

# IndusInd Bank

BSE SENSEX 59,135 S&P CNX 17,327

**CMP: INR1,146 TP: INR1,450 (+27%) Buy**

## IndusInd Bank

|                       |              |
|-----------------------|--------------|
| Bloomberg             | IIB IN       |
| Equity Shares (m)     | 757          |
| M.Cap.(INRb)/(USDb)   | 888.7 / 10.8 |
| 52-Week Range (INR)   | 1275 / 764   |
| 1, 6, 12 Rel. Per (%) | 1/3/22       |
| 12M Avg Val (INR M)   | 3821         |
| Free float (%)        | 84.8         |

### Financials & Valuation (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)   | 11.8 | 9.2 | 7.1 |
| P/BV (X)  | 1.6  | 1.4 | 1.2 |
| P/ABV (X) | 1.7  | 1.4 | 1.2 |

### Shareholding pattern (%)

| As On    | Dec-22 | Sep-22 | Dec-21 |
|----------|--------|--------|--------|
| Promoter | 15.2   | 15.2   | 15.2   |
| DII      | 22.7   | 20.8   | 18.6   |
| FII      | 49.7   | 51.3   | 52.0   |
| Others   | 12.5   | 12.8   | 14.3   |

FII Includes depository receipts

### The RBI approves re-appointment of MD & CEO for two years

Focus to shift on fundamental performance; estimate FY25 RoE at 18%

- The RBI approved the re-appointment of Mr. Sumant Kathpalia as the MD & CEO of IndusInd Bank (IIB) for a period of two years, effective 24th Mar'23, after his current term ends on 23rd Mar'23. There was uncertainty around his extension and all sorts of conjectures were made with respect to the tenure that will get approved by the central bank.
- We note that there had been instances in the past where despite a shorter term approval, the MD & CEOs of other banks had been able to secure a three-year regular term during subsequent renewals. Refer to Exhibit 1 for more details.
- IIB's stock price has been under pressure not only due to the macro uncertainty but also because of the clarity around the extension. We thus believe the RBI approval will now shift the focus to the fundamental performance of the bank.
- IIB has been demonstrating a healthy improvement in operating performance fueled by a pick-up in loan growth, strengthening liability franchise and improving asset quality. We estimate IIB to deliver 20% loan CAGR over FY23-25.
- Asset quality risks are receding with a gradual reduction in slippages, which will drive a continued moderation in credit costs. We estimate IIB to deliver ~28% earnings CAGR over FY23-25, while RoA/RoE would expand to 2.2%/18.0%. We reiterate our BUY rating with a TP of INR1,450 (premised on 1.7x Sep'24E ABV).

### The RBI approves re-appointment of the MD & CEO for two years

The RBI has approved the re-appointment of Mr. Sumant Kathpalia as the MD & CEO of the bank for a period of two years, effective 24<sup>th</sup> Mar'23. This has come amid heightened doubts and conjectures on the term of the extension. We note that there had been instances in the past where despite a shorter term approval, the MD & CEOs of other banks had been able to secure a three-year regular term during subsequent renewals. IIB's stock price has been under pressure not only due to the macro uncertainty but also because of the clarity around the extension. We thus believe that post this approval from the RBI the focus will now shift to the fundamental performance of the bank.

### Growth outlook improving; key business segments to drive growth

IIB is seeing a gradual recovery in growth over the past few quarters, led by a healthy pickup in both Corporate and Retail loans. After reporting a modest growth of ~9% YoY over FY19-22, advances grew ~18-19% YoY in the past three quarters, with Corporate/Retail loans rising 20-23%/13-18%. CV cycle is witnessing an improvement, which along with a recovery in MFI cycle will aid its loan growth. IIB has guided for a loan growth of >20% over medium term.

### Liability franchise strengthening; retail deposit mix increases to 42%

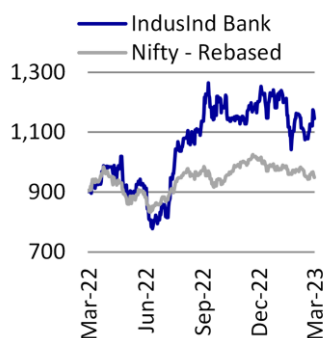
IIB has been successful in strengthening its liability franchise with intensified focus on garnering Retail deposits. The same clocked 39% CAGR over FY20-22 (+21% YoY in 3QFY23), with the mix as per LCR rising >1,000bp to 42%. Similarly, the concentration of the top 20 depositors fell to 15% (v/s 21.7% in FY21). LCR ratio too remained healthy at ~117%. The management remains focused on increasing the Retail mix to 45-50%. We expect deposits to post 18% CAGR over FY23-25.

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**Stock's performance (one-year)****Credit costs set to moderate; asset quality risks receding**

IIB has been reporting a gradual improvement in asset quality led by moderation in slippages, particularly from the MFI/Vehicle segment. Restructuring book too has moderated to 1.25% of loans, which coupled with a low SMA 1 and 2 book of 32bp will keep the slippages controlled. BB and below pool moderated to 4% in 3QFY23, which, coupled with an expectation of a resilient corporate cycle, will keep credit costs under control. The management has fully provided for its funded exposure to a telecom company, and intends to maintain an additional buffer of INR20b (0.7% of loans) on an ongoing basis. The bank expects credit costs to moderate to 120-150bp in FY23, while we have built in at 1.5%/1.3%/1.1% for FY23/FY24/FY25.

**Margins/return ratios to inch up gradually; capital level healthy**

The interest rate differential on term deposits for IIB stands higher v/s its peers with the SA rate also being comparatively higher. The heightened competition to garner deposits and rising interest rate will result in an increase in cost of funds (IIB expects CoF to rise 25-30bp on a quarterly basis). However, an increase in the CD ratio coupled with higher yields on incremental lending – as the fixed rate book re-prices – will likely lead to an expansion in margin over FY23-25 (calculated margin to improve 20-30bp). Capitalization level too remains healthy at ~18% (Tier 1 of 16.5%) to pursue growth opportunities. This along with a gradual moderation in credit cost will drive earnings. We expect return ratios to inch up gradually and estimate an FY25 RoA/RoE of 2.2%/18.0%.

**Valuation and view**

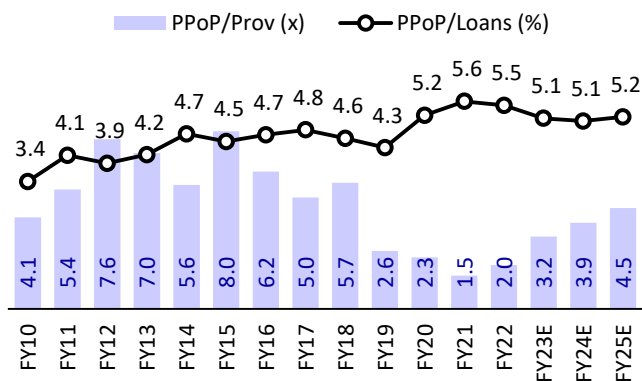
IIB's operating performance remains on track, led by healthy NII growth and controlled provisions. IIB is guiding for continued momentum in loan growth and is looking to deliver >20% growth in the medium term fueled by continued market share gains in its key domains, while also scaling up new business verticals. This is likely to aid margins. Asset quality remains steady driven by lower slippages while healthy provisioning in the MFI portfolio and contingent provisioning buffer of 0.8% of loans will enable a steep decline in credit costs, thus driving recovery in earnings. **We estimate PAT to report 28% CAGR over FY23-25 leading to an 18% RoE in FY25. We reiterate BUY with a TP of INR1,450 (premised on 1.7x Sep'24E ABV).**

**Exhibit 1: Instances where MD & CEOs got the extension for less than/equal to three years**

| Bank         | MD & CEO              | From        | To          | Extension |
|--------------|-----------------------|-------------|-------------|-----------|
| Federal Bank | Mr. Shyam Srinivasan  | 23rd Sep'16 | 22nd Sep'19 | 3         |
| Federal Bank | Mr. Shyam Srinivasan  | 23rd Sep'19 | 22nd Sep'20 | 1         |
| Federal Bank | Mr. Shyam Srinivasan  | 23rd Sep'20 | 22nd Sep'21 | 1         |
| Federal Bank | Mr. Shyam Srinivasan  | 23rd Sep'21 | 22nd Sep'24 | 3         |
| DCB Bank     | Mr. Murali M Natrajan | 29th Apr'18 | 28th Apr'21 | 3         |
| DCB Bank     | Mr. Murali M Natrajan | 29th Apr'21 | 28th Apr'22 | 1         |
| DCB Bank     | Mr. Murali M Natrajan | 29th Apr'22 | 28th Apr'24 | 2         |

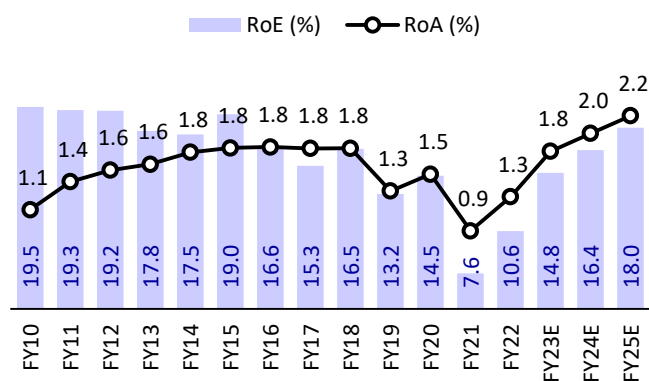
Source: Company, MOFSL

**Exhibit 2: PPOP to provision/loans set to improve gradually**



Source: MOFSL, Company

**Exhibit 3: Return ratios to improve gradually with RoA/RoE of 2.2%/18.0% by FY25**



Source: MOFSL, Company

**Exhibit 4: DuPont Analysis – Return ratios to show a steady improvement from FY22**

| 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              |                |                |                |                |                |                |                |                | (INR b) |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------|
| 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 (excl. 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           |         |

Source: Company, MOFSL

## 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>2.9</b>  | <b>2.6</b>  | <b>2.3</b>  | <b>2.0</b>  | <b>1.9</b>  | <b>1.6</b>  | <b>1.4</b> | <b>1.2</b> |
| Adjusted BV (INR)         | 385         | 414         | 478         | 547         | 604         | 690         | 804        | 949        |
| <b>Price-ABV (x)</b>      | <b>3.0</b>  | <b>2.8</b>  | <b>2.4</b>  | <b>2.1</b>  | <b>1.9</b>  | <b>1.7</b>  | <b>1.4</b> | <b>1.2</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>19.0</b> | <b>20.9</b> | <b>16.8</b> | <b>28.7</b> | <b>18.5</b> | <b>11.8</b> | <b>9.2</b> | <b>7.1</b> |

Source: Company, MOFSL

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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