

May 8, 2023

RESULT REPORT Q4 FY23 | Sector: Banks

Indian Bank Ltd

Initiated with BUY in March 2022, INBK more than doubles

Result Highlights

- ✓ **Asset quality:** Gross NPA additions amounted to Rs 25.66bn (annualized NPA addition ratio of 2.2%), while cash recovery amounted to Rs 13.71bn
- ✓ **Margin picture:** Domestic NIM at 3.59% was down -15bps QoQ, driven lower as yield on advances contracted whereas cost of deposits expanded sequentially
- ✓ **Asset growth:** Advances grew 4.9%/13.9% QoQ/YoY driven sequentially by Overseas loans and Corporate loans
- ✓ **Opex control:** Total opex grew 10.5%/12.8% QoQ/YoY, Employee Exp. grew 11.5%/13.9% QoQ/YoY and other expenses rose 8.9%/11% QoQ/YoY
- ✓ **Fee income:** Core fee income rose 29.8%/12.4% QoQ/YoY, driven higher sequentially largely by Misc. fee income.

Our view - Initiated with BUY in March 2022, INBK more than doubles

INBK has worked to actively upfront provisions in FY23 and management is now calling for a material decline in provisions: Provisions made during the quarter amounted to Rs 25.69bn. Of these, Rs 14.44bn were provisions made on standard advances, while Rs 10.4bn were NPA provisions, per se. The total restructured book amounts to about Rs 150bn. The bank has made provisions on the restructured book to take coverage on this book to 20%. Management stated that provisions will be substantially lower in FY24 compared with FY23 because provisions have been upfronted in FY23 and SMA position is also under control.

Management stated that the domestic NIM of 3.41% registered for FY23 will be protected in FY24: The bank is focusing on making loans that are on MCLR and fixed rate so that yield is protected when interest rates start to decline. Some of the factors that impacted NIM for the quarter included excess liquidity. The LCR for the quarter was 158% whereas the excess SLR on the balance sheet amounted to about Rs 350bn. Secondly, interest reversal in 4Q amounted to Rs 2.36bn compared to Rs 1.39bn in 3Q. The bank, however, conceded that it has not been able to pass on the entire repo rate hike due to price competition.

Management has guided for a loan growth of 10-12% for FY24, while stating that the guidance is conservative: Retail, agri, MSME and corporate loans have grown 13%, 16%, 7% and 12% YoY, respectively.

We maintain 'BUY' rating on INBK with a revised price target of Rs 425: We initiated on INBK with BUY, in our [report released in March 2022](#), as only our 3rd PSB pick. Since then, INBK has returned 105%. We value the bank at 1.0x FY24 P/BV for an FY24E/25E RoE profile of 13.8/15.2%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Exhibit 1: Result table

| (Rs mn) | Q4 FY23 | Q3 FY23 | % qoq | Q4 FY22 | % yoy |
|----------------------------|---------------|---------------|--------------|---------------|-------------|
| Total Interest Income | 122,444 | 118,342 | 3.5 | 98,324 | 24.5 |
| Interest expended | (67,361) | (63,350) | 6.3 | (55,773) | 20.8 |
| Net Interest Income | 55,083 | 54,992 | 0.2 | 42,552 | 29.5 |
| Other income | 19,939 | 17,165 | 16.2 | 15,728 | 26.8 |
| Total Income | 75,022 | 72,156 | 4.0 | 58,279 | 28.7 |
| Operating expenses | (34,866) | (31,542) | 10.5 | (30,903) | 12.8 |
| PPoP | 40,156 | 40,614 | (1.1) | 27,376 | 46.7 |
| Provisions | (25,630) | (25,157) | 1.9 | (19,139) | 33.9 |
| PBT | 14,526 | 15,457 | (6.0) | 8,237 | 76.3 |
| Tax | (53) | (1,499) | (96.5) | 1,606 | (103.3) |
| PAT | 14,473 | 13,958 | 3.7 | 9,842 | 47.0 |

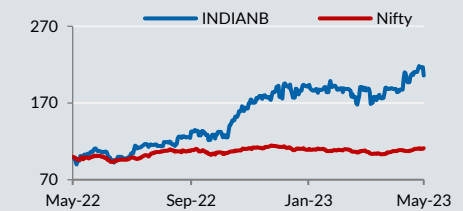
Source: Company, YES Sec-Research

| | |
|------------------|----------|
| Recommendation | : BUY |
| Current price | : Rs 315 |
| Target price | : Rs 425 |
| Potential return | : 35% |

Stock data (as on May 8, 2023)

| | |
|-------------------------|---------------|
| Nifty | 18,264 |
| 52 Week h/l (Rs) | 335 / 137 |
| Market cap (Rs/USD mn) | 413362 / 5055 |
| Outstanding Shares (mn) | 1,245 |
| 6m Avg t/o (Rs mn): | 539 |
| Div yield (%): | 2.0 |
| Bloomberg code: | INBK IN |
| NSE code: | INDIANB |

Stock performance



Shareholding pattern (As of Mar'23 end)

| | |
|----------|-------|
| Promoter | 79.9% |
| FII+DII | 15.7% |
| Others | 4.4% |

Δ in stance

| (1-Yr) | New | Old |
|--------------|-----|-----|
| Rating | BUY | BUY |
| Target Price | 425 | 390 |

Financial Summary

| (Rs mn) | FY23 | FY24E | FY25E |
|------------|---------|---------|---------|
| NII | 202,255 | 220,359 | 251,344 |
| PPOP | 152,706 | 171,886 | 201,620 |
| Net Profit | 52,817 | 71,719 | 91,331 |
| Growth (%) | 33.9 | 35.8 | 27.3 |
| EPS (Rs) | 42.4 | 53.3 | 67.9 |
| BVPS (Rs) | 385 | 416 | 474 |
| P/E (x) | 7.4 | 5.9 | 4.6 |
| P/BV (x) | 0.8 | 0.8 | 0.7 |
| ROE (%) | 11.5 | 13.8 | 15.2 |
| ROA (%) | 0.8 | 1.0 | 1.1 |
| Tier-1 (%) | 13.5 | 14.1 | 13.6 |

Δ in earnings estimates

| Rs. bn | FY23E | FY24E | FY25E |
|-----------|-------|-------|-------|
| EPS (New) | NA | 53.3 | 67.9 |
| EPS (Old) | NA | 52.0 | 67.3 |
| % change | NA | 2.6% | 0.9% |

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COMPREHENSIVE CON-CALL TAKEAWAYS

Asset quality

✓ Restructured book

- The bank had initially carried out restructuring for about Rs 110bn worth of loans.
- However, a further ~Rs 4bn had to be classified as restructured account as DCCO has been extended by 2 years.
- Thus, the total restructured book amounts to Rs 150bn.
- **Restructured book NPA**
 - About 7-8% of the restructured book has turned NPA, while the remaining is a paying book.
- **Provisioning approach**
 - The bank has made provisions on the restructured book to take coverage on this book to 20%, implying an absolute outstanding provision quantum of about Rs 30bn, which the management regards as sufficient.

✓ P&L Provisions

- Provisions made during the quarter amounted to Rs 25.69bn.
- Of these, Rs 14.44bn were provisions made on standard advances, while Rs 10.4bn were NPA provisions, per se.
- **Credit cost guidance**
 - Provisions will be substantially lower in FY24 compared with FY23.
 - This is because provisions have been upfronted in FY23 and SMA position is also under control.
- **ECL guidelines**
 - The final ECL guidelines are yet to come.
 - The understanding is that the provisions for restructured book and SMA will rise.
 - However, the bank will be over-provisioned on NPA, some of which it will use for restructured book and SMA.

✓ Slippages

- Total slippages for the quarter amounted to Rs 25.66bn.
- Of this, Rs 13bn was from the MSME book.
- The slippage from the restructured book amounted to Rs 7bn for the quarter.
- The slippage from the ECLGS book amounted to Rs 1.1bn.

✓ NARCL

- A Rs 62bn book has been identified to be bought by the NARCL.
- Half the accounts have received a bid, of which 25% have been processed and 25% kept on hold.
- All these accounts are 100% provided for.

✓ ECLGS book

- The ECLGS disbursement had been about Rs 118bn.
- The outstanding book stands at Rs 72bn.
- The NPA in this book is Rs 5.37bn out of Rs 118bn.
- 96% of the book is behaving well.

Net interest margin

✓ Margin guidance

- The NIM of 3.41% registered for FY23 will be protected in FY24.

(Con call takeaways continue on the next page)

- **Strategy**
 - The bank is actively managing the share of loan book as per rate category.
 - The bank is focusing on making loans that are on MCLR and fixed rate so that yield is protected when interest rates start to decline.
- **Loan book by rate category**
 - The share of MCLR loans has moved up from 56% to 59%.
 - Of this, the share of 1-year MCLR is 40% and the share of 6-month MCLR is 14%.
 - The share of repo rate loans is 34%.
- ✓ **NIM for the quarter**
 - Margin has contracted sequentially from 3.75% to 3.59%.
- ✓ **Liquidity**
 - The LCR for the quarter was 158%.
 - The excess SLR on the balance sheet amounted to Rs 350bn.
- ✓ **Cost of deposits**
 - The cost of deposits was 4.33%, up 45 bps YoY.
 - The duration of the term deposit book is 1.6 years and hence, some of it is going to come for repricing.
- ✓ **Yield on advances**
 - The bank has not been able to pass on the entire repo rate hike due to price competition.
 - As against a repo rate hike of 250 bps, the bank has passed on 170 bps, 180 bps and 190 bps in housing loans, auto loans and jewel loans, respectively.
 - However, management opined that they see pricing power returning in lending.
 - **Interest reversals**
 - Interest reversal in 4Q amounted to Rs 2.36bn compared to Rs 1.39bn in 3Q.
 - Interest reversal impacted NIM negatively by 10 bps.

Deposits growth

- ✓ **Deposits growth performance**
 - Total deposits have grown 5% YoY.
 - CASA deposits have grown 5% YoY.
 - SA deposits have grown 7% YoY.
- ✓ **Deposits strategy**
 - The excess liquidity has allowed the bank to go slow on deposits growth for now.
 - However, now, the bank has increased the weight for deposits in the employee KRA.
- ✓ **Guidance**
 - The management expects a deposit growth of 8-10% in FY24.

Loan growth

- ✓ **Guidance**
 - The loan growth guidance for FY24 is 10-12%.
 - Management stated that they prefer to make a conservative guidance, which is what they had done for FY23 as well.
- ✓ **Growth performance**
 - Total loan book has grown 14% YoY.
 - RAM book has grown 12% YoY.
 - Retail loans have grown 13% YoY.

(Con call takeaways continue on the next page)

Indian Bank Ltd

- Agri loans have grown 16% YoY.
- MSME loans have grown 7% YoY.
- Corporate loans have grown 12% YoY.
- ✓ **Retail sub-segments**
 - Housing loans have grown 11% YoY.
 - Auto loans have grown 28% YoY.
 - Non-priority jewel loans have grown 9% YoY.
- ✓ **Corporate sub-segment**
 - The mid-corporate book has grown 17% YoY.

Fee income

- ✓ Total fee income is up 16% YoY.
- ✓ Processing fee is up 21% YoY.

Operating expenses

- ✓ The cost to income ratio for the quarter was 46.47%, down 656 bps YoY.
- ✓ **Subsidiary**
 - The bank is the third PSU bank after SBI and BOB to receive approval for an outsourcing subsidiary.
 - This will allow the bank to outsource tasks and save on cost in the long run.

Return ratios

- ✓ The RoA for the quarter is 0.82%.
- ✓ The RoE for the quarter is 15.48%.

Capital adequacy

- ✓ Total capital adequacy ratio is 16.49%.
- ✓ The CET1 ratio is 12.89%, which is 36 bps YoY despite healthy loan growth.
- ✓ **Capital raise**
 - Management believes the internal accrual will be sufficient to support growth.
 - The bank will have to address government holding being above 75%.

Treasury income

- ✓ Treasury gains have been on the lower side since the bank has consciously chosen to churn the AFS book in manner than results in higher yield, even if it is at the cost of lower treasury gain.
- ✓ This will help them generate higher interest income on the investment book.

Effective tax rate

- ✓ The effective tax rate in FY23 was about 11%.
- ✓ A deferred tax asset was created due to the standard asset provisions.
- ✓ Going forward, the effective tax rate will be 25% of PBT.

Exhibit 2: Key quarterly balance sheet / business data

| (Rs mn) | Q4FY23 | Q3FY23 | % qoq | Q4FY22 | % yoy | Q4FY23* | chg QoQ* | chg YoY* |
|--------------------------------------|-----------|-----------|-------|-----------|---------|---------|----------|----------|
| Global Gross Advances | 4,735,860 | 4,516,580 | 4.9 | 4,156,250 | 13.9 | 100.0 | 0bps | 0bps |
| Overseas Gross Advances | 296,650 | 274,960 | 7.9 | 199,270 | 48.9 | 6.3 | 18bps | 147bps |
| Domestic Gross Advances | 4,439,210 | 4,241,620 | 4.7 | 3,956,980 | 12.2 | 93.7 | -18bps | -147bps |
| Corporate Loans | 1,712,420 | 1,613,510 | 6.1 | 1,529,980 | 11.9 | 36.2 | 43bps | -65bps |
| MSME | 796,560 | 773,720 | 3.0 | 741,670 | 7.4 | 16.8 | -31bps | -102bps |
| Agri | 1,019,370 | 982,200 | 3.8 | 881,000 | 15.7 | 21.5 | -22bps | 33bps |
| Retail Loans | 910,860 | 872,190 | 4.4 | 804,330 | 13.2 | 19.2 | -8bps | -12bps |
| Home Loan | 598,400 | 572,630 | 4.5 | 538,520 | 11.1 | 12.6 | -4bps | -32bps |
| Auto Loan | 53,770 | 49,990 | 7.6 | 41,980 | 28.1 | 1.1 | 3bps | 13bps |
| Personal Loan | 77,690 | 66,490 | 16.8 | 53,060 | 46.4 | 1.6 | 17bps | 36bps |
| Jewel Loan Non Priority | 52,060 | 51,920 | 0.3 | 47,870 | 8.8 | 1.1 | -5bps | -5bps |
| Others | 128,940 | 131,160 | (1.7) | 122,900 | 4.9 | 2.7 | -18bps | -23bps |
| Total Deposits | 6,211,658 | 5,971,140 | 4.0 | 5,936,178 | 4.6 | 100.0 | 0bps | 0bps |
| CA | 358,570 | 302,010 | 18.7 | 367,200 | (2.4) | 5.8 | 71bps | -41bps |
| SA | 2,249,520 | 2,110,120 | 6.6 | 2,112,060 | 6.5 | 36.2 | 88bps | 64bps |
| Term | 3,603,568 | 3,559,010 | 1.3 | 3,456,918 | 4.2 | 58.0 | -159bps | -22bps |
| RWA | 3,335,820 | 3,226,830 | 3.4 | 3,089,380 | 8.0 | NA | NA | NA |
| Investments | 1,859,883 | NA | NA | 1,745,586 | 6.5 | NA | NA | NA |
| Investments/(Invest. + Net Adv.) (%) | 29.3 | NA | NA | 31.0 | -169bps | NA | NA | NA |
| Borrowings | 220,730 | NA | NA | 171,443 | 28.7 | NA | NA | NA |
| Borrowings/(Borr. + Deposits) (%) | 3.4 | NA | NA | 2.8 | 62bps | NA | NA | NA |

Source: Company, YES Sec – Research, *Share in total and change in share

Exhibit 3: Key quarterly ratios

| (%) | Q4 FY23 | Q3 FY23 | chg qoq | Q4 FY22 | chg yoy |
|----------------------------------|---------|---------|---------|---------|---------|
| Net interest margin-Domestic | 3.59 | 3.74 | -15bps | 2.87 | 72bps |
| Yield on advances | 8.17 | 8.19 | -2bps | 7.00 | 117bps |
| Cost of deposits | 4.33 | 4.19 | 14bps | 3.88 | 45bps |
| Loan to Deposit ratio | 72.3 | 71.4 | 91bps | 65.6 | 677bps |
| Non-interest income/Total income | 26.6 | 23.8 | 279bps | 27.0 | -41bps |
| Fee Income to Avg. Total Assets | 0.5 | 0.4 | 11bps | 0.5 | 4bps |
| Cost to Income | 46.5 | 43.7 | 276bps | 53.0 | -655bps |
| Opex to Avg. Total Assets | 2.0 | 1.9 | 14bps | 1.9 | 14bps |
| RoE | 15.5 | 15.2 | 27bps | 11.7 | 378bps |
| RoA | 0.8 | 0.8 | 2bps | 0.6 | 20bps |
| Capital adequacy ratio | 16.5 | 15.7 | 75bps | 16.5 | -4bps |
| Common equity tier 1 | 12.9 | 12.0 | 92bps | 12.5 | 36bps |
| Tier I capital ratio | 13.5 | 12.6 | 90bps | 13.2 | 30bps |
| Annualised Slippage Ratio* | 2.2 | 1.2 | 104bps | 3.3 | -108bps |
| Provision Coverage | 93.8 | 93.6 | 23bps | 87.4 | 644bps |
| Gross NPA | 6.0 | 6.5 | -58bps | 8.5 | -252bps |
| Net NPA | 0.9 | 1.0 | -10bps | 2.3 | -137bps |

Source: Company, YES Sec – Research, * Annualised Gross NPA Addition Ratio

Exhibit 4: Quarterly Actuals Vs Estimates

| Q4FY23 (Rs. mn) | Actuals | Estimates | Diff, % |
|----------------------------|---------|-----------|---------|
| Net Interest Income | 55,083 | 57,009 | (3.4) |
| Pre-Prov. Operating Profit | 40,156 | 42,816 | (6.2) |
| Profit After Tax | 14,473 | 13,191 | 9.7 |

Source: Company, YES Sec – Research

Exhibit 5: Operating Expense Break-up

| (Rs mn) | Q4FY23 | Q3FY23 | % qoq | Q4FY22 | % yoy |
|--------------------------------|---------------|---------------|-------------|---------------|-------------|
| Employee Expense | 22,199 | 19,915 | 11.5 | 19,494 | 13.9 |
| Other Operating Expense | 12,667 | 11,628 | 8.9 | 11,409 | 11.0 |
| Total Operating Expense | 34,866 | 31,542 | 10.5 | 30,903 | 12.8 |

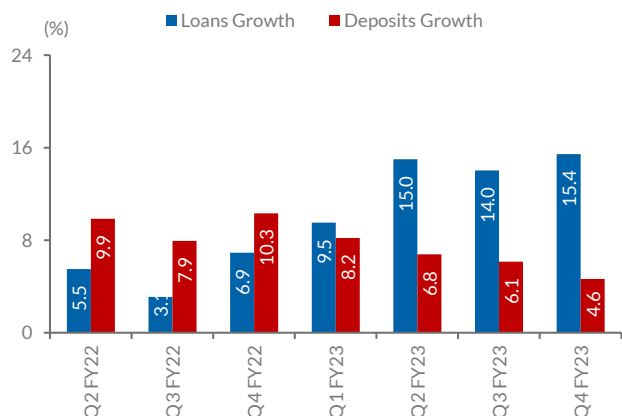
Source: Company, YES Sec – Research

Exhibit 6: Non-Interest Income Break-up

| (Rs mn) | Q4FY23 | Q3FY23 | % qoq | Q4FY22 | % yoy |
|--|---------------|---------------|-------------|---------------|-------------|
| Total Fee Income (A) | 9,140 | 7,040 | 29.8 | 8,130 | 12.4 |
| Transaction fees | 1,640 | 1,630 | 0.6 | 1,780 | (7.9) |
| Loan processing charges | 2,080 | 1,750 | 18.9 | 1,730 | 20.2 |
| Commission on Govt. business | 220 | 160 | 37.5 | 300 | (26.7) |
| Commission on LC/BG | 1,400 | 1,170 | 19.7 | 1,230 | 13.8 |
| Cross Selling | 480 | 390 | 23.1 | 340 | 41.2 |
| Income from PFMS operations | 60 | 110 | (45.5) | 40 | 50.0 |
| Rent on Lockers | 470 | 330 | 42.4 | 350 | 34.3 |
| Misc fee Income | 2,790 | 1,500 | 86.0 | 2,360 | 18.2 |
| Total Other Income (B) | 10,799 | 10,125 | 6.7 | 7,598 | 42.1 |
| Forex Income | 460 | 2,940 | (84.4) | 2,740 | (83.2) |
| Treasury Income | 820 | 2,010 | (59.2) | 2,490 | (67.1) |
| Bad Debts Recovered | 8,600 | 4,260 | 101.9 | 1,970 | 336.5 |
| PSLC Commission | 410 | 400 | 2.5 | 1,520 | (73.0) |
| Others | 509 | 515 | (1.1) | (1,122) | (145.3) |
| Total Non-Interest Income (A+B) | 19,939 | 17,165 | 16.2 | 15,728 | 26.8 |

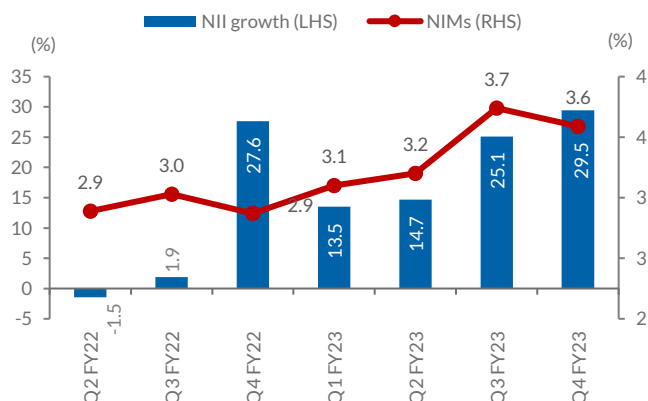
Source: Company, YES Sec – Research

Exhibit 7: Loans and Deposits growth (YoY %)



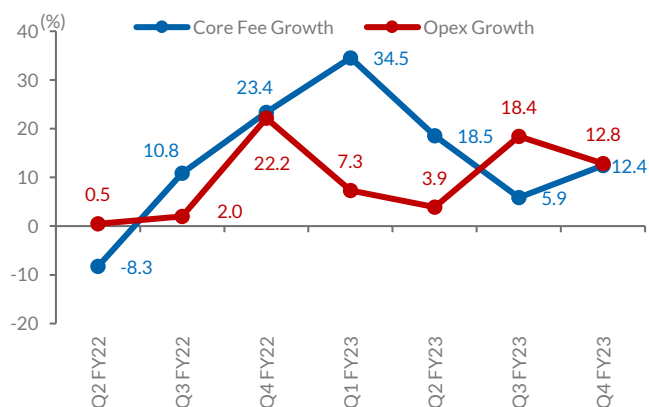
Source: Company, YES Sec – Research

Exhibit 8: NII growth (YoY %) and NIM (%)



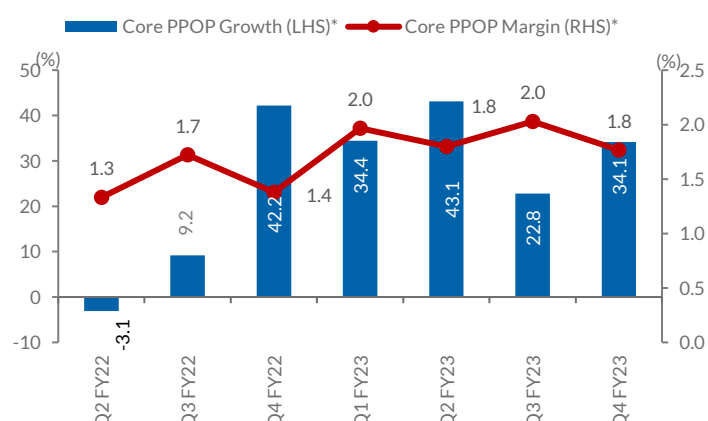
Source: Company, YES Sec – Research

Exhibit 9: Core Fee and Opex growth (YoY %)



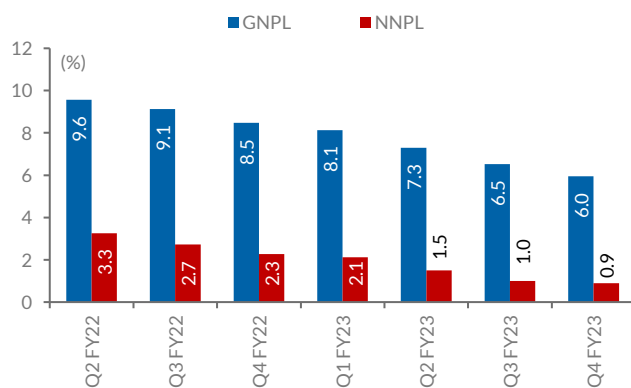
Source: Company, YES Sec – Research

Exhibit 10: Core PPOP growth (YoY %) and Core PPOP margin (%)



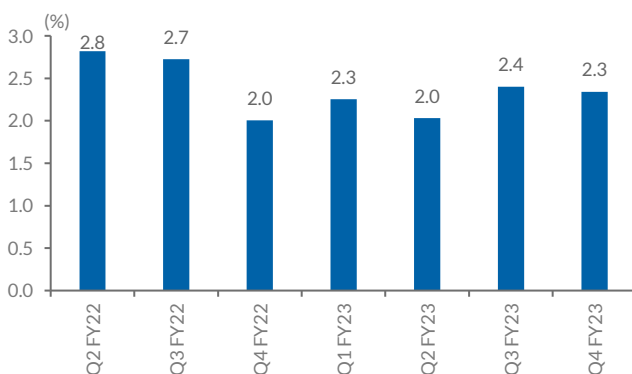
Source: Company, YES Sec – Research. * Core PPOP is derived by adjusting PPOP for gain/loss on sale of investments and misc. income

Exhibit 11: Gross NPA and Net NPA (%)



Source: Company, YES Sec – Research

Exhibit 12: Provisions/Average Advances (%)



Source: Company, YES Sec – Research

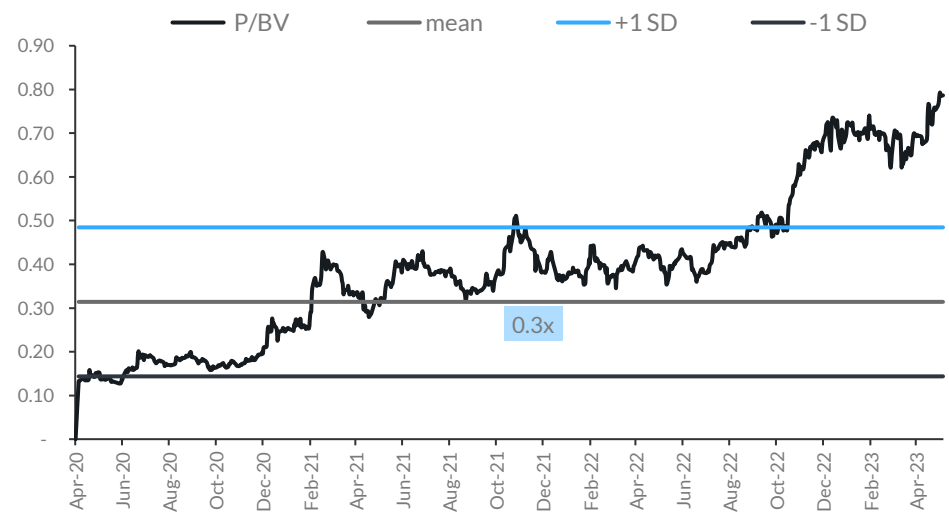
Indian Bank Ltd

Exhibit 13: 1-year rolling P/BV band



Source: Company, YES Sec – Research

Exhibit 14: 1-yr rolling P/BV vis-a-vis the mean and standard deviations



Source: Company, YES Sec – Research

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Exhibit 15: Balance sheet

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Total cash & equivalents | 540,599 | 799,161 | 501,326 | 629,015 | 704,497 |
| Investments | 1,765,370 | 1,745,586 | 1,859,883 | 2,045,871 | 2,291,375 |
| Advances | 3,640,102 | 3,891,861 | 4,492,967 | 5,032,123 | 5,635,978 |
| Fixed assets | 73,763 | 76,837 | 74,590 | 82,049 | 90,254 |
| Other assets | 240,216 | 203,236 | 176,241 | 197,390 | 221,077 |
| Total assets | 6,260,050 | 6,716,681 | 7,105,007 | 7,986,449 | 8,943,182 |
| Net worth | 384,119 | 437,088 | 479,728 | 560,082 | 637,713 |
| Deposits | 5,380,711 | 5,936,178 | 6,211,658 | 6,832,823 | 7,652,762 |
| Borrowings | 261,746 | 171,443 | 220,730 | 247,218 | 276,884 |
| Other liabilities | 233,474 | 171,971 | 192,892 | 346,326 | 375,823 |
| Total liabilities incl. Equity | 6,260,050 | 6,716,681 | 7,105,007 | 7,986,449 | 8,943,182 |

Source: Company, YES Sec – Research

Exhibit 16: Income statement

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest income | 391,058 | 388,562 | 449,422 | 503,399 | 568,395 |
| Interest expense | (234,398) | (221,283) | (247,168) | (283,041) | (317,050) |
| Net interest income | 156,659 | 167,280 | 202,255 | 220,359 | 251,344 |
| Non-interest income | 60,793 | 69,154 | 71,431 | 83,634 | 93,373 |
| Total income | 217,452 | 236,434 | 273,685 | 303,993 | 344,717 |
| Operating expenses | (103,496) | (109,265) | (120,979) | (132,107) | (143,096) |
| PPoP | 113,956 | 127,169 | 152,706 | 171,886 | 201,620 |
| Provisions | (84,901) | (95,127) | (93,562) | (76,043) | (79,570) |
| Profit before tax | 29,056 | 32,042 | 59,144 | 95,843 | 122,051 |
| Taxes | 991 | 7,406 | (6,327) | (24,124) | (30,720) |
| Net profit | 30,047 | 39,448 | 52,817 | 71,719 | 91,331 |

Source: Company, YES Sec – Research

Exhibit 17: Du Pont Analysis (RoA tree)

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------|------------|------------|------------|------------|------------|
| Interest income | 6.6 | 6.0 | 6.5 | 6.7 | 6.7 |
| Interest expense | -3.9 | -3.4 | -3.6 | -3.8 | -3.7 |
| Net interest income | 2.6 | 2.6 | 2.9 | 2.9 | 3.0 |
| Non-interest income | 1.0 | 1.1 | 1.0 | 1.1 | 1.1 |
| Total income | 3.6 | 3.6 | 4.0 | 4.0 | 4.1 |
| Operating expenses | -1.7 | -1.7 | -1.8 | -1.8 | -1.7 |
| PPoP | 1.9 | 2.0 | 2.2 | 2.3 | 2.4 |
| Provisions | -1.4 | -1.5 | -1.4 | -1.0 | -0.9 |
| Profit before tax | 0.5 | 0.5 | 0.9 | 1.3 | 1.4 |
| Taxes | 0.0 | 0.1 | -0.1 | -0.3 | -0.4 |
| Net profit | 0.5 | 0.6 | 0.8 | 1.0 | 1.1 |

Source: Company, YES Sec – Research

Exhibit 18: Change in annual estimates

| Y/e 31 Mar (Rs mn) | Revised Estimate | | | Earlier Estimate | | | % Revision | | |
|----------------------------|------------------|---------|---------|------------------|---------|---------|------------|-------|-------|
| | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| Net Interest Income | NA | 220,359 | 251,344 | NA | 219,975 | 252,799 | NA | 0.2 | (0.6) |
| Pre-Prov. Operating Profit | NA | 171,886 | 201,620 | NA | 168,196 | 199,492 | NA | 2.2 | 1.1 |
| Profit after tax | NA | 71,719 | 91,331 | NA | 69,907 | 90,517 | NA | 2.6 | 0.9 |

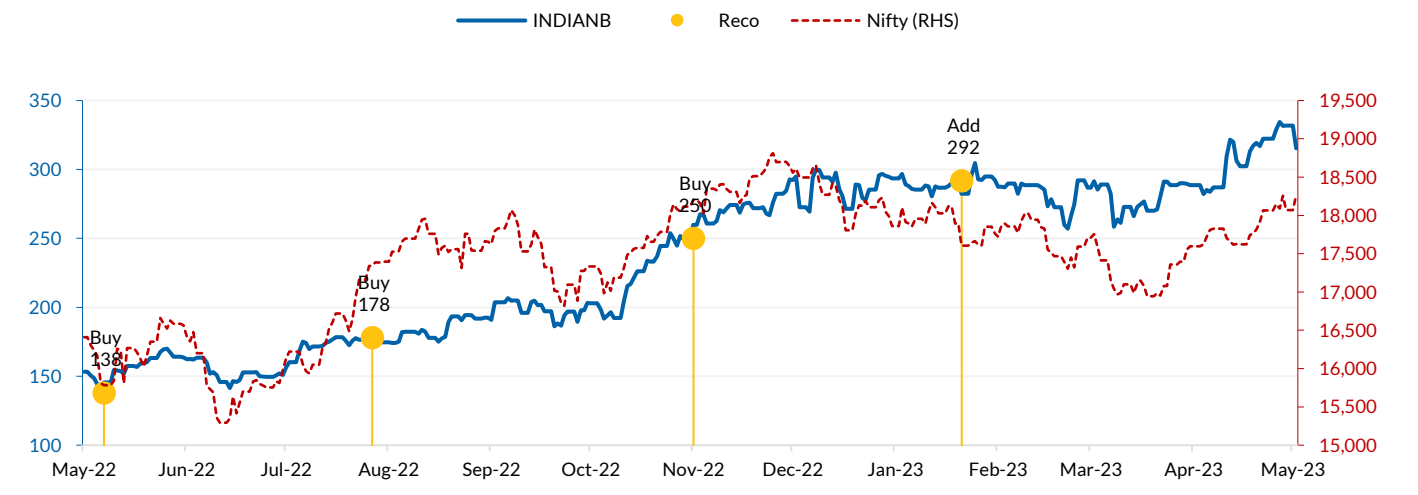
Source: Company, YES Sec – Research

Exhibit 19: Ratio analysis

| Y/e 31 Mar | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------------------|--------|------|------|-------|-------|
| Growth matrix (%) | | | | | |
| Net interest income | 20.0 | 6.8 | 20.9 | 9.0 | 14.1 |
| PPoP | 18.9 | 11.6 | 20.1 | 12.6 | 17.3 |
| Net profit | -164.7 | 31.3 | 33.9 | 35.8 | 27.3 |
| Loans | 6.8 | 6.9 | 15.4 | 12.0 | 12.0 |
| Deposits | 10.1 | 10.3 | 4.6 | 10.0 | 12.0 |
| Profitability Ratios (%) | | | | | |
| Net interest margin | 2.8 | 2.9 | 3.3 | 3.3 | 3.3 |
| Return on Average Equity | 8.2 | 9.6 | 11.5 | 13.8 | 15.2 |
| Return on Average Assets | 0.5 | 0.6 | 0.8 | 1.0 | 1.1 |
| Per share figures (Rs) | | | | | |
| EPS | 26.6 | 31.7 | 42.4 | 53.3 | 67.9 |
| BVPS | 340 | 351 | 385 | 416 | 474 |
| ABVPS | 231 | 280 | 353 | 391 | 449 |
| Valuation multiples | | | | | |
| P/E | 11.9 | 10.0 | 7.4 | 5.9 | 4.6 |
| P/BV | 0.9 | 0.9 | 0.8 | 0.8 | 0.7 |
| P/ABV | 1.4 | 1.1 | 0.9 | 0.8 | 0.7 |
| NIM internals (%) | | | | | |
| Yield on loans | 7.8 | 7.2 | 7.6 | 7.7 | 7.7 |
| Cost of deposits | 4.3 | 3.7 | 4.0 | 4.1 | 4.2 |
| Loan-deposit ratio | 67.7 | 65.6 | 72.3 | 73.6 | 73.6 |
| CASA ratio | 42.3 | 41.8 | 42.0 | 42.0 | 42.3 |
| Opex control (%) | | | | | |
| Cost/Income ratio | 47.6 | 46.2 | 44.2 | 43.5 | 41.5 |
| Cost to average assets | 1.7 | 1.7 | 1.8 | 1.8 | 1.7 |
| Capital adequacy (%) | | | | | |
| Tier 1 capital ratio | 11.9 | 13.2 | 13.5 | 14.1 | 13.6 |
| Asset quality (%) | | | | | |
| Slippage ratio | 2.7 | 2.7 | 1.7 | 2.0 | 2.0 |
| Gross NPL ratio | 9.9 | 8.5 | 6.0 | 5.5 | 5.3 |
| Credit cost | 2.1 | 2.2 | 1.6 | 1.4 | 1.3 |
| Net NPL ratio | 3.4 | 2.3 | 0.9 | 0.7 | 0.6 |

Source: Company, YES Sec – Research

Recommendation Tracker



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