

IndusInd Bank

 Estimate change 

 TP change 

 Rating change 

Bloomberg	IIB IN
Equity Shares (m)	600
M.Cap.(INRb)/(USD\$b)	640.8 / 8.3
52-Week Range (INR)	1346 / 236
1, 6, 12 Rel. Per (%)	-5/32/-45
12M Avg Val (INR M)	13086

Financials & Valuations (INR b)

Y/E MARCH	FY20	FY21E	FY22E	FY23E
NII	120.6	134.8	151.9	179.5
OP	107.7	117.5	129.1	151.4
NP	44.2	31.5	65.7	81.9
NIM (%)	4.6	4.7	4.7	4.7
EPS (INR)	68.2	43.4	86.9	108.2
EPS Gr. (%)	24.2	-36.4	100.2	24.6
BV/Sh. (INR)	497.9	533.1	609.5	706.0
ABV/Sh. (INR)	478.2	517.5	590.5	686.1

Ratios

RoE (%)	14.5	8.4	15.3	16.5
RoA (%)	1.5	0.9	1.7	1.8

Valuations

P/E (X)	12.4	19.5	9.7	7.8
P/BV (X)	1.7	1.6	1.4	1.2
P/ABV (X)	1.8	1.6	1.4	1.2

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	13.4	13.5	13.0
DII	14.8	15.8	13.6
FII	58.7	55.9	59.4
Others	13.0	14.9	14.0

FII Includes depository receipts

CMP: INR846
TP: INR1,200 (+42%)
Buy

Re-gaining glory; leaping toward normalization

CE improves further; proforma coverage, prudential provisioning provide comfort

- IndusInd Bank (IIB) reported a strong quarter with a 45% beat in PAT, led by a steady operating performance. The deposit portfolio grew 5% QoQ, while collection efficiency was steady at 97% (in-line with large peers).
- The proforma GNPA/NNPA ratio stood at 2.93%/0.70%, with PCR at 77% (the highest thus far among the banks under our coverage). The bank restructured 0.6% of loans, while we expect this to increase to 1.8% by 4QFY21. We increase our earnings estimate for FY22/FY23 by 35%/14%, factoring in improvement in operating performance and moderation in credit cost. **Maintain BUY.**

Business momentum improving; proforma PCR healthy at 77%

- IIB reported PAT of INR8.3b (25% QoQ growth; above estimate), aided by improvement in core operating performance and lower provisions.
- NII grew ~11% YoY to INR34.1b (3% higher) even as margins declined 4bp QoQ to 4.12%, impacted by interest reversal. Fee income picked up sequentially to 31%, while opex was broadly flat YoY. PPOP, thus, grew ~7% YoY to INR29.6b.
- Advances growth picked up sequentially to 3.2%, aided by festive season and improved demand. The Wholesale book grew 3.6% QoQ and the Retail portfolio increased 2.4% QoQ. Within retail segments, Tractor Financing grew 13% QoQ, 2-Wheelers 5% QoQ, Car Loans 6% QoQ, Credit Card 8% QoQ, and the MFI book 3% QoQ. The Retail to Wholesale mix stood at 57:43.
- Deposit traction remains strong at 5% QoQ growth to INR2.4t. The CASA ratio improved to 40.4% (v/s 40.3% in 2QFY21), with SA deposits increasing 13% QoQ.
- On the asset quality front, the GNPA/NNPA ratio declined 47bp/30bp to 1.74%/0.22%, while the proforma GNPA/NNPA ratio stood at 2.93%/0.70%. Thus, proforma PCR improved to 77%, the highest amongst peers. Restructured loans toward COVID-19 stood at 0.6%; the bank has recommended another 1.2% of restructuring in 4QFY21 as well. IIB holds additional COVID-19 provisions of INR10b, which (along with select resolutions) would enable further decline in provisioning expenses.
- **Collection efficiency:** CE in the Vehicle portfolio improved to 96.9% (v/s 94.3% in Sep'20), while the MFI book's CE has improved to 95.5% as of Jan'21 (v/s 87.2% in Sep'20). Overall, CE for the bank stood at 97.1% as of Dec'20 (in line with that of large peers).

Highlights from management commentary

- Proforma slippages stood at 1.2% of loans (INR25.1b) – with Vehicle/MFI contributing 20% each, other secured retail 15%, unsecured retail 30%, and the corporate portfolio contributing the balance 15%.

- Overall, IIB expect restructuring at 1.8% of loans, with Vehicle contributing 30%, other retail assets 13%, and the balance contributed by corporate. Only two accounts in the corporate book were restructured (Construction and Retail).

Valuation and view

IIB reported a strong quarter with PAT beat aided by an improving business environment and asset quality outlook. Loan growth is showing signs of revival in both Wholesale and Retail, while the deposit franchise is also improving steadily – enabling moderation in funding costs. IIB has reported an improvement in CE in both the Vehicle and MFI portfolios, while the restructuring book is under control. The bank has reported strong improvement in asset quality, with one of the highest proforma coverages – this assuages the concerns around asset quality in recent quarters. We thus increase our FY22/FY23 earnings by 35%/14%, factoring in improvement in operating performance and moderation in credit cost. We expect IIB to deliver FY23E ROA/ROE of 1.8%/16.5%. **Maintain Buy**, with revised TP of INR1,200 (1.9x Sep'22e ABV).

Quarterly performance

(INR m)

	FY20				FY21E				FY20	FY21E	FY21E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Interest Income	28,440	29,094	30,742	32,312	33,092	32,780	34,061	34,895	120,587	134,828	33,007	3%
% Change (YoY)	34.0	32.0	34.4	44.7	16.4	12.7	10.8	8.0	36.3	11.8	7.4	
Other Income	16,633	17,272	17,900	17,722	15,204	15,543	16,458	17,455	69,527	64,660	16,086	2%
Total Income	45,072	46,365	48,642	50,034	48,296	48,323	50,519	52,350	190,114	199,488	49,094	3%
Operating Expenses	19,163	20,131	21,065	21,467	19,019	19,803	20,883	22,283	82,373	81,988	20,973	0%
Operating Profit	25,910	26,234	27,577	28,567	29,277	28,520	29,636	30,067	107,741	117,500	28,121	5%
% Change (YoY)	35.6	31.7	30.3	38.2	13.0	8.7	7.5	5.2	33.2	9.1	2.0	
Provisions	4,306	7,377	10,435	24,403	22,589	19,644	18,535	14,682	46,521	75,450	20,484	-10%
Profit before Tax	21,603	18,857	17,143	4,164	6,689	8,875	11,100	15,385	61,220	42,049	7,637	45%
Tax	7,278	4,848	4,050	1,012	1,585	2,245	2,797	3,970	17,027	10,596	1,925	45%
Net Profit	14,325	14,010	13,092	3,152	5,103	6,631	8,304	11,415	44,193	31,453	5,713	45%
% Change (YoY)	38.3	52.2	32.9	-12.5	-64.4	-52.7	-36.6	262.2	33.9	-28.8	-56.4	
Operating Parameters												
Deposit Growth (%)	26.3	23.2	23.3	3.7	5.3	10.0	10.3	25.0	3.7	25.0	10.6	-21
Loan Growth (%)	28.4	20.8	19.8	10.9	2.4	2.1	-0.1	4.0	10.9	4.0	0.1	-27
Deposit (INR b)	2,006	2,072	2,167	2,020	2,113	2,279	2,391	2,525	2,020	2,525	2,396	0%
Loan (INR b)	1,935	1,971	2,074	2,068	1,981	2,012	2,071	2,151	2,068	2,151	2,077	0%
Asset Quality												
Gross NPA (%)	2.2	2.2	2.2	2.5	2.5	2.2	1.7	3.1	2.5	3.1	2.8	-102
Net NPA (%)	1.2	1.1	1.1	0.9	0.9	0.5	0.2	0.8	0.9	0.8	0.8	-55
PCR (%)	43.3	49.6	52.5	63.3	66.6	76.7	87.3	76.6	63.3	76.6	72.0	1,528

E:MOFSL Estimates

Quarterly snapshot

INR b	FY19				FY20				FY21			Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Profit and Loss													
Interest Income	50.7	54.4	57.6	59.9	69.6	71.5	72.8	73.9	71.6	71.8	72.4	-1	1
Loans	41.5	44.5	47.6	48.9	57.5	59.5	60.8	62.2	60.7	59.9	59.1	-3	-1
Investment	8.6	9.2	9.2	9.8	10.7	10.8	11.1	10.3	10.0	9.5	9.3	-16	-2
Interest Expenses	29.5	32.3	34.8	37.6	41.2	42.4	42.1	41.6	38.5	39.0	38.4	-9	-2
Net Interest Income	21.2	22.0	22.9	22.3	28.4	29.1	30.7	32.3	33.1	32.8	34.1	11	4
Other Income	13.0	13.2	14.7	15.6	16.6	17.3	17.9	17.7	15.2	15.5	16.5	-8	6
Trading profits	1.4	1.0	2.0	1.4	2.4	2.6	2.8	3.8	8.4	4.9	2.6	-10	-48
Others (Ex non-core)	11.6	12.2	12.7	14.2	14.2	14.7	15.1	13.9	6.8	10.6	13.9	-8	31
Total Income	34.2	35.2	37.6	37.9	45.1	46.4	48.6	50.0	48.3	48.3	50.5	4	5
Operating Expenses	15.1	15.3	16.4	17.2	19.2	20.1	21.1	21.5	19.0	19.8	20.9	-1	5
Employee	4.6	4.6	4.5	4.8	6.5	7.2	7.4	7.2	7.4	7.2	7.4	1	3
Others	10.5	10.7	11.9	12.4	12.7	13.0	13.7	14.3	11.6	12.6	13.4	-2	7
Operating Profits	19.1	19.9	21.2	20.7	25.9	26.2	27.6	28.6	29.3	28.5	29.6	7	4
Core Operating Profits	17.7	18.9	19.1	19.3	23.5	23.6	24.7	24.7	20.9	23.6	27.1	9	15
Provisions	3.5	5.9	6.1	15.6	4.3	7.4	10.4	24.4	22.6	19.6	18.5	78	-6
PBT	15.6	14.0	15.1	5.1	21.6	18.9	17.1	4.2	6.7	8.9	11.1	-35	25
Taxes	5.3	4.8	5.3	1.5	7.3	4.8	4.1	1.0	1.6	2.2	2.8	-31	25
PAT	10.4	9.2	9.9	3.6	14.3	14.0	13.1	3.2	5.1	6.6	8.3	-37	25
Balance Sheet (INR b)													
Loans	1,507	1,631	1,732	1,864	1,935	1,971	2,074	2,068	1,981	2,012	2,071	0	3
Investments	527	501	537	593	607	635	605	599	596	630	611	1	-3
Deposits	1,589	1,682	1,757	1,949	2,006	2,072	2,167	2,020	2,113	2,279	2,391	10	5
CASA Deposits	690	734	765	841	865	858	919	816	845	918	966	5	5
of which Savings	477	511	500	545	577	581	649	531	525	571	643	-1	13
Current	213	223	265	296	289	277	270	284	319	348	323	20	-7
Borrowings	370	428	445	473	498	446	468	608	592	524	486	4	-7
Total Assets	2,289	2,483	2,562	2,778	2,930	2,949	3,079	3,072	3,179	3,320	3,414	11	3
Risk Weighted Assets	1,820	1,940	2,019	2,145	2,311	2,372	2,459	2,586	2,617	2,617	2,655	8	1
Asset Quality (INR b)													
GNPA	17.4	17.8	19.7	39.5	42.0	43.7	45.8	51.5	51.0	45.3	36.5	-20	-19
NNPA	7.6	7.9	10.3	22.5	23.8	22.0	21.7	18.9	17.0	10.6	4.6	-79	-56
Ratios													
Asset Quality (%)													
GNPA	1.2	1.1	1.1	2.1	2.2	2.2	2.2	2.5	2.5	2.2	1.7	-44	-47
NNPA	0.5	0.5	0.6	1.2	1.2	1.1	1.1	0.9	0.9	0.5	0.2	-83	-30
PCR (Cal.)	56.2	55.8	47.7	43.0	43.3	49.6	52.5	63.3	66.6	76.7	87.3	3,475	1,058
Business Ratios (%)													
Fees to Total Income	34.0	34.6	33.7	37.4	31.6	31.7	31.0	27.8	14.1	22.0	27.5	-347	553
Cost to Core Income	46.0	44.7	46.1	47.2	44.9	46.0	46.0	46.5	47.6	45.6	43.6	-244	-208
Tax Rate	33.7	34.4	34.8	29.0	33.7	25.7	23.6	24.3	23.7	25.3	25.2	157	-10
CASA (Reported)	43.4	43.6	43.6	43.1	43.1	41.4	42.4	40.4	40.0	40.3	40.5	-189	20
Loan/Deposit	94.8	97.0	98.6	95.7	96.5	95.1	95.7	102.4	93.8	88.3	86.6	-909	-170
CAR	14.7	14.3	14.2	14.2	14.9	14.7	13.9	15.0	15.2	16.6	16.3	242	-21
Tier I	14.3	13.9	13.8	13.7	14.5	14.3	13.5	14.6	14.5	15.8	15.6	213	-21
Profitability Ratios (%)													
Yield on loans	11.2	11.4	11.5	11.3	12.0	12.0	12.0	11.9	11.9	12.0	11.7	-30	-30
Yield On Investments	6.7	7.1	7.1	6.9	7.1	6.9	7.1	6.8	6.7	6.2	6.0	-113	-21
Yield on funds	9.4	9.5	9.6	9.5	10.0	10.0	9.9	9.8	9.4	9.1	8.9	-102	-24
Cost of deposits	6.2	6.5	6.7	6.8	6.9	6.7	6.5	6.1	5.7	5.6	5.3	-115	-24
Cost of funds	5.4	5.6	5.8	5.9	5.9	5.9	5.7	5.5	5.1	4.9	4.7	-99	-20
Spreads	3.9	3.8	3.8	3.6	4.1	4.1	4.2	4.3	4.3	4.2	4.1	-3	-4
Margins	3.9	3.8	3.8	3.6	4.1	4.1	4.2	4.3	4.3	4.2	4.1	-3	-4
RoA	1.9	1.6	1.6	0.6	2.1	2.0	1.8	0.4	0.7	0.9	1.1	-77	20
RoE	17.3	14.9	15.4	5.5	18.5	17.3	15.6	3.7	5.9	7.1	8.4	-727	123



Highlights from management commentary

Operating performance

- Expect NIM to be in the range of 4.15–4.25%.
- Expect credit cost to remain elevated in 4Q and normalize from FY22.

Balance sheet and P&L related

- Retail deposits are gaining traction; thus, cost of funds continues to improve. The bank has also reduced its fixed deposit rates by 50bp recently, the benefit of which would reflect in the coming quarters.
- Demand revival is seen across segments. Vehicle disbursements have reached pre-COVID levels.
- Wholesale demand is also reviving in segments such as supply chain financing.
- NRI liabilities grew 12% QoQ to INR235b.
- Warrants issued by the promoter would add INR20b in capital adequacy.
- Retail deposits grew 14% QoQ as per the LCR disclosure.
- **Branch expansion:** It plans to open up 500 new branches over the next two years.
- The focus remains on the Merchant Acquisition business – it acquired 55k new merchants in 3Q.
- Total disbursements under the ECLGS scheme were INR29b (sanctions of INR44b).

Key business segments

MFI

- Exposure to Assam stands at only INR450m.
- Concentration of West Bengal has reduced from 15% to 13%.
- Collection efficiency in West Bengal reached 90%.
- The avg. ticket size in West Bengal is INR12.6k – 50% of the overall ticket size of the bank and 33% of the industry.
- New customer traction is improving and expected to pick up going forward.
- Slippages from the portfolio are ~2%. Absolute proforma slippages were INR4.7b; expect another INR1b worth of slippages in 4QFY21.

Vehicle

- Disbursements reached pre-COVID levels, with Tractor showing strong growth. The CV segment is also recovering well.
- Collection efficiency improved to 96.9%.
- Proforma slippages were 5.08b (80bp v/s 50bp at normalized levels).
- Overall restructuring was INR10.2b.
- Restructuring was largely seen in the Luxury segment. The portfolio is well-collateralized.
- The bank believes the asset quality issue in this portfolio is largely behind.
- Expect revival in the CV segment in the coming quarters.

Other retail assets

- Other secured retail assets reported a stable performance. The focus is on growth in the LAP and Business Banking segments.

- Overall, other retail assets contributed 15% to total proforma slippages.

Corporate portfolio

- The focus is on the granularization of the corporate portfolio.
- The focus is on supply chain financing, logistics, and working capital financing.
- Restructuring invoked stood at INR22b. Only two accounts were restructured – one in Construction and the other in Retail.
- Nil restructuring was approved in the Real Estate portfolio.
- Overall, expect the corporate cycle to recover.
- Gems and Jewelry would continue to remain a pristine portfolio for the bank.

Asset quality

- The Vehicle, MFI, and secured retail portfolios performed better v/s the industry.
- Overall, CE improved to 97.1% in Dec'20 (in line with that of large peers).
- 100% provisions have been provided on the unsecured portfolio, which seems adequate for the existing stress.
- Proforma slippages stood at 1.2% of loans (INR25.08b). The breakup of proforma slippages stood as follows – Vehicle/MFI at 20% each, other secured retail at 15%, unsecured retail at 30%, and the balance 15% in the corporate portfolio.
- Overall restructuring stood at 0.6% of loans, which could increase to 1.8% of loans. This includes Vehicle (30%), other retail assets (13%), and the corporate book (the remainder). No restructuring was seen in the MFI portfolio.
- The SMA-2 book stood at 39bp.
- The bank created COVID-related provisions of INR11b in 3QFY21.
- Recoveries in the corporate book were INR2.1b; expect further recoveries from 3–4 accounts in 4QFY21/1QFY22. The bank has already sold its exposure to DHFL.
- Standard asset provisions stand at INR10.15b; additional COVID provisions (not considered in pro-forma GNPA) is at INR10b, while the bank holds another INR1.5b in standard assets.

Planning Cycle 5

- A surge is expected in retail deposits; NRI and rural deposits would be the key focus areas.
- MFI would be the mainstay for Rural Banking.
- The bank would continue to build specialization in supply chain financing.
- The bank would also look to scale up the Affordable Housing segment.
- **Loan mix:** Retail would be 55–65%, while Wholesale would account for the rest.
- Expect the ROA target to be in the range of 1.4–1.7%.

Key exhibits

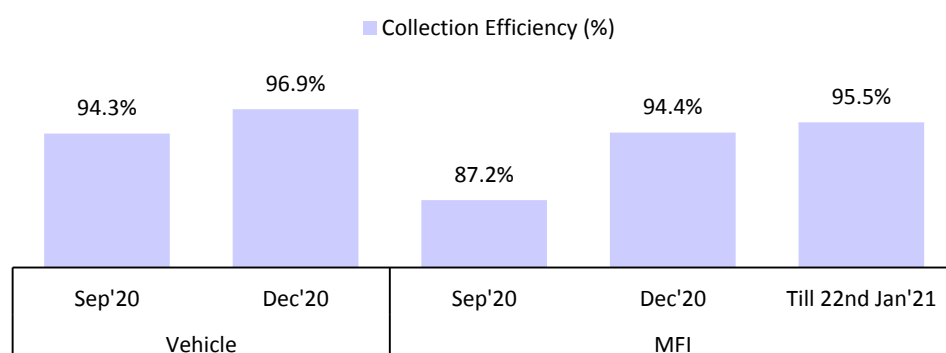
Exhibit 1: GNPA in CFD declined to 1.18%

Segmental GNPA	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
CV	1.1	1.2	1.3	1.4	1.7	1.9	2.2	1.8	1.6
Utility	1.3	1.3	1.2	1.2	1.1	1.0	1.2	1.2	1.0
CE	0.8	0.7	0.8	1.0	1.0	1.1	1.1	0.9	0.8
3W	1.3	1.4	1.4	1.7	1.7	1.8	1.8	1.8	1.6
2W	3.6	3.8	3.6	3.2	2.9	3.1	2.6	3.8	3.1
Cars	0.8	0.8	0.8	0.7	0.7	0.7	0.8	0.9	0.7
LAP/HL/PL	0.4	0.4	1.0	1.0	1.1	0.9	0.5	0.4	0.4
Cards	1.9	1.9	2.2	2.4	2.6	1.9	0.8	0.6	0.2
BBG / LAP	NA	NA	1.4	1.3	1.0	1.2	1.2	0.9	0.8
MFI	NA	NA	0.6	0.9	1.1	1.5	1.6	1.6	1.5
GNPA in Consumer Finance Division	1.1	1.1	1.2	1.2	1.3	1.4	1.5	1.4	1.2

Exhibit 2: Fees de-grew 8% YoY, but grew 31% QoQ

	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	YoY (%)	QoQ (%)
Fee based Income	12,660	14,190	14,220	14,680	15,060	13,900	6,820	10,610	13,890	-8%	31%
Trade Fees (LC, BG, Remittances)	1,550	1,890	1,640	1,820	1,850	1,890	1,160	1,520	1,830	-1%	20%
Processing Fees and other charges	2,760	3,280	3,370	3,600	3,880	3,560	990	2,120	3,010	-22%	42%
Fx Clients	2,750	2,890	2,500	2,770	2,410	2,480	1,550	2,280	2,680	11%	18%
Third Party Distribution fees	2,680	3,020	3,020	3,220	3,470	3,670	1,740	3,230	3,700	7%	15%
Investment banking fees	2,010	2,280	2,350	2,010	2,090	1,430	290	230	790	-62%	243%
General banking/other income	910	830	1,340	1,260	1,360	870	1,090	1,230	1,880	121%	53%

Exhibit 3: Collection efficiency across key business segments



Source: MOSL, Company

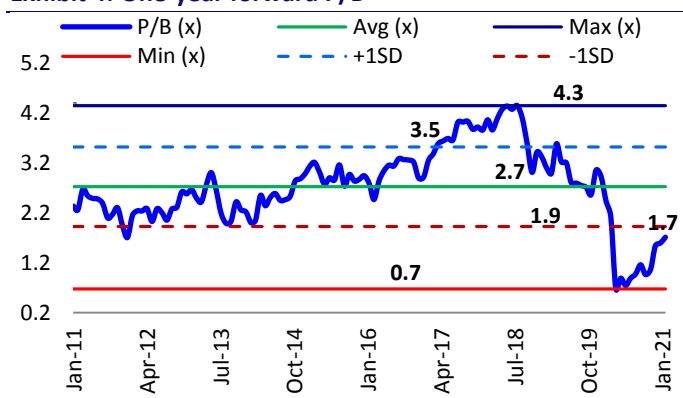
Valuation and view

- The impact of COVID-19 on asset quality appears to be under control, with proforma GNPA/NNPA of 2.93%/0.70%, while the bank carries a healthy PCR of 77% on the same. Collection efficiency for the bank has improved to 97%, with improvement seen across segments, while the total restructuring book would remain under control at ~1.8%. Thus, we expect gradual moderation in slippages and estimate credit cost of 1.6%/1.4% for FY22E/FY23E.
- Loan growth remains muted as the bank is focusing on building a stable and granular liability franchise, while seeking growth in a calibrated manner. IIB rolled out its 'Planning Cycle 5' (2020–23), wherein it would focus on fortifying liabilities, scaling up its key focus businesses, and investing in new growth engines. It expects the loan book to grow at 15–18% over FY22–23 (unsecured retail at <5%) and a CD ratio of <95%, with the CASA ratio in excess of 40% by FY23. We estimate the loan book to grow at 17% over FY21–23.
- **Margins to remain stable:** Although the bank witnessed some decline in margins, it expects reduction in cost of deposits, coupled with the deployment

of liquidity, to support margins. Furthermore, the bank has a higher proportion of fixed-rate loan book; thus, the margin trajectory is expected to remain stable or improve going forward.

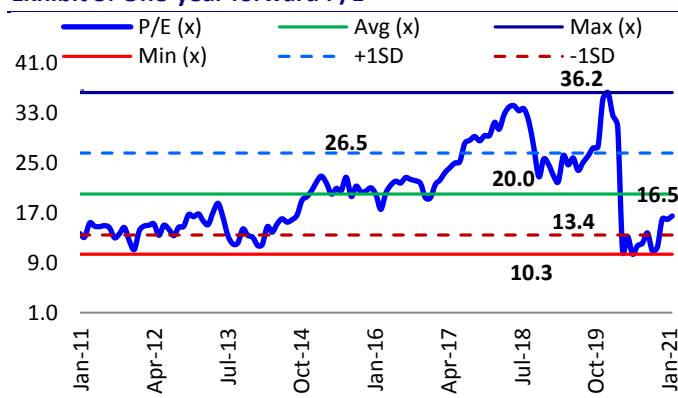
- Buy, with TP of INR1,200:** IIB reported a strong quarter with PAT beat aided by an improving business environment and asset quality outlook. Loan growth is showing signs of revival in both Wholesale and Retail, while the deposit franchise is also improving steadily – enabling moderation in funding costs. IIB has reported an improvement in CE in both the Vehicle and MFI portfolios, while the restructuring book is under control. The bank has reported strong improvement in asset quality, with one of the highest proforma coverages – this assuages the concerns around asset quality in recent quarters. We thus increase our FY22/FY23 earnings by 35%/14%, factoring in improvement in operating performance and moderation in credit cost. We expect IIB to deliver FY23E ROA/ROE of 1.8%/16.5%. **Maintain Buy**, with revised TP of INR1,200 (1.9x Sep'22e ABV)

Exhibit 4: One-year forward P/B



Source: MOFSL, Company

Exhibit 5: One-year forward P/E



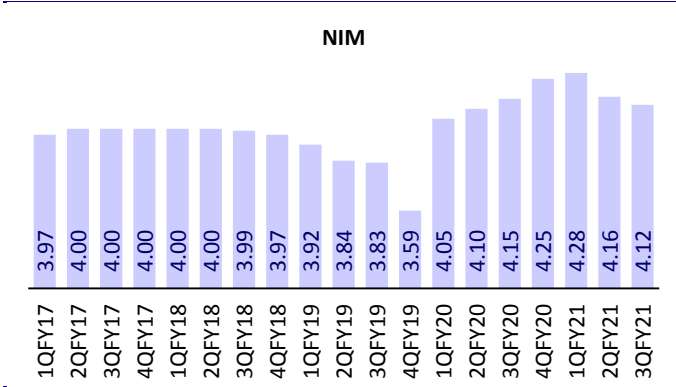
Source: MOFSL, Company

Exhibit 6: We increase our FY22/FY23 estimates sharply by 35%/14%, factoring in moderation in credit cost and higher NII

INR B	Old Estimates			New estimates			Variation (%/bps)		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Net Interest Income	132.6	146.3	171.6	134.8	151.9	179.5	1.7	3.8	4.6
Other Income	64.0	73.6	86.1	64.7	74.4	87.0	1.1	1.1	1.1
Total Income	196.5	219.8	257.7	199.5	226.2	266.5	1.5	2.9	3.4
Operating Expenses	82.4	97.0	111.1	82.0	97.2	115.1	-0.5	0.2	3.6
Operating Profits	114.1	122.8	146.5	117.5	129.1	151.4	3.0	5.1	3.3
Provisions	82.3	58.0	50.6	75.5	41.2	41.9	-8.3	-28.9	-17.1
PBT	31.8	64.8	96.0	42.0	87.8	109.4	32.1	35.5	14.1
Tax	8.0	16.3	24.2	10.6	22.1	27.6	32.1	35.5	14.1
PAT	23.8	48.5	71.8	31.5	65.7	81.9	32.1	35.5	14.1
Loans	2,171	2,519	2,972	2,151	2,495	2,944	-1.0	-1.0	-1.0
Deposits	2,505	3,056	3,668	2,525	3,056	3,667	0.8	0.0	0.0
Margins (%)	4.66	4.50	4.51	4.73	4.67	4.73	6	17	21
Credit Cost (%)	3.70	2.30	1.70	3.40	1.60	1.40	-30	-70	-30
RoA (%)	0.73	1.28	1.60	0.95	1.71	1.84	22	43	23
RoE (%)	6.5	11.7	15.4	8.4	15.3	16.5	198	355	111
BV	523.0	576.6	659.8	533.1	609.5	706.0	1.9	5.7	7.0
ABV	506.8	556.6	634.9	517.5	590.5	686.1	2.1	6.1	8.1
EPS	32.8	64.1	94.9	43.4	86.9	108.2	32.1	35.5	14.1

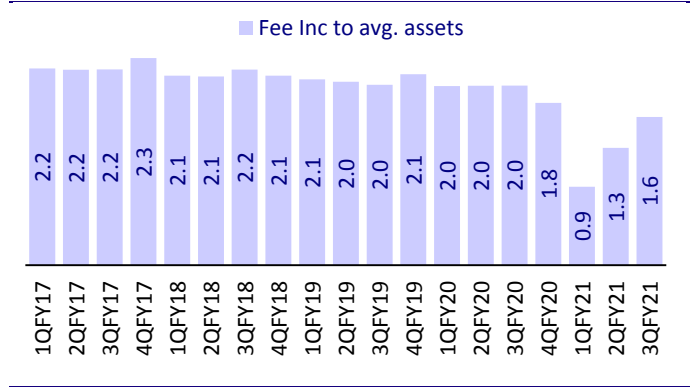
Story in charts

Exhibit 7: NIMs declined by 4bp to 4.12%



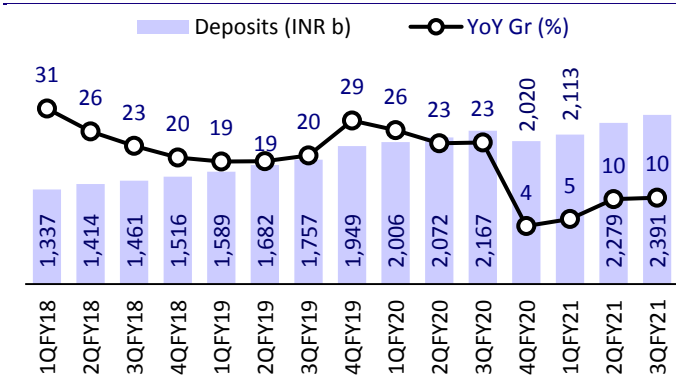
Source: MOFSL, Company

Exhibit 8: Fee income to average assets improved to 1.6%



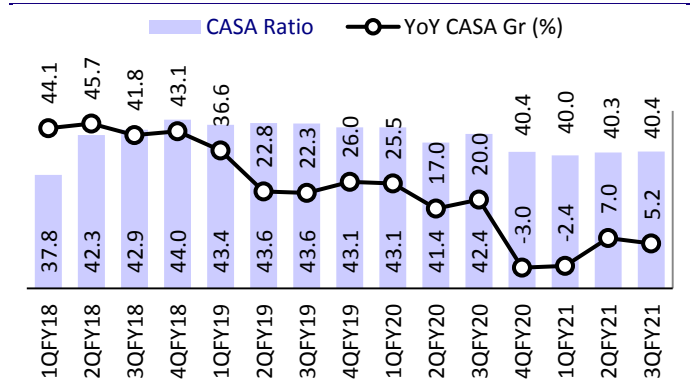
Source: MOFSL, Company

Exhibit 9: Deposit growth came in ~10% YoY (+5% QoQ)



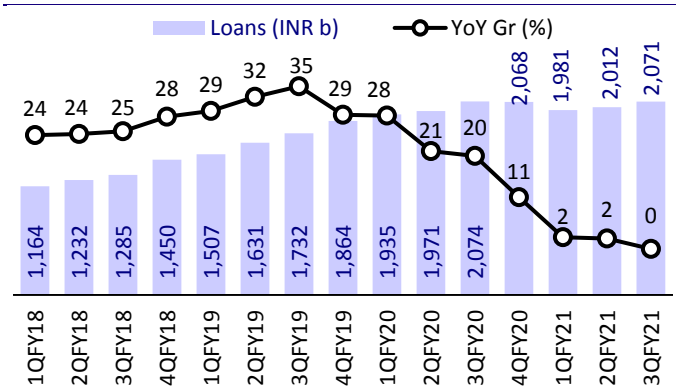
Source: MOFSL, Company

Exhibit 10: CASA grew 5% YoY to 40.5%



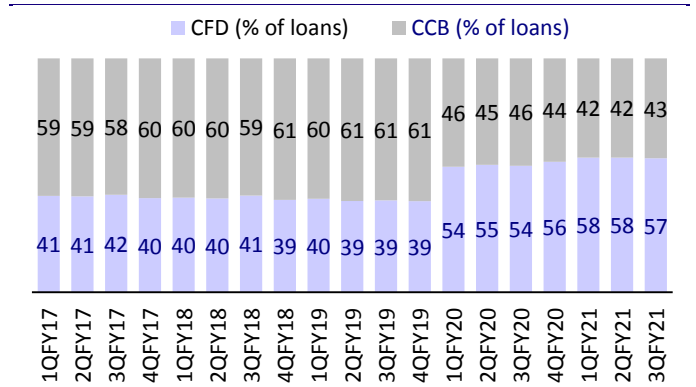
Source: MOFSL, Company

Exhibit 11: Loan growth remains flat YoY (+3% QoQ)



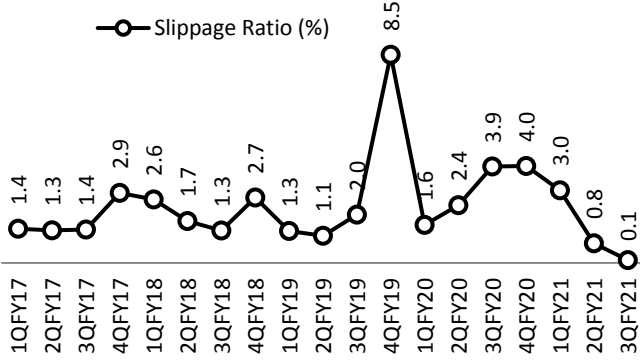
Source: MOFSL, Company

Exhibit 12: CFD mix stands at 57% as the bank reclassified BBG and MFI in CFD post 1QFY20



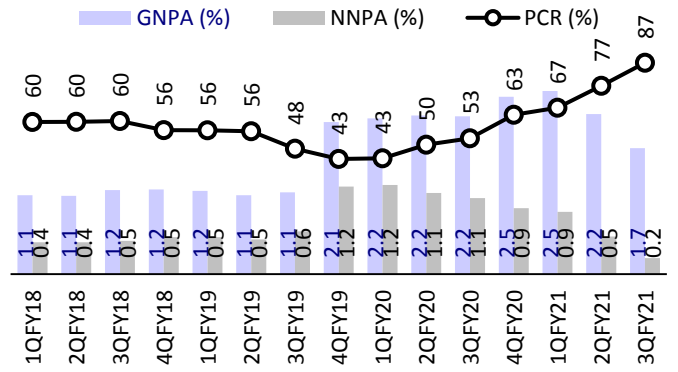
Source: MOFSL, Company

Exhibit 13: Slippages were negligible due to the SC order



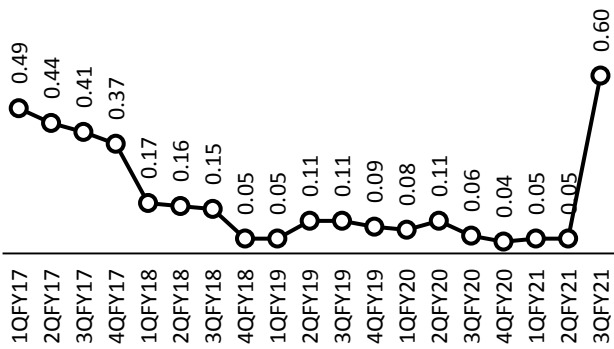
Source: MOFSL, Company

Exhibit 14: GNPA/NNPA declined, while PCR improved to 87%; proforma GNPA/NNPA was at 2.93%/0.7%, with PCR at 77%



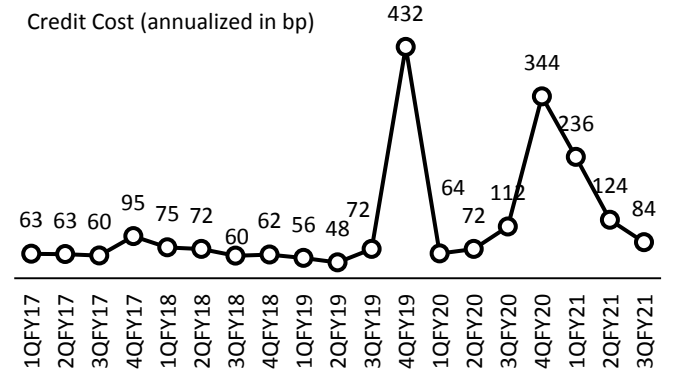
Source: MOFSL, Company

Exhibit 15: Restructured book increased to 60bp, led by COVID-related restructuring



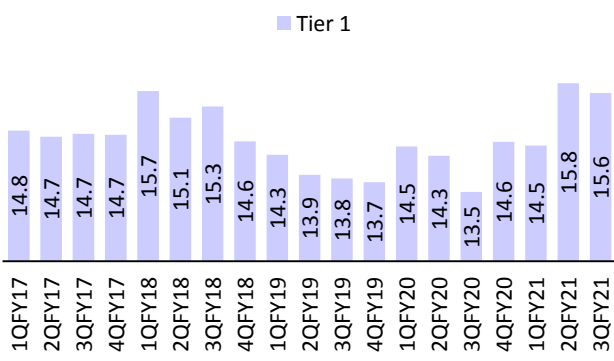
Source: MOFSL, Company

Exhibit 16: Credit costs remain elevated as the bank created a floating provision of INR11b



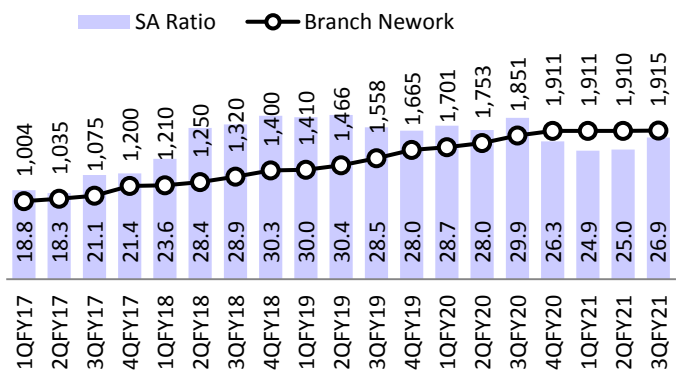
Source: MOFSL, Company

Exhibit 17: Tier-1 capital remains healthy at 15.6%



Source: MOFSL, Company

Exhibit 18: Bank branch count stood at 1,915



Source: MOFSL, Company

Exhibit 19: DuPont Analysis: Return ratios to pick up post FY21

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	9.20	9.04	8.63	8.91	9.84	9.17	8.88	8.80
Interest Expense	5.61	5.24	4.89	5.37	5.72	5.11	4.92	4.77
Net Interest Income	3.59	3.80	3.75	3.54	4.12	4.06	3.96	4.03
Core Fee Income	2.50	2.44	2.19	2.22	2.19	1.75	1.75	1.77
Trading and others	0.12	0.17	0.18	0.05	0.19	0.20	0.19	0.18
Non Interest income	2.62	2.62	2.37	2.26	2.38	1.95	1.94	1.95
Total Income	6.21	6.42	6.12	5.80	6.50	6.01	5.90	5.98
Operating Expenses	2.92	3.00	2.79	2.56	2.82	2.47	2.53	2.58
Employee cost	0.98	0.95	0.89	0.74	0.76	0.67	0.67	0.66
Others	1.93	2.05	1.90	1.82	2.06	1.81	1.86	1.92
Operating Profit	3.29	3.42	3.33	3.24	3.68	3.54	3.36	3.40
Core operating Profits	3.17	3.25	3.14	3.19	3.50	3.34	3.17	3.22
Provisions	0.53	0.68	0.59	1.24	1.59	2.27	1.07	0.94
NPA	0.40	0.44	0.45	1.09	1.24	2.16	0.97	0.85
Others	0.14	0.24	0.14	0.16	0.35	0.11	0.11	0.09
PBT	2.76	2.74	2.74	1.99	2.09	1.27	2.29	2.45
Tax	0.94	0.94	0.94	0.67	0.58	0.32	0.58	0.62
RoA	1.82	1.80	1.80	1.32	1.51	0.95	1.71	1.84
Leverage (x)	9.1	8.5	9.1	10.0	9.6	8.9	8.9	9.0
RoE	16.6	15.3	16.5	13.2	14.5	8.4	15.3	16.5

Financials and valuations

Income Statement									(INR b)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E	
Interest Income	115.8	144.1	172.8	222.6	287.8	304.3	340.5	392.2	
Interest Expense	70.6	83.4	97.8	134.1	167.2	169.5	188.7	212.7	
Net Interest Income	45.2	60.6	75.0	88.5	120.6	134.8	151.9	179.5	
Growth (%)	32.1	34.2	23.7	18.0	36.3	11.8	12.6	18.2	
Non Interest Income	33.0	41.7	47.5	56.5	69.5	64.7	74.4	87.0	
Total Income	78.1	102.3	122.5	144.9	190.1	199.5	226.2	266.5	
Growth (%)	30.9	31.0	19.7	18.3	31.2	4.9	13.4	17.8	
Operating Expenses	36.7	47.8	55.9	64.0	82.4	82.0	97.2	115.1	
Pre Provision Profits	41.4	54.5	66.6	80.9	107.7	117.5	129.1	151.4	
Growth (%)	33.7	31.6	22.1	21.5	33.2	9.1	9.8	17.3	
Core PPP	39.9	51.7	62.9	79.7	102.2	110.9	121.8	143.4	
Growth (%)	33.8	29.7	21.6	26.7	28.2	8.5	9.8	17.7	
Provisions (excl tax)	6.7	10.9	11.8	31.1	46.5	75.5	41.2	41.9	
PBT	34.7	43.6	54.8	49.8	61.2	42.0	87.8	109.4	
Tax	11.8	14.9	18.7	16.8	17.0	10.6	22.1	27.6	
Tax Rate (%)	34.1	34.2	34.2	33.7	27.8	25.2	25.2	25.2	
PAT	22.9	28.7	36.1	33.0	44.2	31.5	65.7	81.9	
Growth (%)	27.5	25.4	25.7	-8.5	33.9	-28.8	108.9	24.6	
Balance Sheet									
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	397.4	455.1	528.1	
Net Worth	176.8	206.3	238.3	266.7	347.0	404.9	462.7	535.7	
Deposits	930.0	1,265.7	1,516.4	1,948.7	2,020.4	2,525.5	3,055.9	3,667.0	
Growth (%)	25.4	36.1	19.8	28.5	3.7	25.0	21.0	20.0	
of which CASA Dep	327.2	466.5	667.3	840.7	815.7	979.9	1,207.1	1,477.8	
Growth (%)	29.3	42.5	43.1	26.0	-3.0	20.1	23.2	22.4	
Borrowings	221.6	224.5	382.9	473.2	607.5	500.0	437.1	422.3	
Other Liabilities & Prov.	72.1	89.8	78.6	89.4	95.6	133.8	153.9	181.6	
Total Liabilities	1,400.6	1,786.5	2,216.3	2,778.2	3,070.6	3,564.3	4,109.6	4,806.6	
Current Assets	101.1	186.3	132.2	147.8	160.0	499.2	506.5	564.3	
Investments	312.1	367.0	500.8	592.7	599.8	635.8	762.9	900.3	
Growth (%)	36.4	17.6	36.4	18.4	1.2	6.0	20.0	18.0	
Loans	884.2	1,130.8	1,449.5	1,863.9	2,067.8	2,150.5	2,494.6	2,943.7	
Growth (%)	28.5	27.9	28.2	28.6	10.9	4.0	16.0	18.0	
Fixed Assets	12.6	13.4	13.4	17.1	18.2	20.0	22.4	25.1	
Total Assets	1,400.6	1,786.5	2,216.3	2,778.2	3,070.6	3,564.3	4,109.6	4,806.6	
Asset Quality									
GNPA	7.8	10.5	17.0	39.5	51.5	69.4	82.3	95.6	
NNPA	3.2	4.4	7.5	22.5	18.9	16.2	19.7	20.6	
GNPA Ratio	0.9	0.9	1.2	2.1	2.5	3.1	3.2	3.2	
NNPA Ratio	0.4	0.4	0.5	1.2	0.9	0.8	0.8	0.7	
Slippage Ratio	1.08	1.42	2.58	3.25	2.97	2.80	2.50	2.00	
Credit Cost	0.64	0.70	0.70	1.64	1.85	3.40	1.60	1.40	
PCR (Excl Tech. write off)	58.6	58.4	56.3	43.0	63.3	76.6	76.1	78.5	

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	10.0	9.7	9.2	9.5	10.6	10.0	9.7	9.6
Avg. Yield on loans	11.8	11.4	10.6	11.0	12.2	11.9	12.0	11.9
Avg. Yield on Investments	7.2	7.2	6.6	7.3	7.1	6.8	7.2	6.5
Avg. Cost-Int. Bear. Liab.	6.7	6.3	5.8	6.2	6.6	6.0	5.8	5.6
Avg. Cost of Deposits	6.8	6.3	5.8	6.1	6.5	5.8	5.6	5.5
Interest Spread	3.1	3.3	3.4	3.4	4.1	4.2	4.0	4.1
Net Interest Margin	4.0	4.2	4.2	4.0	4.6	4.7	4.7	4.7

Capitalization Ratios (%)

CAR	15.5	15.3	15.0	14.2	15.0	15.7	15.3	14.6
Tier I	14.9	14.7	14.6	13.7	14.6	15.2	14.9	14.3
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	85.2	81.6	80.3
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	2.3	2.4	2.4
Cost/Total Income	47.0	46.74	45.7	44.2	43.3	41.1	42.9	43.2
Cost/Core Income	47.9	48.0	47.1	44.5	44.6	42.5	44.4	44.5
Int. Expense/Int.Income	61.0	57.9	56.6	60.3	58.1	55.7	55.4	54.2
Fee Income/Total Income	40.2	38.1	35.8	38.2	33.7	29.1	29.6	29.6
Non Int. Inc./Total Income	42.2	40.8	38.8	39.0	36.6	32.4	32.9	32.6
Empl. Cost/Total Expense	33.7	31.8	31.8	28.9	26.8	26.9	26.4	25.6
Investment/Deposit Ratio	33.6	29.0	33.0	30.4	29.7	25.2	25.0	24.6

Profitability Ratios and Valuations

RoE	16.6	15.3	16.5	13.2	14.5	8.4	15.3	16.5
RoA	1.8	1.8	1.8	1.3	1.5	0.9	1.7	1.8
RoRWA	2.0	2.0	2.1	1.5	1.7	1.2	2.2	2.4
Book Value (INR)	293.9	341.7	393.9	439.8	497.9	533.1	609.5	706.0
Growth (%)	49.2	16.3	15.3	11.7	13.2	7.1	14.3	15.8
Price-BV (x)	2.9	2.5	2.1	1.9	1.7	1.6	1.4	1.2
Adjusted BV (INR)	290.1	336.6	385.2	413.7	478.2	517.5	590.5	686.1
Price-ABV (x)	2.9	2.5	2.2	2.0	1.8	1.6	1.4	1.2
EPS (INR)	40.7	48.1	60.2	54.9	68.2	43.4	86.9	108.2
Growth (%)	19.6	18.2	25.2	-8.8	24.2	-36.4	100.2	24.6
Price-Earnings (x)	20.8	17.6	14.1	15.4	12.4	19.5	9.7	7.8

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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