

July 26, 2022

Q1FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|--------------------|----------|----------|----------|----------|
| | FY23E | FY24E | FY23E | FY24E |
| Rating | BUY | | BUY | |
| Target Price | 940 | | 940 | |
| NII (Rs. m) | 3,90,655 | 4,43,697 | 3,81,414 | 4,34,670 |
| % Chng. | 2.4 | 2.1 | | |
| Op. Profit (Rs. m) | 2,81,513 | 3,37,003 | 2,92,839 | 3,34,735 |
| % Chng. | (3.9) | 0.7 | | |
| EPS (Rs.) | 49.8 | 60.2 | 50.8 | 59.3 |
| % Chng. | (2.0) | 1.6 | | |

Key Financials - Standalone

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|--------------------|-------|------|-------|-------|
| NII (Rs bn) | 292 | 331 | 391 | 444 |
| Op. Profit (Rs bn) | 257 | 247 | 282 | 337 |
| PAT (Rs bn) | 66 | 130 | 153 | 186 |
| EPS (Rs.) | 21.5 | 42.4 | 49.8 | 60.2 |
| Gr. (%) | 272.9 | 97.3 | 17.4 | 20.9 |
| DPS (Rs.) | - | - | 4.5 | 6.6 |
| Yield (%) | - | - | 0.6 | 0.9 |
| NIM (%) | 3.7 | 3.6 | 3.7 | 3.7 |
| RoAE (%) | 7.1 | 12.0 | 13.0 | 14.5 |
| RoAA (%) | 0.7 | 1.2 | 1.2 | 1.3 |
| P/BV (x) | 2.2 | 1.9 | 1.9 | 1.6 |
| P/ABV (x) | 2.4 | 2.0 | 2.0 | 1.7 |
| PE (x) | 33.8 | 17.1 | 14.6 | 12.1 |
| CAR (%) | 19.1 | 18.5 | 17.7 | 17.0 |

Key Data

AXBK.BO | AXSB IN

| | |
|---------------------|------------------------|
| 52-W High / Low | Rs.881 / Rs.618 |
| Sensex / Nifty | 55,766 / 16,631 |
| Market Cap | Rs.2,234bn/ \$ 28,018m |
| Shares Outstanding | 3,071m |
| 3M Avg. Daily Value | Rs.6479.78m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 9.70 |
| Foreign | 46.58 |
| Domestic Institution | 31.47 |
| Public & Others | 12.25 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|------|-------|-------|
| Absolute | 14.7 | (3.3) | (3.7) |
| Relative | 8.5 | 0.3 | (8.5) |

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Re-rating to hinge on sustained NIM strength

Quick Pointers:

- NII and NIM was higher to estimates driven by better asset mix.
- Although loan growth was lower, profitability would be the mainstay.

Axis bank core earnings were better driven by NIM beat and lower provisions led by steady asset quality. Loan growth at -0.9% QoQ was lower as corporate declined since AXSB evaded pricing pressure while higher yielding retail (SBB, agri, CC, and PL) saw strong traction, which might continue. Bank suggested that even if corporate growth is boosted, spread would not be diluted. Preference for profitability over growth could bode well, as systemic asset quality risks are benign. Cost to assets would remain elevated although target is to reduce it from 2.2% to 2.0% over FY22-25E. Asset quality improved QoQ with controlled net slippages and reduction in stressed pool. Valuation at 1.7x on FY24 ABV is comforting and discount to ICICIBC should narrow as RoE may enhance from 12.0% to 14.5% over FY22-24E. Maintain multiple at 2.3x FY24 ABV and TP at Rs940. Retain BUY.

- Earnings beat led by better NIM and lower provisions:** NII was a beat at Rs93.8bn (est. Rs90.6bn) aided by better NIM while loan growth was a miss. NIM (calc.) was a beat at 4.0% (PLe 3.84%) led by better loan yields. Loan growth was a miss at 14% YoY (PLe 17.4%) while deposits accretion too was lower at 12.6% YoY, as CA reduced sharply by 15% QoQ. Other income was a miss at Rs30bn due to higher treasury loss of Rs.6.7bn (PLe Rs.3.2bn). Opex was higher at Rs65bn due to other opex. Core PPOp was 2.6% below est. at Rs65.5bn. GNPA/NNPA was stable QoQ at 2.88%/0.65% while PCR improved by 2.6% to 77%. Provisions were much lower at Rs3.6bn (PLe Rs17.5bn). PAT was a beat at Rs41bn while core PAT was Rs46bn (PLe Rs37bn).
- Credit offtake driven by retail:** Credit dipped by 0.9% QoQ as corporate/SME declined by 6%/7% while retail grew by 3.2%. Retail traction was attributable to SBB, agri, CC, home loans and PL. AXSB would continue to focus on unsecured retail. Corporate saw a de-growth as lower yielding book was shed due to pricing pressure. Management suggested that NIM expansion was driven by shift corporate to high yielding retail; currency shift (more rupee term loans) and reducing exposure to RIDF bonds. The bank expects that current spreads would sustain even if corporate sees growth. We have raised our NIM estimates slightly in FY23 and FY24. On liabilities, focus remains on accretion of granular deposits by targeting 1) premier segment customers 2) ticket size growth 3) corporate salary accounts.
- Opex to remain elevated; asset quality stable:** Other opex spiked 40% YoY due to business acquisition, collection, PSLC purchase and technology (9% of total expenses). Opex might remain elevated in the near term, although target is to reach 2% cost to assets by FY25E from 2.2% in FY22. Asset quality was a tad better as gross slippages and recoveries were slightly lower/higher. OTR pool further declined QoQ from 85bps to 76bps while PCR on the same is 24.5%. The BB & below pool also shrunk QoQ from 0.75% to 0.64%. Buffer provisions were maintained at Rs50bn or ~70bps.

Exhibit 1: Strong NII & lower provisions partially offset by higher opex

NII growth was decent with 21% YoY/6.4% led by better margins

Higher treasury loss leads to lower other income.

Other expenses increase with volumes, tech spends and one-time expenses related to acquisition

Provisions come off on standard & other provisioning reversal.

Loan growth driven by focus segments of the bank.

NIM expansion led by higher retail share and rise in rates

Asset quality steady with PCR at 75%

CASA mix remained steady YoY, however CA sees sharp drop QoQ

| Financial Statement (Rs m) | Q1FY23 | Q1FY22 | YoY gr. (%) | Q4FY22 | QoQ gr. (%) |
|------------------------------------|----------------|----------------|--------------|----------------|--------------|
| Interest Income | 187,287 | 160,035 | 17.0 | 177,762 | 5.4 |
| Interest Expenses | 93,446 | 82,432 | 13.4 | 89,571 | 4.3 |
| Net interest income (NII) | 93,840 | 77,603 | 20.9 | 88,191 | 6.4 |
| -Treasury Income | (6,670) | 4,990 | NA | 2,310 | NA |
| Other income | 29,990 | 35,882 | (16.4) | 42,233 | (29.0) |
| Total income | 123,830 | 113,484 | 9.1 | 130,425 | (5.1) |
| Operating expenses | 64,960 | 49,324 | 31.7 | 65,765 | (1.2) |
| -Staff expenses | 21,861 | 18,519 | 18.0 | 18,865 | 15.9 |
| -Other expenses | 43,099 | 30,805 | 39.9 | 46,900 | (8.1) |
| Operating profit | 58,870 | 64,160 | (8.2) | 64,660 | (9.0) |
| Core operating profit | 65,540 | 59,170 | 10.8 | 62,350 | 5.1 |
| Total provisions | 3,594 | 35,320 | (89.8) | 9,872 | (63.6) |
| Profit before tax | 55,276 | 28,840 | 91.7 | 54,788 | 0.9 |
| Tax | 14,024 | 7,239 | 93.7 | 13,610 | 3.0 |
| Profit after tax | 41,253 | 21,602 | 91.0 | 41,178 | 0.2 |
| Balance sheet (Rs m) | | | | | |
| Deposits | 8,035,717 | 7,138,622 | 12.6 | 8,217,209 | (2.2) |
| Advances | 7,011,299 | 6,148,737 | 14.0 | 7,076,960 | (0.9) |
| Ratios (%) | | | | | |
| Profitability ratios | | | | | |
| RoaA | 1.5 | 0.9 | 14 | 1.5 | 11 |
| NIM | 3.6 | 3.5 | 62 | 3.5 | 0 |
| RoaE | 14.8 | 9.1 | 567 | 15.2 | (43) |
| Asset Quality | | | | | |
| Gross NPL | 210,368 | 259,498 | (18.9) | 218,223 | (3.6) |
| Net NPL | 47,806 | 78,465 | (39.1) | 55,122 | (13.3) |
| Gross NPL ratio | 2.9 | 3.9 | (97) | 2.8 | 6 |
| Net NPL ratio | 0.7 | 1.2 | (55) | 0.7 | (8) |
| Coverage ratio (Calc) | 75.0 | 69.8 | 524 | 74.7 | 26 |
| Business & Other Ratios | | | | | |
| Low-cost deposit mix | 43.7 | 43.1 | (53) | 45.0 | (129) |
| Cost-income ratio | 52.5 | 43.5 | 658 | 50.4 | 204 |
| Non int. inc / total income | 24.2 | 31.6 | (581) | 32.4 | (816) |
| Credit deposit ratio | 87.3 | 86.1 | (190) | 86.1 | 113 |
| CAR | 17.8 | 19.0 | (58) | 18.5 | (71) |
| Tier-I | 15.2 | 16.5 | (123) | 16.3 | (110) |

Source: Company, PL

Exhibit 2: Improving Loan Growth, focus continues on granularity

| Segmental Mix (Rs m) | Q1FY23 | Q1FY22 | YoY gr. (%) | Q4FY22 | QoQ gr. (%) |
|-----------------------|-----------|-----------|-------------|-----------|-------------|
| Large & mid-corporate | 2,164,750 | 2,250,947 | (3.8) | 23,07,380 | (6.2) |
| SME Advances | 719,720 | 585,370 | 23.0 | 7,70,670 | (6.6) |
| Retail | 4,126,830 | 3,312,420 | 24.6 | 39,98,910 | 3.2 |
| - Housing Loans | 1,884,080 | 1,556,837 | 21.0 | 18,56,050 | 1.5 |
| - Personal loans | 470,310 | 430,615 | 9.2 | 4,52,420 | 4.0 |
| - Auto loans | 450,660 | 430,615 | 4.7 | 4,44,210 | 1.5 |

Source: Company, PL

Key Q1FY23 Concall Highlights

Assets/Liabilities

- Overall system credit growth has improved owing to better consumption demand, working capital demand and strong refinance, however overhang of higher than expected inflation, tightening of liquidity, rate hikes may result in moderation in short term, however the medium term opportunities provide significant headroom for the growth of the bank in focus & identified segments.
- Retail book** - The retail segment momentum continued with 24.6% YoY/3.2% QoQ growth. Secured to unsecured mix stood at 80:20. Segments like Rural Loans & Small Business Banking grew strongly with 47.8% YoY/4% QoQ and 91% YoY/10.6% QoQ growth, respectively. Credit Card segment grew 9% YoY/13.9% QoQ led by Flipkart Axis, Google and Airtel co-branded credit card has helped increase monthly acquisitions. There has been an uptick in credit card spends overall while bank focuses on retail card spends, however the revolver continues to be lower. Management expects revolver to recover faster than previous cycles. Bank would continue lending aggressively to retail unsecured segment.
- Corporate book** – Corporate book witnessed a de-growth by 3.8% YoY/6.2% QoQ as bank shed down lower yielding book and pricing pressure. 84% incremental sanctions to A- & above rated clients. Focus shall be to grow segments which have delivered like mid-corporate segment, Bharat Banking and would look for profitable growth in the wholesale segment in next 2 quarters.
- Deposits** – Focus remains on granular accretion and faster growth in deposits. Deposit accretion bank has been moving towards acquisition of premier segment customers, continuous growth in terms of ticket size, corporate salary accounts to grow the book. Retail TD – growth to come in long term with better product penetration, corporate salary, staff KRA changes & digitization.
- Citi business acquisition** – CCI approval is awaited (expected in 4-8 weeks). Bank expects acquisition to materialize by Q4FY23. Integration process would began post CCI approval, however bank has been working on plans to integrate people, tech and business.

Opex/NIMs

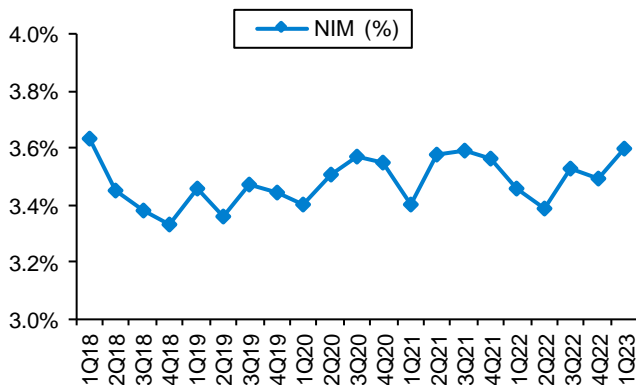
- NIMs** increased by 14bps YoY/11bps QoQ. The sequential improvement has been majorly on account of spread uptick of 13bps, as also to shedding of trade linked corporate book. NIM expansion would be dependent on shift in BS mix from investments to loans and within loan mix towards higher yielding segments; currency shift (more rupee term loans), better low cost deposits and shedding of RIDF bonds. Management continues to guide margins in the range of 3.7%-3.8% over the 8-10 quarters.
- Treasury loss** – Bank reported treasury loss of Rs.6.67bn due to MTM losses on investments. Book comprises majorly of corporate bonds, of which 79% have been rated AA+ and above.

- Other opex** increased 40% YoY while it declined by 8.1% QoQ due to higher business acquisition expenses, collection expenses, PSLC Purchases, future growth & tech expenses and a major chunk towards onetime expenses related to reclassification of provisions to expenses and Citi business acquisition. Tech expenses are 9% of the total expenses. Bank guides for Opex/assets of 2% by FY25. The reduction would be driven by productivity gains and changes in sourcing mix and composition of liability franchise.

Asset Quality

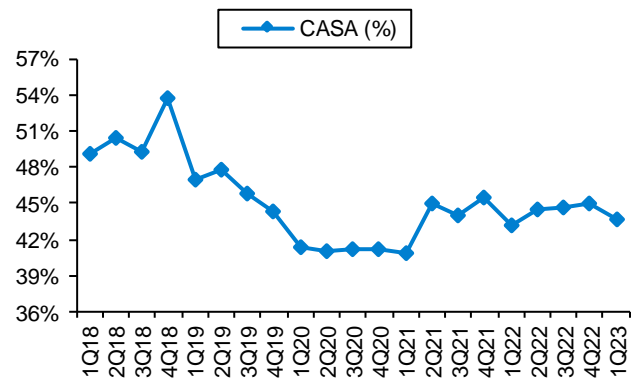
- Restructuring & BB and below book** – Fund based restructuring is Rs34bn or 0.5% of loans. Segmental break up was 0.3% wholesale book, 0.65% in Retail & 0.02% SME. BB & Below rated book stood at Rs81.7bn declining gradually. 27% of BB & Below Book is rated better than 1 rating agency.
- Bank saw Rs36.8bn of slippages while Recoveries & Upgrades for the quarter were Rs19.5bn and write off at Rs.15bn.
- Bank holds provisions of Rs12bn on restructured portfolio. Covid Provisions have not been invoked or utilized so far and management expects the same to be carried forward. As on March 31, 2022; total provision carried by the bank are Rs.118.3bn.

Exhibit 3: NIM expansion led by better retail growth



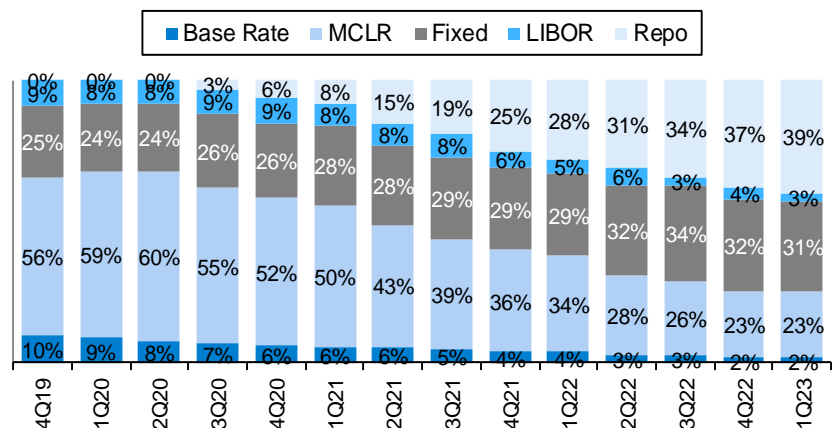
Source: Company, PL

Exhibit 4: CASA ratio comes off as CA comes off



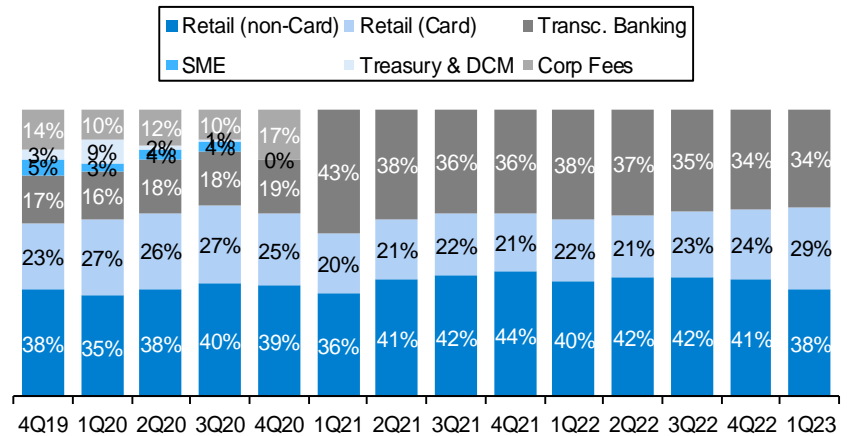
Source: Company, PL

Exhibit 5: Repo linked loan share has gone up resolutely



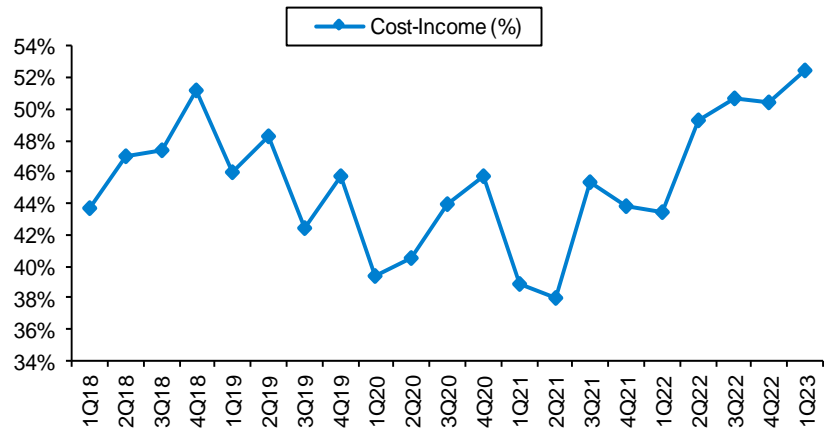
Source: Company, PL

Exhibit 6: Steady flow of fees for the bank



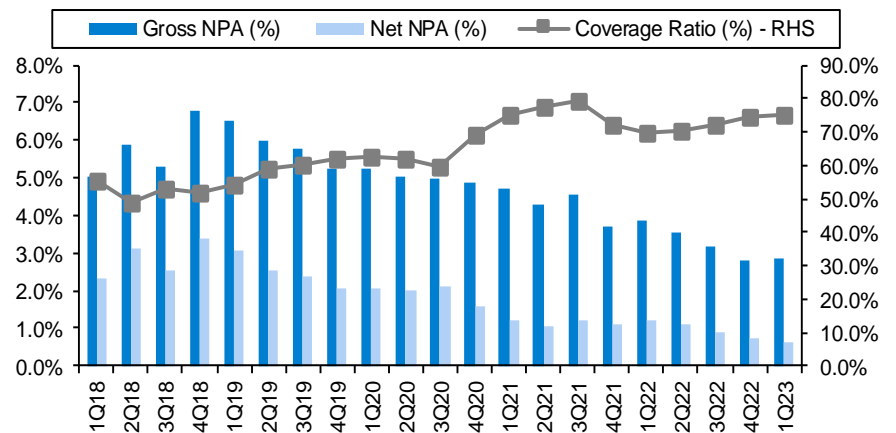
Source: Company Data, PL Research

Exhibit 7: Cost-Income shot up owing to higher spends

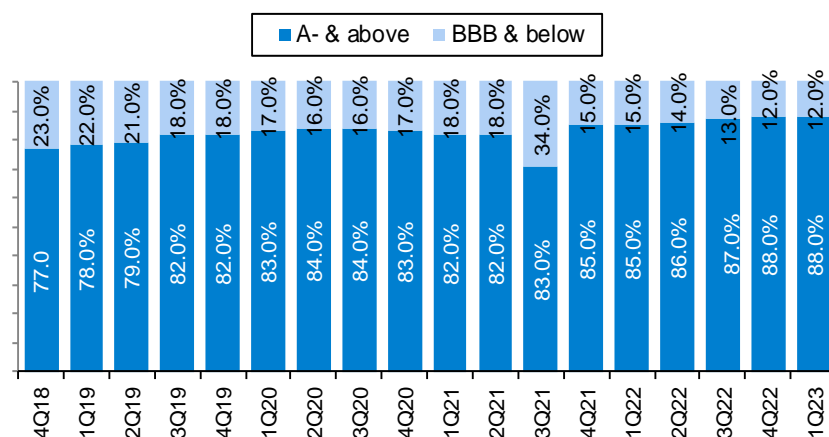


Source: Company, PL

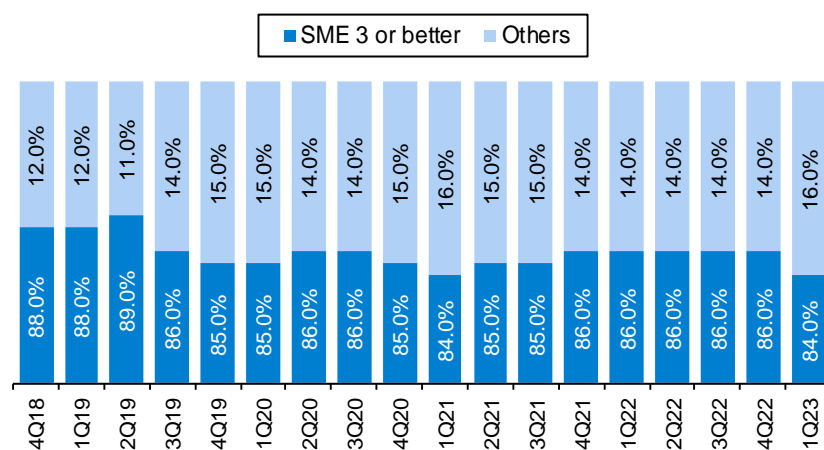
Exhibit 8: Asset quality steady, PCR increased to 75%



Source: Company, PL

Exhibit 9: Corporate book rating steady


Source: Company, PL Note – BB book clubbed with BBB from 4QFY20

Exhibit 10: SME rating changes sequentially


Source: Company, PL

Exhibit 11: Fresh Slippages steady, recovery trends better

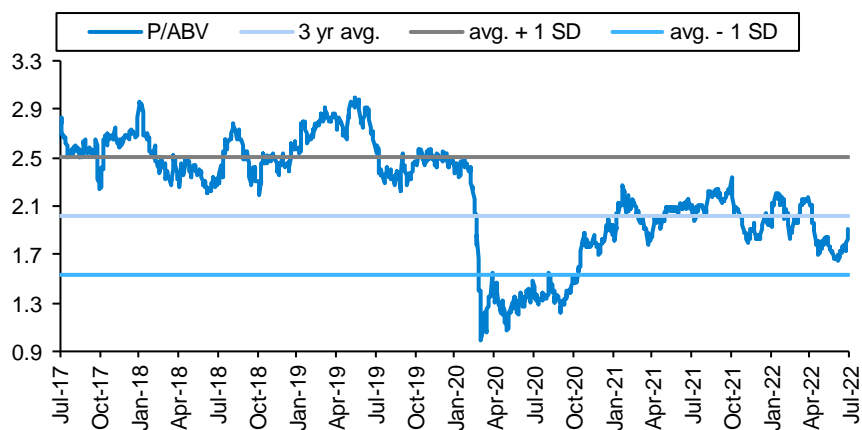
| Stressed Loans (Rs Mn) | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 |
|--|----------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| Gross slippages | 47,980 | 49,830 | 62,140 | 39,200 | 22,180 | 17,510 | 79,930 | 52,850 | 65,180 | 54,640 | 41,470 | 39,810 | 36,840 |
| Recoveries+ Up gradations | 21,770 | 22,130 | 24,220 | 24,890 | 6,080 | 20,260 | 21,650 | 34,620 | 25,430 | 25,080 | 17,070 | 37,630 | 29,570 |
| Write-offs | 30,050 | 31,040 | 27,900 | 12,700 | 22,840 | 18,120 | 42,570 | 55,530 | 33,410 | 47,570 | 32,880 | 16,960 | 15,130 |
| Annualized Slippages (%) | 3.88% | 4.03% | 5.02% | 3.17% | 1.55% | 1.23% | 5.60% | 3.70% | 4.24% | 3.56% | 2.70% | 2.59% | 2.08% |
| BB & Below book | 75,040 | 62,910 | 51,280 | 65,280 | 64,200 | 91,180 | 87,220 | 74,430 | 80,420 | 66,970 | 64,960 | 57,780 | 48,580 |
| NFB O/s to BB & Below exposures | 25,000 | 22,000 | 36,700 | 39,060 | 37,210 | 49,280 | 47,960 | 45,740 | 44,240 | 44,390 | 43,240 | 27,800 | 25,190 |
| Investments O/s in BB & Below rating | | 17,580 | 9,850 | 5,620 | 6,120 | 8,080 | 6,200 | 6,660 | 6,350 | 6,100 | 6,700 | 8,260 | 7,960 |
| Total BB & below book | 100,040 | 102,490 | 97,830 | 109,960 | 107,530 | 148,540 | 141,380 | 126,830 | 131,010 | 117,460 | 114,900 | 93,840 | 81,730 |
| % of customer assets | 1.7% | 1.8% | 1.7% | 1.9% | 1.7% | 2.3% | 2.2% | 1.9% | 1.9% | 1.7% | 1.6% | 1.2% | 1.3% |
| Provisions held | | | | 75,872 | 80,648 | 114,376 | 106,035 | 91,318 | 91,707 | 82,222 | 82,728 | 70,380 | 62,932 |
| Total Restructured Dispensation | | | | | | | 27,090 | 18,480 | 21,920 | 43,420 | 46,430 | 40,290 | 34,020 |
| % of loans | | | | | | | 0.4% | 0.3% | 0.3% | 0.7% | 0.7% | 0.6% | 0.5% |

Source: Company, PL

Exhibit 12: We tweak our NII & credit cost assumptions

| Earning Estimate Change (Rs mn) | Earlier | | Revised | | % Change | |
|---------------------------------|------------|---------|------------|---------|----------|-------|
| | FY23E | FY24E | FY24E | FY24E | FY23E | FY24E |
| Net interest income | 381,414 | 434,670 | 390,655 | 443,697 | 2.4 | 2.1 |
| Operating profit | 292,839 | 334,735 | 281,513 | 337,003 | (3.9) | 0.7 |
| Net profit | 156,303 | 182,244 | 153,168 | 185,585 | (2.0) | 1.8 |
| Loan Growth (%) | 14.2 | 15.0 | 14.2 | 15.0 | - | - |
| Credit Cost (bps) | 101.1 | 96.1 | 93.1 | 94.4 | (8.7) | (2.3) |
| EPS (Rs) | 50.8 | 59.3 | 49.8 | 60.2 | (2.0) | 1.6 |
| ABVPS (Rs) | 367.5 | 416.4 | 369.3 | 417.7 | 0.5 | 0.3 |
| Price target (Rs) | 940 | | 940 | | - | |
| Recommendation | BUY | | BUY | | | |

Source: Company, PL

Exhibit 13: AXSB's one year forward P/ABV trends


Source: Company, PL

Income Statement (Rs. m)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|-----------------|-----------------|-----------------|------------------|
| Int. Earned from Adv. | 4,79,189 | 4,96,166 | 6,21,500 | 7,55,738 |
| Int. Earned from invt. | 1,25,582 | 1,46,189 | 1,86,989 | 2,24,943 |
| Others | 21,303 | 16,132 | 17,043 | 19,421 |
| Total Interest Income | 6,36,453 | 6,73,768 | 8,39,237 | 10,16,764 |
| Interest Expenses | 3,44,062 | 3,42,446 | 4,48,582 | 5,73,067 |
| Net Interest Income | 2,92,391 | 3,31,322 | 3,90,655 | 4,43,697 |
| <i>Growth(%)</i> | 8.2 | 9.7 | 15.4 | 15.3 |
| Non Interest Income | 1,48,382 | 1,52,205 | 1,67,393 | 1,99,723 |
| Net Total Income | 4,40,773 | 4,83,528 | 5,58,048 | 6,43,420 |
| <i>Growth(%)</i> | 0.4 | 5.2 | 21.9 | 20.8 |
| Employee Expenses | 61,640 | 76,126 | 91,774 | 1,00,003 |
| Other Expenses | 1,12,630 | 1,49,898 | 1,84,761 | 2,06,414 |
| Operating Expenses | 1,83,751 | 2,36,108 | 2,76,535 | 3,06,417 |
| Operating Profit | 2,57,022 | 2,47,420 | 2,81,513 | 3,37,003 |
| <i>Growth(%)</i> | 9.7 | (3.7) | 13.8 | 19.7 |
| NPA Provision | 1,22,048 | 47,974 | 47,203 | 57,581 |
| Total Provisions | 1,68,963 | 73,595 | 76,743 | 88,895 |
| PBT | 88,058 | 1,73,826 | 2,04,770 | 2,48,108 |
| Tax Provision | 22,174 | 43,571 | 51,602 | 62,523 |
| <i>Effective tax rate (%)</i> | 25.2 | 25.1 | 25.2 | 25.2 |
| PAT | 65,885 | 1,30,255 | 1,53,168 | 1,85,585 |
| <i>Growth(%)</i> | 304.9 | 97.7 | 17.6 | 21.2 |

Balance Sheet (Rs. m)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|----------------------------|------------------|--------------------|--------------------|--------------------|
| Face value | 2 | 2 | 2 | 2 |
| No. of equity shares | 3,064 | 3,070 | 3,076 | 3,082 |
| Equity | 6,127 | 6,139 | 6,151 | 6,163 |
| Networth | 10,16,030 | 11,50,255 | 12,00,971 | 13,66,154 |
| <i>Growth(%)</i> | 19.6 | 13.2 | 4.4 | 13.8 |
| Adj. Networth to NNPA's | 69,935 | 55,122 | 63,947 | 76,360 |
| Deposits | 69,79,853 | 82,17,209 | 93,28,163 | 1,07,62,703 |
| <i>Growth(%)</i> | 9.0 | 17.7 | 13.5 | 15.4 |
| CASA Deposits | 31,77,487 | 36,97,554 | 39,84,213 | 44,22,497 |
| <i>% of total deposits</i> | 45.5 | 45.0 | 42.7 | 41.1 |
| Total Liabilities | 98,67,976 | 1,17,51,781 | 1,29,02,480 | 1,47,42,077 |
| Net Advances | 62,37,202 | 70,76,960 | 80,81,587 | 92,91,693 |
| <i>Growth(%)</i> | 9.2 | 13.5 | 14.2 | 15.0 |
| Investments | 22,61,196 | 27,55,972 | 29,97,540 | 34,29,398 |
| Total Assets | 99,61,184 | 1,17,51,781 | 1,29,02,480 | 1,47,42,077 |
| <i>Growth (%)</i> | 8.8 | 18.0 | 9.8 | 14.3 |

Asset Quality

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|----------------------------------|----------|----------|----------|----------|
| Gross NPAs (Rs m) | 2,53,148 | 2,18,223 | 2,28,237 | 2,44,845 |
| Net NPAs (Rs m) | 69,935 | 55,122 | 63,947 | 76,360 |
| <i>Gr. NPAs to Gross Adv.(%)</i> | 3.8 | 2.8 | 2.7 | 2.7 |
| <i>Net NPAs to Net Adv. (%)</i> | 1.1 | 0.7 | 0.8 | 0.8 |
| <i>NPA Coverage %</i> | 72.4 | 74.7 | 72.0 | 68.8 |

Profitability (%)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---------|------|------|-------|-------|
| NIM | 3.7 | 3.6 | 3.7 | 3.7 |
| RoAA | 0.7 | 1.2 | 1.2 | 1.3 |
| RoAE | 7.1 | 12.0 | 13.0 | 14.5 |
| Tier I | 16.5 | 16.3 | 15.7 | 15.2 |
| CRAR | 19.1 | 18.5 | 17.7 | 17.0 |

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

| Y/e Mar | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 |
|----------------------------|------------------|------------------|------------------|------------------|
| Interest Income | 1,63,360 | 1,72,611 | 1,77,762 | 1,87,287 |
| Interest Expenses | 84,357 | 86,086 | 89,571 | 93,446 |
| Net Interest Income | 79,003 | 86,525 | 88,191 | 93,840 |
| <i>YoY growth (%)</i> | 7.8 | 17.4 | 16.7 | 20.9 |
| CEB | 32,310 | 33,440 | 37,580 | 35,760 |
| Treasury | - | - | - | - |
| Non Interest Income | 37,984 | 38,404 | 42,233 | 29,990 |
| Total Income | 2,01,344 | 2,11,015 | 2,19,996 | 2,17,276 |
| Employee Expenses | 19,355 | 19,386 | 18,865 | 21,861 |
| Other expenses | 38,350 | 43,928 | 46,900 | 43,099 |
| Operating Expenses | 57,705 | 63,314 | 65,765 | 64,960 |
| Operating Profit | 59,282 | 61,615 | 64,660 | 58,870 |
| <i>YoY growth (%)</i> | (14.1) | 1.1 | (5.8) | (8.2) |
| Core Operating Profits | 54,552 | 57,945 | 62,350 | 65,540 |
| NPA Provision | 9,270 | 7,900 | 6,020 | 7,770 |
| Others Provisions | 17,351 | 13,348 | 9,872 | 3,594 |
| Total Provisions | 17,351 | 13,348 | 9,872 | 3,594 |
| Profit Before Tax | 41,931 | 48,267 | 54,788 | 55,276 |
| Tax | 10,776 | 12,125 | 13,610 | 14,024 |
| PAT | 31,155 | 36,142 | 41,178 | 41,253 |
| <i>YoY growth (%)</i> | 85.1 | 223.7 | 53.8 | 91.0 |
| Deposits | 73,62,855 | 77,16,702 | 82,17,209 | 80,35,717 |
| <i>YoY growth (%)</i> | 18.1 | 20.3 | 17.7 | 12.6 |
| Advances | 62,17,193 | 66,48,656 | 70,76,960 | 70,11,299 |
| <i>YoY growth (%)</i> | 10.1 | 16.7 | 15.2 | 14.0 |

Key Ratios

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|----------------------------------|------|------|-------|-------|
| CMP (Rs) | 727 | 727 | 727 | 727 |
| EPS (Rs) | 21.5 | 42.4 | 49.8 | 60.2 |
| Book Value (Rs) | 332 | 375 | 390 | 443 |
| Adj. BV (70%)(Rs) | 309 | 357 | 369 | 418 |
| P/E (x) | 33.8 | 17.1 | 14.6 | 12.1 |
| P/BV (x) | 2.2 | 1.9 | 1.9 | 1.6 |
| P/ABV (x) | 2.4 | 2.0 | 2.0 | 1.7 |
| DPS (Rs) | - | - | 4.5 | 6.6 |
| <i>Dividend Payout Ratio (%)</i> | - | - | 9.0 | 11.0 |
| <i>Dividend Yield (%)</i> | - | - | 0.6 | 0.9 |

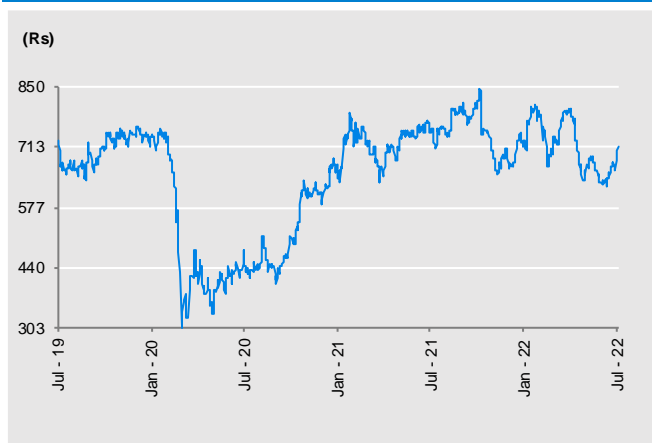
Efficiency

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|------------------------------|-------|-------|-------|-------|
| <i>Cost-Income Ratio (%)</i> | 41.7 | 48.8 | 49.6 | 47.6 |
| <i>C-D Ratio (%)</i> | 89.4 | 86.1 | 86.6 | 86.3 |
| Business per Emp. (Rs m) | 169 | 145 | 160 | 181 |
| Profit per Emp. (Rs lacs) | 8 | 12 | 14 | 17 |
| Business per Branch (Rs m) | 2,877 | 2,823 | 3,072 | 3,389 |
| Profit per Branch (Rs m) | 14 | 24 | 27 | 31 |

Du-Pont

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|--------------------|------|-------|-------|-------|
| NII | 3.07 | 3.06 | 3.17 | 3.21 |
| Total Income | 4.63 | 4.47 | 4.53 | 4.65 |
| Operating Expenses | 1.93 | 2.18 | 2.24 | 2.22 |
| PPoP | 2.70 | 2.29 | 2.28 | 2.44 |
| Total provisions | 1.78 | 0.68 | 0.62 | 0.64 |
| RoAA | 0.69 | 1.20 | 1.24 | 1.34 |
| RoAE | 5.30 | 11.45 | 13.49 | 14.40 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1 | 08-Jul-22 | BUY | 940 | 658 |
| 2 | 29-Apr-22 | BUY | 940 | 780 |
| 3 | 09-Apr-22 | BUY | 975 | 795 |
| 4 | 31-Mar-22 | BUY | 975 | 750 |
| 5 | 12-Jan-22 | Accumulate | 860 | 743 |
| 6 | 06-Oct-21 | Accumulate | 860 | 779 |
| 7 | 27-Jul-21 | Accumulate | 860 | 756 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|----------------------|------------|---------|------------------|
| 1 | AAVAS Financiers | BUY | 2,300 | 2,006 |
| 2 | Axis Bank | BUY | 940 | 658 |
| 3 | Bank of Baroda | BUY | 125 | 105 |
| 4 | Can Fin Homes | BUY | 675 | 538 |
| 5 | City Union Bank | BUY | 170 | 145 |
| 6 | DCB Bank | Hold | 120 | 81 |
| 7 | Federal Bank | BUY | 135 | 99 |
| 8 | HDFC | BUY | 2,908 | 2,246 |
| 9 | HDFC Bank | BUY | 1,740 | 1,362 |
| 10 | ICICI Bank | BUY | 950 | 800 |
| 11 | IDFC First Bank | UR | - | 34 |
| 12 | IndusInd Bank | BUY | 1,300 | 879 |
| 13 | Kotak Mahindra Bank | Accumulate | 1,950 | 1,827 |
| 14 | LIC Housing Finance | Accumulate | 435 | 351 |
| 15 | Punjab National Bank | BUY | 50 | 31 |
| 16 | State Bank of India | BUY | 600 | 487 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |



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