MOTILAL OSWAL
FINANCIAL SERVICES

24 October 2024
2QFY25 Results Update | Sector: Financials

IndusInd Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	IIB IN
Equity Shares (m)	779
M.Cap.(INRb)/(USDb)	997.2 / 11.9
52-Week Range (INR)	1695 / 1258
1, 6, 12 Rel. Per (%)	-6/-22/-37
12M Avg Val (INR M)	5652

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	206.2	219.5	260.1
OP	158.6	155.4	189.2
NP	89.8	73.8	99.8
NIM (%)	4.2	4.0	4.2
EPS (INR)	115.5	94.9	128.2
EPS Gr. (%)	20.3	-17.9	35.1
BV/Sh. (INR)	810	889	1,000
ABV/Sh. (INR)	792	867	975
Ratios			
RoA (%)	1.8	1.4	1.6
RoE (%)	15.3	11.2	13.6
Valuations			
P/E (X)	11.1	13.5	10.0
P/BV (X)	1.6	1.4	1.3
P/ABV (X)	1.6	1.5	1.3

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	15.1	15.1	15.1
DII	32.4	27.8	26.3
FII	39.2	43.2	46.3
Others	13.3	13.9	12.3

FII includes depository receipts

CMP: INR1,280 TP: INR1,500 (+17%) Buy

Weak quarter; steering through near-term challenges

Other income muted; asset quality remains under watch

- IndusInd Bank (IIB)'s PAT declined 40% YoY/ 39% QoQ at ~INR13.3b (17% miss adjusted for contingent provision of INR5.25b).
- NII grew 5% YoY to INR53.5b (in-line), while other income declined 10.5% QoQ to INR21.85b (14% miss). NIM contracted sharply by 17bp QoQ to 4.08%.
- Loan book grew 13% YoY (2.7% QoQ), led by corporate and commercial books. Deposits grew 15% YoY (3.5% QoQ), led by faster growth in term deposits. Growth of MFIs declined sharply by 12% QoQ.
- Fresh slippages increased 17% QoQ to INR17.9b, primarily due to a rise in slippages in the consumer finance book to INR16.8b. GNPA/NNPA ratios increased 9bp/4bp QoQ to 2.11%/0.64%. IIB holds a total contingency buffer of INR15.25b as of Sep'24.
- We cut our earnings estimates by 16.7%/8.7% for FY25/26, leading to an RoA/RoE of 1.6%/13.6% by FY26. **Reiterate BUY with a TP of INR1,500 (premised on 1.5x FY26E ABV).** Progression on asset quality (MFI business) and RBI's approval for a fresh term for the MD and CEO remain key near-term events to monitor.

NIM contracts sharply to 4.08%; MFI mix declines 149bp to 9.2% of loans

- IIB reported 2QFY25 PAT of ~INR13.3b amid the higher-than-expected provisions as the bank made a contingency provision of INR5.25b in 2Q.
- 1HFY25 PAT stood at INR35b (down 19% YoY), while 2HFY25 PAT is expected to be at INR38.8b (down 17% YoY).
- NII grew 5% YoY (down 1% QoQ) to INR53.5b (in-line). Other income declined 4.2% YoY (14% miss) amid the decline in the core fee income, while treasury income stood at INR1.62b (vs. INR930m in 1QFY25). The total revenue increased 2.4% YoY to INR75.3b. NIM contracted sharply by 17bp QoQ to 4.08% as the bank experienced slow growth in its high-yielding business.
- Opex grew 14% YoY to INR39b (in-line). C/I ratio increased sharply by 255bp QoQ to 52.2%. PPoP declined 8% YoY to ~INR35.9b (10% miss).
- On the business front, loans grew 13% YoY (2.7% QoQ) amid the pickup in corporate book (7% QoQ growth). In the consumer business, MFI book witnessed a decline of 12% QoQ, cards experienced a modest growth, while VF book also experienced a slower growth.
- Deposits grew 15% YoY (3.5% QoQ), led by healthy growth in term deposits. CASA ratio moderated 80bp QoQ to 35.9%. Retail deposit mix as per LCR stood at 44%. CD ratio stood at 86.6% in 2QFY25, down 69bp QoQ.
- Fresh slippages increased 17.1% QoQ to INR17.98b, primarily due to a rise in slippages in the consumer finance book to INR16.8b. GNPA/NNPA ratios increased 9bp/4bp QoQ to 2.11%/0.64%. The bank created an extra contingent provision of INR5.25b and holds INR15.25b of contingency buffer as of Sep'24. The restructured book declined 5bp QoQ to 0.3%.

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)
Research Analyst: Dixit Sankharva (Dixit.sankharva@motilaloswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

Highlights from the management commentary

- **Gross Slippage Breakup**: VF stood at INR6.92b, MFI at INR3.98b, Corporate at INR1.18b, and Other Retail at INR5.9b
- The bank is cautiously optimistic about the loan growth and its own portfolio and will accelerate growth as the credit environment improves.
- Movement in NIMs will depend on the high-yielding and unsecured part of the book. On the other hand, deposits grew at a faster rate and, hence, led to a reduction in the CD ratio.

Valuation and view

IIB reported a weak quarter, characterized by higher provisions (amid the creation of a contingency buffer of INR5.25b), lower other income, and slower growth in higher-yielding loan growth. However, deposit growth was healthy, led by term deposits. NIM contracted sharply amid the rising cost and slower growth in higher-yielding assets. Asset quality ratios deteriorated marginally as fresh slippages continued to be elevated, primarily from the consumer finance book. IIB had previously guided for loan growth of 18-22% for FY25. However, with the bank's cautious view on unsecured growth, we estimate loan growth at 13%. The bank has indicated a credit cost of 110-130bp over 2HFY25, though it does not plan to use its contingent provision (INR15b). While the MF and Card businesses may continue to report some stress in the near term, overall slippages are likely to remain in control and help maintain broadly stable asset quality. We cut our earnings estimates by 16.7%/8.7% for FY25/26, leading to an RoA/RoE of 1.6%/13.6% by FY26. **Reiterate BUY with a TP of INR1,500 (premised on 1.5x FY26E ABV). Progression on asset quality (MFI business) and RBI approval for a fresh term to MD & CEO remain key near-term events to watch for.**

Quarterly performance **(INR b)**

	FY24				FY25E				FY24	FY25E	FY25E	V/S our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			2QE	Est
Net Interest Income	**48.7**	**50.8**	**53.0**	**53.8**	**54.1**	**53.5**	**54.8**	**57.2**	**206.2**	**219.5**	**54.5**	**-2%**
% Change (YoY)	18.0	18.0	17.8	15.1	11.1	5.3	3.5	6.3	17.2	6.5	7.4	
Other Income	22.1	22.8	24.0	25.1	24.4	21.8	24.6	25.9	94.0	96.8	25.3	-14%
Total Income	**70.8**	**73.6**	**76.9**	**78.8**	**78.5**	**75.3**	**79.4**	**83.1**	**300.1**	**316.3**	**79.9**	**-6%**
Operating Expenses	32.5	34.5	36.5	38.0	39.0	39.3	40.7	41.9	141.5	160.9	39.7	-1%
Operating Profit	**38.3**	**39.1**	**40.4**	**40.8**	**39.5**	**36.0**	**38.7**	**41.2**	**158.6**	**155.4**	**40.1**	**-10%**
% Change (YoY)	11.7	10.3	9.7	8.6	3.1	-7.9	-4.3	0.9	10.0	-2.0	2.7	
Provisions	9.9	9.7	9.7	9.5	10.5	18.2	14.9	13.2	38.8	56.8	12.5	45%
Profit before Tax	**28.4**	**29.3**	**30.7**	**31.3**	**29.0**	**17.8**	**23.7**	**28.0**	**119.8**	**98.6**	**27.6**	**-36%**
Tax	7.2	7.3	7.7	7.8	7.3	4.5	6.0	7.0	30.0	24.7	7.0	-36%
Net Profit	**21.2**	**22.0**	**23.0**	**23.5**	**21.7**	**13.3**	**17.8**	**21.1**	**89.8**	**73.8**	**20.7**	**-36%**
% Change (YoY)	30.3	22.0	17.2	15.0	2.2	-39.5	-22.8	-10.3	20.6	-17.7	-6.2	
Operating Parameters												
Deposit (INR b)	3,470	3,595	3,688	3,846	3,985	4,124	4,250	4,407	3,846	4,407	4,127	
Loan (INR b)	3,013	3,155	3,271	3,433	3,479	3,572	3,695	3,869	3,433	3,869	3,570	
Deposit Growth (%)	14.5	13.9	13.4	14.4	14.8	14.7	15.2	14.6	14.4	14.6	14.8	
Loan Growth (%)	21.5	21.3	19.9	18.4	15.5	13.2	13.0	12.7	18.4	12.7	13.2	
Asset Quality												
Gross NPA (%)	1.9	1.9	1.9	1.9	2.0	2.1	2.2	2.2	1.9	2.2	2.1	
Net NPA (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
PCR (%)	70.6	70.6	70.6	70.6	70.6	70.1	70.5	71.0	69.5	71.0	70.8	

Quarterly snapshot

INR b	FY24				FY25		Variation (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Net Interest Income	**48.7**	**50.8**	**53.0**	**53.8**	**54.1**	**53.5**	**5**	**-1**
Other Income	22.1	22.8	24.0	25.1	24.4	21.8	-4	-11
Trading profits	0.9	1.6	2.3	2.2	0.9	1.6	0	74
Total Income	**70.8**	**73.6**	**76.9**	**78.8**	**78.5**	**75.3**	**2**	**-4**
Operating Expenses	32.5	34.5	36.5	38.0	39.0	39.3	14	1
Employee	12.4	13.4	13.9	14.1	14.4	15.0	12	5
Others	20.1	21.1	22.6	23.9	24.6	24.3	15	-1
Operating Profits	**38.3**	**39.1**	**40.4**	**40.8**	**39.5**	**36.0**	**-8**	**-9**
Core PPoP	**37.4**	**37.5**	**38.1**	**38.7**	**38.6**	**34.4**	**-8**	**-11**
Provisions	9.9	9.7	9.7	9.5	10.5	18.2	87	73
PBT	**28.4**	**29.3**	**30.7**	**31.3**	**29.0**	**17.8**	**-39**	**-39**
Taxes	7.2	7.3	7.7	7.8	7.3	4.5	-39	-39
PAT	**21.2**	**22.0**	**23.0**	**23.5**	**21.7**	**13.3**	**-40**	**-39**
Balance Sheet (INR b)								
Loans	3,013	3,155	3,271	3,433	3,479	3,572	13	3
- CCBG Advances	1,394	1,432	1,466	1,521	1,566	1,679	17	7
- CFD Advances	1,619	1,723	1,805	1,912	1,913	1,893	10	-1
Deposits	3,470	3,595	3,688	3,846	3,985	4,124	15	3
CASA Deposits	1,384	1,414	1,419	1,457	1,461	1,479	5	1
- Savings	891	915	919	987	977	953	4	-2
- Current	493	499	500	470	485	526	5	9
Loan mix (%)								
Consumer	53.7	54.6	55.2	55.7	54.8	45.8	-881	-899
- of which Vehicle	26.0	26.0	26.3	25.7	25.8	17.7	-832	-813
- of which Unsecured	8.9	9.6	9.9	10.5	10.3	10.9	125	54
- of which MFI	10.6	10.9	10.9	11.4	10.6	9.2	-173	-149
- others	8.2	8.1	8.1	8.0	8.0	8.1	-1	9
Corporate & Commercial	46.3	45.4	44.8	44.3	45.2	46.5	113	130
Asset Quality (INR b)								
GNPA	59.41	61.64	63.77	66.93	71.27	76.39	24	7
NNPA	17.47	18.14	18.75	19.69	20.95	22.82	26	9
Slippages	0.4	2.1	3.1	1.6	0.5	1.2	-62	201
Asset Quality Ratios (%)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**YoY (bp)**	**QoQ (bp)**
GNPA	1.9	1.9	1.9	1.9	2.0	2.1	18	9
NNPA	0.6	0.6	0.6	0.6	0.6	0.6	7	4
PCR (Cal.)	70.6	70.6	70.6	70.6	70.6	70.1	-45	-47
Slippage	2.0	2.0	2.4	1.8	1.9	2.1	10	25
Business Ratios (%)								
CASA	39.9	39.4	38.5	37.9	36.7	35.9	-353	-80
Loan/Deposit	86.8	87.7	88.7	89.3	87.3	86.6	-113	-69
Other income/Total Income	31.2	31.0	31.2	31.8	31.1	29.0	-200	-210
Cost to Income	45.9	46.9	47.4	48.2	49.7	52.2	533	255
Cost to Assets	3.0	3.1	3.1	3.1	3.1	3.1	3	-5
Tax Rate	25.2	25.0	25.1	25.0	25.2	25.2	23	0
Capitalisation Ratios (%)								
CAR	18.4	18.2	17.7	17.2	17.6	16.5	*-170*	*-104*
Tier 1	16.6	16.8	16.1	15.8	16.2	15.2	-154	-94
- CET 1	16.4	16.3	16.1	15.8	16.2	15.2	-112	-94
RWA / Total Assets	71.6	73.3	75.8	74.5	73.3	77.4	407	404
LCR	132.0	117.0	122.1	118.0	122.0	118.0	100	-400
Profitability Ratios (%)								
Yield on loans	12.2	12.3	12.5	12.7	12.6	12.3	1	-26
Yield on funds	9.6	9.7	9.8	9.9	9.9	9.7	0	-18
Cost of deposits	6.1	6.4	6.4	6.5	6.5	6.6	20	2
Cost of funds	5.3	5.4	5.5	5.6	5.6	5.6	21	-1
Margins	4.29	4.29	4.29	4.26	4.25	4.08	-21	-17
Other Details								
Branches	2,606	2,631	2,728	2,984	3,013	3,040	409	2,700
ATMs	2,875	2,903	2,939	2,956	2,988	3,011	108	2,300

Highlights from the management commentary

Opening remarks

- Economic activity was stable in 2Q and demand remained resilient. Govt spending and Capex are experiencing a revival.
- The bank witnessed healthy retail mobilization with 4% QoQ and 16% YoY growth. The share of retail deposits remained healthy.
- Loan growth stood at 13% YoY. The bank is watchful in terms of the MFI business and has significantly reduced this growth.
- Net slippages increased INR2.2b due to the MFI business. GNPA was at 2.11%. Restructured book reduced to 0.29%.
- The bank witnessed healthy growth in retail but slower growth in advances. As a result, NIMs contracted to 4.08% in 2Q.
- The bank marked a prudent provision of INR5.25b to fortify the balance sheet.
- It is expected to witness RoA following the regrowth of the MFI book.

Loans related

- The bank will prioritize growth in secured loans and expects 2H to witness a pickup in deposits growth.
- The MFI business witnessed a run-down of 11% in 2Q. 1Q stood at INR85b and 2Q at INR70.5b vs the average run-rate of INR120-130b. The bank experienced repayment of INR90b to 100b.
- The bank witnessed INR730m of write-offs in 2Q.
- It is cautiously optimistic about the loan growth and its own portfolio. It will disburse loans at a faster rate after witnessing a fast improvement in the environment.
- 2H is expected to be better for VF. Though the market is slightly slower on the VF front, the bank does not plan to foray into the used VF business.
- The bank is comfortable with 16-18% growth.
- It is not targeting for 18-23% loan growth; much of the growth outlook will depend on the environment.
- 3Q and 4Q are expected to be better for the MFI business. However, considering stresses in Bihar, Maharashtra, Orrisa, the bank may have to closely monitor the business.
- OEM growth has witnessed a reduction to 2 to 3% and Tier 3-5 markets are witnessing a resurgence in demand. Hence, the bank expects re-growth in the VF business.

Margins, yields, costs, and return ratios

- The cost of deposits increased 2bp QoQ, while yields declined due to slower growth in MFI and other higher yields generating businesses.
- NIMs were hurt due to lower contribution from the MFI business.
- Movement in NIMs will depend on the high-yielding and unsecured part of the book. On the other side, deposits have grown at a faster rate and, hence, affected LDR.

Asset Quality

- The bank remains focused on overall collections.

- **Gross Slippage Breakup**: VF stood at INR6.92b, MFI at INR3.98b, Corporate at INR1.18b, and Other Retail at INR5.9b
- GNPA was at 2.11% and PCR was stable at 70% in 2Q. SMA1 and 2 stood at 33bp.
- Loan provisions were 2.2% of the overall loans. The bank has created a contingent provision of INR5.25b amid the uncertain environment.
- 1H credit cost was at 131bp vs. the guidance of 110-130bp. The bank does not expect 2H credit cost to exceed the guided range of 110-130bp.
- The bank has created a continent provision; however, it does not aim to utilize it. Given the build-up of stress, the bank has fortified the balance sheet with the creation of a contingent buffer.
- 30dpd-90dpd was 4% in MFI vs. 2% in 1QFY25. The bank expects X+ resolution to get better and witness resolution in the X+ bucket and be back at 1% in 3Q and 4Q.
- The contingent provisions are a one-off and are not expected to continue building up.
- Cards will not witness an uptick in delinquencies as well as in MFI. Gross loans are at 3.5-4%. Credit costs are likely to be maintained at the same level.
- Provisioning Policy: The bank has 180-210 days of write-off policy.
- Every MFI business will have 7-15% recovery rate. Early MFI will have a 15% recovery, while the 1 year will have a recovery of 3-7%.
- Credit costs in the Consumer and VF businesses are expected to provide relief for the MFI business and balance the credit cost.
- The bank has restricted the Bihar book to 7% of the overall book. The strength of MFI is very much present. Clients that are exclusive to the bank account for 44%, one lender accounts for 20%, and two lenders account for 20%.
- The bank expects the MFI business to witness stability in the MFI business.
- Construction Equipment expects two customers to experience recovery, while Tractor and Two-wheelers continue to experience stress.

Key notes from business segments

Retail

- MSME under BB grew 14%/ 5% QoQ. New business witnessed 35% QoQ growth. HL is witnessing strong growth momentum.
- Share of unsecured cards and PL continues to remain lower.

MFI business

- MFI business declined 9% QoQ and the bank is prioritizing collections.
- Disbursements were led by the acquisition of new customers and average loan is at 36,685 per ticket size.
- The bank remains cautious in the MFI business due to increasing stress.
- MFI business is likely to see a revival from the rural recovery. Bank believes in the long term potential of the MFI business.

Vehicle segment

- The company maintains majority market share in the VF business. Meanwhile, the market share was lower in Two-wheelers due to consolidation.

- Restructured book reduced to INR3.1b with majority of reduction due to upgrades and recoveries.
- 1H is weaker due to asset quality issues. The bank expects this to improve in 2H.

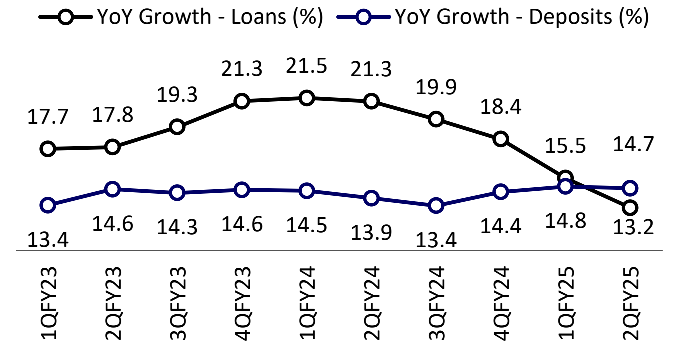
Corporate
- Large corporates grew 14%, while mid and small corporates grew 18% YoY.
- Asset quality in diamonds remains robust and there have been no downgrades in the business.
- Gross slippages remain lower at INR1.18b.

Deposits
- Deposits grew 15% YoY and 3% QoQ. The share of retail deposits increased 44.1%.
- The cost of deposits increased due to a higher TD contribution.
- The bank experienced healthy growth in the NRI business.
- Reliance on bulk deposits remains fairly lower.
- LCR stood at 118% and the bank is progressing well in terms of overall deposits growth.

Miscellaneous
- Risk weights have increased from 75% to 125%.

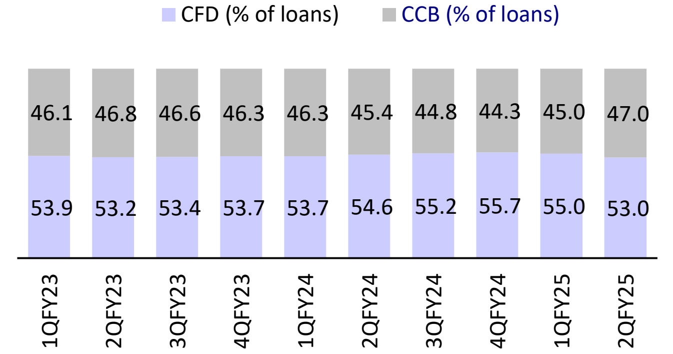
Story in charts

Exhibit 1: Loans/deposits grew 13.2%/14.7% YoY



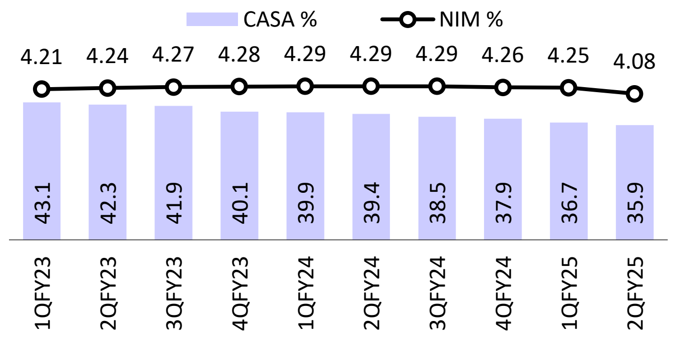
Source: MOFSL, Company

Exhibit 2: CFD mix stood at 53%, while CCB stood at 47%



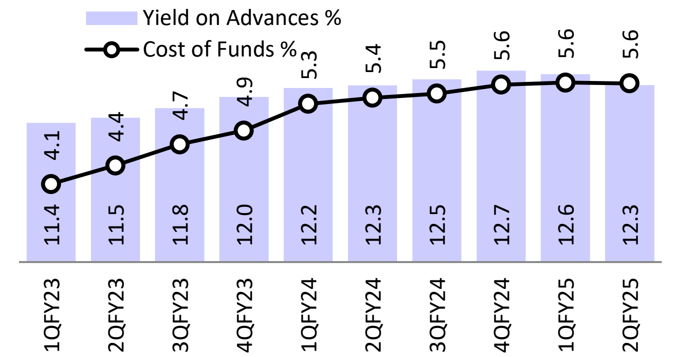
Source: MOFSL, Company

Exhibit 3: NIM contracted 4.08%; CASA ratio declined to 35.9%



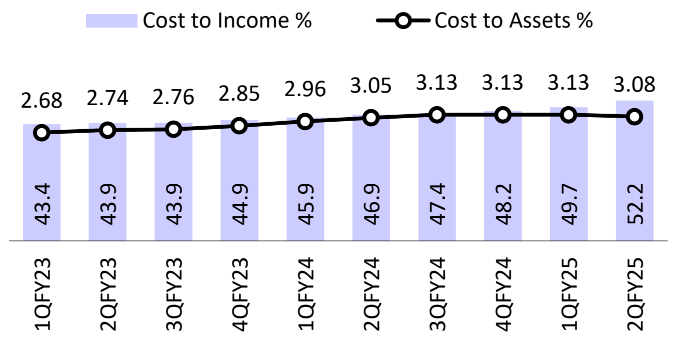
Source: MOFSL, Company

Exhibit 4: YoA moderated to 12.3%; CoF stable at 5.6%



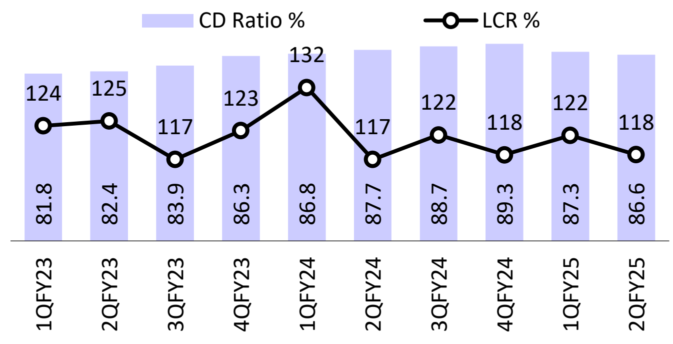
Source: MOFSL, Company

Exhibit 5: C/I ratio increased to 52.2%; C/A stood at 3.08%



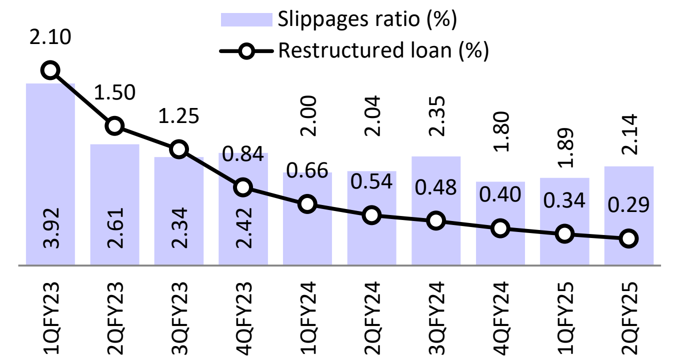
Source: MOFSL, Company

Exhibit 6: CD ratio at 86.6%; LCR ratio declined to 118%



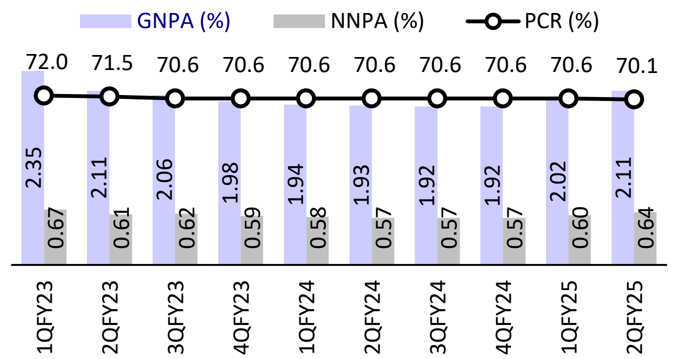
Source: MOFSL, Company

Exhibit 7: Restructured book moderated 5bp QoQ



Source: MOFSL, Company

Exhibit 8: GNPA/NNPA ratios increased to 2.11%/0.64%



Source: MOFSL, Company

Valuation and view: Maintain BUY with TP of INR1,500

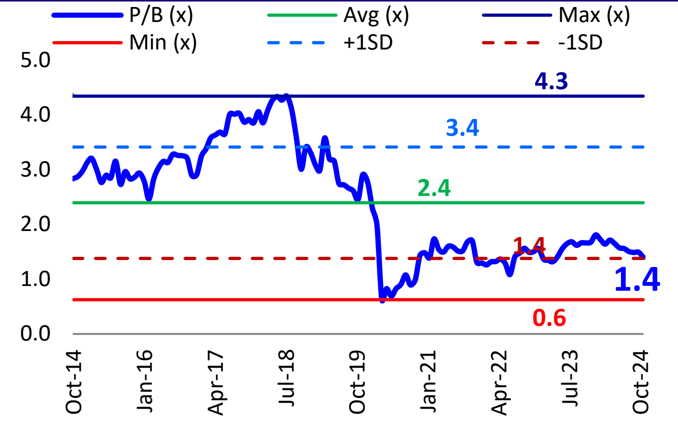
- IIB reported a weak quarter, characterized by higher provisions (amid the creation of a contingency buffer of INR5.25b), lower other income, and slower growth in higher yielding loan growth. However, deposit growth was healthy, led by term deposits. NIM contracted sharply amid the rising cost and slower growth in higher yielding assets.
- The asset quality ratios deteriorated marginally as fresh slippages continued to be elevated, primarily from the consumer finance book. IIB had previously guided for a loan growth of 18-22% for FY25. However, with the bank's cautious view of unsecured growth, we estimate the loan growth to be at 13%.
- The bank indicated a credit cost of 110-130bp over 2HFY25; it does not plan to use contingent provisions (INR15b). While the MF and Card businesses may continue to report some stress in the near term, the overall slippages are likely to remain under control and help maintain broadly stable asset quality.
- We cut our earnings estimates by 16.7%/8.7% for FY25/26, leading to an RoA/RoE of 1.6%/13.6% by FY26. **Reiterate BUY with a TP of INR1,500 (premised on 1.5x FY26E ABV). Progression on asset quality (MFI business) and RBI approval for a fresh term to MD & CEO remain key near-term events to watch for.**

Exhibit 9: Changes in our earnings estimate

INRb	Old Estimates		New Estimates		Change (%/bps)	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	222.5	262.7	219.5	260.1	(1.4)	(1.0)
Other Income	104.7	120.4	96.8	112.3	(7.5)	(6.7)
Total Income	**327.2**	**383.1**	**316.3**	**372.4**	**(3.3)**	**(2.8)**
Operating Expenses	161.7	185.4	160.9	183.2	(0.5)	(1.2)
Operating Profits	**165.5**	**197.6**	**155.4**	**189.2**	**(6.1)**	**(4.3)**
Provisions	47.1	51.8	56.8	56.0	20.5	8.2
PBT	**118.3**	**145.9**	**98.6**	**133.2**	**(16.7)**	**(8.7)**
Tax	29.7	36.6	24.7	33.4	(16.7)	(8.7)
PAT	**88.6**	**109.3**	**73.8**	**99.8**	**(16.7)**	**(8.7)**
Loans	3,968.5	4,631.3	3,869.0	4,526.7	(2.5)	(2.3)
Deposits	4,445.8	5,166.0	4,407.4	5,121.3	(0.9)	(0.9)
Margins (%)	4.0	4.1	4.0	4.2	(1.1)	4.6
Credit Cost (%)	1.2	1.2	1.5	1.3	29.0	13.0
RoA (%)	**1.6**	**1.7**	**1.4**	**1.6**	**(25.3)**	**(11.6)**
RoE (%)	**13.3**	**14.5**	**11.2**	**13.6**	**(209.4)**	**(90.7)**
BV	907.7	1,031.1	888.7	999.9	(2.1)	(3.0)
ABV	887.0	1,007.4	866.6	974.9	(2.3)	(3.2)
EPS	113.9	140.4	94.9	128.2	(16.7)	(8.7)

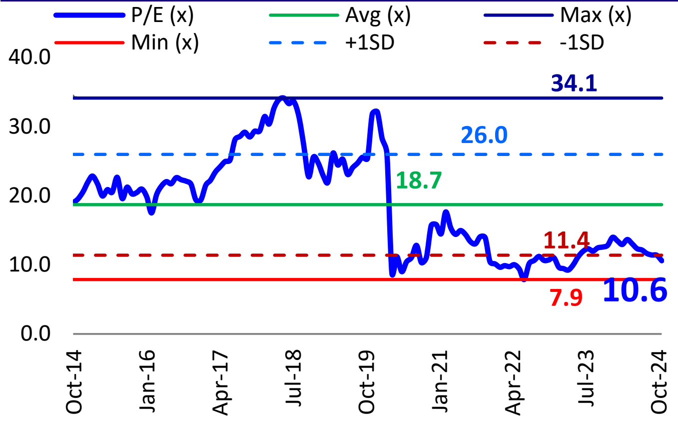
Source: MOFSL, Company

Exhibit 10: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 11: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 12: DuPont Analysis – Return ratios to witness a steady pickup

Y/E March (%)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	8.46	9.40	9.40	9.38	9.34
Interest Expense	4.37	5.17	5.38	5.20	5.05
Net Interest Income	**4.09**	**4.24**	**4.02**	**4.18**	**4.29**
Core Fee Income	1.89	1.85	1.68	1.72	1.73
Trading and Others	0.02	0.08	0.09	0.09	0.09
Non-Interest Income	**1.90**	**1.93**	**1.77**	**1.80**	**1.82**
Total Income	**5.99**	**6.17**	**5.79**	**5.98**	**6.11**
Operating Expenses	**2.64**	**2.91**	**2.94**	**2.94**	**2.91**
- Employee Cost	0.97	1.10	1.12	1.12	1.11
- Others	1.67	1.80	1.82	1.82	1.80
Operating Profit	**3.35**	**3.26**	**2.84**	**3.04**	**3.20**
Core operating Profits	3.34	3.18	2.76	2.95	3.11
Provisions	**1.04**	**0.80**	**1.04**	**0.90**	**0.86**
NPA	0.90	0.63	1.02	0.86	0.82
Others	0.14	0.16	0.02	0.04	0.04
PBT	**2.31**	**2.46**	**1.80**	**2.14**	**2.34**
Tax	0.58	0.62	0.45	0.54	0.59
RoA	**1.73**	**1.85**	**1.35**	**1.60**	**1.76**
Leverage (x)	8.4	8.3	8.3	8.5	8.7
RoE	**14.5**	**15.3**	**11.2**	**13.6**	**15.2**

Source: MOFSL, Company

Financials and valuations

Income Statement					(INRb)
Y/E March	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Net Interest Income	**175.9**	**206.2**	**219.5**	**260.1**	**310.3**
-growth (%)	17.3	17.2	6.5	18.5	19.3
Non-interest Income	81.7	94.0	96.8	112.3	131.3
Total Income	**257.6**	**300.1**	**316.3**	**372.4**	**441.6**
-growth (%)	15.3	16.5	5.4	17.7	18.6
Operating Expenses	113.5	141.5	160.9	183.2	210.3
Pre Provision Profits	**144.2**	**158.6**	**155.4**	**189.2**	**231.3**
-growth (%)	10.6	10.0	-2.0	21.8	22.2
Core PPoP	**143.5**	**154.6**	**150.7**	**183.8**	**225.1**
-growth (%)	15.4	7.7	-2.5	22.0	22.5
Provisions	44.9	38.8	56.8	56.0	61.9
PBT	**99.3**	**119.8**	**98.6**	**133.2**	**169.5**
Tax	24.9	30.0	24.7	33.4	42.5
Tax Rate (%)	25.1	25.1	25.1	25.1	25.1
PAT	**74.4**	**89.8**	**73.8**	**99.8**	**126.9**
-growth (%)	54.9	20.6	-17.7	35.1	27.2

Balance Sheet					
Y/E March	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Equity Share Capital	7.8	7.8	7.8	7.8	7.8
Reserves & Surplus	541.8	623.3	685.5	772.1	886.1
Net Worth	**549.6**	**631.0**	**693.3**	**779.8**	**893.9**
Deposits	**3,361.2**	**3,845.9**	**4,407.4**	**5,121.3**	**6,007.3**
-growth (%)	14.6	14.4	14.6	16.2	17.3
- CASA Dep	**1,347.3**	**1,456.7**	**1,256.1**	**2,012.7**	**2,369.9**
-growth (%)	7.5	8.1	-13.8	60.2	17.7
Borrowings	490.1	476.1	456.7	515.7	584.1
Other Liabilities & Prov.	177.0	196.9	224.5	258.1	296.8
Total Liabilities	**4,578.4**	**5,150.9**	**5,781.8**	**6,675.0**	**7,782.2**
Current Assets	567.8	369.1	389.1	434.0	494.4
Investments	**830.8**	**1,064.9**	**1,213.9**	**1,402.1**	**1,618.0**
-growth (%)	17.1	28.2	14.0	15.5	15.4
Loans	**2,899.2**	**3,433.0**	**3,869.0**	**4,526.7**	**5,323.4**
-growth (%)	21.3	18.4	12.7	17.0	17.6
Fixed Assets	20.8	23.2	24.2	26.2	28.3
Other Assets	259.8	260.8	285.5	285.9	318.2
Total Assets	**4,578.4**	**5,150.9**	**5,781.8**	**6,675.0**	**7,782.2**

Asset Quality					
GNPA	58.3	66.9	84.8	98.4	114.2
NNPA	17.8	20.4	24.6	27.8	31.4
Slippage	68.9	60.3	69.4	77.2	89.6
GNPA Ratio (%)	2.0	1.9	2.2	2.1	2.1
NNPA Ratio (%)	0.6	0.6	0.6	0.6	0.6
Slippage Ratio (%)	2.61	1.91	1.9	1.8	1.8
Credit Cost (%)	1.70	1.23	1.5	1.3	1.2
PCR (Excl Technical write off) (%)	69.4	69.5	71.0	71.8	72.5

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Yield and Cost Ratios (%)					
Avg. Yield-Earning Assets	**9.0**	**10.0**	**9.9**	**9.9**	**9.8**
Avg. Yield on Loans	11.3	12.0	11.8	11.6	11.5
Avg. Yield on Investments	6.0	5.8	6.2	6.6	6.7
Avg. Cost-Int. Bear. Liab.	**5.2**	**6.1**	**6.4**	**6.2**	**6.0**
Avg. Cost of Deposits	5.0	6.0	6.2	6.0	5.7
Interest Spread	**4.0**	**4.0**	**3.8**	**3.9**	**4.1**
Net Interest Margin	**5.0**	**4.8**	**4.4**	**4.6**	**4.7**
Capitalisation Ratios (%)					
CAR	17.9	17.2	17.3	16.2	15.5
Tier I	16.4	15.8	15.6	14.7	14.1
-CET-1	15.9	15.8	15.6	14.9	14.4
Tier II	1.5	1.4	1.7	1.5	1.3
Business Ratios (%)					
Loans/Deposit Ratio	86.3	89.3	87.8	88.4	88.6
CASA Ratio	40.1	37.9	28.5	39.3	39.5
Cost/Assets	2.5	2.7	2.8	2.7	2.7
Cost/Total Income	44.0	47.1	50.9	49.2	47.6
Cost/Core Income	44.1	47.8	51.6	49.9	48.3
Int. Expense/Int.Income	51.6	54.9	57.3	55.5	54.0
Fee Income/Total Income	31.5	29.9	29.1	28.7	28.3
Non Int. Inc./Total Income	31.7	31.3	30.6	30.1	29.7
Empl. Cost/Total Expense	36.8	38.0	38.1	38.1	38.2
Efficiency Ratios (INRm)					
Employee Per Branch (in nos)	14.7	15.3	16	16	17
Staff Cost Per Employee	1.1	1.2	1	1	1
CASA Per Branch	517	488	397	595	654
Deposits Per Branch	1,290	1,289	1,393	1,513	1,659
Business Per Employee	164.0	159.5	163.4	174.7	188.3
Profit Per Employee	1.9	2.0	1.5	1.8	2.1
Profitability Ratios and Valuations					
RoA	1.7	1.8	1.4	1.6	1.8
RoE	14.5	15.3	11.2	13.6	15.2
RoRWA	2.2	2.3	1.7	2.0	2.2
Book Value (INR)	707	810	889	1,000	1,146
-growth	14.4	14.6	9.7	12.5	14.7
Price-BV (x)	**1.8**	**1.6**	**1.4**	**1.3**	**1.1**
Adjusted BV (INR)	691	792	867	975	1,118
Price-ABV (x)	**1.9**	**1.6**	**1.5**	**1.3**	**1.1**
EPS (INR)	96.0	115.5	94.9	128.2	163.1
-growth	54.7	20.3	-17.9	35.1	27.2
Price-Earnings (x)	**13.3**	**11.1**	**13.5**	**10.0**	**7.8**
Dividend Per Share (INR)	8.5	14.0	16.0	17.0	16.5
Dividend Yield	**0.7**	**1.1**	**1.3**	**1.3**	**1.3**

E: MOFSL Estimates

NOTES

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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

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.