

INDUSIND BANK | Banking

Capital raise and prudent provisioning to keep balance sheet in fine fettle

LKP**Price Analysis:**

Prudent provisioning, moderate stress and healthy earnings make us believe that the bank is better placed to combat COVID and build a granular portfolio with sustainable growth. Additionally capital raise (₹32.9bn in 1QFY21 & ₹25bn in 2QFY21) will further boost the balance sheet. The pointers which acknowledge our conviction being: 1) Contingent provisioning (COVID + standard + floating & others) stood 1.2% of net advances and total provisioning (including cumulative) is at 2.5% of book, 2) Moratorium at 16% of the book is likely to reduce further, 3) Asset quality stress at moderate level (may inch up 50bps in FY21E) with GNPA of 2.5%, 4) Fixed rate book (60% contribution) is likely to hold the NIMs despite abundant liquidity. We estimate credit growth of 11% CAGR at FY20-23E. Healthy operating metrics may translate into FY22E ROA and ROE of 1.9% and 14.1% respectively. Thus we recommend BUY.

Gazing the core:

Capital raise to keep balance sheet in fine fettle: The bank has raised ₹32.9bn in 1QFY21 (CET at 13.16%). Additionally a capital raise of ₹25bn was executed on 3rd September. The bank issued 48mn shares at ₹524 (17% discount of previous day closing: ₹616) aggregating to ₹25bn. The dilution pre and post money basis was 6.9% and 6.4% respectively. Post money the CET – 1 of the bank increased by 95bps to 14.11% of 1QFY21 RWA. The pricing was at 1.04x of current book value per share. The Preferential Allottees include four investors – Route One Offshore Fund, ICICI Prudential Life, TATA Investment Corporation and AIA company Ltd. However, we believe the bank has built sufficient capital buffer to protect the balance sheet and grow it cautiously.

Provisioning seems adequate: In 1QFY21, the bank's credit cost (Provision expenses: ₹22.6bn) decreased to 0.58% vs. 0.86% in previous quarter. According to RBI directive, the bank has to make statutory provision in next two quarters of ₹450mn for 60DPD as on March-20. The bank has made ₹230mn provision 4QFY20 and rest in this quarter. The bank has made additional COVID provision of ₹9.2bn in 1QFY20 and ₹2.8bn was made in the previous quarter. The total COVID provisioning stood at ₹12bn. The bank held NPA provisions, COVID provision, floating provision, standard asset provision and other provision of ₹25.6bn, ₹12bn, 0.7bn, ₹9.2bn and ₹1.5bn respectively. The total provisions stood at 96% of GNPLs and 2.5% of loans. The contingent provisioning stood at 1.2% of net advances.

Key Financials (₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
NII	88,462	120,587	135,839	152,490	173,850
Operating Profit	80,882	107,727	123,197	137,787	156,617
Reported Profits	33,011	44,179	47,652	66,057	80,445
Net Worth	263,492	337,131	437,518	495,209	558,922
Loan & Advances	1,863,935	2,067,832	2,212,580	2,467,027	2,812,410
Int. Bearing Liabilities	2,421,890	2,627,934	2,776,431	3,057,399	3,434,978

Key Ratios (%)	FY19	FY20	FY21E	FY22E	FY23E
NIM's	3.8	4.4	4.6	4.7	4.8
C/I	44.2	43.3	41.5	41.9	41.9
Gross NPA	2.1	2.5	3.1	2.5	2.3
Tier 1	13.7	15.7	18.5	18.8	18.6
Adj. RoA	1.3	1.5	1.5	1.9	2.1
Adj. RoE	13.1	14.6	12.2	14.1	15.2

Rating	Buy
Current Market Price (₹)	617
12 M Price Target (₹)	705
Potential upside (%)	14

Stock Data

FV (₹):	2
Market Cap Full (₹ bn):	427
Market Cap Free Float (₹ bn):	354
52-Week High / Low (₹):	1,597 / 236
2-Year High / Low (₹):	1,899 / 236
1 Year Avg. Dly Traded Volume (in lakh)	172
BSE Code / NSE Symbol:	532187 / INDUSINDBK
Bloomberg:	IIB IN

Shareholding Pattern (%)

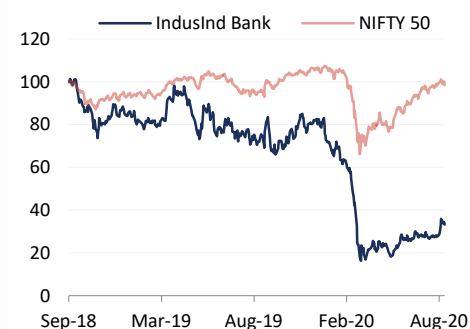
	Jun-20	Mar-20	Dec-19	Sep-19
Promoter	14.65	14.34	14.38	14.38
FPIs	52.07	53.58	55.22	52.10
MFs	12.01	11.81	10.86	12.64
FI's / Banks	0.75	0.61	0.60	0.52
Insurance	1.15	2.92	3.20	3.80
Others	19.37	16.74	15.74	16.56

Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Indusind Bank	25%	49%	-42%	-53%
Nifty 50	2%	13%	1%	5%

* To date / current date : September 4, 2020

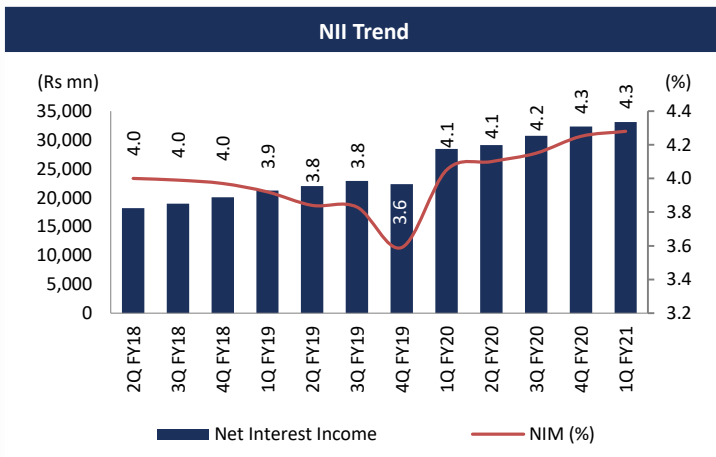
Indusind Bank vs Nifty 50

The glimpse of MORAT book: As on 30th June, the bank's overall moratorium book stood at 16% of total loans. Around 90% of the same is coming from consumer segment and remaining from corporate. Approx. 10% of the moratorium book (~₹2.9bn) from consumer segment had not paid any installment and remain the most vulnerable segment. We expect the moratorium book to inch down further and may add 50bps to GNPA (2.5% as on 1QFY21).

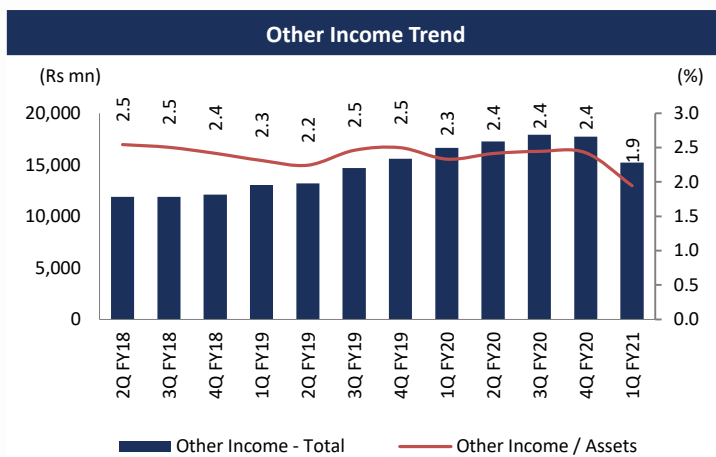
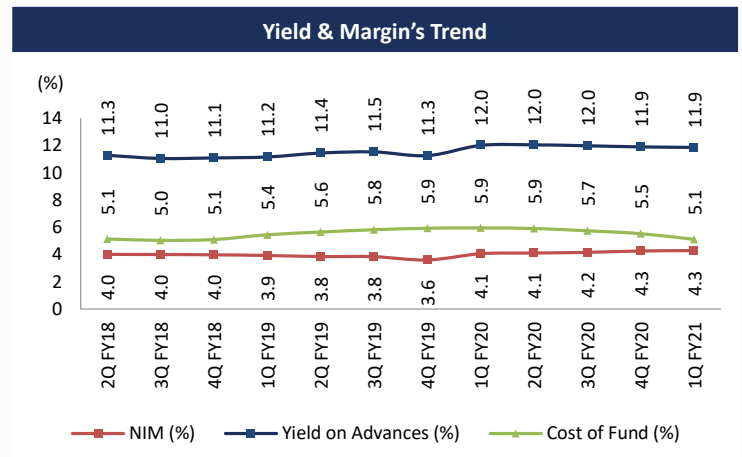
Fixed rate book resulted in healthy 1QFY21: NII grew by 16.4% YoY and 2.4% QoQ driven by sequentially higher NIMs. Bank's YOA remain sequentially stable at 11.9% because of fixed rate loan books and BHFIN MFI books. A Lower COF (5.10% vs. 5.52% in previous quarter) has resulted in spike in NIMs by 3ps to 4.28%. Moreover, better cost ratio (40.7% v/s 43.3% in FY20) has resulted in PPOP growth of 10.4% YoY and 0.9% QoQ. The bank's provisioning expenses was bulky of ₹22.6bn as credit cost of 0.58%. The bank reported PAT of ₹4.6bn; growth of 52% sequentially.

Outlook and Valuation:

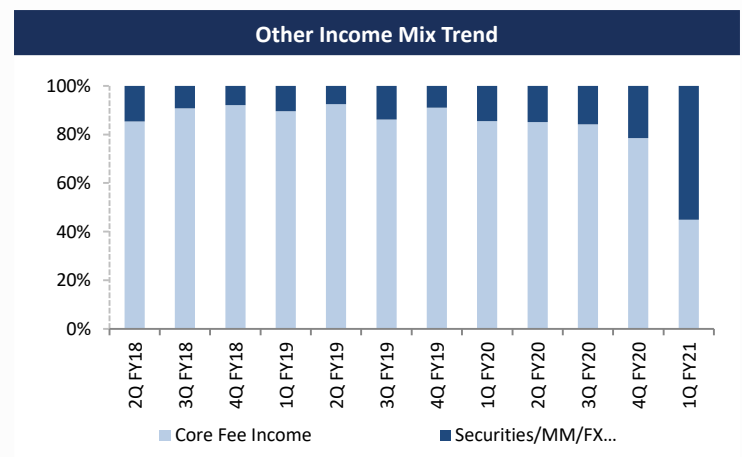
Core operating performance of Indusind Bank remains healthy. A higher COVID provision is likely to safeguard the bank from credit disruption from COVID. Thus we recommend a BUY with price target of ₹705 (based on 1.1x FY22E Adj. BVPS).



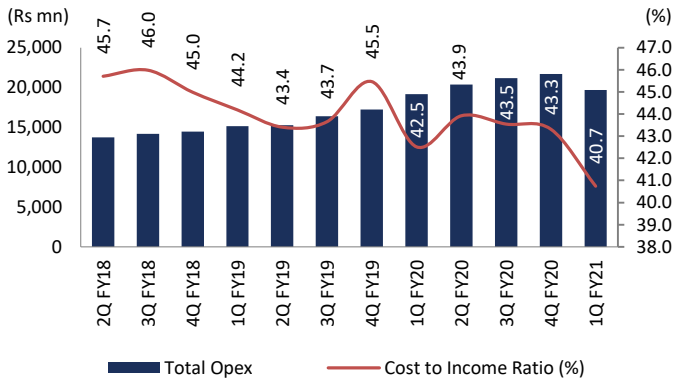
Source: Company, LKP Research



Source: Company, LKP Research

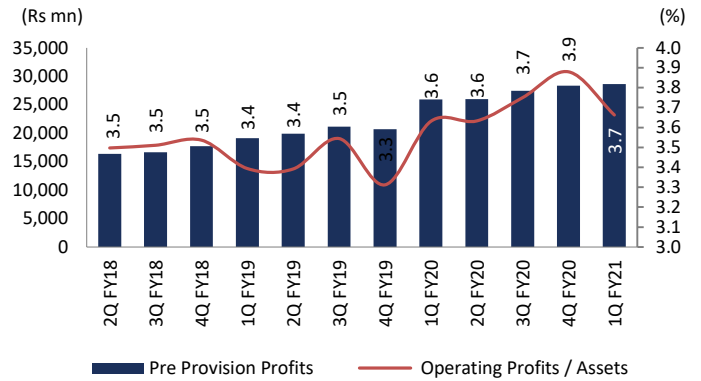


Total Opex Trend

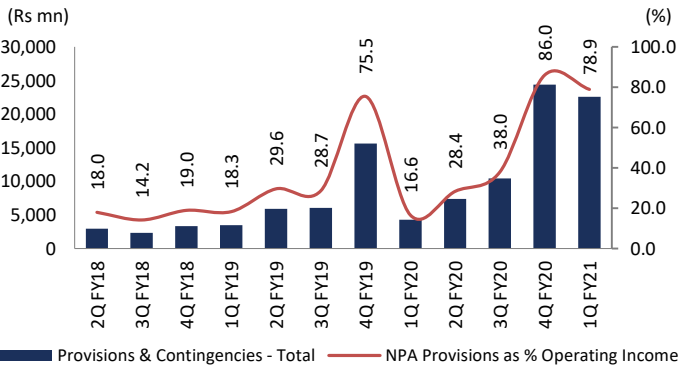


Source: Company, LKP Research

Pre Provision Profit Trend

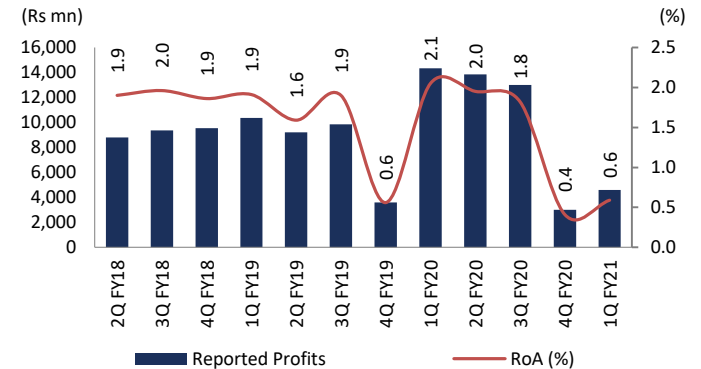


Provision Expenses Trend

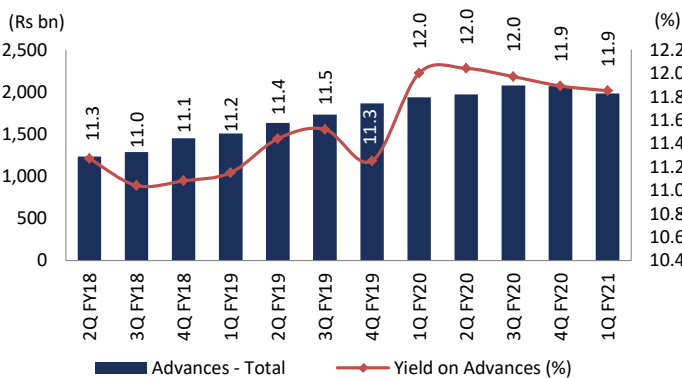


Source: Company, LKP Research

Reported Profit Trend

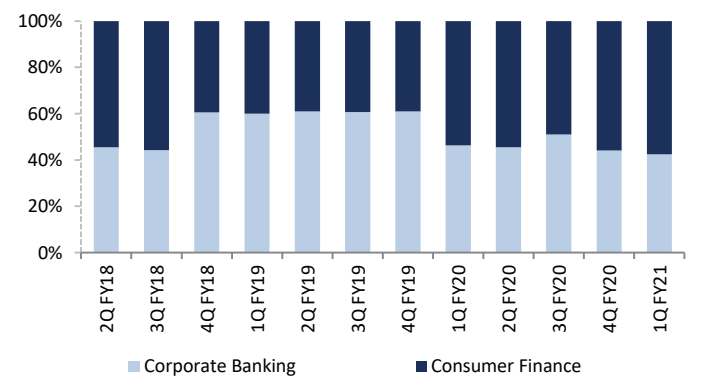


Loan Book Trend

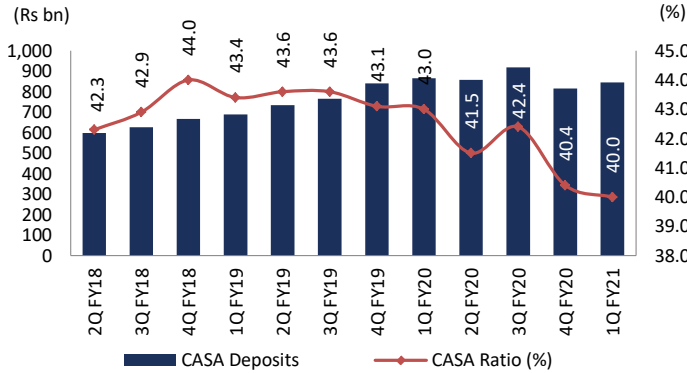


Source: Company, LKP Research

Loan Book Mix Trend

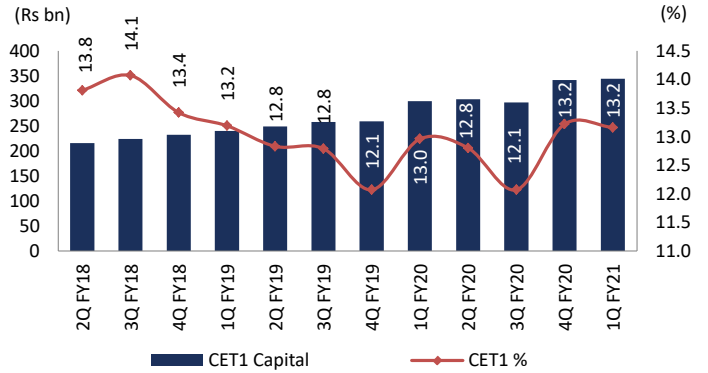


CASA Deposit Trend

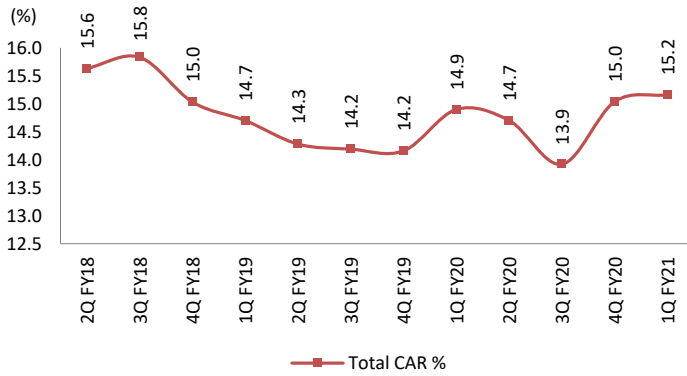


Source: Company, LKP Research

CET 1 Ratio Trend

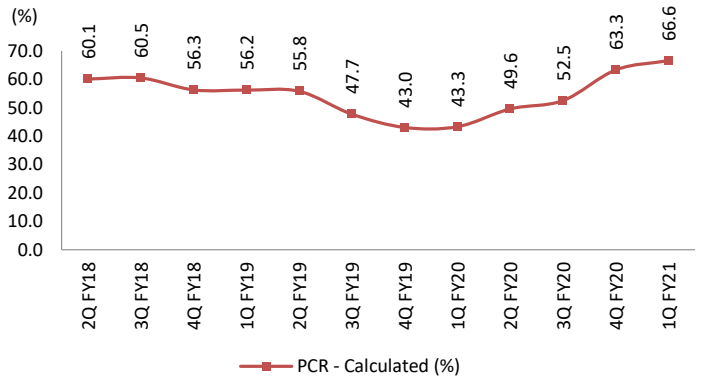


CRAR Trend

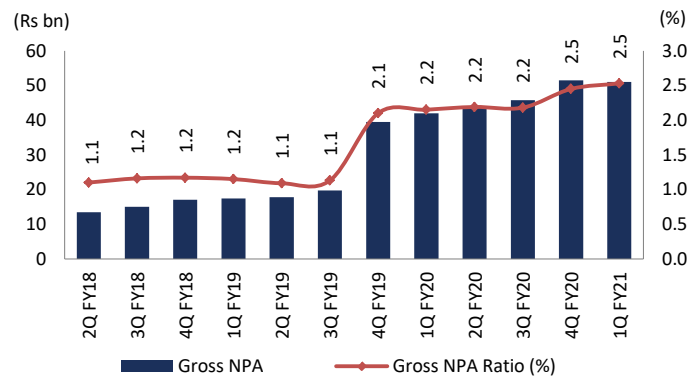


Source: Company, LKP Research

PCR Trend

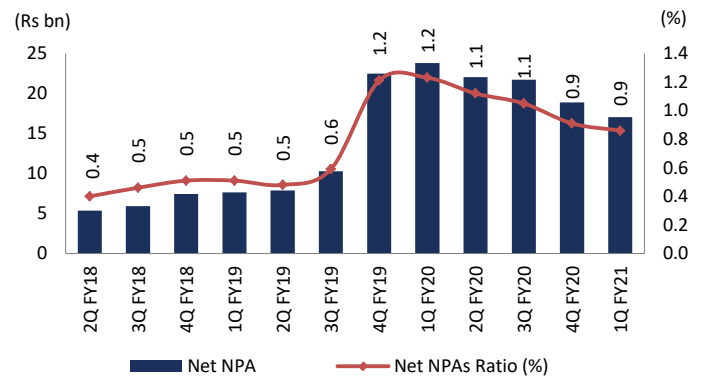


Gross NPA Trend



Source: Company, LKP Research

Net NPA Trend



Financial Performance at a glance

Exhibit: Income Statement Analysis

(₹ mn)	1Q FY21	1Q FY20	% yoy / bps	4Q FY20	% qoq / bps	FY20	FY19	% yoy / bps
Int. on Loan	60,660	57,538	5.4	62,234	(2.5)	240,083	182,567	31.5
Int. on Investment	10,015	10,699	(6.4)	10,305	(2.8)	42,822	36,773	16.4
Int. on Balances	208	488	(57.4)	515	(59.6)	1,920	1,020	88.2
Int. Others	734	888	(17.3)	812	(9.6)	3,004	2,251	33.4
Interest Inc.	71,617	69,614	2.9	73,866	(3.0)	287,828	222,612	29.3
<i>Yield on Advances (%)</i>	<i>11.9</i>	<i>12.0</i>	<i>(15)</i>	<i>11.9</i>	<i>(4)</i>	-	-	-
<i>Yield on Assets (%)</i>	<i>9.4</i>	<i>10.0</i>	<i>(61)</i>	<i>9.8</i>	<i>(39)</i>	-	-	-
Interest Expenses	38,525	41,174	(6.4)	41,554	(7.3)	167,241	134,150	24.7
<i>Cost of Dep. (%)</i>	<i>5.7</i>	<i>6.9</i>	<i>(113)</i>	<i>6.1</i>	<i>(32)</i>	-	-	-
<i>Cost of Fund (%)</i>	<i>5.1</i>	<i>5.9</i>	<i>(84)</i>	<i>5.5</i>	<i>(42)</i>	-	-	-
Net Interest Income	33,092	28,440	16.4	32,312	2.4	120,587	88,462	36.3
<i>NII to Net Operative Income</i>	<i>68.5</i>	<i>63.1</i>	<i>544</i>	<i>64.6</i>	<i>395</i>	<i>63.4</i>	<i>61.0</i>	<i>240</i>
<i>NIM (%)</i>	<i>4.28</i>	<i>4.1</i>	<i>23</i>	<i>4.3</i>	<i>3</i>	-	<i>3.8</i>	-
<i>Yield Corporate Bank (%)</i>	<i>8.6</i>	<i>9.1</i>	<i>(50)</i>	<i>8.8</i>	<i>(25)</i>	-	-	-
<i>Yield Consumer Finance (%)</i>	<i>14.5</i>	<i>14.6</i>	<i>(8)</i>	<i>14.7</i>	<i>(18)</i>	-	-	-
Trade and Remittances	1,160	1,640	(29.3)	1,890	(38.6)	7,200	6,360	13.2
Foreign Exchange Income	1,550	2,500	(38.0)	2,480	(37.5)	10,160	10,150	0.1
Distribution Fees	1,740	3,020	(42.4)	3,670	(52.6)	13,380	11,280	18.6
General Banking Fees	700	900	(22.2)	800	(12.5)	3,450	3,440	0.3
Loan Processing fees	990	3,370	(70.6)	3,560	(72.2)	14,410	10,950	31.6
Investment Banking	290	2,350	(87.7)	1,430	(79.7)	7,880	8,500	(7.3)
PSLC	390	430	(9.3)	70	457.1	1,370	-	-
Core Fee Income	6,820	14,210	(52.0)	13,900	(50.9)	57,850	50,680	14.1
"Securities/MM/FX Trading/Others"	8,372	2,423	245.6	3,820	119.2	11,663	5,786	101.6
Other Income - Total	15,192	16,633	(8.7)	17,720	(14.3)	69,513	56,467	23.1
<i>Other Income to Net Operative Income</i>	<i>31.5</i>	<i>36.9</i>	<i>(544)</i>	<i>35.4</i>	<i>(395)</i>	<i>36.6</i>	<i>39.0</i>	<i>(240)</i>
Net Operating Revenue	48,284	45,072	7.1	50,032	(3.5)	190,101	144,929	31.2
Employee Expenses	5,516	6,472	(14.8)	4,957	11.3	22,085	18,535	19.2
<i>Empl. Cost/Oper. Exps.</i>	<i>11.4</i>	<i>14.4</i>	<i>(293)</i>	<i>9.9</i>	<i>152</i>	<i>11.6</i>	<i>12.8</i>	<i>(117)</i>
Other Opex	14,154	12,691	11.5	16,713	(15.3)	60,289	45,512	32.5
<i>Other Opex/ Assets</i>	<i>0.5</i>	<i>0.4</i>	<i>1</i>	<i>0.6</i>	<i>(12)</i>	<i>2.1</i>	<i>1.8</i>	<i>24</i>
Total Opex	19,671	19,163	2.6	21,670	(9.2)	82,373	64,047	28.6
<i>Cost to Income Ratio (%)</i>	<i>40.7</i>	<i>42.5</i>	<i>(178)</i>	<i>43.3</i>	<i>(257)</i>	<i>43.3</i>	<i>44.2</i>	<i>(86)</i>
Pre Provision Profits	28,613	25,910	10.4	28,362	0.9	107,727	80,882	33.2
Provision for NPA	11,660	3,040	283.6	17,860	(34.7)	30,290	30,207	0.3
Provision for investments	10,929	1,266	763.1	6,543	67.0	16,231	867	1,772.1
Provisions & Contingencies - Total	22,589	4,306	424.6	24,403	(7.4)	46,521	31,077	49.7
<i>Credit Cost (%)</i>	<i>0.58</i>	<i>0.16</i>	<i>42</i>	<i>0.9</i>	<i>(28)</i>	<i>1.46</i>	-	-
<i>NPA Provisions as % Operating Income</i>	<i>78.9</i>	<i>16.6</i>	<i>6,233</i>	<i>86.0</i>	<i>(710)</i>	<i>43.2</i>	<i>38.4</i>	<i>476</i>
Profit Before Tax	6,025	21,603	(72.1)	3,959	52.2	61,206	49,806	22.9
Tax	1,418	7,278	(80.5)	940	50.8	17,027	16,795	1.4
<i>Effective Tax Rate (%)</i>	<i>23.5</i>	<i>33.7</i>	<i>(1,015)</i>	<i>23.7</i>	<i>(21)</i>	<i>27.8</i>	<i>33.7</i>	<i>(590)</i>
Reported Profits	4,606	14,325	(67.8)	3,018	52.6	44,179	33,011	33.8
<i>RoA (%)</i>	<i>0.6</i>	<i>2.1</i>	<i>(146)</i>	<i>0.4</i>	<i>18</i>	-	<i>1.4</i>	-
<i>RoE (%)</i>	<i>5.9</i>	<i>18.5</i>	<i>(1,259)</i>	<i>3.7</i>	<i>217</i>	-	<i>13.3</i>	-

Source: Company, LKP Research

Exhibit: Balance Sheet Analysis

(₹ mn)	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	QoQ % / bps	YoY % / bps
Net Worth	266,748	320,580	328,339	334,820	340,232	348,280	2.4	8.6
RoE (%)	5.5	18.5	17.6	15.6	3.7	5.9	217	(1,259)
CET1 %	12.1	13.0	12.8	12.1	13.2	13.2	(6)	20
Tier 1 %	13.7	14.5	14.3	13.5	14.6	14.5	(8)	2
Total CAR %	14.2	14.9	14.7	13.9	15.0	15.2	12	26
RWA - Total	2,145,490	2,310,940	2,372,230	2,458,520	2,580,650	2,617,220	1.4	13.3
Advances - Total	1,863,935	1,935,200	1,971,126	2,074,130	2,067,832	1,980,690	(4.2)	2.4
Investments	592,662	607,340	635,820	605,170	599,799	595,960	(0.6)	(1.9)
Total Assets	2,778,194	2,930,460	2,947,293	3,079,430	3,070,576	3,179,160	3.5	8.5
RoA (%)	0.56	2.05	1.95	1.82	0.41	0.59	18	(146)
Deposits	1,948,679	2,005,860	2,071,934	2,167,130	2,020,398	2,112,650	4.6	5.3
Saving Deposit	544,860	576,520	581,170	648,950	531,300	525,270	(1.1)	(8.9)
Current Deposit	295,840	288,870	277,210	269,700	284,400	319,460	12.3	10.6
CASA Deposits	840,700	865,390	858,380	918,650	815,700	844,730	3.6	(2.4)
CASA Ratio (%)	43.1	43.0	41.5	42.4	40.4	40.0	(40)	(300)
Term Deposits	1,107,979	1,140,470	1,213,554	1,248,480	1,204,698	1,267,920	5.2	11.2
Interest Bearing Liabilities - Total	2,421,890	2,503,500	2,517,512	2,635,260	2,627,934	2,704,610	2.9	8.0

Source: Company, LKP Research

Exhibit: Earning Assets Mix & Incremental Contribution

	As on (₹ mn)				As % of Working Assets	YoY/ YTD growth (% / bps)			Incremental Contribution in Working Assets (%)		
	FY18	FY19	FY20	1Q FY21		FY19	FY20	1Q FY21	FY19	FY20	1Q FY21
Corporate Banking	877,150	1,137,100	913,340	839,860	28.6	29.6	(19.7)	(8.0)	49.8	(100.2)	(66.7)
Large Corporates	442,890	521,660	477,420	438,190	14.9	17.8	(8.5)	(8.2)	15.1	(19.8)	(35.6)
Mid size Corporates	256,520	333,690	395,590	366,490	12.5	30.1	18.6	(7.4)	14.8	27.7	(26.4)
Small Corporates	177,740	281,750	40,330	35,180	1.2	58.5	(85.7)	(12.8)	19.9	(108.1)	(4.7)
Consumer Finance	572,390	726,840	1,154,490	1,140,830	38.8	27.0	58.8	(1.2)	29.6	191.6	(12.4)
Comm. Vehicle Loans	198,720	244,440	239,480	237,370	8.1	23.0	(2.0)	(0.9)	8.8	(2.2)	(1.9)
Utility Vehicle Loans	28,660	35,970	43,770	43,600	1.5	25.5	21.7	(0.4)	1.4	3.5	(0.2)
Small CV	25,280	31,350	35,240	36,060	1.2	24.0	12.4	2.3	1.2	1.7	0.7
Two Wheeler Loans	35,890	44,820	52,040	57,740	2.0	24.9	16.1	11.0	1.7	3.2	5.2
Car Loans	53,450	65,370	72,470	72,450	2.5	22.3	10.9	(0.0)	2.3	3.2	(0.0)
Tractor	27,260	35,200	46,700	46,730	1.6	29.1	32.7	0.1	1.5	5.2	0.0
Equipment Financing	54,790	75,690	80,830	81,110	2.8	38.1	6.8	0.3	4.0	2.3	0.3
Vehicle Loans	-	-	570,540	575,060	19.6	-	-	0.8	-	-	4.1
Non Vehicle loans	-	-	341,630	331,110	11.3	-	-	(3.1)	-	-	(9.5)
Credit Card	26,960	4,382	47,620	47,750	1.6	(83.7)	987	0.3	(4.3)	19.4	0.1
Loan Against Property	80,090	8,925	94,480	94,690	3.2	(88.9)	959	0.2	(13.6)	38.3	0.2
BBG + BL, PL, GL, Others	41,300	6,095	199,540	188,670	6.4	(85.2)	3,174	(5.4)	(6.7)	86.7	(9.9)
Advances - Total	1,449,537	1,863,935	2,067,832	1,980,690	67.4	28.6	10.9	(4.2)	79.4	91.3	(79.1)
Investments	500,767	592,662	599,799	595,960	20.3	18.4	1.2	(0.6)	17.6	3.2	(3.5)
Cash & Cash Equivalent	132,159	147,834	160,037	361,180	12.3	11.9	8.3	125.7	3.0	5.5	182.6
Working Assets	2,082,463	2,604,431	2,827,668	2,937,830	100.0	25.1	8.6	3.9	100.0	100.0	100.0

Source: Company, LKP Research

Exhibit: Funding Profile Analysis

(₹ mn)	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	2,421,890	2,503,500	2,517,512	2,635,260	2,627,934	2,704,610	2.9	8.0
Deposits	1,948,679	2,005,860	2,071,934	2,167,130	2,020,398	2,112,650	4.6	5.3
CASA Deposits	840,700	865,390	858,380	918,650	815,700	844,730	3.6	(2.4)
Saving Deposit	544,860	576,520	581,170	648,950	531,300	525,270	(1.1)	(8.9)
Current Deposit	295,840	288,870	277,210	269,700	284,400	319,460	12.3	10.6
Term Deposits	1,107,979	1,140,470	1,213,554	1,248,480	1,204,698	1,267,920	5.2	11.2
Borrowings	473,211	497,640	445,578	468,130	607,536	591,960	(2.6)	19.0
Interest Bearing Liabilities - Total	2,421,890	2,503,500	2,517,512	2,635,260	2,627,934	2,704,610	2.9	8.0

Source: Company, LKP Research

Exhibit: Funding mix and Incremental Contribution

	As on (₹ mn)				As % of Total Working Fund	YoY/ YTD growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY18	FY19	FY20	1Q FY21		FY19	FY20	1Q FY21	FY19	FY20	1Q FY21
Deposits	1,516,392	1,948,679	2,020,398	2,112,650	69.2	28.5	3.7	4.6	78.4	25.7	108.9
Saving Deposit	458,883	544,857	531,300	525,270	17.2	18.7	(2.5)	(1.1)	15.6	(4.8)	(7.1)
Current Deposit	208,410	295,845	284,400	319,460	10.5	42.0	(3.9)	12.3	15.9	(4.1)	41.4
CASA Deposits	667,293	840,701	815,700	844,730	27.7	26.0	(3.0)	3.6	31.5	(8.9)	34.3
Term Deposits	849,099	1,107,978	1,204,698	1,267,920	41.5	30.5	8.7	5.2	47.0	34.6	74.6
Borrowings	382,891	473,211	607,536	591,960	19.4	23.6	28.4	(2.6)	16.4	48.1	(18.4)
Interest Bearing Liabilities - Total	1,899,283	2,421,890	2,627,934	2,704,610	88.6	27.5	8.5	2.9	94.8	73.7	90.5
Net Worth	238,271	266,748	340,232	348,280	11.4	12.0	27.5	2.4	5.2	26.3	9.5
Working Fund	2,137,553	2,688,638	2,968,166	3,052,890	100.0	25.8	10.4	2.9	100.0	100.0	100.0
<i>Interest Exp. / Assets</i>	4.89	5.37	5.72	4.9		48	35	(79)			

Source: Company, LKP Research

Exhibit: Asset Quality Analysis

(₹ mn)	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	QoQ % / bps	YoY % / bps
Total Slippages	36,880	7,250	11,020	19,450	20,580	15,370	(25.3)	112.0
<i>Slippages Ratio (%)</i>	2.54	0.39	0.59	1.04	1.10	0.74	(36)	35
Gross NPA	39,474	41,997	43,702	45,784	51,467	50,990	(0.9)	21.4
<i>Gross NPAs Ratio (%)</i>	2.10	2.15	2.19	2.18	2.45	2.53	8	38
<i>PCR - Calculated (%)</i>	43.0	43.3	49.6	52.5	63.3	66.6	325	2,328
<i>PCR - Inc. Tech w/o (%)</i>	-	43.0	50.0	53.0	63.0	67.0	400	2,400
Net NPA	22,483	23,805	22,026	21,733	18,866	17,034	(9.7)	(28.4)
<i>Net NPAs Ratio (%)</i>	1.21	1.23	1.12	1.05	0.91	0.86	(5)	(37)

Source: Company, LKP Research

Annual Projections

Exhibit: Profit and Loss Statement

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	222,612	287,828	304,177	327,818	364,310
Interest Expenses	134,150	167,241	168,337	175,328	190,459
Net Interest Income	88,462	120,587	135,839	152,490	173,850
<i>NIM (%)</i>	3.77	4.44	4.62	4.73	4.82
Core Fee Income	50,680	57,850	61,321	68,986	77,609
Securities/MM/FX Trading/Others	5,787	11,663	13,413	15,559	17,892
Other Income - Total	56,467	69,513	74,734	84,545	95,502
Net Operating Revenue	144,929	190,101	210,573	237,034	269,352
Employee Exp.	18,535	22,085	24,072	27,081	30,467
Other Opex	45,512	60,289	63,303	72,165	82,269
Total Opex	64,047	82,373	87,375	99,247	112,735
<i>C/I Ratio</i>	44.19	43.33	41.49	41.87	41.85
<i>Pre Provision Profits</i>	80,882	107,727	123,197	137,787	156,617
<i>PPP Growth (yoy %)</i>	21.5	33.2	14.4	11.8	13.7
Core PPP	78,631	104,723	123,197	137,787	156,617
PPP ex Except. Items	80,882	107,727	123,197	137,787	156,617
<i>PPP ex Except Items Growth (yoy %)</i>	21.5	33.2	14.4	11.8	13.7
Provisions & Contingencies - Total	31,077	46,521	59,661	49,711	49,357
<i>Credit Cost (As % of Op. AUM)</i>	1.88	2.18	2.50	2.00	2.00
Profit Before Tax	49,806	61,206	63,536	88,076	107,260
Tax	16,795	17,027	15,884	22,019	26,815
<i>Effective Tax Rate</i>	33.7	27.8	25.0	25.0	25.0
Reported Profits	33,011	44,179	47,652	66,057	80,445
<i>PAT Growth (yoy %)</i>	(8.5)	33.8	7.9	38.6	21.8

Source: Company, LKP Research

Exhibit: Balance Sheet

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	6,027	6,935	8,207	8,207	8,207
Reserves (ex Revel. Reserve)	257,465	330,196	429,797	486,962	549,622
Net Worth - Ex Revaluation	263,492	337,131	438,004	495,168	557,828
Revaluation Reserve	3,256	3,101	2,582	2,297	-
Equity Warrant & Other	112	6,833	127	133	6,833
Minority Interest	-	-	-	-	-
Deposits	1,948,679	2,020,398	2,151,734	2,384,771	2,696,458
Borrowings	473,211	607,536	624,697	672,628	738,520
Interest Bearing Liabilities	2,421,890	2,627,934	2,776,431	3,057,399	3,434,978
Other Lia. & Prov.	89,444	95,577	103,035	113,727	141,904
Total Liabilities	2,778,194	3,070,576	3,320,177	3,668,724	4,141,543
Assets					
Cash & Cash Equivalent	147,834	160,037	179,772	191,699	216,843
Investments	592,662	599,799	663,773	727,951	801,633
AUM/ Credit Exposure	2,828,983	2,828,984	2,828,984	2,828,984	2,828,984
Off Book AUM	965,048	761,152	-	-	-
Credit Equivalent	52,979	53,537	56,750	60,722	64,973
Loan & Advances	1,863,935	2,067,832	2,212,580	2,467,027	2,812,410
<i>Growth (yoy %)</i>	<i>28.6</i>	<i>10.9</i>	<i>7.0</i>	<i>11.5</i>	<i>14.0</i>
Fixed Assets	17,100	18,201	19,122	19,973	22,374
Other Assets	156,663	224,707	244,930	262,075	288,283
Total Assets	2,778,194	3,070,576	3,320,177	3,668,724	4,141,543

Source: Company, LKP Research

Exhibit: Per share data

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Face Value	10	10	10	10	10
Adjusted Share O/S - For Calculation	603	694	772	772	772
Earnings Per Share	54.8	63.7	61.7	85.6	104.2
<i>EPS (% YoY)</i>	<i>(8.8)</i>	<i>16.3</i>	<i>(3.1)</i>	<i>38.6</i>	<i>21.8</i>
<i>P/E (x)</i>	<i>11.2</i>	<i>9.7</i>	<i>10.0</i>	<i>7.2</i>	<i>5.9</i>
Book Value	437.2	486.1	566.7	641.4	723.9
<i>BVPS (% YoY)</i>	<i>11.8</i>	<i>11.2</i>	<i>16.6</i>	<i>13.2</i>	<i>12.9</i>
<i>P/BV (x)</i>	<i>1.4</i>	<i>1.3</i>	<i>1.1</i>	<i>1.0</i>	<i>0.9</i>
Adj. BV	418.5	476.6	566.2	640.9	723.4
<i>Adj. BV (% YoY)</i>	<i>7.1</i>	<i>13.9</i>	<i>18.8</i>	<i>13.2</i>	<i>12.9</i>
<i>P/ABV (x)</i>	<i>1.5</i>	<i>1.3</i>	<i>1.1</i>	<i>1.0</i>	<i>0.9</i>
<i>Price-ABV (adjusted for value of & invt in subs)</i>	<i>1.5</i>	<i>1.3</i>	<i>1.1</i>	<i>1.0</i>	<i>0.9</i>

Source: Company, LKP Research

Exhibit: Detailed ROA Tree

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Yields / Margins					
Yield on Advance	11.0	12.2	11.9	11.8	11.7
Yield on Funds	9.5	10.6	10.3	10.2	10.1
Cost of Funds (CoF)	6.2	6.6	6.2	6.0	5.9
Interest Spread	3.3	4.0	4.1	4.2	4.2
NIM's	3.8	4.4	4.6	4.7	4.8
Interest Income / Assets	8.9	9.8	9.5	9.4	9.3
Interest Exp. / Assets	5.4	5.7	5.3	5.0	4.9
NII / Assets	3.5	4.1	4.3	4.4	4.5
Fee Income / Assets	2.0	2.0	1.9	2.0	2.0
Other Income / Assets	2.3	2.4	2.3	2.4	2.4
Net Operating Income / Assets	5.8	6.5	6.6	6.8	6.9
Operating Ratios					
NII to Net Operative Income	61.0	63.4	64.5	64.3	64.5
Other Income to Net Operative Income	39.0	36.6	35.5	35.7	35.5
Empl. Cost/Oper. Exps.	28.9	26.8	27.6	27.3	27.0
Other Op. Exps./Oper. Exps.	71.1	73.2	72.4	72.7	73.0
C/I Ratio	44.2	43.3	41.5	41.9	41.9
Provisions as % PPP	21.4	24.5	28.3	21.0	18.3
Credit Cost (As % of Op. AUM)	1.9	2.2	2.5	2.0	2.0
Effective Tax Rate	33.7	27.8	25.0	25.0	25.0
Employee Exp. / Assets	0.7	0.8	0.8	0.8	0.8
Other Opex/ Assets	1.8	2.1	2.0	2.1	2.1
Total Opex / Assets	2.6	2.8	2.7	2.8	2.9
Operating Profits / Assets	3.2	3.7	3.9	3.9	4.0
Op Profit ex Except Items / Assets	3.2	3.7	3.9	3.9	4.0
Provisions / Assets	1.2	1.6	1.9	1.4	1.3
Profit Before Tax / Assets	2.0	2.1	2.0	2.5	2.7
Tax Expenses / Assets	0.7	0.6	0.5	0.6	0.7
RoA	1.3	1.5	1.5	1.9	2.1
Leverage (x)	10.5	9.1	7.6	7.4	7.4
RoE	13.1	14.6	12.2	14.1	15.2
Adj. RoA	1.3	1.5	1.5	1.9	2.1
Adj. RoE	13.1	14.6	12.2	14.1	15.2

Source: Company, LKP Research

Exhibit: Balance Sheet Ratio

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Credit / Deposit	95.7	102.3	102.8	103.4	104.3
Incremental C/D	95.9	284.3	110.2	109.2	110.8
Investment Deposit	30.4	29.7	30.8	30.5	29.7
Dom. SLR Investment / Deposits	24.5	24.4	25.6	25.5	25.1
CASA	43.1	40.4	41.0	40.5	41.0

Source: Company, LKP Research

Exhibit: Asset Quality

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Slippage Ratio	3.7	3.1	3.0	2.2	1.8
Gross NPA (Cl Bal)	39,474	51,467	69,250	62,419	64,639
Gross NPAs Ratio (%)	2.1	2.5	3.1	2.5	2.3
PCR (%)	43.0	63.3	63.8	62.9	62.6
Net NPA (Cl. Bal.)	22,483	18,866	25,073	23,182	24,153
Net NPAs Ratio (%)	1.2	0.9	1.1	0.9	0.9
Total Impaired Loans	39,869	52,496	69,250	62,419	64,639
Impaired Loan as % of Loan / AUM	2.1	2.5	3.1	2.5	2.2
Total Risk Reserves	16,991	32,601	44,177	39,237	40,486
Total Risk As % of Loan Book	0.9	1.5	1.9	1.6	1.4

Source: Company, LKP Research

Exhibit: Key Assumptions & Forecasts

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Credit Exposure	2,828,983	2,828,984	2,828,984	2,828,984	2,828,984
Growth (yoy %)	28.6	10.9	7.0	11.5	14.0
Loan & Advances	1,863,935	2,067,832	2,212,580	2,467,027	2,812,410
Growth (yoy %)	28.6	10.9	7.0	11.5	14.0
Interest Bearing Liabilities	2,421,890	2,627,934	2,776,431	3,057,399	3,434,978
Growth (yoy %)	28.6	10.9	7.0	11.5	14.0
Yield on Funds	9.5	10.6	10.3	10.2	10.1
Cost of Funds (CoF)	6.2	6.6	6.2	6.0	5.9
Interest Spread	3.3	4.0	4.1	4.2	4.2
NIM's	3.8	4.4	4.6	4.7	4.8
Other Income Growth	18.9	23.1	7.5	13.1	13.0
C/I Ratio	44.2	43.3	41.5	41.9	41.9
Effective Tax Rate	33.7	27.8	25.0	25.0	25.0

Return Ratios

Adj. RoA	1.3	1.5	1.5	1.9	2.1
Adj. RoE	13.1	14.6	12.2	14.1	15.2

Asset Quality Metrics

Credit Cost (As % of Op. AUM)	1.9	2.2	2.5	2.0	2.0
Gross NPAs Ratio (%)	2.1	2.5	3.1	2.5	2.3
Net NPAs Ratio (%)	1.2	0.9	1.1	0.9	0.9

Source: Company, LKP Research

DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www.lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP.