

Credit growth stays muted; AQ stress seems to peak out

- **Advances growth remains muted; likely to be supported by retail and MSME segments**
- **AQ largely stable with MFI stress likely to peak out by H1FY26. Expect Pvt/PSU banks to report PAT CAGR of 17%/10% in FY25-FY27E**
- **Top picks: ICICIBC, HDFCB and SBIN in large caps, while FB and IDFCBK in midcaps**

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Credit offtake remains muted: Credit offtake for our coverage banks remained slow (+10.5% YoY; +3.2% QoQ) in Q4FY25, while system loan growth stayed muted at ~11% YoY on muted corporate credit growth, along with growth moderation in unsecured segment given the stress in MFI, PL and CC space. Deposit mobilisation remains challenging for banks with growth of 11.6% YoY and 4.8% QoQ. Deposit growth was also aided by higher CD issuance of Rs11.9trn (+37% YoY) in FY25. As a result, LDR ratio for most banks declined on a sequential basis. Moreover, RBI infused ~Rs. 8.2trn of liquidity through CRR cut by 50bps (Rs. 1.2trn), OMO (Rs. 4.8trn) and USD/INR Buy-Sell swap (Rs 2.2trn) since December'24. This has eased system liquidity conditions, but credit offtake is expected to stay moderate in the 11-12% YoY range in FY26, largely supported by the retail and MSME segments.

Asset quality stable with MFI stress likely to peak out: AQ was largely stable with GNPA ratio falling across most banks under coverage on a QoQ basis, barring IIB due to its misclassification of MFI slippages. The improvement came on the back of lower slippage and higher write-offs on a sequential basis across most of the banks. Within our coverage, AQ of BANDHAN was impacted the most with higher slippage and elevated credit costs, given its high exposure to MFI segment. Credit costs for PSU banks were lower at 0.6%-0.7% vs private banks (0.2%-3.9%) in our coverage. Slippage and credit costs for the sector are expected to moderate from H2 FY26. Further, the implementation of MFIN guardrails will likely reduce stress in MFI book, particularly in newer vintages. Excluding unsecured segments, AQ was largely stable in corporate advances.

NIMs pressure, elevated credit cost to weigh on profitability: NIMs declined sequentially across our coverage universe, except for large private banks that saw a marginal increase due to lower number of days adjustment. Profitability was supported by higher fee income, treasury profits, while some banks also witnessed reversal of excess provisions on govt-guaranteed SRs. We expect NIMs to remain under pressure and credit costs to be elevated till H1FY26 and improve gradually thereafter.



Our view: We expect credit growth to remain moderate at 11-12% YoY in FY26, mainly supported by retail and MSME segments. With the expectation of a further 50bps repo rate cut by RBI in CY2025, margins are expected to remain under pressure in FY26. Asset quality stress in unsecured segments will likely peak out in the next couple of quarters, which will result in lower credit costs from H2FY26. We estimate private / PSU banks to report PAT CAGR of 17%/ 10% during FY25-FY27E. Our top picks in the large-cap space: ICICIBC (BUY, TP Rs 1,620), HDFCB (BUY, TP Rs 2,213), and SBIN (BUY, TP Rs 989). In midcaps, our top picks are FB (BUY, TP Rs 249), and IDFCBK (BUY, TP Rs 79).

Fig 1 – BOBCAPS Banking universe: Valuation snapshot

Ticker	CMP	Mcap (Rs bn)	P/ABV (x)		ROA (%)		ROE (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HDFCB	1,950	14,871	2.7	2.4	1.8	2.0	14.3	15.5
ICICIBC	1,455	10,204	3.2	2.8	2.3	2.3	16.8	16.9
AXSB	1,159	3,631	1.8	1.5	1.6	1.7	14.4	14.5
KMB	2,040	4,069	3.0	2.6	2.3	2.5	13.8	14.5
IIB	803	634	0.9	0.8	1.2	1.3	10.3	10.5
FB	207	518	1.4	1.2	1.2	1.2	12.7	13.6
RBK	207	129	0.8	0.7	0.7	0.8	7.1	8.8
DCBB	141	46	0.8	0.7	0.9	0.9	12.0	13.3
BANDHAN	167	274	1.2	1.0	1.7	1.9	13.1	15.2
IDFCBK	67	491	1.2	1.1	0.9	1.3	8.0	11.3
SBIN	806	7,198	1.5	1.3	1.0	1.1	15.4	16.1
CBK	116	1,064	1.0	0.9	1.0	1.0	16.6	16.8
EQUITASB	65	73	1.2	1.0	1.0	1.4	9.7	14.3
AUBANK	720	540	2.8	2.4	1.6	1.8	15.1	17.4

Source: Company, BOBCAPS Research. Priced as at 5th June 2025

Fig 2 – BOBCAPS Banking universe: Q4FY25

Banks	NII (Rs mn.)	YoY (%)	QoQ (%)	PPOP (Rs mn)	YoY (%)	QoQ (%)	PAT (Rs mn.)	YoY (%)	QoQ (%)
HDFCB	3,20,658	10.3	4.6	2,65,367	(9.35)	6.1	1,76,161	6.69	5.3
ICICIBC	2,11,929	11.0	4.0	1,76,643	17.46	4.6	1,26,296	17.95	7.1
AXSB	1,38,105	5.5	1.5	1,07,524	2.06	2.1	71,175	(0.17)	12.9
KMB	72,836	5.4	1.2	54,722	0.19	5.6	35,517	(14.07)	7.5
IIB	30,483	(43.3)	(41.7)	(4,909)	(112.03)	(113.6)	(23,289)	(199.14)	(266.1)
FB	23,774	8.3	(2.2)	14,654	31.98	(6.6)	10,302	13.67	7.8
RBK	15,630	(2.3)	(1.4)	8,612	(2.91)	(13.6)	687	(80.52)	110.5
DCBB	5,580	9.9	2.8	3,054	30.65	12.6	1,771	13.74	16.9
BANDHAN	27,559	(3.9)	(2.6)	15,713	(14.53)	(22.3)	3,179	481.97	(25.5)
IDFCBK	49,072	9.8	0.1	18,116	8.88	3.0	3,041	(58.02)	(10.4)
SBIN	4,27,746	2.7	3.2	3,12,860	8.83	32.8	1,86,426	(9.93)	10.4
CBK	94,419	(1.4)	3.2	82,837	12.13	5.7	50,027	33.15	21.9
EQUITASB	8,294	5.5	1.3	3,113	(16.9)	(6.5)	421	(79.7)	(36.5)
AUBANK	20,939	56.6	3.5	12,923	94.6	7.2	5,037	12.5	(4.7)

Source: Company, BOBCAPS Research

Fig 3 – Slowdown in credit offtake

Advances (YoY%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
AUBANK	25.2	42.6	47.8	49.2	46.4
DCBB	19.0	18.9	19.3	22.7	24.7
IDFCBK	28.2	21.0	23.0	20.3	19.8
EQUITASB	20.0	16.0	18.1	21.1	16.9
KMB	17.6	18.7	14.7	15.1	13.5
ICICIBC	16.2	15.7	15.0	13.9	13.3
CBK	12.2	10.7	10.3	11.2	12.6
SBIN	15.8	15.9	15.3	13.8	12.4
FB	20.0	20.3	19.4	15.7	12.1
RBK	19.6	18.6	15.1	13.1	10.3
BANDHAN	15.6	23.8	23.6	15.6	9.0
AXSB	14.2	14.2	11.4	8.8	7.8
HDFCB	55.2	52.5	7.0	3.0	5.4
IIB	18.4	15.5	13.2	12.2	0.5

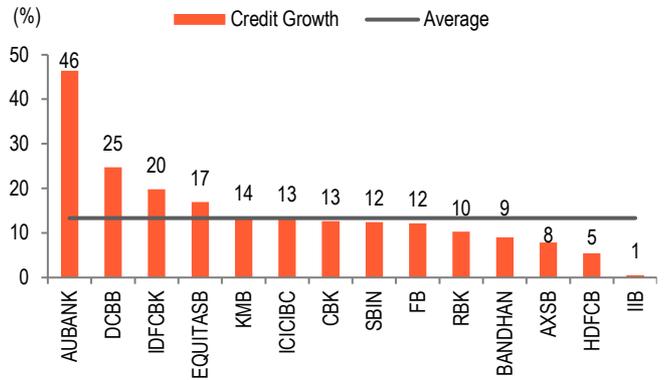
Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 5 – Deposits mobilisation remained challenging; aided by higher issuance of CDs

Deposits (YoY %)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
AUBANK	25.7	40.4	44.8	40.1	42.5
IDFCBK	38.7	35.8	30.6	29.8	25.7
DCBB	19.7	20.2	19.9	20.3	21.6
EQUITASB	42.5	35.4	29.2	25.8	19.3
HDFCB	26.4	24.4	15.1	15.8	14.1
ICICIBC	19.6	15.1	15.7	14.1	14.0
FB	18.3	19.6	15.6	11.2	12.3
BANDHAN	25.1	22.8	27.2	20.1	11.8
KMB	23.6	15.8	15.1	15.9	11.2
CBK	11.3	12.0	9.3	8.4	11.0
AXSB	12.9	12.8	13.7	9.1	9.8
SBIN	11.1	8.2	9.1	9.8	9.5
RBK	21.9	18.4	20.2	15.1	7.2
IIB	14.4	14.8	14.7	11.0	6.8

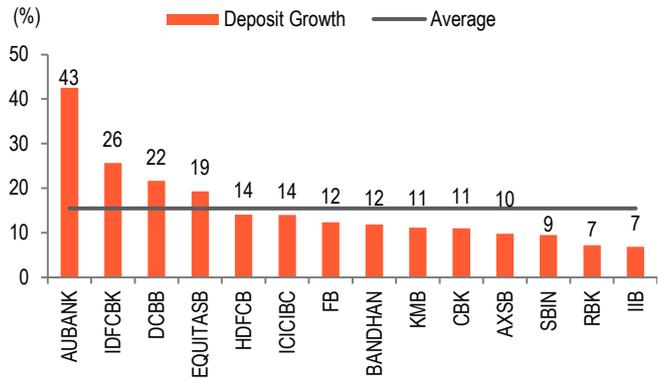
Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 4 – Credit growth moderated for most banks QoQ



Source: Company, BOBCAPS Research

Fig 6 – Deposits accretion weak on QoQ basis



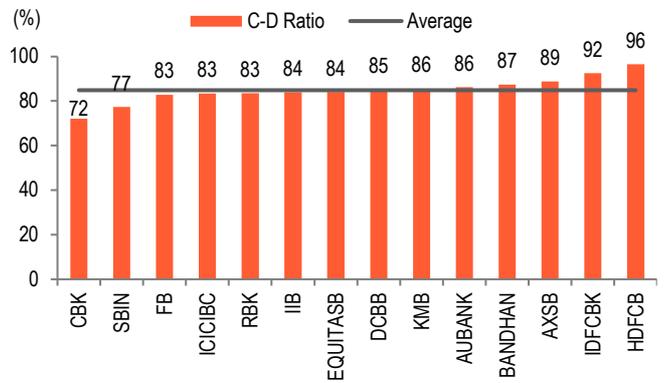
Source: Company, BOBCAPS Research

Fig 7 – C-D ratio declined on a sequential basis

C-D Ratio (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
HDFCB	104.4	103.5	99.8	98.2	96.5
IDFCBK	97.0	96.6	96.2	94.2	92.5
AXSB	90.3	92.2	92.0	92.6	88.7
BANDHAN	89.6	91.3	88.5	90.3	87.3
AUBANK	83.9	92.1	86.5	88.7	86.2
KMB	83.8	87.2	86.6	87.4	85.5
DCBB	82.9	81.6	81.5	84.3	85.0
EQUITASB	85.7	85.1	85.2	86.9	84.0
IIB	89.3	87.3	86.6	89.6	84.0
RBK	81.2	85.5	81.4	84.7	83.5
ICICIBC	83.8	85.8	85.3	86.5	83.3
FB	82.9	83.0	85.6	86.5	82.8
SBIN	75.3	76.5	75.4	76.6	77.4
CBK	71.0	70.9	73.0	74.8	72.0

Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 8 – C-D ratio declined moderately, due to muted advances growth in Q4FY25



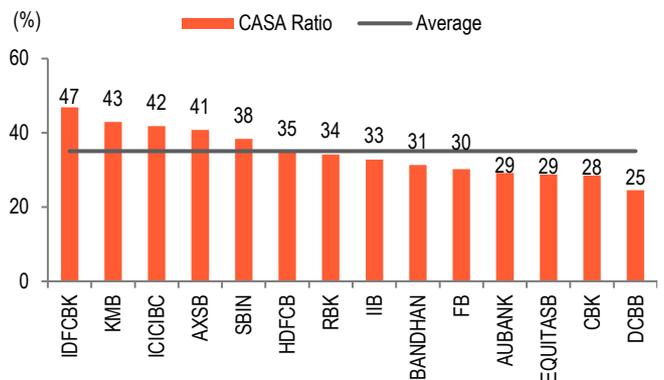
Source: Company, BOBCAPS Research

Fig 9 – CASA ratio largely remains sticky

CASA Ratio (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
IDFCBK	47.2	46.6	48.9	47.7	46.9
KMB	45.5	43.4	43.6	42.3	43.0
ICICIBC	42.2	40.9	40.6	40.5	41.8
AXSB	43.0	41.8	40.6	39.5	40.8
SBIN	39.5	39.1	38.4	37.6	38.4
HDFCB	38.2	36.3	35.3	34.0	34.8
RBK	35.2	32.6	33.6	32.8	34.1
IIB	37.9	36.7	35.9	34.9	32.8
BANDHAN	37.1	33.4	33.2	31.7	31.4
FB	29.4	29.3	30.1	30.2	30.2
AUBANK	33.4	32.9	32.4	30.6	29.2
EQUITASB	32.0	31.2	30.6	28.6	28.8
CBK	29.9	28.6	28.7	27.5	28.5
DCBB	26.0	25.4	25.6	25.1	24.5

Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 10 – IDFC & KMB maintained their CASA position in Q4FY25



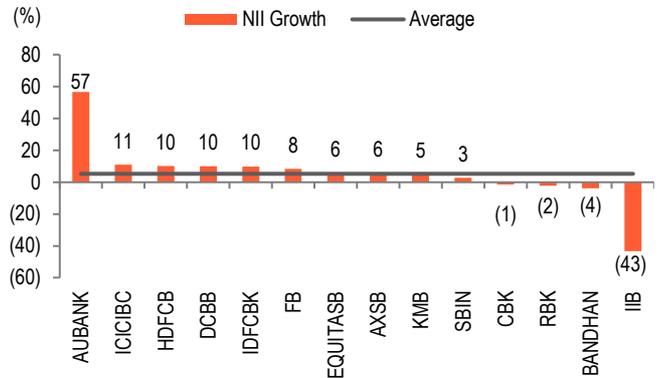
Source: Company, BOBCAPS Research

Fig 11 – NII growth moderated, mainly driven by slowdown in credit growth

NII Growth (YoY %)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
AUBANK	10.2	54.1	58.1	52.7	56.6
ICICIBC	8.1	7.3	9.5	9.1	11.0
HDFCB	24.5	26.4	10.0	7.7	10.3
DCBB	4.4	5.5	7.0	14.5	9.9
IDFCBK	24.2	25.4	21.2	14.4	9.8
FB	15.0	19.5	15.1	14.5	8.3
EQUITASB	11.2	7.9	4.8	4.2	5.5
AXSB	11.5	12.5	9.5	8.6	5.5
KMB	13.2	9.8	11.5	9.8	5.4
SBIN	3.1	5.7	5.4	4.1	2.7
CBK	11.2	5.8	4.6	(2.9)	(1.4)
RBK	32.1	19.5	9.5	2.5	(2.3)
BANDHAN	16.0	20.7	20.7	12.1	(3.9)
IIB	15.1	11.1	5.3	(1.3)	(43.3)

Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 12 – NII growth remained steady in Q4FY25



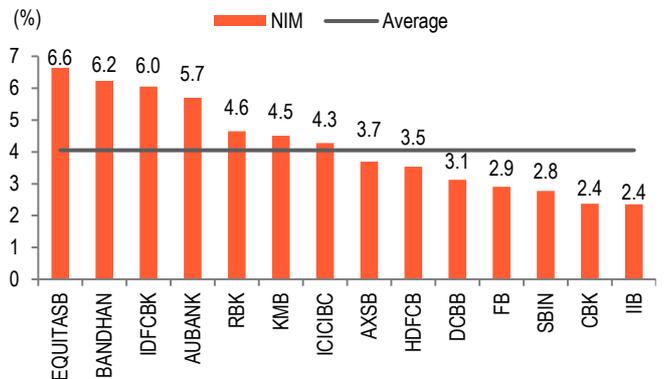
Source: Company, BOBCAPS Research

Fig 13 – NIMs expected to stay under pressure till H1FY26, as deposits lag the advances in repricing

NIM (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
EQUITASB	7.5	7.3	7.0	6.9	6.6
BANDHAN	7.3	7.3	7.1	6.7	6.2
IDFCBK	6.6	6.5	6.4	6.3	6.0
AUBANK	5.2	6.7	6.1	5.9	5.7
RBK	5.2	5.4	5.0	4.8	4.6
KMB	4.9	4.7	4.7	4.7	4.5
ICICIBC	4.4	4.4	4.3	4.3	4.3
AXSB	3.8	3.8	3.8	3.8	3.7
HDFCB	3.5	3.5	3.5	3.5	3.5
DCBB	3.5	3.3	3.2	3.2	3.1
FB	3.1	3.1	3.0	3.0	2.9
SBIN	3.0	2.9	2.9	2.8	2.8
CBK	2.7	2.5	2.5	2.4	2.4
IIB	4.5	4.4	4.2	4.1	2.4

Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 14 – NIMs were under pressure in Q4FY25



Source: Company, BOBCAPS Research

Fig 15 – C/I ratios largely remained contained with a slowdown in business growth

CIR (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
ICICIBC	39.2	39.7	38.6	38.5	37.9
HDFCB	38.0	41.0	40.6	40.6	39.8
CBK	50.1	47.4	46.5	47.6	47.5
KMB	44.8	46.2	47.5	47.2	47.7
AXSB	46.9	47.5	47.0	46.2	47.8
SBIN	51.3	49.4	48.5	55.1	53.3
BANDHAN	48.4	45.1	47.6	48.5	54.5
AUBANK	64.9	59.9	56.7	54.4	54.7
FB	62.3	53.2	53.0	53.1	56.7
DCBB	63.7	67.9	64.3	62.7	60.7
RBK	64.2	65.7	64.2	62.5	66.4
EQUITASB	63.5	66.3	66.4	68.5	70.5
IDFCBK	72.8	70.2	69.9	73.7	73.4
IIB	48.2	49.7	52.2	52.5	113.1

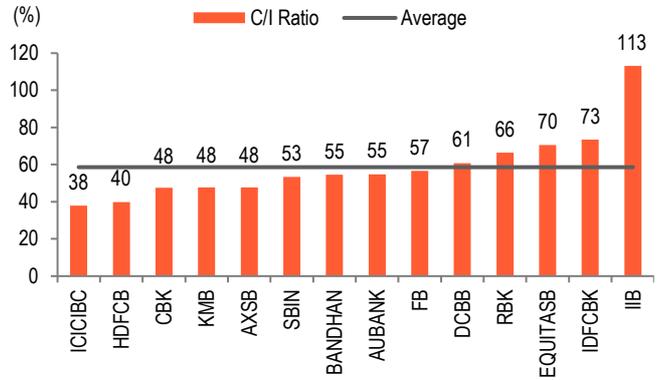
Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 17 – Credit costs rose, mainly driven by stress in unsecured portfolio

Credit Cost (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
FB	(0.2)	0.3	0.3	0.5	0.2
ICICIBC	0.2	0.4	0.4	0.4	0.3
HDFCB	2.2	0.4	0.4	0.5	0.5
AXSB	0.5	0.8	0.9	0.9	0.5
DCBB	0.2	0.3	0.4	0.6	0.5
SBIN	0.2	0.4	0.5	0.1	0.6
CBK	1.1	1.0	0.9	1.0	0.7
KMB	0.3	0.6	0.7	0.8	0.9
AUBANK	0.7	1.4	1.6	2.0	2.4
IDFCBK	1.5	2.0	3.3	2.4	2.5
IIB	1.1	1.2	2.1	1.9	2.8
EQUITASB	1.5	3.9	4.1	2.9	2.9
RBK	2.0	1.7	2.8	5.3	3.4
BANDHAN	6.1	1.7	2.0	4.3	3.9

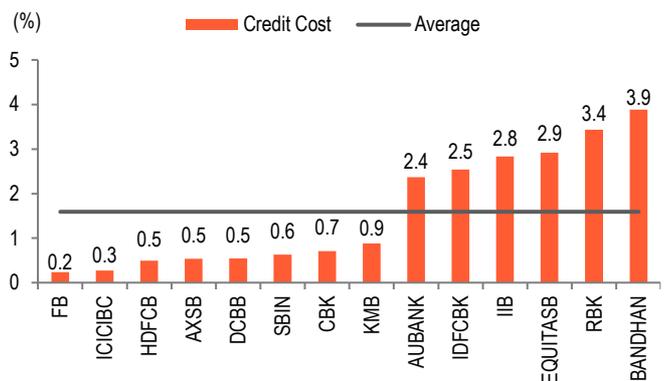
Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 16 – C/I ratios continued to be range-bound in Q4FY25, barring IIB on accounting one-offs



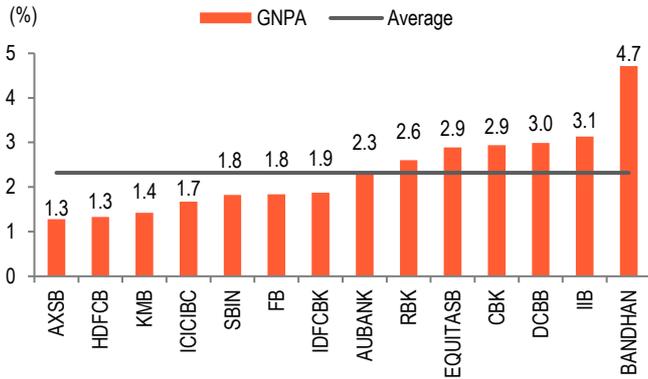
Source: Company, BOBCAPS Research

Fig 18 – Credit costs remained elevated for banks with higher unsecured exposure



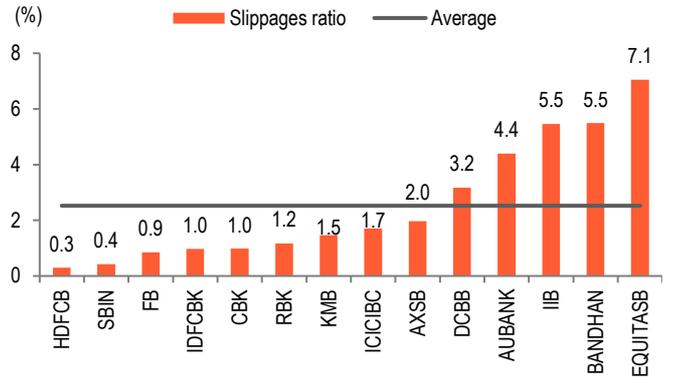
Source: Company, BOBCAPS Research

Fig 19 – GNPA ratios declined on lower slippages and higher w/offss across most banks



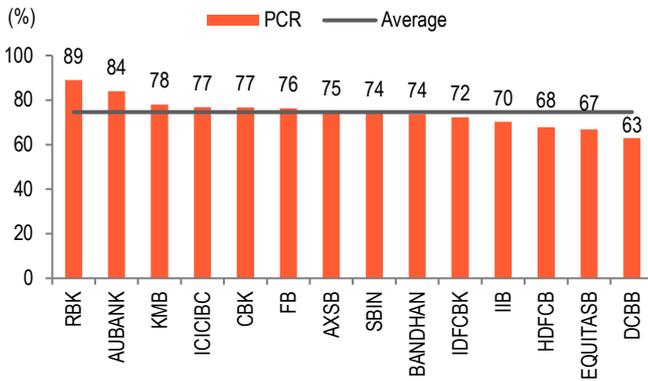
Source: Company, BOBCAPS Research

Fig 20 – Absolute slippages largely declined across most banks



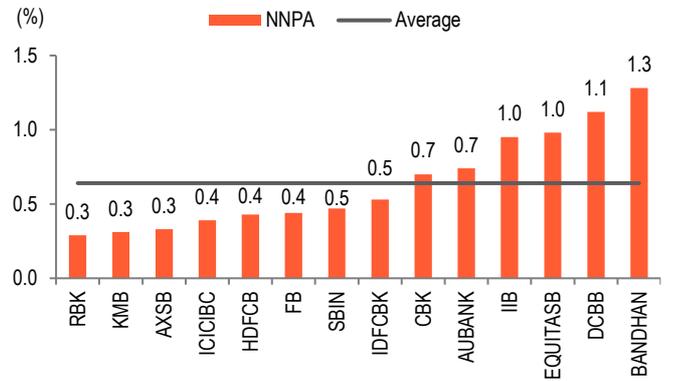
Source: Company, BOBCAPS Research

Fig 21 – PCR broadly improved for most banks



Source: Company, BOBCAPS Research

Fig 22 – NNPA ratios largely stayed contained



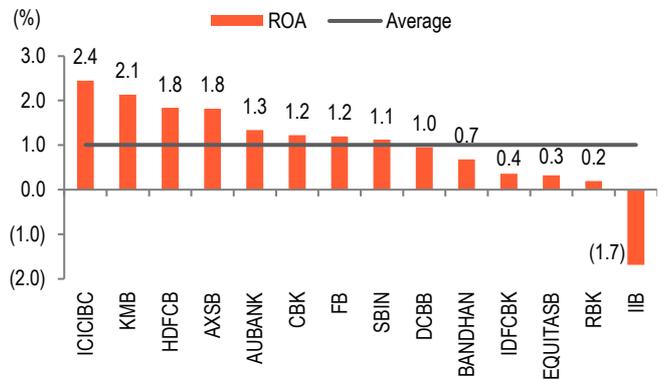
Source: Company, BOBCAPS Research

Fig 23 – RoA largely remained stable

ROA (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
ICICIBC	2.3	2.4	2.4	2.4	2.4
KMB	2.9	4.1	2.2	2.1	2.1
HDFCB	1.9	1.8	1.9	1.8	1.8
AXSB	2.0	1.6	1.9	1.7	1.8
AUBANK	1.7	1.7	1.7	1.5	1.3
CBK	1.0	1.0	1.0	1.0	1.2
FB	1.2	1.3	1.3	1.1	1.2
SBIN	1.4	1.1	1.2	1.0	1.1
DCBB	1.0	0.8	0.9	0.9	1.0
BANDHAN	0.1	2.4	2.1	0.9	0.7
IDFCBK	1.0	0.9	0.3	0.4	0.4
EQUITASB	1.9	0.2	0.1	0.5	0.3
RBK	1.1	1.1	0.6	0.1	0.2
IIB	1.9	1.7	1.0	1.0	(1.7)

Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 24 – ICICI continued to be at the top, in terms of return ratio in Q4FY25



Source: Company, BOBCAPS Research

Fig 25 – RoE improved on QoQ basis for most banks

ROE (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
CBK	17.5	17.4	16.9	16.8	20.2
ICICIBC	18.4	18.0	18.3	17.8	17.9
SBIN	22.2	17.6	18.0	15.8	17.0
AXSB	19.3	15.6	17.1	14.9	16.2
HDFCB	15.3	14.4	14.6	14.1	14.3
DCBB	12.5	10.2	11.8	11.2	12.7
FB	12.7	13.5	13.6	12.0	12.5
KMB	17.4	24.6	12.3	11.7	12.2
AUBANK	14.5	14.3	14.1	12.4	11.4
BANDHAN	0.9	17.7	15.0	6.6	4.8
IDFCBK	9.1	8.3	2.3	3.6	3.2
EQUITASB	14.2	1.7	0.8	3.7	2.3
RBK	9.7	9.9	5.8	0.8	1.8
IIB	15.0	13.3	8.0	8.3	(14.0)

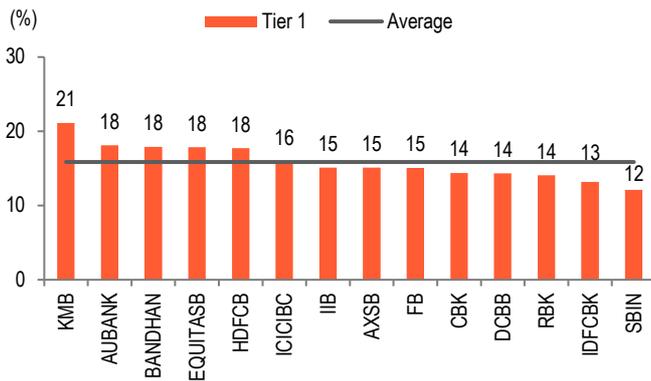
Source: Company, BOBCAPS Research. Note: HDFCB includes merger

Fig 26 – ICICIBC and PSBs top the chart, in terms of RoE in Q4FY25



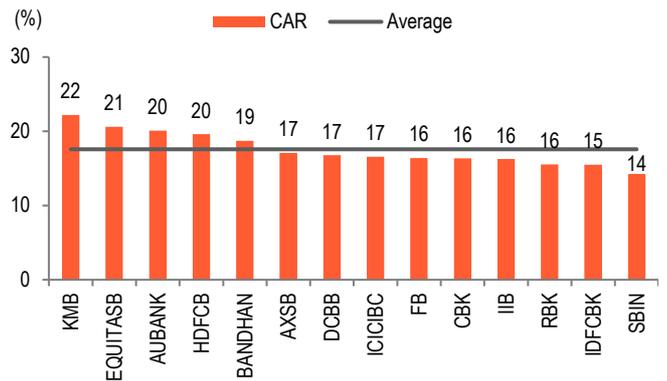
Source: Company, BOBCAPS Research

Fig 27 – Tier 1 capital remained adequate



Source: Company, BOBCAPS Research

Fig 28 – CAR remained adequate to support growth



Source: Company, BOBCAPS Research

Glossary

Glossary of Abbreviations			
CASA	Current Account and Savings Account	NIM	Net Interest Margin
CAR	Capital Adequacy Ratio	NNPA	Net Non-Performing Assets
CET1	Common Equity Tier 1	PCR	Provision Coverage Ratio
C-D	Credit-Deposit Ratio	PSB	Public Sector Banks
C/I	Cost-Income Ratio	RBI	Reserve Bank of India
GNPA	Gross Non-Performing Assets	RWA	Risk-weighted Assets
LCR	Liquidity Coverage Ratio	SLR	Statutory Liquidity Ratio
MFI	Microfinance Institution	SMA	Special Mention Account
NII	Net Interest Income	SME	Small and Medium-sized Enterprises

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