIN	FBIN	HDFCBIN	ICICIBIN	IDFCBIN	IIBIN	KMBIN	RBKIN
Key metrics (INR bn)										
Loans	10,000	1,307	487	2,303	24,951	12,772	2,189	3,572	3,995	879
Deposits	10,372	1,425	574	2,691	25,001	14,978	2,236	4,124	4,615	1,080
NII	135	30	6	24	301	200	48	53	70	16
PPOP	107	19	4	16	247	167	20	36	51	9
PAT	69	9	3	11	166	117	2	13	33	2
Growth (YoY %)										
Loan Growth	11.4	21.4	11.5	19.4	7.0	20.8	22.9	13.2	14.7	15.1
Deposit Growth	13.8	27.2	8.8	15.6	15.1	20.9	30.6	14.7	15.1	20.2
NII	9.5	20.9	8.2	15.1	10.0	10.0	21.2	5.3	11.4	9.5
PPOP	24.1	17.7	10.8	18.2	8.9	17.5	29.9	(7.9)	10.6	24.5
PAT	18.0	30.6	1.64	10.8	17.1	14.5	(73.2)	(39.6)	4.7	(24.1)
Ratios (%)										
CASA Ratio	40.6	33.2	29.4	30.1	35.3	40.6	48.9	36.0	43.6	33.6
CD Ratio	96.4	91.7	84.9	85.6	99.8	85.3	97.9	86.6	86.6	81.4
NIM	4.0	7.4	3.7	3.1	3.5	4.3	6.2	4.1	4.9	5.0
GNPA Ratio	1.4	4.7	3.5	2.1	1.4	2.0	1.9	2.1	1.5	2.9
NNPA Ratio	0.3	1.3	1.6	0.6	0.4	0.4	0.4	0.6	0.4	0.8
PCR	77.0	73.5	55.1	72.9	69.9	78.5	75.3	70.0	71.0	73.0
ROA	1.8	2.1	1.6	1.3	1.9	2.4	0.8	1.0	2.5	0.6
CAR	16.7	15.6	23.0	15.2	19.8	15.4	16.4	16.5	22.6	15.9
Valuation										
Market Cap (INR bn)	3,579	276	129	522	13,647	9,179	474	782	3,560	96
BVPS	557	134	113	124	631	397	46	852	741	255
PBV (x)	2.1	1.3	1.5	1.7	2.8	3.2	1.4	1.2	2.4	0.6

Source: Company, MACM Research

Exhibit 16. Loan book of pvt banks grows by avg. 2.5% QoQ in Q2 vs (1.4%) QoQ in Q1

INR bn	Q2FY24	Q1FY25	Q2FY25	Q1FY25		Q2FY25	
				YoY (%)	QoQ (%)	YoY (%)	QoQ (%)
AXSB IN	8,973	9,801	10,000	14.2	2.0	11.4	2.0
BANDHAN IN	1,076	1,256	1,307	21.8	0.7	21.4	4.0
CUBK IN	437	465	487	9.8	0.1	11.5	4.7
FB IN	1,928	2,208	2,303	20.3	5.5	19.4	4.3
HDFCB IN	23,312	24,635	24,951	52.4	(0.9)	7.0	1.3
ICICIBC IN	11,105	12,232	12,772	15.7	3.3	15.0	4.4
IDFCFB IN	1,781	2,060	2,189	23.9	5.5	22.9	6.2
IIB IN	3,155	3,479	3,572	15.5	1.3	13.2	2.7
KMB IN	3,483	3,900	3,995	18.7	3.7	14.7	2.5
RBK IN	763	867	879	18.6	3.2	15.1	1.4

Source: Company, MACM Research

Exhibit 17. Avg. Deposits growth of pvt banks eases to 15.7% YoY in Q2 vs 18.9% YoY in Q1

INR bn	Q2FY24	Q1FY25	Q2FY25	Q1FY25		Q2FY25	
				YoY (%)	QoQ (%)	YoY (%)	QoQ (%)
AXSB IN	9,111	10,245	10,372	13.0	3.0	13.8	1.2
BANDHAN IN	1,121	1,332	1,425	22.8	(1.5)	27.2	7.0
CUBK IN	527	549	574	6.2	(1.4)	8.8	4.6
FB IN	2,329	2,661	2,691	19.6	5.4	15.6	1.1
HDFCB IN	21,729	23,791	25,001	24.4	0.0	15.1	5.1
ICICIBC IN	12,947	14,262	14,978	15.1	0.9	15.7	5.0
IDFCFB IN	1,712	2,097	2,236	21.0	4.1	30.6	6.6
IIB IN	3,595	3,985	4,124	14.8	3.6	14.7	3.5
KMB IN	4,010	4,474	4,615	15.8	(0.3)	15.1	3.1
RBK IN	898	1,014	1,080	18.4	9.8	20.2	6.5

Source: Company, MACM Research

Exhibit 18. LDR of pvt banks continued to remain high at 90% compared to PSBs at 75%

	LDR(%)			CASA (%)			C-I (%)		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
AXSB IN	98.5	95.7	96.4	44.0	42.0	40.6	50.2	47.5	47.0
BANDHAN IN	96.0	94.3	91.7	38.5	33.4	33.2	46.9	45.1	47.6
CUBK IN	82.9	84.9	84.9	29.6	29.5	29.4	46.3	49.3	47.1
FB IN	82.8	83.0	85.6	31.2	29.3	30.1	52.5	53.2	53.0
HDFCB IN	107.3	103.5	99.8	37.6	36.0	35.3	40.4	41.0	40.6
ICICIBC IN	85.8	85.8	85.3	40.8	40.9	40.6	40.9	39.7	38.6
IDFCFB IN	104.0	98.3	97.9	46.4	46.6	48.9	71.9	70.2	69.9
IIB IN	87.7	87.3	86.6	39.0	37.0	36.0	46.9	49.7	52.2
KMB IN	86.9	87.2	86.6	48.3	43.4	43.6	46.5	46.2	47.5
RBK IN	85.0	85.5	81.4	35.7	32.6	33.6	66.5	65.7	64.2

Source: Company, MACM Research

Exhibit 19. NIM moderates sequentially due to higher CoD and contained yield

	NIM%			YOA (%)			COD (%)		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
AXSB IN	4.1	4.1	4.0	10.4	10.3	10.2	5.2	5.4	5.5
BANDHAN IN	7.2	7.6	7.4	13.1	13.2	13.8	6.5	6.5	7.0
CUBK IN	3.7	3.5	3.7	9.8	9.6	9.8	5.5	5.7	5.8
FB IN	3.2	3.2	3.1	9.4	9.4	9.4	5.6	5.9	5.9
HDFCB IN	3.4	3.5	3.5	11.4	11.5	9.8	4.8	4.9	4.9
ICICIBC IN	4.5	4.4	4.3	9.8	9.8	9.7	4.8	5.1	5.1
IDFCFB IN	6.3	6.2	6.2	15.9	15.9	15.4	6.7	6.9	6.7
IIB IN	4.3	4.3	4.1	12.3	12.6	12.3	5.4	5.6	5.6
KMB IN	5.2	5.0	4.9	10.8	10.9	10.8	4.8	5.1	5.2
RBK IN	5.5	5.7	5.0	14.0	14.2	13.5	6.3	6.6	6.6

Source: Company, MACM Research

Exhibit 20. Higher R&U and write-off helped to contain GNPA despite increase in slippages rate

	GNPA(%)			NNPA (%)			PCR (%)		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
AXSB IN	1.7	1.5	1.4	0.4	0.3	0.3	79.0	78.0	77.0
BANDHAN IN	7.3	4.2	4.7	2.3	1.1	1.3	70.0	73.7	73.5
CUBK IN	4.7	3.9	3.5	2.3	1.9	1.6	50.9	52.8	55.1
FB IN	2.3	2.1	2.1	0.6	0.6	0.6	72.3	71.9	72.9
HDFCB IN	1.3	1.3	1.4	0.4	0.4	0.4	74.4	71.2	69.9
ICICIBC IN	2.5	2.2	2.0	0.4	0.4	0.4	83.1	79.7	78.5
IDFCFB IN	2.2	1.9	1.9	0.7	0.6	40.0	68.2	69.4	75.3
IIB IN	1.9	2.0	2.1	0.6	0.6	64.0	71.0	71.0	70.0
KMB IN	1.7	1.4	1.5	0.4	0.4	43.0	79.0	75.0	71.0
RBK IN	3.1	2.7	2.9	0.8	0.7	0.8	75.6	73.1	73.0

Source: Company, MACM Research

Exhibit 21. Return ratios trend of pvt banks

	ROE (%)			ROA (%)		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
AXSB IN	18.3	16.3	17.6	1.8	1.7	1.8
BANDHAN IN	14.0	19.0	16.0	1.9	2.5	2.1
CUBK IN	12.7	12.9	12.6	1.7	1.5	1.6
FB IN	15.3	14.6	13.8	1.4	1.3	1.3
HDFCB IN	16.2	15.0	14.7	2.0	1.9	1.9
ICICIBC IN	19.1	18.2	18.5	2.3	2.4	2.4
IDFCFB IN	11.7	8.3	7.2	1.2	0.9	0.8
IIB IN	15.3	13.5	8.1	1.9	1.7	1.0
KMB IN	15.0	22.0	13.9	2.7	3.9	2.5
RBK IN	8.4	9.9	5.8	1.0	1.1	0.6

Source: Company, MACM Research

Exhibit 22. Capital positioning of pvt banks remains healthy with avg. Tier I capital at 16%

	Tier1			CAR		
	Q2FY24	Q1FY25	Q2FY25	Q2FY24	Q1FY25	Q2FY25
AXSB IN	15.1	14.5	14.5	17.8	16.6	16.7
BANDHAN IN	18.2	14.1	13.6	20.6	15.7	15.6
CUBK IN	21.2	22.6	22.0	17.8	23.6	23.0
FB IN	13.8	14.2	13.8	15.5	15.6	15.2
HDFCB IN	17.8	17.3	17.8	19.5	19.3	19.8
ICICIBC IN	15.4	15.2	14.7	16.1	16.0	15.4
IDFCFB IN	13.5	13.3	13.8	16.5	15.9	16.4
IIB IN	16.3	16.2	15.2	18.2	17.6	16.5
KMB IN	21.9	21.9	21.7	22.9	22.8	22.6
RBK IN	15.2	13.9	14.2	17.1	15.6	15.9

Source: Company, MACM Research

Exhibit 23. Valuation grid

Particulars	CMP	Mcap (INR bn)	P/E(x)			P/BV(x)			RoA (%)			RoE (%)		
			FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24
AXSB IN	1,156	3,579	27.6	37.6	14.5	3.1	2.9	2.4	1.2	0.8	1.8	12.0	8.0	18.1
BANDHAN IN	171	276	261.0	15.0	14.7	1.9	1.7	1.5	0.1	1.5	1.3	0.7	11.9	10.8
CUBK IN	174	129	16.2	13.1	12.1	1.9	1.6	1.5	1.3	1.5	1.5	12.2	13.4	12.8
FB IN	213	522	25.8	16.2	13.1	2.6	2.3	1.7	0.9	1.3	1.3	10.8	14.9	14.7
HDFCB IN	1,786	13,647	33.5	28.1	20.3	5.2	4.4	2.8	1.9	1.9	2.0	16.7	17.0	17.0
ICICIBC IN	1,301	9,179	36.3	26.6	20.7	5.0	4.2	3.6	1.8	2.1	2.4	14.7	17.2	18.6
IDFCFB IN	65	474	358.4	21.4	17.6	2.5	2.0	1.6	0.1	1.1	1.1	0.8	10.4	10.2
IIB IN	1,004	782	23.4	14.6	12.1	2.3	2.0	1.7	1.2	1.7	1.8	10.1	14.5	15.3
KMB IN	1,791	3,560	42.1	33.0	26.2	5.0	4.3	3.7	2.1	2.4	2.5	12.6	14.0	15.3
RBK IN	158	96	-184.7	15.6	11.8	1.1	1.0	0.9	-0.1	0.8	0.9	-0.6	6.8	8.3

Source: Company, MACM Research

Appendix 1

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