

22 March 2024

India | Equity Research | Company Update

IndusInd Bank

Banking

Well placed on growth, NIM and asset quality troika

We believe IndusInd Bank (IIB) is well placed on growth, NIM and asset quality troika. The bank has delivered the highest CAGR in retail deposits, which should sustain, fuelling superior ~18% CAGR in loans. NIM is likely to remain stable, resulting in sector leading ~16/17% CAGR in NII / PPOP for FY24-26E. The bank has ~5-15bps improvement scope in each of NIM, opex to assets and credit costs over FY24-26E. Yet, we are conservatively factoring cumulatively <10bps RoA expansion to ~1.9% (FY25-26E) as we believe the bank would be re-investing in franchise and/or enhance cushion on credit costs and/or elongate growth trajectory. We acknowledge the current tight funding environment and thus our target multiple does not embed material growth component. Retain **BUY** with an unchanged TP of INR 2,000.

Favourably placed on growth, NIM and asset quality troika

We believe IndusInd Bank is well placed on growth, NIM and asset quality troika. It has delivered ~19/26% CAGR in regulatory retail deposits over 2/3 years, which is significantly higher than peers and could sustain. Headline deposits growth has been relatively moderate at 13-15% YoY due to opportunistic non-retail deposits growth thanks to excess liquidity. We believe the bank may have to step-up on non-retail deposits growth to fund the envisaged superior loan growth and may still see the share of regulatory retail rising (in-line with PC6 ambition). The bank is reasonably placed on LDR (~89%) and LCR (122%) as well. NIM should remain steady led by higher share of fixed rate loans and favourable loan mix. Gross slippages and credit costs have been broadly moderating and have scope for further improvement.

Ripe for re-rating with RoA expansion and amongst highest NII / PPOP growth; maintain BUY with >30% upside

We see IndusInd Bank delivering one of the highest NII and PPOP growth, driven by steady NIM and superior growth. Unlike moderating RoA at systemic levels, IIB should deliver RoA expansion over FY23-26E. We estimate FY25-26E RoA at ~1.9%, which is significantly higher than the last 10 years' average (~1.6%), while valuations at ~1.7/1.4x FY25/26E ABV are much attractive. CET 1 at >16% is more than adequate. Reiterate **BUY** with an unchanged TP of INR 2,000. Key risk: Less than 3-year term renewal of incumbent MD & CEO.

Financial Summary

Y/E March	FY23A	FY24E	FY25E	FY26E
NII (INR bn)	175.9	207.5	239.6	277.5
Op. profit (INR bn)	143.5	158.8	188.0	220.1
Net Profit (INR bn)	73.9	90.1	107.2	125.5
EPS (INR)	95.2	116.0	138.0	161.6
EPS % change YoY	59.9	21.8	18.9	17.1
ABV (INR)	683.6	780.0	897.0	1,031.7
P/BV (x)	2.1	1.9	1.6	1.4
P/ABV (x)	2.2	1.9	1.7	1.4
Return on Assets (%)	1.7	1.8	1.9	1.9
Return on Equity (%)	14.5	15.5	16.1	16.4

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Market Data

Market Cap (INR)	1,155bn
Market Cap (USD)	13,894mn
Bloomberg Code	IIB IN
Reuters Code	INBK.BO
52-week Range (INR)	1,695 /996
Free Float (%)	85.0
ADTV-3M (mn) (USD)	62.7

Price Performance (%)	3m	6m	12m
Absolute	(5.5)	5.2	45.1
Relative to Sensex	(8.0)	(4.5)	20.0

Earnings Revisions (%)	FY24E	FY25E
PAT	-	-

Previous Reports

19-01-2024: [Q3FY24 results review](#)19-10-2023: [Q2FY24 results review](#)

Reasonably placed on LDR / LCR; Retail deposits CAGR amongst highest and thus should see overall deposits growth healthy

At 88.7% as of Q3FY24, IIB has one of the lowest LDR within large private banks and appears reasonably placed. During Q3FY24, IIB was one of the few banks to see QoQ rise in LCR. At 122%, the bank appears favourably placed on LCR.

IIB has made commendable progress on retailisation of deposits. Within large private banks, it has delivered the highest 2/3 year CAGR in regulatory retail at around 19/26%, which is significantly higher than peers. The run-off factors for regulatory retail has also come off for the bank. The share of regulatory retail deposits (average basis) has risen to ~43% vs 33% three years ago. On period-end basis, share has risen from 36% to 45% during the same period. IIB under PC6 guides for 45-50% range for regulatory retail by FY26.

IIB's strong regulatory deposits growth has been achieved by expanding distribution, scaling up new business – affluent and NRI, leveraging BFIL for rural customers / merchants and digital partnership. We believe almost 100% of NR and affluent deposits are accounted under regulatory retail. Its continued strong growth in NR (currently at ~29% YoY; 11-12% of overall deposits base) and affluent deposits base should continue to aid retail deposits growth.

Importantly, while retail deposits growth has been strong at ~20% CAGR, headline deposits growth has been moderate at 13-15% CAGR in the last couple of quarters as IIB has been opportunistic on non-retail deposits (~9% CAGR for 2 years) thanks to excess liquidity. We believe the bank may have to step-up on non-retail deposits to fund the envisaged growth and may still see the share of regulatory retail rising (in-line with PC6 ambition).

Committed to superior 18-23% loan CAGR, driven by retail

Despite challenges, IIB delivered ~17% CAGR in loan growth during FY21-23 under planning cycle 5, by toggling loan sub-segments. The bank remains committed to the guided 18-23% CAGR (FY23-26) in loans under PC 6, **though the quarterly variations may not be ruled out, in our view.**

IIB has diversified its vehicle offerings over the period to tackle the likely moderation in CV growth ahead and thus expects ~20% CAGR in overall vehicle book. Car and UV segment growth is likely to remain strong while the bank remains confident of gaining market share in CV book. The unsecured retail loan (personal and credit card) proportion is likely to remain contained at 5-6%. Importantly, IIB's growth drivers include its strong domain expertise (vehicle, MFI) or lower base (affordable housing, merchant, small corporates, credit card, PL), thus driving comfort. The bank has moderated large corporate growth over the past couple of quarters, though small / mid corporate growth is guided to remain strong. Overall, retail growth should continue to be strong while large corporate book is likely to be the most sensitive to overall funding situation.

We see the bank delivering ~18% YoY for FY24, implying QoQ growth of 4.5%. We estimate FY24-26E loan growth at ~18% CAGR, which in-part factors, easing liquidity situation at the system level beginning H2FY25. Overall, the bank should be delivering top quartile growth in the coverage.

Well placed on declining rate cycle; NIM to be steady with upward bias vs falling trajectory at system

We believe IIB is well placed in the current phase of interest rate cycle. In the rate upcycle, it had the lowest rise in calculated yields at around 80bps, around 40-60 bps lower than peers. The lower rise in yields can be attributed to the negligible share of mortgage / EBLR loans and higher share of fixed rate loans (~50% of total loans). For similar reasons, IIB should see the lowest yield pressure in the current rate down cycle. The bank also has relatively less reliance on unsecured retail loans, which could see deceleration in growth going ahead. **We highlight ~600bps yields differential between corporate (~9.0) and retail (~15.0%) loan book** at IIB, and thus, steady mix change in favour of retail should lead to steady yields going ahead.

Importantly, the rate cut cycle should cool-off the pressure on deposits rates. IIB, with relatively higher proportion of non-regulatory retail loans, should see faster decline in the cost of deposits relative to peers. As against NIM decline for peers over the next 12 months, we believe IIB has scope to further improve NIM (by 10-20 bps) over FY24-26E led by stable yields and easing pressure on wholesale deposits. We are still building broadly stable NIM for FY24-26E, as we believe the bank would use the cushion to further improve retail deposits franchise and/or sustain strong loan growth. We see the bank delivering ~16% CAGR in NII for FY24-26E, one of the highest across peers.

Opex growth to moderate; strong NII growth to percolate down to strong operating earnings

Staff cost growth has risen from ~19% in FY23 to ~30% YoY levels due to sizeable rise in headcount, higher business volume and wage hike. Total headcount, including subsidiary has grown to ~100k vs ~80k earlier. The bank has also stepped-up on technology spends and digitization. IIB has also enhanced liability facing roles, which may continue going ahead. Positively, a large part of the loan-related tech capex seems to have been done and thus the bank has scope for operating leverage. As of now, opex growth is running higher than revenue growth, which is likely to reverse over the next four quarters though cost income can inch-up in the interim.

The fee profile of the bank has become fairly granular and the growth should broadly be in-line with loan growth. Overall, we see strong NII growth percolating down to core operating earnings levels. We estimate core PPOP growth of 16% YoY for FY25E rising to ~18% YoY for FY26E, one of the highest across peers.

Estimate further improvement in gross slippages / credit costs

IIB saw elevated corporate slippages in the second half of asset quality review period (FY18-21) and a jump in retail slippages during pandemic (FY21-22). With receding pandemic, FY23 gross slippages moderated to 2.4% for FY23, lowest since FY19. For the last couple of quarters, gross corporate slippages have been <1% broadly and are likely to remain benign. Retail slippages have been broadly improving (barring QoQ rise in Q3FY24) as restructured loans are getting run-down and collections are normalising. Restructured loans now stand at ~0.5% of loans vs 2.6% as of FY22. **IIB is hopeful of full repayment of the stress telecom funded exposure in Q4FY24**, which should improve the manoeuvrability of the contingent provisions, in our view.

Overall, gross slippages have improved to 1.8-2.2% in the current financial year vs >3.0%, a few quarters ago. Similarly, net slippages also improved to 1.0-1.1% vs ~2.0%, a few quarters ago.

We argue that comparison on gross / net slippages and credit costs (vs peers) for **IIB may not be appropriate** due to difference in customer profile / loan mix and purely yield differentials. Nonetheless, what seems to have gone unnoticed is the meaningful

improvement in gross slippages at IIB and stabilization in net slippages. Unlike peers, security receipts at IIB are also different as underlying assets are predominantly vehicle NPAs (unlike corporates at peers) which have healthy recoverability.

We estimate gross slippages for FY25-26E around 1.7-1.8% (as a % of same year loans). Our slippage estimates, in-turn assume <1% slippages in corporate segment, ~1.5% for vehicle loans and ~4.0% for MFI. Post pandemic, there has been some changes in the MFI customer behaviour, leading to somewhat lower collection efficiency. We believe the MFI business at IIB is still delivering ~5.0% RoA even at current delinquencies (~4.0%). We are fairly confident on corporate asset quality behaviour at the system level and thus for IIB as well. Our slippages estimate for retail business is still conservative vs like-to-like pre-covid (FY20) levels.

IIB has ~40bps of contingent provisions, excluding general provisions and intends to boost it further. We estimate credit costs to improve from ~160bps in FY23 to ~120 bps for FY24-26E. Our credit cost assumptions factor in the rise in PCR to 75% (vs ~70% now) by FY25E. We believe the bank is also preparing well for Ind-AS implementation and the transition should be reasonably comfortable in the context of higher share of self-employed customer / loan mix.

Levers for RoA expansion; estimate RoA / RoE at ~1.9 /16%; tier 1 at >16% stands strong

We believe IIB is reasonably placed on LDR (89%) and liquidity (122%). The bank has delivered one of the highest regulatory retail deposits growth and can sustain the same led by franchise improvement and differential pricing. We are fairly confident on its stable NIM trajectory, given the higher share of fixed rate loans, favourable loan mix and easing cost of deposits. Overall, the bank should see strong revenue growth percolating down to PPOP, which along with steady to improving credit costs should lead to healthy PAT levels. We estimate NII / Core PPOP / PAT CAGR of ~16/17/18% for FY24-26E, amongst the highest across banks under coverage.

RoA have expanded from ~1.2% in FY22 to 1.7% in FY23. We expect RoA to improve further to ~1.9% by FY25/26E. We estimate RoE to rise to >16% for FY25/26E vs ~14% for FY23. We argue that the bank has decent ~5-15bps improvement scope in each of a) NIM; b) opex to assets, and c) credit costs over FY24-26E. Yet, we are factoring only cumulatively <10bps improvement in RoA for FY24-26E as we believe the bank would be re-investing in franchise and/or would enhance cushion on credit costs and/or elongate growth trajectory. CET 1 at 16.07% remains strong and adequate to fund the envisaged growth over the next 18-24 months, in our view.

Poised for re-rating; reiterate BUY with an unchanged target price

We believe IIB is ripe for re-rating. The bank is well placed on current interest rate cycle and should have broadly stable NIM trajectory, unlike peers which are likely to see NIM compression. The bank has relatively less reliance on unsecured personal / gold loans (no end use monitoring, current key concern of the regulator) and the growth is likely to be driven by niche domains. In our view, the bank is likely to report amongst the highest NII / PPOP growth for FY24-26E, vs peers. It is also one of the few banks in the coverage to see rising RoA over FY23-26E vs moderating RoA for the system.

We forecast FY25-26E RoA rising to ~1.9%, which is significantly higher than the last 10 years' average of ~1.6%. Current valuations at ~1.7/1.4x FY25/26E ABV is attractive vs mean 1-year forward book value multiple of ~1.7/2.5x for 5/10 year's average. Maintain **BUY** with an unchanged target price of INR 2,000. We acknowledge the change in operating business environment (post pandemic) and current tight funding environment. Our target multiple of ~1.9x FY26 ABV is similar to the projected RoA (FY25-26E) and thus does not embed any material growth component. We maintain IIB as one of our top banking ideas.

Key risks

Sharp rise in delinquencies impacting growth / profitability and lack of clean 3-year term extension for the incumbent MD & CEO (the current 2-year term expires in Mar'25). Separately, the bank appears confident of not being impacted by promoter acquisition of stressed asset under NCLT ([link](#)).

Exhibit 1: Planning cycle 6

Planning Cycle 6 (FY 2023-26)				Q3FY24 Outcome
Resulting In	Loan Growth		18%-23%	20%
	Retail Loan Mix		55%-60%	55%
	Retail Deposits as per LCR		45%-50%	45%
	PPOP / Loans		5.25% - 5.75%	5.2%
	Branch Network		3,250 - 3,750	2,728
	Customer Base		> 50mn	38mn

Source: Company data, I-Sec research

Exhibit 2: Loan growth has been consistently strong till pandemic

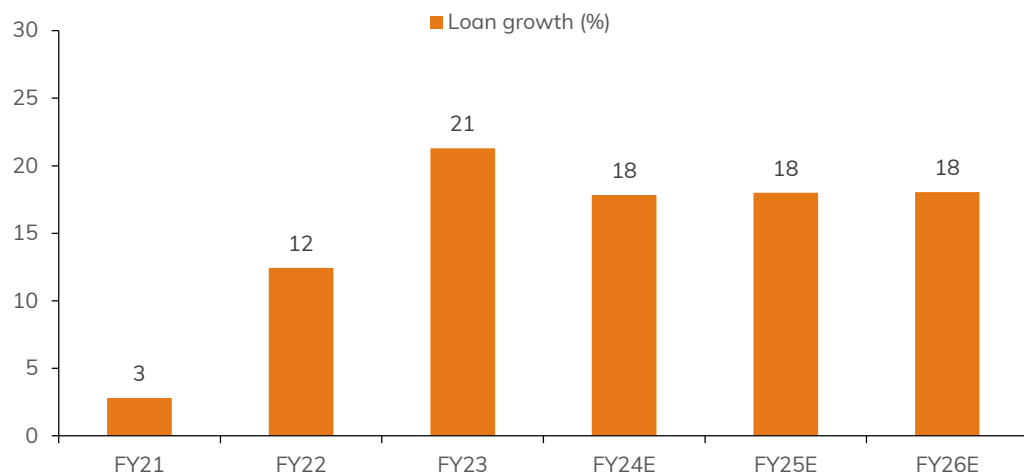
Loan growth (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Corporate	38	33	28	30	16	31	(11)	(0)	20	23
Vehicle	5	8	22	20	24	26	7	7	1	22
Non-vehicle	73	62	58	39	115	26	90	3	12	19
Total	24	25	29	28	28	29	11	3	12	21

Source: Company data, I-Sec research

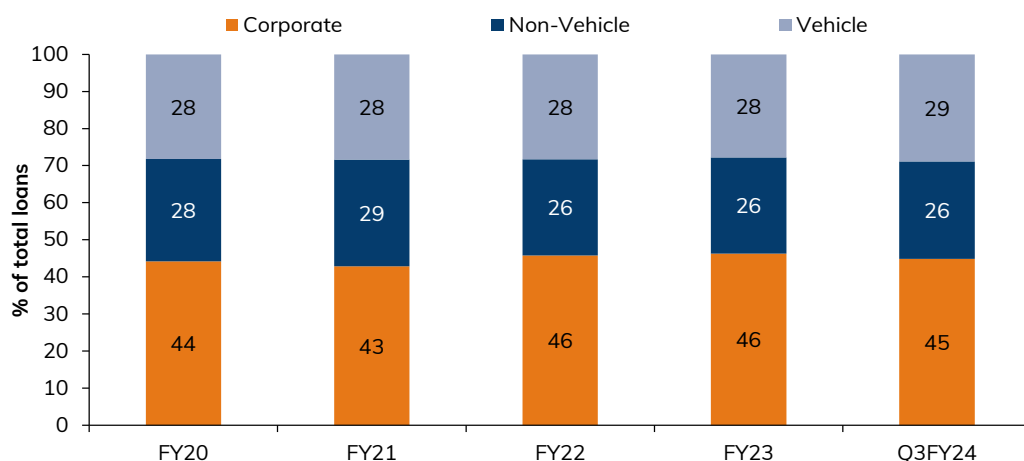
Exhibit 3: Loan mix

Loan mix (INR bn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)	Mix (%)
Large Corporate	711	743	771	792	810	14.0	2.2	24.8
Mid Corporates	442	464	476	480	488	10.5	1.8	14.9
Small Corporates	118	134	147	160	168	42.7	5.1	5.1
Total	1,270	1,342	1,394	1,432	1,466	15.4	2.4	44.8
Comm. Vehicle Loans	268	282	293	309	319	18.8	3.2	9.7
Utility Vehicle Loans	83	90	98	107	120	43.8	11.4	3.7
Three Wheeler Loans (small CV)	34	35	36	38	39	17.1	4.4	1.2
Two Wheeler Loans	47	48	48	48	52	9.2	7.9	1.6
Car Loans	100	106	111	118	127	26.8	7.5	3.9
Tractor	92	94	95	96	94	3.1	(1.4)	2.9
Equipment Financing	93	99	102	105	110	19.1	5.1	3.4
Total (A)	717	752	783	821	861	20.1	4.9	26.3
Non-Vehicle Loans	444	483	516	559	586	32.0	4.9	17.9
Credit Cards	77	84	90	95	102	32.7	8.2	3.1
LAP	95	96	100	102	105	10.2	2.8	3.2
Business Banking	128	138	148	154	159	23.8	3.4	4.9
BL, PL, GL, AHL, Others	143	164	178	209	220	53.6	5.4	6.7
Microfinance (includes BFIL)	297	322	320	344	358	20.5	4.1	10.9
Total (B)	741	805	835	902	944	27.4	4.6	28.9
Consumer Finance (A) + (B)	1,457	1,558	1,619	1,723	1,805	23.8	4.7	55.2
Net Advances (I+II)	2,728	2,899	3,013	3,155	3,271	19.9	3.7	100.0

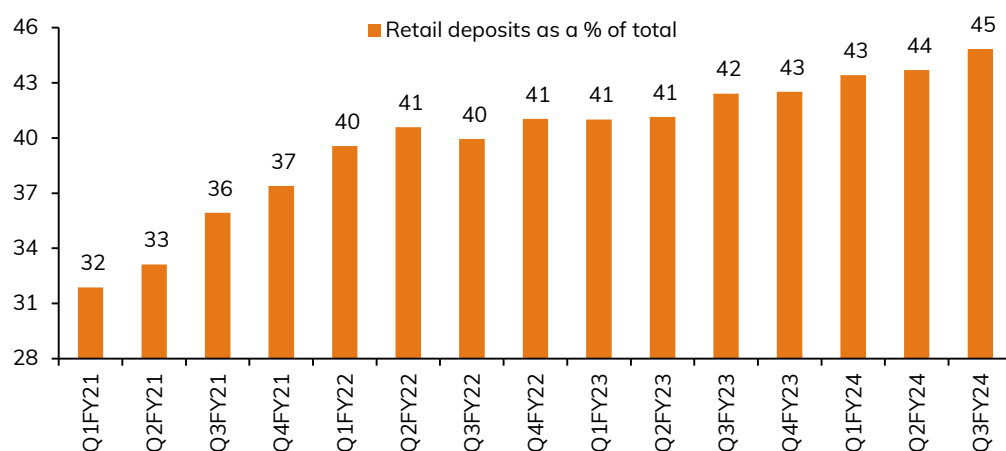
Source: Company data, I-Sec research

Exhibit 4: ...and is likely to grow at around 18% CAGR for FY24-26

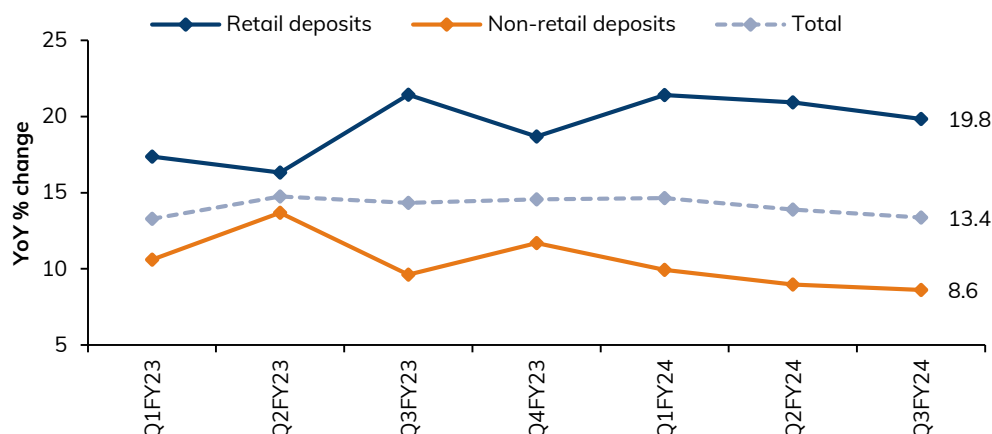
Source: Company data, I-Sec research

Exhibit 5: Loan mix – tilting in favour of retail

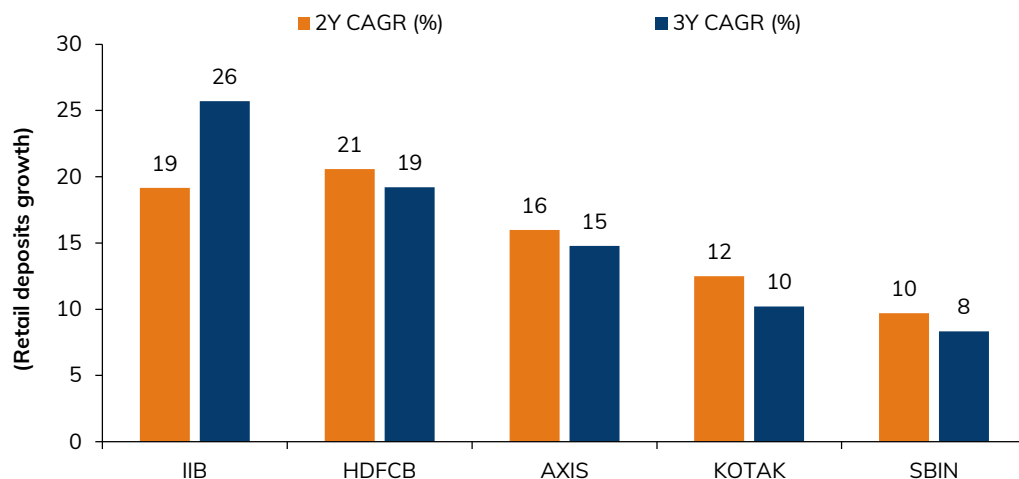
Source: Company data, I-Sec research

Exhibit 6: Retail deposits (period end) share now at 45%

Source: Company data, I-Sec research

Exhibit 7: Non-retail deposits growth has been in single digit, thus scope for uptick and aid overall deposit growth


Source: Company data, I-Sec research

Exhibit 8: IIB's retail deposits has grown at highest CAGR amongst peers over the past 2/3 years


Source: Company data, I-Sec research

Note: HDFCB closing number is post-merger and thus may not be comparable

Exhibit 9: Cost of funds – amongst highest across peers and thus could cool-off faster

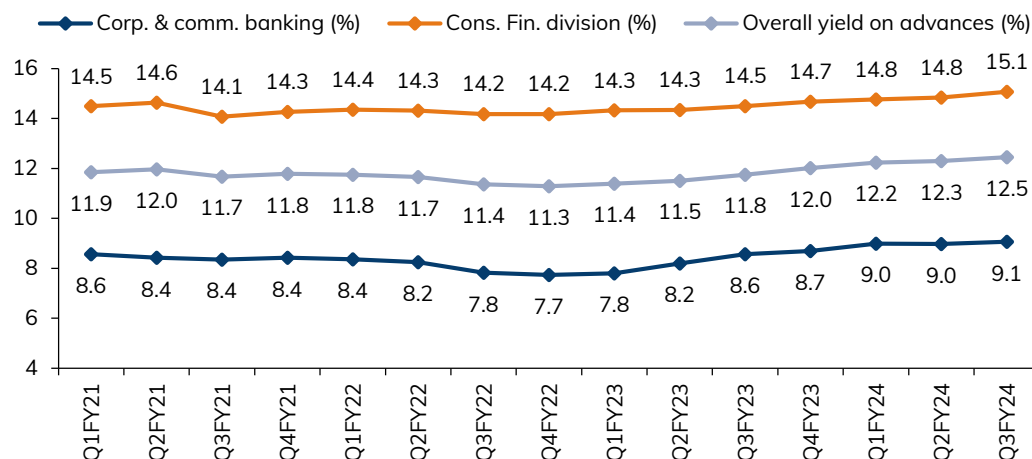
Cost of funds (calc. in %)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
IIB	4.84	4.62	4.73	5.03	5.44	5.65	6.03	6.23	6.20
HDFCB	3.51	3.45	3.56	3.84	4.13	4.32	4.75	5.72	5.77
AXIS	3.73	3.66	3.77	4.02	4.26	4.52	4.84	5.08	5.27
KOTAK	3.12	3.04	3.16	3.54	3.77	3.95	4.30	4.72	4.89
SBIN	3.64	3.58	3.69	3.88	4.11	4.34	4.63	4.88	5.09

Source: Company data, I-Sec research

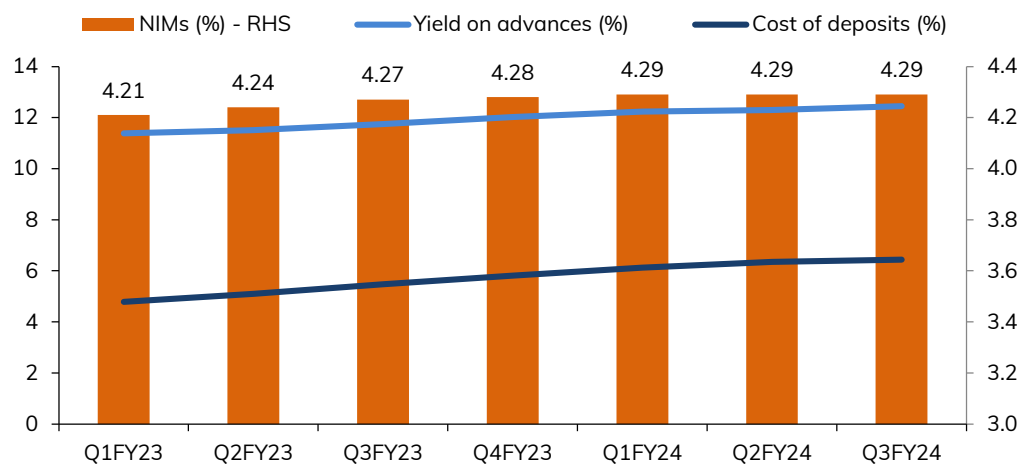
Exhibit 10: Top 20 deposits – still a work in progress

Deposits of 20 largest depositors as a % of total deposits	FY22	FY23
HDFCB	3.9	4.5
KMB	8.9	8.3
AXIS	10.1	9.0
IDFCFB	16.1	12.6
IIB	17.0	15.5
RBL	16.6	16.2
Bandhan	20.1	16.4

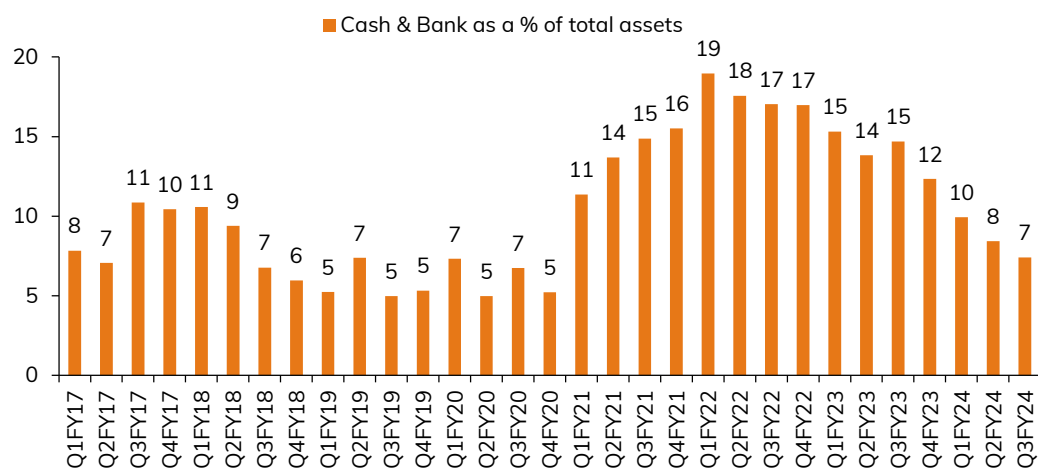
Source: Company data, I-Sec research

Exhibit 11: Huge (~600bps) differential in yields between wholesale and retail

Source: Company data, I-Sec research

Exhibit 12: NIM has been stable; should remain stable vs decline for peers

Source: Company data, I-Sec research

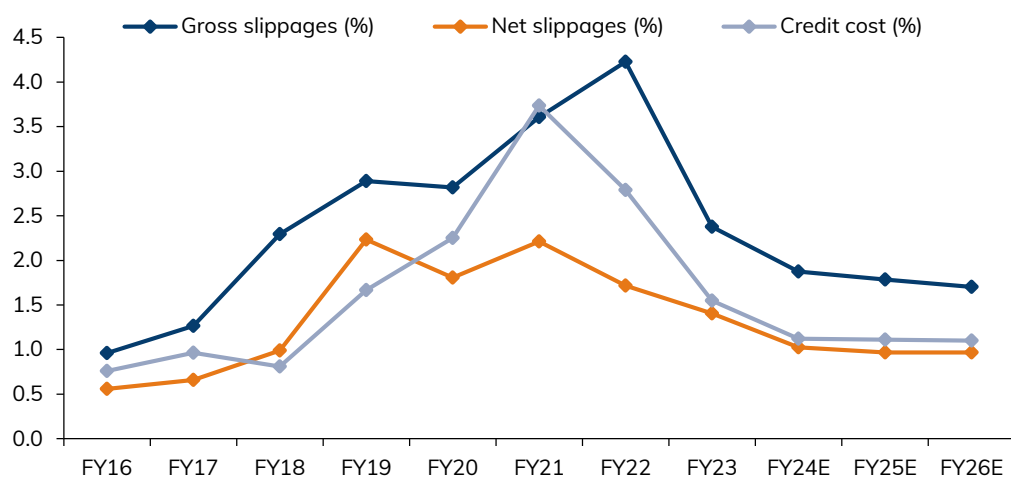
Exhibit 13: Liquidity drag has been receding

Source: Company data, I-Sec research

Exhibit 14: Asset quality details

Parameters (INR mn, unless other wise mentioned)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Loans	23,90,515	24,79,600	26,01,288	27,27,540	28,99,237	30,13,170	31,54,541	32,70,570
Gross NPAs	55,172	59,329	55,671	57,108	58,263	59,411	61,642	63,771
Net NPAs	15,298	16,612	15,840	16,815	17,150	17,469	18,138	18,752
Specific Provisions	39,873	42,717	39,832	40,293	41,113	41,942	43,505	45,019
GNPAs %	2.27	2.35	2.11	2.06	1.98	1.94	1.93	1.92
NNPA %	0.64	0.67	0.61	0.62	0.59	0.58	0.57	0.57
PCR %	72	72	72	71	71	71	71	71
O/s RSA	61,720	51,590	38,820	34,080	24,490	19,740	17,000	15,699
% of loans	2.58	2.08	1.49	1.25	0.84	0.66	0.54	0.48
Gross Stress	1,16,892	1,10,919	94,491	91,188	82,753	79,151	78,642	79,469
% of loans	3.22	2.75	2.10	1.87	1.43	1.24	1.11	1.05
Total Non-specific provisions ex GP	33,277	30,033	26,528	21,917	18,997	16,998	15,195	13,681
% of loans	1.39	1.21	1.02	0.80	0.66	0.56	0.48	0.42
Specific PCR (%)	72	72	72	71	71	71	71	71
Total PCR ex GP (%)	72	73	72	76	77	79	81	83
Slippages	20,880	22,500	15,720	14,670	16,030	13,760	14,650	17,650
Slippages out of RSA book	3,900	9,210	5,800	3,320	3,590	1,320	830	680
% of total slippages	19	41	37	23	22	10	6	4
Slippages % of loans – Annualised	3.49	3.63	2.42	2.15	2.21	1.83	1.86	2.16
Net slippages	10,910	16,460	8,020	9,390	6,850	8,350	7,580	9,270
Net slippages % of loans - Annualised	1.83	2.66	1.23	1.38	0.95	1.11	0.96	1.13
Gross slippages - Corp (%)	1.3	2.1	0.6	0.4	0.8	0.1	0.6	0.9
Gross slippages - Retail (%)	5.4	4.9	4.0	3.7	3.4	3.3	2.9	3.2

Source: Company data, I-Sec research

Exhibit 15: Slippages (gross as well as net) stabilising at lower levels

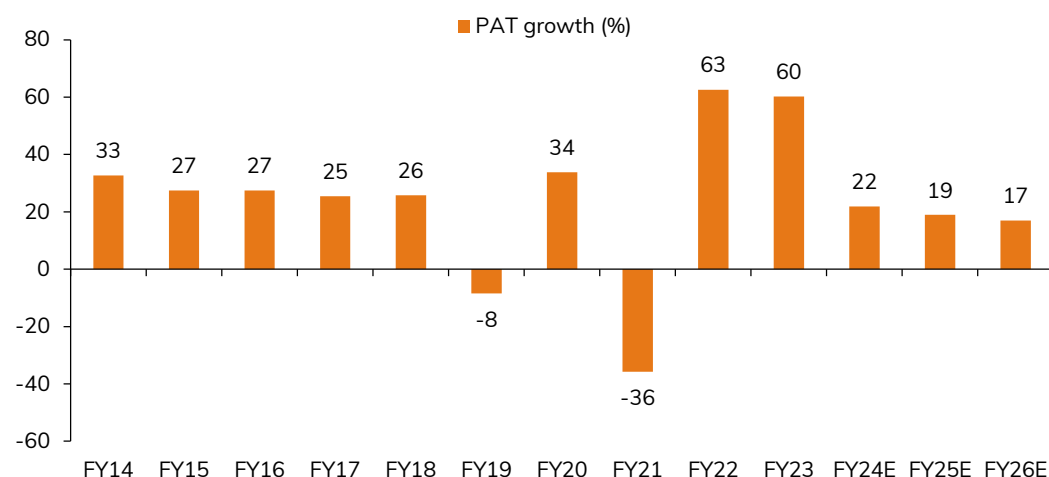
Source: Company data, I-Sec research

Exhibit 16: The bank has 5-15bps improvement scope in each of NIM, opex to assets and credit costs over FY24-26E. Yet, we are conservatively factoring <10bps RoA expansion to ~1.9% (FY25-26E).

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
NII/Avg. Assets (%)	3.6	3.4	3.6	3.8	3.7	3.5	4.1	4.0	3.9	4.1	4.2	4.2	4.2
Non-interest income/Avg Assets	2.4	2.6	2.6	2.6	2.4	2.3	2.4	2.0	1.9	1.9	1.9	2.0	2.0
- Fee income / Avg Assets	2.2	2.4	2.5	2.4	2.2	2.2	2.2	1.5	1.8	1.9	1.9	1.9	1.9
- Trading gains / Avg Assets	0.2	0.1	0.1	0.2	0.2	0.0	0.2	0.4	0.2	0.0	0.1	0.1	0.1
Cost / Avg Assets	2.7	2.9	2.9	3.0	2.8	2.6	2.8	2.5	2.5	2.7	2.9	2.9	2.9
Non-tax Provisions / Avg Assets	0.6	0.4	0.5	0.7	0.6	1.2	1.6	2.4	1.7	1.0	0.8	0.8	0.8
Tax Provisions / Avg Assets	0.9	0.9	0.9	0.9	0.9	0.7	0.6	0.3	0.4	0.6	0.6	0.6	0.6
RoA (%)	1.8	1.8	1.8	1.8	1.8	1.3	1.5	0.8	1.2	1.7	1.8	1.9	1.9
Leverage	10.0	10.5	9.1	8.6	9.4	10.2	9.7	8.7	8.5	8.5	8.4	8.5	8.6
RoE (%)	17.5	19.0	16.6	15.4	16.9	13.5	14.7	7.4	10.2	14.5	15.5	16.1	16.4

Source: Company data, I-Sec research

Exhibit 17: PAT has grown consistently ~20-25% (except covid) over the past decade



Source: Company data, I-Sec research

Exhibit 18: RoA and RoE likely to inch-up further vs decline for peers



Source: Company data, I-Sec research

Exhibit 19: Valuations are attractive with stock trading below its long term mean and RoAs likely to be significantly above historical mean



Source: Company data, I-Sec research

Exhibit 20: Shareholding pattern

	Jun'23	Sep'23	Dec'23
Promoters	16.5	16.5	16.5
Institutional investors	69	69.6	68.9
MFs and others	15.2	16.4	15.6
FIs/Bank	0.1	3.2	3.7
Insurance Cos.	8.3	8.5	7.1
FII	45.5	41.5	42.5
Others	14.5	13.9	14.6

Source: Bloomberg, I-Sec research

Exhibit 21: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 22: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Interest income	363,679	456,641	543,547	637,676
Interest expense	187,758	249,191	303,925	360,129
Net interest income	175,921	207,451	239,622	277,546
Non-interest income	81,664	93,867	112,583	131,700
Operating income	257,585	301,318	352,205	409,246
Operating expense	114,120	142,503	164,159	189,190
Staff expense	30,305	39,436	43,944	48,959
Operating profit	143,465	158,816	188,046	220,056
Core operating profit	142,811	156,316	182,046	213,056
Provisions & Contingencies	44,868	38,354	44,797	52,287
Pre-tax profit	98,596	120,462	143,249	167,769
Tax (current + deferred)	24,699	30,320	36,056	42,227
Net Profit	73,897	90,142	107,193	125,541
Adjusted net profit	73,897	90,142	107,193	125,541

Source Company data, I-Sec research

Exhibit 23: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Cash and balance with RBI/Banks	565,111	502,985	549,503	539,359
Investments	831,162	940,517	1,071,222	1,223,074
Advances	2,899,237	3,416,383	4,031,132	4,758,579
Fixed assets	19,926	24,432	29,676	36,188
Other assets	262,604	332,814	428,687	552,883
Total assets	4,578,041	5,217,131	6,110,220	7,110,084
Deposits	3,364,381	3,925,664	4,701,189	5,616,194
Borrowings	490,112	448,119	410,462	376,688
Other liabilities and provisions	177,330	220,500	284,607	296,530
Share capital	7,759	7,770	7,770	7,770
Reserve & surplus	538,458	615,078	706,192	812,903
Total equity & liabilities	4,578,041	5,217,131	6,110,220	7,110,084
% Growth	13.9	14.0	17.1	16.4

Source Company data, I-Sec research

Exhibit 24: Quarterly trend

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Net Interest Income	17.3	17.9	15.5	15.8
Operating profit	11.7	10.7	18.4	17.0
Core operating profit	16.6	9.5	16.5	17.0
Profit after tax	60.3	22.0	18.9	17.1
EPS	59.9	21.8	18.9	17.1
Advances	21.3	17.8	18.0	18.0
Deposits	14.6	16.7	19.8	19.5
Book value per share	14.4	13.9	14.7	15.0
Adj Book value per share	14.5	14.1	15.0	15.0

Source Company data, I-Sec research

Exhibit 25: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
No. of shares and per share data				
No. of shares (mn)	776	777	777	777
Adjusted EPS	95.2	116.0	138.0	161.6
Book Value per share	700	798	915	1,052
Adjusted BVPS	684	780	897	1,032
Valuation ratio				
PER (x)	15.6	12.8	10.8	9.2
Price/ Book (x)	2.1	1.9	1.6	1.4
Price/ Adjusted book (x)	2.2	1.9	1.7	1.4
Dividend Yield (%)	0.9	1.2	1.4	1.6
Profitability ratios (%)				
Yield on advances	11.3	12.1	12.3	12.3
Yields on Assets	8.5	9.3	9.6	9.6
Cost of deposits	5.0	6.0	6.2	6.2
Cost of funds	4.4	5.1	5.4	5.4
NIMs	4.4	4.5	4.6	4.6
Cost/Income	44.3	47.3	46.6	46.2
Dupont Analysis (as % of Avg Assets)				
Interest Income	8.5	9.3	9.6	9.6
Interest expended	4.4	5.1	5.4	5.4
Net Interest Income	4.1	4.2	4.2	4.2
Non-interest income	1.9	1.9	2.0	2.0
Trading gains	0.0	0.1	0.1	0.1
Fee income	1.9	1.9	1.9	1.9
Total Income	6.0	6.2	6.2	6.2
Total Cost	2.7	2.9	2.9	2.9
Staff costs	0.7	0.8	0.8	0.7
Non-staff costs	1.9	2.1	2.1	2.1
Operating Profit	3.3	3.2	3.3	3.3
Core Operating Profit	3.3	3.2	3.2	3.2
Non-tax Provisions	1.0	0.8	0.8	0.8
PBT	2.3	2.5	2.5	2.5
Tax Provisions	0.6	0.6	0.6	0.6
Return on Assets (%)	1.7	1.8	1.9	1.9
Leverage (x)	8.5	8.4	8.5	8.6
Return on Equity (%)	14.5	15.5	16.1	16.4
Asset quality ratios (%)				
Gross NPA	2.0	1.9	1.8	1.8
Net NPA	0.6	0.5	0.5	0.5
PCR	70.6	72.0	75.0	75.0
Gross Slippages	2.9	2.2	2.1	2.0
LLP / Avg loans	1.5	1.1	1.1	1.0
Total provisions / Avg loans	1.7	1.2	1.2	1.2
Net NPA / Networth	3.1	3.0	2.6	2.6
Capitalisation ratios (%)				
Core Equity Tier 1	15.9	15.6	15.0	14.4
Tier 1 cap. adequacy	16.4	15.9	15.3	14.7
Total cap. adequacy	17.9	17.9	16.9	16.0

Source Company data, I-Sec research

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