

# IndusInd Bank

Estimate change

TP change

Rating change



Bloomberg	IIB IN
Equity Shares (m)	600
M.Cap.(INRb)/(USDb)	443 / 6
52-Week Range (INR)	1596 / 236
1, 6, 12 Rel. Per (%)	7/8/-54
12M Avg Val (INR M)	11171

## Financials & Valuations (INR b)

Y/E MARCH	FY20	FY21E	FY22E
NII	120.6	134.3	152.0
OP	107.7	115.2	127.9
NP	44.2	24.7	52.3
NIM (%)	4.6	4.7	4.7
EPS (INR)	68.2	34.0	69.1
EPS Gr. (%)	24.2	-50.1	103.2
BV/Sh. (INR)	497.9	524.1	582.7
ABV/Sh. (INR)	478.2	508.7	560.4

## Ratios

RoE (%)	14.5	6.7	12.5
RoA (%)	1.5	0.8	1.4

## Valuations

P/E (X)	8.6	17.2	8.5
P/BV (X)	1.2	1.1	1.0
P/ABV (X)	1.2	1.2	1.0

## Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	13.5	13.3	13.0
DII	15.8	13.4	15.6
FII	55.9	56.5	56.6
Others	14.9	16.9	14.8

FII Includes depository receipts

**CMP: INR586**
**TP: INR720 (+23%)**
**Buy**

## Collection efficiency improves to ~95%; Liability franchise gaining traction

### PCR improves sharply to 77%

- IndusInd Bank (IIB) reported a stable 2QFY21 even as the bank continued to make higher provisions. Fee income picked up sequentially while margins were impacted due to excess liquidity. Loan growth was muted while the traction in garnering deposits stood strong. PCR improved sharply to 76.7%. The bank increased COVID-19 provisioning buffer to INR21.5b. IIB reported collection efficiency of ~95% for Sep'20. The bank has guided for a restructuring book of low single digits.
- We increase our estimates slightly factoring in the higher NII and moderation in opex. **Maintain Buy.**

### Asset quality stable; Deposits grew 8% QoQ

- IIB reported PAT of INR6.6b (-53% YoY/+30% QoQ) as provisions stood elevated at INR19.6b. This was due to the bank making additional COVID related provision of INR9.5b. Thus, total COVID provisions stood at INR21.5b (1.1% of loans). NII grew 13% YoY to INR32.8b even as margins declined 12bp QoQ to 4.16%, impacted by excess liquidity on the balance sheet. **Over 1HFY21**, NII/PPoP grew by 2%/11% while PAT declined 59% YoY to INR11.7b vs INR28.3b over 1HFY20.
- Fee income picked up sequentially and grew 56% QoQ (28% YoY decline) while opex grew 4% QoQ. This enabled PPoP growth of 9% YoY to INR28.5b. C/I ratio stood at 41.0% v/s 39.4% in 1QFY21.
- Advances growth remained muted at 2.1% YoY (+1.6% QoQ); within this, the wholesale book declined 5% YoY (+1.7% QoQ) while the non-wholesale book grew 8% YoY (+1.5% QoQ). Within Consumer Finance, tractor financing grew 17% QoQ while business banking grew 6% QoQ. The MFI book declined 5% QoQ. Retail – the wholesale mix stands at 58:42.
- Deposits traction remained strong at 7.9% QoQ (+10% YoY) to INR2.3t. CASA ratio improved to 40.3% (v/s 40.0% in 1QFY21) with CA/SA deposits growing 9% QoQ. Term deposits increased 7% QoQ.
- Fresh slippages were lower at INR4b (INR6.2b if not for the SC order) aided by the Supreme Court order resulting in 11%/38% QoQ decline in GNPA/NNPA. Thus, GNPA/NNPA ratio improved 32bp/34bp QoQ to 2.2%/0.5%. PCR improved by 1,000bp QoQ to 76.6%. If not for the SC order, GNPA/NNPA would have been at 2.32%/0.61%.
- **Collection Efficiency:** Collection efficiency for the overall bank stood at 94.7% (~95.7% as on current date). Vehicle book had collection efficiency of 94.3% while for the MFI book, it stood at 93% for Sep'20.

### Highlights from management commentary

- Total SMA-1/2 stood at 33bp; SMA-2 was just 10bp.
- **Restructuring:** Two real estate exposure of INR5b is likely to avail restructuring. Hotels, Institutions and luxury buses may also see some restructuring. Overall, restructuring is expected to be in low single digits.

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**Valuation and view**

We expect loan growth to remain muted over FY21, led by weak environment and cautious approach by the management in building its book. Deposit traction remained strong while margins are likely to remain in a narrow range (slight improvement from reduction in cost of funds and decline in excess liquidity). IIB reported overall collection efficiency of 94.7% while for MFI, it stands at ~93%. The bank has guided for a restructuring book of low single digits. The bank has shored up its PCR to ~77% and carries total COVID related provisions of INR21.5b (1.1% of loans). We, nevertheless, estimate credit cost to remain elevated at 3.7% for FY21E. However, strong profitability would still enable IIB to deliver FY22E RoA/RoE of 1.4%/12.5%. **Maintain Buy** with TP of INR720 (1.2x Sep'22E ABV).

**Quarterly performance****(INRm)**

	FY20					FY21E			FY20	FY21E	FY21E V/S our	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	Est	
Net Interest Income	28,440	29,094	30,742	32,312	33,092	32,780	33,567	34,830	120,587	134,269	31,946	3%
% Change (YoY)	34.0	32.0	34.4	44.7	16.4	12.7	9.2	7.8	36.3	11.3	9.8	
Other Income	16,633	17,272	17,900	17,722	15,204	15,543	16,471	16,746	69,527	63,965	15,505	0%
Total Income	45,072	46,365	48,642	50,034	48,296	48,323	50,038	51,576	190,114	198,233	47,450	2%
Operating Expenses	19,163	20,131	21,065	21,467	19,019	19,803	21,507	22,676	82,373	83,005	20,719	-4%
Operating Profit	25,910	26,234	27,577	28,567	29,277	28,520	28,531	28,900	107,741	115,228	26,732	7%
% Change (YoY)	35.6	31.7	30.3	38.2	13.0	8.7	3.5	1.2	33.2	6.9	1.9	
Provisions	4,306	7,377	10,435	24,403	22,589	19,644	20,155	19,876	46,521	82,264	19,625	0%
Profit before Tax	21,603	18,857	17,143	4,164	6,689	8,875	8,376	9,024	61,220	32,964	7,107	25%
Tax	7,278	4,848	4,050	1,012	1,585	2,245	2,111	2,366	17,027	8,307	1,791	25%
Net Profit	14,325	14,010	13,092	3,152	5,103	6,631	6,265	6,658	44,193	24,657	5,316	25%
% Change (YoY)	38.3	52.2	32.9	-12.5	-64.4	-52.7	-52.1	111.2	33.9	-44.2	-62.1	
Operating Parameters												
Deposit Growth (%)	26.3	23.2	23.3	3.7	5.3	10.0	11.1	24.0	3.7	24.0	10.3	-28
Loan Growth (%)	28.4	20.8	19.8	10.9	2.4	2.1	0.4	5.0	10.9	5.0	1.6	51
Deposit (INR b)	2,006	2,072	2,167	2,020	2,113	2,279	2,408	2,505	2,020	2,505	2,285	0%
Loan (INR b)	1,935	1,971	2,074	2,068	1,981	2,012	2,083	2,171	2,068	2,171	2,002	1%
Asset Quality												
Gross NPA (%)	2.2	2.2	2.2	2.5	2.5	2.2	2.5	3.0	2.5	3.0	2.8	-63
Net NPA (%)	1.2	1.1	1.1	0.9	0.9	0.5	0.7	0.7	0.9	0.7	0.8	-27
PCR (%)	43.3	49.6	52.5	63.3	66.6	76.7	71.5	76.2	63.3	76.2	72.0	470

E:MOFSL Estimates

## Quarterly snapshot

INR m	FY19				FY20				FY20		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
<b>Profit and Loss</b>												
<b>Interest Income</b>	<b>50.7</b>	<b>54.4</b>	<b>57.6</b>	<b>59.9</b>	<b>69.6</b>	<b>71.5</b>	<b>72.8</b>	<b>73.9</b>	<b>71.6</b>	<b>71.8</b>	<b>0</b>	<b>0</b>
Loans	41.5	44.5	47.6	48.9	57.5	59.5	60.8	62.2	60.7	59.9	1	-1
Investment	8.6	9.2	9.2	9.8	10.7	10.8	11.1	10.3	10.0	9.5	-11	-5
<b>Interest Expenses</b>	<b>29.5</b>	<b>32.3</b>	<b>34.8</b>	<b>37.6</b>	<b>41.2</b>	<b>42.4</b>	<b>42.1</b>	<b>41.6</b>	<b>38.5</b>	<b>39.0</b>	<b>-8</b>	<b>1</b>
<b>Net Interest Income</b>	<b>21.2</b>	<b>22.0</b>	<b>22.9</b>	<b>22.3</b>	<b>28.4</b>	<b>29.1</b>	<b>30.7</b>	<b>32.3</b>	<b>33.1</b>	<b>32.8</b>	<b>13</b>	<b>-1</b>
Other Income	13.0	13.2	14.7	15.6	16.6	17.3	17.9	17.7	15.2	15.5	-10	2
Trading profits	1.4	1.0	2.0	1.4	2.4	2.6	2.8	3.8	8.4	4.9	90	-41
Others (Ex non core)	11.6	12.2	12.7	14.2	14.2	14.7	15.1	13.9	6.8	10.6	-28	56
<b>Total Income</b>	<b>34.2</b>	<b>35.2</b>	<b>37.6</b>	<b>37.9</b>	<b>45.1</b>	<b>46.4</b>	<b>48.6</b>	<b>50.0</b>	<b>48.3</b>	<b>48.3</b>	<b>4</b>	<b>0</b>
Operating Expenses	15.1	15.3	16.4	17.2	19.2	20.1	21.1	21.5	19.0	19.8	-2	4
Employee	4.6	4.6	4.5	4.8	6.5	7.2	7.4	7.2	7.4	7.2	1	-2
Others	10.5	10.7	11.9	12.4	12.7	13.0	13.7	14.3	11.6	12.6	-3	8
<b>Operating Profits</b>	<b>19.1</b>	<b>19.9</b>	<b>21.2</b>	<b>20.7</b>	<b>25.9</b>	<b>26.2</b>	<b>27.6</b>	<b>28.6</b>	<b>29.3</b>	<b>28.5</b>	<b>9</b>	<b>-3</b>
<b>Core Operating Profits</b>	<b>17.7</b>	<b>18.9</b>	<b>19.1</b>	<b>19.3</b>	<b>23.5</b>	<b>23.6</b>	<b>24.7</b>	<b>24.7</b>	<b>20.9</b>	<b>23.6</b>	<b>0</b>	<b>13</b>
Provisions	3.5	5.9	6.1	15.6	4.3	7.4	10.4	24.4	22.6	19.6	166	-13
<b>PBT</b>	<b>15.6</b>	<b>14.0</b>	<b>15.1</b>	<b>5.1</b>	<b>21.6</b>	<b>18.9</b>	<b>17.1</b>	<b>4.2</b>	<b>6.7</b>	<b>8.9</b>	<b>-53</b>	<b>33</b>
Taxes	5.3	4.8	5.3	1.5	7.3	4.8	4.1	1.0	1.6	2.2	-54	42
<b>PAT</b>	<b>10.4</b>	<b>9.2</b>	<b>9.9</b>	<b>3.6</b>	<b>14.3</b>	<b>14.0</b>	<b>13.1</b>	<b>3.2</b>	<b>5.1</b>	<b>6.6</b>	<b>-53</b>	<b>30</b>
<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	2,012	2	2
Investments	527	501	537	593	607	635	605	599	596	630	-1	6
Deposits	1,589	1,682	1,757	1,949	2,006	2,072	2,167	2,020	2,113	2,279	10	8
CASA Deposits	690	734	765	841	865	858	919	816	845	918	7	9
of which Savings	477	511	500	545	577	581	649	531	525	571	-2	9
Current	213	223	265	296	289	277	270	284	319	348	25	9
Borrowings	370	428	445	473	498	446	468	608	592	524	18	-12
Total Assets	2,289	2,483	2,562	2,778	2,930	2,949	3,079	3,072	3,179	3,320	13	4
Risk Weighted Assets	1,820	1,940	2,019	2,145	2,311	2,372	2,459	2,586	2,617	2,617	10	0
<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	45.3	4	-11
NNPA	7.6	7.9	10.3	22.5	23.8	22.0	21.7	18.9	17.0	10.6	-52	-38
<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	2.2	2	-32
NNPA	0.5	0.5	0.6	1.2	1.2	1.1	1.1	0.9	0.9	0.5	-60	-34
PCR (Cal.)	56.2	55.8	47.7	43.0	43.3	49.6	52.5	63.3	66.6	76.7	2,710	1,011
<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	22.0	-970	783
Cost to Core Income	46.0	44.7	46.1	47.2	44.9	46.0	46.0	46.5	47.6	45.6	-35	-201
Tax Rate	33.7	34.4	34.8	29.0	33.7	25.7	23.6	24.3	23.7	25.3	-42	159
CASA (Reported)	43.4	43.6	43.6	43.1	43.1	41.4	42.4	40.4	40.0	40.3	-113	32
Loan/Deposit	94.8	97.0	98.6	95.7	96.5	95.1	95.7	102.4	93.8	88.3	-682	-544
CAR	14.7	14.3	14.2	14.2	14.9	14.7	13.9	15.0	15.2	16.6	185	139
Tier I	14.3	13.9	13.8	13.7	14.5	14.3	13.5	14.6	14.5	15.8	156	134
<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	12.0	-7	12
Yield On Investments	6.7	7.1	7.1	6.9	7.1	6.9	7.1	6.8	6.7	6.2	-71	-49
Yield on funds	9.4	9.5	9.6	9.5	10.0	10.0	9.9	9.8	9.4	9.1	-90	-28
Cost of deposits	6.2	6.5	6.7	6.8	6.9	6.7	6.5	6.1	5.7	5.6	-112	-15
Cost of funds	5.4	5.6	5.8	5.9	5.9	5.9	5.7	5.5	5.1	4.9	-96	-16
Spreads	3.9	3.8	3.8	3.6	4.1	4.1	4.2	4.3	4.3	4.2	6	-12
Margins	3.9	3.8	3.8	3.6	4.1	4.1	4.2	4.3	4.3	4.2	6	-12
RoA	1.9	1.6	1.6	0.6	2.1	2.0	1.8	0.4	0.7	0.9	-113	16
RoE	17.3	14.9	15.4	5.5	18.5	17.3	15.6	3.7	5.9	7.1	-1,014	126



## Highlights of management commentary

### Operating Performance

- Retail fee income is showing revival trends. In the near term, the bank expects retail business to be a key driver.
- **Margins:** There was an impact of 10bp due to excess liquidity. Overall, NIMs are expected to remain range-bound between 4.15-4.25%. Pickup in asset growth over 2HFY21 will also likely aid margins.
- The bank disbursed INR16b under the Credit Guarantee Scheme.
- **Fee income:** Insurance business is seeing faster revival, and thus, fee contribution from this business will continue to improve. Retail fees will be a key driver.

### Balance sheet and P&L related

- The bank garnered record high retail deposits in a single quarter (2QFY21). The bank would likely go for a rate cut from 3QFY21.
- ~90% of the CASA and retail FD is sourced through digital channels.
- Cost of funds has declined sharply despite offering higher rates. Further, borrowing through SIDBI and NABARD remains very cheap and provides long-term stable funds.
- The bank is increasing focus toward NRI deposits. Total liabilities from the NRI business is ~INR210b with ~INR40b sourced during 2QFY21.
- The bank is currently carrying an excess liquidity of ~INR400b.
- The bank is further increasing focus on the merchant acquiring business.
- The Credit Guarantee Scheme has been a big boost in the revival of MSMEs.
- **Loan mix target:** Retail – Corporate expected at 60%: 40%.
- **Telecom exposure:** The bank has funded exposure of INR10b and non-funded exposure of INR24b toward Vodafone. It has some exposure toward Jio and Bharti as well.
- Asset growth is likely to pick up from 2HFY21.

### Key business segments

#### MFI business

- MFI business is likely to reflect cyclical recovery over 2HFY21.
- **Collection efficiency stands at ~93%.**
- Disbursements have reached to ~85% of the pre-COVID levels, which got impacted due to localized lockdowns in couple of states.
- The bank has built higher COVID related provisions for this portfolio.

#### Vehicle

- Tractors, 2W, Cars, LCVs and CE are showing faster revival and are back to pre-COVID levels. On the CV business front, LCVs are shaping up well with the bank gaining market share. However, MH&CVs are still facing some challenges. However, recovery trends were better in Sep'20 v/s earlier months.
- Overall, collection efficiency in the vehicle portfolio stood at 94.3%.

**Other retail assets**

- Collections in secured assets are close to mid-90% levels (~95%) while collections in the unsecured assets (such as credit cards and personal loans) are still at lower levels.
- Overall, collection trends remain at ~90% in other retail assets.

**Large corporate portfolio**

- The focus remains toward-high rated and short-tenor working capital loans.
- Collection efficiency stands at ~100% in the corporate portfolio.

**Gems and Jewelry portfolio**

- The bank has nil delinquencies in this portfolio. The exposure toward domestic jewelers is very small.

**Asset Quality**

- **Overall collection efficiency stood at 94.7% as at Sep'20. This has further improved to 95.5-96% in Oct'20.**
- Total SMA-1/2 stands at 33bp with SMA-2 being just 10bp.
- **RBI penalty:** It is largely related to procedural and interpretation issues between the bank and the RBI. The same was not related to governance issues.
- **Restructuring:** Two real estate exposure of INR5b is likely to avail restructuring. Hotels, institutions and luxury buses may also see some restructuring. Overall, expect restructuring to be in low single digits.
- PCR is likely to remain above 70% levels.

**Key Exhibits****Exhibit 1: GNPA's in CFD declined to 1.36%**

Segmental GNPA	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
CV	0.9	1.1	1.2	1.3	1.4	1.7	1.9	2.2	1.8
Utility	1.3	1.3	1.3	1.2	1.2	1.1	1.0	1.2	1.2
CE	0.7	0.8	0.7	0.8	1.0	1.0	1.1	1.1	0.9
3W	1.3	1.3	1.4	1.4	1.7	1.7	1.8	1.8	1.8
2W	3.9	3.6	3.8	3.6	3.2	2.9	3.1	2.6	3.8
Cars	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8	0.9
LAP/HL/PL	0.6	0.4	0.4	1.0	1.0	1.1	0.9	0.5	0.4
Cards	1.8	1.9	1.9	2.2	2.4	2.6	1.9	0.8	0.6
BBG / LAP	NA	NA	NA	1.4	1.3	1.0	1.2	1.2	0.9
MFI	NA	NA	NA	0.6	0.9	1.1	1.5	1.6	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>1.4</b>

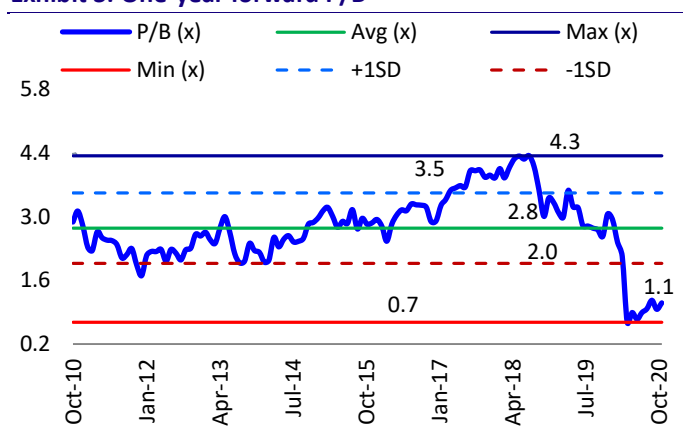
**Exhibit 2: Fees declined 28% YoY; however, it grew 56% YoY**

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	YoY	QoQ
<b>Fee based Income</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>10,610</b>	<b>-28%</b>	<b>56%</b>
Trade Fees (LC, BG, Remittances)	1,510	1,550	1,890	1,640	1,820	1,850	1,890	1,160	1,520	-16%	31%
Processing Fees and other charges	2,600	2,760	3,280	3,370	3,600	3,880	3,560	990	2,120	-41%	114%
Fx Clients	2,230	2,750	2,890	2,500	2,770	2,410	2,480	1,550	2,280	-18%	47%
Third Party Distribution fees	2,800	2,680	3,020	3,020	3,220	3,470	3,670	1,740	3,230	0%	86%
Investment banking fees	2,130	2,010	2,280	2,350	2,010	2,090	1,430	290	230	-89%	-21%
General banking/other income	910	910	830	1,340	1,260	1,360	870	1,090	1,230	-2%	13%

## Valuation view

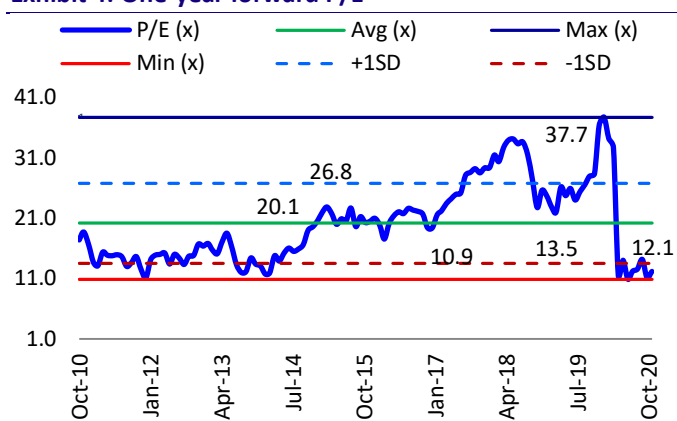
- **Asset quality challenges remain:** The outbreak of COVID-19 could lead to disruption in the vehicle (~29% of total loans), MSME, unsecured and MFI portfolio (~11% of total loans), which could keep slippages elevated. Although collection efficiency has improved to 94.7%, we estimate credit cost to remain elevated at 3.7% for FY21E.
- IIB has moderated its loan growth trends and guided for growth to pick up over 2HFY21. Thus, we estimate loan growth CAGR at 13% over FY20-FY23E.
- **Margins to remain stable:** Though the bank witnessed some decline in margins, the bank expects reduction in cost of deposits coupled with deployment of excess liquidity to support margins. Further, the bank has higher proportion of fixed rate loan book, and thus, margin trajectory is expected to remain stable.
- **Buy with a target price of INR720:** We expect loan growth to remain muted over FY21, led by a weak environment and cautious approach by the management in building its book. Deposit traction remains strong while margins are likely to remain in a narrow range (slight improvement from reduction in cost of funds and decline in excess liquidity). IIB reported an overall collection efficiency of 94.7% while for MFI it stands at ~93%. It has guided for a restructuring book of low single digits. The bank has shored up its PCR to ~77% and carries total COVID related provisions of INR21.5b (1.1% of loans). We, nevertheless, estimate credit cost to remain elevated at 3.7% for FY21E. However, strong profitability would still enable IIB to deliver FY22E RoA/RoE of 1.4%/12.5%. **Maintain Buy** with TP of INR720 (1.2x Sep'22e ABV).

Exhibit 3: One-year forward P/B



Source: MOFSL, Company

Exhibit 4: One-year forward P/E

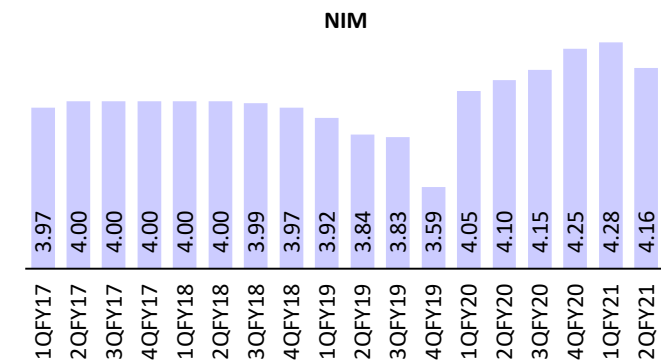


Source: MOFSL, Company



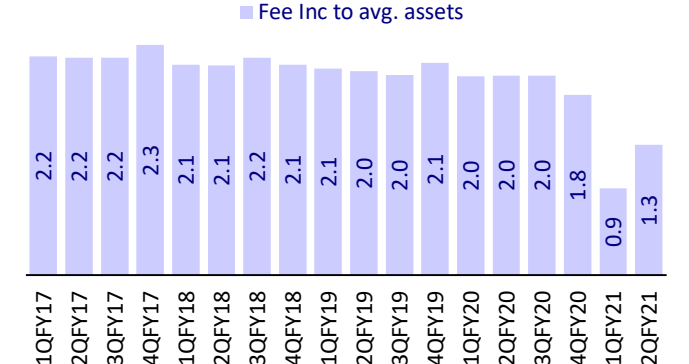
## Story in Charts

**Exhibit 5: NIMs declined by 12bp to 4.16%**



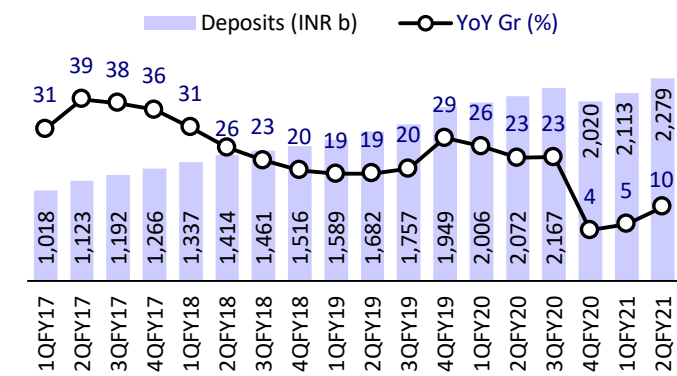
Source: MOFSL, Company

**Exhibit 6: Fee income to average assets improved to 1.3%**



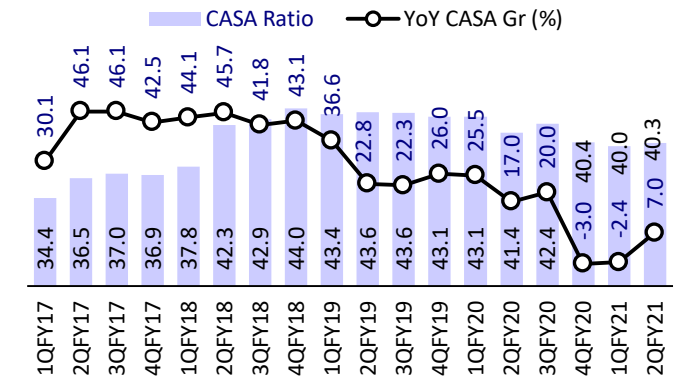
Source: MOFSL, Company

**Exhibit 7: Deposit growth came in at ~10% YoY**



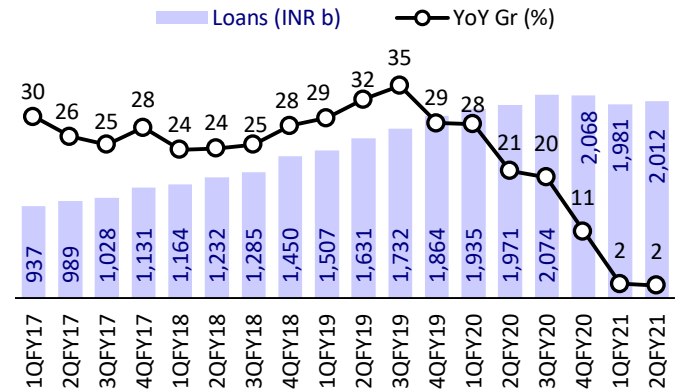
Source: MOFSL, Company

**Exhibit 8: CASA grew 7% YoY**



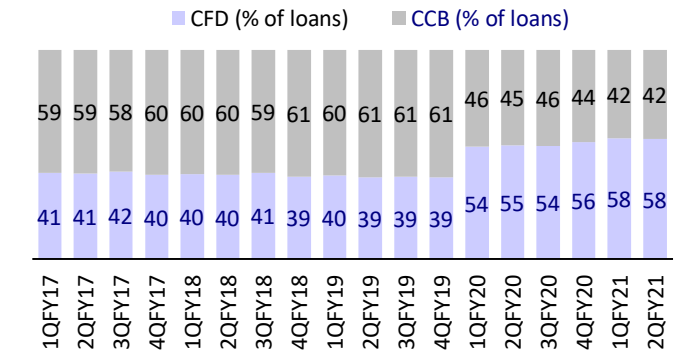
Source: MOFSL, Company

**Exhibit 9: Loan growth remains muted at ~2% YoY**

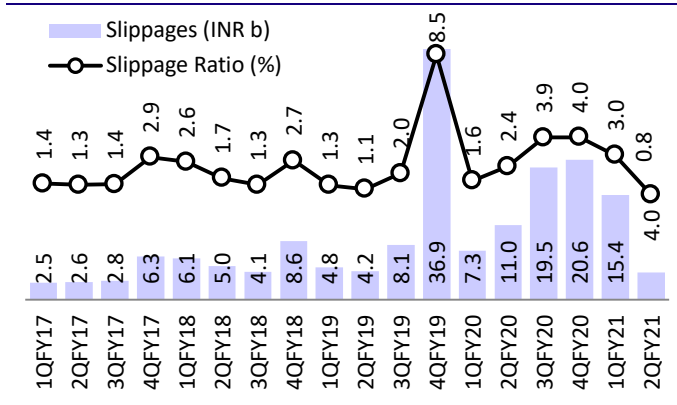


Source: MOFSL, Company

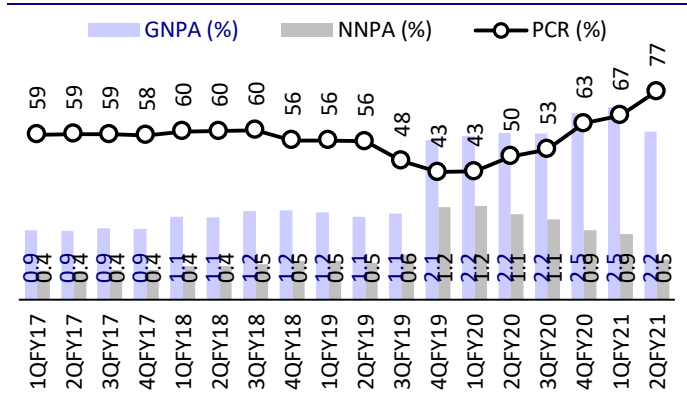
**Exhibit 10: CFD mix stands at 58% as the bank reclassified BBG and MFI in CFD post 1QFY20**



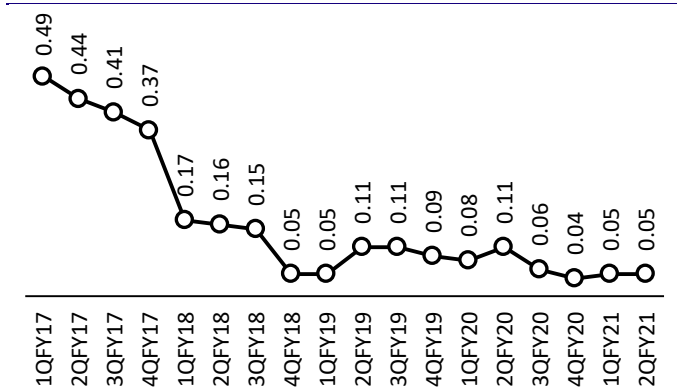
Source: MOFSL, Company

**Exhibit 11: Annualized slippage rate moderated aided by SC order**

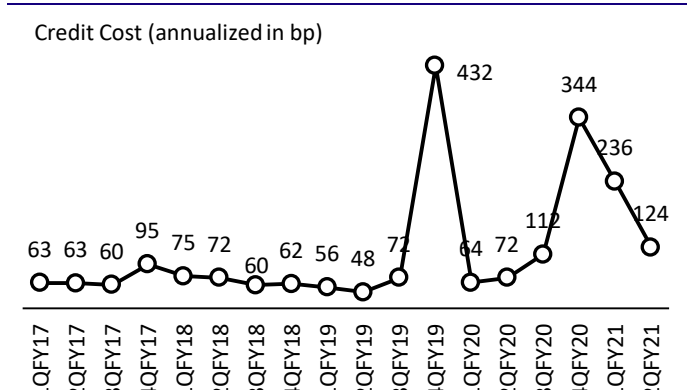
Source: MOFSL, Company

**Exhibit 12: GNPA/NNPA declined while PCR improved sharply to 77% (+1,000bp QoQ)**

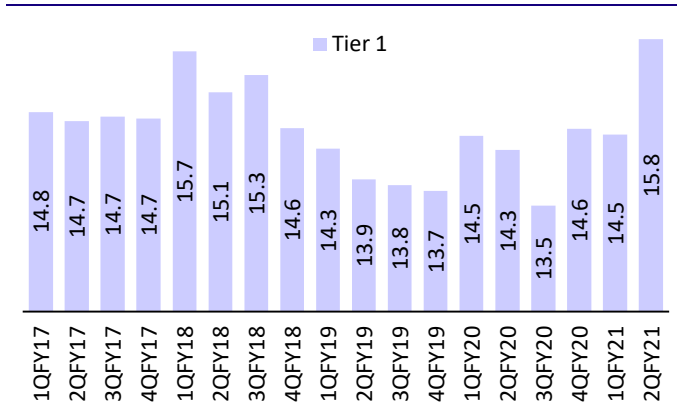
Source: MOFSL, Company

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

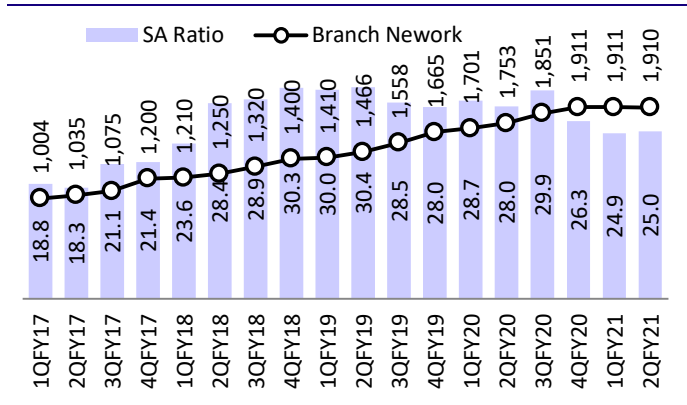
Source: MOFSL, Company

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

Source: MOFSL, Company

**Exhibit 15: Tier-1 capital increased to 15.8% aided by preferential issue**

Source: MOFSL, Company

**Exhibit 16: Bank branches stood at 1,910**

Source: MOFSL, Company



**Exhibit 17: DuPont Analysis – Return ratios to show steady improvement post FY21**

<b>Y/E March</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Interest Income	9.20	9.04	8.63	8.91	9.84	9.38	8.99	8.57
Interest Expense	5.61	5.24	4.89	5.37	5.72	5.26	4.97	4.77
<b>Net Interest Income</b>	<b>3.59</b>	<b>3.80</b>	<b>3.75</b>	<b>3.54</b>	<b>4.12</b>	<b>4.12</b>	<b>4.02</b>	<b>3.79</b>
Core Fee Income	2.50	2.44	2.19	2.22	2.19	1.76	1.75	1.74
Trading and others	0.12	0.17	0.18	0.05	0.19	0.20	0.19	0.18
<b>Non-Interest income</b>	<b>2.62</b>	<b>2.62</b>	<b>2.37</b>	<b>2.26</b>	<b>2.38</b>	<b>1.96</b>	<b>1.95</b>	<b>1.92</b>
<b>Total Income</b>	<b>6.21</b>	<b>6.42</b>	<b>6.12</b>	<b>5.80</b>	<b>6.50</b>	<b>6.08</b>	<b>5.97</b>	<b>5.72</b>
<b>Operating Expenses</b>	<b>2.92</b>	<b>3.00</b>	<b>2.79</b>	<b>2.56</b>	<b>2.82</b>	<b>2.54</b>	<b>2.59</b>	<b>2.50</b>
Employee cost	0.98	0.95	0.89	0.74	0.76	0.69	0.67	0.63
Others	1.93	2.05	1.90	1.82	2.06	1.85	1.91	1.87
<b>Operating Profit</b>	<b>3.29</b>	<b>3.42</b>	<b>3.33</b>	<b>3.24</b>	<b>3.68</b>	<b>3.53</b>	<b>3.39</b>	<b>3.21</b>
Core operating Profits	3.17	3.25	3.14	3.19	3.50	3.33	3.19	3.04
<b>Provisions</b>	<b>0.53</b>	<b>0.68</b>	<b>0.59</b>	<b>1.24</b>	<b>1.59</b>	<b>2.52</b>	<b>1.54</b>	<b>1.19</b>
NPA	0.40	0.44	0.45	1.09	1.24	2.40	1.43	1.10
Others	0.14	0.24	0.14	0.16	0.35	0.12	0.11	0.09
<b>PBT</b>	<b>2.76</b>	<b>2.74</b>	<b>2.74</b>	<b>1.99</b>	<b>2.09</b>	<b>1.01</b>	<b>1.85</b>	<b>2.02</b>
Tax	0.94	0.94	0.94	0.67	0.58	0.25	0.47	0.51
<b>RoA</b>	<b>1.82</b>	<b>1.80</b>	<b>1.80</b>	<b>1.32</b>	<b>1.51</b>	<b>0.76</b>	<b>1.38</b>	<b>1.51</b>
Leverage (x)	9.1	8.5	9.1	10.0	9.6	8.8	9.1	9.6
<b>RoE</b>	<b>16.6</b>	<b>15.3</b>	<b>16.5</b>	<b>13.2</b>	<b>14.5</b>	<b>6.7</b>	<b>12.5</b>	<b>14.5</b>

## Financials and Valuations

Income Statement								(INRb)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	115.8	144.1	172.8	222.6	287.8	305.9	339.5	383.5
Interest Expense	70.6	83.4	97.8	134.1	167.2	171.6	187.5	213.7
<b>Net Interest Income</b>	<b>45.2</b>	<b>60.6</b>	<b>75.0</b>	<b>88.5</b>	<b>120.6</b>	<b>134.3</b>	<b>152.0</b>	<b>169.8</b>
Growth (%)	32.1	34.2	23.7	18.0	36.3	11.3	13.2	11.7
Non-Interest Income	33.0	41.7	47.5	56.5	69.5	64.0	73.6	86.1
<b>Total Income</b>	<b>78.1</b>	<b>102.3</b>	<b>122.5</b>	<b>144.9</b>	<b>190.1</b>	<b>198.2</b>	<b>225.6</b>	<b>255.8</b>
Growth (%)	30.9	31.0	19.7	18.3	31.2	4.3	13.8	13.4
Operating Expenses	36.7	47.8	55.9	64.0	82.4	83.0	97.7	111.9
<b>Pre Provision Profits</b>	<b>41.4</b>	<b>54.5</b>	<b>66.6</b>	<b>80.9</b>	<b>107.7</b>	<b>115.2</b>	<b>127.9</b>	<b>143.9</b>
Growth (%)	33.7	31.6	22.1	21.5	33.2	6.9	11.0	12.5
<b>Core PPP</b>	<b>39.9</b>	<b>51.7</b>	<b>62.9</b>	<b>79.7</b>	<b>102.2</b>	<b>108.6</b>	<b>120.6</b>	<b>135.9</b>
Growth (%)	33.8	29.7	21.6	26.7	28.2	6.2	11.0	12.7
Provisions (excl. tax)	6.7	10.9	11.8	31.1	46.5	82.3	58.0	53.3
<b>PBT</b>	<b>34.7</b>	<b>43.6</b>	<b>54.8</b>	<b>49.8</b>	<b>61.2</b>	<b>33.0</b>	<b>69.9</b>	<b>90.6</b>
Tax	11.8	14.9	18.7	16.8	17.0	8.3	17.6	22.8
Tax Rate (%)	34.1	34.2	34.2	33.7	27.8	25.2	25.2	25.2
<b>PAT</b>	<b>22.9</b>	<b>28.7</b>	<b>36.1</b>	<b>33.0</b>	<b>44.2</b>	<b>24.7</b>	<b>52.3</b>	<b>67.8</b>
Growth (%)	27.5	25.4	25.7	-8.5	33.9	-44.2	112.0	29.6
<b>Balance Sheet</b>								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	5.9	6.0	6.0	6.0	6.9	7.6	7.6	7.6
Reserves & Surplus	170.9	200.3	232.3	260.7	340.0	390.6	434.9	493.8
<b>Net Worth</b>	<b>176.8</b>	<b>206.3</b>	<b>238.3</b>	<b>266.7</b>	<b>347.0</b>	<b>398.1</b>	<b>442.4</b>	<b>501.3</b>
<b>Deposits</b>	<b>930.0</b>	<b>1,265.7</b>	<b>1,516.4</b>	<b>1,948.7</b>	<b>2,020.4</b>	<b>2,505.3</b>	<b>3,056.5</b>	<b>3,667.7</b>
Growth (%)	25.4	36.1	19.8	28.5	3.7	24.0	22.0	20.0
<b>of which CASA Dep</b>	<b>327.2</b>	<b>466.5</b>	<b>667.3</b>	<b>840.7</b>	<b>815.7</b>	<b>972.1</b>	<b>1,207.3</b>	<b>1,478.1</b>
Growth (%)	29.3	42.5	43.1	26.0	-3.0	19.2	24.2	22.4
Borrowings	221.6	224.5	382.9	473.2	607.5	444.7	475.3	537.2
Other Liabilities & Prov.	72.1	89.8	78.6	89.4	95.6	107.0	125.2	146.5
<b>Total Liabilities</b>	<b>1,400.6</b>	<b>1,786.5</b>	<b>2,216.3</b>	<b>2,778.2</b>	<b>3,070.6</b>	<b>3,455.2</b>	<b>4,099.4</b>	<b>4,852.8</b>
Current Assets	101.1	186.3	132.2	147.8	160.0	250.8	303.7	319.6
<b>Investments</b>	<b>312.1</b>	<b>367.0</b>	<b>500.8</b>	<b>592.7</b>	<b>599.8</b>	<b>719.8</b>	<b>849.3</b>	<b>1,002.2</b>
Growth (%)	36.4	17.6	36.4	18.4	1.2	20.0	18.0	18.0
<b>Loans</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>2,171.2</b>	<b>2,518.6</b>	<b>2,972.0</b>
Growth (%)	28.5	27.9	28.2	28.6	10.9	5.0	16.0	18.0
Fixed Assets	12.6	13.4	13.4	17.1	18.2	20.0	22.4	25.1
<b>Total Assets</b>	<b>1,400.6</b>	<b>1,786.5</b>	<b>2,216.3</b>	<b>2,778.2</b>	<b>3,070.6</b>	<b>3,455.2</b>	<b>4,099.4</b>	<b>4,852.8</b>
<b>Asset Quality</b>								
GNPA	7.8	10.5	17.0	39.5	51.5	66.9	89.1	117.6
NNPA	3.2	4.4	7.5	22.5	18.9	15.9	23.2	29.0
GNPA Ratio	0.9	0.9	1.2	2.1	2.5	3.0	3.4	3.8
NNPA Ratio	0.4	0.4	0.5	1.2	0.9	0.7	0.9	1.0
Slippage Ratio	1.08	1.42	2.58	3.25	2.97	3.40	2.80	2.50
Credit Cost	0.64	0.70	0.70	1.64	1.85	3.70	2.30	1.80
PCR (Excl. Tech. write off)	58.6	58.4	56.3	43.0	63.3	76.2	74.0	75.3

## Financials and Valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield-Earning Assets</b>	<b>10.0</b>	<b>9.7</b>	<b>9.2</b>	<b>9.5</b>	<b>10.6</b>	<b>10.2</b>	<b>10.0</b>	<b>9.6</b>
Avg. Yield on loans	11.8	11.4	10.6	11.0	12.2	11.9	11.8	11.4
Avg. Yield on Investments	7.2	7.2	6.6	7.3	7.1	6.8	7.2	7.0
<b>Avg. Cost-Int. Bear. Liabilities</b>	<b>6.7</b>	<b>6.3</b>	<b>5.8</b>	<b>6.2</b>	<b>6.6</b>	<b>6.2</b>	<b>5.8</b>	<b>5.5</b>
Avg. Cost of Deposits	6.8	6.3	5.8	6.1	6.5	5.8	5.6	5.4
<b>Interest Spread</b>	<b>3.1</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>4.1</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>
<b>Net Interest Margin</b>	<b>4.0</b>	<b>4.2</b>	<b>4.2</b>	<b>4.0</b>	<b>4.6</b>	<b>4.7</b>	<b>4.7</b>	<b>4.5</b>

### Capitalization Ratios (%)

CAR	15.5	15.3	15.0	14.2	15.0	14.5	13.1	12.1
Tier I	14.9	14.7	14.6	13.7	14.6	14.1	12.7	11.8
Tier II	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	95.1	89.3	95.6	95.7	102.3	86.7	82.4	81.0
CASA Ratio	35.2	36.9	44.0	43.1	40.4	38.8	39.5	40.3
Cost/Assets	2.6	2.7	2.5	2.3	2.7	2.4	2.4	2.3
Cost/Total Income	47.0	46.74	45.7	44.2	43.3	41.9	43.3	43.8
Cost/Core Income	47.9	48.0	47.1	44.5	44.6	43.3	44.8	45.2
Int. Expense/Int. Income	61.0	57.9	56.6	60.3	58.1	56.1	55.2	55.7
Fee Income/Total Income	40.2	38.1	35.8	38.2	33.7	28.9	29.4	30.5
Non Int. Inc./Total Income	42.2	40.8	38.8	39.0	36.6	32.3	32.6	33.6
Emp. Cost/Total Expense	33.7	31.8	31.8	28.9	26.8	27.1	26.1	25.2
Investment/Deposit Ratio	33.6	29.0	33.0	30.4	29.7	28.7	27.8	27.3

### Profitability Ratios and Valuations

RoE	16.6	15.3	16.5	13.2	14.5	6.7	12.5	14.5
RoA	1.8	1.8	1.8	1.3	1.5	0.8	1.4	1.5
RoRWA	2.0	2.0	2.1	1.5	1.7	0.9	1.6	1.7
Book Value (INR)	293.9	341.7	393.9	439.8	497.9	524.1	582.7	660.6
Growth (%)	49.2	16.3	15.3	11.7	13.2	5.3	11.2	13.4
<b>Price-BV (x)</b>	<b>2.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>
Adjusted BV (INR)	290.1	336.6	385.2	413.7	478.2	508.7	560.4	632.8
<b>Price-ABV (x)</b>	<b>2.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>
EPS (INR)	40.7	48.1	60.2	54.9	68.2	34.0	69.1	89.6
Growth (%)	19.6	18.2	25.2	-8.8	24.2	-50.1	103.2	29.6
<b>Price-Earnings (x)</b>	<b>14.4</b>	<b>12.2</b>	<b>9.7</b>	<b>10.7</b>	<b>8.6</b>	<b>17.2</b>	<b>8.5</b>	<b>6.5</b>

NOTES

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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