

# IndusInd Bank

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	IIB IN
Equity Shares (m)	600
M.Cap.(INRb)/(USD\$)	365.4 / 4.7
52-Week Range (INR)	1596 / 236
1, 6, 12 Rel. Per (%)	-2/-52/-64
12M Avg Val (INR M)	10299

## Financials & Valuations (INR b)

Y/E MARCH	FY20	FY21E	FY22E
NII	120.6	129.9	145.0
OP	108.3	114.4	129.4
NP	44.6	45.5	63.9
NIM (%)	4.6	4.6	4.6
EPS (INR)	68.8	62.7	84.4
EPS Gr. (%)	25.3	-8.8	34.6
BV/Sh. (INR)	498.4	552.3	626.2
ABV/Sh. (INR)	479.4	529.4	601.2

## Ratios

RoE (%)	14.7	12.0	14.4
RoA (%)	1.5	1.4	1.8
Payout (%)	9.5	13.4	12.5

## Valuations

P/E (X)	7.7	8.4	6.2
P/BV (X)	1.1	1.0	0.8
P/ABV (X)	1.1	1.0	0.9

## Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	13.3	13.0	15.0
DII	13.4	14.1	9.7
FII	56.5	57.8	56.7
Others	16.9	15.1	18.7

FII Includes depository receipts

**CMP: INR527**

**TP: INR700 (+33%)**

**Buy**

## Sharp decline in moratorium book; Liability franchise showing stability

### PCR continues to improve

- IndusInd Bank (IIB) reported a stable quarter as lower fee income and higher provisions (credit cost of 4.5% annualized) impacted earnings. On the other hand, lower opex and modest improvement in margins were a surprise. PCR improved to 66.6%, while the bank increased the COVID-19 provisioning buffer to INR12b. Loan growth remains under pressure, while deposit growth is showing signs of stabilizing. The moratorium book has also declined to ~16% at Jun'20-end from ~50% as of Apr'20-end; the bank suggested GNPA / credit cost impact of 92b/65bp due to COVID-19.
- We largely maintain our estimates as softness in other income is compensated by lower opex and provisions. Maintain **Buy**.

### Lower other income and higher provisions impact earnings

- IIB reported PAT of INR5.1b (-64% YoY/+62% QoQ), affected by lower fee income and higher provisions of INR22.64b (credit cost stood at 4.5% – annualized). The increase in provisions was on account of the bank creating INR9.2b COVID-19 provisions. NII grew 16% YoY to INR33.1b and margins by 3bp QoQ to 4.28%.
- Fee income declined 52% YoY, while moderation in opex (-11% QoQ) supported PPop growth of 13% YoY to INR29.3b. The C/I ratio stood at 39.4% v/s 42.9% in 4QFY20.
- Growth in advances moderated to 2.4% YoY (-4% QoQ decline) to ~INR1.98t. The wholesale book de-grew 6% YoY (-8% QoQ), while the non-wholesale book grew 10% YoY (-1% QoQ). Within Consumer Finance, Two-Wheeler loans grew 11% QoQ, while the rest of the segments were largely flattish. The BBG and MFI books de-grew 6%/4% QoQ. The non-wholesale to wholesale mix now stands at 58:42.
- Deposits grew 4.6% QoQ (+5.3% YoY) to INR2.1t. The CASA ratio declined to 40.0% (v/s 40.4% in 4QFY20) even as CA deposits witnessed strong traction. Within term deposits, retail term deposits grew 5% QoQ.
- Fresh slippages stood higher at INR15.4b (INR12.5b corporate slippages), while higher write-offs resulted in a 1% QoQ decline in GNPA. NNPA, however, declined 10% QoQ as PCR improved to 66.6% v/s 63.3% in 4QFY20.

### Highlights from management commentary

- COVID-19 impact:** The bank expects incremental slippages of 92bp and incremental credit cost of 65b due to COVID-19.
- SMA 1 and 2 declined to 35bp in 1QFY21 from 70bp in 4QFY20.

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**Valuation and view**

We expect loan growth to moderate, led by a weak environment due to the COVID-19 crisis, which would drive slowdown in consumer spending. Furthermore, we expect asset quality to remain under pressure due to stress in the Corporate/MFI/CV/CE portfolio. The moratorium book reported sharp decline at 16% of loans from 50% as on Apr'20-end and the bank shored up its INR12b COVID-19 provision. Nevertheless, we estimate credit cost to remain elevated at 2.5% for FY21E; however, strong underlying profitability would still enable IIB to deliver FY21/FY22E RoE of 12.0%/14.4%. We have factored the announced capital raise in our estimates. Maintain **Buy**, with TP of INR700 (1.2x FY22 ABV).

**Quarterly performance****(INR m)**

	FY20				FY21E				FY20	FY21E	FY21EV/S our	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
<b>Net Interest Income</b>	<b>28,440</b>	<b>29,094</b>	<b>30,742</b>	<b>32,312</b>	<b>33,092</b>	<b>32,222</b>	<b>32,741</b>	<b>31,871</b>	<b>120,587</b>	<b>129,926</b>	<b>31,702</b>	<b>4%</b>
% Change (YoY)	34.0	32.0	34.4	44.7	16.4	10.8	6.5	-1.4	36.3	7.7	11.5	
Other Income	16,633	17,272	17,900	17,722	15,204	16,893	17,696	20,429	69,527	70,222	17,873	-15%
<b>Total Income</b>	<b>45,072</b>	<b>46,365</b>	<b>48,642</b>	<b>50,034</b>	<b>48,296</b>	<b>49,114</b>	<b>50,437</b>	<b>52,300</b>	<b>190,114</b>	<b>200,148</b>	<b>49,575</b>	<b>-3%</b>
Operating Expenses	19,163	20,131	21,065	21,467	19,019	21,254	21,458	23,970	81,826	85,700	21,885	-13%
<b>Operating Profit</b>	<b>25,910</b>	<b>26,234</b>	<b>27,577</b>	<b>28,567</b>	<b>29,277</b>	<b>27,860</b>	<b>28,979</b>	<b>28,330</b>	<b>108,288</b>	<b>114,447</b>	<b>27,690</b>	<b>6%</b>
% Change (YoY)	35.6	31.7	30.3	38.2	13.0	6.2	5.1	-0.8	33.9	5.7	6.9	
Provisions	4,306	7,377	10,435	24,403	22,589	14,636	10,816	5,611	46,521	53,652	17,730	27%
<b>Profit before Tax</b>	<b>21,603</b>	<b>18,857</b>	<b>17,143</b>	<b>4,164</b>	<b>6,689</b>	<b>13,224</b>	<b>18,163</b>	<b>22,719</b>	<b>61,767</b>	<b>60,795</b>	<b>9,960</b>	<b>-33%</b>
Tax	7,278	4,848	4,050	1,012	1,585	3,333	4,577	5,826	17,189	15,320	2,510	-37%
<b>Net Profit</b>	<b>14,325</b>	<b>14,010</b>	<b>13,092</b>	<b>3,152</b>	<b>5,103</b>	<b>9,892</b>	<b>13,586</b>	<b>16,894</b>	<b>44,579</b>	<b>45,475</b>	<b>7,450</b>	<b>-31%</b>
% Change (YoY)	38.3	52.2	32.9	-12.5	-64.4	-29.4	3.8	436.0	35.0	2.0	-48.0	
<b>Operating Parameters</b>												
Deposit Growth (%)	26.3	23.2	23.3	3.7	5.3	4.5	1.6	12.0	3.7	12.0	5.7	-35
Loan Growth (%)	28.4	20.8	19.8	10.9	2.4	5.2	3.0	6.0	10.9	6.0	3.5	-118
Deposit (INR b)	2,006	2,072	2,167	2,020	2,113	2,166	2,202	2,263	2,020	2,263	2,120	0%
Loan (INR b)	1,935	1,971	2,074	2,068	1,981	2,074	2,136	2,192	2,068	2,192	2,004	-1%
<b>Asset Quality</b>												
Gross NPA (%)	2.2	2.2	2.2	2.5	2.5	2.7	3.0	3.3	2.5	3.3	2.7	-18
Net NPA (%)	1.2	1.1	1.1	0.9	0.9	0.8	1.0	1.1	0.9	1.1	0.9	-3
PCR (%)	43.3	49.6	52.5	63.3	66.6	70.0	68.0	67.1	63.3	67.1	67.0	-41

E:MOFSL Estimates

## Quarterly snapshot

INR m	FY19				FY20				FY20	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Profit and Loss</b>											
<b>Interest Income</b>	50.7	54.4	57.6	59.9	69.6	71.5	72.8	73.9	71.6	3	-3
Loans	41.5	44.5	47.6	48.9	57.5	59.5	60.8	62.2	60.7	5	-3
Investment	8.6	9.2	9.2	9.8	10.7	10.8	11.1	10.3	10.0	-6	-3
<b>Interest Expenses</b>	29.5	32.3	34.8	37.6	41.2	42.4	42.1	41.6	38.5	-6	-7
<b>Net Interest Income</b>	21.2	22.0	22.9	22.3	28.4	29.1	30.7	32.3	33.1	16	2
Other Income	13.0	13.2	14.7	15.6	16.6	17.3	17.9	17.7	15.2	-9	-14
Trading profits	1.4	1.0	2.0	1.4	2.4	2.6	2.8	3.8	8.4	248	119
Others (Ex non-core)	11.6	12.2	12.7	14.2	14.2	14.7	15.1	13.9	6.8	-52	-51
<b>Total Income</b>	34.2	35.2	37.6	37.9	45.1	46.4	48.6	50.0	48.3	7	-3
Operating Expenses	15.1	15.3	16.4	17.2	19.2	20.1	21.1	21.5	19.0	-1	-11
Employee	4.6	4.6	4.5	4.8	6.5	7.2	7.4	7.2	7.4	15	4
Others	10.5	10.7	11.9	12.4	12.7	13.0	13.7	14.3	11.6	-9	-19
<b>Operating Profits</b>	19.1	19.9	21.2	20.7	25.9	26.2	27.6	28.6	29.3	13	2
<b>Core Operating Profits</b>	17.7	18.9	19.1	19.3	23.5	23.6	24.7	24.7	20.9	-11	-16
Provisions	3.5	5.9	6.1	15.6	4.3	7.4	10.4	24.4	22.6	425	-7
<b>PBT</b>	15.6	14.0	15.1	5.1	21.6	18.9	17.1	4.2	6.7	-69	61
Taxes	5.3	4.8	5.3	1.5	7.3	4.8	4.1	1.0	1.6	-78	57
<b>PAT</b>	10.4	9.2	9.9	3.6	14.3	14.0	13.1	3.2	5.1	-64	62
<b>Balance Sheet (INR b)</b>											
Loans	1,507	1,631	1,732	1,864	1,935	1,971	2,074	2,068	1,981	2	-4
Investments	527	501	537	593	607	635	605	599	596	-2	-1
Deposits	1,589	1,682	1,757	1,949	2,006	2,072	2,167	2,020	2,113	5	5
CASA Deposits	690	734	765	841	865	858	919	816	845	-2	4
of which Savings	477	511	500	545	577	581	649	531	525	-9	-1
Current	213	223	265	296	289	277	270	284	319	11	12
Borrowings	370	428	445	473	498	446	468	608	592	19	-3
Total Assets	2,289	2,483	2,562	2,778	2,930	2,949	3,079	3,072	3,179	8	3
Risk Weighted Assets	1,820	1,940	2,019	2,145	2,311	2,372	2,459	2,586	2,617	13	1
<b>Asset Quality (INR b)</b>											
GNPA	17.4	17.8	19.7	39.5	42.0	43.7	45.8	51.5	51.0	21	-1
NNPA	7.6	7.9	10.3	22.5	23.8	22.0	21.7	18.9	17.0	-28	-10
<b>Ratios</b>											
<b>Asset Quality (%)</b>											
GNPA	1.2	1.1	1.1	2.1	2.2	2.2	2.2	2.5	2.5	38	8
NNPA	0.5	0.5	0.6	1.2	1.2	1.1	1.1	0.9	0.9	-37	-5
PCR (Cal.)	56.2	55.8	47.7	43.0	43.3	49.6	52.5	63.3	66.6	2,328	325
<b>Business Ratios (%)</b>											
Fees to Total Income	34.0	34.6	33.7	37.4	31.6	31.7	31.0	27.8	14.1	-1,742	-1,364
Cost to Core Income	46.0	44.7	46.1	47.2	44.9	46.0	46.0	46.5	47.6	273	119
Tax Rate	33.7	34.4	34.8	29.0	33.7	25.7	23.6	24.3	23.7	-999	-61
CASA (Reported)	43.4	43.6	43.6	43.1	43.1	41.4	42.4	40.4	40.0	-316	-38
Loan/Deposit	94.8	97.0	98.6	95.7	96.5	95.1	95.7	102.4	93.8	-272	-860
CAR	14.7	14.3	14.2	14.2	14.9	14.7	13.9	15.0	15.2	26	12
Tier I	14.3	13.9	13.8	13.7	14.5	14.3	13.5	14.6	14.5	2	-8
<b>Profitability Ratios (%)</b>											
Yield on loans	11.2	11.4	11.5	11.3	12.0	12.0	12.0	11.9	11.9	-15	-4
Yield On Investments	6.7	7.1	7.1	6.9	7.1	6.9	7.1	6.8	6.7	-43	-14
Yield on funds	9.4	9.5	9.6	9.5	10.0	10.0	9.9	9.8	9.4	-61	-39
Cost of deposits	6.2	6.5	6.7	6.8	6.9	6.7	6.5	6.1	5.7	-113	-32
Cost of funds	5.4	5.6	5.8	5.9	5.9	5.9	5.7	5.5	5.1	-84	-42
Spreads	3.9	3.8	3.8	3.6	4.1	4.1	4.2	4.3	4.3	23	3
Margins	3.9	3.8	3.8	3.6	4.1	4.1	4.2	4.3	4.3	23	3
RoA	1.9	1.6	1.6	0.6	2.1	2.0	1.8	0.4	0.7	-136	27
RoE	17.3	14.9	15.4	5.5	18.5	17.3	15.6	3.7	5.9	-1,259	217



## Highlights from management commentary

### Business related

- Certain indicators suggest economic activity has picked up, but remains challenged as pent-up demand settles and lockdowns are re-imposed in certain areas.
- The rural economy continues to pan out better than urban.

### Balance sheet and P&L related

- Retail deposit growth was at 5% QoQ.
- The bank carries excess liquidity of INR300b.
- The portfolio eligible under MSME stands at a disbursement value of INR32b; just 2% of the portfolio has availed the facility, with the bank having disbursed INR1.7b.
- Short-term borrowings form ~12% of the total borrowings, while the proportion of Certificate of Deposits fell below 10%.
- Growth is likely to revive from 2HFY21.

### Asset quality related

- Moratorium 2.0 follows an opt-in facility for all customers, except MFI, which continues to have the opt-out facility. 90% of Moratorium 2.0 is secured.
- The moratorium book ex-MFI stands at 14% in value terms (8% in volume) and 16% including MFI (11% in volume).
- Retail moratorium stands at 19%, while Corporate stands at 9%.
- The moratorium book stood at ~50% in Moratorium 1.0: Retail at 75% and Corporate at 23%.
- 92% of Moratorium 2.0 customers are from Moratorium 1.0.
- **Corporate moratorium decline to 9% from 23%:** Of the 14% decline witnessed, all are currently making payments.
- **Retail moratorium decline to 19% from 75%:** Of the total decline of ~56%, ~46% are currently making payments, while the balance 10% is not paying.
- **Vehicle finance:** Collection efficiency has improved to 75% (current) from 30–35%. Moratorium is at 20% in value and 10% in volume.
- **LAP/BB:** Business is now at 80–85% of normal levels.
- **Credit Cards:** This comprises 3% of the total book. 15% of the book opted for moratorium. Spends have reached 80% of pre-COVID-19 levels.
- **Gems:** One customer of INR50m opted for moratorium.
- **COVID-19 impact:** The bank expects incremental slippages of 92bp and incremental credit cost of 65b due to COVID-19.
- The SMA 1 and 2 books declined to 35bp in 1QFY21 from 70bp in 4QFY20.
- Accounts for which the asset classification benefit was availed stood at INR33b, comprising 1.6% of total loans.
- The BB & Below book forms 5.5% of total loans.

### Others

- The bank has decided to raise INR32.88b through preferential allotment. This increases the CAR by ~125bp to 16.5%.

## Key exhibits

### Exhibit 1: GNPA in CFD stable at 1.5%

Segmental GNPA	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY20
CV	0.9	0.9	1.1	1.2	1.3	1.4	1.7	1.9	2.2
Utility	1.4	1.3	1.3	1.3	1.2	1.2	1.1	1.0	1.2
CE	0.9	0.7	0.8	0.7	0.8	1.0	1.0	1.1	1.1
3W	1.1	1.3	1.3	1.4	1.4	1.7	1.7	1.8	1.8
2W	3.7	3.9	3.6	3.8	3.6	3.2	2.9	3.1	2.6
Cars	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8
LAP/HL/PL	0.4	0.6	0.4	0.4	1.0	1.0	1.1	0.9	0.5
Cards	1.8	1.8	1.9	1.9	2.2	2.4	2.6	1.9	0.8
BBG / LAP	NA	NA	NA	NA	1.4	1.3	1.0	1.2	1.2
MFI	NA	NA	NA	NA	0.6	0.9	1.1	1.5	1.6
<b>GNPA in Consumer Finance Division</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>

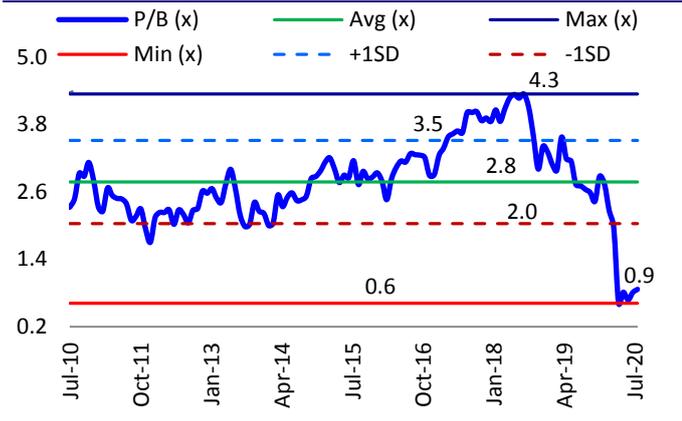
### Exhibit 2: Fees de-grow 52% YoY, affected by muted activity due to lockdown

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY20	YoY (%)	QoQ (%)
<b>Fee based Income</b>	<b>11,650</b>	<b>12,180</b>	<b>12,660</b>	<b>14,190</b>	<b>14,220</b>	<b>14,680</b>	<b>15,060</b>	<b>13,900</b>	<b>6,820</b>	<b>-52%</b>	<b>-51%</b>
Trade Fees (LC, BG, Remittances)	1,410	1,510	1,550	1,890	1,640	1,820	1,850	1,890	1,160	-29%	-39%
Processing Fees and other charges	2,300	2,600	2,760	3,280	3,370	3,600	3,880	3,560	990	-71%	-72%
Fx Clients	2,280	2,230	2,750	2,890	2,500	2,770	2,410	2,480	1,550	-38%	-38%
Third Party Distribution fees	2,780	2,800	2,680	3,020	3,020	3,220	3,470	3,670	1,740	-42%	-53%
Investment banking fees	2,080	2,130	2,010	2,280	2,350	2,010	2,090	1,430	290	-88%	-80%
General banking/other income	800	910	910	830	1,340	1,260	1,360	870	1,090	-19%	25%

## Valuation and view

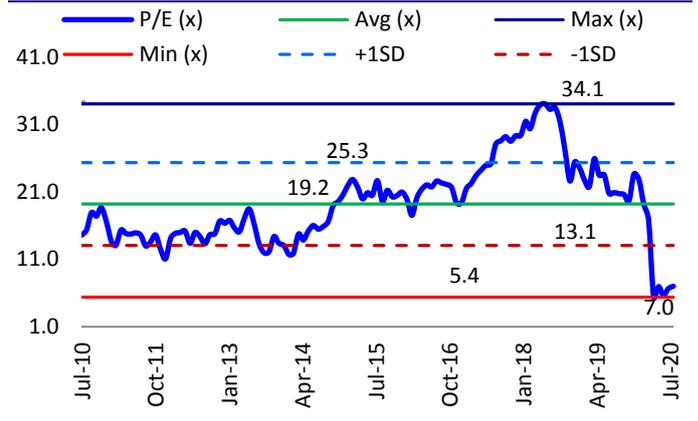
- Asset quality challenges continue:** Rising concerns related to asset quality in the Corporate portfolio, given its higher exposure to the BB & Below pool, would keep slippages elevated. Furthermore, the COVID-19 outbreak could lead to disruption in the Vehicle (~29% of total loans), MSME, Unsecured, and MFI portfolios (~12% of total loans). Thus, we estimate credit cost to remain elevated at 2.5% for FY21E.
- IIB has moderated its loan growth trends and guided for growth to pick up over 2HFY21.** Thus, we estimate a loan growth CAGR at 9% over FY20–22.
- Improving margin trajectory:** The bank has made good progress on margins, which improved to 4.28% v/s 3.59% in FY19. Furthermore, it has a higher proportion of fixed-rate loan book; thus, the margin trajectory is expected to remain stable.
- Buy, with TP of INR700:** We expect loan growth to moderate on account of a weak environment due to the COVID-19 outbreak, which would drive slowdown in consumer spending. Furthermore, we expect asset quality to remain under pressure due to stress in the Corporate/MFI/CV/CE portfolio. The moratorium book has reported sharp decline at 16% of loans from 50% as on Apr'20-end, and the bank has shored up its INR12b COVID-19 provisioning. Nevertheless, we estimate credit cost to remain elevated at 2.5% for FY21E; however, strong underlying profitability would still enable IIB to deliver FY21/FY22E RoE of 12.0%/14.4%. We have factored the announced capital raise in our estimates. Maintain Buy, with TP of INR700 (1.2x FY22 ABV).

**Exhibit 3: One-year forward P/B**



Source: MOFSL, Company

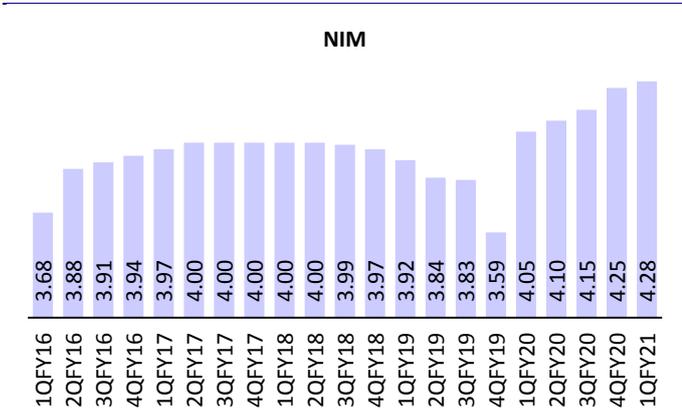
**Exhibit 4: One-year forward P/E**



Source: MOFSL, Company

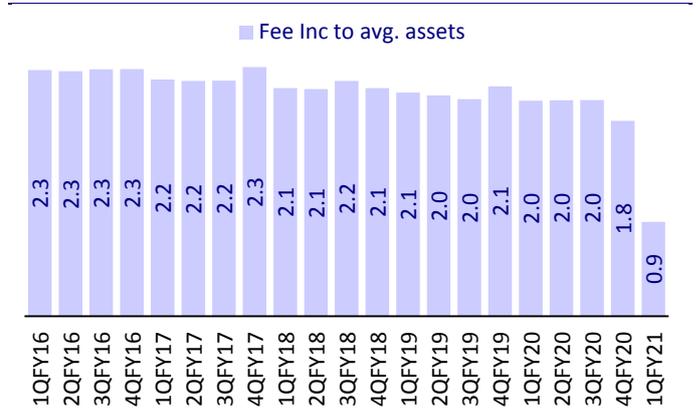
## Story in charts

**Exhibit 5: NIMs improved moderately by 3bp to 4.28%**



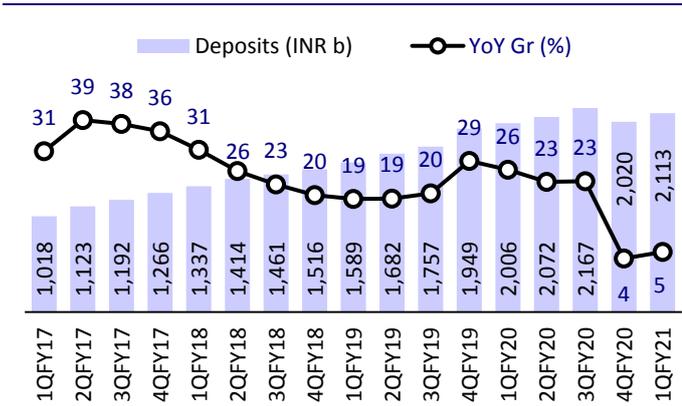
Source: MOFSL, Company

**Exhibit 6: Fee income to average assets moderated to 0.9%**



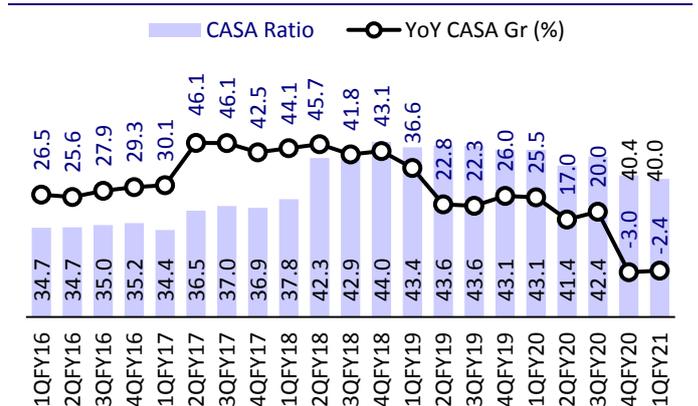
Source: MOFSL, Company

**Exhibit 7: Deposit growth came in at ~5% YoY**



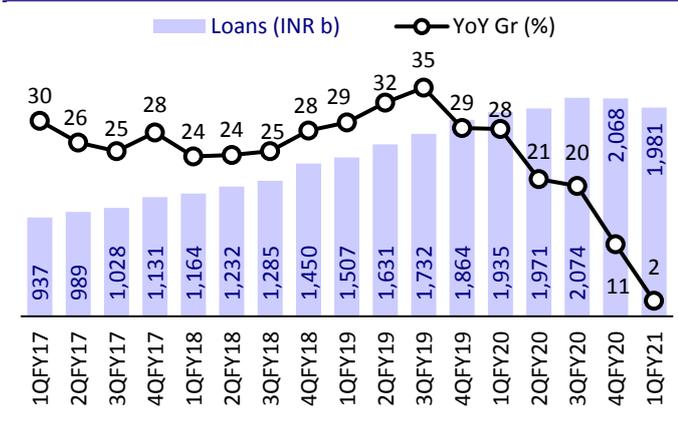
Source: MOFSL, Company

**Exhibit 8: CASA de-grew by 2% YoY**



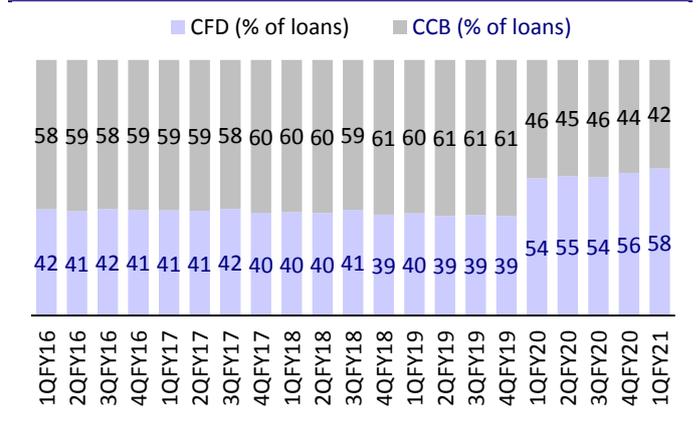
Source: MOFSL, Company

**Exhibit 9: Loan growth moderated to ~2% YoY**



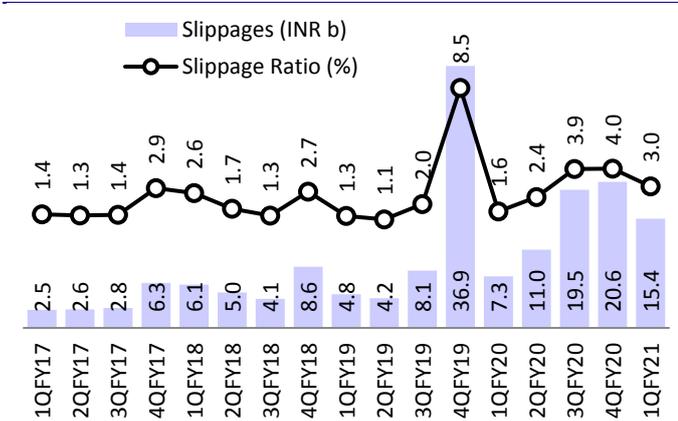
Source: MOFSL, Company

**Exhibit 10: CFD mix stands at 58% as bank reclassified BBG and MFI in CFD post 1QFY20**



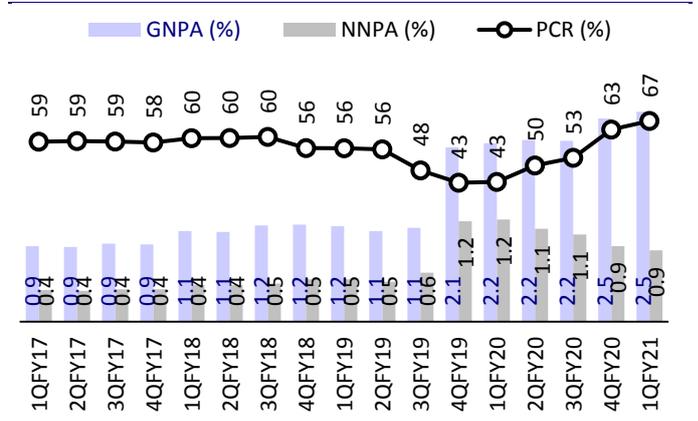
Source: MOFSL, Company

**Exhibit 11: Annualized slippage rate stood at 3%**



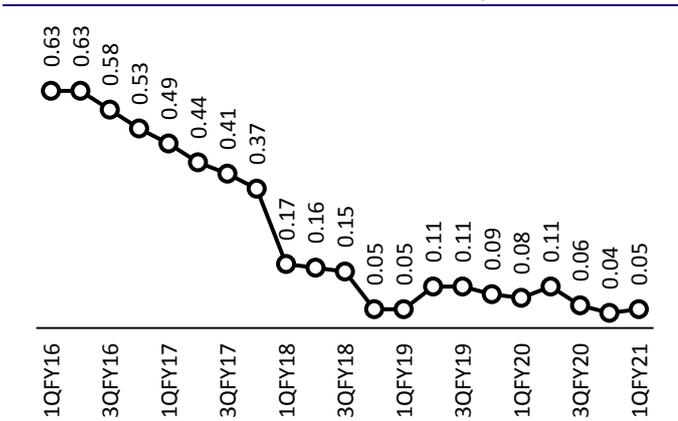
Source: MOFSL, Company

**Exhibit 12: GNPA/NNPA was largely stable, while PCR improved to 67% (+3250bp QoQ)**



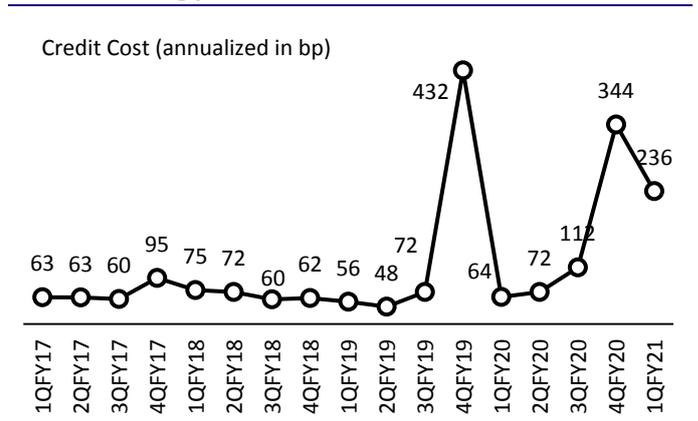
Source: MOFSL, Company

**Exhibit 13: Restructured book stands at 5bp**



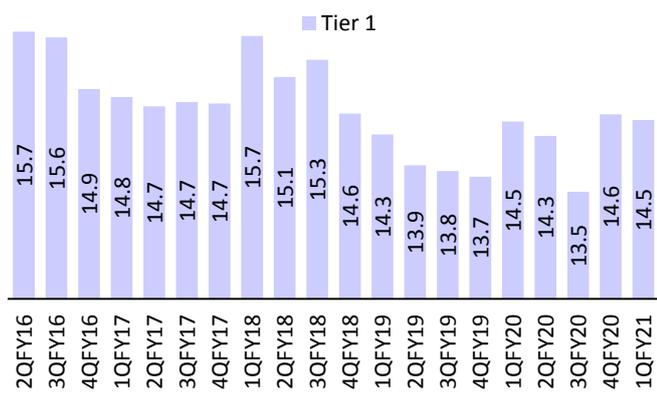
Source: MOFSL, Company

**Exhibit 14: Credit costs remain elevated as the bank has created floating provision**



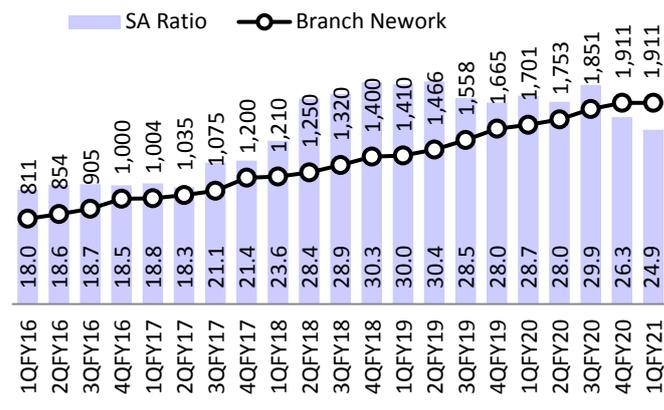
Source: MOFSL, Company

**Exhibit 15: Tier-1 capital remains strong**



Source: MOFSL, Company

**Exhibit 16: Bank branches stood at 1,911**



Source: MOFSL, Company

**Exhibit 17: DuPont Analysis: Return ratios to show steady improvement, driven by merger with BHAFIN**

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest Income	9.75	9.20	9.04	8.63	8.91	9.84	9.21	9.01
Interest Expense	6.31	5.61	5.24	4.89	5.37	5.72	5.18	4.95
<b>Net Interest Income</b>	<b>3.44</b>	<b>3.59</b>	<b>3.80</b>	<b>3.75</b>	<b>3.54</b>	<b>4.12</b>	<b>4.04</b>	<b>4.06</b>
Core Fee Income	2.45	2.50	2.44	2.19	2.22	2.33	2.13	2.21
Trading and others	0.12	0.12	0.17	0.18	0.05	0.05	0.05	0.05
<b>Non-Interest income</b>	<b>2.56</b>	<b>2.62</b>	<b>2.62</b>	<b>2.37</b>	<b>2.26</b>	<b>2.38</b>	<b>2.18</b>	<b>2.26</b>
<b>Total Income</b>	<b>6.00</b>	<b>6.21</b>	<b>6.42</b>	<b>6.12</b>	<b>5.80</b>	<b>6.50</b>	<b>6.22</b>	<b>6.31</b>
<b>Operating Expenses</b>	<b>2.89</b>	<b>2.92</b>	<b>3.00</b>	<b>2.79</b>	<b>2.56</b>	<b>2.80</b>	<b>2.66</b>	<b>2.69</b>
Employee cost	0.99	0.98	0.95	0.89	0.74	0.96	0.96	0.96
Others	1.90	1.93	2.05	1.90	1.82	1.81	1.71	1.73
<b>Operating Profit</b>	<b>3.12</b>	<b>3.29</b>	<b>3.42</b>	<b>3.33</b>	<b>3.24</b>	<b>3.70</b>	<b>3.56</b>	<b>3.62</b>
Core operating Profits	3.00	3.17	3.25	3.14	3.19	3.65	3.51	3.57
<b>Provisions</b>	<b>0.39</b>	<b>0.53</b>	<b>0.68</b>	<b>0.59</b>	<b>1.24</b>	<b>1.59</b>	<b>1.67</b>	<b>1.23</b>
NPA	0.34	0.40	0.44	0.45	1.09	1.59	1.62	1.18
Others	0.05	0.14	0.24	0.14	0.16	0.00	0.05	0.06
<b>PBT</b>	<b>2.73</b>	<b>2.76</b>	<b>2.74</b>	<b>2.74</b>	<b>1.99</b>	<b>2.11</b>	<b>1.89</b>	<b>2.39</b>
Tax	0.92	0.94	0.94	0.94	0.67	0.59	0.48	0.60
<b>RoA</b>	<b>1.80</b>	<b>1.82</b>	<b>1.80</b>	<b>1.80</b>	<b>1.32</b>	<b>1.52</b>	<b>1.41</b>	<b>1.79</b>
Leverage (x)	10.5	9.1	8.5	9.1	10.0	9.6	8.5	8.0
<b>RoE</b>	<b>19.0</b>	<b>16.6</b>	<b>15.3</b>	<b>16.5</b>	<b>13.2</b>	<b>14.7</b>	<b>12.0</b>	<b>14.4</b>

## Financials and valuations

Income Statement								(INR b)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest Income	96.9	115.8	144.1	172.8	222.6	287.8	296.5	322.0
Interest Expense	62.7	70.6	83.4	97.8	134.1	167.2	166.5	177.0
<b>Net Interest Income</b>	<b>34.2</b>	<b>45.2</b>	<b>60.6</b>	<b>75.0</b>	<b>88.5</b>	<b>120.6</b>	<b>129.9</b>	<b>145.0</b>
Growth (%)	18.3	32.1	34.2	23.7	18.0	36.3	7.7	11.6
Non-Interest Income	25.5	33.0	41.7	47.5	56.5	69.5	70.2	80.8
<b>Total Income</b>	<b>59.7</b>	<b>78.1</b>	<b>102.3</b>	<b>122.5</b>	<b>144.9</b>	<b>190.1</b>	<b>200.1</b>	<b>225.8</b>
Growth (%)	24.8	30.9	31.0	19.7	18.3	31.2	5.3	12.8
Operating Expenses	28.7	36.7	47.8	55.9	64.0	81.8	85.7	96.3
<b>Pre Provision Profits</b>	<b>31.0</b>	<b>41.4</b>	<b>54.5</b>	<b>66.6</b>	<b>80.9</b>	<b>108.3</b>	<b>114.4</b>	<b>129.4</b>
Growth (%)	19.3	33.7	31.6	22.1	21.5	33.9	5.7	13.1
<b>Core PPP</b>	<b>29.8</b>	<b>39.9</b>	<b>51.7</b>	<b>62.9</b>	<b>79.7</b>	<b>106.9</b>	<b>112.8</b>	<b>127.6</b>
Growth (%)	20.9	33.8	29.7	21.6	26.7	34.1	5.5	13.1
Provisions (excl. tax)	3.9	6.7	10.9	11.8	31.1	46.5	53.7	44.0
<b>PBT</b>	<b>27.1</b>	<b>34.7</b>	<b>43.6</b>	<b>54.8</b>	<b>49.8</b>	<b>61.8</b>	<b>60.8</b>	<b>85.4</b>
Tax	9.2	11.8	14.9	18.7	16.8	17.2	15.3	21.5
Tax Rate (%)	33.8	34.1	34.2	34.2	33.7	27.8	25.2	25.2
<b>PAT</b>	<b>17.9</b>	<b>22.9</b>	<b>28.7</b>	<b>36.1</b>	<b>33.0</b>	<b>44.6</b>	<b>45.5</b>	<b>63.9</b>
Growth (%)	27.4	27.5	25.4	25.7	-8.5	35.0	2.0	40.4
<b>Balance Sheet</b>								
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	5.3	5.9	6.0	6.0	6.0	6.9	7.6	7.6
Reserves & Surplus	101.0	170.9	200.3	232.3	260.7	340.5	411.9	467.8
<b>Net Worth</b>	<b>106.3</b>	<b>176.8</b>	<b>206.3</b>	<b>238.3</b>	<b>266.7</b>	<b>347.5</b>	<b>419.5</b>	<b>475.4</b>
<b>Deposits</b>	<b>741.3</b>	<b>930.0</b>	<b>1,265.7</b>	<b>1,516.4</b>	<b>1,948.7</b>	<b>2,020.3</b>	<b>2,262.7</b>	<b>2,579.5</b>
Growth (%)	22.5	25.4	36.1	19.8	28.5	3.7	12.0	14.0
<b>of which CASA Dep</b>	<b>253.0</b>	<b>327.2</b>	<b>466.5</b>	<b>667.3</b>	<b>840.7</b>	<b>815.6</b>	<b>898.3</b>	<b>1,037.0</b>
Growth (%)	28.5	29.3	42.5	43.1	26.0	-3.0	10.1	15.4
Borrowings	206.2	221.6	224.5	382.9	473.2	607.5	571.5	606.1
Other Liabilities & Prov.	63.9	72.1	89.8	78.6	89.4	97.0	108.6	127.1
<b>Total Liabilities</b>	<b>1,117.9</b>	<b>1,400.6</b>	<b>1,786.5</b>	<b>2,216.3</b>	<b>2,778.2</b>	<b>3,072.3</b>	<b>3,362.4</b>	<b>3,788.1</b>
Current Assets	107.8	101.1	186.3	132.2	147.8	160.5	158.7	175.2
<b>Investments</b>	<b>228.8</b>	<b>312.1</b>	<b>367.0</b>	<b>500.8</b>	<b>592.7</b>	<b>599.4</b>	<b>749.2</b>	<b>869.1</b>
Growth (%)	6.1	36.4	17.6	36.4	18.4	1.1	25.0	16.0
<b>Loans</b>	<b>687.9</b>	<b>884.2</b>	<b>1,130.8</b>	<b>1,449.5</b>	<b>1,863.9</b>	<b>2,067.8</b>	<b>2,191.9</b>	<b>2,476.8</b>
Growth (%)	24.8	28.5	27.9	28.2	28.6	10.9	6.0	13.0
Fixed Assets	11.6	12.6	13.4	13.4	17.1	18.7	22.4	25.1
<b>Total Assets</b>	<b>1,117.9</b>	<b>1,400.6</b>	<b>1,786.5</b>	<b>2,216.3</b>	<b>2,778.2</b>	<b>3,072.3</b>	<b>3,362.4</b>	<b>3,788.1</b>
<b>Asset Quality</b>								
GNPA	5.6	7.8	10.5	17.0	39.5	51.5	74.9	93.4
NNPA	2.1	3.2	4.4	7.5	22.5	18.9	24.7	27.0
GNPA Ratio	0.8	0.9	0.9	1.2	2.1	2.5	3.3	3.7
NNPA Ratio	0.3	0.4	0.4	0.5	1.2	0.9	1.1	1.1
Slippage Ratio	1.43	1.08	1.42	2.58	3.25	2.97	4.00	3.20
Credit Cost	0.55	0.64	0.70	0.70	1.64	2.37	2.45	1.80
PCR (Excl. Tech. write off)	62.6	58.6	58.4	56.3	43.0	63.3	67.1	71.1

## Financials and valuations

### Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield-Earning Assets</b>	<b>10.4</b>	<b>10.0</b>	<b>9.7</b>	<b>9.2</b>	<b>9.5</b>	<b>10.6</b>	<b>10.0</b>	<b>9.7</b>
Avg. Yield on loans	12.5	11.8	11.4	10.6	11.0	12.2	11.5	11.3
Avg. Yield on Investments	7.5	7.2	7.2	6.6	7.3	7.1	6.8	7.2
<b>Avg. Cost-Int. Bear. Liabilities</b>	<b>7.4</b>	<b>6.7</b>	<b>6.3</b>	<b>5.8</b>	<b>6.2</b>	<b>6.6</b>	<b>6.1</b>	<b>5.9</b>
Avg. Cost of Deposits	7.7	6.8	6.3	5.8	6.1	5.9	5.7	5.6
<b>Interest Spread</b>	<b>2.7</b>	<b>3.1</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>4.7</b>	<b>4.3</b>	<b>4.1</b>
<b>Net Interest Margin</b>	<b>3.9</b>	<b>4.0</b>	<b>4.2</b>	<b>4.2</b>	<b>4.0</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>

### Capitalization Ratios (%)

CAR	12.1	15.5	15.3	15.0	14.2	15.0	15.2	14.3
Tier I	11.2	14.9	14.7	14.6	13.7	14.6	14.8	14.0
Tier II	0.9	0.6	0.6	0.5	0.5	0.5	0.4	0.4

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	92.8	95.1	89.3	95.6	95.7	102.4	96.9	96.0
CASA Ratio	34.1	35.2	36.9	44.0	43.1	40.4	39.7	40.2
Cost/Assets	2.6	2.6	2.7	2.5	2.3	2.7	2.5	2.5
Cost/Total Income	48.1	47.0	46.74	45.7	44.2	43.0	42.8	42.7
Cost/Core Income	49.0	47.9	48.0	47.1	44.5	43.4	43.2	43.0
Int. Expense/Int. Income	64.7	61.0	57.9	56.6	60.3	58.1	56.2	55.0
Fee Income/Total Income	40.8	40.2	38.1	35.8	38.2	35.8	34.3	35.0
Non Int. Inc./Total Income	42.7	42.2	40.8	38.8	39.0	36.6	35.1	35.8
Emp. Cost/Total Expense	34.2	33.7	31.8	31.8	28.9	34.5	35.9	35.7
Investment/Deposit Ratio	30.9	33.6	29.0	33.0	30.4	29.7	33.1	33.7

### Profitability Ratios and Valuations

RoE	19.0	16.6	15.3	16.5	13.2	14.7	12.0	14.4
RoA	1.8	1.8	1.8	1.8	1.3	1.5	1.4	1.8
RoRWA	2.0	2.0	2.0	2.1	1.5	1.7	1.6	1.9
Book Value (INR)	197.0	293.9	341.7	393.9	439.8	498.4	552.3	626.2
Growth (%)	17.3	49.2	16.3	15.3	11.7	13.3	10.8	13.4
<b>Price-BV (x)</b>	<b>2.7</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.8</b>
Adjusted BV (INR)	194.2	290.1	336.6	385.2	413.7	479.4	529.4	601.2
<b>Price-ABV (x)</b>	<b>2.7</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>
EPS (INR)	34.0	40.7	48.1	60.2	54.9	68.8	62.7	84.4
Growth (%)	26.6	19.6	18.2	25.2	-8.8	25.3	-8.8	34.6
<b>Price-Earnings (x)</b>	<b>15.5</b>	<b>13.0</b>	<b>11.0</b>	<b>8.8</b>	<b>9.6</b>	<b>7.7</b>	<b>8.4</b>	<b>6.2</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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