

Estimate change

TP change

Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



Bloomberg	RBK IN
Equity Shares (m)	600
M.Cap.(INRb)/(USD\$)	56.9 / 0.7
52-Week Range (INR)	221 / 74
1, 6, 12 Rel. Per (%)	8/-30/-60
12M Avg Val (INR M)	2404

## Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	40.3	43.1	50.1
OP	27.5	24.9	31.4
NP	-0.7	8.0	11.8
NIM (%)	4.1	4.1	4.3
EPS (INR)	-1.2	13.4	19.8
EPS Gr. (%)	NM	NM	47.4
BV/Sh. (INR)	210.5	221.4	237.4
ABV/Sh. (INR)	201.0	214.5	230.5

## Ratios

RoE (%)	-0.6	6.2	8.6
RoA (%)	-0.1	0.7	1.0

## Valuations

P/E(X)	NM	7.1	4.8
P/BV (X)	0.5	0.4	0.4
P/ABV (X)	0.5	0.4	0.4

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	0.0	0.0	0.0
DII	14.4	21.8	23.5
FII	26.1	28.2	32.2
Others	59.5	50.0	44.3
FII Includes depository receipts			

**CMP: INR95**
**TP: INR150 (+58%)**
**Buy**

## Earnings trajectory begins on a positive note under new CEO

### Credit cost to moderate; FY23E business growth to recoup to 15-18% YoY

- RBL Bank (RBK) delivered 15% beat on net profit (of INR2.0b) in 1QFY23, aided by a 35% YoY decline in provisions. While NII grew 6% YoY, it missed our estimate by 7% due to muted loan growth and sequential decline in margin.
- Business trends were weak with loan book and deposit base being flat QoQ. However, they rose 7% and 6% YoY, respectively. Opex remained elevated and thus C/I ratio expanded 780bp QoQ to 67.8% on higher business expenses.
- Fresh slippages increased 6% QoQ to INR6.5b – largely from the Retail portfolio. GNPA/NNPA ratio improved 32bp/18bp QoQ to 4.08%/1.16%, respectively. PCR ratio increased 210bp to 72.5%.
- With more clarity on the way forward for the bank, after the appointment of its new MD and CEO, we restore our positive stance. We expect RBK to deliver FY24 RoA/RoE of 1.0%/8.6%, respectively. **Reiterate BUY with a TP of INR150 (premised on 0.7x FY24E ABV).**

### Retail assets muted due to MFI and business banking; PCR rises to 72.5%

- RBK reported a PAT of INR2.01b (15% beat), aided by a 35% YoY decline in provisions. NII grew 6% YoY (7% miss), while core fee income increased 7% YoY. While NIM was flat YoY, it contracted 68bp QoQ to 4.36%. However, management expects margin to improve from hereon as it deploys excess liquidity in advances over the next few quarters.
- Other income declined 6% YoY but was 15% above our estimate due to a better-than-expected treasury performance. Opex rose 30% YoY led by investments in building the franchise. This resulted in an elevated C/I ratio of 67.8%. Consequently, PPOP declined 31% YoY to INR5.3b (15% miss).
- Loan book was flat QoQ but grew 7% YoY, fueled by 22% YoY growth in Wholesale loans, while Retail advances moderated 5% YoY. Retail-to-Wholesale mix stood at 51:49. Within Retail, the MFI portfolio declined ~36% YoY/23% QoQ followed by business loans with a 25% decline. Housing loans and credit cards saw a strong growth of 65% and 17% YoY, respectively. The share of credit cards thus stood at 24% of total loans while home loans sat on a low base of ~4%.
- Deposits were flat QoQ but grew 6% YoY, driven by 14% YoY growth in CASA deposits. CASA ratio increased 70bp QoQ to 36.0%.
- Fresh slippages increased 6% QoQ to INR6.5b predominantly in the Retail book. GNPA/NNPA ratio improved 32bp/18bp QoQ to 4.08%/1.16%, respectively. PCR ratio increased 210bp to 72.5%. Restructured book stood at INR17.4b – 2.9% of loans v/s 3.27% in 4QFY22 on which RBK carries provisions of INR3.2b.

**Highlights from the management commentary**

- Slippages breakup: Credit Cards (INR2.01b), MFI (INR1.63b), Other Retail (INR1.82b) and Wholesale (INR730m).
- Overall, the loan growth is likely to be ~15-20% for FY23E while deposits are expected to remain stable. The bank expects CD ratio to be at ~85%.
- Credit cost for FY23E is anticipated to be significantly lower at ~2-2.25%.

**Valuation and view**

RBK reported a beat on earnings led by lower provisions. However, business trends were weak with assets as well as deposits being flat QoQ. The bank posted a steady improvement in asset quality along with lower restructured book and a higher PCR. Opex remained elevated as RBK continued to invest in new business areas and branch expansion. On the business front, while loan growth was muted in 1QFY23, RBK expects to end the year with 15-18% loan growth driven by retail and wholesale. With more clarity on the way forward for the bank, after the appointment of its new MD and CEO, we restore our positive stance. We expect RBK to deliver FY24 RoA/RoE of 1.0%/8.6%, respectively. **Reiterate BUY with a TP of INR150 (premised on 0.7x FY24E ABV).**

**Quarterly performance**

											(INR m)	
Y/E March	FY22				FY23E				FY22	FY23E	FY23E V/s our	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
<b>Net Interest Income</b>	<b>9,695</b>	<b>9,155</b>	<b>10,104</b>	<b>11,313</b>	<b>10,277</b>	<b>10,600</b>	<b>10,945</b>	<b>11,268</b>	<b>40,267</b>	<b>43,090</b>	<b>11,031</b>	<b>-7%</b>
% Change (Y-o-Y)	-6.9	-1.8	11.3	24.9	6.0	15.8	8.3	-0.4	6.3	7.0	13.8	
Other Income	6,534	5,929	5,830	5,114	6,136	5,999	6,617	6,995	23,405	25,746	5,355	15%
<b>Total Income</b>	<b>16,229</b>	<b>15,083</b>	<b>15,934</b>	<b>16,427</b>	<b>16,413</b>	<b>16,599</b>	<b>17,562</b>	<b>18,263</b>	<b>63,673</b>	<b>68,836</b>	<b>16,386</b>	<b>0%</b>
Operating Expenses	8,567	8,174	9,626	9,853	11,122	10,564	10,911	11,353	36,220	43,949	10,151	10%
<b>Operating Profit</b>	<b>7,661</b>	<b>6,910</b>	<b>6,308</b>	<b>6,574</b>	<b>5,291</b>	<b>6,035</b>	<b>6,651</b>	<b>6,910</b>	<b>27,453</b>	<b>24,887</b>	<b>6,235</b>	<b>-15%</b>
% Change (Y-o-Y)	11.1	1.4	-21.2	-10.8	-30.9	-12.7	5.4	5.1	-5.9	-9.3	-18.6	
Provisions	13,844	6,515	4,239	4,007	2,530	3,465	3,960	4,188	28,604	14,144	3,892	-35%
<b>Profit before Tax</b>	<b>-6,182</b>	<b>395</b>	<b>2,069</b>	<b>2,568</b>	<b>2,761</b>	<b>2,570</b>	<b>2,690</b>	<b>2,722</b>	<b>-1,151</b>	<b>10,743</b>	<b>2,343</b>	<b>18%</b>
Tax	-1,588	87	508	589	750	648	678	629	-404	2,704	590	27%
<b>Net Profit</b>	<b>-4,595</b>	<b>308</b>	<b>1,561</b>	<b>1,978</b>	<b>2,012</b>	<b>1,922</b>	<b>2,012</b>	<b>2,093</b>	<b>-747</b>	<b>8,039</b>	<b>1,753</b>	<b>15%</b>
% Change (Y-o-Y)	NM	-78.6	6.1	162.6	NM	NM	28.9	5.8	NM	NM	NM	
<b>Operating Parameters</b>												
Deposit (INR b)	744.7	755.9	736.4	790.1	792.2	817.7	841.4	869.1	790.1	869.1	792.2	0%
Loan (INR b)	565.3	560.1	581.4	600.2	602.7	629.6	653.2	684.2	600.2	684.2	601.9	0%
Deposit Growth (%)	20.6	17.2	9.6	8.0	6.4	8.2	14.3	10.0	8.0	10.0	6.4	0
Loan Growth (%)	-0.3	-0.3	3.0	2.4	6.6	12.4	12.3	14.0	2.4	14.0	6.5	14
<b>Asset Quality</b>												
Gross NPA (%)	5.0	5.4	4.8	4.4	4.1	3.7	3.3	3.0	4.4	3.0	4.3	-24
Net NPA (%)	2.0	2.1	1.9	1.3	1.2	1.1	1.0	0.9	1.3	0.9	1.5	-35
PCR (%)	60.9	61.7	62.9	70.4	72.5	71.0	71.4	71.8	70.4	71.8	66.0	652

## Quarterly snapshot

INR m	FY21				FY22				FY23	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Profit and Loss</b>											
<b>Interest Income</b>	<b>22,594</b>	<b>20,967</b>	<b>20,076</b>	<b>19,654</b>	<b>20,258</b>	<b>19,748</b>	<b>20,442</b>	<b>21,310</b>	<b>20,893</b>	<b>3</b>	<b>-2</b>
Loans	17,991	16,471	15,644	15,131	15,706	15,154	15,769	16,540	16,012	2	-3
Investment	3,329	3,347	3,526	3,430	3,475	3,360	3,295	3,345	3,588	3	7
<b>Interest Expenses</b>	<b>12,181</b>	<b>11,646</b>	<b>10,994</b>	<b>10,594</b>	<b>10,563</b>	<b>10,593</b>	<b>10,338</b>	<b>9,996</b>	<b>10,616</b>	<b>0</b>	<b>6</b>
<b>Net Interest Income</b>	<b>10,413</b>	<b>9,321</b>	<b>9,082</b>	<b>9,060</b>	<b>9,695</b>	<b>9,155</b>	<b>10,104</b>	<b>11,313</b>	<b>10,277</b>	<b>6</b>	<b>-9</b>
<b>Other Income</b>	<b>3,333</b>	<b>4,182</b>	<b>5,759</b>	<b>5,488</b>	<b>6,534</b>	<b>5,929</b>	<b>5,830</b>	<b>5,114</b>	<b>6,136</b>	<b>-6</b>	<b>20</b>
Trading profits	967	711	979	110	1,568	889	233	-51	798	-49	NM
Fee Income	2,367	3,471	4,780	5,378	4,966	5,039	5,597	5,165	5,338	8	3
<b>Total Income</b>	<b>13,746</b>	<b>13,503</b>	<b>14,841</b>	<b>14,549</b>	<b>16,229</b>	<b>15,083</b>	<b>15,934</b>	<b>16,427</b>	<b>16,413</b>	<b>1</b>	<b>0</b>
<b>Operating Expenses</b>	<b>6,849</b>	<b>6,685</b>	<b>6,832</b>	<b>7,179</b>	<b>8,567</b>	<b>8,174</b>	<b>9,626</b>	<b>9,853</b>	<b>11,122</b>	<b>30</b>	<b>13</b>
Employee	2,124	2,153	2,107	2,070	2,315	2,376	2,534	2,790	3,090	33	11
Others	4,725	4,532	4,725	5,110	6,252	5,797	7,092	7,063	8,032	28	14
<b>Operating Profits</b>	<b>6,897</b>	<b>6,818</b>	<b>8,008</b>	<b>7,369</b>	<b>7,661</b>	<b>6,910</b>	<b>6,308</b>	<b>6,574</b>	<b>5,291</b>	<b>-31</b>	<b>-20</b>
<b>Core Operating Profits</b>	<b>5,931</b>	<b>6,107</b>	<b>7,029</b>	<b>7,259</b>	<b>6,093</b>	<b>6,021</b>	<b>6,075</b>	<b>6,625</b>	<b>4,494</b>	<b>-26</b>	<b>-32</b>
Provisions	5,002	4,876	6,058	6,266	13,844	6,515	4,239	4,007	2,530	-82	-37
<b>PBT</b>	<b>1,896</b>	<b>1,942</b>	<b>1,951</b>	<b>1,103</b>	<b>-6,182</b>	<b>395</b>	<b>2,069</b>	<b>2,568</b>	<b>2,761</b>	<b>NM</b>	<b>8</b>
Taxes	483	500	480	349	-1,588	87	508	589	750	NM	27
<b>PAT</b>	<b>1,412</b>	<b>1,442</b>	<b>1,471</b>	<b>753</b>	<b>-4,595</b>	<b>308</b>	<b>1,561</b>	<b>1,978</b>	<b>2,012</b>	<b>NM</b>	<b>2</b>
<b>Balance Sheet</b>											
Deposits (INR b)	617	645	672	731	745	756	736	790	792	6	0
Loans (INR b)	567	562	564	586	565	560	581	600	603	7	0
<b>Asset Quality</b>											
<b>GNPA</b>	<b>19,921</b>	<b>19,117</b>	<b>10,502</b>	<b>26,015</b>	<b>29,113</b>	<b>31,309</b>	<b>29,019</b>	<b>27,284</b>	<b>25,369</b>	<b>-13</b>	<b>-7</b>
<b>NNPA</b>	<b>9,327</b>	<b>7,758</b>	<b>4,025</b>	<b>12,414</b>	<b>11,372</b>	<b>12,004</b>	<b>10,755</b>	<b>8,066</b>	<b>6,971</b>	<b>-39</b>	<b>-14</b>
Slippages	50	1,450	0	29,980	13,420	12,170	7,660	6,190	6,530	-51	5
<b>Ratios (%)</b>											
	FY21				FY22				FY23	Change (bp)	
<b>Asset Quality Ratios</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>YoY</b>	<b>QoQ</b>
GNPA	3.5	3.3	1.8	4.3	5.0	5.4	4.8	4.4	4.1	-91	-32
NNPA	1.7	1.4	0.7	2.1	2.0	2.1	1.9	1.3	1.2	-85	-18
PCR (Cal.)	53	59	62	52	61	62	63	70	73	1,158	208
<b>PCR (Reported)</b>	<b>53</b>	<b>59</b>	<b>62</b>	<b>52</b>	<b>61</b>	<b>62</b>	<b>63</b>	<b>70</b>	<b>73</b>	<b>1,158</b>	<b>208</b>
<b>Business Ratios</b>											
Fees to Total Income	17.2	25.7	32.2	37.0	30.6	33.4	35.1	31.4	32.5	193	108
Cost to Core Income	53.6	52.3	49.3	49.7	58.4	57.6	61.3	59.8	71.2	1,279	1,143
Tax Rate	25.5	25.8	24.6	31.7	25.7	22.0	24.5	22.9	27.1	147	420
CASA mix	30.1	31.1	31.0	31.8	33.6	35.3	34.4	35.3	36.0	240	70
Loan/Deposit	91.8	87.1	84.0	80.2	75.9	74.1	79.0	76.0	76.1	18	11
RWA / Assets (%)	74.3	74.8	74.5	73.5	73.4	73.3	131.6	71.5	72.6	-78	114
<b>Profitability Ratios</b>											
Yield on loans	13.0	12.3	11.5	11.2	11.6	11.3	11.3	12.2	11.2	-38	-100
Yield On Investments	7.0	6.5	6.1	5.7	5.7	5.7	5.9	5.9	5.8	4	-15
Yield on Funds	11.5	10.5	9.7	9.1	9.3	9.6	9.9	9.9	9.4	9	-54
Cost of funds	6.3	6.0	5.8	5.5	5.3	5.1	4.8	4.8	4.9	-40	6
<b>Margins</b>	<b>5.3</b>	<b>4.7</b>	<b>4.4</b>	<b>4.2</b>	<b>4.5</b>	<b>4.4</b>	<b>4.9</b>	<b>5.3</b>	<b>4.6</b>	<b>17</b>	<b>-65</b>
RoA	0.6	0.6	0.6	0.3	-1.9	0.1	0.6	0.8	0.8	263	-2
RoE	5.2	5.2	4.8	2.4	-14.5	1.0	5.0	6.4	6.3	2,079	-7
<b>Distribution reach</b>											
Branches	392	398	403	429	435	445	500	502	502	67	0
ATMS's	389	402	412	412	380	386	407	414	417	37	3



## Highlights from the management commentary

### Asset quality related

- Asset quality is improving and this trend should continue
- Slippages were mostly from retail
- Collection efficiency improved across segments with broad-based recovery
- Collection efficiency on book, originated from FY21 onwards, was at 99.6%. This formed 81% of standard book
- Credit cost should be sharply lower in FY23E with an absolute amount less than that of FY22.

### P&L and Balance Sheet related

- The focus of the management is to consolidate, leverage and optimize the existing platform to accelerate balance sheet growth
- Niche areas of cards and microfinance continue to be a priority while accelerating the diversification across more retail products.
- The role of the new CEO is to guide the franchise back to historical levels of growth and profitability.
- Management structure in individual business segments is strong with senior people having spent more than eight years with the bank
- Advances growth should revive. Management aspires to end the year with 15-18% YoY growth. Retail should grow 20-25% YoY while growth in wholesale will be lower.
- MFI was soft in 1Q due to reorientation to new rules with higher focus on collection
- MFI disbursements are back to earlier run-rate of INR5-6b in Jul'22
- Strong momentum seen in credit cards and home loans
- On credit cards, sourcing remained in favor of Bajaj with 55% share
- Historically, RBK has delivered a steady state RoA of 4% on cards and this return should move in that direction in a few quarters from now
- 65% of the book is based on floating rate
- On deposits, focus remains on improving share of retail and granular deposit
- The trajectory of margin should improve from hereon as excess liquidity will be deployed into advances
- The bank is not worried about treasury performance as most of its portfolio is invested at the shorter end of the curve
- Operating expenses will remain elevated due to investments in cards business, tech cost and branch growth
- C/I ratio will come down as traction builds on the income side
- Employee cost rose as the entire ESOP cost has been taken through P&L and there was a catch up of expenses pertaining to the previous year
- Operating profit will claw back with time. Historical run-rate should be achievable by the end of this year
- Capital position remains strong with no intention of equity raise for 18-24 months

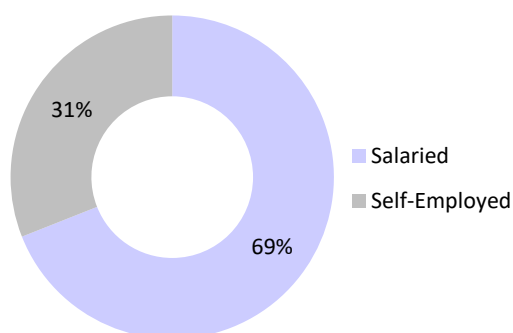
## Key exhibits

**Exhibit 1: Credit Cards constitute ~24% of RBK's total loan portfolio**

INR m	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	YoY	QoQ
Total spends	85,540	103,620	121,150	122,760	131,610	53.9%	7.2%
Credit Card book	124,320	128,160	134,150	135,750	142,810	14.9%	5.2%
As a percentage of total book	22.0%	22.9%	23.1%	22.6%	23.7%		

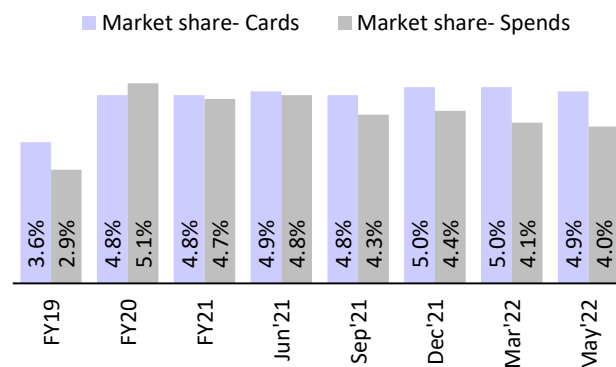
Source: MOFSL, Company

**Exhibit 2: Salaried segment constitutes 69% of total Credit Card base**



Source: MOFSL, Company

**Exhibit 3: RBK's market share in cards and spending trends – remain broadly stable over the past few months**



Source: MOFSL, Company

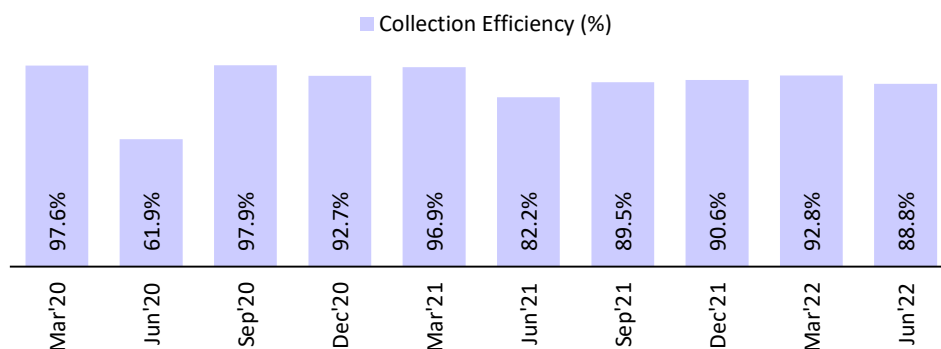
Exposure to the top three states was ~46%, while that to the top five states was ~60%

**Exhibit 4: State-wise exposure to the MFI book**

State	1QFY23
Bihar	19%
Rajasthan	15%
Uttar Pradesh	11%
Tamil Nadu	9%
Karnataka	6%
Haryana	6%

Source: MOFSL, Company

**Exhibit 5: Collection efficiency in MFI – drops to 89% in Jun'22 from 93% in Mar'22**



Source: MOFSL, Company

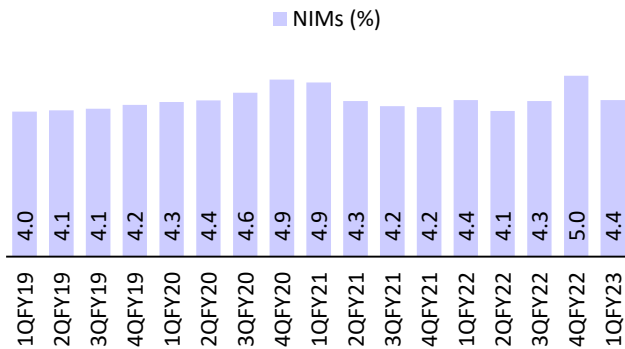
### Valuation and view

- **Asset quality improves:** The bank witnessed an improvement in its asset quality ratio, with GNPA/NNPA ratio moderating 32bp/18bp QoQ to 4.08%/1.16%. PCR improved to 72.5%. Slippages remained elevated with the majority originating from the Retail book, led by Cards. Collection efficiency improved across segments with broad-based recovery. We expect slippages to moderate to 4.4%/3.8% for FY23E/24E, respectively, and estimate credit cost of 2.2% for FY23, which is likely to moderate further to 2.1% in FY24.
- **Business growth to pick up gradually:** Growth momentum is likely to pick up, led by Retail advances, as RBK guided for retail loans to grow at ~25%+. The business mix will thus move in favor of Retail, which currently stands at ~51%. Wholesale book is likely to grow in a calibrated manner. We expect PPOP growth to stay modest and report 7% CAGR over FY22-24.

**Buy with a TP of INR150:** RBK reported a beat on earnings led by lower provisions. However, business trends were weak with assets as well as deposits being flat QoQ. The bank posted a steady improvement in asset quality along with lower restructured book and a higher PCR. Opex remained elevated as RBK continued to invest in new business areas and branch expansion. On the business front, while loan growth was muted in 1QFY23, RBK expects to end the year with 15-18% loan growth driven by retail and wholesale. With more clarity on the way forward for the bank, after the appointment of its new MD and CEO, we restore our positive stance. We expect RBK to deliver FY24 RoA/RoE of 1.0%/8.6%, respectively. **Reiterate BUY with a TP of INR150 (premised on 0.7x FY24E ABV).**

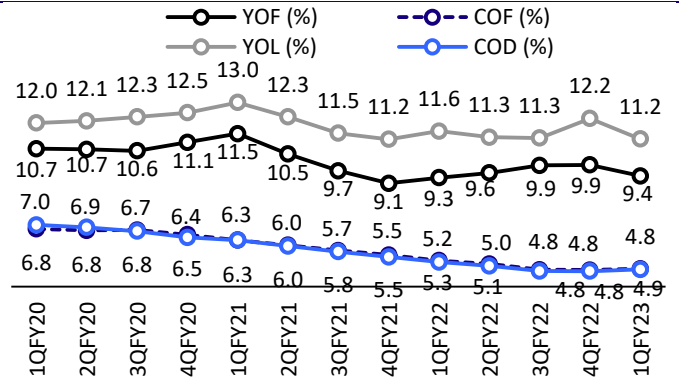
## Story in charts

**Exhibit 6: NIM contracts 68bp QoQ to 4.36%**



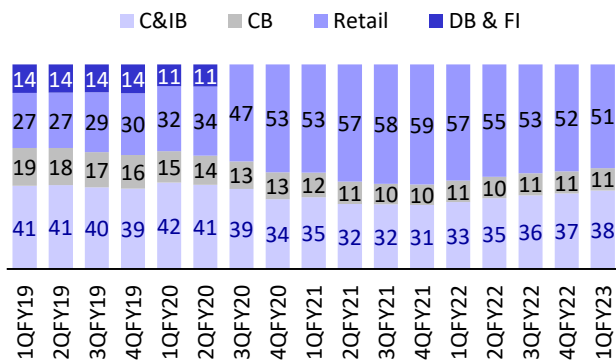
Source: MOFSL, Company

**Exhibit 7: Cost of deposits increases 9bp QoQ to ~4.8%**



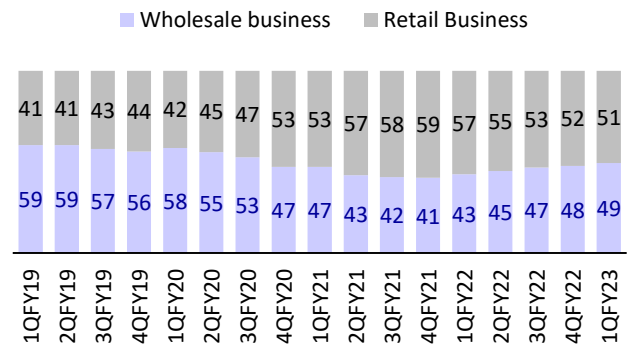
Source: MOFSL, Company

**Exhibit 8: Loan mix composition**



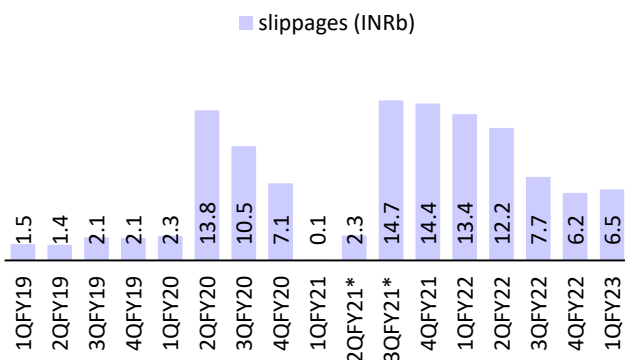
Source: MOFSL, Company

**Exhibit 9: Share of non-Wholesale business stands at 51%**



Source: MOFSL, Company

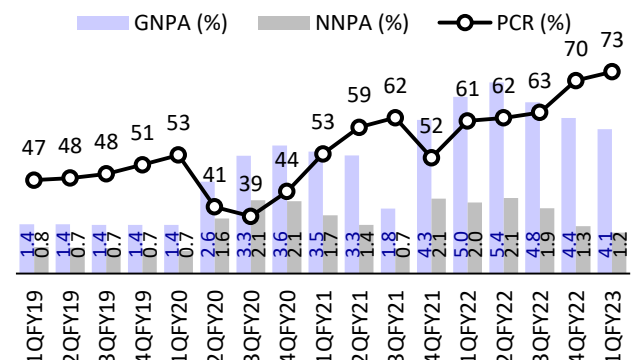
**Exhibit 10: Slippages at INR6.6b – broadly stable QoQ**



\*Pro-forma slippages

Source: MOFSL, Company

**Exhibit 11: GNPA/NNPA ratio improves 32bp/18bp QoQ to 4.1%/1.2%; PCR rises to 73%**



Source: MOFSL, Company

**Exhibit 12: DuPont analysis: Return ratios to improve in the near term**

<b>Y/E MARCH</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Interest Income	8.45	8.16	8.86	10.06	8.78	7.90	8.54	8.87
Interest Expense	5.67	4.96	5.29	5.77	4.79	4.01	4.67	4.83
<b>Net Interest Income</b>	<b>2.78</b>	<b>3.20</b>	<b>3.57</b>	<b>4.29</b>	<b>3.99</b>	<b>3.89</b>	<b>3.87</b>	<b>4.04</b>
Fee income	1.45	1.63	1.92	2.07	1.68	1.98	2.18	2.45
Trading and others	0.27	0.30	0.11	0.19	0.30	0.29	0.13	0.14
<b>Non-Interest income</b>	<b>1.72</b>	<b>1.93</b>	<b>2.03</b>	<b>2.26</b>	<b>1.99</b>	<b>2.26</b>	<b>2.31</b>	<b>2.60</b>
<b>Total Income</b>	<b>4.50</b>	<b>5.13</b>	<b>5.60</b>	<b>6.54</b>	<b>5.98</b>	<b>6.16</b>	<b>6.18</b>	<b>6.64</b>
<b>Operating Expenses</b>	<b>2.41</b>	<b>2.72</b>	<b>2.87</b>	<b>3.34</b>	<b>2.91</b>	<b>3.50</b>	<b>3.95</b>	<b>4.10</b>
Employee cost	1.02	1.00	0.89	0.91	0.89	0.97	1.05	1.09
Others	1.39	1.72	1.98	2.43	2.01	2.53	2.89	3.02
<b>Operating Profit</b>	<b>2.10</b>	<b>2.41</b>	<b>2.73</b>	<b>3.21</b>	<b>3.08</b>	<b>2.65</b>	<b>2.23</b>	<b>2.54</b>
<b>Core Operating Profit</b>	<b>1.82</b>	<b>2.11</b>	<b>2.62</b>	<b>3.02</b>	<b>2.77</b>	<b>2.37</b>	<b>2.10</b>	<b>2.39</b>
<b>Provisions</b>	<b>0.54</b>	<b>0.66</b>	<b>0.90</b>	<b>2.32</b>	<b>2.35</b>	<b>2.77</b>	<b>1.27</b>	<b>1.26</b>
NPA	0.35	0.47	0.66	2.20	2.48	2.77	1.24	1.22
Others	0.20	0.19	0.24	0.12	-0.13	0.00	0.03	0.04
<b>PBT</b>	<b>1.55</b>	<b>1.75</b>	<b>1.83</b>	<b>0.89</b>	<b>0.73</b>	<b>-0.11</b>	<b>0.96</b>	<b>1.28</b>
Tax	0.54	0.60	0.61	0.29	0.19	-0.04	0.24	0.32
<b>RoA</b>	<b>1.02</b>	<b>1.15</b>	<b>1.22</b>	<b>0.60</b>	<b>0.54</b>	<b>-0.07</b>	<b>0.72</b>	<b>0.96</b>
<i>Leverage (x)</i>	<i>12.1</i>	<i>10.1</i>	<i>10.0</i>	<i>9.3</i>	<i>8.2</i>	<i>8.2</i>	<i>8.6</i>	<i>9.0</i>
<b>RoE</b>	<b>12.3</b>	<b>11.6</b>	<b>12.2</b>	<b>5.6</b>	<b>4.4</b>	<b>-0.6</b>	<b>6.2</b>	<b>8.6</b>



## Financials and valuations

Income Statement							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	37,132	45,076	63,007	85,144	83,290	81,758	95,172	1,09,975
Interest Expense	24,918	27,413	37,612	48,847	45,415	41,491	52,081	59,876
<b>Net Interest Income</b>	<b>12,213</b>	<b>17,663</b>	<b>25,395</b>	<b>36,296</b>	<b>37,876</b>	<b>40,267</b>	<b>43,090</b>	<b>50,100</b>
Growth (%)	49.1	44.6	43.8	42.9	4.4	6.3	7.0	16.3
Non-Interest Income	7,555	10,682	14,424	19,102	18,840	23,405	25,746	32,182
<b>Total Income</b>	<b>19,768</b>	<b>28,345</b>	<b>39,818</b>	<b>55,399</b>	<b>56,716</b>	<b>63,673</b>	<b>68,836</b>	<b>82,282</b>
Growth (%)	50.9	43.4	40.5	39.1	2.4	12.3	8.1	19.5
Operating Expenses	10,564	15,034	20,420	28,256	27,546	36,220	43,949	50,864
<b>Pre Provision Profits</b>	<b>9,204</b>	<b>13,311</b>	<b>19,398</b>	<b>27,143</b>	<b>29,170</b>	<b>27,453</b>	<b>24,887</b>	<b>31,418</b>
Growth (%)	69.7	44.6	45.7	39.9	7.5	-5.9	-9.3	26.2
<b>Core PPP</b>	<b>7,965</b>	<b>11,645</b>	<b>18,615</b>	<b>25,548</b>	<b>26,297</b>	<b>24,494</b>	<b>23,408</b>	<b>29,643</b>
Growth (%)	65.3	46.2	59.8	37.2	2.9	-6.9	-4.4	26.6
Provisions (excl. tax)	2,389	3,645	6,407	19,615	22,279	28,604	14,144	15,587
<b>PBT</b>	<b>6,815</b>	<b>9,665</b>	<b>12,992</b>	<b>7,528</b>	<b>6,891</b>	<b>-1,151</b>	<b>10,743</b>	<b>15,831</b>
Tax	2,354	3,315	4,322	2,471	1,813	-404	2,704	3,985
Tax Rate (%)	34.5	34.3	33.3	32.8	26.3	35.1	25.2	25.2
<b>PAT</b>	<b>4,460</b>	<b>6,351</b>	<b>8,670</b>	<b>5,057</b>	<b>5,078</b>	<b>-747</b>	<b>8,039</b>	<b>11,846</b>
Growth (%)	52.5	42.4	36.5	-41.7	0.4	-114.7	-1,175.6	47.4

Balance Sheet								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	3,752	4,197	4,267	5,087	5,980	5,995	5,995	5,995
Reserves & Surplus	38,791	62,643	71,206	1,00,742	1,20,646	1,20,187	1,26,721	1,36,350
<b>Net Worth</b>	<b>42,543</b>	<b>66,840</b>	<b>75,473</b>	<b>1,05,829</b>	<b>1,26,626</b>	<b>1,26,182</b>	<b>1,32,716</b>	<b>1,42,345</b>
<b>Deposits</b>	<b>3,45,881</b>	<b>4,39,023</b>	<b>5,83,944</b>	<b>5,78,122</b>	<b>7,31,213</b>	<b>7,90,065</b>	<b>8,69,072</b>	<b>9,90,742</b>
Growth (%)	42.1	26.9	33.0	-1.0	26.5	8.0	10.0	14.0
<b>of which CASA Dep</b>	<b>76,027</b>	<b>1,06,783</b>	<b>1,45,875</b>	<b>1,71,156</b>	<b>2,32,642</b>	<b>2,78,893</b>	<b>3,14,604</b>	<b>3,61,621</b>
Growth (%)	67.5	40.5	36.6	17.3	35.9	19.9	12.8	14.9
Borrowings	79,798	92,614	1,18,321	1,70,067	1,12,259	1,10,930	1,25,813	1,37,394
Other Liabilities & Prov.	18,526	20,031	25,850	35,759	36,409	34,908	38,398	42,238
<b>Total Liabilities</b>	<b>4,86,748</b>	<b>6,18,508</b>	<b>8,03,588</b>	<b>8,89,778</b>	<b>10,06,506</b>	<b>10,62,086</b>	<b>11,66,000</b>	<b>13,12,719</b>
Cash & Balances with RBI	29,479	25,893	48,395	64,151	67,047	1,31,111	1,24,361	1,24,095
Balances with Banks & money at Call & Short Notice	12,457	16,951	17,626	24,421	67,195	44,366	42,780	43,997
<b>Investments</b>	<b>1,34,817</b>	<b>1,54,475</b>	<b>1,68,404</b>	<b>1,81,497</b>	<b>2,32,304</b>	<b>2,22,744</b>	<b>2,47,245</b>	<b>2,79,387</b>
Growth (%)	-6.6	14.6	9.0	7.8	28.0	-4.1	11.0	13.0
<b>Loans</b>	<b>2,94,490</b>	<b>4,02,678</b>	<b>5,43,082</b>	<b>5,80,190</b>	<b>5,86,225</b>	<b>6,00,218</b>	<b>6,84,249</b>	<b>7,93,728</b>
Growth (%)	38.7	36.7	34.9	6.8	1.0	2.4	14.0	16.0
Fixed Assets	2,587	3,340	4,025	4,698	4,665	5,481	6,617	8,275
Other Assets	12,917	15,170	22,056	34,820	49,070	58,166	60,749	63,237
<b>Total Assets</b>	<b>4,86,748</b>	<b>6,18,508</b>	<b>8,03,588</b>	<b>8,89,778</b>	<b>10,06,506</b>	<b>10,62,086</b>	<b>11,66,000</b>	<b>13,12,719</b>

Asset Quality								
GNPA (INR m)	3,569	5,667	7,546	21,365	26,015	27,305	20,949	20,974
NNPA (INR m)	1,900	3,126	3,728	11,894	12,414	8,070	5,911	5,893
GNPA Ratio	1.20	1.40	1.38	3.62	4.34	4.41	3.00	2.59
NNPA Ratio	0.65	0.78	0.69	2.05	2.12	1.34	0.86	0.74
Slippage Ratio	2.51	1.93	1.76	6.19	5.43	6.73	4.40	3.80
Credit Cost	0.94	1.05	1.35	3.49	3.82	4.82	2.15	2.05
PCR (Excl. Tech. write-off)	46.8	44.8	50.6	44.3	52.3	70.4	71.8	71.9

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield-Earning Assets</b>	<b>8.7</b>	<b>8.4</b>	<b>9.2</b>	<b>10.5</b>	<b>9.3</b>	<b>8.4</b>	<b>9.1</b>	<b>9.4</b>
Avg. Yield on loans	10.4	9.8	10.7	12.3	11.2	10.6	11.5	11.7
Avg. Yield on Investments	7.1	7.0	6.9	7.9	6.7	6.0	6.8	7.0
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>6.4</b>	<b>5.7</b>	<b>6.1</b>	<b>6.7</b>	<b>5.7</b>	<b>4.8</b>	<b>5.5</b>	<b>5.6</b>
Avg. Cost of Deposits	6.7	6.0	6.3	6.9	5.5	5.3	5.4	5.6
<b>Interest Spread</b>	<b>2.3</b>	<b>2.7</b>	<b>3.1</b>	<b>3.8</b>	<b>3.6</b>	<b>3.6</b>	<b>3.6</b>	<b>3.8</b>
<b>Net Interest Margin</b>	<b>3.0</b>	<b>3.3</b>	<b>3.7</b>	<b>4.5</b>	<b>4.2</b>	<b>4.1</b>	<b>4.1</b>	<b>4.3</b>

### Capitalization Ratios (%)

CAR	13.7	15.3	13.5	16.5	17.5	16.8	16.3	15.6
Tier I	11.4	13.6	12.1	15.3	16.6	16.2	15.6	14.9
Tier II	2.3	1.7	1.4	1.1	0.9	0.6	0.7	0.7

### Business & Efficiency Ratios (%)

Loans/Deposit Ratio	85.1	91.7	93.0	100.4	80.2	76.0	78.7	80.1
CASA Ratio	22.0	24.3	25.0	29.6	31.8	35.3	36.2	36.5
Cost/Assets	2.2	2.4	2.5	3.2	2.7	3.4	3.8	3.9
Cost/Total Income	53.4	53.0	51.3	51.0	48.6	56.9	63.8	61.8
Cost/Core Income	56.9	56.4	52.3	52.5	51.2	59.7	65.2	63.2
Int. Expense/Int. Income	67.1	60.8	59.7	57.4	54.5	50.7	54.7	54.4
Fee Income/Net Income	26.2	26.5	30.2	28.7	25.3	27.9	31.0	32.9
Non Int. Inc./Net Income	38.2	37.7	36.2	34.5	33.2	36.8	37.4	39.1
Empl. Cost/Total Expense	42.2	36.6	31.2	27.2	30.7	27.7	26.7	26.5
Investment/Deposit Ratio	39.0	35.2	28.8	31.4	31.8	28.2	28.4	28.2

### Profitability & Valuation Ratios

RoE	12.3	11.6	12.2	5.6	4.4	-0.6	6.2	8.6
RoA	1.0	1.1	1.2	0.6	0.5	-0.1	0.7	1.0
RoRWA	1.4	1.5	1.6	0.8	0.7	-0.1	1.0	1.3
Book Value (INR)	113.4	159.3	176.9	208.0	211.7	210.5	221.4	237.4
Growth (%)	23.2	40.5	11.1	17.6	1.8	-0.6	5.2	7.3
<b>Price-BV (x)</b>	<b>0.8</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>
Adjusted BV (INR)	109.8	152.8	168.5	189.8	194.8	201.0	214.5	230.5
<b>Price-ABV (x)</b>	<b>0.9</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>
EPS (INR)	11.9	15.1	20.3	9.9	8.5	-1.2	13.4	19.8
Growth (%)	32.0	27.3	34.3	-51.1	-14.6	-114.7	-1,175.6	47.4
<b>Price-Earnings (x)</b>	<b>8.0</b>	<b>6.3</b>	<b>4.7</b>	<b>9.6</b>	<b>11.2</b>	<b>-76.2</b>	<b>7.1</b>	<b>4.8</b>
Dividend Per Share (INR)	1.8	2.3	2.1	3.8	0.0	0.0	2.1	3.2
<b>Dividend Yield (%)</b>	<b>1.9</b>	<b>2.4</b>	<b>2.2</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.3</b>	<b>3.3</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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