24 October 2026
2QFY27 Results Update | Sector: Financials

# IDFC First Bank

| | |
|---|---|
| Estimate change | ⟷ |
| TP change | ↓ |
| Rating change | ⟷ |

| | |
|---|---|
| Bloomberg | IDFCFB IN |
| Equity Shares (m) | 8623 |
| M.Cap.(INRb)/(USDb) | 623.9 / 6.6 |
| 52-Week Range (INR) | 90 / 58 |
| 1, 6, 12 Rel. Per (%) | -14/13/4 |
| 12M Avg Val (INR M) | 2434 |

**Financial and Valuation Summary (INR b)**

| Y/E March | FY26 | FY27E | FY28E |
|---|---|---|---|
| NII | 212.2 | 254.7 | 317.2 |
| OP | 72.1 | 106.0 | 144.6 |
| NP | 16.4 | 45.0 | 60.8 |
| NIM (%) | 5.7 | 5.7 | 5.9 |
| EPS (INR) | 2.1 | 5.2 | 7.1 |
| BV/Sh. (INR) | 55 | 59 | 65 |
| ABV/Sh. (INR) | 53 | 57 | 62 |
| **Ratios** | | | |
| RoA (%) | 0.4 | 1.0 | 1.1 |
| RoE (%) | 3.9 | 9.2 | 11.4 |
| **Valuations** | | | |
| P/E(X) | 35.2 | 13.8 | 10.2 |
| P/BV (X) | 1.3 | 1.2 | 1.1 |
| P/ABV (X) | 1.4 | 1.3 | 1.2 |

**Shareholding pattern (%)**

| As On | Sep-26 | Jun-26 | Sep-25 |
|---|---|---|---|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 33.2 | 32.2 | 33.5 |
| FII | 36.7 | 36.1 | 24.6 |
| Others | 30.1 | 31.7 | 41.9 |

s

**CMP: INR72** **TP: INR100 (+38%)** **BUY**

## In-line quarter; business growth remains healthy

### NIM declines 32bp QoQ

- IDFC First Bank (IDFCFB) reported 2QFY27 PAT of INR10.4b (up 197% YoY/down 3% QoQ, in line), led by healthy operating performance and robust business growth.
- NII grew 21% YoY/4% QoQ to INR61.8b (in line). NIM declined 32bp QoQ to 5.58% (vs. 1Q adj. NIM of 5.90%), with 16bp attributed to loans against FCNR(B) deposits, 7bp to surplus liquidity and 5bp to asset mix change.
- Loan book grew 31% YoY/14% QoQ, led by strong FCNR(B) deposit mobilization of INR343b and leverage of INR248b against the same. Excl. FCNR(B) deposits, loan growth was 22% YoY gross of IBPC. Deposits grew at 26% YoY/12% QoQ. CD ratio thus increased to 96.3%.
- Slippages increased to INR18.9b from INR17.4b in 1QFY27. GNPA ratio improved 19bp to 1.32%, while NNPA improved by 4bp QoQ to 0.40%. PCR ratio stood at 70.1%.
- **We fine-tune our FY27/28 earnings estimates and expect FY27E RoA/RoE of ~1.0%/9.2%. Reiterate BUY with a revised TP of INR100 (1.5x Mar'28E ABV).**

### Business growth robust; asset quality ratio improves

- 2Q PAT was INR10.4b, led by healthy operating performance and strong business growth. RoA stood at 0.93%.
- NII grew 21% YoY/4% QoQ to INR61.8b (in line). NIM declined 32bp QoQ to 5.58% (vs. 1Q adj NIM of 5.90%) on account of loans against FCNR(B) deposits, surplus liquidity and asset mix change. Management guided NIM to remain range-bound in 3QFY27 and recover to ~5.8% by 4QFY27.
- Other income improved 21% YoY to INR23.0b (4% miss), led by healthy fee income, while treasury gains remained muted. Opex stood at INR59.4b, up 16% YoY (in line). PPOP was INR25.4b (35% YoY, in line).
- Business growth picked up, with net advances growing 31% YoY/14% QoQ, led by broad-based growth in retail (up 18% QoQ) and wholesale (up 8% QoQ), while rural finance grew 3% QoQ. Within Retail, VF, Mortgage and CC grew 4%/3%/3% QoQ, respectively.
- Deposit growth stood at 26% YoY/12% QoQ, aided by strong FCNR(B) deposit mobilization. CASA mix declined to 47.6% (down 320bp QoQ). CD ratio rose to 96.3%.
- Slippages increased to INR18.9b from INR17.4b in 1QFY27. GNPA ratio improved 19bp to 1.32%, while NNPA ratio declined 4bp QoQ to 0.40%. Credit cost improved to 1.38% vs. 1.53% in 1QFY27. The bank maintained its credit cost guidance at 1.5-1.6%.

**Research Analyst: Nitin Aggarwal** (Nitin.Aggarwal@MotilalOswal.com)
**Research Analyst: Akshay Badlani** (akshay.badlani@motilaloswal.com) | **Devansh Jani** (Devansh.Jani@motilaloswal.com)

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## Highlights from the management commentary

- NIM is expected to remain range-bound in 3QFY27 and recover to ~5.8% by 4QFY27 as surplus liquidity is deployed and repo hike benefit kicks in.
- Opex growth has remained 500bp below total income growth over the past three quarters, reflecting improving operating leverage.
- The impact of FCNR(B) deposits on RoA is limited to ~2bp, supported by lower incremental opex, the absence of SLR/CRR costs and a higher asset base.
- IDFCFB expects the adverse impact on bancassurance income to be offset by FCNR(B) deposit mobilization, product mix changes and expected increase in the repo rate.

## Valuation and view: Reiterate BUY with a revised TP of INR100

IDFCFB reported a steady quarter, aided by healthy operating performance and robust business growth. NIMs declined 32bp QoQ to 5.6% (vs. 1Q adjusted NIMs of 5.9%), and management expects NIMs to recover to 5.8% by 4QFY27 on the back of repo hikes and deployment of surplus liquidity. Deposit growth was healthy, driven by strong FCNR(B) deposit mobilization. Loan growth, excluding loans against FCNR(B) deposits, was healthy at 22% YoY, with strong traction across retail and wholesale segments. Management maintains its 1% RoA guidance for FY27 with credit cost guidance at 1.5-1.6%. **We fine-tune our FY27/28 earnings estimates and expect FY27E RoA/RoE of ~1.0%/9.2%. Reiterate BUY with a revised TP of INR100 (1.5x Mar'28E ABV).**

**Quarterly performance** (INRb)

| | FY26 | | | | FY27E | | | | FY26 | FY27E | FY27E | V/s |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | Est |
| **Net Interest Income** | **49.3** | **51.1** | **54.9** | **56.8** | **59.7** | **61.8** | **64.7** | **68.5** | **212.2** | **254.7** | **61.7** | **0%** |
| % Change (Y-o-Y) | 5.1 | 6.8 | 12.0 | 15.7 | 21.1 | 21.0 | 17.8 | 20.6 | 10.0 | 20.1 | 20.6 | |
| Other Income | 22.3 | 18.9 | 21.2 | 16.3 | 23.1 | 23.0 | 23.2 | 24.4 | 78.7 | 93.7 | 23.9 | -4% |
| **Total Income** | **71.6** | **70.0** | **76.2** | **73.1** | **82.8** | **84.8** | **87.9** | **92.9** | **290.9** | **348.4** | **85.6** | **-1%** |
| Operating Expenses | 49.2 | 51.2 | 55.8 | 62.5 | 57.3 | 59.4 | 61.1 | 64.6 | 218.8 | 242.4 | 59.9 | -1% |
| **Operating Profit** | **22.4** | **18.8** | **20.3** | **10.6** | **25.5** | **25.4** | **26.8** | **28.2** | **72.1** | **106.0** | **25.7** | **-1%** |
| % Change (Y-o-Y) | 19.0 | -4.2 | 15.6 | -41.6 | 14.0 | 35.0 | 32.0 | 166.9 | -2.7 | 47.0 | 36.5 | |
| Provisions | 16.6 | 14.5 | 14.0 | 8.7 | 11.4 | 11.4 | 11.6 | 12.2 | 53.8 | 46.7 | 11.4 | 0% |
| **Profit before Tax** | **5.8** | **4.3** | **6.4** | **1.9** | **14.1** | **14.0** | **15.2** | **16.0** | **18.3** | **59.4** | **14.3** | **-2%** |
| Tax | 1.2 | 0.8 | 1.3 | -1.3 | 3.3 | 3.6 | 3.7 | 3.8 | 2.0 | 14.4 | 3.5 | 2% |
| **Net Profit** | **4.6** | **3.5** | **5.0** | **3.2** | **10.7** | **10.4** | **11.5** | **12.3** | **16.4** | **45.0** | **10.8** | **-3%** |
| % Change (Y-o-Y) | -32.0 | 75.5 | 48.1 | 4.9 | 132.4 | 196.5 | 129.4 | 284.5 | 7.3 | 174.9 | 205.7 | |
| **Operating Parameters** | | | | | | | | | | | | |
| Deposit (INR b) | 2,650 | 2,768 | 2,911 | 2,945 | 3,119 | 3,486 | 3,570 | 3,699 | 2,945 | 3,699 | 3,401 | 2% |
| Deposit Growth (%) | 26.4 | 23.8 | 22.9 | 16.8 | 17.7 | 25.9 | 22.6 | 25.6 | 16.8 | 25.6 | 22.9 | |
| Loan (INR b) | 2,437 | 2,571 | 2,700 | 2,804 | 2,945 | 3,356 | 3,463 | 3,588 | 2,804 | 3,544 | 3,272 | 3% |
| Loan Growth (%) | 20.3 | 19.5 | 21.0 | 20.3 | 20.8 | 30.5 | 28.3 | 28.0 | 20.3 | 26.4 | 27.3 | |
| **Asset Quality** | | | | | | | | | | | | |
| Gross NPA (%) | 2.0 | 1.9 | 1.7 | 1.6 | 1.5 | 1.3 | 1.3 | 1.3 | 1.6 | 1.3 | 1.4 | |
| Net NPA (%) | 0.6 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.4 | 0.4 | |
| PCR (%) | 72.3 | 72.2 | 69.1 | 70.5 | 71.5 | 70.1 | 70.5 | 70.6 | 70.5 | 70.6 | 71.7 | |

Source: MOFSL, Company

**Quarterly Snapshot**

| Particulars | FY26 | | | | FY27 | | YoY (%) | QoQ (%) |
|---|---|---|---|---|---|---|---|---|
| **Profit and Loss (INR b)** | **1Q** | **2Q** | **3Q** | **4Q** | **1Q** | **2Q** | | |
| **Net Interest Income** | **49.3** | **51.1** | **54.9** | **56.8** | **59.7** | **61.8** | **21.0** | **3.5** |
| Other Income | 22.3 | 18.9 | 21.2 | 16.3 | 23.1 | 23.0 | 21.4 | -0.6 |
| Trading profits | 5.0 | 0.6 | 1.0 | -4.3 | 1.8 | 0.1 | -80.2 | -93.9 |
| **Total Income** | **71.6** | **70.0** | **76.2** | **73.1** | **82.8** | **84.8** | **21.1** | **2.4** |
| Operating Expenses | 49.2 | 51.2 | 55.8 | 62.5 | 57.3 | 59.4 | 16.0 | 3.7 |
| Employee | 15.0 | 14.9 | 16.0 | 15.9 | 17.0 | 17.2 | 15.4 | 1.4 |
| Others | 34.2 | 36.3 | 39.8 | 46.5 | 40.3 | 42.2 | 16.2 | 4.7 |
| **Operating Profits** | **22.4** | **18.8** | **20.3** | **10.6** | **25.5** | **25.4** | **35.0** | **-0.6** |
| **Core Operating Profits** | **17.4** | **18.2** | **19.4** | **14.9** | **23.7** | **25.3** | **38.5** | **6.6** |
| Provisions | 16.6 | 14.5 | 14.0 | 8.7 | 11.4 | 11.4 | -21.7 | -0.6 |
| **PBT** | **5.8** | **4.3** | **6.4** | **1.9** | **14.1** | **14.0** | **227.3** | **-0.5** |
| Taxes | 1.2 | 0.8 | 1.3 | -1.3 | 3.3 | 3.6 | 370.3 | 7.0 |
| **PAT** | **4.6** | **3.5** | **5.0** | **3.2** | **10.7** | **10.4** | **196.5** | **-2.8** |
| **Balance Sheet** | | | | | | | | |
| **Loans** | **2,437** | **2,571** | **2,700** | **2,804** | **2,945** | **3,356** | **30.5** | **14.0** |
| -Growth (%) | 20 | 20 | 21 | 20 | 21 | 31 | 56.3 | 46.5 |
| **Deposits** | **2,650** | **2,768** | **2,911** | **2,945** | **3,119** | **3,486** | **25.9** | **11.8** |
| -Growth (%) | 26 | 24 | 23 | 17 | 18 | 26 | 9.1 | 46.5 |
| -CASA Deposits | 1,272 | 1,386 | 1,504 | 1,467 | 1,585 | 1,660 | 19.8 | 4.7 |
| **Loan mix (%)** | | | | | | | | |
| Retail Finance | 58.2 | 58.6 | 58.7 | 59.1 | 58.7 | 61.0 | 239 | 232 |
| -Vehicle loan | 10.7 | 11.3 | 11.5 | 11.6 | 11.2 | 10.2 | -112 | -96 |
| -Consumer + education loan | 13.9 | 19.4 | 19.7 | 19.8 | 20.1 | 18.5 | -92 | -165 |
| -Credit card | 3.2 | 3.2 | 3.3 | 3.2 | 3.1 | 2.8 | -39 | -29 |
| Rural Finance | 9.4 | 8.8 | 8.4 | 8.3 | 8.0 | 7.3 | -155 | -72 |
| Business Finance | 32.3 | 32.6 | 32.8 | 32.6 | 33.3 | 31.7 | -83 | -160 |
| **Asset Quality** | | | | | | | | |
| GNPA | 48.7 | 48.4 | 46.1 | 45.6 | 45.1 | 44.7 | -7.7 | -1.0 |
| NNPA | 13.5 | 13.5 | 14.3 | 13.5 | 12.9 | 13.3 | -0.8 | 3.7 |
| **Asset quality ratios (%)** | | | | | | | **YoY (bp)** | **QoQ (bp)** |
| GNPA | 1.97 | 1.86 | 1.69 | 1.61 | 1.51 | 1.32 | -54 | -19 |
| NNPA | 0.55 | 0.52 | 0.53 | 0.48 | 0.44 | 0.40 | -12 | -4 |
| PCR (Exc TWO) | 72.3 | 72.2 | 69.1 | 70.5 | 71.5 | 70.1 | -208 | -135 |
| SMA 1&2 | 1.0 | 0.9 | 0.9 | 0.8 | 0.8 | 0.7 | -18 | -5 |
| Credit Cost | 3.0 | 2.5 | 2.3 | 1.4 | 1.7 | 1.5 | -93 | -17 |
| **Business ratios (%)** | | | | | | | | |
| CASA (Reported) | 48.0 | 50.1 | 51.6 | 49.8 | 50.8 | 47.6 | -250 | -320 |
| Loan/Deposit | 92.0 | 92.9 | 92.7 | 95.2 | 94.4 | 96.3 | 339 | 187 |
| Other income/Total Income | 31.1 | 27.0 | 27.9 | 22.3 | 27.9 | 27.1 | 7 | -81 |
| Cost to Asset | 5.9 | 5.8 | 6.1 | 6.7 | 5.9 | 5.6 | -26 | -29 |
| Cost to Income | 68.7 | 73.2 | 73.3 | 85.5 | 69.2 | 70.1 | -309 | 89 |
| Tax Rate | 20.3 | 17.7 | 20.9 | -68.5 | 23.7 | 25.5 | 774 | 178 |
| **Capitalisation Ratios (%)** | | | | | | | | |
| Tier-1 (incl profit) | 12.8 | 12.3 | 14.2 | 13.7 | 13.3 | 13.0 | 72 | -33 |
| -CET-1 (incl profit) | 12.8 | 12.3 | 14.2 | 13.7 | 13.3 | 13.0 | 72 | -33 |
| CAR (incl profit) | 15.0 | 14.3 | 16.2 | 15.6 | 15.1 | 14.7 | 33 | -38 |
| RWA / Total Assets | 80.1 | 79.3 | 80.9 | 82.8 | 84.4 | 79.2 | -11 | -523 |
| LCR | 117.7 | 115.0 | 115.2 | 114.0 | 116.0 | 125.0 | 998 | 900 |
| **Profitability ratios (%)** | | | | | | | | |
| YoA | 14.6 | 14.1 | 14.2 | 14.0 | 14.0 | 13.7 | -37 | -31 |
| YoF | 12.6 | 12.3 | 12.4 | 12.4 | 12.3 | 12.1 | -19 | -17 |
| CoF | 6.6 | 6.6 | 6.1 | 6.0 | 6.1 | 6.4 | -20 | 23 |
| RoA | 0.5 | 0.4 | 0.5 | 0.3 | 1.1 | 0.9 | 55 | -12 |
| Margins | 5.71 | 5.59 | 5.76 | 5.93 | 5.96 | 5.58 | -1 | -38 |
| **Other Details** | | | | | | | | |
| Branches | 1,016 | 1,041 | 1,066 | 1,147 | 1,155 | 1,200 | 159 | 45 |




## Highlights from the management commentary

### Opening remarks by management

- The bank mobilized USD3.6b of FCNR(B) deposits, equivalent to ~10% of total deposits, and leveraged USD2.6b against these deposits.
- The bank garnered ~2.7% of total FCNR(B) mobilization in India, approximately 100bp above its pre-scheme share of NRI deposits.
- Core profit exceeded INR10b in 2QFY27, compared with INR9b in 1QFY27.
- FCNR(B) deposits are estimated to provide an incremental benefit of ~100bp, including statutory benefits, relative to alternative domestic deposit mobilization.
- Incremental business is generating RoA of ~1.8%, with a cost-to-income ratio of 55%.
- Opex growth has remained 500bp below total income growth over the past three quarters, reflecting improving operating leverage.
- The impact of FCNR(B) deposits on RoA is limited to ~2bp, supported by lower incremental opex, the absence of SLR/CRR costs and a higher asset base.

### Opex and other income

- Fee and other income grew 25% YoY, accelerating from 23% in 1QFY27.
- Treasury gains were modest at INR0.11b vs. INR1.81b in 1QFY27, reflecting hardening G-sec yields during the quarter.
- Operating leverage continued to improve, with the growth differential between total income and opex at 592bp in 2QFY27 and 553bp in 1HFY27.
- IDFCB expects the adverse impact on bancassurance income to be offset by FCNR(B) deposit mobilization, product mix changes and expected increase in the repo rate.
- FCNR(B)-related fee income stood at INR0.30b, against opex of ~INR0.60b, including borrowing costs.

### Loan and deposits

- Advances grew 22.2% YoY/5.7% QoQ, excluding FCNR(B)-backed lending, driven by business banking (32% YoY) and wholesale banking (34% YoY).
- Credit card spends grew 15% YoY, with quarterly spends exceeding USD5b.
- ~97% of the MFI portfolio is now covered under the CGFMU scheme.
- The corporate book remains conservatively rated, with 76% of exposure to A-rated and above companies, 20% to BBB-rated borrowers and 4% to BB-rated and below borrowers.
- Customer deposits grew 14% YoY, excluding FCNR(B) deposits.
- The bulk deposit ratio declined to 13.9% from 17.1%, supported by the repayment of maturing certificates of deposit.
- Average CASA ratio remained healthy at 48.4%, with management targeting a sustained ratio in the high-40% range.
- Growth guidance remains unchanged at 20%+ for advances and 21-22% for deposits. Most FCNR(B) inflows were received toward quarter-end.
- Average LCR stood at 125% for 2QFY27, while the September month average LCR stood at 139%.

## Yields and margins

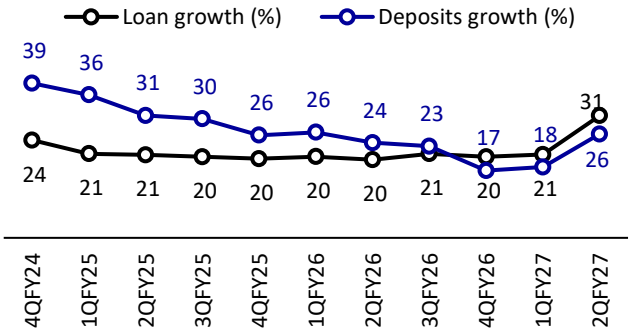
- NIM declined 16bp QoQ owing to loans against FCNR(B) deposits, 7bp impact from excess liquidity, 5bp from other asset-mix changes and 4bp from day-count variations.
- NIM is expected to remain range-bound in 3QFY27 and recover to ~5.8% by 4QFY27 as surplus liquidity is deployed and repo hike benefit kicks in.
- Blended cost of funds in FY28 is expected to increase by only 5-10bp over FY27, assuming a 75bp repo rate hike.
- The corporate book generates a cost-to-income ratio of 33% and a yield of 9.2%, against a cost of funds of ~7.5%, implying an estimated RoA of 1.6-1.7%.
- A 50bp repo rate increase could translate into a ~16-17bp benefit to lending yields, with only partial transmission assumed in the NIM outlook.
- The loan book comprises ~60% fixed-rate advances, 31-32% repo-linked advances and the balance linked to MCLR.

## Asset quality

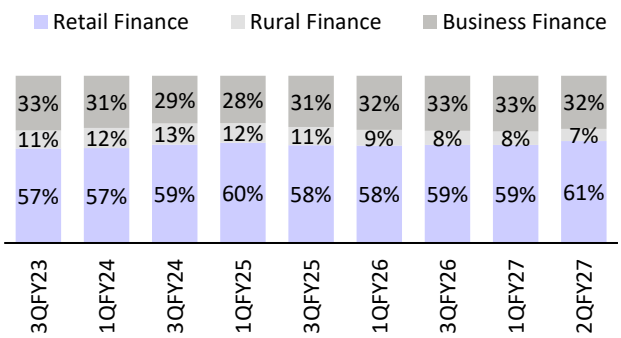
- Credit cost improved to 1.38% in 2QFY27 from 1.53% in 1QFY27. Excluding FCNR(B)-backed loans and the associated provisions, credit cost would have been lower at 1.30% of average funded assets.
- Asset quality continued to improve across GNPA, NNPA and SMA metrics across product segments.
- No delinquencies have been observed in the corporate segments over the past seven years.
- Retail SMA-1 and SMA-2 declined to 0.72% in 2QFY27 from 0.77% in 1QFY27. MFI SMA-1 and SMA-2 also moderated to 0.6% from 0.71%.
- 2Q provisions included INR1b of standard asset provisions against FCNR(B)-backed loans.
- Credit cost guidance remains unchanged at 1.5-1.6%.
- The ECL transition is expected to have a broadly neutral impact on the CET-1 ratio.

# Story in charts

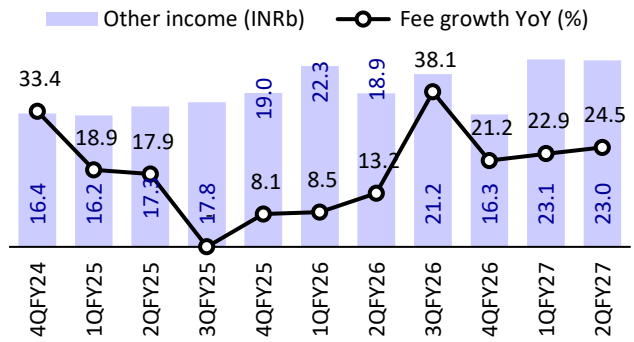
### Exhibit 1: Loans/deposits grew 31%/26% YoY



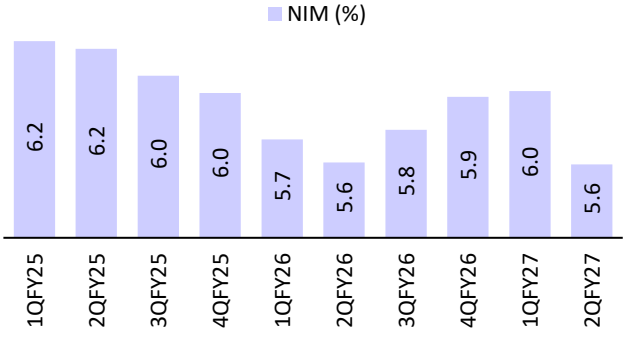

### Exhibit 2: Consumer & Rural Finance formed 68% of loans



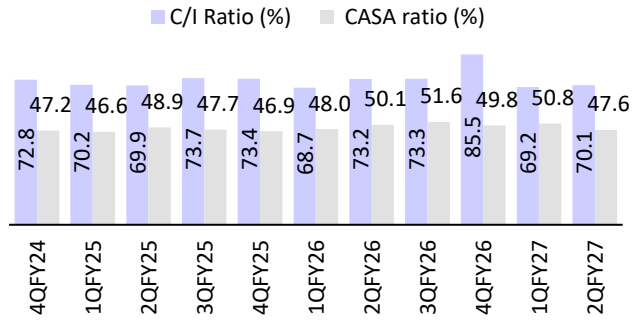

### Exhibit 3: Fee income grew 22% YoY to INR22.9b



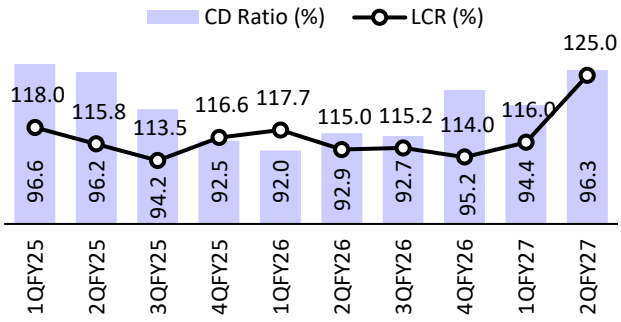

### Exhibit 4: NIMs declined 38bp QoQ to 5.58%



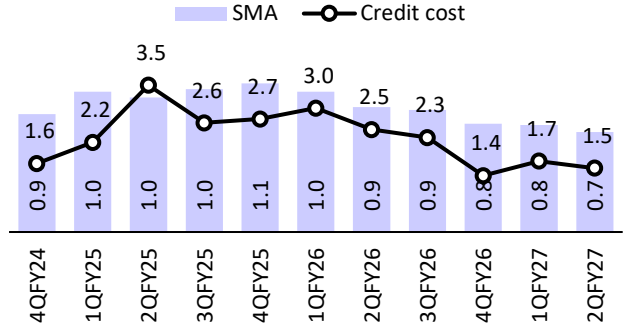

### Exhibit 5: C/I ratio increased to 70.1%; CASA ratio at 47.6%




### Exhibit 6: C/D ratio increased to 96.3% in 2QFY27

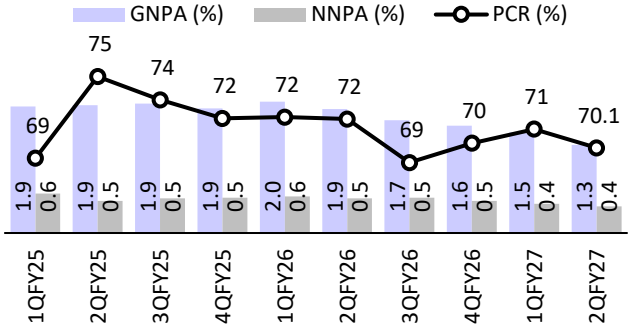



### Exhibit 7: Credit costs (cal.) improved to 1.5%; SMA at 0.7%




Source: MOFSL, Company

### Exhibit 8: GNPA/NNPA fell to 1.32%/0.40%; PCR at 70.1%




Source: MOFSL, Company

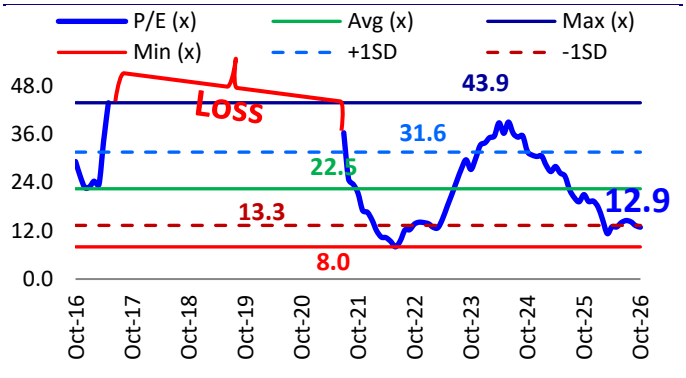
## Valuation and view – Maintain BUY with revised TP of INR100

- IDFCFB reported a steady quarter, aided by healthy operating performance and robust business growth.
- NIMs declined 32bp QoQ to 5.6% (vs. 1Q adjusted NIMs of 5.9%), and management expects NIMs to recover to 5.8% by 4QFY27 on the back of repo hikes and deployment of surplus liquidity.
- Deposit growth was healthy, driven by strong FCNR(B) deposit mobilization. Loan growth, excluding loans against FCNR(B) deposits, was healthy at 22% YoY, with strong traction across retail and wholesale segments.
- Management maintains its 1% RoA guidance for FY27 with credit cost guidance at 1.5-1.6%.
- **We fine-tune our FY27/28 earnings estimates and expect FY27E RoA/RoE of ~1.0%/9.2%. Reiterate BUY with a revised TP of INR100 (1.5x Mar'28E ABV).**

**Exhibit 9: Change to our estimates**

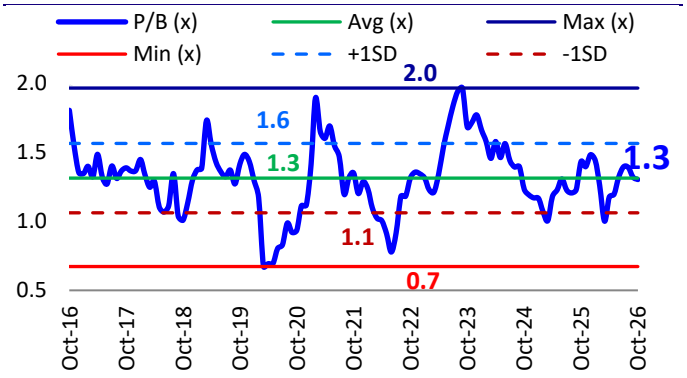
| INR bn | Old Est. | | New Est. | | Change (%/bps) | |
|---|---|---|---|---|---|---|
| | FY27 | FY28 | FY27 | FY28 | FY27 | FY28 |
| Net Interest Income | 254.9 | 310.5 | 254.7 | 317.2 | -0.1 | 2.2 |
| Other Income | 94.5 | 105.8 | 93.7 | 104.0 | -0.8 | -1.7 |
| **Total Income** | **349.4** | **416.3** | **348.4** | **421.2** | **-0.3** | **1.2** |
| Operating Expenses | 242.1 | 273.0 | 242.4 | 276.6 | 0.1 | 1.3 |
| **Operating Profits** | **107.2** | **143.4** | **106.0** | **144.6** | **-1.2** | **0.9** |
| Provisions | 48.2 | 63.3 | 46.7 | 64.4 | -3.2 | 1.9 |
| **PBT** | **59.0** | **80.1** | **59.4** | **80.2** | **0.5** | **0.1** |
| Tax | 14.3 | 19.4 | 14.4 | 19.4 | 0.5 | 0.1 |
| **PAT** | **44.7** | **60.7** | **45.0** | **60.8** | **0.5** | **0.1** |
| Loans | 3,480 | 4,169 | 3,544 | 4,246 | 1.9 | 1.9 |
| Deposits | 3,657 | 4,389 | 3,699 | 4,438 | 1.1 | 1.1 |
| Margins (%) | 5.7 | 5.8 | 5.7 | 5.9 | (3) | 8 |
| Credit Cost (%) | 1.5 | 1.6 | 1.4 | 1.6 | (7) | - |
| **RoA (%)** | **1.01** | **1.13** | **1.01** | **1.13** | **0** | **(1)** |
| **RoE (%)** | **9.2** | **11.4** | **9.2** | **11.4** | **5** | **1** |
| EPS | 5.2 | 7.1 | 5.2 | 7.1 | 0.5 | 0.1 |
| BV | 58.8 | 64.7 | 58.8 | 64.7 | 0.0 | 0.1 |
| ABV | 56.8 | 62.2 | 56.7 | 62.2 | -0.2 | 0.1 |

**Exhibit 10: One-year forward P/E**




Source: MOFSL, Company

**Exhibit 11: One-year forward P/B**




Source: MOFSL, Company

**Exhibit 12: DuPont Analysis – We expect RoA of 1.01% in FY27**

| Y/E MARCH (%) | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|
| Interest Income | 10.57 | 11.31 | 11.41 | 10.91 | 10.78 | 11.02 |
| Interest Expense | 4.69 | 5.18 | 5.38 | 5.20 | 5.08 | 5.15 |
| **Net Interest Income** | **5.88** | **6.14** | **6.03** | **5.71** | **5.71** | **5.88** |
| Fee income | 0.60 | 1.48 | 1.21 | 0.97 | 1.19 | 1.21 |
| Trading and others | 1.48 | 0.76 | 0.99 | 1.15 | 0.91 | 0.71 |
| **Non-Interest income** | **2.08** | **2.24** | **2.19** | **2.12** | **2.10** | **1.93** |
| **Total Income** | **7.95** | **8.38** | **8.22** | **7.82** | **7.81** | **7.80** |
| **Operating Expenses** | **5.66** | **6.05** | **5.91** | **5.88** | **5.43** | **5.12** |
| Employee cost | 1.74 | 1.83 | 1.78 | 1.66 | 1.54 | 1.44 |
| Others | 3.92 | 4.22 | 4.12 | 4.22 | 3.89 | 3.69 |
| **Operating Profit** | **2.29** | **2.33** | **2.32** | **1.94** | **2.38** | **2.68** |
| **Core Operating Profit** | **0.81** | **1.57** | **1.33** | **0.79** | **1.47** | **1.97** |
| **Provisions** | **0.77** | **0.89** | **1.72** | **1.45** | **1.05** | **1.19** |
| **PBT** | **1.52** | **1.44** | **0.59** | **0.49** | **1.33** | **1.49** |
| Tax | 0.39 | 0.34 | 0.12 | 0.05 | 0.32 | 0.36 |
| **RoA** | **1.13** | **1.10** | **0.48** | **0.44** | **1.01** | **1.13** |
| Leverage (x) | 9.22 | 9.28 | 9.14 | 8.75 | 9.14 | 10.17 |
| **RoE** | **10.4** | **10.2** | **4.4** | **3.9** | **9.2** | **11.5** |

# Financials and valuations

| Income Statement | | | | | | (INRb) |
|---|---|---|---|---|---|---|
| **Y/E March** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| Interest Income | 227.3 | 303.2 | 365.0 | 405.5 | 481.2 | 595.1 |
| Interest Expense | 100.9 | 138.7 | 172.1 | 193.3 | 226.5 | 277.9 |
| **Net Interest Income** | **126.4** | **164.5** | **192.9** | **212.2** | **254.7** | **317.2** |
| -growth (%) | 30.2 | 30.2 | 17.3 | 10.0 | 20.1 | 24.5 |
| Non-Interest Income | 44.7 | 60.0 | 70.2 | 78.7 | 93.7 | 104.0 |
| **Total Income** | **171.0** | **224.5** | **263.1** | **290.9** | **348.4** | **421.2** |
| -growth (%) | 32.3 | 31.3 | 17.2 | 10.5 | 19.8 | 20.9 |
| Operating Expenses | 121.7 | 162.2 | 189.0 | 218.8 | 242.4 | 276.6 |
| **Pre Provision Profits** | **49.3** | **62.4** | **74.1** | **72.1** | **106.0** | **144.6** |
| -growth (%) | 50.2 | 26.5 | 18.9 | -2.7 | 47.0 | 36.4 |
| **Core PPoP** | **46.1** | **60.3** | **71.0** | **67.8** | **102.0** | **140.8** |
| -growth (%) | 68.6 | 30.8 | 17.6 | -4.4 | 50.3 | 38.1 |
| Provisions (excl tax) | 16.6 | 23.8 | 55.1 | 53.8 | 46.7 | 64.4 |
| **PBT** | **32.7** | **38.6** | **19.0** | **18.3** | **59.4** | **80.2** |
| Tax | 8.3 | 9.0 | 3.8 | 2.0 | 14.4 | 19.4 |
| Tax Rate (%) | 25.4 | 23.3 | 19.7 | 10.7 | 24.2 | 24.2 |
| **PAT** | **24.4** | **29.6** | **15.2** | **16.4** | **45.0** | **60.8** |
| -growth (%) | 1,575.3 | 21.3 | -48.4 | 7.3 | 174.9 | 35.1 |

| Balance Sheet | | | | | | |
|---|---|---|---|---|---|---|
| **Y/E March** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| Equity Share Capital | 66.2 | 70.7 | 73.2 | 86.0 | 86.0 | 86.0 |
| Reserves & Surplus | 190.7 | 250.3 | 306.1 | 384.6 | 419.6 | 470.4 |
| **Net Worth** | **256.8** | **321.0** | **379.3** | **470.6** | **505.7** | **556.5** |
| **Deposits** | **1,446.4** | **2,005.8** | **2,520.7** | **2,944.7** | **3,698.6** | **4,438.3** |
| -growth (%) | 36.9 | 38.7 | 25.7 | 16.8 | 25.6 | 20.0 |
| **-CASA Dep** | **719.8** | **947.7** | **1,182.4** | **1,466.5** | **1,749.4** | **2,197.0** |
| -growth (%) | 40.7 | 31.7 | 24.8 | 24.0 | 19.3 | 25.6 |
| Borrowings | 572.1 | 509.4 | 389.7 | 366.2 | 456.9 | 538.1 |
| Other Liabilities & Prov. | 123.7 | 124.4 | 147.0 | 213.3 | 266.7 | 336.0 |
| **Total Liabilities** | **2,399.4** | **2,961.2** | **3,438.2** | **3,997.8** | **4,927.8** | **5,868.9** |
| Current Assets | 139.0 | 124.8 | 151.0 | 127.6 | 170.4 | 204.0 |
| **Investments** | **611.2** | **747.1** | **807.2** | **859.7** | **1,023.0** | **1,207.1** |
| -growth (%) | 32.5 | 22.2 | 8.0 | 6.5 | 19.0 | 18.0 |
| **Loans** | **1,517.9** | **1,945.9** | **2,331.1** | **2,803.9** | **3,544.1** | **4,245.9** |
| -growth (%) | 28.8 | 28.2 | 19.8 | 20.3 | 26.4 | 19.8 |
| Fixed Assets | 20.9 | 26.2 | 26.6 | 25.6 | 37.0 | 41.4 |
| Other Assets | 110.4 | 117.1 | 122.3 | 181.0 | 153.4 | 170.5 |
| **Total Assets** | **2,399.4** | **2,961.2** | **3,438.2** | **3,997.8** | **4,927.8** | **5,868.9** |

| Asset Quality | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|
| GNPA | 38.8 | 37.2 | 44.3 | 45.6 | 47.1 | 61.5 |
| NNPA | 13.0 | 11.6 | 12.3 | 13.5 | 13.9 | 16.8 |
| GNPA Ratio (%) | 2.6 | 1.9 | 1.9 | 1.6 | 1.3 | 1.4 |
| NNPA Ratio (%) | 0.9 | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 |
| Slippage Ratio (%) | 3.4 | 3.0 | 3.8 | 3.4 | 3.0 | 2.8 |
| Credit Cost (%) | 1.2 | 1.4 | 2.6 | 2.1 | 1.4 | 1.6 |
| PCR (Excl Tech. write off) (%) | 66.4 | 68.8 | 72.3 | 70.5 | 70.6 | 72.7 |

E: MOSL Estimates

# Financials and valuations

## Ratios

| Y/E March | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|
| **Yield and Cost Ratios (%)** | | | | | | |
| **Avg. Yield-Earning Assets** | **11.2** | **11.9** | **12.0** | **11.5** | **11.3** | **11.5** |
| Avg. Yield on loans | 14.2 | 15.0 | 14.4 | 13.3 | 13.0 | 13.2 |
| Avg. Yield on Investments | 6.1 | 6.1 | 6.9 | 7.2 | 7.0 | 7.0 |
| **Avg. Cost-Int. Bear. Liab.** | **5.6** | **6.1** | **6.3** | **6.2** | **6.1** | **6.1** |
| Avg. Cost of Deposits | 5.0 | 5.9 | 6.2 | 6.1 | 5.8 | 5.85 |
| **Interest Spread** | **9.2** | **9.1** | **8.2** | **7.2** | **7.2** | **7.3** |
| **Net Interest Margin** | **5.9** | **6.1** | **6.0** | **5.7** | **5.7** | **5.9** |
| **Capitalisation Ratios (%)** | | | | | | |
| CAR | 16.8 | 16.1 | 15.5 | 15.6 | 13.6 | 12.7 |
| Tier I | 14.2 | 13.4 | 13.2 | 13.7 | 12.1 | 11.4 |
| -CET-1 | 14.2 | 13.4 | 13.2 | 13.7 | 12.1 | 11.4 |
| Tier II | 2.6 | 2.8 | 2.3 | 1.9 | 1.5 | 1.3 |
| **Business Ratios (%)** | | | | | | |
| Loans/Deposit Ratio | 104.9 | 97.0 | 92.5 | 95.2 | 95.8 | 95.7 |
| CASA Ratio | 49.8 | 47.2 | 46.9 | 49.8 | 47.3 | 49.5 |
| Cost/Assets | 5.1 | 5.5 | 5.5 | 5.5 | 4.9 | 4.7 |
| Cost/Total Income | 71.2 | 72.2 | 71.8 | 75.2 | 69.6 | 65.7 |
| Cost/Core Income | 72.5 | 72.9 | 72.7 | 76.3 | 70.4 | 66.3 |
| Int. Expense/Int.Income | 44.4 | 45.7 | 47.1 | 47.7 | 47.1 | 46.7 |
| Fee Income/Total Income | 24.3 | 25.8 | 25.5 | 25.6 | 25.7 | 23.8 |
| Non Int. Inc./Total Income | 26.1 | 26.7 | 26.7 | 27.1 | 26.9 | 24.7 |
| Empl. Cost/Total Expense | 30.7 | 30.2 | 30.2 | 28.3 | 28.3 | 28.0 |
| **Efficiency Ratios (INRm)** | | | | | | |
| CASA per branch | 889.8 | 1,003.9 | 1,180.0 | 1,278.6 | 1,391.8 | 1,595.5 |
| Employee per branch (in nos) | 43.7 | 43.6 | 42.1 | 37.5 | 38.4 | 39.2 |
| Staff exp per employee | 1.1 | 1.2 | 1.4 | 1.4 | 1.4 | 1.4 |
| Busi. per Empl. | 83.8 | 96.1 | 115.0 | 133.5 | 150.2 | 160.8 |
| NP per Empl. | 0.7 | 0.7 | 0.4 | 0.4 | 0.9 | 1.1 |
| **Profitability Ratios and Valuation** | | | | | | |
| RoE | 10.4 | 10.2 | 4.4 | 3.9 | 9.2 | 11.4 |
| RoA | 1.1 | 1.1 | 0.5 | 0.4 | 1.0 | 1.1 |
| RoRWA | 1.6 | 1.5 | 0.6 | 0.5 | 1.2 | 1.4 |
| Book Value (INR) | 39 | 45 | 52 | 55 | 59 | 65 |
| -growth (%) | 15.0 | 17.0 | 14.1 | 5.6 | 7.4 | 10.0 |
| **Price-BV (x)** | **1.9** | **1.6** | **1.4** | **1.3** | **1.2** | **1.1** |
| Adjusted BV (INR) | 37 | 44 | 50 | 53 | 57 | 62 |
| **Price-ABV (x)** | **2.0** | **1.7** | **1.4** | **1.4** | **1.3** | **1.2** |
| EPS (INR) | 3.8 | 4.3 | 2.1 | 2.1 | 5.2 | 7.1 |
| -growth (%) | 1,452.3 | 13.8 | -50.9 | -3.0 | 154.5 | 35.1 |
| **Price-Earnings (x)** | **19.0** | **16.7** | **34.1** | **35.2** | **13.8** | **10.2** |

E: MOSL Estimates

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|---|---|
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| SELL | < - 10% |
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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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Grievance Redressal Cell:

| Contact Person | Contact No. | Email ID |
|---|---|---|
| Ms. Hemangi Date | 022 40548000 / 022 67490600 | query@motilaloswal.com |
| Ms. Kumud Upadhyay | 022 40548082 | servicehead@motilaloswal.com |
| Mr. Ajay Menon | 022 40548083 | am@motilaloswal.com |
| Mr. Neeraj Agarwal | 022 40548085 | na@motilaloswal.com |
| Mr. Siddhartha Khemka | 022 50362452 | po.research@motilaloswal.com |

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