



BANKING **MONTHLY**

MARCH 2025

PROGRESSIVE[®]
Your Progress Our Priority...



Prevailing Rates

I. Policy Rates

Repo Rate	6.25%
Reverse Repo Rate	3.35%
Standing Deposit Facility Rate	6.00%
Marginal Standing Facility Rate	6.50%
Bank Rate	6.50%

II. Lending/Deposit Rates

Base Rate	9.10% -10.40%
MCLR Rate (Overnight)	8.15% -8.45%
Savings Deposit Rate	2.70% -3.00%
Term Deposit Rate >	6.00% -7.25%

III. Reserve Ratio

CRR	4.00%
SLR	18.00%

Global Banking:

Chinese economy on shaky ground in first two months of 2025, data shows

China's economy charted an uneven trajectory in the first two months of the year, as per a slew of key indicators, muddying Beijing's drive to boost flagging consumption. Data from Beijing's National Bureau of Statistics (NBS) offered some positive signs, showing retail sales a key measure of consumer sentiment increased 4% y-o-y during January and February combined. However, the data also showed that unemployment rose, while housing prices continued to fall in most major cities.

Our comments:

In the first two months, with sustained effects of macro policies, the national economy maintained the new and positive development. However, it warned, that domestic effective demand is weak, and some enterprises face difficulties in production and operation.

Bank of Japan keeps interest rates steady as Trump risks loom

Bank of Japan has kept interest rates unchanged, as policymakers chose to spend more time gauging how prospects of higher US tariffs would affect the export-reliant economy. The widely expected decision came as fears of a global slowdown caused by US President Donald Trump's tariff policy overshadow wage and price data showing Japan making progress in durably achieving the BOJ's 2% inflation target. Having just raised interest rates in January, the Board voted unanimously to maintain the bank's short-term policy rate at 0.5%.

Our comments:

Japan's economy is recovering moderately, with some weak signs. Rising rice prices and the fading effect of subsidies aimed at curbing fuel costs will likely put upward pressure on core consumer inflation through FY25. Japan's economic and price outlook remains highly uncertain, due in part to risks surrounding the fallout from trade policies of each country. Trump's back-and-forth comments on tariffs have roiled markets and stoked fears of a US recession, which could hit Japan's export-reliant economy. The US raised tariffs on imports of steel and aluminum to 25%, without exemptions.

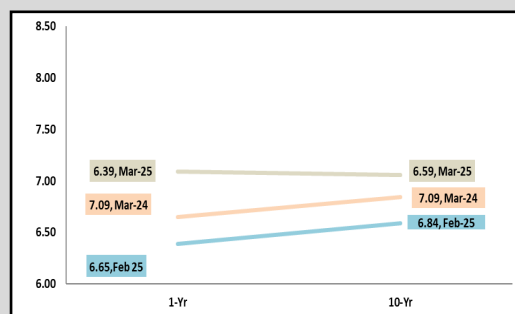
Global economic body OECD lowers growth projections over tariffs, uncertainty

Trade tensions and geopolitical uncertainties are weighing on economic perspectives, as the Organization for Economic Co-operation and Development lowered its projections for global growth in 2025. The coming turbulence, with trade wars sparked and inflation driven up by protectionist policies, is in part attributable to US President Donald Trump's return to the White House. While global economic activity remained resilient in 2024 with a 3.2% increase in GDP, the OECD trimmed back its 2025 projection from 3.3% growth to 3.1% due to higher trade barriers in several G20 economies and increased geopolitical and policy uncertainty weighing on investment and household spending.

Our comments:

US growth is expected to be 2.2% in 2025, down from the OECD's 2.4% projection in December, before falling to 1.6% in 2026, a drop of 0.5% points on the OECD's previous forecast. The Eurozone growth projection is down from 1.3% three months ago to just 1.0%, but will continue its upward trajectory from 0.7% in 2024, reaching 1.2% in 2026. China, meanwhile, is expected to maintain healthy growth at 4.8% in 2025 and 4.4% the following year. Core inflation is now projected to remain above Central Bank targets in many countries in 2026, including the US.

Exhibit 1: 1 Year Yield v/s 10 Year Yield



Source: Investing.com, Progressive Research

Indian Economy:

Indian banks must continue to innovate, boost efficiency: FM

Indian banks must continue to innovate and enhance operational efficiency to provide personalized services in a highly-competitive business environment as indicated by the Finance Minister. SBI has continuously evolved to meet the changing landscape. Despite recent disruptions and regulatory tightening, the Bank has retained its position as a market leader, earning the trust of millions in a lower to middle-income economy. The country's largest lender is reinventing its personal distribution channels to align with evolving customer expectations. As the largest commercial bank in the world's most populous nation, SBI is catering to about 5.6% of the global population. Unlike many organizations that resist change, SBI has embraced it. It has bolstered its infrastructure, established a robust monitoring and control framework, and built a talent pool of committed professionals. Additionally, the Bank has re-engineered its internal processes to improve risk management and accelerate growth velocity.

Our comments:

With a surge in tech-savvy customers, there is an increasing demand for innovative, personalized and on-the-go banking experiences. Furthermore, strict regulatory compliance and the entry of new banks and non-bank entities have presented both challenges and opportunities to established players.

Realign policies of RBI to changing economic realities

Under the new leadership, RBI is undoing some of the measures taken during the previous regime to allow the banking system to breathe easy. By the time Sanjay Malhotra took the reins of the Central Bank from Shaktikanta Das in December last year, India's growth had slowed down to 5.6%. The liquidity in the banking system was tight, and regulatory tightening was slowing down credit offtake. New Governor Malhotra, who was earlier in the Finance Ministry heading the revenue department, came to the Central Bank with special instructions, it seems, from the government to push growth over inflation control. He lost no time and started the rate-cut cycle in the Feb monetary policy.

Our comments:

The Bank not only has made the bold move of cutting interest rates after almost five years but also followed it up by infusing sufficient liquidity through multiple steps in different phases with the latest being the announcement to infuse Rs1.87lk-cr in March. The RBI has already injected Rs4.5lk-cr into the banking system since the middle of January.

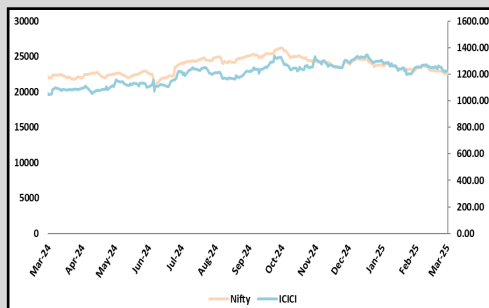
India to dethrone Germany as world's third-biggest economy by 2028

India is poised to surpass Germany and become the world's third-largest economy by 2028, driven by robust economic growth, strong policy frameworks, and improving infrastructure. Currently valued at USD3.5tn in 2023, India's economy is projected to expand to USD4.7tn by 2026, making it the fourth-largest economy globally, behind the US, China, and Germany. By 2028, India is expected to overtake Germany, reaching an estimated USD5.7tn in economic output.

Our comments:

India will become the most sought-after consumer market, undergoing a major energy transition, and witness a rising credit-to-GDP ratio. The country's services sector, particularly IT and financial services, is expected to drive further economic expansion. In the near term, India's economy is showing signs of recovery after a temporary slowdown in H2FY24. High-frequency indicators suggest an improvement in economic activity, supported by fiscal and monetary policy measures. While India's economic trajectory remains strong, external factors pose potential risks. These include global trade policies, the strength of the US dollar, Federal Reserve interest rate decisions, and overall global economic growth.

Exhibit 2: ICICI v/s Nifty



Source: Ace Equity, Progressive Research

Coverage News:

ICICI Securities becomes a wholly owned subsidiary company of ICICI Bank

ICICI Securities Ltd has officially become a WoS of ICICI Bank, marking the successful completion of their merger. Following the fulfillment of all necessary conditions, the merger scheme has come into effect, resulting in ICICI Securities' delisting from the stock exchanges. The consolidation is expected to streamline operations and strengthen the bank's financial services platform.

Our comments:

ICICI Securities confirmed that the merger scheme is now effective. The company's BoD approved 24th March, 2025, as the record date for the purpose of determining public shareholders, whose equity shares will stand cancelled. Swap ratio of 67:100, meaning ICICI Securities shareholders will receive 67 shares of ICICI Bank for every 100 shares they hold in the broking firm.

Non Coverage News:

India's markets regulator probes insider trading at IndusInd Bank: Report

The Mumbai-based lender reported earlier this month that it had discovered accounting discrepancies in the way it booked currency derivatives, going back at least six years, with an estimated impact of about USD175mn. The SEBI has sought information about trades executed by five senior officials while they were in possession of unpublished price-sensitive information of IndusInd. SEBI is also examining whether IndusInd violated its disclosure norms, as per the report. Shares of IndusInd have fallen over 27% since it first announced the lapses on 10th March. Prior to this, the shares had fallen on RBI's decision to grant its CEO Sumant Kathpalia only a one-year extension instead of the three-year term recommended by the Board. This is the second consecutive time that RBI approved a shorter tenure for Kathpalia than what the Board proposed.

Our comments:

Investor sentiment has been tempered due to concerns over asset quality, particularly in the microfinance segment, and management stability.

Axis Bank executes aircraft financing deal from GIFT City IFSC unit

Axis Bank has become the first Indian bank to execute an aircraft financing transaction through its IBU at GIFT City IFSC. The Bank did not disclose the size of the loan. The deal was completed for AI Fleet Services Limited (AIFS), the leasing arm and WoS of Air India (a Tata Group company). It involves a long-term USD loan for the purchase of 34 training aircraft, which will be deployed at Air India's upcoming pilot training institute in Amravati, Maharashtra.

Our comments:

Traditionally India's aviation finance sector, has been dominated by multinational banks. GIFT City now seems to be emerging as India's aircraft financing hub. The GOI has been actively promoting GIFT City as a strategic alternative to global aviation finance centres. This pioneering aircraft financing deal, structured end-to-end by the GIFT City IBU Team, is a strategic step towards creating a robust aviation finance ecosystem within India.

Non Coverage News:

Canara Bank nets Rs40bn via tier-II bond issue

Canara Bank has raised Rs40bn through the sale of tier-II bonds maturing in 10 years at an annual coupon rate of 7.46%. Canara Bank's bonds are callable at the end of five years. The base size of the bond issue was Rs10bn with a greenshoe option of Rs30bn.

Our comments:

The ratings continue to reflect the expectation of strong support from the majority stakeholder, the GOI and the Bank's healthy market position. These strengths are partially offset by modest, albeit improving, asset quality and earnings profile.

IndusInd Bank's CD issuances spike over 5x in March

IndusInd Bank ramped up its efforts to mobilise certificates of deposit in March and has raised more than Rs16,500cr of CDs during the month, so far, data published by Clearing Corporation of India (CCIL). The reliance on CDs may possibly be to counter an outflow in deposits after the bank revealed accounting lapses in derivative instruments earlier this month, as per sources. The Bank may have seen an outflow of Rs15,000-Rs20,000cr of deposits from 10th March, when it made the lapses public.

Our comments:

With challenges persisting on the deposits front, the Bank is said to be relying more on CDs to ease any potential pressure on the liabilities front.

UCO Bank, Punjab & Sind Bank, and Central Bank of India are looking to raise funds

UCO Bank, Punjab & Sind Bank, and Central Bank of India are looking to raise funds through share sale to institutional investors. Banks set a floor price on QIPs. Reports had suggested the government had approved a fundraising worth Rs100bn in OFS for 5 PSU banks to maintain minimum public shareholding norms. UCO Bank set Rs36.07 per share as floor price; Punjab & Sind Bank set Rs40.38 per share. Central Bank set a floor price of Rs42.62, with discount not over 5%. Floor price is at 5% discount to UCO Bank's closing price.

Our comments:

These QIP initiatives are part of a larger strategy to strengthen the capital base of public sector banks while adhering to regulatory mandates for minimum public shareholding. The Banks aim to enhance their financial stability and meet compliance standards by issuing shares to institutional investors.

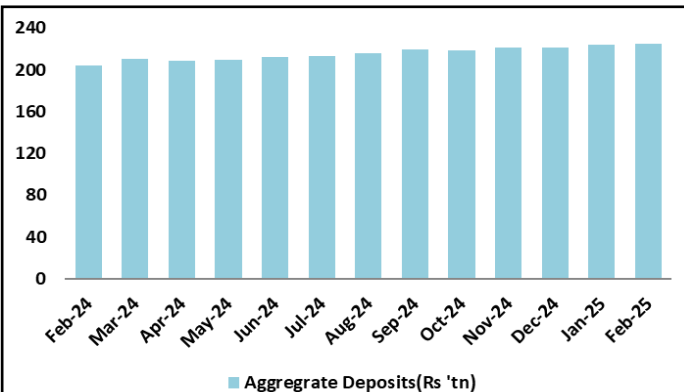
Federal Bank to acquire 4% stake in Ageas Federal Life for Rs97.44cr

Federal Bank Ltd has signed a binding MoU with Ageas Insurance International NV and Ageas Federal Life Insurance Company Ltd (AFLIC) to acquire a 4% equity stake in AFLIC for Rs97.44cr. The acquisition will increase Federal Bank's stake in AFLIC from 26% to 30%. The deal involves the purchase of 3.2 crore shares at Rs30.45 per share and is subject to regulatory approvals from RBI and the Insurance Regulatory and Development Authority of India (IRDAI).

Our comments:

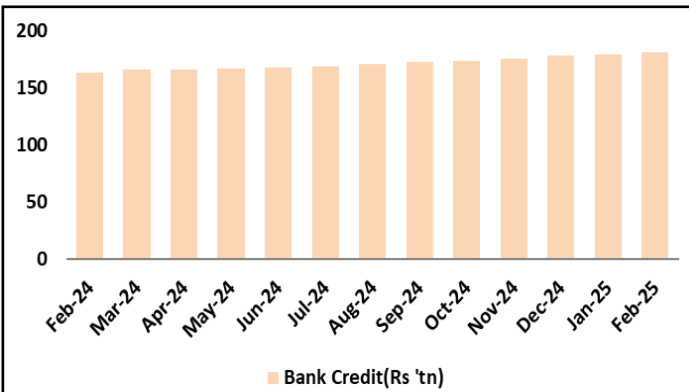
The acquisition is expected to be completed on or before 31st October, 2025.

Exhibit 03: Trend of Aggregate Deposits of SCBs



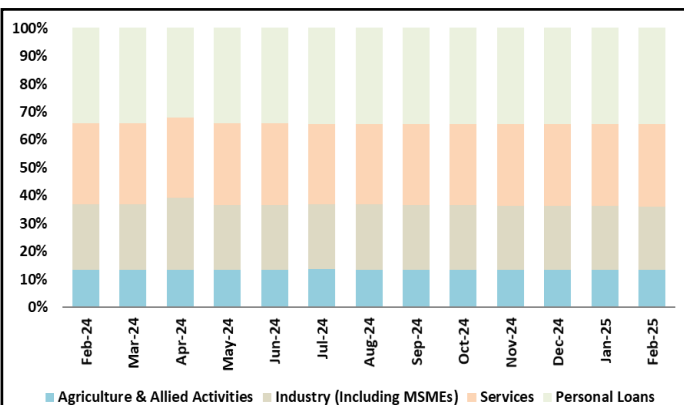
Source: Investing.com, Progressive Research

Exhibit 04: Trend of Bank Credit of SCBs



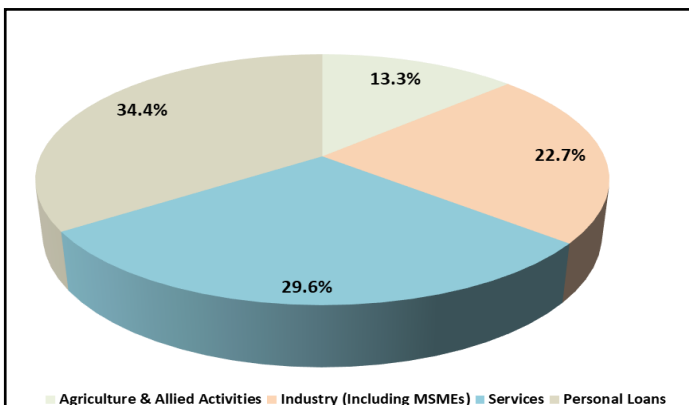
Source: RBI, Progressive Research

Exhibit 05: Deployment of Gross Bank Credit by major sectors



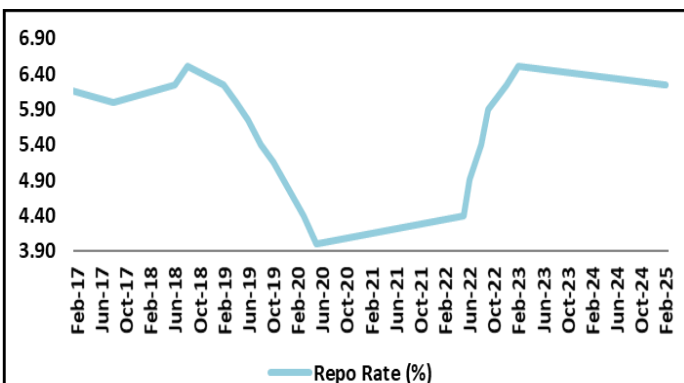
Source: RBI, Progressive Research

Exhibit 06: Sectoral breakup of Gross Bank Credit of the major sectors in February



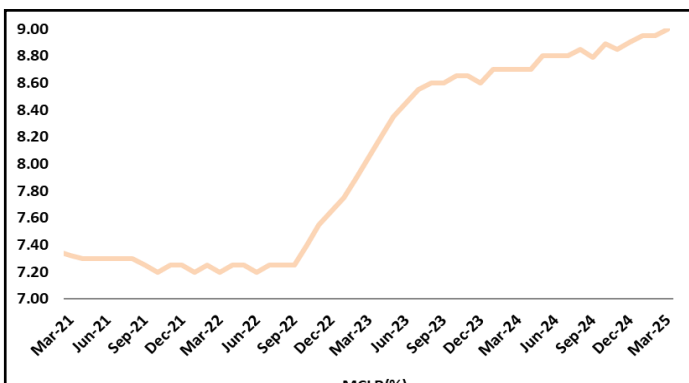
Source: RBI, Progressive Research

Exhibit 07: Repo Rate Trend



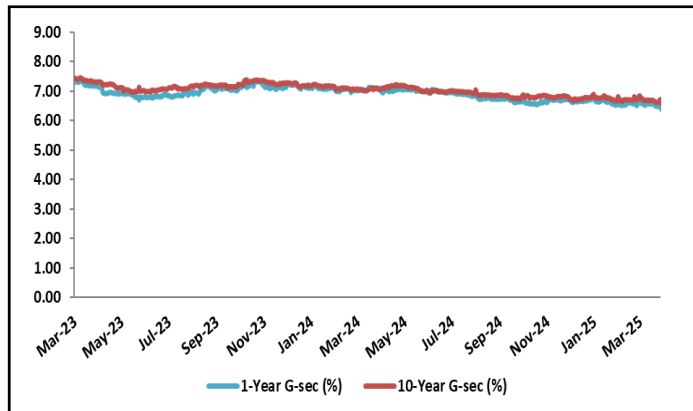
Source: NSE, Progressive Research

Exhibit 08: MCLR trend in the last 3 years



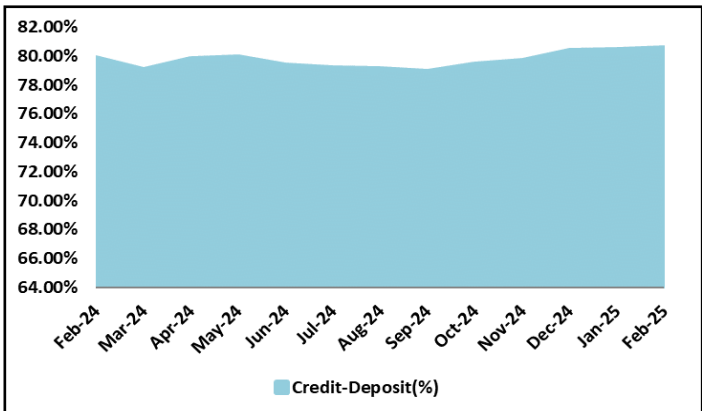
Source: Ace Equity, Progressive Research

Exhibit 09: RBI trying to keep the gap between short and long term bond in check



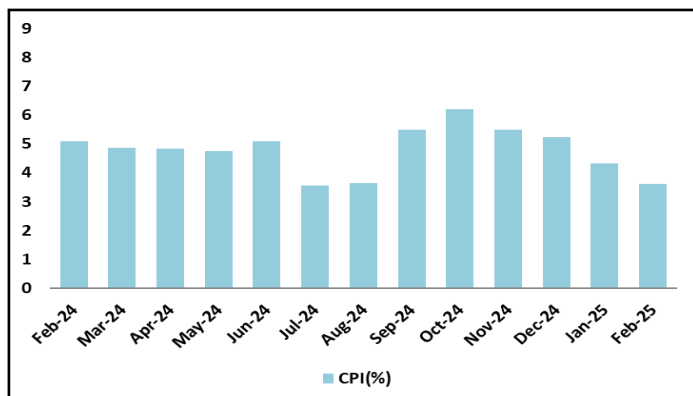
Source: Investing.com, Progressive Research

Exhibit 10: Credit-Deposit ratio of the SCBs in Feb-25



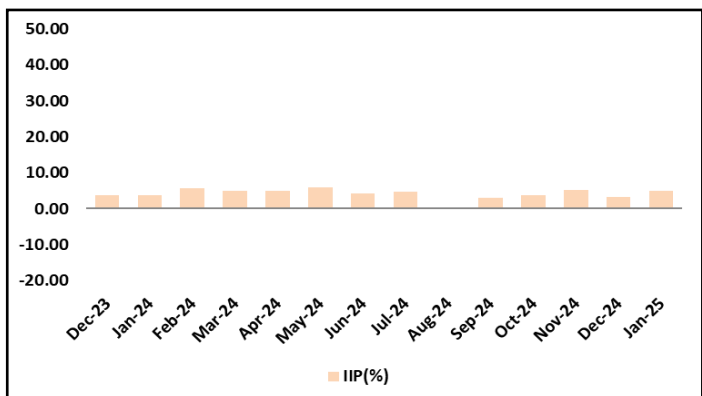
Source: RBI, Progressive Research

Exhibit 11: Retail Inflation Range Bound



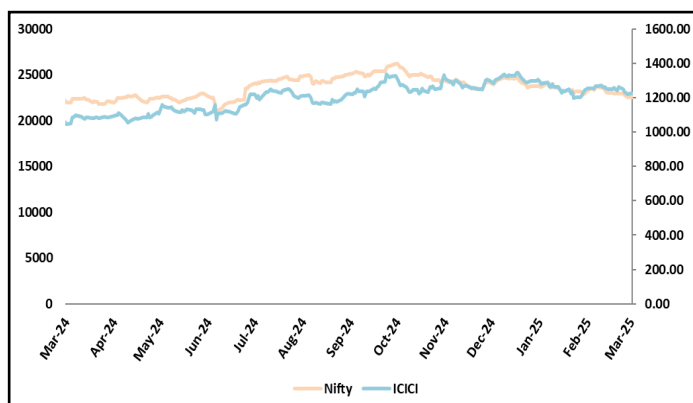
Source: RBI, Progressive Research

Exhibit 12: Change in Y-o-Y IIP data



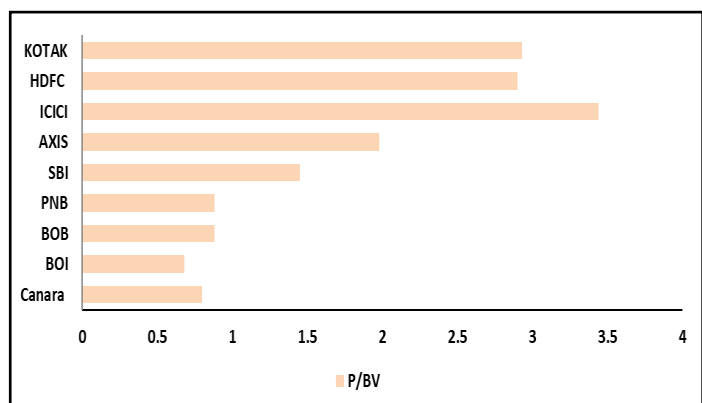
Source: RBI, Progressive Research

Exhibit 13: Bank Index v/s Nifty Index



Source: NSE, Progressive Research

Exhibit 14: Major Banks' Valuation as on 28th Mar, 2025



Source: Ace Equity, Progressive Research

DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH000000859/Research Analyst BSE Enlistment No. 5049. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research analyst has served as officer, director or employee of the subject company: NO
- Registration granted by SEBI and certification from NISM is in no way guarantee performance of the intermediary or provide any assurance of returns to investors

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and its at discretion of the clients to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

Registered Office Address:

Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Indl Estate,
New Link Rd, Andheri West,
Mumbai—400053, Maharashtra
www.progressiveshares.com | Contact No.:022-40777500.

Compliance Officer:

Ms. Neha Oza,
Email: compliance@progressiveshares.com,
Contact No.:022-40777500.

Grievance Officer:

Email: grievancecell@progressiveshares.com