

# Bandhan Bank

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BANDHAN IN
Equity Shares (m)	1611
M.Cap.(INRb)/(USD\$b)	381.8 / 4.7
52-Week Range (INR)	350 / 209
1, 6, 12 Rel. Per (%)	-1/-25/-22
12M Avg Val (INR M)	2605

## Financials & Valuations (INR b)

Y/E March	FY23E	FY24E	FY25E
NII	92.7	112.3	134.3
OP	72.0	86.3	102.4
NP	24.3	44.1	55.2
NIM (%)	6.9	7.3	7.3
EPS (INR)	15.1	27.4	34.3
EPS Gr. (%)	NM	81.9	25.1
BV/Sh. (INR)	118	140	167
ABV/Sh. (INR)	111	133	161

## Ratios

RoE (%)	13.3	21.2	22.4
RoA (%)	1.6	2.6	2.7

## Valuations

P/E(X)	15.7	8.6	6.9
P/BV (X)	2.0	1.7	1.4
P/ABV (X)	2.1	1.8	1.5

## Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	40.0	40.0	40.0
DII	16.6	16.6	1.9
FII	28.3	30.2	34.6
Others	15.1	13.3	23.5

FII Includes depository receipts

**CMP: INR237 TP: INR270 (+14%) Neutral**

## Balance sheet cleansing in the final lap; earnings set to revive

### CE in MFI business recovers to 98%

- Bandhan Bank (BANDHAN) reported a muted 3QFY23 characterized by sluggish business growth, tepid NII and elevated provisions. Margin contracted 50bp QoQ to 6.5%, hit by interest income reversals. However, the bank expects margin to improve as Dec'22 margin was higher at 7.3%.
- Advances grew 2% QoQ to INR921b even as the MFI portfolio declined 2%, supported by a healthy 14% QoQ growth in the non-MFI portfolio. Deposit growth was modest with CASA ratio witnessing a sharp decline.
- GNPA/NNPA ratios remained stable at 7.2%/1.9%, respectively, with PCR at ~75% in 3QFY23. Slippages moderated to INR32.65b from INR39.54b in 2QFY23. Excluding NPA, CE improved to 98% from 95% in Sep'22, while SMA overdue in the MFI book dipped to 8.1% from 13.0% in 2QFY23.
- We continue to remain watchful of asset quality and the high SMA book, which can keep credit cost elevated. **We thus estimate an RoA/RoE of 2.7%/22.4% in FY25 and maintain Neutral with a TP of INR270 (premised on 1.8x Sep'24E ABV).**

### Margin contracts 50bp QoQ to 6.5% (Dec'22 margin at 7.3%)

- BANDHAN reported a PAT of INR2.9b in 3QFY23 (in line) supported by high other income even as provisions stood elevated at INR15.4b. NII declined 2% YoY (8% miss) hit by higher interest reversals that resulted in margin declining 50bp QoQ to 6.5%. However, management expects margin to improve going ahead as Dec'22 margin stood higher at 7.3%.
- Other income spiked 45% YoY (22% beat). Total income thus grew 10% YoY. PPop declined 1% YoY to INR19.2b (in line) while C/I ratio improved to 38% (v/s 42% in 2QFY23). For 9MFY23, NII/PPoP grew 10%/-4% YoY to INR67.9b/INR53.0b, respectively, while PAT came in at INR13.9b v/s loss of INR17.8b over 9MFY22.
- Advances grew 15% YoY (+2% QoQ) even as the MFI portfolio declined sequentially by 2%. The 14% QoQ growth in the non-MFI book was led by the Housing book and strong performance in other Retail products. The share of the MFI (group) moderated 300bp QoQ to 37% of advances.
- Deposits grew 21% YoY to INR1,022b though CASA deposits declined 3% YoY. The CASA ratio thus contracted to 36.4% from 40.8% in 2QFY23. The Retail deposit mix deteriorated to 69% v/s 74% in 2QFY23.
- On the asset quality front, GNPA/NNPA ratios were stable at 7.2%/1.9%, respectively, with PCR being healthy at ~75% as fresh slippages moderated to INR32.65b from INR39.54b in 2QFY23. Collection efficiency in the MFI portfolio (including NPA and restructuring) improved to 93% in Dec'22 from 90% in Sep'22. Excluding NPA, CE improved to 98% v/s 95% in Sep'22.

**Key takeaways from the management commentary**

- The bank expects loan growth to sustain at 20-25% over FY24-25 with focus on improving business and geographical diversification.
- It further expects to maintain 25% YoY growth in the housing business.
- On medium-term basis, post-achieving the business diversification goal, BANDHAN should maintain NIMs of ~7.5%.
- Slippages in 4QFY23 are likely to drop sharply. Post-adjusting for cash recovery of INR4.14b from sale to ARC, the provisioning numbers would remain in line with guidance.

**Valuation and view**

BANDHAN reported a muted 3QFY23, with interest reversals adversely impacting NIM, while slippages/provisions remained elevated. Loan growth remained modest; however, the same is expected to pick-up gradually. The SMA overdue in the EEB and MFI portfolios has declined to 8.1% from 13.0% in 2QFY23. We continue to remain watchful of asset quality and the high SMA book, which can keep credit cost elevated. **We thus estimate an RoA/RoE of 2.7%/22.4% in FY25 and maintain Neutral with a TP of INR270 (premised on 1.8x Sep'24E ABV).**

**Quarterly performance**

Y/E March	(INR m)											
	FY22				FY23E				FY22	FY23E	FY23E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est. (%)
<b>Net Interest Income</b>	21.1	19.4	21.2	25.4	25.1	21.9	20.8	24.8	87.1	92.7	22.5	-8
% Change (YoY)	16.7	0.6	2.6	44.6	18.9	13.3	-2.1	-2.5	15.2	6.3	6.1	
Other Income	6.2	5.2	7.1	9.6	3.3	4.8	10.3	6.7	28.2	25.1	8.5	22
<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>31.1</b>	<b>31.5</b>	<b>115.4</b>	<b>117.8</b>	<b>31.0</b>	<b>0</b>
Operating Expenses	7.7	8.8	8.9	9.8	10.2	11.2	11.9	12.5	35.2	45.8	11.5	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>19.2</b>	<b>19.0</b>	<b>80.1</b>	<b>72.0</b>	<b>19.5</b>	<b>-2</b>
% Change (YoY)	23.5	-1.7	1.4	53.5	-7.0	-2.0	-1.4	-24.6	18.4	-10.2	0.2	
Provisions	14.6	56.1	8.1	0.0	6.4	12.8	15.4	5.1	78.8	39.7	15.8	-2
<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>3.8</b>	<b>13.9</b>	<b>1.3</b>	<b>32.3</b>	<b>3.7</b>	<b>2</b>
Tax	1.2	-10.2	2.9	6.1	2.9	0.6	0.9	3.5	0.0	8.0	0.9	-4
<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>2.9</b>	<b>10.4</b>	<b>1.3</b>	<b>24.3</b>	<b>2.8</b>	<b>4</b>
% Change (YoY)	-32.1	NM	35.8	NM	137.6	NM	-66.2	-45.3	-94.3	NM	-67.4	
<b>Operating Parameters</b>												
Deposits (INR b)	773	819	845	963	931	994	1,023	1,098	963	1,098	1,023	0
Loans (INR b)	748	745	803	940	909	902	921	1,016	940	1,016	946	-3
Deposit Growth (%)	27.6	23.8	18.7	23.5	20.3	21.3	21.0	14.0	23.5	14.0	21.0	0
Loan Growth (%)	7.2	1.6	4.6	15.1	21.6	21.1	14.7	8.1	15.1	8.1	17.9	316
<b>Asset Quality</b>												
Gross NPA (%)	8.2	10.8	10.8	6.5	7.3	7.2	7.2	6.9	6.5	6.9	7.7	51
Net NPA (%)	3.3	3.0	3.0	1.7	1.9	1.9	1.9	1.8	1.7	1.8	2.0	17
PCR (%)	61.8	74.1	74.4	75.5	74.9	75.5	75.4	75.9	75.5	75.9	75.0	-43

E: MOFSL estimates

## Quarterly snapshot

Profit and Loss, INR m	FY21				FY22				FY23			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Interest Income</b>	<b>30,181</b>	<b>31,976</b>	<b>33,078</b>	<b>30,007</b>	<b>34,100</b>	<b>31,809</b>	<b>34,087</b>	<b>38,716</b>	<b>40,554</b>	<b>37,735</b>	<b>38,076</b>	<b>12</b>	<b>1</b>
Loans	26,220	27,925	29,068	25,705	29,904	27,777	29,753	34,404	35,518	32,646	32,603	10	0
Investment	2,292	2,723	3,158	3,568	3,414	3,394	3,944	4,031	4,422	4,555	4,864	23	7
Others	1,669	1,328	852	733	781	638	389	281	613	533	610	57	14
<b>Interest Expenses</b>	<b>12,066</b>	<b>12,745</b>	<b>12,361</b>	<b>12,437</b>	<b>12,959</b>	<b>12,455</b>	<b>12,840</b>	<b>13,317</b>	<b>15,409</b>	<b>15,805</b>	<b>17,272</b>	<b>35</b>	<b>9</b>
<b>Net Interest Income</b>	<b>18,115</b>	<b>19,231</b>	<b>20,717</b>	<b>17,570</b>	<b>21,141</b>	<b>19,354</b>	<b>21,247</b>	<b>25,398</b>	<b>25,144</b>	<b>21,930</b>	<b>20,804</b>	<b>-2</b>	<b>-5</b>
<b>Other Income</b>	<b>3,868</b>	<b>3,668</b>	<b>5,623</b>	<b>7,004</b>	<b>6,169</b>	<b>5,245</b>	<b>7,123</b>	<b>9,644</b>	<b>3,297</b>	<b>4,764</b>	<b>10,333</b>	<b>45</b>	<b>117</b>
<b>Total Income</b>	<b>21,983</b>	<b>22,899</b>	<b>26,341</b>	<b>24,575</b>	<b>27,310</b>	<b>24,599</b>	<b>28,370</b>	<b>35,042</b>	<b>28,441</b>	<b>26,694</b>	<b>31,137</b>	<b>10</b>	<b>17</b>
<b>Operating Expenses</b>	<b>6,141</b>	<b>6,773</b>	<b>7,109</b>	<b>8,146</b>	<b>7,739</b>	<b>8,751</b>	<b>8,868</b>	<b>9,829</b>	<b>10,235</b>	<b>11,165</b>	<b>11,916</b>	<b>34</b>	<b>7</b>
Employee	3,894	4,148	4,348	4,257	5,054	5,525	5,190	5,491	6,346	6,663	6,867	32	3
Others	2,247	2,625	2,761	3,889	2,684	3,227	3,678	4,338	3,888	4,502	5,049	37	12
<b>Operating Profits</b>	<b>15,842</b>	<b>16,126</b>	<b>19,232</b>	<b>16,429</b>	<b>19,571</b>	<b>15,848</b>	<b>19,501</b>	<b>25,214</b>	<b>18,206</b>	<b>15,529</b>	<b>19,222</b>	<b>-1</b>	<b>24</b>
<b>Core Operating Profits</b>	<b>15,842</b>	<b>16,126</b>	<b>19,232</b>	<b>16,429</b>	<b>19,571</b>	<b>15,848</b>	<b>19,501</b>	<b>25,214</b>	<b>18,206</b>	<b>15,529</b>	<b>19,222</b>	<b>-1</b>	<b>24</b>
<b>Provisions</b>	<b>8,491</b>	<b>3,796</b>	<b>10,778</b>	<b>15,077</b>	<b>14,609</b>	<b>56,135</b>	<b>8,057</b>	<b>47</b>	<b>6,424</b>	<b>12,797</b>	<b>15,415</b>	<b>91</b>	<b>20</b>
<b>PBT</b>	<b>7,351</b>	<b>12,330</b>	<b>8,454</b>	<b>1,352</b>	<b>4,962</b>	<b>-40,287</b>	<b>11,444</b>	<b>25,167</b>	<b>11,782</b>	<b>2,732</b>	<b>3,807</b>	<b>-67</b>	<b>39</b>
Taxes	1,853	3,130	2,128	321	1,231	-10,201	2,855	6,143	2,917	640	901	-68	41
<b>PAT</b>	<b>5,498</b>	<b>9,200</b>	<b>6,326</b>	<b>1,030</b>	<b>3,731</b>	<b>-30,086</b>	<b>8,590</b>	<b>19,023</b>	<b>8,865</b>	<b>2,093</b>	<b>2,906</b>	<b>-66</b>	<b>39</b>
<b>Balance Sheet, INR b</b>													
Deposits	606	661	712	780	773	819	845	963	931	994	1,023	21	3
Loans	697	733	768	816	748	745	803	940	909	902	921	15	2
<b>Asset Quality, INR m</b>													
<b>GNPA</b>	<b>10,067</b>	<b>8,740</b>	<b>8,592</b>	<b>57,578</b>	<b>64,404</b>	<b>87,636</b>	<b>94,416</b>	<b>63,800</b>	<b>69,675</b>	<b>68,539</b>	<b>69,648</b>	<b>-26</b>	<b>2</b>
<b>NNPA</b>	<b>3,358</b>	<b>2,625</b>	<b>2,013</b>	<b>28,610</b>	<b>24,579</b>	<b>22,658</b>	<b>24,131</b>	<b>15,642</b>	<b>17,491</b>	<b>16,782</b>	<b>17,113</b>	<b>-29</b>	<b>2</b>
<b>Ratios (%)</b>	FY21				FY22				FY23			Change (bps)	
<b>- Asset Quality Ratios</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>YoY</b>	<b>QoQ</b>
GNPA (%)	1.4	1.2	1.1	6.8	8.2	10.8	10.8	6.5	7.3	7.2	7.2	-366	-4
NNPA (%)	0.5	0.4	0.3	3.5	3.3	3.0	3.0	1.7	1.9	1.9	1.9	-115	0
PCR (Cal. %)	66.6	70.0	76.6	50.3	61.8	74.1	74.4	75.5	74.9	75.5	75.4	99	-9
<b>- Business Ratios</b>													
Cost to Core Income	27.9	29.6	27.0	33.1	28.3	35.6	31.3	28.0	36.0	41.8	38.3	701	-356
Tax Rate	25.2	25.4	25.2	23.8	24.8	25.3	24.9	24.4	24.8	23.4	23.7	-127	26
CASA (%)	37.1	38.2	42.9	43.4	42.9	44.6	45.6	41.6	43.2	40.8	36.4	-922	-440
Loan/Deposit	115.1	110.9	107.8	104.7	96.7	91.0	95.0	97.6	97.7	90.8	90.0	-497	-74
<b>- Profitability Ratios</b>													
ROA	2.3	3.6	2.4	0.4	1.3	-10.6	2.8	6.0	2.5	0.6	0.8	-200	20
ROE	14.1	22.5	14.6	2.4	8.5	0.0	22.2	46.5	19.7	4.5	6.2	-1,600	170
Yield	13.6	13.3	13.3	11.6	13.7	12.4	12.6	13.3	12.9	12.0	12.0	-60	0
Cost of Funds	6.4	6.2	6.0	5.7	5.7	5.3	5.2	5.1	5.3	5.5	5.8	60	30
Margins	8.2	8.0	8.3	6.8	8.5	7.6	7.8	8.7	8.0	7.0	6.5	-130	-50
<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	1,250	74	60
ATM	485	487	487	487	487	487	489	471	429	432	412	-77	-20



## Highlights from the management commentary

### Balance sheet related

- Housing and SME segment remains the key growth driver. The bank expects to maintain 25% YoY growth trajectory in housing loans
- Retail book has grown at 133% YoY on a low base. Commercial Banking book has grown at 87% YoY
- Credit demand is showing signs of improvement. Share of housing loan book has increased 300bp YoY to 27%
- Liability franchise is gaining transaction and management does not expect any further fall in CASA from 4QFY23 onwards
- INR7.85b of CGFMU recovery has been taken into provisions. This was in addition to INR4.14b of cash recovery from sale to ARC

### P&L related

- NIM contracted 50bp QoQ to 6.5% on higher interest reversals and rising cost of funds. NIM for Dec'22, which had much lower slippages, stood at 7.3%.
- BANDHAN has increased lending rate by 2.5% over the past few quarters and will consider a further rate hike if necessary.
- NIM is likely to improve to 7.75% over next two quarters from 7.3% in Dec'22.
- The bank does not estimate significant provisioning difference between ECL-based requirement and what the bank currently has. However, will need more clarity on ECL methodology from the RBI to assess any provisioning difference.

### Asset quality related

- 4QFY23 should see improvement in overall performance of the bank and the worst in terms of slippages is over.
- Total fresh slippage has come down by ~INR7b to INR32.65b from INR39.54b in 2QFY23. This was led by a decline in MFI slippage.
- MFI slippage stood at INR28.46b, recovery and upgrades stood at INR3.76b while write-offs were at INR1.4b. Total write-offs for 3QFY23 stood at INR25.33b
- About 90% of MFI slippages pertained to identified stress pool while from other standard MFI portfolio, the slippage was less than INR3b.
- Around 96% of EEB customers are paying full installments while 3% are paying part-installments. The forward flow is thus likely to improve in coming months.
- Slippages from 4QFY23 are likely to come down sharply. Post-adjusting for cash recovery of INR4.14b from sale to ARC sale, the provisioning numbers to be in-line with the guidance.

### Others

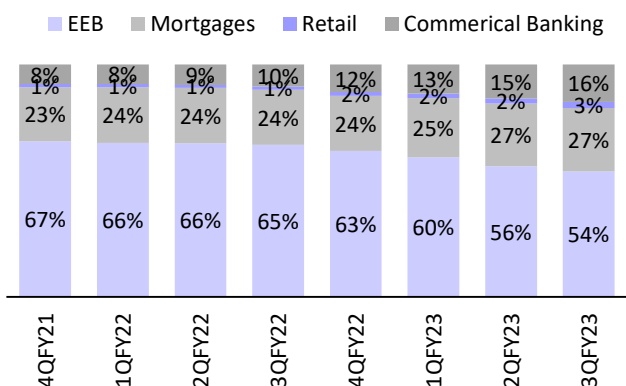
- TD rates stood in-line with other banks. With a 25bp premium, the bank can further support the deposit growth going into FY24.
- The bank has taken a 250bp rate hike in MFI business (200bp in Nov 1<sup>st</sup> week and 50bp hike in Sep-Oct'22). MFI loan rate now stands at 21.95%.
- 10% of SA deposits are >INR20m. Management does not expect a material shift from this to term deposit in the coming quarters.
- About 70% of the loan book is fixed in nature and re-pricing of this book will help yields with a lag.

### Guidance

- The bank expects loan growth to sustain at 20-25% over FY24-25 with focus on improving business and geographical diversification.
- It further expects to maintain 25% YoY growth in the housing business.
- On medium-term basis, post-achieving the business diversification goal, BANDHAN should maintain NIMs of ~7.5%.

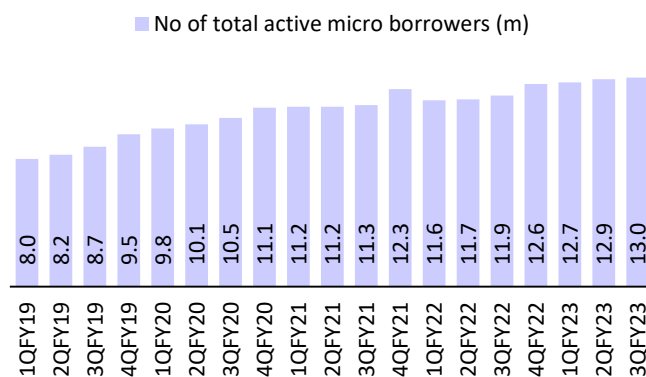
## Key exhibits

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



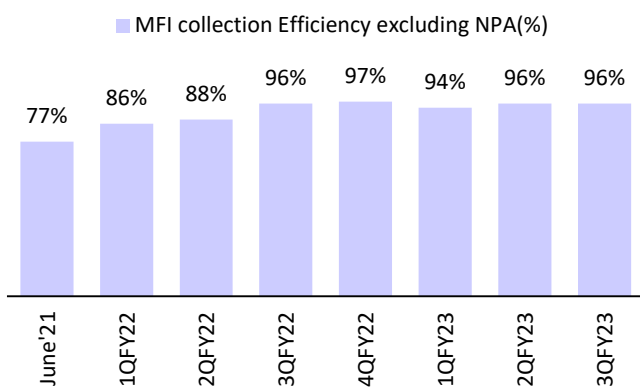
Source: MOFSL, Company

**Exhibit 2: Active MFI borrower base**



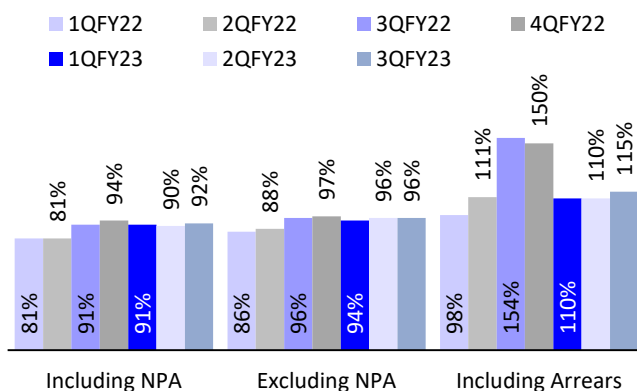
Source: MOFSL, Company

**Exhibit 3: MFI collection efficiency (%), excluding NPA, stable at 96% in 3QFY23**



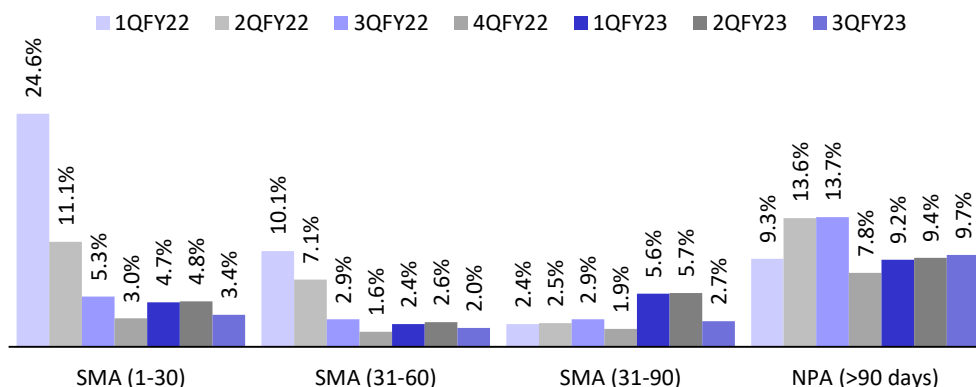
Source: MOFSL, Company

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

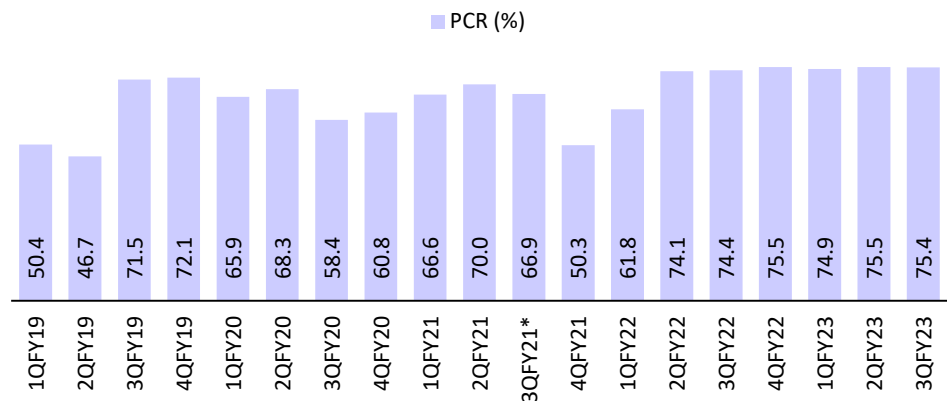


Source: MOFSL, Company

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



Source: MOFSL, Company

**Exhibit 6: Provision coverage ratio stable ~75% in 3QFY23**

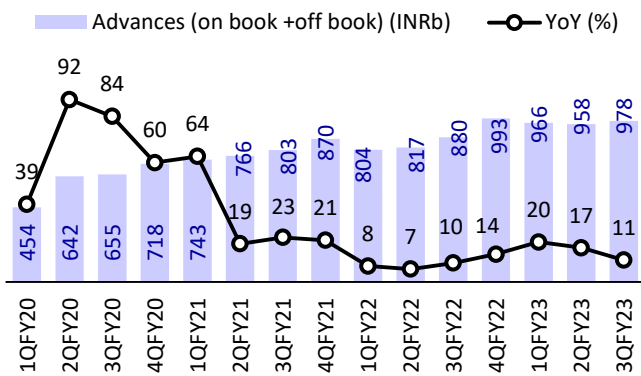
Source: MOFSL, Company

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

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Net Interest Income</b>	8.1	8.9	8.5	7.3	6.9	6.3	6.6	6.6
<b>Other Income</b>	1.9	2.1	2.1	2.0	2.2	1.7	1.8	1.9
<b>Total Income</b>	10.0	11.0	10.6	9.3	9.1	8.0	8.4	8.6
<b>Operating Expenses</b>	3.5	3.6	3.3	2.7	2.8	3.1	3.4	3.5
Employees	1.8	2.0	1.8	1.6	1.7	1.9	2.0	2.1
Others	1.7	1.6	1.4	1.1	1.1	1.2	1.3	1.4
<b>Operating Profits</b>	6.5	7.4	7.4	6.5	6.3	4.9	5.1	5.0
<b>Core operating Profits</b>	6.4	7.4	7.2	6.3	6.1	4.8	5.0	5.0
<b>Provisions</b>	1.0	1.5	1.9	3.7	6.2	2.7	1.6	1.4
NPA	0.6	1.3	0.8	4.2	4.1	2.6	1.5	1.3
Others	0.4	0.1	1.1	-0.5	2.1	0.1	0.1	0.1
<b>PBT</b>	5.5	6.0	5.5	2.9	0.1	2.2	3.5	3.6
Tax	1.9	2.1	1.4	0.7	0.0	0.5	0.9	0.9
<b>RoA</b>	3.6	3.9	4.1	2.1	0.1	1.6	2.6	2.7
Leverage (x)	5.4	4.9	5.6	6.3	7.3	8.1	8.2	8.2
<b>RoE</b>	19.5	19.0	22.9	13.5	0.7	13.3	21.2	22.4

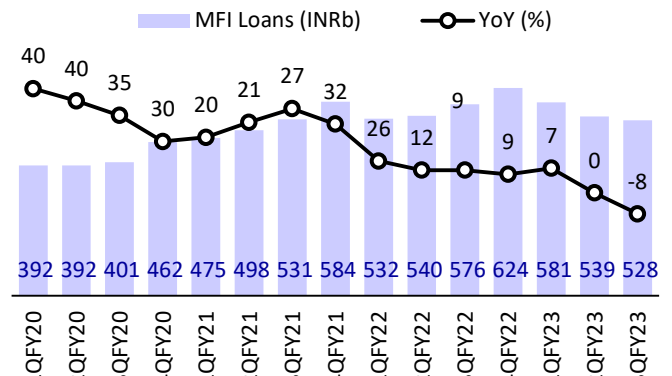
## Story in charts

**Exhibit 8: AUM grew 14% YoY (+2% QoQ) in 3QFY23**



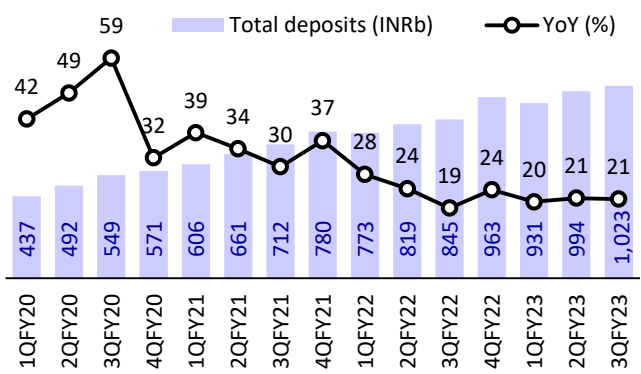
2QFY20-1QFY21 growth not comparable due to its merger with GRUH Finance  
Source: MOFSL, Company

**Exhibit 9: MFI loans declined 8% YoY (-2% QoQ) in 3QFY23**



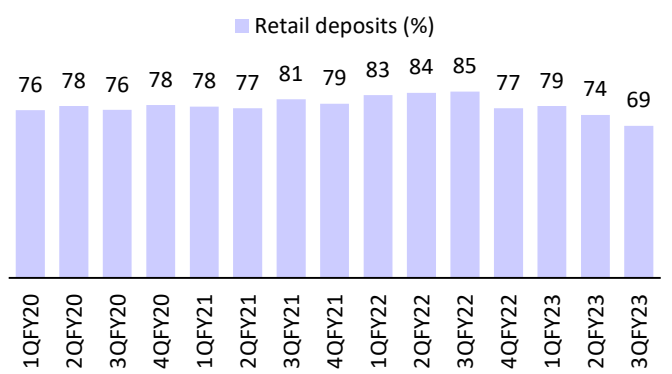
Source: MOFSL, Company

**Exhibit 10: Total deposits rose ~21% YoY to INR1,023b in 3QFY23**



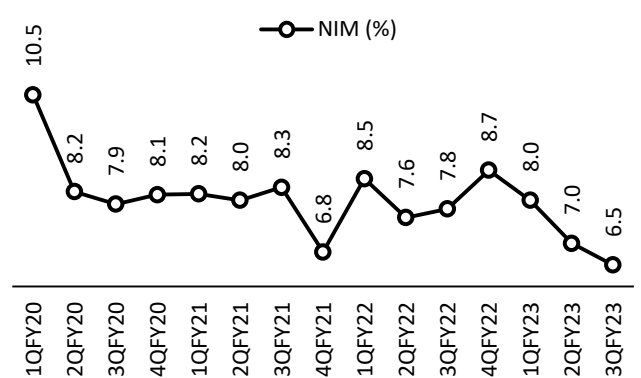
Source: MOFSL, Company

**Exhibit 11: Share of Retail deposits (%) moderated to 69% in 3QFY23**



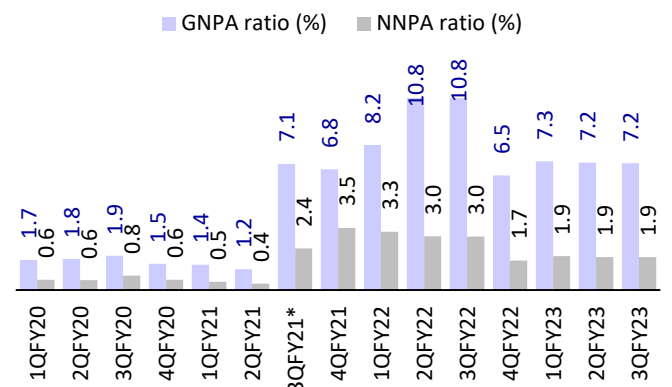
Source: MOFSL, Company

**Exhibit 12: Margin contracted 50bp QoQ to 6.5% in 3QFY23**



Source: MOFSL, Company

**Exhibit 13: Asset quality ratios remained stable with GNPA/NNPA at 7.2%/1.9% in 3QFY23**



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	FY25E	
Interest Income	48.0	66.4	108.9	125.2	138.7	168.2	206.4	247.2	
Interest Expense	17.7	21.5	45.6	49.6	51.6	75.5	94.1	112.8	
<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>92.7</b>	<b>112.3</b>	<b>134.3</b>	
Growth (%)	26.2	48.3	40.7	19.6	15.2	6.3	21.2	19.6	
Non-Interest Income	7.1	10.6	15.5	20.2	28.2	25.1	31.4	39.3	
<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>117.8</b>	<b>143.7</b>	<b>173.6</b>	
Growth (%)	32.8	48.7	41.6	21.8	20.4	2.1	22.0	20.8	
Operating Expenses	13.1	18.1	24.3	28.2	35.2	45.8	57.4	71.2	
<b>Pre Provision Profits</b>	<b>24.3</b>	<b>37.5</b>	<b>54.5</b>	<b>67.7</b>	<b>80.1</b>	<b>72.0</b>	<b>86.3</b>	<b>102.4</b>	
Growth (%)	35.5	54.2	45.3	24.3	18.4	-10.2	19.9	18.7	
<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>70.9</b>	<b>84.9</b>	<b>100.8</b>	
Growth (%)	34.6	55.7	43.7	22.8	18.2	-8.4	19.9	18.6	
Provisions (exc. tax)	3.7	7.4	13.9	38.2	78.8	39.7	27.2	28.5	
<b>PBT</b>	<b>20.6</b>	<b>30.1</b>	<b>40.5</b>	<b>29.5</b>	<b>1.3</b>	<b>32.3</b>	<b>59.0</b>	<b>73.8</b>	
Tax	7.1	10.6	10.3	7.4	0.0	8.0	14.9	18.6	
Tax Rate (%)	34.6	35.2	25.4	25.2	2.2	24.8	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>24.3</b>	<b>44.1</b>	<b>55.2</b>	
Growth (%)	21.0	45.0	54.9	-27.1	-94.3	NM	81.9	25.1	

### Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	11.9	11.9	16.1	16.1	16.1	16.1	16.1	16.1
Reserves & Surplus	81.9	100.1	135.9	158.0	157.7	174.4	209.1	252.9
<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>190.5</b>	<b>225.2</b>	<b>269.0</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>1,098.2</b>	<b>1,295.8</b>	<b>1,568.0</b>
Growth (%)	45.8	27.6	32.0	36.6	23.5	14.0	18.0	21.0
<b>of which CASA Deposits</b>	<b>116.2</b>	<b>176.2</b>	<b>210.3</b>	<b>338.3</b>	<b>400.8</b>	<b>394.2</b>	<b>474.3</b>	<b>584.9</b>
Growth (%)	70.0	51.6	19.4	60.9	18.5	-1.6	20.3	23.3
Borrowings	2.9	5.2	163.8	169.6	199.2	223.1	256.6	300.2
Other Liabilities & Prov.	7.7	14.9	30.6	26.8	52.3	55.0	64.8	77.8
<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>1,566.7</b>	<b>1,842.4</b>	<b>2,215.0</b>
Current Assets	55.1	58.0	83.5	62.3	93.2	70.4	75.1	81.1
<b>Investments</b>	<b>83.7</b>	<b>100.4</b>	<b>153.5</b>	<b>251.6</b>	<b>290.8</b>	<b>343.1</b>	<b>408.3</b>	<b>490.0</b>
Growth (%)	51.8	19.9	52.9	63.9	15.6	18.0	19.0	20.0
<b>Loans</b>	<b>297.1</b>	<b>396.4</b>	<b>666.3</b>	<b>816.1</b>	<b>939.7</b>	<b>1,016.0</b>	<b>1,215.0</b>	<b>1,458.1</b>
Growth (%)	76.5	33.4	68.1	22.5	15.1	8.1	19.6	20.0
Fixed Assets	2.4	3.3	3.7	4.9	5.9	6.6	7.4	8.3
Other Assets	4.8	6.3	10.1	15.3	59.0	130.6	136.7	177.6
<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>1,566.7</b>	<b>1,842.4</b>	<b>2,215.0</b>

Asset Quality	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
GNPA	3.7	8.2	9.9	57.6	63.8	73.8	62.6	62.0
NNPA	1.7	2.3	3.9	28.6	15.6	17.8	14.6	14.6
GNPA Ratio	1.2	2.0	1.5	6.8	6.5	6.9	5.0	4.1
NNPA Ratio	0.6	0.6	0.6	3.5	1.7	1.8	1.2	1.0
Credit Cost	1.0	1.9	2.6	5.2	9.0	3.9	2.3	2.0
PCR (Exc. Tech. write off)	53.7	72.1	60.8	50.3	75.5	75.9	76.7	76.5



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY21	FY23E	FY24E	FY25E
<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>	<b>13.4</b>
Avg. Yield on loans	16.4	16.5	17.9	14.7	13.9	14.9	15.9	15.8
Avg. Yield on Investments	7.1	6.7	6.6	5.9	5.5	6.5	6.9	7.1
<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>6.4</b>	<b>6.9</b>	<b>7.0</b>
Avg. Cost of Deposits	5.9	5.4	6.6	5.9	5.0	5.4	5.8	5.8
<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>6.4</b>	<b>6.4</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>6.9</b>	<b>7.3</b>	<b>7.3</b>

### Capitalisation Ratios (%)

CAR	31.5	29.2	27.4	23.5	20.1	18.9	18.3	17.7
Tier I	30.3	27.9	25.2	22.5	18.9	17.9	17.5	17.0
Tier II	1.2	1.3	2.2	1.0	1.2	1.0	0.9	0.7

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	87.7	91.7	116.7	104.7	97.6	92.5	93.8	93.0
CASA Ratio	34.3	40.8	36.8	43.4	41.6	35.9	36.6	37.3
Cost/Assets	3.0	3.2	2.6	2.4	2.5	2.9	3.1	3.2
Cost/Total Income	35.0	32.6	30.8	29.4	30.5	38.9	40.0	41.0
Cost/Core income	35.4	32.8	31.3	30.1	31.3	39.3	40.3	41.4
Int. Expense/Int. Income	36.9	32.3	41.9	39.6	37.2	44.9	45.6	45.7
Fee Income/Total Income	17.7	18.4	18.2	18.8	22.1	20.4	20.9	21.7
Non Int. Inc./Total Income	18.9	19.1	19.7	21.1	24.5	21.3	21.9	22.6
Emp. Cost/Total Expense	52.6	55.7	56.3	59.1	60.6	60.6	60.4	60.4
Investment/Deposit Ratio	24.7	23.2	26.9	32.3	30.2	31.2	31.5	31.2

### Profitability Ratios and Valuation

RoE	19.5	19.0	22.9	13.5	0.7	13.3	21.2	22.4
RoA	3.6	3.9	4.1	2.1	0.1	1.6	2.6	2.7
RoRWA	5.5	5.6	6.2	3.3	0.2	2.5	3.8	3.9
Book Value (INR)	79	94	94	108	108	118	140	167
Growth (%)	93.7	19.4	0.5	14.5	-0.2	9.6	18.2	19.5
<b>Price-BV (x)</b>	<b>3.0</b>	<b>2.5</b>	<b>2.5</b>	<b>2.2</b>	<b>2.2</b>	<b>2.0</b>	<b>1.7</b>	<b>1.4</b>
Adjusted BV (INR)	78	93	93	96	101	111	133	161
<b>Price-ABV (x)</b>	<b>3.1</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>	<b>2.3</b>	<b>2.1</b>	<b>1.8</b>	<b>1.5</b>
EPS (INR)	11.8	16.4	21.6	13.7	0.8	15.1	27.4	34.3
Growth (%)	15.8	39.1	31.9	-36.5	-94.3	NM	81.9	25.1
<b>Price-Earnings (x)</b>	<b>20.2</b>	<b>14.5</b>	<b>11.0</b>	<b>17.3</b>	<b>NM</b>	<b>15.7</b>	<b>8.6</b>	<b>6.9</b>

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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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