

INDIAN BANK | PSU Banks

Non-interest income to drive growth; ROA/ROE improvement by FY23E

LKP

Indian Bank with its healthy liability franchise, low cost of funds and compelling valuations has now begun to witness synergies post its merger with Allahabad Bank. The Bank offers a wide range of services including foreign currency banking and specialised overseas branches in Chennai, Bangalore and Mumbai exclusively handling foreign exchange transactions. The bank has different lending verticals; retail, agriculture, MSME and corporate. The RAM (Retail, Agriculture, and MSME) contributes 58% of its loan book while the rest is corporate book. We believe, the Bank shall emerge stronger by the end of FY22 since 1QFY22 earnings have shown early signs of recovery. The credit quality recovery in 1QFY22 was meaningful as absolute GNPA inched down (2% sequentially) driven by healthy up-gradation (14x of 4QFY21). A healthy capital position (CET-1 of 11.6%), post capital infusion, will keep the momentum going. Factoring ~9% advance growth, stable NIMs and lower credit cost; the bank may post 17% PAT growth in FY22E. Compelling valuations (0.5x FY23 Adj. BVPS) makes the stock rewarding factoring FY22/23 ROE of 1%/16%. Hence, Indian Bank is one of our preferred pick among PSU banks.

Investment Rationale

Ample Capital buffer to drive balance sheet growth: The bank has a board approval to raise up to ₹40bn in equity. In 1QFY22, the bank raised ₹16.5bn by share sale to institutional investors at ₹142 per share. Post capital infusion, the bank is comfortably placed with Capital Adequacy ratio of 15.9% (as on 30th June 2021) with Tier 1 capital of 12.2%. The fresh capital would act as a cushion against any possible future shock and is likely to drive balance sheet growth. As the economy is showing signs of revival, we expect the bank's loan book to clock a CAGR growth of ~9% in FY21-24E. Historically, the bank has maintained a credit deposit ratio of 67%, thus we estimate the deposit to grow at a CAGR of ~10% in the same period with consistent CASA ratio of 42.5%.

1QFY22 witnessed signs of recovery in credit quality: With bad asset up-gradation of ₹16.5bn (14 times the previous quarter) and prudential write-offs of ₹27bn (₹25bn in 4QFY21); the banks absolute GNPA decreased sequentially by 2% unlike other public banks. The GNPA ratio stood 9.7% v/s 9.9% in 4QFY21. Furthermore, SREI group is still a standard account but bank has provided 20% provision on the same. Management expect recovery of ₹50bn in FY22 (Including all NCLT/ Non NCLT and smaller accounts) and expects up-gradation of loan worth ₹25bn. Moreover, we have estimated slippages ratio to moderate at 3.7% in FY22E against 4.8% in FY21. Going forward slippages to reduce further at 3.2% in FY23E. With compulsory bulky write-offs, the GNPA ratio is estimated to be at 6.6% by the end of FY23E with NNPA ratio of 2.6%.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	76,064	1,56,659	1,68,665	1,85,829	2,05,726
Operating Profit	64,980	1,13,956	1,33,443	1,56,735	1,79,704
Reported Profits	7,534	30,047	35,056	62,705	75,440
Net Worth	1,91,014	3,26,570	3,62,787	4,25,492	5,00,932
Loan & Advances	19,78,870	36,40,102	39,31,311	42,85,129	47,13,641
Int. Bearing Liabilities	28,10,562	56,42,457	61,19,751	66,81,555	73,42,483

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	2.7	3.5	2.7	2.7	2.8
C/I Ratio	40.5	47.6	44.1	41.3	40.3
Gross NPA Ratio	6.9	9.9	8.6	6.6	6.7
Tier 1 Ratio	12.1	12.3	10.7	11.4	12.1
Adj. RoA Ratio	0.3	0.6	0.5	0.9	1.0
Adj. RoE Ratio	3.6	9.9	9.4	15.9	16.3

Rating	Buy
Current Market Price (₹)	123
12 M Price Target (₹)	170
Potential upside (%)	38

Stock Data

FV (₹) :	10
Total Market Cap (₹ bn) :	154
Free Float Market Cap (₹ bn) :	29
52-Week High / Low (₹) :	53 / 157
2-Year High / Low (₹) :	42 / 203
1 Year Avg. Dly Traded Volume (in lakh)	42
BSE Code / NSE Symbol	532814 / INDIANB
Bloomberg :	INBK IN

Shareholding Pattern (%)

	Jun-21	Mar-21	Dec-20	Sep-20
GOI	79.86	88.06	88.06	88.06
FPIs	2.92	1.01	0.83	0.81
MFs	4.18	2.57	2.54	2.03
Insurance	4.73	1.80	1.87	1.91
Others	8.31	6.56	6.70	7.19

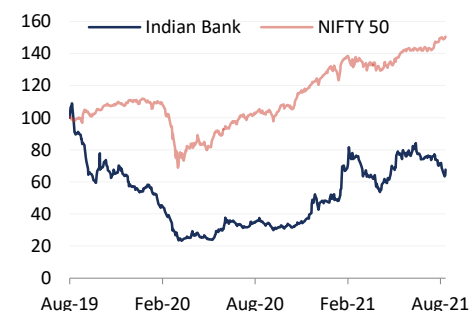
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Indian Bank	-10.7	-13.0	-13.3	89.6
Nifty 50	4.9	9.4	10.2	45.0

* To date / current date : August 25, 2021

Indian Bank vs Nifty 50



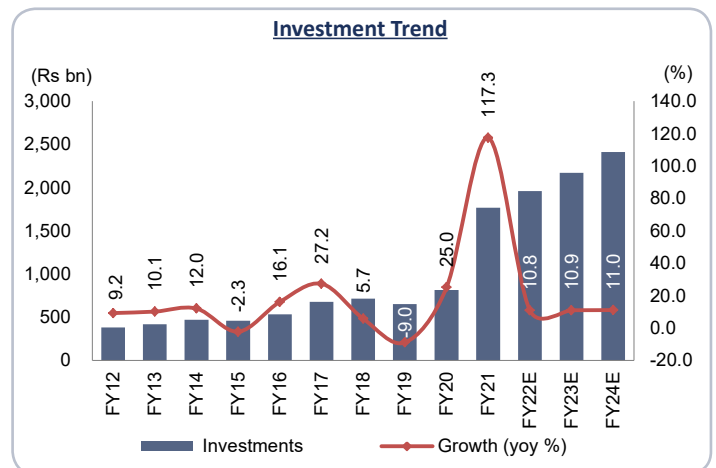
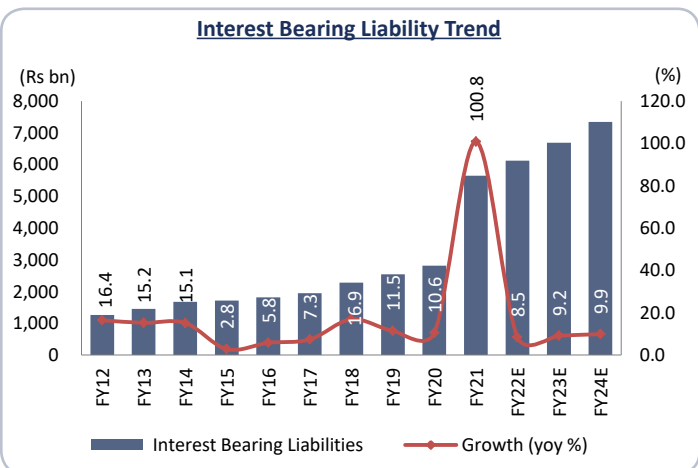
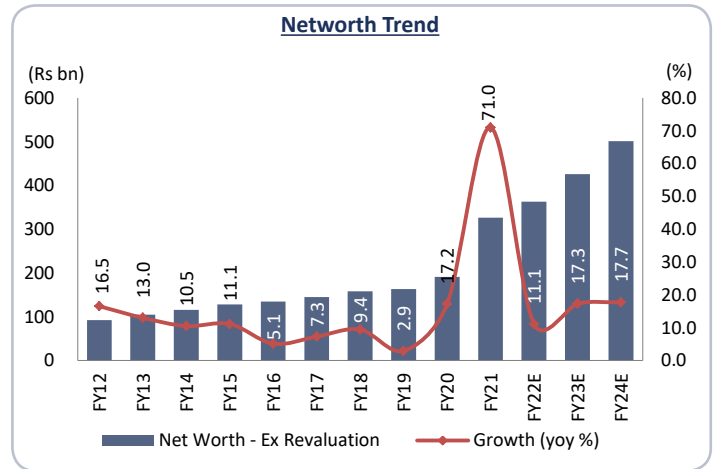
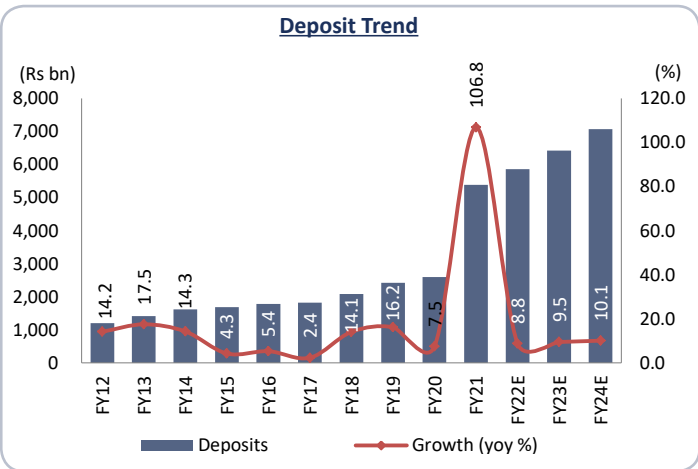
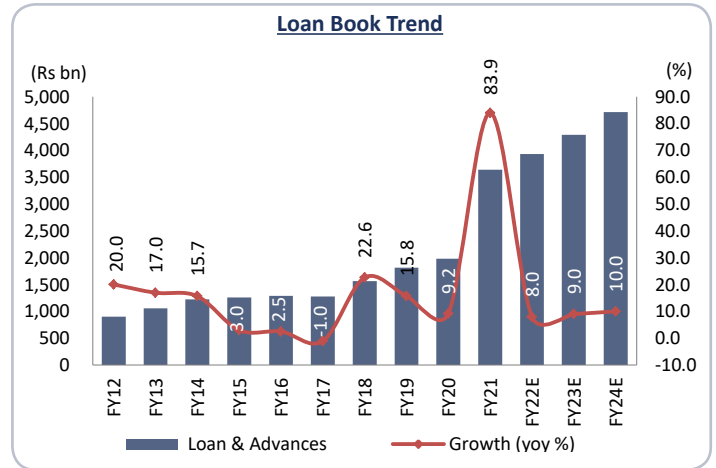
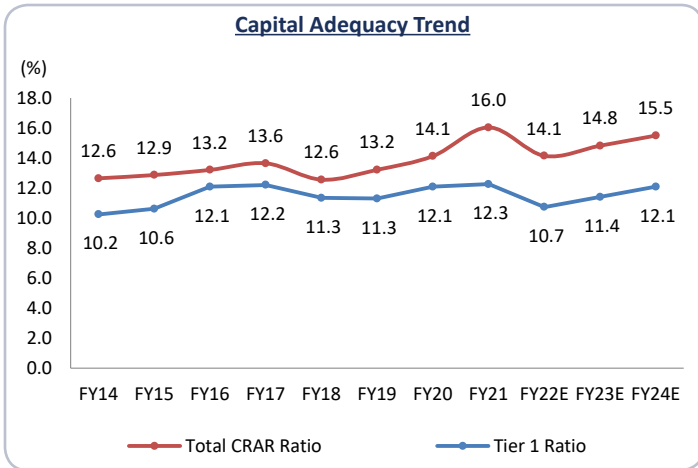
NIMs to stay range bound; however, other income to grow faster: The bank has reported FY21 NIMs at 3.5% (v/s 2.7% in FY20); higher because of interest accumulation from merged books. Nevertheless, the NIMs is likely to squeeze to 2.7% in FY22E (earlier run-rate). The bank is likely to witness moderate NII growth of ~8% and ~10% in FY22E and FY23E respectively. Keeping an eye on current interest rate scenario and lacklustre credit off-take, the management is keenly focused on other income growth. 1QFY22 other income growth was 41% YoY and 8% QoQ. The recovery from write-off asset would further boost the non-interest income. We estimate 15% and 16% other income growth in FY22E and FY23E respectively. A moderate NII growth and robust non-interest income growth may translate in the PPOP growth of 17% and 18% in FY22E and FY23E.

Lower credit cost to improve return ratios: A slower stress formation and significant recoveries from delinquent assets may result in lower provisioning expenses. FY21 credit cost (calculated) was at 3.8% because of merged assets and COVID induced stress; which is likely to go down to 2.1% in FY22E and 1.6% in FY23E, keeping the coverage ratio intact well above 60%. Nonetheless, the management guided the credit cost of below 2%. Thus, the bank may witness significant recovery in earning with PAT growth of 17% in FY22E. The bank has DTA outstanding of ₹32bn, hence tax incidence will be low. A robust jump in profit may translate in double digit (~10%) ROE in FY22E. We estimate FY22E and FY23E ROE of 9.4% and 15.9% respectively.

Outlook and Valuation

Having completed the merger, the next challenge for the bank is COVID induced asset quality headwinds, akin to other banks. The guidance suggests credit cost of ~2% and slippage of ~3% in FY22E. We expect re-bounce in earnings growth for FY22E driven by non-interest income and in FY23E due to decline in credit cost, translating into ROA of 0.5%/0.9% respectively. The stock trades at 0.5x FY23E Adj. BVPS of ₹243. We value the bank at 0.7x FY23E Adj. BVPS to arrive at our price target of ₹170; a potential upside of 38%.

Ample Capital buffer to drive balance sheet growth: The bank has a board approval to raise up to ₹40bn in equity. In 1QFY22, the bank has raised ₹16.5bn by share sale to institutional investors at ₹142 per share. Post capital infusion, the bank is comfortably placed with Capital Adequacy ratio of 15.9% (as on 30th June 2021) with Tier 1 capital of 12.2%. The fresh capital would act as a cushion against any possible future shock and likely to drive balance sheet growth. As the economy is showing signs of revival, we expect the bank's loan book to clock a CAGR growth of ~9% in FY21-24E. Historically, the bank has maintained a credit deposit ratio of 67%, thus we estimate the deposit to grow at a CAGR of ~10% in the same period with consistent CASA ratio of 42.5%.

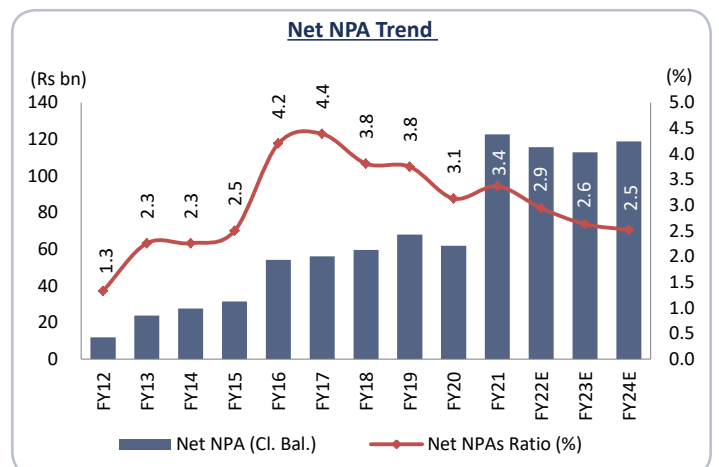
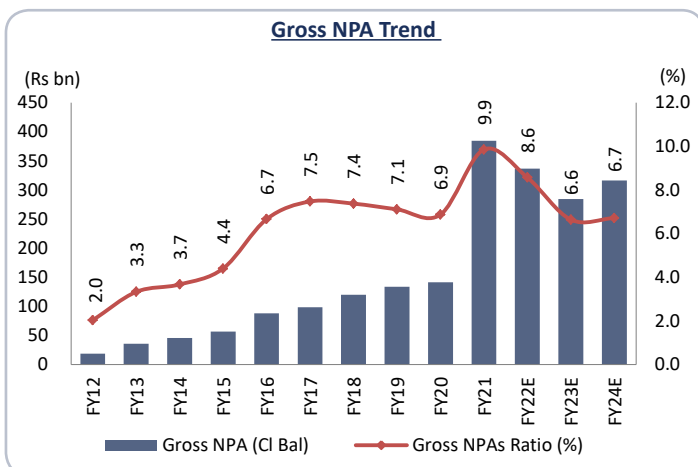
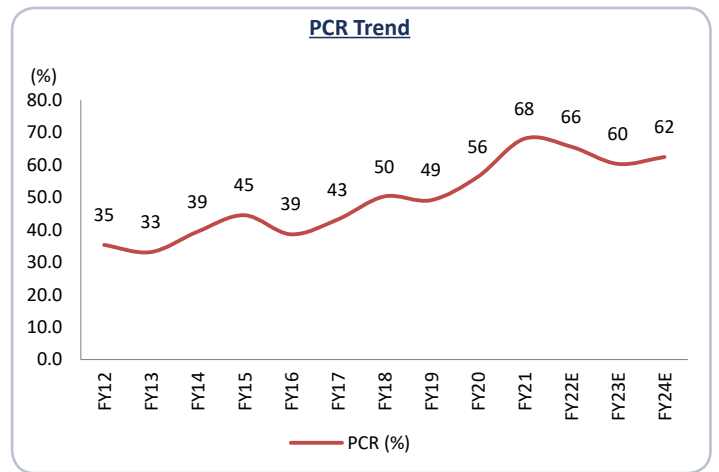
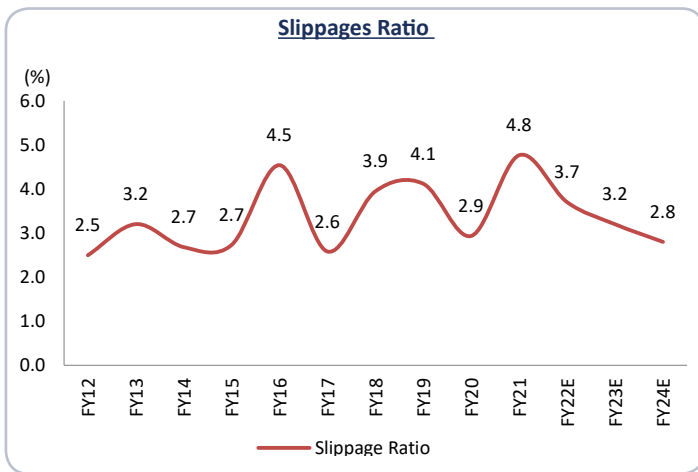


1QFY22 witnessed signs of recovery in credit quality: With bad asset up-gradation of ₹16.5bn (14 times the previous quarter) and prudential write-offs of ₹27bn (₹25bn in 4QFY21); the banks absolute GNPA decreased sequentially by 2% unlike other public banks. The GNPA ratio stood 9.7% v/s 9.9% in 4QFY21. Furthermore, SREI group is still a standard account but bank has provided 20% provision on the same. Management expects recovery of ₹50bn in FY22 (Including all NCLT/Non NCLT and smaller accounts) and expects up-gradation of loans worth ₹25bn. Moreover, we have estimated slippages ratio to moderate at 3.7% in FY22E against 4.8% in FY21. Going forward slippages to reduce further at 3.2% in FY23E. With compulsory bulky write-offs, the GNPA ratio is estimated to be at 6.6% by the end of FY23E with NNPA ratio of 2.6%.

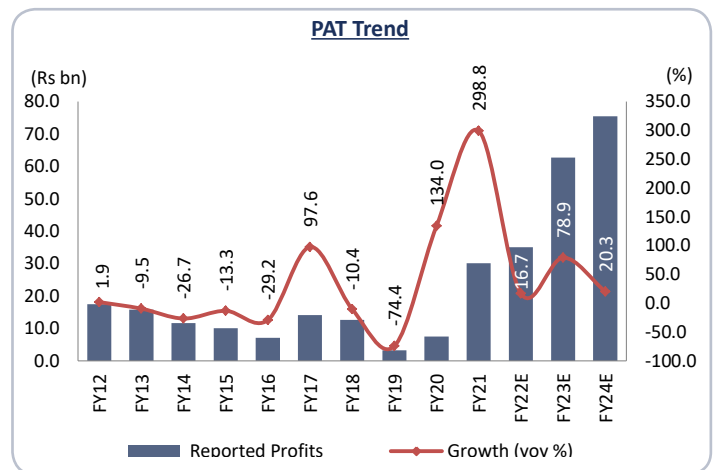
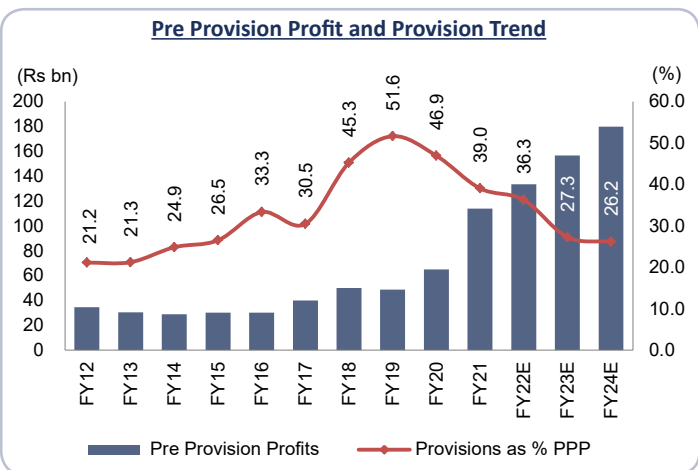
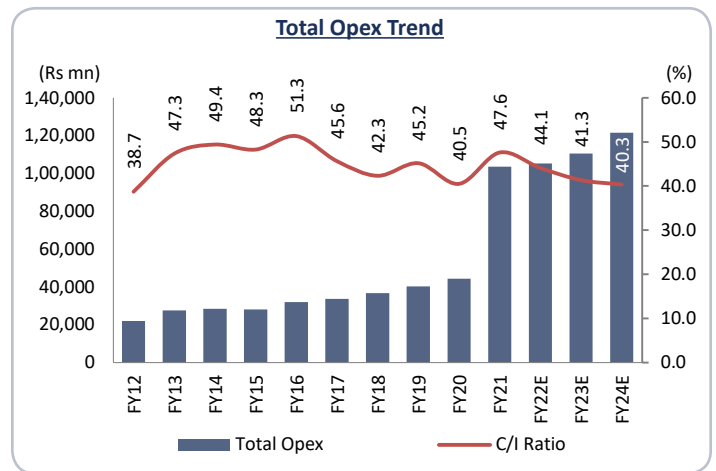
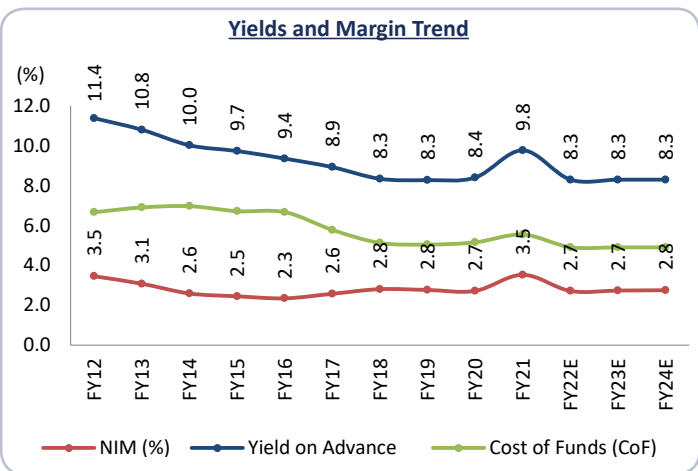
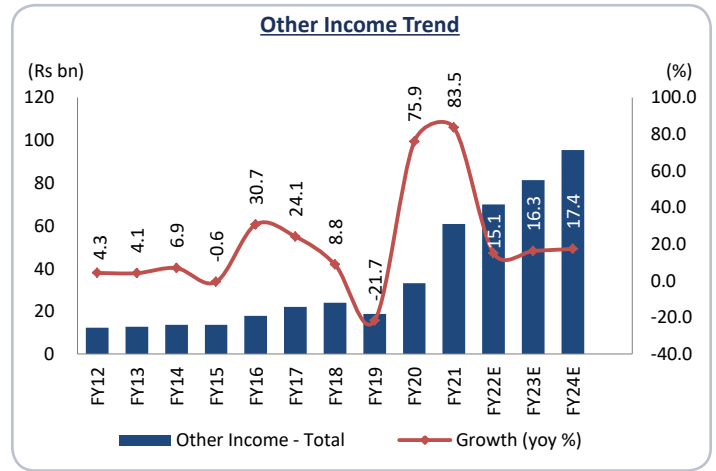
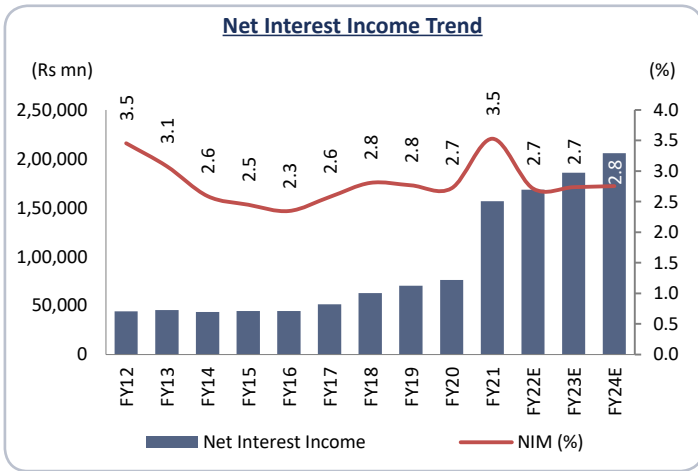
Exhibit 1 : Assets Quality Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Total Slippages	-	6,060	3,150	1,950	83,130	44,120	(46.9)	628.1
<i>Slippages Ratio (%)</i>	-	<i>0.31</i>	<i>0.16</i>	<i>0.10</i>	<i>4.20</i>	<i>1.21</i>	<i>(299)</i>	<i>91</i>
Gross NPA	1,41,508	3,99,650	3,61,980	3,52,372	3,84,554	3,77,592	(1.8)	(5.5)
<i>Gross NPAs Ratio (%)</i>	<i>6.90</i>	<i>10.90</i>	<i>9.90</i>	<i>9.00</i>	<i>9.90</i>	<i>9.70</i>	<i>(20)</i>	<i>(120)</i>
<i>PCR - Calculated (%)</i>	<i>56.3</i>	<i>68.1</i>	<i>72.2</i>	<i>75.8</i>	<i>68.1</i>	<i>66.5</i>	<i>(160)</i>	<i>(159)</i>
<i>PCR - Inc. Tech w/o (%)</i>	<i>73.1</i>	<i>80.5</i>	<i>84.4</i>	<i>86.5</i>	<i>82.1</i>	<i>82.0</i>	<i>(10)</i>	<i>150</i>
Net NPA	61,842	1,27,547	1,00,522	85,375	1,22,711	1,26,529	3.1	(0.8)
<i>Net NPAs Ratio (%)</i>	<i>3.10</i>	<i>3.80</i>	<i>3.00</i>	<i>2.40</i>	<i>3.40</i>	<i>3.50</i>	<i>10</i>	<i>(30)</i>

Source: Company, LKP Research



NIMs to stay range bound; however, other income to grow faster: The bank has reported FY21 NIMs at 3.5% (v/s 2.7% in FY20); higher because of interest accumulation from merged books. Nevertheless, the NIMs is likely to squeeze to 2.7% in FY22E (earlier run-rate). The bank is likely to witness moderate NII growth of ~8% and ~10% in FY22E and FY23E respectively. Keeping an eye on current interest rate scenario and lacklustre credit off-take, the management is keenly focused on other income growth. 1QFY22 other income growth was 41% YoY and 8% QoQ. The recovery from write-off asset would further boost the non-interest income. We estimate 15% and 16% other income growth in FY22E and FY23E respectively. A moderate NII growth and robust non-interest income growth may translate in the PPOP growth of 17% and 18% in FY22E and FY23E.



Quarterly Snapshot

Exhibit 2 : Income Statement Analysis

(₹ mn)	1Q FY22	1Q FY21	% yoy / bps	4Q FY21	% qoq / bps	FY21	FY20	% yoy / bps
Int. on Loan	67,646	71,491	(5.4)	60,245	12.3	2,74,546	1,59,330	72.3
Int. on Investment	27,718	27,749	(0.1)	27,886	(0.6)	1,11,669	52,788	111.5
Int. on Balances	736	1,803	(59.2)	769	(4.3)	4,255	1,774	139.8
Int. Others	136	157	(13.5)	139	(1.9)	588	157	275.1
Interest Inc.	96,236	1,01,200	(4.9)	89,039	8.1	3,91,058	2,14,050	82.7
Interest Expenses	56,294	62,457	(9.9)	55,696	1.1	2,34,398	1,37,986	69.9
Net Interest Income	39,942	38,743	3.1	33,343	19.8	1,56,659	76,064	106.0
<i>NII to Net Operative Income</i>	<i>68.0</i>	<i>74.5</i>	<i>(646)</i>	<i>65.7</i>	<i>238</i>	<i>72.0</i>	<i>69.7</i>	<i>238</i>
<i>NIM (%)</i>	<i>2.85</i>	<i>2.8</i>	<i>2</i>	<i>2.3</i>	<i>51</i>	<i>-</i>	<i>-</i>	<i>-</i>
Other Income - Total	18,766	13,268	41.4	17,440	7.6	60,793	33,125	83.5
<i>Other Income to Net Operative Income</i>	<i>32.0</i>	<i>25.5</i>	<i>646</i>	<i>34.3</i>	<i>(238)</i>	<i>28.0</i>	<i>30.3</i>	<i>(238)</i>
Net Operating Revenue	58,708	52,010	12.9	50,783	15.6	2,17,452	1,09,189	99.2
Employee Expenses	14,661	16,540	(11.4)	14,022	4.6	63,782	24,730	157.9
<i>Empl. Cost/Oper. Exps.</i>	<i>25.0</i>	<i>31.8</i>	<i>(683)</i>	<i>27.6</i>	<i>(264)</i>	<i>29.3</i>	<i>22.6</i>	<i>668</i>
Other Opex	9,329	7,937	17.5	11,277	(17.3)	39,713	19,479	103.9
<i>Other Opex/ Assets</i>	<i>0.1</i>	<i>0.2</i>	<i>(3)</i>	<i>0.2</i>	<i>(9)</i>	<i>0.8</i>	<i>0.7</i>	<i>19</i>
Total Opex	23,990	24,477	(2.0)	25,299	(5.2)	1,03,496	44,208	134.1
<i>Cost to Income Ratio (%)</i>	<i>40.9</i>	<i>47.1</i>	<i>(620)</i>	<i>49.8</i>	<i>(895)</i>	<i>47.6</i>	<i>40.5</i>	<i>711</i>
Pre Provision Profits	34,718	27,533	26.1	25,484	36.2	1,13,956	64,980	75.4
Provisions & Contingencies - Total	26,145	21,391	22.2	17,525	49.2	84,901	51,253	65.6
<i>NPA Provisions as % Operating Income</i>	<i>75.3</i>	<i>77.7</i>	<i>(238)</i>	<i>68.8</i>	<i>654</i>	<i>74.5</i>	<i>78.9</i>	<i>(437)</i>
Profit Before Tax	8,573	6,142	39.6	7,959	7.7	29,056	13,727	111.7
Tax	(3,244)	2,450	(232.4)	(9,130)	(64.5)	(991)	6,194	(116.0)
<i>Effective Tax Rate (%)</i>	<i>(37.8)</i>	<i>39.9</i>	<i>(7,772)</i>	<i>(114.7)</i>	<i>7,687</i>	<i>(3.4)</i>	<i>45.1</i>	<i>(4,853)</i>
Reported Profits	11,817	3,693	220.0	17,089	(30.9)	30,047	7,534	298.8
<i>RoA (%)</i>	<i>0.8</i>	<i>0.3</i>	<i>50</i>	<i>1.1</i>	<i>(34)</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>RoE (%)</i>	<i>15.2</i>	<i>5.5</i>	<i>971</i>	<i>23.1</i>	<i>(794)</i>	<i>-</i>	<i>-</i>	<i>-</i>

Source: Company, LKP Research

Exhibit 3 : Balance Sheet Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Net Worth	2,20,893	3,60,532	3,64,517	3,69,784	3,84,120	4,12,724	7.4	14.5
RoE (%)	(3.9)	5.5	5.9	7.1	23.1	15.2	(794)	971
CET1 %	-	10.3	10.6	10.4	11.3	11.6	30	127
Tier 1 %	12.1	10.5	10.7	11.2	11.9	12.2	30	170
Total CAR %	14.1	13.5	13.6	14.1	15.7	15.9	20	240
RWA - Total	-	29,86,120	29,40,060	30,20,060	29,80,970	30,54,250	2.5	2.3
Advances - Total	19,78,870	33,94,815	33,96,566	36,28,170	36,40,102	36,43,710	0.1	7.3
Investments	8,12,417	16,15,349	17,81,603	17,54,590	17,65,370	17,92,810	1.6	11.0
Total Assets	30,94,682	57,57,664	58,48,802	60,83,904	62,60,050	62,16,694	(0.7)	8.0
RoA (%)	(0.30)	0.25	0.28	0.35	1.09	0.75	(34)	50
Deposits	26,02,259	48,91,086	50,19,564	52,12,480	53,80,711	54,00,820	0.4	10.4
Saving Deposit	7,65,250	17,89,540	18,08,450	18,35,920	19,52,500	19,24,650	(1.4)	7.5
Current Deposit	1,30,590	2,41,520	2,68,610	2,94,520	3,23,450	2,84,080	(12.2)	17.6
CASA Deposits	8,95,840	20,31,060	20,77,060	21,30,440	22,75,950	22,08,730	(3.0)	8.7
CASA Ratio (%)	35.0	42.0	41.0	41.0	42.0	41.0	(100)	(100)
Term Deposits	17,06,419	28,60,026	29,42,504	30,82,040	31,04,761	31,92,090	2.8	11.6
Interest Bearing Liabilities - Total	28,10,562	51,99,027	53,32,660	55,13,180	56,42,457	56,04,690	(0.7)	7.8

Source: Company, LKP Research

Exhibit 4: Loan Book/ AUM Analysis

(₹ mn)	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
As Per Internal Business Classification	-	-	-	-	-	-	-
Home Loans	4,39,930	4,25,590	4,60,380	4,76,820	4,69,760	(1.5)	6.8
Auto Loans	32,430	33,530	37,310	36,490	35,430	(2.9)	9.3
Education Loans	47,120	47,950	47,420	46,840	46,150	(1.5)	(2.1)
Other Retail Loans	85,810	90,620	1,21,680	1,39,720	1,56,930	12.3	82.9
Agriculture	6,87,730	7,13,450	7,50,400	7,87,750	8,02,720	1.9	16.7
Retail	6,05,290	5,97,690	6,66,790	6,99,870	7,08,270	1.2	17.0
MSME	6,05,900	6,51,760	6,88,050	7,01,800	6,76,310	(3.6)	11.6
Domestic Corporate	16,79,770	16,03,360	16,85,500	16,05,950	15,90,110	(1.0)	(5.3)
Total Advances	35,78,690	35,66,260	37,90,740	37,95,370	37,77,410	(0.5)	5.6
Advances - Total	33,94,815	33,96,566	36,28,170	36,40,102	36,43,710	0.1	7.3
RoA (%)	0.3	0.3	0.4	1.1	0.8	(34)	50

Source: Company, LKP Research

Exhibit 5: Funding Profile Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	28,10,562	51,99,027	53,32,660	55,13,180	56,42,457	56,04,690	(0.7)	7.8
Deposits	26,02,259	48,91,086	50,19,564	52,12,480	53,80,711	54,00,820	0.4	10.4
CASA Deposits	8,95,840	20,31,060	20,77,060	21,30,440	22,75,950	22,08,730	(3.0)	8.7
Saving Deposit	7,65,250	17,89,540	18,08,450	18,35,920	19,52,500	19,24,650	(1.4)	7.5
Current Deposit	1,30,590	2,41,520	2,68,610	2,94,520	3,23,450	2,84,080	(12.2)	17.6
Term Deposits	17,06,419	28,60,026	29,42,504	30,82,040	31,04,761	31,92,090	2.8	11.6
Borrowings	2,08,303	3,07,941	3,13,096	3,00,700	2,61,746	2,03,870	(22.1)	(33.8)
Interest Bearing Liabilities - Total	28,10,562	51,99,027	53,32,660	55,13,180	56,42,457	56,04,690	(0.7)	7.8

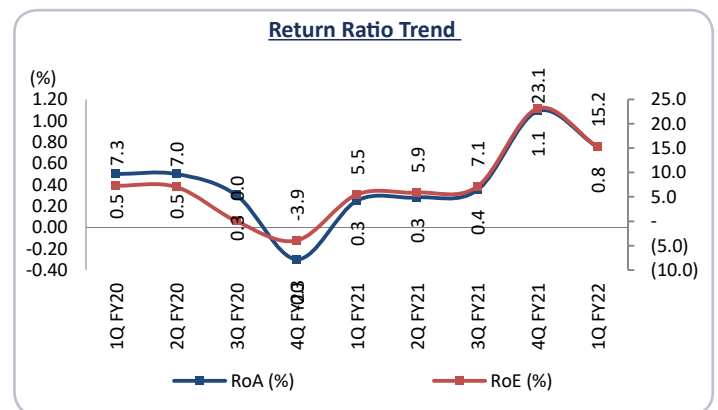
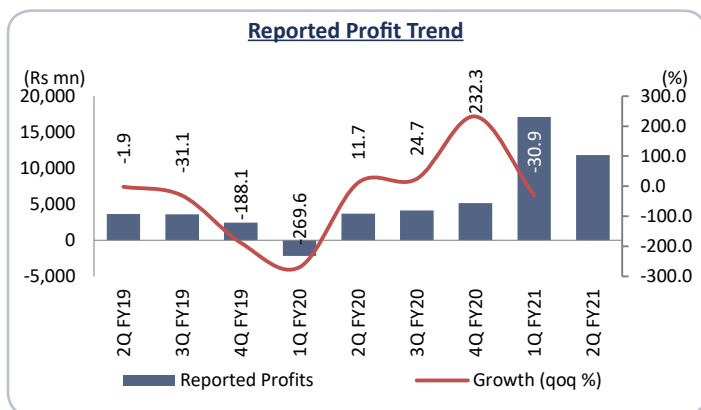
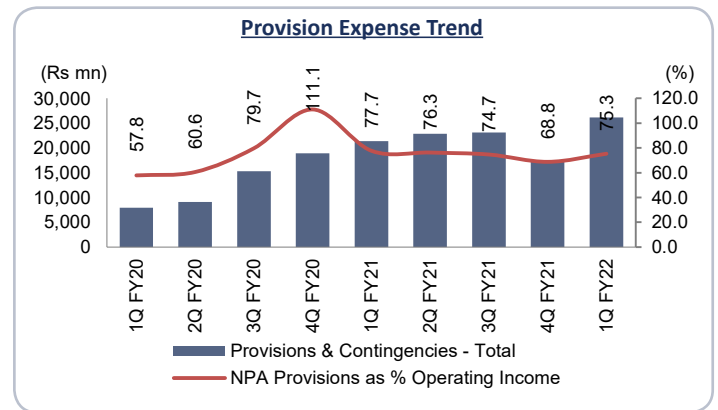
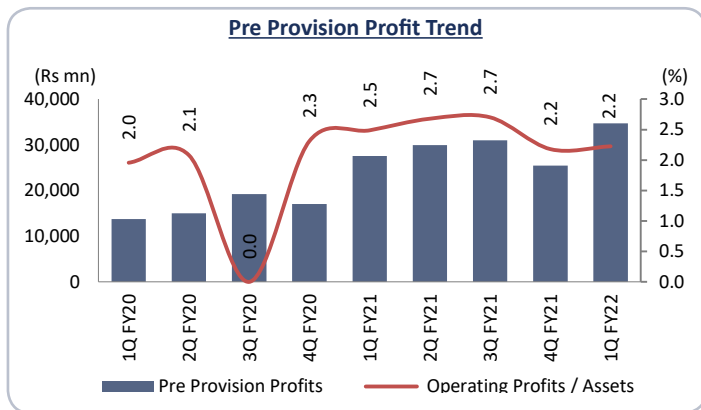
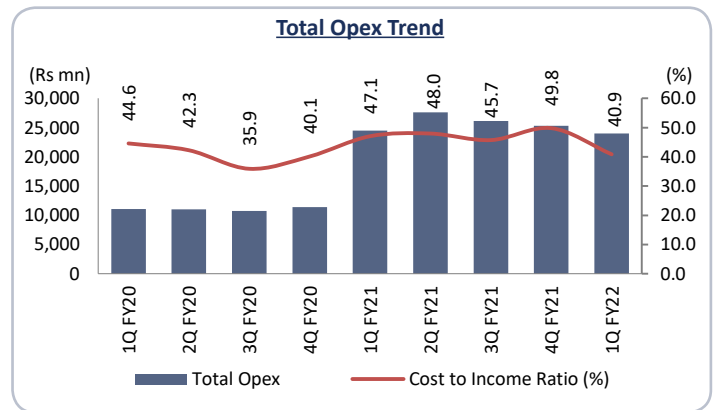
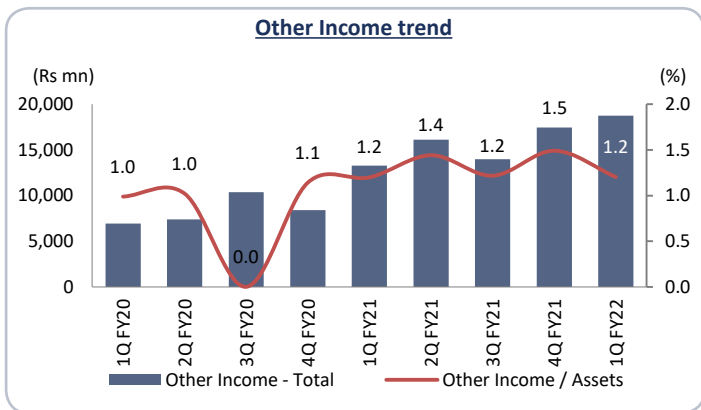
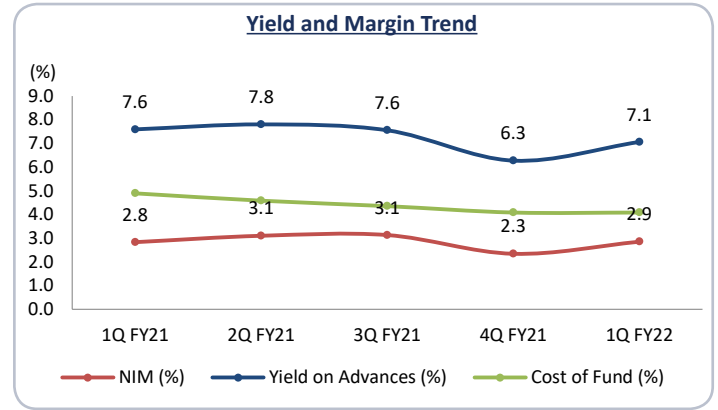
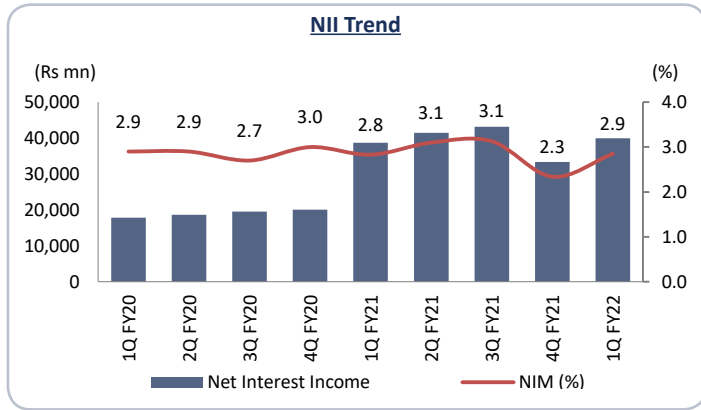
Source: Company, LKP Research

Exhibit 6: Asset Quality Analysis

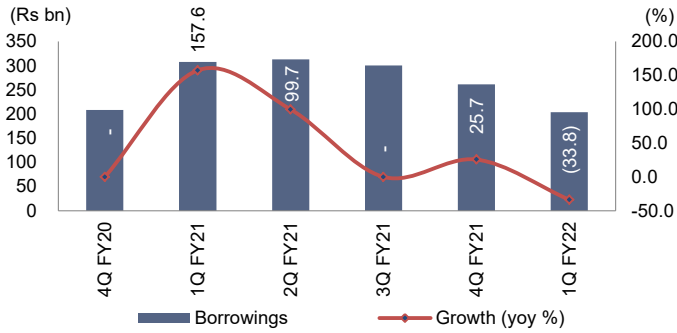
(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Total Slippages	-	6,060	3,150	1,950	83,130	44,120	(46.9)	628.1
Slippages Ratio (%)	-	0.31	0.16	0.10	4.20	1.21	(299)	91
Gross NPA	1,41,508	3,99,650	3,61,980	3,52,372	3,84,554	3,77,592	(1.8)	(5.5)
Gross NPAs Ratio (%)	6.90	10.90	9.90	9.00	9.90	9.70	(20)	(120)
PCR - Calculated (%)	56.3	68.1	72.2	75.8	68.1	66.5	(160)	(159)
PCR - Inc. Tech w/o (%)	73.1	80.5	84.4	86.5	82.1	82.0	(10)	150
Net NPA	61,842	1,27,547	1,00,522	85,375	1,22,711	1,26,529	3.1	(0.8)
Net NPAs Ratio (%)	3.10	3.80	3.00	2.40	3.40	3.50	10	(30)

Source: Company, LKP Research

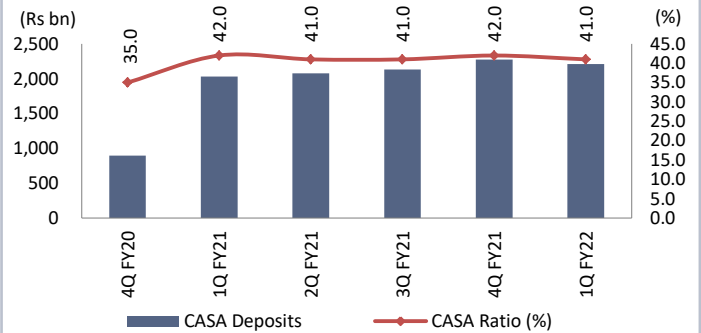
Quarterly story in charts



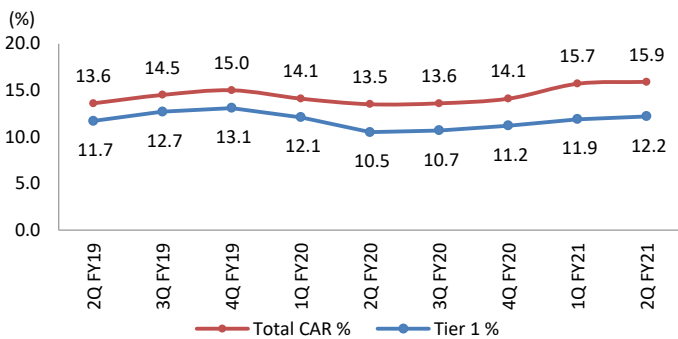
Deposit Trend



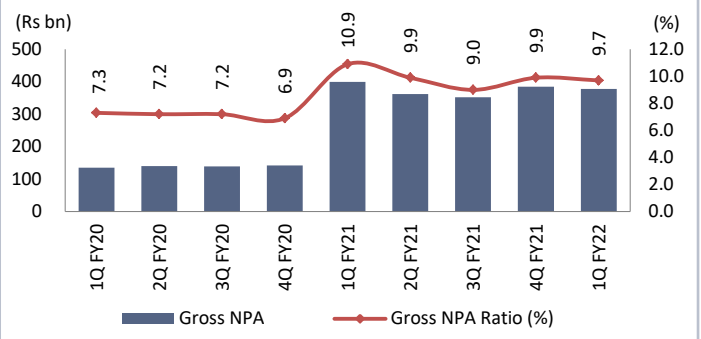
CASA Ratio Trend



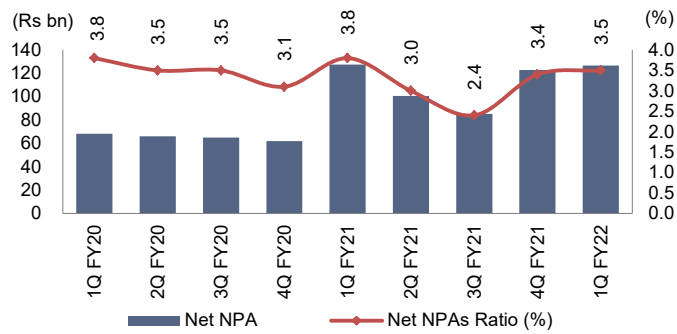
CRAR and Tier 1 trend



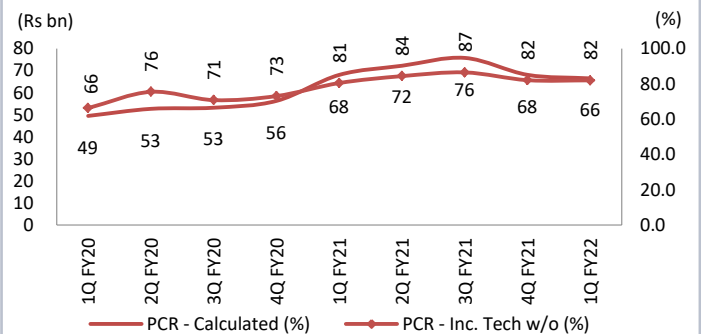
Gross NPA Trend



Net NPA Trend



PCR Trend



Annual Projections

Exhibit 7: Profit and Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income	2,14,050	3,91,058	4,57,563	4,99,827	5,49,663
Interest Expenses	1,37,986	2,34,398	2,88,898	3,13,998	3,43,937
Net Interest Income	76,064	1,56,659	1,68,665	1,85,829	2,05,726
<i>NIM (%)</i>	2.72	3.53	2.72	2.74	2.75
Adjusted NII	75,907	1,56,071	1,68,665	1,85,829	2,05,726
Core Fee Income	3,387	7,531	8,661	9,960	11,454
Exchange Income	2,021	4,059	4,668	5,368	6,174
Sale of Investments	8,797	21,242	21,667	22,317	23,210
Other Misc. Income	18,920	27,960	34,950	43,687	54,609
Other Income - Total	33,125	60,793	69,946	81,333	95,446
Net Operating Revenue	1,09,189	2,17,452	2,38,611	2,67,162	3,01,173
Employee Exp.	24,730	63,782	65,058	68,311	75,142
Other Opex	19,479	39,713	40,110	42,116	46,327
Total Opex	44,208	1,03,496	1,05,168	1,10,427	1,21,469
<i>C/I Ratio</i>	40.49	47.59	44.08	41.33	40.33
Pre Provision Profits	64,980	1,13,956	1,33,443	1,56,735	1,79,704
<i>PPP Growth (yoy %)</i>	33.1	75.4	17.1	17.5	14.7
Provisions & Contingencies - Total	51,253	84,901	86,576	72,905	78,847
<i>Credit Cost (As % of Op. AUM)</i>	2.56	3.84	2.10	1.60	1.60
Profit Before Tax	13,727	29,056	46,867	83,830	1,00,856
Tax	6,194	(991)	11,810	21,125	25,416
<i>Effective Tax Rate</i>	45.1	(3.4)	25.2	25.2	25.2
Reported Profits	7,534	30,047	35,056	62,705	75,440
<i>PAT Growth (yoy %)</i>	134.0	298.8	16.7	78.9	20.3

Source: Company, LKP Research

Exhibit 8: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	6,088	11,294	12,454	12,454	12,454
Reserves (ex Reval. Reserve)	1,84,926	3,15,276	3,50,332	4,13,037	4,88,478
Net Worth - Ex Revaluation	1,91,014	3,26,570	3,62,787	4,25,492	5,00,932
Deposits	26,02,259	53,80,711	58,56,602	64,14,293	70,63,468
Borrowings	2,08,303	2,61,746	2,63,149	2,67,262	2,79,014
Interest Bearing Liabilities	28,10,562	56,42,457	61,19,751	66,81,555	73,42,483
Other Lia. & Prov.	63,227	2,33,474	3,23,024	3,44,947	3,67,288
Total Liabilities	30,94,682	62,60,050	68,05,562	74,51,994	82,10,703
Assets					
Cash & Cash Equivalent	1,39,247	5,40,599	5,88,763	6,45,511	7,12,272
Investments	8,12,417	17,65,370	19,56,324	21,69,985	24,09,075
Credit Equivalent	67,155	1,33,592	1,34,927	1,36,277	1,37,639
Loan & Advances	19,78,870	36,40,102	39,31,311	42,85,129	47,13,641
<i>Growth (yoy %)</i>	<i>9.2</i>	<i>83.9</i>	<i>8.0</i>	<i>9.0</i>	<i>10.0</i>
Fixed Assets	38,957	73,763	74,535	81,462	89,614
Other Assets	1,25,190	2,40,216	2,54,629	2,69,907	2,86,101
Total Assets	30,94,682	62,60,050	68,05,562	74,51,994	82,10,703

Source: Company, LKP Research

Exhibit 9: Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value	10	10	10	10	10
Adjusted Share O/S - For Calculation	609	1,129	1,245	1,245	1,245
Earnings Per Share	12.4	26.6	28.1	50.3	60.6
EPS (% YoY)	84.6	115.0	5.8	78.9	20.3
P/E (x)	9.6	4.4	4.2	2.3	2.0
Book Value	313.8	289.2	291.3	341.6	402.2
BVPS (% YoY)	(7.5)	(7.8)	0.7	17.3	17.7
P/BV (x)	0.4	0.4	0.4	0.3	0.3
Adj. BV	263.0	234.8	193.0	243.3	303.9
Adj. BV (% YoY)	(2.1)	(10.7)	(17.8)	26.1	24.9
P/ABV (x)	0.4	0.5	0.6	0.5	0.4

Source: Company, LKP Research

Exhibit 10: Detailed ROA Tree

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	8.4	9.8	8.3	8.3	8.3
Yield on Funds	7.7	8.8	7.4	7.4	7.4
Cost of Funds (CoF)	5.2	5.5	4.9	4.9	4.9
Interest Spread	2.5	3.3	2.5	2.5	2.5
NIM's	2.7	3.5	2.7	2.7	2.8
Interest Income / Assets	7.3	8.4	7.0	7.0	7.0
Interest Exp. / Assets	4.7	5.0	4.4	4.4	4.4
NII / Assets	2.6	3.3	2.6	2.6	2.6
Fee Income / Assets	0.1	0.2	0.1	0.1	0.1
Other Non Core Income / Assets	0.3	0.5	0.3	0.3	0.3
Other Income / Assets	1.1	1.3	1.1	1.1	1.2
Net Operating Income / Assets	3.7	4.6	3.7	3.7	3.8
Operating Ratios					
NII to Net Operative Income	69.7	72.0	70.7	69.6	68.3
Other Income to Net Operative Income	30.3	28.0	29.3	30.4	31.7
Empl. Cost/Oper. Exps.	55.9	61.6	61.9	61.9	61.9
Other Op. Exps./Oper. Exps.	44.1	38.4	38.1	38.1	38.1
C/I Ratio	40.5	47.6	44.1	41.3	40.3
Provisions as % PPP	46.9	39.0	36.3	27.3	26.2
Credit Cost (As % of Op. AUM)	2.6	3.8	2.1	1.6	1.6
Effective Tax Rate	45.1	(3.4)	25.2	25.2	25.2
Employee Exp. / Assets	0.8	1.4	1.0	1.0	1.0
Other Opex/ Assets	0.7	0.8	0.6	0.6	0.6
Total Opex / Assets	1.5	2.2	1.6	1.5	1.6
Operating Profits / Assets	2.2	2.4	2.0	2.2	2.3
Op Profit ex Except Items / Assets	2.2	2.4	2.0	2.2	2.3
Provisions / Assets	1.7	1.8	1.3	1.0	1.0
Profit Before Tax / Assets	0.5	0.6	0.7	1.2	1.3
Tax Expenses / Assets	0.2	(0.0)	0.2	0.3	0.3
RoA	0.3	0.6	0.5	0.9	1.0
Leverage (x)	16.2	19.2	18.8	17.5	16.4
RoE	3.6	9.9	9.4	15.9	16.3
Adj. RoA	0.3	0.6	0.5	0.9	1.0
Adj. RoE	3.6	9.9	9.4	15.9	16.3

Source: Company, LKP Research

Exhibit 11: Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	76.0	67.7	67.1	66.8	66.7
<i>Incremental C/D Ratio</i>	91.6	59.8	61.2	63.4	66.0
<i>Investment Deposit Ratio</i>	31.2	32.8	33.4	33.8	34.1
<i>Dom. SLR Investment / Deposits</i>	26.0	29.3	30.1	30.8	31.3
<i>CASA Ratio</i>	34.6	42.3	42.5	42.5	42.5

Source: Company, LKP Research

Exhibit 12: Asset Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio</i>	2.9	4.8	3.7	3.2	2.8
Gross NPA (Cl Bal)	1,41,508	3,84,554	3,36,764	2,84,350	3,16,396
<i>Gross NPAs Ratio (%)</i>	6.9	9.9	8.6	6.6	6.7
<i>PCR (%)</i>	56.3	68.1	65.6	60.3	62.4
Net NPA (Cl. Bal.)	61,842	1,22,711	1,15,686	1,12,806	1,18,817
<i>Net NPAs Ratio (%)</i>	3.1	3.4	2.9	2.6	2.5
Total Impaired Loans	1,41,508	3,84,554	3,36,764	2,84,350	3,16,396
<i>Impaired Loan as % of Loan / AUM</i>	6.9	10.2	8.3	6.4	6.5
Total Risk Reserves	79,666	2,61,842	2,21,077	1,71,544	1,97,579
<i>Total Risk As % of Loan Book</i>	3.9	6.9	5.4	3.9	4.1

Source: Company, LKP Research

Exhibit 13: Key Assumptions & Forecasts

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Loan & Advances	19,78,870	36,40,102	39,31,311	42,85,129	47,13,641
<i>Growth (yoy %)</i>		83.9	8.0	9.0	10.0
Interest Bearing Liabilities	28,10,562	56,42,457	61,19,751	66,81,555	73,42,483
<i>Growth (yoy %)</i>		100.8	8.5	9.2	9.9
<i>Yield on Funds</i>	7.7	8.8	7.4	7.4	7.4
<i>Cost of Funds (CoF)</i>	5.2	5.5	4.9	4.9	4.9
<i>Interest Spread</i>	2.5	3.3	2.5	2.5	2.5
<i>NIM's</i>	2.7	3.5	2.7	2.7	2.8
<i>Other Income Growth</i>	75.9	83.5	15.1	16.3	17.4
<i>C/I Ratio</i>	40.5	47.6	44.1	41.3	40.3
<i>Effective Tax Rate</i>	45.1	(3.4)	25.2	25.2	25.2
Return Ratios					
<i>Adj. RoA</i>	0.3	0.6	0.5	0.9	1.0
<i>Adj. RoE</i>	3.6	9.9	9.4	15.9	16.3
Asset Quality Metrics					
<i>Credit Cost (As % of Op. AUM)</i>	2.6	3.8	2.1	1.6	1.6
<i>Gross NPAs Ratio (%)</i>	6.9	9.9	8.6	6.6	6.7
<i>Net NPAs Ratio (%)</i>	3.1	3.4	2.9	2.6	2.5

Source: Company, LKP Research

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