

**BUY**

TP: Rs 222 | ▲ 21%

**BANDHAN BANK**

| Banking

| 22 May 2024

### In line with recovery plan

- **Healthy business growth, improved asset quality and higher other income supported topline; increased provision dragged PAT**
- **Sustainability of margin, improvement in asset quality and smooth transition of top management would be key to watch**
- **PAT lowered on revised growth estimates but recent price correction factored into major negatives; retain BUY with TP of Rs 222 (vs. Rs 270)**

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**Healthy business growth:** Bandhan Bank maintained healthy business growth in Q4, wherein deposits growth (25% YoY) outpaced loan growth (16% YoY) leading to NII growth of 16%. Loan book growth was driven by Commercial Banking which grew 34% YoY, while the EEB division grew 10% YoY and retail remained flat over the same period. On the liability side, deposits was mainly driven by term deposits (30% YoY), while CASA grew 18% YoY leading to 97bps QoQ improvement in CASA ratio to 37%. Management guided for business growth of 18%, but deposits growth to continue to outpace loan.

**NIM guidance maintained:** Despite a rise in deposits cost, the bank reported NIM of 7.6% (7.2% in Q3) aided by higher yield and lower slippages. Other income increased 27% QoQ supported by total income. However, higher opex was on the back of Rs 1.1bn in one-off expenses leading to PPOP growth of 2% YoY (11% QoQ). Management indicated that recent investments towards technology and branch expansion would bring volume leverage to support bottomline growth.

**Asset quality key:** Slippages improved in Q4 to Rs 10.2bn vs. Rs 13.9bn in Q3, however the bank's strategic decision to write off Rs 38.5bn of stressed assets led to higher provision (jumped 160% QoQ) and dragged PAT to Rs 0.5bn (down 92% QoQ). Higher write-off helped the bank improve overall asset quality, wherein GNPA/NNPA stood at 3.8%/1.1% vs. 7%/2.2% in Q3. Overall SMA book improved to Rs 12.6bn from Rs 19.1bn in Q3 and management expects credit cost to improve to 1.8%-2% over FY25 from 5.8% in Q4.

**Maintain BUY:** Considering ongoing business dynamics, we trim the loan book estimate by 4%, but increase the deposit estimate by 7%/6% over FY25/26 leading to lower PAT estimate of 6% each for the same period. Baking in gradual improvement in asset quality and potential for improvement in operational costs and stable margins, we expect the overall return ratios to improve and further price correction factored into the major negatives, while a smooth management transition would be key to watch. We lower our valuation to 1.3x FY26E ABV, from 1.6x, and revise our TP to Rs 222 (Rs 270 earlier). Retain BUY.

### Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BANDHAN IN/Rs 184
Market cap	US\$ 3.6bn
Free float	60%
3M ADV	US\$ 32.7mn
52wk high/low	Rs 272/Rs 170
Promoter/FPI/DII	40%/31%/12%

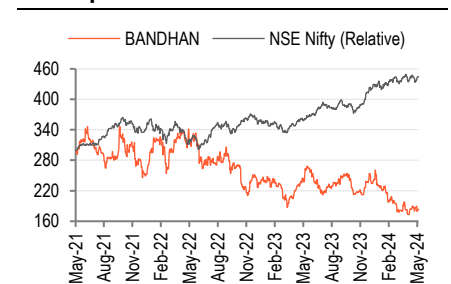
Source: NSE | Price as of 21 May 2024

### Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NII (Rs mn)	103,256	121,892	145,373
NII growth (%)	11.5	18.0	19.3
Adj. net profit (Rs mn)	22,296	37,269	45,236
EPS (Rs)	13.8	23.1	28.1
Consensus EPS (Rs)	13.8	22.5	27.0
P/E (x)	13.3	8.0	6.6
P/BV (x)	1.4	1.2	1.0
ROA (%)	1.3	1.9	2.0
ROE (%)	10.8	16.0	16.8

Source: Company, Bloomberg, BOBCAPS Research | P - Provisional

### Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	36,984	39,057	38,882	40,829	46,293	25.2	13.4
Income on investments	5,021	5,158	5,311	4,923	4,744	(5.5)	(3.6)
Int. on bal. with RBI & inter-bank funds & Others	677	1,014	726	902	857	26.6	(5.0)
Interest income	42,683	45,229	44,919	46,654	51,893	21.6	11.2
Interest expense	17,965	20,323	20,486	21,401	23,231	29.3	8.6
<b>Net interest income</b>	<b>24,718</b>	<b>24,906</b>	<b>24,434</b>	<b>25,254</b>	<b>28,663</b>	<b>16.0</b>	<b>13.5</b>
Growth YoY (%)	(2.7)	(0.9)	11.4	21.4	16.0	1,864bps	(543bps)
<b>Non-interest income</b>	<b>6,291</b>	<b>3,851</b>	<b>5,403</b>	<b>5,452</b>	<b>6,941</b>	<b>10.3</b>	<b>27.3</b>
Growth YoY (%)	(34.8)	16.8	13.4	(47.2)	10.3	4,509bps	5,757bps
<b>Total income</b>	<b>31,009</b>	<b>28,757</b>	<b>29,836</b>	<b>30,705</b>	<b>35,604</b>	<b>14.8</b>	<b>16.0</b>
Growth YoY (%)	(11.5)	1.1	11.8	(1.4)	14.8	2,633bps	1,621bps
Staff expenses	7,274	8,117	8,623	8,987	9,702	33.4	8.0
Other operating expenses	5,778	5,017	5,379	5,165	7,517	30.1	45.5
<b>Operating expenses</b>	<b>13,053</b>	<b>13,134</b>	<b>14,002</b>	<b>14,152</b>	<b>17,219</b>	<b>31.9</b>	<b>21.7</b>
<b>Pre-Provisioning Profit (PPoP)</b>	<b>17,957</b>	<b>15,623</b>	<b>15,834</b>	<b>16,553</b>	<b>18,385</b>	<b>2.39</b>	<b>11.1</b>
Growth YoY (%)	(28.8)	(14.2)	2.0	(13.9)	2.4	3,117bps	1,627bps
Provisions	7,348	6,021	6,362	6,840	17,743	141.5	159.4
Growth YoY (%)	15473.7	(6.3)	(50.3)	(55.6)	141.5	24,117bps	5,016bps
Exceptional Item							
<b>PBT</b>	<b>10,609</b>	<b>9,602</b>	<b>9,472</b>	<b>9,713</b>	<b>642</b>	<b>(94.0)</b>	<b>(93.4)</b>
Tax	2,526	2,392	2,261	2,386	95	(96.2)	(96.0)
<b>PAT</b>	<b>8,083</b>	<b>7,211</b>	<b>7,212</b>	<b>7,327</b>	<b>546</b>	<b>(93.2)</b>	<b>(92.5)</b>
Growth YoY (%)	(57.5)	(18.7)	244.6	152.2	(93.2)	(3,573bps)	(24,541bps)
<b>Per Share</b>							
FV (Rs)	10.0	10.0	10.0	10.0	10.0	0.0	0.0
EPS (Rs)	5.0	4.5	4.5	4.6	0.3	(93.2)	(92.5)
Book Value (Rs)	132	136	139	144	144	9.5	0.3

Source: Company, BOBCAPS Research

**Fig 2 – Quarterly snapshot: Key balance sheet & other metrics**

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Deposits	1,080,693	1,084,800	1,120,792	1,174,200	1,352,020	25.1	15.1
Growth YoY (%)	12.2	16.6	12.8	14.8	25.1	1,292bps	1031bps
Advances	1,047,568	981,970	1,020,277	1,101,800	1,211,368	15.6	9.9
Growth YoY (%)	11.5	8.0	13.1	19.6	15.6	416bps	(401bps)
Investment	323,659	354,330	318,391	293,100	292,876	(9.5)	(0.1)
Equity	211,950	219,190	224,056	231,418	232,206	9.6	0.3
Assets	1,557,700	1,507,860	1,524,379	1,569,200	1,778,417	14.2	13.3
Growth YoY (%)	12.1	6.8	9.7	10.3	14.2	210bps	387bps
<b>Yield (%)</b>							
Yield on Funds	12.32	12.62	12.66	12.91	13.26	94bps	35bps
Cost of Funds	5.67	6.25	6.41	6.59	6.57	90bps	(2bps)
Spread	6.65	6.38	6.25	6.31	6.69	5bps	38bps
Net Interest Margin (calc.)	7.13	6.95	6.88	6.99	7.32	19bps	34bps
<b>Ratios (%)</b>							
Other Income / Net Income	20.3	13.4	18.1	17.8	19.5	(79bps)	174bps
Cost to Income ratio	42.1	45.7	46.9	46.1	48.4	627bps	227bps
CASA ratio	39.3	36.0	38.5	36.1	37.1	(220bps)	97bps
C/D ratio	96.9	90.5	91.0	93.8	89.6	(734bps)	(424bps)
Investment to Assets	20.8	23.5	20.9	18.7	16.5	(431bps)	(221bps)
<b>Assets Quality</b>							
GNPA	52,986	69,604	78,738	81,355	47,849	(9.7)	(41.19)
NNPA	12,283	21,407	23,652	24,396	13,476	9.7	(44.8)
Provision	40,704	48,197	55,086	56,960	34,373	(15.6)	(39.7)
GNPA (%)	4.87	6.76	7.32	7.02	3.84	(103bps)	(318bps)
NNPA (%)	1.17	2.18	2.32	2.21	1.11	(6bps)	(110bps)
PCR (%)	76.8	69.2	70.0	70.0	71.8	(498bps)	182bps
<b>Others</b>							
Branches	1,411	1,542	1,621	1,647	1,700	289	53
ATMs	438	438	438	438	438	-	-
Employees	69,702	72,121	74,391	75,072	75,748	6,046	676

Source: Company, BOBCAPS Research

**Fig 3 – Loan book trend**

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Group Based</b>	380,600	337,700	357,800	387,700	407,500	7.1	5.1
Growth YoY (%)	(18.2)	(21.3)	(6.3)	8.0	7.1	2,527bps	(90bps)
Growth QoQ (%)	6.0	(11.3)	6.0	8.4	5.1	(88bps)	(325bps)
<b>Individual</b>	184,300	175,300	182,100	188,300	215,000	16.7	14.2
Growth YoY (%)	16.1	15.3	15.8	11.8	16.7	53bps	491bps
Growth QoQ (%)	9.4	(4.9)	3.9	3.4	14.2	480bps	1,077bps
<b>Emerging Entrepreneurs Business (EEB)</b>	<b>564,900</b>	<b>513,000</b>	<b>539,900</b>	<b>576,000</b>	<b>622,500</b>	<b>10.2</b>	<b>8.1</b>
Growth YoY (%)	(9.5)	(11.7)	0.1	9.2	10.2	1,967bps	102bps
Growth QoQ (%)	7.1	(9.2)	5.2	6.7	8.1	100bps	139bps
<b>Housing</b>	<b>269,000</b>	<b>269,500</b>	<b>267,500</b>	<b>288,500</b>	<b>299,200</b>	<b>11.2</b>	<b>3.7</b>
Growth YoY (%)	14.2	9.5	3.7	7.9	11.2	(295bps)	330bps
Growth QoQ (%)	0.6	0.2	(0.7)	7.9	3.7	307bps	(414bps)
<b>Retail</b>	<b>55,400</b>	<b>33,700</b>	<b>39,000</b>	<b>44,900</b>	<b>55,800</b>	<b>0.7</b>	<b>24.3</b>
Growth YoY (%)	233.7	86.2	80.6	70.7	0.7	(23,301bps)	(7,000bps)
Growth QoQ (%)	110.6	(39.2)	15.7	15.1	24.3	(8,637bps)	915bps
<b>Commercial Business</b>	<b>202,000</b>	<b>215,500</b>	<b>229,900</b>	<b>250,000</b>	<b>269,800</b>	<b>33.6</b>	<b>7.9</b>
Growth YoY (%)	72.4	78.2	64.8	59.5	33.6	(3,879bps)	(2,598bps)
Growth QoQ (%)	28.9	6.7	6.7	8.7	7.9	(2,099bps)	(82bps)
<b>Total AUM</b>	<b>1,091,304</b>	<b>1,031,700</b>	<b>1,076,301</b>	<b>1,159,401</b>	<b>1,247,301</b>	<b>14.3</b>	<b>7.6</b>
Growth YoY (%)	9.9	6.7	12.3	18.6	14.3	444bps	(427bps)
Growth QoQ (%)	11.6	(5.5)	4.3	7.7	7.6	(401bps)	(14bps)

Source: Company, BOBCAPS Research

**Fig 4 – Loan book distribution**

Segment (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Emerging Entrepreneurs Business (EEB)	51.8	49.7	50.2	49.7	49.9	(186bps)	23bps
Housing	24.6	26.1	24.9	24.9	24.0	(66bps)	(90bps)
Retail	5.1	3.3	3.6	3.9	4.5	(60bps)	60bps
Commercial Business	18.5	20.9	21.4	21.6	21.6	312bps	7bps
<b>Total AUM</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	-	-

Source: Company, BOBCAPS Research

**Fig 5 – Deposit trend**

Segment (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>CA</b>	<b>64,200</b>	<b>52,000</b>	<b>62,900</b>	<b>66,600</b>	<b>96,600</b>	<b>50.5</b>	<b>45.0</b>
Growth YoY (%)	17.6	19.0	24.6	40.5	50.5	3,288bps	996bps
Growth QoQ (%)	35.4	(19.0)	21.0	5.9	45.0	960bps	3,916bps
<b>SA</b>	<b>360,400</b>	<b>338,700</b>	<b>369,100</b>	<b>357,500</b>	<b>404,900</b>	<b>12.3</b>	<b>13.3</b>
Growth YoY (%)	4.1	(5.4)	4.1	10.1	12.3	825bps	225bps
Growth QoQ (%)	11.0	(6.0)	9.0	(3.1)	13.3	226bps	1,640bps
<b>CASA Deposits</b>	<b>424,600</b>	<b>390,700</b>	<b>432,000</b>	<b>424,100</b>	<b>501,500</b>	<b>18.1</b>	<b>18.3</b>
Growth YoY (%)	5.9	(2.8)	6.6	14.0	18.1	1,217bps	414bps
Growth QoQ (%)	14.1	(8.0)	10.6	(1.8)	18.3	414bps	2,008bps
<b>Term Deposits</b>	<b>656,093</b>	<b>694,100</b>	<b>688,792</b>	<b>750,100</b>	<b>850,520</b>	<b>29.6</b>	<b>13.4</b>
Growth YoY (%)	16.6	31.3	17.1	15.3	29.6	1,300bps	1,436bps
Growth QoQ (%)	0.8	5.8	(0.8)	8.9	13.4	1,256bps	449bps
<b>Total Deposits</b>	<b>1,080,693</b>	<b>1,084,800</b>	<b>1,120,792</b>	<b>1,174,200</b>	<b>1,352,020</b>	<b>25.1</b>	<b>15.1</b>
Growth YoY (%)	12.2	16.6	12.8	14.8	25.1	1,292bps	1,031bps
Growth QoQ (%)	5.7	0.4	3.3	4.8	15.1	949bps	1,038bps

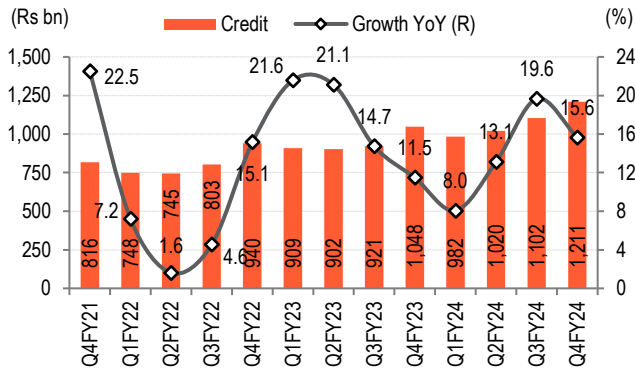
Source: Company, BOBCAPS Research

**Fig 6 – Deposit distribution**

Segment (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
CASA Deposits	39.3	36.0	38.5	36.1	37.1	(5.6)	2.7
Term Deposits	60.7	64.0	61.5	63.9	62.9	3.6	(1.5)
<b>Total Deposits</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>

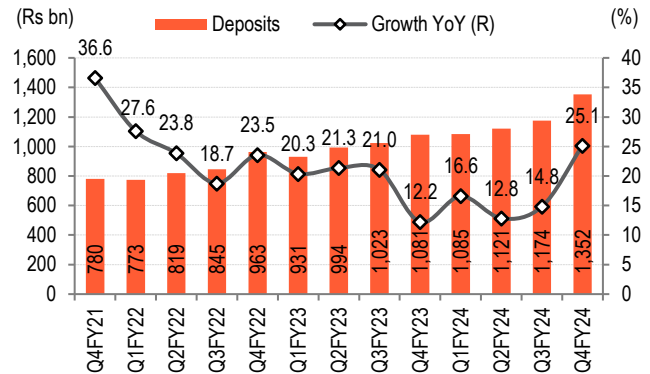
Source: Company, BOBCAPS Research

**Fig 7 – Credit growth remained healthy at 16% YoY**



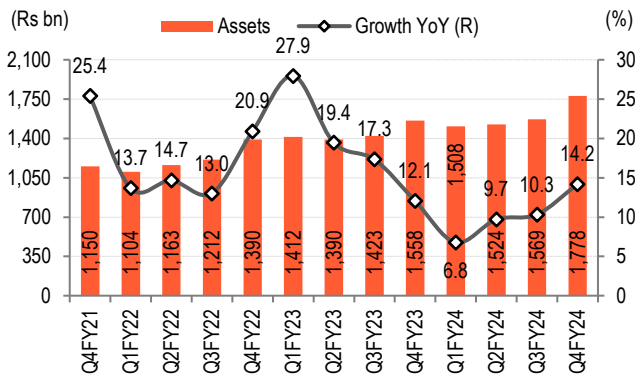
Source: Company, BOBCAPS Research

**Fig 8 – Deposit growth outpaced loan book driven by TD**



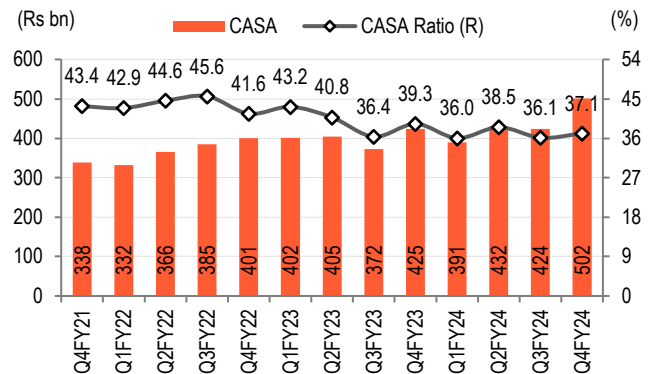
Source: Company, BOBCAPS Research | TD: Term deposits

**Fig 9 – Healthy asset growth**



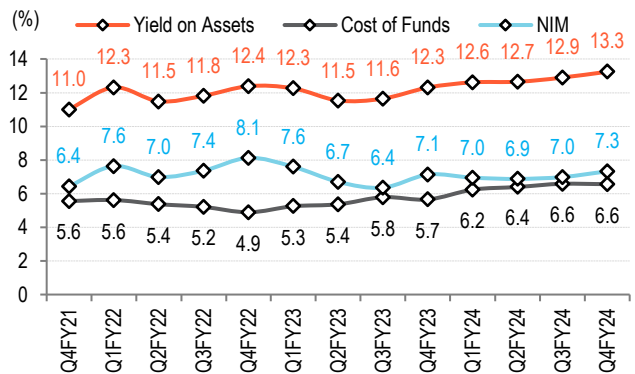
Source: Company, BOBCAPS Research

**Fig 10 – CASA ratio improved 97bps QOQ**



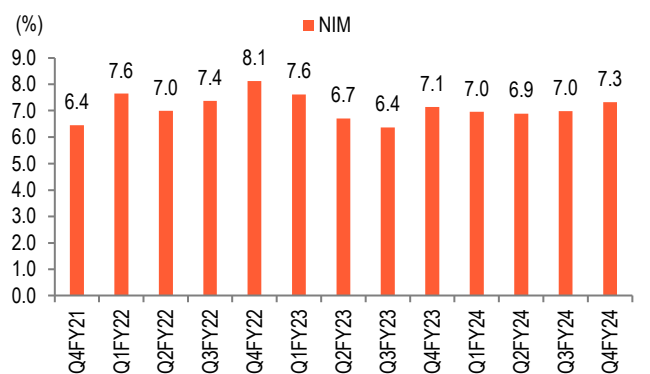
Source: Company, BOBCAPS Research

**Fig 11 – Cost of funds rising**



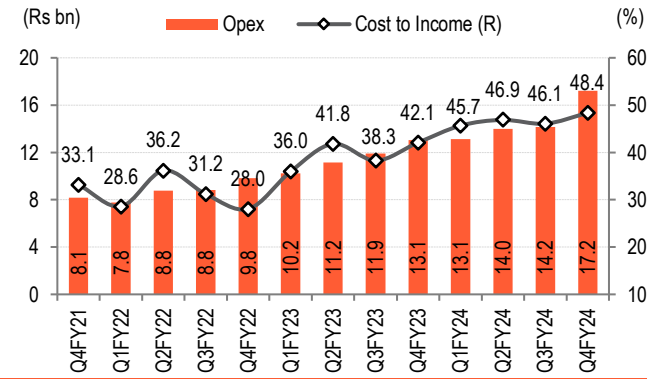
Source: Company, BOBCAPS Research

**Fig 12 – NIM (calc.) guided to remain stable**



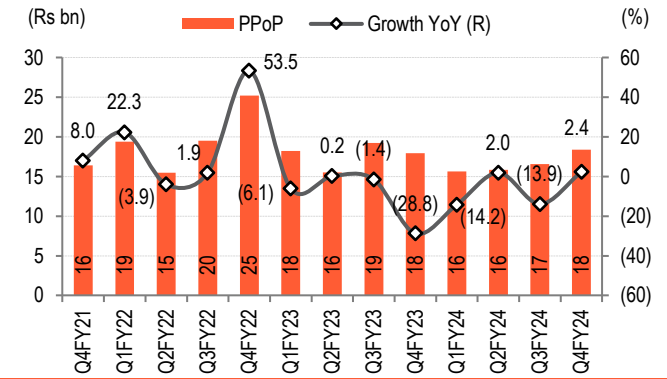
Source: Company, BOBCAPS Research | NIM: Net interest margin

**Fig 13 – Operating cost elevated due to one-off cost**



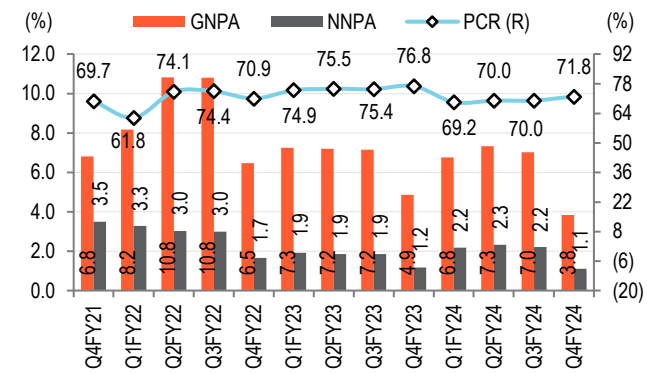
Source: Company, BOBCAPS Research

**Fig 14 – PPOP growth falls on higher opex**



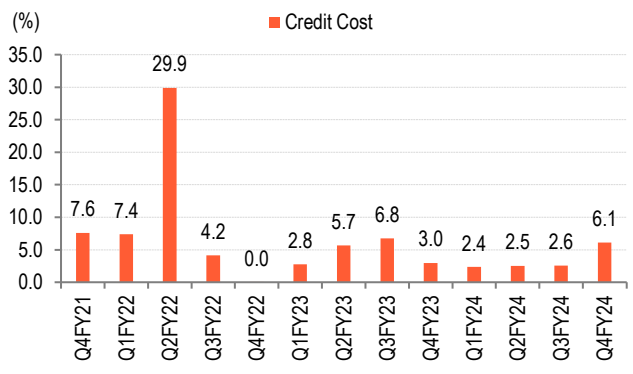
Source: Company, BOBCAPS Research

**Fig 15 – Asset quality to improve on lower slippages**



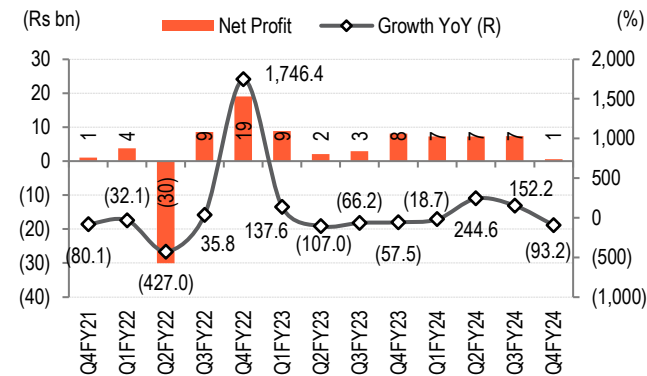
Source: Company, BOBCAPS Research

**Fig 16 – Credit cost guided at 1.8%-2.0% for FY25**



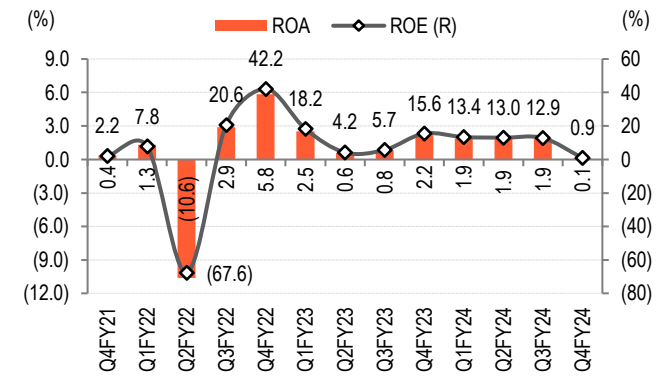
Source: Company, BOBCAPS Research

**Fig 17 – PAT declines on higher provision to write-off**



Source: Company, BOBCAPS Research

**Fig 18 – Return ratios expected to improve**



Source: Company, BOBCAPS Research

## Earnings call highlights

### Operational highlights

- Bandhan Bank's Opex includes one-off of Rs 1.1bn which is non-recurring in nature.
- C/I ratio increased 227bps QoQ to 48.4% with increased technological cost.

### Loans and deposits

- Advances grew 14% YoY (8% QoQ). While adjusting for the one-off related to the write-off, the loan book grew 18% YoY and 11% QoQ.
- Management guided for loan growth of 18-20% for next 2-3 years. Deposits growth will be higher than advances growth. Emerging entrepreneurs' business (EEB) book will grow 14-15% over the same period.
- Retail loans (ex-housing) remained flat YoY, housing grew 11% over the same period, while the commercial banking segment was up 34% YoY. EEB grew 10% YoY.
- The top 5 states constituted 60% of gross advances, within which West Bengal constituted 24%.
- The bank added 1mn customers during the quarter for a total of 33.6mn (vs. 32.6mn in Q3), whereas the EEB segment had 25.3mn customers vs. 24.4mn in Q3.
- Retail deposits formed 69% of the total (71% in Q3).
- CASA ratio for the quarter improved 97bps QoQ to 37.1%.
- Liquidity coverage ratio (LCR) stood at ~172%.

### Asset quality and capital adequacy

- Total slippages stood at Rs 10.2bn (Rs 13.9bn in Q3), wherein slippages from the EEB segment stood at Rs 6.3bn vs. Rs 9.9bn in Q3.
- The bank wrote off Rs 38.5bn worth of stressed assets during the quarter, of which Rs 3bn was from the Credit Guarantee Fund for Micro Units (CGMFU).
- The bank didn't sell stressed assets to the ARC during the quarter vs. Rs 7.2bn in Q3.
- Credit cost reported during Q4 was at 5.8% (2.5% in Q3), mainly due to higher provision towards write-off, while excluding write-off credit stood at 2.3%. The bank guided for credit cost of 1.8%-2% for FY25, and expects a credit cost of 2.5% for the EEB portfolio.
- Collection efficiency was at 99%. Geography-wise, collection efficiency in Assam stood at 100% and West Bengal at 99%.
- SMA 0 stood at Rs 3.8bn (Rs 8.1bn in Q3), SMA1 at Rs 4bn (Rs 5.7bn in Q3) and SMA 2 at Rs 4.8bn (Rs 6.9bn in Q3).

- The EEB stress pool was at Rs 41bn including NPA.
- The company has claims worth Rs 22bn under the CGFMU that are likely to be finalised soon, and management expects a positive outcome in this regard.



## Valuation methodology

Though business growth remained healthy, management guidance towards risk-calibrated growth leads us to trim loan book estimates by 4% each for FY25/FY26. While in line with guidance of deposits outpacing loan book, we increase our deposits estimate by 7% for FY25 and 6% for FY26. Lower loan growth estimate led to lower topline, while with elevated opex likely to drag PAT we cut our PAT estimate by 6% each for FY25 and FY26.

We expect margin to remain stable at the current level, however with improvement in asset quality credit cost would normalise for FY25 (management guidance of 1.8%-2% for FY25) vs. 3.4% in FY24. We conservatively factor in 2.2% for each of our forecast years – the upper end of the industry average. We expect an NII/PAT CAGR of 19%/42% for the bank over FY24-FY26, with profits rising off a lower base impacted by high credit costs.

Considering ongoing business dynamic, we have trimmed the loan book estimate by 4% while increasing the deposits estimate by 7%/6% over FY25/26 leading to lower PAT estimate of 6% each for the same period. Baking in gradual improvement in asset quality and potential for improvement in operational costs along with stable margins, we expect improvement in overall return ratios and further price correction factored into the major negatives while smooth management transition would be key to watch. We lowered our valuation to 1.3x FY26E ABV, 1.6x earlier, and revised our TP to Rs 222 from Rs 270. Maintain BUY.

**Fig 19 – Revised estimates**

(Rs mn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Loan	1,429,414	1,686,709	1,493,433	1,762,251	(4.3)	(4.3)
Deposits	1,595,383	1,868,194	1,493,105	1,766,343	6.9	5.8
Assets	2,072,585	2,434,816	2,076,370	2,449,896	(0.2)	(0.6)
NII	121,892	145,373	124,946	147,847	(2.4)	(1.7)
PPOP	78,745	93,520	83,111	99,129	(5.3)	(5.7)
Provisions	28,652	32,719	29,958	34,185	(4.4)	(4.3)
PAT	37,269	45,236	39,546	48,319	(5.8)	(6.4)

Source: BOBCAPS Research

**Fig 20 – Key operational assumptions**

Parameter (%)	FY23A	FY24P	FY25E	FY26E
Advances Growth	11.5	15.6	18.0	18.0
NII Growth	6.3	11.5	18.0	19.3
PPoP Growth	(11.5)	(6.4)	18.6	18.8
PAT Growth	1,644.6	1.6	67.2	21.4
NIM	6.8	6.7	6.8	7.0
GNPA	4.8	3.8	3.2	3.4
CAR	19.8	18.2	18.0	17.8

Source: Company, BOBCAPS Research

**Fig 21 – Key valuation assumptions**

<b>Gordon growth model</b>	
Cost of equity (%)	13.4
Blended ROE (%)	14.6
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	30.0
Long-term growth (%)	6
Long term dividend payout ratio (%)	60
Justified P/BV Multiple (x)	1.3
Implied BVPS (Rs)	169
<b>Value per share (Rs)</b>	<b>222</b>

Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- The bank's inability to manage cost of funds, leading to margin compression, and
- inability to manage the credit cycle.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	42.7	1,138	1,252	HOLD
Bandhan Bank	BANDHAN IN	3.6	184	222	BUY
DCB Bank	DCBB IN	0.5	132	172	BUY
Federal Bank	FB IN	4.8	164	189	BUY
HDFC Bank	HDFCB IN	133.8	1,459	1,872	BUY
ICICI Bank	ICICIB IN	95.8	1,121	1,272	HOLD
IDFC First Bank	IDFCBK IN	6.3	77	96	BUY
Indusind Bank	IIB IN	13.3	1,407	1,881	BUY
Kotak Mahindra Bank	KMB IN	41.1	1,698	2,000	BUY
RBL Bank	RBK IN	1.8	250	309	BUY
State Bank of India	SBIN IN	90.2	831	969	BUY

Source: BOBCAPS Research, NSE | Price as of 21 May 2024

## Glossary

Glossary of Abbreviations			
<b>AUCA</b>	Advance Under Collection Account	<b>LAP</b>	Loans against Property
<b>ARC</b>	Asset Reconstruction Company	<b>LCR</b>	Liquidity Coverage Ratio
<b>BRDS</b>	Bills Rediscounting Scheme	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>CAR</b>	Capital Adequacy Ratio	<b>MFI</b>	Microfinance Institution
<b>CASA</b>	Current Account and Savings Account	<b>MTM</b>	Mark to Market
<b>CD</b>	Credit-Deposit Ratio	<b>NII</b>	Net Interest Income
<b>CET1</b>	Common Equity Tier 1	<b>NIM</b>	Net Interest Margin
<b>CGFMU</b>	Credit Guarantee Fund for Micro Units	<b>NNPA</b>	Net Non-Performing Assets
<b>C/I</b>	Cost-Income Ratio	<b>PCR</b>	Provision Coverage Ratio
<b>CRB</b>	Commercial and Rural Banking	<b>PPOP</b>	Pre-Provision Operating Profit
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>PSU</b>	Public Sector Unit
<b>ECL</b>	Expected Credit Loss	<b>RWA</b>	Risk-weighted Assets
<b>ECLGS</b>	Emergency Credit Line Guarantee Scheme	<b>SLR</b>	Statutory Liquidity Ratio
<b>GNPA</b>	Gross Non-Performing Assets	<b>SMA</b>	Special Mention Account
<b>IBPC</b>	Interbank Participation Certificate	<b>SME</b>	Small and Medium-sized Enterprises

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
<b>Net interest income</b>	<b>87,140</b>	<b>92,596</b>	<b>103,256</b>	<b>121,892</b>	<b>145,373</b>
NilI growth (%)	15.2	6.3	11.5	18.0	19.3
Non-interest income	28,228	24,686	21,647	26,572	30,425
Total income	115,368	117,282	124,903	148,464	175,798
Operating expenses	35,234	46,368	58,508	69,719	82,278
PPOP	80,134	70,913	66,395	78,745	93,520
PPOP growth (%)	18.4	(11.5)	(6.4)	18.6	18.8
Provisions	78,848	41,984	36,966	28,652	32,719
PBT	1,286	28,930	29,429	50,093	60,801
Tax	28	6,983	7,133	12,824	15,565
<b>Reported net profit</b>	<b>1,258</b>	<b>21,946</b>	<b>22,296</b>	<b>37,269</b>	<b>45,236</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,258</b>	<b>21,946</b>	<b>22,296</b>	<b>37,269</b>	<b>45,236</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Equity capital	16,108	16,108	16,110	16,110	16,110
Reserves & surplus	157,704	179,733	199,987	233,156	273,416
Net worth	173,812	195,842	216,096	249,266	289,525
Deposits	963,306	1,080,693	1,352,020	1,595,383	1,868,194
Borrowings	199,212	247,108	163,715	178,450	194,510
Other liab. & provisions	52,336	34,057	46,585	49,486	82,587
<b>Total liab. &amp; equities</b>	<b>1,388,665</b>	<b>1,557,700</b>	<b>1,778,417</b>	<b>2,072,585</b>	<b>2,434,816</b>
Cash & bank balance	93,214	82,497	161,705	176,844	202,619
Investments	290,787	323,659	292,876	345,405	402,836
Advances	939,749	1,047,568	1,211,368	1,429,414	1,686,709
Fixed & Other assets	64,916	103,976	112,468	120,922	142,652
<b>Total assets</b>	<b>1,388,665</b>	<b>1,557,700</b>	<b>1,778,417</b>	<b>2,072,585</b>	<b>2,434,816</b>
Deposit growth (%)	23.5	12.2	25.1	18.0	17.1
Advances growth (%)	15.1	11.5	15.6	18.0	18.0

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24P	FY25E	FY26E
EPS	0.8	13.6	13.8	23.1	28.1
Dividend per share	0.0	1.5	1.5	2.5	3.1
Book value per share	107.9	121.6	134.1	154.7	179.7

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24P	FY25E	FY26E
P/E	235.7	13.5	13.3	8.0	6.6
P/BV	1.7	1.5	1.4	1.2	1.0
Dividend yield (%)	0.0	0.8	0.8	1.4	1.7

### DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24P	FY25E	FY26E
Net interest income	6.9	6.3	6.2	6.3	6.5
Non-interest income	2.2	1.7	1.3	1.4	1.4
Operating expenses	2.8	3.1	3.5	3.6	3.7
Pre-provisioning profit	6.3	4.8	4.0	4.1	4.1
Provisions	6.2	2.8	2.2	1.5	1.5
PBT	0.1	2.0	1.8	2.6	2.7
Tax	0.0	0.5	0.4	0.7	0.7
ROA	0.1	1.5	1.3	1.9	2.0
Leverage (x)	7.3	8.0	8.1	8.3	8.4
ROE	0.7	11.9	10.8	16.0	16.8

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
<b>YoY growth (%)</b>					
Net interest income	15.2	6.3	11.5	18.0	19.3
Pre-provisioning profit	18.4	(11.5)	(6.4)	18.6	18.8
EPS	(94.3)	1644.5	1.6	67.2	21.4
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	7.2	6.8	6.7	6.8	7.0
Fees / Avg. assets	0.2	0.2	0.0	0.2	0.2
Cost-Income	30.5	39.5	46.8	47.0	46.8
ROE	0.7	11.9	10.8	16.0	16.8
ROA	0.1	1.5	1.3	1.9	2.0
<b>Asset quality (%)</b>					
GNPA	6.4	4.8	3.8	3.2	3.4
NNPA	1.7	1.2	1.1	0.9	1.0
Slippage ratio	11.6	10.3	5.4	4.5	4.2
Credit cost	9.0	4.2	3.3	2.2	2.1
Provision coverage	75.5	76.8	71.8	72.0	72.0
<b>Ratios (%)</b>					
Credit-Deposit	97.6	96.9	89.6	89.6	90.3
Investment-Deposit	30.2	29.9	21.7	21.7	21.6
CAR	20.1	19.8	18.2	18.0	17.8
Tier-1	18.9	18.7	17.6	17.4	17.2

Source: Company, BOBCAPS Research

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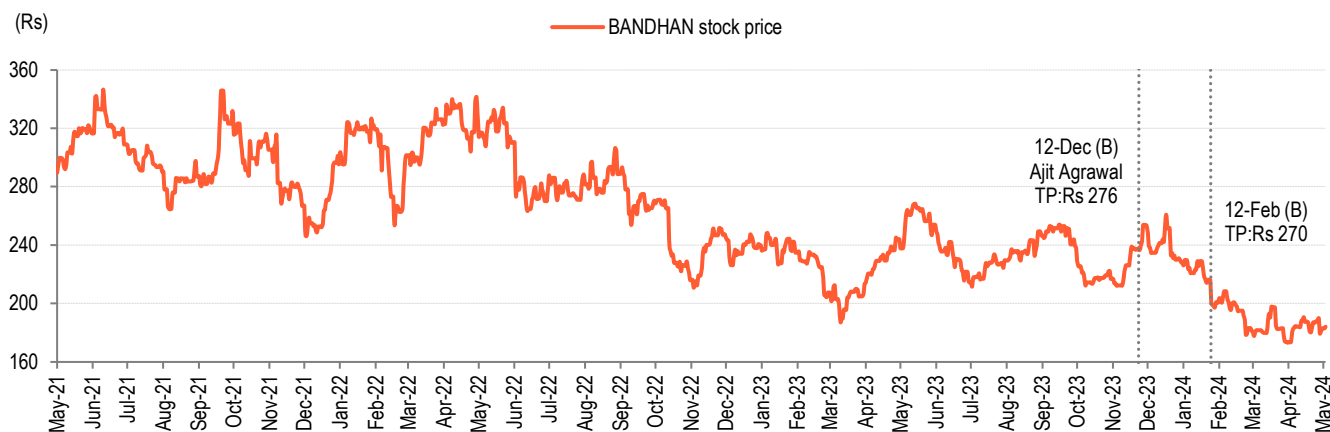
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