

BUY**IndusInd Bank****Stable margins, but asset quality a tad upset**

BFSI - Banks ▶ Result Update ▶ January 19, 2024

TARGET PRICE (Rs): 2,000

IndusInd Bank (IIB) continues to report stable margins, but lower-than-expected other income and higher opex led to a slight miss in earnings with PAT at Rs23bn/1.9% RoA. Asset quality tripped again with slippages being higher at Rs17.7bn/2.2% of loans mainly due to stress in VF (primarily attributed to recent floods in TN), agri, LAP, and merchant-acquiring business. However, the bank expects some NPA recovery in Q4 leading to moderation in NPA ratios. Separately, the bank has reported Rs2bn release from contingent buffer due to reduced exposure to Telco (Vodafone). In-line with the bank's stated liability retailization strategy, retail deposit share has improved to 45% from 43% a year ago, which it plans to take up to ~50% over FY24-26E. We have trimmed our earnings estimates by ~3%, factoring higher opex/provisions, while we expect the bank to deliver healthy RoA/RoE at 1.9-2%/16-18% over FY24-26E. The bank carries reasonable contingent provision (0.4% of loans) as well as capital buffers (CET 1 at ~16.1%), while any infusion by promoters to increase stake should further boost capital levels. We retain Buy with a TP of Rs2,000/share, implying 2.2x Dec-25E ABV.

IndusInd Bank: Financial Snapshot (Standalone)

| Y/E March (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------|--------|--------|--------|----------|----------|
| Net profit | 46,111 | 73,897 | 90,746 | 1,11,850 | 1,38,815 |
| Loan growth (%) | 12.4 | 21.3 | 20.0 | 21.6 | 23.0 |
| NII growth (%) | 10.9 | 17.3 | 17.8 | 17.1 | 20.6 |
| NIM (%) | 4.2 | 4.4 | 4.5 | 4.5 | 4.5 |
| PPOP growth (%) | 9.5 | 11.7 | 11.8 | 18.8 | 25.0 |
| Adj. EPS (Rs) | 59.5 | 95.2 | 116.7 | 143.8 | 178.5 |
| Adj. EPS growth (%) | 62.3 | 60.0 | 22.5 | 23.3 | 24.1 |
| Adj. BV (INR) | 584.8 | 646.6 | 714.9 | 822.7 | 957.2 |
| Adj. BVPS growth (%) | 8.6 | 10.6 | 10.6 | 15.1 | 16.4 |
| RoA (%) | 1.2 | 1.7 | 1.9 | 1.9 | 2.0 |
| RoE (%) | 10.2 | 14.5 | 15.6 | 16.8 | 17.9 |
| P/E (x) | 27.1 | 16.9 | 13.8 | 11.2 | 9.0 |
| P/ABV (x) | 2.8 | 2.5 | 2.3 | 2.0 | 1.7 |

Source: Company, Emkay Research

Higher LDR, cash balance run-down, and better portfolio mix support margins

The bank reported healthy credit growth at 20% YoY/4% QoQ, primarily led by strong growth in the VF, mortgages (especially AHS), SME/BB, and cards. Going forward, the bank believes incremental growth will be guided by its strategy to deliver better RaRoC (>2.5% instead of just chasing growth). In the long run, the bank plans to focus on micro-banking vs. MFI, whose share should gradually come down and will be replaced by Cards. Deposit growth remains lower at 14% YoY/3% QoQ (though retail deposits grew by 5% QoQ), leading to slight LDR expansion, which coupled with continued reduction in cash balances and better portfolio mix helped the bank sustain NIMs at 4.3%.

Asset quality trips again; contingency buffer also dips

Fresh slippages inched up again to Rs17.7bn/2.2% of loans due to floods in TN/heavy fog in the north affecting the VF business, apart from some stress in agri, LAP, and merchant-acquiring business. However, GNPA/NNPA ratio remained unchanged at 1.9%/0.6% of loans, primarily due to growth. IIB continues to run down the contingency provision buffer in Q3 as well, given the release from Telco exposure, which now stands at Rs13bn/0.4% of loans. Further, the bank may take some hit on its AIF portfolio (<Rs1bn) in Q4 and, thus, could keep provisions elevated in the near term.

Retain BUY with a TP of Rs2,000/share

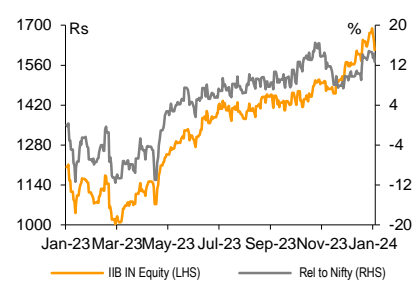
Despite the slight asset-quality shock in Q3, we take comfort from the bank's healthy retail growth (assets/liabilities), stable margins amid expected contraction among peers, lower exposure to unsecured loans (incl. PL/Cards) vs. peers, and reasonable provision/capital buffers. We have trimmed our earnings estimates by ~3%, factoring in higher opex/provisions, while we expect the bank to deliver healthy RoA/RoE at 1.9-2%/16-18% over FY24-26E. We retain BUY with a TP of Rs2,000/share, implying 2.2x Dec-25E ABV. **Key Risks:** Slower-than-expected credit growth, asset-quality deterioration in CFD, and KMP attrition.

| | |
|-------------------------|---------|
| Target Price – 12M | Dec-24 |
| Change in TP (%) | - |
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Upside/(Downside) (%) | 24.0 |
| CMP (18-Jan-24) (Rs) | 1,612.9 |

| Stock Data | Ticker |
|-----------------------------|-----------|
| 52-week High (Rs) | 1,695 |
| 52-week Low (Rs) | 990 |
| Shares outstanding (mn) | 777.7 |
| Market-cap (Rs bn) | 1,254 |
| Market-cap (USD mn) | 15,091 |
| Net-debt, FY24E (Rs mn) | NA |
| ADTV-3M (mn shares) | 4 |
| ADTV-3M (Rs mn) | 5,652.1 |
| ADTV-3M (USD mn) | 68.0 |
| Free float (%) | 85.0 |
| Nifty-50 | 21,462 |
| INR/USD | 83.1 |
| Shareholding, Sep-23 | |
| Promoters (%) | 15.1 |
| FPIs/MFs (%) | 38.1/26.3 |

Price Performance

| (%) | 1M | 3M | 12M |
|---------------|-----|------|------|
| Absolute | 3.6 | 13.6 | 31.9 |
| Rel. to Nifty | 3.4 | 4.1 | 11.6 |

1-Year share price trend (Rs)**Anand Dama**

anand.dama@emkayglobal.com
+91 22 6624 2480

Kunaal N

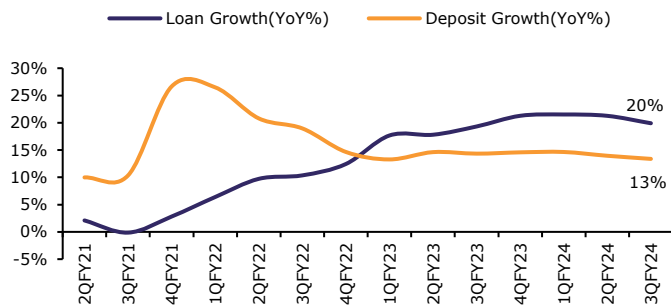
kunaal.n@emkayglobal.com
+91 22 6612 1275

Marazbaan Dastur

marazbaan.dastur@emkayglobal.com
+91 22 6612 1281

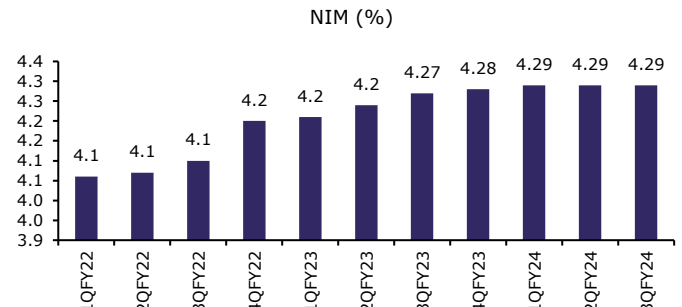
Story in Charts

Exhibit 1: Healthy credit growth, but deposit growth lags



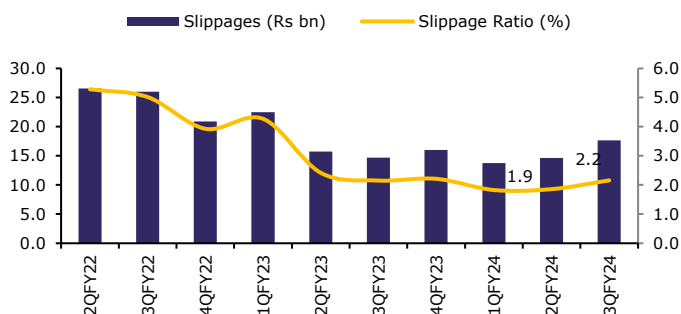
Source: Company, Emkay Research

Exhibit 2: Better LDR, portfolio mix, and cash balance run-down help sustain NIMs



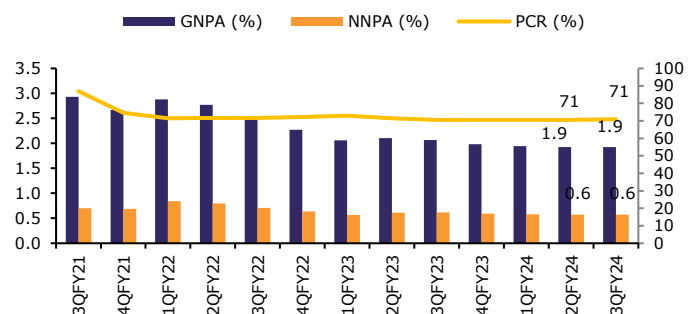
Source: Company, Emkay Research

Exhibit 3: Fresh slippages inched up again due to higher slippages in CFD and one a/c in the corporate book...



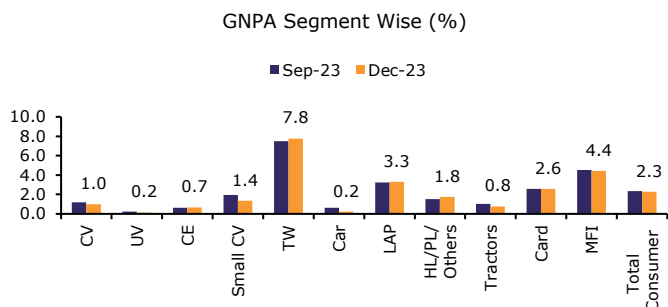
Source: Company, Emkay Research

Exhibit 4: ...but better recoveries/growth led to stable GNPA ratio



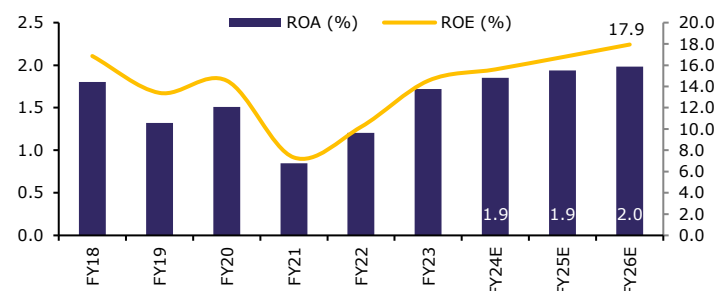
Source: Company, Emkay Research

Exhibit 5: TW, LAP, Merchant loan NPAs inch up q-o-q



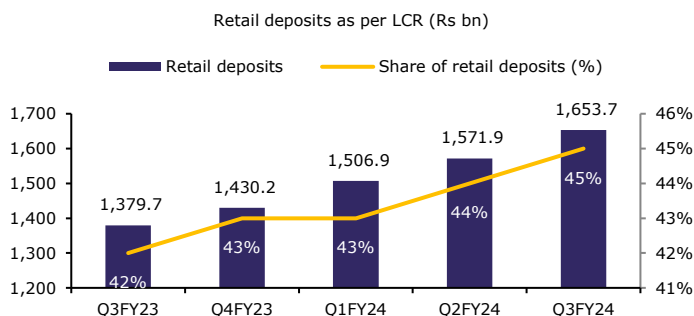
Source: Company, Emkay Research

Exhibit 6: Return ratios expected to rise on the back of strong credit growth and contained LLP



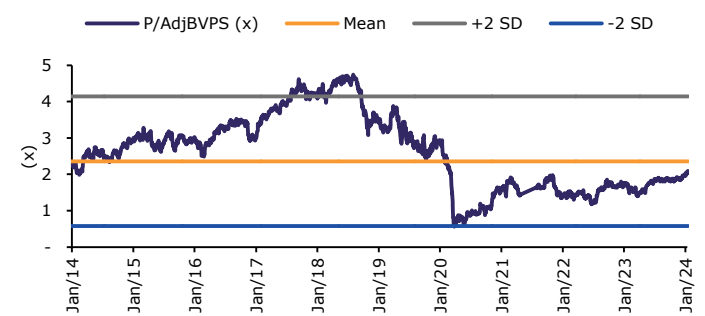
Source: Company, Emkay Research

Exhibit 7: Retail deposit share has been increasing steadily



Source: Company, Emkay Research

Exhibit 8: The stock trades at 2.2x its one-year forward ABV



Source: Bloomberg, Emkay Research

Exhibit 9: Actuals vs. Estimates (Q3FY24)

| Rs mn | Actuals | Estimates | | Variation (%) | | Comments |
|------------|---------|-----------|-----------|---------------|-----------|---|
| | | Emkay | Consensus | Emkay | Consensus | |
| Net income | 76,916 | 81,852 | 72,899 | -6% | 6% | Lower-than-expected other income led to a miss. |
| PPOP | 40,423 | 46,793 | 40,251 | -14% | 0% | Miss in net income and higher opex led to a miss in PPOP. |
| PAT | 23,014 | 24,422 | 22,301 | -6% | 3% | Lower PPOP partially offset by lower provisions led to a miss in PAT. |

Source: Company, Emkay Research

Exhibit 10: Quarterly summary (Q3FY24)

| (Rs mn) | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | YoY (%) | QoQ (%) | FY23A | FY24E | YoY (%) |
|---------------------------|--------|----------|----------|----------|----------|---------|---------|----------|----------|---------|
| Interest Earned | 94,574 | 1,00,207 | 1,07,297 | 1,12,478 | 1,15,723 | 22 | 3 | 3,63,679 | 4,58,418 | 26 |
| Interest Exp. | 49,621 | 53,513 | 58,625 | 61,711 | 62,766 | 26 | 2 | 1,87,758 | 2,51,109 | 34 |
| Net Interest Income | 44,954 | 46,695 | 48,671 | 50,767 | 52,956 | 18 | 4 | 1,75,921 | 2,07,309 | 18 |
| Global NIMs (Reported) | 4.27 | 4.28 | 4.29 | 4.29 | 4.29 | 2bps | 0bps | 4.37 | 4.54 | 17bps |
| Non-interest Income | 20,765 | 21,536 | 22,098 | 22,819 | 23,959 | 15 | 5 | 81,664 | 93,864 | 15 |
| Operating Expenses | 28,854 | 30,656 | 32,455 | 34,499 | 36,492 | 26 | 6 | 1,14,120 | 1,40,812 | 23 |
| Pre Provisioning Profit | 36,864 | 37,575 | 38,315 | 39,087 | 40,423 | 10 | 3 | 1,43,465 | 1,60,361 | 12 |
| Provision & Contingencies | 10,647 | 10,301 | 9,916 | 9,738 | 9,693 | -9 | 0 | 44,868 | 39,043 | -13 |
| PBT | 26,217 | 27,275 | 28,399 | 29,349 | 30,731 | 17 | 5 | 98,596 | 1,21,319 | 23 |
| Income Tax Expense | 6,582 | 6,841 | 7,155 | 7,329 | 7,717 | 17 | 5 | 24,699 | 30,572 | 24 |
| Net Profit/(Loss) | 19,635 | 20,434 | 21,244 | 22,021 | 23,015 | 17 | 5 | 73,897 | 90,746 | 23 |
| Gross NPA (%) | 2.06 | 1.98 | 1.94 | 1.93 | 1.92 | -14bps | 0bps | 1.98 | 1.78 | -20bps |
| Net NPA (%) | 0.62 | 0.59 | 0.58 | 0.57 | 0.57 | -4bps | 0bps | 0.59 | 0.52 | -7bps |
| Deposits (Rs bn) | 3,253 | 3,361 | 3,470 | 3,595 | 3,688 | 13 | 3 | 3,364 | 3,916 | 16 |
| Net Advances (Rs bn) | 2,728 | 2,899 | 3,013 | 3,155 | 3,271 | 20 | 4 | 2,899 | 3,478 | 20 |

Source: Company, Emkay Research

Exhibit 11: Revision in Estimates

| Y/E March (Rs mn) | FY24E | | | FY25E | | | FY26E | | |
|-------------------|----------|----------|--------|----------|----------|--------|----------|----------|--------|
| | Earlier | Revised | Change | Earlier | Revised | Change | Earlier | Revised | Change |
| Net income | 3,01,936 | 3,01,173 | -0.3% | 3,60,812 | 3,53,607 | -2.0% | 4,36,817 | 4,27,543 | -2.1% |
| PPOP | 1,64,311 | 1,60,361 | -2.4% | 1,99,439 | 1,90,520 | -4.5% | 2,47,527 | 2,38,067 | -3.8% |
| PAT | 93,901 | 90,746 | -3.4% | 1,16,115 | 1,11,850 | -3.7% | 1,43,450 | 1,38,815 | -3.2% |
| EPS (Rs) | 120.8 | 116.7 | -3.4% | 149.4 | 143.8 | -3.8% | 184.6 | 178.5 | -3.3% |
| BV (Rs) | 735.2 | 730.9 | -0.6% | 851.6 | 842.1 | -1.1% | 997.8 | 981.4 | -1.6% |

Source: Emkay Research

Exhibit 12: Key assumptions

| | FY23A | FY24E | FY25E | FY26E |
|--------------------|-------|-------|-------|-------|
| Loan Growth (%) | 21.3 | 20.0 | 21.6 | 23.0 |
| Deposit Growth (%) | 14.6 | 16.4 | 22.8 | 24.4 |
| NIM (%) | 4.4 | 4.5 | 4.5 | 4.5 |
| GNPA (%) | 2.0 | 1.8 | 1.7 | 1.7 |
| Credit Cost (%) | 1.6 | 1.2 | 1.1 | 1.1 |

Source: Emkay Research

Exhibit 13: Key ratios and trends

| | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Loans (Rs bn) | 2,286 | 2,391 | 2,480 | 2,601 | 2,728 | 2,899 | 3,013 | 3,155 | 3,271 |
| Growth YoY (%) | 10.4 | 12.4 | 17.7 | 17.8 | 19.3 | 21.3 | 21.5 | 21.3 | 19.9 |
| Growth QoQ (%) | 3.5 | 4.6 | 3.7 | 4.9 | 4.9 | 6.3 | 3.9 | 4.7 | 3.7 |
| Composition (%) | | | | | | | | | |
| - Large Corporate | 23.5 | 25.2 | 25.1 | 26.4 | 26.1 | 25.6 | 25.6 | 25.1 | 24.8 |
| - SME/Business Banking | 27.6 | 25.6 | 25.9 | 25.2 | 25.2 | 25.4 | 25.6 | 25.1 | 24.9 |
| - Retail | 48.9 | 49.2 | 48.9 | 48.4 | 48.7 | 49.0 | 48.8 | 49.7 | 50.3 |
| Liability Profile | | | | | | | | | |
| Deposits (Rs bn) | 2,845 | 2,933 | 3,027 | 3,155 | 3,253 | 3,361 | 3,470 | 3,595 | 3,688 |
| Growth YoY (%) | 19.0 | 14.6 | 13.3 | 14.6 | 14.3 | 14.6 | 14.6 | 13.9 | 13.4 |
| Growth QoQ (%) | 3.3 | 3.1 | 3.2 | 4.2 | 3.1 | 3.3 | 3.3 | 3.6 | 2.6 |
| CASA (%) | 42.1 | 42.7 | 43.1 | 42.3 | 41.9 | 40.1 | 39.9 | 39.3 | 38.5 |
| CA (%) | 11.7 | 12.4 | 11.6 | 14.0 | 15.4 | 15.1 | 14.2 | 13.9 | 13.6 |
| SA (%) | 30.4 | 30.3 | 31.5 | 28.3 | 26.6 | 25.0 | 25.7 | 25.5 | 24.9 |
| Branches | 2,103 | 2,265 | 2,286 | 2,320 | 2,384 | 2,606 | 2,606 | 2,631 | 2,728 |
| Yield on Advances (%) | 11.36 | 11.29 | 11.39 | 11.51 | 11.75 | 12.02 | 12.24 | 12.30 | 12.45 |
| Cost of Deposits (%) | 4.66 | 4.60 | 4.79 | 5.10 | 5.47 | 5.81 | 6.12 | 6.35 | 6.44 |
| NIM (%) | 4.10 | 4.20 | 4.21 | 4.24 | 4.27 | 4.28 | 4.29 | 4.29 | 4.29 |
| Asset Quality | | | | | | | | | |
| GNPA (%) | 2.5 | 2.3 | 2.4 | 2.1 | 2.1 | 2.0 | 2.0 | 2.0 | 1.9 |
| NNPA (%) | 0.7 | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| PCR (%) | 71.7 | 72.3 | 72.0 | 71.5 | 70.6 | 70.6 | 70.6 | 70.6 | 70.6 |
| Slippages (Rs mn) | 25,980 | 20,880 | 22,500 | 15,720 | 14,670 | 16,030 | 13,760 | 14,650 | 17,650 |
| Corporate (Rs mn) | 560 | 3,460 | 6,020 | 1,790 | 1,190 | 2,640 | 430 | 2,140 | 3,120 |
| Consumer (Rs mn) | 25,420 | 17,420 | 16,480 | 13,930 | 13,480 | 13,390 | 13,330 | 12,510 | 14,530 |
| Slippages (%) | 5.0 | 3.9 | 4.3 | 2.8 | 2.6 | 2.7 | 2.2 | 2.3 | 2.6 |
| CAR (%) | 18.1 | 18.4 | 18.1 | 18.0 | 18.0 | 17.9 | 18.4 | 18.2 | 17.9 |
| Tier I (%) | 16.4 | 16.8 | 16.6 | 16.4 | 16.5 | 16.4 | 16.9 | 16.9 | 16.5 |
| ROE Decomposition | | | | | | | | | |
| NII | 3.9 | 4.0 | 4.1 | 4.1 | 4.1 | 4.1 | 4.2 | 4.3 | 4.4 |
| Other Income | 1.6 | 1.7 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.9 |
| Opex | 2.4 | 2.5 | 2.6 | 2.6 | 2.7 | 2.7 | 2.8 | 2.9 | 3.0 |
| PPOP | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.3 | 3.3 | 3.3 | 3.3 |
| Provisioning Cost | 1.7 | 1.5 | 1.2 | 1.1 | 1.0 | 0.9 | 0.9 | 0.8 | 0.8 |
| PBT | 1.7 | 1.9 | 2.1 | 2.3 | 2.4 | 2.4 | 2.5 | 2.5 | 2.5 |
| Tax | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| ROA | 1.3 | 1.4 | 1.6 | 1.7 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 |
| Leverage (x) | 8.4 | 8.4 | 8.3 | 8.3 | 8.4 | 8.4 | 8.2 | 8.2 | 8.1 |
| ROE | 10.8 | 11.8 | 13.4 | 14.4 | 15.1 | 15.2 | 15.2 | 15.2 | 15.4 |

Source: Company, Emkay Research

IndusInd Bank: Standalone Financials and Valuations

| Profit and Loss | | | | | |
|----------------------------|----------|----------|----------|----------|----------|
| Y/E March (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| Interest Income | 3,08,224 | 3,63,679 | 4,58,418 | 5,35,062 | 6,36,408 |
| Interest Expense | 1,58,216 | 1,87,758 | 2,51,109 | 2,92,231 | 3,43,607 |
| Net interest income | 1,50,008 | 1,75,921 | 2,07,309 | 2,42,831 | 2,92,801 |
| NII growth (%) | 10.9 | 17.3 | 17.8 | 17.1 | 20.6 |
| Other income | 73,970 | 81,664 | 93,864 | 1,10,776 | 1,34,742 |
| Total Income | 2,23,979 | 2,57,585 | 3,01,173 | 3,53,607 | 4,27,543 |
| Operating expenses | 95,593 | 1,14,120 | 1,40,812 | 1,63,087 | 1,89,476 |
| PPOP | 1,28,386 | 1,43,465 | 1,60,361 | 1,90,520 | 2,38,067 |
| PPOP growth (%) | 9.5 | 11.7 | 11.8 | 18.8 | 25.0 |
| Core PPOP | 1,22,454 | 1,43,631 | 1,55,912 | 1,84,737 | 2,31,994 |
| Provisions & contingencies | 66,650 | 44,868 | 39,043 | 40,988 | 52,485 |
| PBT | 61,736 | 98,596 | 1,21,319 | 1,49,533 | 1,85,582 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Tax expense | 15,625 | 24,699 | 30,572 | 37,682 | 46,767 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Income from JV/Associates | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 46,111 | 73,897 | 90,746 | 1,11,850 | 1,38,815 |
| PAT growth (%) | 62.6 | 60.3 | 22.8 | 23.3 | 24.1 |
| Adjusted PAT | 46,111 | 73,897 | 90,746 | 1,11,850 | 1,38,815 |
| Diluted EPS (Rs) | 62.0 | 95.2 | 116.6 | 143.7 | 178.3 |
| Diluted EPS growth (%) | 55.1 | 53.5 | 22.5 | 23.3 | 24.1 |
| DPS (Rs) | 8.5 | 14.0 | 18.0 | 22.5 | 26.5 |
| Dividend payout (%) | 14.3 | 14.7 | 15.4 | 15.6 | 14.8 |
| Effective tax rate (%) | 25.3 | 25.1 | 25.2 | 25.2 | 25.2 |
| Net interest margins (%) | 4.2 | 4.4 | 4.5 | 4.5 | 4.5 |
| Cost-income ratio (%) | 42.7 | 44.3 | 46.8 | 46.1 | 44.3 |
| Shares outstanding (mn) | 774.7 | 775.9 | 777.7 | 777.7 | 777.7 |

Source: Company, Emkay Research

| Balance Sheet | | | | | |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Y/E March (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| Share capital | 7,747 | 7,759 | 7,777 | 7,777 | 7,777 |
| Reserves & surplus | 4,69,065 | 5,38,015 | 6,19,158 | 7,14,122 | 8,31,450 |
| Net worth | 4,76,812 | 5,45,773 | 6,26,935 | 7,21,899 | 8,39,227 |
| Deposits | 29,36,813 | 33,64,381 | 39,15,536 | 48,08,102 | 59,79,677 |
| Borrowings | 4,73,232 | 4,90,112 | 4,49,891 | 4,91,790 | 5,37,579 |
| Interest-bearing liab. | 34,10,046 | 38,54,494 | 43,65,427 | 52,99,892 | 65,17,257 |
| Other liabilities & prov. | 1,32,889 | 1,77,773 | 2,37,957 | 2,85,089 | 3,35,818 |
| Total liabilities & equity | 40,19,746 | 45,78,040 | 52,30,319 | 63,06,880 | 76,92,302 |
| Net advances | 23,90,515 | 28,99,237 | 34,78,109 | 42,28,441 | 52,00,286 |
| Investments | 7,09,708 | 8,31,162 | 9,89,346 | 11,87,049 | 14,43,987 |
| Cash, other balances | 6,82,745 | 5,65,111 | 3,92,888 | 4,50,491 | 5,21,381 |
| Interest earning assets | 37,82,968 | 42,95,510 | 48,60,343 | 58,65,980 | 71,65,653 |
| Fixed assets | 18,487 | 19,926 | 23,284 | 26,078 | 29,208 |
| Other assets | 2,18,291 | 2,62,604 | 3,46,691 | 4,14,821 | 4,97,442 |
| Total assets | 40,19,746 | 45,78,041 | 52,30,319 | 63,06,880 | 76,92,302 |
| BVPS (Rs) | 599.3 | 662.3 | 730.9 | 842.1 | 981.4 |
| Adj. BVPS (INR) | 584.8 | 646.6 | 714.9 | 822.7 | 957.2 |
| Gross advances | 24,30,389 | 29,40,350 | 35,22,539 | 42,79,885 | 52,64,259 |
| Credit to deposit (%) | 81.4 | 86.2 | 88.8 | 87.9 | 87.0 |
| CASA ratio (%) | 42.8 | 40.0 | 38.3 | 36.7 | 36.9 |
| Cost of deposits (%) | 4.5 | 5.0 | 6.0 | 6.0 | 5.8 |
| Loans-to-Assets (%) | 59.5 | 63.3 | 66.5 | 67.0 | 67.6 |
| Net advances growth (%) | 12.4 | 21.3 | 20.0 | 21.6 | 23.0 |
| Deposit growth (%) | 14.6 | 14.6 | 16.4 | 22.8 | 24.4 |
| Book value growth (%) | 8.4 | 10.5 | 10.4 | 15.2 | 16.5 |

Source: Company, Emkay Research

| Asset Quality and Other Metrics | | | | | |
|---------------------------------|------------|----------|----------|----------|----------|
| Y/E March (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
| Asset quality | | | | | |
| Gross NPLs | 55,171.5 | 58,262.6 | 62,577.7 | 73,491.4 | 91,389.9 |
| Net NPLs | 15,298.3 | 17,149.5 | 18,147.5 | 22,047.4 | 27,417.0 |
| GNPA ratio (%) | 2.3 | 2.0 | 1.8 | 1.7 | 1.7 |
| NNPA ratio (%) | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| Provision coverage (%) | 72.3 | 70.6 | 71.0 | 70.0 | 70.0 |
| Gross slippages | 1,01,028.7 | 68,920.0 | 61,644.4 | 72,758.0 | 89,492.4 |
| Gross slippage ratio (%) | 4.2 | 2.3 | 1.8 | 1.7 | 1.7 |
| LLP ratio (%) | 2.7 | 1.6 | 1.2 | 1.1 | 1.1 |
| NNPA to net worth (%) | 3.0 | 2.9 | 2.7 | 2.9 | 3.1 |
| Capital adequacy | | | | | |
| Total CAR (%) | 18.4 | 17.9 | 18.1 | 17.9 | 17.2 |
| Tier-1 (%) | 16.8 | 16.4 | 16.7 | 16.6 | 16.0 |
| CET-1 (%) | 16.8 | 16.4 | 16.7 | 16.6 | 16.0 |
| RWA-to-Total Assets (%) | 73.4 | 78.4 | 77.2 | 76.0 | 75.2 |
| Miscellaneous | | | | | |
| Total income growth (%) | 7.5 | 16.5 | 24.0 | 16.9 | 19.4 |
| Opex growth (%) | 14.3 | 19.4 | 23.4 | 15.8 | 16.2 |
| Core PPOP growth (%) | 19.6 | 17.3 | 8.6 | 18.5 | 25.6 |
| PPOP margin (%) | 3.4 | 3.3 | 3.3 | 3.3 | 3.4 |
| PAT/PPOP (%) | 35.9 | 51.5 | 56.6 | 58.7 | 58.3 |
| LLP-to-Core PPOP (%) | 54.4 | 31.2 | 25.0 | 22.2 | 22.6 |
| Yield on advances (%) | 11.2 | 11.4 | 12.1 | 11.8 | 11.5 |
| Cost of funds (%) | 4.9 | 5.2 | 6.1 | 6.0 | 5.8 |

Source: Company, Emkay Research

| Valuations and Key Ratios | | | | | |
|---------------------------|--------|--------|--------|--------|--------|
| Y/E March | FY22 | FY23 | FY24E | FY25E | FY26E |
| P/E (x) | 27.1 | 16.9 | 13.8 | 11.2 | 9.0 |
| P/B (x) | 2.7 | 2.4 | 2.2 | 1.9 | 1.6 |
| P/ABV (x) | 2.8 | 2.5 | 2.3 | 2.0 | 1.7 |
| P/PPOP (x) | 9.8 | 8.7 | 7.8 | 6.6 | 5.3 |
| Dividend yield (%) | 0.5 | 0.9 | 1.1 | 1.4 | 1.6 |
| DuPont-RoE split (%) | | | | | |
| NII/avg assets | 3.9 | 4.1 | 4.2 | 4.2 | 4.2 |
| Other income | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Fee income | 1.8 | 1.9 | 1.8 | 1.8 | 1.8 |
| Opex | 2.5 | 2.7 | 2.9 | 2.8 | 2.7 |
| PPOP | 3.4 | 3.3 | 3.3 | 3.3 | 3.4 |
| Core PPOP | 3.2 | 3.3 | 3.2 | 3.2 | 3.3 |
| Provisions | 1.7 | 1.0 | 0.8 | 0.7 | 0.7 |
| Tax expense | 0.4 | 0.6 | 0.6 | 0.7 | 0.7 |
| RoA (%) | 1.2 | 1.7 | 1.9 | 1.9 | 2.0 |
| Leverage ratio (x) | 8.5 | 8.5 | 8.4 | 8.6 | 9.0 |
| RoE (%) | 10.2 | 14.5 | 15.6 | 16.8 | 17.9 |
| Quarterly data | | | | | |
| Rs mn, Y/E March | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 |
| NII | 44,954 | 46,695 | 48,671 | 50,767 | 52,956 |
| NIM (%) | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| PPOP | 36,864 | 37,575 | 38,315 | 39,087 | 40,423 |
| PAT | 19,635 | 20,434 | 21,244 | 22,021 | 23,014 |
| EPS (Rs) | 25.34 | 26.34 | 27.38 | 28.38 | 29.66 |

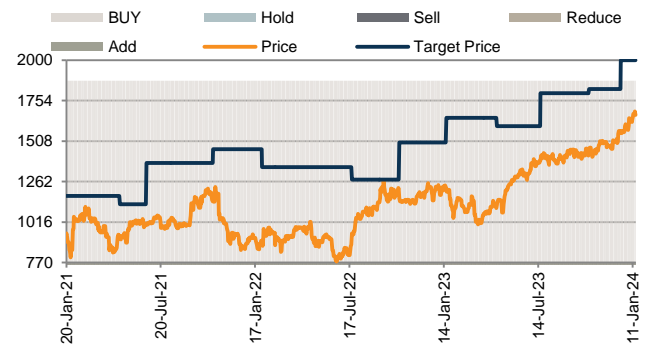
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

| Date | Closing Price (INR) | TP (INR) | Rating | Analyst |
|-----------|---------------------|----------|--------|------------|
| 19-Dec-23 | 1,567 | 2,000 | Buy | Anand Dama |
| 30-Nov-23 | 1,466 | 1,825 | Buy | Anand Dama |
| 19-Oct-23 | 1,450 | 1,825 | Buy | Anand Dama |
| 18-Jul-23 | 1,390 | 1,800 | Buy | Anand Dama |
| 25-Apr-23 | 1,122 | 1,600 | Buy | Anand Dama |
| 09-Mar-23 | 1,170 | 1,650 | Buy | Anand Dama |
| 18-Jan-23 | 1,223 | 1,650 | Buy | Anand Dama |
| 20-Oct-22 | 1,160 | 1,500 | Buy | Anand Dama |
| 04-Oct-22 | 1,219 | 1,275 | Buy | Anand Dama |
| 28-Jul-22 | 1,018 | 1,275 | Buy | Anand Dama |
| 21-Jul-22 | 948 | 1,275 | Buy | Anand Dama |
| 01-May-22 | 979 | 1,350 | Buy | Anand Dama |
| 30-Jan-22 | 904 | 1,350 | Buy | Anand Dama |
| 07-Nov-21 | 1,189 | 1,460 | Buy | Anand Dama |
| 28-Oct-21 | 1,176 | 1,460 | Buy | Anand Dama |
| 05-Oct-21 | 1,169 | 1,375 | Buy | Anand Dama |
| 28-Jul-21 | 993 | 1,375 | Buy | Anand Dama |
| 22-Jun-21 | 1,000 | 1,375 | Buy | Anand Dama |
| 02-May-21 | 935 | 1,125 | Buy | Anand Dama |
| 30-Jan-21 | 846 | 1,175 | Buy | Anand Dama |
| 20-Jan-21 | 948 | 1,175 | Buy | Anand Dama |

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons¹ may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of January 19, 2024
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report
Disclosure of previous investment recommendation produced:
- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of January 19, 2024
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the January 19, 2024
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------------|---|
| BUY | >15% upside |
| ADD | 5-15% upside |
| REDUCE | 5% upside to 15% downside |
| SELL | <15% downside |

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) -:**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.