

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CBK IN
Equity Shares (m)	1814
M.Cap.(INRb)/(USDb)	1011.7 / 12.1
52-Week Range (INR)	633 / 291
1, 6, 12 Rel. Per (%)	-7/30/56
12M Avg Val (INR M)	3568

**Financials & Valuations (INR b)**

Y/E March	FY24	FY25E	FY26E
NII	365.7	395.0	437.0
OP	294.1	333.0	372.9
NP	145.5	168.8	192.5
NIM (%)	2.7	2.6	2.6
EPS (INR)	80.2	93.0	106.1
EPS Gr. (%)	37.3	16.0	14.0
BV/Sh. (INR)	457	544	644
ABV/Sh. (INR)	404	494	594
RoE (%)	20.0	19.3	18.4
RoA (%)	1.0	1.1	1.1
<b>Valuations</b>			
P/E (x)	7.0	6.0	5.3
P/BV (x)	1.2	1.0	0.9
P/ABV (x)	1.4	1.1	0.9

**Shareholding pattern (%)**

As On	Mar-24	Dec-23	Mar-23
Promoter	62.9	62.9	62.9
DII	14.4	14.3	16.2
FII	10.6	11.2	9.0
Others	12.1	11.6	11.9

**CMP: INR558**
**TP: INR650 (+17%)**
**Buy**
**Earnings in line; asset quality improves further**
**Guides for RoA of ~1% in FY25**

- Canara Bank (CBK) reported 4QFY24 standalone PAT of INR37.6b (up 18% YoY, in line), driven by higher other income. NII grew 11.2% YoY (in line), while margins improved 4bp QoQ to 3.07%.
- Other income grew 9.3% YoY to INR52.2b (up 21.5% QoQ, 14% beat). PPOp thus grew 2% YoY (5% beat).
- On the business front, loan book grew 12.2% YoY (1.2% QoQ), while deposits grew 11.3% YoY (3.9% QoQ) to INR13.1t. The CASA ratio, thus, expanded 64bp QoQ to 32.3%.
- GNPA/NNPA ratios improved 16bp/5bp QoQ to 4.23%/1.27%. Fresh slippages increased to INR30.8b vs. INR26.9b in 3QFY24. RoA/RoE stood at 1.01%/22.1% as against the guidance of 1%/19.5% for FY24.
- We broadly maintain our estimates and expect CBK to deliver FY26 RoA/RoE of 1.1%/18.4%. Reiterate **BUY** with a **TP of INR650 (1x FY26E ABV)**.

**Revenue growth steady; margins improve 4bp QoQ**

- CBK reported 4QFY24 standalone PAT of INR37.6b (up 18% YoY, in line), driven by higher other income. NII grew 11.2% YoY (in line), while margins improved 4bp QoQ to 3.07%. FY24 standalone PAT stood at INR145.5b.
- Other income grew 9.3% YoY to INR52.2b (14% beat). Total revenue, thus, grew 10.5% YoY (6% beat). Provisions stood at INR24.8b (up 31% QoQ, 11% higher than MOFSLe).
- Operating expenses grew 20.7% YoY to INR74.1b (7.3% QoQ growth, 7% higher than MOFSLe). PPOp, thus, grew 2% YoY (5% beat). Treasury income stood at INR8.65b in 4QFY24 vs. INR4.95b in 3QFY24.
- Loan book grew 12.2% YoY (up 1.2% QoQ), led by Agri segment, which grew 4.4% QoQ (up 18.7% YoY). Deposits grew 11.3% YoY (up 3.9% QoQ) and CASA deposits grew 6.2% QoQ (up 7.1% YoY), leading to an expansion in the CASA ratio by 64bp QoQ to 32.3%. Term deposits increased 18.2% YoY.
- GNPA/NNPA ratios improved by 16bp/5bp QoQ to 4.23%/1.27%. PCR stood at 71%. Fresh slippages stood at INR30.8b vs. INR26.9b in 3QFY24. Credit cost stood at 0.96% as against the guidance of 1.2% for FY24.
- Total SMA book moderated to 0.69% in 4QFY24 from 0.8% in 3QFY24.

**Highlights from the management commentary**

- CBK guides NIMs to be at ~2.95-3.0% in FY25.
- Under the bipartite settlement, the bank has allocated an additional INR3.5b for pension benefits. Staff cost is expected to stabilize at INR41b in 1QFY25.
- The bank added INR14b (included both AFS + HTM) to the reserves. The HTM portfolio is also giving ample scope for future profitability as the yields are coming down. CET-1, thus, improved by 21bp.
- Slippages break up:** INR10.8b in Agri, INR12b in MSME, INR4b in retail, and INR4b from Mid corp.

### Valuation and view

CBK reported healthy but in-line earnings in 4QFY24, led by higher other income, which was partially offset by higher-than-expected provisions. Healthy NII growth led to a 4bp QoQ margin expansion. However, the management expects NIMs at ~2.9-3% in FY25. Loan growth was led by the retail segment. Deposit growth has gained pace, driven by CASA deposits, and the outlook remains encouraging. Fresh slippages increased sequentially; however, overall asset quality ratios improved. We broadly maintain our earnings estimates and expect CBK to deliver FY26 RoA/RoE of 1.1%/18.4%. We reiterate our **BUY rating with a TP of INR650 (1x FY26E ABV)**.

### Quarterly performance

									(INR b)			
	FY23				FY24				FY23	FY24	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est (%)
<b>Net Interest Income</b>	<b>67.8</b>	<b>74.3</b>	<b>86.0</b>	<b>86.2</b>	<b>86.7</b>	<b>89.0</b>	<b>94.2</b>	<b>95.8</b>	<b>314.4</b>	<b>365.7</b>	<b>93.9</b>	<b>2</b>
% Change (Y-o-Y)	10.2	18.5	23.8	23.0	27.7	19.8	9.5	11.2	19.1	16.3	8.9	
Other Income	51.8	48.3	39.9	47.8	48.2	46.3	43.0	52.2	187.6	189.7	45.6	14
<b>Total Income</b>	<b>119.6</b>	<b>122.6</b>	<b>125.9</b>	<b>133.9</b>	<b>134.8</b>	<b>135.4</b>	<b>137.1</b>	<b>148.0</b>	<b>502.0</b>	<b>555.3</b>	<b>139.5</b>	<b>6</b>
Operating Expenses	53.5	53.5	56.3	61.4	58.8	59.2	69.1	74.1	224.8	261.2	69.1	7
<b>Operating Profit</b>	<b>66.1</b>	<b>69.1</b>	<b>69.5</b>	<b>72.5</b>	<b>76.0</b>	<b>76.2</b>	<b>68.1</b>	<b>73.9</b>	<b>277.2</b>	<b>294.1</b>	<b>70.4</b>	<b>5</b>
% Change (Y-o-Y)	20.5	23.2	19.8	16.9	15.1	10.3	-2.1	1.9	13.4	6.1	-2.9	
Other Provisions	36.9	36.4	31.2	30.9	27.2	26.1	19.0	24.8	135.4	97.1	22.3	11
<b>Profit before Tax</b>	<b>29.2</b>	<b>32.7</b>	<b>38.3</b>	<b>41.6</b>	<b>48.9</b>	<b>50.1</b>	<b>49.1</b>	<b>49.1</b>	<b>141.7</b>	<b>197.0</b>	<b>48.1</b>	<b>2</b>
Tax	8.9	7.4	9.5	9.8	13.5	14.0	12.5	11.5	35.7	51.5	10.8	7
<b>Net Profit</b>	<b>20.2</b>	<b>25.3</b>	<b>28.8</b>	<b>31.7</b>	<b>35.3</b>	<b>36.1</b>	<b>36.6</b>	<b>37.6</b>	<b>106.0</b>	<b>145.5</b>	<b>37.3</b>	<b>1</b>
% Change (Y-o-Y)	71.7	89.5	91.8	90.5	74.8	42.8	26.9	18.3	86.7	37.3	17.6	
<b>Operating Parameters</b>												
Deposit (INR b)	11,181	11,340	11,635	11,792	11,925	12,322	12,629	13,124	11,792	13,124	12,818	
Loan (INR b)	7,469	7,885	8,164	8,307	8,551	8,923	9,206	9,316	8,307	9,316	9,370	
Deposit Growth (%)	9.4	9.8	11.5	8.5	6.6	8.7	8.5	11.3	8.5	11.3	8.7	
Loan Growth (%)	15.2	21.4	18.0	18.1	14.5	13.2	12.8	12.2	18.1	12.2	12.8	
<b>Asset Quality</b>												
Gross NPA (%)	7.0	6.4	5.9	5.4	5.2	4.8	4.4	4.2	5.4	4.2	4.1	
Net NPA (%)	2.5	2.2	2.0	1.7	1.6	1.4	1.3	1.3	1.7	1.3	1.2	
PCR (%)	66.2	67.1	68.1	68.9	70.6	71.4	70.8	70.9	68.8	70.9	71.3	

E: MOFSL Estimates

## Quarterly snapshot

INR b	FY23				FY24				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Net Interest Income</b>	<b>67.8</b>	<b>74.3</b>	<b>86.0</b>	<b>86.2</b>	<b>86.7</b>	<b>89.0</b>	<b>94.2</b>	<b>95.8</b>	<b>11</b>	<b>2</b>
Other Income	51.8	48.3	39.9	47.8	48.2	46.3	43.0	52.2	9	21
<b>Total Income</b>	<b>119.6</b>	<b>122.6</b>	<b>125.9</b>	<b>133.9</b>	<b>134.8</b>	<b>135.4</b>	<b>137.1</b>	<b>148.0</b>	<b>10</b>	<b>8</b>
<b>Operating Expenses</b>	<b>53.5</b>	<b>53.5</b>	<b>56.3</b>	<b>61.4</b>	<b>58.8</b>	<b>59.2</b>	<b>69.1</b>	<b>74.1</b>	<b>21</b>	<b>7</b>
Employee	34.2	31.2	34.8	37.3	36.5	37.9	45.3	44.6	20	-2
Others	19.4	22.3	21.5	24.1	22.3	21.3	23.7	29.5	22	24
<b>Operating Profits</b>	<b>66.1</b>	<b>69.1</b>	<b>69.5</b>	<b>72.5</b>	<b>76.0</b>	<b>76.2</b>	<b>68.1</b>	<b>73.9</b>	<b>2</b>	<b>9</b>
<b>Core Operating Profits</b>	<b>57.2</b>	<b>64.4</b>	<b>65.7</b>	<b>71.0</b>	<b>73.1</b>	<b>72.6</b>	<b>65.0</b>	<b>67.2</b>	<b>-5</b>	<b>4</b>
<b>Provisions</b>	<b>36.9</b>	<b>36.4</b>	<b>31.2</b>	<b>30.9</b>	<b>27.2</b>	<b>26.1</b>	<b>19.0</b>	<b>24.8</b>	<b>-20</b>	<b>31</b>
<b>PBT</b>	<b>29.2</b>	<b>32.7</b>	<b>38.3</b>	<b>41.6</b>	<b>48.9</b>	<b>50.1</b>	<b>49.1</b>	<b>49.1</b>	<b>18</b>	<b>0</b>
Taxes	8.9	7.4	9.5	9.8	13.5	14.0	12.5	11.5	17	-8
<b>PAT</b>	<b>20.2</b>	<b>25.3</b>	<b>28.8</b>	<b>31.7</b>	<b>35.3</b>	<b>36.1</b>	<b>36.6</b>	<b>37.6</b>	<b>18</b>	<b>3</b>
<b>Balance sheet (INR b)</b>										
<b>Loans</b>	<b>7,469</b>	<b>7,885</b>	<b>8,164</b>	<b>8,307</b>	<b>8,551</b>	<b>8,923</b>	<b>9,206</b>	<b>9,316</b>	<b>12</b>	<b>1</b>
<b>Deposits</b>	<b>11,181</b>	<b>11,340</b>	<b>11,635</b>	<b>11,792</b>	<b>11,925</b>	<b>12,322</b>	<b>12,629</b>	<b>13,124</b>	<b>11</b>	<b>4</b>
<b>Loan mix (INR b)</b>										
Agriculture & Allied	1,856.8	1,965.8	2,033.1	2,133.3	2,227.6	2,369.5	2,424.7	2,532.1	19	4
MSME	1,210.5	1,243.0	1,227.2	1,236.3	1,264.2	1,317.9	1,343.3	1,318.7	7	-2
Retail	1,286.2	1,340.5	1,370.1	1,400.5	1,423.0	1,482.1	1,536.4	1,564.1	12	2
Corporate and others	3,483.1	3,692.3	3,879.4	3,857.8	3,962.0	4,070.2	4,199.9	4,191.1	9	0
<b>Loan mix (%)</b>										
Agriculture & Allied	23.7	23.9	23.9	24.7	25.1	25.6	25.5	26.4	163	85
MSME	15.4	15.1	14.4	14.3	14.2	14.3	14.1	13.7	-60	-41
Retail	16.4	16.3	16.1	16.2	16.0	16.0	16.2	16.3	5	12
Corporate and others	44.4	44.8	45.6	44.7	44.6	44.1	44.2	43.6	-108	-56
<b>Asset Quality</b>										
GNPA	547.3	524.9	501.4	461.6	457.3	439.6	417.2	406.0	-12	-3
NNPA	185.0	172.9	159.8	143.5	134.6	125.5	121.8	118.2	-18	-3
Slippages	39.5	79.0	111.1	140.8	34.3	64.2	95.9	129.9	-8	35
<b>Ratios (%)</b>	FY23				FY24				Change (bp)	
Asset Quality Ratios	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
GNPA (%)	7.0	6.4	5.9	5.4	5.2	4.8	4.4	4.2	-112	-16
NNPA (%)	2.5	2.2	2.0	1.7	1.6	1.4	1.3	1.3	-46	-5
PCR (Calculated, %)	66.2	67.1	68.1	68.9	70.6	71.4	70.8	70.9	197	7
PCR (Reported, %)	84.5	85.4	86.3	87.3	88.0	88.7	89.0	89.1	179	9
Slippage Ratio (%)	2.2	2.4	1.9	1.7	1.7	1.5	1.6	1.6	-5	8
Credit Cost (%)	2.1	2.0	1.7	1.6	1.4	1.2	0.9	1.0	-58	16
<b>Business Ratios</b>										
Other income/Total Income	43.3	39.4	31.7	35.7	35.7	34.2	31.3	35.3	-40	394
Cost to Income	44.8	43.7	44.8	45.8	43.6	43.7	50.4	50.1	423	-29
Cost to asset	1.8	1.7	1.8	1.9	1.8	1.7	2.0	2.1	18	11
Tax Rate	30.7	22.7	24.8	23.6	27.6	28.0	25.5	23.4	-22	-208
CASA	34.3	34.0	32.6	33.5	33.0	32.2	31.7	32.3	-119	64
Loan/Deposit	66.8	69.5	70.2	70.4	71.7	72.4	72.9	71.0	54	-191
<b>Capitalisation Ratios (%)</b>										
Tier-1	12.1	13.4	13.7	13.8	13.6	13.6	13.4	14.0	17	57
- CET 1	10.5	11.1	11.5	11.6	11.5	11.6	11.3	11.6	-1	30
CAR	14.9	16.5	16.7	16.7	16.2	16.2	15.8	16.3	-40	50
RWA / Total Assets	42.8	42.4	42.2	42.2	43.0	43.1	44.8	44.9	268	12
<b>Profitability Ratios</b>										
Yield on loans	7.0	7.2	7.5	7.7	8.4	8.6	8.6	8.7	101	11
Yield On Funds	5.8	6.0	6.2	6.4	7.3	7.3	7.5	7.5	112	9
Cost of Funds	3.6	3.8	3.9	4.0	4.8	4.9	4.9	5.0	97	7
Cost of Deposits	4.0	4.1	4.2	4.4	5.2	5.4	5.4	5.5	112	8
Margins	2.8	2.9	3.1	3.1	3.1	3.0	3.0	3.1	0	4
<b>Other Details</b>										
Branches	9732	9722	9720	9706	9653	9518	9585	9604	-102	19
ATMs	12201	12158	12147	12130	12114	12118	10463	10209	-1,921	-254



## Highlights from the management commentary

### Opening remarks

- Global business growth touched INR22.73t. Global advances growth stood at 11% YoY. Global deposit growth stood at 11% YoY.
- The bank currently has a CD ratio of 73.2%.
- RoA improved to 1.01% in FY24 and 1.03% in 4Q.
- GNPA/NNPA ratios improved by 16bp/5bp QoQ to 4.2%/1.3%. PCR stood at 89.1%.
- NIM was at 3.05%, with incremental improvement in yields by 11bp QoQ. The increase in the cost of fund was moderate at 7bp QoQ.
- CBK has a corporate exposure, and it has reduced this low-yielding exposure, resulting in improvements in both yields and NIMs, which led to lower growth in 4Q.

### Advances and deposits

- In 4Q, growth was slower as the bank cut its exposure to the corporate. Disbursements were higher in FY24 vs. FY23.
- The bank has reduced its exposure from 7-8 large borrowers as the pricing was uncomfortable. Credit growth does not look sluggish and the bank has ample growth for liquidity.
- In Apr'24, credit growth was INR90b, more than Mar'24.
- The bank has introduced two new schemes on the CA side and the bank has introduced API banking and mobile banking for corporates, resulting in healthy flows in CAs.
- In the current year, the bank has launched a new product, Angel, for women and the traction has been healthy.
- CASA is the top priority for CBK, as it has been a major challenge and as a result the bank has launched six products to garner CASA deposits.
- The bank has INR600b-700b of the low-yielding corporate book and the bank is ready to reduce the exposure if the yield is not comfortable.

### Yield, cost and margins

- Given the current liquidity situation, rates have come down but retail TDs continue to be high. Margins will be in the 2.95-3% range in FY25.
- Book break-up - MCLR is 52%, RRLR is 38%, and the remaining 10% is staff loans and loans against deposits.
- INR2-2.5b of interest income reversal can come due to written-off accounts in every quarter, which can boost margins.
- The cost of deposits is 5.5%. TD costs will be 6.25-6.5%. The yields have improved by 11bp QoQ.
- The average yield on corporate is 8.17%, which was 7.06% one year back.

### Opex

- Under the bipartite settlement, the bank has allocated an additional INR3.5b for pension benefits for staff. The staff cost is expected to stabilize at INR41b in 1QFY25.
- The staff cost, as per the bipartite settlement, has been fully provisioned by the bank, based on a 17% rate, and all associated expenses have already been accounted for.
- The bank absorbed IT-related expenses of INR1-1.5b in 4Q.
- CBK will continue to invest in IT and tech.

### Asset quality

- The bank has made standard asset provisions of INR18b, over and above the regulatory requirement. As a result, provisions were higher in 4Q. Of this INR18b, the bank has made INR3b owing to one large account.
- CBK has INR680-720b as the written-off account and the bank expects INR40-50b of recovery from this account.
- Recoveries and upgrades will be better than slippages and the bank is able to maintain that in the past.
- Slippages break-up: INR10.8b in Agri, INR12b in MSME, INR4b in retail and INR4b in Mid corp.
- Outstanding restructured book stood at INR170b, of which INR120b was standard asset and INR48b slipped into NPA.

### RBI draft circular impact on project under implementation

- Since they were draft RBI guidelines, the bank does not have clarity about the guidelines.
- CBK is well prepared if the provision requirements are increased.
- The bank has approx. INR1t of the total exposure toward project finance.

### Impact due to RBI's investment guidelines

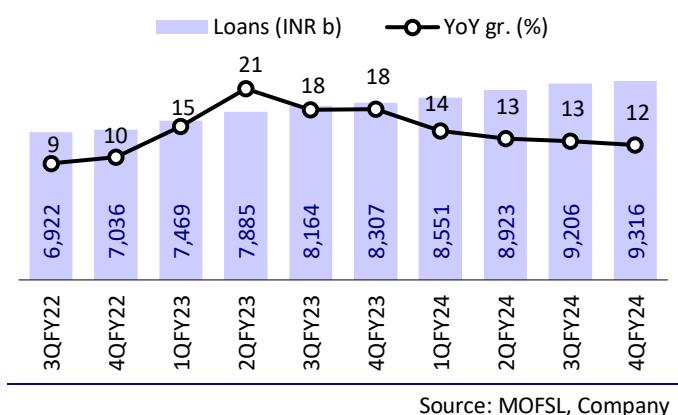
- The bank added INR14b (included both AFS + HTM) in the reserves. The HTM portfolio is also giving ample scope for future profitability as the yields are coming down. CET-1 has improved by 21bp due to this rule.
- Yields improved from 6.69% to 6.91%.
- The bank has been working on churning both AFS and HTM and working to maximize profits.

### Guidance and others

- CBK gives guidance on a conservative basis and the bank wants to outperform the guidance.
- The bank expects 10% growth in advances, but they will grow at a healthy pace of 12%.
- The bank previously provided lower NIM guidance and outperformed. The bank guides NIMs to be at 2.95-3.0%.
- CBK is not seeing lower growth in corporate or other forms of credit.
- The bank has INR680-720b in a written-off account and expects INR40-50b of recovery from this account.
- One subsidiary is in the final stage of its listing process, which is expected to be completed by 3QFY25. Talks are currently underway for the listing of the other subsidiary, which is also progressing as planned.

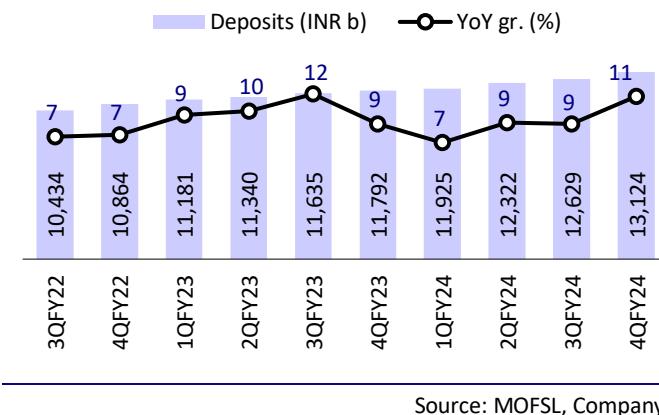
## Story in charts

### Exhibit 1: Loan book grew ~12% YoY (up 1.2% QoQ)



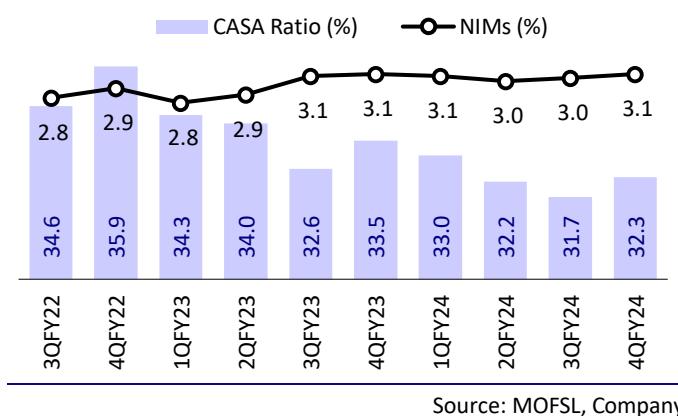
Source: MOFSL, Company

### Exhibit 2: Deposits grew 11% YoY (up 3.9% QoQ)



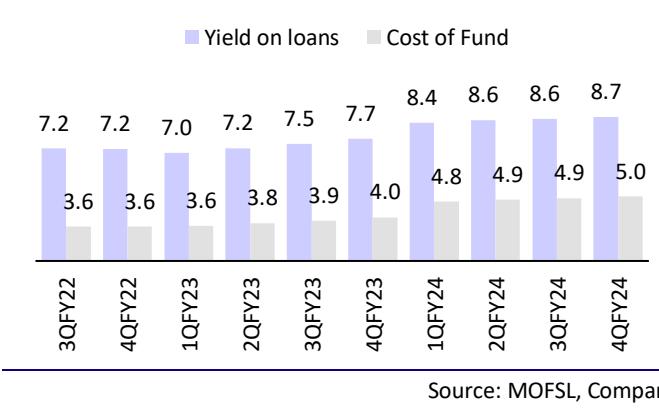
Source: MOFSL, Company

### Exhibit 3: NIMs expanded 4bp QoQ to 3.07%



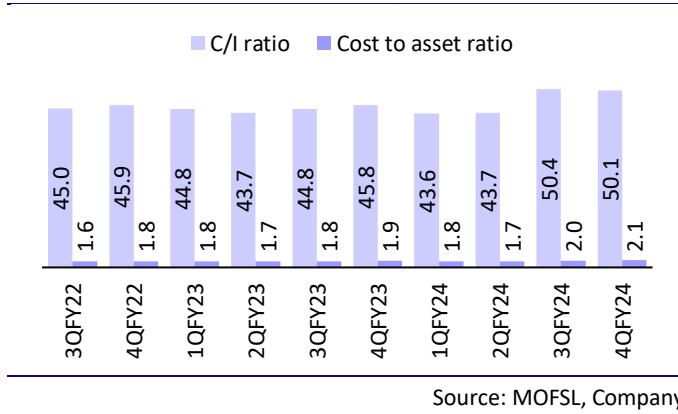
Source: MOFSL, Company

### Exhibit 4: Yield on advances improved 11bp QoQ to 8.7%



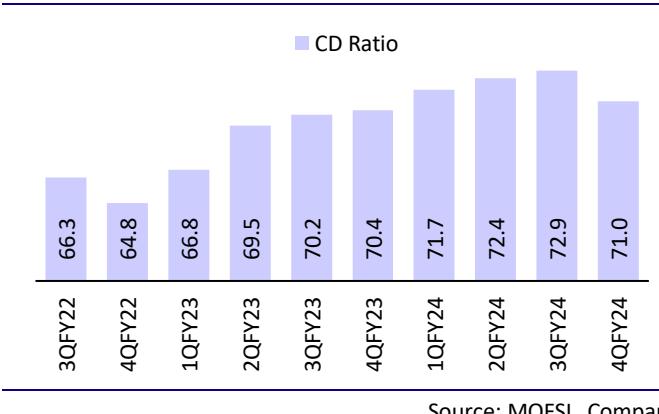
Source: MOFSL, Company

### Exhibit 5: C/I ratio moderated 29bp QoQ to 50.1%



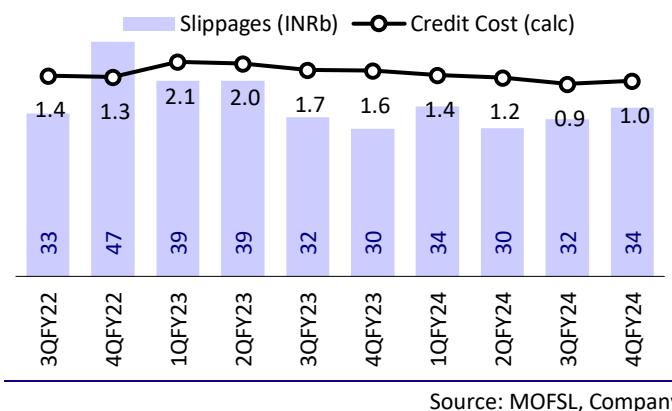
Source: MOFSL, Company

### Exhibit 6: CD ratio moderated to 71% vs 73% in 3QFY24



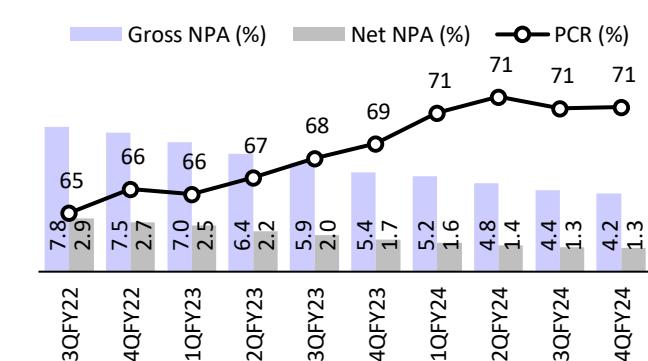
Source: MOFSL, Company

Exhibit 7: Slippages (Fresh + existing) increased to INR34b



Source: MOFSL, Company

Exhibit 8: GNPA/NNPA ratios improved 16bp/5bp QoQ



Source: MOFSL, Company

### Valuation and view

- CBK reported healthy but in-line earnings in 4QFY24, led by higher other income, which was partially offset by higher-than-expected provisions. NII growth was healthy, leading to a 4bp QoQ margin expansion. However, the management expects NIMs at ~2.9-3% in FY25.
- Loan growth was led by the retail segment. Deposit growth gained pace, driven by CASA deposits and the outlook remains encouraging. Fresh slippages increased sequentially; however, overall asset quality ratios improved.
- We broadly maintain our earnings estimates and expect CBK to deliver FY26 RoA/RoE of 1.1%/18.4%. We reiterate our **BUY rating with a TP of INR650 (1x FY26E ABV)**.

Exhibit 9: Change in Estimates

INR b	Old Est		Rev Est		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
<b>Net Interest Income</b>	<b>383.0</b>	<b>426.8</b>	<b>395.0</b>	<b>437.0</b>	<b>3.1</b>	<b>2.4</b>
Other Income	212.4	240.7	216.2	244.3	1.8	1.5
<b>Total Income</b>	<b>595.4</b>	<b>667.4</b>	<b>611.2</b>	<b>681.3</b>	<b>2.6</b>	<b>2.1</b>
Operating Expenses	279.8	309.7	278.2	308.4	-0.6	-0.4
<b>Operating Profits</b>	<b>315.6</b>	<b>357.7</b>	<b>333.0</b>	<b>372.9</b>	<b>5.5</b>	<b>4.2</b>
Provisions	93.6	107.1	106.7	114.9	14.0	7.3
<b>PBT</b>	<b>222.0</b>	<b>250.6</b>	<b>226.3</b>	<b>258.0</b>	<b>1.9</b>	<b>2.9</b>
Tax	55.9	63.2	57.5	65.5	2.7	3.7
<b>PAT</b>	<b>166.0</b>	<b>187.5</b>	<b>168.8</b>	<b>192.5</b>	<b>1.7</b>	<b>2.7</b>
Loans	10,532	11,817	10,443	11,697	-0.8	-1.0
Deposits	14,036	15,411	14,370	15,807	2.4	2.6
Margins (%)	2.58	2.61	2.61	2.61	1.0	0.0
Credit Cost (%)	0.94	0.96	1.08	1.04	14.8	8.3
<b>RoA (%)</b>	<b>1.08</b>	<b>1.10</b>	<b>1.08</b>	<b>1.11</b>	<b>0.0</b>	<b>0.7</b>
<b>RoE (%)</b>	<b>19.0</b>	<b>18.0</b>	<b>19.3</b>	<b>18.4</b>	<b>1.9</b>	<b>2.5</b>
BV	544	642	544	644	-0.1	0.3
ABV	500	603	494	594	-1.1	-1.5
EPS	92	103	93	106	1.7	2.7

Exhibit 10: One-year forward P/B ratio

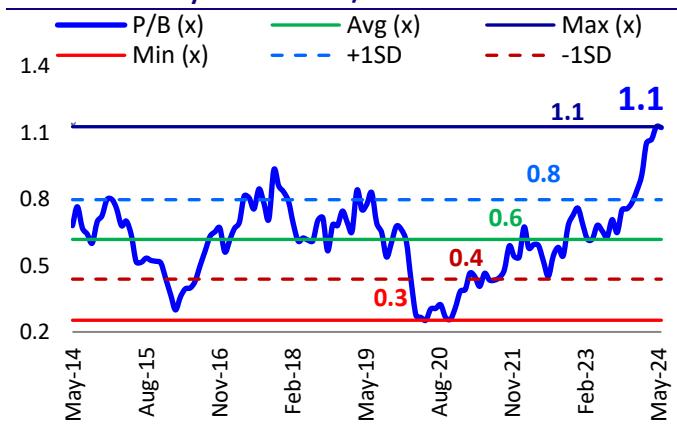


Exhibit 11: One-year forward P/E ratio

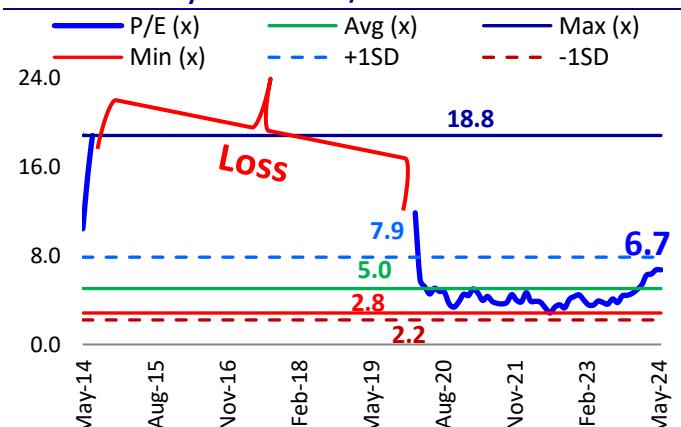


Exhibit 12: DuPont Analysis – Return ratios to improve gradually

Y/E MARCH	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	7.14	6.90	6.29	5.83	6.56	7.66	7.19	7.13
Interest Expense	4.93	5.05	4.10	3.61	4.12	5.08	4.67	4.61
<b>Net Interest Income</b>	<b>2.21</b>	<b>1.85</b>	<b>2.19</b>	<b>2.22</b>	<b>2.44</b>	<b>2.58</b>	<b>2.52</b>	<b>2.53</b>
<b>Non-Interest income</b>	<b>1.00</b>	<b>1.10</b>	<b>1.35</b>	<b>1.39</b>	<b>1.46</b>	<b>1.34</b>	<b>1.38</b>	<b>1.41</b>
<b>Total Income</b>	<b>3.21</b>	<b>2.95</b>	<b>3.54</b>	<b>3.60</b>	<b>3.90</b>	<b>3.91</b>	<b>3.90</b>	<b>3.94</b>
<b>Operating Expenses</b>	<b>1.60</b>	<b>1.63</b>	<b>1.76</b>	<b>1.55</b>	<b>1.75</b>	<b>1.84</b>	<b>1.78</b>	<b>1.78</b>
Employee cost	0.92	1.01	1.15	0.95	1.07	1.12	1.08	1.08
Other operating expenses	0.67	0.63	0.60	0.60	0.68	0.72	0.69	0.70
<b>Operating Profits</b>	<b>1.61</b>	<b>1.32</b>	<b>1.79</b>	<b>2.05</b>	<b>2.15</b>	<b>2.07</b>	<b>2.12</b>	<b>2.16</b>
<b>Core operating Profits</b>	<b>1.00</b>	<b>1.21</b>	<b>1.52</b>	<b>1.83</b>	<b>2.01</b>	<b>1.92</b>	<b>1.96</b>	<b>1.99</b>
<b>Provisions</b>	<b>1.97</b>	<b>1.57</b>	<b>1.45</b>	<b>1.19</b>	<b>1.05</b>	<b>0.68</b>	<b>0.68</b>	<b>0.66</b>
<b>PBT</b>	<b>(0.35)</b>	<b>(0.25)</b>	<b>0.34</b>	<b>0.87</b>	<b>1.10</b>	<b>1.39</b>	<b>1.44</b>	<b>1.49</b>
Tax	(0.41)	0.07	0.10	0.28	0.28	0.36	0.37	0.38
<b>RoA</b>	<b>0.05</b>	<b>(0.32)</b>	<b>0.23</b>	<b>0.48</b>	<b>0.82</b>	<b>1.03</b>	<b>1.08</b>	<b>1.11</b>
Leverage (x)	20.08	22.63	26.37	22.01	20.80	19.49	17.94	16.58
<b>RoE</b>	<b>1.06</b>	<b>(7.13)</b>	<b>6.12</b>	<b>10.50</b>	<b>17.14</b>	<b>19.99</b>	<b>19.32</b>	<b>18.44</b>

## Financials and Valuations

Income Statement								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	468.1	489.3	692.8	694.1	844.2	1,086.9	1,127.1	1,233.7
Interest Expense	323.3	358.1	451.8	430.3	529.9	721.2	732.1	796.7
<b>Net Interest Income</b>	<b>144.8</b>	<b>131.2</b>	<b>241.0</b>	<b>263.8</b>	<b>314.4</b>	<b>365.7</b>	<b>395.0</b>	<b>437.0</b>
Growth (%)	19.0	-9.4	83.7	9.5	19.1	16.3	8.0	10.6
Non-Interest Income	65.7	78.1	149.2	165.0	187.6	189.7	216.2	244.3
<b>Total Income</b>	<b>210.5</b>	<b>209.4</b>	<b>390.3</b>	<b>428.8</b>	<b>502.0</b>	<b>555.3</b>	<b>611.2</b>	<b>681.3</b>
Growth (%)	10.2	-0.6	86.4	9.9	17.1	10.6	10.1	11.5
Operating Expenses	104.6	115.8	193.4	184.4	224.8	261.2	278.2	308.4
<b>Pre Provision Profits</b>	<b>105.9</b>	<b>93.6</b>	<b>196.9</b>	<b>244.4</b>	<b>277.2</b>	<b>294.1</b>	<b>333.0</b>	<b>372.9</b>
Growth (%)	10.9	-11.6	110.4	24.2	13.4	6.1	13.2	12.0
<b>Core PPoP</b>	<b>65.7</b>	<b>86.0</b>	<b>166.9</b>	<b>218.5</b>	<b>258.2</b>	<b>272.4</b>	<b>307.9</b>	<b>344.1</b>
Growth (%)	-13.9	31.0	94.1	30.9	18.2	5.5	13.1	11.7
Provisions	129.2	111.2	159.8	141.3	135.4	97.1	106.7	114.9
Exceptional Item (Exp)	NA	NA	NA	13.5	NA	NA	NA	NA
<b>PBT</b>	<b>-23.3</b>	<b>-17.6</b>	<b>37.1</b>	<b>89.6</b>	<b>141.7</b>	<b>197.0</b>	<b>226.3</b>	<b>258.0</b>
Tax	-26.7	4.8	11.5	32.8	35.7	51.5	57.5	65.5
Tax Rate (%)	114.9	-27.4	31.0	36.6	25.2	26.1	25.4	25.4
<b>PAT</b>	<b>3.5</b>	<b>-22.4</b>	<b>25.6</b>	<b>56.8</b>	<b>106.0</b>	<b>145.5</b>	<b>168.8</b>	<b>192.5</b>
Growth (%)	-108.2	-744.3	-214.4	122.0	86.7	37.3	16.0	14.0

### Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	7.5	10.3	16.5	18.1	18.1	18.1	18.1	18.1
Reserves & Surplus	354.2	382.6	572.4	643.0	717.9	851.4	1,009.3	1,190.9
<b>Net Worth</b>	<b>361.8</b>	<b>392.9</b>	<b>588.8</b>	<b>661.1</b>	<b>736.1</b>	<b>869.5</b>	<b>1,027.4</b>	<b>1,209.0</b>
<b>Deposits</b>	<b>5,990.3</b>	<b>6,253.5</b>	<b>10,108.7</b>	<b>10,864.1</b>	<b>11,792.2</b>	<b>13,123.7</b>	<b>14,370.4</b>	<b>15,807.5</b>
Growth (%)	14.2	4.4	61.6	7.5	8.5	11.3	9.5	10.0
- CASA Dep	<b>1,748.1</b>	<b>1,962.1</b>	<b>3,309.0</b>	<b>3,688.3</b>	<b>3,665.8</b>	<b>4,199.6</b>	<b>4,584.2</b>	<b>5,105.8</b>
Growth (%)	4.7	12.2	68.6	11.5	-0.6	14.6	9.2	11.4
Borrowings	409.9	427.6	499.8	462.8	580.9	575.9	642.3	712.3
Other Liabilities & Prov.	185.6	164.7	339.3	293.0	348.2	346.3	391.3	438.2
<b>Total Liabilities</b>	<b>6,947.7</b>	<b>7,238.7</b>	<b>11,536.8</b>	<b>12,281.0</b>	<b>13,457.3</b>	<b>14,915.4</b>	<b>16,431.5</b>	<b>18,167.0</b>
Current Assets	661.5	682.7	1,784.1	1,820.5	1,414.2	1,507.6	1,576.3	1,701.5
<b>Investments</b>	<b>1,529.9</b>	<b>1,762.4</b>	<b>2,616.9</b>	<b>2,820.1</b>	<b>3,190.4</b>	<b>3,574.5</b>	<b>3,874.8</b>	<b>4,204.2</b>
Growth (%)	6.2	15.2	48.5	7.8	13.1	12.0	8.4	8.5
<b>Loans</b>	<b>4,277.3</b>	<b>4,321.8</b>	<b>6,390.5</b>	<b>7,036.0</b>	<b>8,306.7</b>	<b>9,316.1</b>	<b>10,443.4</b>	<b>11,696.6</b>
Growth (%)	12.1	1.0	47.9	10.1	18.1	12.2	12.1	12.0
Fixed Assets	84.1	82.8	112.1	113.6	102.3	122.3	112.8	120.7
Other Assets	394.9	389.1	633.2	490.8	443.7	394.9	424.2	444.1
<b>Total Assets</b>	<b>6,947.7</b>	<b>7,238.7</b>	<b>11,536.8</b>	<b>12,281.0</b>	<b>13,457.3</b>	<b>14,915.4</b>	<b>16,431.5</b>	<b>18,167.0</b>

### Asset Quality

GNPA	392.2	370.4	602.9	556.5	461.6	406.0	382.8	385.9
NNPA	231.8	184.7	248.4	190.6	143.9	118.2	109.0	108.3
Slippages	154.8	150.4	419.7	138.9	119.8	129.9	143.3	163.8
GNPA Ratio	8.8	8.2	8.9	7.5	5.4	4.2	3.6	3.2
NNPA Ratio	5.4	4.3	3.9	2.7	1.7	1.3	1.0	0.9
Slippage Ratio	4.1	3.5	6.8	2.2	1.7	1.4	1.5	1.5
Credit Cost	3.1	2.5	2.6	1.5	1.3	1.0	1.0	1.0
PCR (Excl Tech. write off)	40.9	50.1	58.8	65.7	68.8	70.9	71.5	71.9

E: MOFSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield-Earning Assets</b>	<b>7.7</b>	<b>7.4</b>	<b>6.7</b>	<b>6.2</b>	<b>6.9</b>	<b>8.0</b>	<b>7.4</b>	<b>7.4</b>
Avg. Yield on loans	8.5	8.4	8.0	7.4	8.0	8.9	8.5	8.4
Avg. Yield on Investments	7.5	7.0	6.7	6.3	6.6	6.8	6.9	6.9
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.4</b>	<b>5.5</b>	<b>4.4</b>	<b>3.8</b>	<b>4.3</b>	<b>4.9</b>	<b>5.1</b>	<b>5.0</b>
Avg. Cost of Deposits	5.4	5.5	4.4	3.8	4.3	4.9	5.1	5.0
<b>Interest Spread</b>	<b>2.3</b>	<b>1.9</b>	<b>2.3</b>	<b>2.4</b>	<b>2.6</b>	<b>3.1</b>	<b>2.4</b>	<b>2.3</b>
<b>Net Interest Margin</b>	<b>2.4</b>	<b>2.0</b>	<b>2.3</b>	<b>2.4</b>	<b>2.6</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>

<b>Capitalisation Ratios (%)</b>								
CAR	12.0	13.7	13.3	15.0	16.7	#VALUE!	14.2	15.0
CET-1			8.6	10.3	11.6	11.6	11.4	11.1
Tier I	9.2	10.2	10.2	12.0	13.8	14.0	14.0	14.2
Tier II	2.8	3.5	3.1	3.0	2.9	g	0.2	0.9

<b>Business and Efficiency Ratios (%)</b>								
Loans/Deposit Ratio	71.4	69.1	63.2	64.8	70.4	71.0	72.7	74.0
CASA Ratio	29.2	31.4	32.7	33.9	31.1	32.0	31.9	32.3
Cost/Assets	1.5	1.6	1.7	1.5	1.7	1.8	1.7	1.7
Cost/Total Income	49.7	55.3	49.6	43.0	44.8	47.0	45.5	45.3
Cost/Core Income	61.4	57.4	53.7	45.8	46.5	49.0	47.5	47.3
Int. Expense/Int.Income	69.1	73.2	65.2	62.0	62.8	66.4	65.0	64.6
Fee Income/Net Income	12.1	33.7	30.6	32.4	33.6	30.2	31.3	31.6
Non Int. Inc./Net Income	31.2	37.3	38.2	38.5	37.4	34.2	35.4	35.9
Empl. Cost/Op. Exps.	57.7	61.6	65.6	61.6	61.1	60.7	61.0	60.5
CASA/Branch (INRm)	277.0	309.8	317.7	378.9	377.7	437.3	472.6	521.2
Deposit/Branch (INRm)	949.3	987.3	970.5	1,116.1	1,214.9	1,366.5	1,481.5	1,613.5
Business per Employee (INR m)	176.0	180.4	187.0	205.9	237.0	259.4	281.3	305.6
Profit per Employee (INR m)	0.1	-0.4	0.3	0.7	1.3	1.7	1.9	2.1
Investment/Deposit Ratio	25.5	28.2	25.9	26.0	27.1	27.2	27.0	26.6

<b>Profitability and Valuation</b>								
RoE	1.2	-7.1	6.1	10.5	17.1	20.0	19.3	18.4
RoA	0.1	-0.3	0.2	0.5	0.8	1.0	1.1	1.1
RoRWA	0.1	-0.6	0.5	1.1	1.9	2.3	2.3	2.4
Book Value (INR)	433	348	330	339	383	457	544	644
Growth (%)	-0.8	-19.8	-5.1	2.6	13.1	19.2	19.1	18.4
<b>Price-BV (x)</b>	<b>1.3</b>	<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>
Adjusted BV (INR)	206	213	219	259	322	404	494	594
<b>Price-ABV (x)</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.2</b>	<b>1.7</b>	<b>1.4</b>	<b>1.1</b>	<b>0.9</b>
EPS (INR)	4.7	-25.1	15.5	32.8	58.5	80.2	93.0	106.1
Growth (%)	-107.4	-637.0	-161.9	111.3	78.1	37.3	16.0	14.0
<b>Price-Earnings (x)</b>	<b>119.5</b>	<b>-22.3</b>	<b>35.9</b>	<b>17.0</b>	<b>9.5</b>	<b>7.0</b>	<b>6.0</b>	<b>5.3</b>
Dividend Per Share (INR)	0.0	0.0	0.0	6.5	12.0	4.5	6.0	6.0
<b>Dividend Yield (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>	<b>2.2</b>	<b>0.8</b>	<b>1.1</b>	<b>1.1</b>

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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