

# Union Bank of India

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	UNBK IN
Equity Shares (m)	6835
M.Cap.(INRb)/(USD\$)	522.2 / 6.4
52-Week Range (INR)	96 / 34
1, 6, 12 Rel. Per (%)	11/39/100
12M Avg Val (INR M)	1082

## Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
NII	327.7	346.5	380.1
OP	254.7	277.9	311.6
NP	84.3	105.6	133.0
NIM (%)	2.8	2.7	2.7
EPS (INR)	12.3	15.5	19.5
EPS Gr. (%)	56.1	25.2	25.9
BV/Sh. (INR)	111	121	133
ABV/Sh. (INR)	95	108	121
RoE (%)	12.1	13.7	15.7
RoA (%)	0.7	0.8	0.9

## Valuations

P/E(X)	6.2	4.9	3.9
P/BV (X)	0.7	0.6	0.6
P/ABV (X)	0.8	0.7	0.6

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	83.5	83.5	83.5
DII	8.3	8.4	7.1
FII	1.7	1.6	1.2
Others	6.6	6.5	8.3

FII Includes depository receipts

**CMP: INR76 TP: INR95 (+24%) Buy**

## NII/Margins disappoint; asset quality improves

### Restructuring book stands at 2.2% of loans

- Union Bank of India (UNBK) reported a 93% YoY growth in PAT to INR27.8b (11% beat), driven by higher 'other income' (up 62% YoY) even as NII saw a QoQ decline with margins contracting 23bp QoQ. The RAM segment and overseas book were the driving forces behind the healthy growth of the business, which grew 14% and 44% YoY, respectively. Additionally, there was a slight improvement in the CASA ratio.
- Asset quality ratios improve despite an increase in fresh slippages as higher reductions resulted in GNPA/NNPA ratios moderating to 7.5%/1.7%. PCR improved to ~79% in 4QFY23. Restructured book declined to 2.2% of loans from 2.38% in 3QFY23, but remained higher than other large banks. The SMA book, at 62bp, stands fairly controlled.
- We cut our earnings estimates by 5-6%, factoring in lower loan growth/NII and estimate a RoA/RoE of 0.9%/15.7%, by FY25. We reiterate our **BUY** rating on the stock with a TP of INR95 (premised on 0.8x Sep'24E ABV).

### Margin moderates 23bp QoQ to 2.98%; SMA book declines to 62bp

- In 4QFY23, UNBK reported a 93% YoY growth in PAT to INR27.8b (11% beat), driven by higher 'other income' (54% beat). For FY23, PAT grew 61% YoY to INR84.3b.
- NII declined 4% QoQ to INR82.5b (up 22% YoY, 10% miss) in 4QFY23, owing to a NIM moderation of 23bp QoQ to 2.98%, despite the advances growth of 15% YoY. In FY23, NII grew 18% YoY to INR328b.
- 'Other income' jumped 63% YoY, fueled by healthy recoveries from written-off account at ~INR30b, despite a modest treasury and fee income.
- Operating expenses grew 49% YoY to INR67b (20% miss) as UNBK provided additional INR11b toward wage revision during the quarter. The C/I ratio thus increased 516bp QoQ to 49.5% in 4QFY23. PPop/Core PPop rose 24%/41% YoY to INR68.2b/INR62.1b. In FY23, PPop increased 16% YoY to INR255b.
- Advances were flat QoQ (up 15% YoY) to INR7.6t, propelled by healthy traction across the RAM segment and Overseas credit, which grew 14% YoY and 44% YoY, respectively. Corporate loans witnessed a growth of 2% QoQ. Deposit grew 8% YoY (up 5% QoQ) with CASA deposits rising 5% QoQ, leading to a 28bp QoQ increase in CASA ratio to 35.6%.
- Fresh slippages increased to INR27.9b (1.5% annualized), which coupled with healthy recoveries/upgrades and write offs resulted in an improvement in asset quality ratios. GNPA/NNPA ratio thus declined 40bp/44bp QoQ to 7.53%/1.7%, while PCR improved to 78.8%.
- The total SMA book (>INR50m) stood at 0.62% of loans v/s 0.72% in 3QFY23. The total restructured loans declined to 2.2% of loans.

**Highlights from the management commentary**

- Loan growth is expected to be ~10-12% in FY24.
- Recoveries in FY24 are expected to remain around the FY23 levels
- Of the total MCLR book, half of the book is yet to re-price, which will support the margins
- NIMs are expected to remain flattish with a slight negative bias over FY24 (~3%).

**Valuation and view**

UNBK reported a weak quarter as NII saw a sharp miss, led by moderation in margins, while higher recoveries from written-off account supported earnings. Loan growth moderated sequentially, while the bank continues to focus on growing its RAM segment. Deposits saw a healthy traction with CASA witnessing a slight uptick. Fresh slippages increased slightly; however, healthy recoveries and upgrades supported the asset quality. A low SMA book (0.62%) and controlled restructuring (2.4%) provided a better outlook on asset quality. We cut our earnings estimates by 5-6%, factoring in lower loan growth/NII. We now estimate a return on assets (RoA) of 0.9% and a return on equity (RoE) of 15.7% by FY25. We **reiterate our BUY rating on the stock with a TP of INR95 (premised on 0.8x Sep'24E ABV).**

**Quarterly performance****(INR m)**

	FY22				FY23				FY22	FY23	FY23E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est.
<b>Net Interest Income</b>	<b>70.1</b>	<b>68.3</b>	<b>71.7</b>	<b>67.7</b>	<b>75.8</b>	<b>83.1</b>	<b>86.3</b>	<b>82.5</b>	<b>277.9</b>	<b>327.7</b>	<b>91.2</b>	<b>-10%</b>
% Change (YoY)	9.5	8.5	8.9	25.3	8.1	21.6	20.3	21.9	12.5	17.9	34.7	
Other Income	27.8	39.8	25.2	32.4	28.2	32.8	32.7	52.7	125.2	146.3	34.1	54%
<b>Total Income</b>	<b>97.9</b>	<b>108.1</b>	<b>97.0</b>	<b>100.1</b>	<b>104.0</b>	<b>115.8</b>	<b>119.0</b>	<b>135.2</b>	<b>403.1</b>	<b>474.0</b>	<b>125.3</b>	<b>8%</b>
Operating Expenses	46.1	47.3	46.0	44.9	49.5	50.0	52.8	67.0	184.4	219.3	55.9	20%
<b>Operating Profit</b>	<b>51.8</b>	<b>60.7</b>	<b>51.0</b>	<b>55.2</b>	<b>54.5</b>	<b>65.8</b>	<b>66.2</b>	<b>68.2</b>	<b>218.7</b>	<b>254.7</b>	<b>69.4</b>	<b>-2%</b>
% Change (YoY)	28.4	25.7	-3.2	11.3	5.1	8.3	29.8	23.6	11.2	16.4	25.7	
Provisions	34.0	37.2	25.5	36.2	32.8	40.8	30.4	29.4	132.9	133.3	30.2	-3%
<b>Profit before Tax</b>	<b>17.8</b>	<b>23.5</b>	<b>25.5</b>	<b>19.0</b>	<b>21.7</b>	<b>25.0</b>	<b>35.8</b>	<b>38.9</b>	<b>85.8</b>	<b>121.4</b>	<b>39.2</b>	<b>-1%</b>
Tax	6.0	8.2	14.6	4.6	6.1	6.5	13.4	11.1	33.5	37.0	14.2	-22%
<b>Net Profit</b>	<b>11.8</b>	<b>15.3</b>	<b>10.9</b>	<b>14.4</b>	<b>15.6</b>	<b>18.5</b>	<b>22.4</b>	<b>27.8</b>	<b>52.3</b>	<b>84.3</b>	<b>25.0</b>	<b>11%</b>
% Change (YoY)	254.9	195.4	49.3	8.3	32.0	21.1	106.8	93.3	80.0	61.2	73.9	
<b>Operating Parameters</b>												
Deposit (INR b)	9,085	9,140	9,375	10,324	9,928	10,433	10,650	11,177	10,324	11,177	10,995	2%
Loan (INR b)	5,846	5,810	6,168	6,610	6,764	7,275	7,564	7,618	6,610	7,618	7,826	-3%
Deposit Growth (%)	1.8	3.2	6.2	11.8	9.3	14.1	13.6	8.3	11.8	8.3	6.5	176
Loan Growth (%)	0.5	0.3	5.8	11.8	15.7	25.2	22.6	15.3	11.8	15.3	18.4	(314)
<b>Asset Quality</b>												
Gross NPA (%)	13.6	12.6	11.6	11.1	10.2	8.5	7.9	7.5	11.1	7.5	7.3	20
Net NPA (%)	4.7	4.6	4.1	3.7	3.3	2.6	2.1	1.7	3.8	1.7	1.9	(22)
PCR (%)	68.7	66.6	67.5	69.5	69.9	70.6	74.6	78.8	68.7	78.8	75.2	355

E:MOFSL Estimates

## Quarterly snapshot

INR b	FY21				FY22				FY23				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Profit and Loss</b>														
<b>Interest Income</b>	<b>184.3</b>	<b>177.8</b>	<b>170.9</b>	<b>154.8</b>	<b>171.3</b>	<b>167.1</b>	<b>169.3</b>	<b>171.7</b>	<b>181.7</b>	<b>196.8</b>	<b>208.8</b>	<b>220.0</b>	<b>28</b>	<b>5</b>
Loans	124.4	118.5	114.5	99.7	113.5	111.7	112.7	114.5	122.6	138.1	150.3	156.6	37	4
Investment	52.4	52.7	51.6	49.1	51.0	49.2	49.3	50.0	52.5	53.1	53.5	54.5	9	2
<b>Interest Expenses</b>	<b>120.3</b>	<b>114.8</b>	<b>105.0</b>	<b>100.7</b>	<b>101.2</b>	<b>98.8</b>	<b>97.6</b>	<b>104.1</b>	<b>105.9</b>	<b>113.8</b>	<b>122.5</b>	<b>137.5</b>	<b>32</b>	<b>12</b>
<b>Net Interest Income</b>	<b>64.0</b>	<b>62.9</b>	<b>65.9</b>	<b>54.0</b>	<b>70.1</b>	<b>68.3</b>	<b>71.7</b>	<b>67.7</b>	<b>75.8</b>	<b>83.1</b>	<b>86.3</b>	<b>82.5</b>	<b>22</b>	<b>-4</b>
<b>Other Income</b>	<b>14.6</b>	<b>24.1</b>	<b>29.7</b>	<b>43.3</b>	<b>27.8</b>	<b>39.8</b>	<b>25.2</b>	<b>32.4</b>	<b>28.2</b>	<b>32.8</b>	<b>32.7</b>	<b>52.7</b>	<b>62</b>	<b>61</b>
Trading profits	5.2	10.3	12.8	6.5	9.9	8.0	5.8	11.2	1.7	3.0	4.7	6.1	-46	29
Recoveries	0.8	2.6	2.4	21.0	6.2	17.6	4.7	2.9	7.5	12.4	10.9	29.5	905	171
Core Fees	7.5	9.8	13.2	15.1	10.6	12.3	13.2	18.3	16.8	16.0	17.1	17.1	-7	0
<b>Total Income</b>	<b>78.7</b>	<b>87.0</b>	<b>95.6</b>	<b>97.3</b>	<b>97.9</b>	<b>108.1</b>	<b>97.0</b>	<b>100.1</b>	<b>104.0</b>	<b>115.8</b>	<b>119.0</b>	<b>135.2</b>	<b>35</b>	<b>14</b>
<b>Operating Expenses</b>	<b>38.3</b>	<b>38.7</b>	<b>42.9</b>	<b>47.7</b>	<b>46.1</b>	<b>47.3</b>	<b>46.0</b>	<b>44.9</b>	<b>49.5</b>	<b>50.0</b>	<b>52.8</b>	<b>67.0</b>	<b>49</b>	<b>27</b>
Employee	20.9	21.2	24.2	25.6	28.8	26.4	23.8	22.1	26.5	27.5	28.5	41.4	87	45
Others	17.4	17.5	18.8	22.2	17.3	20.9	22.2	22.8	23.0	22.6	24.3	25.5	12	5
<b>Operating Profits</b>	<b>40.3</b>	<b>48.3</b>	<b>52.7</b>	<b>49.6</b>	<b>51.8</b>	<b>60.7</b>	<b>51.0</b>	<b>55.2</b>	<b>54.5</b>	<b>65.8</b>	<b>66.2</b>	<b>68.2</b>	<b>24</b>	<b>3</b>
<b>Core PpoP</b>	<b>35.2</b>	<b>38.0</b>	<b>39.8</b>	<b>43.1</b>	<b>41.9</b>	<b>52.7</b>	<b>45.2</b>	<b>44.0</b>	<b>52.8</b>	<b>62.8</b>	<b>61.5</b>	<b>62.2</b>	<b>41</b>	<b>1</b>
<b>Provisions</b>	<b>35.6</b>	<b>42.4</b>	<b>52.1</b>	<b>36.8</b>	<b>34.0</b>	<b>37.2</b>	<b>25.5</b>	<b>36.2</b>	<b>32.8</b>	<b>40.8</b>	<b>30.4</b>	<b>29.4</b>	<b>-19</b>	<b>-3</b>
NPA provisions	24.5	37.2	30.4	47.1	24.9	36.9	22.7	31.5	36.5	28.2	24.4	35.7	13	46
<b>PBT</b>	<b>4.8</b>	<b>5.9</b>	<b>0.5</b>	<b>12.8</b>	<b>17.8</b>	<b>23.5</b>	<b>25.5</b>	<b>19.0</b>	<b>21.7</b>	<b>25.0</b>	<b>35.8</b>	<b>38.9</b>	<b>104</b>	<b>8</b>
Taxes	1.5	0.7	-6.7	-0.5	6.0	8.2	14.6	4.6	6.1	6.5	13.4	11.1	139	-17
<b>PAT</b>	<b>3.3</b>	<b>5.2</b>	<b>7.3</b>	<b>13.3</b>	<b>11.8</b>	<b>15.3</b>	<b>10.9</b>	<b>14.4</b>	<b>15.6</b>	<b>18.5</b>	<b>22.4</b>	<b>27.8</b>	<b>93</b>	<b>24</b>
<b>Balance Sheet</b>														
Deposits (INR b)	8,925	8,861	8,824	9,238	9,085	9,140	9,375	10,324	9,928	10,433	10,650	11,177	8	5
Loans (INR b)	5,817	5,790	5,829	5,910	5,846	5,810	6,168	6,610	6,764	7,275	7,564	7,618	15	1
<b>Asset Quality</b>														
GNPA (INR b)	971.9	958.0	879.7	897.9	877.6	802.1	777.9	795.9	745.0	653.9	637.7	609.9	-23	-4
NNPA (INR b)	289.1	238.9	190.6	272.8	274.4	267.9	252.6	243.0	223.9	191.9	162.0	129.3	-47	-20
<b>Others</b>														
Branches	9,590	9,590	9,587	9,315	9,312	9,274	9,113	8,873	8,729	8,729	8,710	8,580	-293	-130
ATM	13,239	13,287	12,961	12,957	11,824	11,677	11,455	11,232	11,154	11,092	10,953	10,835	-397	-118
<b>Ratios (%)</b>														
<b>Asset Quality Ratios</b>	FY21				FY22				FY23				Change (bps)	
	1Q	2Q	2Q	2Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
GNPA	15.0	14.7	13.5	13.7	13.6	12.6	11.6	11.1	10.2	8.5	7.9	7.5	-358	-40
NNPA	5.0	4.1	3.3	4.6	4.7	4.6	4.1	3.7	3.3	2.6	2.1	1.7	-198	-44
PCR	79.9	83.2	86.2	81.3	81.4	81.8	82.8	83.6	84.8	86.6	88.5	90.3	673	184
Credit Cost	2.5	4.6	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0
<b>Business Ratios</b>														
Fees of Total Income	93.4	88.1	86.6	93.3	89.9	92.6	94.1	88.8	98.4	97.5	96.0	95.5	671	-54
Cost to Core Income	52.2	50.4	51.9	52.6	52.4	47.3	50.4	50.5	48.4	44.3	46.2	51.9	133	566
Tax Rate	30.4	12.6	NM	NM	33.6	35.1	57.4	24.3	28.1	26.1	37.4	28.4	NM	-892
CASA (Cal)	33.3	34.6	35.4	36.3	36.4	37.2	37.0	36.5	36.2	35.6	35.3	35.6	-92	28
Loan/Deposit	65.2	65.3	66.1	64.0	64.3	63.6	65.8	64.0	68.1	69.7	71.0	68.2	413	-286
<b>Profitability Ratios</b>														
RoA	0.1	0.2	0.3	0.5	0.4	0.6	0.4	0.5	0.5	0.6	0.7	0.9	38	15
RoE	3.3	5.0	6.8	12.2	10.0	12.2	8.2	11.1	11.5	12.9	14.7	17.5	638	283
Yield on Loans	7.9	7.5	7.3	6.2	7.3	7.1	7.2	7.0	7.1	7.7	7.8	8.0	105	19
Yield on Investments	6.5	6.3	6.3	5.9	5.9	6.1	6.1	6.0	6.0	6.2	6.5	6.6	58	12
Cost of Deposits	5.0	4.8	4.6	4.3	4.2	4.2	4.0	4.1	4.0	4.2	4.3	4.8	68	53
Margins	2.8	2.8	2.9	2.4	3.1	3.0	3.0	2.8	3.0	3.2	3.2	3.0	23	-23



## Highlights from the management commentary

### Business Performance, Balance Sheet, and P&L related

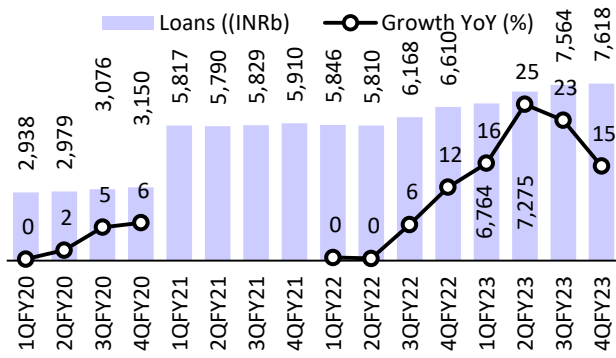
- The bank is focused on building digital capabilities with an aspiration to garner ~57% of the RAM book completely digitally
- Similarly, on the liability side, the bank expects to garner ~INR1t worth of liabilities completely digital
- NIMs are expected to remain flattish with a slight negative bias over FY24 (~3%)
- Of the total MCLR book, half of the book is yet to re-price, which will support the margins
- Employee expenses includes wage-related provision of ~INR11b
- The bank is carrying DTA of INR85b as on FY23
- Loan growth is expected to be ~10-12% in FY24
- The bank has provided 100% on the SR book
- Restructured book stands at ~INR180b, on which, the bank is carrying a PCR of ~10%
- The corporate book of the company has a robust pipeline of INR350b, which has already been sanctioned. In addition, there is another INR150-200b in the pipeline that is awaiting sanction
- Loan mix is expected to remain at ~55% Retail and 45% corporate

### Asset quality related

- Of the total provisions of INR40b, NPA-related provisions stood at INR35.67b
- Recoveries in FY24 are expected to remain around the FY23 levels
- The recovery from written-off loans includes an upfront cash income of INR9.3b, which is related to loans that were sold to an ARC

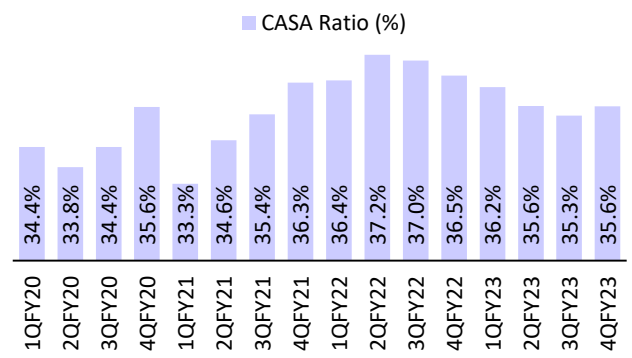
## Story in charts

**Exhibit 1: Loan growth moderated to 15% YoY (flat QoQ)**



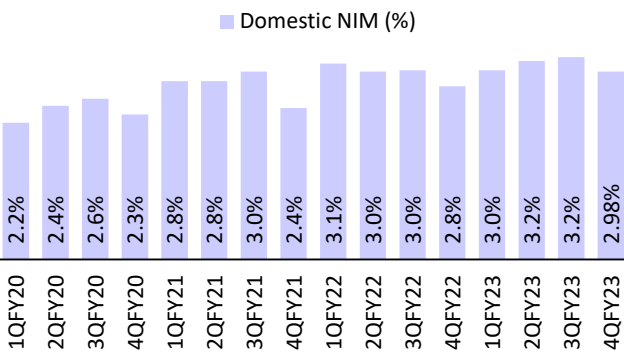
Merged numbers from 1QFY21 onwards Source: MOFSL, Company

**Exhibit 2: CASA ratio improved marginally to 35.6%**



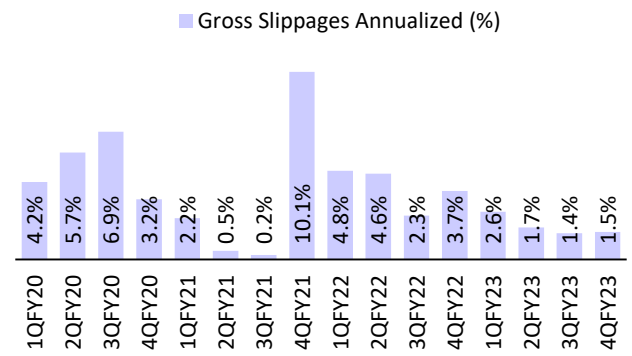
Source: MOFSL, Company

**Exhibit 3: NIMs moderated 23bp QoQ to 2.98%**



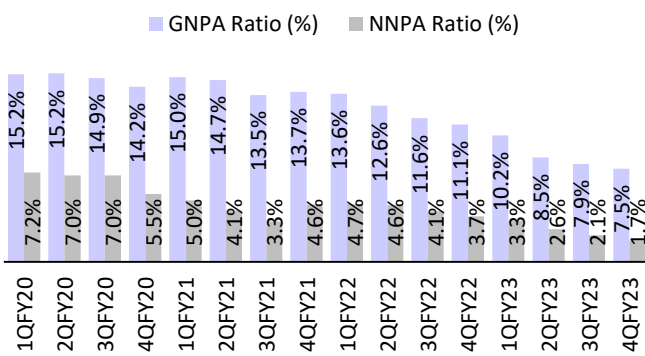
Source: MOFSL, Company

**Exhibit 4: Slippages increased marginally to 1.5% in 4QFY23**



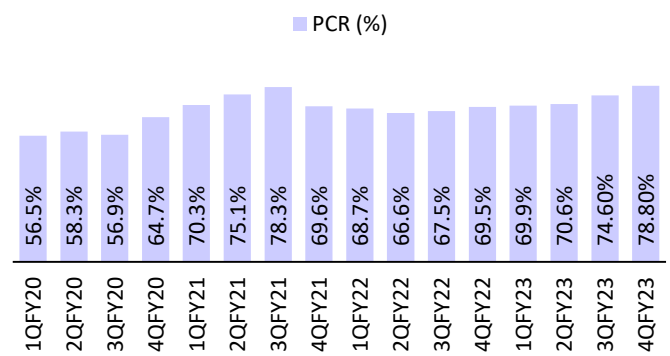
Source: MOFSL, Company

**Exhibit 5: GNPA/NNPA ratio improved 40bp/44bp QoQ**



Source: MOFSL, Company

**Exhibit 6: PCR improved 420bp to 78.8%**



Source: MOFSL, Company

**Exhibit 7: DuPont Analysis – expect return ratios to witness gradual improvement**

Y/E MARCH (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	6.97	6.94	7.13	6.57	6.01	6.54	6.92	7.02
Interest Expense	4.99	4.86	4.94	4.21	3.55	3.89	4.33	4.42
<b>Net Interest Income</b>	<b>1.98</b>	<b>2.08</b>	<b>2.19</b>	<b>2.36</b>	<b>2.46</b>	<b>2.65</b>	<b>2.59</b>	<b>2.60</b>
Fee income	0.79	0.79	0.73	0.73	0.82	1.00	1.00	1.02
Trading and others	0.27	0.12	0.28	0.39	0.29	0.19	0.21	0.24
<b>Non-Interest Income</b>	<b>1.06</b>	<b>0.91</b>	<b>1.01</b>	<b>1.12</b>	<b>1.11</b>	<b>1.19</b>	<b>1.21</b>	<b>1.26</b>
<b>Total Income</b>	<b>3.04</b>	<b>2.99</b>	<b>3.20</b>	<b>3.48</b>	<b>3.57</b>	<b>3.84</b>	<b>3.80</b>	<b>3.86</b>
<b>Operating Expenses</b>	<b>1.44</b>	<b>1.46</b>	<b>1.44</b>	<b>1.60</b>	<b>1.63</b>	<b>1.78</b>	<b>1.72</b>	<b>1.73</b>
Employees	0.67	0.64	0.64	0.89	0.90	1.00	1.04	1.05
Others	0.77	0.82	0.80	0.71	0.74	0.77	0.68	0.67
<b>Operating Profits</b>	<b>1.60</b>	<b>1.53</b>	<b>1.76</b>	<b>1.88</b>	<b>1.94</b>	<b>2.06</b>	<b>2.07</b>	<b>2.13</b>
<b>Core Operating Profits</b>	<b>1.33</b>	<b>1.42</b>	<b>1.48</b>	<b>1.49</b>	<b>1.64</b>	<b>1.88</b>	<b>1.86</b>	<b>1.89</b>
<b>Provisions</b>	<b>3.02</b>	<b>2.33</b>	<b>2.53</b>	<b>1.65</b>	<b>1.18</b>	<b>1.08</b>	<b>0.95</b>	<b>0.87</b>
NPA	2.87	2.33	1.78	1.33	1.03	1.08	0.90	0.83
Others	0.14	0.00	0.75	0.32	0.15	0.00	0.04	0.04
<b>PBT</b>	<b>-1.41</b>	<b>-0.80</b>	<b>-0.77</b>	<b>0.23</b>	<b>0.76</b>	<b>0.98</b>	<b>1.13</b>	<b>1.26</b>
Tax	-0.30	-0.20	-0.22	-0.05	0.30	0.30	0.34	0.35
<b>RoA</b>	<b>-1.12</b>	<b>-0.60</b>	<b>-0.55</b>	<b>0.28</b>	<b>0.46</b>	<b>0.68</b>	<b>0.79</b>	<b>0.91</b>
Leverage (x)	21.3	20.9	19.0	18.3	18.0	17.7	17.4	17.2
<b>RoE</b>	<b>-23.8</b>	<b>-12.5</b>	<b>-10.6</b>	<b>5.1</b>	<b>8.3</b>	<b>12.1</b>	<b>13.7</b>	<b>15.7</b>

**Exhibit 8: We lower our FY24/FY25 estimate by 5-6%, factoring in lower loan growth and margins**

INR B	Old Est.		New Est.		% Change	
	FY24	FY25	FY24	FY25	FY24	FY25
<b>Net Interest Income</b>	<b>388.4</b>	<b>423.4</b>	<b>346.5</b>	<b>380.1</b>	<b>-10.8</b>	<b>-10.2</b>
Other Income	146.9	171.9	162.4	183.5	10.6	6.8
<b>Total Income</b>	<b>535.4</b>	<b>595.3</b>	<b>508.9</b>	<b>563.6</b>	<b>-4.9</b>	<b>-5.3</b>
Operating Expenses	232.5	255.1	231.0	252.0	-0.6	-1.2
<b>Operating Profits</b>	<b>302.9</b>	<b>340.2</b>	<b>277.9</b>	<b>311.6</b>	<b>-8.2</b>	<b>-8.4</b>
Provisions	144.0	143.4	127.1	126.9	-11.7	-11.5
<b>PBT</b>	<b>158.9</b>	<b>196.7</b>	<b>150.9</b>	<b>184.7</b>	<b>-5.1</b>	<b>-6.1</b>
Tax	47.7	55.1	45.3	51.7	-5.1	-6.1
<b>PAT</b>	<b>111.2</b>	<b>141.7</b>	<b>105.6</b>	<b>133.0</b>	<b>-5.1</b>	<b>-6.1</b>
Loans	8,844	9,993	8,533	9,514	-3.5	-4.8
Deposits	11,985	13,243	12,127	13,219	1.2	-0.2
Margins (%)	2.94	2.92	2.73	2.74	-21	-18
<b>RoA (%)</b>	<b>0.8</b>	<b>1.0</b>	<b>0.8</b>	<b>0.9</b>	<b>-5</b>	<b>-7</b>
<b>RoE (%)</b>	<b>14.7</b>	<b>16.8</b>	<b>13.7</b>	<b>15.7</b>	<b>-99</b>	<b>-115</b>
<b>BV</b>	<b>120</b>	<b>133</b>	<b>121</b>	<b>133</b>	<b>1.3</b>	<b>0.3</b>
ABV	104	118	108	121	3.9	2.9
EPS	16	21	15	19	-5.1	-6.1

## Financials and valuations

Income Statement							(INRb)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	327.5	340.7	372.3	687.7	679.4	807.4	927.1	1,025.3
Interest Expense	234.4	238.5	257.9	440.8	401.6	479.8	580.6	645.3
<b>Net Interest Income</b>	<b>93.0</b>	<b>102.1</b>	<b>114.4</b>	<b>246.9</b>	<b>277.9</b>	<b>327.7</b>	<b>346.5</b>	<b>380.1</b>
Growth (%)	4.5	9.8	12.0	115.9	12.5	17.9	5.8	9.7
Non-Interest Income	49.9	44.7	52.6	117.4	125.2	146.3	162.4	183.5
<b>Total Income</b>	<b>142.9</b>	<b>146.9</b>	<b>167.0</b>	<b>364.3</b>	<b>403.1</b>	<b>474.0</b>	<b>508.9</b>	<b>563.6</b>
Growth (%)	3.1	2.8	13.7	118.2	10.6	17.6	7.4	10.7
Operating Expenses	67.5	71.7	75.2	167.7	184.4	219.3	231.0	252.0
<b>Pre Provision Profits</b>	<b>75.4</b>	<b>75.2</b>	<b>91.8</b>	<b>196.7</b>	<b>218.7</b>	<b>254.7</b>	<b>277.9</b>	<b>311.6</b>
Growth (%)	1.5	-0.2	22.1	114.2	11.2	16.4	9.1	12.1
<b>Core PPP</b>	<b>62.7</b>	<b>69.5</b>	<b>77.2</b>	<b>156.1</b>	<b>185.7</b>	<b>231.5</b>	<b>249.7</b>	<b>276.5</b>
Growth (%)	48.7	10.7	11.1	102.2	19.0	24.7	7.8	10.7
Provisions (excl. tax)	141.8	114.5	132.1	172.7	132.9	133.3	127.1	126.9
<b>PBT</b>	<b>-66.4</b>	<b>-39.3</b>	<b>-40.3</b>	<b>24.0</b>	<b>85.8</b>	<b>121.4</b>	<b>150.9</b>	<b>184.7</b>
Tax	-13.9	-9.8	-11.3	-5.1	33.5	37.0	45.3	51.7
Tax Rate (%)	21.0	24.9	28.1	-21.1	39.0	30.5	30.0	28.0
<b>PAT</b>	<b>-52.5</b>	<b>-29.5</b>	<b>-29.0</b>	<b>29.1</b>	<b>52.3</b>	<b>84.3</b>	<b>105.6</b>	<b>133.0</b>
Growth (%)	-1,045.1	-43.8	-1.7	-200.3	80.0	61.2	25.2	25.9

Balance Sheet								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	11.7	17.6	34.2	64.1	68.3	68.3	68.3	68.3
Reserves & Surplus	239.3	247.2	303.6	580.7	637.4	715.0	786.4	868.2
<b>Net Worth</b>	<b>251.0</b>	<b>264.9</b>	<b>337.9</b>	<b>644.8</b>	<b>705.8</b>	<b>783.3</b>	<b>854.8</b>	<b>936.5</b>
<b>Deposits</b>	<b>4,085.0</b>	<b>4,159.2</b>	<b>4,506.7</b>	<b>9,238.1</b>	<b>10,323.9</b>	<b>11,177.2</b>	<b>12,127.2</b>	<b>13,218.7</b>
Growth (%)	8.0	1.8	8.4	105.0	11.8	8.3	8.5	9.0
<b>of which CASA Deposits</b>	<b>1,392.4</b>	<b>1,501.4</b>	<b>1,603.7</b>	<b>3,355.9</b>	<b>3,771.9</b>	<b>3,940.6</b>	<b>4,450.7</b>	<b>4,930.6</b>
Growth (%)	6.9	7.8	6.8	109.3	12.4	4.5	12.9	10.8
Borrowings	456.8	428.6	524.9	518.4	511.8	431.4	573.7	606.0
Other Liabilities & Prov.	81.0	87.7	137.4	315.9	334.4	415.6	436.4	458.2
<b>Total Liabilities</b>	<b>4,873.8</b>	<b>4,940.4</b>	<b>5,506.8</b>	<b>10,717.1</b>	<b>11,875.9</b>	<b>12,807.5</b>	<b>13,992.1</b>	<b>15,219.4</b>
Current Assets	494.4	430.5	551.1	844.1	1,195.0	1,121.5	1,066.9	1,092.1
<b>Investments</b>	<b>1,237.5</b>	<b>1,260.5</b>	<b>1,524.1</b>	<b>3,315.1</b>	<b>3,485.1</b>	<b>3,393.0</b>	<b>3,664.4</b>	<b>3,884.3</b>
Growth (%)	10.3	1.9	20.9	117.5	5.1	-2.6	8.0	6.0
<b>Loans</b>	<b>2,887.6</b>	<b>2,969.3</b>	<b>3,150.5</b>	<b>5,909.8</b>	<b>6,610.0</b>	<b>7,618.5</b>	<b>8,532.7</b>	<b>9,513.9</b>
Growth (%)	0.8	2.8	6.1	87.6	11.8	15.3	12.0	11.5
Fixed Assets	38.3	37.6	47.6	73.4	71.9	88.3	92.7	97.3
Other Assets	215.9	242.5	233.5	574.6	513.9	586.3	635.4	631.7
<b>Total Assets</b>	<b>4,873.8</b>	<b>4,940.4</b>	<b>5,506.8</b>	<b>10,717.1</b>	<b>11,875.9</b>	<b>12,807.5</b>	<b>13,992.1</b>	<b>15,219.4</b>

Asset Quality								
GNPA (INR m)	493.7	487.3	490.9	897.9	795.9	609.9	519.4	448.1
NNPA (INR m)	243.3	203.3	173.0	279.4	249.3	129.3	110.1	92.8
GNPA Ratio	15.73	14.98	14.15	13.75	11.12	7.53	5.81	4.54
NNPA Ratio	8.42	6.85	5.49	4.73	3.77	1.70	1.29	0.98
Slippage Ratio	7.46	4.70	5.02	2.93	3.65	1.76	1.90	1.80
Credit Cost	4.69	3.90	4.32	2.90	2.12	1.87	1.50	1.34
PCR (Excl. Tech. write off)	50.7	58.3	64.7	68.9	68.7	78.8	78.8	79.3



## 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>7.3</b>	<b>7.3</b>	<b>7.5</b>	<b>7.0</b>	<b>6.4</b>	<b>6.9</b>	<b>7.3</b>	<b>7.4</b>
Avg. Yield on loans	7.9	8.1	8.2	7.7	7.2	8.0	8.2	8.1
Avg. Yield on Investments	7.6	7.4	7.7	6.8	5.9	6.3	6.7	7.0
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.4</b>	<b>5.2</b>	<b>5.4</b>	<b>4.6</b>	<b>3.9</b>	<b>4.3</b>	<b>4.8</b>	<b>4.9</b>
Avg. Cost of Deposits	5.5	5.4	5.5	4.6	3.8	4.3	4.7	4.8
<b>Interest Spread</b>	<b>1.9</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>
<b>Net Interest Margin</b>	<b>2.1</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>	<b>2.6</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>

### Capitalisation Ratios (%)

CAR	11.6	11.9	12.7	12.6	14.5	16.0	15.7	15.1
Tier I	9.1	9.6	10.7	10.4	12.2	13.9	13.5	13.1
Tier II	2.4	2.3	2.0	2.2	2.3	2.1	2.2	2.0

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	70.7	71.4	69.9	64.0	64.0	68.2	70.4	72.0
CASA Ratio	34.1	36.1	35.6	36.3	36.5	35.3	36.7	37.3
Cost/Assets	1.4	1.5	1.4	1.6	1.6	1.7	1.7	1.7
Cost/Total Income	47.3	48.8	45.0	46.0	45.7	46.3	45.4	44.7
Cost/ Core Income	-0.5	-1.3	-0.5	-0.4	-0.6	-1.0	-0.8	-0.7
Int. Expense/Int. Income	71.6	70.0	69.3	64.1	59.1	59.4	62.6	62.9
Fee Income/Total Income	26.0	26.6	22.7	21.1	22.9	26.0	26.4	26.3
Non Int. Inc. Total Income	34.9	30.5	31.5	32.2	31.1	30.9	31.9	32.6
Emp. Cost/Total Expense	46.7	44.0	44.7	55.4	54.9	56.5	60.6	61.1
Investment/Deposit Ratio	30.3	30.3	33.8	35.9	33.8	30.4	30.2	29.4

### Profitability Ratios and Valuation

RoE	-23.7	-12.5	-10.6	5.1	8.3	12.1	13.7	15.7
RoA	-1.1	-0.6	-0.6	0.3	0.5	0.7	0.8	0.9
RoRWA	-1.8	-1.1	-1.0	0.5	1.0	1.5	1.7	2.0
Book Value (INR)	204	143	94	96	99	111	121	133
Growth (%)	-38.1	-29.7	-34.7	3.0	3.1	11.4	9.4	9.9
Price-BV (x)	0.4	0.5	0.8	0.8	0.8	0.7	0.6	0.6
Adjusted BV (INR)	51	57	55	63	72	95	108	121
Price-ABV (x)	1.5	1.3	1.4	1.2	1.1	0.8	0.7	0.6
EPS (INR)	-56.5	-20.1	-11.2	4.5	7.9	12.3	15.5	19.5
Growth (%)	NM	NM	NM	NM	74.2	56.1	25.2	25.9
Price-Earnings (x)	-1.4	-3.8	-6.8	16.8	9.7	6.2	4.9	3.9

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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