

## Good quarter; still a long way to go

1 February 2025

Punjab National Bank (PNB) Q3FY25 PAT of INR45bn surpassed estimates on lower credit cost (despite creating floating provisions) and some writebacks. Asset quality sustained its improvement, with NNPL at a mere 41bp – a commendable feat, in our view. NIM held up by 1bp QoQ, better than peers, but it had an element of interest on IT refunds. Core operating performance (excluding one-offs) remains volatile and scores below peers.

The key discussion hereon is whether there is scope for improvement in core metrics or are these closer to the peak? Also, consistency in core PPOP is yet to be established and profitability is still soft albeit improving. ROE of 10-12% even by FY27E would run lower than peers?. We retain **Accumulate** with a TP of INR 113 (unchanged).

**Asset quality better-than-expected; keenly monitoring FY26 trajectory:** PNB continues to deliver on improving asset quality with slippages curtailed at INR 17.7bn (73bp of lagged loans). This along with sustained recovery trends has led to a further dip in GNPL to 4.1%, the lowest in the past several quarters. Commendably, the bank currently has NNPL of 41bp. While steady improvement was visible, performance hereafter will be a key monitorable, given the shrinking recovery pool for FY26 (more recoveries can come for FY25).

**Core performance needs further leg up; limited levers cause for concern:** Q3 saw better-than-expected loan growth momentum, up 4.6% QoQ; this along with steady NIM helped NII, up 4.9% QoQ. That said, NIM had benefitted from interest on IT refund, excluding which it would have declined by 8-10bp. While we may see NIM improvement in Q4, it remains below peers and an area that warrants a watch. The turning rate tables would further impact NIM. Core operational performance (excluding one-offs) may still lag, and thus the road to recovery could be slightly stretched.

**Reiterate Accumulate with a TP of INR 113:** While performance seems to be improving, it was supported by higher recovery trends and some write-backs – Q3 reinforces our view. The investment argument thus relies on recovery potential than on core delivery, which we believe still has some catching up to do.

Stepping into FY27, we believe a lot needs to be done on core performance. Improvement hereafter may be contingent on persistent tailwinds. We retain **Accumulate** with TP of 113 (on 1x September'2026 P/ABV).

Rating: **Accumulate**

Target Price: **INR 113**

Upside: **12%**

CMP: **INR 101**

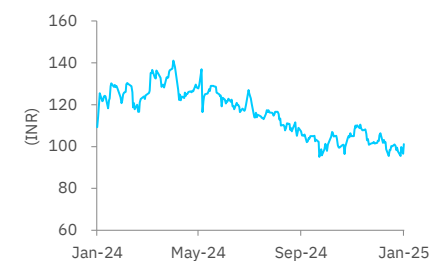
As on 31 January 2025

### Key data

Bloomberg	PNB IN
Reuters Code	PNBK.NS
Shares outstanding (mn)	11,493
Market cap (INR bn/USD mn)	1,163/13,425
Enterprise Value (INR bn/USD mn)	0/0
Avg daily volume 3M (INR mn/USD mn)	3,880/45
52 week high/low	143/92
Free float (%)	30

Note: as on 31 January 2025; Source: Bloomberg

### Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	73.2	73.2	70.1	70.1
% Pledged	-	-	-	-
FII	4.8	5.5	8.4	5.7
DII	12.5	10.8	11.7	14.4
Others	9.5	10.5	9.8	9.8

Source: Bloomberg

Price performance (%)	3M	6M	12M
Nifty	(2.9)	(5.8)	8.2
Punjab National Bank	3.4	(18.4)	(11.5)
NSE Midcap	(4.3)	(8.9)	10.6
NSE Smallcap	(9.1)	(11.6)	5.5

### Key financials

YE March	FY23	FY24E	FY25E	FY26E	FY27E
PPoP (INR bn)	225	249	268	267	301
YoY (%)	9	11	7	(0)	13
NP (INR bn)	25	82	161	143	153
YoY (%)	(27)	229	95	(11)	7
EPS (INR)	2.3	7.5	14.0	12.4	13.3
YoY (%)	(27)	229	87	(11)	7
P/PPOP (x)	4.9	4.5	4.2	4.2	3.7
RoAE (%)	2.8	8.7	14.9	11.5	11.1
RoAA (%)	0.2	0.6	1.0	0.8	0.8
P/E (x)	44.4	13.5	7.2	8.1	7.6
P/ABV (x)	1.5	1.2	1.0	0.9	0.9

Note: Pricing as on 31 January 2025; Source: Company, Elara Securities Estimate

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## Financials (YE March)

Income statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net interest income</b>	<b>344,916</b>	<b>400,831</b>	<b>432,068</b>	<b>463,731</b>	<b>523,705</b>
yoy growth (%)	20.2	16.2	7.8	7.3	12.9
Fee income	48,157	47,258	51,438	56,612	63,332
Trading profits	10,493	13,603	39,000	25,000	25,000
Non-interest income	121,425	133,835	156,115	147,945	155,329
Net operating revenue	466,342	534,666	588,183	611,676	679,034
yoy growth (%)	13.7	14.7	10.0	4.0	11.0
Operating expenses	241,054	285,358	320,326	344,475	377,594
yoy growth (%)	19.0	18.4	12.3	7.5	9.6
<b>Pre-provisioning operating profit</b>	<b>225,287</b>	<b>249,308</b>	<b>267,857</b>	<b>267,201</b>	<b>301,439</b>
yoy growth (%)	8.5	10.7	7.4	-0.2	12.8
Provisions for bad debts	159,028	123,450	23,128	49,886	68,462
Other provisions	21,645	7,989	0	0	0
Profit before tax	42,883	131,942	244,729	217,315	232,977
Tax	17,811	49,496	83,942	74,539	79,911
<b>Profit after tax</b>	<b>25,072</b>	<b>82,446</b>	<b>160,787</b>	<b>142,776</b>	<b>153,066</b>
yoy growth (%)	(27.5)	228.8	95.0	(11.2)	7.2
Balance sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Customer loans	8,308,340	9,344,306	10,699,230	12,090,130	13,649,757
yoy growth (%)	14.1	12.5	14.5	13.0	12.9
Investments	3,959,967	4,203,182	4,689,735	5,082,834	5,753,138
Cash & bank balances	1,551,088	1,291,046	1,334,244	1,475,459	1,624,106
Fixed assets	35,959	40,131	39,306	37,899	35,912
Other assets	690,900	670,509	716,999	810,205	914,717
<b>Total Assets</b>	<b>14,546,255</b>	<b>15,549,174</b>	<b>17,479,513</b>	<b>19,496,528</b>	<b>21,977,629</b>
Net worth	914,005	981,709	1,179,139	1,308,557	1,448,266
Deposits	12,811,631	13,697,128	15,340,783	17,258,381	19,501,971
yoy growth (%)	11.8	6.9	12.0	12.5	13.0
Borrowings	512,917	504,299	541,575	457,830	495,647
Other liabilities	307,701	366,038	418,016	471,759	531,746
<b>Total Liabilities</b>	<b>14,546,255</b>	<b>15,549,174</b>	<b>17,479,513</b>	<b>19,496,528</b>	<b>21,977,629</b>
Key operating ratios	FY23	FY24	FY25E	FY26E	FY27E
Lending yield	7.4	8.6	8.5	8.2	8.0
Cost of Funds	4.0	4.9	5.0	5.0	4.8
Spreads	2.5	2.6	2.5	2.4	2.4
Net interest margin	2.6	2.8	2.7	2.6	2.6
CASA Ratio (%)	42.0	40.3	36.8	37.0	37.2
Non-interest income / operating income	26.0	25.0	26.5	24.2	22.9
Cost/income	51.7	53.4	54.5	56.3	55.6
Operating expense/avg assets	1.7	1.9	1.9	1.9	1.8
Credit costs / avg loans	2.0	1.4	0.2	0.4	0.5
Effective tax rate	41.5	37.5	34.3	34.3	34.3
Loan deposit ratio	64.8	68.2	69.7	70.1	70.0
ROA decomposition (%)	FY23	FY24	FY25E	FY26E	FY27E
NII /Assets	2.6	2.8	2.7	2.6	2.6
Fees/Assets	0.8	0.8	0.7	0.7	0.7
Invst profits/Assets	0.1	0.1	0.2	0.1	0.1
Net revenues/Assets	3.6	3.7	3.7	3.5	3.4
Opex /Assets	(1.8)	(2.0)	(2.0)	(1.9)	(1.9)
Provisions/Assets	(1.4)	(0.8)	(0.1)	(0.3)	(0.3)
Taxes/Assets	(0.1)	(0.3)	(0.5)	(0.4)	(0.4)
Total costs/Assets	(3.4)	(3.2)	(2.7)	(2.7)	(2.7)
ROA	0.2	0.6	1.0	0.8	0.8
Equity/Assets	6.9	6.6	6.8	7.0	6.9
ROAE -RHS	2.8	8.7	14.9	11.5	11.1
Key financial ratios (%)	FY23	FY24	FY25E	FY26E	FY27E
Tier I Capital adequacy	12.7	14.2	15.0	14.7	14.2
Gross NPL	8.7	5.7	3.8	3.4	3.2
Net NPL	2.7	0.7	0.4	0.7	0.9
Slippage ratio	2.0	0.7	0.8	1.0	1.2
Assets / equity (x)	15.9	15.8	14.8	14.9	15.2
Per share data					
EPS (INR)	2	7	14	12	13
yoy growth (%)	(27)	229	87	(11)	7
BVPS (INR)	83	89	103	114	126
adj- BVPS (INR)	69	85	100	109	118
Dividend yield (%)	0	0	1	1	1
Valuation (x)					
P/BV	1.22	1.14	0.99	0.89	0.80
P/ABV	1.47	1.19	1.01	0.93	0.85
P/E	44.44	13.52	7.23	8.15	7.60

Note: Pricing as on 31 January 2025; Source: Company, Elara Securities Estimate

**Quarterly financials**

YE March (INR mn)	Q3FY25	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Q3FY25E	Variance (%)
Operating profit	66,206	68,533	(3.4)	63,307	4.6	69,613	(4.9)
PBT	69,060	65,653	5.2	35,916	92.3	65,789	5.0
Net Profit	45,082	43,035	4.8	22,228	102.8	43,092	4.6

Source: Company, Elara Securities Estimate

**Q3FY25 conference call highlights**
**Business momentum**

- ▶ Global deposits grew by 15.6% and global advances by 14.8% YoY with a comfortable CD ratio at ~72.6%
- ▶ Credit growth was steady across segments on a sequential basis. PNB aims for credit growth to be in the range of 13-14% in Q4 to be led by healthy growth in MSME and retail segments within the (RAM) vertical
- ▶ The bank has TD of ~7.3% for more than one-year bucket and it has been able to mobilize healthy demand in this segment. CASA ratio was at ~38.1%
- ▶ PNB has sanctions and disbursals in the corporate book amounting to INR 1.3tn – it expects this to be availed in the next couple of quarters, thereby resulting in corporate growth picking up
- ▶ ROA stood at 1.03% -- in line with FY25 guidance. ROE stood at 19%
- ▶ In the interest of profitability, new MD & CEO will make tweaks in cost of deposits and yield on advances
- ▶ In the MSME vertical, PNB has launched cashflow-based digital journey for MSME firms, up to INR 2.5mn – it has started launched month for New-To-Bank and Existing-To-Bank.
- ▶ Pre-approved personal loans to grow in this vertical
- ▶ In total loans, MCLR has seen a decline whereas the share of T-bill has increased. This was a decision – short-term loans and WTDL product have picked up and are yield-accretive
- ▶ Guidance for overall FY25: Advances at 11-12%, deposits at 9-10%, CASA ratio at 42%, NIM at 2.9-3.0%, GNPA & NNPA to remain below 5.0 % and 0.5%, respectively, and credit cost below 1.0%

**Asset quality**

- ▶ GNPA and NNPA stood at 4.09% and 0.41%, respectively. PCR stood at ~96.8%, well above management target of 95% of FY25. Excluding the TWO pool, PNB has a PCR of 90%. It expects write-back on provisions to take place in the near to medium term
- ▶ Slippages is likely to remain broadly in the current range of INR 16-17bn
- ▶ Credit cost -- With PCR at ~97% and in the past two quarters, recovery, and upgrade in GNPA to slippages remain healthy, which will sustain credit cost at minimal levels
- ▶ Bank has TWO pool of INR 910bn (out of which INR 510bn pertains to the NCLT pool) – PNB has adequate cushion to recover to cushion profitability. In Q3, recovery stood at INR 8.2bn – it expects to pick up in Q4FY25 in the range of INR 10-12bn
- ▶ SMA (0,1 & 2) stood at ~7% on overall loans and SMA (1&2) amounted to 4% of overall loans. On absolute basis, SMA-0 at INR 495bn (driven by the retail segment), SMA-1 at INR 150bn and SMA-2 at INR 130bn
- ▶ PNB made a floating provision of INR 2.5bn (total floating provisions amounting to INR 7.5bn). It makes prudent provisions on account of restructured accounts
- ▶ It aims total recovery to be in the range of INR 50-60bn in Q4 (PNB has a target of INR 180bn for FY25 and stands at ~INR 115bn for 9MFY25)
- ▶ Standard account provisions: PNB makes provision on the restructured standard book

**Cost, margin and other highlights**

- ▶ NIM for the quarter stood at 2.93% vs 2.92% in the previous quarter with domestic NIM up by 3bp QoQ to 3.09%. With repricing in the corporate book amounting to INR 100bn), the bank expects yield to improve in Q4
- ▶ Cost of deposits inched up 6bp QoQ to ~5.2%. This was offset by increase in yield by 6bp QoQ to ~4.6%
- ▶ Recovery from write-back of provision despite recovery of INR 7bn dip; PNB was able to sustain NIM in the range of 2.9-3.0%
- ▶ NPA recovery contribution to interest income is INR 6.45bn from GLP and TWO pool vs INR 6.06bn in the previous quarter. It expects similar recovery run-rate to continue
- ▶ CRAR stood at ~15.5% vs ~14.4% in December 2023; during Q3, it raised INR 30bn through Tier-2 bonds
- ▶ Digital banking transaction through the app have doubled in a year
- ▶ Treasury profit is set to improve in the upcoming quarter due to a couple of initiatives taken by the regulator (VRR and OMO). With OMO of ~INR 600bn, it expects to gain INR 1.0-1.5bn
- ▶ IT refund amounted to INR 3.5bn
- ▶ AS-15 provisions: With a 30bp decline in yield, PNB has recalculated provisioning requirement which led to elevated provision in September 2024 (INR 54bn for FY25 on a full-year basis in Q2FY25). IN Q3, these provisions amounted to INR 14bn and expects this to remain at similar levels in Q4FY25
- ▶ To aid non-interest income, the bank is looking at cash management services, supply chain finance and vendor management.
- ▶ PNB is assessing and planning to move to a new tax regime in FY26

**Exhibit 1: PAT of INR 45bn (up 2x YoY), supported by lower credit cost**

(INR mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
NII	91,794	94,988	95,043	99,229	102,928	103,631	104,763	105,167	110,323
Other Income	33,380	34,210	34,338	30,283	26,738	42,476	36,095	45,721	34,119
Net revenue	125,174	129,198	129,381	129,512	129,666	146,107	140,858	150,888	144,441
Opex	68,014	70,527	69,701	67,348	66,359	81,950	75,046	82,355	78,236
PPoP	57,159	58,671	59,680	62,164	63,307	64,157	65,812	68,533	66,206
Investment Gains	1,310	-340	6,180	2,640	-6,990	9,740	6,480	15,810	10,070
Core PPoP	55,849	59,011	53,500	59,524	70,297	54,417	59,332	52,723	56,136
Provisions	47,130	38,310	39,653	34,442	27,391	15,881	13,123	2,880	-2,854
PBT	10,029	20,361	20,027	27,723	35,916	48,276	52,688	65,653	69,060
PAT	6,289	11,591	12,554	17,561	22,228	30,103	32,515	43,035	45,082
<b>YoY (%)</b>									
NII	17.6	30.0	26.0	20.0	12.1	9.1	10.2	6.0	7.2
Other Income	23.6	39.6	35.3	6.4	(19.9)	24.2	5.1	51.0	27.6
Net revenue	19.2	32.5	28.4	16.5	3.6	13.1	8.9	16.5	11.4
Opex	25.3	57.1	48.3	21.3	(2.4)	16.2	7.7	22.3	17.9
PPoP	12.6	11.4	10.9	11.7	10.8	9.4	10.3	10.2	4.6
Investment Gains	(78.7)	NM	NM	NM	NM	NM	NM	NM	NM
Core PPoP	25.2	12.3	(9.5)	7.0	25.9	(7.8)	10.9	(11.4)	(20.1)
Provisions	40.5	(21.0)	(17.2)	(29.8)	(41.9)	(58.5)	(66.9)	(91.6)	(110.4)
PAT	(44.2)	473.7	307.0	327.0	253.4	159.7	159.0	145.1	102.8
<b>QoQ (%)</b>									
NII	11.0	3.5	0.1	4.4	3.7	0.7	1.1	0.4	4.9
Other Income	17.2	2.5	0.4	(11.8)	(11.7)	58.9	(15.0)	26.7	(25.4)
Net revenue	12.6	3.2	0.1	0.1	0.1	12.7	(3.6)	7.1	(4.3)
Opex	22.5	3.7	(1.2)	(3.4)	(1.5)	23.5	(8.4)	9.7	(5.0)
PPoP	2.7	2.6	1.7	4.2	1.8	1.3	2.6	4.1	(3.4)
Investment Gains	NM	NM	NM	NM	NM	NM	NM	NM	NM
Core PPoP	0.4	5.7	(9.3)	11.3	18.1	(22.6)	9.0	(11.1)	6.5
Provisions	(3.9)	(18.7)	3.5	(13.1)	(20.5)	(42.0)	(17.4)	(78.1)	(199.1)
PAT	52.9	84.3	8.3	39.9	26.6	35.4	8.0	32.4	4.8

Source: Company, Elara Securities Research

**Exhibit 2: Loans grows by 14.8% YoY and 4.6% QoQ**

(INR bn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Loan book	8,568	8,847	9,168	9,417	9,673	9,833	10,287	10,619	11,103
% YoY	13.4	12.7	14.6	13.4	12.9	11.2	12.2	12.8	14.8
% QoQ	3.2	3.3	3.6	2.7	2.7	1.7	4.6	3.2	4.6

Source: Company, Elara Securities Research

**Exhibit 3: Retail & agri segments drive overall loan growth**

(INR bn)	Gross loans (INR bn)					Loan growth YoY (%)				
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Domestic advances	9,303	9,424	9,844	10,114	10,602	13.3	10.9	11.6	11.7	14.0
Corporate & Others	4,180	4,223	4,385	4,473	4,637	10.5	11.2	9.8	11.4	10.9
Agriculture & Allied	1,541	1,582	1,685	1,628	1,745	11.5	11.3	15.8	11.1	13.2
MSME	1,440	1,393	1,429	1,511	1,594	15.4	7.0	7.9	8.9	10.7
Retail	2,142	2,226	2,346	2,501	2,626	19.0	12.6	14.4	14.6	22.6
- Housing	906	937	1,018	1,099	1,112	2.8	14.5	21.3	25.8	22.8
- Car/Vehicle	194	207	217	225	247	-43.8	25.6	27.1	25.2	26.9
- Personal Loan	207	208	224	-	-	17.6	14.4	18.2	NA	NA
- Others	835	874	887	1,177	1,267	110.3	7.7	4.1	26.6	51.8
Overseas advances	369	409	443	505	501	3.6	17.2	28.6	37.8	35.7
<b>Total</b>	<b>9,673</b>	<b>9,833</b>	<b>10,287</b>	<b>10,619</b>	<b>11,103</b>	<b>12.9</b>	<b>11.2</b>	<b>12.2</b>	<b>12.8</b>	<b>14.8</b>

Source: Company, Elara Securities Research

**Exhibit 4: Share of corporate book declines to 41.8% vs 42.1% in Q2FY25**

(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Domestic advances	95.8	96.1	96.2	96.1	96.2	95.8	95.7	95.2	95.5
Corporate & Others	44.1	42.9	43.6	42.6	43.2	43.0	42.6	42.1	41.8
Agriculture & Allied	16.1	16.1	15.9	15.6	15.9	16.1	16.4	15.3	15.7
MSME	14.6	14.7	14.4	14.7	14.9	14.2	13.9	14.2	14.4
Retail	21.0	22.3	22.4	23.2	22.1	22.6	22.8	23.6	23.7
- Housing	10.3	9.3	9.2	9.3	9.4	9.5	9.9	10.4	10.0
- Car/Vehicle	4.0	1.9	1.9	1.9	2.0	2.1	2.1	2.1	2.2
- Personal Loan	2.1	2.1	2.1	2.1	2.1	2.1	2.2	0.0	0.0
- Others	4.6	9.2	9.3	9.9	8.6	8.9	8.6	11.1	11.4
Overseas advances	4.2	3.9	3.8	3.9	3.8	4.2	4.3	4.8	4.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, Elara Securities Research

**Exhibit 5: Deposit growth of 15.6% YoY led by growth in term & overseas deposits**

(INR bn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Deposits	12,104	12,812	12,979	13,099	13,235	13,697	14,082	14,583	15,297
% YoY	7.4	11.8	14.2	9.8	9.3	6.9	8.5	11.3	15.6
% QoQ	1.4	5.8	1.3	0.9	1.0	3.5	2.8	3.6	4.9
CA	646	740	668	670	686	722	647	681	700
% YoY	(9.7)	(2.0)	(3.6)	(7.8)	6.3	(2.5)	(3.2)	1.6	2.0
% QoQ	(11.2)	14.6	(9.7)	0.3	2.4	5.2	(10.4)	5.3	2.8
SA	4,519	4,640	4,640	4,712	4,789	4,803	4,844	4,886	4,921
% YoY	4.0	11.2	3.7	4.3	6.0	3.5	4.4	3.7	2.8
% QoQ	0.1	2.7	0.0	1.6	1.6	0.3	0.8	0.9	0.7
Overseas Deposits	290	295	309	327	342	363	38	420	549
% YoY	53.0	28.1	40.2	27.7	18.0	23.4	(87.6)	28.2	60.6
% QoQ	13.1	1.6	4.9	5.9	4.5	6.2	(89.5)	994.5	31.0
CASA Ratio	42.7	42.0	40.9	41.1	41.4	40.3	39.0	38.2	36.7

Source: Company, Elara Securities Research

**Exhibit 6: Margin sees uptick of 3bp QoQ to ~3.1%**

(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Cost of deposits	4.2	4.5	4.7	4.9	5.0	5.1	5.1	5.2	5.2
Cost of funds	3.7	4.0	4.2	4.3	4.4	4.5	4.5	4.6	4.6
Yield on advances	7.2	8.0	8.1	8.2	8.5	8.4	8.3	8.3	8.4
Yield on funds	6.2	6.6	6.7	6.9	7.1	7.2	7.2	7.1	7.1
NIM - Domestic	3.3	3.4	3.2	3.2	3.3	3.3	3.2	3.1	3.1
NIM - Global	3.2	3.2	3.1	3.1	3.2	3.1	3.1	2.9	2.9

Source: Company, Elara Securities Research

**Exhibit 7: Lending rate-wise loan book: fixed rate book at ~10%**

(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Base Rate	3.5	3.3	3.2	2.8	2.6	2.4	2.2	2.0	1.8
Fixed rate	7.4	7.2	7.2	9.8	9.6	8.7	10.0	10.0	9.5
BPLR	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-	-
MCLR	36.1	35.9	37.1	36.7	35.6	35.1	33.4	33.7	31.8
RLLR	24.3	26.4	27.2	38.6	28.5	39.8	39.7	41.0	41.2
Foreign Currency & Others	28.6	27.2	25.3	23.0	8.1	14.0	14.7	13.3	15.7

Source: Company, Elara Securities Research

**Exhibit 8: With contained slippages, GNPA declines to ~4.1% vs ~4.5% in Q2FY25**

(INR mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Opening GNPA	870,353	835,833	773,283	709,003	655,633	603,733	563,443	512,643	475,843
NPA Additions	40,720	39,960	23,900	18,260	17,930	22,060	17,550	21,810	17,740
Reductions	75,240	102,510	88,180	71,630	69,830	62,350	68,350	58,610	39,430
- Cash recoveries	18,200	25,750	19,230	21,790	18,280	18,000	11,960	15,080	13,330
- Upgradation	13,280	15,820	16,720	13,190	12,170	9,880	5,240	14,070	6,400
- Write-off	43,760	60,940	52,230	36,650	39,380	34,470	51,150	29,460	19,690
Closing GNPA	835,833	773,283	709,003	655,633	603,733	563,443	512,643	475,843	454,153
GNPL (%)	9.76	8.74	7.73	6.96	6.24	5.73	4.98	4.48	4.09
NNPL (%)	3.30	2.72	1.98	1.47	0.96	0.73	0.60	0.46	0.41
PCR (%)	85.17	86.90	89.83	91.91	94.28	95.40	95.90	96.67	96.77
Credit cost (%) - Calculated	2.0	1.8	2.1	1.4	1.3	0.8	0.3	0.1	0.1

Source: Company, Elara Securities Research

**Exhibit 9: Curtailing fresh slippages across segments**

Fresh Slippages - (INR bn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Retail	11.7	12.5	3.6	4.2	4.4	8.0	4.0	5.7	0.3
Agri	6.5	6.6	6.0	4.2	4.3	4.2	4.9	4.2	0.6
MSME	15.0	13.4	8.8	6.8	7.1	6.7	6.4	6.2	4.3
Corporate and others	7.4	7.5	4.2	4.2	2.1	1.9	1.2	4.7	-0.0
<b>Total fresh slippages</b>	<b>40.7</b>	<b>40.0</b>	<b>22.6</b>	<b>19.5</b>	<b>17.9</b>	<b>20.8</b>	<b>16.5</b>	<b>20.7</b>	<b>5.2</b>
Slippage ratio (as % of lagged loans)									
Retail	3.5	3.6	1.0	1.1	1.0	1.6	0.8	1.0	0.1
Agri	1.9	2.1	1.8	1.2	1.3	1.2	1.4	1.1	0.2
MSME	4.7	4.3	2.8	2.1	2.3	2.0	1.9	1.8	1.2
Corporate and others	0.8	0.8	0.4	0.4	0.2	0.2	0.1	0.4	0.0
<b>Total fresh slippages (%)</b>	<b>2.2</b>	<b>2.0</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>	<b>0.9</b>	<b>0.7</b>	<b>0.9</b>	<b>0.2</b>

Source: Company, Elara Securities Research

**Exhibit 10: GNPA improves across segments**

GNPL (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Retail	3.4	3.0	2.9	2.5	2.5	2.3	1.4	1.3	1.3
Agriculture & Allied	19.3	18.3	17.1	16.3	15.1	13.9	12.6	12.7	11.7
MSME	20.0	18.9	17.8	16.3	15.4	14.2	13.7	12.6	11.9
Corporate & Others	6.4	5.0	3.8	3.0	1.9	1.9	1.3	0.9	0.5
Domestic advances	10.0	8.9	7.9	7.1	6.3	5.8	5.0	-	-
Overseas	4.8	4.8	4.7	4.6	4.4	4.0	3.7	-	-
Global NPA	9.8	8.7	7.7	7.0	6.2	5.7	5.0	4.5	4.1

Source: Company, Elara Securities Research

**Exhibit 11: Outstanding stressed book declines from 5.4% in the past quarter to 4.9%**

(INR bn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
GNPL	836	773	709	656	604	563	513	476	454
One time restructured book	123	109	106	101	97	90	88	78	75
SMA 2 (above INR 50mn)	17	1	17	14	13	14	16	21	15
<b>Total stress book</b>	<b>976</b>	<b>883</b>	<b>832</b>	<b>771</b>	<b>714</b>	<b>668</b>	<b>617</b>	<b>575</b>	<b>544</b>
Stress book (%) of loans	11.4	10.0	9.1	8.2	7.4	6.8	6.0	5.4	4.9

Source: Company, Elara Securities Research

**Exhibit 12: Q3FY25 results highlights**

(INR mn)	Q3FY25	Q3FY24	Growth YoY (%)	Q2FY25	Growth QoQ (%)
Interest income	313,398	272,878	14.8	298,750	4.9
Interest expenses	203,076	169,950	19.5	193,583	4.9
Net interest income	110,323	102,928	7.2	105,167	4.9
Other income	34,119	26,738	27.6	45,721	(25.4)
Operating expenses	78,236	66,359	17.9	82,355	(5.0)
Staff expense	52,638	41,692	26.3	57,504	(8.5)
Other opex	25,598	24,667	3.8	24,851	3.0
Pre prov op profit (PPP)	66,206	63,307	4.6	68,533	(3.4)
Provisions	-2,854	27,391	NA	2,880	NA
Profit before tax	69,060	35,916	92.3	65,653	5.2
Provision for tax	23,977	13,688	75.2	22,618	6.0
Profit after tax	45,082	22,228	102.8	43,035	4.8
EPS (INR)	4.1	2.0		3.9	
<b>Ratios</b>					
NII / GII	35.2	37.7		35.2	
Cost - income	54.2	51.2		54.6	
Provisions / PPOP	-4.3	43.3		4.2	
Tax rate	34.7	38.1		34.5	
<b>Balance sheet data</b>					
Advances (INR bn)	10,700	9,164	16.8	10,196	4.9
Deposits (INR bn)	15,297	13,235	15.6	14,583	4.9
CD ratio (%)	69.9	69.2		69.9	
<b>Asset quality</b>					
Gross NPA	454,140	603,714	(24.8)	475,823	(4.6)
Gross NPAs (%)	4.1	6.2	(34.5)	4.5	(8.7)
Net NPA	44,374	88,159	(49.7)	46,742	(5.1)
Net NPA(%)	0.4	1.0	(55)bps	0.5	(5)bps
Provision coverage (%)	90.2	85.4	483bps	90.2	5bps

Source: Company, Elara Securities Research

**Exhibit 13: Valuation summary**

Particulars	INR
ABV/share Sep'26	114
Target multiple (x)	1.0
<b>Target Price</b>	<b>113</b>
CMP	101
Upside (%)	12

Note: Pricing as on 31 January 2025; Source: Elara Securities Estimate

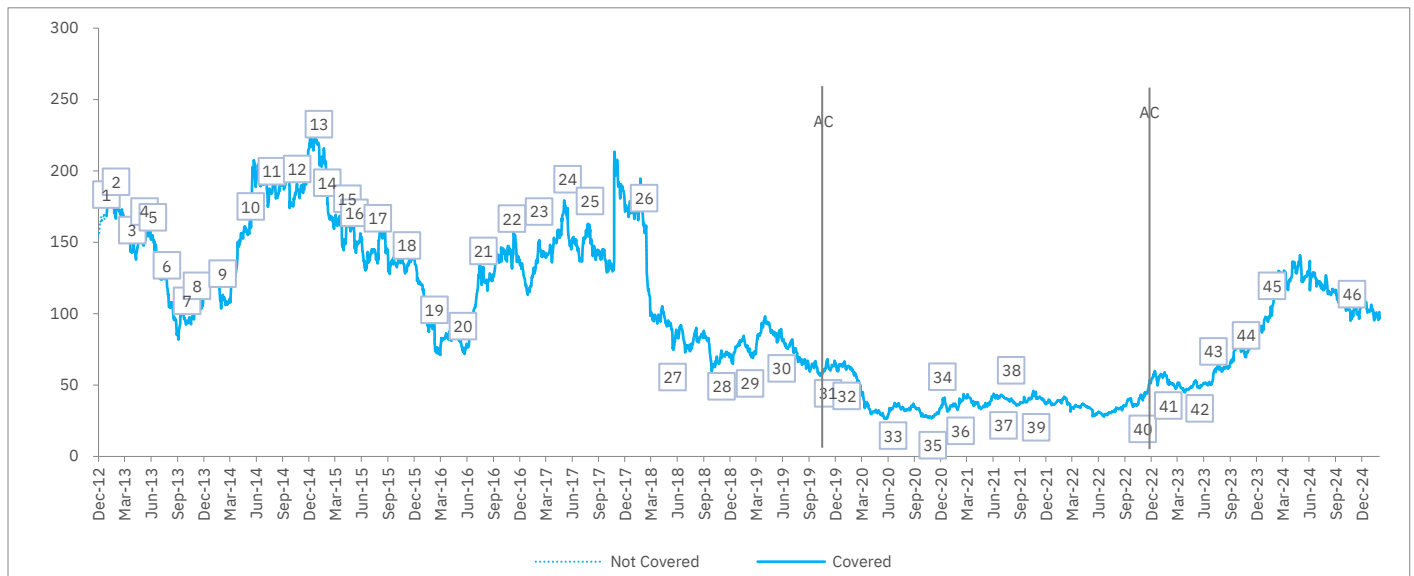
**Exhibit 14: Change in estimates**

(INR mn)	Revised			Earlier			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net interest income	432,068	463,731	523,705	440,317	488,998	544,571	(1.9)	(5.2)	(3.8)
Operating profit	267,857	267,201	301,439	268,959	294,318	324,122	(0.4)	(9.2)	(7.0)
Net profit	160,787	142,776	153,066	150,768	142,827	152,399	6.6	(0.0)	0.4

Source: Elara Securities Estimate



## Coverage History



Date	Rating	Target Price	Closing Price	
41	30-Jan-2023	Sell	INR 45	INR 51
42	19-May-2023	Sell	INR 47	INR 49
43	5-Jul-2023	Sell	INR 53	INR 59
44	26-Oct-2023	Sell	INR 60	INR 70
45	25-Jan-2024	Sell	INR 80	INR 105
46	28-Oct-2024	Accumulate	INR 113	INR 99

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<b>ACCUMULATE</b>	Absolute Return +5% to +20%
<b>REDUCE</b>	Absolute Return -5% to +5%
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