Q1FY27 Result Update l Banks l 19 July 2026

HDFC Bank Ltd

Sharp decline in margins a cause for concern

Rating: **BUY**	Upside: **21%**
Current Price: **820**	Target Price: **994**

|Earlier recommendation

Previous Rating:	BUY
Previous Target Price:	1,040

|Market data

Bloomberg:	HDFCB: IN
52-week H/L (Rs):	1,020.5/726.6
Mcap (Rs bn/USD bn):	12,622.9/ 131.1
Shares outstanding (Mn):	15,401
Free float:	100%
Face Value (Rs):	1

Source: NSE, SMIFS Research

|Shareholding pattern (%)

	Jun-26	Mar-26	Dec-25	Sep-25
Promoter				
FIIs	41.83	44.05	47.67	48.38
DIIs	41.92	40.14	37.00	36.07
Public/others	16.25	15.82	15.29	15.51

|Pro. Pledging

Pledging	-	-	-	-

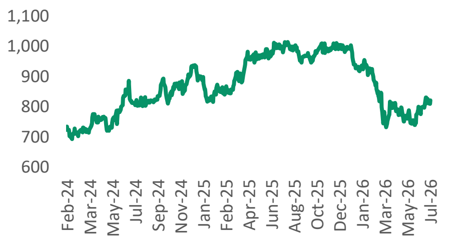
Source: BSE

|Price performance (%) *

	1M	3M	12M	36M
Nifty 500	1.0%	2.0%	-0.4%	38.3%
Nifty Banks	1.6%	3.5%	3.0%	28.8%
HDFC Bank	4.1%	2.5%	-17.5%	-2.4%

*as of 18th July,'26; Source: NSE, SMIFS Research

|Price Performance



Source: NSE, SMIFS Research

HDFC Bank reported PAT of ₹190.6bn (+5% YoY, -0.8% QoQ), broadly in line with our estimates (-1.9% QoQ below our estimates). The Net Interest Margin (NIM) on total assets declined by -12bps QoQ and by -9bps YoY to 3.26%. The NIM on interest earning assets (IEA) dropped by -13 bps sequentially and by -10 bps YoY to 3.40%. The yield on assets declined by -10bps QoQ and -40 bps YoY to 7.7%. The cost of funds remained stable sequentially at 4.4% but dropped by -40bps YoY. The management opined that the funding costs have remained elevated due to high-cost wholesale deposits and borrowings which account for ~11% of the liabilities. Further, the management stated that volatility in liquidity environment has led to delayed wholesale liability repricing. Management maintained a constructive medium-term outlook on margins, iterating that the primary lever remains funding cost normalization rather than asset repricing. The gross advances grew by 3.4% QoQ and 15.4% YoY, driven by healthy overall credit demand. The bank has emerged as one of the largest participants in the ECLGS 5.0 scheme with disbursements close to Rs. 140bn by June-end. The total deposit growth lagged advances growth at 2.1% QoQ and 14.7% YoY in Q1FY27. The management expects to capture a meaningful share of the FCNR (B) deposit mobilisation scheme and expects the inflows to accelerate meaningfully in Q2. On the ECL front, the management indicated that the existing floating and contingent provisions would be adequate to absorb the transition impact. We expect the margins to remain subdued in the near term and improve slightly going forward while the advances momentum is expected to sustain. We have moved our valuation basis to adjusted book value (ABV). We have revised our target price to Rs. 994 (Rs. 1040 earlier) and are currently valuing the standalone bank at 2x its FY28E ABV per share of Rs. 436. Further, we assign Rs. 122 per share value to its subsidiaries and associates.

NIMs under pressure. The NIM on total assets declined sharply by -12bps QoQ and by -9bps YoY to 3.26%. The NIM on IEA dropped by -13 bps sequentially and by -10 bps YoY to 3.40%. The YoA declined by -10bps QoQ and -40 bps YoY to 7.7%. The CoF remained flat sequentially at 4.4% (-40bps YoY). The management opined that the funding costs have remained elevated due to high-cost wholesale deposits and borrowings which account for ~11% of the liabilities. Volatile system liquidity has delayed the wholesale liability repricing. The management opined that margin normalisation remained a medium-term proposition with the primary lever being reduction in cost of funds rather than improvement in asset yields. Maturity of ~Rs. 400-500 bn of legacy wholesale borrowings carrying funding costs above 7% provides an opportunity to lower funding costs through replacement with cheaper liabilities. Management is targeting to improve the share of retail loans to ~60% from current 52% levels to optimize portfolio mix.

Higher sequential slippages due to 1Q seasonality. The gross slippages in the quarter were at Rs. 80bn and the annualised gross slippage ratio for the bank stood at 1.1%, up by 21 bps QoQ but down -30bps YoY The total recoveries and upgrades stood at Rs. 40bn resulting in a net slippage addition of Rs. 40bn in 1QFY27. GNPA stood at 1.17% (+2 bps QoQ) while NNPA stood at 0.41% (+3 bps QoQ). Total provisions during the quarter were at Rs. 30.6bn up 17.3% QoQ (-78.8% YoY). The annualised credit costs stood at 0.41%, +5 bps QoQ (-79 bps YoY). On the ECL front, the management indicated that the existing floating and contingent provisions would be adequate to absorb the transition impact. The reported PCR decline to 66% was attributed to changes in portfolio mix rather than decline in asset quality. …*Contd. on page 2*

E Mar (Rs bn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Var (%)
Net Interest Income	335	314	6.7%	331	1.4%	343	-2.1%
Other Income	128	217	-41.0%	132	-2.9%	128	0.3%
Operating Income	**464**	**532**	**-12.8%**	**463**	**0.2%**	**470**	**-1.5%**
Opex	-182	-174	4.3%	-185	-1.6%	-184	-0.9%
Pre Provisions Profit	**282**	**357**	**-21.2%**	**278**	**1.3%**	**287**	**-1.8%**
Provisions	-31	-144	-78.8%	-26	17.3%	-31	-2.4%
PBT	**251**	**213**	**17.9%**	**252**	**-0.3%**	**256**	**-1.7%**
Tax	-60	-31	92.8%	-60	1.3%	-61	-1.4%
PAT	**191**	**182**	**5.0%**	**192**	**-0.8%**	**194**	**-1.9%**
NIM	3.26%	3.35%	(9)bps	3.38%	(12)bps	3.36%	(10)bps
Loans	30,373	26,284	15.6%	29,372	3.4%	30,332	0.1%
Loans growth (% yoy)	15.6%	6.7%	8.9%	12.1%	3.4%	15.4%	0.2%
Deposits	31,708	27,641	14.7%	31,053	2.1%	31,704	0.0%
Deposit growth (% yoy)	14.7%	16.2%	-1.5%	14.4%	0.3%	14.7%	0.0%
GNPA (%)	1.17%	1.40%	(23)bps	1.15%	2bps		
NNPA (%)	0.41%	0.47%	(6)bps	0.38%	3bps		
Credit Costs (bps)	41	220	(179)bps	36	5bps	42	(1)bps

Source: Company, SMIFS Research;

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(Rs b)	Op. Income	% YoY	PPOP	% YoY	PAT	% YoY	P/E	P/B (x)	ROA (%)	ROE(%)
FY24	1,578	34%	944	34%	608	38%	17.4	2.4	1.9	15.6
FY25	1,683	7%	1,001	6%	673	11%	15.9	2.1	1.8	14.3
FY26	1,912	14%	1,186	18%	747	11%	14.4	1.9	1.8	14.0
FY27E	2,042	7%	1,237	4%	820	10%	13.1	1.7	1.8	13.8
FY28E	2,342	15%	1,432	16%	945	15%	11.4	1.6	1.8	14.4

Source: Company, SMIFS Research Estimates. PPOP = Pre- Provision Operating Profit

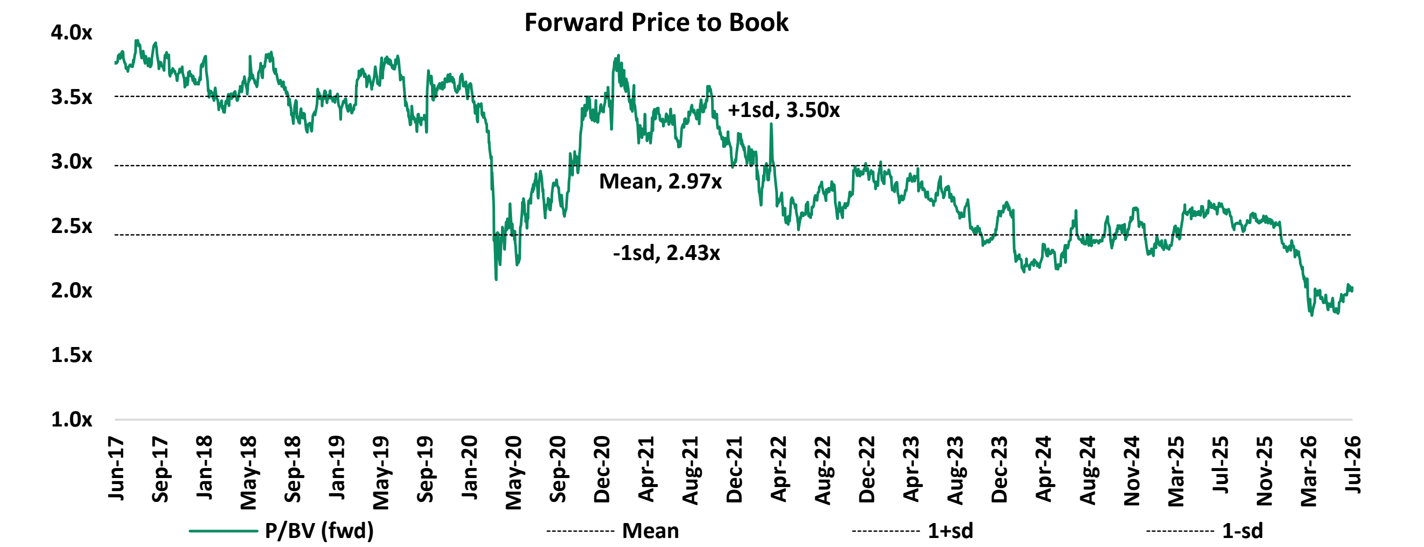
Advances growth outpaced deposits growth. The gross advances grew by 3.4% QoQ and by 15.4% YoY in Q1 while the deposits grew by 2.1% QoQ and 14.7% YoY. The sequential growth in advances was driven by Small and mid-markets segment which grew by 3.8% QoQ (+18.7% YoY) followed by corporate segment (up 3.6% QoQ and 18.6% YoY). The retail advances grew by 1.0% QoQ driven by Gold loan (+7.6% QoQ) Auto loans (+2.8% QoQ) and Personal loans (+2.1% QoQ). The sequential growth in deposits was driven by term deposits (+4.9% QoQ). The bank has emerged as one of the largest participants in the ECLGS 5.0 scheme with disbursements close to Rs. 140bn by June-end. The sequential growth in deposits was driven by term deposits, up 4.9% QoQ. The management expects the bank to capture a meaningful share of the FCNR (B) deposits and expects the traction to improve materially in 2QFY27.

Productivity gains starting to become visible. The Pre-Provisioning Operating profit (PPOP) stood at Rs. 282bn, up 1.3% QoQ (-21.2% YoY). The sequential improvement was driven by higher NII (+1.4% QoQ) and lower opex (-1.6% QoQ). The improvement in branch level productivity is evidenced by business per branch improving to Rs. 3.3bn v/s Rs. 2.66 bn in FY23. Management indicated that the bank is transitioning from a five-year investment phase into a productivity monetization phase**.** The management stated that future investments will remain focussed on AI, cybersecurity, process automation and customer journey digitisation. The management expects these initiatives to further support operating efficiency in the medium term.

Valuation and Outlook

We have moved our valuation basis to adjusted book value (ABV). We have revised our target price to Rs. 994 (Rs. 1040 earlier) and maintain a BUY rating on the stock. We are currently valuing the standalone bank at 2x its FY28E ABV per share of Rs. 436 for RoE profile of 13.8%/ 14.4% for FY27E/ FY28E. Further, we assign Rs. 122 per share value to its subsidiaries and associates.

Fig 1: Forward Price to book vs ROE



Source: Company, Bloomberg, SMIFS Research Estimates; * Not excluded subs from forward price for PB calculation

Changes to earnings to reflect the margin outlook. We have kept our loan growth assumption unchanged while factoring in a slight dip in the previous assumed deposits growth. We have factored in the margin outlook to slightly lower our NII and NIM estimates. Keeping in mind the geopolitical uncertainties and the potential adverse El-Nino impact, we have tweaked our GNPA and NNPA assumptions upwards. Based on the management commentary on ECL transition, we have marginally tweaked our credit cost assumptions.

Fig 2: Change in Estimates

Rs Bn	FY27E			FY28E		
	Current	Previous	% chg.	Current	Previous	% chg.
Net Interest Income	1,464	1,473	-0.6%	1,688	1,728	-2.3%
Other Income	578	557	3.8%	653	603	8.3%
Operating Income	**2,042**	**2,030**	**0.6%**	**2,342**	**2,331**	**0.5%**
Opex	805	785	2.6%	910	855	6.4%
Pre Provisions Profit	**1,237**	**1,245**	**-0.7%**	**1,432**	**1,476**	**-3.0%**
Provisions	143	141	1.4%	172	158	8.6%
PBT	**1,094**	**1,104**	**-0.9%**	**1,260**	**1,317**	**-4.4%**
Tax	273	276	-0.9%	315	329	-4.4%
PAT	**820**	**828**	**-0.9%**	**945**	**988**	**-4.4%**
NIM	3.37%	3.43%	(5)bps	3.44%	3.47%	(3)bps
Loans	33,484	33,484	0.0%	38,506	38,506	0.0%
Loans growth (% yoy)	14%	14.0%	0.0%	15%	15.0%	0.0%
Deposits	35,400	36,176	-2.1%	40,533	42,796	-5.3%
Deposit growth (% yoy)	14.0%	16.5%	-2.5%	14.5%	18.3%	-3.8%
GNPA (%)	1.13%	1.02%	11bps	1.13%	0.95%	18bps
NNPA (%)	0.40%	0.34%	6bps	0.39%	0.31%	7bps
Credit costs (bps)	43	45	(2)bps	45	44	1bps

Source: SMIFS Research Estimates

Risks to our call:

[1] Slower growth than anticipated

[2] Higher than anticipated credit costs, resulting in lower returns

[3] Higher operating costs due to unanticipated expenses

Analyst Call highlights

Operational Aspects

- Rajiv Kumar has been appointed as the new chairman during the quarter. The CEO/MD reappointment is WIP with the NRC and the board.
- Branch productivity has improved from Rs. 2.66 bn per branch to Rs. 3.30 bn per branch over the years, with 40% of branches still less than 5 years old. As these branches continue to scale, further productivity gains are expected by the management.
- Management indicated that the bank is now entering a harnessing phase after years of heavy investment in distribution and technology. Branch additions will be slightly muted going forward, but technology investment will continue, particularly in security and AI.
- The management stated that the headline PAT growth was muted (5% YoY) due to the impact of one-time gains pertaining to HBD financial in the previous year. Adjusted for the one-off, the PAT would have been 9.8% YoY.
- Further, the management is aiming for the PAT growth to match or be higher than the balance sheet growth in the longer run.

Advances

- Management indicated that the bank has accelerated growth on advances, which had been held back due to CD ratio concerns post-merger. Specific customer segments have been identified for focus going forward.
- Credit demand continues to hold, with the economy showing resilience even after the geopolitical situation, though the full El Nino impact is expected to play out in Q3.
- The bank participated in the ECLGS 5.0 scheme with disbursements of ~ Rs. 140 bn as of June 30. Management sees this as a good opportunity, particularly for the mid-market segment.
- Management guided for taking retail advances mix to 60% over-time (52% currently) in the long run, which should also aid margins to an extent.
- The management has identified improvement of Turnaround time (TAT) as a key focus area.

Deposits

- The retail deposit rates have been reasonably stable, non-retail deposit rates have remained elevated and have not come down as expected due to the volatile liquidity scenario.
- Savings account growth is going through a low-growth phase. Management indicated that even if household deposit growth stays low, they are investing in distribution to improve unit economics and are not overly concerned about the household deposit growth.
- Management is being aggressive on CASA deposits to bring down the cost of funds. The aspiration is to reach near pre-merger CASA levels of around 38-40%.
- On FCNR(B), documentation and approvals (both internal and with counterparty banks) are largely done. Management expects certain milestones to be visible in coming months and is targeting a meaningful market share in this opportunity.

Margins

- Management highlighted that optimizing the cost of funds remains the primary lever for expanding margins. While a structural advantage of 40–50 basis points is achievable relative to historical averages and peer benchmarks, this transition will be gradual.
- Further, the timeline hinges heavily on a stabilization of system liquidity, which continues to exhibit high volatility between its peak and trough levels.
- Borrowings mix is currently at 11% versus a part of industry sitting at 5-6%. Management expects this to come down as existing bonds mature and overall growth accelerates, diluting the borrowings share over time.
- Legacy wholesale borrowings of approximately Rs.400–500 bn are scheduled to mature over the next few years. These borrowings currently carry funding costs of slightly above 7%, compared with prevailing retail term deposit rates of approximately 6%, creating a structural opportunity for funding cost reduction upon replacement.

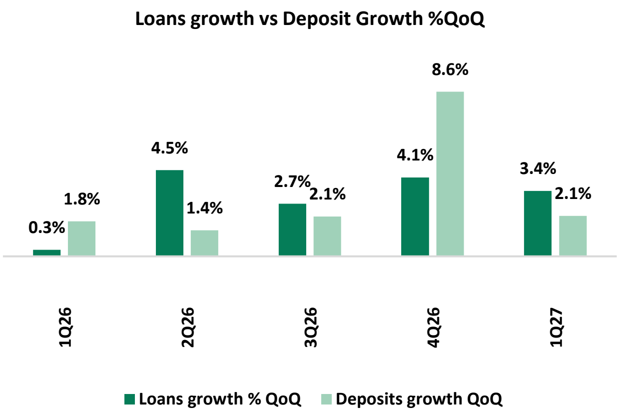
- Specifically, substituting these borrowings with a standard blend of time deposits and CASA could provide ~100 bps benefit, while migrating entirely into time deposits offers a slightly higher yield advantage.
- In the corporate segment, spreads remain thin and the market continues to be very competitive. Hence, the bank is being highly selective and is explicitly pivoting toward a holistic primary relationship engagement strategy.

Asset Quality

- On ECL transition, management indicated no material impact is expected at the point of transition given adequate existing provisions.
- Management noted that regulatory floors of 1% for unsecured Stage 1 and 5% for Stage 2 will lead to some enhancement in provisioning requirements.
- Reported PCR currently stands at 66%. Excluding the agricultural portfolio, PCR remains broadly stable at ~70%. The management attributed the decline in reported PCR to a higher secured/agriculture loan mix.

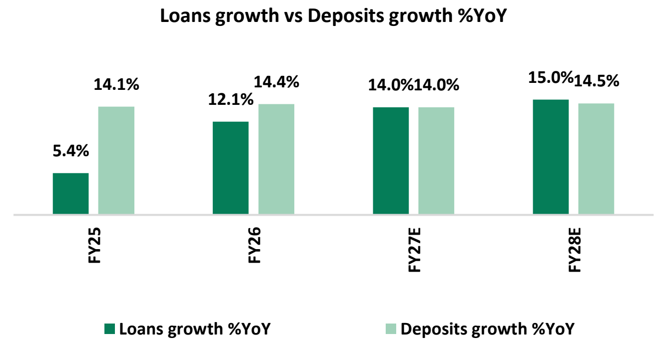
Key Charts

Fig 3: Loan growth accelerated to 15.6% YoY/3.4% QoQ in 1Q27, outpacing deposit growth of 14.7% YoY/2.1% QoQ



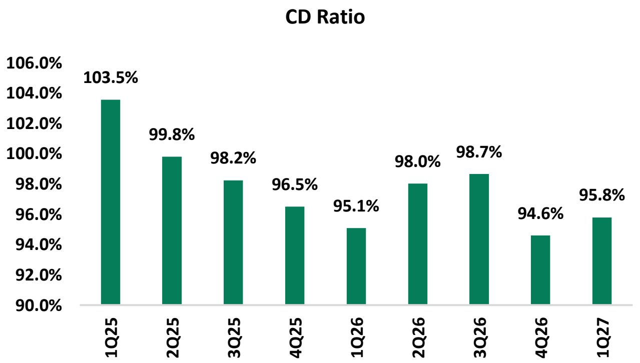
Source: Company, SMIFS Research

Fig 4: We expect loan growth to sustain and outpace deposit growth



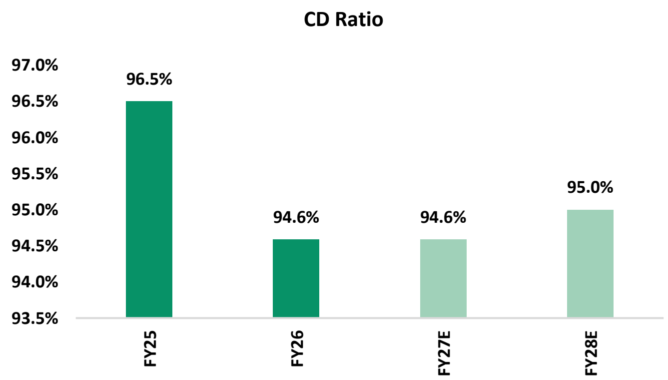
Source: Company, SMIFS Research

Fig 5: CD ratio rose to 95.8% in 1Q27 as loan growth outpaced deposits



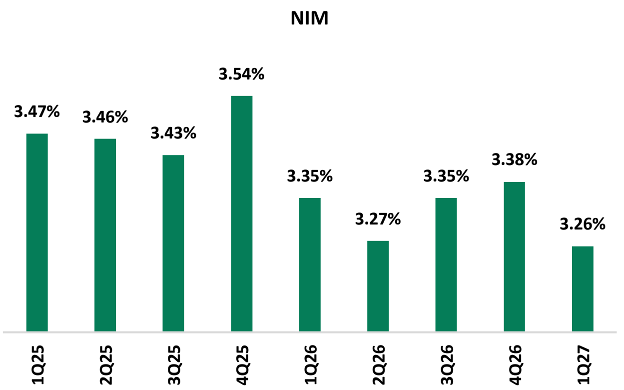
Source: Company, SMIFS Research

Fig 6: We now expect CD ratio to stabilize near 95% through FY28E



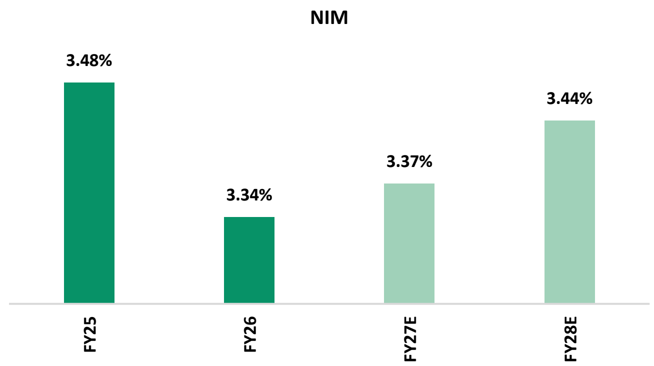
Source: Company, SMIFS Research

Fig 7: NIM declined 12bps sequentially to 3.26% in 1Q27, pressured by elevated wholesale funding costs



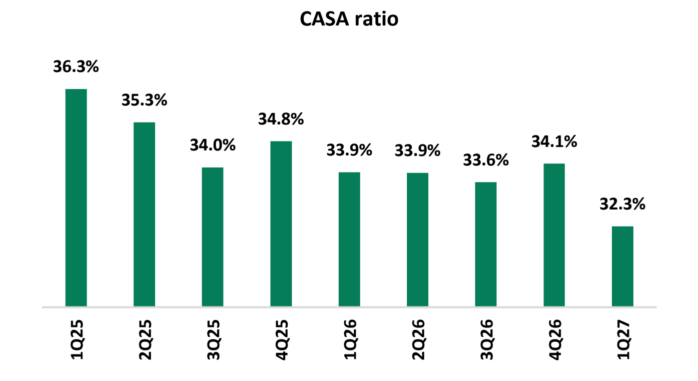
Source: Company, SMIFS Research

Fig 8: We expect NIM to recover gradually as high-cost wholesale borrowings reprice



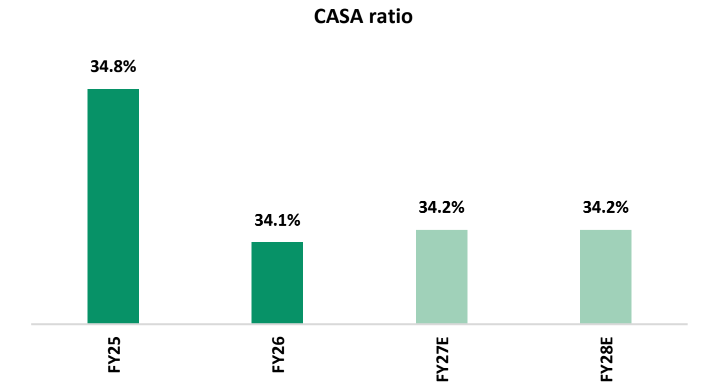
Source: Company, SMIFS Research

Fig 9: CASA ratio (period end) declined further to 32.3% in 1Q27



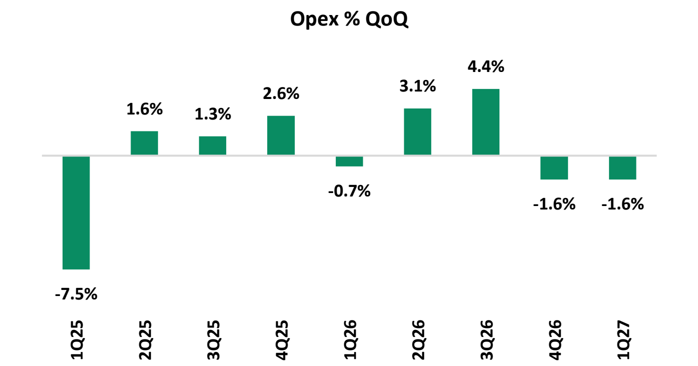
Source: Company, SMIFS Research

Fig 10: CASA ratio expected to stabilize near 34%



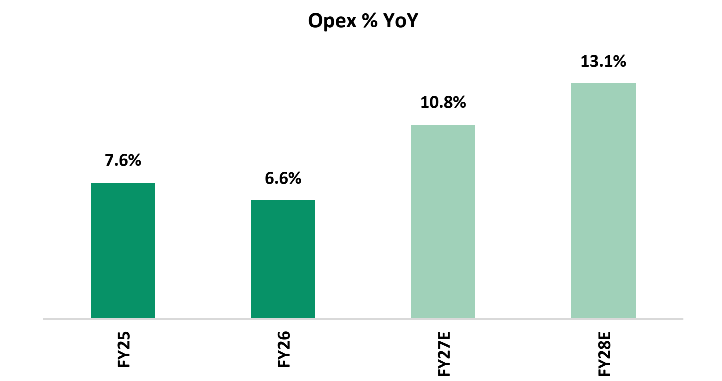
Source: Company, SMIFS Research

Fig 11: Opex decreased -1.6% QoQ



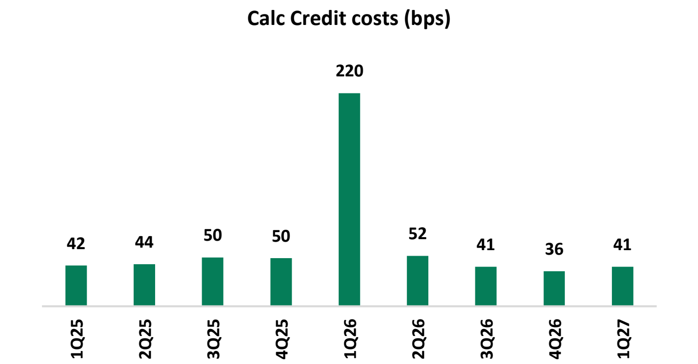
Source: Company, SMIFS Research

Fig 12: We expect opex growth to accelerate on AI, cybersecurity and automation investment



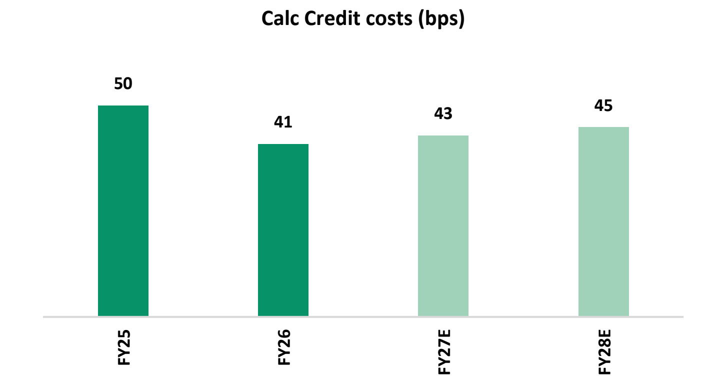
Source: Company, SMIFS Research

Fig 13: Credit costs inched up on seasonally higher slippages, though remain low



Source: Company, SMIFS Research

Fig 14: We expect credit costs to normalize gradually from FY26 lows



Source: Company, SMIFS Research

Financial Statements

Fig 15: HDFC Bank Income Statement, Balance Sheet and Key Figures on Quarterly Basis

Income Statement					
INR bn	1Q26	2Q26	3Q26	4Q26	1Q27
Interest Income	775	767	768	766	794
Interest Expense	-460	-451	-441	-435	-458
Net Interest Income	**314**	**316**	**326**	**331**	**335**
Non-Interest Income	217	144	133	132	128
Operating Income	**532**	**459**	**459**	**463**	**464**
Employee expenses	-62	-65	-72	-62	-64
Other expenses	-113	-115	-116	-122	-118
Operating expenses	**-174**	**-180**	**-188**	**-185**	**-182**
Operating profit	**357**	**279**	**271**	**278**	**282**
Provisions	-144	-35	-28	-26	-31
PBT	**213**	**244**	**243**	**252**	**251**
Tax	-31	-58	-56	-60	-60
PAT	**182**	**186**	**187**	**192**	**191**

Growth % qoq					
	1Q26	2Q26	3Q26	4Q26	1Q27
Interest Income	0.0%	-1.0%	0.1%	-0.2%	3.6%
Interest Expense	1.4%	-1.9%	-2.2%	-1.4%	5.3%
Net Interest Income	**-2.0%**	**0.4%**	**3.4%**	**1.4%**	**1.4%**
Non-Interest Income	80.7%	-34.0%	-7.6%	-0.4%	-2.9%
Operating Income	**20.6%**	**-13.7%**	**-0.1%**	**0.9%**	**0.2%**
Employee expenses	0.7%	4.9%	11.5%	-13.5%	3.0%
Other expenses	-1.4%	2.1%	0.4%	5.9%	-3.9%
Operating expenses	**-0.7%**	**3.1%**	**4.4%**	**-1.6%**	**-1.6%**
Operating profit	**34.7%**	**-21.9%**	**-3.0%**	**2.6%**	**1.3%**
Provisions	352.3%	-75.8%	-18.9%	-8.0%	17.3%
PBT	**-8.8%**	**14.7%**	**-0.7%**	**3.8%**	**-0.3%**
Tax	-45.2%	84.3%	-3.0%	6.5%	1.3%
PAT	**3.1%**	**2.7%**	**0.1%**	**3.0%**	**-0.8%**

Balance Sheet					
INR bn	1Q26	2Q26	3Q26	4Q26	1Q27
Cash and balances	2,026	1,651	1,752	2,985	2,236
Investments	8,967	8,743	8,783	8,842	9,194
Advances	26,284	27,464	28,214	29,372	30,373
Fixed Assets	138	139	143	147	146
Other Assets	2,126	2,033	1,998	2,303	2,026
Total Assets	**39,541**	**40,030**	**40,890**	**43,649**	**43,975**
Capital	8	15	15	15	15
Reserves and Surplus	5,219	5,209	5,409	5,614	5,816
Total Equity	**5,226**	**5,224**	**5,425**	**5,629**	**5,831**
Deposits	27,641	28,018	28,601	31,053	31,708
Borrowings	5,101	5,096	5,211	4,894	4,618
Other Liabilities	1,573	1,692	1,653	2,073	1,817
Total Liabilities and Equity	**39,541**	**40,030**	**40,890**	**43,649**	**43,975**

Growth % qoq					
	1Q26	2Q26	3Q26	4Q26	1Q27
Cash and balances	-15.4%	-18.5%	6.1%	70.4%	-25.1%
Investments	7.2%	-2.5%	0.5%	0.7%	4.0%
Advances	0.3%	4.5%	2.7%	4.1%	3.4%
Fixed Assets	0.9%	0.5%	3.2%	3.0%	-1.1%
Other Assets	5.8%	-4.4%	-1.7%	15.3%	-12.0%
Total Assets	**1.1%**	**1.2%**	**2.1%**	**6.7%**	**0.7%**
Capital	0.2%	100.4%	0.1%	0.1%	0.1%
Reserves and Surplus	4.2%	-0.2%	3.8%	3.8%	3.6%
Total Equity	**4.2%**	**0.0%**	**3.8%**	**3.8%**	**3.6%**
Deposits	1.8%	1.4%	2.1%	8.6%	2.1%
Borrowings	-6.9%	-0.1%	2.3%	-6.1%	-5.6%
Other Liabilities	7.6%	7.6%	-2.3%	25.4%	-12.4%
Total Liabilities and Equity	**1.1%**	**1.2%**	**2.1%**	**6.7%**	**0.7%**

Ratios & Key Figures					
%	1Q26	2Q26	3Q26	4Q26	1Q27
CASA and CD ratio					
CASA Ratio	34%	34%	34%	34%	32%
CD Ratio (LDR)	95%	98%	99%	95%	96%
Margins					
Reported NIM	3.35%	3.27%	3.35%	3.38%	3.26%
Calculated NIMs	3.39%	3.36%	3.41%	3.31%	3.23%
Yield on Advances	9.2%	8.8%	8.6%	8.4%	8.3%
Cost of funds	5.6%	5.5%	5.3%	5.0%	5.1%
P&L Ratios					
Core fees % Non-II	42%	73%	80%	81%	76%
Non-II Ratio	41%	31%	29%	29%	28%
Staff costs % opex	35%	36%	38%	34%	35%
CTI	33%	39%	41%	40%	39%
Tax Rate	15%	24%	23%	24%	24%

Ratios & Key Figures					
%	1Q26	2Q26	3Q26	4Q26	1Q27
Capital Ratios					
Tier 1 Ratio	17.8%	17.5%	17.8%	17.7%	17.8%
Capital Adequacy Ratio (%)	19.9%	20.0%	19.9%	19.7%	19.6%
RWA % Advances	68.7%	69.6%	70.5%	68.1%	69.0%
Asset Quality					
Gross NPA Ratio	1.4%	1.2%	1.2%	1.2%	1.2%
Net NPA Ratio	0.5%	0.4%	0.4%	0.4%	0.4%
Slippage ratio	1.4%	1.1%	1.2%	0.9%	1.1%
Credit costs (% avg loans)	2.2%	0.5%	0.4%	0.4%	0.4%
Returns					
ROA	1.9%	2.0%	1.9%	1.9%	1.8%
ROE	14.2%	14.3%	14.0%	13.9%	13.3%

Source: Company, SMIFS Research;

Fig 16: HDFC Bank Income Statement, Balance Sheet and Key Figures on Annual Basis

Income Statement

INR bn	FY24	FY25	FY26	FY27E	FY28E
Interest Income	2,583	3,005	3,075	3,429	3,885
Interest Expense	1,498	1,778	1,788	1,966	2,196
Net Interest Income	**1,085**	**1,227**	**1,287**	**1,464**	**1,688**
Non-Interest Income	492	456	625	578	653
Operating Income	**1,578**	**1,683**	**1,912**	**2,042**	**2,342**
Employee expenses	222	239	261	277	305
Other expenses	411	443	466	528	605
Operating expenses	**634**	**682**	**727**	**805**	**910**
Operating profit	**944**	**1,001**	**1,186**	**1,237**	**1,432**
Provisions	235	116	234	143	172
PBT	**709**	**885**	**952**	**1,094**	**1,260**
Tax	101	211	205	273	315
PAT	**608**	**673**	**747**	**820**	**945**
Basic EPS (₹)	40.02	44.01	48.51	53.28	61.38
DPS (₹)	9.75	11.00	15.50	13.85	16.57
Dividend Payout (%)	24.4%	25.0%	32.0%	26.0%	27.0%

Growth % YoY

	FY24	FY25	FY26	FY27E	FY28E
Interest Income	59.9%	16.3%	2.3%	11.5%	13.3%
Interest Expense	100.4%	18.7%	0.6%	9.9%	11.7%
Net Interest Income	**25.0%**	**13.0%**	**4.9%**	**13.7%**	**15.4%**
Non-Interest Income	57.7%	-7.3%	37.0%	-7.5%	13.0%
Operating Income	**33.6%**	**6.7%**	**13.6%**	**6.8%**	**14.7%**
Employee expenses	43.4%	7.5%	9.0%	6.3%	10.2%
Other expenses	28.0%	7.6%	5.3%	13.3%	14.5%
Operating expenses	**33.0%**	**7.6%**	**6.6%**	**10.8%**	**13.1%**
Operating profit	**34.1%**	**6.1%**	**18.4%**	**4.3%**	**15.8%**
Provisions	97.1%	-50.4%	100.8%	-38.7%	20.0%
PBT	**21.2%**	**24.8%**	**7.6%**	**14.9%**	**15.2%**
Tax	-29.9%	109.6%	-3.0%	33.4%	15.2%
PAT	**37.9%**	**10.7%**	**10.9%**	**9.8%**	**15.2%**
Basic EPS (₹)	1.3%	9.9%	10.2%	9.8%	15.2%
DPS (₹)	2.6%	12.8%	40.9%	-10.6%	19.6%
Dividend Payout (%)	0.3%	0.6%	7.0%	-6.0%	1.0%

Balance Sheet

INR bn	FY24	FY25	FY26	FY27E	FY28E
Cash and balances	2,191	2,396	2,985	2,411	2,695
Investments	7,024	8,364	8,842	9,809	10,807
Advances	24,849	26,196	29,372	33,484	38,506
Fixed Assets	114	137	147	162	178
Other Assets	1,998	2,010	2,303	2,764	2,902
Total Assets	**36,176**	**39,102**	**43,649**	**48,630**	**55,089**
Capital	8	8	15	15	15
Reserves and Surplus	4,395	5,007	5,614	6,221	6,910
Total Equity	**4,402**	**5,014**	**5,629**	**6,236**	**6,926**
Deposits	23,798	27,147	31,053	35,400	40,533
Borrowings	6,622	5,479	4,894	4,902	5,103
Other Liabilities	1,354	1,461	2,073	2,092	2,528
Total Liab and Equity	**36,176**	**39,102**	**43,649**	**48,630**	**55,089**
BVPS (₹)	289.8	327.6	365.7	405.1	449.9

Growth % YoY

	FY24	FY25	FY26	FY27E	FY28E
Cash and balances	13.1%	9.3%	24.6%	-19.2%	11.8%
Investments	35.9%	19.1%	5.7%	10.9%	10.2%
Advances	55.2%	5.4%	12.1%	14.0%	15.0%
Fixed Assets	42.2%	19.8%	7.8%	10.0%	10.0%
Other Assets	36.2%	0.6%	14.6%	20.0%	5.0%
Total Assets	**46.7%**	**8.1%**	**11.6%**	**11.4%**	**13.3%**
Capital	36.2%	0.7%	101.2%	0.0%	0.0%
Reserves and Surplus	57.2%	13.9%	12.1%	10.8%	11.1%
Total Equity	**57.1%**	**13.9%**	**12.3%**	**10.8%**	**11.1%**
Deposits	26.4%	14.1%	14.4%	14.0%	14.5%
Borrowings	220.2%	-17.3%	-10.7%	0.2%	4.1%
Other Liabilities	41.5%	7.9%	41.9%	0.9%	20.8%
Total Liabilities and Equity	**46.7%**	**8.1%**	**11.6%**	**11.4%**	**13.3%**
BVPS (₹)	15.4%	13.1%	11.6%	10.8%	11.1%

Ratios & Key Figures

%	FY24	FY25	FY26	FY27E	FY28E
CD and CASA Ratio					
CASA Ratio	38%	35%	34%	34%	34%
CD Ratio (LDR)	104%	96%	95%	95%	95%
Margins					
Reported NIM	3.53%	3.48%	3.34%	3.37%	3.44%
Calculated NIMs	3.97%	3.61%	3.44%	3.49%	3.56%
Yield on Advances	10.1%	9.3%	8.6%	8.6%	8.6%
Cost of funds	5.8%	5.6%	5.2%	5.2%	5.1%
P&L Ratios					
Core fees % Non-II	57%	70%	52%	69%	72%
Non-II Ratio	31%	27%	33%	28%	28%
Staff costs % opex	35%	35%	36%	34%	34%
CTI	40%	41%	38%	39%	39%
Tax Rate	14%	24%	22%	25%	25%
Capital Ratios					
Tier 1 Ratio	16.8%	17.7%	17.7%	17.4%	16.8%
CRAR (%)	2.0%	1.9%	2.0%	1.7%	1.6%
RWA % Assets	65.4%	64.3%	68.2%	68.0%	68.1%
CASA Ratio	38%	35%	34%	34%	34%

Ratios & Key Figures

%	FY24	FY25	FY26	FY27E	FY28E
Asset Quality					
Gross NPA Ratio	1.2%	1.3%	1.2%	1.1%	1.1%
Net NPA Ratio	0.3%	0.4%	0.4%	0.4%	0.4%
Slippage ratio	2.0%	1.3%	1.1%	1.2%	1.1%
Credit costs (% avg loans)	0.5%	0.5%	0.4%	0.4%	0.5%
Returns					
ROA	1.9%	1.8%	1.8%	1.8%	1.8%
ROE	15.6%	14.3%	14.0%	13.8%	14.4%
Valuation					
P/E	17.4x	15.9x	14.4x	13.1x	11.4x
P/BV	2.4x	2.1x	1.9x	1.7x	1.6x
P/ABV	2.5x	2.2x	2.0x	1.8x	1.6x

Source: Company, SMIFS Research

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