

Estimate change 

TP change 

Rating change 

Bloomberg	FB IN
Equity Shares (m)	2,110
M.Cap.(INRb)/(USDb)	296.6 / 3.6
52-Week Range (INR)	143 / 83
1, 6, 12 Rel. Per (%)	5/30/43
12M Avg Val (INR M)	1663

Financials & Valuations (INR b)

Y/E Mar	FY23E	FY24E	FY25E
NII	73.9	84.5	97.1
OP	48.5	57.1	67.0
NP	29.4	33.9	39.7
NIM (%)	3.5	3.4	3.4
EPS (INR)	14.0	16.1	18.9
EPS Gr. (%)	51.8	15.1	17.3
BV/Sh. (INR)	102	116	132
ABV/Sh. (INR)	94	107	122
Ratios			
ROE (%)	14.6	14.8	15.2
ROA (%)	1.2	1.3	1.3
Valuations			
P/E(X)	10.0	8.7	7.4
P/BV (X)	1.4	1.2	1.1
P/ABV (X)	1.5	1.3	1.1

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	0.0	0.0	0.0
DII	43.7	41.6	42.0
FII	27.3	27.1	26.9
Others	29.0	31.3	31.1

FII Includes depository receipts

CMP: INR140

TP: INR170 (+21%)

Buy

RoA progression on a fast track

Robust NII and controlled provisions drive earnings

- FB reported a strong quarter with a PAT of INR8b (up 54% YoY and 13% beat), aided by lower provisions and NIM expansion even as the bank prudently increased the PCR to ~70%. Margin improved 19bp QoQ to 3.49%.
- Gross advances grew 19.1% YoY, led by a broad-based pickup across all business segments. Deposit growth was healthy, led by strong traction in term deposits, while CASA ratio moderated to 34.2%.
- Fresh slippages came in at INR4.1b (~1.1% of loans), led by a QoQ increase in the Retail segment. GNPA/NNPA ratio moderated to 2.43%/0.73%, while restructured loans too improved 20bp QoQ to ~1.8%.
- FB reported a RoA/RoE of 1.33%/15.91% in 3QFY23. We raise our estimates by 5-7% as we build in higher margins and provisions. FB remains our preferred pick among mid-sized banks and we estimate it to deliver a RoA/RoE of 1.3%/15.2% in FY25. We reiterate our **Buy rating on the stock**.

Healthy growth across segments; margin improves 19bp QoQ to 3.49%

- FB reported a net profit of ~INR8.0b (up 54% YoY; 13% beat), driven by lower provisions, which declined 26% QoQ. NII grew ~27% YoY to INR19.6b (up 11% QoQ, 4% beat) as margins expanded 19bp QoQ to 3.49%. For 9MFY23, NII/PPoP/PAT grew 20%/17%/56% to INR53.2b/INR34.6b/INR21.1b.
- Core fee income grew 28% YoY (up 4% QoQ), led by a healthy business activity, while treasury reported a loss of INR90m as the bank provided additional investment provision of INR476.1m on the SR book.
- Opex grew at a modest ~10% YoY, thus C/I ratio stood stable at 48.8% QoQ. PPOP grew a healthy ~39% YoY (core PPOP grew 52% YoY).
- On the business front, gross advances grew 19.1% YoY and 4.3% QoQ to INR1.71t, led by a broad-based pickup across segments. Its corporate portfolio grew 6% QoQ, while the Retail, SME, and Agri grew 3-5% QoQ. Deposits grew 15% YoY, within which, CASA grew ~7% YoY. The CASA ratio moderated to 34.2% (-220bp QoQ), while Retail deposits stood at 90%.
- GNPA/NNPA moderated 3bp/5bp QoQ to 2.43%/0.73% in 3QFY23. This was supported by a healthy recovery and upgrades, while slippages came in at INR4.1b (~1.1% of loans). PCR improved 170bp QoQ to ~70%. Restructured loans declined to ~INR30.4b (~1.8%).

Highlights from the management commentary

- The bank has earlier guided for exit RoA of 1.25% for FY23 and has beaten the same in 3Q. The management expects the RoA for 4Q to remain similar or slightly better. RoA for FY23 is likely to be ~1.25% with an endeavor to improve by 10bp in FY24.
- The bank expects full-year margin for FY23 to be ~3.35-3.4% and similar for FY24. Although margin for 4Q could see some moderation, it is likely to remain healthy.

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Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The bank has provided for wage revision at 15% from November onwards, making it INR200m on a monthly basis.

Valuation and view

FB reported a strong 3QFY23, with a sharp beat in net earnings, driven by lower provisions. NII has shown a strong momentum, backed by healthy business growth and re-pricing of advances portfolio. Liability franchise remains strong, with a retail deposit mix at ~90% and CASA ratio at ~34.2%. Headline asset quality ratio improved, led by healthy recoveries and upgrades and controlled slippages. We raise our FY23/FY24 earnings estimate sharply by 7%/5%, factoring in higher NII and lower provisions and expect an RoA/RoE of 1.3%/15.2% in FY25. **We reiterate our Buy rating with a revised TP of INR170 (1.4x Sep'24E ABV).**

Quarterly performance

(INR m)

	FY22				FY23E				FY22	FY23E	FY23E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Interest Income	14.2	14.8	15.4	15.3	16.0	17.6	19.6	20.7	59.6	73.9	18.7	4.4
% Change (YoY)	9.4	7.2	7.1	7.4	13.1	19.1	27.1	35.8	7.7	24.0	21.8	
Other Income	6.5	4.9	4.8	4.7	4.5	6.1	5.3	5.8	20.9	21.7	5.6	-4.3
Total Income	20.7	19.7	20.2	19.9	20.6	23.7	24.9	26.5	80.5	95.7	24.3	2.4
Operating Expenses	9.3	10.6	11.1	11.9	10.8	11.6	12.2	12.6	42.9	47.2	12.0	1.7
Operating Profit	11.3	9.1	9.1	8.0	9.7	12.1	12.7	13.9	37.6	48.5	12.4	3.1
% Change (YoY)	21.5	-3.6	-4.4	-11.0	-14.1	32.9	39.4	74.4	-1.1	29.1	35.2	
Provisions	6.4	2.9	2.1	0.8	1.7	2.7	2.0	2.7	12.2	9.0	2.8	-30.2
Profit before Tax	4.9	6.2	7.0	7.2	8.1	9.4	10.8	11.2	25.4	39.5	9.5	13.0
Tax	1.3	1.6	1.8	1.8	2.1	2.4	2.7	2.9	6.5	10.1	2.4	12.0
Net Profit	3.7	4.6	5.2	5.4	6.0	7.0	8.0	8.3	18.9	29.4	7.1	13.3
% Change (YoY)	-8.4	49.6	29.1	13.1	63.5	52.9	54.0	54.4	18.8	55.7	35.9	
Operating Parameters												
Deposit (INR b)	1,694	1,720	1,754	1,817	1,834	1,891	2,014	2,066	1,817	2,066	2,014	0.0
Loan (INR b)	1,298	1,344	1,407	1,449	1,517	1,612	1,682	1,739	1,449	1,739	1,684	-0.1
Deposit Growth (%)	9.3	9.7	8.5	5.2	8.2	10.0	14.8	13.7	5.2	13.7	14.8	0.0
Loan Growth (%)	7.0	9.4	12.1	9.9	16.9	20.0	19.5	20.0	9.9	20.0	19.6	-0.1
Asset Quality												
Gross NPA (%)	3.5	3.2	3.1	2.8	2.7	2.5	2.4	2.3	2.8	2.3	2.3	0.1
Net NPA (%)	1.2	1.1	1.1	1.0	0.9	0.8	0.7	0.7	1.0	0.7	0.7	0.0
PCR (%)	65.7	66.2	66.6	66.3	65.8	68.7	70.4	70.1	66.3	70.1	69.0	1.4

E: MOFSL estimates

Quarterly snapshot

INRm	FY21				FY22				FY23			Change (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Net Interest Income	12,964	13,799	14,370	14,204	14,184	14,794	15,389	15,252	16,045	17,618	19,565	27	11
Other Income	4,884	4,494	4,754	4,775	6,483	4,917	4,842	4,650	4,526	6,095	5,340	10	-12
Trading profits	3,040	1,620	1,190	1,150	3,940	1,190	720	120	120	700	-90	-113	-113
Forex Income	240	320	450	400	410	500	500	680	630	940	800	60	-15
Others	1,484	2,554	3,114	3,225	2,133	3,227	3,622	3,850	3,776	4,455	4,630	28	4
Total Income	17,848	18,292	19,124	18,979	20,667	19,711	20,231	19,902	20,571	23,714	24,905	23	5
Operating Expenses	8,524	8,827	9,560	10,007	9,334	10,590	11,088	11,920	10,838	11,591	12,163	10	5
Employee	4,959	4,875	5,256	5,252	5,283	5,719	5,831	6,373	4,993	5,156	5,608	-4	9
Others	3,566	3,952	4,303	4,754	4,051	4,871	5,257	5,548	5,844	6,435	6,555	25	2
Operating Profits	9,324	9,466	9,564	8,973	11,333	9,121	9,143	7,982	9,734	12,122	12,742	39	5
Core Operating Profits	6,284	7,846	8,374	7,823	7,393	7,931	8,423	7,862	9,614	11,422	12,832	52	12
Provisions	3,946	5,321	4,142	2,545	6,399	2,926	2,140	752	1,667	2,679	1,987	-7	-26
NPA provisions	2,560	1,690	3,890	7,010	4,590	-650	750	950	1,500	2,050	1,567	109	-24
PBT	5,378	4,145	5,423	6,428	4,934	6,195	7,003	7,230	8,067	9,444	10,755	54	14
Taxes	1,370	1,069	1,382	1,650	1,261	1,592	1,786	1,824	2,060	2,407	2,719	52	13
PAT	4,008	3,076	4,041	4,778	3,673	4,603	5,217	5,405	6,007	7,037	8,036	54	14
Balance sheet (INR b)													
Deposits	1,549	1,567	1,617	1,726	1,694	1,720	1,754	1,817	1,834	1,891	2,014	15	6
CASA Deposits	496	528	557	584	590	622	643	671	675	689	690	7	0
% of overall Deposits	32.0	33.7	34.5	33.8	34.8	36.2	36.7	36.9	36.8	36.4	34.2	-244	-217
Retail Deposits	1,419	1,458	1,493	1,560	1,571	1,612	1,643	1,716	1,724	1,759	1,813	10	3
% of overall Deposits	91.6	93.0	92.3	90.3	92.7	93.7	93.7	94.4	94.0	93.0	90.0	-368	-300
Investments	347	363	344	372	374	370	375	392	412	436	463	23	6
Advances	1,213	1,229	1,255	1,319	1,298	1,344	1,407	1,449	1,517	1,612	1,682	19	4
Retail	379	396	422	449	436	443	457	479	499	524	539	18	3
Total Assets	1,858	1,890	1,968	2,014	2,000	2,069	2,088	2,209	2,254	2,371	2,505	20	6
Asset Quality (INR m)													
GNPA	36,556	35,522	34,702	46,024	46,493	44,458	44,013	41,367	41,553	40,311	41,479	-6	3
NNPA	14,775	12,181	7,572	15,693	15,932	15,024	14,712	13,926	14,203	12,624	12,286	-16	-3
Slippages	1,930	100	340	16,850	6,890	3,390	4,530	3,990	4,630	3,900	4,120	-9	6
Ratios													
	FY21				FY22				FY23			Change (bp)	
Asset Quality Ratios (%)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
GNPA	3.0	2.8	2.7	3.4	3.5	3.2	3.1	2.8	2.7	2.5	2.4	-63	-3
NNPA	1.2	1.0	0.6	1.2	1.2	1.1	1.1	1.0	0.9	0.8	0.7	-32	-5
PCR (Calculated)	60	66	78	66	66	66	67	66	66	69	70	381	170
Slippage Ratio	0.7	0.0	0.1	5.3	2.2	1.1	1.4	1.2	1.3	1.1	1.0	-38	-8
Credit Cost	0.9	0.6	1.3	2.2	1.5	-0.2	0.2	0.3	0.4	0.6	0.4	18	-15
Business Ratios (%)													
Fees to Total Income	8.3	14.0	16.3	17.0	10.3	16.4	17.9	19.3	18.4	18.8	18.6	68.8	-19.7
Cost to Core Income	59.0	54.0	54.7	57.4	57.2	58.8	58.3	62.4	54.7	52.5	50.3	-805.4	-224.0
Tax Rate	25.5	25.8	25.5	25.7	25.6	25.7	25.5	25.2	25.5	25.5	25.3	-21.8	-20.3
Loan/Deposit	78.3	78.4	77.6	76.4	76.6	78.1	80.2	79.8	82.7	85.2	83.5	327.2	-174.8
CAR	14.2	14.6	14.3	14.6	14.6	15.0	14.4	15.8	14.6	13.8	13.4	-102.0	-49.0
Tier I	13.0	13.3	13.0	13.9	13.9	14.1	13.5	14.4	13.3	12.6	12.1	-139.0	-49.0
Profitability Ratios (%)													
Yield on loans	9.0	8.9	8.7	8.4	8.2	8.1	8.0	7.9	7.9	8.3	8.8	74	49
Yield On Investments	7.3	7.0	7.0	6.3	6.5	6.3	6.4	6.2	6.4	6.6	6.9	50	26
Yield on Funds	8.7	8.6	8.3	7.8	7.7	7.6	7.6	7.5	7.8	8.2	8.8	122	61
Cost of Funds	5.2	5.0	4.6	4.3	4.3	4.2	4.1	4.0	4.1	4.3	4.5	33	17
Cost of Deposits	5.4	5.1	4.9	4.7	4.5	4.3	4.3	4.3	4.2	4.4	4.6	30	21
NIM	3.1	3.1	3.2	3.2	3.2	3.2	3.3	3.2	3.2	3.3	3.5	22	19
RoA	0.9	0.7	0.8	1.0	0.8	0.9	1.0	1.0	1.1	1.2	1.3	31	12
RoE	10.9	8.1	10.4	12.2	9.0	10.7	11.6	11.9	12.7	14.4	15.9	429	155
Others													
Branches	1,263	1,271	1,272	1,272	1,272	1,272	1,274	1,282	1,291	1,305	1,333	5,900	2,800
ATMs	1,936	1,941	1,948	1,957	1,953	1,874	1,882	1,885	1,860	1,876	1,896	1,400	2,000



Highlights from the management commentary

Balance sheet related

- The management remains committed to constantly delivering an improved performance
- The bank is well placed to report a healthy momentum in loan growth and constantly gain market share
- Loan growth for FY23/FY24 is expected to remain in high teens
- The bank expects CD ratio to be ~84-85%
- The bank has passed on ~180-185bp of price hike on the corporate book and the recent hike by RBI in Dec'22 will be passed on in 4QFY23
- Fintech-led origination of gold loans would be ~10-12% of total gold loans. Gold loans is expected to grow at 25% YoY
- The bank has started offering personal loans for New to Bank (NTB) customers as well via a digital process. Cross sell to existing customers and lending via Fintech partners will continue to be the key growth driver
- ATS for personal loans via fintech partnership would be ~0.15m
- The bank might look for a capital raise in CY23; however, the timelines are not yet decided
- The share in remittances is constantly increasing for the bank. However, some of the remittances has been converted from deposits
- Loan Mix: EBLR book forms 50%, MCLR at 14.5%, and Fixed rate forms 25% of total loans
- The bank has been able to pass on a hike of ~80-85bp on auto loans
- The bank is looking to reach a cumulative book of INR60b in CV, Credit cards, and MFI business and it is likely to more than double in the next two years

P&L related

- The bank has earlier guided for exit RoA of 1.25% for FY23 and it achieved 1.3% in 3Q itself. The management expects the RoA for 4Q to remain similar or slightly better
- RoA for FY23 is likely to be ~1.25%. The endeavor is to improve the RoA by 10bp in FY24
- The bank expects full-year margin for FY23 to be ~3.35-3.40% and similar for FY24. Margin for 4Q could see some moderation but it is likely to remain healthy
- The bank has provided for wage revision at 15% from November onwards, making it INR200m on a monthly basis
- The bank aspires to bring the C/I ratio to 47.5-48% in FY24
- The bank is planning to add 75 branches in FY23, of which, 60 has already been added by December. Overall, the target is to add 250 branches in three years.

COVID-related restructuring stood at INR30.4b (1.8% of loans)

Exhibit 1: Net stressed loans moderates to 2.5% of loans

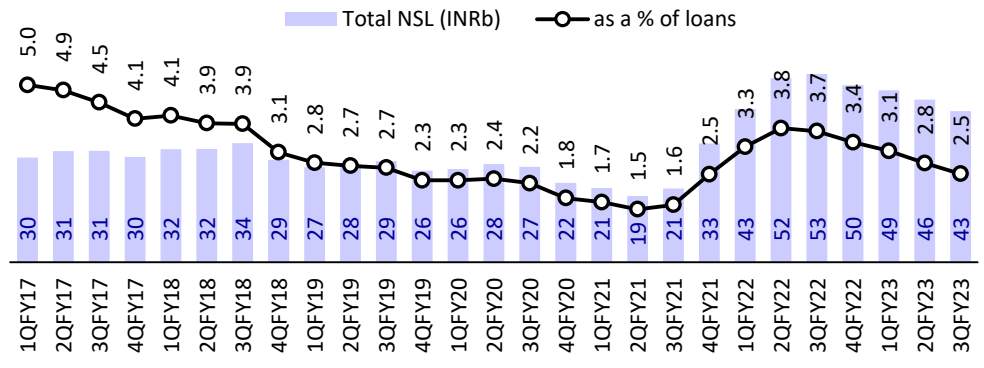
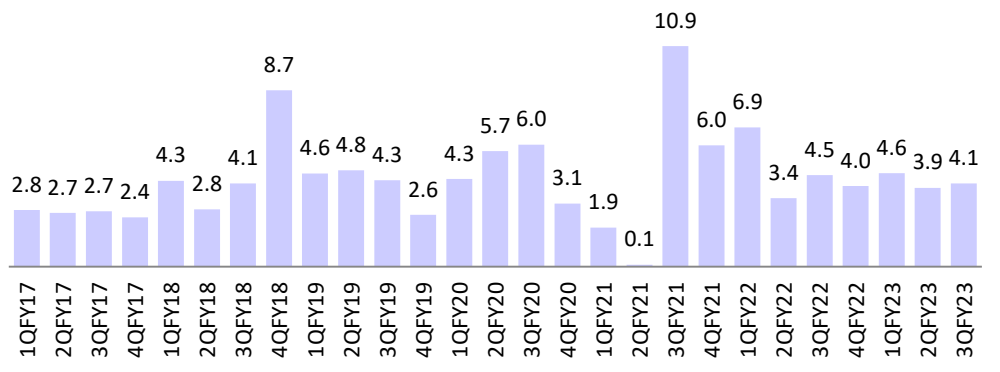
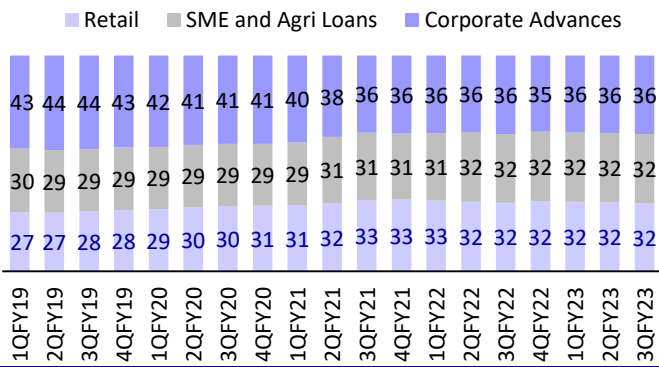


Exhibit 2: Slippages came in at INR4.1b (including an increase in the balance of existing NPAs) due to an increase in Retail slippages



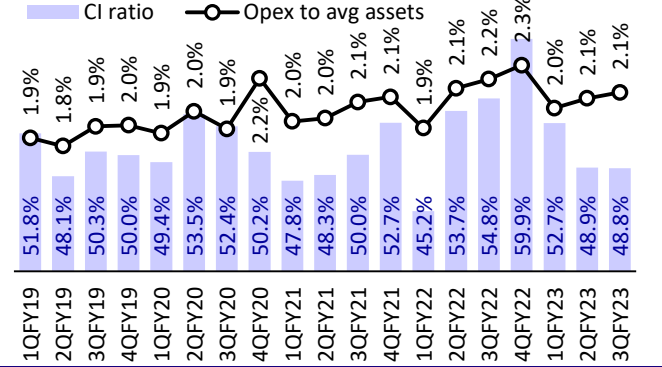
*On a pro forma basis for 3QFY21

Exhibit 3: Corporate books ~36% of total loans



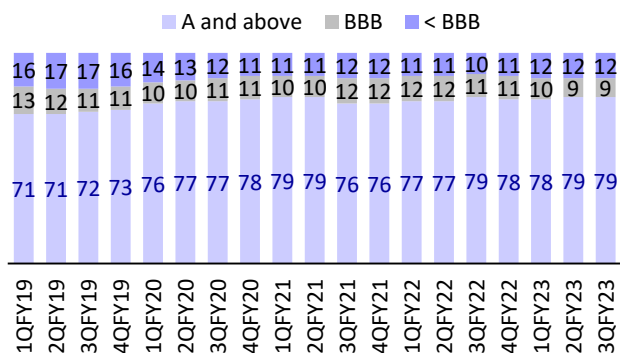
Sources: MOFSL, Company

Exhibit 4: C/I ratio stable at ~49% in 3QFY23



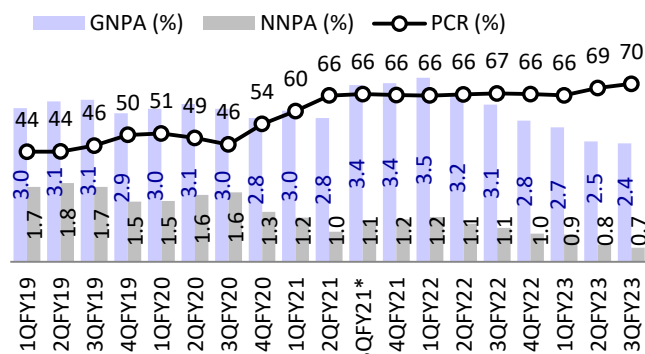
Sources: MOFSL, Company

Exhibit 5: Share of 'A and above' book stands at 79%



Sources: MOFSL, Company

Exhibit 6: GNPA/NNPA ratio moderates by 3bp/5bp QoQ to 2.43%/0.73%; PCR improves to ~70%



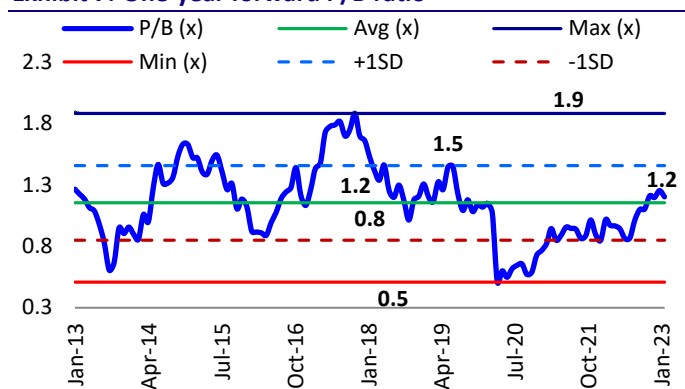
*On a pro forma basis for 3QFY21

Sources: MOFSL, Company

Valuation and view

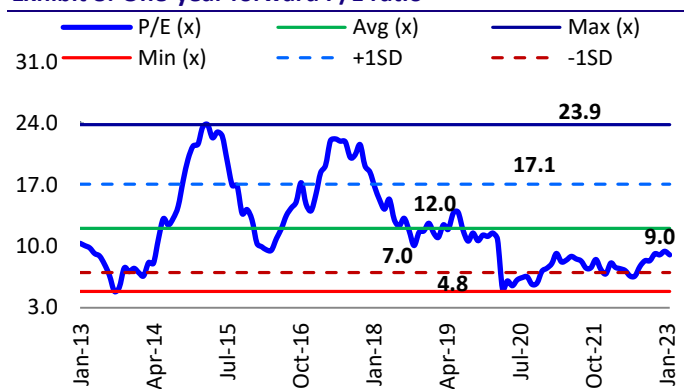
- Restructuring book stands at ~1.8% of loans; asset quality improves:** FB's total net stressed loans (NNPA + standard restructured + net SRs) moderated to ~2.5% of total loans, within which, COVID-related restructuring book stands at ~INR30.4b. Asset quality ratios have improved, led by healthy recoveries and upgrades. Slippages were broadly stable. While we remain watchful of asset quality, particularly from the Retail/SME/Agri segment and restructuring book, we expect credit costs to moderate. We expect slippage/credit cost/PCR of ~1.2%/~0.6%/~70% in FY25.
- Strong liability franchise:** CASA and Retail TD (less than INR20m) constitutes ~88% of total deposits. FB has a lower cost of funds advantage v/s other mid-sized banks. This, along with a focus on cross-selling liability products to corporate clients to garner salary accounts and a pickup in loan growth, will support margin.
- Lending to better-rated corporates; broad-based pickup in advances:** The management is taking a cautious approach toward building its loan mix to higher-rated Corporates and secured Retail loans. The share of 'A and above' rated loans has risen to 79% in 3QFY23 from 73% in FY19, while the mix of Retail loans has improved to ~32% in 3QFY23 (from 28.4% in FY19). We expect loan growth to remain healthy, driving a further improvement in its overall operating performance.
- Reiterate Buy with a TP of INR170:** FB reported a strong 3QFY23, with a sharp beat in net earnings, driven by lower provisions. NII has shown a strong momentum, backed by healthy business growth and re-pricing of advances portfolio. Liability franchise remains strong, with a retail deposit mix at ~90% and CASA ratio at ~34.2%. Headline asset quality ratio saw an improvement, led by healthy recoveries and upgrades and controlled slippages. We raise our FY23/FY24 earnings estimate sharply by 7%/5%, factoring in higher NII and lower provisions and expect a RoA/RoE of 1.3%/15.2% in FY25. **We reiterate our Buy rating with a revised TP of INR170 (1.4x Sep'24E ABV).**

Exhibit 7: One-year forward P/B ratio



Sources: MOFSL, Company

Exhibit 8: One-year forward P/E ratio



Sources: MOFSL, Company

Exhibit 9: We raise our FY23/FY24 estimate by 7%/5%, factoring in higher NII and lower provisions

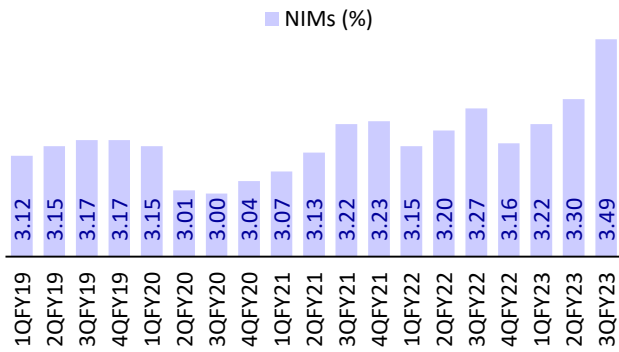
(INR b)	Old Estimates			Revised Estimates			Change (%)/bps		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
Net Interest Income	72.1	82.6	94.7	73.9	84.5	97.1	2.5	2.3	2.6
Other Income	22.1	26.4	31.4	21.7	25.9	30.8	-1.9	-1.9	-1.9
Total Income	94.3	108.9	126.0	95.7	110.4	127.9	1.5	1.3	1.5
Operating Expenses	46.7	53.0	60.8	47.2	53.3	60.9	0.9	0.5	0.2
Operating Profits	47.5	55.9	65.2	48.5	57.1	67.0	2.1	2.1	2.7
Provisions	10.5	12.7	14.9	9.0	11.6	13.7	-14.4	-8.3	-8.3
PBT	37.0	43.2	50.4	39.5	45.5	53.3	6.8	5.1	5.9
Tax	9.4	11.0	12.8	10.1	11.6	13.6	6.8	5.1	5.9
PAT	27.6	32.2	37.5	29.4	33.9	39.7	6.8	5.1	5.9
Loans	1,754	2,069	2,442	1,739	2,052	2,422	-0.8	-0.8	-0.8
Deposits	2,053	2,382	2,787	2,066	2,396	2,804	0.6	0.6	0.6
Margins (%)	3.42	3.34	3.27	3.51	3.44	3.37	10	10	11
Credit Cost (%)	0.58	0.60	0.60	0.50	0.55	0.55	-8	-5	-5
RoA (%)	1.2	1.2	1.2	1.2	1.3	1.3	8	5	6
RoE (%)	13.8	14.2	14.6	14.6	14.8	15.2	87	56	59
EPS	13.1	15.3	17.8	14.0	16.1	18.9	6.8	5.1	5.9
BV	101.0	114.3	129.6	101.9	116.0	132.4	0.9	1.5	2.1
ABV	93.4	105.8	120.1	94.0	107.3	122.4	0.7	1.4	2.0

Exhibit 10: DuPont Analysis: Expect return ratios to improve gradually

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	7.70	7.67	7.77	7.20	6.47	7.15	7.58	7.58
Interest Expense	4.87	4.87	5.04	4.31	3.65	4.01	4.44	4.46
Net Interest Income	2.83	2.81	2.73	2.90	2.82	3.14	3.14	3.12
Core Fee Income	0.73	0.75	0.78	0.70	0.85	0.86	0.89	0.92
Trading and others	0.19	0.15	0.36	0.33	0.14	0.06	0.07	0.07
Non-Interest income	0.92	0.91	1.14	1.03	0.99	0.92	0.96	0.99
Total Income	3.74	3.71	3.87	3.92	3.81	4.06	4.10	4.10
Operating Expenses	1.94	1.86	1.99	1.93	2.03	2.00	1.98	1.95
Employee cost	0.98	0.93	1.04	1.07	1.10	1.06	1.05	1.04
Others	0.95	0.93	0.94	0.87	0.93	0.94	0.93	0.91
Operating Profits	1.81	1.86	1.89	1.99	1.78	2.06	2.12	2.15
Core Operating Profits	1.62	1.70	1.53	1.66	1.64	2.00	2.05	2.08
Provisions	0.75	0.58	0.69	0.87	0.58	0.38	0.43	0.44
PBT	1.06	1.28	1.20	1.12	1.20	1.68	1.69	1.71
Tax	0.37	0.45	0.29	0.29	0.31	0.43	0.43	0.44
RoA	0.69	0.84	0.91	0.83	0.89	1.25	1.26	1.27
Leverage (x)	12.0	11.7	12.2	12.5	12.1	11.7	11.8	11.9
RoE	8.3	9.8	11.1	10.4	10.8	14.6	14.8	15.2

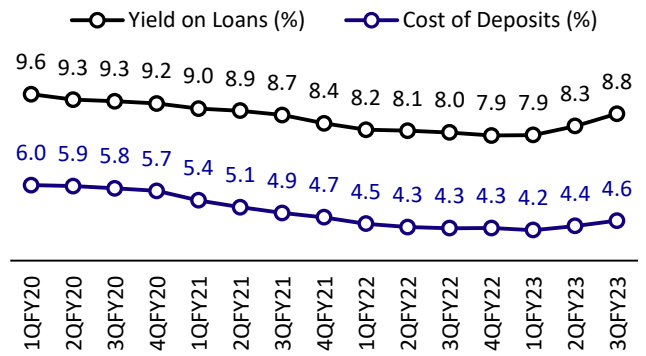
Story in charts

Exhibit 11: NIM improves 19bp QoQ to 3.49%



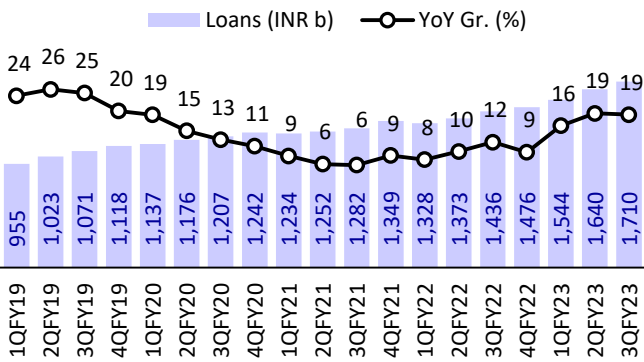
Sources: MOFSL, Company

Exhibit 12: YoA up 49bp QoQ while CoD up 21bp QoQ



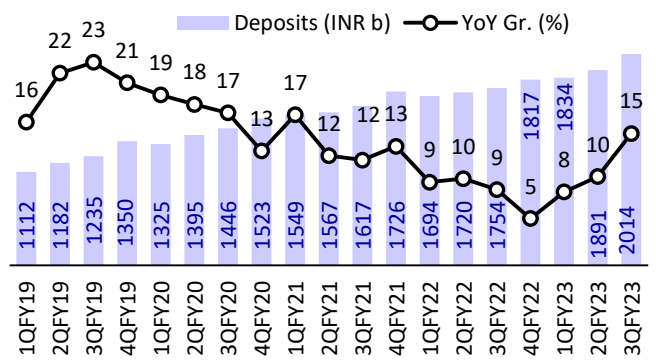
Sources: MOFSL, Company

Exhibit 13: Loan book grew 19.1% YoY and 4.3% QoQ



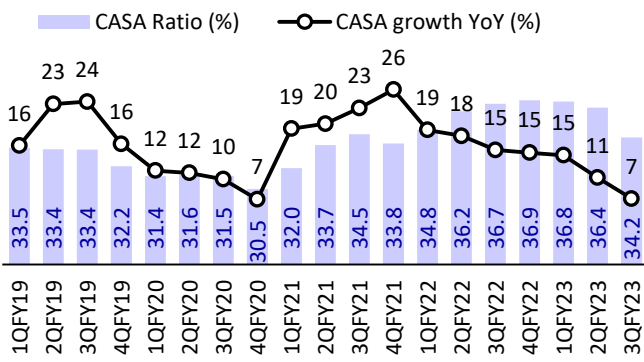
Sources: MOFSL, Company

Exhibit 14: Deposits grew ~15% YoY



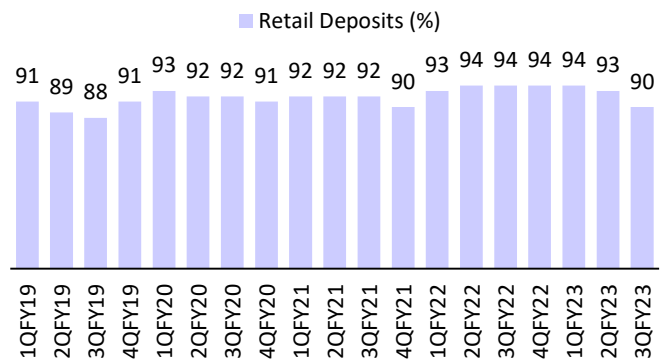
Sources: MOFSL, Company

Exhibit 15: CASA deposits up ~17% YoY



Sources: MOFSL, Company

Exhibit 16: Proportion of Retail deposits strong at 90%



Sources: MOFSL, Company

Financials and valuations

Income Statement								(INRm)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	97,529	114,190	132,108	137,579	136,608	168,411	204,074	236,135
Interest Expense	61,701	72,427	85,618	82,242	76,988	94,467	119,565	139,022
Net Interest Income	35,828	41,763	46,489	55,337	59,620	73,944	84,509	97,113
Growth (%)	17.4	16.6	11.3	19.0	7.7	24.0	14.3	14.9
Non-Interest Income	11,591	13,510	19,314	19,587	20,891	21,727	25,855	30,767
Total Income	47,419	55,274	65,803	74,924	80,510	95,671	110,364	127,880
Growth (%)	14.7	16.6	19.0	13.9	7.5	18.8	15.4	15.9
Operating Expenses	24,509	27,643	33,756	36,917	42,932	47,150	53,290	60,893
Pre Provision Profits	22,910	27,631	32,047	38,007	37,579	48,521	57,074	66,987
Growth (%)	19.0	20.6	16.0	18.6	-1.1	29.1	17.6	17.4
Core PPP	20,521	25,347	25,969	31,781	34,550	47,006	55,256	64,806
Growth (%)	27.0	23.5	2.5	22.4	8.7	36.1	17.6	17.3
Provisions (exc. tax)	9,472	8,559	11,722	16,634	12,218	9,025	11,623	13,651
PBT	13,439	19,073	20,325	21,373	25,361	39,496	45,451	53,335
Tax	4,650	6,634	4,898	5,470	6,463	10,072	11,590	13,601
Tax Rate (%)	34.6	34.8	24.1	25.6	25.5	25.5	25.5	25.5
PAT	8,789	12,439	15,428	15,903	18,898	29,425	33,861	39,735
Growth (%)	5.8	41.5	24.0	3.1	18.8	55.7	15.1	17.3

Balance Sheet								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	3,944	3,970	3,985	3,992	4,205	4,205	4,205	4,205
Reserves & Surplus	118,158	128,760	141,191	157,252	183,733	210,004	239,660	274,138
Net Worth	122,102	132,730	145,176	161,245	187,938	214,209	243,865	278,343
Deposits	1,119,925	1,349,543	1,522,901	1,726,445	1,817,006	2,065,936	2,396,485	2,803,888
Growth (%)	14.7	20.5	12.8	13.4	5.2	13.7	16.0	17.0
of which CASA Deposits	376,867	437,314	467,743	587,126	674,710	712,748	841,166	995,380
Growth (%)	17.6	16.0	7.0	25.5	14.9	5.6	18.0	18.3
Borrowings	115,335	77,813	103,724	90,685	153,931	166,634	184,963	207,159
Other Liabilities & Prov.	25,777	33,313	34,579	35,299	50,588	53,117	57,366	61,956
Total Liabilities	1,383,140	1,593,400	1,806,380	2,013,674	2,209,463	2,499,896	2,882,680	3,351,346
Current Assets	92,034	100,668	125,746	195,914	210,103	167,443	162,631	186,685
Investments	307,811	318,245	358,927	371,862	391,795	454,482	522,654	601,052
Growth (%)	9.2	3.4	12.8	3.6	5.4	16.0	15.0	15.0
Loans	919,575	1,102,230	1,222,679	1,318,786	1,449,283	1,739,140	2,052,185	2,421,578
Growth (%)	25.4	19.9	10.9	7.9	9.9	20.0	18.0	18.0
Fixed Assets	4,574	4,720	4,800	4,911	6,339	6,656	6,989	7,339
Other Assets	59,146	67,537	94,229	122,201	151,942	132,175	138,220	134,692
Total Assets	1,383,140	1,593,400	1,806,380	2,013,674	2,209,463	2,499,896	2,882,680	3,351,346

Asset Quality								
GNPA (INR m)	27,956	32,607	35,308	46,024	41,367	41,529	44,641	51,395
NNPA (INR m)	15,520	16,262	16,072	15,693	13,926	12,412	13,250	15,235
GNPA Ratio	3.0	2.9	2.8	3.4	2.8	2.3	2.1	2.1
NNPA Ratio	1.7	1.5	1.3	1.2	1.0	0.7	0.6	0.6
Slippage Ratio	2.7	1.6	1.7	1.5	1.4	1.1	1.2	1.2
Credit Cost	1.1	0.8	1.0	1.3	0.9	0.5	0.6	0.6
PCR (Excl. Tech. write off)	44.5	50.1	54.5	65.9	66.3	70.1	70.3	70.4

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	8.4	8.4	8.5	8.0	7.3	8.0	8.3	8.2
Avg. Yield on loans	9.1	9.0	9.2	8.5	7.8	8.4	8.8	8.6
Avg. Yield on Investments	6.6	6.6	6.6	6.6	6.3	6.8	7.0	7.1
Avg. Cost-Int. Bear. Liab.	5.4	5.4	5.6	4.8	4.1	4.5	5.0	5.0
Avg. Cost of Deposits	5.5	5.5	5.6	4.8	4.1	4.5	4.9	4.9
Avg. Cost of Borrowings	5.1	5.2	5.1	4.3	3.0	4.2	5.4	5.7
Interest Spread	3.0	2.9	2.9	3.2	3.2	3.5	3.3	3.2
Net Interest Margin	3.1	3.1	3.0	3.2	3.2	3.5	3.4	3.4

Capitalization Ratios (%)

CAR	14.9	14.4	14.4	14.6	15.8	15.2	14.3	13.7
Tier I	14.4	13.7	13.3	13.9	14.4	13.9	13.3	12.8
Tier II	0.5	0.8	1.1	0.8	1.3	1.3	1.0	0.8

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	82.1	81.7	80.3	76.4	79.8	84.2	85.6	86.4
CASA Ratio	33.7	32.4	30.7	34.0	37.1	34.5	35.1	35.5
Cost/Assets	1.8	1.7	1.9	1.8	1.9	1.9	1.8	1.8
Cost/Total Income	51.7	50.0	51.3	49.3	53.3	49.3	48.3	47.6
Cost/Core Income	54.4	52.2	56.5	53.7	55.4	50.1	49.1	48.4
Int. Expense/Int. Income	63.3	63.4	64.8	59.8	56.4	56.1	58.6	58.9
Fee Income/Net Income	19.4	20.3	20.1	17.8	22.2	21.1	21.8	22.4
Non Int. Inc./Net Income	24.4	24.4	29.4	26.1	25.9	22.7	23.4	24.1
Emp. Cost/Op. Exp.	50.7	49.8	52.5	55.1	54.1	53.2	53.1	53.5
Investment/Deposit Ratio	27.5	23.6	23.6	21.5	21.6	22.0	21.8	21.4

Valuation

RoE	8.3	9.8	11.1	10.4	10.8	14.6	14.8	15.2
RoA	0.7	0.8	0.9	0.8	0.9	1.2	1.3	1.3
RoRWA	1.0	1.3	1.4	1.4	1.5	1.9	1.9	1.9
Book Value (INR)	62	67	73	81	89	102	116	132
Growth (%)	21.9	8.0	9.0	10.9	10.7	14.0	13.8	14.1
Price-BV (x)	2.3	2.1	1.9	1.7	1.6	1.4	1.2	1.1
Adjusted BV (INR)	54	59	65	73	82	94	107	122
Price-ABV (x)	2.6	2.4	2.2	1.9	1.7	1.5	1.3	1.1
EPS (INR)	4.8	6.3	7.8	8.0	9.2	14.0	16.1	18.9
Growth (%)	-1.3	32.2	23.4	2.8	15.6	51.8	15.1	17.3
Price-Earnings (x)	29.5	22.3	18.1	17.6	15.2	10.0	8.7	7.4

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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