

# Bandhan Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BANDHAN IN
Equity Shares (m)	1611
M.Cap.(INRb)/(USD\$b)	243.9 / 2.8
52-Week Range (INR)	233 / 137
1, 6, 12 Rel. Per (%)	-4/-25/-42
12M Avg Val (INR M)	2876

## Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	103.3	117.4	130.5
OP	66.4	76.4	76.3
NP	22.3	32.8	35.2
NIM (%)	6.7	6.9	6.8
EPS (INR)	13.8	20.4	21.9
EPS Gr. (%)	1.6	47.2	7.3
BV/Sh. (INR)	134	148	164
ABV/Sh. (INR)	128	140	154

## Ratios

RoA (%)	1.3	1.8	1.7
RoE (%)	10.8	14.4	14.0

## Valuations

P/E(X)	10.9	7.4	6.9
P/BV (X)	1.1	1.0	0.9
P/ABV (X)	1.2	1.1	1.0

## Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	40.0	40.0	40.0
DII	15.5	16.4	14.9
FII	23.2	26.7	34.7
Others	21.3	16.9	10.4

FII Includes depository receipts

**CMP: INR151**      **TP: INR170 (+12%)**      **Neutral**

## Weak quarter

### Transition away from MFI to keep growth, profitability under check

- Bandhan Bank (BANDHAN) reported 3QFY25 PAT at INR4.3b (down 42% YoY, 46% miss).
- NII declined 12% YoY (down 4% QoQ) to INR28.3b (6% miss). Margins moderated sharply by 50bp QoQ to 6.9%. Other income grew 101% YoY/ 84% QoQ to INR10.9b (6% miss).
- Opex grew 34% YoY/ 13% QoQ to INR19b (8% higher than MOSLe). C/I ratio thus increased to 48.5% (up 87bp QoQ).
- Business growth was weak with advances growing 15.6% YoY/1.1% QoQ; deposits up 20.1% YoY/ down 1.1% QoQ. CASA mix dipped 145bp QoQ.
- GNPA ratio stood flat at 4.7%, while NNPA declined 1bp QoQ to 1.3%. Slippages increased to INR16.2b vs. INR11.1b in 2QFY25 due to continued stress in MFI. SMA book increased 50bp QoQ to 3.8%.
- **We cut our earnings estimates sharply by 10%/8.5% for FY25/FY26 and expect FY26E RoA/RoE of 1.7%/14%. Reiterate Neutral with a revised TP of INR170 (premised on 1.0x Sep'26E ABV).**

### Business growth weak; margins decline sharply by 50bp QoQ

- BANDHAN reported 3QFY25 PAT of INR4.3b (down 42% YoY, 54% QoQ, sharp miss of 46%), as the bank missed our estimates on all parameters. In 9MFY25, earnings grew 12% YoY to INR24b, and we estimate 4QFY25 earnings to grow 15x YoY to INR8.6b as the bank took high provisions in 4QFY24.
- NII grew 12% YoY to INR28.3b (6% miss). Margins moderated sharply by 50bp QoQ to 6.9% as the bank is reducing its MFI book and is transitioning toward secured book.
- Other income grew 101% YoY/84.3% QoQ to INR10.9b (6% miss), resulting in 27.9% YoY growth in total revenue to INR39.2b (6% miss). Opex grew 34% YoY/13% QoQ to INR19b (8% high). PPOP thus grew 22.1% YoY/9% QoQ to INR20.2b (16% miss).
- Gross advances grew 13.9% YoY/1% QoQ. EEB book declined 2.6% YoY (down 5% QoQ), while non-micro credit book rose 30% YoY (6% QoQ).
- Deposit grew 20.1% YoY (down 1.1% QoQ). The CASA ratio declined 145bp QoQ to 31.7%.
- GNPA ratio was flat at 4.7%, while NNPA inched down 1bp QoQ to 1.3%. Slippages increased to INR16.2b vs. INR11.1b in 2QFY25 due to stress in MFI. SMA book increased 50bp QoQ to 3.8%. PCR was steady at 73.5%. Collection efficiency for EEB loans was marginally lower at 97.4%.

**Highlights from the management commentary**

- NIM declined 50bp QoQ to 6.9%, largely due to a change in the secured mix and higher slippages. On 9MFY25, it was ~7.3% (within the guided range of 7-7.5%).
- Provisions stood at INR13.76b, including one-offs of INR3.36b for write-offs and INR0.3b for non-banking assets.
- Slippages stood at INR16.21b – increase was led by EEB book amounting to INR11.96b vs. INR7.52b in previous quarter.
- Out of the total EEB portfolio of INR560b, INR7.4b (group lending is INR4b) pertains to Karnataka. It is not a major concern for the bank. The legislation is targeted toward unregistered RE.

**Valuation and view**

BANDHAN reported a weak quarter with as margins contracted sharply, business remains subdued while provisions continue to remain elevated. The bank suggested for a continued decline in mix of MFI loans as management de-risks the loan book to deliver sustainable performance. We thus expect business growth to remain modest while reduction in the mix of unsecured/MFI loans will adversely impact margins. Deposit growth was weak alongside slower advances growth. Asset quality deteriorated as slippages continue to rise by 46% QoQ amid rise in stress in MFI book. **We cut our earnings estimates by 10%/ 8.5% for FY25/ FY26 and expect FY26E RoA/RoE of 1.7%/14%. Reiterate Neutral with a revised TP of INR170 (premised on 1.0x Sep'26E ABV).**

**Quarterly performance**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	(INR b)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	V/S our Est	
<b>Net Interest Income</b>	24.9	24.4	25.3	28.7	30.1	29.5	28.3	29.5	103.3	117.4	30.0	-6%
% Change (YoY)	-0.9	11.4	21.4	16.0	20.7	20.7	12.1	3.0	11.5	13.7	18.7	
Other Income	3.9	5.4	5.5	6.9	5.3	5.9	11.0	7.8	21.6	30.0	11.7	-6%
<b>Total Income</b>	<b>28.8</b>	<b>29.8</b>	<b>30.7</b>	<b>35.6</b>	<b>35.3</b>	<b>35.4</b>	<b>39.3</b>	<b>37.4</b>	<b>124.9</b>	<b>147.4</b>	<b>41.6</b>	<b>-6%</b>
Operating Expenses	13.1	14.0	14.2	17.2	15.9	16.9	19.0	19.2	58.5	71.0	17.7	8%
<b>Operating Profit</b>	<b>15.6</b>	<b>15.8</b>	<b>16.6</b>	<b>18.4</b>	<b>19.4</b>	<b>18.6</b>	<b>20.2</b>	<b>18.2</b>	<b>66.4</b>	<b>76.4</b>	<b>24.0</b>	<b>-16%</b>
% Change (YoY)	-14.2	2.0	-13.9	2.4	24.2	17.2	22.1	-1.0	-6.4	15.0	44.8	
Provisions	6.0	6.4	6.8	17.7	5.2	6.1	13.8	7.8	37.0	32.9	13.3	3%
<b>Profit Before Tax</b>	<b>9.6</b>	<b>9.5</b>	<b>9.7</b>	<b>0.6</b>	<b>14.2</b>	<b>12.5</b>	<b>6.5</b>	<b>10.4</b>	<b>29.4</b>	<b>43.5</b>	<b>10.6</b>	<b>-39%</b>
Tax	2.4	2.3	2.4	0.1	3.5	3.1	2.2	1.8	7.1	10.7	2.7	-18%
<b>Net Profit</b>	<b>7.2</b>	<b>7.2</b>	<b>7.3</b>	<b>0.5</b>	<b>10.6</b>	<b>9.4</b>	<b>4.3</b>	<b>8.6</b>	<b>22.3</b>	<b>32.8</b>	<b>8.0</b>	<b>-46%</b>
% Change (YoY)	-18.7	244.6	152.2	-93.2	47.5	30.0	-41.8	1,466.0	1.6	47.2	8.6	
<b>Operating Parameters</b>												
Deposits (INR b)	1,085	1,121	1,174	1,352	1,332	1,425	1,410	1,512	1,352	1,512	1,486	-5%
Loans (INR b)	982	1,020	1,102	1,211	1,216	1,261	1,274	1,370	1,211	1,370	1,322	-4%
Deposit Growth (%)	16.6	12.8	14.8	25.1	22.8	27.2	20.1	11.8	25.1	11.8	26.5	
Loan Growth (%)	8.0	13.1	19.6	15.6	23.8	23.6	15.6	13.1	15.6	13.1	20.0	
<b>Asset Quality</b>												
Gross NPA (%)	6.8	7.3	7.0	3.8	4.2	4.7	4.7	4.7	3.8	4.7	5.1	
Net NPA (%)	2.2	2.3	2.2	1.1	1.2	1.3	1.3	1.4	1.1	1.4	1.4	
PCR (%)	69.2	70.0	70.0	71.8	73.7	73.5	73.5	71.4	71.8	71.4	73.0	

## Quarterly snapshot

Profit and Loss, INRb	FY24				FY25			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Net Interest Income</b>	<b>24.91</b>	<b>24.43</b>	<b>25.25</b>	<b>28.66</b>	<b>30.05</b>	<b>29.48</b>	<b>28.30</b>	<b>12</b>	<b>-4</b>
Other Income	3.85	5.40	5.45	6.94	5.28	5.95	10.96	101	84
<b>Total Income</b>	<b>28.76</b>	<b>29.84</b>	<b>30.71</b>	<b>35.60</b>	<b>35.33</b>	<b>35.43</b>	<b>39.26</b>	<b>28</b>	<b>11</b>
<b>Operating Expenses</b>	<b>13.13</b>	<b>14.00</b>	<b>14.15</b>	<b>17.22</b>	<b>15.92</b>	<b>16.88</b>	<b>19.05</b>	<b>35</b>	<b>13</b>
Employee	8.12	8.62	8.99	9.70	10.05	10.44	12.27	37	18
Others	5.02	5.38	5.16	7.52	5.86	6.44	6.77	31	5
<b>Operating Profits</b>	<b>15.62</b>	<b>15.83</b>	<b>16.55</b>	<b>18.38</b>	<b>19.41</b>	<b>18.55</b>	<b>20.21</b>	<b>22</b>	<b>9</b>
<b>Core Operating Profits</b>	<b>15.07</b>	<b>15.48</b>	<b>16.55</b>	<b>18.38</b>	<b>19.41</b>	<b>18.55</b>	<b>20.21</b>	<b>22</b>	<b>9</b>
<b>Provisions</b>	<b>6.02</b>	<b>6.36</b>	<b>6.84</b>	<b>17.74</b>	<b>5.23</b>	<b>6.06</b>	<b>13.76</b>	<b>101</b>	<b>127</b>
<b>PBT</b>	<b>9.60</b>	<b>9.47</b>	<b>9.71</b>	<b>0.64</b>	<b>14.18</b>	<b>12.49</b>	<b>6.45</b>	<b>-34</b>	<b>-48</b>
Taxes	2.39	2.26	2.39	0.10	3.54	3.11	2.19	-8	-30
<b>PAT</b>	<b>7.21</b>	<b>7.21</b>	<b>7.33</b>	<b>0.55</b>	<b>10.63</b>	<b>9.37</b>	<b>4.26</b>	<b>-42</b>	<b>-55</b>
<b>Balance Sheet, INRb</b>									
Loans	982	1,020	1,102	1,211	1,216	1,261	1,274	16	1
- Retail	32	37	43	55	61	72	85	99	19
- Commercial Banking	205	218	238	262	271	311	332	40	7
Deposits	1,085	1,121	1,174	1,352	1,332	1,425	1,410	20	-1
CASA Deposits	391	432	424	502	445	473	447	5	-5
- Current	52	63	67	97	62	64	61	-8	-5
- Saving	339	369	358	405	383	409	386	8	-5
<b>Loan Mix (%)</b>									
Micro Loans	49.7	50.2	49.7	49.9	49.3	45.4	42.5	-717	-287
Non Micro Loans	50.3	49.8	50.3	50.1	50.7	54.6	57.5	717	287
- SME Loans	26.1	24.9	24.9	24.0	23.4	24.2	0.0	-2,488	-2,421
- Small Enterprise	10.2	10.9	12.4	11.4	11.3	12.7	14.1	170	138
- NBFC MFI's	10.7	10.4	9.2	10.3	11.0	12.0	12.1	287	10
<b>Asset Quality, INRb</b>									
<b>GNPA</b>	<b>70</b>	<b>79</b>	<b>81</b>	<b>48</b>	<b>53</b>	<b>61</b>	<b>62</b>	<b>-24</b>	<b>1</b>
<b>NNPA</b>	<b>21</b>	<b>24</b>	<b>24</b>	<b>13</b>	<b>14</b>	<b>16</b>	<b>16</b>	<b>-33</b>	<b>1</b>
<b>Asset Quality Ratios</b>									
								<b>YoY (bp)</b>	<b>QoQ (bp)</b>
GNPA (%)	6.8	7.3	7.0	3.8	4.2	4.7	4.7	-234	0
NNPA (%)	2.2	2.3	2.2	1.1	1.2	1.3	1.3	-93	-1
PCR (Calc, %)	69.2	70.0	70.0	71.8	73.7	73.5	73.5	350	5
<b>SMA Movement (EEB) (%)</b>									
SMA 0	2.6	1.8	1.4	0.6	0.9	1.5	1.4	0	-10
SMA 1	1.5	1.1	1.0	0.6	0.7	0.9	1.2	20	30
SMA 2	1.4	1.3	0.9	0.8	0.7	0.9	1.2	30	30
<b>Business Ratios (%)</b>									
CASA (%)	36.0	38.5	36.1	37.1	33.4	33.2	31.7	-439	-145
Loan/Deposit	90.5	91.0	93.8	89.6	91.3	88.5	90.3	-349	189
Cost to Core Income	46.6	47.5	46.1	48.4	45.1	47.6	48.5	242	87
Cost to Assets	3.5	3.7	3.6	3.9	3.7	3.8	4.1	54	39
Tax Rate	24.9	23.9	24.6	14.9	25.0	24.9	33.9	935	898
<b>Capitalisation Ratios (%)</b>									
Tier-1	18.8	18.2	16.9	17.2	14.1	13.6	13.7	-320	10
- CET 1	18.8	18.2	16.9	17.2	14.1	13.6	13.7	-320	10
CAR	19.8	19.2	17.9	18.3	15.0	14.3	14.4	-350	10
LCR	182.8	154.6	157.9	129.9	166.0	151.0	0.0	NA	NA
<b>Profitability Ratios (%)</b>									
Yield	13.3	13.3	13.4	13.8	13.9	13.7	13.3	-10	-40
Cost of Funds	6.4	6.5	6.6	6.6	7.0	7.0	7.1	50	10
Margins	7.30	7.20	7.20	7.60	7.60	7.40	6.90	-30.00	-50.00
<b>Other Details</b>									
Branches	1,542	1,621	1,647	1,700	1,700	1,703	1,703	56	0
ATM	438	438	438	438	438	438	438	0	0



## Highlights from the management commentary

### Opening remarks

- The bank aims to increasing the share of secured book to 55% of total book by FY27, to be led by home loans, gold loans, auto loans, CV, VE, and secured book of commercial banking. Growth in EEB book will be relatively slower.
- Bandhan has created a digital unit under CEO for augmenting transaction banking, payments products, etc.
- Market Intelligence team set-up: GEN AI to be used for commercial borrowing. This team will also handle underwriting.
- The bank aims to drive deposit growth higher than advances growth.
- Risk management and Compliance framework to be strengthened.
- Asset quality: prudent provisioning policies have been implemented.
- MFI sector has been facing headwinds: MFI disbursements will be moderated in 4Q, as the bank has implemented risk guardrails.

### One-time impact in 3QFY25

- A couple of one-offs were incurred in non-interest income with positive impact: CGFMU recovery of INR5.38b and INR0.52b received from Assam government for MFI.
- Provisions: With technical write-offs of INR12.66b in EEB, Bandhan saw an impact of INR3.36b and INR0.30b on account of non-banking assets.
- Staff expenses stood at INR1.66b due to a change in accounting policy in ESOP.

### Advances and deposits

- Deposit grew 20% YoY but declined QoQ due to a conscious decline in bulk deposits.
- Gross advances grew by 14% YoY and 1% QoQ (15% YoY and 2% QoQ, adjusted for technical write-offs).
- EEB portfolio declined 3% YoY/5% QoQ. Retail assets grew by 95% YoY, commercial banking by 38% YoY and housing loans by 19% YoY. Retail asset growth was driven by auto and gold.
- EEB portfolio: Average maturity of EEB portfolio is ~18 months (range of 1-2 year). Disbursements yield in EEB portfolio is 22.95% and average yield stood at ~20.37%
- EEB portfolio guardrails: With industry standards at 3+1 loans, Bandhan is following Bandhan plus 1 policy. Compared with industry standards of 60dpd, Bandhan is not providing loans to 30dpd customers.
- Out of the total EEB portfolio of INR560b, INR7.4b (group lending is INR4b) pertains to Karnataka. It is not a major concern for the bank. The legislation is targeted toward unregistered RE.
- Secured book grew 34% YoY, with a secured mix of ~49%.
- CASA growth came in at 6% YoY, with overall CASA ratio at ~32%.
- Retail deposit growth stood at ~69% vs. 68% in the previous quarter.
- Profitability metrics: ROA 0.9% & ROE of 7% - factoring in MFI challenges as this was one of the most difficult quarters for the bank.

- Advances: Top 5% contribution at 39%. Share of advances in east and north-east reduced by 13% (53% in FY22 to 39% in this quarter).
- Deposits: Top 5% contribution at 65% vs. 63% in the previous quarter. West Bengal YoY improved from 42% to 40%.

#### **Cost, margins and provisions**

- NIM declined 50bp QoQ to 6.9%, largely due to a change in secured mix and higher slippages. On 9MFY25, it was ~7.3% (within the guided range of 7-7.5%).
- Opex grew by 35% YoY (excluding the ESOP adjustments it grew by 23% YoY) – the increase was led by volume growth in non-EEB business. Opex-to-average asset ratio stood at 4.2% (adjusted for one-offs at 3.8%).
- Provisions stood at INR13.76b (included one-offs of INR3.36b for write-offs and INR0.3b for non-banking assets).
- Interest reversal for the quarter came in at INR0.69b.

#### **Asset quality**

- Slippages stood at INR16.21b – the increase was led by EEB book amounting to INR11.96b vs. INR .52b in previous quarters.
- Recoveries and upgrades stood at INR2.82b vs. INR3.04b in 2QFY25.
- SMA 1 and SMA 2 increased by INR0.98bn and INR1.13b, respectively, on a sequential basis.
- Credit cost stood at 4.1% (excluding one-time impact it would have been 3.1%). On 9MFY25, it was 2.6% (2.2%). The bank expects a credit cost of 2% for FY25 and 1.5-1.6% in FY26
- PCR, including technically write-offs, stood at ~85% vs. 70% in Dec'23.
- Collection efficiency, excluding NPAs, was marginally lower and geographically affected – UP, Tamil Nadu and Gujarat being most impacted.
- EEB book CE stood at 97.4% vs. 98.1% in previous quarter. Collections in Non EEB declined to 98.3% vs 98.7% in previous quarter
- CE in West Bengal and Assam stood at 98.8% and 98.2%, respectively, better than the rest of India.

Story in charts

Exhibit 1: AUM grew 14% YoY (up 1% QoQ) to INR1.3t

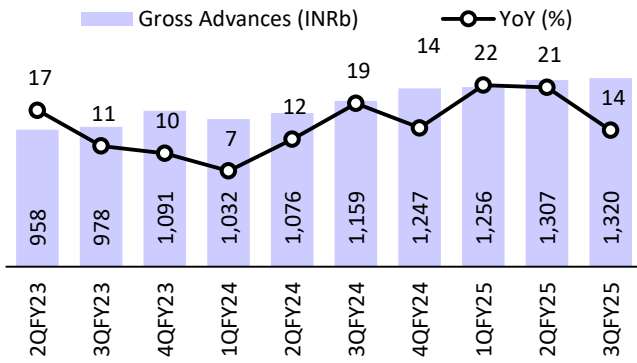


Exhibit 2: MFI loans declined 5% YoY to INR561b

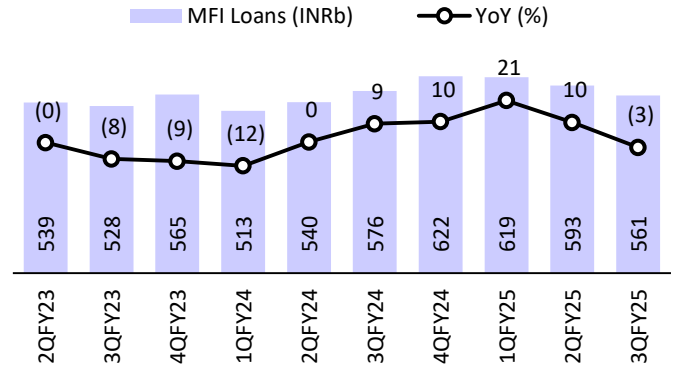


Exhibit 3: Total deposits up 20% YoY/down 1% QoQ to INR1.4t

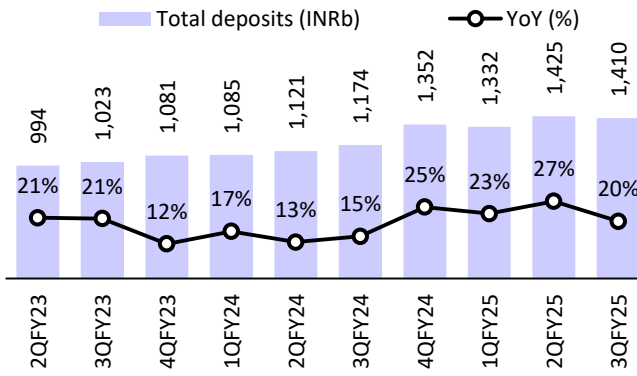


Exhibit 4: CASA+ Retail TD mix stood at 69%

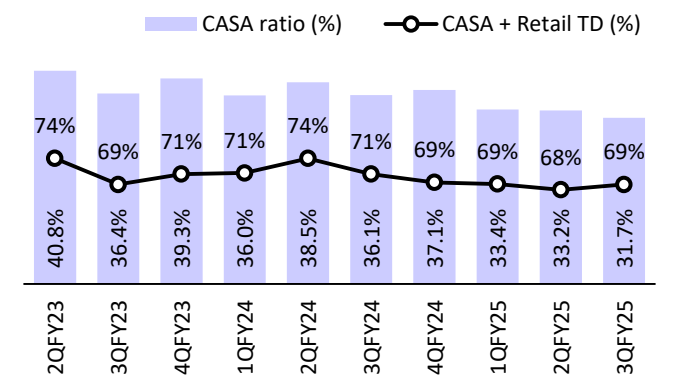


Exhibit 5: Margin moderated 50bp QoQ to 6.9%

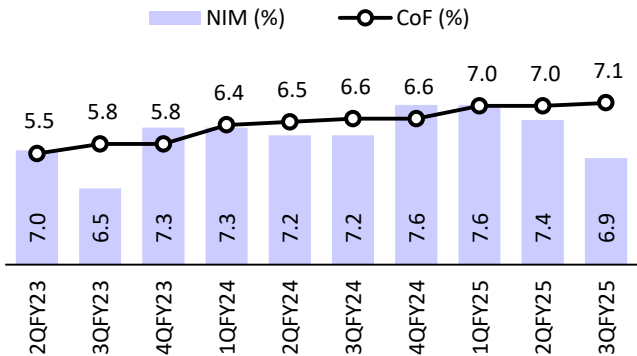


Exhibit 6: CI ratio increased to 48.5%; CD ratio at 90.3%

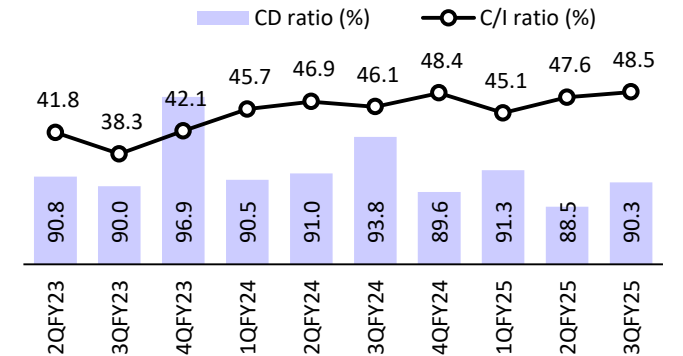


Exhibit 7: Trend in Portfolio mix (%)

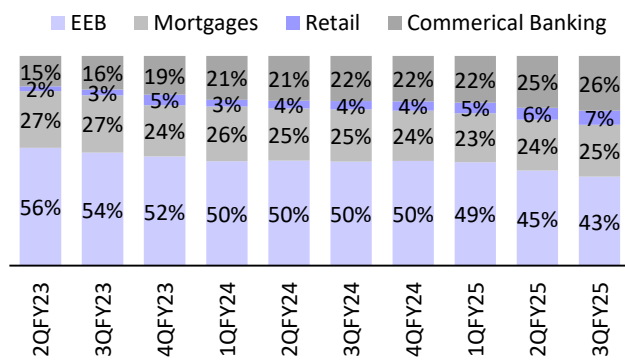
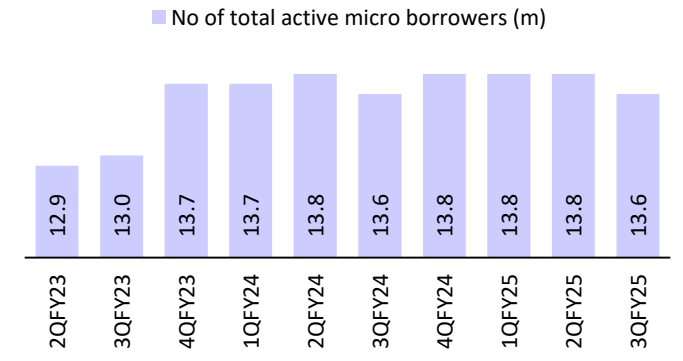


Exhibit 8: Active MFI borrower base

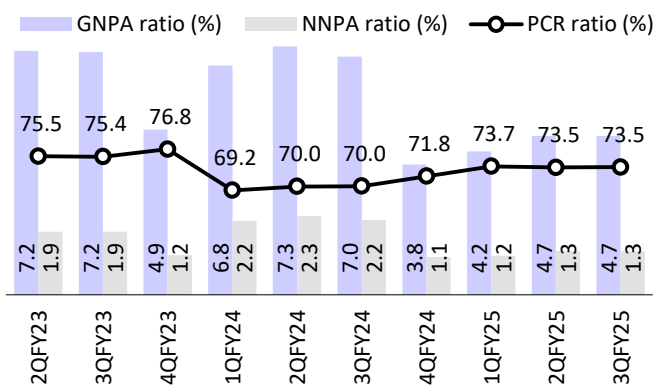


Source: MOFSL, Company

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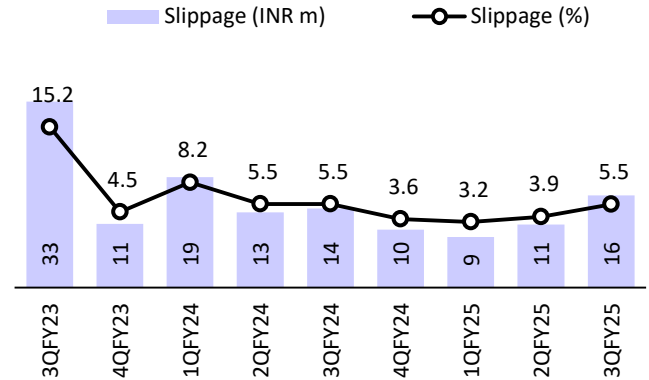
## Story in charts – Asset Quality

**Exhibit 9: GNPA/NNPA ratios stood at 4.7%/ 1.3%**



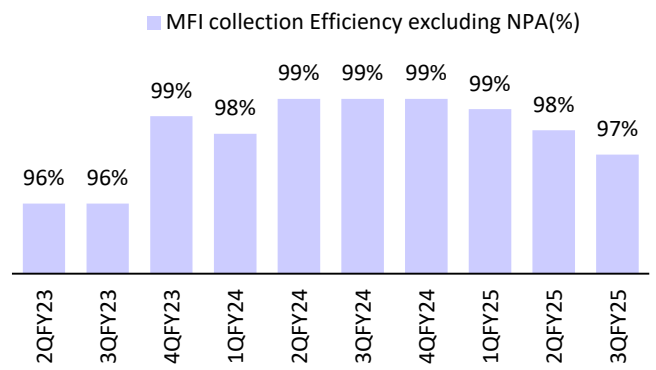
Source: MOFSL, Company

**Exhibit 10: Slippages increased to 5.5% in 3QFY25**



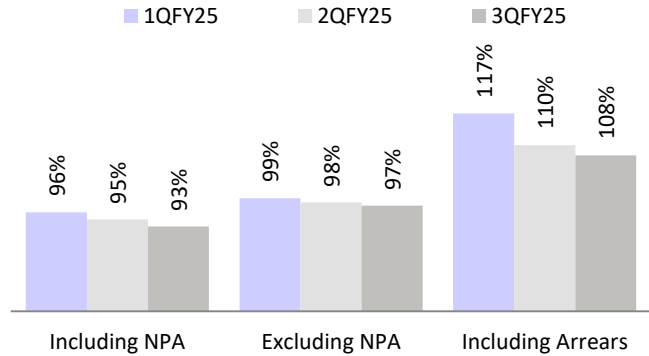
Source: MOFSL, Company

**Exhibit 11: MFI CE (%), excluding NPA, stood at 98.1%**



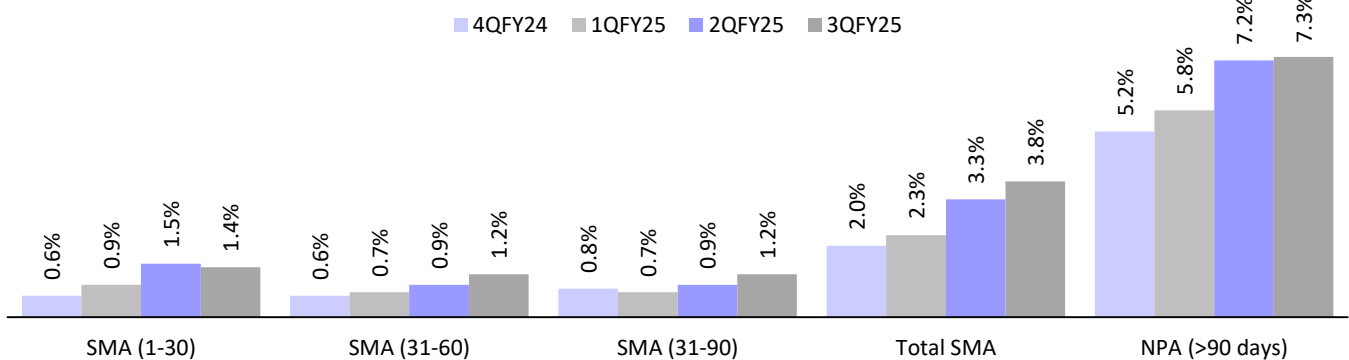
Source: MOFSL, Company

**Exhibit 12: Trend in MFI collection efficiency**



Source: MOFSL, Company

**Exhibit 13: Asset quality trends across buckets in the MFI portfolio**



Source: MOFSL, Company

**Valuation and view**

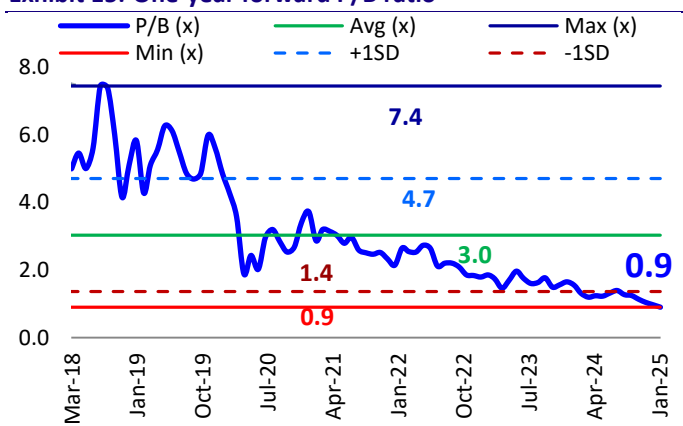
- BANDHAN reported a weak quarter with as margins contracted sharply, business remains subdued while provisions continue to remain elevated. The bank suggested for a continued decline in mix of MFI loans as management de-risks the loan book to deliver sustainable performance. We thus expect business growth to remain modest while reduction in the mix of unsecured/MFI loans will adversely impact margins.
- Deposit growth was weak alongside slower advances growth. Asset quality deteriorated as slippages continue to rise by 46% QoQ amid rise in stress in MFI book.
- **We cut our earnings estimates by 10%/ 8.5% for FY25/ FY26 and expect FY26E RoA/RoE of 1.7%/14%. Reiterate Neutral with a revised TP of INR170 (premised on 1.0x Sep'26E ABV).**

**Exhibit 14: Changes in our earnings estimates**

INR b	Old Estimates			New Estimates			Change (%/bps)		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
<b>Net Interest Income</b>	<b>120.4</b>	<b>133.6</b>	<b>151.1</b>	<b>117.4</b>	<b>130.5</b>	<b>148.7</b>	<b>-2.5</b>	<b>-2.3</b>	<b>-1.6</b>
Other Income	30.0	28.4	32.9	30.0	27.0	30.8	0.0	-4.8	-6.4
<b>Total Income</b>	<b>150.4</b>	<b>161.9</b>	<b>184.1</b>	<b>147.4</b>	<b>157.5</b>	<b>179.5</b>	<b>-2.0</b>	<b>-2.7</b>	<b>-2.5</b>
Operating Expenses	69.4	80.8	93.5	71.0	81.3	93.8	2.4	0.6	0.3
<b>Operating Profit</b>	<b>81.0</b>	<b>81.2</b>	<b>90.5</b>	<b>76.4</b>	<b>76.3</b>	<b>85.8</b>	<b>-5.7</b>	<b>-6.0</b>	<b>-5.3</b>
Provisions	32.5	30.2	31.4	32.9	29.6	30.9	1.2	-1.8	-1.8
<b>PBT</b>	<b>48.5</b>	<b>51.0</b>	<b>59.1</b>	<b>43.5</b>	<b>46.6</b>	<b>54.9</b>	<b>-10.3</b>	<b>-8.5</b>	<b>-7.1</b>
<b>PAT</b>	<b>36.6</b>	<b>38.5</b>	<b>44.6</b>	<b>32.8</b>	<b>35.2</b>	<b>41.4</b>	<b>-10.3</b>	<b>-8.5</b>	<b>-7.1</b>
Loans	1,395	1,610	1,865	1,370	1,581	1,831	-1.8	-1.8	-1.8
Deposits	1,575	1,835	2,136	1,512	1,761	2,050	-4.0	-4.0	-4.0
Credit Cost (%)	2.4	2.0	1.8	2.5	2.0	1.8	0.1	0.0	0.0
<b>RoA (%)</b>	<b>1.92</b>	<b>1.76</b>	<b>1.77</b>	<b>1.76</b>	<b>1.67</b>	<b>1.70</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.1</b>
<b>RoE (%)</b>	<b>16.0</b>	<b>15.0</b>	<b>15.4</b>	<b>14.4</b>	<b>14.0</b>	<b>14.8</b>	<b>-1.5</b>	<b>-1.0</b>	<b>-0.7</b>
EPS	22.7	23.9	27.7	20.4	21.9	25.7	-10.3	-8.5	-7.1
<b>BV</b>	<b>150.6</b>	<b>168.5</b>	<b>190.2</b>	<b>148.2</b>	<b>164.1</b>	<b>183.8</b>	<b>-1.6</b>	<b>-2.6</b>	<b>-3.3</b>
ABV	141.7	159.0	180.8	139.9	154.4	173.7	-1.3	-2.9	-3.9

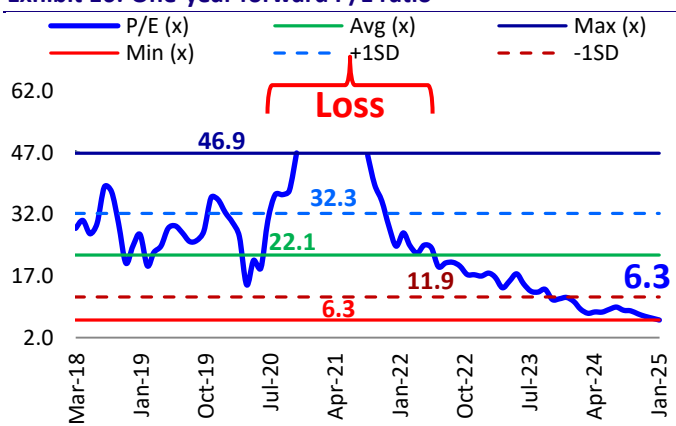
Source: MOFSL, Company

**Exhibit 15: One-year forward P/B ratio**



Source: MOFSL, Company

**Exhibit 16: One-year forward P/E ratio**



Source: MOFSL, Company



**Exhibit 17: DuPont Analysis: Return ratios to improve gradually**

	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Interest Income</b>	<b>6.3</b>	<b>6.2</b>	<b>6.3</b>	<b>6.2</b>	<b>6.1</b>
Other Income	1.7	1.3	1.6	1.3	1.3
<b>Total Income</b>	<b>8.0</b>	<b>7.5</b>	<b>7.9</b>	<b>7.5</b>	<b>7.4</b>
<b>Operating Expenses</b>	<b>3.1</b>	<b>3.5</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>
Employee cost	1.8	2.1	2.3	2.3	2.3
Others	1.3	1.4	1.5	1.5	1.5
<b>Operating Profits</b>	<b>4.8</b>	<b>4.0</b>	<b>4.1</b>	<b>3.6</b>	<b>3.5</b>
<b>Core operating Profits</b>	<b>4.8</b>	<b>3.9</b>	<b>4.0</b>	<b>3.5</b>	<b>3.4</b>
<b>Provisions</b>	<b>2.8</b>	<b>2.2</b>	<b>1.8</b>	<b>1.4</b>	<b>1.3</b>
<b>PBT</b>	<b>2.0</b>	<b>1.8</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>
Tax	0.5	0.4	0.6	0.5	0.6
<b>RoA</b>	<b>1.5</b>	<b>1.3</b>	<b>1.8</b>	<b>1.7</b>	<b>1.7</b>
Leverage (x)	8.0	8.1	8.2	8.4	8.7
<b>RoE</b>	<b>11.9</b>	<b>10.8</b>	<b>14.4</b>	<b>14.0</b>	<b>14.8</b>

Source: MOFSL, Company

## Financials and valuations

<b>Income Statement</b>						<b>(INR b)</b>
<b>Y/E March</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	
Interest Income	159.0	188.7	232.1	258.8	294.4	
Interest Expense	66.5	85.4	114.8	128.3	145.7	
<b>Net Interest Income</b>	<b>92.6</b>	<b>103.3</b>	<b>117.4</b>	<b>130.5</b>	<b>148.7</b>	
- growth (%)	6.3	11.5	13.7	11.2	13.9	
Non-Interest Income	24.7	21.6	30.0	27.0	30.8	
<b>Total Income</b>	<b>117.3</b>	<b>124.9</b>	<b>147.4</b>	<b>157.5</b>	<b>179.5</b>	
- growth (%)	1.7	6.5	18.0	6.9	13.9	
Operating Expenses	46.4	58.5	71.0	81.3	93.8	
<b>Pre Provision Profits</b>	<b>70.9</b>	<b>66.4</b>	<b>76.4</b>	<b>76.3</b>	<b>85.8</b>	
- growth (%)	-11.5	-6.4	15.0	-0.1	12.4	
<b>Core PPOp</b>	<b>70.2</b>	<b>65.0</b>	<b>74.7</b>	<b>74.3</b>	<b>83.4</b>	
- growth (%)	-9.3	-7.3	14.9	-0.5	12.2	
Provisions	42.0	37.0	32.9	29.6	30.9	
<b>PBT</b>	<b>28.9</b>	<b>29.4</b>	<b>43.5</b>	<b>46.6</b>	<b>54.9</b>	
Tax	7.0	7.1	10.7	11.4	13.4	
Tax Rate (%)	24.1	24.2	24.5	24.5	24.5	
<b>PAT</b>	<b>21.9</b>	<b>22.3</b>	<b>32.8</b>	<b>35.2</b>	<b>41.4</b>	
- growth (%)	1,644.6	1.6	47.2	7.3	17.7	

### Balance Sheet

<b>Y/E March</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Equity Share Capital	16.1	16.1	16.1	16.1	16.1
Reserves & Surplus	179.6	199.5	222.7	248.3	280.0
<b>Net Worth</b>	<b>195.7</b>	<b>215.7</b>	<b>238.8</b>	<b>264.4</b>	<b>296.1</b>
<b>Deposits</b>	<b>1,080.6</b>	<b>1,352.0</b>	<b>1,511.6</b>	<b>1,761.0</b>	<b>2,049.8</b>
- growth (%)	12.2	25.1	11.8	16.5	16.4
- CASA Dep	<b>424.5</b>	<b>501.5</b>	<b>518.5</b>	<b>600.5</b>	<b>707.2</b>
- growth (%)	5.9	18.1	3.4	15.8	17.8
Borrowings	247.1	163.7	155.5	168.0	188.1
Other Liabilities & Prov.	36.8	46.6	56.4	65.1	74.9
<b>Total Liabilities</b>	<b>1,560.3</b>	<b>1,778.0</b>	<b>1,962.3</b>	<b>2,258.4</b>	<b>2,608.9</b>
Current Assets	82.5	161.7	140.5	158.3	179.2
<b>Investments</b>	<b>323.7</b>	<b>292.9</b>	<b>342.1</b>	<b>404.3</b>	<b>477.1</b>
- growth (%)	11.3	-9.5	16.8	18.2	18.0
<b>Loans</b>	<b>1,047.6</b>	<b>1,211.4</b>	<b>1,370.1</b>	<b>1,581.0</b>	<b>1,830.9</b>
- growth (%)	11.5	15.6	13.1	15.4	15.8
Fixed Assets	8.5	11.7	13.0	15.0	17.4
Other Assets	98.1	100.7	96.7	99.8	104.4
<b>Total Assets</b>	<b>1,560.4</b>	<b>1,778.4</b>	<b>1,962.3</b>	<b>2,258.4</b>	<b>2,608.9</b>

<b>Asset Quality</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
GNPA	53.0	47.8	66.9	79.2	84.5
NNPA	12.3	13.5	19.2	22.3	23.3
Slippages	96.6	56.8	47.8	45.7	40.9
GNPA Ratio	4.9	3.8	4.7	4.8	4.5
NNPA Ratio	1.2	1.1	1.4	1.4	1.3
Slippage Ratio	9.7	5.0	3.7	3.1	2.4
Credit Cost	4.2	3.3	2.5	2.0	1.8
PCR (Excl Tech. write off)	76.8	71.8	71.4	71.9	72.4

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
<b>Spread Analysis (%)</b>					
<b>Avg. Yield- on Earning Assets</b>	<b>11.8</b>	<b>12.3</b>	<b>13.6</b>	<b>13.5</b>	<b>13.2</b>
Avg. Yield on loans	13.9	14.6	16.1	15.6	15.3
Avg. Yield on Investments	6.2	6.6	6.9	6.9	6.8
<b>Avg. Cost of Int. Bear. Liab.</b>	<b>5.6</b>	<b>6.4</b>	<b>7.7</b>	<b>7.5</b>	<b>7.4</b>
Avg. Cost of Deposits	4.9	6.0	6.5	6.5	6.4
<b>Interest Spread</b>	<b>6.2</b>	<b>5.9</b>	<b>5.9</b>	<b>5.9</b>	<b>5.8</b>
<b>Net Interest Margin</b>	<b>6.9</b>	<b>6.7</b>	<b>6.9</b>	<b>6.8</b>	<b>6.7</b>

### Capitalisation Ratios (%)

CAR	19.8	18.3	18.0	16.9	16.0
Tier I	18.7	17.2	17.0	16.1	15.4
-CET-1	18.7	17.2	16.6	16.0	15.6
Tier II	1.1	1.1	0.9	0.8	0.7

### Business Ratios (%)

Loans/Deposit Ratio	96.9	89.6	90.6	89.8	89.3
CASA Ratio	39.3	37.1	34.3	34.1	34.5
Cost/Assets	3.0	3.3	3.6	3.6	3.6
Cost/Total Income	39.5	46.8	48.2	51.6	52.2
Cost/Core income	39.8	47.4	48.7	52.2	52.9
Int. Expense/Int.Income	41.8	45.3	49.4	49.6	49.5
Fee Income/Total Income	20.4	16.2	19.3	15.9	15.9
Other income/Total Income	21.0	17.3	20.4	17.2	17.2
Empl. Cost/Total Expense	58.6	60.6	60.4	60.1	59.9

### Efficiency Ratios (INRm)

Employee per branch (in nos)	49.4	44.6	45.0	45.4	45.8
Staff cost per employee	0.4	0.5	0.5	0.6	0.6
CASA per branch	300.9	295.0	285.0	308.5	339.6
Deposits per branch	765.9	795.3	831.0	904.8	984.2
Business per Employee	30.5	33.8	35.2	37.8	40.7
Profit per Employee	0.3	0.3	0.4	0.4	0.4

### Profitability Ratios and Valuation

RoA	1.49	1.34	1.76	1.67	1.70
RoE	11.9	10.8	14.4	14.0	14.8
RoRWA	2.3	2.0	2.6	2.4	2.4
Book Value (INR)	122	134	148	164	184
- growth (%)	12.6	10.2	10.7	10.7	12.0
<b>Price-BV (x)</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>
Adjusted BV (INR)	116	128	140	154	174
<b>Price-ABV (x)</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>
EPS (INR)	13.6	13.8	20.4	21.9	25.7
- growth (%)	1,644.5	1.6	47.2	7.3	17.7
<b>Price-Earnings (x)</b>	<b>11.1</b>	<b>10.9</b>	<b>7.4</b>	<b>6.9</b>	<b>5.9</b>
Dividend Per Share (INR)	0.0	1.5	6.0	6.0	6.0
<b>Dividend Yield (%)</b>	<b>0.0</b>	<b>1.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>

E: MOFSL Estimates

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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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