IPO Note

Jana Small finance bank SUBSCRIBE

Play on underserved middle income group

Summary

Jana SFB is the 4th largest Small Finance Bank in terms of AUM as well as in terms of deposit size as on September 30, 2023. As of Sep 30, 2023, Jana SFB has a rapidly expanded network with 771 banking outlets, including 278 banking outlets in unbanked rural centers, in 22 states and 2 UTs while serving 4.87Mn active customers. Jana has witnessed a robust AUM growth (25% CAGR FY21-FY23) and has also witnessed healthy deposit growth, at a CAGR of 15% FY21-FY23. The bank has placed a strong emphasis on increasing their Retail Deposits, and with its low-cost, diversified Retail Deposit base, the bank has decreased its Cost of Funds from 8.61% FY21, to 7.02% FY23. At upper price band, IPO is priced at P/BV of 1.2x based on Sep'23 with ROA of 1.60%. We recommend SUBSCRIBE for long term.

Key Investment Rationale

- **Proven execution ability:** The bank has demonstrated ability to scale-up its business significantly. Its gross advances have increased from ₹118,389.82 million as at March 31, 2021 to ₹180,007.41 million as at 31-Mar-23, representing a CAGR of 23.31%, and further increased to ₹213,471.30 million as at 30-Sep-23, an increase of 18.59%.
- **Pan India presence reduces geographical concentration risk**: The bank has reduced the geographical concentration risk with presence across 24 states and UTs; it's second highest among all SFBs. Also, bank has moved from unsecured to secured lending portfolio (57% H1FY24 vs 43% FY21).
- **Fast growing Retail Deposits base and diversified deposit franchise:** Its deposits increased from ₹123,162.58 million as at 31-Mar-21 to ₹163,340.16 million as at 31-Mar-23, representing a CAGR of 15.16% and further increased to ₹189,367.24 million as at 30-Sep-23, an increase of 15.93%. It is among the top four Small Finance Banks in India in terms of deposit size as at 30-Sep-23.

Issuer	**Jana small finance bank Ltd**
Transaction Type	**Fresh Issue of Equity shares aggregating upto ₹4,620 Mn and Offer for sale of 2,608,629 Equity Share.**
Issue Open / Close	07-Feb-2024 / 09-Feb-2024
Type of Offering	Fresh Issue and Offer for Sale
Total Offer Size	Rs 5,650-5700Mn
Price Band	Rs.393-414/Sh
Bid Lot	36 Equity Shares and in multiples thereafter
Percentage of Offer Size (Allocation)	▪ QIB: 50% ▪ NIB: 15% ▪ Retail: 35%
Objective	Augmenting banks Tier1 capital to meet future capital requirements

Share holding pattern (%)

	Pre-Issue	Post-Issue
Promoter	25.23	22.54
Public (Investor S/h)	7.94	4.59
Public (Other S/h)	66.83	72.86
Total	**100%**	**100%**

Financial Snapshot

(Rs Mn)	FY21	FY22	FY23	Q2FY24*
NII	12,632	13,898	16,600	9,876
Net Profit	723	175	2,560	2,132
EPS (Rs)	14.3	3.4	47.5	33.3
ROE (%)	6.5	1.5	16.8	18.8
ROA (%)	0.5	0.1	1.1	1.6
GNPA (%)	7.2	5.7	3.9	2.4
NNPA (%)	5.3	4.0	2.6	0.9
CAR (%)	15.5	15.3	15.6	17.5

*Source: RHP, Company; Note: * Ratios for Q2FY24 are annualised*

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Exhibit 1: Peer Comparison: AUM

Particulars	AUM (Rs in Bn)				AUM CAGR (FY21-23)	AUM YoY growth (%)		
	FY21	FY22	FY23	Q2FY24		FY22	FY23	Q2FY24
Small finance banks (SFB)								
AUM (in Bn)								
AU SFB	353.56	467.89	591.58	650.3	*29%*	*32*	*26*	*24*
Equitas SFB	179.25	205.97	278.61	312.3	*25%*	*15*	*35*	*37*
Ujjivan SFB	151.40	174.88	240.85	265.7	*26%*	*16*	*38*	*27*
Suryoday SFB	42.06	50.64	61.14	69.2	*21%*	*20*	*21*	*28.7*
Utkarsh SFB	84.16	106.31	139.57	148.9	*29%*	*26*	*31*	*26.4*
Jana SFB	**127.71**	**153.47**	**201.02**	**230.30**	***25%***	***20***	***31***	***35***

Source: RHP, IDBI Capital Research;

Exhibit 2: Peer Comparison: Deposit growth

Particulars	Deposits (Rs in Bn)				Deposits CAGR (FY21-23)	Deposits YoY growth		
	FY21	FY22	FY23	Q2FY24		FY22	FY23	Q2FY24
Small finance banks (SFB)								
AU SFB	360	526	694	0.8	*39%*	*46*	*32*	*30*
Equitas SFB	164	190	254	0.3	*24%*	*16*	*34*	*42*
Ujjivan SFB	131	183	255	0.3	*39%*	*39*	*40*	*43*
Suryoday SFB	33	38	52	0.1	*26%*	*18*	*34*	*51.9*
Utkarsh SFB	75	101	137	0.1	*35%*	*34*	*36*	*19*
Jana SFB	**123**	**135**	**163**	**0.2**	***15%***	***10***	***21***	***34***

Source: RHP, IDBI Capital Research

Exhibit 3: Peer Comparison: Yield

Particulars (%)	Yield on advances	NIM	Cost of borrowings	OPEX ratio	CI ratio	CC ratio	ROE	ROA
Small finance banks (SFB)								
AU SFB	*13.4*	*5.6*	*6.6*	*4.4*	*63.1*	*0.5*	*13.9*	*1.7*
Equitas SFB	*17.3*	*8*	*9.5*	*6.4*	*65.5*	*0.9*	*14.6*	*1*
Ujjivan SFB	*20.7*	*9*	*7.3*	*5.8*	*53*	*0.6*	*29*	*1.9*
Suryoday SFB	*20.3*	*9.7*	*7.2*	*6.5*	*56.7*	*2.5*	*12.2*	*2*
Utkarsh SFB	*19.5*	*8.9*	*7.7*	*6.2*	*51.7*	*2.4*	*19.3*	*1*
Jana SFB	***17.5***	***8***	***7.4***	***5.9***	***58.5***	***3.6***	***19.6***	***1.6***

Source: RHP, IDBI Capital Research

Exhibit 4: Peer Comparison: Asset quality

Particulars (%)	Provision coverage ratio	LCR	GNPA	NNPA	CRAR	Tier 1
Small finance banks (SFB)						
AU SFB	69.1	125	1.91	0.6	22.4	21
Equitas SFB	57.7	182.2	2.27	0.97	21.3	20.7
Ujjivan SFB	96.3	158	2.35	0.09	25.2	22.5
Suryoday SFB	51	NA	2.73	1.36	30.2	28
Utkarsh SFB	94.6	157	2.81	0.15	24.8	23
Jana SFB	**64.9**	**555.9**	**2.44**	**0.87**	**17.5**	**15.7**

Source: RHP, IDBI Capital Research

Key Investment Rationale

- **Proven execution ability**

  The bank has demonstrated ability to scale-up its liability business significantly. Its deposits have increased from nil when it started operating as a Small Finance Bank in March 28, 2018 to ₹189,367.24 million as at September 30, 2023. Its gross advances have increased from ₹118,389.82 million as at March 31, 2021 to ₹180,007.41 million as at March 31, 2023, representing a CAGR of 23.31%, and further increased to ₹213,471.30 million as at September 30, 2023, an increase of 18.59%. In Fiscal 2018, it launched gold loans and MSME loans with revised credit and collateral condition. In Fiscal 2019, it launched affordable housing loans and secured business loans and loans against fixed deposit. In Fiscal 2021, it launched twowheeler loans. Its gross secured advances have grown from ₹50,760.00 million as at March 31, 2021 to ₹ 99,047.54 million as at March 31, 2023, representing a CAGR of 39.69%, and further increased to ₹122,577.38 million as at September 30, 2023, an increase of 23.76%.

- **Fast growing Retail Deposits base and diversified deposit franchise**

  The bank has been able to leverage the strength of the "Jana" brand to rapidly grow its deposit portfolio. Its deposits increased from ₹123,162.58 million as at March 31, 2021 to ₹163,340.16 million as at March 31, 2023, representing a CAGR of 15.16%, and further increased to ₹189,367.24 million as at September 30, 2023, an increase of 15.93%. It is among the top four Small Finance Banks in India in terms of deposit size as at September 30, 2023. The management believes the bank's deposits provide significant advantages, including greater customer retention and increased crossselling opportunities. In addition, its access to deposits gives it a lower Cost of Funds compared to some NBFCs and MFIs.

- **Pan India presence reduces geographical concentration risk**: The bank has reduced the geographical concentration risk with presence across 24 states and UTs; it's second highest among all SFBs. Also, bank has moved from unsecured to secured lending portfolio (57% H1FY24 vs 43% FY21).

- **Professional and experienced management and Board**

  The bank has an experienced Board, comprising members with diverse business experience, many of whom have held senior positions in well-known financial services institutions and banks, including the RBI. Mr. Ajay Kanwal, the Managing Director and Chief Executive Officer, has more than 33 years' experience in financial services and was previously, among other roles, the Regional CEO, ASEAN and South Asia at Standard Chartered Bank in India and Singapore before joining the bank in August 2017. Other Key Managerial Personnel and Senior Management Personnel (combined) have an average of 27 years working in financial services organizations and collectively have extensive experience in banking, credit evaluation, risk management, collections, operations, treasury and technology. The bank believes the experience of the KMP has helped it to introduce what it believes to be international best practices in risk management, compliance and governance.

About the Company

The bank is a small finance bank incorporated on July 24, 2006, registered as a non-banking finance company ("NBFC") on March 4, 2008. The bank started operating as a Small Finance Bank with effect from March 28, 2018 and became a Scheduled Commercial Bank on July 16, 2019. The bank has gained an understanding of the financial needs of underbanked and underserved customers over the past 16 years. During this journey, apart from obtaining an in-depth understanding of customer behaviour and requirements in the segment, the bank has taken multiple steps to improve the customer experience. This has been achieved through a combination of measures, such as digital sourcing and digital disbursement of loans.

The bank is the fourth largest Small Finance Bank in terms of AUM and the fourth largest Small Finance Bank in terms of deposit size as at September 30, 2023. It had a network of 771 banking outlets, including 278 banking outlets in unbanked rural centres, in 22 states and two union territories as on 30-Sep-23. The bank had 4.87mn active customers as on September 30, 2023.

The bank is also a corporate agent for third-party life insurance products, general (non-life) insurance products and health insurance products, including COVID-19 insurance products. It also offers Point of Sales ("POS") terminals and payment gateway services through its merchant acquiring partners

Their advances comprise:

- Secured Loans which comprise of business loans, Micro LAP, MSME loans, affordable housing loans, term loans to NBFCs, loans against fixed deposits, two-wheeler loans and gold loans ;
- Unsecured loans which comprise of individual and micro business loans, agricultural and allied loans, and group loans (group loans are offered to women under JLG model);

Product Portfolio

The bank's asset products comprise: (a) Secured advances (b) Unsecured advances.

Exhibit 5: AUM by product type and as a percentage of total AUM

Gross Loan Portfolio Mix (In Mn)	FY21		FY22		FY23		Sep-23	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Secured advances:								
Micro LAP	12,310	*10.40*	18,763	*14.16*	28,071	15.59	38,709	*18.13*
MSME loans	14,040	*11.86*	18,883	*14.25*	26,131	14.52	31,235	*14.63*
Affordable housing loans	9,400	*7.94*	16,595	*12.52*	23,812	13.23	29,592	*13.86*
Term loans to NBFCs	6,430	*5.43*	9,900	*7.47*	13,986	7.77	13,902	*6.51*
Loans against fixed deposits	2,660	*2.25*	2,290	*1.73*	2,446	1.36	3,098	*1.45*
Two-wheeler loan	110	*0.09*	1,260	*0.95*	2,355	1.31	3,337	*1.56*
Gold loans	5,810	*4.91*	2,580	*1.95*	2,247	1.25	2,705	*1.27*
Total secured advances	**50,760**	***42.87***	**70,271**	***53.03***	**99,048**	**55.02**	**122,577**	***57.42***
Unsecured advances :								
Individual and micro business loans	10,844	*9.16*	28,913	*21.82*	42,870	23.82	47,481	*22.24*
Agricultural and allied loans	15,511	*13.10*	18,770	*14.17*	30,944	17.19	36,141	*16.93*
Group loans	38,590	*32.60*	13,191	*9.96*	6,415	3.56	6,757	*3.17*
Unsecured working capital loans	2,685	*2.27*	1,358	*1.03*	731	0.41	514	*0.24*
Total unsecured advances	**67,630**	***57.13***	**62,232**	***46.97***	**80,960**	**44.98**	**90,894**	***42.58***
Total gross advances	**118,390**	***100.00***	**132,503**	***100.00***	**180,007**	**100.00**	**213,471**	***100.00***

Source: RHP, IDBI Capital Research

Competitive Strength

- **Digitalised bank with majority of the services being available in digital form to customers:**

  The bank is a digitaised bank and the core banking is supported by integrated multi-channel operations. Its back-end operations, including the core banking system, credit underwriting rules for many of its asset products are automated, which ensures fast turnaround times for loan applications. The bank offers its customers a number of digital products, services and platforms, including mobile banking and internet banking. The bank has implemented technology solutions that enable it to execute cashless disbursement of loans. Its collections mechanisms have also been largely digitized through the use of mobile applications. Apart from the standard digital payment services, it also provides a UPI QR code-based equated monthly installment (EMI) payment service. The liability products suite includes a fully digital self on-boarding channel and also an assisted digital on-boarding channel dependent on the customer segment and their preference. The account opening and loan underwriting process is digitalized. It leverages technology for underwriting and credit sanctioning for its loan products based upon inputs from credit bureaus and/or its customer data analytics.

- **Integrated risk and governance framework**

  The bank's integrated risk management framework lays down its core principles in identifying, measuring, assessing, and managing the key risks. It has put in place detailed risk management policies and a clearly defined governance structure for each type of key risks. Each of its branches, customer service points, central processing units, and functional departments is responsible for the performance of its business operations and the management of the risks it takes within the established risk framework. The credit decision for unsecured loans is mostly automated, which significantly reduces human errors and standardizes the credit assessment procedure. Its credit team, with 367 credit employees as at September 30, 2023, conducts field verification as part of the credit underwriting procedure. For its secured loan portfolios, its detailed collateral valuation mechanism overseen by an in-house central valuation expert helps to ensure that the value of the collateral is accurate and up-to-date. The bank undertakes various collection strategies based on aging and severity of the cases, including SMS and tele-calling as well as field visits. It also concentrates on early detection of nascent sickness of MSMEs to reduce its NPAs. It has a separate collections team for collections of loans that are more than 30 days past due. All the employee productivity scorecards and performance measurements of sales personnel have a claw back clause which is directly linked to the collections.

- **Customer-centric organization with more than 16 years' experience in serving under banked and underserved customers**

  The bank has more than 16 years' experience in serving under banked and underserved customers and most of its asset products are catered for such customers and the MSME segment. It provides banking services at its customers' doorsteps in urban and rural geographies, thereby driving financial inclusion for the under banked and underserved customer segment. The business model is centred on building a 'one-stop shop' to cater its customers' different financial needs. The bank has launched gold loans and MSME loans with revised credit and collateral condition in Fiscal 2018, affordable housing loans, secured business loans and loans against fixed deposit in Fiscal 2019, and two-wheeler loans in Fiscal 2021. The bank is the fourth fastest growing secured advances franchise among all Small Finance Banks from as at March 31, 2022 to as at March 31, 2023. As part of its commitment to its customers, it has put in place a customer service policy that details its customer service delivery standards, defines how customer complaints and grievances shall be handled and sets out the customer's rights.

- **Pan-India presence with strong brand recognition** As at September 30, 2023, the bank had 771 banking outlets, including 278 banking outlets in unbanked rural centres, in 22 states and two union territories. its pan-India presence has enabled it to reduce its concentration risk. The bank had 4.87 million active customers as at September 30, 2023. In the half year ended September 30, 2023 and Fiscals 2023, 2022 and 2021, it added 0.30 million, 0.91 million, 0.51 million and 0.08 million new customers, respectively.

Exhibit 6: Advances concentration

Particulars (Rs. in mn)	FY21		FY22		FY23		Sep-23	
	Gross advances	*(%)*	Gross advances	*(%)*	Gross advances	*(%)*	Gross advances	*(%)*
State with the largest gross advances based on the location of its banking outlets	23,046	*19.45*	22,513	*16.99*	24,664	13.70	29,478	*13.81*
Top three states combined based on the gross advances based on the location of its banking outlets	61,940	*52.32*	60,346	*45.54*	68,024	37.79	81,631	*38.24*
Total gross advances	**118,390**	***100***	**132,503**	***100***	**180,007**	**100**	**213,471**	***100***

Source: RHP

Strategies

- **Focus on accelerating its secured loans book with the purpose of meeting customers' needs and diversifying its lending book**

  The proportion of its gross secured advances has increased from 42.87% as at March 31, 2021 to 57.42% as at September 30, 2023. The bank plans to further accelerate its gross secured advances by: (i) offering multiple products to its existing customers including evaluating new products, such as used two-wheeler loans; (ii) focusing penetration into current states and expanding the oversight of hubs to around 100 kilometres covering Tier 1 centres (having a population of 100,000 or more) and Tier 2 centres (having a population between 50,000 and 99,999); (iii) enhancing its location strategy by mapping industry performance and tightening policies; (iv) focusing its growth plans on the right combination of customer segment and collateral type, by assessing loss given defaults based on a strengthened collections and recovery processes; and (v) enhancing its digital capabilities to source and serve customers. Customers of HOME 360 (primary product) are able to hold multiple loan products with the Bank and use their homes as collateral. This allows the bank to secure better credit at lower costs and opportunities for cross-selling under the secured loans book. It also plans to continue scaling up dedicated manpower to focus exclusively on gold loans sales and expand the offering of new gold-loan product variants, like the agri gold loan launched in Fiscal 2022, to all outlets focused on agriculture sourcing.

- **Reshape its unsecured loans (Microfinance Loans) business**

  The bank's key focus for its unsecured loan business is to increase end-use based loan products, such as dairy loans, loans for home improvement, unsecured loans for business purposes and debt consolidation, by cross-selling to existing banked and newly banked customers with a proven credit record located in semi-urban and rural geographies. Its banking outlets in unbanked rural centres primarily focus on its unsecured loan business. It has increased the number of banking outlets in unbanked rural centres from 174 as March 31, 2021 to 278 as at September 30, 2023. To help increase the reach and performance of its unsecured loan business, it plans to have at least two business correspondents per state in all states/union territories in India in which it has a presence in. The bank has identified villages / rural locations around the radius of its Branches to offer agricultural and allied loans in agridominated areas, which it calls "Greenspots". The sourcing and collections in these Greenspots are mapped to the Branch, including the staff. The current policy is to open a banking outlet in a Greenspot once it attains a minimum portfolio size of 2,000 loan accounts. As at September 30, 2023, the bank had 95 Greenspots and it plans to continue to set up more Greenspots.

- **Improve its risk profile**

The bank has developed products-specific scorecards for all businesses to ensure it is able to analytically track and improve its sourcing. In addition to customized scorecards, the credit bureau score and inputs from the CRIF Highmark bureau and the Credit Information Bureau India Limited are used across all businesses. To reduce the risk of inconsistent credit standards in a decentralised credit decision set-up, it has set up a centralised credit underwriting unit responsible for approving secured loans up to ₹2.50 million. For the secured business, it has developed a loan life cycle based risk rating model, which is being used for risk based repricing, loan review frequency, early warning signals, retention and cross-selling opportunities. The bank has shifted its primary focus from unsecured loans to secured loans. It plans to continue to cross-sell secured loans, such as two-wheeler loans, gold loans, house repair loans and affordable housing loans, to existing unsecured customers. Similarly, in MSME loans, it has shifted its focus towards end-use controlled loans as this decreases the risk of loan default, as it reduces the chance of the diversion of funds. The bank also plans to improve the risk profile by secured digitalization. The objective of digitalization is to substantially automate the customer journey, reduce manual interface, thereby reducing errors significantly. In particular, the objective to digitalize the process of secured loan application assessment and to on-board a customer is to decrease the turnaround time between sales, credit and operations. The digitalization will also ensure higher quality of data, as it is obtained through fintechs and government-authorized API providers.

- **Deepen customer relationships**

The bank plans to focus on cross-selling key loan and insurance products to existing customers who have shown a good repayment behavior. It will enhance the scorecard using the data that it has about the customer's behaviour together with the information in the credit bureau to ensure the right segment of customers is chosen to offer loan top ups and cross-sell products. The focus will be on cross-selling two-wheeler loans, house loans, personal loans, gold loans, school fee loans and computer loans and third-party products, such as health, life and general insurance.

Continued focus on digitized operations

The bank's strategies for increasing digitization in its business include the following:

- Tab and mobile based sourcing, credit evaluation and collections to be significantly implemented across all asset products.
- Enhancing its loan origination system architecture while enabling deeper and instant credit decision-making, which will allow online straight-through integration with its fintech partners' ecosystems.
- It plans to continue to incorporate fraud checks and regulatory compliance, with a focus on enhancing and exploiting artificial intelligence and machine learning capabilities, while avoiding any manual steps.

A number of manual processing steps have been automated, with an emphasis on reducing turnaround time and eliminating human errors. The central processing centre is responsible for completing back office process activities on a loan application. The bank plans to introduce more robotic process automation capabilities in a phased manner, including optical character recognition capabilities and other artificial intelligence and machine learning techniques (e.g., face-match), wherever possible, with the intent to reduce turnaround time and human errors, which will ultimately lead to a superior customer experience.

Exhibit 7: Key Management

Management	Designation
Mr. Subhash Chandra Khuntia	Part-Time Chairman and Independent Director
Mr. Ajay Kanwal	Managing Director and Chief Executive Officer
Mr. Krishnan Subramania Raman	Executive Director and Chief Credit and Collection Officer
Mr. Abhilash Sandur	Chief Financial Officer
Ms. Lakshmi R N	Company Secretary and Compliance Officer
Mr. Rajesh Rao	Chief Operating Officer
Ms. Chitra Menon	Chief Compliance Officer
Mr. Ashish Gopal Saxena	Chief Information and Digital Officer
Mr. Satish Ramachandran	Chief Risk Officer

Source: RHP, IDBI Capital Research

Exhibit 8: Key Milestones

Year	Key Milestones
2008	RBI granted certificate of registration to commence the business of non-banking financial institution without accepting public deposits to Janalakshmi Financial Services Limited.
2015	Received in-principal approval by the RBI to convert to an SFB. RBI granted certificate of registration to commence the business of non-banking financial institution without accepting public deposits. Incorporation of the Bank.
2017	Received RBI Final Approval for commencement of SFB operations
2018	Launched Gold Loan. Commenced Commercial Operations as an SFB.
2019	Launched Affordable Housing Loan.
2020	Crossed ₹102,299.09 million deposit as on September 30, 2020. Launch of DigiGen – Fully integrated, paperless and digital account opening and KYC process. Launched Two-Wheeler Loan
2023	The bank has recorded its highest ever PAT of ₹ 2,559.71 million for the financial year ended March 31, 2023. The bank has a pan-India distribution network and as on March 31, 2023, it crossed 754 branches of which 272 are Unbanked Rural Centers and 61 ATMs.

Source: RHP, IDBI Capital Research

Key Risks

- The business is significantly dependent on its unsecured loans segment. Any deterioration in recoveries could significantly affect its asset quality.
- A vast majority of unsecured loans are Microfinance Loans and customers availing Microfinance Loans have limited sources of income (annual household income of up to ₹300,000) and savings and, as such, generally do not have a high level of financial resilience and unsecured loans are not supported by collateral. If the bank is unable to recover such advances in a timely manner or at all, its financial condition, results of operations and cash flows would be adversely affected.
- Many of the bank's customers do not have any credit history supported by tax returns, financial statements, credit card statements, statements of previous loan exposures or other related documents, which makes it more difficult for the bank to assess the credit risk of loans to such customers. Difficulties in assessing credit risks associated with its day-to-day lending operations may lead to an increase in the level of its NPAs.
- The bank faces a concentration risk in terms of advances and deposits. Customers located in the states of Tamil Nadu, Karnataka and Maharashtra represent a significant portion of its advances and deposits and customers in West Bengal represent a significant portion of its deposits.
- The Indian finance industry is intensely competitive. It faces intense competition in all its principal products and services.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	Q2FY23	Q2FY24*
Net interest income	**12,632**	**13,898**	**16,600**	**7,519**	**9,876**
Change (yoy, %)	*NA*	*10.0%*	*19.4%*	*NA*	*31.4%*
Non interest income	2,230	3,358	6,249	2,934	3,516
Net revenue	14,862	17,256	22,849	10,453	13,393
Operating expenses	10,473	11,388	12,845	6,106	7,832
Pre-Provision Profit	**4,389**	**5,868**	**10,004**	**4,347**	**5,561**
Change (yoy, %)	NA	33.7%	70.5%	NA	27.9%
Provision	3,666	5,693	7,444	3,790	3,429
Net profit	**723**	**175**	**2,560**	**556**	**2,132**
Change (yoy, %)	*NA*	*-75.81%*	*1364.42%*	*NA*	*283.27%*
EPS	14.3	3.4	47.5	10.5	33.3
Return on Equity (%)	*6.5*	*1.5*	*16.8*	*8.1*	*18.8*
Return on Assets (%)	*0.5*	*0.1*	*1.1*	*0.5*	*1.6*

*Note: *- Ratios for Q2FY24 are annualized and growth ratios are on a YoY basis.*

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	Q2FY23	Q2FY24
Capital	2,007	2,014	3,250	3,250	3,435
Reserves	9,141	9,993	14,723	12,700	22,254
Networth	**11,148**	**12,007**	**17,973**	**15,950**	**25,690**
Deposits	1,23,163	1,35,365	1,63,340	1,41,678	1,89,367
Borrowings	48,153	45,098	62,775	59,992	53,135
Other liabilities	8,323	9,417	12,350	9,209	12,866
Total Liab. & Equity	**1,90,787**	**2,01,887**	**2,56,437**	**2,26,828**	**2,81,059**
Cash	22,598	15,371	20,873	10,948	10,121
Loans	1,15,997	1,30,067	1,77,596	1,46,427	2,10,087
Investments	46,978	50,653	52,212	63,995	55,092
Fixed Assets	2,121	1,717	1,278	1,457	1,330
Other Assets	3,094	4,080	4,479	4,001	4,428
Total assets	**1,90,787**	**2,01,887**	**2,56,437**	**2,26,828**	**2,81,059**

Financial Ratios (%)

Year-end: March	FY21	FY22	FY23	Q2FY24*
Growth				
AUM	NA	20.2	31.0	35.0
NII	NA	10.0	19.4	31.4
Pre-Provision Profit	NA	33.7	70.5	27.9
Net Profit	NA	(75.8)	1,364.4	283.3
Spreads				
Yield on Loans	16.5	14.4	14.3	14.7
Cost of Funds	8.6	7.4	7.0	7.6
Spread	7.9	7.0	7.3	7.1
NIM	8.4	7.3	7.7	2.4
Operating Efficiency				
Cost-to-Income	70.5	66.0	56.2	58.5
Cost-to-AUM	6.5	5.7	5.7	5.9
Asset Quality				
GNPA	7.2	5.7	3.9	2.4
NNPA	5.3	4.0	2.6	0.9
Provision Coverage	27.9	32.2	34.0	64.9
Credit Cost	3.4	4.6	4.8	1.7
Capital Adequacy				
CAR	15.5	15.3	15.6	17.5
Tier I	11.8	11.8	13.0	15.7
Valuation				
EPS	14.3	3.4	47.5	33.3
ROE	6.5	1.5	16.8	18.8
ROA	0.5	0.1	1.1	1.6

Source: Company; IDBI Capital Research; Note: Ratios for Q2FY24 are annualized and growth ratios are on a YoY basis.*

Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com

Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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Disclaimer

Analyst Disclosures

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