

Punjab National Bank

Progressing well, catching up with peers

Higher recoveries and lower opex feed into earnings beat

Punjab National Bank's (PNB) Q3 PAT at INR 22.2bn surpassed estimates on higher NII (supported by better recoveries) and curtailed opex (despite wage hike). Q3 was characterized by higher recovery (two large accounts, feeding into curtailed credit cost and benefiting NII) and the bank providing for wage revision (from 14% to 17%) and related pension cost. Asset quality sustained its improvement – PNB has already achieved its FY24 target of sub-1% NNPL – a commendable feat. While we note the improvement at PNB, it still scores lower than peers, albeit the gap is closing down.

The key discussion hereon is whether there is further scope of improvement in core metrics or are these closer to the peak? Also, consistency in core PPOP is still not established and profitability is still soft (albeit improving). The return ratios RoE of 8-10% even by FY26E run lower than peers'. Not to mention, PNB runs at CET-1 of 9.9%, which may call for capital raise in the near-to-medium term.

Asset quality holding up, keenly monitor FY25 trajectory

PNB continued to deliver on improving asset quality with slippages curtailed at INR 17.9bn (sub-1%). This with sustained recovery led to further dip in GNPLs/NNPLs to 6.2%/0.96%, the lowest in the past many quarters, already achieving its FY24 target. While steady improvements were seen, the performance hereon will be the key monitorable given relatively lower recovery pool in FY25.

Core performance – Volatility, a concern

Q3 saw better NIMs (up 4bps QoQ, higher than our expectations, largely supported by benefit from two large recovery). This with steady loan growth (sub-3% QoQ) fed into 4% QoQ NII growth. With funding costs likely to rise, we believe strain on NIMs is likely. We believe core operational performance (excluding one-offs) may continue to lag and the road to recovery is long-winded.

Valuations: Recommend Sell; TP raised to INR 80

While performance seems to be improving, it was supported by higher recovery trends – Q3 reinforces our view. We believe improvement hereon may be contingent on persistent tailwinds. We introduce FY26E with roll-over to September 2025E, which feeds into raised TP of INR 80 (from INR 60, with raised multiple to 0.8x from 0.6x given better earnings). The outperformance of PNB has been sharper than our expectations, and the valuation multiples have converged with frontline peers. It now trades at 1.1x FY26E P/ABV, for an RoA/RoE of 0.6%/sub-10% even in FY26E – Maintain **SELL**.

Rating: Sell

Target Price: INR 80

Downside: 24%

CMP: INR 105 (as on 25 January 2024)

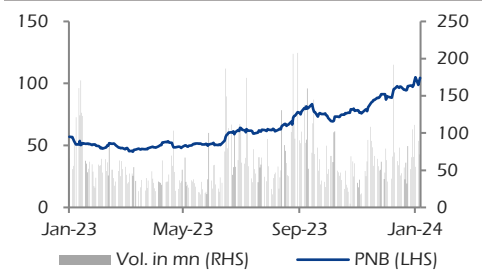
Key data

Bloomberg /Reuters Code	PNB IN/PNBK.BO
Current /Dil. Shares O/S (mn)	11,011/11,011
Mkt Cap (INRbn/USD mn)	1,151/13,852
Daily Vol. (3M NSE Avg.)	52,814,619
Face Value (INR)	2

1 USD = INR 83.1

Note: *as on 25 January 2024; Source: Bloomberg

Price & Volume



Source: Bloomberg

Shareholding (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Promoter	73.2	73.2	73.2	73.2
Institutional Investors	14.7	15.2	15.3	16.5
Other Investors	1.8	1.5	1.5	1.3
General Public	10.4	10.2	10.1	9.1

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	11.7	8.5	19.3
Punjab National Bank	50.4	72.2	94.6

Source: Bloomberg

YE March (INR mn)	Q3FY24	Q2FY24	QoQ (%)	Q3FY23	YoY (%)	Q3FY24E	Variance (%)
Operating Profit	63,307	62,164	1.8	57,159	10.8	59,057	7.2
PBT	35,916	27,723	29.6	10,029	258.1	24,057	49.3
Net Profit	22,228	17,561	26.6	6,289	253.4	18,002	23.5

Key Financials											
YE March	PPoP (INR bn)	YoY (%)	NP (INR bn)	YoY (%)	EPS (INR)	YoY (%)	P/PPoP (x)	RoAE (%)	RoAA (%)	P/E (x)	P/BV (x)
FY23	225	8.5	25	(27.5)	2.3	(27.5)	5.1	2.8	0.2	45.9	1.5
FY24E	238	5.6	71	184.1	6.5	184.1	4.8	7.4	0.5	16.2	1.3
FY25E	268	18.9	96	284.0	8.7	284.0	4.3	9.3	0.6	12.0	1.2
FY26E	299	25.5	112	56.7	10.1	56.7	3.9	10.0	0.6	10.3	1.1

Note: Pricing as on 25 January 2024; Source: Company, Elara Securities Estimate

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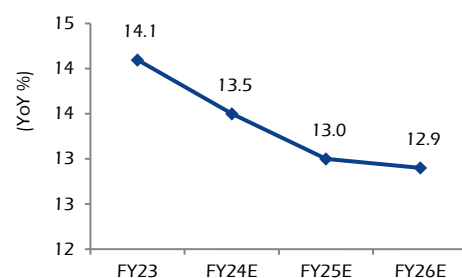
Elara Securities (India) Private Limited

Standalone Financials (YE March)

Income statement (INR mn)	FY23	FY24E	FY25E	FY26E
Net interest income	344,916	394,395	432,560	475,336
<i>YoY growth (%)</i>	<i>20.2</i>	<i>14.3</i>	<i>9.7</i>	<i>9.9</i>
Fee income	47,160	52,269	57,947	64,024
Trading profits	(3,340)	4,000	15,000	15,000
Non-interest income	121,425	120,297	137,616	144,339
Net operating revenue	466,342	514,692	570,177	619,676
<i>YoY growth (%)</i>	<i>13.7</i>	<i>10.4</i>	<i>10.8</i>	<i>8.7</i>
Operating expenses	241,054	276,728	302,311	320,999
<i>YoY growth (%)</i>	<i>19.0</i>	<i>14.8</i>	<i>9.2</i>	<i>6.2</i>
Pre-provisioning operating profit	225,288	237,963	267,866	298,677
<i>YoY growth (%)</i>	<i>8.5</i>	<i>5.6</i>	<i>12.6</i>	<i>11.5</i>
Provisions for bad debts	159,028	137,631	139,193	149,485
Other provisions	23,377	0	0	0
Profit before tax	42,883	100,333	128,673	149,191
Tax	17,811	29,096	32,387	37,551
Profit after tax	25,072	71,236	96,286	111,640
<i>YoY growth (%)</i>	<i>(27.5)</i>	<i>184.1</i>	<i>35.2</i>	<i>15.9</i>
Balance sheet (INR mn)	FY23	FY24E	FY25E	FY26E
Customer loans	8,308,340	9,429,966	10,655,861	12,030,467
<i>YoY growth (%)</i>	<i>14.1</i>	<i>13.5</i>	<i>13.0</i>	<i>12.9</i>
Investments	3,959,967	4,160,301	4,491,346	4,866,755
Cash & bank balances	1,551,088	1,068,676	1,183,750	1,317,832
Fixed assets	50,025	44,593	38,891	32,918
Other assets	678,408	769,969	870,064	982,302
Total Assets	14,547,827	15,473,504	17,239,912	19,230,275
Net worth	928,070	989,069	1,072,557	1,171,400
Deposits	12,811,631	13,772,503	15,149,754	16,816,227
<i>YoY growth (%)</i>	<i>11.8</i>	<i>7.5</i>	<i>10.0</i>	<i>11.0</i>
Borrowings	512,917	371,395	632,693	807,989
Other liabilities	295,209	340,537	384,908	434,660
Total Liabilities	14,547,827	15,473,504	17,239,912	19,230,275
Key operating ratios	FY23	FY24E	FY25E	FY26E
Year to 31 Mar (%)				
Lending yield	7.4	7.8	7.8	7.7
Cost of Funds	4.0	4.4	4.5	4.4
Spreads	2.5	2.6	2.6	2.6
Net interest margin	2.6	2.8	2.8	2.8
CASA Ratio (%)	42.0	41.5	41.4	41.6
Non-interest income / operating income	26.0	23.4	24.1	23.3
Cost/income	51.7	53.8	53.0	51.8
Operating expense/avg assets	1.7	1.8	1.8	1.8
Credit costs / avg loans	2.0	1.6	1.4	1.3
Effective tax rate	41.5	29.0	25.2	25.2
Loan deposit ratio	64.8	68.5	70.3	71.5
ROA decomposition (%)	FY23	FY24E	FY25E	FY26E
NII / Assets	2.6	2.8	2.8	2.8
Fees / Assets	1.0	0.8	0.8	0.7
Invst. profits / Assets	(0.0)	0.0	0.1	0.1
Net revenues / Assets	3.6	3.6	3.7	3.6
Opex / Assets	(1.8)	(1.9)	(2.0)	(1.9)
Provisions / Assets	(1.4)	(1.0)	(0.9)	(0.9)
Taxes / Assets	(0.1)	(0.2)	(0.2)	(0.2)
Total costs / Assets	(3.4)	(3.1)	(3.1)	(2.9)
ROA	0.2	0.5	0.6	0.6
Equity / Assets	6.9	6.7	6.7	6.5
ROAE - RHS	2.8	7.4	9.3	10.0
Key financial ratios	FY23	FY24E	FY25E	FY26E
Year to 31 Mar (%)				
Tier I Capital adequacy	12.7	11.5	11.1	10.7
Gross NPL	8.7	5.6	4.3	3.9
Net NPL	2.7	1.2	1.1	1.0
Slippage ratio	2.0	0.9	1.2	1.3
Assets / equity (x)	15.7	15.6	16.1	16.4
Per share data				
EPS (INR)	2	6	9	10
<i>YoY growth (%)</i>	<i>(27)</i>	<i>184</i>	<i>35</i>	<i>16</i>
BVPS (INR)	84	90	97	106
adj- BVPS (INR)	70	83	90	99
Dividend yields	1	1	1	1
Valuation (x)				
P/BV	1.24	1.16	1.07	0.98
P/ABV	1.50	1.27	1.16	1.06
P/E	45.94	16.17	11.96	10.32

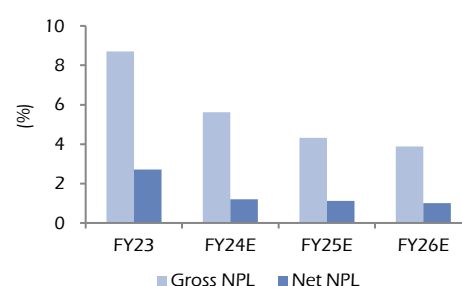
Note: Pricing as on 25 January 2024; Source: Company, Elara Securities Estimate

Loan growth (%)



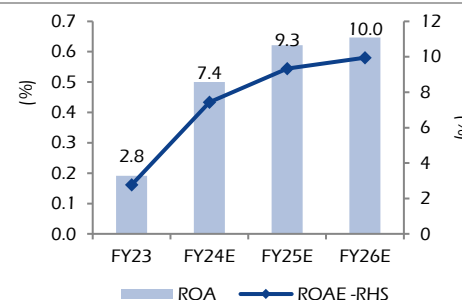
Source: Company, Elara Securities Estimate

Gross and net NPL



Source: Company, Elara Securities Estimate

Return ratios (%)



Source: Company, Elara Securities Estimate

Q3FY24 – Conference call highlights

Business momentum

- Global gross advances grew 12.9% YoY and 2.7% QoQ, led by the RAM segment.
- RAM continues to be the focus area and its share was stable QoQ at 55%.
- With improved underwriting process, for the new acquisition with outstanding of INR 5.08tn, NPA is INR 15.76bn or 0.24% of the new book. (Segmental break-down is as follows: Agri 0.31%, MSME 1.49%, Retail – 1.9% and Corporate – 0.1%).
- Overseas advances book was INR 370bn – continuous efforts for improving it are being done to cope up with unstable macro-conditions.
- NBFC exposure increased by INR 40bn despite the impact on risk weights as it has increased yield. The bank has been negotiating pricing with existing and new NBFC customers for higher yield (+20/25bps).
- Corporate loans have seen some improvement due to better utilization and some capex from infra, road, but overall growth guidance for FY24 would be 10-12%.
- In unsecured loans, education loans comprised INR 35bn, personal loan to pensioners INR 43bn, while balance was other personal loans through digital (INR 43bn and physical means). Digital personal loans have an NPA of 0.4%.
- Domestic LDR – 72%. The bank has excess liquidity of INR 800bn, which may aid growth.
- Deposits grew modest at 9.3% YoY and 1% sequentially to INR 13.2bn. Deposit accretion is not a challenge for the bank as it has enough branches.
- The CASA share to domestic improved to 42.47% in this quarter from 42.15% in Sep-23.

Asset quality

- GNPA/NNPA continued to improve at 6.24%/0.96% versus 6.96%/1.47% in Q2FY24 and 9.76%/3.30% in Q3FY23.
- PCR (incl. TWO) increased substantially to 94.28% from 91.91% in previous quarter.
- Credit cost declined marginally QoQ to 1.26% (versus 1.31% in Q2FY24). Credit cost for FY25 would not be more than 1%.
- Recovery from written-off was INR 20.6bn (INR 13.8bn in Q2FY24).
- Segmental slippage was as follows – Agri INR 4.39bn, MSME INR 7.09bn, Retail INR 4.34bn and others INR 0.13bn and INR 1.98bn in existing accounts.

Slippages may continue to run-down in the coming quarters.

- The bank had a recovery target of INR 220bn for FY24, of which INR 170bn has been recovered in 9MFY24 and it expects to meet the same.
- The bank recovered INR 18bn from NCLT accounts in Q3FY24.
- NCLT exposures: PNB has recovered INR 60.9bn in Q1FY23, INR 7.8bn in Q2FY23, INR 7bn in Q3FY23, INR 10bn in Q4FY23, INR 5.6bn in Q1FY24 and Q2FY24 each and INR 18bn in Q3FY24. PNB expects to recover INR 12bn in Q4FY24.
- Outstanding OTR 1 & 2 is INR 29.4bn and INR 67.8bn. Against the OTR book, PNB has made 12.5% provisions as per RBI guidelines against the regulatory guideline of 10% and 5% for OTR 1 & 2 respectively.

Cost and margins

- Global NIM increased from 3.11% to 3.15% as of Q3FY24 (guidance would be ~3% for next quarter).
- Domestic cost of deposits inched up 10bps sequentially to 4.94%, while yield rose 30bps QoQ.
- About 5% of the deposits are yet to be repriced in the next quarter, which would entail an impact of another 5-10bps in Q4FY24.

Other highlights

- Cost/income ratio improved sequentially at 51% in this quarter from 52% in Sep-23.
- CRAR reduced to 14.63% due to increase in RBI impact. RWA impact was INR 270bn.
- The bank had an approval to raise INR 120bn, of which INR 70bn was from tier I and INR 50bn by tier II. Of this, the bank raised INR 30bn in tier I, and INR 41bn by way of tier II (INR 11.53bn in Q3). The bank has another approval to raise funds by way of equity or FPO of INR 75bn in FY25.
- For wage provision, the bank had provided wage revision at 14%, thus required an additional provision of INR 8bn (in Q3FY24). In addition, the bank provided INR 3.2bn for AS-15 (versus INR 6.9bn in Q2FY24).
- Interest income impact from recovery is INR 5-6bn, but in Q3, due to higher NCLT recovery, the same was higher by another INR 1bn.
- The bank is currently following the old tax regime and is in consultation to shift towards new tax regime.
- The bank aims for an RoA of 1% (FY25 exit).

Exhibit 1: PAT of INR 22.2bn (up 2.5x YoY), led by higher recoveries and lower opex

(INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
NII	75,428	82,707	91,794	94,988	95,043	99,229	102,928
Other income	25,370	28,472	33,380	34,210	34,338	30,283	26,738
Net revenue	100,798	111,179	125,174	129,198	129,381	129,512	129,666
Opex	47,006	55,507	68,014	70,527	69,701	67,348	66,359
PPoP	53,792	55,672	57,159	58,671	59,680	62,164	63,307
Investment gains	(5,320)	20	1,310	(340)	6,180	2,640	(6,990)
Core PPoP	59,112	55,652	55,849	59,011	53,500	59,524	70,297
Provisions	47,902	49,064	47,130	38,310	39,653	34,442	27,391
PAT	3,084	4,113	6,289	11,591	12,554	17,561	22,228
YoY (%)							
NII	4.3	30.2	17.6	30.0	26.0	20.0	12.1
Other income	(34.7)	(13.2)	23.6	39.6	35.3	6.4	(19.9)
Net revenue	(9.4)	15.4	19.2	32.5	28.4	16.5	3.6
Opex	(0.5)	(1.1)	25.3	57.1	48.3	21.3	(2.4)
PPoP	(15.9)	38.4	12.6	11.4	10.9	11.7	10.8
Investment gains	NM	NM	(78.7)	NM	NM	NM	NM
Core PPoP	11.9	77.2	25.2	12.3	(9.5)	7.0	25.9
Provisions	(3.8)	50.4	40.5	(21.0)	(17.2)	(29.8)	(41.9)
PAT	(69.9)	(62.8)	(44.2)	473.7	307.0	327.0	253.4
QoQ (%)							
NII	3.3	9.6	11.0	3.5	0.1	4.4	3.7
Other income	3.5	12.2	17.2	2.5	0.4	(11.8)	(11.7)
Net revenue	3.3	10.3	12.6	3.2	0.1	0.1	0.1
Opex	4.7	18.1	22.5	3.7	(1.2)	(3.4)	(1.5)
PPoP	2.2	3.5	2.7	2.6	1.7	4.2	1.8
Investment gains	NM	NM	NM	NM	NM	NM	NM
Core PPoP	12.5	(5.9)	0.4	5.7	(9.3)	11.3	18.1
Provisions	(1.3)	2.4	(3.9)	(18.7)	3.5	(13.1)	(20.5)
PAT	52.7	33.3	52.9	84.3	8.3	39.9	26.6

Source: Company, Elara Securities Estimate

Exhibit 2: Loans up 12.9% YoY/2.7% QoQ

INR bn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Loan book	8,002	8,302	8,568	8,847	9,168	9,417	9,673
% YoY	10.2	12.8	13.4	12.7	14.6	13.4	12.9
% QoQ	1.9	3.8	3.2	3.3	3.6	2.7	2.7

Source: Company, Elara Securities Research

Exhibit 3: Overall loan growth led by RAM sector

(INR bn)	Gross loans (INR bn)					Loan growth YoY (%)				
	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Domestic advances	8,211	8,498	8,824	9,050	9,303	11.8	11.9	14.7	13.6	13.3
Corporate & others	3,782	3,798	3,994	4,016	4,180	11.9	2.6	9.4	8.3	10.5
Agriculture & allied	1,382	1,421	1,456	1,466	1,541	1.3	14.3	9.3	4.5	11.5
MSME	1,247	1,302	1,324	1,387	1,440	(1.8)	4.1	6.0	6.5	15.4
Retail	1,800	1,977	2,051	2,182	2,142	35.4	41.6	40.1	40.4	19.0
- Housing	881	819	839	874	906	5.9	-2.8	12.5	3.4	2.8
- Car/vehicle	346	165	171	180	194	199.4	18.8	27.1	(25.1)	(43.8)
- Personal loan	176	182	189	199	207	56.1	48.9	46.4	39.0	17.6
- Others	397	812	851	929	835	47.7	176.6	87.6	185.8	110.3
Overseas advances	356	349	344	367	369	70.3	34.9	12.4	9.9	3.6
Total	8,568	8,847	9,168	9,417	9,673	13.4	12.7	14.6	13.4	12.9

Source: Company, Elara Securities Research

Exhibit 4: Share of retail loans in loan mix at 22.1% from 23.2% in Q2FY24

(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Domestic advances	96.2	96.0	95.8	96.1	96.2	96.1	96.2
Corporate & Others	45.6	44.7	44.1	42.9	43.6	42.6	43.2
Agriculture & Allied	16.7	16.9	16.1	16.1	15.9	15.6	15.9
MSME	15.6	15.7	14.6	14.7	14.4	14.7	14.9
Retail	18.3	18.7	21.0	22.3	22.4	23.2	22.1
- Housing	9.3	10.2	10.3	9.3	9.2	9.3	9.4
- Car/Vehicle	1.7	2.9	4.0	1.9	1.9	1.9	2.0
- Personal Loan	1.6	1.7	2.1	2.1	2.1	2.1	2.1
- Others	5.7	3.9	4.6	9.2	9.3	9.9	8.6
Overseas advances	3.8	4.0	4.2	3.9	3.8	3.9	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Elara Securities Research

Exhibit 5: Deposit growth of 9.3% YoY led by growth in term deposits

(INR bn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Deposits	11,367	11,935	12,104	12,812	12,979	13,099	13,235
% YoY	3.6	7.0	7.4	11.8	14.2	9.8	9.3
% QoQ	(0.8)	5.0	1.4	5.8	1.3	0.9	1.0
CA	693	727	646	740	668	670	686
% YoY	2.5	1.1	(9.7)	(2.0)	(3.6)	(7.8)	6.3
% QoQ	(8.2)	4.9	(11.2)	14.6	(9.7)	0.3	2.4
SA	4,473	4,517	4,519	4,640	4,640	4,712	4,789
% YoY	6.6	5.8	4.0	11.2	3.7	4.3	6.0
% QoQ	7.2	1.0	0.1	2.7	0.0	1.6	1.6
Overseas Deposits	220	256	290	295	309	327	342
% YoY	17.8	48.5	53.0	28.1	40.2	27.7	18.0
% QoQ	(4.2)	16.3	13.1	1.6	4.9	5.9	4.5
CASA Ratio	45.4	43.9	42.7	42.0	40.9	41.1	41.4

Source: Company, Elara Securities Research

Exhibit 6: Margin improve 4bps QoQ to 3.15%

(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Cost of deposits	3.8	3.9	4.2	4.5	4.7	4.9	5.0
Cost of funds	3.4	3.4	3.7	4.0	4.2	4.3	4.4
Yield on advances	6.5	6.9	7.2	8.0	8.1	8.2	8.5
Yield on funds	5.7	5.8	6.2	6.6	6.7	6.9	7.1
NIM - Domestic	2.9	3.1	3.3	3.4	3.2	3.2	3.3
NIM - Global	2.8	3.0	3.2	3.2	3.1	3.1	3.2

Source: Company, Elara Securities Research

Exhibit 7: Lending rate-wise loan book – Fixed rate book decreased to 9.6%

(%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Base rate	5.1	3.9	3.5	3.3	3.2	2.8	2.6
Fixed rate	7.9	7.6	7.4	7.2	7.2	9.9	9.6
BPLR	0.1	0.1	0.1	0.0	0.0	0.0	0.0
MCLR	39.1	38.2	36.1	35.9	37.1	36.7	35.6
RLLR	20.8	23.7	24.3	26.4	27.2	27.7	28.5
Foreign Currency & Others	27.0	26.5	28.6	27.2	25.3	23.0	23.7

Source: Company, Elara Securities Research

Exhibit 8: With decline in slippages, GNPA declined to 6.24% from 6.96% last quarter

(INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Opening GNPA	924,483	901,673	870,353	835,833	773,283	709,003	655,633
NPA additions	64,680	59,790	40,720	39,960	23,900	18,260	17,930
Reductions	87,490	91,110	75,240	102,510	88,180	71,630	69,830
- Cash recoveries	26,810	39,890	18,200	25,750	19,230	21,790	18,280
- Upgradation	26,070	25,080	13,280	15,820	16,720	13,190	12,170
- Write-off	34,610	26,140	43,760	60,940	52,230	36,650	39,380
Closing GNPA	901,673	870,353	835,833	773,283	709,003	655,633	603,733
GNPL (%)	11.27	10.48	9.76	8.74	7.73	6.96	6.24
NNPL (%)	4.28	3.80	3.30	2.72	1.98	1.47	0.96
PCR (%)	83.04	83.96	85.17	86.90	89.83	91.91	94.28
Credit cost (%) - calculated	2.6	1.9	2.0	1.8	2.1	1.4	1.3

Source: Company, Elara Securities Research

Exhibit 9: Fresh slippages come off sharply in MSME, while increase in retail

Fresh Slippages - (INR bn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Retail	23.2	27.9	11.7	12.5	3.6	4.2	4.4
Agri	8.2	6.2	6.5	6.6	6.0	4.2	4.3
MSME	17.4	16.0	15.0	13.4	8.8	6.8	7.1
Corporate and others	10.2	3.0	7.4	7.5	4.8	4.2	2.1
Total fresh slippages	58.9	53.0	40.7	40.0	23.2	19.5	17.9
Slippage ratio (as % of lagged loans)							
Retail	7.0	8.4	3.5	3.6	1.0	1.1	1.0
Agri	2.6	1.9	1.9	2.1	1.8	1.2	1.3
MSME	5.7	5.1	4.7	4.3	2.8	2.1	2.3
Corporate and others	1.2	0.3	0.8	0.8	0.5	0.4	0.2
Total fresh slippages (%)	3.2	2.9	2.2	2.0	1.2	0.9	0.8

Source: Company, Elara Securities Research

Exhibit 10: Segment-wise GNPA – GNPA's improve across all segments

GNPLs - in %	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Retail	4.4	3.9	3.4	3.0	2.9	2.5	2.5
Agriculture & Allied	19.5	19.3	19.3	18.3	17.1	16.3	15.1
MSME	21.0	19.4	20.0	18.9	17.8	16.3	15.4
Corporate & Others	8.2	7.3	6.4	5.0	3.8	3.0	1.9
Domestic advances	11.5	10.7	10.0	8.9	7.9	7.1	6.3
Overseas	5.6	5.3	4.8	4.8	4.7	4.6	4.4
Global NPA	11.3	10.5	9.8	8.7	7.7	7.0	6.2

Source: Company, Elara Securities Research

Exhibit 11: Outstanding stressed book declined from 8.2% last quarter to 7.4%

(INR bn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
GNPLs	902	870	836	773	709	656	604
One time restructured book	147	139	123	109	106	101	97
SMA 2 (above INR 50mn)	20	21	17	1	17	14	13
Total stress book	1,069	1,030	976	883	832	771	714
Stress book (%) of loans	13.4	12.4	11.4	10.0	9.1	8.2	7.4

Source: Company, Elara Securities Research

Exhibit 12: Q3FY24 results

(INR mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Interest income	272,878	201,540	35.4	251,455	8.5
Interest expenses	169,950	118,833	43.0	156,412	8.7
Net interest income	102,928	82,707	24.4	95,043	8.3
Other income	26,738	28,472	(6.1)	34,338	(22.1)
Operating expenses	66,359	55,507	19.6	69,701	(4.8)
Staff expense	41,692	32,325	29.0	44,870	(7.1)
Other opex	24,667	23,182	6.4	24,831	(0.7)
Pre prov op profit (PPP)	63,307	55,672	13.7	59,680	6.1
Provisions	27,391	49,064	(44.2)	39,653	(30.9)
Profit before tax	35,916	6,608	443.5	20,027	79.3
Provision for tax	13,688	2,496	448.5	7,473	83.2
Profit after tax	22,228	4,113	440.5	12,554	77.1
EPS (INR)	2.0	0.4		1.1	
Ratios					
NII / GII	37.7	41.0		37.8	
Cost - income	51.2	49.9		53.9	
Provisions / PPOP	43.3	88.1		66.4	
Tax rate	38.1	37.8		37.3	
Balance sheet data					
Advances (INR bn)	9,164	7,734	18.5	8,637	6.1
Deposits (INR bn)	13,235	11,935	10.9	12,979	2.0
CD ratio (%)	69.2	64.8		66.5	
Asset quality					
Gross NPA	603,714	870,348	(30.6)	708,993	(14.8)
Gross NPAs (%)	6.2	10.5	(40.5)	7.7	(19.3)
Net NPA	88,159	293,482	(70.0)	171,295	(48.5)
Net NPA(%)	1.0	3.8	(284)bps	2.0	(102)bps
Provision coverage (%)	85.4	66.3	1912bps	75.8	956bps

Source: Company, Elara Securities Research

Exhibit 14: Change in estimates

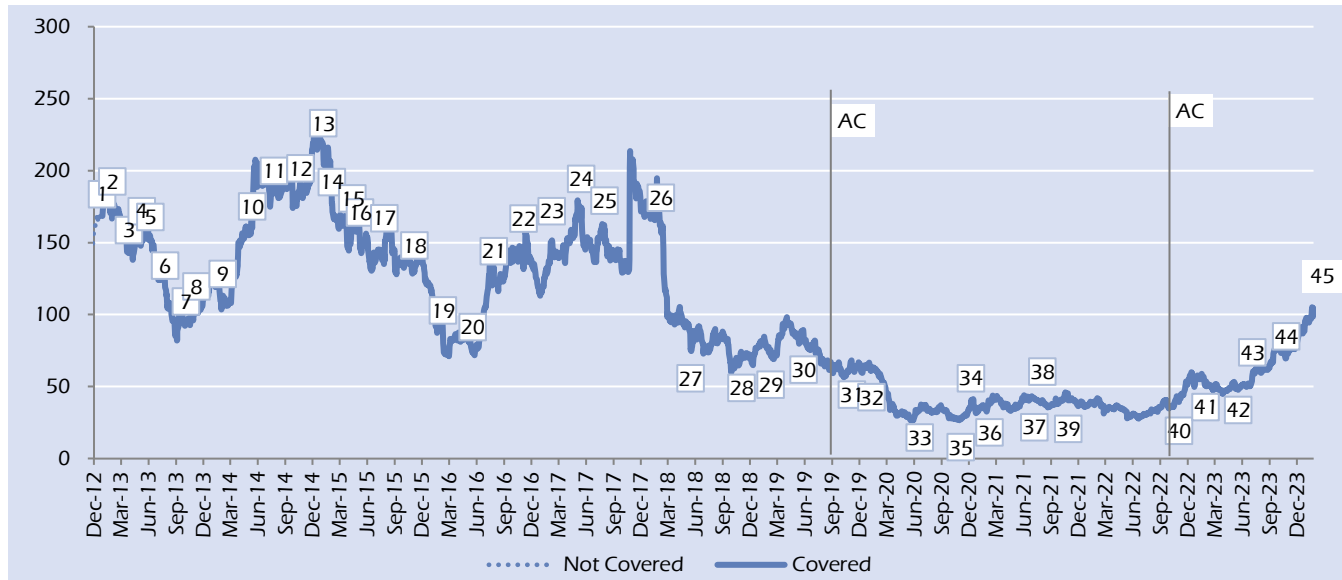
(INR mn)	Revised		Old		% Change		New
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	
Net interest income	394,395	432,560	383,252	423,299	2.9	2.2	475,336
Operating profit	237,963	267,866	244,821	268,705	(2.8)	(0.3)	298,677
Net profit	71,236	96,286	70,488	94,123	1.1	2.3	111,640
Target price (INR)		80		60		33.3	

Source: Elara Securities Estimate

Abbreviations

Abbreviation	Explanation
ABV	Adjusted book value per share
BVPS	Book value per share
CASA Ratio	Current and savings account ratio
ECLGs	Emergency Credit Line Guarantee Scheme
EPS	Earnings per share
GNPL	Gross non-performing loans
MSME	Micro, Small and Medium Enterprises
NII	Net interest income
NIM	Net interest margin
NNPL	Net non-performing loans
PPoP	Pre-provision operating profit
RAM	Retail, Agriculture, MSME
RoA	Return on Assets
RoE	Return on Equity
SMA	Special Mention Accounts
SME	Small and medium-sized enterprises

Coverage History



AC=Analyst change

	Date	Rating	Target Price	Closing Price
32	10-Jan-2020	Accumulate	INR71	INR62
33	19-Jun-2020	Sell	INR 31	INR 35
34	3-Nov-2020	Sell	INR 25	INR 28
35	30-Dec-2020	Sell	INR 23	INR 33
36	8-Feb-2021	Sell	INR 32	INR 38
37	7-June-2021	Sell	INR 38	INR 42
38	3-Aug-2021	Sell	INR 35	INR 40
39	28-Oct-2021	Sell	INR 38	INR 41
40	2-Nov-2022	Sell	INR 35	INR 39
41	30-Jan-2023	Sell	INR 45	INR 51
42	19-May-2023	Sell	INR 47	INR 49
43	5-Jul-2023	Sell	INR 53	INR 59
44	26-Oct-2023	Sell	INR 60	INR 70
45	25-Jan-2024	Sell	INR 80	INR 105

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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