

BUY IDFC First Bank**Sticky opex, stable margins cause earnings miss**BFSI - Banks ▶ Result Update ▶ **October 29, 2023****TARGET PRICE (Rs): 98**

IDFCB continues to report strong growth (25% YoY) and stable margins at 6.3%, led by better asset pricing, but lower other income and sticky operational cost (C/I ratio at 72%) caused a 7% miss on earnings estimate, with PAT at Rs7.5bn/RoA of 1.2%. Bank has recently raised capital via QIP (150bps on RWA) and should thus help contain funding cost, which would stabilize margins. However, checking run-away cost is paramount for sustaining higher RoA delivery. Also, amid rising stress in unsecured loans, we believe Bank needs to closely monitor any sign of stress and build sufficient specific provision/contingent buffer to limit future impact on the P&L.

Factoring-in the relatively sticky operational cost and higher LLP amid rising stress in unsecured loans, we cut FY25/26E earnings by 7/16%, but expect the bank to deliver healthy RoA/RoE at ~1.3-1.4%/11-14% over FY24-26E (accounting for the recent capital raise) vs. 0.3-1.1%/3-10% over FY21-23. We retain BUY on the stock, with revised TP of Rs98/share (Rs96 earlier), rolling forward on 1.8x Sep-25E ABV (earlier, 1.7x Jun-25E ABV).

IDFC First Bank: Financial Snapshot (Standalone)

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------|--------|---------|--------|--------|--------|
| Net profit | 1,455 | 24,371 | 33,500 | 43,724 | 54,051 |
| Loan growth (%) | 17.2 | 28.8 | 24.9 | 25.2 | 24.8 |
| NII growth (%) | 31.5 | 30.2 | 28.1 | 21.2 | 22.7 |
| NIM (%) | 5.9 | 6.3 | 6.4 | 6.4 | 6.3 |
| PPOP growth (%) | 31.4 | 50.2 | 31.6 | 35.4 | 34.5 |
| Adj. EPS (Rs) | 0.2 | 3.7 | 4.7 | 6.2 | 7.7 |
| Adj. EPS growth (%) | (70.6) | 1,473.3 | 28.9 | 30.5 | 23.6 |
| Adj. BV (INR) | 31.6 | 37.4 | 45.6 | 51.3 | 58.0 |
| Adj. BVPS growth (%) | 9.4 | 18.3 | 21.8 | 12.6 | 13.0 |
| RoA (%) | 0.1 | 1.1 | 1.3 | 1.4 | 1.4 |
| RoE (%) | 0.7 | 10.4 | 11.4 | 12.5 | 13.6 |
| P/E (x) | 367.6 | 23.4 | 18.1 | 13.9 | 11.2 |
| P/ABV (x) | 2.7 | 2.3 | 1.9 | 1.7 | 1.5 |

Source: Company, Emkay Research

Strong growth/stable margin, but opex remains elevated

IDFCB continues to report robust credit growth, at 25% YoY/4% QoQ, on the back of sustained acceleration in Retail, Rural and BB. The corporate book too has been on the up-move after the extended deceleration, thus supporting growth. Within Retail, the bank intends to boost the share of mortgages and, hence, the secured loans, in order to de-risk the portfolio; this will also improve the leverage and thus the RoE. Deposit growth was also resilient, at 39% YoY/11% QoQ. Despite the run-up in funding cost, Bank managed to report stable margins due to rising loan yields. Bank has recently raised capital via QIP (150bps on RWA) which should thus help contain funding cost, leading to stable margins. However, quelling the run-away cost (C/I ratio at an intense >70%) is paramount for sustaining higher RoA delivery.

NPA ratio continues to trend down, but Company needs to shore-up its <70% specific PCR and build some counter-cyclical buffers

IDFCB reported a slight increase in absolute GNPA of 4% QoQ, but better credit growth led to slight reduction in the GNPA ratio by 6bps QoQ to 2.1%. Specific PCR remains below 70% (at 68%), which we believe the bank needs to shore it up. Additionally, rising noise on stress build-up in unsecured loans would call for building counter-cyclical buffers, even if it hurts near-term profitability.

We retain BUY with revised TP of Rs98/share

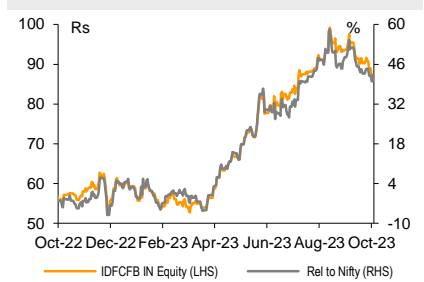
Factoring-in the relatively sticky operational cost and higher LLP amid rising stress in unsecured loans, we have cut our earnings for FY25/26E by 7/16%, but expect the bank to deliver healthy RoA/RoE at ~1.3-1.4%/11-14% over FY24-26E (building-in the recent capital raise) vs. 0.3-1.1%/3-10% over FY21-23. We retain BUY with a revised TP of Rs98/share (Rs96 earlier) rolling forward on 1.8x Sep-25E ABV (earlier 1.7x Jun-25E ABV). Key risks: Macro slowdown hurting growth/asset quality, delay in opex improvement, and KMP attrition.

| | |
|-------------------------|------------|
| Target Price – 12M | Sep-24 |
| Change in TP (%) | 2.1 |
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Upside/(Downside) (%) | 13.9 |
| CMP (27-Oct-23) (Rs) | 86.1 |

| Stock Data | Ticker |
|-----------------------------|----------|
| 52-week High (Rs) | 101 |
| 52-week Low (Rs) | 52 |
| Shares outstanding (mn) | 7,054.9 |
| Market-cap (Rs bn) | 607 |
| Market-cap (USD mn) | 7,293 |
| Net-debt, FY24E (Rs mn) | NA |
| ADTV-3M (mn shares) | 50 |
| ADTV-3M (Rs mn) | 4,523.7 |
| ADTV-3M (USD mn) | 54.3 |
| Free float (%) | 46.0 |
| Nifty-50 | 19,047 |
| INR/USD | 83.2 |
| Shareholding, Oct-23 | |
| Promoters (%) | 37.5 |
| FPIs/MFs (%) | 26.1/7.1 |

Price Performance

| (%) | 1M | 3M | 12M |
|---------------|--------|-----|------|
| Absolute | (11.8) | 4.2 | 51.5 |
| Rel. to Nifty | (8.7) | 7.6 | 41.1 |

1-Year share price trend (Rs)**Anand Dama**

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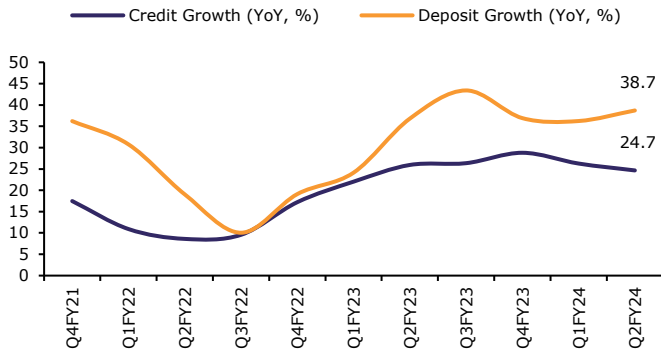
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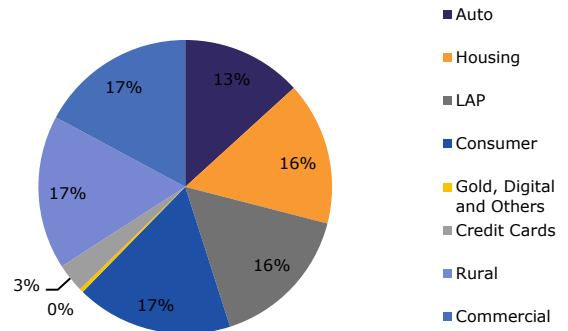
Story in Charts

Exhibit 1: Both credit and deposit growth remain robust for the quarter



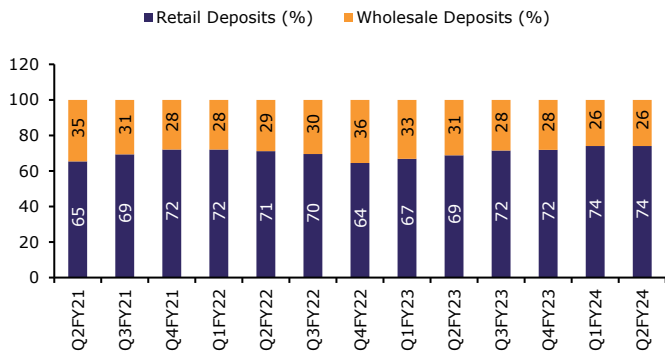
Source: Company, Emkay Research

Exhibit 2: Well diversified loan book, with retail share on the rise



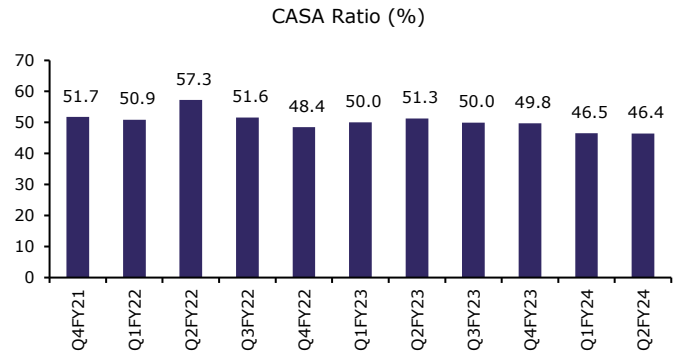
Source: Company, Emkay Research

Exhibit 3: Retail deposits continue to accelerate, improving the granularity of the book



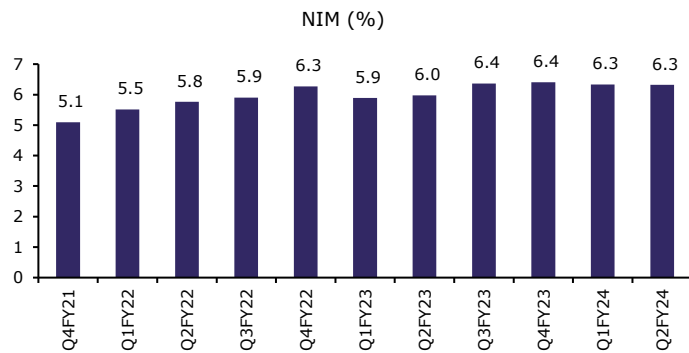
Source: Company, Emkay Research

Exhibit 4: CASA ratio remains relatively subdued



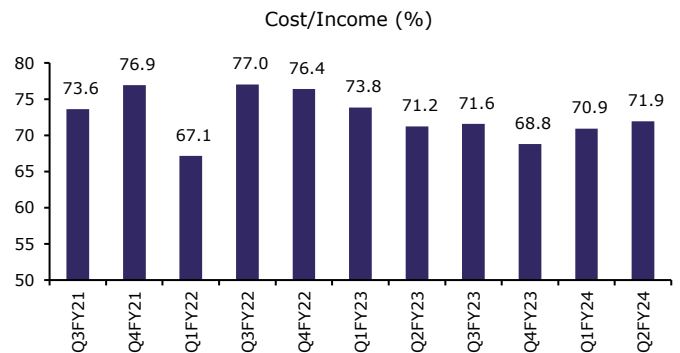
Source: Company, Emkay Research

Exhibit 5: NIMs remain stable owing to better loan yields



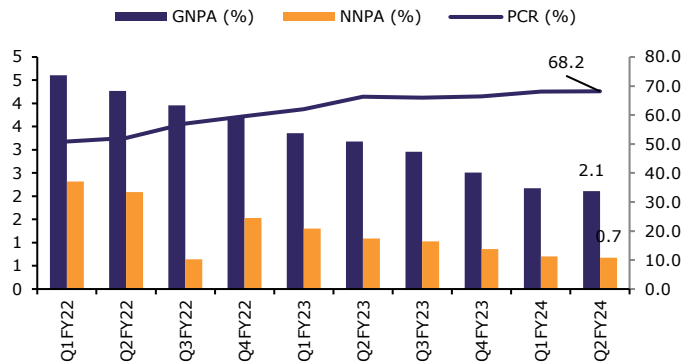
Source: Company, Emkay Research

Exhibit 6: Cost-to-income ratio remains high vs peers



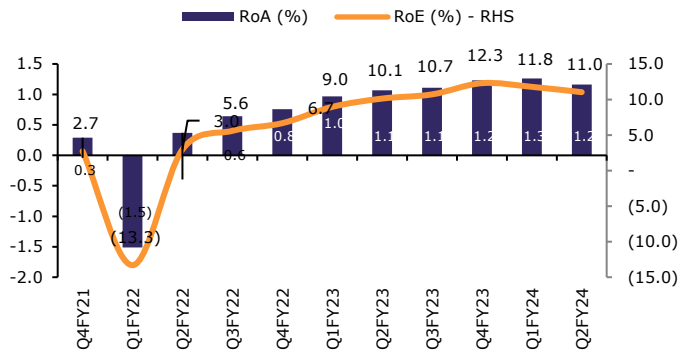
Source: Company, Emkay Research

Exhibit 7: NPAs trend down further; PCR remains relatively low vs peers



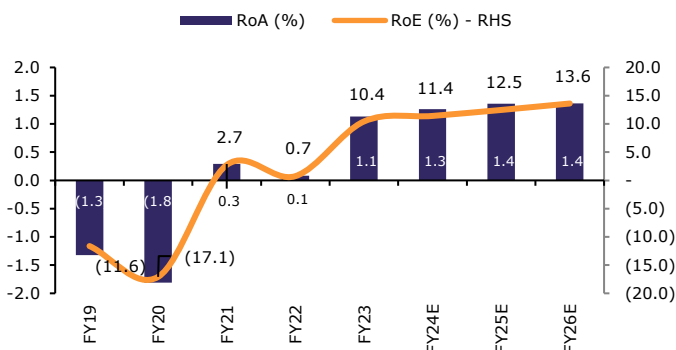
Source: Company, Emkay Research

Exhibit 8: RoA moderates a bit to 1.2%, due to lower other income, sticky cost



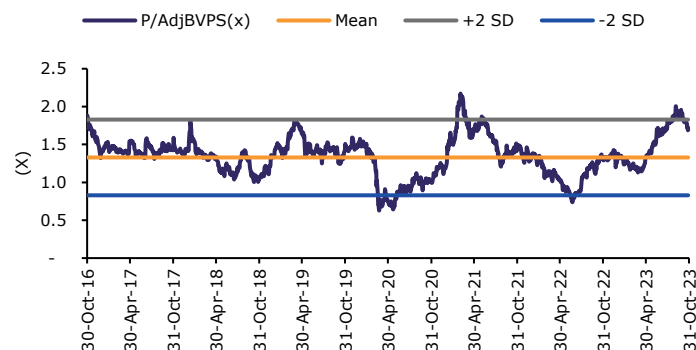
Source: Company, Emkay Research

Exhibit 9: Healthy growth/margins to scale-up RoAs/RoEs



Source: Company, Emkay Research

Exhibit 10: The stock trades at 1.8x its one-year forward ABV



Source: Bloomberg, Emkay Research

Exhibit 11: Actuals vs Estimates (Q2FY24)

| Actuals (Rs mn) | Estimates | | Variation | | Comments |
|-----------------|-----------|-----------|-----------|-----------|--|
| | Emkay | Consensus | Emkay | Consensus | |
| 53,798 | 53,416 | 53,295 | 1% | 1% | Higher NII led to a beat |
| 15,103 | 15,586 | 16,106 | -3% | -6% | Higher opex led to a miss |
| 7,513 | 8,060 | 8,059 | -7% | -7% | Lower PPop along with higher LLP led to a miss |

Source: Company, Emkay Research

Exhibit 12: Quarterly Summary

| Rs mn | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | YoY (%) | QoQ (%) | FY23A | FY24E | YoY (%) |
|---------------------------|--------|--------|--------|--------|--------|---------|---------|----------|----------|---------|
| Interest Earned | 54,697 | 59,118 | 64,244 | 68,677 | 73,562 | 34 | 7 | 2,27,275 | 3,04,700 | 34.1 |
| Interest Exp | 24,675 | 26,265 | 28,276 | 31,226 | 34,060 | 38 | 9 | 1,00,922 | 1,42,892 | 41.6 |
| Net Interest Income | 30,022 | 32,853 | 35,968 | 37,451 | 39,502 | 32 | 5 | 1,26,353 | 1,61,808 | 28.1 |
| Global NIMs (reported) | 5.98 | 6.13 | 6.41 | 6.33 | 6.32 | 34bps | -1bps | 6.26 | 6.45 | 19bps |
| Non-interest Income | 10,613 | 11,525 | 13,975 | 14,138 | 14,296 | 35 | 1 | 44,670 | 60,283 | 35.0 |
| Operating Expenses | 28,948 | 31,770 | 34,356 | 36,586 | 38,696 | 34 | 6 | 1,21,704 | 1,57,205 | 29.2 |
| Pre Provisioning Profit | 11,687 | 12,608 | 15,587 | 15,003 | 15,103 | 29 | 1 | 49,319 | 64,887 | 31.6 |
| Provision & Contingencies | 4,242 | 4,502 | 4,824 | 4,762 | 5,284 | 25 | 11 | 16,648 | 20,119 | 20.8 |
| PBT | 7,445 | 8,105 | 10,762 | 10,242 | 9,819 | 32 | -4 | 32,671 | 44,768 | 37.0 |
| Income Tax Expense (Gain) | 1,890 | 2,059 | 2,736 | 2,590 | 2,306 | 22 | -11 | 8,300 | 11,268 | 35.8 |
| Net Profit/(Loss) | 5,556 | 6,046 | 8,026 | 7,652 | 7,513 | 35 | -2 | 24,371 | 33,500 | 37.5 |
| Gross NPA (%) | 3.18 | 2.96 | 2.51 | 2.17 | 2.11 | -107bps | -6bps | 2.52 | 1.96 | -56bps |
| Net NPA (%) | 1.09 | 1.03 | 0.86 | 0.70 | 0.67 | -42bps | -3bps | 0.86 | 0.59 | -26bps |
| Deposits (Rs in bn) | 1,234 | 1,330 | 1,446 | 1,544 | 1,712 | 39 | 11 | 1,446 | 1,915 | 32.4 |
| Net Advances (Rs in bn) | 1,402 | 1,471 | 1,518 | 1,674 | 1,748 | 25 | 4 | 1,518 | 1,896 | 24.9 |

Source: Company, Emkay Research

Exhibit 13: Revision in Estimates

| Y/E Mar (Rs mn) | FY24E | | | FY25E | | | FY26E | | |
|-----------------|----------|----------|--------|----------|----------|--------|----------|----------|--------|
| | Earlier | Revised | Change | Earlier | Revised | Change | Earlier | Revised | Change |
| Net income | 2,17,228 | 2,22,092 | 2.2% | 2,70,007 | 2,72,899 | 1.1% | 3,33,494 | 3,37,500 | 1.2% |
| PPOP | 65,726 | 64,887 | -1.3% | 90,913 | 87,879 | -3.3% | 1,23,454 | 1,18,231 | -4.2% |
| PAT | 33,555 | 33,500 | -0.2% | 45,010 | 43,724 | -2.9% | 60,910 | 54,051 | -11.3% |
| EPS (Rs) | 5.2 | 4.7 | -8.7% | 6.7 | 6.2 | -6.8% | 9.0 | 7.7 | -14.9% |
| BV (Rs) | 45.7 | 46.8 | 2.3% | 54.3 | 52.6 | -3.1% | 63.0 | 59.9 | -5.0% |

Source: Emkay Research

Exhibit 14: Key Assumptions

| | FY23A | FY24E | FY25E | FY26E |
|--------------------|-------|-------|-------|-------|
| Loan Growth (%) | 28.8 | 24.9 | 25.2 | 24.8 |
| Deposit Growth (%) | 36.9 | 32.4 | 29.9 | 30.4 |
| NIM (%) | 6.3 | 6.4 | 6.4 | 6.3 |
| GNPA (%) | 2.5 | 2.0 | 1.8 | 2.0 |
| Credit Cost (%) | 1.7 | 1.3 | 1.5 | 1.7 |

Source: Emkay Research

Exhibit 15: Key ratios and trends

| | 2QFY22 | 3QFY22 | 4QFY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Loans (Rs mn) | 11,13,530 | 11,64,220 | 11,78,578 | 13,25,550 | 14,02,390 | 14,71,090 | 15,17,945 | 16,73,740 | 17,48,138 |
| Growth YoY (%) | 8.6 | 9.6 | 17.2 | 22.0 | 25.9 | 26.4 | 28.8 | 26.3 | 24.7 |
| Growth QoQ (%) | 2.5 | 4.6 | 1.2 | 12.5 | 5.8 | 4.9 | 3.2 | 10.3 | 4.4 |
| Composition (%) | | | | | | | | | |
| - Corporate | 26.6 | 24.5 | 23.7 | 22.3 | 21.2 | 20.3 | 19.0 | 18.3 | 18.7 |
| - SME/BB | 8.5 | 8.7 | 7.9 | 27.5 | 9.1 | 9.4 | 12.4 | 12.9 | 13.2 |
| - Retail (inc. agri) | 58.7 | 61.6 | 63.8 | 65.8 | 66.4 | 67.3 | 68.6 | 68.8 | 72.9 |
| Liability Profile & Margin | | | | | | | | | |
| CASA (%) | 51.3 | 51.6 | 48.4 | 50.0 | 51.3 | 50.0 | 49.8 | 46.5 | 46.4 |
| Asset Quality (%) | | | | | | | | | |
| GNPA | 4.3 | 4.0 | 3.7 | 3.4 | 3.2 | 3.0 | 2.5 | 2.2 | 2.1 |
| NNPA | 2.1 | 0.6 | 1.5 | 1.3 | 1.1 | 1.0 | 0.9 | 0.7 | 0.7 |
| PCR | 52.1 | 57.1 | 59.5 | 62.0 | 66.3 | 66.0 | 66.4 | 68.1 | 68.2 |
| Restructured | 2.9 | 1.4 | 1.4 | 1.4 | 1.0 | 0.9 | 0.6 | 0.5 | 0.4 |
| Capital Adequacy | | | | | | | | | |
| CAR (%) | 15.6 | 15.4 | 15.4 | 15.8 | 15.4 | 16.1 | 16.8 | 17.0 | 16.5 |
| Tier I (%) | 14.9 | 14.8 | 14.8 | 14.0 | 13.7 | 13.5 | 14.2 | 13.7 | 13.5 |
| ROE Decomposition (%) | | | | | | | | | |
| NII | 5.3 | 6.0 | 5.9 | 5.6 | 5.8 | 6.1 | 6.2 | 6.1 | 6.2 |
| Other Income | 1.5 | 1.7 | 1.8 | 1.8 | 1.8 | 2.1 | 2.0 | 2.2 | 2.1 |
| Treasury | 0.3 | 0.1 | (0.0) | (0.1) | 0.2 | 0.1 | 0.4 | 0.1 | 0.1 |
| Net income | 7.1 | 7.7 | 7.7 | 7.4 | 7.9 | 8.2 | 8.7 | 8.5 | 8.4 |
| Opex | 5.5 | 6.0 | 5.9 | 5.5 | 5.6 | 5.9 | 6.0 | 6.0 | 6.0 |
| PPOP | 1.6 | 1.8 | 1.8 | 1.9 | 2.3 | 2.3 | 2.7 | 2.5 | 2.4 |
| Provisions | 1.1 | 0.9 | 0.8 | 0.6 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| PBT | 0.5 | 0.9 | 1.0 | 1.3 | 1.4 | 1.5 | 1.9 | 1.7 | 1.5 |
| Tax | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.4 | 0.4 |
| ROA | 0.4 | 0.6 | 0.8 | 1.0 | 1.1 | 1.1 | 1.4 | 1.3 | 1.2 |
| ROE | 3.0 | 5.5 | 6.6 | 8.9 | 10.2 | 10.8 | 13.3 | 11.7 | 11.1 |

Source: Company, Emkay Research

IDFC First Bank: Standalone Financials and Valuations

Profit & Loss

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest Income | 1,71,727 | 2,27,275 | 3,04,700 | 3,63,683 | 4,37,171 |
| Interest Expense | 74,665 | 1,00,922 | 1,42,892 | 1,67,516 | 1,96,513 |
| Net interest income | 97,062 | 1,26,353 | 1,61,808 | 1,96,167 | 2,40,658 |
| NII growth (%) | 31.5 | 30.2 | 28.1 | 21.2 | 22.7 |
| Other income | 32,221 | 44,670 | 60,283 | 76,733 | 96,841 |
| Total Income | 1,29,282 | 1,71,023 | 2,22,092 | 2,72,899 | 3,37,500 |
| Operating expenses | 96,444 | 1,21,704 | 1,57,205 | 1,85,020 | 2,19,268 |
| PPOP | 32,838 | 49,319 | 64,887 | 87,879 | 1,18,231 |
| PPOP growth (%) | 31.4 | 50.2 | 31.6 | 35.4 | 34.5 |
| Core PPOP | 26,934 | 46,054 | 61,295 | 83,390 | 1,12,844 |
| Provisions & contingencies | 31,086 | 16,648 | 20,119 | 29,449 | 46,000 |
| PBT | 1,752 | 32,671 | 44,768 | 58,430 | 72,231 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Tax expense | 297 | 8,300 | 11,268 | 14,707 | 18,181 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Income from JV/Associates | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 1,455 | 24,371 | 33,500 | 43,724 | 54,051 |
| PAT growth (%) | (67.8) | 1,574.6 | 37.5 | 30.5 | 23.6 |
| Adjusted PAT | 1,455 | 24,371 | 33,500 | 43,724 | 54,051 |
| Diluted EPS (Rs) | 0.2 | 3.7 | 4.7 | 6.2 | 7.6 |
| Diluted EPS growth (%) | (71.6) | 1,492.2 | 28.7 | 30.5 | 23.6 |
| DPS (Rs) | 0.0 | 0.0 | 0.0 | 0.3 | 0.4 |
| Dividend payout (%) | 0.0 | 0.0 | 0.0 | 4.8 | 5.2 |
| Effective tax rate (%) | 16.9 | 25.4 | 25.2 | 25.2 | 25.2 |
| Net interest margins (%) | 5.9 | 6.3 | 6.4 | 6.4 | 6.3 |
| Cost-income ratio (%) | 74.6 | 71.2 | 70.8 | 67.8 | 65.0 |
| Shares outstanding (mn) | 6,217.7 | 6,618.1 | 7,054.9 | 7,054.9 | 7,054.9 |

Source: Company, Emkay Research

Asset quality and other metrics

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|--------------------------|----------|----------|----------|----------|----------|
| Asset quality | | | | | |
| Gross NPLs | 44,691.3 | 38,844.0 | 37,575.5 | 42,860.9 | 60,879.4 |
| Net NPLs | 18,080.7 | 13,040.3 | 11,272.7 | 12,858.3 | 18,263.8 |
| GNPA ratio (%) | 3.7 | 2.5 | 2.0 | 1.8 | 2.0 |
| NNPA ratio (%) | 1.5 | 0.9 | 0.6 | 0.5 | 0.6 |
| Provision coverage (%) | 59.5 | 66.4 | 70.0 | 70.0 | 70.0 |
| Gross slippages | 75,518.8 | 45,430.0 | 42,283.3 | 52,854.1 | 72,073.8 |
| Gross slippage ratio (%) | 6.3 | 2.9 | 2.2 | 2.2 | 2.4 |
| LLP ratio (%) | 3.3 | 1.7 | 1.3 | 1.5 | 1.7 |
| NNPA to networth (%) | 8.4 | 5.0 | 3.3 | 3.4 | 4.2 |
| Capital adequacy | | | | | |
| Total CAR (%) | 15.4 | 16.8 | 16.8 | 16.0 | 14.7 |
| Tier-1 (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CET-1 (%) | 14.8 | 14.2 | 15.3 | 14.7 | 13.6 |
| RWA-to-Total Assets (%) | 70.6 | 72.8 | 72.0 | 70.0 | 69.0 |
| Miscellaneous | | | | | |
| Total income growth (%) | 12.2 | 33.3 | 34.2 | 20.7 | 21.3 |
| Opex growth (%) | 36.0 | 26.2 | 29.2 | 17.7 | 18.5 |
| Core PPOP growth (%) | 38.6 | 71.0 | 33.1 | 36.0 | 35.3 |
| PPOP margin (%) | 16.1 | 18.1 | 17.8 | 20.0 | 22.1 |
| PAT/PPOP (%) | 4.4 | 49.4 | 51.6 | 49.8 | 45.7 |
| LLP-to-Core PPOP (%) | 115.4 | 36.1 | 32.8 | 35.3 | 40.8 |
| Yield on advances (%) | 13.2 | 14.4 | 15.3 | 14.8 | 14.2 |
| Cost of funds (%) | 5.1 | 5.6 | 6.3 | 6.0 | 5.7 |

Source: Company, Emkay Research

Balance Sheet

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Share capital | 62,177 | 66,181 | 70,549 | 70,549 | 70,549 |
| Reserves & surplus | 1,47,858 | 1,91,030 | 2,59,271 | 3,00,878 | 3,52,107 |
| Net worth | 2,10,035 | 2,57,212 | 3,29,820 | 3,71,427 | 4,22,655 |
| Deposits | 10,56,344 | 14,46,373 | 19,14,929 | 24,86,843 | 33,41,462 |
| Borrowings | 3,93,858 | 4,02,935 | 4,46,647 | 4,33,248 | 3,89,923 |
| Interest bearing liab. | 14,50,202 | 18,49,308 | 23,61,576 | 29,20,090 | 37,31,385 |
| Other liabilities & prov. | 2,41,579 | 2,92,897 | 2,19,772 | 2,37,093 | 2,57,551 |
| Total liabilities & equity | 19,01,816 | 23,99,417 | 29,11,168 | 35,28,610 | 44,11,592 |
| Net advances | 11,78,578 | 15,17,945 | 18,95,665 | 23,72,457 | 29,60,459 |
| Investments | 4,61,448 | 6,11,236 | 7,15,825 | 8,37,264 | 10,49,825 |
| Cash, other balances | 1,57,579 | 1,38,980 | 1,62,684 | 1,68,529 | 2,32,701 |
| Interest earning assets | 17,97,605 | 22,68,160 | 27,74,174 | 33,78,250 | 42,42,985 |
| Fixed assets | 13,612 | 20,901 | 17,041 | 21,103 | 26,181 |
| Other assets | 90,598 | 1,10,355 | 1,19,952 | 1,29,257 | 1,42,426 |
| Total assets | 19,01,816 | 23,99,417 | 29,11,168 | 35,28,610 | 44,11,592 |
| BVPS (Rs) | 33.8 | 38.9 | 46.8 | 52.6 | 59.9 |
| Adj. BVPS (INR) | 31.6 | 37.4 | 45.6 | 51.3 | 58.0 |
| Gross advances | 12,05,189 | 15,43,749 | 19,21,967 | 24,02,459 | 30,03,074 |
| Credit to deposit (%) | 111.6 | 104.9 | 99.0 | 95.4 | 88.6 |
| CASA ratio (%) | 48.4 | 49.8 | 44.2 | 43.7 | 43.9 |
| Cost of deposits (%) | 4.4 | 5.0 | 5.8 | 5.6 | 5.4 |
| Loans-to-Assets (%) | 62.0 | 63.3 | 65.1 | 67.2 | 67.1 |
| Net advances growth (%) | 17.2 | 28.8 | 24.9 | 25.2 | 24.8 |
| Deposit growth (%) | 19.1 | 36.9 | 32.4 | 29.9 | 34.4 |
| Book value growth (%) | 7.7 | 15.1 | 20.3 | 12.6 | 13.8 |

Source: Company, Emkay Research

Valuations and key Ratios

| Y/E Mar | FY22 | FY23 | FY24E | FY25E | FY26E |
|-----------------------------|------------|-------------|-------------|-------------|-------------|
| P/E (x) | 367.6 | 23.4 | 18.1 | 13.9 | 11.2 |
| P/B (x) | 2.7 | 2.3 | 1.9 | 1.7 | 1.5 |
| P/ABV (x) | 2.7 | 2.3 | 1.9 | 1.7 | 1.5 |
| P/PPOP (x) | 16.3 | 11.5 | 9.4 | 6.9 | 5.1 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.3 | 0.5 |
| DuPont-RoE split (%) | | | | | |
| NII/avg assets | 5.5 | 5.9 | 6.1 | 6.1 | 6.1 |
| Other income | 1.8 | 2.1 | 2.3 | 2.4 | 2.4 |
| Fee income | 1.4 | 1.8 | 1.9 | 2.1 | 2.1 |
| Opex | 5.5 | 5.7 | 5.9 | 5.7 | 5.5 |
| PPOP | 1.9 | 2.3 | 2.4 | 2.7 | 3.0 |
| Core PPOP | 1.5 | 2.1 | 2.3 | 2.6 | 2.8 |
| Provisions | 1.8 | 0.8 | 0.8 | 0.9 | 1.2 |
| Tax expense | 0.0 | 0.4 | 0.4 | 0.5 | 0.5 |
| RoA (%) | 0.1 | 1.1 | 1.3 | 1.4 | 1.4 |
| Leverage ratio (x) | 9.1 | 9.2 | 9.0 | 9.2 | 10.0 |
| RoE (%) | 0.7 | 10.4 | 11.4 | 12.5 | 13.6 |

Quarterly data

| Rs mn, Y/E Mar | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 |
|----------------|--------|--------|--------|--------|--------|
| NII | 30,022 | 32,853 | 35,968 | 37,451 | 39,502 |
| NIM (%) | 6.0 | 6.1 | 6.4 | 6.3 | 6.3 |
| PPOP | 11,687 | 12,608 | 15,587 | 15,003 | 15,103 |
| PAT | 5,556 | 6,046 | 8,026 | 7,652 | 7,513 |
| EPS (Rs) | 0.89 | 0.97 | 1.21 | 1.16 | 1.14 |

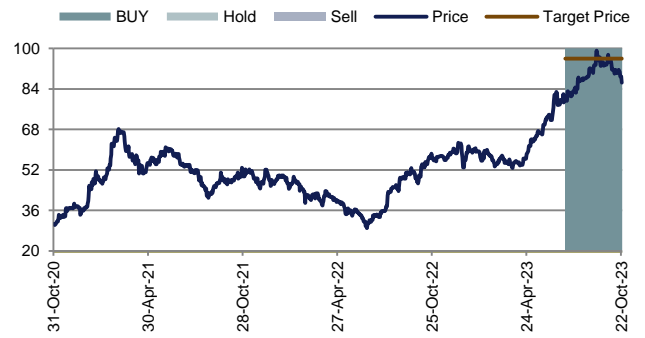
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

| Date | CMP (INR) | TP (INR) | Rating | Analyst |
|-----------|-----------|----------|--------|------------|
| 30-Jul-23 | 84 | 96 | Buy | Anand Dama |
| 07-Jul-23 | 80 | 96 | Buy | Anand Dama |

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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|-------------|---|
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| SELL | Below -5% |

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