24 June 2025

Company Update | Sector: Financials

Federal Bank

BSE SENSEX	S&P CNX
82,055	25,044

Bloomberg	FB IN
Equity Shares (m)	2455
M.Cap.(INRb)/(USDb)	513.8 / 6
52-Week Range (INR)	217 / 172
1, 6, 12 Rel. Per (%)	2/1/13
12M Avg Val (INR M)	2089
Free float (%)	100.0

Financials & Valuation (INR b)

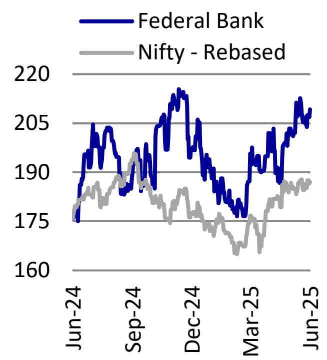
Y/E Mar	FY25	FY26E	FY27E
NII	94.7	103.2	125.4
OP	61.0	67.3	85.9
NP	40.5	42.4	53.7
NIM (%)	3.2	3.1	3.2
EPS (INR)	16.6	17.4	22.0
EPS Gr. (%)	1.8	4.7	26.5
BV/Sh. (INR)	137	150	171
ABV/Sh. (INR)	131	143	163
Ratios			
ROA (%)	1.2	1.1	1.2
ROE (%)	13.0	12.1	13.7
Valuations			
P/E(X)	12.6	12.0	9.5
P/BV (X)	1.5	1.4	1.2

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	0.0	0.0	0.0
DII	48.6	48.4	44.9
FII	27.0	27.1	29.3
Others	24.4	24.5	25.8

FII Includes depository receipts

Stock performance (one-year)



CMP: INR209 TP: INR250 (+19%) Buy

Laying groundwork for steady improvement in RoA

Estimate 20% earnings CAGR over FY25-28 and FY28-exit RoA of 1.5%

- **Federal Bank (FB) has demonstrated strong business growth and is rebalancing its portfolio toward medium- and high-yielding segments like LAP, used CVs, gold loans, and credit cards to drive profitability. We estimate loan growth to sustain at ~17% CAGR over FY25-28E while bank maintains strong asset quality.**
- **Deposit growth is expected to accelerate to a 15.1% CAGR over FY25-28, supported by a CA-led CASA push, a stronger NR franchise, and the realignment of its branch network. We estimate CASA share to improve to 34-35% by FY28E.**
- **NIMs may face near-term pressure due to high funding costs, muted CASA growth, and T+1 repricing of a 51% repo-linked book; however, FB targets medium-term NIMs of 3.5% by FY28.**
- **C/I ratio is estimated to stay high at 53-55% in the near term due to investments in Neo, Project Udaan, and tech upgrades, though it is expected to improve with scale and productivity gains.**
- **Asset quality remains robust, with GNPA/NNPA at 1.84%/0.44% in FY25 and a healthy PCR of >75%. Credit costs are likely to remain contained at ~35-45bp.**
- **Under new CEO Mr. KVS Manian, FB is addressing its gaps and pivoting toward sustainable, return-driven growth across businesses and geographies. We estimate RoA/RoE at 1.4%/15.6% by FY28E, driven by better margins, asset mix shift, and improved cost efficiency. The C/I ratio is likely to fall to ~48.8%.**
- **FB remains one of our preferred BUY-rated ideas among mid-size private banks with a TP of INR250 (1.5x FY27E ABV).**

Targeting balanced growth with improving asset mix

FB is strategically shifting toward profitable growth by reshaping its asset mix to favor medium- and high-yield segments while preserving asset quality. In FY25, it reported modest credit growth of 12% as the bank deliberately slowed non-friendly corporate loan growth, while other segments like LAP, CV/CE, and gold loans continued to grow at a healthy pace. Although gold loan growth slowed in 4Q due to regulatory factors, recent LTV relaxations by the RBI should support recovery. FB remains cautious on unsecured credit but expects a gradual re-entry as conditions improve. We estimate FB to deliver ~17% loan CAGR over FY25-28E.

Focusing on CA to boost deposit growth and ease funding costs

FB is strengthening its deposit franchise by accelerating CA deposit growth. Overall deposit growth was moderate at 12% YoY in FY25, led by 15.6% CASA growth, though the CASA ratio remained modest at ~30.2%. While the bank has underperformed peers in CA deposits, it is garnering deposits through innovative offerings and increased focus on SME/mid-corporate customers. We note that FB's CA mix at 7% is relatively smaller than the 12-16% range for other top 5 private banks despite FB having ~31% mix of non-retail loans. FB is also reorienting its branch strategy toward liability-led growth, transforming its outlets into active deposit hubs. With a strong NR franchise (~29% of deposits), the bank plans to expand beyond Kerala and the GCC, leveraging wealth and investment offerings. These initiatives will help to improve the

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)

Research Analyst: Dixit Sankharva (Dixit.sankharva@motilaloswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

CASA ratio in the medium term. Additionally, the bank has consciously pruned non-LCR-friendly wholesale deposits, resulting in a healthy LCR of 142% as of FY25 (128% in FY24). With this improved liquidity profile, deposits are expected to grow steadily at a 15% CAGR over FY25-28, with CASA growth being faster at 20% over the same period.

NIMs to be under pressure in near term; aspires to reach 3.5% by FY28E

FB's NIMs are likely to remain under pressure for the near term due to rising funding costs, muted CASA growth, and yield compression from the transmission of repo rate cuts. Its high repo-linked book (51%) and faster T+1 repricing model (vs. peers) add to the pressure. However, FB is repositioning for medium-term margin expansion, targeting NIM of 3.5% by FY28. It is focusing on high-yield segments, such as used CVs, affordable housing, LAP, tractor financing, SME & mid-corporate lending and credit cards, while reducing exposure to low-margin mortgages, corporates & NBFCs. The bank has exited select non-remunerative corporate loans, replacing them with better-yielding assets. With aligned repricing, a shift in asset mix, and improving liabilities mix, FB aims to structurally enhance margins and improve its margin profile. We estimate margin to improve to 3.45% by FY28E.

Expect gradual reduction in cost ratios; fee intensity to improve further

The bank is strategically investing in long-term franchise growth while focusing on cost efficiency and fee income expansion. In FY25, opex rose due to branch additions, marketing spends, and tech-led initiatives, pushing the 4QFY25 C/I ratio to ~56.7% vs. a full-year average of ~54%. Investments in platforms like Neo (sales and marketing) and Project Udaan (branch productivity) are expected to drive future growth but will keep costs high in the near term, with the C/I ratio likely to stay in the 53-55% range. However, scale benefits, process centralization, and operating leverage are expected to aid gradual improvement in C/I ratio, with most of the benefits to be visible from FY28E when C/I ratio is estimated to improve to 48.8%. Simultaneously, FB is scaling up its fee income on the back of strong traction in cards, wealth, and fintech cross-sell. It is aiming to improve the fee-to-assets ratio, thus enhancing RoA while balancing growth and operating efficiency.

RoA recovery to begin in FY27E; estimate sharp uptick to 1.5% by exit FY28E

FB, as a franchisee, has operated with a conservative risk profile and that partly is the reason why the bank has operated in a lower return ratio profile. Over the past five years, the bank's RoA has been in the range of 0.9-1.2%, which is lower than that of its industry peers. FB has set an aspiration to grow and realign its product portfolio toward mid- and high-yielding assets while being conscious of its asset quality metrics, which should help to keep the credit cost contained. As operating leverage kicks in and the C/I ratio sees a calibrated decline, fee income will remain strong amid cross-selling and better growth in high-yielding assets. These measures collectively set the stage for a gradual RoA improvement for FB, pointing to a credible pathway toward ~1.4% RoA by FY28E (exit RoA of 1.5%).

Asset quality stable; factoring in slight rise in credit cost as mix of high-yielding assets increase

FB has consistently maintained strong asset quality, with GNPA/NNPA improving to 1.84%/0.44% in FY25, driven by controlled slippages, strong recoveries, and prudent provisioning. Robust underwriting, especially in mid-corporate and SME segments, underpins this performance. Even in higher-yielding areas like microfinance and credit cards, the bank has remained cautious and has made accelerated provisions, prioritizing quality over growth. The restructured book has declined to 0.6%, and PCR has improved to >75%, strengthening the balance sheet. With a disciplined credit culture, selective unsecured exposure and proactive risk framework, FB is well positioned to manage asset quality across cycles. We estimate credit cost to stay contained or increase slightly to ~50bp by FY28E as the bank consciously increases the mix of high-yielding loans. We thus estimate GNPA/NNPA to improve further to 1.7%/0.4% by FY28E.

Valuation and view

- FB recorded slower growth in FY25 due to its ongoing portfolio rejig and conscious shift toward higher-yielding products. Its strategic focus—driven by asset mix improvement, liability optimization, and digital initiatives—positions it well to improve upon its profitability profile.
- Under new CEO Mr. Manian, the bank is addressing key gaps and is on track to deliver stable growth with improved margins and stronger return ratios.
- Though the stock trades at a discount to peers, improving fundamentals and a better RoA/RoE profile should support valuation re-rating over time, particularly as the steps that management is taking begin to yield results.
- We estimate RoA to expand to 1.4% and RoE to 15.6% by FY28E, with potential upside from rising margins and continued asset mix shift. As operating leverage improves, the C/I ratio is likely to decline to ~48.8% by FY28. **FB remains one of our preferred BUY-rated ideas among mid-size private banks with a TP of INR250 (1.5x FY27E ABV).**

Targeting balanced growth with improving asset mix

Improving growth in mid/high-yielding assets to enable profitable growth

- FB is strategically shifting toward profitable growth by reshaping its asset mix to favor medium- and high-yielding segments while preserving asset quality.
- In FY25, it reported a modest credit growth of 12% as the bank deliberately slowed non-friendly corporate loan growth, while other segments like LAP, CV/CE, and gold loans continued to grow at a healthy pace.
- Although gold loan growth slowed in 4Q due to regulatory factors, recent LTV relaxations by the RBI should support a recovery.
- FB remains cautious on unsecured credit but expects a gradual re-entry as conditions improve. We estimate FB to deliver ~17% loan CAGR over FY25-28E.

Loan mix

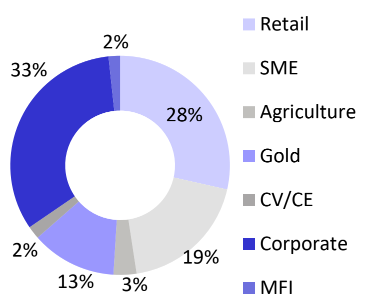
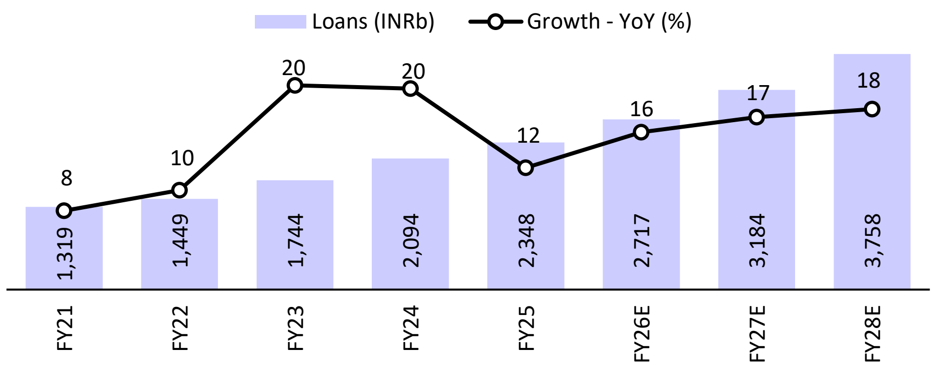


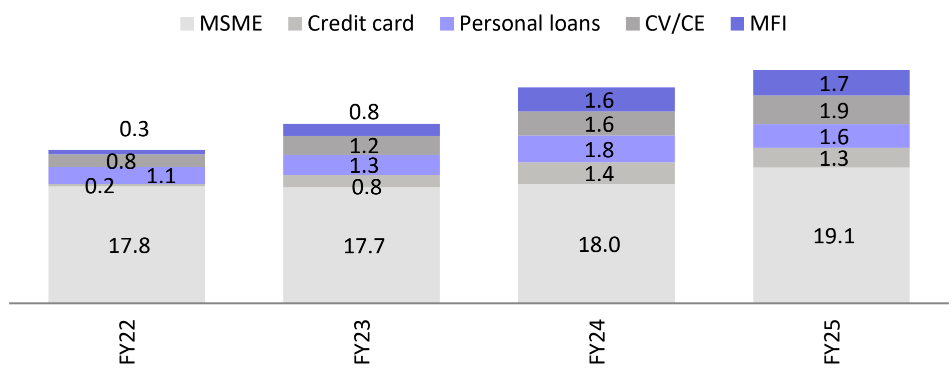
Exhibit 1: Estimate healthy ~17% loan CAGR over FY25-28E



Source: MOFSL, Company

FB has been expanding its better-yielding product portfolio with a focus on existing and new product lines

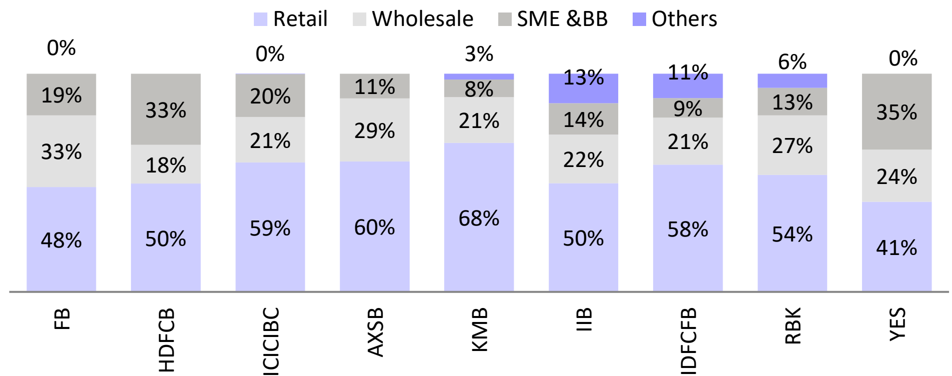
Exhibit 2: Share of better-margin products (excl. MSME) increased to 7% in FY25



Source: MOFSL, Company

FB has a well-diversified book, and likely similar to the other banks

Exhibit 3: Asset business mix (%) for various banks



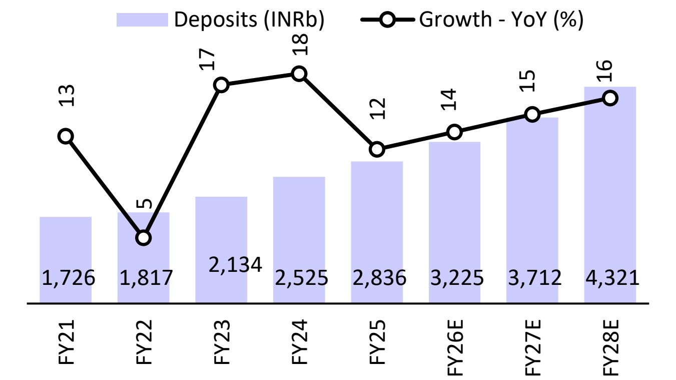
Source: MOFSL, Company

CA deposits to boost deposit growth

Estimate CASA ratio to improve to 34% by FY28E

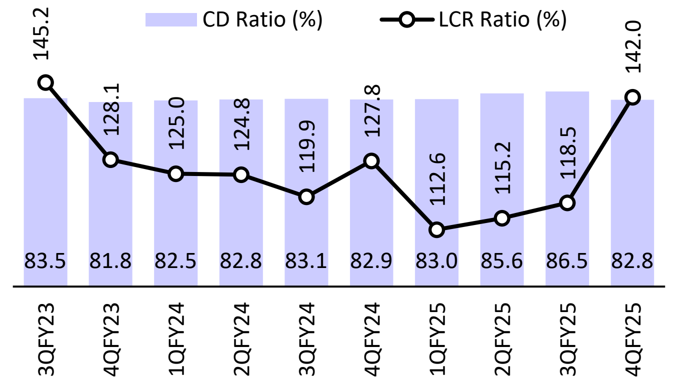
- FB is strengthening its deposit franchise by driving CA deposit growth. Overall deposit growth was moderate at 12% YoY in FY25, led by 15.6% CASA growth, though the CASA ratio remained modest at ~30.2%.
- While the bank has underperformed peers in CA deposits, it is accelerating deposit acquisition through innovative offerings and increased focus on SME/mid-corporate customers. We note that FB's CA mix at 7% is relatively smaller than the 12-16% range for other top 5 private banks, despite FB having ~31% mix of non-retail loans.
- FB is also reorienting its branch strategy toward liability-led growth, transforming outlets into active deposit hubs. With a strong NR franchise (~29% of deposits), the bank plans to expand beyond Kerala and the GCC, leveraging wealth and investment offerings.
- These initiatives will help to improve CASA ratio in the medium term. Additionally, the bank has consciously pruned non-LCR-friendly wholesale deposits, resulting in a healthy LCR of 142% as of FY25 (128% in FY24). With this improved liquidity profile, deposits are expected to grow steadily at a 15% CAGR over FY25-28, with faster CASA growth of 20%.

Exhibit 4: Estimate deposit CAGR at ~15.1% over FY25-28E



Source: MOFSL, Company

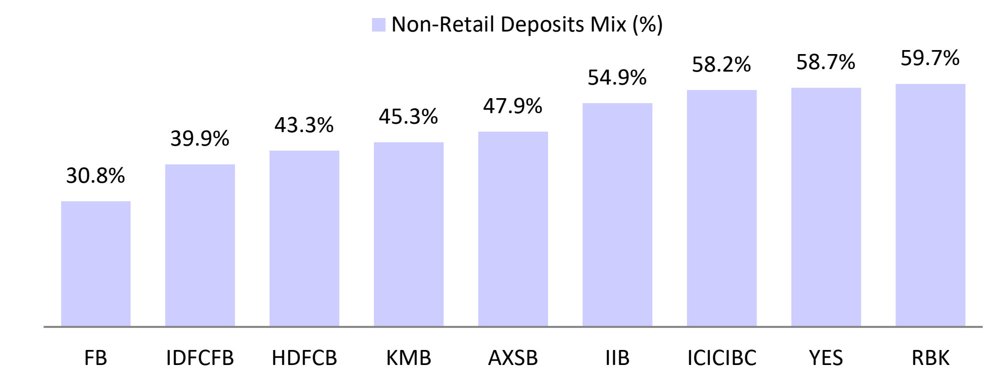
Exhibit 5: CD ratio stable at 83%; LCR increased to 142%



Source: MOFSL, Company

FB has lower non-retail deposits mix (%) vs. all its peer banks

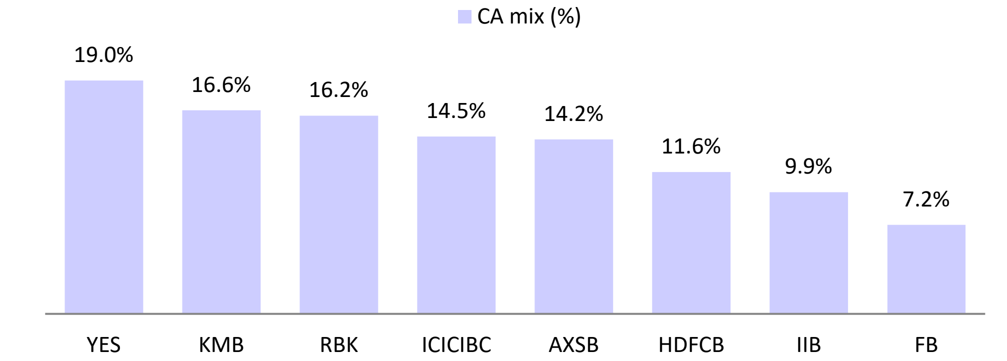
Exhibit 6: Non-retail deposits stand lower for FB vs. its peers



Source: MOFSL, Company

Exhibit 7: CA mix (%)is relatively lower for FB

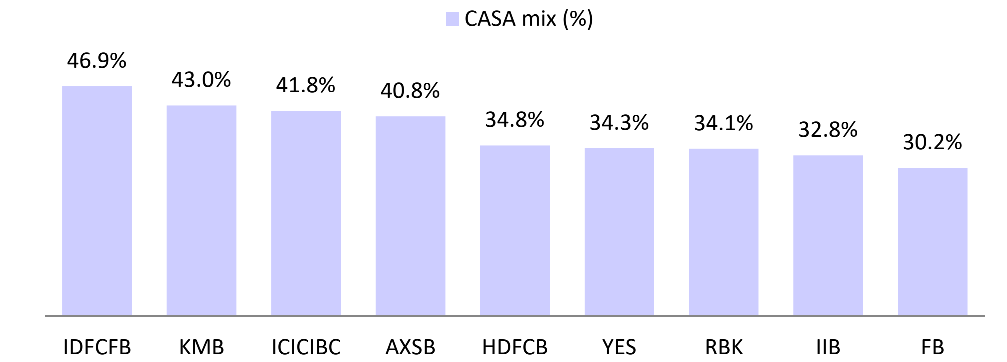
CA mix (%) is lower for FB at 7.2% vs. 10% and above for most of the peers



Source: MOFSL, Company

Exhibit 8: CASA mix (%) for various private banks

Lower share of CA deposits resulted into lower CASA mix for FB



Source: MOFSL, Company

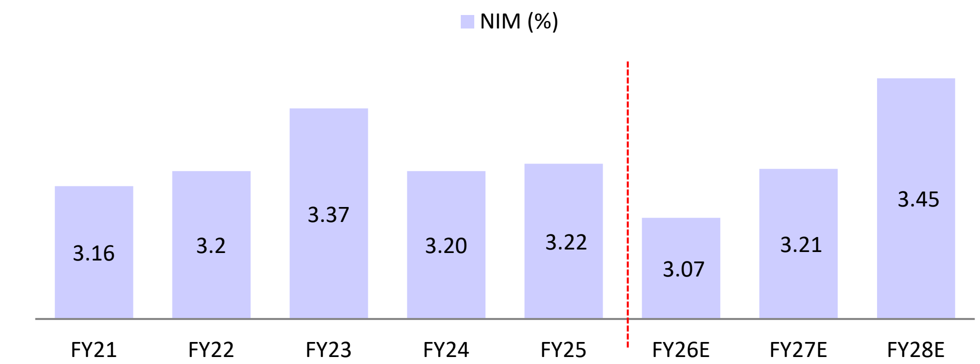
NIMs to be under pressure in near term; aspires to reach 3.5% by FY28E

NIMs to emerge as a key RoA driver in medium term

- FB's NIMs are likely to remain under pressure for the near term due to rising funding costs, muted CASA growth, and yield compression from the transmission of repo rate cuts. Its high repo-linked book (51%) and faster T+1 repricing model (vs peers) add to the pressure.
- However, FB is repositioning for medium-term margin expansion, targeting NIM of 3.5% by FY28. It is focusing on high-yield segments like used CVs, affordable housing, LAP, tractor financing, SME & mid-corporate lending and credit cards, while reducing exposure to low-margin mortgages, corporates & NBFCs.
- The bank has exited select non-remunerative corporate loans, replacing them with better-yielding assets. With aligned repricing, a shift in asset mix, and improving liabilities mix, FB aims to structurally enhance margins and improve its margin profile. We estimate margin to improve to 3.45% by FY28E.

NIMs to see near-term pressure in FY26E and improve toward 3.45% in FY28E

Exhibit 9: Estimate NIMs to bottom out in FY26E; recover thereafter to 3.45% by FY28E



FY26,27 are on calculated basis

Source: MOFSL, Company

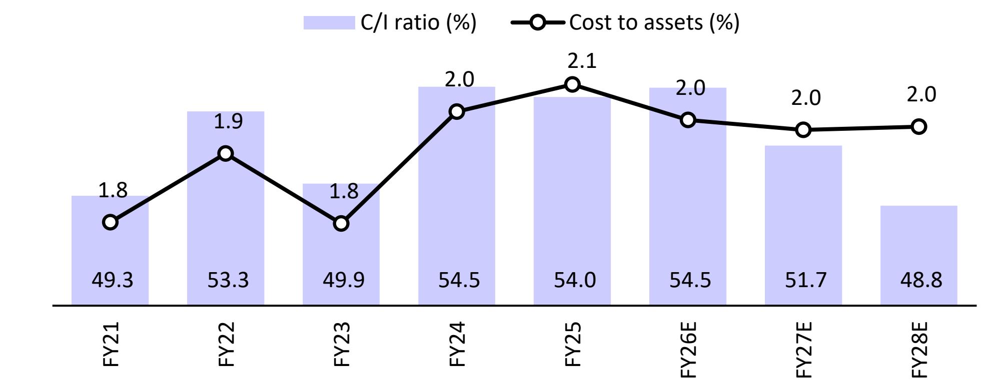
Cost ratios sticky in near term; fee intensity to improve further

Estimate lagged decline in C/I ratio to ~48.8% by FY28E

- FB is strategically investing in long-term franchise growth while focusing on cost efficiency and fee income expansion. In FY25, opex rose due to branch additions, marketing spends, and tech-led initiatives, pushing the 4QFY25 C/I ratio to ~56.7% vs. a full-year average of ~54%.
- Investments in platforms like Neo (sales and marketing) and Project Udaan (branch productivity) are expected to drive future growth but will keep costs elevated in the near term, with the C/I ratio likely to stay in the 53–55% range.
- However, scale benefits, process centralization, and operating leverage are expected to aid gradual improvement in C/I ratio, with most of the benefits to be visible from FY28E when C/I ratio is expected to improve to 48.8%.
- Simultaneously, FB is scaling up its fee income on the back of strong traction in cards, wealth, and fintech cross-sell. It is aiming to improve its fee-to-assets ratio, thus enhancing RoA while balancing growth and operating efficiency.

With continued investment in business, technology and employees, we expect the C/I ratio to decline to 48.8% by FY28E

Exhibit 10: Estimate C/I ratio to moderate to 48.8% by FY28E



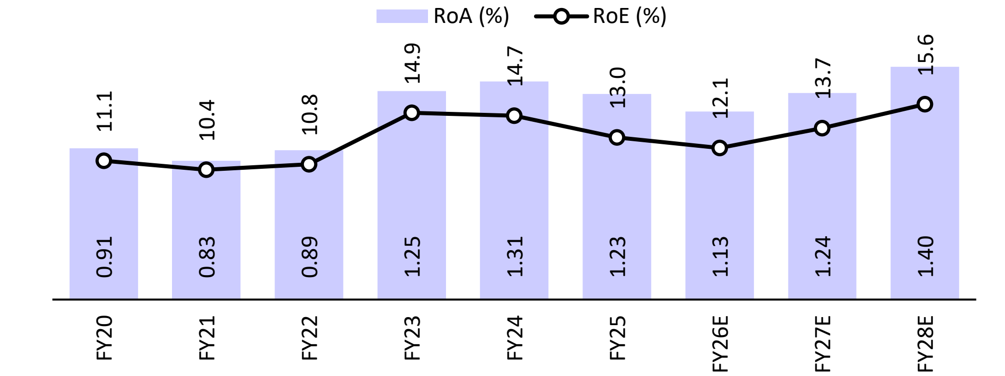
Source: MOFSL, Company

RoA recovery to begin in FY27E

Estimate sharp uptick to 1.5% by the end of FY28E, led by multiple levers

- FB, as a franchisee, has operated with a conservative risk profile and that is partly the reason why the bank has operated in a lower return ratio profile. Over the past five years, the bank's RoA has been around 0.9-1.2%, which is lower than that of its industry peers.
- The bank has set an aspiration to grow and realign its product portfolio toward mid- and high-yielding assets while being conscious about the asset quality metrics, which should help to keep the credit cost contained.
- As operating leverage kicks in and the C/I ratio sees a calibrated decline, fee income shall remain strong amid cross-selling and better growth in high-yielding assets.
- These measures collectively set the stage for a gradual RoA improvement for FB, pointing to a credible pathway toward ~1.4% RoA by FY28E (exit RoA of 1.5%).

Exhibit 11: Return ratios to improve from FY27E; estimate 1.5% exit RoA in FY28E



Source: MOFSL, Company

Exhibit 12: RoA to recover on the back of NIMs, healthy fee and controlled cost and provisions

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	**2.90**	**2.82**	**3.01**	**2.92**	**2.88**	**2.75**	**2.89**	**3.15**
Non-Interest income	**1.03**	**0.99**	0.97	1.08	1.16	1.18	1.21	1.23
Total Income	**3.92**	**3.81**	**3.97**	**4.00**	**4.04**	**3.93**	**4.10**	**4.38**
Operating Expenses	**1.93**	**2.03**	**1.98**	**2.18**	**2.18**	**2.14**	**2.12**	**2.14**
Operating Profits	**1.99**	**1.78**	**1.99**	**1.82**	**1.86**	**1.79**	**1.98**	**2.24**
Core Operating Profits	**1.66**	**1.64**	**1.98**	**1.72**	**1.76**	**1.68**	**1.87**	**2.13**
Provisions	0.87	0.58	0.31	0.07	0.22	0.28	0.32	0.37
PBT	**1.12**	**1.20**	**1.68**	**1.75**	**1.63**	**1.51**	**1.66**	**1.87**
Tax	0.29	0.31	0.43	0.44	0.40	0.38	0.42	0.47
RoA	**0.83**	**0.89**	**1.25**	**1.31**	**1.23**	**1.13**	**1.24**	**1.40**
Leverage (x)	12.5	12.1	11.9	11.2	10.5	10.7	11.1	11.2
RoE	**10.4**	**10.8**	**14.9**	**14.7**	**13.0**	**12.1**	**13.7**	**15.6**

Source: MOFSL, Company

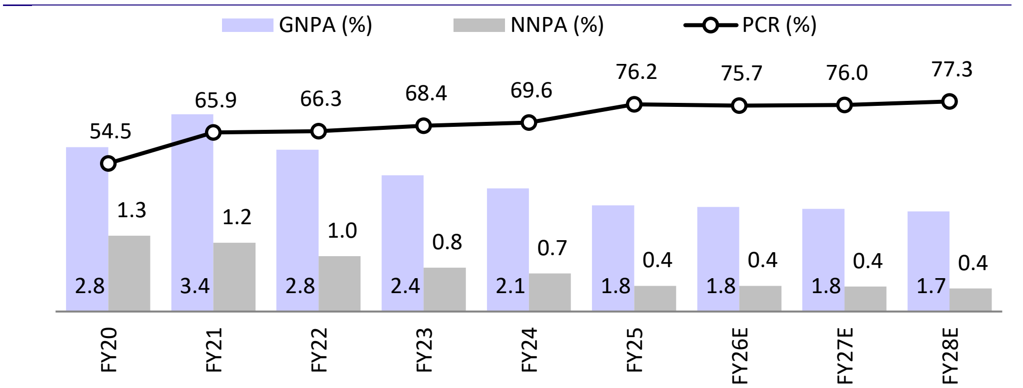
Strong underwriting enables robust asset quality

Estimate credit cost to remain contained at ~35-45bp over FY25-28E

- The bank has consistently maintained strong asset quality, with GNPA/NNPA improving to 1.84%/0.44% in FY25, driven by controlled slippages, strong recoveries, and prudent provisioning. Robust underwriting, especially in mid-corporate and SME segments, underpins this performance.
- Even in higher-yielding areas like microfinance and credit cards, the bank has remained cautious and made accelerated provisions, prioritizing quality over growth. The restructured book has declined to 0.6%, and PCR has improved to >75%, strengthening its balance sheet.
- With a disciplined credit culture, selective unsecured exposure and proactive risk framework, FB is well positioned to manage asset quality across cycles.
- We estimate credit costs to stay contained or increase slightly to ~50bp by FY28E as the bank consciously increases the mix of high-yielding loans. We thus estimate GNPA/NNPA to improve further to 1.7%/0.4% by FY28E.

FB saw an improvement in GNPA/NNPA ratios, aided by healthy recoveries and lower slippages

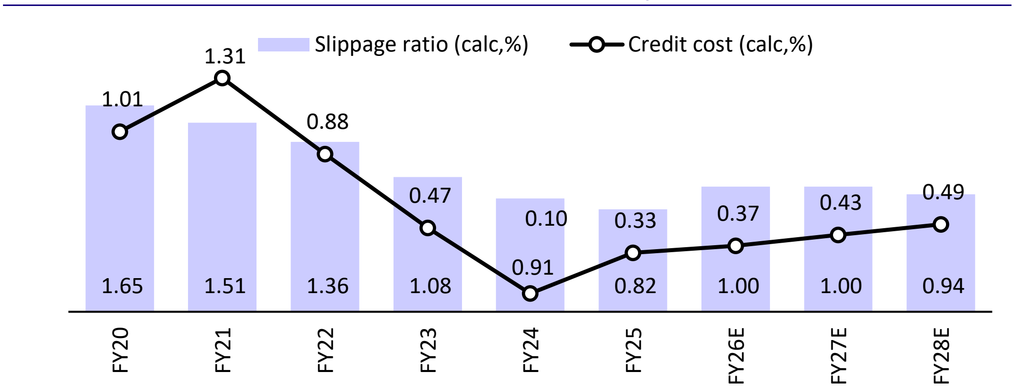
Exhibit 13: Estimate GNPA/NNPA ratios at 1.7%/0.4% by FY28E



Source: MOFSL, Company

We estimate credit cost to remain stable at 35-45bp over FY25-28E

Exhibit 14: Estimate credit cost to remain stable at 35-45bp over FY25-28E

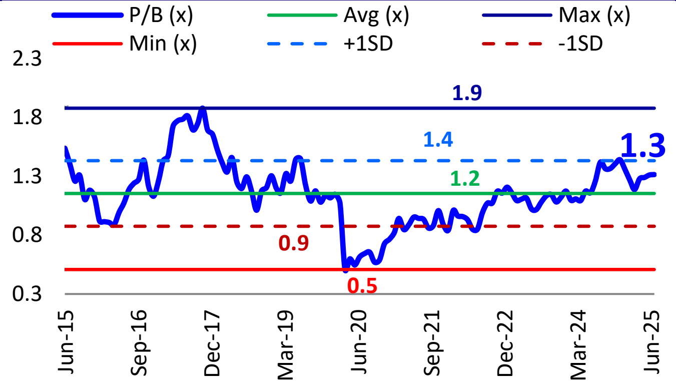


Source: MOFSL, Company

Valuation and view

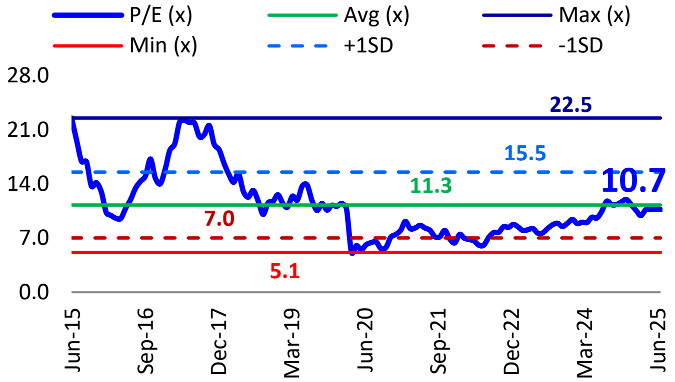
- FB recorded slower growth in FY25 due to its ongoing portfolio rejig and a conscious shift toward higher-yielding products. Its strategic focus—driven by asset mix improvement, liability optimization, and digital initiatives—positions it well to improve its profitability profile.
- Under new CEO Mr. Manian, the bank is addressing key gaps and is on track to deliver stable growth with improved margins, and stronger return ratios.
- Though the stock trades at a discount to peers, improving fundamentals and a better RoA/RoE profile should support valuation re-rating over time, particularly as the steps that the management is taking begin to yield results.
- We estimate RoA to expand to 1.4% and RoE to 15.6% by FY28E, with potential upside from rising margins and continued asset mix shift. As operating leverage improves, the C/I ratio is likely to decline to ~48.8% by FY28. **FB remains one of our preferred BUY-rated ideas among mid-size private banks with a TP of INR250 (1.5x FY27E ABV).**

Exhibit 15: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 16: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 17: DuPont Analysis: Estimate RoE to improve to 15.6% by FY28E as leverage improves

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.20	6.47	6.98	7.80	8.02	7.52	7.53	7.70
Interest Expense	4.31	3.65	3.98	4.89	5.14	4.78	4.63	4.55
Net Interest Income	**2.90**	**2.82**	**3.01**	**2.92**	**2.88**	**2.75**	**2.89**	**3.15**
Core Fee Income	0.70	0.85	0.96	0.99	1.06	1.08	1.10	1.12
Trading and others	0.33	0.14	0.01	0.10	0.10	0.11	0.11	0.11
Non-Interest income	**1.03**	**0.99**	0.97	1.08	1.16	1.18	1.21	1.23
Total Income	**3.92**	**3.81**	**3.97**	**4.00**	**4.04**	**3.93**	**4.10**	**4.38**
Operating Expenses	**1.93**	**2.03**	**1.98**	**2.18**	**2.18**	**2.14**	**2.12**	**2.14**
-Employee cost	1.07	1.10	0.90	0.99	0.99	0.99	0.98	0.98
-Others	0.87	0.93	1.08	1.19	1.19	1.15	1.14	1.15
Operating Profits	**1.99**	**1.78**	**1.99**	**1.82**	**1.86**	**1.79**	**1.98**	**2.24**
Core Operating Profits	**1.66**	**1.64**	**1.98**	**1.72**	**1.76**	**1.68**	**1.87**	**2.13**
Provisions	0.87	0.58	0.31	0.07	0.22	0.28	0.32	0.37
PBT	**1.12**	**1.20**	**1.68**	**1.75**	**1.63**	**1.51**	**1.66**	**1.87**
Tax	0.29	0.31	0.43	0.44	0.40	0.38	0.42	0.47
RoA	**0.83**	**0.89**	**1.25**	**1.31**	**1.23**	**1.13**	**1.24**	**1.40**
Leverage (x)	12.5	12.1	11.9	11.2	10.5	10.7	11.1	11.2
RoE	**10.4**	**10.8**	**14.9**	**14.7**	**13.0**	**12.1**	**13.7**	**15.6**

Source: MOFSL, Company

Financials and valuations

Income Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
(INRb)								
Interest Income	137.6	136.6	168.0	221.9	263.7	282.8	326.2	386.6
Interest Expense	82.2	77.0	95.7	138.9	169.0	179.6	200.8	228.5
Net Interest Income	**55.3**	**59.6**	**72.3**	**82.9**	**94.7**	**103.2**	**125.4**	**158.1**
-growth (%)	19.0	7.7	21.3	14.7	14.2	9.0	21.5	26.1
Non-Interest Income	19.6	20.9	23.3	30.8	38.0	44.5	52.5	61.9
Total Income	**74.9**	**80.5**	**95.6**	**113.7**	**132.7**	**147.7**	**177.9**	**220.0**
-growth (%)	13.9	7.5	18.8	18.9	16.7	11.3	20.4	23.7
Operating Expenses	36.9	42.9	47.7	62.0	71.7	80.4	91.9	107.4
Pre Provision Profits	**38.0**	**37.6**	**47.9**	**51.7**	**61.0**	**67.3**	**85.9**	**112.6**
-growth (%)	18.6	-1.1	27.6	7.9	17.9	10.2	27.8	31.1
Provisions (excl tax)	16.6	12.2	7.5	2.0	7.3	10.5	14.1	18.7
PBT	**21.4**	**25.4**	**40.4**	**49.8**	**53.7**	**56.8**	**71.8**	**93.9**
Tax	5.5	6.5	10.3	12.6	13.2	14.4	18.2	23.8
Tax Rate (%)	25.6	25.5	25.6	25.3	24.5	25.3	25.3	25.3
PAT	**15.9**	**18.9**	**30.1**	**37.2**	**40.5**	**42.4**	**53.7**	**70.2**
-growth (%)	3.1	18.8	59.3	23.6	8.9	4.7	26.5	30.7

Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	**4.0**	**4.2**	**4.2**	**4.9**	**4.9**	**4.9**	**4.9**	**4.9**
Equity Share Capital	4.0	4.2	4.2	4.9	4.9	4.9	4.9	4.9
Reserves & Surplus	157.3	183.7	210.8	286.1	329.3	361.5	411.2	477.3
Net Worth	**161.2**	**187.9**	**215.1**	**290.9**	**334.2**	**366.3**	**416.1**	**482.1**
Deposits	**1,726.4**	**1,817.0**	**2,133.9**	**2,525.3**	**2,836.5**	**3,225.1**	**3,712.1**	**4,320.8**
-growth (%)	13.4	5.2	17.4	18.3	12.3	13.7	15.1	16.4
- CASA Dep	**587.1**	**674.7**	**701.2**	**746.5**	**856.6**	**1,009.4**	**1,217.6**	**1,482.0**
-growth (%)	25.5	14.9	3.9	6.5	14.7	17.8	20.6	21.7
Borrowings	90.7	153.9	193.2	180.3	237.3	346.2	408.5	482.1
Other Liabilities & Prov.	35.3	50.6	61.3	86.6	82.1	90.3	103.9	119.4
Total Liabilities	**2,013.7**	**2,209.5**	**2,603.4**	**3,083.1**	**3,490.0**	**4,028.0**	**4,640.6**	**5,404.5**
Current Assets	195.9	210.1	176.9	189.6	308.6	325.0	329.6	369.8
Investments	371.9	391.8	489.8	608.6	662.5	788.3	914.5	1,056.2
-growth (%)	3.6	5.4	25.0	24.2	8.9	19.0	16.0	15.5
Loans	**1,318.8**	**1,449.3**	**1,744.5**	**2,094.0**	**2,348.4**	**2,717.1**	**3,184.4**	**3,757.6**
-growth (%)	7.9	9.9	20.4	20.0	12.1	15.7	17.2	18.0
Fixed Assets	4.9	6.3	9.3	10.2	14.8	17.3	19.9	22.3
Other Assets	122.2	151.9	182.9	180.7	155.9	180.3	192.2	198.6
Total Assets	**2,013.7**	**2,209.5**	**2,603.4**	**3,083.1**	**3,490.0**	**4,028.0**	**4,640.6**	**5,404.5**

Asset Quality

	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
GNPA	46.0	41.4	41.8	45.3	43.8	49.8	57.4	65.9
NNPA	15.7	13.9	13.2	13.8	10.4	12.1	13.8	15.0
Slippages	19.2	18.8	17.2	17.4	18.2	25.3	29.5	32.6
GNPA Ratio (%)	3.4	2.8	2.4	2.1	1.8	1.8	1.8	1.7
NNPA Ratio (%)	1.2	1.0	0.8	0.7	0.4	0.4	0.4	0.4
Slippage Ratio (%)	1.5	1.4	1.1	0.9	0.8	1.0	1.0	0.9
Credit Cost (%)	1.3	0.9	0.5	0.1	0.3	0.4	0.4	0.5
PCR (Excl Tech. write off) (%)	65.9	66.3	68.4	69.6	76.2	75.7	76.0	77.3

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	**8.0**	**7.4**	**8.0**	**8.8**	**8.9**	**8.4**	**8.3**	**8.4**
Avg. Yield on loans	8.5	7.8	8.4	9.2	9.5	8.8	8.8	8.9
Avg. Yield on Investments	6.6	6.3	6.5	6.9	7.3	6.9	6.9	6.8
Avg. Cost-Int. Bear. Liab.	**4.8**	**4.1**	**4.5**	**5.5**	**5.8**	**5.4**	**5.2**	**5.1**
Avg. Cost of Deposits	4.8	4.1	4.4	5.5	5.6	5.4	5.2	5.1
Avg. Cost of Borrowings	4.3	3.0	5.5	6.4	5.2	5.2	5.1	5.0
Interest Spread	**3.2**	**3.3**	**3.6**	**3.2**	**3.1**	**3.0**	**3.1**	**3.3**
Net Interest Margin	**3.2**	**3.2**	**3.5**	**3.3**	**3.2**	**3.1**	**3.2**	**3.5**
Capitalization Ratios (%)								
CAR	14.6	15.8	14.8	16.5	16.6	15.7	14.9	14.3
Tier I	13.9	14.4	13.0	14.8	15.1	14.4	13.8	13.4
-CET-1	13.9	14.4	13.0	14.8	14.4	13.8	13.3	13.3
Tier II	0.8	1.3	1.8	1.6	1.5	1.3	1.1	0.9
Business Ratios (%)								
Loans/Deposit Ratio	76.4	79.8	81.8	82.9	82.8	84.2	85.8	87.0
CASA Ratio	34.0	37.1	32.9	29.6	30.2	31.3	32.8	34.3
Cost/Assets	1.8	1.9	1.8	2.0	2.1	2.0	2.0	2.0
Cost/Total Income	49.3	53.3	49.9	54.5	54.0	54.5	51.7	48.8
Cost/Core Income	53.7	55.4	50.0	55.9	55.4	56.0	53.1	50.1
Int. Expense/Int.Income	59.8	56.4	57.0	62.6	64.1	63.5	61.6	59.1
Fee Income/Net Income	17.8	22.2	24.1	24.7	26.2	27.4	26.8	25.6
Non Int. Inc./Net Income	26.1	25.9	24.4	27.1	28.6	30.1	29.5	28.1
Empl. Cost/Op. Exps.	55.1	54.1	45.6	45.5	45.3	46.4	46.3	46.0
Efficiency Ratios (INRm)								
Employee/branch (in nos)	9.8	9.8	9.8	10.1	10.0	9.9	9.8	9.7
Staff cost/employee	1.6	1.8	1.6	1.9	2.0	2.2	2.4	2.7
CASA per branch	455.5	519.0	511.1	496.3	537.3	597.3	679.7	780.5
Deposits per branch	1,339.4	1,397.7	1,555.3	1,679.1	1,779.2	1,908.4	2,072.3	2,275.6
Business per Employee	241.8	255.4	288.2	303.7	324.6	354.3	391.6	436.9
PAT per Employee	1.3	1.5	2.2	2.4	2.5	2.5	3.0	3.8

Valuation	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
RoE	10.4	10.8	14.9	14.7	13.0	12.1	13.7	15.6
RoA	0.8	0.9	1.3	1.3	1.2	1.1	1.2	1.4
RoRWA	1.4	1.5	1.9	1.9	1.8	1.6	1.7	1.9
Book Value (INR)	81	89	102	119	137	150	171	198
-growth (%)	10.9	10.7	13.7	17.6	14.9	9.6	13.6	15.9
Price-BV (x)	**2.6**	**2.3**	**2.1**	**1.7**	**1.5**	**1.4**	**1.2**	**1.1**
Adjusted BV (INR)	72.7	81.6	94.1	112.8	131.3	143.5	162.9	189.0
Price-ABV (x)	**2.9**	**2.6**	**2.2**	**1.9**	**1.6**	**1.5**	**1.3**	**1.1**
EPS (INR)	8.0	9.2	14.3	16.3	16.6	17.4	22.0	28.8
-growth (%)	2.8	15.6	54.8	14.5	1.8	4.7	26.5	30.7
Price-Earnings (x)	**26.2**	**22.7**	**14.6**	**12.8**	**12.6**	**12.0**	**9.5**	**7.3**
Dividend Per Share (INR)	0.0	0.7	1.8	1.0	1.5	1.6	1.6	1.7
Dividend Yield (%)	**0.0**	**0.3**	**0.9**	**0.5**	**0.7**	**0.8**	**0.8**	**0.8**

E: MOFSL Estimates

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

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.