BANKING THEMATIC

SYSTEMATIX GROUP™
Investments Re-defined

ONCE CHALLENGED, NOW THE CHALLENGER

Banking

18 September 2025

Once challenged, now the challenger

THEMATIC REPORT

Industry	Banking

Initiating Coverage

Company	Rating	CMP (Rs)	TP (Rs)
BOB	BUY	246	325
BOI	BUY	120	150
BOM	BUY	57	69
UNBK	BUY	137	160
INBK	HOLD	704	765

Source: Systematix Institutional Research

Existing Coverage

Company	Rating	CMP (Rs)	TP (Rs)
AXSB	BUY	1,126	1,375
HDFCB	BUY	966	1,160
KMB	BUY	2,050	2,450
SBIN	BUY	857	1,020
FB	BUY	199	235
ICICIBC	BUY	1,419	1,660
IIB	HOLD	739	840

Source: Systematix Institutional Research

Siddharth Rajpurohit
siddharthrajpurohit@systematixgroup.in
+91 22 6704 8065

Rishit Savla
rishitsavla@systematixgroup.in
+91 22 6704 8036

We extensively studied the evolving trends between Public Sector Banks (PSBs) and Private Sector Banks (PVBs) by comparing a universe of 15 banks, which include 7 PVBs (HDFCB, ICICIBC, AXSB, KMB, IIB, BANDHAN and FED) and 8 PSBs (SBIN, PNB, CBK, BOB, UNBK, INBK, BOI and BOM). Our analysis revealed that (1) PSBs turned around remarkably in FY25, after the fall in their advances market share from 74.9% in 2011 to 51.8% in 2024, (2) PSBs have a robust liability profile with household deposits at 67.6% versus 52.1% for PVBs, (3) Technology-driven underwriting improvements, better Provisions Coverage ratio (PCR) and controlled Gross Slippage ratios have narrowed the asset quality gap between PSBs and PVBs, (4) Recoveries from technically written-off (TWO) accounts boosted PSBs' return on assets (RoA), but seems sustainable for most PSBs, (5) PSBs' lower Fee Income versus PVBs is expected to improve, as they focus on sale of third-party products, (6) lower EBLR loan exposures and deposit rate cuts have enabled PSBs to relatively manage their Net Interest Margins better compared to PVBs. We initiate coverage on BOB, BOI, BOM and UNBK with a BUY rating and INBK as HOLD. We believe PSBs are structurally well placed to achieve a sustainable growth.

PSBs lead advances growth post prolonged underperformance

PSBs held a dominant 74.9% market share of advances in March 2011, which steadily deteriorated to 51.8% by March 2024. For the first time since March 2010, PSBs recorded 12.2% YoY growth in Advances in FY25, outpacing that of PVBs at 9.5%. PSBs are also gaining market share in few retail loan segments. For 3 consecutive years, Deposit lagged Advances growth, stretching banks' Credit to Deposit ratios. Currently, PSBs are relatively better placed than PVBs on available liquidity. Despite US' tariff impositions having disrupted exports, CRISIL expects advances for the banking sector to grow at 11% to 12% in FY26. Our comfort on advances growth comes from RBI's efforts to improve liquidity in the system and central government's measures to enhance economic growth.

Liability profile - The heart of banking is beating well for PSBs

The Deposit market share of PSBs fell the least in FY25 at a marginal 56 basis points compared to that seen over the last decade. The loss was minimal, despite the largest private sector bank, HDFCB's aggression to garner deposits. After prioritizing integration post the 2021 consolidation, PSBs reversed course in FY25, with all eight banks accelerating branch additions - a key driver of Deposit growth. In terms of granularity, the share of household deposits within total deposits is relatively higher for PSBs at 67.6% versus 52.1% for PVBs. Also, the share of Retail Deposits and Deposits from Small Business (as per LCR disclosure) within total deposits is healthy for PSBs.

Asset quality differentiation between PVBs and PSBs has nearly diminished

Historically, PSBs have been lagging PVBs in Underwriting standards, but PVBs too have seen lapses in the past. Over the last five years, PSBs have been strengthening their Underwriting processes through extensive use of technology. As a result, the huge gap in reported NPA between PSBs and PVBs has reduced drastically. PSBs are faring well on new NPA flows, with their annualized gross slippage ratios in control. With a benign overall asset quality environment, banks have been building contingent provisions as a buffer to counter unforeseen events, where PSBs have been equally aggressive as PVBs in this regard.

Recovery trend seems sustainable in the medium-term

Steady recoveries from their TWO book over the last few years have boosted PSBs' profitability, a key reason for their higher RoAs in the recent past. Within our comparison universe of 8 PSBs, the post-tax contribution of recoveries from written-off accounts to RoA hovered at 18.0% to 22.8% for PSBs (except CBK and SBIN). During FY25, recovery as percentage of opening book was relatively higher for CBK (12.6%). For other PSBs it hovered at 4.6% to 7.6%. Despite healthy recoveries in FY24 and FY25, the total technically written-off book (TWO) for 8 comparative PSBs have not come off and is broadly stable YoY. We believe the positive impact on RoA from TWO recoveries could come off marginally going forward but is unlikely to substantially disappear anytime soon.

Fee income for PSBs, relatively low but expected to improve

PSBs have been lagging PVBs on generating Fee Income. This is because of (i) lack of credit card products or not having a meaningful contribution, (ii) not much focus on bancassurance or MF distribution, and (iii) lower share of Retail/Consumer Loans. Earlier, PSBs recently began building third-party products as a new revenue stream to generate Fee Income for which they have begun to train their branch level staff and provide technological support to equip them to sell such products. The trend of Bancassurance and Marketing & Distribution fee as percentage of total fee though low, is showing signs of improvement for most PSBs within our comparison universe.

PSBs resilient in managing the pressure on Net Interest Margin

Net Interest Margin is currently on a downward trend in the banking system due to the repo rate cuts announced by RBI. However, during 1QFY26, PSBs seem to have managed their NIM degradation better than PVBs. Key factors that have helped PSBs in managing their NIMs better are a) relatively lower share of EBLR loans, b) low slippages and c). reduction in deposit rates. With repricing of deposits and benefits from CRR cuts flowing in from 2QFY26, NIMs could broadly stabilize in 3QFY26 and revive 4QFY26 onwards, provided there are no more repo rate cuts from the RBI.

Initiating coverage on five Public Sector Banks

Given public sector banks' steadily improving operational parameters and in many aspects becoming at par or even better to private sector banks we see a long-term structural trend building up for PSBs. Given their discount in valuation as compared to private peers there seems to be a strong possibility of re-rating. We initiate coverage on BOB, BOI, BOM and UNBK with a BUY rating and INBK with a HOLD. We already had coverage on SBIN with a BUY rating.

Exhibit 1: Valuation table – Coverage on Public Sector Banks

Bank	Bloomberg Code	CMP (Rs.)	Target Price (Rs.)	Upside (%)	P/BV - FY27E (%)	RoA – FY27 (%)
Bank of Baroda	BOB IN	246	325	32.2	0.7	1.1
Bank of India	BOI IN	120	150	25.4	0.6	0.9
Bank of Maharashtra	BOMH IN	57	69	20.5	1.2	1.4
State Bank of India	SBIN IN	857	1,020	19.0	0.9	1.1
Union Bank of India	UNBK IN	137	160	16.8	0.8	1.2
Indian Bank	INBK IN	704	765	8.7	1.2	1.3

Source: Company, Systematix Institutional Research

Exhibit 2: Synopsis of our study (PSBs vs PVBs) - On a firm structural growth trajectory

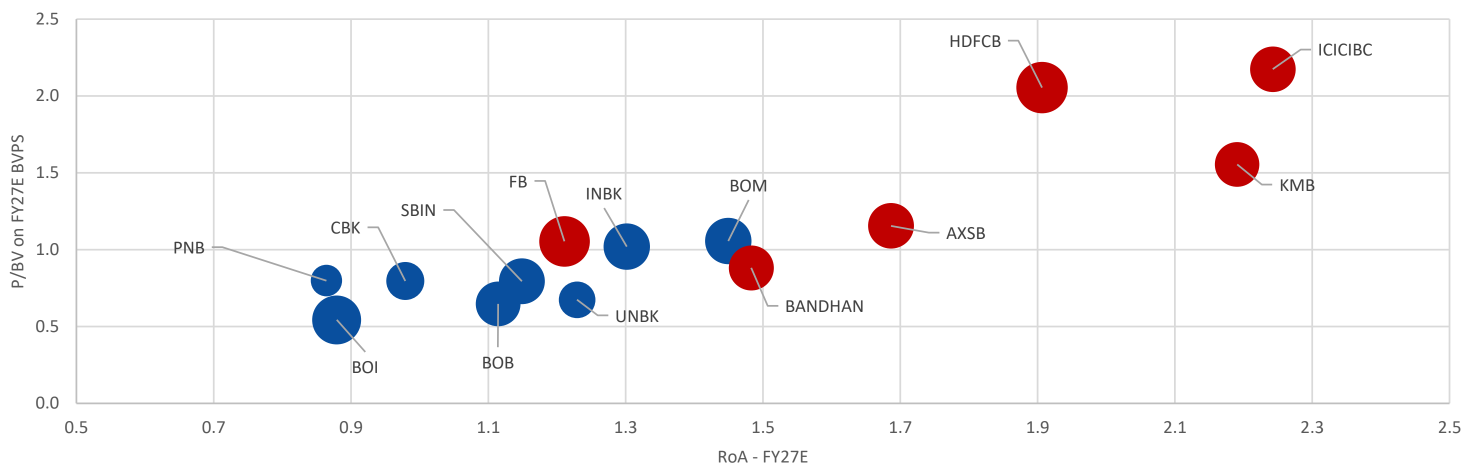
Parameters	Earlier scenario	Current scenario
Growth	PSBs steadily lost market share in Total Advances to PVBs.	For the first time in a decade (in FY25), PSBs have outpaced PVBs in Total Advances growth.
Liquidity	PSBs had steadily lost market share in Deposits to PVBs. There was a tight liquidity scenario in the banking system.	PSBs have seen the least fall in Deposit market share in a decade, aided by enhanced focus and branch expansion. System level liquidity is better and with controlled CD ratios, PSBs are strategically well placed.
Asset Quality	PSBs lagged PVBs on Underwriting Standards, resulting in high NPAs.	With Underwriting processes strengthening through better monitoring and technology use, PSBs now stand shoulder-to-shoulder with PVBs on Asset Quality.
Other Income	PSBs lagged PVBs on Fee Income, given their relatively lower focus on third-party product distribution versus the latter.	PSBs have started to train branch-level staff and are providing technological support to equip them for selling third-party products, which is showing signs of improvement. The current contribution of Recoveries from TWO too seems sustainable.
Use of Technology	PVBs were miles ahead of PSBs in using Technology that enabled them to provide better customer services and optimize costs.	After the initiation of the EASE program by the Finance Ministry in 2018, PSBs have significantly stepped-up tech spend, bringing a sea change in their Digitalization drive and Tech Integration.
Net Interest Margin	PSBs have been lagging PVBs on generating Net Interest Margin.	PSBs have relatively lower share of Retail Loans compared to PVBs. They have significantly enhanced their focus and are growing their share of the RAM segment. Also, PSBs were able to manage their NIMs better than PVBs during 1QFY26.

Source: Company, Systematix Institutional Research

Conclusion – On a cusp of re-rating

A comparison of PSBs and PVBs within our universe of 15 banks on important operational and structural parameters suggests PSBs are improving on several aspects. Plus, PSBs have significantly enhanced focus on areas where they were lagging, clearly indicating sustained structural growth ahead. The size of the bubble in Exhibit 3 indicates that PSBs' earnings growth broadly match those of PVBs. Hence, we expect the significant discount at which PSBs trade against their expected RoAs compared to PVBs to get bridged, providing strong upside for PSBs through re-rating.

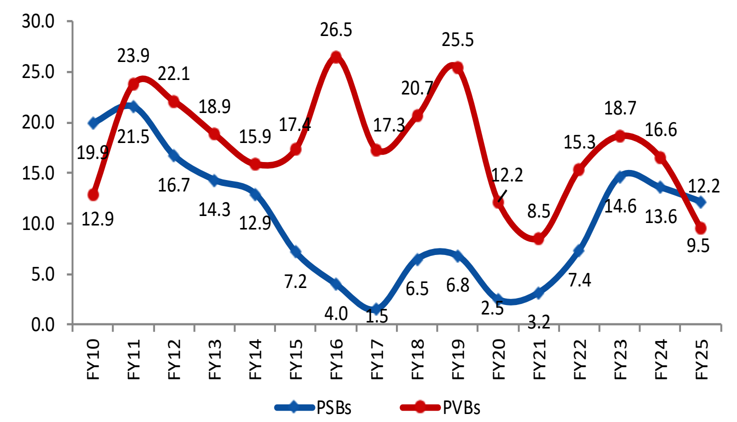
Exhibit 3: PSBs vs. PVBs - Valuation comparison on P/BV, RoA and earnings CAGR (FY25-FY28E*)



*Source: Company, Bloomberg, Systematix Institutional Research. *The size of the bubble represents earnings CAGR over FY25 to FY28E. The estimates for PNB, CBK and BANDHAN are based on Bloomberg consensus*

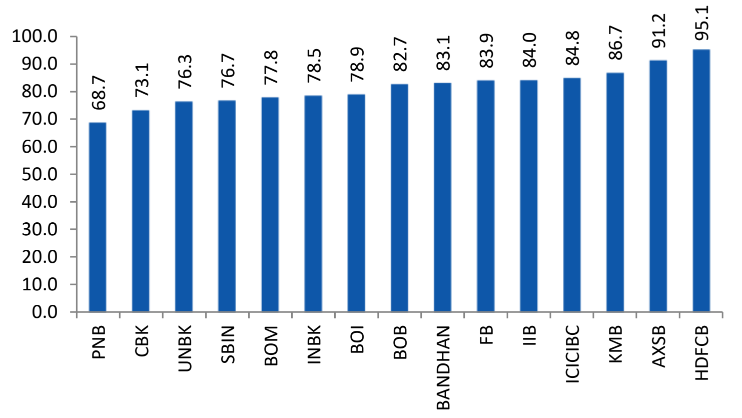
Story in Charts

Exhibit 4: PSBs outpacing PVBs for the first time in a decade on YoY advances growth in FY25



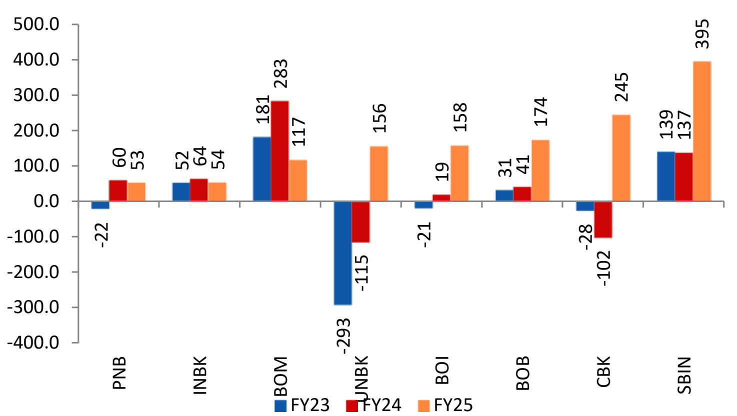
Source: CMIE, Systematix Institutional Research

Exhibit 5: PSBs are placed better than PVBs on liquidity with relatively lower Credit to deposit ratio – FY25 (%)



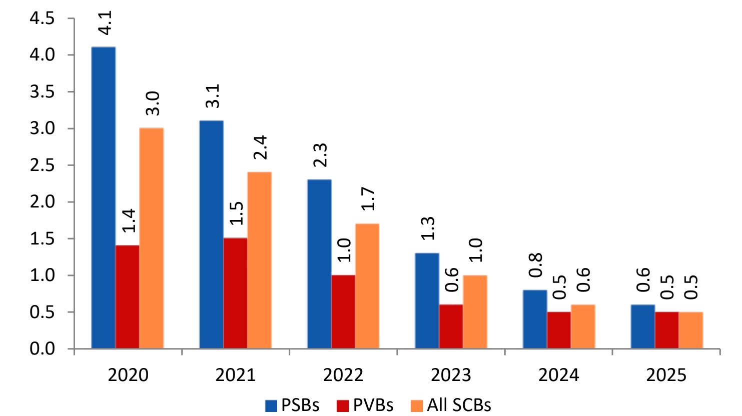
Source: Company, Systematix Institutional Research

Exhibit 6: After the consolidation for PSBs in FY21 they were more focused on integration but now on branch expansion (nos.)



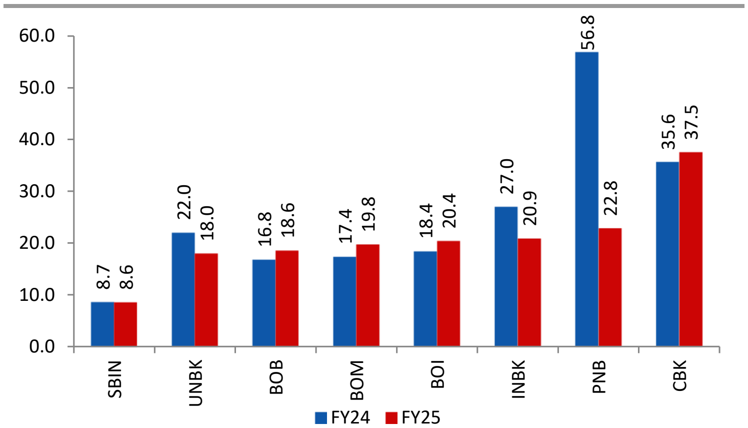
Source: Company, Systematix Institutional Research

Exhibit 7: With enhanced focus on underwriting processes there has been a robust improvement in net NPA for PSBs (%)



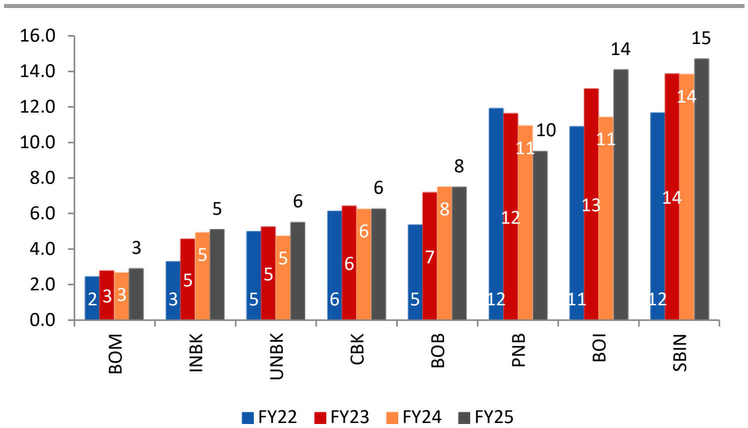
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 8: Contribution of recoveries from TWO* book aided PSBs' improvement in RoA, and is sustainable in medium-term (%)



*Source: Company, Systematix Institutional Research, *Technically Written-off*

Exhibit 9: PSBs lag PVBs on fee income but have enhanced focus on TPP* fee, shown by its improving share in total Fee Income (%)



*Source: Company, Systematix Institutional Research, *TPP represents third-part product sale i.e. fee income through sale of insurance and MFs.*

What's Inside

The Theme

PSBs lead advances growth post prolonged underperformance 7

Liability profile - The heart of banking is beating well for PSBs 13

Asset quality differentiation of PVBs seem diminished 18

Trend in recoveries seems sustainable in the medium-term 27

Fee income, relatively low but expected to improve 30

Net interest margin pressure well managed by PSBs 33

EASE reforms driving the ease of transaction for PSBs' customers 39

Du-Pont Analysis 40

Valuation 41

Valuation Matrix 42

Key Risks for the Banking Sector 44

PSBs Initiated and Under Coverage

Bank of Baroda 46

Bank of India 58

Bank of Maharashtra 70

Union Bank 82

Indian Bank 94

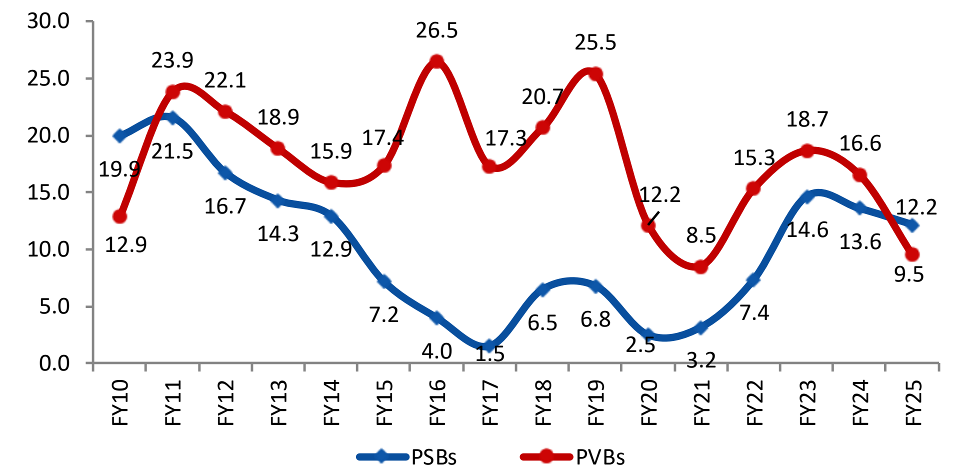
State Bank of India 106

Note Below: The comparison universe of 15 banks considered in the report, include 7 Private Sector Banks (PVBs) i.e. HDFC Bank (HDFCB), ICICI Bank (ICICIBC), Axis Bank (AXSB), Kotak Mahindra Bank (KMB), IndusInd Bank (IIB), Bandhan Bank (BANDHAN) and Federal Bank (FED) and 8 Public Sector Banks (PSBs) i.e. State Bank of India (SBIN), Punjab National Bank (PNB), Canara Bank (CBK), Bank of Baroda (BOB), Union Bank (UNBK), Indian Bank (INBK), Bank of India (BOI) and Bank of Maharashtra (BOM).

PSBs lead advances growth post prolonged underperformance

For a long time, YoY advances growth of private sector banks (PVBs) has been surging ahead of Public Sector Banks (PSBs). This is first time since March 2010 that PSBs' advances growth at 12.2% YoY in FY25 have outpaced those of PVBs at 9.5%. Overall, the banking sector recorded 11% YoY growth in advances during FY25.

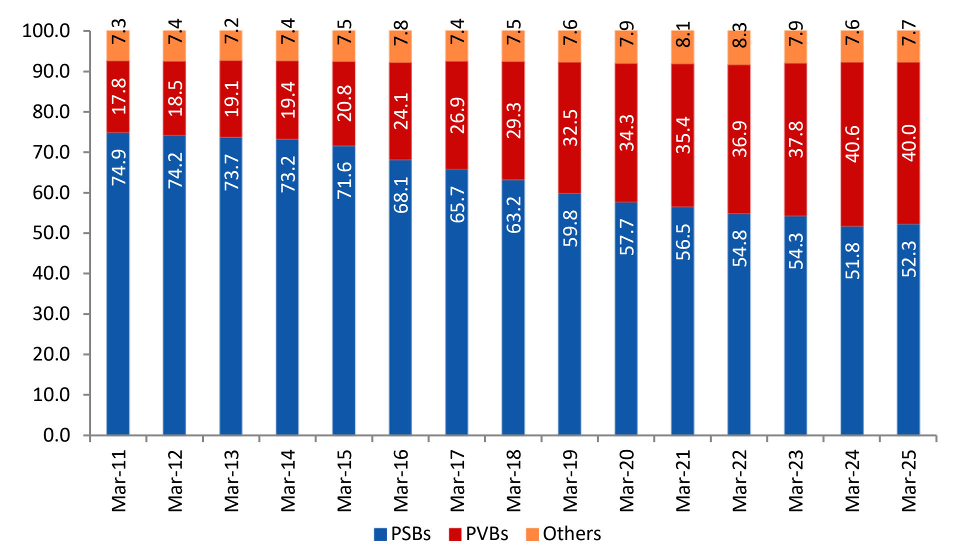
Exhibit 10: Banks: Group-wise advances growth (% YoY)



Source: CMIE, Systematix Institutional Research, FY24 growth is adjusted for merger

PSBs, which held a dominant market share of 74.9% in March 2011, have seen their share deteriorate steadily to 51.8% by March 2024. However, with PSBs outpacing advances growth of PVBs for the first time in FY25 since 2011, they have managed to improve their market share by around 50bps to 52.3%.

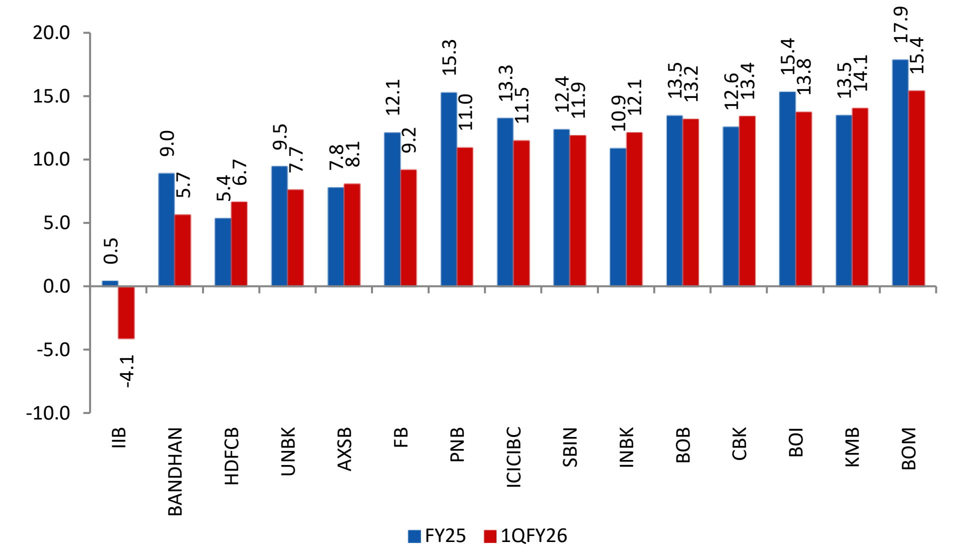
Exhibit 11: Market share of PSBs and PVBs in total advances (%)



Source: CMIE, Systematix Institutional Research

The market share gain of the PSBs in FY25 is not merely the result of a sharp slowdown at the private sector leader, HDFCB, whose advances grew at only 5.4% YoY during this period as against 12.5% YoY during FY24 (adjusted for HDFC Ltd. numbers in the base). Most PSBs reported relatively healthy advances growth in FY25. In our universe of 15 banks (mix of 7 PVBs and 8 PSBs), of the top 5 fastest growing banks in FY25, 4 are PSBs (BOM, BOI, CBK and BOB). The trend continued in 1QFY26, indicating its sustainability.

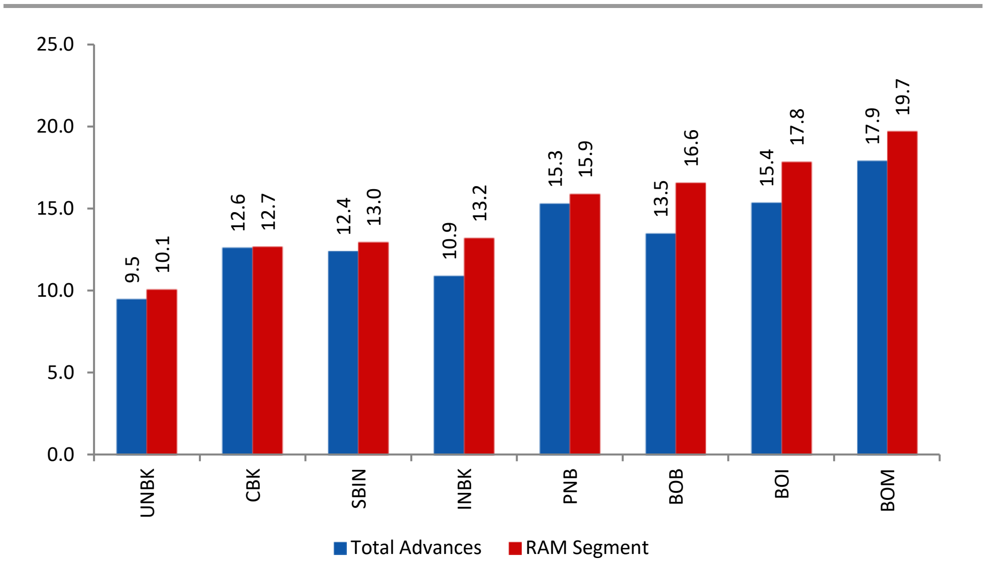
Exhibit 12: Advances growth (YoY %)



Source: Company, Systematix Institutional Research, sorted on 1QFY26

The Retail, Agriculture and MSME (RAM) segment, a primary focus area for most public sector banks (PSBs), grew faster than overall advances in FY25. Among the top three fastest-growing PSBs in the comparison group, BOM recorded a growth of 19.7% YoY in the RAM segment, while its total advances surged at 17.9%. BOI's RAM segment grew at 17.8% YoY as against total advances of 15.4%. Similarly, BOB's RAM segment growth of 16.6% YoY outpaced its total advances growth of 13.5%.

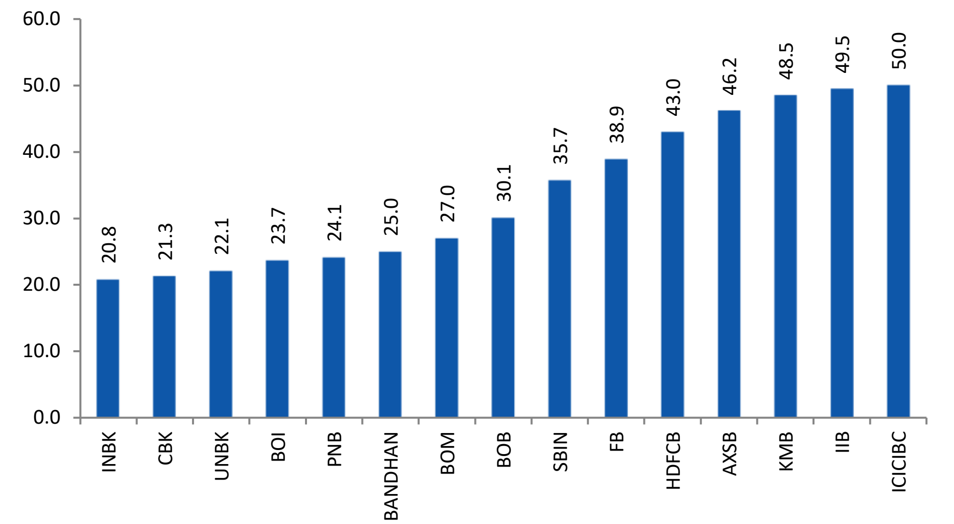
Exhibit 13: Total Advances and RAM segment YoY growth for PSBs – FY25 - %



Source: Company, Systematix Institutional Research, sorted on RAM segment

Within RAM, PSBs have increased their focus on the retail segment. The share of retail loans in the total advances mix is relatively low for PSBs compared to PVBs. A comparison of 15 banks within our universe shows that the bottom 5 banks are all PSBs (INBK, CBK, UNBK, BOI and PNB) with regards to their shares of retail loans within total loans, with all PVBs holding the Top 5 position (ICICIBC, IIB, KMB, AXSB and HDFCB). With retail in focus PSBs are seeing strong growth in the retail loan segment and we expect going forward too the growth momentum will broadly sustain.

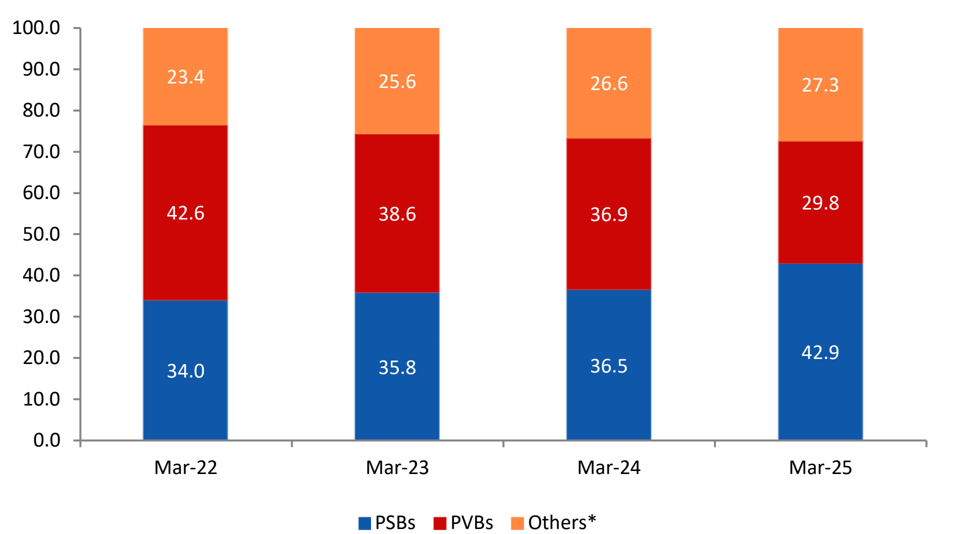
Exhibit 14: Share of retail loans in total advances as of March 2025 (%)



Source: Company, Systematix Institutional Research

PSBs are gaining market share in few retail loan segments. For instance, the market share of PSBs has steadily risen from 34% as of March 2022 to 42.9% as of March 2025 in the home loan segment, with regards to the loan origination by value. PVBs, however have seen their share tumble from 42.6% to 29.8% during this period, respectively. PSBs have also expanded their shares of large ticket size loans.

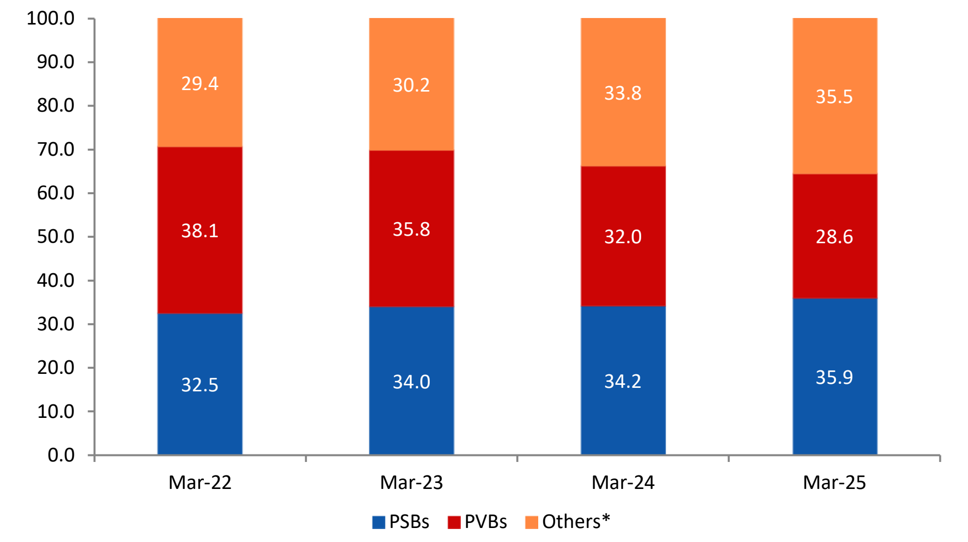
Exhibit 15: Banks' group-wise market share in origination of home loans by value (%)



*Source: CRIF High Mark, Systematix Institutional Research, *Others include NBFCs*

In the auto loan segment, PSBs have seen a steady rise in their market shares with regards to the loan origination by value over the last few years. Their cumulative market share has grown from 32.5% as of March 2022 to 35.9% as of March 2025, with PVBs' share sliding from 38.1% to 28.6% during this period, respectively. In case of auto loans, the origination value by ticket size is also tilting towards higher ticket size auto loans where the share of ticket size from Rs 1mn to Rs. 2 mn (Rs. 10 lakh to Rs. 20 lakh) has increased from 24.1% in FY22 to 31.6% in FY25.

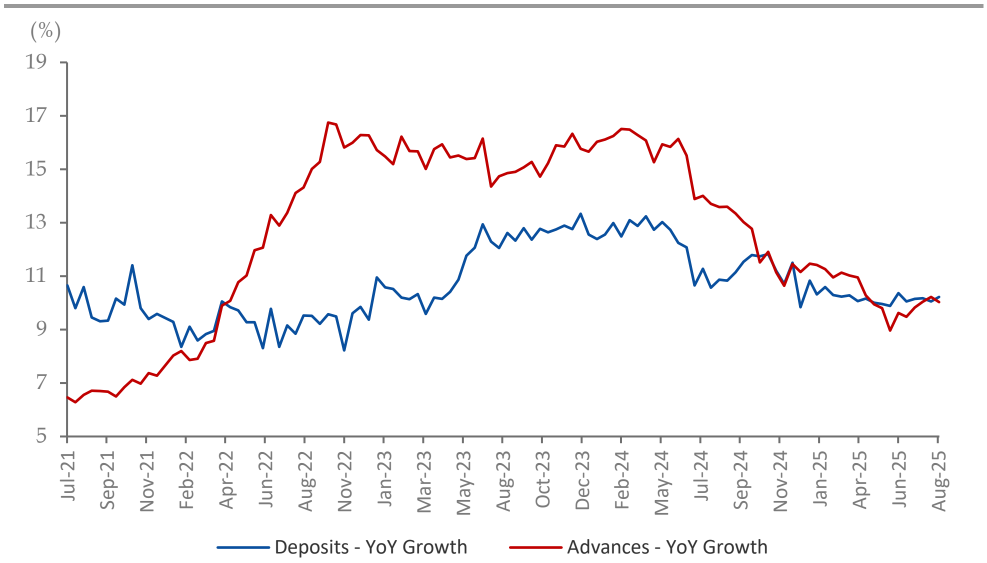
Exhibit 16: Banks' group-wise market share in origination of auto loans by value (%)



*Source: CRIF High Mark, Systematix Institutional Research, *Others include NBFCs also*

Deposit growth has been lagging advances growth since the last few years, causing a tight liquidity scenario in the banking system. Since the last few months, with growth in advances slumping and that in deposits broadly stable, the two now match, thereby easing the liquidity situation in the banking system.

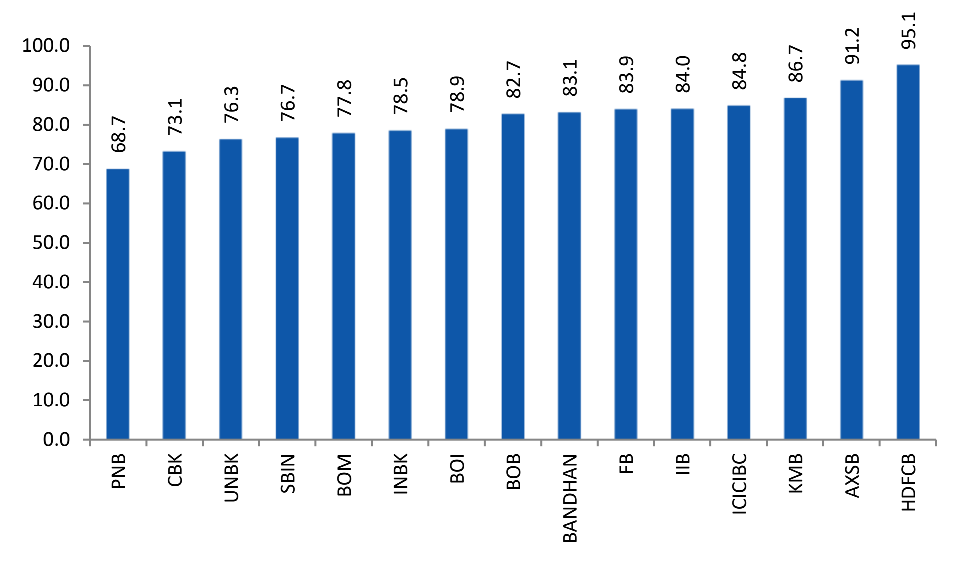
Exhibit 17: Advances and deposit growth in the banking system (YoY %)



Source: Company, Systematix Institutional Research

For 3 consecutive years, deposit growth has been lagging advances growth, stretching banks' credit to deposit ratios. PSBs, however, are currently relatively better placed than PVBs. Within our comparison universe of 15 banks, all the banks in the bottom 5 rank are PSBs (PNB, CBK, UNION, SBIN and BOM) with regards to credit deposit ratio (lower the better), with PVBs (HDFCB, AXSB, KMB, ICICIBC and IIB) holding the top 5 slots. Hence, with regards to available liquidity and in terms of growing their loan book, PSBs are better placed than PVBs.

Exhibit 18: Credit to deposit ratio – FY25 (%)

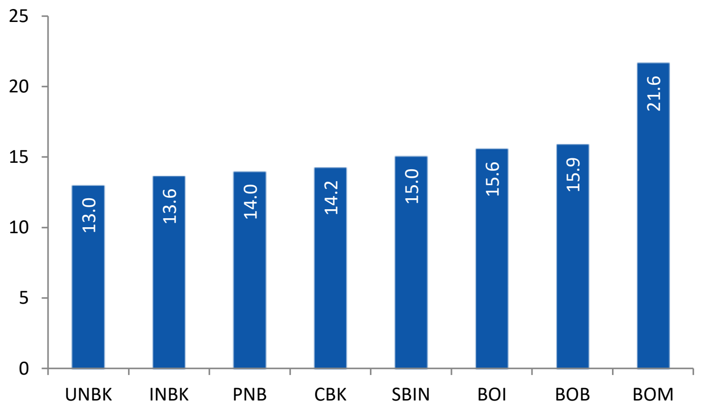


Source: Company, Systematix Institutional Research

The Reserve Bank of India (RBI) and the central government are cognizant of the current slowdown in the overall banking system and the economic growth. To address this, RBI has taken steps such as lowering interest rates and revising the risk weights for NBFCs to push credit. To create growth impetus the central government has also taken steps such as changing the investment and sales limits for categorisation of MSMEs which will bring more companies under the MSME fold. These companies can derive benefits offered by the central government and the banking system. The central government's initiative to significantly increase the income tax limits in the new tax regime from FY26 would aid in increasing consumption demand leading to enhanced demand for consumer credit. Central government's recent move to cut the GST rates to counter the impact of excess tariff on India by the US would also aid in negating the adverse impact of slowdown in exports by pushing up domestic consumption and hence, the demand for consumer credit. Despite US' tariff impositions having disrupted exports, CRISIL expects advances for the banking sector to grow at 11% to 12% in FY26. Our comfort on advances growth comes from RBI's efforts to improve liquidity in the system and central government's measures to enhance economic growth.

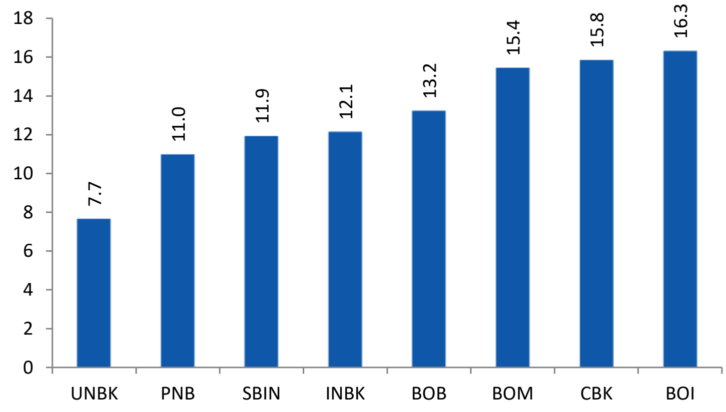
Comparative charts for advances for select PSBs

Exhibit 19: Loan growth 3 year CAGR from FY22-FY25 (%)



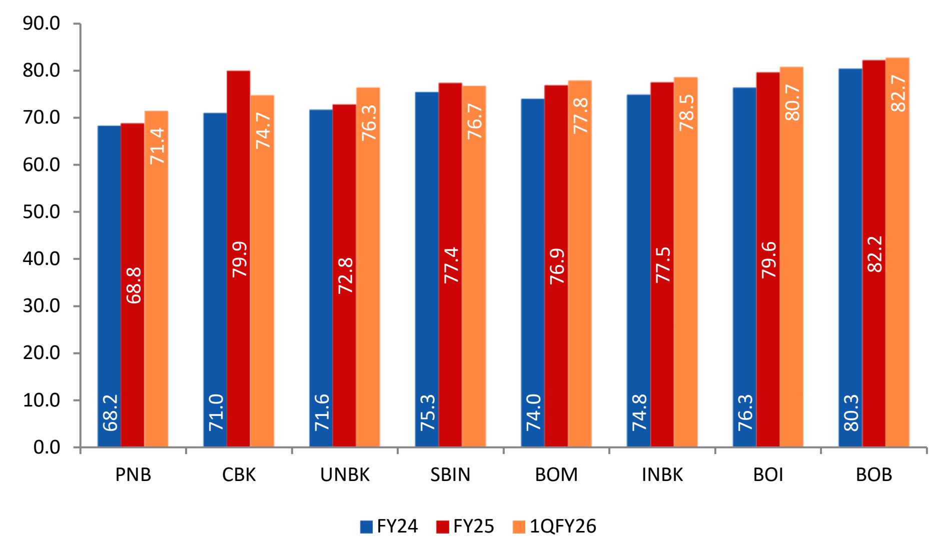
Source: Company, Systematix Institutional Research

Exhibit 20: Loan growth from 1QFY25 to 1QFY26 (%)



Source: Company, Systematix Institutional Research

Exhibit 21: Comparative trajectory of CD ratio (%)

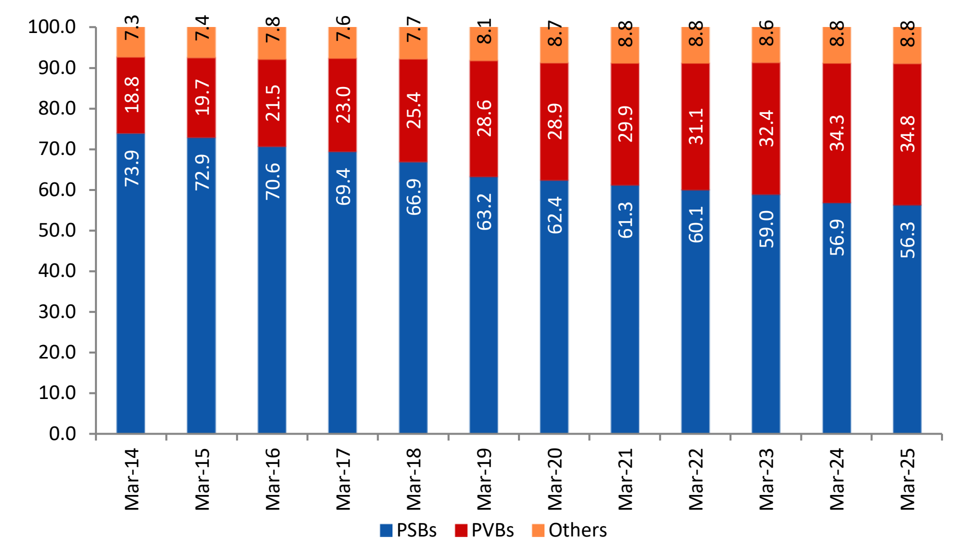


Source: Company, Systematix Institutional Research

Liability profile - The heart of banking is beating well for PSBs

Over the last decade, Public Sector Banks (PSBs) have experienced a significant erosion of their market share in total deposits, which slid from 73.9% in March 2014 to 56.3% in March 2025. This 1,760 basis point decline was predominantly captured by Private Sector Banks (PVBs), which accounted for approximately 1,600 basis points of the total loss.

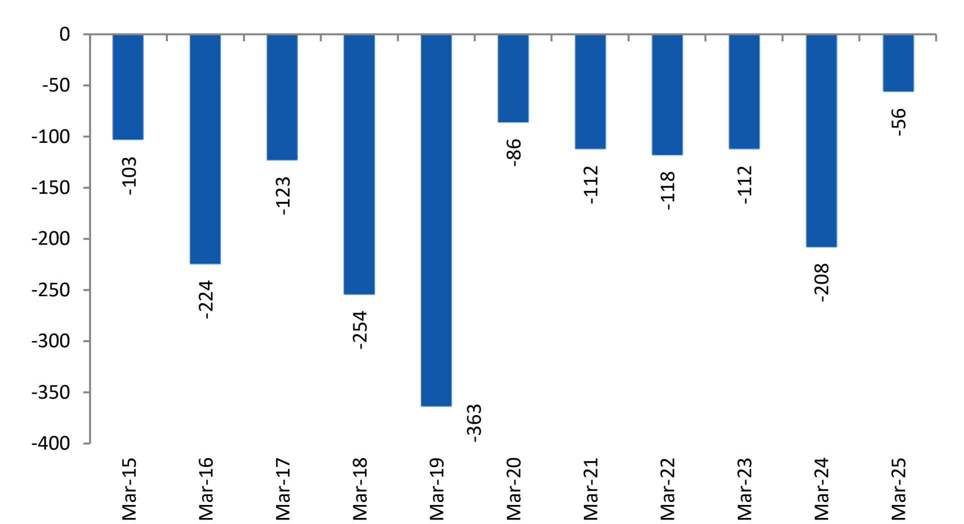
Exhibit 22: Market shares of PSBs and PVBs in total deposits (%)



Source: CMIE, Systematix Institutional Research

However, the pace of this decline appears to have slowed considerably in the most recent fiscal year. During FY25, PSBs saw their least deterioration in market share over the last decade, with a marginal drop of only -56 basis points. This is a notable shift, as market share had consistently fallen by more than 100 basis points in all other years since FY15, except for FY20. The relatively low level of loss in market share during FY25 came despite the aggression seen in garnering deposits from the largest private sector bank, i.e., HDFCB, for which deposits grew at 14.1% YoY in FY25 versus 10.3% YoY for the industry.

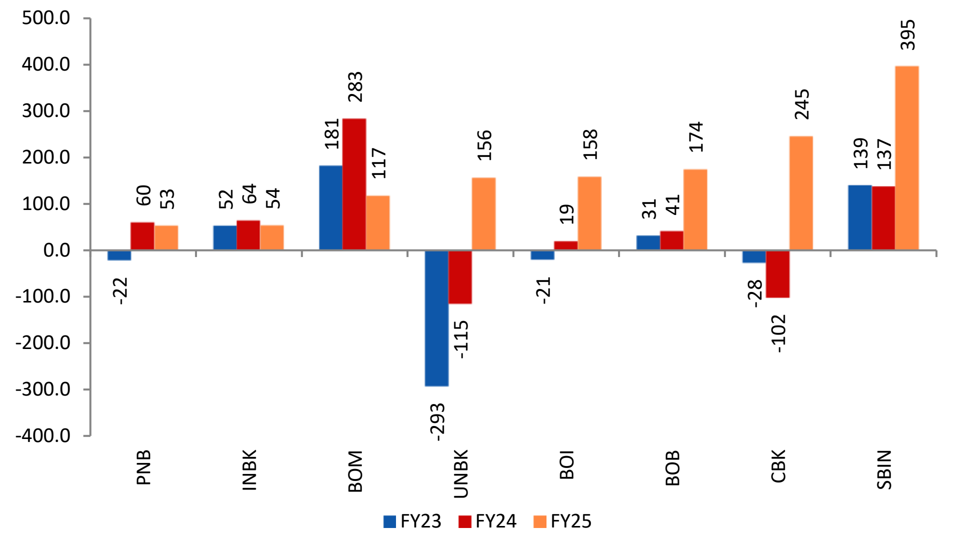
Exhibit 23: YoY change in market share of PSBs in total deposits - bps



Source: CMIE, Systematix Institutional Research

Deposit accretion, though largely influenced by the rates offered, is also a factor of new branch addition. The former is more of a market driven factor, but the latter is at the bank's discretion. PSBs were more focused on integrating and rationalising bank branches after the consolidation of banks in 2021. This resulted in very low addition and in few years also net deletion of branches for few PSBs. The trend has clearly turned in FY25, wherein all 8 PSBs within our comparison universe have added branches, with the pace of branch addition for most banks also intensifying.

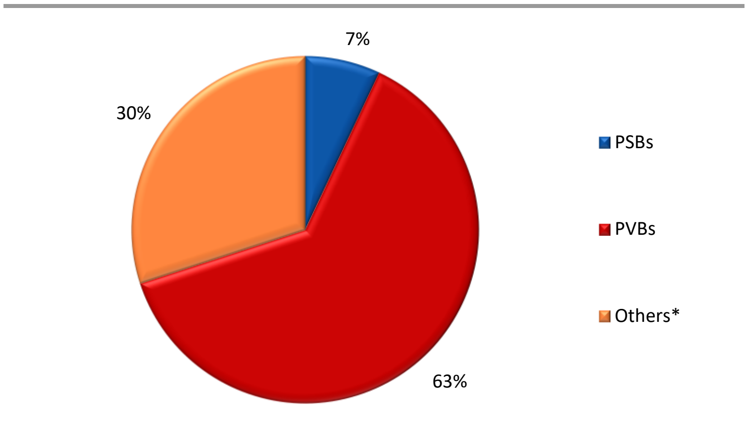
Exhibit 24: Net addition of branches by PSBs (in numbers)



Source: Company, Systematix Institutional Research, sorted on FY25

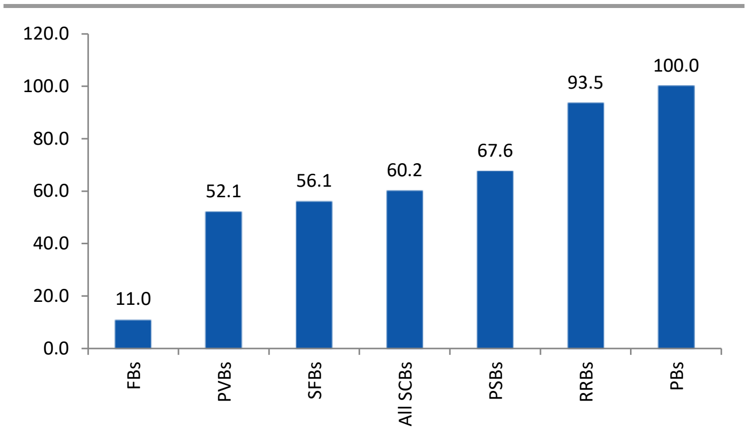
PSBs have a higher 56.3% market share in total deposits, whereby their share in household deposits is even higher at 63% compared with 30% for PVBs. Household deposits are largely retail deposits and hence, indicates higher granularity of deposits for PSBs as against PVBs. Also, for PSBs, the share of household deposits within total deposits is relatively higher at 67.6% as against 52.1% for PVBs. Hence, PSBs are better placed in terms of granularity of deposits.

Exhibit 25: Market share of household deposits - March 2025 (%)



Source: RBI, Systematix Institutional Research,
*Note: *Others include Foreign Banks, RRBs, SFBs and Payment Banks*

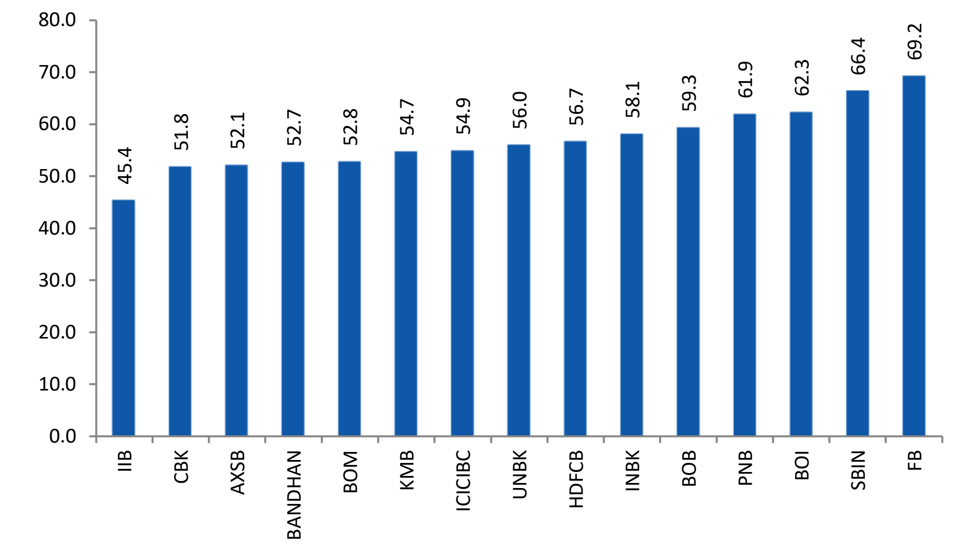
Exhibit 26: Household deposits as % of total deposits – Mar' 2025



Source: RBI, Systematix Institutional Research

Another parameter to understand granularity of deposits, is the share of Retail Deposits and Deposits from Small Business (as per LCR disclosure) within total deposits. Though PSBs clearly do not lead on this parameter, they still fare well compared to PVBs. Of the top 5 banks (with regards to share of retail deposits within total deposits) within our comparison universe of 15 banks, 4 are PSBs (SBIN, BOI, PNB and BOB). Of the bottom 5, 2 are PSBs (CBK and BOM). Both CBK and BOM seem to have garnered a relatively higher share of state government's deposits.

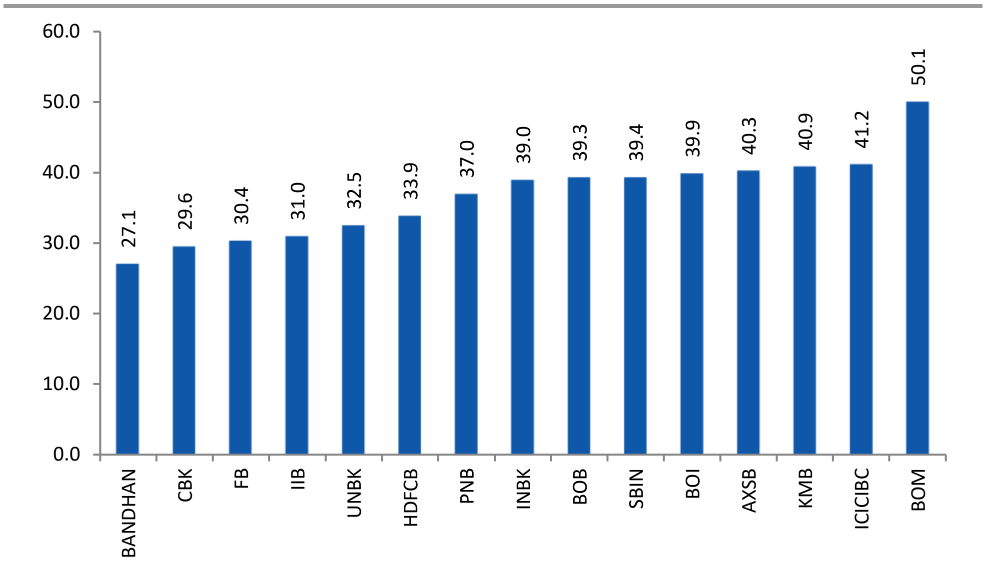
Exhibit 27: Share of retail deposits as per LCR disclosure in total deposits – 4QFY25 (%)



Source: Company, Systematix Institutional Research

On CASA ratio, BOM leads the comparative universe at 50.1%, primarily due to strong state government flows. Large PVBs (ICICIBC, KMB and AXSB) kind of stand-out consecutively at just above 40% mark (40.3%-41.2%). However, the CASA ratios of several other PSBs (BOI, SBIN, BOB and INBK) too hover near to the 40% (39.3%-39.9%) mark.

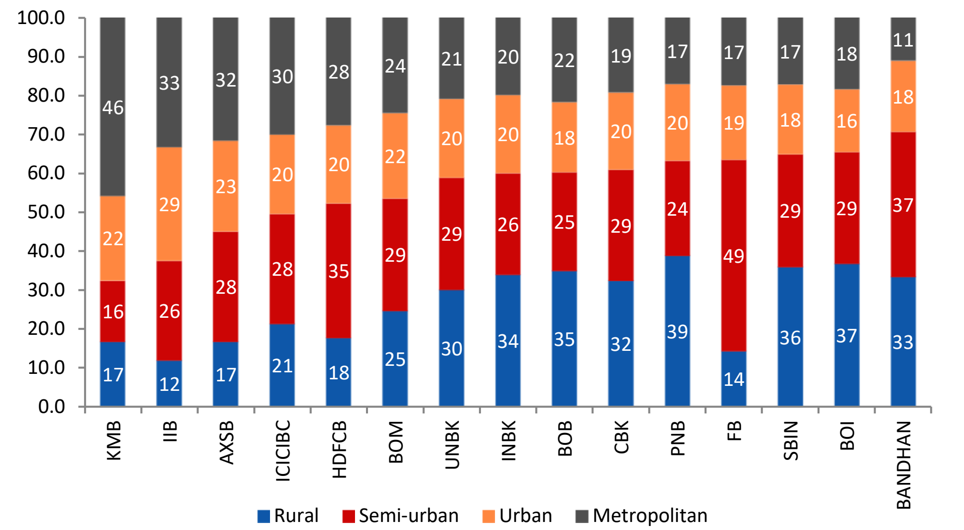
Exhibit 28: CASA ratio – 1QFY26 (%)



Source: Company, Systematix Institutional Research

Most PSBs have significant presence in the rural and semi-urban markets. Six PSBs (BOI, SBIN, PNB, CBK, BOB and INBK) within our comparison universe have a combined rural and semi-urban (RUSU) market share of about 60%. Generally, in the RUSU market, the share of CASA deposits tends to be relatively higher than those in the urban and metropolitan markets.

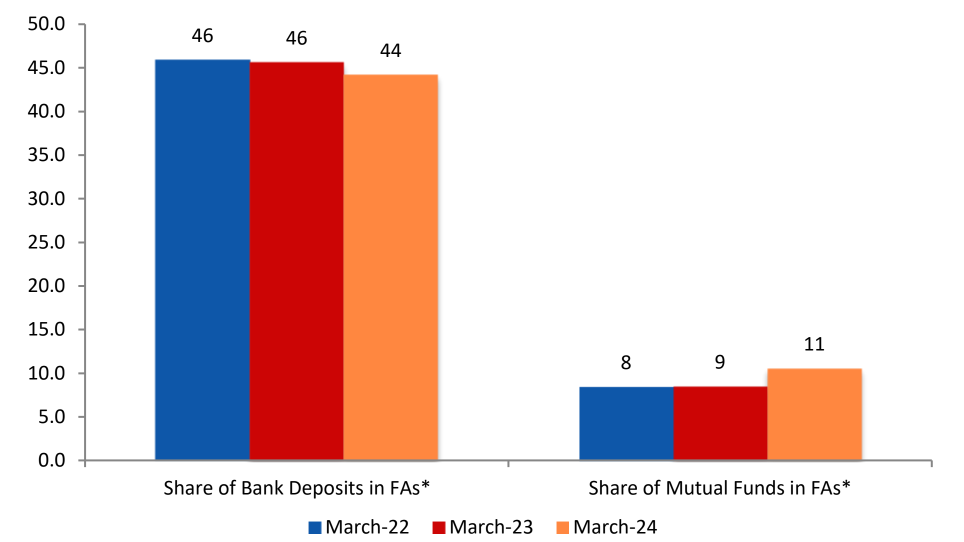
Exhibit 29: Region-wise branch distribution (%)



Source: Company, Systematix Institutional Research, Sorted on combined share of Rural and Semi-urban

Deposit growth is generally driven by increase in household income and allocation of financial savings. Over last few years, the households' share of bank deposits in financial assets has come under pressure due to alternative attractive saving avenues. The share of mutual funds in household assets has risen over the years due to exponential gains in equity markets. However, with the gains from equity market normalising, the bank deposits could stabilize and improve in the banking system ahead.

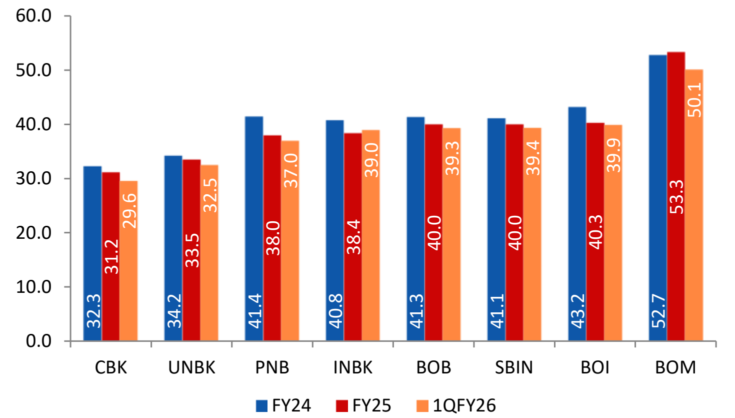
Exhibit 30: Share of bank deposits and mutual funds in households' financial assets (%)



*Source: Company, Systematix Institutional Research, * Financial Assets*

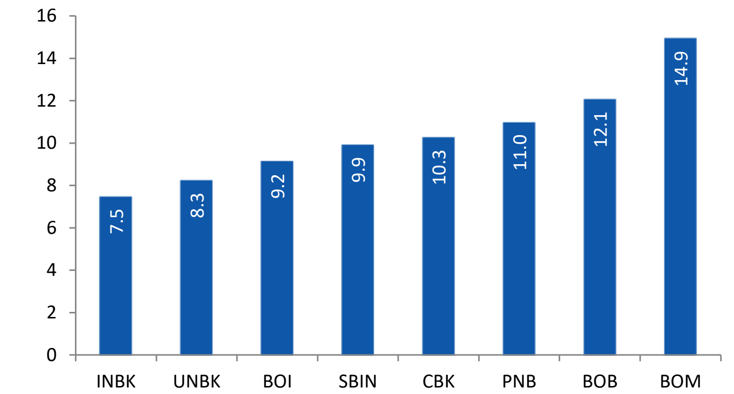
Comparative charts for select PSB's deposits

Exhibit 31: CASA ratio trajectory (%)



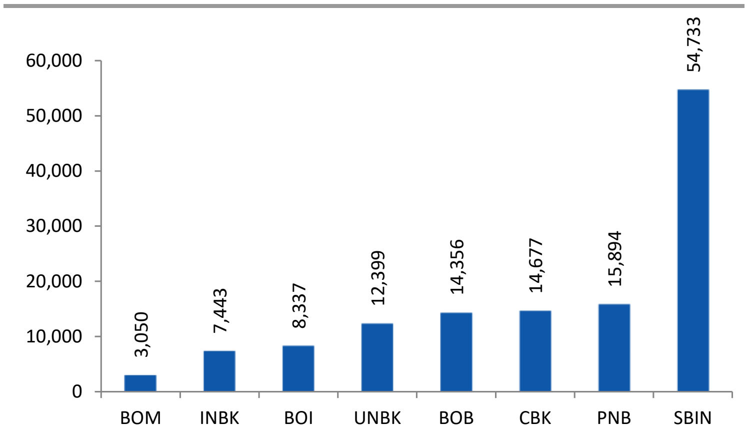
Source: Company, Systematix Institutional Research; Sorted on 1QFY26

Exhibit 32: Deposit growth 3 year CAGR from FY22-FY25 (%)



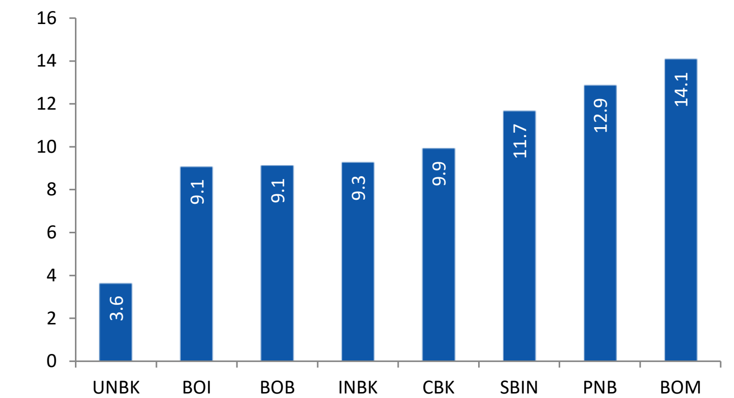
Source: Company, Systematix Institutional Research

Exhibit 33: Deposit book as on 1QFY26 (Rs bn)



Source: Company, Systematix Institutional Research

Exhibit 34: Deposit growth from 1QFY25 – 1QFY26 (%)

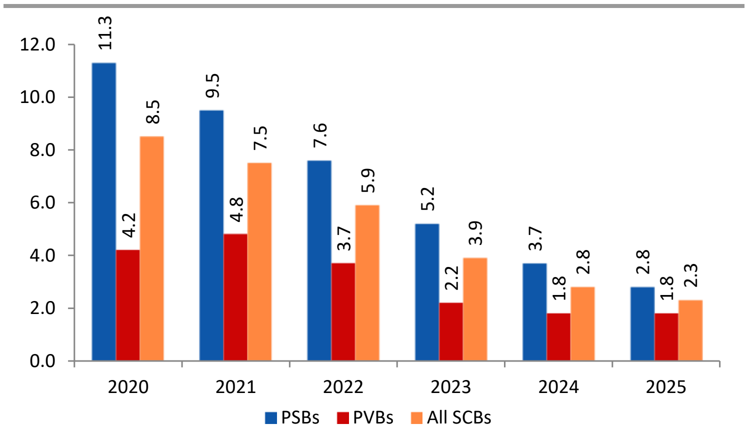


Source: Company, Systematix Institutional Research

Asset quality differentiation of PVBs seem diminished

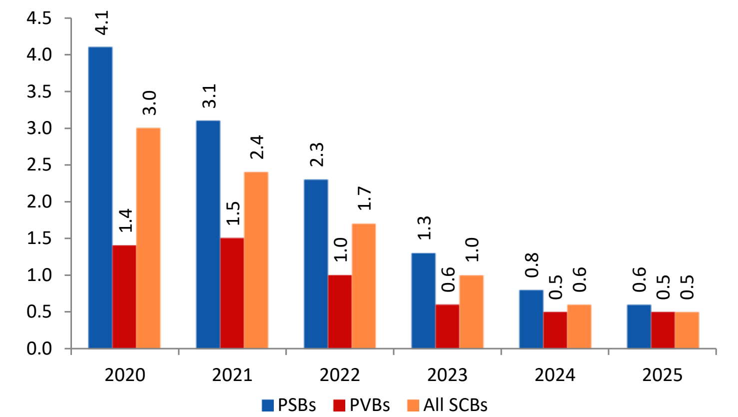
Historically, PSBs have lagged PVBs in underwriting standards. However, PVBs too have seen lapses in the past - ICICI Bank's corporate loan scam, Yes Bank's corporate loan scam and the most recent one being IndusInd Bank's derivates and microfinance accounting scam– to cite a few. RBI's Asset Quality Review (AQR) in 2016, followed by prompt corrective actions, triggered a massive cleanup of the corporate loan book, strengthening the underwriting practices for all SCBs and PSBs, in particular. Over the last five years, all SCBs have largely seen an improving trend in asset quality. This caused the gap of gross NPA and net NPA between PSBs and PVBs to fall drastically to 100bps and 10bps in FY25 from 710bps and 270bps in FY20, respectively. In terms of gross NPA ratios of our comparison universe of 15 banks, the bottom 10 comprises an equal mix of PSBs and PVBs, with HDFCB (1.4%), KMB (1.5%) and AXSB (1.6%) ranking as the lowest 3 banks. In terms of net NPA ratio, the bottom 10 too are an equal mix of PSBs and PVBs, in which INBK (0.2%), BOM (0.2%) and KMB (0.3%) rank as the bottom 3 banks. This convergence underscores that PSBs now stand shoulder to shoulder with PVBs on asset quality.

Exhibit 35: Gross NPA trend (%)



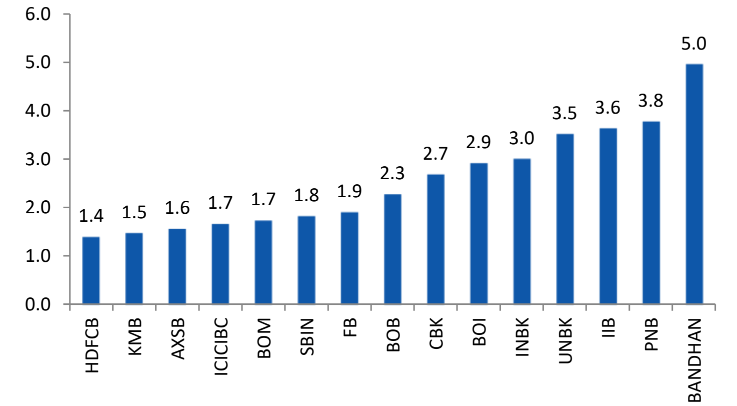
Source: RBI, Systematix Institutional Research; Sorted on 1QFY26

Exhibit 36: Net NPA trend (%)



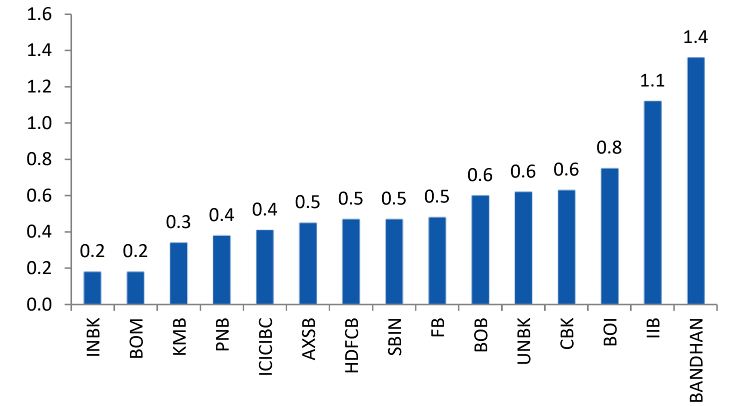
Source: RBI, Systematix Institutional Research; Sorted on 1QFY26

Exhibit 37: Gross NPA – 1QFY26 (%)



Source: Company, Systematix Institutional Research

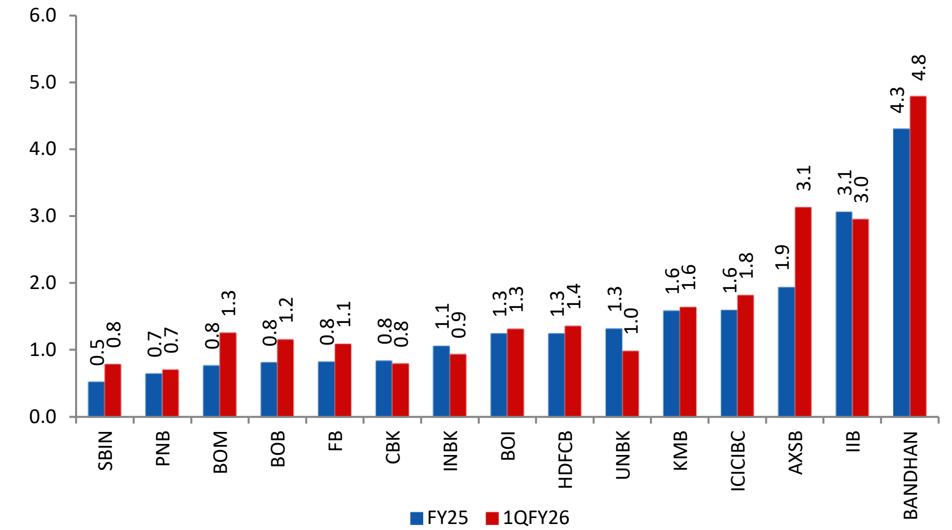
Exhibit 38: Net NPA – 1QFY26 (%)



Source: Company, Systematix Institutional Research

With regards to the new NPA flows, PSBs are faring well with annualized gross slippage ratios in control. Gross slippage ratio for FY25 shows that of the bottom 5 banks within our comparison universe of 15 banks, 4 are PSBs (SBIN, PNB, BOM and BOB). The gross slippage ratios of PSBs hover at 0.5% to 1.3% and that for PVBs stands at 0.8% to 4.3%. However, here it is also important to note that a bank's loan mix also influences the asset quality outcome and PVBs generally have a higher share of retail and retail unsecured loans. This may result in higher slippages, but the yields are also very high for such loan segments as they factor in the relatively higher slippages. But on an overall basis the data clearly indicates that the slippages trend is well in control for the PSBs.

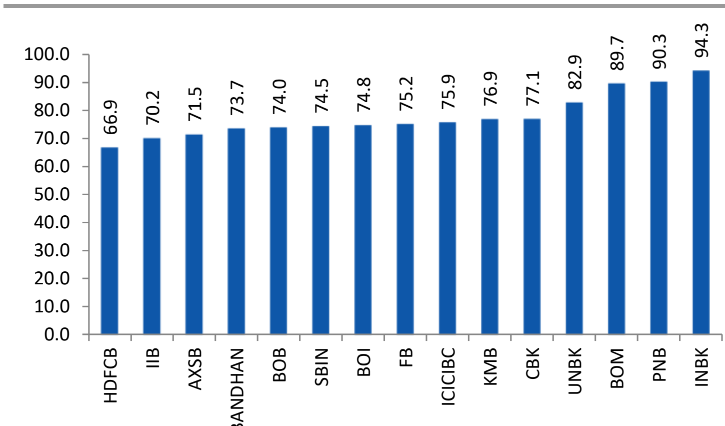
Exhibit 39: Annualized gross slippage ratio (%)



Source: Company, Systematix Institutional Research; sorted on FY25

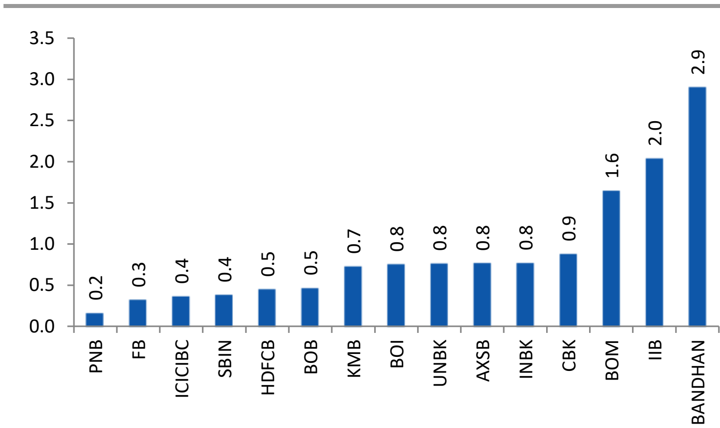
PSBs have fared better than PVBs on provisions coverage ratio (excluding TWO). All the top 5 banks in our comparison universe of 15 banks are PSBs (INBK, PNB, BOM, UNBK and CBK). Hence, for PSBs, lower slippages combined with relatively higher Specific Provisions Coverage Ratio (PCR) translates into reduced provision requirements. Of the 8 PSBs in the comparison universe, 7 had a total credit cost (including NPA and standard asset provisions) of less than 100bps in FY25; the lowest 3 were PNB (20bps), SBIN (40bps) and BOB (50bps).

Exhibit 40: PCR (excluding TWO) – 1QFY26 (%)



Source: Company, Systematix Institutional Research

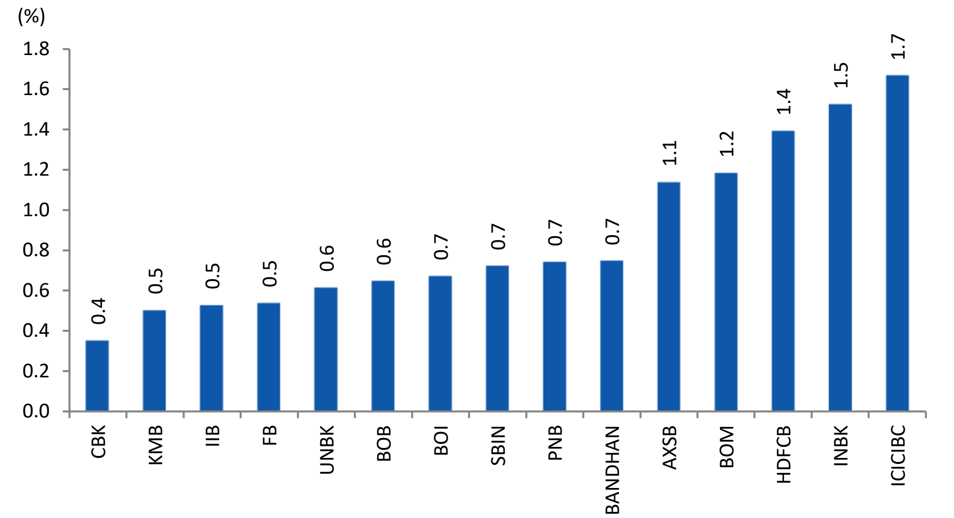
Exhibit 41: Total credit cost – FY25 (%)



Source: Company, Systematix Institutional Research

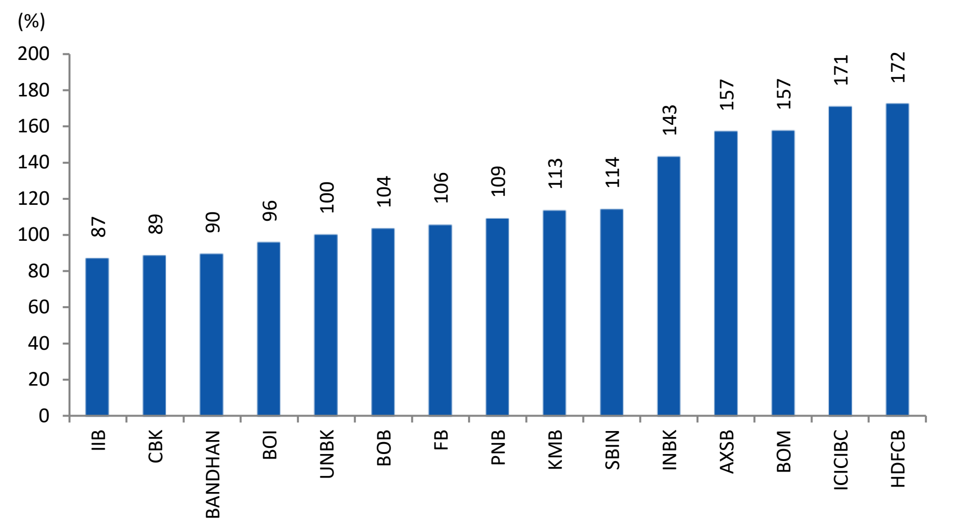
With a benign overall asset quality environment, banks have been building contingent provisions as a buffer against future unforeseen events. Banks have also been following accelerated provisioning norms where internal provisioning policies of banks are more stringent than the required IRACP norms. Hence most banks are holding excess provisions in the form of contingent, floating or excess standard asset provisions and are now well placed for any future contingent events. On comparison of non-specific provisions to gross advances, of the universe of 15 comparative banks, the top 5 (ICICIBC, INBK, HDFCB, BOM and AXSB) and bottom 5 (CBK, KMB, IIB, FB and UNBK) are both a mix of PSBs and PVBs. On comparison of total provisions to gross NPA, of the comparative universe of 15 banks, the top 5 (HDFCB, ICICIBC, BOM, AXSB and INBK) and bottom 5 (IIB, CBK, BANDHAN, BOI and UNBK) is also a mix of PSBs and PVBs. Hence, PSBs too like PVBs have been building higher than required provisions. RBI has not given any timeline or guidelines for implementing Expected Credit Loss (ECL) norms for banks but with buffer provisions, PSBs are now well placed in moving to ECL norms when required, without any significant increase in provisions.

Exhibit 42: Non-specific Provisions to Gross Advances – FY25 (%)



Source: Company, Systematix Institutional Research

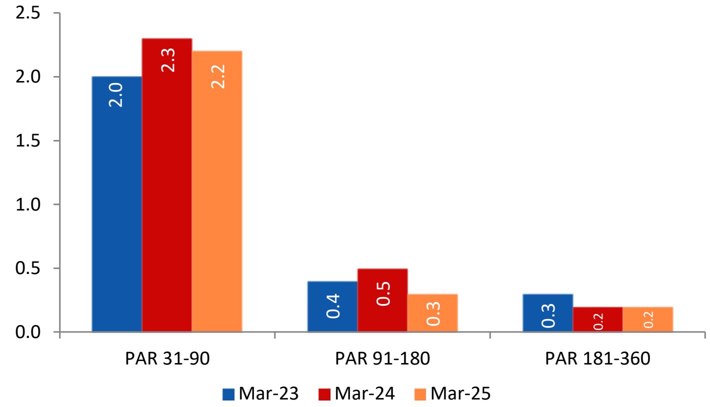
Exhibit 43: Total Provisions to Gross NPA – FY25 (%)



Source: Company, Systematix Institutional Research

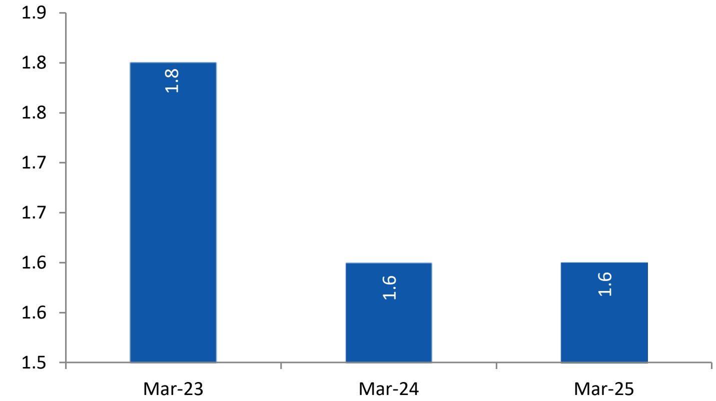
Trends in asset quality for Home Loans– Portfolio at Risk (PAR) Trend

Exhibit 44: Trend in PAR share of PAR for home loans (%)



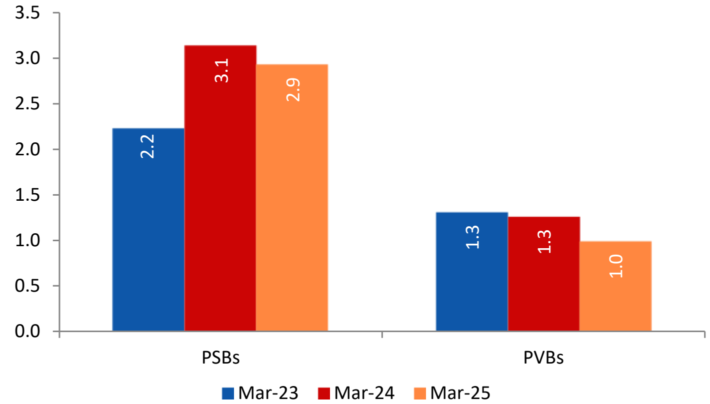
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 45: Trend in PAR share for home loans – PAR 360+ (%)



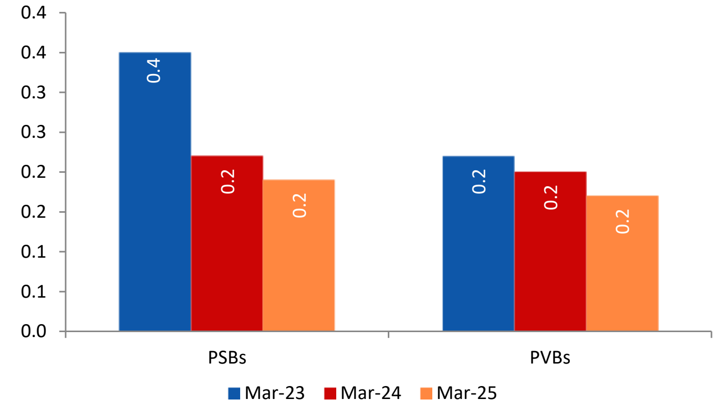
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 46: Trend in PAR by type of lender – PAR 31-90 (%)



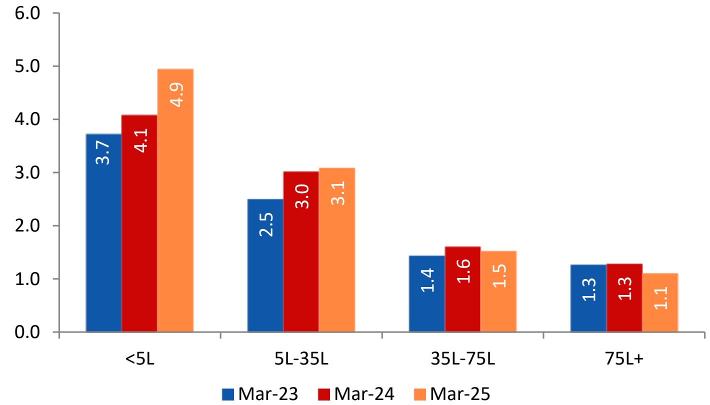
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 47: Trend in PAR by type of lender – PAR 91-180 (%)



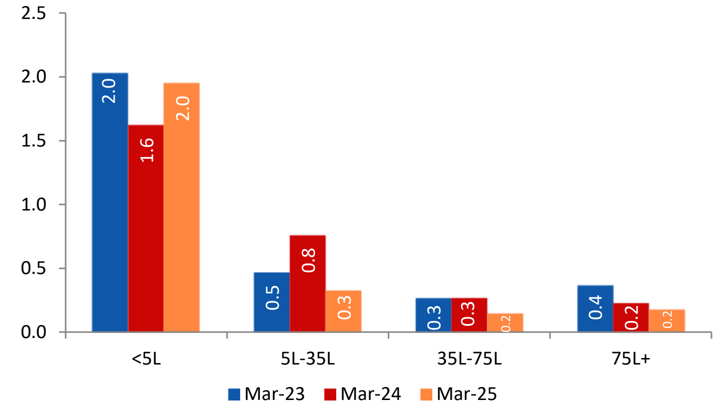
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 48: Trend in PAR 31-90 by ticket size (%)



Source: CRIF High Mark, Systematix Institutional Research, L pertains to Lakhs (1L=0.1mn)

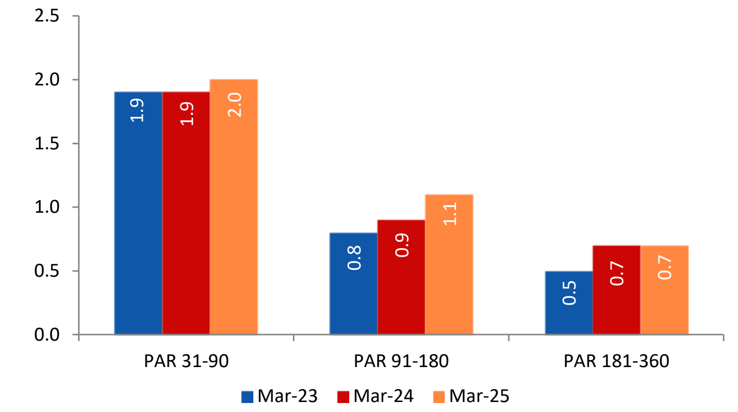
Exhibit 49: Trend in PAR 91-180 by ticket size (%)



Source: CRIF High Mark, Systematix Institutional Research, L pertains to Lakhs (1L=0.1mn)

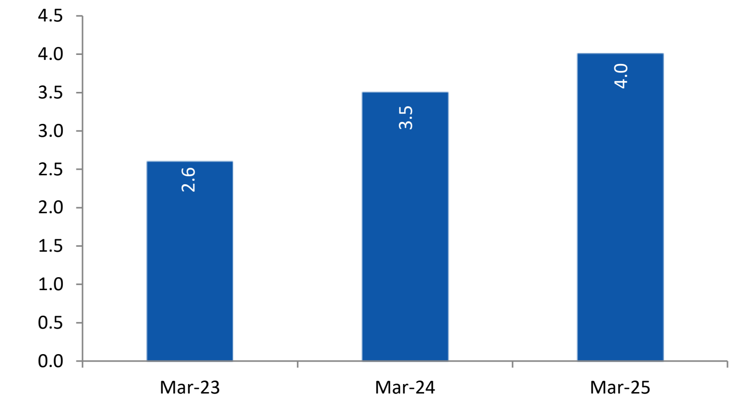
Trends in asset quality for personal loans – Portfolio at Risk (PAR) Trend

Exhibit 50: Trend in PAR share for personal loans (%)



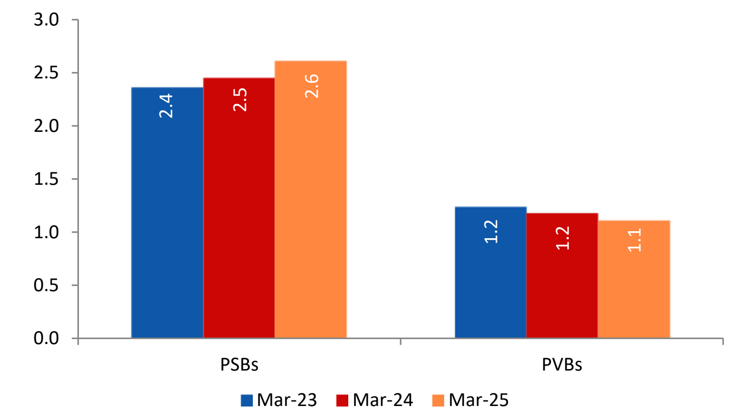
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 51: Trend in PAR share for personal loans – PAR 360+ (%)



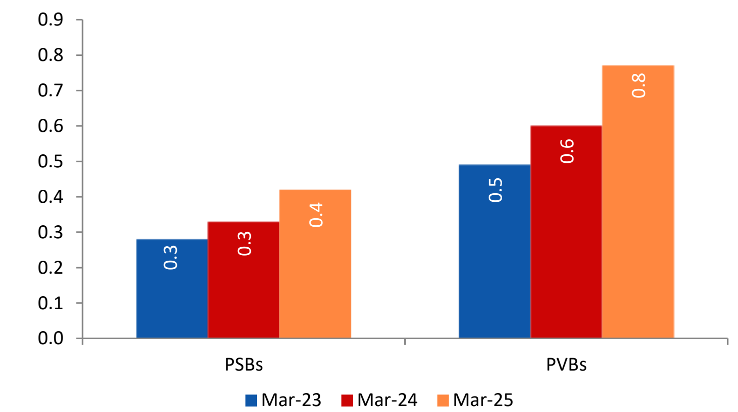
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 52: Trend in PAR by type of lender – PAR 31-90 (%)



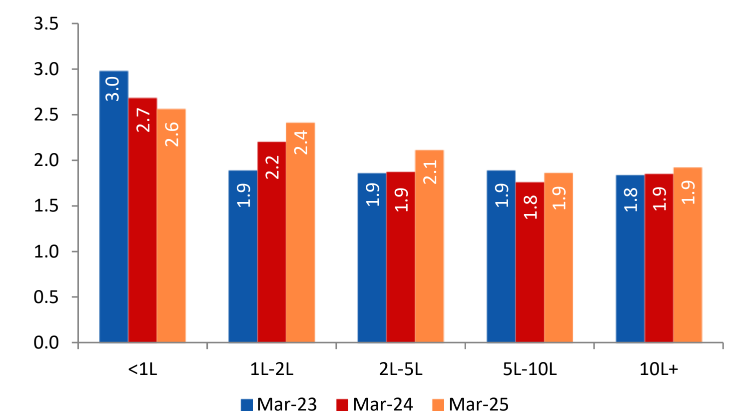
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 53: Trend in PAR by type of lender – PAR 91-180 (%)



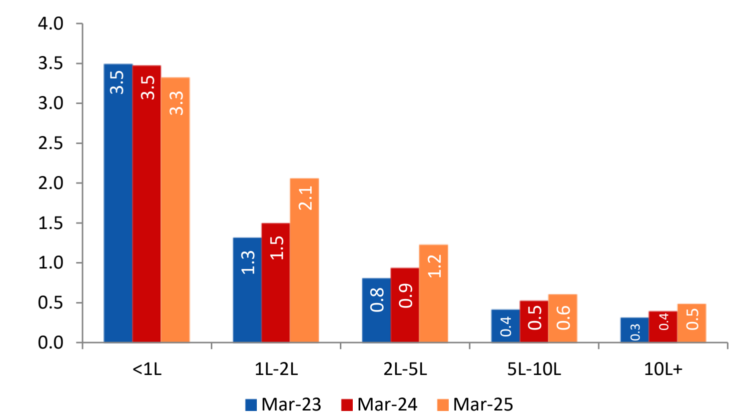
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 54: Trend in PAR 31-90 by ticket size (%)



Source: CRIF High Mark, Systematix Institutional Research, L pertains to Lakhs (1L=0.1mn)

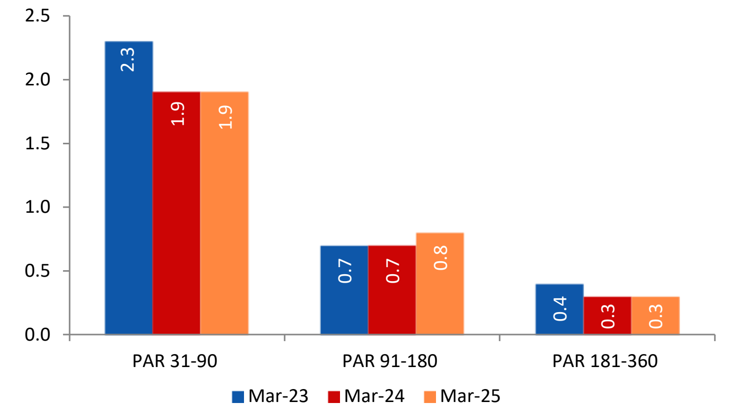
Exhibit 55: Trend in PAR 91-180 by ticket size (%)



Source: CRIF High Mark, Systematix Institutional Research, L pertains to Lakhs (1L=0.1mn)

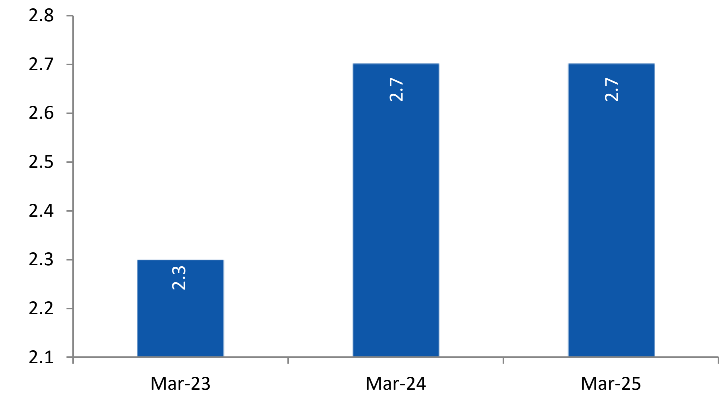
Trends in asset quality for auto loans – Portfolio at Risk (PAR) Trend

Exhibit 56: Trend in PAR share for auto loans (%)



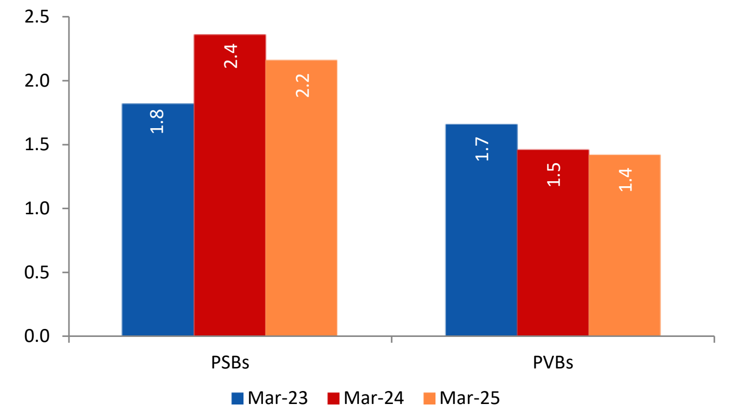
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 57: Trend in PAR share for auto loans – PAR 360+ (%)



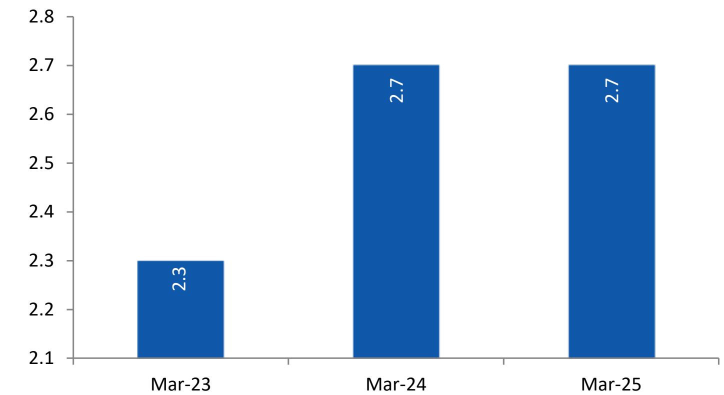
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 58: Trend in PAR by type of lender – PAR 31-90 (%)



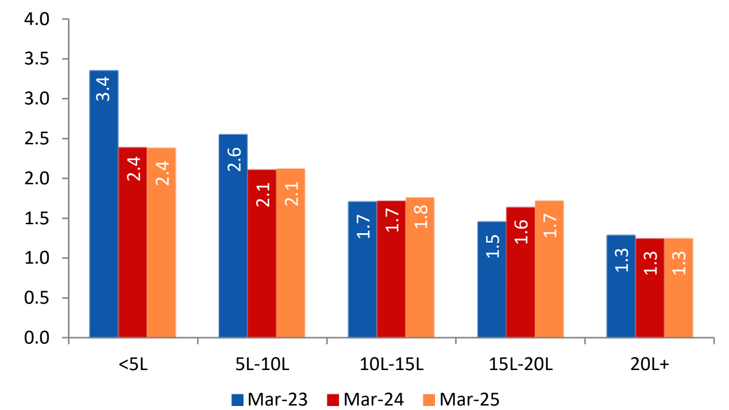
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 59: Trend in PAR by type of lender – PAR 91-180 (%)



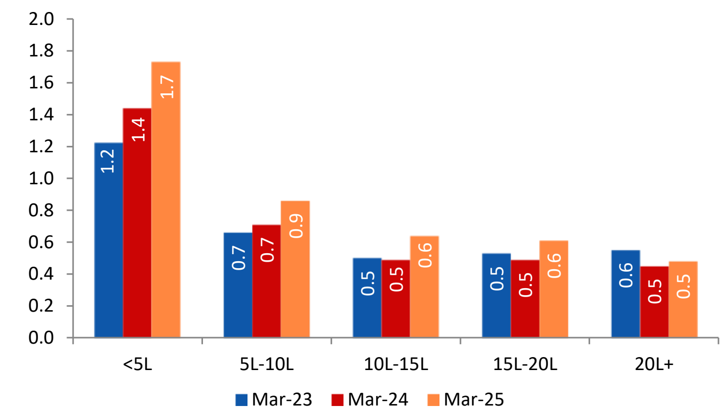
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 60: Trend in PAR 31-90 by ticket size (%)



Source: CRIF High Mark, Systematix Institutional Research, L pertains to Lakhs (1L=0.1mn)

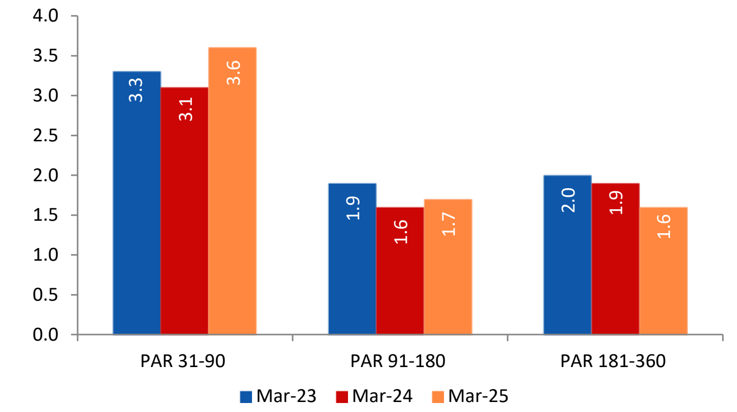
Exhibit 61: Trend in PAR 91-180 by ticket size (%)



Source: CRIF High Mark, Systematix Institutional Research, L pertains to Lakhs (1L=0.1mn)

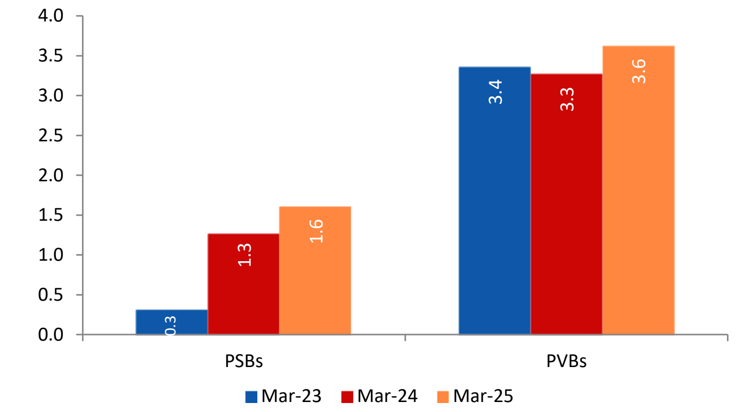
Trend in asset quality for 2-wheelers, credit cards and microfinance loans – Portfolio at Risk (PAR) Trend

Exhibit 62: Trend in PAR share for 2-wheeler loans (%)



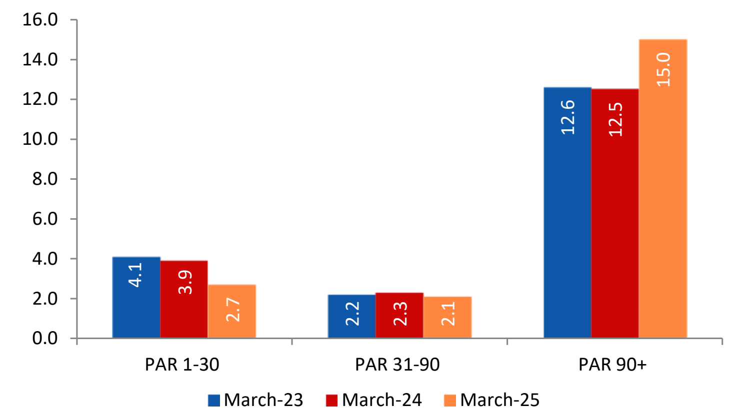
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 63: PAR for 2-wheeler loans by lender – PAR 31-90 (%)



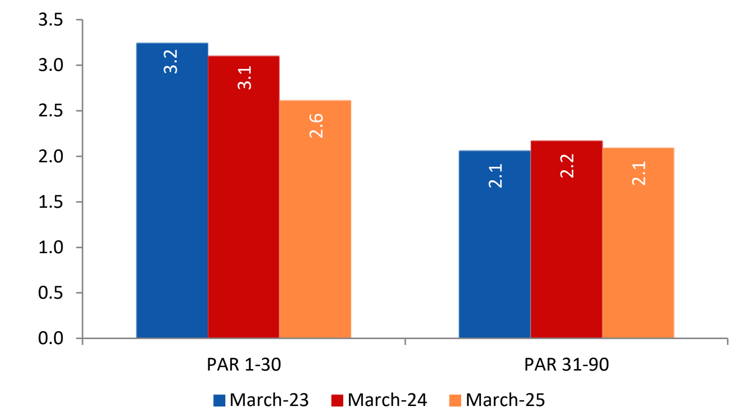
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 64: Trend in PAR share for credit card loans (%)



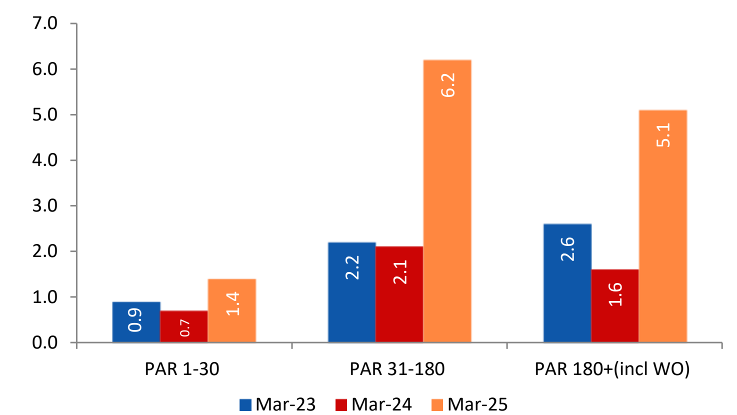
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 65: PAR in credit card loans for PVBs (%)



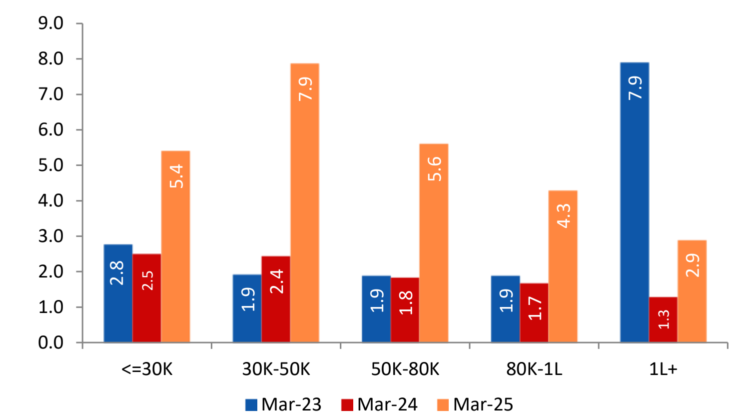
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 66: Trend in PAR share of for microfinance (MF) loans (%)



Source: CRIF High Mark, Systematix Institutional Research

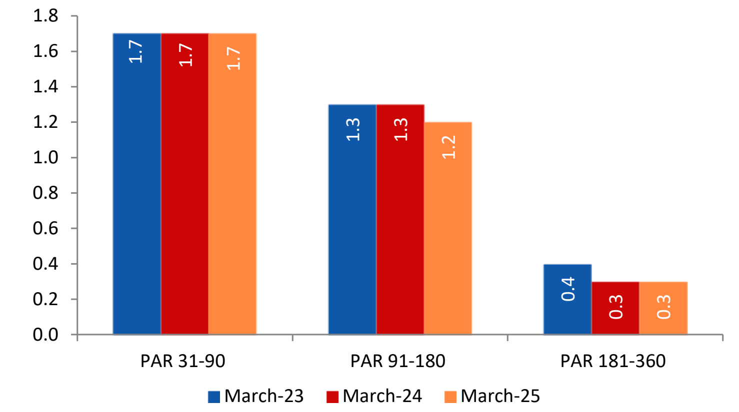
Exhibit 67: Trend in PAR 31-180 by ticket size for MF – (%)



Source: CRIF High Mark, Systematix Institutional Research, L pertains to Lakhs (1L=0.1mn)

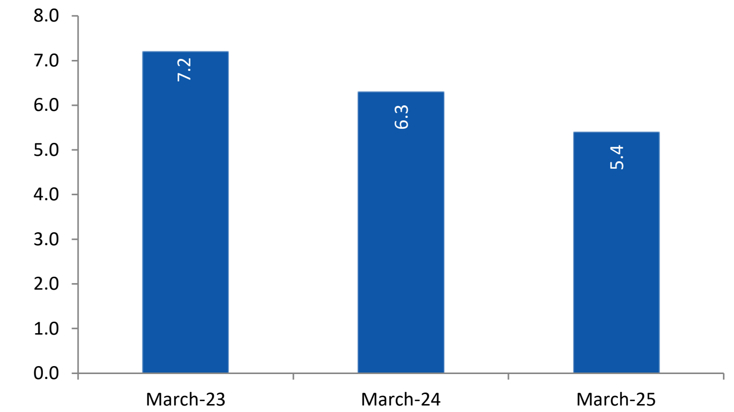
Trends in asset quality for entity MSME loans – Portfolio at Risk (PAR) Trend

Exhibit 68: Trend in PAR share for entity MSME loans (%)



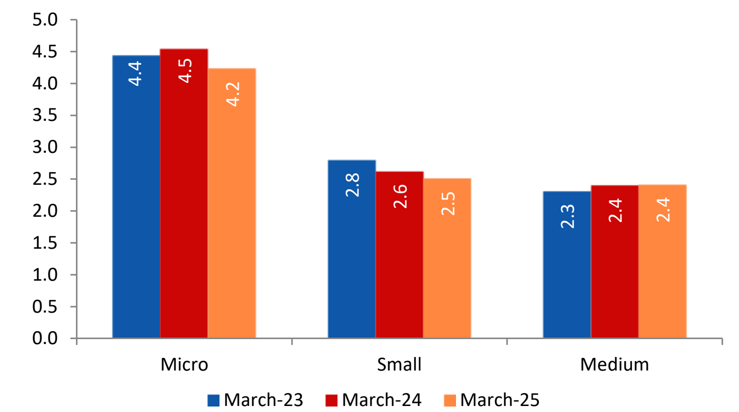
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 69: Trend in share for entity MSME loans in PAR 360+ (%)



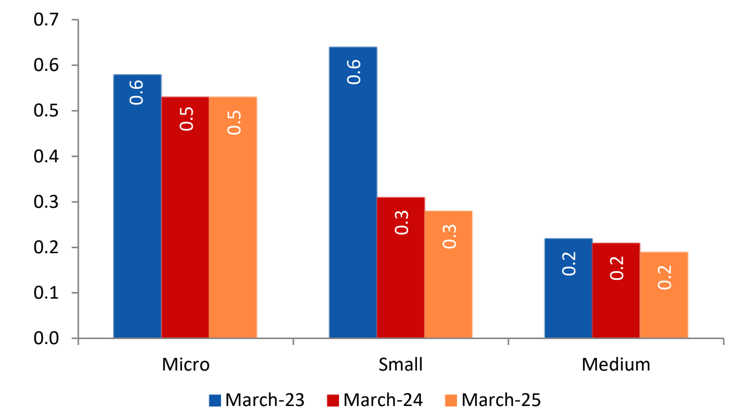
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 70: Trend in PAR by borrower segment – PAR 31-180 (%)



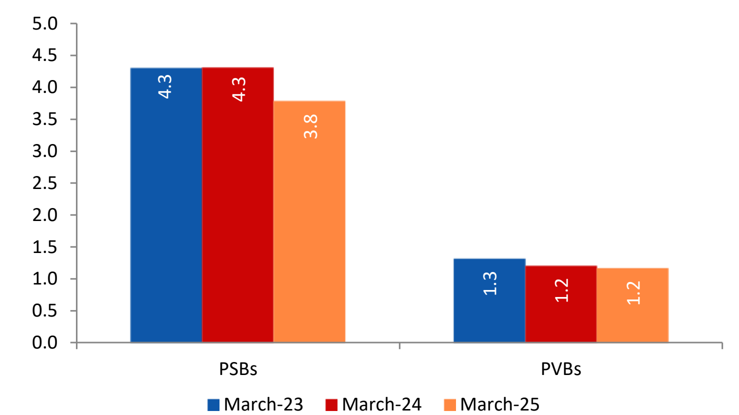
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 71: Trend in PAR by borrower segment – PAR 181-360 (%)



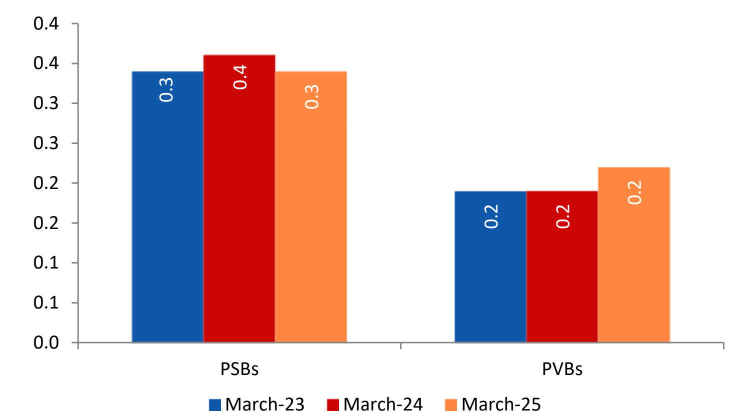
Source: CRIF High Mark, Systematix Institutional Research

Exhibit 72: Trend in PAR 31-180 by type of lender (%)



Source: CRIF High Mark, Systematix Institutional Research

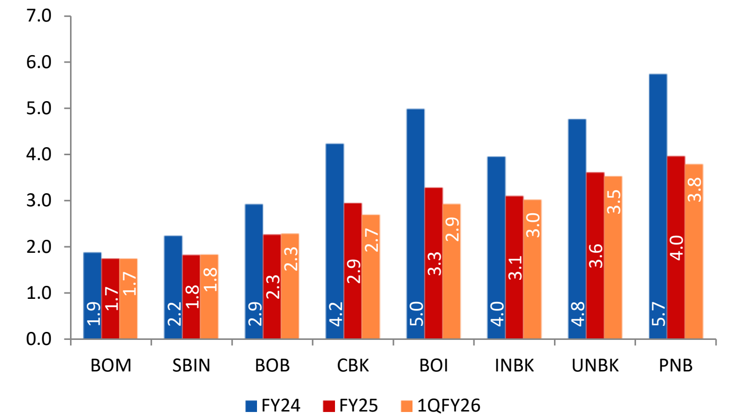
Exhibit 73: Trend in PAR 181-360 by type of lender (%)



Source: CRIF High Mark, Systematix Institutional Research

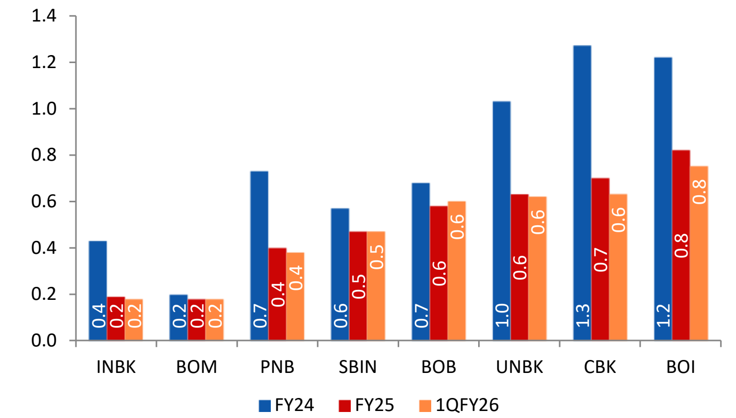
Comparative asset quality charts for select PSBs

Exhibit 74: GNPA ratio trajectory (%)



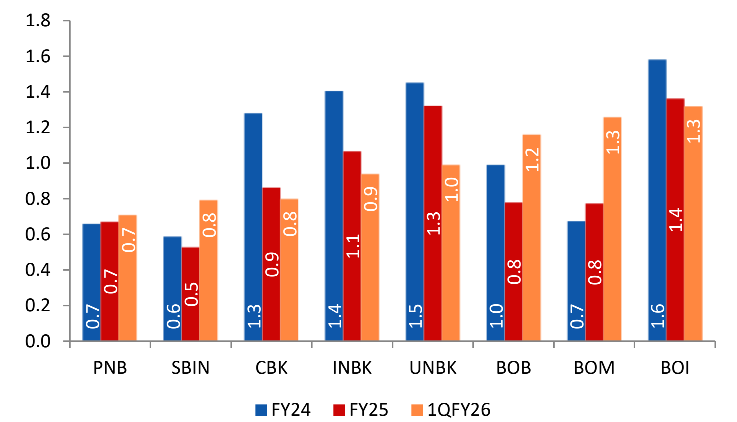
Source: Company, Systematix Institutional Research; sorted on 1QFY26

Exhibit 75: Trajectory for NNPA ratio (%)



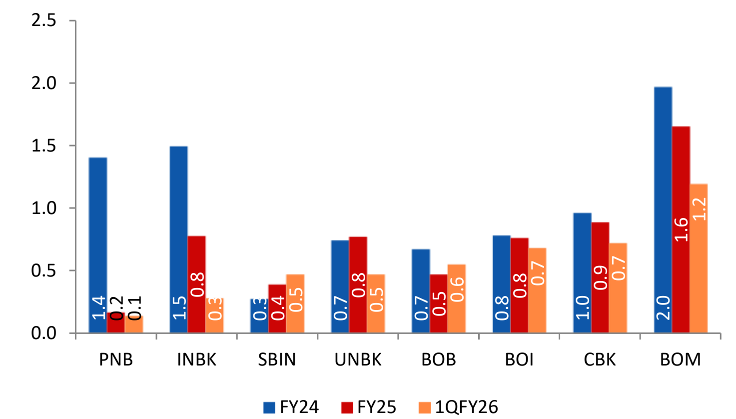
Source: Company, Systematix Institutional Research; sorted on 1QFY26

Exhibit 76: Slippages ratio trajectory (%)



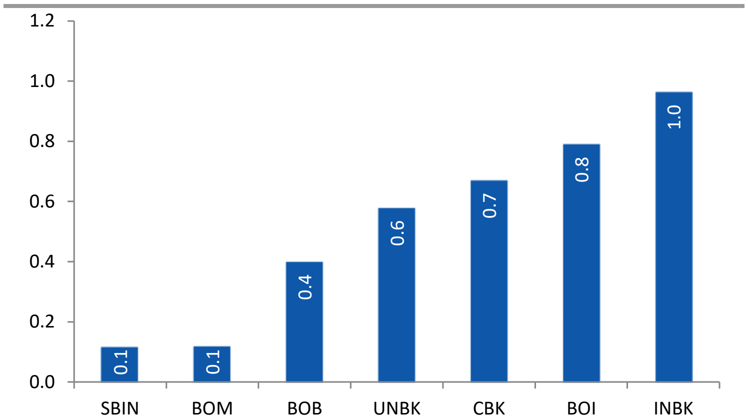
Source: Company, Systematix Institutional Research; sorted on 1QFY26

Exhibit 77: Credit costs trend (%)



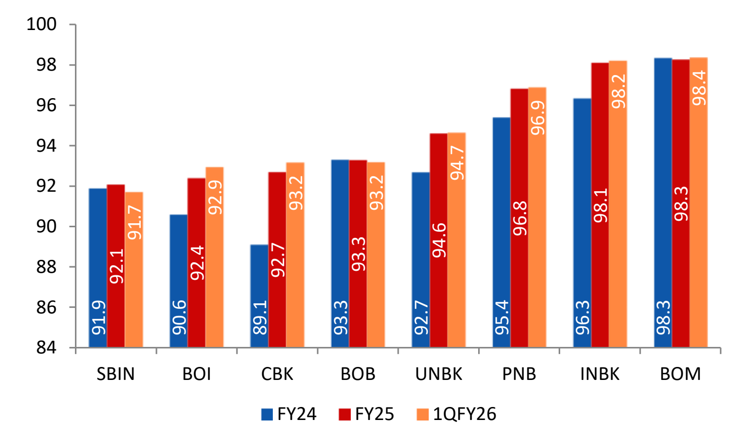
Source: Company, Systematix Institutional Research; sorted on 1QFY26

Exhibit 78: SMA 1+2 as a % of total advances (%)



Source: Company, Systematix Institutional Research

Exhibit 79: Trajectory for PCR (including TWO) (%)

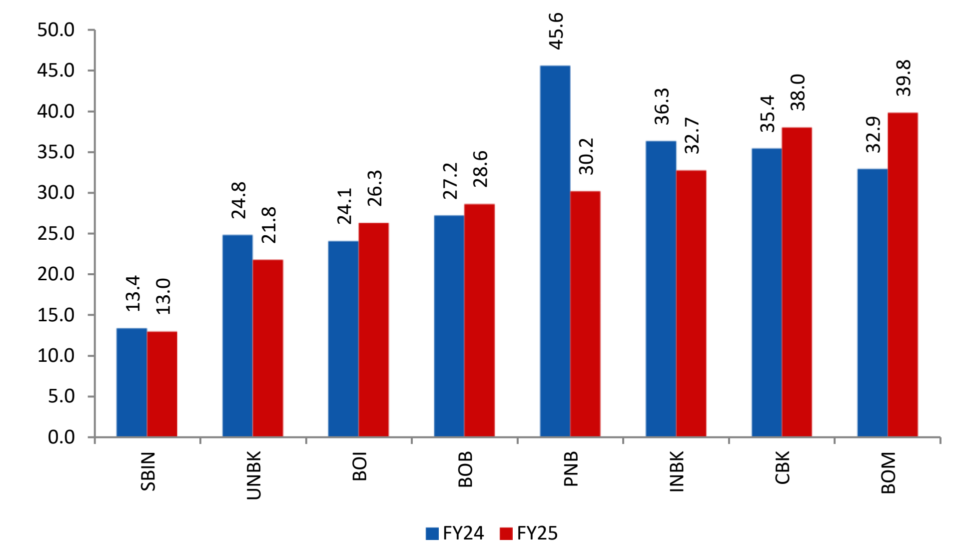


Source: Company, Systematix Institutional Research; sorted on 1QFY26

Trend in recoveries seems sustainable in the medium-term

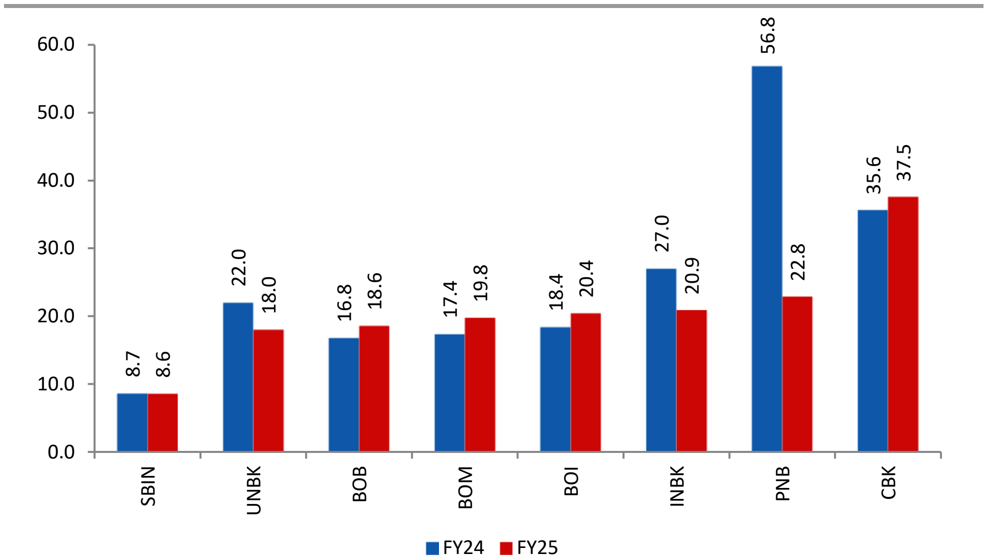
RBI's prompt corrective actions taken since 2016 have led to unsustainable corporate debts being recognised in the banking system. During this phase, PSU banks' gross non-performing assets (GNPAs) surged from 4.4% in FY14 to 14.6% in FY18. By making provisions, banks accumulated a huge book of technically written-off (TWO) accounts. Banks have steadily made recoveries from this portfolio over the last few years which has added to their profitability. Recoveries from TWO gets accounted in other income as recovery from written-off accounts. This is one of the factors that led to PSBs increasing their return on assets (RoAs) in the recent past. Within our comparison universe of 8 PSBs, recoveries from written-off accounts have been broadly stable or improved YoY in FY25. The share of recoveries from written-off accounts of total other income was higher for BOM, CBK and INBK at 39.8%, 38.0% and 32.7%, respectively, in FY25. The shares were relatively lower for are SBIN, UNBK and BOI at 13.0%, 21.8%, and 26.3% respectively.

Exhibit 80: Recovery from written-off accounts as % of total other income



Source: Company, Systematix Institutional Research; Sorted on FY25

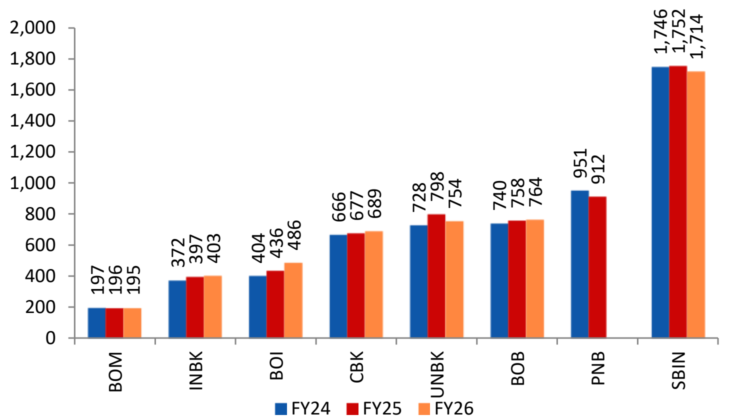
Exhibit 81: Contribution of TWO recoveries to RoA (%)



Source: Company, Systematix Institutional Research; Sorted on FY25

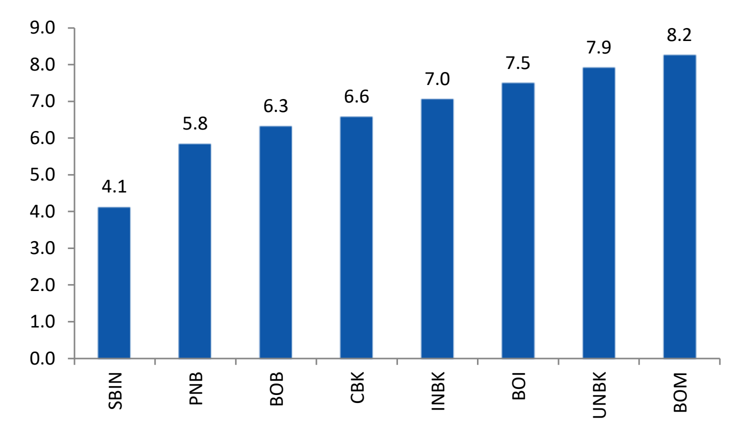
The post tax contribution of recoveries from written-off accounts to RoAs was relatively higher for CBK at 37.5% during FY25. The same hovered at 18.0% to 22.8% for PSBs within our comparison universe, except for SBIN, which recorded the same at 8.6%. For most banks, the contribution was broadly stable during FY24 and FY25, except for PNB.

Exhibit 82: Opening balance of TWO* book (Rs bn)



*Source: Company, Systematix Institutional Research, *Technically Written-Off*

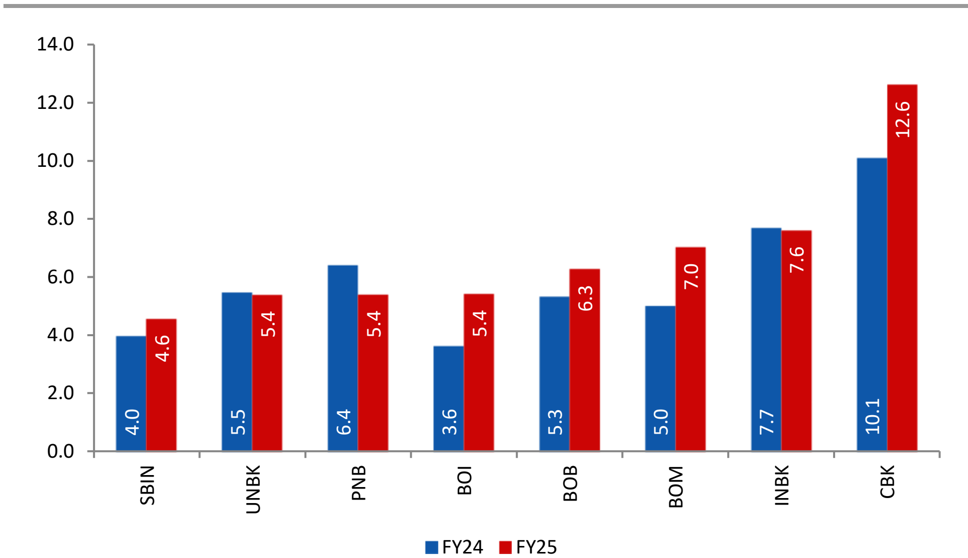
Exhibit 83: TWO* book as % of Net Advances – FY25 (%)



*Source: Company, Systematix Institutional Research, *Technically Written-Off*

The TWO book as percentage of net advances stood at 7.0% to 8.2% for INBK, BOI, UNBK and BOM during FY25. The range for SBIN, PNB, BOB and CBK was 4.1% to 6.6%. During FY25, recovery as percentage of opening book was relatively higher for CBK (12.6%). For other comparative PSBs it hovered at 4.6% to 7.6%. Recoveries as percentage of opening TWO book were broadly stable or better during FY25 as against FY24. Despite healthy recoveries in FY24 and FY25, the total technically written-off book for 8 comparative PSBs have not come off and is broadly stable YoY. We believe the positive impact on RoAs from TWO recoveries could come off marginally going forward but is unlikely to substantially disappear anytime soon.

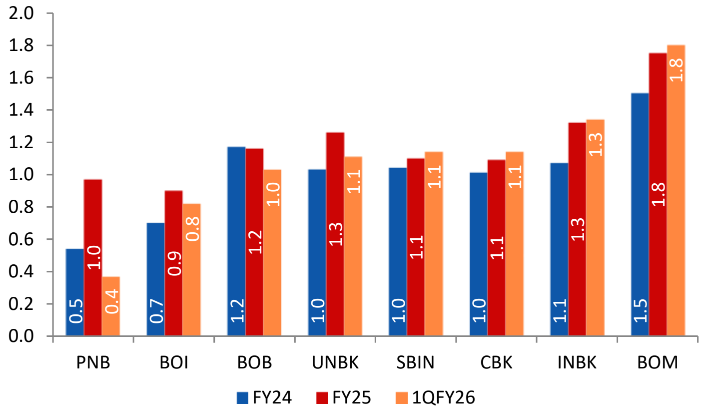
Exhibit 84: Recovery from TWO as % of opening book



Source: Company, Systematix Institutional Research; Sorted on FY25

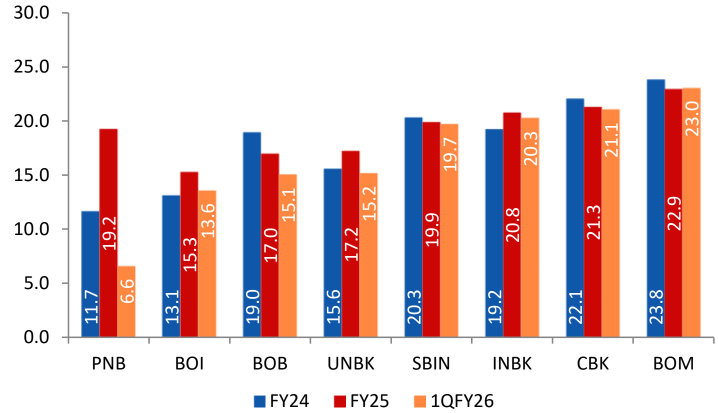
Comparative return ratios of select PSBs

Exhibit 85: Return on Assets (%)



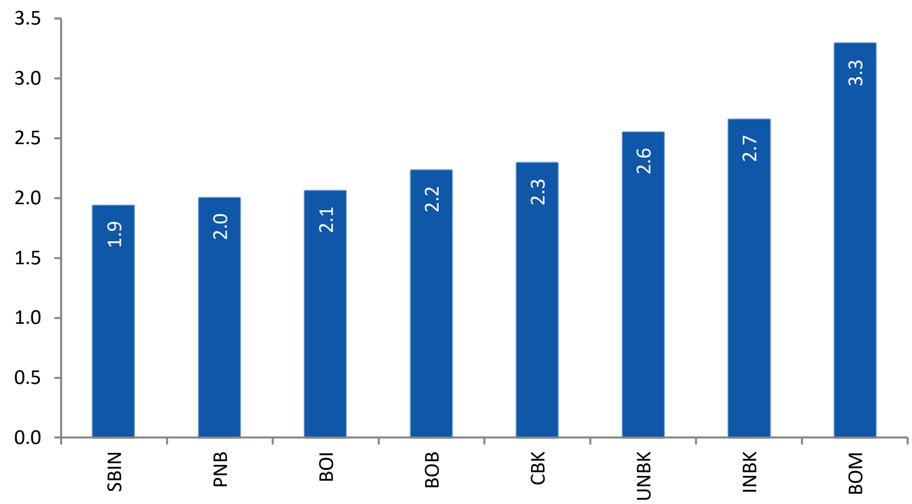
Source: Company, Systematix Institutional Research; sorted on 1QFY26

Exhibit 86: Return on Equity (%)



Source: Company, Systematix Institutional Research; sorted on 1QFY26

Exhibit 87: RoRWA* (%) for FY25

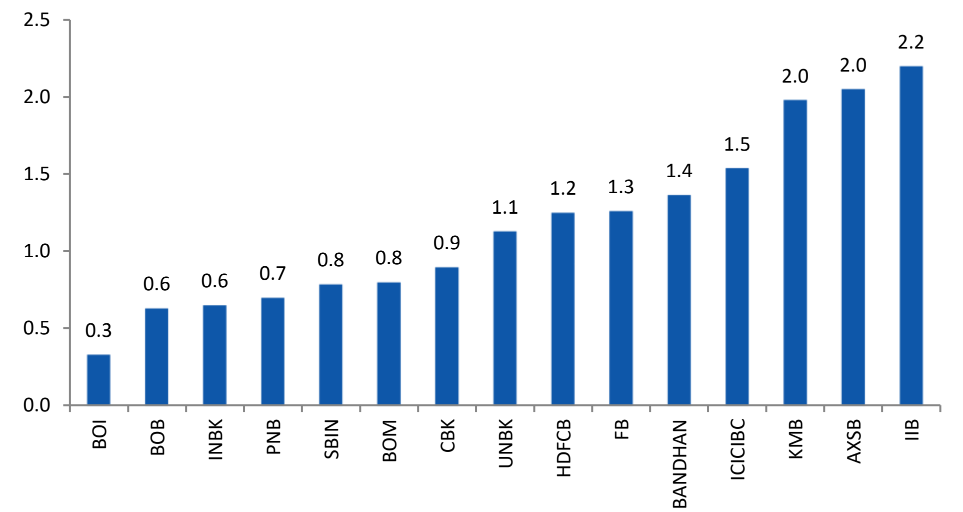


*Source: Company, Systematix Institutional Research; *Return on Risk Weighted Assets*

Fee income, relatively low but expected to improve

PSBs have been lagging PVBs on generating fee income. This is because of (i) lack of credit card products or not having a meaningful contribution, (ii) not much focus on bancassurance or MF distribution, and (iii) lower share of retail/consumer loans. With regards to fee Income to average advances ratio, within our comparison universe of 15 banks, all PSBs except UNBK were at less than 1.0% mark, with all PVBs above 1.0% mark and 3 PVBs (KMB, AXSB and IIB) at about 2.0% mark for FY25.

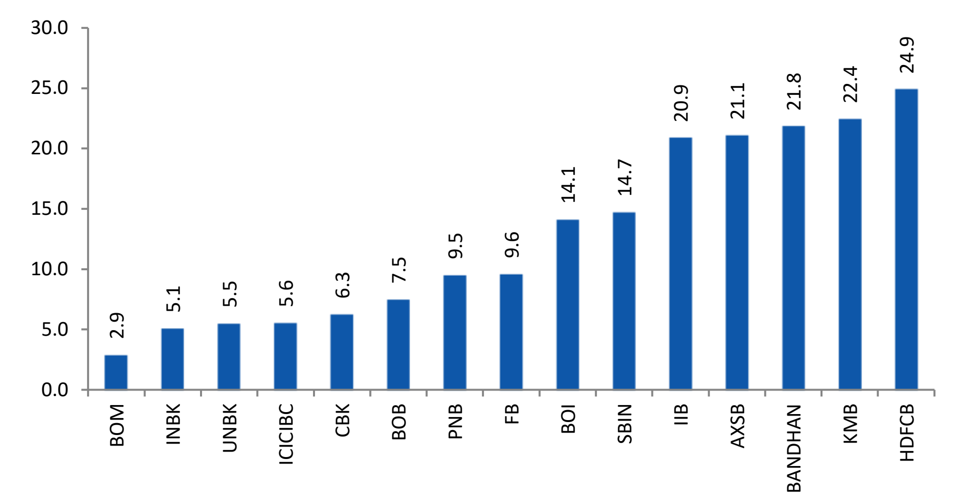
Exhibit 88: Fee income to average advances – FY25 (%)



Source: Company, Systematix Institutional Research

Apart from generating fees through normal banking operations, leveraging branch network for sale of third-party products has become a key source of fee income for most banks. Sale of life insurance, general insurance and mutual fund products have become a key source of fee income. Within our comparison universe of 15 banks, with regards to share of bancassurance and marketing & distribution income, all top 5 banks are PVBs, with the bottom 4 of the 5 being PSBs. ICICIBC is the only PVB in this pack, as it has significantly reduced focus on selling third-party products, with branches focusing on normal banking operations.

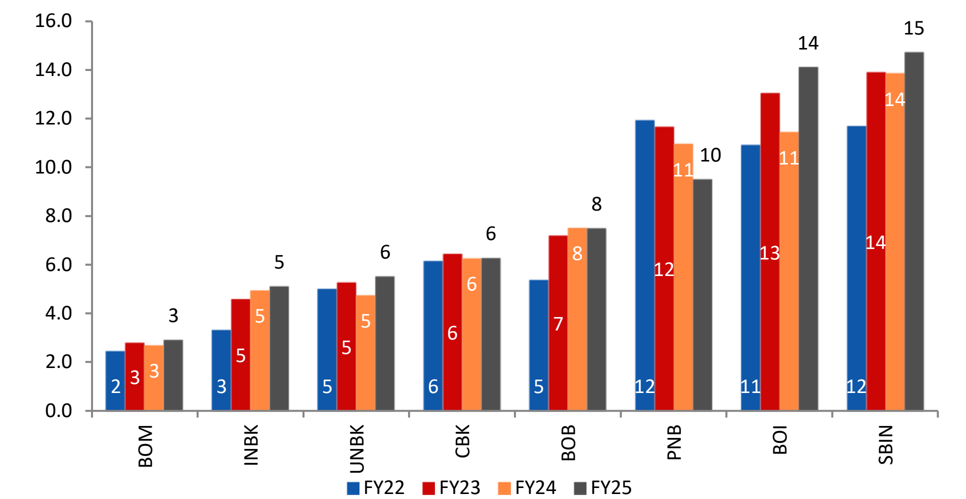
Exhibit 89: Bancassurance and marketing & distribution income as % of total fee income – FY25 (%)



Source: Company, Systematix Institutional Research

Earlier, PSBs were not focused on generating fee income through sale of third-party products. They have recently started focusing and building this new revenue stream since the last few years. For the purpose, they have begun to train their branch level staff and are providing technological support to equip them for selling third-party products. The trend of Bancassurance and Marketing & Distribution fee as percentage of total fee though low, is showing signs of improvement for most PSBs within our comparison universe. SBIN leads the pack, given that it has two robust and industry-leading subsidiaries, SBI Life Insurance and SBI Asset Management Company.

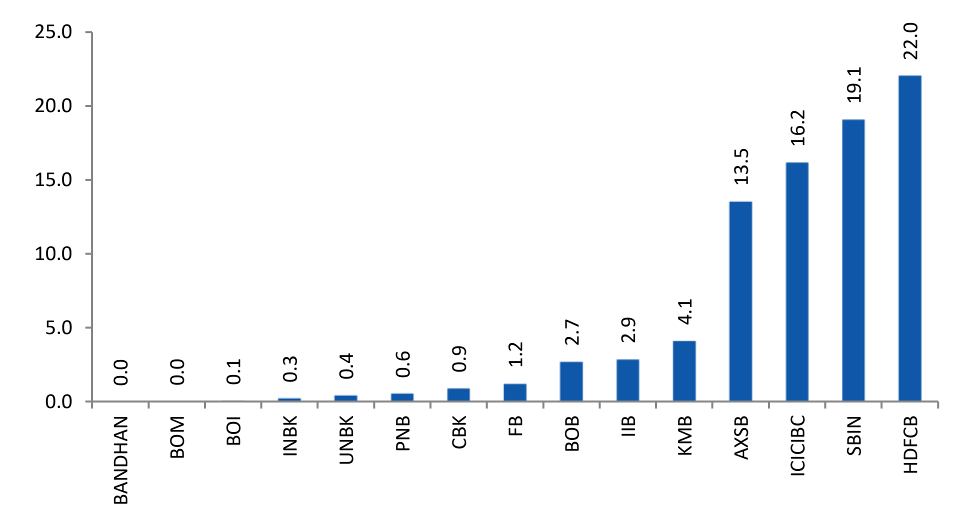
Exhibit 90: Trend in Bancassurance and Marketing & Distribution income as % of total fee income for PSBs (%)



Source: Company, Systematix Institutional Research

Credit Cards too are strong fee generating products for banks. The space is currently largely dominated by private and foreign banks. However, SBIN has a dominant share of this market (19.1% in outstanding cards) but the business sits in its subsidiary SBI Cards and does not get reflected in the bank's balance sheet; similar is the case with BOB. Other PSBs are focusing on expanding this product but are largely focusing on existing to bank customers to keep a control on delinquencies.

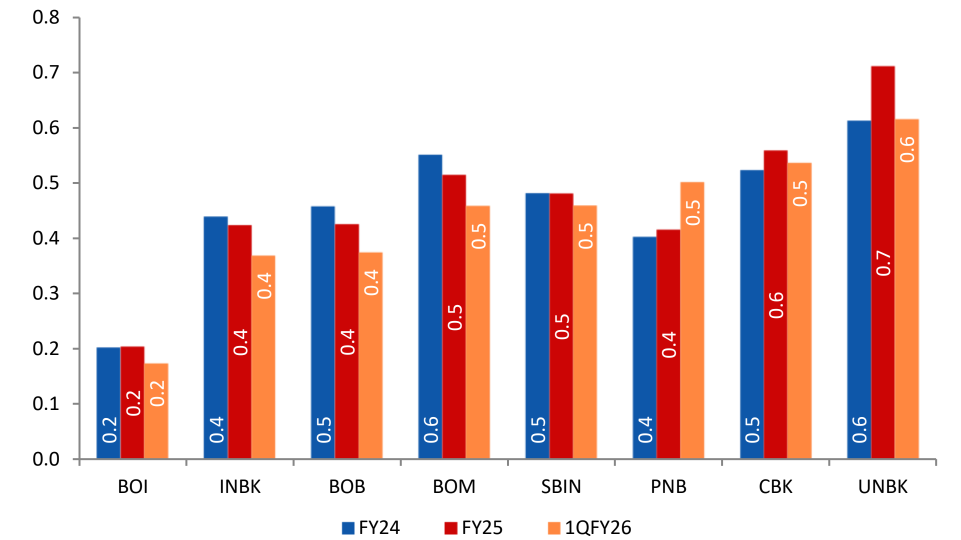
Exhibit 91: Market share in outstanding credit cards – June 2025 (%)



Source: RBI, Systematix Institutional Research

Comparative chart for other income for select PSBs

Exhibit 92: Core fee income to average assets (%)

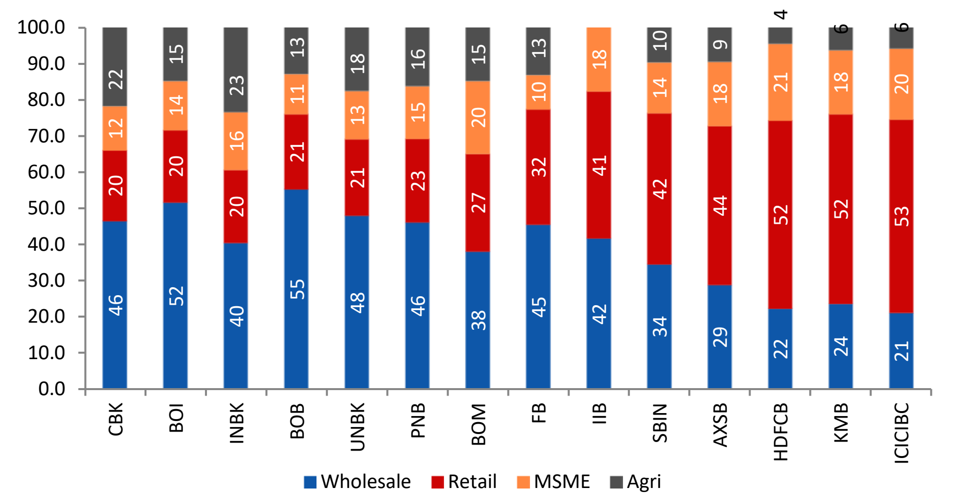


Source: Company, Systematix Institutional Research; Sorted on 1QFY26

Net interest margin pressure well managed by PSBs

A bank's loan mix along with clientele profile is a key factor that influences a bank's yield on advances. PSBs historically focused more on wholesale loans compared to PVBs. With regards to the share of retail loans in total advances for 15 banks in comparison universe, all banks falling in the bottom 5 positions are PSBs (CBK, BOI, INBK, BOB and UNBK), where the share of retail loans hovers at 20% to 21%. Whereas 4 (ICICIBC, KMB, HDFCB and AXSB) of the top 5 banks are PVBs; SBIN is the only PSB in the pack holding 42% share.

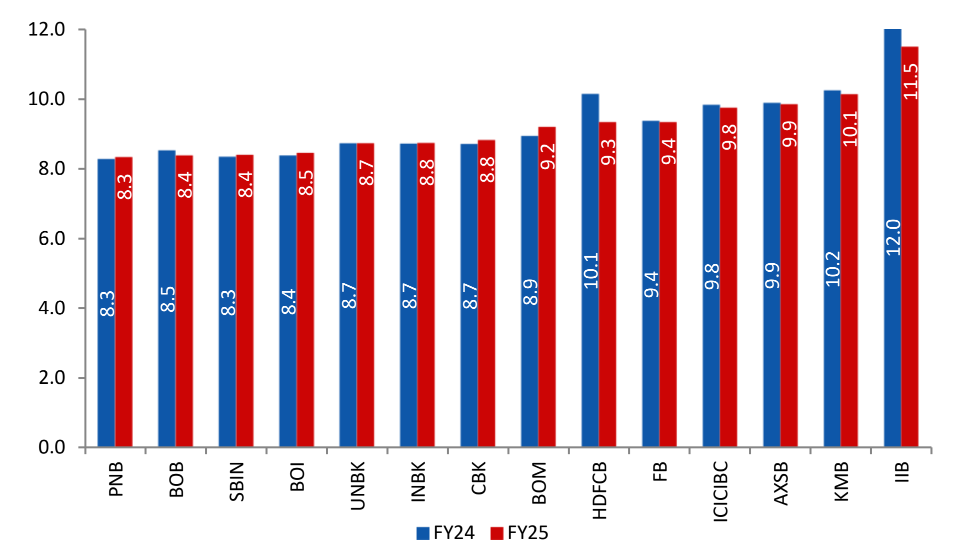
Exhibit 93: Loan mix* – FY25 (%)



*Source: Company, Systematix Institutional Research, *for PSBs that have considered domestic advances only*

PVBs generally have better yield on advances, given their higher share of retail and MSMEs. In terms of yield on advances, within our comparison universe of 15 banks, all banks in the top 5 bucket are PVBs (IIB, KMB, AXSB, ICICIBC and FB), having generated 11.5% to 9.4% during FY25, with the bottom 5 being PSBs (PNB, BOB, SBIN, BOI and UNBK) with a range of 8.3% to 8.7%. Few PSBs also have a relatively higher share of overseas business which also acts as a drag on yields.

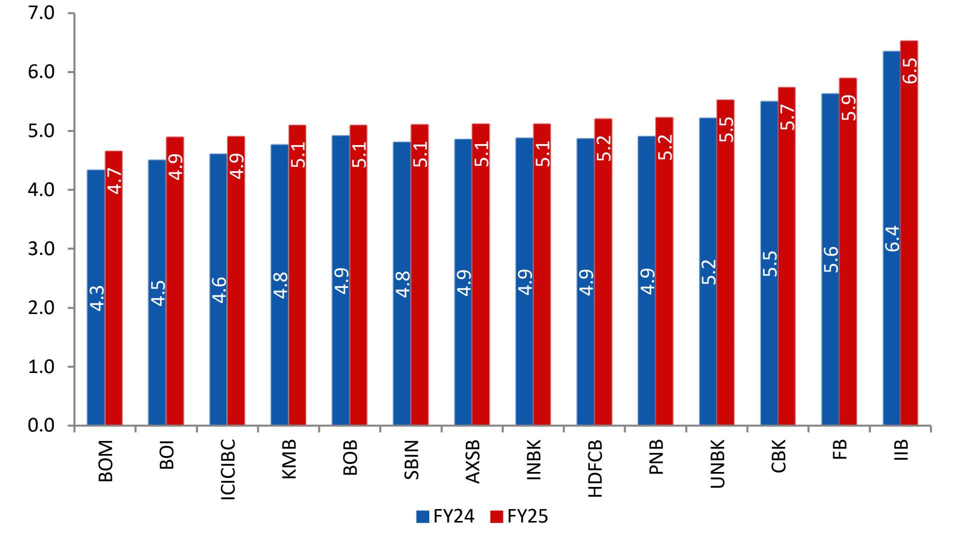
Exhibit 94: Yield on advances (%)



Source: Company, Systematix Institutional Research; Sorted on FY25

With regards to cost of deposits, the large PVBs have also created a strong branch network and brand value, having garnered low-cost retail deposits. Hence, a comparison of the 15 banks on cost of deposits gives a mix-bag profile. Of the bottom 5 banks, 3 are PSBs (BOM, BOI and BOB) and 2 are PVBs (ICICIBC and KMB). The top 5 banks also are a mixed bag, with 2 PVBs (IIB and FB) and 3 PSBs (CBK, UNBK and PNB).

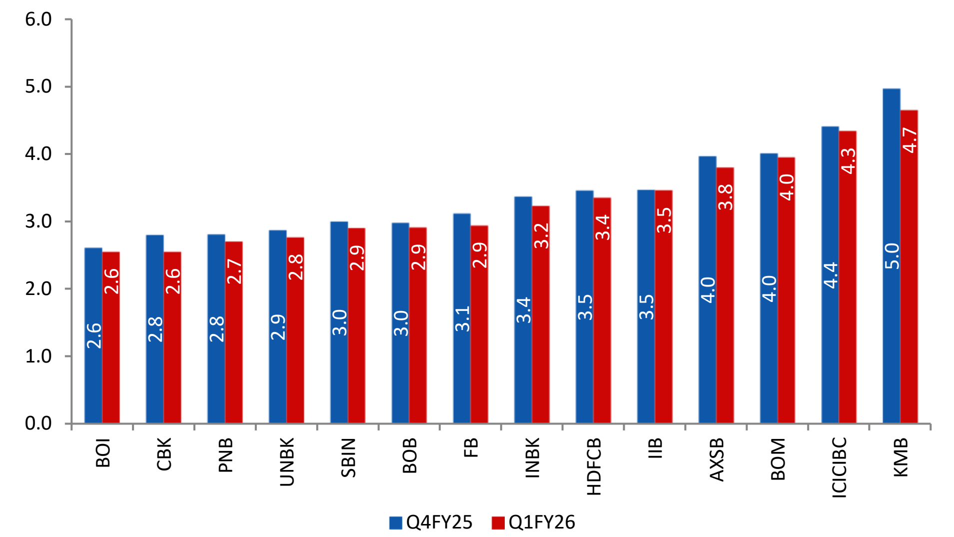
Exhibit 95: Cost of Deposits (%)



Source: Company, Systematix Institutional Research; Sorted on FY25

Even though PSBs have managed to garner low cost of deposits but with relatively low yield on advances, they lag in terms of generating net interest margin - a key factor in Dupont that influences banks' RoAs. Within our comparison universe of 15 banks, all banks in the bottom 5 are PSBs (BOI, CBK, PNB, UNBK and SBIN) having NIMs ranging from 2.6% to 2.9% during 1QFY26. Of the top 5 banks, 4 are PVBs (KMB, ICICIBC, AXSB and IIB), with BOM as the only PSB.

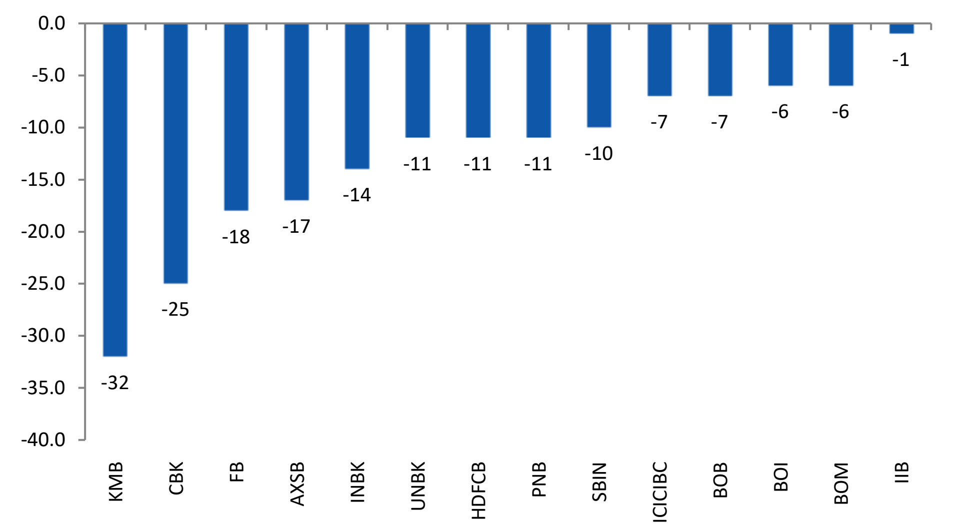
Exhibit 96: Net Interest Margin (%)



Source: Company, Systematix Institutional Research; Sorted on 1QFY26

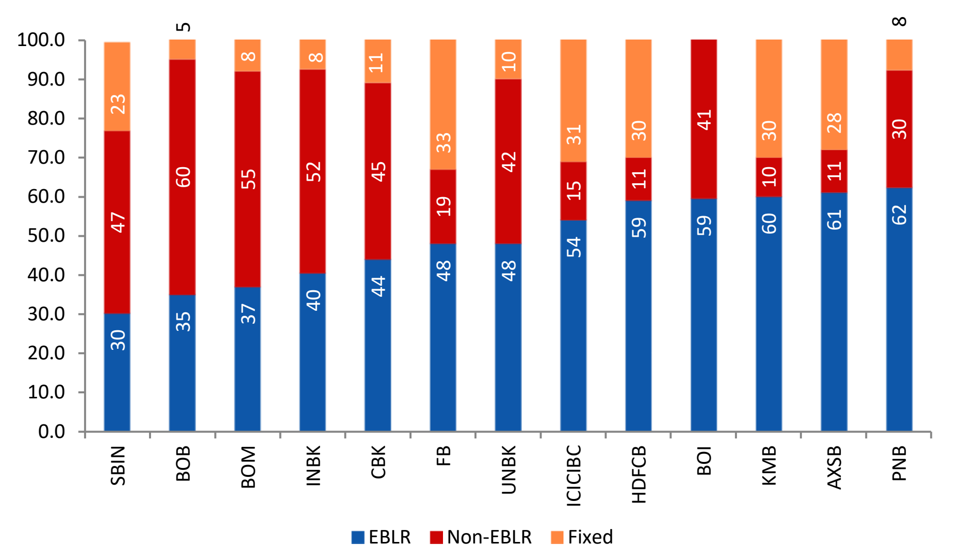
Net interest margin in the banking system is currently on a downward trend due to the repo rate cuts announced by the RBI. Generally, PSBs have a policy of transmitting the repo rate cut on T+1 day as against T+60 to 90 in the case of PVBs. However, during 1QFY26, PSBs likely managed their NIM degradation better than PVBs. This is primarily as they have relatively lower share of EBLR loans and have reduced their deposit rates. Within our comparison universe of 15 banks, with respect to the share of EBLR as percentage of total loans, all banks in the bottom 5 are PSBs (SBIN, BOB, BOM, INBK and CBK) with loans ranging between 30% and 44%. The change in card rates for deposits, which most banks have started taking from end 4QFY25, will begin to reflect from 3QFY26, as most banks have average deposit duration of 9-12 months. However, the Saving account (SA) rate cut taken by banks has had an immediate positive impact. Within our comparison universe of 15 banks of the 6 that recorded a fall of 10bps or lower in NIM QoQ, 4 are PSBs (BOM, BOI, BOB and SBIN). Hence, PSBs were able to manage their NIMs better during the current downward trend.

Exhibit 97: Net Interest Margin QoQ change – 4QFY25 to 1QFY26 (bps)



Source: Company, Systematix Institutional Research

Exhibit 98: Loan Mix by rate category (%)

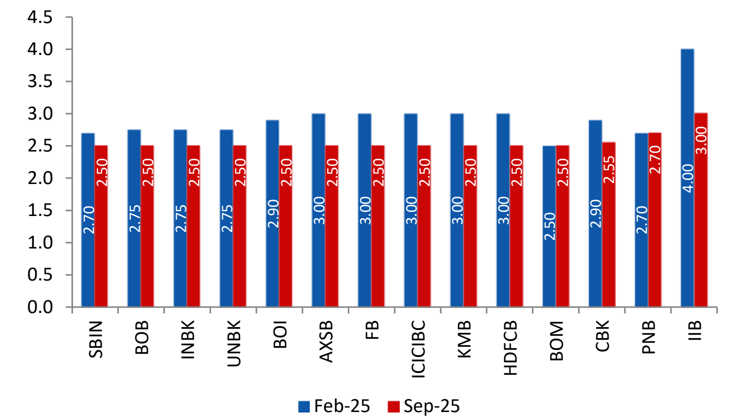


Source: Company, Systematix Institutional Research; Sorted on EBLR

As banks will transmit RBI’s 50bps repo rate cut (announced in June 2025) in 2QFY26, NIMs of most banks could again come under pressure during this quarter. However, benefits of lower repricing of term deposits flowing in from 3QFY26 should support margins. Also, the cost benefits of the 100bps reduction in CRR will also come into effect from 3QFY26, aiding in stabilizing margins. Hence, NIMs could broadly stabilize in 3QFY26 and revive 4QFY26 onwards, provided there are no further repo rate cuts from RBI. We believe RBI has given out the monetary policy for the full year FY26 and given the pressure on USD INR exchange rate, possibility of further rate cuts seem low.

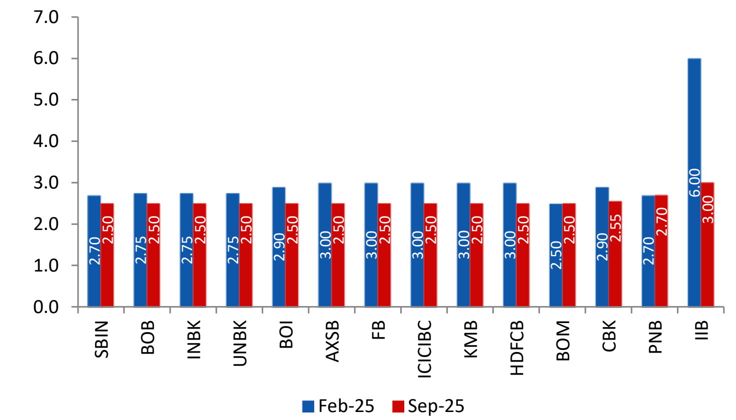
Comparative charts on movements in Savings and Term Deposit rates

Exhibit 99: SA rates below 5 Lac bucket (%)



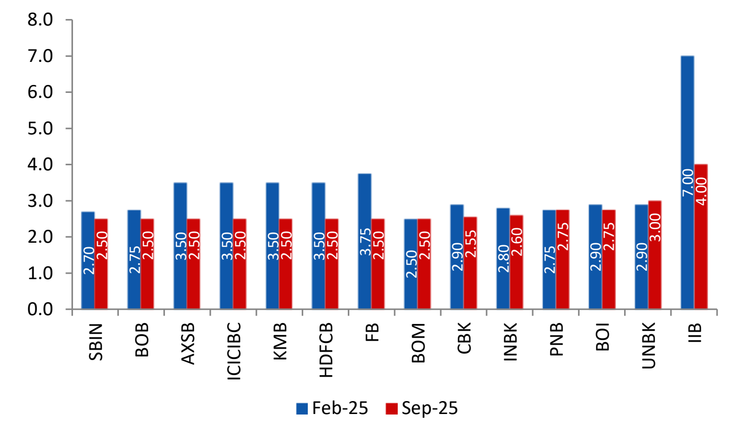
Source: Company, Systematix Institutional Research; Sorted on Sep-25

Exhibit 100: SA rates below 10 Lac bucket (%)



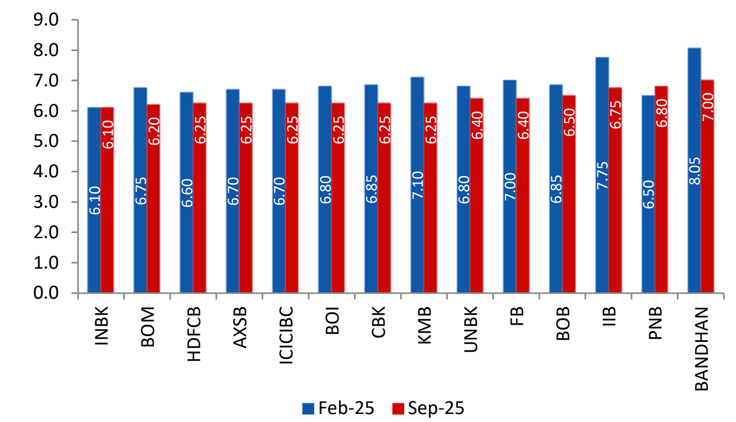
Source: Company, Systematix Institutional Research; Sorted on Sep-25

Exhibit 101: SA rates below 1 Cr bucket (%)



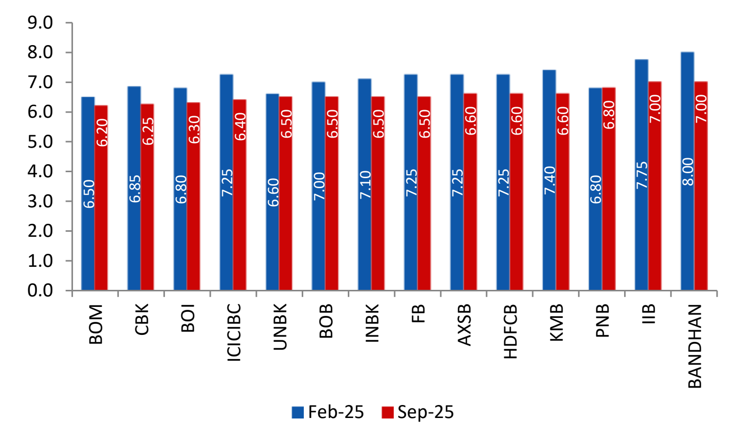
Source: Company, Systematix Institutional Research; Sorted on Sep-25

Exhibit 102: 1-year TD rates (%)



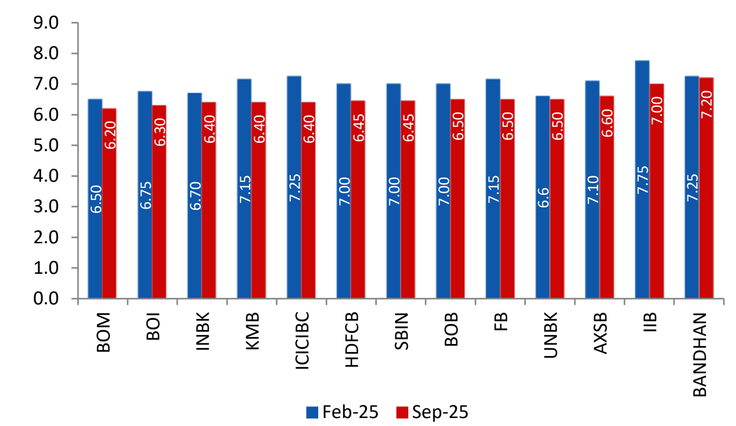
Source: Company, Systematix Institutional Research; Sorted on Sep-25

Exhibit 103: 18-months TD rates (%)



Source: Company, Systematix Institutional Research; Sorted on Sep-25

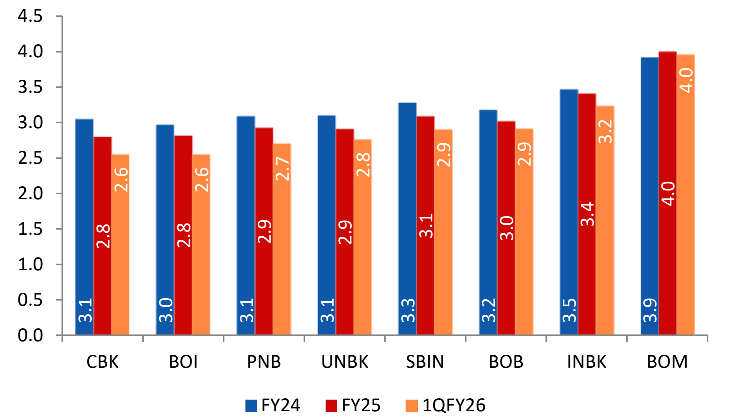
Exhibit 104: 2-year TD rates (%)



Source: Company, Systematix Institutional Research; Sorted on Sep-25

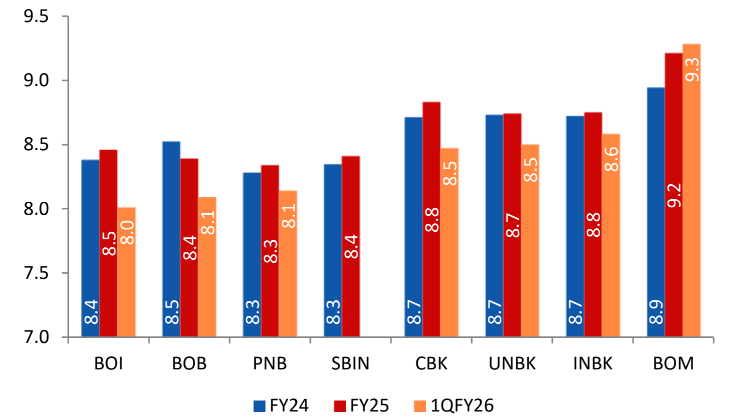
Comparative charts for select PSB pertaining to margins

Exhibit 105: Whole bank NIM (%)



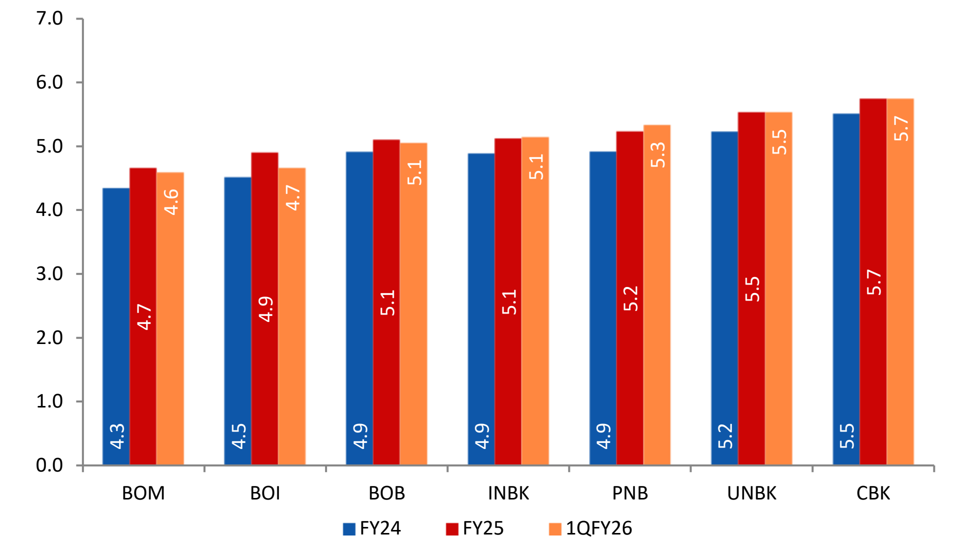
Source: Company, Systematix Institutional Research; sorted on 1QFY26

Exhibit 106: Whole bank yield on advances (%)



Source: Company, Systematix Institutional Research; sorted on 1QFY26

Exhibit 107: Cost of Deposits (%)



Source: Company, Systematix Institutional Research' sorted on 1QFY26

EASE reforms driving the ease of transaction for PSBs' customers

Public Sector Banks (PSBs) traditionally have lagged Private Sector Banks (PVBs) on technology and customer service. To bridge this gap, the Department of Financial Services, Ministry of Finance, launched The Enhanced Access and Service Excellence (EASE) reforms in 2018. The initiative aimed at modernizing and strengthening the PSBs through improved Governance, Risk Management, Credit Growth, Operational Efficiency, Digital Transformation, and Customer Service.

An EASE portal was created by the government to provide a structured framework to banks in implementing these reforms. It was designed as a central monitoring system to benchmark banks on common parameters, track their progress and publicly disclose outcomes, ensuring that reforms were translated into measurable and comparable results.

Enumerated are key areas that have undergone multiple changes in EASE reforms, in a bid to target holistic improvements:

Exhibit 108: EASE focus areas- A journey

EASE Version	Key Focus Areas
EASE 1.0 (2018)	Clean banking, NPA resolution, governance
EASE 2.0 (2019)	Customer responsiveness, digital experience
EASE 3.0 (2020)	Process digitalisation, analytics, risk management
EASE 4.0 (2021)	Technology adoption, HR reforms
EASE 5.0 (2022)	Smart lending, end-to-end digital journeys
EASE 6.0 (2023)	Centralised loan processing, fraud/risk control, capability building
EASE 7.0 (2024–25)	Institution building, operating models, data and technology strategy

Source: Company, Bloomberg, Systematix Institutional Research

PSUs have increasingly aligned their strategies reflected with the priorities of EASE reforms and focused on their implementation. A key strength of framework is the EASE portal, which has brought greater transparency and peer accountability. The EASE Reforms Index has enabled performance comparisons, fostered healthy competition among banks and accelerated the adoption of best practices across the sector. While the turnaround of the PSBs has been supported by capital infusion, governance reforms and balance sheet repair, EASE has complemented these measures by embedding operational improvements and sharpening the focus on technology adoption and customer service.

The gap in technological adoption between PSBs and PVBs has narrowed meaningfully, but customer service is still work in progress. Once this gap is bridged, (though not expected in the immediate future) it could provide a huge boost to PSBs. Overall, the EASE reforms seem to be a continuous transformation journey for the PSBs.

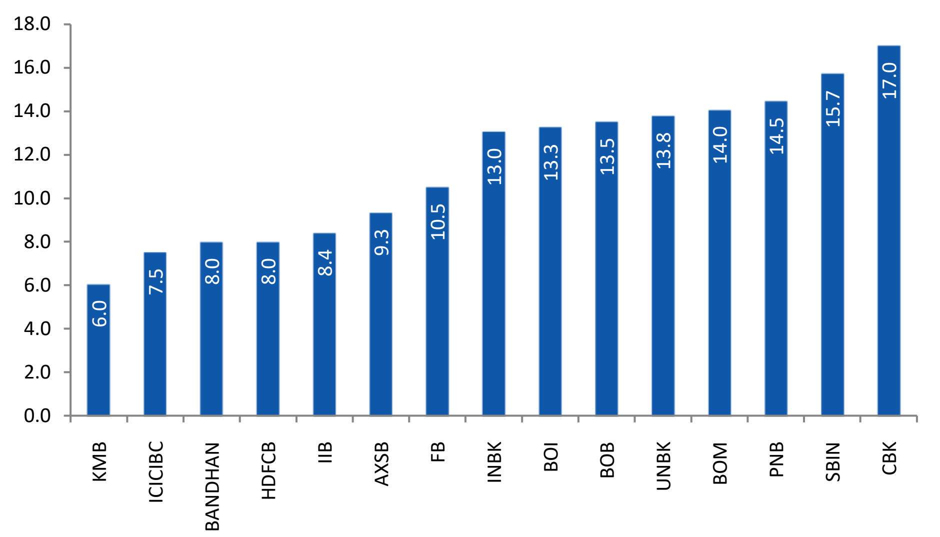
Du-Pont Analysis

Exhibit 109: Du-Pont analysis for the comparison universe of 15 Banks - FY25 (%)

Particulars (%)	IIB	BOI	PNB	CBK	SBIN	BOB	FB	UNBK	INBK	BANDHAN	BOM	AXSB	HDFCB	ICICIBC	KMB
Interest Income	9.1	7.2	7.2	7.5	7.2	7.2	8.0	7.5	7.4	11.9	7.4	7.9	8.0	8.2	8.2
Interest exp.	(5.5)	(4.7)	(4.7)	(5.2)	(4.6)	(4.5)	(5.1)	(4.9)	(4.4)	(5.7)	(3.9)	(4.4)	(4.7)	(4.1)	(3.8)
Net interest inc.	3.6	2.5	2.5	2.3	2.6	2.7	2.9	2.6	3.0	6.2	3.4	3.5	3.3	4.1	4.4
Non-interest inc.	1.4	0.9	1.0	1.4	1.0	1.0	1.2	1.4	1.1	1.6	1.0	1.6	1.2	1.4	2.3
Total income	5.0	3.4	3.5	3.8	3.6	3.7	4.0	3.9	4.1	7.8	4.5	5.2	4.5	5.5	6.7
Operating exp.	(3.0)	(1.7)	(1.9)	(1.8)	(1.8)	(1.8)	(2.2)	(1.8)	(1.8)	(3.8)	(1.7)	(2.4)	(1.8)	(2.1)	(2.9)
PPOP	2.0	1.7	1.6	2.0	1.7	1.9	1.9	2.2	2.3	4.0	2.8	2.7	2.7	3.4	3.8
Provisions	(1.3)	(0.4)	(0.1)	(0.6)	(0.2)	(0.4)	(0.2)	(0.5)	(0.5)	(2.0)	(1.1)	(0.5)	(0.3)	(0.2)	(0.5)
Profit before tax	0.7	1.3	1.5	1.4	1.5	1.6	1.6	1.6	1.8	2.0	1.7	2.2	2.4	3.1	3.3
Taxes	(0.2)	(0.3)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.1)	(0.5)	(0.6)	(0.8)	(0.8)
ROA (%)	**0.5**	**0.9**	**1.0**	**1.1**	**1.1**	**1.2**	**1.2**	**1.2**	**1.3**	**1.5**	**1.6**	**1.7**	**1.8**	**2.4**	**2.5**
Leverage (x)	8.4	13.3	14.5	17.0	15.7	13.5	10.5	13.8	13.0	8.0	14.0	9.3	8.0	7.5	6.0
ROE (%)	**4.2**	**12.5**	**14.2**	**18.2**	**17.3**	**15.7**	**13.0**	**17.1**	**17.1**	**11.9**	**22.9**	**15.9**	**14.3**	**17.8**	**15.4**

Source: Company, Bloomberg, Systematix Institutional Research

Exhibit 110: Leverage (x)

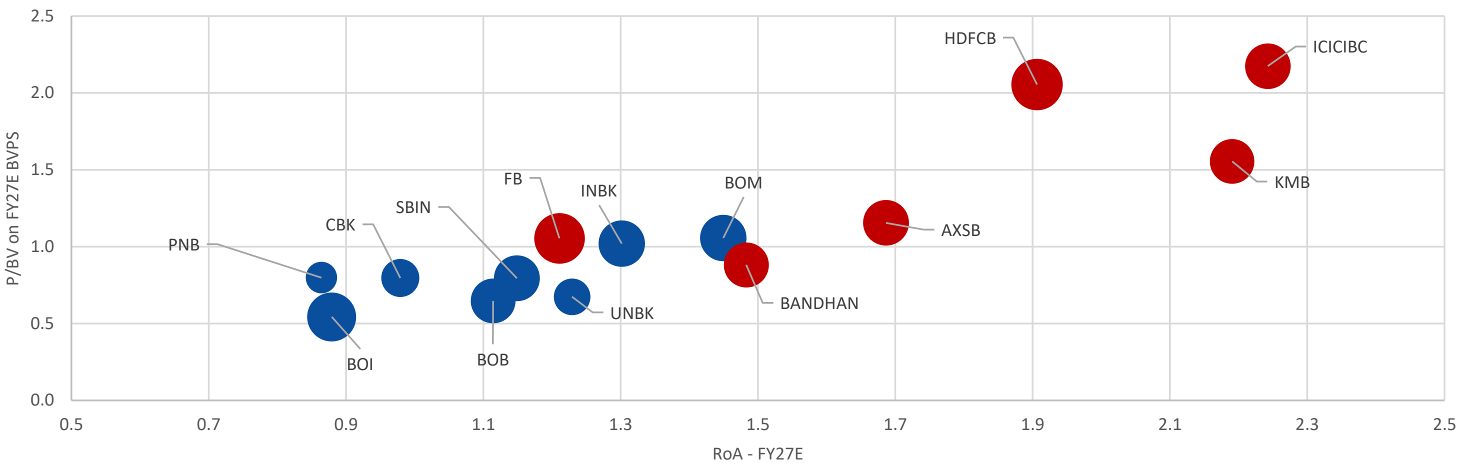


Source: Company, Systematix Institutional Research

Valuation

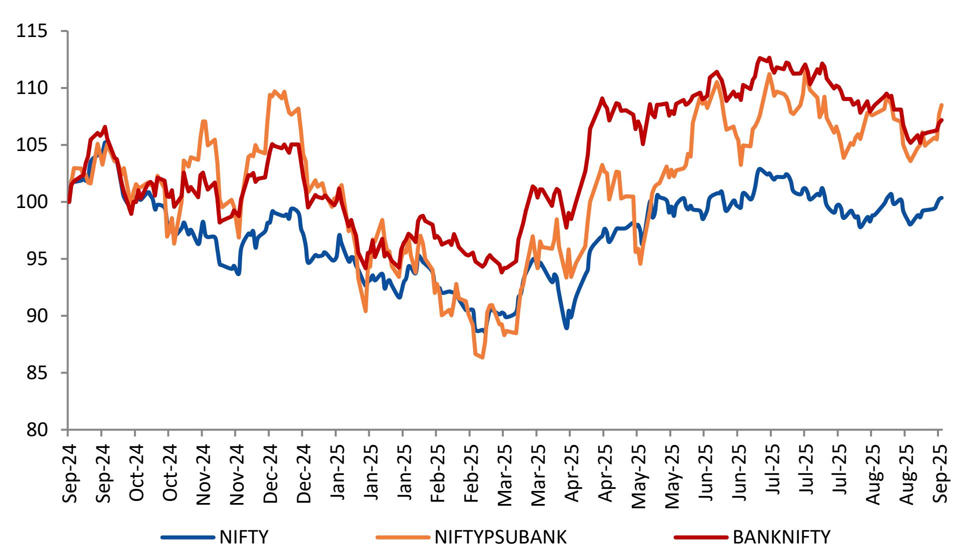
A comparison of PSBs and PVBs within our universe of 15 banks on important operational and structural parameters suggests PSBs are improving on several aspects. Plus, PSBs have significantly enhanced focus on areas where they were lagging, clearly indicating sustained structural growth ahead. With improving operating parameters, the banks have witnessed an improvement in their return ratios. The RoA for PSBs which was much lower than 1% has gradually improved and most banks are now close to the 1.0% mark. Though there are near-term challenges and RoA will be impacted by the same but most PSBs would have their RoA structurally at or above 1.0% mark in the coming years. The size of the bubble in Exhibit 111 indicates that PSBs' earnings growth broadly matched those of PVBs. Hence, we expect the significant discount at which PSBs trade against their expected RoAs compared to PVBs to get bridged, providing strong upside for PSBs through re-rating.

Exhibit 111: PSBs vs. PVBs - Valuation comparison on P/BV, RoA and earnings CAGR (FY25-FY28E*)



*Source: Company, Bloomberg, Systematix Institutional Research. *The size of the bubble represents earnings CAGR over FY25 to FY28E. The estimates for PNB, CBK and BANDHAN are based on Bloomberg consensus*

Exhibit 112: Comparison of Public sector bank index performance with indices



Source: Company, ACE Equity, Systematix Institutional Research

Valuation Matrix

Exhibit 113: Key estimates for coverage and non-coverage banks in comparison universe

Banks	Rating	CMP	Target	Upside	P/BV (x)				BVPS (Rs.)			
		Rs.	Rs.	%	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
BOB	BUY	246	325	32.2	0.9	0.8	0.7	0.6	240	269	306	349
BOI	BUY	120	150	25.4	0.8	0.7	0.6	0.6	152	168	187	210
AXSB	BUY	1,126	1,375	22.1	1.6	1.4	1.3	1.1	580	662	763	878
BOM	BUY	57	69	20.5	1.6	1.4	1.2	1.0	35	41	48	56
HDFCB	BUY	966	1,160	20.0	2.5	2.3	2.1	1.8	328	363	405	454
KMB	BUY	2,050	2,450	19.5	2.1	1.9	1.7	1.5	590	662	752	861
SBIN	BUY	857	1,020	19.0	1.3	1.1	0.9	0.8	436	514	595	688
FB	BUY	199	235	18.1	1.4	1.2	1.1	1.0	136	150	169	192
ICICIBC	BUY	1,419	1,660	17.0	2.8	2.5	2.2	1.9	410	460	528	608
UNBK	BUY	137	160	16.8	1.0	0.9	0.8	0.7	137	154	175	197
IIB	HOLD	739	840	13.7	0.9	0.8	0.7	0.6	828	916	1,021	1,145
INBK	HOLD	704	765	8.7	1.7	1.4	1.2	1.1	423	488	567	656
CBK	NOT RATED	116	NA	NA	NA	NA	NA	NA	108	119	136	152
PNB	NOT RATED	112	NA	NA	NA	NA	NA	NA	107	118	131	142
BANDHAN	NOT RATED	164	NA	NA	NA	NA	NA	NA	149	166	185	207

Banks	PE (x)				EPS (Rs.)				RoA (%)			
	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
BOB	5.9	6.0	5.0	4.4	38	38	45	51	1.2	1.0	1.1	1.1
BOI	5.9	5.8	5.2	4.1	20	20	23	29	0.9	0.9	0.9	1.0
AXSB	11.2	11.5	9.3	8.2	85	83	102	117	1.7	1.5	1.7	1.7
BOM	8.0	7.7	7.0	5.8	7	7	8	10	1.6	1.5	1.4	1.5
HDFCB	19.0	17.6	14.9	12.8	44	48	56	65	1.8	1.8	1.9	2.0
KMB	15.2	16.8	13.6	11.2	83	75	93	112	2.5	2.0	2.2	2.3
SBIN	7.1	7.1	5.8	5.2	79	80	97	109	1.1	1.0	1.1	1.2
FB	11.3	11.5	9.2	7.7	16	16	20	24	1.2	1.1	1.2	1.3
ICICIBC	17.6	16.6	14.7	12.8	66	70	79	91	2.4	2.2	2.2	2.3
UNBK	5.7	5.9	5.0	4.6	24	23	27	29	1.2	1.1	1.2	1.2
IIB	21.8	8.4	7.0	5.9	34	88	105	125	0.5	1.2	1.4	1.5
INBK	8.7	8.7	7.2	6.3	81	81	98	112	1.3	1.2	1.3	1.3
CBK	NA	NA	NA	NA	18	19	21	22	1.0	1.0	1.0	0.9
PNB	NA	NA	NA	NA	14	13	16	17	1.0	0.8	0.9	0.8
BANDHAN	NA	NA	NA	NA	19	17	22	26	1.6	1.3	1.5	1.5

Banks	RoE (%)				Advances Growth YoY (%)				Deposits Growth YoY (%)			
	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
BOB	15.7	13.4	14.3	14.6	13.5	12.0	13.0	13.5	10.9	10.4	11.4	12.0
BOI	12.5	11.3	11.7	13.2	15.4	12.0	13.0	13.0	10.7	9.0	10.5	10.5
AXSB	15.9	13.3	14.4	14.2	7.8	11.0	12.5	13.5	9.8	10.7	12.5	13.5
BOM	22.9	18.7	17.7	18.5	17.9	15.0	15.0	15.0	13.4	13.0	13.5	13.5
HDFCB	14.3	13.8	14.6	15.2	5.4	10.5	12.5	13.0	14.1	13.4	14.0	13.9
KMB	15.4	12.0	13.1	13.9	13.5	15.0	16.0	16.0	11.2	13.5	15.0	15.0
SBIN	17.3	15.3	15.9	15.7	12.4	12.5	13.0	13.0	9.5	11.5	12.0	12.0
FB	13.0	11.3	12.7	13.4	12.1	13.0	15.0	16.0	12.3	11.5	13.8	14.9
ICICIBC	17.8	16.1	16.1	16.0	13.3	13.5	14.0	14.0	14.0	13.5	14.0	14.0
UNBK	17.1	14.5	15.2	14.8	9.5	8.5	10.0	11.0	7.2	5.5	9.0	10.0
IIB	4.2	10.1	10.8	11.5	0.5	8.0	11.0	12.0	6.8	7.1	9.8	10.8
INBK	17.1	14.9	15.8	15.9	10.9	12.0	12.5	12.5	7.1	9.5	10.5	10.5
CBK	17.9	16.3	15.8	15.3	12.6	11.2	12.4	NA	11.0	9.1	10.7	NA
PNB	14.2	11.9	12.4	12.3	15.3	NA	NA	NA	14.4	11.6	NA	NA
BANDHAN	13.2	10.7	12.5	13.0	9.8	NA	NA	NA	11.8	NA	NA	NA

Banks	NIM (%)				Cost/Income (%)				Total Credit Cost (%)			
	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
BOB	3.1	2.9	3.0	3.0	47.9	48.6	47.1	46.7	0.5	0.6	0.6	0.6
BOI	2.8	2.6	2.7	2.8	50.8	52.5	51.3	49.0	0.7	0.6	0.6	0.6
AXSB	4.0	3.9	4.0	4.0	47.1	47.2	46.6	46.4	0.8	0.8	0.8	0.7
BOM	4.0	3.8	3.9	4.0	38.4	38.6	38.2	38.0	1.1	0.8	0.7	0.7
HDFCB	3.5	3.4	3.6	3.7	40.5	38.0	38.6	37.8	0.5	0.8	0.5	0.5
KMB	5.0	4.8	5.0	5.0	43.4	47.5	47.0	46.0	0.7	0.8	0.6	0.5
SBIN	3.1	2.9	3.1	3.2	51.6	50.6	48.9	48.4	0.4	0.5	0.5	0.5
FB	3.1	3.0	3.2	3.3	54.0	54.8	53.4	52.4	0.3	0.5	0.5	0.5
ICICIBC	4.3	4.1	4.2	4.3	38.6	38.7	38.6	38.5	0.4	0.5	0.5	0.5
UNBK	2.9	2.7	2.9	2.9	45.5	47.7	45.8	46.0	0.8	0.7	0.7	0.7
IIB	3.6	3.7	3.9	4.0	60.2	53.1	52.0	50.9	2.0	1.4	1.4	1.4
INBK	3.4	3.2	3.3	3.4	44.8	47.3	44.8	44.5	0.8	0.6	0.7	0.7
CBK	2.6	2.6	2.6	NA	47.3	NA	NA	NA	0.9	NA	NA	NA
PNB	2.7	2.7	NA	NA	54.6	NA	NA	NA	0.2	NA	NA	NA
BANDHAN	7.1	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Source: Company, Systematix Institutional Research, Sorted on potential upside, Valuation multiples are calculated after excluding the value of subsidiaries/associates from CMP

Key Risks for the Banking Sector

US' tariff tantrum could weigh on banking sector demand: Businesses globally are seeing trade disruptions initiated by the US through increased tariffs on several nations. India currently faces a double tariff of 25% plus 25%, which will have a bearing on its global competitiveness. The government has taken measures such as GST cuts to cushion the economy against the tariff shock. If exports from India were to fall significantly in the coming years, they could have a huge impact on the domestic economy. Though tariffs per se do not have any direct implications on banks, a slowdown in economic activities could weigh on the banking sector demand.

Slow government capex could hamper infra credit in the banking sector: To boost the economy, central government has reduced GST rates for various products, effective 22 September 2025. While the government has assessed an annual revenue loss of ~Rs 480bn, our economics team has pegged the same at ~Rs 1.2trn. A huge revenue loss could constrain government's capital expenditure spend, squeezing the credit demand from infrastructure sector.

Rate transmission could impact banks' NIMs on further rate cuts: The Reserve Bank of India (RBI) has cut repo rate by 100bps from February 2025 to June 2025. With banks passing on the change in repo rate to their repo-linked loans based on their internal rate transmission policies (T+1 to T+90), yields could see a more immediate impact as against the gradual change in deposit rates. Currently the rate transmission has brought banks' Net Interest Margins under pressure. Although we expect margins to stabilize 3QFY26 onwards, they could see further pressure if the RBI announces more repo rate cuts.

Delinquencies in the MSME sector could impact bank financials: There are increasing concerns surrounding the cashflow constraints in the MSME sector, one of the key growth drivers in the banking sector currently. Though banks have not seen any incremental stress in this sector, they have increased the vigilance in MSME loans. Any rise in stress in the MSME sector could adversely impact the revenue and profitability of the banking sector.

Transition to ECL could have a bearing on banks' profitability on implementation: The banking sector is currently following RBI's Income Recognition, Asset Classification, and Provisioning guidelines for asset classification and provisioning. However, it will eventually have to transition to the Expected Credit Loss (ECL) framework. While the RBI is yet to issue a formal draft or timeline for ECL implementation, an internal process is underway, with banks submitting accounts to RBI after factoring in the ECL aspects. Given the lack of clarity, it is difficult to exactly assess the impact of the ECL norms on the banking sector, but it could have some initial implication on banks' profitability when implemented.

PSBs Initiated and Under Coverage

Bank of Baroda

18 September 2025

Operational aspects improve on focused approach

INITIATING COVERAGE

Sector: Banking	**Rating: BUY**
CMP: Rs 246	**Target Price: Rs 325**

Stock Info

Nifty	25,330
Bloomberg Code	BOB IN
Equity shares	5,185mn
52-wk High/Low	Rs 267/ 191
Face value	Rs 2
M-Cap	Rs 1,272bn/ USD 14.5bn
3-m Avg volume (NSE)	Rs.1.77bn

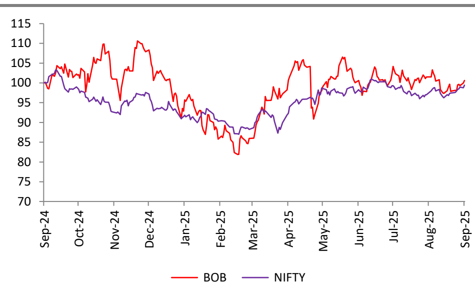
Financial Snapshot (Rs bn)

Y/E March	FY26E	FY27E	FY28E
NII	485	566	642
PPOP	335	397	454
PAT	194	231	265
EPS (Rs)	38	45	51
EPS Gr. (%)	-1	19	15
BV/Sh (Rs)	269	306	349
Adj. BV/Sh (Rs)	253	288	329
Ratios			
NIM (%)	2.9	3.0	3.0
C/I ratio (%)	48.6	47.1	46.7
RoA (%)	1.0	1.1	1.1
RoE (%)	13.4	14.3	14.6
Valuations			
P/E (x)	6.0	5.0	4.4
P/BV (x)	0.8	0.7	0.6
P/Adj. BV	0.9	0.8	0.7

Shareholding pattern (%)

	Dec'24	Mar'25	Jun'25
Promoter	63.97	63.97	63.97
–Pledged	-	-	-
FII	8.90	8.98	8.08
DII	17.86	17.97	18.78
Others	9.27	9.09	9.15

Stock Performance



Siddharth Rajpurohit
siddharthrajpurohit@systematixgroup.in
+91 22 6704 8065

Rishit Savla
rishitsavla@systematixgroup.in
+91 22 6704 8036

Bank of Baroda (BOB) has achieved an above industry advances growth of 13.2% YoY as of June 2025 of which the RAM segment grew by 16% YoY. BOB has increased the share of RAM segment in total advances to 60% and targets to take it to 65% in coming 2-3 years. The yield is RAM segment is above the whole bank yield. Though the NIM is under pressure and is expected to be under pressure in 2QFY26 also, it is expected to stabilize from 3QFY26. Though the contribution of recoveries from TWO book in RoA is not very high but still somewhat meaningful at 19% for FY25, it is not expected to come-off in the coming 2-3 years given the book size of Rs 764bn as of March 2025. We expect BOB's Core PPOP and net profit to grow at a CAGR of 15% and 11% respectively over FY25 to FY28E. We value the bank at a Price to adjusted book value (adjusted for revaluation reserve and Net Deferred Tax Asset) of 1.0x and arrive at our target price of Rs. 325 for a RoA profile of 1.0%/1.1%/1.1% and RoE profile of 13.4%/14.3%/14.6% for FY26E/FY27E/FY28E. We assign a per share value of Rs. 21 to its subsidiaries/associates in SOTP. With an upside of 32% from current market price, we assign BUY rating for BOB.

Comprehensive assessment processes ensure early weeding of riskier proposals: BOB has strengthened its asset quality, bringing gross NPA to a decade low of 2.3% as of March 2025 from 6.6% in March 2022, while Net NPA stood at of 0.6% as of June 2025. Enhanced underwriting, robust credit appraisal, and risk management, supported by Internal Credit Risk Models and predictive analytics, have helped BOB in moderating fresh slippages to achieve a gross slippage ratio of 1.1% in FY25. BOB's provision coverage ratio of 74% (93% including TWO) and SMA 1 & 2 at 0.4%, underscore its strong asset quality.

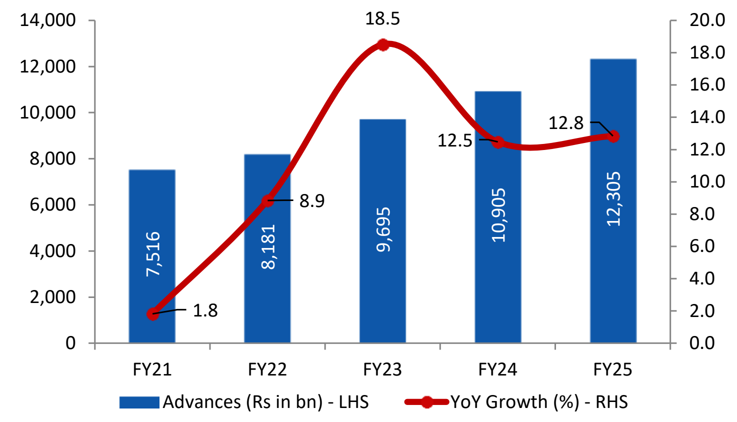
Continuous improvement in RAM share to strengthen yield profile: BOB has prioritized its Retail, Agriculture, and MSME (RAM) loan portfolios, which grew 17% YoY in FY25, ahead of the 13.7% growth in domestic Advances. Within RAM, retail loans surged by 21% YoY in FY25, driving its share in domestic advances to 60% as of March 2025 from 56% in March 2022. The bank's digital innovations, including end-to-end digital loan processing and with dedicated centres have cut the turnaround time to under five days enhancing customer experience. BOB aims to increase the share of RAM to 65% over the next 2–3 years.

Robust systems support its strong focus on recoveries: BOB has strengthened recoveries and contained slippages through robust systems, including a cluster-based approach for Agriculture, MSME, and Retail loans, backed by dedicated recovery officers and Feet-on-Street teams. The bank actively leverages SARFAESI actions and OTS schemes to address NPAs. Digital platforms like QLICK and ILMS enable real-time analytics and NPA monitoring. Recoveries from TWO accounts rose to Rs 47.7bn in FY25 from Rs 39.4bn in FY24, contributing 22bps to the bank's 116bps RoA. With a sizeable TWO book of Rs 764bn, recoveries are expected to remain strong.

Focus on deposit granularity: BOB maintains a well-diversified deposit base, with the top 20 depositors holding mere 4.8% of total deposits as of March 2025. Retail and small business deposits form 60% of the mix and have a healthy CASA ratio of 39%. To deepen its franchise, BOB leverages multi-channel marketing, which includes TV, radio, and social media, targeting new-gen customers.

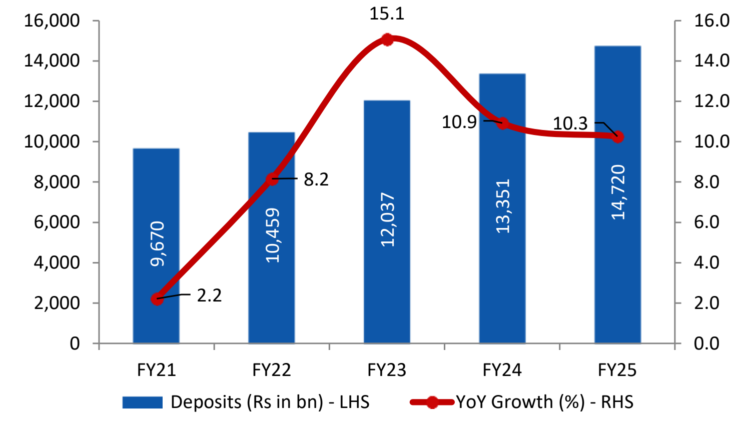
Story in Charts

Exhibit 1: Advances and Advances YoY growth (%)



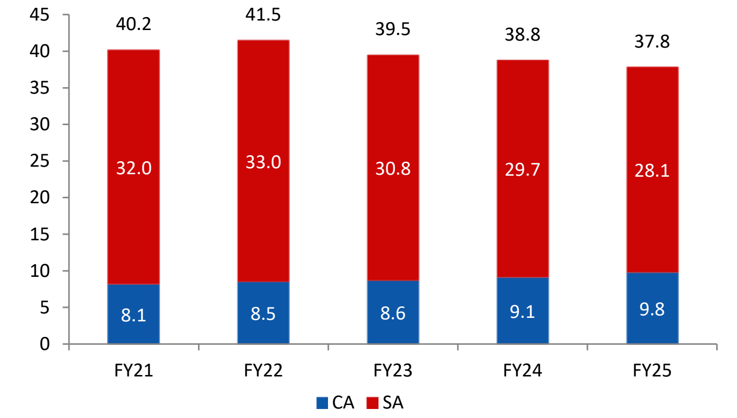
Source: Company, Systematix Institutional Research

Exhibit 2: Deposits and Deposits YoY growth (%)



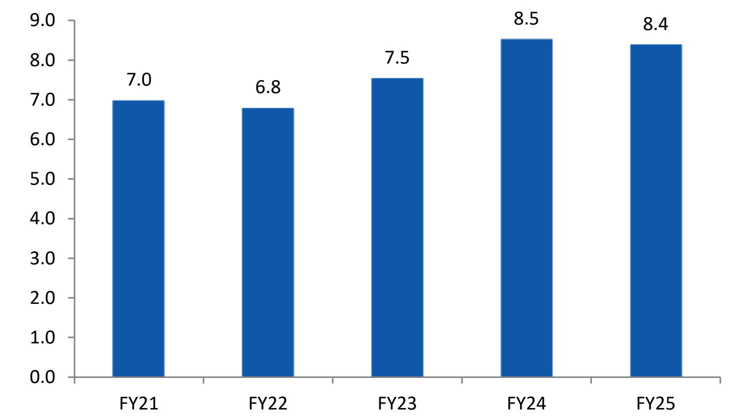
Source: Company, Systematix Institutional Research

Exhibit 3: CASA ratio (%)



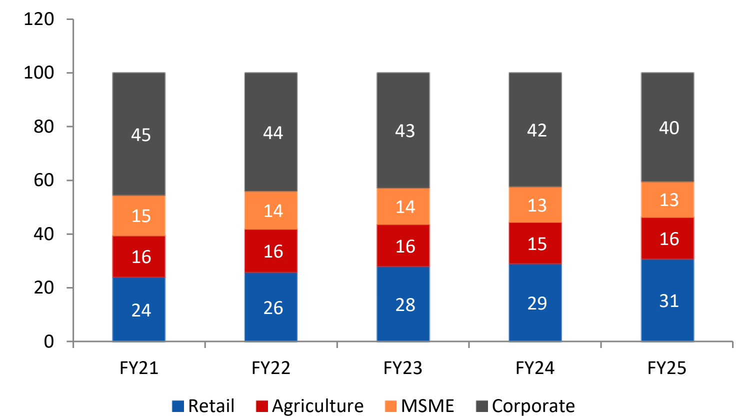
Source: Company, Systematix Institutional Research

Exhibit 4: Yield on Advances (%)



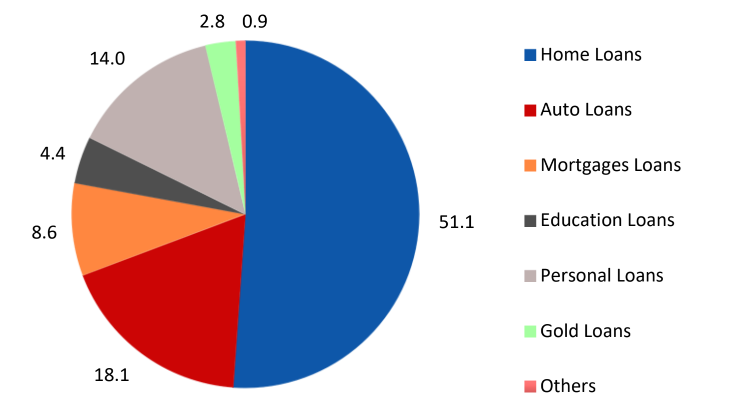
Source: Company, Systematix Institutional Research

Exhibit 5: Loan mix trend over the years (%)



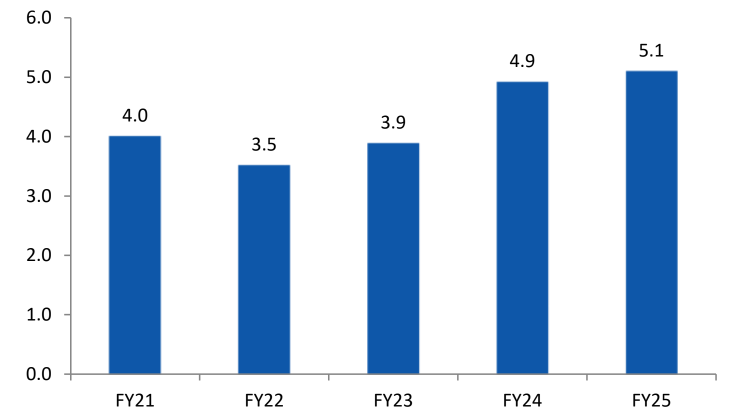
Source: Company, Systematix Institutional Research

Exhibit 6: Mix of retail advances (%)



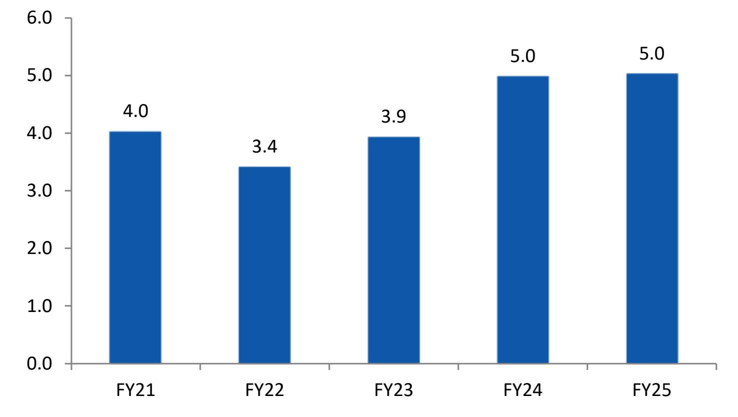
Source: Company, Systematix Institutional Research

Exhibit 7: Cost of Deposits (%)



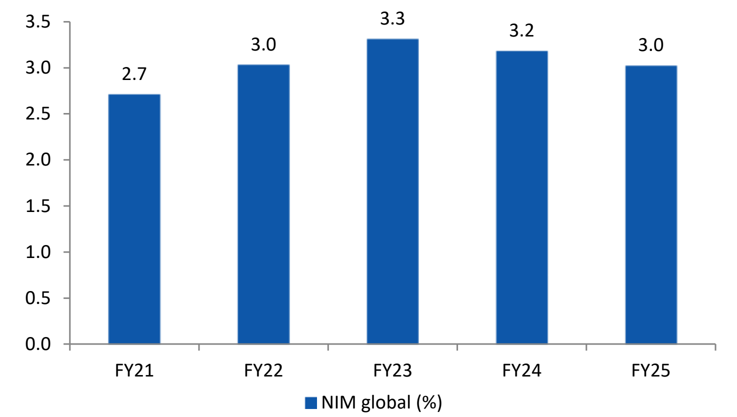
Source: Company, Systematix Institutional Research

Exhibit 8: Cost of Funds (%)



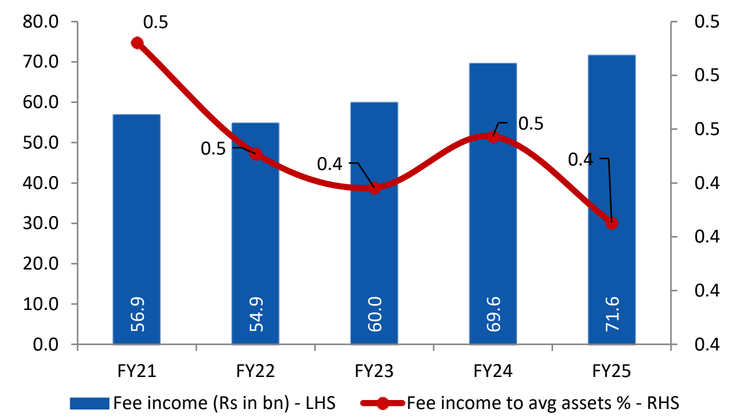
Source: Company, Systematix Institutional Research

Exhibit 9: Net Interest Margin (%)



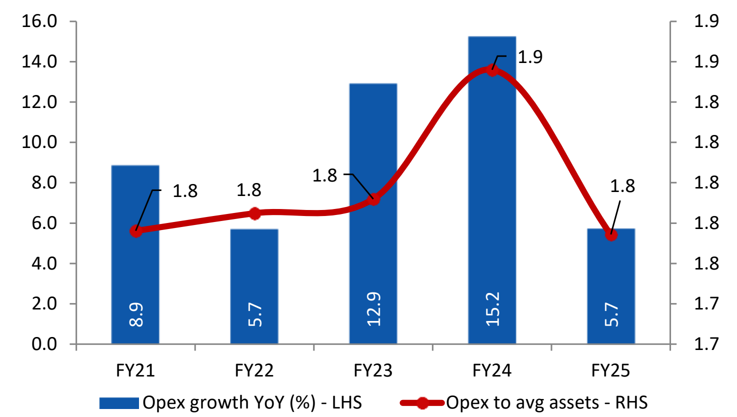
Source: Company, Systematix Institutional Research

Exhibit 10: Fee Income and as % of average assets



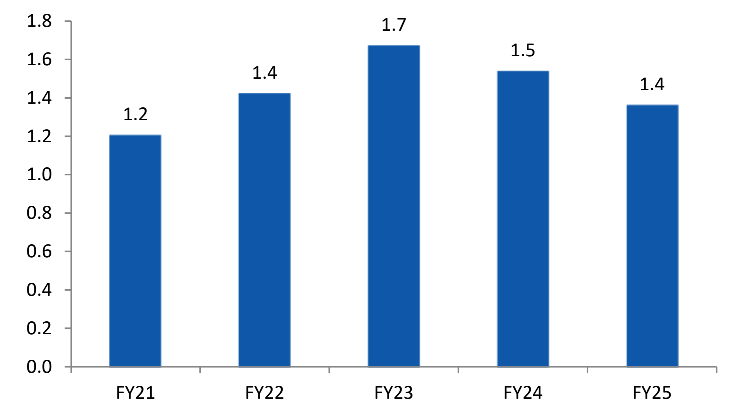
Source: Company, Systematix Institutional Research

Exhibit 11: Opex YoY growth and as % of average assets



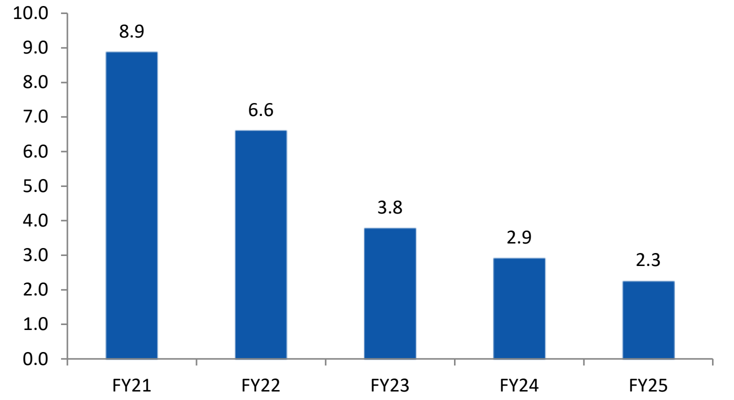
Source: Company, Systematix Institutional Research

Exhibit 12: Core PPOP margin (%)



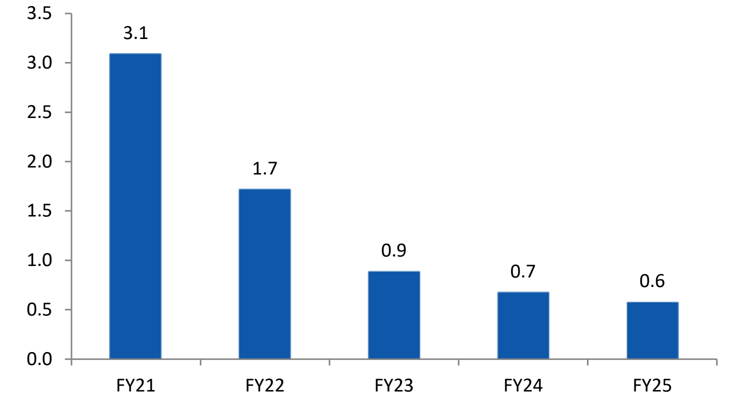
Source: Company, Systematix Institutional Research

Exhibit 13: GNPA (%)



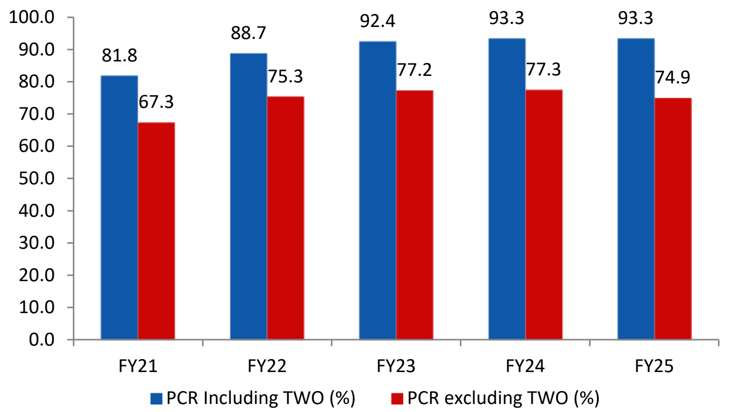
Source: Company, Systematix Institutional Research

Exhibit 14: NNPA (%)



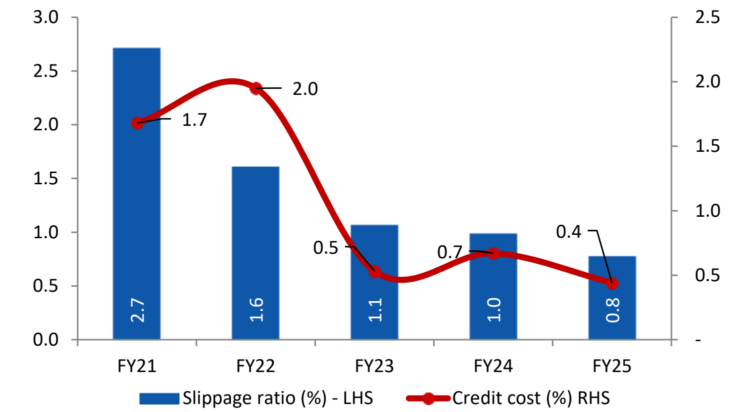
Source: Company, Systematix Institutional Research

Exhibit 15: Provisions Coverage Ratio (%)



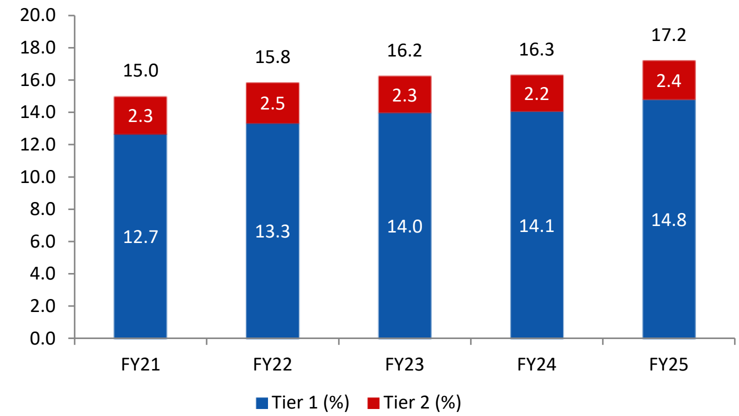
Source: Company, Systematix Institutional Research

Exhibit 16: Annualized Slippage ratio and Credit Cost (%)



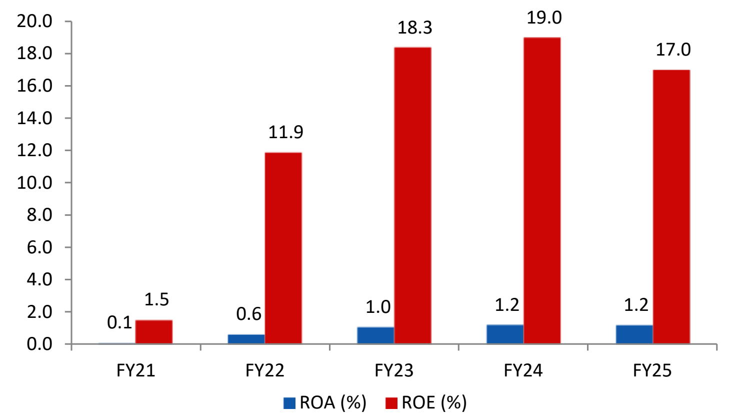
Source: Company, Systematix Institutional Research

Exhibit 17: Capital Adequacy ratio (%)



Source: Company, Systematix Institutional Research

Exhibit 18: RoA and RoE (%)



Source: Company, Systematix Institutional Research

Investment Rationale

Comprehensive assessment processes ensure early weeding of riskier proposals

Bank of Baroda (BOB) has significantly strengthened its asset quality, achieving decadal low gross NPA and net NPA ratios, driven by continuous strengthening of underwriting standards that have curtailed fresh slippages. The bank has built a strong credit appraisal and risk management framework for identification, measurement, monitoring, and control of the risks in credit exposures. BOB uses various Internal Credit Risk Assessment Models and scorecards to assess borrower-wise credit risk. It has developed various credit risk models for the internal credit ratings of borrowers, which are periodically reviewed through comprehensive internal as well as external validation. The internal ratings are validated by an independent rating validating authority. A dedicated team tracks internal and external developments to assess the performance impact of its portfolio and pro-active remedial actions are recommended.

BOB also extensively uses technology for a comprehensive assessment of the proposals. It also employs predictive analytics to identify the accounts at risk of slippage, focusing on technical irregularities and overdue payments. By integrating digital tools like GST and ITR analysers and launching dashboards for monitoring credit discipline, the bank maintains a proactive stance in sustaining asset quality and minimizing credit risk.

These efforts have led to a sea of change in the bank's overall asset quality, whereby its gross NPA has fallen from 6.6% as of March 2022 to 2.3% as of March 2025. As of June 2025, the bank's specific provision coverage ratio was 74%, and including TWO provisions, the PCR stood at 93%; Net NPA stood at 0.6% during this period. The bank's fresh slippages have also trended lower over the last few years and the gross slippage ratio was at 1.1% for FY25. Hence, the bank is currently well placed on overall asset quality. Also, with SMA 1 & 2 as % of standard advances at mere 40bps (for accounts with outstanding above Rs 50mn CRILC data) there is no major threat of slippages increasing in the near term.

Continuous improvement in the share of RAM segment in total advances to improve yield profile

BOB has increased its focus on Retail, Agriculture, and MSME (RAM) loan portfolios to achieve strong growth through strategic initiatives and digital innovations. The bank has successfully implemented numerous digital banking initiatives and implemented end-to-end digital process for many retail loans such as Personal Loan, Auto Loan, Education Loan, Retail Gold Loan, PM Surya Ghar Scheme and in two-wheeler loans. The bank has specifically identified branches with high potential for retail loans and with dedicated centres have reduced the average turnaround time to under five days.

MSME advances rose by 14% YoY in FY25. BOB has 359 MSME specialized branches that contributes around 24% to the portfolio via the 'Tejas' platform. BOB's 'GST Sahay' scheme facilitates invoice-based financing and along with Digital Mudra Loans have streamlined MSME lending. The bank has strengthened its lead generation through Corporate DSAs, Referral DSAs, and the Lead Force App, while partnerships with OEMs and dealers boosted Auto Loan growth. By integrating digital tools, revamping processes, and aligning with government initiatives, the bank enhanced customer experience, reduced turnaround times, and maintained healthy asset quality.

The bank's domestic Advances grew at 13.7% YoY in FY25, while the RAM segment expanded at 17%. Retail, which grew at 21% YoY in FY25, has been the key driver within the RAM segment. With increased focus on the RAM segment, its share has steadily risen to ~60% of domestic Advances as of March 2025 versus 56% as of March 2022. Going forward too, BOB expects to enhance focus on the share of this segment to surpass the overall loan growth. The bank has a target to increase the share of RAM to 65% in the coming 2 to 3 years. The RAM segment yield is at around 9.5%, much higher than the bank's domestic yield of around 8.6% as of 1QFY26. Hence, with growing share of RAM segment the bank's overall yield would also improve.

Strong focus on recoveries backed by robust processes and systems

BOB has implemented robust systems to enhance recoveries and reduce slippages across its loan portfolio. For Agriculture, MSME, and Retail loans, it employs a cluster-based approach with dedicated recovery officers who ensure effective monitoring. Small NPA and SMA accounts are assigned to recovery agents and feet-on-street teams, overseen by portfolio managers at the zonal and regional offices for targeted follow-ups. It rigorously pursues SARFAESI actions for all eligible NPA accounts until asset disposal and recovery, widely publicizing auction details. The bank also launches one-time settlement schemes, targeting NPA, TWO, and Prudential Write-Off accounts. Its Stressed Asset Management and Credit Monitoring verticals closely track large corporate SMA-I and SMA-II accounts to explore recovery and prospects for upgradation.

The bank is also extensively making use of technology and has implemented end-to-end digitalization of its recovery and monitoring processes. Tools like QLICK provide real-time data analytics, including Days Past Due (DPD) reports, while the Integrated Loan Monitoring System (ILMS) offers a 360-degree view of NPA accounts, tracking SARFAESI, DRT/NCLT statuses, and lawyer performances. These integrated efforts have led to strong and steady recoveries for the bank over the last few years.

Recoveries from written-off accounts at Rs. 39.4bn in FY24 improved to Rs. 47.7bn in FY25. Recoveries as a percentage of opening TWO book improved to 6% in FY25 from 5% in FY24. Of the bank's RoA of 116bps for FY25, recoveries contributed 22bps (19% of RoA). BOB's total technical written-off (TWO) book has not come off yet and stood at Rs 764bn as at end FY25 as against Rs 758bn as at end FY24. Hence, with amplified focus, strengthened processes and a sizable outstanding book; recoveries are expected to remain healthy, going forward, maintaining their contribution in overall profitability.

Target new-gen customers by focusing on granularity of deposits

BOB currently has a fairly granular deposit profile. With regards to concentration of deposits, top 20 depositors held mere 4.8% share of total deposits as of March 2025. BOB's retail deposits and deposits from small business customers as per LCR disclosure were healthy at 60% of total deposits as of June 2025. The bank also holds a strong CASA ratio of 39% of domestic deposits. The share of retail to bulk including CDs is 70:30 within its term deposits.

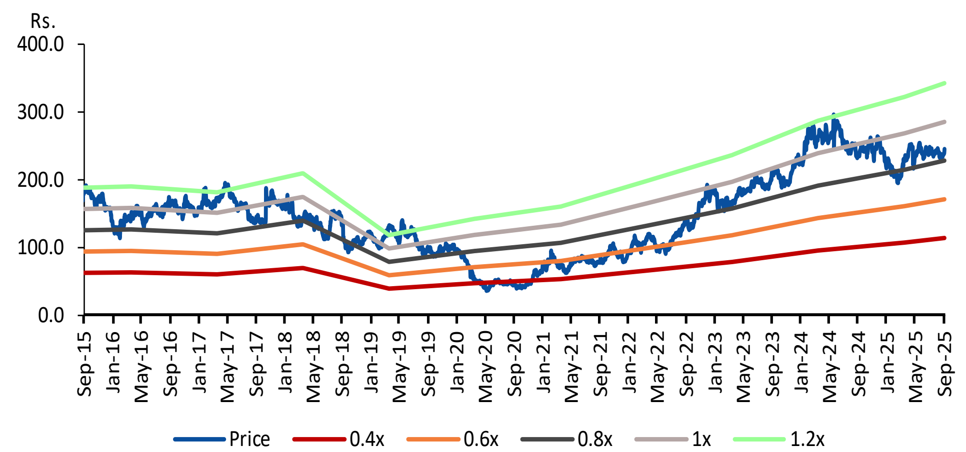
BOB has significantly stepped up its branding and marketing exercises through multiple channels and touchpoints to increase its reach, especially to new generation customers. The bank's extensive multi-channel advertising campaigns include television, radio, print, and cinema. BOB's television campaigns are focused on promoting key retail products such as the Systematic Deposit Plan (SDP), Bob Parivar Account, Bob Masterstroke Account and Bob Green Deposit Plan. Additionally, BOB is leveraging sports events to create high-impact moments for customer engagement. It is also making significant strides in the digital space through social media presence to reach out to millions of customers across various platforms. The bank's strategy focuses on strengthening its brand, improve visibility and maintain its position amongst leading banks in India.

Post merger of Dena Bank and Vijaya Bank with itself in FY20, BOB focused on consolidation and did not expand its branch network in any meaningful way. In FY25, BOB significantly intensified its branch network expansion and expects to maintain momentum, going forward. This should augur well in terms of it garnering deposits, which aligns with the bank's strategy of building granular deposits. These initiatives will also aid in growing the overall deposits, which have grown at a healthy rate of ~10% YoY in past 2 years. BOB's cost of deposits too is healthy at 5.22% for domestic deposits and 5.05% overall for 1QFY26. The bank's ongoing online and offline initiatives are expected to strengthen its deposits growth going forward.

Valuation and Outlook

Bank of Baroda (BOB) has achieved an above industry advances growth of 13.2% YoY as of June 2025 of which the RAM segment grew by 16% YoY. BOB has increased the share of RAM segment in total advances to 60% and targets to take it to 65% in coming 2-3 years. The yield is RAM segment is above the whole bank yield. Though the NIM is under pressure and is expected to be under pressure in 2QFY26 also, it is expected to stabilize from 3QFY26. Though the contribution of recoveries from TWO book in RoA is not very high but still somewhat meaningful at 19% for FY25, it is not expected to come-off in the coming 2-3 years given the book size of Rs 764bn as of March 2025. We expect BOB's Core PPOP and net profit to grow at a CAGR of 15% and 11% respectively over FY25 to FY28E. We value the bank at a Price to adjusted book value (adjusted for revaluation reserve and Net Deferred Tax Asset) of 1.0x and arrive at our target price of Rs. 325 for a RoA profile of 1.0%/1.1%/1.1% and RoE profile of 13.4%/14.3%/14.6% for FY26E/FY27E/FY28E. We assign a per share value of Rs. 21 to its subsidiaries/associates in SOTP. With an upside of 32% from current market price, we assign BUY rating for BOB.

Exhibit 19: 1-year forward Price to Book Value



Source: Company, Systematix Institutional Research

Exhibit 20: 1-year forward Price to Book Value vs mean and standard deviations

Source: Company, Systematix Institutional Research

Management Profile

Dr. Debadatta Chand - Managing Director, Chairperson & CEO

Dr. Chand, B.Tech., MBA, CAIIB, PG Diploma in Equity Research, and Ph.D. (Management), has over three decades of experience in corporate credit, treasury, and risk management. He began with Allahabad Bank and SIDBI, later rising to Chief General Manager at PNB. He joined BOB as Executive Director in 2021 and became MD & CEO in July 2023, leading the bank and group companies. He also chairs BOB Capital Markets, IndiaFirst Life Insurance, and BOBCARD, and serves on IBA, IIBF, NIBM, and CII.

Mr. Lalit Tyagi - Executive Director

A postgraduate in Banking & Finance (NIBM Pune) and CAIIB, Mr. Tyagi joined BOB in 1996 as a Probationary Officer. With 29 years of experience across corporate finance, risk, and international banking, he has held overseas stints in Brussels and New York, later becoming CEO of BOB US operations. Since Nov 2022, he has been Executive Director, overseeing Corporate & Institutional Banking, Treasury, International Banking, and subsidiaries/JVs. He also serves on boards including India Infradebt, IndiaFirst Life Insurance, Indo Zambia Bank, and BOB UK and Uganda.

Mr. Sanjay Vinayak Mudaliar - Executive Director

Mr. Mudaliar, post graduate in Science & Technology and Certified Project Management Practitioner (London), has 30+ years in banking, largely with BOB across India and the UK. Formerly Executive Director at Indian Overseas Bank, he rejoined BOB in Jan 2024 as Executive Director. He earlier served as CTO for BOB's global operations across 17 countries and is known for his techno-functional expertise in product innovation and digital transformation. He is also on the board of NPCI and BOB subsidiaries.

Mr. Lal Singh - Executive Director

Mr. Singh, post graduate in Agricultural Sciences with CAIIB and DITIRM, has 33 years of experience in MSME, rural/agri finance, and HR. Starting at Union Bank in 1990, he drove transformation post the Andhra/Corporation Bank merger and as CGM-HR launched the award-winning "Union Prerna" program. He became BOB Executive Director in Oct 2023 and has served on boards including NABARD subsidiaries, SIDBI, and IIBM. He is known for people development and customer engagement.

Ms. Beena Vaheed - Executive Director

Ms. Vaheed, Executive MBA from IIM Kozhikode with certifications in cybersecurity, ESG, and leadership, began with Corporation Bank in 1993, contributing to its IPO and later leading Retail, MSME, Agri, and HR portfolios. She became Executive Director at BOB in Aug 2024 and also serves on the boards of BOB Capital Markets and Baroda BNP Paribas Asset Management. Awarded the 2024 Distinguished Alumni Award from IIM Kozhikode, she is active in sustainability and risk forums.

Mr. Ashish Madhaorao More - Director

Mr. More, 2005-batch IAS (AGMUT cadre), BA (Nagpur University), has held key administrative roles across UTs, states, and the Centre. He has served as DC in Andaman & Nicobar, Delhi, and Mizoram, Director (Finance) Delhi Jal Board, and Secretary in Goa/Puducherry. At the Centre, he has worked as PS to the Minister of Railways, Director (AIS), and is currently Joint Secretary (Banking), Ministry of Finance.

Mr. Manoranjan Mishra - Director

Mr. Mishra, RBI nominee Director (Dec 2024), retired as Executive at RBI with 30+ years across bank/NBFC regulation, supervision, currency management, enforcement, and risk monitoring. He has contributed to international regulatory groups and holds an MA in Economics, MBA in Banking & Finance, and a Master's in Finance & Regulation (Aston, UK).

Smt. Nina Nagpal - Director

Ms. Nagpal joined BOB's board in Dec 2023 as Shareholder Director. Formerly MD & CEO of Citicorp Finance India Ltd., she was also MD & COO of Morgan Stanley India and CEO of its NBFC. Earlier, she worked with OTC Exchange of India and USAID, where she led a USD 20mn project to strengthen Indian securities markets.

Mr. Ravindran Menon - Director

Mr. Menon, appointed Shareholder Director in May 2024, has 37 years in financial services across HSBC, UBS, ING, and ANZ Grindlays. At HSBC, he was Head of Strategy, part of the Management Committee, and later CEO of HSBC Asset Management India, leading the USD 425mn acquisition of L&T Investment Management. A BITS Pilani and Symbiosis alumnus, he has expertise across investment management, corporate banking, and capital markets.

Mr. Vijay Dube - Director

Mr. Dube, elected Shareholder Director in July 2024, is a career PSU banker with 39 years' experience. He served as Executive Director at PNB and OBC, and earlier held leadership roles in customer service, credit, audit, and L&D across PNB, Vijaya Bank, and State Bank of Mysore (as CVO). He has chaired NIBSCOM and served on SIBSTC and IIBM boards. An MBA (FMS Delhi) and M.Stat (Lucknow), he also holds CAIIB, CISI (London) certification, and is pursuing a Ph.D.

Mr. L Sridhar Inumella V - Chief Financial Officer

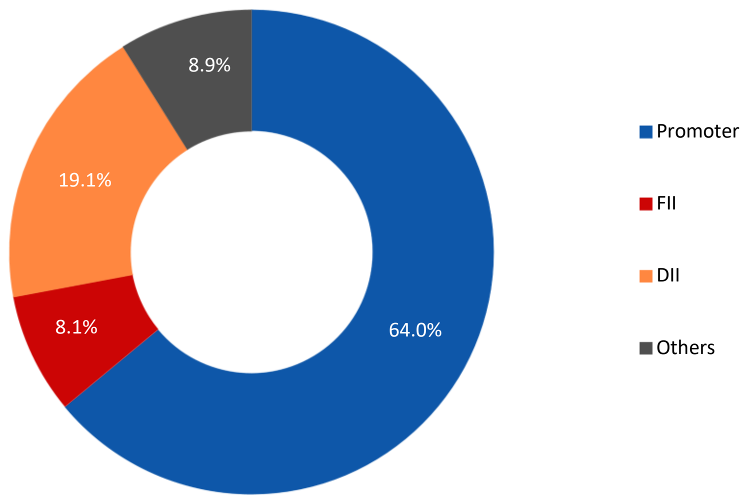
Mr. Inumella, Chartered Accountant, became CFO of BOB in May 2025 after 17 years with the bank. He oversees financial management, budgeting, and credit operations, leveraging his strong domain expertise to strengthen strategy and governance.

Prashant K Agarwal - Company Secretary and Compliance Officer

Mr. Agarwal has been Company Secretary since Dec 2017, managing governance, compliance, board administration, and regulatory reporting. With extensive experience in corporate governance and SEBI frameworks, he plays a pivotal role in sustaining BOB's governance and compliance standards.

Shareholding pattern, Top Shareholders and Recent Dilution

Exhibit 21: Shareholding Pattern (as of June 2025)



Source: BSE, Systematix Institutional Research

Exhibit 22: Top 10 shareholders (as of 17th September 2025)

Sr. No.	Shareholder	Stake (%)
1	Republic of India	64.0
2	LIC	7.5
3	HDFC Asset Management Co Ltd	2.8
4	SBI Funds Management Ltd	1.7
5	Kotak Mahindra Asset Management Co	1.3
6	Nippon Life India Asset Management	1.0
7	ICICI Prudential Asset Management	0.9
8	Vanguard Group Inc/The	0.9
9	Blackrock Inc	0.7
10	Norges Bank	0.4

Source: Bloomberg, Systematix Institutional Research

Exhibit 23: Equity dilution history

Particulars	Mode	Dilution (%)	Price (Rs.)
3 Mar 2021	QIP	11.9	81.7
12 Dec 2019	Preferential Allotment	16.4	107.5

Source: AceEquity, Systematix Institutional Research

Financials

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	1,126	1,214	1,310	1,467	1,668
Interest expense	(679)	(758)	(825)	(902)	(1,026)
Net interest income	**447**	**457**	**485**	**566**	**642**
Fee Income	70	72	81	94	106
Other Income	75	95	85	91	103
Total Non-interest income	**145**	**166**	**166**	**185**	**209**
Total income	**592**	**623**	**651**	**750**	**851**
Operating expenses	(283)	(299)	(317)	(354)	(397)
PPoP	**310**	**324**	**335**	**397**	**454**
Core PPOP	**234**	**229**	**249**	**306**	**351**
Provisions	(61)	(60)	(75)	(88)	(99)
Profit before tax	**249**	**265**	**260**	**309**	**354**
Taxes	(71)	(69)	(65)	(78)	(89)
Net profit	**178**	**196**	**194**	**231**	**265**

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	10	10	10	10	10
Reserves & surplus	1,112	1,359	1,510	1,698	1,920
Net worth	**1,122**	**1,369**	**1,520**	**1,708**	**1,930**
Deposits	13,270	14,720	16,244	18,094	20,263
Borrowings	944	1,237	1,337	1,550	2,021
Other liabilities	522	486	509	554	599
Total liabilities	**15,858**	**17,812**	**19,611**	**21,907**	**24,814**
Total cash & equ.	951	1,258	1,111	1,041	1,181
Investments	3,698	3,854	4,288	4,826	5,454
Advances	10,658	12,096	13,547	15,308	17,375
Fixed assets	79	124	136	150	165
Other assets	472	481	529	582	640
Total assets	**15,858**	**17,812**	**19,611**	**21,907**	**24,814**

Source: Company, Systematix Institutional Research

Dupont

YE: Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.4	7.2	7.0	7.1	7.1
Interest expense	(4.5)	(4.5)	(4.4)	(4.3)	(4.4)
Net interest income	**2.9**	**2.7**	**2.6**	**2.7**	**2.7**
Non-interest income	1.0	1.0	0.9	0.9	0.9
Total income	**3.9**	**3.7**	**3.5**	**3.6**	**3.6**
Operating expenses	(1.9)	(1.8)	(1.7)	(1.7)	(1.7)
PPoP	**2.0**	**1.9**	**1.8**	**1.9**	**1.9**
Provisions	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Profit before tax	**1.6**	**1.6**	**1.4**	**1.5**	**1.5**
Taxes	(0.5)	(0.4)	(0.3)	(0.4)	(0.4)
Net profit	**1.2**	**1.2**	**1.0**	**1.1**	**1.1**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)					
Net interest income	8.1	2.1	6.3	16.6	13.5
Total Income	15.2	5.2	4.5	15.2	13.4
PPoP	15.3	4.7	3.1	18.6	14.3
Net profit	26.1	10.1	(0.8)	19.1	14.6
Advances	13.3	13.5	12.0	13.0	13.5
Deposits	10.2	10.9	10.4	11.4	12.0
Return Ratios (%)					
Return on Average Equity	16.9	15.7	13.4	14.3	14.6
Return on Average Assets	1.2	1.2	1.0	1.1	1.1
Per share data (Rs)					
EPS	34	38	38	45	51
BVPS	198	240	269	306	349
ABVPS	184	227	253	288	329
Valuation multiples (x)					
P/E	6.5	5.9	6.0	5.0	4.4
P/BV	1.1	0.9	0.8	0.7	0.6
P/ABV	1.2	1.0	0.9	0.8	0.7
Spread Analysis (%)					
Net interest margin	3.2	3.1	2.9	3.0	3.0
Yield on loans	8.5	8.2	7.9	8.0	8.0
Cost of deposits	4.7	4.8	4.7	4.7	4.7
Loan-deposit ratio	80.3	82.2	83.4	84.6	85.7
Opex control (%)					
Cost/Income ratio	47.7	47.9	48.6	47.1	46.7
Cost to average assets	1.9	1.8	1.7	1.7	1.7
Asset quality (%)					
Gross NPL ratio	2.9	2.3	2.3	2.2	2.1
Gross Slippage ratio	1.0	0.8	1.1	1.0	1.0
Total Credit Cost	0.6	0.5	0.6	0.6	0.6
Net NPA ratio	0.7	0.6	0.6	0.6	0.6

Source: Company, Systematix Institutional Research

SYSTEMATIX INSTITUTIONAL EQUITIES ™

Systematix
Institutional Equities

Bank of India

18 September 2025

Strong growth and a robust asset quality

INITIATING COVERAGE

Sector: Banking	Rating: BUY
CMP: Rs 120	Target Price: Rs 150

Stock Info	
Nifty	25,330
Bloomberg Code	BOI IN
Equity shares	4,553mn
52-wk High/Low	Rs 130/ 90
Face value	Rs 10
M-Cap	Rs 545bn/ USD 6.2bn
3-m Avg volume (NSE)	Rs.0.83bn

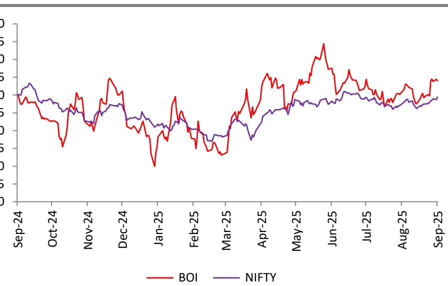
Financial Snapshot (Rs bn)

Y/E March	FY26E	FY27E	FY28E
NII	255	291	340
PPOP	167	189	231
PAT	93	106	132
EPS (Rs)	20	23	29
EPS Gr. (%)	1	13	25
BV/Sh (Rs)	168	187	210
Adj. BV/Sh (Rs)	156	175	197
Ratios			
NIM (%)	2.6	2.7	2.8
C/I ratio (%)	52.5	51.3	49.0
RoA (%)	0.9	0.9	1.0
RoE (%)	11.3	11.7	13.2
Valuations			
P/E (x)	5.8	5.1	4.1
P/BV (x)	0.7	0.6	0.6
P/Adj. BV	0.8	0.7	0.6

Shareholding pattern (%)

	Dec'24	Mar'25	Jun'25
Promoter	73.38	73.38	73.38
–Pledged	-	-	-
FII	2.92	3.88	3.53
DII	16.40	15.90	15.97
Others	7.30	6.83	7.13

Stock Performance



Siddharth Rajpurohit
siddharthrajpurohit@systematixgroup.in
+91 22 6704 8065

Rishit Savla
rishitsavla@systematixgroup.in
+91 22 6704 8036

Bank of India (BOI) delivered ~14% YoY growth in Advances as of June 2025, supported by Credit to Deposit ratio of 79% and Liquidity Coverage Ratio of 128%. These metrics position the bank well to sustain its growth trajectory. While Net Interest Margin is expected to remain under pressure in 2QFY26, we anticipate stabilization 3QFY26 onwards. The contribution of recoveries from technically written off (TWO) book is not very high, though somewhat meaningful at ~20% of FY25 RoA. It is unlikely to come-off in the coming 2-3 years, given its book size of Rs 486bn as of March 2025. We expect BOI's Core PPOP and Net Profit to expand at 18% and 13% CAGR, respectively, over FY25 to FY28E. We value the bank at a Price to Adjusted Book value (adjusted for Revaluation Reserve and Net Deferred Tax Asset) of 0.8x to arrive at our target price of Rs. 150 for an RoA profile of 0.9%/0.9%/1.0% and RoE profile of 11.3%/11.7%/13.2% for FY26E/FY27E/FY28E, respectively. With an upside of 25% from current market price, we assign BUY rating for BOI.

Strategic changes in underwriting processes bearing fruits: Bank of India (BOI) employs a robust, tech-driven framework to maintain asset quality and minimize credit risks. It centralizes MSME loan processing up to Rs 50mn digitally, uses an Early Warning Signal (EWS) system for proactive monitoring, and leverages the System Asset Classification (SASCL) program to flag potential slippages. Regular audits ensure compliance. BOI's Gross NPA dropped from 10% in FY22 to 3.2% in FY25, with Net NPA at 0.8% and a well-controlled slippage ratio of 1.3% in 1QFY26.

Heightened focus on recoveries to keep the healthy contribution trend buoyant: BOI enhances operational efficiency through dedicated zonal centers for NPA recovery and credit monitoring, supported by a Stressed Assets Management vertical. It emphasizes early identification and resolution to prevent SMAs from becoming NPAs, offering rehabilitation packages or NCLT referrals. Robust strategies include settlement schemes, daily NPA marking, SARFAESI invocation, and mega e-auctions. Recoveries improved from Rs 14.67bn (FY24) to Rs 23.65bn (FY25), contributing 18bps (~20%) to BOI's 90bps RoA. The TWO book is still at an elevated level of Rs 486bn and recoveries of Rs 19bn–24bn are expected for FY26.

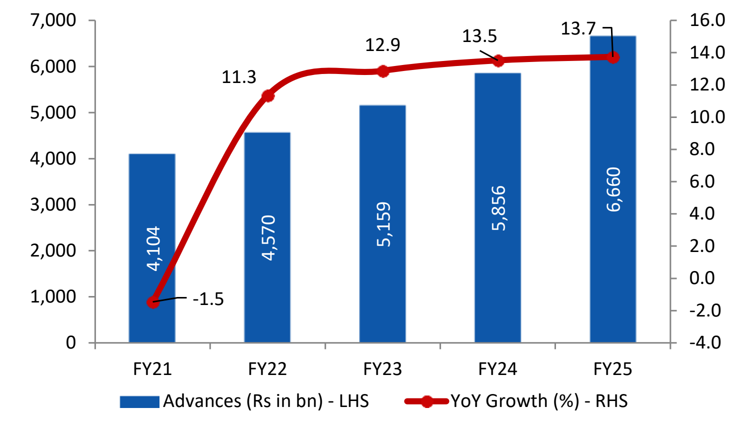
Shifting the loan mix towards higher margin products: BOI is reshaping its loan book to prioritize Retail, Agriculture, and MSME (RAM) segments for sustainable, high-margin growth. Specialized credit-processing centers accelerate RAM growth. Bank's Retail segment targets young, urban affluent customers with tailored Education, Vehicle, and Home Loans. MSME initiatives include GST-based financing, cluster finance, and channel financing, supported by 125 MSME-focused branches and 111 SME processing centers. RAM's share in domestic advances rose from 51.6% (March 2021) to 57.3% (March 2025).

Robust advances and healthy deposit growth momentum to continue: In FY25, BOI Net advances grew by 15.4% YoY, outpacing the industry's 11% growth, while deposits grew by 10.7%, aligning with industry trends. The Retail segment saw ~20% growth in FY25, driving overall advances. BOI's Credit to Deposit ratio at 80% as of FY25, reflects availability of liquidity for growth. Management targets 12–13% advances growth and 10–11% deposit growth for FY26. We estimate a CAGR of ~13% for advances and ~10% for deposits over FY25–FY28E.

Investors are advised to refer disclosures made at the end of the research report.

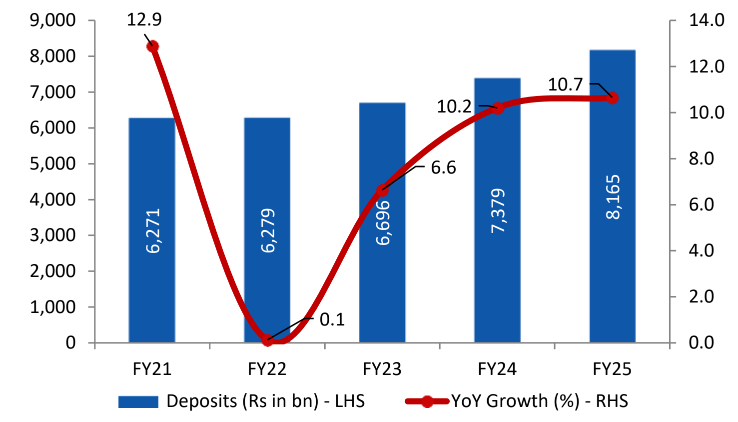
Story in Charts

Exhibit 1: Advances and Advances growth YoY (%)



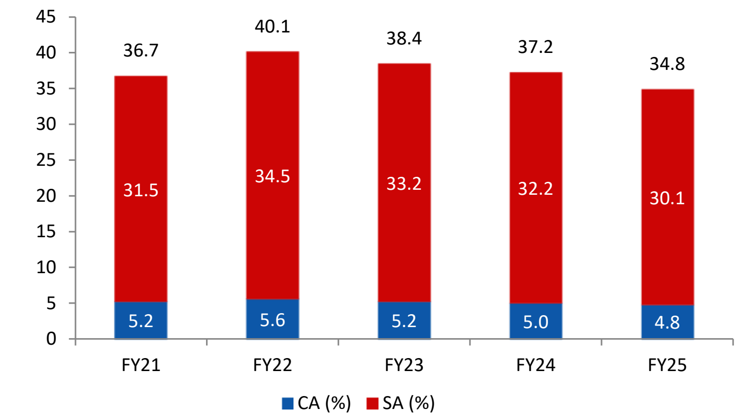
Source: Company, Systematix Institutional Research

Exhibit 2: Deposits and Deposit growth YoY (%)



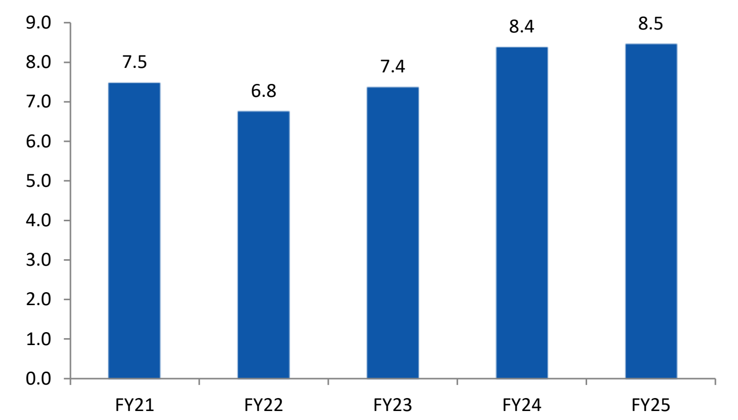
Source: Company, Systematix Institutional Research

Exhibit 3: CASA ratio (%)



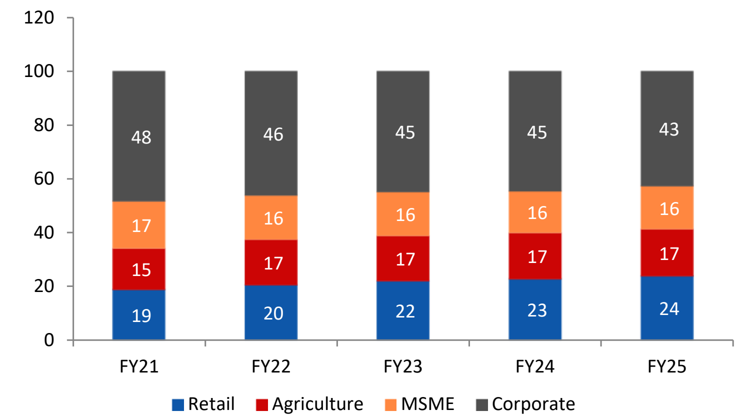
Source: Company, Systematix Institutional Research

Exhibit 4: Yield on Advances (%)



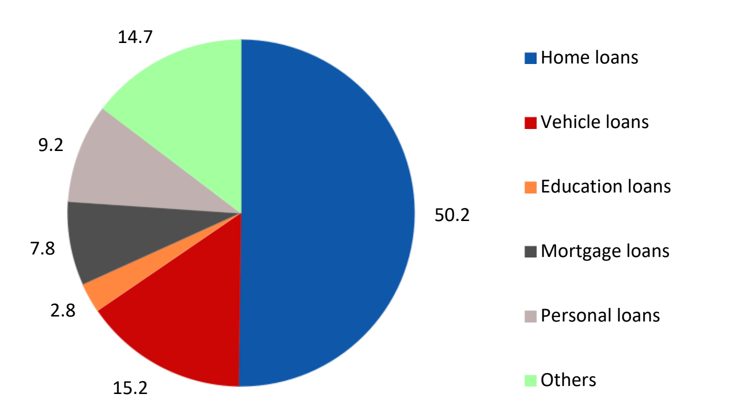
Source: Company, Systematix Institutional Research

Exhibit 5: Loan mix trend over the years (%)



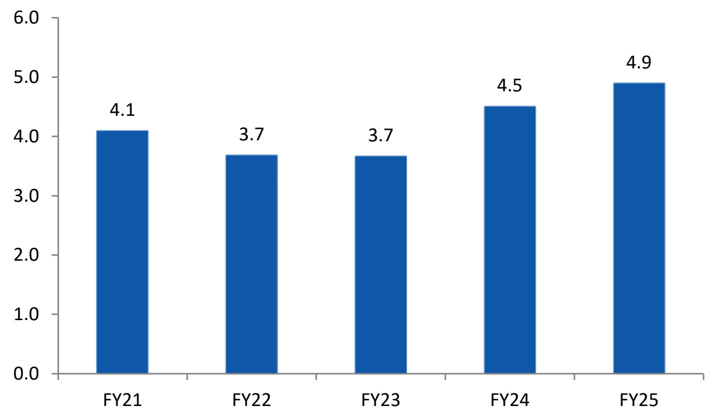
Source: Company, Systematix Institutional Research

Exhibit 6: Mix of retail advances (%)



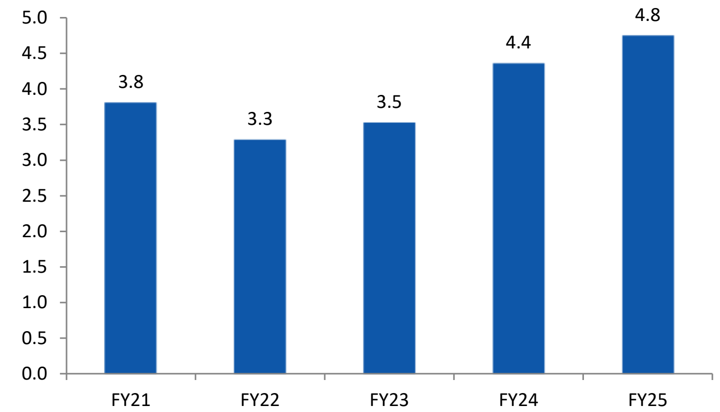
Source: Company, Systematix Institutional Research

Exhibit 7: Cost of Deposits (%)



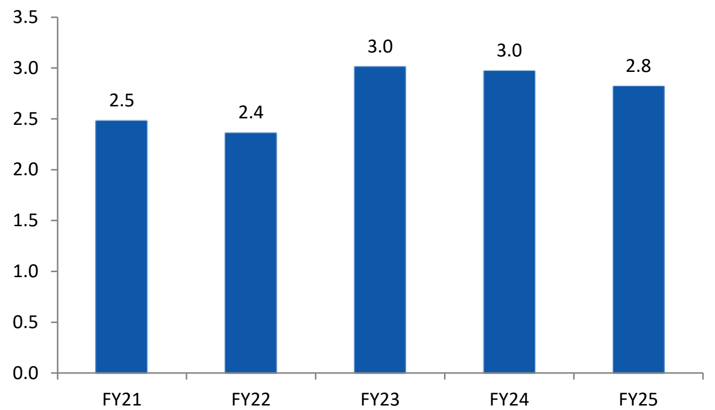
Source: Company, Systematix Institutional Research

Exhibit 8: Cost of Funds (%)



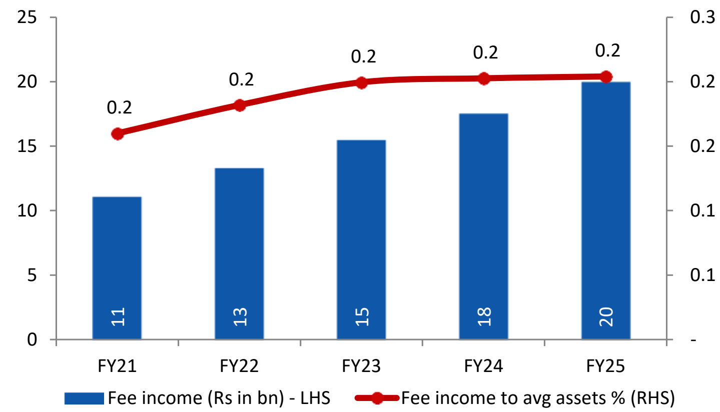
Source: Company, Systematix Institutional Research

Exhibit 9: Net Interest Margin (%)



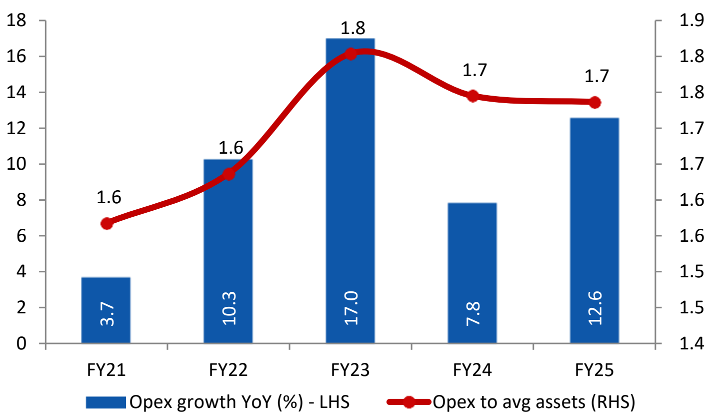
Source: Company, Systematix Institutional Research

Exhibit 10: Fee Income and as % of Average Assets (%)



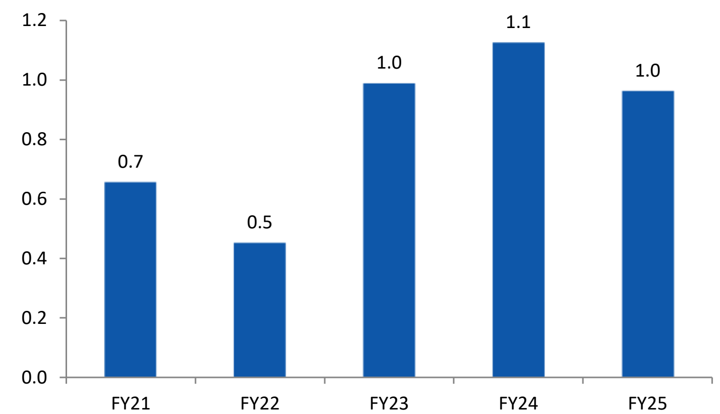
Source: Company, Systematix Institutional Research

Exhibit 11: Opex growth YoY and as % of Average Assets (%)



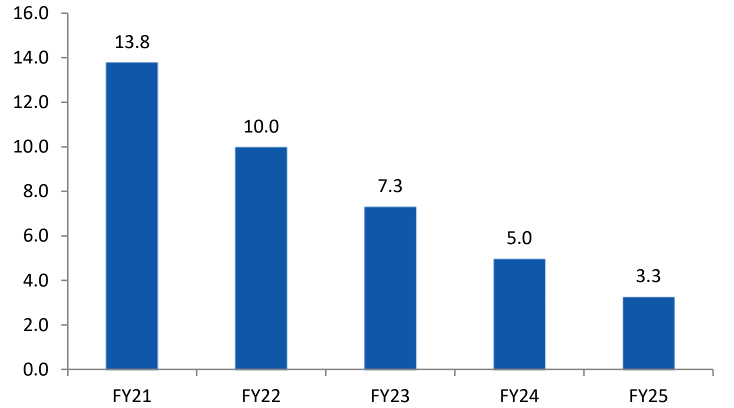
Source: Company, Systematix Institutional Research

Exhibit 12: Core PPOP Margin (%)



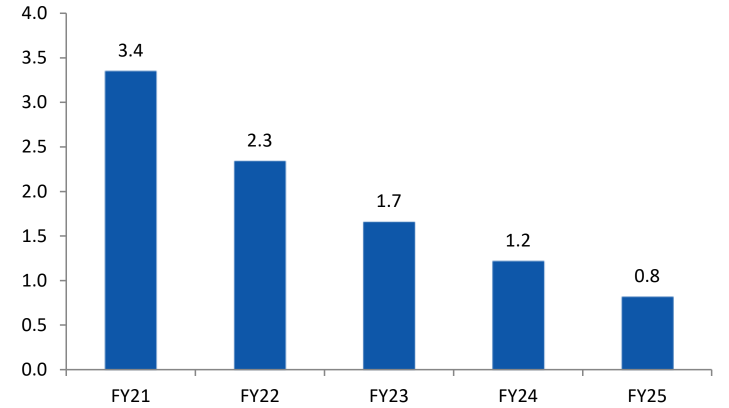
Source: Company, Systematix Institutional Research

Exhibit 13: GNPA (%)



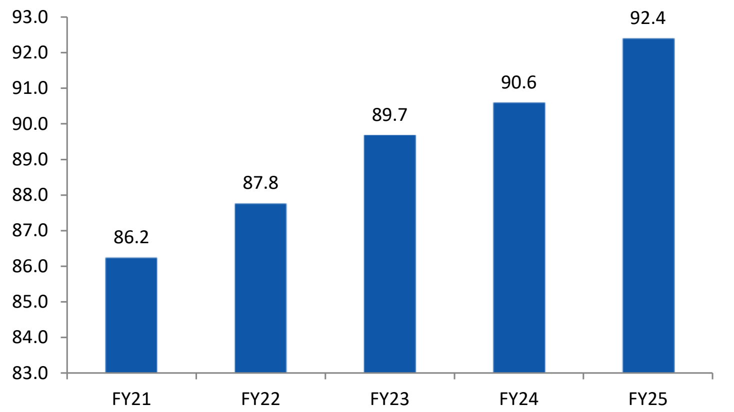
Source: Company, Systematix Institutional Research

Exhibit 14: NNPA (%)



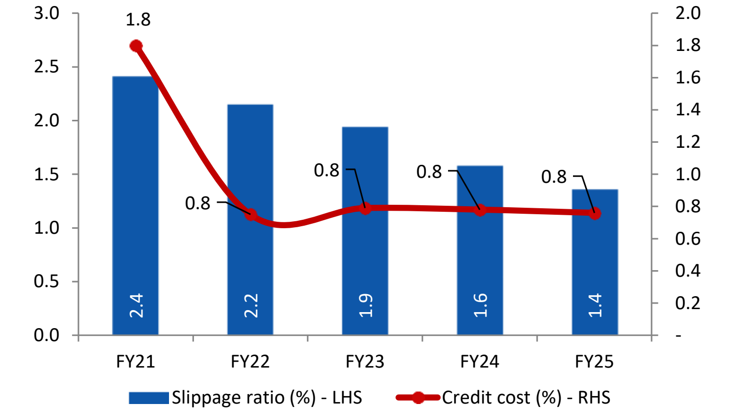
Source: Company, Systematix Institutional Research

Exhibit 15: Provisions Coverage Ratio (%)



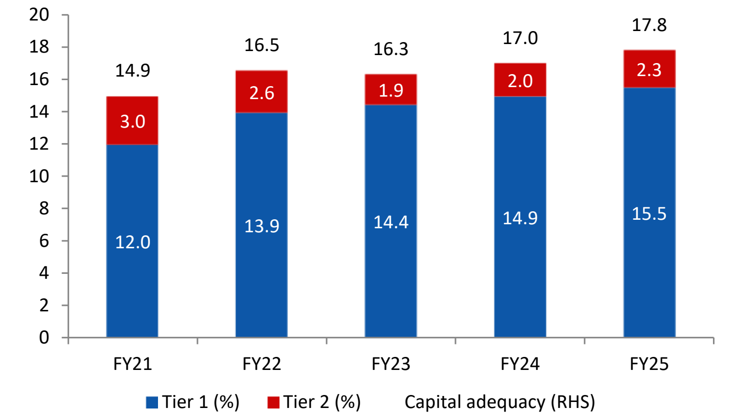
Source: Company, Systematix Institutional Research

Exhibit 16: Annualized Slippage Ratio and Credit Cost (%)



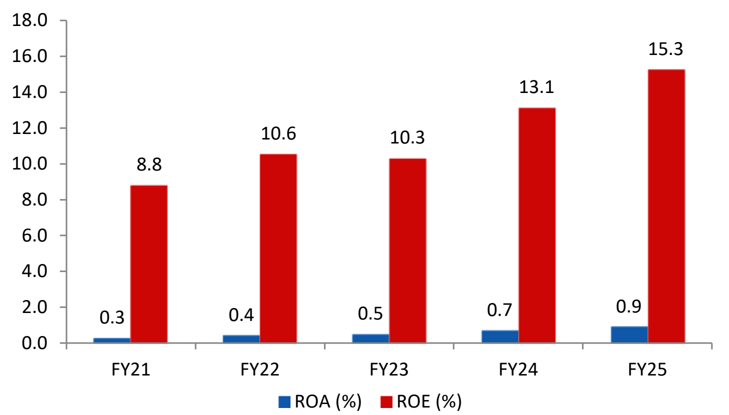
Source: Company, Systematix Institutional Research

Exhibit 17: Capital Adequacy Ratio (%)



Source: Company, Systematix Institutional Research

Exhibit 18: RoA and RoE (%)



Source: Company, Systematix Institutional Research

Investment Rationale

Strategic changes in underwriting processes bearing fruits

BOI has a robust process driven mechanism through which the bank maintains its asset quality and minimizes credit risks. The bank has centralized its loan processing system for better scrutiny. For instance, MSME loan proposals of up to Rs 50mn are being processed through the digital platform, wherein a uniform format for all proposals is used as per the respective scheme. BOI has set up an Early Warning Signal (EWS) system, a fully automated, tech-based solution that integrates internal data from the Core Banking System and external sources like MCA and CIC to generate alerts for potential weaknesses or fraud. These alerts enable timely remedial actions and allow branches to monitor accounts closely. The System Asset Classification (SASCL) program further supports this effort by predicting potential slippages, flagging accounts with over two months of overdue payments or technical irregularities, such as non-submission of Stock/QIS statements for over three months. These accounts are closely monitored to prevent downgrading from standard to substandard status.

To ensure compliance, the bank conducts a Credit Process Audit (CPA) integrated into the Finacle system that verifies the alignment of credit disbursements with sanction terms and that securities are enforceable. Annual stock and receivable audits are mandated for accounts with working capital exposure of Rs 50mn and above, aimed at addressing signs of weakness like overdue bills or invoked guarantees to safeguard asset quality. By leveraging advanced technology, rigorous audits, and proactive recovery strategies, the bank effectively minimizes credit risks and prevents slippages.

BOI's Gross NPA has fallen continuously from ~10% in FY22 to 3.2% in FY25, with annualized gross slippages too sliding steadily from 2.2% in FY22 to 1.3% during FY25. 1QFY26 was seasonally a weak quarter for asset quality wherein gross slippage ratio was contained at 1.3%. The bank has specific provisions coverage ratio of 75% and including TWO provisions, the same stood at 92.9%. As of June 2025, BOI had Net NPA of 0.8%. With lower slippages, the bank's total credit cost too was lower at 0.7% for FY25. We expect slippages to broadly hover at the current level over the next few years and by building provisions and subsequent write-offs and resolutions, we expect Gross NPA ratio to trend lower going forward. Hence, with significantly enhanced underwriting and loan monitoring processes, BOI is currently well placed on the asset quality front. While there was initial noise of stress in the MSME segment at the industry level, BOI does not see any incremental stress for its MSME customers. Hence, there does not seem to be any near-term visible risk to the bank's overall asset quality.

Heightened focus on recoveries to keep the healthy contribution trend buoyant

To enhance operational efficiency and responsiveness, BOI has established dedicated centres in each zone to focus on recovery of non-performing assets (NPAs) and credit monitoring. To manage stressed assets effectively, the bank has adopted an integrated approach, emphasizing early identification and proactive resolution to prevent Special Mention Accounts (SMAs) from becoming NPAs. It has set up a dedicated Stressed Assets Management vertical to conduct ongoing reviews, with the appropriate authority issuing directives, based on detailed viability studies.

Viable accounts are offered rehabilitation packages, while select cases may be referred to the National Company Law Tribunal (NCLT) for resolution. BOI has implemented robust strategies to curb NPAs and enhance recovery, as approved by its board. These include activating asset recovery branches and grassroot-level staff engagement. To expedite NPA resolution, the bank introduces settlements schemes, alongside measures like daily NPA marking, to ensure transparency and regulatory compliance. Additional actions include temporary hold-on operations for accounts with cash flow mismatches to facilitate quick upgrades, long-term restructuring for accounts requiring extended support, and prompt invocation of the SARFAESI Act. The bank also conducts mega e-auctions nationwide and enables online submission of One-Time Settlement (OTS) applications with tracking capabilities for NPA borrowers. These initiatives reflect the bank's commitment to minimizing NPAs and fostering a proactive approach to asset recovery and management.

The strengthened recovery measures have borne fruits for BOI as seen from the improvement in recoveries; for instance, recoveries of Rs 14.67bn in FY24 (3.6% of the opening TWO book) from technically and prudentially written-off accounts, has improved to Rs 23.65bn in FY25 (5.4% of the opening TWO book). Recoveries from TWO contributed around 18bps (20%) of the bank's RoA of 90bps in FY25. BOI still holds a huge TWO book of Rs 486bn as at end of March 2025. A 4% to 5% recovery from this book would work out to Rs 19bn to 24bn in FY26. Hence, we believe recoveries would continue to support the RoA for few more years until the time the book does not come off meaningfully.

Shifting the loan mix towards higher margin products

BOI is consciously reshaping its loan book to drive sustainable higher margin growth by prioritizing on the Retail, Agriculture and MSME (RAM) segments. To accelerate its RAM growth, the bank has established specialized credit-processing centers for faster turnaround.

In Retail, the bank has rebranded its product profile to attract young, urban affluent customers, offering tailored products like Education, Vehicle and Home Loans to help diversify its customer age profile.

In its agriculture loan portfolio, it has implemented robust initiatives which involve extending financial support to a diverse array of farming activities, in constructing cold storages and godowns and towards allied activities. In order to enhance accessibility to credit, the bank has introduced the revised Kisan Credit Card scheme, which facilitates lending for farming needs. It actively leverages government schemes for extending credit in the agriculture segment.

Within MSMEs, the bank is tapping into new opportunities through GST-based financing for MSMEs , while taking support of its strong corporate relationships to deepen growth in its SME loan book. It has introduced several targeted initiatives to promote SME lending, some of which include cluster finance design schemes for geographic and sectoral concentration of enterprises, customizing pricing, documentation, and introducing terms to meet specific cluster needs. The bank is also enhancing its channel financing operations, including dealer and supplier finance, to deepen access to SME credit, with digitization efforts underway to streamline these processes. To further support its SME focus, the bank has partnered with SME Rating Agency of India (SMERA) to assess credit ratings. It has re-designated 125 branches as MSME-focused and established 111 SME processing centers, to streamline lending.

With these concentrated efforts, BOI's share of RAM advances within domestic advances has steadily risen from 51.6% as of March 2021 to 57.3% as of March 2025. BOI is well-positioned to strengthen its RAM share further improving the bank's overall yield.

Robust advances and healthy deposit growth momentum to continue

During FY25, BOI's net advances grew at 15.4% YoY as against 11% growth in the industry. The 10.7% deposit growth in FY25 was broadly in line with the industry. BOI's low Credit to Deposit ratio of 58% as at end of FY21 has enabled the bank to enhance the pace of its advances growth despite deposits not keeping up with this growth. With a Credit to Deposit ratio of 80% as at end FY25, BOI is comfortably placed in terms of liquidity for growth. The bank's Retail segment grew at a robust ~20% rate in FY25, a key segment that would support the overall growth in advances going forward. Management is targeting growth of 12% to 13% in advances and 10% to 11% in deposits for FY26. We estimate CAGR of ~13% in advances and ~10% in deposits over FY25 to FY28E.

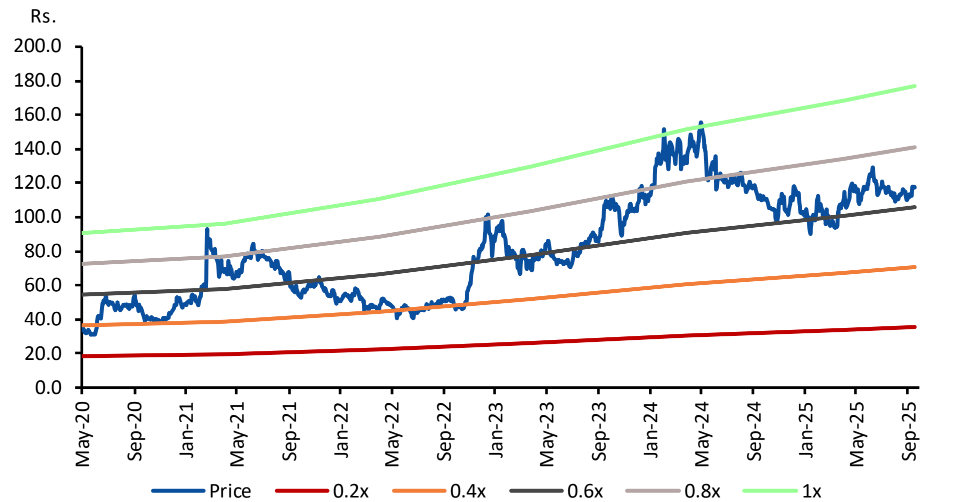
Dilution not needed as capital adequacy is healthy and government stake compliant

BOI had a total capital adequacy of 17.4% and Common Equity Tier 1 capital ratio of 14.5% as of June 2025. Hence, the bank is currently well above the minimum capital requirement norms of 8.0% for CET1 and 11.5% for total CRAR. The government currently holds 73.4% stake in the bank, below SEBI's listing requirement of maximum 75% promoter holding. Hence, there is neither the near-term need for the bank to dilute equity for capital nor any regulatory requirement. However, according to some recent media articles, government has plans to divest its stake in some PSBs, but that most probably could happen through an offer for sale (OFS) route. Hence, even if the government were to consider BOI for an OFS, it would not lead to any equity or earning dilution for the existing shareholders.

Valuation and Outlook

Bank of India (BOI) delivered ~14% YoY growth in Advances as of June 2025, supported by Credit to Deposit ratio of 79% and Liquidity Coverage Ratio of 128%. These metrics position the bank well to sustain its growth trajectory. While Net Interest Margin is expected to remain under pressure in 2QFY26, we anticipate stabilization 3QFY26 onwards. The contribution of recoveries from technically written off (TWO) book is not very high, though somewhat meaningful at ~20% of FY25 RoA. It is unlikely to come-off in the coming 2-3 years, given its book size of Rs 486bn as of March 2025. We expect BOI's Core PPOP and Net Profit to expand at 18% and 13% CAGR, respectively, over FY25 to FY28E. We value the bank at a Price to Adjusted Book value (adjusted for Revaluation Reserve and Net Deferred Tax Asset) of 0.8x to arrive at our target price of Rs. 150 for an RoA profile of 0.9%/0.9%/1.0% and RoE profile of 11.3%/11.7%/13.2% for FY26E/FY27E/FY28E, respectively. With an upside of 25% from current market price, we assign BUY rating for BOI.

Exhibit 19: 1-year forward Price to Book Value



Source: Company, Systematix Institutional Research

Exhibit 20: 1-year forward Price to Book Value vs. mean and standard deviations

Source: Company, Systematix Institutional Research

Management Profile

Mr. M. R. Kumar - Chairman

Mr. Kumar, Science graduate (University of Madras), assumed charge as Non-Executive Chairman of BOI in Feb 2024. A career LIC officer since 1983, he rose to become Chairman (2019–23) after heading LIC's Southern, North Central, and Northern zones. He introduced employee-centric reforms and led LIC's Personnel and Pension & Group Insurance divisions. He has also chaired LIC group companies, IDBI Bank (where he drove its turnaround), and overseas subsidiaries. His governance experience spans directorships at ACC, Ambuja Cements, Kenindia Assurance, and leadership roles at the National Insurance Academy, Insurance Institute of India, and Council of Insurance Ombudsman.

Mr. Rajneesh Karnatak - Managing Director and CEO

Mr. Karnatak, PG in Commerce and CAIIB, became MD & CEO of BOI in Apr 2023. With 30+ years in banking, he began at Oriental Bank of Commerce, later leading key credit and digital functions at PNB post-amalgamation. He was ED at Union Bank of India, also chairing UBI Services Ltd. and serving on boards of UBI (UK), PNB Housing Finance, and India SME ARC. He has attended leadership programs at IIMs and IMI Delhi. He currently chairs IBA's IFSC GIFT City Committee and IBPS Finance Committee, and serves on IBPS and NIBM boards.

Mr. P R Rajagopal - Executive Director

Mr. Rajagopal, Commerce and Law graduate, joined BOI in 1995 and was deputed to IBA as Legal Adviser before moving to Union Bank of India in 2004. Elevated to GM in 2016, he handled operations, legal, and administrative roles. He was ED at Allahabad Bank (2019) during consolidation, before returning to BOI in Mar 2020 as ED. With over two decades of diverse banking exposure, he continues to drive strategic growth and governance.

Mr. Rajiv Mishra - Executive Director

Mr. Mishra, MBA, BE, CAIIB, with certifications from IIB and Insurance Institute of India, became ED of BOI in Mar 2024. With 24 years' experience, he has led digital, IT, analytics, retail/MSME credit, and recovery functions. At Union Bank of India, he spearheaded digital initiatives including the VYOM app and served as Zonal/Regional Head across key centres. He has served on boards of Kashi Gomti Gramin Bank, UPICO, and UBI Services Ltd.

Mr. Subrat Kumar - Executive Director

Mr. Kumar, Science graduate with MBA and CAIIB, became ED of BOI in Nov 2022. With 27+ years of experience, he has held leadership roles in treasury, investment banking, risk management, audit, and credit. He has served as CRO, CFO, and Head of Corporate Credit at BOI, and represented the bank on boards including FIMMDA and BoB Capital Markets.

Mr. Manoj Muttathil Ayyappan - GoI Nominee Director

Mr. Ayyappan, MBA and B.Sc., joined as GoI Nominee Director in Aug 2024. He is currently Joint Secretary, DFS, Ministry of Finance. With 25+ years in banking, he has held leadership roles in Axis Bank, Utkarsh SFB, and Karur Vysya Bank, with expertise in SME lending, trade finance, stressed assets, and risk management.

Mr. Ashok Narain - RBI Nominee Director

Mr. Narain, retired CGM, RBI (2022), brings 33 years' experience, including 18 years in supervision and regulation. He implemented ERM at RBI and advised the Central Bank of Sri Lanka on risk frameworks. He represented RBI on several international groups including IORWG and the G20–OECD Task Force on Consumer Protection, and is empanelled with the IMF as a Financial Sector Specialist.

Mr. V V Shenoy - Shareholder Director

Mr. Shenoy, Commerce graduate and CAIIB, retired as ED of Indian Bank after 38 years in Union Bank of India. As ED, he oversaw corporate and mid-corporate credit, treasury, international banking, and HR. He has also served as Non-Executive Director at Universal Sompo General Insurance, Indbank Merchant Banking, Ind Bank Housing, and CERSAI.

Dr. (HC) Jamuna Ravi - Shareholder Director

Dr. Ravi, MSc (Tech) in Computer Science (BITS Pilani), has 35+ years in IT with leadership roles at TCS, Infosys, Shell, and HSBC. An IT industry veteran with global exposure in banking and capital markets technology, she has studied leadership at London Business School, Harvard, and Stanford. She holds certifications in IS audit and governance, and an honorary doctorate in Computer Science. She is also empaneled as Independent Director by IICA.

Mr. M R Kumar - Non-Executive - Independent Director-Chairperson

Shri M. R. Kumar assumed charge as Non-Executive Chairman (Part-Time, Non-Official Director) of BOI on 22 February 2024 for a three-year term. A Science graduate from the University of Madras, he joined LIC of India in 1983 as a Direct Recruit Officer and rose to become its Chairman (2019–2023). Over his 35+ year tenure, he headed LIC's Southern, North Central, and Northern zones, and as Executive Director led the Personnel and Pension & Group Insurance divisions, introducing several employee-centric reforms. He also served as Non-Executive Chairman of LIC group companies and IDBI Bank, where he was instrumental in its turnaround. His governance experience includes directorships at Kenindia Assurance, ACC Ltd., and leadership roles at the National Insurance Academy, Insurance Institute of India, and Council of Insurance Ombudsman.

Mr. B. Kumar – Chief Financial Officer

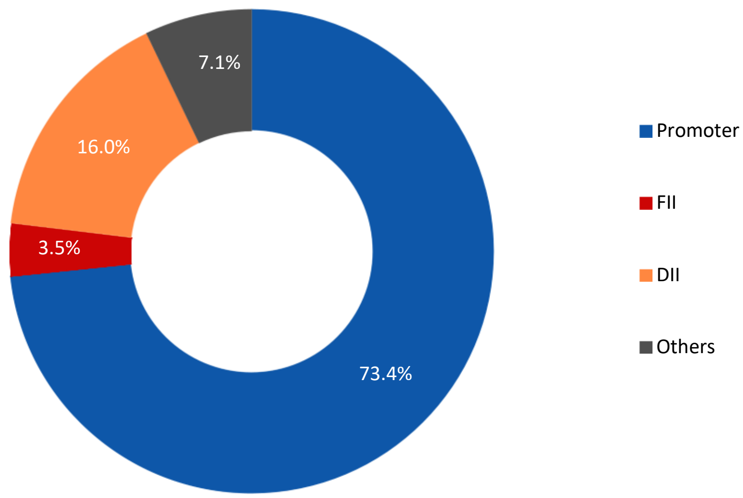
Mr. B. Kumar currently serves as the CFO and General Manager of Bank of India, having assumed the role in June 2023, following his tenure as the bank's Chief Risk Officer from 2022 to 2023. In recognition of his leadership in Finance, he was honored with the DSIJ 2025 CFO Award in the 'Bank (Mid Cap)' category. While his professional qualifications and formal education are not publicly documented, his progression from Risk Management to Financial leadership signifies deep expertise in the bank's strategic financial operations.

Mr. Rajesh V Upadhya - Company Secretary and Compliance

Mr. Rajesh V. Upadhya has been the Company Secretary of the bank from FY21.

Shareholding Pattern, Top Investors and Dilution History

Exhibit 21: Shareholding Pattern (as of June 2025)



Source: BSE, Systematix Institutional Research

Exhibit 22: Top 10 Shareholders (as of 17th September 2025)

Sr. No.	Shareholder	Stake (%)
1	Republic of India	73.4
2	Life Insurance Corp of India	8.5
3	SBI Funds Management Ltd	1.6
4	Vanguard Group Inc/The	0.8
5	Nippon Life India Asset Management	0.6
6	Aditya Birla Sun Life Asset Manage	0.6
7	DSP Investment Managers Pvt Ltd	0.5
8	HDFC Life Insurance Co Ltd	0.4
9	Kotak Mahindra Asset Management Co	0.4
10	SBI Pension Funds Pvt Ltd	0.3

Source: Bloomberg, Systematix Institutional Research

Exhibit 23: Recent Equity Dilution History

Particulars	Mode	Dilution (%)	Price (Rs.)
11-Dec-2023	QIP	10.9	100.2
31-Aug-2021	QIP	11.0	62.9
11-Jun-2021	Preferential Allotment	12.9	71.2
20-Apr-2019	Preferential Allotment	18.8	89.6

Source: AceEquity, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	607	708	766	846	953
Interest expense	(377)	(464)	(511)	(555)	(613)
Net interest income	**231**	**244**	**255**	**291**	**340**
Fee Income	17	20	23	26	35
Other Income	43	70	75	72	77
Total Non-interest income	**61**	**90**	**98**	**98**	**113**
Total income	291	334	352	389	453
Operating expenses	(151)	(170)	(185)	(199)	(222)
PPoP	**141**	**164**	**167**	**189**	**231**
Core PPOP	**97**	**94**	**92**	**117**	**153**
Provisions	(40)	(40)	(43)	(48)	(55)
Profit before tax	**101**	**124**	**124**	**141**	**176**
Taxes	(38)	(32)	(31)	(35)	(44)
Net profit	**63**	**92**	**93**	**106**	**132**

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	46	46	46	46	46
Reserves & surplus	643	740	815	900	1,005
Net worth	**689**	**786**	**861**	**945**	**1,051**
Deposits	7,379	8,165	8,900	9,835	10,867
Borrowings	809	1,239	1,400	1,540	1,693
Other liabilities	249	236	256	306	370
Total liabilities	**9,126**	**10,426**	**11,417**	**12,625**	**13,982**
Total cash & equ.	829	1,003	1,019	1,044	1,106
Investments	2,271	2,591	2,772	2,994	3,204
Advances	5,631	6,497	7,276	8,222	9,291
Fixed assets	102	119	131	144	159
Other assets	291	216	218	220	222
Total assets	**9,126**	**10,426**	**11,417**	**12,625**	**13,982**

Source: Company, Systematix Institutional Research

Dupont

YE: Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.0	7.2	7.0	7.0	7.2
Interest expense	(4.4)	(4.7)	(4.7)	(4.6)	(4.6)
Net interest income	**2.7**	**2.5**	**2.3**	**2.4**	**2.6**
Non-interest income	0.7	0.9	0.9	0.8	0.8
Total income	**3.4**	**3.4**	**3.2**	**3.2**	**3.4**
Operating expenses	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
PPoP	**1.6**	**1.7**	**1.5**	**1.6**	**1.7**
Provisions	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)
Profit before tax	**1.2**	**1.3**	**1.1**	**1.2**	**1.3**
Taxes	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Net profit	**0.7**	**0.9**	**0.9**	**0.9**	**1.0**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)					
Net interest income	13.7	5.8	4.3	14.3	16.9
Total Income	6.5	14.5	5.5	10.3	16.5
PPoP	5.0	16.7	1.9	13.2	21.9
Net profit	57.0	45.9	1.2	13.3	24.9
Advances	15.9	15.4	12.0	13.0	13.0
Deposits	10.2	10.7	9.0	10.5	10.5
Return Ratios (%)					
Return on Average Equity	9.9	12.5	11.3	11.7	13.2
Return on Average Assets	0.7	0.9	0.9	0.9	1.0
Per share data (Rs)					
EPS	14	20	20	23	29
BVPS	130	152	168	187	210
ABVPS	115	140	156	175	197
Valuation multiples (x)					
P/E	8.6	5.9	5.8	5.1	4.1
P/BV	0.9	0.8	0.7	0.6	0.6
P/ABV	1.0	0.9	0.8	0.7	0.6
Spread Analysis (%)					
Net interest margin	3.0	2.8	2.6	2.7	2.8
Yield on loans	8.2	8.3	7.9	7.9	7.9
Cost of deposits	4.4	4.9	4.8	4.7	4.7
Loan-deposit ratio	76.3	79.6	81.8	83.6	85.5
Opex control (%)					
Cost/Income ratio	51.7	50.8	52.5	51.3	49.0
Cost to average assets	1.7	1.7	1.7	1.7	1.7
Asset quality (%)					
Gross NPL ratio	5.0	3.3	2.6	2.3	2.1
Gross Slippage ratio	1.4	1.3	1.2	1.2	1.2
Total Credit Cost	0.8	0.7	0.6	0.6	0.6
Net NPA ratio	1.2	0.8	0.7	0.6	0.6

Source: Company, Systematix Institutional Research

Bank of Maharashtra

18 September 2025

Growth anchored in quality

INITIATING COVERAGE

Sector: Banking | **Rating: BUY**
CMP: Rs 57 | **Target Price: Rs 69**

Stock Info	
Nifty	25,330
Bloomberg Code	BOMH IN
Equity shares	7,692mn
52-wk High/Low	Rs 63/ 38
Face value	Rs 10
M-Cap	Rs 441bn/ USD 5bn
3-m Avg volume (NSE)	Rs.0.53bn

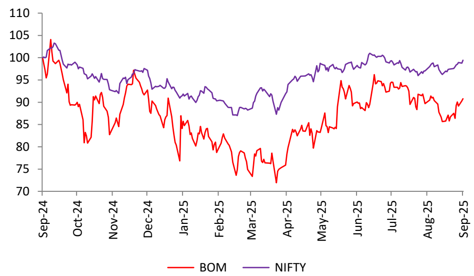
Financial Snapshot (Rs bn)

Y/E March	FY26E	FY27E	FY28E
NII	127	149	176
PPOP	103	120	142
PAT	58	63	76
EPS (Rs)	7	8	10
EPS Gr. (%)	4	10	21
BV/Sh (Rs)	41	48	56
Adj. BV/Sh (Rs)	41	47	55
Ratios			
NIM (%)	3.8	3.9	4.0
C/I ratio (%)	38.6	38.2	38.0
RoA (%)	1.5	1.4	1.5
RoE (%)	18.7	17.7	18.5
Valuations			
P/E (x)	7.6	7.0	5.8
P/BV (x)	1.4	1.2	1.0
P/Adj. BV	1.4	1.2	1.0

Shareholding pattern (%)

	Dec'24	Mar'25	Jun'25
Promoter	79.60	79.60	79.60
–Pledged	-	-	-
FII	1.54	1.72	1.89
DII	10.88	10.67	10.40
Others	7.99	8.00	8.11

Stock Performance



Siddharth Rajpurohit
siddharthrajpurohit@systematixgroup.in
+91 22 6704 8065

Rishit Savla
rishitsavla@systematixgroup.in
+91 22 6704 8036

Bank of Maharashtra (BOM) recorded strong 15% YoY growth in advances as of June 2025. With a credit to deposit ratio of 78% and Liquidity Coverage Ratio (LCR) of 125%, the bank is aptly placed to sustain its robust growth momentum at 15% CAGR over FY25 to FY28E. Though net interest margin (NIM) could continue to face pressure in 2QFY26, we expect the same to stabilize 3QFY26 onwards. Though recovery contribution from its technically written off (TWO) book to RoA is not very high for BOM, the same is still somewhat meaningful at 20% for FY25. However, it is not expected to come-off in the coming 2-3 years, given the size of the book at Rs 195bn as of March 2025. We expect BOM's Core PPOP and net profit to expand at 16% and 11% CAGR, respectively, over FY25 to FY28E. We value the bank at a Price to Adjusted Book Value (adjusted for revaluation reserve and Net Deferred Tax Asset) of 1.4x to arrive at our target price of Rs. 69 for an RoA profile of 1.5%/1.4%/1.5% and RoE profile of 18.7%/17.7%/18.5% for FY26E/FY27E/FY28E, respectively. With an upside of 20% from the current market price, we assign a BUY rating for BOM.

Comprehensive shift in underwriting policies leading to strong asset quality aspects

BOM has transformed its underwriting and loan management using AI-driven tools, strategic fintech partnerships, and advanced technologies like the ARJUN app for real-time credit monitoring. With 24/7 risk tracking, Early Warning Signals, and a dedicated Loan Tracking Cell, the bank maintains robust asset quality. FY25 metrics show a gross slippage ratio of 1.1%, gross NPA at 1.7%, and net NPA at 0.2%. With a strong buffer provision, BOM is well-prepared for Expected Credit Loss norms.

With strengthened processes the recovery machinery is much productive now

The bank employs a robust NPA recovery strategy, featuring Asset Recovery Cells, dedicated Asset Recovery Branches, and Stressed Asset Management branches for large NPAs. It uses a Loan Tracking Cell for follow-ups, transparent One-Time Settlement schemes, and a digital e-OTS platform. Recovery efforts include legal actions, Recovery Camps, Lok Adalats, and proceedings under SARFAESI, DRT, and IBC. The bank achieving recoveries from TWO book of Rs 9.9bn in FY24 and Rs 13.8bn in FY25, contributing 35bps (~20%) to FY25's 175bps RoA. The Overall TWO book at Rs 195 bn has not come-off yet and hence recoveries to be an ongoing process where the management expects recoveries of Rs 12bn annually to be sustainable going forward.

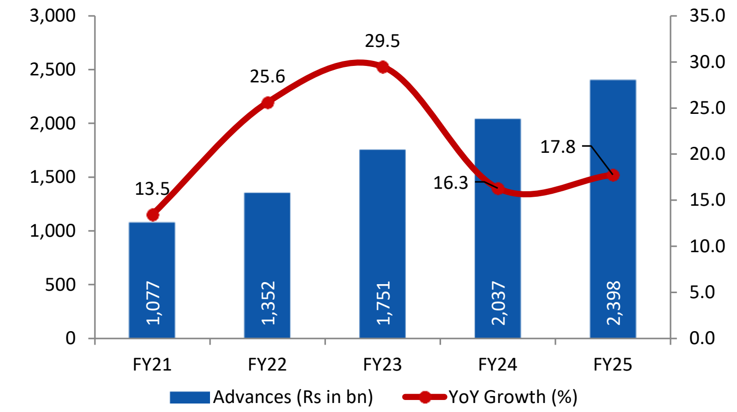
Enhanced focus on relatively superior margin loan segment, i.e. Retail, Agriculture and MSME (RAM)

Bank of Maharashtra has enhanced its Retail, Agriculture, and MSME (RAM) portfolio, increasing its share from 51% in 2019 to 62% by 2025. The bank revamped products, established Centralized Processing Cells, and implemented a Loan Lifecycle Management System for efficiency. Retail segment saw a healthy growth of 23% CAGR over FY20-25. Bank's agriculture loans are focused on agro-processing clusters, while MSME provides a diverse and customized offering. The bank intends to continue its focus on the RAM segment, and it would primarily drive growth in the bank, with overall advances expected to expand at 15% CAGR over FY25 to FY28E.

Investors are advised to refer disclosures made at the end of the research report.

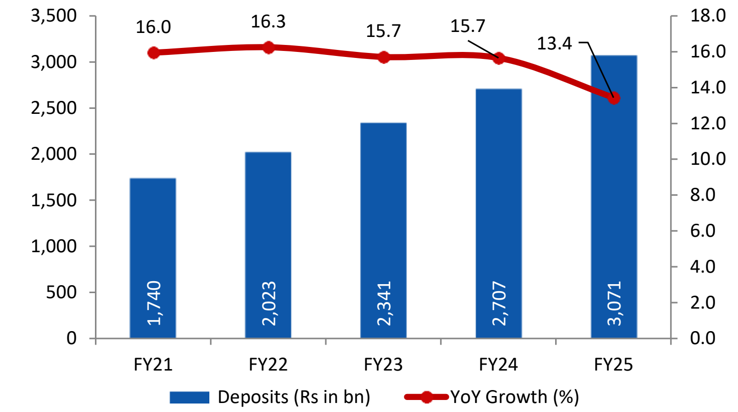
Story in Charts

Exhibit 1: Advances and Advances growth YoY (%)



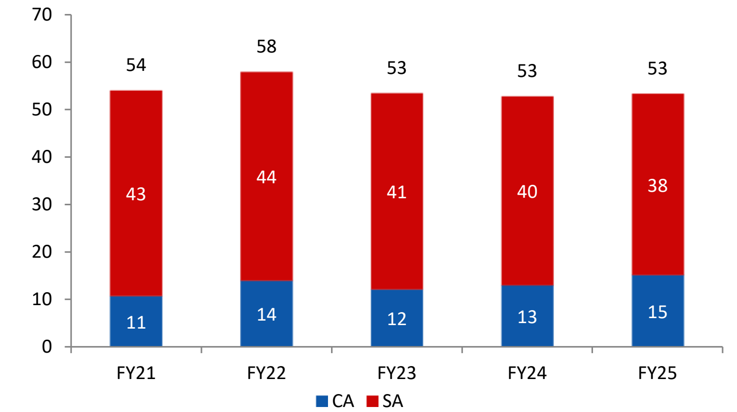
Source: Company, Systematix Institutional Research

Exhibit 2: Deposits and Deposit Growth YoY (%)



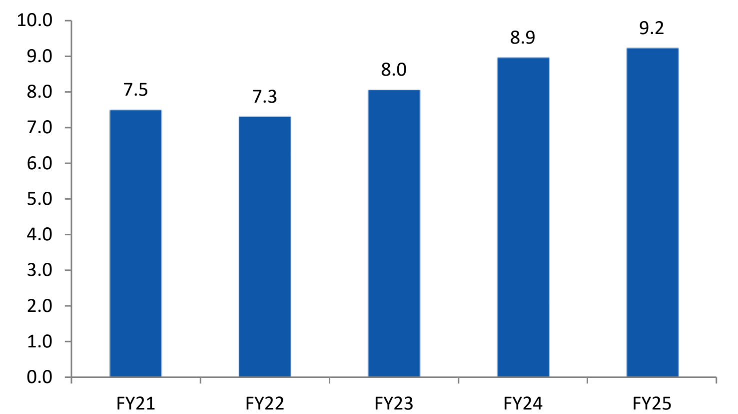
Source: Company, Systematix Institutional Research

Exhibit 3: CASA ratio (%)



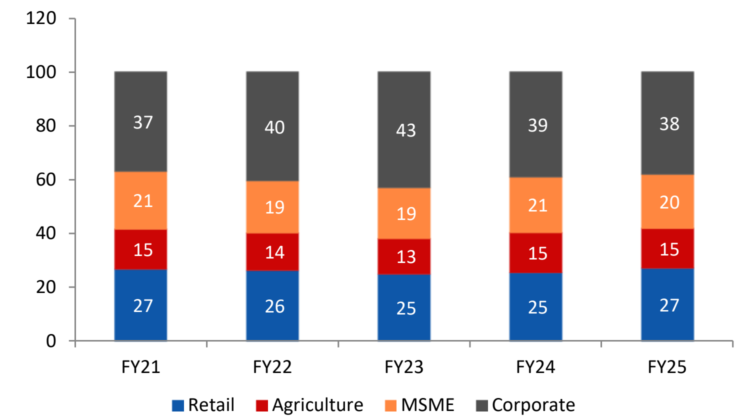
Source: Company, Systematix Institutional Research

Exhibit 4: Yield on Advances (%)



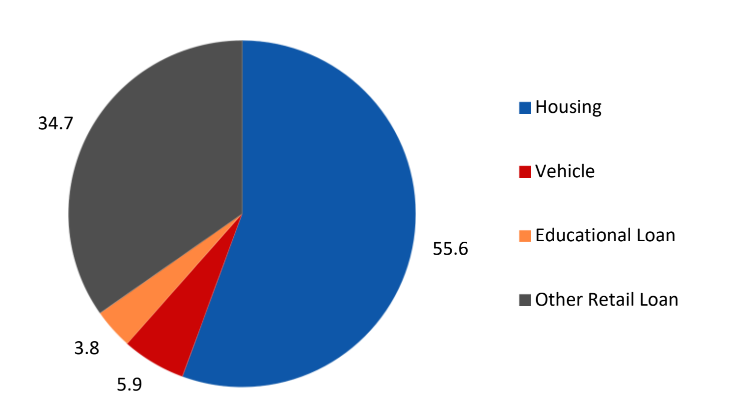
Source: Company, Systematix Institutional Research

Exhibit 5: Loan mix trend over the years (%)



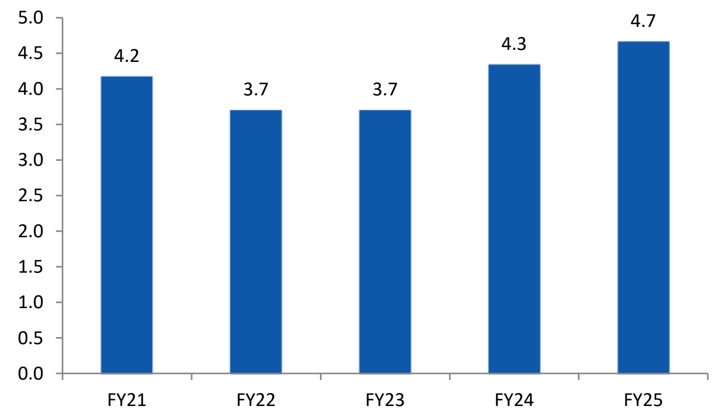
Source: Company, Systematix Institutional Research

Exhibit 6: Mix of retail advances (%)



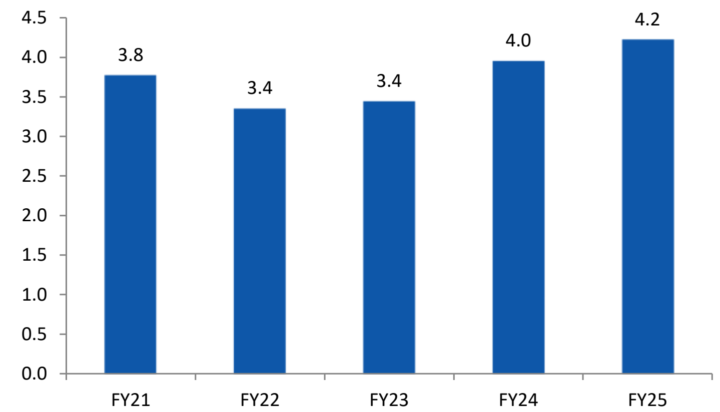
Source: Company, Systematix Institutional Research

Exhibit 7: Cost of Deposits (%)



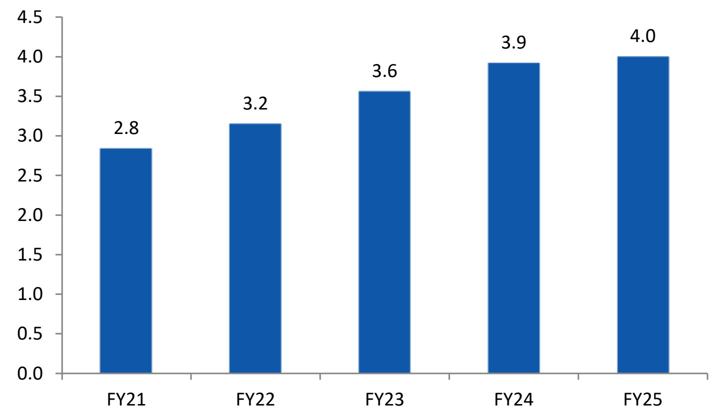
Source: Company, Systematix Institutional Research

Exhibit 8: Cost of Funds (%)



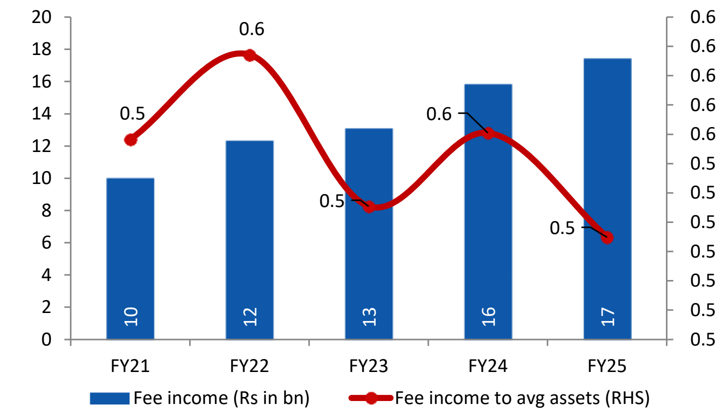
Source: Company, Systematix Institutional Research

Exhibit 9: Net Interest Margin (%)



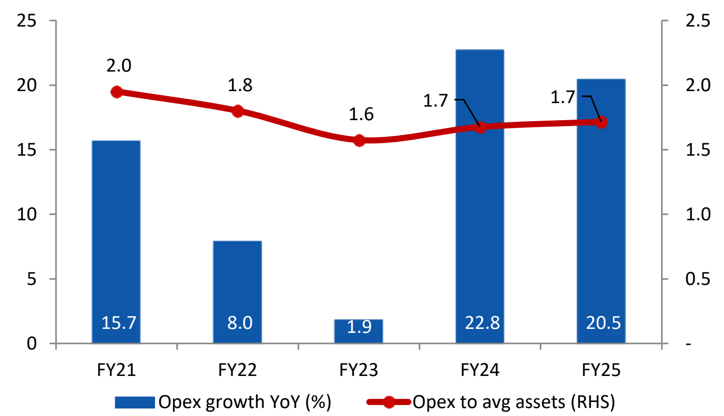
Source: Company, Systematix Institutional Research

Exhibit 10: Fee Income (Rs bn) and as % of average assets (%)



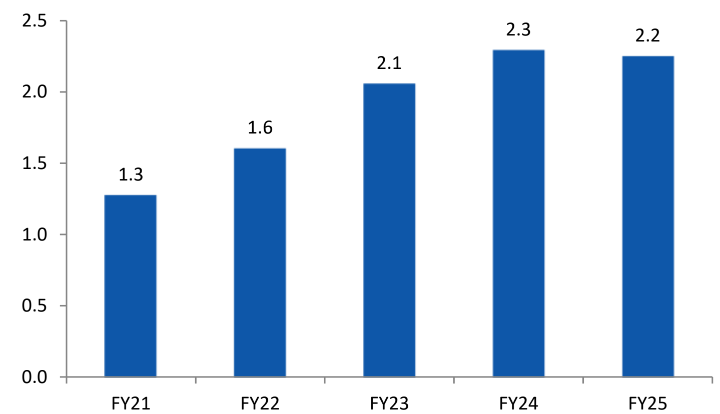
Source: Company, Systematix Institutional Research

Exhibit 11: Opex growth YoY and as % of average assets (%)



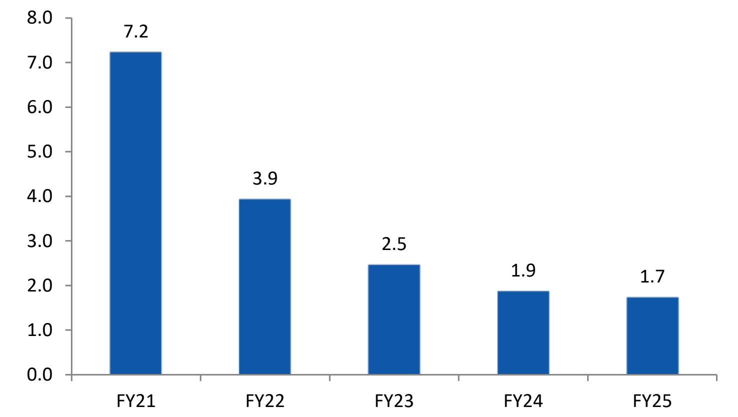
Source: Company, Systematix Institutional Research

Exhibit 12: Core PPOP Margin (%)



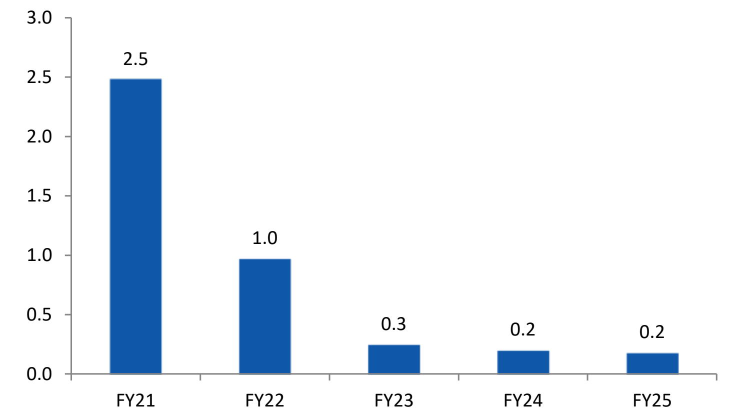
Source: Company, Systematix Institutional Research

Exhibit 13: Gross NPA (%)



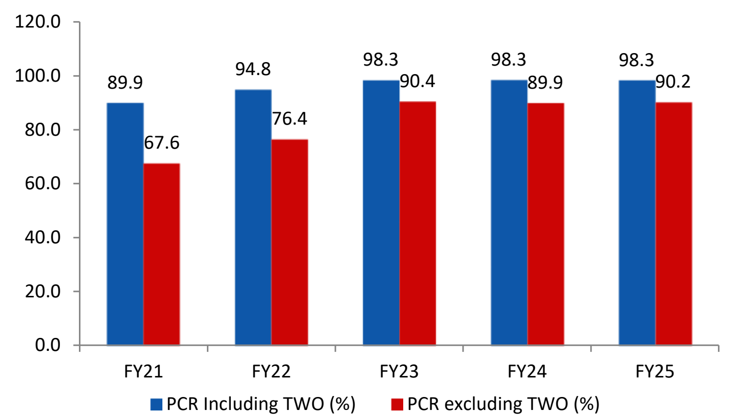
Source: Company, Systematix Institutional Research

Exhibit 14: Net NPA (%)



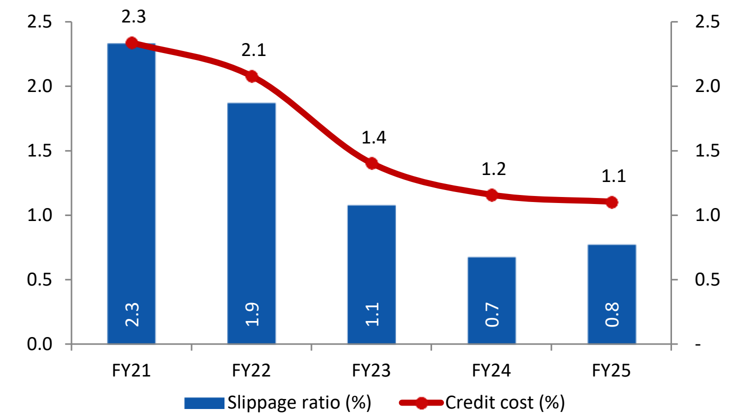
Source: Company, Systematix Institutional Research

Exhibit 15: Provisions Coverage Ratio (%)



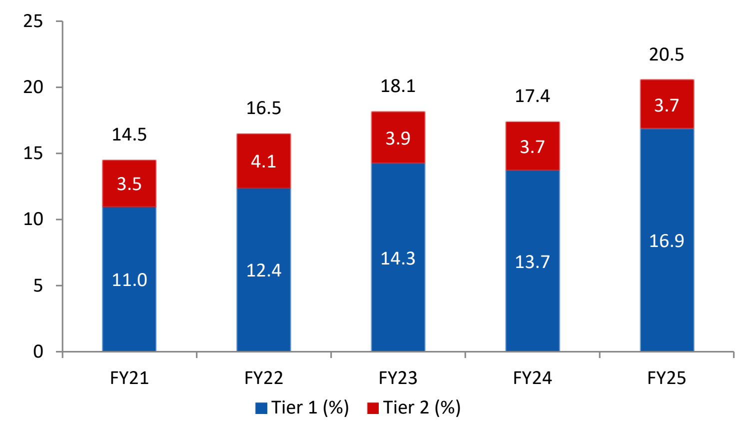
Source: Company, Systematix Institutional Research

Exhibit 16: Annualized Slippage Ratio and Credit Cost (%)



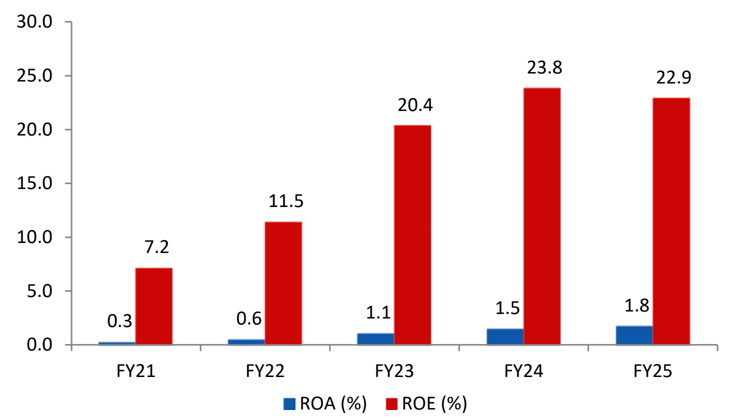
Source: Company, Systematix Institutional Research

Exhibit 17: Capital Adequacy Ratio (%)



Source: Company, Systematix Institutional Research

Exhibit 18: Return Ratio (%)



Source: Company, Systematix Institutional Research

Investment Rationale

Comprehensive shift in underwriting policies leading to strong asset quality aspects

Over the last few years, BOM transformed its underwriting and loan management processes by using technology extensively. The comprehensive initiatives it took to maintain its asset quality include leveraging advanced technology, strategic partnerships, and dedicated processes to proactively manage credit risk and prevent deterioration in asset quality. It employs AI-driven engagements through AI-powered calling and sentiment analysis to enhance collection efficiency and borrower interactions. The bank has been maintaining 24/7 risk monitoring through a digital dashboard and Robotic Process Automation to proactively address delinquency and compliance risks. It has strategically collaborated with fintechs to strengthen data analytics, BOT-based calling, AI/ML tools, and Early Warning Signals (EWS) for effective stress asset management. Its in-house mobile application 'ARJUN' (Automated Remote Junction for Monitoring of Assets Under Stress) is equipped with geotagging, enables staff to conduct real-time credit monitoring and optimizes field visits for stressed assets.

The bank has also established an Internal Loan Tracking Cell with a dedicated team to regularize stressed portfolios from Special Mention Accounts (SMA) and beyond. The integration of EWS and Credit Monitoring Modules into the Bank's Loan Lifecycle Management System facilitate proactive risk identification, while the Credit Monitoring Hawk Eye tool provides users with a customizable, analytical dashboard for real-time monitoring of stressed assets. These initiatives collectively form a robust, scalable framework to strengthen the bank's overall asset quality and minimize non-performing assets (NPAs).

BOM's initiatives are bearing fruit, as seen from its gross slippage ratio at mere 1.1% in FY25, gross NPA ratio at 1.7% as of June 2025 and PCR (excluding TWO) of 89.7%, with net NPA ratio at 0.2%. Credit cost was at 1.1% for FY25 but with slippages in control and a low Net NPA the credit cost is expected to trend even lower. We have assumed a total credit cost of 0.8% for FY26 and 0.7% for FY27. Based on its current estimates, management believes it is well placed for the transition to Expected Credit Loss (ECL) norms and absorb the additional provisions requirement without making any major changes to its provisions. The bank currently has a strong buffer provision of around Rs 28bn which is around 1.2% of gross advances.

With strengthened processes the recovery machinery is much productive now

The bank has deployed a comprehensive NPA recovery strategy that utilizes a multifaceted approach to effectively address stressed accounts. It has established Asset Recovery Cells (ARCs) across Zonal offices and 13 dedicated Asset Recovery Branches (ARBs) that focus on large NPAs, particularly those entangled in legal proceedings. Additionally, the bank has set up four Stressed Asset Management (SAM) branches to manage outstanding balance accounts exceeding Rs 50mn. The bank also operates a Loan Tracking Cell for daily phone-based follow-ups on stressed accounts, to ensure timely recovery and NPA upgrades. To facilitate debt resolution, the bank offers transparent One-Time Settlement (OTS) schemes tailored for eligible borrowers across various categories, supplemented by a digital e-OTS platform for a streamlined, efficient, and hassle-free settlement process.

Debt recovery efforts include proactive measures such as visits, notifications, legal proceedings, Recovery Camps, Lok Adalats, Mahabank Adalats, and timely actions under the SARFAESI and DRT Acts, with additional support from Recovery and Resolution Agents. The bank also pursues proceedings under the Insolvency and

Bankruptcy Code (IBC), initiating Corporate Insolvency Resolution Processes (CIRPs) against large NPA borrowers and Personal Insolvency Resolution Processes (PIRPs) against guarantors for a comprehensive recovery approach. Finally, to optimize its balance sheet and focus on core lending, the bank strategically sells difficult-to-recover NPAs to Asset Reconstruction Companies (ARCs) and the National Asset Reconstruction Company Limited (NARCL).

All these efforts have led to healthy recovery in its technically written-off book of ~Rs 9.9bn for FY24 and Rs 13.8bn for FY25. Of the bank's FY25 RoA of 175bps, recoveries from written-off accounts constituted 35bps (around 20%) contribution. Despite sustained heathy recoveries over the last few years, the TWO book is yet to come off and stood at Rs 195bn as of March 2025 versus Rs. 197bn as of March 2023. Hence, we believe the contribution of recoveries from written off accounts to the Bank's RoA is unlikely to come down meaningfully in the coming years. Management expects to sustain around Rs 12bn of recoveries going forward.

Enhanced focus on relatively superior margin loan segment, i.e. Retail, Agriculture and MSME (RAM)

Over the last few years, BOM has implemented a series of strategic measures to optimize its Retail, Agriculture, and MSME (RAM) portfolio, aiming for balanced growth. The bank has significantly increased its focus on RAM, in which it has improved its share from 51% as of March 2019 to 62% as of March 2025. To remain competitive, it has revamped existing product programs to enhance customer-centricity, improve efficiency, and reduce loan processing times. To expand its market, the bank continuously identifies, launches, and scales new customer segments and product categories, while extending its geographical reach. Centralized Processing Cells (CPCs) have been established nationwide that process and sanction commercial and retail advances, supported by the implementation of a Loan Lifecycle Management System (LLMS) to streamline operations. The bank's retail portfolio has grown at 23% CAGR over FY20 to FY25.

In the agriculture segment, the bank pursued high-quality proposals, focusing on extending credit to agro and food-processing clusters in government-designated special agro-export zones and prioritizing investment credit in agriculture. For the MSME sector, the bank adopted multiple initiatives, including customized schemes such as the Mahabank GST Credit Scheme, MSME Project Loan Scheme, MSME Cash Credit Scheme, MSME Hospitality Finance, and specialized loan schemes for doctors, chartered accountants, engineers, architects, and contractors, alongside cluster financing. BOM has also expanded its supply chain financing by offering credit and transactional services to suppliers and distributors of corporations and participates in the TReDS platform for seamless bill discounting for SMEs. To deepen market penetration, the bank has partnered with leading NBFCs through the Co-Lending Model (CLM).

The bank intends to continue its focus on the RAM segment, growing the share of this segment in its overall loan pie. Growth in the RAM segment would primarily drive growth in the bank, with overall advances expected to expand at 15% CAGR over FY25 to FY28E.

Strong liability profile with industry-leading CASA share

BOM has a strong liability profile. Its deposit growth significantly outpaced industry growth, with total deposits growing at 13.4% YoY for BOM as against ~10% YoY in the banking sector. BOM sustained this growth momentum in 1QFY26 at 14.1% YoY. The bank has a robust and spread-out branch network in Maharashtra. After SBIN, BOM has the largest branch network in Maharashtra and hence several state government departments hold accounts with BOM that creates a large deposit base for the bank. BOM holds long-term relationships with these departments and offers many services by leveraging technology to manage deposits and the flow of money in the system and between departments. Based on its varied initiatives and continued interactions with state departments, management is confident of sustaining government funds over the long term.

BOM is also striving to expand presence across different states and has thus onboarded McKinsey to study regions that hold potential for the bank to expand its branch network. The bank has currently finalised around 800 pin codes based on the study and is filtering it further by gathering ground-level inputs. Currently, the bank plans to open around 321 branches in around 18 months and is confident of achieving breakeven for a new branch in around 18 months. Expansion of its branch network would help BOM in growing its deposit base. BOM does not offer differential saving rates but still holds strong industry-leading CASA ratio of 50% as of June 2025, which it expects to maintain or increase in future.

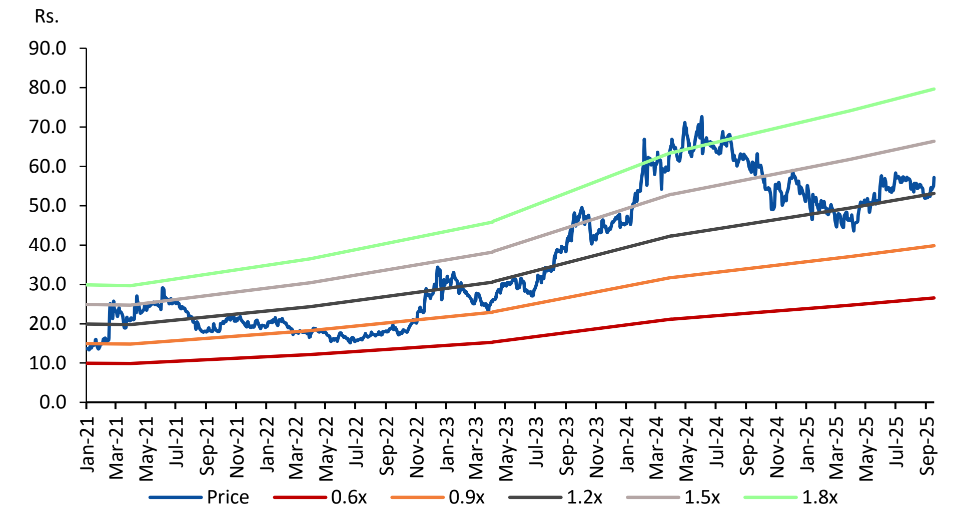
Near-term dilution unlikely, given healthy capital adequacy

With a total capital adequacy of 20.1% and Common Equity Tier 1 capital ratio of 15.6% as of June 2025, BOM sails well above the minimum capital requirement norms (8.0% for CET1 and 11.5% for total CRAR). The government currently holds 79.6% stake in the bank, 460bps more than SEBI's maximum promoter holding listing requirement of 75%. Listed government banks have been allowed time till August 2026 to meet SEBI's maximum promoter holding/minimum public holding requirement. According to media articles, government may seek an extension till 2027 to meet SEBI's requirement. We thus do not see any near-term need for the bank to dilute equity for want of capital or for any regulatory requirement. Further, recent media articles reports indicate that the government may look to reduce its holding through the offer for sale (OFS) route. If it does, there would be no equity or earnings dilution for Bank of Maharashtra.

Valuation and Outlook

Bank of Maharashtra (BOM) recorded strong 15% YoY growth in advances as of June 2025. With a credit to deposit ratio of 78% and Liquidity Coverage Ratio (LCR) of 125%, the bank is aptly placed to sustain its robust growth momentum at 15% CAGR over FY25 to FY28E. Though net interest margin (NIM) could continue to face pressure in 2QFY26, we expect the same to stabilize 3QFY26 onwards. Though recovery contribution from its technically written off (TWO) book to RoA is not very high for BOM, the same is still somewhat meaningful at 20% for FY25. However, it is not expected to come-off in the coming 2-3 years, given the size of the book at Rs 195bn as of March 2025. We expect BOM's Core PPOP and net profit to expand at 16% and 11% CAGR, respectively, over FY25 to FY28E. We value the bank at a Price to Adjusted Book Value (adjusted for revaluation reserve and Net Deferred Tax Asset) of 1.4x to arrive at our target price of Rs. 69 for an RoA profile of 1.5%/1.4%/1.5% and RoE profile of 18.7%/17.7%/18.5% for FY26E/FY27E/FY28E, respectively. With an upside of 20% from the current market price, we assign a BUY rating for BOM.

Exhibit 19: 1-year forward Price to Book Value band



Source: Company, Systematix Institutional Research

Exhibit 20: 1-year forward Price to Book Value vs. mean and standard deviation

Source: Company, Systematix Institutional Research

Management Profile

Mr. Nidhu Saxena - Managing Director & CEO

Mr. Nidhu Saxena, Managing Director & CEO of Bank of Maharashtra, has over 26 years of banking experience across institutions like Bank of Baroda, UCO Bank, and Union Bank of India, where he served as Executive Director. His expertise covers treasury, international banking, HR, retail and MSME lending, stressed assets, and wealth management. He has also served on the boards of Union Bank of India (UK) Limited and Union Asset Management Company and contributed academically at reputed banking institutes and as a UPSC subject expert.

Mr. Asheesh Pandey - Executive Director

Mr. Asheesh Pandey, Executive Director, brings more than 28 years of experience in credit, treasury, merchant banking, foreign transactions, and digital banking. A Mechanical Engineer with an MBA in Finance and Marketing, he has also completed advanced leadership programs from IIM Bangalore and Harvard Business Publishing. At his previous stint with Corporation Bank and Union Bank of India, he led several digital initiatives such as WhatsApp banking, Video KYC, and Robotic Process Automation. At BOM, he oversees digital transformation and also chairs The Maharashtra Executor & Trustee Co. Ltd.

Mr. Rohit Rishi - Executive Director

Mr. Rohit Rishi, Executive Director since November 2023, has over 28 years of experience in the banking sector, with expertise in credit management. He holds a B.Tech in Textiles, an MBA in Finance, CAIIB, and a certification in IT and Cyber Security. His career span includes leadership roles across major banking hubs, within which he has played a key role in the amalgamation of Allahabad Bank with Indian Bank. He has driven branch business growth, corporate credit deployment, MSME and mid-corporate policy design, NPA recovery, and CASA growth.

Dr. Abhijit Phukon - Executive Director

Dr. Abhijit Phukon, a government Nominee Director, is a 2004 batch officer of the Indian Economic Service. He currently serves as Economic Adviser and Chief Information Security Officer in the Department of Financial Services, Ministry of Finance. In addition to his role at Bank of Maharashtra, he also represents the government as a Director on the Board of India Exim Bank.

Mr. V. P. Srivastava- Chief General Manager

Mr. V P Srivastava oversees capital raising, investor relations (domestic and international), operations at BOM’s subsidiaries, including METCO, and the centralisation of all back-office functions across both existing projects and new initiatives.

Mr. Sankpal Dinkar Baburao - Chief General Manager, Credit monitoring, RRB& FI

Mr. Sankpal Dinkar Baburao leads the Credit Monitoring Department, manages staff accountability (including preliminary examinations), and supervises functions related to Regional Rural Banks (RRBs), financial inclusion, and micro-insurance.

Ms Aparna Joglekar - Chief General Manager

Ms Aparna Joglekar is responsible for overseeing the Recovery and Legal Services divisions and has a career spanning multiple functions in recovery, compliance, and legal operations within the banking industry. She has held senior roles in recovery and litigation management and has been focusing on strengthening the bank's asset quality and reducing stressed exposures. Currently, she heads Recovery, Legal Services, and the Board Department, which places her at the intersection of operational and governance frameworks. She is responsible for handling legal cases, ensuring compliance, and supporting board-related functions. Her expertise supports the bank's efforts in improving recovery performance and maintaining regulatory standards. With a strong educational background in law and finance, she brings valuable domain expertise to her leadership role.

Mr. Sunil Dhoot – Chief Financial Officer

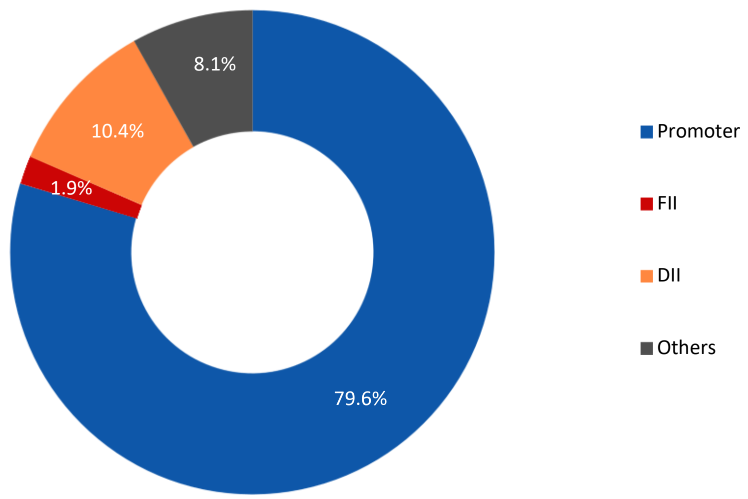
Mr. Sunil Dhoot assumed the position of Chief Financial Officer (Key Managerial Personnel) of Bank of Maharashtra effective 1st June 2025. A Chartered Accountant by qualification, he also holds a Master's degree in Commerce, along with certifications such as JAIIB and CAIIB. He began his tenure with the bank in 2009 as a Specialist Officer and has since gained around 15 years of experience in various capacities, including branch management, deputy zonal management, and roles within the Credit Department at the Head Office. In his current role, he oversees the bank's financial operations, budget planning, and financial controls, leveraging his extensive operational background to enhance financial governance.

Mr. Vishal Sethia - Company Secretary

Mr Vishal Sethia has been appointed as the Company Secretary & Board Secretary of BOM, effective 12th May 2025. He is a qualified Company Secretary holding a Bachelor's degree in Commerce and an Associate Member of the Institute of Company Secretaries of India. In addition, he is also a Chartered Accountant and a Certified Associate of the Indian Institute of Bankers (CAIIB). With over 12 years of experience in the banking industry. He joined BOM from Indian Bank, where he worked extensively in compliance and governance roles. In his current capacity, he shoulders the responsibility for corporate secretarial functions, legal compliance, board administration, and ensuring timely disclosures per SEBI norms.

Shareholding pattern details

Exhibit 21: Shareholding Pattern (as of June 2025)



Source: BSE, Systematix Institutional Research

Exhibit 22: Top 10 shareholders (as of 17th September 2025)

Sr. No.	Shareholder	Stake (%)
1	Republic of India	79.6
2	Life Insurance Corp of India	7.1
3	Vanguard Group Inc	0.8
4	Aditya Birla Sun Life AMC	0.3
5	Norges Bank	0.3
6	Nippon Life India AMC	0.2
7	Dimensional Fund Advisors LP	0.2
8	Kotak Mahindra AMC	0.1
9	Canara Robeco AMC	0.1
10	Quilter PLC	0.1

Source: Bloomberg, Systematix Institutional Research

Exhibit 23: Equity dilution history

Particulars	Mode	Dilution (%)	Price (Rs.)
5 Oct 2024	QIB	8.6	57.4
6 Jun2023	QIB	5.2	28.5
17 Jul 2021	QIB	2.6	23.7

Source: AceEquity, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	204.9	249.5	277.0	314.7	361.9
Interest expense	(106.7)	(132.8)	(149.6)	(165.6)	(185.9)
Net interest income	**98.2**	**116.7**	**127.5**	**149.1**	**176.0**
Fee Income	15.8	17.4	20.3	24.8	28.5
Other Income	14.2	17.1	19.3	20.9	23.6
Total Non-interest income	**30.0**	**34.5**	**39.6**	**45.7**	**52.2**
Total income	**128.2**	**151.2**	**167.1**	**194.8**	**228.2**
Operating expenses	(48.1)	(58.0)	(64.4)	(74.4)	(86.7)
PPOP	**80.1**	**93.2**	**102.7**	**120.4**	**141.5**
Core PPOP	**65.9**	**76.1**	**83.4**	**99.5**	**117.9**
Provisions	(36.5)	(36.0)	(35.0)	(37.2)	(40.4)
Profit before tax	**43.6**	**57.2**	**67.7**	**83.2**	**101.1**
Taxes	(3.0)	(2.0)	(10.2)	(20.0)	(24.8)
Net profit	**40.6**	**55.2**	**57.5**	**63.2**	**76.4**

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	70.8	76.9	76.9	76.9	76.9
Reserves & surplus	125.9	208.0	254.0	304.6	365.6
Net worth	**196.7**	**284.9**	**330.9**	**381.5**	**442.6**
Deposits	2,707.5	3,071.4	3,470.7	3,939.3	4,471.1
Borrowings	77.2	238.5	219.4	221.6	232.7
Other liabilities	90.0	96.6	76.2	79.8	119.3
Total liabilities	**3,071.4**	**3,691.4**	**4,097.2**	**4,622.2**	**5,265.6**
Total cash & equ.	303.1	421.9	352.9	343.4	377.0
Investments	682.7	820.0	934.9	1,056.4	1,193.7
Advances	2,002.4	2,360.8	2,715.0	3,122.2	3,590.5
Fixed assets	22.1	29.2	32.1	35.3	38.8
Other assets	61.0	59.4	62.4	64.9	65.5
Total assets	**3,071.4**	**3,691.4**	**4,097.2**	**4,622.2**	**5,265.6**

Source: Company, Systematix Institutional Research

Dupont

YE: Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.1	7.4	7.1	7.2	7.3
Interest expense	(3.7)	(3.9)	(3.8)	(3.8)	(3.8)
Net interest income	**3.4**	**3.4**	**3.3**	**3.4**	**3.6**
Non-interest income	1.0	1.0	1.0	1.0	1.1
Total income	**4.5**	**4.5**	**4.3**	**4.5**	**4.6**
Operating expenses	(1.7)	(1.7)	(1.7)	(1.7)	(1.8)
PPoP	**2.8**	**2.8**	**2.6**	**2.8**	**2.9**
Provisions	(1.3)	(1.1)	(0.9)	(0.9)	(0.8)
Profit before tax	**1.5**	**1.7**	**1.7**	**1.9**	**2.0**
Taxes	(0.1)	(0.1)	(0.3)	(0.5)	(0.5)
Net profit	**1.4**	**1.6**	**1.5**	**1.4**	**1.5**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)					
Net interest income	26.9	18.8	9.3	17.0	18.1
Total Income	27.9	17.9	10.5	16.6	17.1
PPOP	31.3	16.4	10.2	17.3	17.6
Net profit	55.8	36.1	4.2	9.8	20.8
Advances	16.9	17.9	15.0	15.0	15.0
Deposits	15.7	13.4	13.0	13.5	13.5
Return Ratios (%)					
Return on Average Equity	23.0	22.9	18.7	17.7	18.5
Return on Average Assets	1.4	1.6	1.5	1.4	1.5
Per share data (Rs)					
EPS	5.7	7.2	7.5	8.2	9.9
BVPS	25.4	35.2	41.2	47.8	55.7
ABVPS	24.8	34.7	40.6	47.0	54.8
Valuation multiples (x)					
P/E	10.0	8.0	7.6	7.0	5.8
P/BV	2.2	1.6	1.4	1.2	1.0
P/ABV	2.3	1.6	1.4	1.2	1.0
Spread Analysis (%)					
Net interest margin	3.9	4.0	3.8	3.9	4.0
Yield on loans	8.5	8.8	8.4	8.3	8.4
Cost of deposits	4.0	4.3	4.1	4.1	4.1
Loan-deposit ratio	74.0	76.9	78.2	79.3	80.3
Opex control (%)					
Cost/Income ratio	37.6	38.4	38.6	38.2	38.0
Cost to average assets	1.7	1.7	1.7	1.7	1.8
Asset quality (%)					
Gross NPL ratio	1.9	1.7	1.7	1.7	1.7
Gross Slippage ratio	0.7	0.8	0.9	0.9	0.9
Total Credit Cost	1.2	1.1	0.8	0.7	0.7
Net NPA ratio	0.2	0.2	0.2	0.2	0.2

Source: Company, Systematix Institutional Research

Union Bank of India

18 September 2025

Sharp focus on quality growth

INITIATING COVERAGE

Sector: Banking	**Rating: BUY**
CMP: Rs 137	**Target Price: Rs 160**

Stock Info

Nifty	25,330
Bloomberg Code	UNBK IN
Equity shares	7,634mn
52-wk High/Low	Rs 159/ 101
Face value	Rs 10
M-Cap	Rs 1,046bn/ USD 12bn
3-m Avg volume (NSE)	Rs.1.49bn

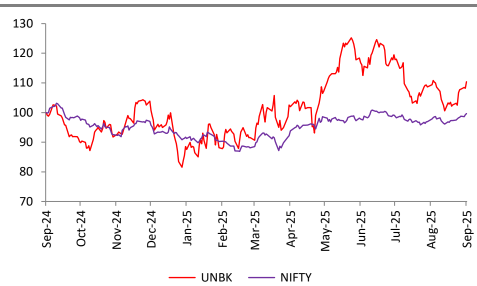
Financial Snapshot (Rs bn)

Y/E March	FY26E	FY27E	FY28E
NII	372	429	476
PPOP	300	349	382
PAT	173	204	221
EPS (Rs)	23	27	29
EPS Gr. (%)	-4	18	9
BV/Sh (Rs)	154	175	197
Adj. BV/Sh (Rs)	148	169	190
Ratios			
NIM (%)	2.7	2.9	2.9
C/I ratio (%)	47.7	45.8	46.0
RoA (%)	1.1	1.2	1.2
RoE (%)	14.5	15.2	14.8
Valuations			
P/E (x)	5.9	5.0	4.6
P/BV (x)	0.9	0.8	0.7
P/Adj. BV	0.9	0.8	0.7

Shareholding pattern (%)

	Dec'24	Mar'24	June'25
Promoter	74.76	74.76	74.76
–Pledged	-	-	-
FII	6.46	7.11	7.70
DII	11.63	11.63	11.93
Others	5.60	6.50	5.60

Stock Performance



Siddharth Rajpurohit
siddharthrajpurohit@systematixgroup.in
+91 22 6704 8065

Rishit Savla
rishitsavla@systematixgroup.in
+91 22 6704 8036

Union Bank of India (UNBK) has been focusing on increasing its intrinsic strength since the last few years. It has significantly enhanced the use of technology, both to mitigate risks and for growth. With UNBK revamping its underwriting processes, it has managed to decrease fresh slippages and continuously improve its asset quality. UNBK has also steadily increased the contribution of Fee Income in its PPOP, evident from the rise in its Fee Income to Average Advances from 87bps in FY22 to 113bps in FY25. The growth in bank's advances currently lags that in the banking system, which is a tactical call the bank took to focus on the bottom line and margins. We expect UNBK's core PPOP and Net Profit to expand at 7% CAGR each over FY25 to FY28E. We value the bank at a Price to Adjusted Book Value (adjusted for Revaluation Reserve and Net Deferred Tax Asset) of 0.9x to arrive at our target price of Rs. 160 for an RoA profile of 1.1%/1.2%/1.2% and RoE profile of 14.5%/15.2%/14.8% for FY26E/FY27E/FY28E, respectively. With a 17% upside over the current market price, we assign a BUY rating to UNBK.

Digital transformation through exhaustive use of technology and healthy IT spend: UNBK has advanced its digital transformation by integrating 84 fintechs, with 18 onboarded for Agriculture, Retail, and MSME solutions. As the first PSB to act as both a user and provider of financial information, it leverages 13 Account Aggregators and CRM Edge for enhanced customer management. With 27 automated processes via Hyper-Automation, 15+ digital STP journeys, and a Metaverse Virtual Lounge, UNBK boosts efficiency and customer engagement. IT spending will rise from Rs 10bn (FY25) to Rs 15bn (FY26).

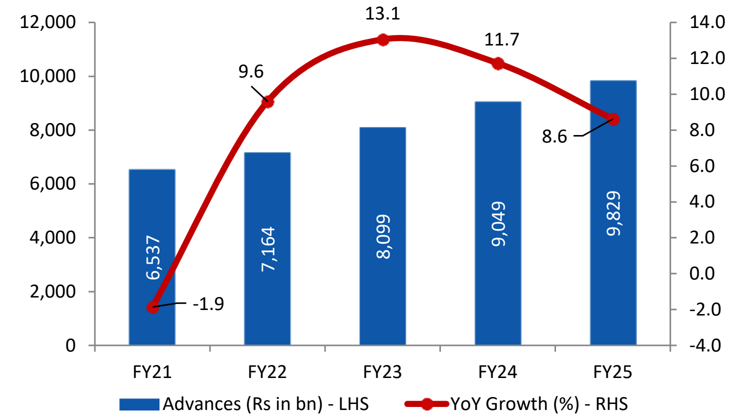
Multifaceted online and offline efforts strengthen the overall recovery process: Over the last few years, the bank has implemented a robust set of recovery strategies and collection management initiatives to enhance asset quality and improve the repayment efficiency. IIBF-certified Business Correspondents manage small-value NPAs, while NCLT and Lok Adalat sessions expedite resolutions. A dedicated call centre, Feet on Street agents, and Bharat Bill Payment System integration boost collection efficiency. FY25 recoveries reached Rs 43.1bn, contributing 23bps to a 126bps RoA, with similar projections for FY26.

Strong focus on fee income acts as a lever for improving profitability: UNBK has boosted fee income, with the fee income to average advances ratio rising from 0.87% in FY22 to 1.13% in FY25, leading among 8 PSBs. Fee income's contribution to PPOP grew from 25% to 33%. Bancassurance and mutual fund distribution channels increased by 50bps to 5.5% of total fee income. With a 5.6% debit card market share but only 0.4% in credit cards, UNBK sees growth potential in credit cards to enhance profitability.

Asset quality improves significantly through strong underwriting processes: UNBK has enhanced loan processing and monitoring across corporate, MSME, and retail segments. Corporate loans benefit from centralized processing, an in-house TEV cell, and consortium lending for risk-sharing. MSME loans above Rs 50mn use CRISIL ratings and a Business Rules Engine, with digitized renewals up to Rs 10mn. Retail loans require CIBIL scores of 700 (offline) or 720 (digital). Gross NPA dropped from 11.1% (FY22) to 3.6% (FY25), with Net NPA at 0.6% and a provision coverage ratio of 83%. Fresh slippages fell to 1.0% in 1QFY26, with credit cost at 0.8% in FY25.

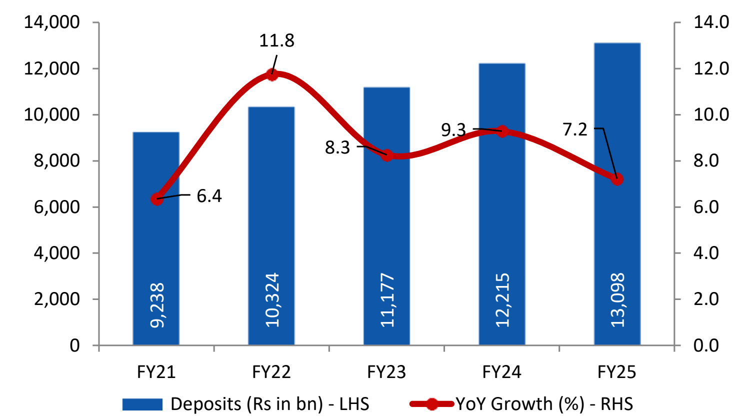
Story in Charts

Exhibit 1: Advances and Advances growth YoY (%)



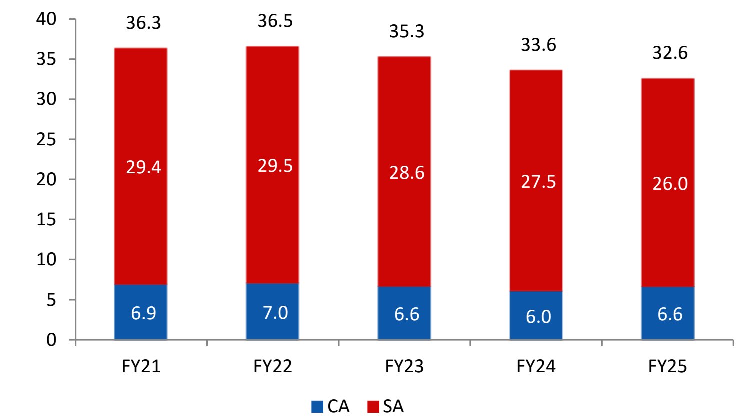
Source: Company, Systematix Institutional Research

Exhibit 2: Deposit and Deposit growth YoY (%)



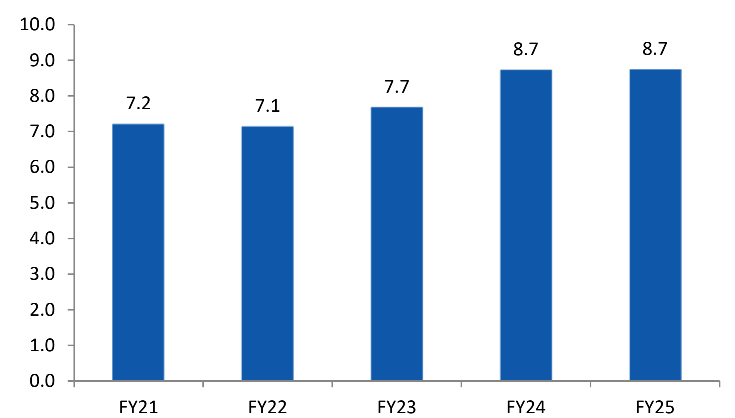
Source: Company, Systematix Institutional Research

Exhibit 3: CASA ratio (%)



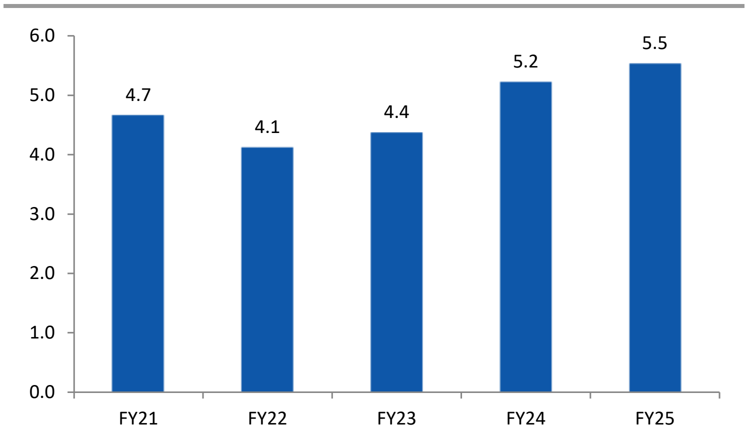
Source: Company, Systematix Institutional Research

Exhibit 4: Yield on Advances (%)



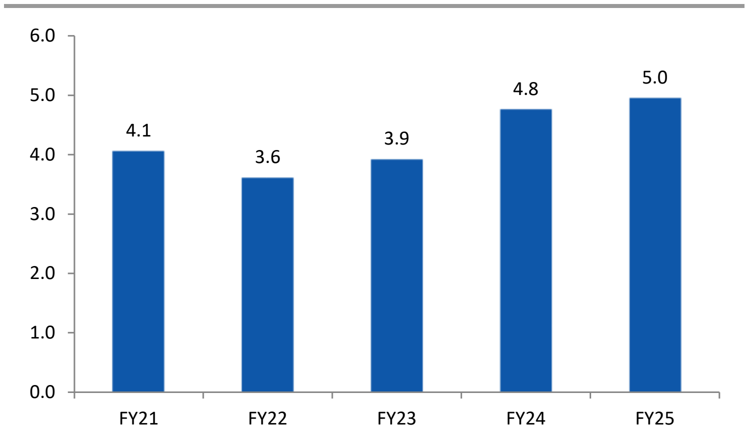
Source: Company, Systematix Institutional Research

Exhibit 5: Cost of Deposits (%)



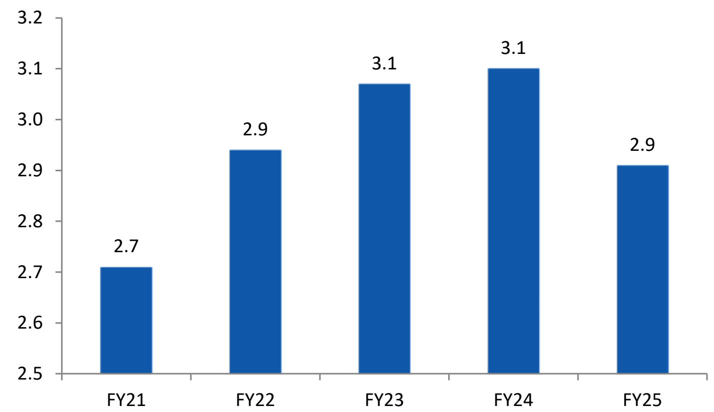
Source: Company, Systematix Institutional Research

Exhibit 6: Cost of Funds (%)



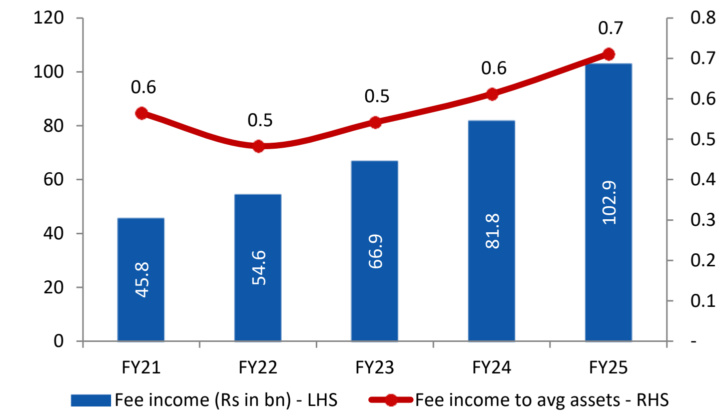
Source: Company, Systematix Institutional Research

Exhibit 7: Net Interest Margin (%)



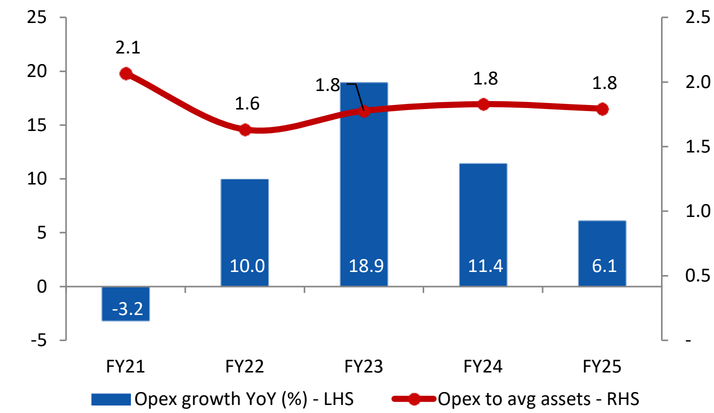
Source: Company, Systematix Institutional Research

Exhibit 8: Fee Income and as % of Average Assets (%)



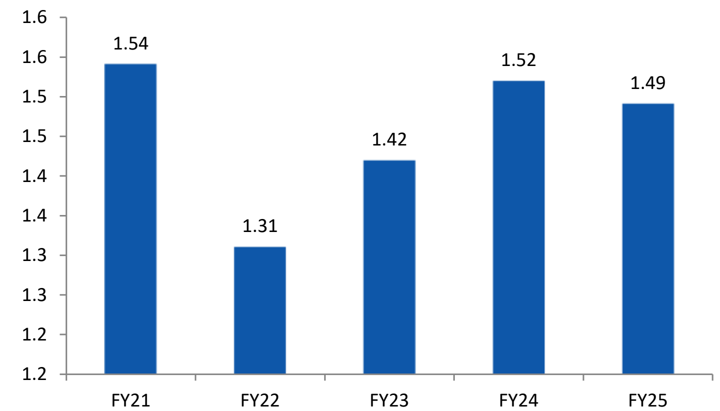
Source: Company, Systematix Institutional Research

Exhibit 9: Opex growth YoY and as % of Average Assets (%)



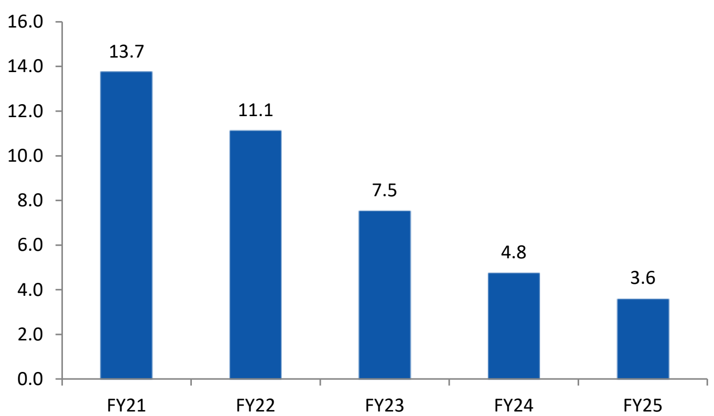
Source: Company, Systematix Institutional Research

Exhibit 10: Core PPOP Margin (%)



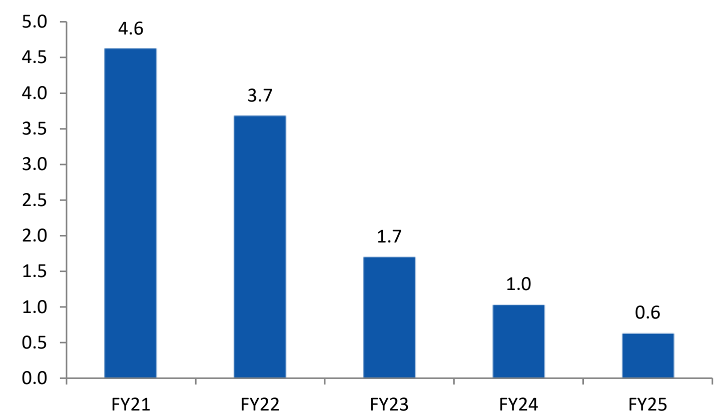
Source: Company, Systematix Institutional Research

Exhibit 11: GNPA (%)



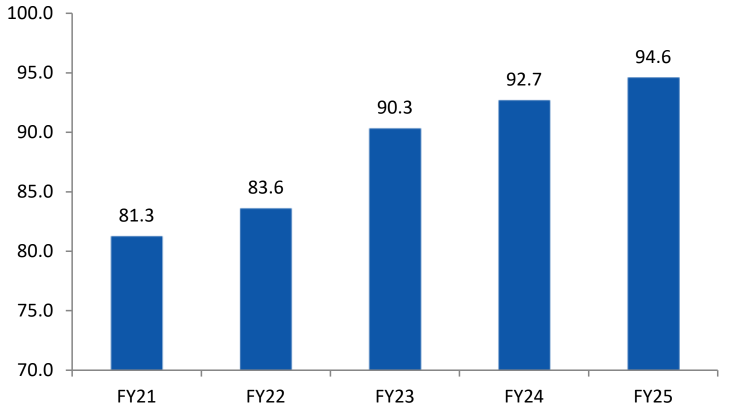
Source: Company, Systematix Institutional Research

Exhibit 12: NNPA (%)



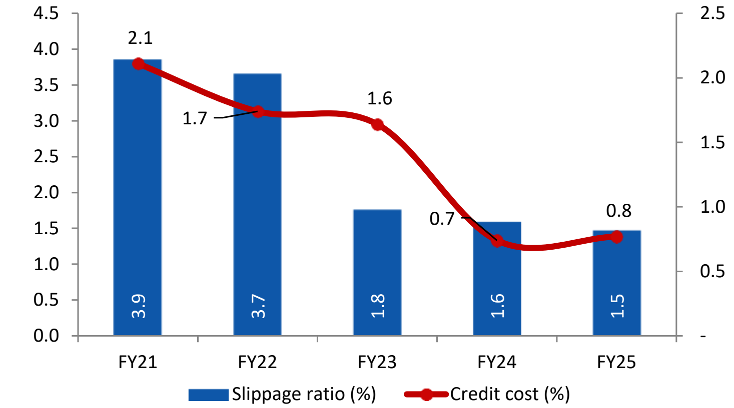
Source: Company, Systematix Institutional Research

Exhibit 13: Provisions Coverage Ratio (%)



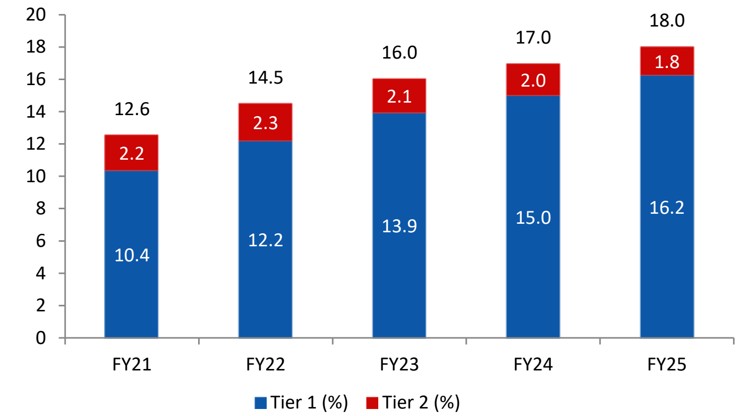
Source: Company, Systematix Institutional Research

Exhibit 14: Annualized Slippage Ratio and Credit Cost (%)



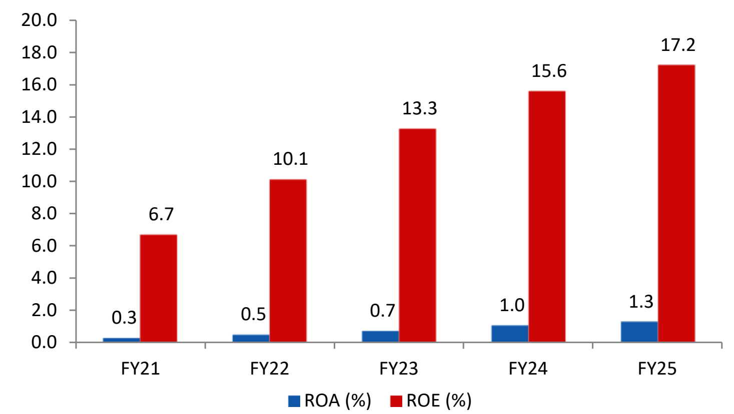
Source: Company, Systematix Institutional Research

Exhibit 15: Capital Adequacy Ratio (%)



Source: Company, Systematix Institutional Research

Exhibit 16: RoA and RoE (%)



Source: Company, Systematix Institutional Research

Investment Rationale

Digital transformation through exhaustive use of technology and healthy IT spend

UNBK has significantly advanced its infrastructure modernization and process excellence through technological integrations and innovative customer-centric solutions. The bank has cultivated a robust fintech ecosystem, empaneling 84 fintech companies, with 18 actively onboarded to deliver tailored solutions for Agriculture, Retail, and the MSME segments. UNBK is also the first PSB to operate as both a user and provider of financial information. It has integrated 13 Account Aggregators, enhancing data-driven decision-making.

The integration of CRM Edge with its Core Banking System enables comprehensive customer relationship management, facilitating cross-sell/up-sell opportunities, Product per Customer analysis, Customer Relationship Value assessment, and unified complaint handling across multiple channels, are significantly improving customer service. UNBK's Robotic Process Automation Centre of Excellence has implemented 27 automated processes using Hyper-Automation, leveraging AI, ML, and Robotics to achieve cost savings and operational efficiency, allowing employees to focus on strategic tasks. The bank's Straight-Through Processing (STP) journeys, with over 15 digital journeys implemented in FY25, have minimized manual intervention, enhanced service delivery and reduced turnaround time. The bank can now digitally sanction loans up to Rs 50mn for MSMEs.

Multichannel platforms like Union Virtual Connect (WhatsApp banking) provide real-time access to banking services. The Grievance Redressal Mechanism, supported by CRM EDGE, ensures efficient issue resolution through structured escalation matrices. UNBK is the first Indian bank to launch a Metaverse Virtual Lounge 'Uni-verse', having recorded 370k hits until 31 March, 2025 and offering digital banking experience. These initiatives collectively position UNBK on the forefront in leveraging technology to enhance operational efficiency, customer engagement, and innovation in the Indian banking sector, setting a benchmark for digital transformation and process excellence. UNBK has been spending on its digital transformation and has further increased its budget for FY25. The bank has planned to increase its IT spending of Rs 10bn in FY25 (~3.9% of operating expenses) to Rs 15bn (~5.5% of operating expenses) in FY26.

Multifaceted online and offline efforts strengthen the overall recovery process

Over the last few years, the bank has implemented a robust set of recovery strategies and collection management initiatives to enhance asset quality and improve the repayment efficiency. It has established specialized Stress Asset Management (SAM) units at various centres, each headed by a General Manager, to strengthen monitoring and expedite the disposal of stressed assets. UNBK has also launched focused recovery programmes, one of the recent called the 'SAM-AARAMBH' scheme, which has an ambitious target of reducing 0.4mn accounts in stressed assets to recover Rs 40bn. The bank also organises special One-Time Settlement (OTS) camps on a regular basis for early settlements.

For small-value NPAs (below Rs 1mn), IIBF-certified Business Correspondents have been engaged as recovery agents. It has also prioritized the swift examination of wilful default cases and enhanced monitoring of NCLT cases to provide quicker resolutions for Corporate Insolvency Resolution Process (CIRP) matters. Additional Lok Adalat sessions, in collaboration with DRT, facilitate dispute resolution. Regular performance reviews of Zonal Offices and specialized branches ensure alignment with recovery targets.

On the collection management front, UNBK has established a full-fledged call centre with dedicated staff for tele-calling borrowers with stressed accounts, which includes priority and Virtual Relationship Manager calls for the Retail and MSME segments. It has strengthened Physical outreach through Feet on Street (FoS) agents, deployed via UBI Services Limited and Quess Corp, and Customer Relationship Executives (CREs), who use a mobile app to track borrower interactions. The integration of the Bharat Bill Payment System (BBPS) has enabled the bank to send Click Pay links via SMSs to EMI-based term loan borrowers, significantly increasing digital repayment transactions.

These multifaceted efforts, which blend digital innovation, physical follow-ups, and specialized recovery mechanisms, underscore the bank's commitment to improving collection efficiency and fostering a robust repayment culture. The recoveries from written-off accounts stood at Rs 43.1bn for FY25 versus Rs 39.8bn in FY24. The bank achieved an RoA of 126bps in FY25, of which, recoveries from written-off accounts contributed around 23bps (18% of RoA). On an opening balance of Rs 799bn for FY25, recovery was around 5.4% from the book. Corporate accounts still dominate UNBK's technically written off book of around Rs 754bn as of March 2025. Management has guided similar recoveries for FY26 as was in FY25, considering the significantly strengthened recovery systems. Hence, the contribution of recoveries to RoA is expected to remain healthy for coming 3-4 years.

Strong focus on fee income acts as a lever for improving profitability

The bank earned fee income from a variety of activities such as loan processing, corporate banking and advisory services, which include origination and syndication of loans, structured finance, distribution of retail investment and insurance products, transaction banking and retail credit products. Over the last few years UNBK has significantly enhanced its focus on generating fee income, whereby its fee income to average advances ratio has steadily improved from 0.87% in FY22 to 1.13% in FY25. Also, within our comparison universe of 8 PSBs, UNBK ranks on the top on fee income to average advances ratio for FY25. The contribution of fee income to PPOP has increased from 25% in FY22 to 33% in FY25.

The bank has been focused on generating fee income through bancassurance and mutual fund distribution channels, wherein their contribution in total fee income has improved by 50bps over FY22 to FY25 to 5.5%. UNBK offers credit cards but currently is an insignificant player in the industry with 0.4% market share of outstanding credit cards. However, with a 5.6% market share of total outstanding debit cards, the bank harnesses immense growth potential in its credit card business with its existing clientele base, which should add to its overall fee income ahead. The bank has not called out any specific target of improving share of fee income but the current focus indicates it to be a key lever of growth in profitability going forward.

Asset quality improves significantly through strong underwriting processes

UNBK has significantly refined its loan processing and monitoring systems across the corporate, retail, and MSME segments, demonstrating its commitment to efficiency and risk management. For corporate loans, the bank has centralized processing to enhance operational efficiency and consistency, while establishing an in-house Techno-Economic Viability (TEV) cell to rigorously evaluate project feasibility. It has also strengthened its monitoring mechanisms to ensure robust oversight of loan performance and adopted a consortium lending model, collaborating with multiple lenders to share risks and finance large-scale projects.

For MSME loans of Rs 50mn and above, UNBK has onboarded CRISIL rating to verify creditworthiness, with a Business Rules Engine validating proposals to ensure compliance and accuracy. For MSME loans, the bank has digitized renewals up to Rs 10mn, improving speed and accessibility, while leveraging account aggregators to assess proposals with comprehensive financial data. For MSME proposals, the bank generally processes proposals up to CMR ranking of 5. Proposals beyond CMR ranking of 5 and exceeding Rs 50mn undergo thorough evaluation by a senior-level delegation to effectively mitigate the risks.

In the retail loan segment, UNBK has centralized the approval process to streamline operations and risk assessment. Retail loan proposals require a minimum CIBIL score of 700 for offline applications and 720 for digital applications, through which it ensures credit quality. Additionally, UNBK is developing a predictive analytics model to detect early signs of loan stress, enabling proactive risk management. These strategic advancements underscore UNBK's dedication to operational excellence and risk mitigation.

The bank's gross NPA of 11.1% as at end FY22 has come down to 3.6% as at end FY25. With specific provisions coverage ratio of 83%, Net NPA stood at 0.6% as of March 2025. The bank's fresh slippages too are in control, with the annualized gross slippages ratio of 1.3% in FY25 trending lower to 1.0% during 1QFY26. FY25 slippages include two corporate PSU accounts, which had pushed up the ratio in 2QFY25. However, UNBK does not expect any loss of asset as these are government-backed accounts. With slippages in control, the credit cost has also been lower at 0.8% (including specific and non-specific provisions) in FY25. The bank also currently holds buffer provisions in the form of standard asset provisions with the total non-specific provisions at 0.6% of gross advances as of March 2025. Also, the total specific and non-specific provisions cover 100% of the bank's Gross NPA.

Strong CRAR and being compliant with SEBI's listing norms, indicate no need for dilution

UNBK's Total Capital Adequacy ratio of 18.3% and Common Equity Tier 1 capital ratio of 15.3% as of June 2025, shows the bank is currently well above the minimum capital requirement norms of 8.0% for CET1 and 11.5% for total CRAR. The government currently holds 74.8% stake in the bank, which is below SEBI's listing requirement of maximum promoter holding of 75%. Hence, there is no near-term need for the bank to dilute equity for capital or any regulatory requirements. However, recent media articles reported that the government is planning to divest its stake in some PSBs but that could most probably happen through an offer for sale (OFS) route. Hence, even if the government were to consider UNBK, it would not lead to any equity or earnings dilution for existing shareholders.

Valuation and Outlook

Union Bank of India (UNBK) has been focusing on increasing its intrinsic strength since the last few years. It has significantly enhanced the use of technology, both to mitigate risks and for growth. With UNBK revamping its underwriting processes, it has managed to decrease fresh slippages and continuously improve its asset quality. UNBK has also steadily increased the contribution of Fee Income in its PPOP, evident from the rise in its Fee Income to Average Advances from 87bps in FY22 to 113bps in FY25. The growth in bank's advances currently lags that in the banking system, which is a tactical call the bank took to focus on the bottom line and margins. We expect UNBK's core PPOP and Net Profit to expand at 7% CAGR each over FY25 to FY28E. We value the bank at a Price to Adjusted Book Value (adjusted for Revaluation Reserve and Net Deferred Tax Asset) of 0.9x to arrive at our target price of Rs. 160 for an RoA profile of 1.1%/1.2%/1.2% and RoE profile of 14.5%/15.2%/14.8% for FY26E/FY27E/FY28E, respectively. With a 17% upside over the current market price, we assign a BUY rating to UNBK.

Exhibit 17: 1-year forward Price to Book Value

Source: Company, Systematix Institutional Research

Exhibit 18: 1-year forward Price to Book Value vs. mean and standard deviations

Source: Company, Systematix Institutional Research

Management Profile

Mr. Srinivasan Varadarajan - Non-Executive Chairman

Mr. Varadarajan, Engineering graduate (Anna University) and PGDM (IIM Calcutta), has 30+ years in banking and financial services. He became Non-Executive Chairman in Nov 2022. Earlier, he was DMD at Axis Bank and MD & Head of Markets at JP Morgan India, where he also served as CEO of JP Morgan Chase Bank in India. Since 2019, he has led an advisory practice, working with global funds, corporates, and banks. He has chaired FIMMDA and PDAI, contributed to RBI committees, and served on the Indo-UK Financial Partnership Forum.

Mr. Nitesh Ranjan - Executive Director

Mr. Ranjan, ED since Mar 2021, drives digital transformation and strategic initiatives at UNBK. He joined in 2008, serving as Head of Treasury Strategy, Chief Economist, Chief IR Officer, and Regional Head. He serves on boards of NPCI, SUD Life, and UBI Services, and is part of IBA's PSB reforms committee. Earlier, he was on boards of SBI Global Factors and FIMMDA. A postgraduate in Economics, he completed the IIM Bangalore Leadership Development Programme.

Mr. Ramasubramanian S. - Executive Director

Mr. Ramasubramanian, Science graduate with CAIIB, became ED in Nov 2022 after 25+ years at Canara Bank. He has experience in corporate, MSME, retail, and international credit, including overseas operations in Hong Kong. He attended FSIB's leadership program, serves on IBA's Corporate Credit Committee, and was part of the Kamath Committee on COVID loan restructuring.

Mr. Sanjay Rudra - Executive Director

Mr. Rudra became ED in Oct 2023, after serving as GM & CRO at Bank of Maharashtra where he was instrumental in its turnaround. With 30+ years of experience across credit, MSME, risk, and digital lending, he has also led L&D. He holds a postgraduate degree in Physics, diploma in Financial Management, and CAIIB.

He has attended leadership programs at IIM Bangalore, ISB, and Kellogg.

Mr Rohan Chand Thakur - Government Nominee Director

Mr. Thakur, IAS (2009 batch, Himachal cadre), is Director at DFS, Ministry of Finance. An Economics graduate (St. Stephen's), he holds an MBA (IIM Ahmedabad), MPA (Harvard Kennedy School), and Chevening Gurukul Fellowship (Oxford). He earlier served as Advisor to the World Bank ED and worked with TAS before joining civil services.

Mr Prakash Baliarsingh - RBI Nominee Director

Mr. Baliarsingh, RBI nominee since Jul 2023, retired as CGM, Department of Regulation, RBI, after 30+ years. He contributed to AQR, Risk-Based Supervision, and SPARC, and represented RBI internationally. He holds a PG in Political Science, MSc in Finance (Oxford Brookes, UK), and CAIIB.

Mr Suraj Srivastava - Part time Non-official Director

Mr. Suraj Srivastava is a Fellow Member of ICAI and holds a degree in Bachelor of Laws (LL.B.). With over 19 years of professional experience, he specializes in taxation and audit as Partner at M/s Batra Sapra & Co., handling statutory, concurrent and branch audits of PSBs, PSUs and other companies. He has also completed the Information Systems Audit (ISA) qualification from ICAI.

Mrs. Priti Jay Rao - Shareholder Director

Mrs. Rao, re-elected in Jul 2024, holds an MSc in Mathematics from IIT Bombay. With 25+ years in IT services and software delivery, she has global experience in process automation and talent management. She serves on technology company boards and is engaged in CSR for education and women's empowerment.

Mr Prakash Chandra Kandpal - Shareholder Director

Mr. Kandpal, elected Jul 2024, has 36+ years with SBI and subsidiaries. He retired as DMD (Retail) at SBI and was MD & CEO of SBI General Insurance and ED & COO of SBI Funds Management. His expertise spans banking, insurance, mutual funds, and IT. He currently sits on boards including Tata AIG, Nucleus Software, and HDFC Pension. He holds degrees in Economics and Financial Management, and has attended programs at ISB and UC Berkeley.

Mr. Avinash Vasant Prabhu – Chief Financial Officer

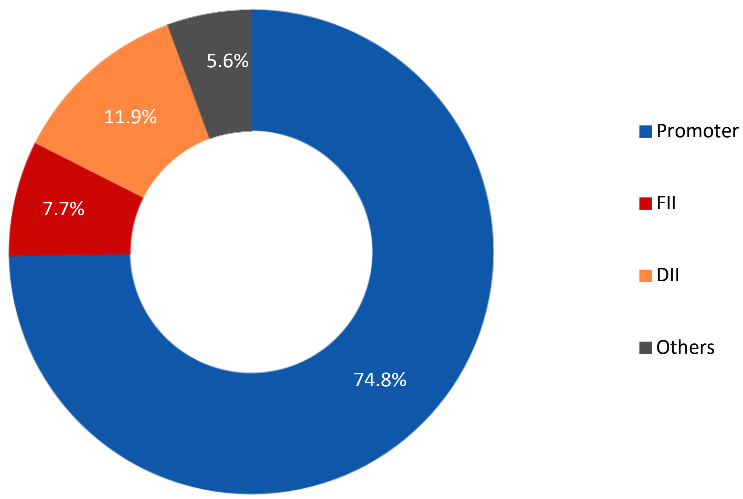
Mr. Avinash Vasant Prabhu, appointed CFO of UNBK on 20 November 2023, for a three-year term, is a Chartered Accountant with over 25 years of experience, previously serving as CFO for Deutsche Bank in India, managing financial reporting, business and infrastructure finance, ALM, tax, transformation, and financial planning, and holding roles at Credit Agricole CIB and Arthur Andersen; he is a qualified Chartered Accountant.

Mr. Mangesh Mandrekar - Company Secretary

Mr. Mandrekar, CS (ICSI) and law graduate, was appointed CS & Compliance Officer in Nov 2024. With 16+ years' experience, he earlier served as UNBK's CS (2018–21) and held governance roles at Sanghvi Movers, ThyssenKrupp, and Persistent Systems. He now oversees board coordination, governance, and compliance at UNBK.

Shareholding pattern details

Exhibit 19: Shareholding pattern (as of June 2025)



Source: BSE, Systematix Institutional Research

Exhibit 20: Top 10 shareholders (as of 17th September 2025)

Sr. No.	Shareholder	Stake (%)
1	Republic of India	74.8
2	Life Insurance Corp of India	6.4
3	HDFC Asset Management Co Ltd	1.4
4	Blackrock Inc	1.0
5	Vanguard Group Inc/The	0.9
6	Nippon Life India Asset Management	0.8
7	ICICI Prudential Asset Management	0.4
8	HDFC Life Insurance Co Ltd	0.3
9	Norges Bank	0.3
10	Kotak Mahindra Asset Management Co	0.3

Source: Bloomberg, Systematix Institutional Research

Exhibit 21: Equity dilution history

Particulars	Mode	Dilution (%)	Price (Rs)
26-Feb-2024	QIP	3.0	135.65
25-Aug-2023	QIP	8.5	86.55
21-May-2021	QIP	6.7	33.82

Source: AceEquity, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	998	1,077	1,101	1,196	1,317
Interest expense	(632)	(705)	(730)	(766)	(841)
Net interest income	**366**	**372**	**372**	**429**	**476**
Fee Income	82	103	112	123	136
Other Income	79	95	90	92	95
Total Non-interest income	**161**	**198**	**203**	**215**	**231**
Total income	**527**	**570**	**574**	**644**	**707**
Operating expenses	(244)	(259)	(274)	(295)	(325)
PPoP	**282**	**311**	**300**	**349**	**382**
Core PPOP	**203**	**216**	**210**	**257**	**286**
Provisions	(68)	(76)	(69)	(77)	(86)
Profit before tax	**214**	**235**	**231**	**272**	**295**
Taxes	(78)	(55)	(58)	(68)	(74)
Net profit	**136**	**180**	**173**	**204**	**221**

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	76	76	76	76	76
Reserves & surplus	893	1,053	1,185	1,340	1,508
Net worth	**970**	**1,130**	**1,261**	**1,416**	**1,584**
Deposits	12,215	13,097	13,818	15,061	16,568
Borrowings	269	273	295	301	307
Other liabilities	465	498	519	486	481
Total liabilities	**13,920**	**14,999**	**15,894**	**17,264**	**18,940**
Total cash & equ.	1,193	1,313	1,241	1,195	1,200
Investments	3,379	3,544	3,686	3,980	4,299
Advances	8,708	9,535	10,346	11,380	12,632
Fixed assets	92	98	108	118	130
Other assets	548	508	514	591	679
Total assets	**13,920**	**14,999**	**15,894**	**17,264**	**18,940**

Source: Company, Systematix Institutional Research

Dupont

YE: Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.5	7.5	7.1	7.2	7.3
Interest expense	(4.7)	(4.9)	(4.7)	(4.6)	(4.6)
Net interest income	**2.7**	**2.6**	**2.4**	**2.6**	**2.6**
Non-interest income	1.2	1.4	1.3	1.3	1.3
Total income	**3.9**	**3.9**	**3.7**	**3.9**	**3.9**
Operating expenses	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
PPoP	**2.1**	**2.2**	**1.9**	**2.1**	**2.1**
Provisions	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)
Profit before tax	**1.6**	**1.6**	**1.5**	**1.6**	**1.6**
Taxes	(0.6)	(0.4)	(0.4)	(0.4)	(0.4)
Net profit	**1.0**	**1.2**	**1.1**	**1.2**	**1.2**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)					
Net interest income	11.6	1.8	(0.1)	15.5	10.8
Total Income	11.1	8.3	0.7	12.1	9.7
PPoP	10.8	10.2	(3.4)	16.2	9.3
Net profit	61.8	31.8	(3.7)	17.7	8.6
Advances	14.3	9.5	8.5	10.0	11.0
Deposits	9.3	7.2	5.5	9.0	10.0
Return Ratios (%)					
Return on Average Equity	15.6	17.1	14.5	15.2	14.8
Return on Average Assets	1.0	1.2	1.1	1.2	1.2
Per share data (Rs)					
EPS	18	24	23	27	29
BVPS	115	137	154	175	197
ABVPS	103	129	148	169	190
Valuation multiples (x)					
P/E	7.5	5.7	5.9	5.0	4.6
P/BV	1.2	1.0	0.9	0.8	0.7
P/ABV	1.3	1.0	0.9	0.8	0.7
Spread Analysis (%)					
Net interest margin	3.1	2.9	2.7	2.9	2.9
Yield on loans	8.8	8.7	8.3	8.3	8.4
Cost of deposits	5.0	5.2	5.1	5.0	5.0
Loan-deposit ratio	71.3	72.8	74.9	75.6	76.2
Opex control (%)					
Cost/Income ratio	46.4	45.5	47.7	45.8	46.0
Cost to average assets	1.8	1.8	1.8	1.8	1.8
Asset quality (%)					
Gross NPL ratio	4.8	3.6	3.1	2.7	2.4
Gross Slippage ratio	1.5	1.3	1.1	1.0	1.0
Total Credit Cost	0.8	0.8	0.7	0.7	0.7
Net NPA ratio	1.0	0.6	0.5	0.4	0.4

Source: Company, Systematix Institutional Research

Indian Bank

18 September 2025

Steady on the path of structural improvement

INITIATING COVERAGE

Sector: Banking	Rating: HOLD
CMP: Rs 704	Target Price: Rs 765

Stock Info

Nifty	25,330
Bloomberg Code	INBK IN
Equity shares	1,347mn
52-wk High/Low	Rs 712/ 474
Face value	Rs 10
M-Cap	Rs 948bn/ USD 10.8bn
3-m Avg volume (NSE)	Rs.1.01bn

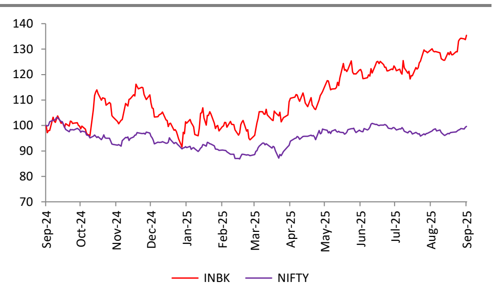
Financial Snapshot (Rs bn)

Y/E March	FY26E	FY27E	FY28E
NII	258	303	348
PPOP	185	224	255
PAT	109	132	151
EPS (Rs)	81	98	112
EPS Gr. (%)	0	21	14
BV/Sh (Rs)	488	567	656
Adj. BV/Sh (Rs)	477	544	643
Ratios			
NIM (%)	3.2	3.3	3.4
C/I ratio (%)	47.3	44.8	44.5
RoA (%)	1.2	1.3	1.3
RoE (%)	14.9	15.8	15.9
Valuations			
P/E (x)	8.7	7.2	6.3
P/BV (x)	1.4	1.2	1.1
P/Adj. BV	1.5	1.3	1.1

Shareholding pattern (%)

	Dec'24	Mar'25	Jun'25
Promoter	73.84	73.84	73.84
–Pledged	-	-	-
FII	4.78	4.74	4.54
DII	17.64	17.78	18.05
Others	3.75	3.65	3.56

Stock Performance



Siddharth Rajpurohit
siddharthrajpurohit@systematixgroup.in
+91 22 6704 8065

Rishit Savla
rishitsavla@systematixgroup.in
+91 22 6704 8036

Indian Bank (INBK) has seen robust transformation over the last few years, wherein the bank has sharply improved several operational aspects. Now, the bank stands out on asset quality with a gross slippage ratio of ~1.0% and net NPA ratio of mere 0.2%. To structurally improve the bank's yield, it enhanced focus on growing high-margin products. This explains why the bank's retail and MSME Advances are outpacing its overall loan growth. Recoveries from written-off accounts currently contribute ~21% to its RoA. The contribution is unlikely to come off soon, even if the bank manages to achieve 5-7% recovery, as a huge TWO book is still available to be mined. We estimate INBK's Core PPOP and Net Profit to expand at 13% and 11% CAGR, respectively, over FY25 to FY28E. We value INBK at a Price to Adjusted Book Value (adjusted for Revaluation Reserve and Net Deferred Tax Asset) of 1.35x to arrive at our target price of Rs. 765 on an RoA profile of 1.2%/1.3%/1.3% and RoE profile of 14.9%/15.8%/15.9% for FY26E/FY27E/FY28E, respectively. INBK currently offers 9% upside from CMP and hence assign HOLD rating to the stock.

Robust asset quality supported by strong integrated risk assessment framework: INBK's credit assessment process adheres to a strict policy, utilizing AI and ML-driven underwriting platforms for rapid retail credit decisions. High-value corporate and MSME loans undergo a specialized Credit Review Assessment model, categorizing risks based on detailed parameters. This technology-integrated approach has improved the bank's asset quality, reducing its gross NPA ratio from 8.5% in FY22 to 3.1% in FY25, with Net NPA at 0.2% and gross slippage ratio at 1.1%. The SMA 1 and 2 is now at mere 35bps. Hence, we see no near-term threat of slippage for the bank.

Digital transformation through continuous technological integration: INBK's 'Project WAVE' has driven its digital transformation, doubling its digital business in FY25. The mobile banking platform, with enhanced UI/UX, integrates UPI, BBPS, and digital marketplaces. A robust digital lending platform, cloud migration, and a new digital insurance platform boost efficiency. The INDSMART App and MSME Business App streamline transactions. Digital adoption has reached 84% by number of accounts and 68% by transaction value, with 95% of savings accounts now opened digitally. For FY26, the bank has earmarked a digital budget of ~Rs 15,000mn (~9% of opex), underscoring its focus on technological transformation.

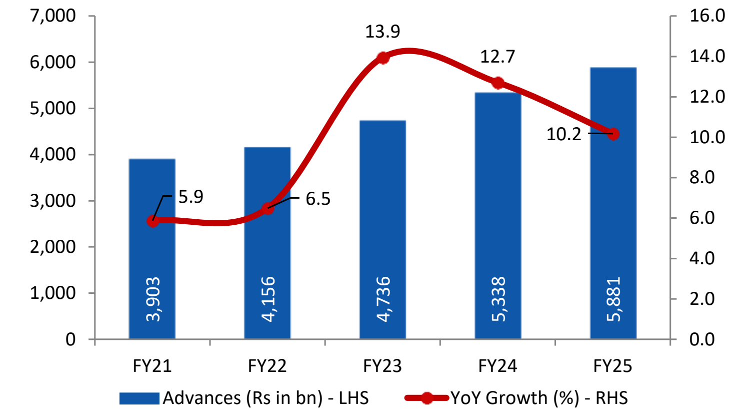
Steady focus on fortifying its superior margin product share: INBK's RAM segment grew at 13% YoY in FY25, outpacing the 10% growth in total advances. Retail advances rose 14% through digital lending, Retail Processing Centres, and data-driven customization. Agriculture grew at 14% via rural outreach and priority sector lending. MSME expanded 12% with GST-linked loans and cluster strategies. The share of RAM in domestic deposits rose from 61.3% in FY22 to 64.2% in FY25, with the bank planning to lift its MSME and retail shares to 20% and 25%, respectively.

Multi-pronged strategy for stressed asset recovery: INBK follows a verticalized structure to manage stressed assets, with dedicated teams managing corporate and retail recoveries. It secured recoveries of Rs. 30.19bn from the TWO book in FY25 (7.6% of opening book), leveraging NCLT, SARFAESI Act and Lok Adalats. With a recovery book of Rs 403bn, INBK has guided Rs 20bn recovery for FY26, of which, Rs 8.15bn has already been achieved in 1QFY26, indicating potential upside to its target.

Investors are advised to refer disclosures made at the end of the research report.

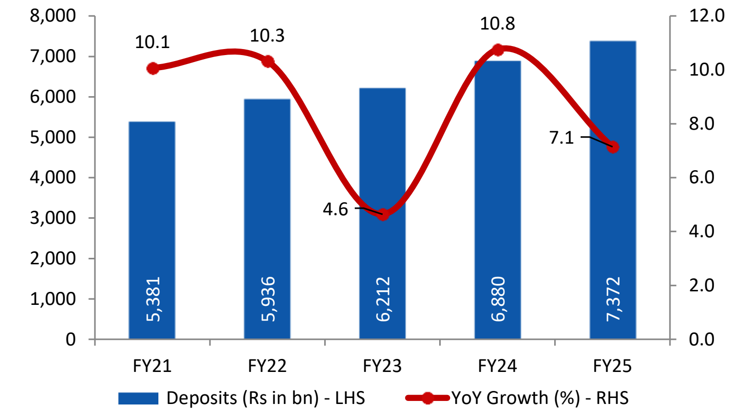
Story in Charts

Exhibit 1: Advances and Advances YoY growth (%)



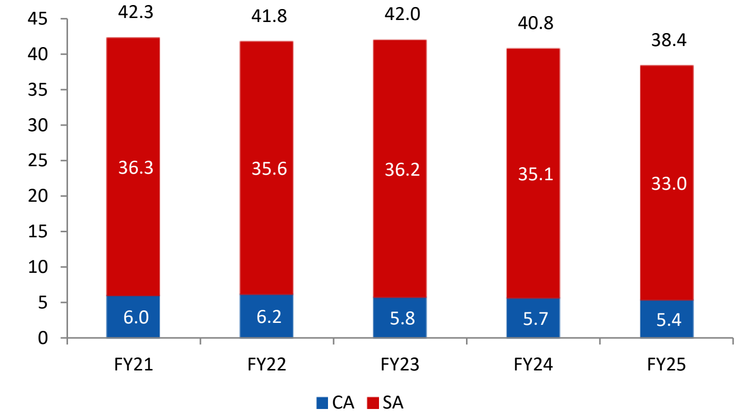
Source: Company, Systematix Institutional Research

Exhibit 2: Deposits and Deposits YoY growth (%)



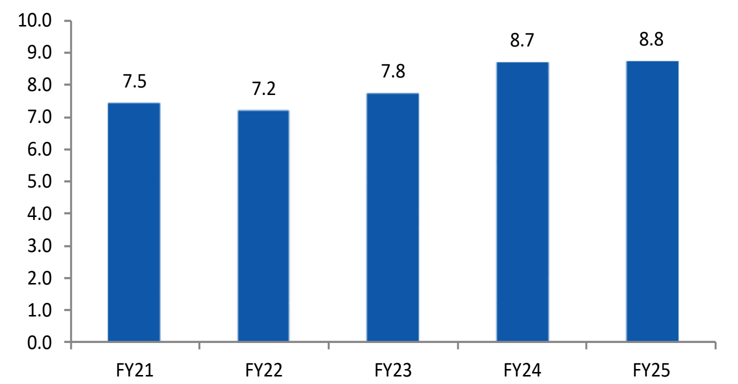
Source: Company, Systematix Institutional Research

Exhibit 3: CASA ratio (%)



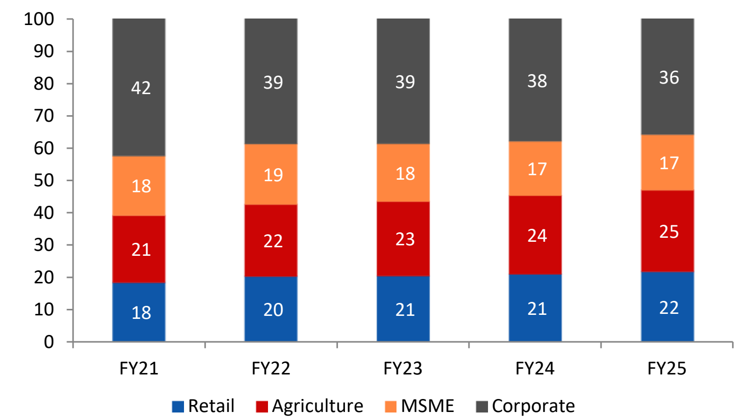
Source: Company, Systematix Institutional Research

Exhibit 4: Yield on Advances (%)



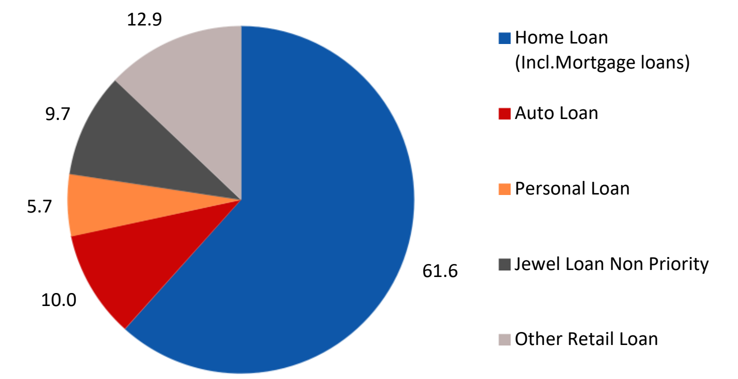
Source: Company, Systematix Institutional Research

Exhibit 5: Loan mix over the years (%)



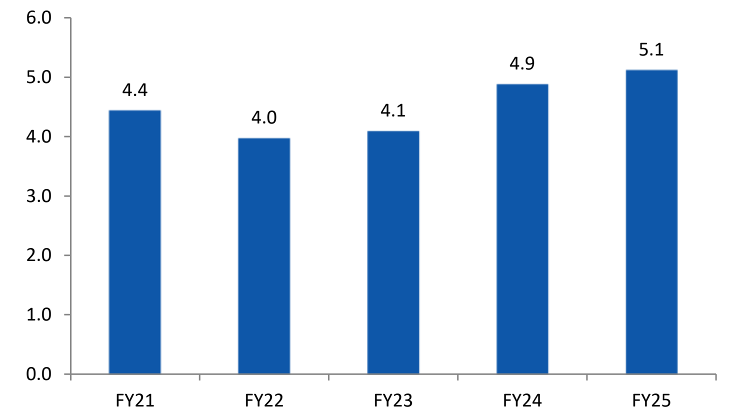
Source: Company, Systematix Institutional Research

Exhibit 6: Mix of retail advances (%)



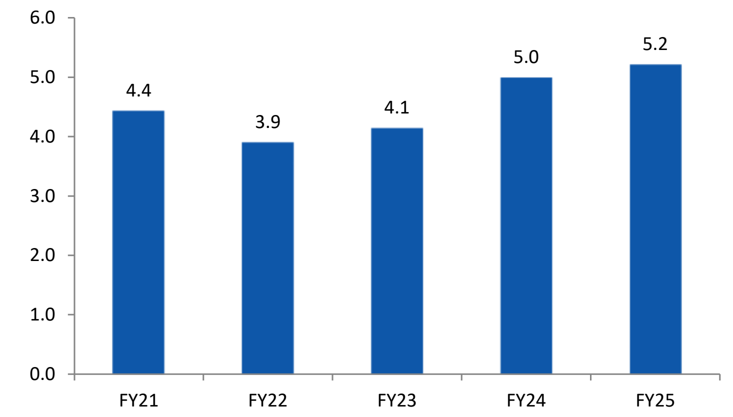
Source: Company, Systematix Institutional Research

Exhibit 7: Cost of Deposits (%)



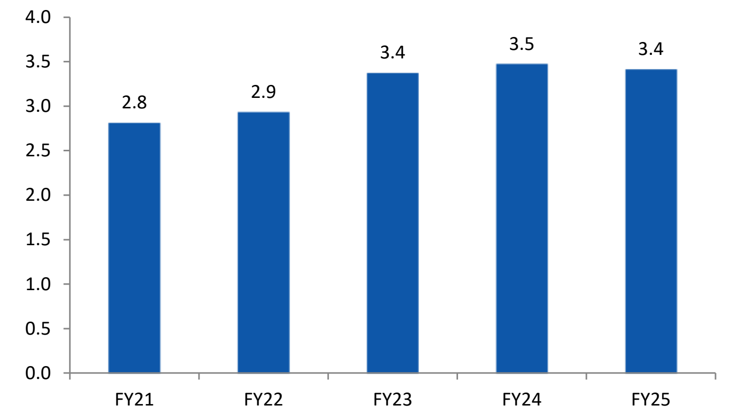
Source: Company, Systematix Institutional Research

Exhibit 8: Cost of Funds (%)



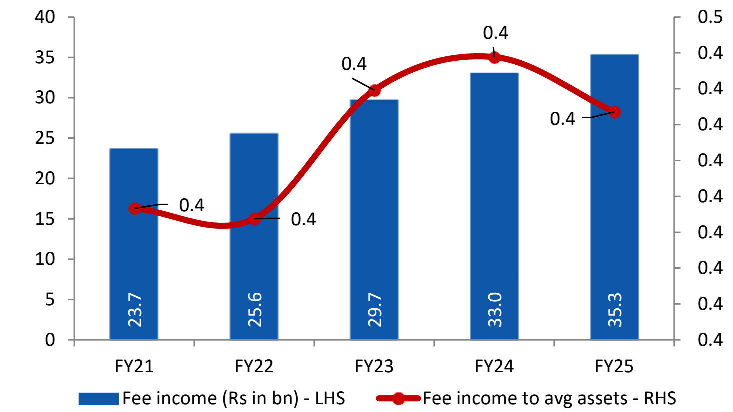
Source: Company, Systematix Institutional Research

Exhibit 9: Net Interest Margin (%)



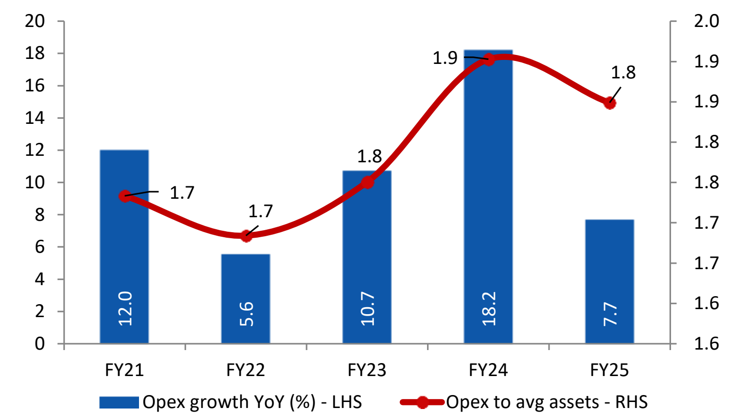
Source: Company, Systematix Institutional Research

Exhibit 10: Fee Income and as % of Average Assets (%)



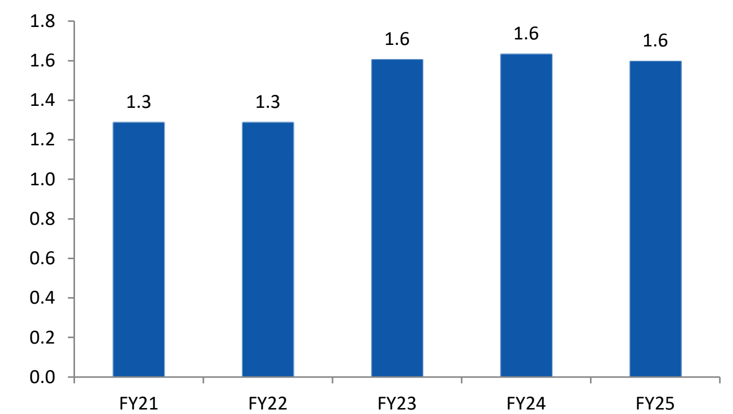
Source: Company, Systematix Institutional Research

Exhibit 11: Opex YoY growth and as % of average assets (%)



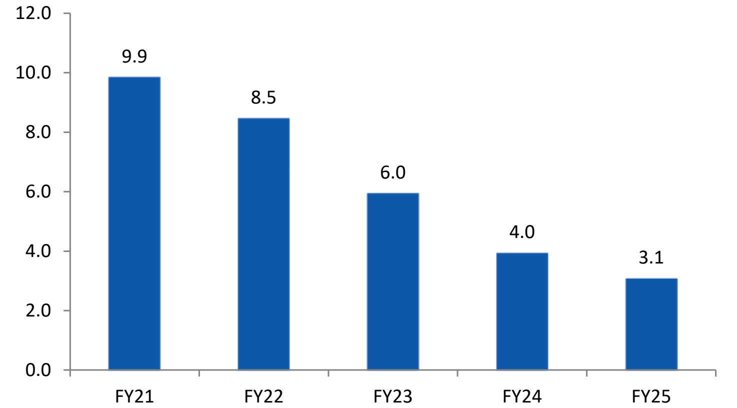
Source: Company, Systematix Institutional Research

Exhibit 12: Core PPOP Margin (%)



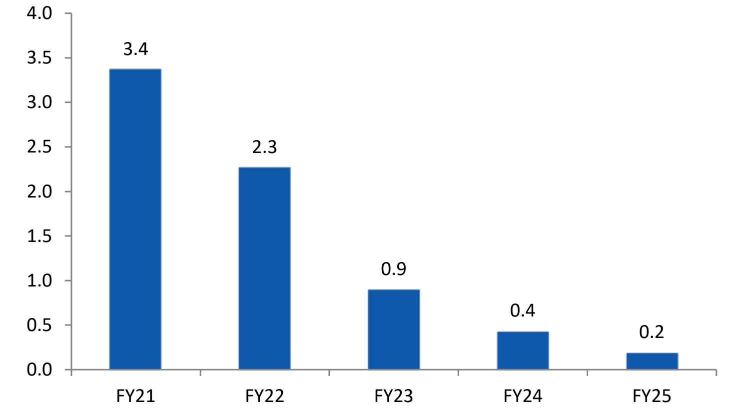
Source: Company, Systematix Institutional Research

Exhibit 13: GNPA (%)



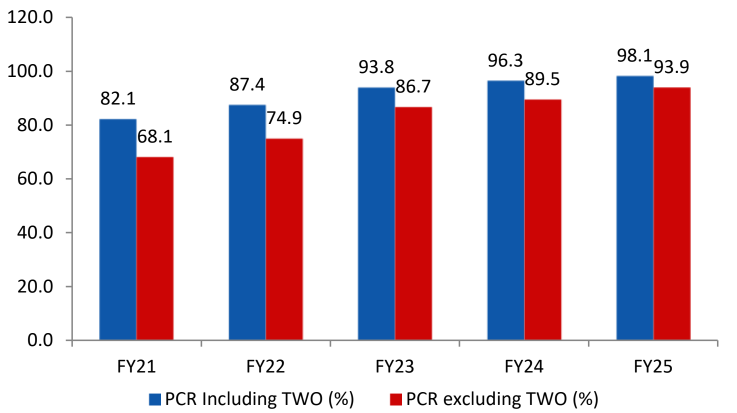
Source: Company, Systematix Institutional Research

Exhibit 14: NNPA (%)



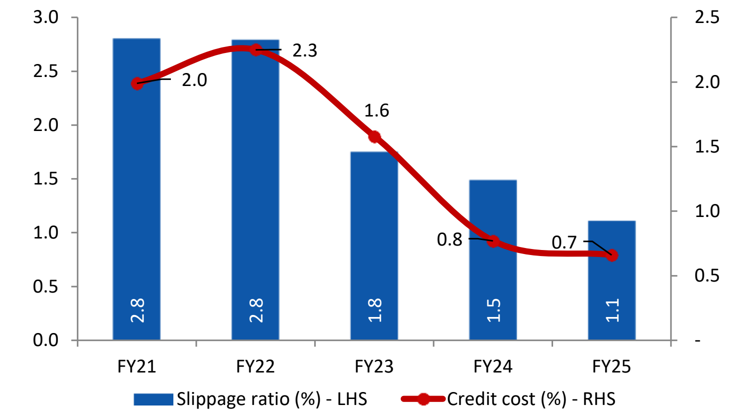
Source: Company, Systematix Institutional Research

Exhibit 15: Provision Coverage Ratio (%)



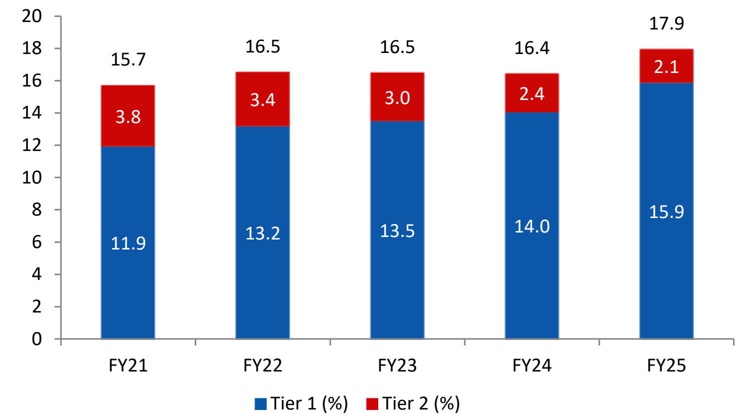
Source: Company, Systematix Institutional Research

Exhibit 16: Annualized Slippage Ratio and Credit Cost (%)



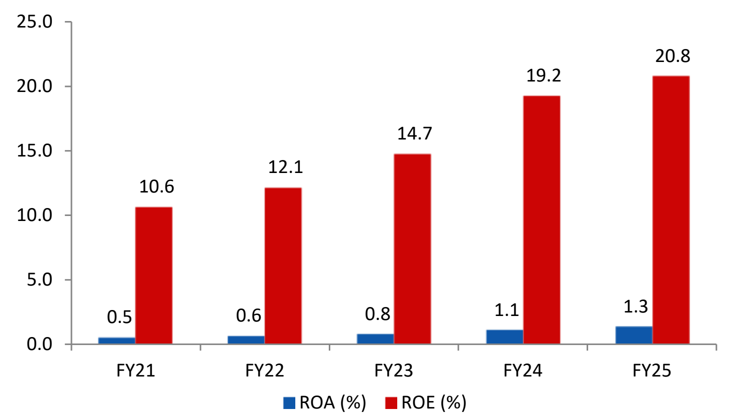
Source: Company, Systematix Institutional Research

Exhibit 17: Capital Adequacy Ratio (%)



Source: Company, Systematix Institutional Research

Exhibit 18: RoA and RoE (%)



Source: Company, Systematix Institutional Research

Investment Rationale

Robust asset quality supported by strong integrated risk assessment framework

INBK's credit assessment process is governed by a stringent credit policy and credit risk management framework, based on which it adheres to predefined benchmarks that ensure compliance and financial prudence. The internal rating models are notably stricter than those of external rating agencies, reinforcing the reliability of credit appraisals. INBK employs advanced underwriting platforms powered by artificial intelligence (AI) and machine learning (ML) to deliver rapid credit decisions for its retail products. These automated credit scorecards undergo numerous iterations and rigorous testing, evaluating multiple facets of an applicant's background.

For high-value credit proposals, i.e., corporate loans exceeding Rs 500mn and MSME loans above Rs 100mn, the bank employs a specialized Credit Review Assessment model. This model categorizes proposals into low, medium, high, or no-go risk levels, based on a quantified risk-scoring matrix. The assessment analyzes various key parameters. This comprehensive evaluation ensures a detailed understanding of the risk associated with each proposal, enabling the bank to make an informed decision.

By integrating technologies with a risk assessment framework, the bank has managed to mitigate risks at the approval stage, thereby improving its asset quality. The bank's gross NPA ratio improved from 8.5% in FY22 to 3.1% in FY25. With its specific Provision Coverage Ratio at 94%, the Net NPA is mere 0.2%. The bank has also been able to strongly contain its fresh slippage with an annualized gross slippage ratio of 1.1% for FY25. Hence, we believe INBK is strategically placed on various asset quality parameters. The bank's SMA 1 and 2 was 99bps of Advances (for loans above Rs 50mn) as of June 2025, but that was largely due to two PSU accounts. However, both accounts have now been upgraded, with the SMA 1 and 2 now at mere 35bps. Hence, we see no near-term threat of slippage for the bank.

Digital transformation through continuous technological integration

INBK doubled its digital business in FY25 through huge efforts in its digital transformation journey. Its initiatives encapsulated under 'Project WAVE' (World of Advanced Virtual Experience), emphasizes customer-centric solutions, operational efficiency, and technological innovation. The bank's mobile banking platform, redesigned with upgraded UI/UX, integrates UPI, BBPS, and digital marketplaces for seamless omni-channel transactions across its retail and corporate banking channels. The bank has also built a robust digital lending platform, migrated to a scalable micro-services cloud, facilitating co-lending and pool buy-outs with NBFCs. Since August 2024, its digital insurance platform has been offering bancassurance via mobile and internet banking. The INDSMART App promotes UPI adoption, while the MSME Business App and Digital KCC Journey streamline self-service loans and Kisan Credit Card issuance.

INBK is advancing its digital infrastructure through strategic initiatives. Through a dual private cloud deployment, it ensures seamless cost-efficient operations. Migration to cloud has enhanced the scalability and resilience in the bank's digital lending and other platforms. To improve customer service, INBK has developed a next-generation call centre with Teleperformance, featuring a cloud-based system with advanced CRM, analytics, and 24x7 multilingual support.

In FY25, INBK had an overall 84% digital adoption rate in terms of number of accounts and 68% in terms of transaction value. Under the Retail, Agriculture and MSME (RAM) segments, the bank achieved 81%, 90% and 81% digital adoption, respectively, during this period. Currently the bank opens 95% of its savings accounts digitally, with ~92% of the transactions done through the digital channels. INBK has increased its digital transformation budget to ~Rs 15,000mn for FY26 from Rs 13,000-14,000mn in FY25, i.e., which constitutes ~9% of opex, underscoring its focus on technological transformation. Digital adoption has aided INBK in its business growth, operating efficiency, reach, turnaround and query handling, providing holistic benefits to the bank.

Steady focus on fortifying its superior margin product share

INBK has strategically prioritized growth in the RAM segment and expanded by 13% YoY in FY25, outpacing the 10% growth in Total Advances. This growth reflects the targeted initiatives across digital transformation, structural enhancements, and sector-specific programs.

In the retail segment, INBK intensified efforts to expand products like housing, vehicle, jewel, education, and personal loans. Key measures included, establishing Retail Processing Centres across all zones to streamline operations and to reduce the processing times. Digital initiatives have been pivotal, enabling loan applications through SMS, call centers, missed calls, mobile banking, and the bank's website. Implementation of loan lifecycle management system and Digital Analytics and Business Intelligence (DABI) tools allowed mining customer data to offer customized products and boost cross-selling opportunities. Partnerships with web portals for home loan leads and end-to-end digital lending further accelerated retail growth, contributing to a 14% YoY increase in retail advances by FY25.

In case of the Agriculture sector, which grew at 14% YoY in FY25, the bank leveraged its extensive branch network in the rural and semi-urban areas. Measures included strengthening ties with agricultural communities and related manufacturers through targeted product programs tailored to specific geographies and industries. The bank focuses on priority sector lending, offering funding for government-identified areas, and explores emerging opportunities in e-commerce and supply chain finance to support agri-related MSMEs and farmers.

The MSME segment, which grew at 12% YoY in FY25, has seen significant reforms. To minimize paperwork, the bank introduced GST-linked loans and disbursements grew significantly under this initiative. A straight-through processing system for online loan applications is under development, alongside increasing mid-corporate and MSME-specialized branches. The bank has identified 10-15 MSME clusters for focused growth, supported by cluster-based strategies.

These focused initiatives have led to the share of RAM segment rising sharply in domestic deposits from 61.3% in FY22 to 64.2% in FY25. The bank has set specific targets to increase the MSME share from 17% to 20% and retail from 21% to 25%, by focusing on retail penetration and MSME clusters.

Multi-pronged approach to strategically recover stressed assets

INBK has adopted a strategic, verticalized approach to manage its stressed assets by establishing dedicated teams for collection and recovery across its corporate and retail portfolios. The bank has been using NCLT to recover funds from listed accounts. Under the SARFAESI Act, it has listed numerous properties for sale at a set reserve value, and successfully sold a significant number. The bank also actively engaged in National Lok Adalats and organized Mandal-level Lok Adalats to resolve several accounts through settlements.

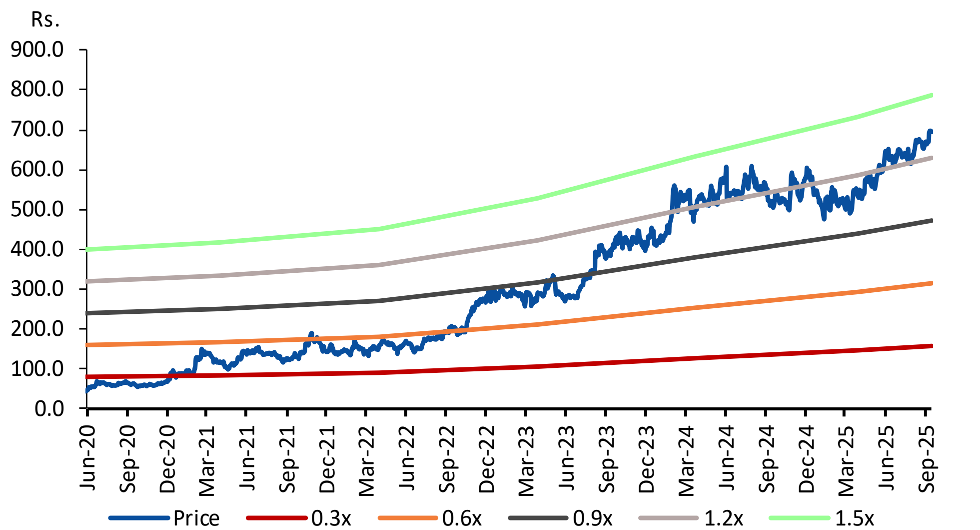
To enhance collection efficiency, the bank onboarded as a biller with NPCI under the Bharat Bill Payment System (BBPS). Leveraging technology, the bank introduced an Agentic AI system for collections, initially available in English and Tamil, with plans to expand language capabilities.

Through such initiatives, INBK has strengthened its recovery machinery making recoveries of Rs 30.19bn from its TWO book, 7.6% of the opening book in FY25, similar to FY24. The post tax contribution from recoveries to RoA was around 28bps or ~21% of the RoA of 132bps. INBK's recovery book at of Rs 403bn as of end March 2025 has not come off yet. For FY26, management has guided recovery of Rs 20bn, ~5% of the opening book. However, as INBK has already made a recovery of Rs 8.15bn during 1QFY26, hence we see an upside potential for its guidance. Also, ~5% recovery from the book seems sustainable over the long term, indicating healthy contribution to RoA to continue going forward.

Valuation and Outlook

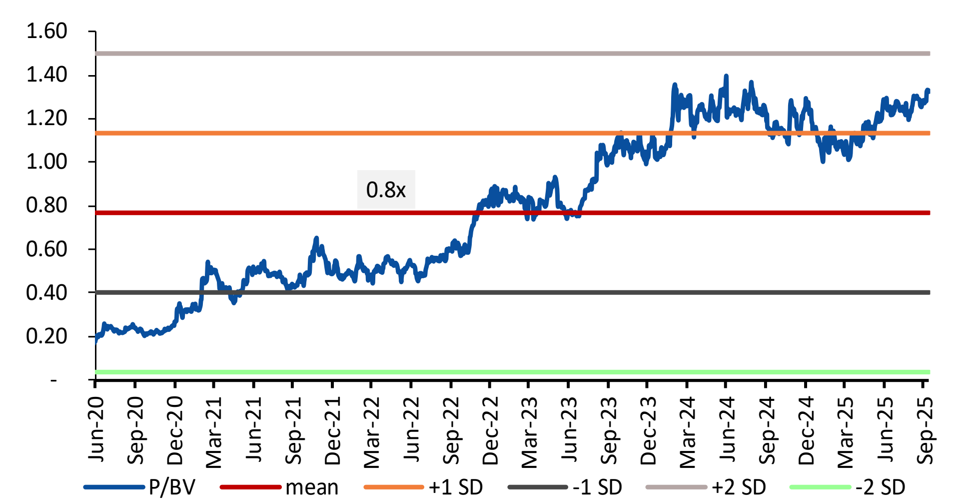
Indian Bank (INBK) has seen robust transformation over the last few years, wherein the bank has sharply improved several operational aspects. Now, the bank stands out on asset quality with a gross slippage ratio of ~1.0% and net NPA ratio of mere 0.2%. To structurally improve the bank's yield, it enhanced focus on growing high-margin products. This explains why the bank's retail and MSME Advances are outpacing its overall loan growth. Recoveries from written-off accounts currently contribute ~21% to its RoA. The contribution is unlikely to come off soon, even if the bank manages to achieve 5-7% recovery, as a huge TWO book is still available to be mined. We estimate INBK's Core PPOP and Net Profit to expand at 13% and 11% CAGR, respectively, over FY25 to FY28E. We value INBK at a Price to Adjusted Book Value (adjusted for Revaluation Reserve and Net Deferred Tax Asset) of 1.35x to arrive at our target price of Rs. 765 on an RoA profile of 1.2%/1.3%/1.3% and RoE profile of 14.9%/15.8%/15.9% for FY26E/FY27E/FY28E, respectively. INBK currently offers 9% upside from CMP and hence assign HOLD rating to the stock.

Exhibit 19: 1-year forward Price to Book Value



Source: Company, Systematix Institutional Research

Exhibit 20: 1-year forward Price to Book Value vs mean and standard deviations



Source: Company, Systematix Institutional Research

Management Profile

Mr. Binod Kumar - MD & CEO

Mr. Kumar assumed charge as MD & CEO of INBK on 16 January 2025. A Science graduate (Ranchi University), he holds a PG Diploma in Banking & Finance (NIBM), FRM (GARP, USA), CAIIB, and diplomas in Treasury, Investment & Risk Management (IIBF). With 30+ years at PNB, he has led branch operations, risk, and corporate credit, serving as CEO of PNB's DIFC branch and later CGM of Corporate Credit. As ED of PNB (2022–25), he oversaw Corporate Banking, Treasury, International Banking, Finance, and Data Analytics. He has completed leadership training at IIM Bangalore.

Mr. Ashutosh Choudhury - Executive Director

Mr. Choudhury, MBA and CAIIB, brings 20+ years of banking experience across Allahabad Bank, United Bank, OBC, and PNB, where he rose to CGM & Group CRO. His expertise covers risk management, MSME/retail credit, treasury, corporate banking, fintech, and balance sheet management. He has served as Director on the board of PNB Gilts and completed the Executive Leadership Programme at IIM Bangalore.

Mr. Shiv Bajrang Singh - Executive Director

Mr. Singh, postgraduate, MBA, and CAIIB, has 30+ years of experience in rural banking, treasury, MSME, HRM, and process re-engineering. He has led as Zonal/Deputy Zonal Manager and at the corporate level steered MSME, Finance, Planning, and HR. He also chaired Aryavart Bank for five years. An academic contributor, he has 45+ publications and has taught at RBI's BTC, NIBM, and BIRD.

Mr. Brajesh Kumar Singh - Executive Director

Mr. Singh, Agriculture graduate with MBA (Finance) and CAIIB, became ED of INBK in March 2024. With 28 years in banking, he has held leadership roles at branch, regional, and zonal levels, convened the SLBC, led Retail Assets and HR at Bank of Baroda, and served on the board of BOB UP Gramin Bank. He also has overseas experience in Durban and completed leadership training at IIM Bangalore.

Dr. Alok Pande - Government Nominee Director

Dr. Pande, 1994-batch Indian Postal Service officer, is Additional Secretary, DIPAM, Ministry of Finance. An engineer from NIT Allahabad, FPM (IIM Bangalore) gold medallist, and Marie Curie Fellow, his work includes the LIC IPO, and listings of Mazagon Dock, IRFC, and RailTel. He earlier spearheaded PMJDY and JAM as Director DFS and led India Post's IT project covering 1.2 lakh villages. He has served on boards of IOB and SUUTI and published in leading finance journals.

Mrs. K. Nikhila - RBI Nominee Director

Mrs. Nikhila, PG from Utkal University and CAIIB, joined RBI in 1995. With nearly three decades of experience across supervision, enforcement, IT, consumer protection, financial inclusion, and currency management, she is currently Regional Director, RBI (Telangana). She has represented India in GPFI's Financial Consumer Protection subgroup and served as Director, IDRBT.

Mr. Pradeep Kumar Malhotra - Shareholder Director

Mr. Malhotra, Shareholder Director since March 2024, is MD & CEO of IDBI Trusteeship Services on deputation from LIC. With 30+ years at LIC, he has expertise in marketing, housing finance, strategy, and investments, including 12+ years in fund management. He has represented LIC on venture fund boards and attended leadership programs at ISB and IIM Ahmedabad.

Mr Sanjeev Krishnagopal Maheshwari - Shareholder Director

Mr. Maheshwari, Chartered Accountant with 38 years' experience, has served 9 years on ICAI's Central Council, including as Chairman of the Accounting Standards Board, leading Ind AS formulation. He has contributed to ICAI committees, the MCA's Quality Review Board, and SAFA. He earlier served as Part-Time Non-Official Director on SBI's Central Board (2019–22).

Mr Balmukund Sahay - Part-time Non-Official Director

Mr. Sahay, Commerce post graduate (Ranchi University), was re-nominated as Part-Time Non-Official Director in April 2025 after an earlier three-year term. He has worked with Jharkhand State Transport Authority and the 20 Points Programme Committee, focusing on rural economy, agriculture, MSMEs, and poverty alleviation. A social activist, he remains engaged in inclusive development.

Mr Vishvesh Kumar Goel - Part-time Non-Official Director

Mr. Goel, Chartered Accountant and Commerce graduate (Meerut University), was re-nominated in April 2025 as Part-Time Non-Official Director after an earlier term. With 30+ years' experience, he specializes in taxation, transaction advisory, and assurance, with exposure to US GAAP, IFRS, and Ind AS. He is also a founder trustee of an educational institute and frequent speaker at taxation seminars.

Mr. Sunil Jain – Chief Financial Officer

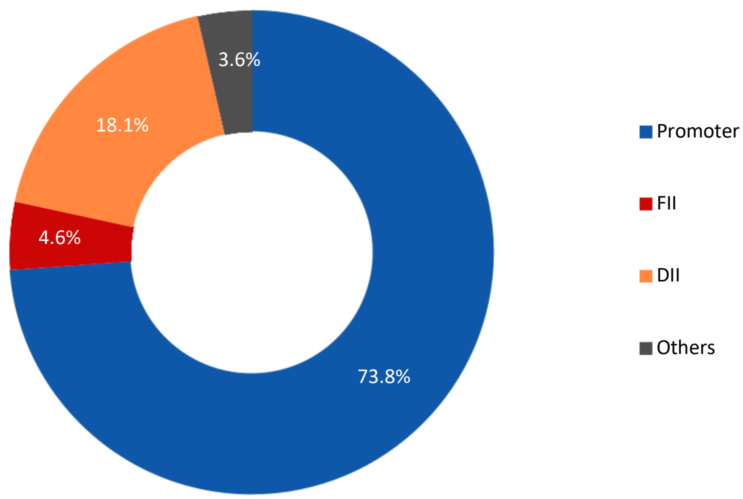
Mr. Jain, Chartered Accountant, M.Com, CAIIB, and diploma holder in Computer Applications, has been CFO and GM–Accounts of INBK since March 2022. He also serves as Director of Finance and sits on boards of Indbank Merchant Banking and Ind Bank Housing. Recognized as 'Best CFO' in banking, he strengthens INBK's financial strategy and governance.

Mr. Dina Nath Kumar - Company Secretary

Mr. Kumar, Associate Member of ICSI, has been Company Secretary and Compliance Officer of INBK since June 2020. Earlier Company Secretary at Allahabad Bank (2008–18), he now oversees governance, compliance, and board administration. His long experience ensures regulatory integrity and smooth board functioning.

Shareholding Pattern, Top Investors and Dilution History

Exhibit 21: Shareholding pattern (as of June 2025)



Source: BSE, Systematix Institutional Research

Exhibit 22: Top 10 shareholders (as of 17th September 2025)

Sr. No.	Shareholder	Stake (%)
1	Republic of India	73.8
2	HDFC Asset Management Co Ltd	3.7
3	Life Insurance Corp of India	2.7
4	NPS Trust A/c Uti Retirement Solution	2.3
5	Kotak Mahindra Asset Management Co	2.2
6	SBI Pension Funds Pvt Ltd	1.5
7	Nippon Life India Asset Management	0.9
8	Vanguard Group Inc/The	0.8
9	Axis Asset Management Co Ltd/India	0.8
10	Canara Robeco Asset Management Co	0.7

Source: Bloomberg, Systematix Institutional Research

Exhibit 23: Equity dilution history

Particulars	Mode	Dilution (%)	Price (Rs.)
16-Dec-2023	QIP	8.2	394.0
25-Jun-2021	QIP	10.3	142.2

Source: AceEquity, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	556	620	659	737	832
Interest expense	(323)	(368)	(400)	(434)	(484)
Net interest income	**233**	**252**	**258**	**303**	**348**
Fee Income	33	35	39	44	50
Other Income	46	57	54	59	62
Total Non-interest income	**79**	**92**	**93**	**103**	**112**
Total income	**311**	**344**	**351**	**406**	**460**
Operating expenses	(143)	(154)	(166)	(182)	(205)
PPoP	**168**	**190**	**185**	**224**	**255**
Core PPOP	**123**	**133**	**131**	**165**	**193**
Provisions	59	42	37	45	51
Profit before tax	**110**	**148**	**148**	**179**	**204**
Taxes	(29)	(39)	(38)	(46)	(53)
Net profit	**81**	**109**	**109**	**132**	**151**

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	13	13	13	13	13
Reserves & surplus	570	680	767	873	994
Net worth	**584**	**693**	**781**	**886**	**1,007**
Deposits	6,880	7,372	8,072	8,919	9,856
Borrowings	231	415	490	549	625
Other liabilities	231	254	297	306	418
Total liabilities	**7,926**	**8,734**	**9,639**	**10,660**	**11,907**
Total cash & equ.	421	549	576	540	607
Investments	2,126	2,253	2,433	2,677	2,944
Advances	5,149	5,711	6,396	7,195	8,095
Fixed assets	75	88	97	107	117
Other assets	156	133	137	142	143
Total assets	**7,926**	**8,734**	**9,639**	**10,660**	**11,907**

Source: Company, Systematix Institutional Research

Dupont

YE: Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.4	7.4	7.2	7.3	7.4
Interest expense	(4.3)	(4.4)	(4.4)	(4.3)	(4.3)
Net interest income	**3.1**	**3.0**	**2.8**	**3.0**	**3.1**
Non-interest income	0.4	0.4	0.4	0.4	0.4
Total income	**0.6**	**0.7**	**0.6**	**0.6**	**0.5**
Operating expenses	1.0	1.1	1.0	1.0	1.0
PPoP	**4.1**	**4.1**	**3.8**	**4.0**	**4.1**
Provisions	(1.9)	(1.8)	(1.8)	(1.8)	(1.8)
Profit before tax	**2.2**	**2.3**	**2.0**	**2.2**	**2.3**
Taxes	(0.4)	(0.5)	(0.4)	(0.5)	(0.5)
Net profit	**1.1**	**1.3**	**1.2**	**1.3**	**1.3**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)					
Net interest income	15.1	8.2	2.5	17.3	15.0
Total Income	13.8	10.5	2.1	15.4	13.3
PPoP	10.3	12.8	(2.6)	21.0	13.9
Net profit	52.7	35.4	0.2	20.7	14.2
Advances	14.6	10.9	12.0	12.5	12.5
Deposits	10.8	7.1	9.5	10.5	10.5
Return Ratios (%)					
Return on Average Equity	15.2	17.1	14.9	15.8	15.9
Return on Average Assets	1.1	1.3	1.2	1.3	1.3
Per share data (Rs)					
EPS	60	81	81	98	112
BVPS	353	423	488	567	656
ABVPS	336	415	477	554	643
Valuation multiples (x)					
P/E	11.8	8.7	8.7	7.2	6.3
P/BV	2.0	1.7	1.4	1.2	1.1
P/ABV	2.1	1.7	1.5	1.3	1.1
Spread Analysis (%)					
Net interest margin	3.5	3.4	3.2	3.3	3.4
Yield on loans	8.4	8.3	7.9	8.0	8.1
Cost of deposits	4.7	4.9	4.8	4.7	4.7
Loan-deposit ratio	74.8	77.5	79.2	80.7	82.1
Opex control (%)					
Cost/Income ratio	45.9	44.8	47.3	44.8	44.5
Cost to average assets	1.9	1.8	1.8	1.8	1.8
Asset quality (%)					
Gross NPL ratio	4.0	3.1	2.7	2.5	2.4
Gross Slippage ratio	1.4	1.1	1.0	1.0	1.0
Total Credit Cost	1.2	0.8	0.6	0.7	0.7
Net NPA ratio	0.4	0.2	0.2	0.2	0.2

Source: Company, Systematix Institutional Research

State Bank of India

18 September 2025

Leading from the front

UPDATE	
Sector: Banking	Rating: BUY
CMP: Rs 857	Target Price: Rs 1,020

Stock Info	
Nifty	25,330
Bloomberg Code	SBIN IN
Equity shares	8,925mn
52-wk High/Low	Rs 876/ 680
Face value	Rs 1
M-Cap	Rs 7,912bn/ USD 90bn
3-m Avg volume (NSE)	Rs. 7.19bn

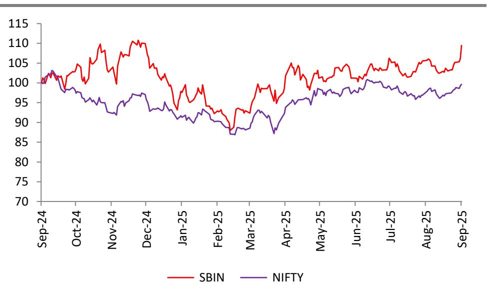
Financial Snapshot (Rs bn)

Y/E March	FY26E	FY27E	FY28E
NII	1,741	2,078	2,356
PPOP	1,196	1,422	1,602
PAT	738	895	1,007
EPS (Rs)	80	97	109
EPS Gr. (%)	1	21	13
BV/Sh (Rs)	569	650	744
Adj. BV/Sh (Rs)	489	566	655
Ratios			
NIM (%)	2.9	3.1	3.2
C/I ratio (%)	50.6	48.9	48.4
RoA (%)	1.0	1.1	1.2
RoE (%)	15.3	15.9	15.7
Valuations			
P/E (x)	7.1	5.8	5.2
P/BV (x)	1.0	0.9	0.8
P/Adj. BV (x)	1.2	1.0	0.9

Shareholding pattern (%)

	Dec'24	Mar'25	Jul'25
Promoter	57.43	57.43	55.50
–Pledged	-	-	-
FII	10.27	9.94	9.98
DII	24.79	24.92	27.08
Others	7.35	7.54	7.30

Stock Performance



Siddharth Rajpurohit
siddharthrajpurohit@systematixgroup.in
+91 22 6704 8065

Rishit Savla
rishitsavla@systematixgroup.in
+91 22 6704 8036

State Bank of India (SBIN) recorded a healthy 12% YoY growth in advances as of June 2025. With a credit to deposit ratio of 77% and Liquidity Coverage Ratio (LCR) of 138%, the bank is well positioned to sustain its robust growth momentum of ~13% CAGR over FY25 to FY28E. While Net Interest Margin (NIM) may remain under pressure in 2QFY26, we expect it to stabilize 3QFY26 onwards. The bank's overall asset quality is strong, with NNPA of 0.5%, annualised Gross Slippage ratio at 0.5% and SMA 1 and 2 at mere 0.1%. We expect SBIN's Core PPOP and Net Profit to expand at 18% and 12% CAGR, respectively, over FY25 to FY28E. We value SBIN at a Price to Adjusted Book Value (adjusted for Revaluation Reserve and Net Deferred Tax Asset) of 1.2x to arrive at a target price of Rs. 1020, implying RoA of 1.0%/ 1.1%/ 1.2% and RoE of 15.3%/ 15.9%/ 15.7% for FY26E/ FY27E/ FY28E, respectively. With 19% upside from the current market price, we maintain our BUY rating on SBIN.

Strong above-industry Advances growth: SBIN has a well-diversified and robust credit product portfolio. Despite being the largest bank, it has managed to sustain its advances growth at 12.4% YoY in FY25, surpassing industry growth of ~11% YoY. With a loan to deposit ratio of 77.4% and LCR of 138%, the bank is comfortable placed in terms of liquidity to maintain a healthy credit growth.

Pristine asset quality: SBIN has significantly enhanced its underwriting practices through advanced technology in loan screening and monitoring, consistently improving its asset quality in recent years. The bank's Gross NPA / Net NPA ratio has declined from 4.3%/1.0% in FY22 to 1.8%/0.5% in FY25, respectively. Annualized Gross Slippages remain low at 0.5%, translating into a credit cost of mere 0.4%. Provision buffers are robust, with non-specific provisions to advances at 0.7% and overall coverage at 114% of gross NPA. SMA 1 and 2 for loans above Rs 50mn are at mere 0.1%, implying no immediate asset quality pressures.

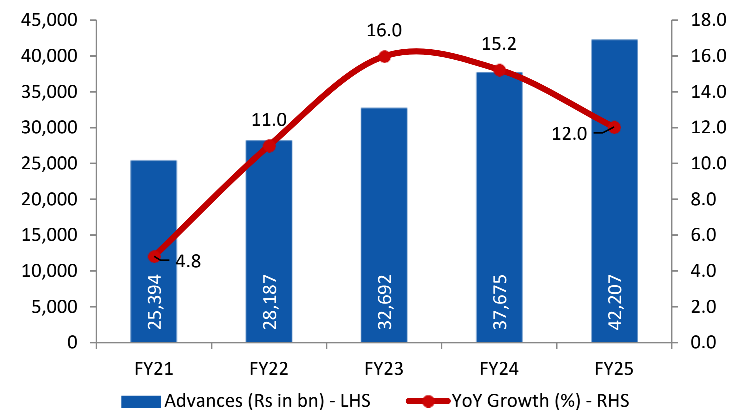
Granular deposit franchise: SBIN has a strong and granular liability franchise, aided by its vast network and brand presence. Domestic CASA ratio stands at ~39%, while deposit concentration is low, with top 20 deposits contributing only 5% to total deposits. Retail and small business deposits (as per LCR disclosure) within total deposits are amongst the best in the industry at 66%. This granular base helps SBIN maintain a competitive cost of deposits at ~5.1%.

Recoveries improve but profitability contribution is low: Recoveries from written-off accounts improved YoY to Rs 80bn in FY25 from Rs 69bn in FY24. Though the contribution from recoveries to RoA is moderate at 9%, a large TWO book of Rs 1,714bn ensures sustainability of recoveries at the current level.

Growing share of high-margin RAM segment: SBIN offers an extensive products suite across loan segments, with particular emphasis on the Retail, MSME, and Agriculture (RAM) segment. The share of RAM in its portfolio has steadily increased from 63.8% in FY22 to 65.6% in FY25. Continued focus on these higher yielding segments should support faster growth than the overall loan book and enhance its share in the years ahead.

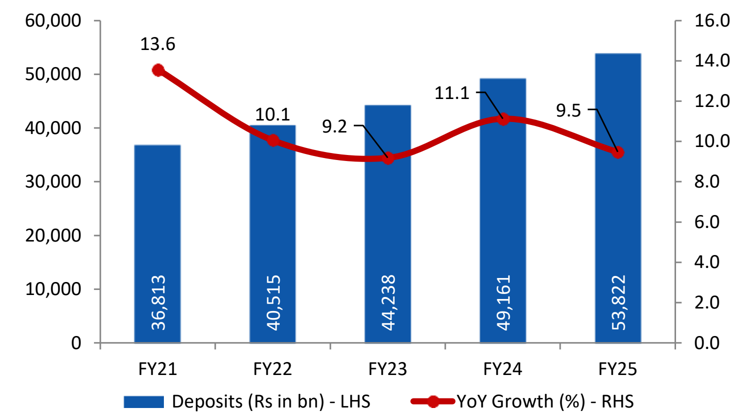
Story in Charts

Exhibit 1: Advances and Advances YoY Growth (%)



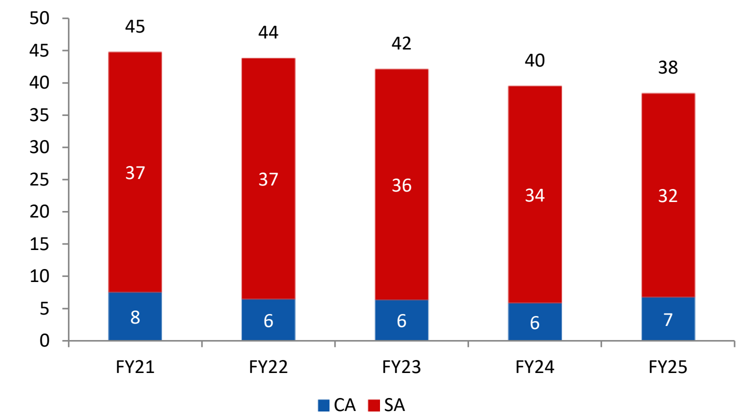
Source: Company, Systematix Institutional Research

Exhibit 2: Deposits and Deposits YoY Growth (%)



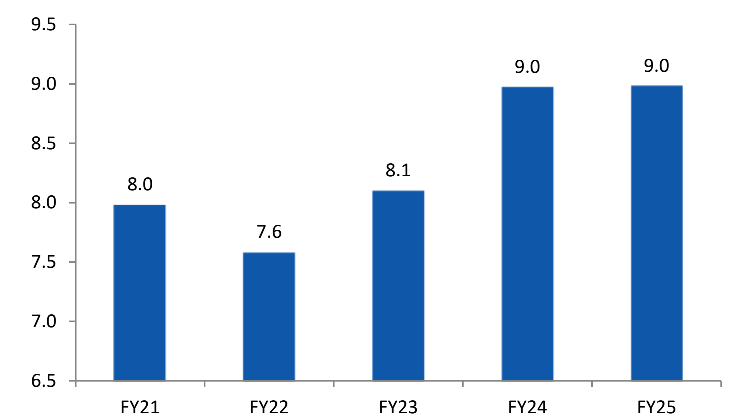
Source: Company, Systematix Institutional Research

Exhibit 3: CASA Ratio (%)



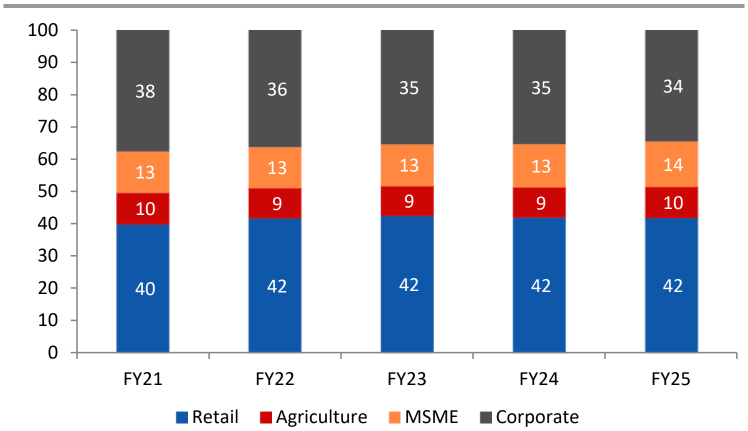
Source: Company, Systematix Institutional Research

Exhibit 4: Domestic yield on Advances (%)



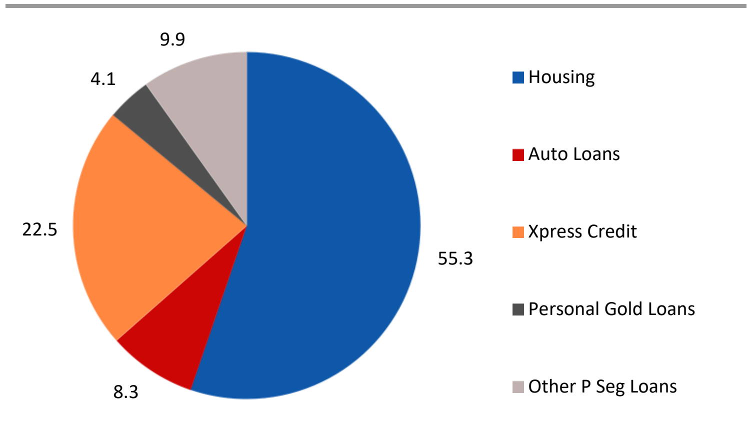
Source: Company, Systematix Institutional Research

Exhibit 5: Loan mix (%)



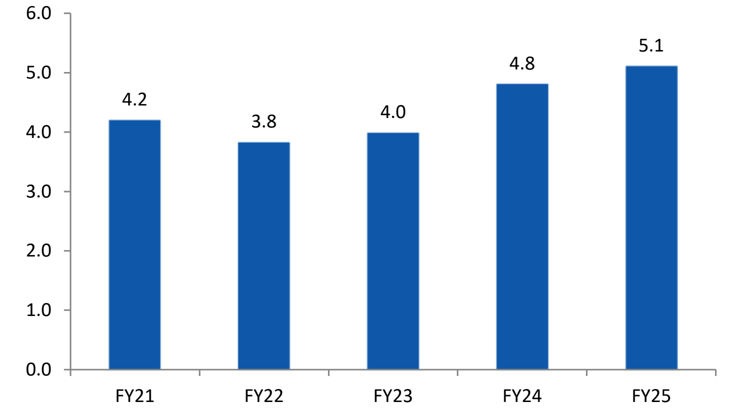
Source: Company, Systematix Institutional Research

Exhibit 6: Retail mix (%)



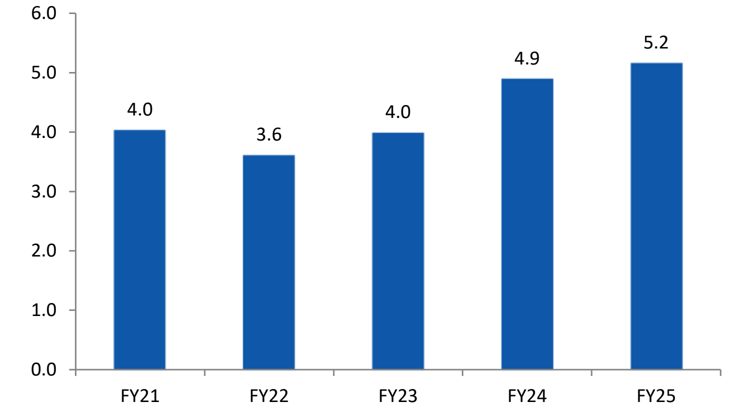
Source: Company, Systematix Institutional Research

Exhibit 7: Cost of Deposits (domestic) (%)



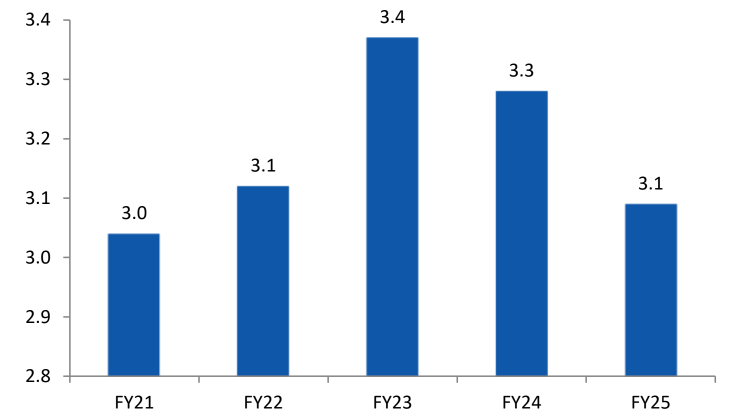
Source: Company, Systematix Institutional Research

Exhibit 8: Cost of Funds (Calc) (%)



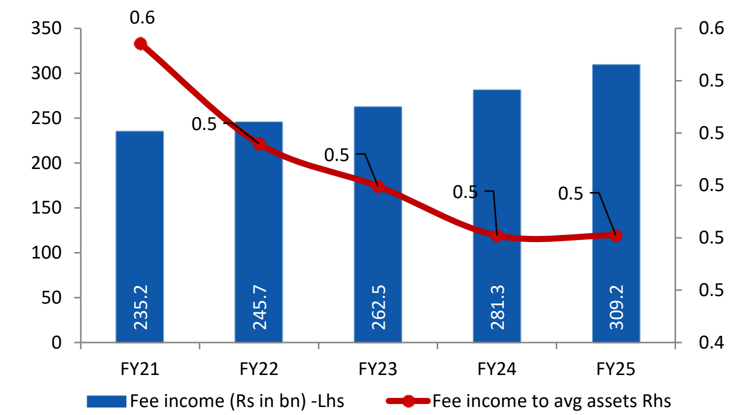
Source: Company, Systematix Institutional Research

Exhibit 9: Net Interest Margin (%)



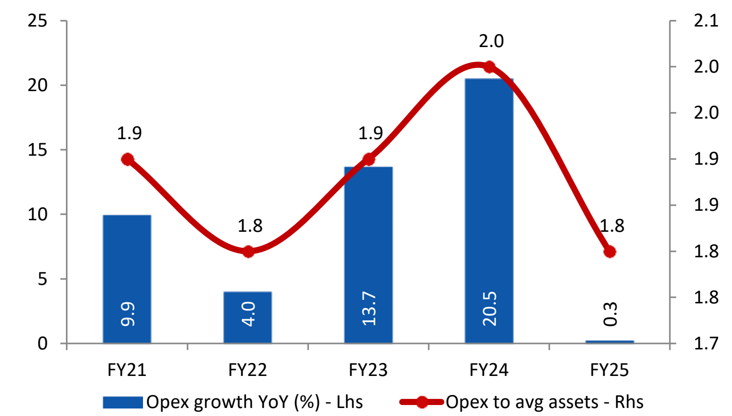
Source: Company, Systematix Institutional Research

Exhibit 10: Fee Income (Rs bn) and as % of average assets (%)



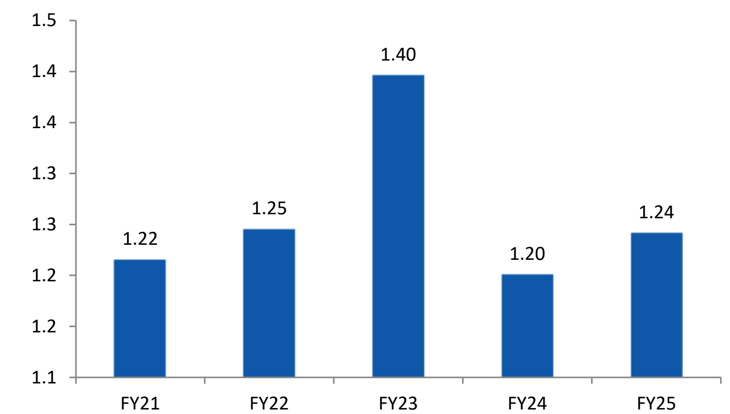
Source: Company, Systematix Institutional Research

Exhibit 11: Opex YoY growth and as % of average assets (%)



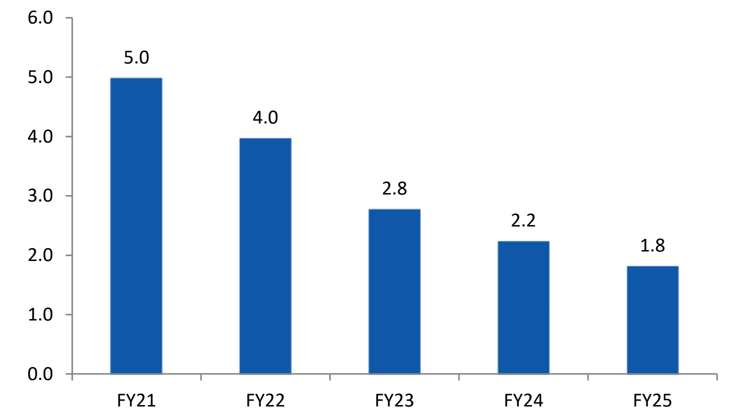
Source: Company, Systematix Institutional Research

Exhibit 12: Core PPOP Margin (%)



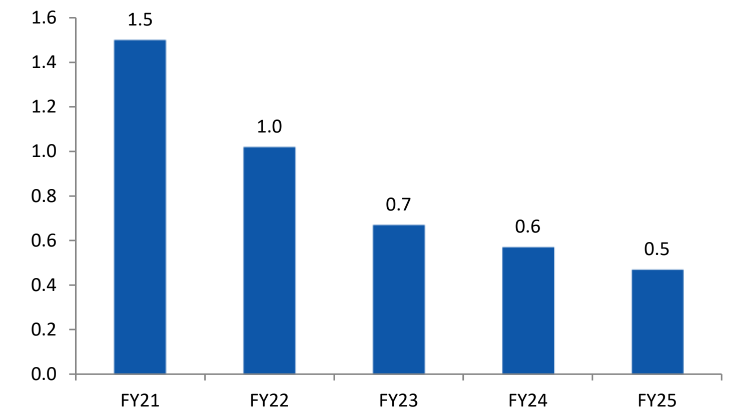
Source: Company, Systematix Institutional Research

Exhibit 13: GNPA (%)



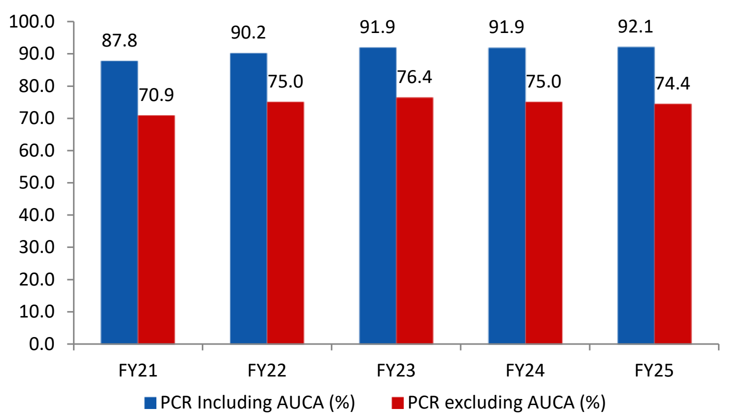
Source: Company, Systematix Institutional Research

Exhibit 14: NNPA (%)



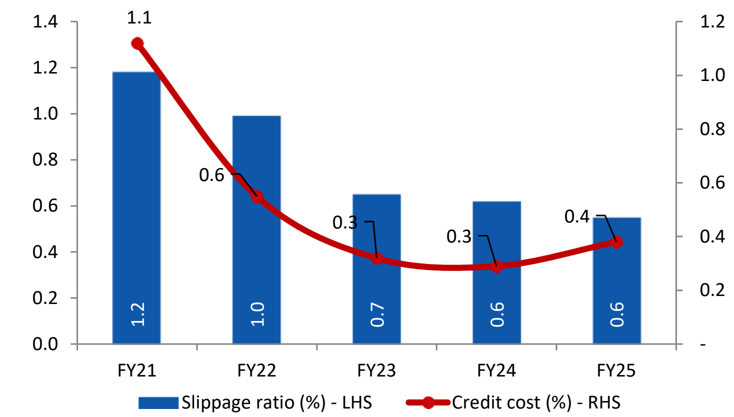
Source: Company, Systematix Institutional Research

Exhibit 15: Provisions Coverage Ratio (%)



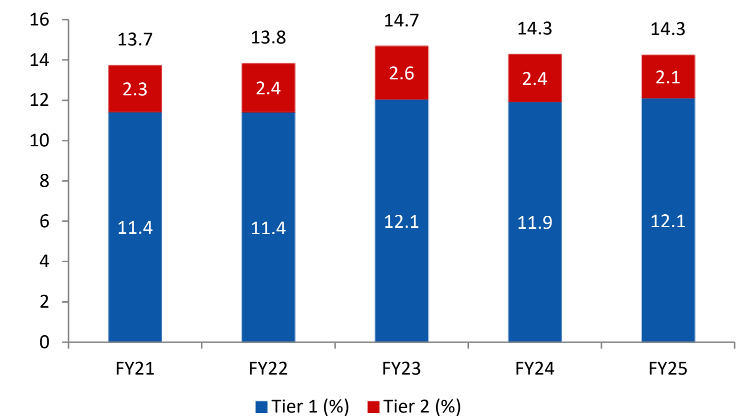
Source: Company, Systematix Institutional Research

Exhibit 16: Annualized Slippage Ratio and Credit Cost (%)



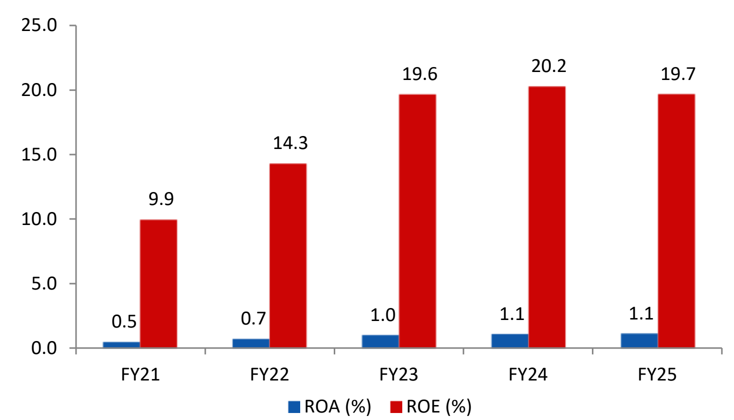
Source: Company, Systematix Institutional Research

Exhibit 17: Capital Adequacy Ratio (%)



Source: Company, Systematix Institutional Research

Exhibit 18: RoA and RoE (%)

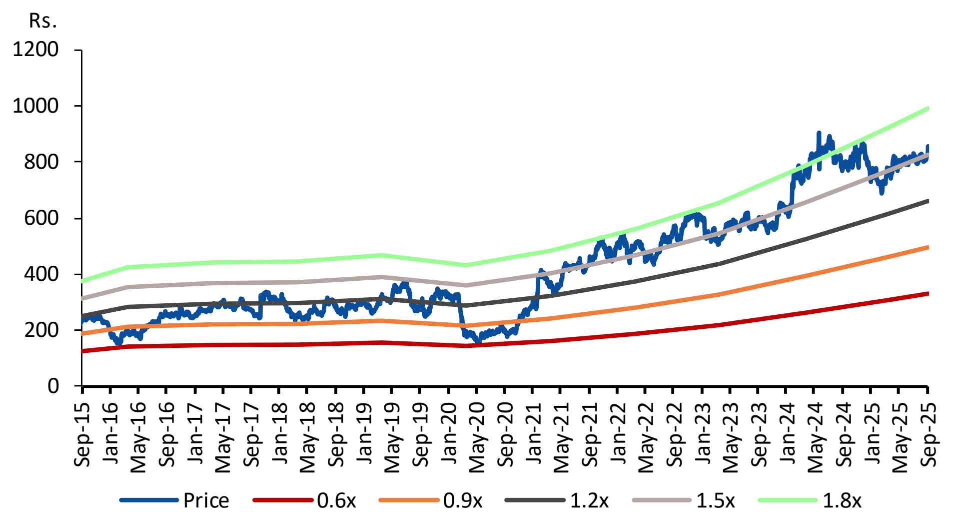


Source: Company, Systematix Institutional Research

Valuation and Outlook

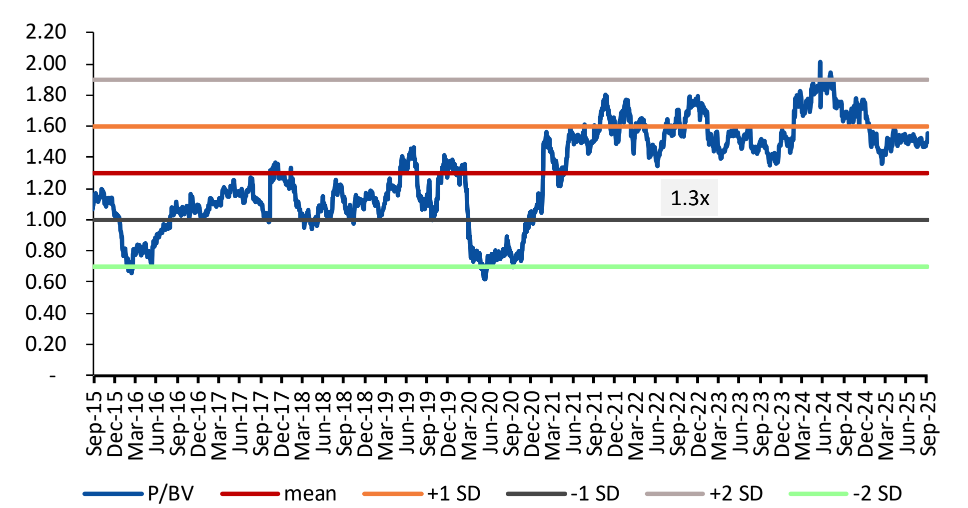
State Bank of India (SBIN) recorded a healthy 12% YoY growth in advances as of June 2025. With a credit to deposit ratio of 77% and Liquidity Coverage Ratio (LCR) of 138%, the bank is well positioned to sustain its robust growth momentum of ~13% CAGR over FY25 to FY28E. While Net Interest Margin (NIM) may remain under pressure in 2QFY26, we expect it to stabilize 3QFY26 onwards. The bank's overall asset quality is strong, with NNPA of 0.5%, annualised Gross Slippage ratio at 0.5% and SMA 1 and 2 at mere 0.1%. We expect SBIN's Core PPOP and Net Profit to expand at 18% and 12% CAGR, respectively, over FY25 to FY28E. We value SBIN at a Price to Adjusted Book Value (adjusted for Revaluation Reserve and Net Deferred Tax Asset) of 1.2x to arrive at a target price of Rs. 1020, implying RoA of 1.0%/ 1.1%/ 1.2% and RoE of 15.3%/ 15.9%/ 15.7% for FY26E/ FY27E/ FY28E, respectively. With 19% upside from the current market price, we maintain our BUY rating on SBIN.

Exhibit 19: 1-year forward Price to Book Value band



Source: Company, Systematix Institutional Research

Exhibit 20: 1-year forward Price to Book Value band



Source: Company, Systematix Institutional Research

Management Profile

Mr. Challa Sreenivasulu Setty- Executive Director & Chairman

Mr. Setty became Chairman of SBI on 28 August 2024 after serving as MD since 2020. A graduate in Agriculture and CAIIB, he joined SBI in 1988 as Probationary Officer. With 35+ years of experience, he has led Retail & Digital Banking, International Banking, Global Markets, and Technology, besides key roles in Corporate Credit, Stressed Assets, and Mid-Corporate Banking. He has chaired multiple government task forces and committees.

Mr. Ashwini Kumar Tiwari - Executive Director (Corporate Banking & Subsidiaries)

Mr. Tewari, an SBI veteran since 1991, oversees Corporate Banking and non-bank businesses including SBI Cards, Mutual Funds, Insurance, and Capital Markets. He earlier led Risk, Compliance, Stressed Assets, International Banking, and IT. As MD & CEO of SBI Cards, he steered it through post-COVID recovery. He has also headed SBI’s US operations and East Asia region. An Electrical Engineer, he holds CAIIB, CFP, and a management certificate from XLRI.

Mr. Vinay M. Tonse - Executive Director (Retail Business & Operations)

Mr. Tonse took charge as MD (Retail Business & Operations) in Nov 2023. A commerce graduate, he joined SBI in 1988 and has worked across corporate credit, treasury, international, retail, and rural banking. He earlier served as MD & CEO of SBI Mutual Fund (2020–22) and CEO of SBI Osaka. He has also been faculty at SBI’s training college.

Mr. Rana Ashutosh Kumar Singh - Managing Director (Risk, Compliance & SARG)

Mr. Singh became MD in Aug 2024, with 33+ years at SBI across Retail, Digital, Credit, HR, and International Banking. He holds an MBA from S.P. Jain and has attended programs at Harvard, Stanford, and ISB. He earlier served as Deputy MD in Strategy, HR, and Transaction Banking, led SBI’s Chandigarh Circle, and headed German operations. He has also served on boards of NPCI, NIPL, NBBL, and PSB Alliance.

Mr. Rama Mohan Rao Amara – Managing Director (International Banking, Global Markets & Technology)

Mr. Amara, CFA and FRM, became MD in Dec 2024. With SBI since 1991, he has served as DMD & CRO, MD & CEO of SBI Cards, and head of Bhopal Circle and Financial Control. Internationally, he turned around SBI’s California operations and headed its Chicago branch. He also serves on the board of IACPM, contributing to global credit portfolio practices.

Mr. Nagaraju Maddirala – Non Executive Director

Mr. Maddirala, IAS (1993 batch), was appointed to SBI’s Board in Aug 2024. He is Secretary, DFS, Ministry of Finance. With wide experience in finance, welfare, healthcare, and industry, he earlier served at the Ministry of Finance and as Advisor to the World Bank ED (2008–12).

Mr. Ajay Kumar - Non Executive Director

Mr. Kumar, ED at RBI, joined SBI’s Board in Jul 2023. With 32 years at RBI, he has led supervision, forex management, financial inclusion, and currency operations. He earlier headed RBI’s Delhi office and served on Bank of Baroda’s Board. He holds a Master’s in Economics, MS in Banking, CAIIB, and has trained at Kellogg.

Mr. Ketan S Vikamsey – Non Executive Director

Mr. Vikamsey, re-elected in Jun 2023, is senior partner at KKC & Associates LLP with 30+ years in auditing banks and corporates. Certified in IFRS, IS Audit, and Cyber Security, he is registered as Independent Director with IICA. He frequently speaks at ICAI and RBI forums and is Trustee at Vipassana Research Institute.

Mr. Mrugank M Paranjape – Non Executive Director

Mr. Paranjape, IIT Mumbai and IIM Ahmedabad alumnus, was re-elected in Jun 2023. With 33+ years in banking, capital markets, and asset management, he is Managing Partner at MC3 Consulting and Independent Director at Oracle Financial Services Software. He earlier led MCX and NCDEX e-Markets, and held senior roles at Deutsche Bank, ICICI Prudential, and Citibank.

Mr. Rajesh Kumar Dubey – Non Executive Director

Mr. Dubey, elected in Jun 2023, is former ED at LIC of India with 36 years' experience. He led LIC's UK office, divisional offices in Mumbai and Bengaluru, and as ED (Personnel) drove HR transformation and digital initiatives. He has attended programs at IIMs, ISB, and CAFRAL.

Mr. Dharmendra Singh Shekhawat – Non Executive Director

Mr. Shekhawat, elected in Jun 2023, is a Chartered Accountant and principal partner at D.S. Shekhawat & Associates. With 20+ years' experience across audits, finance, HR, and risk, he earlier served as Independent Director and Audit Committee Chair at IOCL (2017–20).

Ms. Swati Gupta – Non Executive Director

Ms. Gupta was nominated by the Government in May 2023. A graduate of Delhi University with postgrad in Political Science and LLB, she has 30 years of experience in administration and social work, including as municipal councillor and zonal chairman in Delhi. She runs a charitable trust and pre-school, focusing on women's and consumer affairs.

Mr. Kameshwar Rao Kodavanti - CFO

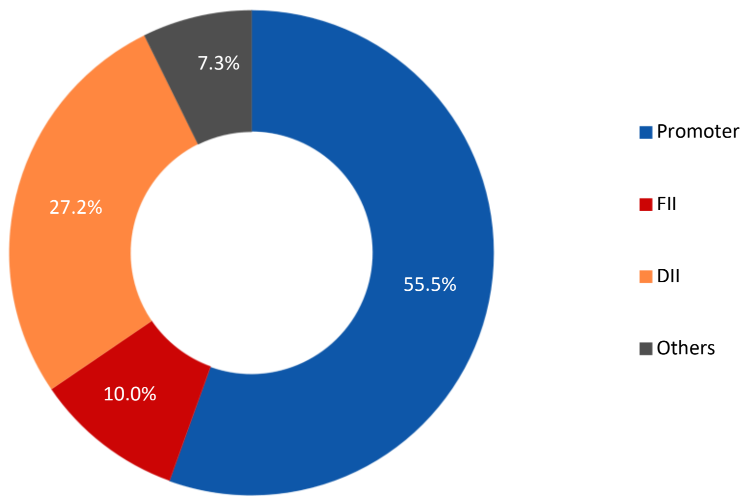
Mr. Kodavanti, Chartered Accountant, became CFO of SBI in Jul 2023. With SBI since 1991, he brings 30+ years of expertise in finance, accounting, operations, and foreign exchange, and deep institutional knowledge.

Ms. Aruna Nitin Dak - Company Secretary

Ms. Dak was appointed Company Secretary in Apr 2023. A Fellow of ICSI and law graduate, she has 18+ years of experience in corporate compliance, SEBI/RBI regulations, and investor relations. She manages governance, compliance, and board functions, including IPO and debt issue compliance.

Shareholding Pattern, Top Investors and Dilution History

Exhibit 21: Shareholding Pattern (as of July 2025)



Source: BSE, Systematix Institutional Research

Exhibit 22: Top 10 Shareholders (as of 17th September 2025)

Sr. No.	Shareholder	Stake (%)
1	Republic of India	55.5
2	Life Insurance Corp of India	9.5
3	SBI Funds Management Ltd	3.2
4	ICICI Prudential Asset Management	1.9
5	HDFC Asset Management Co Ltd	1.8
6	NPS Trust A/c Uti Retirement Solut	1.7
7	Nippon Life India Asset Management	1.4
8	Kotak Mahindra Asset Management Co	1.1
9	UTI Asset Management Co Ltd	0.7
10	Blackrock Inc	0.7

Source: Bloomberg, Systematix Institutional Research

Exhibit 23: Recent Equity Dilution History

Particulars	Mode	Dilution (%)	Price (Rs.)
05-Oct-2024	QIB	8.6	57.4
06-Jun-2023	QIB	5.2	28.5
17-Jul-2021	QIB	2.6	23.7

Source: AceEquity, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	4,151	4,625	4,898	5,484	6,198
Interest expense	(2,553)	(2,955)	(3,156)	(3,406)	(3,842)
Net interest income	**1,599**	**1,670**	**1,741**	**2,078**	**2,356**
Fee Income	281	309	354	399	451
Other Income	236	308	325	307	298
Total Non-interest income	**517**	**617**	**679**	**706**	**749**
Total income	**2,116**	**2,286**	**2,420**	**2,785**	**3,105**
Operating expenses	(1,178)	(1,181)	(1,224)	(1,362)	(1,503)
PPoP	**938**	**1,106**	**1,196**	**1,422**	**1,602**
Core PPOP	**702**	**798**	**871**	**1,115**	**1,304**
Provisions	(49)	(153)	(210)	(227)	(256)
Exceptional Item	(71)	-	-	-	-
Profit before tax	**818**	**953**	**986**	**1,196**	**1,346**
Taxes	(207)	(244)	(248)	(301)	(339)
Net profit	**611**	**709**	**738**	**895**	**1,007**

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	9	9	9	9	9
Reserves & surplus	3,764	4,403	5,248	5,995	6,854
Net worth	**3,772**	**4,412**	**5,257**	**6,004**	**6,864**
Deposits	49,161	53,822	60,015	67,200	75,250
Borrowings	5,976	5,636	5,729	5,940	6,760
Other liabilities	2,888	2,891	2,838	2,828	2,797
Total liabilities	**61,797**	**66,761**	**73,838**	**81,971**	**91,671**
Total cash & equ.	3,108	3,402	3,841	3,811	4,306
Investments	16,713	16,906	18,231	20,193	22,402
Advances	37,040	41,633	46,837	52,926	59,806
Fixed assets	426	441	463	486	511
Other assets	4,510	4,378	4,466	4,555	4,646
Total assets	**61,797**	**66,761**	**73,838**	**81,971**	**91,671**

Source: Company, Systematix Institutional Research

Dupont

YE: Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.1	7.2	7.0	7.0	7.1
Interest expense	(4.4)	(4.6)	(4.5)	(4.4)	(4.4)
Net interest income	**2.7**	**2.6**	**2.5**	**2.7**	**2.7**
Non-interest income	0.9	1.0	1.0	0.9	0.9
Total income	**3.6**	**3.6**	**3.4**	**3.6**	**3.6**
Operating expenses	(2.0)	(1.8)	(1.7)	(1.7)	(1.7)
PPoP	**1.6**	**1.7**	**1.7**	**1.8**	**1.8**
Provisions	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)
Profit before tax	**1.4**	**1.5**	**1.4**	**1.5**	**1.6**
Taxes	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Net profit	**1.0**	**1.1**	**1.0**	**1.1**	**1.2**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)					
Net interest income	10.4	4.4	4.3	19.3	13.4
Total Income	16.6	8.1	5.9	15.1	11.5
PPoP	12.0	17.9	8.2	18.9	12.6
Net profit	21.6	16.1	4.1	21.3	12.6
Advances	15.8	12.4	12.5	13.0	13.0
Deposits	11.1	9.5	11.5	12.0	12.0
Return Ratios (%)					
Return on Average Equity	17.3	17.3	15.3	15.9	15.7
Return on Average Assets	1.0	1.1	1.0	1.1	1.2
Per share data (Rs)					
EPS	68	79	80	97	109
BVPS	364	436	514	595	688
ABVPS	341	414	489	566	655
Valuation multiples (x)					
P/E	8.2	7.1	7.1	5.8	5.2
P/BV	1.5	1.3	1.1	0.9	0.8
P/ABV	1.7	1.4	1.2	1.0	0.9
Spread Analysis (%)					
Net interest margin	3.3	3.1	2.9	3.1	3.2
Yield on loans	8.3	8.4	8.1	8.1	8.1
Cost of deposits	4.7	5.0	4.9	4.7	4.8
Loan-deposit ratio	75.3	77.4	78.0	78.8	79.5
Opex control (%)					
Cost/Income ratio	55.7	51.6	50.6	48.9	48.4
Cost to average assets	2.0	1.8	1.7	1.7	1.7
Asset quality (%)					
Gross NPL ratio	2.2	1.8	1.8	1.8	1.8
Gross Slippage ratio	0.6	0.5	0.7	0.7	0.7
Total Credit Cost	0.1	0.4	0.5	0.5	0.5
Net NPA ratio	0.6	0.5	0.5	0.5	0.5

Source: Company, Systematix Institutional Research

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Siddharth Rajpurohit, Rishit Savla;** hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

II. **ISSUER SPECIFIC REGULATORY DISCLOSURES,** unless specifically mentioned in point no. 9 below:

1. The research analyst(s), SSSIL, associates or relatives do not have any financial interest in the company(ies) covered in this report.
2. The research analyst(s), SSSIL, associates or relatives collectively do not hold more than 1% of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. The research analyst(s), SSSIL, associates or relatives did not have any other material conflict of interest at the time of publication of this research report.
4. The research analyst, SSSIL and its associates have not received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in this report in the past twelve months.
5. The research analyst, SSSIL or its associates have not managed or co-managed a private or public offering of securities for the company(ies) covered in this report in the previous twelve months.
6. SSSIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party in connection with this research report.
7. The research analyst has not served as an officer, director or employee of the company(ies) covered in this research report.
8. The research analyst and SSSIL have not been engaged in market making activity for the company(ies) covered in this research report.
9. Details of SSSIL, research analyst and its associates pertaining to the companies covered in this research report:

Sr. No.	Particulars	Yes / No.
1	Whether compensation was received from the company(ies) covered in the research report in the past 12 months for investment banking transaction by SSSIL.	No
2	Whether research analyst, SSSIL or its associates and relatives collectively hold more than 1% of the company(ies) covered in the research report.	No
3	Whether compensation has been received by SSSIL or its associates from the company(ies) covered in the research report.	No
4	Whether SSSIL or its affiliates have managed or co-managed a private or public offering of securities for the company(ies) covered in the research report in the previous twelve months.	No
5	Whether research analyst, SSSIL or associates have received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in the research report in the last twelve months.	No

10. There is no material disciplinary action taken by any regulatory authority that impacts the equity research analysis activities.

STOCK RATINGS

BUY (B): The stock's total return is expected to exceed 15% over the next 12 months.
HOLD (H): The stock's total return is expected to be within -15% to +15% over the next 12 months.
SELL (S): The stock's total return is expected to give negative returns of more than 15% over the next 12 months.
NOT RATED (NR): The analyst has no recommendation on the stock under review.

INDUSTRY VIEWS

ATTRACTIVE (AT): Fundamentals/valuations of the sector are expected to be attractive over the next 12-18 months.
NEUTRAL (NL): Fundamentals/valuations of the sector are expected to neither improve nor deteriorate over the next 12-18 months.
CAUTIOUS (CS): Fundamentals/valuations of the sector are expected to deteriorate over the next 12-18 months.

III. DISCLAIMER

The information and opinions contained herein have been compiled or arrived at based on the information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy completeness or correctness.

This document is for information purposes only. This report is based on information that we consider reliable; we do not represent that it is accurate or complete and one should exercise due caution while acting on it. Description of any company(ies) or its/their securities mentioned herein are not complete and this document is not and should not be construed as an offer or solicitation of an offer to buy or sell any securities or other financial instruments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. All opinions, projections and estimates constitute the judgment of the author as on the date of the report and these, plus any other information contained in the report, are subject to change without notice. Prices and availability of financial instruments are also subject to change without notice. This report is intended for distribution to institutional investors.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject to SSSIL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially USA, the same may be ignored and brought to the attention of the sender. Neither this document nor any copy of it may be taken or transmitted into the United States (to U.S. persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. Any unauthorized use, duplication, redistribution or disclosure of this report including, but not limited to, redistribution by electronic mail, posting of the report on a website or page, and/or providing to a third party a link, is prohibited by law and will result in prosecution. The information contained in the report is intended solely for the recipient and may not be further distributed by the recipient to any third party.

SSSIL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, SSSIL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that they cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. Our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The compensation of the analyst who prepared this document is determined exclusively by SSSIL; however, compensation may relate to the revenues of the Systematix Group as a whole, of which investment banking, sales and trading are a part. Research analysts and sales persons of SSSIL may provide important inputs to its affiliated company(ies).

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations which could have an adverse effect on their value or price or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk. SSSIL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on the basis of this report including but not restricted to fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SSSIL and its affiliates, officers, directors, and employees subject to the information given in the disclosures may: (a) from time to time, have long or short positions in, and buy or sell, the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation (financial interest) or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential material conflict of interest with respect to any recommendation and related information and opinions. The views expressed are those of the analyst and the company may or may not subscribe to the views expressed therein.

SSSIL, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall SSSIL, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. The company accepts no liability whatsoever for the actions of third parties. The report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of the company, the company has not reviewed the linked site. Accessing such website or following such link through the report or the website of the company shall be at your own risk and the company shall have no liability arising out of, or in connection with, any such referenced website.

SSSIL will not be liable for any delay or any other interruption which may occur in presenting the data due to any technical glitch to present the data. In no event shall SSSIL be liable for any damages, including without limitation, direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by SSSIL through this presentation.

SSSIL or any of its other group companies or associates will not be responsible for any decisions taken on the basis of this report. Investors are advised to consult their investment and tax consultants before taking any investment decisions based on this report.

Registration granted by SEBI to SSSIL and certification from NISM to the analyst in no way guarantee performance of SSSIL or to provide any assurance of returns to investors.

Systematix Shares and Stocks (India) Limited:
Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in
Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in
Details of Email id grievance redressal cell : grievance@systematixgroup.in
Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | AMFI : ARN - 64917