

Estimate change



TP change



Rating change



| | |
|-----------------------|-----------|
| Bloomberg | INBK IN |
| Equity Shares (m) | 1347 |
| M.Cap.(INRb)/(USDb) | 791 / 9.4 |
| 52-Week Range (INR) | 633 / 336 |
| 1, 6, 12 Rel. Per (%) | 4/8/44 |
| 12M Avg Val (INR M) | 1231 |

Financials & Valuations (INR b)

| Y/E March | FY24 | FY25E | FY26E |
|---------------|-------|-------|-------|
| NII | 232.7 | 253.4 | 280.7 |
| OP | 168.4 | 184.7 | 204.9 |
| NP | 80.6 | 101.8 | 115.2 |
| NIM (%) | 3.2 | 3.1 | 3.2 |
| EPS (INR) | 62.2 | 75.6 | 85.5 |
| EPS Gr. (%) | 46.7 | 21.5 | 13.1 |
| BV/Sh. (INR) | 409 | 469 | 537 |
| ABV/Sh. (INR) | 396 | 452 | 517 |

Ratios

| | | | |
|---------|------|------|------|
| RoE (%) | 17.1 | 18.0 | 17.7 |
| RoA (%) | 1.1 | 1.2 | 1.3 |

Valuations

| | | | |
|-----------|-----|-----|-----|
| P/E(X) | 9.4 | 7.8 | 6.9 |
| P/BV (X) | 1.4 | 1.3 | 1.1 |
| P/ABV (X) | 1.5 | 1.3 | 1.1 |

Shareholding pattern (%)

| As On | Jun-24 | Mar-24 | Jun-23 |
|----------|--------|--------|--------|
| Promoter | 73.8 | 73.8 | 79.9 |
| DII | 16.9 | 17.0 | 11.6 |
| FII | 5.4 | 5.3 | 4.0 |
| Others | 3.9 | 3.9 | 4.6 |

CMP: INR587

TP: INR670 (+14%)

Buy

NII, PPOp in line; earnings outlook buoyant

Guides for controlled credit cost

- Indian Bank (INBK) reported 1QFY25 PAT of INR24b (41% YoY, 9% beat), driven by lower provisions (as the bank reversed INR970m on account of the sale of stressed assets in 1Q).
- NII growth was healthy at 8.3% YoY (in line). Margin was broadly flat with a 1bp QoQ increase to 3.53%.
- Net advances grew 14% YoY/1.2% QoQ, while deposits rose 9.6% YoY but fell 1% QoQ. Consequently, the C/D ratio increased by 162bp QoQ to 76.5%. The CASA ratio moderated 174bp QoQ to 39%.
- Fresh slippages increased to INR19.6b, mainly due to seasonality. Healthy recoveries/upgrades resulted in 18bp/4bp QoQ improvements in GNPA/NNPA ratios to 3.8%/0.4%. SMA book stood at 0.5% of loans during the quarter.
- We raise our earnings estimates by 4% for FY25 and expect the bank to deliver RoA/RoE of 1.3%/17.7%. **Reiterate BUY with a revised TP of INR670 (premised on 1.2x FY26E BV).**

Operational performance in line; guides for NIM at ~3.4-3.5%

- PAT growth was healthy at 41% YoY/7% QoQ to INR24b (9% beat), led by lower provisions (as the bank reversed INR970m on account of the sale of stressed assets in 1Q).
- NII grew 8.3% YoY/2.7% QoQ to INR62b (in line). Margin was broadly flat, with a 1bp QoQ increase to 3.53% as funding costs remained under control.
- Other income grew 11.5% YoY/declined 16% QoQ to INR19.1b (in line), resulting in 9% YoY growth in total revenue (in line). Treasury income stood at INR2.6b vs. INR1.9b in 4QFY24.
- Opex grew 9% YoY/declined 10% QoQ (3% lower than MOFSLe). As a result, the C/I ratio moderated 368bp QoQ to 44.3%. PPOp grew 9% YoY (in line) to INR45b in 1QFY25.
- Gross advances grew 12.5% YoY (up 1% QoQ) to ~INR5.4t, led by Retail and Agri. Within Retail, housing and vehicle maintained healthy growth momentum. Deposit growth was modest at 9.6% YoY (down 1% QoQ). CASA ratio thus declined 174bp QoQ to 39%. C/D ratio increased by 162bp QoQ to 76.5%. The management expects to maintain CD ratio at around 80%.
- Fresh slippages increased to INR19.6b vs. INR12.7b in 4QFY24. Healthy recoveries/upgrades resulted in 18bp/4bp QoQ improvements in GNPA/NNPA to 3.8%/0.4%. Specific PCR remained strong at ~90%.
- SMA book stood at 0.5% of loans during the quarter. The total restructured portfolio declined to 1.5% of loans (vs. ~1.7% in 4QFY24).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- The guidelines for ECL are still in draft form and their impact is expected to be minimal. The bank will also pass on charges to customers. The ECL impact is spread over a five-year period, resulting in a minimal effect.
- Deposits are expected to grow by 8-10%. Advances are projected to grow by 11-13%.
- 61% of the loan book is based on MCLR, with an external T-bill exposure of INR10b. Of the MCLR loans, 80% are linked to one-year MCLR.
- NIM guidance is 3.4% (± 10 bp), with the bank aiming to exceed this guidance.

Valuation and view

INBK reported a healthy quarter, with earnings led by lower provisions and controlled opex. Loan growth remained healthy, while deposit growth was modest, which led to an increase in the CD ratio. INBK has gradually raised its MCLR-linked loans, which should provide cushion to its margins, particularly as the rate cycle turns. The management expects margins at $\sim 3.4\%$ in FY25 and the growth trend to remain steady. It will continue to focus on profitable growth. Slippages were higher primarily due to seasonality, heatwaves, and the elections. However, the management has successfully recovered INR3.12b of these slippages so far and anticipates further recoveries in 2Q. Despite this, asset quality ratios have improved, with the bank maintaining a best-in-class coverage ratio, which, along with a low SMA book, provided comfort on incremental credit costs. We raise our earnings estimates by 4% for FY25 and expect the bank to deliver RoA/RoE of 1.3%/17.7%.

Reiterate BUY with a revised TP of INR670 (premised on 1.2x FY26E BV).

Quarterly performance**(INR b)**

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E | v/s our |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Net Interest Income | 57.0 | 57.4 | 58.1 | 60.2 | 61.8 | 62.8 | 63.6 | 65.3 | 232.7 | 253.4 | 61.5 | 1% |
| % Change (YoY) | 25.8 | 22.5 | 5.7 | 9.2 | 8.3 | 9.4 | 9.3 | 8.6 | 15.1 | 8.9 | 7.8 | |
| Other Income | 17.1 | 19.9 | 19.0 | 22.6 | 19.1 | 21.1 | 21.9 | 23.7 | 78.7 | 85.7 | 19.4 | -2% |
| Total Income | 74.1 | 77.3 | 77.2 | 82.8 | 80.8 | 83.9 | 85.4 | 89.0 | 311.4 | 339.2 | 80.9 | 0% |
| Operating Expenses | 32.8 | 34.3 | 36.2 | 39.7 | 35.8 | 37.3 | 38.8 | 42.5 | 143.0 | 154.5 | 36.8 | -3% |
| Operating Profit | 41.3 | 43.0 | 41.0 | 43.0 | 45.0 | 46.6 | 46.6 | 46.5 | 168.4 | 184.7 | 44.1 | 2% |
| % Change (YoY) | 16.0 | 18.6 | 0.9 | 7.2 | 8.9 | 8.2 | 13.8 | 8.0 | 10.3 | 9.7 | 6.6 | |
| Provisions | 17.4 | 15.5 | 13.5 | 12.5 | 12.6 | 12.2 | 11.9 | 11.9 | 58.9 | 48.6 | 14.6 | -14% |
| Profit before Tax | 23.9 | 27.5 | 27.5 | 30.6 | 32.4 | 34.3 | 34.8 | 34.6 | 109.5 | 136.1 | 29.5 | 10% |
| Tax | 6.9 | 7.6 | 6.3 | 8.1 | 8.4 | 8.6 | 8.8 | 8.5 | 28.9 | 34.3 | 7.4 | |
| Net Profit | 17.1 | 19.9 | 21.2 | 22.5 | 24.0 | 25.7 | 26.0 | 26.1 | 80.6 | 101.8 | 22.1 | 9% |
| % Change (YoY) | 40.8 | 62.2 | 51.8 | 55.3 | 40.6 | 29.1 | 22.7 | 16.1 | 52.7 | 26.2 | 29.1 | |
| Operating Parameters | | | | | | | | | | | | |
| Deposits (INR b) | 6,215 | 6,408 | 6,542 | 6,880 | 6,812 | 7,128 | 7,282 | 7,499 | 6,880 | 7,499 | 7,009 | -3% |
| Loans (INR b) | 4,564 | 4,706 | 4,896 | 5,149 | 5,208 | 5,386 | 5,534 | 5,741 | 5,149 | 5,741 | 5,214 | 0% |
| Deposit Growth (%) | 6.4 | 8.8 | 9.6 | 10.8 | 9.6 | 11.2 | 11.3 | 9.0 | 10.8 | 9.0 | 11.0 | |
| Loan Growth (%) | 13.6 | 14.2 | 12.3 | 14.6 | 14.1 | 14.4 | 13.0 | 11.5 | 14.6 | 11.5 | 13.6 | |
| Asset Quality | | | | | | | | | | | | |
| Gross NPA (%) | 5.5 | 5.0 | 4.5 | 4.0 | 3.8 | 3.6 | 3.4 | 3.1 | 4.0 | 3.1 | 3.8 | |
| Net NPA (%) | 0.7 | 0.6 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.4 | 0.5 | 0.4 | |
| PCR (%) | 87.8 | 88.5 | 88.7 | 89.5 | 90.0 | 89.6 | 89.8 | 83.6 | 89.5 | 83.6 | 89.5 | |

E: MOFSL Estimates

Quarterly snapshot

| | FY24 | | | | FY25 | Change (%) | |
|----------------------------------|-------|-------|-------|-------|-------|------------|---------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | YoY | QoQ |
| Profit and Loss (INRm) | | | | | | | |
| Net Interest Income | 57.0 | 57.4 | 58.1 | 60.2 | 61.8 | 8 | 3 |
| Other Income | 17.1 | 19.9 | 19.0 | 22.6 | 19.1 | 11 | -16 |
| Core Fees | 6.7 | 8.1 | 8.5 | 9.7 | 7.9 | 17 | -19 |
| Trading profits | 4.6 | 3.2 | 3.3 | 1.9 | 2.6 | -44 | 36 |
| Total Income | 74.1 | 77.3 | 77.2 | 82.8 | 80.8 | 9 | -2 |
| Operating Expenses | 32.8 | 34.3 | 36.2 | 39.7 | 35.8 | 9 | -10 |
| Employee | 21.2 | 21.8 | 23.4 | 26.3 | 23.0 | 9 | -13 |
| Others | 11.6 | 12.5 | 12.8 | 13.4 | 12.8 | 10 | -4 |
| Operating Profits | 41.3 | 43.0 | 41.0 | 43.0 | 45.0 | 9 | 5 |
| Core Operating Profits | 36.7 | 39.8 | 37.7 | 41.1 | 42.4 | 15 | 3 |
| Provisions | 17.4 | 15.5 | 13.5 | 12.5 | 12.6 | -28 | 1 |
| PBT | 23.9 | 27.5 | 27.5 | 30.6 | 32.4 | 35 | 6 |
| Taxes | 6.9 | 7.6 | 6.3 | 8.1 | 8.4 | 23 | 4 |
| PAT | 17.1 | 19.9 | 21.2 | 22.5 | 24.0 | 41 | 7 |
| Balance Sheet (INRb) | | | | | | | |
| Loans | 4,564 | 4,706 | 4,896 | 5,149 | 5,208 | 14 | 1 |
| Deposits | 6,215 | 6,408 | 6,542 | 6,880 | 6,812 | 10 | -1 |
| CASA Deposits | 2,502 | 2,570 | 2,595 | 2,805 | 2,659 | 6 | -5 |
| -Savings | 2,174 | 2,236 | 2,257 | 2,415 | 2,314 | 6 | -4 |
| -Current | 329 | 334 | 338 | 390 | 345 | 5 | -12 |
| Loan mix (%) | | | | | | | |
| Agri Advances | 23.2 | 24.1 | 24.1 | 24.3 | 24.6 | 140 | 34 |
| MSME Advances | 17.4 | 17.5 | 17.5 | 16.9 | 16.6 | -84 | -30 |
| Large Industry | 38.7 | 37.7 | 37.4 | 37.8 | 37.7 | -99 | -12 |
| Retail Loans | 20.7 | 20.8 | 20.9 | 21.0 | 21.1 | 42 | 8 |
| Asset Quality (INRb) | | | | | | | |
| GNPA | 262.3 | 244.9 | 227.9 | 211.1 | 203.0 | -23 | -4 |
| NNPA | 32.0 | 28.3 | 25.8 | 22.2 | 20.3 | -37 | -9 |
| Slippages | 18.5 | 19.8 | 16.7 | 12.7 | 19.6 | 6 | 54 |
| Asset Quality Ratios (%) | | | | | | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | YoY(bp) | QoQ(bp) |
| GNPA | 5.5 | 5.0 | 4.5 | 4.0 | 3.8 | -170 | -18 |
| NNPA | 0.7 | 0.6 | 0.5 | 0.4 | 0.4 | -31 | -4 |
| PCR (Cal.) | 87.8 | 88.5 | 88.7 | 89.5 | 90.0 | 221 | 55 |
| PCR (Inc. T2O) | 95.1 | 95.6 | 95.9 | 96.3 | 96.7 | 156 | 32 |
| Credit Cost | 0.9 | 0.8 | 0.8 | 0.7 | 0.7 | -13 | -1 |
| Business Ratios (%) | | | | | | | |
| CASA | 40.3 | 40.1 | 39.7 | 40.8 | 39.0 | -123 | -174 |
| Loan/Deposit | 73.4 | 73.4 | 74.8 | 74.8 | 76.5 | 304 | 162 |
| Other income/Total Income | 23.1 | 25.8 | 24.6 | 27.3 | 23.6 | 51 | -376 |
| Cost to Income | 44.2 | 44.4 | 46.9 | 48.0 | 44.3 | 9 | -368 |
| Cost to Assets | 2.0 | 1.9 | 2.3 | 2.1 | 1.9 | -12 | -21 |
| Tax Rate | 28.6 | 27.8 | 22.9 | 26.5 | 25.9 | -273 | -61 |
| Capitalisation Ratios (%) | | | | | | | |
| CAR | 15.8 | 15.5 | 15.6 | 16.4 | 16.5 | 69 | 3 |
| Tier-1 | 12.9 | 12.6 | 12.9 | 14.0 | 13.9 | 105 | -10 |
| - CET 1 | 12.3 | 12.1 | 12.4 | 13.5 | 13.4 | 111 | -10 |
| Tier-2 | 2.9 | 2.9 | 2.7 | 2.4 | 2.5 | -36 | 13 |
| LCR | 136.3 | 129.1 | 132.9 | 135.0 | NA | NA | NA |
| Profitability Ratios (%) | | | | | | | |
| Yield on loans | 8.5 | 8.8 | 8.8 | 8.8 | 8.7 | 16 | -12 |
| Yield On Investments | 6.7 | 6.8 | 6.8 | 6.9 | 7.2 | 43 | 27 |
| Cost of Funds | 4.8 | 5.0 | 5.1 | 5.1 | 5.1 | 37 | -1 |
| Margins | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 | -8 | 1 |
| ROA | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 | 25 | 5 |
| ROE | 17.9 | 19.9 | 19.9 | 19.1 | 19.8 | 188 | 70 |
| Other Details | | | | | | | |
| Branches | 5,798 | 5,823 | 5,835 | 5,847 | 5,846 | 48 | -1 |
| ATM | 4,804 | 4,866 | 4,899 | 4,937 | 5,093 | 289 | 156 |



Highlights from the management commentary

Balance sheet and P&L

- Business grew 11%, deposits up 10%, and advances rose 12%. CASA increased by 6% with a stable ratio of 41%.
- Among segments, RAM grew 13%, with Retail up 14%, Agri rose 18%, and MSME up 6%.
- PAT increased by 41%, and operating profit grew by 9%, driven by NII growth.
- Bad debt recovery was INR 5.04b. PSLC amortized, and the income for the current quarter was INR1.57b.
- NIMs improved from 3.52% to 3.53%.
- RoA was 1.02%, and the CI ratio was 44%.
- Yields have decreased due to penal charges now being recognized in other income, interest reversal, and lower recovery in the MOI.
- Yield on investments increased to 7.15%.
- Collection efficiency stood at 95%.
- Slippages were at 1.5% due to seasonality, with INR9b from MSME, INR6b from the retail book, and the rest from other segments.
- Recovery stood at INR19.37b compared to INR20.17b in 4Q.
- CAR is above 17%, indicating strong capitalization.
- Digital transactions account for 90% of the total, with 18.2m UPI users. The number of transactions grew by 56% YoY.
- The bank completed six digital journeys and plans for 44 more this fiscal year.
- INBK launched an omni-channel app, which is on-boarding 2.37m customers.

Advances and deposits

- There is no RBI prescription for LDR. Both deposits and advances have grown by INR600b. The bank aims to maintain LDR at around 80%.
- There are challenges in raising CASA deposits, and multiple steps have been taken to address this.
- The bank holds an excess SLR of INR440b and maintains LCR of 120%.
- Garnering deposits is a challenge as competition is intense, while credit growth is high.
- In retail, 70% of the portfolio consists of housing loans, with 80-90% of customers having a good CIBIL score. Retail repayments are steady, and the bank is actively sanctioning loans, ensuring growth in retail and agriculture segments.
- The bank is performing well in the SHG segment, where asset quality is also strong.
- It focuses on robust underwriting, often on-boarding low-risk assets.
- The international book is growing well, with advances up 27%. The focus is shifting from buyer's credit/trade finance to loan syndication due to better margins.
- The bank has started mid-corporate centers and it is seeing growth of 25-30% with good margins. INBK has 27 mid-corporate branches and is adding 2 more in Tamil Nadu.
- Gold loans stood at INR810b, with sufficient measures in place to ensure asset quality.

- 61% of the loan book is based on MCLR, with an external T-bill exposure of INR10b. Of the MCLR loans, 80% of them are linked to one-year MCLR.

Yields, costs and margins

- Since 61% of the loan book is based on MCLR, an increase in MCLR will help to offset the rise in costs.
- Interest rates will take time to decrease. If they do, the cost of deposits will decline. With a significant portion of the book linked to MCLR, the bank will be better positioned to maintain its margins.
- The cost-to-income ratio has decreased to 44%. The goal is to reduce it further, ideally below 40%. However, the bank will need time to see the benefits of its technology investments.
- The cost of deposits may increase by 3-5bp. The bank's higher share of MCLR, which was raised by 5bp in the previous two months, ensures that NIMs remain stable.

Investment re-valuation

- AFS stands at INR2.04b, with a decline of INR2b of general reserve.
- Investment yields have risen, partly due to amortization allowed in AFS.
- AFS is contributing to the AFS reserve. The bank has reclassified its investment book. The HTM yield is 7.08%, the AFS book is INR650b, and there is an excess SLR of INR440b available for use. The FVTPL yield is 7.79%.

Other income

- PSLC has an amortization cost of INR6.27b, with INR1.57b booked and the remaining to be recorded in subsequent periods.
- INR420m of penal interest has been shifted from interest income to other income.

Asset quality

- Slippages are higher due to seasonality, elections, and heatwaves. The bank has recovered INR3.12b of slippages, mostly from farm credit.
- The bank has guided for AUCA recovery of about INR20b (INR5b already recovered). The remaining INR15b is expected to be recovered, mainly from the TWO book.

RBI new draft paper on LCR

- The RBI has raised its 5% run-off factor for deposits linked to IMB. The market value of the excess SLR is higher than its book value.
- The bank may see a 4-5% impact on its LCR, resulting in a new LCR of 115%.

ECL

- The guidelines are still in draft form and their impact is expected to be minimal. The bank will also pass on charges to customers. The ECL impact is spread over a five-year period, resulting in a minimal effect.

Budget announcement related to loans to MSMEs

- In the budget proposal for MSME loans, the bank uses GST returns, CMR scores, and various models to determine loan eligibility for customers. This model is being improved further to enhance asset quality stability.
- For MUDRA and Tarun loans, the bank can always extend additional loans as long as previous loans have been repaid.

Guidance

- Deposits are expected to grow by 8-10%.
- Advances are projected to grow by 11-13%.
- The CD ratio will be maintained at around 80%.
- NIM guidance is 3.4% (± 10 bp), with the bank aiming to exceed this guidance.
- The current credit cost is 0.71%, and is expected to decrease in the future.
- The goal is to maintain or improve the current RoA level.

Story in charts

Exhibit 1: Loan book up ~14% YoY (up 1.2% QoQ)

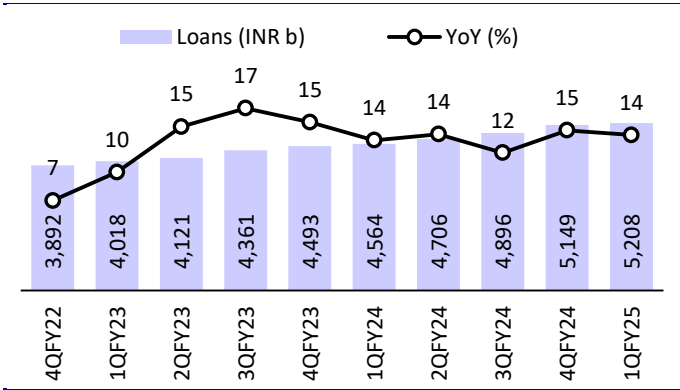


Exhibit 2: Deposits grew ~9.6% YoY (down 1% QoQ)

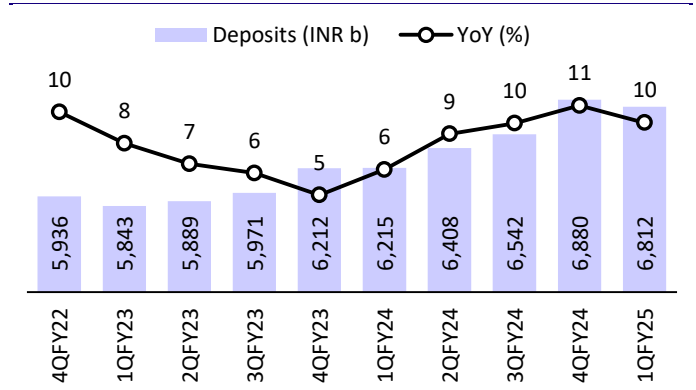


Exhibit 3: NIMs stood at 3.53%; CASA ratio at 39%

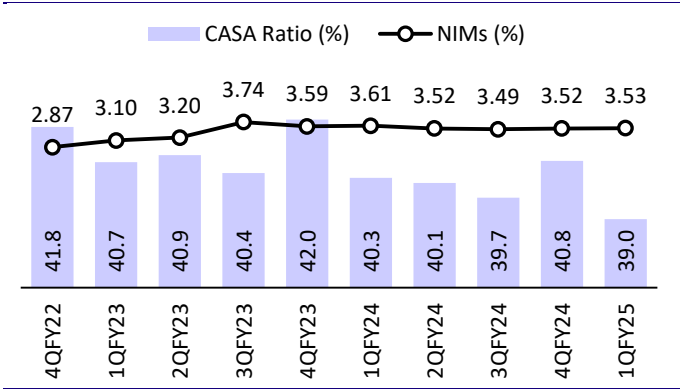


Exhibit 4: Yields moderated to 8.7%/CoD at 5.1%

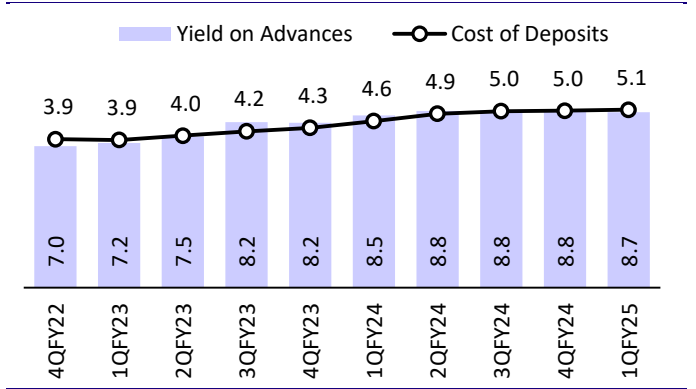


Exhibit 5: C/I ratio moderated to 44.3% in 1QFY25

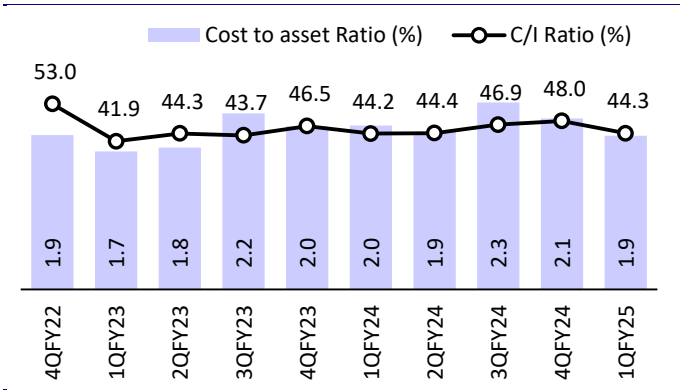


Exhibit 6: CD ratio increased to 76.5%

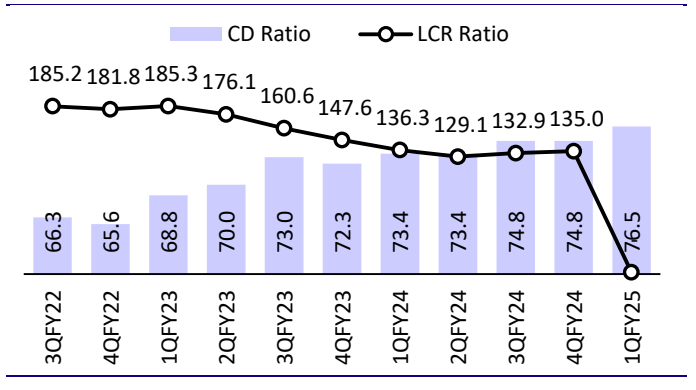


Exhibit 7: Slippages increased to INR19.6b in 1QFY25

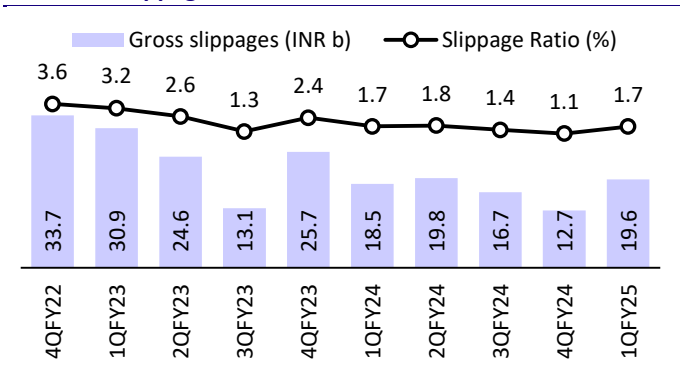
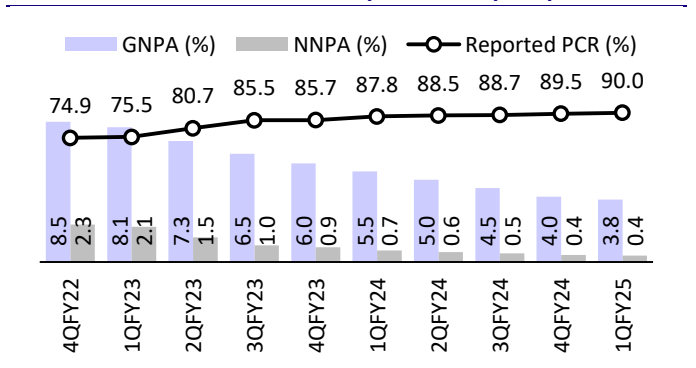


Exhibit 8: GNPA/NNPA ratios improved 18bp/4bp QoQ



Source: MOFSL, Company

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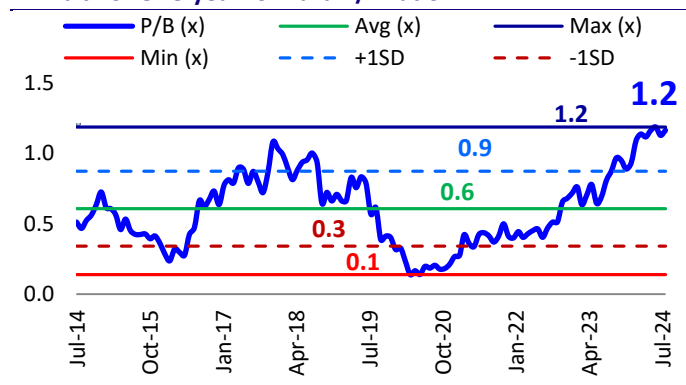
Valuation and view: Maintain BUY with a TP of INR670

- INBK reported a healthy quarter with earnings led by lower provisions and controlled opex. Loan growth remained healthy while deposit growth stood modest which led CD ratio to increase. INBK has gradually raised its MCLR-linked loans, which should provide cushion to its margins, particularly as the rate cycle turns. Management has guided margins at ~3.4% for FY25. The bank expects this growth trend to remain steady and it will continue to focus on profitable growth.
- Slippages were higher primarily due to seasonality, heat wave, and the elections. However, management has successfully recovered INR3.12b of these slippages so far and anticipates further recoveries in the second quarter. Despite this, asset quality ratios have improved, with the bank maintaining a best-in-class coverage ratio which, along with a low SMA book, provided comfort on incremental credit costs.
- We raise our earnings estimates by 4% each for FY25 and expect the bank to deliver an RoA/RoE of 1.3%/17.7%. **Reiterate BUY with a revised TP of INR670 (premised on 1.2x FY26E BV).**

Exhibit 9: Changes to our estimates

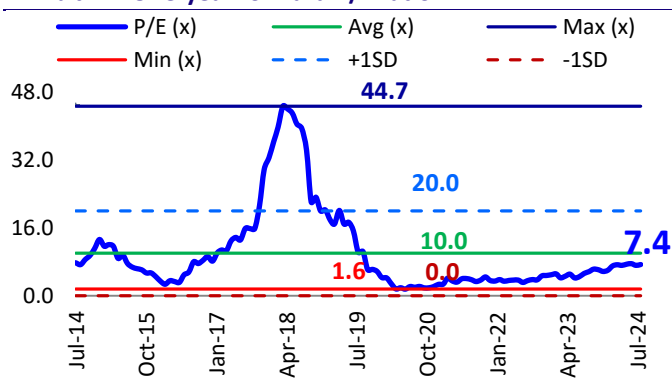
| INR B | Old est. | | Rev est | | Change(%/bps) | |
|----------------------------|--------------|--------------|--------------|--------------|---------------|-------------|
| | FY25 | FY26 | FY25 | FY26 | FY25 | FY26 |
| Net Interest Income | 258.8 | 290.7 | 253.4 | 280.7 | -2.1 | -3.4 |
| Other Income | 86.5 | 96.1 | 85.7 | 95.2 | -0.9 | -0.9 |
| Total Income | 345.3 | 386.8 | 339.2 | 375.9 | -1.8 | -2.8 |
| Operating Expenses | 155.4 | 173.5 | 154.5 | 171.0 | -0.6 | -1.4 |
| Operating Profit | 189.9 | 213.3 | 184.7 | 204.9 | -2.8 | -3.9 |
| Provisions | 59.3 | 58.0 | 48.6 | 51.0 | -18.1 | -12.2 |
| PBT | 130.6 | 155.3 | 136.1 | 154.0 | 4.2 | -0.8 |
| Tax | 32.9 | 39.1 | 34.3 | 38.8 | 4.2 | -0.8 |
| PAT | 97.7 | 116.2 | 101.8 | 115.2 | 4.2 | -0.8 |
| Loans | 5,777 | 6,488 | 5,741 | 6,373 | -0.6 | -1.8 |
| Deposits | 7,637 | 8,515 | 7,499 | 8,212 | -1.8 | -3.6 |
| Margins (%) | 3.2 | 3.2 | 3.1 | 3.2 | 0.0 | 0.0 |
| Credit Cost (%) | 1.0 | 0.9 | 0.8 | 0.8 | -19.1 | -10.0 |
| RoA (%) | 1.2 | 1.2 | 1.2 | 1.3 | 0.1 | 0.0 |
| RoE (%) | 17.4 | 17.9 | 18.0 | 17.7 | 0.7 | -0.3 |
| EPS | 72.5 | 86.2 | 75.6 | 85.5 | 4.2 | -0.8 |
| BV | 466.4 | 534.6 | 469.4 | 536.9 | 0.7 | 0.4 |
| ABV | 454.0 | 521.0 | 451.8 | 517.1 | -0.5 | -0.7 |

Exhibit 10: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 11: One-year forward P/E ratio



Source: MOFSL, Company

DuPont Analysis: We estimate return ratios to improve gradually

| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Interest Income | 7.26 | 6.57 | 6.00 | 6.50 | 7.41 | 7.65 | 7.62 |
| Interest Expense | 4.68 | 3.94 | 3.42 | 3.58 | 4.31 | 4.59 | 4.54 |
| Net Interest Income | 2.58 | 2.63 | 2.58 | 2.93 | 3.10 | 3.06 | 3.08 |
| Fee income | 0.83 | 0.66 | 0.87 | 0.99 | 0.87 | 0.84 | 0.84 |
| Trading and others | 0.30 | 0.28 | 0.20 | 0.04 | 0.17 | 0.19 | 0.21 |
| Other Income | 1.12 | 0.95 | 1.07 | 1.03 | 1.05 | 1.03 | 1.04 |
| Total Income | 3.70 | 3.58 | 3.65 | 3.96 | 4.15 | 4.09 | 4.13 |
| Operating Expenses | 1.50 | 1.74 | 1.69 | 1.75 | 1.91 | 1.86 | 1.88 |
| Employees | 0.84 | 1.07 | 1.03 | 1.09 | 1.23 | 1.18 | 1.18 |
| Others | 0.66 | 0.67 | 0.65 | 0.66 | 0.67 | 0.68 | 0.70 |
| Operating Profits | 2.20 | 1.84 | 1.96 | 2.21 | 2.24 | 2.23 | 2.25 |
| Core operating Profits | 1.91 | 1.56 | 1.77 | 2.17 | 2.07 | 2.04 | 2.04 |
| Provisions | 1.74 | 1.35 | 1.47 | 1.35 | 0.78 | 0.59 | 0.56 |
| PBT | 0.47 | 0.49 | 0.49 | 0.86 | 1.46 | 1.64 | 1.69 |
| Tax | 0.21 | -0.02 | -0.11 | 0.09 | 0.38 | 0.41 | 0.43 |
| RoA | 0.26 | 0.50 | 0.61 | 0.76 | 1.07 | 1.23 | 1.26 |
| Leverage (x) | 16.7 | 19.4 | 18.5 | 17.4 | 15.9 | 14.7 | 14.0 |
| RoE | 4.3 | 9.8 | 11.2 | 13.3 | 17.1 | 18.0 | 17.7 |

Financials and valuations

| Income Statement | | | | | | | (INR b) | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|
| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | |
| Interest Income | 214.0 | 391.1 | 388.6 | 449.4 | 556.1 | 634.4 | 694.2 | |
| Interest Expense | 138.0 | 234.4 | 221.3 | 247.2 | 323.4 | 381.0 | 413.5 | |
| Net Interest Income | 76.1 | 156.7 | 167.3 | 202.3 | 232.7 | 253.4 | 280.7 | |
| - growth (%) | 8.4 | 106.0 | 6.8 | 20.9 | 15.1 | 8.9 | 10.8 | |
| Non Interest Income | 33.1 | 56.5 | 69.2 | 71.4 | 78.7 | 85.7 | 95.2 | |
| Total Income | 109.2 | 213.2 | 236.4 | 273.7 | 311.4 | 339.2 | 375.9 | |
| - growth (%) | 22.7 | 95.2 | 10.9 | 15.8 | 13.8 | 8.9 | 10.8 | |
| Operating Expenses | 44.2 | 103.5 | 109.3 | 121.0 | 143.0 | 154.5 | 171.0 | |
| PPoP | 65.0 | 109.7 | 127.2 | 152.7 | 168.4 | 184.7 | 204.9 | |
| - growth (%) | 33.1 | 68.8 | 16.0 | 20.1 | 10.3 | 9.7 | 11.0 | |
| Core PPoP | 56.2 | 92.7 | 114.3 | 149.8 | 155.3 | 169.0 | 186.1 | |
| - growth (%) | 19.4 | 65.0 | 23.3 | 31.0 | 3.7 | 8.8 | 10.1 | |
| Provisions | 51.3 | 80.6 | 95.1 | 93.6 | 58.9 | 48.6 | 51.0 | |
| PBT | 13.7 | 29.1 | 32.0 | 59.1 | 109.5 | 136.1 | 154.0 | |
| Tax | 6.2 | -1.0 | -7.4 | 6.3 | 28.9 | 34.3 | 38.8 | |
| Tax Rate (%) | 45.1 | -3.4 | -23.1 | 10.7 | 26.4 | 25.2 | 25.2 | |
| PAT | 7.5 | 30.0 | 39.4 | 52.8 | 80.6 | 101.8 | 115.2 | |
| - growth (%) | 134.0 | 298.8 | 31.3 | 33.9 | 52.7 | 26.2 | 13.1 | |
| Balance Sheet | | | | | | | | |
| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | |
| Share Capital | 6 | 11 | 12 | 12 | 13 | 13 | 13 | |
| Equity Share Capital | 6.1 | 11.3 | 12.5 | 12.5 | 13.5 | 13.5 | 13.5 | |
| Reserves & Surplus | 214.8 | 372.8 | 424.6 | 467.3 | 570.4 | 651.7 | 742.6 | |
| Net Worth | 220.9 | 384.1 | 437.1 | 479.7 | 583.9 | 665.1 | 756.1 | |
| Deposits | 2,602.3 | 5,380.7 | 5,936.2 | 6,211.7 | 6,880.0 | 7,499.2 | 8,211.6 | |
| - growth (%) | 7.5 | 106.8 | 10.3 | 4.6 | 10.8 | 9.0 | 9.5 | |
| - CASA Dep | 901.6 | 2,275.9 | 2,479.3 | 2,608.1 | 2,804.9 | 3,104.7 | 3,432.5 | |
| - growth (%) | 7.3 | 152.4 | 8.9 | 5.2 | 7.5 | 10.7 | 10.6 | |
| Borrowings | 208.3 | 247.3 | 172.1 | 220.7 | 231.3 | 248.3 | 273.1 | |
| Other Liabilities & Prov. | 63.2 | 222.1 | 171.3 | 192.9 | 231.0 | 265.6 | 305.5 | |
| Total Liabilities | 3,094.7 | 6,234.3 | 6,716.7 | 7,105.0 | 7,926.2 | 8,678.3 | 9,546.3 | |
| Current Assets | 139.2 | 514.6 | 799.2 | 501.3 | 421.1 | 418.4 | 458.2 | |
| Investments | 812.4 | 1,765.4 | 1,745.6 | 1,859.9 | 2,104.9 | 2,283.8 | 2,477.9 | |
| - growth (%) | 25.0 | 117.3 | -1.1 | 6.5 | 13.2 | 8.5 | 8.5 | |
| Loans | 1,978.9 | 3,626.7 | 3,891.9 | 4,493.0 | 5,148.9 | 5,741.0 | 6,372.5 | |
| - growth (%) | 9.2 | 83.3 | 7.3 | 15.4 | 14.6 | 11.5 | 11.0 | |
| Fixed Assets | 39.0 | 73.8 | 76.8 | 74.6 | 75.2 | 81.2 | 87.7 | |
| Other Assets | 125.2 | 253.8 | 203.2 | 176.2 | 155.5 | 154.0 | 150.1 | |
| Total Assets | 3,094.7 | 6,234.3 | 6,716.7 | 7,105.0 | 7,905.5 | 8,678.3 | 9,546.3 | |
| Asset Quality | | | | | | | | |
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | |
| GNPA (INR b) | 141.5 | 384.6 | 352.1 | 281.8 | 211.1 | 183.0 | 178.7 | |
| NNPA (INR b) | 61.8 | 122.7 | 88.5 | 40.4 | 22.2 | 30.0 | 33.8 | |
| GNPA Ratio (%) | 6.9 | 9.9 | 8.5 | 6.0 | 4.0 | 3.1 | 2.7 | |
| NNPA Ratio (%) | 3.1 | 3.4 | 2.3 | 0.9 | 0.4 | 0.5 | 0.5 | |
| Slippage Ratio(%) | 2.8 | 3.4 | 2.7 | 1.7 | 1.6 | 1.5 | 1.5 | |
| Credit Cost (%) | 2.7 | 2.3 | 2.5 | 2.2 | 1.2 | 0.8 | 0.8 | |
| PCR (Excl Tech. write off) | 56.3 | 68.1 | 74.9 | 85.7 | 89.5 | 83.6 | 81.1 | |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | FY20 | FY21 | FY20 | FY23 | FY24 | FY25E | FY26E |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Yield and Cost Ratios (%) | | | | | | | |
| Avg. Yield- on Earning Assets | 7.7 | 6.9 | 6.3 | 6.8 | 7.7 | 7.9 | 7.8 |
| Avg. Yield on loans | 8.4 | 7.8 | 7.2 | 7.6 | 8.4 | 8.7 | 8.6 |
| Avg. Yield on Investments | 7.3 | 6.6 | 6.3 | 6.5 | 6.8 | 7.0 | 6.9 |
| Avg. Cost of Int. Bear. Liab. | 5.2 | 4.3 | 3.8 | 3.9 | 4.8 | 5.1 | 5.1 |
| Avg. Cost of Deposits | 5.2 | 4.3 | 3.7 | 3.8 | 4.7 | 5.2 | 5.2 |
| Interest Spread | 2.5 | 2.6 | 2.5 | 2.8 | 2.9 | 2.7 | 2.7 |
| Net Interest Margin | 2.7 | 2.8 | 2.7 | 3.0 | 3.2 | 3.1 | 3.2 |

Capitalisation Ratios (%)

| | | | | | | | |
|---------|------|------|------|------|------|------|------|
| CAR | 14.6 | 16.0 | 16.8 | 16.5 | 16.4 | 16.3 | 16.2 |
| Tier I | 12.5 | 12.3 | 13.5 | 13.5 | 14.0 | 14.2 | 14.3 |
| - CET-1 | | 11.3 | 12.5 | 12.9 | 13.5 | 0.0 | 0.0 |
| Tier II | 2.0 | 3.8 | 3.4 | 3.0 | 2.4 | 2.1 | 1.8 |

Business Ratios (%)

| | | | | | | | |
|----------------------------|------|------|------|------|------|------|------|
| Loans/Deposit Ratio | 76.0 | 67.4 | 65.6 | 72.3 | 74.8 | 76.6 | 77.6 |
| CASA Ratio | 34.6 | 42.3 | 41.8 | 42.0 | 40.8 | 41.4 | 41.8 |
| Cost/Assets | 1.4 | 1.7 | 1.6 | 1.7 | 1.8 | 1.8 | 1.8 |
| Cost/Total Income | 40.5 | 48.6 | 46.2 | 44.2 | 45.9 | 45.5 | 45.5 |
| Cost/Core income | 44.0 | 52.7 | 48.9 | 44.7 | 47.9 | 47.8 | 47.9 |
| Int. Expense/Int.Income | 64.5 | 59.9 | 56.9 | 55.0 | 58.2 | 60.1 | 59.6 |
| Fee Income/Total Income | 22.3 | 18.6 | 23.8 | 25.0 | 21.1 | 20.7 | 20.3 |
| Non Int. Inc./Total Income | 30.3 | 26.5 | 29.2 | 26.1 | 25.3 | 25.3 | 25.3 |
| Empl. Cost/Total Expense | 55.9 | 61.6 | 61.3 | 62.2 | 64.8 | 63.3 | 62.9 |

Efficiency Ratios (INRm)

| | | | | | | | |
|---------------------------------|-----|-------|---------|---------|---------|---------|---------|
| Employee per branch (in nos) | | 6.9 | 6.9 | 7.0 | 6.9 | 6.9 | 6.9 |
| Staff cost per employee (INR m) | | 1.5 | 1.7 | 1.8 | 2.3 | 2.4 | 2.6 |
| CASA per branch (INRm) | | 378.9 | 432.3 | 450.7 | 479.4 | 520.2 | 563.9 |
| Deposits per branch (INRm) | | 895.7 | 1,035.1 | 1,073.4 | 1,175.9 | 1,256.6 | 1,349.0 |
| Business per Employee (INR m) | 0.0 | 216.4 | 246.9 | 262.5 | 298.8 | 322.5 | 348.3 |
| Proft per Employee (INR m) | 0.0 | 0.7 | 1.0 | 1.3 | 2.0 | 2.5 | 2.8 |

Profitability Ratios and Valuation

| | | | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|------------|------------|------------|
| RoE | 4.3 | 9.8 | 11.2 | 13.3 | 17.1 | 18.0 | 17.7 |
| RoA | 0.3 | 0.5 | 0.6 | 0.8 | 1.1 | 1.2 | 1.3 |
| RoRWA | 0.5 | 1.0 | 1.3 | 1.6 | 2.1 | 2.4 | 2.4 |
| Book Value (INR) | 336 | 312 | 324 | 358 | 409 | 469 | 537 |
| - growth (%) | -8.8 | -7.1 | 3.7 | 10.7 | 14.2 | 14.7 | 14.4 |
| Price-BV (x) | 1.7 | 1.9 | 1.8 | 1.6 | 1.4 | 1.3 | 1.1 |
| Adjusted BV (INR) | 263 | 234 | 272 | 334 | 396 | 452 | 517 |
| Price-ABV (x) | 2.2 | 2.5 | 2.2 | 1.8 | 1.5 | 1.3 | 1.1 |
| EPS (INR) | 13.8 | 26.6 | 33.2 | 42.4 | 62.2 | 75.6 | 85.5 |
| - growth (%) | 106.4 | 92.3 | 24.9 | 27.7 | 46.7 | 21.5 | 13.1 |
| Price-Earnings (x) | 42.4 | 22.1 | 17.7 | 13.8 | 9.4 | 7.8 | 6.9 |
| Dividend Per Share (INR) | 0.0 | 2.0 | 6.5 | 8.6 | 12.0 | 15.2 | 18.0 |
| Dividend Yield (%) | 0.0 | 0.3 | 1.1 | 1.5 | 2.0 | 2.6 | 3.1 |

E: MOFSL Estimates

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NOTES

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|----------------------------------|--|
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| NEUTRAL | < - 10 % to 15% |
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