MOTILAL OSWAL
FINANCIAL SERVICES

20 October 2024
2QFY25 Results Update | Sector: Financials

RBL Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	RBK IN
Equity Shares (m)	606
M.Cap.(INRb)/(USDb)	124.7 / 1.5
52-Week Range (INR)	301 / 190
1, 6, 12 Rel. Per (%)	-1/-30/-41
12M Avg Val (INR M)	2307

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	60.4	70.3	83.1
OP	30.3	37.4	46.4
NP	11.7	14.3	18.9
NIM (%)	5.1	5.1	5.1
EPS (INR)	19.3	23.6	31.3
EPS Gr. (%)	31.1	22.2	32.5
BV/Sh. (INR)	245	261	282
ABV/Sh. (INR)	235	252	271
Ratios			
RoE (%)	8.2	9.3	11.5
RoA (%)	0.9	1.0	1.1
Valuations			
P/E(X)	12.4	10.2	7.7
P/BV (X)	1.0	0.9	0.9
P/ABV (X)	1.0	1.0	0.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	20.7	20.6	20.7
FII	28.5	25.1	25.9
Others	50.8	54.3	53.4

CMP: INR205 TP: INR220 (+7%) Neutral

Weak quarter; fresh slippages remain high

Credit cost guidance increased to 2.6-3.0%

- RBL Bank (RBK) reported 2QFY25 PAT of INR2.2b (12% miss, down 24% YoY), dragged down by high provisions.
- NII grew 9.5% YoY to INR16.2b (3% miss) as NIMs moderated 32bp QoQ to 5.35%.
- Advances grew at a modest 15.1% YoY/1.4% QoQ, while deposits increased by 6.5% QoQ (up 20.2% YoY). CASA mix improved to 33.6%.
- Fresh slippages increased to INR10.3b, mainly due to the microfinance and credit card (CC) segments. GNPA/NNPA ratios rose 19bp/5bp QoQ to 2.88%/0.79%. PCR moderated 15bp QoQ to 73%.
- We cut our EPS estimates by 20%/4% for FY25/FY26 and estimate FY26 RoA/RoE at 1.0%/10.7%. **Reiterate Neutral with a TP of INR220 (0.8x FY26E ABV).**

Deposit growth robust; margin moderates 32bp QoQ to 5.35%

- RBK reported a PAT of INR2.2b (12% miss, down 24% YoY) amid higher-than-expected provisions. In 1HFY25, earnings grew 2% YoY to INR5.9b and we estimate 2HFY25 earnings to decline 27% YoY to INR4.2b.
- NII grew 9.5% YoY to INR16.2b (3% miss). NIM moderated 32bp QoQ to 5.35%. NII was impacted by interest reversals and lower disbursals in microfinance.
- Other income grew 32% YoY to INR9.27b (9% beat). Treasury gains stood at INR1b vs. INR403m in 1QFY25. Opex grew 12.7% YoY to INR16.32b (3% below estimates). The C/I ratio, thus, improved 150bp QoQ to 64.2%. PPoP grew 24.5% YoY (8% beat) amid higher other income and slightly lower opex.
- Provisions jumped 69% QoQ to INR6.18b (23% above our estimates), due to higher slippages in CC and microfinance.
- Advances grew 15% YoY (up 1.4% QoQ) to INR879b, led by 24% YoY growth in retail loans vs. muted 2.9% YoY growth in the wholesale book. Housing loans rose 11% QoQ. Personal loans declined 3% QoQ, while credit cards grew 1% QoQ, with the mix of cards standing at 20% of loans.
- Deposits saw a steady growth of 6.5% QoQ (up 20.2% YoY). The CASA ratio improved 99bp QoQ to 33.6%. LCR declined to 129% during the quarter.
- Fresh slippages rose to INR10.3b mainly due to the microfinance and CC segments. GNPA/NNPA ratios rose 19bp/5bp QoQ to 2.88%/0.79%. PCR moderated 15bp QoQ to 73%. Restructured book declined to 0.38% (0.44% in 1QFY25).

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)
Research Analyst: Dixit Sankharva (Dixit.Sankharva@motilaloswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

Highlights from the management commentary

- LCR declined in 2Q and is a function of daily average. There has not been any change in assumptions / run-off factor.
- Net slippages break-up – INR6b in cards and INR2b in microfinance. On gross level: INR6.4b in cards and INR 2.4b in microfinance.
- RBK expects to clock a 20% CAGR in advances and deposits each.
- The bank raised its credit cost guidance for FY25 to 2.6-3.0%, with recovery expected from 4QFY25 onward.

Valuation and view

RBK reported a miss in 2Q earnings due to higher provisions and a 32bp QoQ moderation in margins. Asset quality ratios deteriorated during the quarter as slippages were high in the CC and microfinance segments. However, deposits saw a robust growth, with the CASA ratio improving sequentially and leading to a C/D ratio of 86.6%. Loan growth remains modest, but the management anticipates the momentum to gain traction and deposits growth to sustain at the current level. The credit cost was also high during the quarter and the management expects 3Q slippages and credit cost to be higher than the 2Q level. We cut our EPS estimates by 20%/4% for FY25/FY26 and estimate FY26 RoA/RoE at 1.0%/10.7%. **Reiterate Neutral with a TP of INR220 (premised on 0.8x FY26E ABV).**

Quarterly performance

	FY24				FY25E				FY24	FY25E	FY25E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Est
Net Interest Income	14.2	14.7	15.5	16.0	17.0	16.1	16.3	17.2	60.4	66.6	16.7	-3%
% Change (Y-o-Y)	19.6	25.6	21.1	17.9	19.5	9.5	5.6	7.3	20.9	10.3	13.2	
Other Income	6.9	7.0	7.8	8.8	8.1	9.3	9.5	10.0	30.4	36.8	9	9%
Total Income	**21.1**	**21.8**	**23.2**	**24.8**	**25.1**	**25.4**	**25.8**	**27.2**	**90.9**	**103.5**	**25**	**1%**
Operating Expenses	14.6	14.5	15.6	15.9	16.5	16.3	16.5	16.9	60.6	66.3	17	-3%
Operating Profit	**6.5**	**7.3**	**7.7**	**8.9**	**8.6**	**9.1**	**9.3**	**10.2**	**30.3**	**37.2**	**8**	**8%**
% Change (Y-o-Y)	22.4	42.7	34.9	49.4	32.7	24.5	20.9	15.5	37.6	22.7	14.8	
Provisions	2.7	6.4	4.6	4.1	3.7	6.2	7.1	6.7	17.7	23.6	5	23%
Profit before Tax	**3.8**	**0.9**	**3.1**	**4.7**	**4.9**	**2.9**	**2.2**	**3.6**	**12.6**	**13.6**	**3**	**-14%**
Tax	0.9	-2.0	0.7	1.2	1.2	0.7	0.5	0.9	0.9	3.4	1	-19%
Net Profit	**2.9**	**2.9**	**2.3**	**3.5**	**3.7**	**2.2**	**1.6**	**2.7**	**11.7**	**10.2**	**3**	**-12%**
% Change (Y-o-Y)	43.2	45.9	11.5	30.1	29.0	-24.3	-30.4	-24.6	32.3	-12.5	-14.2	
Operating Parameters												
Deposit	856.4	897.8	927.5	1,034.9	1,013.5	1,079.6	1,132.7	1,202.6	1,034.9	1,202.6	1,068.5	
Loan	730.9	763.2	799.5	839.9	867.0	878.8	928.0	978.4	839.9	978.4	889.8	
Deposit Growth (%)	8.1	13.1	13.5	21.9	18.4	20.2	22.1	16.2	21.9	16.2	19.0	
Loan Growth (%)	21.3	21.3	19.9	19.6	18.6	15.1	16.1	16.5	19.6	16.5	16.6	
Asset Quality												
Gross NPA (%)	3.2	3.1	3.1	2.7	2.7	2.9	3.0	3.2	2.7	3.2	2.8	
Net NPA (%)	1.0	0.8	0.8	0.7	0.7	0.8	0.9	0.9	0.7	0.9	0.8	
PCR (%)	69.6	75.6	75.1	72.7	73.1	73.0	71.6	71.3	72.7	71.3	72.2	

E: MOFSL Estimates

Quarterly snapshot

INR b	FY24				FY25		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Profit and Loss								
Net Interest Income	**14.2**	**14.7**	**15.5**	**16.0**	**17.0**	**16.1**	9	-5
Other Income	6.9	7.0	7.8	8.8	8.1	9.3	32	15
Total Income	**21.1**	**21.8**	**23.2**	**24.8**	**25.1**	**25.4**	17	1
Operating Expenses	**14.6**	**14.5**	**15.6**	**15.9**	**16.5**	**16.3**	13	-1
-Employee	3.4	3.7	4.0	3.8	3.7	4.7	24	26
-Others	11.2	10.7	11.6	12.1	12.8	11.7	9	-9
Operating Profits	**6.5**	**7.3**	**7.7**	**8.9**	**8.6**	**9.1**	24	6
Core Operating Profits	**6.0**	**7.0**	**7.2**	**8.4**	**8.2**	**8.1**	15	-1
Provisions	2.7	6.4	4.6	4.1	3.7	6.2	-3	69
PBT	**3.8**	**0.9**	**3.1**	**4.7**	**4.9**	**2.9**	222	-41
Taxes	0.9	-2.0	0.7	1.2	1.2	0.7	-134	-43
PAT	**2.9**	**2.9**	**2.3**	**3.5**	**3.7**	**2.2**	-24	-40
Balance Sheet								
Loans	731	763	799	840	867	879	15	1
Deposits	856	898	927	1,035	1,014	1,080	20	7
CASA deposits	319	321	313	364	330	362	13	10
-Savings	168	173	174	181	182	197	14	8
-Demand	152	148	139	184	148	166	12	12
Loan mix (%)								
Retail	55.9	57.8	58.0	58.5	62.0	62.3	450	29
-Microfinance	8.9	8.9	8.5	8.9	8.4	7.9	-96	-43
-Cards	24.2	19.6	20.0	20.3	20.1	20.0	34	-11
-Business loans	10.3	10.9	9.5	9.7	9.4	10.1	-84	62
C&IB	33.8	31.3	30.9	30.6	27.2	26.6	-468	-57
CB	10.3	10.9	11.1	10.9	10.8	11.1	18	28
Asset Quality								
GNPA	24.0	24.4	25.5	22.7	23.8	25.8	6	9
NNPA	7.3	5.9	6.4	6.2	6.4	7.0	17	9
Slippages	5.6	5.4	6.7	6.8	7.2	10.3	90	43
Asset Quality Ratios (%)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**YoY (bp)**	**QoQ (bp)**
GNPA	3.2	3.1	3.1	2.7	2.7	2.9	-24	19
NNPA	1.0	0.8	0.8	0.7	0.7	0.8	1	5
PCR (Calc)	69.6	75.6	75.1	72.7	73.1	73.0	-267	-15
Slippage ratio	3.7	3.4	4.0	3.9	3.9	5.4	194	144
Business Ratios (%)								
Other income/Total Income	32.5	32.3	33.5	35.4	32.1	36.5	415	433
CASA mix	37.3	35.7	33.8	35.2	32.6	33.6	-219	99
Loan/Deposit	85.3	85.0	86.2	81.2	85.5	81.4	-361	-414
Cost / Assets (%)	5.2	5.0	5.3	5.0	5.2	4.9	-13	-31
Cost to Income	69.3	66.5	67.1	64.2	65.7	64.2	-225	-150
Tax Rate	24.4	-224.5	24.1	25.5	24.6	23.7	24,816	-93
Capitalisation ratios (%)								
Tier-1	15.1	15.2	14.6	14.4	13.9	14.2	-95	35
- CET 1	15.1	15.2	14.6	14.4	13.9	14.2	-95	35
CAR	16.7	17.1	16.4	16.2	15.6	15.9	-117	34
RWA / Total Assets	74.4	72.1	74.4	71.2	77.3	72.4	29	-497
LCR	129.0	142.0	132.0	140.0	137.0	129.0	-1,300	-800
Profitability Ratios								
Yield on loans	13.9	14.0	14.0	14.1	14.2	13.5	-49	-63
Yield on Funds	11.7	11.9	12.4	12.3	12.6	12.4	45	-21
Cost of funds	6.2	6.3	6.5	6.5	6.6	6.6	24	-6
Margins	**5.8**	**5.8**	**6.0**	**5.9**	**6.1**	**5.7**	-19	-46
Other details								
Branches	520	528	538	545	545	550	22	5
Employees	11,497	11,550	12,316	12,473	13,353	406	-11,144	-12,947

Source: Company, MOFSL

CONFERENCE CALL

Highlights from the management commentary

Opening remarks by MD and CEO Mr. R Subramaniakumar

- CA balances grew 22% YoY. Wholesale lending business is self-funded. The bank has de-bulked and de-risked the business.
- RBK is consolidating its position in the cards business. Microfinance – growth momentum is on the back burner in the near term, and appears to be settling for now.
- Card and microfinance – It is notable that compared with peers, the bank has higher CE. Analysis has shown that in CC, it is a function of time and negligible implications on the customer profile.
- Microfinance overleveraging has affected asset quality and the segment has one of the lowest ticket sizes in the business. RBK has been approving one loan to a borrower in microfinance.
- It is seeing improvements in efficiency. The near-term impact will bottom out in 3Q.
- The bank has seen consistent growth in secured retail.
- The credit card segment is returning to normalcy and the microfinance vertical is witnessing performance improvement.
- Branch banking business is driving granular deposit growth. RBK has been able to grow without compromising on the higher deposit rate.
- The bank is expanding in affordable and small business loans, which now account for 15% of total loans. Branches and the self-sourcing channel are improving and shall improve the phase of the profitability.
- CC and microfinance are profitability businesses and will reverse to a better profile.
- Advances grew 15% YoY/1% QoQ, with retail up 24% YoY. Retail growth has reduced in microfinance and the bank is focusing on collections. Non-microfinance disbursals grew 13% YoY. Housing loans grew 56% YoY and rural loans at 58% YoY. On wholesale, commercial was in focus and the overall wholesale book was flat.
- In CC, the bank aims to reduce its dependency on a co-branded partner. RBK reduced the BFIL partnership, which now forms 36% of total origination.
- Retail deposits make up 48.5% of total deposits (up 22% YoY) and the bank aims to achieve high retail growth than overall deposit growth.
- Competition is intense in deposits but the bank is seeing good traction. Granular deposit growth is not a constraint for the bank.
- Branch deposits grew 29% YoY; LCR stood at 129% in 2Q.
- NII growth was impacted by lower disbursals and higher slippages, which led to a 23-45bp QoQ fall in NIMs as last quarter had tax refunds.
- The cost of funds should be stable.
- Other income has shown resilience. The bank has benefitted from the favorable G-sec movement.
- NIM pressure was offset by better fee income. The C/I ratio stood at 64.2%.
- GNPA at 2.88% and NNPA at 0.79%; PCR was healthy at 78%. Slippages were higher mainly due to CC and microfinance. Wholesale had seen negative slippages in 2Q.
- Restructured book has been constantly coming down.
- RBK has seen higher provisions due to slippages from microfinance and CC. Credit cost stood at 80bp in 2Q.

- CC has seen slippages in the Bajaj Finance co-branded portfolio.
- Flows in the first bucket have come to a historical level and slippages in the CC segment are expected to come down.
- In the microfinance segment, collections against current month demand stood at 97.1% and hopeful to reach 98% in Sep'24. Some states saw a decline due to flood impact.
- Rajasthan and Jharkhand have seen an upturn in collections.
- Customers with high leverage have seen deterioration. The bank does not have any loan outstanding at one point in time and is able to select a type of customer when on-boarding.
- New MFIN guidelines are coming out and most customers have been adopting them.
- The bank has not utilized any contingent buffer.

Yields, cost and margins

- Wholesale yields are stabilizing and the bank expects them to marginally improve from hereon. The majority of income comes from fee income and other income.
- NIMs – In an environment of high slippages, NIMs can be flat in 3Q and improve thereafter.
- Interest reversal for 2Q will be INR1.2b.

Deposits and advances

- Credit card acquisition: The bank is looking at mining the portfolio and de-risking from the largest co-branded partner. It aims for new card acquisition of 1.2-1.5m per annum.
- Deposit growth is expected to sustain at the current level and SA growth will remain intact. The bank is focusing on branch profitability. RMs are focusing on the quality of branches. It will 18-20% YoY growth in deposits.

Opex

- Opex growth: Staff cost was up but other opex did not rise. The bank reversed excess provisions on staff costs (down INR250-300m) and gave employee hikes. When collection was done by the outsourcing agency, the expense was included in other opex. Now, when staff is added, it reflects in staff costs.
- The cost-to-income ratio is expected to be stable. Income is expected to improve from hereon. It declined in 2Q due to lower microfinance disbursals.
- Operating leverage is playing out for the bank since FY22.
- Employee cost is not expected to come down (1Q had a factor of release). The increase in salary hike in Jul'24 resulted in an increase in employee costs; INR70-80m of pension-related expenses.
- The bank has added 900 employees in the collection vertical.

Asset quality

- UP and Rajasthan have seen improvements in collection efficiency in Sep'24.
- Net slippages break-up: – INR6b in cards and INR2b in microfinance. On gross level: INR6.4b in cards and INR 2.4b in microfinance.
- It will see a material reduction in slippages in 3Q and would take one more quarter to come back to the normalization levels.
- Bajaj Finance co-branded cards portfolio is seeing stress due to an increase in leverage, along with other risks. Once the transition is over, the credit cost (5-5.5%) will normalize.

- Bihar accounts for 30% of the O/S portfolio, which will lead to 99% of CE as of 3Q-end.
- Overleverage is not the only reason for stress. In Jul'24, the bank saw a blip and quickly took corrective action; in last two months, it saw a decline in attrition rates.
- Attendance must have declined at center meetings, but it is improving.
- Origination mix – 97-98% on 730+ CIBIL score.
- Majority of the stress is due to the transition. The bank is focusing on the recovery process of a customer.
- About 40-45% of customers only have lending relationship with RBK.
- The bank has sold a portfolio of SRs, which resulted in the provision reversal of INR400m.
- 25% of the provision is provided every quarter in the microfinance segment, so it is entirely written off in one year.
- FY25 credit cost should be 2.6-3%.
- The bank has passed the peak of slippages in the CC segment, but it has not passed the peak for provisions in the microfinance segment.
- Slippages were higher than anticipated by the bank for the transition.
- The non-transition portfolio did not see any impact on slippages and the delta should repeat in 3Q. The transition was completed at Jul'24 end. Early delinquencies are declining, which is a leading indicator of declining stress.
- 3Q slippages will be higher than the 2Q level. The credit cost is also expected to be higher.
- The credit cost in the CC segment will be 4-5% and may normalize thereafter.
- The bank does an assessment in terms of the Family level, wherein if a customer gets delinquent, the bank does not sanction any new loans to the customer and even its family members.

Others

- The increase in risk weights will lead to a 40bp hit on capital adequacy; however, it does not change the consumption, irrespective of the microfinance risk weights.
- RBK is not looking to utilize the contingent provision. Currently, the bank is looking at the normalcy and improving the collection.
- LCR declined in 2Q and is a function of daily average. When the bank increases retail deposits, it will have a lower run-off factor.

Guidance

- The bank expects a 20% CAGR in advances and deposits each.
- Expects granular deposits to make up 50% of total deposits.
- Average CASA growth is expected to be 1-2% p.a.
- Share of new business should be 30%.
- Retail mix is likely to be 60-65%.
- PPoP growth is expected to be higher than advances growth.
- The bank expects to double its customer base to 26m.
- Expects the number of touch-points to grow to 2,600.
- RoA of 1.3% for FY26.
- Loan growth should be 18-20%, as microfinance segment disbursals are moving up.

Story in charts

Exhibit 1: Loans & Deposits grew 15% YoY and 20% YoY

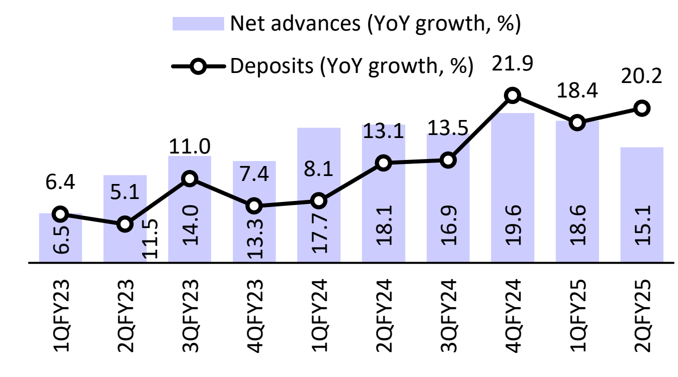


Exhibit 2: Mix of retail at 62% in 2QFY25

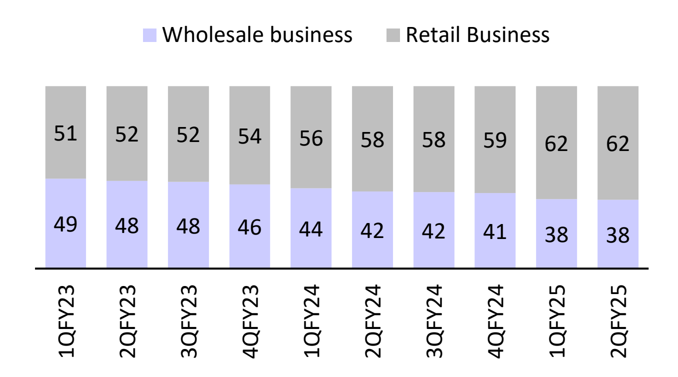


Exhibit 3: Mkt share in cards/spending stood at 5.0%/4.3%

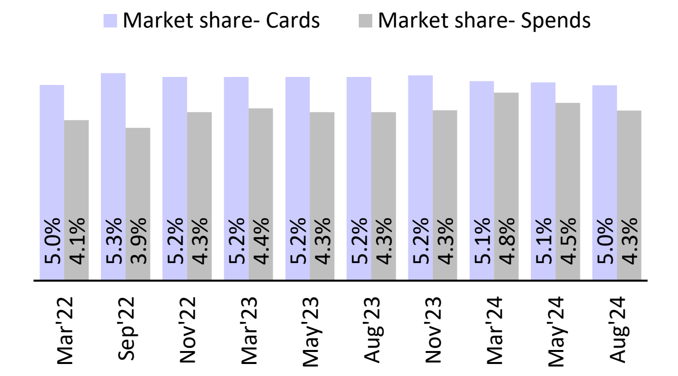


Exhibit 4: NIM moderated 32bp QoQ to 5.35%

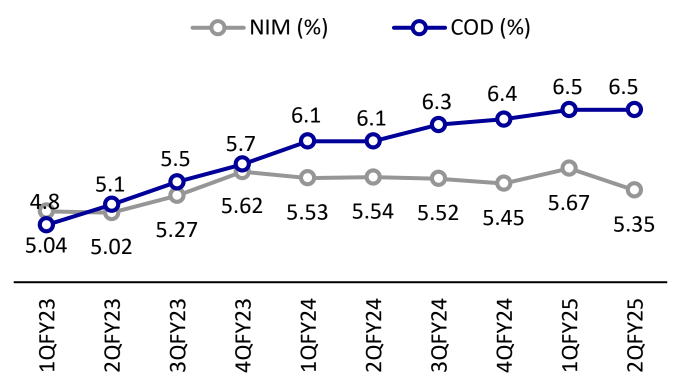


Exhibit 5: C/I ratio at 64.2%; Cost/asset annualized at 4.9%

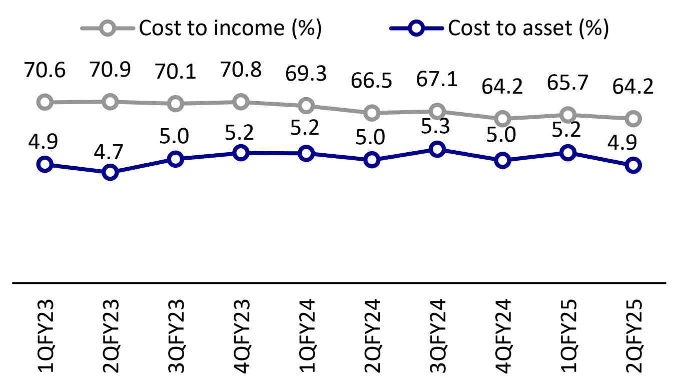


Exhibit 6: C/D ratio at 81.4%; LCR declined to 129%

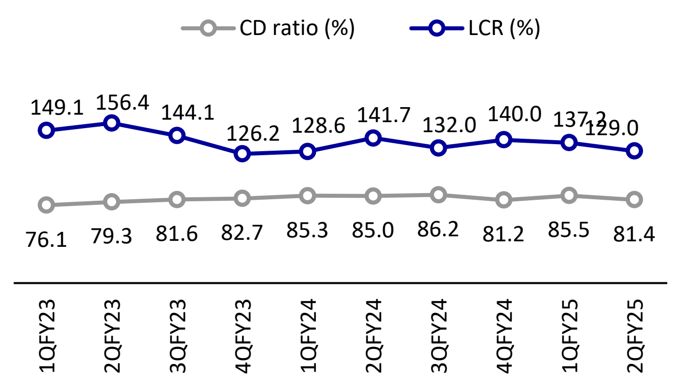
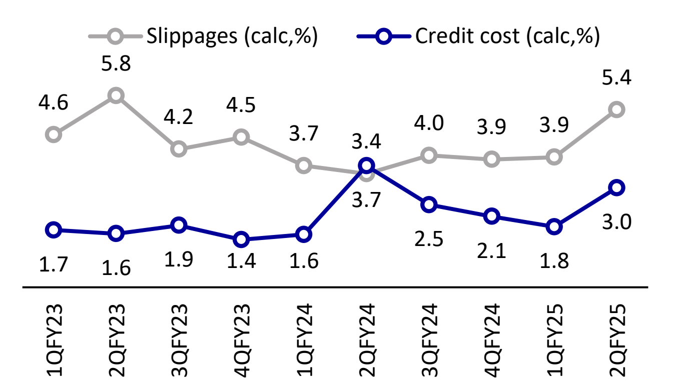
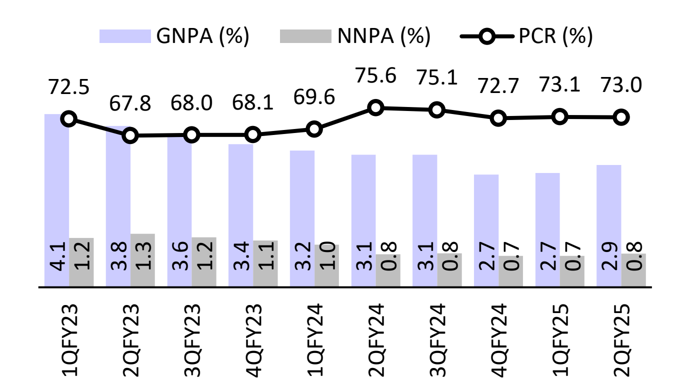


Exhibit 7: Slippage ratio stood at 5.4%; credit cost at 3%



Source: MOFSL, Company

Exhibit 8: GNPA/NNPA stood at 2.88%/0.79%; PCR at 73%



Source: MOFSL, Company

Valuation and view

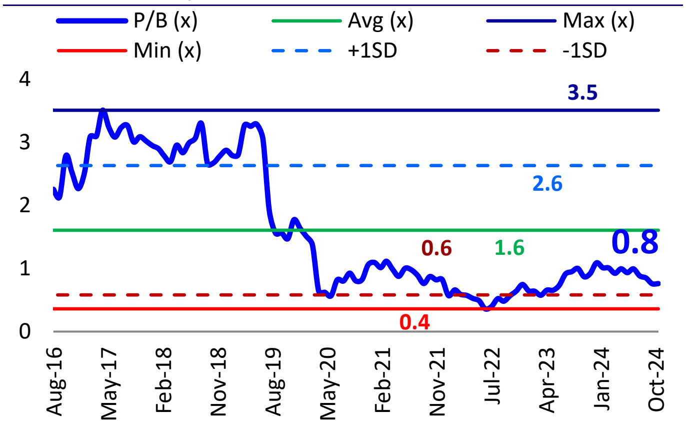
- RBK reported a miss in earnings due to higher provisions and a 32bp QoQ moderation in margins. Asset quality ratios deteriorated during the quarter, due to high slippages in the CC and microfinance segments. However, deposit saw robust growth, with the CASA ratio improving sequentially and leading to a C/D ratio of 86.6%.
- Loan growth remains modest but the management anticipates the momentum to gain traction and deposits growth to sustain at the current level. The credit cost was also high in 2Q and the management expects 3Q slippages and credit cost to be higher than the 2Q level.
- We cut our EPS estimates by 20%/4% for FY25/FY26 and expect FY26E RoA/RoE at 1.0%/10.7%. **Reiterate Neutral with a TP of INR220 (premised on 0.8x FY26E ABV).**

Exhibit 9: Changes to our estimates

INRb	Old estimates		Revised estimates		Change (%/bps)	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	69.5	82.0	66.6	78.3	-4.2	-4.5
Other Income	35.9	42.7	36.8	43.8	2.5	2.5
Total Income	**105.4**	**124.7**	**103.5**	**122.1**	**-1.9**	**-2.1**
Operating Expenses	68.9	78.4	66.3	75.4	-3.8	-3.8
Operating Profits	**36.6**	**46.4**	**37.2**	**46.7**	**1.7**	**0.8**
Provisions	19.7	22.6	23.6	23.9	19.9	5.7
PBT	**16.9**	**23.8**	**13.6**	**22.8**	**-19.6**	**-3.9**
Tax	4.2	5.9	3.4	5.6	-19.6	-3.9
PAT	**12.7**	**17.9**	**10.2**	**17.2**	**-19.6**	**-3.9**
Loans	991	1,179	978	1,155	-1.3	-2.1
Deposits	1,205	1,409	1,203	1,395	-0.2	-1.0
Margins (%)	5.05	5.09	4.86	4.95	-19	-14
Credit Cost (%)	2.20	2.04	2.65	2.20	45	16
RoA (%)	**0.85**	**1.03**	**0.69**	**1.01**	**-16**	**-3**
RoE (%)	**8.3**	**11.0**	**6.7**	**10.7**	**-159**	**-30**
EPS	21.0	29.6	16.9	28.4	-19.6	-3.9
BV	259.4	278.6	256.5	274.9	-1.1	-1.3
ABV	250.0	268.5	245.8	263.8	-1.7	-1.8

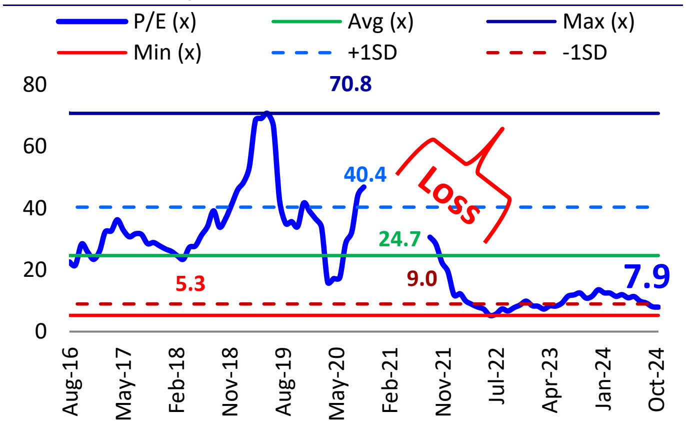
Source: Company, MOFSL

Exhibit 10: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 11: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 12: DuPont analysis – Estimate return ratios to improve gradually

Y/E MARCH	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	8.71	9.75	9.88	10.01	10.11
Interest Expense	4.21	5.00	5.40	5.43	5.41
Net Interest Income	**4.50**	**4.75**	**4.49**	**4.58**	**4.70**
Fee income	2.13	2.29	2.37	2.45	2.50
Trading and others	0.11	0.11	0.11	0.11	0.12
Non-Interest income	**2.24**	**2.39**	**2.48**	**2.57**	**2.62**
Total Income	**6.74**	**7.15**	**6.97**	**7.15**	**7.32**
Operating Expenses	**4.76**	**4.76**	**4.46**	**4.41**	**4.32**
Employee cost	1.21	1.17	1.21	1.18	1.16
Others	3.55	3.59	3.26	3.23	3.16
Operating Profit	**1.98**	**2.38**	**2.50**	**2.74**	**3.00**
Core Operating Profit	**1.87**	**2.28**	**2.39**	**2.62**	**2.88**
Provisions	**0.92**	**1.39**	**1.59**	**1.40**	**1.29**
NPA	1.01	1.07	1.62	1.37	1.27
Others	-0.09	0.33	-0.03	0.03	0.03
PBT	**1.06**	**0.99**	**0.91**	**1.34**	**1.70**
Tax	0.27	0.07	0.23	0.33	0.42
RoA	**0.79**	**0.92**	**0.69**	**1.01**	**1.28**
Leverage (x)	*8.5*	*9.0*	*9.8*	*10.6*	*11.4*
RoE	**6.7**	**8.2**	**6.7**	**10.7**	**14.6**

Source: Company, MOFSL

Financials and valuations

Income Statement					(INR b)
Y/E March	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest Income	96.8	123.9	146.8	171.0	201.1
Interest Expense	46.8	63.5	80.2	92.7	107.6
Net Interest Income	**50.0**	**60.4**	**66.6**	**78.3**	**93.4**
-growth (%)	24.1	20.9	10.3	17.5	19.4
Non-Interest Income	24.9	30.4	36.8	43.8	52.1
Total Income	**74.9**	**90.9**	**103.5**	**122.1**	**145.6**
-growth (%)	17.6	21.3	13.9	18.0	19.2
Operating Expenses	52.9	60.6	66.3	75.4	85.9
Pre Provision Profits	**22.0**	**30.3**	**37.2**	**46.7**	**59.7**
-growth (%)	-19.8	37.6	22.7	25.7	27.7
Core PPoP	**20.8**	**29.0**	**35.6**	**44.8**	**57.3**
-growth (%)	-16.7	39.2	22.8	25.9	28.0
Provisions	10.2	17.7	23.6	23.9	25.8
PBT	**11.8**	**12.6**	**13.6**	**22.8**	**33.9**
Tax	3.0	0.9	3.4	5.6	8.4
Tax Rate (%)	25.2	7.3	24.7	24.7	24.7
PAT	**8.83**	**11.7**	**10.2**	**17.2**	**25.5**
-growth (%)	-1,281.2	32.3	-12.5	68.2	48.5

Balance Sheet					
Y/E March	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Equity Share Capital	6.0	6.1	6.1	6.1	6.1
Reserves & Surplus	129.8	141.9	149.1	160.3	176.9
Net Worth	**135.8**	**148.0**	**155.2**	**166.4**	**182.9**
Deposits	**848.9**	**1,034.9**	**1,202.6**	**1,395.0**	**1,646.1**
-growth (%)	7.4	21.9	16.2	16.0	18.0
- CASA Dep	**317.2**	**364.5**	**401.7**	**471.5**	**567.9**
-growth (%)	13.8	14.9	10.2	17.4	20.4
Borrowings	133.3	141.8	158.5	186.0	221.1
Other Liabilities & Prov.	40.8	59.6	69.7	82.3	99.5
Total Liabilities	**1,158.8**	**1,384.3**	**1,586.0**	**1,829.6**	**2,149.6**
Cash & Balances with RBI	62.4	120.7	102.1	94.9	108.3
Investments	**288.8**	**295.7**	**349.0**	**408.3**	**477.7**
-growth (%)	29.6	2.4	18.0	17.0	17.0
Loans	**702.1**	**839.9**	**978.4**	**1,154.6**	**1,368.2**
-growth (%)	17.0	19.6	16.5	18.0	18.5
Fixed Assets	5.7	5.3	5.4	5.7	6.1
Other Assets	77.0	99.2	110.3	121.9	137.1
Total Assets	**1,158.8**	**1,384.3**	**1,586.0**	**1,829.6**	**2,149.6**

Asset Quality					
GNPA (INR m)	24.2	22.7	32.1	34.6	39.3
NNPA (INR b)	7.7	6.2	9.2	9.6	10.3
Slippages (INR b)	27.5	24.4	37.8	36.2	39.3
GNPA Ratio	3.37	2.7	3.2	2.9	2.8
NNPA Ratio	1.10	0.7	0.9	0.8	0.8
Slippage Ratio	4.59	3.5	4.5	3.7	3.4
Credit Cost	1.57	2.3	2.7	2.2	2.0
PCR (Excl Tech. write off)	68.1	72.7	71.3	72.1	73.7

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Yield and Cost Ratios (%)					
Avg. Yield-Earning Assets	**9.4**	**10.5**	**10.7**	**10.8**	**10.9**
Avg. Yield on loans	11.8	12.9	12.9	13.0	13.0
Avg. Yield on Investments	6.4	7.0	7.0	6.9	6.9
Avg. Cost-Int. Bear. Liab.	**5.0**	**5.9**	**6.3**	**6.3**	**6.2**
Avg. Cost of Deposits	4.9	5.7	6.2	6.2	6.1
Interest Spread	**4.4**	**4.7**	**4.4**	**4.5**	**4.6**
Net Interest Margin	**4.8**	**5.1**	**4.9**	**4.9**	**5.1**
Capitalization Ratios (%)					
CAR	16.9	16.2	15.7	14.6	13.6
Tier I	15.3	14.4	13.8	12.8	12.0
-CET-1	15.3	14.4	13.8	12.8	12.0
Tier II	1.6	1.8	1.9	1.8	1.6
Business Ratios (%)					
Loans/Deposit Ratio	82.7	81.2	81.4	82.8	83.1
CASA Ratio	37.4	35.2	33.4	33.8	34.5
Cost/Assets	4.6	4.4	4.2	4.1	4.0
Cost/Total Income	70.6	66.6	64.1	61.7	59.0
Int. Expense/Int.Income	48.3	51.2	54.6	54.2	53.5
Fee Income/Net Income	28.0	29.1	30.1	30.4	30.4
Non Int. Inc./Net Income	33.2	33.5	35.6	35.9	35.8
Empl. Cost/Total opex	25.4	24.6	27.0	26.8	26.8
Efficiency Ratios (INRm)					
Employee per branch (in nos)	21.3	22.9	25.7	28.9	32.6
Staff cost per employee	1.2	1.2	1.2	1.2	1.1
CASA per branch	613.5	668.8	701.9	792.3	917.5
Deposits per branch	1,641.9	1,899.0	2,101.5	2,344.0	2,659.5
Business per Employee	140.6	150.3	148.2	148.0	149.6
Profit per Employee	0.8	0.9	0.7	1.0	1.3
Profitability & Valuation Ratios					
RoE	6.7	8.2	6.7	10.7	14.6
RoA	0.8	0.9	0.7	1.0	1.3
RoRWA	1.1	1.3	1.0	1.4	1.7
Book Value (INR)	226	245	256	275	302
-growth (%)	7.6	8.0	4.9	7.2	10.0
Price-BV (x)	**0.9**	**0.8**	**0.8**	**0.7**	**0.7**
Adjusted BV (INR)	215	235	246	264	290
Price-ABV (x)	**1.0**	**0.9**	**0.8**	**0.8**	**0.7**
EPS (INR)	14.7	19.3	16.9	28.4	42.2
-growth (%)	-1,281.0	31.1	-12.5	68.2	48.5
Price-Earnings (x)	**13.9**	**10.6**	**12.1**	**7.2**	**4.9**
Dividend Per Share (INR)	0.0	1.5	4.2	8.5	12.7
Dividend Yield (%)	**0.0**	**0.7**	**2.1**	**4.2**	**6.2**

E: MOFSL Estimates

NOTES

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.
Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.
Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.