



Promising future ...

Q4FY25 PAT came in at INR 1030 cr, up by 13.7% yoy /7.8% qoq led by moderated asset growth and lower provisioning. Total advances growth was lower at 12% yoy to INR 2381 bn vs. ~20% growth seen in previous 7-8 quarters led by moderated growth seen in the retail (57% share) & corporate loans (33.5% share). Management has highlighted that going forward, loan growth of the bank is projected to grow by 1.2-1.3x of the industry average growth. NII growth moderated to 8.3% yoy (-2.2% qoq) due to slower asset growth. Margins were stable on qoq basis at 3.11% levels. Incrementally, management is building focus on the higher-yielding mid-market segment loans which can be margin accretive for the bank. On the liability side, both CA & SA grew at strong rates of 6.5%/27% qoq - this remains one of the key strategies of the new management to focus on growth of CASA deposits. Asset quality maintained with marginal uptick in the MFI slippages. Reported GNPA/NNPA stood at 2.09%/0.57% vs. 2.11%/0.6% qoq. We retain ACCUMULATE rating with revised TP of INR 239, upside of 22% from current levels.

Valuations

The bank's PAT is projected to grow at a 20% CAGR over FY25-27, driven by the new management's ambitious targets, including product portfolio expansion, branch transformation, margin improvement, and renewed digital focus. These initiatives are expected to improve ROA from 1.2% in FY25 to 1.4% by FY27, eventually reaching around 1.8% by FY28. ROE is also forecasted to rise from 13% to 14.6% during FY25-27.

Financial Summary

Y/E Mar (Rs Bn)	FY23	FY24	FY25	FY26E	FY27E
NII	72.3	82.9	94.7	111.4	132.6
Net profit	30.1	37.2	40.5	48.2	58.3
Networth	215	291	334	375	425
Adj BVPS	95	113	131	149	171
EPS (Rs)	14.2	15.1	16.5	19.6	23.8
P/ABV (x)	1.9	1.6	1.4	1.2	1.1
P/E (x)	12.6	11.9	10.9	9.2	7.6

Source: Dalal & Broacha Research, Company

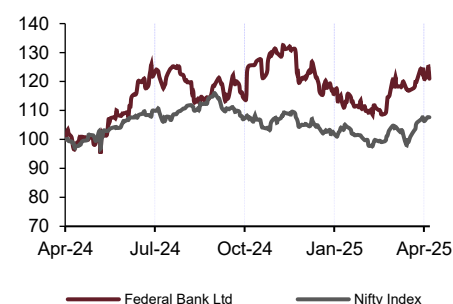
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	239	22

Market data

Current price	Rs	197
Market Cap (Rs.Bn)	(Rs Bn)	483
Market Cap (US\$ Mn)	(US\$ Mn)	5,664
Face Value	Rs	2
52 Weeks High/Low	Rs	217 / 148
Average Daily Volume	('000)	12,274
BSE Code		500469
Bloomberg		FB.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-25	Dec-24
Promoters	-	-
Public	100	100
Total	100	100

Source: BSE

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CASA improvement is visible in the recent quarter, though sustaining this growth remains crucial. Under strong leadership, successful implementation of the roadmap could lead to a structural re-rating compared to the current valuation typically accorded to old private sector bank.

The stock trades at 1.2x/1.1x FY26/FY27 ABV and is assigned an Accumulate rating with a revised target price of INR 239, implying a 22% upside based on a 1.4x FY27 ABV multiple.

Results Highlights Q4FY25

- Q4FY25 PAT came in at INR 1030 cr, up by 13.7% yoy /7.8% qoq led by moderated asset growth and lower provisioning
- **Total advances growth is slowing down**
 - Total advances growth was lower at 12% yoy to INR 2381 bn vs. ~20% growth seen in previous 7-8 quarters led by moderated growth seen in the retail (57% share) & corporate loans (33.5% share). Management has highlighted that going forward, loan growth of the bank is projected to grow by 1.2-1.3x of the industry average growth.
 - Retail loans, which grew by 8.4% yoy in FY25, had reported a growth of 12% in FY24 & 26% in FY23. However, growth is marginally picking up visible in 3% qoq growth vs. -0.6% seen in Q3 and 1.8% in Q2.
 - Post increase in the risk-weightage of unsecured retail loans by RBI, the entire full year saw across the board slowdown in the secured & unsecured retail loans of the bank. Housing grew by 6.8% yoy in FY25 (11.7% in FY24), auto loans by 17.8% yoy (34% in FY24), personal loans by -1.5% (60.7% in FY24), credit cards by 18.6% yoy (101% FY24).
 - We have projected 15% CAGR growth over FY25-27e period.
- **NII growth moderated to 8.3% yoy (-2.2% qoq) due to slower asset growth and margin dip of 9 bps on yoy basis**
 - Reported advances yields was down by 8 bps qoq to 9.31%, in our view, mainly due to slowdown in high-yielding unsecured retail assets. Retail assets + corporate loans should ideally pick-up in FY26 which can have positive rub-off on advances yields on overall basis
 - Quarterly reported margins were down by 9 bps yoy to 3.12% (& stable qoq). Management is building focus on the higher-yielding mid-market segment loans which can be margin accretive for the bank
 - Reported cost of funds has risen by 9 bps yoy to 5.98% which can be attributed to higher dependence

on bulk deposits (19% share, 18.6% growth) and lower growth in retail term deposits (6.8% growth, 21.4% share). Going forward, CP/CD rates has fallen in line with improved liquidity & repo rate cuts, bulk deposits which contribute 19% of the overall deposits, should get repriced faster at lower rates resulting in lower funding costs.

- Current account deposits reported strong growth of 35% yoy & 6.5% qoq – this remains one of the key strategies of the new management to focus on growth of CASA deposits. Total deposits grew by 12.3% yoy/6.5% qoq to INR 2836 bn
- Similarly, SA deposits grew by 27% qoq (10.6% yoy) – higher growth can also be attributed to March year end. However, sustained growth in CASA growth in coming quarters will be key thing to watch out for. Currently CASA contributes 30.2% in the overall deposits. Also, savings deposits rates have been reduced from 3% to 2.75% which should aid margins albeit in small way
- **Other income growth was strong at 33.4% yoy**
 - Core fee income grew by 31.2% yoy to INR 752 cr vs. 22% yoy growth seen in Q3. This fee income includes loan processing fees, cards, para banking, banking & commission & exchanges and general banking services
 - On the other hand, recoveries from written-off assets was strong at INR 159 cr vs. INR 60 cr qoq
- **Asset quality maintained with marginal uptick in the MFI slippages**
 - Incremental slippages were at INR 483 cr vs. 486 cr in Q3FY25 and INR 352 cr in Q4FY24. Within this, agri slippages were higher at INR 171 cr vs. INR 123 cr qoq led by higher slippages coming from MFI book
 - Reported GNPA/NNPA stood at 2.09%/0.57% vs. 2.11%/0.6% qoq
 - Credit cost for the quarter was at 6 bps vs. 13 bps in Q3. Full year FY25 provisioning cost was at INR 733 cr vs. INR 196 cr in FY24 as management proactively increased cover on unsecured retail advances
 - We bake credit cost of 30 bps in FY26 vs. 33 bps in FY25

Concall Highlights – Q4FY25

- The bank is likely to grow loan book by 1.2-1.3x of the industry average growth for the period FY26
- On the asset side, incremental focus is on gaining traction on high-yielding mid-market segment loans like gold loans/credit cards which can be margin accretive for the bank.
- Also, it highlighted that personal loans is likely to resume growth once the macro economic situation stabilizes
- It opened 85 branches during FY25 with ~39 branches being opened in Q4 quarter itself
- The bank has announced dividend of INR 1.2 for FY25 period
- The bank has taken accelerated provisioning on account of unsecured retail loans
- It has launches operation “Udaan” which will result in modernizing of current existing branches resulting in better customer experience
- Hired actress Ms. Vidya Balan as Brand Ambassador to improve brand equity of the company

Valuations

The bank's PAT is projected to grow at a 20% CAGR over FY25-27, driven by the new management's ambitious targets, including product portfolio expansion, branch transformation, margin improvement, and renewed digital focus. These initiatives are expected to improve ROA from 1.2% in FY25 to 1.4% by FY27, eventually reaching around 1.8% by FY28. ROE is also forecasted to rise from 13% to 14.6% during FY25-27.

CASA improvement is visible in the recent quarter, though sustaining this growth remains crucial. Under strong leadership, successful implementation of the roadmap could lead to a structural re-rating compared to the current valuation typically accorded to old private sector bank.

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Quarterly Comparison

(in cr)	Q4FY25	Q4FY24	yoy (%)	Q3FY25	qoq (%)	FY25	FY24	yoy (%)
Interest earned	6648.4	5978.4	11.2	6808.7	-2.4	26365.3	22188.3	18.8
-Interest/discount on advances/bi	5284.8	4741.9	11.4	5463.7	-3.3	21016.6	17734.5	18.5
-Income on investments	1150.4	1032.6	11.4	1147.4	0.3	4541.8	3691.6	23.0
-Interest on bal. with RBI	119.8	98.4	21.8	112.6	6.5	443.0	338.9	30.7
-Others	93.3	105.5	-11.6	85.1	9.7	363.8	423.3	-14.0
Interest expenses	4270.9	3783.2	12.9	4377.4	-2.4	16897.3	13894.8	21.6
Net Interest Income (NII)	2377.4	2195.1	8.3	2431.3	-2.2	9468.0	8293.5	14.2
Other Income	1006.0	753.9	33.4	916.2	9.8	3801.3	3079.3	23.4
Total income	3383.4	2949.0	14.7	3347.5	1.1	13269.2	11372.8	16.7
Operating expenses	1918.0	1838.6	4.3	1778.1	7.9	7168.1	6198.3	15.6
-Employee cost	783.8	888.6	-11.8	785.2	-0.2	3088.3	2829.1	9.2
-Other operating expenses	1134.2	950.0	19.4	992.9	14.2	4079.8	3369.2	21.1
Operating profit	1465.4	1110.4	32.0	1569.5	-6.6	6101.1	5174.5	17.9
Provision for contingencies	138.1	-94.6	-246.0	292.3	-52.8	733.1	196.1	273.8
PBT	1327.3	1205.0	10.2	1277.1	3.9	5368.1	4978.4	7.8
Provision for taxes	297.1	298.7	-0.5	321.7	-7.7	1316.2	1257.8	4.6
Net profit	1030.2	906.3	13.7	955.4	7.8	4051.9	3720.6	8.9
Equity	491.2	487.1	0.8	490.9	0.1	491.2	487.1	0.8
EPS	4.14	4.03	2.7	3.72	11.3	82.49	76.39	8.0
Ratios (%)								
Int. exp/Int earned (%)	64.2	63.3	-	64.3	-	64.1	62.6	-
Cost/Income ratio (%)	56.7	62.3	-	53.1	-	54.0	54.5	-
Gross NPAs (Rs)	4375.5	4528.9	-3.4	4553.3	-3.9	4375.5	4528.9	-3.4
Net NPAs (Rs)	1040.4	1255.3	-17.1	1131.2	-8.0	1040.4	1255.3	-17.1
Gross NPAs (%)	1.8	2.1	-	2.0	-	1.8	2.1	-
Net NPAs (%)	0.4	0.6	-	0.5	-	0.4	0.6	-
ROA (%)	0.3	0.3	-	0.3	-	1.5	1.5	-
CAR (%)	16.4	16.1	-	15.2	-	15.5	13.4	-
Balance Sheet (Rs.cr)								
Deposits	2,83,647	2,52,534	12.3	2,66,375	6.5	2,83,647	2,52,534	12.3
Net Advances	2,34,836	2,09,403	12.1	2,30,370	1.9	2,34,836	2,09,403	12.1

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs Bn)	FY23	FY24	FY25	FY26E	FY27E
Interest income	168.0	221.9	263.7	292.1	324.7
Interest expense	95.7	138.9	169.0	180.6	192.1
NII	72.3	82.9	94.7	111.4	132.6
Non-interest income	23.3	30.8	38.0	42.4	47.8
Net revenues	95.6	113.7	132.7	153.8	180.4
Operating expenses	47.7	62.0	71.7	82.4	94.4
PPOP	48.0	51.7	61.0	71.4	86.0
Provisions	7.5	2.0	7.3	7.6	8.7
PBT	40.5	49.8	53.7	63.8	77.3
Tax	10.3	12.6	13.2	15.6	18.9
PAT	30.1	37.2	40.5	48.2	58.3
growth (y-o-y)	63.6	23.5	8.9	18.9	21.1

Balance sheet (Rs.br)	FY23	FY24	FY25	FY26E	FY27E
Share capital	4	5	5	5	5
Reserves & surplus	211	286	329	370	420
Net worth	215	291	334	375	425
Deposits	2,134	2,525	2,836	3,136	3,469
Borrowings	193	180	237	285	327
Other liability	61	87	82	92	102
Total liabilities	2,603	3,083	3,490	3,888	4,323
Fixed assets	9	10	15	18	23
Investments	490	609	662	737	815
Loans	1,744	2,094	2,348	2,701	3,106
Cash	177	190	309	253	175
Other assets	183	181	156	179	204
Total assets	2,603	3,083	3,490	3,888	4,323

Ratios	FY23	FY24	FY25	FY26E	FY27E
Growth (%)					
NII	21.3	14.7	14.2	17.7	19.0
PPOP	29.3	7.9	17.9	17.0	20.4
PAT	63.6	23.5	8.9	18.9	21.1
Advances	20.4	20.0	12.1	15.0	15.0
Deposits	17.4	18.3	12.3	10.6	10.6
Spread (%)					
Yield on Funds	7.5	8.4	8.5	8.3	8.3
Cost of Funds	4.5	5.5	5.8	5.6	5.3
Spread	3.1	2.8	2.6	2.8	3.0
NIM	3.2	3.13	3.05	3.18	3.41
Asset quality (%)					
Gross NPAs	2.4	2.1	2.1	1.9	1.8
Net NPAs	0.8	0.6	0.5	0.3	0.2
Provisions	67	71	76	84	91
Return ratios (%)					
RoE	14.9	14.7	13.0	13.6	14.6
RoA	1.3	1.3	1.2	1.3	1.4
Per share (Rs)					
EPS	14	15	16	20	24
BV	102	118	136	153	173
ABV	95	113	131	149	171
Valuations (x)					
P/E	12.6	11.9	10.9	9.2	7.6
P/BV	1.8	1.5	1.3	1.2	1.0
P/ABV	1.9	1.6	1.4	1.2	1.1
Other Ratios (%)					
Cost/Income	49.9	54.5	54.0	53.6	52.3
CD ratio	81.8	82.9	82.8	86.1	89.5
CASA ratio	32.7	29.4	30.2	30.0	29.8

Source: Dalal & Broacha Research, Company

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