

**BUY**  
 TP: Rs 10,105 | ▲ 41%

**BAJAJ FINANCE**

| NBFC

| 29 January 2024

**Mixed quarter; maintain BUY**

- Rural B2C business remains a sore point with overall credit costs climbing 15bps YoY in Q3 to 1.7%
- AUM growth robust at 35% YoY to Rs 3tn+; we expect BAF to surpass Rs 5tn by FY26
- Maintain BUY with new TP of Rs 10,105 (vs. Rs 9,605) on rolling valuations to FY26E with lower target P/ABV of 5.5x for standalone business

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**Credit costs swell:** BAF’s credit costs climbed 48% YoY and 16% QoQ to Rs 12.5bn as against our estimate of Rs 11.6bn and formed 1.7% of average loans (+15bps YoY and +12bps QoQ), due to continued stress from the rural B2C segment. The urban B2C segment also showed stress in Q3. Though the company has slowed growth in rural B2C lending as a precautionary measure, we now raise our credit cost estimates to 165-190bps over FY24-FY26 – tracking management’s guidance of 175-185bps (ex-management overlay). BAF’s GNPA and NNPA remained robust at 1% and 0.4% respectively as of 9MFY24.

**NIM declines:** NIM (calc.) fell 40bps YoY to 10.3% due to a higher cost of funds and the regulatory increase in risk weights on bank loans to NBFCs. Though management intends to mitigate the impact by raising loan yields, this measure will be constrained by competitive pressures, especially from public sector banks. We cut our NIM estimate for FY25 by 16bps to 10.1% and introduce our FY26 forecast at 10%.

**Strong growth:** BAF delivered 35% YoY AUM growth to Rs 3.1tn at end-9MFY24. The mortgage business (31% of AUM) grew 31% YoY and urban B2C (20% share) was up 29%. SME lending (13% share) grew 39% to Rs 414bn. Two- and three-wheeler financing climbed 64% YoY, contributing 6.2% of AUM from 5.1% at end-9MFY23, as the company continues to finance non-Bajaj Auto products as well. The newer business is also progressing well. We expect a 29% CAGR in AUM over FY23-FY26 to Rs 5.3tn and a 24% PAT CAGR over the same period. Capital adequacy remained strong at 23.9% as of Dec’23 with tier-1 capital at 22.8%.

**Maintain BUY:** Although we remain bullish on BAF, we factor in the funding and credit cost pressures by reducing our target P/ABV multiple for the standalone business from 6.3x to 5.5x, bringing it on par with the stock’s long-term mean. Baking in our revised estimates and target multiple, along with rollover of valuations to FY26E, we arrive at a fair value of Rs 9,488/sh for standalone operations (Rs 9,125 earlier). Adding Rs 617/sh for subsidiaries, we have a new SOTP-based TP of Rs 10,105 (Rs 9,605 earlier) for BAF that offers 41% upside. BUY.

**Key changes**

| Target | Rating |
|--------|--------|
| ▲      | ◀ ▶    |

|                  |                   |
|------------------|-------------------|
| Ticker/Price     | BAF IN/Rs 7,192   |
| Market cap       | US\$ 16.6bn       |
| Free float       | 44%               |
| 3M ADV           | US\$ 102.0mn      |
| 52wk high/low    | Rs 8,192/Rs 5,486 |
| Promoter/FPI/DII | 56%/20%/13%       |

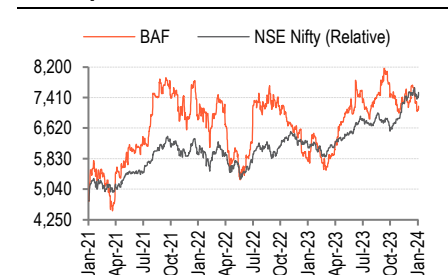
Source: NSE | Price as of 29 Jan 2024

**Key financials**

| Y/E 31 Mar              | FY23A    | FY24E    | FY25E    |
|-------------------------|----------|----------|----------|
| NII (Rs mn)             | 2,29,903 | 2,89,375 | 3,73,320 |
| NII growth (%)          | 31.2     | 25.9     | 29.0     |
| Adj. net profit (Rs mn) | 1,15,077 | 1,40,431 | 1,78,464 |
| EPS (Rs)                | 116.8    | 189.6    | 227.1    |
| Consensus EPS (Rs)      | 116.8    | 241.0    | 298.0    |
| P/E (x)                 | 61.6     | 37.9     | 31.7     |
| P/BV (x)                | 9.9      | 8.0      | 5.9      |
| ROA (%)                 | 4.7      | 4.3      | 4.2      |
| ROE (%)                 | 23.5     | 21.7     | 21.4     |

Source: Company, Bloomberg, BOBCAPS Research | Consensus EPS is yet to factor in the impact of the recent capital raise.

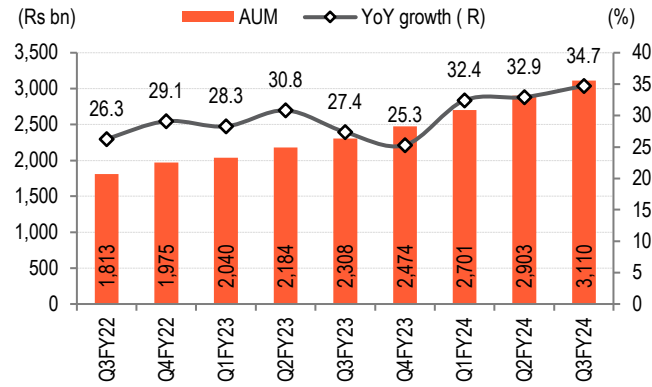
**Stock performance**



Source: NSE

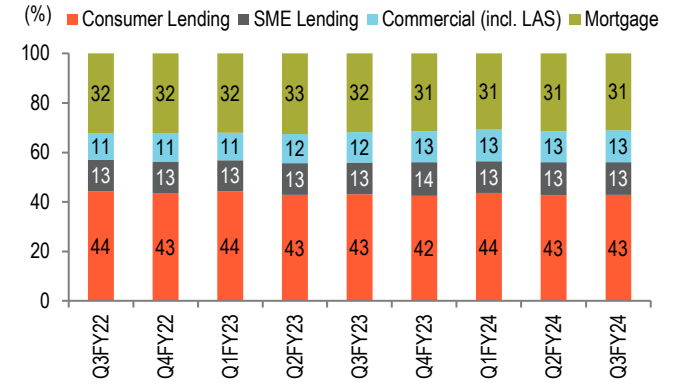


**Fig 1 – Strong AUM growth**



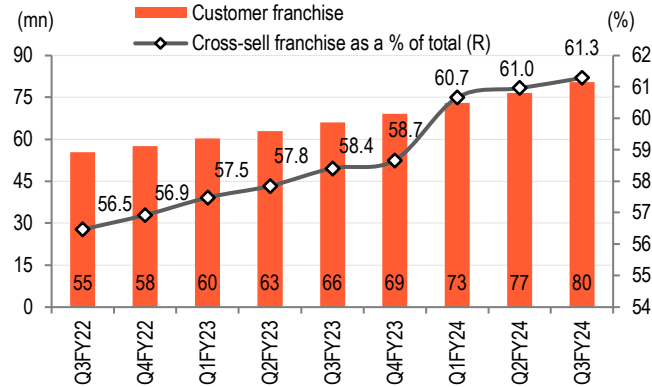
Source: Company, BOBCAPS Research

**Fig 2 – AUM mix largely stable**



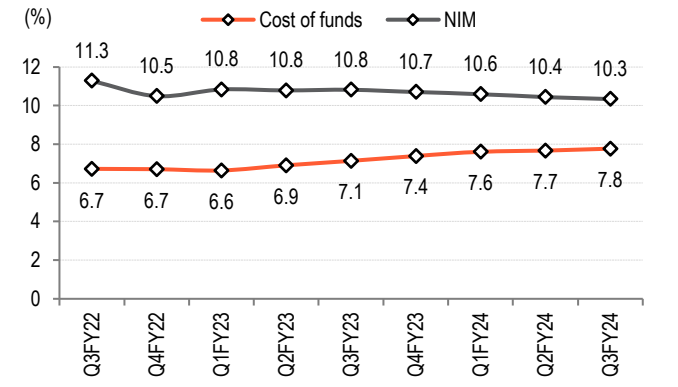
Source: Company, BOBCAPS Research

**Fig 3 – Customer franchise strong**



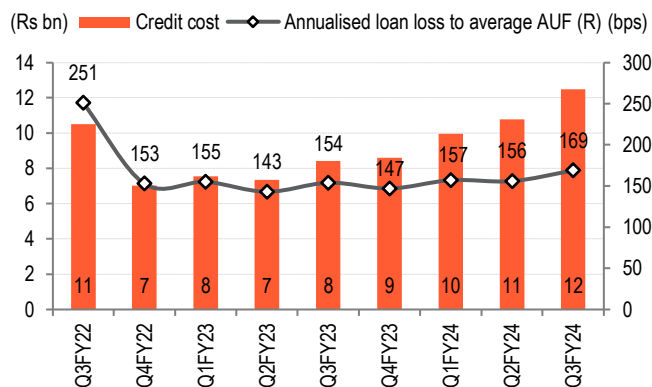
Source: Company, BOBCAPS Research

**Fig 4 – NIM under pressure owing to higher cost of funds**



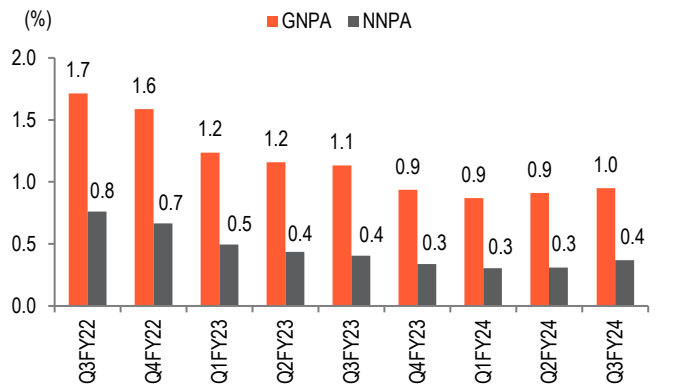
Source: Company, BOBCAPS Research

**Fig 5 – Credit cost swells**



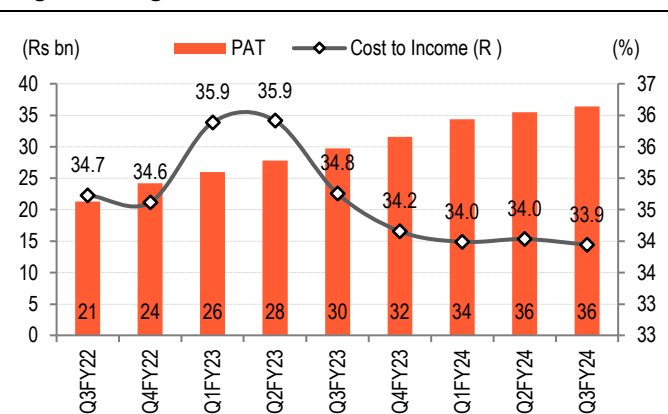
Source: Company, BOBCAPS Research | AUF: Assets under Finance

**Fig 6 – Asset quality strong**



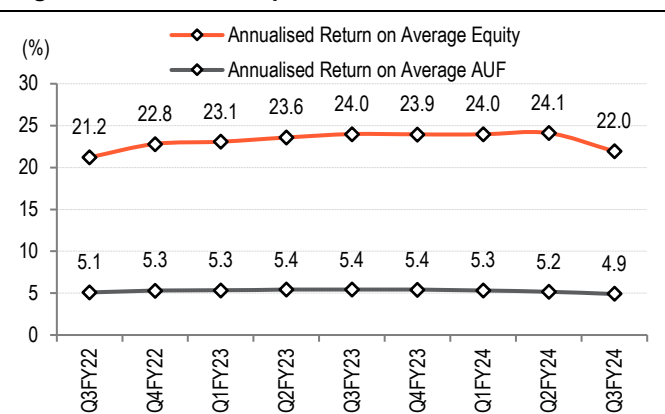
Source: Company, BOBCAPS Research

**Fig 7 – PAT growth stable**



Source: Company, BOBCAPS Research

**Fig 8 – Return ratios dip**



Source: Company, BOBCAPS Research

**Fig 9 – Customer profile**

| Particulars   | Unit | FY17   | FY18   | FY19   | FY20   | FY21   | FY22   | FY23   | 9MFY24 |
|---|------|--------|--------|--------|--------|--------|--------|--------|--------|
| New loans booked                                    | mn   | 10.1   | 15.3   | 23.5   | 27.4   | 16.9   | 24.7   | 29.6   | 28.3   |
| New customer addition                               | mn   | 4.1    | 6.1    | 8.3    | 8.1    | 6.0    | 9.0    | 11.6   | 11.3   |
| Co-branded credit cards sold                        | mn   | 0.03   | 0.39   | 0.81   | 1.12   | 0.70   | 1.36   | 1.92   | 1.50   |
| Other financial products sold to existing customers | mn   | 0.06   | 0.08   | 0.19   | 0.27   | 0.67   | 2.23   | 2.36   | 1.92   |
| AUM per cross-sell franchise                        | Rs   | 54,722 | 53,417 | 56,066 | 60,983 | 56,879 | 58,617 | 60,991 | 63,102 |
| PAT per cross-sell franchise                        | Rs   | 1,670  | 1,618  | 1,933  | 2,182  | 1,644  | 2,145  | 2,837  | 2,156  |

Source: Company, BOBCAPS Research Note: PAT per cross sell franchise not annualized for H1FY24

**Fig 10 – High quality assets demonstrated by Stage-1 assets**

| Stage-1 (%)                   | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Consumer durable & lifestyle  | 99.7   | 99.6   | 99.6   | 99.6   | 99.6   | 99.5   | 99.4   |
| Two & three-wheelers          | 86.0   | 89.3   | 91.7   | 93.3   | 94.3   | 94.7   | 94.7   |
| Digital products              | 99.5   | 99.5   | 99.6   | 99.5   | 99.5   | 99.4   | 99.4   |
| Urban B2C                     | 98.6   | 98.8   | 98.7   | 98.8   | 98.7   | 98.7   | 98.6   |
| Business & professional loans | 99.0   | 99.1   | 99.1   | 99.3   | 99.3   | 99.3   | 99.1   |
| Rural B2B                     | 99.7   | 99.6   | 99.7   | 99.6   | 99.7   | 99.6   | 99.6   |
| Rural B2C                     | 98.1   | 97.9   | 98.0   | 98.1   | 98.0   | 98.2   | 98.0   |
| Loans against property        | 98.4   | 98.6   | 98.8   | 98.8   | 98.9   | 99.1   | 99.1   |
| Home loans                    | 99.4   | 99.4   | 99.5   | 99.6   | 99.4   | 99.5   | 99.5   |

Source: Company, BOBCAPS Research

**Fig 11 – Unsecured lending constitutes ~37% of AUM**

| Particulars              | Q1FY23   | Q2FY23   | Q3FY23   | Q4FY23   | Q1FY24    | Q2FY24    | Q3FY24    |
|--------------------------|----------|----------|----------|----------|-----------|-----------|-----------|
| <b>Unsecured Lending</b> | 8,09,170 | 8,34,970 | 8,76,690 | 9,19,950 | 10,30,050 | 10,75,650 | 11,37,820 |
| As a % of total AUM      | 39.4     | 38.2     | 38.0     | 37.2     | 38.1      | 37.1      | 36.6      |
| Urban Sales Finance      | 1,67,900 | 1,65,550 | 1,69,810 | 1,76,270 | 2,23,210  | 2,29,730  | 2,44,850  |
| Urban B2C                | 4,19,700 | 4,50,010 | 4,78,150 | 5,01,080 | 5,48,450  | 5,81,780  | 6,17,050  |
| Rural Sales Finance      | 42,490   | 40,330   | 44,150   | 48,030   | 55,670    | 55,340    | 61,660    |
| Rural B2C                | 1,79,080 | 1,79,080 | 1,84,580 | 1,94,570 | 2,02,720  | 2,08,800  | 2,14,260  |

Source: Company, BOBCAPS Research

**Fig 12 – Profit and loss account**

| Consolidated (Rs mn)                  | Q3FY24        | Q3FY23        | YoY (%)     | Q2FY24        | QoQ (%)     | 9MFY24          | 9MFY23          | YoY (%)     |
|---------------------------------------|---------------|---------------|-------------|---------------|-------------|-----------------|-----------------|-------------|
| <b>P&amp;L</b>                        |               |               |             |               |             |                 |                 |             |
| Interest Income                       | 1,25,233      | 92,734        | 35.0        | 1,17,321      | 6.7         | 3,50,765        | 2,57,033        | 36.5        |
| Interest Expense                      | 48,680        | 33,505        | 45.3        | 45,371        | 7.3         | 1,35,076        | 89,673          | 50.6        |
| <b>Net Interest Income (NII)</b>      | <b>76,553</b> | <b>59,229</b> | <b>29.2</b> | <b>71,951</b> | <b>6.4</b>  | <b>2,15,689</b> | <b>1,67,360</b> | <b>28.9</b> |
| Non-interest income                   | 16,427        | 15,155        | 8.4         | 16,496        | (0.4)       | 49,718          | 43,438          | 14.5        |
| Fee Income                            | 12,905        | 11,103        | 16.2        | 13,119        | (1.6)       | 39,405          | 32,029          | 23.0        |
| Sale of services                      | 89            | 143           | (37.8)      | 135           | (34.0)      | 412             | 356             | 15.8        |
| FV changes                            | 684           | 1,190         | (42.5)      | 711           | (3.8)       | 2,299           | 2,492           | (7.8)       |
| Recovery from written off loans       | 2,585         | 2,629         | (1.7)       | 2,526         | 2.4         | 7,360           | 8,434           | (12.7)      |
| Non-Interest Income                   | 163           | 91            | 79.5        | 5             | 3,226.5     | 242             | 127             | 90.2        |
| <b>Total income</b>                   | <b>92,980</b> | <b>74,384</b> | <b>25.0</b> | <b>88,447</b> | <b>5.1</b>  | <b>2,65,407</b> | <b>2,10,798</b> | <b>25.9</b> |
| Employee Costs                        | 16,618        | 12,886        | 29.0        | 15,875        | 4.7         | 47,463          | 37,141          | 25.9        |
| Fees & commission expense             | 4,706         | 4,617         | 1.9         | 4,730         | (0.5)       | 14,119          | 13,994          | 0.9         |
| Depreciation                          | 1,758         | 1,190         | 47.7        | 1,585         | 10.9        | 4,904           | 3,513           | 39.6        |
| Other Expenses                        | 8,477         | 7,163         | 18.3        | 7,910         | 7.2         | 23,716          | 20,181          | 17.5        |
| <b>Total Operating Expenses</b>       | <b>31,557</b> | <b>25,855</b> | <b>22.1</b> | <b>30,100</b> | <b>4.8</b>  | <b>90,201</b>   | <b>74,829</b>   | <b>20.5</b> |
| <b>PPOP</b>                           | <b>61,422</b> | <b>48,529</b> | <b>26.6</b> | <b>58,347</b> | <b>5.3</b>  | <b>1,75,206</b> | <b>1,35,969</b> | <b>28.9</b> |
| <b>Loan loss provision</b>            | <b>12,484</b> | <b>8,413</b>  | <b>48.4</b> | <b>10,771</b> | <b>15.9</b> | <b>33,207</b>   | <b>23,302</b>   | <b>42.5</b> |
| PBT                                   | 48,939        | 40,116        | 22.0        | 47,576        | 2.9         | 1,41,999        | 1,12,667        | 26.0        |
| Share of profit/(loss) from associate | 16.5          | 1             | NA          | 2             | 1,000.0     | 46              | 1               | NA          |
| Taxes                                 | 12,566        | 10,387        | 21.0        | 12,070        | 4.1         | 35,779          | 29,168          | 22.7        |
| <b>PAT</b>                            | <b>36,390</b> | <b>29,730</b> | <b>22.4</b> | <b>35,508</b> | <b>2.5</b>  | <b>1,06,266</b> | <b>83,499</b>   | <b>27.3</b> |

Source: Company, BOBCAPS Research

## Earnings call takeaways

### Operational highlights

- BAF's AUM grew 35% YoY to Rs 3.1tn at end-9MFY24.
- Subsidiary BHFL's AUM increased 31% YoY to Rs 859bn at end-Q3. Of this, developer finance grew 74% YoY, albeit on a low base. Home loans, which form 50%+ of the total book, grew 19% YoY.
- The number of new loan accounts booked by BAF grew 26% YoY to 9.9mn in Q3FY24 vs. 7.8mn in Q3FY23. B2B disbursements increased 31% YoY to Rs 217bn.
- The opex-to-NII ratio improved to 33.9% from 34.8% in the year-ago quarter.
- Capital adequacy remained strong at 23.9% as of Dec'23 with tier-1 capital at 22.8%.
- BAF added 3.85mn new customers during the quarter and expects to add 13-14mn in all during FY24 for a total base of more than 83mn customers. The cross-sell customer franchise stood at 49.3mn.
- A total of 158 new locations and 9,500 distribution points were added during the quarter.
- Employee headcount stood at 54,281 as of Dec'23, including 3,181 additions in Q3. Annualised attrition in 9MFY24 was down to 13.8% from 19.1% in 9MFY23.
- Product per customer (PPC) increased from 5.81 at the end of FY23 to 6.02 at the end of Q3FY24, indicating that the company's relationships with its customers is growing. PPC is a business metric used to determine the average number of products or services (active or closed) that a customer has availed of over his/her lifetime with BAF and its subsidiaries.
- Public sector banks remain the company's main competition primarily because of their reach.

### Asset quality

- Q3 loan losses & provisions increased 48% YoY to Rs 12.5bn. The company holds a management & macroeconomic overlay of Rs 5.9bn as of Dec'23, after releasing Rs 1.5bn from the overlay during the quarter.
- The increase in loan loss provisions was primarily due to the rural B2C business. As a precautionary step, the company reined in AUM growth for the rural B2C category (excluding gold loans) from 26% in Mar'23 to 10% in Dec'23. Urban B2C loan losses were higher in Q3 due to lower collection efficiency.
- Annualised loan loss to average AUF (assets under finance), excluding management overlay, was 1.79% in 9MFY24. Management expects credit cost for to be maintained at 175-185bps.
- GNPA stood at 0.95% and NNPA at 0.4% as of December as against 1.1% and 0.4% a year-ago.

- The ECL provisioning policy is to be finalised in Q4.

### **Margins**

- Given the increase in risk weights and higher incremental cost of funds, BAF has raised interest rates by 20-30bps across portfolios effective 1 January.
- NIM compression was also seen in the mortgage business.

### **Regulatory scrutiny**

- In November, the RBI instructed Bajaj Finance to stop issuing new loans through its 'eCOM' and 'Insta EMI Card' due to non-compliance with digital lending guidelines, particularly the non-issuance of key fact statements (KFS) to borrowers. This affected the company's EMI cards acquired, which saw an 11% YoY decline in Q3.
- Management indicated that it has conducted a comprehensive review of the digital lending and KFS guidelines and made an initial submission to the RBI, with the final response to be submitted shortly. The company has decided to come out with KFS in 20 languages for all its products (and not just the two under scrutiny).

### **Credit cards**

- BAF has been able to renew its co-branded credit card partnership with RBL Bank only for a year as the RBI has noted certain deficiencies in operations.
- RBL Bank has tightened filters for credit cards as a prudent measure and hence reflected in credit cards sold during Q3.

### **Management changes**

- Anup Saha, who's been with the company for the last seven years, will move from Executive Director to Deputy Managing Director subject to shareholders' approval.
- To assist Anup, the company has created three new chief operating officer positions.
- Rajeev Jain, the current Managing Director, will continue to be actively involved in shaping the strategy of the company and its subsidiaries.
- Executive Director Rakesh Bhatt has resigned and will remain with the company till 30 Jun 2024.

## Valuation methodology

Q3FY24 was a mixed quarter for BAF with loan loss provisions moving up and the company suffering regulatory setbacks. Despite this, AUM growth was strong at 35% YoY, newer business gained traction and there is clarity on the growth path ahead. Succession planning has also held up well. Q3 AUM crossed the Rs 3tn mark and we introduce FY26 estimates wherein we expect the company to surpass Rs 5tn, clocking a three-year CAGR of 29%. We model for a 24% PAT CAGR over the same period.

We now raise credit cost estimates by 5-15bps for FY24-FY25 to 1.7%/1.8% (1.9% for FY26), considering RBI's alert on the systemic risk of delinquencies on unsecured loans. Our NIM estimates for both years have been pared 3-16bps in light of the central bank's 25% hike in risk weights on lending by banks to NBFCs (30% of BAF's total requirements are met through bank loans).

Over the last decade, the stock has traded at an average of 5.5x one-year forward ABV on a standalone basis and 4.7x on a consolidated basis. BAF has delivered solid growth in 9MFY24, but we lower our target P/ABV multiple from 6.3x to 5.5x (in line with the long-term mean) owing to (i) concerns about high systemic delinquency in the sub-Rs 50,000 personal loan segment, which can cascade to other segments as well (ii) higher cost of borrowings after RBI raised risk weights, and (iii) scope for adverse regulatory action on personal and unsecured loans.

On rolling valuations over to FY26E, we arrive at a new value of Rs 9,488/sh (Rs 9,125 earlier) for standalone operations. The addition of Rs 603/sh for housing arm BHFL (2x FY26E BV) and Rs 14/sh for securities subsidiary BFSL (15x FY26E EPS) – both largely unchanged valuations – makes for an SOTP-based TP of Rs 10,105 (Rs 9,605 earlier). We find current valuations compelling and maintain BUY for 41% upside from the current stock price.

**Fig 13 – Revised estimates**

| (Rs mn)          | New       |           |           | Old       |           |       | Change (%) |         |       |
|------------------|-----------|-----------|-----------|-----------|-----------|-------|------------|---------|-------|
|                  | FY24E     | FY25E     | FY26E     | FY24E     | FY25E     | FY26E | FY24E      | FY25E   | FY26E |
| AUM              | 33,15,328 | 42,04,804 | 52,68,038 | 32,78,958 | 42,12,878 | NA    | 1.1        | (0.2)   | NA    |
| Loans            | 32,62,282 | 41,37,527 | 51,83,749 | 32,26,495 | 41,45,472 | NA    | 1.1        | (0.2)   | NA    |
| NIM              | 10.2      | 10.1      | 10.0      | 10.2      | 10.2      | NA    | (3bps)     | (16bps) | NA    |
| Total income     | 3,57,673  | 4,62,573  | 5,79,106  | 3,62,460  | 4,74,526  | NA    | (1.3)      | (2.5)   | NA    |
| C/ I ratio (%)   | 34.4      | 34.0      | 34.3      | 33.9      | 33.2      | NA    | 45bps      | 86bps   | NA    |
| PPOP             | 2,34,643  | 3,05,186  | 3,80,323  | 2,39,421  | 3,17,148  | NA    | (2.0)      | (3.8)   | NA    |
| Credit costs (%) | 1.7       | 1.8       | 1.9       | 1.6       | 1.7       | NA    | 5bps       | 15bps   | NA    |
| PAT              | 1,40,431  | 1,78,464  | 2,18,245  | 1,45,282  | 1,91,734  | NA    | (3.3)      | (6.9)   | NA    |

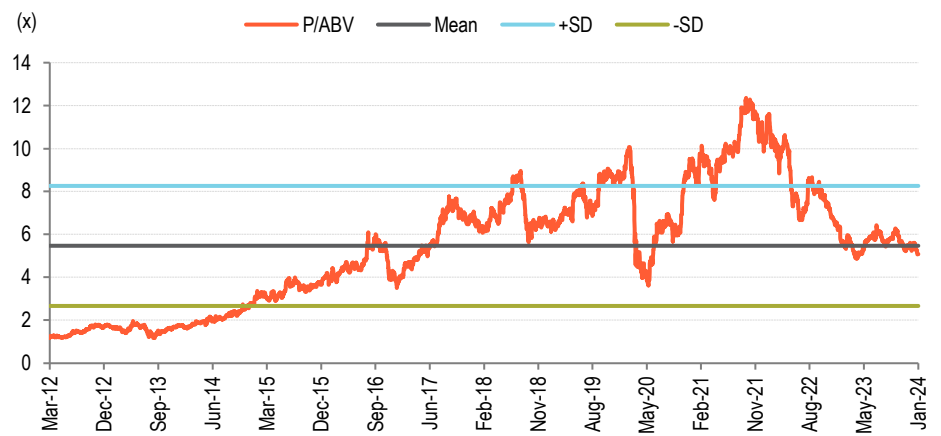
Source: BOBCAPS Research

**Fig 14 – SOTP valuation**

| FY26E  | Stake (%) | (Rs bn)      | (Rs/share)    | Valuation basis  |
|--|-----------|--------------|---------------|------------------|
| <b>Value of Bajaj Finance (Standalone)</b>   | -         | 6,052        | 9,488         | 5.5x P/ABV FY26E |
| <b>Subsidiaries valuation</b>                | -         | 312          | 617           | -                |
| Bajaj Housing Finance (BHFL)                 | 100       | 305          | 603           | 2x P/BV FY26E    |
| Bajaj Financial Securities (BFSL)            | 100       | 7            | 14            | 15x P/E FY26E    |
| <b>Value of Bajaj Finance (Consolidated)</b> | -         | <b>6,364</b> | <b>10,105</b> | -                |
| Final value (Consolidated – Rounded off)     | -         | -            | 10,200        | -                |
| Current Market Price                         | -         | -            | 7,192         | -                |
| Upside/(Downside) (%)                        | -         | -            | 40.5          | -                |

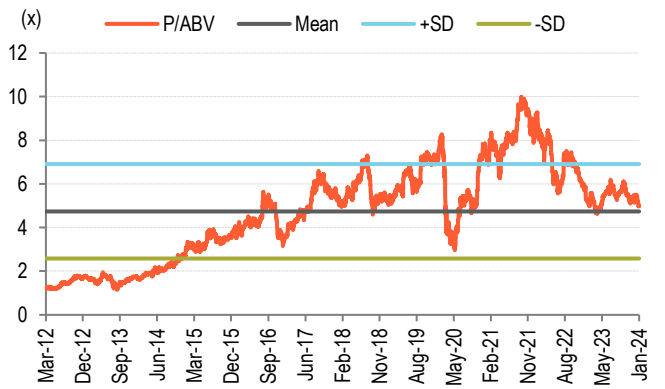
Source: BOBCAPS Research

**Fig 15 – P/ABV 1Y fwd: Stock trading close to mean on standalone basis**



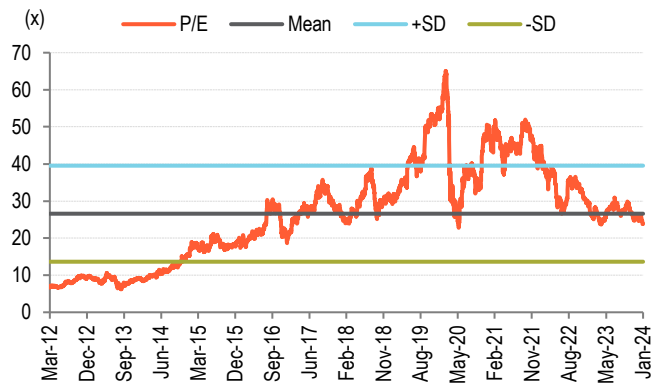
Source: Bloomberg, BOBCAPS Research

**Fig 16 – P/ABV 1Y fwd: Stock trading around mean on consolidated basis**



Source: Bloomberg, BOBCAPS Research

**Fig 17 – P/E 1Y fwd: Stock trading close to mean on consolidated basis**



Source: Bloomberg, BOBCAPS Research



## Key risks

- **Intensifying competition:** Based on a wide product suite, solid execution capabilities, and robust demand for credit in its target industries, we expect BAF to achieve 20%+ loan growth in the medium term. However, above-expected competition, particularly from banks and other financial institutions, could weigh on performance, affecting our earnings, margin and valuation assumptions.
- **Deteriorating asset quality:** Between FY19 and FY23, BAF's GNPA and NNPA averaged just 1.5% and 0.6% respectively. Asset quality may decline as a result of slow economic growth or the recurrence of a pandemic (such as Covid).
- **Higher delinquency in new segments:** The company has announced plans to enter the higher risk microfinance and tractor financing markets in Q4FY24 and Q1FY25 respectively. These businesses could pose risks to asset quality.
- **Regulatory headwinds:** According to the RBI's scale-based NBFC framework published in 2022, BAF (along with 15 others) has been classed as an upper layer NBFC that must adhere to enhanced regulation. It cannot, for instance, lend more than 20% to one entity and more than 25% to a group of entities. In future, the RBI may even direct the company to transition from an NBFC into a bank, which would entail maintaining CRR, SLR and PSL – strictures that NBFCs aren't subject to and which would impact profitability.

## Sector recommendation snapshot

| Company       | Ticker     | Market Cap (US\$ bn) | Price (Rs) | Target (Rs) | Rating |
|---------------|------------|----------------------|------------|-------------|--------|
| Bajaj Finance | BAF IN     | 16.6                 | 7,192      | 10,105      | BUY    |
| SBI Card      | SBICARD IN | 8.3                  | 716        | 800         | HOLD   |

Source: BOBCAPS Research, NSE | Price as of 29 Jan 2024

## Glossary

| Glossary of Abbreviations |                             |             |                                   |
|---------------------------|-----------------------------|-------------|-----------------------------------|
| <b>AUF</b>                | Assets Under Finance        | <b>LRD</b>  | Lease Rental Discounting          |
| <b>AUM</b>                | Assets Under Management     | <b>MDR</b>  | Merchant Discount Rate            |
| <b>CIF</b>                | Cards in Force              | <b>MSME</b> | Micro, Small & Medium Enterprises |
| <b>CRR</b>                | Cash Reserve Ratio          | <b>PSL</b>  | Priority Sector Lending           |
| <b>ECL</b>                | Expected Credit Loss        | <b>SLR</b>  | Statutory Liquidity Ratio         |
| <b>EMI</b>                | Equated Monthly Installment | <b>UPI</b>  | Unified Payment Interface         |

## Financials

### Income Statement

| Y/E 31 Mar (Rs mn)         | FY22A           | FY23A           | FY24E           | FY25E           | FY26E           |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Net interest income</b> | <b>1,75,235</b> | <b>2,29,903</b> | <b>2,89,375</b> | <b>3,73,320</b> | <b>4,66,064</b> |
| Nil growth (%)             | 26.2            | 31.2            | 25.9            | 29.0            | 24.8            |
| Non-interest income        | 43,708          | 58,555          | 68,298          | 89,252          | 1,13,042        |
| Total income               | 2,18,944        | 2,88,458        | 3,57,673        | 4,62,573        | 5,79,106        |
| Operating expenses         | 75,872          | 1,01,300        | 1,23,031        | 1,57,387        | 1,98,783        |
| PPOP                       | 1,43,072        | 1,87,158        | 2,34,643        | 3,05,186        | 3,80,323        |
| PPOP growth (%)            | 19.6            | 30.8            | 25.4            | 30.1            | 24.6            |
| Provisions                 | 48,034          | 31,897          | 46,901          | 66,598          | 88,552          |
| PBT                        | 95,038          | 1,55,262        | 1,87,742        | 2,38,588        | 2,91,771        |
| Tax                        | 24,756          | 40,202          | 47,311          | 60,124          | 73,526          |
| <b>Reported net profit</b> | <b>70,282</b>   | <b>1,15,077</b> | <b>1,40,431</b> | <b>1,78,464</b> | <b>2,18,245</b> |
| Adjustments                | 0               | 0               | 0               | 0               | 0               |
| <b>Adjusted net profit</b> | <b>70,282</b>   | <b>1,15,077</b> | <b>1,40,431</b> | <b>1,78,464</b> | <b>2,18,245</b> |

### Balance Sheet

| Y/E 31 Mar (Rs mn)                | FY22A            | FY23A            | FY24E            | FY25E            | FY26E            |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Equity capital                    | 1,207            | 1,209            | 89,209           | 1,01,209         | 1,01,209         |
| Reserves & surplus                | 4,35,920         | 5,42,511         | 6,61,877         | 8,13,571         | 9,99,079         |
| Net worth                         | 4,37,127         | 5,43,720         | 7,51,086         | 9,14,780         | 11,00,288        |
| Debt securities                   | 7,62,231         | 8,68,452         | 11,73,531        | 14,88,380        | 18,64,735        |
| Borrowings                        | 8,90,089         | 12,98,453        | 17,54,586        | 22,25,328        | 27,88,028        |
| Other liab. & provisions          | 35,618           | 41,662           | 58,486           | 73,816           | 83,476           |
| <b>Total liab. &amp; equities</b> | <b>21,25,064</b> | <b>27,52,287</b> | <b>37,37,689</b> | <b>47,02,304</b> | <b>58,36,527</b> |
| Cash & bank balance               | 36,803           | 43,045           | 1,00,609         | 93,068           | 65,776           |
| Investments                       | 1,22,455         | 2,27,518         | 3,04,916         | 3,86,723         | 4,84,510         |
| Advances                          | 19,14,233        | 24,22,689        | 32,62,282        | 41,37,527        | 51,83,749        |
| Fixed & Other assets              | 51,573           | 59,034           | 69,881           | 84,986           | 1,02,492         |
| <b>Total assets</b>               | <b>21,25,064</b> | <b>27,52,287</b> | <b>37,37,689</b> | <b>47,02,304</b> | <b>58,36,527</b> |
| Total debt growth (%)             | 39.9             | 13.9             | 35.1             | 26.8             | 25.3             |
| Advances growth (%)               | 30.5             | 26.6             | 34.7             | 26.8             | 25.3             |

### Per Share

| Y/E 31 Mar (Rs)      | FY22A | FY23A | FY24E | FY25E   | FY26E   |
|----------------------|-------|-------|-------|---------|---------|
| EPS                  | 73.7  | 116.8 | 189.6 | 227.1   | 288.6   |
| Dividend per share   | 10.0  | 20.0  | 30.0  | 34.1    | 43.3    |
| Book value per share | 615.4 | 726.6 | 895.7 | 1,214.8 | 1,479.5 |

### Valuations Ratios

| Y/E 31 Mar (x)     | FY22A | FY23A | FY24E | FY25E | FY26E |
|--------------------|-------|-------|-------|-------|-------|
| P/E                | 97.6  | 61.6  | 37.9  | 31.7  | 24.9  |
| P/BV               | 11.7  | 9.9   | 8.0   | 5.9   | 4.9   |
| Dividend yield (%) | 0.1   | 0.3   | 0.4   | 0.5   | 0.6   |

### DuPont Analysis

| Y/E 31 Mar (%)      | FY22A | FY23A | FY24E | FY25E | FY26E |
|---------------------|-------|-------|-------|-------|-------|
| Net interest income | 9.1   | 9.4   | 8.9   | 8.8   | 8.8   |
| Non-interest income | 2.5   | 2.8   | 2.5   | 2.4   | 2.4   |
| Operating expenses  | 4.0   | 4.2   | 3.8   | 3.7   | 3.8   |
| Provisions          | 2.5   | 1.3   | 1.4   | 1.6   | 1.7   |
| ROA                 | 3.7   | 4.7   | 4.3   | 4.2   | 4.1   |
| Leverage (x)        | 4.8   | 5.0   | 5.0   | 5.1   | 5.2   |
| ROE                 | 17.4  | 23.5  | 21.7  | 21.4  | 21.7  |

### Ratio Analysis

| Y/E 31 Mar                                   | FY22A | FY23A | FY24E | FY25E | FY26E |
|--|-------|-------|-------|-------|-------|
| <b>YoY growth (%)</b>                        |       |       |       |       |       |
| Net interest income                          | 26.2  | 31.2  | 25.9  | 29.0  | 24.8  |
| Pre-provisioning profit                      | 19.6  | 30.8  | 25.4  | 30.1  | 24.6  |
| EPS  | 58.6  | 62.3  | 19.8  | 27.1  | 22.3  |
| <b>Profitability &amp; Return ratios (%)</b> |       |       |       |       |       |
| Net interest margin                          | 10.4  | 10.6  | 10.2  | 10.1  | 10.0  |
| Fees / Avg. assets                           | 1.6   | 1.8   | 1.7   | 1.7   | 1.7   |
| Cost-Income                                  | 34.7  | 35.1  | 34.4  | 34.0  | 34.3  |
| ROE  | 17.4  | 23.5  | 21.7  | 21.4  | 21.7  |
| ROA  | 3.7   | 4.7   | 4.3   | 4.2   | 4.1   |
| <b>Asset quality (%)</b>                     |       |       |       |       |       |
| GNPA   | 1.6   | 0.9   | 1.0   | 1.3   | 1.7   |
| NNPA   | 0.7   | 0.3   | 0.4   | 0.5   | 0.6   |
| Slippage ratio                               | 4.1   | 1.9   | 2.4   | 2.5   | 2.5   |
| Credit cost                                  | 2.8   | 1.5   | 1.7   | 1.8   | 1.9   |
| Provision coverage                           | 58.0  | 64.0  | 65.1  | 62.6  | 62.7  |
| <b>Ratios (%)</b>                            |       |       |       |       |       |
| Loans to Total debt                          | 115.5 | 111.5 | 111.1 | 111.1 | 111.1 |
| CAR  | 27.2  | 25.0  | 23.1  | 22.0  | 22.3  |
| Tier-1                                       | 24.8  | 23.2  | 21.2  | 20.2  | 20.6  |

Source: Company, BOBCAPS Research

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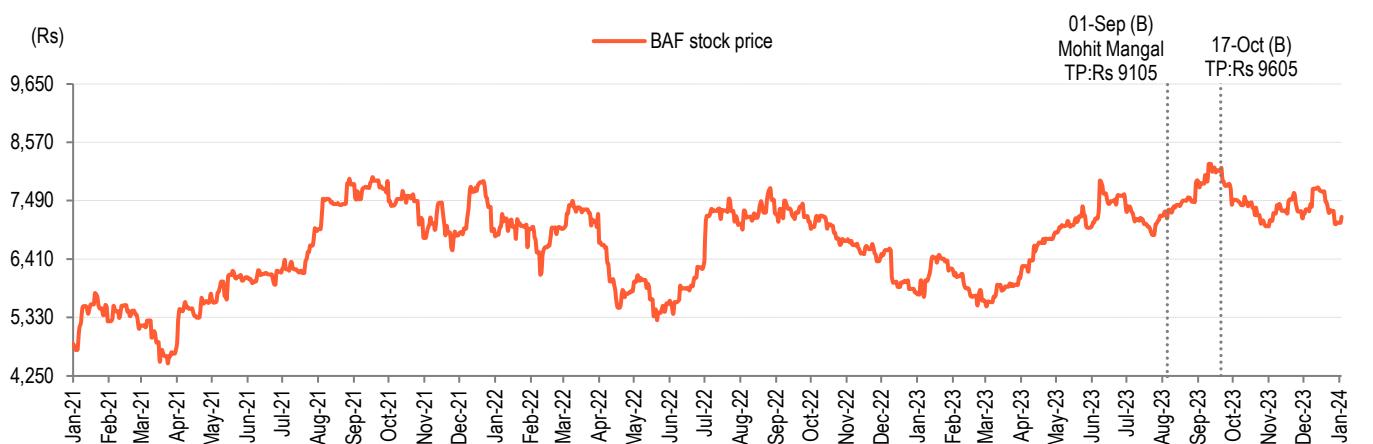
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