

HOLD Punjab National Bank**Better margins, lower opex/LLP drive strong earnings beat**BFSI - Banks ▶ Result Update ▶ **October 27, 2023****TARGET PRICE (Rs): 78**

PNB reported a beat on PAT, at Rs17.6bn (vs Emkay: Rs14.6bn), mainly owing to higher NII, lower staff expense and contained provisions, and partially offset by the higher tax expense. Bank's credit growth trajectory improved to 15% YoY/3% QoQ which, coupled with better loan/investment, led to a 3bps QoQ improvement in NIM to 3.1%, while most banks saw a correction. Asset quality continues to enhance, with GNPA ratio down by 77bps QoQ to 7%, aided by lower slippages and higher recoveries/upgrades. Going ahead, PNB expects growth to remain robust, albeit NIMs to slightly soften amid rising CoF. However, better treasury gains, recovery from written-off accounts and contained LLP should support profitability. We expect the bank to note a gradual improvement in RoA/RoE to 0.7%/11% by FY26E, from a low of 0.2% in FY23. We retain HOLD on PNB, with new TP of Rs78/sh (earlier Rs65), rolling forward on Sep-25E ABV and subs value at Rs5/sh. Management clarified the bank is not looking to divest stake in subsidiaries, incl. its insurance business, for now.

Punjab National Bank: Financial Snapshot (Standalone)

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------|--------|--------|--------|--------|----------|
| Net profit | 34,570 | 25,072 | 66,337 | 97,372 | 1,23,014 |
| Loan growth (%) | 8.0 | 14.1 | 13.3 | 13.5 | 14.2 |
| NII growth (%) | (6.1) | 20.2 | 14.0 | 8.4 | 9.8 |
| NIM (%) | 2.5 | 2.7 | 2.8 | 2.7 | 2.7 |
| PPOP growth (%) | (6.3) | 8.5 | 7.1 | 0.0 | 10.0 |
| Adj. EPS (Rs) | 3.2 | 2.3 | 6.0 | 8.8 | 11.2 |
| Adj. EPS growth (%) | 37.0 | (29.2) | 164.6 | 46.8 | 26.3 |
| Adj. BV (INR) | 56.3 | 67.7 | 79.2 | 86.1 | 94.3 |
| Adj. BVPS growth (%) | 8.2 | 20.1 | 17.1 | 8.7 | 9.5 |
| RoA (%) | 0.3 | 0.2 | 0.4 | 0.6 | 0.7 |
| RoE (%) | 4.0 | 2.8 | 7.1 | 9.7 | 11.2 |
| P/E (x) | 20.2 | 28.6 | 10.8 | 7.4 | 5.8 |
| P/ABV (x) | 1.2 | 1.0 | 0.8 | 0.8 | 0.7 |

Source: Company, Emkay Research

Growth improves, as do margins

Credit growth improved to 15% YoY/3% QoQ, backed by continued growth in the RAM segment (which constitutes 56% of the total loan book), while Corporate growth was muted at 1% QoQ. Total deposits grew 10% YoY/1% QoQ, with CASA remaining stable at 41%. Despite the increase in CoF to 4.3% (due to repricing of deposits), NIMs saw a slight improvement of 3bps QoQ to 3.1%, owing to better yield on loans/investments. The bank conservatively guides for 12-13% credit growth in FY24 with upward bias and NIM of 2.9-3%, as it envisages further increase in CoF due to repricing of deposits.

Lower slippages lead to sharp improvement in asset quality

Lower fresh slippages at Rs18.3bn/0.9% of loans, coupled with higher recovery/upgrades, led to a 77bps QoQ decline in the GNPA ratio to 7%. Specific PCR further improved to 80%; the bank plans to maintain this high level and thus bring down the NNPA from its current 1.5% levels. The restructured pool also declined, by 7bps QoQ to 1.1% of loans, and stands at Rs101bn. The bank recovered NPAs to the tune of ~Rs11bn from NCLT in H1FY24, and expects more recoveries, of Rs25bn in H2FY24. The bank guides for credit cost of 1.5-1.75% for FY24 vs 2.1% in FY23.

We retain HOLD on the stock

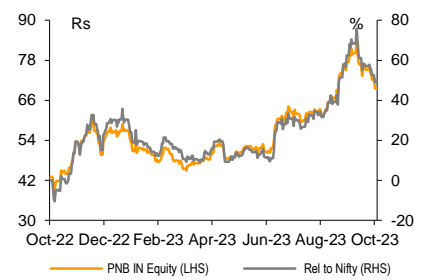
We expect the bank to report gradual improvement in its RoA/RoE to 0.7%/11% by FY26E, from a low of 0.2% in FY23. We retain HOLD on the stock, with revised target price of Rs78/share (earlier Rs65/share), rolling forward on Sep-25E ABV and subsidiaries' value at Rs5/share. Management has clarified that the bank is not looking to divest stake in its subsidiaries, including its insurance business, for now. **Key risks:** Macro deterioration derailing growth/asset-quality normalization.

| | |
|-------------------------|-------------|
| Target Price – 12M | Sep-24 |
| Change in TP (%) | 20.0 |
| Current Reco. | HOLD |
| Previous Reco. | HOLD |
| Upside/(Downside) (%) | 11.7 |
| CMP (26-Oct-23) (Rs) | 69.9 |

| Stock Data | Ticker |
|-----------------------------|----------|
| 52-week High (Rs) | 84 |
| 52-week Low (Rs) | 39 |
| Shares outstanding (mn) | 11,011.0 |
| Market-cap (Rs bn) | 769 |
| Market-cap (USD mn) | 9,241 |
| Net-debt, FY24E (Rs mn) | NA |
| ADTV-3M (mn shares) | 73 |
| ADTV-3M (Rs mn) | 5,152.7 |
| ADTV-3M (USD mn) | 61.9 |
| Free float (%) | 27.0 |
| Nifty-50 | 18,857 |
| INR/USD | 83.2 |
| Shareholding, Sep-23 | |
| Promoters (%) | 73.2 |
| FPIs/MFs (%) | 2.7/13.8 |

Price Performance

| (%) | 1M | 3M | 12M |
|---------------|--------|------|------|
| Absolute | (12.0) | 10.6 | 61.3 |
| Rel. to Nifty | (8.2) | 16.0 | 51.0 |

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

anand.dama@emkayglobal.com
+91 22 6624 2480

Kunaal N

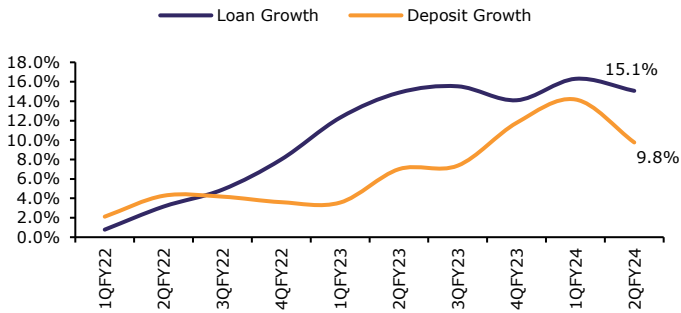
kunaal.n@emkayglobal.com
+91 22 6612 1275

Marazbaan Dastur

marazbaan.dastur@emkayglobal.com
+91 22 6612 1281

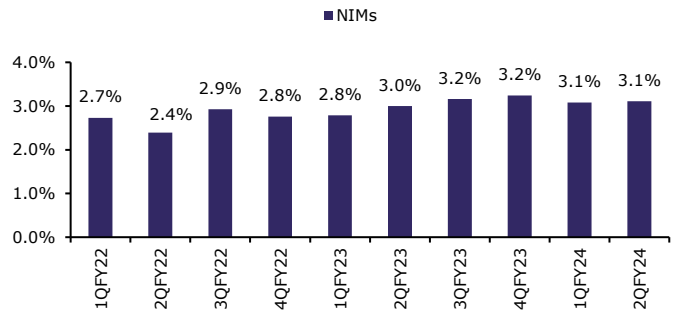
Story in Charts

Exhibit 1: Credit growth improves, but deposit growth remains moderate



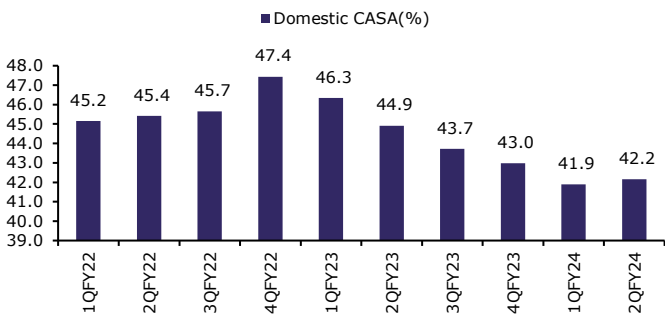
Source: Company, Emkay Research

Exhibit 2: NIMs stay stable owing to better yield on loans/investments



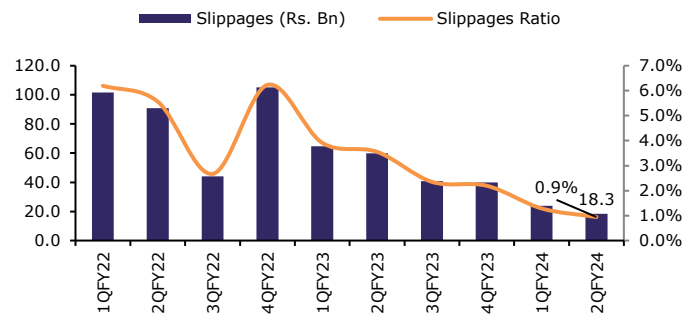
Source: Company, Emkay Research

Exhibit 3: Domestic CASA was unwavering at 42%



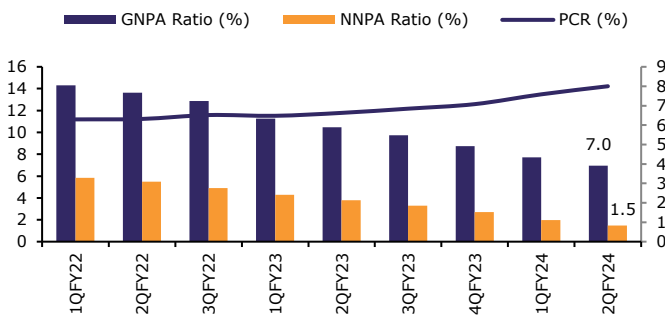
Source: Company, Emkay Research

Exhibit 4: Slippages were contained at 0.9% of loans



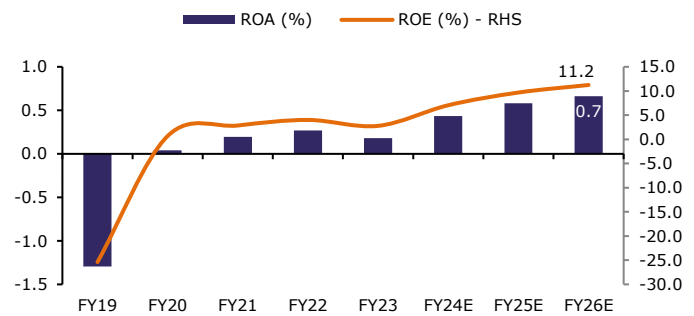
Source: Company, Emkay Research

Exhibit 5: Lower slippages along with better recovery/upgrade led to improvement in asset quality



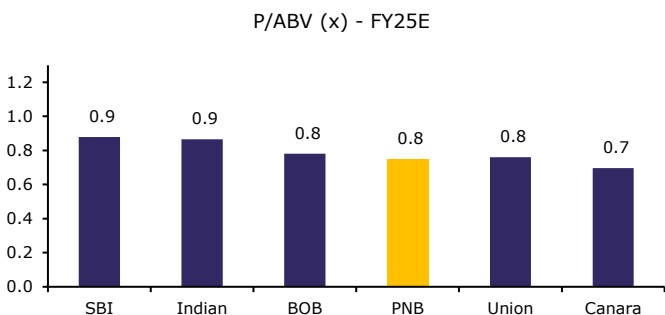
Source: Company, Emkay Research

Exhibit 6: We expect the bank to report gradual improvement in return ratios, going forward



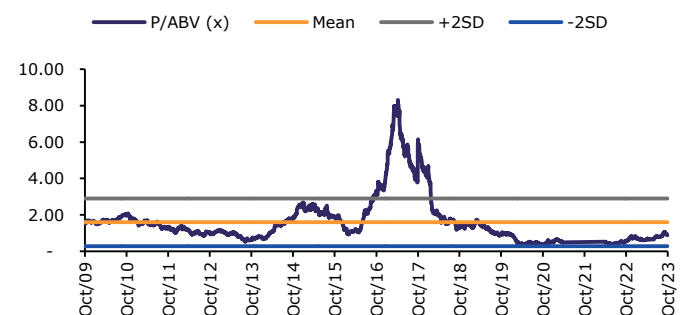
Source: Company, Emkay Research

Exhibit 7: PNB is reasonably valued vs peers



Source: Bloomberg, Emkay Research

Exhibit 8: The stock currently trades at 0.8x its 1-year forward ABV



Source: Company, Bloomberg, Emkay Research

Exhibit 9: Actuals vs Estimates (Q2FY24)

| (Rs mn) | Actuals | Estimates | | Variation | | Comments |
|------------|----------|-----------|-----------|-----------|-----------|--|
| | | Emkay | Consensus | Emkay | Consensus | |
| Net income | 1,29,512 | 1,26,258 | 1,24,459 | 3% | 4% | Higher NII led to a beat on Net income |
| PPOP | 62,164 | 55,966 | 62,017 | 11% | 0% | Higher net income and lower staff expenses led to a beat |
| PAT | 17,561 | 14,626 | 16,195 | 20% | 8% | Higher PPOP and contained provisions led to a beat |

Source: Company, Emkay Research

Exhibit 10: Quarterly Summary

| (Rs mn) | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | YoY (%) | QoQ (%) | FY23 | FY24E | YoY (%) |
|---------------------------|----------|----------|----------|----------|----------|---------|---------|----------|-----------|---------|
| Interest Earned | 2,01,540 | 2,23,844 | 2,38,486 | 2,51,455 | 2,63,549 | 31 | 5 | 8,51,441 | 10,73,486 | 26 |
| Interest Exp | 1,18,833 | 1,32,051 | 1,43,499 | 1,56,412 | 1,64,320 | 38 | 5 | 5,06,525 | 6,80,124 | 34 |
| Net Interest Income | 82,707 | 91,794 | 94,988 | 95,043 | 99,229 | 20 | 4 | 3,44,916 | 3,93,362 | 14 |
| Global NIMs (reported) | 3.00 | 3.16 | 3.24 | 3.08 | 3.11 | 11bps | 3bps | 2.70 | 2.75 | 6bps |
| Non-interest Income | 28,472 | 33,380 | 34,203 | 34,338 | 30,283 | 6 | -12 | 1,21,425 | 1,31,489 | 8 |
| Operating Expenses | 55,507 | 68,014 | 70,527 | 69,701 | 67,348 | 21 | -3 | 2,41,054 | 2,83,519 | 18 |
| Pre Provisioning Profit | 55,672 | 57,159 | 58,664 | 59,680 | 62,164 | 12 | 4 | 2,25,288 | 2,41,332 | 7 |
| Provision & Contingencies | 49,064 | 47,133 | 38,306 | 39,653 | 34,442 | -30 | -13 | 1,82,405 | 1,39,275 | -24 |
| PBT | 6,608 | 10,026 | 20,359 | 20,027 | 27,723 | 320 | 38 | 42,883 | 1,02,057 | 138 |
| Income Tax Expense (Gain) | 2,496 | 3,737 | 8,772 | 7,473 | 10,161 | 307 | 36 | 17,811 | 35,720 | 101 |
| Net Profit/(Loss) | 4,113 | 6,289 | 11,586 | 12,554 | 17,561 | 327 | 40 | 25,072 | 66,337 | 165 |
| Gross NPA (%) | 10.47 | 9.75 | 8.73 | 7.73 | 6.96 | -351bps | -77bps | 8.73 | 6.40 | -233bps |
| Net NPA (%) | 3.79 | 3.29 | 2.72 | 1.98 | 1.47 | -232bps | -51bps | 2.72 | 1.35 | -137bps |
| Deposits (Rs bn) | 11,935 | 12,104 | 12,812 | 12,979 | 13,099 | 10 | 1 | 12,812 | 13,972 | 9 |
| Net Advances (Rs bn) | 7,734 | 8,004 | 8,308 | 8,637 | 8,899 | 15 | 3 | 8,308 | 9,411 | 13 |

Source: Company, Emkay Research

Exhibit 11: Revision in Estimates

| Y/E Mar (Rs mn) | FY24E | | | FY25E | | | FY26E | | |
|-----------------|----------|----------|--------|----------|----------|--------|----------|----------|--------|
| | Earlier | Revised | Change | Earlier | Revised | Change | Earlier | Revised | Change |
| Net income | 5,07,476 | 5,24,852 | 3.4% | 5,42,765 | 5,51,388 | 1.6% | 5,97,207 | 6,01,937 | 0.8% |
| PPOP | 2,20,259 | 2,41,332 | 9.6% | 2,25,355 | 2,41,307 | 7.1% | 2,48,440 | 2,65,406 | 6.8% |
| PAT | 60,743 | 66,337 | 9.2% | 98,044 | 97,372 | -0.7% | 1,19,481 | 1,23,014 | 3.0% |
| EPS (Rs) | 5.5 | 6.0 | 9.2% | 8.9 | 8.8 | -0.7% | 10.9 | 11.2 | 3.0% |
| BV (Rs) | 87.4 | 87.8 | 0.5% | 94.6 | 94.9 | 0.3% | 103.6 | 103.8 | 0.3% |

Source: Emkay Research

Exhibit 12: Key Assumptions

| | FY23A | FY24E | FY25E | FY26E |
|--------------------|-------|-------|-------|-------|
| Loan Growth (%) | 14.1 | 13.3 | 13.5 | 14.2 |
| Deposit Growth (%) | 11.8 | 9.1 | 10.9 | 11.6 |
| NIM (%) | 2.7 | 2.8 | 2.7 | 2.7 |
| GNPA (%) | 8.7 | 6.4 | 5.0 | 4.0 |
| Credit Cost (%) | 2.1 | 1.5 | 1.0 | 0.9 |

Source: Emkay Research

Exhibit 13: Key Ratios and Trends

| | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 |
|---|--------|--------|----------|--------|--------|--------|--------|--------|--------|
| Loans (Rs bn) | 7,366 | 7,562 | 7,857 | 8,011 | 8,311 | 8,576 | 8,856 | 9,175 | 9,424 |
| growth (YoY) | 2.7 | 4.0 | 6.3 | 10.3 | 12.8 | 13.4 | 12.7 | 14.5 | 13.4 |
| growth (QoQ) | 1.5 | 2.7 | 3.9 | 2.0 | 3.7 | 3.2 | 3.3 | 3.6 | 2.7 |
| Liability Profile | | | | | | | | | |
| Deposits (Rs bn) | 11,154 | 11,273 | 11,462 | 11,367 | 11,935 | 12,104 | 12,812 | 12,979 | 13,099 |
| growth (YoY) | 4.3 | 4.2 | 3.6 | 3.6 | 7.0 | 7.4 | 11.8 | 14.2 | 9.8 |
| growth (QoQ) | 1.6 | 1.1 | 1.7 | (0.8) | 5.0 | 1.4 | 5.8 | 1.3 | 0.9 |
| Asset Quality and Capital | | | | | | | | | |
| GNPA (%) | 13.6 | 12.9 | 11.8 | 11.3 | 10.5 | 9.7 | 8.7 | 7.7 | 7.0 |
| NNPA (%) | 5.0 | 4.5 | 4.4 | 4.0 | 3.5 | 3.1 | 2.6 | 1.9 | 1.4 |
| PCR (%) | 63.2 | 65.2 | 62.2 | 64.8 | 66.3 | 68.5 | 70.8 | 75.8 | 80.0 |
| Slippages (Rs mn) | 90,770 | 44,070 | 1,05,060 | 64,680 | 59,790 | 40,720 | 39,960 | 23,900 | 18,260 |
| Slippages (%) | 5.1 | 2.4 | 5.7 | 3.6 | 3.2 | 2.2 | 2.0 | 1.2 | 0.9 |
| CAR (%) | 15.2 | 14.9 | 14.5 | 14.8 | 14.7 | 15.2 | 15.5 | 15.5 | 15.1 |
| Tier I (%) | 12.5 | 12.2 | 11.7 | 12.1 | 12.2 | 12.2 | 12.7 | 12.3 | 12.0 |
| ROE Decomposition (on total assets; %) | | | | | | | | | |
| NII | 2.0 | 2.4 | 2.2 | 2.3 | 2.5 | 2.6 | 2.7 | 2.6 | 2.7 |
| Other Income (Ex Treasury) | 0.7 | 0.6 | 0.6 | 0.6 | 0.8 | 0.9 | 0.9 | 0.8 | 0.8 |
| Treasury | 0.3 | 0.2 | 0.1 | 0.2 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 |
| Opex | 1.8 | 1.7 | 1.4 | 1.4 | 1.6 | 2.0 | 2.0 | 1.9 | 1.8 |
| PPOP | 1.3 | 1.6 | 1.6 | 1.6 | 1.7 | 1.6 | 1.6 | 1.6 | 1.7 |
| Provisioning Cost | 1.0 | 1.0 | 1.5 | 1.5 | 1.5 | 1.4 | 1.1 | 1.1 | 0.9 |
| PBT | 0.2 | 0.5 | 0.1 | 0.2 | 0.2 | 0.3 | 0.6 | 0.5 | 0.7 |
| Tax | -0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 |
| ROA | 0.4 | 0.4 | 0.1 | 0.1 | 0.1 | 0.2 | 0.3 | 0.3 | 0.5 |
| ROE | 4.7 | 4.7 | 0.8 | 1.3 | 1.7 | 2.5 | 4.7 | 5.0 | 6.9 |

Source: Company, Emkay Research

Punjab National Bank: Standalone Financials and Valuations

Profit & Loss

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest Income | 7,48,795 | 8,51,441 | 10,73,486 | 11,57,408 | 12,41,302 |
| Interest Expense | 4,61,851 | 5,06,525 | 6,80,124 | 7,30,863 | 7,73,134 |
| Net interest income | 2,86,945 | 3,44,916 | 3,93,362 | 4,26,545 | 4,68,168 |
| NII growth (%) | (6.1) | 20.2 | 14.0 | 8.4 | 9.8 |
| Other income | 1,23,200 | 1,21,425 | 1,31,489 | 1,24,843 | 1,33,769 |
| Total Income | 4,10,144 | 4,66,342 | 5,24,852 | 5,51,388 | 6,01,937 |
| Operating expenses | 2,02,526 | 2,41,054 | 2,83,519 | 3,10,081 | 3,36,531 |
| PPOP | 2,07,618 | 2,25,288 | 2,41,332 | 2,41,307 | 2,65,406 |
| PPOP growth (%) | (6.3) | 8.5 | 7.1 | 0.0 | 10.0 |
| Core PPOP | 1,78,267 | 2,36,659 | 2,22,492 | 2,17,756 | 2,37,144 |
| Provisions & contingencies | 1,64,454 | 1,82,405 | 1,39,275 | 95,976 | 1,01,387 |
| PBT | 43,164 | 42,883 | 1,02,057 | 1,45,331 | 1,64,019 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Tax expense | 8,594 | 17,811 | 35,720 | 47,959 | 41,005 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Income from JV/Associates | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 34,570 | 25,072 | 66,337 | 97,372 | 1,23,014 |
| PAT growth (%) | 71.0 | (27.5) | 164.6 | 46.8 | 26.3 |
| Adjusted PAT | 34,570 | 25,072 | 66,337 | 97,372 | 1,23,014 |
| Diluted EPS (Rs) | 3.2 | 2.2 | 5.9 | 8.7 | 11.0 |
| Diluted EPS growth (%) | 51.9 | (29.2) | 164.6 | 46.8 | 26.3 |
| DPS (Rs) | 0.7 | 0.7 | 1.2 | 1.8 | 2.2 |
| Dividend payout (%) | 20.4 | 28.5 | 19.9 | 20.4 | 19.7 |
| Effective tax rate (%) | 19.9 | 41.5 | 35.0 | 33.0 | 25.0 |
| Net interest margins (%) | 2.5 | 2.7 | 2.8 | 2.7 | 2.7 |
| Cost-income ratio (%) | 49.4 | 51.7 | 54.0 | 56.2 | 55.9 |
| Shares outstanding (mn) | 11,011.0 | 11,011.0 | 11,011.0 | 11,011.0 | 11,011.0 |

Source: Company, Emkay Research

Asset quality and other metrics

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|--------------------------|------------|------------|------------|------------|------------|
| Asset quality | | | | | |
| Gross NPLs | 9,24,479.7 | 7,73,276.0 | 6,34,913.5 | 5,59,374.5 | 5,02,886.9 |
| Net NPLs | 3,52,761.6 | 2,25,850.2 | 1,26,982.7 | 1,28,656.1 | 1,40,808.3 |
| GNPA ratio (%) | 11.8 | 8.7 | 6.4 | 5.0 | 4.0 |
| NNPA ratio (%) | 4.8 | 2.7 | 1.3 | 1.2 | 1.2 |
| Provision coverage (%) | 61.8 | 70.8 | 80.0 | 77.0 | 72.0 |
| Gross slippages | 2,47,436.7 | 1,60,289.2 | 1,53,736.1 | 1,88,847.4 | 2,25,950.4 |
| Gross slippage ratio (%) | 3.2 | 1.8 | 1.6 | 1.7 | 1.8 |
| LLP ratio (%) | 2.1 | 2.1 | 1.5 | 1.0 | 0.9 |
| NNPA to networth (%) | 37.7 | 23.1 | 12.2 | 11.5 | 11.5 |
| Capital adequacy | | | | | |
| Total CAR (%) | 14.5 | 15.5 | 14.7 | 14.4 | 14.2 |
| Tier-1 (%) | 11.7 | 12.7 | 12.4 | 12.2 | 12.1 |
| CET-1 (%) | 10.6 | 11.4 | 11.2 | 11.1 | 11.1 |
| RWA-to-Total Assets (%) | 45.7 | 45.1 | 45.1 | 45.1 | 45.1 |
| Miscellaneous | | | | | |
| Total income growth (%) | (6.0) | 11.6 | 23.9 | 6.4 | 7.2 |
| Opex growth (%) | (0.3) | 19.0 | 17.6 | 9.4 | 8.5 |
| Core PPOP growth (%) | (4.3) | 32.8 | (6.0) | (2.1) | 8.9 |
| PPOP margin (%) | 1.6 | 1.6 | 1.6 | 18.8 | 19.3 |
| PAT/PPOP (%) | 16.7 | 11.1 | 27.5 | 40.4 | 46.3 |
| LLP-to-Core PPOP (%) | 92.3 | 77.1 | 62.6 | 44.1 | 42.8 |
| Yield on advances (%) | 7.3 | 7.6 | 8.7 | 8.4 | 8.1 |
| Cost of funds (%) | 3.9 | 4.0 | 4.9 | 4.8 | 4.5 |

Source: Company, Emkay Research

Balance Sheet

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Share capital | 22,022 | 22,022 | 22,022 | 22,022 | 22,022 |
| Reserves & surplus | 9,32,847 | 9,76,535 | 10,29,271 | 11,06,475 | 12,04,865 |
| Net worth | 9,54,869 | 9,98,557 | 10,51,293 | 11,28,497 | 12,26,887 |
| Deposits | 114,62,184 | 128,11,631 | 139,72,414 | 154,97,256 | 172,99,795 |
| Borrowings | 4,56,814 | 5,12,917 | 5,45,300 | 5,79,921 | 6,17,004 |
| Interest bearing liab. | 119,18,999 | 133,24,548 | 145,17,714 | 160,77,177 | 179,16,799 |
| Other liabilities & prov. | 2,74,183 | 2,95,209 | 3,57,516 | 3,91,245 | 4,42,109 |
| Total liabilities & equity | 131,48,050 | 146,18,314 | 159,26,523 | 175,96,919 | 195,85,796 |
| Net advances | 72,81,857 | 83,08,340 | 94,10,527 | 106,77,954 | 121,90,721 |
| Investments | 37,21,678 | 39,59,967 | 43,21,185 | 45,91,182 | 49,09,675 |
| Cash, other balances | 13,26,468 | 15,51,088 | 13,76,594 | 14,36,560 | 15,03,344 |
| Interest earning assets | 123,30,002 | 138,19,395 | 151,08,306 | 167,05,696 | 186,03,740 |
| Fixed assets | 1,06,736 | 1,20,511 | 1,29,208 | 1,42,129 | 1,56,342 |
| Other assets | 7,11,312 | 6,78,408 | 6,89,009 | 7,49,094 | 8,25,714 |
| Total assets | 131,48,050 | 146,18,314 | 159,26,523 | 175,96,919 | 195,85,796 |
| BVPS (Rs) | 80.3 | 83.0 | 87.8 | 94.9 | 103.8 |
| Adj. BVPS (INR) | 56.3 | 67.7 | 79.2 | 86.1 | 94.3 |
| Gross advances | 78,53,575 | 88,55,766 | 99,18,457 | 111,08,672 | 125,52,800 |
| Credit to deposit (%) | 63.5 | 64.8 | 67.4 | 68.9 | 70.5 |
| CASA ratio (%) | 46.6 | 42.0 | 40.4 | 39.8 | 39.6 |
| Cost of deposits (%) | 3.8 | 3.9 | 4.8 | 4.7 | 4.5 |
| Loans-to-Assets (%) | 55.4 | 56.8 | 59.1 | 60.7 | 62.2 |
| Net advances growth (%) | 8.0 | 14.1 | 13.3 | 13.5 | 14.2 |
| Deposit growth (%) | 3.6 | 11.8 | 9.1 | 10.9 | 11.6 |
| Book value growth (%) | 0.5 | 3.3 | 5.8 | 8.0 | 9.5 |

Source: Company, Emkay Research

Valuations and key Ratios

| Y/E Mar | FY22 | FY23 | FY24E | FY25E | FY26E |
|-----------------------------|------------|------------|------------|------------|-------------|
| P/E (x) | 20.2 | 28.6 | 10.8 | 7.4 | 5.8 |
| P/B (x) | 1.2 | 1.0 | 0.9 | 0.8 | 0.7 |
| P/ABV (x) | 1.2 | 1.0 | 0.8 | 0.8 | 0.7 |
| P/PPOP (x) | 3.7 | 3.4 | 3.2 | 3.2 | 2.9 |
| Dividend yield (%) | 0.9 | 0.9 | 1.7 | 2.6 | 3.1 |
| DuPont-RoE split (%) | | | | | |
| NII/avg assets | 2.2 | 2.5 | 2.6 | 2.5 | 2.5 |
| Other income | 1.0 | 0.9 | 0.9 | 0.7 | 0.7 |
| Fee income | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Opex | 1.6 | 1.7 | 1.9 | 1.8 | 1.8 |
| PPOP | 1.6 | 1.6 | 1.6 | 1.4 | 1.4 |
| Core PPOP | 1.4 | 1.7 | 1.5 | 1.3 | 1.3 |
| Provisions | 1.3 | 1.3 | 0.9 | 0.6 | 0.5 |
| Tax expense | 0.1 | 0.1 | 0.2 | 0.3 | 0.2 |
| RoA (%) | 0.3 | 0.2 | 0.4 | 0.6 | 0.7 |
| Leverage ratio (x) | 15.0 | 15.4 | 16.2 | 16.7 | 17.0 |
| RoE (%) | 4.0 | 2.8 | 7.1 | 9.7 | 11.2 |

Quarterly data

| Rs mn, Y/E Mar | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 |
|----------------|--------|--------|--------|--------|--------|
| NII | 82,707 | 91,794 | 94,988 | 95,043 | 99,229 |
| NIM (%) | 3.0 | 3.2 | 3.2 | 3.1 | 3.1 |
| PPOP | 55,672 | 57,159 | 58,664 | 59,680 | 62,164 |
| PAT | 4,113 | 6,289 | 11,586 | 12,554 | 17,561 |
| EPS (Rs) | 0.37 | 0.57 | 1.05 | 1.14 | 1.59 |

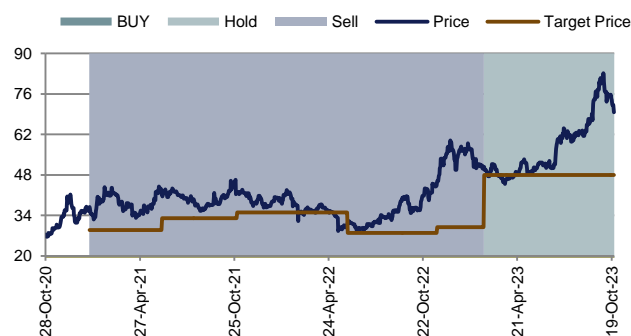
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

| Date | CMP (INR) | TP (INR) | Rating | Analyst |
|-----------|-----------|----------|--------|------------|
| 07-Oct-23 | 77 | 65 | Hold | Anand Dama |
| 09-Mar-23 | 51 | 48 | Hold | Anand Dama |
| 16-Feb-23 | 51 | 48 | Hold | Anand Dama |
| 18-Nov-22 | 46 | 30 | Sell | Anand Dama |
| 30-May-22 | 32 | 28 | Sell | Anand Dama |
| 30-Oct-21 | 42 | 35 | Sell | Anand Dama |
| 04-Aug-21 | 39 | 33 | Sell | Anand Dama |
| 08-Jun-21 | 41 | 33 | Sell | Anand Dama |
| 09-Feb-21 | 39 | 29 | Sell | Anand Dama |
| 20-Jan-21 | 37 | 29 | Sell | Anand Dama |

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|-------------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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