

Estimate change 

TP change 

Rating change 

Bloomberg	AXSB IN
Equity Shares (m)	3077
M.Cap.(INRb)/(USD\$b)	3359.6 / 40.4
52-Week Range (INR)	1152 / 814
1, 6, 12 Rel. Per (%)	1/5/0
12M Avg Val (INR M)	9952

## Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
NII	429.5	496.6	560.4
OP	321.4	359.4	416.8
NP	219.3	241.2	277.4
NIM (%)	3.7	3.8	3.7
EPS (INR)	71.4	78.3	89.9
EPS Gr. (%)	68.0	9.7	14.9
BV/Sh. (INR)	406	477	559
ABV/Sh. (INR)	388	459	539
<b>Ratios</b>			
RoE (%)	18.2	17.7	17.4
RoA (%)	1.8	1.7	1.7
<b>Valuations</b>			
P/E(X)	13.9	12.6	11.0
P/BV (X)	2.4	2.1	1.8
P/ABV (X)	2.5	2.2	1.8

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	7.9	8.0	8.0
DII	27.9	28.1	30.7
FII	56.1	54.6	50.8
Others	8.0	9.6	10.6

FII Includes depository receipts

**CMP: INR1,089 TP: INR1,175 (+8%) Downgrade to Neutral**

## Earnings in line; remain watchful on growth and NIMs

### Cost ratios to remain elevated

- AXSB reported in-line PAT at INR60.7b (up 4% YoY/3.5% QoQ) in 3QFY24, driven by healthy other income, which was partly offset by an increase in provisions due to AIF-related provisioning.
- NIMs moderated 10bp QoQ to 4.01%. The management has suggested that funding costs will continue to inch up over the next two quarters.
- Loan growth was healthy at 22% YoY/3.9% QoQ, while deposit growth was robust at 5% QoQ. The C/D ratio moderated 110bp QoQ to 92.8%.
- Fresh slippages increased to INR37.2b, whereas healthy recoveries led to a decline in the GNPA ratio. The restructured book was under control at 0.18%.
- **We cut our FY25E EPS by ~8% considering an increase in costs and margin pressures. Moreover, with a high CD ratio being of ~93%, we estimate AXSB to deliver a 15.7% CAGR in loans over FY24-26E, slower than peers'.**
- **Accordingly, we estimate FY25 RoA/RoE of 1.7%/17.4%. We downgrade our rating on AXSB to Neutral with a revised TP of INR1,175 (1.8x Sep'25E ABV).**

### Deposit growth accelerates; NIMs decline 10bp QoQ

- AXSB's 3QFY24 PAT grew 3.5% QoQ to INR60.7b (in line), aided by healthy other income and credit growth, partly offset by higher provisions due to AIF-related provisioning.
- NII grew modestly by 9% YoY (1.8% QoQ) to INR125.3b. Reported margins declined 10bp QoQ to 4.01% due to an increase in funding costs. Fee income grew 26% YoY/4.2% QoQ, while treasury gains supported other income growth at 10.3% QoQ (5% above our estimate).
- Opex grew 31% YoY/3% QoQ (in line), owing to continued investments in digital and technology, employee increments, and expenses related to Citi's integration. While the C/I ratio moderated to 49.5% in 3QFY24, the cost-to-assets ratio continued to inch up. PPop grew 5.9% QoQ to INR91.4b (in line). Bank suggested continuing investing in the business drawing benefits from controlled credit cost.
- Loan book grew 22% YoY/3.9% QoQ, with Retail/corporate loans up 5.3%/1.3% QoQ and SME loans growing at a faster rate at 26% YoY/4.2% QoQ. Deposit growth gathered pace at 18.5% YoY/5% QoQ, led by faster growth in non-retail TDs at 21.3% QoQ. The CASA ratio moderated 200bp QoQ to 42%.
- On the asset quality front, fresh slippages inched up to INR37.2b (vs. INR32.5b in 2QFY24). The GNPA ratio improved by 15bp QoQ to 1.58%, while the net NPA ratio remained stable at 0.36%. PCR declined to 77.8%. Restructured loans edged lower to 0.18% of net advances.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Highlights from the management commentary**

- The bank has made full provisions for its entire AIF investments of INR1.82b (46% in government-related securities).
- The bank has maintained its guidance of 400-600bp differential between bank and industry growth over the medium term.
- AXSB expects deposit repricing to continue until 1QFY24 but the pace of increase will reduce.
- It expects recoveries and upgrades to decline and credit costs to move up going forward. The bank has no plans to raise capital in the near term.

**Valuation and view**

AXSB delivered in-line earnings in 3QFY24, characterized by a recovery in business growth. However, NIMs moderated 10bp QoQ. Provisions were high partly due to AIF-related provisioning, though overall asset quality remained healthy. We will keep an eye on near-term growth as an elevated CD ratio will constrain credit growth, while continued re-pricing of deposits will likely exert pressure on margins in the coming quarters. The bank has healthy LCR of 118% as it maintains industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be watched over the coming quarters. The bank has reiterated its guidance of growing by 400-600bp higher than the system over the medium term. AXSB has also suggested that it will continue to invest in the business, taking advantage of controlled credit costs. This will keep cost/asset ratios elevated, much higher than the earlier guidance of reaching ~2% cost/assets by the end of FY25. **We cut our FY25 EPS estimates by 8% considering an increase in costs and margin pressures. We, thus, estimate FY25 RoA/RoE of 1.7%/17.4%. Accordingly, we downgrade our rating to Neutral with a revised TP of INR1,175 (1.8x Sep'25E ABV).**

**Quarterly performance****(INR b)**

	FY23				FY24E				FY23	FY24E	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Interest Income</b>	<b>93.8</b>	<b>103.6</b>	<b>114.6</b>	<b>117.4</b>	<b>119.6</b>	<b>123.1</b>	<b>125.3</b>	<b>128.6</b>	<b>429.5</b>	<b>496.6</b>	<b>127.1</b>	<b>-1%</b>
% Change (Y-o-Y)	20.9	31.1	32.4	33.1	27.4	18.9	9.4	9.5	29.6	15.6	10.9	
Other Income	30.0	39.4	46.7	49.0	50.9	50.3	55.5	57.7	165.0	214.5	53.0	5%
<b>Total Income</b>	<b>123.8</b>	<b>143.0</b>	<b>161.2</b>	<b>166.4</b>	<b>170.5</b>	<b>173.5</b>	<b>180.9</b>	<b>186.3</b>	<b>594.5</b>	<b>711.1</b>	<b>180.1</b>	<b>0%</b>
Operating Expenses	65.0	65.9	68.5	74.7	82.3	87.2	89.5	92.8	273.0	351.7	89.3	0%
<b>Operating Profit</b>	<b>58.9</b>	<b>77.2</b>	<b>92.8</b>	<b>91.7</b>	<b>88.1</b>	<b>86.3</b>	<b>91.4</b>	<b>93.5</b>	<b>321.4</b>	<b>359.4</b>	<b>90.8</b>	<b>1%</b>
% Change (Y-o-Y)	-4.8	30.2	50.6	41.8	49.7	11.9	-1.5	2.0	29.9	11.8	-2.1	
Provisions	3.6	5.5	14.4	3.1	10.3	8.1	10.3	8.2	28.8	37.0	9.5	8%
<b>Profit before Tax</b>	<b>55.3</b>	<b>71.7</b>	<b>78.4</b>	<b>88.6</b>	<b>77.8</b>	<b>78.2</b>	<b>81.1</b>	<b>85.3</b>	<b>292.6</b>	<b>322.4</b>	<b>81.3</b>	<b>0%</b>
Tax	14.0	18.4	19.9	22.4	19.8	19.5	20.4	21.5	73.3	81.3	20.5	0%
<b>Net Profits</b>	<b>41.3</b>	<b>53.3</b>	<b>58.5</b>	<b>66.3</b>	<b>58.0</b>	<b>58.6</b>	<b>60.7</b>	<b>63.9</b>	<b>219.3</b>	<b>241.2</b>	<b>60.8</b>	
% Change (Y-o-Y)	91.0	70.1	61.9	60.9	40.5	10.0	3.7	-3.6	68.4	10.0	3.9	
<b>Operating Parameters</b>												
Deposit (INR t)	8.0	8.1	8.5	9.5	9.4	9.6	10.0	10.8	9.5	10.8	10.1	0%
Loan (INR t)	7.0	7.3	7.6	8.5	8.6	9.0	9.3	9.8	8.5	9.8	9.3	0%
Deposit Growth (%)	12.6	10.1	9.9	15.2	17.2	17.9	18.5	13.8	15.2	13.8	18.5	
Loan Growth (%)	14.0	17.6	14.6	19.4	22.4	22.8	22.3	15.6	19.4	15.6	22.5	
<b>Asset Quality</b>												
Gross NPA (%)	2.8	2.5	2.4	2.0	2.0	1.7	1.6	1.6	2.2	1.6	1.7	
Net NPA (%)	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	
PCR (%)	77.3	79.9	80.8	80.9	79.6	79.5	77.8	78.5	80.0	78.5	79.7	

## Quarterly snapshot

INR b	FY23				FY24			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Profit and Loss</b>									
<b>Interest Income</b>	<b>187.3</b>	<b>202.4</b>	<b>222.3</b>	<b>239.7</b>	<b>255.6</b>	<b>266.3</b>	<b>279.6</b>	<b>26</b>	<b>5</b>
Loans	138.9	152.6	170.9	183.1	201.3	212.6	223.6	31	5
Investment	42.8	44.8	45.8	48.3	47.8	48.0	50.9	11	6
<b>Interest Expenses</b>	<b>93.4</b>	<b>98.8</b>	<b>107.7</b>	<b>122.3</b>	<b>136.0</b>	<b>143.1</b>	<b>154.3</b>	<b>43</b>	<b>8</b>
<b>Net Interest Income</b>	<b>93.8</b>	<b>103.6</b>	<b>114.6</b>	<b>117.4</b>	<b>119.6</b>	<b>123.1</b>	<b>125.3</b>	<b>9</b>	<b>2</b>
<b>Other Income</b>	<b>30.0</b>	<b>39.4</b>	<b>46.7</b>	<b>49.0</b>	<b>50.9</b>	<b>50.3</b>	<b>55.5</b>	<b>19</b>	<b>10</b>
Trading profits	-6.7	-0.9	4.3	0.8	5.2	-1.0	2.9	-32	-388
Fee Income	35.8	38.6	41.0	46.8	44.9	49.6	51.7	26	4
<b>Total Income</b>	<b>123.8</b>	<b>143.0</b>	<b>161.2</b>	<b>166.4</b>	<b>170.5</b>	<b>173.5</b>	<b>180.9</b>	<b>12</b>	<b>4</b>
<b>Operating Expenses</b>	<b>65.0</b>	<b>65.9</b>	<b>68.5</b>	<b>74.7</b>	<b>82.3</b>	<b>87.2</b>	<b>89.5</b>	<b>31</b>	<b>3</b>
Employee	21.9	21.7	22.8	21.6	26.9	26.1	27.1	19	4
Others	43.1	44.2	45.7	53.1	55.4	61.1	62.3	37	2
<b>Operating Profits</b>	<b>58.9</b>	<b>77.2</b>	<b>92.8</b>	<b>91.7</b>	<b>88.1</b>	<b>86.3</b>	<b>91.4</b>	<b>-1</b>	<b>6</b>
<b>Core Operating Profits</b>	<b>65.5</b>	<b>78.0</b>	<b>88.5</b>	<b>90.8</b>	<b>83.0</b>	<b>87.3</b>	<b>88.5</b>	<b>0</b>	<b>1</b>
Provisions	3.6	5.5	14.4	3.1	10.3	8.1	10.3	-28	26
<b>PBT</b>	<b>55.3</b>	<b>71.7</b>	<b>78.4</b>	<b>88.6</b>	<b>77.8</b>	<b>78.2</b>	<b>81.1</b>	<b>3</b>	<b>4</b>
Taxes	14.0	18.4	19.9	22.4	19.8	19.5	20.4	3	5
<b>PAT</b>	<b>41.3</b>	<b>53.3</b>	<b>58.5</b>	<b>66.3</b>	<b>58.0</b>	<b>58.6</b>	<b>60.7</b>	<b>4</b>	<b>4</b>
<b>Balance Sheet (INR t)</b>									
Deposit	8.0	8.1	8.5	9.5	9.4	9.6	10.0	18	5
Loans	7.0	7.3	7.6	8.5	8.6	9.0	9.3	22	4
<b>Asset Quality (INR b)</b>									
GNPA	210.4	198.9	199.6	186.0	181.6	167.6	158.9	-20	-5
NNPA	47.8	40.0	38.3	35.6	37.0	34.4	35.3	-8	2
Slippages	36.8	33.8	38.1	33.8	39.9	32.5	37.2	-2	14
<b>Ratios</b>									
<b>Asset Quality Ratios (%)</b>									
GNPA	2.8	2.5	2.4	2.0	2.0	1.7	1.6	-80	-15
NNPA	0.6	0.5	0.5	0.4	0.4	0.4	0.4	-11	0
PCR (Calculated)	77.3	79.9	80.8	80.9	79.6	79.5	77.8	-300	-165
PCR (Reported)	92.0	93.0	93.0	94.0	93.0	94.0	94.0	100	0
Slippage Ratio	2.2	2.0	2.1	1.7	2.0	1.6	1.8	-38	16
Credit Cost	0.2	0.4	0.8	0.1	0.5	0.5	0.3	-43	-17
<b>Business Ratios (%)</b>									
Fees to Total Income	28.9	27.0	25.4	28.1	26.3	28.6	28.6	315	-2
Cost to Core Income	50.1	46.3	44.0	45.5	50.1	50.5	50.5	653	8
Tax Rate	25.4	25.6	25.3	25.2	25.5	25.0	25.2	-17	17
CASA (Calculated)	43.7	46.2	44.5	47.2	45.5	44.4	42.1	-239	-222
Loan/Deposit	87.3	90.1	89.8	89.3	91.2	93.9	92.8	293	-113
<b>Profitability Ratios (%)</b>									
Yield on loans	8.4	9.0	9.6	9.4	10.3	10.4	10.6	98	12
Yield On Investments	6.4	6.7	6.4	6.9	6.6	6.6	6.6	21	5
Yield on Funds	8.0	8.4	8.7	8.8	9.4	9.5	9.5	74	-2
Cost of funds	3.9	4.1	4.3	4.8	5.0	5.2	5.4	101	18
Margins	3.6	4.0	4.3	4.2	4.1	4.1	4.0	-25	-10
RoA	1.4	1.8	1.9	2.1	1.8	1.8	1.8	-17	-1
RoE	15.1	18.5	19.3	21.1	19.2	18.3	18.1	-127	-23
<b>Loan Mix (%)</b>									
Large/mid corp.	30.9	31.4	33.2	31.7	31.8	31.4	30.6	-265	-79
SME	10.3	10.7	10.4	10.6	10.2	10.7	10.7	32	3
Retail Advances	58.9	57.9	56.3	57.7	58.0	57.9	58.7	233	76
<b>Other Details</b>									
Branches	4,759	4,760	4,849	4,903	4,945	5,152	5,252	403	100
ATM	10,161	16,043	15,674	15,953	15,798	15,806	15,931	257	125



## Highlights from the management commentary

### Business performance, balance sheet and P&L

- Retail term deposits continued to grow at ~17%. 1.47m retail term deposits acquired in 3QFY24.
- The bank has gained incremental market share of 6.7% in the last three years.
- AXSB added 100 branches in 3QFY24, taking the total branch count to 5,252.
- It has made full provisions for its entire AIF investments of INR1.82b (46% in government-related securities).
- The bank has not utilized its Covid provisions during the quarter.
- The share of low-yielding RIDF bonds declined to 1.8% as a % of total assets.
- Nearly 60% of incremental deposits came from non-retail term deposits.
- Subsidiaries contributed 9bp to consolidated RoA and 54bp to consolidated RoE.
- Bulk deposit prices are inching up as system liquidity remains tight, and the bank expects this to continue.
- In wholesale banking as well, the bank has launched Axis Neo cards in the current quarter. Sparsh is embedded across customer touchpoints, processes, and metrics.
- Integration expenses contributed 4% to YoY growth in opex and accounted for 13% of total opex.
- The bank has no intention of raising capital in the near term.
- It has launched a new digital savings account proposition, which provides spending-based rewards with a nominal fee.
- About 93% of fees are granular. The fee-to-total assets ratio stood at 1.5% in 3QFY24.
- Unsecured disbursements were 22% of retail disbursements in 3Q. 75% of retail book is secured in nature.
- ETB mix in retail portfolio: Personal loan-81%, LAP-76%, Auto loan-65%, credit card-52%, SBB-39% in 3QFY24.
- MSME remains a key segment of the bank, which grew 26% YoY (4.2% QoQ). The Retail book grew 27.4%.
- The loans, which are linked to the repo rate, grew at a healthy pace, as a majority of retail, all of SME book, and some part of corporate book are repo linked. About 69% of loans are floating rate.
- On incremental disbursements of personal loans, the bank has increased its prices, taking into account the RBI regulation on risk weights.
- The bank will continue to invest in the franchise, which will increase the cost.
- Fee income grew 29% YoY to INR51.7b. About 72% of the bank's fee income is retail fees.
- Salaried customers account for 100% of PL and 78% of Credit Cards portfolio.
- In 9MFY24, around 33% of credit cards were acquired through the known-to-bank (KTB) channel.
- The CD ratio stood at 92.8% in 3QFY24 vs. 93.9% in 2QFY24.
- About 77% of the book is rated SME3 or better.
- Technology-related expenses formed 9% of total operating expenses in 3QFY24.
- Treasury gains stood at INR2.9b in 3QFY24 due to a reversal of MTM book and a good performance in trading.

- 14% period-end market share for credit cards in force and 11.9% spends market share in 3QFY24.

### Asset quality

- The GNPA ratio improved by 15bp QoQ to 1.58%, while the net NPA ratio stood stable at 0.4%. PCR moderated 165bp QoQ to 77.8%.
- RWA to total assets increased to 71%. There has been a 370bp impact of regulatory changes in risk weights.
- Fresh slippages came in at INR37.2b (vs. INR32.5b in 2QFY24). Recoveries from written-off accounts amounted to INR6.35b in 3QFY24.
- 3QFY24 net credit costs (annualized) stood at 28bp, aided by higher recoveries. Gross credit, which stood at 54bp, should be monitored.
- Restructured loans stood at 0.16%. The bank carries 20% provisioning on these loans.

### Guidance

- The bank expects LCR ratio to be around 115-120% going forward.
- It expects credit growth to taper down and deposit growth to be constrained going forward.
- AXSB has maintained its guidance of 400-600bp differential between bank and industry growth over the medium term.
- The bank expects deposit repricing to continue through FY24, but the pace of increase will reduce. Deposit repricing also to spill into 1QFY25.
- The bank expects recoveries and upgrades to decline and credit costs to move up going forward.

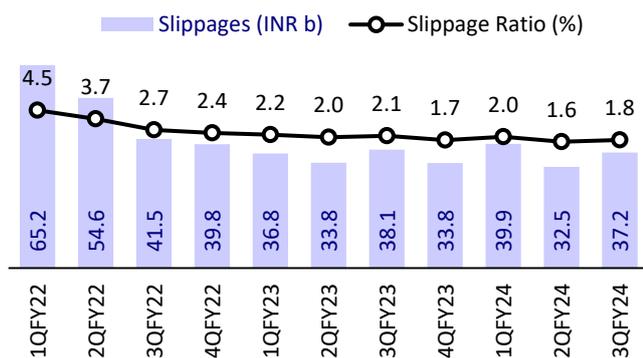
### Subsidiaries' performance

- **Axis Finance:** It has been investing in building a strong customer-focused franchise. Its overall assets under finance grew 38% YoY. Retail book grew 45% YoY and constituted 44% of total loans.
- **Axis AMC:** Quarterly average AUM grew 6% YoY to INR2.6t. 9MFY24 PAT stood at INR2.97b.
- **Axis Capital:** It completed 71 investment banking transactions in 9MFY24.
- **Axis Securities:** In 9MFY24, broking revenue grew 42% YoY to INR7.57b and PAT grew 31% YoY to INR1.98b.

### PCR stood at ~78%; asset quality remains under control

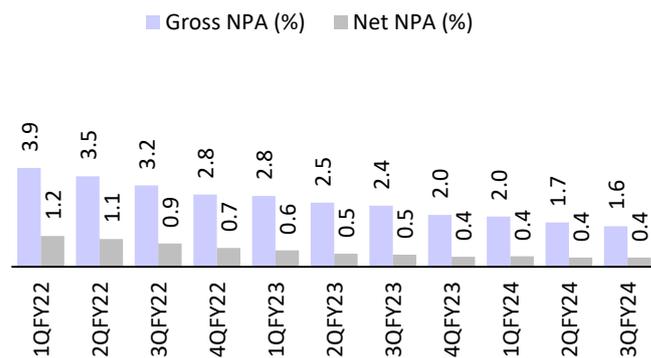
- Reported slippages moderated to INR37.2b in 3QFY24, while recoveries/upgrades stood at INR20b and write-offs amounted to INR25.9b.
- As a result, GNPA improved by 15bp QoQ to 1.58%, while Net NPA remained flat at 0.36%. PCR was healthy and stable at 78%. 3QFY24 net credit costs (annualized) stood at 0.30%.
- The funded/non-funded BB and below pool increased sharply to INR34.3b/INR13.3b. Additionally, BB and below rated investments amounted to INR6.7b.
- Overall, implemented restructuring declined to INR16.4b (0.18% of net advances). The bank is carrying a provision of ~21% of the restructured book and holds total additional provisions (standard + other than NPAs) of INR120b/ 1.3% of loans.

**Exhibit 1: Slippage ratio stood at 1.8%**



Source: MOFSL, Company

**Exhibit 2: GNPA/NNPA ratio stood at 1.6%/0.4% in 3QFY24**



Source: MOFSL, Company

**Loan book grew ~22% YoY; deposits growth accelerates on the back of bulk TDs**

- Loan book grew 22% YoY and 3.9% QoQ, with Retail loans up 27% YoY/ 5.2% QoQ and commercial loans up 16% YoY/2.0% QoQ. Retail makes up ~58.7% of total loans. Retail disbursements saw healthy traction across segments.
- Within Retail loans, LAP grew at an accelerated pace of 8.8% QoQ, while cards grew 11.5% QoQ and PL grew 28.4% YoY/6.4% QoQ. Business banking grew 39% YoY/4.3% QoQ.
- Growth in the corporate portfolio was muted at 13% YoY (up 1.3% QoQ), while growth in SME book was 26% YoY (up 4.2% QoQ). Around 89% of AXSB’s corporate book is now rated A- and above, with 88% of incremental sanctions in 9MFY24 being made to corporates rated A- and above.
- Deposits grew ~18% YoY (up 5.2% QoQ), with CASA deposits up 12% YoY (flat QoQ). Non-retail TDs drive up overall growth (21.3%). As a result, the CASA ratio further declined to 42%. CASA and Retail TDs now comprise of 75.9% of total deposits.

**Valuation and view**

- **Strengthening its retail franchise:** The bank has strengthened its retail business, with the share of retail loans improving to ~58.7% of total loans, led by home loans, PL, cards, and business banking. Salaried customers accounted for 100% of personal loans and 78% of credit card debt. On the liability side, the share of CASA and retail term deposits stood at ~75.9%, ensuring relatively stable funding costs.
- **Downgrade to Neutral with a TP of INR1,175:** AXSB delivered in-line earnings in 3QFY24, characterized by a recovery in business growth. However, NIMs moderated 10bp QoQ. Provisions were high partly due to AIF-related provisioning, though overall asset quality remained healthy. We will keep an eye on near-term growth as a high CD ratio will constrain credit growth, while continued re-pricing of deposits will likely exert pressure on margins over the coming quarters. The bank has healthy LCR of 118% as it maintains industry-best outflow rates; however, the impact of a surge in non-retail deposits will need to be watched in the coming quarters. The bank has reiterated its guidance to grow 400-600bp higher than the system over the medium term. AXSB has suggested that it will continue to invest in business, taking advantage of

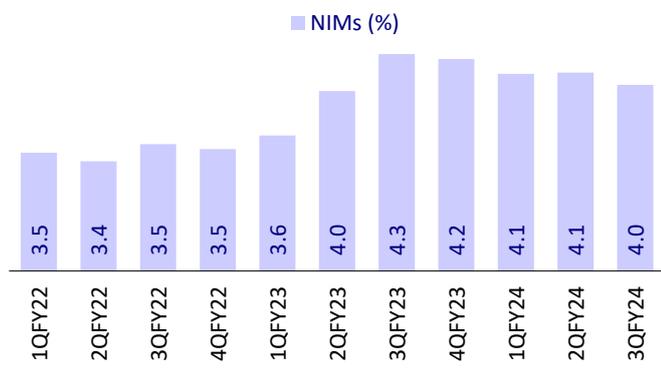
controlled credit cost. This will keep cost/asset ratios elevated, much higher than the earlier guidance of reaching ~2% by end of FY25. **We cut our FY25E EPS by 8% considering an increase in costs and margin pressures. We, thus, estimate FY25 RoA/RoE of 1.7%/17.4%. We downgrade our rating to Neutral with a revised TP of INR1,175 (1.8x Sep'25E ABV).**

**Exhibit 3: SoTP-based pricing**

Name	Stake	Attributed Value (INR b)	Value per Share	% of total value	Rationale
<b>Axis Bank</b>	<b>100</b>	<b>3,304.6</b>	<b>1,074</b>	<b>91.4</b>	<b>1.7x P/ABV FY25E</b>
Axis Finance	100	103.6	34	2.9	2.0x Network Sep'25E
Axis Capital	100	38.3	12	1.1	15x Sep'25E PAT
Axis Securities	100	55.7	18	1.5	15x Sep'25E PAT
Axis Mutual Fund	75	135.1	44	3.7	28x Sep'25E PAT
Max Life Insurance	20	51.3	17	1.4	1.9x Sep'25E EV
<b>Total Value of Subs</b>		<b>383.9</b>	<b>125</b>	<b>10.6</b>	
Less: 20% holding disc		76.8	25	2.1	
<b>Value of Subs (Post Holding Disc)</b>		<b>307.1</b>	<b>100</b>	<b>8.5</b>	
<b>Target Price</b>		<b>3,611.7</b>	<b>1,175</b>		

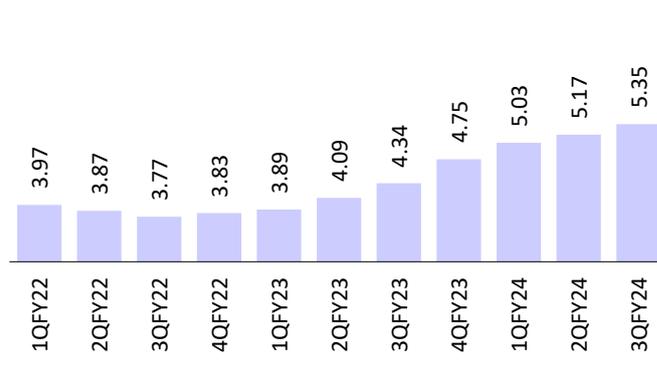
## Story in charts

**Exhibit 4: Margin contracted 10bp QoQ to 4.01%**



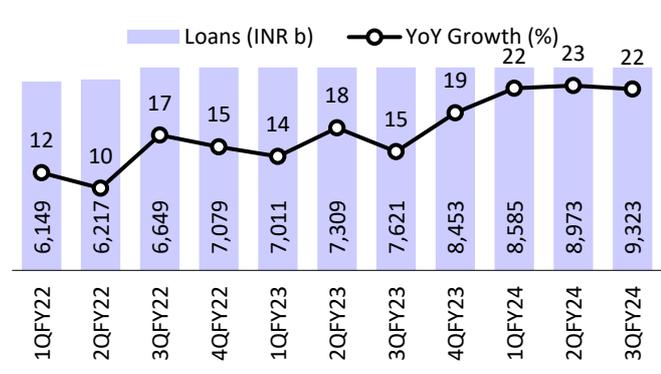
Source: MOFSL, Company

**Exhibit 5: Cost of funds rose 18bp QoQ to 5.35%**



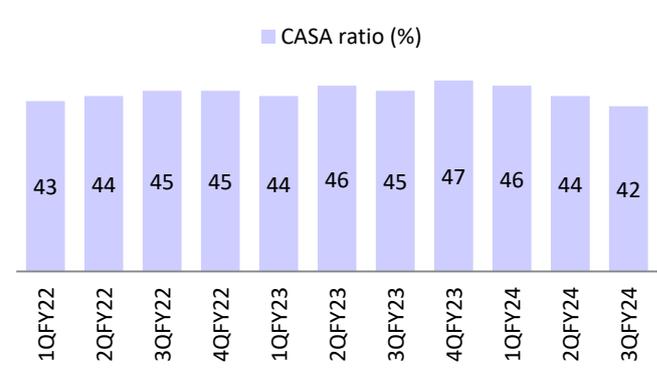
Source: MOFSL, Company

**Exhibit 6: Loan book up 22% YoY to INR9.3t**



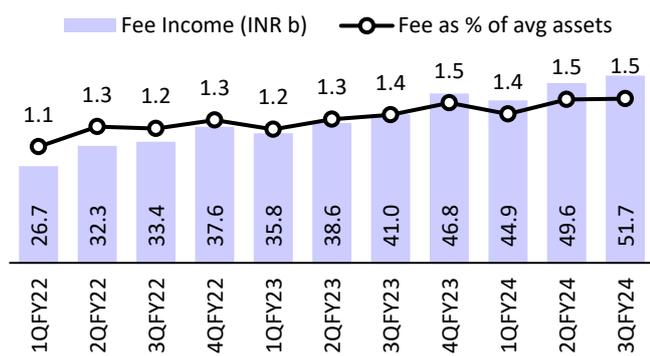
Source: MOFSL, Company

**Exhibit 7: CASA ratio moderated to 42% in 3QFY24**



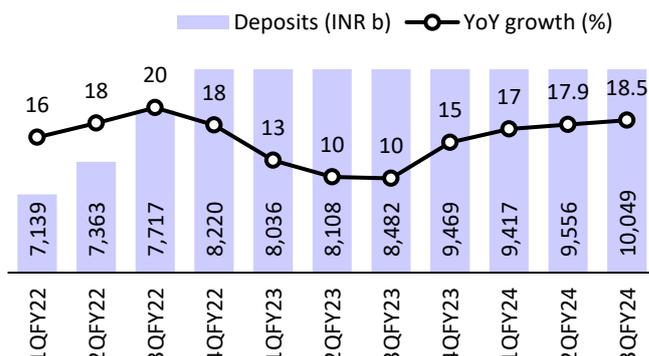
Source: MOFSL, Company

**Exhibit 8: Fee income as % of assets stood at 1.5%**



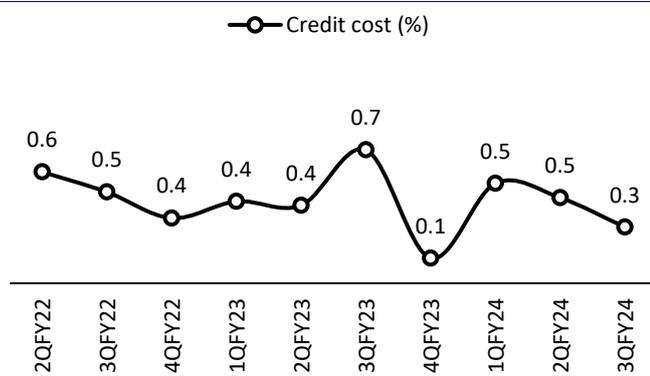
Source: MOFSL, Company

**Exhibit 9: Deposit grew 18.5% YoY to INR10t**



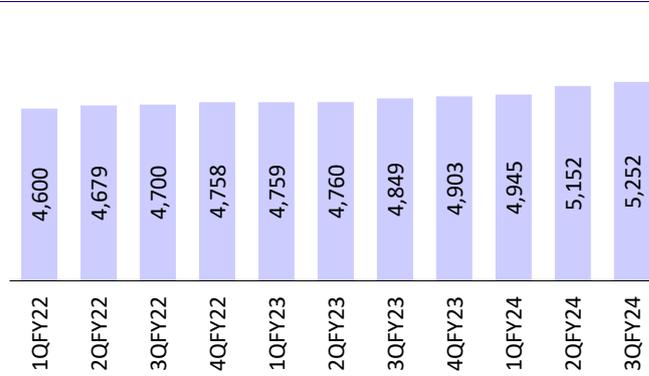
Source: MOFSL, Company

**Exhibit 10: Core credit costs stood at 0.3%**



Source: MOFSL, Company

**Exhibit 11: Total number of branches stood at 5,252**



Source: MOFSL, Company

**Exhibit 12: DuPont Analysis: Return ratios to see a flattish trend**

Y/E MARCH	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	7.30	6.66	6.23	6.83	8.04	8.04	7.94
Interest Expense	4.36	3.59	3.17	3.39	4.49	4.53	4.40
<b>Net Interest Income</b>	<b>2.94</b>	<b>3.07</b>	<b>3.06</b>	<b>3.45</b>	<b>3.54</b>	<b>3.51</b>	<b>3.54</b>
Fee income	1.56	1.19	1.28	1.35	1.55	1.61	1.65
Trading and others	0.25	0.10	0.13	-0.02	-0.02	-0.02	-0.03
<b>Non-Interest income</b>	<b>1.81</b>	<b>1.29</b>	<b>1.41</b>	<b>1.32</b>	<b>1.53</b>	<b>1.59</b>	<b>1.62</b>
<b>Total Income</b>	<b>4.75</b>	<b>4.36</b>	<b>4.47</b>	<b>4.77</b>	<b>5.08</b>	<b>5.10</b>	<b>5.16</b>
<b>Operating Expenses</b>	<b>2.02</b>	<b>1.93</b>	<b>2.18</b>	<b>2.19</b>	<b>2.51</b>	<b>2.49</b>	<b>2.44</b>
Employee cost	0.62	0.65	0.70	0.70	0.77	0.76	0.75
Others	1.40	1.28	1.48	1.49	1.74	1.72	1.70
<b>Operating Profit</b>	<b>2.73</b>	<b>2.43</b>	<b>2.29</b>	<b>2.58</b>	<b>2.57</b>	<b>2.61</b>	<b>2.72</b>
<b>Core Operating Profit</b>	<b>2.48</b>	<b>2.33</b>	<b>2.16</b>	<b>2.60</b>	<b>2.59</b>	<b>2.64</b>	<b>2.74</b>
<b>Provisions</b>	<b>2.16</b>	<b>1.51</b>	<b>0.68</b>	<b>0.23</b>	<b>0.26</b>	<b>0.29</b>	<b>0.31</b>
NPA	1.49	1.15	0.48	0.27	0.25	0.26	0.29
Others	0.67	0.35	0.20	-0.04	0.01	0.02	0.03
<b>PBT</b>	<b>0.57</b>	<b>0.93</b>	<b>1.61</b>	<b>2.35</b>	<b>2.30</b>	<b>2.32</b>	<b>2.40</b>
Tax	0.38	0.23	0.40	0.59	0.58	0.59	0.61
<b>RoA</b>	<b>0.19</b>	<b>0.69</b>	<b>1.20</b>	<b>1.76</b>	<b>1.72</b>	<b>1.74</b>	<b>1.80</b>
Leverage (x)	11.3	10.2	10.0	10.4	10.3	10.0	9.8
<b>RoE</b>	<b>2.1</b>	<b>7.1</b>	<b>12.0</b>	<b>18.3</b>	<b>17.7</b>	<b>17.4</b>	<b>17.6</b>

## Financials and valuations

Income Statement							(INRb)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	626.4	633.5	673.8	851.6	1,126.0	1,283.5	1,462.4
Interest Expense	374.3	341.1	342.4	422.2	629.4	723.1	810.8
<b>Net Interest Income</b>	<b>252.1</b>	<b>292.4</b>	<b>331.3</b>	<b>429.5</b>	<b>496.6</b>	<b>560.4</b>	<b>651.6</b>
Growth (%)	16.1	16.0	13.3	29.6	15.6	12.8	16.3
Non-Interest Income	155.4	122.6	152.2	165.0	214.5	253.1	298.7
<b>Total Income</b>	<b>407.4</b>	<b>415.0</b>	<b>483.5</b>	<b>594.5</b>	<b>711.1</b>	<b>813.5</b>	<b>950.2</b>
Growth (%)	16.9	1.9	16.5	22.9	19.6	14.4	16.8
Operating Expenses	173.0	183.8	236.1	273.0	351.7	396.7	449.8
<b>Pre Provision Profits</b>	<b>234.4</b>	<b>231.3</b>	<b>247.4</b>	<b>321.4</b>	<b>359.4</b>	<b>416.8</b>	<b>500.4</b>
Growth (%)	23.3	(1.3)	7.0	29.9	11.8	16.0	20.1
<b>Core PPOp</b>	<b>212.7</b>	<b>221.5</b>	<b>233.6</b>	<b>324.2</b>	<b>362.7</b>	<b>420.8</b>	<b>505.2</b>
Growth (%)	16.5	4.2	5.5	38.8	11.9	16.0	20.1
Provisions	185.3	143.2	73.6	28.8	37.0	46.0	57.9
<b>PBT</b>	<b>49.0</b>	<b>88.1</b>	<b>173.8</b>	<b>292.6</b>	<b>322.4</b>	<b>370.8</b>	<b>442.5</b>
Tax	32.8	22.2	43.6	73.3	81.3	93.4	111.5
Tax Rate (%)	66.8	25.2	25.1	25.0	25.2	25.2	25.2
Extraordinary expense	-	-	-	123.5	-	-	-
<b>PAT</b>	<b>16.3</b>	<b>65.9</b>	<b>130.3</b>	<b>95.8</b>	<b>241.2</b>	<b>277.4</b>	<b>331.0</b>
Growth (%)	(65.2)	304.9	97.7	(26.5)	151.8	15.0	19.3

### Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	5.6	6.1	6.1	6.2	6.2	6.2	6.2
Reserves & Surplus	843.8	1,009.9	1,144.1	1,243.8	1,463.7	1,716.3	2,022.6
<b>Net Worth</b>	<b>849.5</b>	<b>1,016.0</b>	<b>1,150.3</b>	<b>1,249.9</b>	<b>1,469.9</b>	<b>1,722.5</b>	<b>2,028.7</b>
<b>Deposits</b>	<b>6,401.0</b>	<b>6,979.9</b>	<b>8,219.7</b>	<b>9,469.5</b>	<b>10,776.2</b>	<b>12,662.1</b>	<b>14,941.3</b>
Growth (%)	16.7	9.0	17.8	15.2	13.8	17.5	18.0
<b>of which CASA Dep</b>	<b>2,637.1</b>	<b>3,177.5</b>	<b>3,700.1</b>	<b>4,465.4</b>	<b>4,623.0</b>	<b>5,584.0</b>	<b>6,723.6</b>
Growth (%)	8.3	20.5	16.4	20.7	3.5	20.8	20.4
Borrowings	1,479.5	1,428.7	1,851.3	1,863.0	1,957.7	1,996.1	2,013.3
Other Liabilities & Prov.	421.6	443.4	531.5	586.6	645.3	696.9	752.7
<b>Total Liabilities</b>	<b>9,151.6</b>	<b>9,868.0</b>	<b>11,752.8</b>	<b>13,169.0</b>	<b>14,849.1</b>	<b>17,077.6</b>	<b>19,735.9</b>
Current Assets	972.7	617.3	1,109.9	1,064.1	1,044.2	1,172.7	1,373.3
<b>Investments</b>	<b>1,567.3</b>	<b>2,261.2</b>	<b>2,756.0</b>	<b>2,888.1</b>	<b>3,292.5</b>	<b>3,819.3</b>	<b>4,430.4</b>
Growth (%)	-10.4	44.3	21.9	4.8	14.0	16.0	16.0
<b>Loans</b>	<b>5,714.2</b>	<b>6,144.0</b>	<b>7,079.5</b>	<b>8,453.0</b>	<b>9,771.7</b>	<b>11,305.9</b>	<b>13,114.8</b>
Growth (%)	15.5	7.5	15.2	19.4	15.6	15.7	16.0
Fixed Assets	43.1	42.5	45.7	47.3	56.8	62.5	68.7
Other Assets	854.3	803.0	763.3	720.6	683.9	717.3	748.7
<b>Total Assets</b>	<b>9,151.6</b>	<b>9,868.0</b>	<b>11,754.3</b>	<b>13,173.3</b>	<b>14,849.1</b>	<b>17,077.6</b>	<b>19,735.9</b>

Asset Quality	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
GNPA	302.3	253.1	218.2	186.0	162.4	196.2	232.5
NNPA	93.6	70.6	56.1	37.2	34.8	41.4	49.5
Slippages	199.2	172.5	201.1	146.5	154.9	189.7	224.7
GNPA Ratio	5.1	4.0	3.0	2.2	1.6	1.7	1.7
NNPA Ratio	1.6	1.1	0.8	0.4	0.4	0.4	0.4
Slippage Ratio	3.7	2.9	3.0	1.9	1.7	1.8	1.8
Credit Cost	2.4	1.8	0.8	0.4	0.4	0.4	0.4
PCR (Excl Tech. write off)	69.0	72.1	74.3	80.0	78.5	78.9	78.7

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>8.0</b>	<b>7.3</b>	<b>6.7</b>	<b>7.3</b>	<b>8.5</b>	<b>8.4</b>	<b>8.3</b>
Avg. Yield on loans	9.1	8.0	7.5	8.3	9.8	9.6	9.4
Avg. Yield on Investments	6.9	6.7	5.9	6.5	6.8	6.8	6.9
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.0</b>	<b>4.2</b>	<b>3.7</b>	<b>3.9</b>	<b>5.2</b>	<b>5.3</b>	<b>5.1</b>
Avg. Cost of Deposits	4.9	4.0	3.5	3.6	4.9	5.0	4.9
Avg. Cost of Borrowings	5.4	5.2	4.6	5.6	7.2	7.0	6.9
<b>Interest Spread</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>	<b>3.3</b>	<b>3.3</b>	<b>3.2</b>	<b>3.2</b>
<b>Net Interest Margin</b>	<b>3.2</b>	<b>3.4</b>	<b>3.3</b>	<b>3.7</b>	<b>3.8</b>	<b>3.7</b>	<b>3.7</b>

### Capitalisation Ratios (%)

CAR	17.6	19.2	18.5	17.6	17.3	16.8	16.4
Tier I	14.6	16.6	16.4	14.6	14.7	14.6	14.6
Tier II	3.0	2.6	2.1	3.1	2.5	2.2	1.8
CET-1	13.3	15.4	15.2	14.0			

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	89.3	88.0	86.1	89.3	90.7	89.3	87.8
CASA Ratio	41.2	45.5	45.0	47.2	42.9	44.1	45.0
Cost/Avg Assets	2.0	1.9	2.2	2.2	2.5	2.5	2.4
Cost/Total Income	42.5	44.3	48.8	45.9	49.5	48.8	47.3
Cost/Core Income	44.9	45.3	50.3	45.7	49.2	48.5	47.1
Int. Expense/Int.Income	59.8	53.8	50.8	49.6	55.9	56.3	55.4
Fee Income/Total Income	28.9	23.4	24.7	25.2	26.6	27.5	27.8
Non Int. Inc./Total Income	38.1	29.5	31.5	27.8	30.2	31.1	31.4
Empl. Cost/Total Expense	30.7	33.5	32.2	32.1	30.6	30.7	30.6
Business per Employee (INR m)	163.4	167.6	178.3	195.0	205.1	217.5	235.8
Profit per Employee (INR m)	0.2	0.8	1.5	2.4	2.4	2.5	2.8
Investment/Deposit Ratio	24.5	32.4	33.5	30.5	30.6	30.2	29.7
G-Sec/Investment Ratio	80.4	81.5	81.6	78.9	78.9	78.9	78.9

### Profitability Ratios and Valuation

RoE	2.1	7.1	12.0	18.2	17.7	17.4	17.6
RoA	0.2	0.7	1.2	1.8	1.7	1.7	1.8
RoRWA	0.3	1.0	1.7	2.5	2.3	2.3	2.3
Book Value (INR)	301.1	331.6	375.2	406.2	477.7	559.8	659.4
Growth (%)	16.1	10.2	13.1	8.3	17.6	17.2	17.8
<b>Price-BV (x)</b>	<b>3.3</b>	<b>3.0</b>	<b>2.6</b>	<b>2.4</b>	<b>2.1</b>	<b>1.8</b>	<b>1.5</b>
Adjusted BV (INR)	269.7	308.0	354.1	388.2	460.0	540.2	637.5
<b>Price-ABV (x)</b>	<b>3.7</b>	<b>3.2</b>	<b>2.8</b>	<b>2.5</b>	<b>2.2</b>	<b>1.8</b>	<b>1.6</b>
EPS (INR)	6.0	22.4	42.5	71.4	78.4	90.1	107.6
Growth (%)	-66.9	271.0	89.7	68.0	9.8	15.0	19.3
<b>Price-Earnings (x)</b>	<b>163.9</b>	<b>44.2</b>	<b>23.3</b>	<b>13.9</b>	<b>12.6</b>	<b>11.0</b>	<b>9.2</b>
Dividend Per Share (INR)	1.0	0.0	1.0	1.0	6.9	8.1	8.1
<b>Dividend Yield (%)</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</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

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