

May 2, 2025

Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	220		210	
NII (Rs. m)	1,05,989	1,24,545	1,09,160	1,29,143
% Chng.	(2.9)	(3.6)		
Op. Profit (Rs. m)	64,483	77,561	67,652	82,708
% Chng.	(4.7)	(6.2)		
EPS (Rs.)	16.5	20.0	17.4	21.5
% Chng.	(5.0)	(6.9)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
NII (Rs m)	82,935	94,680	1,05,989	1,24,545
Op. Profit (Rs m)	51,745	61,011	64,483	77,561
PAT (Rs m)	37,206	40,519	40,608	49,098
EPS (Rs.)	15.3	16.5	16.5	20.0
Gr. (%)	7.4	8.0	0.2	20.9
DPS (Rs.)	1.0	1.6	1.7	2.0
Yield (%)	0.5	0.8	0.8	1.0
NIM (%)	3.1	3.0	3.0	3.1
RoAE (%)	14.7	13.0	11.5	12.5
RoAA (%)	1.3	1.2	1.1	1.2
P/BV (x)	1.6	1.4	1.3	1.2
P/ABV (x)	1.7	1.5	1.3	1.2
PE (x)	12.9	11.9	11.9	9.8
CAR (%)	16.1	16.2	15.9	15.7

Key Data

FED.BO | FB IN

52-W High / Low	Rs.217 / Rs.148
Sensex / Nifty	80,242 / 24,334
Market Cap	Rs.483bn / \$ 5,715m
Shares Outstanding	2,455m
3M Avg. Daily Value	Rs.1493.65m

Shareholding Pattern (%)

Promoter's	-
Foreign	26.28
Domestic Institution	49.07
Public & Others	24.65
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.0	(3.5)	21.0
Relative	(1.5)	(4.6)	12.3

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NIM/opex key levers to core RoA improvement

Quick Pointers:

- Weak quarter due to miss on NII and other opex.
- Healthy CA growth, better fees and asset quality were positives.

FB reported a soft quarter as core PPoP at Rs12.6bn missed PLe by 11% driven by 4.2%/3.9% miss on NII/opex. However, lower provisions (led by corporate recovery) cushioned core PAT which met PLe at Rs8.7bn. In-line with its stated strategy, CA accretion was healthy QoQ. NIM may moderate as 50% of loans are EBLR linked with a T+1 reset. However, it may be cushioned by 1) shift to higher yielding segments 2) change in EBLR reset dates for new disbursements to T+90 and 3) growing fixed rate loans at a higher pace. Opex has been a drag; while the bank has guided for a flat cost to income in FY26 vs FY25, we expect that investment in branches and technology may keep opex elevated over the near term. We trim core PAT for FY26/27E by avg. 6.5% as we cut NIM by 5bps and slightly increase opex. We maintain multiple at 1.3x but our TP increases to Rs220 from Rs210 as we roll forward to Mar'27 ABV. Retain 'BUY'.

- Soft quarter; core PPoP miss due to miss on NII/opex:** NII was lower at Rs23.8bn (PLe Rs24.8bn). NIM (calc.) was a miss at 3.06% (PLe3.19%) although reported NIM was flat QoQ at 3.12%. Loan growth was lower at 12.1% YoY (PLe 13%); deposit accretion was higher at 12.3% YoY (PLe 9.0%). LDR fell to 82.8% from 86.5% in Q3FY25. Other income was higher at Rs10.1bn (PLe Rs9bn) due to fees. Opex at Rs19.2bn was a 3.9% miss as other opex was 7.5% more than PLe. Core PPoP at Rs12.6bn was 11% below PLe; PPoP was Rs14.7bn. Asset quality improved as GNPA reduced by 11bps QoQ to 1.84% (PLe 1.92%) due to lower net slippages. Provisions were at Rs1.4bn (PLe Rs2.5bn); PCR inched up to 76.2% from 75.2% in Q3'25. Core PAT was largely in-line at Rs8.7bn while PAT was Rs10.3bn.
- Focus on re-calibration of assets and liabilities:** Credit accretion was 1.9% QoQ mainly led by corporate (+3.5%). While retail growth was slower due to housing, LAP accretion was healthy at 6.0% QoQ. Focus continues on mid-yielding assets for profitable growth. Gold loans saw a blip owing to regulatory changes; it is expected to bounce back post clarity from RBI. Unsecured growth i.e. PL/CC, is likely to pick up given that stress has peaked out. In line with the stated strategy of CA focus, CA growth was strong at 27% QoQ as CA acquisition is running at a 50% higher pace. While CA flow came towards the year-end, avg. CA has also improved.
- Asset liability mix to drive NIM; opex remains a drag:** NIM may moderate post rate cuts as 50% of loans are EBLR linked. However, as per the bank, this fall may be curtailed owing to 1) shift to mid-yielding assets, 2) pick-up in high yielding PL/CC segments 3) change in EBLR reset dates for new disbursements from T+1 to T+90 and 4) growing fixed rate loans at a higher pace. Opex continues to drag; other opex saw a blip in Q4FY25 as 39 branches became operational. Cost to income for FY25 was 54% and FB expects it to remain flat in the near term.

Exhibit 1: PAT was cushioned at Rs10.3bn owing to lower provisions and taxes; asset quality improved

P&L Statement (Rs m)	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)	Q4FY25E	% Var.
Interest Income	66,484	59,784	11.2	68,087	(2.4)	70,370	(5.5)
Interest Expended	42,709	37,832	12.9	43,774	(2.4)	45,553	(6.2)
Net interest income (NII)	23,774	21,951	8.3	24,313	(2.2)	24,817	(4.2)
Other income	10,060	7,539	33.4	9,162	9.8	8,987	11.9
-Fee income	8,000	6,200	29.0	7,560	5.8	7,787	2.7
-Other non-interest income	2,060	1,339	53.8	1,602	28.6	1,200	71.6
Total income	33,834	29,490	14.7	33,475	1.1	33,803	0.1
Operating expenses	19,180	18,386	4.3	17,781	7.9	18,456	3.9
-Staff expenses	7,838	8,869	(11.6)	7,832	0.1	7,910	(0.9)
-Other expenses	11,342	9,518	19.2	9,949	14.0	10,546	7.5
Operating profit	14,654	11,104	32.0	15,695	(6.6)	15,348	(4.5)
Core Operating Profit	12,595	9,765	29.0	14,093	(10.6)	14,148	(11.0)
Total provisions	1,381	(946)	(246.0)	2,923	(52.8)	2,493	(44.6)
Profit before tax	13,273	12,050	10.2	12,771	3.9	12,854	3.3
Tax	2,971	2,987	(0.5)	3,217	(7.7)	3,278	(9.4)
Profit after tax	10,302	9,063	13.7	9,554	7.8	9,577	7.6
Balance Sheet (Rs m)							
Deposits	2,836,475	2,525,340	12.3	2,663,750	6.5	2,751,579	3.1
Advances	2,348,364	2,094,033	12.1	2,303,700	1.9	2,365,900	(0.7)
Ratios (%)							
			Change in bps			Change in bps	Change in bps
NIM – Calc.	3.1	3.3	(25)	3.2	(18)	3.2	(13)
RoaA – Calc.	1.3	1.3	(2)	1.2	5	1.2	9
RoaE – Calc.	13.2	14.3	(114)	12.6	55	12.3	88
Asset Quality							
Gross NPL (Rs m)	43,755	45,289	(3.4)	45,533	(3.9)	46,054	(5.0)
Net NPL (Rs m)	10,404	12,553	(17.1)	11,312	(8.0)	11,514	(9.6)
Gross NPL ratio	1.84	2.13	(29.2)	1.95	(11)	1.9	(8)
Net NPL ratio	0.44	0.60	(15.6)	0.49	(5)	0.5	(4)
Coverage ratio (Calc)	76.2	72.3	394.1	75.2	107	75.0	122
Business & Other Ratios							
			Change in bps			Change in bps	Change in bps
Low-cost deposit mix	30.2	29.4	85	30.2	7		
Cost-income ratio	56.7	62.3	(566)	53.1	357	54.6	209
Non int. inc / total income	29.7	25.6	417	27.4	236	26.6	315
Credit deposit ratio	82.8	82.9	(13)	86.5	(369)	86.0	(319)
CAR	16.4	16.1	27	15.2	124		
Tier-I	15.0	14.6	43	13.8	126		

Source: Company, PL

Q4FY25 Conference Call Highlights

Balance Sheet/Others

- FB is prioritizing growth in mid-yielding assets to protect profitability. Within **home loans**, focus is to expand the relationship to multiple products, which is more RoA accretive. On the **corporate side too**, focus is towards liability-side improvement and increasing fee income.
- **Gold loan** growth saw a blip due to regulatory changes which is expected to bounce back post clarity from RBI. LTV changed due to 1) change in gold prices and 2) more conservative approach to maintain LTV <75%
- **Unsecured portfolio** is targeted to improve, led by credit cards (CC) and personal loans (PL). CC acquisition was a mix of organic and co-branded cards. PL may improve since the credit quality in this segment is improving. MFI growth could improve after 1-2 quarters.
- Car, PL and gold loans are **fixed rate**; while corporate is **floating rate**
- **Overall loan growth** is guided to be >12% while balance sheet is expected to grow at 1.2-1.5x nominal GDP/system growth.
- **Deposits:** Current account (CA) growth was driven by both wholesale and retail. CA acquisition is running at a 50% higher pace leading to better deposit mix. CA flow came towards the year-end from outside India which is now remitted back. Average CA growth has seen improvement.
- **Deposit mix** moved from financial institutions to LCR friendly resources.
- Changes in approach towards **fintech** include 1) resumed partnership with Scapia, 2) PL acquisition is done through fintech, 3) SA acquisition assisted by 2 partners

Profit & Loss

- **NIM** may moderate post rate cuts. However, this fall may be curtailed owing to 1) shift to mid-yielding asset, 2) change in EBLR reset dates from T+1 to T+90 (new disbursements), 3) growing fixed rate loans at higher pace, 4) cut in deposit rates and 5) reduced cash limits at branches
- Further cut in deposit rates could happen only basis competition.
- Fee income increased on account of improved customer relationships.
- Opex increased as 39 branches became operational in Q4FY25. "UDAAN" is launched to modernize branch operation in 12-18 months. Cost to income ratio (54% in FY25) may remain flattish over mid-term.

Asset Quality

- Higher agri slippages were attributable to MFI slippages.
- Corporate recovery (Rs 1.1-1.15bn) is adjusted against provisions. Recovery from TWO is expected to normalize going ahead.

Retail grew by 2.7% YoY, while SME grew by 20% YoY.

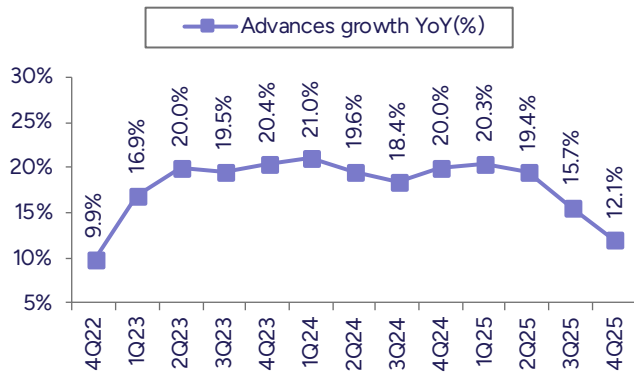
Corporate credit was a tad muted at 8.4% YoY.

CV/CE continued to show strong growth, while growth in PL was moderated.

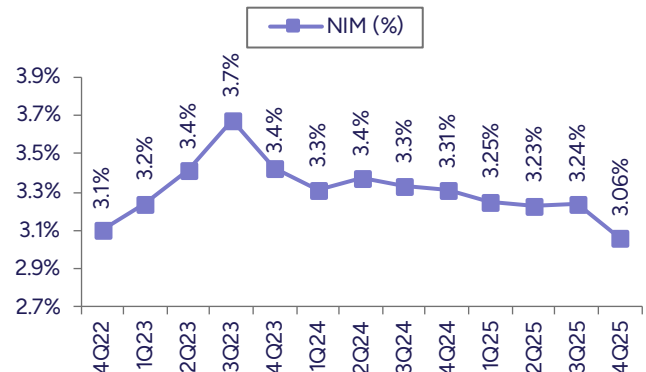
Exhibit 2: Gross loan growth at 12.8% YoY with growth across segments

Advances break-up (Rs m)	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)
Gross Advances					
Retail	692,680	674,340	2.7	680,090	1.9
SME	462,630	385,650	20.0	448,030	3.3
CV/CE	46,440	34,420	34.9	42,350	9.7
Corporate	797,740	735,960	8.4	774,650	3.0
Total	2,381,340	2,111,340	12.8	2,337,490	1.9
Retail Loans break-up					
Housing	298,580	279,600	6.8	295,650	1.0
LAP	141,600	117,640	20.4	133,540	6.0
Auto	86,050	73,020	17.8	84,700	1.6
Personal	37,890	38,450	(1.5)	37,740	0.4
Others	128,560	119,290	7.8	128,460	0.1

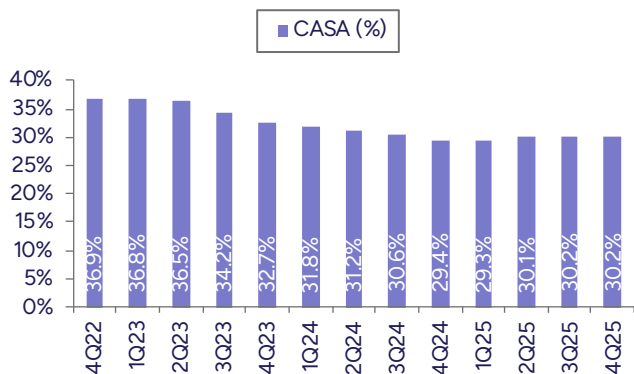
Source: Company, PL

Exhibit 3: Loan growth was muted at 12.1%YoY


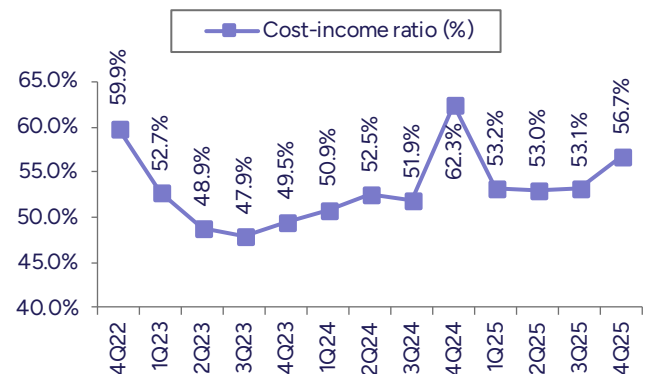
Source: Company, PL

Exhibit 4: NIM declined from 3.24% to 3.06%


Source: Company, PL

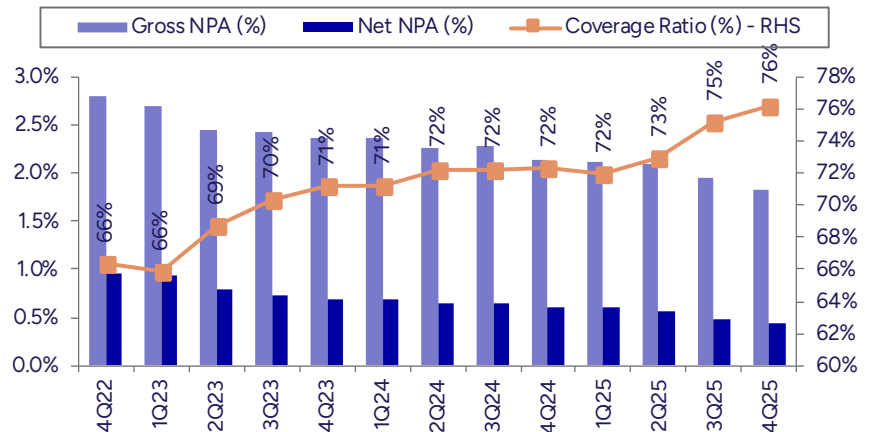
Exhibit 5: CASA ratio was stable at 30.2% led by CA


Source: Company, PL

Exhibit 6: C/I increased to 56.7% due to new branch additions


Source: Company, PL

Exhibit 7: GNPA/NNPA improved at 1.8%/0.4%; PCR improved to 76.2%



Source: Company, PL

Exhibit 8: Fresh slippages moderated; write-offs were higher

Movement of NPL	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)
Opening	45,525	46,278	(1.6)	48,843	(6.8)
Additions	4,920	3,710	32.6	4,980	(1.2)
Reduction	6,690	4,699	42.4	8,290	(19.3)
Closing	43,755	45,289	(3.4)	45,533	(3.9)
Slippages (%)	0.94	0.85	9	0.95	(1)

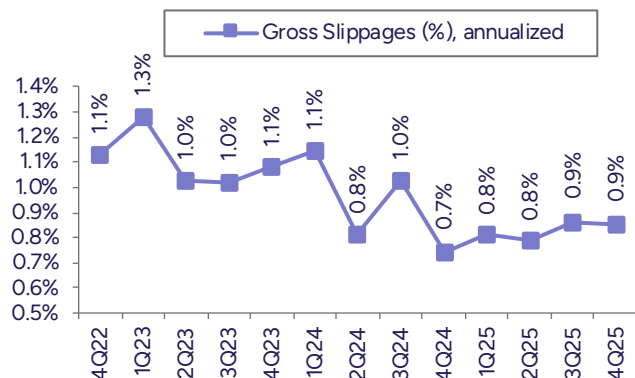
Segmental fresh slippages:

Retail	2,580	2,140	20.6	2,490	3.6
Agri	1,230	500	146.0	880	39.8
SME	1,050	1,370	(23.4)	910	15.4

Retail (% annualized)	1.07	1.00	7	1.12	(5)
Agri (% annualized)	1.36	0.64	72	1.06	30
SME (% annualized)	0.66	0.97	(31)	0.74	(7)
Corporate (% annualized)	-	0.11	(11)	-	-

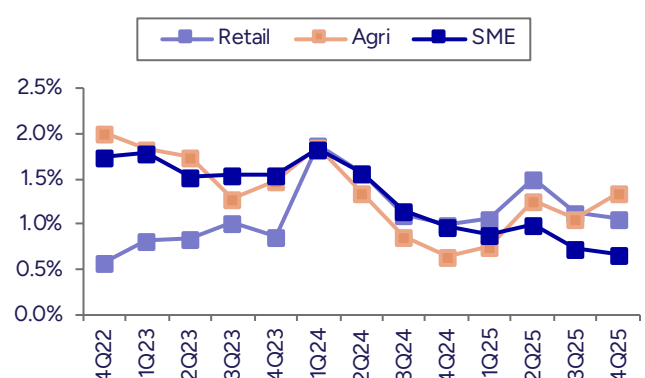
Source: Company, PL

Exhibit 9: Slippages were stable QoQ at 0.9%



Source: Company, PL

Exhibit 10: Retail and SME slippages reduced QoQ



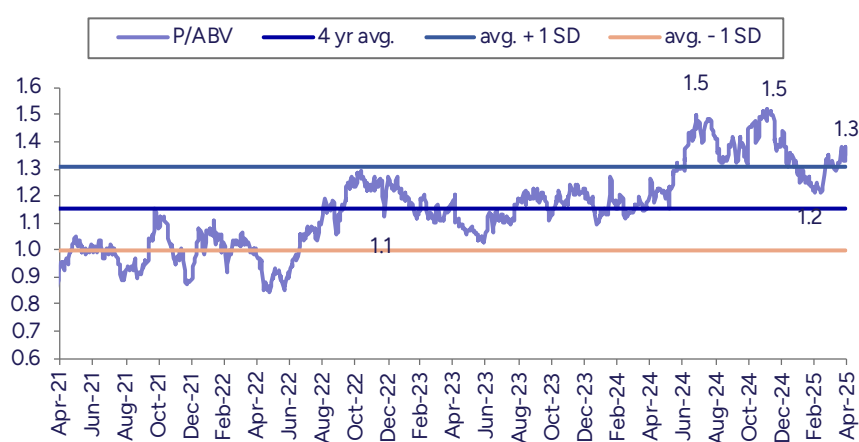
Source: Company, PL

Exhibit 11: Return ratios to range from 11-13% in FY26-27E

DuPont Analysis	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII/Assets	2.7	2.9	2.8	3.0	2.9	2.9	2.9	2.9
Other inc./Assets	1.1	1.0	1.0	1.0	1.1	1.2	1.1	1.1
Net revenues/Assets	3.9	3.9	3.8	4.0	4.0	4.0	3.9	4.0
Opex/Assets	2.0	1.9	2.0	2.0	2.2	2.2	2.2	2.2
Provisions/Assets	0.7	0.9	0.6	0.3	0.1	0.2	0.3	0.3
Taxes/Assets	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
ROA (%)	0.9	0.8	0.9	1.3	1.3	1.2	1.1	1.2
ROE (%)	11.1	10.4	10.8	14.9	14.7	13.0	11.5	12.5

Source: Company, PL

Exhibit 12: One-year forward P/ABV trades at 1.3x



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Earned from Adv.	1,77,345	2,10,166	2,25,226	2,51,068
Int. Earned from invt.	36,916	45,418	48,606	53,222
Others	4,232	3,638	3,700	3,700
Total Interest Income	2,21,883	2,63,653	2,82,819	3,13,935
Interest Expenses	1,38,948	1,68,973	1,76,830	1,89,390
Net Interest Income	82,935	94,680	1,05,989	1,24,545
Growth(%)	14.7	14.2	11.9	17.5
Non Interest Income	30,793	38,013	40,302	46,308
Net Total Income	1,13,728	1,32,692	1,46,291	1,70,853
Growth(%)	32.1	19.4	7.1	11.5
Employee Expenses	28,231	30,827	34,195	38,760
Other Expenses	31,600	40,854	47,614	54,532
Operating Expenses	61,983	71,681	81,809	93,292
Operating Profit	51,745	61,011	64,483	77,561
Growth(%)	7.9	17.9	5.7	20.3
NPA Provision	4,012	8,726	8,572	9,945
Total Provisions	1,961	7,331	9,976	11,657
PBT	49,784	53,681	54,507	65,904
Tax Provision	12,578	13,162	13,899	16,806
Effective tax rate (%)	25.3	24.5	25.5	25.5
PAT	37,206	40,519	40,608	49,098
Growth(%)	23.6	8.9	0.2	20.9

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Face value	2	2	2	2
No. of equity shares	2,435	2,456	2,456	2,456
Equity	4,871	4,912	4,912	4,912
Networth	2,90,944	3,34,206	3,70,753	4,15,791
Growth(%)	35.3	14.9	10.9	12.1
Adj. Networth to NNPA's	12,553	10,126	11,346	12,857
Deposits	25,25,340	28,36,475	31,88,405	36,67,821
Growth(%)	18.3	12.3	12.4	15.0
CASA Deposits	7,46,508	8,57,570	9,91,175	11,76,674
% of total deposits	29.6	30.2	31.1	32.1
Total Liabilities	30,83,118	34,90,048	39,40,965	45,19,356
Net Advances	20,94,033	23,48,364	26,78,260	30,80,970
Growth(%)	20.0	12.1	14.0	15.0
Investments	6,08,595	6,62,456	7,44,649	8,56,616
Total Assets	30,83,118	34,90,048	39,40,965	45,19,356
Growth (%)	18.4	13.2	12.9	14.7

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs (Rs m)	45,289	43,759	47,373	53,608
Net NPAs (Rs m)	12,553	10,126	11,346	12,857
Gr. NPAs to Gross Adv.(%)	2.1	1.8	1.7	1.7
Net NPAs to Net Adv. (%)	0.6	0.4	0.4	0.4
NPA Coverage %	72.3	76.9	76.0	76.0

Profitability (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	3.1	3.0	3.0	3.1
RoAA	1.3	1.2	1.1	1.2
RoAE	14.7	13.0	11.5	12.5
Tier I	14.6	14.7	14.4	14.2
CRAR	16.1	16.2	15.9	15.7

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Interest Income	63,309	65,773	68,087	66,484
Interest Expenses	40,389	42,101	43,774	42,709
Net Interest Income	22,920	23,672	24,313	23,774
YoY growth (%)	19.5	15.1	14.5	8.3
CEB	6,520	7,840	7,560	8,000
Treasury	-	-	-	-
Non Interest Income	9,152	9,640	9,162	10,060
Total Income	72,461	75,412	77,249	76,543
Employee Expenses	7,380	7,777	7,832	7,838
Other expenses	9,682	9,882	9,949	11,342
Operating Expenses	17,063	17,658	17,781	19,180
Operating Profit	15,009	15,654	15,695	14,654
YoY growth (%)	15.2	18.2	9.2	32.0
Core Operating Profits	14,659	14,814	14,695	14,194
NPA Provision	-	-	-	-
Others Provisions	1,443	1,584	2,923	1,381
Total Provisions	1,443	1,584	2,923	1,381
Profit Before Tax	13,566	14,070	12,771	13,273
Tax	3,471	3,503	3,217	2,971
PAT	10,095	10,567	9,554	10,302
YoY growth (%)	18.2	10.8	(5.1)	13.7
Deposits	26,60,650	26,91,066	26,63,750	28,36,475
YoY growth (%)	19.6	15.6	11.2	12.3
Advances	22,08,070	23,03,122	23,03,700	23,48,364
YoY growth (%)	20.3	19.4	15.7	12.1

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	197	197	197	197
EPS (Rs)	15.3	16.5	16.5	20.0
Book Value (Rs)	119	136	151	169
Adj. BV (Rs)	114	132	146	164
P/E (x)	12.9	11.9	11.9	9.8
P/BV (x)	1.6	1.4	1.3	1.2
P/ABV (x)	1.7	1.5	1.3	1.2
DPS (Rs)	1.0	1.6	1.7	2.0
Dividend Payout Ratio (%)	-	-	-	-
Dividend Yield (%)	0.5	0.8	0.8	1.0

Efficiency

Y/e Mar	FY24	FY25	FY26E	FY27E
Cost-Income Ratio (%)	54.5	54.0	55.9	54.6
C-D Ratio (%)	82.9	82.8	84.0	84.0
Business per Emp. (Rs m)	304	322	345	377
Profit per Emp. (Rs lacs)	24	25	24	27
Business per Branch (Rs m)	3,071	3,232	3,443	3,741
Profit per Branch (Rs m)	25	25	24	27

Du-Pont

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	2.92	2.88	2.85	2.94
Total Income	4.00	4.04	3.94	4.04
Operating Expenses	2.18	2.18	2.20	2.21
PPoP	1.82	1.86	1.74	1.83
Total provisions	0.07	0.22	0.27	0.28
RoAA	1.31	1.23	1.09	1.16
RoAE	14.71	12.96	11.52	12.48

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-25	BUY	210	191
2	24-Feb-25	BUY	210	180
3	28-Jan-25	BUY	210	184
4	08-Jan-25	BUY	220	197
5	29-Oct-24	BUY	220	185
6	07-Oct-24	BUY	210	194
7	25-Jul-24	BUY	210	205
8	08-Jul-24	BUY	195	186
9	03-May-24	BUY	195	168

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	2,038
2	Axis Bank	BUY	1,500	1,207
3	Bank of Baroda	BUY	285	230
4	Can Fin Homes	BUY	860	723
5	City Union Bank	BUY	200	160
6	DCB Bank	BUY	155	113
7	Federal Bank	BUY	210	191
8	HDFC Asset Management Company	BUY	4,600	4,218
9	HDFC Bank	BUY	2,125	1,907
10	ICICI Bank	BUY	1,700	1,407
11	IndusInd Bank	Hold	860	676
12	Kotak Mahindra Bank	BUY	2,230	2,038
13	LIC Housing Finance	BUY	650	566
14	Nippon Life India Asset Management	BUY	700	638
15	State Bank of India	BUY	900	747
16	Union Bank of India	BUY	140	119
17	UTI Asset Management Company	BUY	1,320	1,035

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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