

# Union Bank of India

Estimate change



TP change



Rating change



Bloomberg	UNBK IN
Equity Shares (m)	6,835
M.Cap.(INRb)/(USD\$)	247.4 / 3.2
52-Week Range (INR)	55 / 33
1, 6, 12 Rel. Per (%)	-4/-15/-11
12M Avg Val (INR M)	764

## Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	277.9	314.2	349.3
OP	218.7	224.1	252.7
NP	52.3	59.8	88.8
NIM (%)	2.6	2.7	2.8
EPS (INR)	7.9	8.8	13.0
EPS Gr. (%)	74.2	10.8	48.4
BV/Sh. (INR)	99.3	104.5	111.4
ABV/Sh. (INR)	71.8	79.8	89.4
RoE (%)	8.4	8.9	12.4
RoA (%)	0.5	0.5	0.7

## Valuations

P/E(X)	4.6	4.1	2.8
P/BV (X)	0.4	0.3	0.3
P/ABV (X)	0.5	0.5	0.4

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Sep-21
Promoter	83.5	83.5	83.5
DII	6.6	7.0	6.7
FII	1.2	1.2	1.5
Others	8.7	8.3	8.3

FII Includes depository receipts

**CMP: INR36**
**TP: INR50 (+38%)**
**Buy**

## Mixed quarter; earnings beat driven by treasury gains

### Asset quality improves further, though fresh slippages rise

- Union Bank of India (UNBK) reported 8% YoY growth in net earnings in 4QFY22 supported by higher treasury gains, lower opex and tax rate. PPOp grew 11% YoY to INR55.2b.
- While headline asset quality, GNPA/NNPA, improved 51bp/41bp QoQ, respectively, fresh slippages rose 66% QoQ to ~3.7% annualized led by a large corporate account of INR17.2b. UNBK carries 59% provision on the same.
- We cut our PAT estimates by 17% and 13% for FY23 and FY24, respectively, on lower other income (rising bond yields) and estimate an RoA/RoE of 0.7%/12.4% for UNBK in FY24. **Maintain BUY with a TP of INR50.**

### Higher treasury gains surprising; slippages remain elevated

- UNBK reported 8% YoY PAT growth in 4QFY22 at INR14.4b (20% beat) largely due to higher treasury gains and lower tax expenses, even though provisioning was higher. FY22 NII/PPoP/PAT grew 13%/11%/80% YoY, respectively.
- NII declined 6% QoQ (+25% YoY) to INR67.7b, despite impressive loan growth of 7% QoQ (+12% YoY). This was primarily led by a 26bp contraction in domestic margin to 2.78%.
- Other income grew 28% QoQ (significant beat) on higher treasury income, thus driving 3% YoY growth in total revenue (in line).
- Operating expenses dipped 6% YoY to INR45b. The C/I ratio improved 256bp QoQ to 44.9%. Therefore, PPOp increased 11% YoY to INR55b.
- On the business front, loan book grew 7% QoQ to INR6.6t. This was led by 12% QoQ growth in the corporate portfolio, while the retail portfolio rose 9% YoY/3% QoQ. The deposit base grew 12% YoY (10% QoQ), while the CASA ratio moderated 45bp QoQ to 36.5%.
- On the asset quality front, fresh slippages stood at INR56.7b (3.7% annualized) due to a lumpy slippage in the corporate portfolio (retail account). GNPA/NNPA ratio improved 51bp/41bp QoQ to 11.1%/3.7%, respectively, while PCR improved 193bp QoQ to 69.5%.
- The total SMA (1 and 2) overdue stood at 3.0% of loans while SMA-2 >INR50m moderated to 0.09% (0.45% in 3QFY22). The total restructured loans moderated to 3.0% of loans.

### Highlights from the management commentary

- Loan growth is likely to be in the range of 10–12% for FY23E while deposit growth should be closer to 10%.
- Credit costs are expected to be <1.5% for FY23 while delinquency ratio should be less than 2%.
- The bank closed more than 700 branches as part of the amalgamation, as these branches were overlapping with the merged banks.

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**Valuation and view**

UNBK reported a mixed quarter with earnings beat driven by treasury gains, lower opex and tax outgo. Provision continued to be elevated as fresh slippages grew 66% QoQ due to a large corporate account while the outlook appears better as reflected in a further reduction in SMA/restructured loans. Loan growth picked up and was supported by all segments – corporate, agri, retail and MSME. We cut our PAT estimates by 17% and 13% for FY23 and FY24, respectively, on lower other income (rising bond yields) and estimate an RoA/RoE of 0.7%/12.4% for UNBK in FY24.

**Maintain BUY with a TP of INR50 (premised on 0.6x FY24E ABV).**

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

	FY21				FY22				FY21	FY22	FY22E 4QE	v/s our Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Interest Income</b>	<b>64.0</b>	<b>62.9</b>	<b>65.9</b>	<b>54.0</b>	<b>70.1</b>	<b>68.3</b>	<b>71.7</b>	<b>67.7</b>	<b>246.9</b>	<b>277.9</b>	<b>75.0</b>	<b>-10%</b>
% Change (YoY)	154.3	116.6	110.2	87.7	9.5	8.5	8.9	25.3	115.9	12.5	38.8	
Other Income	14.6	24.1	29.7	43.3	27.8	39.8	25.2	32.4	117.4	125.2	24.0	35%
<b>Total Income</b>	<b>78.7</b>	<b>87.0</b>	<b>95.6</b>	<b>97.3</b>	<b>97.9</b>	<b>108.1</b>	<b>97.0</b>	<b>100.1</b>	<b>364.3</b>	<b>403.1</b>	<b>99.0</b>	<b>1%</b>
Operating Expenses	38.3	38.7	42.9	47.7	46.1	47.3	46.0	44.9	167.7	184.4	48.8	-8%
<b>Operating Profit</b>	<b>40.3</b>	<b>48.3</b>	<b>52.7</b>	<b>49.6</b>	<b>51.8</b>	<b>60.7</b>	<b>51.0</b>	<b>55.2</b>	<b>196.7</b>	<b>218.7</b>	<b>50.2</b>	<b>10%</b>
% Change (YoY)	113.9	115.7	119.3	86.9	28.4	25.7	-3.2	11.3	114.2	11.2	-3.2	
Provisions	35.6	42.4	52.1	36.8	34.0	37.2	25.5	36.2	172.7	132.9	30.8	18%
<b>Profit before Tax</b>	<b>4.8</b>	<b>5.9</b>	<b>0.5</b>	<b>12.8</b>	<b>17.8</b>	<b>23.5</b>	<b>25.5</b>	<b>19.0</b>	<b>24.0</b>	<b>85.8</b>	<b>19.4</b>	<b>-2%</b>
Tax	1.5	0.7	-6.7	-0.5	6.0	8.2	14.6	4.6	-5.1	33.5	7.3	-37%
<b>Net Profit</b>	<b>3.3</b>	<b>5.2</b>	<b>7.3</b>	<b>13.3</b>	<b>11.8</b>	<b>15.3</b>	<b>10.9</b>	<b>14.4</b>	<b>29.1</b>	<b>52.3</b>	<b>12.0</b>	<b>20%</b>
% Change (YoY)	48.3	NM	26.5	NM	254.9	195.4	49.3	8.3	-200.3	80.0	-9.5	
<b>Operating Parameters</b>												
Deposit (INR b)	8,925	8,861	8,824	9,238	9,085	9,140	9,375	10,324	9,238	10,324	9,561	8%
Loan (INR b)	5,817	5,790	5,829	5,910	5,846	5,810	6,168	6,610	5,910	6,610	6,324	5%
Deposit Growth (%)	107.6	100.1	98.3	105.0	1.8	3.2	6.2	11.8	105.0	11.8	3.5	
Loan Growth (%)	98.0	94.4	89.5	87.6	0.5	0.3	5.8	11.8	87.6	11.8	7.0	
<b>Asset Quality</b>												
Gross NPA (%)	15.0	14.7	13.5	13.7	13.6	12.6	11.6	11.1	13.7	11.1	11.5	(42)
Net NPA (%)	5.0	4.1	3.3	4.6	4.7	4.6	4.1	3.7	4.7	3.7	4.3	(59)
PCR (%)	70.3	75.1	78.3	69.6	68.7	66.6	67.5	69.5	69.2	69.5	65.7	373

E:MOFSL Estimates

## Quarterly snapshot

INR m	FY20				FY21				FY22				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Profit and Loss</b>														
<b>Interest Income</b>	<b>89.0</b>	<b>94.1</b>	<b>96.3</b>	<b>92.9</b>	<b>184.3</b>	<b>177.8</b>	<b>170.9</b>	<b>154.8</b>	<b>171.3</b>	<b>167.1</b>	<b>169.3</b>	<b>171.7</b>	<b>11</b>	<b>1</b>
Loans	61.3	62.6	64.4	62.5	124.4	118.5	114.5	99.7	113.5	111.7	112.7	114.5	15	2
Investment	24.1	27.4	28.0	26.2	52.4	52.7	51.6	49.1	51.0	49.2	49.3	50.0	2	1
<b>Interest Expenses</b>	<b>63.8</b>	<b>65.1</b>	<b>65.0</b>	<b>64.1</b>	<b>120.3</b>	<b>114.8</b>	<b>105.0</b>	<b>100.7</b>	<b>101.2</b>	<b>98.8</b>	<b>97.6</b>	<b>104.1</b>	<b>3</b>	<b>7</b>
<b>Net Interest Income</b>	<b>25.2</b>	<b>29.1</b>	<b>31.3</b>	<b>28.8</b>	<b>64.0</b>	<b>62.9</b>	<b>65.9</b>	<b>54.0</b>	<b>70.1</b>	<b>68.3</b>	<b>71.7</b>	<b>67.7</b>	<b>25</b>	<b>-6</b>
<b>Other Income</b>	<b>9.9</b>	<b>11.4</b>	<b>11.1</b>	<b>20.2</b>	<b>14.6</b>	<b>24.1</b>	<b>29.7</b>	<b>43.3</b>	<b>27.8</b>	<b>39.8</b>	<b>25.2</b>	<b>32.4</b>	<b>-25</b>	<b>28</b>
Trading profits	2.6	2.9	0.8	8.3	5.2	10.3	12.8	6.5	9.9	8.0	5.8	9.4	44	63
Forex Income	0.9	0.9	0.5	0.6	1.1	1.3	1.3	0.7	1.1	1.9	1.6	1.8	159	15
Recoveries	1.5	1.6	3.3	3.0	0.8	2.6	2.4	21.0	6.2	17.6	4.7	2.9	-86	-38
Core Fees	5.0	6.1	6.5	8.3	7.5	9.8	13.2	15.1	10.6	12.3	13.2	18.3	21	39
<b>Total Income</b>	<b>35.1</b>	<b>40.5</b>	<b>42.5</b>	<b>49.0</b>	<b>78.7</b>	<b>87.0</b>	<b>95.6</b>	<b>97.3</b>	<b>97.9</b>	<b>108.1</b>	<b>97.0</b>	<b>100.1</b>	<b>3</b>	<b>3</b>
<b>Operating Expenses</b>	<b>16.2</b>	<b>18.1</b>	<b>18.4</b>	<b>22.4</b>	<b>38.3</b>	<b>38.7</b>	<b>42.9</b>	<b>47.7</b>	<b>46.1</b>	<b>47.3</b>	<b>46.0</b>	<b>44.9</b>	<b>-6</b>	<b>-2</b>
Employee	7.2	7.6	8.7	10.1	20.9	21.2	24.2	25.6	28.8	26.4	23.8	22.1	-14	-7
Others	9.0	10.5	9.8	12.3	17.4	17.5	18.8	22.2	17.3	20.9	22.2	22.8	3	3
<b>Operating Profits</b>	<b>18.9</b>	<b>22.4</b>	<b>24.0</b>	<b>26.5</b>	<b>40.3</b>	<b>48.3</b>	<b>52.7</b>	<b>49.6</b>	<b>51.8</b>	<b>60.7</b>	<b>51.0</b>	<b>55.2</b>	<b>11</b>	<b>8</b>
<b>Core Operating Profits</b>	<b>16.3</b>	<b>19.5</b>	<b>23.2</b>	<b>18.2</b>	<b>35.2</b>	<b>38.0</b>	<b>39.8</b>	<b>43.1</b>	<b>41.9</b>	<b>52.7</b>	<b>45.2</b>	<b>45.8</b>	<b>6</b>	<b>1</b>
<b>Provisions</b>	<b>15.2</b>	<b>38.6</b>	<b>18.2</b>	<b>60.1</b>	<b>35.6</b>	<b>42.4</b>	<b>52.1</b>	<b>36.8</b>	<b>34.0</b>	<b>37.2</b>	<b>25.5</b>	<b>36.2</b>	<b>-2</b>	<b>42</b>
NPA provisions	14.3	33.3	15.7	54.8	24.5	37.2	30.4	47.1	24.9	36.9	22.7	34.6	-27	52
Provisions on Invest.	0.8	-0.9	2.7	1.2	-2.1	1.8	0.2	3.2	-2.0	-0.5	-0.9	0.0	-100	-100
<b>PBT</b>	<b>3.7</b>	<b>-16.2</b>	<b>5.8</b>	<b>-33.6</b>	<b>4.8</b>	<b>5.9</b>	<b>0.5</b>	<b>12.8</b>	<b>17.8</b>	<b>23.5</b>	<b>25.5</b>	<b>19.0</b>	<b>49</b>	<b>-25</b>
Taxes	1.4	-4.2	0.1	-8.6	1.5	0.7	-6.7	-0.5	6.0	8.2	14.6	4.6	NM	-68
<b>PAT</b>	<b>2.2</b>	<b>-11.9</b>	<b>5.7</b>	<b>-25.0</b>	<b>3.3</b>	<b>5.2</b>	<b>7.3</b>	<b>13.3</b>	<b>11.8</b>	<b>15.3</b>	<b>10.9</b>	<b>14.4</b>	<b>8</b>	<b>33</b>
<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	9,375	10,324	12	10
Loans (INR b)	2,938	2,979	3,076	3,150	5,817	5,790	5,829	5,910	5,846	5,810	6,168	6,610	12	7
<b>Asset Quality</b>														
GNPA (INR b)	488.1	498.5	499.2	490.9	971.9	958.0	879.7	897.9	877.6	802.1	777.9	795.9	-11	2
NNPA (INR b)	212.3	207.9	215.1	173.0	289.1	238.9	190.6	272.8	274.4	267.9	252.6	243.0	-11	-4
<b>Others</b>														
Branches	4,288	4,285	4,282	4,284	9,590	9,590	9,587	9,315	9,312	9,274	9,113	8,873	-442	-240
ATM	6,561	6,798	6,686	6,895	13,239	13,287	12,961	12,957	11,824	11,677	11,455	11,232	-1,725	-223
<b>Ratios (%)</b>														
<b>Asset Quality Ratios</b>														
	<b>1Q</b>	<b>2Q</b>	<b>2Q</b>	<b>2Q</b>	<b>1Q</b>	<b>2Q</b>	<b>2Q</b>	<b>2Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>YoY</b>	<b>QoQ</b>
GNPA	15.2	15.2	14.9	14.2	15.0	14.7	13.5	13.7	13.6	12.6	11.6	11.1	-263	-51
NNPA	7.2	7.0	7.0	5.5	5.0	4.1	3.3	4.6	4.7	4.6	4.1	3.7	-94	-41
PCR	65.9	67.8	67.4	73.6	79.9	83.2	86.2	81.3	81.4	81.8	82.8	83.6	234	81
Credit Cost	2.5	4.6	3.2	0.0	2.5	4.6	3.2	0.0	0.0	0.0	0.0	0.0	0	0
<b>Business Ratios</b>														
Fees of Total Income	92.7	92.8	98.1	83.0	93.4	88.1	86.6	93.3	89.9	92.6	94.1	90.6	-270	-346
Cost to Core Income	49.8	48.1	44.3	55.2	52.2	50.4	51.9	52.6	52.4	47.3	50.4	49.5	-305	-91
Tax Rate	38.9	26.2	1.4	25.5	30.4	12.6	NM	NM	33.6	35.1	57.4	24.3	NM	-3,310
CASA (Cal)	34.4	33.8	34.4	35.6	33.3	34.6	35.4	36.3	36.4	37.2	37.0	36.5	21	-45
Loan/Deposit	68.3	67.3	69.1	69.9	65.2	65.3	66.1	64.0	64.3	63.6	65.8	64.0	5	-177
<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	0.4	0.5	1	11
RoE	4.7	-16.5	7.8	-43.3	3.3	5.0	6.8	12.2	10.0	12.2	8.2	11.1	-111	289
Yield on Loans	7.8	7.9	8.0	7.6	7.9	7.5	7.3	6.2	7.3	7.1	7.2	7.0	74	-22
Yield on Investments	6.8	7.0	6.7	6.6	6.5	6.3	6.3	5.9	5.9	6.1	6.1	6.0	9	-6
Yield on Funds	6.9	6.9	7.0	6.5	6.6	6.5	6.6	5.8	6.3	6.1	6.1	6.0	22	-8
Cost of Funds	4.9	4.8	4.7	4.5	4.3	4.2	4.1	3.7	3.7	3.6	3.5	3.6	-12	13
Cost of Deposits	5.6	5.7	5.5	5.5	5.0	4.8	4.6	4.3	4.2	4.2	4.0	4.1	-14	13
Margins	2.1	2.4	2.5	2.2	2.8	2.8	2.9	2.4	3.1	3.0	3.0	2.8	37	-25



## Highlights from the management commentary

### Operating environment and business

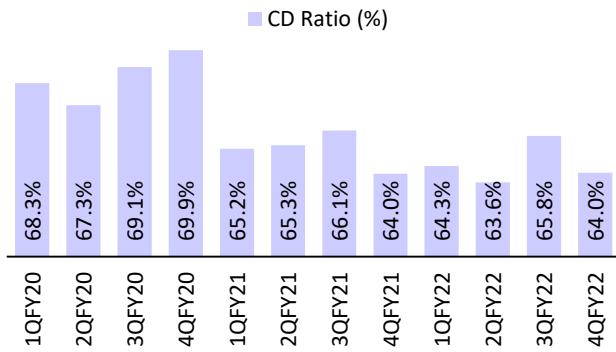
- India is seen as one of the fastest growing countries in the world and it is showing traction in economic momentum
- A hike in policy rate will immediately reflect in home and auto loan lending rates along with some other segments
- However, deposit rates will rise with a lag
- The bank envisages to have a digital bank with several new initiatives
- It added 4m new mobile customers in FY22, taking the total to 11.6m
- UNBK has also started opening small branches (200-300 square feet) in malls and other popular places, in metros. These will largely be digital branches with minimal human intervention.
- CRAR improved during the year and thus, adequate capital exists for growth. Management is not looking to raise equity in this year.
- The bank closed more than 700 branches as part of the amalgamation, as these branches were overlapping with the merged banks.
- UNBK would like to take CD ratio to 75% but the management does not see that happening for some time
- Growth in advances was led by all segments
- It expects treasury income to come down by at least half this year. However, it will be offset by higher interest income and enhanced write-back from recovery
- Total pension cost for the bank was INR19b. The bank has decided to amortize the same in five years and has booked INR3b in the current year
- Guidance for FY22-23E
  - Loan growth is likely to be in the range of 10–12% for FY23E while deposit growth should be closer to 10%.
  - The CASA ratio should be close to 37%.
  - Credit costs are expected to be <1.5 for FY23 while delinquency ratio should be less than 2%

### Asset quality

- The bank has strengthened its collection efficiency by adding call centers and on-street fleet with specialized staff
- UNBK has sanctioned INR150b worth of loans under ECLGS scheme. Out of this, it disbursed INR140b. The current outstanding is INR110b with an NPA of 3%
- In slippages, one lumpy account (Future Retail) with an exposure of INR17.2b slipped into NPA.
- It has a higher exposure of INR27b along with a PCR of 58.5%. Some part of the balance may slip this year. If we include the recovery in Apr'22, the PCR should be 61%
- UNBK expects MSME slippages to come down as the current position of SMA book lends confidence
- The current SMA 1 and 2 portfolio on the entire book together stood at 3%
- Management expects healthy recovery in FY23 – INR120b likely to be realized in FY23 as the amount relates to accounts in advanced stages of recovery (some NCLT approved, some pending NCLT approval).

## Story in charts

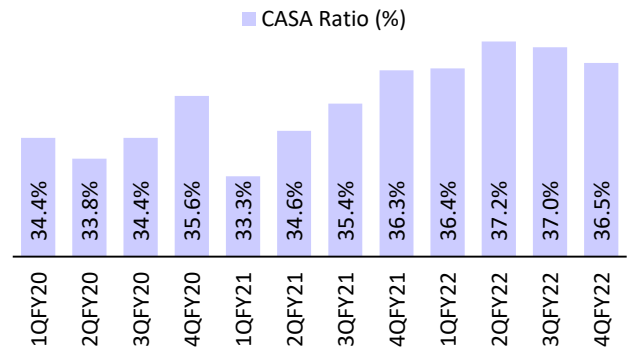
**Exhibit 1: CD ratio remained in the range of 64-66%**



Merged numbers from 1QFY21 onwards

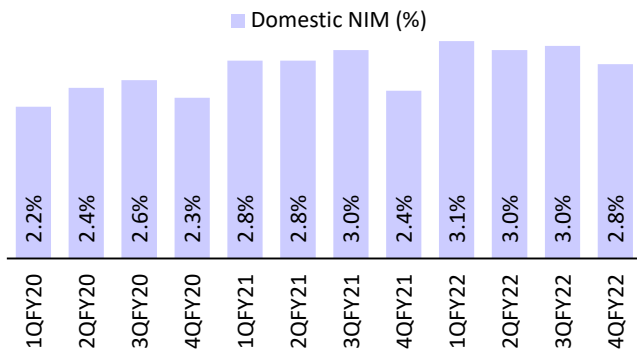
Source: MOFSL, Company

**Exhibit 2: CASA ratio contracted marginally to 36.5%**



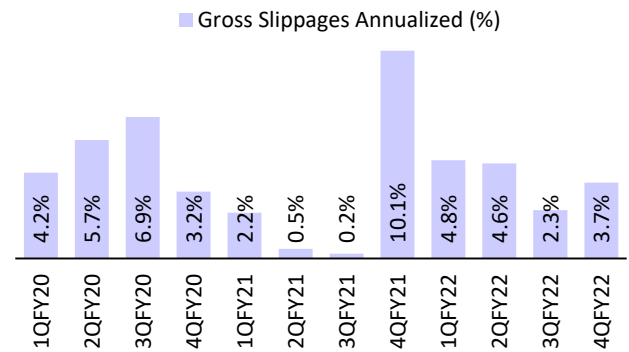
Source: MOFSL, Company

**Exhibit 3: Domestic NIMs expanded 26bp QoQ to 2.78%**



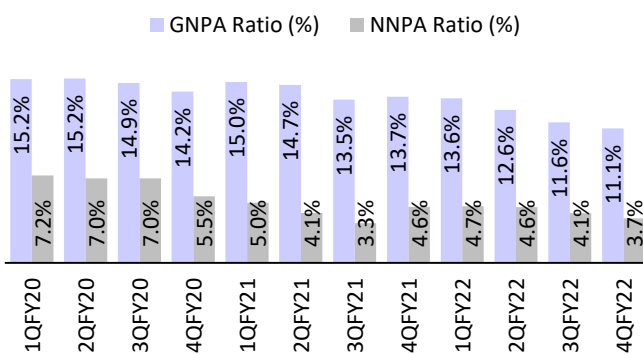
Source: MOFSL, Company

**Exhibit 4: Slippages were high in 4Q due to a lumpy account**



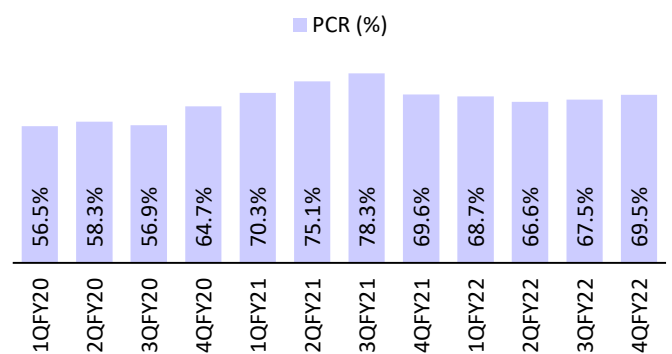
Source: MOFSL, Company

**Exhibit 5: GNPA/NNPA ratio improved 51bp/41bp QoQ**



Source: MOFSL, Company

**Exhibit 6: PCR increased to 70%**



Source: MOFSL, Company

**Exhibit 7: DuPont analysis – we expect return ratios to improve in FY23 and FY24**

Y/E MARCH (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	6.97	6.94	7.13	6.57	6.01	6.49	6.69
Interest Expense	4.99	4.86	4.94	4.21	3.55	3.95	4.08
<b>Net Interest Income</b>	<b>1.98</b>	<b>2.08</b>	<b>2.19</b>	<b>2.36</b>	<b>2.46</b>	<b>2.54</b>	<b>2.61</b>
Fee income	0.79	0.79	0.73	0.77	0.88	0.72	0.73
Trading and others	0.27	0.12	0.28	0.35	0.23	0.21	0.25
<b>Non-Interest Income</b>	<b>1.06</b>	<b>0.91</b>	<b>1.01</b>	<b>1.12</b>	<b>1.11</b>	<b>0.93</b>	<b>0.98</b>
<b>Total Income</b>	<b>3.04</b>	<b>2.99</b>	<b>3.20</b>	<b>3.48</b>	<b>3.57</b>	<b>3.48</b>	<b>3.59</b>
<b>Operating Expenses</b>	<b>1.44</b>	<b>1.46</b>	<b>1.44</b>	<b>1.60</b>	<b>1.63</b>	<b>1.66</b>	<b>1.70</b>
Employees	0.67	0.64	0.64	0.86	0.89	0.88	0.89
Others	0.77	0.82	0.80	0.74	0.75	0.79	0.81
<b>Operating Profits</b>	<b>1.60</b>	<b>1.53</b>	<b>1.76</b>	<b>1.88</b>	<b>1.94</b>	<b>1.81</b>	<b>1.89</b>
<b>Core Operating Profits</b>	<b>1.33</b>	<b>1.42</b>	<b>1.48</b>	<b>1.53</b>	<b>1.71</b>	<b>1.60</b>	<b>1.64</b>
<b>Provisions</b>	<b>3.02</b>	<b>2.33</b>	<b>2.53</b>	<b>1.65</b>	<b>1.18</b>	<b>1.07</b>	<b>1.00</b>
NPA	2.87	2.33	1.78	1.33	1.03	1.03	0.97
Others	0.14	0.00	0.75	0.32	0.15	0.04	0.03
<b>PBT</b>	<b>-1.41</b>	<b>-0.80</b>	<b>-0.77</b>	<b>0.23</b>	<b>0.76</b>	<b>0.75</b>	<b>0.88</b>
Tax	-0.30	-0.20	-0.22	-0.05	0.30	0.26	0.22
<b>RoA</b>	<b>-1.12</b>	<b>-0.60</b>	<b>-0.55</b>	<b>0.28</b>	<b>0.46</b>	<b>0.48</b>	<b>0.66</b>
Leverage (x)	21.3	20.9	19.0	18.3	18.0	18.3	18.7
<b>RoE</b>	<b>-23.8</b>	<b>-12.5</b>	<b>-10.6</b>	<b>5.1</b>	<b>8.4</b>	<b>8.9</b>	<b>12.4</b>

**Exhibit 8: We cut our PAT estimates by 17% and 13% for FY23 and FY24, respectively**

INR B	Old Est			New Est		% Change	
	FY18	FY23	FY24	FY23	FY24	FY23	FY24
<b>Net Interest Income</b>	<b>319.5</b>	<b>352.6</b>	<b>314.2</b>	<b>349.3</b>	<b>-1.6</b>	<b>-0.9</b>	
Other Income	126.1	138.7	115.2	131.4	-8.6	-5.3	
<b>Total Income</b>	<b>445.6</b>	<b>491.3</b>	<b>429.5</b>	<b>480.6</b>	<b>-3.6</b>	<b>-2.2</b>	
Operating Expenses	211.4	236.4	205.3	227.9	-2.9	-3.6	
<b>Operating Profits</b>	<b>234.2</b>	<b>254.9</b>	<b>224.1</b>	<b>252.7</b>	<b>-4.3</b>	<b>-0.9</b>	
Provisions	125.0	119.5	132.1	134.3	5.6	12.3	
<b>PBT</b>	<b>109.1</b>	<b>135.3</b>	<b>92.1</b>	<b>118.4</b>	<b>-15.6</b>	<b>-12.5</b>	
Tax	37.1	33.8	32.2	29.6	-13.1	-12.5	
<b>PAT</b>	<b>72.0</b>	<b>101.5</b>	<b>59.8</b>	<b>88.8</b>	<b>-16.9</b>	<b>-12.5</b>	
Loans	6,861	7,547	7,271	7,998	6.0	6.0	
Deposits	10,183	10,998	11,150	12,153	9.5	10.5	
Margins (%)	2.94	3.02	2.69	2.76	-26	-26	
<b>RoA (%)</b>	<b>0.6</b>	<b>0.8</b>	<b>0.5</b>	<b>0.7</b>	<b>-14</b>	<b>-16</b>	
<b>RoE (%)</b>	<b>10.9</b>	<b>14.1</b>	<b>8.9</b>	<b>12.4</b>	<b>-200</b>	<b>-172</b>	
<b>BV</b>	<b>111</b>	<b>120</b>	<b>104</b>	<b>111</b>	<b>-5.6</b>	<b>-7.5</b>	
ABV	84	96	80	89	-5.1	-6.4	
EPS	11	16	9	13	-22.1	-18.0	

Source: MOFSL

## Financials and valuations

Income Statement							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
Interest Income	327.5	340.7	372.3	687.7	679.4	802.3	896.2	
Interest Expense	234.4	238.5	257.9	440.8	401.6	488.1	546.9	
<b>Net Interest Income</b>	<b>93.0</b>	<b>102.1</b>	<b>114.4</b>	<b>246.9</b>	<b>277.9</b>	<b>314.2</b>	<b>349.3</b>	
Growth (%)	4.5	9.8	12.0	115.9	12.5	13.1	11.1	
Non-Interest Income	49.9	44.7	52.6	117.4	125.2	115.2	131.4	
<b>Total Income</b>	<b>142.9</b>	<b>146.9</b>	<b>167.0</b>	<b>364.3</b>	<b>403.1</b>	<b>429.5</b>	<b>480.6</b>	
Growth (%)	3.1	2.8	13.7	118.2	10.6	6.5	11.9	
Operating Expenses	67.5	71.7	75.2	167.7	184.4	205.3	227.9	
<b>Pre Provision Profits</b>	<b>75.4</b>	<b>75.2</b>	<b>91.8</b>	<b>196.7</b>	<b>218.7</b>	<b>224.1</b>	<b>252.7</b>	
Growth (%)	1.5	-0.2	22.1	114.2	11.2	2.5	12.7	
<b>Core PPP</b>	<b>62.7</b>	<b>69.5</b>	<b>77.2</b>	<b>160.2</b>	<b>192.6</b>	<b>197.7</b>	<b>219.6</b>	
Growth (%)	48.7	10.7	11.1	107.5	20.3	2.6	11.0	
Provisions (excl tax)	141.8	114.5	132.1	172.7	132.9	132.1	134.3	
<b>PBT</b>	<b>-66.4</b>	<b>-39.3</b>	<b>-40.3</b>	<b>24.0</b>	<b>85.8</b>	<b>92.1</b>	<b>118.4</b>	
Tax	-13.9	-9.8	-11.3	-5.1	33.5	32.2	29.6	
Tax Rate (%)	21.0	24.9	28.1	-21.1	39.0	35.0	25.0	
<b>PAT</b>	<b>-52.5</b>	<b>-29.5</b>	<b>-29.0</b>	<b>29.1</b>	<b>52.3</b>	<b>59.8</b>	<b>88.8</b>	
Growth (%)	-1,045.1	-43.8	-1.7	-200.3	80.0	14.4	48.4	

### Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	11.7	17.6	34.2	64.1	68.3	68.3	68.3
Reserves & Surplus	239.3	247.2	303.6	580.7	637.4	672.6	720.2
<b>Net Worth</b>	<b>251.0</b>	<b>264.9</b>	<b>337.9</b>	<b>644.8</b>	<b>705.8</b>	<b>740.9</b>	<b>788.5</b>
<b>Deposits</b>	<b>4,085.0</b>	<b>4,159.2</b>	<b>4,506.7</b>	<b>9,238.1</b>	<b>10,323.9</b>	<b>11,149.8</b>	<b>12,153.3</b>
Growth (%)	8.0	1.8	8.4	105.0	11.8	8.0	9.0
<b>of which CASA Dep</b>	<b>1,392.4</b>	<b>1,501.4</b>	<b>1,603.7</b>	<b>3,355.9</b>	<b>3,771.9</b>	<b>4,103.1</b>	<b>4,508.9</b>
Growth (%)	6.9	7.8	6.8	109.3	12.4	8.8	9.9
Borrowings	456.8	428.6	524.9	518.4	511.8	577.7	608.4
Other Liabilities & Prov.	81.0	87.7	137.4	315.9	334.4	367.9	404.7
<b>Total Liabilities</b>	<b>4,873.8</b>	<b>4,940.4</b>	<b>5,506.8</b>	<b>10,717.1</b>	<b>11,875.9</b>	<b>12,836.4</b>	<b>13,954.9</b>
Current Assets	494.4	430.5	551.1	844.1	1,195.0	1,125.8	1,225.1
<b>Investments</b>	<b>1,237.5</b>	<b>1,260.5</b>	<b>1,524.1</b>	<b>3,315.1</b>	<b>3,485.1</b>	<b>3,729.0</b>	<b>4,027.4</b>
Growth (%)	10.3	1.9	20.9	117.5	5.1	7.0	8.0
<b>Loans</b>	<b>2,887.6</b>	<b>2,969.3</b>	<b>3,150.5</b>	<b>5,909.8</b>	<b>6,610.0</b>	<b>7,271.1</b>	<b>7,998.2</b>
Growth (%)	0.8	2.8	6.1	87.6	11.8	10.0	10.0
Fixed Assets	38.3	37.6	47.6	73.4	71.9	75.5	79.3
Other Assets	215.9	242.5	233.5	574.6	513.9	634.9	625.0
<b>Total Assets</b>	<b>4,873.8</b>	<b>4,940.4</b>	<b>5,506.8</b>	<b>10,717.1</b>	<b>11,875.9</b>	<b>12,836.4</b>	<b>13,954.9</b>

### Asset Quality

GNPA (INR m)	493.7	487.3	490.9	897.9	795.8	706.7	662.7
NNPA (INR m)	243.3	203.3	173.0	276.3	243.0	214.1	185.8
GNPA Ratio	15.73	14.98	14.15	13.75	11.11	9.10	7.82
NNPA Ratio	8.42	6.85	5.49	4.68	3.68	2.94	2.32
Slippage Ratio	7.46	4.70	5.02	2.93	3.46	2.50	2.20
Credit Cost	4.69	3.90	3.04	2.34	2.03	1.84	1.70
PCR (Excl Tech. write off)	50.7	58.3	64.7	69.2	69.5	69.7	72.0

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	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>6.4</b>	<b>6.9</b>	<b>7.1</b>
Avg. Yield on loans	7.9	8.1	8.2	7.7	7.2	7.8	8.0
Avg. Yield on Investments	7.6	7.4	7.7	6.8	5.9	6.3	6.4
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.4</b>	<b>5.2</b>	<b>5.4</b>	<b>4.6</b>	<b>3.9</b>	<b>4.3</b>	<b>4.5</b>
Avg. Cost of Deposits	5.5	5.4	5.5	4.6	4.2	4.3	4.4
<b>Interest Spread</b>	<b>1.9</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>
<b>Net Interest Margin</b>	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.8</b>

### Capitalisation Ratios (%)

CAR	11.6	11.9	12.7	12.6	14.5	14.2	13.9
Tier I	9.1	9.6	10.7	10.4	12.2	11.9	11.6
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	65.2	65.8
CASA Ratio	34.1	36.1	35.6	36.3	36.5	36.8	37.1
Cost/Assets	1.4	1.5	1.4	1.6	1.6	1.6	1.6
Cost/Total Income	47.3	48.8	45.0	46.0	45.7	47.8	47.4
Cost/ Core Income	-0.5	-1.3	-0.5	-0.5	-0.7	-0.8	-0.7
Int. Expense/Int. Income	71.6	70.0	69.3	64.1	59.1	60.8	61.0
Fee Income/Total Income	26.0	26.6	22.7	22.2	24.6	20.7	20.4
Non Int. Inc. Total Income	34.9	30.5	31.5	32.2	31.1	26.8	27.3
Empl. Cost/Total Expense	46.7	44.0	44.7	53.8	54.3	52.7	52.2
Investment/Deposit Ratio	30.3	30.3	33.8	35.9	33.8	33.4	33.1

### Profitability Ratios and Valuation

RoE	-23.7	-12.5	-10.6	5.1	8.4	8.9	12.4
RoA	-1.1	-0.6	-0.6	0.3	0.5	0.5	0.7
RoRWA	-1.8	-1.1	-1.0	0.5	1.0	1.0	1.4
Book Value (INR)	203.7	143.3	93.6	96.4	99.3	104.5	111.4
Growth (%)	-38.1	-29.7	-34.7	3.0	3.0	5.2	6.7
Price-BV (x)	0.2	0.3	0.4	0.4	0.4	0.3	0.3
Adjusted BV (INR)	50.8	57.3	54.5	63.6	71.8	79.8	89.4
Price-ABV (x)	0.7	0.6	0.7	0.6	0.5	0.5	0.4
EPS (INR)	-56.5	-20.1	-11.2	4.5	7.9	8.8	13.0
Growth (%)	-800.1	-64.4	-44.4	-140.6	74.2	10.8	48.4
Price-Earnings (x)	-0.6	-1.8	-3.2	8.0	4.6	4.1	2.8
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	2.2	3.6	6.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	6.1	10.0	16.6



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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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