

## Growth outlook steady; profitability set to improve

### Margin outlook buoyant on rising mix of new businesses

We met with the top management team of RBL Bank (RBK IN) represented by Mr. R Subramaniakumar, MD & CEO, and Mr. Jaideep Iyer, Head-Strategy, to discuss the bank's growth outlook, performance of new businesses, profitability goals and other key focus areas. Here are the key takeaways from the discussion:

### Improving asset mix to enable steady NII growth; NIMs to stay buoyant

RBK reported steady margins in FY23, though a sharp rise in funding costs resulted in a 17bp drop in NIM in 1QFY24. The management anticipates a quick turn in the margin trajectory and expects NIM to improve steadily over FY24-26. The margin expansion will be primarily driven by continued traction in new businesses and steady growth in the credit card and MFI segments while the mix of wholesale loan declines to 30% by FY26 from 44% currently. On the funding cost side, the bank expects the majority of its deposits to be re-priced by 2QFY24; hence, the cost of deposits will stabilize by 2Q-3QFY24 and thereafter decline gradually as RBK does not anticipate any further rate hikes by the RBI. We estimate NII to grow at a higher pace than loans at a 23% CAGR over FY23-FY25.

### RBL Bank



**Mr. R Subramaniakumar,**  
RBL Bank Ltd

R Subramaniakumar is a veteran in the banking industry with 40 years of experience. Prior to joining RBL Bank, he was the MD & CEO of Indian Overseas Bank. He has acquired CISA and CISM certifications from ISACA and a banker certificate from CAIIB. He also holds an advanced banking certificate from University of Maryland, USA.

### Scale-up of new businesses and continued traction in MFI/Cards to drive healthy loan growth

RBK has significantly improved its underwriting, collections and data analysis and has sharpened its focus on cross-selling of products. The bank expects to grow its advances by ~20% over FY24, led by continued scale-up of new businesses and steady traction in the credit card and MFI businesses (up 23%-25% YoY). However, the bank aims to maintain the mix of unsecured book at less than 40%. On the wholesale side, the bank is focusing more on SME/Mid-corporates as those segments are witnessing strong activity and offer better risk-adjusted returns. Thus, the ongoing pace of capacity building, rapid investments in new businesses and higher cross-selling will enable the bank to sustain a healthy growth rate over the coming years. We thus estimate a 19% CAGR in advances over FY23-FY25.

### Liability growth to improve gradually; aiming for retail deposit mix of ~50%

In 1QFY24, RBK reported 21% YoY growth in advances, while its deposits base grew at a modest 8% YoY as RBK focused on deploying excess liquidity on the balance sheet. It is also making use of refinancing wherever the bank is earning good returns. The CD ratio has increased from 76% in FY22 to ~85% currently and the bank expects it to increase further in FY24 as the LCR ratio also stands at a comfortable level of 129% as on 1QFY24. Out of total 1,635 touch points as of 1QFY24, 800 are generating liability for the bank. With 1.8m liability customers, 4.5m card customers and 3.5m MFI customers, the management believes that there is immense potential for the bank to cross-sell its products. The bank follows a systematic customer on-boarding plan with a 'liability led by an asset' approach and has witnessed 2x increase in account opening vs. the earlier run-rate. Alongside, the bank is focusing more on granular deposits as it expects the retail deposit mix to increase to 50% of total deposits by FY25 vs. 44% currently. The CASA ratio is healthy at ~37% but is expected to moderate slightly as high rates drive faster growth in term deposits.

### C/I ratio to improve as new businesses breakeven; estimate PPOP to grow at 30% CAGR vs. decline in prior years

RBK has made significant business investments to expand its retail product offering and tighten its underwriting, risk-monitoring and digital capabilities. As a result, its C/I ratio jumped from 49% in FY21 to 68% in FY23. However, with new businesses achieving critical mass and moving closer to breakeven (tractor business and gold loan business will be profitable by FY25 end), we estimate the C/I ratio to moderate in the coming years. In 1QFY24, the bank reported a ~300bp YoY decline in its core cost-income ratio and we estimate the overall C/I ratio to moderate to ~64% by FY25 (~68% in FY23E), thereby enabling a 30% CAGR in PPOP over FY23-25E vs. a decline in prior years.

### Asset quality remains steady; GNPA/NNPA ratios to improve further

RBK has reported steady improvements in asset quality over the past one year and the bank has reduced its net NPAs to 1% with PCR of ~70%. The bank has guided for a credit cost of 1.5%-2% over the medium term and it is expected to remain at the lower end of this range in FY24. RBK is following an aggressive provisioning policy under which the bank is making 100% provisions during 6 to 9 months even on new secured retail products. The management has suggested that the bank will build a contingent provision buffer over the next 12 to 18 months to further strengthen its balance sheet.

### Other highlights -

- **Credit card business and Bajaj Finserv partnership:** The credit card business is seeing robust growth (sourcing ~200k cards per month) and the bank expects to sustain this momentum over the medium term with a focus on diversifying the distribution base and doing more in-house origination. The profitability of the business has recovered well after experiencing high delinquencies after Covid, and the segment now accounts for 24% of gross advances as of 1QFY24. The revolve rate has likely bottomed out at ~23-24%, though the management is not looking at a meaningful recovery over the near term. RBK renewed the five-year partnership with Bajaj Finserv in Dec'21 (Bajaj accounts for 60-65% of new cards) and the bank has tied up with various fintech firms to increase its distribution network.
- **Branch expansion to gather pace:** After a year of consolidation (opened only 15 branches in FY23), the management is focusing on increasing its branch network and plans to open ~70-80 branches in FY24, increasing the total branch count to ~600 branches.

### Valuations and view: Estimate 38% CAGR in earnings over FY24-25; maintain NEUTRAL with revised TP of INR240






RBK has reported a healthy recovery in loan growth and the management expects to sustain this momentum, led by steady growth in retail segments. The continued business investments and healthy cross-selling will further help to diversify the loan book and enable faster growth in retail liabilities. While the bank's RoE remains low, it is well capitalized to support growth momentum (current Tier-1 at >15%) and the management expects to raise capital only toward FY25 end. The management has guided for improved profitability ratios as new businesses achieve breakeven and an improving asset mix drives steady NIM improvement. As a result, RoA is expected to improve to 1.4-1.5% by FY26E. We raise our FY25E earnings by 8% and estimate RBK to deliver a 38% earnings CAGR over FY23-25 with RoA/RoE improving to 1.2%/11%. **Maintain NEUTRAL with a TP of INR240 based on 0.9x FY25E ABV.**

**Exhibit 1: Shift from wholesale-led book to more granular business with strong focus on cross-sell and customer centricity**

| A Reflection of the Journey so Far.. |   |   |  |  |
|--------------------------------------|---|---|--|--|
|                                      | FY 11 to 19   | FY 19-22  | FY 23  | FY 24-26   |
| <b>Key events</b>                    | <ul style="list-style-type: none"> <li>Initially Wholesale led, which funded expansion into new businesses through portfolio acquisitions and organic growth</li> <li>Phase of investment in bringing Bank into a modern avatar</li> <li>Technology upgradation, digital eco-system partnerships</li> <li>Network expansion across India</li> </ul> | <ul style="list-style-type: none"> <li>Stress in select wholesale and thereafter COVID induced stress in retail</li> <li>Risk off leading to stagnant growth</li> <li>Retailisation of assets and liabilities to avoid stress events</li> <li>Seeds of new product verticals</li> </ul> | <ul style="list-style-type: none"> <li>Year of consolidation focused on setting the platform right</li> <li>Granularizing deposits and building strong retail led asset side</li> <li>Continued Investments in people, process, technology and strengthening risk management and governance</li> </ul> | <ul style="list-style-type: none"> <li>Shift from Product Focus approach to Customer Focus</li> <li>Increasing share of granular deposits and Retail and Small Business deposits</li> <li>Scale up on retail products launched in FY 23</li> </ul> |
| <b>Core outcomes</b>                 | <ul style="list-style-type: none"> <li>Smallest commercial bank in 2010, grew to become a mid-size player</li> <li>Achieved scale in Microfinance and Credit Cards</li> <li>Growth momentum driven by scale of advances</li> <li>Improving Profitability</li> </ul>   | <ul style="list-style-type: none"> <li>Measures for tightening risk management and credit discipline framework</li> <li>Absorbed asset quality stress</li> <li>Management level changes to bring stability in bank's functioning</li> </ul>   | <ul style="list-style-type: none"> <li>Consolidation across business verticals; greater focus on retailisation of franchise</li> <li>Stable management and motivated workforce</li> <li>Revamped credit underwriting, monitoring and risk management principles</li> </ul>                             | <ul style="list-style-type: none"> <li>Predictability in return ratios; delivering consistently on commitments</li> <li>Cross-sell engine to complement efforts to expand customer base</li> <li>Customer centricity at fore</li> </ul>            |
| <b>Measurables</b>                   | <p>Amongst top 10 Credit Card issuers</p> <p>70% CAGR growth in PAT (2011-19)</p>   | <p>Amongst Top 5 credit card issuers</p> <p>Branch expansion and granular deposit focus</p>   | <p>Launched ~10 new retail products</p> <p>Advances growth ~16%, back to growth momentum</p>   | <p>Maintain market positioning in credit cards</p> <p>Establish semi-urban/rural presence across multiple products</p>   |

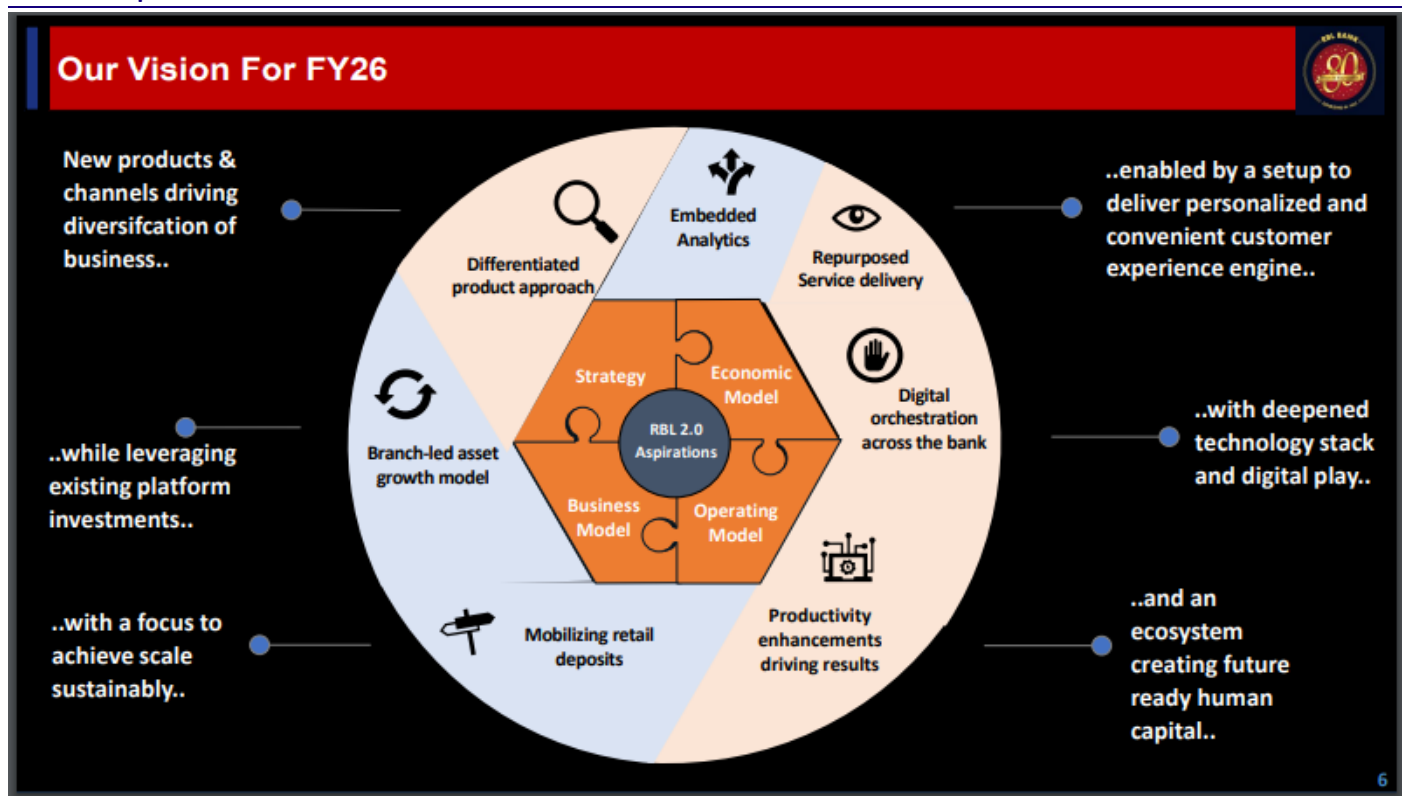
Source: Company

**Exhibit 2: RBL aims to deliver 20%+ CAGR in loans with mix of retail improving to 60-65%**

| ..And Our Aspirational Leap..     |  |  |  |  |
|-----------------------------------|--|--|--|--|
| FY 23                             |  | FY 26  |  |  |
| NNPA 1.10%<br>PCR 69%             | Asset quality stress fully absorbed                      |  20%+ CAGR in advances  | Building on existing "Core" Businesses and building scale in nascent verticals |  |
| CRAR 16.9<br>LCR : 126 %          | Well capitalized to fund growth                          |  60-65% Retail mix      | Focus on branch driven asset growth-Focal point of cross sell                  |  |
| 5+ senior hires<br><30% attrition | Attracting senior management talent; low attrition rates |  Customer count - 26 mn | Building a data led omnichannel customer first approach                        |  |
| 1600+ touchpoints;                | Leveraging points to drive granular liabilities          |  Responsible Banking    | Strong regulatory and compliance culture                                       |  |
| 20% share in incremental biz      | New business showing green-shoots                        |  HR Transformation      | Being a relevant Employer for tomorrow's workforce                             |  |
| Cost to Income at 68%             | Operating investments largely made                       |  Improved tech stack    | Digital first solutioning  |  |
| ROA 0.8%                          | Improving Profitability QoQ                              |  Return Ratios          | 1.4-1.5% RoA/13-15% RoE  |  |

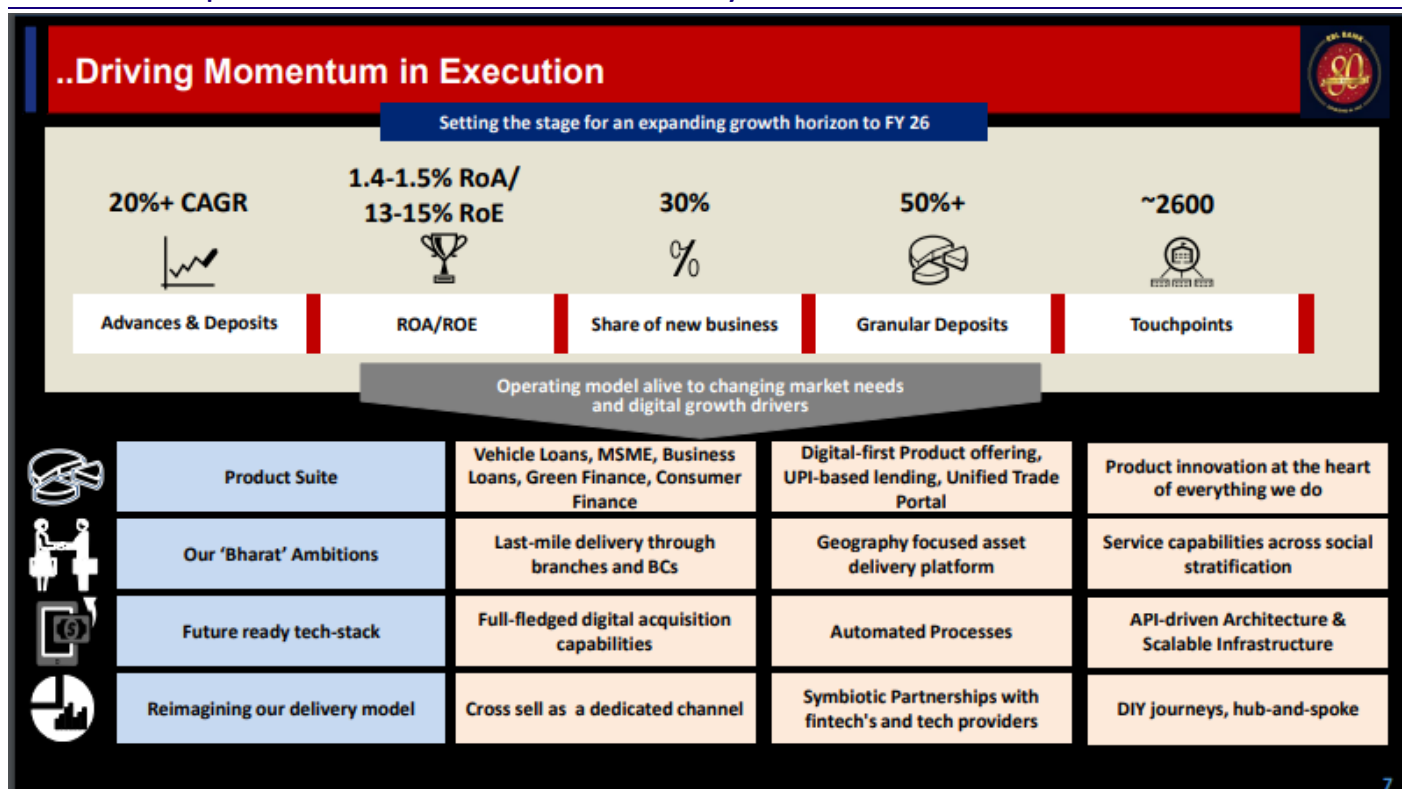
Source: Company

**Exhibit 3: Operational vision for the bank for FY26**



Source: Company

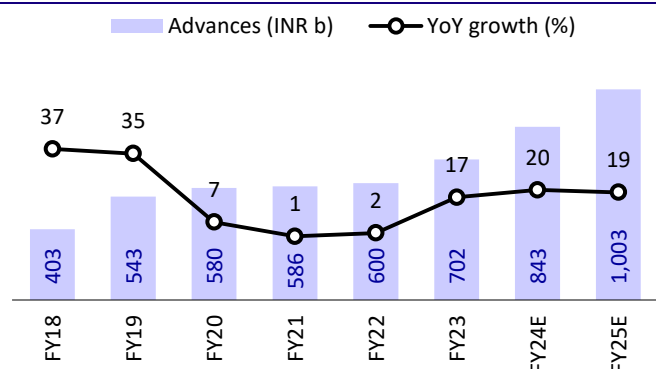
**Exhibit 4: Bank expects RoA of 1.4%-1.5% and ROE of 13%-15% by FY26E**



Source: Company

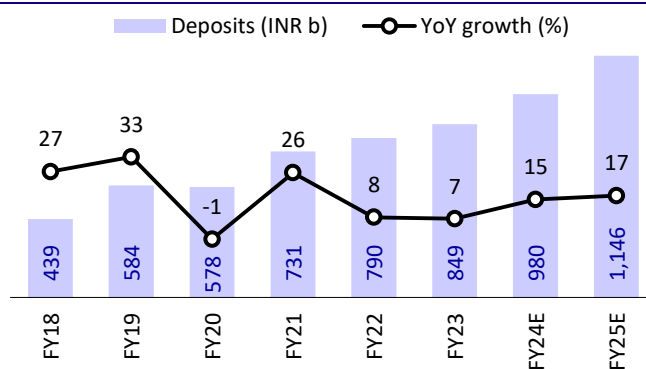
## STORY IN CHARTS

**Exhibit 5: Advances to see ~19% CAGR over FY23-FY25**



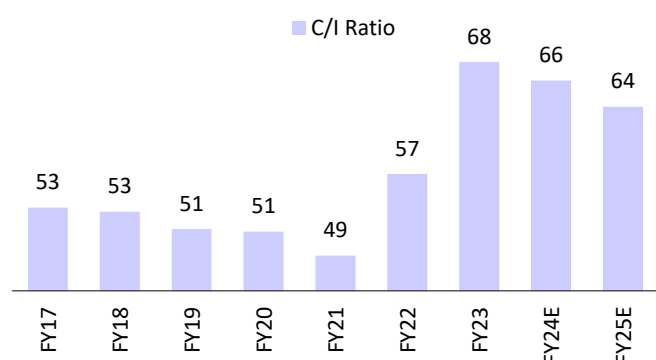
Source: MOFSL, Company

**Exhibit 6: Estimate 16% CAGR in deposits over FY23-FY25**



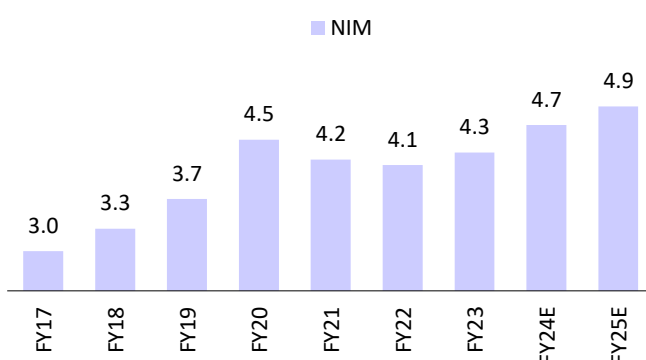
Source: MOFSL, Company

**Exhibit 7: Cost-income ratio to moderate to 64% by FY25E**



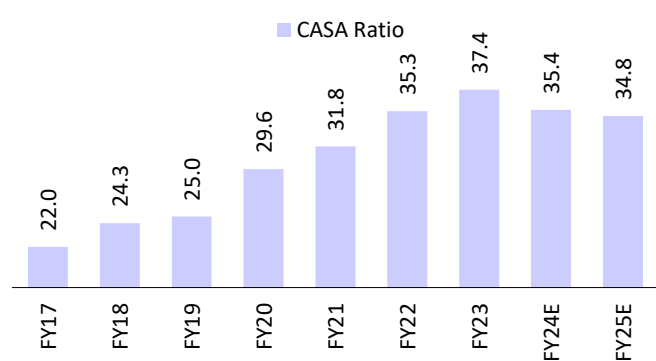
Source: MOFSL, Company

**Exhibit 8: Estimate NIMs (calc.) to improve gradually over FY23-25**



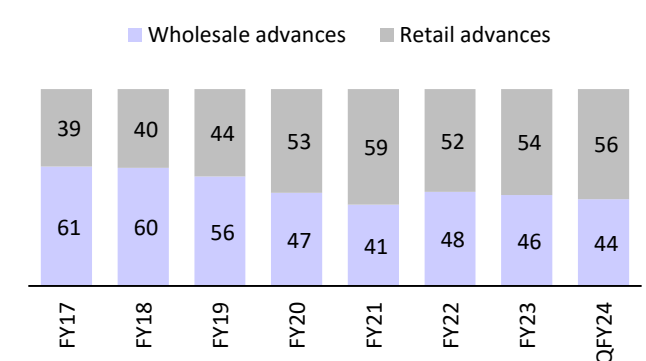
Source: MOFSL, Company

**Exhibit 9: CASA ratio to moderate to ~35% over FY24/FY25E**



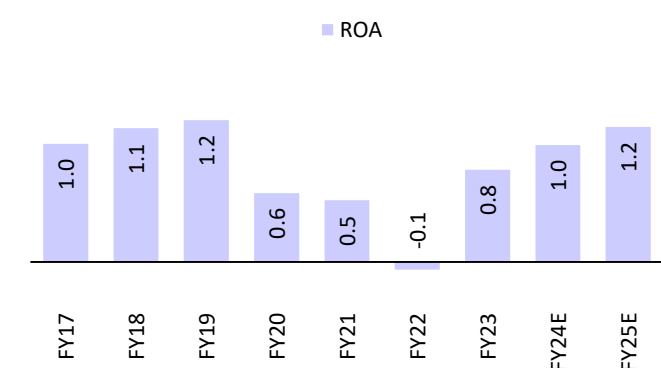
Source: MOFSL, Company

**Exhibit 10: Retail loan mix to increase steadily over coming years**



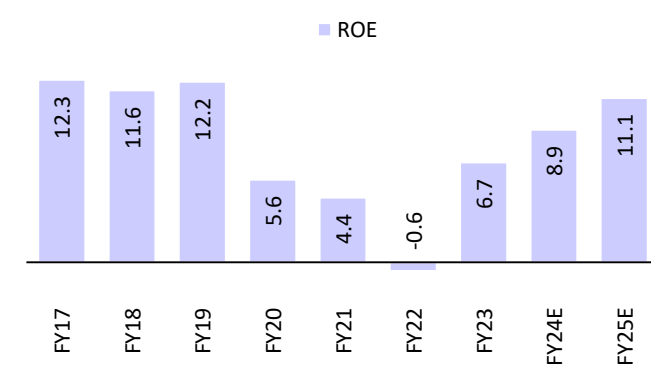
Source: MOFSL, Company

Exhibit 11: Estimate RoA to increase to 1.2% by FY25E



Source: MOFSL, Company

Exhibit 12: ROE to thus expand from 6.7% in FY23 to 11.1% by FY25E



Source: MOFSL, Company

Exhibit 13: DuPont Analysis: Estimate return ratios to improve steadily over FY23-25E

| Y/E March                    | FY18        | FY19        | FY20        | FY21        | FY22         | FY23        | FY24E       | FY25E       |
|------------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| Interest Income              | 8.16        | 8.86        | 10.06       | 8.78        | 7.90         | 8.22        | 9.20        | 9.49        |
| Interest Expense             | 4.96        | 5.29        | 5.77        | 4.79        | 4.01         | 4.21        | 4.85        | 4.85        |
| <b>Net Interest Income</b>   | <b>3.20</b> | <b>3.57</b> | <b>4.29</b> | <b>3.99</b> | <b>3.89</b>  | <b>4.01</b> | <b>4.35</b> | <b>4.64</b> |
| Fee income                   | 1.63        | 1.92        | 2.07        | 1.70        | 2.02         | 2.13        | 2.23        | 2.31        |
| Trading and others           | 0.30        | 0.11        | 0.19        | 0.29        | 0.24         | 0.11        | 0.12        | 0.12        |
| <b>Non-Interest income</b>   | <b>1.93</b> | <b>2.03</b> | <b>2.26</b> | <b>1.99</b> | <b>2.26</b>  | <b>2.24</b> | <b>2.35</b> | <b>2.43</b> |
| <b>Total Income</b>          | <b>5.13</b> | <b>5.60</b> | <b>6.54</b> | <b>5.98</b> | <b>6.16</b>  | <b>6.25</b> | <b>6.70</b> | <b>7.07</b> |
| <b>Operating Expenses</b>    | <b>2.72</b> | <b>2.87</b> | <b>3.34</b> | <b>2.91</b> | <b>3.50</b>  | <b>4.27</b> | <b>4.45</b> | <b>4.50</b> |
| Employee cost                | 1.00        | 0.89        | 0.91        | 0.89        | 0.97         | 1.21        | 1.27        | 1.27        |
| Others                       | 1.72        | 1.98        | 2.43        | 2.01        | 2.53         | 3.06        | 3.18        | 3.24        |
| <b>Operating Profit</b>      | <b>2.41</b> | <b>2.73</b> | <b>3.21</b> | <b>3.08</b> | <b>2.65</b>  | <b>1.98</b> | <b>2.26</b> | <b>2.57</b> |
| <b>Core Operating Profit</b> | <b>2.11</b> | <b>2.62</b> | <b>3.02</b> | <b>2.79</b> | <b>2.41</b>  | <b>1.87</b> | <b>2.14</b> | <b>2.44</b> |
| <b>Provisions</b>            | <b>0.66</b> | <b>0.90</b> | <b>2.32</b> | <b>2.35</b> | <b>2.77</b>  | <b>0.92</b> | <b>0.91</b> | <b>1.01</b> |
| <b>PBT</b>                   | <b>1.75</b> | <b>1.83</b> | <b>0.89</b> | <b>0.73</b> | <b>-0.11</b> | <b>1.06</b> | <b>1.35</b> | <b>1.55</b> |
| Tax                          | 0.60        | 0.61        | 0.29        | 0.19        | -0.04        | 0.27        | 0.34        | 0.39        |
| <b>RoA</b>                   | <b>1.15</b> | <b>1.22</b> | <b>0.60</b> | <b>0.54</b> | <b>-0.07</b> | <b>0.79</b> | <b>1.01</b> | <b>1.16</b> |
| <i>Leverage (x)</i>          | <i>10.1</i> | <i>10.0</i> | <i>9.3</i>  | <i>8.2</i>  | <i>8.2</i>   | <i>8.5</i>  | <i>8.9</i>  | <i>9.5</i>  |
| <b>RoE</b>                   | <b>11.6</b> | <b>12.2</b> | <b>5.6</b>  | <b>4.4</b>  | <b>-0.6</b>  | <b>6.7</b>  | <b>8.9</b>  | <b>11.1</b> |

# Financials and valuations

## Income Statement

|                              | (INR m)       |               |               |               |               |               |               |                 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Y/E March                    | FY18          | FY19          | FY20          | FY21          | FY22          | FY23          | FY24E         | FY25E           |
| Interest Income              | 45,076        | 63,007        | 85,144        | 83,290        | 81,758        | 91,299        | 1,14,963      | 1,37,514        |
| Interest Expense             | 27,413        | 37,612        | 48,847        | 45,415        | 41,491        | 46,784        | 60,584        | 70,320          |
| <b>Net Interest Income</b>   | <b>17,663</b> | <b>25,395</b> | <b>36,296</b> | <b>37,876</b> | <b>40,267</b> | <b>44,515</b> | <b>54,379</b> | <b>67,194</b>   |
| Growth (%)                   | 44.6          | 43.8          | 42.9          | 4.4           | 6.3           | 10.5          | 22.2          | 23.6            |
| Non-Interest Income          | 10,682        | 14,424        | 19,102        | 18,840        | 23,405        | 24,894        | 29,375        | 35,250          |
| <b>Total Income</b>          | <b>28,345</b> | <b>39,818</b> | <b>55,399</b> | <b>56,716</b> | <b>63,673</b> | <b>69,409</b> | <b>83,755</b> | <b>1,02,445</b> |
| Growth (%)                   | 43.4          | 40.5          | 39.1          | 2.4           | 12.3          | 9.0           | 20.7          | 22.3            |
| Operating Expenses           | 15,034        | 20,420        | 28,256        | 27,546        | 36,220        | 47,384        | 55,574        | 65,261          |
| <b>Pre Provision Profits</b> | <b>13,311</b> | <b>19,398</b> | <b>27,143</b> | <b>29,170</b> | <b>27,453</b> | <b>22,025</b> | <b>28,181</b> | <b>37,184</b>   |
| Growth (%)                   | 44.6          | 45.7          | 39.9          | 7.5           | -5.9          | -19.8         | 28.0          | 31.9            |
| <b>Core PPP</b>              | <b>11,645</b> | <b>18,615</b> | <b>25,548</b> | <b>26,449</b> | <b>24,961</b> | <b>20,803</b> | <b>26,714</b> | <b>35,424</b>   |
| Growth (%)                   | 46.2          | 59.8          | 37.2          | 3.5           | -5.6          | -16.7         | 28.4          | 32.6            |
| Provisions (excl tax)        | 3,645         | 6,407         | 19,615        | 22,279        | 28,604        | 10,219        | 11,374        | 14,688          |
| <b>PBT</b>                   | <b>9,665</b>  | <b>12,992</b> | <b>7,528</b>  | <b>6,891</b>  | <b>-1,151</b> | <b>11,805</b> | <b>16,807</b> | <b>22,496</b>   |
| Tax                          | 3,315         | 4,322         | 2,471         | 1,813         | -404          | 2,978         | 4,230         | 5,662           |
| Tax Rate (%)                 | 34.3          | 33.3          | 32.8          | 26.3          | 35.1          | 25.2          | 25.2          | 25.2            |
| <b>PAT</b>                   | <b>6,351</b>  | <b>8,670</b>  | <b>5,057</b>  | <b>5,078</b>  | <b>-747</b>   | <b>8,827</b>  | <b>12,577</b> | <b>16,834</b>   |
| Growth (%)                   | 42.4          | 36.5          | -41.7         | 0.4           | -114.7        | -1,281.2      | 42.5          | 33.9            |

## Balance Sheet

| Y/E March                 | FY18            | FY19            | FY20            | FY21             | FY22             | FY23             | FY24E            | FY25E            |
|---------------------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Equity Share Capital      | 4,197           | 4,267           | 5,087           | 5,980            | 5,995            | 5,996            | 5,996            | 5,996            |
| Reserves & Surplus        | 62,643          | 71,206          | 1,00,742        | 1,20,646         | 1,20,187         | 1,29,770         | 1,39,404         | 1,52,299         |
| <b>Net Worth</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>1,35,766</b>  | <b>1,45,400</b>  | <b>1,58,294</b>  |
| <b>Deposits</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>8,48,865</b>  | <b>9,79,590</b>  | <b>11,46,121</b> |
| Growth (%)                | 26.9            | 33.0            | -1.0            | 26.5             | 8.0              | 7.4              | 15.4             | 17.0             |
| <b>of which CASA Dep</b>  | <b>1,06,783</b> | <b>1,45,875</b> | <b>1,71,156</b> | <b>2,32,642</b>  | <b>2,78,790</b>  | <b>3,17,165</b>  | <b>3,46,775</b>  | <b>3,98,850</b>  |
| Growth (%)                | 40.5            | 36.6            | 17.3            | 35.9             | 19.8             | 13.8             | 9.3              | 15.0             |
| Borrowings                | 92,614          | 1,18,321        | 1,70,067        | 1,12,259         | 1,10,930         | 1,33,313         | 1,68,316         | 2,00,069         |
| Other Liabilities & Prov. | 20,031          | 25,850          | 35,759          | 36,409           | 34,908           | 40,818           | 46,941           | 53,982           |
| <b>Total Liabilities</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>11,58,762</b> | <b>13,40,247</b> | <b>15,58,466</b> |
| Cash & Balances with RBI  | 25,893          | 48,395          | 64,151          | 67,047           | 1,31,111         | 62,381           | 68,874           | 71,348           |
| Balances with Banks       | 16,951          | 17,626          | 24,421          | 67,195           | 44,366           | 22,820           | 32,141           | 37,693           |
| <b>Investments</b>        | <b>1,54,475</b> | <b>1,68,404</b> | <b>1,81,497</b> | <b>2,32,300</b>  | <b>2,22,739</b>  | <b>2,88,754</b>  | <b>3,20,517</b>  | <b>3,71,800</b>  |
| Growth (%)                | 14.6            | 9.0             | 7.8             | 28.0             | -4.1             | 29.6             | 11.0             | 16.0             |
| <b>Loans</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>7,02,094</b>  | <b>8,42,512</b>  | <b>10,02,590</b> |
| Growth (%)                | 36.7            | 34.9            | 6.8             | 1.0              | 2.4              | 17.0             | 20.0             | 19.0             |
| Fixed Assets              | 3,340           | 4,025           | 4,698           | 4,665            | 5,481            | 5,740            | 6,511            | 7,868            |
| Other Assets              | 15,170          | 22,056          | 34,820          | 49,070           | 58,166           | 76,974           | 69,690           | 67,167           |
| <b>Total Assets</b>       | <b>6,18,508</b> | <b>8,03,588</b> | <b>8,89,778</b> | <b>10,06,502</b> | <b>10,62,082</b> | <b>11,58,762</b> | <b>13,40,247</b> | <b>15,58,466</b> |

## Asset Quality

|                            |       |       |        |        |        |        |        |        |
|----------------------------|-------|-------|--------|--------|--------|--------|--------|--------|
| GNPA (INR m)               | 5,667 | 7,546 | 21,365 | 26,015 | 27,284 | 24,196 | 22,661 | 24,694 |
| NNPA (INR m)               | 3,126 | 3,728 | 11,894 | 12,414 | 8,066  | 7,723  | 7,153  | 7,133  |
| GNPA Ratio                 | 1.40  | 1.38  | 3.62   | 4.34   | 4.40   | 3.37   | 2.64   | 2.42   |
| NNPA Ratio                 | 0.78  | 0.69  | 2.05   | 2.12   | 1.34   | 1.10   | 0.85   | 0.71   |
| Slippage Ratio             | 1.93  | 1.76  | 6.19   | 5.43   | 6.73   | 4.59   | 3.40   | 3.20   |
| Credit Cost                | 1.05  | 1.35  | 3.49   | 3.82   | 4.82   | 1.57   | 1.40   | 1.54   |
| PCR (Excl Tech. write off) | 44.8  | 50.6  | 44.3   | 52.3   | 70.4   | 68.1   | 68.4   | 71.1   |

E: MOFSL Estimates

## Financials and valuations

### Ratios

| Y/E March                         | FY18       | FY19       | FY20        | FY21       | FY22       | FY23       | FY24E      | FY25E       |
|-----------------------------------|------------|------------|-------------|------------|------------|------------|------------|-------------|
| <b>Yield and Cost Ratios (%)</b>  |            |            |             |            |            |            |            |             |
| <b>Avg. Yield-Earning Assets</b>  | <b>8.4</b> | <b>9.2</b> | <b>10.5</b> | <b>9.3</b> | <b>8.4</b> | <b>8.8</b> | <b>9.9</b> | <b>10.0</b> |
| Avg. Yield on loans               | 9.8        | 10.7       | 12.3        | 11.2       | 10.6       | 11.0       | 11.7       | 11.8        |
| Avg. Yield on Investments         | 7.0        | 6.9        | 7.9         | 6.7        | 6.0        | 6.4        | 6.8        | 6.9         |
| <b>Avg. Cost-Int. Bear. Liab.</b> | <b>5.7</b> | <b>6.1</b> | <b>6.7</b>  | <b>5.7</b> | <b>4.8</b> | <b>5.0</b> | <b>5.7</b> | <b>5.6</b>  |
| Avg. Cost of Deposits             | 6.0        | 6.3        | 6.9         | 5.5        | 4.7        | 4.9        | 5.6        | 5.6         |
| <b>Interest Spread</b>            | <b>2.7</b> | <b>3.1</b> | <b>3.8</b>  | <b>3.6</b> | <b>3.6</b> | <b>3.9</b> | <b>4.2</b> | <b>4.4</b>  |
| <b>Net Interest Margin</b>        | <b>3.3</b> | <b>3.7</b> | <b>4.5</b>  | <b>4.2</b> | <b>4.1</b> | <b>4.3</b> | <b>4.7</b> | <b>4.91</b> |

### Capitalization Ratios (%)

|         |      |      |      |      |      |      |      |      |
|---------|------|------|------|------|------|------|------|------|
| CAR     | 15.3 | 13.5 | 16.5 | 17.5 | 16.8 | 16.9 | 15.9 | 14.8 |
| Tier I  | 13.6 | 12.1 | 15.3 | 16.6 | 16.2 | 15.3 | 14.4 | 13.4 |
| Tier II | 1.7  | 1.4  | 1.1  | 0.9  | 0.6  | 1.6  | 1.6  | 1.4  |

### Business & Efficiency Ratios (%)

|                          |      |      |       |      |      |      |      |      |
|--------------------------|------|------|-------|------|------|------|------|------|
| Loans/Deposit Ratio      | 91.7 | 93.0 | 100.4 | 80.2 | 76.0 | 82.7 | 86.0 | 87.5 |
| CASA Ratio               | 24.3 | 25.0 | 29.6  | 31.8 | 35.3 | 37.4 | 35.4 | 34.8 |
| Cost/Assets              | 2.4  | 2.5  | 3.2   | 2.7  | 3.4  | 4.1  | 4.1  | 4.2  |
| Cost/Total Income        | 53.0 | 51.3 | 51.0  | 48.6 | 56.9 | 68.3 | 66.4 | 63.7 |
| Cost/Core Income         | 56.4 | 52.3 | 52.5  | 51.0 | 59.2 | 69.5 | 67.5 | 64.8 |
| Int. Expense/Int. Income | 60.8 | 59.7 | 57.4  | 54.5 | 50.7 | 51.2 | 52.7 | 51.1 |
| Fee Income/Net Income    | 26.5 | 30.2 | 28.7  | 25.6 | 29.5 | 30.2 | 29.3 | 28.8 |
| Non Int. Inc./Net Income | 37.7 | 36.2 | 34.5  | 33.2 | 36.8 | 35.9 | 35.1 | 34.4 |
| Empl. Cost/Total Expense | 36.6 | 31.2 | 27.2  | 30.7 | 27.7 | 28.3 | 28.5 | 28.1 |
| Investment/Deposit Ratio | 35.2 | 28.8 | 31.4  | 31.8 | 28.2 | 34.0 | 32.7 | 32.4 |

### Profitability & Valuation Ratios

|                           |             |             |             |             |               |             |             |            |
|---------------------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|------------|
| RoE                       | 11.6        | 12.2        | 5.6         | 4.4         | -0.6          | 6.7         | 8.9         | 11.1       |
| RoA                       | 1.1         | 1.2         | 0.6         | 0.5         | -0.1          | 0.8         | 1.0         | 1.2        |
| RoRWA                     | 1.5         | 1.6         | 0.8         | 0.7         | -0.1          | 1.1         | 1.4         | 1.6        |
| Book Value (INR)          | 159         | 177         | 208         | 212         | 210           | 226         | 243         | 264        |
| Growth (%)                | 40.5        | 11.1        | 17.6        | 1.8         | -0.6          | 7.6         | 7.1         | 8.9        |
| <b>Price-BV (x)</b>       | <b>1.6</b>  | <b>1.4</b>  | <b>1.2</b>  | <b>1.2</b>  | <b>1.2</b>    | <b>1.1</b>  | <b>1.0</b>  | <b>1.0</b> |
| Adjusted BV (INR)         | 153         | 169         | 190         | 195         | 199           | 215         | 234         | 256        |
| <b>Price-ABV (x)</b>      | <b>1.7</b>  | <b>1.5</b>  | <b>1.3</b>  | <b>1.3</b>  | <b>1.3</b>    | <b>1.2</b>  | <b>1.1</b>  | <b>1.0</b> |
| EPS (INR)                 | 15.1        | 20.3        | 9.9         | 8.5         | -1.2          | 14.7        | 21.0        | 28.1       |
| Growth (%)                | 27.3        | 34.3        | -51.1       | -14.6       | NM            | NM          | 42.5        | 33.9       |
| <b>Price-Earnings (x)</b> | <b>16.7</b> | <b>12.4</b> | <b>25.4</b> | <b>29.7</b> | <b>-202.3</b> | <b>17.3</b> | <b>12.1</b> | <b>9.1</b> |
| Dividend Per Share (INR)  | 2.3         | 2.1         | 3.8         | 0.0         | 0.0           | 1.5         | 4.2         | 5.6        |
| <b>Dividend Yield (%)</b> | <b>0.9</b>  | <b>0.8</b>  | <b>1.5</b>  | <b>0.0</b>  | <b>0.0</b>    | <b>0.7</b>  | <b>1.6</b>  | <b>2.2</b> |

E: MOFSL Estimates

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| 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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| Contact Person     | Contact No.                 | Email ID                     |
|--------------------|-----------------------------|------------------------------|
| Ms. Hemangi Date   | 022 40548000 / 022 67490600 | query@motilaloswal.com       |
| Ms. Kumud Upadhyay | 022 40548082                | servicehead@motilaloswal.com |
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