

# AXIS BANK LIMITED | Banking

Lower slippages led to reduction in GNPA ratio; restructuring pool appears better than peers



## Result and Price Analysis

2QFY22 marks the manifestation of sequentially lower provisioning expenses (₹17bn v/s ₹35bn in the previous quarter) and 45% sequential increase in net profit at ₹31bn. The bank's reported slippages number were lower (₹54bn v/s 65bn in 1QFY22) with GNPA and NNPA ratio narrowed down to 3.53% and 1.08% respectively against the GNPA and NNPA ratio of 3.53% and 1.2% in the previous quarter. The bank's PCR (including TWO) stood sequentially flat at 88%. Moreover the resolution rate (98%) stood better than pre-covid level. Furthermore, the BB & below book came down sequentially by 21bps to 0.98% of customer assets and reported higher restructured advances of ₹43.4bn (~64bps of gross loan book). On business front, credit growth (8% YoY & 1% QoQ) and healthy deposit growth (16% YoY & 3% QoQ) were superior to previous quarter. The future outlook of asset quality is at manageable level as the strong standard asset coverage (2.1% of gross loans) is likely to absorb delinquencies from restructuring. In view of adequate covid buffer, strong capital position (CET 1 of 15.8%) and lower restructuring pool, we have a positive outlook with BUY rating.

## Gazing the core

**NPA reducing; restructuring lower than peers:** Axis Bank's total slippages were moderately lower at ₹54bn v/s ₹65bn in the previous quarter. The up-gradation & recovery stood higher at ₹48bn v/s ₹25bn in 1QFY22. It has resulted in 32bps reduction sequentially in GNPA ratio to 3.53%. Retail GNPA at 2.2%, where SME and corporate GNPA ratio is at 3.3% and 5.3% respectively. Alike other banks, the restructured pool was sequentially higher at ₹43.4bn (64bps of GCA) v/s ₹22bn in the previous quarter. However, 64bps of the loan is lower than the quantum announced by HDFC Bank and ICICI Bank. The bank carries a provision of ~24% on restructured loans, which is in excess of regulatory limits. Corporate segment has 68bps of loan book under restructuring where retail and SME segment carry restructuring of 84bps and 20bps respectively. Around 93% of retail restructured book is secured and 100% provision made on unsecured retail restructured book. BB & below rated pool down by 21bps to 0.98% of gross customer assets. Fund based BB & below outstanding decreased by 17% sequentially, however, Non fund based outstanding in BB & below pool stood flat. 100% of restructured corporate book classified as BB & Below.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	2,52,062	2,92,391	3,37,207	3,95,333	4,68,319
Operating Profit	2,34,381	2,57,022	2,89,100	3,30,826	3,82,878
Reported Profits	16,272	65,885	1,07,138	1,28,209	1,55,022
Net Worth	8,49,478	10,16,030	11,23,168	12,51,377	14,06,399
Loan & Advances	57,14,242	62,37,202	69,23,294	77,54,089	87,62,121
Int. Bearing Liabilities	78,80,591	85,01,792	93,89,461	1,04,88,340	1,17,83,899

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	3.2	3.4	3.5	3.7	3.9
C/I Ratio	42.5	41.7	41.8	41.6	41.3
Gross NPA Ratio	4.9	3.7	3.4	2.9	2.3
Tier 1 Ratio	14.6	16.6	15.9	15.8	15.7
Adj. RoA Ratio	0.2	0.7	1.0	1.1	1.2
Adj. RoE Ratio	2.1	7.1	10.0	10.8	11.7

Rating	Buy
Current Market Price (₹)	842
12 M Price Target (₹)	1,019
Potential upside (%)	21

Stock Data	
FV (₹) :	2
Market Cap Full (₹ bn) :	2,590
Market Cap Free Float (₹ bn) :	2,168
52-Week High / Low (₹) :	482 / 867
2-Year High / Low (₹) :	286 / 867
1 Year Avg. Dly Traded Volume (in lakh)	152
BSE Code / NSE Symbol	532215 / AXISBANK
Bloomberg :	AXSB:IN

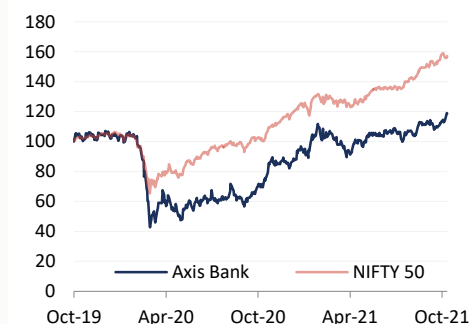
Shareholding Pattern (%)				
	Sep-21	Jun-21	Mar-21	Dec-20
Promoter	11.64	11.69	13.58	13.93
FPIs	51.38	52.49	51.43	51.02
MFs	19.61	18.67	17.73	17.95
Insurance	1.82	1.75	1.90	2.22
Others	15.55	15.40	15.36	14.88

Source: BSE

Price Performance (%)				
(%)	1M	3M	6M	1YR
Axis Bank	5.5%	11.3%	20.2%	70.6%
Nifty 50	2.3%	15.4%	26.1%	55.2%

\* To date / current date : October 26, 2021

## Axis Bank vs Nifty 50



The provision expenses were sequentially lower at ₹17bn (v/s ₹35bn in the previous quarter). It includes the write-off amounting to ₹25bn. The bank's PCR stood flat sequentially at 70%. PCR (including tech. write offs) stood at 88% and Aggregate PCR (Specific provision + covid provision + General Provision + Contingency Provision) stood at 124% of reported GNPLs and the contingent provisioning (covid + standard asset) stood 2.1% of the gross loan book.

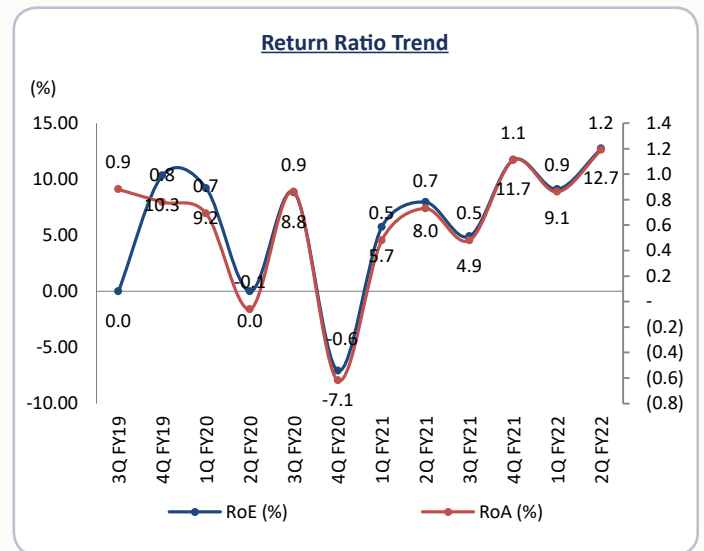
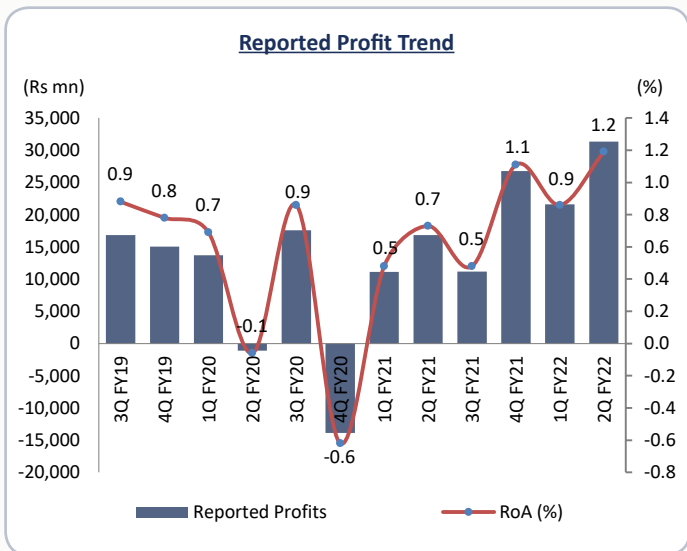
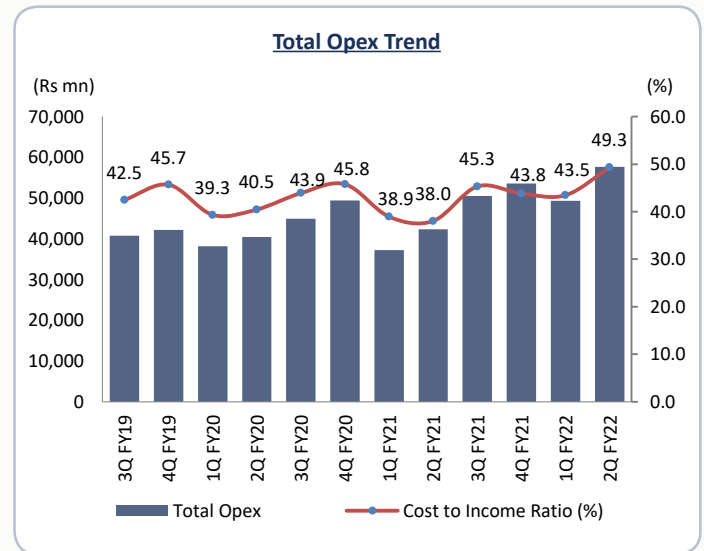
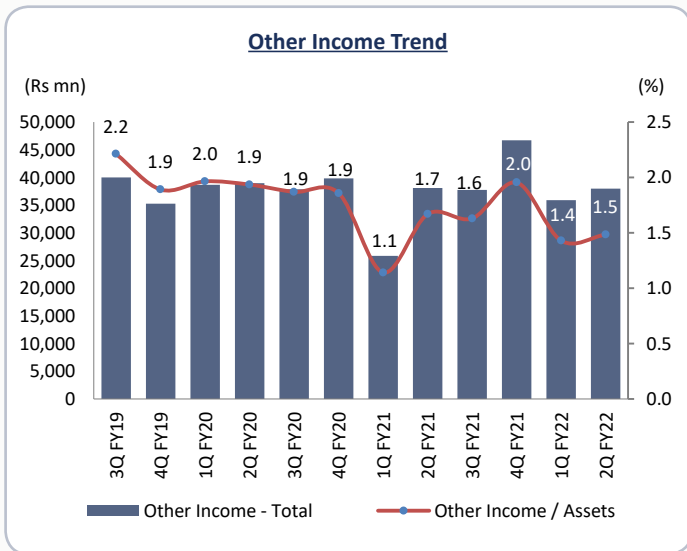
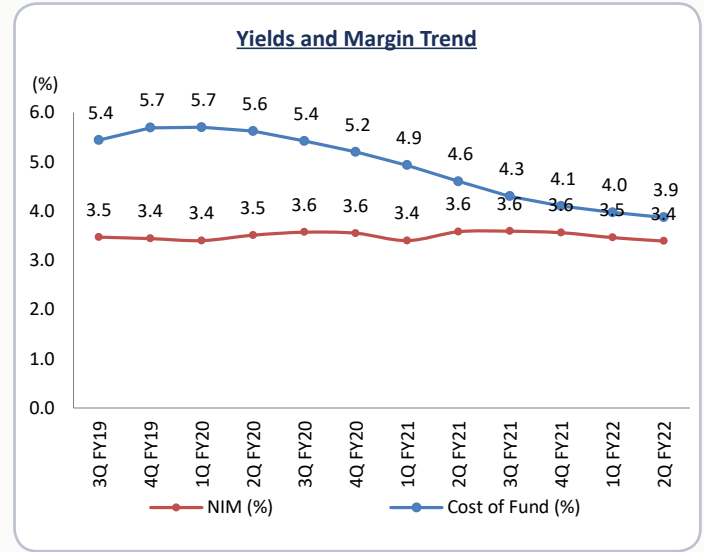
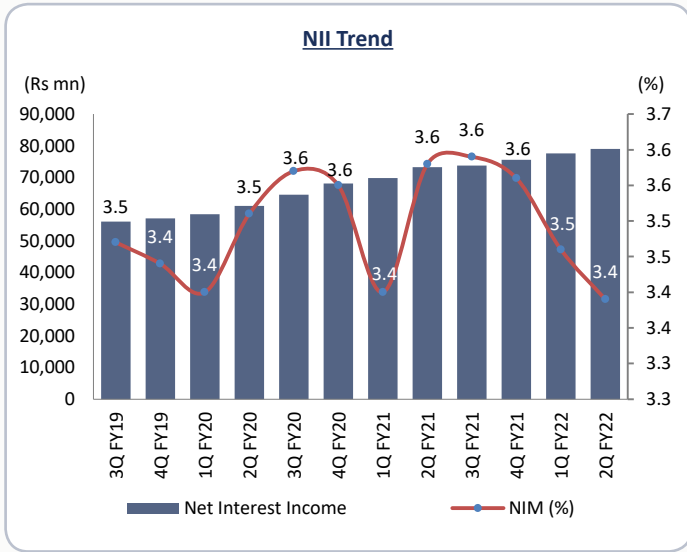
**Sound risk adjusted growth:** The bank's advances stood at ₹6.2tn; 8% YoY and 1% sequentially. Corporate book (34% of book) de-grew by 5% QoQ. Retail book (56% of book) grew by 4.3% sequentially. SME book (10% of book) grew by 7% QoQ. Around 80% of retail book remain secured and it is well diversified. Moreover, 100% of PL (6.5% loan contribution) and 69% of CC (2.3% of loan) portfolio is to salaried class. Axis bank is the 4th largest credit card issuer of the country with market share of 11.4%. Around 86% of Corporate book is now rated A - and above with 93% of incremental sanctions in 1QFY21-2QFY22 being to corporate rated A- and above and 61% of sanction to those who are AA- & above. Around 96% of SME book is secured with predominantly working capital financing. 86% of SME book is rated SME3 or better, with 83% of incremental sanctions is SME3 or above.

**Strong operational quarter driven by higher other income and lower provision:** The bank's NII stood at ₹79bn; grew by 8% YoY & 2% QoQ. The bank's NIMs moderated marginally to 3.39% on the back of lower cost of fund (3.87%) and cost of deposit (3.69%). Interest reversal has impacted 6bps to the NIMs. Non – interest income grew by 6% QoQ. A stable NII growth and higher opex (C/I ratio: 49.3% v/s 43.5% in the previous quarter) led to PPOP sequential de-growth of 7.6%. Additionally, sequentially lower provisioning expenses (₹17bn v/s ₹35bn) has resulted in net profit of ₹31bn; sequential growth of 45%.

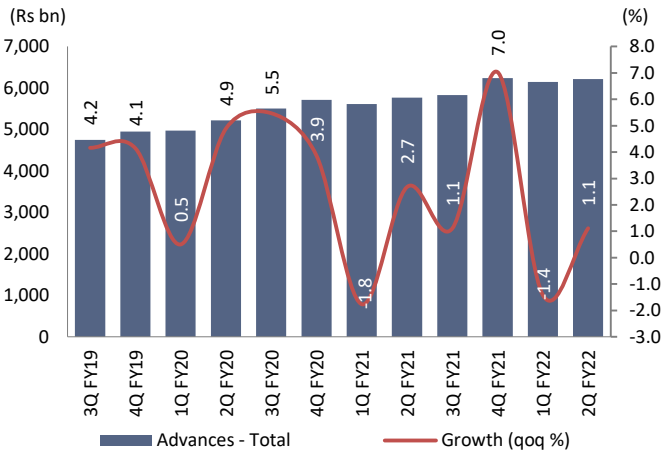
#### Outlook & Valuations

We value the standalone bank at PBV of 2.6x FY23E Adj. BVPS of ₹392 and revise our price target to ₹1,019 from ₹868 recommended earlier. We recommend BUY with potential upside of 21% from current level.

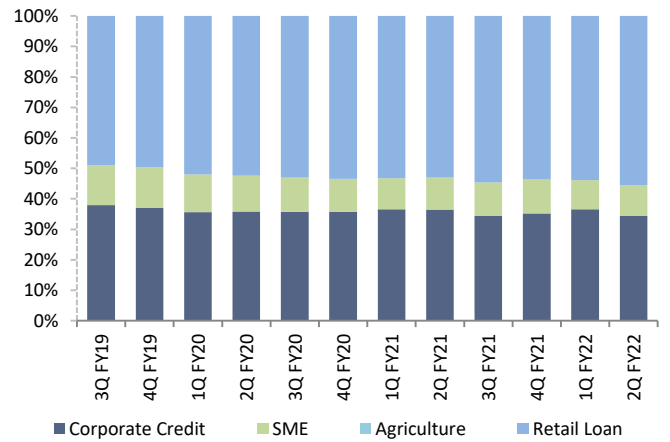
Quarterly story in charts



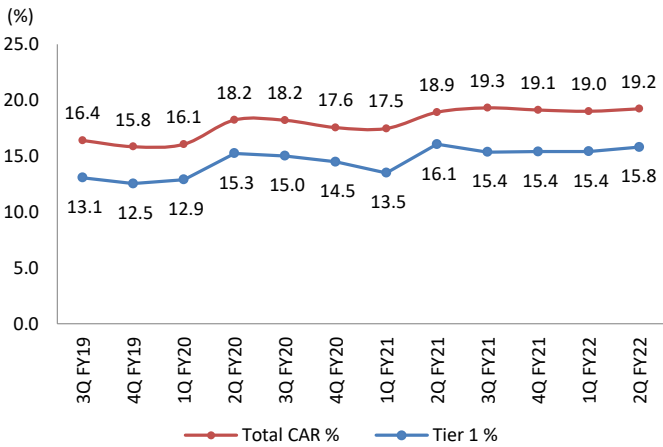
**Loan Book Trend**



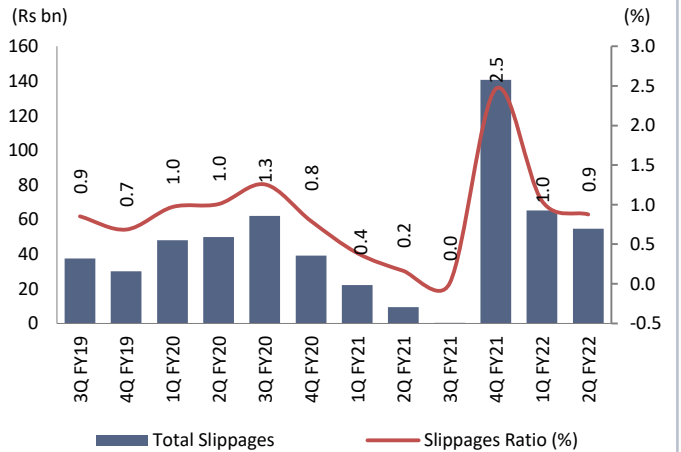
**Loan Book Mix**



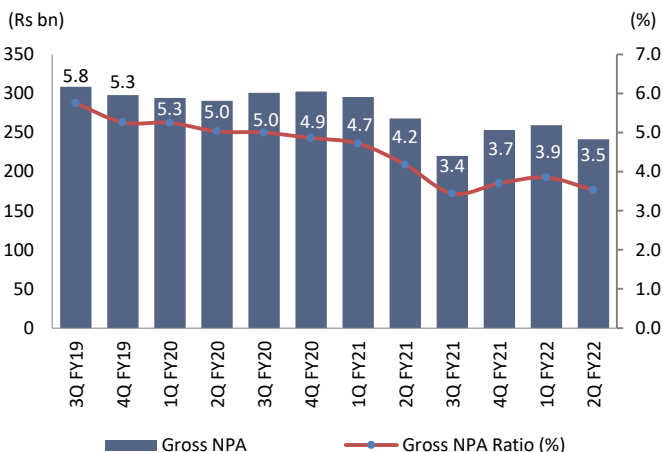
**CRAR & Tier 1 Ratio Trend**



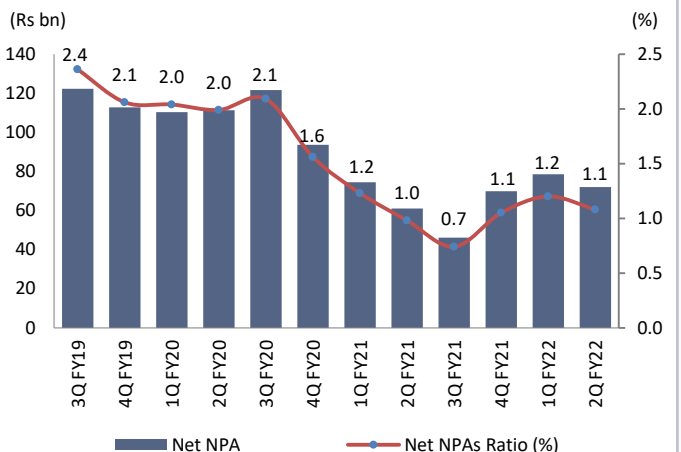
**Slippages**



**Gross NPA Trend**



**Net NPA Trend**



## Financial Performance at a glance

## Exhibit 1 : Income Statement Analysis

(₹ mn)	2Q FY22	2Q FY21	% yoy / bps	1Q FY22	% qoq / bps	FY21	FY20	% yoy / bps
Int. on Loan	1,19,867	1,21,890	(1.7)	1,18,815	0.9	4,79,189	4,83,030	(0.8)
Int. on Investment	35,216	31,019	13.5	34,282	2.7	1,25,582	1,12,460	11.7
Int. on Balances	4,054	2,591	56.5	2,599	56.0	10,379	10,953	(5.2)
Int. Others	4,223	5,129	(17.7)	4,339	(2.7)	21,303	19,909	7.0
<b>Interest Inc.</b>	<b>1,63,360</b>	<b>1,60,629</b>	<b>1.7</b>	<b>1,60,035</b>	<b>2.1</b>	<b>6,36,453</b>	<b>6,26,352</b>	<b>1.6</b>
<b>Interest Expenses</b>	<b>84,357</b>	<b>87,368</b>	<b>(3.4)</b>	<b>82,432</b>	<b>2.3</b>	<b>3,44,062</b>	<b>3,74,290</b>	<b>(8.1)</b>
<b>Net Interest Income</b>	<b>79,003</b>	<b>73,261</b>	<b>7.8</b>	<b>77,603</b>	<b>1.8</b>	<b>2,92,391</b>	<b>2,52,062</b>	<b>16.0</b>
<i>NII to Net Operative Income</i>	<i>67.5</i>	<i>65.8</i>	<i>173</i>	<i>68.4</i>	<i>(85)</i>	<i>66.3</i>	<i>61.9</i>	<i>447</i>
<i>NIM (%)</i>	<i>3.39</i>	<i>3.6</i>	<i>(19)</i>	<i>3.5</i>	<i>(7)</i>	<i>3.5</i>	<i>3.5</i>	<i>2</i>
<i>Dom. NIM (%)</i>	<i>3.5</i>	<i>3.7</i>	<i>(21)</i>	<i>3.6</i>	<i>(7)</i>	<i>3.7</i>	<i>-</i>	<i>-</i>
<b>Core Fee Income</b>	<b>32,310</b>	<b>27,520</b>	<b>17.4</b>	<b>26,680</b>	<b>21.1</b>	<b>1,06,850</b>	<b>1,10,180</b>	<b>(3.0)</b>
<b>Non Core Other Income</b>	<b>5,670</b>	<b>10,550</b>	<b>(46.3)</b>	<b>9,200</b>	<b>(38.4)</b>	<b>41,520</b>	<b>45,186</b>	<b>(8.1)</b>
<b>Other Income - Total</b>	<b>37,984</b>	<b>38,072</b>	<b>(0.2)</b>	<b>35,882</b>	<b>5.9</b>	<b>1,48,382</b>	<b>1,55,366</b>	<b>(4.5)</b>
<i>Other Income to Net Operative Income</i>	<i>32.5</i>	<i>34.2</i>	<i>(173)</i>	<i>31.6</i>	<i>85</i>	<i>33.7</i>	<i>38.1</i>	<i>(447)</i>
<b>Net Operating Revenue</b>	<b>1,16,987</b>	<b>1,11,333</b>	<b>5.1</b>	<b>1,13,484</b>	<b>3.1</b>	<b>4,40,773</b>	<b>4,07,428</b>	<b>8.2</b>
Employee Expenses	19,355	14,129	37.0	18,519	4.5	61,640	53,210	15.8
<i>Empl. Cost/Oper. Exps.</i>	<i>16.5</i>	<i>12.7</i>	<i>385</i>	<i>16.3</i>	<i>23</i>	<i>14.0</i>	<i>13.1</i>	<i>92</i>
Other Opex	38,350	28,227	35.9	30,805	24.5	1,22,111	1,19,836	1.9
Other Opex/ Assets	0.4	0.3	7	0.3	7	1.3	1.4	(12)
<b>Total Opex</b>	<b>57,705</b>	<b>42,356</b>	<b>36.2</b>	<b>49,324</b>	<b>17.0</b>	<b>1,83,751</b>	<b>1,73,046</b>	<b>6.2</b>
<i>Cost to Income Ratio (%)</i>	<i>49.3</i>	<i>38.0</i>	<i>1,128</i>	<i>43.5</i>	<i>586</i>	<i>41.7</i>	<i>42.5</i>	<i>(78)</i>
<b>Pre Provision Profits</b>	<b>59,282</b>	<b>68,976</b>	<b>(14.1)</b>	<b>64,160</b>	<b>(7.6)</b>	<b>2,57,022</b>	<b>2,34,381</b>	<b>9.7</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>17,351</b>	<b>45,807</b>	<b>(62.1)</b>	<b>35,320</b>	<b>(50.9)</b>	<b>1,68,963</b>	<b>1,85,339</b>	<b>(8.8)</b>
NPA Provisions as % Operating Income	29.3	66.4	(3,714)	55.0	(2,578)	65.7	79.1	(1,334)
<b>Profit Before Tax</b>	<b>41,931</b>	<b>23,170</b>	<b>81.0</b>	<b>28,840</b>	<b>45.4</b>	<b>88,059</b>	<b>49,042</b>	<b>79.6</b>
<b>Tax</b>	<b>10,598</b>	<b>6,343</b>	<b>67.1</b>	<b>7,239</b>	<b>46.4</b>	<b>22,174</b>	<b>32,770</b>	<b>(32.3)</b>
<i>Effective Tax Rate (%)</i>	<i>25.3</i>	<i>27.4</i>	<i>(210)</i>	<i>25.1</i>	<i>17</i>	<i>25.2</i>	<i>66.8</i>	<i>(4,164)</i>
<b>Reported Profits</b>	<b>31,333</b>	<b>16,827</b>	<b>86.2</b>	<b>21,602</b>	<b>45.1</b>	<b>65,885</b>	<b>16,272</b>	<b>304.9</b>
<i>RoA (%)</i>	<i>1.2</i>	<i>0.7</i>	<i>46</i>	<i>0.9</i>	<i>33</i>	<i>0.7</i>	<i>0.2</i>	<i>50</i>
<i>RoE (%)</i>	<i>12.7</i>	<i>8.0</i>	<i>477</i>	<i>9.1</i>	<i>361</i>	<i>7.6</i>	<i>2.3</i>	<i>521</i>

Source: Company, LKP Research

## Exhibit 2 : Balance Sheet Analysis

(₹ mn)	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	QoQ % / bps	YoY % / bps
Net Worth	8,60,710	9,76,638	9,88,167	10,16,030	10,38,898	10,70,830	3.1	9.6
RoE (%)	5.7	8.0	4.9	11.7	9.1	12.7	361	477
CET1 %	13.5	16.1	15.4	15.4	15.4	15.8	39	(25)
Tier 1 %	13.5	16.1	15.4	15.4	15.4	15.8	39	(25)
Total CAR %	17.5	18.9	19.3	19.1	19.0	19.2	22	31
RWA - Total	61,00,540	60,93,403	61,91,125	63,75,158	64,77,119	65,14,576	0.6	6.9
Advances - Total	56,13,408	57,63,725	58,27,539	62,37,202	61,48,737	62,17,193	1.1	7.9
Investments	18,73,231	20,02,899	19,83,460	22,61,196	23,99,146	24,98,159	4.1	24.7
Total Assets	89,71,382	90,94,631	93,80,492	99,61,184	1,01,20,499	1,05,07,381	3.8	15.5
RoA (%)	0.48	0.73	0.48	1.11	0.86	1.19	33	46
Deposits	62,81,503	63,54,543	65,41,403	70,73,061	71,38,622	73,62,855	3.1	15.9
Saving Deposit	17,63,180	18,06,890	18,98,140	20,44,730	21,10,250	22,29,320	5.6	23.4
Current Deposit	8,04,390	10,00,990	9,25,780	11,32,760	9,70,050	10,46,490	7.9	4.5
CASA Deposits	25,67,570	28,07,880	28,23,920	31,77,490	30,80,300	32,75,810	6.3	16.7
CASA Ratio (%)	39.0	40.0	42.0	42.0	43.0	44.5	150	450
Term Deposits	26,70,860	35,46,663	37,17,483	38,95,571	40,58,322	40,87,045	0.7	15.2
Interest Bearing Liabilities - Total	77,09,863	76,66,616	78,98,061	85,01,792	86,47,999	89,49,950	3.5	16.7

Source: Company, LKP Research

## Exhibit 3: Funding Profile Analysis

(₹ mn)	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	QoQ % / bps	YoY % / bps
<b>Interest Bearing Liabilities - Total</b>	<b>77,09,863</b>	<b>76,66,616</b>	<b>78,98,061</b>	<b>85,01,792</b>	<b>86,47,999</b>	<b>89,49,950</b>	<b>3.5</b>	<b>16.7</b>
Deposits	62,81,503	63,54,543	65,41,403	70,73,061	71,38,622	73,62,855	3.1	15.9
CASA Deposits	25,67,570	28,07,880	28,23,920	31,77,490	30,80,300	32,75,810	6.3	16.7
Saving Deposit	17,63,180	18,06,890	18,98,140	20,44,730	21,10,250	22,29,320	5.6	23.4
Current Deposit	8,04,390	10,00,990	9,25,780	11,32,760	9,70,050	10,46,490	7.9	4.5
Term Deposits	26,70,860	35,46,663	37,17,483	38,95,571	40,58,322	40,87,045	0.7	15.2
Borrowings	14,28,361	13,12,073	13,56,658	14,28,732	15,09,378	15,87,095	5.1	21.0
<b>Interest Bearing Liabilities - Total</b>	<b>77,09,863</b>	<b>76,66,616</b>	<b>78,98,061</b>	<b>85,01,792</b>	<b>86,47,999</b>	<b>89,49,950</b>	<b>3.5</b>	<b>16.7</b>

Source: Company, LKP Research

## Exhibit 4: Asset Quality Analysis

(₹ mn)	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	QoQ % / bps	YoY % / bps
<b>Total Slippages</b>	<b>22,180</b>	<b>9,310</b>	<b>290</b>	<b>1,40,690</b>	<b>65,180</b>	<b>54,640</b>	<b>(16.2)</b>	<b>486.9</b>
Slippages Ratio (%)	0.39	0.16	0.01	2.46	1.05	0.88	(17)	71
<b>Gross NPA</b>	<b>2,95,602</b>	<b>2,68,136</b>	<b>2,19,979</b>	<b>2,53,148</b>	<b>2,59,498</b>	<b>2,41,486</b>	<b>(6.9)</b>	<b>(9.9)</b>
Gross NPAs Ratio (%)	4.72	4.18	3.44	3.70	3.85	3.53	(32)	(65)
PCR - Calculated (%)	74.8	77.2	79.0	72.4	69.8	70.2	42	(704)
PCR - Inc. Tech w/o (%)	87.0	88.0	87.0	88.0	87.0	88.0	100	-
<b>Net NPA</b>	<b>74,480</b>	<b>61,079</b>	<b>46,098</b>	<b>69,935</b>	<b>78,465</b>	<b>72,000</b>	<b>(8.2)</b>	<b>17.9</b>
Net NPAs Ratio (%)	1.23	0.98	0.74	1.05	1.20	1.08	(12)	10
Standard Restructured	-	-	27,090	18,480	21,920	43,420	98.1	-

Source: Company, LKP Research

## Annual Projections

## Exhibit 5: Profit and Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income	6,26,352	6,36,453	7,06,199	7,97,825	9,14,295
Interest Expenses	3,74,290	3,44,062	3,68,992	4,02,492	4,45,976
<b>Net Interest Income</b>	<b>2,52,062</b>	<b>2,92,391</b>	<b>3,37,207</b>	<b>3,95,333</b>	<b>4,68,319</b>
<i>NIM (%)</i>	3.23	3.37	3.52	3.71	3.92
<b>Adjusted NII</b>	<b>2,32,153</b>	<b>2,71,088</b>	<b>3,37,207</b>	<b>3,95,333</b>	<b>4,68,319</b>
Core Fee Income	96,919	93,589	1,00,140	1,07,150	1,14,651
Profit from exchange transactions	37,423	38,735	42,222	46,021	50,163
Other Income - Total	1,55,366	1,48,382	1,59,543	1,71,556	1,84,485
<b>Net Operating Revenue</b>	<b>4,07,428</b>	<b>4,40,773</b>	<b>4,96,751</b>	<b>5,66,889</b>	<b>6,52,805</b>
Employee Exp.	53,210	61,640	70,886	81,519	93,747
Other Opex	1,19,836	1,22,111	1,36,765	1,54,544	1,76,180
<b>Total Opex</b>	<b>1,73,046</b>	<b>1,83,751</b>	<b>2,07,651</b>	<b>2,36,063</b>	<b>2,69,927</b>
<i>C/I Ratio</i>	42.47	41.69	41.80	41.64	41.35
<b>Pre Provision Profits</b>	<b>2,34,381</b>	<b>2,57,022</b>	<b>2,89,100</b>	<b>3,30,826</b>	<b>3,82,878</b>
<i>PPP Growth (yoy %)</i>	23.3	9.7	12.5	14.4	15.7
<b>Provisions &amp; Contingencies - Total</b>	<b>1,85,339</b>	<b>1,68,963</b>	<b>1,46,059</b>	<b>1,59,652</b>	<b>1,75,905</b>
<i>Credit Cost (As % of Op. AUM)</i>	2.57	2.14	1.40	1.30	1.20
Profit Before Tax	49,042	88,059	1,43,041	1,71,173	2,06,972
Tax	32,770	22,174	35,903	42,964	51,950
<i>Effective Tax Rate</i>	66.8	25.2	25.1	25.1	25.1
<b>Reported Profits</b>	<b>16,272</b>	<b>65,885</b>	<b>1,07,138</b>	<b>1,28,209</b>	<b>1,55,022</b>
<i>PAT Growth (yoy %)</i>	(65.2)	304.9	62.6	19.7	20.9

Source: Company, LKP Research



## Exhibit 6: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	5,643	6,127	6,127	6,127	6,127
Reserves (ex Reval. Reserve)	8,43,835	10,09,903	11,17,040	12,45,249	14,00,271
<b>Net Worth - Ex Revaluation</b>	<b>8,49,478</b>	<b>10,16,030</b>	<b>11,23,168</b>	<b>12,51,377</b>	<b>14,06,399</b>
Deposits	64,01,049	70,73,061	78,87,148	88,62,647	1,00,16,314
Borrowings	14,79,541	14,28,732	15,02,314	16,25,693	17,67,585
<b>Interest Bearing Liabilities</b>	<b>78,80,591</b>	<b>85,01,792</b>	<b>93,89,461</b>	<b>1,04,88,340</b>	<b>1,17,83,899</b>
Other Lia. & Prov.	4,21,579	4,43,362	4,32,643	4,17,300	4,06,968
<b>Total Liabilities</b>	<b>91,51,648</b>	<b>99,61,184</b>	<b>1,09,45,273</b>	<b>1,21,57,016</b>	<b>1,35,97,266</b>
<b>Assets</b>					
Cash & Cash Equivalent	9,72,683	6,17,298	6,58,797	7,36,097	8,28,223
Investments	15,67,343	22,61,196	24,88,088	27,61,582	30,69,641
Credit Equivalent	2,65,233	3,79,253	3,86,838	3,94,575	4,02,466
Loan & Advances	57,14,242	62,37,202	69,23,294	77,54,089	87,62,121
<i>Growth (yoy %)</i>	<i>15.5</i>	<i>9.2</i>	<i>11.0</i>	<i>12.0</i>	<i>13.0</i>
Fixed Assets	43,129	42,450	47,965	53,305	59,779
Other Assets	8,54,252	8,03,038	8,27,129	8,51,943	8,77,501
<b>Total Assets</b>	<b>91,51,648</b>	<b>99,61,184</b>	<b>1,09,45,273</b>	<b>1,21,57,016</b>	<b>1,35,97,266</b>

Source: Company, LKP Research

## Exhibit 7: Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value	2	2	2	2	2
Adjusted Share O/S (mn)	2,822	3,064	3,064	3,064	3,064
Earnings Per Share	5.8	21.5	35.0	41.8	50.6
<b>EPS (% YoY)</b>	<b>(68.3)</b>	<b>272.9</b>	<b>62.6</b>	<b>19.7</b>	<b>20.9</b>
<b>P/E (x)</b>	<b>146.5</b>	<b>39.3</b>	<b>24.2</b>	<b>20.2</b>	<b>16.7</b>
Book Value	301.1	331.6	366.6	408.4	459.0
<b>BVPS (% YoY)</b>	<b>16.1</b>	<b>10.2</b>	<b>10.5</b>	<b>11.4</b>	<b>12.4</b>
<b>P/BV (x)</b>	<b>2.8</b>	<b>2.5</b>	<b>2.3</b>	<b>2.1</b>	<b>1.8</b>
Adj. BV	301.1	331.6	350.2	392.1	442.7
<b>Adj. BV (% YoY)</b>	<b>16.1</b>	<b>10.2</b>	<b>5.6</b>	<b>11.9</b>	<b>12.9</b>
<b>P/ABV (x)</b>	<b>2.8</b>	<b>2.5</b>	<b>2.4</b>	<b>2.2</b>	<b>1.9</b>

Source: Company, LKP Research

## Exhibit 8: Detailed ROA Tree

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Yields / Margins</b>					
Yield on Advance	9.1	8.0	8.0	8.2	8.3
Yield on Funds	8.0	7.3	7.4	7.5	7.6
Cost of Funds (CoF)	5.0	4.2	4.1	4.0	4.0
<b>Interest Spread</b>	<b>3.0</b>	<b>3.1</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>
<b>NIM's</b>	<b>3.2</b>	<b>3.4</b>	<b>3.5</b>	<b>3.7</b>	<b>3.9</b>
Interest Income / Assets	7.3	6.7	6.8	6.9	7.1
Interest Exp. / Assets	4.4	3.6	3.5	3.5	3.5
<b>NII / Assets</b>	<b>2.9</b>	<b>3.1</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>
Fee Income / Assets	1.1	1.0	1.0	0.9	0.9
Other Income / Assets	1.8	1.6	1.5	1.5	1.4
<b>Net Operating Income / Assets</b>	<b>4.7</b>	<b>4.6</b>	<b>4.8</b>	<b>4.9</b>	<b>5.1</b>
<b>Operating Ratios</b>					
NII to Net Operative Income	61.9	66.3	67.9	69.7	71.7
Other Income to Net Operative Income	38.1	33.7	32.1	30.3	28.3
Empl. Cost/Oper. Exps.	30.7	33.5	34.1	34.5	34.7
Other Op. Exps./Oper. Exps.	69.3	66.5	65.9	65.5	65.3
<b>C/I Ratio</b>	<b>42.5</b>	<b>41.7</b>	<b>41.8</b>	<b>41.6</b>	<b>41.3</b>
<b>Provisions as % PPP</b>	<b>45.5</b>	<b>38.3</b>	<b>29.4</b>	<b>28.2</b>	<b>26.9</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>2.6</b>	<b>2.1</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>
<b>Effective Tax Rate</b>	<b>66.8</b>	<b>25.2</b>	<b>25.1</b>	<b>25.1</b>	<b>25.1</b>
Employee Exp. / Assets	0.6	0.6	0.7	0.7	0.7
Other Opex/ Assets	1.4	1.3	1.3	1.3	1.4
<b>Total Opex / Assets</b>	<b>2.0</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>
<b>Operating Profits / Assets</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>
<b>Op Profit ex Except Items / Assets</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>
Provisions / Assets	2.2	1.8	1.4	1.4	1.4
<b>Profit Before Tax / Assets</b>	<b>0.6</b>	<b>0.9</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>
Tax Expenses / Assets	0.4	0.2	0.3	0.4	0.4
<b>RoA</b>	<b>0.2</b>	<b>0.7</b>	<b>1.0</b>	<b>1.1</b>	<b>1.2</b>
<b>Leverage (x)</b>	<b>10.8</b>	<b>9.8</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>
<b>RoE</b>	<b>2.1</b>	<b>7.1</b>	<b>10.0</b>	<b>10.8</b>	<b>11.7</b>
<b>Adj. RoA</b>	<b>0.2</b>	<b>0.7</b>	<b>1.0</b>	<b>1.1</b>	<b>1.2</b>
<b>Adj. RoE</b>	<b>2.1</b>	<b>7.1</b>	<b>10.0</b>	<b>10.8</b>	<b>11.7</b>

Source: Company, LKP Research

**Exhibit 9: Balance Sheet Ratios**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Credit / Deposit Ratio	89.3	88.2	87.8	87.5	87.5
Incremental C/D Ratio	83.6	77.8	84.3	85.2	87.4
Investment Deposit Ratio	24.5	32.0	31.5	31.2	30.6
Dom. SLR Investment / Deposits	19.2	25.6	25.8	26.0	26.0
CASA Ratio	41.5	45.1	45.1	45.1	45.1

Source: Company, LKP Research

**Exhibit 10: Asset Quality**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Slippage Ratio</b>	<b>4.0</b>	<b>3.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.2</b>
Gross NPA (Cl Bal)	3,02,338	2,53,148	2,36,071	2,28,387	2,01,671
<b>Gross NPAs Ratio (%)</b>	<b>4.9</b>	<b>3.7</b>	<b>3.4</b>	<b>2.9</b>	<b>2.3</b>
<b>PCR (%)</b>	<b>69.0</b>	<b>72.4</b>	<b>72.6</b>	<b>73.6</b>	<b>70.2</b>
Net NPA (Cl. Bal.)	93,604	69,935	64,644	60,242	60,143
<b>Net NPAs Ratio (%)</b>	<b>1.6</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
Total Impaired Loans	3,02,338	2,53,148	2,36,071	2,28,387	2,01,671
<b>Impaired Loan as % of Loan / AUM</b>	<b>5.1</b>	<b>3.8</b>	<b>3.2</b>	<b>2.8</b>	<b>2.2</b>
Total Risk Reserves	2,08,767	1,83,246	1,71,427	1,68,145	1,41,528
<b>Total Risk As % of Loan Book</b>	<b>3.5</b>	<b>2.8</b>	<b>2.3</b>	<b>2.1</b>	<b>1.5</b>

Source: Company, LKP Research

## Exhibit 11: Key Assumptions &amp; Forecasts

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Loan &amp; Advances</b>	<b>57,14,242</b>	<b>62,37,202</b>	<b>69,23,294</b>	<b>77,54,089</b>	<b>87,62,121</b>
<i>Growth (yoy %)</i>		9.2	11.0	12.0	13.0
<b>Interest Bearing Liabilities</b>	<b>78,80,591</b>	<b>85,01,792</b>	<b>93,89,461</b>	<b>1,04,88,340</b>	<b>1,17,83,899</b>
<i>Growth (yoy %)</i>		7.9	10.4	11.7	12.4
<i>Yield on Funds</i>	8.0	7.3	7.4	7.5	7.6
<i>Cost of Funds (CoF)</i>	5.0	4.2	4.1	4.0	4.0
<i>Interest Spread</i>	3.0	3.1	3.2	3.4	3.6
<i>NIM's</i>	3.2	3.4	3.5	3.7	3.9
<i>Other Income Growth</i>	18.3	(4.5)	7.5	7.5	7.5
<i>C/I Ratio</i>	42.5	41.7	41.8	41.6	41.3
<i>Effective Tax Rate</i>	66.8	25.2	25.1	25.1	25.1
<b>Return Ratios</b>					
<i>Adj. RoA</i>	0.2	0.7	1.0	1.1	1.2
<i>Adj. RoE</i>	2.1	7.1	10.0	10.8	11.7
<b>Asset Quality Metrics</b>					
<i>Credit Cost (As % of Op. AUM)</i>	2.6	2.1	1.4	1.3	1.2
<i>Gross NPAs Ratio (%)</i>	4.9	3.7	3.4	2.9	2.3
<i>Net NPAs Ratio (%)</i>	1.6	1.1	0.9	0.8	0.7

Source: Company, LKP Research

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