Stock Note

IDBI Bank Ltd.

July 03, 2023

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IDBI Bank Ltd

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Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Private Bank	Rs.55.4	Buy in the range of Rs. 54.8 – 55.9 & add more on dips to Rs. 48.5 – 49.5 band	Rs.61	Rs.68	4-5 quarters

HDFC Scrip Code	IDBI
BSE Code	500116
NSE Code	INE008A01015
Bloomberg	IDBI IN
CMP June 30, 2023	55.4
Equity Capital (Rs Cr)	10752
Face Value (Rs)	10
Equity Share O/S (Cr)	1075.2
Market Cap (Rs Cr)	59,515
Adjusted Book Value (Rs)	41.8
Avg. 52 Week Volumes	1,29,82,570
52 Week High	62.0
52 Week Low	30.5

Share holding Pattern % (Mar, 2023)	
Promoters	94.72
Institutions	0.38
Non Institutions	4.90
Total	100

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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Our Take:

Industrial Development Bank of India Ltd (IDBI) was constituted by GoI under the Industrial Development Bank of India Act,1964, and was reconstituted as a banking company on October 1, 2004, to undertake commercial banking and development banking activities. The erstwhile IDBI Bank Ltd, IDBI's subsidiary, was merged with IDBI in 2005. In 2006, IDBI acquired United Western Bank.

Due to financial stress, the bank was bought under the PCA framework by the RBI in FY17. The RBI pushed some hard steps into the bank and as result its loan book displayed de-growth of 23% between FY17-21 and profitability collapsed on the back of huge provisioning for bad loans. These steps reaped benefits for the bank and now the loan book has grown by 19% in FY23 over FY22. In the past couple of years, the bank has displayed healthy deposit growth along with improvement in CASA ratio. Its asset quality has also improved during this tenure. The bank has a low credit-deposit ratio along with healthy liquidity which provides it the necessary platform to tap on increasing credit demand in the Indian economy going forward. Further, the Department of Investment & Public Asset Management (DIPAM) had released a Preliminary Information Memorandum (PIM) and invited Expression of Interest (EoI) from Interested Parties for sale of a 60.72% stake held by GoI (30.48%) and LIC (30.24%) out of the total 94.72% currently held by them.

We feel that the improved financial condition of the bank and the proposed disinvestment of Government's stake, provides an opportunity for a turnaround in the bank's story on the back of a potentially professional management taking charge.

Valuation & Recommendation:

The bank recently declared its results for Q4FY23, in which it reported total advances of Rs. 1,62,568 crores, up 19/10% YoY/QoQ. On the liability side, it reported a total deposit of Rs. 2,55,499 crores, growing by 10/19% YoY/QoQ. Out of these deposits, CASA balance stood at Rs. 1,35,455 crores, which is up 2/7% YoY/QoQ.

We have envisaged 16% CAGR in NII and 17% in net profit over FY23-25E, while the loan book is estimated to grow at 14% CAGR over same time frame. As the collection efficiencies have improved and economic activities have picked up momentum, the asset quality should improve further. ROAA is estimated to improve to 1.3% by FY25E. It could display steady improvement in return ratios driven by growing advances and contained slippages.

We feel that investors can buy the shares of IDBI Bank between Rs. 54.8 – 55.9 (1.15x FY25E ABV) add more on dips to Rs. 48.5 - 49.5 band (1.02x FY25E ABV). We expect the Base case fair value of Rs. 61 (1.27xFY25E ABV) and the Bull case fair value of Rs. 68 (1.42xFY25E ABV) over the next 4-5 quarters.

IDBI Financial Summary

	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
NII	3280	2420	35.5	2925	12.1	8554	9194	11461	13295	15546
PPP	2425	1513	60.3	2051	18.2	7164	7610	8804	10010	11635
PAT	1133	691	64.1	927	22.2	1449	2518	3687	4264	5018
EPS (Rs)						1.3	2.3	3.4	4.0	4.7
ABV						32.8	38.0	41.8	44.8	48.0
P/E (x)						41.1	23.6	16.1	14.0	11.9
P/ABV (x)						1.7	1.5	1.3	1.2	1.2
RoAA (%)						0.5	0.8	1.2	1.2	1.3
RoAE (%)						4.0	6.3	8.3	8.9	9.8

(Source: Company, HDFC sec)

Recent Developments

Q4FY23 result update

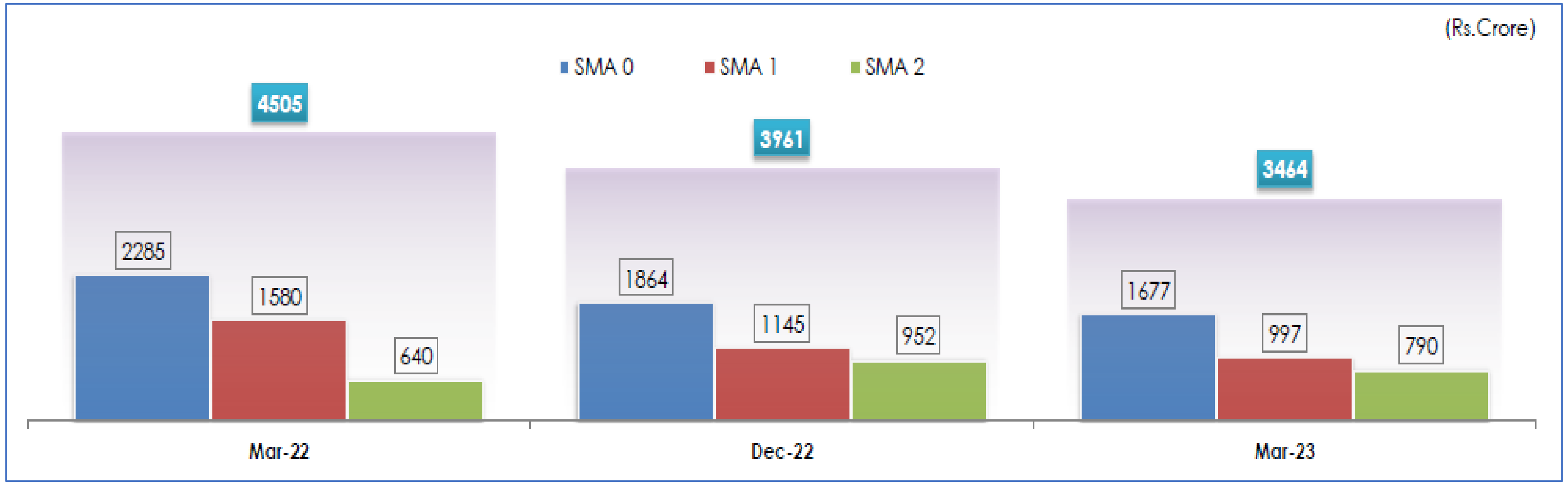
In the recent quarterly results, the bank has continued to show healthy business momentum. It reported total advances of Rs. 1,62,568 crores, up 19/10% YoY/QoQ. On the liability side, it reported a total deposit of Rs. 2,55,499 crores, growing by 10/19% YoY/QoQ. Out of these deposits, CASA balance stood at Rs. 1,35,455 crores, which is up 2/7% YoY/QoQ. The balance sheet remains well capitalized with total CRAR at 20.44%, Tier I at 18.08% and Tier II at 2.36% as at March, 2023. Further, as of March 2023, the bank has 1,928 branches and 3,334 ATMs.

Financial Performance

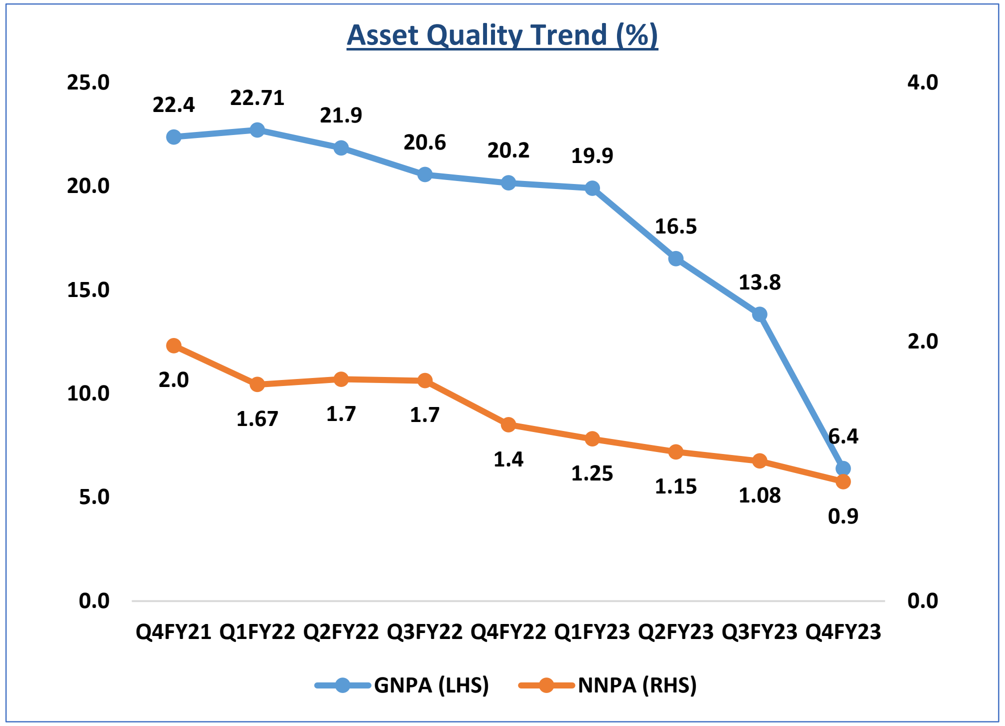
The Net Interest Income (NII) of the bank for Q4FY23 stood at Rs. 3,280 crores up 35.5/12.1% YoY/QoQ which was led by increase in the interest income of 25/9% YoY/QoQ. The Net Interest Margin (NIM) stood at 5.01% which is 104/42bps YoY/QoQ. The sequential growth was on account of increased lending rates and operational efficiencies. The bank reported other income of Rs. 1,288 crores, up 53/50% YoY/QoQ primarily driven by recoveries from written off accounts which stood at Rs. 568 crores (723/601% YoY/QoQ). On the expenses side, the total opex of the bank stood at Rs. 2,143 crores which was up 22/24% YoY/QoQ on account of large recruitment drive and investment in digital initiatives by the bank. The employee costs increased by 42/50% YoY/QoQ. All this led to a strong 60.3/18.2% YoY/QoQ rise in PPOP which stood at Rs. 2,425 crores. Bank reported credit charge/provisions of ~ Rs. 984 crores and tax provisions of Rs.308 crores which took the PAT to ~ Rs. 1,133 crores, up 64.1/22.2% YoY/QoQ. It reported a quarterly RoA at 1.43% v/s 1.22% in Q3FY23. Further, the bank reported RoE of 18.32% v/s 15.79% in Q3FY23. Cost to Net Income ratio stood at 46.91% which has improved by 115 bps on a sequential basis. Yield on advances stood at 10.45% up 49/73 bps YoY/QoQ. On the other hand, cost of funds stood at 3.96% up 27/14 bps YoY/QoQ.

Asset Quality

In terms of asset quality, GNPAs stood at Rs. 10,969 crores which is 6.38% of gross advances compared to 13.82% in Q3FY23 and 20.16% in Q4FY22, while NNPAs stood at Rs. 1,495 crores, being 0.92% of gross advances as compared to 1.08% in Q3FY23 and 1.36% in Q4FY22. The Provision Coverage Ratio was almost flat at 97.94% in Q4FY23. Further, it has totally provided for its loss assets and doubtfull-3 assets. In case of accounts filed and admitted by NCLT, the bank has a provision cover of 100%. There has been a constant downtrend in the balance reported under SMA 0,1 & 2. As of FY23, the bank has total provisions of Rs. 9,474 crores. The annualized slippage ratio stood at 1.69% v/s 2.11% in Q3FY23 and 2.19% in Q4FY22, on account of healthy recoveries, and write offs. During Q4FY23, the bank has written back provisions worth Rs. 5,469 crores while it created provisions on standard and restructured assets to the tune of Rs. 864 crores and Rs. 113 crores.



(Source: Company, HDFC Sec)



(Source: Company, HDFC Sec)

Management Guidance:

- The bank wishes to maintain its loan growth around 12-14% and a 35:65 corporate-retail mix in its loan book. It wants to achieve this growth via co-lending and geographical expansion and by tie ups with Fintechs to source personal, business and educational loans.
- It has targeted to achieve a 50% CASA ratio and thus keep its NIM above 3.5%.
- It wants to keep its credit costs below 0.4% while keeping the net slippages below 1.75%. It also wishes to maintain its PCR above 90% level.
- Target RoA/RoE are 1.2%/14% with a CRAR above 18%.
- It has set its recovery target at Rs. 2,000 crores and NNPA below 1%.
- It wants to maintain its cost to income ratio below 48% by increasing productivity and optimizing its operating expenses.

Subsidiary Business Update:
As of March, 2023, the bank has 5 subsidiaries and following is a summary of their operating performance in FY23:

- IDBI Capital Market & Securities Ltd.- This is a wholly owned subsidiary of the bank which is in the business of merchant banking and retail broking. During FY23, it earned a total income of Rs. 97 crores (down 8.5% YoY) and earned a PAT of Rs. 8 crores which was almost half of the previous FY. It reported an RoA of 3.09% as against 5.96% in FY22.
- IDBI Intech Ltd.- This company is a technology service provider to the bank and is its wholly owned subsidiary. It earned a total income of Rs. 151 crores as against Rs. 142 crores in FY22 and reported a PAT of Rs. 13 crores as against Rs. 17 crores in FY22.
- IDBI MF Trustee Co. Ltd.- This company is again a wholly owned subsidiary of the bank and is a trustee to the MF business of the bank. It reported a total income Rs. 0.32 crores and a PAT of Rs. 0.04 crores.
- IDBI Asset Management Ltd- The bank holds 66.67% in the company which is in the business of asset management. It earned a total income of Rs. 36 crores and PAT of Rs. 13 crores as against Rs. 33 crores and Rs. 8 crores respectively in previous FY.
- IDBI Trusteeship Services Ltd.- The bank holds 54.7% stake in the company and it reported a total income of Rs. 87 crores and PAT of Rs. 48 crores during FY 23, while it reported Rs. 86 crores and Rs. 52 crores of total income and PAT in FY22 respectively.

Key Triggers:

Disinvestment Impact

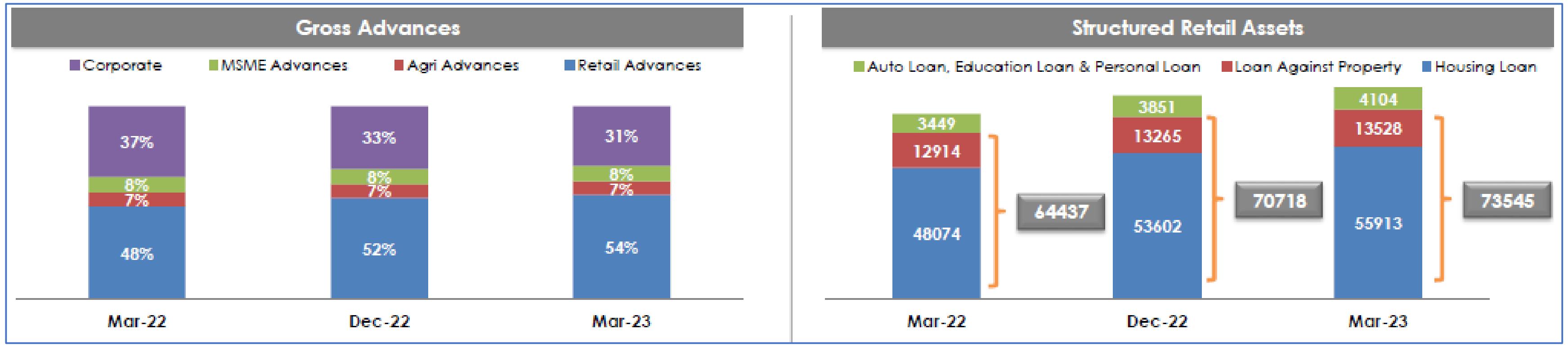
The Cabinet Committee on Economic Affairs (CCEA) has already given its in-principle approval for the strategic disinvestment of the equity stake held by GoI and LIC in IDBI Bank. Subsequently, on October 7, 2022, the Department of Investment & Public Asset Management (DIPAM) had released a Preliminary Information Memorandum (PIM) and invited Expression of Interest (EoI) from Interested Parties for a 60.72% stake held by GoI (30.48%) and LIC (30.24%) out of the total 94.72% currently held by them. To this, DIPAM has received multiple EoIs as of date. These Qualified Interested Parties will have to clear RBI's "fit and proper assessment" and get Ministry of Home Affair's security clearance after which they would have access to the required data to perform due diligence at their end and submit their final bids. As of now, the RBI is evaluating EoIs submitted the potential bidders and conducting its assessments and financial background checks. As per media reports, Kotak Mahindra Bank and Mr. Prem Watsa backed Fairfax Group are a few among those who have submitted EoIs. Financial bids are likely to be invited by July and the entire process is expected to be completed by December 2023.

The bank has a loan book of Rs. 1,62,568 crores and deposits worth Rs. 2,55,499 crores with healthy CASA ratio, benign asset quality and a diverse geographical presence. Though it has a patchy history, it has been able to turnaround its profitability and clean up its asset book once it was included in the PCA framework of the RBI in 2017. Over the period of CY18-19, LIC infused Rs. 26,367 crores at an average cost of Rs. 53.77 per share. We feel that this acts as a strong support level to the final takeover price as LIC would not want to exit its holding in the bank at a loss. Further, the stake sale is bundled with management control which would warrant a further premium over the fair value of the bank's shares. All these facts further support our bullish view on the bank's shares.

A research paper accepted by the RBI in December 2022 in relation to the impact of Mergers & Acquisitions of banks in India between 1997-2022 revealed that banking mergers in India have been, on an average, beneficial to the banking sector. The research paper also concluded that the recent mergers in India have positively impacted the share prices of the acquiree banks.

A well-diversified loan book

The loan book of the bank had shrunk from Rs. 2,10,610 crores as of FY17 to Rs. 1,61,901 crores as of FY21, as the bank was under the Prompt Corrective Action (PCA) of the RBI. Banks which show signs of stress are brought under this framework wherein the role of RBI is not just advisory in nature but it can push changes on the bank to reduce the stress. In the short run this framework causes disruption but are helpful for banks to turnaround in the longer run. The bank came out of the PCA framework in March 2021. As of March 2023, the Gross Advances of the bank stood at Rs. 1,61,073 crores, up 19/10% YoY/QoQ. The loan book of the bank has 69:31 mix between retail and corporate loans as against 63:37 as at the end of FY22. Going forward, we feel that this shift from corporate towards retail assets will support the NIMs of the bank while at the same time help improve its asset quality. This has already been observed in FY23. As of March 2023, the bank has advanced a total of Rs. 67,583 crores under priority sector. Further the retail/agricultural/MSME/ Corporate advances stood at 54/7/8/31% as against 48/7/8/37% as of March 2022. The retail advances of the bank are towards auto, education, housing, LAPs and personal loans. The yield on advances stood at 10.45% as against 9.72% in Q3FY23 and 9.96% in Q4FY22.



(Source: Company, HDFC Sec)

Stable Deposit Franchise

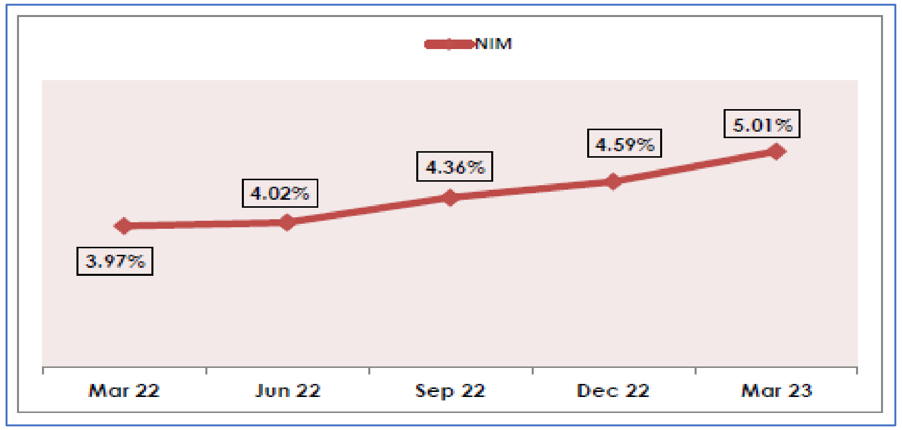
The bank has reported total deposits worth Rs. 2,55,499 crores, which is up 10/10% YoY/QoQ. Out of this, the CASA balances stood at Rs. 1,26,663 crores, up 2/7% YoY/QoQ. This is equivalent to a CASA ratio of 53.02% which is down 375/142 bps YoY/QoQ. Within the CASA balance, current account balances stood at Rs. 48,956 crores up 7/13% YoY/QoQ, while the savings account balances stood at Rs. 86,499 crores, which is flat on a yearly basis but up 4% sequentially. Further, the retail term deposits stood at Rs. 87,762 crores, which has stayed flat on a yearly as well as sequential basis. On the other hand, bulk term deposits grew 166/76% YoY/QoQ and stood at Rs. 32,283 crores. The cost of deposits for the bank stood at 3.71% which is up 28/20 bps YoY/QoQ.

Particulars/As of	Q4FY22	Q3FY23	Q4FY23	YoY	QoQ	Contribution
Current Account (CA)	45,555	43,418	48,956	7%	13%	19%
Savings Accounts (SA)	86804	83245	86499	0%	4%	34%
CASA	**1,32,359**	**1,26,663**	**1,35,455**	**2%**	**7%**	**53%**
Term Deposits	100775	106008	120044	19%	13%	47%
Total Deposits	**2,33,134**	**2,32,671**	**2,55,499**	**10%**	**10%**	**100%**

(Source: Company, HDFC Sec)

Improving Profitability:

During the period of 2017-2020, the earnings of the bank was subdued on account of heavy provisioning. Post this clean up activity, the bank started reporting profits from FY21 till FY23. Its profitability has been strongly supported by recoveries from written off accounts and income tax refunds. Further, during the past few years, the advances of the bank were showing a de-growth while the deposit growth was still mildly positive, primarily because of the bank’s ability to garner low cost CASA funds. As a result, the credit to deposit ratio of the bank was falling but the NIMs were still under control on account of low cost CASA balances. This ratio recovered from its low of 58% in FY 20 to 64% in FY23 while the NIMs have increased from 2.9% in FY20 to almost 5% in FY23. We expect the bank to be able to maintain its NIM which, going forward would be supported by low cost CASA funds, low credit deposit ratio, changing mix in favour of retail advances and consistent recoveries from written off accounts.



(Source: Company, HDFC Sec)

Healthy Capital Position and Continuous Support from GoI and LIC:

As of March 2023, the balance sheet remains well capitalized with total CRAR at 20.44%, Tier I at 18.08% and Tier II at 2.36% as against a total CRAR of 19.06%, while Tier 1- 16.68% and Tier 2- 2.38% in FY22. In the past, when the bank was in distress, the GoI itself and via its own entity- LIC, had supported the bank. In January 2019, LIC had purchased 51% stake of the bank for Rs. 21,624 crores. In September, 2019, both GoI and LIC had infused Rs. 9,300 crores into the bank to bring its capital ratios above regulatory requirement. In Q3FY21, the bank raised Rs. 1,435 crores, in which there was no participation from the GoI or LIC. As of March 2023, The GoI holds 45.48% stake and LIC owns 49.24% stake in the bank. This support which the bank has received in the past from GoI and the government owned LIC, given the importance of a stable banking sector, severe implications of failure of banks in terms of political fall outs helps in instilling confidence in the bank's capital adequacy.

Risks & Concerns

- A higher-than-expected deterioration in the asset quality could result in the erosion of the Tier I capital. Fresh formation of bad loans could keep provisioning high and return ratios compressed for a longer time. Further, any delay in the recovery, higher than expected haircuts or sharp rise in the slippage could impact the profitability and business growth prospects.
- The rise in interest rates may impact the loan growth; the bank has high retail facing loan book and high interest rates negatively impacts the demand. Also the rise in G-sec yields could lead to MTM losses for the banking sector. As of March 2023, the total investment portfolio of the bank stands at Rs. 99,690 crores, of which Rs. 28,025 crores are AFS with a modified duration of 1.4. Hence an increase of 1% in the interest rates could lead to a Rs. 40 crores MTM loss for the bank.
- Time and again, the bank has relied on GoI for its financial support. Any change in the stance of the Government till the disinvestment transaction could adversely affect our estimates.
- Recently, there has been a concern in the markets related to the adoption of ECL provisioning norms under Ind-AS in case of banking companies. Most private sector banks hold huge sums of floating provisions, which are missing in case of PSU banks. This led to some correction in price of PSU banks during the Q4FY23 earnings announcement season. IDBI Bank has not provided any commentary in this regards and hence we shall remain watchful of any announcements related to the same, due to its potential material impact on profitability and return ratios of the bank.
- Recently, DIPAM clarified that the disinvestment transaction of the bank is on track and is expected to the completed within its timeline of FY24. Also, the employees of the bank have formed a union and expressed their displeasure towards the privatization of the bank. Considering the number of employees in the bank and the fact that calendar year 2024 is a year of General Elections, we shall remain watchful of the timelines of the transaction. Any delay in this, can put downward pressure on the price of the bank.

- The bank has recently appointed Mrs. Smita Kuber as its CFO in place of Mr. P. Sitaram. Further, it has also appointed Mr. Jayakumar S. Pillai as the Deputy Managing Director. The impact of these changes in the top level management on the bank's strategies and functioning shall be some of our key moniterables going forward.
- The Bank is yet to fully come out of the culture of the erstwhile IDBI Ltd. The longer it takes for the divestment to conclude and new management to come in, the greater the anxieties on account of this on the future challenges in the sector.
- The equity capital of the Bank is very large (Rs.10752 cr) compared to its business size due to repeated capital infusions between FY16 and FY20. This means that the per share impact of improvements tends to be slow.

Company Background:

Industrial Development Bank of India Ltd (IDBI) was constituted by GoI under the Industrial Development Bank of India Act,1964, and was reconstituted as a banking company on October 1, 2004, to undertake commercial banking and development banking activities. The erstwhile IDBI Bank Ltd, IDBI's subsidiary, was merged with IDBI in 2005. In 2006, IDBI acquired United Western Bank.

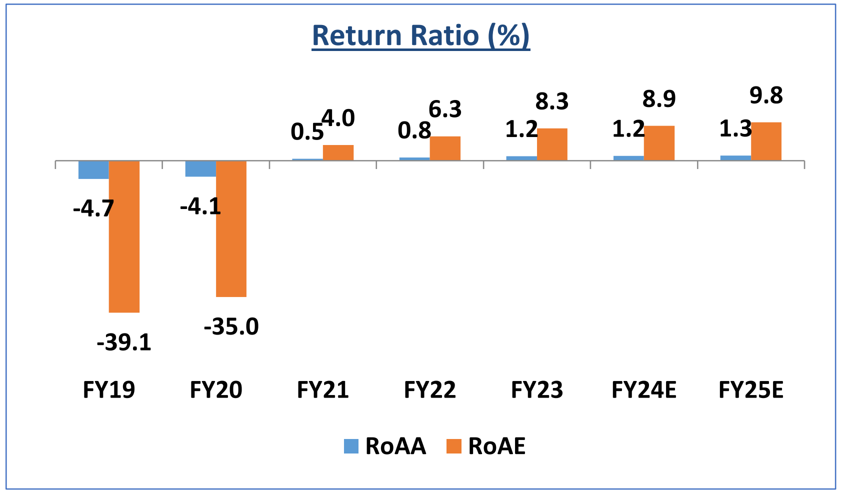
The loan book of the bank had shrunk from Rs. 2,10,610 crores as of FY17 to Rs. 1,61,901 crores as of FY21, as the bank was under the Prompt Corrective Action (PCA) of the RBI. Sluggishness in the economy and the inability to repay loans saw a rise in non-performing assets (NPAs) in the books of lenders, and the then RBI governor Mr. Raghuram Rajan called for an asset quality review (AQR) of banks in 2016, which revealed under-reporting of NPAs in some cases. IDBI Bank was later downgraded by ratings agencies due to a high gross NPA level of 27.9 percent by March 2018, by which time it was already placed under the PCA. It came out of the PCA framework in March 2021. During this tenure, the bank framed its turnaround strategy which was made public as well. It professionalized and broad based its Board and entrusted it with the responsibility to of charting out a fresh growth strategy, revamp the corporate governance structure and ensure best in class business practices. The Bank has also started reviewing all its policies including credit, investment and its internal processes, risk management practices, etc. with the help of consultants. The Bank along with its majority shareholder, LIC, through its collective network of branches, offices and workforce, started leveraging their mutual business synergies such as selling LIC policies through IDBI bank branches, management of cash and other premium receipts of LIC through the Bank's branches, enabling the technical wherewithal available in both the Bank and LIC for offering digital solutions to both, the policy holders of LIC and customers of IDBI Bank, etc.

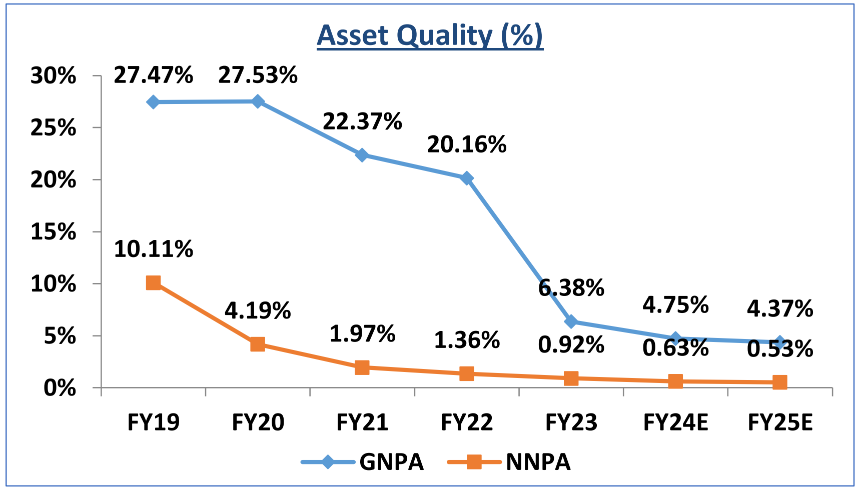
As on March 2023, the bank had a network of 1,928 branches and 3,334 ATMs. It has five subsidiaries, viz, IDBI Asset Management Ltd (66.67%), IDBI Capital Markets and Securities Ltd (100%), IDBI Intech Ltd (100%), IDBI Trusteeship Services Ltd (54.7%), and IDBI MF Trustee Company Ltd (100%). The bank sold its entire 48% stake in its life insurance JV, Ageas Federal Life Insurance Company Limited (formerly known as IDBI Federal Life Insurance Company Ltd), in two tranches of 23% during Q3FY21 and 25% during Q2FY23 to Ageas Insurance International NV for a sale consideration of Rs. 507 crores and Rs. 580 crores, resulting in a profit of Rs. 323 crores and Rs. 380 crores.

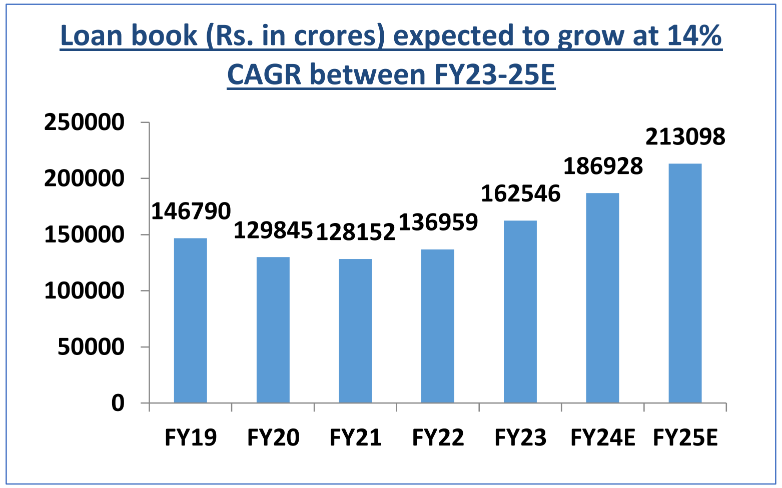
Peer comparison:

	CMP	P/BV FY23	P/E	FY23						
			FY23	ROAE (%)	ROAA (%)	NIM %	GNPA %	NNPA %	CAR	Loan Book (Rs. Cr)
IDBI Bank Ltd.	55.4	1.28	16.1	8.3%	1.16%	4.50%	6.38%	0.92%	20.40%	1,62,546
India Overseas Bank	24.4	1.96	22.0	17.39%	0.68%	2.93%	7.44%	1.83%	16.10%	1,89,009

(Source: Bloomberg, Company, HDFC Sec)







(Source: Company, HDFC Sec)

IDBI Bank Financials

Income Statement

Particulars	FY21	FY22	FY23	FY24E	FY25E
Interest Income	19962	18316	20592	23745	27628
Interest Expenses	11408	9122	9130	10450	12082
Net Interest Income	**8554**	**9194**	**11461**	**13295**	**15546**
Non-Interest income	4782	4919	4575	4631	4900
Total Income	**13336**	**14113**	**16036**	**17926**	**20446**
Operating Expenses	6172	6503	7233	7915	8811
PPP	7164	7610	8804	10010	11635
Provisions & Contingencies	4680	3890	3499	3918	4467
Profit Before Tax	2484	3720	5305	6092	7168
Tax	1036	1203	1618	1828	2150
PAT	**1449**	**2518**	**3687**	**4264**	**5018**

Balance Sheet

Particulars	FY21	FY22	FY23	FY24E	FY25E
Share Capital	10752	10752	10752	10752	10752
Reserves & Surplus	26989	31948	35706	38626	42031
Shareholder funds	**37741**	**42700**	**46458**	**49378**	**52783**
Deposits	230707	232850	255322	280340	309505
Borrowings	15908	14345	12638	14020	17048
Other Liabilities & Provisions	14297	12645	17080	20496	24595
SOURCES OF FUNDS	**298653**	**302540**	**331498**	**364234**	**403931**
Cash & Bank Balance	35308	35800	29352	23919	26136
Investment	81471	83475	100409	115470	127017
Advances	128152	136959	162546	186928	213098
Fixed Assets	7873	9987	9780	9878	9977
Other Assets	45849	36318	29411	28039	27703
TOTAL ASSETS	**298653**	**302540**	**331498**	**364234**	**403931**

(Source: Company, HDFC Sec)

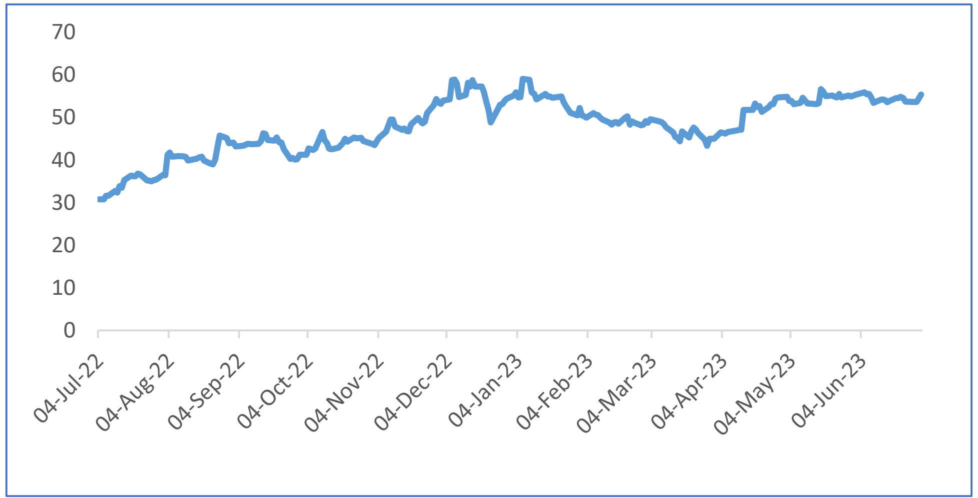
Key Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E
Return Ratios					
Calc. Yield on adv	9.5%	8.5%	8.5%	8.4%	8.6%
Calc. Cost of funds	4.6%	3.7%	3.4%	3.6%	3.7%
NIM	3.7%	4.0%	4.5%	4.6%	4.7%
RoAE	4.0%	6.3%	8.3%	8.9%	9.8%
RoAA	0.5%	0.8%	1.2%	1.2%	1.3%
Asset Quality Ratios					
GNPA	22.4%	20.2%	6.4%	4.7%	4.4%
NNPA	2.0%	1.4%	0.9%	0.6%	0.5%
PCR	96.9%	97.6%	97.9%	86.8%	88.0%
Growth Ratios					
Advances	-1.3%	6.9%	18.7%	15.0%	14.0%
Deposits	3.8%	0.9%	9.7%	9.8%	10.4%
Borrowing	12.4%	10.5%	7.8%	7.5%	8.0%
NII	22.0%	7.5%	24.7%	16.0%	16.9%
PAT	-111.3%	73.8%	46.4%	15.7%	17.7%

Key Ratios

	FY21	FY22	FY23	FY24E	FY25E
Valuation Ratios					
EPS	1.3	2.3	3.4	4.0	4.7
P/E	41.1	23.6	16.1	14.0	11.9
Adj. BVPS	32.8	38.0	41.8	44.8	48.0
P/ABV	1.7	1.5	1.3	1.2	1.2
Dividend per share	0.0	0.0	1.0	1.3	1.5
Other Ratios					
Cost-Income	46.3	46.1	45.1	44.2	43.1
CASA	50.5	56.8	53.0	50.4	48.8
CAR	15.6	19.1	20.4	18.4	18.4
Tier 1	13.1	16.7	18.1	16.2	16.4

One Year Price Chart



Varun Nitin Manek

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HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

I, **Varun Nitin Manek**, Research Analyst, **(ACA)**, authors and the names subscribed to this report, hereby certify that all the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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