

BUY

TP: Rs 1,755 | ▲ 21%

INDUSIND BANK

| Banking

| 20 October 2023

Strong growth with stable margins and asset quality

- Despite higher opex, Q2 PAT increased 22% YoY to Rs 22bn driven by steady business growth
- Reported NIM stable QoQ at 4.3% as a sustained rebound in vehicle and microfinance loans offset an increase in cost of funds
- We broadly maintain our estimates and reiterate BUY with an unchanged TP of Rs 1,755

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Loans up 21% YoY: IIB continued its strong credit growth trajectory with advances rising 21.3% YoY (+4.7% QoQ) in Q2FY24, driven by the CFD book (+6.4%/+24.5% QoQ/YoY), wherein the vehicle finance, non-vehicle finance and MFI segments outperformed. CCB growth remained muted (+2.7%/+17.6% QoQ/YoY) despite a strong performance from small corporates which grew 8.2% QoQ (+50.2% YoY). Deposit growth was subdued at 3.6% QoQ (+14% YoY), wherein low-cost retail deposits as per LCR grew 21% YoY to 43.7% of the mix while the CASA ratio fell 55bps to 39.3%.

NIM stable; PAT robust despite high C/I ratio: Continued recovery in the high-yield CFD business supported a stable reported NIM of 4.3% despite a 23bps QoQ rise in deposit cost. IIB continues to guide for NIM of 4.2-4.3% in FY24. NII growth was healthy at 4.3% QoQ (+18% YoY) while non-interest income growth was muted at 3% (+13% YoY). Opex stayed elevated due to the bank's continued investment in human capital, digital launches and marketing initiatives that raised the C/I ratio by 102bps to 47%. Muted other income coupled with higher opex limited PPOP growth to 2% QoQ (+10% YoY).

Asset quality stable: Retail slippages continued to decline (Rs 8.6bn vs. Rs 10.6bn in Q1), while corporate slippages increased to Rs 2.1bn (vs. Rs 0.4bn) with Rs 1.7bn of this coming from a single account. Credit cost(calc.) stood at 126bps vs. 134bps in Q1FY24 and 180bps in Q2FY23, in line with guidance of 110-130bps over FY23-FY26. GNPA/NNPA were stable at 1.9%/0.57% with PCR of 70.5%. Steady reduction in the restructured book (54bps of loans vs. 66bps in Q1) and a flat SMA book (26bps vs. 23bps) provide confidence on asset health. IIB expects further improvement in asset quality given the favourable macro conditions.

Maintain BUY: Strong growth momentum in retail and recovery in the MFI book led to stable margins despite higher costs. We expect IIB's favourable loan mix and stable asset quality to aid improvement in ROA/ROE to 1.9%/16.2% in FY25 vs. 1.7%/14.5% in FY23. We broadly maintain our estimates post Q2 and retain BUY with an unchanged TP of Rs 1,755, valuing the stock at 1.9x FY25E P/ABV (Gordon Growth Model).

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	IIB IN/Rs 1,450
Market cap	US\$ 13.7bn
Free float	84%
3M ADV	US\$ 47.0mn
52wk high/low	Rs 1,476/Rs 990
Promoter/FPI/DII	16%/41%/28%

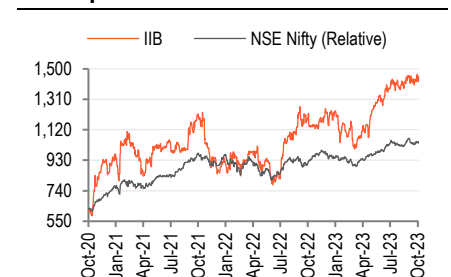
Source: NSE | Price as of 19 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Net interest income	175,921	206,754	244,507
NII growth (%)	17.3	17.5	18.3
Adj. net profit (Rs mn)	74,431	91,483	109,519
EPS (Rs)	96.0	117.9	141.2
Consensus EPS (Rs)	96.0	119.2	141.1
P/E (x)	15.1	12.3	10.3
P/BV (x)	2.0	1.8	1.6
ROA (%)	1.7	1.9	1.9
ROE (%)	14.4	15.5	16.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Income Statement							
Interest Income	71,478	77,725	83,041	88,372	93,789	31.2	6.1
Income on investments	11,283	12,128	12,971	13,998	15,602	38.3	11.5
Int. on bal. with RBI & inter-bank funds & Others	4,319	4,721	4,194	4,927	3,088	(28.5)	(37.3)
Interest income	87,080	94,574	100,207	107,297	112,478	29.2	4.8
Interest expense	44,060	49,621	53,513	58,625	61,711	40.1	5.3
Net interest income	43,021	44,954	46,695	48,671	50,767	18.0	4.3
Growth YoY (%)	17.6	18.5	17.2	18.0	18.0	41bps	2bps
Non-interest income	20,112	20,765	21,536	22,098	22,819	13.5	3.3
Growth YoY (%)	9.2	10.6	13.0	14.4	13.5	424bps	(95bps)
Non-interest income (Ex- Trading income)	18,722	19,405	21,536	22,098	22,819	21.9	3.3
Total income	63,132	65,718	68,231	70,769	73,586	16.6	4.0
Growth YoY (%)	14.8	15.9	15.8	16.8	16.6	177bps	(28bps)
Staff expenses	10,104	10,872	11,530	12,352	13,378	32.4	8.3
Other operating expenses	17,584	17,982	19,126	20,103	21,121	20.1	5.1
Operating expenses	27,689	28,854	30,656	32,455	34,499	24.6	6.3
Pre-Provisioning Profit (PPoP)	35,444	36,864	37,575	38,315	39,087	10.28	2.0
Growth YoY (%)	10.0	11.3	11.1	11.7	10.3	29bps	(140bps)
Pre-Provisioning Profit (Ex- Trading income)	34,054	35,504	37,575	38,315	39,087	14.8	2.0
Growth YoY (%)	17.8	20.2	20.3	16.6	14.8	(304bps)	(186bps)
Provisions	11,411	10,647	10,301	9,916	9,738	(14.7)	(1.8)
Growth YoY (%)	(33.2)	(35.6)	(29.6)	(20.7)	(14.7)	1,850bps	608bps
PBT	24,033	26,217	27,275	28,399	29,349	22.1	3.3
Tax	5,981	6,582	6,841	7,155	7,329	22.5	2.4
PAT	18,052	19,635	20,434	21,244	22,021	22.0	3.7
Growth YoY (%)	57.4	58.2	45.9	30.3	22.0	(3,545bps)	(827bps)
Per Share							
FV (Rs)	10	10	10	10	10	0.0	0.0
EPS (Rs)	23	25	26	27	28	21.8	3.7
Book Value (Rs)	645	692	680	746	698	8.2	(6.5)

Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance sheet & other metrics

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Deposits	3,155,321	3,252,780	3,361,202	3,470,470	3,595,480	13.9	3.6
Growth YoY (%)	14.6	14.3	14.6	14.6	13.9	(67bps)	(69bps)
Advances	2,601,288	2,727,540	2,899,237	3,013,170	3,154,541	21.3	4.7
Growth YoY (%)	17.8	19.3	21.3	21.5	21.3	346bps	(25bps)
Investment	759,935	761,740	830,757	942,160	944,275	24.3	0.2
Equity	516,594	536,590	557,805	579,200	591,711	14.5	2.2
Assets	4,265,752	4,444,850	4,578,366	4,669,930	4,779,224	12.0	2.3
Growth YoY (%)	12.1	13.8	13.9	13.9	12.0	(7bps)	(184bps)
Yield (%)							
Yield on Funds	8.95	9.35	9.50	9.85	10.09	114bps	24bps
Cost of Funds	5.03	5.45	5.65	6.03	6.23	120bps	20bps
Spread	3.92	3.90	3.85	3.82	3.86	(6bps)	4bps
Net Interest Margin	4.42	4.44	4.43	4.47	4.55	13bps	9bps
Ratios (%)							
Other Income / Net Income	31.9	31.6	31.6	31.2	31.0	(85bps)	(22bps)
Cost to Income ratio	43.9	43.9	44.9	45.9	46.9	302bps	102bps
CASA ratio	42.3	41.9	40.1	39.9	39.3	(298bps)	(55bps)
C/D ratio	82.4	83.9	86.3	86.8	87.7	530bps	91bps
Investment to Assets	17.8	17.1	18.1	20.2	19.8	194bps	(42bps)
Assets Quality							
GNPA	55,671	57,108	58,263	59,411	61,642	10.7	3.76
NNPA	15,840	16,815	17,150	17,469	18,138	14.5	3.8
Provision	39,832	40,293	41,113	41,942	43,505	9.2	3.7
GNPA (%)	2.11	2.06	1.98	1.94	1.93	(18bps)	(1bps)
NNPA (%)	0.61	0.62	0.59	0.58	0.57	(4bps)	(1bps)
Provision (%)	71.1	69.9	70.2	70.1	70.5	(62bps)	36bps
Slippages	2.69	2.41	2.51	2.06	2.09	(60bps)	3bps
Others							
Branches	5,298	5,560	5,909	6,000	6,123	878	(123)
ATMs	2,807	2,894	2,878	2,875	2,807	92	68

Source: Company, BOBCAPS Research

Earnings call highlights

Planning cycle 6 (PL-6)

IIB indicated that it has successfully accomplished its fifth planning cycle (PL-5) and is now targeting the following under PL-6 over FY23-FY26:

- Loan growth of 18-23% vs. 21% in FY23
- Retail loan mix of 55-60% vs. 54%
- Retail deposits of 45-50% vs. 43% as per LCR
- PPOP/Loans of 5.25-5.75%
- Branch network of 3,250-3,750 vs. 2,606
- Customer base of >50mn vs. 34mn

Asset quality

- Management expects the quarterly slippage run-rate to reduce to Rs 12bn-13bn, enabling it to exit FY24 at Rs 48bn-51bn (vs. Rs 28bn in H1). IIB expects this reduction to come from improvement in vehicle finance and MFI slippages.
- Corporate slippages of Rs 2.1bn during Q2FY24 included Rs 1.7bn from a single account which has been under SMA2 and against which the bank asserted it has ample collateral.
- The high-yielding (28%) merchant-acquiring business had gross slippage of 4%.
- SMA-1 and SMA-2 loans stood at 6bps and 20bps respectively.
- IIB reported credit cost at 123bps for Q2 vs. 132bps in Q1 and maintained guidance at 1.1-1.3% for FY24.
- The restructured book declined by Rs 2.7bn to 0.5% of loans from 0.7% in Q1. Total slippages from the restructured book stood at Rs 24.1bn.
- IIB has utilised contingent provisions of Rs 18.1bn during the past six quarters but does not intend to use more of these going forward.
- The net security receipts book has reduced further to 39bps of loans from 44bps in Q1, and the bank made additional provisions of ~Rs 1.5bn towards this book during the quarter.
- Total loan-related provisions stood at 2.3% of loans or 118% of GNPA.

Loan book

- Loans grew 21% YoY in Q2 with corporate loans up ~18%, vehicle loans up 22%, and MFI lending rising 16%.
- The mix of retail to corporates stood at 55:45, in line with our expectations.

- Disbursement was strong in the vehicle and MFI business wherein commercial vehicles, utility vehicles and cars registered strong disbursements while tractors and two-wheelers remained soft.

Deposits

- Retail deposits as per LCR grew 21% YoY and formed 43.7% of total deposits in Q2, progressing towards the bank's target of 45-50% in PL-6.
- Borrowings are long tenure in nature and declined by 11% QoQ.
- LCR stood at 117% (full-year guidance at 115-125%), with average surplus liquidity at Rs 370bn for the quarter which IIB plans to maintain at Rs 200bn.

Opex

- Sequential opex growth of 6% during Q2 was driven by investments in human capital, digital launches and marketing initiatives.
- The bank hired 3,500 employees during the quarter and 7,600 employees during H1FY24.
- IIB plans to add 250-300 branches during the year but expects opex to moderate as digital initiatives play out.

Margins

- Management foresees a maximum rise of 20bps in deposit rate over the next two quarters.
- The bank believes it has adequate levers to absorb any rise in cost of deposits and hence NIM is guided to remain in the range of 4.2-4.3% for FY24.

Vehicle finance

- Vehicle finance loans grew 5% QoQ and 22% YoY while disbursement increased 7% QoQ and 20% YoY.
- Commercial vehicles, cars, utility vehicles and three-wheelers saw sequential loan growth of 5% or above. Growth was slower in tractors, two-wheelers and construction equipment.
- Slippages improved QoQ to 64bps from 77bps in Q1 while the restructured book in vehicle finance also reduced to Rs 9.1bn from Rs 11.8bn in Q1.
- The bank indicated that the first half of the year is seasonally weak in terms of disbursements and asset quality and that the portfolio improves over the rest of the period.

Microfinance

- MFI loan disbursement stood at Rs 120.2bn (+24% YoY) during the quarter, leading to a total book of Rs 343.6bn (+16% YoY, +7.4% QoQ).
- The active borrower base grew 15% YoY to ~9mn from 7.8mn. New customers added during Q2 totalled ~910,000.

- The 30-90dpd book stood at 1.9% vs. 2.4% in Q1.

Corporate banking portfolio

- The corporate loan book grew 3% QoQ in Q2 led by small corporates (+8% QoQ, 50% YoY). Within this segment, IIB focused on accounts with less than Rs 5bn in turnover, which grew 52% YoY.
- The proportion of A-and-above rated customers has improved to 77% from 72% a year-ago.

Diamond portfolio

- Gold & jewellery loans declined 10% QoQ on lower working capital utilisation amidst poor global demand and are dependent on global recovery. However, asset quality remained comfortable.
- IIB has no SMA-1 and SMA-2 loans in this business.

Fig 3 – Portfolio mix (Absolute)

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Large Corporates	686,680	710,530	743,400	770,650	792,330	15.4	2.8
Mid Corporates	424,780	442,010	463,740	476,240	479,710	12.9	0.7
Small Corporates	106,200	117,560	134,360	147,480	159,500	50.2	8.2
Corporate and Commercial Banking	1,217,660	1,270,100	1,341,500	1,394,370	1,431,540	17.6	2.7
Commercial Vehicle Loans	253,400	268,190	281,710	293,200	308,790	21.9	5.3
Utility Vehicle Loans	74,670	83,110	90,290	98,130	107,290	43.7	9.3
Small CV	31,960	33,650	34,590	35,610	37,730	18.1	6.0
Two-Wheeler Loans	43,340	47,490	47,740	47,780	48,040	10.8	0.5
Car Loans	93,260	99,930	105,710	111,100	117,840	26.4	6.1
Tractor	86,110	91,590	93,720	95,160	95,800	11.3	0.7
Equipment Financing	88,930	92,690	98,670	102,340	105,020	18.1	2.6
Vehicle Finance	671,670	716,650	752,430	783,320	820,510	22.2	4.7
Credit Card	70,980	77,140	83,950	89,780	94,620	33.3	5.4
LAP	92,480	95,020	96,400	99,530	101,810	10.1	2.3
BBG	125,120	128,390	138,450	148,070	153,640	22.8	3.8
Other (BL, PL, GL, AHL, Others)	127,200	143,360	164,360	178,290	208,790	64.1	17.1
Microfinance (incl. BHAFIN)	296,170	296,880	322,150	319,810	343,630	16.0	7.4
Non- Vehicle Finance	711,950	740,790	805,310	835,480	902,490	26.8	8.0
Consumer Finance	1,383,620	1,457,440	1,557,740	1,618,800	1,723,000	24.5	6.4
Total	2,601,280	2,727,540	2,899,240	3,013,170	3,154,540	21.3	4.7

Source: Company, BOBCAPS Research

Fig 4 – Portfolio mix (% share)

Segment (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Large Corporates	26.4	26.1	25.6	25.6	25.1	(128bps)	(52bps)
Mid Corporates	16.3	16.2	16.0	15.8	15.2	(112bps)	(79bps)
Small Corporates	4.1	4.3	4.6	4.9	5.1	97bps	42bps
Corporate and Commercial Banking	46.8	46.6	46.3	46.3	45.4	(143bps)	(89bps)
Commercial Vehicle Loans	9.7	9.8	9.7	9.7	9.8	5bps	7bps
Utility Vehicle Loans	2.9	3.0	3.1	3.3	3.4	53bps	29bps
Small CV	1.2	1.2	1.2	1.2	1.2	(3bps)	0bps
Two-Wheeler Loans	1.7	1.7	1.6	1.6	1.5	(14bps)	(12bps)
Car Loans	3.6	3.7	3.6	3.7	3.7	15bps	9bps
Tractor	3.3	3.4	3.2	3.2	3.0	(27bps)	(20bps)
Equipment Financing	3.4	3.4	3.4	3.4	3.3	(9bps)	(7bps)
Vehicle Finance	25.8	26.3	26.0	26.0	26.0	19bps	6bps
Credit Card	2.7	2.8	2.9	3.0	3.0	27bps	10bps
LAP	3.6	3.5	3.3	3.3	3.2	(33bps)	(10bps)
BBG	4.8	4.7	4.8	4.9	4.9	6bps	10bps
Other (BL, PL, GL, AHL, Others)	4.9	5.3	5.7	5.9	6.6	173bps	95bps
Microfinance (incl. BHAFIN)	11.4	10.9	11.1	10.6	10.9	(49bps)	(22bps)
Non-Vehicle Finance	27.4	27.2	27.8	27.7	28.6	124bps	83bps
Consumer Finance	53.2	53.4	53.7	53.7	54.6	143bps	89bps
Total Loan	100.0	100.0	100.0	100.0	100.0	-	-

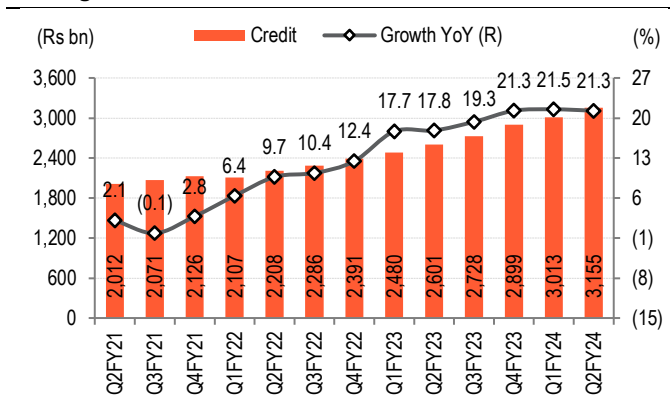
Source: Company, BOBCAPS Research

Fig 5 – Yield profile

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Corporate and Commercial Banking	1,217,660	1,270,100	1,341,500	1,394,370	1,431,540	17.6	2.7
% of Loan	46.8	46.6	46.3	46.3	45.4	(143bps)	(89bps)
Yield (%)	8.2	8.6	8.9	9.0	9.0	77bps	8bps
Consumer Finance	1,383,620	1,457,440	1,557,740	1,618,800	1,723,000	24.5	6.4
% of Loan	53.2	53.4	53.7	53.7	54.6	143bps	89bps
Yield (%)	14.3	14.5	14.7	14.8	14.8	50bps	16bps
Total Loan	2,601,280	2,727,540	2,899,240	3,013,170	3,154,540	21.3	4.7
Yield (%)	11.5	11.8	12.0	12.2	12.3	79bps	28bps

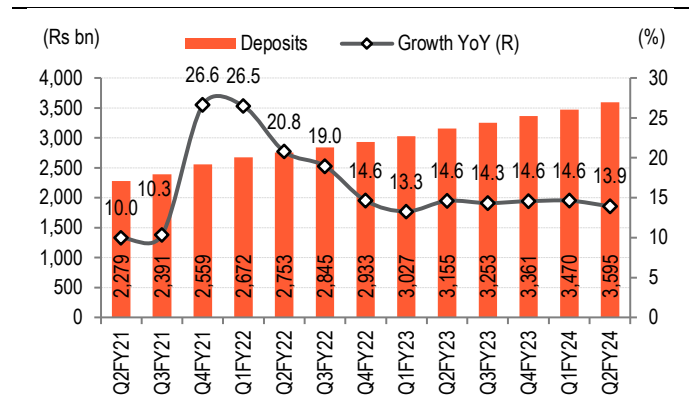
Source: Company, BOBCAPS Research

Fig 6 – Recovery in vehicle finance and MFI led to strong loan growth



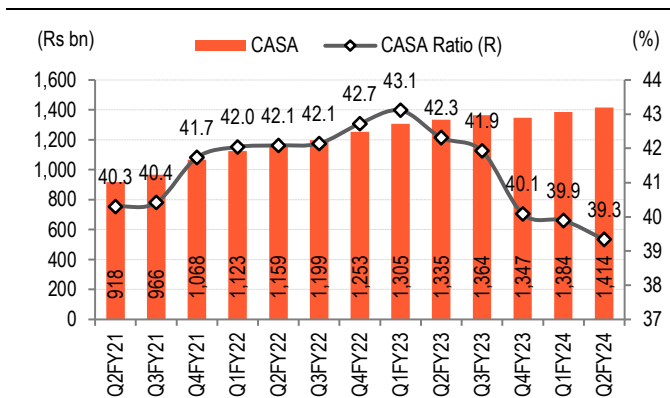
Source: Company, BOBCAPS Research

Fig 7 – Deposit mobilisation remained subdued



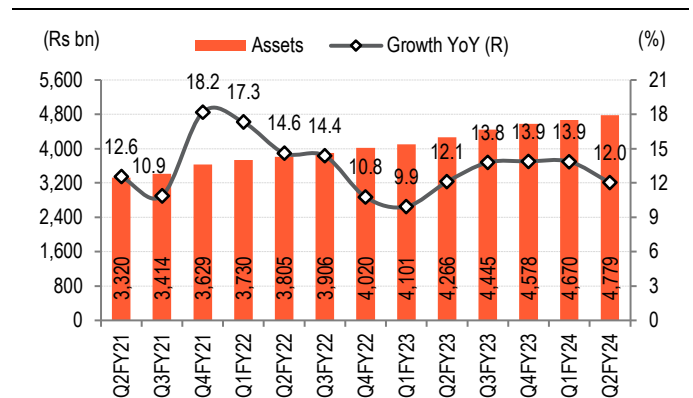
Source: Company, BOBCAPS Research

Fig 8 – CASA remained flat



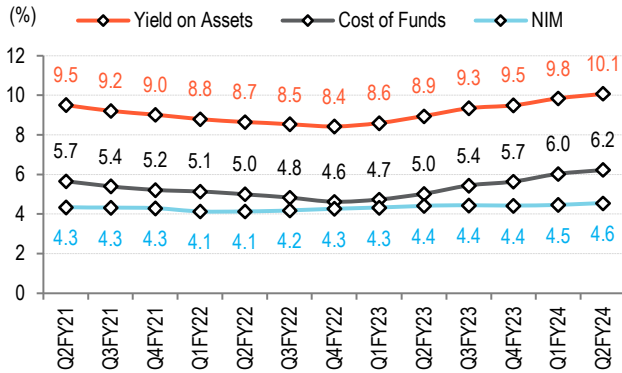
Source: Company, BOBCAPS Research

Fig 9 – Assets grew 12% YoY



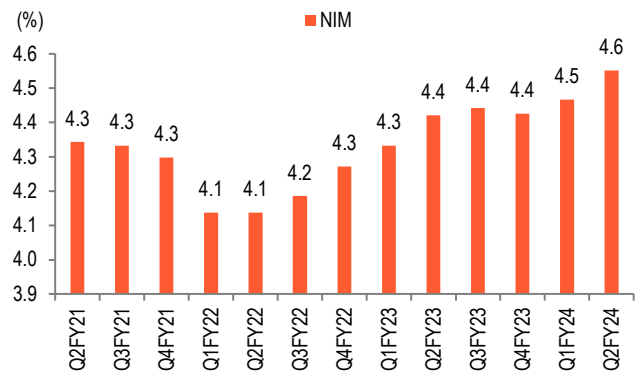
Source: Company, BOBCAPS Research

Fig 10 – NIM flat QoQ despite higher cost of funds



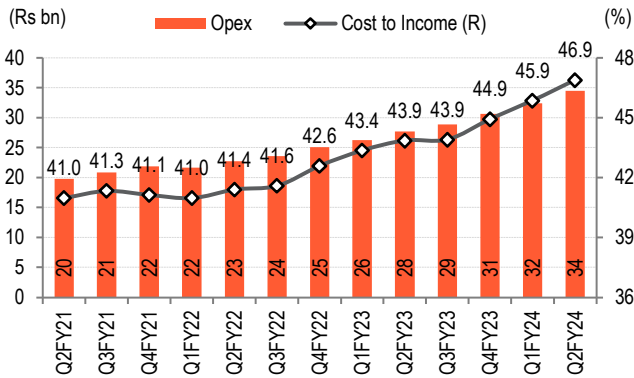
Source: Company, BOBCAPS Research

Fig 11 – NIM (calc.) likely to remain stable at current level



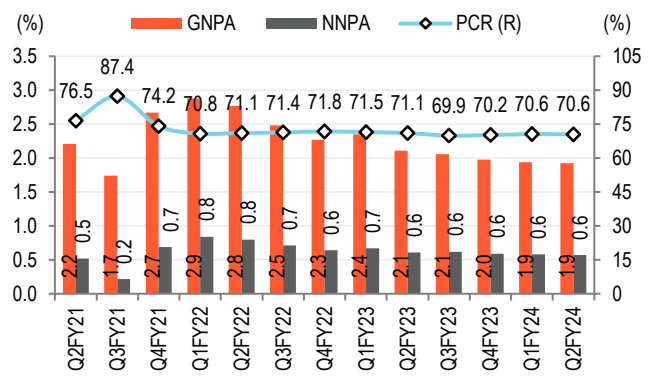
Source: Company, BOBCAPS Research

Fig 12 – C/I to remain elevated with continued investment



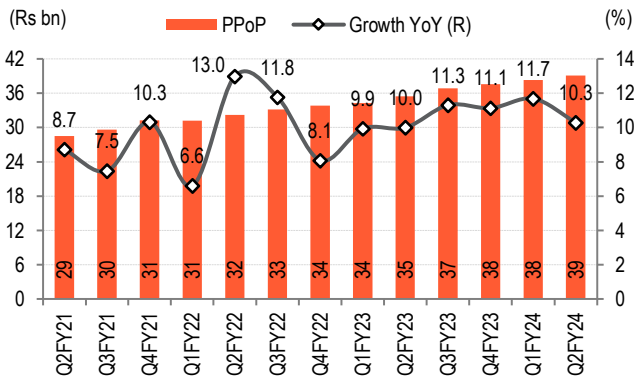
Source: Company, BOBCAPS Research

Fig 13 – Asset quality remained stable



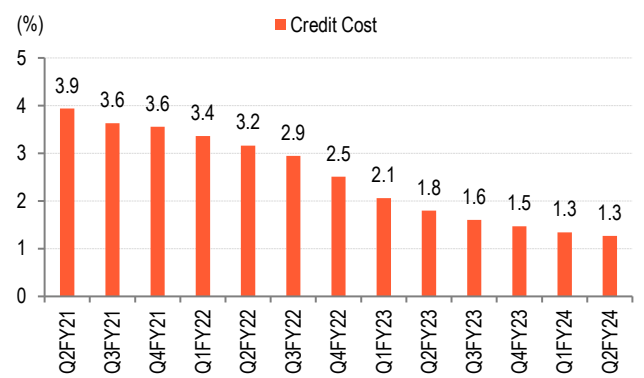
Source: Company, BOBCAPS Research

Fig 14 – Strong topline supported PPOP growth YoY



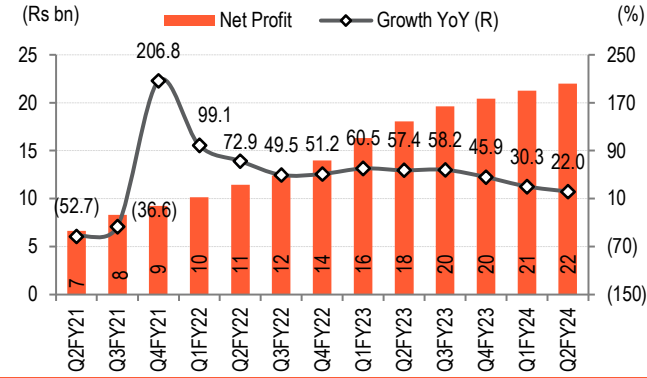
Source: Company, BOBCAPS Research

Fig 15 – Credit cost continues to decline



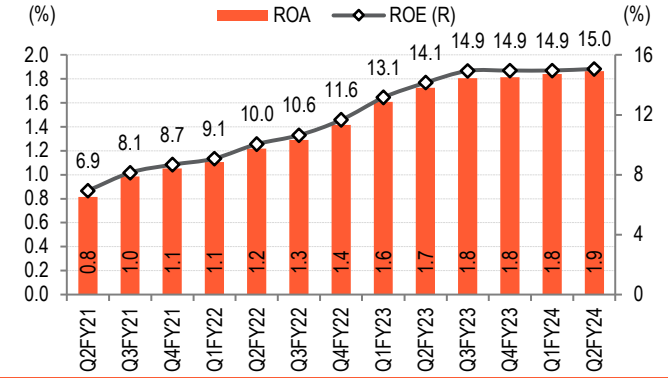
Source: Company, BOBCAPS Research

Fig 16 – Lower provisions supported PAT growth



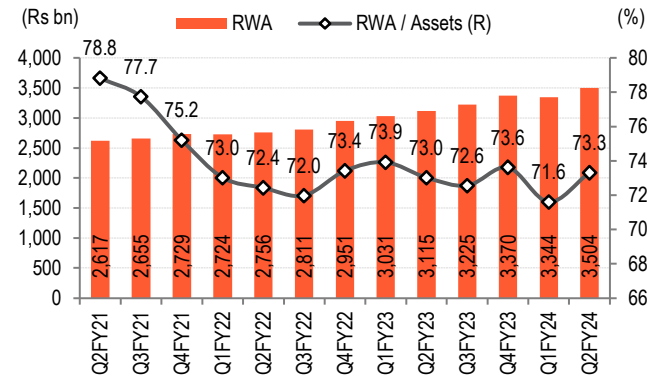
Source: Company, BOBCAPS Research

Fig 17 – Return ratios likely to improve as NIM rises



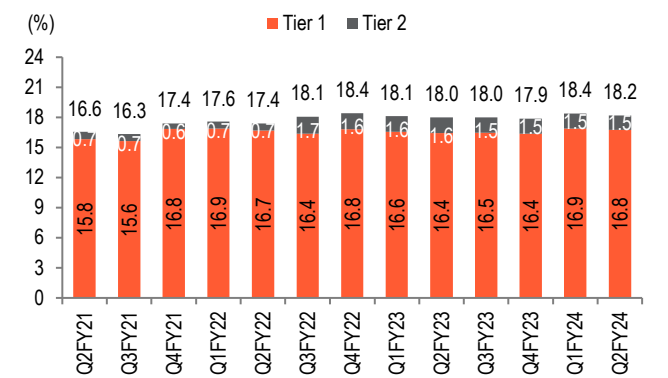
Source: Company, BOBCAPS Research

Fig 18 – RWA/Asset ratio expected to remain at 73%



Source: Company, BOBCAPS Research

Fig 19 – Well capitalised with tier-1 at 16.8%



Source: Company, BOBCAPS Research

Valuation methodology

Following the Q2FY24 results, we lower our FY24/FY25 deposit forecasts by 1% each while keeping credit growth unchanged considering sustainable recovery in the MFI business. Factoring in the continued rise in cost of deposits, we pare our NII forecast by 2%/1%.

The change in mix towards retail lending is likely to aid margins and offset some cost pressure. We thus expect NIM (calc.) to improve 10bps each year for FY24/FY25 to 4.5%/4.6%. Increased granularity in deposits together with continued branch expansion and technology spends could take the C/I ratio even higher to 46%/45% vs. 45%/44% expected earlier. In light of the improving asset quality, we cut our provision estimates by 7%/5% for FY24/FY25, leading to a minor 2% decline in PAT in each of the years. ROA/ROE are projected to rise from 1.7%/14.5% in FY23 to 1.9%/16.2% by FY25.

In terms of asset quality, we prudently model for credit cost at the upper end of management's guidance – at 130bps/126bps for FY24/FY25 vs. 140bps/134bps earlier. We expect GNPA/NNPA at 1.5%/0.4% with a PCR of 72% by FY25. The gradual decline in IIB's restructured book offers comfort on asset quality.

Considering the bank's growth and margin prospects, we continued to value it at 1.9x FY25E ABV based on the Gordon Growth Model and maintain BUY with an unchanged TP of Rs 1,755.

Fig 20 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Loan	3,508,077	4,202,676	3,508,077	4,213,200	0.0	(0.2)
Deposits	3,966,218	4,680,138	3,999,830	4,739,799	(0.8)	(1.3)
Assets	5,235,350	6,174,411	5,333,815	6,313,133	(1.8)	(2.2)
NII	206,754	244,507	211,126	246,915	(2.1)	(1.0)
PPOP	164,340	195,780	170,296	201,142	(3.5)	(2.7)
Provisions	41,648	48,578	44,851	51,346	(7.1)	(5.4)
PAT	91,483	109,519	93,535	111,448	(2.2)	(1.7)

Source: Company, BOBCAPS Research

Fig 21 – Key valuation assumptions

Components of Gordon growth model	Assumptions (%)
Cost of equity (%)	12.4
Blended ROE (%)	15.6
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	20.0
Long-term growth (%)	6.2
Long term dividend payout ratio (%)	60.0
Justified P/BV Multiple (x)	1.9

Source: Company, BOBCAPS Research

Fig 22 – Key operational assumptions

Parameter (%)	FY23A	FY24E	FY25E	FY26E
Advances growth	21.3	21.0	19.8	18.1
NII growth	17.3	17.5	18.3	17.5
PPoP growth	10.1	14.0	19.1	19.2
PAT growth	129.8	22.9	19.7	19.3
NIM	4.4	4.5	4.6	4.6
GNPA	2.0	1.6	1.5	1.5
CAR	17.9	17.9	17.2	16.9

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- inability to sustain business growth, mainly in the vehicle finance book, and
- further deterioration in asset quality, which may lead to higher provisioning.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	37.1	991	1,155	BUY
DCB Bank	DCBB IN	0.5	121	144	BUY
Federal Bank	FB IN	3.8	147	180	BUY
HDFC Bank	HDFCB IN	139.0	1,515	1,929	BUY
ICICI Bank	ICICIB IN	79.5	936	1,015	HOLD
Indusind Bank	IIB IN	13.7	1,450	1,755	BUY
Kotak Mahindra Bank	KMB IN	42.0	1,738	2,122	HOLD
RBL Bank	RBK IN	1.8	246	233	HOLD
State Bank of India	SBIN IN	62.0	571	729	BUY

Source: BOBCAPS Research, NSE | Price as of 19 Oct 2023

Glossary

Glossary of Abbreviations			
AUCA	Advance Under Collection Account	LCR	Liquidity Coverage Ratio
ARC	Asset Reconstruction Company	MCLR	Marginal Cost of Funds-based Lending Rate
BRDS	Bills Rediscounting Scheme	MTM	Mark to Market
CASA	Current Account and Savings Account	NII	Net Interest Income
CAR	Capital Adequacy Ratio	NIM	Net Interest Margin
CCB	Corporate & Commercial Banking	NNPA	Net Non-Performing Assets
CET1	Common Equity Tier 1	PCR	Provision Coverage Ratio
CD	Credit-Deposit Ratio	PPOP	Pre-Provision Operating Profit
CFD	Consumer Finance Division	PSU	Public Sector Unit
C/I	Cost-Income Ratio	RWA	Risk-weighted Assets
CRB	Commercial and Rural Banking	SLR	Statutory Liquidity Ratio
EBLR	External Benchmark-based Lending Rate	SMA	Special Mention Account
ECL	Expected Credit Loss	SME	Small and Medium-sized Enterprises
GNPA	Gross Non-Performing Assets	SR	Security Receipts
IBPC	Interbank Participation Certificate		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	150,008	175,921	206,754	244,507	287,390
NilI growth (%)	10.9	17.3	17.5	18.3	17.5
Non-interest income	73,448	81,728	96,174	112,386	131,514
Total income	223,456	257,649	302,928	356,893	418,904
Operating expenses	93,107	113,459	138,589	161,112	185,562
PPOP	130,349	144,190	164,340	195,780	233,343
PPOP growth (%)	9.8	10.6	14.0	19.1	19.2
Provisions	66,021	44,868	41,648	48,578	57,746
PBT	64,328	99,322	122,692	147,203	175,597
Tax	16,282	24,891	31,210	37,684	44,953
Reported net profit	48,046	74,431	91,483	109,519	130,644
Adjustments	0	0	0	0	0
Adjusted net profit	48,046	74,431	91,483	109,519	130,644

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity capital	7,747	7,759	7,759	7,759	7,759
Reserves & surplus	472,517	542,287	620,047	713,138	824,186
Net worth	480,264	550,046	627,806	720,897	831,945
Deposits	2,933,495	3,361,202	3,966,218	4,680,138	5,508,522
Borrowings	473,232	490,112	529,811	577,494	629,469
Other liab. & provisions	132,683	177,006	111,514	195,882	207,347
Total liab. & equities	4,019,674	4,578,366	5,235,350	6,174,411	7,177,283
Cash & bank balance	685,847	567,768	472,619	518,781	611,320
Investments	709,299	830,757	922,382	1,053,395	1,196,540
Advances	2,390,515	2,899,237	3,508,077	4,202,676	4,963,360
Fixed & Other assets	234,012	280,605	332,274	399,559	406,063
Total assets	4,019,674	4,578,366	5,235,350	6,174,411	7,177,283
Deposit growth (%)	14.6	14.6	18.0	18.0	17.7
Advances growth (%)	12.4	21.3	21.0	19.8	18.1

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	62.1	96.0	117.9	141.2	168.4
Dividend per share	5.0	14.0	17.7	21.2	25.3
Book value per share	615.8	708.9	809.1	929.1	1,072.2

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
P/E	23.4	15.1	12.3	10.3	8.6
P/BV	2.4	2.0	1.8	1.6	1.4
Dividend yield (%)	0.3	1.0	1.2	1.5	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	3.9	4.1	4.2	4.3	4.3
Non-interest income	1.9	1.9	2.0	2.0	2.0
Operating expenses	2.4	2.6	2.8	2.8	2.8
Pre-provisioning profit	3.4	3.4	3.3	3.4	3.5
Provisions	1.7	1.0	0.8	0.9	0.9
PBT	1.7	2.3	2.5	2.6	2.6
Tax	0.4	0.6	0.6	0.7	0.7
ROA	1.3	1.7	1.9	1.9	2.0
Leverage (x)	8.4	8.3	8.3	8.5	8.6
ROE	10.5	14.4	15.5	16.2	16.8

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Net interest income	10.9	17.3	17.5	18.3	17.5
Pre-provisioning profit	9.8	10.6	14.0	19.1	19.2
EPS	55.4	54.7	22.8	19.7	19.3
Profitability & Return ratios (%)					
Net interest margin	4.1	4.1	4.4	4.5	4.5
Fees / Avg. assets	0.3	0.3	0.4	0.4	0.4
Cost-Income	41.7	44.0	45.7	45.1	44.3
ROE	10.5	14.4	15.5	16.2	16.8
ROA	1.3	1.7	1.9	1.9	2.0
Asset quality (%)					
GNPA	2.3	1.8	1.6	1.5	1.5
NNPA	0.6	0.6	0.5	0.4	0.4
Slippage ratio	4.8	2.9	2.5	2.4	2.4
Credit cost	2.9	1.7	1.3	1.3	1.3
Provision coverage	71.6	67.9	71.5	71.6	71.6
Ratios (%)					
Credit-Deposit	81.5	86.3	88.4	89.8	90.1
Investment-Deposit	24.2	24.7	23.3	22.5	21.7
CAR	18.4	17.9	17.9	17.2	16.9
Tier-1	16.8	16.4	16.2	15.6	15.4

Source: Company, BOBCAPS Research

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