

# Union Bank of India

Estimate change



TP change



Rating change



Bloomberg	UNBK IN
Equity Shares (m)	6,835
M.Cap.(INRb)/(USD\$b)	338 / 4.5
52-Week Range (INR)	52 / 24
1, 6, 12 Rel. Per (%)	34/21/55
12M Avg Val (INR M)	636

## Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
NII	246.9	291	323
OP	192.6	223.4	246.0
NP	29.1	57.4	78.9
NIM (%)	2.5	2.8	2.9
EPS (INR)	4.5	9.0	12.3
EPS Gr. (%)	-140.6	97.7	37.3
BV/Sh. (INR)	96.4	104.2	112.9
ABV/Sh. (INR)	63.6	72.1	81.4
RoE (%)	5.1	9.3	11.7
RoA (%)	0.3	0.5	0.7

## Valuations

P/E(X)	10.9	5.5	4.0
P/BV (X)	0.51	0.5	0.4
P/ABV (X)	0.8	0.7	0.6

## Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	83.5	83.5	89.1
DII	6.7	6.8	4.8
FII	1.5	1.7	0.7
Others	8.3	8.0	5.5

FII Includes depository receipts

**CMP: INR49**

**TP: INR65 (+31%)**

**Buy**

## Stable quarter; asset quality improvement continues

### Healthy PCR / recovery outlook provides comfort

- Union Bank of India (UNBK) reported healthy earnings, supported by recovery from the DHFL resolution. Furthermore, fee income trends improved, while domestic margins declined; muted loan growth affected NII growth.
- On the other hand, asset quality performance was stable despite elevated slippage, largely led by Corporate – this includes slippage from SREI Infra (INR26b). However, higher write-offs and upgrades aided improvement in asset quality on a sequential basis. Moreover, it now carries provisions of 65% on SREI Infra (higher v/s peers). The SMA-2 book declined to 2.3% of loans (v/s 3.7% of loans in 1QFY22). Thus, slippage would moderate from FY23 onwards, and credit costs are expected to come in at 2.2%/1.9% for FY22/FY23. Thus, we estimate RoA/RoE of 0.8%/14.2% by FY24E and **maintain a Buy rating.**

### DHFL resolution supports earnings; asset quality improvement continues

- UNBK reported PAT of INR15.3b (+195% YoY), supported by higher recoveries from written-off accounts of INR17.6b, including recovery of INR16.5b from the resolution of the DHFL account. 1HFY22 NII/PPoP/PAT grew 9%/19%/219% YoY.
- NII grew ~9% YoY (3% QoQ decline) to INR68.3b, with domestic margins down 13bp QoQ to 2.98%.
- Core fee income grew 26% YoY, while treasury gains declined 22.5% YoY to INR8.0b. However, higher recoveries from written-off accounts supported other income (65% YoY).
- Opex grew ~22% YoY to ~INR47b. Therefore, the C/I ratio improved ~330bp QoQ to 43.8%. PPoP also grew 26% YoY to INR60.7b.
- On the business front, loan growth was flat YoY at ~INR5.8t, with Retail growing 9.3% YoY and Agri up 13.1% YoY. On the other hand, corporate advances declined sharply (7% QoQ decline). Deposit growth stood at ~3% YoY, with CASA growing ~11% YoY. The CASA mix stood at ~37.2% (77bp QoQ increase).
- On the asset quality front, fresh slippage stood elevated at INR67.4b (annualized 4.6% of loans). This was led by higher slippage in Corporate, including slippage from SREI Infra (INR26b), on which 65% provisions have been maintained. However, higher recoveries/upgrades of INR35.8b and write-offs of INR107b supported asset quality, with the GNPA/NNPA ratio declining 96bp/8bp sequentially to 12.64%/4.61%. PCR stood at 66.6% (v/s 68.7% in 1QFY22).
- SMA-2 overdues stood at 2.3% of loans (while SMA-2 >INR50m stood at 0.8%). Total restructured loans (COVID 1.0/2.0) stood at 3.7% of net loans (v/s 2.7% in 1QFY22).

**Highlights from management commentary**

- Another ~INR60b is expected in recoveries/ upgrades over 2HFY22.
- The bank expects business growth of ~6–8% YoY. Also, it has guided for the net slippage ratio / credit costs at 2.5%/2.0%.
- NIMs would remain in the range of 2.9–3.0%.

**Valuation and view**

- UNBK reported healthy earnings, supported by recovery from the DHFL resolution as well as improvement in asset quality, aided by higher write-offs and strong recoveries/upgrades. However, loan growth remained muted due to decline in corporate advances, while modest growth recovery was seen in the Retail, Agri, and MSME (RAM) segments. Overall, the management indicated asset quality would continue to improve, aided by moderation in the slippage trend and higher recoveries from stressed asset resolutions. Furthermore, SMA-2 overdues declined to 2.3% of loans, while the restructured portfolio increased to 3.7% of loans. Thus, we estimate credit costs at 2.2%/1.9% for FY22/FY23E and RoA/RoE at 0.8%/14.2% by FY24E. **We maintain Buy, with revised Target Price of INR65 (0.7x Sep'21 ABV).**

**Quarterly performance**

(INR m)

	FY21				FY22				FY21	FY22E	FY22E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	Est	
<b>Net Interest Income</b>	<b>64,032</b>	<b>62,929</b>	<b>65,895</b>	<b>54,029</b>	<b>70,135</b>	<b>68,293</b>	<b>73,390</b>	<b>79,412</b>	<b>2,46,884</b>	<b>2,91,228</b>	<b>71,351</b>	<b>-4%</b>
% Change (YoY)	154.3	116.6	110.2	87.7	9.5	8.5	11.4	47.0	115.9	18.0	13.4	
Other Income	14,625	24,064	30,155	45,509	27,794	39,782	30,303	26,825	1,13,369	1,24,705	31,589	26%
<b>Total Income</b>	<b>78,657</b>	<b>86,993</b>	<b>96,050</b>	<b>99,538</b>	<b>97,929</b>	<b>1,08,075</b>	<b>1,03,693</b>	<b>1,06,237</b>	<b>3,60,253</b>	<b>4,15,934</b>	<b>1,02,940</b>	<b>5%</b>
Operating Expenses	38,316	38,661	42,944	47,739	46,115	47,340	47,753	51,345	1,67,660	1,92,553	49,679	-5%
<b>Operating Profit</b>	<b>40,341</b>	<b>48,333</b>	<b>53,106</b>	<b>51,799</b>	<b>51,814</b>	<b>60,735</b>	<b>55,940</b>	<b>54,892</b>	<b>1,92,593</b>	<b>2,23,381</b>	<b>53,261</b>	<b>14%</b>
% Change (YoY)	113.9	115.7	121.1	95.3	28.4	25.7	5.3	6.0	109.8	16.0	12.5	
Provisions	35,558	42,425	52,559	39,043	34,024	37,238	33,975	31,759	1,68,599	1,36,995	36,690	1%
<b>Profit before Tax</b>	<b>4,783</b>	<b>5,908</b>	<b>547</b>	<b>12,756</b>	<b>17,790</b>	<b>23,498</b>	<b>21,965</b>	<b>23,133</b>	<b>23,994</b>	<b>86,386</b>	<b>16,571</b>	<b>42%</b>
Tax	1,456	742	-6,721	-542	5,980	8,237	7,358	7,364	-5,066	28,939	5,551	48%
<b>Net Profit</b>	<b>3,327</b>	<b>5,166</b>	<b>7,268</b>	<b>13,298</b>	<b>11,810</b>	<b>15,261</b>	<b>14,607</b>	<b>15,769</b>	<b>29,060</b>	<b>57,446</b>	<b>11,020</b>	<b>38%</b>
% Change (YoY)	48.3	-143.3	26.5	-153.1	254.9	195.4	101.0	18.6	-200.3	97.7	113.3	
<b>Operating Parameters</b>												
Deposit (INR b)	8,925	8,861	8,824	9,238	9,085	9,140	9,515	9,792	9,238	9,792	9,293	-2%
Loan (INR b)	5,817	5,790	5,829	5,910	5,846	5,810	6,105	6,264	5,910	6,264	5,963	-3%
Deposit Growth (%)	107.6	100.1	98.3	105.0	1.8	3.2	7.8	6.0	105.0	6.0	4.9	
Loan Growth (%)	98.0	94.4	89.5	87.6	0.5	0.3	4.7	6.0	87.6	6.0	3.0	
<b>Asset Quality</b>												
Gross NPA (%)	15.0	14.7	13.5	13.7	13.6	12.6	11.7	11.5	13.7	11.5	13.4	(80)
Net NPA (%)	5.0	4.1	3.3	4.6	4.7	4.6	3.9	4.3	4.7	4.3	4.6	2
PCR (%)	70.3	75.1	78.3	69.6	68.7	66.6	69.5	65.8	69.2	65.8	69.0	(239)

E:MOFSL Estimates

## Quarterly snapshot

INR m	FY20				FY21				FY22		Change (%)	
	1Q	2Q	3Q	24	1Q	2Q	3Q	24	1Q	2Q	YoY	QoQ
<b>Profit and Loss</b>												
Net Interest Income	25,182	29,059	31,346	28,781	64,032	62,929	65,895	54,029	70,135	68,293	9	-3
Other Income	9,895	11,432	11,105	20,176	14,625	24,064	30,155	45,509	27,794	39,782	65	43
Total Income	35,077	40,491	42,451	48,957	78,657	86,993	96,050	99,538	97,929	1,08,075	24	10
Operating Expenses	16,213	18,084	18,436	22,431	38,316	38,661	42,944	47,739	46,115	47,340	22	3
Employee	7,212	7,583	8,656	10,136	20,866	20,791	24,151	24,440	28,237	26,447	27	-6
Others	9,001	10,502	9,780	12,295	17,450	17,869	18,793	23,299	17,878	20,893	17	17
Operating Profits	18,864	22,406	24,014	26,526	40,341	48,333	53,106	51,799	51,814	60,735	26	17
Core Operating Profits	16,314	19,486	23,194	18,196	35,151	38,023	39,846	43,059	41,934	52,745	39	26
Provisions	15,193	38,588	18,190	60,117	35,558	42,425	52,559	39,043	34,024	37,238	-12	9
PBT	3,671	-16,181	5,825	-33,590	4,783	5,908	547	12,756	17,790	23,498	298	32
Taxes	1,426	-4,245	79	-8,559	1,456	742	-6,721	-542	5,980	8,237	1,010	38
PAT	2,244	-11,936	5,746	-25,032	3,327	5,166	7,268	13,298	11,810	15,261	195	29
<b>Balance Sheet</b>												
Deposits (INR b)	4,300	4,429	4,451	4,507	8,925	8,861	8,824	9,238	9,085	9,140	3	1
Loans (INR b)	2,938	2,979	3,076	3,150	5,817	5,790	5,829	5,910	5,846	5,810	0	-1
<b>Asset Quality</b>												
GNPA (INR b)	488	499	499	491	972	958	880	898	878	802	-16	-9
NNPA (INR b)	212	208	215	173	289	239	191	273	274	268	12	-2
<b>Others</b>												
Branches	4,288	4,285	4,282	0	9,590	9,590	9,587	9,312	9,312	9,274	-316	-38
ATM	6,561	6,798	6,686	0	13,239	13,287	12,961	12,957	11,824	11,677	-1,610	-147
<b>Ratios (%)</b>												
<b>Asset Quality Ratios</b>												
GNPA	15.2	15.2	14.9	14.2	15.0	14.7	13.5	13.7	13.6	12.6	-207	-96
NNPA	7.2	7.0	7.0	5.5	5.0	4.1	3.3	4.6	4.7	4.6	48	-8
PCR	65.9	67.8	67.4	73.6	79.9	83.2	86.2	81.3	81.4	81.8	-139	34
Credit Cost	2.5	4.6	3.2	0.0	2.5	4.6	3.2	0.0	0.0	0.0	-458	0
<b>Business Ratio Ratios</b>												
Fees of Total Income	92.7	92.8	98.1	83.0	93.4	88.1	86.2	91.2	89.9	92.6	446	270
Cost to Core Income	49.8	48.1	44.3	55.2	52.2	50.4	51.9	52.6	52.4	47.3	-312	-508
Tax Rate	38.9	26.2	1.4	25.5	30.4	12.6	-1,228.5	-4.2	33.6	35.1	2,250	144
CASA (Cal)	34.4	33.8	34.4	35.6	33.3	34.6	35.4	36.3	36.4	37.2	256	77
Loan/Deposit	68.3	67.3	69.1	69.9	65.2	65.3	66.1	64.0	64.3	63.6	-178	-78
<b>Profitability Ratios</b>												
RoA	0.2	-0.9	0.4	-1.8	0.1	0.2	0.3	0.5	0.4	0.6	37	13
RoE	4.7	-16.5	7.8	-43.3	3.3	5.0	6.8	12.2	10.0	12.2	724	221
Yield on Loans	7.8	7.9	8.0	7.6	7.9	7.5	7.3	6.2	7.3	7.1	-33	-14
Yield on Investments	6.8	7.0	6.7	6.6	6.5	6.3	6.3	5.9	5.9	5.8	-44	-10
Yield on Funds	6.9	6.9	7.0	6.5	6.6	6.5	6.6	5.8	6.3	6.1	-40	-16
Cost of Funds	4.9	4.8	4.7	4.5	4.3	4.2	4.1	3.7	3.7	3.6	-60	-9
Cost of Deposits	5.6	5.7	5.5	5.5	5.0	4.8	4.6	4.3	4.2	4.2	-66	-1
Margins	2.1	2.4	2.5	2.2	2.8	2.8	2.9	2.4	3.1	3.0	17	-13



## Highlights of management commentary

### Asset quality

- DHFL recoveries stood at INR16.54b of which INR7b was received in cash while the rest was in terms of bonds (INR9.54b).
- Total restructuring prior to the COVID framework for MSME was at INR24.69b. This is in addition to Restructuring under the COVID framework (1.0 + 2.0). Overall, provisions maintained on the restructured portfolio were at 10%.
- It will transfer stressed assets of INR130b-140b to the NARCL for resolution.

- Slippages towards SREI Infra were at ~INR26b on which the bank has made provisions at 65% (higher than peers).
- SMA-2 (all accounts) was at 2.3% of gross advances while SMA -2 (INR50b & Above) stands at 0.8% of gross advances.
- The aging provisions requirement over the next two quarters would be around INR32b.
- It expects another INR60b of recoveries/ upgrades over 2HFY22.
- Credit cost to remain under 2% for FY22. Also, Net slippages run-rate to be around 2.5% for FY22E

#### P&L & balance sheet related

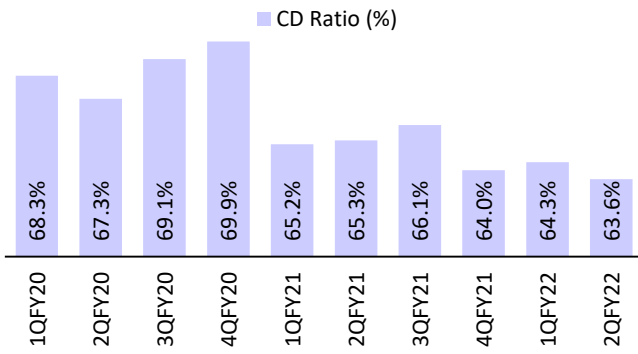
- NIMs to remain in the range between 2.9%-3.0%.
- Total one-off impact of ~INR5b (NPS and family pension) on operating expenses made during the quarter.
- It expects Operating profits run-rate per quarter would be around INR50b over the next two quarters.
- Credit growth to remain between 6%-8% for FY22.

#### Exhibit 1: DuPont Analysis: We expect return ratios to remain modest

Y/E MARCH (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	6.97	6.94	7.13	6.57	6.81	6.86	6.91
Interest Expense	4.99	4.86	4.94	4.21	4.18	4.13	4.06
<b>Net Interest Income</b>	<b>1.98</b>	<b>2.08</b>	<b>2.19</b>	<b>2.36</b>	<b>2.64</b>	<b>2.73</b>	<b>2.85</b>
Fee income	0.79	0.79	0.73	0.73	0.73	0.71	0.67
Trading and others	0.27	0.12	0.28	0.35	0.40	0.45	0.51
<b>Non-Interest Income</b>	<b>1.06</b>	<b>0.91</b>	<b>1.01</b>	<b>1.08</b>	<b>1.13</b>	<b>1.16</b>	<b>1.18</b>
<b>Total Income</b>	<b>3.04</b>	<b>2.99</b>	<b>3.20</b>	<b>3.44</b>	<b>3.76</b>	<b>3.89</b>	<b>4.03</b>
<b>Operating Expenses</b>	<b>1.44</b>	<b>1.46</b>	<b>1.44</b>	<b>1.60</b>	<b>1.74</b>	<b>1.81</b>	<b>1.86</b>
Employees	0.67	0.64	0.64	0.86	0.94	0.97	0.99
Others	0.77	0.82	0.80	0.74	0.80	0.84	0.87
<b>Operating Profits</b>	<b>1.60</b>	<b>1.53</b>	<b>1.76</b>	<b>1.84</b>	<b>2.02</b>	<b>2.08</b>	<b>2.17</b>
<b>Core Operating Profits</b>	<b>1.33</b>	<b>1.42</b>	<b>1.48</b>	<b>1.49</b>	<b>1.62</b>	<b>1.63</b>	<b>1.66</b>
<b>Provisions</b>	<b>3.02</b>	<b>2.33</b>	<b>2.53</b>	<b>1.61</b>	<b>1.24</b>	<b>1.08</b>	<b>0.94</b>
NPA	2.87	2.33	1.78	1.30	1.21	1.05	0.91
Others	0.14	0.00	0.75	0.31	0.03	0.03	0.03
<b>PBT</b>	<b>-1.41</b>	<b>-0.80</b>	<b>-0.77</b>	<b>0.23</b>	<b>0.78</b>	<b>1.00</b>	<b>1.23</b>
Tax	-0.30	-0.20	-0.22	-0.05	0.26	0.34	0.41
<b>RoA</b>	<b>-1.12</b>	<b>-0.60</b>	<b>-0.55</b>	<b>0.28</b>	<b>0.52</b>	<b>0.67</b>	<b>0.82</b>
Leverage (x)	21.3	20.9	19.0	18.3	17.8	17.6	17.4
<b>RoE</b>	<b>-23.8</b>	<b>-12.5</b>	<b>-10.6</b>	<b>5.1</b>	<b>9.3</b>	<b>11.7</b>	<b>14.2</b>

## Story in charts

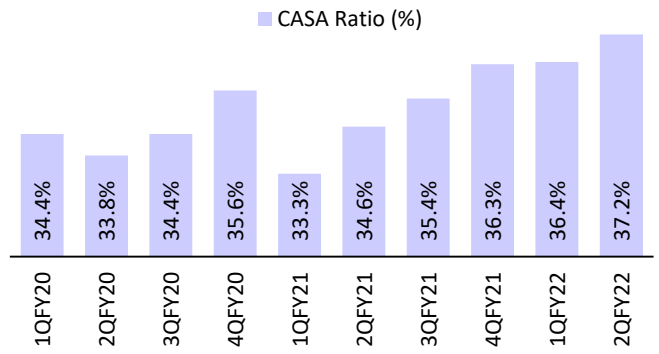
**Exhibit 1: CD ratio stood at ~64%**



Merged numbers from 1QFY21 onwards

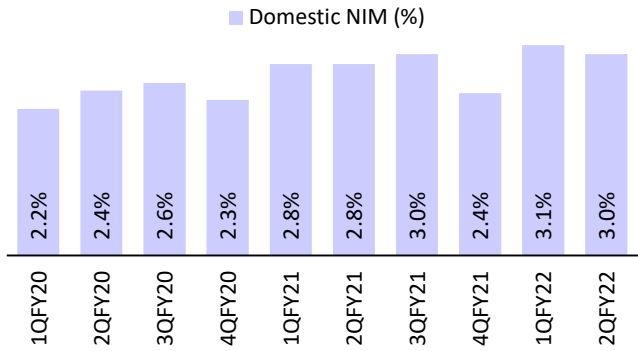
Source: MOFSL, Company

**Exhibit 2: CASA ratio stood at 37.2%**



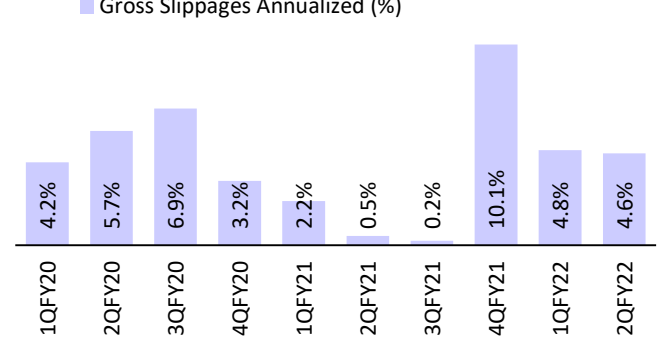
Source: MOFSL, Company

**Exhibit 3: Domestic NIMs declined 13bp QoQ to 2.98%**



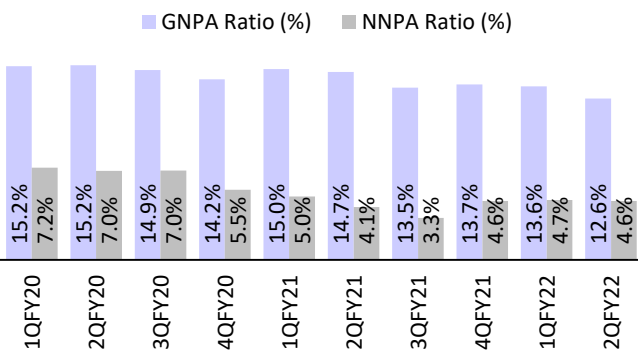
Source: MOFSL, Company

**Exhibit 4: Annualized slippage ratio trends...**



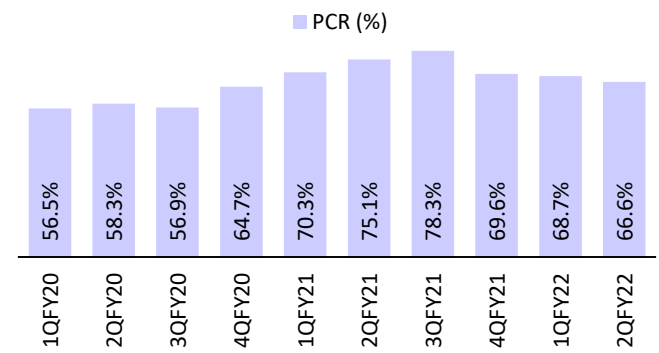
Source: MOFSL, Company

**Exhibit 5: GNPA/NNPA ratio improved by 96bp/8bp QoQ**



Source: MOFSL, Company

**Exhibit 6: PCR stood at ~67%**



Source: MOFSL, Company

## Financials and valuations

Income Statement							(INRm)
Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	3,27,480	3,40,667	3,72,311	6,87,673	7,52,623	8,12,683	8,82,854
Interest Expense	2,34,433	2,38,517	2,57,944	4,40,789	4,61,394	4,89,249	5,19,051
<b>Net Interest Income</b>	<b>93,047</b>	<b>1,02,149</b>	<b>1,14,368</b>	<b>2,46,884</b>	<b>2,91,228</b>	<b>3,23,434</b>	<b>3,63,803</b>
Growth (%)	4.5	9.8	12.0	115.9	18.0	11.1	12.5
Non Interest Income	49,899	44,739	52,608	1,13,369	1,24,705	1,37,176	1,50,894
<b>Total Income</b>	<b>1,42,945</b>	<b>1,46,889</b>	<b>1,66,975</b>	<b>3,60,253</b>	<b>4,15,934</b>	<b>4,60,610</b>	<b>5,14,697</b>
Growth (%)	3.1	2.8	13.7	115.8	15.5	10.7	11.7
Operating Expenses	67,550	71,676	75,164	1,67,660	1,92,553	2,14,651	2,37,317
<b>Pre Provision Profits</b>	<b>75,396</b>	<b>75,212</b>	<b>91,811</b>	<b>1,92,593</b>	<b>2,23,381</b>	<b>2,45,959</b>	<b>2,77,379</b>
Growth (%)	1.5	-0.2	22.1	109.8	16.0	10.1	12.8
<b>Core PPP</b>	<b>62,732</b>	<b>69,475</b>	<b>77,179</b>	<b>1,56,080</b>	<b>1,79,200</b>	<b>1,92,500</b>	<b>2,12,694</b>
Growth (%)	48.7	10.7	11.1	102.2	14.8	7.4	10.5
Provisions (excl tax)	1,41,807	1,14,479	1,32,087	1,68,599	1,36,995	1,27,335	1,20,535
<b>PBT</b>	<b>-66,411</b>	<b>-39,267</b>	<b>-40,276</b>	<b>23,994</b>	<b>86,386</b>	<b>1,18,624</b>	<b>1,56,844</b>
Tax	-13,938	-9,792	-11,299	-5,066	28,939	39,739	52,543
Tax Rate (%)	21.0	24.9	28.1	-21.1	33.5	33.5	33.5
<b>PAT</b>	<b>-52,474</b>	<b>-29,474</b>	<b>-28,978</b>	<b>29,060</b>	<b>57,446</b>	<b>78,885</b>	<b>1,04,301</b>
Growth (%)	-1,045.1	-43.8	-1.7	-200.3	97.7	37.3	32.2

### Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	11,686	17,630	34,228	64,068	64,068	64,068	64,068
Reserves & Surplus	2,39,282	2,47,240	3,03,628	5,80,699	6,30,427	6,86,156	7,51,864
<b>Net Worth</b>	<b>2,50,968</b>	<b>2,64,870</b>	<b>3,37,856</b>	<b>6,44,767</b>	<b>6,94,495</b>	<b>7,50,224</b>	<b>8,15,932</b>
<b>Deposits</b>	<b>40,85,016</b>	<b>41,59,153</b>	<b>45,06,685</b>	<b>92,38,053</b>	<b>97,92,337</b>	<b>1,05,75,724</b>	<b>1,14,21,781</b>
Growth (%)	8.0	1.8	8.4	105.0	6.0	8.0	8.0
<b>of which CASA Dep</b>	<b>13,92,412</b>	<b>15,01,412</b>	<b>16,03,733</b>	<b>33,55,919</b>	<b>35,83,995</b>	<b>38,91,866</b>	<b>42,37,481</b>
Growth (%)	6.9	7.8	6.8	109.3	6.8	8.6	8.9
Borrowings	4,56,808	4,28,638	5,24,863	5,18,371	5,50,210	5,83,521	6,18,408
Other Liabilities & Prov.	81,009	87,727	1,37,429	3,15,867	3,47,453	3,82,199	4,20,418
<b>Total Liabilities</b>	<b>48,73,801</b>	<b>49,40,388</b>	<b>55,06,833</b>	<b>1,07,17,058</b>	<b>1,13,84,495</b>	<b>1,22,91,668</b>	<b>1,32,76,540</b>
Current Assets	4,94,412	4,30,460	5,51,062	8,44,103	7,65,348	8,14,625	8,42,813
<b>Investments</b>	<b>12,37,542</b>	<b>12,60,466</b>	<b>15,24,139</b>	<b>33,15,118</b>	<b>36,46,630</b>	<b>39,38,360</b>	<b>42,53,429</b>
Growth (%)	10.3	1.9	20.9	117.5	10.0	8.0	8.0
<b>Loans</b>	<b>28,87,606</b>	<b>29,69,322</b>	<b>31,50,494</b>	<b>59,09,829</b>	<b>62,64,418</b>	<b>67,65,572</b>	<b>73,74,473</b>
Growth (%)	0.8	2.8	6.1	87.6	6.0	8.0	9.0
Fixed Assets	38,333	37,623	47,625	73,439	77,111	80,966	85,014
Other Assets	2,15,908	2,42,518	2,33,512	5,74,570	6,30,988	6,92,145	7,20,810
<b>Total Assets</b>	<b>48,73,801</b>	<b>49,40,388</b>	<b>55,06,833</b>	<b>1,07,17,058</b>	<b>1,13,84,495</b>	<b>1,22,91,668</b>	<b>1,32,76,540</b>

### Asset Quality

GNPA (INR m)	4,93,699	4,87,291	4,90,853	8,97,882	7,80,695	7,05,431	6,70,473
NNPA (INR m)	2,43,262	2,03,323	1,73,030	2,76,341	2,67,098	2,59,452	2,39,561
GNPA Ratio	15.73	14.98	14.15	13.75	11.52	9.78	8.59
NNPA Ratio	8.42	6.85	5.49	4.68	4.26	3.83	3.25
Slippage Ratio	7.46	4.70	5.02	2.93	2.50	2.20	2.00
Credit Cost	4.69	3.90	3.04	2.28	2.20	1.90	1.65
PCR (Excl Tech. write off)	50.7	58.3	64.7	69.2	65.8	63.2	64.3

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>7.3</b>	<b>7.3</b>	<b>7.5</b>	<b>7.0</b>	<b>7.3</b>	<b>7.3</b>	<b>7.4</b>
Avg. Yield on loans	7.9	8.1	8.2	7.7	8.0	8.0	8.1
Avg. Yield on Investments	7.6	7.4	7.7	6.8	7.0	7.0	7.0
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.4</b>	<b>5.2</b>	<b>5.4</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.5</b>
Avg. Cost of Deposits	5.5	5.4	5.5	4.6	4.5	4.5	4.5
<b>Interest Spread</b>	<b>1.9</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>	<b>2.7</b>	<b>2.8</b>	<b>2.9</b>
<b>Net Interest Margin</b>	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>

### Capitalisation Ratios (%)

CAR	11.6	11.9	12.7	12.5	12.9	13.2	13.5
Tier I	9.1	9.6	10.7	10.3	10.7	10.9	11.2
Tier II	2.4	2.3	2.0	2.2	2.3	2.3	2.3

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	70.7	71.4	69.9	64.0	64.0	64.0	64.6
CASA Ratio	34.1	36.1	35.6	36.3	36.6	36.8	37.1
Cost/Assets	1.4	1.5	1.4	1.6	1.7	1.7	1.8
Cost/Total Income	47.3	48.8	45.0	46.5	46.3	46.6	46.1
Cost/ Core Income	51.8	50.8	49.3	51.8	51.8	52.7	52.7
Int. Expense/Int.Income	71.6	70.0	69.3	64.1	61.3	60.2	58.8
Fee Income/Total Income	26.0	26.6	22.7	21.3	19.4	18.2	16.7
Non Int. Inc.Total Income	34.9	30.5	31.5	31.5	30.0	29.8	29.3
Empl. Cost/Total Expense	46.7	44.0	44.7	53.8	53.9	53.7	53.4
Investment/Deposit Ratio	30.3	30.3	33.8	35.9	37.2	37.2	37.2

### Profitability Ratios and Valuation

RoE	-23.7	-12.5	-10.6	5.1	9.3	11.7	14.2
RoA	-1.1	-0.6	-0.6	0.3	0.5	0.7	0.8
RoRWA	-1.8	-1.1	-1.0	0.5	1.0	1.3	1.6
Book Value (INR)	203.7	143.3	93.6	96.4	104.2	112.9	123.1
Growth (%)	-38.1	-29.7	-34.7	3.0	8.0	8.3	9.1
Price-BV (x)	0.2	0.3	0.5	0.5	0.5	0.4	0.4
Adjusted BV (INR)	50.8	57.3	54.5	63.6	72.1	81.4	93.6
Price-ABV (x)	1.0	0.9	0.9	0.8	0.7	0.6	0.5
EPS (INR)	-56.5	-20.1	-11.2	4.5	9.0	12.3	16.3
Growth (%)	-800.1	-64.4	-44.4	-140.6	97.7	37.3	32.2
Price-Earnings (x)	-0.9	-2.5	-4.4	10.9	5.5	4.0	3.0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	1.2	3.6	6.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	2.4	7.3	12.2

**NOTES**



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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

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