

**BUY****TP: Rs 203 | ▲ 23%****BANDHAN BANK**

| Banking

| 02 May 2025

## Navigating margin pressure, building secured momentum

- **PAT was impacted due to elevated credit costs and NIM compression, given the rising share of secured book**
- **With a focus on secured lending, asset quality stress likely to improve; aims for 1.9% RoA by FY27**
- **Maintain BUY with revised TP of Rs 203 (from Rs 187), assigning 1.2x FY27E ABV**

**Niraj Jalan | Vijiya Rao**  
 research@bobcaps.in

**PAT lower due to decline in NIMs and elevated provisioning:** BANDHAN reported decline in net profit to Rs 3.2bn (-25% QoQ), mainly due to elevated provisions of Rs 12.6bn (-8% QoQ) coupled with decline in NIMs to 6.7% (-20bps QoQ) in Q4FY25. Margins declined on account of management strategy to increase share of secured portfolio to >55% by FY27 vs 50.5% (+1.5% QoQ) in Q4FY25. The bank reported an interest reversal on slippages of Rs 690mn, which also impacted margins. Tier I Increased to 17.9% (+420bps QoQ), given RBI clarification on MFI risk weights.

**Return ratios expected to improve gradually:** We expect margins to remain under pressure, driven by: a) rising share of secured book b) ~45% of floating rate linked portfolio to reprice lower, given RBI's rate cut. Further, management guided for a) cost to assets (3.8% in FY25) to go up by 10-20bps, driven by branch opening, hiring and tech investments b) credit cost to normalise to 1.5-1.6% (3.0% in FY25) in the next couple of years, thereby resulting in RoA of 1.8-1.9% (1.5% in FY25). We expect the bank to deliver loan growth at 16% CAGR during FY25-FY27E (9% in FY25) with a focus on secured lending. We estimate the bank to witness RoA/RoE of 1.7/13.1% and 1.9/15.2% during FY26/27E, mainly supported by lower credit costs on expected improvement in asset quality.

**Asset quality:** At Rs 17.5 bn, gross slippages remain elevated at Rs 17.5bn or slippage ratio of 5.5% in Q4FY25 vs Rs 16.2bn or 5.1% in Q3FY25. EEB stress pool (NPA+ SMA1+ SMA2) was Rs 58bn or 4.4% of total net loans in Q4FY25 vs Rs 54bn (4.2%) in Q3FY25. However, PCR on EEB stress book increased to 75% in Q4FY25 (70% in Q3FY25).

**Maintain BUY:** With tighter entry guardrails, stress in EEB book is expected to reduce, particularly in newer vintages. Asset quality is expected to improve with management guiding for credit cost to be at 1.5-1.6% in FY27, with the portfolio move towards secured book being a positive. We maintain BUY with revised TP of Rs 203 (from Rs 187), valuing the bank at 1.2x FY27E ABV.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BANDHAN IN/Rs 166
Market cap	US\$ 3.6bn
Free float	60%
3M ADV	US\$ 16.7mn
52wk high/low	Rs 222/Rs 128
Promoter/FPI/DII	40%/23%/16%

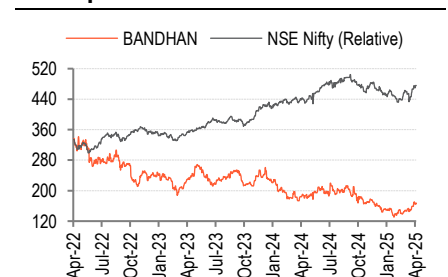
Source: NSE | Price as of 30 Apr 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	1,15,395	1,25,787	1,42,493
NII growth (%)	11.8	9.0	13.3
Adj. net profit (Rs mn)	27,453	34,436	45,540
EPS (Rs)	15.8	18.5	24.5
Consensus EPS (Rs)	19.0	22.2	26.5
P/E (x)	10.5	8.9	6.8
P/BV (x)	1.2	1.1	1.0
ROA (%)	1.5	1.7	1.9
ROE (%)	11.9	13.1	15.2

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

(Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	46,293	48,695	48,820	48,524	47,636	2.9	(1.8)
Income on investments	4,744	5,324	5,189	5,484	5,822	22.7	6.2
Int. on bal. with RBI & inter-bank funds & Others	857	1,339	989	780	881	2.8	12.9
<b>Interest income</b>	<b>51,893</b>	<b>55,358</b>	<b>54,998</b>	<b>54,787</b>	<b>54,339</b>	<b>4.7</b>	<b>(0.8)</b>
Interest expense	23,231	25,308	25,516	26,484	26,780	15.3	1.1
<b>Net interest income</b>	<b>28,663</b>	<b>30,050</b>	<b>29,483</b>	<b>28,303</b>	<b>27,559</b>	<b>(3.9)</b>	<b>(2.6)</b>
Growth YoY (%)	16.0	20.7	20.7	12.1	(3.9)		
<b>Non-interest income</b>	<b>6,941</b>	<b>5,275</b>	<b>5,947</b>	<b>10,959</b>	<b>6,996</b>	<b>0.8</b>	<b>(36.2)</b>
Growth YoY (%)	10.3	37.0	10.1	101.0	0.8		
<b>Total income</b>	<b>35,604</b>	<b>35,326</b>	<b>35,430</b>	<b>39,261</b>	<b>34,555</b>	<b>(2.9)</b>	<b>(12.0)</b>
Growth YoY (%)	14.8	22.8	18.7	27.9	(2.9)		
Staff expenses	9,702	10,054	10,440	12,274	10,842	11.8	(11.7)
Other operating expenses	7,517	5,863	6,438	6,774	8,000	6.4	18.1
Operating expenses	17,219	15,917	16,879	19,048	18,842	9.4	(1.1)
<b>Pre-Provisioning Profit (PPoP)</b>	<b>18,385</b>	<b>19,409</b>	<b>18,551</b>	<b>20,214</b>	<b>15,713</b>	<b>(14.5)</b>	<b>(22.3)</b>
Growth YoY (%)	2.4	24.2	17.2	22.1	(14.5)		
<b>Provisions</b>	<b>17,743</b>	<b>5,230</b>	<b>6,062</b>	<b>13,760</b>	<b>12,602</b>	<b>(29.0)</b>	<b>(8.4)</b>
Growth YoY (%)	141.5	(13.1)	(4.7)	101.2	(29.0)		
Exceptional Item							
<b>PBT</b>	<b>642</b>	<b>14,179</b>	<b>12,489</b>	<b>6,453</b>	<b>3,112</b>	<b>385.0</b>	<b>(51.8)</b>
Tax	95	3,544	3,114	2,189	(67)	(170.6)	(103.1)
<b>PAT</b>	<b>546</b>	<b>10,635</b>	<b>9,374</b>	<b>4,265</b>	<b>3,179</b>	<b>482.0</b>	<b>(25.5)</b>
Growth YoY (%)	(93.2)	47.5	30.0	(41.8)	482.0		
<b>Per Share</b>							
FV (Rs)	10.0	10.0	10.0	10.0	10.0	-	-
EPS (Rs)	0.3	6.6	5.8	2.7	2.0	479.4	(25.7)
Book Value (Rs)	141	149	152	142	143	1.4	0.5

Source: Company, BOBCAPS Research

**Fig 2 – Quarterly snapshot: Key balance sheet & other metrics**

(Rs mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
<b>Deposits</b>	<b>13,52,020</b>	<b>13,32,100</b>	<b>14,25,095</b>	<b>14,10,000</b>	<b>15,12,125</b>	<b>11.8</b>	<b>7.2</b>
Growth YoY (%)	25.1	22.8	27.2	20.1	11.8		
<b>Advances</b>	<b>12,11,368</b>	<b>12,15,900</b>	<b>12,60,557</b>	<b>12,73,800</b>	<b>13,19,873</b>	<b>9.0</b>	<b>3.6</b>
Growth YoY (%)	15.6	23.8	23.6	15.6	9.0		
Investment	2,92,876	3,32,400	3,08,466	3,63,100	4,07,123	39.0	12.1
Equity	2,32,648	2,46,700	2,53,896	2,61,000	2,64,619	13.7	1.4
Assets	17,78,417	17,33,000	17,97,677	18,39,100	19,14,763	7.7	4.1
Growth YoY (%)	14.2	14.9	17.9	17.2	7.7		
<b>Yield (%)</b>							
Yield on Funds	13.3	13.5	13.3	12.9	12.3	(98bps)	(61bps)
Cost of Funds	6.6	6.8	6.9	6.9	6.8	20bps	(18bps)
Spread	6.7	6.7	6.4	6.0	5.5	(118bps)	(43bps)
<b>Net Interest Margin (calc.)</b>	<b>7.3</b>	<b>7.3</b>	<b>7.1</b>	<b>6.7</b>	<b>6.2</b>	<b>(110bps)</b>	<b>(43bps)</b>
<b>Ratios (%)</b>							
Other Income / Net Income	19.5	14.9	16.8	27.9	20.2	75bps	(767bps)
Cost to Income ratio	48.4	45.1	47.6	48.5	54.5	616bps	601bps
CASA ratio	37.1	33.4	33.2	31.7	31.4	(572bps)	(36bps)
C/D ratio	89.6	91.3	88.5	90.3	87.3	(231bps)	(305bps)
Investment to Assets	16.5	19.2	17.2	19.7	21.3	479bps	152bps
<b>Assets Quality</b>							
GNPA	47,849	53,044	61,053	61,785	64,356	34.5	4.2
NNPA	13,476	13,964	16,202	16,367	16,928	25.6	3.4
Provision	34,373	39,079	44,851	45,418	47,427	38.0	4.4
GNPA (%)	3.8	4.2	4.7	4.7	4.7	87bps	3bps
NNPA (%)	1.1	1.2	1.3	1.3	1.3	17bps	0bps
PCR (%)	71.8	73.7	73.5	73.5	73.7	186bps	19bps
<b>Others (nos)</b>							
Branches	1,700	1,700	1,703	1,703	1,715	15	12
ATMs	438	438	438	438	438	-	-
Employees	75,748	77,530	79,925	78,414	75,032	(716)	(3,382)

Source: Company, BOBCAPS Research

**Fig 3 – Loan book trend**

(Rs mn)	Q4FY25	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
<b>Group Based</b>	<b>4,07,500</b>	<b>4,05,100</b>	<b>3,81,300</b>	<b>3,59,900</b>	<b>3,60,900</b>	<b>(11.4)</b>	<b>0.3</b>
Growth YoY (%)	7.1	20.0	6.6	(7.2)	(11.4)		
Growth QoQ (%)	5.1	(0.6)	(5.9)	(5.6)	0.3		
<b>Individual</b>	<b>2,15,000</b>	<b>2,14,000</b>	<b>2,11,600</b>	<b>2,01,300</b>	<b>2,04,500</b>	<b>(4.9)</b>	<b>1.6</b>
Growth YoY (%)	16.7	22.1	16.2	6.9	(4.9)		
Growth QoQ (%)	14.2	(0.5)	(1.1)	(4.9)	1.6		
<b>Emerging Entrepreneurs Business (EEB)</b>	<b>6,22,500</b>	<b>6,19,100</b>	<b>5,92,900</b>	<b>5,61,200</b>	<b>5,65,400</b>	<b>(9.2)</b>	<b>0.7</b>
Growth YoY (%)	10.2	20.7	9.8	(2.6)	(9.2)		
Growth QoQ (%)	8.1	(0.5)	(4.2)	(5.3)	0.7		
<b>Housing</b>	<b>2,99,200</b>	<b>2,94,100</b>	<b>3,16,300</b>	<b>3,26,400</b>	<b>3,30,900</b>	<b>10.6</b>	<b>1.4</b>
Growth YoY (%)	11.2	9.1	18.2	13.1	10.6		
Growth QoQ (%)	3.7	(1.7)	7.5	3.2	1.4		
<b>Retail</b>	<b>55,800</b>	<b>62,300</b>	<b>75,100</b>	<b>87,600</b>	<b>1,10,200</b>	<b>97.5</b>	<b>25.8</b>
Growth YoY (%)	0.7	84.9	92.6	95.1	97.5		
Growth QoQ (%)	24.3	11.6	20.5	16.6	25.8		
<b>Commercial Business</b>	<b>2,69,800</b>	<b>2,80,700</b>	<b>3,22,200</b>	<b>3,45,000</b>	<b>3,63,400</b>	<b>34.7</b>	<b>5.3</b>
Growth YoY (%)	33.6	30.3	40.1	38.0	34.7		
Growth QoQ (%)	7.9	4.0	14.8	7.1	5.3		
<b>Total AUM</b>	<b>12,47,358</b>	<b>12,56,324</b>	<b>13,06,644</b>	<b>13,20,320</b>	<b>13,70,027</b>	<b>9.8</b>	<b>3.8</b>
Growth YoY (%)	14.3	21.8	21.4	13.9	9.8		
Growth QoQ (%)	7.6	0.7	4.0	1.0	3.8		

Source: Company, BOBCAPS Research

**Fig 4 – Loan book distribution**

Segment (%)	Q4FY25	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Emerging Entrepreneurs Business (EEB)	49.9	49.3	45.4	42.5	41.3	-864bps	-124bps
Housing	24.0	23.4	24.2	24.7	24.2	17bps	-57bps
Retail	4.5	5.0	5.7	6.6	8.0	357bps	141bps
Commercial Business	21.6	22.3	24.7	26.1	26.5	490bps	40bps
<b>Total AUM</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company, BOBCAPS Research

**Fig 5 – Deposit trend**

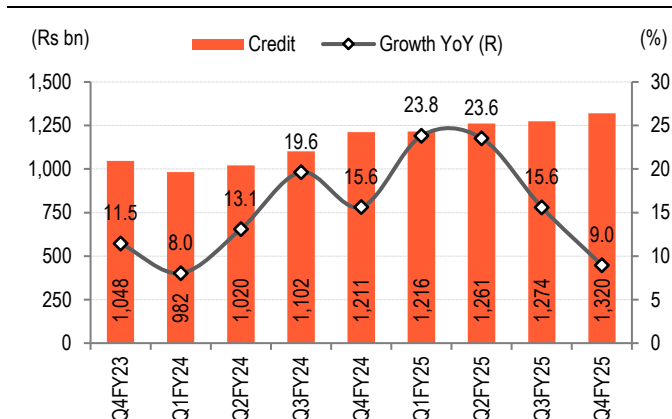
Segments	Q4FY25	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
<b>CA (Rs mn)</b>	<b>96,600</b>	<b>61,500</b>	<b>64,300</b>	<b>61,200</b>	<b>80,900</b>	<b>(16.3)</b>	<b>32.2</b>
Growth YoY (%)	50.5	18.3	2.2	(8.1)	(16.3)		
Growth QoQ (%)	45.0	(36.3)	4.6	(4.8)	32.2		
<b>SA (Rs mn)</b>	<b>4,04,900</b>	<b>3,83,100</b>	<b>4,08,500</b>	<b>3,86,200</b>	<b>3,93,500</b>	<b>(2.8)</b>	<b>1.9</b>
Growth YoY (%)	12.3	13.1	10.7	8.0	(2.8)		
Growth QoQ (%)	13.3	(5.4)	6.6	(5.5)	1.9		
<b>CASA Deposits (Rs mn)</b>	<b>5,01,500</b>	<b>4,44,600</b>	<b>4,72,800</b>	<b>4,47,400</b>	<b>4,74,400</b>	<b>(5.4)</b>	<b>6.0</b>
Growth YoY (%)	18.1	13.8	9.4	5.5	(5.4)		
Growth QoQ (%)	18.3	(11.3)	6.3	(5.4)	6.0		
<b>Term Deposits</b>	<b>8,50,520</b>	<b>8,87,500</b>	<b>9,52,295</b>	<b>9,62,600</b>	<b>10,37,725</b>	<b>22.0</b>	<b>7.8</b>
Growth YoY (%)	29.6	27.9	38.3	28.3	22.0		
Growth QoQ (%)	13.4	4.3	7.3	1.1	7.8		
<b>Total Deposits (Rs mn)</b>	<b>13,52,020</b>	<b>13,32,100</b>	<b>14,25,095</b>	<b>14,10,000</b>	<b>15,12,125</b>	<b>11.8</b>	<b>7.2</b>
Growth YoY (%)	25.1	22.8	27.2	20.1	11.8		
Growth QoQ (%)	15.1	(1.5)	7.0	(1.1)	7.2		

Source: Company, BOBCAPS Research

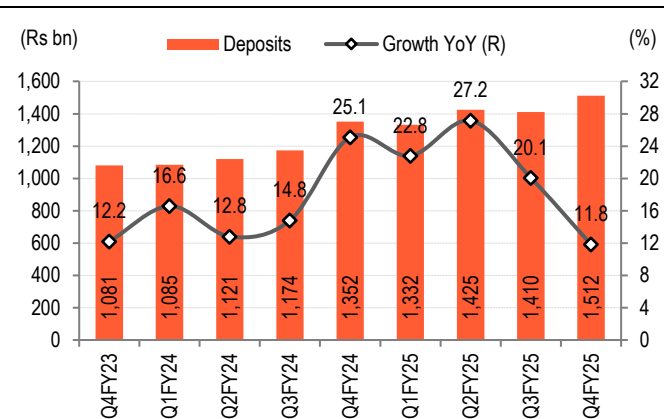
**Fig 6 – Deposit distribution**

Segment (%)	Q4FY25	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
CASA Deposits	37.1	33.4	33.2	31.7	31.4	(15.4)	(1.1)
Term Deposits	62.9	66.6	66.8	68.3	68.6	9.1	0.5
<b>Total Deposits</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		

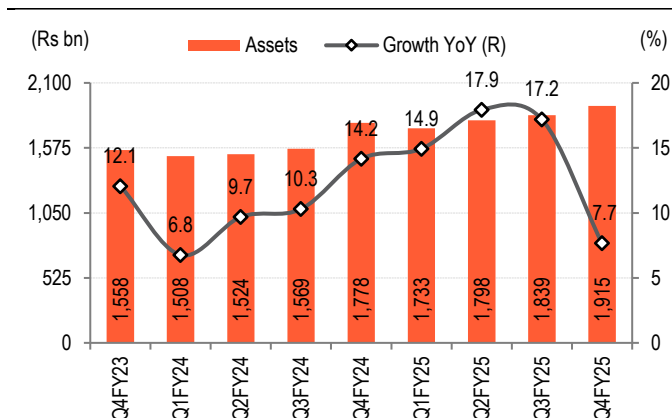
Source: Company, BOBCAPS Research

**Fig 7 – Credit growth moderated to 9% YoY in Q4FY25**

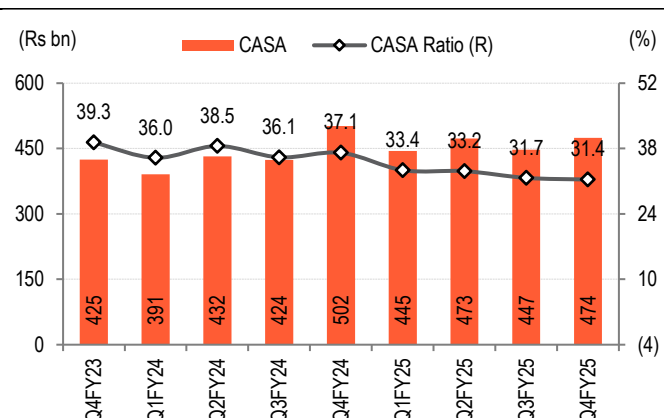
Source: Company, BOBCAPS Research

**Fig 8 – With higher deposit growth, CD ratio improved to 87% in Q4FY25**

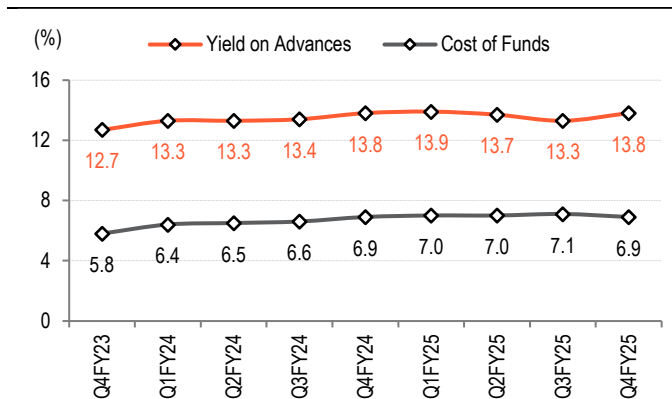
Source: Company, BOBCAPS Research | TD: Term deposits

**Fig 9 – Asset growth slows down**

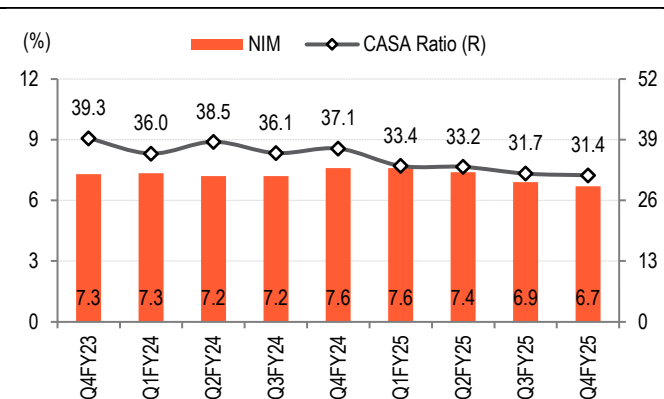
Source: Company, BOBCAPS Research

**Fig 10 – CASA ratio declined 36bps QoQ**

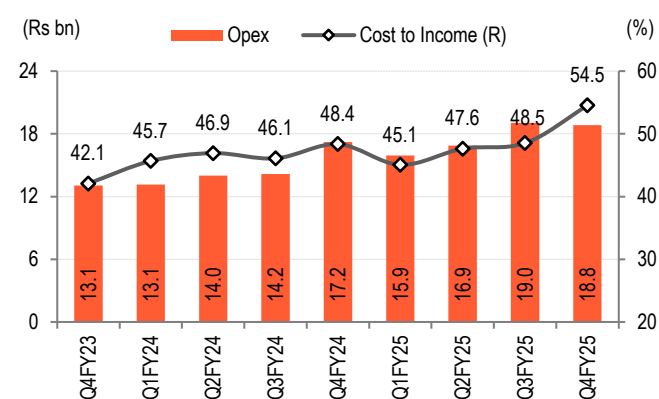
Source: Company, BOBCAPS Research

**Fig 11 – Spreads remain healthy**

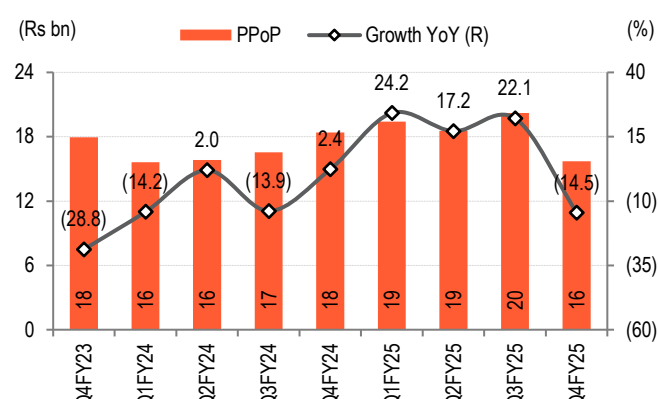
Source: Company, BOBCAPS Research

**Fig 12 – NIMs declined due to reducing share of EEB**

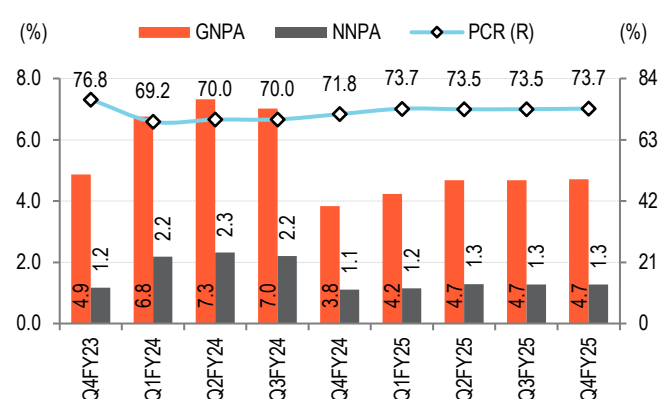
Source: Company, BOBCAPS Research | NIM: Net interest margin

**Fig 13 – Operating cost increased**

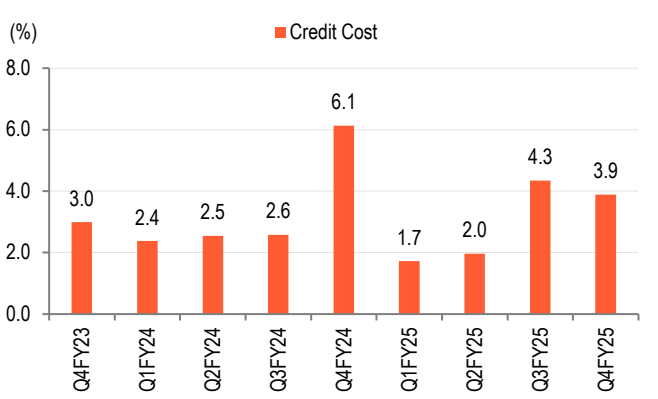
Source: Company, BOBCAPS Research

**Fig 14 – PPOP degrows YoY**

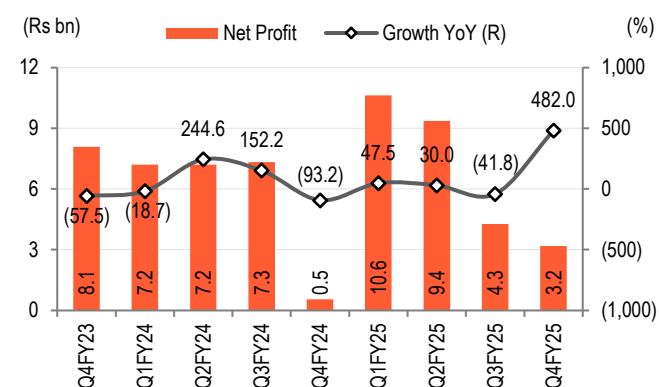
Source: Company, BOBCAPS Research

**Fig 15 – Asset quality likely to improve**

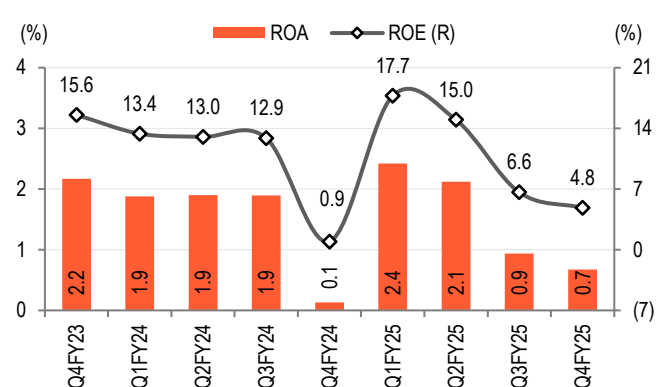
Source: Company, BOBCAPS Research

**Fig 16 – Credit costs expected to improve gradually**

Source: Company, BOBCAPS Research

**Fig 17 – PAT declined 25% QoQ on account of elevated provisions**

Source: Company, BOBCAPS Research

**Fig 18 – Return ratios were muted**

Source: Company, BOBCAPS Research

## Earnings call highlights

### Operational highlights

- NII declined 4% YoY (-3% QoQ) — lower than our estimates as advances growth has been lower.
- Advances rose 9% YoY and 4% QoQ to Rs 1,320bn. In line with its strategic plan, the bank intends to increase share of secured book by increasing the share of housing, commercial banking, and secured retail products. Secured portfolio currently constitutes 50.5% of the total loans, which grew 8% YoY.
- NIM stood to 6.7% in Q4FY25, contracted by 90bps YoY (20bps QoQ). Margins to remain under pressure, given the rising share of secured portfolio.
- Opex rose 9% YoY and falls 1% QoQ, led by decrease in the employee expenses (-12% QoQ).

### Loans and deposits

- Advances grew 9% YoY, mainly driven by secured loans (up 8% YoY). The bank plans to grow the secured mix to >55% by FY27.
- In Q4FY25, EEB portfolio declined 9.2% YoY and stayed flat sequentially because of a cautious approach due to elevated stress in the segment. The mix currently stands at 41.3% vs 42.5% in Q3FY25 vs 49.9% in Q4FY24. Housing, retail, and commercial businesses grew 11% YoY (1% QoQ), 97% YoY (26% QoQ) and 35% YoY (5% QoQ).
- The top five states (West Bengal, Maharashtra, Bihar, Gujarat and Madhya Pradesh) constituted 59% of gross advances, of which West Bengal constituted 23% flat sequentially in Q4FY25.
- East and Northeast India loan exposure reduced from 53% in FY22 to 39% now, with higher growth in North, West and South India.
- Deposits grew 12% YoY higher than advances growth. Retail deposit grew by 11% YoY, mainly due to growth in retail term deposits (+30% YoY).
- CASA ratio for the quarter declined 36bps QoQ to 31.4%. The bank is emphasising stable, granular retail deposits that make up to 69% of total deposits.

### Asset quality and capital adequacy

- Total slippages stood at Rs 17.5bn (Rs 16.2bn in Q3). Microfinance slippages are expected to improve gradually with SMA2 at Rs 5.1bn in Q4FY25 (Rs 6.5bn in Q3FY25).
- Upgrades and recovery increased to Rs 3.5bn (Rs 2.8bn in Q3), while write-offs in Q4FY25 were Rs 11.7bn vs Rs 12.7bn in Q3.
- Credit cost reported during Q4 was at 3.9%. Credit costs will stay elevated due to MFI stress in H1FY26. However, the same is guided to normalise to 1.5–1.6% in the next couple of years, on higher secured loan mix, improved underwriting

controls, strong collection efficiency and lower dependence on microfinance lending.

- Collection efficiency was at 97.8% (97.5% in Q3). Geography-wise, collection efficiency in Assam was 99.4% and West Bengal 98.7%.
- SMA 0 stood at Rs 8.6bn, which equalled 1.5% (Rs 8.1bn in Q3). SMA1 at Rs 5.2bn equalled 0.9% of book (Rs 6.6bn in Q3) and SMA 2 at Rs 5.1bn equalled 0.9% (Rs 6.5bn equalled 1.2% in Q3).
- The EEB stress pool was at Rs 58bn as on 31 March 2025.

**Fig 19 – Actuals vs BOBCAPS estimates**

(Rs mn)	Q4FY25A	Q4FY25E	Variance (%)
Loan	13,19,873	13,42,196	(1.7)
Deposits	15,12,125	15,12,099	0.0
Assets	19,14,763	18,97,004	0.9
NII	27,559	28,101	(1.9)
PPOP	15,713	17,071	(8.0)
Provision	12,602	10,954	15.0
PAT	3,179	4,594	(30.8)

Source: Company, BOBCAPS Research



## Valuation Methodology

BANDHAN continued to report stress in its MFI portfolio with higher provisioning, although management is confident of containing credit cost to 1.5-1.6% in FY27. Further, management seemed to be optimistic on improvement in the collection efficiency with slippages in the MFI book to stabilise in the ensuing quarters. Margins may witness compression going forward as the bank moves towards secured lending.

With tighter entry guardrails, stress in EEB book is expected to reduce, particularly in newer vintages. We estimate the bank to witness RoA of 1.7/1.9% and RoE of 13.1/15.2% during FY26/27E. We maintain BUY with revised TP of Rs 203 (from Rs 187) valuing the bank at 1.2x FY27E ABV.

**Fig 20 – Key operational assumptions**

(%)	FY24A	FY25	FY26E	FY27E
Advances Growth	15.6	9.0	15.0	17.0
NII Growth	11.5	11.8	9.0	13.3
PPOP Growth	(6.4)	11.3	6.8	10.9
PAT Growth	1.6	23.1	25.4	32.2
NIM	6.7	6.7	6.5	6.3
GNPA	3.8	4.6	4.2	3.7
CAR	18.3	18.7	17.9	17.4

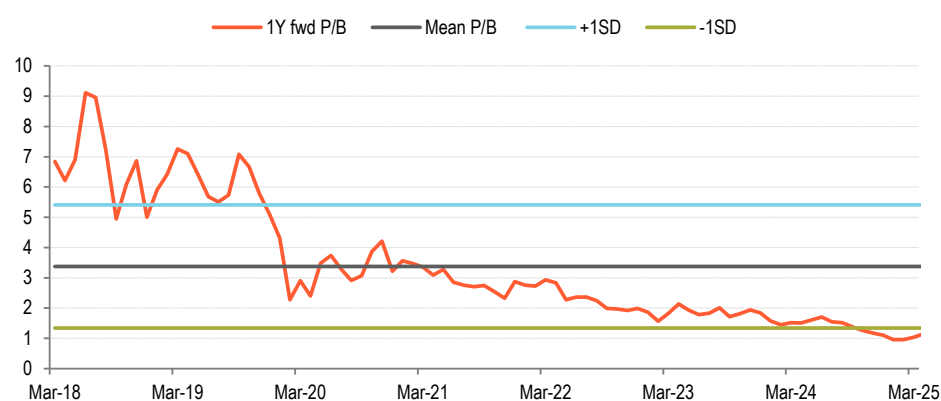
Source: Company, BOBCAPS Research

**Fig 21 – Key valuation assumptions**

Gordon growth model	
Cost of equity (%)	13.8
Blended ROE (%)	14.7
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	30.0
Long-term growth (%)	6
Long term dividend payout ratio (%)	60
Justified P/BV Multiple (x)	1.2
Implied BVPS (Rs)	163
<b>Value per share (Rs)</b>	<b>203</b>

Source: Company, BOBCAPS Research

**Fig 22 – PB band chart**



Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- Prolonged asset quality stress in EEB book than expected
- The bank's inability to manage cost of funds, leading to higher NIMs compression

## Glossary

Glossary of Abbreviations			
<b>AUCA</b>	Advance Under Collection Account	<b>LAP</b>	Loans against Property
<b>ARC</b>	Asset Reconstruction Company	<b>LCR</b>	Liquidity Coverage Ratio
<b>BRDS</b>	Bills Rediscounting Scheme	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>CAR</b>	Capital Adequacy Ratio	<b>MFI</b>	Microfinance Institution
<b>CASA</b>	Current Account and Savings Account	<b>MTM</b>	Mark to Market
<b>CD</b>	Credit-Deposit Ratio	<b>NII</b>	Net Interest Income
<b>CET1</b>	Common Equity Tier 1	<b>NIM</b>	Net Interest Margin
<b>CGFMU</b>	Credit Guarantee Fund for Micro Units	<b>NNPA</b>	Net Non-Performing Assets
<b>C/I</b>	Cost-Income Ratio	<b>PCR</b>	Provision Coverage Ratio
<b>CRB</b>	Commercial and Rural Banking	<b>PPOP</b>	Pre-Provision Operating Profit
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>PSU</b>	Public Sector Unit
<b>ECL</b>	Expected Credit Loss	<b>RWA</b>	Risk-weighted Assets
<b>ECLGS</b>	Emergency Credit Line Guarantee Scheme	<b>SLR</b>	Statutory Liquidity Ratio
<b>GNPA</b>	Gross Non-Performing Assets	<b>SMA</b>	Special Mention Account
<b>IBPC</b>	Interbank Participation Certificate	<b>SME</b>	Small and Medium-sized Enterprises

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Net interest income	92,596	1,03,256	1,15,395	1,25,787	1,42,493
NII growth (%)	6.3	11.5	11.8	9.0	13.3
Non-interest income	24,686	21,647	29,177	34,339	41,695
Total income	1,17,282	1,24,903	1,44,572	1,60,126	1,84,188
Operating expenses	46,368	58,508	70,685	81,208	96,628
PPOP	70,913	66,395	73,887	78,919	87,560
PPOP growth (%)	(11.5)	(6.4)	11.3	6.8	10.9
Provisions	41,984	36,966	37,654	32,634	26,350
PBT	28,930	29,429	36,233	46,285	61,210
Tax	6,983	7,133	8,780	11,849	15,670
Reported net profit	21,946	22,296	27,453	34,436	45,540
Adjustments	0	0	0	0	0
Adjusted net profit	21,946	22,296	27,453	34,436	45,540

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Equity capital	16,108	16,110	18,569	18,569	18,569
Reserves & surplus	1,79,733	1,99,987	2,27,481	2,59,335	3,01,232
Net worth	1,95,842	2,16,096	2,46,050	2,77,903	3,19,800
Deposits	10,80,693	13,52,020	15,12,125	17,84,307	21,23,326
Borrowings	2,47,108	1,63,715	1,11,385	1,28,093	1,47,307
Other liab. & provisions	34,057	46,585	45,203	57,245	67,255
Total liab. & equities	15,57,700	17,78,417	19,14,763	22,47,548	26,57,687
Cash & bank balance	82,497	1,61,705	95,694	1,23,616	1,50,444
Investments	3,23,659	2,92,876	4,07,123	4,77,348	5,75,167
Advances	10,47,568	12,11,368	13,19,873	15,17,854	17,75,889
Fixed & Other assets	1,03,976	1,12,468	92,073	1,28,730	1,56,187
Total assets	15,57,700	17,78,417	19,14,763	22,47,548	26,57,687
Deposit growth (%)	12.2	25.1	11.8	18.0	19.0
Advances growth (%)	11.5	15.6	9.0	15.0	17.0

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
EPS	13.6	13.8	15.8	18.5	24.5
Dividend per share	1.5	1.5	1.6	1.4	2.0
Book value per share	121.6	134.1	132.5	149.7	172.2

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
P/E	12.2	12.0	10.5	8.9	6.8
P/BV	1.4	1.2	1.2	1.1	1.0
Dividend yield (%)	0.9	0.9	1.0	0.8	1.2

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Net interest income	6.3	6.2	6.2	6.0	5.8
Non-interest income	1.7	1.3	1.6	1.7	1.7
Operating expenses	3.1	3.5	3.8	3.9	3.9
Pre-provisioning profit	4.8	4.0	4.0	3.8	3.6
Provisions	2.8	2.2	2.0	1.6	1.1
PBT	2.0	1.8	2.0	2.2	2.5
Tax	0.5	0.4	0.5	0.6	0.6
ROA	1.5	1.3	1.5	1.7	1.9
Leverage (x)	8.0	8.1	8.0	7.9	8.2
ROE	11.9	10.8	11.9	13.1	15.2

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>YoY growth (%)</b>					
Net interest income	6.3	11.5	11.8	9.0	13.3
Pre-provisioning profit	(11.5)	(6.4)	11.3	6.8	10.9
EPS	1644.5	1.6	14.4	17.1	32.2
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	6.8	6.7	6.7	6.5	6.3
Fees / Avg. assets	0.2	0.3	0.2	0.2	0.2
Cost-Income	39.5	46.8	48.9	50.7	52.5
ROE	11.9	10.8	11.9	13.1	15.2
ROA	1.5	1.3	1.5	1.7	1.9
<b>Asset quality (%)</b>					
GNPA	4.8	3.8	4.6	4.2	3.7
NNPA	1.2	1.1	1.2	1.1	1.0
Slippage ratio	10.3	5.4	4.4	3.0	2.7
Credit cost	4.2	3.3	3.0	2.3	1.6
Provision coverage	76.8	71.8	74.9	75.0	75.0
<b>Ratios (%)</b>					
Credit-Deposit	96.9	89.6	87.3	85.1	83.6
Investment-Deposit	29.9	21.7	26.9	26.8	27.1
CAR	19.8	18.3	18.7	17.9	17.4
Tier-1	18.7	17.2	17.9	17.1	16.7

Source: Company, BOBCAPS Research

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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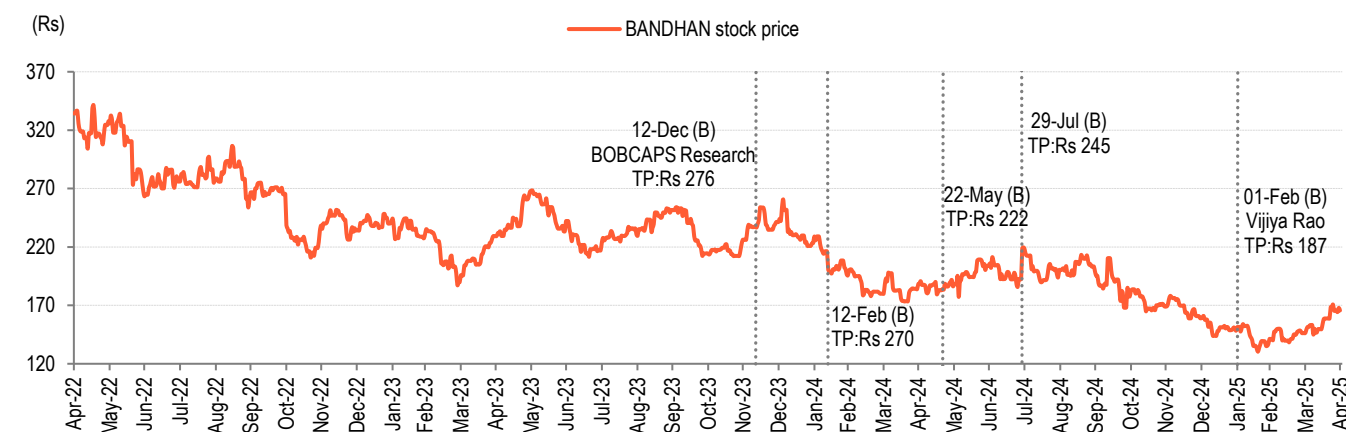
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**Note:** Recommendation structure changed with effect from 21 June 2021

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