

Estimate change



TP change

Rating change



Bloomberg	FB IN
Equity Shares (m)	2454
M.Cap.(INRb)/(USD\$)	451.8 / 5.2
52-Week Range (INR)	217 / 140
1, 6, 12 Rel. Per (%)	-3/1/22
12M Avg Val (INR M)	2420

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
NII	82.9	95.6	110.3
OP	51.7	61.9	72.4
NP	37.2	40.6	46.4
NIM (%)	3.3	3.2	3.3
EPS (INR)	16.3	16.7	19.0
EPS Gr. (%)	14.5	2.0	14.1
BV/Sh. (INR)	119	135	152
ABV/Sh. (INR)	113	128	144

Ratios

ROA (%)	1.3	1.2	1.2
ROE (%)	14.7	13.1	13.3

Valuations

P/E(X)	11.3	11.1	9.7
P/BV (X)	1.5	1.4	1.2
P/ABV (X)	1.6	1.4	1.3

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	0.0	0.0	0.0
DII	48.4	46.7	44.2
FII	27.1	28.5	30.1
Others	24.5	24.8	25.7

CMP: INR184

TP: INR225 (+22%)

Buy

PPoP in line; prudent provisions lead to an earnings miss

Asset quality remains steady

- Federal Bank (FB) reported 3QFY25 earnings of INR9.5b (7% miss), amid accelerated provisions, while PPoP stood broadly in line.
- NII was in line, while NIM stood broadly flat (down 1bp QoQ to 3.11%), as the bank focuses on reorienting its asset mix with a vision to improve yields.
- Advances stood flat as the bank followed a conservative policy to stay away from unsecured lending. Deposits declined 1% QoQ as the bank reduced wholesale deposits by INR40b. The CASA mix improved 9bp QoQ to 30.2%
- Fresh slippages increased 15% QoQ to INR4.98b. GNPA/NNPA ratios declined 14bp/8bp, respectively, to 1.95%/0.49%, while restructured book declined 3bp QoQ to 0.7%.
- We cut our estimates by 3.5%/2.6% for FY26/27E respectively, and estimate RoA/RoE of 1.3%/14.6% by FY27E. **Reiterate BUY rating with a TP of INR225 (1.4x Sep'26E ABV).**

Business growth weak; CD ratio rises to ~86.5%

- FB reported an earnings miss of 7% at INR9.5b, amid prudent accelerated provisions, while PPoP stood broadly in line. NII stood in line at INR24.3b (up 14.5% YoY/ 2.7% QoQ), while NIMs contracted marginally by 1bp QoQ to 3.11%. With the new strategy in place, the bank's NIMs trajectory will be watched closely. For 9MFY25, the bank's PAT grew 7% YoY, while 4QFY25 PAT is expected to grow 15% YoY to INR10.3b.
- Other income rose 6% YoY (down 5% QoQ) to INR9.2b (in line) amid steady core fee income.
- Opex stood at INR17.8b (in line), while the C/I ratio stood at 53%. The bank aims to bring this down to 50% over the next few quarters, with income being the main driver for the reduction. PPoP increased 9% YoY/0.3% QoQ to INR15.7b (in line).
- On the business front, advances grew 15.7% YoY/stood flat QoQ as the bank remains cautious in the unsecured space. Retail growth stood flat, while SMEs grew 2.7% QoQ, and corporate declined 0.6% QoQ.
- Deposits declined 1% QoQ to INR2.66t, led by an outflow in CA deposits by 6.8% QoQ. As a result, the CASA ratio improved 9bp QoQ to 30.2%. The bank's overall CD ratio stood at 86.5% (up 90bp QoQ).
- Fresh slippages increased 15% QoQ to INR4.9b from INR4.2b in 2QFY25, while the GNPA/NNPA ratios declined marginally 14bp/8bp. Reported PCR stood healthy at 74.2%, as the bank took prudential accelerated provisions. Restructured book declined 3bp to 0.7%.
- With the new strategy in place, the bank will see a transition in advances as well as deposits, which may lead to short-term fluctuations but will ensure longer-term consistency. In 3Q, growth was weak, but the bank aims to accelerate the growth of its book while maintaining quality. The bank guides for healthy growth at 1.5X systemic credit growth.

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Highlights from the management commentary

- The bank aims to deliver 1.5X of the banking system growth.
- Average advances and deposits have led to stable NIMs, with no offs in the quarter.
- Auto loans have shifted from floating to fixed rates, with 80% of disbursements now at fixed rates, resulting in improved yields.
- On the MFI front, there has been a high level of stress in the system, but the bank has experienced a lower level of stress compared to others.
- Going forward, the bank expects the credit cost to be at 0.4%.

Valuation and view: Reiterate BUY with a TP of INR225

FB reported a muted quarter as higher provisions led to an earnings miss. Business growth also remained muted as the bank reoriented its growth strategy to focus on profitable growth. Credit costs stood elevated as the bank took prudent provisions to boost its PCR. Management has guided for credit cost of 0.4-0.5%. Asset quality stood broadly stable, while accelerated provisions brought PCR to healthy levels at 74%. NIMs contracted marginally by 1bp QoQ to 3.11%. We believe that FB is well placed among the mid-sized private sector banks to deliver a healthy earnings trajectory, aided by steady business growth and gradual improvements in margins and operating leverage. Under the new leadership, the bank plans to unveil a revised business strategy in Feb'25, with an intent to deliver sustained growth and superior profitability. We cut our estimates by 3.5%/2.6% for FY26/27E, respectively, and estimate RoA/ RoE of 1.3%/14.6% by FY27E. **Reiterate a BUY rating with a TP of INR225 (1.4x Sep'26E ABV).**

Quarterly performance**(INR b)**

	FY24				FY25				FY24	FY25E	FY24E 3QE	V/s our Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Interest Income	19.2	20.6	21.2	22.0	22.9	23.7	24.3	24.7	82.9	95.6	24.4	-0.4%
% Change (YoY)	19.6	16.7	8.5	15.0	19.5	15.1	14.5	12.4	14.7	15.2	15.0	
Other Income	7.3	7.3	8.6	7.5	9.2	9.6	9.2	9.3	30.8	37.3	9.3	-1%
Total Income	26.5	27.9	29.9	29.5	32.1	33.3	33.5	34.0	113.7	132.8	33.7	-1%
Operating Expenses	13.5	14.6	15.5	18.4	17.1	17.7	17.8	18.4	62.0	70.9	18.2	-2%
Operating Profit	13.0	13.2	14.4	11.1	15.0	15.7	15.7	15.5	51.7	61.9	15.5	1%
% Change (YoY)	33.8	9.3	12.8	-16.8	15.2	18.2	9.2	39.9	7.9	19.6	7.9	
Provisions	1.6	0.4	0.9	-0.9	1.4	1.6	2.9	1.6	2.0	7.6	1.7	68%
Profit before Tax	11.5	12.8	13.5	12.0	13.6	14.1	12.8	13.9	49.8	54.3	13.8	-7%
Tax	2.9	3.3	3.4	3.0	3.5	3.5	3.2	3.5	12.6	13.7	3.5	-7%
Net Profit	8.5	9.5	10.1	9.1	10.1	10.6	9.6	10.4	37.2	40.6	10.3	-7%
% Change (YoY)	42.1	35.5	25.3	0.4	18.2	10.8	-5.1	14.8	23.6	9.2	2.2	
Operating Parameters												
Deposit (INR b)	2,225	2,329	2,396	2,525	2,661	2,691	2,664	2,768	2,525	2,768	2,788	
Loan (INR b)	1,835	1,928	1,992	2,094	2,208	2,303	2,304	2,366	2,094	2,366	2,373	
Deposit Growth (%)	21.3	23.1	19.0	18.3	19.6	15.6	11.2	9.6	18.3	9.6	16.4	
Loan Growth (%)	21.0	19.6	18.4	20.0	20.3	19.4	15.7	13.0	20.0	13.0	19.1	
Asset Quality												
Gross NPA (%)	2.4	2.3	2.3	2.1	2.1	2.1	2.0	1.9	2.1	1.9	2.1	
Net NPA (%)	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.7	0.5	0.6	
PCR (%)	71.3	72.3	72.3	72.3	71.9	72.9	75.2	75.5	69.6	75.5	72.5	

Quarterly snapshot

INRm	FY24				FY25			Change (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Interest Income	50,245	54,553	57,301	59,784	63,309	65,773	68,087	19	4
Interest Expense	31,059	33,989	36,067	37,832	40,389	42,101	43,774	21	4
Net Interest Income	19,186	20,564	21,234	21,951	22,920	23,672	24,313	15	2.7
Other Income	7,324	7,304	8,626	7,539	9,152	9,640	9,162	6	-5.0
Trading profits	1,970	700	2,210	1,340	2,620	1,800	1,600	-28	-11.1
Total Income	26,510	27,868	29,859	29,490	32,072	33,312	33,475	12	0.5
Operating Expenses	13,487	14,624	15,486	18,386	17,063	17,658	17,781	15	0.7
Employee	6,167	6,263	6,932	8,869	7,380	7,777	7,832	13	0.7
Others	7,319	8,361	8,554	9,518	9,682	9,882	9,949	16	0.7
Operating Profits	13,024	13,245	14,373	11,104	15,009	15,654	15,695	9	0.3
Core Operating Profits	11,054	12,545	12,163	9,764	12,389	13,854	14,095	16	1.7
Provisions	1,556	439	912	-946	1,443	1,584	2,923	220	84.6
NPA provisions	1,820	610	1,510	70	1,440	1,680	3,430	127	104.2
PBT	11,468	12,806	13,461	12,050	13,566	14,070	12,771	-5	-9.2
Taxes	2,930	3,267	3,394	2,986	3,471	3,503	3,217	-5	-8.2
PAT	8,537	9,538	10,067	9,064	10,095	10,567	9,554	-5	-9.6
Balance sheet (INR b)									
Loans	1,835	1,928	1,992	2,094	2,208	2,303	2,304	16	0.0
Deposits	2,225	2,329	2,396	2,525	2,661	2,691	2,664	11	-1.0
CASA Deposits	709	726	734	742	779	809	803	9	-0.7
-Savings	142	157	153	152	164	174	162	6	-6.8
-Current	567	569	581	590	615	635	641	10	0.9
Loan mix (%)									
Retail	28.8	28.9	28.2	29.2	28.9	28.7	24.4	-378.9	-434
SME	17.8	18.0	16.2	18.0	18.1	18.6	16.1	-1.0	-13.5
Agriculture	3.6	3.6	11.5	3.5	3.4	3.4	2.9	-74.7	-14.6
Corporate	36.4	35.6	31.2	34.3	34.0	33.2	32.5	4.3	-2.1
MFI	1.0	1.2	1.2	1.6	1.7	1.7	1.7	45.1	-0.7
Asset Quality (INR m)									
GNPA	44,348	44,361	46,288	45,289	47,384	48,845	45,533	-2	-6.8
NNPA	12,746	12,298	12,844	12,553	13,304	13,223	11,312	-12	-14.5
Slippages	5,010	3,730	4,960	3,710	4,240	4,340	4,980	0	14.7
Asset Quality Ratios (%)									
GNPA	2.37	2.26	2.29	2.13	2.11	2.09	1.95	-34.00	-14
NNPA	0.74	0.64	0.64	0.60	0.60	0.57	0.49	-15.00	-8
PCR (Exc TWO)	71	72	72	72	72	73	75	290	223
Slippage Ratio	1.2	0.8	1.1	0.8	0.8	0.8	0.9	-15.3	11
Credit Cost	0.4	0.1	0.3	0.0	0.3	0.3	0.6	31.0	32
Business Ratios (%)									
CASA	31.9	31.2	30.6	29.4	29.3	30.1	30.2	-47.0	9.0
Loan/Deposit	1.3	1.2	1.2	1.2	1.1	1.1	0.9	-26.0	-15.2
Other income/Total Income	27.6	26.2	28.9	25.6	28.5	28.9	27.4	-151.9	-156.8
Cost to Income	50.9	52.5	51.9	62.3	53.2	53.0	53.1	125.3	10.7
Tax Rate	25.6	25.5	25.2	24.8	25.6	24.9	25.2	-2.3	29.0
Capitalisation Ratios (%)									
Tier I	12.5	13.8	13.5	14.6	14.2	13.8	13.8	30.0	-4.0
- CET 1	12.5	13.8	13.5	14.6	14.2	13.8	13.8	30.0	-4.0
CAR	14.3	15.5	15.0	16.1	15.6	15.2	15.2	14.0	-4.0
RWA / Total Assets	59.4	58.9	61.1	61.5	60.1	60.4	59.6	-150.8	-76.0
LCR	125.0	124.8	119.9	127.8	112.6	115.2	0.0	-11,992.0	-11,516.0
Profitability Ratios (%)									
Yield on loans	9.2	9.4	9.4	9.5	9.4	9.4	9.4	2.0	4
Yield on Funds	9.2	9.5	9.5	9.4	9.5	9.5	9.6	6.4	7
Cost of Funds	5.4	5.6	5.8	6.0	5.9	5.9	6.0	21.0	8
Cost of Deposits	5.3	5.5	5.7	5.9	5.8	5.9	5.9	19.0	6
Margins	3.20	3.22	3.19	3.21	3.16	3.12	3.11	-8.00	-1
Others									
Branches	1,366	1,389	1,438	1,504	1,518	1,533	1,550	11,200	1,700
ATMs	1,920	1,937	1,962	2,015	2,041	2,052	2,054	9,200	200

Sources: MOFSL, Company



Highlights from the management commentary

Opening remarks

- The full first quarter was under Mr. KVS Manian, the new CEO of the bank.
- The last three months have been a learning curve for the bank, serving as a period of exploration. Mr. Manian traveled to various parts of the country to understand how the bank operates.
- The bank adheres to the 'Triple A' culture—Acute, Agile, and Alert.
- The focus is on scaling operations with quality as the priority.
- While expanding beyond Kerala, the bank has a clear strategy and focus.
- This quarter witnessed significant changes, essential for a seamless transition.
- The transitions have been smooth and disruption-free.
- The bank emphasizes granular growth over high-value asset growth.
- A shift in focus toward balance sheet reorientation is evident.
- Tangible progress has been observed in liabilities, with a strong focus on sustainable average CASA growth.
- End-of-period CASA declined due to reduced wholesale deposits. The priority remains on deposit quality rather than short-term fluctuations.
- FB is committed to creating long-term value instead of pursuing short-term gains.
- Strategic decisions have driven business growth.
- Wholesale term deposits with a three-year tenure have decreased INR40b, aligning with the bank's strategy.
- Wholesale deposits and CDs now comprise 18.2% of the deposit base, reflecting efforts to de-risk.
- The LCR improved significantly from 111% to 133%, though maintaining this level is not the goal.
- On the asset side, the strategy has been reoriented, with a cautious approach to unsecured lending.
- Increasing exposure to high-risk unsecured loans is not a current option; the focus is on home loans, with customer penetration at 80%.
- Auto loans have shifted from floating to fixed rates, with 80% of disbursements now at fixed rates, resulting in improved yields.
- Commercial Retail Banking (CRB) grew 5.6% QoQ, showing strong momentum. Business banking achieved record disbursements, while gold loans faced some regulatory impact.
- In corporate lending, caution has been exercised in sectors like NBFCs and Power.
- The bank remains focused on RaRoC.
- Despite shifts in strategy, NIMs have been maintained, even with rising costs of funds. NIM improvements will take time to fully materialize.
- While short-term headwinds exist, the focus remains on long-term benefits.
- In retail unsecured loans, a robust provisioning framework has been adopted, aligning provision norms rather than making technical adjustments.
- Credit cost guidance stands at 40-45bp.
- Accelerated provisions have been made under the new policy, amounting to INR2.9b. Without these provisions, the bank would have recorded its highest-ever profits.

- Every step taken this quarter is geared toward strengthening the balance sheet and ensuring long-term stability.

Loans deposits

- The reorientation of loans and deposits is a medium-term process and will not be completed within a month. However, the bank remains focused on driving growth in the future.
- The goal is to achieve 1.5x the growth rate of the banking system. The reorientation is designed to enable this growth while maintaining market share as a core strategy.
- Rather than opting for an easier approach of relying heavily on CASA deposits, the bank is committed to leveraging its franchise, distribution network, and superior, granular strategies.
- In the short term, the bank will not focus on unsecured lending, but it plans to grow this portfolio over the medium term. Meanwhile, it has increased volumes in medium-yield assets and will continue prioritizing this segment in the near term.
- Credit cards remain a key focus area, with improvements noted, albeit at a slower pace.
- End-of-period current accounts have shown a decline, though average current account balances grew 1.5% QoQ.
- While there has been some asset growth, headwinds persist. Transitioning from one strategic approach to another will require time.
- In gold loans, the bank is actively engaging with the RBI to ensure compliance. Some disruptions are expected over the next 1-2 quarters before growth resumes.
- VF growth is projected to outpace industry growth. The entire CV book is on a fixed rate, while retail vehicle loans have been offered on a floating rate.
- There is significant potential to leverage the bank's network for further growth.
- The bank prefers a higher proportion of fixed-rate loans, as fixed rates align better with its ALM strategy.

Asset quality

- On the MFI front, there has been a high level of stress in the system, but the bank experienced a lower level of stress compared to others.
- The one-time collections occurred in December and appear to be bottoming out. After 4Q, the outlook is expected to improve significantly.
- Unsecured is <5% of the mix, and the QoQ growth is fairly tempered, with the MFI segment remaining flat at 1% QoQ.
- The slippage rate is at 0.83% of advances, which is lower than the 1% guidance.
- The bank has positioned its benchmark provisions policy in line with the industry, emphasizing that it is better to address the risks in a timely manner as they would resurface eventually.
- The provisions are not against standard assets but against NPAs, and have been advanced. It has followed IRAC norms while adopting a better policy.
- While there is inherent risk in the unsecured portfolio, there have been no dramatic changes or surprises. Another quarter of challenges may arise, but it will not significantly affect asset quality.

Yields, costs, and margins

- Some unprofitable growth has been given up, resulting in NII growth being higher than advances growth.
- Average advances and deposits have led to stable NIMs, with no offs in the quarter.
- The bank is shifting toward fixed-rate auto finance, and starting this month, it will offer loans at fixed rates. There are also opportunities to expand in other areas of loans.
- NIMs are influenced by both liabilities and assets. The pivot towards medium-risk business will help maintain NIMs at current levels.
- The cost of deposits has been rising, and while the bank cannot change its CoF in just two months, it expects a directional movement.
- The bank has a stable CASA, and as it improves, NIMs are expected to improve as well.
- NIMs are not only impacted by the assets mix but also by the deposits mix.
- Measures have been taken to improve NIMs, though the increase in NIMs will depend on various factors.

Provisions

- Despite higher provisions, the bank expects credit costs to remain at 40-45bp. The guidance remains unchanged, even with accelerated write-offs.
- INR2.9b is allocated for accelerated provisions, which are related to existing NPA accounts and not the standard book. Despite changing norms, the bank has catch-up assets, and the guidance for credit cost of 0.4-0.5% remains unchanged.
- Going forward, the bank expects credit costs to be at 0.4%. However, several factors, such as the mix of business, could affect the credit cost.
- Credit cost operates on a lead lag basis, meaning that over time, this dynamic will result in the same credit cost.

Capital ratios

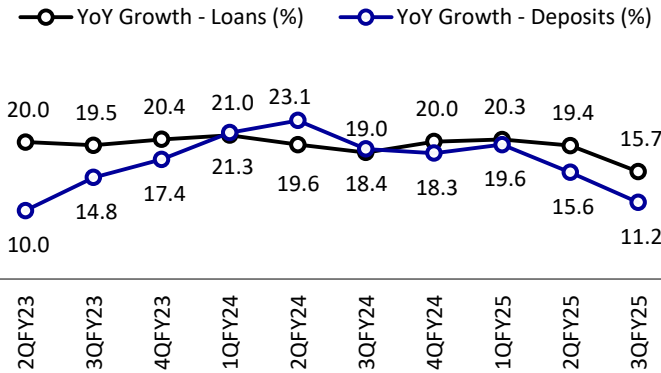
- The bank has not recognized current year profits and will add to 13.8% of the tier-1 ratio.

LCR

- The exit LCR stood at 133%, with the average LCR for the quarter of 118%.

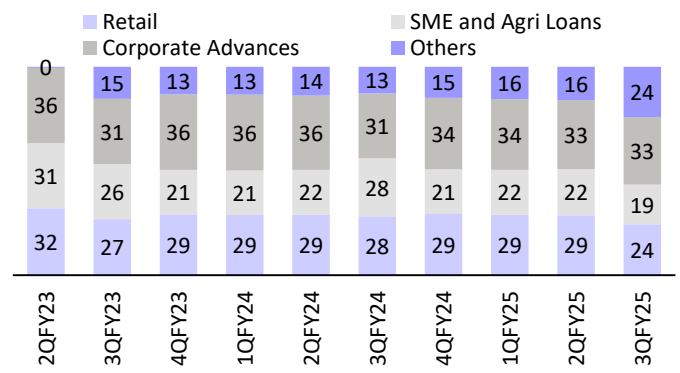
Story in charts

Exhibit 1: Advances/deposits grew 15.7%/11.2% YoY



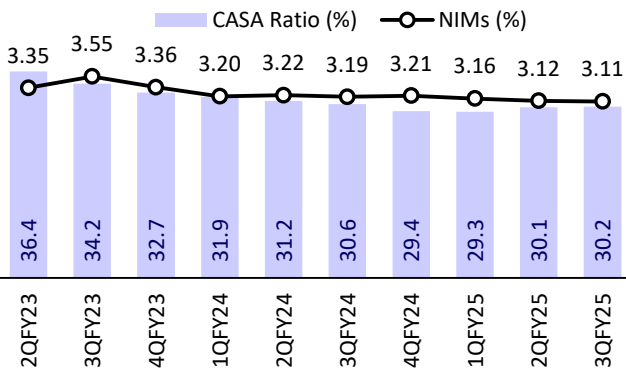
Sources: MOFSL, Company

Exhibit 2: Retail book stood at 24% and corporate at 33%



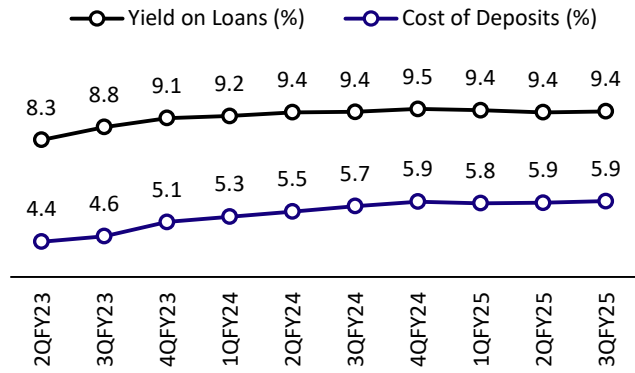
Note – Restated for 1QFY24, 4QFY24 and 1QFY25, Sources: MOFSL, Company

Exhibit 3: NIM down 1bp to 3.11%; CASA stood at 30.2%



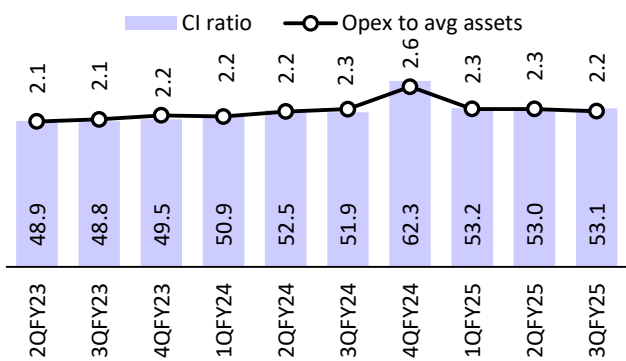
*NIM till 1QFY23 was reported on gross earning assets Sources: MOFSL, Company

Exhibit 4: YoA improved 4bp QoQ; CoD up 6bp QoQ



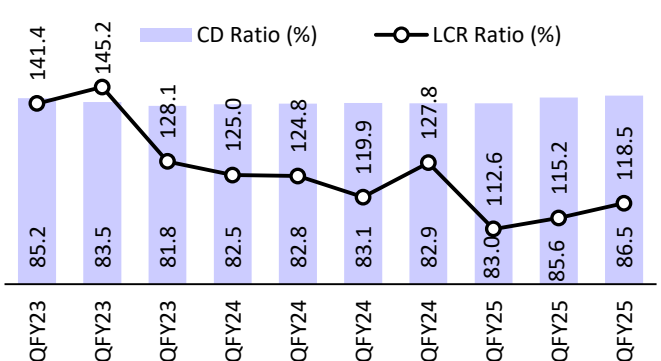
Sources: MOFSL, Company

Exhibit 5: C/I ratio stood at 53%



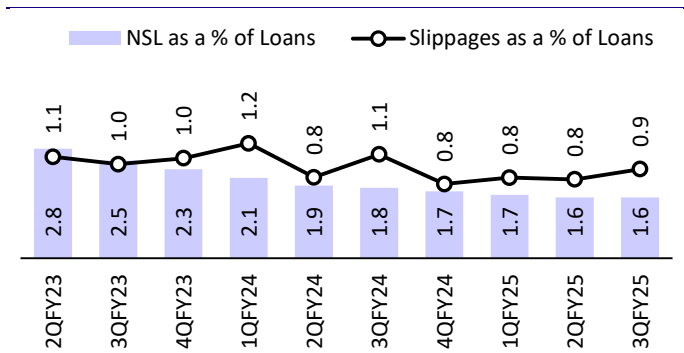
Sources: MOFSL, Company

Exhibit 6: C/D ratio increased to 86.5% in 3QFY25



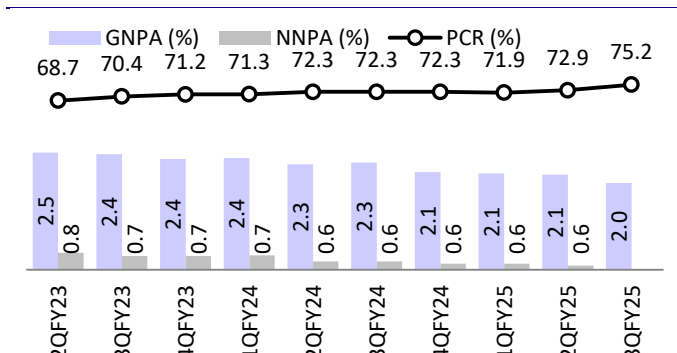
Sources: MOFSL, Company

Exhibit 7: NSL as % of loans stood at 1.6%, while slippages stood at 0.9%



Sources: MOFSL, Company

Exhibit 8: GNPA/NNPA ratios declined QoQ to 1.95%/0.5%; calculated PCR at ~75.2%



Sources: MOFSL, Company

Valuation and view: Reiterate BUY with a TP of INR225

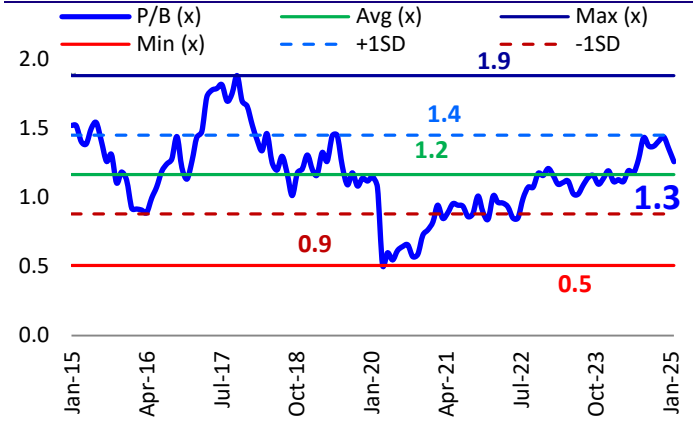
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- We believe that FB is well placed among the mid-sized private sector banks to deliver a healthy earnings trajectory, aided by steady business growth and gradual improvements in margins and operating leverage. Under the new leadership, the bank plans to unveil a revised business strategy in Feb'25, with an intent to deliver sustained growth and superior profitability.
- **We cut our estimates by 3.5%/2.6% for FY26/27E, respectively, and estimate RoA/ RoE of 1.3%/14.6% by FY27E. Reiterate a BUY rating with a TP of INR225 (1.4x Sep'26E ABV).**

Exhibit 9: Changes to our estimates

(INR b)	Old Estimates			Revised Estimates			Change (%)/bps		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Net Interest Income	96.0	114.6	136.4	95.6	110.3	132.2	-0.4	-3.7	-3.1
Other Income	37.0	43.6	51.5	37.3	44.0	51.9	0.8	0.8	0.8
Total Income	132.9	158.2	187.9	132.8	154.3	184.1	-0.1	-2.4	-2.0
Operating Expenses	71.9	82.9	94.8	70.9	81.9	94.0	-1.3	-1.2	-0.8
Operating Profits	61.1	75.3	93.1	61.9	72.4	90.1	1.3	-3.9	-3.2
Provisions	6.2	10.8	13.7	7.6	10.1	12.8	21.8	-6.0	-6.5
PBT	54.8	64.5	79.4	54.3	62.2	77.3	-1.0	-3.5	-2.6
Tax	13.8	16.4	20.2	13.7	15.9	19.7	-1.0	-3.5	-2.6
PAT	41.0	48.1	59.2	40.6	46.4	57.6	-1.0	-3.5	-2.6
Loans	2,454	2,896	3,417	2,366	2,726	3,195	-3.6	-5.9	-6.5
Deposits	2,950	3,469	4,086	2,768	3,166	3,730	-6.2	-8.7	-8.7
Margins (%)	3.19	3.24	3.27	3.24	3.26	3.35	4	2	8
Credit Cost (%)	0.27	0.37	0.40	0.34	0.37	0.40	7	0	0
RoA (%)	1.24	1.25	1.31	1.23	1.23	1.32	0	-2	1
RoE (%)	13.3	13.7	14.9	13.1	13.3	14.6	-12	-44	-28
EPS	16.8	19.7	24.3	16.7	19.0	23.7	-1.0	-3.5	-2.6
BV	134.8	152.5	174.3	134.6	151.7	172.8	-0.1	-0.6	-0.9
ABV	127.9	144.5	165.0	128.4	144.3	164.4	0.4	-0.1	-0.4

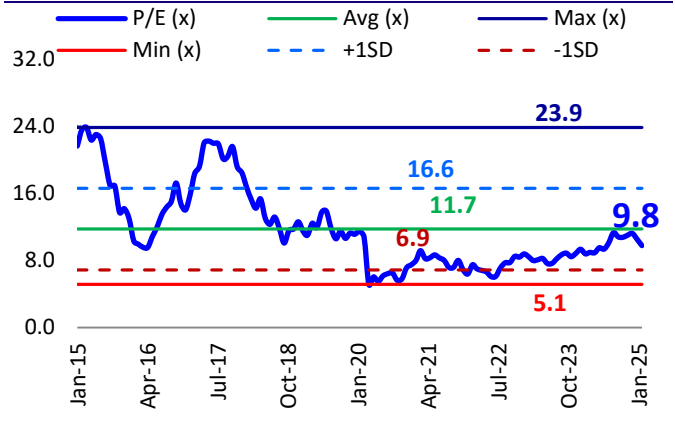
Sources: MOFSL, Company

Exhibit 10: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 11: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 12: DuPont Analysis: Expect return ratios to improve gradually

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	6.98	7.80	7.76	7.65	7.69
Interest Expense	3.98	4.89	4.86	4.72	4.65
Net Interest Income	3.01	2.92	2.90	2.93	3.03
Core Fee Income	0.96	0.99	1.03	1.06	1.08
Trading and others	0.01	0.10	0.10	0.11	0.11
Non Interest income	0.97	1.08	1.13	1.17	1.19
Total Income	3.97	4.00	4.03	4.10	4.22
Operating Expenses	1.98	2.18	2.15	2.18	2.16
-Employee cost	0.90	0.99	0.99	0.99	0.98
-Others	1.08	1.19	1.17	1.19	1.18
Operating Profits	1.99	1.82	1.88	1.92	2.07
Core Operating Profits	1.98	1.72	1.78	1.82	1.96
Provisions	0.31	0.07	0.23	0.27	0.29
PBT	1.68	1.75	1.65	1.65	1.77
Tax	0.43	0.44	0.42	0.42	0.45
RoA	1.25	1.31	1.23	1.23	1.32
Leverage (x)	11.9	11.2	10.7	10.8	11.0
RoE	14.9	14.7	13.1	13.3	14.6

Sources: MOFSL, Company

Financials and valuations

Income Statement					(INRb)
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	168.0	221.9	255.7	287.9	335.1
Interest Expense	95.7	138.9	160.1	177.5	202.8
Net Interest Income	72.3	82.9	95.6	110.3	132.2
-growth (%)	21.3	14.7	15.2	15.5	19.8
Non Interest Income	23.3	30.8	37.3	44.0	51.9
Total Income	95.6	113.7	132.8	154.3	184.1
-growth (%)	18.8	18.9	16.8	16.2	19.3
Operating Expenses	47.7	62.0	70.9	81.9	94.0
Pre Provision Profits	47.9	51.7	61.9	72.4	90.1
-growth (%)	27.6	7.9	19.6	16.9	24.5
Provisions (excl tax)	7.5	2.0	7.6	10.1	12.8
PBT	40.4	49.8	54.3	62.2	77.3
Tax	10.3	12.6	13.7	15.9	19.7
Tax Rate (%)	25.6	25.3	25.2	25.5	25.5
PAT	30.1	37.2	40.6	46.4	57.6
-growth (%)	59.3	23.6	9.2	14.1	24.2

Balance Sheet

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	4.2	4.9	4.9	4.9	4.9
Equity Share Capital	4.2	4.9	4.9	4.9	4.9
Reserves & Surplus	210.8	286.1	323.0	364.5	416.1
Net Worth	215.1	290.9	327.9	369.4	420.9
Deposits	2,133.9	2,525.3	2,767.8	3,166.3	3,729.9
-growth (%)	17.4	18.3	9.6	14.4	17.8
- CASA Dep	701.2	746.5	833.1	981.6	1,186.1
-growth (%)	3.9	6.5	11.6	17.8	20.8
Borrowings	193.2	180.3	295.9	340.3	391.4
Other Liabilities & Prov.	61.3	86.6	116.9	137.9	162.7
Total Liabilities	2,603.4	3,083.1	3,508.5	4,014.0	4,705.0
Current Assets	176.9	189.6	272.7	270.0	309.1
Investments	489.8	608.6	684.1	807.2	952.5
-growth (%)	25.0	24.2	12.4	18.0	18.0
Loans	1,744.5	2,094.0	2,366.3	2,725.9	3,194.8
-growth (%)	20.4	20.0	13.0	15.2	17.2
Fixed Assets	9.3	10.2	14.8	17.7	21.3
Other Assets	182.9	180.7	170.7	193.1	227.3
Total Assets	2,603.4	3,083.1	3,508.5	4,014.0	4,705.0

Asset Quality

GNPA	41.8	45.3	46.4	52.3	60.0
NNPA	13.2	13.8	11.4	13.2	14.8
Slippages	17.2	17.4	19.2	25.5	29.6
GNPA Ratio (%)	2.4	2.1	1.9	1.9	1.9
NNPA Ratio (%)	0.8	0.7	0.5	0.5	0.5
Slippage Ratio (%)	1.1	0.9	0.9	1.0	1.0
Credit Cost (%)	0.5	0.1	0.3	0.4	0.4
PCR (Excl Tech. write off) (%)	68.4	69.6	75.5	74.8	75.3

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Yield and Cost Ratios (%)					
Avg. Yield-Earning Assets	8.0	8.8	8.6	8.5	8.5
Avg. Yield on loans	8.4	9.2	9.1	9.0	9.0
Avg. Yield on Investments	6.5	6.9	7.0	6.9	6.9
Avg. Cost-Int. Bear. Liab.	4.5	5.5	5.5	5.4	5.3
Avg. Cost of Deposits	4.4	5.5	5.6	5.4	5.3
Avg. Cost of Borrowings	5.5	6.4	5.2	5.2	5.1
Interest Spread	3.6	3.2	3.1	3.1	3.2
Net Interest Margin	3.5	3.3	3.2	3.3	3.4
Capitalization Ratios (%)					
CAR	14.8	16.5	16.5	15.9	15.1
Tier I	13.0	14.8	15.0	14.6	14.0
-CET-1	13.0	14.82	14.4	13.8	13.3
Tier II	1.8	1.6	1.5	1.3	1.1
Business Ratios (%)					
Loans/Deposit Ratio	81.8	82.9	85.5	86.1	85.7
CASA Ratio	32.9	29.6	30.1	31.0	31.8
Cost/Assets	1.8	2.0	2.0	2.0	2.0
Cost/Total Income	49.9	54.5	53.4	53.1	51.1
Cost/Core Income	50.0	55.9	54.8	54.5	52.4
Int. Expense/Int. Income	57.0	62.6	62.6	61.7	60.5
Fee Income/Net Income	24.1	24.7	25.6	25.9	25.6
Non Int. Inc./Net Income	24.4	27.1	28.1	28.5	28.2
Empl. Cost/Op. Exps.	45.6	45.5	45.8	45.6	45.3
Efficiency Ratios (INRm)					
Employee/branch (in nos)	9.8	10.1	10.0	9.9	9.8
Staff cost/employee	1.6	1.9	2.0	2.2	2.4
CASA per branch	511.1	496.3	522.6	580.8	662.2
Deposits per branch	1,555.3	1,679.1	1,736.1	1,873.7	2,082.3
Business per Employee	288.2	303.7	321.4	351.3	393.2
PAT per Employee	2.2	2.4	2.5	2.8	3.3

Valuation

RoE	14.9	14.7	13.1	13.3	14.6
RoA	1.3	1.3	1.2	1.2	1.3
RoRWA	1.9	1.9	1.8	1.8	1.9
Book Value (INR)	102	119	135	152	173
-growth (%)	13.7	17.6	12.7	12.7	13.9
Price-BV (x)	1.8	1.5	1.3	1.2	1.0
Adjusted BV (INR)	94.1	112.8	128.4	144.3	164.4
Price-ABV (x)	1.9	1.6	1.4	1.3	1.1
EPS (INR)	14.3	16.3	16.7	19.0	23.7
-growth (%)	54.8	14.5	2.0	14.1	24.2
Price-Earnings (x)	12.7	11.1	10.9	9.5	7.7
Dividend Per Share (INR)	1.8	1.0	1.5	2.0	2.5
Dividend Yield (%)	1.0	0.5	0.8	1.1	1.4

E: MOFSL Estimates

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Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.