

22 January 2026

## Indian Bank

### Utilizing better profitability for strengthening provisions

#### RESULT UPDATE

|                      |                               |
|----------------------|-------------------------------|
| <b>Sector: Banks</b> | <b>Rating: HOLD</b>           |
| <b>CMP: Rs 897</b>   | <b>Target Price: Rs 1,015</b> |

#### Stock Info

|                      |                        |
|----------------------|------------------------|
| Nifty                | 25,303                 |
| Bloomberg Code       | INBK IN                |
| Equity shares        | 1,347mn                |
| 52-wk High/Low       | Rs 908/ 478            |
| Face value           | Rs 10                  |
| M-Cap                | Rs 1,192bn/ USD 13.0bn |
| 3-m Avg volume (NSE) | Rs. 1.7bn              |

#### Financial Snapshot (Rs bn)

| Y/E March         | FY26E | FY27E | FY28E |
|-------------------|-------|-------|-------|
| NII               | 269   | 312   | 357   |
| PPP               | 198   | 230   | 263   |
| PAT               | 123   | 141   | 160   |
| EPS (Rs)          | 92    | 105   | 119   |
| EPS Gr. (%)       | 13    | 14    | 13    |
| BV/Sh (Rs)        | 497   | 580   | 675   |
| Adj. BV/Sh (Rs)   | 487   | 568   | 660   |
| <b>Ratios</b>     |       |       |       |
| NIM (%)           | 3.3   | 3.4   | 3.4   |
| C/I ratio (%)     | 46.4  | 45.0  | 44.3  |
| RoA (%)           | 1.3   | 1.4   | 1.4   |
| RoE (%)           | 16.6  | 16.6  | 16.5  |
| <b>Valuations</b> |       |       |       |
| P/E (x)           | 9.8   | 8.6   | 7.6   |
| P/BV (x)          | 1.8   | 1.5   | 1.3   |
| P/ABV (x)         | 1.8   | 1.6   | 1.4   |

#### Shareholding pattern (%)

|          | Jun'25 | Sep'25 | Dec'25 |
|----------|--------|--------|--------|
| Promoter | 73.8   | 73.8   | 73.8   |
| -Pledged | -      | -      | -      |
| FII      | 4.5    | 4.7    | 5.6    |
| DII      | 18.1   | 18.6   | 17.8   |
| Others   | 3.6    | 2.9    | 2.7    |

#### Stock Performance


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Indian Bank reported 3QFY26 PAT of Rs 30.6bn (2.9% below our estimates of Rs. 31.5bn) which improved by 1.4% QoQ and by 7.3% YoY. The sequential improvement was mainly due to (i) Improvement in Net Interest Income (NII) (ii) healthy sequential growth in fee income leading to higher other income. The bank has reported a gross advances growth of 3% QoQ and 14.2% YoY in 3Q and has guided for the growth to surpass the previously guided range of ~10-12% for FY26. The deposits grew by 1.8% QoQ and 12.6% YoY led by a combination of healthy TD and CASA growth. The Global Net Interest Margins (NIMs) improved sequentially to 3.28% for 3Q, up by 5 bps QoQ but down by -17 bps YoY. The MCLR linked book is ~46.1% of the total advances out of which ~37% is due for repricing in 4Q while ~18% of the term deposits (TD) are due for repricing correspondingly. The two-month impact for 25 bps repo rate cut is expected to be visible in 4Q but the same will largely be offset by TD repricing. Thus, the management expects the NIMs to moderate by ~1-2 bps for 4Q but has maintained the full year guidance at 3.15-3.30% for FY26. The credit costs for 3Q came in at 0.56%, up 6bps QoQ but down by -23 bps YoY. The bank has made an additional provision of Rs. 3.8bn in 3Q towards its SMA 1 book as a result of which the provision on both SMA 1 and SMA 2 book now stands at 10% each. Further, the management has guided that the bank will not be required to use the glide path and can make the requisite provisions for ECL norms within 1 year. The impact of the new labour codes is expected to be negligible, and the bank has made provisions amounting to Rs. 5.6mn towards the same. We have revised our target price to Rs. 1015 (Rs. 880 earlier) and maintain our HOLD rating on Indian Bank. We have moved our valuation to FY28E and are valuing the standalone bank at 1.5x on its FY28E book value per share of Rs. 675.

#### Stable asset quality but higher provisions for improving ECL transition readiness:

The annualised gross slippage ratio was at 0.64%, down -12 bps QoQ and -9 bps YoY led by a sharp decline in retail slippages sequentially while there were no fresh slippages from corporate segment. Further, on a sequential basis, the Agri and MSME slippages have moderated marginally in 3Q. The annualised credit costs for 3Q came in at 0.56%, up 6bps QoQ but down by -23 bps YoY. The management expects the credit costs to remain stable in 4Q with a variance of ~1-2bps (due to diversion of resources for branch audits) and has re-iterated its guidance to maintain it below 1% levels going forward. The increase in SMA 2 book during 3Q was driven by 2 PSU accounts (~Rs. 30bn), However since the same are backed by state government guarantees, the chances of these advances slipping into NPA are minimal. The GNPA declined by -37 bps QoQ and -103 bps YoY while the NNPA declined by -1 bp QoQ and -6 bps YoY. The management has maintained its guidance to reduce GNPs below 2% levels while NNPs are expected to remain stable. The bank has made additional provisions amounting to ~Rs. 3.8bn towards SMA 1 thus improving the provisioning on its SMA 1 and SMA 2 book to 10% each to enhance preparedness for transition to ECL. Further, the bank will not be required to utilise the glide path as it can make the requisite provisions for meeting the ECL norms within 1 year.

**Net Interest margins improved sequentially and expected to remain stable:** The Global NIMs for 3Q stood at 3.28%, up 5 bps QoQ but down by -17 bps YoY. The domestic margins too improved by 6 bps QoQ but declined by -17bps YoY to 3.40% in 3Q. The Bank was able to improve the NIMs sequentially despite a fall in yield on

Investors are advised to refer disclosures made at the end of the research report.

advances by -9 bps QoQ mainly due to a reduction of -8bps in cost of deposits. ~46.1% of the total advances are linked to MCLR of which around 37% is expected to be repriced in 4Q while ~20% will be due for repricing in 1QFY27. On the deposits front, ~18% of the TD are due for repricing in 4Q while ~53% are due for repricing in 1QFY27. The two-month impact of the recent 25 bps rate cut is expected to be visible in 4Q but the same is expected to be largely offset by the TD repricing. Thus, going forward, the management expects the NIMs to moderate in the range of ~1-2 bps for 4Q but has retained its full year guidance at 3.15-3.30% for FY26.

**Healthy Advances growth complimented by deposits growth:** The net advances grew at a healthy rate of 3.4% QoQ and by 15.4% YoY. The sequential growth was led by increase in the MSME segment (up 5.9% QoQ) and retail (up 4.4% QoQ). The Agri advances grew by 2.3% sequentially while the corporate advances grew by 1.4% QoQ. The bank has a healthy corporate pipeline of ~Rs. 500bn and is witnessing improved demand from sectors like green financing and logistics. Within retail, Jewel Loan (non-priority) grew strongly by 16.6% QoQ followed by auto loans which grew by 11.9% QoQ. The management expects advances growth to surpass the guided range of 10-12% for FY26 driven primarily by RAM advances. The bank will aim to maintain the RAM to corporate advances ratio at 65:35 going forward. The total deposits grew by 1.8% QoQ (+12.6% YoY) while domestic deposits grew by 1.8% QoQ (+12.5% YoY). CASA deposits grew by 2.4% QoQ (+9.9% YoY) while term deposits grew by 1.5% QoQ (+14.3% YoY). The overall CASA ratio improved by 21bps sequentially to 37.4% (down -91bps YoY). Owing to the structural shift of depositors away from CASA deposits, the bank will try to maintain its CASA ratio going forward but there could be moderation to some extent in the same. The bank is aiming to granularize term deposits to reduce its reliance on bulk deposits alongside focusing on CASA. The bulk deposits' interest rates have increased by 20-30 bps and on a weighted average is at 6.7 to 6.8%. The bank is open to considering other sources of funding if the deposit mobilization challenges persist. However, the same will have an upward impact on cost of funds. The bank is also open to raising equity capital given the stock is trading at better valuation.

**Improved operating performance:** The operating profit grew by 3.9% QoQ and 5.8% YoY to Rs. 50.2bn. The sequential improvement was supported by higher NII (up 5.3% QoQ) along with higher growth in fee income (up 20.2% QoQ). The PSL income remained steady at Rs.3.39bn in 3Q, in line with previous management guidance. While the recoveries momentum slowed down in 3Q, there was a chunky recovery of ~Rs.3bn via NCLT. The operating expenses grew by 5.6% QoQ and by 16.2% YoY with an uptick in both employee expenses as well as other opex. The uptick in employee expenses was on account of increase in actuarial provision amounting to ~Rs.1bn. The increase in non-employee expenses is attributable to a change in DICGC formula which has led to increased insurance expenses. The insurance cost during the quarter has increased by ~Rs. 1.28bn out of which ~Rs. 0.82bn pertains to previous years and ~Rs. 0.6bn to be a recurring expense (period not specified but assume to be an annual expense). The bank has budgeted ~Rs. 20bn towards IT spends (including both capex and opex) to push its digitalization initiative. Further, the impact of new labour codes is expected to be negligible, and the bank has made provisions amounting to ~Rs. 5.6mn towards the same.

**Valuation and recommendation:** We have revised our estimates to factor in better advances growth and other business aspects. Based on our revised estimates we have revised our target price to Rs. 1015 (Rs. 880 earlier) and maintain our HOLD rating on Indian Bank. We have moved our valuation to FY28E and are valuing the standalone bank at 1.5x on its FY28E book value per share of Rs. 675 for a RoE profile of 16.6%/16.6%/16.5% for FY26E/FY27E/FY28E.

## Key takeaways from 3QFY26 earnings call:

### 1. Margins

- Domestic NIM improved by 6 bps QoQ to 3.40%, aided by repricing of advances, better RAM mix and controlled cost of funds.
- Management highlighted 37% of MCLR-linked loans repriced during Q4, with an additional 20% repricing expected in Q1FY27, which may exert marginal near-term pressure (~1–2 bps) on margins.
- Deposit repricing pipeline remains supportive, with 18% of deposits repriced in Q4 and 53% due in Q1FY27, expected to partially offset asset-side repricing.
- ~Rs. 1.4bn in interest was saved (~2% of 70bn) due to IBPC sale undertaken by the bank.
- Full-year NIM guidance maintained (3.15-3.30%), with management confident of sustaining margins around current levels, barring sharp adverse movements in deposit pricing.

### 2. Opex

- Cost-to-income ratio stood at 46.9%, remaining within the bank's medium-term efficiency threshold.
- DICGC insurance premium increased by Rs. 1.28 bn, of which Rs. 0.82 bn pertained to prior periods; the run-rate impact is Rs. 0.60 bn going forward.
- The impact of the new labour code is limited to Rs. 5.59mn.
- Employee costs rose sequentially due to actuarial provisioning under AS-15, amounting to Rs. 1.02 bn, classified as non-recurring in nature.
- Management reiterated continued investment in IT and digital capabilities, with approx Rs. 20 bn annual spend (CapEx + OpEx) earmarked over the next 12–24 months.
- The bank continues investing in IT but the benefit is not reflected to the extend that it was expected by the management
- Share of digital business is expected to grow from 15% to 50% in the span of next 2 to 3 years

### 3. Asset Quality

- Gross NPA improved to 2.23% down -27 bps QoQ, while Net NPA remained benign at 0.15%, among the lowest in the PSU banking system.
- Fresh slippages declined sharply to Rs. 9.97 bn in Q3 (calculated annualized gross slippage ratio 0.6%), while recoveries stood higher at Rs. 14.53 bn (including AUC recovery).
- SMA levels improved materially, with total SMA ratio reducing from 11.88% to 5.05% YoY.
- Total SMA book at Rs. 314.88bn out of which SMA 0 is ~Rs. 120bn, SMA 1 is ~Rs. 80bn and SMA 2 is ~Rs.110bn

- SMA-2 is largely attributable to two PSU accounts (approx Rs. 30 bn) backed by state government guarantees, management indicated low probability of slippage from these accounts.
- The bank enhanced prudence by raising SMA-1 provisioning from 5% to 10%, resulting in additional provisions of Rs. 3.80 bn during Q3.
- On further assessment of ECL draft guidelines, the management does not expect to utilise the glide path and is confident that the bank will be able to provide for ECL provisions within 1 year. Further, the bank will continue making incremental provisions going forward.
- The bank expects the slippage ratio to remain steady going forward barring 4Q as resources are diverted to branch audit. The management has maintained its GNPA guidance of maintaining it below 2% levels.
- The management expects the credit costs to remain stable in 4Q with a variance of ~1-2 bps owing to the diversion of resources to branch audits in 4Q. Further, the management has retained its guidance of maintaining the credit costs below 1% going forward.

#### 4. Other Income

- Treasury and forex income remained strong, contributing Rs. 5.0 bn in Q3. Management guided for moderation in treasury income to approx Rs. 3.5 bn in Q4, citing hardening yields.
- Fee income witnessed steady improvement, led by higher processing charges, LC/BG commissions and non-fund-based business traction.
- The bank has already achieved full-year AUC recovery guidance of Rs. 20 bn, with NCLT recoveries contributing Rs. 3.38 bn during this quarter from a single large account.

#### 5. Advances

- Global advances grew 14.2% YoY, with RAM advances outperforming at 16.7% YoY. RAM segment growth remains healthy with Retail at Rs. 1.36 tn up 18.5% YoY, Agriculture at Rs. 1.5 tn up 15.1% YoY and MSME at Rs. 1.05 tn up 16.4% YoY.
- Corporate advances grew 8.16% YoY to Rs. 2.01 tn, while overseas advances rose 14.24% YoY to Rs. 6.39 tn. Management disclosed a sanctioned corporate pipeline of Rs. 500 bn, offering strong visibility for Q4 and FY27 disbursements.
- Loan book strategy continues to target a 65:35 RAM-to-corporate mix, balancing growth with asset quality discipline.
- Gold loan portfolio remains tightly monitored, with LTV capped at 65–75% and yield 8.7%, supporting risk-adjusted returns. The gold pricing is on moving averages.

#### 6. Deposits

- Total deposits grew 12.62% YoY to Rs. 7.91 tn, while CASA grew 9.86% YoY to Rs. 2.96 tn.
- CASA ratio moderated marginally, reflecting an industry-wide structural shift toward term deposits; management acknowledged sustained competitive pressure.

- The bank is focusing on CASA mobilization by increasing efforts to acquire salary accounts. Further, the bank has opened new 5 lakh accounts based on the new 5 products it had launched in July 2025.
- Management remains cautious on CASA outlook but expects to maintain broadly stable levels through salary accounts, fintech tie-ups and digital onboarding initiatives.
- Average balances improved meaningfully, with savings average balance rising from Rs. 26,000 to Rs. 36,000, and current average balance increasing from Rs. 0.21 mn to Rs. 0.24 mn.
- Bank continues to focus on granular deposit mobilisation, reducing dependence on large bulk deposits (currently approx 18% of total deposits). Bulk deposit rates have increased by 20–30 bps post December, reflecting system-wide liquidity tightness.

## 7. Other aspects

- ~Rs. 20bn of tier 1 bonds retired but the bank has not raised any new tier 1 bonds as the management believes the bank remains adequately capitalised.
- The management expects the ROA for full year to remain at ~1.30%.
- The bank is well capitalized but the management could go for a dilution as the stock is trading at better valuation
- The bank is on track to achieve the target and reach Rs. 25tn total business by December 2029

**Exhibit 1: Quarterly performance**

| P&L (INR, mn)                    | Q3FY26          | Q2FY26          | % qoq      | Q3FY25          | % yoy        |
|----------------------------------|-----------------|-----------------|------------|-----------------|--------------|
| Interest Earned                  | 1,70,977        | 1,65,899        | 3.1        | 1,57,595        | 8.5          |
| Interest Expended                | (1,02,021)      | (1,00,390)      | 1.6        | (93,447)        | 9.2          |
| <b>Net Interest Income</b>       | <b>68,956</b>   | <b>65,510</b>   | <b>5.3</b> | <b>64,147</b>   | <b>7.5</b>   |
| Fee income                       | 9,980           | 8,300           | 20.2       | 9,310           | 7.2          |
| Non-fee Income                   | 15,677          | 16,566          | (5.4)      | 12,216          | 28.3         |
| <b>Other Income</b>              | <b>25,657</b>   | <b>24,866</b>   | <b>3.2</b> | <b>21,526</b>   | <b>19.2</b>  |
| <b>Total Net Income</b>          | <b>94,613</b>   | <b>90,376</b>   | <b>4.7</b> | <b>85,673</b>   | <b>10.4</b>  |
| Employee Expense                 | (27,852)        | (26,512)        | 5.1        | (24,171)        | 15.2         |
| Other operating expense          | (16,525)        | (15,499)        | 6.6        | (14,007)        | 18.0         |
| <b>Operating expenses</b>        | <b>(44,377)</b> | <b>(42,011)</b> | <b>5.6</b> | <b>(38,179)</b> | <b>16.2</b>  |
| <b>PPOP</b>                      | <b>50,236</b>   | <b>48,365</b>   | <b>3.9</b> | <b>47,494</b>   | <b>5.8</b>   |
| <b>Core PPOP</b>                 | <b>34,559</b>   | <b>31,799</b>   | <b>8.7</b> | <b>35,279</b>   | <b>(2.0)</b> |
| Provisions                       | (8,570)         | (7,386)         | 16.0       | (10,591)        | (19.1)       |
| <b>PBT</b>                       | <b>41,666</b>   | <b>40,979</b>   | <b>1.7</b> | <b>36,903</b>   | <b>12.9</b>  |
| Tax                              | (11,051)        | (10,797)        | 2.4        | (8,379)         | 31.9         |
| <b>PAT</b>                       | <b>30,615</b>   | <b>30,182</b>   | <b>1.4</b> | <b>28,524</b>   | <b>7.3</b>   |
| <hr/>                            |                 |                 |            |                 |              |
| Key Ratios (%)                   | Q3FY26          | Q2FY26          | chg QoQ    | Q3FY25          | chg YoY      |
| Net interest margin-Global       | 3.28            | 3.23            | 5bps       | 3.45            | -17bps       |
| Net interest margin-Domestic     | 3.40            | 3.34            | 6bps       | 3.57            | -17bps       |
| Yield on advances                | 8.31            | 8.40            | -9bps      | 8.92            | -61bps       |
| Cost of deposits                 | 4.93            | 5.01            | -8bps      | 5.18            | -25bps       |
| Loan to Deposit ratio            | 79.1            | 77.9            | 120bps     | 77.2            | 190bps       |
| Fee Income to Avg. Total Assets  | 0.4             | 0.4             | 6bps       | 0.5             | -3bps        |
| Non-interest income/Total income | 27.1            | 27.5            | -40bps     | 25.1            | 199bps       |
| Cost to Income                   | 46.9            | 46.5            | 42bps      | 44.6            | 234bps       |
| Opex to Avg. Total Assets        | 1.9             | 1.8             | 5bps       | 1.9             | 3bps         |
| Annualised Slippage Ratio        | 0.6             | 0.8             | -12bps     | 0.7             | -9bps        |
| Credit Cost                      | 0.56            | 0.50            | 6bps       | 0.79            | -23bps       |
| Gross NPA                        | 2.2             | 2.6             | -37bps     | 3.3             | -103bps      |
| Provision Coverage               | 98.3            | 98.3            | 0bps       | 98.1            | 19bps        |
| Net NPA                          | 0.2             | 0.2             | -1bps      | 0.2             | -6bps        |
| RoA                              | 1.3             | 1.3             | -2bps      | 1.4             | -9bps        |
| RoE                              | 19.1            | 19.6            | -47bps     | 21.0            | -189bps      |
| Capital adequacy ratio           | 16.6            | 17.3            | -73bps     | 15.9            | 66bps        |
| Common equity tier 1             | 15.5            | 14.8            | 74bps      | 13.3            | 227bps       |
| Tier I capital ratio             | 15.5            | 15.3            | 27bps      | 13.8            | 177bps       |

Source: Company, Systematix Research

**Exhibit 2: Advances and Deposits break-up**

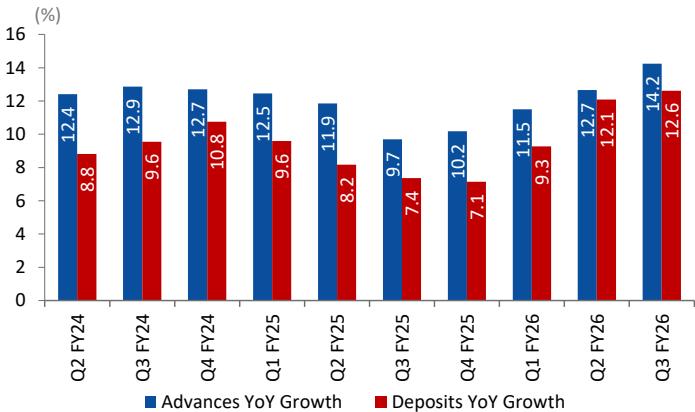
| Particulars (Rs mn)     | Q3FY26    | Q2FY26    | % qoq | Q3FY25    | % yoy |
|-------------------------|-----------|-----------|-------|-----------|-------|
| Global Gross Advances   | 63,88,480 | 62,03,240 | 3.0   | 55,91,990 | 14.2  |
| Overseas Gross Advances | 4,77,720  | 4,68,000  | 2.1   | 3,89,750  | 22.6  |
| Domestic Gross Advances | 59,10,760 | 57,35,240 | 3.1   | 52,02,240 | 13.6  |
| Corporate Loans         | 20,06,170 | 19,78,640 | 1.4   | 18,54,850 | 8.2   |
| MSME                    | 10,47,710 | 9,89,560  | 5.9   | 9,00,050  | 16.4  |
| Agri                    | 14,94,960 | 14,62,050 | 2.3   | 12,98,400 | 15.1  |
| Retail Loans            | 13,61,920 | 13,04,990 | 4.4   | 11,48,940 | 18.5  |
| Home Loan               | 8,23,620  | 7,97,910  | 3.2   | 7,21,180  | 14.2  |
| Auto Loan               | 1,55,400  | 1,38,830  | 11.9  | 1,07,620  | 44.4  |
| Personal Loan           | 67,060    | 68,720    | (2.4) | 74,390    | (9.9) |
| Jewel Loan Non Priority | 1,63,380  | 1,40,130  | 16.6  | 86,460    | 89.0  |
| Others                  | 1,52,460  | 1,59,400  | (4.4) | 1,59,290  | (4.3) |
| Total Deposits          | 79,09,230 | 77,69,458 | 1.8   | 70,22,820 | 12.6  |
| CA                      | 4,24,070  | 4,02,810  | 5.3   | 3,55,990  | 19.1  |
| SA                      | 25,32,740 | 24,85,610 | 1.9   | 23,35,340 | 8.5   |
| Term                    | 49,52,420 | 48,81,038 | 1.5   | 43,31,490 | 14.3  |

Source: Company, Systematix Research

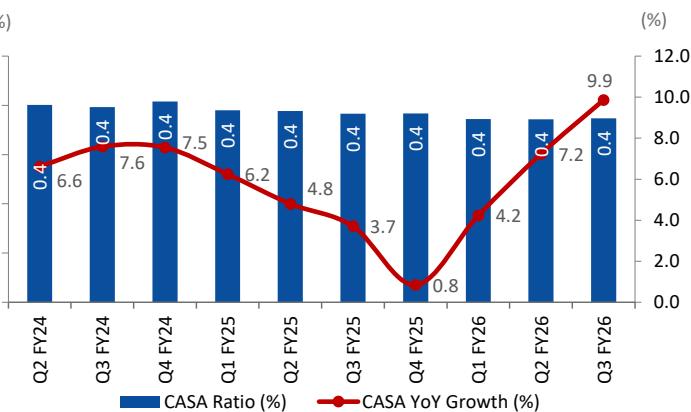
**Exhibit 3: Actuals Vs Expectation**

| Q3FY26 (Rs. mn)            | Actuals | Estimates | Variance |
|----------------------------|---------|-----------|----------|
| Net Interest Income        | 68,956  | 67,091    | 2.8      |
| Pre-Prov. Operating Profit | 50,236  | 50,250    | (0.0)    |
| Profit After Tax           | 30,615  | 31,516    | (2.9)    |

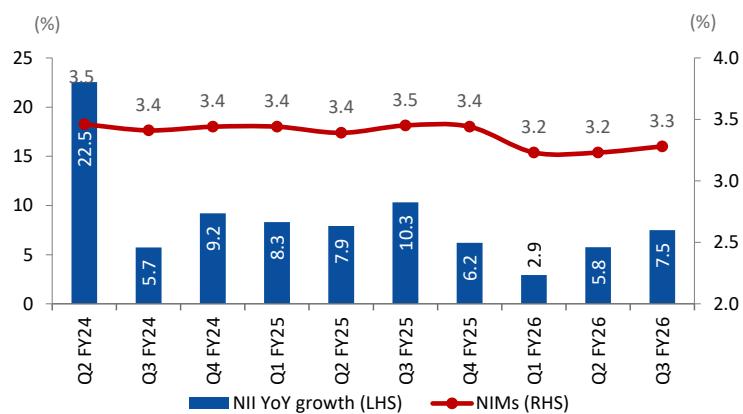
Source: Company, Systematix Research

**Exhibit 4: Advances and Deposits YoY Growth (%)**

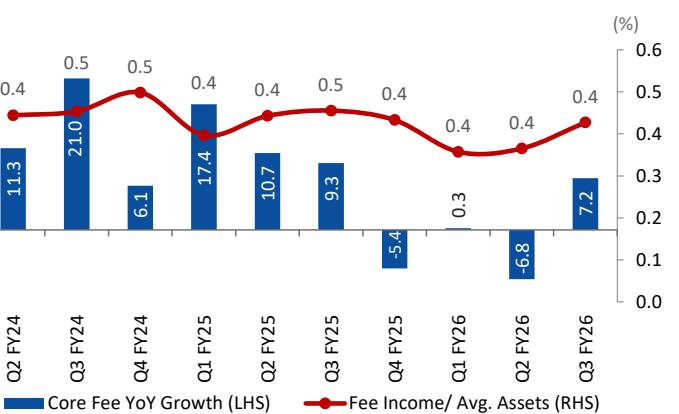
Source: Company, Systematix Research

**Exhibit 5: CASA Ratio and CASA YoY Growth (%)**

Source: Company, Systematix Research

**Exhibit 6: NII YoY Growth and NIM (%)**

Source: Company, Systematix Research

**Exhibit 7: Fee Income YoY Growth and as % of average assets (%)**

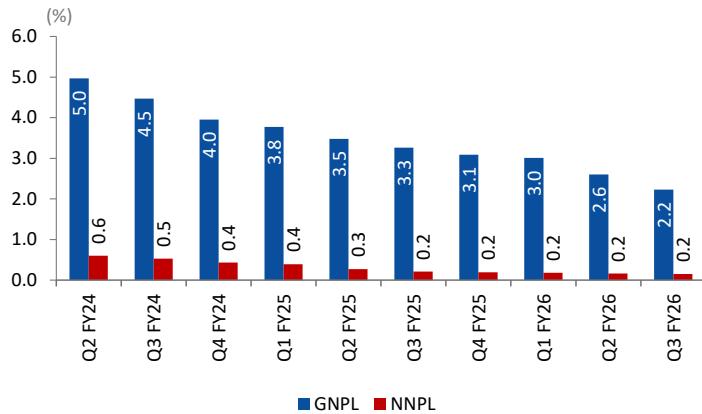
Source: Company, Systematix Research

**Exhibit 8: Opex YoY growth and as % of average assets (%)**

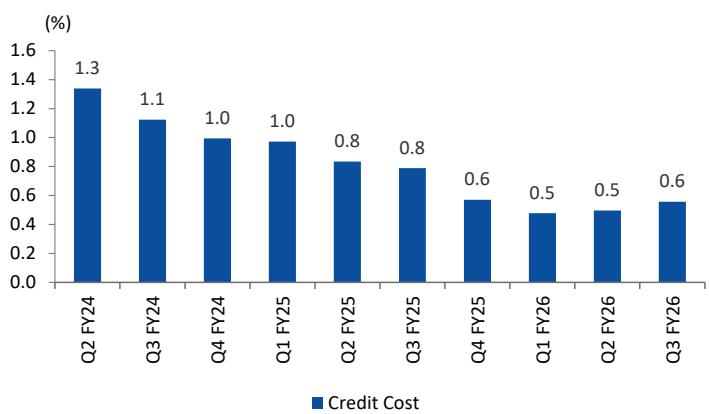
Source: Company, Systematix Research

**Exhibit 9: Core PPOP YoY Growth and Margin (%)**

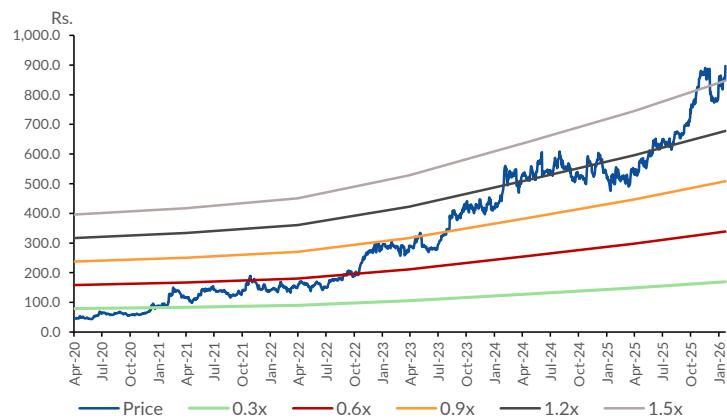
Source: Company, Systematix Research

**Exhibit 10: GNPA and NNPA Ratio (%)**

Source: Company, Systematix Research

**Exhibit 11: Credit Cost (%)**

Source: Company, Systematix Research

**Exhibit 12: 1-year forward P/BV (x) trajectory**

Source: Company, Systematix Research

**Exhibit 13: 1-year forward P/BV (x) near long term average**

Source: Company, Systematix Research

**Exhibit 14: Revised vs earlier estimates**

| Particulars (Rs mn)        | Revised Estimate |          |          | Earlier Estimate |          |          | % Revision |       |       |
|----------------------------|------------------|----------|----------|------------------|----------|----------|------------|-------|-------|
|                            | FY26E            | FY27E    | FY28E    | FY26E            | FY27E    | FY28E    | FY26E      | FY27E | FY28E |
| Net Interest Income        | 2,69,126         | 3,11,951 | 3,57,324 | 2,65,996         | 3,06,029 | 3,55,940 | 1.2        | 1.9   | 0.4   |
| Pre-Prov. Operating Profit | 1,98,397         | 2,29,606 | 2,62,523 | 1,97,314         | 2,21,062 | 2,58,125 | 0.5        | 3.9   | 1.7   |
| Profit after tax           | 1,23,312         | 1,41,041 | 1,59,779 | 1,23,171         | 1,36,223 | 1,59,742 | 0.1        | 3.5   | 0.0   |

Source: Company, Systematix Research

## FINANCIALS

### Profit & Loss Statement

| YE: Mar (Rs bn)            | FY24       | FY25       | FY26E      | FY27E      | FY28E      |
|----------------------------|------------|------------|------------|------------|------------|
| Interest Income            | 556        | 620        | 676        | 760        | 863        |
| Interest expense           | (323)      | (368)      | (406)      | (448)      | (505)      |
| <b>Net interest income</b> | <b>233</b> | <b>252</b> | <b>269</b> | <b>312</b> | <b>357</b> |
| Fee Income                 | 33         | 35         | 37         | 42         | 48         |
| Other Income               | 46         | 57         | 65         | 63         | 66         |
| Total Non-interest income  | 79         | 92         | 101        | 105        | 114        |
| <b>Total income</b>        | <b>311</b> | <b>344</b> | <b>370</b> | <b>417</b> | <b>471</b> |
| Operating expenses         | (143)      | (154)      | (172)      | (188)      | (209)      |
| <b>PPoP</b>                | <b>168</b> | <b>190</b> | <b>198</b> | <b>230</b> | <b>263</b> |
| Core PPOP                  | 123        | 133        | 134        | 166        | 197        |
| Provisions                 | (59)       | (42)       | (31)       | (39)       | (47)       |
| Profit before tax          | 110        | 148        | 167        | 191        | 216        |
| Taxes                      | (29)       | (39)       | (44)       | (50)       | (56)       |
| <b>Net profit</b>          | <b>81</b>  | <b>109</b> | <b>123</b> | <b>141</b> | <b>160</b> |

Source: Company, Systematix Research

### Dupont

| YE: Mar (%)         | FY24       | FY25       | FY26E      | FY27E      | FY28E      |
|---------------------|------------|------------|------------|------------|------------|
| Interest Income     | 7.4        | 7.4        | 7.3        | 7.3        | 7.4        |
| Interest expense    | (4.3)      | (4.4)      | (4.4)      | (4.3)      | (4.4)      |
| Net interest income | 3.1        | 3.0        | 2.9        | 3.0        | 3.1        |
| Non-interest income | 1.0        | 1.1        | 1.1        | 1.0        | 1.0        |
| Total income        | 4.1        | 4.1        | 4.0        | 4.0        | 4.1        |
| Operating expenses  | (1.9)      | (1.8)      | (1.9)      | (1.8)      | (1.8)      |
| PPoP                | 2.2        | 2.3        | 2.1        | 2.2        | 2.3        |
| Provisions          | (0.8)      | (0.5)      | (0.3)      | (0.4)      | (0.4)      |
| Profit before tax   | 1.5        | 1.8        | 1.8        | 1.8        | 1.9        |
| Taxes               | (0.4)      | (0.5)      | (0.5)      | (0.5)      | (0.5)      |
| <b>Net profit</b>   | <b>1.1</b> | <b>1.3</b> | <b>1.3</b> | <b>1.4</b> | <b>1.4</b> |

Source: Company, Systematix Research

### Balance Sheet

| YE: Mar (Rs bn)          | FY24         | FY25         | FY26E        | FY27E         | FY28E         |
|--------------------------|--------------|--------------|--------------|---------------|---------------|
| Share capital            | 13           | 13           | 13           | 13            | 13            |
| Reserves & surplus       | 570          | 680          | 778          | 891           | 1,019         |
| <b>Net worth</b>         | <b>584</b>   | <b>693</b>   | <b>792</b>   | <b>905</b>    | <b>1,032</b>  |
| Deposits                 | 6,880        | 7,372        | 8,293        | 9,247         | 10,310        |
| Borrowings               | 231          | 415          | 490          | 529           | 592           |
| Other liabilities        | 231          | 254          | 252          | 239           | 345           |
| <b>Total liabilities</b> | <b>7,926</b> | <b>8,734</b> | <b>9,826</b> | <b>10,920</b> | <b>12,280</b> |
| Total cash & equ.        | 421          | 549          | 591          | 562           | 603           |
| Investments              | 2,126        | 2,253        | 2,433        | 2,628         | 2,812         |
| Advances                 | 5,149        | 5,711        | 6,567        | 7,487         | 8,610         |
| Fixed assets             | 75           | 88           | 97           | 102           | 107           |
| Other assets             | 156          | 133          | 137          | 142           | 149           |
| <b>Total assets</b>      | <b>7,926</b> | <b>8,734</b> | <b>9,826</b> | <b>10,920</b> | <b>12,280</b> |

Source: Company, Systematix Research

### Ratios

| YE: Mar                        | FY24 | FY25 | FY26E | FY27E | FY28E |
|--------------------------------|------|------|-------|-------|-------|
| <b>Growth Trend (%)</b>        |      |      |       |       |       |
| Net interest income            | 15.1 | 8.2  | 6.9   | 15.9  | 14.5  |
| Total Income                   | 13.8 | 10.5 | 7.7   | 12.7  | 13.0  |
| PPoP                           | 10.3 | 12.8 | 4.4   | 15.7  | 14.3  |
| Net profit                     | 52.7 | 35.4 | 12.9  | 14.4  | 13.3  |
| Advances                       | 14.6 | 10.9 | 15.0  | 14.0  | 15.0  |
| Deposits                       | 10.8 | 7.1  | 12.5  | 11.5  | 11.5  |
| <b>Return Ratios (%)</b>       |      |      |       |       |       |
| Return on Average Equity       | 15.2 | 17.1 | 16.6  | 16.6  | 16.5  |
| Return on Average Assets       | 1.1  | 1.3  | 1.3   | 1.4   | 1.4   |
| <b>Per share data (Rs)</b>     |      |      |       |       |       |
| EPS                            | 60   | 81   | 92    | 105   | 119   |
| BVPS                           | 353  | 423  | 497   | 580   | 675   |
| ABVPS                          | 336  | 415  | 487   | 568   | 660   |
| <b>Valuation multiples (x)</b> |      |      |       |       |       |
| P/E                            | 15.0 | 11.1 | 9.8   | 8.6   | 7.6   |
| P/BV                           | 2.5  | 2.1  | 1.8   | 1.5   | 1.3   |
| P/ABV                          | 2.7  | 2.2  | 1.8   | 1.6   | 1.4   |
| <b>Spread Analysis (%)</b>     |      |      |       |       |       |
| Net interest margin            | 3.5  | 3.4  | 3.3   | 3.4   | 3.4   |
| Yield on loans                 | 8.4  | 8.3  | 8.0   | 8.0   | 8.1   |
| Cost of deposits               | 4.7  | 4.9  | 4.8   | 4.7   | 4.8   |
| Loan-deposit ratio             | 74.8 | 77.5 | 79.2  | 81.0  | 83.5  |
| <b>Opex control (%)</b>        |      |      |       |       |       |
| Cost/Income ratio              | 45.9 | 44.8 | 46.4  | 45.0  | 44.3  |
| Cost to average assets         | 1.9  | 1.8  | 1.9   | 1.8   | 1.8   |
| <b>Asset quality (%)</b>       |      |      |       |       |       |
| Gross NPL ratio                | 4.0  | 3.1  | 2.3   | 2.1   | 2.0   |
| Gross Slippage ratio           | 1.4  | 1.1  | 0.8   | 0.9   | 0.9   |
| Total Credit Cost              | 1.2  | 0.8  | 0.5   | 0.6   | 0.6   |
| Net NPA ratio                  | 0.4  | 0.2  | 0.2   | 0.2   | 0.2   |

Source: Company, Systematix Research

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