

# INDUSIND BANK LIMITED | Banking

Steady operating performance; restructuring to be keenly watched

# LKP

## Result and Price Analysis

Indusind Bank has reported a steady set of numbers and the positives are 1) Reported slippages (₹26bn v/s ₹28bn) inched down from the previous quarter; retail slippages contributed 90% of total slippages 2) Built ample provision buffer; 188bps of net advances 3) Coming back to growth trajectory, despite risk aversion 4) Ample capital cushion (CET 1 of 15.4%) post fund raise and share warrant exercise, 5) Improvement in interest spread because of fixed rate loan book and 6) better retail deposit (48% YoY) mobilization led to 12bps ease in COD at 4.85%. Key factors to watch are 1) Higher restructured book (3.6%); however, in line with industry trend 2) Retail book (especially 2W & CV) witnessing more NPA formation and 3) Subdued return ratios (ROA: 1.3% & ROE: 10.3%) because of bulky (sequentially lower) provisioning expenses. We believe, the bank has made adequate provisioning against the potential stress. Furthermore the liquidity surplus of ~₹400bn is likely to safeguard the balance sheet. We expect the credit cost to normalize in FY22E and return ratios to reach the previous run rate. Hence, we have a positive outlook on the Bank with a BUY rating.

## Gazing the Core

**Satisfactory covid buffer; Provision down sequentially:** The bank's provision expenses down sequentially to ₹17bn v/s ₹18.4bn in the previous quarter. The total provisions (including contingent) stand at 138% of GNPLs and contingent provision (excluding PCR) stood 1.9% of loans. The PCR for non-performing loans stood at 72%, a similar run rate of prior periods. We believe the contingent provisions to be satisfactory for restructuring.

**Decline in slippages, restructure book higher:** The bank's reported gross slippages came down to ₹26.5bn against ₹27.6bn in the previous quarter. Retail slippages contributed around 90% (₹24bn) of total fresh GNPA additions. Total GNPA reduction stood at ₹26bn v/s ₹24bn in 1QFY22. A lower slippage and higher reduction (upgrade and recovery) led to GNPA ratio improvement by 11bps to 2.77%. In absolute term GNPA was flat sequentially. Moreover, the standard restructured assets stood ~₹80bn (3.6% of book) v/s ₹57bn (2.7%). Alike other banks (announced 2Q result) the restructured amount wasn't surprising.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	1,20,587	1,35,279	1,41,887	1,57,698	1,75,482
Operating Profit	1,07,727	1,17,267	1,22,504	1,34,394	1,49,184
Reported Profits	44,179	28,364	63,773	73,691	85,004
Net Worth	3,37,036	4,30,518	4,94,296	5,67,987	6,52,991
Loan & Advances	20,67,832	21,25,954	23,17,290	25,49,019	28,29,411
Int. Bearing Liabilities	26,27,934	30,75,278	32,81,181	35,63,328	39,12,577

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	4.4	4.4	4.0	4.1	4.2
C/I Ratio	43.3	41.6	42.2	42.2	41.6
Gross NPA Ratio	2.5	2.7	2.5	2.4	2.3
Tier 1 Ratio	14.6	16.9	17.9	18.6	19.0
Adj. RoA Ratio	1.5	0.8	1.7	1.8	1.9
Adj. RoE Ratio	14.6	7.3	13.7	13.8	13.9

Rating	Buy
Current Market Price (₹)	1,143
12 M Price Target (₹)	1,372
Potential upside (%)	20

## Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	879
Market Cap Free Float (₹ bn) :	690
52-Week High / Low (₹) :	571 / 1,240
2-Year High / Low (₹) :	236 / 1,597
1 Year Avg. Dly Traded Volume (in lakh)	92
BSE Code / NSE Symbol	532187 / INDUSINDBK
Bloomberg :	IIB IN

## Shareholding Pattern (%)

	Sep-21	Jun-21	Mar-21	Dec-20
Promoter	16.54	16.54	16.55	14.67
FPIs	51.44	52.05	50.91	54.93
MFs	10.22	9.81	10.40	9.43
Insurance	8.42	7.82	7.59	6.66
Others	13.38	13.78	14.55	14.31

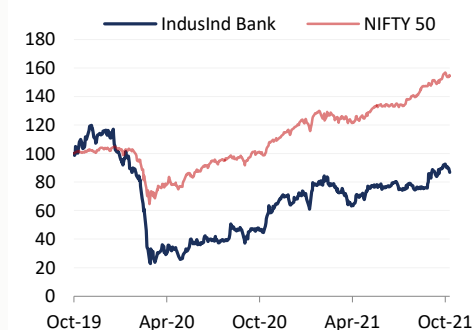
Source: BSE

## Price Performance (%)

(%)	1M	3M	6M	1YR
Indusind Bank	-0.7%	17.1%	29.5%	86.1%
Nifty 50	2.0%	15.7%	24.3%	53.2%

\* To date / current date : October 27, 2021

## Indusind Bank vs Nifty 50



**Gearing up for growth:** The bank's net advances stood at ₹2.2tn; grew 9.7% YOY and 4.8% sequentially. Corporate banking (45% of loan book) grew by 7.2% QoQ and retail (55% of book) grew by 2.9% QoQ. Vehicle loan (27% of loan book) de-grew by 0.6% QoQ and Micro loan (12.7% of loan book) grew 6.5% sequentially. The bank disbursed ~₹50bn through ECLGS. The bank's deposits stood at ₹2.7tn and saw a robust growth of 21% YOY and 3% QOQ; CASA ratio stood flat at 42%. The bank is holding ample liquidity (LCR: 148%) with ₹400bn as liquidity buffer. The CRAR stood at 17.4% vs. 17.6% in 1QFY22 with CET 1 of 15.4%. RWA to assets declined to 72% v/s 73% in the last quarter.

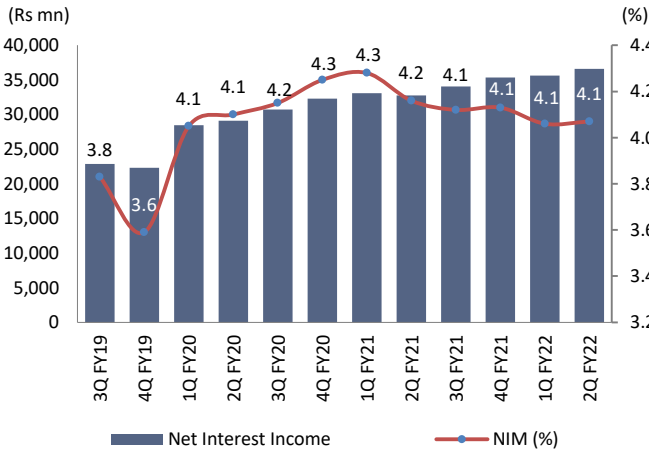
**Stable NII growth & healthy PAT growth sequentially:** The YoA sequentially flat (11.7%) owing to fixed rate books and COF (4.37% v/s 4.53% in previous quarter) have resulted in spike in interest spread. However, NIMs sequentially and marginally up at 4.06% because of excess liquidity (₹400bn) reserve. NII stood ₹36.6bn; grew by 3% QoQ. Other income grew by 18% YoY and 3.2% QoQ. PPOp (₹31.8bn) up by 1.4% sequentially on the back of higher Opex (Cost to income: 42.2% v/s 41.4% in the previous quarter). However, sequentially flat provisioning expenses (₹17bn v/s ₹18.4bn in 1QFY22) have resulted in 14% sequential jump in profit at ₹11.1bn. The bank's ROA and ROE stood at 1.3% and 10.3% respectively.

### Outlook & Valuation

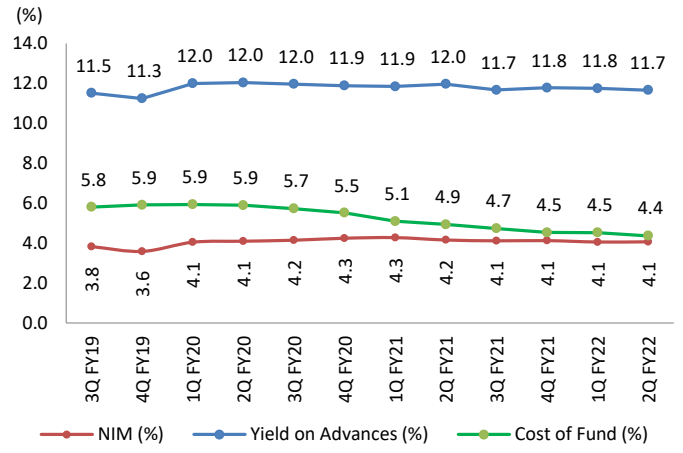
Core operating performance of Indusind Bank remains healthy. A higher PCR is likely to safeguard the bank from credit disruption from restructuring schemes. Thus we retain our rating to BUY with revised price target of ₹1,372 (based on 2x FY23E Adj. BVPS of ₹686).

Quarterly story in charts

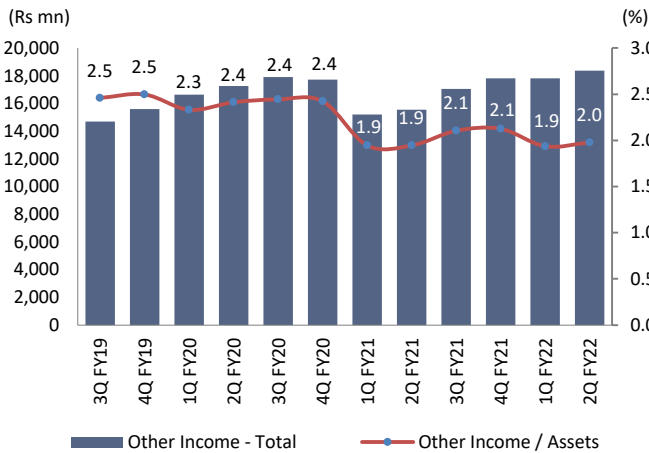
**NII Trend**



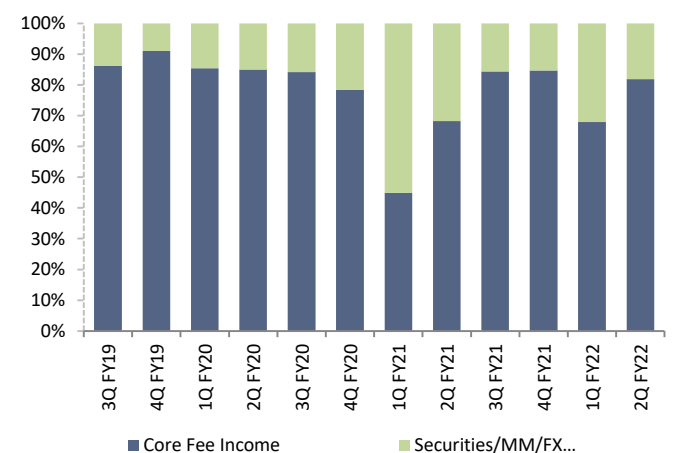
**Yields and Margin Trend**



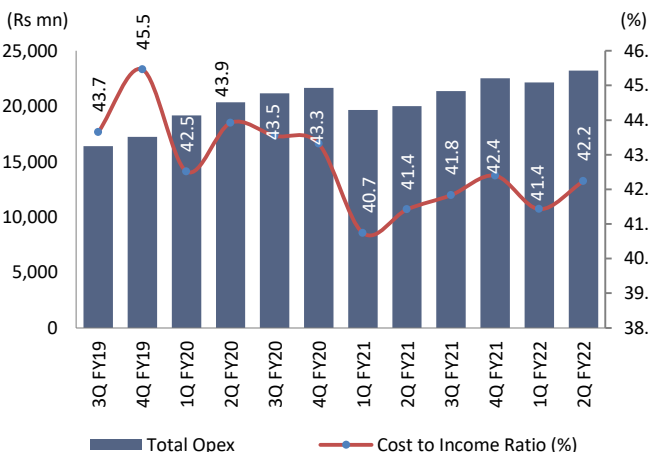
**Other Income Trend**



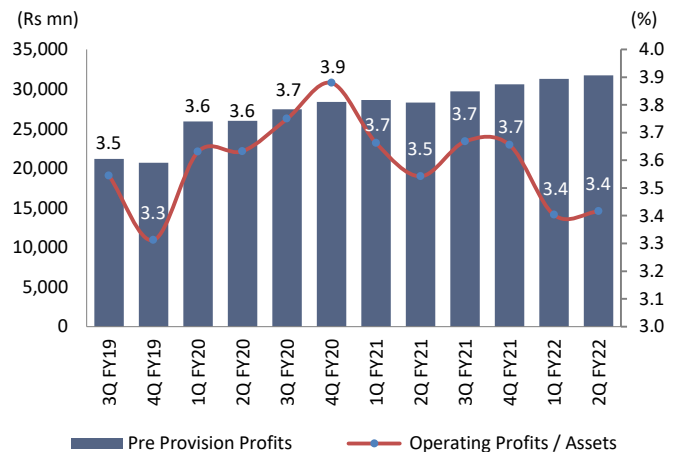
**Other Income Mix Trend**



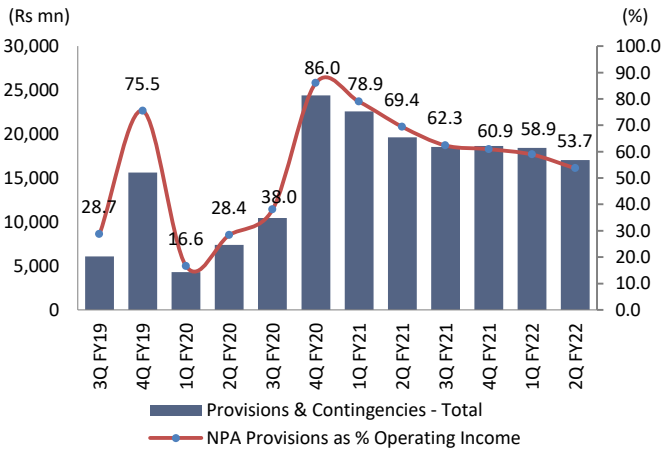
**Total Opex Trend**



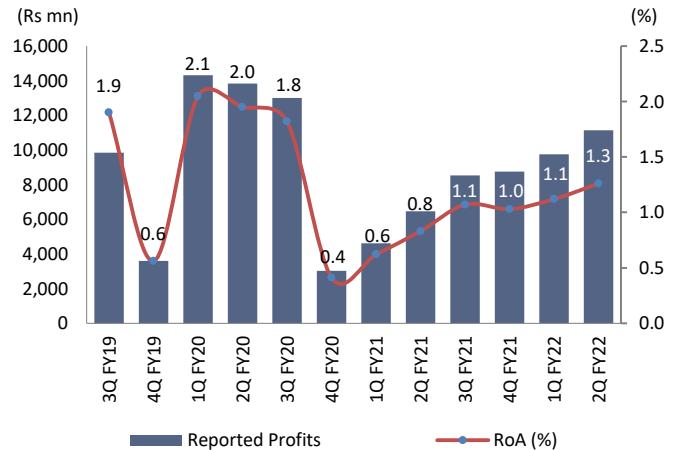
**Pre Provision Profit Trend**



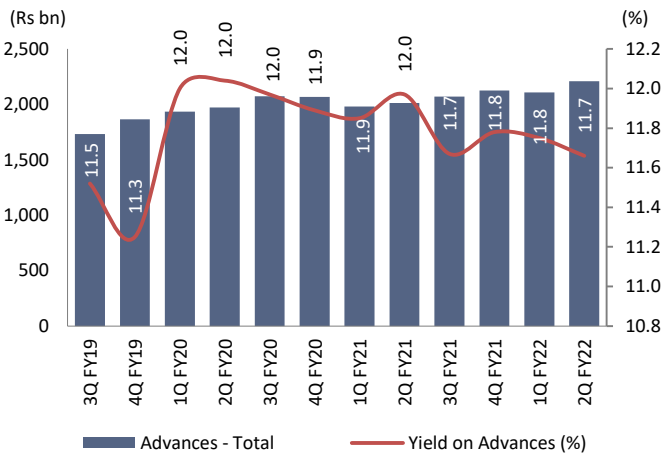
**Provision Expenses Trend**



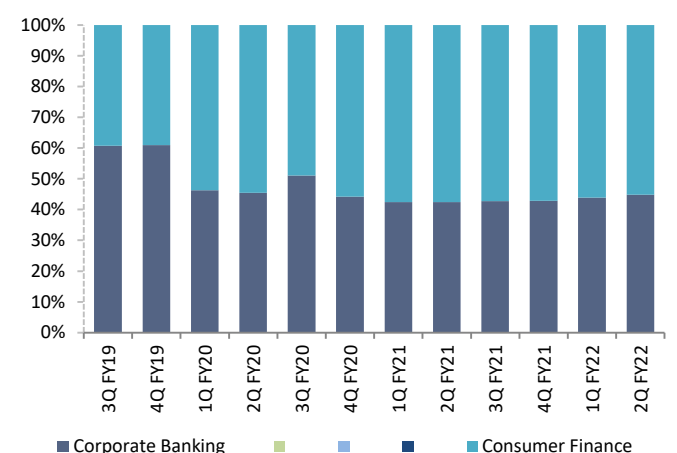
**Reported Profit Trend**



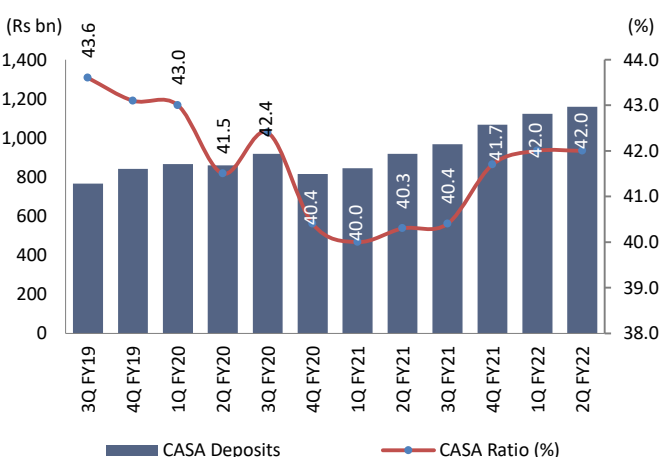
**Loan Book Trend**



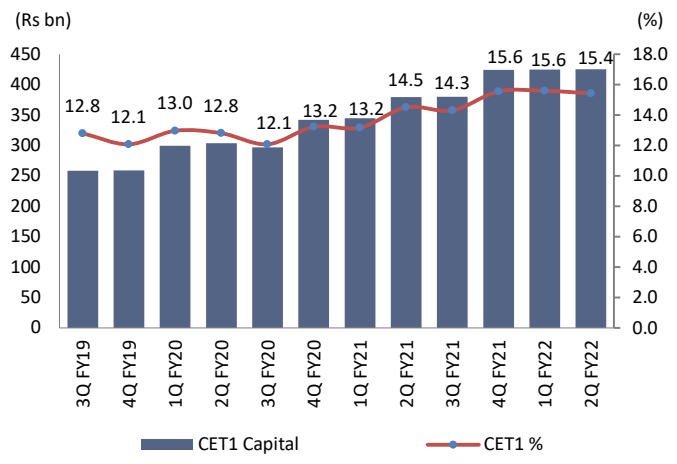
**Loan Book Mix Trend**



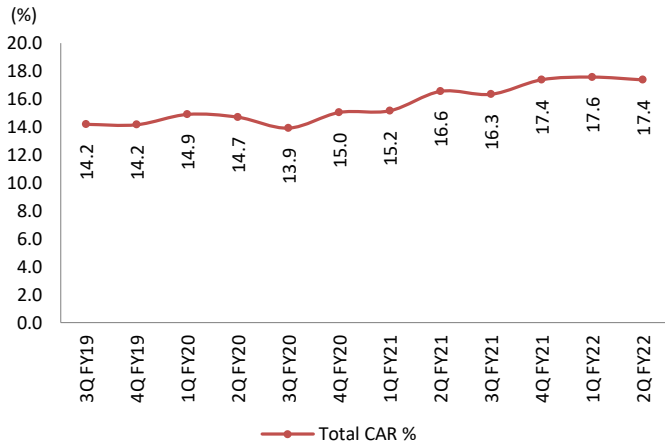
**CASA Deposit Trend**



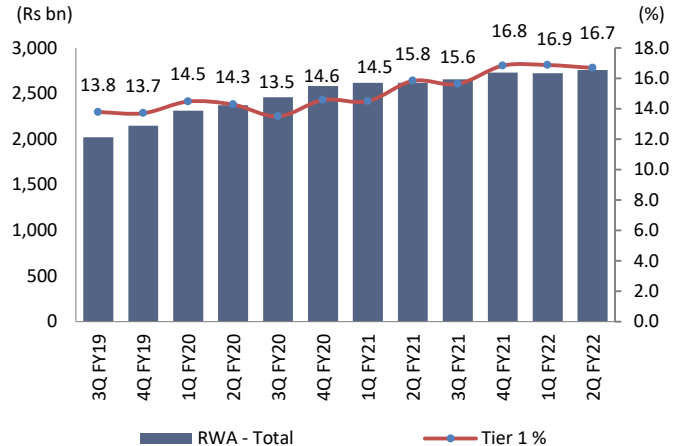
**CET 1 Ratio Trend**



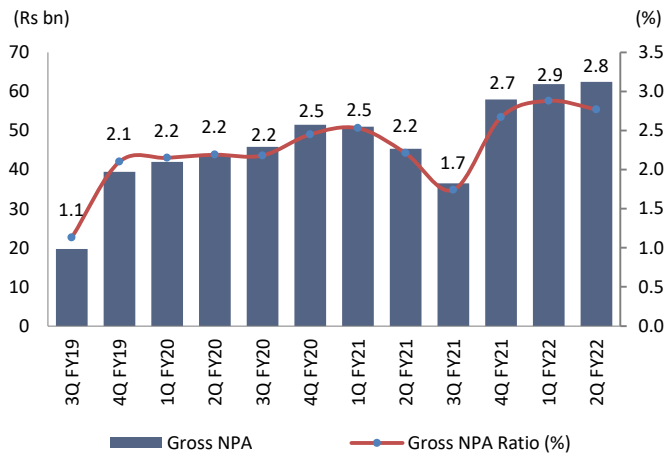
**CRAR Trend**



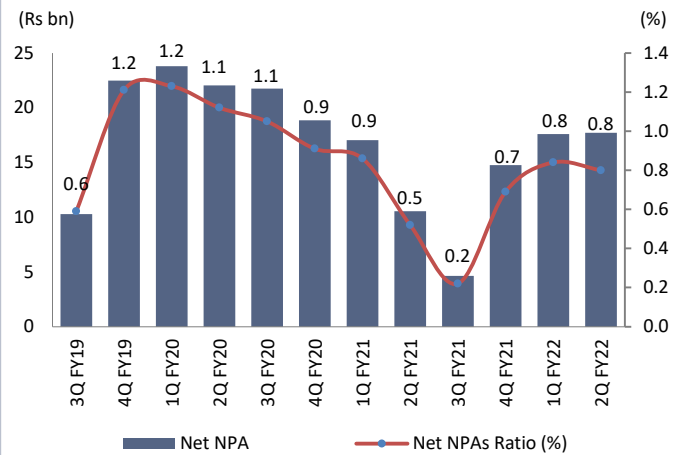
**RWA Trend**



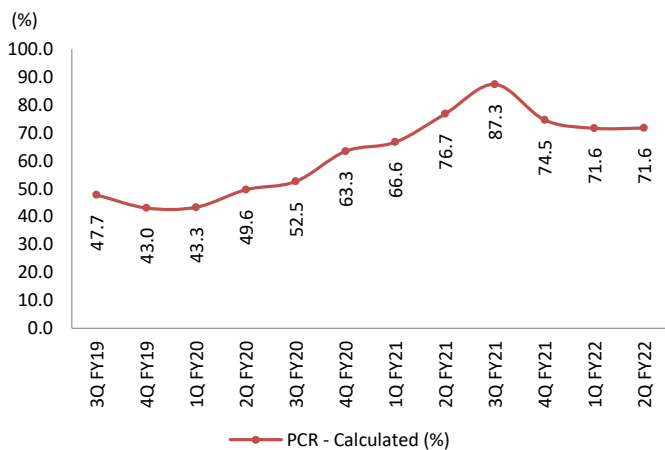
**Gross NPA Trend**



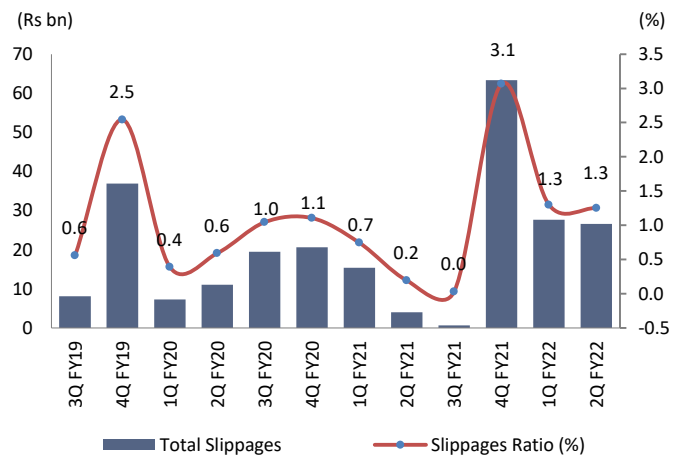
**Net NPA Trend**



**PCR Trend**



**Slippages 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	62,389	59,877	4.2	61,812	0.9	2,40,854	2,40,082	0.3
Int. on Investment	9,930	9,524	4.3	9,984	(0.5)	38,461	42,822	(10.2)
Int. on Balances	3,501	1,696	106.4	2,997	16.8	6,774	1,920	252.8
Int. Others	685	675	1.5	955	(28.3)	3,910	3,004	30.2
<b>Interest Inc.</b>	<b>76,504</b>	<b>71,772</b>	<b>6.6</b>	<b>75,747</b>	<b>1.0</b>	<b>2,89,998</b>	<b>2,87,828</b>	<b>0.8</b>
<b>Interest Expenses</b>	<b>39,920</b>	<b>38,992</b>	<b>2.4</b>	<b>40,110</b>	<b>(0.5)</b>	<b>1,54,719</b>	<b>1,67,241</b>	<b>(7.5)</b>
<b>Net Interest Income</b>	<b>36,584</b>	<b>32,780</b>	<b>11.6</b>	<b>35,637</b>	<b>2.7</b>	<b>1,35,279</b>	<b>1,20,587</b>	<b>12.2</b>
<i>NII to Net Operative Income</i>	<i>66.6</i>	<i>67.8</i>	<i>(127)</i>	<i>66.7</i>	<i>(11)</i>	<i>67.3</i>	<i>63.4</i>	<i>391</i>
<i>NIM (%)</i>	<i>4.07</i>	<i>4.2</i>	<i>(9)</i>	<i>4.1</i>	<i>1</i>	<i>4.2</i>	<i>4.1</i>	<i>3</i>
<b>Core Fee Income</b>	<b>15,070</b>	<b>10,610</b>	<b>42.0</b>	<b>12,140</b>	<b>24.1</b>	<b>46,400</b>	<b>57,850</b>	<b>(19.8)</b>
<b>Non Core Other Income</b>	<b>3,302</b>	<b>4,928</b>	<b>(33.0)</b>	<b>5,671</b>	<b>(41.8)</b>	<b>19,195</b>	<b>11,663</b>	<b>64.6</b>
<b>Other Income - Total</b>	<b>18,372</b>	<b>15,538</b>	<b>18.2</b>	<b>17,811</b>	<b>3.2</b>	<b>65,586</b>	<b>69,513</b>	<b>(5.6)</b>
<i>Other Income to Net Operative Income</i>	<i>33.4</i>	<i>32.2</i>	<i>127</i>	<i>33.3</i>	<i>11</i>	<i>32.7</i>	<i>36.6</i>	<i>(391)</i>
<b>Net Operating Revenue</b>	<b>54,956</b>	<b>48,318</b>	<b>13.7</b>	<b>53,448</b>	<b>2.8</b>	<b>2,00,865</b>	<b>1,90,101</b>	<b>5.7</b>
Employee Expenses	6,016	5,241	14.8	6,082	(1.1)	22,135	22,085	0.2
<i>Empl. Cost/Oper. Exps.</i>	<i>10.9</i>	<i>10.8</i>	<i>10</i>	<i>11.4</i>	<i>(43)</i>	<i>11.0</i>	<i>11.6</i>	<i>(60)</i>
Other Opex	17,195	14,772	16.4	16,061	7.1	61,463	60,289	1.9
<i>Other Opex/ Assets</i>	<i>0.5</i>	<i>0.5</i>	<i>0</i>	<i>0.4</i>	<i>3</i>	<i>1.8</i>	<i>2.1</i>	<i>(23)</i>
<b>Total Opex</b>	<b>23,211</b>	<b>20,013</b>	<b>16.0</b>	<b>22,142</b>	<b>4.8</b>	<b>83,598</b>	<b>82,373</b>	<b>1.5</b>
<i>Cost to Income Ratio (%)</i>	<i>42.2</i>	<i>41.4</i>	<i>82</i>	<i>41.4</i>	<i>81</i>	<i>41.6</i>	<i>43.3</i>	<i>(171)</i>
<b>Pre Provision Profits</b>	<b>31,745</b>	<b>28,305</b>	<b>12.2</b>	<b>31,306</b>	<b>1.4</b>	<b>1,17,267</b>	<b>1,07,727</b>	<b>8.9</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>17,034</b>	<b>19,644</b>	<b>(13.3)</b>	<b>18,440</b>	<b>(7.6)</b>	<b>79,425</b>	<b>46,521</b>	<b>70.7</b>
<i>NPA Provisions as % Operating Income</i>	<i>53.7</i>	<i>69.4</i>	<i>(1,574)</i>	<i>58.9</i>	<i>(525)</i>	<i>67.7</i>	<i>43.2</i>	<i>2,455</i>
<b>Profit Before Tax</b>	<b>14,711</b>	<b>8,661</b>	<b>69.9</b>	<b>12,865</b>	<b>14.3</b>	<b>37,841</b>	<b>61,206</b>	<b>(38.2)</b>
<b>Tax</b>	<b>3,576</b>	<b>2,191</b>	<b>63.2</b>	<b>3,116</b>	<b>14.8</b>	<b>9,478</b>	<b>17,027</b>	<b>(44.3)</b>
<i>Effective Tax Rate (%)</i>	<i>24.3</i>	<i>25.3</i>	<i>(99)</i>	<i>24.2</i>	<i>9</i>	<i>25.0</i>	<i>27.8</i>	<i>(277)</i>
<b>Reported Profits</b>	<b>11,135</b>	<b>6,470</b>	<b>72.1</b>	<b>9,750</b>	<b>14.2</b>	<b>28,364</b>	<b>44,179</b>	<b>(35.8)</b>
<i>RoA (%)</i>	<i>1.3</i>	<i>0.8</i>	<i>43</i>	<i>1.1</i>	<i>14</i>	<i>0.9</i>	<i>1.6</i>	<i>(63)</i>
<i>RoE (%)</i>	<i>10.3</i>	<i>7.1</i>	<i>316</i>	<i>9.3</i>	<i>98</i>	<i>7.6</i>	<i>14.7</i>	<i>(712)</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	3,48,280	3,88,833	3,98,570	4,33,600	4,45,479	4,51,074	1.3	16.0
RoE (%)	5.9	7.1	8.4	8.9	9.3	10.3	98	316
CET1 %	13.2	14.5	14.3	15.6	15.6	15.4	(17)	92
Tier 1 %	14.5	15.8	15.6	16.8	16.9	16.7	(19)	85
Total CAR %	15.2	16.6	16.3	17.4	17.6	17.4	(20)	82
RWA - Total	26,17,220	26,16,830	26,54,530	27,29,120	27,23,670	27,55,900	1.2	5.3
Advances - Total	19,80,690	20,12,468	20,71,280	21,25,954	21,07,270	22,08,076	4.8	9.7
Investments	5,95,960	6,29,942	6,10,570	6,96,947	6,86,990	6,92,858	0.9	10.0
Total Assets	31,79,160	33,21,887	34,14,460	36,29,728	37,29,959	38,04,921	2.0	14.5
RoA (%)	0.62	0.83	1.07	1.03	1.12	1.26	14	43
Deposits	21,12,650	22,82,793	23,91,350	25,62,050	26,72,330	27,54,727	3.1	20.7
Saving Deposit	5,25,270	5,70,730	6,43,330	7,10,660	7,99,280	8,32,760	4.2	45.9
Current Deposit	3,19,460	3,47,730	3,23,130	3,57,250	3,24,210	3,25,870	0.5	(6.3)
CASA Deposits	8,44,730	9,18,460	9,66,460	10,67,910	11,23,490	11,58,630	3.1	26.1
CASA Ratio (%)	40.0	40.3	40.4	41.7	42.0	42.0	-	170
Term Deposits	12,67,920	13,64,333	14,24,890	14,94,140	15,48,840	15,96,097	3.1	17.0
Interest Bearing Liabilities - Total	27,04,610	28,06,644	28,77,570	30,75,278	31,65,270	32,17,681	1.7	14.6

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
Interest Bearing Liabilities - Total	27,04,610	28,06,644	28,77,570	30,75,278	31,65,270	32,17,681	1.7	14.6
Deposits	21,12,650	22,82,793	23,91,350	25,62,050	26,72,330	27,54,727	3.1	20.7
CASA Deposits	8,44,730	9,18,460	9,66,460	10,67,910	11,23,490	11,58,630	3.1	26.1
Saving Deposit	5,25,270	5,70,730	6,43,330	7,10,660	7,99,280	8,32,760	4.2	45.9
Current Deposit	3,19,460	3,47,730	3,23,130	3,57,250	3,24,210	3,25,870	0.5	(6.3)
Term Deposits	12,67,920	13,64,333	14,24,890	14,94,140	15,48,840	15,96,097	3.1	17.0
Borrowings	5,91,960	5,23,851	4,86,220	5,13,228	4,92,940	4,62,954	(6.1)	(11.6)
Interest Bearing Liabilities - Total	27,04,610	28,06,644	28,77,570	30,75,278	31,65,270	32,17,681	1.7	14.6

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
Total Slippages	15,370	3,990	590	63,370	27,620	26,580	(3.8)	566.2
Slippages Ratio (%)	0.74	0.19	0.03	3.06	1.30	1.25	(5)	106
Gross NPA	50,990	45,322	36,507	57,950	61,858	62,450	1.0	37.8
Gross NPAs Ratio (%)	2.53	2.21	1.74	2.67	2.88	2.77	(11)	56
PCR - Calculated (%)	66.6	76.7	87.3	74.5	71.6	71.6	8	(507)
Net NPA	17,034	10,558	4,642	14,766	17,596	17,714	0.7	67.8
Net NPAs Ratio (%)	0.86	0.52	0.22	0.69	0.84	0.80	(4)	28

Source: Company, LKP Research

## Annual Projections

## Exhibit 5: Profit and Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	2,87,828	2,89,998	3,13,112	3,42,214	3,77,019
Interest Expenses	1,67,241	1,54,719	1,71,225	1,84,516	2,01,537
<b>Net Interest Income</b>	<b>1,20,587</b>	<b>1,35,279</b>	<b>1,41,887</b>	<b>1,57,698</b>	<b>1,75,482</b>
<b>NIM (%)</b>	<b>4.44</b>	<b>4.35</b>	<b>4.04</b>	<b>4.13</b>	<b>4.18</b>
<b>Adjusted NII</b>	<b>1,17,584</b>	<b>1,31,369</b>	<b>1,41,887</b>	<b>1,57,698</b>	<b>1,75,482</b>
Core Fee Income	57,850	54,582	58,403	62,491	66,865
Securities/MM/FX Trading/Others	11,663	11,004	11,664	12,364	13,106
<b>Other Income - Total</b>	<b>69,513</b>	<b>65,586</b>	<b>70,067</b>	<b>74,855</b>	<b>79,971</b>
<b>Net Operating Revenue</b>	<b>1,90,101</b>	<b>2,00,865</b>	<b>2,11,954</b>	<b>2,32,553</b>	<b>2,55,453</b>
Employee Exp.	22,085	22,135	23,685	25,816	28,140
Other Opex	60,289	61,463	65,766	72,342	78,130
<b>Total Opex</b>	<b>82,373</b>	<b>83,598</b>	<b>89,450</b>	<b>98,158</b>	<b>1,06,269</b>
<b>C/I Ratio</b>	<b>43.33</b>	<b>41.62</b>	<b>42.20</b>	<b>42.21</b>	<b>41.60</b>
Pre Provision Profits	1,07,727	1,17,267	1,22,504	1,34,394	1,49,184
<b>PPP Growth (yoy %)</b>	<b>33.2</b>	<b>8.9</b>	<b>4.5</b>	<b>9.7</b>	<b>11.0</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>46,521</b>	<b>79,425</b>	<b>37,473</b>	<b>36,139</b>	<b>35,846</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>1.95</b>	<b>3.00</b>	<b>1.50</b>	<b>1.30</b>	<b>1.15</b>
<b>Profit Before Tax</b>	<b>61,206</b>	<b>37,841</b>	<b>85,030</b>	<b>98,255</b>	<b>1,13,338</b>
Tax	17,027	9,478	21,258	24,564	28,335
<b>Effective Tax Rate</b>	<b>27.8</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>
<b>Reported Profits</b>	<b>44,179</b>	<b>28,364</b>	<b>63,773</b>	<b>73,691</b>	<b>85,004</b>
<b>PAT Growth (yoy %)</b>	<b>33.8</b>	<b>(35.8)</b>	<b>124.8</b>	<b>15.6</b>	<b>15.4</b>

Source: Company, LKP Research



## Exhibit 6: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	6,935	7,734	7,739	7,739	7,739
Reserves (ex Reval. Reserve)	3,30,101	4,22,784	4,86,557	5,60,248	6,45,252
<b>Net Worth - Ex Revaluation</b>	<b>3,37,036</b>	<b>4,30,518</b>	<b>4,94,296</b>	<b>5,67,987</b>	<b>6,52,991</b>
Deposits	20,20,398	25,62,050	27,89,004	30,28,829	33,25,690
Borrowings	6,07,535	5,13,228	4,92,177	5,34,499	5,86,886
<b>Interest Bearing Liabilities</b>	<b>26,27,934</b>	<b>30,75,278</b>	<b>32,81,181</b>	<b>35,63,328</b>	<b>39,12,577</b>
Other Lia. & Prov.	95,577	1,20,796	1,25,049	1,31,563	1,35,489
<b>Total Liabilities</b>	<b>30,70,576</b>	<b>36,29,728</b>	<b>39,02,926</b>	<b>42,65,482</b>	<b>47,03,915</b>
<b>Assets</b>					
Cash & Cash Equivalent	1,60,037	5,63,272	5,81,744	6,36,681	7,03,065
Investments	5,99,799	6,96,947	7,44,518	8,01,934	8,70,930
Credit Equivalent	26,859	31,209	33,394	35,731	38,232
Loan & Advances	20,67,832	21,25,954	23,17,290	25,49,019	28,29,411
<i>Growth (yoy %)</i>	<i>10.9</i>	<i>2.8</i>	<i>9.0</i>	<i>10.0</i>	<i>11.0</i>
Fixed Assets	18,201	18,094	20,386	22,130	24,334
Other Assets	2,24,707	2,25,461	2,38,988	2,55,718	2,76,175
<b>Total Assets</b>	<b>30,70,576</b>	<b>36,29,728</b>	<b>39,02,926</b>	<b>42,65,482</b>	<b>47,03,915</b>

Source: Company, LKP Research

## Exhibit 7: Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value	10	10	10	10	10
Adjusted Share O/S - For Calculation	694	773	774	774	774
Earnings Per Share	63.7	36.7	82.4	95.2	109.8
<b>EPS (% YoY)</b>	<b>16.3</b>	<b>(42.4)</b>	<b>124.7</b>	<b>15.6</b>	<b>15.4</b>
<b>P/E (x)</b>	<b>17.8</b>	<b>31.0</b>	<b>13.8</b>	<b>11.9</b>	<b>10.3</b>
Book Value	486.0	556.7	638.7	733.9	843.8
<b>BVPS (% YoY)</b>	<b>11.2</b>	<b>14.6</b>	<b>14.7</b>	<b>14.9</b>	<b>15.0</b>
<b>P/BV (x)</b>	<b>2.3</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>
Adj. BV	486.0	547.1	590.8	686.0	795.9
<b>Adj. BV (% YoY)</b>	<b>11.2</b>	<b>12.6</b>	<b>8.0</b>	<b>16.1</b>	<b>16.0</b>
<b>P/ABV (x)</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.4</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	12.2	11.5	11.4	11.4	11.4
Yield on Funds	10.6	9.3	8.9	9.0	9.0
Cost of Funds (CoF)	6.6	5.4	5.4	5.4	5.4
<b>Interest Spread</b>	<b>4.0</b>	<b>3.9</b>	<b>3.5</b>	<b>3.6</b>	<b>3.6</b>
<b>NIM's</b>	<b>4.4</b>	<b>4.4</b>	<b>4.0</b>	<b>4.1</b>	<b>4.2</b>
Interest Income / Assets	9.8	8.7	8.3	8.4	8.4
Interest Exp. / Assets	5.7	4.6	4.5	4.5	4.5
<b>NII / Assets</b>	<b>4.1</b>	<b>4.0</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>
Fee Income / Assets	2.0	1.6	1.6	1.5	1.5
Other Non Core Income / Assets	-	-	-	-	-
<b>Other Income / Assets</b>	<b>2.4</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>
<b>Net Operating Income / Assets</b>	<b>6.5</b>	<b>6.0</b>	<b>5.6</b>	<b>5.7</b>	<b>5.7</b>
<b>Operating Ratios</b>					
NII to Net Operative Income	63.4	67.3	66.9	67.8	68.7
Other Income to Net Operative Income	36.6	32.7	33.1	32.2	31.3
Empl. Cost/Oper. Exps.	26.8	26.5	26.5	26.3	26.5
Other Op. Exps./Oper. Exps.	73.2	73.5	73.5	73.7	73.5
<b>C/I Ratio</b>	<b>43.3</b>	<b>41.6</b>	<b>42.2</b>	<b>42.2</b>	<b>41.6</b>
<b>Provisions as % PPP</b>	<b>24.5</b>	<b>39.5</b>	<b>17.7</b>	<b>15.5</b>	<b>14.0</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>2.0</b>	<b>3.0</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>
<b>Effective Tax Rate</b>	<b>27.8</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>
Employee Exp. / Assets	0.8	0.7	0.6	0.6	0.6
Other Opex/ Assets	2.1	1.8	1.7	1.8	1.7
<b>Total Opex / Assets</b>	<b>2.8</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>
<b>Operating Profits / Assets</b>	<b>3.7</b>	<b>3.5</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>
<b>Op Profit ex Except Items / Assets</b>	<b>3.7</b>	<b>3.5</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>
Provisions / Assets	1.6	2.4	1.0	0.9	0.8
<b>Profit Before Tax / Assets</b>	<b>2.1</b>	<b>1.1</b>	<b>2.3</b>	<b>2.4</b>	<b>2.5</b>
Tax Expenses / Assets	0.6	0.3	0.6	0.6	0.6
<b>RoA</b>	<b>1.5</b>	<b>0.8</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>
<b>Leverage (x)</b>	<b>9.1</b>	<b>8.4</b>	<b>7.9</b>	<b>7.5</b>	<b>7.2</b>
<b>RoE</b>	<b>14.6</b>	<b>7.3</b>	<b>13.7</b>	<b>13.8</b>	<b>13.9</b>
<b>Adj. RoA</b>	<b>1.5</b>	<b>0.8</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>
<b>Adj. RoE</b>	<b>14.6</b>	<b>7.3</b>	<b>13.7</b>	<b>13.8</b>	<b>13.9</b>

Source: Company, LKP Research

**Exhibit 9: Balance Sheet Ratios**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Credit / Deposit Ratio	102.3	83.0	83.1	84.2	85.1
Incremental C/D Ratio	284.3	10.7	84.3	96.6	94.5
Investment Deposit Ratio	29.7	27.2	26.7	26.5	26.2
Dom. SLR Investment / Deposits	26.0	23.9	23.4	23.3	23.1
CASA Ratio	40.4	41.7	42.0	42.0	42.0

Source: Company, LKP Research

**Exhibit 10: Asset Quality**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Slippage Ratio</b>	<b>3.1</b>	<b>4.0</b>	<b>2.2</b>	<b>1.8</b>	<b>1.6</b>
Gross NPA (Cl Bal)	51,467	57,950	58,375	61,851	64,078
<b>Gross NPAs Ratio (%)</b>	<b>2.5</b>	<b>2.7</b>	<b>2.5</b>	<b>2.4265</b>	<b>2.2647</b>
<b>PCR (%)</b>	<b>63.3</b>	<b>74.5</b>	<b>70.1</b>	<b>70.6</b>	<b>70.9</b>
Net NPA (Cl. Bal.)	18,866	14,766	17,449	18,191	18,654
<b>Net NPAs Ratio (%)</b>	<b>0.9</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
Total Impaired Loans	51,467	57,950	58,375	61,851	64,078
<b>Impaired Loan as % of Loan / AUM</b>	<b>2.5</b>	<b>2.7</b>	<b>2.5</b>	<b>2.4</b>	<b>2.2</b>
Total Risk Reserves	32,602	43,184	40,926	43,661	45,424
<b>Total Risk As % of Loan Book</b>	<b>1.6</b>	<b>2.0</b>	<b>1.7</b>	<b>1.7</b>	<b>1.6</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>20,67,832</b>	<b>21,25,954</b>	<b>23,17,290</b>	<b>25,49,019</b>	<b>28,29,411</b>
<i>Growth (yoy %)</i>		2.8	9.0	10.0	11.0
<b>Interest Bearing Liabilities</b>	<b>26,27,934</b>	<b>30,75,278</b>	<b>32,81,181</b>	<b>35,63,328</b>	<b>39,12,577</b>
<i>Growth (yoy %)</i>		17.0	6.7	8.6	9.8
<i>Yield on Funds</i>	10.6	9.3	8.9	9.0	9.0
<i>Cost of Funds (CoF)</i>	6.6	5.4	5.4	5.4	5.4
<i>Interest Spread</i>	4.0	3.9	3.5	3.6	3.6
<i>NIM's</i>	4.4	4.4	4.0	4.1	4.2
<i>Other Income Growth</i>	23.1	(5.6)	6.8	6.8	6.8
<i>C/I Ratio</i>	43.3	41.6	42.2	42.2	41.6
<i>Effective Tax Rate</i>	27.8	25.0	25.0	25.0	25.0
<b>Return Ratios</b>					
<i>Adj. RoA</i>	1.5	0.8	1.7	1.8	1.9
<i>Adj. RoE</i>	14.6	7.3	13.7	13.8	13.9
<b>Asset Quality Metrics</b>					
<i>Credit Cost (As % of Op. AUM)</i>	2.0	3.0	1.5	1.3	1.2
<i>Gross NPAs Ratio (%)</i>	2.5	2.7	2.5	2.4	2.3
<i>Net NPAs Ratio (%)</i>	0.9	0.7	0.8	0.7	0.7

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.