

Canara Bank

Estimate change



TP change



Rating change



Bloomberg	CBK IN
Equity Shares (m)	9071
M.Cap.(INRb)/(USDb)	1029.5 / 11.9
52-Week Range (INR)	119 / 79
1, 6, 12 Rel. Per (%)	3/9/-2
12M Avg Val (INR M)	2801

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
NII	370.7	382.8	438.0
OP	313.9	348.1	383.3
NP	170.3	190.7	212.3
NIM (%)	2.4	2.2	2.4
EPS (INR)	18.8	21.0	23.4
EPS Gr. (%)	17.0	12.0	11.3
BV/Sh. (INR)	106	119	133
ABV/Sh. (INR)	99	112	125
RoA (%)	1.1	1.1	1.1
RoE (%)	19.9	19.2	19.0

Valuations

P/E (x)	6.1	5.4	4.9
P/BV (x)	1.1	1.0	0.9
P/ABV (x)	1.2	1.0	0.9

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	62.9	62.9	62.9
DII	11.4	11.9	11.2
FII	11.4	10.6	11.9
Others	14.3	14.7	14.0

CMP: INR114

TP: INR135 (+19%)

Buy

NII in line; PAT beat led by higher treasury income

RoA outlook steady; NIMs decline 18bp QoQ

- CBK reported 1QFY26 standalone PAT of INR47.5b (15% beat), up 21.7% YoY/down 5% QoQ, aided by a healthy beat in other income.
- NII declined by 1.7% YoY/4.6% QoQ to INR90b (in line). NIMs declined by 18bp QoQ/35bp YoY to 2.55%.
- Loan book grew 13.4% YoY/2.3% QoQ to INR10.7t, while deposits increased by 9.9% YoY/0.7% QoQ. CASA deposits declined by 4.6% QoQ (up 3.7% YoY). As a result, CASA ratio declined 161bp QoQ to 29.6%.
- Slippages fell 19.8% QoQ and 35.1% YoY to INR21.7b. As a result, GNPA/NNPA ratios improved by 25bp/7bp QoQ to 2.69%/0.63%. PCR increased by 608bp YoY/40bp QoQ to 77.1%.
- We increase our earnings estimates by 11-13%, factoring in better other income and lower provisions. We estimate CBK to deliver FY27E RoA/ RoE of 1.1%/19%. **Reiterate BUY with a revised TP of INR135 (based on 1.0x FY27E ABV).**

Business growth/NIM guidance maintained; asset quality improves

- 1Q PAT rose 21.7% YoY to INR47.5b (15% beat), led by healthy treasury income and in-line NII. For FY26, we expect earnings to grow by 12% YoY to INR190.7b.
- NII fell 1.7% YoY/4.6% QoQ to INR90b (in line). NIMs contracted 35bp YoY and 18bp QoQ to 2.55%. Other income grew 32.7% YoY/11.2% QoQ to INR70.6b (20% beat), aided by healthy treasury income of INR16.2b (up 127% QoQ). Total revenue grew 10.9% YoY/1.8% QoQ to INR160.7b (7% beat).
- Operating expenses stood flat QoQ at INR75.2b (5% higher than est.). Thus, C/I ratio declined to 46.8% from 47.5% as on 4QFY25. PPoP grew 12.3% YoY/3.3% QoQ to INR 85.5b (~8% beat). Core PPoP declined by 4.5% YoY/ 8.4% QoQ to INR69.4b. Provisions stood at INR23.5b (up 3% YoY/28% QoQ), in line with MOFSLe.
- Loan book grew by a healthy 13.4% YoY/2.3% QoQ, led by robust growth in retail segment by 34% YoY/5.4% QoQ. Within this, housing grew 13.9% YoY/ 3% QoQ. Deposits grew 9.9% YoY/0.7% QoQ, led by growth in TDs at 11% YoY/2.9% QoQ. CASA deposits fell by 4.6% QoQ (up 3.7% YoY). Thus, CASA ratio declined to 29.6% (down 161bp QoQ). CD ratio rose to 73.1%.
- GNPA/NNPA ratios improved 25bp/7bp QoQ to 2.69%/0.63%. PCR improved to 77.1%. Total slippages declined to INR21.7b (down 35.1% YoY and 19.8% QoQ). Reported credit cost stood at 0.72% vs. the bank's guidance of a credit cost of 0.9% for FY26. The bank expects the slippage ratio to remain benign at 0.9% for FY26.
- SMA book moderated to 0.8% in 1QFY26 from 0.96% in 4QFY25. While the bank expects no relapse from this book, it also maintains sufficient provisions against the same.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- 2Q will fully reflect the impact of the repo rate cut. The bank aims to maintain NIMs at 2.5%. In the absence of further rate cuts, NIMs could improve in 3Q and 4Q. If two additional repo rate cuts of 25bp each are implemented, achieving the NIM guidance of 2.75-2.8% will be challenging.
- Yield compression began in Mar'25, and with 45% of its book linked to RRLR, the bank passed on a 100bp reduction in yields during 1Q. However, it did not reduce deposit rates.
- The bank maintains that the CASA ratio should remain above 30%. With term deposit rates declining, there is a growing tendency among customers to move funds into savings accounts over fixed deposits.
- The credit cost guidance has been set conservatively, but the bank expects to outperform its asset quality guidance in 2Q/3Q.
- **Guidance:** Business growth at 10.5% YoY; advances at 10-11% YoY; deposits at 9-10% YoY. NIMs (global) guidance maintained at 2.75-2.8%.

Valuation and view

CBK reported a healthy quarter, with earnings beat driven by treasury income, in-line NII, and contained opex. NIM contraction is attributed to yield repricing due to repo cuts, while the cost of funds was largely stable. CBK expects NIMs to recover gradually to 2.75-2.8%, aided by a reduction in the cost of funds and an improving outlook in 2HFY26. Loan growth was steady and driven by robust growth in the retail segment, while deposit growth was marginal amid outflow of the seasonal CA growth of 4Q. Asset quality improved, with slippages too witnessing a steady reduction, leading to a controlled credit cost for the bank. CBK maintains healthy provisions for the SMA book, though it does not expect any material relapse from the SMA pool. We increase our earnings estimates by 11-13%, factoring in better other income and lower provisions. We estimate CBK to deliver FY27E RoA/ RoE of 1.1%/19%. **Reiterate BUY with a revised TP of INR135 (based on 1.0x FY27E ABV).**

Quarterly Performance

	FY25				FY26E				FY25	FY26E	FY26E	(INR b)
	1Q	2Q	3Q	4Q	1QA	2QE	3QE	4QE			1QE	V/S our Est (%)
Net Interest Income	91.7	93.2	91.5	94.4	90.1	90.2	97.9	104.6	370.7	382.8	91.4	(1)
% Change (Y-o-Y)	5.8	4.6	-2.9	-1.4	-1.7	-3.2	7.0	10.8	1.4	3.3	-0.2	
Other Income	53.2	49.8	58.0	63.5	70.6	63.0	65.5	70.3	224.5	269.4	58.8	20
Total Income	144.9	143.0	149.5	157.9	160.7	153.2	163.4	175.0	595.2	652.2	150.3	7
Operating Expenses	68.7	66.4	71.1	75.1	75.2	73.6	76.4	79.0	281.3	304.2	71.3	5
Operating Profit	76.2	76.5	78.4	82.8	85.5	79.6	87.0	96.0	313.9	348.1	79.0	8
% Change (Y-o-Y)	0.2	0.5	15.2	12.1	12.3	4.0	11.0	15.8	6.7	10.9	3.8	
Other Provisions	22.8	22.5	24.0	18.3	23.5	22.6	23.2	23.1	87.6	92.4	23.4	1
Profit before Tax	53.3	54.0	54.4	64.5	62.0	57.0	63.8	72.9	226.3	255.6	55.6	11
Tax	14.3	13.9	13.3	14.5	14.5	14.5	16.3	19.6	56.0	64.9	14.2	2
Net Profit	39.1	40.1	41.0	50.0	47.5	42.4	47.5	53.2	170.3	190.7	41.4	15
% Change (Y-o-Y)	10.5	11.3	12.3	33.1	21.7	5.7	15.7	6.4	17.0	12.0	6.1	
Operating Parameters												
Deposit (INR b)	13,352	13,473	13,695	14,569	14,677	15,133	15,458	15,822	14,569	15,822	14,768	
Loan (INR b)	9,464	9,840	10,237	10,492	10,736	10,953	11,276	11,646	10,492	11,646	10,659	
Deposit Growth (%)	12.0	9.3	8.4	11.0	9.9	12.3	12.9	8.6	11.0	8.6	10.6	
Loan Growth (%)	10.7	10.3	11.2	12.6	13.4	11.3	10.1	11.0	12.6	11.0	12.6	
Asset Quality												
Gross NPA (%)	4.1	3.7	3.3	2.9	2.7	2.7	2.6	2.7	2.9	2.7	2.9	
Net NPA (%)	1.2	1.0	0.9	0.7	0.6	0.6	0.6	0.6	0.7	0.6	0.7	
PCR (%)	71.0	74.1	74.1	76.7	77.1	76.8	77.2	77.3	76.6	77.3	76.4	

E: MOFSL Estimates

Quarterly Snapshot

INR b	FY25				FY26	Change (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Net Interest Income	91.7	93.2	91.5	94.4	90.1	-1.7	-4.6
Other Income	53.2	49.8	58.0	63.5	70.6	32.7	11.2
Total Income	144.9	143.0	149.5	157.9	160.7	10.9	1.8
Operating Expenses	68.7	66.4	71.1	75.1	75.2	9.4	0.1
Employee	42.3	43.6	44.8	47.8	48.0	13.4	0.3
Operating Profits	76.2	76.5	78.4	82.8	85.5	12.3	3.3
Core Operating Profits	72.7	69.9	68.9	75.7	69.4	-4.5	-8.4
Provisions	22.8	22.5	24.0	18.3	23.5	3.0	28.4
PBT	53.3	54.0	54.4	64.5	62.0	16.3	-3.9
Taxes	14.3	13.9	13.3	14.5	14.5	1.5	0.0
PAT	39.1	40.1	41.0	50.0	47.5	21.7	-5.0
Balance sheet (INR b)							
Loans	9,464	9,840	10,237	10,492	10,736	13.4	2.3
Deposits	13,352	13,473	13,695	14,569	14,677	9.9	0.7
CASA Deposits	3,814	3,873	3,772	4,150	3,957	3.7	-4.6
- Savings	3,322	3,407	3,297	3,371	3,417	2.8	1.4
- Current	492	466	475	778	540	9.8	-30.6
Loan mix (%)							
Agriculture & Allied	24.7	24.0	23.2	23.0	23.2	-152	17
MSME	13.8	13.7	13.5	13.0	13.7	-19	63
Retail	18.0	19.2	19.8	20.8	21.9	390	112
Corporate and others	43.4	43.0	43.5	43.2	41.2	-219	-192
Asset Quality							
GNPA	403.6	377.3	350.6	315.3	295.2	-26.9	-6.4
NNPA	117.0	97.8	90.8	73.5	67.7	-42.2	-8.0
Slippages	33.4	56.8	81.5	108.5	21.7	-35.1	-80.0
Asset Quality Ratios							
GNPA (%)	4.1	3.7	3.3	2.9	2.7	-145	-25
NNPA (%)	1.2	1.0	0.9	0.7	0.6	-61	-7
PCR (Calculated, %)	71.0	74.1	74.1	76.7	77.1	608	40
PCR (inc TWO, %)	89.2	90.9	91.3	92.7	93.2	395	47
Slippage Ratio (%)	1.5	1.0	1.0	1.1	0.9	-57	-18
Business Ratios							
CASA	31.0	31.3	30.0	31.2	29.6	-142	-161
Loan/Deposit	70.9	73.0	74.8	72.0	73.1	227	114
Other income/Total Income	36.7	34.8	38.8	40.2	43.9	722	372
Cost to Income	47.4	46.5	47.6	47.5	46.8	-65	-78
Cost to asset	1.9	1.8	1.9	1.9	1.8	-4	-5
Tax Rate	26.8	25.7	24.5	22.5	23.4	-340	92
Capitalisation Ratios (%)							
Tier-1	14.4	14.6	14.6	14.4	14.6	21	21
- CET 1	12.1	12.0	12.0	12.0	12.3	24	26
CAR	16.4	16.6	16.4	16.3	16.5	14	19
RWA / Total Assets	44.6	45.2	45.8	44.0	43.7	-83	-25
LCR	146.5	137.4	123.1	125.3	0.0	-14653	-12526
Profitability Ratios							
Yield on loans	8.7	8.8	8.8	8.8	8.5	-19	-36
Yield On Funds	7.7	7.7	7.7	7.7	7.4	-29	-22
Cost of Funds	5.3	5.3	5.3	5.3	5.3	2	-1
Cost of Deposits	5.7	5.7	5.7	5.7	5.7	4	0
NIMs	2.9	2.9	2.7	2.7	2.6	-35	-18
Other Details							
Branches	9,623	9,658	9,816	9,849	9,861	238	12
ATMs	10,014	9,881	9,715	9,579	7,907	(2,107)	(1,672)

Source: MOFSL, Company



Highlights from the management commentary

Opening remarks

- The bank exceeded its previous guidance, as credit growth surpassed expectations.
- PCR improved by ~400bp to 93.17%, while CET-1 capital rose to 12.3%.
- 1Q RoA came in above the guided level of 1.14%.
- Business growth was primarily driven by RAM credit, which grew 15% YoY. RAM now constitutes 58% of the asset book, aligning with the guidance provided three years ago.
- Growth within the RAM segment was led by housing loans, with additional support from the vehicle finance portfolio.
- NIMs moderated in 1Q, though fee and treasury income provided some cushion.
- Decline in slippages led to an improvement in GNPA and NNPA ratios.

Advances and deposits

- NBFC portfolio declined by 3%, as the bank remained cautious about yields and margin pressures.
- CASA ratio dipped below 30%. In 4Q, the bank had mobilized some institutional deposits, leading to a partial reversal in 1Q.
- Certain government accounts are not maintaining balances with the bank. Achieving 12% YoY CASA growth is currently challenging, prompting a strategic shift in focus toward boosting CASA deposits.
- CBK maintains that the CASA ratio should remain above 30%. With term deposit rates declining, there is a growing tendency among customers to move funds into savings accounts over fixed deposits.
- Core agriculture lending is witnessing double-digit growth. The bank expects healthy momentum in MSME lending and is optimistic about growth in both segments. Overall, it anticipates credit growth of 11-12%, with RAM growing at 15% and corporate credit expanding at ~10% YoY.
- Advance growth tends to be slower in the first half of the year. The bank had yields of 9.23-9.3% in the RAM segment, which should ideally come down to around 8.5% due to recent repo rate cuts.

P&L

- CBK recorded INR3-4b in interest from the income tax refund and is expected to continue.

Yields and margins

- NIMs declined in 1Q. In 4Q, NIMs were steady due to a stable cost of deposits.
- Yield compression began in Mar'25, and with 45% of the book linked to RRLR, the bank passed on a 100bp reduction in yields during 1Q. However, it did not reduce deposit rates to mobilize deposits.
- The bank has implemented a 50-60bp reduction in deposit rates, which should boost margins from 2Q onward.
- 2Q will fully reflect the impact of the repo rate cut. The bank aims to maintain NIMs at 2.5%. In the absence of further rate cuts, NIMs could improve in 3Q and

4Q. The bank anticipates one or two more rate cuts and expects to bear the impact for 6 to 9 months.

- If two additional repo rate cuts of 25bp each are implemented, achieving the NIM guidance of 2.75-2.8% will be challenging.
- While the bank has repriced some bulk deposits, retail TD rates were not reduced until 8th Jun'25. The impact of lower interest rates will start reflecting from 2Q onward.
- Rate cuts are passed on by the bank on the 12th of each month.
- The bank has reduced SA rates by a total of 40bp, in two tranches of 20bp each. There are currently no further plans to reduce SA rates.
- MCLR-linked book forms 45% of the total, and MCLR rates have been cut by 40bp. This reduction was partially reflected in 1Q yields. Further rate cuts could lower the cost of funds, potentially triggering more MCLR reductions. However, MCLR changes only affect accounts due for reset, and the full impact of any MCLR reduction typically takes a year to be realized.
- Bulk deposits amounting to INR4t repriced in a phased manner: 25% in three months, another 25% in the following six months, and the remaining 50% over the next year — implying a gradual repricing through the year.

Other income

- Some banks have stopped booking PSLCs, and partial reclassification of PSL took place last year. The bank booked PSLCs at a rate of 3%, significantly higher than the 1.6-1.7% seen earlier. While volumes have declined, yields on PSLCs have improved. The bank expects PSLC-related income to sustain over the next 1-2 years.
- 1Q was exceptional for treasury income, aided by gains from OMO, which are unlikely to recur in 2Q. However, the bank anticipates continued benefits from the AFS category.
- CBK also holds excess PSLC commission, which is expected to contribute positively in 2Q and help to offset lower treasury income.
- Recoveries from written-off accounts could be better in 2Q compared to 1Q.

Asset quality

- The credit cost guidance has been set conservatively, but the bank expects to outperform its asset quality guidance in 2Q/3Q.
- One real estate account of INR20b and a state government irrigation project have been fluctuating between SMA-0 and SMA-1. The bank has already made provisions of INR12b for this exposure and does not expect it to slip further.
- CBK has identified eight additional accounts for transfer to NARCL and has finalized OTS agreement worth INR12b, which is expected to benefit 2Q performance.
- 1Q slippages were: Agriculture – INR6.5b, Retail – INR4b, and MSME – INR10b.
- Outstanding restructured book stands at INR110b, of which INR70b remains standard, while INR40b is classified as NPA.

Project finance provisioning and ECL disclosure

- As per the new project finance guidelines, projects nearing completion or closure do not require additional provisions. Only those maturing after Oct'25

will be subject to provisioning requirements. Therefore, no further provisions are expected going forward.

- The bank is fully prepared for the implementation of ECL provisioning and does not foresee any pressure on this front. Even after factoring in ECL, the bank remains confident of maintaining its CRAR.

Opex

- The bank invests around INR10b in tech. It does not have a DSA-heavy business and has 16% of the DSA business. It is confident of maintaining the opex growth run rate at 6-7%.

Miscellaneous

- CBK recorded a gain of INR18.3b at the consolidated level from the sale of Andhra Grameena Bank to Union Bank. This RRB was among the most profitable in the country.
- Despite the dilution of its stake in two subsidiaries, the bank will continue to retain majority ownership in both.
- Subsidiary divestment is planned for the current quarter, pending SEBI approval, with another divestment expected in 3Q.
- The bank aims to strengthen its position in Canara Bank Securities, which could also contribute to an improvement in CASA mobilization.

Guidance – FY26

- Business growth at 10.5% YoY.
- Advances growth at 10-11%.
- Deposits growth at 9-10%.
- CASA ratio at 32%.
- NIMs (Global) to be at 2.75% to 2.80%.
- GNPA ratio at 2.5% and NNPA ratio at 0.6%. PCR at 93%.
- Slippage ratio at 0.9%, credit cost at 0.9%.
- RoE stood at 18.5% and RoA stood at 1.05%.

Story in charts

Exhibit 1: Loan book grew ~13.4% YoY (up 2.3% QoQ)

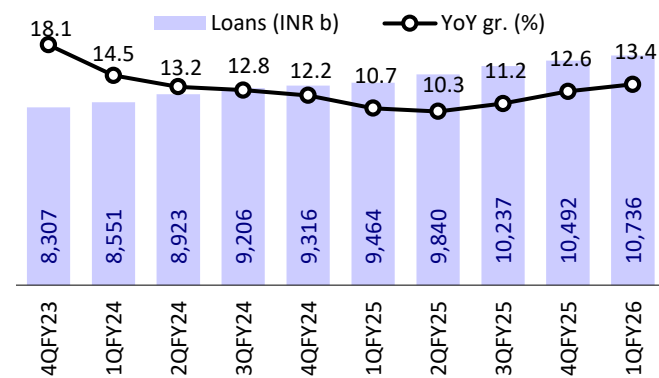


Exhibit 2: Deposits grew 9.9% YoY (up 0.7% QoQ)

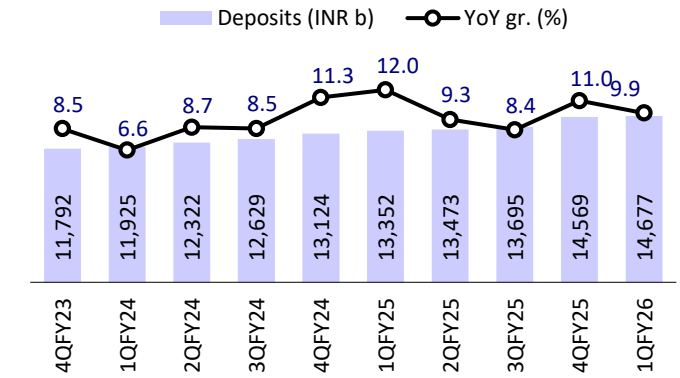


Exhibit 3: NIM declined 18bp QoQ to 2.55%

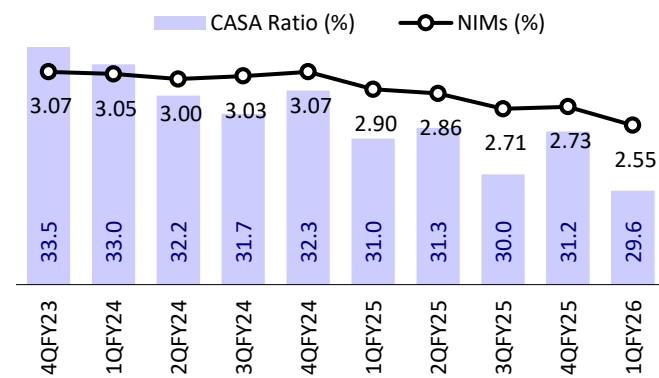


Exhibit 4: Yield on advances declined 36bp QoQ to 8.47%

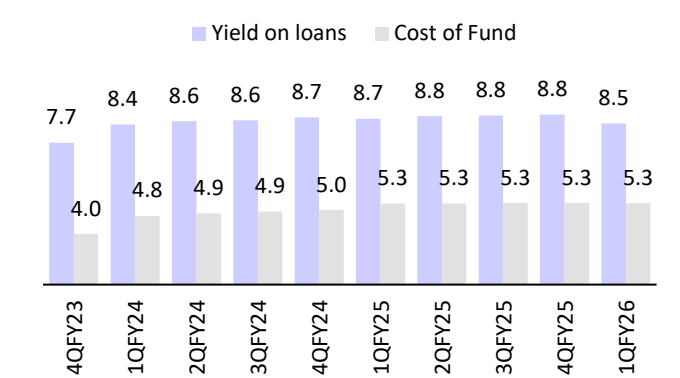


Exhibit 5: C/I ratio declined 78bp QoQ to 46.8%

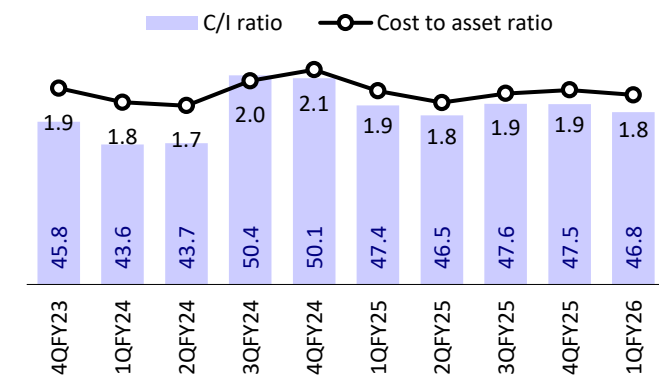


Exhibit 6: C/D ratio increased 114bp QoQ to 73.1% (calc)

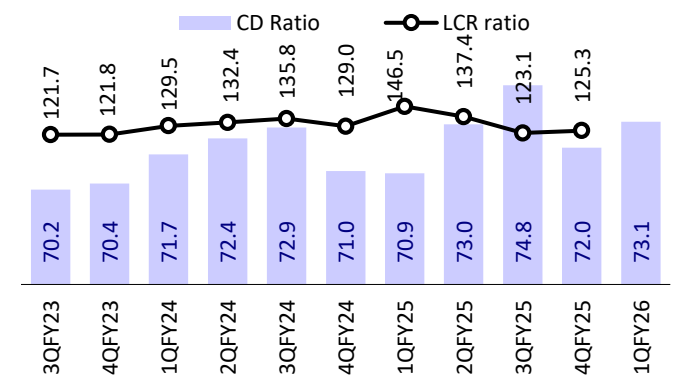


Exhibit 7: Slippages (fresh + existing) declined to INR21.7b

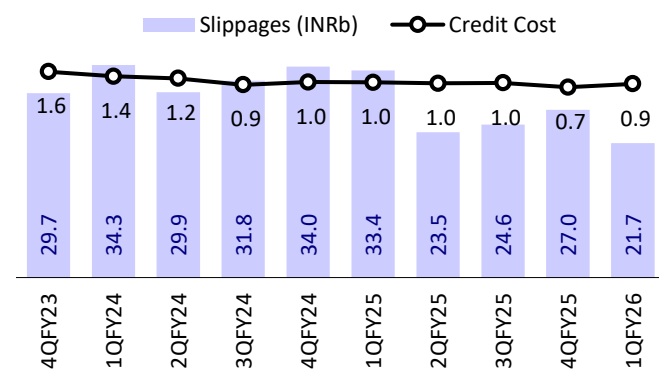
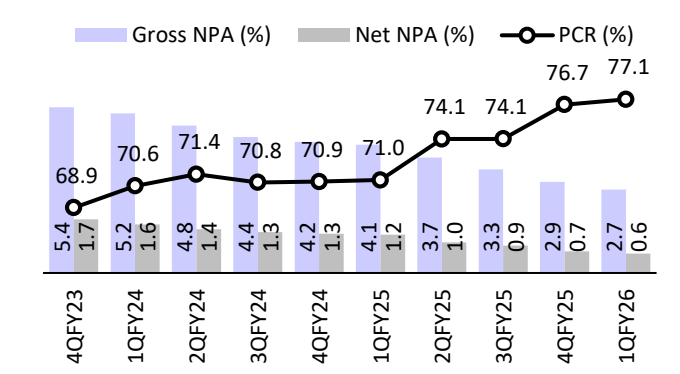


Exhibit 8: GNPA/NNPA ratios improved 25bp/7bp QoQ



Source: MOFSL, Company

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Valuation and view: Retain BUY with a revised TP of INR35

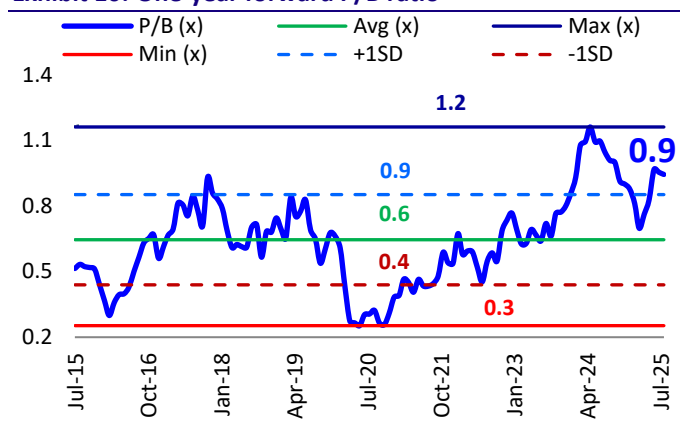
- CBK reported a healthy quarter with earnings beat driven by treasury income, in-line NII, and contained opex. The bank reported a decline in NIMs amid yields repricing due to repo cuts, while the cost of funds stood largely stable.
- The bank expects NIMs to recover gradually to 2.75-2.8%, aided by a reduction in the cost of funds and an improving outlook in 2HFY26. Loan growth was steady and driven by robust growth in the retail segment, while deposit growth was marginal amid outflow of the seasonal CA growth of 4Q.
- Asset quality improved, with slippages too witnessing a steady reduction, leading to a controlled credit cost for the bank. CBK maintains healthy provisions for the SMA book, though it does not expect any material relapse from the SMA pool.
- We increase our earnings estimates by 11-13% amid better other income and lower provisions. We estimate CBK to deliver FY27E RoA/ RoE of 1.1%/19%.
Reiterate BUY with a revised TP of INR135 (based on 1.0x FY27E ABV).

Exhibit 9: We upgrade our earnings estimates by 11-13% over FY26-27E

INR b	Old Est		Rev Est		Introduced	Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Net Interest Income	389.7	428.0	382.8	438.0	492.3	-1.8	2.3
Other Income	233.5	258.7	269.4	277.5	305.3	15.4	7.3
Total Income	623.2	686.7	652.2	715.5	797.5	4.7	4.2
Operating Expenses	298.2	322.2	304.2	332.2	365.0	2.0	3.1
Operating Profits	325.0	364.5	348.1	383.3	432.5	7.1	5.2
Provisions	98.3	108.9	92.4	98.8	111.0	-5.9	-9.3
PBT	226.7	255.6	255.6	284.5	321.6	12.7	11.3
Tax	57.6	64.9	64.9	72.3	81.7	12.7	11.3
PAT	169.1	190.7	190.7	212.3	239.9	12.7	11.3
Loans	11,688	12,962	11,646	12,927	14,361	-0.4	-0.3
Deposits	15,895	17,405	15,822	17,293	18,971	-0.5	-0.6
Margins (%)	2.31	2.34	2.25	2.36	2.42	-2.6	1.0
Credit Cost (%)	0.89	0.88	0.84	0.80	0.81	-5.8	-9.0
RoA (%)	0.96	0.99	1.08	1.10	1.14	13.0	11.9
RoE (%)	17.2	17.6	19.2	19.0	19.5	11.5	8.1
BV	117	128	119	133	144	2.0	3.7
ABV	109	120	112	125	135	2.3	3.9
EPS	19	21	21	23	26	12.7	11.3

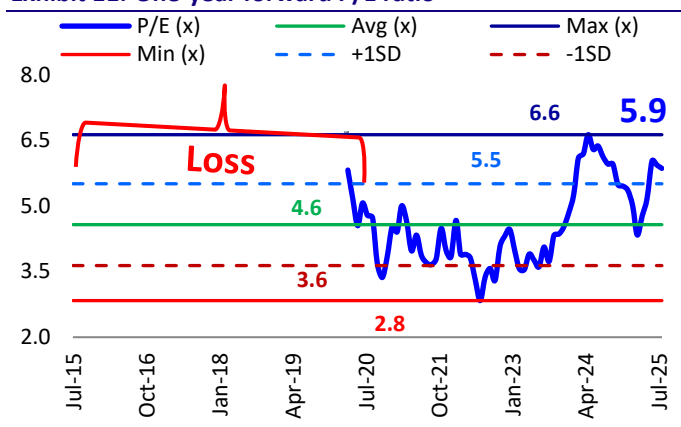
Source: MOFSL, Company

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

Y/E MARCH	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	6.56	7.66	7.55	7.28	7.24	7.28
Interest Expense	4.12	5.08	5.21	5.10	4.96	4.94
Net Interest Income	2.44	2.58	2.34	2.18	2.28	2.34
Non Interest income	1.46	1.34	1.41	1.53	1.44	1.45
Total Income	3.90	3.91	3.75	3.71	3.72	3.79
Operating Expenses	1.75	1.84	1.77	1.73	1.73	1.73
Employee cost	1.07	1.16	1.13	1.10	1.09	1.09
Other operating expenses	0.68	0.68	0.65	0.63	0.64	0.64
Operating Profits	2.15	2.07	1.98	1.98	2.00	2.06
Core operating Profits	2.01	1.96	1.81	1.85	1.86	1.91
Provisions	1.05	0.68	0.55	0.53	0.51	0.53
PBT	1.10	1.39	1.43	1.45	1.48	1.53
Tax	0.28	0.36	0.35	0.37	0.38	0.39
RoA	0.82	1.03	1.07	1.08	1.10	1.14
Leverage (x)	20.80	19.71	18.53	17.71	17.23	17.12
RoE	17.14	20.22	19.88	19.20	19.04	19.51

Source: MOFSL, Company

Financials and Valuations

Income Statement						(INR b)
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	844.2	1,086.9	1,197.6	1,280.2	1,390.1	1,532.8
Interest Expense	529.9	721.2	826.8	897.4	952.0	1,040.5
Net Interest Income	314.4	365.7	370.7	382.8	438.0	492.3
- growth (%)	19.1	16.3	1.4	3.3	14.4	12.4
Non Interest Income	187.6	189.7	224.5	269.4	277.5	305.3
Total Income	502.0	555.3	595.2	652.2	715.5	797.5
- growth (%)	17.1	10.6	7.2	9.6	9.7	11.5
Operating Expenses	224.8	261.2	281.3	304.2	332.2	365.0
Pre Provision Profits	277.2	294.1	313.9	348.1	383.3	432.5
- growth (%)	13.4	6.1	6.7	10.9	10.1	12.8
Core PPOp	258.2	277.9	287.2	325.7	357.6	402.9
- growth (%)	18.2	7.6	3.4	13.4	9.8	12.7
Provisions	135.4	97.1	87.6	92.4	98.8	111.0
Exceptional Item	NA	NA	NA	NA	NA	NA
PBT	141.7	197.0	226.3	255.6	284.5	321.6
Tax	35.7	51.5	56.0	64.9	72.3	81.7
Tax Rate (%)	25.2	26.1	24.7	25.4	25.4	25.4
PAT	106.0	145.5	170.3	190.7	212.3	239.9
- growth (%)	86.7	37.3	17.0	12.0	11.3	13.0

Balance Sheet						
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	18.1	18.1	18.1	18.1	18.1	18.1
Reserves & Surplus	717.9	851.4	980.9	1,098.4	1,224.5	1,326.7
Net Worth	736.1	869.5	999.0	1,116.5	1,242.6	1,344.8
Deposits	11,792.2	13,123.7	14,568.8	15,821.8	17,293.2	18,970.6
- growth (%)	8.5	11.3	11.0	8.6	9.3	9.7
- CASA Deposits	3,665.8	3,924.1	4,150.5	4,414.3	4,911.3	5,387.7
- growth (%)	-0.6	7.0	5.8	6.4	11.3	9.7
Borrowings	580.9	575.9	896.7	997.8	1,088.9	1,181.3
Other Liabilities & Prov.	348.2	346.3	364.0	407.7	456.6	511.4
Total Liabilities	13,457.3	14,915.4	16,828.5	18,343.8	20,081.3	22,008.1
Current Assets	1,414.2	1,507.6	2,053.4	1,917.4	1,948.5	1,995.0
Investments	3,190.4	3,574.5	3,803.4	4,183.8	4,547.8	4,945.7
- growth (%)	13.1	12.0	6.4	10.0	8.7	8.7
Loans	8,306.7	9,316.1	10,491.6	11,645.6	12,926.6	14,361.5
- growth (%)	18.1	12.2	12.6	11.0	11.0	11.1
Fixed Assets	102.3	122.3	102.2	137.4	147.0	157.3
Other Assets	443.7	394.9	378.0	459.6	511.4	548.6
Total Assets	13,457.3	14,915.4	16,828.5	18,343.8	20,081.3	22,008.1

Asset Quality						
GNPA (INR b)	461.6	406.0	315.3	322.0	346.8	378.6
NNPA (INR b)	143.9	118.6	73.8	73.3	80.0	88.1
Slippages (INR b)	119.8	106.3	85.4	132.8	153.6	170.6
GNPA Ratio (%)	5.4	4.2	2.9	2.7	2.6	2.6
NNPA Ratio (%)	1.7	1.3	0.7	0.6	0.6	0.6
Slippage Ratio (%)	1.7	1.3	0.9	1.2	1.5	2.2
Credit Cost (%)	1.3	1.0	1.0	0.8	0.8	0.8
PCR (Excl Tech. write off) (%)	68.8	70.8	76.6	77.3	76.9	76.7
E: MOFSL Estimates						

Financials and Valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Yield and Cost Ratios (%)						
Avg. Yield-Earning Assets	6.9	8.0	7.8	7.5	7.5	7.5
Avg. Yield on loans	8.0	8.9	8.9	8.6	8.5	8.5
Avg. Yield on Investments	6.6	6.8	6.8	7.0	6.9	6.8
Avg. Cost-Int. Bear. Liab.	4.3	5.3	5.5	5.5	5.4	5.4
Avg. Cost of Deposits	4.3	5.3	5.5	5.5	5.4	5.4
Interest Spread	2.6	2.6	2.3	2.0	2.1	2.2
Net Interest Margin	2.56	2.68	2.41	2.25	2.36	2.42
Capitalisation Ratios (%)						
CAR	16.7	16.3	16.3	17.1	16.9	18.4
- Tier I	13.8	14.0	14.4	13.9	13.5	14.6
- CET-1	11.6	11.7	12.0	11.4	11.3	12.5
- Tier II	2.9	2.3	2.0	3.2	3.3	3.8
Business Ratios (%)						
Loans/Deposit Ratio	70.4	71.0	72.0	73.6	74.7	75.7
Investment/Deposit Ratio	27.1	27.2	26.1	26.4	26.3	26.1
CASA Ratio	31.1	29.9	28.5	27.9	28.4	28.4
Cost/Assets	1.7	1.8	1.7	1.7	1.7	1.7
Cost/Total Income	44.8	47.0	47.3	46.6	46.4	45.8
Cost/Core Income	46.5	48.5	49.5	48.3	48.2	47.5
Int. Expense/Int. Income	62.8	66.4	69.0	70.1	68.5	67.9
Fee Income/Net Income	33.6	31.2	33.2	37.9	35.2	34.6
Non Int. Inc./Net Income	37.4	34.2	37.7	41.3	38.8	38.3
Empl. Cost/Op. Exps.	61.1	62.9	63.5	63.4	63.3	62.9
Efficiency Ratios (%)						
Employee per branch (in nos)	8.8	8.6	8.3	8.8	8.9	9.0
Staff cost per employee (INR m)	1.6	2.0	2.2	2.2	2.4	2.6
CASA/Branch (INRm)	377.7	408.6	421.4	450.6	496.3	539.1
Deposit/Branch (INRm)	1,214.9	1,366.5	1,479.2	1,615.0	1,747.7	1,898.3
Business per Employee (INR m)	236.5	271.5	308.4	319.5	344.6	372.6
Profit per Employee (INR m)	1.2	1.8	2.1	2.2	2.4	2.7

Profitability and Valuation

RoE	17.1	20.2	19.9	19.2	19.0	19.5
RoA	0.8	1.0	1.1	1.1	1.1	1.1
RoRWA	1.9	2.2	2.3	2.2	2.2	2.5
Book Value (INR)	77	90	106	119	133	144
- growth (%)	13.1	17.9	17.6	12.2	11.7	8.5
Price-BV (x)	1.5	1.3	1.1	1.0	0.9	0.8
Adjusted BV (INR)	64	80	99	112	125	135
Price-ABV (x)	1.8	1.4	1.2	1.0	0.9	0.8
EPS (INR)	11.7	16.0	18.8	21.0	23.4	26.4
- growth (%)	78.1	37.3	17.0	12.0	11.3	13.0
Price-Earnings (x)	9.8	7.1	6.1	5.4	4.9	4.3
Dividend Per Share (INR)	2.4	3.2	4.0	5.9	9.5	15.2
Dividend Yield (%)	2.1	2.8	3.5	5.2	8.3	13.3

E: MOFSL Estimates

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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.