Financials: Banks

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Strong earnings outlook in the medium term

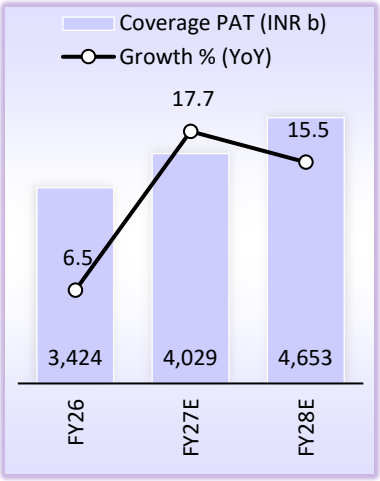
Estimate ~17% EPS CAGR over F26-28E; private banks to take the lead over PSBs

- **Banking consensus earnings have started to pick up after tepid earnings growth of 6.5% YoY in FY26. We estimate banking sector earnings to clock a 17% CAGR over FY26-28, backed by robust loan growth, improving NIMs and steady asset quality.**
- **Over the past two years, consensus FY27-28 earnings estimates have been cut by ~4%, largely driven by private banks (~12% cut), while PSU banks' earnings estimates have remained relatively resilient, with upgrades of 9%/6% in FY27/FY28.**
- **In the last three months, private banks have witnessed marginal earnings upgrades of 1%, showcasing a shift in trends, while PSBs continued to witness minor earning upgrades, aided by stronger operating performance and contained credit costs. At an aggregate level, our banking universe witnessed upgrades of 3%/2% for FY27/FY28E.**
- **MOFSL's FY27/FY28 banking earnings estimates are broadly in line with the consensus (~2% above), as we remain relatively constructive on select mid-sized private banks like RBK, IIB, DCB and AUBANK (+5% to +23%) amid expectations of improving NIM trajectory, operating leverage benefits and contained credit costs. In PSU banks, our estimates for PNB, UNBK, INBK and CBK are ~6-15% above consensus but ~5% below consensus on SBIN.**
- **We expect banking sector earnings to rebound to ~17% CAGR over FY26-28E (consensus: 15%). Private banks with ~22% earnings CAGR are likely to outperform PSU banks with ~11% CAGR. Top ideas: ICICIBC, HDFCB, KMB, AUBANK and SBIN.**

MOFSL PAT growth estimate % (YoY)

	Private	PSU	Coverage
FY25	3.8	24.0	12.5
FY26	4.2	9.1	6.6
FY27E	23.3	20.4	17.7
FY28E	11.8	9.9	15.5
FY26-28E CAGR	**21.8**	**10.8**	**16.6**

Earnings growth to pick up to 17% CAGR over FY26-28E



Sector earnings to maintain traction; 4Q-exit growth estimated at 21% YoY

- Sector earnings growth has gained momentum, with earnings expected to clock a 17% CAGR over FY26-28E after a relatively subdued FY26 (6.5% growth). NIMs declined in 1HFY27, while loan growth jumped to 18% YoY. Asset quality remained benign despite global macro uncertainties, higher inflation and weak monsoon.
- Banks garnered USD133b in FCNR(B) inflows and provided a leverage of ~60% against the same, boosting the deposit and credit growth. However, owing to surplus liquidity on the balance sheet with high proportion of FCNR(B) deposits mobilized and thin overseas margin, NIMs of private banks compressed in 2Q.
- We estimate banks to deliver healthy earnings, as surplus liquidity is deployed and the benefits of rate transmission provide a further boost to revenue growth. We expect 4Q-exit earnings for banks under our coverage to clock 21% YoY growth, with private banks growing at 24% YoY and PSBs at 17% YoY.

Private banks to outperform; ECL transition may constrain PSB earnings

- After a subdued FY26 (4.2% PAT growth), we believe private banks' earnings should rebound in FY27/FY28 on the back of surplus liquidity deployment (from FCNR(B) deposits), stable credit momentum and benefit of rate hikes (given high proportion of the book is repo-linked). While FY26 earnings were impacted by stress in unsecured retail segments such as MFI, CC and PL, most of it has normalized through FY27. Private banks, especially larger ones, should have a neutral impact owing to ECL transition, with some uptick in steady-state credit costs. We build in an earnings CAGR of 22% for private banks over FY26-FY28E as against consensus estimates of 20%.

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- On the other hand, PSU banks are likely to witness a modest earnings growth in FY27/FY28 given lower floating rate mix, declining recoveries in TWOs, likelihood of wage revision in FY28, and higher impact on incremental credit costs from ECL transition. PSU banks may also witness some growth constraints, with CD ratios of multiple PSBs now optimized. We build in an earnings CAGR of 11% for PSBs over FY26-FY28E as against consensus estimates of 10%.

Consensus earnings witnessing an increase after prolonged sluggishness

- Private banks have borne the brunt of consensus earnings downgrades over the past two years, with aggregate FY27/FY28 PAT estimates declining by 12%/11%. However, revisions over the past 12 months and three months have turned broadly neutral to positive, indicating an improvement in earnings trajectory and a gradual recovery in the outlook.
- In contrast, PSU banks have witnessed broad-based earnings upgrades across all periods. Over the past two years, FY27/FY28 earnings estimates have been upgraded by 9%/6%, with further upgrades of 5%/3% over the past three months, aided by strong operating income and one-off gains.
- At an aggregate level, earnings estimates for banks under our coverage have declined by 3%/4% for FY27/FY28 over the past two years. However, the trend has reversed in recent periods, with estimates witnessing average upgrades of ~2% for both years over the past 12 months and three months, signaling an improving earnings outlook.

PSU banks: Earnings have been resilient; FY28 growth outlook modest

- PSU banks have witnessed consistent earnings upgrades for FY27-28E across the past 24, 9 and 3 months. The latest round of upgrades of 5%/3% for FY27/FY28E was driven by strong NII growth, supported by NIM expansion on the back of an improved asset mix and deployment of FCNR(B) deposits toward retiring high-cost liabilities. Credit costs also remained benign, aided by lower incremental slippages, even as some banks strengthened provisioning buffers ahead of the ECL transition.
- Going forward, consensus factors in a relatively modest earnings growth of ~10% for PSU banks, reflecting higher steady-state credit costs under ECL, a relatively lower floating-rate loan book limiting the benefits of any rate hikes, sticky cost of funds, and the impact of wage revisions in FY28.

Mid-sized private banks witnessing upgrades; large private banks' trends divergent

- During the previous earnings cycle, mid-sized private banks witnessed the steepest earnings downgrades, largely reflecting their higher exposure to unsecured retail and MFI segments. However, with stress in these segments showing signs of normalization, select banks have seen a reversal in earnings revisions over the past three months. IIB, RBK, IDFCFB and EQUITASB have seen FY27 earnings upgrades of 11%, 10%, 6% and 6%, respectively. In contrast, BANDHAN continues to face earnings pressure, with FY28 estimates cut by ~5%.
- Among larger private banks, earnings revisions have been mixed in recent months. ICICIBC has witnessed upgrades of 4%/6% in FY27/FY28E, while KMB has seen upgrades of 3%/5%. Conversely, HDFCB has witnessed downgrades of ~1.6% in both years, while AXSB's estimates have been cut by 2%/1% for FY27/FY28.

- Going forward, the earnings outlook for private banks remains constructive, supported by stronger NII growth, a relatively smooth ECL transition and operating leverage benefits. Consensus expects private banks to deliver an earnings CAGR of ~20% over FY26-28E. The key downside risk, however, remains the potential 50-60% reduction in bancassurance income if the proposed IRDAI regulatory norms are implemented.

MOFSL vs. Consensus: How do our estimates compare with the Street?

- We compare our earnings estimates with consensus and find that, at an aggregate level, MOFSL's forecasts remain broadly aligned with Street expectations, with a modest deviation of ~2% in aggregate FY27E/FY28E earnings. However, meaningful stock-level divergences persist.
- Within mid-sized private banks, we remain relatively more constructive than consensus on select names, including RBK (+23%), IIB (+13%), DCBB (+6%) and AUBANK (+6%) for FY28E. This reflects our expectation of an improving earnings cycle for mid-sized private banks, supported by better credit growth and strong NIMs.
- Among PSU banks, our earnings estimate for PNB are 14% higher than consensus, with most other PSBs like UNBK, CBK and INBK being over 6% higher than consensus. However, we are ~5% below consensus on SBI for FY28E. At an aggregate PSU bank level, our earnings estimates are ~2% ahead of consensus.
- Among large private banks, we are ahead of consensus in ICICIBC, KMB and AXSB by ~4% each in FY28, while in HDFCB we are 2% below consensus in FY28.

Banking sector earnings growth to rebound to 17% CAGR over FY26-28E; private bank earnings to grow at faster 22% CAGR

- Consensus estimates indicate a rebound in banking earnings in FY27, with expected growth of ~15% YoY to INR4.6t and private banks expected to outperform PSU banks.
- Over FY26-28E, we expect private banks to materially outperform PSU banks, with an earnings CAGR of ~22% vs. ~11% CAGR for PSU banks. For our banking coverage universe, we estimate an earnings CAGR of ~17% over FY26-28E, modestly ahead of consensus expectations of ~15% CAGR over the same period.
- This growth is expected to be driven primarily by a ~17% CAGR in NII, with private banks and PSU banks likely to deliver 18% and 16% CAGR, respectively. We also expect PPoP growth to remain healthy at ~16% CAGR over FY26-28E, led by ~18% CAGR for private banks and ~14% CAGR for PSU banks.
- Among private banks, we expect mid-sized players to outperform on earnings, supported by improving NIMs, easing stress in unsecured portfolios, and relatively stable credit costs, and improving operating leverage. **Top picks: ICICIBC, HDFCB, KMB, AUBANK and SBIN.**

Key risks that keep us watchful on potential earnings trajectory

- While earnings visibility continues to improve, we remain watchful of several emerging risks that could potentially impact the sector's earnings trajectory. We believe competition for deposits is intensifying, particularly as most PSU banks have largely utilized their balance sheet liquidity and optimized their CD ratios. Consequently, rising competition for deposits could keep CoF elevated, and a likelihood of quicker repricing of deposits in the interest rate hike cycle is high.
- Asset quality metrics have remained resilient so far, with the sector gradually emerging from the unsecured stress cycle. However, a prolonged inflationary environment, alongside ripple effect of a weak monsoon, could impact certain segments like MSME, CV and Agri, warranting close monitoring.
- In addition, the upcoming transition to the ECL framework could lead to some normalization in credit costs across select private and PSU banks. The extent of cut in commission income on insurance distribution for private banks after the implementation of IRDAI guidelines shall also remain a key monitorable.

Exhibit 1: Aggregate MOFSL banking earnings estimates have improved; Private banks to take the lead in FY27

INRb	Earnings before preview			Earnings in 2QFY27 preview			Earnings after 2QFY27 results		
	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E
Private Banks									
AXSB	244.6	301.8	374.6	244.6	298.6	364.0	244.6	299.7	380.9
BANDHAN	12.2	23.3	34.9	12.2	23.3	31.4	12.2	25.7	31.9
DCBB	7.3	9.9	12.4	7.3	9.7	11.8	7.3	9.8	12.0
HDFCB	746.7	797.0	910.1	746.7	793.9	898.2	746.7	821.5	929.2
ICICIBC	501.5	599.4	691.4	501.5	614.2	714.9	501.5	613.6	736.2
IDFCFB	16.4	44.7	63.1	16.4	44.7	60.7	16.4	45.0	60.8
IIB	8.9	38.2	64.5	8.9	37.4	60.4	8.9	44.5	70.9
KMB	140.1	171.7	206.0	140.1	174.9	202.7	140.1	179.4	215.9
FB	40.5	52.6	65.5	40.5	53.7	67.2	40.5	55.1	67.3
RBK	8.2	22.5	35.5	8.2	21.9	36.8	8.2	22.5	39.1
AUBANK	26.4	37.2	48.2	26.4	36.5	47.1	26.4	36.8	47.3
EQUITASB	1.0	7.7	10.6	1.0	7.7	10.2	1.0	8.3	10.5
Total Pvt	**1,753.8**	**2,106.0**	**2,517.0**	**1,753.8**	**2,116.5**	**2,505.3**	**1,753.8**	**2,161.9**	**2,601.9**
YoY growth	**4.2%**	**20.1%**	**19.5%**	**4.2%**	**20.7%**	**18.4%**	**4.2%**	**23.3%**	**20.4%**
PSU Banks									
BOB	200.2	181.2	230.3	200.2	178.6	226.5	200.2	204.7	236.1
CBK	191.9	200.6	230.6	191.9	207.0	234.2	191.9	212.2	232.0
INBK	121.6	138.6	157.0	121.6	139.5	160.9	121.6	143.7	165.0
PNB	169.0	220.1	245.4	169.0	216.9	248.0	169.0	219.0	245.4
SBIN	800.3	851.8	955.2	800.3	885.9	945.6	800.3	870.0	933.9
UNBK	187.0	211.1	228.5	187.0	206.7	234.8	187.0	217.0	239.0
Total PSU	**1,670.0**	**1,803.3**	**2,047.2**	**1,670.0**	**1,834.5**	**2,049.9**	**1,670.0**	**1,866.6**	**2,051.4**
YoY growth	**9.1%**	**8.0%**	**13.5%**	**-18.4%**	**9.9%**	**11.7%**	**9.1%**	**11.8%**	**9.9%**
Total Banks	**3,423.8**	**3,909.3**	**4,564.1**	**3,423.8**	**3,951.0**	**4,555.3**	**3,423.8**	**4,028.5**	**4,653.3**
YoY growth	**5.1%**	**15.1%**	**17.7%**	**4.3%**	**15.4%**	**15.3%**	**6.5%**	**17.7%**	**15.5%**
SBI Cards	21.7	29.8	36.2	21.7	29.3	35.1	21.7	30.9	37.3
Paytm	5.5	10.2	19.2	5.5	13.6	28.7	6.8	11.0	28.2
Pine Labs	1.1	2.6	5.9	1.1	2.6	6.0	1.1	2.3	5.6

Source: MOFSL, Company

Exhibit 2: Within the sector, Private and PSU Banks have seen an increase of 2.7%/3.5% for FY27E during 2QFY27 results

INRb	% Change in preview		% Change in results		% Total Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Private Banks						
AXSB	-1.1%	-2.8%	0.4%	4.6%	-0.7%	1.7%
BANDHAN	-0.1%	-10.1%	10.3%	1.7%	10.2%	-8.5%
DCBB	-1.9%	-5.2%	1.2%	2.5%	-0.7%	-2.8%
HDFCB	-0.4%	-1.3%	3.5%	3.5%	3.1%	2.1%
ICICIBC	2.5%	3.4%	-0.1%	3.0%	2.4%	6.5%
IDFCFB	0.2%	-3.8%	0.5%	0.1%	0.7%	-3.7%
IIB	-2.2%	-6.4%	19.0%	17.4%	16.4%	9.9%
KMB	1.9%	-1.6%	2.6%	6.5%	4.5%	4.8%
FB	2.1%	2.6%	2.5%	0.1%	4.7%	2.7%
RBK	-2.6%	3.6%	2.8%	6.1%	0.1%	10.0%
AUBANK	-1.9%	-2.2%	1.0%	0.3%	-0.9%	-1.9%
EQUITASB	-0.2%	-3.8%	8.0%	2.5%	7.7%	-1.4%
Total Pvt	**0.5%**	**-0.5%**	**2.1%**	**3.9%**	**2.7%**	**3.4%**
YoY growth						
PSU Banks						
BOB	-1.4%	-1.7%	14.6%	4.3%	13.0%	2.5%
CBK	3.2%	1.6%	2.5%	-0.9%	5.8%	0.6%
INBK	0.7%	2.5%	3.0%	2.6%	3.7%	5.1%
PNB	-1.5%	1.1%	1.0%	-1.1%	-0.5%	0.0%
SBIN	4.0%	-1.0%	-1.8%	-1.2%	2.1%	-2.2%
UNBK	-2.1%	2.7%	5.0%	1.8%	2.8%	4.6%
Total PSU	**1.7%**	**0.1%**	**1.8%**	**0.1%**	**3.5%**	**0.2%**
YoY growth						
Total Banks	**1.1%**	**-0.2%**	**2.0%**	**2.2%**	**3.0%**	**2.0%**
YoY growth						
SBI Cards	-1.5%	-3.1%	5.3%	6.2%	3.7%	2.9%
Paytm	32.7%	49.1%	-19.3%	-1.6%	7.1%	46.7%
Pine Labs	0.1%	1.9%	-11.1%	-7.9%	-11.1%	-6.1%

Exhibit 3: MOFSL Estimates: Earnings to clock 16.6% CAGR over FY26-28E, with private banks taking the lead

INRb	MOSL Earnings Estimates					
	FY23	FY24	FY25	FY26	FY27E	FY28E
Private Banks						
AXSB	92.2	248.6	263.7	244.6	299.7	380.9
BANDHAN	21.9	22.4	27.5	12.2	25.7	31.9
DCBB	4.7	5.4	6.2	7.3	9.8	12.0
HDFCB	441.1	608.1	673.5	746.7	821.5	929.2
ICICIBC	319.0	408.9	472.3	501.5	613.6	736.2
IDFCFB	24.4	29.6	15.2	16.4	45.0	60.8
IIB	74.4	89.8	25.8	8.9	44.5	70.9
KMB	109.4	137.8	129.3	140.1	179.4	215.9
FB	30.1	37.2	40.5	40.5	55.1	67.3
RBK	8.8	11.7	7.0	8.2	22.5	39.1
AUBANK	14.3	14.9	21.1	26.4	36.8	47.3
EQUITASB	5.7	8.0	1.5	1.0	8.3	10.5
Total Pvt	**1,146.0**	**1,622.2**	**1,683.4**	**1,753.8**	**2,161.9**	**2,601.9**
YoY growth	**26.6%**	**41.6%**	**3.8%**	**4.2%**	**23.3%**	**20.4%**
PSU Banks						
BOB	141.1	177.9	195.8	200.2	204.7	236.1
CBK	106.0	145.5	170.3	191.9	212.2	232.0
INBK	52.8	80.6	109.2	121.6	143.7	165.0
PNB	25.1	82.4	166.3	169.0	219.0	245.4
SBIN	502.3	610.8	709.0	800.3	870.0	933.9
UNBK	84.3	136.5	179.9	187.0	217.0	239.0
Total PSU	**911.7**	**1,233.8**	**1,530.4**	**1,670.0**	**1,866.6**	**2,051.4**
YoY growth	**59.2%**	**35.3%**	**24.0%**	**9.1%**	**11.8%**	**9.9%**
Total Banks	**2,057.7**	**2,856.0**	**3,213.8**	**3,423.8**	**4,028.5**	**4,653.3**
YoY growth	**39.3%**	**38.8%**	**12.5%**	**6.5%**	**17.7%**	**15.5%**

Source: MOFSL, Company

Exhibit 4: MOFSL Estimates: Private and PSU Banks to witness NIM expansion starting 4QFY27 on the back of rate hikes

NIM (%)	Reported numbers		MOSL estimates				
	1QFY27	2QFY27	FY24	FY25	FY26	FY27E	FY28E
Private Banks							
AXSB	3.5	3.4	3.8	3.7	3.4	3.2	3.4
BANDHAN	6.2	6.1	5.9	5.7	4.7	4.7	4.8
DCBB	3.4	3.3	3.7	3.3	3.2	3.3	3.4
HDFCB	3.3	3.2	3.4	3.5	3.3	3.2	3.3
ICICIBC	4.4	4.2	4.7	4.5	4.3	4.4	4.5
IDFCFB	6.0	5.6	6.8	6.6	6.2	6.2	6.3
IIB	3.6	3.2	4.2	3.6	3.3	3.2	3.5
KMB	4.5	4.3	4.8	4.4	4.1	4.0	4.2
FB	3.3	3.3	3.3	3.2	3.2	3.4	3.5
RBK	4.1	4.6	5.1	4.9	4.2	4.4	4.7
AUBANK	5.9	5.8	5.2	6.0	5.2	5.4	5.5
EQUITASB	7.2	6.7	8.5	7.5	6.8	7.2	7.3
PSU Banks							
BOB	2.8	2.7	3.1	2.9	2.6	2.6	2.7
CBK	2.5	2.6	2.7	2.4	2.1	2.3	2.4
INBK	3.3	3.3	3.2	3.1	3.0	3.1	3.2
PNB	2.5	2.6	2.8	2.7	2.3	2.4	2.6
SBIN	2.9	2.9	3.1	2.9	2.7	2.7	2.9
UNBK	2.8	2.9	2.9	2.7	2.5	2.7	2.8

*Represents average numbers for 4 quarters of FY27, Source: MOFSL, Company

Exhibit 5: MOFSL Estimates: NII to clock 17% CAGR over FY26-28E, with private banks expected to grow at 18% and PSBs at 16%

INRb	MOSL NII Estimates					
	FY23	FY24	FY25	FY26	FY27E	FY28E
Private Banks						
AXSB	429.5	498.9	543.5	560.5	632.5	774.7
BANDHAN	92.6	103.3	114.9	108.3	121.0	138.0
DCBB	17.2	19.3	21.1	24.6	29.3	35.7
HDFCB	868.4	1,085.3	1,226.7	1,286.9	1,419.6	1,684.5
ICICIBC	621.3	743.1	811.6	880.8	1,047.6	1,270.0
IDFCFB	126.4	164.5	192.9	212.2	254.7	317.2
IIB	175.9	206.2	190.3	179.8	186.4	235.9
KMB	215.5	259.9	283.4	300.1	348.4	429.7
FB	72.3	82.9	94.7	106.6	128.9	157.2
RBK	50.0	60.4	64.6	63.6	84.5	110.0
AUBANK	44.3	51.6	80.1	91.1	116.6	146.4
EQUITASB	25.4	30.8	32.5	33.9	42.2	50.9
Total Pvt	**2,738.7**	**3,306.2**	**3,656.4**	**3,848.2**	**4,411.9**	**5,350.4**
YoY growth		**20.7%**	**10.6%**	**5.2%**	**14.6%**	**21.3%**
PSU Banks						
BOB	413.6	447.2	465.2	476.8	529.5	621.7
CBK	314.4	365.7	370.7	372.1	448.4	517.9
INBK	202.3	232.7	251.8	269.1	314.5	375.2
PNB	344.9	400.8	427.8	419.6	472.1	559.9
SBIN	1,448.4	1,598.8	1,663.4	1,731.2	1,988.2	2,329.2
UNBK	327.7	365.7	372.1	366.6	427.1	499.2
Total PSU	**3,051.1**	**3,410.9**	**3,551.0**	**3,635.5**	**4,179.8**	**4,903.2**
YoY growth		**11.8%**	**4.1%**	**2.4%**	**15.0%**	**17.3%**
Total Banks	**5,789.9**	**6,717.1**	**7,207.4**	**7,483.7**	**8,591.7**	**10,253.6**
YoY growth		**16.0%**	**7.3%**	**3.8%**	**14.8%**	**19.3%**

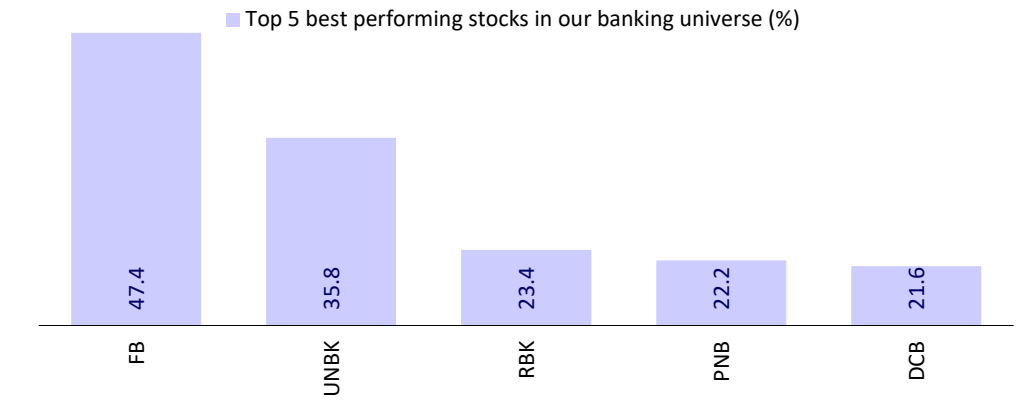
Source: MOFSL, Company

Exhibit 6: MOSFL banking earnings expected to have a strong 4Q-exit, led by private banks

PAT growth (% YoY)	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
Axis Bank	-4	-26	3	-1	23	38	18	16
DCB Bank	20	18	22	16	36	29	35	37
HDFC Bank	12	11	11	9	5	5	11	19
ICICI Bank	15	5	-4	8	16	20	37	18
IndusInd Bank	-72	-133	-91	-126	72	NA	918	149
Kotak Mahindra Bank	-47	-3	4	13	26	29	34	24
Federal Bank	-15	-10	9	22	37	45	29	27
RBL Bank	-46	-20	555	234	27	170	227	255
Bandhan Bank	-65	-88	-52	68	35	456	226	44
AU SFB	16	-2	26	65	37	53	40	32
IDFC First Bank	-32	76	48	5	132	197	129	285
Equitas SFB	-969	87	36	405	NA	804	126	8
Total private	**-5**	**-5**	**2**	**17**	**17**	**25**	**28**	**24**
Bank of Baroda	2	-8	4	11	-72	36	12	25
Canara Bank	22	19	26	-10	2	8	4	29
Indian Bank	24	12	7	5	10	15	21	27
Punjab National Bank	-48	14	13	14	214	13	6	9
State Bank of India	12	10	24	6	10	14	-5	16
Union Bank	12	-10	9	7	30	30	6	4
Total PSBs	**7**	**7**	**18**	**5**	**10**	**18**	**2**	**17**
Total Banks	**0**	**1**	**9**	**11**	**14**	**21**	**15**	**21**

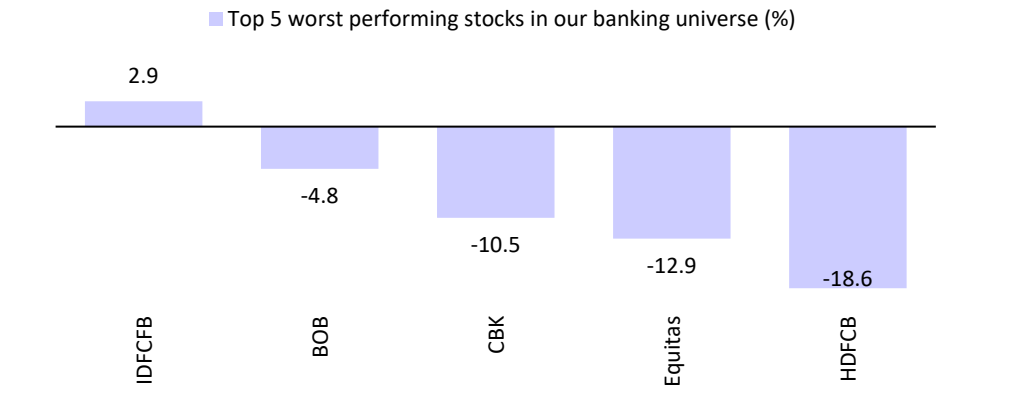
Source: MOFSL, Company

Exhibit 7: Top banking performers in past 12 months in our banking universe



Source: Bloomberg, MOFSL

Exhibit 8: Key banking underperformers over past 12 months in our banking universe



Source: Bloomberg, MOFSL

Exhibit 9: A series of earnings cuts in past couple of years for private banks; PSU banks have seen upgrades

Consensus change over 2Y/ 1Y				
Change %	Change 2Y		Change 1Y	
	FY27E	FY28E	FY27E	FY28E
Private Banks				
AXSB	-12.2	-6.8	-2.4	0.6
BANDHAN	-48.8	-43.8	-10.4	-14.2
DCBB	2.2	28.2	3.7	0.2
HDFCB	-13.2	-11.4	-3.9	-4.1
ICICIBC	2.0	1.0	3.4	6.2
IDFCFB	-21.2	-3.0	0.4	-1.4
IIB	-62.4	-71.8	9.7	6.7
KMB	-3.6	6.6	0.4	0.6
FB	-6.8	3.6	8.8	9.3
RBK	-8.4	4.7	2.0	21.4
AUBANK	-3.8	-0.1	3.1	3.0
EQUITAS	-36.5	-1.7	25.6	8.0
Total Private Banks	**-11.8**	**-10.8**	**-0.5**	**0.6**
PSU Banks				
BOB	-8.1	2.5	-4.6	-0.3
CBK	11.1	-3.9	3.2	2.8
INBK	16.5	12.6	3.9	2.4
PNB	12.6	5.0	11.0	3.4
SBIN	8.1	6.6	5.4	5.3
UNBK	23.4	19.2	20.0	15.9
Total PSU Banks	**9.0**	**6.3**	**5.9**	**5.0**
Total Banking sector	**-3.2**	**-3.9**	**2.4**	**2.5**
Paytm	57.1	64.1	-8.5	20.9
SBI Cards	-23.3	-22.9	-8.6	-16.8

Source: MOFSL, Bloomberg

Exhibit 10: Over past 3 months, private banks sector earnings have moved in a narrow band; PSBs have witnessed upgrades

Consensus change in 3M		
Change %	Change 3M	
	FY27E	FY28E
Private Banks		
AXSB	-1.7	-0.8
BANDHAN	-0.3	-4.9
DCBB	2.8	1.9
HDFCB	-1.6	-1.6
ICICIBC	3.7	5.8
IDFCFB	5.8	2.2
IIB	10.9	3.1
KMB	2.5	4.7
FB	2.3	1.8
RBK	9.9	10.4
AUBANK	-0.4	-1.0
EQUITAS	5.7	0.8
Total Private Banks	**0.8**	**1.4**
PSU Banks		
BOB	8.3	2.8
CBK	5.3	4.4
INBK	2.7	2.7
PNB	12.6	7.8
SBIN	1.7	1.2
UNBK	8.9	6.9
Total PSU Banks	**4.8**	**3.1**
Total Banking sector	**2.6**	**2.1**
Paytm	2.7	24.6
SBI Cards	5.7	1.5
Pine Labs	-5.0	13.0

Source: MOFSL, Bloomberg

Exhibit 11: MOFSL vs. consensus estimates

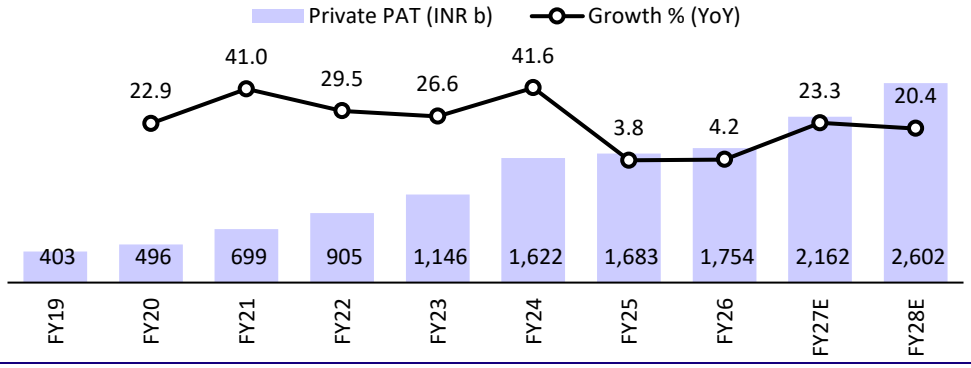
PAT (INRb)	Consensus		MOSL Estimates		MOSL vs Consensus	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Private Banks						
AXSB	301.1	364.4	299.7	380.9	-0.5%	4.5%
BANDHAN	25.7	31.5	25.7	31.9	0.0%	1.3%
DCBB	9.3	11.3	9.8	12.0	5.0%	6.9%
HDFCB	814.6	947.5	821.5	929.2	0.8%	-1.9%
ICICIBC	601.1	707.2	613.6	736.2	2.1%	4.1%
IDFCFB	43.2	59.7	45.0	60.8	4.0%	1.9%
IIB	45.7	62.6	44.5	70.9	-2.5%	13.2%
KMB	174.1	206.7	179.4	215.9	3.0%	4.4%
FB	54.1	66.0	55.1	67.3	1.8%	1.9%
RBK	20.5	31.6	22.5	39.1	9.9%	23.4%
AUBANK	35.6	44.6	36.8	47.3	3.5%	6.0%
EQUITAS	8.1	10.2	8.3	10.5	3.2%	2.7%
Total Private Banks	**2,133.1**	**2,543.2**	**2,161.9**	**2,601.9**	**1.3%**	**2.3%**
PSU Banks						
BOB	196.8	231.2	204.7	236.1	4.0%	2.1%
CBK	200.5	218.7	212.2	232.0	5.8%	6.1%
INBK	138.7	155.0	143.7	165.0	3.6%	6.5%
PNB	207.9	213.9	219.0	245.4	5.4%	14.7%
SBIN	878.6	977.5	870.0	933.9	-1.0%	-4.5%
UNBK	210.4	220.1	217.0	239.0	3.1%	8.6%
Total PSU Banks	**1,832.8**	**2,016.4**	**1,866.6**	**2,051.4**	**1.8%**	**1.7%**
Total Banking sector	**3,965.9**	**4,559.6**	**4,028.5**	**4,653.3**	**1.6%**	**2.1%**
Paytm	12.2	21.0	10.4	26.5	-14.5%	26.3%
SBI Cards	30.0	34.1	30.9	37.3	3.0%	9.3%
Pine Labs			2.3	5.6		

Source: Bloomberg, MOFSL

MOFSLe aggregate earnings are broadly in line with consensus over FY27/28E.

However, at individual level, we are meaningfully ahead of consensus on RBK, IIB, DCBB and AUBANK. In PSB we are ahead in PNB, UNBK, INBK and CBK, while lower in case of SBIN.

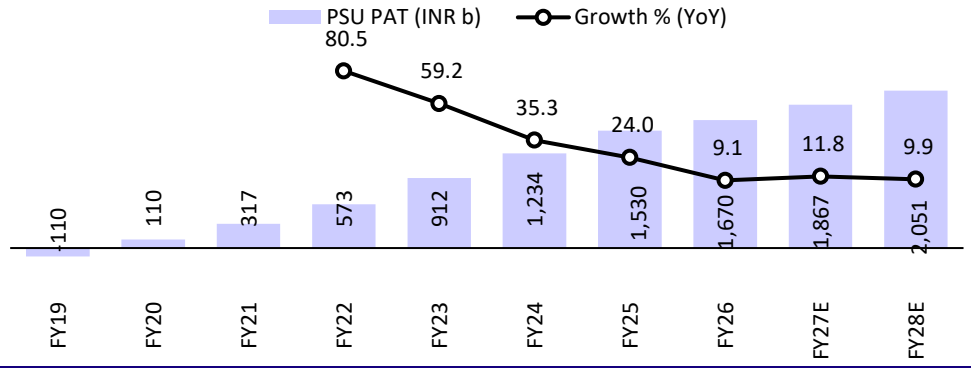
Exhibit 12: Private banks' earnings growth to recover to ~23% in FY27E (~4% in FY26)



Source: Company, MOFSL

We estimate private banks' PAT to post ~22% CAGR over FY26-28E, with earnings rebounding from FY27E onward

Exhibit 13: PSU banks' earnings growth to remain moderate at ~12% in FY27E (9% in FY26)

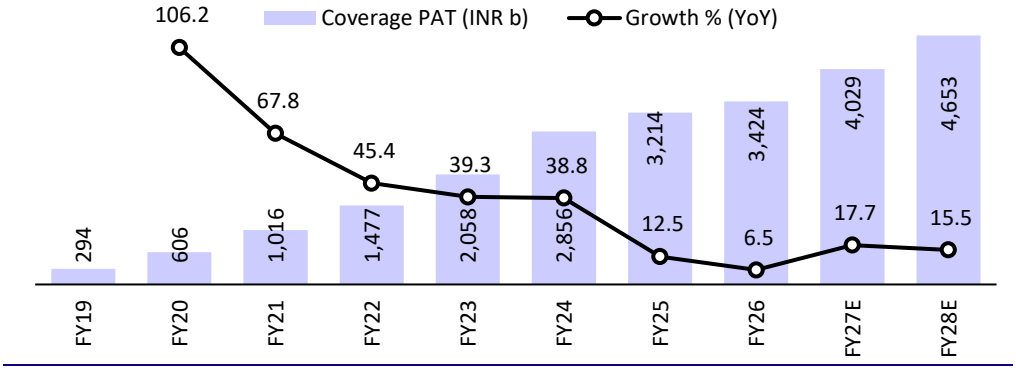


Source: Company, MOFSL

We estimate PSU banks' earnings growth to grow at CAGR of 11% over FY26-28E

We expect our banking coverage universe to see a recovery in earnings growth from FY27E, with a projected CAGR of 17% over FY26-28E

Exhibit 14: Aggregate banking earnings to clock ~17% CAGR over FY27-28E



Source: Company, MOFSL

Exhibit 15: Banks: Valuation Matrix

Val summary	Rating	CMP (INR)	MCap (INRb)	TP (INR)	Upside (%)	RoA (%)			RoE (%)			P/E (x)			P/ABV (x)		
						FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Private Banks																	
ICICIBC*	Buy	1,600	11,167	1,750	9	2.2	2.3	2.4	16.1	17.1	17.6	19.0	15.6	13.0	3.1	2.6	2.2
HDFCB*	Buy	808	12,538	925	15	1.8	1.8	1.7	14.2	13.9	14.1	14.1	12.8	11.3	1.9	1.8	1.6
AXSB*	Neutral	1,359	4,254	1,475	9	1.4	1.5	1.6	12.7	13.6	15.1	15.4	12.6	9.9	1.9	1.7	1.4
BANDHAN	Neutral	170	281	175	3	0.6	1.1	1.2	4.9	9.8	11.4	22.4	10.7	8.6	1.1	1.1	1.0
KMB*	Buy	495	4,940	500	1	1.9	2.1	2.1	11.1	12.5	13.2	24.1	18.8	15.6	2.6	2.3	2.0
IIB	Neutral	912	724	1,050	15	0.2	0.8	1.1	1.4	6.6	9.8	79.9	16.0	10.0	1.1	1.1	1.0
FB	Buy	360	903	385	7	1.1	1.3	1.4	11.2	12.4	12.7	21.8	17.0	14.6	2.4	2.0	1.8
DCBB	Buy	228	73	245	8	0.9	1.0	1.1	12.7	14.8	15.8	10.0	7.5	6.1	1.2	1.1	0.9
IDFCFB	Buy	82	720	100	21	0.4	1.0	1.1	3.9	9.2	11.4	40.1	15.8	11.7	1.6	1.5	1.3
EQUITASB	Buy	56	67	75	33	0.2	1.3	1.3	1.7	13.0	14.8	62.3	7.7	6.1	1.1	1.0	0.9
AUBANK	Buy	978	748	1,275	30	1.5	1.7	1.8	14.4	17.2	18.5	27.6	19.9	15.5	3.8	3.2	2.7
RBK	Buy	387	601	485	25	0.5	1.1	1.5	5.2	7.3	8.5	29.1	26.7	15.4	1.5	1.3	1.3
PSU Banks																	
SBIN*	Buy	1,134	10,237	1,225	8	1.1	1.1	1.0	17.3	16.0	15.2	9.7	9.1	8.4	1.6	1.4	1.2
PNB*	Buy	150	1,724	160	7	0.9	1.0	1.1	13.5	15.5	15.3	10.2	7.9	7.0	1.2	1.1	1.0
BOB	Neutral	274	1,421	270	-1	1.1	1.0	1.0	14.7	13.7	14.6	7.1	6.9	6.0	1.0	1.0	0.9
CBK	Buy	133	1,215	160	20	1.1	1.1	1.0	19.1	18.9	18.9	6.3	5.7	5.2	1.0	0.9	0.9
UNBK	Neutral	207	1,588	200	-3	1.2	1.3	1.3	16.3	16.5	15.8	8.5	7.3	6.6	1.3	1.1	1.0
INBK	Buy	938	1,266	1,025	9	1.3	1.4	1.4	18.1	18.8	18.7	10.4	8.8	7.7	1.7	1.5	1.3
Payments & Fintech																	
SBI Cards	Neutral	562	535	625	11	3.3	4.3	4.5	14.7	18.0	18.4	24.7	17.3	14.3	3.5	2.9	2.5
						PAT (INR b)			RoA (%)			RoE (%)			P/Sales (x)		
One 97 Comm.	Neutral	1,888	1,209	1,850	-2	5.5	10.4	26.5	3.3	4.2	10.1	4.8	6.4	15.4	14.3	11.4	8.1
Pine Labs	Buy	169	195	235	39	1.1	2.3	5.6	0.9	1.7	3.7	2.4	3.8	8.9	6.6	5.3	4.2

*Adjusted for subsidiaries, Source: Company, MOFSL

Exhibit 16: Banking sector price performance

Company Name	CMP (INR)	Price Perf (%)					CAGR (%)		
		1M	3M	6M	YTD	1 Year	3 Year	5 Year	10 Year
Nifty 50	**25,228**	**9.0**	**4.4**	**6.7**	**7.3**	**-2.6**	**8.5**	**7.3**	**12.1**
Nifty BANK	**62,039**	**11.1**	**8.3**	**15.9**	**20.3**	**5.3**	**12.5**	**10.3**	**12.6**
Nifty PSU Bank	**9,543**	**17.9**	**10.7**	**21.2**	**52.4**	**12.6**	**23.5**	**27.7**	**10.9**
Nifty Private Bank	**30,324**	**9.5**	**11.3**	**15.9**	**17.8**	**6.7**	**10.1**	**9.3**	**11.3**
Nifty Financials	**27,992**	**10.3**	**7.2**	**10.4**	**11.6**	**1.6**	**12.7**	**8.5**	**13.9**
Private banks		**1M**	**3M**	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
RBL Bank Ltd	388	2.4	1.2	19.0	123.3	23.4	34.7	10.5	6.7
Karur Vysya Bank Ltd	387	8.8	15.9	32.5	121.9	52.7	29.7	24.8	24.3
City Union Bank Ltd	232	2.1	4.5	24.5	97.0	11.1	21.8	16.0	7.1
South Indian Bank Ltd	61	18.6	35.3	59.5	164.5	55.5	38.8	21.6	22.1
DCB Bank Ltd	228	8.5	24.3	28.1	103.2	21.6	26.2	14.9	8.7
Tamilnad Mercantile Bank Ltd	892	4.1	5.3	29.9	117.1	75.6	26.7	11.3	
Federal Bank Ltd	360	6.6	0.7	26.9	87.0	47.4	21.6	19.5	14.3
Karnataka Bank Ltd	342	3.8	10.2	41.0	94.7	96.0	19.0	9.4	16.8
IndusInd Bank Ltd	912	4.0	-10.2	2.2	40.3	7.5	-3.2	-9.5	-1.0
CSB Bank Ltd	334	8.0	5.1	-5.9	10.4	-21.1	3.4	-1.4	1.2
IDFC First Bank Ltd	82	5.6	-2.7	22.0	50.0	2.9	8.0	-0.6	5.4
Axis Bank Ltd	1,360	5.4	9.4	9.9	23.4	7.5	6.5	6.5	6.8
Yes Bank Ltd	18	1.0	-21.3	-18.9	4.7	-23.1	-2.8	-3.2	3.2
Bandhan Bank Ltd	170	1.5	-0.3	-10.7	16.3	11.0	0.9	-4.8	-5.7
ICICI Bank Ltd	1,601	14.6	13.4	28.0	18.8	16.6	8.5	11.7	7.7
HDFC Bank Ltd	808	10.9	11.8	5.1	-11.6	-18.6	-1.8	1.4	0.5
Kotak Mahindra Bank Ltd	495	10.6	27.7	26.3	14.0	18.2	12.8	7.0	2.0
IDBI Bank Ltd	79	-6.3	-2.8	13.4	1.4	-23.1	1.0	4.7	4.3
Dhanlaxmi Bank Ltd	40	12.3	24.7	21.3	35.2	46.9	16.9	11.0	12.9
PSU banks		**1M**	**3M**	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Indian Bank	937	9.7	7.1	15.7	73.1	5.6	21.1	16.8	19.3
Canara Bank	133	12.8	3.3	6.8	49.9	-10.5	10.8	10.9	11.8
Bank of Maharashtra	96	20.3	19.3	23.4	107.2	58.9	22.8	16.5	17.1
Union Bank of India	208	21.1	12.1	30.8	64.7	35.8	21.8	13.9	16.1
Bank of India	158	19.4	11.2	14.3	47.5	7.9	15.3	8.7	10.3
State Bank of India	1,135	17.9	7.8	20.8	47.1	16.7	11.7	15.1	8.5
Jammu and Kashmir Bank Ltd	141	4.8	-6.3	10.4	52.6	31.5	14.7	4.3	13.1
Bank of Baroda	275	19.1	12.5	5.6	20.1	-4.8	4.4	6.9	11.0
Punjab National Bank	150	28.6	28.4	50.3	55.6	22.2	14.2	13.9	13.6
Indian Overseas Bank	31	-0.2	-7.0	-7.5	-20.6	-22.5	-14.7	-5.2	4.1
Central Bank of India	32	5.0	4.5	-4.0	-24.2	-16.7	-15.0	-6.7	4.4
UCO Bank	25	3.2	-5.4	-0.7	-31.4	-22.3	-16.2	-8.7	6.1
Punjab & Sind Bank	21	0.9	-7.5	-8.2	-50.7	-30.3	-23.4	-12.6	2.4
Small Finance Banks		**1M**	**3M**	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
AU Small Finance Bank Ltd	977	-1.3	-9.2	-0.2	82.8	6.2	19.1	6.0	4.9
Ujjivan Small Finance Bank Ltd	61	-3.2	-15.3	13.1	78.0	15.6	21.8	1.8	12.1
Suryoday Small Finance Bank Ltd	153	3.6	0.9	-5.7	52.9	11.0	3.3	-1.4	-0.3
Equitas Small Finance Bank Ltd	56	-20.0	-26.1	-15.7	2.3	-12.9	-5.0	-10.4	-1.2
Jana SFB	428	-12.8	-25.6	-7.4	5.1	-6.3	1.5		
ESAF	46	4.2	14.2	65.2	87.7	67.0	6.1	-7.7	
Capital SFB	290	6.2	0.9	5.2	11.9	5.1	0.7		
Utkarsh SFB	12	-10.9	-15.9	-11.1	-36.8	-29.6	-27.1	-23.1	
Payments & Fintech		**1M**	**3M**	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Paytm	1,890	11.6	22.2	71.0	141.2	45.9	34.1	16.3	1.9
Pine Labs	169	2.6	5.6	10.3					
SBICARD	562	-0.5	-8.7	-10.0	-36.3	-35.3	-6.0	-5.2	-5.9

Source: MOFSL, Bloomberg

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NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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