Equity Research

March 31, 2022

BSE Sensex: 58684

ICICI Securities Limited is the author and distributor of this report

Company update

Banking

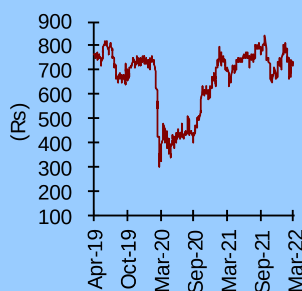
Target price Rs 1,050

Shareholding pattern

	Jun '21	Sep '21	Dec '21
Promoters	11.7	11.6	9.7
Institutional investors	76.8	76.7	77.6
MFs and others	18.7	19.6	22.6
FIs/Banks	0.0	0.0	1.0
Insurance Cos.	4.8	1.9	1.8
FPI	56.3	55.2	52.2
Others	11.5	11.7	12.7

Source: BSE

Price chart



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INDIA

ICICI Securities

Axis Bank

BUY
Maintained

Citibank's consumer business acquisition; accretive, synergistic, at reasonable valuation

Rs750

Axis Bank shells out a purchase consideration of Rs123bn for Citibank's India consumer business to acquire: 1) loan portfolio of Rs274bn (accretion of 4% to its advance base) across credit cards, mortgage, personal & ready credit loans, asset-backed finance and small business banking; 2) 2.5mn credit card customer base (addition of 31% to its base); 3) granular deposit base of Rs502bn, of which 81% is CASA (increase of 7% in its deposit base and 12% to its CASA); 4) AUM of Rs1.1trn across Citi's Wealth & Private Banking products to augment Axis' Burgundy brand.

The implied equity value of Rs158bn (including notional capital allocation of Rs34.5bn) suggests the deal is to be consummated at 18.7x normalised CY20 earnings and 4x book value. Even adjusting for the estimated integration cost of Rs15bn (of which Rs12bn will be paid to Citibank), the deal appears favourable as it gives Axis Bank access to Citibank's huge retail deposit base, affluent and profitable consumer franchise and strategic synergy benefits over the medium term. Maintain BUY with an unchanged target price of Rs1,050. Key risks: in the immediate term, it will not be financially accretive and, also, hit on networth (due to goodwill amortisation) and CET-1 (due to capital allocation) will make equity raise imminent. Also, retention of an acquired credit card and deposit customer base will be key.

What do proforma financials suggest in terms of accretion to earnings?

Citibank's existing India consumer business on normalised basis (adjusting for group overhead cost and covid impact on stress) has potential to generate NII of Rs20.7bn (NIMs of 3.9%), fee income of 3.6% to assets, operating profit of Rs17.5bn and PAT of Rs8.47bn. This would translate to RoA of 1.6% and RoE of 21.7% in CY20. Accretion on acquisition will be to the tune of 6% to Axis' Bank's net revenues and earnings (prior to integration cost).

What is the implied equity value and at what valuation is the deal consummated?

Axis Bank shells out Rs123bn as purchase consideration for Citibank's India consumer business. Also, there will be notional capital requirement of Rs34.5bn assuming 13% CET-1 on the acquired RWA. The implied equity value including the purchase consideration (of Rs123bn) and notional capital requirement (of Rs34.5bn) suggests deal is consummated at 18.7x CY20 earnings and 4x book value.

How should one read the transitory integration cost paid to Citibank?

Axis Bank has indicated integration cost (post tax) expectations of Rs15bn over the next two financial years post closure of the deal. Of this, Rs12bn is to be paid to Citibank for servicing of customers during the transition period. This is done with the strategic intention to effectively retain and create value from the Citibank customer franchise it is acquiring. Ideally, we can structure it as a part of deal value since it is being paid to the seller for smooth transitioning.

Market Cap	Rs2304bn/US$30.4bn
Reuters/Bloomberg	AXBK.BO/AXSB IN
Shares Outstanding (mn)	3,069.7
52-week Range (Rs)	845/636
Free Float (%)	88.4
FII (%)	55.2
Daily Volume (US$'000)	1,13,383
Absolute Return 3m (%)	12.2
Absolute Return 12m (%)	7.9
Sensex Return 3m (%)	1.7
Sensex Return 12m (%)	18.2

Year to Mar	FY21	FY22E	FY23E	FY24E
NII (Rs bn)	292	335	405	492
Net Profit (Rs bn)	77	138	172	219
EPS (Rs)	25.0	44.9	56.3	71.3
% Change YoY	334.1	79.3	25.2	26.8
P/E (x)	25.8	14.4	11.5	9.1
P/BV (x)	1.9	1.8	1.6	1.4
P/ABV (x)	2.1	1.8	1.6	1.4
GNPA (%)	4.0	3.0	2.3	2.1
RoA (%)	0.8	1.3	1.4	1.6
RoE (%)	8.2	12.8	14.4	16.1

How does the deal strategically create and add value to its franchise?

- Proposed transaction will add ~4% to the Axis Bank's advance base, ~7% to deposits, ~12% increase in CASA and 31% addition to credit card base.
- Post the acquisition, Axis Bank will have ~ 28.5mn savings accounts, 0.23mn Burgundy customers and 10.6mn cards (not adjusting for any overlap). Key will be retention of an acquired customer base. It also gets access to relationship managers, Citi's phone banking services, experienced retail team, robust processes and operations.
- Axis Bank will be able to consolidate and gain meaningful share in credit card space with >31% addition in card base of 2.5mn and 17% increase in average card spend. Credit card receivable portfolio will accrete by almost 57% to Rs244bn getting into the top-3 league.
- The acquisition aligns well with Axis Bank's premiumisation strategy as it gives access to a large, affluent and profitable consumer franchise.
- It gets access to a sizable granular deposit base with deep corporate salary relationships (>1,600 Suvidha corporates and 1.2mn retail customers) improving CASA ratio on a proforma basis by couple of percentage points to ~ 47%.
- The acquisition is a natural fit for its wealth management franchise. It will be able to leverage the Burgundy platform to serve an affluent customer base (40k+ affluent wealth customers and 100+ ultra HNI families). It will further strengthen Axis Bank's franchise through 42% addition to overall Burgundy AUM making it third-largest wealth manager by combined AUM.
- It has potential to cross-sell Axis Bank's product offering to Citibank's affluent customer base.

What would be the potential revenue and cost synergies?

- Revenue upside would flow from cross-sell and up-sell of differentiated products to a larger combined customer base and attracting new-to-bank customers with a wider product bouquet.
- Management indicated cost synergies of 30-40% of Citibank's expenses – to be realised over 2 years post deal closing. This would primarily be attributable to the savings from global shared services, global oversight, infra, technology cost, etc.
- The synergy benefits will be partially offset by additional interest outgo as Axis Bank aligns its deposit rates for Citibank customers as well. Axis Bank offers 3% savings rate to its customers with balance <Rs5mn and 3.5% for customers with savings balance of Rs5mn-Rs100mn. On the other hand, Citibank offers 2.5% to all its savings deposit customers. On overall savings deposits of Rs366bn, an additional 50bps would imply additional interest outgo of Rs1.8bn per year.
- Also, 3.6k in-scope consumer employees of Citibank will be absorbed in Axis Bank and there is no intention to save on employee cost.
- Networth will be knocked down at the time of integration of assets and liabilities due to upfront amortisation of goodwill created from purchase premium of Rs123bn. This hit will be equivalent to ~10% of Axis Bank's FY23E book value.

Objective of acquisition is to consolidate its position and gain access to large and affluent customer base

- Axis Bank will be able to consolidate its position amongst the private lenders by incremental accretion to loans, credit cards, wealth management and retail banking operations in India, in line with its growth ambitions.
- Axis Bank's large loanbook would be complemented by Citibank's affluent customer segment, creating product and branch footprint synergies.
- It will gain access to Citibank's large and affluent customer franchise having a bouquet of fee-oriented and profitable segments, that include quality credit card portfolio, affluent wealth management clientele, meaningful deposits with 81% being CASA, along with a strong consumer lending portfolio.
- Citibank's customers will benefit from Axis Bank's augmented scale, larger geographical reach and width of products and offerings.

Acquisition will hit CET-1 by ~230bps; equity raise imminent

Deal will knock down Axis Bank's CET-1 from 15.3% to 13.0% attributable to ~180bps towards purchase premium and ~50bps towards incremental RWA requirement. Inching towards CET-1 threshold of 13%, which generally triggers evaluation of capital raise, will make equity raise imminent over next 3-4 quarters as it integrates balance sheet by FY23-end. Management highlighted that it does not need to raise capital immediately to fund the deal and will raise equity at an appropriate time.

How does it ensure continuity in customer servicing?

- Axis Bank and Citibank together will ensure continuity of superior customer service levels, even post-closing of transaction, across all customer channels.
- Citibank's customers will continue to avail all the rewards, privileges, and offers to which they were previously entitled.
- Further, Citibank's customers will specifically benefit from Axis Bank's wider geographical reach and comprehensive service offerings, along with One Axis capabilities that extend across all its subsidiaries.
- Digital banking and the highly rated Axis Mobile app offering 250+ services will be an added advantage for Citibank customers, having immediate access to view and transact across product categories such as deposits, investments, payments and protection solutions. Moreover, the world-class Citi Phone Banking will ensure service excellence for both Citibank and Axis Bank customers.

Closing is expected to be achieved in Q4FY23, subject to regulatory and/or other customary conditions

Management expects transaction closure in 9-12 months and another 18-24 months for integration into Axis Bank platform. Transfer of Citi India Consumer Business' assets, liabilities, customers, and employees to Axis Bank is expected by Q4FY23 and transfer of all customers, products, data and partner connections to Axis Bank's systems by Sep'24.

Table 1: Deal would strategically create and add value to Axis franchise

Key metrics	Axis Bank	Citibank	Proforma	Growth %
Credit card				
Credit cards ENR (Rs bn)	155	89	244	57%
Market share (%)	*11.80%*	*3.72%*	*15.52%*	
Outstanding cards (mn)	8.1	2.5	10.6	31%
Annual spend per card (Rs 000's)	102	169	119	17%
Deposits				
Deposits (Rs bn)	7,717	502	8,219	7%
CASA deposits (Rs bn)	3,473	407	3,879	12%
CASA deposits (%)	45%	81%	47%	200 bps
Market share (%)	*4.77%*	*0.31%*	*5.08%*	
CA (Rs bn)	1,158	40	1,198	3%
CA (%)	*15%*	*8%*	*15%*	*0 bps*
SA (Rs bn)	2,315	366	2,682	16%
SA (%)	*30%*	*73%*	*32%*	*200 bps*
TD (Rs bn)	4,244	95	4,340	2%
TD (%)	*55%*	*19%*	*53%*	*-200 bps*
Retail banks customers (mn)	27.5	1.2	28.5	4%
Loanbook				
Total advances ENR (Rs bn)	6,649	274	6,923	4%
Market share (%)	*5.73%*	*0.24%*	*5.97%*	
Credit card	155	89	244	57%
Mortgage	1,744	100	491	6%
Asset backed finance		52		
Small business lending	239	11	250	5%
Personal loans and ready credit	419	22	442	5%
No. of customers		3mn unique		
Wealth management				
Wealth management AUM (Rs bn)	26.7	11.1	37.8	42%
Burgundy Private (Rs bn)	*8.1*			
Burgundy (Rs bn)	*18.6*			
Citi pvt bank, Citigold pvt client (Rs bn)		*5.1*		
Citigold, Citi priority & others (Rs bn)		*6.0*		
No. of burgundy customers		40k	230k	

Source: Company data, I-Sec Research

Table 2: Transaction valued at 18.7x on CY20 normalised EPS

Transaction value metrics	Rs bn
Purchase consideration	123.25
Estimated equity requirement (@13% of RWA)	34.50
Implied equity value	**157.75**
Proposed acquisition PAT (CY20)	8.42
Implied P/E (CY20 normalised PAT)	18.7x

Source: Company data, I-Sec Research

Table 3: Standalone Citi proforma financials (adjusting for group overhead cost and covid impact on stress)

	CY20 (Rs mn)
Net interest income	20,860
Oher income	19,590
Net revenue	40,450
Operating expenses	22,980
Pre provision operating profit	17,470
Normalised PAT	**8,420**

Source: Company data

Table 4: Standalone Citi key ratios

	CY20
NII	3.9%
Other Income	3.6%
Cost to assets	4.3%
Return ratios	
RoA	1.6%
RoE	21.7%

Source: Company data

Table 5: Proforma income statement and ratios

Income statement (Rs mn)	Axis (FY21)	Citibank (CY20)	Proforma	Accretion
Net interest income	2,92,391	20,860	3,13,251	7%
Oher income	1,48,382	19,590	1,67,972	13%
Net revenue	4,40,773	40,450	4,81,223	9%
Operating expenses	1,83,752	22,980	2,06,732	13%
Pre provision operating profit	2,57,022	17,470	2,74,492	7%
Normalised PAT	**76,734**	**8,420**	**85,154**	**11%**
Key ratios	**Axis (FY21)**	**Citibank (CY20)**		
NII	3.1%	3.9%		
Other Income	1.6%	3.6%		
Cost to assets	1.9%	4.3%		
Return ratios				
RoA	0.8%	1.6%		
RoE	8.2%	21.7%		

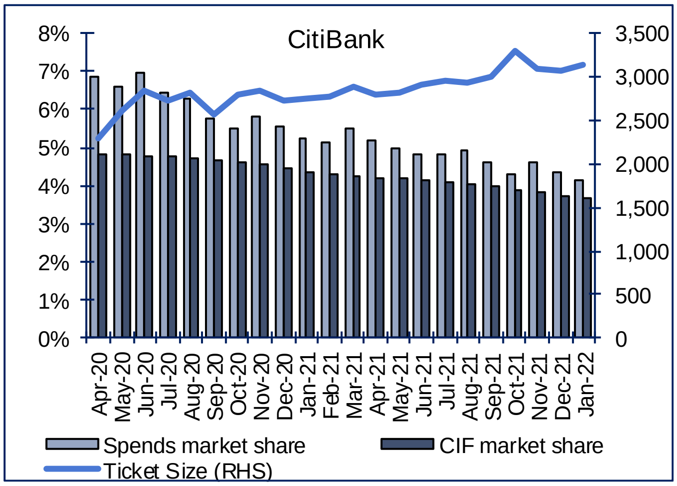
Source: Company data, I-Sec Research

Table 6: Impact on CET-1 (assuming no fund raise) would be ~230bps

	%
Axis bank standalone	**15.3%**
Intangibles and transaction costs written-off	*-1.8%*
Increase in asset base	*-0.5%*
Combined (proforma)	**13.0%**

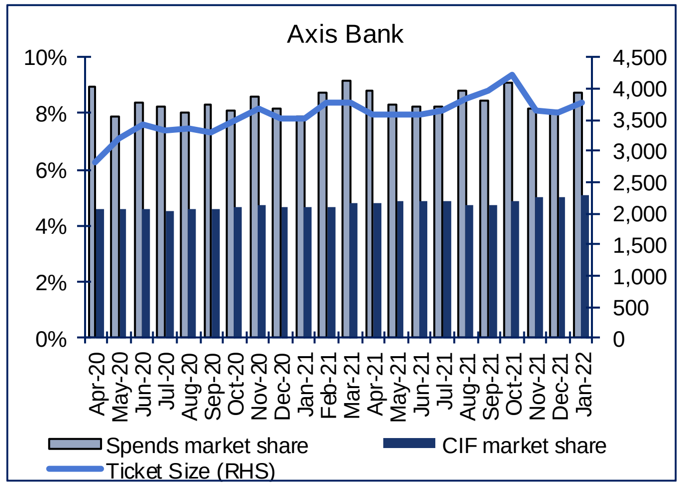
Source: Company data, I-Sec Research

Chart 1: Citi commands 4% spends market share and 3.6% cards in force share



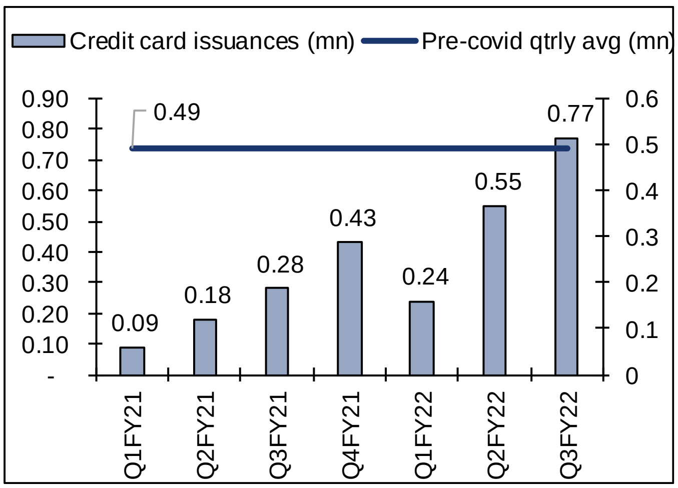
Source: RBI

Chart 2: Axis Bank enjoys 9% spends share and 12% cards in force share



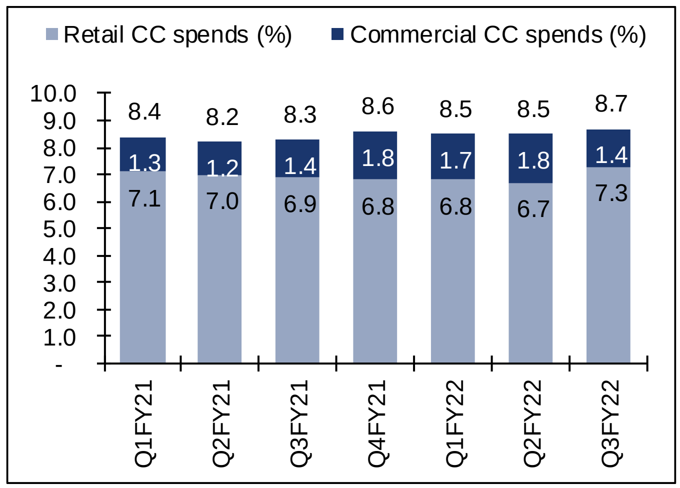
Source: RBI

Chart 3: Axis Bank credit card issuance



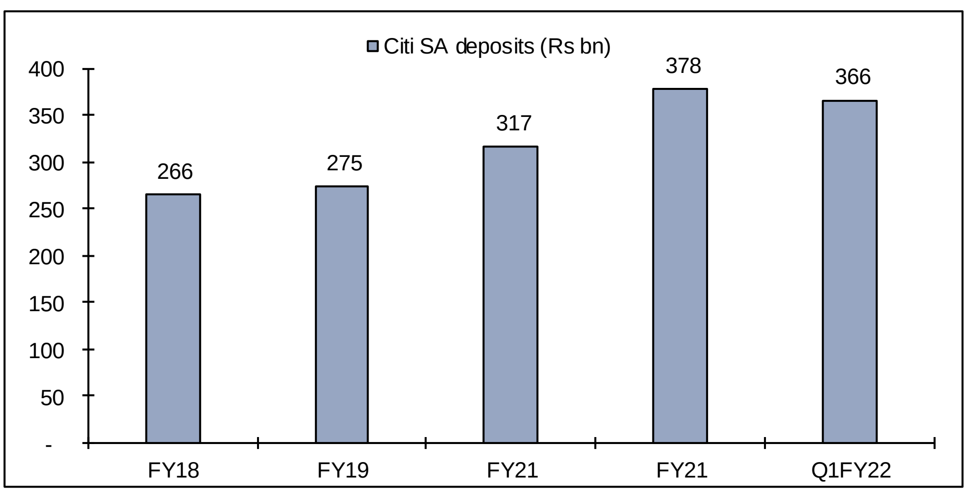
Source: Company data, I-Sec Research

Chart 4: Axis Bank's spend share



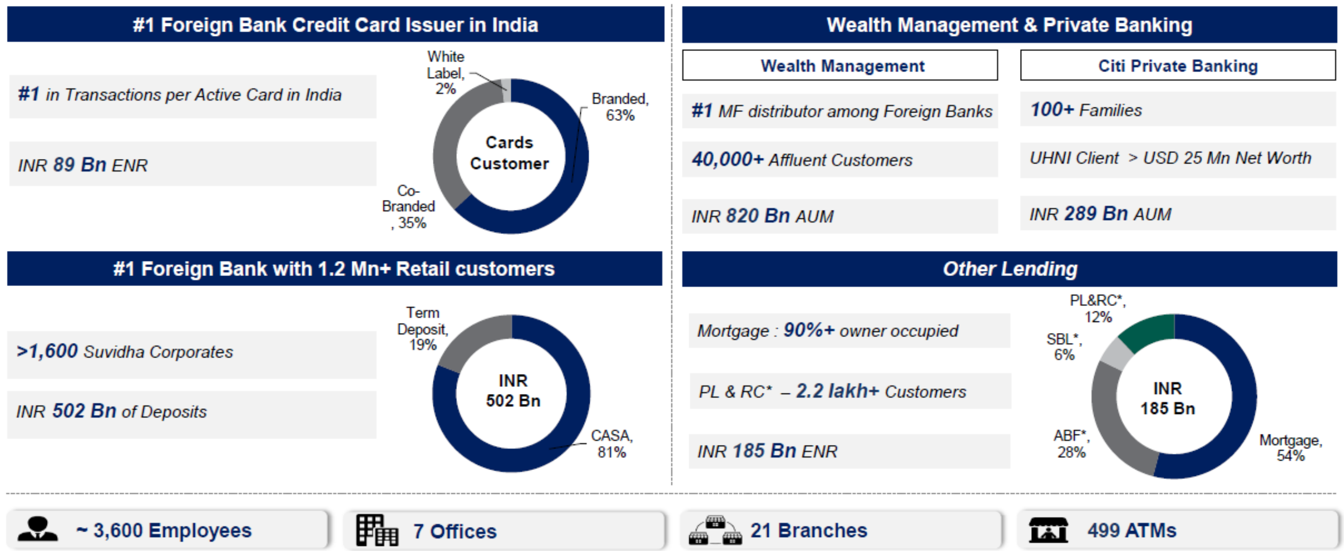
Source: Company data, I-Sec Research

Chart 5: Citi SA deposits have grown at 10% CAGR since FY18



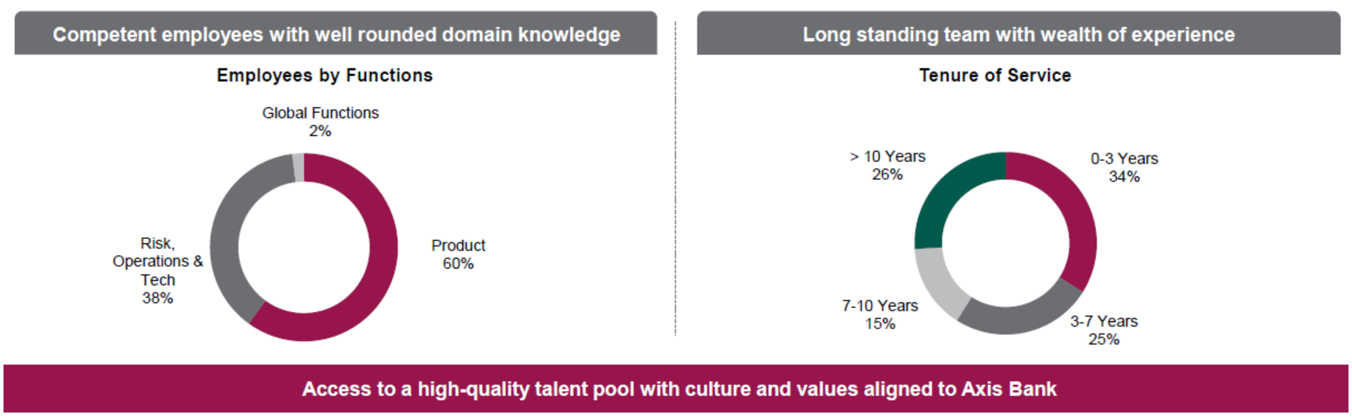
Source: Company data, RBI, I-Sec Research

Chart 6: Overview of Citi India consumer businesses



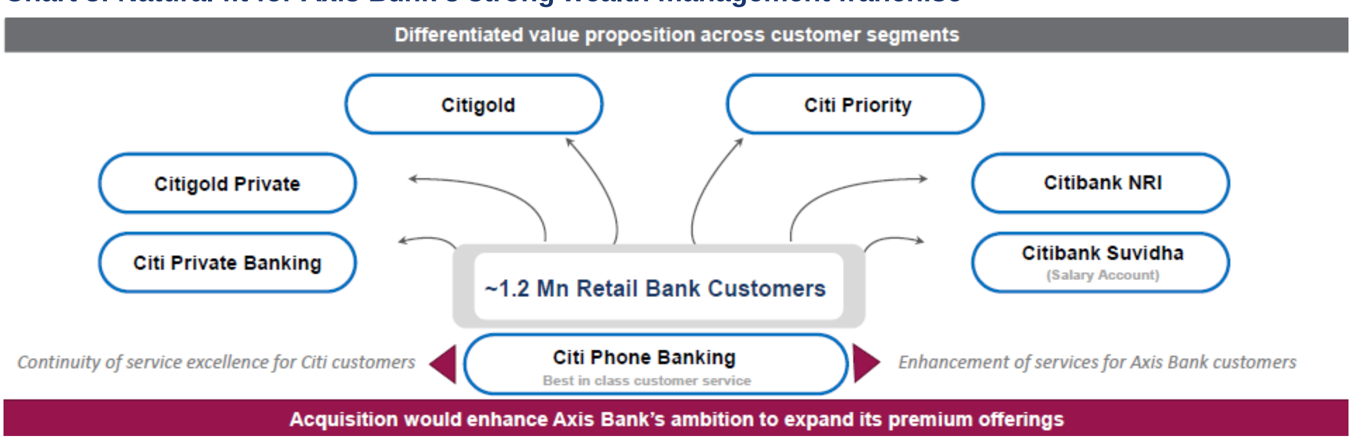
Source: Company data

Chart 7: Experienced leadership and diverse talent pool



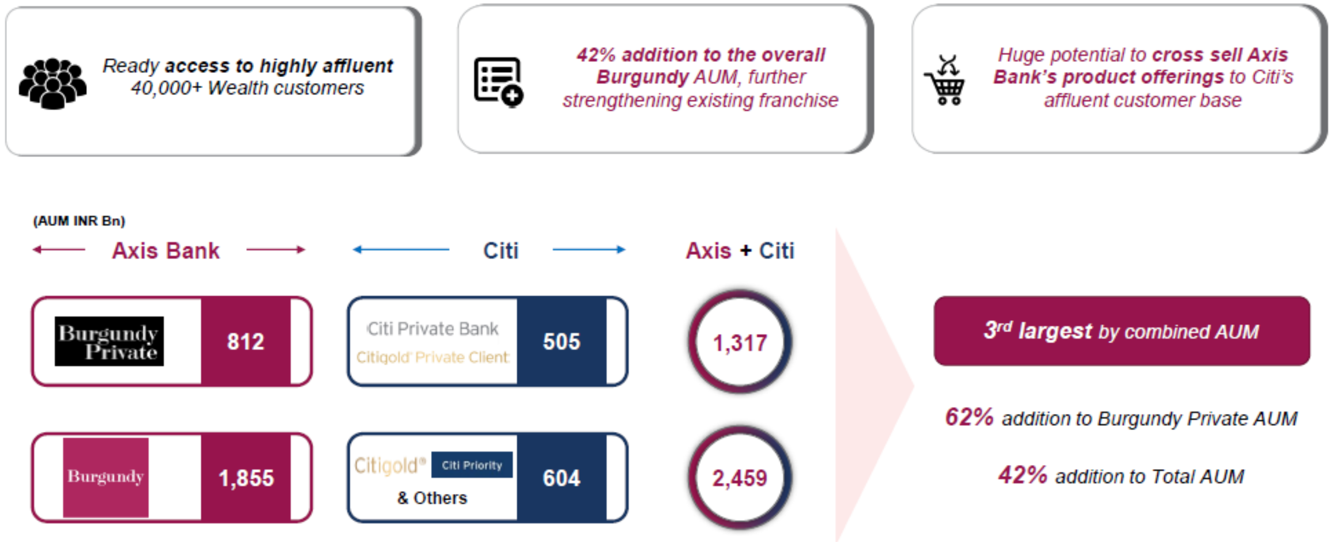
Source: Company data

Chart 8: Natural fit for Axis Bank's strong wealth management franchise



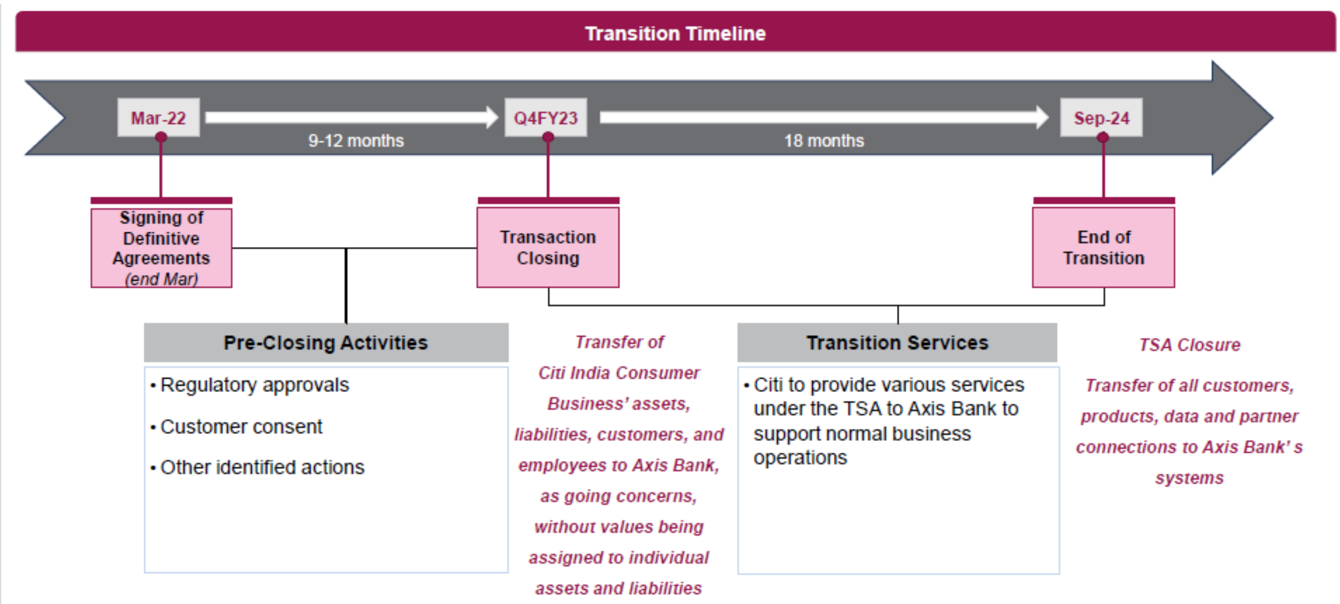
Source: Company data

Chart 9: Differentiated value proposition across customer segments



Source: Company data

Chart 10: Transition timeline suggests it would be over by Sep'24



Source: Company data

Citibank consumer business acquisition conference call - Key takeaways

Key highlights of the transaction

- ***Purchase consideration (PC) is Rs 123.25bn translating to 18.7x P/E (based on normalised CY20 standalone EPS)***
- ***Normalised earnings for CY20 are calculated after deducting global Citi overheads and covid related impact on CY20 earnings***
- Transaction is absolutely in-line with the bank's GPS strategy (premium base of customers and increasing granularity)
- Proposed acquisition of Citi is subject to approvals
- It will help the bank strengthen market position and reduce gap with peers in key segments
- ***Transaction of this nature comes in a lifetime***
- ***Acquisition is a natural fit for wealth management burgundy franchise***
- ***It is among one of the biggest deal in the financial industry***

Deal timeline

- ***Expect transaction to close in 9-12 months and another 18-24 months to integrate into Axis bank platform post closure***
- Integration agreement timeline is 18 months + 6 buffer
- Proforma balance sheet timeline is ~FY23
- ***Taking expenses in normal scenario excluding Citi's overhead.***
- Has acquired entire retail banking franchise – customer, RM, Citiphone banking and operations – getting experience people, robust processes etc
- Running business and wants to be cautious about short term decisions – hence 12bn paid to deliver effectively to customers – once the business transitions
- ***Post tax integration cost to be incurred over next two FY would be Rs 15bn and will be transitory in nature (Rs 12bn to be paid to Citi for transition services and balance Rs 3bn is integration cost at Axis bank)***

Payment of purchase consideration

- ***Payment which is due will become payable only when all assets and liabilities are transferred***
- ***No milestone payment, but entire payment would be given in one shot once assets & liabilities are transferred in the next 9-12 months***
- *There could be tweak in purchase consideration if necessary and required provided there are significant changes in business metrics/ratios post 9-12 months (during the time of acquisition)*

Citi customers

- *Customers will have access to ONE Axis*
- Customers will continue to avail rewards, privileges and ensure continuity of superior customer levels
- *Customer consent process would be done in the next 9-12 months. There is a consent architecture which bank has agreed upon and bank has the ability to track these consents at customer level*
- Bank would have to get 100% customers covered for the consent. However, the process would not be the same for all the customers
- As of now, bank does not have data on Citibank exact customer profile
- ***Overlap of Axis and Citi credit card customers is not very large. Have done intensive research on what needs to be done to not to lose the customers to competition though do not have full view of the data at this juncture***
- Citi has presence in top 8 cities with affluent customers
- ***Apart from cards portfolio, bank is also getting Citi's wealth franchise and certain set of affluent customers***
- Axis mobile app (among the highest rated) will help customers access bank's offerings
- ***Product offerings in Burgundy space across all asset classes are wider and deeper***
- Innovative new product offerings would give Citi customers much wider feet
- *Citi cards portfolio is very significantly focused on affluent class. But Axis portfolio is focused towards mass*
- Once these customers migrate to Axis, then Axis can sell other products as well to them which otherwise Axis won't be having

Citi employees

- ***3,600 Citi consumer business employees to join Axis family wherein bank will make an offer to all these employees***
- Bank might certainly lose some employees, but its hope and intention is to make an offer to all 3,600 employees
- It will offer no less favorable terms to Citi employees in order to retain them
- Axis Head of CC, Bharat Bank, CBG (SME) and Burgundy private is from Citi
- Salary difference in Citi and Axis won't be as large as perceived

Impact on financials

- ***Citi portfolio is overall margin accretive for the bank***
- ***Bank has assumed reasonable attrition assumption while arriving at the valuation. But business will also continue to grow and there would also be revenue synergy***
- ***Protection built in valuation based on few business parameters if attrition is higher than expectations***
- ***Bank believes that this business would be RoA accretive for FY24***
- ***Bank would get a fully matched balance sheet - acquiring deposits on liability side, loan assets on the assets side and difference would come to the bank in the form of liquid assets***
- CY20 reported opex of Rs 23bn is excluding global overheads
- Both the asset and liability side of the balance sheet has remained resilient for Citi as of the latest available financials
- Transaction will have a goodwill and on closing of the transaction, bank will write-off the goodwill upfront (acquired goodwill is no longer tax deductible as per current income tax rules)
- *Buying business from Citi Corp wherein asset backed finance (ABF) business is Rs 40bn*
- *Profits as well as risks associated with the business in the next 9-12 months sit with Citi Bank until transaction is closed*
- *M&A transaction of such nature do result in cost synergies. Global overhead, scale and leveraging some of the asset changes to improve cross-sell at lower acquisition cost should result in cost synergies*
- IOC brand affiliation was earlier restricted for Citi which will now open up for Axis as well

Value addition and synergies to franchise inferred from

- Based on survey and customers interview, it appears addition to Axis franchise in terms of quality and quantity will be significant – top 8 markets for Citi and Axis have deeper presence
- Citi is focused on affluent and super affluent – only 11% of Axis card customers are affluent
- IOC co-branded card partnership with Axis was outside top 8 cities as Citi was managing top 8 cities

Capital raise and impact

- Balance sheet is strong for Axis and hence purchase consideration from bank's current sources
- ***Purchase consideration would lower CET-1 by ~180bp***
- ***Rs35bn is notional capital for Rs 270bn loanbook (this won't be cash outgo).*** *50bp is capital charge for assets acquired*

- Bank is still well capitalised and it will look to raise capital as and when required

Credit card business

- ***Credit card portfolio is Rs 89bn as of June 2021***
- ***31% increase to Axis cards base and significant increase to spends***
- ***Credit cards number outstanding - will become close to third post the deal***
- Gap between second, third and Axis will continue to narrow in terms of credit card market share

Revolver rates

- Revolver number is coming down for Citi portfolio. However, as spends increase, revolver rates are expected to inch up
- ***As of now, revolver rates are at historical lows***

Others

- Citi's deposit rates are currently lower than Axis and it will have to be realigned - hence Rs2.5bn outflow expected

Financial summary

Table 7: Profit and Loss statement

(Rs mn, year ending Mar 31)

	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Interest Income	1,80,931	1,86,177	2,17,082	2,52,062	2,92,391	3,34,556	4,05,363	4,92,168
% Growth	7	3	17	16	16	14	21	21
Fee income	70,283	77,299	88,537	96,919	1,06,860	1,28,232	1,51,314	1,74,011
Add: Other income	46,630	32,372	42,767	58,446	41,522	38,274	44,726	48,502
Total Net Income	**2,97,844**	**2,95,848**	**3,48,385**	**4,07,428**	**4,40,773**	**5,01,062**	**6,01,403**	**7,14,681**
% Growth	14	(1)	18	17	8	14	20	19
Less: Operating Expenses	(1,21,999)	(1,39,903)	(1,58,334)	(1,73,046)	(1,83,752)	(2,37,028)	(2,77,322)	(3,17,089)
Pre-provision operating profit	**1,75,845**	**1,55,945**	**1,90,051**	**2,34,381**	**2,57,022**	**2,64,034**	**3,24,081**	**3,97,592**
NPA Provisions	**(1,11,571)**	**(1,65,987)**	**(1,02,215)**	**(1,27,530)**	**(1,15,340)**	**(65,421)**	**(76,869)**	**(87,253)**
Other provisions	(9,599)	11,258	(18,095)	(57,800)	(42,774)	(14,618)	(16,777)	(18,227)
PBT	**54,676**	**1,216**	**69,741**	**49,051**	**98,908**	**1,83,995**	**2,30,435**	**2,92,113**
Less: taxes	(17,883)	1,541	(22,975)	(32,770)	(22,173)	(46,312)	(58,000)	(73,525)
PAT	**36,793**	**2,757**	**46,766**	**16,281**	**76,734**	**1,37,684**	**1,72,435**	**2,18,588**
% Growth	(55)	(93)	1,596	(65)	371	79	25	27

Source: Company data, I-Sec research

Table 8: Balance sheet

(Rs mn, year ending Mar 31)

	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Capital	4,790	5,133	5,143	5,643	6,128	6,131	6,131	6,131
Reserve & Surplus	5,52,835	6,29,320	6,61,620	8,43,835	10,09,903	11,23,402	12,65,548	14,45,741
Deposits	41,43,788	45,36,227	54,84,713	64,01,049	69,79,853	81,31,529	94,32,573	1,09,41,785
Borrowings	10,50,309	14,80,161	15,27,758	14,79,541	14,28,732	16,81,673	18,33,438	20,00,379
Other liabilities	2,62,955	2,62,455	3,30,731	4,21,579	4,43,362	4,87,698	5,36,468	5,90,114
Total liabilities	**60,14,677**	**69,13,296**	**80,09,965**	**91,51,648**	**98,67,976**	**1,14,30,432**	**1,30,74,158**	**1,49,84,151**
Cash & Bank Balances	5,02,562	4,34,549	6,72,046	9,72,683	6,17,298	7,76,410	8,49,139	9,27,393
Investment	12,87,934	15,38,761	17,49,693	15,67,343	22,61,196	27,58,659	30,34,525	33,98,668
Advances	37,30,693	43,96,503	49,47,980	57,14,242	61,43,994	71,21,456	83,68,753	98,83,764
Fixed Assets	37,469	39,717	40,366	43,129	42,450	51,797	58,612	66,352
Other Assets	4,56,019	5,03,766	5,99,880	8,54,252	8,03,038	7,22,110	7,63,129	7,07,973
Total Assets	**60,14,677**	**69,13,296**	**80,09,965**	**91,51,648**	**98,67,976**	**1,14,30,432**	**1,30,74,158**	**1,49,84,151**
% Growth	14	15	16	14	8	16	14	15

Source: Company data, I-Sec research

Table 9: DuPont analysis

(%, year ending Mar 31)

	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest income	7.9	7.1	7.4	7.3	6.7	6.4	6.6	6.8
Interest expense	(4.7)	(4.2)	(4.5)	(4.4)	(3.6)	(3.2)	(3.3)	(3.3)
NII	**3.2**	**2.9**	**2.9**	**2.9**	**3.1**	**3.1**	**3.3**	**3.5**
Other income	0.8	0.5	0.6	0.7	0.4	0.4	0.4	0.3
Fee income	1.2	1.2	1.2	1.1	1.1	1.2	1.2	1.2
Total income	**5.3**	**4.6**	**4.7**	**4.7**	**4.6**	**4.7**	**4.9**	**5.1**
Operating expenses	(2.2)	(2.2)	(2.1)	(2.0)	(1.9)	(2.2)	(2.3)	(2.3)
Operating profit	**3.1**	**2.4**	**2.5**	**2.7**	**2.7**	**2.5**	**2.6**	**2.8**
NPA provision	**(2.0)**	**(2.6)**	**(1.4)**	**(1.5)**	**(1.2)**	**(0.6)**	**(0.6)**	**(0.6)**
Total provisions	(2.2)	(2.4)	(1.6)	(2.2)	(1.7)	(0.8)	(0.8)	(0.8)
PBT	1.0	0.0	0.9	0.6	1.0	1.7	1.9	2.1
Tax	(0.3)	0.0	(0.3)	(0.4)	(0.2)	(0.4)	(0.5)	(0.5)
PAT	**0.7**	**0.0**	**0.6**	**0.2**	**0.8**	**1.3**	**1.4**	**1.6**

Source: Company data, I-Sec research

Table 10: Key ratios

(Year ending Mar 31)

	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Per share data								
EPS – Diluted (Rs)	15.4	1.1	18.2	5.8	25.0	44.9	56.3	71.3
% Growth	-55.5	-92.7	1519.6	-68.3	334.1	79.3	25.2	26.8
DPS (Rs)	5.0	-	1.0	0.9	3.8	6.7	8.4	10.7
Book Value per share (BVPS) (Rs)	233	258	259	301	332	368	415	474
% Growth	4.4	10.7	0.3	16.1	10.2	11.1	12.6	14.2
Adjusted BVPS (Rs)	209	213	230	276	315	354	402	461
% Growth	-3.4	1.9	7.9	20.1	13.9	12.5	13.7	14.6
Valuations								
Price / Earnings (x)	42.0	575.6	35.5	112.0	25.8	14.4	11.5	9.1
Price / Book (x)	2.8	2.5	2.5	2.1	1.9	1.8	1.6	1.4
Price / Adjusted BV (x)	3.1	3.0	2.8	2.3	2.1	1.8	1.6	1.4
Asset Quality								
Gross NPA (Rs mn)	2,00,456	3,42,485	2,97,895	3,02,335	2,53,165	2,14,773	1,96,445	2,13,820
Gross NPA (%)	5.2	7.5	5.8	5.1	4.0	3.0	2.3	2.1
Net NPA (Rs mn)	86,266	1,65,917	1,12,756	93,604	69,940	59,940	51,940	51,940
Net NPA (%)	2.3	3.8	2.3	1.6	1.1	0.8	0.6	0.5
NPA Coverage ratio (%)	57	52	62	69	72	72	74	76
Gross Slippages (%)	5.9	8.4	3.3	4.1	3.1	3.2	2.2	2.0
Credit Cost (%)	3.3	3.7	2.5	3.4	2.6	1.2	1.2	1.1
Net NPL/Networth	15.5	26.2	16.9	11.0	6.9	5.3	4.1	3.6
Business ratios (%)								
ROAA	0.7	0.0	0.6	0.2	0.8	1.3	1.4	1.6
ROAE	6.8	0.5	7.2	2.1	8.2	12.8	14.4	16.1
Credit Growth	10.1	17.8	12.5	15.5	7.5	15.9	17.5	18.1
Deposits Growth	15.8	9.5	20.9	16.7	9.0	16.5	16.0	16.0
CASA	51.4	53.8	44.4	41.2	45.5	47.0	48.7	50.4
Credit / Deposit Ratio	90.0	96.9	90.2	89.3	88.0	87.6	88.7	90.3
Cost-Income ratio	41.0	47.3	45.4	42.5	41.7	47.3	46.1	44.4
Operating Cost / Avg. Assets	2.2	2.2	2.1	2.0	1.9	2.2	2.3	2.3
Fee Income / Avg. Assets	1.2	1.2	1.2	1.1	1.1	1.2	1.2	1.2
Earning ratios								
Yield on Advances	9.3	8.4	8.8	9.1	8.1	7.6	7.7	8.0
Yield on Earning Assets	8.5	7.7	8.0	8.0	7.4	6.9	7.0	7.2
Cost of Deposits	5.1	4.4	4.7	4.9	4.2	3.6	3.7	3.7
Cost of Funds	5.4	4.8	5.1	5.0	4.2	3.8	3.8	3.8
NIM	3.5	3.1	3.2	3.2	3.4	3.4	3.5	3.7
Capital Adequacy (%)								
RWA (Rs mn)	47,23,132	51,76,308	55,26,876	61,31,604	67,44,765	75,54,136	84,60,633	94,75,909
Tier-1	11.9	13.0	12.9	14.2	15.3	15.2	15.3	15.6
CAR	14.9	16.6	16.1	16.6	17.4	17.3	17.2	17.4

Source: Company data, I-Sec research

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