Financials: Banks

MOFSL BFSI picks Financials

Segment	MOFSL BFSI picks
Private banks	ICICI Bank
	HDFCB
	KMB
	Federal bank
PSU Bank	SBIN
SFBs	AU SFB
Vehicle Financiers	Shriram Finance
Housing Finance	PNBHF
	Home First
Diversified	L&T Finance
Life insurance	HDFC Life
General insurance	ICICI Lombard
AMCs	HDFC AMC
Broking and exchanges	Angelone
Wealth management	Nuvama
Intermediaries	CAMS

MOFSL BFSI Picks: Sector performance to remain divergent

Selective on Private Banks; NBFCs and Non-lending Financials better positioned

FY25 has been a challenging year for the BFSI sector, with the Bank Nifty and Nifty Financial index posting returns of 2.6% and 12.1%, respectively, compared to 0.8% returns from the Nifty 50 index. Despite these headwinds, several stocks have delivered healthy double-digit returns, such as HDFCB (18%), ICICI (16%), KMB (12%), and FB (18%). While FY26 may begin on a softer note, with earnings expected to continue decelerating in 1H, we believe that the visibility of earnings recovery for banks, margin tailwinds for NBFCs as the sector pivots back to growth, and a gradual recovery in Capital Markets—supported by valuations—will provide attractive investment opportunities over the year. We have analyzed nearly 70 BFSI companies in our coverage and summarized our thoughts on various BFSI segments and preferred ideas below.

Banks: Earnings growth to bottom out in FY26 and recover thereafter

- Banking system credit growth has sharply decelerated to 11% YoY vs an average of 16% over FY23-24. Challenging macro conditions and slower GDP growth may hinder credit growth recovery in FY26. We currently factor in credit growth to sustain at 12.5% in FY26, with competition for deposits likely to remain elevated.
- The reversal in the repo rate cycle and limited room for banks to cut TD rates will keep margins in check. Elevated slippages and asset quality stress, particularly among mid-sized private banks with exposure to unsecured retail and MFI segments, are expected to drive higher provisioning expenses. Additionally, continued normalization in credit costs in secured segments will drive further earnings moderation in the banking sector.
- We, thus, estimate that earnings growth for our coverage banking sector will moderate to 8.4% YoY in FY26, before recovering to 14.5% YoY, as margins recover following a repricing of funding cost.

Nifty Financial Index outperforms Nifty 50; Bank Nifty moves in line

- During FY25YTD, **Nifty Financial** outperformed Nifty 50 by 11%, while Nifty Bank performed broadly in line with a modest 1.8% outperformance. The divergence in banking stock performance continued, with private banks delivering mixed returns, while PSU banks significantly underperformed, as evidenced by a 17% decline in the PSU Bank index during FY25YTD.
- Interestingly, while the **Nifty Private Bank Index** delivered a modest 2.7% return during FY25YTD, several large cap banks such as HDFCB, ICICIBC, and Kotak Bank delivered solid returns of 18%, 16%, and 12%, respectively. Mid-sized PVBs, including Federal Bank, CUB, and KVB, led the pack with returns of 18%, 13%, and 8%, respectively. On the other hand, IIB, RBK, and IDFCB were the biggest underperformers, with losses of 56%, 36%, and 30%, respectively.
- The **NBFC sector** has performed well, supported by the reversal in the rate cycle and indications from select NBFCs that credit costs have either peaked or are nearing their peak. Further, the reduction in the repo rate, translating into a positive NIM outlook for the sector (mainly vehicle financiers), will continue to

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support sector performance. Cholamandalam, Shriram Finance, Muthoot Finance, and BAF have all delivered returns ranging from 18% to 55% over FY25YTD.

- **The non-lending financial sector** has experienced a tale of two halves, with the first half performing strongly. However, a correction in equity markets and the implementation of new regulations led to a sharp correction across many capital market stocks. While premium growth for private life insurance companies remained healthy (YTD Individual WRP growth of 17%), an adverse product mix (higher ULIP share) and regulatory concerns kept stock performance in check. Both general insurers under our coverage, ICICI Lombard (1.5% return) and Star Health (36% decline) underperformed broader markets due to weak growth.

Private banks: Stock performance remains divergent

- Business momentum stood weak for most private banks, driven by an elevated CD ratio and heightened competition for liabilities. Unsecured loan growth has moderated sharply amid stress in MFI, PL, and CC, further exerting pressure on portfolio growth and overall lending yields. Several banks, including IIB, RBK, and AUBANK, have revised down their growth guidance, while larger banks may report muted growth due to high CD ratios.
- Margins continued to decline amid rising funding costs and a moderation in the CASA mix. NIMs are likely to remain under pressure in 1HFY26 as the reversal in the rate cycle brings down lending yields. However, a mild recovery could occur from 2HFY26 onwards as funding costs begin to moderate.
- Delinquencies in unsecured segments, particularly MFI and credit cards, remained elevated, leading to increased provisioning for certain banks. However, larger private banks with more diversified and secured portfolios continue to fare better and are well-positioned to navigate the current challenging environment.
- We expect PVBs to report an earnings CAGR of ~14% over FY25-27, with growth bottoming out at ~11% in FY26.
- Our preferred Buys include **ICICI, HDFCB, KMB** (upgraded after five years during 3QFY25 results)**, FB, and AUBANK,** while we maintain a Neutral stance on AXSB (downgraded in Jan'24), RBL Bank, IDFC First Bank, and Bandhan Bank.

PSU banks: Turning selective on modest earnings outlook

- RoA for PSBs has largely matured, and we expect earnings growth to lag loan growth over FY25-27. We, thus, estimate PSB's earnings growth to moderate to an 8% CAGR over FY25-27 vs 38% CAGR over FY22-25.
- Notwithstanding the high MCLR-linked book, we expect margin bias for PSBs to remain negative due to muted loan growth, higher CoF, and the inability to pass on higher MCLR rates to customers.
- Slippages have remained under control for most banks, reflecting no imminent signs of stress. However, the normalization of the slippage run rate, along with ECL provisioning requirements, will be closely monitored to better assess the credit cost outlook.
- **The PSU banking space** has underperformed despite healthy asset quality and earnings trajectory, as the profitability growth outlook has weakened

considerably compared to the trend in prior years. We, thus, remain selective on the sector and maintain SBIN as our preferred pick.

SFBs: Near-term headwinds remain; growth to accelerate from 2H

- **Small Finance Banks (SFBs)** faced significant challenges, mainly due to elevated stress in MFI and unsecured loans. We expect stress in MFI to persist in the near term and remain watchful of the impact of new guard rails.
- Margins have witnessed some moderation as funding costs remain elevated and the mix of high-yielding MFI segment has declined. We continue to favor AUBANK.

Payments & cards: Maintain Neutral on both SBICARD & PAYTM

- **SBICARD:** SBICARD continues to report elevated stress, though management has indicated that credit costs have peaked and asset quality stress is likely to ease moving forward. Overall spending has moderated, driven by a sharp decline in corporate spends, and we expect overall spend growth to remain modest at ~15% during FY26. The moderation in funding costs should help ease NIM pressures, although the shallow rate cut cycle will help in a limited manner The stock trades at 24x Sep'26E EPS, which is closer to our target multiple.
- **PAYTM:** The company has successfully navigated regulatory challenges and remains focused on expanding its merchant base and scaling up loan distribution. Strong cost control and growth in financial services are expected to drive profitability by FY27, with an estimated PAT of INR12.1b. However, we remain watchful of the challenging macro environment, adverse regulatory developments, and near-term pressure on the UPI market share.

Prefer PVBs over PSBs amid cheap valuations and 2H earnings recovery

- **We prefer PVBs over PSBs,** as we believe the profitability of PSBs has peaked, and there are limited triggers for further re-rating. In contrast, PVBs are better positioned for potential outperformance, supported by reasonable valuations, robust balance sheets, and an improving earnings trajectory from 2HFY26 onwards.
- The valuation gap between PVBs and PSBs has narrowed, making PVBs more attractive. The normalization of credit costs in secured segments, along with the implementation of ECL guidelines, could lead to slightly higher credit costs for PSBs, further impacting earnings.
- **During FY22-25, PSBs delivered a 38% earnings CAGR, eclipsing the 24% earnings CAGR for PVBs. However, we estimate this trend to reverse over FY25-27, with PVBs' earnings growth outpacing that of PSBs, further supporting our preference for PVBs at this juncture.**

NBFCs: Turn in rate cycle to aid gradual recovery; pivoting back to growth

- In FY25-YTD, NBFCs have posted a mixed performance amid a challenging macro-environment, with an overall 16% YoY growth in AUM. Vehicle financiers in particular have exhibited strong growth (22% YoY), though this is expected to moderate by the end of FY25 and into FY26. Large HFCs grew at a modest 7% YoY, while affordable and small-ticket HFCs saw a 14% YoY increase.
- However, the sector is facing challenges, such as deteriorating asset quality due to customer overleveraging (MFI segment), macroeconomic factors, and sector-specific issues such as weak demand for CVs and limited supply in used vehicles.

However, early signs of recovery are visible in the MFI segment, with improved collection efficiencies. NBFCs are expected to pivot back to growth after the current period of moderation, supported by repo rate cuts and an easing of the regulatory stance.

- The MFI sector may continue to face challenges in the near term before recovery begins, which is expected by 2QFY26, as we remain watchful of the impact of new MFIN 2.0 guardrails. Our outlook for the NBFC sector is cautiously optimistic, with regulatory easing and rising disposable income potentially boosting demand and loan growth in the medium term.

Capital market: Hit by speed bumps; structural story intact

- Capital market stocks delivered stellar returns in 1H, backed by robust trends across key parameters such as demat account additions, SIP inflows, F&O ADTO surge, and strong markets leading to MTM gains.
- However, 2H saw a complete reversal in trends due to: 1) new regulations implemented for the F&O segment and 2) weak market sentiments bringing down MTM gains as well as new investor additions. Nevertheless, we remain highly optimistic about the sector's long-term prospects, given the stark under-penetration and the improving trend of financialization of savings.
- Despite a sharp correction (22%-46%) in coverage stocks from their respective 52-week highs, stocks such as ABSL AMC/BSE/MCX/360 One/Prudent are still up 28%/46%/39%/23%/57%, respectively, indicating a strong re-rating in these names.
- For asset management companies, despite the market correction, SIP inflows (INR260b in Feb'25) remained strong. Additionally, there has been no sharp pickup in redemptions, indicating resilience in customer behavior for long-term savings through the MF route.
- Going forward, we will be watchful about regulatory actions on entity-wise limits in F&O (consultation paper was released on Feb'25), the impact of shift in NSE's expiry day from Thursday to Monday, and consolidation in markets to gauge the MTM hit on companies.

Insurance: Uncertainty on regulations impacting outlook

- Private life insurance companies have reported YTD Individual WRP growth of 17%, despite the implementation of surrender charges regulation from Oct'24. However, the product mix has turned adverse, with the share of non-par and credit life declining, while that of ULIPs increasing.
- Going forward, the key monitorable will be any regulatory move on the bancassurance channel, open architecture for the agency channel, and the implementation of the new Insurance Act. In the near term, a slowdown of ULIPs (owing to market correction) and a pickup in the non-par category (cut in interest rates) will be positive for VNB margins.
- The general insurance industry reported a slowdown in growth since Oct'24, primarily due to the implementation of 1/n reporting of GWP for long-term policies. Additionally, slow infrastructure investments, weak auto sales trends, and aggression in group products to meet EOM regulations have restricted growth.
- While infrastructure spending is expected to pick up, motor sales are expected to remain weak in FY26. The 1/n regulation will continue to impact reported

growth in 1H, but it should unwind, leading to stronger growth in 2H. Improvement in pricing for the fire and health segments will support profitability improvement.

MOFSL BFSI picks: Remain selective in our approach; NBFCs and Non-lending Financials better positioned

- **Banks:** We continue to prefer large cap banks, as their valuations appear reasonable given the earnings outlook. These banks have demonstrated a better ability to navigate macro uncertainties and possess stronger balance sheets. We estimate that PVB earnings will grow at ~11%/17% over FY26/27, while PSB earnings will grow at 6%/11% over the same period. We, thus, prefer PVBs over PSBs, given reasonable valuations and a healthy growth outlook. **ICICIBC, HDFCB, SBIN, and KMB** are our top large cap picks. In mid-size banks, we prefer **FB and AUBANK.**
- **NBFCs:** Vehicle finance is expected to benefit from rate cuts and will likely continue to perform well, in our opinion. We remain moderately OW on PNB HF, as its product mix change will offset margin compression due to rate cuts, and the company has strong visibility on loan growth. We are UW on PFC and REC due to concerns about loan growth and renewable book asset quality. **SHFL, HomeFirst, PNBHF, and LTFH are our preferred picks among NBFCs.**
- **Life & General Insurance:** We like HDFC Life for its ability to deliver steady growth and margins, with valuations appearing reasonable. Among general insurers, we prefer ICICI Lombard due to its improving business mix, strong cost control, and ability to deliver steady RoEs.
- **Capital Markets:** We prefer HDFC AMC as its fund performance continues to stand out, even amid the market correction. We also like NUVAMA in the wealth management space, given our expectation of sustained profitability improvement in its wealth management business. CAMs remains our preferred pick among intermediaries, while we like ANGELONE in the broking space.

Exhibit 1: MOFSL BFSI picks – Continue to follow a stock-specific approach as banking earnings growth bottoms out in FY26E

MOFSL BFSI picks	Segment
ICICI Bank	Private Bank
HDFCB	Private Bank
KMB	Private Bank
Federal bank	Private Bank
SBIN	PSU Bank
AU SFB	Small Finance banks
Shriram Finance	Vehicle Financiers
Home First	Affordable Housing Finance
L&T Finance	Diversified
PNBHF	Housing Finance
HDFC Life	Life insurance
ICICI Lombard	General insurance
HDFC AMC	AMCs
Angelone	Broking and exchanges
Nuvama	Wealth management
CAMS	Intermediaries

Source: MOFSL

Exhibit 2: Nifty Financial weight composition: We remain OW on NBFCs and Non-lending Financials over Banks

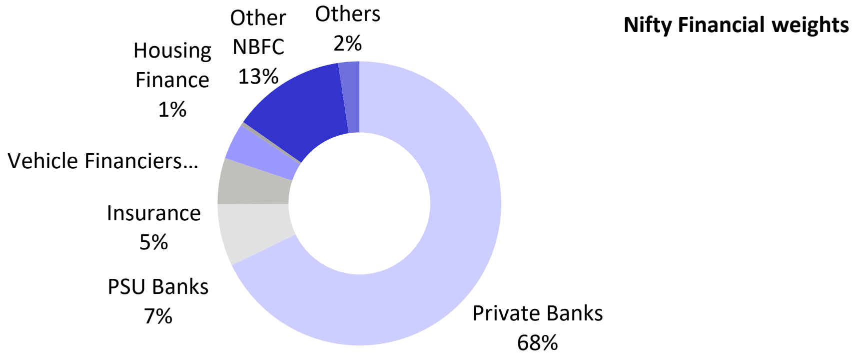
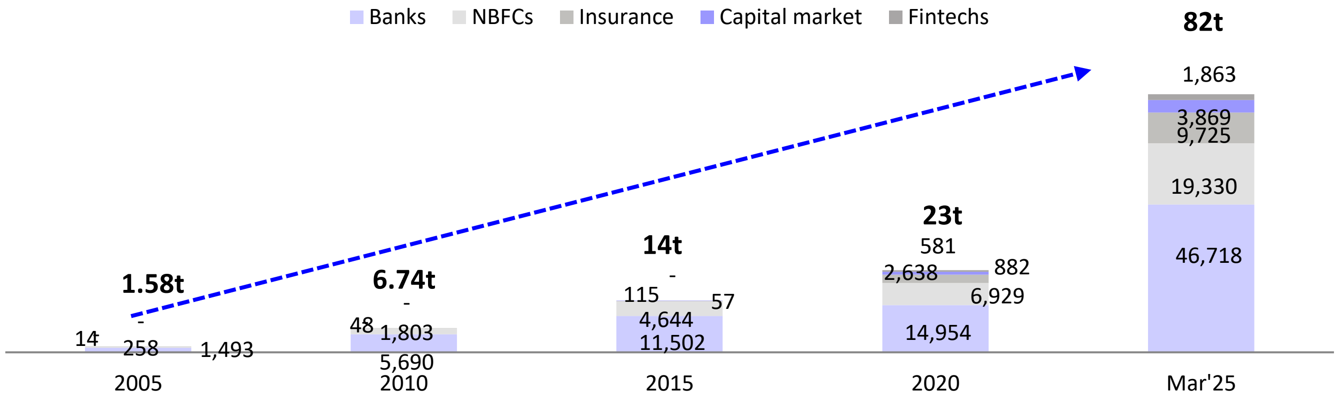


Exhibit 3: BFSI market cap surged ~50x over the last two decades, expanding from INR1.8t in 2005 to INR82t in Mar'25, reflecting a ~21% CAGR



Source: Bloomberg, MOFSL

Exhibit 4: Nifty Financials weight – 11th March'25

Companies	Segments	Nifty Financials weights (11-Mar-25)
Banks		**74.9%**
HDFC Bank Ltd	Private Banks	31%
ICICI Bank Ltd	Private Banks	21%
Kotak Mahindra Bank Ltd	Private Banks	8%
Axis Bank Ltd	Private Banks	8%
State Bank of India	PSU Banks	7%
NBFCs		**17.4%**
BAJAJ GROUP		9.3%
Bajaj Finance	Other NBFC	6.5%
Bajaj Finserv	Other NBFC	2.8%
Cholamandalam	Vehicle Financiers	1.7%
Shriram Finance	Vehicle Financiers	2.4%
MUTHOOT	Other NBFC	0.6%
Power Finance	Other NBFC	1.6%
REC	Other NBFC	1.4%
LIC housing Finance	Housing Finance	0.4%
INSURANCE		**5.3%**
HDFC Life	Insurance	1.8%
IPRU	Insurance	0.6%
SBI Life	Insurance	1.7%
ICICI LOMBARD	Insurance	1.1%
Capital market & Others		**2.4%**
SBICARD	Others	0.7%
HDFC AMC	Others	1.1%
MCX	Others	0.7%
TOTAL		**100.0%**

Exhibit 5: MOFSL report card

What went right	Remarks	Outlook ahead
Large Cap Banks		
ICICIBC	❖ **ICICIBC has been our top pick over the past few years.** Not much credit to claim here and will thus keep it short. The bank's performance amid the current challenging environment reminds us of the famous proverb, "When the going gets tough, the tough get going!"	❖ ICICIBC is positioned to deliver superior performance, supported by strong loan growth, robust asset quality, and industry-leading return ratios. **It remains our preferred Buy.**
AXSB	❖ **We downgraded AXSB** in Jan'24 and since then, it has underperformed ICICIBC by ~36%.	❖ While valuations now appear reasonable, we remain watchful on the bank's ability to deliver growth (given stretched CD ratios) and maintain profitability (RoE has declined 200bp over the past year).
KMB	❖ We **upgraded KMB in Jan'25** after maintaining a Neutral stance for almost five years as we estimate the bank to deliver better loan growth vs peers. RoE differential has also narrowed with KMB holding steady, while valuations appear more reasonable.	❖ With the ban now lifted, KMB is well-positioned for business growth, and a pickup in consumer business will help limit margin decline. We estimate a healthy 16% loan CAGR over the next two years, with RoA sustaining at ~2.2%. Reiterate Buy.
Federal Bank	❖ **Federal Bank** has been one of our preferred buys in the mid-sized bank sector. While the roadmap under the leadership of the new CEO appears aggressive, Mr. Manian's banking expertise is expected to drive strategic improvements at the bank.	❖ We believe that FB is well-placed to deliver strong earnings growth, driven by steady business expansion and resilient margins (aided by an improved asset mix and liability profile). The bank is on course to deliver sustained growth and enhanced profitability, under the new leadership.
IDFCF, BANDHAN, RBL	❖ We downgraded IDFCFB, BANDHAN, and RBL Bank in the previous years as we continued to follow a stock-specific approach in our sector allocation.	❖ We remain watchful of the MFI cycle and believe that while the downside is limited, clarity on earnings and growth recovery in the coming quarter will be critical for stock performance. Reiterate Buy.
SBIN	❖ After being outrightly bullish on PSU Banks over FY22-24, with three back-to-back sector notes, we have turned more selective on the sector. We prefer SBIN among large caps and Indian Banks among mid-size banks as our preferred Buys.	❖ SBIN is well-positioned to deliver healthy growth, bolstered by its comfortable CD ratio and robust asset quality. ❖ We recently upgraded PNB, as the twin levers of credit cost and CD ratio are expected to continue driving earnings. At the same time, we have downgraded BOB in the 3QFY25 results.
NBFCs		
Shriram Finance	❖ **SHFL is our top pick for CY25.** The company is yet to fully capitalize on its expanded distribution network from the merger, enabling a broader product offering. ❖ By leveraging cross-selling opportunities, the company is improving its operating metrics and laying a strong foundation for sustainable growth.	❖ We expect SHFL to deliver a PAT CAGR of ~19% over FY24-27E and RoA/RoE of 3.4%/17% in FY27E. SHFL's valuations have already re-rated from 1.2x to 1.5x 1-year forward P/BV over the last 12-15 months. ❖ We see scope for further re-rating if the company is able to sustain its execution on AUM growth, margins, and credit costs.
PNB Housing	❖ **PNB Housing** presents a favorable risk-reward profile for long-term investors, poised for transformation over the next three years. The company is well-positioned to navigate near-term NIM challenges and offset them through an improved product mix.	❖ We expect PNBHF to post an 18% CAGR in its loan book and a 23% CAGR in PAT over FY24-27, with an RoA/RoE of 2.6%/14% by FY27. ❖ With favorable risk-reward, a potential re-rating in valuation multiples is expected as the supply overhang from private equity investors is resolved in the next three months.
Capital Market and Insurance		
HDFCLIFE	❖ In May 2024, **we upgraded HDFC Life** to Buy, as the company aims to sustain a well-balanced product portfolio while expanding its market presence through geographical growth and customer acquisition. ❖ Persistency rates have consistently improved across segments, supporting steady renewal premium growth.	❖ The revised commission structure, following discussions, is expected to have only a 20-30bp impact on VNB margins due to surrender charge regulations. ❖ Management has indicated that margins will remain stable or slightly improve, driven by stronger growth in 4Q and no deterioration in the product mix.
MCX	❖ We upgraded MCX to BUY in Apr'24 at a CMP of INR3,732, delivering an 85% return until our downgrade to Neutral in Dec'24.	❖ Going forward, the outlook is hinged on regulatory approval for the launch of new products, the sustenance of premium to notional turnover, and

Exhibit 5: MOFSL report card

What went right	Remarks	Outlook ahead
360 ONE	Since then, the stock has corrected 28%. ❖ Despite the recent correction, 360 One has delivered a 23% return since Apr'25, as transaction revenues and inflows remained strong in 9MFY25.	increased adoption among retail/FPIs. ❖ The recent acquisition of B&K and market correction have impacted the stock price in the past couple of months. However, we remain positive on the name, given favorable macro trends such as intergenerational wealth transfer, increasing HNI/UHNI base, and the adoption of tech in the affluent segment.

Source: MOFSL, Company

What went wrong	Reasons	Outlook ahead
Banks		
Indusind Bank	❖ Our Buy call on IIB has not played out as expected, as challenges for the bank continue to persist. The latest disclosure on accounting discrepancy, along with management uncertainty, remains a key overhang.	❖ We recently downgraded the stock and expect near-term uncertainties to persist.
AUBANK	❖ The bank's operating performance was impacted by elevated slippages in the MFI and cards business, along with an overall economic slowdown. As a result, the bank reduced its growth guidance to ~20%.	❖ We continue to believe that despite near-term MFI stress, AUBANK remains a compounding story with the potential to deliver robust growth and RoA expansion over the next 2-3 years.
NBFCs		
Muthoot Finance	❖ Our Neutral call on MUTH has been incorrect in hindsight, given that the stock has been up >70% over the last one year. However, a large part of this was driven by the strong gold loan growth, which benefitted from ~35% increase in gold prices over the last 12 months.	❖ We acknowledge that MUTH's execution has been extraordinary and could remain so for the next six months. However, at current rich valuations, and considering the potential for deep cyclicality in gold loan growth, we continue to maintain our Neutral stance on MUTH.
Non-Lending Financials		
Star Health	❖ Our Buy call on Star Health has not performed well in the current fiscal due to weaker-than-expected premium growth and higher-than-expected loss/combined ratios. Additionally, the recent change in GWP reporting to 1/n for long-term plans has impacted the reported premium growth numbers.	❖ For a sustainable recovery in the stock price growth, profitability must make a significant comeback. The company is investing in new growth channels and has taken pricing actions to improve profitability.

Source: MOFSL, Company

Exhibit 6: Price performance across BFSI stocks

Company Name	Price Perf (%)			CAGR (%)		
	6M	YTD	1 Year	3 Year	5 Year	10 Year
Nifty 50	**-11.4**	**0.8**	**2.2**	**9.2**	**20.2**	**9.9**
Nifty BANK	**-7.3**	**2.6**	**3.8**	**9.9**	**16.9**	**9.8**
Nifty PSU Bank	**-13.6**	**-17.7**	**-14.7**	**28.1**	**31.1**	**4.6**
Nifty Private Bank	**-7.9**	**2.7**	**3.7**	**9.5**	**14.9**	**8.9**
Nifty Financials	**-1.9**	**12.1**	**14.0**	**11.1**	**17.3**	**11.6**
Private Banks	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
HDFC Bank Ltd	2.5	18.1	17.7	4.9	10.4	17.3
Federal Bank Ltd	-3.8	18.1	17.9	21.8	15.0	16.2
ICICI Bank Ltd	0.1	16.1	17.5	20.8	29.4	19.9
City Union Bank Ltd	-10.2	13.3	19.1	8.3	-3.0	14.3
Kotak Mahindra Bank Ltd	7.9	11.6	14.7	3.1	10.0	17.9
Karur Vysya Bank Ltd	-8.1	8.1	9.9	61.5	19.8	13.3
Axis Bank Ltd	-16.1	-1.2	-1.2	11.8	10.8	15.3
IDBI Bank Ltd	-20.9	-10.8	-14.2	19.0	3.4	1.2
DCB Bank Ltd	-13.4	-11.2	-13.4	14.1	-7.6	7.5
South Indian Bank Ltd	-5.8	-13.5	-20.8	47.2	7.9	2.5
Tamilnad Mercantile Bank Ltd	-17.7	-16.2	-12.1			
CSB Bank Ltd	-14.6	-22.1	-19.5	7.7		
Bandhan Bank Ltd	-33.4	-23.1	-24.5	-22.9	-21.8	
Karnataka Bank Ltd	-27.1	-24.3	-25.0	42.8	11.8	8.7
IDFC First Bank Ltd	-27.8	-29.9	-32.8	7.4	7.1	
Yes Bank Ltd	-31.2	-30.6	-32.3	7.5	-38.7	-14.4
Dhanlaxmi Bank Ltd	-27.2	-32.7	-36.3	29.4	7.8	-5.6
RBL Bank Ltd	-28.6	-35.8	-31.1	4.2	-23.1	
IndusInd Bank Ltd	-53.8	-56.4	-54.4	-10.1	-15.6	4.6
PSU Banks	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
State Bank of India	-7.6	-3.9	-1.2	12.9	20.4	15.1
Indian Bank	-3.9	-4.0	-1.9	47.2	17.1	16.6
Bank of Baroda	-14.1	-22.1	-19.0	24.0	12.7	4.2
Union Bank of India	-9.3	-26.7	-24.0	41.2	7.9	-0.9
Bank of Maharashtra	-25.6	-28.7	-25.1	35.6	26.7	1.7
Canara Bank	-21.8	-29.0	-24.9	22.2	-20.4	-10.7
Punjab National Bank	-19.0	-29.7	-25.7	34.4	4.3	-2.9
Jammu and Kashmir Bank Ltd	-9.7	-30.2	-29.8	38.9	20.7	-2.9
Bank of India	-15.6	-30.8	-29.4	25.4	2.1	-7.9
Central Bank of India	-31.7	-31.4	-31.1	30.3	6.5	-2.3
Indian Overseas Bank	-29.4	-31.4	-31.6	31.7	22.7	-2.0
UCO Bank	-28.4	-32.9	-33.2	43.5	12.6	-7.6
Punjab & Sind Bank	-30.3	-34.9	-33.4	34.0	7.0	-1.4
Small Finance Banks	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Jana SFB	-28.1	2.1				
AU Small Finance Bank Ltd	-31.6	-13.0	-15.0	-5.4	9.8	
Ujjivan Small Finance Bank Ltd	-17.7	-20.4	-24.5	27.9		
Capital SFB	-14.4	-25.8				
Suryoday Small Finance Bank Ltd	-47.2	-38.6	-40.8	-4.2		
Equitas Small Finance Bank Ltd	-33.6	-39.4	-40.5	1.6		
ESAF	-47.3	-51.8				
Utkarsh SFB	-54.7	-54.1				
Payments & Fintech	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Paytm***	3.7	71.1	85.8	4.9	17.5	
SBICARD	6.4	23.5	20.5	-0.4	22.3	
PB Fintech	-26.7	20.5	23.2	20.9	34.5	
Fino Payments Bank Ltd	-41.4	-21.2	-22.7	-7.9		
Life Insurance	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
MAXF**	-9.6	3.8	8.0	8.9	27.6	

Company Name	Price Perf (%)			CAGR (%)		
	6M	YTD	1 Year	3 Year	5 Year	10 Year
HDFCLIFE**	-9.9	-0.6	-0.4	5.9	15.4	
SBILIFE**	-21.2	-4.4	-4.4	8.3	36.1	
IPRULIFE**	-26.8	-9.9	-3.4	3.7	12.3	
LICI**	-27.0	-18.6	-19.4		19.4	
General Insurance	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
ICICI Lombard	-18.0	2.4	4.5	10.8	41.2	
Star Health	-41.2	-34.2	-35.9	-17.5	3.1	
Capital Market	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Prudent corporate advisory	-13.3	59.3	65.1		45.4	
Kfin	-10.4	48.9	49.0		24.3	
Aditya Birla AMC	-21.3	30.4	23.9	6.0	14.0	
IIFL Wealth	-21.3	26.5	23.1	30.1	22.7	
CDSL	-27.3	23.6	23.1	11.3	28.0	
ICICI Securities	-0.8	16.7	16.9	10.7	22.5	
Nippon India AMC	-17.8	14.8	16.5	17.0	12.0	
Nuvama Wealth	-19.5	14.6	27.3		77.0	
UTI AMC	-28.6	13.5	10.1	-0.1	24.6	
HDFC AMC	-15.3	-0.2	-1.9	18.7	64.9	
Anand Rathi	-13.5	-7.5	-4.5	81.7	40.9	
Angel One	-22.6	-35.0	-24.6	6.9	45.1	
Exchanges	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
BSE	18.9	57.5	90.3	61.4	66.7	
MCX	-12.3	48.1	52.2	51.5	74.4	
Housing Finance	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Aavas	4.5	45.2	40.0	-8.5	44.1	
India Shelter		29.7	42.7		21.3	
PNB HF	-23.7	27.2	27.7	34.0	21.1	
HomeFirst	-15.0	11.3	21.4	10.3	26.6	
Aptus Housing Finance	-13.2	-6.2		-8.8	-1.2	
LIC HF	-22.8	-14.8	-10.9	12.6	11.1	
CanFin	-29.0	-16.9	-13.7	0.9	15.2	
Repco	-43.0	-20.8	-20.6	17.7	0.6	
Vehicle Finance	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Indostar	-8.1	37.2	33.6	2.7	-3.2	
Shriram Finance	-9.0	32.1	37.5	40.3	15.2	
Cholamandalam	-7.5	25.9	36.3	26.5	36.5	
MMFS	-15.9	-1.2	5.3	20.4	-2.2	
Gold Finance	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Muthoot	13.2	54.7	70.7	19.6	49.4	
Manappuram	-0.6	21.1	26.5	21.0	-7.4	
Diversified	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
BAF	16.5	18.4	31.7	7.0	94.6	
Bajaj Finserv	1.2	13.9	19.1	4.6	43.5	
PIEL	-18.6	4.5	8.4	-10.7	23.6	
PFC	-19.2	-0.1	2.3	61.2	4.8	
IIFL Finance	-40.4	-6.9	-13.9	3.2	0.0	
ABCL	-28.1	-7.7	-6.9	13.8	-12.1	
REC	-24.2	-8.4	-7.6	63.6	6.1	
LTFH	-20.3	-11.4	-7.1	25.2	-14.5	
MAS Financial	-18.6	-14.9	-14.9	8.2	-4.7	
Fedbank Financial Services		-24.9			-22.7	
Poonawalla	-27.6	-37.8	-37.4	5.1	-1.2	
Jio Finance	-37.6	-37.9			-6.5	
NBFC - MFIs	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
CreditAccess	-26.6	-36.2	-35.3	6.5	24.5	
Muthoot MicroFin		-39.4	-40.8		-17.0	

Company Name	Price Perf (%)			CAGR (%)		
	6M	YTD	1 Year	3 Year	5 Year	10 Year
Fusion Micro	-55.7	-70.6			-15.0	
Spandana Sphoorty	-60.4	-71.3	-72.0	-13.7	-4.8	
Ratings agencies	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
ICRA	-20.6	-0.7	0.0	12.2	77.4	
Care Ratings	8.0	-4.0	-0.7	28.2	28.4	
CRISIL	-7.2	-13.3	-11.7	15.2	70.2	
MSME	**6M**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
SBFC Finance	-4.8	0.9	6.9		-23.1	
Five Star Business Finance	-12.3	-7.3			16.7	

Source: Company; MOFSL

Exhibit 7: BFSI valuation matrix

Val summary	Rating FY27E	CMP (INR)	MCap (INRb)	TP (INR)	Upside (%)	EPS (INR) FY26E	EPS (INR) FY27E	RoA (%) FY26E	RoA (%) FY27E	RoE (%) FY26E	RoE (%) FY27E	P/E (x) FY26E	P/E (x) FY27E	P/BV (x) FY26E	P/BV (x) FY27E
Private Banks															
ICICIBC*	Buy	1,268	8,955	1,550	22	71.7	82.0	2.2	2.2	17.0	16.8	13.9	12.2	2.2	1.9
HDFCB*	Buy	1,710	13,078	2,050	20	93.7	108.1	1.7	1.8	13.7	14.2	15.2	13.1	2.0	1.8
AXSB*	Neutral	1,034	3,200	1,175	14	89.8	104.2	1.6	1.7	14.6	14.7	10.2	8.8	1.4	1.2
BANDHAN	Neutral	138	223	170	23	21.9	25.7	1.7	1.7	14.0	14.8	6.3	5.4	0.8	0.8
KMB*	Buy	1,993	3,962	2,200	10	80.3	95.7	2.2	2.3	13.5	14.0	16.3	13.7	2.1	1.8
IIB	Neutral	677	527	925	37	99.1	121.7	1.3	1.4	11.1	12.3	6.8	5.6	0.7	0.6
FB	Buy	177	435	225	27	19.0	23.7	1.2	1.3	13.3	14.6	9.3	7.5	1.2	1.0
DCBB	Buy	106	33	150	42	23.9	30.7	0.9	1.0	13.3	14.9	4.4	3.5	0.5	0.5
IDFCFB	Neutral	53	387	70	32	4.4	6.7	0.8	1.0	8.1	11.2	12.0	7.9	0.9	0.8
EQUITASB	Buy	56	64	77	37	5.8	9.1	1.2	1.5	10.6	15.0	9.6	6.1	1.0	0.9
AUBANK	Buy	492	366	730	48	37.4	48.5	1.7	1.7	15.7	17.3	13.1	10.1	1.9	1.6
RBK	Neutral	154	94	170	10	20.5	32.1	0.8	1.1	7.9	11.6	7.5	4.8	0.6	0.5
PSU Banks															
SBIN*	Buy	723	6,450	925	28	84.1	94.1	1.0	1.1	17.2	16.8	5.6	5.0	0.9	0.8
PNB	Buy	87	1,005	125	43	16.6	18.7	1.0	1.0	14.9	14.9	5.3	4.7	0.7	0.6
BOB	Neutral	206	1,065	250	22	37.7	42.2	1.1	1.1	15.0	15.0	5.5	4.9	0.8	0.7
CBK	Buy	82	748	115	39	18.8	20.7	1.0	1.0	17.7	17.5	4.4	4.0	0.7	0.6
UNBK	Buy	113	859	135	20	22.8	24.4	1.1	1.1	15.5	14.7	4.9	4.6	0.7	0.6
INBK	Buy	499	672	670	34	84.0	92.3	1.3	1.2	17.3	16.6	5.9	5.4	0.9	0.8
Payments & Fintech															
One 97 Comm.	Neutral	689	438	950	38	-3	13	0.8	5.0	1.3	8.9	-203.8	52.8	3.5	3.5
SBI Cards	Neutral	843	802	800	-5	30	40	4.1	4.6	18.9	20.8	28.0	21.2	4.9	4.0
Life Insurance															
HDFC Life Insur.	Buy	630	1,355	800	27	9.7	11.1	NA	NA	16.5	17.1	64.7	56.5	2.1	1.8
ICICI Pru Life	Buy	549	791	780	42	10.2	13.4	NA	NA	19.5	20.0	54.1	40.9	1.3	1.1
SBI Life Insurance	Buy	1,435	1,436	1,900	32	24.4	27.4	NA	NA	19.6	18.8	58.8	52.3	1.7	1.4
Max Financial	Neutral	1,040	359	1,180	13	16.9	22.8	NA	NA	19.4	19.3	61.5	45.6	1.6	1.4
Life Insurance Corp.	Buy	745	4,712	1,085	46	77.9	86.5	NA	NA	11.0	10.9	9.6	8.6	0.5	0.5
General Insurance															
Star Health	Buy	357	210	560	57	18.4	25.4	NA	NA	13.6	16.2	19.4	14.0	2.5	2.1
ICICI Lombard	Buy	1,725	853	2,100	22	59.7	67.6	NA	NA	19.9	19.5	28.9	25.5	5.4	4.6
Broking and Exchanges															
Angel One	Buy	1,981	179	3,200	62	161	215	NA	NA	22.2	25.4	12.3	9.2	2.6	2.2
BSE	Buy	3,962	536	6,900	74	138	168	NA	NA	44.2	46.3	28.7	23.6	28.2	23.3
MCX	Neutral	4,958	253	6,100	23	144	178	NA	NA	46.7	52.3	34.5	27.9	15.4	13.8
Wealth Management															
Anand Rathi Wealth	Neutral	1,704	142	2,100	23	48	57	NA	NA	45.2	39.8	35.8	29.7	13.9	10.3
Nuvama Wealth	Buy	5,350	189	7,200	35	310	349	NA	NA	31.3	31.3	17.3	15.3	5.1	4.5
360 ONE WAM	Buy	854	332	1,250	46	32	38	NA	NA	19.1	21.0	26.4	22.7	4.9	4.7
Prudent Corp.	Neutral	1,998	83	2,200	10	60	76	NA	NA	32.5	30.9	33.1	26.2	46.9	35.6
Intermediaries															
Cams Services	Buy	3,426	168	4,600	34	111	132	NA	NA	46.0	46.6	31.0	26.0	13.2	11.2
KFin Technologies	Neutral	912	156	1,300	42	26	32	NA	NA	33.0	34.5	35.6	28.2	10.8	8.9
CDSL	Neutral	1,058	221	1,500	42	34	42	NA	NA	38.0	40.8	30.9	24.9	11.0	9.5
AMCs															
Aditya Birla AMC	Buy	593	171	850	43	37	42	NA	NA	28.5	28.8	16.0	14.1	4.3	3.9
HDFC AMC	Buy	3,746	799	4,800	28	131	149	NA	NA	34.7	36.2	28.7	25.2	9.5	8.7
Nippon Life AMC	Buy	541	341	850	57	26	30	NA	NA	39.4	45.5	21.2	18.0	8.3	8.1
UTI AMC	Buy	923	117	1,300	41	79	89	NA	NA	18.6	19.9	11.7	10.3	2.1	2.0
Housing Finance															
LIC Housing Fin	Buy	521	287	690	33	95.1	107.7	1.6	1.7	13.9	14.1	5.5	4.8	0.7	0.6

Val summary	Rating FY27E	CMP (INR)	MCap (INRb)	TP (INR)	Upside (%)	EPS (INR) FY26E	EPS (INR) FY27E	RoA (%) FY26E	RoA (%) FY27E	RoE (%) FY26E	RoE (%) FY27E	P/E (x) FY26E	P/E (x) FY27E	P/BV (x) FY26E	P/BV (x) FY27E
PNB Housing	Buy	801	208	1,160	45	88.9	107.6	2.5	2.6	12.9	13.9	9.0	7.4	1.1	1.0
AAVAS Financiers	Neutral	1,913	150	1,800	-6	88.9	108.8	3.3	3.4	14.9	15.7	21.5	17.6	3.0	2.6
Home First Fin.	Buy	1,004	89	1,280	27	52.5	64.0	3.4	3.4	17.4	18.0	19.1	15.7	3.1	2.6
Can Fin Homes	Neutral	623	83	675	8	68.8	78.9	2.2	2.2	16.6	16.4	9.1	7.9	1.4	1.2
Repco Home Fin	Neutral	316	20	400	26	70.1	76.9	2.8	2.8	12.4	12.1	4.5	4.1	0.5	0.5
Vehicle Finance															
Chola. Inv & Fin.	Buy	1,456	1,223	1,600	10	66.8	88.0	2.6	2.8	20.9	21.7	21.8	16.5	4.0	3.2
M & M Financial	Buy	275	340	355	29	24.5	30.8	2.1	2.3	13.9	15.8	11.2	8.9	1.5	1.3
Shriram Finance	Buy	623	1,171	700	12	52.6	63.6	3.2	3.3	15.8	16.4	11.8	9.8	1.7	1.5
IndoStar Capital	Buy	260	35	325	25	9.3	18.6	1.1	1.7	3.9	7.2	27.9	14.0	1.0	1.0
Gold Finance															
Muthoot Finance	Neutral	2,290	919	2,300	0	163.0	182.3	5.4	5.2	21.1	20.1	14.1	12.6	2.7	2.3
Manappuram Finance	Neutral	210	177	215	3	27.4	34.9	4.2	4.7	16.4	18.1	7.7	6.0	1.2	1.0
Diversified															
Bajaj Finance	Neutral	8,580	5,311	8,380	-2	343.7	435.6	4.0	4.1	19.8	21.0	25.0	19.7	4.6	3.8
Poonawalla Fincorp	Buy	290	224	360	24	14.1	21.2	2.8	3.2	12.7	16.7	20.6	13.7	2.5	2.1
Aditya Birla Cap	Buy	162	422	240	48	15.2	19.4	0.0	0.0	12.5	14.1	10.6	8.3	1.3	1.1
L&T Finance	Buy	140	349	170	21	12.6	16.7	2.4	2.7	11.8	14.1	11.1	8.4	1.2	1.1
Piramal Enterp.	Neutral	888	199	1,025	15	49.5	66.0	1.1	1.3	4.1	5.2	17.9	13.4	0.7	0.7
MAS Financial	Buy	243	44	330	36	21.7	26.4	3.0	3.1	14.7	15.6	11.2	9.2	1.5	1.3
IIFL Finance	Buy	307	130	415	35	46.5	59.0	3.2	3.4	15.4	16.9	6.6	5.2	1.0	0.8
Microfinance															
CreditAccess	Buy	919	146	1,170	27	89.5	125.8	4.6	5.3	18.6	21.4	10.3	7.3	1.7	1.4
Fusion Finance	Neutral	137	14	175	28	16.4	28.8	2.1	3.2	9.6	14.9	8.3	4.8	0.8	0.7
Spandana Sphoorty	Buy	241	17	395	64	11.9	47.0	0.9	2.9	3.1	11.3	20.3	5.1	0.6	0.5
Power Financiers															
PFC	Buy	390	1,286	475	22	56.3	60.7	3.1	3.0	19.1	18.0	6.9	6.4	1.2	1.1
REC	Buy	413	1,087	550	33	71.5	78.1	2.8	2.6	21.5	20.1	5.8	5.3	1.1	1.0
MSME															
Five-Star Business	Buy	667	195	930	39	42.1	49.0	7.7	7.1	17.9	17.5	15.9	13.6	2.6	2.2

*Adjusted for subsidiaries; **BV represents EV, RoE represents ROEV, and P/ABV represents P/EV; ***For Paytm, ABV represents Sales per share

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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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