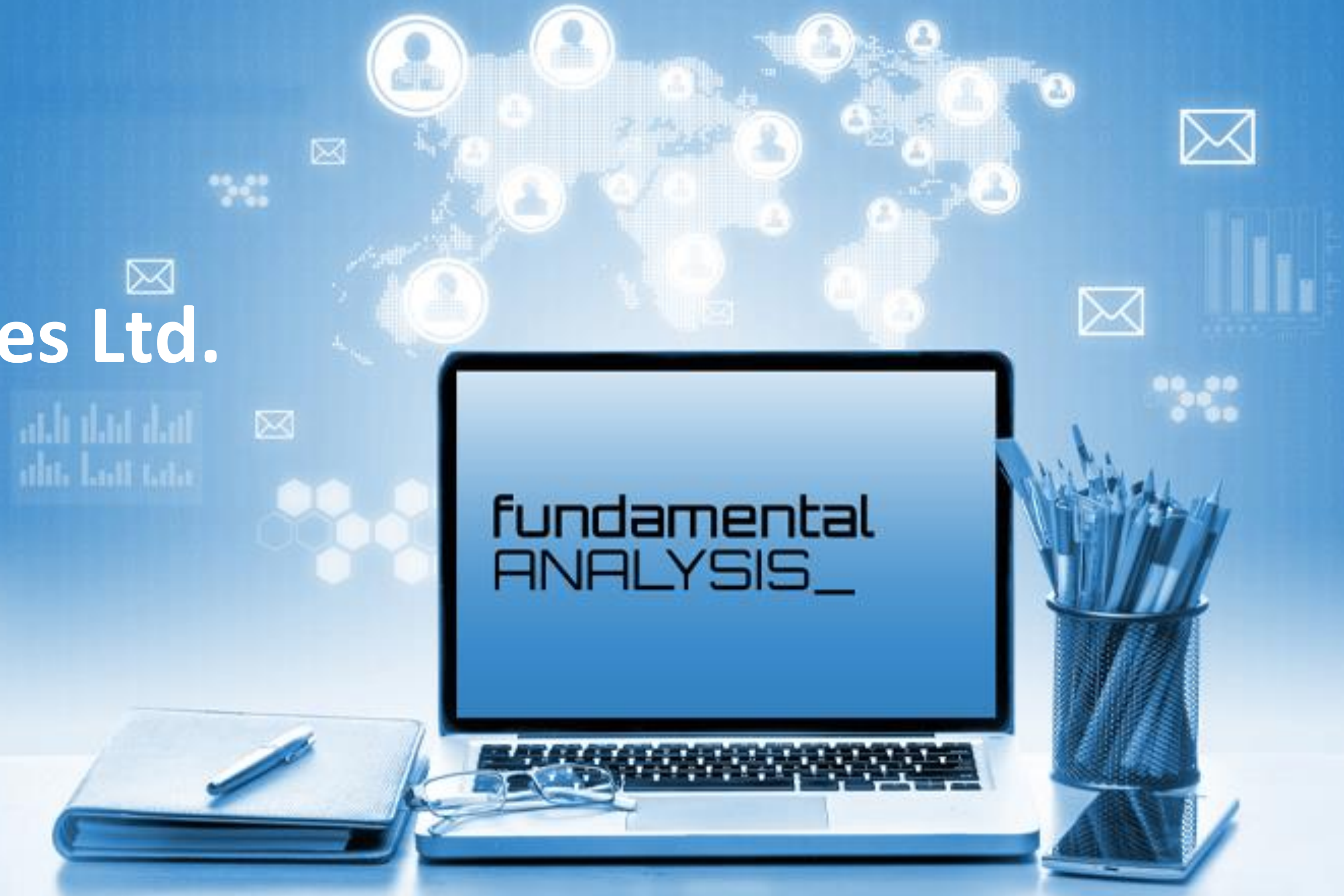
Stock Note

Ujjivan Financial Services Ltd.

December 18, 2023



RETAILRESEARCH

Ujjivan Financial Services Ltd

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
BFSI-MFI	Rs. 589	Buy between Rs. 583 - 595 band & add more on dips to Rs. 531 - 542 band	Rs. 649	Rs. 717	3-4 quarters

HDFC Scrip Code	UJJFINEQNR
BSE Code	539874
NSE Code	UJJIVAN
Bloomberg	UJJIVANS IN
CMP December 15, 2023	589
Equity Capital (Rs cr)	122
Face Value (Rs)	10
Equity Share O/S (cr)	12.2
Market Cap (Rs cr)	7,165
Book Value (Rs)	152
Avg. 52 Wk Volumes	6,81,222
52 Week High	605
52 Week Low	222

Share holding Pattern % (September, 2023)	
Promoters	0
Institutions	42.5
Non Institutions	57.5
Total	100.0

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

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Our Take:

Ujjivan Financial Services Limited (UFSL) is a core holding company of Ujjivan Small Finance Bank Limited (USFB), holding 73.68% stake. As part of the banking license requirement, UFSL had floated its wholly owned subsidiary which had commenced its banking operations from February 1, 2017. For the purpose of analysis at the consolidated level, we have done the financial analysis of Ujjivan SFB and added investment value to arrive at the fair value for UFSL.

Ujjivan Small Finance Bank Limited is a mass market focused small finance bank in India, catering to financially unserved and underserved segments and committed to building financial inclusion in the country. It serves ~77 lakh customers through 700 branches and 21,040 employees spread across 305 districts and 26 states and union territories in India. Gross loan book stands at Rs. 26,574 crores with a deposit base of Rs. 29,139 crores as of September, 2023.

COVID led weak economic scenario had impacted the Micro Finance Industry (MFI) and small business segment. Ujjivan SFB's performance had also deteriorated during this period. There was a sharp spike in NPAs and due to higher provisions, the profitability of the bank was also impacted. However, we feel that the worst is over and situation has improved aided by stable economy and the rural demand on the rise, the growth outlook looks positive for the short to medium term. RBI in March 2022 issued new directions for microfinance lending and has eased microfinance regulations. For the long term we feel that the opportunity is huge as penetration of MFI and SFB loans in Indian market is still low.

We had previously issued a stock update on Ujjivan Financial Services Ltd (link) on 14th June, 2023. Both the targets mentioned therein were achieved by 31st July, 2023. We are now issuing this report incorporating the latest quarterly results of Q2FY24.

Valuation & Recommendation:

At standalone level, the income stream of UFSL include dividend income from investments held in its subsidiary, UFSB and interest earned on fixed deposits invested with various banks. As mentioned earlier, for the purpose of analysis at the consolidated level, we have done the financial analysis of Ujjivan SFB and added investment value to arrive at the fair value for UFSL.

USFB has continued to deliver stellar performance in Q2FY24. The business growth momentum continued, while asset quality improved further. With major asset quality clean-up completed and the focus shifting to low-cost deposits, we expect profitability metrics to pan out better than earlier expectations. The bank is investing in a franchise development which could keep the opex elevated. We are optimistic on the micro finance business as a whole as there has been strong demand growth revival.

In the recently declared Q2FY24 results, total deposits stood at Rs. 29,139 crores, which is up 43/9% YoY/QoQ. Out of these deposits, CASA balance stood at Rs. 7,013 crores, up 28/7% YoY/QoQ. This is equivalent to a CASA ratio of 24.1% which was previously 24.6% in June, 2023. On the assets side, the bank's Gross Loan Book stood at Rs. 26,574 crores, up 27% YoY and the disbursements stood at Rs. 5,749 crores up 18/9% YoY/QoQ. GNPAs and NNPAs were as low as 2.2% and 0.09% at the end of Q2FY24 as against 4.4% and 0.04% in Q2FY23.

As of September 2023, the bank has 700 branches, 545 ATMs and 21,040 employees.

ICICI Prudential Life Insurance (ICICI PruLife) and Ujjivan Small Finance Bank (Ujjivan SFB) have entered into a bancassurance partnership for the distribution of life insurance products. Under the partnership, Ujjivan SFB will offer the entire suite of ICICI PruLife's entire suite of protection, long-term savings and retirement products to its customers through its network of 700+ branches across 26 states and Union Territories.

We have envisaged 25% CAGR in NII and 23% in PAT over FY24-26E, while the loan book is estimated to grow at 31% CAGR over same time frame. As the collection efficiencies have improved and economic activities have picked momentum, the asset quality has improved. ROAA is estimated at 3.2% by FY26E.

USFB is available at 1.4x FY26E ABV. Looking at the growth opportunities we feel that the stock is trading at attractive valuations and UFSL- the holding company (having 73.67% stake in USFB), which is trading at discount based on the swap ratio looks like a candidate for re-rating. **We feel that investors can buy the shares of UFSL between Rs. 583 – 595 & add more on dips to Rs. 531 – 542 band. We expect the base case fair value of Rs. 649 (Rs. 632/share for Ujjivan SFB and Rs. 17/share for investments after 10% holding discount) and the bull case fair value of Rs. 717 (Rs. 700/share for Ujjivan SFB and Rs. 17/share for investments after 10% holding discount) over the next 3-4 quarters.**

Ujjivan SFB Financial Summary (Rs. Cr):

	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
NII	823	663	24%	793	4%	1774	2698	3340	4009	4691
PPP	483	385	26%	458	6%	591	1485	1996	2367	2833
PAT	328	294	11%	324	1%	-414	1100	1385	1565	1872
EPS (Rs)						-2.4	5.6	7.1	8.0	9.6
ABVPS						15.6	21.5	27.0	33.8	42.4
P/E (x)						NA	10.6	8.4	7.4	6.2
P/ABV (x)						3.8	2.8	2.2	1.8	1.4
RoAA (%)						-1.9%	3.9%	3.7%	3.3%	3.2%
RoAE (%)						-13.8%	31.4%	29.1%	26.1%	24.9%

Financial estimates:

	FY24E			FY25E			FY26E
	Old	New	% Change	Old	New	% Change	
Advances	26539	27102	2%	32897	33422	2%	40832
NII	3155	3340	6%	3738	4009	7%	4691
PPOP	1705	1996	17%	1954	2367	21%	2833
PAT	1054	1385	31%	1205	1565	30%	1871.6
EPS	5.4	7.1	31%	6.2	8.0	30%	9.6

(Source: Company, HDFC sec)

Recent Developments

Q2FY24 result update

The bank continued its momentum and reported healthy financial performance in Q2FY24. The total interest income stood at Rs. 1,391 crores up 40/8% YoY/QoQ whereas the interest expenditure stood at Rs. 568 crores up 72/15%. This resulted in a Net Interest Income (NII) of Rs. 823 crores showing a growth of 24/4% YoY/QoQ. Non-Interest Income was up by 29/6% YoY/QoQ and stood at Rs. 189 crores. The opex of the bank was higher by 24/3% YoY/QoQ. The Pre Provision Operating Profit (PPoP) stood at Rs. 483 crores, up 26/6% YoY/QoQ. During the quarter, the bank has created provisions worth Rs. 469 crores, up 80% QoQ. Finally, the bank reported profit after tax of Rs. 328 crores, up 11/1% YoY/QoQ.

NIM of the bank is down 102/40 bps YoY/QoQ to 8.8%. The overall yield on its loan portfolio for Q2FY24 stood at 19.2% up 100/10bps YoY/QoQ. This increase was driven by higher yields earned in micro finance group and individual loans. While the yield on its housing portfolio was almost flat, the yields in the MSME book have dipped by 140bps YoY. On the other hand, it reported cost of funds of 7.4% v/s 7.2% in Q1FY24 and 6.2% in Q2FY23. The cost to income ratio of the bank stood at 52.2% as against 52.8% in Q1FY24 and 52.5% in Q2FY23. The ratio has remained more or less flat.

The bank has a strong financial position with advances standing at Rs. 24,325 crores, up 40/10% YoY/QoQ. The disbursements for the quarter stood at Rs. 5,749 crores, up 18/9% YoY/QoQ. Despite the contraction in NIM, the bank reported growth in NII, which can be attributed to this healthy traction in bank’s advances. On the deposits front, it reported a jump of 43/9% YoY/QoQ, taking it to Rs. 29,139 crores. The calculated CASA ratio stood at 24.1% as against 24.6% in Q1FY24 and 26.9% in Q2FY23. As of Q2FY24, the bank’s capital adequacy ratio stood at 25.2% with Tier-1 capital at 22.5%. Its Liquidity coverage ratio remained at robust level of 158%. The annualized RoA stands currently at 3.6% and RoE at 28%.

The bank added 39 branches during Q2FY24, taking the total branches to 700 and it employs 21,040 human resources.

Reverse Merger update

In September 2022, Ujjivan SFB had raised Rs. 475 crores by issuing over 22.6 crore shares via qualified institutional placement (QIP). The shares were issued at a price of Rs.21 apiece. With this equity raise, the bank has complied with the SEBI requirement for minimum public shareholding, following which the board has approved a revised scheme of amalgamation with the promoter UFSL. As per the scheme of amalgamation, the shareholders of parent company (UFSL) will receive 116 shares of USFB for every 10 shares held by them. As of September 2023, UFSL holds ~144 crore shares of USFB which is equivalent to 73.68% of the outstanding shares of the bank. The bank has already obtained RBI's approval and recently it received an order from NCLT to convene shareholder's EGM and obtain their approval for the reverse merger. The said meeting was convened on 3rd November, 2023 wherein the requisite number of shareholders approved the reverse merger. Based on this, the management has filed a Joint Petition again with the NCLT seeking their sanction on the arrangement. The management believes that this merger shall be complete by Q4FY24. As per reports NCLT is to hear the joint petition for reverse merger on Jan 30, 2024.

UFSL is currently trading at ~ Rs. 589. Applying the swap ratio of 116:10, the holding company discount comes to 15% which can be considered as a margin of safety for the investment in shares of the parent company.

Key Takeaways from Management Concall:

- Asset growth witnessed by USFB is driven by MicroBanking, affordable housing and FIG segments.
- Affordable housing constitutes 15% of the bank's total gross loan book, with Rs. 541 crores disbursed in Q2FY24.The business is moving towards a hub-and-spoke model, adding 10 new hubs in this quarter to improve operational efficiency and reduce costs.
- Individual loans are growing faster, and existing group loan borrowers are transitioning to individual loans.
- The bank expects mature individual loan borrowers to shift to secured loan portfolios like Micro – LAP and affordable housing, further enhancing growth opportunities.
- The bank saw a disbursement of Rs. 293 crores in its FIG book, a 39% YoY increase, focusing on good quality NBFCs with stable collections.
- It is enhancing its analytics to facilitate customer transition to secured loans and to explore cross-selling and upselling opportunities.
- The Hello Ujjivan app is gaining acceptance, with plans to introduce a repeat loan facility to reduce branch visits and costs.
- Credit cost guidance of <100 bps for FY24, after which normalized credit costs of 125-150 bps per annum are expected.
- ROE guidance of 22% for FY24 and 20% plus for FY25 and FY26.
- The management expects repricing of assets to occur, particularly in the MicroBanking book, where 53% is yet to be repriced.
- The repricing will be gradual, with 28% of the book getting a 50 basis-point adjustment and the remaining 25% seeing a 100 basis-point adjustment over the next 3-4 quarters.
- Reduction in off-roll collection staff due to improving asset quality.

- Cashless collections increased to 37% from 20% last year.
- Normally, group loan book growth is slow in Q1 and Q2, after which it picks up in Q3/Q4 seasonally. The growth in this book was also impacted by floods in some geographies in Q2.
- The bank has entered the geography of Andhra Pradesh and has started with the liability business.
- Marketing costs are expected reduce going forward.
- Board to consider applying for universal bank license.
- Reverse merger is expected to be completed by the end of FY24. It would result in an addition of over Rs. 400 crores to equity net worth, while reducing of 2.82 crore shares from total base. As per the management, the net expected impact would be an addition of approximately Rs. 2.4 to its book value per share.

Key Triggers:

Healthy business momentum and guidance

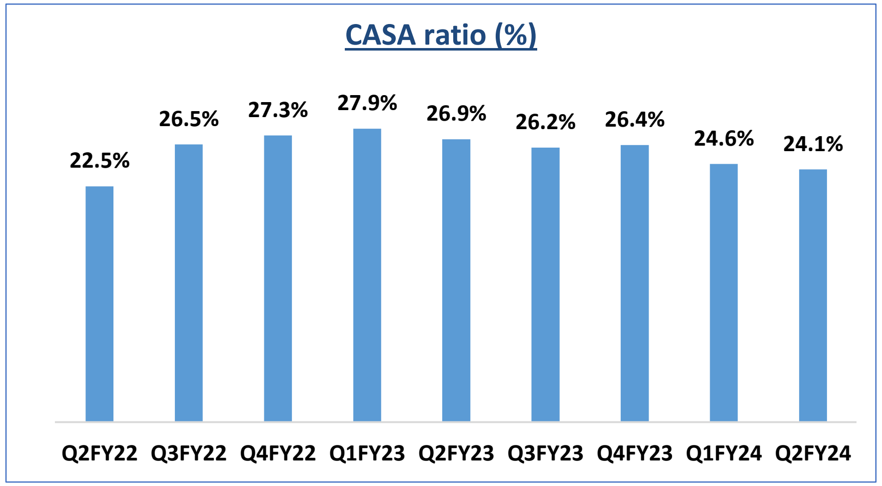
Since last couple of quarters, the bank has been witnessing strong business momentum. The loan book has been growing at a healthy rate supported by disbursement growth across the segments. This healthy traction is witnessed in the liability profile of the bank as well. Capital position has improved after the QIP referred above and now the focus has shifted towards growth, backed by favourable environment. Going forward, the management aims to reduce the share of MFI business gradually while incremental growth is expected from newer segments.

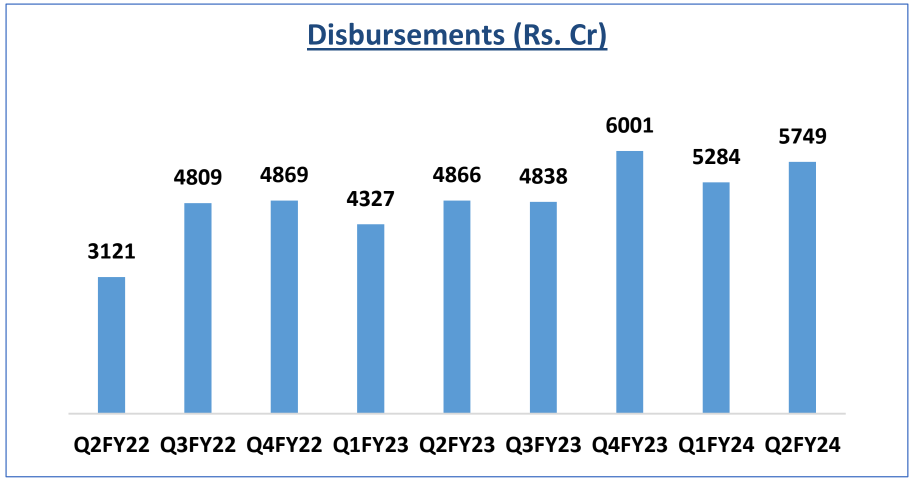
The gross loan book has grown at a robust pace to stand at Rs. 26,574 crores, up 27/5% YoY/QoQ. It reported on-book advances of Rs. 24,325 crores, up 40/10% YoY/QoQ. Its quarterly disbursements stood at Rs. 5,749 crores up 18/9% YoY/QoQ. The bank acquired ~ 2.6 lac new customers during Q2FY24 and 42/17% of these were towards individual loans/micro group loans. The company is observing a very good demand from the market for the micro finance loans which consists of micro group loans and individual loans. Around 75% of the total disbursements were towards micro banking and individual loans while the rest were from affordable housing, MSME and FIG lending, etc. The growth was also aided by new RBI's norms easing Micro banking regulations.

	Q2FY24	Q2FY23	Q1FY24	YoY	QoQ	% Gross Advances
Micro Group Loans	15,226	12,148	14,819	25%	3%	57%
Individual Loans	3,925	2,348	3,496	67%	12%	15%
MSE	1,442	1,858	1,508	-22%	-4%	5%
Affordable Housing	4,036	3,079	3,671	31%	10%	15%
FIG Lending	1,304	939	1,218	39%	7%	5%
Other	642	566	614	13%	5%	2%
Total	26,575	20,938	25,326	27%	5%	100%

(Source: Company, HDFC sec)

The micro finance book which is generally unsecured in nature, fetches higher yield for the bank @ 22% and has improved by 110/20 bps YoY/QoQ. On the other hand, housing segment fetched a yield of 12.6% and MSME segment fetched 12.5%. The overall yield on bank's portfolio stood at 19.2%. The bank has also ventured into gold loans starting FY23. The management has said that though the gold loan market is heavily competitive, it has healthy demand from its existing customers for gold loans and hence it should be able to tap to these potential gold loan customers. Further, this would also help the bank to reach the target mix of 40-60% secured-unsecured.





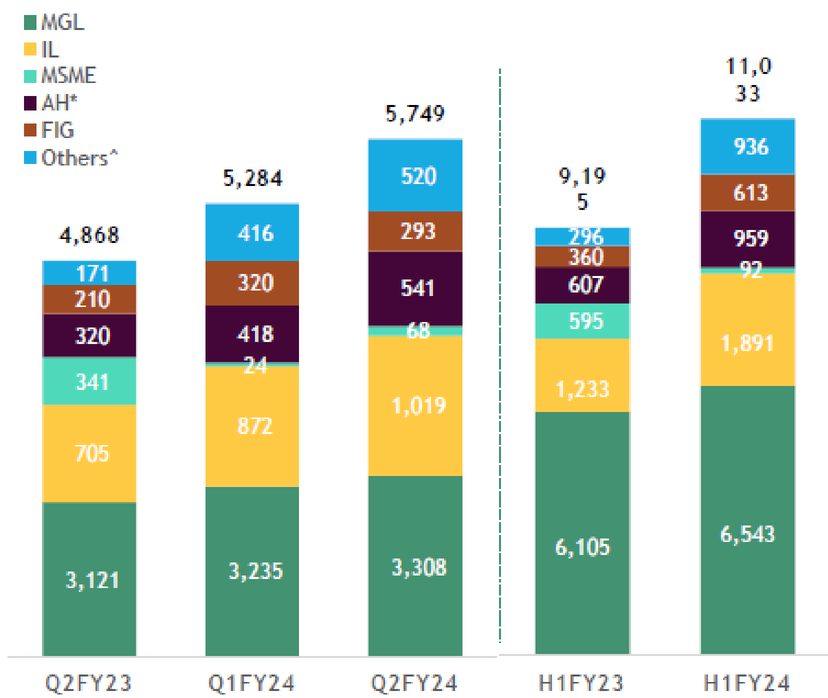
(Source: Company, HDFC sec)

In the analyst meet post results of Q4FY23, the bank expressed that, while growth so far has been largely driven by the unsecured MFI portfolio, it is looking to accelerate growth in the non-MFI portfolio which will be primarily driven by the affordable housing and FIG portfolio. Thus, by FY26, UJSFB is likely to improve the share of non-MFI businesses to 40% as against the current level of 28%. Over the past 5 years, the bank has been able to grow its affordable housing book by 60% CAGR on account of lower base with loans in the range Rs. 5-20 lakhs. The bank has devised a new strategy to achieve its ambitions in this segment. It is also looking to partner with Fintech companies to onboard new customers.

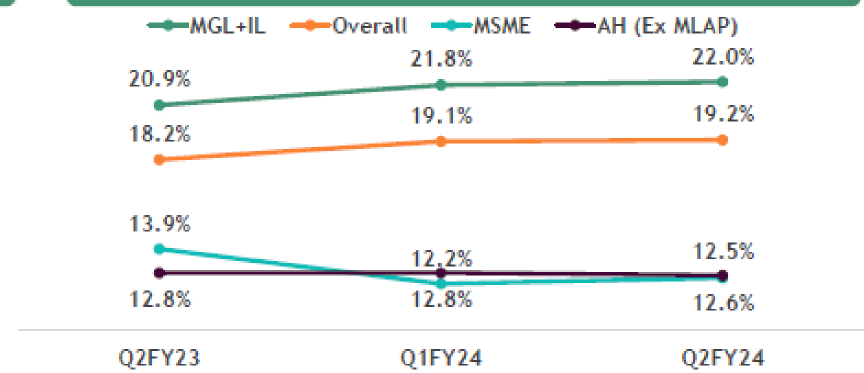
Along with **Affordable Housing**, the bank has identified opportunities in the Micro-LAP segment. USFB aspires to be the lender of choice – among the Top-5 lenders in the affordable housing market, building a strong profitability business alongside maintaining a strong asset quality with a GNPAs below 1%. The bank expects the book to scale up to Rs 10,000 crores, of which Rs 9,000 crores are expected from the affordable housing book and rest Rs. 1,000 crores from LAP by FY26.

The **FIG portfolio** which consists of bank's lending to other NBFCs offers the bank an opportunity to grow the secured book, with indirect exposure to other retail assets and offers the bank cross-sell opportunities for the bank's deposit franchise. It is looking to increase the exposure to BBB-rated entities/good unrated entities, though capping its limit to 10% of the overall book. This will enable the bank to improve its yields, offer smaller ticket-size loans and allow the bank to cross-sell opportunities. The new product launch pipeline includes products such as Working capital demand loans and Capital market products as it offers a better opportunity to engage with higher-rated borrowers.

Product wise Disbursement (₹ in crore)



Yield (%) - Segment wise



Average Ticket Size (₹)

Product	Q2FY23	Q1FY24	Q2FY24
Micro Group Loans	54,033	53,965	55,066
Individual Loan	1,15,552	1,30,139	1,31,113
MSME (ex-fintech)	44.3 lakhs	34.4 lakhs	43.6 lakhs
Affordable Housing (Ex-MLAP)	12.2 lakhs	13.4 lakhs	13.9 lakhs

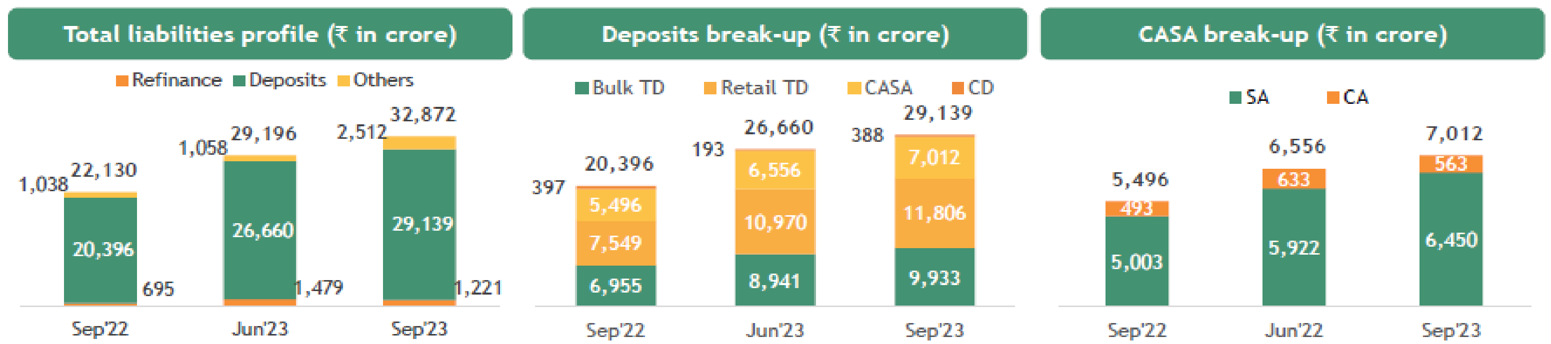
(Source: Company, HDFC sec)

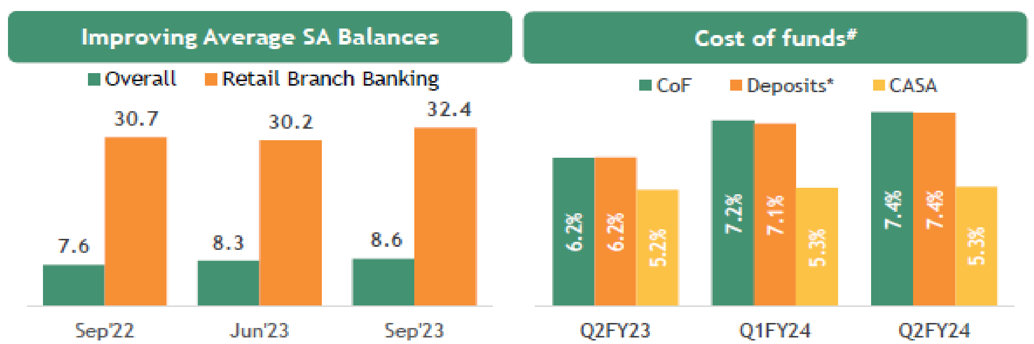
On the liability front, as mentioned above, the bank reported total deposits worth Rs. 29,139 crores which is up 43/9% YoY/QoQ. Of this, CASA balance stood at Rs. 7,013 crores which is up 28/7% YoY/QoQ. The CASA ratio stood at 24.1% v/s 24.6% in the previous quarter. The bank is focusing on acquiring higher ATS (average ticket size) customers. The number of customers added to the bank's liabilities were ~3.9

lacs Q2FY24. The Term Deposits and Certificate of Deposits stood at Rs. 22,126 crores up 49%/10% YoY/QoQ. Cost of Funds stood at 7.4% v/s 6.2% in Q2FY23 and 7.2% in Q1FY24. The increasing trend in the cost of funds is attributable to the bank's reliance on costly term deposits as compared to CASA balances which are merely 24% of the total deposits as of September, 2023. The management does not expect the cost of funds to reduce in FY24. The Credit-Deposit ratio of the bank is on a higher side of 83%. This indicates that the bank would have to increase their efforts to garner deposits at a faster rate to meet the demand for its products.

The bank has formulized the following strategies to achieve the intended deposit targets:

- Expanding its product 0fferings & services to attract new customers.
- Launching targeted programs for different sets of customers.
- Using data analytics to enable cross selling.
- Implementing the latest technology to provide better service.
- Investing on national-level branding campaigns.
- Expanding sourcing from the traditional brick and mortar setup to multi-channel sourcing.





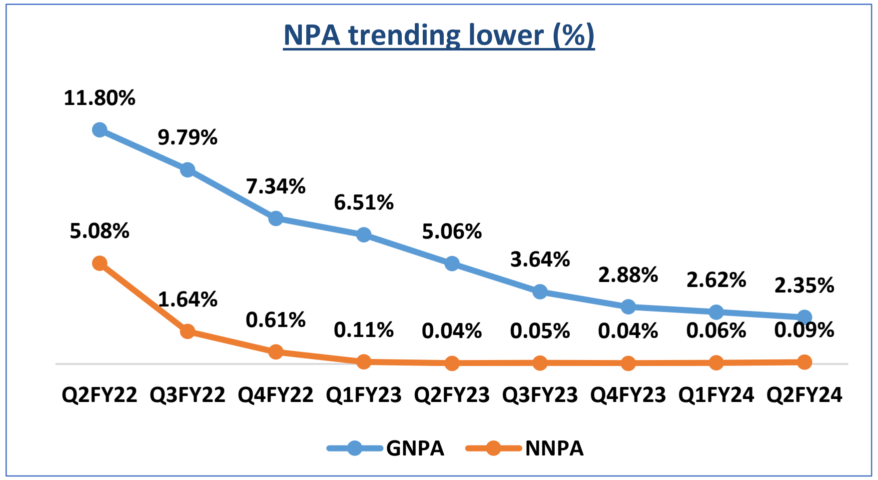
- Comfortable ALM position
- TDs largely repriced as of Sep'23
- Provisional LCR at 158% as on Sep'23
- Credit To Deposit Ratio: 91% as of Sep'23 (85% adjusted for IBPC/ Securitisation book)
- Ratings - CRISIL A1+, (₹ 2,500 Cr certificate of deposits); CARE A+ (Positive) (Long term bank facilities)

(Source: Company, HDFC sec)

Asset quality clean up seems completed

Sustained collection efficiency of ~99% across business segments with strong recoveries continue to drive PAR (Portfolio at Risk) and NPAs further lower. GNPA declined to 2.2% which is 220/20bps YoY/QoQ lower, while NNPA came stood at 0.09% as of Q2FY24, which have slightly increased by 5/3bps YoY/QoQ. The bank has reported YTD slippages and recoveries & upgrades in Q2FY24 to the tune of Rs. 216 crores and Rs. 145 crores respectively. The Provision Coverage Ratio stood at a healthy rate of 96%. The bank a total of Rs. 250 crores of floating provisions for making specific provisions in future during extraordinary circumstances. Out of this, the bank with the approval of RBI has moved Rs. 30 crores to Tier 2 capital.

The stressed assets pool has improved as can be seen from GNPA + restructured book which stood at 2.4% in Q2FY24 v/s 5.3% in Q2FY23. The SMA pool reduced to 1.5% in September 2023 v/s 1.7% in September 2022. Standard restructured pool stands at Rs. 146 crores only with a PCR of 76%. Out of these, 73% have already turned NPAs. The collection efficiency on the restructured book is at 118%. PAR 0 stood at 3.7% in Q2FY24, v/s 6.1% in Q2FY23. Management has guided for ~1% credit cost for FY24.



(Source: Company, HDFC sec)

Focus on building a franchise:

The bank is focused towards building the franchise by investing in branch expansion as well as digital initiatives. We believe that this will keep the opex high in the near term but over the long term the benefits are plenty. During the quarter, the bank has added 39 branches, taking the total to 700. The management had an aim to add 100 new branches in FY24, out of which it has already added 71 in H1FY24.

They are planning to open bulk of these branches in Tier 2/3 cities and the focus will be to mobilize deposits. So far it has taken several steps to digitize the business. Recently, it has launched a mobile banking app, which is first of its kind to target customers who are not tech savvy. It is called Hello Ujjivan, and it's based on voice and video in vernacular languages. It has already seen 4.3 lac + downloads on Playstore. It is in nine languages and the bank aims to encourage semi-literate customers to use this app and increase penetration of digital banking. The bank also wishes to capitalize this asset to disburse MFI loans with very limited human intervention and focus on digital collections as well.

Risks & Concerns

- Any regulatory hurdle in the way of merger could have negative impact on the share price.
- The management has conveyed a change in the current strategy and move to a 50-50% secured-unsecured portfolio in next 5 years. Currently this ratio stands at 72% unsecured and 28% secured. By nature, unsecured loans offer higher yield on account of the risks involved. Hence, lowering the proportion of unsecured loans in the mix will add a downward pressure on the NIMs of the bank (though the asset quality would improve). On the other hand, the bank has a sub-optimal level of CASA ratio (24.1%). This increases the cost of capital of the bank and add further downward pressure on the NIMs.
- The bank has CASA Ratio of 24.1% as of September 2023, which is lower than industry peers. We will remain watchful on this front especially in the time when liquidity is being taken out of the system.
- The bank has high share of Micro finance lending (~72% of the loan book). Micro finance is inherently risky business because of cash dealing and collateral free nature. Clients have below-average credit risk profiles and lack the access to formal credit. They are economically weaker class and income volatility exists due to dependence of rainfall. Hence, the bank has significant indirect exposure to the El-Nino phenomenon.
- MFI business generally caters to rural credit demand and hence faces political risk. The management in its concall specified that to keep this risk under control, it has limited its MFI exposure to 15% per state.
- Though the bank has presence in 25 states in India, almost half of its loan book is concentrated in Tamil Nadu (14.6%), Karnataka (13.3%), West Bengal (12.2%), Maharashtra (9%) and Gujarat (7.9%). Hence the bank is exposed to geographical concentration and its growth can be affected in case of volatile business environment in these states.
- The current CEO of the company, Mr. Ittira Davis is aged 68 years and is due for retirement in January 2025 on account of RBI’s age bar of 70 years on CEOs. The bank is in the process of looking for a replacement for the said post.

Company Background:

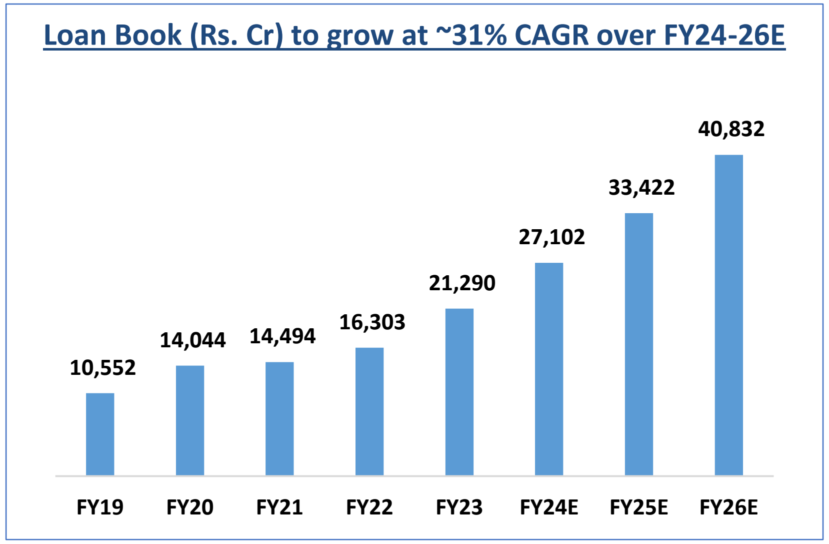
Ujjivan Financial Services Limited (UFSL) is a Core Investment Company registered with the Reserve Bank of India. Being a non-operating holding Company, its main objective is to carry on the business of making investments in the group company(ies).

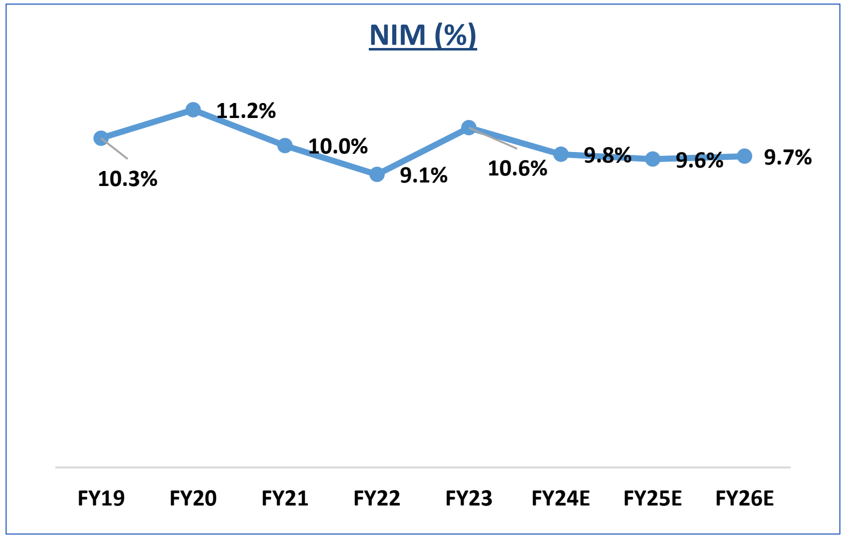
UFSL commenced operations as an NBFC in 2005, to provide a full range of financial services to the 'economically active' underbanked/unbanked segment of the population, primarily based on the joint liability group-lending model for providing collateral-free, small ticket-size loans. It also offered individual loans to Micro and Small Enterprises (MSEs). UFSL adopted an integrated approach to lending, which combines a high customer touch point like microfinance, with the technology infrastructure and back-end support similar to a retail bank.

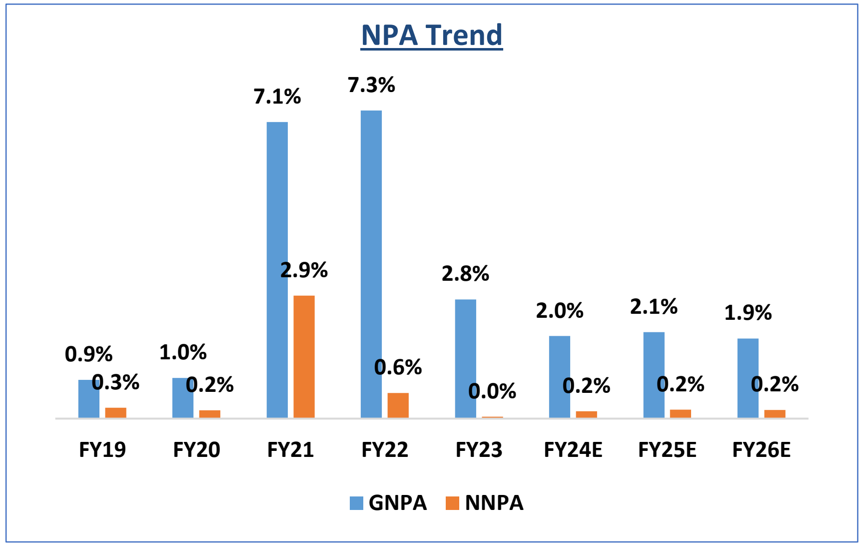
Ujjivan Small Finance Bank Limited is a mass market focused small finance bank in India, catering to financially unserved and underserved segments and committed to building financial inclusion in the country. On October 7, 2015, UFSL received RBI In-Principle Approval to set up a Small Finance Bank (SFB), following which it incorporated Ujjivan Small Finance Bank Limited as a wholly-owned subsidiary. UFSL, subsequent to obtaining RBI Final Approval on November 11, 2016 to establish and carry on business as a SFB, transferred its business undertaking comprising of its lending and financing business to the Bank, which commenced its operations from February 1, 2017. As of March 31, 2023, UFSL holds 73.67% in Ujjivan SFB.

SOTP Valuation:

	Rationale	Base Case	Bull Case
Ujjivan SFB (Stake 73.67 %)	1.40x/1.55x Mar-26 ABV	8,539	9,453
Investments (FD & Cash Balance)	1x book value of Rs.211 crores	211	211
Holding Company Discount	10% Discount	854	945
Total Value		**7,896**	**8,719**
No. of Shares of UFSL (Crs)		12	12
Fair Value/Share		**649**	**717**







(Source: Company, HDFC sec)

Ujjivan Small Finance Bank Financials

Income Statement

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	2813	4165	5432	6671	7982
Interest Expenses	1039	1467	2091	2662	3291
Net Interest Income	**1774**	**2698**	**3340**	**4009**	**4691**
Non-Interest income	313	589	707	836	1035
Total Income	**2087**	**3287**	**4047**	**4845**	**5727**
Operating Expenses	1496	1802	2051	2478	2893
PPP	591	1485	1996	2367	2833
Prov & Cont	1141	18	149	281	338
Profit Before Tax	-550	1467	1847	2086	2495
Tax	-136	367	462	522	624
PAT	**-414**	**1100**	**1385**	**1565**	**1872**

Balance Sheet

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	1971	2206	2155	2155	2155
Reserves & Surplus	832	2003	3163	4532	6208
Shareholder funds	**2803**	**4209**	**5318**	**6687**	**8363**
Deposits	18292	25538	32428	40116	49642
Borrowings	1764	2642	3781	3814	3849
Other Liab & Prov.	746	929	1043	1336	1651
SOURCES OF FUNDS	**23604**	**33317**	**42569**	**51953**	**63506**
Cash & Bank Balance	2168	2484	3351	6031	10682
Investment	4153	8510	10878	11001	10185
Advances	16303	21290	27102	33422	40832
Fixed Assets	249	283	325	374	430
Other Assets	731	750	913	1126	1376
TOTAL ASSETS	**23604**	**33317**	**42569**	**51953**	**63506**

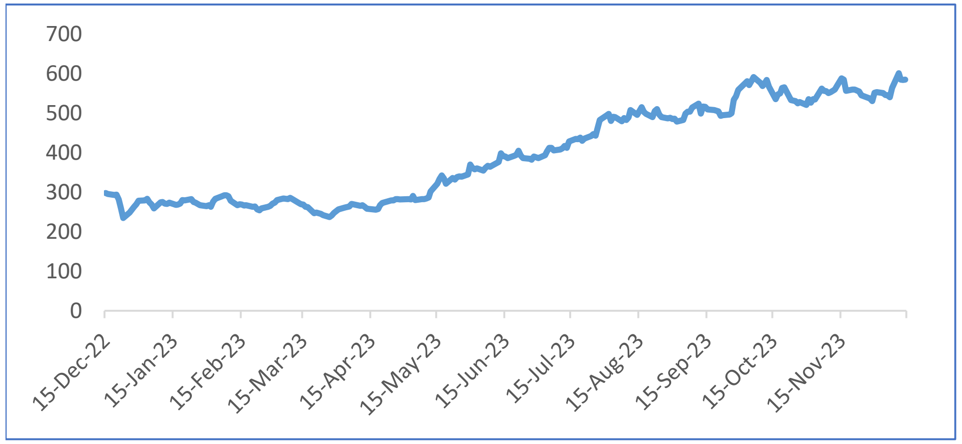
Key Ratio

	FY22	FY23	FY24E	FY25E	FY26E
Return Ratios					
Calc. Yield on adv	16.7%	19.7%	19.2%	19.0%	19.0%
Calc. Cost of funds	5.7%	6.1%	6.5%	6.6%	6.8%
NIM	9.1%	10.6%	9.8%	9.6%	9.7%
RoAE	-13.8%	31.4%	29.1%	26.1%	24.9%
RoAA	-1.9%	3.9%	3.7%	3.3%	3.2%
Asset Quality Ratios					
GNPA	7.3%	2.8%	2.0%	2.1%	1.9%
NNPA	0.6%	0.0%	0.2%	0.2%	0.2%
PCR	92.2%	98.6%	91.4%	89.8%	89.4%
Growth Ratios					
Advances	12.5%	30.6%	27.3%	23.3%	22.2%
Deposits	39.3%	39.6%	27.0%	23.7%	23.7%
Borrowing	-45.7%	49.8%	43.1%	0.9%	0.9%
NII	2.6%	52.1%	23.8%	20.0%	17.0%
PAT	NA	NA	25.9%	13.0%	19.6%

Key Ratio

	FY22	FY23	FY24E	FY25E	FY26E
Valuation Ratios					
EPS	-2.4	5.6	7.1	8.0	9.6
P/E	NA	10.6	8.4	7.4	6.2
Adj. BVPS	15.6	21.5	27.0	33.8	42.4
P/ABV	3.8	2.8	2.2	1.8	1.4
Other Ratios					
CASA	27.3%	26.4%	25.8%	25.0%	24.3%
CAR	19.0%	25.8%	18.4%	19.0%	19.4%
Tier 1	17.7%	22.7%	16.7%	17.5%	18.2%

One Year Price Chart



Varun Nitin Manek

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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.

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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.

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