

# IndusInd Bank

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	IIB IN
Equity Shares (m)	757
M.Cap.(INRb)/(USDb)	947.9 / 11.7
52-Week Range (INR)	1275 / 764
1, 6, 12 Rel. Per (%)	0/32/36
12M Avg Val (INR M)	3900

## Financials & Valuations (INR b)

Y/E MARCH	FY23E	FY24E	FY25E
NII	176.9	210.4	258.8
OP	145.9	174.0	213.5
NP	75.5	96.5	124.4
NIM (%)	4.1	4.3	4.5
EPS (INR)	97.4	124.5	160.5
EPS Gr. (%)	57.0	27.8	28.9
BV/Sh. (INR)	705	819	967
ABV/Sh. (INR)	690	804	949

## Ratios

RoE (%)	14.8	16.4	18.0
RoA (%)	1.8	2.0	2.2

## Valuations

P/E (X)	12.5	9.8	7.6
P/BV (X)	1.7	1.5	1.3
P/ABV (X)	1.8	1.5	1.3

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	15.2	15.2	15.2
DII	20.8	19.3	17.4
FII	51.3	50.3	55.4
Others	12.8	15.3	12.0

FII Includes depository receipts

**CMP: INR1,223      TP: INR1,550 (+27%)      Buy**

## Earnings progression on track; re-rating to continue

### Asset quality steady; restructured portfolio declines to 1.25%

- IndusInd Bank (IIB) reported an inline performance with PAT at INR19.6b (up 58% YoY; inline) with steady operating performance across all metrics.
- Loan growth came in healthy at 19% YoY with traction in both Corporate and Consumer Finance book. Within consumer, growth was broad based barring micro-finance (MFI).
- Fresh slippages moderated to INR14.7b (2.3% annualized). GNPA ratio improved 5bp QoQ to 2.06%, while NNPA increased 1bp to 0.62%. Restructured book declined to 1.25% in 3QFY23 from 1.5% in 2QFY23.
- The management suggested for 20-25% loan growth, while continued moderation in credit cost is expected to aid RoA expansion. We estimate IIB to deliver ~37% earnings CAGR over FY22-25, while RoA/RoE to expand to 2.2%/18%, respectively. We reiterate our **BUY rating with a TP of INR1,550 (premised on 1.8x Sep'24E ABV)**.

### NIM improves 3bp QoQ; retail deposit mix improves to 42%

- IIB reported 3QFY23 PAT of INR19.6b (up 58% YoY; in line), aided by strong operating performance. For 9MFY23, PAT stood at INR54b, up 59% YoY.
- NII rose 18% YoY to INR45b (in line), while 'other income' grew 11% YoY, led by strong traction in fee income, which grew 28% YoY. NIM improved marginally by 3bp QoQ to 4.27%, driven by a 40bp rise in corporate lending yields. In 9MFY23, NII grew 17% YoY to INR129.2b.
- Operating expenses grew 22% YoY to INR28.8b. C/I ratio stood stable at 43.9%. PPOp grew 11% YoY in 3QFY23 to INR36.9b, while Core PPOp saw a higher growth of 20% YoY. In 9MFY23, PPOp grew 10% YoY to INR106.6b.
- On the business front, loans grew 4.9% QoQ (up 19.3% YoY), led by both Consumer Finance (up 5.3% QoQ) and Corporate book (up 4.3% QoQ). In the Consumer business, growth picked up in the Vehicle segment with disbursements of more than INR127b in 3QFY23. Utility vehicle and 2W registered healthy momentum at 11% and 10% QoQ, while Credit Card book grew 9% QoQ. Retail to Wholesale mix stood at 53:47. Deposits grew 14% YoY with CASA mix at 42% and Retail deposit mix at 42% as per LCR.
- Fresh slippages moderated to INR14.7b in 3QFY23 (2.3% annualized), resulting in a GNPA ratio of 2.06%, moderating by 5bp QoQ. NNPA, however, increased marginally by 1bp QoQ to 0.62%. PCR moderated 100bp QoQ to 70.6%. The bank held contingent provisions of INR21.92b (0.8% of loans). Restructured book moderated to 1.25% v/s 1.5% in 2QFY23.

### Highlights from the management commentary

- CoD could increase by 25-30bp on a quarterly basis going ahead, keeping further rate hikes aside.
- SMA 1 and 2 stood at 8bp and 24bp, respectively. Total SMA 1 and 2 book moderated to 32bp vs 58bp QoQ.

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- Overall, IIB expect to deliver a loan growth of 20-25% over the medium term with the CD ratio ranging between 85% and 93%.
- Margins are likely to remain in the 4.15-4.25% range.

### Valuation and view

IIB's operating performance remains on track, led by healthy NII growth and controlled provisions. Asset quality remains steady, driven by lower slippages. 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 0.8% of loans will enable a steep decline in credit cost, thus driving recovery in earnings. We estimate PAT to report 37% CAGR over FY22-25, leading to an 18% RoE in FY24. **We reiterate our BUY rating with a TP of INR1,550 (premised on 1.8x Sep'24E ABV).**

### Quarterly performance

(INR b)

	FY22				FY23E				FY22	FY23E	FY23E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	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>45.0</b>	<b>47.7</b>	<b>150.0</b>	<b>176.9</b>	<b>44.3</b>	<b>1%</b>
% Change (YoY)	7.7	11.6	11.4	12.7	15.8	17.6	18.5	19.6	10.9	17.9	16.9	
Other Income	17.2	18.4	18.8	19.0	19.3	20.1	20.8	22.0	74.1	82.2	20.8	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>69.7</b>	<b>224.1</b>	<b>259.1</b>	<b>65.1</b>	<b>1%</b>
Operating Expenses	21.7	22.8	23.6	25.1	26.3	27.7	28.9	30.5	93.1	113.3	28.3	2%
<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>36.9</b>	<b>39.2</b>	<b>131.0</b>	<b>145.9</b>	<b>36.8</b>	<b>0%</b>
% Change (YoY)	6.6	13.0	11.8	8.0	9.9	10.0	11.3	16.1	10.3	11.4	11.1	
Provisions	17.8	17.1	16.5	14.6	12.5	11.4	10.6	10.4	66.6	44.9	10.7	-1%
<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>26.2</b>	<b>28.9</b>	<b>64.3</b>	<b>100.9</b>	<b>26.1</b>	<b>1%</b>
Tax	3.3	3.7	4.2	5.2	5.5	6.0	6.6	7.4	16.3	25.4	6.6	0%
<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>19.6</b>	<b>21.5</b>	<b>48.0</b>	<b>75.5</b>	<b>19.5</b>	<b>1%</b>
% Change (YoY)	99.1	72.9	49.5	51.2	60.5	57.4	58.2	53.4	64.0	57.1	57.1	
<b>Operating Parameters</b>												
Deposit (INR b)	2,672	2,753	2,845	2,933	3,031	3,155	3,253	3,374	2,933	3,374	3,255	0%
Loan (INR b)	2,107	2,208	2,286	2,391	2,480	2,601	2,728	2,845	2,391	2,845	2,720	0%
Deposit Growth (%)	26.5	20.8	19.0	14.6	13.4	14.6	14.3	15.0	14.6	15.0	14.3	6
Loan Growth (%)	6.4	9.7	10.4	12.4	17.7	17.8	19.3	19.0	12.4	19.0	19.0	34
<b>Asset Quality</b>												
Gross NPA (%)	2.9	2.8	2.5	2.3	2.4	2.1	2.1	2.0	2.3	2.0	2.0	4
Net NPA (%)	0.8	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	7
PCR (%)	71.6	71.6	71.7	72.3	72.0	71.5	70.6	70.4	72.3	70.4	73.0	-244

## Exhibit 1: Quarterly snapshot

INR b	FY21				FY22				FY23			Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Profit and Loss</b>													
<b>Net Interest Income</b>	33.1	32.8	34.1	35.3	35.6	36.6	37.9	39.9	41.3	43.0	45.0	18	4
Other Income	15.2	15.5	16.5	17.8	17.2	18.4	18.8	19.0	19.3	20.1	20.8	11	3
Trading profits	8.4	4.9	2.6	2.7	5.1	3.4	3.6	2.6	1.5	1.4	1.4	-62	-2
Others	6.8	10.6	13.9	15.1	12.1	15.1	15.2	16.4	17.9	18.7	19.4	28	4
<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>65.7</b>	<b>16</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	28.9	22	4
Employee	7.4	7.2	7.4	8.3	8.4	8.5	8.7	9.2	9.3	10.1	10.9	26	8
Others	11.6	12.6	13.4	13.6	13.2	14.3	14.9	15.9	17.0	17.6	18.0	20	2
<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>36.9</b>	<b>11</b>	<b>4</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>35.5</b>	<b>20</b>	<b>4</b>
Provisions	22.6	19.6	18.5	18.7	17.8	17.1	16.5	14.6	12.5	11.4	10.6	-36	-7
<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>26.2</b>	<b>58</b>	<b>9</b>
Taxes	1.6	2.2	2.8	3.4	3.3	3.7	4.2	5.2	5.5	6.0	6.6	58	10
<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>19.6</b>	<b>58</b>	<b>9</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	2,728	19	5
Investments	596	630	611	697	687	692	727	709	725	760	762	5	0
Deposits	2,113	2,279	2,391	2,559	2,672	2,753	2,845	2,933	3,031	3,155	3,253	14	3
CASA Deposits	845	918	966	1,068	1,123	1,159	1,199	1,253	1,305	1,335	1,364	14	2
of which Savings	525	571	643	711	799	833	866	888	952	894	864	0	-3
Current	319	348	323	357	324	326	333	365	353	442	500	50	13
Borrowings	592	524	486	513	493	463	457	473	418	407	473	4	16
Total Assets	3,179	3,320	3,414	3,629	3,730	3,805	3,906	4,020	4,105	4,266	4,445	14	4
Risk Weighted Assets	2,617	2,617	2,655	2,729	2,724	2,756	2,811	2,951	3,031	3,115	3,225	15	4
<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	57.1	-1	3
NNPA	17.0	10.6	4.6	14.8	17.6	17.7	16.3	15.3	16.6	15.8	16.8	3	6
<b>Ratios</b>													
<b>Asset Quality (%)</b>													
GNPA	2.5	2.2	1.7	2.7	2.9	2.8	2.5	2.3	2.4	2.1	2.1	-42	-5
NNPA	0.9	0.5	0.2	0.7	0.8	0.8	0.7	0.6	0.7	0.6	0.6	-9	1
PCR (Cal.)	66.6	76.7	87.3	74.5	71.6	71.6	71.7	72.3	72.0	71.5	70.6	-118	-99
<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	29.5	274	-13
Cost to Core Income	47.6	45.6	43.6	43.4	45.3	44.1	44.4	44.6	44.4	44.8	44.8	44	-1
Tax Rate	23.7	25.3	25.2	26.7	24.3	24.3	25.1	27.0	25.2	24.9	25.1	-3	22
CASA (Reported)	40.0	40.3	40.4	41.7	42.1	42.1	42.2	42.7	43.2	42.4	42.0	-20	-40
Loan/Deposit	93.8	88.3	86.6	83.1	78.9	80.2	80.4	81.5	81.8	82.4	83.9	350	141
CAR	15.2	16.6	16.3	17.4	17.6	17.4	18.1	18.4	18.1	18.0	18.0	-5	0
Tier I	14.5	15.8	15.6	16.8	16.9	16.7	16.4	16.8	16.6	16.4	16.5	10	3
<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	11.8	39	24
Yield On Investments	6.7	6.2	6.0	5.9	5.8	5.8	5.8	5.8	5.9	6.1	6.4	61	30
Yield on funds	9.4	9.1	8.9	8.7	8.6	8.4	8.4	8.3	8.4	8.7	9.0	63	34
Cost of deposits	5.7	5.6	5.3	5.0	5.0	4.9	4.7	4.6	4.8	5.1	5.5	81	37
Cost of funds	5.1	4.9	4.7	4.5	4.5	4.4	4.3	4.1	4.1	4.4	4.7	46	31
Spreads	4.3	4.2	4.1	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.3	17	3
Margins	4.3	4.2	4.1	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.3	17	3
RoA	0.7	0.9	1.1	1.1	1.2	1.3	1.4	1.5	1.7	1.8	1.9	52	7
RoE	5.9	7.1	8.4	8.9	9.3	10.3	10.9	11.9	13.4	14.5	15.2	435	78

Source: MOFSL, Company



## Highlights from the management commentary

### Balance Sheet and P&L related

- IIB witnessed a healthy momentum in retail deposits, which increased faster than the overall deposits, led by Branch Banking, Affluent, and NRI segments
- It garnered retail deposits of INR79.78b, the highest in the past six quarters
- The concentration of Top 20 depositors moderated to 15% vs 17% a year ago
- The bank is aiming to end FY23 with a branch count of 2,450-2,500
- Certificate of Deposits stood at 3.6% of deposits
- The bank carries excess liquidity of INR440b
- The bank continues to maintain its focus on garnering retail deposits
- 93% of transactions and 74% of services were handled digitally. MTU in app increased 26% YoY
- CoD could increase 25-30bp on a quarterly basis going ahead, keeping further rate hikes aside

### Asset Quality

- Total slippages from restructuring book came in at ~INR18.33b, for which, the bank has utilized provisions of INR11.36b over 9MFY23
- Net SR moderated to 56bp vs 67bp QoQ
- SMA 1 and 2 stood at 8bp and 24bp, respectively. Total SMA 1 and 2 book moderated to 32bp vs 58bp QoQ

### MFI business

- Disbursements stood at INR89.28b, up 27% YoY
- CE in the standard book stood at 99%
- Gross slippages came in at INR4.09b vs INR4.35b in 2QFY23
- 30-90dpd including the restructuring book increased to 2.4% from 2.0% in 2QFY23 due to stress in the eastern states
- Merchant acquisition business book stood at INR30.94b and has ~0.49m active borrowers. Liabilities from these customers grew 65% YoY to INR16.33b with ~13.5m accounts
- The bank remains cautious on growth in this segment

### Vehicle segment

- Vehicle finance saw a robust quarter with record disbursements. The bank expects growth to remain healthy going ahead
- Disbursements in 3Q stood at INR127.13b, up 19% QoQ. 9MFY23 disbursement came in at INR334.5b, up 52% YoY – higher than FY22
- CV, UV, Cars, and CE saw a healthy growth of over 40% YoY. 2W and 3W too witnessed an increase in demand in 3Q
- Slippages came in at 0.9% vs 1.1% in 2QFY23
- Restructuring book moderated ~INR4b to INR18.6b vs INR22.7b in 2QFY23. The decline was equally led by collections and slippages
- CE in the restructured standard book stood at 84%
- There was a spike in GNPA in CV business due to a specific issue in Orissa, which is likely to roll back in the coming quarter

**Other segments**

- Gold and Diamond Jewellery segment grew 20% YoY. There has been no restructuring, SMA 1, and SMA 2 from this book
- Non-vehicle and Non-MFI segment witnessed an accelerated growth and it is likely to remain healthy going ahead
- Yields on home loans stood at ~8.95%

**Corporate**

- Growth was broad based across segments, driven by sectors such as Steel, Services, and Petroleum
- Small corporates are driven by SME and Agri segment, led by commodity financing
- Yield on corporate advances were up 37b QoQ
- The mix of A and above book improved to 74%
- Stressed telecom exposure stands at INR17.3b, of which INR10b is fund based (100% provided) and the balance being non fund based
- The bank continues to focus on making the book granular and offering shorter duration loans
- 80% of the book is floating in nature with 40% linked to MCLR and 40% linked to EBLR (primarily G-Sec and MIBOR). The remaining 20% though fixed, is of shorter tenure

**Guidance**

- Overall, IIB expect to deliver a loan growth of 20-25% over the medium term
- CD ratio to be in 85-93% range
- Margins are likely to remain in the 4.15-4.25% range

**Key exhibits****Exhibit 2: GNPA in CFD increased to 2.6%**

Segmental GNPA	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
CV	1.8	1.6	3.0	2.9	2.6	2.4	1.7	2.0	2.0	2.2
Utility	1.2	1.0	1.3	1.4	0.9	0.7	0.4	0.6	0.5	0.5
CE	0.9	0.8	1.2	1.5	1.2	1.4	1.1	1.6	1.4	1.9
3W	1.8	1.6	2.9	7.6	4.7	3.6	2.1	2.1	2.1	2.2
2W	3.8	3.1	6.7	9.8	9.2	9.3	9.2	7.9	8.0	7.5
Cars	0.9	0.7	1.3	1.8	1.2	1.0	0.7	0.8	0.6	0.6
LAP/HL/PL	0.4	0.4	2.8	2.8	2.6	2.2	3.1	1.7	1.6	1.6
Cards	0.6	0.2	1.6	4.4	5.1	4.6	3.3	2.3	2.2	2.0
BBG/LAP	0.9	0.9	3.4	3.3	3.9	3.4	3.1	3.5	3.5	3.6
MFI	1.6	1.5	1.5	1.7	3.0	3.2	2.5	3.4	2.9	3.8
<b>GNPA in Consumer Finance</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>	<b>2.6</b>

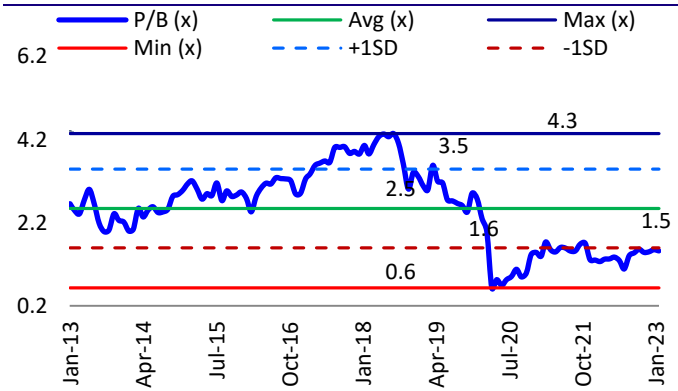
**Exhibit 3: Fees grew 28% YoY (4% QoQ) on a healthy pick up across investment banking, processing fees, and third-party fees**

	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	YoY	QoQ
<b>Fee based income</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>19,410</b>	<b>28%</b>	<b>4%</b>
Trade fees (LC, BG, and remittances)	1,830	2,190	1,700	2,000	1,880	1,990	1,890	1,890	2,010	7%	6%
Processing fees and other charges	3,010	3,570	2,860	4,240	3,820	5,040	5,110	5,320	6,040	58%	14%
FX clients	2,680	2,690	1,920	2,210	2,280	2,340	2,200	2,680	2,490	9%	-7%
Third-party distribution fees	3,700	3,990	3,110	3,600	3,880	4,700	5,070	5,590	6,190	60%	11%
Investment banking fees	790	640	670	680	940	280	250	170	200	-79%	18%
General banking/other income	1,880	2,000	1,880	2,330	2,390	2,090	3,340	3,070	2,480	4%	-19%

**Valuation and view**

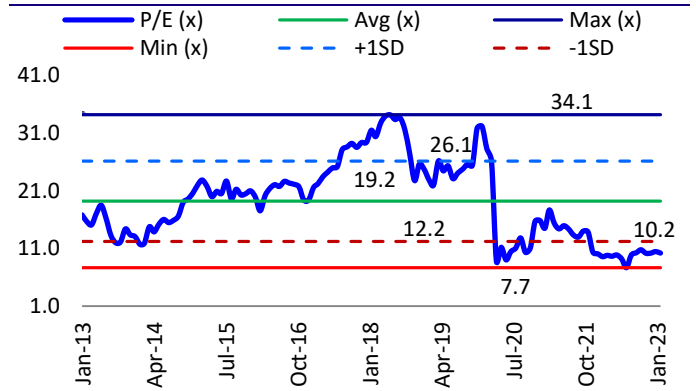
- Asset quality remains steady with GNPA/NNPA at 2.06%/0.62% as of Dec'22, due to a gradual decline in slippages and healthy reductions. CE for the bank too remains healthy. Restructured book moderated to 1.25% from 1.5% in 2QFY23. A healthy PCR of 71% and contingent provisions provide further comfort. We estimate credit cost to moderate to 1.5%/1.3%/1.1% in FY23E/FY24E/FY25E, respectively.
- Loan growth is witnessing healthy traction across segments. Retail disbursements continue to remain strong and we expect the momentum to continue. 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 is 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 in excess of 40% by FY23. We estimate loan book to grow at 20% over FY22-25.
- **Margins to remain steady:** Rising interest rate is likely to drive yields, which along with pick up in loan growth will likely to support margins despite the bank having a higher proportion of fixed-rate loans.
- **Buy with a TP of INR1,550:** IIB's operating performance remains on track, led by healthy NII growth and controlled provisions. Asset quality remains steady, driven by lower slippages. 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 0.8% of loans will enable a steep decline in credit cost, thus driving a sharp recovery in earnings. We estimate PAT to report 37% CAGR over FY22-25, leading to 18% RoE in FY24. **We reiterate our BUY rating with a TP of INR1,550 (premised on 1.8x Sep'24E ABV).**

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



Source: MOFSL, Company

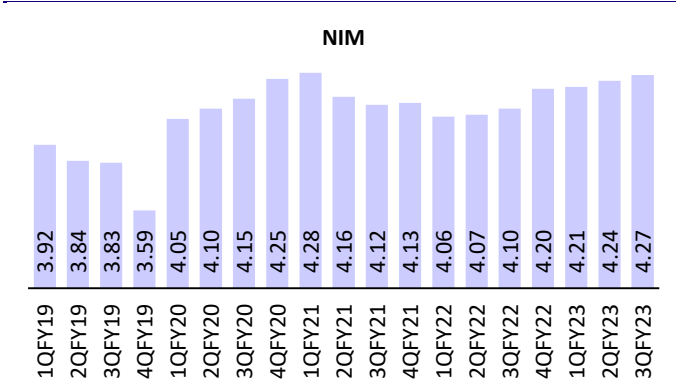
**Exhibit 5: One-year forward P/E**



Source: MOFSL, Company

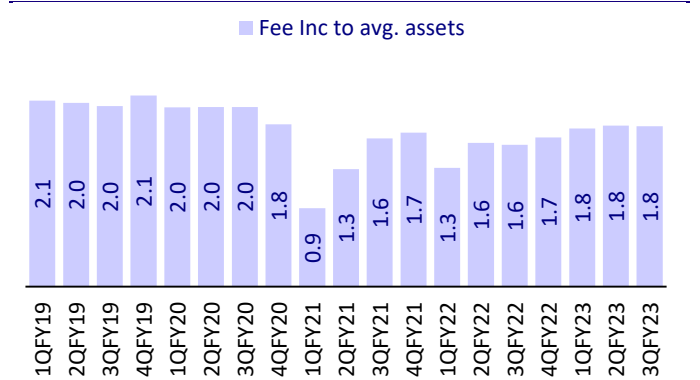
## Story in charts

**Exhibit 1: NIM improves marginally by 3bp QoQ to 4.27%**



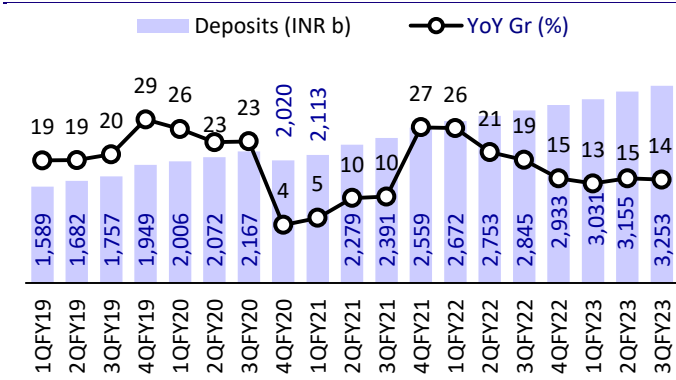
Source: MOFSL, Company

**Exhibit 2: Fee income to average assets is stable at 1.8%**



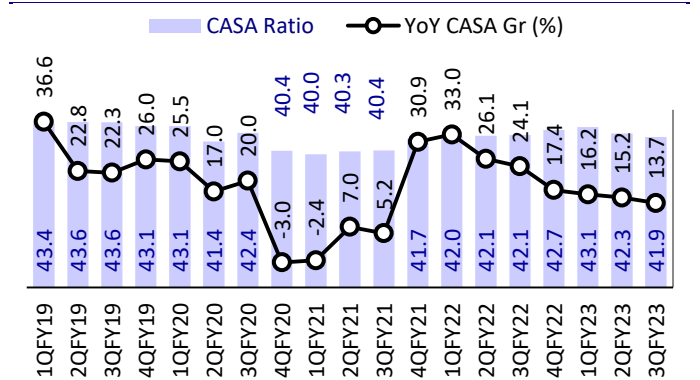
Source: MOFSL, Company

**Exhibit 3: Deposit growth healthy at 14% YoY (up 3.1% QoQ)**



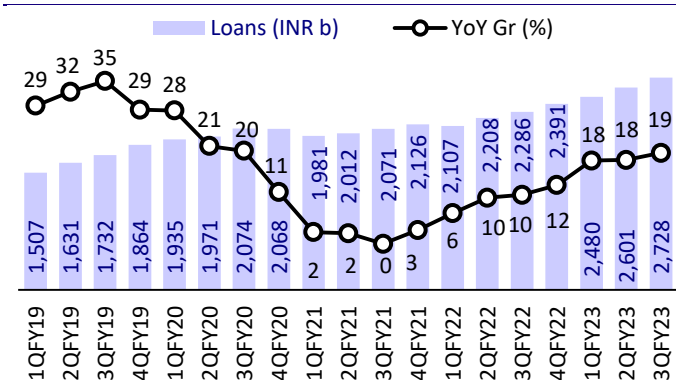
Source: MOFSL, Company

**Exhibit 4: CASA deposits grew 14% YoY; ratio at 42%**



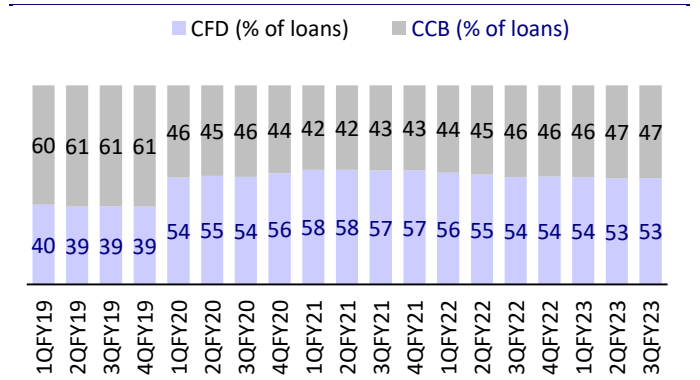
Source: MOFSL, Company

**Exhibit 5: Loan book grew ~19% YoY (up 4.9% QoQ)**



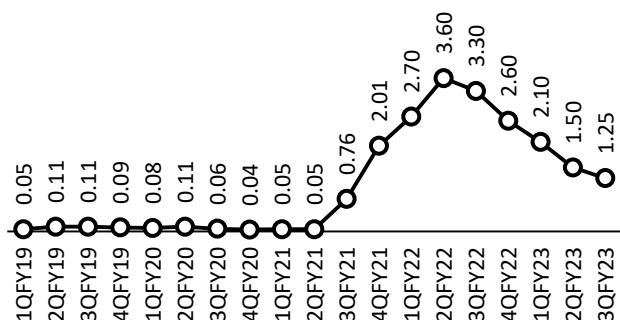
Source: MOFSL, Company

**Exhibit 6: CFD mix stands at 53%, while CCB is at 47%**



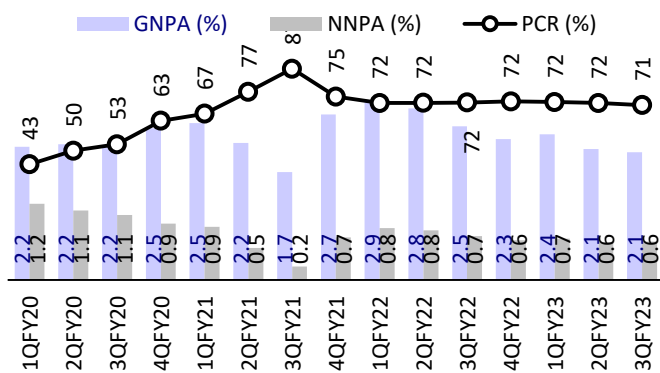
Source: MOFSL, Company

**Exhibit 7: Restructured book moderates to 1.25%**



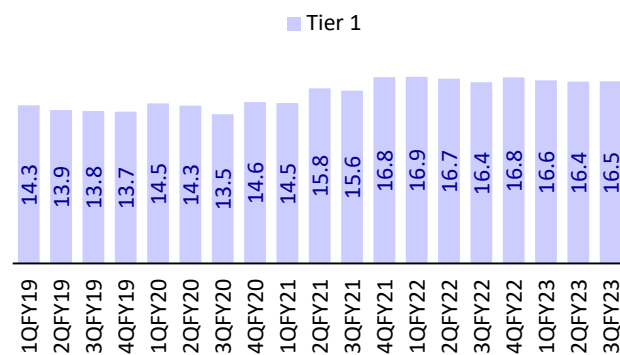
Source: MOFSL, Company

**Exhibit 8: GNPA ratio decreased 5bp QoQ to 2.06%, while NNPA ratio increased 1bp to 0.62%; PCR stands strong at 71%**



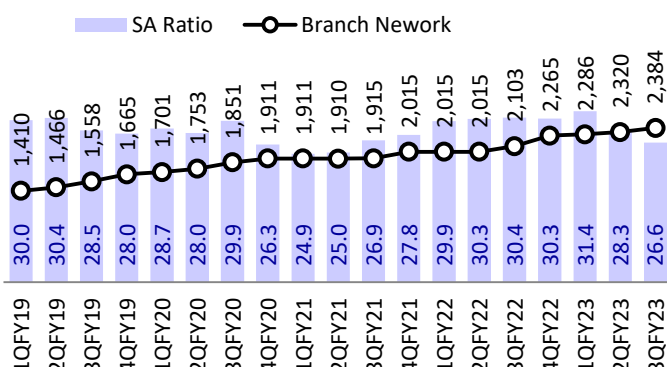
Source: MOFSL, Company

**Exhibit 9: Tier I capital remains healthy at 16.5%**



Source: MOFSL, Company

**Exhibit 10: Bank branch count stood at 2,384**



Source: MOFSL, Company

**Exhibit 11: DuPont Analysis: Return ratios to witness steady pick up**

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	8.63	8.91	9.84	8.66	8.06	8.66	9.23	9.39
Interest Expense	4.89	5.37	5.72	4.62	4.14	4.52	4.94	4.88
<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>4.14</b>	<b>4.30</b>	<b>4.51</b>
Core Fee Income	2.19	2.22	2.19	1.50	1.78	1.86	1.93	1.96
Trading and others	0.18	0.05	0.19	0.44	0.16	0.07	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>1.93</b>	<b>2.00</b>	<b>2.03</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>6.07</b>	<b>6.29</b>	<b>6.53</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>2.65</b>	<b>2.74</b>	<b>2.82</b>
Employee cost	0.89	0.74	0.76	0.91	0.91	0.99	1.03	1.05
Others	1.90	1.82	2.06	1.53	1.53	1.66	1.71	1.77
<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>3.42</b>	<b>3.55</b>	<b>3.72</b>
Core operating Profits	3.14	3.19	3.49	3.10	3.27	3.35	3.48	3.65
<b>Provisions</b>	<b>0.59</b>	<b>1.24</b>	<b>1.59</b>	<b>2.37</b>	<b>1.74</b>	<b>1.05</b>	<b>0.92</b>	<b>0.82</b>
NPA	0.45	1.09	1.24	1.51	1.08	0.92	0.80	0.73
Others	0.14	0.16	0.35	0.86	0.66	0.13	0.12	0.10
<b>PBT</b>	<b>2.74</b>	<b>1.99</b>	<b>2.09</b>	<b>1.17</b>	<b>1.68</b>	<b>2.36</b>	<b>2.63</b>	<b>2.89</b>
Tax	0.94	0.67	0.58	0.30	0.43	0.60	0.66	0.73
<b>RoA</b>	<b>1.80</b>	<b>1.32</b>	<b>1.51</b>	<b>0.87</b>	<b>1.26</b>	<b>1.77</b>	<b>1.97</b>	<b>2.17</b>
Leverage (x)	9.1	10.0	9.6	8.6	8.4	8.4	8.3	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>14.8</b>	<b>16.4</b>	<b>18.0</b>

Source: MOFSL, Company



## Financials and valuations

Income Statement								(INRb)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	172.8	222.6	287.8	290.0	308.2	369.8	452.3	539.0
Interest Expense	97.8	134.1	167.2	154.7	158.2	192.9	241.8	280.2
<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>210.4</b>	<b>258.8</b>
Growth (%)	23.7	18.0	36.3	12.2	10.9	17.9	19.0	23.0
Non-Interest Income	47.5	56.5	69.5	65.0	74.1	82.2	97.8	116.4
<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>259.1</b>	<b>308.3</b>	<b>375.3</b>
Growth (%)	19.7	18.3	31.2	5.4	11.9	15.6	19.0	21.7
Operating Expenses	55.9	64.0	82.4	81.6	93.1	113.3	134.3	161.8
<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>145.9</b>	<b>174.0</b>	<b>213.5</b>
Growth (%)	22.1	21.5	33.2	10.2	10.3	11.4	19.3	22.7
<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>142.9</b>	<b>170.6</b>	<b>209.6</b>
Growth (%)	21.6	26.7	28.2	1.6	20.4	14.3	19.4	22.9
Provisions (exc. tax)	11.8	31.1	46.5	79.4	66.6	44.9	45.0	47.3
<b>PBT</b>	<b>54.8</b>	<b>49.8</b>	<b>61.2</b>	<b>39.3</b>	<b>64.3</b>	<b>100.9</b>	<b>129.0</b>	<b>166.2</b>
Tax	18.7	16.8	17.0	10.0	16.3	25.4	32.5	41.9
Tax Rate (%)	34.2	33.7	27.8	25.4	25.3	25.2	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>75.5</b>	<b>96.5</b>	<b>124.4</b>
Growth (%)	25.7	-8.5	33.8	-33.7	64.0	57.1	27.8	28.9
<b>Balance Sheet</b>								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	6.0	6.0	6.9	7.7	7.7	7.7	7.7	7.7
Reserves & Surplus	232.3	260.7	340.0	427.2	472.4	540.1	628.0	743.1
<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>547.8</b>	<b>635.8</b>	<b>750.8</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>3,373.5</b>	<b>3,980.8</b>	<b>4,697.3</b>
Growth (%)	19.8	28.5	3.7	26.6	14.6	15.0	18.0	18.0
<b>of which CASA Deposits</b>	<b>667.3</b>	<b>840.7</b>	<b>815.7</b>	<b>1,067.9</b>	<b>1,253.3</b>	<b>1,416.9</b>	<b>1,703.8</b>	<b>2,048.0</b>
Growth (%)	43.1	26.0	-3.0	30.9	17.4	13.0	20.2	20.2
Borrowings	382.9	473.2	607.5	513.2	473.2	459.3	508.6	590.0
Other Liabilities & Prov.	78.6	89.4	95.6	122.1	132.7	139.3	153.2	168.6
<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>4,519.9</b>	<b>5,278.3</b>	<b>6,206.7</b>
Current Assets	132.2	147.8	160.0	566.1	685.8	617.1	592.6	634.5
<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>961.8</b>	<b>1,134.9</b>
Growth (%)	36.4	18.4	1.2	16.1	1.8	13.0	20.0	18.0
<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>2,844.7</b>	<b>3,442.1</b>	<b>4,130.5</b>
Growth (%)	28.2	28.6	10.9	2.8	12.4	19.0	21.0	20.0
Fixed Assets	13.4	17.1	18.2	18.8	19.3	20.4	22.1	23.8
<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>4,519.9</b>	<b>5,278.3</b>	<b>6,206.7</b>
<b>Asset Quality</b>								
GNPA	17.0	39.5	51.5	57.9	55.2	56.5	57.1	67.3
NNPA	7.5	22.5	18.9	14.8	15.3	16.7	16.6	19.7
GNPA Ratio	1.2	2.1	2.5	2.7	2.3	2.0	1.6	1.6
NNPA Ratio	0.5	1.2	0.9	0.7	0.6	0.6	0.5	0.5
Slippage Ratio	2.58	3.25	2.97	3.65	4.47	3.0	2.5	2.2
Credit Cost	0.91	1.88	2.37	3.79	2.95	1.5	1.3	1.1
PCR (Excl. Tech. write off)	56.3	43.0	63.3	74.5	72.3	70.4	70.9	70.7

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<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>9.2</b>	<b>9.8</b>	<b>9.9</b>
Avg. Yield on loans	10.6	11.0	12.2	11.5	11.1	11.7	12.0	11.9
Avg. Yield on Investments	6.6	7.3	7.1	6.8	7.2	6.0	5.8	6.1
<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>5.8</b>	<b>5.7</b>
Avg. Cost of Deposits	5.8	6.1	6.5	5.0	4.5	5.0	5.5	5.4
<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>4.5</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>	<b>4.9</b>

### Capitalisation Ratios (%)

CAR	15.0	14.2	15.0	17.4	18.4	18.2	17.2	16.6
Tier I	14.6	13.7	14.6	16.8	16.8	16.8	16.1	15.7
Tier II	0.5	0.5	0.5	0.6	1.6	1.4	1.1	1.0

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	95.6	95.7	102.3	83.1	81.5	84.3	86.5	87.9
CASA Ratio	44.0	43.1	40.4	41.7	42.7	42.0	42.8	43.6
Cost/Assets	2.5	2.3	2.7	2.2	2.3	2.5	2.5	2.6
Cost/Total Income	45.7	44.2	43.3	40.7	41.5	43.7	43.6	43.1
Cost/Core Income	47.1	44.5	44.6	44.0	42.7	44.2	44.1	43.6
Int. Expense/Int. Income	56.6	60.3	58.1	53.4	51.3	52.2	53.5	52.0
Fee Income/Total Income	35.8	38.2	33.7	25.0	30.4	30.6	30.6	30.0
Non Int. Inc./Total Income	38.8	39.0	36.6	32.5	33.1	31.7	31.7	31.0
Emp. Cost/Total Expense	31.8	28.9	26.8	37.3	37.3	37.4	37.5	37.1
Investment/Deposit Ratio	33.0	30.4	29.7	27.2	24.2	23.8	24.2	24.2

### Profitability Ratios and Valuations

RoE	16.5	13.2	14.5	7.6	10.6	14.8	16.4	18.0
RoA	1.8	1.3	1.5	0.9	1.3	1.8	2.0	2.2
RoRWA	2.1	1.5	1.7	1.1	1.6	2.2	2.3	2.5
Book Value (INR)	394	440	498	560	618	705	819	967
Growth (%)	15.3	11.7	13.2	12.5	10.3	14.1	16.1	18.1
<b>Price-BV (x)</b>	<b>3.1</b>	<b>2.8</b>	<b>2.5</b>	<b>2.2</b>	<b>2.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.3</b>
Adjusted BV (INR)	385	414	478	547	604	690	804	949
<b>Price-ABV (x)</b>	<b>3.2</b>	<b>3.0</b>	<b>2.6</b>	<b>2.2</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>
EPS (INR)	60.2	54.9	68.2	39.9	62.1	97.4	124.5	160.5
Growth (%)	25.2	-8.8	24.2	-41.4	55.4	57.0	27.8	28.9
<b>Price-Earnings (x)</b>	<b>20.3</b>	<b>22.3</b>	<b>17.9</b>	<b>30.6</b>	<b>19.7</b>	<b>12.5</b>	<b>9.8</b>	<b>7.6</b>

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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