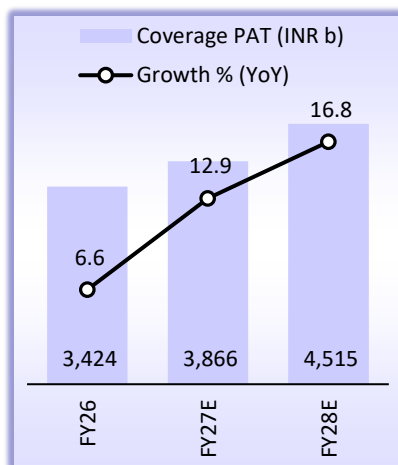


Financials: Banks

MOFSL PAT growth estimate % (YoY)

	Private	PSU	Coverage
FY25	3.8	24.0	12.5
FY26	4.2	9.1	6.6
FY27E	21.1	4.2	12.9
FY28E	20.4	12.4	16.8
FY26-28E CAGR	20.8	8.2	14.8

Earnings growth to pick up to 15% CAGR over FY26-28E



FY26-exit earnings growth recovered to double digits

Estimate ~15% EPS CAGR over F26-28E; private banks to take the lead over PSBs

- BFSI consensus earnings have started to pick up after tepid earnings growth of 6.6% YoY in FY26. We estimate banking sector earnings to clock a 15% CAGR over FY26-28, backed by steady loan growth, stable NIMs and easing credit costs (specially in unsecured segments).
- Over the past two years, consensus FY27-28 earnings estimates have been cut by ~8% over the past two years, largely driven by private banks. PSU banks have remained relatively resilient, though recent revisions indicate slight cuts.
- In the last three months, PSU banks have witnessed 3.5-5.0% reductions in FY27/FY28 earnings estimates, largely driven by sticky CoF amid rising deposit competition, NIM pressure, and higher projected credit costs due to the ECL transition. Private banks' earnings outlook remains relatively resilient.
- MOFSL's FY27/FY28 banking earnings estimates are broadly in line with the consensus (+1%/+2%), as we remain relatively constructive on select mid-sized private banks like RBK, DCB, Bandhan, AU, and IIB (+5% to +15%) amid expectations of better credit growth and NIM recovery. In PSU banks, our estimates for PNB, INBK and UNBK are ~2-27% above consensus but ~3% below consensus on SBI.
- We expect banking sector earnings to rebound to ~15% CAGR over FY26-28E (consensus: 14%), led by ~15% NII CAGR. Private banks with ~21% earnings CAGR are likely to outperform PSU banks with ~8% CAGR. Top ideas: ICICI, HDFCB, SBIN and AUBANK.

Sector earnings to gain traction; Improvement visible in 4QFY26 growth

- Sector earnings growth has gained momentum, with earnings expected to grow at a 15% CAGR over FY26-28E after a relatively subdued FY26 (6.6% growth). Banks have witnessed a modest decline in NIMs during FY26, driven by lower CoF, while loan growth has remained steady at ~15% YoY. Additionally, easing asset quality stress in the unsecured segment has resulted in comparatively lower credit costs than earlier anticipated. (Exhibit 3)
- Amid this easing in headwinds, we remain watchful of the evolving situation in West Asia, which could potentially lead to some stress build-up in the MSME and CV segments. However, most banks have not indicated any such signs of stress emerging within their existing portfolios so far.
- As we move into FY27, we believe there are emerging risks to CoF amid intensifying competition for deposits. We note that select mid-sized private banks have increased deposit rates across certain buckets, reinforcing our view that CoF has likely bottomed out.

Private banks to outperform; PSBs entering a slow earnings growth phase

- Over the past few years, PSU banks have delivered a strong earnings trajectory, with PAT compounding at a 16% CAGR, supported by healthy credit growth and comfortable CD ratios. Most PSU banks have witnessed robust profit accretion, driven by better loan growth and relatively resilient NIMs, aided by ample system liquidity. However, over the last two years, as surplus balance sheet liquidity has been largely utilized and CD ratios have moved closer to private banks' levels, PSU banks have increasingly entered the market to mobilize deposits. As a result, amid intensifying competition for both deposits and

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advances, the competitive edge of PSU banks appears to be increasingly reliant on pricing rather than structural advantages.

- Consequently, we have reduced our NII estimates for PSU banks by ~3%, with the sharpest cuts for BoB, PNB, and Canara Bank vs. flat for private banks. Management commentary and guidance have also turned relatively cautious, broadly aligning with this view. In contrast, estimate revisions for private banks have been relatively limited. From the NIM perspective, we expect private banks to witness relatively stable margins, with only a marginal downside risk despite a gradual rise in CoF.

Consensus earnings estimates have been cut by 8% over the past two years, led by private banks; three-month change indicates stable trends

- Consensus earnings estimates for FY27-28E have witnessed broad-based revisions over the past two years, including across the last 12 months, 9 months, and 3 months, with private banks accounting for the bulk of the downgrades. For private banks, aggregate FY27 PAT estimates have been reduced by ~1%/4%/6% over the past 3/9/12 months.
- In contrast, PSU banks witnessed earnings upgrades of ~4.1% and ~3.7% over the past 9 months and 12 months, respectively, although FY27 earnings estimates have declined by ~4% over the last three months, reflecting a more cautious near-term outlook.
- Similarly, aggregate FY28 earnings estimates for private banks have been lowered by ~1%/2%/3% over the past 3/9/12. For PSU banks, FY28 estimates have revised by -3.0%/+8.7%/+10.4% over the same periods, indicating that while the longer-term earnings outlook remains relatively resilient, recent estimate revisions have turned negative.

PSU banks witnessed minor earnings cuts for FY27-28E amid sticky CoF and ECL transition overhang

- The pace of earnings downgrades for FY27-28E has moderated in recent months. However, the latest round of earnings cuts for PSU banks has largely been driven by rising competition for deposits in FY27E, resulting in incremental pressure on NIMs. In addition, the transition to the ECL framework is expected to exert some pressure on credit costs, contributing to the downgrade cycle.
- Private banks, on the other hand, have witnessed relatively limited estimate cuts. Select mid-sized private banks are likely to report relatively better NIM resilience (exhibit 4), while most large private banks have not seen meaningful downward revisions to margin estimates. Further, credit cost assumptions across most private banks remain relatively stable, supported by adequate provision buffers and healthy PCR levels.
- In contrast, PSU banks have witnessed earnings cuts of ~3.5-5.0% across FY27-28E, primarily driven by lower NIM assumptions amid rising CoF, coupled with an increase in projected credit costs due to the transition toward the ECL regime.

Mid-sized private banks have witnessed few upgrades; large private banks stable

- During the previous earnings cycle, the steepest earnings downgrades were witnessed in mid-sized private banks, largely due to their relatively higher exposure to unsecured retail and MFI segments. However, with the unsecured stress cycle now showing signs of improvement, select banks have witnessed

earnings upgrades over the last three months. **Bandhan Bank, IndusInd Bank, and AU Bank** have seen earnings upgrades of ~3%, ~10-16%, and ~1%, respectively. In contrast, **IDFC First Bank and RBL Bank** have witnessed earnings downgrades of ~14% and ~21-27%, respectively (refer Exhibit 2).

- Among larger private banks, earnings estimates have largely remained stable, with limited downward revisions. For instance, **ICICI Bank, HDFC Bank, Axis Bank, and Kotak Mahindra Bank** have broadly seen flat earnings estimates over the period. Notably, **Axis Bank** has witnessed earnings upgrades of ~2.8-6.0% for FY27-28, reflecting improving confidence in its earnings trajectory.

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

- We compare our earnings estimates with consensus and find that, at an aggregate level, MOFSL's forecasts remain broadly aligned with Street expectations, with a modest deviation of +1%/+2% in aggregate FY27E/FY28E earnings. However, meaningful stock-level divergences persist.
- Within mid-sized private banks, we remain relatively more constructive than consensus on select names, including **RBL Bank (+15%), DCB Bank (+13%), Bandhan Bank (+12%), AU Bank (+9%), IndusInd Bank (+7%), and Federal Bank (+5%)** for FY28E. This reflects our expectation of an improving earnings cycle for mid-sized private banks, supported by better credit growth and a gradual recovery in NIMs.
- Among PSU banks, our earnings estimates for **PNB, INBK, and UNBK** remain ~2-27% higher than consensus, while we are ~3% below consensus on **SBI** for FY28E. At an aggregate PSU bank level, our earnings estimates are ~1.5% ahead of consensus. Overall, for the banking sector, our FY27-28 earnings estimates remain broadly ~1-2% higher than Street expectations (refer Exhibit 11).

BFSI sector earnings growth to rebound to 15% CAGR over FY26-28E

- Consensus estimates indicate a rebound in banking earnings in FY27, with expected growth of ~13% YoY to INR3.9t, supported by ~14% YoY growth in NII. We expect private banks to outperform PSU banks, with private bank earnings projected to grow ~21% in FY27E vs. ~4.2% growth for PSU banks. FY27 is likely to be a transition year, wherein PSU banks may witness further earnings moderation after nearly three years of relative outperformance.
- **Over FY26-28E, we expect private banks to materially outperform PSU banks, with earnings growing at a ~21% CAGR vs. ~8% CAGR for PSU banks. For our banking coverage universe, we estimate an earnings CAGR of ~15% over FY26-28E, modestly ahead of consensus expectations of ~14% CAGR over the same period.**
- This growth is expected to be driven primarily by a ~15% CAGR in NII, with private banks and PSU banks likely to deliver ~17% and ~13% CAGR, respectively. We also expect PPOP growth to remain healthy at ~15% CAGR over FY26-28E, led by ~17% CAGR for private banks and ~12% CAGR for PSU banks.
- Among private banks, we expect mid-sized players to outperform on earnings, supported by improving NIMs, easing stress in unsecured portfolios, and relatively stable credit costs, driven by better asset quality trends. Top picks: **ICICIB, HDFC, SBIN, and AUBANK.**

Risk factors: What keeps us watchful on potential earnings trajectory

- While earnings visibility continues to improve, we remain watchful of several emerging risks that could potentially impact the sector's earnings trajectory. We believe competition for deposits is intensifying, particularly as most PSU banks have largely utilized their balance sheet liquidity and optimized their CD ratios. Consequently, rising competition for deposits could keep CoF elevated, a trend that was also reflected in management commentary across PSU banks.
- Asset quality metrics have remained resilient so far, with the sector gradually emerging from the unsecured stress cycle. However, a prolonged geopolitical conflict in West Asia could create incremental stress in select segments, particularly MSME and CV portfolios, warranting close monitoring.
- In addition, the upcoming transition to the ECL framework could lead to some normalization in credit costs across select private and PSU banks. Early estimates suggest the impact could be up to ~120bp for certain banks. While this appears manageable at present, the transitional flow-through impact of ECL on reported credit costs remains a key monitorable.

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

INRb	Earnings before preview			Earnings in 4QFY26 preview			Earnings after 4QFY26 results		
	FY26E	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E
Private Banks									
AXSB	246.6	307.4	366.2	242.2	304.8	371.5	244.6	315.9	388.2
BANDHAN	12.8	28.2	37.5	11.0	27.8	37.3	12.2	29.1	38.7
DCBB	7.5	10.0	12.5	7.3	9.9	12.5	7.3	9.9	12.5
HDFCB	744.2	848.2	995.5	746.5	853.4	995.5	746.7	849.0	988.9
ICICIBC	496.5	569.1	669.5	496.8	566.9	666.1	501.5	565.9	659.4
IDFCFB	21.3	42.7	63.7	14.8	38.6	55.5	16.4	36.9	55.1
IIB	4.8	33.9	51.7	4.1	32.5	50.8	8.9	37.2	60.1
KMB	138.6	164.1	200.7	135.1	160.2	195.9	140.1	163.8	199.0
FB	39.7	52.0	67.0	39.5	51.6	66.3	41.2	53.2	65.9
RBK	8.9	27.7	41.7	7.8	23.5	34.5	8.2	20.3	32.9
AUBANK	26.1	36.8	48.1	26.0	37.1	47.8	26.4	37.4	48.7
EQUITASB	0.5	6.5	9.8	0.5	6.6	9.6	1.0	6.7	9.7
Total Pvt	1,747.5	2,126.6	2,564.0	1,731.6	2,112.9	2,543.2	1,754.5	2,125.3	2,558.9
YoY growth	1.7%	21.7%	20.6%	1.0%	22.0%	20.4%	4.2%	21.1%	20.4%
PSU Banks									
BOB	194.9	214.5	240.4	193.6	210.3	231.2	200.2	205.5	223.5
CBK	192.3	197.8	225.2	190.9	191.2	215.9	191.9	179.1	206.6
INBK	124.6	136.8	152.8	123.1	135.2	149.0	121.6	136.0	152.0
PNB	164.8	213.2	254.8	165.9	205.2	247.7	169.0	209.7	246.0
SBIN	815.0	858.8	980.6	803.8	856.0	975.3	800.3	829.3	927.5
UNBK	176.7	182.7	206.4	178.7	180.3	201.3	187.0	180.6	200.9
Total PSU	1,668.2	1,803.7	2,060.2	1,656.0	1,778.2	2,020.5	1,670.0	1,740.2	1,956.6
YoY growth	9.0%	8.1%	14.2%	8.2%	7.4%	13.6%	9.1%	4.2%	12.4%
Total Banks	3,415.7	3,930.3	4,624.2	3,387.5	3,891.2	4,563.7	3,424.4	3,865.5	4,515.5
YoY growth	5.1%	15.1%	17.7%	4.3%	14.9%	17.3%	6.6%	12.9%	16.8%
SBI Cards	21.3	30.4	39.0	21.4	28.9	36.8	21.7	29.5	36.4
Paytm	5.6	8.9	17.4	5.5	6.0	15.9	6.4	10.5	21.9

Source: MOFSL, Company

Exhibit 2: Within the sector, PSU banks have seen a slightly bigger cut of 3.5-5.0% during 4QFY26 results

INRb	% Change in preview			% Change in results			% Total change		
	FY26E	FY27E	FY28E	FY26A	FY27E	FY28E	FY26A	FY27E	FY28E
Private Banks									
AXSB	-1.8	-0.8	1.4	1.0	3.6	4.5	-0.8	2.8	6.0
BANDHAN	-14.6	-1.4	-0.6	11.7	4.6	3.7	-4.6	3.1	3.1
DCBB	-2.8	-0.4	-0.1	0.5	0.1	0.0	-2.4	-0.2	-0.1
HDFCB	0.3	0.6	0.0	0.0	-0.5	-0.7	0.3	0.1	-0.7
ICICIBC	0.1	-0.4	-0.5	0.9	-0.2	-1.0	1.0	-0.6	-1.5
IDFCFB	-30.5	-9.7	-12.9	10.7	-4.3	-0.7	-23.0	-13.6	-13.6
IIB	-13.9	-4.0	-1.8	114.6	14.4	18.4	84.7	9.8	16.2
KMB	-2.5	-2.4	-2.4	3.6	2.3	1.6	1.1	-0.2	-0.9
FB	-0.6	-0.6	-1.0	4.3	3.0	-0.6	3.7	2.4	-1.6
RBK	-12.1	-15.4	-17.3	5.1	-13.6	-4.8	-7.6	-26.9	-21.2
AUBANK	-0.1	0.8	-0.7	1.4	0.6	1.8	1.3	1.4	1.1
EQUITASB	1.6	1.7	-1.8	116.1	1.9	0.8	119.6	3.7	-1.0
Total Pvt	-0.9	-0.6	-0.8	1.3	0.6	0.6	0.4	-0.1	-0.2
YoY growth									
PSU Banks									
BOB	-0.7	-1.9	-3.8	3.4	-2.3	-3.3	2.7	-4.2	-7.0
CBK	-0.7	-3.3	-4.1	0.5	-6.3	-4.3	-0.2	-9.4	-8.3
INBK	-1.2	-1.2	-2.5	-1.3	0.6	2.0	-2.4	-0.6	-0.5
PNB	0.6	-3.7	-2.8	1.9	2.2	-0.7	2.6	-1.6	-3.4
SBIN	-1.4	-0.3	-0.5	-0.4	-3.1	-4.9	-1.8	-3.4	-5.4
UNBK	1.1	-1.3	-2.5	4.6	0.2	-0.2	5.8	-1.2	-2.7
Total PSU	-0.7	-1.4	-1.9	0.8	-2.1	-3.2	0.1	-3.5	-5.0
YoY growth									
Total Banks	-0.8	-1.0	-1.3	1.1	-0.7	-1.1	0.3	-1.6	-2.4
YoY growth									
SBI Cards	0.6	-4.9	-5.7	1.4	1.9	-1.0	2.0	-3.1	-6.6
Paytm	-1.6	-32.2	-8.2	15.7	73.7	37.3	13.8	17.8	26.1

Exhibit 3: MOFSL Estimates: Earnings to clock 15% CAGR over FY26-28E, with private banks taking the lead

INRb	MOFSL Earnings Estimates					
	FY23	FY24	FY25	FY26	FY27E	FY28E
Private Banks						
AXSB	92.2	248.6	263.7	244.6	315.9	388.2
BANDHAN	21.9	22.4	27.5	12.2	29.1	38.7
DCBB	4.7	5.4	6.2	7.3	9.9	12.5
HDFCB	441.1	608.1	673.5	746.7	849.0	988.9
ICICIBC	319.0	408.9	472.3	501.5	565.9	659.4
IDFCFB	24.4	29.6	15.2	16.4	36.9	55.1
IIB	74.4	89.8	25.8	8.9	37.2	60.1
KMB	109.4	137.8	129.3	140.1	163.8	199.0
FB	30.1	37.2	40.5	41.2	53.2	65.9
RBK	8.8	11.7	7.0	8.2	20.3	32.9
AUBANK	14.3	14.9	21.1	26.4	37.4	48.7
EQUITASB	5.7	8.0	1.5	1.0	6.7	9.7
Total Pvt	1,146.0	1,622.2	1,683.4	1,754.5	2,125.3	2,558.9
YoY growth	26.6%	41.6%	3.8%	4.2%	21.1%	20.4%
PSU Banks						
BOB	141.1	177.9	195.8	200.2	205.5	223.5
CBK	106.0	145.5	170.3	191.9	179.1	206.6
INBK	52.8	80.6	109.2	121.6	136.0	152.0
PNB	25.1	82.4	166.3	169.0	209.7	246.0
SBIN	502.3	610.8	709.0	800.3	829.3	927.5
UNBK	84.3	136.5	179.9	187.0	180.6	200.9
Total PSU	911.7	1,233.8	1,530.4	1,670.0	1,740.2	1,956.6
YoY growth	59.2%	35.3%	24.0%	9.1%	4.2%	12.4%
Total Banks	2,057.7	2,856.0	3,213.8	3,424.4	3,865.5	4,515.5
YoY growth	39.3%	38.8%	12.5%	6.6%	12.9%	16.8%

Source: MOFSL, Company

Exhibit 4: MOFSL Estimates: Private banks likely to see NIM expansion; PSU banks to be largely flat to mild positive in FY27E

NIM (%)	Reported numbers			MOFSL estimates			
	4QFY26	FY26	FY24	FY25	FY26	FY27E	FY28E
Private Banks							
AXSB	3.6	3.7	3.8	3.7	3.4	3.6	3.7
BANDHAN	6.2	6.1	5.9	5.7	4.9	5.0	5.1
DCBB	3.4	3.3	3.7	3.3	3.2	3.4	3.4
HDFCB	3.4	3.3*	3.4	3.5	3.3	3.4	3.6
ICICIBC	4.3	4.3	4.7	4.5	4.3	4.4	4.5
IDFCFB	5.9	5.8	6.8	6.6	6.2	6.2	6.1
IIB	3.4	3.2*	4.2	3.6	3.3	3.4	3.6
KMB	4.7	4.6	4.8	4.4	4.1	4.0	4.1
FB	3.2	3.2	3.3	3.2	3.2	3.3	3.5
RBK	4.4	4.5*	5.1	4.9	4.2	4.5	4.9
AUBANK	6.0	5.7	5.2	6.0	5.2	5.5	5.5
EQUITASB	7.3	6.7	8.5	7.5	6.8	7.1	7.0
PSU Banks							
BOB	2.9	2.9	3.1	2.9	2.6	2.6	2.6
CBK	2.5	2.5	2.7	2.4	2.2	2.2	2.3
INBK	3.2	3.2	3.2	3.1	3.0	3.0	3.1
PNB	2.5	2.6	2.8	2.7	2.3	2.4	2.5
SBIN	2.8	2.9	3.1	2.9	2.7	2.8	2.8
UNBK	2.6	2.7	2.9	2.7	2.5	2.6	2.7

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

Exhibit 5: NIM decline has largely been arrested now; barring AU Bank, HDFC, ICICI and Federal, most have seen a double-digit decline

NIM (%)	4Q24	4Q25	1Q26	2Q26	3Q26	4Q26	YoY	QoQ	2Y
							change (bp)	change (bp)	change (bp)
AXSB	4.06	3.97	3.80	3.73	3.64	3.62	-35.0	-2.0	-44.0
HDFCB	3.44	3.54	3.35	3.27	3.35	3.38	-16.0	3.0	-6.0
ICICIBC	4.40	4.41	4.34	4.30	4.30	4.32	-9.0	2.0	-8.0
IDFCFB	6.35	5.95	5.71	5.59	5.76	5.93	-2.0	17.0	-42.0
IIB	4.26	2.25	3.46	3.32	3.52	3.39	114.0	-13.0	-87.0
KMB	5.28	4.97	4.65	4.54	4.54	4.67	-30.0	13.0	-61.0
FB	3.21	3.12	2.94	3.06	3.18	3.20	8.0	2.0	-1.0
BoB	3.27	2.98	2.91	2.96	2.79	2.89	-9.0	10.0	-38.0
CBK	3.07	2.73	2.55	2.50	2.45	2.54	-19.0	9.0	-53.0
PNB	3.10	2.81	2.70	2.60	2.52	2.47	-34.0	-5.0	-63.0
SBIN	3.30	2.99	2.90	2.97	2.98	2.81	-18.0	-17.0	-49.0
UNBK	3.09	2.87	2.76	2.67	2.76	2.64	-23.0	-12.0	-45.0
INBK	3.44	3.37	3.23	3.23	3.28	3.23	-14.0	-5.0	-21.0
AUBANK	5.10	5.80	5.40	5.50	5.70	5.96	16.0	26.0	86.0
RBK	5.45	4.89	4.50	4.51	4.63	4.41	-48.0	-22.0	-104.0
BANDHAN	7.60	6.70	6.40	5.80	5.90	6.20	-50.0	30.0	-140.0
DCBB	3.62	3.29	3.20	3.23	3.27	3.39	10.0	12.0	-23.0
EQUITAS	8.17	7.13	6.55	6.29	6.72	7.29	16.0	57.0	-88.0

Source: MOFSL, Company

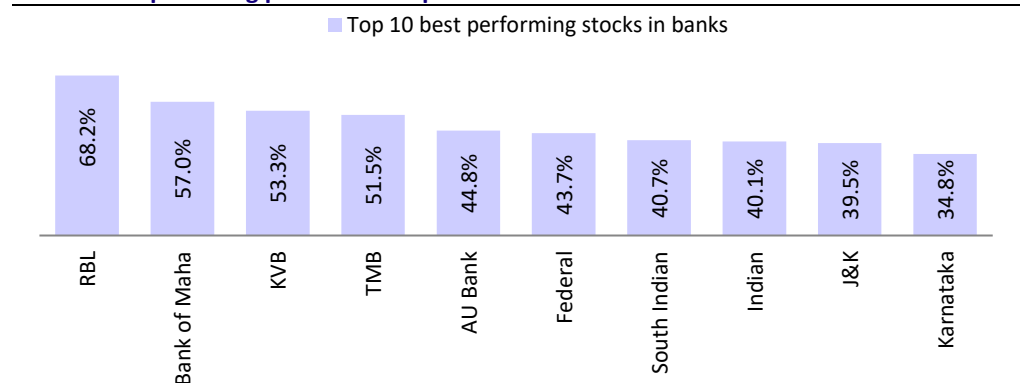
NIMs have declined sharply in line with moderation in repo rates

Most banks have seen double-digit NIM decline from the peak, barring ICICI, HDFC, AU and Federal Bank.

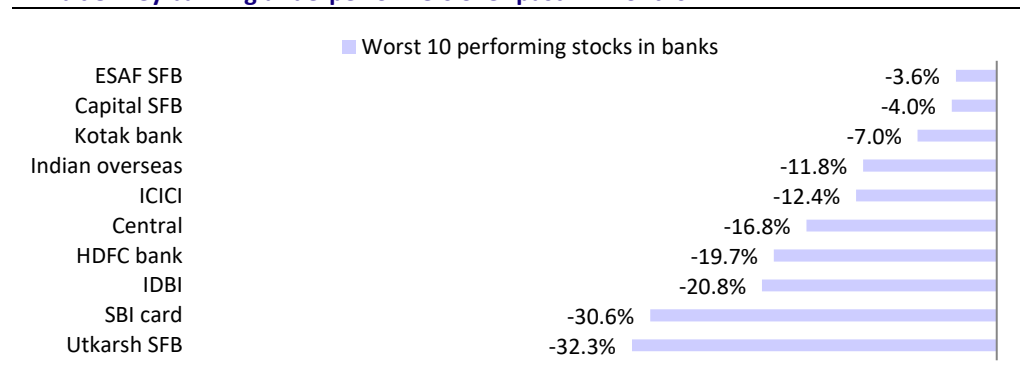
Exhibit 6: Banking earnings have seen a recovery; MOFSL coverage universe exited 4QFY26 with double-digit earnings growth

PAT growth (% YoY)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
Axis Bank	4	18	4	0	-4	-26	3	-1
DCB Bank	3	23	20	14	20	18	22	16
HDFC Bank	35	5	2	7	12	11	11	9
ICICI Bank	15	14	15	18	15	5	-4	8
IndusInd Bank	2	-40	-39	-199	-72	-133	-91	-126
Kotak Mahindra Bank	81	5	10	-14	-47	-3	4	13
Federal Bank	18	11	-5	14	-15	-10	9	22
RBL Bank	29	-24	-86	-81	-46	-20	555	234
Bandhan Bank	47	30	-42	482	-65	-88	-52	68
AU SFB	30	42	41	36	16	-2	26	65
IDFC First Bank	-11	-73	-53	-58	-32	76	48	5
Equitas SFB	-87	-94	-67	-80	-969	87	36	405
Total private	25	6	2	-6	-5	-5	2	17
Bank of Baroda	10	23	6	3	2	-8	4	11
Canara Bank	10	11	12	33	22	19	26	-10
Indian Bank	41	36	35	32	24	12	7	5
Punjab National Bank	159	145	103	52	-48	14	13	14
State Bank of India	1	28	84	-10	12	10	24	6
Union Bank	14	34	28	51	12	-10	9	7
Total PSBs	13	34	49	9	7	7	18	5
Total Banks	20	17	20	1	0	1	9	11

Source: MOFSL, Company

Exhibit 7: Top banking performers in past 12 months –mid-sized banks shine


Source: Bloomberg, MOFSL

Exhibit 8: Key banking underperformers over past 12 months


Source: Bloomberg, MOFSL

Exhibit 9: Private banks have seen a series of earnings cuts in past couple of years, while PSU banks have seen upgrades

Change %	Consensus change over 2Y/ 1Y					
	Change 2Y			Change 1Y		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Private Banks						
AXSB	-22.2	-15.6	-11.3	-12.7	-3.8	0.1
BANDHAN	-71.7	-44.2	-52.5	-60.8	-30.2	-22.2
DCBB	-3.9	1.4	-4.8	1.7	0.7	1.7
HDFCB	-8.0	-11.2	-11.9	0.9	-2.4	-1.2
ICICIBC	-1.4	-2.6	-5.8	-2.7	-3.7	-1.6
IDFCFB	-67.0	-47.4	-36.6	-46.8	-26.8	-25.6
IIB	-92.2	-74.5	-63.4	-84.1	-53.2	-31.1
KMB	-13.9	-9.7	-9.6	-10.0	-7.8	-5.4
FB	-14.5	-9.7	-5.3	-6.0	-2.9	3.8
RBK	-57.8	-21.9	12.9	-31.2	12.2	31.7
AUBANK	-4.3	-4.8	5.4	-1.4	1.4	4.3
EQUITAS	-91.5	-51.2	-6.6	-80.7	-20.2	-13.4
Total Private Banks	-17.4	-15.1	-14.0	-8.0	-6.0	-3.0
PSU Banks						
BOB	-1.1	-8.0	-11.2	7.3	-0.8	4.5
CBK	8.0	1.5	-7.8	16.3	3.5	14.0
INBK	13.1	7.7	8.1	10.3	11.4	14.4
PNB	5.6	2.0	1.3	4.1	3.2	2.5
SBIN	7.9	7.0	5.1	12.4	4.7	12.8
UNBK	7.8	1.9	10.0	9.4	-0.1	7.8
Total PSU Banks	6.8	3.4	1.6	10.8	3.7	10.4
Total Banking sector	-7.1	-7.7	-7.8	0.3	-1.9	2.4
Paytm	-203.9	128.5	35.7	70.7	-3.1	-6.3
SBI Cards	-38.4	-30.1	-21.0	-22.7	-20.9	-19.9

Source: MOFSL, Bloomberg

Exhibit 10: However, over past 3 months, sector earnings have moved in a narrow band and witnessed minor cuts

Change %	Consensus change in 3M		
	Change 3M		
	FY26E	FY27E	FY28E
Private Banks			
AXSB	-0.3	-0.5	-0.6
BANDHAN	1.1	5.6	2.6
DCBB	-1.5	-2.1	-2.7
HDFCB	0.6	-1.0	-1.4
ICICIBC	-0.5	-1.3	-1.1
IDFCFB	-15.5	-11.3	-8.0
IIB	27.7	-0.0	-0.1
KMB	1.0	-3.5	-4.5
FB	2.4	0.8	0.3
RBK	-11.4	0.3	6.1
AUBANK	2.7	1.8	1.2
EQUITAS	195.6	5.1	-1.2
Total Private Banks	0.2	-1.2	-1.4
PSU Banks			
BOB	4.1	-1.3	-1.4
CBK	0.7	-3.2	-2.4
INBK	0.2	-2.6	-3.4
PNB	2.7	-4.2	-5.6
SBIN	1.5	-5.2	-3.3
UNBK	4.9	-0.9	-1.3
Total PSU Banks	2.1	-3.8	-3.0
Total Banking sector	1.1	-2.4	-2.1
Paytm	-14.3	-2.2	-0.3
SBI Cards	-1.7	-5.9	-7.1

Source: MOFSL, Bloomberg

Exhibit 11: MOFSL vs. consensus estimates

PAT (INRb)	Consensus		MOFL Estimates		MOFL vs Consensus	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Private Banks						
AXSB	311.4	370.1	315.9	388.2	1.4%	4.9%
BANDHAN	27.1	34.5	29.1	38.7	7.3%	12.2%
DCBB	9.1	11.1	9.9	12.5	9.0%	12.8%
HDFCB	838.2	972.4	849.0	988.9	1.3%	1.7%
ICICIBC	567.6	655.0	565.9	659.4	-0.3%	0.7%
IDFCFB	35.8	54.7	36.9	55.1	3.1%	0.8%
IIB	35.9	56.1	37.2	60.1	3.7%	7.1%
KMB	166.5	195.7	163.8	199.0	-1.6%	1.7%
FB	51.3	62.6	53.2	65.9	3.8%	5.2%
RBK	19.4	28.5	20.3	32.9	4.6%	15.3%
AUBANK	35.6	44.6	37.4	48.7	4.9%	9.1%
EQUITAS	7.0	9.7	6.7	9.7	-3.9%	-0.5%
Total Private Banks	2,104.9	2,495.0	2,125.3	2,558.9	1.0%	2.6%
PSU Banks						
BOB	201.7	227.4	205.5	223.5	1.9%	-1.7%
CBK	185.9	208.1	179.1	206.6	-3.6%	-0.7%
INBK	131.4	145.6	136.0	152.0	3.5%	4.4%
PNB	178.2	193.7	209.7	246.0	17.7%	27.0%
SBIN	834.6	955.3	829.3	927.5	-0.6%	-2.9%
UNBK	182.8	197.4	180.6	200.9	-1.2%	1.8%
Total PSU Banks	1,714.6	1,927.4	1,740.2	1,956.6	1.5%	1.5%
Total Banking sector	3,819.5	4,422.4	3,865.5	4,515.5	1.2%	2.1%
Paytm	12.2	21.0	8.3	17.9	-32.1%	-14.4%
SBI Cards	28.8	35.2	29.5	36.4	2.4%	3.4%

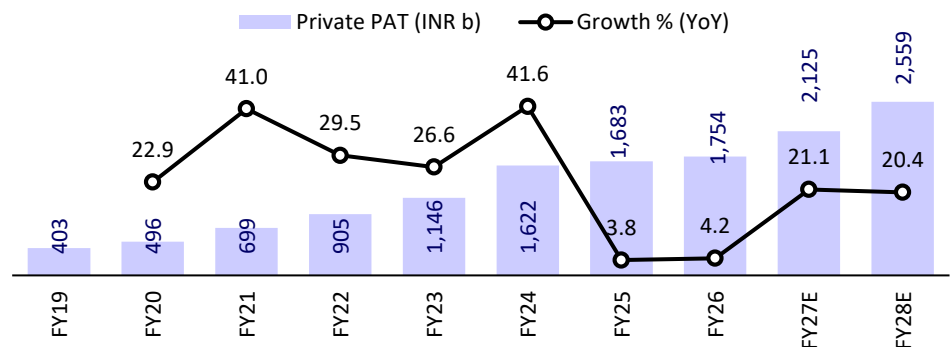
MOFSL aggregate earnings are broadly in line with consensus over FY27/28E.

However, at individual level, we are ahead of consensus on Bandhan, DCB, RBK, AUBANK and PNB, and lower than consensus on Paytm.

Source: Bloomberg, MOFSL

Exhibit 12: Private banks' earnings growth to recover to ~21% in FY27E (~4% in FY26)

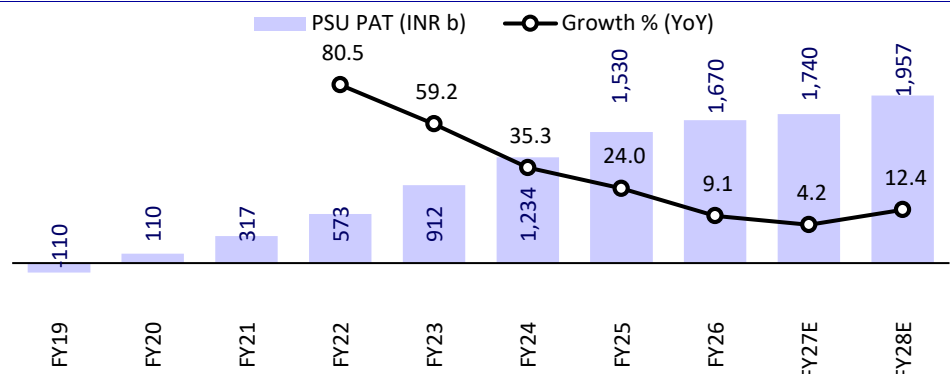
We estimate private banks' PAT to post ~20% CAGR over FY26-28E, with earnings rebounding from FY27E onward



Source: Company, MOFSL

Exhibit 13: PSU banks' earnings growth to stay muted at ~4% in FY27E (9% in FY26)

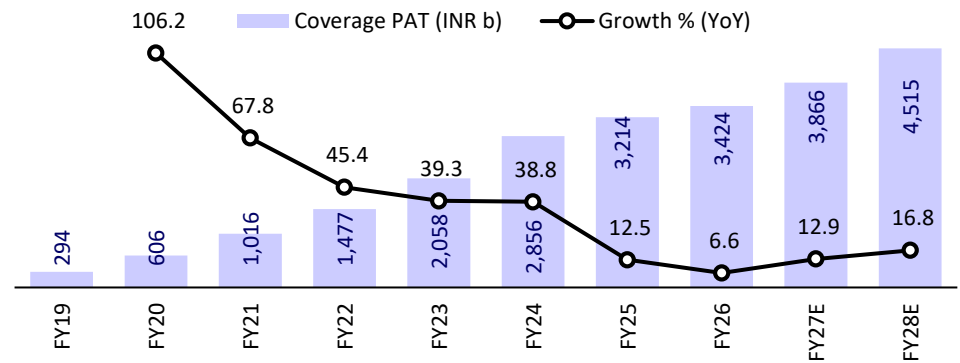
We estimate PSU banks' earnings growth to decelerate further to 4% YoY in FY27E, before recovering to 12% in FY28E



Source: Company, MOFSL

Exhibit 14: Aggregate banking earnings to clock ~15% CAGR over FY27-28E

We expect our banking coverage universe to see a recovery in earnings growth from FY27E, with a projected CAGR of 15% over FY26-28E



Source: Company, MOFSL

Exhibit 15: Banking valuation matrix

Val summary	Rating	CMP (INR)	EPS (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)		P/ABV (x)	
			FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Private Banks														
ICICIB*	Buy	1,279	79.0	92.1	2.2	2.3	15.9	16.2	12.7	10.9	2.4	2.1	2.0	1.7
HDFCB*	Buy	779	55.2	64.2	1.8	1.9	14.4	14.9	11.7	10.0	1.9	1.7	1.7	1.5
AXSB*	Neutral	1,299	101.6	124.9	1.6	1.7	14.6	15.8	11.3	9.2	1.8	1.5	1.6	1.4
BANDHAN	Buy	201	18.1	24.0	1.3	1.5	11.1	13.5	11.1	8.4	1.2	1.1	1.2	1.1
KMB*	Buy	389	16.5	20.0	2.0	2.1	12.1	13.6	13.6	11.2	2.8	2.5	1.7	1.5
IIB	Neutral	932	47.7	77.1	0.7	0.9	5.6	8.6	19.5	12.1	1.1	1.0	1.1	1.0
FB	Buy	290	20.5	24.1	1.3	1.4	12.2	12.8	14.2	12.1	1.6	1.5	1.7	1.5
DCBB	Buy	180	30.9	38.9	1.0	1.1	15.1	16.6	5.8	4.6	0.8	0.7	0.9	0.7
IDFCB	Neutral	70	4.3	6.4	0.8	1.0	7.6	10.6	16.4	11.0	1.2	1.1	1.3	1.1
EQUITASB	Buy	70	6.0	8.6	1.1	1.3	10.9	14.1	11.7	8.2	1.2	1.1	1.3	1.1
AUBANK	Buy	1,013	49.8	64.8	1.8	1.9	17.4	19.0	20.3	15.6	3.3	2.7	3.4	2.8
RBK	Buy	344	11.9	19.3	1.0	1.3	6.4	6.9	28.9	17.8	1.3	1.2	1.3	1.2
PSU Banks														
SBIN*	Buy	969	89.8	100.5	1.0	1.0	15.3	15.3	6.9	6.1	1.5	1.4	1.0	0.9
PNB	Buy	106	18.2	21.4	1.0	1.1	14.8	15.5	5.8	4.9	0.8	0.7	0.8	0.7
BOB	Neutral	271	39.7	43.2	1.0	1.0	13.8	13.9	6.8	6.3	0.9	0.8	0.9	0.9
CBK	Buy	133	19.8	22.8	0.9	1.0	16.2	17.5	6.7	5.8	1.0	1.0	1.0	0.9
UNBK	Neutral	168	23.7	26.3	1.1	1.1	13.9	13.9	7.1	6.4	0.9	0.8	1.0	0.9
INBK	Buy	834	100.9	112.9	1.3	1.3	17.6	17.3	8.3	7.4	1.3	1.2	1.3	1.2
Payments & Fintech														
SBI Cards	Neutral	629	31.0	38.3	4.1	4.4	17.3	18.1	20.3	16.4	3.3	2.8	3.4	2.7
One 97 Comm.	Neutral	1,131	EPS (INR)		PAT (INRb)		RoA (%)		RoE (%)		P/E (x)		P/Sales (x)	
			12.5	26.8	8.3	17.9	3.4	6.9	5.1	10.6	90.4	42.2	7.4	6.0

* Adjusted for subsidiaries, Source: MOFSL, Company

Exhibit 16: Banking sector price performance

Company Name	CMP (INR)	Price Perf (%)					CAGR (%)		
		1M	3M	6M	YTD	1 Year	3 Year	5 Year	10 Year
Nifty 50	23,914	0.1	-6.2	-8.7	1.7	-4.3	8.9	9.3	11.5
Nifty BANK	55,093	-1.8	-10.0	-7.5	6.8	-0.9	7.8	9.7	12.2
Nifty PSU Bank	8,200	-6.9	-17.0	-4.1	30.9	22.1	26.9	28.3	13.6
Nifty Private Bank	26,761	0.2	-7.7	-6.7	4.0	-3.2	6.2	7.9	10.4
Nifty Financials	25,932	-0.8	-8.4	-6.7	3.4	-2.5	10.2	9.6	13.8
Private banks		1M	3M	6M	YTD	1 Year	3 Year	5 Year	10 Year
RBL Bank Ltd	344	7.1	5.3	8.4	98.4	68.2	32.4	10.6	
Karur Vysya Bank Ltd	293	-0.7	-12.8	16.5	68.2	53.3	49.9	43.3	15.9
City Union Bank Ltd	254	-3.2	-12.6	-8.8	61.7	29.6	22.2	7.8	11.4
South Indian Bank Ltd	41	5.5	-2.4	2.4	76.6	40.7	37.8	33.1	10.0
DCB Bank Ltd	180	-7.0	-4.2	-3.2	60.6	26.8	16.1	11.3	6.9
Tamilnad Mercantile Bank Ltd	683	6.7	-1.0	33.6	66.2	51.5	18.4		
Federal Bank Ltd	290	-1.0	-3.1	13.2	50.6	43.7	32.3	27.2	18.6
Karnataka Bank Ltd	268	10.5	30.0	26.8	52.1	34.8	23.0	30.0	11.0
IndusInd Bank Ltd	932	9.9	-3.3	9.6	43.5	16.5	-9.7	-1.4	-1.7
CSB Bank Ltd	364	-5.0	-9.8	-14.2	20.3	-0.6	9.1	2.3	
IDFC First Bank Ltd	70	4.4	-3.6	-12.6	27.8	5.4	0.2	4.0	4.1
Axis Bank Ltd	1,299	-4.9	-6.9	0.7	17.9	6.9	11.9	12.1	9.6
Yes Bank Ltd	23	15.1	8.5	-0.4	35.2	8.8	13.5	11.2	-19.7
Bandhan Bank Ltd	200	14.7	7.7	32.6	37.0	21.0	-8.4	-7.3	
ICICI Bank Ltd	1,279	-3.6	-9.0	-7.0	-5.1	-12.4	10.4	14.4	19.3
HDFC Bank Ltd	779	-0.8	-13.3	-22.4	-14.8	-19.7	-1.2	1.1	10.2
Kotak Mahindra Bank Ltd	389	4.8	-8.5	-7.6	-10.5	-7.0	0.0	2.2	10.3
IDBI Bank Ltd	73	-4.2	-35.9	-28.5	-6.1	-20.8	10.1	13.5	1.1
Dhanlaxmi Bank Ltd	33	24.6	38.1	20.5	11.3	11.1	34.8	20.7	8.6
PSU banks		1M	3M	6M	YTD	1 Year	3 Year	5 Year	10 Year
Indian Bank	834	-8.4	-15.9	-6.0	54.0	40.1	44.3	42.3	25.0
Canara Bank	133	-5.5	-16.2	-11.3	49.6	23.9	29.5	34.8	13.1
Bank of Maharashtra	80	2.9	6.0	33.7	73.0	57.0	40.0	26.6	11.2
Union Bank of India	168	-5.3	-16.9	7.8	32.8	19.3	33.8	37.5	4.2
Bank of India	145	-1.7	-18.2	-2.6	35.4	23.6	24.8	13.5	5.5
State Bank of India	969	-12.0	-19.9	-1.6	25.5	21.9	18.2	18.6	18.1
Jammu and Kashmir Bank Ltd	140	11.2	15.6	31.7	51.9	39.5	36.5	37.1	9.2
Bank of Baroda	271	-1.3	-16.6	-6.2	18.4	12.0	13.8	27.4	7.2
Punjab National Bank	106	-6.3	-18.8	-15.3	10.2	4.9	28.1	22.0	3.6
Indian Overseas Bank	34	-3.9	-8.6	-14.9	-13.7	-11.8	11.4	15.0	1.8
Central Bank of India	31	-13.9	-23.3	-19.9	-27.5	-16.8	5.2	10.2	-9.3
UCO Bank	25	-4.0	-14.8	-18.3	-28.8	-18.1	-1.3	14.4	-2.9
Punjab & Sind Bank	24	-2.6	-7.6	-20.2	-44.5	-20.7	-9.5	3.0	-5.0
Small Finance Banks		1M	3M	6M	YTD	1 Year	3 Year	5 Year	10 Year
AU Small Finance Bank Ltd	1,012	-5.1	4.0	6.1	89.3	44.8	9.1	16.0	
Ujjivan Small Finance Bank Ltd	55	-2.4	-10.0	-0.9	61.0	24.8	17.6	13.1	
Suryoday Small Finance Bank Ltd	162	11.2	28.3	12.5	61.0	27.1	3.3	-7.4	
Equitas Small Finance Bank Ltd	70	7.6	6.2	6.9	27.6	9.7	-6.0	1.9	
Jana SFB	491	7.0	33.4	8.4	20.7	0.5			
ESAF	29	24.4	7.1	8.8	18.1	-3.6			
Capital SFB	282	8.9	9.0	1.2	8.7	-4.0			
Utkarsh SFB	14	-1.9	-8.9	-18.3	-27.8	-32.3			
Payments & Fintech		1M	3M	6M	YTD	1 Year	3 Year	5 Year	10 Year
Paytm***	1,132	-1.4	0.8	-12.0	44.4	30.1	17.0		
PB Fintech	1,789	5.4	17.3	0.1	12.5	0.0	43.5		
SBICARD	629	-6.2	-18.9	-28.4	-28.6	-30.6	-11.3	-9.3	

Source: MOFSL, Bloomberg

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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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