

# IndusInd Bank

Estimate change



TP change



Rating change



Bloomberg	IIB IN
Equity Shares (m)	779
M.Cap.(INRb)/(USD\$)	1093.3 / 13.1
52-Week Range (INR)	1695 / 1354
1, 6, 12 Rel. Per (%)	-10/-23/-27
12M Avg Val (INR M)	5365

## Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	206.2	230.1	272.5
OP	158.6	173.6	207.4
NP	89.8	95.2	117.6
NIM (%)	4.2	4.1	4.2
EPS (INR)	115.5	122.4	151.1
EPS Gr. (%)	20.3	5.9	23.5
BV/Sh. (INR)	810	916	1,050
ABV/Sh. (INR)	792	896	1,028

## Ratios

RoE (%)	15.3	14.2	15.4
RoA (%)	1.8	1.7	1.8

## Valuations

P/E (X)	12.2	11.5	9.3
P/BV (X)	1.7	1.5	1.3
P/ABV (X)	1.8	1.6	1.4

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	15.1	15.1	15.1
DII	27.8	26.3	24.2
FII	43.2	45.0	47.4
Others	13.9	13.6	13.3

FII Includes depository receipts

**CMP: INR1,404**

**TP: INR1,700 (+21%)**

**Buy**

## Modest quarter; guides a robust growth outlook

### Asset quality deteriorates slightly

- IndusInd Bank (IIB) posted a 1QFY25 PAT of ~INR21.7b (7% miss) due to modest revenue growth. NII grew 11% YoY to INR54.1b (3% miss) and other income rose 10.5% YoY to INR24.4b (5% miss). NIM was broadly stable at 4.25%.
- Loan book grew 15% YoY (1.3% QoQ), led by corporate book. Deposits grew 15% YoY (4% QoQ), led by term deposits. CASA ratio moderated 121bp QoQ to 36.7%. Growth in the card business was muted.
- Fresh slippages increased 7.6% QoQ to INR15.4b, primarily due to a rise in slippages in the consumer finance book to INR14.9b. GNPA/NNPA ratios increased 10bp/3bp QoQ to 2.02%/0.6%. The bank did not utilize any contingent provisions and held INR10b of contingency buffer as of Jun'24.
- We cut our earnings estimates by 7.7%/8.0% for FY25/26, leading to an RoA/RoE of 1.83%/15.4% by FY26E. **We reiterate our BUY rating on the stock with a TP of INR1,700 (premised on 1.7x FY26E ABV).**

### NIM stable at 4.25%; card business to remain subdued

- IIB reported 1QFY25 PAT of ~INR21.7b (7% miss) due to lower other income and NII.
- NII grew 11% YoY to INR54.1b (3% miss). Other income rose 10.5% YoY (5% miss) as treasury income stood at INR930m (vs. INR2.2b in 4QFY24). Total revenue grew 11% YoY to INR78.5b. NIM was broadly stable at 4.25%. Management expects to maintain NIM within range of 4.2-4.3%.
- Opex grew 20% YoY to INR39b (in line). C/I ratio increased 150bp QoQ to 49.2%. PPOP inched up 3% YoY to ~INR39.5b (6% miss).
- On the business front, loans grew 15% YoY (1.3% QoQ), led by corporate book (3% QoQ growth). In consumer business, credit cards posted a modest growth, while microfinance declined 5.5% QoQ. Card fees dipped due to the loss of over-limit fees driven by regulatory directions. Further, the inter-change on rentals was eliminated and the new card acquisition rate was lower.
- Deposits grew 15% YoY (4% QoQ), led by term deposits. CASA ratio moderated 121bp QoQ to 36.7%. Retail deposit mix as per LCR stood at 44%. The CD ratio stood at 87.3% in 1QFY25.
- Fresh slippages increased 7.6% QoQ to INR15.4b, primarily due to a rise in slippages in the consumer finance book to INR14.9b. GNPA/NNPA ratios increased 10bp/3bp QoQ to 2.02%/0.6%. The bank did not utilize any contingent provisions and held INR10b of contingency buffer as of Jun'24. The restructured book declined 6bp QoQ to 0.3%.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Highlights from the management commentary**

- The card fees dropped in 1QFY25 as: 1) the Regulator has come up with a directive that over-limit fees cannot be charged, and this led to a INR240m drop in card fees; 2) the new card acquisition rate was lower, and 3) the interchange on rentals was eliminated, which resulted in a slight fee income loss (INR100m) for the bank.
- CD stood ratio at 87.3% and IIB expects this to remain ~88-90% going forward.
- The management guided ~18-22% growth for FY25.
- Slippages breakup: INR6.6b for vehicle finance, INR3.38b for Bharat Financial, INR480m for corporates, INR4.9b for other retail.

**Valuation and view**

IIB reported a mixed quarter, as lower income growth and NII dragged down earnings. However, deposit growth was healthy, led by term deposits. The NIM trajectory remained stable, and management guided stable trends going forward. The asset quality ratios deteriorated marginally as fresh slippages increased primarily in the consumer finance book. IIB guided a loan growth of 18-22% for FY25 as it looks to operate at a CD ratio of 88-90%. The bank indicated a credit cost of 110-130bp over FY25E, while it does not plan to use contingent provisions (INR10b). While MF and Card businesses may continue to report some stress in the near term, the overall slippages are likely to remain in control and will help maintain broadly stable asset quality. We cut our earnings estimates by 7.7%/8.0% for FY25/26, leading to an RoA/RoE of 1.83%/15.4% by FY26. **We reiterate our BUY rating on the stock with a TP of INR1,700 (premised on 1.7x FY26E ABV).**

**Quarterly performance****(INR b)**

	FY24				FY25E				FY24	FY25E	FY25E V/S our	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
<b>Net Interest Income</b>	<b>48.7</b>	<b>50.8</b>	<b>53.0</b>	<b>53.8</b>	<b>54.1</b>	<b>55.0</b>	<b>57.7</b>	<b>63.3</b>	<b>206.2</b>	<b>230.1</b>	<b>55.8</b>	<b>-3%</b>
% Change (YoY)	18.0	18.0	17.8	15.1	11.1	8.3	8.9	17.8	17.2	11.6	14.7	
Other Income	22.1	22.8	24.0	25.1	24.4	25.7	27.3	29.3	94.0	106.7	25.6	-5%
<b>Total Income</b>	<b>70.8</b>	<b>73.6</b>	<b>76.9</b>	<b>78.8</b>	<b>78.5</b>	<b>80.7</b>	<b>85.0</b>	<b>92.6</b>	<b>300.1</b>	<b>336.8</b>	<b>81.4</b>	<b>-4%</b>
Operating Expenses	32.5	34.5	36.5	38.0	39.0	40.3	41.3	42.6	141.5	163.2	39.5	-1%
<b>Operating Profit</b>	<b>38.3</b>	<b>39.1</b>	<b>40.4</b>	<b>40.8</b>	<b>39.5</b>	<b>40.4</b>	<b>43.7</b>	<b>50.0</b>	<b>158.6</b>	<b>173.6</b>	<b>41.9</b>	<b>-6%</b>
% Change (YoY)	11.7	10.3	9.7	8.6	3.1	3.4	8.1	22.4	10.0	9.4	9.4	
Provisions	9.9	9.7	9.7	9.5	10.5	10.3	11.6	14.1	38.8	46.4	10.7	-1%
<b>Profit before Tax</b>	<b>28.4</b>	<b>29.3</b>	<b>30.7</b>	<b>31.3</b>	<b>29.0</b>	<b>30.1</b>	<b>32.1</b>	<b>35.9</b>	<b>119.8</b>	<b>127.2</b>	<b>31.3</b>	<b>-7%</b>
Tax	7.2	7.3	7.7	7.8	7.3	7.6	8.1	8.9	30.0	31.9	7.9	-7%
<b>Net Profit</b>	<b>21.2</b>	<b>22.0</b>	<b>23.0</b>	<b>23.5</b>	<b>21.7</b>	<b>22.5</b>	<b>24.0</b>	<b>27.0</b>	<b>89.8</b>	<b>95.2</b>	<b>23.4</b>	<b>-7%</b>
% Change (YoY)	30.3	22.0	17.2	15.0	2.2	2.4	4.3	14.8	20.6	6.1	10.1	

**Operating Parameters**

Deposit (INR b)	3,470	3,595	3,688	3,846	3,985	4,125	4,309	4,480	3,846	4,480	3,986
Loan (INR b)	3,013	3,155	3,271	3,433	3,479	3,690	3,859	4,017	3,433	4,017	3,481
Deposit Growth (%)	14.5	13.9	13.4	14.4	14.8	14.7	16.8	16.5	14.4	16.5	14.9
Loan Growth (%)	21.5	21.3	19.9	18.4	15.5	17.0	18.0	17.0	18.4	17.0	15.5

**Asset Quality**

Gross NPA (%)	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9	2.0	2.0
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	70.8	71.0	71.5	70.6	71.5	70.2

E: MOFSL Estimates

## Exhibit 1: Quarterly snapshot

INR b	FY24				FY25	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Profit and Loss</b>							
<b>Net Interest Income</b>	<b>48.7</b>	<b>50.8</b>	<b>53.0</b>	<b>53.8</b>	<b>54.1</b>	<b>11</b>	<b>1</b>
Other Income	22.1	22.8	24.0	25.1	24.4	10	-3
Trading profits	0.9	1.6	2.3	2.2	0.9	2	-57
<b>Total Income</b>	<b>70.8</b>	<b>73.6</b>	<b>76.9</b>	<b>78.8</b>	<b>78.5</b>	<b>11</b>	<b>0</b>
Operating Expenses	32.5	34.5	36.5	38.0	39.0	20	2
Employee	12.4	13.4	13.9	14.1	14.4	16	2
Others	20.1	21.1	22.6	23.9	24.6	22	3
<b>Operating Profits</b>	<b>38.3</b>	<b>39.1</b>	<b>40.4</b>	<b>40.8</b>	<b>39.5</b>	<b>3</b>	<b>-3</b>
<b>Core PPOp</b>	<b>37.4</b>	<b>37.5</b>	<b>38.1</b>	<b>38.7</b>	<b>38.6</b>	<b>3</b>	<b>0</b>
Provisions	9.9	9.7	9.7	9.5	10.5	6	10
<b>PBT</b>	<b>28.4</b>	<b>29.3</b>	<b>30.7</b>	<b>31.3</b>	<b>29.0</b>	<b>2</b>	<b>-7</b>
Taxes	7.2	7.3	7.7	7.8	7.3	2	-7
<b>PAT</b>	<b>21.2</b>	<b>22.0</b>	<b>23.0</b>	<b>23.5</b>	<b>21.7</b>	<b>2</b>	<b>-8</b>
<b>Balance Sheet (INR b)</b>							
Loans	3,013	3,155	3,271	3,433	3,479	15	1
Deposits	3,470	3,595	3,688	3,846	3,985	15	4
CASA Deposits	1,384	1,414	1,419	1,457	1,461	6	0
- Savings	891	915	919	987	977	10	-1
- Current	493	499	500	470	485	-2	3
<b>Loan mix (%)</b>							
Consumer	53.7	54.6	55.2	55.7	54.8	107	-91
- of which Vehicle	26.0	26.0	26.3	25.7	25.8	-18	7
- of which Unsecured	8.9	9.6	9.9	10.5	10.3	143	-20
- of which MFI	10.6	10.9	10.9	11.4	10.6	3	-77
- others	8.2	8.1	8.1	8.0	8.0	-21	-2
Corporate & Commercial	46.3	45.4	44.8	44.3	45.2	-107	91
<b>Asset Quality (INR b)</b>							
GNPA	59.41	61.64	63.77	66.93	71.27	20	6
NNPA	17.47	18.14	18.75	19.69	20.95	20	6
Slippages	0.4	2.1	3.1	1.6	0.5	16	-97
<b>Asset Quality Ratios (%)</b>							
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>YoY (bp)</b>	<b>QoQ (bp)</b>
GNPA	1.9	1.9	1.9	1.9	2.0	8	10
NNPA	0.6	0.6	0.6	0.6	0.6	2	3
PCR (Cal.)	70.6	70.6	70.6	70.6	70.6	0	1
Slippage	2.0	2.0	2.4	1.8	1.9	-11	9
<b>Business Ratios (%)</b>							
CASA	39.9	39.4	38.5	37.9	36.7	-323	-121
Loan/Deposit	86.8	87.7	88.7	89.3	87.3	48	-197
Other income/Total Income	31.2	31.0	31.2	31.8	31.1	-12	-70
Cost to Income	45.9	46.9	47.4	48.2	49.7	379	142
Cost to Assets	3.0	3.1	3.1	3.1	3.1	17	0
Tax Rate	25.2	25.0	25.1	25.0	25.2	1	22
<b>Capitalisation Ratios (%)</b>							
CAR	18.4	18.2	17.7	17.2	17.6	-85	32
Tier 1	16.6	16.8	16.1	15.8	16.2	-40	33
- CET 1	16.4	16.3	16.1	15.8	16.2	-29	33
RWA / Total Assets	71.6	73.3	75.8	74.5	73.3	174	-114
LCR	132.0	117.0	122.1	118.0	122.0	-1,000	405
<b>Profitability Ratios (%)</b>							
Yield on loans	12.2	12.3	12.5	12.7	12.6	33	-9
Yield on funds	9.6	9.7	9.8	9.9	9.9	27	2
Cost of deposits	6.1	6.4	6.4	6.5	6.5	41	5
Cost of funds	5.3	5.4	5.5	5.6	5.6	31	3
Margins	4.29	4.29	4.29	4.26	4.25	-4	-1
<b>Other details</b>							
Branches	2,606	2,631	2,728	2,984	3,013	407	2,900
ATMs	2,875	2,903	2,939	2,956	2,988	113	3,200

Source: MOFSL, Company



## Highlights from the management commentary

### Opening remarks

- The bank navigated a challenging quarter, which is typically a seasonal and weak quarter. The challenges were further fueled by issues from heat waves and election-related disruptions.
- Retail as-per-LCR deposits grew 10% YoY, above loan growth.
- Increases in cost of deposit at 5bp QoQ, also remained under control despite the ongoing liquidity conditions.
- IIB was cautious on disbursements in vehicle and microfinance during the election phase and run rates have already picked up this month.
- Digital banking offering (Indy) continues to receive strong traction and has 1.3m customers on the Indy app.
- IIB's liability initiatives of Affluent and NRI Banking maintained robust traction, growing at 23% and 33% YoY, respectively.
- The bank did not use any contingent provision in 1QFY25. Adjusted for this, the core profitability remained resilient for a seasonally weak quarter.

### Margins, yields, costs, and return ratios

- PSLC fee stood at INR2.6-2.7b this quarter.
- ~INR300m for the quarter was the impact due to penal interests on yields.
- ~12.9% was the vehicle disbursement yield, ~22-23% was MFI yield and there was a dip in disbursement yield, as it was more tilted towards secured loans.
- NIM is expected to remain range bound at ~4.3-4.4% and the bank will be able to manage NIM in this range.
- C/I increased due to slower revenue due to seasonally weak disbursement in vehicle and MFI.

### Deposit and loan related

- The spends market share has further improved to 5% as per the latest available RBI data. IIB has been cautious in maintaining share of unsecured card and PL shares of 5-6% of the overall loan book.
- It is well capitalized as of now and there is no need to raise capital as of now.
- In 1QFY25, the bank lost in MFI as it was cautious. Growth slowdown in vehicle finance was due to the slow growth in rural.
- In Odisha, IIB has seen a slowdown in MFI and INR30b exposure has been reduced by the bank in this state two quarters back. Further, in UP and Jharkhand, it has reduced its exposures.
- Good business in Rajasthan and Maharashtra. Bank is range-bound in its credit cost.
- CD ratio at 87.2%, IIB expects this to remain in range of 88-90% going forward.
- ~4-5% impact is expected to be the effect from new guidelines on LCR.
- No further improvement in heavy commercial vehicle will be seen, rest will be a healthy growth.
- During the T-20 World Cup, IIB mobilized INR70b of term deposits; impact of this has been taken in 1Q itself
- ~55% will be corporate and ~44-45% will be retail.

- ~18-20% YoY growth in vehicle finance, in retail at 28-30%, ~18-20% mid-corporate, ~10-12% large corporate growth is expected going forward.
- The card business is a concern for the management.
- ~18-22% growth is expected in advances by the bank for FY25.
- The card fees dropped in 1QFY25 as: 1) the Regulator has come up with a directive that over-limit fees cannot be charged, and this led to a INR240m drop in card fees; 2) the new card acquisition rate was lower, and 3) the interchange on rentals was eliminated, which resulted in a slight fee income loss (INR100m) for the bank.

### Asset Quality

- Slippages breakup: INR6.6b for vehicle finance, INR3.38b for Bharat Financial, INR480m for corporates, INR4.9b for other retail.
- The bank writes off loans as per approved policy of the bank and it does not keep retail loans more than 180-240 days.
- 110-130bp is the credit cost expected by the bank including having excess provisions on MFI and vehicle.

### MFI business

- MFI disbursements were typically lower due to election activity, with average loan outstanding per customer reducing by 4% QoQ.
- However, collection intensity remains high, and bank aims to normalize the overdue book in a few months, expecting stable YoY MFI credit costs.
- Bharat Super Shop now has 700,000 merchants with a loan book growing 25% YoY.
- Bharat Money Stores have increased to 88,000, providing banking in remote areas, and have sourced 2.6m savings accounts, growing 68% YoY. Bank's focus is on asset quality and restoring center-meeting discipline amid improving monsoon conditions positions them well for future opportunities.

### Vehicle segment

- VF disbursements grew 15% YoY/2% QoQ, totaling INR112.6b for the quarter.
- Despite the typically weak first quarter and challenges such as election-related disruptions and extreme heat, bank saw sequential growth in commercial vehicles, cars, and construction equipment, though two-wheeler and tractor segments declined.
- Asset quality remained stable with gross slippages improving to 0.75% YoY, and the restructured book reduced from INR 5.47b to INR 4.17b due to upgrades and recoveries.
- Looking ahead, IIB anticipates vehicle loan growth to accelerate as government spending resumes post-budget and post-monsoon season.
- Bharat Financial Inc.'s loan book grew 17% YoY, with microfinance and merchant loans increasing 16% and 25% respectively.
- Despite collection efficiency being impacted, the focus on collections helped contain forward flows, resulting in a gross leverage of INR3.38b for the quarter. Total liabilities sourced through BFIL now stand at INR 23.5b, with 93% of loan disbursements made to interested accounts.

**Retail**

- Retail assets grew 23% YoY. MSME book under business banking reached grew 13% YoY, and the lab book maintained steady traction with 12% YoY growth.
- Bank tweaked its branch operating model last year to facilitate sourcing MSME asset customers and redefined SME branches, enhancing capabilities and upscaling the branch scope, resulting in increased contribution by branch-led organization.

**Corporate segment**

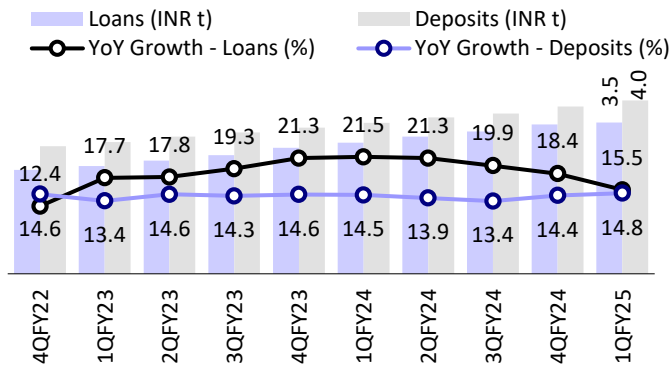
- Large corporates grew 10% YoY, mid-corporates rose 14% YoY, and small corporates jumped 22% YoY, driven by increased coverage and focus on select industry segments.
- The diamond business showed sequential growth after previous contractions due to weak global demand, with pristine asset quality and no NPA or SMA-1, SMA-2 customers.
- The proportion of A and above-rated customers improved to 79% from 76% YoY, with the weighted average rating increasing to 2.48% from 2.61% YoY.
- Gross slippages in the corporate book were only INR480m for the quarter, and net slippages were just INR40m

**Miscellaneous**

- The bank is set to elevate Affluent banking with the launch of Pioneer Private Banking next month, targeting customers with over INR30m network relationship value, further boosting the Affluent franchise's growth.
- IIB is launching a revamped Wealth Management offering, Indy for Business, and an enhanced NRI client experience on the Indy app, which continues to scale, with Indus Mobile achieving a 30% YoY growth in recurring bill payments and ratings of 4.5 on the App Store and 4.3 on the Play Store.

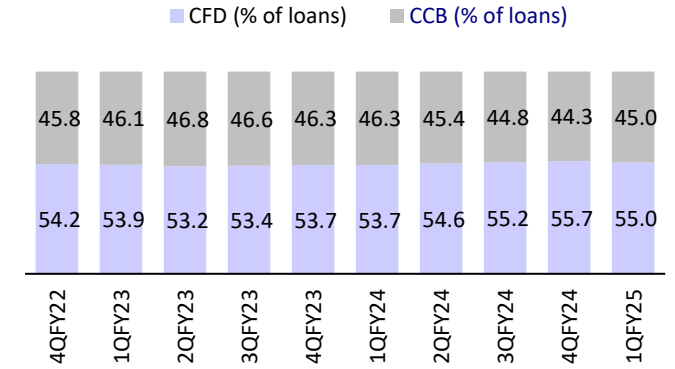
## Story in charts

**Exhibit 2: Loans/deposits rose 15.5%/14.8% YoY**



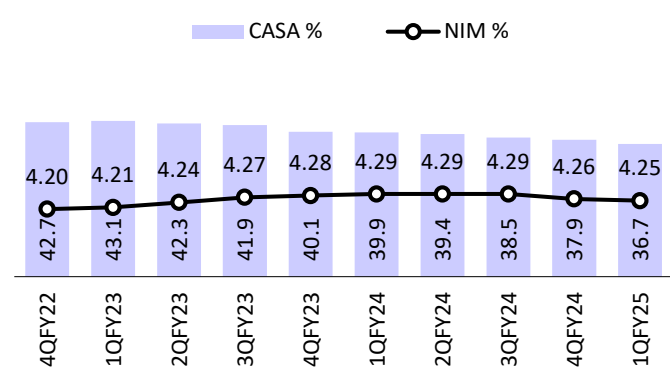
Source: MOFSL, Company

**Exhibit 3: CFD mix at 55%, while CCB stood at 45%**



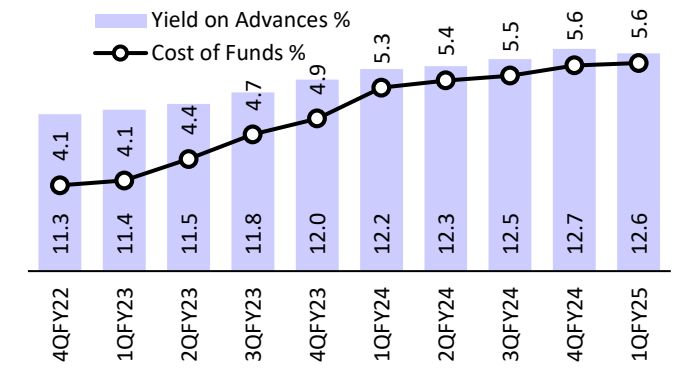
Source: MOFSL, Company

**Exhibit 4: NIM at 4.25%; CASA ratio at 36.7%**



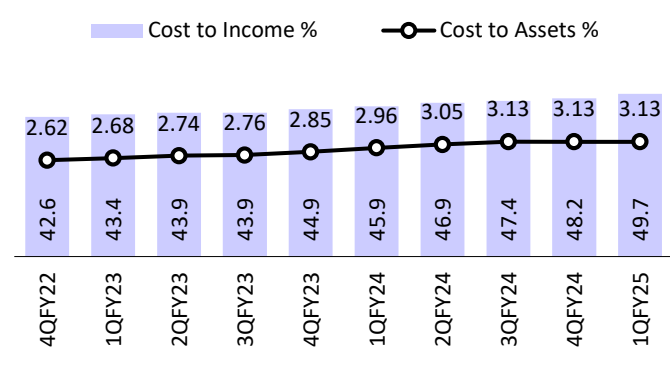
Source: MOFSL, Company

**Exhibit 5: YoA moderated to 12.6%; CoF stable at 5.6%**



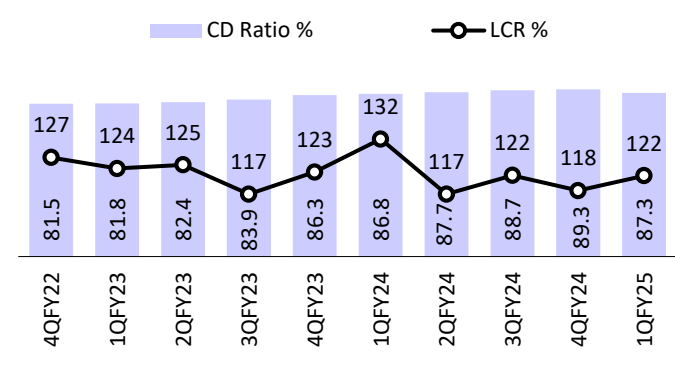
Source: MOFSL, Company

**Exhibit 6: C/I ratio increased to 49.7%; C/A stood at 3.1%**



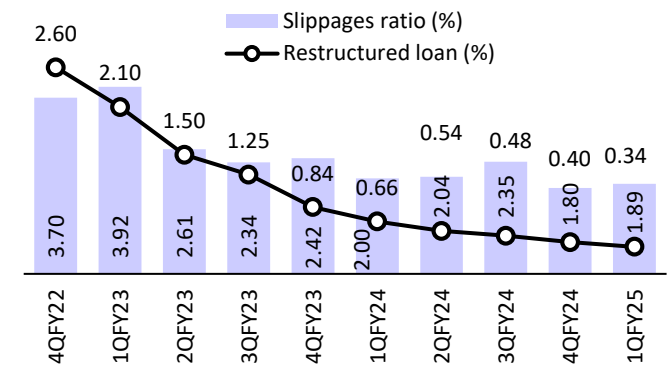
Source: MOFSL, Company

**Exhibit 7: CD ratio at 87.3%; LCR ratio increased to 122%**



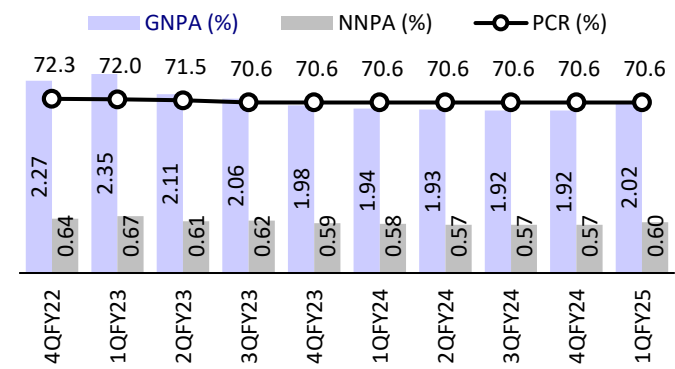
Source: MOFSL, Company

**Exhibit 8: Restructured book moderated 6bp QoQ**



Source: MOFSL, Company

**Exhibit 9: GNPA/NNPA ratios increased to 2.02%/0.6%**



Source: MOFSL, Company

### Valuation and view: Maintain BUY with TP of INR1,700

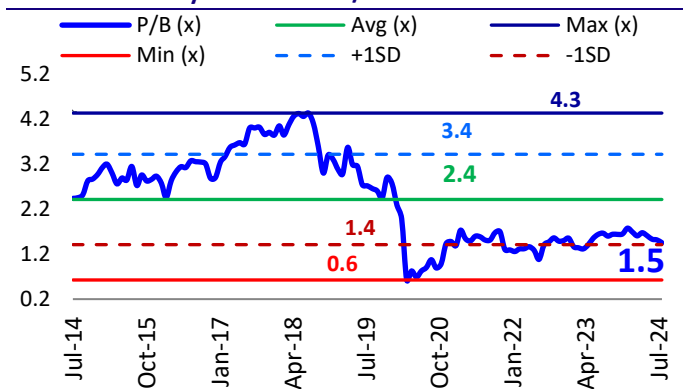
- IIB reported a mixed quarter, as lower income growth and NII dragged down earnings. However, deposit growth was healthy, led by term deposits. The NIM trajectory remained stable, and management guided stable trends going forward. The asset quality ratios deteriorated marginally as fresh slippages increased primarily in the consumer finance book.
- IIB guided a loan growth of 18-22% for FY25 as it looks to operate at a CD ratio of 88-90%. The bank indicated a credit cost of 110-130bp over FY25E, while it does not plan to use contingent provisions (INR10b). While MF and Card businesses may continue to report some stress in the near term, the overall slippages are likely to remain in control and will help maintain broadly stable asset quality.
- We cut our earnings estimates by 7.7%/8.0% for FY25/26, leading to an RoA/RoE of 1.83%/15.4% by FY26. **We reiterate our BUY rating on the stock with a TP of INR1,700 (premised on 1.7x FY26E ABV).**

#### Exhibit 10: Changes to our estimates

INR B	Old Estimates		New estimates		Variation (%/bps)	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	238.9	288.0	230.1	272.5	-3.7	-5.4
Other Income	108.1	125.3	106.7	123.8	-1.2	-1.2
<b>Total Income</b>	<b>347.0</b>	<b>413.3</b>	<b>336.8</b>	<b>396.3</b>	<b>-2.9</b>	<b>-4.1</b>
Operating Expenses	164.6	191.5	163.2	188.9	-0.8	-1.3
<b>Operating Profits</b>	<b>182.4</b>	<b>221.8</b>	<b>173.6</b>	<b>207.4</b>	<b>-4.8</b>	<b>-6.5</b>
Provisions	44.6	51.2	46.4	50.3	4.2	-1.7
<b>PBT</b>	<b>137.8</b>	<b>170.6</b>	<b>127.2</b>	<b>157.1</b>	<b>-7.7</b>	<b>-8.0</b>
Tax	34.6	42.8	31.9	39.4	-7.7	-8.0
<b>PAT</b>	<b>103.2</b>	<b>127.8</b>	<b>95.2</b>	<b>117.6</b>	<b>-7.7</b>	<b>-8.0</b>
Loans	4,017	4,699	4,017	4,699	0.0	0.0
Deposits	4,480	5,242	4,480	5,242	0.0	0.0
Margins (%)	4.31	4.49	4.15	4.24	-16	-25
Credit Cost (%)	1.15	1.12	1.20	1.10	5	-2
<b>RoA (%)</b>	<b>1.86</b>	<b>1.99</b>	<b>1.72</b>	<b>1.83</b>	<b>-14</b>	<b>-16</b>
<b>RoE (%)</b>	<b>15.3</b>	<b>16.4</b>	<b>14.2</b>	<b>15.4</b>	<b>-110</b>	<b>-105</b>
BV	926.6	1,073.8	916.3	1,050.5	-1.1	-2.2
ABV	910.1	1,053.5	895.6	1,027.7	-1.6	-2.5
EPS	132.6	164.2	122.4	151.1	-7.7	-8.0

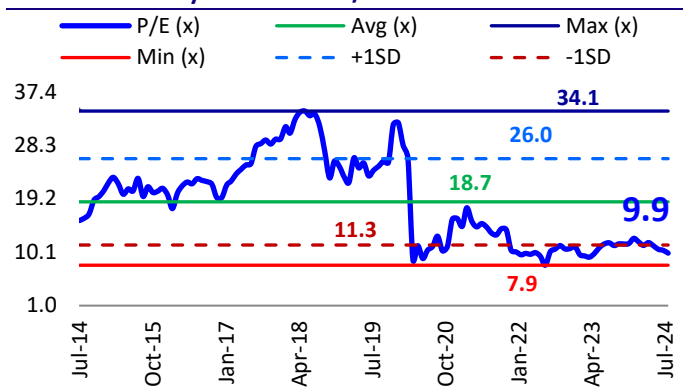


**Exhibit 11: One-year forward P/B ratio**



Source: MOFSL, Company

**Exhibit 12: One-year forward P/E ratio**



Source: MOFSL, Company

**Exhibit 13: DuPont Analysis – Return ratios to witness steady pickup**

Y/E March (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	9.84	8.66	8.06	8.46	9.40	9.44	9.45
Interest Expense	5.72	4.62	4.14	4.37	5.17	5.29	5.21
<b>Net Interest Income</b>	<b>4.12</b>	<b>4.04</b>	<b>3.92</b>	<b>4.09</b>	<b>4.24</b>	<b>4.15</b>	<b>4.24</b>
Core Fee Income	2.19	1.50	1.77	1.89	1.92	1.91	1.91
Trading and others	0.19	0.44	0.16	0.02	0.02	0.02	0.02
<b>Non-Interest income</b>	<b>2.38</b>	<b>1.94</b>	<b>1.92</b>	<b>1.90</b>	<b>1.93</b>	<b>1.92</b>	<b>1.93</b>
<b>Total Income</b>	<b>6.50</b>	<b>5.98</b>	<b>5.84</b>	<b>5.99</b>	<b>6.17</b>	<b>6.07</b>	<b>6.17</b>
<b>Operating Expenses</b>	<b>2.82</b>	<b>2.44</b>	<b>2.43</b>	<b>2.64</b>	<b>2.91</b>	<b>2.94</b>	<b>2.94</b>
- Employee cost	0.76	0.91	0.91	0.97	1.10	1.11	1.12
- Others	2.06	1.53	1.53	1.67	1.80	1.83	1.82
<b>Operating Profit</b>	<b>3.68</b>	<b>3.54</b>	<b>3.41</b>	<b>3.35</b>	<b>3.26</b>	<b>3.13</b>	<b>3.23</b>
Core operating Profits	3.49	3.10	3.25	3.34	3.25	3.11	3.21
<b>Provisions</b>	<b>1.59</b>	<b>2.37</b>	<b>1.73</b>	<b>1.04</b>	<b>0.80</b>	<b>0.84</b>	<b>0.78</b>
NPA	1.24	1.51	1.08	0.90	0.77	0.81	0.75
Others	0.35	0.86	0.64	0.14	0.02	0.03	0.04
<b>PBT</b>	<b>2.09</b>	<b>1.17</b>	<b>1.68</b>	<b>2.31</b>	<b>2.46</b>	<b>2.29</b>	<b>2.44</b>
Tax	0.58	0.30	0.43	0.58	0.62	0.58	0.61
<b>RoA</b>	<b>1.51</b>	<b>0.87</b>	<b>1.26</b>	<b>1.73</b>	<b>1.85</b>	<b>1.72</b>	<b>1.83</b>
Leverage (x)	9.6	8.6	8.4	8.4	8.3	8.3	8.4
<b>RoE</b>	<b>14.5</b>	<b>7.6</b>	<b>10.6</b>	<b>14.5</b>	<b>15.3</b>	<b>14.2</b>	<b>15.4</b>

Source: MOFSL, Company

## Financials and valuations

Income Statement							(INRb)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net Interest Income</b>	<b>120.6</b>	<b>135.3</b>	<b>150.0</b>	<b>175.9</b>	<b>206.2</b>	<b>230.1</b>	<b>272.5</b>
-growth (%)	36.3	12.2	10.9	17.3	17.2	11.6	18.4
Non-Interest Income	69.5	65.0	73.4	81.7	94.0	106.7	123.8
<b>Total Income</b>	<b>190.1</b>	<b>200.3</b>	<b>223.5</b>	<b>257.6</b>	<b>300.1</b>	<b>336.8</b>	<b>396.3</b>
-growth (%)	31.2	5.4	11.6	15.3	16.5	12.2	17.7
Operating Expenses	82.4	81.6	93.1	113.5	141.5	163.2	188.9
<b>Pre Provision Profits</b>	<b>107.7</b>	<b>118.7</b>	<b>130.3</b>	<b>144.2</b>	<b>158.6</b>	<b>173.6</b>	<b>207.4</b>
-growth (%)	33.2	10.2	9.8	10.6	10.0	9.4	19.5
<b>Core PPOp</b>	<b>102.2</b>	<b>103.9</b>	<b>124.4</b>	<b>143.5</b>	<b>157.9</b>	<b>172.7</b>	<b>206.4</b>
-growth (%)	28.2	1.6	19.8	15.4	10.0	9.4	19.5
Provisions	46.5	79.4	66.0	44.9	38.8	46.4	50.3
<b>PBT</b>	<b>61.2</b>	<b>39.3</b>	<b>64.3</b>	<b>99.3</b>	<b>119.8</b>	<b>127.2</b>	<b>157.1</b>
Tax	17.0	10.0	16.3	24.9	30.0	31.9	39.4
Tax Rate (%)	27.8	25.4	25.3	25.1	25.1	25.1	25.1
<b>PAT</b>	<b>44.2</b>	<b>29.3</b>	<b>48.0</b>	<b>74.4</b>	<b>89.8</b>	<b>95.2</b>	<b>117.6</b>
-growth (%)	33.8	-33.7	64.0	54.9	20.6	6.1	23.5
<b>Balance Sheet</b>							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	6.9	7.7	7.7	7.8	7.8	7.8	7.8
Reserves & Surplus	340.0	427.2	472.4	541.8	624.3	707.1	811.5
<b>Net Worth</b>	<b>347.0</b>	<b>435.0</b>	<b>480.1</b>	<b>549.6</b>	<b>632.1</b>	<b>714.9</b>	<b>819.3</b>
<b>Deposits</b>	<b>2,020.4</b>	<b>2,558.7</b>	<b>2,933.5</b>	<b>3,361.2</b>	<b>3,845.9</b>	<b>4,480.4</b>	<b>5,242.1</b>
-growth (%)	3.7	26.6	14.6	14.6	14.4	16.5	17.0
- CASA Dep	<b>815.7</b>	<b>1,067.9</b>	<b>1,253.3</b>	<b>1,347.3</b>	<b>1,456.7</b>	<b>1,725.0</b>	<b>2,060.1</b>
-growth (%)	-3.0	30.9	17.4	7.5	8.1	18.4	19.4
Borrowings	607.5	513.2	473.2	490.1	476.1	522.6	590.0
Other Liabilities & Prov.	95.6	122.1	132.7	177.0	196.9	224.5	258.1
<b>Total Liabilities</b>	<b>3,070.6</b>	<b>3,629.0</b>	<b>4,019.7</b>	<b>4,578.4</b>	<b>5,150.9</b>	<b>5,942.4</b>	<b>6,909.5</b>
Current Assets	160.0	566.1	685.8	567.8	369.1	400.2	466.6
<b>Investments</b>	<b>599.8</b>	<b>696.5</b>	<b>709.3</b>	<b>830.8</b>	<b>1,064.9</b>	<b>1,235.2</b>	<b>1,445.2</b>
-growth (%)	1.2	16.1	1.8	17.1	28.2	16.0	17.0
<b>Loans</b>	<b>2,067.8</b>	<b>2,126.0</b>	<b>2,390.5</b>	<b>2,899.2</b>	<b>3,433.0</b>	<b>4,016.6</b>	<b>4,699.4</b>
-growth (%)	10.9	2.8	12.4	21.3	18.4	17.0	17.0
Fixed Assets	18.2	18.8	19.3	20.8	23.2	24.2	26.2
Other Assets	224.7	221.7	214.7	259.8	260.8	266.0	272.1
<b>Total Assets</b>	<b>3,070.6</b>	<b>3,629.0</b>	<b>4,019.7</b>	<b>4,578.4</b>	<b>5,150.9</b>	<b>5,942.4</b>	<b>6,909.5</b>
<b>Asset Quality</b>							
GNPA	51.5	57.9	55.2	58.3	66.9	80.7	93.9
NNPA	18.9	14.8	15.3	17.8	19.7	23.0	25.4
Slippage	58.3	76.6	101.0	68.9	60.3	70.0	80.2
GNPA Ratio (%)	2.5	2.7	2.3	2.0	1.9	2.0	2.0
NNPA Ratio (%)	0.9	0.7	0.6	0.6	0.6	0.6	0.5
Slippage Ratio (%)	2.97	3.65	4.47	2.61	1.60	1.9	1.8
Credit Cost (%)	2.37	3.79	2.92	1.70	1.19	1.2	1.1
PCR (Excl Technical write off) (%)	63.3	74.5	72.3	69.4	70.6	71.5	73.0

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>10.6</b>	<b>9.3</b>	<b>8.6</b>	<b>9.0</b>	<b>10.0</b>	<b>10.0</b>	<b>9.9</b>
Avg. Yield on loans	12.2	11.5	11.1	11.3	12.0	11.8	11.6
Avg. Yield on Investments	7.1	6.8	7.2	6.0	5.8	6.2	6.6
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>6.6</b>	<b>5.4</b>	<b>4.9</b>	<b>5.2</b>	<b>6.1</b>	<b>6.3</b>	<b>6.2</b>
Avg. Cost of Deposits	6.5	5.0	4.5	5.0	5.7	6.0	5.9
<b>Interest Spread</b>	<b>4.1</b>	<b>4.3</b>	<b>4.1</b>	<b>4.0</b>	<b>4.3</b>	<b>3.9</b>	<b>4.0</b>
<b>Net Interest Margin</b>	<b>4.6</b>	<b>4.6</b>	<b>4.7</b>	<b>5.0</b>	<b>4.8</b>	<b>4.5</b>	<b>4.6</b>
<b>Capitalisation Ratios (%)</b>							
CAR	15.0	17.4	18.4	17.9	17.8	16.9	16.4
Tier I	14.6	16.8	16.8	16.4	16.1	15.5	15.0
-CET-1	13.2	15.6	16.0	15.9			
Tier II	0.5	0.6	1.6	1.5	1.7	1.5	1.3
<b>Business Ratios (%)</b>							
Loans/Deposit Ratio	102.3	83.1	81.5	86.3	89.3	89.6	89.6
CASA Ratio	40.4	41.7	42.7	40.1	37.9	38.5	39.3
Cost/Assets	2.7	2.2	2.3	2.5	2.7	2.7	2.7
Cost/Total Income	43.3	40.7	41.7	44.0	47.1	48.5	47.7
Cost/Core Income	44.6	44.0	42.8	44.1	47.3	48.6	47.8
Int. Expense/Int. Income	58.1	53.4	51.3	51.6	54.9	56.1	55.1
Fee Income/Total Income	33.7	25.0	30.2	31.5	31.1	31.4	31.0
Non Int. Inc./Total Income	36.6	32.5	32.9	31.7	31.3	31.7	31.2
Empl. Cost/Total Expense	26.8	37.3	37.3	36.8	38.0	37.9	37.9
<b>Efficiency Ratios (INRm)</b>							
Employee per branch (in nos)	16.1	14.7	14.9	14.1	13.6	14	14
Staff cost per employee	0.7	1.0	1.0	1.1	1.3	1	1
CASA per branch	427	530	553	517	488	545	609
Deposits per branch	1,057	1,270	1,295	1,290	1,289	1,416	1,549
Business per Employee	133.3	157.9	157.3	169.9	179.6	188.9	202.8
Profit per Employee	1.4	1.0	1.4	2.0	2.2	2.1	2.4
<b>Profitability Ratios and Valuations</b>							
RoE	14.5	7.6	10.6	14.5	15.3	14.2	15.4
RoA	1.5	0.9	1.3	1.7	1.8	1.7	1.8
RorWA	1.7	1.1	1.6	2.2	2.2	2.1	2.2
Book Value (INR)	498	560	618	707	810	916	1,050
-growth	13.2	12.5	10.3	14.4	14.6	13.1	14.6
<b>Price-BV (x)</b>	<b>2.8 (x)</b>	<b>2.5</b>	<b>2.3</b>	<b>2.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.3</b>
Adjusted BV (INR)	478	547	604	691	792	896	1,028
<b>Price-ABV (x)</b>	<b>2.9 (x)</b>	<b>2.6</b>	<b>2.3</b>	<b>2.0</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>
EPS (INR)	68.2	39.9	62.1	96.0	115.5	122.4	151.1
-growth	24.2	-41.4	55.4	54.7	20.3	5.9	23.5
<b>Price-Earnings (x)</b>	<b>20.6</b>	<b>35.1</b>	<b>22.6</b>	<b>14.6</b>	<b>12.2</b>	<b>11.5</b>	<b>9.3</b>
Dividend Per Share (INR)	9.0	0.0	5.0	8.5	15.0	16.0	17.0
<b>Dividend Yield</b>	<b>0.6</b>	<b>0.0</b>	<b>0.4</b>	<b>0.6</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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