13 January 2024

Company update | Sector: Financials

IndusInd Bank

BSE SENSEX	S&P CNX
72,568	21,895

IndusInd Bank

Bloomberg	IIB IN
Equity Shares (m)	776
M.Cap.(INRb)/(USDb)	1301.9 / 15.7
52-Week Range (INR)	1678 / 990
1, 6, 12 Rel. Per (%)	7/9/16
12M Avg Val (INR M)	4569
Free float (%)	84.9

Financials & Valuation (INR b)

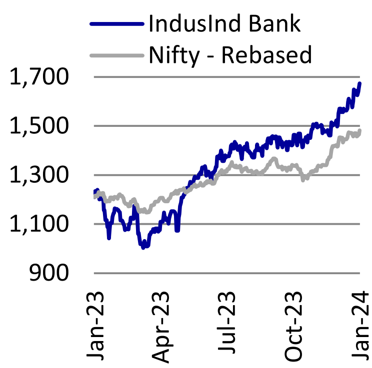
Y/E MARCH	FY23	FY24E	FY25E
NII	175.9	207.6	249.7
OP	144.2	160.2	193.1
NP	74.4	91.1	111.7
NIM (%)	4.1	4.2	4.4
EPS (INR)	96.0	117.4	144.0
EPS Gr. (%)	54.7	22.3	22.7
BV/Sh. (INR)	707	809	937
ABV/Sh. (INR)	691	792	918
Ratios			
RoE (%)	14.5	15.5	16.5
RoA (%)	1.7	1.8	2.0
Valuations			
P/E (X)	17.4	14.3	11.6
P/BV (X)	2.4	2.1	1.8
P/ABV (X)	2.4	2.1	1.8

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	26.3	24.2	20.8
DII	46.3	47.4	51.3
FII	13.3	13.3	12.8
Others	15.1	15.1	15.2

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR1,674 TP: INR1,900 (+14%) Buy

Growth outlook steady; RoA to reach sustainable ~2% mark

Multiple levers to enable 22% earnings CAGR over FY24-26E

- **IIB has been delivering consistent performance with both asset quality and return ratios improving steadily. The bank is well poised to report further improvement in operating performance as all key vectors (credit cost, margins & opex) continue to move in the right direction, unlike for most other banks.**
- **The steady loan growth (of 19% CAGR over FY24-26E) and a more favorable asset mix toward retail will continue to support margins, especially with the shift in the interest rate cycle.**
- **The bank aims to improve upon its CASA mix to >45%, while increasing the mix of retail deposits to 45-50% of the overall deposits.**
- **Asset quality ratios have improved, while continued moderation in slippages, dissolution of restructured assets (have declined to 0.5% vs peak of 3.6% in 2QFY22), and contingency buffer of 0.5% of loans provide further comfort.**
- **IIB is well capitalized with CET-1 of 16.3% and any further capital infusion by promoters to increase the stake in the bank would further aid capitalization levels. We estimate IIB to report 22% earnings CAGR over FY24-26E, resulting in a RoA/RoE of 2.0%/17.3%.**
- **IIB remains our preferred BUY in the sector and we reiterate our BUY rating with a TP of INR1,900 (premised on 1.9x Sep'25E ABV).**

Loan growth remains steady; estimate 19% CAGR over FY24-26E

IIB has reported steady growth in advances with the bank reporting 21% YoY growth in advances in FY23. This has been led by robust growth across both the Corporate as well as Consumer portfolio. The growth trend remains broad-based with the bank reporting steady 18% YoY growth in the Corporate portfolio and the Retail momentum holding strong at 25% YoY in 2QFY24. Besides healthy loan growth, the asset mix has been improving steadily with continued growth momentum in Vehicle financing, MFI, SME+ Mid-corporate, Mortgages, and Credit card segments. IIB has guided for 18-23% loan growth as a part of its PC-6 strategy (FY23-26) and we estimate the bank to deliver ~19% loan CAGR over FY24-26.

Liability franchise improving gradually; retail deposit mix up 300bp to 44%

IIB has been making efforts to strengthen its liability franchise, with continued focus on garnering Retail deposits. Under PC-6, the bank aims to focus on bringing up its CASA mix to >45% from its current 39%, thereby further strengthening the liability franchise. IIB aims to increase its retail deposit mix to 45-50% over FY23-26 from 44%. Over the recent years, deposit growth trailed loan growth even as the quality of deposits improved. The bank's emphasis on deploying excess liquidity on the balance sheet has led to an increase of ~650bp in the CD ratio compared to FY21 levels. Incrementally, we estimate deposits to register a CAGR of 17-18% over FY24-26, while the bank maintains adequate liquidity on the balance sheet with LCR at 117%, which provides comfort.

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Margins holding stable; shift in interest rate cycle to aid NIM trajectory

IIB has been able to maintain a stable margin trajectory over the past many quarters with NIMs holding steady at 4.3%. This has been led by steady improvement in asset mix and continued deployment of surplus liquidity even as cost of deposits increased 175bp over Mar'22 levels. With significant part of the bank's loan book being fixed rate in nature, and new loans disbursed at better yields, we estimate margins to expand slightly over FY24-26, particularly with the shift in interest rate cycle and declining funding cost. IIB is thus positioned well to report a healthy margin trajectory unlike most banks in our coverage. We thus estimate NII to register a CAGR of 20% over FY24-26E.

Slippages to moderate further enabling further improvement in credit cost

IIB has been reporting consistent improvement in asset quality over the past few years as stress pool continues to moderate, while restructured book has declined to 0.5% vs. 3.6% in 2QFY22. Over 1HFY24, the bank has reported slippages of ~INR26b (15% YoY decline) and we expect healthy improvement in slippage run-rate over 2HFY24 as SMA in MFI book and restructured pool has moderated significantly. The bank has prudently provided for its funded exposure toward a telecom account and we do not anticipate stress in any major corporate exposure. Additionally, IIB holds INR15b of contingent provisions (0.5% of loans), which it aims to build further toward any exigency as asset quality continues to improve further over the near term. We thus expect calibrated improvement to continue and estimate credit cost to moderate to 105-110bp over FY25-26.

Planning Cycle-6 (PC-6) to focus on Granularity, Growth, and Governance

In PC-5, over FY20-23, the bank registered a mixed performance due to the challenges posed by the Covid pandemic. However, with the subsequent recovery in rural demand and the resilience of the CV cycle, IIB has delivered a healthy turnaround in growth and asset quality metrics. The bank is well positioned to maintain steady growth momentum, with a demonstrated track record of consistency in the recent quarters. Under PC-6, the bank aims at 18-23% loan growth with retail leading the race and retail loan mix aimed at 55-60%. The bank also aims to improve its retail deposit mix to 45-50% by FY26 from its current 44% and is thus additionally planning to add 800-1,000 branches by FY26 and aiming for a customer base of over 50m.

Valuation and view: To reach a sustainable RoA of 2%; reiterate Buy

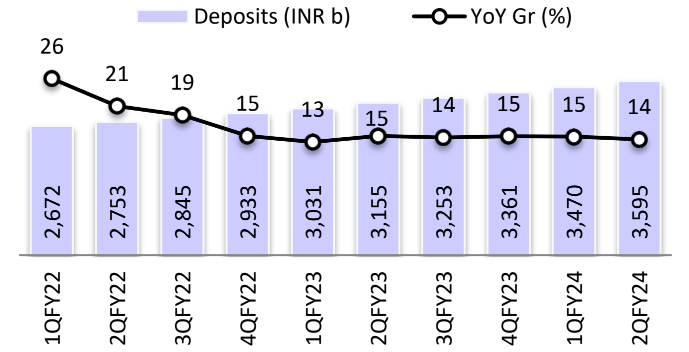
IIB has been delivering consistent performance with both asset quality and return ratios improving steadily. The bank is well poised to report further improvement in operating performance as all key vectors (credit cost, margins & opex) continue to move in the right direction unlike most other banks. The steady loan growth and a more favorable asset mix toward retail will continue to support margins, especially with the shift in the interest rate cycle. Asset quality ratios have improved while continued moderation in slippages, dissolution of restructured assets and additional contingency buffer of 0.5% of loans provides further comfort. IIB is well capitalized with CET-1 of 16.3% and any further capital infusion by promoters to increase the stake in the bank would further aid capitalization levels. We estimate IIB to report 22% earnings CAGR over FY24-26, resulting in a RoA/RoE of 2.0%/17.3%. IIB remains our preferred BUY in the sector and we reiterate our BUY rating with a TP of INR1,900 (premised on 1.9x Sep'25E ABV).

Improving liability franchise; CASA ratio remains healthy

Retail deposit mix as per LCR stands at 44%

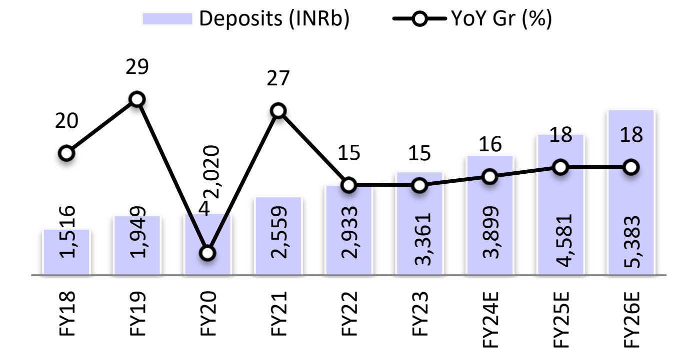
- IIB has been gradually strengthening its liability franchise, with an increased focus on garnering retail deposits. The latter has grown in the 16-60% range vs. 13-27% growth in overall deposits over the past many quarters. Retail deposits as per LCR grew 21% YoY in 2QFY24, with the mix improving to 44%.
- Similarly, the concentration of the top 20 depositors fell to 15.5% (vs. 17% in FY22). LCR ratio also remains at an optimal level at ~117% in 2QFY24.
- The management is focusing on the NRI and Affluent category, which is likely to see a healthy traction in terms of deposit mobilization. The management remains focused on increasing the Retail mix to 55-60%. We expect deposits to clock 17% CAGR over FY23-26.

Exhibit 1: Liability growth steady, led by rising mix of retail deposits



Source: MOFSL, Company

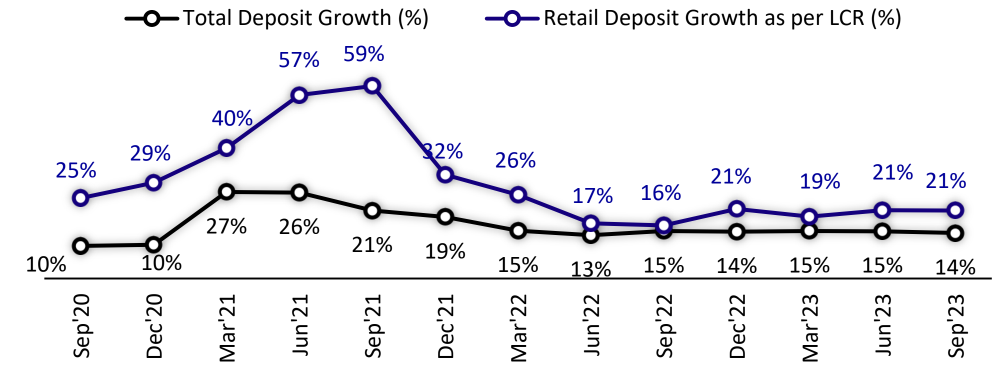
Exhibit 2: Estimate deposits to register a healthy 17% CAGR over FY23-26E



Source: MOFSL, Company

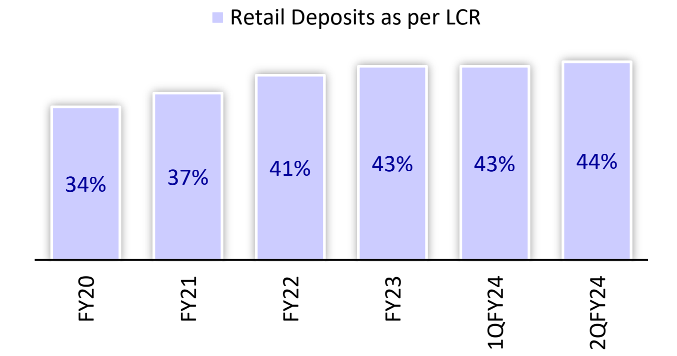
Retail deposit mix stands at 44% in Sep'23. The bank aims to improve this to 45-50% over the coming years

Exhibit 3: Strong (16-60%) growth in retail deposits vs. a 13-27% growth in overall deposits over the past few quarters



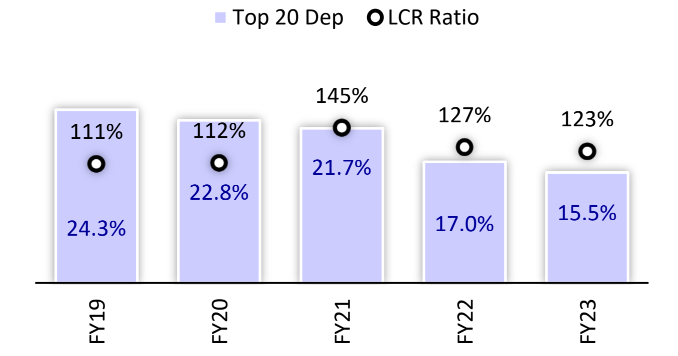
Source: Company, MOFSL

Exhibit 4: Proportion of retail deposits increased to ~44% in 2QFY24



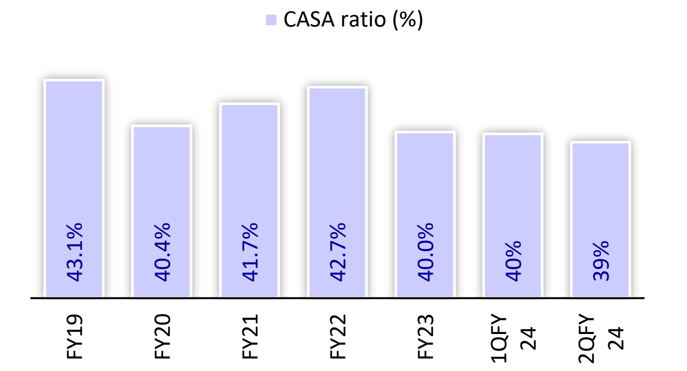
Source: MOFSL, Company

Exhibit 5: Concentration ratio moderates to 15.5% in FY23; LCR ratio at optimal level of 117% in 2QFY24



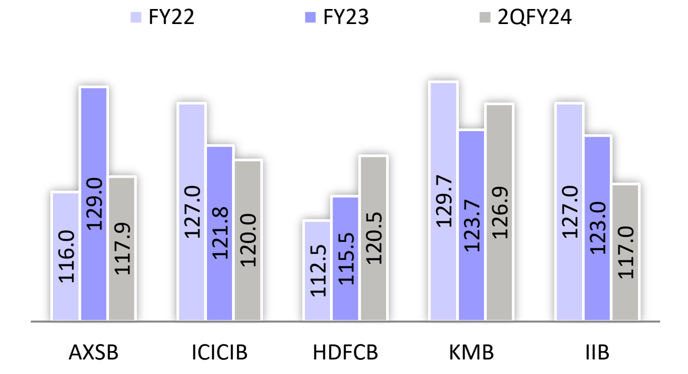
Source: MOFSL, Company

Exhibit 6: CASA ratio (%) remains healthy at ~39% in 2QFY24



Source: MOFSL, Company

Exhibit 7: LCR ratio of IIB is broadly in line with private peers, barring KMB



Source: MOFSL, Company

IIB's SA rate and CASA mix is higher than its peers in 2QFY24

(%)	SA Rate	CA Mix	SA Mix	CASA Mix
AXSB	3.0%/3.5% (>INR5m)	13.8%	30.6%	44.4%
HDFCB	3.0%/3.5% (>INR5m)	11.4%	26.2%	37.6%
ICICIBC	3.0%/3.5% (>INR5m)	12.0%	28.8%	40.8%
KMB	3.5%/4.0% (>INR5m)	17.2%	31.1%	48.3%
IIB	4.25%/5.5%/6.0% (>INR1m)	13.9%	25.5%	39.3%
RBK	4.25%/7.0% (>INR2.5m)	16.5%	19.2%	35.7%
IDFCFB	3.0%/7.0% (>INR5m)	NA	NA	46.4%
BANDHAN	3.0%/6.0%/7.0% (>INR1m)	5.6%	32.9%	38.5%
AUBANK	3.5%/7.0% (>INR10m)	6.1%	27.8%	33.9%

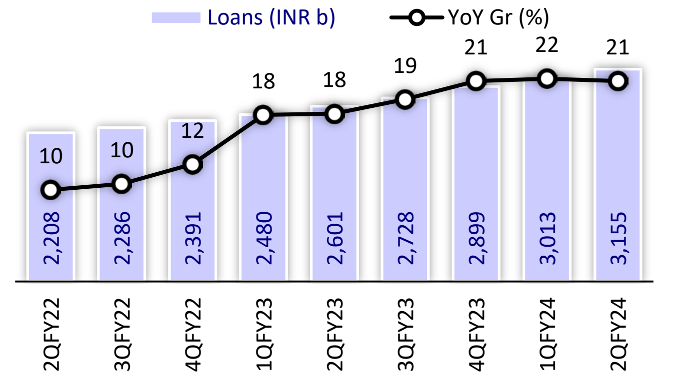
Source: MOFSL, Company

Advances growth robust; estimate 19% loan CAGR over FY24-26

Margins to remain steady; Focus remains on retail segment

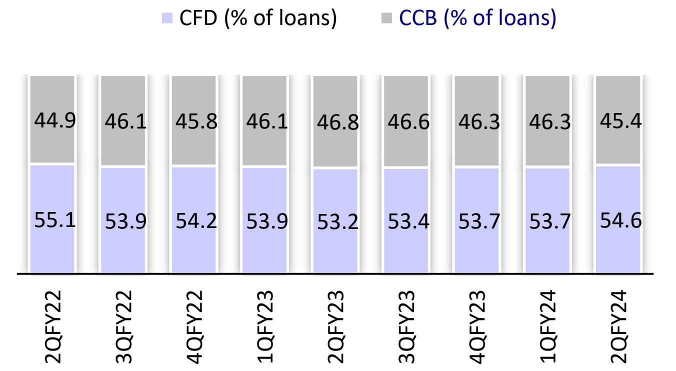
- IIB has reported healthy loan growth over the past few quarters, led by a healthy pickup in both Corporate and Retail loans. Advances grew ~21% YoY in 2QFY24 (vs. ~18% in 2QFY23), with Corporate/Retail loans up ~18%/24%. Disbursement trends have been strong, with the management expecting the strong momentum to sustain over the medium term.
- The segments demonstrating robust disbursements included Commercial Vehicles, Utility Vehicles, and Cars. Disbursements were muted in the tractors and two-wheeler segments. The vehicle portfolio has consistently demonstrated strong disbursements over the past two years. This also reflects in the increased share of new loans and a gradual reduction in repayment drag. The management expects loan growth to now align closely with or even surpass disbursement growth.
- In the corporate loans segment, IIB concentrates on small and mid-sized corporates, and remains selective toward large corporates. Majority of the corporate loan book is floating rate in nature, therefore the bank is able to pass on increased rates to customers due for reset. Thus, yield in corporate book improved in 2QFY24.
- Loan growth is expected to remain healthy. We expect 19% loan CAGR over FY24-26.

Exhibit 8: Loan growth witnesses a healthy recovery; estimate it to sustain at 19% CAGR over FY24-26E



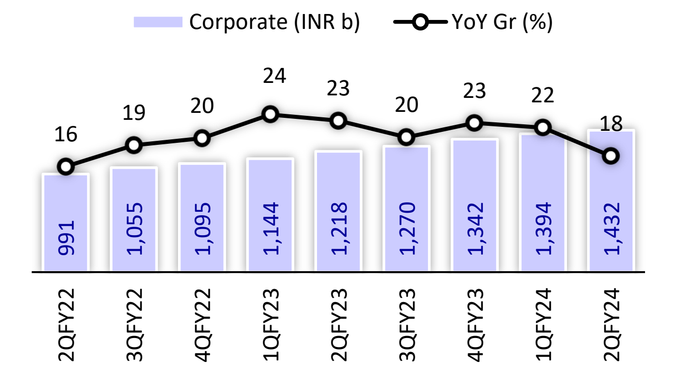
Source: MOFSL, Company

Exhibit 9: Consumer Finance constitutes 55% of total loans as of 2QFY24



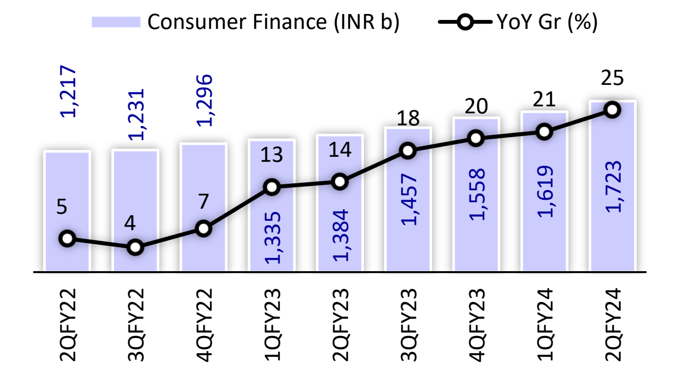
Source: MOFSL, Company

Exhibit 10: Corporate book showing healthy growth momentum



Source: MOFSL, Company

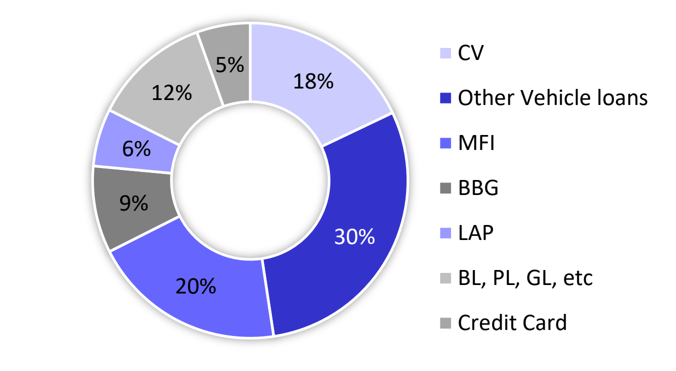
Exhibit 11: Growth in Consumer Finance has recovered gradually, led by pick-up across segments



Source: MOFSL, Company

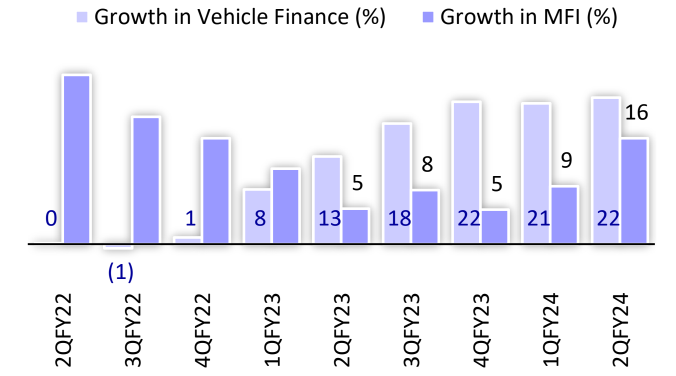
- The management is focusing on diversifying the MFI book, while expecting the segment to grow at 18-20%. The bank is also looking to scale up its Home loan business. Other Retail book (LAP, Secured Retail, Credit Cards, PL, etc.) is performing well and is likely to grow over 20% YoY.

Exhibit 12: Consumer finance loan mix as on 2QFY24: Vehicle Finance/MFI constitutes 48%/20%



Source: MOFSL, Company

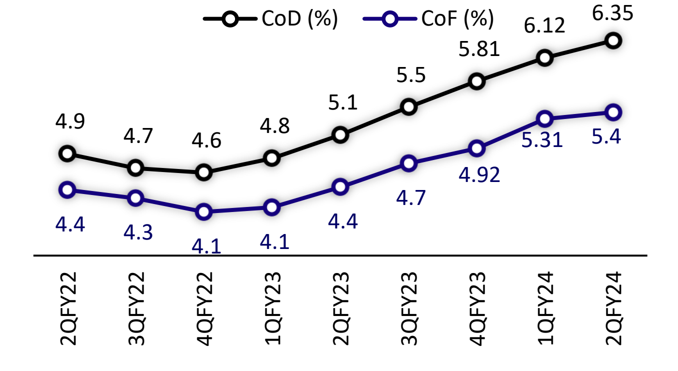
Exhibit 13: Healthy growth in Vehicle Finance; MFI growth has shown recovery in recent quarters



Source: MOFSL, Company

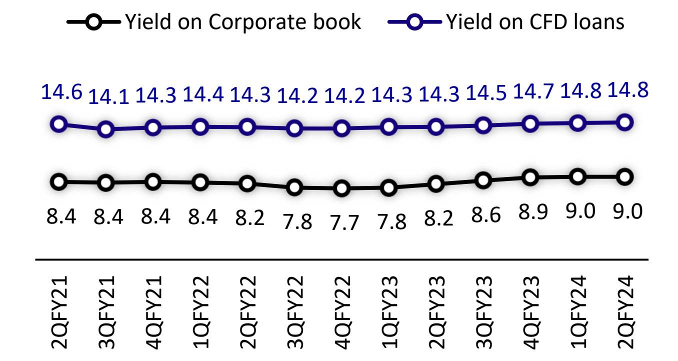
- NIMs remain stable at 4.29%, aided by steady improvement in asset mix and continued deployment of surplus liquidity even as cost of deposits increased 175bp over Mar'22 levels.
- With significant part of the bank's loan book being fixed rate in nature, and new loans disbursed at better yields, we estimate margins to expand slightly over FY24-26E, particularly as the interest rate cycle shifts and funding costs start to decline.
- IIB is thus positioned well to report healthy margin trajectory unlike most banks in our coverage. We thus estimate NII to register a CAGR of 20% over FY24-26E due to upwards re-pricing of liabilities and assets.

Exhibit 14: Cost of deposits/funds witnessing an increase over the past few quarters



Source: MOFSL, Company

Exhibit 15: Improving mix of high yielding Consumer Finance segment has helped margins remain stable



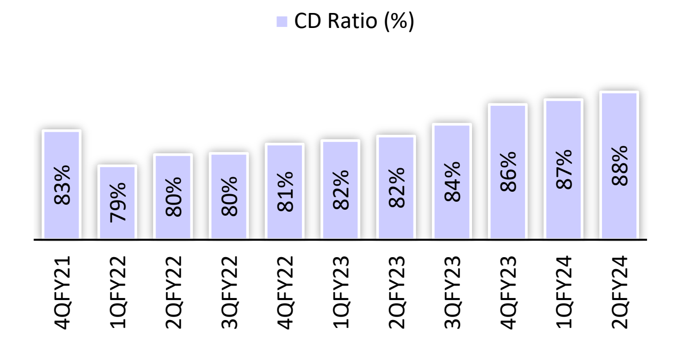
*CoF on a calculated basis Source: MOFSL, Company

Exhibit 16: IIB's deposit cost outpace peers as bulk of re-pricing has happened

2QFY24 (%)	CoD	YoY	CoF	YoY
AXSB	4.8%	99 bps	5.2%	108 bps
HDFCB	NA	NA	4.8%	160 bps
ICICIBC	4.5%	98 bps	4.8%	100 bps
IIB	6.4%	125 bps	5.4%	99 bps
KMB*	NA	NA	5.1%	152 bps
RBK	6.2%	107 bps	6.3%	114 bps
BoB*	4.9%	133 bps	5.3%	137 bps
PNB	4.9%	96 bps	4.3%	92 bps
SBIN*	4.8%	91 bps	5.0%	100 bps

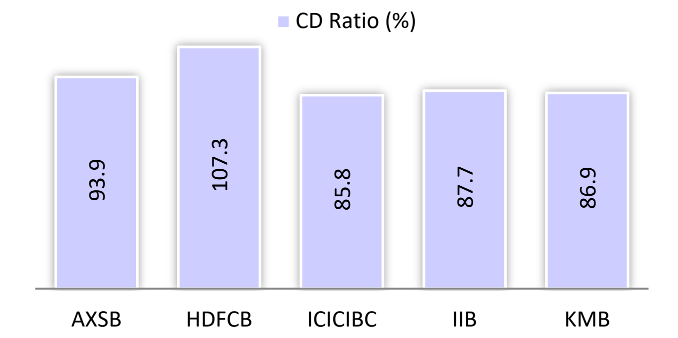
*CoF on a calculated basis Source: MOFSL, Company

Exhibit 17: CD ratio has increased as the bank deployed excess liquidity on the balance sheet



Source: MOFSL, Company

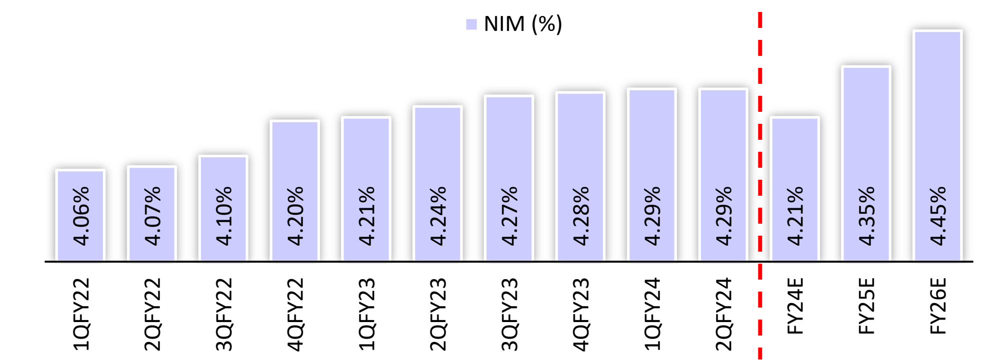
Exhibit 18: CD ratio (2QFY24) of IIB is similar to that of peers, barring HDFCB



Source: MOFSL, Company

Expect margins to remain stable in the near term and improve slightly over FY25/26E

Exhibit 19: Margins expected to improve to 4.4% by FY26 from 4.3% in 2QFY24



Source: Company, MOFSL

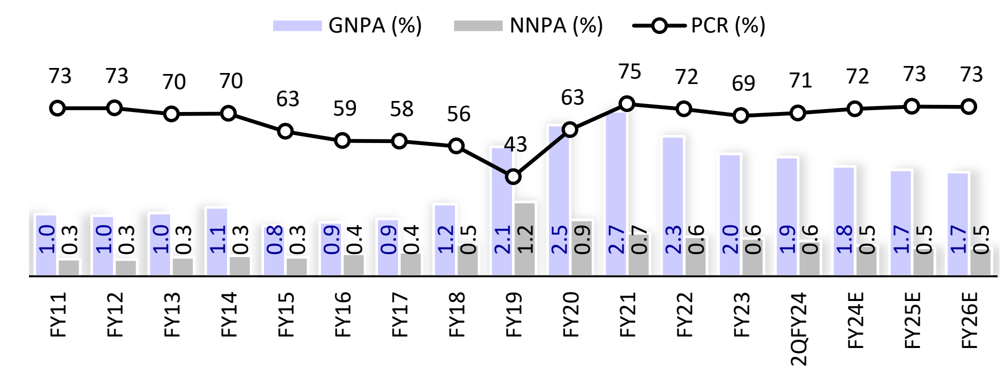
Asset quality improvement continues; restructured pool has declined

Estimate credit cost to moderate further

- IIB has been reporting a gradual improvement in asset quality, led by moderation in slippages, particularly from the MFI/CV and Corporate segment.
- The restructuring book has moderated to 0.5% of loans, and with the low SMA1 and SMA2 books, slippages are expected to remain under control. Over 1HFY24, the bank reported slippages of ~INR26b (15% YoY decline). Anticipating a positive trend, we project healthy improvement in the slippage run-rate over 2HFY24. We thus estimate GNPAs/NNPAs to moderate to 1.7%/0.5% by FY26E.
- Contingent provisions stood at INR15b (0.5% of loans) with total loan related provisions at 118% of GNPAs. Prior to FY18, the average credit cost stood controlled at 0.7%. After FY18, exposure toward IL&FS entities, along with other stressed accounts, resulted in an increase in credit cost; however, the credit cost of the bank moderated to 1.7% in FY23 vs 2.9% in FY22. While we do not foresee a moderation in credit cost to historical levels, we expect it to moderate to 1.1% by FY25, with a gradual reduction in asset quality risks.

PCR stands at ~71% as on 2QFY24

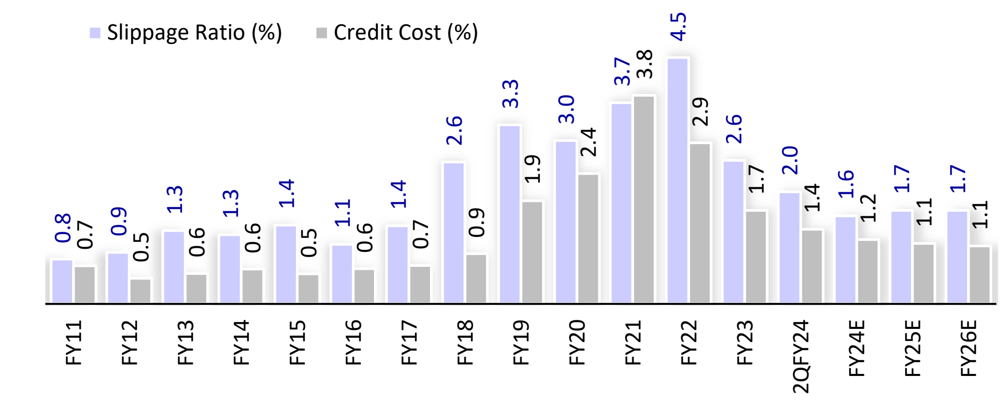
Exhibit 20: Asset quality to witness continued improvement over FY24-26E



Source: Company, MOFSL

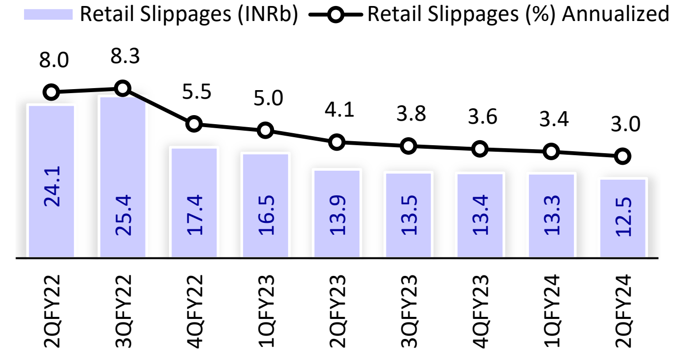
Expect credit cost to moderate further due to controlled slippages and dissolution of restructured pool

Exhibit 21: Expect slippages/credit cost to moderate over FY24-26E



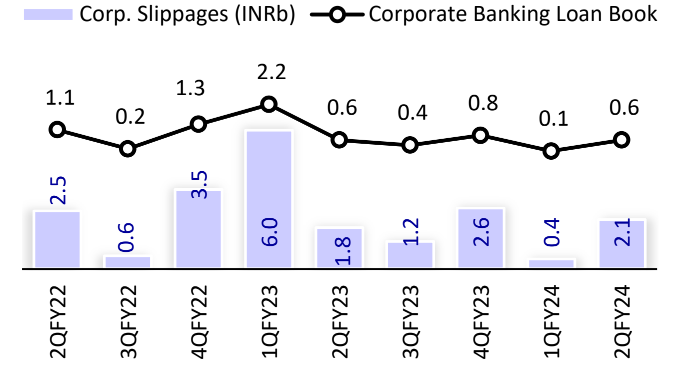
Source: Company, MOFSL

Exhibit 22: Retail slippages remain elevated, but is gradually moderating



Source: MOFSL, Company

Exhibit 23: Corporate slippages remain under control



Source: MOFSL, Company

- BB and below pool for the bank has moderated to 4%, which coupled with an expectation of a resilient corporate cycle, will keep credit cost under control. The management has fully provided for its funded exposure toward the telecom account with no material Corporate slippage in sight. The bank has made additional SR provisions of INR1.4b in 2QFY24.
- The bank maintains standard contingent provisioning buffer of INR15b (0.5% of loans) and has reiterated its FY24 credit cost guidance of ~120bp. We estimate credit cost to moderate further to 1.1%/1.05% over FY25/FY26E.

Exhibit 24: Segmental GNPL trends witness an improvement across most segments

Consumer Finance GNPA (%)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Commercial Vehicle	3.0	2.9	2.6	2.4	1.7	2.0	2.0	2.2	1.1	1.3	**1.2**
Utility	1.3	1.4	0.9	0.7	0.4	0.6	0.5	0.5	0.3	0.3	**0.2**
Construction Equipment	1.2	1.5	1.2	1.4	1.1	1.6	1.4	1.9	0.9	0.9	**0.6**
Small CV	2.9	7.6	4.7	3.6	2.1	2.1	2.1	2.2	1.6	1.8	**2.0**
Two-Wheeler	6.7	9.8	9.2	9.3	9.2	7.9	8.0	7.5	7.2	7.6	**7.5**
Cars	1.3	1.8	1.2	1.0	0.7	0.8	0.6	0.6	0.5	0.5	**0.6**
Tractor	1.2	1.3	1.4	1.4	1.5	1.8	1.6	1.9	1.7	1.8	**1.0**
LAP/HL/PL	2.8	2.8	2.6	2.2	1.8	1.7	1.6	1.6	1.4	1.5	**1.5**
Cards	1.6	4.4	5.1	4.6	3.3	2.3	2.2	2.0	2.4	2.4	**2.6**
BBG/LAP	3.4	3.3	3.9	3.4	3.1	3.5	3.5	3.6	3.3	3.3	**3.3**
MFI	1.5	1.7	3.0	3.2	2.5	3.4	2.9	3.8	4.3	4.4	**4.5**
Retail GNPA (%)	**1.4**	**2.9**	**3.0**	**2.8**	**2.3**	**2.5**	**2.4**	**2.6**	**2.4**	**2.5**	**2.5**

Source: Company, MOFSL

Exhibit 25: Segmental slippages witness an improvement across most segments

Slippages (INR b)	1QFY22	2QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
CFD	10.6	5.9	5.5	6.9	6.5	6.2	3.8	5.8	5.0
Corporate	4.2	2.5	3.5	6.0	1.8	1.2	2.6	0.4	2.1
MFI	6.7	10.7	8.2	5.6	4.4	4.1	6.0	3.7	3.4
Other Retail	6.0	7.5	3.7	4.0	3.1	3.2	3.6	3.8	4.1
Gross slippages	**27.6**	**26.6**	**20.9**	**22.5**	**15.7**	**14.7**	**16.0**	**13.8**	**14.7**

Source: Company, MOFSL

Restructured book constitutes 0.5% of loans vs 3.6% during 2QFY22

Exhibit 26: Vehicle/non-Vehicle Retail comprise 59%/24% of the restructured book, followed by Corporates (17%)

Restructuring book as of 2QFY24	INR b	As a percentage of loans
Vehicle Finance	9.1	0.3%
Other Retail	3.1	0.1%
MFI	0.3	0.0%
Corporate	4.5	0.1%
Total restructuring	**17.0**	**0.5%**

Source: Company, MOFSL

On track to achieve PC-6 targets

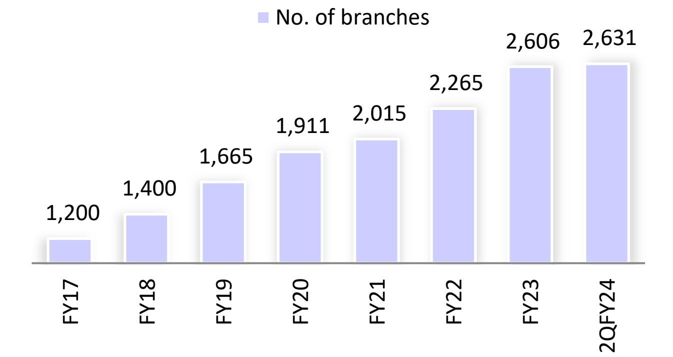
Focus remains on Granularity, Growth, and Governance

- In PC-5 over FY20-23, the bank registered a mixed performance due to the challenges posed by the Covid pandemic. However, with subsequent recovery in rural demand and the resilience of the CV cycle, IIB has delivered a healthy turnaround in growth and asset quality metrics. The bank is well positioned to maintain steady growth momentum, with a demonstrated track record of consistency in the recent quarters.
- Under PC-6, the bank aims at 18-23% loan growth with retail leading the race and retail loan mix aimed at 55-60%. The bank also aims to improve its retail deposit mix to 45-50% by FY26 from its current 44% and is thus additionally planning to add 800-1,000 branches by FY26 and aiming for a customer base of over 50m.
- Even as IIB is on track to achieve its Planning Cycle 6 (CY23-26) strategy targets, the focus remains on: a) sustainably scaling up its domain business, and, b) nurturing new initiatives. The bank is strongly focused on reducing deposit concentration and increasing granularity through retail deposits.
- Overall, the management is targeting further increase in retail loan mix at 55-60%, while expects PPOP-to-loan ratio of 5.25-5.75% over FY23-26. It is targeting a branch count of 3,250-3,750 and an increase in its customer base to over 50m.

Estimate cost-ratios to improve as benefits from operating leverage kicks in

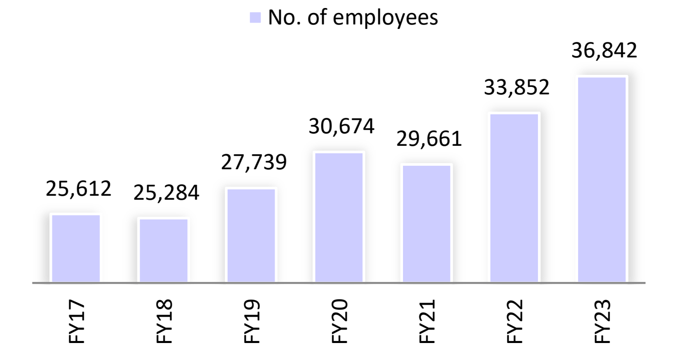
- The bank has been constantly making investment in its physical branches and leveraging it to acquire incremental deposits. IIB added 341 branches in FY23.
- As per PC-6 strategy, IIB plans to expand its branch network to ~3250-3750 by FY26. We believe the branch expansion will enable healthy traction in deposit growth and will help the bank garner granular retail deposits. The bank has improved its operational productivity with Business/Branch at 2,402m in FY23 vs 1,997m in FY17. The Business/employee ratio has registered a CAGR of 8% over FY18-23, reaching 170m.

Exhibit 27: The no. of branches has nearly doubled over the past six years to 2,631 currently



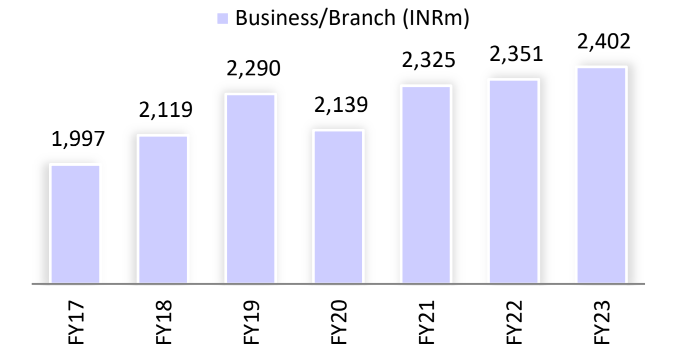
Source: MOFSL, Company

Exhibit 28: The no. of employees increased to 36.8k in FY23 from 25.3k in FY18



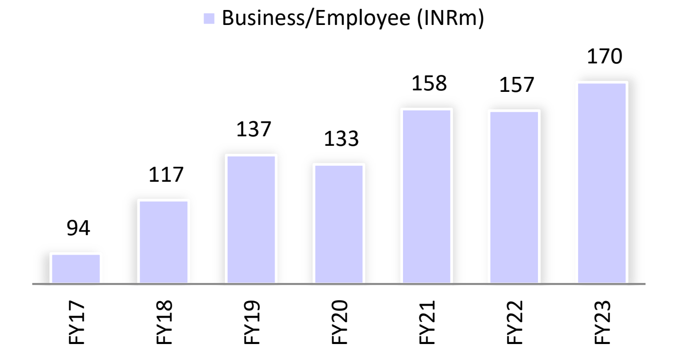
Source: MOFSL, Company

Exhibit 29: Business per branch consistently improves, standing at INR2,402m in FY23



Source: MOFSL, Company

Exhibit 30: Business per employee stands at INR170m as on FY23



Source: MOFSL, Company

Planning Cycle 6 (CY23-26) strategy to focus on fortifying liabilities and scaling up its key focus businesses

Exhibit 31: On track to achieve the targets laid out under Planning Cycle 6

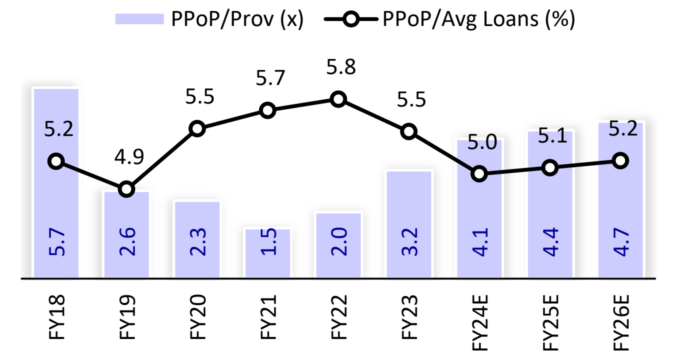
Planning Cycle 6 (FY23-26)	Target	As of 2QFY24
Loan growth (%)	18-23%	21%
Retail Loan mix	55-60%	55%
Retail Deposits as per LCR	45-50%	44%
PPOP/loans (%)	5.25%-5.75%	5.2%
Branch network	3,250-3,750	2,631
Customer base	>50mn	37mn

Source: Company, MOFSL

Valuation and view: RoA to reach a sustainable ~2% mark; Reiterate Buy

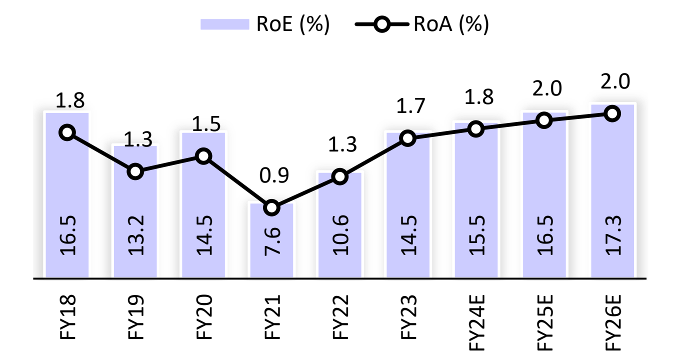
- IIB has been delivering consistent performance with both asset quality and return ratios improving steadily. The bank is well poised to report further improvement in operating performance as all key vectors (credit cost, margins & opex) continue to move in the right direction unlike most other banks.
- Loan growth is seeing healthy traction across segments. Retail disbursements remain strong, with the momentum expected to sustain going forward. Deposit traction remains healthy, with a focus on building a stable and granular liability franchise.
- The management is working on its 'Planning Cycle 6' (FY23-26) strategy, where the focus remains on fortifying liabilities, scaling up its key focus businesses, and investing in new growth engines. We expect the loan book to grow at ~19-20% over FY23-26.
- Asset quality remains steady with GNPA/NNPA at 1.93%/0.57% as of Sep'23, while restructured book moderated sharply to 54bp in 2QFY24 from 66bp in 1QFY24. A healthy PCR of 71% and contingent provisions provide further comfort. We estimate credit cost to moderate to 1.1%/1.05% over FY25/FY26E.
- **Buy with a TP of INR1,900:** The steady loan growth and improving asset mix in favor of retail will be further supportive of margins particularly with the shift in interest rate cycle. Asset quality ratios have improved while continued moderation in slippages, dissolution of restructured assets, and additional contingency buffer of 0.5% of loans provide further comfort. IIB is well capitalized with CET-1 of 16.3% and any further capital infusion by promoters to increase the stake in the bank would further aid capitalization levels. **We estimate IIB to report 22% earnings CAGR over FY24-26E, resulting in a RoA/RoE of 2.0%/17.3%. IIB remains our preferred BUY in the sector and we reiterate BUY with a TP of INR1,900 (premised on 1.9x Sep'25E ABV)**.

Exhibit 32: PPOP to provision set to improve gradually



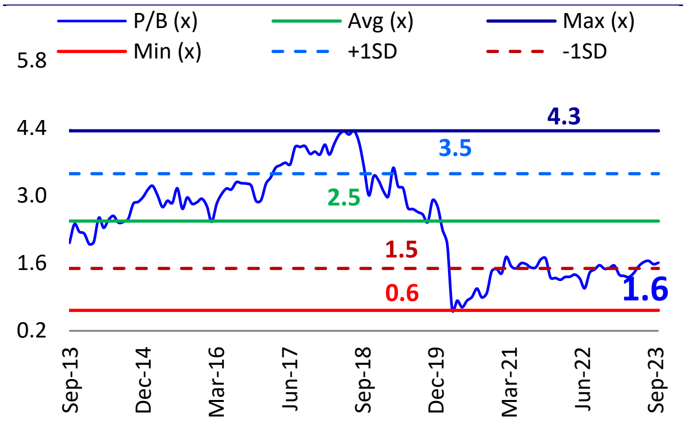
Source: MOFSL, Company

Exhibit 33: Estimate RoA to improve to sustainable 2.0%



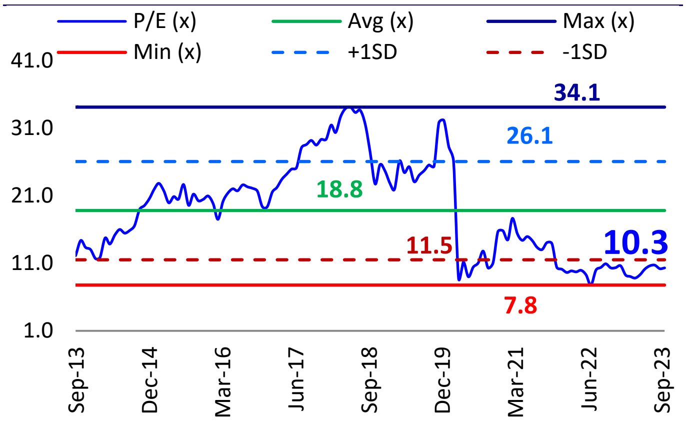
Source: MOFSL, Company

Exhibit 34: One-year forward P/B



Source: MOFSL, Company

Exhibit 35: One-year forward P/E



Source: MOFSL, Company

Exhibit 36: DuPont Analysis: Return ratios to improve gradually

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	8.63	8.91	9.84	8.66	8.06	8.46	9.26	9.38	9.36
Interest Expense	4.89	5.37	5.72	4.62	4.14	4.37	5.05	5.01	4.91
Net Interest Income	**3.75**	**3.54**	**4.12**	**4.04**	**3.92**	**4.09**	**4.21**	**4.36**	**4.45**
Core Fee Income	2.19	2.22	2.19	1.50	1.77	1.89	1.86	1.89	1.91
Trading and others	0.18	0.05	0.19	0.44	0.16	0.02	0.02	0.02	0.01
Non Interest income	**2.37**	**2.26**	**2.38**	**1.94**	**1.92**	**1.90**	**1.87**	**1.90**	**1.92**
Total Income	**6.12**	**5.80**	**6.50**	**5.98**	**5.84**	**5.99**	**6.08**	**6.27**	**6.37**
Operating Expenses	**2.79**	**2.56**	**2.82**	**2.44**	**2.43**	**2.64**	**2.83**	**2.89**	**2.91**
Employee cost	0.89	0.74	0.76	0.91	0.91	0.97	1.05	1.07	1.07
Others	1.90	1.82	2.06	1.53	1.53	1.67	1.78	1.82	1.83
Operating Profit	**3.33**	**3.24**	**3.68**	**3.54**	**3.41**	**3.35**	**3.25**	**3.37**	**3.47**
Core operating Profits	3.14	3.19	3.49	3.10	3.25	3.34	3.23	3.36	3.45
Provisions	**0.59**	**1.24**	**1.59**	**2.37**	**1.73**	**1.04**	**0.78**	**0.77**	**0.74**
NPA	0.45	1.09	1.24	1.51	1.08	0.90	0.76	0.73	0.70
Others	0.14	0.16	0.35	0.86	0.64	0.14	0.03	0.04	0.04
PBT	**2.74**	**1.99**	**2.09**	**1.17**	**1.68**	**2.31**	**2.47**	**2.61**	**2.72**
Tax	0.94	0.67	0.58	0.30	0.43	0.58	0.62	0.65	0.68
RoA	**1.80**	**1.32**	**1.51**	**0.87**	**1.26**	**1.73**	**1.85**	**1.95**	**2.04**
Leverage (x)	9.1	10.0	9.6	8.6	8.4	8.4	8.4	8.5	8.5
RoE	**16.5**	**13.2**	**14.5**	**7.6**	**10.6**	**14.5**	**15.5**	**16.5**	**17.3**

Source: MOFSL, Company

Financials and valuations

Income Statement (INRb)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Interest Income	**88.5**	**120.6**	**135.3**	**150.0**	**175.9**	**207.6**	**249.7**	**297.5**
Growth (%)	18.0	36.3	12.2	10.9	17.3	18.0	20.3	19.2
Non Interest Income	56.5	69.5	65.0	73.4	81.7	92.4	109.0	128.6
Total Income	**144.9**	**190.1**	**200.3**	**223.5**	**257.6**	**299.9**	**358.6**	**426.1**
Growth (%)	18.3	31.2	5.4	11.6	15.3	16.4	19.6	18.8
Operating Expenses	64.0	82.4	81.6	93.1	113.5	139.7	165.6	194.3
Pre Provision Profits	**80.9**	**107.7**	**118.7**	**130.3**	**144.2**	**160.2**	**193.1**	**231.8**
Growth (%)	21.5	33.2	10.2	9.8	10.6	11.1	20.5	20.1
Core PPoP	**79.7**	**102.2**	**103.9**	**124.4**	**143.5**	**159.5**	**192.2**	**230.8**
Growth (%)	26.7	28.2	1.6	19.8	15.4	11.1	20.5	20.1
Provisions	31.1	46.5	79.4	66.0	44.9	38.6	43.9	49.8
PBT	**49.8**	**61.2**	**39.3**	**64.3**	**99.3**	**121.6**	**149.1**	**182.0**
Tax	16.8	17.0	10.0	16.3	24.9	30.5	37.4	45.7
Tax Rate (%)	33.7	27.8	25.4	25.3	25.1	25.1	25.1	25.1
PAT	**33.0**	**44.2**	**29.3**	**48.0**	**74.4**	**91.1**	**111.7**	**136.3**
Growth (%)	-8.5	33.8	-33.7	64.0	54.9	22.4	22.7	22.0

Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	6.0	6.9	7.7	7.7	7.8	7.8	7.8	7.8
Reserves & Surplus	260.7	340.0	427.2	472.4	541.8	621.3	720.6	843.7
Net Worth	**266.7**	**347.0**	**435.0**	**480.1**	**549.6**	**629.0**	**728.3**	**851.5**
Deposits	**1,948.7**	**2,020.4**	**2,558.7**	**2,933.5**	**3,361.2**	**3,899.0**	**4,581.3**	**5,383.0**
Growth (%)	28.5	3.7	26.6	14.6	14.6	16.0	17.5	17.5
- CASA Dep	**840.7**	**815.7**	**1,067.9**	**1,253.3**	**1,347.3**	**1,532.3**	**1,814.2**	**2,142.5**
Growth (%)	26.0	-3.0	30.9	17.4	7.5	13.7	18.4	18.1
Borrowings	473.2	607.5	513.2	473.2	490.1	552.9	619.5	711.6
Other Liabilities & Prov.	89.4	95.6	122.1	132.7	177.0	203.6	232.1	266.9
Total Liabilities	**2,778.2**	**3,070.6**	**3,629.0**	**4,019.7**	**4,578.4**	**5,284.5**	**6,161.2**	**7,212.9**
Current Assets	147.8	160.0	566.1	685.8	567.8	556.5	572.1	609.5
Investments	**592.7**	**599.8**	**696.5**	**709.3**	**830.8**	**980.3**	**1,161.6**	**1,374.2**
Growth (%)	18.4	1.2	16.1	1.8	17.1	18.0	18.5	18.3
Loans	**1,863.9**	**2,067.8**	**2,126.0**	**2,390.5**	**2,899.2**	**3,467.5**	**4,109.0**	**4,869.1**
Growth (%)	28.6	10.9	2.8	12.4	21.3	19.6	18.5	18.5
Fixed Assets	17.1	18.2	18.8	19.3	20.8	22.5	24.2	26.2
Total Assets	**2,778.2**	**3,070.6**	**3,629.0**	**4,019.7**	**4,578.4**	**5,284.5**	**6,161.2**	**7,212.9**

Asset Quality

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
GNPA	39.5	51.5	57.9	55.2	58.3	63.8	71.4	83.5
NNPA	22.5	18.9	14.8	15.3	17.8	18.5	20.3	23.7
Slippage	53.9	58.3	76.6	101.0	68.9	50.9	64.4	76.3
GNPA Ratio	2.1	2.5	2.7	2.3	2.0	1.8	1.7	1.7
NNPA Ratio	1.2	0.9	0.7	0.6	0.6	0.5	0.5	0.5
Slippage Ratio	3.25	2.97	3.65	4.47	2.61	1.6	1.7	1.7
Credit Cost	1.88	2.37	3.79	2.92	1.70	1.2	1.1	1.1
PCR (Excl Tech. write off)	43.0	63.3	74.5	72.3	69.4	71.0	71.5	71.6

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	**9.5**	**10.6**	**9.3**	**8.6**	**9.0**	**9.8**	**9.9**	**9.9**
Avg. Yield on loans	11.0	12.2	11.5	11.1	11.3	12.0	11.9	11.8
Avg. Yield on Investments	7.3	7.1	6.8	7.2	6.0	5.8	6.2	6.8
Avg. Cost-Int. Bear. Liab.	**6.2**	**6.6**	**5.4**	**4.9**	**5.2**	**6.0**	**5.9**	**5.8**
Avg. Cost of Deposits	6.1	6.5	5.0	4.5	5.0	5.7	5.6	5.5
Interest Spread	**3.4**	**4.1**	**4.3**	**4.1**	**4.0**	**4.1**	**4.3**	**4.4**
Net Interest Margin	**4.0**	**4.6**	**4.6**	**4.7**	**5.0**	**4.8**	**4.8**	**4.9**
Capitalisation Ratios (%)								
CAR	14.2	15.0	17.4	18.4	17.9	17.0	16.0	15.1
Tier I	13.7	14.6	16.8	16.8	16.4	15.8	14.9	14.3
Tier II	0.5	0.5	0.6	1.6	1.5	1.2	1.0	0.9
CET-1	12.1	13.2	15.6	16.0	15.9			
Business and Efficiency Ratios (%)								
Loans/Deposit Ratio	95.7	102.3	83.1	81.5	86.3	88.9	89.7	90.5
CASA Ratio	43.1	40.4	41.7	42.7	40.1	39.3	39.6	39.8
Cost/Assets	2.3	2.7	2.2	2.3	2.5	2.6	2.7	2.7
Cost/Total Income	44.2	43.3	40.7	41.7	44.0	46.6	46.2	45.6
Cost/Core Income	44.5	44.6	44.0	42.8	44.1	46.7	46.3	45.7
Int. Expense/Int.Income	60.3	58.1	53.4	51.3	51.6	54.6	53.5	52.5
Fee Income/Total Income	38.2	33.7	25.0	30.2	31.5	30.5	30.1	29.9
Non Int. Inc./Total Income	39.0	36.6	32.5	32.9	31.7	30.8	30.4	30.2
Empl. Cost/Total Expense	28.9	26.8	37.3	37.3	36.8	37.2	37.1	37.0
Business per Employee (INR m)	137.4	133.3	157.9	157.3	169.9	181.8	193.2	209.1
Profit per Employee (INR m)	1.2	1.4	1.0	1.4	2.0	2.2	2.5	2.8
Investment/Deposit Ratio	30.4	29.7	27.2	24.2	24.7	25.1	25.4	25.5
G-Sec/Investment Ratio	82.1	87.9	93.7	94.4	92.2	92.2	92.2	92.2
Profitability Ratios and Valuations								
RoE	13.2	14.5	7.6	10.6	14.5	15.5	16.5	17.3
RoA	1.3	1.5	0.9	1.3	1.7	1.8	2.0	2.0
RoRWA	1.5	1.7	1.1	1.6	2.2	2.2	2.3	2.3
Book Value (INR)	440	498	560	618	707	809	937	1,095
Growth (%)	11.7	13.2	12.5	10.3	14.4	14.4	15.8	16.9
Price-BV (x)	**3.8**	**3.4**	**3.0**	**2.7**	**2.4**	**2.1**	**1.8**	**1.5**
Adjusted BV (INR)	414	478	547	604	691	792	918	1,074
Price-ABV (x)	**4.0**	**3.5**	**3.1**	**2.8**	**2.4**	**2.1**	**1.8**	**1.6**
EPS (INR)	54.9	68.2	39.9	62.1	96.0	117.4	144.0	175.7
Growth (%)	-8.8	24.2	-41.4	55.4	54.7	22.3	22.7	22.0
Price-Earnings (x)	**30.5**	**24.5**	**41.9**	**27.0**	**17.4**	**14.3**	**11.6**	**9.5**
Dividend Per Share (INR)	9.0	9.0	0.0	5.0	8.5	15.0	16.0	17.0
Dividend Yield (%)	**0.5**	**0.5**	**0.0**	**0.3**	**0.5**	**0.9**	**1.0**	**1.0**

E: MOSL Estimates

N O T E S

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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