

# Core Business Valuations of Large Banks with Sizeable Subsidiaries

## Banking | Thematic Report

September 14, 2025

### Robust banking businesses at reasonable valuations

#### Key Points

- **20-year core business valuation trend of large banks:** In this report, we have looked at the factors which led to the re-rating of the 5 large banks in the past 20 years across business cycles and interest rate cycles, and then explored the re-rating potential of our investment recommendations. In this analysis, we have chosen 5 banks—SBI, HDFC Bank, ICICI Bank, Axis Bank, and Kotak Mahindra Bank, which have sizeable subsidiaries. In order to calculate the core business valuations trend, we first mined data on the past few years average valuations of major listed companies in non-lending financials, which includes subsidiaries of these 5 banks. We then calculated the historic subsidiary valuation on a yearly basis based on actual/assumed multiples for these businesses. We then deducted these subsidiary valuations from the historic market capitalization of these banks to arrive at a 20-year core business valuation trend.
- **Comparative study of large banks:** Following the calculation of core business valuations of the above 5 banks, we did a comparative study of these banks across their business verticals and financial parameters. Based on the same, following have been our observations: (1) These 5 banks hold ~50% market share in credit and deposits. While SBI has maintained its market leadership in the past 2 decades across its business verticals, the top 4 PVBs have seen an increase in market share on the credit and deposit side. (2) While SBI has maintained leadership in SA deposits, large PVBs have a sizeable share in CA deposits due to better transaction banking services, loans to SMEs etc. (3) NIMs have seen stable/improving trend over a decade due to structural factors like stable CASA ratios, reduced reliance on high-cost borrowings, and improved business mix on the asset side. (4) SBI and the top 4 PVBs hold 41-80% market share in various digital payment channels. With digitalization and economies of scale, opex ratios are under control. (5) Asset quality and capital adequacy ratios are the best in 2 decades. (6) RoAs are at a historic high and valuations are reasonable.
- **Top picks in large banks space:** From the above analysis we find that **SBI, Kotak Bank, and HDFC Bank** are expected to deliver healthy return ratios and are trading at reasonable valuations. From the above calculations we observe that Kotak Bank, which has traded at P/ABV (excluding subsidiary value) of 4.6x/3.4x in the past 20 years/5 years and is expected to deliver RoA of over 2% in FY27E (similar to ICICI Bank), is trading at 1.9x FY27E, which is at a 24.2% discount to ICICI Bank's valuations. Even SBI, which is likely to sustain over 1% RoAs, is trading at attractive valuations of 1x FY27E ABV. HDFC Bank, which has traded at P/ABV (excluding subsidiary value) of 3.6x/2.9x in the past 20 years/5 years and is expected to deliver healthy RoA of 1.9% over FY25-FY28E, is trading at attractive valuation of 2.2x FY27E ABV, which is at a 12.4% discount to ICICI Bank's valuations.
- **Other top picks from our coverage universe:** City Union Bank, AU SFB, HUDCO, and Home First Finance.

#### NBIE – Banks/Specialized NBFCs Coverage

Company	CMP (Rs)	TP (Rs)	Rating
Axis Bank	1,105	1,200	Hold
HDFC Bank	967	1,164	Buy
ICICI Bank	1,418	1,700	Buy
IndusInd Bank	741	811	Hold
KMB	1,972	2,507	Buy
Bandhan Bank	165	183	Hold
Federal Bank	194	215	Hold
RBL Bank	273	246	Sell
City Union Bank	204	260	Buy
DCB Bank	127	177	Buy
State Bank of India	823	1,039	Buy
Bank of Baroda	237	303	Buy
PNB	107	113	Hold
AU SFB	707	916	Buy
Equitas SFB	55	58	Hold
Muthoot Finance	2,926	2,885	Buy
Manapp. Finance	291	271	Hold
HUDCO	216	267	Buy
LICHF	567	721	Buy
PNBHF	830	1,000	Buy
Can Fin Homes	746	931	Buy
Repco HF	374	424	Hold
Aavas Financiers	1,633	1,900	Buy
Home First Finance	1,303	1,619	Buy

Source: Nirmal Bang Institutional Equities Research

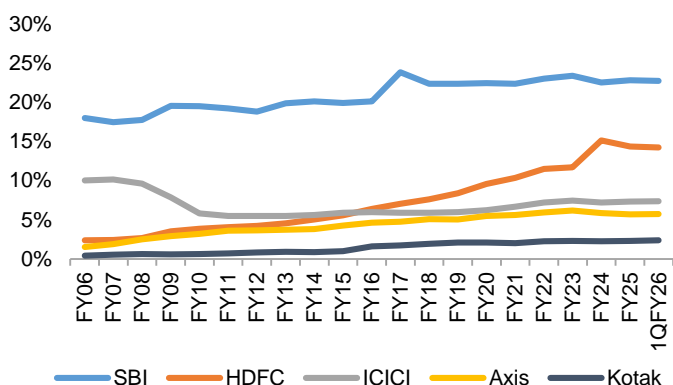
Please refer to the disclaimer towards the end of the document.

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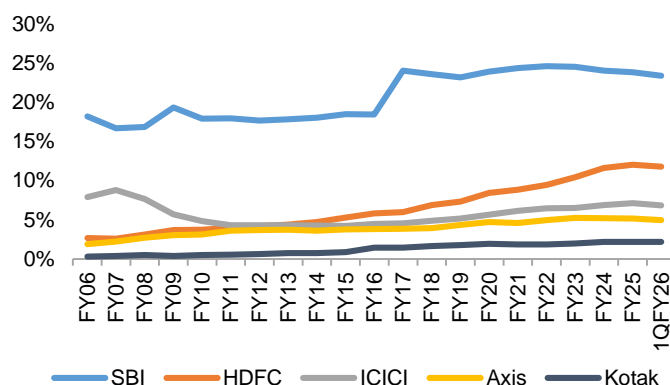
## Investment thesis in charts:

**Exhibit 1: SBI and the top 4 private banks hold 52.4% market share in system credit**



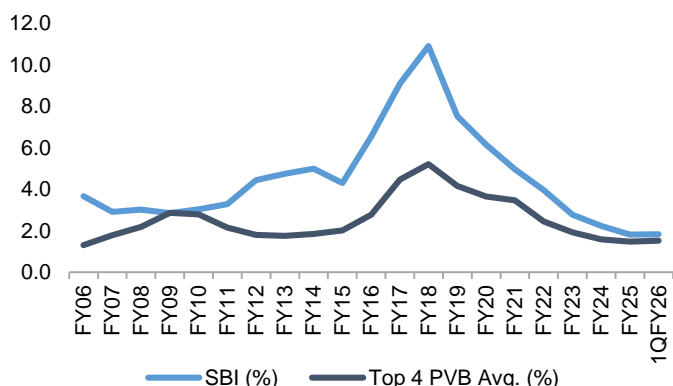
Source: Company, RBI, Nirmal Bang Institutional Equities Research

**Exhibit 2: SBI and the top 4 private banks hold 49.2% market share in system deposits**



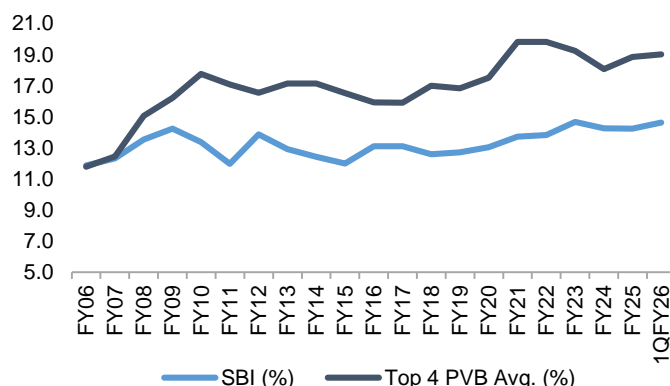
Source: Company, RBI, Nirmal Bang Institutional Equities Research

**Exhibit 3: GNPA's of large banks lowest in 2 decades**



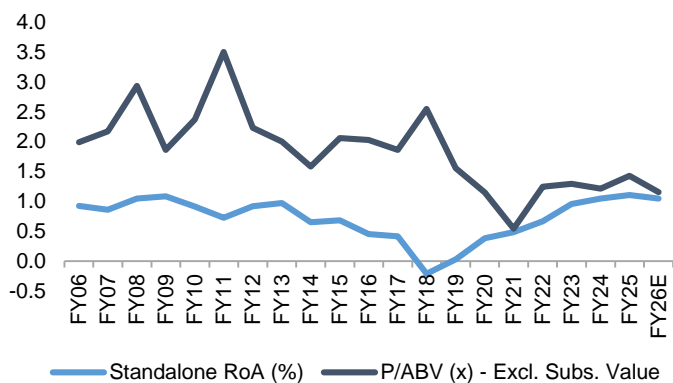
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: Capital adequacy ratio of SBI and the top 4 private banks also the highest in 2 decades**



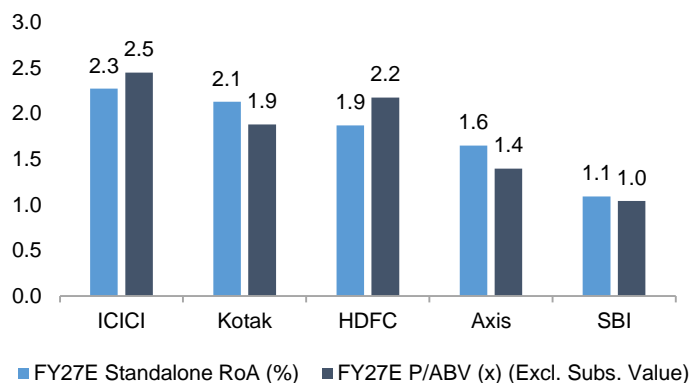
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: SBI's RoAs at historic high and valuations (excluding subsidiaries) are attractive**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: SBI, HDFC Bank, and Kotak Bank are trading at reasonable valuations**



Source: Company, Nirmal Bang Institutional Equities Research

## A holistic view of core businesses of the 5 large banks and exploring their re-rating potential

In this thematic report, we have looked at the factors which led to the re-rating of the 5 large banks in the past 20 years across business cycles/interest rate cycles and then explored the re-rating potential of our investment recommendations.

In this analysis, we have chosen 5 banks—**SBI, HDFC Bank, ICICI Bank, Axis Bank, and Kotak Mahindra Bank**, which have material/sizeable subsidiaries and as per our estimates, subsidiary value forms 8-24% of the respective SOTPs of these banks. Based on certain assumptions on valuation of major subsidiaries/associates in the past 20-year period, we have calculated the core banking business valuations trend of these banks.

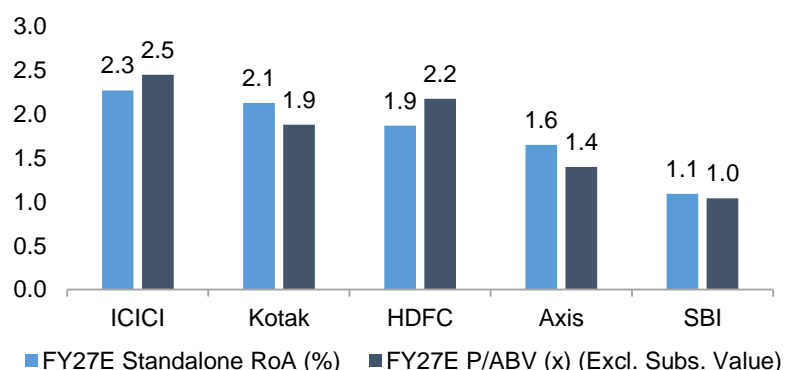
**Definition of material subsidiary:** As per SEBI listing regulations, a material subsidiary is a subsidiary whose income or networth exceeds 10% of the consolidated income or networth, respectively, of the listed entity and its subsidiaries. **SBI, HDFC Bank, ICICI Bank, and Kotak Bank** have material subsidiaries in the life insurance space. **Axis Bank** does not have a material subsidiary, but since its subsidiaries/associates in the NBFC, insurance, and asset management space have achieved a sizeable presence in their respective industries, we have included the bank in our analysis.

**Calculation methodology of core business valuations trend of large banks (refer to [Exhibits 44 to 49 on page 19 and 20](#)):**

- Step 1 – Calculation of subsidiary value per share:** Firstly, we mined data on the past few years average valuations of major listed companies in the credit card, life insurance, general insurance, AMC, and brokerage space (refer to [annexure on page 22](#)), which also includes subsidiaries of the above banks. We then calculated the subsidiary value per share on a yearly basis for the 20-year period from FY06-FY26E based on actual past multiples/assumed multiples for these subsidiaries.
- Step 2 – Calculation of P/ABV (x) excluding subsidiary value:** Firstly, we adjusted the networth for each year for the past 20 years and projected networth for FY25-FY28E by deducting cost of investment in subsidiaries, revaluation reserves, and net NPAs. We then deducted the subsidiary value per share, calculated in step 1 above, from the average stock price (adj. for bonus issues and stock splits) for the particular year. Following this, we divided this adjusted stock price with the adjusted book value to arrive at P/ABV (x) (excluding subsidiary value) for each year.

From the above calculations, we find that **Kotak Bank**, which has traded at P/ABV (excluding subsidiary value) of 4.6x/3.4x in the past 20 years/5 years and is expected to deliver RoA of over 2% in FY27E (similar to ICICI Bank), is trading at 1.9x FY27E, which is at a **24.2% discount to ICICI Bank's valuations of 2.5x FY27E ABV**. Even **SBI**, which is likely to sustain over 1% RoAs, is trading at attractive valuations of 1x FY27E ABV. **HDFC Bank**, which has traded at P/ABV (excluding subsidiary value) of 3.6x/2.9x in the past 20 years/5 years and is expected to deliver healthy RoA of 1.9% over FY25-FY28E, is trading at an attractive valuation of 2.2x FY27E ABV, which is at a **12.4% discount to ICICI Bank's valuations of 2.5x FY27E ABV**.

**Exhibit 7: Large banks FY27E standalone RoA vs. P/ABV (excl. subsidiary value)**



Source: Company, Nirmal Bang Institutional Equities Research

## Detailed overview of core businesses of these 5 banks

After the steps in the previous page on calculation of core business valuations of the above 5 banks, we did a comparative study of these banks across their business verticals and financial parameters. Based on the same, following have been our observations: (1) These 5 banks hold ~50% market share in credit and deposits. While SBI has maintained its market leadership in the past 2 decades across its business verticals, the top 4 PVBs have seen an increase in market share on the credit and deposit side. (2) While SBI has maintained leadership in SA deposits, large PVBs have a sizeable share in CA deposits due to better transaction banking services, loans to SMEs etc. (3) NIMs have seen stable/improving trend over a decade due to structural factors like stable CASA ratios, reduced reliance on high-cost borrowings, and improved business mix on the asset side. (4) SBI and the top 4 PVBs hold 41-80% market share in various payment channels including cards, NEFT, RTGS, and mobile and internet banking. With digitalization and economies of scale, the opex ratios are under control. (5) Asset quality and capital adequacy ratios are the best in 2 decades. (6) RoAs are at a historic high and valuations are reasonable.

## Top picks in the large banks space

1. **State Bank of India:** We are positive on SBI due to the following reasons – (1) With a leadership position in both corporate and retail lending, a strong capital base (CAR of 14.63%), and a robust deposit franchise (domestic CASA ratio of 39.4%), the bank is well-positioned to selectively lend to the highest-quality borrowers. (2) Strong liquidity position with LCR of 136.7% and C/D ratio of 76.7% will help it protect its margins in a declining interest rate scenario. (3) Non-specific provision buffer of 0.7% of the loan book provides added comfort on asset quality and credit costs. (4) We have estimated SBI's earnings to clock a CAGR of 11.5% over FY25-FY28E, which will result in 1.1% RoA and 15.3% RoE in FY28E. We have a 'BUY' rating on SBI with a target price of Rs1,040 (valued at 1.3x Sep-27E ABV plus subsidiary value per share of Rs226.5).
2. **HDFC Bank:** We like HDFC Bank due to the following factors – (1) Its ability to return back to double-digit growth due to good capital position with Tier-1 capital of 17.8%, continued branch expansion and digital footprint, and cross-selling opportunities within the bank's 98mn customer base. (2) Deposits market share is expected to improve further due to continued branch expansion and improving productivity of low vintage branches. (3) NIMs have scope to improve in the long term due to further expected decline in high-cost borrowings of e-HDFC; high proportion of mortgage assets at 32% leaves headroom for expansion into higher/medium yielding retail segments, and RWA-to-asset ratio is also comfortable at 69% vs. 75% in the case of 2 large peer banks. (4) Non-specific provision buffer has strengthened to 1.8%. We have estimated earnings CAGR of 14.5% over FY25-FY28E, which will result in 1.9% RoA/15.3% RoE in FY28E. We have a 'BUY' rating on HDFC Bank with a target price of Rs1,164 (valued at 2.5x Sep-27E ABV plus subsidiary value per share of Rs122.8).
3. **Kotak Mahindra Bank:** We recommend Kotak Bank due to the following reasons – (1) With continued traction in retail segment growth coupled with some pickup in the credit card (restarted issuance after lifting of embargo in Feb-25) and personal loan segments, we have forecasted the bank's loan book to clock a CAGR of 14.1% over FY25-FY28E. (2) Differential SA rate structure is partly helping offset the impact of NIM compression. (3) In our view, the bank offers the best play across key financial service segments through its wholly-owned subsidiaries with a larger contribution from the non-lending businesses compared to peers. As per our estimates, subsidiaries contribute 23.8% in our SOTP. (4) Stress in the MFI segment is expected to subside in H2FY26 and asset quality of credit card and PL portfolio is also expected to improve in the coming quarters. We have factored in average credit costs of 75bps over FY25-FY28E. We have forecasted an earnings CAGR of 14.7% over FY25-FY28E (excluding exceptional item of Rs35.2bn in FY25 on the stake sale in Kotak GI), which results in RoA/RoE of 2.1%/12.2% in FY28E. We have a 'BUY' rating on Kotak Bank with a target price of Rs2,507 (valued at 2.5x Sep-27E plus subsidiary value per share of Rs596).

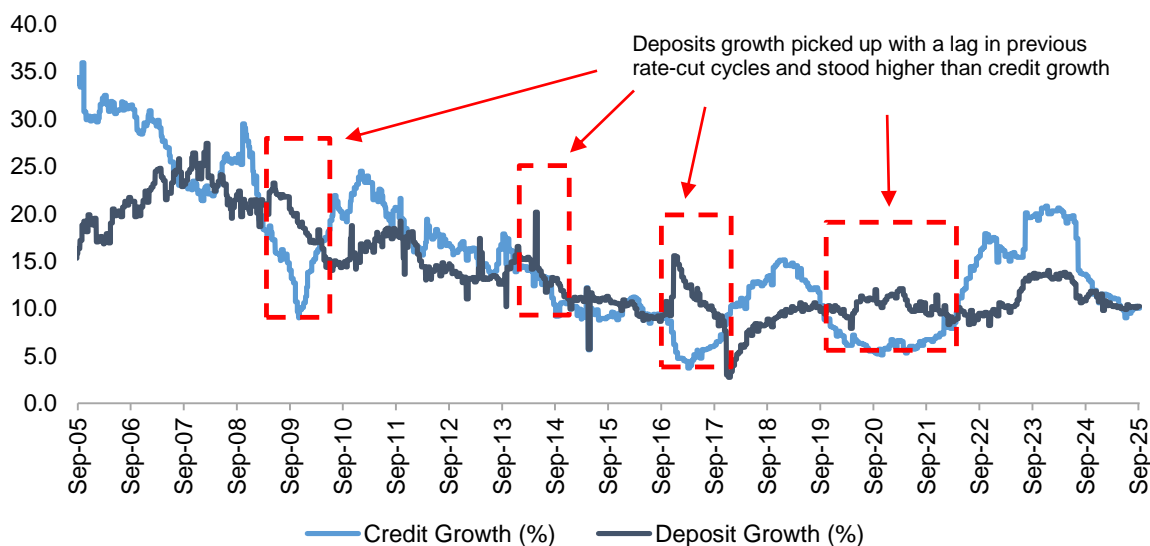
## Industry overview

### Banking system credit growth and deposit growth in convergence with each other

Credit growth and deposits growth were in divergence with each other during the 2.5-year period from Apr-22 to Sep-24 due to stronger credit growth (especially unsecured loans) and a slowdown in deposits growth. However, over the last 2 years, the credit growth has been moderating and stood at 10% for the fortnight ended 22-Aug-25 due to the following reasons: (1) Regulator announcing a series of restrictive actions since Nov-23 on various lending segments and regulated entities (RE), has led to a slowdown in the retail segment, mainly unsecured lending. (2) In the current interest rate easing cycle with ample liquidity and lower short term rates, NBFCs are raising funding through CPs and bond markets. However, now with EBLR and MCLR loans getting repriced, corporates are expected to raise part of their funding from banks as well. (3) Due to the capex cycle not seeing a meaningful pickup, large industries credit growth stood flat at 0.9% YoY in Jul-25. (4) Stress in the microfinance segment has affected growth of mid and small size private banks and SFBs with an exposure to the MFI segment. (5) HDFC Bank slowing down its loan growth in order to bring down its C/D ratio has also added to the system credit growth slowdown. The deposits growth, on the other hand, stood at 10.2% YoY for the fortnight ended 22-Aug-25. On account of these factors, **the credit growth and deposit growth are in convergence with each other since 18-Oct-24.**

Based on the analysis of past data available, it has been observed that the convergence between credit and deposit growth usually happens around the start of a rate hike or rate cut cycle, which is followed by a reversal in the equation of credit and deposit growth leading to another cycle of divergence. In the past rate cut scenarios of Oct '08-Mar '10, Apr '12-May '13, Jan '15-Aug '17, and Feb '19-May '20 we had seen that deposit growth picked up with a lag and was higher than the credit growth.

### Exhibit 8: Credit growth and deposits growth – 20-year trend



Source: Bloomberg, Nirmal Bang Institutional Equities Research



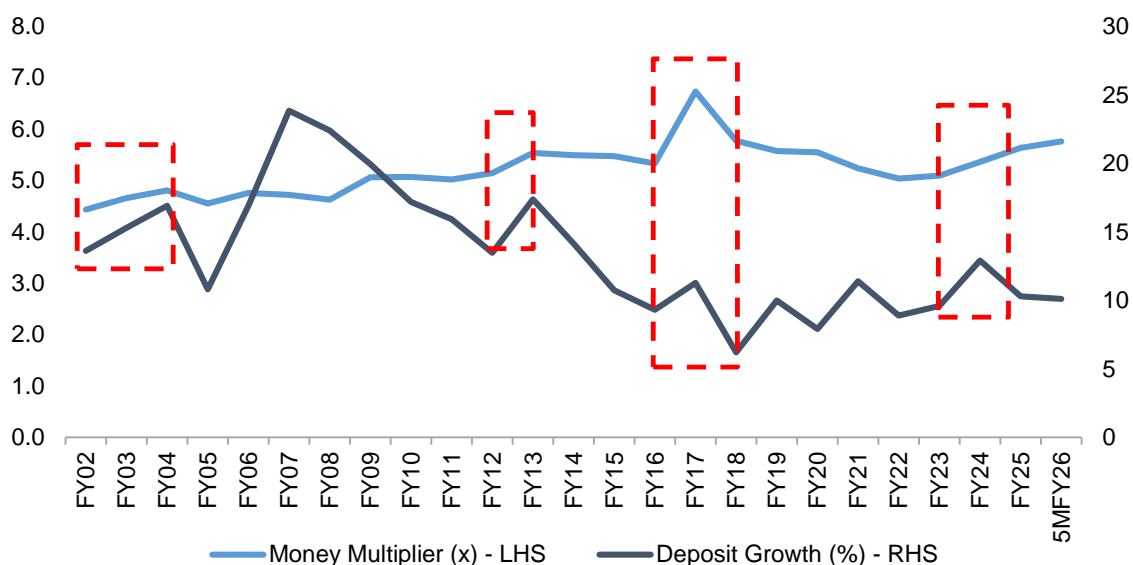
## Anticipated increase in M3 growth to lead to pick up in deposit growth

In our view, with the current benign inflation and softer global and domestic interest rates, RBI's comfort on infusing higher reserve money growth is likely to improve. The recent liquidity infusion measures by the RBI are likely to boost reserve money growth. The cut in CRR by 100bps between Sep-25 and Nov-25 will also boost the money multiplier. Growth in reserve money and increase in money multiplier will lead to higher M3 growth. This is because reserve money (M0) leads to money supply (M3) through the money multiplier (MM) process ( $M3 = MM * M0$ ).

As deposits growth tracks M3 growth closely, a pickup in M3 growth will lead to higher deposit growth.

**As per our house view, according to our economist Ms. Teresa John ([Where's my credit growth](#)), deposit growth is likely to find support from the RBI's liquidity infusion measures and exceed the credit growth in FY26 (credit growth is expected at 9.5-10% in FY26).**

**Exhibit 9: Money multiplier vs. deposit growth**



Source: Bloomberg, RBI, Nirmal Bang Institutional Equities Research

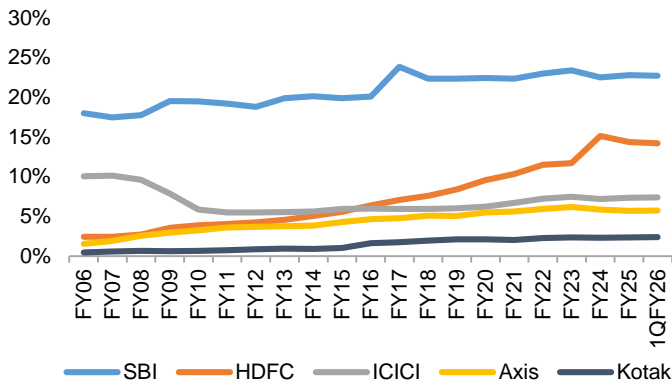
## Credit growth to find some boost from the GST rate cuts

As per our interactions with bank managements, the retail credit growth in 2QFY26 is likely to remain subdued as consumers are likely to postpone their purchases of automobiles and consumer durable items till the GST rate cut is implemented from 22-Sep-25. On the flip side, working capital demand for holding inventories has marginally inched up in the near term. After 22-Sep-25, the pent-up demand for consumer durables items and automobiles will come up, which will boost credit growth in 3QFY26.

## SBI and the top 4 large PVBs hold ~50% market share in credit and deposits

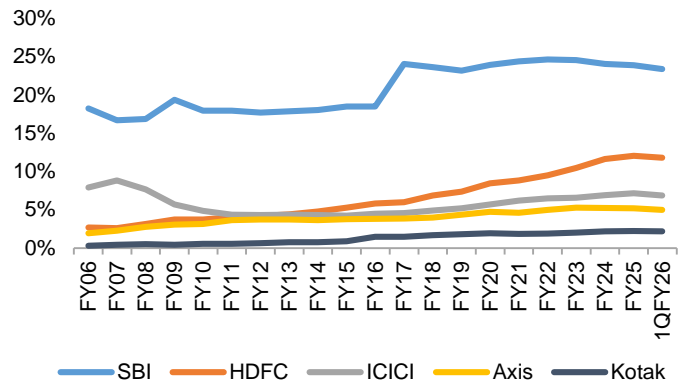
In the past 2 decades, the combined credit market share of SBI and the top 4 large private sector banks (ICICI, HDFC, Axis, and Kotak) has risen from 32.4% in FY06 to 52.4% in 1QFY26. During the same period, the combined deposit market share of SBI and the top 4 private sector banks (PVB) has risen from 31% in FY06 to 49.2% in 1QFY26. Within these, while SBI has maintained its market-leading position with a credit and deposit market share of 22.7% and 23.4%, respectively, in 1QFY26, the PVBs have seen an increase in their market share.

**Exhibit 10: SBI and large PVBs credit market share**



Source: Company, RBI, Nirmal Bang Institutional Equities Research

**Exhibit 11: SBI and large PVBs deposit market share**



Source: Company, RBI, Nirmal Bang Institutional Equities Research

PVBs have gained market share on the deposits side due to the following reasons: (1) Branch expansion, (2) New product launches, and (3) Innovation and technology driven digital journeys. In Exhibit 12 below, we can see that in the past 5.25 years, HDFC bank has expanded its branch and deposits market share by 214bps and 334bps, respectively. Higher gain in deposit market share as compared to branch market share is due to improved branch productivity levels. Improved branch productivity is also seen in case of ICICI Bank, which has seen its deposits register CAGR of 15% as against 5.2% CAGR in branch expansion during the same period.

**Exhibit 12: Branch expansion vs. deposits growth**

Particulars	5.25-year branch CAGR (%)	5.25-year deposit CAGR (%)	Branch MS (%)		Deposits MS (%)		5.25-year branch MS gain (bps)	5.25-year deposits MS gain (%)
			FY20	1QFY26	FY20	1QFY26		
SBI	1.7	10.5	15.0	14.8	23.9	23.4	-20	-52
HDFC*	11.9	18.2	3.4	5.5	8.5	11.8	214	334
ICICI	5.2	15.0	3.4	4.0	5.7	6.9	62	119
Axis	5.2	12.0	3.0	3.5	4.7	5.0	53	24
Kotak	5.8	13.6	1.1	1.3	1.9	2.2	24	25
Banking System	1.9	11.0	-	-	-	-	-	-

Source: Company, RBI, Nirmal Bang Institutional Equities Research

\*Note - Includes Rs1.5tn deposits of e-HDFC at the time of reverse merger on 1-Jul-23

On the credit side, large banks have maintained/improved their share due to the following reasons: (1) Healthy capital position and higher deposit growth have enabled faster credit growth. (2) Banks have expanded faster into the granular retail and SME loans. (3) Digital expansion in addition to physical branches has helped improve reach.

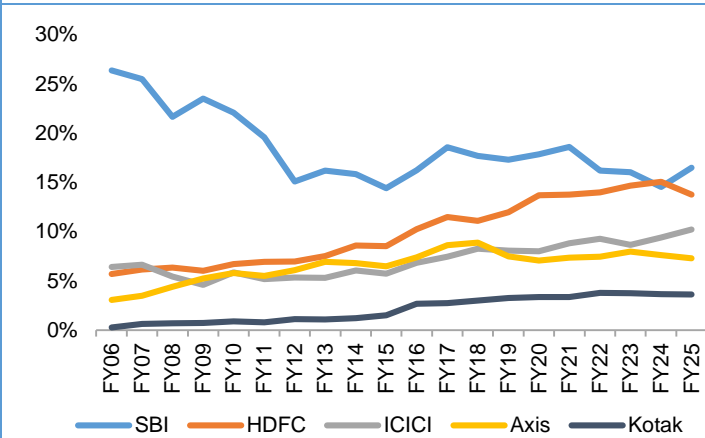


## PVBs gain in CA deposits; SBI remains the market leader in SA deposits

Private banks have done better in current account deposits, which helps them enjoy cost of deposits similar to that of PSU banks, despite the former offering higher deposit rates. Private banks have seen improved CA deposits, both in percentage and absolute terms, due to factors like better transaction banking services, loans to SMEs etc. SBI, which was losing market share in CA deposits since FY21, saw an improvement in its market share from 14.5% in FY24 to 16.5% in FY25.

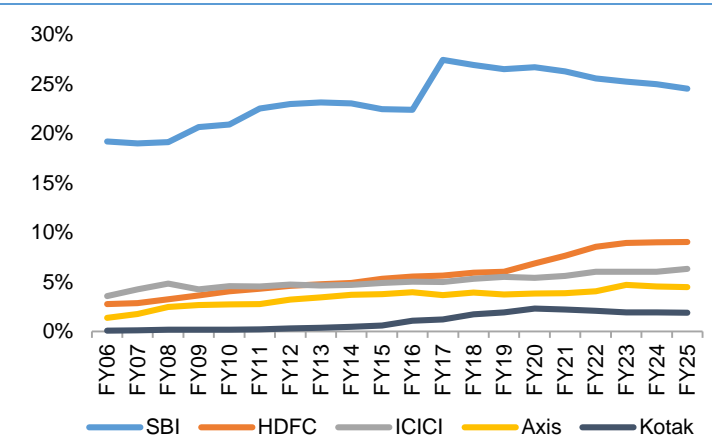
In case of savings account deposits SBI remains the market leader with 24.5% market share in FY25 (19.2% in FY06), followed by HDFC bank at 9.1% in FY25 (2.8% in FY06).

**Exhibit 13: CA deposits market share**



Source: Company, RBI, Nirmal Bang Institutional Equities Research

**Exhibit 14: SA deposits market share**



Source: Company, RBI, Nirmal Bang Institutional Equities Research

## Structural factors have led to stable/improving trend in NIMs over a decade

Over one decade, the net interest margins for the sector and large banks (excluding HDFC Bank) have displayed a stable-to-improving trend (refer to Exhibits 15 and 16 below).

### Exhibit 15: NIM trend (FY06–FY15)

Particulars (%)	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
SBI	2.9	3.3	3.1	2.9	2.7	3.3	3.9	3.3	3.2	3.2
HDFC	4.0	4.0	4.3	4.2	4.3	4.3	4.2	4.5	4.4	4.4
ICICI	2.3	2.2	2.2	2.4	2.5	2.6	2.7	3.1	3.3	3.5
Axis	2.9	2.7	3.5	3.3	3.8	3.7	3.6	3.5	3.8	3.9
Kotak	4.7	4.5	5.5	6.0	6.3	5.2	4.8	4.7	5.0	4.9

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 16: NIM trend (FY16-1QFY26)

Particulars (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
SBI	3.0	2.8	2.5	2.8	3.0	3.0	3.1	3.4	3.3	3.1	2.9
HDFC	4.3	4.3	4.3	4.3	4.3	4.1	4.0	4.1	3.5	3.5	3.5
ICICI	3.5	3.3	3.2	3.4	3.7	3.7	4.0	4.5	4.5	4.3	4.3
Axis	3.9	3.7	3.4	3.4	3.5	3.5	3.5	4.0	4.1	4.0	3.8
Kotak	4.3	4.5	4.3	4.3	4.6	4.4	4.6	5.3	5.3	5.0	4.7

Source: Company, Nirmal Bang Institutional Equities Research

As per our observations, the following structural factors have led to this trend:

- (1) **Stable CASA ratio:** CASA ratio of the banking system had dipped to 36.4% in FY14. Due to events like demonetization in 2016 and increased digitalization (leaving more money in bank account for digital transactions), the system CASA ratio increased to 41.3% in FY17 and has stayed at ~40% levels since then. The CASA ratio of SBI and the top 4 PVBs has also remained at healthy levels as seen in Exhibits 17 and 18 below.

### Exhibit 17: CASA ratio (FY06-FY15)

Particulars (%)	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
SBI	47.6	48.5	47.0	41.6	47.3	49.4	44.8	44.8	42.9	41.3
HDFC	55.4	57.7	54.5	44.4	52.0	52.7	48.4	47.4	44.8	44.0
ICICI	22.7	21.8	26.1	28.7	41.1	45.1	43.5	41.9	42.9	45.5
Axis	40.0	39.9	45.7	43.1	46.7	41.1	41.5	44.4	45.0	44.8
Kotak	19.0	27.2	28.4	32.7	31.2	30.0	32.2	29.2	31.9	36.4
<b>Banking System</b>	<b>40.5</b>	<b>38.3</b>	<b>39.4</b>	<b>37.3</b>	<b>39.8</b>	<b>41.0</b>	<b>38.3</b>	<b>37.6</b>	<b>36.4</b>	<b>37.6</b>

Source: Company, RBI, Nirmal Bang Institutional Equities Research

### Exhibit 18: CASA ratio (FY16-1QFY26)

Particulars (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
SBI	42.6	43.7	44.5	44.6	44.2	45.4	44.5	42.7	39.9	38.7	37.8
HDFC	43.2	48.0	43.5	42.4	42.2	46.1	48.2	44.4	38.2	34.8	33.9
ICICI	45.8	50.4	51.7	49.6	45.1	46.3	48.7	45.8	42.2	41.8	41.2
Axis	47.3	51.4	53.8	44.4	41.2	45.5	45.0	47.2	43.0	40.8	40.3
Kotak	38.1	44.0	50.8	52.5	56.2	60.4	60.7	52.8	45.5	43.0	40.9
<b>Banking System</b>	<b>37.6</b>	<b>41.3</b>	<b>42.2</b>	<b>42.2</b>	<b>42.7</b>	<b>45.1</b>	<b>46.6</b>	<b>45.2</b>	<b>42.5</b>	<b>40.9</b>	<b>N.A</b>

Source: Company, RBI, Nirmal Bang Institutional Equities Research

- (2) **Reduced reliance on borrowings:** The declining share of borrowings as % of total liabilities of banks has improved the cost of funds. In the exhibits below, we can see that the average borrowings as % of total liabilities of the top 5 banks has declined from a high of 18.7% in FY13 to 9.3% in 1QFY26. The average cost of funds of the top 5 banks has declined from a high of 6.5% in FY13 to 5.2% in 1QFY26. With the full benefit of downward repricing of interest rate on deposits to be felt in the coming 12 months, the cost of funds is expected to decline further.

**Exhibit 19: Borrowings as % of total liabilities (FY06-FY15)**

Particulars (%)	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
SBI	7.6	10.4	10.9	9.3	10.4	10.3	10.1	11.5	10.9	10.7
HDFC	6.7	7.2	6.4	5.4	6.4	5.7	7.7	9.1	8.8	8.6
ICICI	21.3	22.1	24.5	28.2	28.8	31.1	32.6	30.9	29.6	30.4
Axis	9.5	12.5	9.0	11.3	10.4	11.7	13.0	14.3	14.6	19.1
Kotak	17.3	27.9	20.7	27.1	18.7	26.6	28.8	27.5	17.1	13.2
<b>Average</b>	<b>12.5</b>	<b>16.0</b>	<b>14.3</b>	<b>16.3</b>	<b>14.9</b>	<b>17.1</b>	<b>18.5</b>	<b>18.7</b>	<b>16.2</b>	<b>16.4</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 20: Borrowings as % of total liabilities (FY16-1QFY26)**

Particulars (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
SBI	10.6	10.7	11.2	11.6	8.5	9.7	9.1	9.5	10.3	9.0	8.5
HDFC	8.3	9.6	12.9	10.7	10.6	8.8	10.1	9.5	20.8	16.1	14.9
ICICI	27.7	21.9	23.6	19.3	16.6	8.5	8.6	8.6	7.7	6.8	6.4
Axis	21.0	19.2	23.6	20.8	17.8	16.1	17.5	15.6	14.8	12.9	12.8
Kotak	12.5	11.3	11.1	12.1	12.3	7.5	7.3	5.8	5.6	8.4	3.7
<b>Average</b>	<b>16.0</b>	<b>14.5</b>	<b>16.5</b>	<b>14.9</b>	<b>13.2</b>	<b>10.1</b>	<b>10.5</b>	<b>9.8</b>	<b>11.9</b>	<b>10.6</b>	<b>9.3</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 21: Cost of funds (FY06-FY15)**

Particulars (%)	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
SBI	5.1	4.9	5.8	6.0	5.5	5.0	5.7	5.9	5.9	5.8
HDFC	3.8	4.7	5.3	6.8	4.7	4.7	6.1	6.4	6.2	5.8
ICICI	5.4	6.4	7.4	7.1	5.7	5.2	6.2	6.3	6.0	5.9
Axis	4.6	5.3	5.4	6.2	4.6	4.6	6.0	6.4	6.0	5.8
Kotak	5.1	5.8	7.0	6.9	5.3	5.9	7.6	7.6	7.0	6.9
<b>Average</b>	<b>4.8</b>	<b>5.4</b>	<b>6.2</b>	<b>6.6</b>	<b>5.1</b>	<b>5.1</b>	<b>6.3</b>	<b>6.5</b>	<b>6.2</b>	<b>6.0</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 22: Cost of funds (FY16-1QFY26)**

Particulars (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
SBI	5.7	6.1	4.9	4.8	4.6	4.0	3.6	4.0	4.9	5.2	5.1
HDFC	6.0	5.5	4.9	5.2	5.0	4.1	3.5	3.9	5.8	5.6	5.6
ICICI	5.6	5.3	4.6	4.7	4.7	4.1	3.5	3.8	4.8	5.0	4.9
Axis	5.6	5.4	4.8	5.1	5.0	4.2	3.7	3.9	5.0	5.2	5.2
Kotak	7.7	5.7	5.2	5.3	4.8	3.8	3.2	3.5	4.6	4.8	4.9
<b>Average</b>	<b>6.1</b>	<b>5.6</b>	<b>4.9</b>	<b>5.0</b>	<b>4.8</b>	<b>4.0</b>	<b>3.5</b>	<b>3.8</b>	<b>5.0</b>	<b>5.2</b>	<b>5.2</b>

Source: Company, Nirmal Bang Institutional Equities Research

- (3) **Expansion into higher yielding segments:** In the past one decade since the corporate bad loan crisis of 2015-2018, banks have expanded more into the retail and SME segments, which are both granular and higher yielding.

**Exhibit 23: Loan segments proportion**

Particulars (%)	Retail		MSME		Corporate		Other Loans	
	FY15	1QFY26	FY15	1QFY26	FY15	1QFY26	FY15	1QFY26
SBI	20.4	36.2	13.6	12.4	37.4	28.3	28.6	23.1
HDFC	51.0	54.7	NA	19.9	NA	25.5	NA	0.0
ICICI	42.5	52.8	4.4	20.0	28.8	20.2	24.3	6.9
Axis	40.0	58.8	15.0	11.4	45.0	29.8	0.0	0.0
Kotak	31.9	47.2	36.7	28.8	31.4	22.4	0.0	1.6

Source: Company, Nirmal Bang Institutional Equities Research

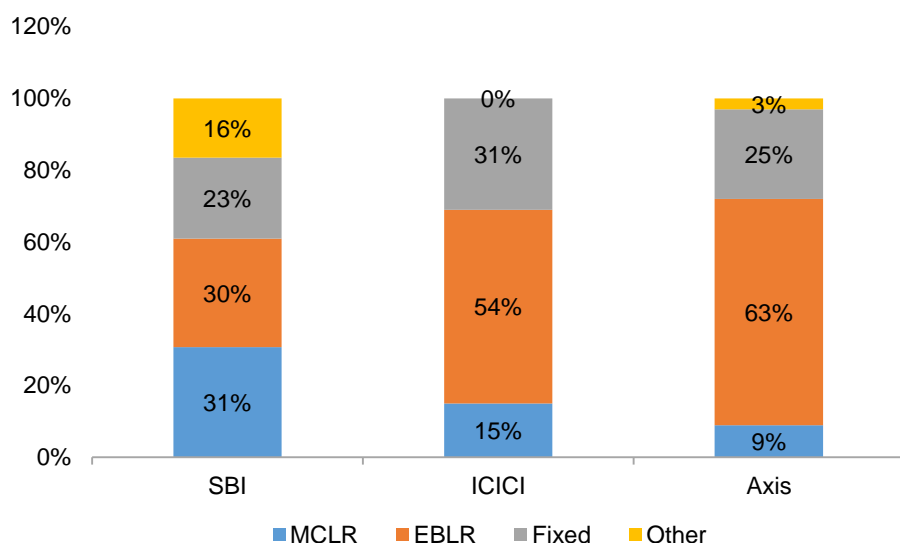
## NIM outlook ahead

In the present interest rate cycle, banks having a higher share of repo-linked loans and higher maturity retail term deposits are seeing a higher compression in their margins. However, here we envisage that as the banks credit growth has converged with deposits growth and this convergence is expected to continue over the near-to-medium term, banks are also reducing their reliance on high-cost borrowings, which will have positive implications for their margins.

SBI, which has better liquidity on its balance sheet with C/D ratio of 76.7% and LCR ratio of 136.7% and higher share of MCLR loans at 31%, will be in a better position to protect its NIMs in the current declining interest rate scenario.

In case of Axis Bank and ICICI Bank, with a higher share of EBLR loans, the NIM pressure is higher. But due to strong deposit franchise, these banks will withstand a major decline in margins.

**Exhibit 24: Loan book breakup by interest rates**



Source: Company, Nirmal Bang Institutional Equities Research

## Digital dominance

SBI and the top 4 PVBs hold 41-80% market share in various payment channels including cards, NEFT, RTGS, and mobile and internet banking. HDFC Bank, which had faced a ban on issuance of new credit cards between Dec-20 and Mar-22, has maintained its leadership position in the credit card segment with a market share of 22.2% (no. of cards o/s) in Jul-25.

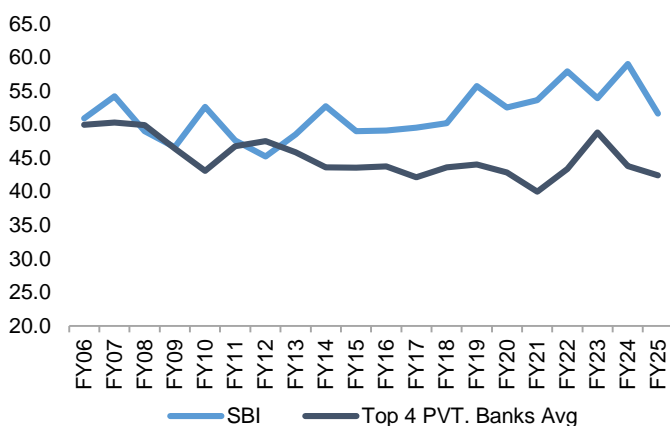
**Exhibit 25: SBI and large PVBs market share in digital transactions**

Market Share (%)	SBI		HDFC		ICICI		Axis		Kotak		Top 5 Banks Total	
	Jul-20	Jul-25	Jul-20	Jul-25	Jul-20	Jul-25	Jul-20	Jul-25	Jul-20	Jul-25	Jul-20	Jul-25
ATM	27.9	29.7	6.8	10.2	8.1	6.4	8.3	6.3	1.2	1.4	52.3	54.1
PoS	15.5	13.7	21.0	14.4	10.5	18.3	11.6	20.6	0.8	0.7	59.3	67.6
Debit Cards O/s	33.4	24.2	3.9	6.0	5.5	3.1	3.0	4.0	1.8	3.6	47.6	40.9
Debit Card Transactions by Volume	32.0	32.2	7.9	8.2	5.8	3.7	4.8	3.7	1.8	2.2	52.4	49.9
Debit Card Transactions by Value	36.2	32.8	8.0	10.7	6.0	5.2	5.1	4.7	1.4	2.1	56.7	55.4
Credit Cards O/s	18.6	19.0	25.5	22.2	15.8	16.2	11.9	13.6	4.0	4.1	75.8	75.1
Credit Card Transactions by Volume	19.8	17.7	28.3	26.7	15.9	17.7	8.5	14.6	2.9	3.5	75.4	80.3
Credit Card Transactions by Value	20.4	16.8	30.7	27.8	14.1	18.6	8.2	11.7	2.8	3.2	76.2	78.1
NEFT - Volume	16.4	14.0	11.0	7.7	8.0	5.5	6.8	18.5	2.9	2.6	45.1	48.3
NEFT - Value	15.4	13.2	14.9	13.6	8.0	9.5	6.3	10.1	3.1	3.1	47.8	49.4
RTGS - Volume	13.0	12.3	16.2	18.6	8.8	12.0	6.6	8.4	4.9	4.8	49.5	56.0
RTGS - Value	10.7	12.2	18.4	18.9	9.9	10.4	7.1	8.5	2.0	2.6	48.0	52.6
Mobile - Volume	24.6	27.0	7.8	8.4	6.5	3.8	17.2	4.9	2.8	5.0	58.8	49.0
Mobile - Value	21.3	22.5	12.5	13.0	12.5	9.8	11.9	6.7	5.4	4.6	63.7	56.6
Internet Banking - Volume	NA	32.0	NA	17.6	NA	21.1	NA	1.0	NA	3.6	NA	75.4
Internet Banking - Value	NA	20.2	NA	5.8	NA	38.9	NA	0.3	NA	3.7	NA	68.9

Source: RBI, Nirmal Bang Institutional Equities Research

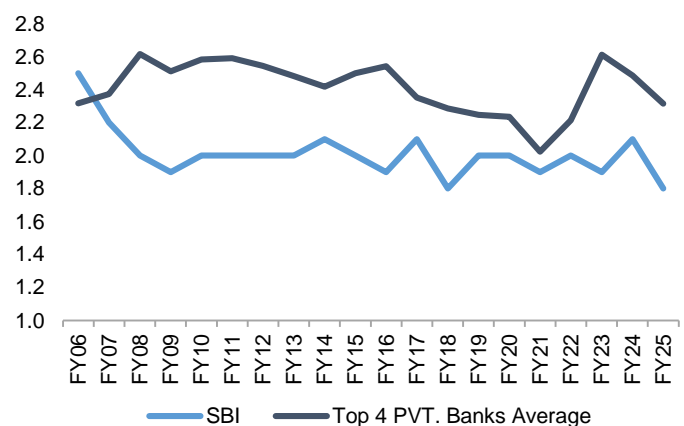
Due to digitalization and automation of processes and economies of scale, the cost ratios of large banks remain comfortable. The cost-to-income ratio of the top 4 PVBs was at 42.4% in FY25 as against 50-60% for mid/small-size private banks and SFBs. SBI had higher cost to income ratio (vs. top 4 PVBs) of 51.6% in FY25, but its cost-to-average assets of 1.8% was lower than the top 4 PVBs' average of 2.3%.

**Exhibit 26: Cost-to-income ratio**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 27: Cost-to-average asset ratio**



Source: Company, Nirmal Bang Institutional Equities Research

## Asset quality at comfortable levels

The asset quality of SBI and top private sector banks remains the best in 2 decades as seen from Exhibit 28 to Exhibit 31 below. The proportion of unsecured loans is comfortable at 8-13% (refer to Exhibit 33 on the next page). In addition to this, the non-specific provision buffer in the range of 0.7%-1.8% created by the 4 large banks (refer Exhibit 32 on the next page) provides added comfort.

### Exhibit 28: GNPA trend (FY06-FY15)

Particulars (%)	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
SBI	3.7	2.9	3.0	2.9	3.0	3.3	4.4	4.8	5.0	4.3
HDFC	1.4	1.4	1.4	2.0	1.4	1.0	1.0	1.0	1.0	0.9
ICICI	1.5	2.1	3.3	4.3	4.9	4.5	3.6	3.2	3.0	3.8
Axis	1.7	1.1	0.8	1.1	1.3	1.1	1.1	1.2	1.4	1.4
Kotak	0.6	2.5	3.3	4.1	3.6	2.0	1.6	1.7	2.0	1.9

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 29: GNPA trend (FY16-1QFY26)

Particulars (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
SBI	6.6	9.1	10.9	7.5	6.2	5.0	4.0	2.8	2.2	1.8	1.8
HDFC	0.9	1.1	1.3	1.4	1.3	1.3	1.2	1.1	1.2	1.3	1.4
ICICI	5.8	8.8	9.9	7.4	6.0	5.3	3.8	2.9	2.3	1.8	1.7
Axis	1.8	5.5	7.5	5.8	5.1	4.0	2.6	2.0	1.5	1.4	1.6
Kotak	2.6	2.6	2.2	2.1	2.3	3.3	2.3	1.8	1.4	1.4	1.5

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 30: NNPA trend (FY06-FY15)

Particulars (%)	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
SBI	1.5	1.3	1.6	1.6	1.6	1.5	1.7	2.0	2.5	2.0
HDFC	0.4	0.4	0.5	0.6	0.3	0.2	0.2	0.2	0.3	0.2
ICICI	0.7	1.0	1.5	2.1	2.0	1.1	0.7	0.8	1.0	1.6
Axis	0.9	0.7	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.5
Kotak	0.2	2.0	2.1	2.4	1.7	0.7	0.4	0.4	0.9	0.8

Source: Company, Nirmal Bang Institutional Equities Research

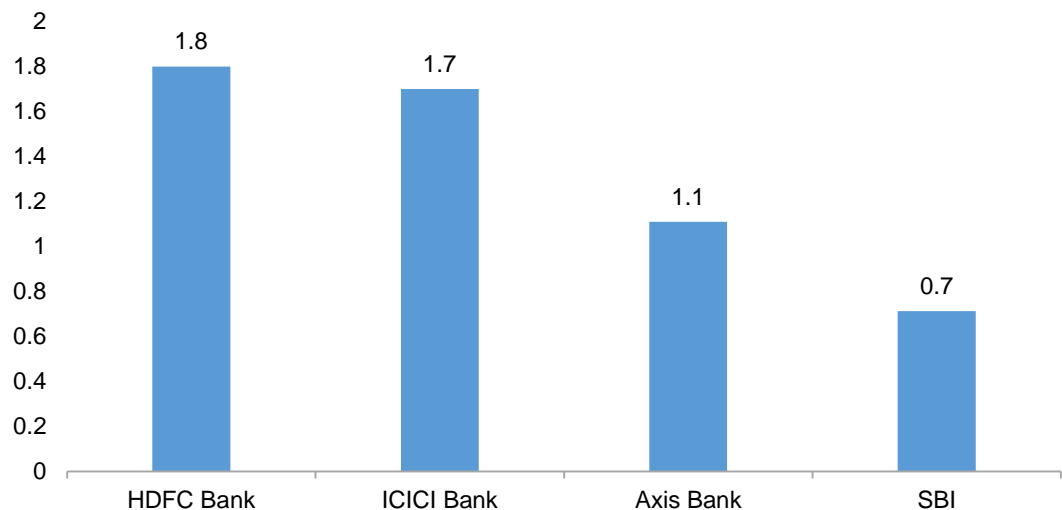
### Exhibit 31: NNPA trend (FY16-1QFY26)

Particulars (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
SBI	3.7	5.1	5.7	3.0	2.2	1.5	1.0	0.7	0.6	0.5	0.5
HDFC	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.5
ICICI	3.0	5.4	5.4	2.3	1.5	1.2	0.8	0.5	0.5	0.4	0.4
Axis	0.7	2.3	3.8	2.3	1.6	1.1	0.7	0.4	0.3	0.4	0.5
Kotak	1.0	1.2	0.9	0.7	0.7	1.2	0.6	0.4	0.3	0.3	0.3

Source: Company, Nirmal Bang Institutional Equities Research



**Exhibit 32: Non-specific provision buffer (% of advances)**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 33: Unsecured loans proportion**

Particulars	Personal Loans (Rsbn)	PL Proportion (%)	Credit Cards (Rsbn)	CC Proportion (%)	MFI (Rsbn)	MFI Proportion (%)	Advances (Rsbn)
SBI	3,468	8.2	-	-	N.A	N.A	42,545
HDFC	2,016	7.6	1,135	4.3	N.A	N.A	26,532
ICICI	1,200	8.8	543	4.0	N.A	N.A	13,642
Axis	771	7.3	435	4.1	130	1.2	10,597
Kotak	244	5.3	129	2.8	59	1.3	4,590

Source: Company, Nirmal Bang Institutional Equities Research

## Capital adequacy ratios also at historic high

The capital adequacy ratios of SBI and the top 4 PVBs are at their historical best level. The risk density (as seen in Exhibit 36 on the next page) remains comfortable for SBI and HDFC Bank at 53% and 69%, respectively.

**Exhibit 34: CAR (FY06-FY15)**

Particulars (%)	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
SBI	11.9	12.3	13.5	14.2	13.4	12.0	13.9	12.9	12.4	12.0
HDFC	11.4	13.1	13.6	15.7	17.4	16.2	16.5	16.8	16.1	16.8
ICICI	13.4	11.7	14.0	15.5	19.4	19.5	18.5	18.7	17.7	17.0
Axis	11.1	11.6	14.0	13.7	15.8	12.7	13.7	17.0	16.1	15.1
Kotak	11.3	13.5	18.7	20.0	18.4	19.9	17.5	16.0	18.8	17.2

Source: Basel II & III disclosures, Nirmal Bang Institutional Equities Research

**Exhibit 35: CAR (FY16-1QFY26)**

Particulars (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
SBI	13.1	13.1	12.6	12.7	13.1	13.7	13.8	14.7	14.3	14.3	14.6
HDFC	15.5	14.6	14.8	17.1	18.5	18.8	18.9	19.3	18.8	19.6	19.9
ICICI	16.6	17.4	18.4	16.9	16.1	19.1	19.2	18.3	16.3	16.6	16.3
Axis	15.3	14.9	16.6	15.8	17.5	19.1	18.5	17.6	16.6	17.1	16.9
Kotak	16.3	16.8	18.2	17.5	17.9	22.3	22.7	21.8	20.5	22.2	23.0

Source: Basel II & III disclosures, Nirmal Bang Institutional Equities Research

**Exhibit 36: Risk density (RWA/total assets)**

Particulars (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
SBI	83.3	79.2	78.5	58.6	56.3	54.6	55.4	49.6	49.7	50.4	52.1	54.7	53.0
HDFC	70.2	71.6	74.7	74.1	75.2	74.9	65.0	64.8	65.4	64.3	68.2	68.0	69.0
ICICI	82.0	84.3	84.2	81.0	72.2	71.3	69.1	63.8	62.6	67.6	73.4	76.1	77.6
Axis	74.1	74.7	76.9	78.5	74.9	68.9	66.7	64.4	61.4	64.6	70.4	71.7	75.0
Kotak	N.A	N.A	N.A	N.A	N.A	N.A	N.A	72.5	72.4	76.2	76.2	74.9	N.A

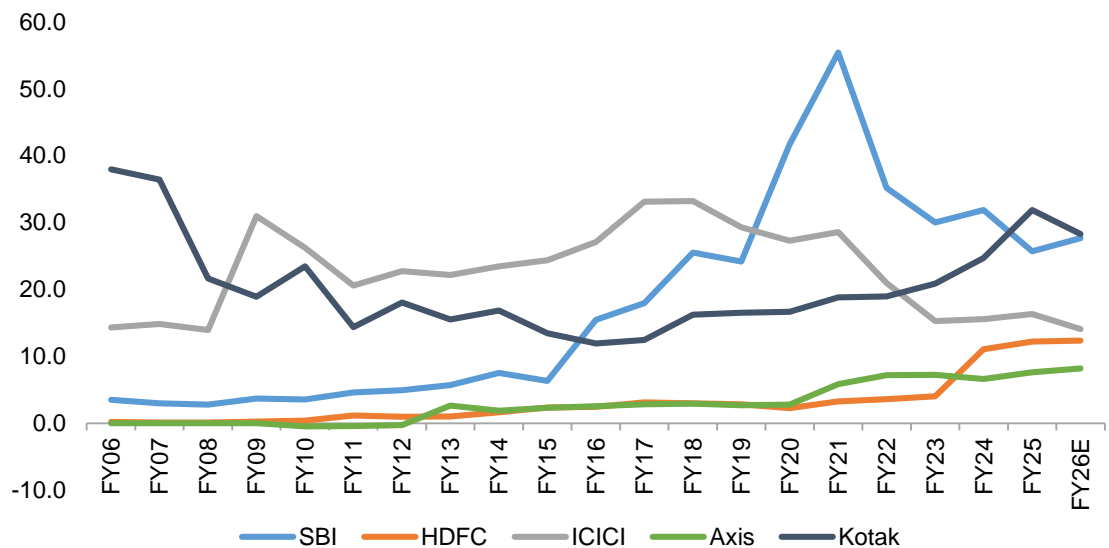
Source: Basel III disclosures, Nirmal Bang Institutional Equities Research

\*Note - As Basel III norms were implemented in phases w.e.f 1-Apr-13, risk-weighted assets data for most banks is available from FY14

## Transformation of SBI and the top 4 PVBs into financial conglomerates

Besides the core business of SBI and the top 4 PVBs having achieved a significant position in the banking industry, their meaningful subsidiaries/associates in the life insurance, general insurance, asset management, and brokerage space have gained incredible scale/size and are leaders in their respective industries. These subsidiaries have helped generate cross-sell culture, thereby enabling fee income traction at the banks. In bad times, stakes in subsidiaries can be monetized to provide cushion against provisions. As per our estimates, the value of subsidiaries forms 9-30% of the present market capitalization of these banks.

**Exhibit 37: Estimated subsidiary value as % of market cap**



Source: Company, Nirmal Bang Institutional Equities Research

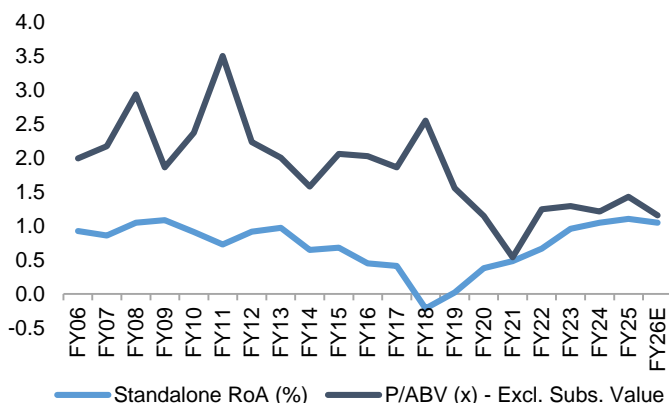
## Valuation history of large banks across business cycles and interest rate cycles

**Exhibit 38: Description of events and banks valuation history across cycles**

Supernormal growth phase (FY06-FY08)	Post-2008 global financial crisis phase (FY08-FY15)	Bad loan crisis, demonetization, and 2018 NBFC liquidity crisis (FY15-FY20)	COVID times till present (FY20 till present)
<p><b>Event/Trend:</b> System credit growth and deposit growth was high at 25-30% in this period, which led to strong earnings growth of banks.</p> <p><b>Impact:</b> SBI's RoA was in a range of 0.9-1% between FY06 and FY08 and it traded at valuations of 2-2.9x P/ABV (x).</p> <p>The average RoA of the top 4 private banks was in a range of 1.1-1.2% between FY06 and FY08 and they traded at average valuations of 2.7-3.5x.</p>	<p><b>Event/Trend:</b> Following the global financial crisis of 2008, restructured assets in the banking system saw an increase.</p> <p><b>Impact:</b> Due to restructuring of loans, impact of corporate loan stress was initially not visible on banks' earnings.</p> <p>SBI's RoA was in a range of 0.6-1.1% between FY08 and FY15 and it traded at valuations of 1.6-3.5x.</p> <p>The average RoA of the top 4 private banks rose from 1.1% in FY09 to 1.8% in FY14 and they traded at average valuations of 2.1-3.2x during this period.</p>	<p><b>Event/Trend:</b> First asset quality review of corporate accounts was initiated in 2015. In Mar-18, RBI asked banks to recognize all corporate restructured loans as NPAs.</p> <p><b>Impact:</b> Increase in GNPA's and credit costs impacted banks' profitability. Demonetization led to increased deposit growth of banks.</p> <p>SBI's RoAs averaged at 0.2% during this period. Its P/ABV (x) multiples were in a range of 1.1-2.5x.</p> <p>The average RoAs of the top 4 private banks declined from 1.8% in FY15 to 1.1% in FY18 due to higher impact of corporate loan stress on ICICI and Axis. Their P/ABV (x) multiple was in a range of 2.9-3.5x during this period.</p>	<p><b>Event/Trend:</b> During COVID the system credit growth dropped to as low as 5.3% in Apr-21 and deposit growth stood higher than credit growth. Post-COVID, the system credit growth had picked up and was in healthy double digits of 15% in FY23. At present, the credit growth has slowed down to 10% and converged with deposit growth.</p> <p><b>Impact:</b> Due to asset quality being best in a decade, credit costs remain benign leading to historic high RoAs.</p> <p>SBI's RoAs were at a historic high of 1.1% in FY25 and its P/ABV (x) has been in a range of 0.5-1.4x during this period.</p> <p>Average RoA of the top 4 private banks was at historic high of 2% in FY25 and their P/ABV (x) has been in a range of 2.4-3x.</p>

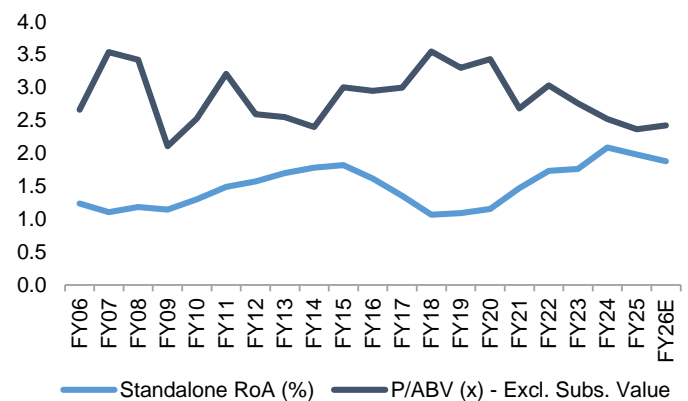
Source: Nirmal Bang Institutional Equities Research

**Exhibit 39: SBI's standalone RoA vs. P/ABV (excl. subsidiary value)**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 40: Top 4 private banks' average RoA vs. P/ABV (excl. subsidiary value)**



Source: Company, Nirmal Bang Institutional Equities Research

## RoAs at historic high and valuations are reasonable

Due to better NIMs in a decade, stable opex ratios, asset quality being best in history, and benign credit costs, the RoAs of banks are at a historic high (refer to Exhibit 42). As per Exhibit 44 on the next page we can see that the valuations of the banks remain reasonable.

### Exhibit 41: Top 5 banks earnings growth

Particulars	20-year CAGR (FY05-FY25)	5-year CAGR (FY20-FY25)	FY25A	FY26E	FY27E	FY28E
State Bank of India	15.0	37.4	16.1	3.7	16.0	15.3
HDFC Bank	26.0	20.7	10.7	9.8	16.2	17.5
ICICI Bank	17.1	42.9	15.5	6.3	12.7	13.8
Axis Bank	24.4	74.6	6.1	-3.2	15.1	14.7
Kotak Bank	30.1	22.6	19.4	-12.7	20.1	13.1

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 42: Standalone RoA

Particulars	20-year average (FY05- FY25)	5-year average (FY20-FY25)	FY25A	FY26E	FY27E	FY28E
State Bank of India	0.7	0.9	1.1	1.0	1.1	1.1
HDFC Bank	1.7	1.9	1.8	1.8	1.9	1.9
ICICI Bank	1.4	2.0	2.4	2.2	2.3	2.3
Axis Bank	1.2	1.2	1.7	1.5	1.6	1.7
Kotak Bank	1.8	2.3	2.5	2.0	2.1	2.1

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 43: Standalone RoE

Particulars	20-year average (FY05-FY25)	5-year average (FY20-FY25)	FY25A	FY26E	FY27E	FY28E
State Bank of India	11.7	14.3	17.3	15.1	15.0	15.3
HDFC Bank	17.6	16.3	14.3	13.9	14.5	15.3
ICICI Bank	11.9	15.4	17.8	16.0	15.8	15.8
Axis Bank	14.1	12.2	15.9	13.3	13.5	13.6
Kotak Bank	13.1	13.9	15.4	11.4	12.1	12.2

Source: Company, Nirmal Bang Institutional Equities Research

From Exhibit 42 on the previous page (standalone RoAs) and Exhibit 44 below (P/ABV multiples), we find that **Kotak Bank**, which has traded at P/ABV (excluding subsidiary value) of 4.6x/3.4x in the past 20 years/5 years and is expected to deliver RoA of over 2% in FY27E (similar to ICICI Bank), is trading at 1.9x FY27E ABV, which is at a 24.2% discount to ICICI Bank's valuations.

Even **SBI**, which is likely to sustain RoAs over 1%, is trading at an attractive valuation of 1x FY27E ABV.

**HDFC Bank**, which has traded at P/ABV (excluding subsidiary value) of 3.6x/2.9x in the past 20 years/5 years and is expected to deliver healthy RoA of 1.9% over FY25-FY28E, is trading at an attractive valuation of 2.2x FY27E ABV, which is at a 12.4% discount to ICICI Bank's valuations.

**Exhibit 44: Historic average P/ABV and Forward P/ABV**

Particulars	20-year average (Sep '05-Sep '25)	5-year average (Sep '20-Sep '25)	FY25A	FY26E	FY27E	FY28E
<b>State Bank of India</b>						
P/ABV (x) - Reflecting subsidiary value	2.0	1.7	1.8	1.6	1.4	1.2
P/ABV (x) - Excluding subsidiary value	1.9	1.2	1.4	1.2	1.0	0.9
<b>HDFC Bank</b>						
P/ABV (x) - Reflecting subsidiary value	3.7	3.1	2.6	2.7	2.4	2.2
P/ABV (x) - Excluding subsidiary value	3.6	2.9	2.3	2.5	2.2	1.9
<b>ICICI Bank</b>						
P/ABV (x) - Reflecting subsidiary value	2.4	3.0	3.1	3.1	2.7	2.4
P/ABV (x) - Excluding subsidiary value	2.2	2.6	2.8	2.8	2.5	2.2
<b>Axis Bank</b>						
P/ABV (x) - Reflecting subsidiary value	2.4	2.0	2.0	1.7	1.5	1.3
P/ABV (x) - Excluding subsidiary value	2.4	1.9	1.9	1.6	1.4	1.2
<b>Kotak Bank</b>						
P/ABV (x) - Reflecting subsidiary value	5.4	4.2	3.1	3.0	2.6	2.3
P/ABV (x) - Excluding subsidiary value	4.6	3.4	2.2	2.1	1.9	1.7

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 45: State Bank of India - Calculation of forward P/ABV (excluding subsidiary value)**

Particulars	FY26E	FY27E	FY28E
CMP (Rs) (A)	823	823	823
Less: Subsidiary value per share (from SOTP)	226	226	226
Adjusted CMP (Rs) - (B)	597	597	597
ABV (Rs) - Adj. for reval reserves and NNPA - (C)	527	599	682
ABV (Rs) - Adj. for reval reserves, subs. invt. cost and NNPA - (D)	503	575	659
Standalone RoA (%)	1.0	1.1	1.1
Standalone RoE (%)	15.1	15.0	15.3
<b>P/ABV (x) - Reflecting subsidiary value (A divided by C)</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>
<b>P/ABV (x) - Excluding subsidiary value (B divided by D)</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 46: HDFC Bank - Calculation of forward P/ABV (excluding subsidiary value)**

Particulars	FY26E	FY27E	FY28E
CMP (Rs) (A)	967	967	967
Less: Subsidiary value per share (from SOTP)	123	123	123
Adjusted CMP (Rs) - (B)	844	844	844
ABV (Rs) - Adj. for reval reserves and NNPA - (C)	357	398	446
ABV (Rs) - Adj. for reval reserves, subs. invt. cost and NNPA - (D)	347	389	437
Standalone RoA (%)	1.8	1.9	1.9
Standalone RoE (%)	13.9	14.5	15.3
<b>P/ABV (x) - Reflecting subsidiary value (A divided by C)</b>	<b>2.7</b>	<b>2.4</b>	<b>2.2</b>
<b>P/ABV (x) - Excluding subsidiary value (B divided by D)</b>	<b>2.4</b>	<b>2.2</b>	<b>1.9</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 47: ICICI Bank - Calculation of forward P/ABV (excluding subsidiary value)**

Particulars	FY26E	FY27E	FY28E
CMP (Rs) (A)	1,418	1,418	1,418
Less: Subsidiary value per share (from SOTP)	202	202	202
Adjusted CMP (Rs) - (B)	1,215	1,215	1,215
ABV (Rs) - Adj. for reval reserves and NNPA - (C)	456	519	590
ABV (Rs) - Adj. for reval reserves, subs. invt. cost and NNPA - (D)	428	491	562
Standalone RoA (%)	2.2	2.3	2.3
Standalone RoE (%)	16.0	15.8	15.8
<b>P/ABV (x) - Reflecting subsidiary value (A divided by C)</b>	<b>3.1</b>	<b>2.7</b>	<b>2.4</b>
<b>P/ABV (x) - Excluding subsidiary value (B divided by D)</b>	<b>2.8</b>	<b>2.5</b>	<b>2.2</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 48: Axis Bank - Forward P/ABV (excluding subsidiary value)**

Particulars	FY26E	FY27E	FY28E
CMP (Rs) (A)	1,105	1,105	1,105
Less: Subsidiary value per share (from SOTP)	94	94	94
Adjusted CMP (Rs) - (B)	1,011	1,011	1,011
ABV (Rs) - Adj. for reval reserves and NNPA - (C)	642	732	834
ABV (Rs) - Adj. for reval reserves, subs. invt. cost and NNPA - (D)	621	711	813
Standalone RoA (%)	1.5	1.6	1.7
Standalone RoE (%)	13.3	13.5	13.6
<b>P/ABV (x) - Reflecting subsidiary value (A divided by C)</b>	<b>1.7</b>	<b>1.5</b>	<b>1.3</b>
<b>P/ABV (x) - Excluding subsidiary value (B divided by D)</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 49: Kotak Mahindra Bank - Forward P/ABV (excluding subsidiary value)**

Particulars	FY26E	FY27E	FY28E
CMP (Rs) (A)	1,972	1,972	1,972
Less: Subsidiary value per share (from SOTP)	596	596	596
Adjusted CMP (Rs) - (B)	1,376	1,376	1,376
ABV (Rs) - Adj. for reval reserves and NNPA - (C)	667	750	844
ABV (Rs) - Adj. for reval reserves, subs. invt. cost and NNPA - (D)	650	733	827
Standalone RoA (%)	2.0	2.1	2.1
Standalone RoE (%)	11.4	12.1	12.2
<b>P/ABV (x) - Reflecting subsidiary value (A divided by C)</b>	<b>3.0</b>	<b>2.6</b>	<b>2.3</b>
<b>P/ABV (x) - Excluding subsidiary value (B divided by D)</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>

Source: Company, Nirmal Bang Institutional Equities Research



**Exhibit 50: NBIE banks, specialized NBFCs, and HFCs coverage universe**

Company Name	M Cap (Rs bn)	CMP (Rs)	TP (Rs)	Rating	P/ABV (x)			RoA (%)			RoE (%)		
					FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Axis Bank	3,429	1,105	1,200	Hold	1.9	1.7	1.5	1.7	1.5	1.6	15.9	13.3	13.5
HDFC Bank	14,852	967	1,164	Buy	3.0	2.7	2.4	1.8	1.8	1.9	14.3	13.9	14.5
ICICI Bank	10,124	1,418	1,700	Buy	3.6	3.1	2.7	2.4	2.2	2.3	17.8	16.0	15.8
Indusind Bank	577	741	811	Hold	0.9	0.9	0.8	0.5	0.7	0.9	4.0	6.1	7.5
Kotak Mahindra Bank	3,922	1,972	2,507	Buy	3.4	2.9	2.6	2.5	2.0	2.1	15.4	11.4	12.1
Bandhan Bank	266	165	183	Hold	1.2	1.1	0.9	1.5	1.5	1.8	11.9	12.0	14.4
Federal Bank	478	194	215	Hold	1.4	1.3	1.2	1.2	1.1	1.2	13.0	11.8	12.5
RBL Bank	167	273	246	Sell	1.1	1.0	0.9	0.5	0.7	0.9	4.6	6.4	8.6
City Union Bank	151	204	260	Buy	1.6	1.5	1.3	1.5	1.5	1.6	12.6	12.1	13.1
DCB Bank	40	127	177	Buy	0.8	0.7	0.6	0.9	0.9	1.0	11.4	12.0	14.0
State Bank of India	7,602	823	1,039	Buy	1.7	1.5	1.3	1.1	1.0	1.1	17.3	15.1	15.0
Bank of Baroda	1,228	237	303	Buy	0.9	0.8	0.8	1.2	1.0	1.0	15.7	13.0	13.8
Punjab National Bank	1,233	107	113	Hold	1.1	0.9	0.8	1.0	0.8	0.9	14.2	11.2	13.1
AU Small Finance Bank	527	707	916	Buy	3.2	2.8	2.4	1.6	1.6	1.8	14.2	15.0	17.1
Equitas Small Finance Bank	63	55	58	Hold	1.1	1.1	1.0	0.3	0.1	1.0	2.4	1.0	10.1
Muthoot Finance	1,175	2,926	2,885	Buy	4.6	3.7	3.1	5.0	5.0	4.8	19.7	22.1	21.3
Manappuram Finance	246	291	271	Hold	2.3	1.9	1.6	4.8	4.5	4.4	15.9	14.3	13.1
HUDCO	433	216	267	Buy	2.5	2.2	1.9	2.4	2.2	2.3	15.7	17.0	19.0
LIC Housing Finance	312	567	721	Buy	1.0	0.8	0.7	1.8	1.7	1.7	16.0	14.4	14.3
PNB Housing Finance	216	830	1,000	Buy	1.3	1.2	1.0	2.5	2.4	2.3	12.3	12.0	11.6
Can Fin Homes	99	746	931	Buy	2.0	1.8	1.5	2.2	2.1	2.1	18.2	16.9	16.8
Repco Home Finance	23	374	424	Hold	0.7	0.7	0.6	3.1	2.8	2.7	14.2	12.3	12.2
Aavas Financiers	129	1,633	1,900	Buy	3.0	2.7	2.3	3.3	3.3	3.4	14.2	14.6	15.4
Home First Finance	135	1,303	1,619	Buy	4.9	3.3	2.9	3.5	3.4	3.4	16.5	14.5	13.4

Source: Company, Nirmal Bang Institutional Equities Research

## Annexure: Historic valuations of non-lending financial companies

### Exhibit 51: Historic average valuations of life insurance companies

Particulars	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	1QFY26
<b>Return on Embedded Value (%)</b>											
HDFC Life Insurance	-	-	21.5	20.1	18.1	18.5	19	19.7	17.5	16.7	16.3
ICICI Prudential Life Insurance	-	16.5	22.7	20.2	15.2	15.2	11.0	17.4	14.1	13.1	-
SBI Life Insurance	-	-	-	-	-	-	20.6	22.8	21.8	20.2	-
Axis Max Life Insurance	17.0	20.0	21.0	22.0	20.0	18.5	19.2	22.1	20.2	19.1	14.3
<b>Average P/EV (x)</b>											
HDFC Life Insurance	-	-	5.5	4.7	5.1	4.6	4.7	3.0	2.8	2.5	2.8
ICICI Prudential Life Insurance	-	2.9	3.1	2.4	2.7	2.2	2.7	2.0	1.8	2.0	-
SBI Life Insurance	-	-	3.6	2.7	3.0	2.3	2.8	2.6	2.3	2.2	2.4
Axis Max Life Insurance	1.6	2.1	2.1	1.3	1.2	1.8	2.3	1.6	1.5	1.5	1.9
<b>Industry Average P/EV (x)</b>	<b>1.6</b>	<b>2.5</b>	<b>3.6</b>	<b>2.8</b>	<b>3.0</b>	<b>2.7</b>	<b>3.1</b>	<b>2.3</b>	<b>2.1</b>	<b>2.0</b>	<b>2.4</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 52: Historic average valuations of general insurance companies

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
<b>RoE (%)</b>									
ICICI Lombard General Insurance	20.0	20.7	20.9	21.6	15.1	17.6	16.9	18.8	18.4
Star Health and Allied Insurance	-	-	-	-	-19.6	9.6	12.8	9.4	10.7
<b>Average P/BV (x)</b>									
ICICI Lombard General Insurance	7.3	6.9	9.1	8.0	7.7	5.6	5.5	6.4	5.7
Star Health and Allied Insurance	-	-	-	-	6.8	5.7	5.1	4.3	3.2
<b>Industry avg. P/BV (x)</b>	<b>7.3</b>	<b>6.9</b>	<b>9.1</b>	<b>8.0</b>	<b>7.3</b>	<b>5.7</b>	<b>5.3</b>	<b>5.3</b>	<b>4.4</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 53: Historic average valuations of asset management companies

Average P/E (x)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E
HDFC AMC	-	34.0	42.9	41.9	41.3	29.6	29.9	35.5	37.3
Nippon Life AMC	32.2	25.1	41.9	27.5	32.6	23.6	21.8	32.4	34.6
UTI AMC	-	-	-	19.7	28.4	22.2	16.7	21.6	23.5
Aditya Birla AMC	-	-	-	-	24.4	21.3	15.7	21.4	20.1
<b>Industry Average</b>	<b>32.2</b>	<b>29.5</b>	<b>42.4</b>	<b>29.7</b>	<b>31.7</b>	<b>24.2</b>	<b>21.0</b>	<b>27.7</b>	<b>28.9</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 54: Historic average valuations of brokerage companies

Average P/E (x)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
ICICI Securities Ltd	19.7	17.9	13.1	16.0	14.4	12.3	13.5

Source: Company, Nirmal Bang Institutional Equities Research

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## Company Section

# Axis Bank (AXSB)

Banking | Company Update

**Hold**

**CMP: Rs1,105 | Target Price (TP): Rs1,200 | Upside: 9%**

**September 14, 2025**

## Elevated C/D ratio can constrain growth

### Key Points

- **Elevated C/D ratio can constrain loan growth:** Over the last couple of years, the bank has been operating at a higher level of loan deposit ratio at ~90% (at 91.2% in 1QFY26). Given the challenges in mobilizing retail deposits (which most banks continue to face), the bank might face some challenges in terms of advances growth. The trend of moderation in advances growth has been visible with loan growth slowing down from a high double digit growth of 19.4% in FY23 to 8.1% in 1QFY26. In our view, unless deposits growth picks up significantly, a higher C/D ratio can constrain loan growth of the bank. We have built in a loan CAGR of 10.3% over FY25-28E.
- **Higher floating rate book at 72%:** The proportion of floating rate loans is high at 72% (repo linked 59%, MCLR linked 9%, other EBLR at 4%, and foreign currency floating rate loans at 1%), which will keep margins under pressure in a declining interest rate scenario. The proportion of RWA to assets is high at 75%, which leaves less room for further expansion in higher yielding retail assets. The bank has maintained its long term NIM guidance at 3.8% across cycles. We have projected calculated NIMs to average at 3.55% over FY25-FY28E.
- **Technical impact on asset quality:** Axis Bank's GNPA levels marginally increased from 1.28% in 4QFY25 to 1.57% in 1QFY26. In 1QFY26, the bank made changes to its technical recognition criteria which impacted asset quality numbers across gross slippages, net slippages, credit costs and interest reversals thereby impacting NIMs. This technical impact was largely restricted to cash credit and overdraft products and one-time settled accounts. Out of Rs82bn gross slippages in 1QFY26, Rs27.1bn of gross slippages were attributable to the technical impact. While the bank expects recovery in these accounts in the normal course of business, it also gets comfort from the fact that 80% of these technically slipped accounts have 100% security cover.
- **Non-specific provision buffer at 1.1% of loan book:** The bank has prudent other provisions aggregating to Rs50.1bn, which will largely be utilized for ECL transition. This provision has not been reckoned in the capital computation and translates to a capital cushion of ~36bps over and above the reported capital adequacy ratio. The total non-specific provision buffer is Rs117.6bn, which forms 1.1% of the loan book.
- **Outlook and valuation:** We have projected an earnings CAGR of 8.5% over FY25-FY28E which will lead to average RoA/RoE of 1.6%/13.4% during the same period. We have derived our target price of Rs1,200 (as against Rs1,287 earlier), valuing the bank at 1.4x Sep-27E ABV (as against 1.6x Jun-27E ABV earlier), plus subsidiary value per share of Rs94. Our target multiple is at a 26.3% discount to the past 5-year P/ABV multiple (excluding subsidiary value) of 1.9x. We maintain a 'HOLD' rating on Axis Bank.

Est Change	Downwards
TP Change	Downwards
Rating Change	No Change

### Company Data and Valuation Summary

Reuters	AXBK.BO
Bloomberg	AXSB IN Equity
Market Cap (Rsbn / US\$bn)	3,373.7 / 38.3
52 Wk H / L (Rs)	1,282 / 934
ADTV-3M (mn) (Rs / US\$)	7,734.0 / 89.2
Stock performance (%) 1M/6M/1yr	1.3 / 6.0 / (8.3)
Nifty 50 performance (%) 1M/6M/1yr	1.7 / 0.2 / (1.5)

Shareholding	3QFY25	4QFY25	1QFY26
Promoters	8.2	8.2	8.2
DII's	37.5	40.9	41.2
FII's	47.3	43.9	43.8
Others	7.0	7.0	6.8
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsmn)	FY25	FY26E	FY27E	FY28E
NII	543,478	545,680	598,273	667,036
% growth	8.9	0.4	9.6	11.5
NIM %	3.7	3.5	3.6	3.6
C/I Ratio %	47.1	47.1	47.1	46.4
Operating Profit	421,049	447,298	494,475	557,560
% growth	13.4	6.2	10.5	12.8
Adjusted PAT	263,735	255,339	293,863	337,100
% growth	6	(3)	15	15
ABVPS (Rs)	568	642	732	834
P/ABV	1.9	1.7	1.5	1.3
RoA (%)	1.7	1.5	1.6	1.7
Leverage (x)	9.3	8.6	8.2	7.9
RoE (%)	15.9	13.3	13.5	13.6

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

**Key Links-** [1QFY26 presentation](#)

[1QFY26 Result Update](#)

Please refer to the disclaimer towards the end of the document.

## Exhibit 1: Change in our estimates

	Revised Estimate			Earlier Estimate		% Revision	
	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (Rsmn)	545,680	598,273	667,036	550,452	604,712	-0.9	-1.1
NIMs (%)	3.5	3.6	3.6	3.5	3.6	-2bps	-2bps
Operating Profit (Rsmn)	447,298	494,475	557,560	457,888	509,102	-2.3	-2.9
PAT (Rsmn)	255,339	293,863	337,100	263,215	304,208	-3.0	-3.4
Loan Book (Rsbn)	11,379	12,559	13,964	11,467	12,657	-0.8	-0.8
ABVPS (Rs)	642	732	834	644	738	-0.4	-0.8

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 2: Calculation of Sep-27E ABV

Particulars	Amount (Rsmn)
Sep-27E Networth	2,491,514
Sep-27E NNPA	53,909
Cost of Investment in Subsidiaries	64,957
<b>Sep-27E Adj. Network</b>	<b>2,372,647</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 3: SOTP Valuation

Entity	Stake	Valuation methodology	Holding	Value per share (Rs)
Axis Bank	-	1.4x Sep-27E ABV	-	1,106
Axis Asset Management	75%	25x FY25 EPS	15%	26
Axis Capital	100%	10x FY25 PAT	15%	4
Axis Finance	100%	2x FY25 BV	15%	28
Axis Securities	100%	10x FY25 PAT	15%	11
A. Treds	67%	5x FY25 PAT	15%	0
Freecharge	100%	5x FY25 PAT	15%	(1)
Axis Bank UK	100%	1x FY25 BV	15%	0
Max Life Insurance (associate)	16%	Current Mcap	15%	24
<b>Target Price (Rs)</b>				<b>1,200</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 4: One-year forward P/ABV



Source: Company, Nirmal Bang Institutional Equities Research



## Financials

**Exhibit 5: Income statement**

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	1,093,686	1,226,770	1,250,410	1,376,907	1,563,302
Interest expense	594,741	683,292	704,731	778,634	896,266
<b>Net interest income</b>	<b>498,945</b>	<b>543,478</b>	<b>545,680</b>	<b>598,273</b>	<b>667,036</b>
Non-interest income	224,420	252,571	299,190	336,021	373,157
<b>Net Revenue</b>	<b>723,364</b>	<b>796,049</b>	<b>844,869</b>	<b>934,294</b>	<b>1,040,194</b>
Operating Expense	352,133	374,999	397,571	439,819	482,633
-Employee Exp	109,331	121,928	132,038	145,129	160,161
-Other Exp	242,802	253,072	265,533	294,690	322,472
<b>Operating profit</b>	<b>371,232</b>	<b>421,049</b>	<b>447,298</b>	<b>494,475</b>	<b>557,560</b>
Provisions	40,631	77,584	108,586	102,658	108,093
<b>PBT</b>	<b>330,601</b>	<b>343,466</b>	<b>338,712</b>	<b>391,817</b>	<b>449,467</b>
Taxes	81,986	79,731	83,373	97,954	112,367
<b>PAT</b>	<b>248,614</b>	<b>263,735</b>	<b>255,339</b>	<b>293,863</b>	<b>337,100</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: Balance sheet**

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	6,173	6,195	6,202	6,202	6,202
Reserves & Surplus	1,504,443	1,791,057	2,037,507	2,316,676	2,636,922
<b>Shareholder's Funds</b>	<b>1,510,616</b>	<b>1,797,251</b>	<b>2,043,709</b>	<b>2,322,879</b>	<b>2,643,124</b>
<b>Deposits</b>	<b>10,686,414</b>	<b>11,729,520</b>	<b>12,804,640</b>	<b>14,114,848</b>	<b>15,716,283</b>
Borrowings	1,968,118	1,841,465	1,977,331	2,182,084	2,408,039
Other liabilities	606,939	731,062	137,954	50,293	18,012
<b>Total liabilities</b>	<b>14,772,086</b>	<b>16,099,299</b>	<b>16,963,634</b>	<b>18,670,103</b>	<b>20,785,458</b>
Cash/Equivalent	1,144,544	997,321	723,185	797,183	887,630
<b>Advances</b>	<b>9,650,684</b>	<b>10,408,113</b>	<b>11,378,563</b>	<b>12,558,911</b>	<b>13,963,625</b>
Investments	3,315,272	3,961,418	3,927,374	4,258,661	4,741,838
Fixed Assets	56,846	62,917	65,655	68,320	71,095
Other assets	604,740	669,530	868,857	987,028	1,121,271
<b>Total assets</b>	<b>14,772,086</b>	<b>16,099,299</b>	<b>16,963,634</b>	<b>18,670,103</b>	<b>20,785,458</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: DuPont Decomposition (RoA Tree)**

Y/E March (%)	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income / Assets	3.6%	3.5%	3.3%	3.4%	3.4%
Other Income / Assets	1.6%	1.6%	1.8%	1.9%	1.9%
Net Revenues / Assets	5.2%	5.2%	5.1%	5.2%	5.3%
Operating Expense / Assets	2.5%	2.4%	2.4%	2.5%	2.4%
Provisions / Assets	0.3%	0.5%	0.7%	0.6%	0.5%
Taxes / Assets	0.6%	0.5%	0.5%	0.5%	0.6%
Total Costs / Assets	3.4%	3.4%	3.6%	3.6%	3.6%
<b>Return on Assets</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.7%</b>
Assets / Equity	10.1	9.3	8.6	8.2	7.9
<b>Return on Average Equity</b>	<b>18.0%</b>	<b>15.9%</b>	<b>13.3%</b>	<b>13.5%</b>	<b>13.6%</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 8: Key ratios**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth (%)</b>					
NII growth	16.2	8.9	0.4	9.6	11.5
Pre-provision profit growth	87.6	13.4	6.2	10.5	12.8
PAT growth	159.5	6.1	-3.2	15.1	14.7
<b>Business (%)</b>					
Deposit growth	12.9	9.8	9.2	10.2	11.3
Advance growth	14.2	7.8	9.3	10.4	11.2
CD	90.3	88.7	88.9	89.0	88.8
CASA	43.0	40.8	40.6	41.0	41.4
<b>Operating efficiency (%)</b>					
Cost/income	48.7	47.1	47.1	47.1	46.4
Cost-to-assets	2.5	2.4	2.4	2.5	2.4
<b>Spreads (%)</b>					
Yield on advances	9.6	9.7	9.1	9.1	9.3
Yield on investments	6.5	6.3	6.1	6.3	6.6
Cost of deposits	4.5	4.8	4.1	4.0	4.1
Yield on assets	8.3	8.3	8.0	8.2	8.4
Cost of funds	5.0	5.2	5.0	5.0	5.2
NIMs	3.8	3.7	3.5	3.6	3.6
<b>Capital adequacy (%)</b>					
Tier I	14.2	15.1	16.5	16.8	17.0
Tier II	2.4	2.0	1.9	1.7	1.5
Total CAR	16.6	17.1	18.4	18.5	18.4
<b>Asset Quality (%)</b>					
Gross NPA	1.5	1.3	1.6	1.5	1.5
Net NPA	0.3	0.4	0.5	0.4	0.4
PCR	77.4	73.6	72.2	73.2	74.2
Slippage	1.5	1.9	2.3	1.7	1.7
Credit cost	0.4	0.8	1.0	0.9	0.8
<b>Return (%)</b>					
ROE	18.0	15.9	13.3	13.5	13.6
ROA	1.8	1.7	1.5	1.6	1.7
RORWA	2.6	2.4	2.1	2.3	2.3
<b>Per share</b>					
EPS	81	85	82	95	109
BV	489	580	659	749	852
ABV	479	568	642	732	834
<b>Valuation</b>					
P/E	13.7	13.0	13.4	11.7	10.2
P/BV	2.3	1.9	1.7	1.5	1.3
P/ABV	2.3	1.9	1.7	1.5	1.3

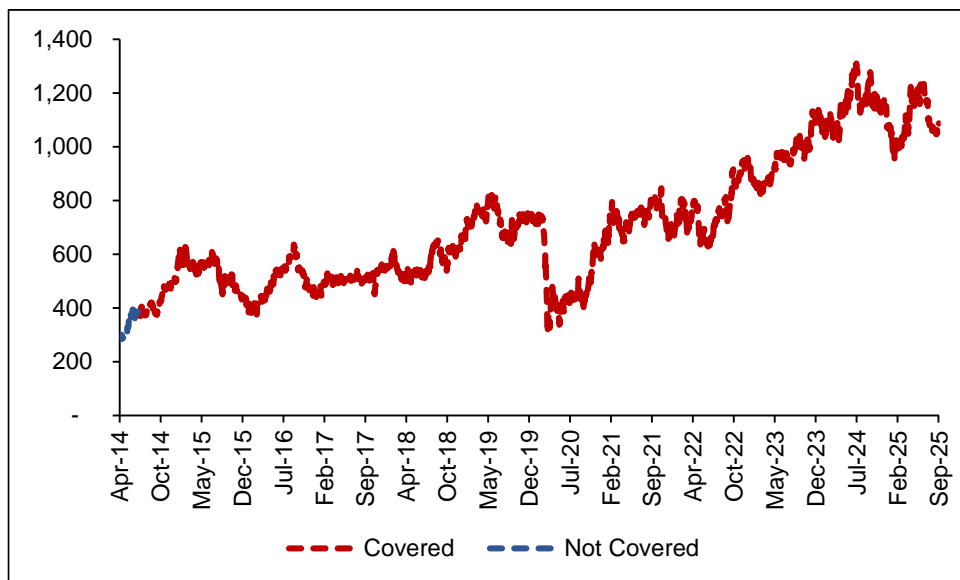
Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
23 July 2014	Buy	404	472
20 October 2014	Buy	403	490
8 January 2015	Accumulate	502	490
19 January 2015	Accumulate	515	550
30 April 2015	Accumulate	559	590
27 July 2015	Accumulate	581	590
28 October 2015	Accumulate	518	575
21 January 2016	Accumulate	392	435
27 April 2016	Accumulate	478	470
25 July 2016	Accumulate	537	525
26 October 2016	Accumulate	530	510
20 January 2017	Accumulate	481	490
14 February 2017	Accumulate	491	530
27 April 2017	Accumulate	516	515
26 July 2017	Accumulate	545	515
18 October 2017	Accumulate	513	525
23 January 2018	Accumulate	611	671
27 April 2018	Accumulate	495	473
31 July 2018	Accumulate	570	556
9 October 2018	Accumulate	557	604
5 November 2018	Accumulate	611	667
13 December 2018	Buy	609	761
30 January 2019	Buy	661	762
25 March 2019	Accumulate	749	819
8 April 2019	Accumulate	762	819
26 April 2019	Accumulate	741	818
8 July 2019	Accumulate	806	806
31 July 2019	Accumulate	708	786
7 October 2019	Accumulate	656	727
23 October 2019	Accumulate	713	725
8 January 2020	Accumulate	725	717
23 January 2020	Accumulate	713	716
27 March 2020	Buy	362	522
9 April 2020	Buy	391	522
29 April 2020	Buy	456	527
9 July 2020	Buy	444	527
22 July 2020	Buy	445	513
23 September 2020	Buy	413	549
7 October 2020	Buy	450	545
29 October 2020	Buy	506	606
26 November 2020	Accumulate	600	660
08 January 2021	Accumulate	671	720
28 January 2021	Accumulate	632	706
21 February 2021	Buy	750	917

28 April 2021	Buy	700	927
27 July 2021	Buy	754	913
26 September 2021	Buy	798	946
27 October 2021	Buy	844	976
25 January 2022	Buy	703	988
21 February 2022	Buy	779	1,013
29 April 2022	Buy	776	983
26 July 2022	Buy	726	990
19 September 2022	Buy	788	1,045
21 October 2022	Buy	826	980
24 January 2023	Buy	933	1,132
22 March 2023	Buy	849	1,028
28 April 2023	Buy	885	1,025
27 July 2023	Buy	977	1,130
26 October 2023	Buy	955	1,181
24 November 2023	Buy	999	1,181
24 January 2024	Buy	1,089	1,256
25 April 2024	Buy	1,064	1,255
08 June 2024	Buy	1,187	1,387
07 July 2024	Buy	1,287	1,485
25 July 2024	Buy	1,240	1,485
10 October 2024	Buy	1,170	1,433
18 October 2024	Buy	1,132	1,319
06 December 2024	Buy	1,170	1,424
10 January 2025	Buy	1,041	1,300
17 January 2025	Buy	1,040	1,300
25 April 2025	Hold	1,207	1,284
18 July 2025	Hold	1,160	1,287
14 September 2025	Hold	1,105	1,200

## Rating track graph



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# HDFC Bank (HDFCB)

Banking | Company Update

**BUY**

**CMP: Rs967 | Target Price (TP): Rs1,164 | Upside: 20%**

**September 14, 2025**

## Putting the house in order as C/D ratio declines to 95.1%

### Key Points

- **Ability to return back to double-digit growth:** While the loan growth is expected to be lower in the near term, in the medium-to-long term, we expect it to return to double digits, which will help the bank maintain/expand its market share due to the following reasons: 1) Good capital position with Tier-I capital of 17.8%. 2) Continued branch addition and digital footprint. 3) Cross-selling opportunities that the bank has the potential to capitalize on with a 98mn customer base (up from 49mn in FY19).
- **Deposits market share to increase further:** We expect the bank's deposit market share to improve further due to: 1) 2-5x branch addition as compared to peers in districts witnessing strong deposit growth. 2) Faster deposit compounding as >50% of its existing branches are <10 years old. Since FY23, HDFC Bank has been adding ~700-1,500 branches every year. Lower vintage branches on maturing will add to profitability and market share. The branches with vintage of 10 years or more have 20-30% higher market share than lower vintage branches.
- **NIMs have scope to improve in the long term:** In the near-to-medium term, till the C/D ratio normalizes and loans get repriced downwards, we expect the NIMs to be under pressure. In the long term there is scope for expansion in margins due to the following reasons: 1) High-cost borrowings of e-HDFC will get repaid in the next 2-3 years. (2) The proportion of mortgage assets going up from 11% pre-merger to 32% at present has raised the headroom for expansion into other higher yielding retail segments. (3) The RWA-to-asset ratio is comfortable at 69% as against ~75% in case of 2 large peer banks, as a result of which, it can expand a bit into higher yielding segments which carry high/medium risk.
- **Utilizing non-core asset monetization to strengthen the balance sheet:** In 4QFY24, the bank had utilized profit from 90% stake sale in HDFC Credila of Rs73.4bn (Rs55.3bn net of tax) and tax credit of Rs44bn in making floating provisions of Rs109bn (pre-tax) and staff ex-gratia provision of Rs15bn (pre-tax). It further utilized HDB stake sale proceeds of Rs91bn (Rs78bn net of tax) in making floating provisions of Rs90bn (pre-tax). This has led to its non-specific provision buffer strengthening to 1.8% of the loan book.
- **Outlook and valuation:** We have estimated earnings CAGR of 14.5% over FY25-FY28E, which will result in 1.9% RoA/15.3% RoE in FY28E. Valuing the bank at 2.5x Sep-27E ABV (as against 2.6x Jun-27E ABV earlier) and adding subsidiary value per share of Rs122.8, we revise our target price from Rs1,119 (adjusted for bonus issue) earlier to Rs1,164. Our target multiple is at a 13.8% discount to the past 5-year average P/ABV multiple (excluding subsidiary value) of 2.9x. We maintain a 'BUY' rating on HDFC Bank.

Est Change	No Change
TP Change	No Change
Rating Change	No Change

### Company Data and Valuation Summary

Reuters	HDBK.BO
Bloomberg	HDFCB IN Equity
Market Cap (Rsbn / US\$bn)	14,859.7 / 168.5
52 Wk H / L (Rs)	1,019 / 807
ADTV-3M (mn) (Rs / US\$)	17,522.9 / 202.1
Stock performance (%) 1M/6M/1yr	(3.0) / 14.8 / 17.7
Nifty 50 performance (%) 1M/6M/1yr	1.7 / 0.2 / (1.5)

Shareholding	3QFY25	4QFY25	1QFY26
Promoters	0.0	0.0	0.0
DII's	34.5	35.8	36.0
FII's	49.2	48.3	48.8
Others	16.3	15.9	15.2
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsmn)	FY25	FY26E	FY27E	FY28E
Net Interest Income	1,226,701	1,334,012	1,573,316	1,869,027
% growth	13.0	8.7	17.9	18.8
Net Interest Margin%	3.5	3.4	3.6	3.7
Cost/Income Ratio	40.5	39.2	39.0	38.3
Operating Profit	1,001,275	1,197,468	1,311,933	1,550,781
% growth	6.1	19.6	9.6	18.2
Adjusted PAT	673,474	739,607	859,763	1,010,081
% growth	10.7	9.8	16.2	17.5
ABVPS (Rs)	640	357	398	446
P/ABV	1.5	2.7	2.4	2.2
RoA (%)	1.8	1.8	1.9	1.9
Leverage (x)	8.0	7.7	7.8	7.9
RoE (%)	14.3	13.9	14.5	15.3

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

### Key Links-

[1QFY26 Presentation](#)

[Press Release](#)

[1QFY26 Result Update](#)

Please refer to the disclaimer towards the end of the document.

## Exhibit 1: Change in our estimates

(Rsmn)	Revised Estimate			Earlier Estimate		Change %	
	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E	FY27E
Net interest income	1,334,012	1,573,316	1,869,027	1,334,012	1,573,316	-	-
Pre-provisioning profit	1,197,468	1,311,933	1,550,781	1,197,468	1,311,933	-	-
PAT	739,607	859,763	1,010,081	739,607	850,868	-	1.0

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 2: HDFC Bank adjusted network calculation

Particulars	Amount (Rsmn)
Sep-27E Network	6,676,964
Less: Sep-27E NNPA	149,981
Less: Cost of investment in subsidiaries	138,993
<b>Sep-27E Adj. Network</b>	<b>6,387,990</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 3: HDFC Bank sum of the parts valuation

Entity	Valuation Basis	Holding (%)	Value per Share (Rs)
HDFC Bank Merged	2.5x Sep-27E ABV	-	1,041
HDFC Life	Current Mcap	50.3%	55
HDFC AMC	Current Mcap	52.4%	42
HDFC ERGO General Insurance	3x Jun-25 BV	50.3%	5
HDFC Credila	Recent Deal Valuation	10.0%	1
HDB Financial Services	Current Mcap	74.2%	31
HDFC Securities	15x TTM PAT	94.4%	10
Holding Company Discount (%)			15.0
<b>Price Target (Rs)</b>			<b>1,164</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 4: One-year forward P/ABV



Source: Company, Nirmal Bang Institutional Equities Research



## Financials

### Exhibit 5: Income statement

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	2,583,406	3,005,170	3,190,161	3,650,037	4,300,554
Interest expense	1,498,081	1,778,470	1,856,149	2,076,721	2,431,527
<b>Net interest income</b>	<b>1,085,325</b>	<b>1,226,701</b>	<b>1,334,012</b>	<b>1,573,316</b>	<b>1,869,027</b>
Non-interest income	492,410	456,323	636,297	578,201	646,206
<b>Net Revenue</b>	<b>1,577,735</b>	<b>1,683,024</b>	<b>1,970,309</b>	<b>2,151,518</b>	<b>2,515,233</b>
Operating Expense	633,860	681,749	772,841	839,585	964,452
-Employee Exp	222,402	239,005	262,614	308,450	352,341
-Other Exp	411,458	442,744	510,227	531,134	612,111
<b>Operating profit</b>	<b>943,875</b>	<b>1,001,275</b>	<b>1,197,468</b>	<b>1,311,933</b>	<b>1,550,781</b>
Provisions	234,922	116,494	270,923	165,583	204,007
<b>PBT</b>	<b>708,953</b>	<b>884,781</b>	<b>926,545</b>	<b>1,146,350</b>	<b>1,346,775</b>
Taxes	100,830	211,307	186,938	286,588	336,694
<b>PAT</b>	<b>608,123</b>	<b>673,474</b>	<b>739,607</b>	<b>859,763</b>	<b>1,010,081</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 6: Balance sheet

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	7,597	7,652	15,336	15,336	15,336
Reserves & Surplus	4,394,861	5,006,594	5,584,218	6,229,040	6,986,601
<b>Shareholder's Funds</b>	<b>4,402,458</b>	<b>5,014,246</b>	<b>5,599,554</b>	<b>6,244,376</b>	<b>7,001,937</b>
<b>Deposits</b>	<b>23,797,863</b>	<b>27,147,149</b>	<b>31,533,419</b>	<b>36,333,853</b>	<b>41,865,074</b>
Borrowings	6,621,531	5,479,309	4,653,651	4,292,379	3,959,154
Other liabilities	1,354,379	1,461,285	1,288,284	2,036,741	3,246,231
<b>Total liabilities</b>	<b>36,176,231</b>	<b>39,101,989</b>	<b>43,074,908</b>	<b>48,907,350</b>	<b>56,072,397</b>
Cash/Equivalent	2,191,474	2,395,707	2,406,613	2,772,979	3,195,119
<b>Advances</b>	<b>24,848,615</b>	<b>26,196,086</b>	<b>28,858,315</b>	<b>32,935,418</b>	<b>37,962,550</b>
Investments	7,024,150	8,363,597	9,845,186	11,566,505	13,334,780
Fixed Assets	113,990	136,554	142,024	147,791	153,792
Other assets	1,998,002	2,010,046	1,822,770	1,484,658	1,426,156
<b>Total assets</b>	<b>36,176,231</b>	<b>39,101,989</b>	<b>43,074,908</b>	<b>48,907,350</b>	<b>56,072,397</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 7: DuPont Decomposition (RoA Tree)

Y/E March (%)	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income / Assets	3.6%	3.3%	3.2%	3.4%	3.6%
Other Income / Assets	1.6%	1.2%	1.5%	1.3%	1.2%
Net Revenues / Assets	5.2%	4.5%	4.8%	4.7%	4.8%
Operating Expense / Assets	2.1%	1.8%	1.9%	1.8%	1.8%
Provisions / Assets	0.8%	0.3%	0.7%	0.4%	0.4%
Taxes / Assets	0.3%	0.6%	0.5%	0.6%	0.6%
Total Costs / Assets	3.2%	2.7%	3.0%	2.8%	2.9%
<b>Return on Assets</b>	<b>2.0%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.9%</b>	<b>1.9%</b>
Assets / Equity	8.4	8.0	7.7	7.8	7.9
<b>Return on Average Equity</b>	<b>16.9%</b>	<b>14.3%</b>	<b>13.9%</b>	<b>14.5%</b>	<b>15.3%</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 8: Key ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth (%)</b>					
NII growth	25.0	13.0	8.7	17.9	18.8
Pre-provision profit growth	34.1	6.1	19.6	9.6	18.2
PAT growth	37.9	10.7	9.8	16.2	17.5
<b>Business (%)</b>					
Deposit growth	26.4	14.1	16.2	15.2	15.2
Advance growth	55.2	5.4	10.2	14.1	15.3
CD	104.4	96.5	91.5	90.6	90.7
CASA	38.2	34.8	34.5	35.3	36.1
<b>Operating efficiency (%)</b>					
Cost/income	40.2	40.5	39.2	39.0	38.3
Cost-to-assets	2.1	1.8	1.9	1.8	1.8
<b>Spreads (%)</b>					
Yield on advances	10.1	9.3	9.0	9.0	9.3
Yield on investments	7.3	6.9	6.9	7.0	7.2
Cost of deposits	4.7	4.9	3.9	3.9	4.0
Yield on assets	9.0	8.5	8.2	8.3	8.5
Cost of funds	5.8	5.6	5.4	5.4	5.6
NIMs	3.8	3.5	3.4	3.6	3.7
<b>Capital adequacy (%)</b>					
Tier I	16.8	17.7	17.9	17.6	17.2
Tier II	2.0	1.9	1.6	1.4	1.2
Total CAR	18.8	19.6	19.5	19.0	18.5
<b>Asset Quality (%)</b>					
Gross NPA	1.2	1.3	1.4	1.4	1.4
Net NPA	0.3	0.4	0.5	0.4	0.4
PCR	73.8	67.6	67.5	68.8	70.0
Slippage	1.6	1.2	1.4	1.4	1.4
Credit cost	1.2	0.5	1.0	0.5	0.6
<b>Return (%)</b>					
ROE	16.9	14.3	13.9	14.5	15.3
ROA	2.0	1.8	1.8	1.9	1.9
RORWA	3.0	2.6	2.6	2.6	2.7
<b>Per share</b>					
EPS	80	88	48	56	66
BV	580	655	365	407	457
ABV	569	640	357	398	446
<b>Valuation</b>					
P/E	12.1	11.0	20.0	17.2	14.7
P/BV	1.7	1.5	2.6	2.4	2.1
P/ABV	1.7	1.5	2.7	2.4	2.2

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
22 July 2014	Buy	830	960
8 October 2014	Buy	860	960
22 October 2014	Buy	897	1,060
16 February 2015	Buy	1,066	1,265
24 April 2015	Buy	1,012	1,265
22 July 2015	Buy	1,095	1,265
23 October 2015	Buy	1,095	1,265
27 January 2016	Buy	1,041	1,305
25 April 2016	Buy	1,094	1,315
22 July 2016	Buy	1,230	1,450
26 October 2016	Buy	1,247	1,570
25 January 2017	Buy	1,270	1,570
14 February 2017	Buy	1,311	1,690
24 April 2017	Buy	1,499	1,820
25 July 2017	Buy	1,707	2,025
25 October 2017	Buy	1,866	2,205
22 January 2018	Buy	1,952	2,301
23 April 2018	Buy	1,961	2,301
23 July 2018	Buy	2,189	2,541
9 October 2018	Buy	1,945	2,519
22 October 2018	Buy	1,968	2,442
21 January 2019	Buy	2,131	2,443
8 April 2019	Hold	2,306	2,514
22 April 2019	Hold	2,293	2,547
8 July 2019	Hold	2,472	2,719
22 July 2019	Hold	2,376	2,576
7 October 2019	Hold	1,190	1,335
22 October 2019	Hold	1,229	1,334
8 January 2020	Hold	1,257	1,322
20 January 2020	Hold	1,278	1,358
27 March 2020	Buy	898	1,282
9 April 2020	Buy	889	1,282
20 April 2020	Buy	915	1,260
9 July 2020	Buy	1,110	1,347
20 July 2020	Buy	1,103	1,425
23 September 2020	Buy	1,038	1,494
7 October 2020	Buy	1,162	1,487
19 October 2020	Buy	1,094	1,484
26 November 2020	Hold	1,403	1,594
8 January 2021	Buy	1,416	1,680
18 January 2021	Buy	1,466	1,740
21 February 2021	Buy	1,545	1,832
18 April 2021	Buy	1,431	1,839
18 July 2021	Buy	1,521	1,817
26 September 2021	Buy	1,602	1,954
18 October 2021	Buy	1,687	1,962
16 January 2022	Buy	1,543	2,006
14 March 2022	Buy	1,430	2,151

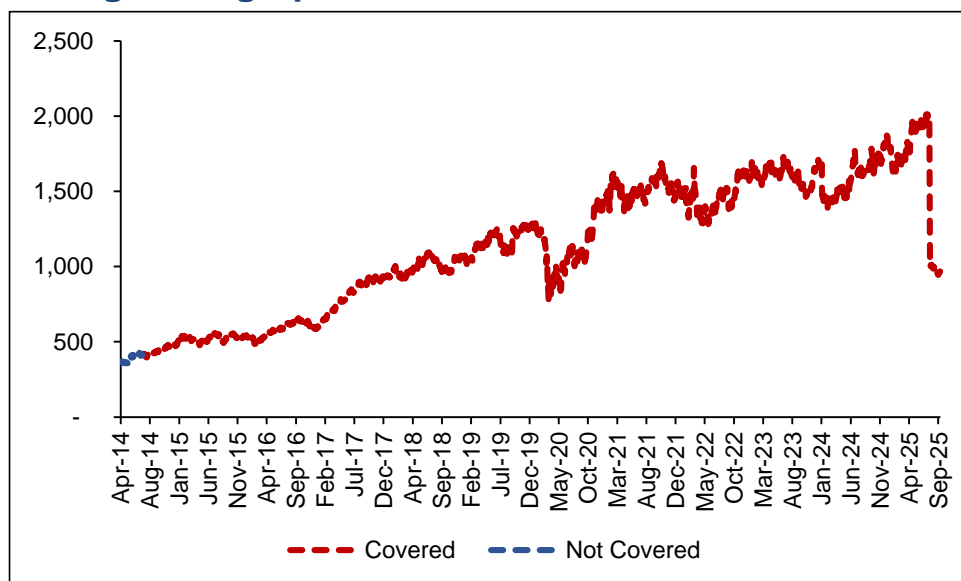
5 April 2022	Buy	1,654	2,151
17 April 2022	Buy	1,464	2,042
17 July 2022	Buy	1,364	1,999
19 September 2022	Buy	1,497	2,105
16 October 2022	Buy	1,446	1,805
15 January 2023	Buy	1,601	1,854
22 March 2023	Buy	1,563	1,848
17 April 2023	Buy	1,692	1,958
18 July 2023	Buy	1,678	2,140
20 September 2023	Buy	1,629	1,935
17 October 2023	Buy	1,530	1,994
17 January 2024	Buy	1,679	1,994
22 April 2024	Buy	1,531	2,026
07 July 2024	Buy	1,648	2,037
21 July 2024	Buy	1,607	2,095
10 October 2024	Buy	1,634	2,083
21 October 2024	Buy	1,681	2,026
6 December 2024	Buy	1,864	2,207
10 January 2025	Buy	1,657	2,190
23 January 2025	Buy	1,665	2,073
20 April 2025	Buy	1,907	2,236
10 July 2025	Buy	2,011	2,337
21 July 2025	Buy	1,957	2,338
14 September 2025	Buy	967	1,164

\*Stock split 2 for 1 on 19-Sep-19

\*Bonus shares ex-date 26-Aug-25 in the ratio 1:1

\*\*HDFC Bank's coverage has been transferred to Rati J Pandit with effect from 18-Jul-23

## Rating track graph



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# ICICI Bank (ICICIB)

Banking | Company Update

**BUY**

**CMP: Rs1,418 | Target Price (TP): Rs1,700 | Upside: 20%**

**September 14, 2025**

## A positive outlier among banks

### Key Points

- **One of the largest franchises with an enviable distribution network:** A large asset base of Rs21.2tn and a network of 7,066 branches has helped generate not only asset growth for ICICI Bank but also aided in building a good fee income profile. In the past few years, the bank has focused on granularizing its asset and liability profile, the benefits of which are visible in its financials now, with its RoA reaching a historic high of 2.4% in FY25 (from a low of 0.4% in FY19). The share of retail advances stand higher at 52.2% and that of low-cost CASA is also at a healthy level of 41.2%. The bank's 1QFY26 credit growth stood at 11.5% YoY, which was better than the industry growth of 9.6%.
- **Provides a play on the Indian financialization theme:** Besides all verticals of core business doing well, all of the bank's meaningful subsidiaries (ICICI Pru Life, ICICI Lombard General Insurance, ICICI Securities, and ICICI Pru AMC) have gained incredible scale/size and are leaders in their respective industries. Based on our SoTP-based fair value estimate for the consolidated banking entity, subsidiaries account for ~11% of the total value. Subsidiaries have helped generate cross-sell culture, thereby enabling fee income traction at the bank. In bad times, stakes in subsidiaries can be monetized to provide cushion against provisions.
- **Deposit mobilization strategy:** The bank has adopted a two-way deposit mobilization strategy: a) Micro market and, b) Ecosystem-based strategy. Within the micro market-based strategy, the bank provides localized solutions to its customers as per their requirements, while in the ecosystem-based approach, the bank aims at capturing the entire value chain of customers across the transaction cycle which includes its customers, employees, vendors, as well as dealers.
- **NIMs expected at ~4.2% over FY25-FY28E:** While its NIMs moderated as expected to 4.3% in 1QFY26, we expect it to maintain NIMs at ~4.2% over FY25-FY28E, which will be higher than most private sector peers.
- **Comfortable asset quality:** On the asset quality front, the high standard provision buffer at 1.7% of the loan book provides comfort. The share of unsecured retail loans, which is at 12.8%, is unlikely to lead to asset quality stress due to the high proportion of ETB customers (65% of CC and PL) and salaried customers (85% of CC and PL). With fresh slippage risks subsiding and the bank holding adequate provisions, credit costs are expected to average at 63bps over FY25-FY28E.
- **Outlook and valuation:** We have estimated an earnings CAGR of 10.9% over FY25-FY28E, which will lead to 2.3% RoA and 15.8% RoE in FY28E. Valuing the standalone business at 2.8x Sep-27E ABV (as against 2.9x Jun-27E ABV earlier), and adding subsidiary value per share of Rs202, we revise our target price from Rs1,723 earlier to Rs1,700. Our target multiple is at 7.7% premium to the past 5-year average P/ABV multiple (excluding subsidiary value) of 2.6x. We maintain a 'BUY' rating on ICICI Bank.

Est Change	No Change
TP Change	No Change
Rating Change	No change

### Company Data and Valuation Summary

Reuters	ICBK.BO
Bloomberg	ICICIB IN Equity
Market Cap (Rs bn / US\$ bn)	10,015.5 / 113.6
52 Wk H / L (Rs)	1,500 / 1,186
ADTV-3M (mn) (Rs / US\$)	12,816.0 / 147.7
Stock performance (%) 1M/6M/1yr	(2.4) / 12.5 / 13.4
Nifty 50 performance (%) 1M/6M/1yr	1.7 / 0.2 / (1.5)

Shareholding	3QFY25	4QFY25	1QFY26
Promoters	0.0	0.0	0.0
DII's	45.0	45.0	44.1
FII's	45.7	45.8	46.8
Others	9.3	9.2	9.1
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsmn)	FY25	FY26E	FY27E	FY28E
NII	811,644	879,144	1,007,804	1,144,525
% growth	9.2	8.3	14.6	13.6
NIM %	4.3	4.1	4.2	4.2
C/I Ratio %	38.6	39.7	39.7	39.7
Operating Profit	672,988	756,000	849,815	965,611
% growth	15.8	12.3	12.4	13.6
Adjusted PAT	472,270	502,022	565,658	643,559
% growth	15.5	6.3	12.7	13.8
ABVPS (Rs)	397	456	519	590
P/ABV	3.6	3.1	2.7	2.4
RoA (%)	2.4	2.2	2.3	2.3
Leverage (x)	7.5	7.1	7.0	6.9
RoE (%)	17.8	16.0	15.8	15.8

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

### Key Links-1QFY26 presentation

[1QFY26 Result Update](#)

[NBIE Investor Conference Update](#)

Please refer to the disclaimer towards the end of the document.

## Exhibit 1: Change in our estimates

	Revised Estimate			Earlier Estimate		% Revision	
	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (Rsmn)	879,144	1,007,804	1,144,525	881,240	998,962	(0.2)	0.9
NIMs (%)	4.1	4.2	4.2	4.1	4.1	1 bps	8 bps
Operating Profit (Rsmn)	756,000	849,815	965,611	757,824	845,769	(0.2)	0.5
Profit after tax (Rsmn)	502,022	565,658	643,559	503,397	562,606	(0.3)	0.5
Loan Book (Rsbn)	14,965	16,823	18,929	14,965	16,823	0.0	0.0
ABVPS (Rs)	456	519	590	457.2	516.6	(0.2)	0.4

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 2: Calculation of Sep-27E ABV

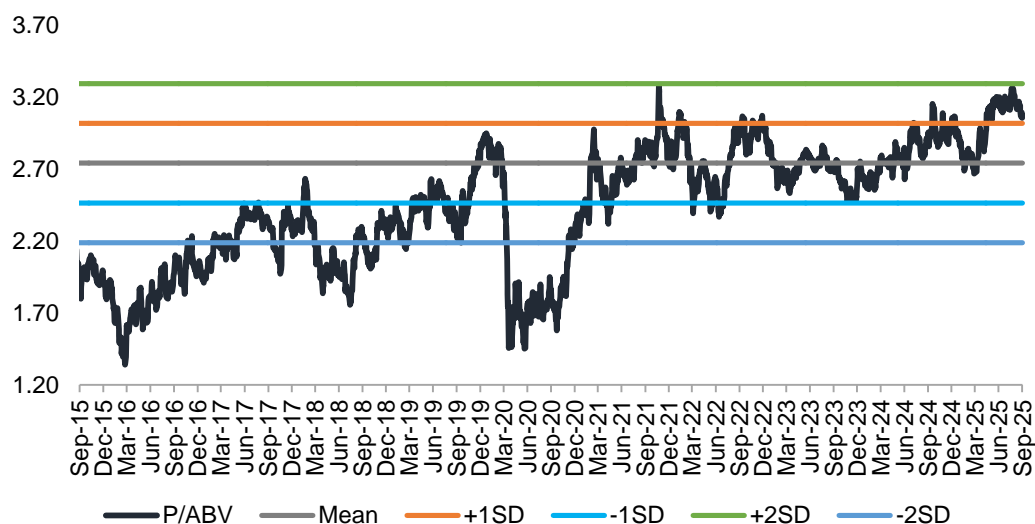
Particulars	Amount (Rsmn)
Sep-27E Network	4,121,907
Sep-27E NNPA	73,731
Revaluation Reserves	37,382
Cost of Investment in Subsidiaries	201,471
<b>Sep-27E Network</b>	<b>3,809,323</b>
ABV (Rs)	534

## SOTP Valuation

Entity	Valuation methodology	Holding	Value per share (Rs)
ICICI Bank - Standalone banking business / Parent	2.8x Sep-27E ABV	100.0%	1,498
ICICI Prudential Life Insurance	Current MCAP	51.0%	62
ICICI Lombard General Insurance	Current MCAP	51.5%	68
ICICI Prudential AMC	25x TTM EPS	51.0%	50
ICICI Securities	15x TTM EPS	100.0%	38
ICICI Securities Primary Dealership	5x TTM EPS	100.0%	6
ICICI Home Finance	1x BV	100.0%	5
ICICI Bank UK Plc	1x BV	100.0%	4
ICICI Bank Canada	1x BV	100.0%	4
Holding co. discount (%)			15%
<b>Value of subs (Rs per share)</b>			<b>202</b>
<b>Value of total (Rs per share)</b>			<b>1,700</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: One-year forward P/ABV**



Source: Company, Nirmal Bang Institutional Equities Research



## Financials

**Exhibit 4: Income statement**

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	1,428,909	1,632,638	1,752,650	1,968,929	2,268,597
Interest expense	685,852	820,993	873,506	961,125	1,124,072
<b>Net interest income</b>	<b>743,057</b>	<b>811,644</b>	<b>879,144</b>	<b>1,007,804</b>	<b>1,144,525</b>
Non-interest income	229,578	285,067	374,185	401,534	455,542
<b>Net Revenue</b>	<b>972,635</b>	<b>1,096,711</b>	<b>1,253,329</b>	<b>1,409,339</b>	<b>1,600,067</b>
Operating Expense	391,327	423,723	497,329	559,524	634,456
-Employee Exp	151,420	165,409	198,482	227,965	264,939
-Other Exp	239,907	258,314	298,847	331,559	369,517
<b>Operating profit</b>	<b>581,308</b>	<b>672,988</b>	<b>756,000</b>	<b>849,815</b>	<b>965,611</b>
Provisions	36,429	46,826	90,294	99,725	112,220
<b>PBT</b>	<b>544,878</b>	<b>626,162</b>	<b>665,705</b>	<b>750,090</b>	<b>853,391</b>
Taxes	135,996	153,892	163,684	184,432	209,832
<b>PAT</b>	<b>408,883</b>	<b>472,270</b>	<b>502,022</b>	<b>565,658</b>	<b>643,559</b>

: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Balance sheet**

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	14,047	14,246	14,273	14,273	14,273
Reserves & Surplus	2,369,946	2,906,517	3,344,301	3,796,827	4,311,674
<b>Shareholder's Funds</b>	<b>2,383,993</b>	<b>2,920,763</b>	<b>3,358,574</b>	<b>3,811,100</b>	<b>4,325,947</b>
<b>Deposits</b>	<b>14,128,250</b>	<b>16,103,480</b>	<b>18,085,622</b>	<b>20,334,863</b>	<b>22,863,834</b>
Borrowings	1,249,676	1,235,383	1,355,398	1,584,589	1,852,536
Other liabilities	953,227	922,774	651,069	653,377	666,585
<b>Total liabilities</b>	<b>18,715,146</b>	<b>21,182,400</b>	<b>23,450,663</b>	<b>26,383,930</b>	<b>29,708,902</b>
Cash/Equivalent	1,399,260	1,855,620	1,850,684	2,080,847	2,339,634
<b>Advances</b>	<b>11,844,064</b>	<b>13,417,662</b>	<b>14,964,679</b>	<b>16,823,190</b>	<b>18,929,448</b>
Investments	4,619,423	5,047,567	5,735,053	6,543,093	7,464,983
Fixed Assets	108,598	128,387	131,806	137,158	142,727
Other assets	743,801	733,163	768,440	799,641	832,110
<b>Total assets</b>	<b>18,715,146</b>	<b>21,182,400</b>	<b>23,450,663</b>	<b>26,383,930</b>	<b>29,708,902</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: DuPont Decomposition (RoA Tree)**

Y/E March (%)	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income / Assets	4.3%	4.1%	3.9%	4.0%	4.1%
Other Income / Assets	1.3%	1.4%	1.7%	1.6%	1.6%
Net Revenues / Assets	5.6%	5.5%	5.6%	5.7%	5.7%
Operating Expense / Assets	2.3%	2.1%	2.2%	2.2%	2.3%
Provisions / Assets	0.2%	0.2%	0.4%	0.4%	0.4%
Taxes / Assets	0.8%	0.8%	0.7%	0.7%	0.7%
Total Costs / Assets	3.3%	3.1%	3.4%	3.4%	3.4%
<b>Return on Assets</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>2.3%</b>	<b>2.3%</b>
Assets / Equity	7.9	7.5	7.1	7.0	6.9
<b>Return on Average Equity</b>	<b>18.6%</b>	<b>17.8%</b>	<b>16.0%</b>	<b>15.8%</b>	<b>15.8%</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Key ratios**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth (%)</b>					
NII growth	19.6	9.2	8.3	14.6	13.6
Pre-provision profit growth	18.4	15.8	12.3	12.4	13.6
PAT growth	28.2	15.5	6.3	12.7	13.8
<b>Business (%)</b>					
Deposit growth	19.6	14.0	12.3	12.4	12.4
Advance growth	16.2	13.3	11.5	12.4	12.5
CD	83.8	83.3	82.7	82.7	82.8
CASA	42.2	41.8	41.4	41.8	42.2
<b>Operating efficiency (%)</b>					
Cost/income	40.2	38.6	39.7	39.7	39.7
Cost-to-assets	2.3	2.1	2.2	2.2	2.3
<b>Spreads (%)</b>					
Yield on advances	10.1	10.0	9.4	9.4	9.6
Yield on investments	6.9	6.8	6.6	6.6	6.8
Cost of deposits	4.5	4.7	3.9	3.9	4.1
Yield on assets	8.7	8.6	8.2	8.2	8.4
Cost of funds	4.8	5.0	4.7	4.6	4.8
NIMs	4.5	4.3	4.1	4.2	4.2
<b>Capital adequacy (%)</b>					
Tier I	15.60	15.9	16.0	15.9	15.8
Tier II	0.73	0.6	0.5	0.4	0.4
Total CAR	16.33	16.6	16.5	16.4	16.2
<b>Asset Quality (%)</b>					
Gross NPA	2.26	1.7	1.8	1.8	1.8
Net NPA	0.45	0.4	0.4	0.4	0.4
PCR	79.95	75.9	76.2	77.2	78.1
Slippage	1.8	1.7	1.5	1.9	1.9
Credit cost	0.3	0.4	0.6	0.6	0.6
<b>Return (%)</b>					
ROE	18.6	17.8	16.0	15.8	15.8
ROA	2.4	2.4	2.2	2.3	2.3
RORWA	3.3	3.2	2.7	2.6	2.5
<b>Per share</b>					
EPS	58	66	70	79	90
BV	339	410	471	534	606
ABV	327	397	456	519	590
<b>Valuation</b>					
P/E	24.4	21.4	20.2	17.9	15.7
P/BV	4.3	3.6	3.1	2.7	2.4
P/ABV	4.3	3.6	3.1	2.7	2.4

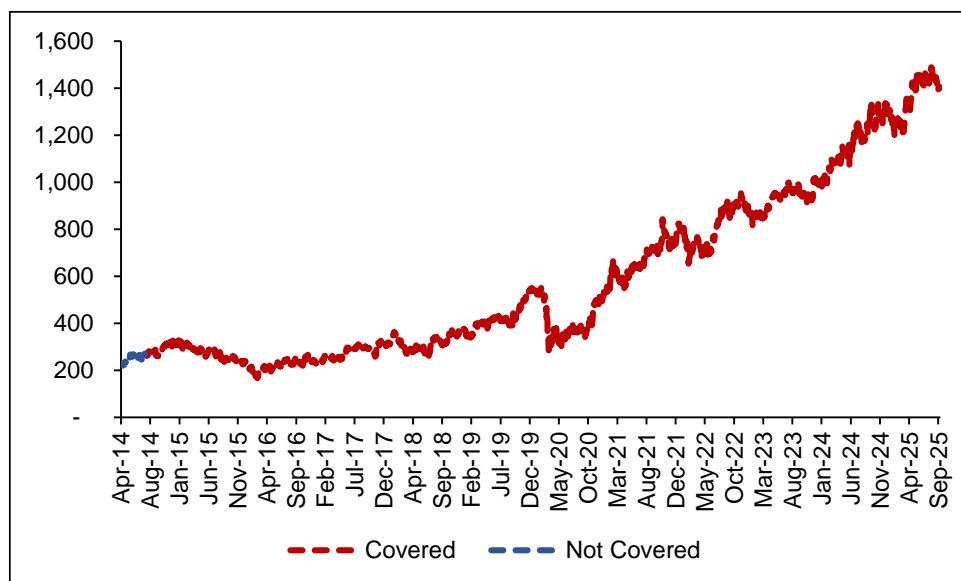
Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
1 August 2014	Buy	1,473	1,700
8 October 2014	Buy	1,427	1,700
31 October 2014	Buy	1,605	1,840
2 February 2015	Buy	360	422*
28 April 2015	Buy	305	380
3 August 2015	Buy	301	380
2 November 2015	Buy	277	380
29 January 2016	Buy	232	290
2 May 2016	Buy	238	280
1 August 2016	Buy	262	305
8 November 2016	Buy	278	340
1 February 2017	Buy	268	335
14 February 2017	Buy	281	350
4 May 2017	Buy	273	340
28 July 2017	Buy	309	360
30 October 2017	Buy	309	356
31 January 2018	Buy	353	424
8 May 2018	Buy	289	409
30 July 2018	Buy	293	414
9 October 2018	Buy	311	411
29 October 2018	Buy	316	411
13 December 2018	Buy	345	448
31 January 2019	Buy	366	460
8 April 2019	Buy	391	462
7 May 2019	Buy	401	483
8 July 2019	Buy	436	523
29 July 2019	Buy	416	529
27 September 2019	Buy	449	565
7 October 2019	Buy	414	563
29 October 2019	Buy	469	584
8 January 2020	Buy	526	605
27 January 2020	Buy	534	625
27 March 2020	Buy	331	527
9 April 2020	Buy	319	527
11 May 2020	Buy	331	489
9 July 2020	Buy	369	524
27 July 2020	Buy	381	520
23 September 2020	Buy	355	549
7 October 2020	Buy	381	544
2 November 2020	Buy	390	548
26 November 2020	Buy	473	568
07 December 2020	Buy	502	590
08 January 2021	Buy	541	636
31 January 2021	Buy	537	626
21 February 2021	Buy	624	748
25 April 2021	Buy	570	784
25 July 2021	Buy	676	803
26 September 2021	Buy	723	870

24 October 2021	Buy	758	886
23 January 2022	Buy	804	977
22 February 2022	Buy	751	1,090
24 April 2022	Buy	747	1,068
24 July 2022	Buy	800	1,079
19 September 2022	Buy	911	1,147
24 October 2022	Buy	907	1,144
23 January 2023	Buy	870	1,171
19 February 2023	Buy	862	1,171
22 March 2023	Buy	860	1,161
23 April 2023	Buy	884	1,154
23 July 2023	Buy	1,000	1,268
23 October 2023	Buy	932	1,298
23 January 2024	Buy	1,008	1,264
28 April 2024	Buy	1,107	1,315
07 July 2024	Buy	1,233	1,412
28 July 2024	Buy	1,208	1,450
22 September 2024	Buy	1,340	1,544
27 October 2024	Buy	1,256	1,545
6 December 2024	Buy	1,336	1,545
10 January 2025	Buy	1,250	1,535
26 January 2025	Buy	1,209	1,502
20 April 2025	Buy	1,407	1,649
10 July 2025	Buy	1,424	1,723
21 July 2025	Buy	1,427	1,723
19 August 2025	Buy	1,435	1,723
14 September 2025	Buy	1,418	1,700

## Rating track graph



# Kotak Mahindra Bank (KMB)

Banking | Company Update

**BUY**

**CMP: Rs1,972 | Target Price (TP): Rs2,507 | Upside: 27%**

**September 14, 2025**

## A play on increasing financialization of the economy

### Key Points

- **Outperforming industry in terms of business growth:** Advances and deposits in 1QFY26 grew 14.1% and 14.6% YoY, respectively, which was better than the industry loan and deposit growth of 9.6% and 10.3% YoY, respectively. Consumer banking, commercial banking, and wholesale banking grew 16%, 5%, and 13% YoY, respectively. The bank has given a guidance of growing at 1.5-2x nominal GDP growth. With continued traction in retail segment growth coupled with some pickup in the credit card (restarted issuance after lifting of embargo in Feb-25) and personal loan segments, we have forecasted the bank's loan book to clock a CAGR of 14.1% over FY25-FY28E.
- **Diversified asset profile:** KMB has a diversified loan book with breakup of the same as follows: consumer (47%), commercial (21%), corporate (22%), SME (8%), and other loans (2%). Share of unsecured advances reduced from 11.6% in 1QFY25 to 9.7% in 1QFY26 as the bank has tightened the underwriting norms, especially for unsecured business.
- **Differential SA rates structure helping in partly offsetting the impact of NIM compression:** In our view, the differential SA rate structure is expected to lead to some reduction in cost of funds in the near term. The average cost of SA deposits was 3.25% in 1QFY26 and the bank has aligned fixed SA rate to 2.5%. The bank expects 50bps reduction on account of SA deposits to come in 2QFY26. The TDs are expected to reprice in 3-4 quarters, which will help in stabilizing the margins. We have forecasted the calculated NIMs to decline by 30bps to 4.2% in FY26E, and improve by 20bps to 4.4% in FY27E, due to 2 reasons: (1) Full impact of TD reprising will be felt in FY27E, and (2) Return of growth in the higher yielding retail unsecured book.
- **A play on increasing financialization of the economy:** In our view, the bank offers the best play across key financial service segments through its wholly-owned subsidiaries with a larger contribution from the non-lending businesses compared to peers. As per our estimates, subsidiaries contribute 23.8% in our SOTP.
- **Asset quality to stabilize going forward:** GNPA/NNPA ratios marginally inched up from 1.42%/0.31% in 4QFY25 to 1.48%/0.34% in Q1FY26, with the uptick in credit cost largely driven by the MFI portfolio. According to the management, credit costs have peaked in the MFI segment and stabilized in the credit card and personal loan segments with an improvement expected in H2FY26. However, in the near term, it remains cautious on the retail CV segment. We have factored in an average credit costs of 75bps over FY25-FY28E.
- **Outlook and valuation:** We have forecasted an earnings CAGR of 14.7% over FY25-FY28E (excluding exceptional item of Rs35.2bn in FY25 on the stake sale in Kotak GI), which results in RoA/RoE of 2.1%/12.2% in FY28E. We roll forward our valuation of the standalone business from 2.5x Jun-27E to 2.5x Sep-27E, which is at a discount of 26.5% to the past 5-year P/ABV multiple (excluding subsidiary value) of 3.4x. Adding subsidiary value per share of Rs596, we revise our target price from Rs2,515 earlier to Rs2,507. We remain positive on KMB due to its higher-than-industry loan growth and healthy RoAs of 2.1% over FY25-FY28E. We maintain 'BUY' on the stock.

Est Change	No Change
TP Change	No Change
Rating	No Change

### Company Data and Valuation Summary

Reuters	KTKM.BO
Bloomberg	KMB IN Equity
Mkt Cap (Rsbn/US\$bn)	3,922.1 / 44.5
52 Wk H / L (Rs)	2,302 / 1,679
ADTV-3M (mn) (Rs/US\$)	7,655.1 / 88.2
Stock performance (%) 1M/6M/1yr	(0.2) / 1.9 / 10.2
Nifty 50 performance (%) 1M/6M/1yr	1.7 / 0.2 / (1.5)

Shareholding	3QFY25	4QFY25	1QFY26
Promoters	25.9	25.9	25.9
DII	30.4	30.8	31.3
FII	30.8	31.0	30.7
Others	12.9	12.3	12.2
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsmn)	FY25	FY26E	FY27E	FY28E
NII	2,83,418	2,99,795	3,46,250	3,91,174
% growth	9.0	5.8	15.5	13.0
NIM %	4.5	4.2	4.4	4.4
C/I Ratio %	43.4	47.1	46.1	45.5
Operating Profit	2,45,265	2,27,902	2,64,056	3,01,832
% growth	25.2	(7.1)	15.9	14.3
Adjusted PAT	1,64,501	1,43,659	1,72,588	1,95,213
% growth	19.4	(12.7)	20.1	13.1
ABVPS (Rs)	588	673	757	852
P/ABV	3.4	2.9	2.6	2.3
RoA (%)	2.5	2.0	2.1	2.1
Leverage (x)	6.0	5.8	5.7	5.8
RoE (%)	15.4	11.4	12.1	12.2

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

**Key Links – 1QFY26 Presentation**

[1QFY26 Result Update](#)

Please refer to the disclaimer towards the end of the document.

## Exhibit 1: Change in our estimates

	Revised Estimate			Earlier Estimate		% Revision	
	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (Rsmn)	2,99,795	3,46,250	3,91,174	2,99,795	3,43,744	-	0.7
NIMs (%)	4.24	4.39	4.35	4.24	4.38	0 bps	1 bps
Operating Profit (Rsmn)	2,27,902	2,64,056	3,01,832	2,27,902	2,62,220	-	0.7
Profit after tax (Rsmn)	1,43,659	1,72,588	1,95,213	1,43,659	1,71,394	-	0.7
Loan Book (Rsbn)	4,861	5,551	6,338	4,861	5,497	-	1.0
ABVPS (Rs)	673	757	852	672	756	0.1	0.1

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 2: SOTP valuation

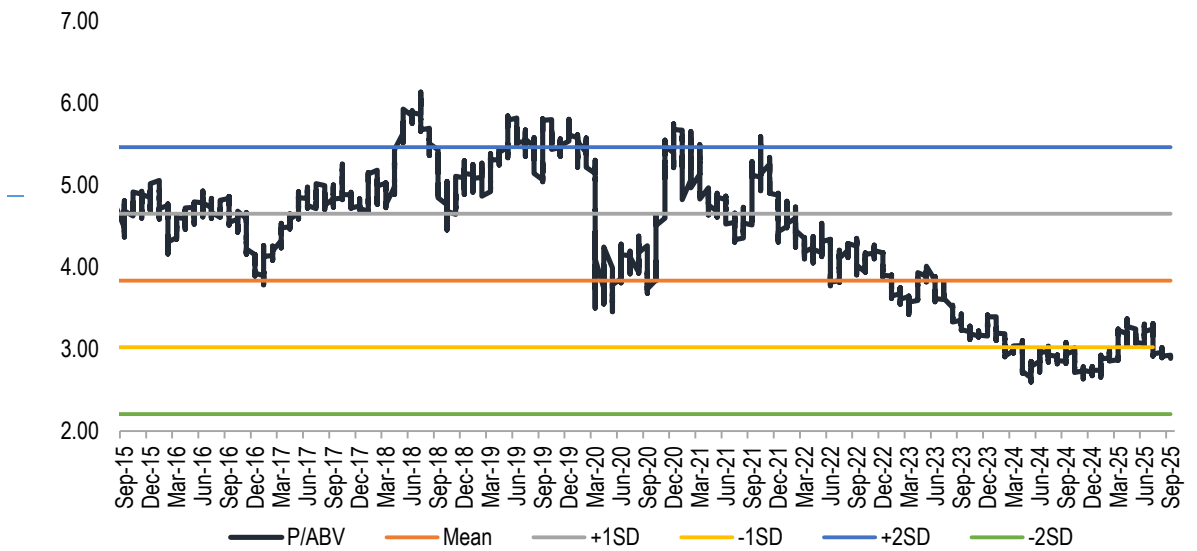
### Calculation of Sep-27E ABV

Particulars	Amount (Rsmn)
Sep-27E Networkth	16,03,445
Sep-27E NNPA	18,637
Cost of Investment in Subsidiaries	33,872
Sep-27E Adj. Networkth	15,50,937
Sep-27E ABV (Rs)	780

Entity	Valuation methodology	Holding	Value per share (Rs)
Kotak Mahindra Bank - standalone	2.5x Sep-27E ABV	100.0%	1,911
Kotak Life Insurance	2.5x FY25 EV	100.0%	221
Kotak AMC	25x TTM EPS	100.0%	142
Kotak Prime	2x TTM BV	100.0%	105
Kotak Securities	15x TTM EPS	100.0%	129
Kotak Investments	1.8x TTM BV	100.0%	36
Kotak Gen. Ins	Recent Deal	30.0%	12
Kotak Capital	15x TTM EPS	100.0%	28
Kotak Infrastructure Debt Fund	1x TTM BV	100.0%	3
International subsidiaries	1x TTM BV	100.0%	12
Kotak Alternate Asset Managers	1x TTM BV	100.0%	6
BSS Microfinance	1x TTM BV	100.0%	5
Sonata Finance	1x TTM BV	100.0%	2
Other Entities	1x TTM BV	100.0%	1
Holding co. discount (%)			15%
<b>Value of subs (Rs per share)</b>			<b>596</b>
<b>Value of total (Rs per share)</b>			<b>2,507</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: One-year forward P/ABV**



Source: Company, Nirmal Bang Institutional Equities Research

## Financials

**Exhibit 4: Income statement**

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	4,57,989	5,29,197	5,63,542	6,35,910	7,34,797
Interest expense	1,98,057	2,45,780	2,63,747	2,89,660	3,43,623
<b>Net interest income</b>	<b>2,59,932</b>	<b>2,83,418</b>	<b>2,99,795</b>	<b>3,46,250</b>	<b>3,91,174</b>
Non-interest income	1,02,731	1,49,611	1,31,184	1,43,570	1,62,980
<b>Net Revenue</b>	<b>3,62,663</b>	<b>4,33,029</b>	<b>4,30,979</b>	<b>4,89,820</b>	<b>5,54,154</b>
Operating Expense	1,66,788	1,87,764	2,03,078	2,25,764	2,52,322
-Employee Exp	68,926	79,183	85,661	93,121	1,04,877
-Other Exp	97,862	1,08,581	1,17,416	1,32,643	1,47,445
<b>Operating profit</b>	<b>1,95,875</b>	<b>2,45,265</b>	<b>2,27,902</b>	<b>2,64,056</b>	<b>3,01,832</b>
Provisions	15,737	29,424	38,764	36,380	41,549
Exceptional Items	-	35,199	-	-	-
<b>PBT</b>	<b>1,80,137</b>	<b>2,51,040</b>	<b>1,89,137</b>	<b>2,27,676</b>	<b>2,60,284</b>
Taxes	42,321	51,340	45,478	55,088	65,071
<b>PAT</b>	<b>1,37,816</b>	<b>1,64,501</b>	<b>1,43,659</b>	<b>1,72,588</b>	<b>1,95,213</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Balance sheet**

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	9,940	9,941	9,942	9,942	9,942
Reserves & Surplus	9,57,248	11,62,458	13,31,814	14,99,224	16,88,580
<b>Shareholder's Funds</b>	<b>9,67,188</b>	<b>11,72,399</b>	<b>13,41,755</b>	<b>15,09,165</b>	<b>16,98,522</b>
<b>Deposits</b>	<b>44,89,537</b>	<b>49,90,551</b>	<b>56,85,002</b>	<b>64,91,099</b>	<b>74,11,495</b>
Borrowings	2,83,681	4,84,428	5,28,995	5,77,662	6,30,807
Other liabilities	2,63,164	2,88,864	33,885	59,178	88,455
<b>Total liabilities</b>	<b>60,03,570</b>	<b>69,36,242</b>	<b>75,89,637</b>	<b>86,37,104</b>	<b>98,29,279</b>
Cash/Equivalent	5,27,884	6,57,792	5,15,921	5,89,075	6,72,603
<b>Advances</b>	<b>37,60,753</b>	<b>42,69,092</b>	<b>48,60,586</b>	<b>55,50,560</b>	<b>63,38,477</b>
Investments	15,54,038	18,19,074	20,03,720	22,61,871	25,52,943
Fixed Assets	21,553	23,589	24,030	25,005	26,021
Other assets	1,39,343	1,66,695	1,85,380	2,10,593	2,39,235
<b>Total assets</b>	<b>60,03,570</b>	<b>69,36,242</b>	<b>75,89,637</b>	<b>86,37,104</b>	<b>98,29,279</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: DuPont decomposition (RoA Tree)**

Y/E March (%)	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income / Assets	4.8%	4.4%	4.1%	4.3%	4.2%
Other Income / Assets	1.9%	2.3%	1.8%	1.8%	1.8%
Net Revenues / Assets	6.7%	6.7%	5.9%	6.0%	6.0%
Operating Expense / Assets	3.1%	2.9%	2.8%	2.8%	2.7%
Provisions / Assets	0.3%	0.5%	0.5%	0.4%	0.4%
Taxes / Assets	0.8%	0.8%	0.6%	0.7%	0.7%
Total Costs / Assets	4.1%	4.2%	4.0%	3.9%	3.9%
<b>Return on Assets</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.0%</b>	<b>2.1%</b>	<b>2.1%</b>
Assets / Equity	6.0	6.0	5.8	5.7	5.8
<b>Return on Average Equity</b>	<b>15.3%</b>	<b>15.4%</b>	<b>11.4%</b>	<b>12.1%</b>	<b>12.2%</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Key ratios**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth (%)</b>					
NII growth	20.6	9.0	5.8	15.5	13.0
Pre-provision profit growth	31.9	25.2	-7.1	15.9	14.3
PAT growth	26.0	19.4	-12.7	20.1	13.1
<b>Business (%)</b>					
Deposit growth	23.6	11.2	13.9	14.2	14.2
Advance growth	17.6	13.5	13.9	14.2	14.2
CD	83.8	85.5	85.5	85.5	85.5
CASA	45.5	43.0	41.2	41.6	42.0
<b>Operating efficiency (%)</b>					
Cost-to-income	46.0	43.4	47.1	46.1	45.5
Cost-to-assets	3.1	2.9	2.8	2.8	2.7
<b>Spreads (%)</b>					
Yield on advances	10.2	10.1	9.5	9.5	9.6
Yield on investments	6.4	6.4	6.0	6.0	6.1
Cost of deposits	4.51	4.77	4.5	4.3	4.5
Yield on assets	8.7	8.4	8.0	8.1	8.2
Cost of funds	4.59	4.80	4.5	4.4	4.5
NIMs	4.9	4.5	4.2	4.4	4.4
<b>Capital adequacy (%)</b>					
Tier I	19.2	21.1	20.9	20.6	20.3
Tier II	1.3	1.1	0.9	0.8	0.7
Total CAR	20.5	22.2	21.8	21.4	21.0
<b>Asset Quality (%)</b>					
Gross NPA	1.39	1.42	1.5	1.5	1.5
Net NPA	0.34	0.31	0.3	0.3	0.3
Provision coverage	75.9	78.1	77.6	78.5	78.9
Slippage	1.3	1.5	1.5	1.4	1.4
Credit-cost	0.5	0.7	0.8	0.7	0.7
<b>Return (%)</b>					
ROE	15.3	15.4	11.4	12.1	12.2
ROA	2.5	2.5	2.0	2.1	2.1
RORWA	3.3	3.4	2.5	2.5	2.5
<b>Per share</b>					
EPS	69	83	72	87	98
BV	487	590	675	759	854
ABV	485	588	673	757	852
<b>Valuation</b>					
P/E	28.4	23.8	27.3	22.7	20.1
P/BV	4.1	3.3	2.9	2.6	2.3
P/ABV	4.1	3.4	2.9	2.6	2.3

Source: Company, Nirmal Bang Institutional Equities Research

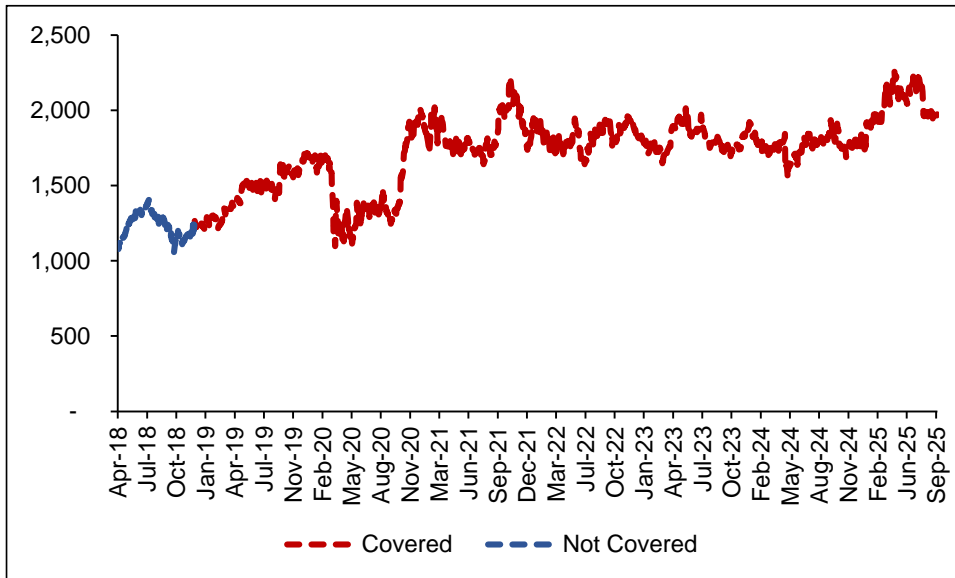


## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 December 2018	Buy	1,237	1,558
22 January 2019	Buy	1,267	1,559
8 April 2019	Buy	1,336	1,561
2 May 2019	Buy	1,387	1,638
8 July 2019	Buy	1,517	1,751
23 July 2019	Buy	1,454	1,676
7 October 2019	Buy	1,563	1,830
23 October 2019	Buy	1,629	1,905
4 December 2019	Accumulate	1,649	1,781
8 January 2020	Accumulate	1,655	1,781
21 January 2020	Accumulate	1,617	1,757
27 March 2020	Buy	1,390	1,658
9 April 2020	Buy	1,188	1,658
14 May 2020	Buy	1,186	1,463
9 July 2020	Buy	1,463	1,614
28 July 2020	Buy	1,322	1,578
23 September 2020	Buy	1,271	1,639
7 October 2020	Buy	1,338	1,633
27 October 2020	Buy	1,410	1,642
26 November 2020	Accumulate	1,862	1,840
08 January 2021	Accumulate	1,952	1,973
27 January 2021	Accumulate	1,795	1,910
21 February 2021	Accumulate	1,942	1,950
4 May 2021	Accumulate	1,724	1,926
27 July 2021	Accumulate	1,739	1,922
26 September 2021	Accumulate	2,028	2,048
27 October 2021	Accumulate	2,210	2,115
30 January 2022	Accumulate	1,891	2,115
21 February 2022	Buy	1,842	2,240
05 May 2022	Buy	1,776	2,134
24 July 2022	Buy	1,826	2,117
19 September 2022	Buy	1,930	2,281
24 October 2022	Buy	1,902	2,289
22 January 2023	Buy	1,763	2,121
22 March 2023	Buy	1,705	2,077
30 April 2023	Buy	1,933	2,243
24 July 2023	Buy	1,971	2,372
22 October 2023	Buy	1,770	2,247
23 January 2024	Hold	1,806	2,057
21 February 2024	Hold	1,763	1,909
05 May 2024	Buy	1,547	1,923
08 June 2024	Hold	1,754	1,923
07 July 2024	Hold	1,853	1,975
22 July 2024	Hold	1,822	2,036
10 October 2024	Hold	1,804	2,048
20 October 2024	Hold	1,870	2,045
06 December 2024	Hold	1,777	1,976
10 January 2025	Hold	1,756	1,956
19 January 2025	Buy	1,759	2,077
9 April 2025	Buy	2,055	2,345
4 May 2025	Hold	2,185	2,372
27 July 2025	Buy	2,125	2,515
14 September 2025	Buy	1,972	2,507

Coverage was transferred to Rati J Pandit with effect from 23-Jul-23

**Rating track graph**



# State Bank of India (SBIN)

Banking | Company Update

**BUY**

**CMP: Rs823 | Target Price (TP): Rs1,040 | Upside: 26%**

**September 14, 2025**

## PSU lender with attributes of a private sector bank

### Key Points

- **Leadership position across business verticals:** The bank continues to have leadership position across the retail and wholesale segments and digital channels with a market share of 19-33% across business verticals/distribution channels. With a balance sheet size/loan book of Rs67.7tn/Rs42tn as of 1QFY26, SBI is the biggest bank in India. The bank's loan book has increased at a CAGR of 12.3% for FY15-FY25; from FY25-FY28E, we anticipate the loan book CAGR to be 11.9%.
- **In a position to choose best quality credit:** With a leadership position in both corporate and retail lending, a strong capital base (CAR of 14.63%), and a robust deposit franchise (domestic CASA ratio of 39.4%), the bank is well-positioned to selectively lend to the highest-quality borrowers. Retail demand, particularly for home loans, remains strong. Corporate loan growth was muted in 1QFY26 due to prepayments, refinancing, and corporates preferring CP amid competitive rates, but the management expects 10-11% growth in this segment by FY26. SME lending continues to be robust, currently growing 19% YoY, while PL/auto loans are expected to accelerate from H2FY26. Additionally, the bank is receiving enquiries in infrastructure, power, renewables, commercial real estate, and slum redevelopment. Overall, SBI's total proposals pipeline stands at Rs7.2tn, of which half has been converted into sanctions.
- **Ample balance sheet liquidity should help manage NIMs:** In our opinion, considering the bank's comfortable C/D ratio at 76.7% (much lower vs private banks' 85-100%), ample liquidity on balance sheet with LCR of 136.7%, excess SLR of Rs3.5tn, and better risk density (RWA-to-assets being low at 53%), we believe that SBI will be in a better position to manage its NIMs. We have forecasted its calculated NIM to average at 2.8% over FY25-FY28E.
- **Asset quality outlook positive:** GNPA's and NNPA's of 1.83% and 0.47% are one of the best among PSU banks. The bank expects limited stress ahead due to the secured nature of its mortgage book, and on the unsecured side, a major part of it comprises of salaried government employees. General provisions of Rs303.5bn (~0.7% of the loan book) provide additional comfort.
- **Outlook and valuation:** We have estimated SBI's earnings to clock a CAGR of 11.5% over FY25-FY28E, which will result in 1.1% RoA and 15.3% RoE in FY28E. We roll forward our valuation of standalone bank from 1.3x Jun-27E ABV earlier to 1.3x Sep-27E ABV. Adding subsidiary value per share of Rs226.5, we derive our target price of Rs1,040 (as against Rs1,001 earlier). Our target multiple for the standalone business is at 8.3% premium to the past 5-year average P/ABV multiple of 1.2x (excluding subsidiary valuations). We maintain a 'BUY' rating on SBI.

Est Change	No Change
TP Change	Upwards
Rating	No Change

### Company Data and Valuation Summary

Reuters	SBI.BO
Bloomberg	SBIN IN Equity
Mkt Cap (Rsbn/US\$bn)	7,602.8 / 86.2
52 Wk H / L (Rs)	875 / 680
ADTV-3M (mn) (Rs/US\$)	7,506.3 / 86.6
Stock performance (%) 1M/6M/1yr	1.7 / 13.0 / (0.9)
Nifty 50 performance (%) 1M/6M/1yr	1.7 / 0.2 / (1.5)

Shareholding	3QFY25	4QFY25	1QFY26
Promoters	57.4	57.4	57.4
DII's	24.9	25.1	25.7
FII's	10.3	9.9	9.3
Others	7.4	7.6	7.6
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsmn)	FY25	FY26E	FY27E	FY28E
NII	1,669,651	1,733,405	2,013,654	2,267,449
% growth	4.4	3.8	16.2	12.6
NIM %	2.8	2.7	2.8	2.8
C/I Ratio %	51.6	51.0	50.2	49.1
Operating Profit	1,105,792	1,219,370	1,385,879	1,576,391
% growth	27.5	10.3	13.7	13.7
Adjusted PAT	709,006	735,424	852,747	982,991
% growth	16.1	3.7	16.0	15.3
ABVPS (Rs)	472	557	629	712
P/ABV	1.7	1.5	1.3	1.2
RoA (%)	1.1	1.0	1.1	1.1
Leverage (x)	15.7	14.4	13.7	13.5
RoE (%)	17.3	15.1	15.0	15.3

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

**Key Links-** [1QFY26 presentation](#)

[Annual Report Analysis](#)

[1QFY26 Result Update](#)

Please refer to the disclaimer towards the end of the document.

**Exhibit 1: Change in our estimates**

	Revised Estimate			Earlier Estimate		% Revision	
	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E	FY27E
Net Interest Income (Rsmn)	1,733,405	2,013,654	2,267,449	1,733,405	2,005,620	0.0	0.4
NIM (%)	2.66	2.79	2.83	2.7	2.8	0bps	0bps
Operating Profit (Rsmn)	1,219,370	1,385,879	1,576,391	1,219,370	1,381,960	0.0	0.3
Profit after tax (Rsmn)	735,424	852,747	982,991	735,424	841,311	0.0	1.4
Loan book (Rsbn)	46,409	52,018	58,305	46,409	51,762	0.0	0.5
ABVPS (Rs)	557	629	712	557	628	0.0	0.2

Source: Company, Nirmal Bang Institutional Equities Research

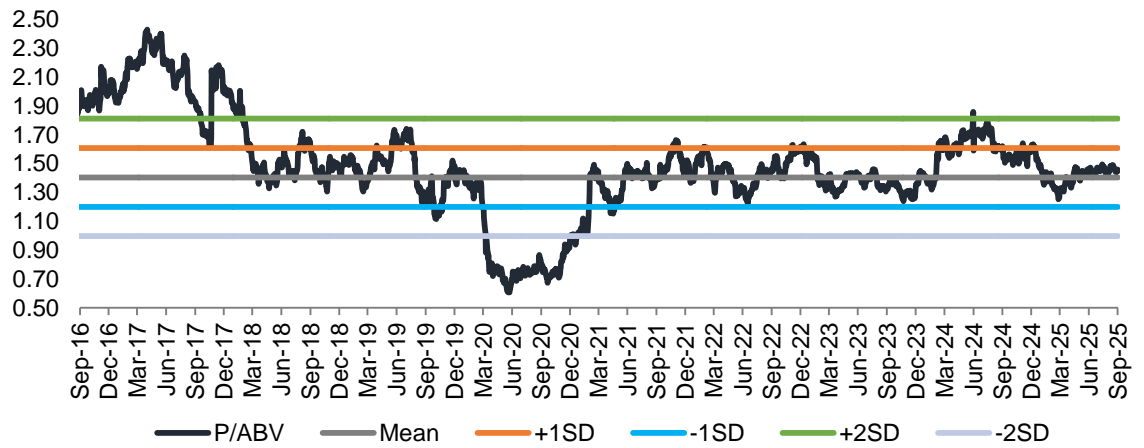
**Exhibit 2: SOTP valuation**
**Calculation of Sep-27E ABV**

Particulars	Amount (Rsmn)
Sep-27E Network (Rsmn)	6,507,488.6
Revaluation Reserves (Rsmn)	273,556.2
Sep-27E NNPA (Rsmn)	233,492.0
Cost of investment in subsidiaries	220,438.5
Sep-27E Adj. Network	5,780,002.0
<b>Sep-27E ABV (Rs)</b>	<b>626.0</b>

Entity	Valuation Methodology	Holding	Value per share (Rs)
Standalone Bank	1.3x Sep-27E ABV		813.8
SBI Life Insurance	Current Mcap	55.4%	110.0
SBI Cards	Current Mcap	68.6%	60.5
SBI General Insurance	2.5x Jun-25 BV	69.1%	9.4
SBI Capital Markets	15.0x TTM EPS	100.0%	19.2
SBI AMC	30x TTM EPS	62.0%	54.3
Yes Bank	Current Mcap	10.8%	7.6
SBI Ventures	5x FY25 EPS	100.0%	0.2
SBI DFHI	10x FY25 EPS	69.0%	2.5
SBI Factors	5x FY25 EPS	100.0%	0.3
SBI Pension Funds	10x FY25 PAT	80.0%	0.6
SBI Payment Services	10x FY25 EPS	74.0%	1.1
SBI-SG Global Securities Services	5x FY25 EPS	65.0%	0.5
State Bank Operations Support Services	5x FY25 EPS	100.0%	0.1
Holding co. discount			15%
Value of key subsidiaries (Rs per share)			226.5
<b>Target Price (Rs)</b>			<b>1,040.3</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: One-year forward P/ABV**



Source: Company, Nirmal Bang Institutional Equities Research

## Financials

### Exhibit 4: Income statement

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	4,151,307	4,624,894	4,856,715	5,461,196	6,221,679
Interest expense	2,552,548	2,955,242	3,123,310	3,447,541	3,954,230
<b>Net interest income</b>	<b>1,598,758</b>	<b>1,669,651</b>	<b>1,733,405</b>	<b>2,013,654</b>	<b>2,267,449</b>
Non-interest income	516,822	616,831	756,181	767,547	826,716
<b>Net Revenue</b>	<b>2,115,580</b>	<b>2,286,482</b>	<b>2,489,586</b>	<b>2,781,202</b>	<b>3,094,165</b>
Operating Expense	1,248,608	1,180,690	1,270,216	1,395,323	1,517,774
-Employee Exp	783,370	643,522	708,191	774,312	849,745
-Other Exp	465,238	537,168	562,025	621,011	668,028
<b>Operating profit</b>	<b>866,972</b>	<b>1,105,792</b>	<b>1,219,370</b>	<b>1,385,879</b>	<b>1,576,391</b>
Provisions	49,142	153,079	236,424	248,883	265,737
<b>PBT</b>	<b>817,830</b>	<b>952,713</b>	<b>982,946</b>	<b>1,136,996</b>	<b>1,310,654</b>
Taxes	207,063	243,706	247,522	284,249	327,664
<b>PAT</b>	<b>610,766</b>	<b>709,006</b>	<b>735,424</b>	<b>852,747</b>	<b>982,991</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 5: Balance sheet

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	8,925	8,925	9,233	9,233	9,233
Reserves & Surplus	3,763,541	4,402,697	5,339,451	6,021,649	6,808,041
<b>Shareholder's Funds</b>	<b>3,772,465</b>	<b>4,411,621</b>	<b>5,348,684</b>	<b>6,030,881</b>	<b>6,817,274</b>
<b>Deposits</b>	<b>49,160,768</b>	<b>53,821,895</b>	<b>59,802,084</b>	<b>66,968,439</b>	<b>74,993,571</b>
Borrowings	5,975,609	5,635,725	5,875,577	6,483,994	7,155,413
Other liabilities	2,888,097	2,891,291	3,010,400	2,764,651	2,398,116
<b>Total liabilities</b>	<b>61,796,939</b>	<b>66,760,533</b>	<b>74,036,744</b>	<b>82,247,965</b>	<b>91,364,374</b>
Cash/Equivalent	3,108,020	3,402,297	4,069,063	4,556,677	5,102,725
<b>Advances</b>	<b>37,039,709</b>	<b>41,633,121</b>	<b>46,408,980</b>	<b>52,017,839</b>	<b>58,304,568</b>
Investments	16,713,397	16,905,727	17,945,743	19,426,578	21,004,618
Fixed Assets	426,173	441,076	485,183	533,701	587,071
Other assets	4,509,642	4,378,312	5,127,776	5,713,169	6,365,392
<b>Total assets</b>	<b>61,796,939</b>	<b>66,760,533</b>	<b>74,036,744</b>	<b>82,247,965</b>	<b>91,364,374</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 6: DuPont Decomposition (RoA Tree)

Y/E March (%)	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income / Assets	2.7%	2.6%	2.5%	2.6%	2.6%
Other Income / Assets	0.9%	1.0%	1.1%	1.0%	1.0%
Net Revenues / Assets	3.6%	3.6%	3.5%	3.6%	3.6%
Operating Expense / Assets	2.1%	1.8%	1.8%	1.8%	1.7%
Provisions / Assets	0.1%	0.2%	0.3%	0.3%	0.3%
Taxes / Assets	0.4%	0.4%	0.4%	0.4%	0.4%
Total Costs / Assets	2.6%	2.5%	2.5%	2.5%	2.4%
<b>Return on Assets</b>	<b>1.0%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>1.1%</b>	<b>1.1%</b>
Assets / Equity	16.6	15.7	14.4	13.7	13.5
<b>Return on Average Equity</b>	<b>17.3%</b>	<b>17.3%</b>	<b>15.1%</b>	<b>15.0%</b>	<b>15.3%</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 7: Key ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth (%)</b>					
NII growth	10.4	4.4	3.8	16.2	12.6
Pre-provision profit growth	3.6	27.5	10.3	13.7	13.7
PAT growth	21.6	16.1	3.7	16.0	15.3
<b>Business (%)</b>					
Deposit growth	11.1	9.5	11.1	12.0	12.0
Advance growth	15.8	12.4	11.5	12.1	12.1
CD	75.3	77.4	77.6	77.7	77.7
CASA	39.9	38.7	38.1	38.5	38.9
<b>Operating efficiency (%)</b>					
Cost-to-income	59.0	51.6	51.0	50.2	49.1
Cost-to-assets	2.1	1.8	1.8	1.8	1.7
<b>Spreads (%)</b>					
Yield on advances	8.3	8.4	8.0	8.1	8.3
Yield on investments	6.7	6.8	6.5	6.6	6.8
Cost of deposits	4.7	5.0	4.9	4.9	5.0
Yield on assets	7.7	7.8	7.5	7.6	7.8
Cost of funds	4.9	5.2	5.0	5.0	5.1
NIMs	3.0	2.8	2.7	2.8	2.8
<b>Capital adequacy (%)</b>					
Tier I	11.9	12.1	12.7	12.5	12.7
Tier II	2.4	2.1	2.5	2.2	2.0
Total CAR	14.3	14.3	15.2	14.7	14.7
<b>Asset Quality (%)</b>					
Gross NPA	2.2	1.8	1.8	1.8	1.8
Net NPA	0.6	0.5	0.5	0.4	0.4
Provision coverage	75.0	74.4	75.2	76.2	77.2
Slippage	0.5	0.5	0.7	0.6	0.6
Credit-cost	0.1	0.4	0.5	0.5	0.5
<b>Return (%)</b>					
ROE	17.3	17.3	15.1	15.0	15.3
ROA	1.0	1.1	1.0	1.1	1.1
RORWA	2.0	2.1	1.9	2.0	2.0
<b>Per share</b>					
EPS	68	79	80	92	106
BV	423	494	579	653	738
ABV	399	472	557	629	712
<b>Valuation</b>					
P/E	12.0	10.4	10.3	8.9	7.7
P/BV	1.9	1.7	1.4	1.3	1.1
P/ABV	2.1	1.7	1.5	1.3	1.2

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

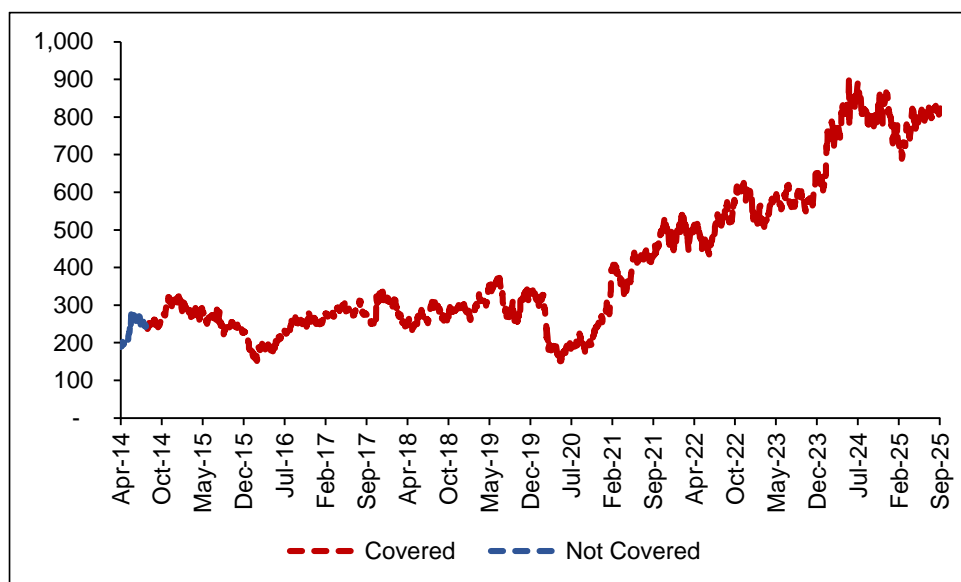
Date	Rating	Market price (Rs)	Target price (Rs)
14 August 2014	Buy	2,418	2,915
8 October 2014	Buy	2,411	2,915
17 November 2014	Buy	2,785	3,200
22 December 2014	Buy	304	363
8 January 2015	Buy	301	363
16 February 2015	Buy	308	375
25 May 2015	Buy	282	375
12 August 2015	Buy	268	375
9 November 2015	Buy	244	375
12 February 2016	Buy	155	220
30 May 2016	Buy	201	240
16 August 2016	Buy	244	280
15 November 2016	Buy	272	315
13 February 2017	Buy	275	315
14 February 2017	Buy	272	335
22 May 2017	Buy	309	355
14 August 2017	Buy	280	325
13 November 2017	Buy	333	386
12 February 2018	Buy	296	364
23 May 2018	Buy	254	331
13 August 2018	Buy	304	353
9 October 2018	Buy	266	329
6 November 2018	Buy	295	347
13 December 2018	Buy	285	344
4 February 2019	Buy	284	347
8 April 2019	Buy	317	366
13 May 2019	Buy	308	373
8 July 2019	Buy	371	430
5 August 2019	Buy	308	370
7 October 2019	Buy	250	354
29 October 2019	Buy	282	365
8 January 2020	Buy	320	377
1 February 2020	Buy	318	377
27 March 2020	Buy	192	315
9 April 2020	Buy	183	315
8 June 2020	Buy	189	274
9 July 2020	Buy	192	227
3 August 2020	Buy	196	326
23 September 2020	Buy	186	328
7 October 2020	Buy	192	324
5 November 2020	Buy	206	323
26 November 2020	Buy	243	348
08 January 2021	Buy	288	384
5 February 2021	Buy	355	423
21 February 2021	Buy	399	495
23 May 2021	Buy	404	519
05 August 2021	Buy	457	536
26 September 2021	Buy	441	574



03 November 2021	Buy	531	617
06 February 2022	Buy	529	639
15 May 2022	Buy	441	626
07 August 2022	Buy	532	678
19 September 2022	Buy	562	723
06 November 2022	Buy	594	718
05 February 2023	Buy	545	667
22 March 2023	Buy	523	680
19 May 2023	Buy	576	664
06 August 2023	Buy	573	698
06 November 2023	Buy	578	714
29 November 2023	Buy	560	709
05 February 2024	Buy	650	791
21 February 2024	Buy	760	862
10 May 2024	Buy	820	1,003
14 June 2024	Buy	844	1,003
07 July 2024	Buy	860	1,060
04 August 2024	Buy	848	1,060
10 October 2024	Buy	797	1,059
09 November 2024	Buy	843	1,065
6 December 2024	Buy	864	1,060
10 January 2025	Buy	743	1,055
7 February 2025	Buy	752	1,016
9 April 2025	Buy	769	1,005
4 May 2025	Buy	800	1,010
26 June 2025	Buy	800	1,013
10 July 2025	Buy	811	1,009
10 August 2025	Buy	804	1,001
14 September 2025	Buy	823	1,040

Coverage was transferred to Rati J Pandit with effect from 6-Aug-23

## Rating track graph



## DISCLOSURES

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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010