

# Bandhan Bank

Estimate change

TP change

Rating change



Bloomberg	BANDHAN IN
Equity Shares (m)	1,611
M.Cap.(INRb)/(USDb)	427.2 / 5.2
52-Week Range (INR)	350 / 230
1, 6, 12 Rel. Per (%)	-2/-25/-11
12M Avg Val (INR M)	2581

## Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	87.1	96.0	120.8
OP	80.1	77.5	96.6
NP	1.3	31.6	50.0
NIM (%)	7.4	7.0	7.5
EPS (INR)	0.8	19.6	31.0
EPS Gr. (%)	NM	NM	58.3
BV/Sh. (INR)	107.9	122.8	147.9
ABV/Sh. (INR)	101.1	116.8	143.3

## Ratios

RoE (%)	0.7	17.0	22.9
RoA (%)	0.1	2.1	2.8

## Valuations

P/E(X)	NM	13.5	8.6
P/BV (X)	2.5	2.2	1.8
P/ABV (X)	2.6	2.3	1.9

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	40.0	40.0	40.0
DII	7.1	4.6	2.0
FII	35.6	34.3	35.4
Others	17.3	21.1	22.6
FII Includes depository receipts			

**CMP: INR265**

**TP: INR300 (+13%)**

**Neutral**

## Elevated slippages continue; earnings to recover gradually

### SMA book remains high on dissolution of restructured assets

- BANDHAN reported a PAT of INR2.1b in 2QFY23 (63% miss), led by weaker operating performance across key metrics such as NII, other income, and operating expenses, along with higher provisions.
- Advances declined by 1% QoQ to INR958b as the MFI portfolio fell 7%, even as the non-MFI portfolio clocked an impressive growth (16% QoQ). Margin declined by 100bp QoQ to 7%, impacted by interest income reversals of ~INR3b in 2QFY23.
- Headline asset quality saw a minor improvement of 6bp QoQ each in GNPA/NNPA to 7.2%/1.9%, while PCR stood stable ~75.5%. Excluding NPA, CE improved marginally to 95% v/s 94% in Jun'22, though SMA overdue in the MFI book grew to 13.1% v/s 12.7% in 1QFY23, led by full dissolution of the restructured portfolio.
- We remain watchful of asset quality and the high SMA book, which can keep credit cost elevated. The management has raised its credit cost guidance for FY23 to 3% from 2.5% earlier, and has also guided at lower than trend growth due to tighter underwriting. We have cut our FY23/FY24 earnings estimate by 18%/11%. **We maintain our Neutral rating.**

### Margin declines by 100bp QoQ to 7%; PCR healthy ~76%

- BANDHAN reported a PAT of INR2.1b in 2QFY23 (63% miss) on a weaker operating performance and higher than estimated provisions. NII grew 13% YoY (in line). However, the same declined by 13% QoQ due to negative loan growth of 1% and a 100bp fall in margin to 7%, largely due to interest income reversals (~INR3b).
- Other income declined by 9% YoY (23% miss). Total income grew a modest 9% YoY. PPOP declined by 2% YoY to INR15.5b (15% miss) as C/I ratio deteriorated to 42% (v/s 36% in 1QFY23).
- Advances grew 17% YoY, but fell 1% QoQ as the MFI portfolio witnessed a moderation of 7% QoQ. The 16% QoQ growth in the non-MFI book was led by the Housing portfolio and strong performance in other Retail products. The management expects near-term loan growth to moderate to 16-17% YoY, due to tighter underwriting standards. The share of the MFI (group) segment moderated by 400bp QoQ to 40% of advances.
- Deposits grew 21% YoY to INR994b, though CASA deposits rose 11%. The CASA ratio declined to 40.8% from 43.2% in 1QFY23. The Retail deposit mix declined to 74% v/s 78% in 1QFY23.
- On the asset quality front, GNPA/NNPA ratio saw a marginal improvement (6bp QoQ each) to 7.2%/1.9%, with PCR healthy ~76%. Collection efficiency in the MFI portfolio (including NPA and restructuring) moderated to 90% in Sep'22 from 91% in Jun'22. Excluding NPA, CE improved marginally to 95% v/s 94% in Jun'22.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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**Key takeaways from the management commentary**

- The MFI business saw a sequential decline due to a reduction in group-based lending. This was due to the strengthening of underwriting standards.
- Disqualification of PSLC will not occur for FY21-22 as per a RBI communique.
- The management has revised its credit cost guidance for FY23 to 3% (in the 2.85-3.15% range) from 2.5% earlier. It has also reduced its recovery expectations to INR15b from INR25b in FY23.

**Valuation and view**

BANDHAN reported a weak 2QFY23, with interest reversals adversely impacting NIM, while slippages remain elevated. Loan growth in the near-term is likely to be soft as the management has tightened its underwriting standards. The SMA overdue in the EEB and MFI portfolio grew to 13.1% from 12.7% in 1QFY23 due to complete dissolution of the restructured portfolio. We remain watchful of asset quality, mainly the high SMA book, particularly in the Assam portfolio, which can keep credit cost elevated. It has raised its credit cost guidance for FY23 to 3% (+/- 15bp) from 2.5% earlier. We have lowered our FY23/FY24 earnings estimate by 18%/11%. **We maintain our Neutral rating with a revised TP of INR300 (based on 2x FY24E BV).**

**Quarterly performance**

Y/E March	FY22				FY23				FY22	FY23E	FY23E	(INR m)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Var.
<b>Net Interest Income</b>	<b>21.1</b>	<b>19.4</b>	<b>21.2</b>	<b>25.4</b>	<b>25.1</b>	<b>21.9</b>	<b>23.3</b>	<b>25.6</b>	<b>87.1</b>	<b>96.0</b>	<b>22.8</b>	<b>-4%</b>
Change (YoY %)	16.7	0.6	2.6	44.6	18.9	13.3	9.8	0.7	15.2	10.1	17.9	
Other Income	6.2	5.2	7.1	9.6	3.3	4.8	7.4	10.0	28.2	25.4	6.1	-23%
<b>Total Income</b>	<b>27.3</b>	<b>24.6</b>	<b>28.4</b>	<b>35.0</b>	<b>28.4</b>	<b>26.7</b>	<b>30.7</b>	<b>35.6</b>	<b>115.4</b>	<b>121.4</b>	<b>29.0</b>	<b>-8%</b>
Operating Expenses	7.7	8.8	8.9	9.8	10.2	11.2	11.2	11.3	35.2	43.9	10.7	4%
<b>Operating Profit</b>	<b>19.6</b>	<b>15.8</b>	<b>19.5</b>	<b>25.2</b>	<b>18.2</b>	<b>15.5</b>	<b>19.5</b>	<b>24.3</b>	<b>80.1</b>	<b>77.5</b>	<b>18.3</b>	<b>-15%</b>
Change (YoY %)	23.5	-1.7	1.4	53.5	-7.0	-2.0	0.0	-3.8	18.4	-3.3	15.2	
Provisions	14.6	56.1	8.1	0.0	6.4	12.8	9.9	6.2	78.8	35.3	10.8	19%
<b>Profit Before Tax</b>	<b>5.0</b>	<b>-40.3</b>	<b>11.4</b>	<b>25.2</b>	<b>11.8</b>	<b>2.7</b>	<b>9.6</b>	<b>18.1</b>	<b>1.3</b>	<b>42.2</b>	<b>7.5</b>	<b>-63%</b>
Tax	1.2	-10.2	2.9	6.1	2.9	0.6	2.4	4.7	0.0	10.6	1.9	-66%
<b>Net Profit</b>	<b>3.7</b>	<b>-30.1</b>	<b>8.6</b>	<b>19.0</b>	<b>8.9</b>	<b>2.1</b>	<b>7.2</b>	<b>13.4</b>	<b>1.3</b>	<b>31.6</b>	<b>5.6</b>	<b>-63%</b>
Change (YoY %)	-32.1	NM	35.8	NM	137.6	NM	-16.3	-29.5	-94.3	NM	NM	
<b>Operating Parameters</b>												
Deposits (INR b)	773	819	845	963	931	994	1,045	1,127	963	1,127	994	0%
Loans (INR b)	748	745	803	940	909	902	971	1,065	940	1,065	931	-3%
Deposit Growth (%)	27.6	23.8	18.7	23.5	20.3	21.3	23.7	17.0	23.5	17.0	21.3	0
Loan Growth (%)	7.2	1.6	4.6	15.1	21.6	21.1	21.0	13.3	15.1	13.3	25.0	392
<b>Asset Quality</b>												
Gross NPA (%)	8.2	10.8	10.8	6.5	7.3	7.2	6.6	6.0	6.5	6.0	7.7	48
Net NPA (%)	3.3	3.0	3.0	1.7	1.9	1.9	1.8	1.3	1.7	1.3	2.8	97
PCR (%)	61.8	74.1	74.4	75.5	74.9	75.5	74.3	79.3	75.5	79.3	65.0	-1,052

E: MOFSL estimates

## Quarterly snapshot

	FY21				FY22				FY23		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
<b>Profit &amp; Loss (INR m)</b>												
Net Interest Income	18,115	19,231	20,717	17,570	21,141	19,354	21,247	25,398	25,144	21,930	13	-13
Other Income	3,868	3,668	5,623	7,004	6,169	5,245	7,123	9,644	3,297	4,764	-9	45
Total Income	21,983	22,899	26,341	24,575	27,310	24,599	28,370	35,042	28,441	26,694	9	-6
Operating Expenses	6,141	6,773	7,109	8,146	7,739	8,751	8,868	9,829	10,235	11,165	28	9
Employee	3,894	4,148	4,348	4,257	5,054	5,525	5,190	5,491	6,346	6,663	21	5
Others	2,247	2,625	2,761	3,889	2,684	3,227	3,678	4,338	3,888	4,502	40	16
Operating Profit	15,842	16,126	19,232	16,429	19,571	15,848	19,501	25,214	18,206	15,529	-2	-15
Core Operating Profit	15,842	16,126	19,232	16,429	19,571	15,848	19,501	25,214	18,206	15,529	-2	-15
Provisions	8,491	3,796	10,778	15,077	14,609	56,135	8,057	47	6,424	12,797	-77	99
PBT	7,351	12,330	8,454	1,352	4,962	-40,287	11,444	25,167	11,782	2,732	NM	-77
Taxes	1,853	3,130	2,128	321	1,231	-10,201	2,855	6,143	2,917	640	NM	-78
PAT	5,498	9,200	6,326	1,030	3,731	-30,086	8,590	19,023	8,865	2,093	NM	-76
<b>Balance Sheet (INR b)</b>												
Deposits	606	661	712	780	773	819	845	963	931	994	21	7
Loans	697	733	768	816	748	745	803	940	909	902	21	-1
<b>Asset Quality (INR m)</b>												
GNPA	10,067	8,740	8,592	57,578	64,404	87,636	94,416	63,800	69,675	68,539	-22	-2
NNPA	3,358	2,625	2,013	28,610	24,579	22,658	24,131	15,642	17,491	16,782	-26	-4
<b>Ratios (%)</b>												
- Asset Quality Ratios	FY21				FY22				FY23		Change (bp)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
GNPA (%)	1.4	1.2	1.1	6.8	8.2	10.8	10.8	6.5	7.3	7.2	-363	-6
NNPA (%)	0.5	0.4	0.3	3.5	3.3	3.0	3.0	1.7	1.9	1.9	-118	-6
PCR (Calc., %)	66.6	70.0	76.6	50.3	61.8	74.1	74.4	75.5	74.9	75.5	137	62
<b>- Business Ratios</b>												
Cost-to-Core Income ratio	27.9	29.6	27.0	33.1	28.3	35.6	31.3	28.0	36.0	41.8	625	584
Tax Rate	25.2	25.4	25.2	23.8	24.8	25.3	24.9	24.4	24.8	23.4	-191	-135
CASA (%)	37.1	38.2	42.9	43.4	42.9	44.6	45.6	41.6	43.2	40.8	-385	-241
Loan/Deposit ratio	115.1	110.9	107.8	104.7	96.7	91.0	95.0	97.6	97.7	90.8	-17	-688
<b>Other Details</b>												
Branches	1,018	1,045	1,107	1,147	1,152	1,168	1,176	1,189	1,190	1,190	22	0
ATM	485	487	487	487	487	487	489	471	429	432	-55	3



## Highlights from the management commentary

## Asset quality

- The bank has declassified the restructured book, and the same has become a part of the overall loan book in 2QFY23.
- The trend in collection efficiency (CE), excluding restructured customers, remained healthy in 2QFY23.
- CE, including restructured customers, improved in 2QFY23 across core areas (like West Bengal and Assam) and the rest of the country.
- In a few quarters, CE in Assam should be similar to that in the rest of India as the impact of the floods should abate by 3QFY23.
- The Assam government has started the payment process for delinquent customers. The management expects a collection of INR500-700m over the next few months.
- GNPA in Housing portfolio increased due to a technical issue of INR620m. This should reverse over the next two quarters.
- Out of total slippages, the non-restructured portfolio contributed INR12b (or INR7-8b per quarter on a steady-state basis).
- The management has also revised its credit cost guidance for FY23 to 3% (in the 2.85-3.15% range) from 2.5% earlier.

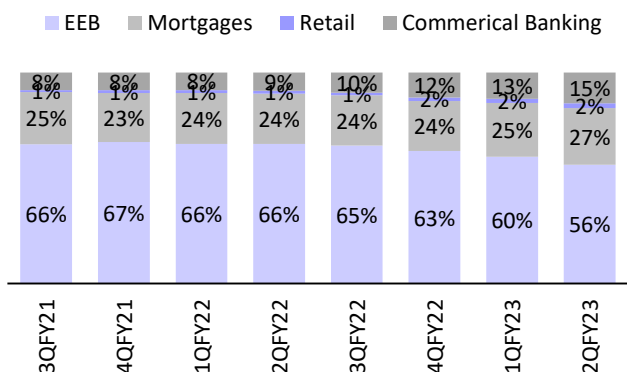
- It has reduced its recovery expectations to INR15b from INR25b in FY23.
- Currently, it has written off all customers in the 180dpd category, and this policy will continue going forward.

### Balance Sheet and P&L

- The festive season began early in CY22, and hence the lending businesses have fared well, with strong credit growth.
- Housing Finance saw a sharp growth (up 32% YoY and 5% QoQ). This portfolio is seeing good demand across India, and the bank plans to grow this by over 20% YoY in FY23.
- Retail (excluding Housing) grew at a robust pace of 112% YoY.
- The MFI business saw a sequential decline due to a reduction in group-based lending. This was due to the strengthening of underwriting standards.
- The management expects to grow deposits and advances at 20-25% on a YoY basis, with a focus on Retail.
- In the near term, however, this can be lower at 16-18% YoY.
- The diversification strategy of the bank is on track as it is continuously reducing the share of the EEB portfolio in the overall book. Within EEB, the share of West Bengal and Assam is below 50%.
- Out of total Retail advances, one-third comes from East, while the balance is equally split between West, South, and North India.
- The bank plans to add 500 branches in FY23.
- Moderation in the CASA ratio is due to a shift to Term deposits from Savings deposits due to the higher rates offered in the last two quarters.
- Interest reversal is INR2.98b impacted NIM.
- The management sees steady-state NIM at 8% (in the 7.8-8.2% range) and RoE in the 21-22% range.
- Fresh investment in RIDF stood at INR6-7b in 2QFY23. Overall, the bank needs to deposit INR70b towards the same. It has currently deposited INR65b.
- Disqualification of PSLC will not occur for FY21-22 as per a RBI communique.
- Increase in Wholesale deposits is due to fresh investment in RIDF and repayment of borrowings.

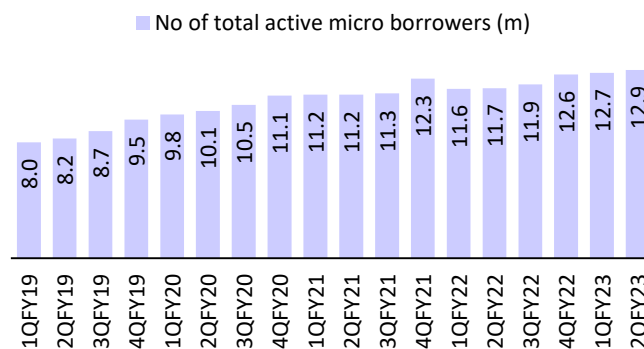
## Key exhibits

**Exhibit 1: Portfolio mix (%)**



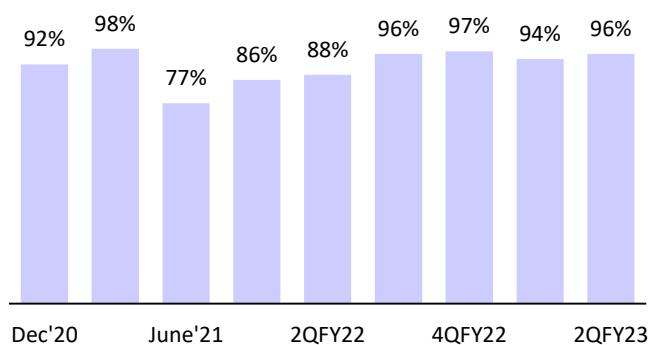
Source: MOFSL, Company

**Exhibit 2: Active MFI borrower base**



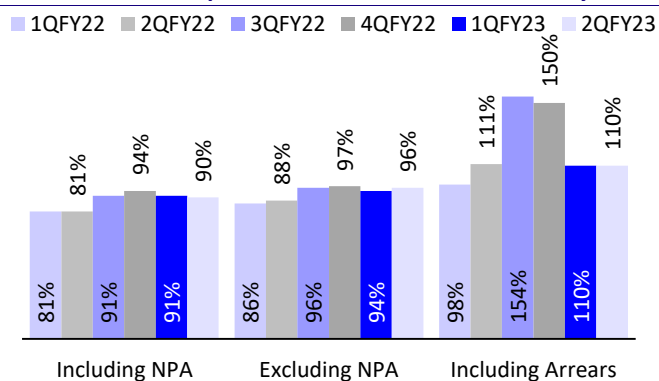
Source: MOFSL, Company

**Exhibit 3: MFI collection efficiency (%), excluding NPA, improves to 96% in 2QFY23**



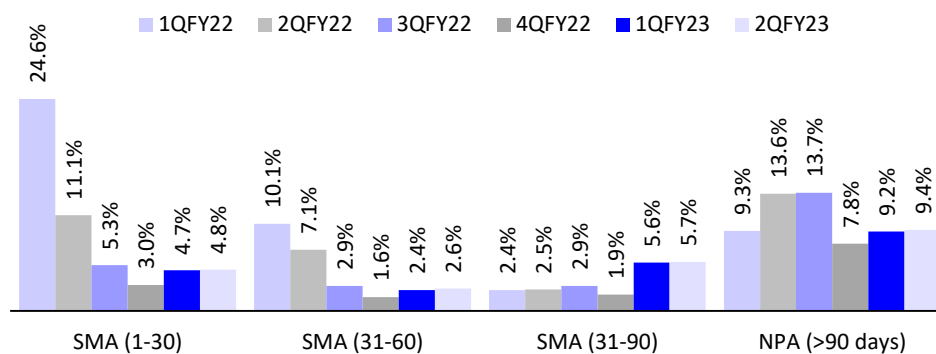
Source: MOFSL, Company

**Exhibit 4: QoQ comparison in MFI collection efficiency**



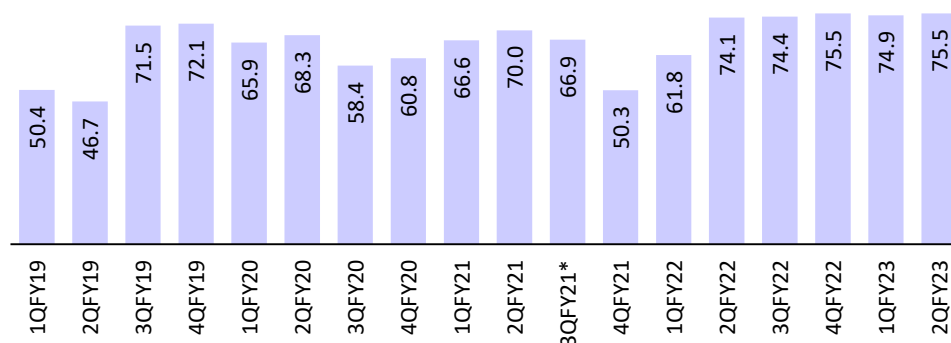
Source: MOFSL, Company

**Exhibit 5: Asset quality trends across buckets in the MFI portfolio**



Source: MOFSL, Company

Exhibit 6: Provision coverage ratio (%) stable ~76% in 2QFY23



Source: MOFSL, Company

Exhibit 7: DuPont Analysis: Return ratios to pick up strongly from FY23

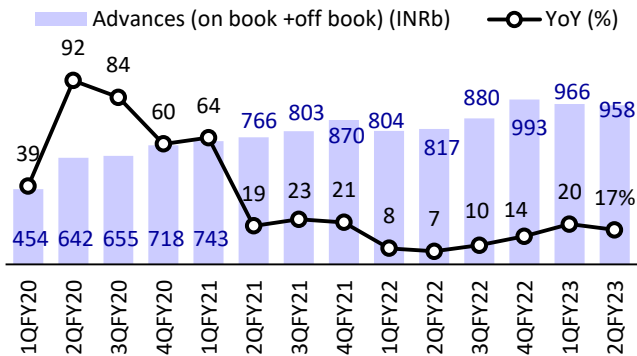
	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Interest Income	8.1	8.9	8.5	7.3	6.9	6.4	6.9
Other Income	1.9	2.1	2.1	2.0	2.2	1.7	1.7
Total Income	10.0	11.0	10.6	9.3	9.1	8.1	8.6
Operating Expenses	3.5	3.6	3.3	2.7	2.8	2.9	3.1
Employees	1.8	2.0	1.8	1.6	1.7	1.8	1.9
Others	1.7	1.6	1.4	1.1	1.1	1.2	1.2
Operating Profit	6.5	7.4	7.4	6.5	6.3	5.2	5.5
Core operating Profit	6.4	7.4	7.2	6.3	6.1	5.1	5.4
Provisions	1.0	1.5	1.9	3.7	6.2	2.4	1.7
NPA	0.6	1.3	0.8	4.2	4.1	2.2	1.6
Others	0.4	0.1	1.1	-0.5	2.1	0.1	0.1
PBT	5.5	6.0	5.5	2.9	0.1	2.8	3.8
Tax	1.9	2.1	1.4	0.7	0.0	0.7	1.0
RoA	3.6	3.9	4.1	2.1	0.1	2.1	2.8
Leverage (x)	5.4	4.9	5.6	6.3	7.3	8.1	8.1
RoE	19.5	19.0	22.9	13.5	0.7	17.0	22.9

Exhibit 8: Revise our FY23/FY24 earning estimate by ~18%/11% as we build in a lower loan growth and higher credit cost

INR b	Old estimates		New estimates		Change (%/bps)	
	FY23	FY24	FY23	FY24	FY23E	FY24E
Net Interest Income	99.2	125.8	96.0	120.8	-3.3	-4.0
Other Income	27.9	32.4	25.4	30.0	-9.1	-7.5
Total Income	127.2	158.2	121.4	150.8	-4.5	-4.7
Operating Expenses	43.2	53.1	43.9	54.2	1.6	2.0
Operating Profit	84.0	105.1	77.5	96.6	-7.7	-8.1
Provisions	32.8	30.2	35.3	29.8	7.6	-1.3
PBT	51.2	74.9	42.2	66.8	-17.5	-10.8
PAT	38.3	56.0	31.6	50.0	-17.5	-10.8
Loans	1,110	1,357	1,065	1,280	-4.1	-5.6
Deposits	1,146	1,399	1,127	1,364	-1.7	-2.5
Credit Cost (%)	3.0	2.3	3.3	2.4	0.3	0.1
EPS	23.8	34.8	19.6	31.0	-17.5	-10.8
BV	127.0	155.9	122.8	147.9	-3.3	-5.1
ABV	116.5	147.5	116.8	143.3	0.2	-2.8

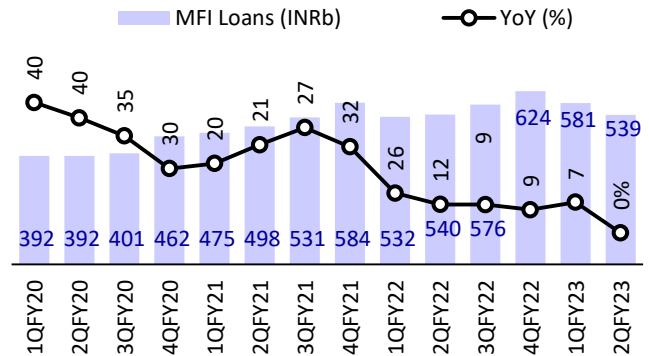
## Story in charts

**Exhibit 9: AUM grew 17% YoY, but fell 1% QoQ in 2QFY23**



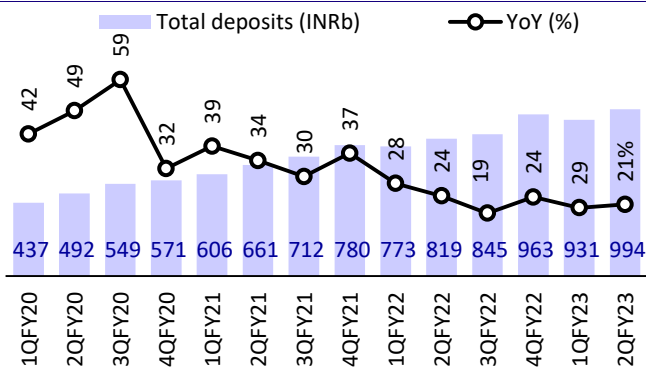
2QFY20-1QFY21 growth not comparable due to its merger with GRUH Finance  
Source: MOFSL, Company

**Exhibit 10: MFI loans flat YoY, but fell 7% QoQ in 2QFY23**



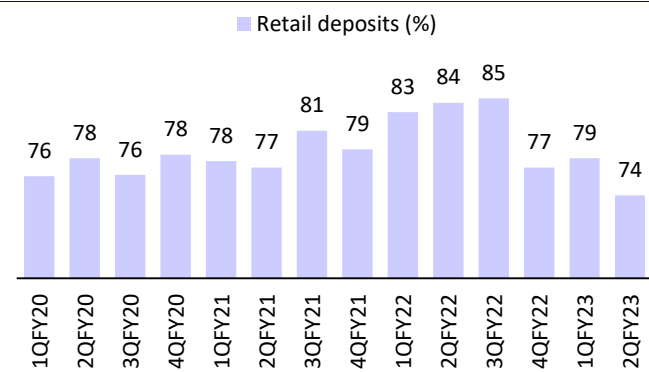
Source: MOFSL, Company

**Exhibit 11: Total deposits increase by ~21% YoY to INR994b in 2QFY23**



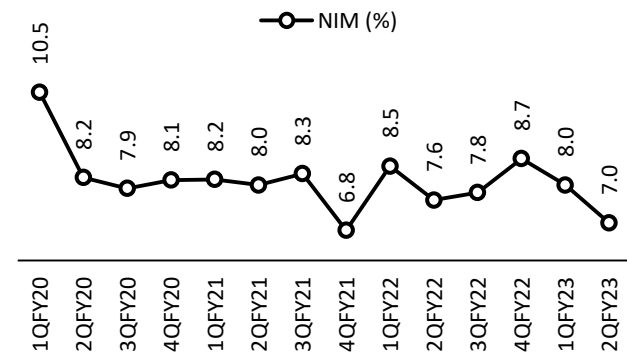
Source: MOFSL, Company

**Exhibit 12: Share of Retail deposits (%) moderates to 74% in 2QFY23**



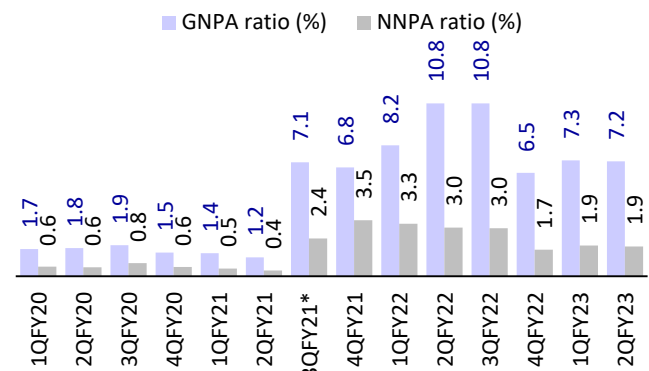
Source: MOFSL, Company

**Exhibit 13: Margin contracts by 100bp QoQ to 7% in 2QFY23**



Source: MOFSL, Company

**Exhibit 14: Asset quality ratios improve marginally, with a 6bp QoQ decline in GNPA/NNPA to 7.2%/1.9% in 2QFY23**



3QFY21 based on pro-forma numbers

Source: MOFSL, Company

## Financials and valuations

Income Statement						(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	48.0	66.4	108.9	125.2	138.7	172.7	216.4
Interest Expense	17.7	21.5	45.6	49.6	51.6	76.7	95.6
<b>Net Interest Income</b>	<b>30.3</b>	<b>45.0</b>	<b>63.2</b>	<b>75.6</b>	<b>87.1</b>	<b>96.0</b>	<b>120.8</b>
Growth (%)	26.2	48.3	40.7	19.6	15.2	10.1	25.9
Non-Interest Income	7.1	10.6	15.5	20.2	28.2	25.4	30.0
<b>Total Income</b>	<b>37.4</b>	<b>55.6</b>	<b>78.7</b>	<b>95.9</b>	<b>115.4</b>	<b>121.4</b>	<b>150.8</b>
Growth (%)	32.8	48.7	41.6	21.8	20.4	5.2	24.2
Operating Expenses	13.1	18.1	24.3	28.2	35.2	43.9	54.2
<b>Pre-Provision Profit</b>	<b>24.3</b>	<b>37.5</b>	<b>54.5</b>	<b>67.7</b>	<b>80.1</b>	<b>77.5</b>	<b>96.6</b>
Growth (%)	35.5	54.2	45.3	24.3	18.4	-3.3	24.7
<b>Core PPOP</b>	<b>23.8</b>	<b>37.1</b>	<b>53.3</b>	<b>65.5</b>	<b>77.4</b>	<b>76.4</b>	<b>95.3</b>
Growth (%)	34.6	55.7	43.7	22.8	18.2	-1.3	24.8
Provisions (excl. tax)	3.7	7.4	13.9	38.2	78.8	35.3	29.8
<b>PBT</b>	<b>20.6</b>	<b>30.1</b>	<b>40.5</b>	<b>29.5</b>	<b>1.3</b>	<b>42.2</b>	<b>66.8</b>
Tax	7.1	10.6	10.3	7.4	0.0	10.6	16.8
Tax Rate (%)	34.6	35.2	25.4	25.2	2.2	25.2	25.2
<b>PAT</b>	<b>13.5</b>	<b>19.5</b>	<b>30.2</b>	<b>22.1</b>	<b>1.3</b>	<b>31.6</b>	<b>50.0</b>
Growth (%)	21.0	45.0	54.9	-27.1	-94.3	2,409.3	58.3
<b>Balance Sheet</b>							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	11.9	11.9	16.1	16.1	16.1	16.1	16.1
Reserves and Surplus	81.9	100.1	135.9	158.0	157.7	181.7	222.2
<b>Net Worth</b>	<b>93.8</b>	<b>112.0</b>	<b>152.0</b>	<b>174.1</b>	<b>173.8</b>	<b>197.8</b>	<b>238.3</b>
<b>Deposits</b>	<b>338.7</b>	<b>432.3</b>	<b>570.8</b>	<b>779.7</b>	<b>963.3</b>	<b>1,127.1</b>	<b>1,363.8</b>
Growth (%)	45.8	27.6	32.0	36.6	23.5	17.0	21.0
<b>of which CASA Dep.</b>	<b>116.2</b>	<b>176.2</b>	<b>210.3</b>	<b>338.3</b>	<b>400.8</b>	<b>525.2</b>	<b>643.7</b>
Growth (%)	70.0	51.6	19.4	60.9	18.5	31.0	22.6
Borrowings	2.9	5.2	163.8	169.6	199.2	223.1	256.6
Other Liabilities and Prov.	7.7	14.9	30.6	26.8	52.3	55.0	64.8
<b>Total Liabilities</b>	<b>443.1</b>	<b>564.4</b>	<b>917.2</b>	<b>1,150.2</b>	<b>1,388.7</b>	<b>1,602.9</b>	<b>1,923.5</b>
Current Assets	55.1	58.0	83.5	62.3	93.2	72.0	78.5
<b>Investments</b>	<b>83.7</b>	<b>100.4</b>	<b>153.5</b>	<b>251.6</b>	<b>290.8</b>	<b>351.9</b>	<b>418.7</b>
Growth (%)	51.8	19.9	52.9	63.9	15.6	21.0	19.0
<b>Loans</b>	<b>297.1</b>	<b>396.4</b>	<b>666.3</b>	<b>816.1</b>	<b>939.7</b>	<b>1,064.7</b>	<b>1,280.4</b>
Growth (%)	76.5	33.4	68.1	22.5	15.1	13.3	20.3
Fixed Assets	2.4	3.3	3.7	4.9	5.9	6.6	7.4
Other Assets	4.8	6.3	10.1	15.3	59.0	107.8	138.6
<b>Total Assets</b>	<b>443.1</b>	<b>564.4</b>	<b>917.2</b>	<b>1,150.2</b>	<b>1,388.7</b>	<b>1,602.9</b>	<b>1,923.5</b>
<b>Asset Quality</b>							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
GNPA	3.7	8.2	9.9	57.6	63.8	66.5	49.3
NNPA	1.7	2.3	3.9	28.6	15.6	13.8	10.8
GNPA Ratio	1.2	2.0	1.5	6.8	6.5	6.0	3.7
NNPA Ratio	0.6	0.6	0.6	3.5	1.7	1.3	0.8
Credit Cost	1.0	1.9	2.6	5.2	9.0	3.3	2.4
PCR (Excl. Tech. write off)	53.7	72.1	60.8	50.3	75.5	79.3	78.2

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY21	FY23E	FY24E
<b>Spread Analysis (%)</b>							
<b>Avg. Yield on Earning Assets</b>	<b>13.9</b>	<b>14.2</b>	<b>15.4</b>	<b>12.7</b>	<b>11.7</b>	<b>12.6</b>	<b>13.4</b>
Avg. Yield on loans	16.4	16.5	17.9	14.7	13.9	15.0	16.0
Avg. Yield on Investments	7.1	6.7	6.6	5.9	5.5	6.3	6.7
<b>Avg. Cost of Int. Bear. Liab.</b>	<b>6.5</b>	<b>6.0</b>	<b>8.3</b>	<b>6.2</b>	<b>5.1</b>	<b>6.5</b>	<b>6.9</b>
Avg. Cost of Deposits	5.9	5.4	6.6	5.9	5.0	5.2	5.7
<b>Interest Spread</b>	<b>7.5</b>	<b>8.2</b>	<b>7.2</b>	<b>6.5</b>	<b>6.6</b>	<b>6.2</b>	<b>6.6</b>
<b>Net Interest Margin</b>	<b>8.8</b>	<b>9.6</b>	<b>9.0</b>	<b>7.7</b>	<b>7.4</b>	<b>7.0</b>	<b>7.5</b>

### Capitalization Ratios (%)

CAR	31.5	29.2	27.4	23.5	20.1	19.1	18.4
Tier I	30.3	27.9	25.2	22.5	18.9	18.1	17.6
Tier II	1.2	1.3	2.2	1.0	1.2	1.0	0.8

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	87.7	91.7	116.7	104.7	97.6	94.5	93.9
CASA Ratio	34.3	40.8	36.8	43.4	41.6	46.6	47.2
Cost/Assets ratio	3.0	3.2	2.6	2.4	2.5	2.7	2.8
Cost/Total Income ratio	35.0	32.6	30.8	29.4	30.5	36.2	35.9
Cost/Core income ratio	35.4	32.8	31.3	30.1	31.3	36.5	36.2
Int. Expense/Int. Income ratio	36.9	32.3	41.9	39.6	37.2	44.4	44.2
Fee Income/Total Income ratio	17.7	18.4	18.2	18.8	22.1	20.0	19.0
Non Int. Inc./Total Income ratio	18.9	19.1	19.7	21.1	24.5	20.9	19.9
Empl. Cost/Total Expense ratio	52.6	55.7	56.3	59.1	60.6	60.8	60.6
Investment/Deposit Ratio	24.7	23.2	26.9	32.3	30.2	31.2	30.7

### Profitability Ratios and Valuation

RoE	19.5	19.0	22.9	13.5	0.7	17.0	22.9
RoA	3.6	3.9	4.1	2.1	0.1	2.1	2.8
RoRWA	5.5	5.6	6.2	3.3	0.2	3.2	4.1
Book Value (INR)	79	94	94	108	108	123	148
Growth (%)	93.7	19.4	0.5	14.5	-0.2	13.8	20.5
<b>Price-to-BV ratio (x)</b>	<b>3.4</b>	<b>2.8</b>	<b>2.8</b>	<b>2.5</b>	<b>2.5</b>	<b>2.2</b>	<b>1.8</b>
Adjusted BV (INR)	78	93	93	96	101	117	143
<b>Price-to-ABV ratio (x)</b>	<b>3.4</b>	<b>2.9</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>2.3</b>	<b>1.9</b>
EPS (INR)	11.8	16.4	21.6	13.7	0.8	19.6	31.0
Growth (%)	15.8	39.1	31.9	-36.5	-94.3	2,409.2	58.3
<b>Price-to-Earnings ratio (x)</b>	<b>22.6</b>	<b>16.2</b>	<b>12.3</b>	<b>19.4</b>	<b>339.9</b>	<b>13.5</b>	<b>8.6</b>

NOTES

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

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