

**AXIS BANK LIMITED** | Banking

Revisiting growth; Lower slippages led to reduction in GNPA ratio

**LKP****Result and Price Analysis:**

3QFY22 marks the manifestation of sequentially lower provisioning expenses (₹13bn v/s ₹17bn in the previous quarter) and 15% sequential increase in net profit at ₹36bn. The bank's reported slippages number were lower (₹41bn v/s 54bn in 2QFY22) as GNPA and NNPA ratio narrowed down to 3.17% and 0.91% respectively against of 3.53% and 1.08% in the previous quarter. The bank's PCR (including TWO) stood sequentially flat at 89%. Moreover credit off-take (14% YoY) reached pre-covid growth rate, led by growth across segments. Furthermore, the BB & below book came down sequentially by 10bps to 0.88% of customer assets and reported slightly higher restructured advances of ₹46.4bn (~63bps of gross loan book). On business front, credit growth (14% YoY & 7% QoQ) and healthy deposit growth (18% YoY & 5% QoQ) were superior against 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, glimpse of growth rejuvenation and manageable restructuring pool, we have a positive outlook with BUY rating.

**Gazing the core:**

**NPA reducing; restructuring at manageable level:** Axis Bank's total slippages were moderately lower at ₹41bn v/s ₹54bn in the previous quarter. The up-gradation & recovery stood lower at ₹33bn v/s ₹48bn in 2QFY22. The write-offs were ~₹17bn. It has resulted in 36bps reduction sequentially in GNPA ratio to 3.17%. Alike other banks, the restructured pool was sequentially higher at ₹46.4bn (63bps of GCA) v/s ₹43.4bn in the previous quarter. The bank carries a provision of ~24% on restructured loans, which is in excess of regulatory limits. Corporate segment has 64bps of loan book under restructuring while retail and SME segments carry restructuring of 83bps and 2bps respectively. Around 89% of retail restructured book is secured (with LTV of 40% - 70%) and 100% provision made on unsecured retail restructured book. Restructuring is unlikely to exceed current levels (in terms of %) going forward. BB & below rated pool down by 10bps to 0.88% of gross customer assets. Fund based BB & below outstanding decreased by 3% sequentially, Moreover, Non fund based outstanding in BB & below pool inched down sequentially. 98% of restructured corporate book classified as BB & Below.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	2,52,062	2,92,391	3,39,809	4,01,493	4,79,948
Operating Profit	2,34,381	2,57,022	2,68,874	3,11,075	3,64,021
Reported Profits	16,272	65,885	1,43,030	1,74,529	2,14,661
Net Worth	8,49,478	10,16,030	11,59,068	13,33,597	15,48,257
Loan & Advances	57,14,242	62,37,202	71,10,410	81,76,972	94,85,287
Int. Bearing Liabilities	78,80,591	85,01,792	1,01,03,250	1,15,74,465	1,34,00,427

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	3.2	3.4	3.4	3.4	3.6
C/I Ratio	42.5	41.7	46.2	45.7	45.2
Gross NPA Ratio	4.9	3.7	3.1	2.8	2.2
Tier 1 Ratio	14.6	17.1	15.1	15.2	15.3
Adj. RoA Ratio	0.2	0.7	1.3	1.4	1.5
Adj. RoE Ratio	2.1	7.1	13.2	14.0	14.9

Rating	Buy
Current Market Price (₹)	705
12 M Price Target (₹)	884
Potential upside (%)	25

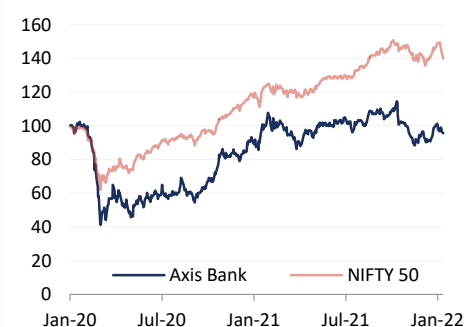
Stock Data	
FV (₹) :	2
Market Cap Full (₹ bn) :	2,158
Market Cap Free Float (₹ bn) :	1,816
52-Week High / Low (₹) :	867 / 616
2-Year High / Low (₹) :	867 / 286
1 Year Avg. Dly Traded Volume (in lakh)	126
BSE Code / NSE Symbol	532215 / AXISBANK
Bloomberg :	AXSB:IN

Shareholding Pattern (%)				
	Dec-21	Sep-21	Jun-21	Mar-21
Promoter	9.71	11.64	11.69	13.58
FPIs	47.44	51.38	52.49	51.43
MFs	22.59	19.61	18.67	17.73
Insurance	1.82	1.82	1.75	1.90
Others	18.44	15.55	15.40	15.36

Source: BSE

Price Performance (%)				
(%)	1M	3M	6M	1YR
Axis Bank	5.6%	-13.7%	-6.7%	9.3%
Nifty 50	0.9%	-5.3%	8.2%	19.3%

\* To date / current date : January 24, 2022

**Axis Bank vs Nifty 50**

The provision expenses were sequentially lower at ₹13bn (v/s ₹17bn in the previous quarter). It includes the write-off amounting to ₹17bn. The bank's PCR stood higher sequentially at 72%. PCR (including tech. write offs) stood at 89% and Aggregate PCR (Specific provision + COVID provision + General Provision + Contingency Provision) stood at 130% of reported GNPLs and the contingent provisioning (covid + standard asset) stood 2% of the gross loan book.

**Growth revisiting; well-adjusted with risk:** The bank's advances stood at ₹6.6tn; 14% YoY and 7% sequentially. Corporate book (35% of book) grew by 7.4% QoQ. Retail book (55% of book) grew by 6.3% sequentially. SME book (10% of book) grew by 8.7% QoQ. Retail disbursement grew 37% YoY and 19% QoQ. Home loan, PL disbursements were up 22% YoY and 39% YoY respectively. Around 80% of retail book remain secured and it is well diversified. Moreover, 100% of PL (6.3% 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 ~12%. Disbursements were up 24% QoQ, flat YoY. The bank witnessed 44% YoY growth in Mid-corporate book against 13% YoY growth in overall corporate segment. Around 87% of Corporate book is now rated A- and above with 92% of incremental sanctions in 1QFY21-3QFY22 being to corporate rated A- and above and 61% of sanction to those who are AA- & above. SME loans grew by 20% YoY and disbursement were up by 91% sequentially. Around 96% of SME book is secured with predominantly working capital financing. 86% of SME book is rated SME3 or better, with 82% of incremental sanctions is SME3 or above. The bank has disbursed ~₹90bn under ECLGS.

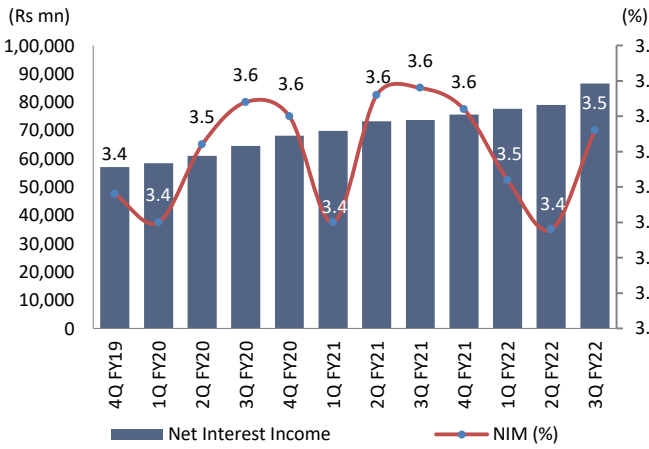
**Strong operational quarter driven by higher other income and lower provision:** The bank's NII stood at ₹87bn; grew by 17.4% YoY & 10% QoQ. The bank's NIMs improved marginally to 3.53% on the back of lower cost of fund (3.77%) and cost of deposit (3.60%). Interest reversal has impacted 5bps to the NIMs. Non – interest income grew marginally by 1.1% QoQ. Management hopes to achieve a structural improvement in NIM going forward, owing to 1) improvement in mix of loans versus investments on the assets side, 2) higher share of low cost deposits and 3) reduction in RIDF bonds (which have negative spread) as incremental allocations have stopped as the bank is PSL compliant. A strong NII growth and slightly higher opex (C/I ratio: 50.7% v/s 49.3% in the previous quarter) led to PPOP sequential growth of 3.9%. Additionally, sequentially lower provisioning expenses (₹13bn v/s ₹17bn) has resulted in net profit of ₹36bn; sequential growth of 15%. The bank's quarterly ROA/ROE stood at 1.3%/14.2%.

### Outlook & Valuations

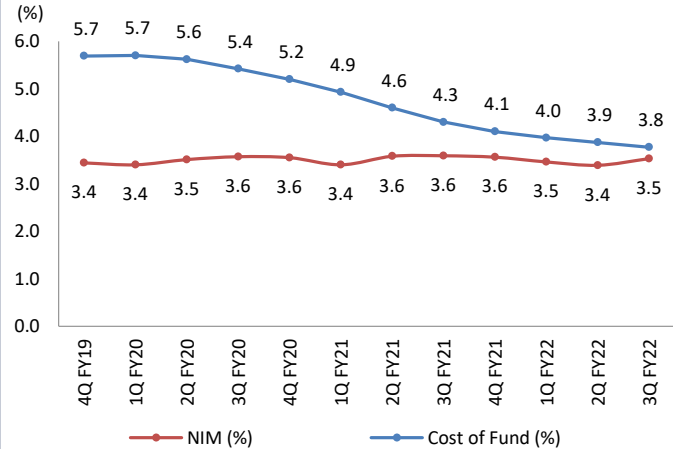
We value the standalone bank at PBV of 2.1x FY23E Adj. BVPS of ₹421 to arrive at a target of ₹884. We recommend BUY with potential upside of 25% from current levels.

Quarterly story in charts

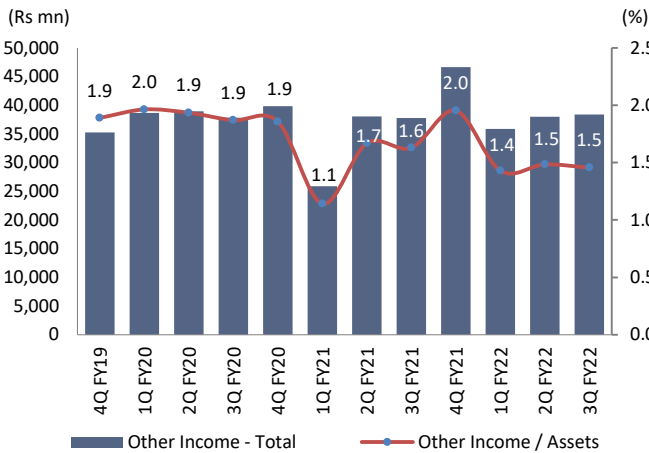
**NII Trend**



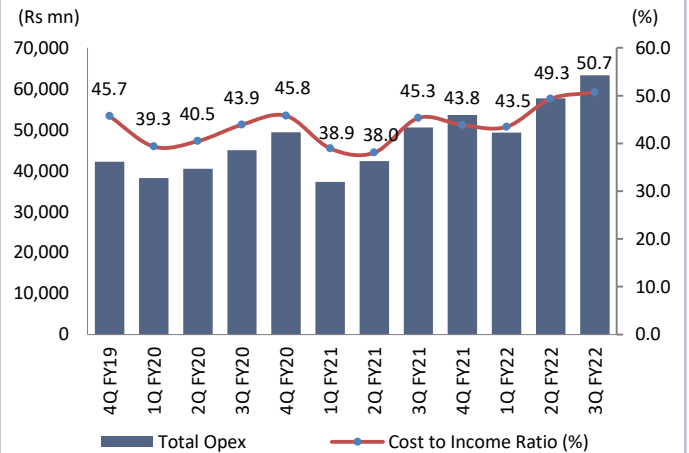
**Yields and Margin Trend**



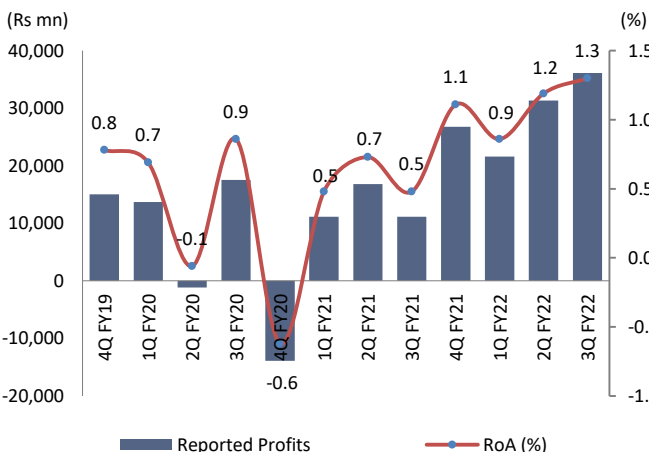
**Other Income Trend**



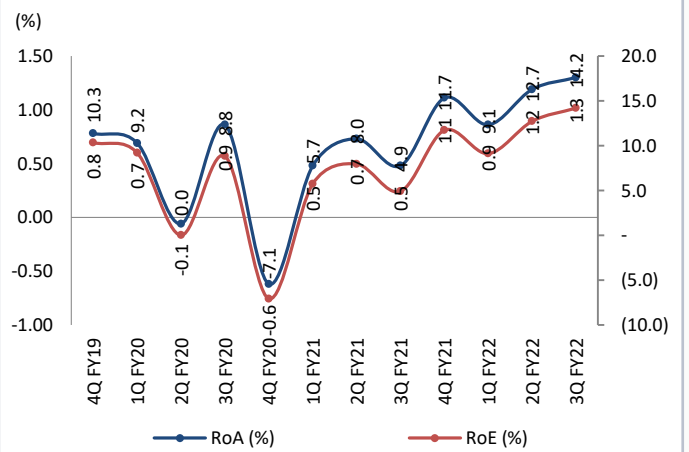
**Total Opex Trend**



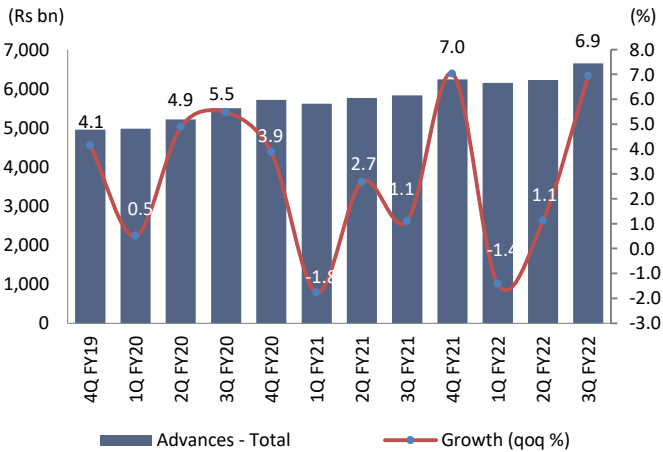
**Reported Profit Trend**



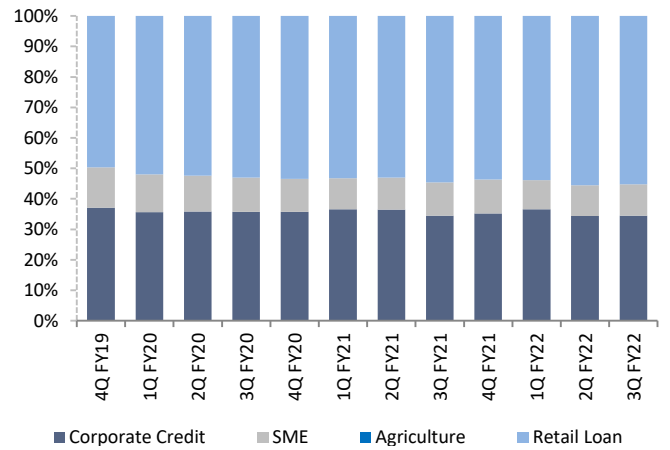
**Return Ratio Trend**



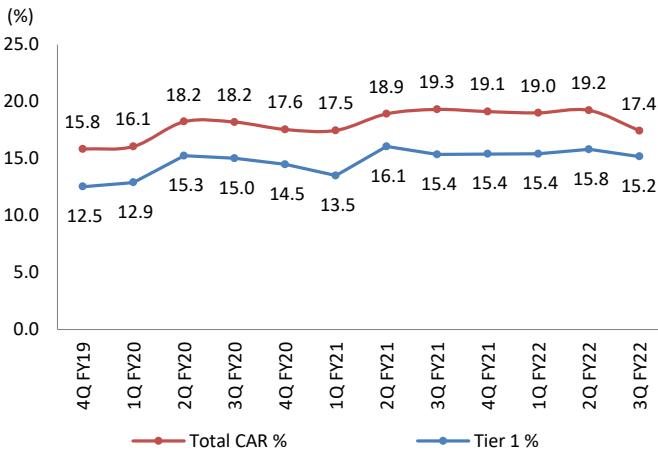
**Loan Book Trend**



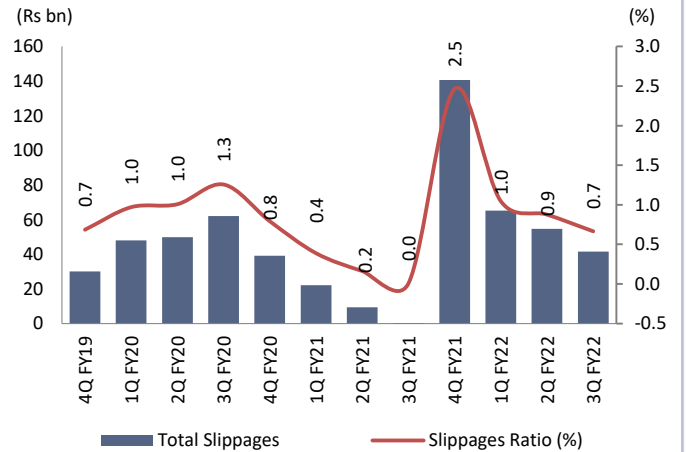
**Loan Book Mix**



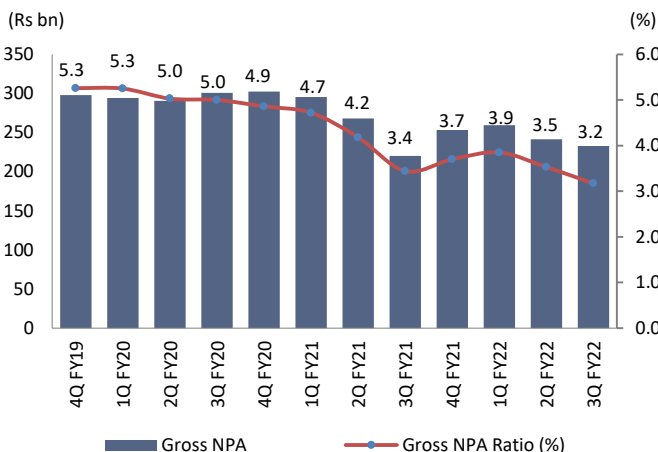
**CRAR & Tier 1 Ratio Trend**



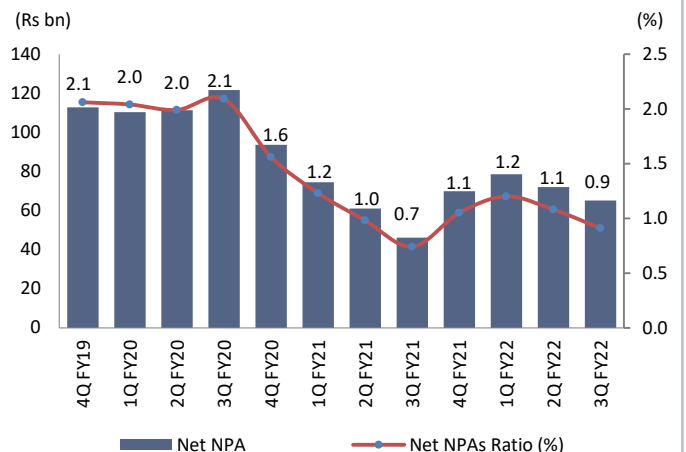
**Slippages**



**Gross NPA Trend**



**Net NPA Trend**



## Recent Performance at a glance

## Exhibit 1 : Income Statement Analysis

(₹ mn)	3Q FY22	3Q FY21	% yoy / bps	2Q FY22	% qoq / bps	FY21	FY20	% yoy / bps
Interest Inc.	1,72,611	1,54,984	11.4	1,63,360	5.7	6,36,453	6,26,352	1.6
Interest Expenses	86,086	81,256	5.9	84,357	2.0	3,44,062	3,74,290	(8.1)
Net Interest Income	86,525	73,728	17.4	79,003	9.5	2,92,391	2,52,062	16.0
<i>NII to Net Operative Income</i>	69.3	66.1	313	67.5	173	66.3	61.9	447
<i>NIM (%)</i>	3.53	3.6	(6)	3.4	14	3.5	3.5	2
Other Income - Total	38,404	37,760	1.7	37,984	1.1	1,48,382	1,55,366	(4.5)
<i>Other Income to Net Operative Income</i>	30.7	33.9	(313)	32.5	(173)	33.7	38.1	(447)
Net Operating Revenue	1,24,929	1,11,488	12.1	1,16,987	6.8	4,40,773	4,07,428	8.2
<i>Employee Expenses</i>	19,386	16,774	15.6	19,355	0.2	61,640	53,210	15.8
<i>Other Opex</i>	43,928	33,759	30.1	38,350	14.5	1,22,111	1,19,836	1.9
Total Opex	63,314	50,533	25.3	57,705	9.7	1,83,751	1,73,046	6.2
<i>Cost to Income Ratio (%)</i>	50.7	45.3	535	49.3	135	41.7	42.5	(78)
Pre Provision Profits	61,615	60,955	1.1	59,282	3.9	2,57,022	2,34,381	9.7
Provisions & Contingencies - Total	13,348	46,043	(71.0)	17,351	(23.1)	1,68,963	1,85,339	(8.8)
<i>NPA Provisions as % Operating Income</i>	21.7	75.5	(5,387)	29.3	(760)	65.7	79.1	(1,334)
Profit Before Tax	48,267	14,912	223.7	41,931	15.1	88,059	49,042	79.6
Tax	12,125	3,746	223.6	10,598	14.4	22,174	32,770	(32.3)
<i>Effective Tax Rate (%)</i>	25.1	25.1	(0)	25.3	(15)	25.2	66.8	(4,164)
Reported Profits	36,142	11,166	223.7	31,333	15.3	65,885	16,272	304.9
<i>RoA (%)</i>	1.3	0.5	82	1.2	11	0.7	0.2	50
<i>RoE (%)</i>	14.2	4.9	928	12.7	147	7.6	2.3	521

Source: Company, LKP Research

## Exhibit 2 : Balance Sheet Analysis

(₹ mn)	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Net Worth	9,76,638	9,88,167	10,16,030	10,38,898	10,70,830	11,07,457	3.4	12.1
RoE (%)	8.0	4.9	11.7	9.1	12.7	14.2	147	928
Tier 1 %	16.1	15.4	15.4	15.4	15.8	15.2	(63)	(18)
Total CAR %	18.9	19.3	19.1	19.0	19.2	17.4	(179)	(187)
RWA - Total	60,93,403	61,91,125	63,75,158	64,77,119	65,14,576	70,12,313	7.6	13.3
Advances - Total	57,63,725	58,27,539	62,37,202	61,48,737	62,17,193	66,48,656	6.9	14.1
Investments	20,02,899	19,83,460	22,61,196	23,99,146	24,98,159	26,64,187	6.6	34.3
Total Assets	90,94,631	93,80,492	99,61,184	1,01,20,499	1,05,07,381	1,11,30,655	5.9	18.7
RoA (%)	0.73	0.48	1.11	0.86	1.19	1.30	11	82
Deposits	63,54,543	65,41,403	70,73,061	71,38,622	73,62,855	77,16,702	4.8	18.0
CASA Deposits	28,07,880	28,23,920	31,77,490	30,80,300	32,75,810	34,48,780	5.3	22.1
CASA Ratio (%)	40.0	42.0	42.0	43.0	44.5	44.7	20	270
Interest Bearing Liabilities - Total	76,66,616	78,98,061	85,01,792	86,47,999	89,49,950	95,05,677	6.2	20.4

Source: Company, LKP Research

## Exhibit 3: Funding Profile Analysis

(₹ mn)	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	76,66,616	78,98,061	85,01,792	86,47,999	89,49,950	95,05,677	6.2	20.4
Deposits	63,54,543	65,41,403	70,73,061	71,38,622	73,62,855	77,16,702	4.8	18.0
CASA Deposits	28,07,880	28,23,920	31,77,490	30,80,300	32,75,810	34,48,780	5.3	22.1
Saving Deposit	18,06,890	18,98,140	20,44,730	21,10,250	22,29,320	22,81,660	2.3	20.2
Current Deposit	10,00,990	9,25,780	11,32,760	9,70,050	10,46,490	11,67,120	11.5	26.1
Term Deposits	35,46,663	37,17,483	38,95,571	40,58,322	40,87,045	42,67,922	4.4	14.8
Borrowings	13,12,073	13,56,658	14,28,732	15,09,378	15,87,095	17,88,975	12.7	31.9
Interest Bearing Liabilities - Total	76,66,616	78,98,061	85,01,792	86,47,999	89,49,950	95,05,677	6.2	20.4

Source: Company, LKP Research

## Exhibit 4: Asset Quality Analysis

(₹ mn)	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	QoQ % / bps	YoY % / bps
Total Slippages	9,310	290	1,40,690	65,180	54,640	41,470	(24.1)	14,200.0
Slippages Ratio (%)	0.16	0.01	2.46	1.05	0.88	0.66	(21)	66
Gross NPA	2,68,136	2,19,979	2,53,148	2,59,498	2,41,486	2,33,012	(3.5)	5.9
Gross NPAs Ratio (%)	4.18	3.44	3.70	3.85	3.53	3.17	(36)	(27)
PCR - Calculated (%)	77.2	79.0	72.4	69.8	70.2	72.0	186	(700)
Net NPA	61,079	46,098	69,935	78,465	72,000	65,131	(9.5)	41.3
Net NPAs Ratio (%)	0.98	0.74	1.05	1.20	1.08	0.91	(17)	17

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	6,79,803	8,03,343	9,39,205
Interest Expenses	3,74,290	3,44,062	3,39,994	4,01,850	4,59,257
<b>Net Interest Income</b>	<b>2,52,062</b>	<b>2,92,391</b>	<b>3,39,809</b>	<b>4,01,493</b>	<b>4,79,948</b>
<i>NIM (%)</i>	<i>3.23</i>	<i>3.37</i>	<i>3.39</i>	<i>3.45</i>	<i>3.61</i>
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>4,99,353</b>	<b>5,73,049</b>	<b>6,64,434</b>
Employee Exp.	53,210	61,640	76,619	88,111	1,02,209
Other Opex	1,19,836	1,22,111	1,53,860	1,73,862	1,98,203
<b>Total Opex</b>	<b>1,73,046</b>	<b>1,83,751</b>	<b>2,30,479</b>	<b>2,61,974</b>	<b>3,00,412</b>
<i>C/I Ratio</i>	<i>42.47</i>	<i>41.69</i>	<i>46.16</i>	<i>45.72</i>	<i>45.21</i>
Pre Provision Profits	2,34,381	2,57,022	2,68,874	3,11,075	3,64,021
<i>PPP Growth (yoy %)</i>	<i>23.3</i>	<i>9.7</i>	<i>4.6</i>	<i>15.7</i>	<i>17.0</i>
Provisions & Contingencies - Total	1,85,339	1,68,963	77,657	77,748	77,042
<i>Credit Cost (As % of Op. AUM)</i>	<i>2.57</i>	<i>2.14</i>	<i>1.20</i>	<i>1.05</i>	<i>0.90</i>
<b>Profit Before Tax</b>	<b>49,042</b>	<b>88,059</b>	<b>1,91,217</b>	<b>2,33,327</b>	<b>2,86,979</b>
Tax	32,770	22,174	48,187	58,798	72,319
<i>Effective Tax Rate</i>	<i>66.8</i>	<i>25.2</i>	<i>25.2</i>	<i>25.2</i>	<i>25.2</i>
<b>Reported Profits</b>	<b>16,272</b>	<b>65,885</b>	<b>1,43,030</b>	<b>1,74,529</b>	<b>2,14,661</b>
<i>PAT Growth (yoy %)</i>	<i>(65.2)</i>	<i>304.9</i>	<i>117.1</i>	<i>22.0</i>	<i>23.0</i>

Source: Company, LKP Research

## Exhibit 6: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	5,643	6,127	6,135	6,135	6,135
Reserves (ex Revel. Reserve)	8,43,835	10,09,903	11,52,933	13,27,461	15,42,122
<b>Net Worth - Ex Revaluation</b>	<b>8,49,478</b>	<b>10,16,030</b>	<b>11,59,068</b>	<b>13,33,597</b>	<b>15,48,257</b>
Deposits	64,01,049	70,73,061	81,83,633	95,48,934	1,13,90,363
Borrowings	14,79,541	14,28,732	19,19,618	20,25,531	20,10,064
<b>Interest Bearing Liabilities</b>	<b>78,80,591</b>	<b>85,01,792</b>	<b>1,01,03,250</b>	<b>1,15,74,465</b>	<b>1,34,00,427</b>
Other Lia. & Prov.	4,21,579	4,43,362	7,36,418	6,82,930	3,98,919
<b>Total Liabilities</b>	<b>91,51,648</b>	<b>99,61,184</b>	<b>1,19,98,737</b>	<b>1,35,90,991</b>	<b>1,53,47,603</b>
<b>Assets</b>					
Cash & Cash Equivalent	9,72,683	6,17,298	10,81,675	12,27,471	14,08,423
Investments	15,67,343	22,61,196	27,23,002	29,81,859	33,18,554
Loan & Advances	57,14,242	62,37,202	71,10,410	81,76,972	94,85,287
<i>Growth (yoy %)</i>	<i>15.5</i>	<i>9.2</i>	<i>14.0</i>	<i>15.0</i>	<i>16.0</i>
<i>Fixed Assets</i>	<i>43,129</i>	<i>42,450</i>	<i>2,00,308</i>	<i>2,33,014</i>	<i>66,496</i>
Other Assets	8,54,252	8,03,038	8,83,341	9,71,676	10,68,843
<b>Total Assets</b>	<b>91,51,648</b>	<b>99,61,184</b>	<b>1,19,98,737</b>	<b>1,35,90,991</b>	<b>1,53,47,603</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	3,068	3,068	3,068
Earnings Per Share	5.8	21.5	46.6	56.9	70.0
<b>EPS (% YoY)</b>	<b>(68.3)</b>	<b>272.9</b>	<b>116.8</b>	<b>22.0</b>	<b>23.0</b>
<b>P/E (x)</b>	<b>122.1</b>	<b>32.8</b>	<b>15.1</b>	<b>12.4</b>	<b>10.1</b>
Book Value	301.1	331.6	377.8	434.7	504.7
<b>BVPS (% YoY)</b>	<b>16.1</b>	<b>10.2</b>	<b>13.9</b>	<b>15.1</b>	<b>16.1</b>
<b>P/BV (x)</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>	<b>1.6</b>	<b>1.4</b>
Adj. BV	301.1	331.6	364.2	421.1	491.1
<b>Adj. BV (% YoY)</b>	<b>16.1</b>	<b>10.2</b>	<b>9.8</b>	<b>15.6</b>	<b>16.6</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>					
<i>Yield on Funds</i>	8.0	7.3	6.8	6.9	7.1
<i>Cost of Funds (CoF)</i>	5.0	4.2	3.7	3.7	3.7
<i>Interest Spread</i>	3.0	3.1	3.1	3.2	3.4
<b>NIM's</b>	<b>3.2</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.6</b>
<i>Interest Income / Assets</i>	7.3	6.7	6.2	6.3	6.5
<i>Interest Exp. / Assets</i>	4.4	3.6	3.1	3.1	3.2
<b>NII / Assets</b>	<b>2.9</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.3</b>
<i>Fee Income / Assets</i>	1.1	1.0	0.9	0.8	0.8
<i>Other Non Core Income / Assets</i>	-	-	-	-	-
<b>Other Income / Assets</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>
<b>Net Operating Income / Assets</b>	<b>4.7</b>	<b>4.6</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>
<b>Operating Ratios</b>					
<i>NII to Net Operative Income</i>	61.9	66.3	68.0	70.1	72.2
<i>Other Income to Net Operative Income</i>	38.1	33.7	32.0	29.9	27.8
<i>Empl. Cost/Oper. Exps.</i>	30.7	33.5	33.2	33.6	34.0
<i>Other Op. Exps./Oper. Exps.</i>	69.3	66.5	66.8	66.4	66.0
<b>C/I Ratio</b>	<b>42.5</b>	<b>41.7</b>	<b>46.2</b>	<b>45.7</b>	<b>45.2</b>
<b>Provisions as % PPP</b>	<b>45.5</b>	<b>38.3</b>	<b>15.6</b>	<b>13.6</b>	<b>11.6</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>2.6</b>	<b>2.1</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>
<b>Effective Tax Rate</b>	<b>66.8</b>	<b>25.2</b>	<b>25.2</b>	<b>25.2</b>	<b>25.2</b>
<i>Employee Exp. / Assets</i>	0.6	0.6	0.7	0.7	0.7
<i>Other Opex/ Assets</i>	1.4	1.3	1.4	1.4	1.4
<b>Total Opex / Assets</b>	<b>2.0</b>	<b>1.9</b>	<b>2.1</b>	<b>2.0</b>	<b>2.1</b>
<b>Operating Profits / Assets</b>	<b>2.7</b>	<b>2.7</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>
<i>Exceptional Items / Assets</i>	-	-	-	-	-
<b>Op Profit ex Except Items / Assets</b>	<b>2.7</b>	<b>2.7</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>
<i>Provisions / Assets</i>	2.2	1.8	0.7	0.6	0.5
<b>Profit Before Tax / Assets</b>	<b>0.6</b>	<b>0.9</b>	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>
<i>Tax Expenses / Assets</i>	0.4	0.2	0.4	0.5	0.5
<b>RoA</b>	<b>0.2</b>	<b>0.7</b>	<b>1.3</b>	<b>1.4</b>	<b>1.5</b>
<i>Leverage (x)</i>	10.8	9.8	10.4	10.2	9.9
<b>RoE</b>	<b>2.1</b>	<b>7.1</b>	<b>13.2</b>	<b>14.0</b>	<b>14.9</b>

Source: Company, LKP Research

**Exhibit 9: Balance Sheet Ratios**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	89.3	88.2	86.9	85.6	83.3
<i>Incremental C/D Ratio</i>	83.6	77.8	78.6	78.1	71.0
<i>Investment Deposit Ratio</i>	24.5	32.0	33.3	31.2	29.1
<i>Dom. SLR Investment / Deposits</i>	19.2	25.6	27.7	26.3	24.9
<i>CASA Ratio</i>	41.5	45.1	46.0	46.0	46.0

Source: Company, LKP Research

**Exhibit 10: Asset Quality**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio</i>	4.0	3.0	3.2	2.8	2.3
Gross NPA (Cl Bal)	3,02,338	2,53,148	2,23,060	2,26,941	2,06,803
<i>Gross NPAs Ratio (%)</i>	4.9	3.7	3.1	2.8	2.2
<i>PCR (%)</i>	69.0	72.4	71.0	68.1	61.6
Net NPA (Cl. Bal.)	93,604	69,935	64,644	72,291	79,401
<i>Net NPAs Ratio (%)</i>	1.6	1.1	0.9	0.9	0.8
Total Impaired Loans	3,02,338	2,53,148	2,23,060	2,26,941	2,06,803
<i>Impaired Loan as % of Loan / AUM</i>	5.1	3.8	3.0	2.6	2.1
Total Risk Reserves	2,08,767	1,83,246	1,58,416	1,54,650	1,27,402
<i>Total Risk As % of Loan Book</i>	3.5	2.8	2.1	1.8	1.3

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>71,10,410</b>	<b>81,76,972</b>	<b>94,85,287</b>
<i>Growth (yoy %)</i>		9.2	14.0	15.0	16.0
<b>Interest Bearing Liabilities</b>	<b>78,80,591</b>	<b>85,01,792</b>	<b>1,01,03,250</b>	<b>1,15,74,465</b>	<b>1,34,00,427</b>
<i>Growth (yoy %)</i>		7.9	18.8	14.6	15.8
<i>Yield on Funds</i>	8.0	7.3	6.8	6.9	7.1
<i>Cost of Funds (CoF)</i>	5.0	4.2	3.7	3.7	3.7
<i>Interest Spread</i>	3.0	3.1	3.1	3.2	3.4
<i>NIM's</i>	3.2	3.4	3.4	3.4	3.6
<i>Other Income Growth</i>	18.3	(4.5)	7.5	7.5	7.5
<i>C/I Ratio</i>	42.5	41.7	46.2	45.7	45.2
<i>Effective Tax Rate</i>	66.8	25.2	25.2	25.2	25.2
<b>Return Ratios</b>					
<i>Adj. RoA</i>	0.2	0.7	1.3	1.4	1.5
<i>Adj. RoE</i>	2.1	7.1	13.2	14.0	14.9
<b>Asset Quality Metrics</b>					
<i>Credit Cost (As % of Op. AUM)</i>	2.6	2.1	1.2	1.1	0.9
<i>Gross NPAs Ratio (%)</i>	4.9	3.7	3.1	2.8	2.2
<i>Net NPAs Ratio (%)</i>	1.6	1.1	0.9	0.9	0.8

Source: Company, LKP Research

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