

## India

**Overweight** (no change)

# Banks

## 1Q preview – eye on margins, asset quality

- Margin impact owing to repo rate cut will be ~15-20bp for large private banks, 10-12bp for SOE banks while mid-sized banks will perform relatively better.
- Expect steady asset quality for large banks (private & SOE). For mid-size private banks, focus will be on MFI X-bucket CE & early delinquency trends.
- System loan growth moderated to 9.5% YoY vs. 11% as of Mar 2025 while deposit growth was steady at ~10%. Growth outlook is the key monitorable.

### Eye on margins to gauge the starting point of fiscal progression

We believe that margins will bottom out in 2QFY26F, but most of the negative impact will be factored in 1QFY26F. Hence, 1Q is critical to gauge the progression through the fiscal. Next quarter (i.e. 2QFY26F), much of the yield compression will be offset by the benefit from savings account or SA rate cuts, leading to a marginal moderation in margins (~3-5bp from 1QFY26 margins). In 1QFY26F, for large banks (private as well as SOE), we expect yields to moderate by 20-25bp, which will be partly offset by moderation in funding costs (reduction of ~5-10bp mainly led by repricing of wholesale funds and the benefit of initial SA rate cuts). We expect margin compression of ~15-20bp from the 4QFY25 exit level for large private banks and ~10-12bp for SOE banks (given the relatively higher share of MCLR-linked loans) in 1QFY26F. Margin progression for mid-size banks, which are wholesale funded and have a higher share of fixed-rate loans, will be relatively better vs. large banks (private & SOE). For a few mid-size banks, lower interest reversals in 1HFY26F (vs. 4QFY25) will also aid margins. We expect sequential NII growth to dip by 1-2% for large banks (private & SOE) while mid-size private banks can witness a relatively better performance (+2-3%).

### Steady asset quality for large private banks & SOE banks

We expect the stress to ease towards the normalized level for unsecured segments in the case of large banks during 1HFY26F (i.e. personal loans and credit cards) – although large banks will witness seasonal agri loan slippage during 1QFY26F. For mid-sized private banks, slippage and credit costs will remain elevated in select cases, but investors will focus on X-bucket collection efficiency and movement in early days past due (DPD) buckets (especially for the MFI segment). Overall, we expect credit costs to remain broadly steady for large banks (private as well as SOE) and remain elevated for mid-size banks (but visibility to improve on credit costs over the near- to medium-term).

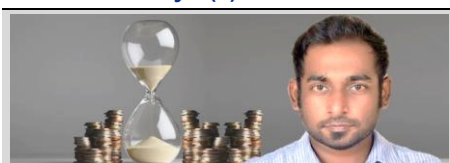
### SOE banks to post strong treasury gains in 1QFY26F (see Fig. 2)

We expect strong treasury gains for the quarter (G-sec yields fell by ~30bp in 1QFY26). This, along with the strong income from the sale of priority sector lending certificates, will partly offset the weak core operating performance (a result of weak margin progression and uptick in employee provision). Street will monitor whether SOE banks are exercising their right to sell 5% of the held-to-maturity investment book (earn ~3-4bp on average assets).

### Volume growth is a challenge – outlook will be a key monitorable

Systemic loan growth moderated to 9.5% YoY as of 27 Jun 2025, from 11% YoY as of 21 Mar 2025. The sequential growth was 1.3% as of 27 Jun 2025 vs. 2.8% in the previous quarter. Sectoral loan growth continues to be driven by retail & SME segments while growth in corporate loans and loans to NBFCs remains subdued. We note that loan growth moderation is also owing to private banks choosing to trade-off growth to protect margins in certain competitive segments (such as home loans and corporate loans). On a YoY basis, deposit growth was steady at ~10% YoY as of 27 Jun 2025 vs. last quarter. Sequentially, deposit growth improved to 3.7% as of 27 Jun 2025 vs. 2.3% in the previous quarter. Incremental LDR (trailing 12 months) has declined to 75% vs. 86% last quarter. The outstanding LDR stands at 79% vs. 81% last quarter. We believe the outlook on volume growth will be keenly tracked. We expect growth to pick up in 2HFY26F, given that the central bank has front-loaded most of the repo rate cuts, incremental funding costs have also normalized with faster deposit rate cuts (SA & TD) and durable systemic surplus liquidity.

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## 1QFY26 will be a weak quarter; we continue to prefer large private banks over SOE; asset quality/growth plays in mid-size private banks can perform relatively better in the near- to medium-term

We believe that large private banks are better placed to manage margins in this repo rate downcycle vs. SOE banks, given a) the relatively better starting point of margins, b) ability to drive the mix shift towards higher-yield products, c) lagged repo rate transmission on linked loans, and d) the relatively higher benefit of savings deposit rate cut vs. SOE banks. Among large private banks, we have an ADD rating on Axis Bank, HDFC Bank and ICICI Bank. We believe HDFC Bank can outperform ICICI Bank over the next few years with a broadly similar earnings growth trajectory and healthy deposit growth delivery. Among SOE banks, we prefer stocks with levers to offset margin compression at reasonable valuations. We have an ADD rating on Punjab National Bank (PNB) & Canara Bank. State Bank of India (SBI) & Bank of Baroda (BoB) are quality franchises among SOE banks, but their valuations made us to assign a HOLD rating to them. Within mid-size banks, asset quality/growth plays which can surprise street/consensus estimates can generate alpha over the near- to medium-term. We have an ADD rating on RBL Bank, Kotak Mahindra Bank and AU Small Finance Bank. We maintain our HOLD rating on Federal Bank, given its rich valuation and limited discount to factor in execution risks.

**Figure 1: 1QFY26 result estimates**

Rs bn	1QFY25	4QFY25	1QFY26F	YoY (%)	QoQ (%)
<b>Large Private Banks</b>					
<b>HDFC Bank</b>					
NII	298	314	311	4.4%	-0.7%
PPOP	239	265	333	39.4%	25.5%
PAT	162	176	244	51.1%	38.8%
Margin	3.47%	3.54%	3.42%	-5	-12
Credit Costs (bp)	42	50	51	9	1
Advances	24,635	26,196	26,290	6.7%	0.4%
<b>ICICI Bank</b>					
NII	196	212	209	7.1%	-1.2%
PPOP	160	177	167	4.0%	-5.6%
PAT	111	126	114	3.2%	-9.7%
Margin	4.36%	4.41%	4.19%	-17	-22
Credit Costs (bp)	44	27	46	1	19
Advances	12,232	13,418	13,648	11.6%	1.7%
<b>Axis Bank</b>					
NII	134	138	135	0.6%	-2.0%
PPOP	101	108	101	-0.4%	-6.4%
PAT	60	71	61	0.5%	-14.8%
Margin	4.05%	3.97%	3.80%	-25	-17
Credit Costs (bp)	84	84	75	-9	-9
Advances	9,801	10,408	10,487	7.0%	0.8%
<b>Mid-size Private Banks</b>					
<b>Kotak Mahindra Bank</b>					
NII	68	71	73	6.9%	2.3%
PPOP	53	55	52	-1.4%	-5.4%
PAT	62	36	32	-48.5%	-9.3%
Margin	5.02%	4.88%	4.80%	-22	-8
Credit Costs (bp)	60	82	80	20	-2
Advances	3,900	4,269	4,447	14.0%	4.2%
<b>IndusInd Bank</b>					
NII	54	30	46	-14.4%	51.8%
PPOP	39	-5	30	-24.3%	-728.8%
PAT	22	-22	11	-49.9%	-148.2%
Margin	4.25%	2.25%	3.45%	-80	120
Credit Costs (bp)	122	272	178	57	-93
Advances	3,479	3,450	3,409	-2.0%	-1.2%
<b>Federal Bank</b>					
NII	23	24	23	1.6%	-2.1%
PPOP	15	15	13	-12.4%	-10.3%
PAT	10	10	8	-24.6%	-26.1%
Margin	3.16%	3.12%	2.88%	-28	-24
Credit Costs (bp)	27	25	50	22	25
Advances	2,208	2,348	2,429	10.0%	3.4%
<b>RBL Bank</b>					
NII	17	16	16	-6.8%	1.3%
PPOP	9	9	7	-21.7%	-21.9%
PAT	4	1	1	-60.6%	113.0%
Margin	5.67%	4.89%	4.83%	-84	-6

Credit Costs (bp)	172	343	204	32	-139
Advances	867	926	945	9.0%	2.0%
<b>AU Small Finance Bank</b>					
NII	19	21	22	12.6%	3.2%
PPOP	10	13	10	9.9%	-19.1%
PAT	5	5	4	-26.1%	-26.2%
Margin	6.00%	5.84%	5.67%	-33	-17
Credit Costs (bp)	139	246	185	46	-61
Advances	897	1,071	1,219	36.0%	13.8%
<b>SOE Banks</b>					
<b>State Bank of India</b>					
NII	411	428	413	0.5%	-3.4%
PPOP	264	313	282	6.5%	-9.9%
PAT	170	186	185	8.3%	-1.0%
Margin	3.22%	3.00%	2.88%	-34	-12
Credit Costs (bp)	36	59	46	10	-12
Advances	37,491	41,633	42,049	12.2%	1.0%
<b>Bank of Baroda</b>					
NII	116	110	108	-7.3%	-2.4%
PPOP	72	81	67	-6.4%	-17.6%
PAT	45	50	37	-16.3%	-26.1%
Margin	3.18%	2.86%	2.75%	-43	-11
Credit Costs (bp)	43	52	57	14	5
Advances	10,479	12,096	11,866	13.2%	-1.9%
<b>Punjab National Bank</b>					
NII	105	108	105	0.6%	-2.0%
PPOP	66	68	66	-0.1%	-2.9%
PAT	33	46	36	10.2%	-21.5%
Margin	3.07%	2.81%	2.70%	-37	-11
Credit Costs (bp)	38	20	42	3	22
Advances	9,840	10,775	10,910	10.9%	1.3%
<b>Canara Bank</b>					
NII	92	94	92	0.1%	-2.9%
PPOP	76	83	71	-6.2%	-13.8%
PAT	39	50	38	-1.9%	-23.4%
Margin	2.90%	2.73%	2.60%	-30	-13
Credit Costs(bp)	103	122	77	-25	-45
Advances	9,464	10,492	10,649	12.5%	1.5%
<b>Bank of India</b>					
NII	63	61	62	-1.8%	1.6%
PPOP	37	49	36	-2.4%	-26.6%
PAT	17	26	18	6.8%	-30.7%
Margin	3.07%	2.61%	2.60%	-47	-1
Credit Costs (bp)	110	83	71	-39	-12
Advances	5,781	6,497	6,554	13.4%	0.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

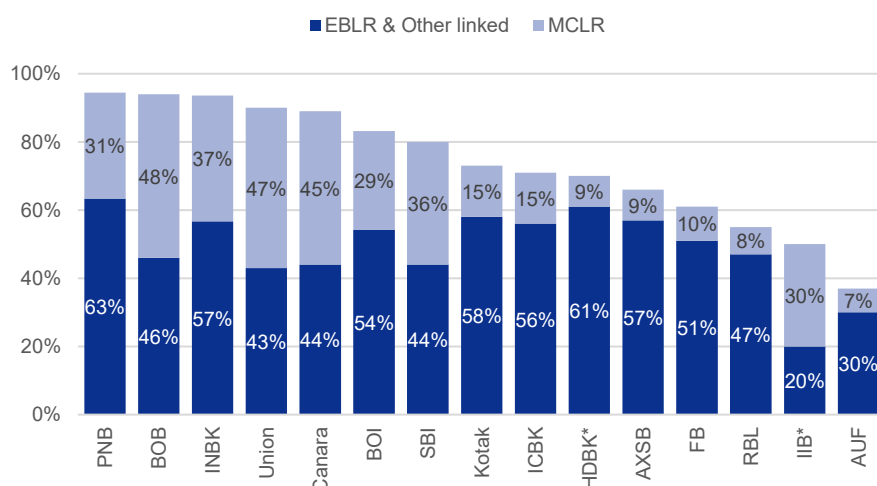
**Figure 2: SOE banks' treasury gain potential – banks with a higher share of the AFS book and longer duration can post relatively better treasury gains vs. peers**

Rs Bn	SBI	BOB	PNB	CBK	BOI
Overall Investments	16,940	3,876	5,027	3,847	2,587
---Domestic Investments	96%	96%	97%	99%	95%
---Overseas Investments	4%	4%	3%	1%	5%
Domestic Investments	16,198	3,704	4,901	3,814	2,446
-----as % of Assets (FY25)	24%	21%	27%	23%	23%
-----Avg. LCR	133%	126%	133%	125%	119%
--HTM	75%	72%	71%	79%	75%
--AFS	14%	24%	24%	15%	15%
-----as % of Assets (FY25)	3%	5%	6%	3%	4%
--FVTPL-HFT	9%	1%	2%	1%	8%
--FVTPL-Non-HFT	1%	2%	3%	5%	1%
--Investment in Subs	1%	1%	1%	0%	1%
Yield on investment (4QFY25)	7.2%	7.1%	7.0%	7.0%	7.0%
Current G-Sec 10Y yield	6.3%	6.3%	6.3%	6.3%	6.3%
---Blended differential spread	0.9%	0.8%	0.7%	0.7%	0.7%
<b>5% of HTM Book</b>	<b>607</b>	<b>134</b>	<b>174</b>	<b>151</b>	<b>92</b>
---Spread	1.0%	1.0%	1.0%	1.0%	1.0%
---Duration	4.25	4.1	4.25	4.25	4.25
---Potential Treasury Gains	26	6	7	6	4
-----as % of Avg. assets	0.04%	0.03%	0.04%	0.04%	0.04%
<b>AFS Book</b>	<b>2,259</b>	<b>874</b>	<b>1,158</b>	<b>560</b>	<b>366</b>
---Spread	1.0%	1.0%	1.0%	1.0%	1.0%
---Duration	2.4	3.5	3.7	3.5	3.1
---Potential Treasury Gains	54	31	43	20	11
-----as % of Avg. assets	0.08%	0.16%	0.22%	0.11%	0.10%
<b>FVTPL - HFT Book</b>	<b>1,496</b>	<b>24</b>	<b>101</b>	<b>34</b>	<b>193</b>
---Spread	0.3%	0.3%	0.3%	0.3%	0.3%
---Duration	2.4	2.5	3.7	3.5	2.5
---Potential Treasury Gains	10	0	1	0	1
-----as % of Avg. assets	0.01%	0.00%	0.01%	0.00%	0.01%
<b>Potential treasury gains</b>	<b>90</b>	<b>36</b>	<b>51</b>	<b>26</b>	<b>17</b>
--As % of Avg. assets	0.13%	0.19%	0.27%	0.15%	0.15%

NOTE: DURATION OF HTM BOOK IS BASED ON INTERNAL ASSUMPTIONS

SOURCE: INCRED RESEARCH

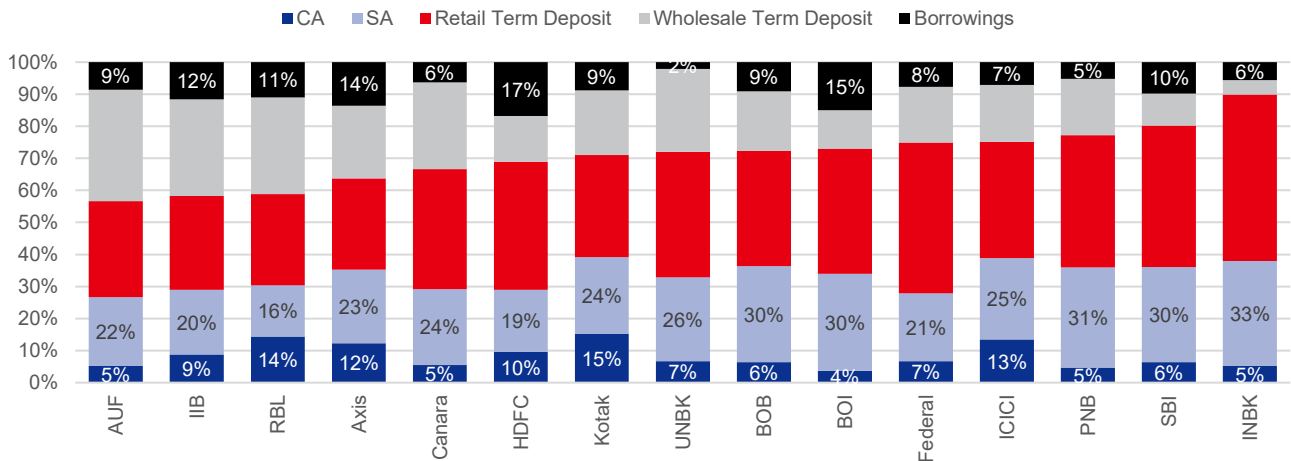
**Figure 3: Loan mix by rate type – banks with a higher share of fixed-rate/MCLR loans will witness a relatively lower yield compression**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

\*BASED ON INTERNAL ASSUMPTIONS

Figure 4: Funding mix – banks with a relatively higher share of wholesale funds are relatively better placed



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Peak TD rates in 1-3yr buckets across banks

Peak Term deposit rates 1Y-3Y bucket		Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Pre-repo cut of 50 bps (Till 7-Jun-25)	Post repo-cut of 50 bps (8-Jun-25 onwards)	Jul-25	Feb-25 to June-25	During June-25	During July-25
Large Private Banks	HDBK	7.10%	7.20%	7.20%	7.15%	7.25%	7.25%	7.35%	7.35%	7.35%	7.35%	7.35%	7.05%	6.85%	6.85%	6.60%	6.60%	-0.75%	-0.25%	0.00%
	ICBK	7.10%	7.10%	7.10%	7.10%	7.20%	7.20%	7.25%	7.25%	7.25%	7.25%	7.25%	7.05%	6.85%	6.85%	6.60%	6.60%	-0.65%	-0.25%	0.00%
Mid-Sized Private Banks	Axis	7.26%	7.10%	7.10%	7.10%	7.20%	7.20%	7.20%	7.25%	7.25%	7.25%	7.25%	7.05%	6.85%	6.85%	6.60%	6.60%	-0.65%	-0.25%	0.00%
	Kotak	7.20%	7.20%	7.20%	7.25%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.40%	7.15%	6.95%	6.85%	6.60%	6.60%	-0.80%	-0.35%	0.00%
	Federal	7.25%	7.25%	7.30%	7.50%	7.50%	7.40%	7.40%	7.40%	7.50%	7.50%	7.50%	7.30%	7.15%	7.00%	6.85%	6.85%	-0.65%	-0.30%	0.00%
	IndusInd	7.75%	7.75%	7.50%	7.50%	7.75%	7.99%	7.75%	7.75%	7.99%	7.75%	7.75%	7.75%	7.75%	7.25%	7.00%	7.00%	-0.75%	-0.50%	0.00%
	RBL	7.80%	7.80%	7.80%	8.00%	8.10%	8.00%	8.10%	8.10%	8.00%	8.00%	8.00%	7.75%	7.75%	7.75%	7.30%	7.30%	-0.70%	-0.45%	0.00%
	AUF	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.10%	8.10%	8.10%	8.00%	7.75%	7.75%	7.75%	7.25%	7.10%	-0.85%	-0.50%	-0.15%
	IDFC	7.75%	7.75%	7.50%	7.75%	7.75%	7.90%	7.75%	7.75%	7.90%	7.90%	7.90%	7.50%	7.15%	7.00%	6.75%	6.75%	-1.15%	-0.40%	0.00%
SOE Banks	Bandhan	8.00%	8.00%	7.85%	7.85%	7.85%	7.85%	8.00%	8.05%	8.05%	8.05%	8.05%	8.05%	7.75%	7.75%	7.75%	7.40%	-0.30%	0.00%	-0.35%
	Equitas	8.20%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.25%	8.25%	8.25%	8.25%	8.05%	8.05%	7.80%	7.80%	7.60%	-0.45%	-0.25%	-0.20%
	SBI	7.00%	7.10%	7.10%	7.10%	7.10%	7.10%	7.25%	7.25%	7.25%	7.25%	7.25%	7.05%	6.85%	6.85%	6.60%	6.60%	-0.65%	-0.25%	0.00%
	BOB	7.05%	7.25%	7.25%	7.25%	7.25%	7.25%	7.30%	7.30%	7.30%	7.30%	7.30%	7.15%	7.10%	7.00%	6.60%	6.60%	-0.70%	-0.50%	0.00%
	PNB	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.10%	7.00%	6.90%	6.70%	6.70%	-0.55%	-0.30%	0.00%
	Canara	7.15%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.30%	7.30%	7.30%	7.25%	7.00%	7.00%	6.60%	6.60%	-0.70%	-0.40%	0.00%
	BOI	7.05%	7.00%	7.25%	7.25%	7.25%	7.30%	7.25%	7.30%	7.30%	7.30%	7.30%	7.05%	7.05%	7.00%	6.70%	6.70%	-0.60%	-0.35%	0.00%
	Union	NA	NA	NA	NA	NA	NA	NA	NA	NA	7.30%	7.30%	7.15%	7.15%	7.15%	6.85%	6.60%	-0.45%	-0.30%	-0.25%
	Indian	NA	NA	NA	NA	NA	NA	NA	NA	NA	7.30%	7.30%	7.30%	7.15%	7.15%	6.90%	6.90%	-0.40%	-0.25%	0.00%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

NOTE: TERM DEPOSIT RATES AS OF 14TH JUL 2025

Figure 6: Savings account rates (a)

	SBI		HDBK				ICBK				Axis				Kotak				IndusInd			
		Current	Old	Old	Old	Current	Old	Old	Old	Current	Old	Old	Old	Current	Old	Old	Old	Current	Old	Old	Old	Current
Effective Date >	15-Oct-22	15-Jun-25	12-Apr-25	10-Jun-25	24-Jun-25		17-Apr-25	12-Jun-25	26-Jun-25		15-Apr-25	12-Jun-25	28-Jun-25		17-Feb-25	25-Apr-25	18-Jun-25	09-Jul-25		17-Apr-25	02-Jun-25	16-Jun-25
<0.1m	2.70%	2.50%	3.00%	2.75%	2.75%	2.50%	3.00%	2.75%	2.75%	2.50%	3.00%	2.75%	2.75%	2.50%	3.50%	3.00%	2.75%	2.75%	2.50%	3.00%	3.00%	3.00%
>0.1m to <1m	2.70%	2.50%	3.00%	2.75%	2.75%	2.50%	3.00%	2.75%	2.75%	2.50%	3.00%	2.75%	2.75%	2.50%	3.50%	3.00%	2.75%	2.75%	2.50%	3.5-5.0%	3.0-4.0%	3.0-4.0%
>1m to <5m	2.70%	2.50%	3.00%	2.75%	2.75%	2.50%	3.00%	2.75%	2.75%	2.50%	3.00%	2.75%	2.75%	2.50%	3.50%	3.00%	2.75%	2.75%	2.50%	7.00%	5.0-6.0%	4.0-6.0%
>5m to <10m	2.70%	2.50%	3.50%	3.25%	2.75%	2.50%	3.50%	3.25%	2.75%	2.50%	3.50%	3.25%	2.75%	2.50%	4.00%	3.50%	3.25%	2.75%	2.50%	7.00%	7.00%	6.0-7.0%
>10m to <50m	2.70%	2.50%	3.50%	3.25%	2.75%	2.50%	3.50%	3.25%	2.75%	2.50%	3.50%	3.25%	2.75%	2.50%	4.00%	3.50%	3.25%	2.75%	2.50%	7.00%	7.00%	7.00%
>50m to <100m	2.70%	2.50%	3.50%	3.25%	2.75%	2.50%	3.50%	3.25%	2.75%	2.50%	3.50%	3.25%	2.75%	2.50%	4.00%	3.50%	3.25%	2.75%	2.50%	7.00%	7.00%	7.00%
>100m	3.00%	2.50%	3.50%	3.25%	2.75%	2.50%	3.50%	3.25%	2.75%	2.50%	3.50%	3.25%	2.75%	2.50%	4.00%	3.50%	3.25%	2.75%	2.50%	7.00%	7.00%	7.00%

SOURCE: INCRED RESEARCH

NOTE: SAVINGS DEPOSIT RATES AS OF 14TH JUL 2025

**Figure 7: Savings account rates (b)**

Effective Date>	Federal				AUF				RBL			IDFC First					BOB			Canara			PNB		BOI			
	Old	Old	Old	Current	Old	Old	Old	Current	Old	Old	Current	Old	Old	Old	Old	Current	Old	Old	Current	Old	Old	Current	Old	Current	Old	Old	Old	Current
	16-Apr-25	12-Jun-25	17-Jun-25		16-Apr-25	10-Jun-25	03-Jul-25		01-May-25	16-Jun-25		01-May-25	15-May-25	06-Jun-25	17-Jun-25		27-Feb-24	12-Jun-25	02-Jul-25	21-Dec-22	19-May-25	01-Jul-25	04-Apr-22	01-Jul-25		15-Apr-25	01-Jun-25	07-Jul-25
<0.1m	3.00%	2.75%	2.75%	2.50%	3.00%	3.00%	3.00%	2.75%	3.25%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.70%	2.70%	2.50%	2.90%	2.70%	2.55%	2.75%	2.50%	2.90%	2.75%	2.75%	2.50%
>0.1m to <1m	3.00%	2.75%	2.75%	2.50%	3.0-5.0%	3.0-5.0%	3.0-4.0%	2.75-4.00%	4.5-5.5%	3.5-5.0%	3.0-5.0%	3.0-5.0%	3.0-5.0%	3.0-7.0%	3.0-7.0%	3.0-7.0%	2.70%	2.70%	2.50%	2.90%	2.70%	2.55%	2.75%	2.50%	2.90%	2.75%	2.75%	2.75%
>1m to <5m	3.00%	2.75%	2.75%	2.50%	7.25%	7.00%	6.50-6.75%	6.50-6.75%	6.5-7.5%	6.5-7.0%	6.0-6.75%	7.25%	7.00%	7.00%	7.00%	7.00%	2.70%	2.70%	2.50%	2.90%	2.70%	2.55%	2.75%	2.50%	2.90%	2.75%	2.75%	2.75%
>5m to <10m	3.75%	3.50%	3.00%	2.50%	7.25%	7.00%	6.75%	6.75%	7.50%	7.00%	6.75%	7.25%	7.00%	7.00%	7.00%	7.00%	2.70%	2.70%	2.50%	2.90%	2.70%	2.55%	2.75%	2.50%	2.90%	2.75%	2.75%	2.75%
>10m to <50m	3.75-4%	3.50%	3.00%	2.50%	7.25%	7.00%	6.75%	6.75%	6.5-7.5%	6.5-7.0%	6.0-6.75%	7.25%	7.00%	7.00%	7.00%	7.00%	2.70%	2.70%	2.50%	2.90%	2.70%	2.55%	2.75%	2.50%	2.90%	2.75%	2.75%	2.75%
>50m to <100m	5.50%	5.25%	4.75%	4.75%	7.25%	7.00%	6.75%	6.75%	6.25-6.5%	6.0-6.5%	5.5-6.0%	7.25%	7.00%	7.00%	7.00%	7.00%	2.70%	2.70%	2.50%	2.95%	2.75%	2.55%	2.75%	2.50%	2.90%	2.75%	2.75%	2.75%
>100m	5.5-7%	5.25-6.9%	4.75-6.5%	4.75-6.5%	7.25%	7.00%	6.75%	6.50%	6.0-6.25%	6.0-6.25%	5.50%	3.5-7.25%	3.5-7%	3.5-7%	3.5-6.75%	3.5-6.5%	2.75-3.05%	2.75-3%	2.5-2.75%	3.05-4.0%	2.8%-4.0%	2.55-4.00%	2.75-3.0%	2.5-3.0%	2.9%-3.1%	2.75%-3.1%	2.75%-3.65%	2.75%-3.65%

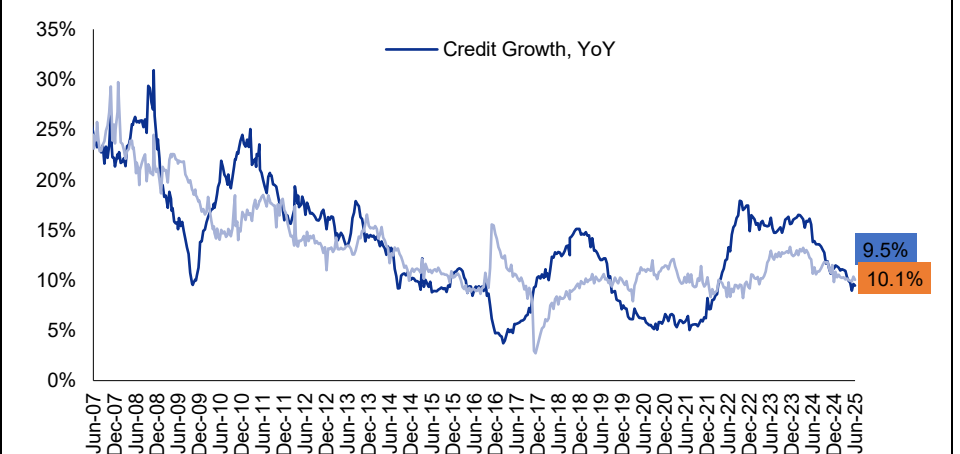
SOURCE: INCRED RESEARCH, COMPANY REPORTS  
NOTE: SAVINGS DEPOSIT RATES AS OF 14TH JUL 2025

**Figure 8: One-year MCLR rates across banks**

1Y MCLR Rates	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Since Mar-25	During Apr-25	During May-25	During Jun-25	During Jul-25
<b>Large Private Banks</b>										
HDBK	9.40	9.30	9.15	9.05	8.75	-0.65	-0.10	-0.15	-0.10	-0.30
ICBK	9.10	8.85	8.75	8.50	NA	-0.60	-0.25	-0.10	-0.25	NA
Axis	9.40	9.25	9.15	8.90	NA	-0.50	-0.15	-0.10	-0.25	NA
<b>Mid-Sized Private Banks</b>										
Kotak	9.55	9.35	9.20	8.90	NA	-0.65	-0.20	-0.15	-0.30	NA
IndusInd	10.45	10.40	10.35	10.30	NA	-0.15	-0.05	-0.05	-0.05	NA
Federal	9.90	9.80	9.60	9.50	NA	-0.40	-0.10	-0.20	-0.10	NA
RBLBK	10.40	10.35	10.10	9.90	NA	-0.50	-0.05	-0.25	-0.20	NA
IDFCB	10.60	10.60	10.45	10.35	10.20	-0.40	-	-0.15	-0.10	-0.15
<b>SOE Banks</b>										
SBI	9.00	9.00	9.00	9.00	NA	-	-	-	-	NA
BOB	9.00	9.00	8.95	8.90	8.90	-0.10	-	-0.05	-0.05	-
PNB	9.05	9.05	8.95	8.95	8.90	-0.15	-	-0.10	-	-0.05
Canara	9.10	9.10	9.00	8.80	8.75	-0.35	-	-0.10	-0.20	-0.05
BOI	9.00	9.00	9.05	9.05	9.00	-	-	0.05	-	-0.05
Union	9.00	9.00	8.95	8.90	8.75	-0.25	-	-0.05	-0.05	-0.15
Indian	9.10	9.10	9.10	9.05	9.00	-0.10	-	-	-0.05	-0.05

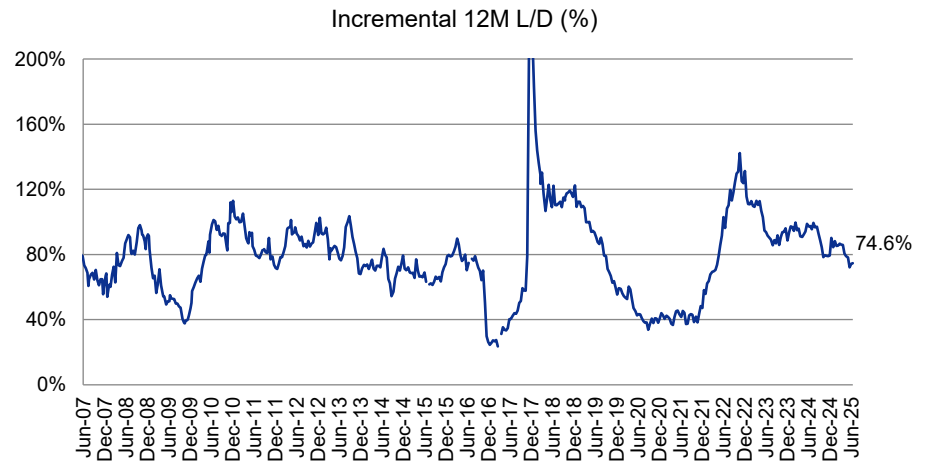
SOURCE: INCRED RESEARCH

**Figure 9: Credit growth moderates to 9.5% YoY vs. 11% YoY last quarter while deposit growth rate was steady at ~10% YoY as of 27 Jun 2025**



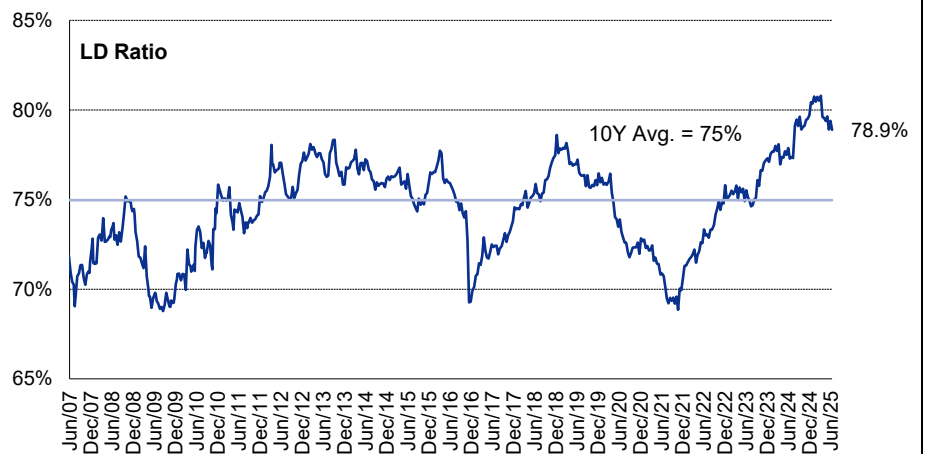
SOURCE: INCRED RESEARCH, RBI DATA

**Figure 10: Incremental LDR ratio (last 12 months) moderates to ~74.6% vs. 86% last quarter**



SOURCE: INCRED RESEARCH, RBI DATA

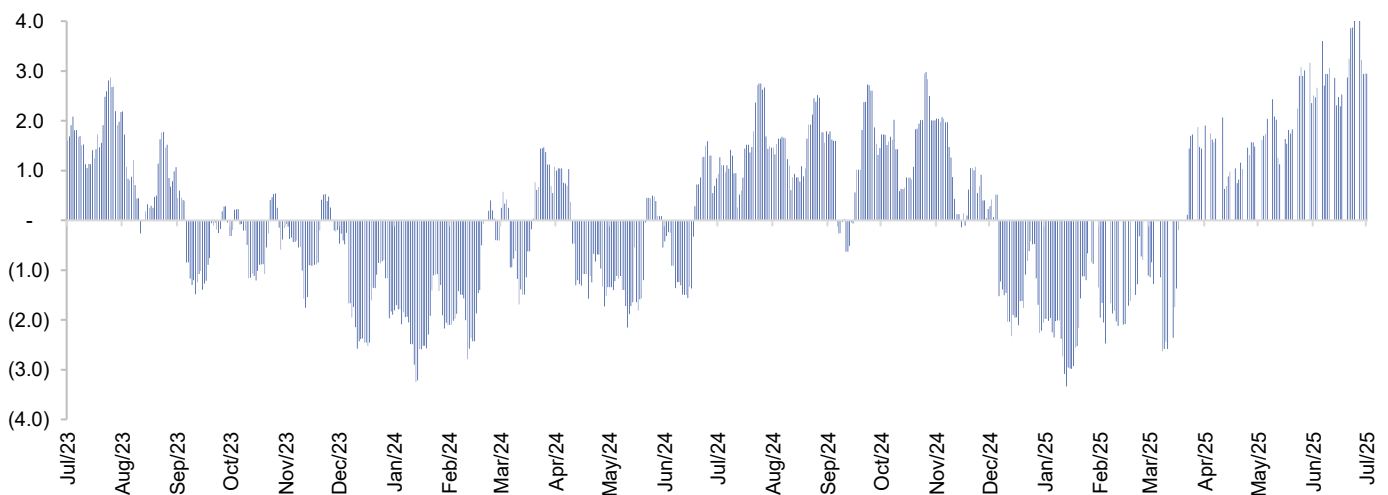
**Figure 11: LD ratio moderates to ~79% from ~81% last quarter**



SOURCE: INCRED RESEARCH, RBI DATA

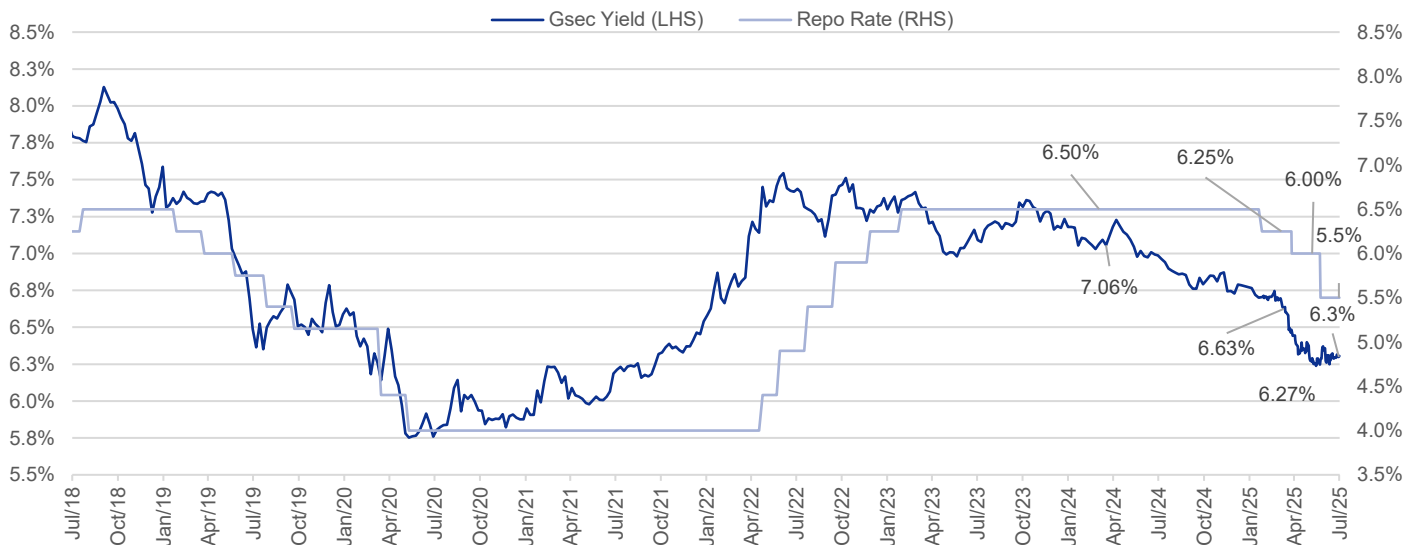
**Figure 12: Net systemic liquidity remained in surplus during the quarter ended Jun 2025 (Rs tr)**

Net Systemic Liquidity (Rs tr)



SOURCE: INCRED RESEARCH, COMPANY REPORTS, RBI DATA

**Figure 13: G-Sec yield fell by ~30bp during the quarter ended Jun 2025 vs. ~20bp during QE-Mar 2025 & ~60bp since Jun 2024**



SOURCE: INCRED RESEARCH, COMPANY REPORTS, RBI DATA

**Figure 14: India Banks – balance sheet break-up (as a proportion of average interest-earning assets)**

(% of AIEA)	HDBK	ICBK	Axis	Kotak	IndusInd	Federal	RBL	AUF	SBI	BOB	Canara	PNB	BOI
<b>Balance with Banks</b>	2%	4%	2%	4%	2%	3%	2%	2%	2%	4%	7%	5%	6%
<b>Investments</b>	24%	26%	26%	28%	22%	22%	25%	25%	29%	24%	25%	29%	27%
<b>Advances</b>	74%	71%	72%	68%	66%	75%	74%	72%	69%	72%	68%	66%	67%
--Repo & T-Bill	45%	37%	44%	39%	13%	38%	35%	22%	30%	33%	30%	36%	45%
--MCLR	7%	11%	6%	10%	20%	8%	6%	5%	25%	35%	31%	20%	19%
--Fixed & Others	22%	23%	22%	18%	33%	29%	33%	46%	14%	4%	8%	10%	3%
<b>Avg. IEA</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>89%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Deposits</b>	<b>76%</b>	<b>83%</b>	<b>79%</b>	<b>79%</b>	<b>76%</b>	<b>89%</b>	<b>88%</b>	<b>83%</b>	<b>89%</b>	<b>88%</b>	<b>93%</b>	<b>95%</b>	<b>84%</b>
<b>CASA Deposits</b>	<b>26%</b>	<b>34%</b>	<b>32%</b>	<b>34%</b>	<b>26%</b>	<b>27%</b>	<b>29%</b>	<b>25%</b>	<b>34%</b>	<b>29%</b>	<b>26%</b>	<b>35%</b>	<b>29%</b>
---CA Deposits	8%	11%	11%	13%	8%	6%	13%	4%	5%	5%	4%	4%	3%
---SA Deposits	18%	23%	21%	21%	18%	21%	16%	20%	28%	24%	22%	30%	26%
<b>Term Deposits</b>	<b>50%</b>	<b>49%</b>	<b>47%</b>	<b>45%</b>	<b>50%</b>	<b>62%</b>	<b>58%</b>	<b>58%</b>	<b>55%</b>	<b>58%</b>	<b>67%</b>	<b>60%</b>	<b>55%</b>
<b>Borrowings</b>	<b>16%</b>	<b>7%</b>	<b>13%</b>	<b>6%</b>	<b>10%</b>	<b>8%</b>	<b>11%</b>	<b>8%</b>	<b>11%</b>	<b>8%</b>	<b>6%</b>	<b>5%</b>	<b>14%</b>
<b>Avg. IBL</b>	<b>92%</b>	<b>90%</b>	<b>92%</b>	<b>85%</b>	<b>85%</b>	<b>98%</b>	<b>98%</b>	<b>91%</b>	<b>100%</b>	<b>95%</b>	<b>99%</b>	<b>100%</b>	<b>98%</b>
<b>Avg. IEA (reported)</b>	<b>34,784</b>	<b>18,831</b>	<b>14,295</b>	<b>6,173</b>	<b>5,419</b>	<b>3,084</b>	<b>1,243</b>	<b>1,426</b>	<b>59,413</b>	<b>16,350</b>	<b>15,148</b>	<b>16,337</b>	<b>9,575</b>
<b>Wholesale funds</b>	<b>28%</b>	<b>22%</b>	<b>33%</b>	<b>23%</b>	<b>35%</b>	<b>24%</b>	<b>40%</b>	<b>37%</b>	<b>19%</b>	<b>21%</b>	<b>29%</b>	<b>21%</b>	<b>22%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS



**Figure 15: Net interest margin estimates**

Net Interest Margins	FY25	FY26F	FY27F	FY28F
HDBK (on assets)	3.5%	3.4%	3.5%	3.5%
ICBK	4.3%	4.2%	4.3%	4.4%
Axis	4.0%	3.8%	3.9%	4.1%
<b>Large Pvt. Banks</b>	<b>3.8%</b>	<b>3.7%</b>	<b>3.8%</b>	<b>3.9%</b>
Kotak	4.9%	4.8%	4.9%	5.0%
IndusInd	3.6%	3.5%	3.6%	3.7%
Federal	3.1%	3.0%	3.2%	3.3%
RBL	5.1%	4.8%	5.0%	5.0%
AUF	5.9%	5.6%	5.7%	5.8%
<b>Mid-sized Pvt. Banks</b>	<b>4.3%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.4%</b>
<b>Total Private Banks</b>	<b>3.9%</b>	<b>3.8%</b>	<b>3.9%</b>	<b>4.0%</b>
SBI	3.1%	2.9%	2.9%	3.0%
BOB	3.0%	2.8%	2.9%	3.0%
Canara	2.8%	2.6%	2.7%	2.8%
PNB	2.9%	2.7%	2.8%	2.9%
BOI	2.8%	2.6%	2.7%	2.8%
<b>SOE Banks</b>	<b>3.0%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.9%</b>
<b>Total Banks</b>	<b>3.4%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>3.4%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 16: Net interest income estimates (a)**

Rs Bn	FY25	FY26F	FY27F	FY28F
HDBK	1,220	1,295	1,481	1,686
ICBK	812	880	1,038	1,222
Axis	543	565	656	768
<b>Large Pvt. Banks</b>	<b>2,575</b>	<b>2,739</b>	<b>3,175</b>	<b>3,676</b>
Kotak	282	311	363	430
IndusInd	190	195	230	268
Federal	95	103	125	150
RBL	65	66	78	92
AUF	80	91	114	139
<b>Mid-sized Pvt. Banks</b>	<b>712</b>	<b>765</b>	<b>910</b>	<b>1,077</b>
<b>Total Private Banks</b>	<b>3,287</b>	<b>3,505</b>	<b>4,086</b>	<b>4,753</b>
SBI	1,670	1,707	1,938	2,262
BOB	457	450	524	600
Canara	371	387	444	501
PNB	428	445	512	578
BOI	244	258	300	346
<b>SOE Banks</b>	<b>3,169</b>	<b>3,247</b>	<b>3,717</b>	<b>4,287</b>
<b>Total Banks</b>	<b>6,455</b>	<b>6,752</b>	<b>7,803</b>	<b>9,040</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 17: Net interest income growth estimates**

NII - YoY Growth	FY25	FY26F	FY27F	FY28F
HDBK	12%	6%	14%	14%
ICBK	10%	8%	18%	18%
Axis	9%	4%	16%	17%
<b>Large Pvt. Banks</b>	<b>11%</b>	<b>6%</b>	<b>16%</b>	<b>16%</b>
Kotak	9%	10%	17%	18%
IndusInd	-8%	2%	18%	16%
Federal	14%	8%	21%	20%
RBL	7%	2%	19%	17%
AUF	55%	14%	25%	22%
<b>Mid-sized Pvt. Banks</b>	<b>8%</b>	<b>8%</b>	<b>19%</b>	<b>18%</b>
<b>Total Private Banks</b>	<b>10%</b>	<b>7%</b>	<b>17%</b>	<b>16%</b>
SBI	6%	2%	14%	17%
BOB	2%	-1%	16%	14%
Canara	1%	5%	15%	13%
PNB	7%	4%	15%	13%
BOI	6%	6%	16%	15%
<b>SOE Banks</b>	<b>5%</b>	<b>2%</b>	<b>14%</b>	<b>15%</b>
<b>Total Banks</b>	<b>7%</b>	<b>5%</b>	<b>16%</b>	<b>16%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 18: Advances growth estimates**

Loans Growth - YoY	FY25	FY26F	FY27F	FY28F
HDBK	5%	10%	13%	15%
ICBK	13%	13%	16%	16%
Axis	8%	12%	14%	14%
<b>Large Pvt. Banks</b>	<b>8%</b>	<b>11%</b>	<b>14%</b>	<b>15%</b>
Kotak	14%	17%	17%	17%
IndusInd	1%	12%	15%	15%
Federal	12%	18%	18%	18%
RBL	10%	15%	18%	18%
AUF	46%	20%	20%	20%
<b>Mid-sized Pvt. Banks</b>	<b>11%</b>	<b>16%</b>	<b>17%</b>	<b>17%</b>
<b>Total Private Banks</b>	<b>9%</b>	<b>12%</b>	<b>14%</b>	<b>16%</b>
SBI	12%	12%	14%	15%
BOB	13%	12%	13%	13%
Canara	13%	12%	12%	12%
PNB	15%	12%	13%	13%
BOI	15%	12%	13%	13%
<b>SOE Banks</b>	<b>13%</b>	<b>12%</b>	<b>13%</b>	<b>14%</b>
<b>Total Banks</b>	<b>11%</b>	<b>12%</b>	<b>14%</b>	<b>15%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 19: Proforma systemic credit estimates**

Rs Bn	% Share	FY24	FY25	May-25	FY26F	FY27F
Retail loans	33%	49,195	56,105	57,481	64,789	74,820
---Mortgage	16%	23,319	26,891	27,428	31,193	36,184
---Non-mortgage retail	17%	25,875	29,214	30,054	33,596	38,636
Services	30%	44,905	50,940	50,182	56,953	65,496
---NBFCs	10%	15,349	16,284	15,546	17,098	19,663
---Services (ex-NBFC)	20%	29,556	34,656	34,636	39,854	45,833
Industry (Micro & Small, Medium and Large)	23%	36,358	39,251	38,691	41,811	45,798
---Large	16%	26,055	27,729	26,661	28,561	30,560
---Micro, Small and Medium	7%	10,303	11,522	12,030	13,250	15,238
Agriculture & Allied Activities	14%	20,713	22,871	22,988	25,158	27,674
<b>Total</b>	<b>100%</b>	<b>151,170</b>	<b>169,167</b>	<b>169,343</b>	<b>188,711</b>	<b>213,787</b>

SOURCE: INCRED RESEARCH

**Figure 20: Proforma systemic credit growth estimates**

YoY Growth	% Share	FY24	FY25	May-25	FY26F	FY27F
Retail loans	33%	18%	14%	14%	15%	15%
---Mortgage	16%	17%	15%	14%	16%	16%
---Non-mortgage retail	17%	18%	13%	14%	15%	15%
Services	30%	21%	13%	9%	12%	15%
---NBFCs	10%	14%	6%	0%	5%	15%
---Services (ex-NBFC)	20%	24%	17%	14%	15%	15%
Industry (Micro & Small, Medium and Large)	23%	8%	8%	5%	7%	10%
---Large	16%	6%	6%	1%	3%	7%
---Micro, Small and Medium	7%	14%	12%	15%	15%	15%
Agriculture & Allied Activities	14%	20%	10%	7%	10%	10%
<b>Total</b>	<b>100%</b>	<b>16%</b>	<b>12%</b>	<b>9%</b>	<b>12%</b>	<b>13%</b>

SOURCE: INCRED RESEARCH

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## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.