

# IndusInd Bank

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	IIB IN
Equity Shares (m)	757
M.Cap.(INRb)/(USD\$)	944.5 / 11.4
52-Week Range (INR)	1275 / 764
1, 6, 12 Rel. Per (%)	-1/22/6
12M Avg Val (INR M)	4424

## Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
NII	150.0	176.9	207.2
OP	131.0	146.8	172.3
NP	48.0	76.9	94.1
NIM (%)	3.9	4.1	4.2
EPS (INR)	62.1	99.3	121.5
EPS Gr. (%)	55.4	60.0	22.3
BV/Sh. (INR)	617.8	706.9	817.3
ABV/Sh. (INR)	604.0	695.3	804.7

## Ratios

RoE (%)	10.6	15.0	16.0
RoA (%)	1.3	1.8	1.9

## Valuations

P/E (X)	19.6	12.3	10.0
P/BV (X)	2.0	1.7	1.5
P/ABV (X)	2.0	1.8	1.5

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Mar-22
Promoter	16.5	16.5	16.5
DII	20.3	21.0	20.0
FII	43.9	46.6	43.2
Others	19.3	15.9	20.3

FII Includes depository receipts

**CMP: INR1,218      TP: INR1,450 (+19%)      Buy**

## RoA expansion on track; asset quality improves further

### Restructured portfolio declines to 1.5% v/s 2.1% in 1QFY23

- IndusInd Bank (IIB) reported a PAT of INR18.1b (+57% YoY; in line) with steady operating performance across all key metrics during the quarter.
- Loan growth remained steady at 18% YoY with traction in Corporate as well as Consumer Finance book. Sequential growth of 6.4% in corporate was driven by working capital loans. Within consumer, growth was broad based barring micro-finance (MFI). However, growth in MFI book should also pick up as disruption due to regulatory changes has been fully addressed.
- Fresh slippages moderated significantly to INR15.7b (2.6% annualized) led by corporate and consumer segments. GNPA/NNPA ratio improved by 24bp/ 6bp QoQ to 2.11%/0.61%, respectively. Restructured book declined to 1.5% in 2QFY23 v/s 2.1% in 1QFY23.
- We estimate PAT to report 40% CAGR over FY22-24, leading to 16% RoE in FY24E. **Maintain BUY with a TP of INR1,450 (premised on 1.8x FY24E ABV).**

## Margin improves 3bp QoQ to 4.24% driven by corporate portfolio

- IIB reported 2QFY23 PAT of INR18.1b (+57% YoY; in line) aided by strong operating performance. For 1HFY23, PAT stood at INR34.4b, up 59% YoY.
- NII rose 18% YoY to INR43.0b (in line) while other income grew 9% YoY as the bank reported modest treasury gains of INR1.4b, (-58% YoY). Core fee income grew strongly at 24% YoY. NIM improved marginally by 3bp QoQ to 4.24% driven by 40bp rise in corporate lending yields. In 1HFY23, NII grew 17% YoY to INR84.6b
- Operating expenses increased 22% YoY to INR27.7b (in line) due to annual increments and fresh hiring. C/I ratio increased to 43.9% from 43.4% in 1QFY23. PPOp grew 10% YoY in 2QFY23 to INR35.4b while Core PPOp saw a higher growth of 18% YoY. In 1HFY23, PPOp grew 10% YoY to INR69.7b.
- On the business front, loans grew 4.9% QoQ (+17.8% YoY), led by Consumer Finance (+3.6% QoQ) and Corporate book (+6.4% QoQ). In the Consumer business, growth picked up in the Vehicle segment with disbursements of more than INR100b in 2QFY23. The Utility vehicle registered healthy momentum at 10% QoQ while Credit Card book grew 9.6% QoQ. Retail to Wholesale mix stood at 53:47. Deposit growth stood at 15% YoY with CASA mix at 42.4% and Retail deposit mix at 41% as per LCR.
- Fresh slippages moderated to INR15.7b in 2QFY23 from INR22.5b in 1Q, led by lower slippages in corporate as well as consumer segments. GNPA/NNPA ratio increased marginally by 24bp/6bp QoQ to 2.11%/0.61%. PCR ratio stood stable at ~72%. The bank held contingent provisions of INR26.5b (1.0% of loans). Restructured book moderated to 1.5% v/s 2.1% in 1QFY23.

**Highlights from the management commentary**

- IIB is confident of achieving the Planning Cycle 5 loan growth led by strong momentum in all categories and end FY23 with a loan growth of 20%.
- Vehicle finance saw the highest ever disbursement and has had one of the best runs in last several years.
- Growth in MFI segment should pick up henceforth as disruption due to regulatory changes is fully addressed.
- The bank maintains its guidance of credit cost in the range of 120-150bp and C/I ratio to remain ~40-43%.

**Valuation and view**

IIB's operating performance remains on track led by healthy NII growth and controlled provisions. Asset quality ratios improved driven by lower slippages in corporate as well as consumer portfolios. Thus, outlook for credit cost remains controlled. The management is guiding for continued momentum in loan growth and is looking to end FY23 with a growth of 20%. Healthy provisioning in the MFI portfolio and contingent provisioning buffer of 1.0% of loans will enable a steep decline in credit cost, thus driving a sharp recovery in earnings. We estimate PAT to report 40% CAGR over FY22-24, leading to 16% RoE in FY24E. **We maintain our BUY rating with a TP of INR1,450 (premised on 1.8x FY24E ABV).**

**Quarterly performance****(INR b)**

	FY22				FY23E				FY22	FY23E	FY23E	v/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Net Interest Income</b>	<b>35.6</b>	<b>36.6</b>	<b>37.9</b>	<b>39.9</b>	<b>41.3</b>	<b>43.0</b>	<b>45.1</b>	<b>47.5</b>	<b>150.0</b>	<b>176.9</b>	<b>43.3</b>	<b>-1%</b>
% Change (YoY)	7.7	11.6	11.4	12.7	15.8	17.6	18.9	19.3	10.9	18.0	18.2	
Other Income	17.2	18.4	18.8	19.0	19.3	20.1	20.6	21.5	74.1	81.5	20.1	0%
<b>Total Income</b>	<b>52.9</b>	<b>55.0</b>	<b>56.7</b>	<b>58.9</b>	<b>60.6</b>	<b>63.1</b>	<b>65.7</b>	<b>69.0</b>	<b>224.1</b>	<b>258.4</b>	<b>63.4</b>	<b>0%</b>
Operating Expenses	21.7	22.8	23.6	25.1	26.3	27.7	28.5	29.2	93.1	111.6	27.7	0%
<b>Operating Profit</b>	<b>31.2</b>	<b>32.2</b>	<b>33.1</b>	<b>33.8</b>	<b>34.3</b>	<b>35.4</b>	<b>37.2</b>	<b>39.9</b>	<b>131.0</b>	<b>146.8</b>	<b>35.7</b>	<b>-1%</b>
% Change (YoY)	6.6	12.9	11.8	8.0	9.9	10.1	12.4	17.9	10.3	12.1	10.8	
Provisions	17.8	17.0	16.5	14.6	12.5	11.4	10.5	9.5	66.6	44.0	11.7	-3%
<b>Profit before Tax</b>	<b>13.4</b>	<b>15.2</b>	<b>16.6</b>	<b>19.2</b>	<b>21.8</b>	<b>24.0</b>	<b>26.7</b>	<b>30.3</b>	<b>64.3</b>	<b>102.8</b>	<b>23.9</b>	<b>1%</b>
Tax	3.3	3.7	4.2	5.2	5.5	6.0	6.7	7.7	16.3	25.9	6.0	-1%
<b>Net Profit</b>	<b>10.2</b>	<b>11.5</b>	<b>12.4</b>	<b>14.0</b>	<b>16.3</b>	<b>18.1</b>	<b>20.0</b>	<b>22.6</b>	<b>48.0</b>	<b>76.9</b>	<b>17.9</b>	<b>1%</b>
% Change (YoY)	99.1	72.9	49.5	51.2	60.5	57.4	60.8	61.3	64.0	60.1	55.9	
<b>Operating Parameters</b>												
Deposit (INR b)	2,672	2,753	2,845	2,933	3,031	3,155	3,272	3,418	2,933	3,418	3,158	0%
Loan (INR b)	2,107	2,208	2,286	2,391	2,480	2,601	2,700	2,833	2,391	2,833	2,596	0%
Deposit Growth (%)	26.5	20.8	19.0	14.6	13.4	14.6	15.0	16.5	14.6	16.5	14.6	-3
Loan Growth (%)	6.4	9.7	10.4	12.4	17.7	17.8	18.1	18.5	12.4	18.5	17.6	22
<b>Asset Quality</b>												
Gross NPA (%)	2.9	2.8	2.5	2.3	2.4	2.1	2.0	1.8	2.3	1.8	2.2	-13
Net NPA (%)	0.8	0.8	0.7	0.6	0.7	0.6	0.5	0.5	0.6	0.5	0.6	0
PCR (%)	71.6	71.6	71.7	72.3	72.0	71.5	73.0	74.7	72.3	74.7	73.0	-145

## Exhibit 1: Quarterly snapshot

INR b	FY21				FY22				FY23		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
<b>Profit and Loss</b>												
<b>Net Interest Income</b>	<b>33.1</b>	<b>32.8</b>	<b>34.1</b>	<b>35.3</b>	<b>35.6</b>	<b>36.6</b>	<b>37.9</b>	<b>39.9</b>	<b>41.3</b>	<b>43.0</b>	<b>18</b>	<b>4</b>
Other Income	15.2	15.5	16.5	17.8	17.2	18.4	18.8	19.0	19.3	20.1	9	4
Trading profits	8.4	4.9	2.6	2.7	5.1	3.3	3.6	2.6	1.5	1.4	-58	-5
Others (Ex non-core)	6.8	10.6	13.9	15.1	12.1	15.1	15.2	16.4	17.9	18.7	24	5
<b>Total Income</b>	<b>48.3</b>	<b>48.3</b>	<b>50.5</b>	<b>53.1</b>	<b>52.9</b>	<b>55.0</b>	<b>56.7</b>	<b>58.9</b>	<b>60.6</b>	<b>63.1</b>	<b>15</b>	<b>4</b>
Operating Expenses	19.0	19.8	20.9	21.9	21.7	22.8	23.6	25.1	26.3	27.7	22	5
Employee	7.4	7.2	7.4	8.3	8.4	8.5	8.7	9.2	9.3	10.1	19	9
Others	11.6	12.6	13.4	13.6	13.2	14.3	14.9	15.9	17.0	17.6	23	4
<b>Operating Profits</b>	<b>29.3</b>	<b>28.5</b>	<b>29.6</b>	<b>31.3</b>	<b>31.2</b>	<b>32.2</b>	<b>33.1</b>	<b>33.8</b>	<b>34.3</b>	<b>35.4</b>	<b>10</b>	<b>3</b>
<b>Core Operating Profits</b>	<b>20.9</b>	<b>23.6</b>	<b>27.1</b>	<b>28.6</b>	<b>26.1</b>	<b>28.9</b>	<b>29.5</b>	<b>31.2</b>	<b>32.8</b>	<b>34.1</b>	<b>18</b>	<b>4</b>
Provisions	22.6	19.6	18.5	18.7	17.8	17.0	16.5	14.6	12.5	11.4	-33	-9
<b>PBT</b>	<b>6.7</b>	<b>8.9</b>	<b>11.1</b>	<b>12.6</b>	<b>13.4</b>	<b>15.2</b>	<b>16.6</b>	<b>19.2</b>	<b>21.8</b>	<b>24.0</b>	<b>59</b>	<b>10</b>
Taxes	1.6	2.2	2.8	3.4	3.3	3.7	4.2	5.2	5.5	6.0	62	9
<b>PAT</b>	<b>5.1</b>	<b>6.6</b>	<b>8.3</b>	<b>9.3</b>	<b>10.2</b>	<b>11.5</b>	<b>12.4</b>	<b>14.0</b>	<b>16.3</b>	<b>18.1</b>	<b>57</b>	<b>11</b>
<b>Balance Sheet (INR b)</b>												
Loans	1,981	2,012	2,071	2,126	2,107	2,208	2,286	2,391	2,480	2,601	18	5
Investments	596	630	611	697	687	692	727	709	725	760	10	5
Deposits	2,113	2,279	2,391	2,559	2,672	2,753	2,845	2,933	3,031	3,155	15	4
CASA Deposits	845	918	966	1,068	1,123	1,159	1,199	1,253	1,305	1,335	15	2
of which Savings	525	571	643	711	799	833	866	888	952	894	7	-6
Current	319	348	323	357	324	326	333	365	353	442	36	25
Borrowings	592	524	486	513	493	463	457	473	418	407	-12	-3
Total Assets	3,179	3,320	3,414	3,629	3,730	3,805	3,906	4,020	4,105	4,266	12	4
Risk Weighted Assets	2,617	2,617	2,655	2,729	2,724	2,756	2,811	2,951	3,031	3,115	13	3
<b>Asset Quality (INR b)</b>												
GNPA	51.0	45.3	36.5	57.9	61.9	62.5	57.8	55.2	59.3	55.7	-11	-6
NNPA	17.0	10.6	4.6	14.8	17.6	17.7	16.3	15.3	16.6	15.8	-11	-5
<b>Ratios</b>												
	FY21				FY22						Variation (bps)	
<b>Asset Quality (%)</b>	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
GNPA	2.5	2.2	1.7	2.7	2.9	2.8	2.5	2.3	2.4	2.1	-66	-24
NNPA	0.9	0.5	0.2	0.7	0.8	0.8	0.7	0.6	0.7	0.6	-19	-6
PCR (Cal.)	66.6	76.7	87.3	74.5	71.6	71.6	71.7	72.3	72.0	71.5	-9	-45
<b>Business Ratios (%)</b>												
Fees to Total Income	14.1	22.0	27.5	28.4	23.0	27.4	26.8	27.9	29.5	29.7	226	18
Cost to Core Income	47.6	45.6	43.6	43.4	45.3	44.1	44.4	44.6	44.4	44.8	75	42
Tax Rate	23.7	25.3	25.2	26.7	24.3	24.3	25.1	27.0	25.2	24.9	55	-29
CASA (Reported)	40.0	40.3	40.4	41.7	42.1	42.1	42.2	42.7	43.2	42.4	30	-80
Loan/Deposit	93.8	88.3	86.6	83.1	78.9	80.2	80.4	81.5	81.8	82.4	223	63
<b>Profitability Ratios (%)</b>												
Yield on loans	11.9	12.0	11.7	11.8	11.8	11.7	11.4	11.3	11.4	11.5	-15	12
Yield On Investments	6.7	6.2	6.0	5.9	5.8	5.8	5.8	5.8	5.9	6.1	32	20
Yield on funds	9.4	9.1	8.9	8.7	8.6	8.4	8.4	8.3	8.4	8.7	21	30
Cost of deposits	5.7	5.6	5.3	5.0	5.0	4.9	4.7	4.6	4.8	5.1	25	31
Cost of funds	5.1	4.9	4.7	4.5	4.5	4.4	4.3	4.1	4.1	4.4	4	27
Spreads	4.3	4.2	4.1	4.1	4.1	4.1	4.1	4.2	4.2	4.2	17	3
Margins	4.3	4.2	4.1	4.1	4.1	4.1	4.1	4.2	4.2	4.2	17	3
RoA	0.7	0.9	1.1	1.1	1.2	1.3	1.4	1.5	1.8	1.8	51	0
RoE	5.9	7.1	8.4	8.9	9.3	10.3	10.9	11.9	13.4	14.5	417	101

Source: MOFSL, Company



## Highlights from the management commentary

### Balance Sheet and P&L related

- Growth and asset quality saw continued improvement in 2QFY23
- Loan growth was driven by all business segments
- Deposit mobilization continues to be granular, driven by retail customers
- The external environment saw withdrawal of surplus liquidity and increased competition for deposits from peer banks
- The contribution of Certificate of Deposits remains low at 3% for IIB
- SA balance has gone down due to direct settlement by Central Government instead of using bank intermediaries. As a result, one such account maintained by the Bank was impacted adversely
- NRI (aided by easy regulatory guidelines) and affluent segment saw a healthy growth due to new initiatives rolled out
- Branch expansion played an important role in deposit mobilization. Thus, IIB plans to expand branch count to 2,500 by FY23 and 3,500 by the next three-year Planning Cycle
- Borrowing mix has also moved towards long-term stable financing
- The bank continues to gain traction in digital initiatives – in direct to retail as well as with partnerships

### Asset quality

- Asset quality continues to improve with lower slippages in corporate and consumer segment
- Restructured book has reduced meaningfully to 1.5% in 2QFY23 from 2.1% in 1Q
- Credit cost has also reduced in 2Q with strong provision buffers. Management expects credit cost for FY23 in the range of 120-150bp
- Net SR reduced to 67bp from 72bp QoQ
- SMA 1 and 2 stood at 15bp and 43bp, respectively

### MFI business

- The RBI's direction in Apr'22 has been fully implemented. Thus, management does not expect any disruption going ahead
- Growth in this segment should pick up henceforth along with scale up of new business lines
- Yield has improved in this book by 35-40bp over the last two quarters
- Out of total customer base, household income has been calculated for 70%
- CE in the standard book stands at MFT 99.1% - stable QoQ. For new clients acquired post Oct-21, CE stands at 99.2% - close to pre-Covid levels
- 30-90dpd including restructured book moderated to 2.0% from 2.2% in 1QFY23
- Gross slippages moderated to INR4.35b in 2QFY23 from INR5.6b in 1QFY23.

### Vehicle segment

- In 2QFY23, vehicle finance saw the highest ever disbursement and has had one of the best runs in last several years
- The disbursements were more than INR100b for the second time in a row
- The portfolio saw strong disbursements across all categories

- Typically, this is weaker in 1H. However, this time it was much stronger as it grew in double digits after a gap of three years
- Slippages in this book reduced to 0.6% from 0.8% QoQ
- Restructured book declined to INR27.7b from INR31.31b in the previous quarter. CE was at 83%, as per expectations

### Other segments

- Gems and Jewelry business formed 4.5% of total loans and AQ remained strong with stable demand for diamond
- IIB aims to build a sizeable home loan book in 2-3 years. It has started pilot in a few cities
- Management will concentrate on two segments – Affordable housing and affluent segment
- Affordable housing is present in 23 cities and book size is INR19b. Aim to build this to INR50b with yield of 11%.
- In the affluent segment, IIB will launch offering in pioneer cities and gradually expand to 20 locations
- Credit card continues to grow well with spends of INR167b in 2QFY23
- The RBI guidelines impacted card number for all banks adversely. However, momentum was strong with 81K cards issued in Sep'22
- Revolver rate in credit card segment remained low in the range of 27-29%

### Corporate

- Corporate book saw a stable growth with no negative asset quality surprises
- The book is floating in nature and hence the bank was able to pass the rate hike to customers, reflected in a stronger yield
- The yield was up 40bp in 2Q v/s an increase of 7bp in the previous quarter
- Large corporates grew faster than small and mid-corporate. Share of higher rated customers also improved
- Gross capex recovery is yet to happen as demand is driven by large corporates in select sectors
- Within individual segments, NBFC, real estate, steel, power and power generation saw stronger growth
- About 70% of loans disbursed were for working capital needs with the balance for term loans of less than 5-6 years

### Guidance

- The bank is comfortable with achieving PC5 loan growth led by strong momentum in key categories
- Management is confident of 20% loan growth in FY23E along with margin in the range of 4.15 to 4.25% while credit cost should moderate to 120-150bp in FY23E
- C/I ratio is likely to remain in the range of ~40-43%
- RoA/ROE should continue to expand driven by improved earnings

## Key exhibits

### Exhibit 2: GNPA in CFD improved to 2.4%

Segmental GNPA	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
CV	2.2	1.8	1.6	3.0	2.9	2.6	2.4	1.7	2.0	2.0
Utility	1.2	1.2	1.0	1.3	1.4	0.9	0.7	0.4	0.6	0.5
CE	1.1	0.9	0.8	1.2	1.5	1.2	1.4	1.1	1.6	1.4
3W	1.8	1.8	1.6	2.9	7.6	4.7	3.6	2.1	2.1	2.1
2W	2.6	3.8	3.1	6.7	9.8	9.2	9.3	9.2	7.9	8.0
Cars	0.8	0.9	0.7	1.3	1.8	1.2	1.0	0.7	0.8	0.6
LAP/HL/PL	0.5	0.4	0.4	2.8	2.8	2.6	2.2	3.1	1.7	1.6
Cards	0.8	0.6	0.2	1.6	4.4	5.1	4.6	3.3	2.3	2.2
BBG/LAP	1.2	0.9	0.9	3.4	3.3	3.9	3.4	3.1	3.5	3.5
MFI	1.6	1.6	1.5	1.5	1.7	3.0	3.2	2.5	3.4	2.9
<b>GNPA in Consumer Finance</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>	<b>2.4</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>	<b>2.3</b>	<b>2.5</b>	<b>2.4</b>

### Exhibit 3: Fees grew 47% YoY (9% QoQ) on a healthy pick up across general banking and third party distribution

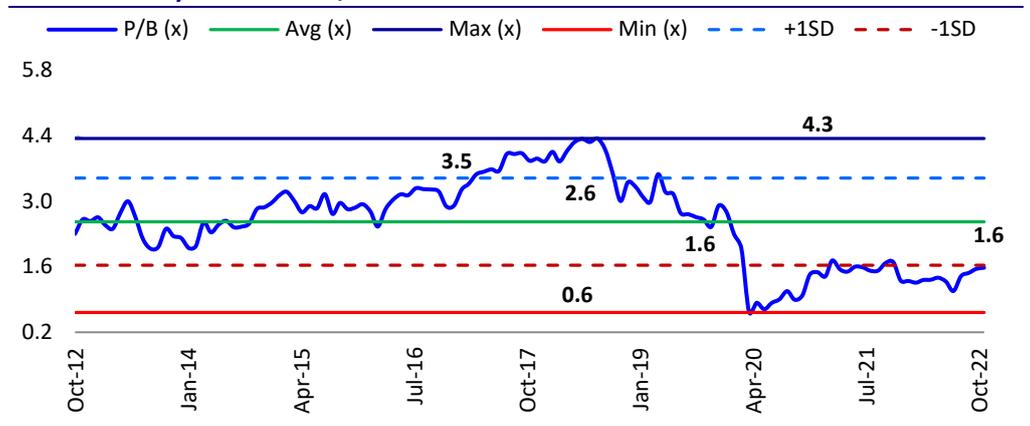
	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	YoY (%)	QoQ (%)
<b>Fee based income</b>	<b>10,610</b>	<b>13,890</b>	<b>15,080</b>	<b>12,140</b>	<b>15,060</b>	<b>15,190</b>	<b>16,440</b>	<b>17,860</b>	<b>18,720</b>	<b>24</b>	<b>5</b>
Trade fees (LC, BG, and remittances)	1,520	1,830	2,190	1,700	2,000	1,880	1,990	1,890	1,890	-6	0
Processing fees and other charges	2,120	3,010	3,570	2,860	4,240	3,820	5,040	5,110	5,320	25	4
FX clients	2,280	2,680	2,690	1,920	2,210	2,280	2,340	2,200	2,680	21	22
Third-party distribution fees	3,230	3,700	3,990	3,110	3,600	3,880	4,700	5,070	5,590	55	10
Investment banking fees	230	790	640	670	680	940	280	250	170	-75	-32
General banking/other income	1,230	1,880	2,000	1,880	2,330	2,390	2,090	3,340	3,070	31	-8

## Valuation and view

- Asset quality improved further with GNPA/NNPA decreasing 24bp/6bp QoQ to 2.11%/0.61% as of Sep'22 largely due to lower slippages in corporate as well as consumer segments. CE for the bank remained healthy. Restructured book moderated to 1.5% from 2.1% in 1QFY23. A healthy PCR of 72% and contingent provisions provided comfort. We estimate credit cost to moderate to 1.5%/1.3% in FY23E/FY24E, respectively.
- Loan growth is witnessing healthy traction across segments. Retail disbursements continue to remain strong. We expect the momentum to sustain. Deposit traction continues to remain healthy, with a focus on building a stable and granular liability franchise. IIB is working according to its 'Planning Cycle 5' (CY20-23) strategy, wherein the focus remains on fortifying liabilities, scaling up its key focus businesses, and investing in new growth engines. It expects the loan book to grow at 20% in FY23 and CASA ratio to be in excess of 40% by FY23. We estimate loan book to grow at 19% over FY22-24.
- **Margins to remain stable:** Rising interest rate is likely to drive yields which along with pick up in loan growth will likely to support margin despite the bank having a higher proportion of fixed rate loans.
- **BUY, with a TP of INR1,450:** IIB's operating performance remains on track led by healthy NII growth and controlled provisions. Asset quality ratios improved driven by lower slippages in corporate as well as consumer portfolios. Thus, outlook for credit cost remains controlled. The management is guiding for continued momentum in loan growth and is looking to end FY23 with a growth of 20%. Healthy provisioning in the MFI portfolio and contingent provisioning

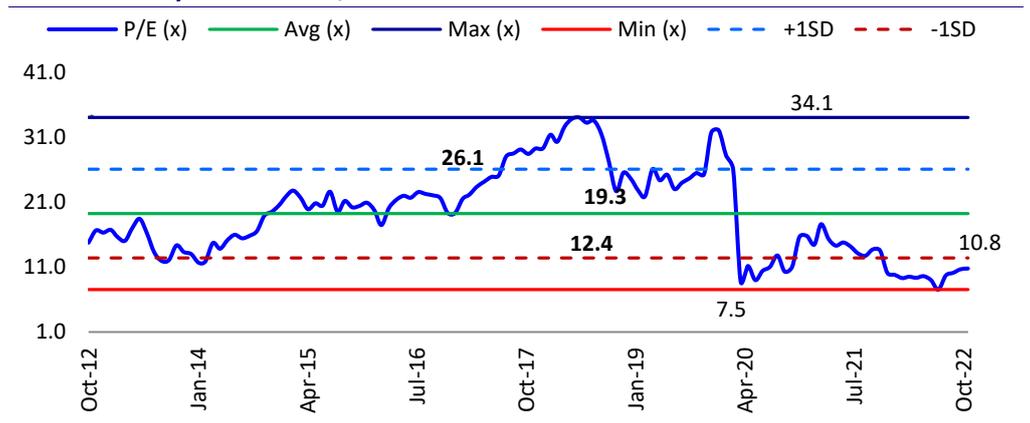
buffer of 1.0% of loans will enable a steep decline in credit cost, thus driving a sharp recovery in earnings. We estimate PAT to report 40% CAGR over FY22-24, leading to 16% RoE in FY24E. **We maintain our BUY rating with a TP of INR1,450 (premised on 1.8x FY24E ABV).**

**Exhibit 4: One-year forward P/B**



Source: MOFSL, Company

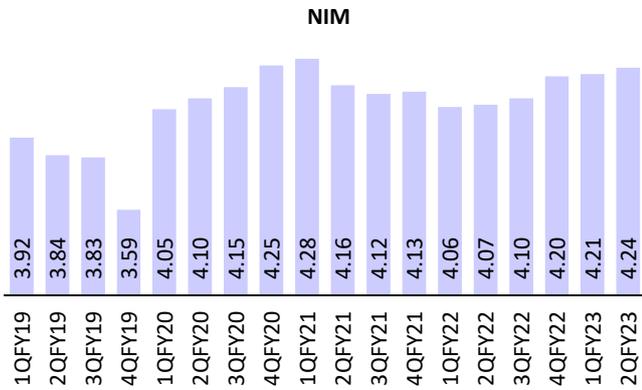
**Exhibit 5: One-year forward P/E**



Source: MOFSL, Company

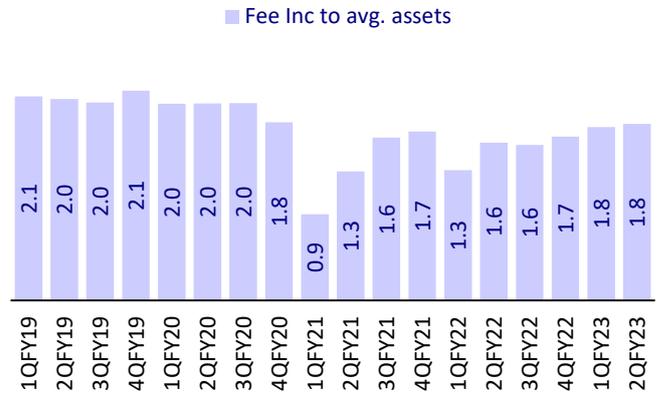
## Story in charts

**Exhibit 6: NIM improved marginally by 3bp QoQ to 4.24%**



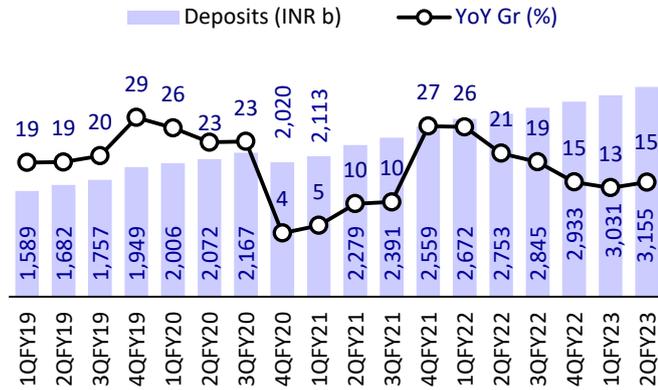
Source: MOFSL, Company

**Exhibit 7: Fee income to average assets was stable at 1.8%**



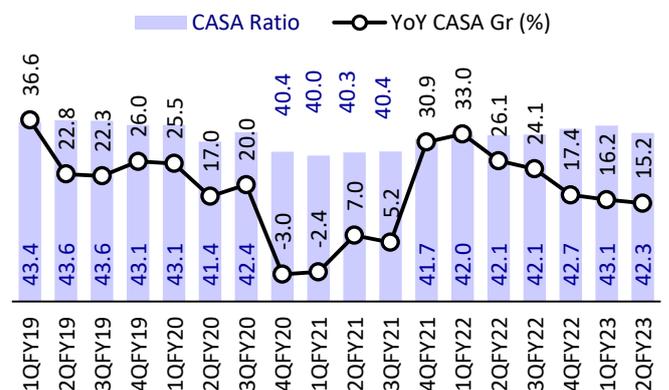
Source: MOFSL, Company

**Exhibit 8: Deposit growth healthy 15% YoY (+4.1% QoQ)**



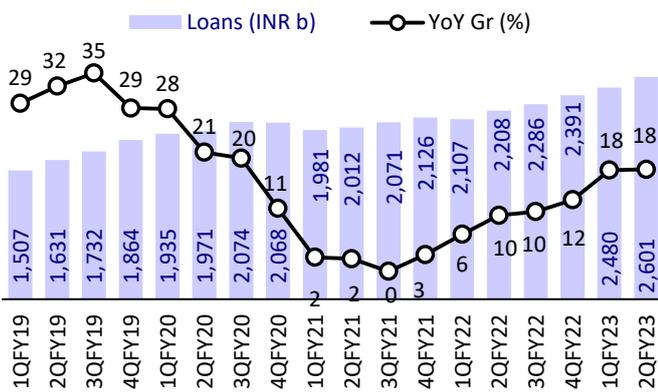
Source: MOFSL, Company

**Exhibit 9: CASA deposits grew 15% YoY; Ratio at 42.3%**



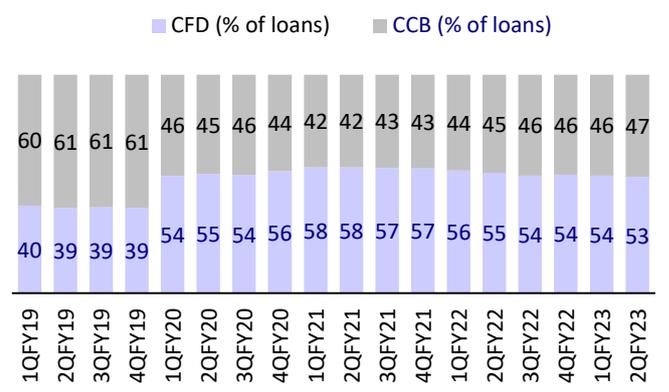
Source: MOFSL, Company

**Exhibit 10: Loan book grew ~18% YoY (+4.9% QoQ)**



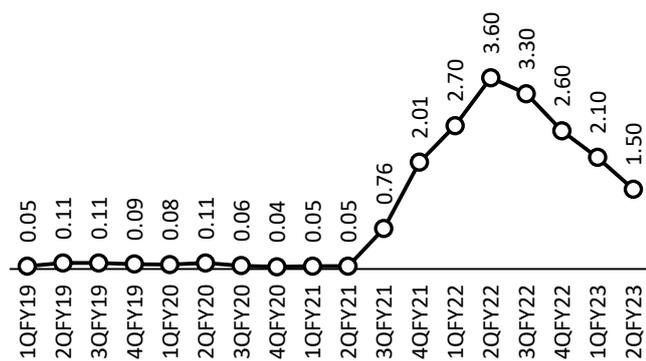
Source: MOFSL, Company

**Exhibit 11: CFD mix stood at 53% while CCB was at 47%**



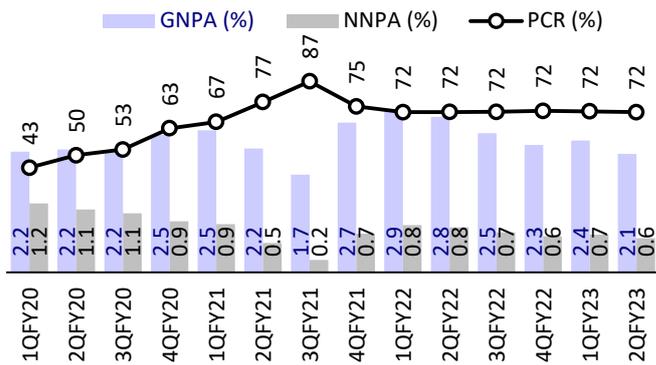
Source: MOFSL, Company

**Exhibit 12: Restructured book moderated to 1.5%**



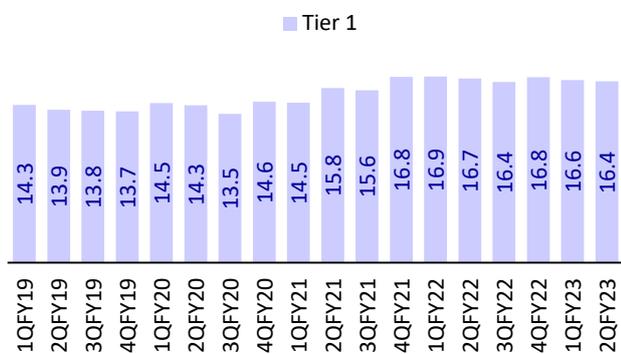
Source: MOFSL, Company

**Exhibit 13: GNPA/NNPA ratio decreased 24bp/6bp QoQ to 2.11%/0.61% in Sep'22, PCR was strong at 72%**



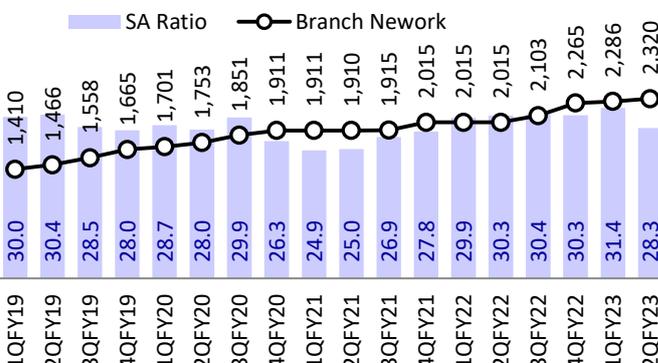
Source: MOFSL, Company

**Exhibit 14: Tier I capital remained healthy at 16.4%**



Source: MOFSL, Company

**Exhibit 15: Bank branch count stood at 2,320**



Source: MOFSL, Company

**Exhibit 16: DuPont Analysis: Return ratios to witness continuous pick up**

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	8.63	8.91	9.84	8.66	8.06	8.59	9.02
Interest Expense	4.89	5.37	5.72	4.62	4.14	4.46	4.79
<b>Net Interest Income</b>	<b>3.75</b>	<b>3.54</b>	<b>4.12</b>	<b>4.04</b>	<b>3.92</b>	<b>4.13</b>	<b>4.22</b>
Core Fee Income	2.19	2.22	2.19	1.50	1.78	1.83	1.91
Trading and others	0.18	0.05	0.19	0.44	0.16	0.07	0.07
<b>Non-Interest income</b>	<b>2.37</b>	<b>2.26</b>	<b>2.38</b>	<b>1.94</b>	<b>1.94</b>	<b>1.90</b>	<b>1.98</b>
<b>Total Income</b>	<b>6.12</b>	<b>5.80</b>	<b>6.50</b>	<b>5.98</b>	<b>5.86</b>	<b>6.04</b>	<b>6.20</b>
<b>Operating Expenses</b>	<b>2.79</b>	<b>2.56</b>	<b>2.82</b>	<b>2.44</b>	<b>2.43</b>	<b>2.61</b>	<b>2.69</b>
Employee cost	0.89	0.74	0.76	0.91	0.91	0.97	1.00
Others	1.90	1.82	2.06	1.53	1.53	1.64	1.69
<b>Operating Profit</b>	<b>3.33</b>	<b>3.24</b>	<b>3.68</b>	<b>3.54</b>	<b>3.42</b>	<b>3.43</b>	<b>3.51</b>
Core operating Profits	3.14	3.19	3.49	3.10	3.27	3.36	3.44
<b>Provisions</b>	<b>0.59</b>	<b>1.24</b>	<b>1.59</b>	<b>2.37</b>	<b>1.74</b>	<b>1.03</b>	<b>0.95</b>
NPA	0.45	1.09	1.24	1.51	1.08	0.90	0.84
Others	0.14	0.16	0.35	0.86	0.66	0.13	0.11
<b>PBT</b>	<b>2.74</b>	<b>1.99</b>	<b>2.09</b>	<b>1.17</b>	<b>1.68</b>	<b>2.40</b>	<b>2.56</b>
Tax	0.94	0.67	0.58	0.30	0.43	0.61	0.65
<b>RoA</b>	<b>1.80</b>	<b>1.32</b>	<b>1.51</b>	<b>0.87</b>	<b>1.26</b>	<b>1.80</b>	<b>1.92</b>
Leverage (x)	9.1	10.0	9.6	8.6	8.4	8.4	8.3
<b>RoE</b>	<b>16.5</b>	<b>13.2</b>	<b>14.5</b>	<b>7.6</b>	<b>10.6</b>	<b>15.0</b>	<b>16.0</b>

Source: MOFSL, Company

## Financials and valuations

Income Statement							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
Interest Income	172.8	222.6	287.8	290.0	308.2	367.8	442.4	
Interest Expense	97.8	134.1	167.2	154.7	158.2	190.9	235.2	
<b>Net Interest Income</b>	<b>75.0</b>	<b>88.5</b>	<b>120.6</b>	<b>135.3</b>	<b>150.0</b>	<b>176.9</b>	<b>207.2</b>	
Growth (%)	23.7	18.0	36.3	12.2	10.9	18.0	17.1	
Non-Interest Income	47.5	56.5	69.5	65.0	74.1	81.5	97.0	
<b>Total Income</b>	<b>122.5</b>	<b>144.9</b>	<b>190.1</b>	<b>200.3</b>	<b>224.1</b>	<b>258.4</b>	<b>304.2</b>	
Growth (%)	19.7	18.3	31.2	5.4	11.9	15.3	17.7	
Operating Expenses	55.9	64.0	82.4	81.6	93.1	111.6	131.9	
<b>Pre Provision Profits</b>	<b>66.6</b>	<b>80.9</b>	<b>107.7</b>	<b>118.7</b>	<b>131.0</b>	<b>146.8</b>	<b>172.3</b>	
Growth (%)	22.1	21.5	33.2	10.2	10.3	12.1	17.3	
<b>Core PPP</b>	<b>62.9</b>	<b>79.7</b>	<b>102.2</b>	<b>103.9</b>	<b>125.0</b>	<b>143.9</b>	<b>168.9</b>	
Growth (%)	21.6	26.7	28.2	1.6	20.4	15.1	17.4	
Provisions (excl tax)	11.8	31.1	46.5	79.4	66.6	44.0	46.5	
<b>PBT</b>	<b>54.8</b>	<b>49.8</b>	<b>61.2</b>	<b>39.3</b>	<b>64.3</b>	<b>102.8</b>	<b>125.8</b>	
Tax	18.7	16.8	17.0	10.0	16.3	25.9	31.7	
Tax Rate (%)	34.2	33.7	27.8	25.4	25.3	25.2	25.2	
<b>PAT</b>	<b>36.1</b>	<b>33.0</b>	<b>44.2</b>	<b>29.3</b>	<b>48.0</b>	<b>76.9</b>	<b>94.1</b>	
Growth (%)	25.7	-8.5	33.8	-33.7	64.0	60.1	22.3	

Balance Sheet							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	6.0	6.0	6.9	7.7	7.7	7.7	7.7
Reserves & Surplus	232.3	260.7	340.0	427.2	472.4	541.5	627.1
<b>Net Worth</b>	<b>238.3</b>	<b>266.7</b>	<b>347.0</b>	<b>435.0</b>	<b>480.1</b>	<b>549.3</b>	<b>634.8</b>
<b>Deposits</b>	<b>1,516.4</b>	<b>1,948.7</b>	<b>2,020.4</b>	<b>2,558.7</b>	<b>2,933.5</b>	<b>3,417.5</b>	<b>4,032.7</b>
Growth (%)	19.8	28.5	3.7	26.6	14.6	16.5	18.0
<b>of which CASA Dep</b>	<b>667.3</b>	<b>840.7</b>	<b>815.7</b>	<b>1,067.9</b>	<b>1,253.3</b>	<b>1,462.7</b>	<b>1,746.1</b>
Growth (%)	43.1	26.0	-3.0	30.9	17.4	16.7	19.4
Borrowings	382.9	473.2	607.5	513.2	473.2	433.3	455.0
Other Liabilities & Prov.	78.6	89.4	95.6	122.1	132.7	139.3	149.1
<b>Total Liabilities</b>	<b>2,216.3</b>	<b>2,778.2</b>	<b>3,070.6</b>	<b>3,629.0</b>	<b>4,019.7</b>	<b>4,539.4</b>	<b>5,271.6</b>
Current Assets	132.2	147.8	160.0	566.1	685.8	620.0	655.2
<b>Investments</b>	<b>500.8</b>	<b>592.7</b>	<b>599.8</b>	<b>696.5</b>	<b>709.3</b>	<b>801.5</b>	<b>913.7</b>
Growth (%)	36.4	18.4	1.2	16.1	1.8	13.0	14.0
<b>Loans</b>	<b>1,449.5</b>	<b>1,863.9</b>	<b>2,067.8</b>	<b>2,126.0</b>	<b>2,390.5</b>	<b>2,832.8</b>	<b>3,382.3</b>
Growth (%)	28.2	28.6	10.9	2.8	12.4	18.5	19.4
Fixed Assets	13.4	17.1	18.2	18.8	19.3	21.2	23.3
<b>Total Assets</b>	<b>2,216.3</b>	<b>2,778.2</b>	<b>3,070.6</b>	<b>3,629.0</b>	<b>4,019.7</b>	<b>4,539.4</b>	<b>5,271.6</b>

Asset Quality							
GNPA	17.0	39.5	51.5	57.9	55.2	50.8	57.4
NNPA	7.5	22.5	18.9	14.8	15.3	12.8	14.0
GNPA Ratio	1.2	2.1	2.5	2.7	2.3	1.8	1.7
NNPA Ratio	0.5	1.2	0.9	0.7	0.6	0.5	0.4
Slippage Ratio	2.58	3.25	2.97	3.65	4.47	3.0	2.5
Credit Cost	0.91	1.88	2.37	3.79	2.95	1.5	1.3
PCR (Excl Tech. write off)	56.3	43.0	63.3	74.5	72.3	74.7	75.6

## 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>9.2</b>	<b>9.5</b>	<b>10.6</b>	<b>9.3</b>	<b>8.6</b>	<b>9.1</b>	<b>9.6</b>
Avg. Yield on loans	10.6	11.0	12.2	11.5	11.1	11.6	11.9
Avg. Yield on Investments	6.6	7.3	7.1	6.8	7.2	6.0	5.8
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.8</b>	<b>6.2</b>	<b>6.6</b>	<b>5.4</b>	<b>4.9</b>	<b>5.3</b>	<b>5.6</b>
Avg. Cost of Deposits	5.8	6.1	6.5	5.0	4.5	4.9	5.3
<b>Interest Spread</b>	<b>3.4</b>	<b>3.4</b>	<b>4.1</b>	<b>4.3</b>	<b>4.1</b>	<b>4.2</b>	<b>4.3</b>
<b>Net Interest Margin</b>	<b>4.2</b>	<b>4.0</b>	<b>4.6</b>	<b>4.6</b>	<b>4.4</b>	<b>4.6</b>	<b>4.7</b>

### Capitalisation Ratios (%)

CAR	15.0	14.2	15.0	17.4	18.4	18.3	17.5
Tier I	14.6	13.7	14.6	16.8	16.8	17.0	16.3
Tier II	0.5	0.5	0.5	0.6	1.6	1.4	1.2

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	95.6	95.7	102.3	83.1	81.5	82.9	83.9
CASA Ratio	44.0	43.1	40.4	41.7	42.7	42.8	43.3
Cost/Assets	2.5	2.3	2.7	2.2	2.3	2.5	2.5
Cost/Total Income	45.7	44.2	43.3	40.7	41.5	43.2	43.4
Cost/Core Income	47.1	44.5	44.6	44.0	42.7	43.7	43.9
Int. Expense/Int. Income	56.6	60.3	58.1	53.4	51.3	51.9	53.2
Fee Income/Total Income	35.8	38.2	33.7	25.0	30.4	30.4	30.8
Non Int. Inc./Total Income	38.8	39.0	36.6	32.5	33.1	31.5	31.9
Empl. Cost/Total Expense	31.8	28.9	26.8	37.3	37.3	37.0	37.3
Investment/Deposit Ratio	33.0	30.4	29.7	27.2	24.2	23.5	22.7

### Profitability Ratios and Valuations

RoE	16.5	13.2	14.5	7.6	10.6	15.0	16.0
RoA	1.8	1.3	1.5	0.9	1.3	1.8	1.9
RoRWA	2.1	1.5	1.7	1.1	1.6	2.2	2.3
Book Value (INR)	393.9	439.8	497.9	560.2	617.8	706.9	817.3
Growth (%)	15.3	11.7	13.2	12.5	10.3	14.4	15.6
<b>Price-BV (x)</b>	<b>3.1</b>	<b>2.8</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>1.7</b>	<b>1.5</b>
Adjusted BV (INR)	385.2	413.7	478.2	546.9	604.0	695.3	804.7
<b>Price-ABV (x)</b>	<b>3.2</b>	<b>2.9</b>	<b>2.5</b>	<b>2.2</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>
EPS (INR)	60.2	54.9	68.2	39.9	62.1	99.3	121.5
Growth (%)	25.2	-8.8	24.2	-41.4	55.4	60.0	22.3
<b>Price-Earnings (x)</b>	<b>20.2</b>	<b>22.2</b>	<b>17.9</b>	<b>30.5</b>	<b>19.6</b>	<b>12.3</b>	<b>10.0</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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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