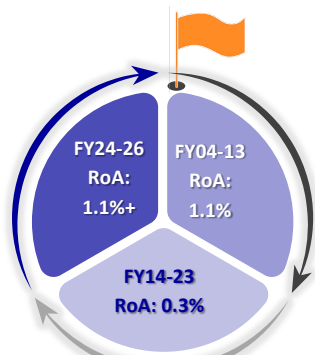


RoA journey (%)



Refer our earlier report:

PSBs – The Homecoming of RoA



	Rating	Old PT (INR)	New PT (INR)
SBI	Buy	700	800
BOB	Buy	240	280
INBK	Buy	460	525
UNBK	Buy	130	150
CBK	Buy	440	550
PNB	Neutral	75	90

Public Sector Banks: Well poised for Re-rating 2.0

1% RoA – from aspirational to sustainable; valuations remain attractive

- In our last sector report on public sector banks (PSBs) titled '[Public Sector Banks: The Homecoming of RoA!](#)' published in Jan'23, we argued that underlying earnings quality for PSBs improved significantly and that PSBs were well positioned to sustainably deliver 1% RoA – which looked aspirational at that time.
- PSBs have demonstrated significant improvements in their operating parameters and the combined profitability of six PSBs under our coverage has thus improved to ~INR912b in FY23 from a loss of INR295b in FY18.
- We estimate PSBs to sustain ongoing earnings traction, aided by improved loan growth, margin stability and controlled credit costs thus driving continued rerating of the sector. A reflection on PSBs valuation history may cause trading multiples to look constrained however the quality of earnings, growth outlook and broader re-rating in PSU entities will nevertheless enable steady performance of the sector.
- Select PSBs now guide for RoA of 1.2% in FY25 which implies scope of continued earnings upgrade. Over FY23-26, we estimate earnings CAGR of 24% for PSBs vs. 19% for private banks (adjusted for HDFC Bank merger). We believe that the changing narrative on interest rates may further fuel the sector earnings & growth outlook.
- For top six PSBs under our coverage, we estimate PAT of INR1.5t/INR1.7t in FY25/FY26. We expect sector RoA/RoE to improve to 1.2%/17.9% by FY26. Several PSBs have raised capital from the market and have a healthy Tier-1 ratio, which should aid business growth, particularly as the capex cycle revives post general elections.
- We thus estimate ABV of our coverage PSBs to grow at a healthy 16-22% range over FY24-26. We introduce FY26E and roll-forward target prices for our PSBs coverage universe. **Top picks: SBIN, BOB and CBK.**

PSBs earnings pool to grow to INR1.7t by FY26E vs. INR573b in FY22

Over the past few years, PSBs have transformed themselves into better and more sustainable franchisees. With consistent earnings normalization, controlled credit costs and healthy asset quality, earnings for PSBs are expected to grow at a more sustainable pace. We thus estimate the profitability of top six PSBs under our coverage to rise to INR1.7t by FY26 from INR573b in FY22 and from collective losses in FY18. We thus estimate a 22% earnings CAGR over FY23-26, with RoA/RoE improving to 1.2%/17.9% by FY26.

Liability franchise robust; LCR ratio at comfortable levels

Across the banking sector, deposit growth has remained sluggish in the past few years but has seen some growth revival in the past few quarters. The uptick in deposit growth is mainly attributed to higher interest rates offered by banks and their intense efforts in mobilizing deposits. We believe PSBs will continue to benefit from their established distribution network, strong geographical presence, and improving digital initiatives. Overall, we expect PSBs to report a ~10% CAGR in deposits over FY23-26. We note that most PSBs are well positioned in terms of liquidity, with their LCR well above the regulatory requirement of 100% (135-160%), indicating their resiliency and the competitive advantage they have over their private peers, especially in the current rate environment.

Margin performance resilient; higher mix of MCLR to shield margins

The banking sector's margin trajectory has been under pressure due to a higher cost of deposits as their deposit portfolio has continuously re-priced while competition for sourcing liability has remained intense. As a result, PSBs saw margin compression in 1HFY24, with varying trends across banks. We, however, note that overall, PSBs have been able to maintain better margins as a significant proportion of their loans are linked to MCLR (6-12 months' tenure), which has led to lagged re-pricing of advances portfolio. We believe that while the cost of deposits will keep inching up for the sector, PSBs overall will be able to report resilient margins, benefitting from the residual MCLR re-pricing of their lending portfolio.

Wage provisions to have limited impact (barring SBIN); opex to moderate

The Indian Banks Association (IBA) has recently concluded wage negotiations and has agreed to a wage hike of 17% in the 12th bi-partite settlement, which is effective from 1st Nov'22. Most PSBs have made provisions of around 14-18% toward employee and retirement-related expenses and will thus have limited impact from this settlement (barring SBIN, please refer Page 11 for details). We note that employee expenses form ~53-64% of total expenses across PSBs and such expenses have grown at average 25% for six PSBs we cover, resulting in elevated cost ratios. With the headcount remaining under control and productivity gains kicking in, we expect controlled cost ratios over the coming years. We estimate the cost-to-income ratio to moderate over FY23-26E thus enabling banks to sustain healthy RoA.

Asset quality ratios improving steadily; low SMA pool further augurs well

Asset quality of PSBs has suffered over the past years due to Covid-19 stress, NPA surge in corporate book, and also due to merger with weaker PSBs. After Covid-19, the asset quality of PSBs has been steadily improving, supported by improved underwriting and continued recovery from TWO pool. Controlled SMA book (~20bp-70bp), healthy recoveries and upgrades, and limited exposure to the unsecured segment further augur well for incremental asset quality trends. GNPA/NNPA ratios of PSBs have declined to 5.2%/1.3% in FY23 from the peak of 14.6%/8.0% in FY18, while their PCR has improved to 74% in FY23 from 48% in FY18. With stress largely recognized and no large ticket size account under stress now, we expect the asset quality ratios to improve further in coming quarters. This will keep credit costs under control and support overall profitability.

Capitalization levels steady; robust profitability + new investment guidelines to further boost Tier-1

- The improved operating performance has helped PSBs to not just shore up capital by accessing public markets but also helped most banks see huge demand in their recent QIPs. Most PSBs are well capitalized (CET I ratio at ~10-13% for top seven PSBs), which, coupled with strong internal accruals, will help them deliver healthy loan growth, particularly as corporate demand recovers. Moreover, the recent increase in risk weights (RWA) on unsecured loans will have a limited impact on PSBs and they will maintain robust RWA density compared to private peers, thus enabling them to operate at higher leverage.
- The new investment guidelines, under which the AFS reserve can be included in CET-1, will benefit PSBs. We note that PSBs with a higher mix of SLR will benefit more in terms of CET-1 accretion. Among our universe coverage, PNB, INBK and

SBINB are likely to benefit the most, with estimated 40bp of CET-1 accretion for every 1% moderation in bond yields.

1% RoA – from ambitious to sustainable; few PSBs aiming for higher RoA

Return ratios of PSBs have been under pressure for the past many years, as top seven PSBs took a significant stock of provisions toward stressed accounts, which resulted in significant losses over FY16-20. However, PSBs have reported a strong earnings turnaround since FY21, with five of the six PSBs (except PNB) achieving the 1% RoA mark. We estimate PSBs to sustain earnings traction, aided by improved loan growth, margin stability and controlled credit costs given robust asset quality trends and healthy coverage ratios. This will enable PSBs to sustainably deliver RoA of 1%+ over FY24-26E. Select PSBs are already guiding for ~1.2% RoA while our current earnings projection indicates FY25E RoAs to remain in the range of 1.0-1.1% implying scope of further upgrades. Over FY24-26, we estimate an earnings CAGR of 21% for PSBs even as we pencil in higher credit costs. We believe that treasury gains may further aid sector earnings as the rate cycle turns and will also help PSBs to further strengthen their balance sheet.

Valuations and view: Earnings outlook steady; well poised for Re-rating 2.0

PSBs have delivered a strong performance since FY22, with the Nifty PSU Bank Index outperforming the Nifty-50/Bank Nifty by 87%/ 78%. We earlier resumed coverage on the entire PSB sector in CY21 enthused by their improving business/earnings outlook. We estimate top six PSBs under our coverage to report PAT of INR1.5t/INR1.7tn in FY25/FY26, while sector RoA/RoE improves to 1.2%/17.9% by FY26E. Several PSBs have raised capital from the market and have shored up their capitalization levels, which will enable healthy balance sheet growth, particularly as the capex cycle recovers after the general elections. We thus estimate ABV for our coverage PSBs to grow at a healthy 16-22% range over FY24-26. We believe that sustained and consistent performance on return ratios and a conducive macro-environment can drive further re-rating of the sector. **We introduce FY26E and roll-forward target prices for our PSBs coverage universe. We thus revise our TP for SBI (INR800), BoB (INR280), INBK (INR525), UNBK (INR150), CBK (INR550), PNB (INR90). Top picks: SBIN, BOB and CBK.**

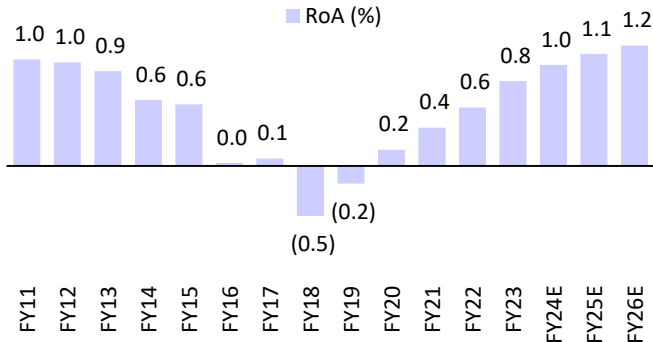
Exhibit 1: PSU Banks: Valuations summary

Val summary	Rating	CMP (INR)	MCap (INRb)	TP (INR)	Upside (%)	BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
						FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
PSU Banks															
SBIN*	Buy	649	5,787	800	23	470	547	1.1	1.2	19.1	18.8	5.4	4.7	0.9	0.8
PNB	Neutral	91	1,005	90	-1	101	115	0.6	0.9	9.1	12.8	9.9	6.4	0.9	0.8
BOB	Buy	224	1,163	280	25	245	287	1.2	1.2	18.0	18.4	5.6	4.7	0.9	0.8
CBK	Buy	442	815	550	24	546	653	1.1	1.2	19.6	19.4	4.7	3.9	0.8	0.7
UNBK	Buy	123	875	150	22	140	160	1.1	1.2	17.5	17.3	5.5	4.9	0.9	0.8
INBK	Buy	441	565	525	19	475	550	1.2	1.3	17.0	17.3	6.1	5.2	0.9	0.8

* Adjusted for Subs value

Source: MOFSL, Company

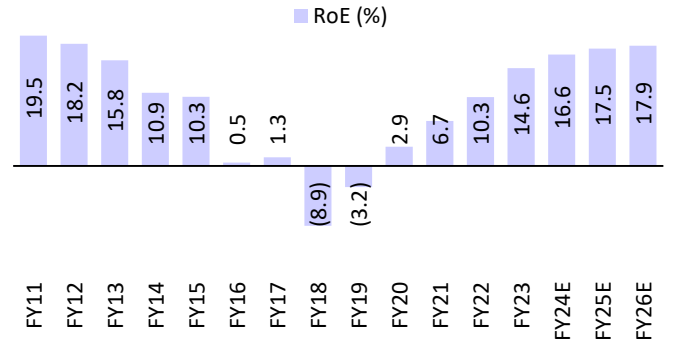
Exhibit 2: PSBs: Estimate RoA to improve to 1.2% by FY26



Calculated based on six PSBs under our coverage

Source: MOFSL, Company

Exhibit 3: PSBs: Estimate RoE to improve to 17.9% by FY26

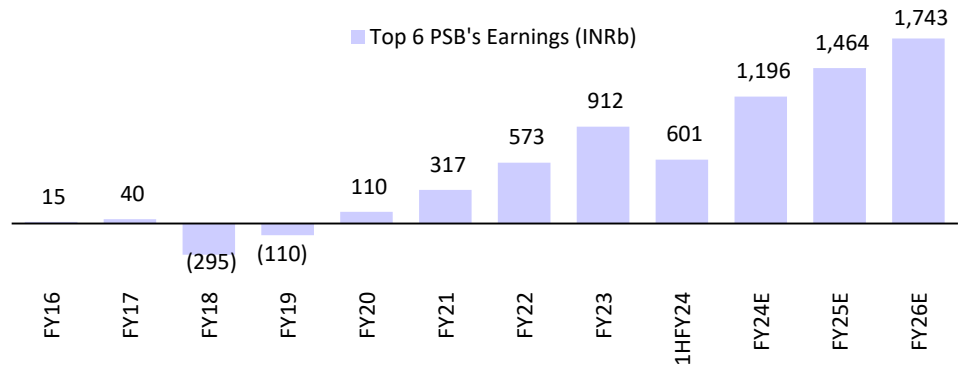


Calculated based on six PSBs under our coverage

Source: MOFSL, Company

Earnings for PSBs have improved significantly to INR601b in 1HFY24 vs. INR110b in FY20

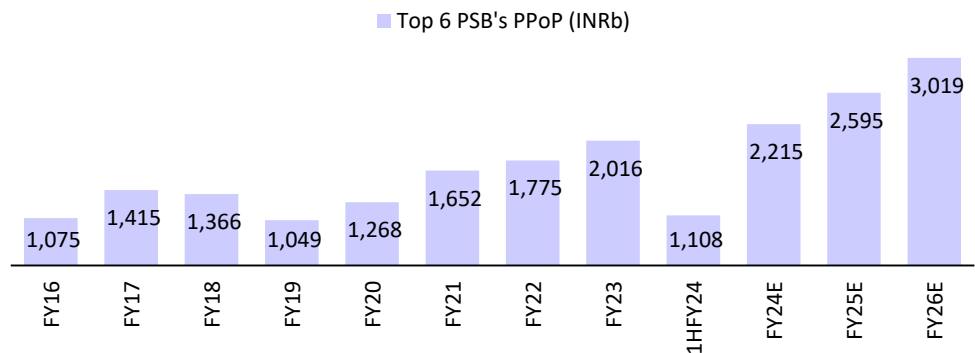
Exhibit 4: PSBs to report 24% earnings CAGR over FY23-26E



Calculated based on six PSBs under our coverage Source: MOFSL, Company

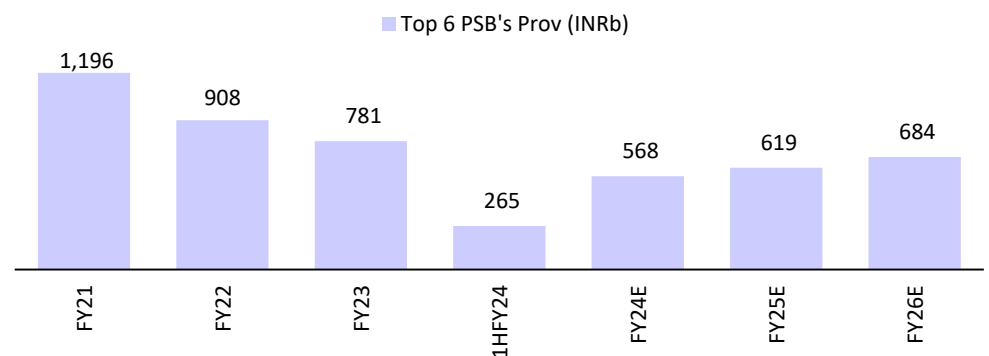
PSBs to clock 14% CAGR in PPoP over FY23-26E

Exhibit 5: PSBs to post 14% CAGR in PPoP over FY23-26E



Calculated based on six PSBs under our coverage Source: MOFSL, Company

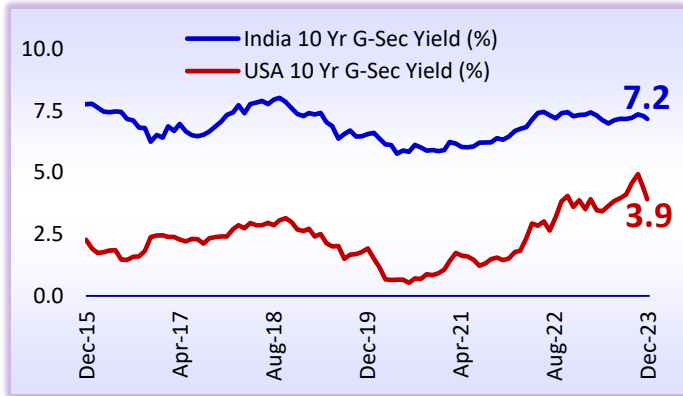
Exhibit 6: Estimate provisioning to increase gradually over FY24-26E vs. a decline hitherto



Source: MOFSL, Company

STORY IN CHARTS

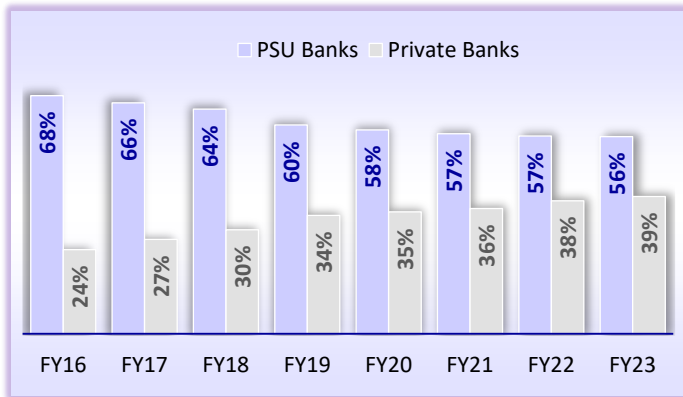
Interest rates have peaked & cycle to see a reversal globally



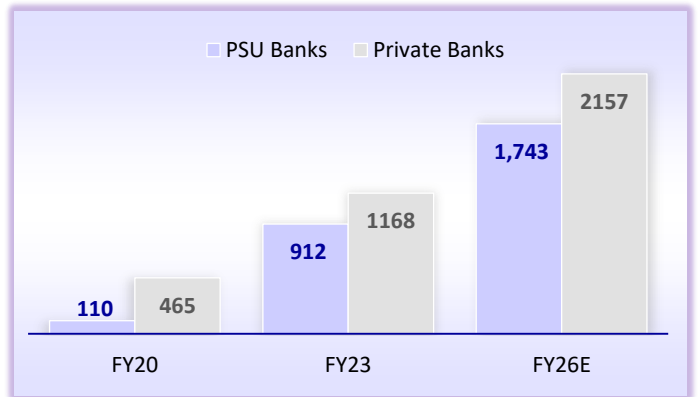
Banking sector credit growth healthy at ~10% (excl. HDFC Ltd) in FY24 YTD



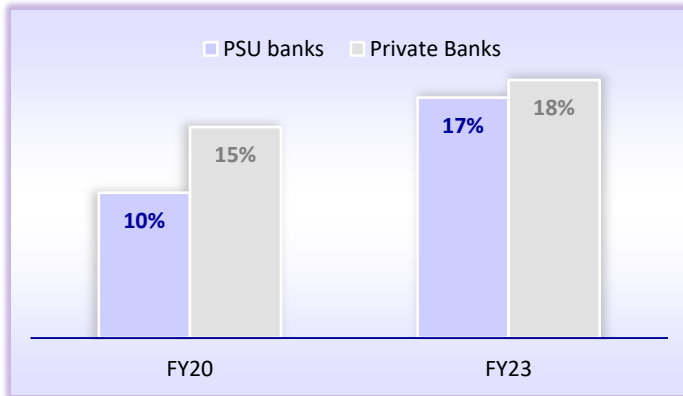
PSU banks are participating well in overall system credit; PSBs market share in credit stood stable at ~56% in FY23



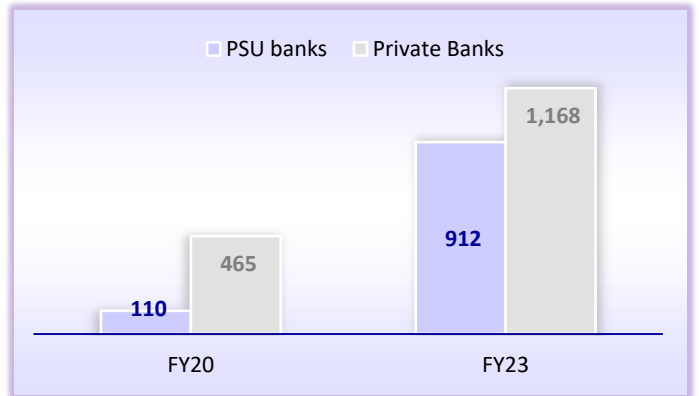
Profit of PSU banks to report a CAGR of 24% vs a CAGR of 19% for private banks (adj. for HDFC Bank merger) over FY23-26E



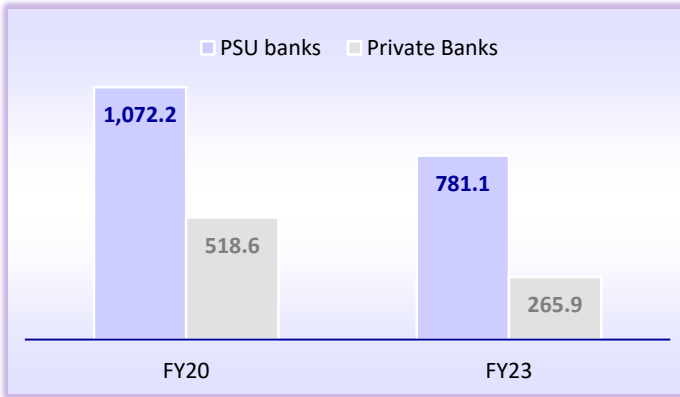
Advances of PSU banks grew at 17% in FY23 vs 10% in FY20



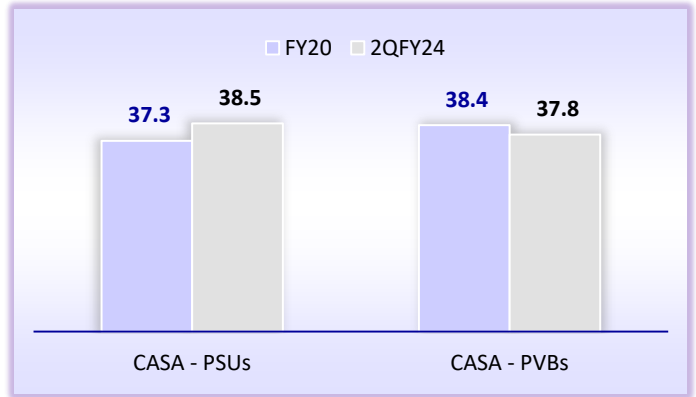
FY23 PAT for PSBs stood at INR0.9t vs INR1.2t for private banks



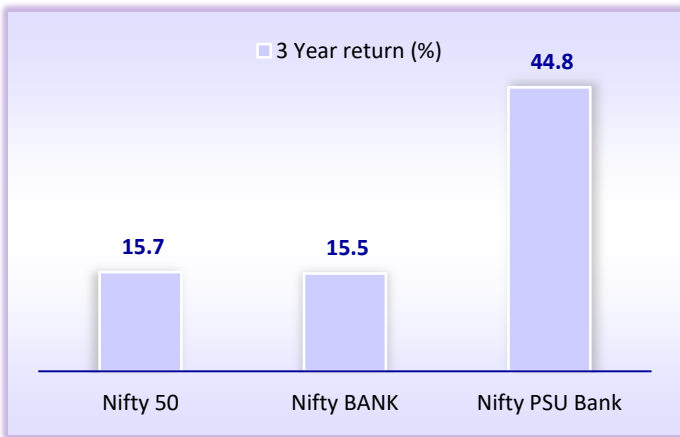
Provisions of PSBs has moderated to INR781b in FY23



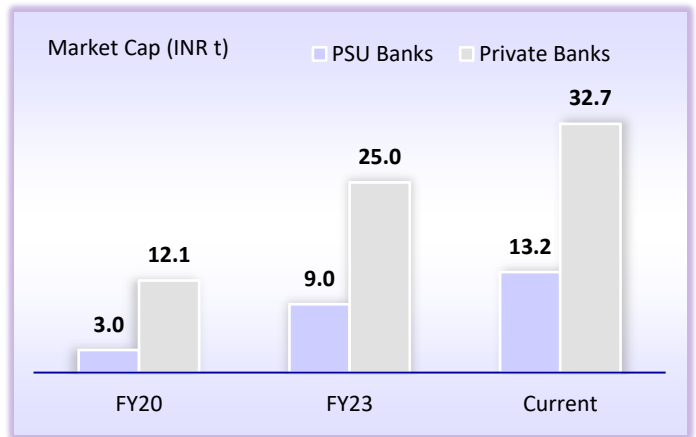
CASA ratio for PSU and PVBs are closer to their FY20 levels



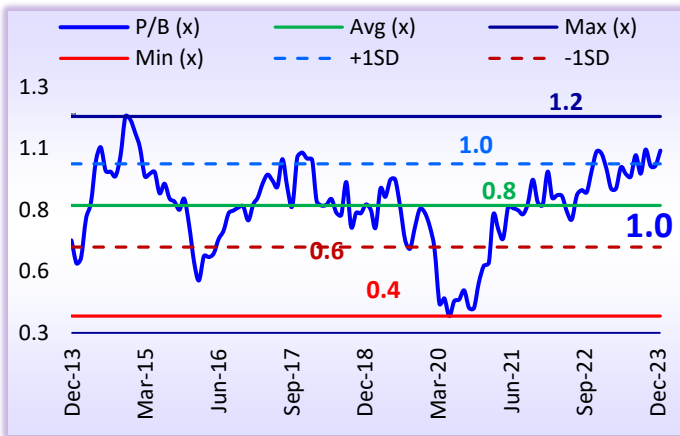
PSBs have outperformed other indices in past 3 years



PSBs mkt cap has grown at an accelerated pace since FY20

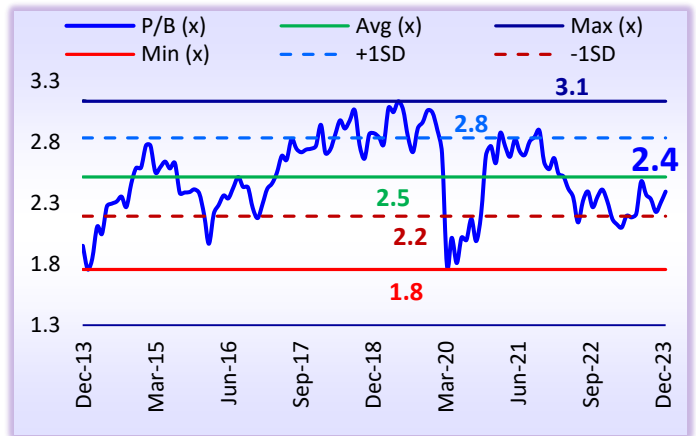


PSU Banks 1-yr forward P/BV trades at a premium to their long period average



Source: MOFSL, BBG

Private Banks on 1-yr forward P/BV trade close to average levels



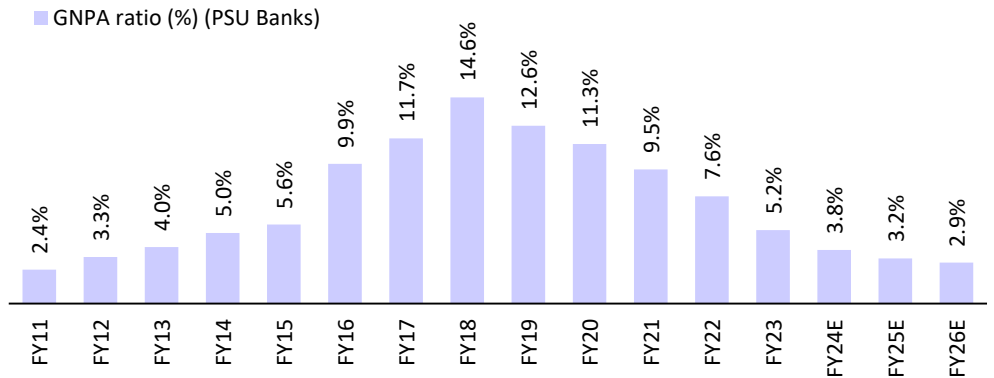
Source: MOFSL, BBG

Asset quality outlook improving

SMA book under control; higher PCR provides comfort

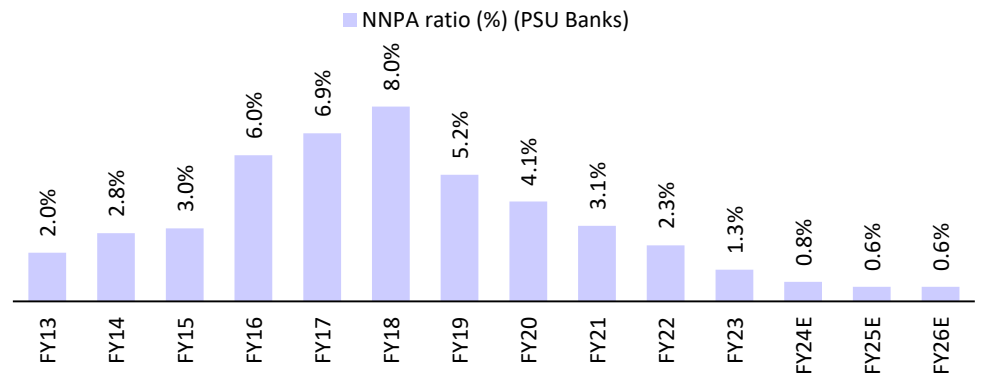
Exhibit 7: GNPA ratio contracted to 5.2% in FY23 and is expected to decline to 3.8% by FY24

PSU bank's FY25E GNPA is projected to be comparable to FY15 NNPA



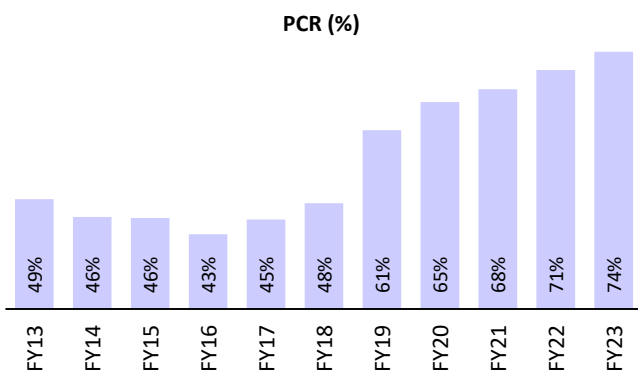
FY24,25,26E on basis of six PSBs banks under our coverage Source: MOFSL, Company

Exhibit 8: NNPA ratio contracted to 1.3% in FY23 and expected to decline to 0.8% by FY24



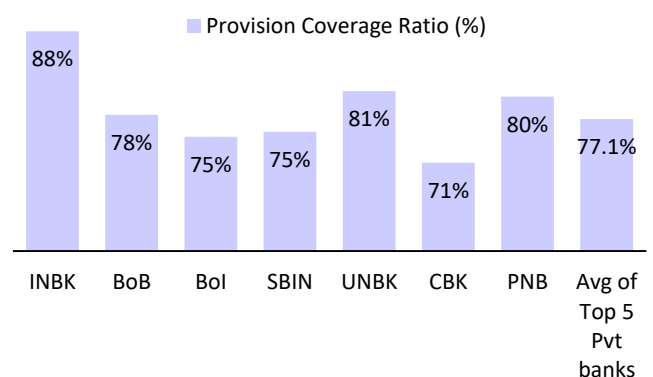
FY24,25,26E on basis of six PSBs banks under our coverage Source: MOFSL, Company

Exhibit 9: Provision coverage ratio for PSBs has improved sharply over past few years to ~74% in FY23



Source: MOFSL, Company

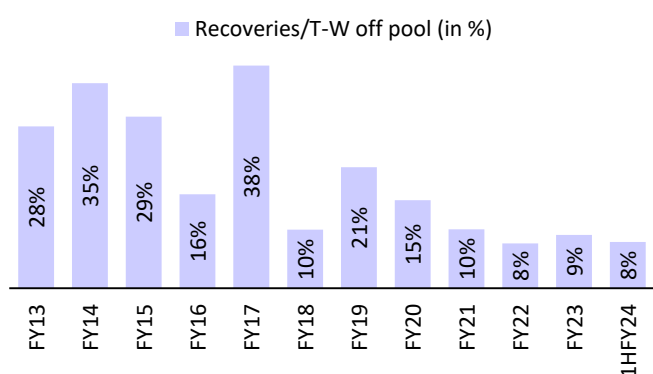
Exhibit 10: Top 7 PSBs' PCR v/s average of top 5 private banks – Most of the PSBs have very healthy PCR



Source: MOFSL, Company

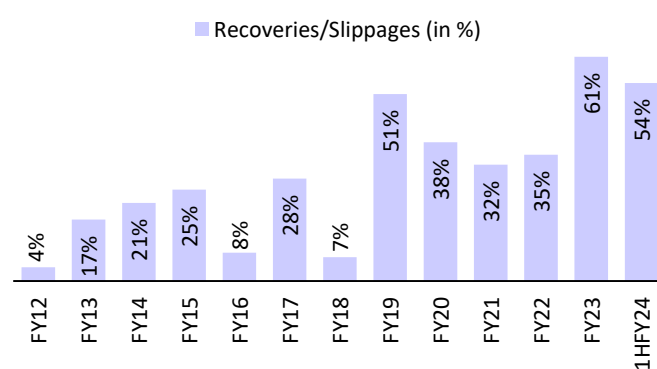
Exhibit 11: Credit cost to remain in control over FY23-26E as banks are well provided for legacy stressed assets


Source: MOFSL, Company

Exhibit 12: Recoveries from TWO pool remain healthy


Calculated based on top 6 PSB's

Source: MOFSL, Company

Exhibit 13: Recovery / Slippage trend has thus improved


Calculated based on 6 PSBs under MOSL coverage

Source: MOFSL, Company

Exhibit 14: Recoveries and upgrades remain healthy over 1HFY24

INR b	Slippages		Recoveries + Upgrades	
	FY23	1HFY24	FY23	1HFY24
BoB	111.5	75.1	101.0	41.4
BoI	119.8	64.2	87.1	57.2
CBK	70.4	38.3	56.9	30.8
INBK	160.3	42.2	145.7	70.9
PNB	184.2	119.5	154.5	76.2
SBIN	125.2	58.7	119.4	70.4
UNBK	111.5	75.1	101.0	41.4

Source: MOFSL, Company

Exhibit 15: Restructured portfolio trend among PSBs

INR b	Absolute	Sep'23 (%)
BOB	NA	NA
SBIN	208.5	0.62
INBK	99.8	2.12
PNB	NA	NA
UNBK	145.2	1.71
CBK	NA	NA

Source: MOFSL, Company

Exhibit 16: Benign SMA book augurs well for Asset Quality

SMA (% of loans)	2Q23	3Q23	4Q23	1Q24	2Q24
BoB					
SMA 1 & 2	0.4	0.4	0.3	0.3	0.2
BoI					
SMA 1	0.1	0.2	0.3	0.1	0.1
SMA 2	0.2	0.2	0.2	0.2	0.2
Total SMA 1 & 2	0.3	0.4	0.4	0.4	0.3
CBK					
SMA 0	0.5	0.2	0.4	0.3	0.1
SMA 1	0.1	0.1	0.2	0.4	0.1
SMA 2	0.4	0.3	0.2	0.4	0.5
Total SMA 1 & 2	1.0	0.7	0.8	1.1	0.7
INBK					
SMA 1	0.3	0.4	0.4	0.4	0.4
SMA 2	0.2	0.4	0.1	0.3	0.2
Total SMA 1 & 2	0.5	0.8	0.5	0.7	0.6
SBIN					
SMA 1	0.2	0.1	0.1	0.2	0.1
SMA 2	0.1	0.1	0.0	0.1	0.1
Total SMA 1 & 2	0.3	0.2	0.1	0.2	0.2
PNB					
SMA 2	0.3	0.2	0.0	0.2	0.2
UNBK					
SMA 1	0.4	0.3	0.2	0.2	0.2
SMA 1	0.1	0.1	0.4	0.0	0.1
SMA 2	0.1	0.3	0.1	0.3	0.3
Total SMA 1 & 2	0.6	0.7	0.6	0.5	0.5

Source: MOFSL, Company

Deposit growth witnessing a gradual pickup

High mix of MCLR to shield margins

Across the banking sector, deposit growth has remained sluggish in past few years however the growth has shown some revival in deposits growth over past few quarters. The uptick in deposit growth is mainly attributed to higher interest rates offered by banks and their intense efforts in mobilizing deposits. We believe that PSBs will continue to benefit from their established distribution network, strong geographical presence, and improving digital initiatives. Overall, we expect PSBs to report a healthy ~10% CAGR in deposits over FY23-26.

Exhibit 17: Loan growth healthy at 3-4.5% QoQ in 2QFY24 and expect trend to sustain

Loans (INR b)	2QFY24	YoY (%)	QoQ (%)
BoB	9,980	19.3	3.6
CBK	8,923	13.2	4.3
INBK	4,706	14.2	3.0
PNB	8,899	15.1	3.0
SBIN	33,452	13.3	3.4
UNBK	8,036	10.5	4.3

Source: MOFSL, Company

Exhibit 18: Deposit growth too remains healthy for most PSBs, given abundant liquidity on balance sheet YoY (%)

Deposits Growth	3QFY23	4QFY23	1QFY24	2QFY24
BoB	18%	15%	16%	15%
CBK	12%	9%	7%	9%
INBK	6%	5%	8%	9%
PNB	7%	12%	14%	10%
SBIN	10%	9%	12%	12%
UNBK	14%	8%	14%	9%

Source: MOFSL, Company

Deposit growth is mainly driven by term deposits as CASA ratio has moderated across banks

Exhibit 19: CASA mix has moderated however decline has been calibrated

Deposits (INR b)	2QFY24	YoY (%)	QoQ (%)	CASA (%)	Change in CASA Ratio (bps)
BoB	12,496	14.6	4.1	39.9	(289)
CBK	12,322	8.6	3.3	32.2	(187)
INBK	6,408	8.8	1.9	40.1	(83)
PNB	13,099	9.7	0.9	42.2	(276)
SBIN	46,892	11.9	3.5	41.9	(275)
UNBK	11,376	9.0	0.8	34.7	(97)
BoI	7,038	8.7	1.0	43.1	(99)

Source: MOFSL, Company

The banking sector's margin trajectory has been under pressure due to a higher cost of deposits, as their deposit portfolio has continuously re-priced while competition for sourcing liability has remained intense. As a result, PSBs saw margin compression over 1HFY24 with varying trends across banks. We, however, note that at overall, PSBs have been able to maintain better margins as a significant proportion of their loans are linked to MCLR (6-12 months tenure), which led to lagged re-pricing of advances portfolio. We believe that while the cost of deposits will keep inching up for the sector, PSBs overall will be able to report resilient margins, benefitting from the residual MCLR re-pricing of their lending portfolio.

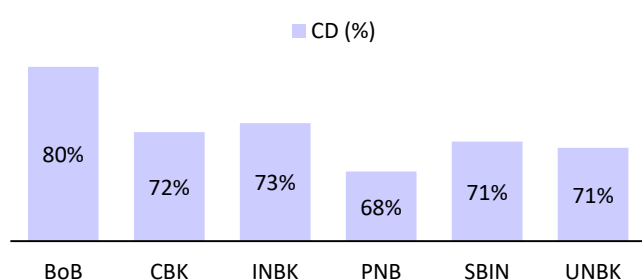
We note that most PSBs are well positioned in terms of liquidity, with their LCR well above the regulatory requirement of 100% (135-160%), indicating the resiliency and the competitive advantage they have over their private peers, especially in the current rate environment.

Exhibit 20: Mix of MCLR loans stands at 37-64% across PSBs, significantly higher than private peers

Loans Mix (%)	MCLR	Repo Linked	Other EBLR linked
AXSB	17	46	6
HDFCB	6		49
ICICIBC	18	48	3
KMB	11	59	NA
FB	23		51
BoB	52	28	2
CBK	50	38	NA
INBK	64		31
PNB	37	39	17
UNBK	50	22	10
SBIN	38		45

Source: MOFSL, Company

Exhibit 21: CD ratio remains low implying ample liquidity on the balance sheet – barring BOB



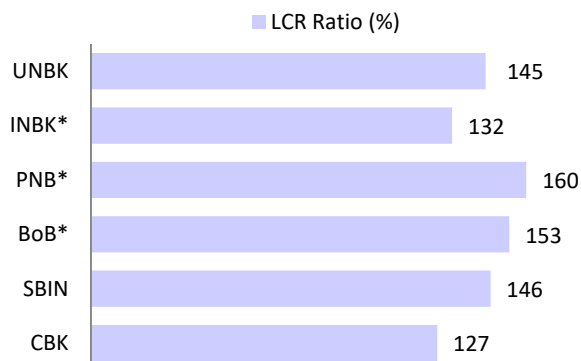
Source: MOFSL, Company

Exhibit 22: NIMs have moderated over past few quarters; estimate to remain range-bound with a downward bias

NIM (%)	3Q FY23	4Q FY23	1Q FY24	2Q FY24
BoB	3.4	3.5	3.3	3.1
CBK	3.1	3.1	3.1	3.0
INBK	3.7	3.6	3.6	3.5
PNB	3.2	3.2	3.1	3.1
SBIN	3.5	3.6	3.3	3.3
UNBK	3.2	3.0	3.1	3.2

Source: MOFSL, Company

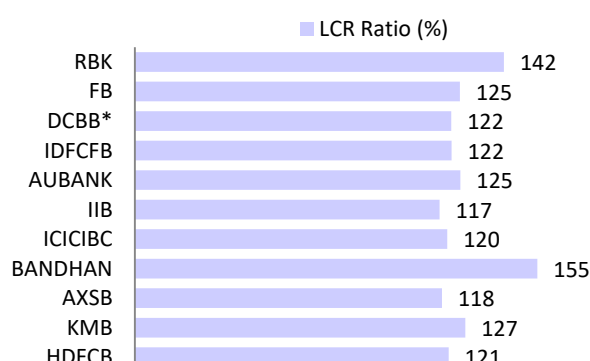
Exhibit 23: LCR ratio for PSBs as on 2QFY24



*As on 1QFY24

Source: MOFSL, Company

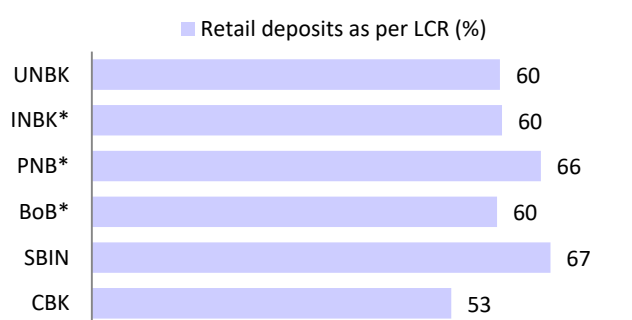
Exhibit 24: LCR ratio for private banks as on 2QFY24



*As on 1QFY24

Source: MOFSL, Company

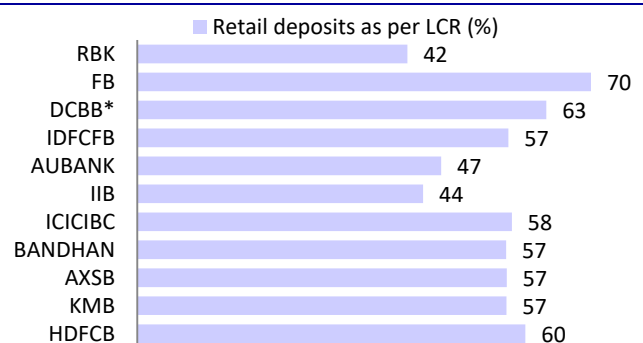
Exhibit 25: Retail deposit as per LCR for PSBs as on 2QFY24—higher for PNB and SBIN while lower for CBK



*As on 1QFY24

Source: MOFSL, Company

Exhibit 26: Retail deposit as per LCR for Pvt banks (2QFY24)



*As on 1QFY24

Source: MOFSL, Company

Wage provisions to have limited impact

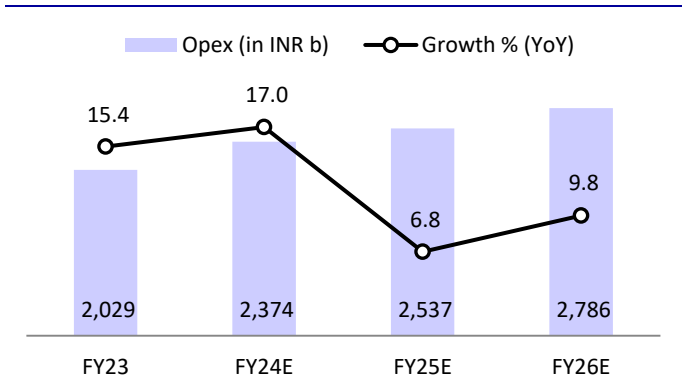
Continuous rationalization in employees/branches to support cost ratios

The IBA has recently concluded wage negotiations and has agreed to a wage hike of 17% in the 12th bi-partite settlement, which is effective from 1st Nov'22. Most PSBs have made provisions of 14-18% toward employee and retirement-related expenses and will thus have a limited impact from this settlement. We note that employee expenses form ~53-64% of total expenses across PSBs and such expenses have collectively grown at 25% YoY across six PSBs we cover, resulting in elevated cost ratios. With the headcount remaining under control and productivity gains kicking in, we expect cost ratios to remain under control over the coming years. We, thus, estimate the cost-to-income ratio to moderate to ~43-52% by FY26, thereby enabling banks to sustain healthy RoA.

Exhibit 27: Wage agreement to have limited impact on underlying profitability – barring SBIN

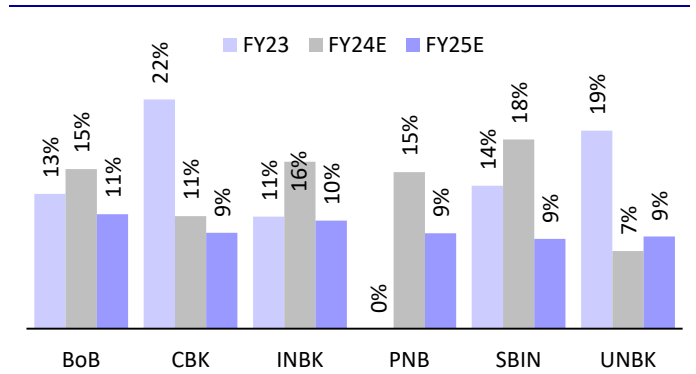
Banks	PPoP (3QFY24)	PPoP (FY24)	PBT (3QFY24)	PBT (FY24)	Wage provision as a % of PPoP (3QFY24)	Wage provision as a % of PPoP (FY24)	Wage provision as a % of PBT (3QFY24)	Wage provision as a % of PBT (FY24)
BoB	75,345	3,13,033	57,042	2,36,768	-1.0%	-0.3%	-1.4%	-0.3%
CBK	74,908	3,02,941	48,736	1,91,678	1.9%	0.5%	2.9%	0.7%
PNB	65,596	2,54,815	26,550	1,01,089	3.8%	1.0%	9.3%	2.4%
UNBK	69,359	2,81,010	48,015	2,04,782	2.3%	0.6%	3.4%	0.8%
SBIN	2,24,311	8,91,788	1,94,805	8,05,005	14.7%	3.7%	16.9%	4.1%

Exhibit 28: Opex growth expected to moderate from FY25E onwards



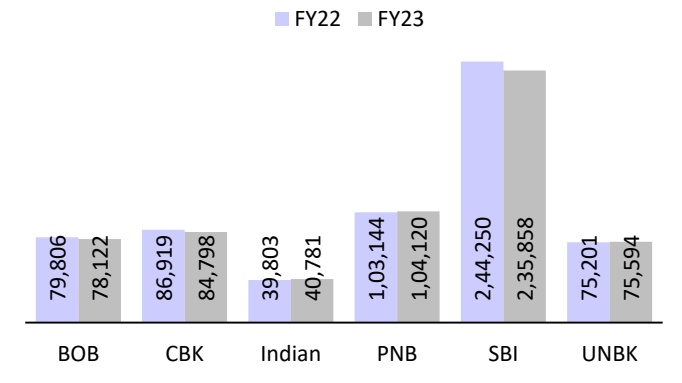
Calculated based on 6 PSBs under MOSL coverage
Source: MOFSL, Company

Exhibit 29: Growth in total expense to remain elevated over FY24 due to wage provisions; C/I to moderate over FY24-26E



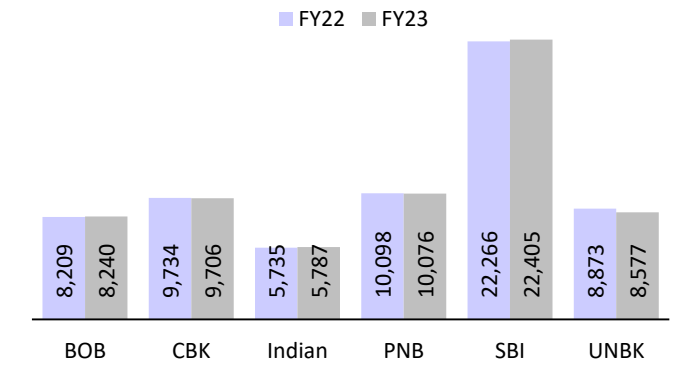
Source: MOFSL, Company

Exhibit 30: Employee count in control across PSBs



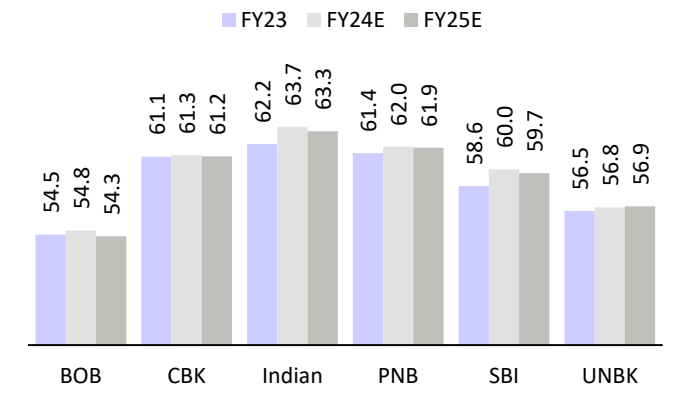
Source: MOFSL, Company

Exhibit 31: Branch count also remains broadly stable



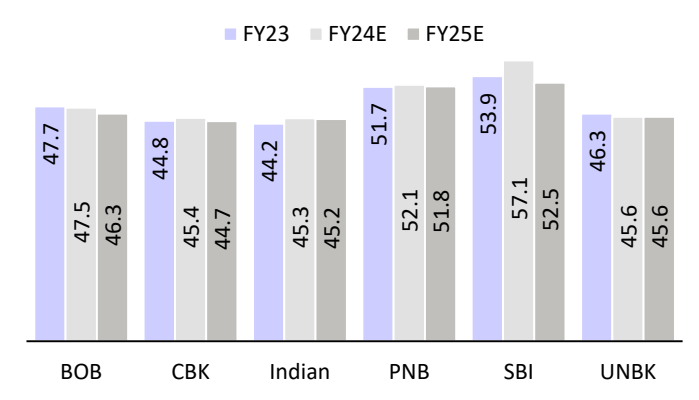
Source: MOFSL, Company

Exhibit 32: PSBs: Staff expenses forms 53-64% of total opex



Source: MOFSL, Company

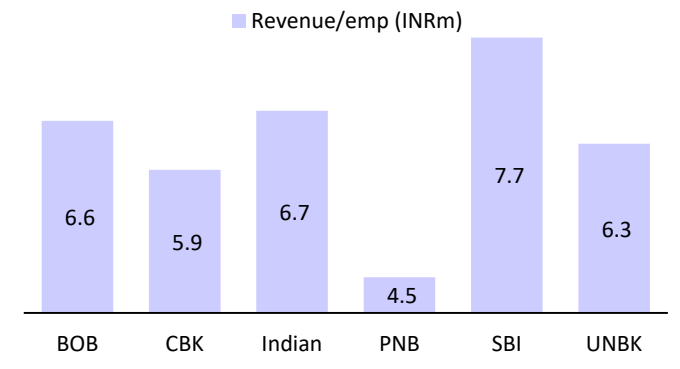
Exhibit 33: Estimate C/I ratio to moderate over coming years



Source: MOFSL, Company

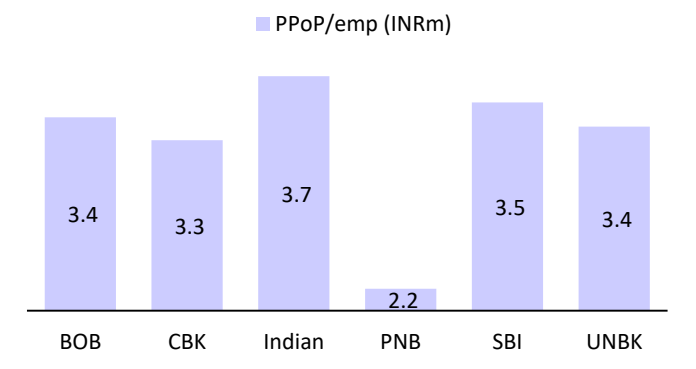
Key business productivity ratios across PSBs

Exhibit 34: Revenue per employee trend across banks as on FY23; highest for SBIN followed by INBK, BoB and UNBK



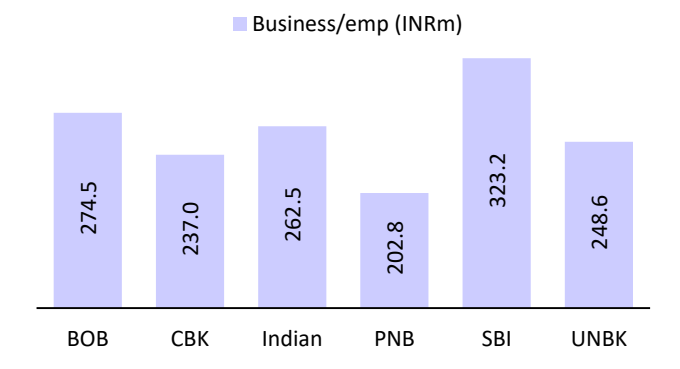
Source: MOFSL, Company

Exhibit 35: PPOP per employee trends across banks as on FY23



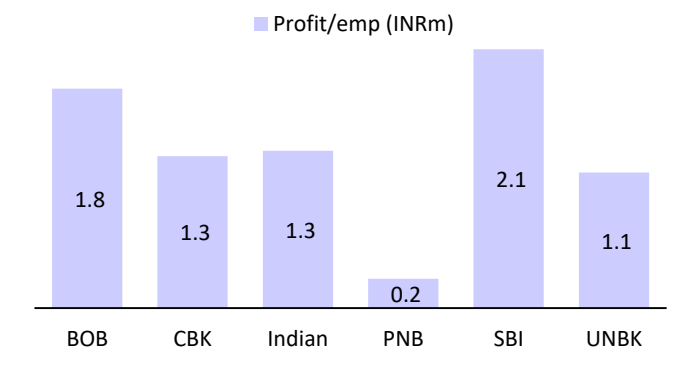
Source: MOFSL, Company

Exhibit 36: Business per employee as on FY23 stands higher for SBIN and INBK but lower for PNB



Source: MOFSL, Company

Exhibit 37: Profit per employee trends across banks as on FY23 – stands much higher for SBIN vs. other peers



Source: MOFSL, Company

Capitalization levels have been steady

New investment guidelines to further boost Tier-1 levels

The improved operating performance has enabled PSBs to not just shore up capital by accessing public markets but also helped most banks see huge demand for subscription from investors. Most PSBs thus are well placed on the capitalization front (CET I ratio at ~10-13% across top seven PSBs), which, coupled with strong internal accruals, will enable them to deliver healthy loan growth, particularly as corporate demand recovers after upcoming general elections. Moreover, the recent increase in RWA on unsecured loans will have a limited impact on PSBs and they will maintain robust RWA density compared to private peers, thus enabling them to operate at higher leverage.

Exhibit 38: Capital positions of PSBs have improved significantly; many PSBs successfully raised capital from the markets

PSBs	CET-I (%)				Tier-1 (%)				CRAR (%)			
	FY20	FY21	FY22	2QFY24	FY20	FY21	FY22	2QFY24	FY20	FY21	FY22	2QFY24
SBIN	9.9	10.3	10.2	9.9	11.4	12.1	12.0	11.8	13.8	14.7	14.6	14.3
BoB	11.4	12.2	11.9	11.6	13.2	14.0	13.6	13.2	15.7	16.2	15.8	15.3
CBK	10.3	11.6	11.5	11.6	11.9	13.8	13.6	13.6	14.9	16.7	16.2	16.2
INBK	12.5	12.9	12.3	12.1	13.2	13.5	12.9	12.6	16.5	16.5	15.8	15.5
PNB	10.6	11.2	10.9	10.2	11.7	12.7	12.3	12.0	14.5	15.5	15.5	15.1
UNBK	10.6	12.4	12.3	13.1	12.2	13.9	13.9	14.6	14.5	16.0	16.0	16.7
BoI	13.5	13.6	13.0	12.6	13.9	14.4	13.8	13.4	16.5	16.3	15.6	15.6

Source: MOFSL, Company

Many PSBs have raised capital to shore up capitalisation levels and reduce government shareholding

Exhibit 39: Government shareholding across banks

Banks	Govt Holding (pre-capital raise)	Govt Holding (post-capital raise)
BOI	81.4%	73.4%
Indian	79.9%	73.5%
Union	83.5%	77.0%
J&K	63.4%	59.6%
BoM	90.97%	86.5%
SBI		57.5%
BoB		64.0%
PNB		73.2%
Canara		62.9%
IOB		96.4%
IDBI		94.7%
CBOI		93.1%
PSB		98.3%
UCO		95.4%

Sources: MOFSL, BSE

Exhibit 40: Change from book value dilutive phase to book value accretive phase

Banks	Date	Capital Raise (INR b)	No. of Shares to be issued (m)	Issue Price (INR)	Floor Price (INR)	Book Value (INR)	P/BV (X) - Raised Capital
Indian	Dec-23	40	102	394	414	328	1.2
J&K	Dec-23	8	67	108	113	103	1.0
BOI	Dec-23	23	449	100	105	113	0.9
Union	Aug-23	50	578	87	91	100	0.9
BoB	Mar-21	45	551	82	86	149	0.5
Canara	Aug-21	25	167	149	156	352	0.4

Sources: MOFSL, BSE

PSBs: Earnings steady; Well poised for Re-rating 2.0

Valuations remain inexpensive

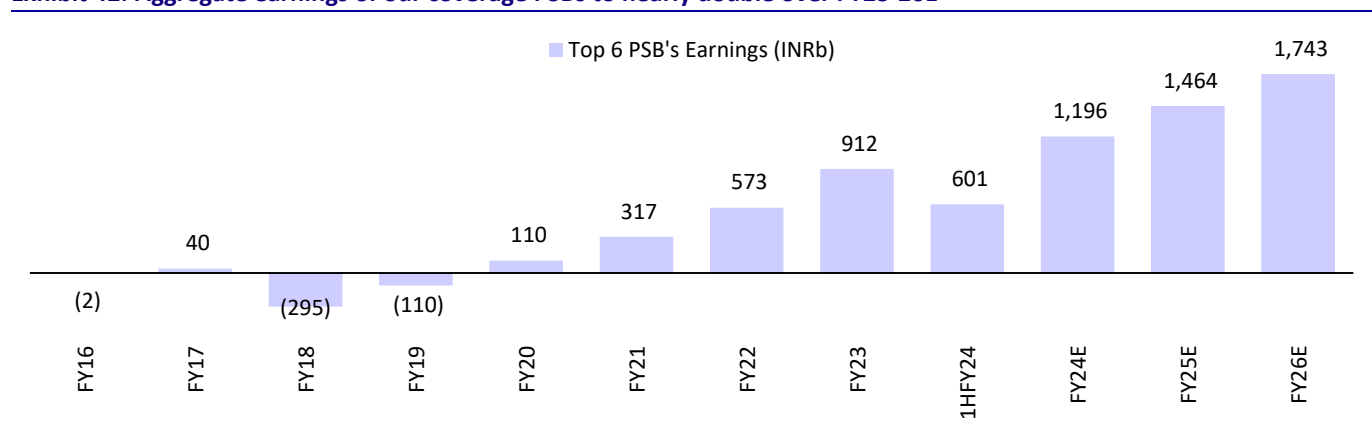
- Return ratios of PSBs have been under pressure for the past many years, as top seven PSBs took a significant stock of provisions toward stressed accounts, which resulted in collective losses over FY16-20. However, PSBs have reported a strong earnings turnaround since FY21, with five of the six PSBs (except PNB) achieving the 1% RoA mark. We estimate PSBs to sustain earnings traction, aided by improved loan growth, margin stability and controlled credit costs given robust asset quality trends and healthy coverage ratios. This will enable PSBs to sustainably deliver RoA of over 1% during FY24-26E.
- Select PSBs are already guiding to reach 1.2% RoA while our current earnings projections indicate FY25E RoA to remain in the range of 1.0-1.1%, which implies scope of continued earnings upgrades. Over FY24-26, we estimate an earnings CAGR of 21% for PSBs even as we pencil in higher credit costs. We believe that treasury gains may further support sector earnings as the rate environment moderates and will also help PSBs further strengthen their balance sheet.

Exhibit 41: PSBs to see a strong earnings growth; estimate ~24% PAT CAGR for six PSBs under our coverage

PAT (INR b)	FY20	FY21	FY22	FY23	1HFY24	FY24E	FY25E	FY26E	FY23-26E CAGR
BoB	5.5	8.3	72.7	141.1	83.2	172.8	208.4	248.8	21%
CBK	(22.4)	25.6	56.8	106.0	71.4	142.8	171.6	204.4	24%
INBK	7.5	30.0	39.4	52.8	37.0	81.3	95.7	110.3	28%
PNB	3.4	20.2	34.6	25.1	30.1	63.7	101.6	158.2	85%
SBIN	144.9	204.1	316.8	502.3	312.1	601.3	720.4	829.1	18%
UNBK	(29.0)	29.1	52.3	84.3	67.5	135.2	164.8	188.0	31%
Total of top 6 PSB's	109.9	317.3	572.6	911.7	601.3	1,197.1	1,462.6	1,738.8	24%

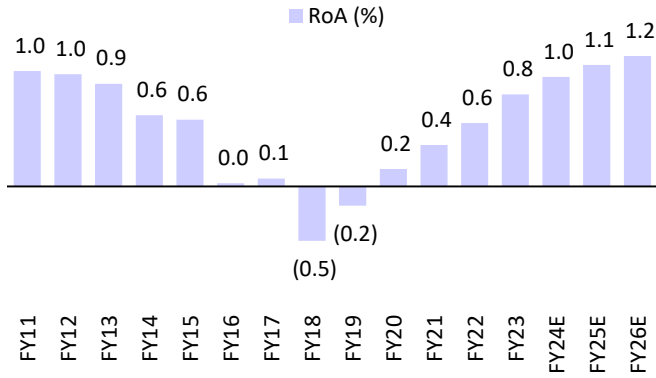
Source: MOFSL, Company

Exhibit 42: Aggregate earnings of our coverage PSBs to nearly double over FY23-26E



Calculated based on 6 PSBs under MOSL coverage Source: MOFSL, Company

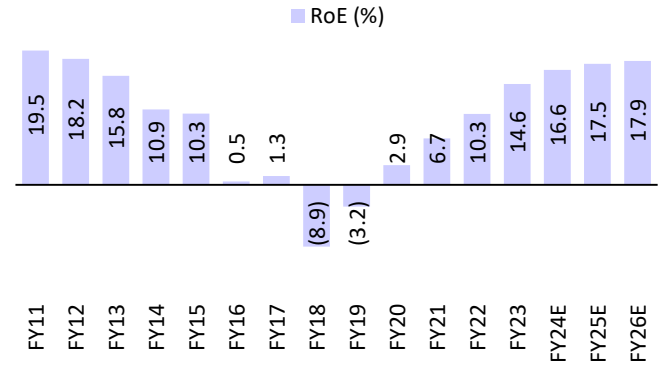
Exhibit 43: Estimate RoA to improve to 1.2% by FY26



Calculated based on top 6 PSB's

Source: MOFSL, Company

Exhibit 44: Estimate RoE to improve to 17.9% by FY26



Calculated based on top 6 PSB's

Source: MOFSL, Company

PSBs have delivered a strong performance since FY22, with the Nifty PSU Bank Index outperforming the Nifty-50/Bank Nifty by 87%/ 78%. We earlier resumed coverage on the entire PSB sector in CY21 enthused by their improving business/earnings outlook. We estimate top six PSBs under our coverage to report PAT of INR1.5t/INR1.7tn in FY25/FY26, while sector RoA/RoE improves to 1.2%/17.9% by FY26E. Several PSBs have raised capital from the market and have shored up their capitalization levels, which will enable healthy balance sheet growth, particularly as the capex cycle recovers after the general elections. We thus estimate ABV for our coverage PSBs to grow at a healthy 16-22% range over FY24-26. We believe that sustained and consistent performance on return ratios and a conducive macro-environment can drive further rerating of the sector. We introduce FY26E and roll-forward target prices for our PSBs coverage universe. We thus revise our TP for SBI, BoB, INBK, UNBK, CBK, PNB to INR 800, 280, 525, 150, 550, 90, respectively. **Top picks:** SBIN, BOB and CBK

Exhibit 45: Healthy earnings along with improving asset quality would enable a healthy 16-22% CAGR in ABV over FY24-26

ABV (INR)	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR (FY21-23)	CAGR (FY24E-26E)
BoB	111.0	135.8	165.2	194.3	226.6	266.6	22%	17%
CBK	218.5	258.9	321.5	412.7	505.5	612.2	21%	22%
INBK	234.1	272.1	333.7	396.7	458.1	530.6	19%	17%
PNB	53.2	57.1	67.9	83.1	91.5	104.6	13%	12%
SBIN	220.6	256.0	310.9	368.1	436.1	513.7	19%	18%
UNBK	63.3	71.7	93.8	112.1	130.9	151.1	22%	16%

Source: MOFSL, Company

Exhibit 46: PSU Banks: Valuations summary

Val summary	Rating	CMP (INR)	MCap (INR b)	TP (INR)	Upside (%)	BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
						FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
PSU Banks															
SBIN*	Buy	649	5,787	800	23	470	547	1.1	1.2	19.1	18.8	5.4	4.7	0.9	0.8
PNB	Neutral	91	1,005	90	-1	101	115	0.6	0.9	9.1	12.8	9.9	6.4	0.9	0.8
BOB	Buy	224	1,163	280	25	245	287	1.2	1.2	18.0	18.4	5.6	4.7	0.9	0.8
CBK	Buy	442	815	550	24	546	653	1.1	1.2	19.6	19.4	4.7	3.9	0.8	0.7
UNBK	Buy	123	875	150	22	140	160	1.1	1.2	17.5	17.3	5.5	4.9	0.9	0.8
INBK	Buy	441	565	525	19	475	550	1.2	1.3	17.0	17.3	6.1	5.2	0.9	0.8

* Adjusted for Subs value

Source: MOFSL, Company

Valuation charts – One-year forward P/ABV across top PSBs

Exhibit 47: PSU Banks: 1 year forward P/BV trend

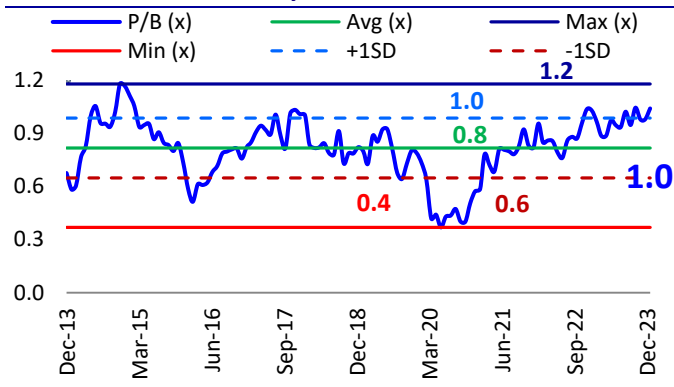


Exhibit 48: Private banks: 1-yr forward P/BV trend

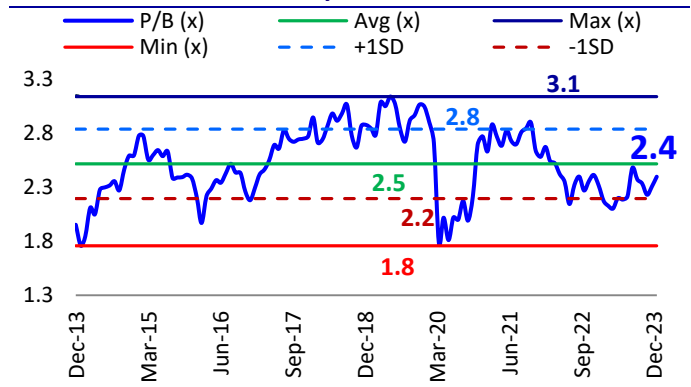


Exhibit 49: SBIN: 1-yr forward P/BV trades at 1.2x (consol)

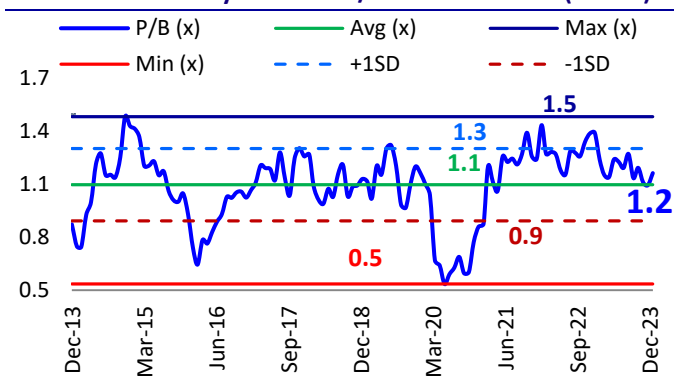


Exhibit 50: BOB: 1-yr forward P/BV trades at 0.9x

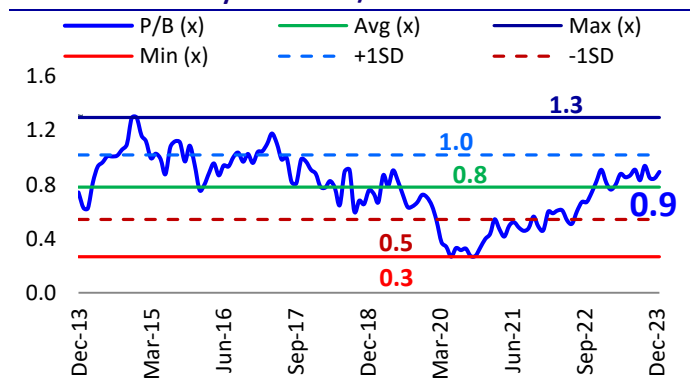


Exhibit 51: CBK: 1-yr forward P/BV trades at 0.8x

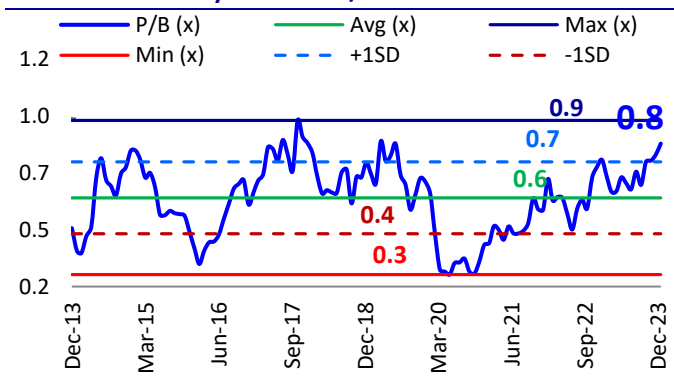


Exhibit 52: INBK: 1-yr forward P/BV trades at 0.9x

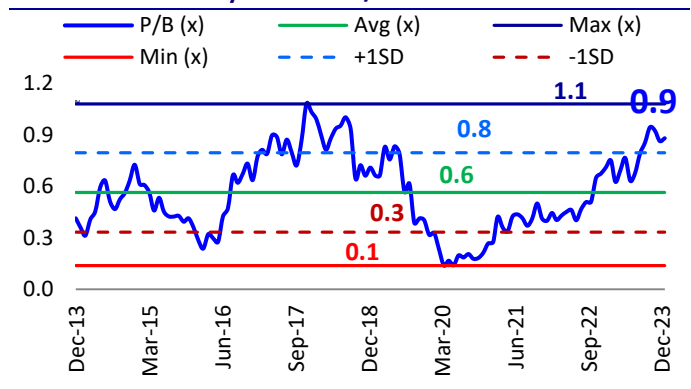


Exhibit 53: PNB: 1-yr forward P/BV trades at 0.9x

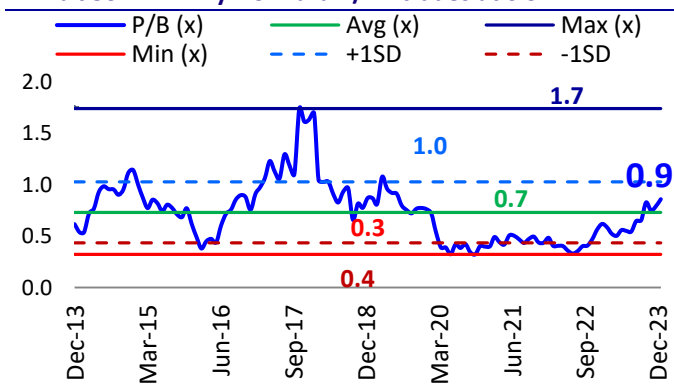
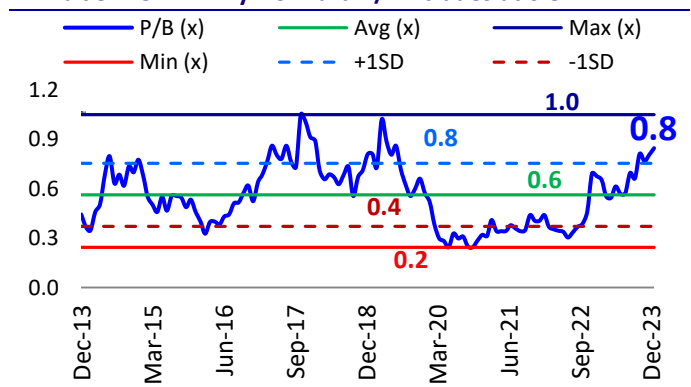


Exhibit 54: UNBK: 1-yr forward P/BV trades at 0.8x



Source: MOFSL, BBG

Source: MOFSL, BBG

PPoP, Provisions and PAT over FY16-26E for PSBs

Exhibit 55: PPop, provision, and PAT trends across PSBs

PPoP (INR b)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
BoB	88	110	120	135	189	212	224	269	313	364	437
CBK	71	89	95	106	94	197	244	277	303	341	395
INBK	30	40	50	49	65	110	127	153	171	190	215
PNB	122	146	103	130	147	222	208	225	255	282	332
SBIN	433	595	595	554	681	716	753	837	892	1,113	1,303
UNBK	56	74	75	75	92	197	219	255	281	306	336
Total	801	1,053	1,039	1,049	1,268	1,652	1,775	2,016	2,215	2,595	3,019
Provisions (INR b)											
BoB	155	85	148	128	207	156	130	71	76	86	105
CBK	103	73	161	129	111	160	141	135	111	111	121
INBK	21	22	39	46	51	81	95	94	64	61	62
PNB	180	126	299	283	140	187	164	182	154	130	120
SBIN	295	607	750	531	431	440	245	165	87	148	193
UNBK	39	71	142	114	132	173	133	133	76	84	84
Total	792	984	1,539	1,232	1,072	1,196	908	781	568	619	684
PAT (INR b)											
BoB	(54)	14	(24)	4	5	8	73	141	173	208	249
CBK	(28)	11	(42)	3	(22)	26	57	106	143	172	204
INBK	7	14	13	3	8	30	39	53	80	97	115
PNB	(40)	13	(123)	(100)	3	20	35	25	64	102	158
SBIN	100	(18)	(65)	9	145	204	317	502	601	720	829
UNBK	14	6	(52)	(29)	(29)	29	52	84	135	165	188
Total	(2)	40	(295)	(110)	110	317	573	912	1,196	1,464	1,743

Source: MOFSL, Company

Exhibit 56: Provisions/PPoP (%) across PSBs

Provisions/PPoP (%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
BoB	176%	77%	123%	95%	110%	74%	58%	27%	24%	23%	24%
CBK	145%	82%	169%	122%	119%	81%	58%	49%	37%	32%	31%
INBK	68%	56%	78%	94%	79%	74%	75%	61%	37%	32%	29%
PNB	147%	86%	290%	218%	95%	84%	79%	81%	60%	46%	36%
SBIN	68%	102%	126%	96%	63%	62%	32%	20%	10%	13%	15%
UNBK	69%	95%	188%	152%	144%	88%	61%	52%	27%	28%	25%

Exhibit 57: Price performance of banking sector

Company Name	CMP (INR)	MCap (INRb)	Price Perf (%)					CAGR (%)	
			1M	3M	6M	YTD	1 Year	3 Year	
Nifty 50	21,419	1,68,988	8.5	6.4	13.8	18.3	17.2	15.9	
Nifty BANK	47,868	38,059	9.8	4.1	8.9	11.4	10.8	15.9	
Nifty PSU Bank	5,720	13,199	12.9	9.6	41.5	32.5	32.0	48.0	
Private banks			1M	3M	6M	YTD	1 Year	3 Year	
RBL Bank	287	169	22.4	24.8	65.8	60.2	74.4	8.1	
CSB Bank	400	69	11.9	20.5	47.2	68.1	57.3	21.2	
Karur Vysya Bank	170	136	11.2	25.9	33.2	50.4	53.5	51.3	
Karnataka Bank	240	83	10.1	0.0	55.4	57.7	56.7	61.7	
Dhanlaxmi Bank	31	8	6.8	2.9	87.2	58.4	38.2	34.2	
IDFC First Bank	90	583	5.5	-3.7	9.9	52.6	44.9	34.4	
South Indian Bank	28	57	11.4	8.8	54.9	47.9	42.9	45.9	
IndusInd Bank	1,556	1,204	3.9	6.8	18.4	27.6	26.6	19.8	
Axis Bank	1,111	3,447	11.8	8.5	13.2	19.0	18.8	22.2	
Federal Bank	157	324	5.7	7.2	26.5	12.6	15.1	33.1	
ICICI Bank	1,021	7,224	10.8	3.2	9.3	14.7	13.2	25.5	
Yes Bank	23	631	9.6	22.9	39.9	10.7	7.5	6.5	
HDFC Bank	1,656	12,437	10.0	1.6	3.3	1.7	1.0	5.5	
Kotak Mahindra Bank	1,847	3,671	4.7	2.7	-0.6	1.1	0.3	-1.8	
Tamilnad Mercantile Bank	523	84	-0.1	-5.1	24.8	9.3	2.7		
Bandhan Bank	254	389	16.8	2.8	-0.2	8.2	2.5	-14.7	
DCB Bank	135	40	18.7	10.4	13.5	6.4	2.8	4.1	
City Union Bank	165	119	12.1	24.2	32.6	-8.4	-13.1	-2.8	
PSU banks			1M	3M	6M	YTD	1 Year	3 Year	
UCO Bank	42	489	7.5	-10.6	57.7	31.9	14.1	48.3	
Indian Bank	441	560	2.2	7.0	56.5	54.6	50.0	71.5	
Indian Overseas Bank	45	842	10.9	-3.7	86.3	39.3	33.8	59.8	
Bank of Maharashtra	48	335	6.6	-1.0	71.4	55.7	47.3	52.6	
Punjab National Bank	91	990	17.3	18.8	77.2	61.8	61.0	35.7	
Central Bank of India	51	424	10.3	-2.3	89.3	57.2	35.3	54.5	
Union Bank of India	123	845	13.3	24.5	73.1	53.1	45.3	58.2	
IDBI Bank	70	721	12.1	-3.2	30.4	29.2	22.7	20.1	
Punjab & Sind Bank	46	315	8.6	-8.6	47.7	35.9	13.2	50.9	
Bank of India	112	513	7.3	1.6	52.4	26.3	22.5	31.0	
Canara Bank	442	815	11.1	18.7	45.4	32.6	42.1	53.7	
Jammu and Kashmir Bank	129	132	12.9	20.0	125.3	127.1	129.5	76.7	
Bank of Baroda	224	1,139	14.0	3.2	19.2	20.8	23.2	52.6	
State Bank of India	649	5,565	15.2	7.4	13.5	5.7	7.5	33.7	
Small Finance Banks			1M	3M	6M	YTD	1 Year	3 Year	
Ujjivan Small Finance Bank	60	116	6.5	21.6	58.9	105.7	87.6	14.9	
Equitas Small Finance Bank	106	122	9.4	25.7	23.4	82.3	86.3	39.1	
Suryoday Small Finance Bank	165	18	0.0	0.4	-3.6	35.3	33.2		
AU Small Finance Bank	749	507	2.5	2.7	-3.9	14.4	12.2	18.6	

Exhibit 58: Price performance of several PSU entities across various sectors

Company Long Name	Sector	MCap (INRb)	PE Ratio	Price Perf (%)					CAGR. % 3 Year
				1M	3M	6M	YTD	1 Year	
Bharat Heavy Electricals	Capital Goods - Electrical Equipment	635	133.1	28.0	42.3	109.3	129.2	124.7	71.7
BEML	Capital Goods-Non Electrical Equipment	108	68.5	11.8	7.3	66.7	76.1	76.2	53.7
Bharat Dynamics	Capital Goods-Non Electrical Equipment	273	77.5	23.7	30.8	18.0	47.4	51.6	60.4
Engineers India	Infrastructure Developers & Operators	95	27.4	18.5	9.8	50.0	113.3	106.1	29.9
Hindustan Aeronautics	Capital Goods-Non Electrical Equipment	1,886	32.4	29.9	39.9	43.7	118.2	113.6	85.4
HMT	Engineering	63		-2.2	28.7	66.7	43.1	38.0	30.3
Rites	Infrastructure Developers & Operators	124	22.9	8.0	-0.9	29.4	52.0	44.1	22.9
Fertilizers & Chemicals Travancore	Fertilizers	523	85.3	11.4	41.3	114.3	114.6	198.3	144.4
Gujarat Narmada Val. Fert. & Chem.	Chemicals	115	7.8	5.7	14.8	26.7	34.2	28.1	45.4
Gujarat State Fertilizers & Chemicals	Fertilizers	92	7.3	25.6	34.6	45.1	66.5	58.1	45.1
Bharat Electronics	Electronics	1,257	42.0	15.7	24.6	35.0	69.2	70.0	61.5
Ircon International	Infrastructure Developers & Operators	166	21.7	2.6	17.8	106.9	187.7	181.1	56.8
General Insurance Corp. of India	Insurance	560	42.2	22.9	35.4	67.7	78.1	91.0	29.9
Life Insurance Corporation of India	Insurance	5,084	13.6	29.5	19.3	31.7	16.3	15.6	
New India Assurance Company	Insurance	373	35.6	47.6	56.6	82.2	78.3	82.8	19.4
SBI Life Insurance Company	Insurance	1,450	78.7	2.7	5.8	13.4	18.0	15.8	19.3
Rail Vikas Nigam	Railways	382	26.9	9.8	7.6	49.1	168.4	161.1	97.2
Indian Railway Cat. & Tour. Corp.	Railways	678	67.4	10.4	12.2	17.4	22.1	16.2	39.9
Coal India	Mining & Mineral products	2,137	7.6	1.4	25.3	53.1	55.5	55.8	34.6
Gujarat Mineral Development Corp.	Mining & Mineral products	128	10.6	5.1	40.6	151.9	176.7	166.5	95.0
Hindustan Copper	Non Ferrous Metals	187	63.3	18.7	16.2	62.7	71.0	68.7	43.6
KIOCL	Mining & Mineral products	218		13.5	34.4	82.2	54.4	67.0	33.1
Mishra Dhatu Nigam	Steel	76	48.4	8.2	-4.4	52.7	85.2	79.7	24.6
MOIL	Mining & Mineral products	63	25.3	15.0	34.2	90.2	92.1	84.5	28.1
National Aluminium Company	Non Ferrous Metals	215	15.0	19.4	13.7	30.4	37.7	43.1	36.7
NMDC	Mining & Mineral products	575	10.3	15.4	30.1	82.2	58.4	57.8	33.0
Orissa Minerals Development Co	Mining & Mineral products	45		8.7	59.0	161.7	157.3	150.3	44.0
Steel Authority of India	Steel	480	22.0	24.8	15.7	30.9	34.8	34.9	24.6
Housing & Urban Dev. Corp.	Finance	221	13.0	37.2	51.5	88.2	112.6	106.2	38.1
Indian Railway Finance Corporation	Finance	1,239	19.5	23.1	19.3	187.4	190.9	195.0	
Power Finance Corporation	Finance	1,367	8.6	30.4	84.5	161.5	265.1	264.0	63.3
PTC India Financial Services	Finance	28	15.7	21.3	54.5	119.7	171.0	168.5	28.4
REC	Finance	1,151	10.3	27.1	76.3	183.0	270.7	289.4	61.1
Bharat Petroleum Corporation	Refineries	972	44.8	15.1	27.5	19.2	35.9	31.4	4.3
Chennai Petroleum Corporation	Refineries	102	2.9	10.4	33.4	79.7	234.7	212.8	83.0
GAIL (India)	Gas Distribution	954	17.0	15.5	17.8	35.7	51.8	50.7	20.9
Indian Oil Corporation	Refineries	1,758	17.5	20.5	34.6	34.3	61.8	60.9	24.9
Mangalore Refinery and Pet.	Refineries	224	8.4	10.0	37.7	80.5	131.0	109.9	53.3
Mahanagar Gas	Gas Distribution	118	15.0	12.8	12.3	13.2	41.1	33.0	4.3
Oil & Natural Gas Corpn	Crude Oil & Natural Gas	2,497	7.1	2.4	7.7	28.1	37.0	36.6	25.6
Oil India	Crude Oil & Natural Gas	351	4.0	2.6	13.7	27.2	55.3	50.7	41.5
Cochin Shipyard	Ship Building	168	55.1	16.3	13.6	117.2	135.5	104.9	50.7
Garden Reach Shipbuilders & Eng.	Ship Building	96	42.0	6.7	-2.0	40.4	70.8	71.3	59.4
India Tourism Development Corp.	Hotels & Restaurants	38	64.0	7.1	13.9	36.0	24.7	22.9	14.8
Mazagon Dock Shipbuilders	Ship Building	428	38.3	5.8	-8.2	75.4	162.6	150.2	115.8
MMTC	Trading	91	5.8	16.2	-2.2	87.1	59.4	48.0	33.9
NBCC (India)	Realty	149	55.8	22.4	36.0	99.3	111.6	101.5	38.1
PTC India	Trading	56	12.5	17.9	26.9	77.3	133.3	123.3	45.3
Shipping Corporation of India	Shipping	74	8.5	18.0	11.0	51.0	50.4	58.5	34.6
ITI	Telecomm Equipment & Infra Services	287		16.2	53.9	179.4	192.0	177.1	32.4
Railtel Corporation of India	Telecomm-Service	97	51.3	9.5	33.3	132.8	134.3	119.3	
Gujarat Industries Power Co	Power Generation & Distribution	27	14.2	19.0	23.5	82.1	113.9	101.5	24.9
NHPC	Power Generation & Distribution	661	17.0	23.4	18.7	44.6	63.6	58.7	41.3
NLC India	Power Generation & Distribution	283	20.3	24.4	56.5	109.3	139.6	133.2	53.8
NTPC	Power Generation & Distribution	2,944	17.4	21.3	29.2	62.1	83.3	79.7	42.9
Power Grid Corporation of India	Power Generation & Distribution	2,154	14.0	13.3	22.3	28.4	48.1	48.4	29.7
SJVN	Power Generation & Distribution	367	27.0	26.4	27.8	148.2	181.2	159.2	54.8

Exhibit 59: Valuation summary-BFSI sector

Val summary	Rating FY25E	CMP (INR)	MCap (INRb)	TP (INR)	Upside (%)	BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
						FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Private Banks															
ICICIB* [*]	Buy	1,021	7,243	1,120	10	332	389	2.3	2.3	18.6	18.3	14.7	12.8	2.5	2.2
HDFCB* [*]	Buy	1,656	12,485	1,950	18	579	660	1.8	1.9	15.1	16.4	17.3	14.3	2.5	2.2
AXSB* [*]	Buy	1,112	3,448	1,150	3	535	623	1.8	1.9	16.8	16.6	12.7	10.6	1.9	1.6
BANDHAN	Neutral	253	409	250	-1	136	155	2.0	2.1	16.0	17.9	12.2	9.7	1.9	1.6
KMB* [*]	Neutral	1,847	3,664	1,900	3	484	558	2.5	2.4	15.0	14.6	19.4	17.3	2.7	2.4
IIB	Buy	1,557	1,219	1,700	9	809	940	1.9	2.0	15.6	16.8	13.2	10.6	1.9	1.7
FB	Buy	157	333	170	9	118	134	1.3	1.3	14.6	14.9	9.7	8.3	1.3	1.2
DCBB	Neutral	135	40	130	-3	157	176	1.0	1.0	12.3	13.2	7.6	6.3	0.9	0.8
IDFCFB	Neutral	90	595	95	6	48	54	1.2	1.3	10.8	11.9	19.0	14.7	1.9	1.7
EQUITASB	Buy	106	120	115	8	53	60	2.0	2.0	14.9	16.0	14.5	11.8	2.0	1.8
AUBANK	Buy	749	504	780	4	184	218	1.7	1.8	14.8	16.8	29.4	22.1	4.1	3.4
RBK	Neutral	287	176	265	-8	243	263	1.0	1.2	9.3	11.2	13.2	10.1	1.2	1.1
SBICARD	Buy	781	735	900	15	127	159	4.8	5.2	22.3	24.5	30.4	22.3	6.1	4.9
PSU Banks															
SBIN* [*]	Buy	649	5,787	800	23	404	470	1.0	1.1	18.6	19.1	6.4	5.4	1.1	0.9
PNB	Neutral	91	1,005	90	-1	93	101	0.4	0.6	6.2	9.1	15.8	9.9	1.0	0.9
BOB	Buy	224	1,163	280	25	211	245	1.1	1.2	17.4	18.0	6.7	5.6	1.1	0.9
CBK	Buy	442	815	550	24	457	546	1.0	1.1	19.6	19.6	5.6	4.7	1.0	0.8
UNBK	Buy	123	875	150	22	122	140	1.0	1.1	16.9	17.5	6.5	5.5	1.0	0.9
INBK	Buy	441	565	525	19	413	475	1.1	1.2	16.9	17.0	7.1	6.1	1.1	0.9
Life Insurance															
HDFCLIFE**	Neutral	672	1,449	700	4	219	260	NA	NA	19.2	18.8	87.1	74.3	3.1	2.6
IPRULIFE**	Buy	521	747	630	21	292	346	NA	NA	17.9	18.4	71.8	62.4	1.8	1.5
SBILIFE**	Buy	1,446	1,453	1,570	9	563	683	NA	NA	22.2	21.4	72.1	62.5	2.6	2.1
MAXF**	Neutral	973	336	900	-8	455	545	NA	NA	20.7	19.9	72.5	61.9	2.1	1.8
LICI**	Buy	801	5,037	850	6	1,103	1,242	NA	NA	19.8	12.6	17.9	18.8	0.7	0.6
Others															
Paytm***	Buy	616	393	1,025	66	201	197	-5.3	0.0	-7.3	0.0	-41.9	-14,830.6	3.1	3.1
General Insurance															
Star Health	Buy	541	314	730	35	129	151	NA	NA	13.4	15.7	33.4	24.6	4.2	3.6
ICICI Lombard	Buy	1,449	712	1,600	10	239	274	NA	NA	18.4	19.8	34.9	28.5	6.1	5.3
Capital Market															
Angel One	Buy	3,355	272	2,550	-24	346	443	NA	NA	45.3	40.8	24.4	20.9	9.7	7.6
ICICI Securities	UR	734	237	-		104	122	NA	NA	47.8	44.9	15.9	14.4	7.0	6.0
IIFL Wealth	Buy	664	241	660	-1	91	97	NA	NA	23.4	27.7	31.8	25.5	7.3	6.9
Exchanges															
BSE	Neutral	2,372	303	2,250	-5	196	215	NA	NA	31.4	29.2	38.5	37.8	12.1	11.0
MCX	Neutral	3,226	167	2,300	-29	294	309	NA	NA	6.5	25.4	168.9	42.1	11.0	10.4
Housing Finance															
LIC HF	Buy	531	297	550	4	557	623	1.6	1.5	15.7	14.3	6.5	6.3	1.0	0.9
PNB HF	Buy	814	208	950	17	579	638	2.1	2.3	11.6	11.4	14.0	11.7	1.4	1.3
Aavas	Neutral	1,557	121	1,700	9	477	555	3.4	3.4	14.2	15.2	24.6	19.9	3.3	2.8
HomeFirst	Buy	1,022	91	1,100	8	237	275	3.9	3.6	15.5	16.4	29.7	24.4	4.3	3.7
CanFin	Neutral	784	104	840	7	325	384	2.1	2.1	18.6	17.8	14.1	12.4	2.4	2.0
Repco	Neutral	405	25	460	14	460	521	2.9	2.8	14.0	13.1	6.7	6.3	0.9	0.8
Vehicle Finance															
Cholamandalam	Buy	1,247	1,020	1,420	14	234	288	2.6	2.7	20.8	21.8	29.7	21.9	5.3	4.3
MMFS	Buy	282	354	330	17	142	157	1.8	2.2	11.1	15.1	18.5	12.5	2.0	1.8
Shriram Finance	Buy	2,048	472	2,325	14	1,314	1,493	3.3	3.2	15.8	15.9	10.5	9.2	1.6	1.4
Indostar	Buy	170	21	195	15	237	255	1.1	1.8	3.6	7.1	20.1	9.7	0.7	0.7

Val summary	Rating FY25E	CMP (INR)	MCap (INRb)	TP (INR)	Upside (%)	BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
						FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Gold Finance															
Muthoot	Neutral	1,479	598	1,270	-14	604	695	5.1	5.2	17.9	17.7	14.6	12.9	2.4	2.1
Manappuram	Buy	171	146	180	5	137	163	5.1	5.0	21.2	20.5	6.4	5.6	1.3	1.0
Diversified															
BAF	Buy	7,587	4,544	9,600	27	1,231	1,515	4.6	4.7	22.7	22.6	31.6	24.5	6.2	5.0
Poonawalla	Buy	440	338	450	2	108	124	4.8	5.1	13.5	16.2	34.1	23.5	4.1	3.6
ABCL	Buy	166	430	220	33	97	110	0.0	0.0	12.3	13.5	15.3	11.9	1.7	1.5
LTFH	Buy	160	398	170	7	94	101	2.2	2.5	10.6	12.0	16.7	13.6	1.7	1.6
PIEL	Buy	962	231	1,200	25	1,329	1,376	1.5	1.9	4.2	5.8	16.9	12.3	0.7	0.7
MAS Financial	Buy	893	49	1,100	23	309	361	2.8	2.9	15.8	17.0	19.6	15.7	2.9	2.5
NBFC - MFIs															
CreditAccess	Buy	1,690	270	1,670	-1	415	528	5.9	5.6	25.4	23.9	18.1	15.0	4.1	3.2
Fusion Micro	Buy	593	61	720	21	285	358	5.2	5.6	20.9	22.4	11.0	8.2	2.1	1.7
Spandana Sphoorty	Buy	1,053	75	1,200	14	508	600	4.6	4.6	15.1	16.7	14.8	11.4	2.1	1.8

*Adjusted for subsidiaries; **BV represents EV, RoE represents ROEV and P/ABV represents P/EV; ***For Paytm, ABV represents Sales/ sh.;
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NOTES

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