

Bandhan Bank

Estimate change

TP change

Rating change



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Bloomberg	BANDHAN IN
Equity Shares (m)	1,611
M.Cap.(INRb)/(USDb)	469.2 / 6.3
52-Week Range (INR)	430 / 251
1, 6, 12 Rel. Per (%)	-12/-19/-53
12M Avg Val (INR M)	4291

Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
NII	75.6	90.7	110.2
OP	68.6	82.4	100.7
NP	22.1	25.1	52.3
NIM (%)	7.6	7.7	7.9
EPS (INR)	13.7	15.6	32.5
EPS Gr. (%)	-36.5	13.9	108.5
BV/Sh. (INR)	108.1	117.8	143.2
ABV/Sh. (INR)	95.7	107.3	134.6

Ratios

RoE (%)	13.5	13.8	24.9
RoA (%)	2.1	2.0	3.6

Valuations

P/E(X)	21.3	18.7	9.0
P/BV (X)	2.7	2.5	2.0
P/ABV (X)	3.0	2.7	2.2

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	40.0	40.0	61.0
DII	2.0	1.9	8.0
FII	35.4	34.9	14.5
Others	22.6	23.2	16.6

FII Includes depository receipts

CMP: INR291

TP: INR330 (+13%)

Neutral

Asset quality deteriorates; CE remains key monitorable

SMA overdue/restructured book increases to ~21%/6.6%

- Bandhan Bank (BANDHAN) reported 1QFY22 PAT of INR3.7b, above our estimate – supported by margin improvement (170bp QoQ) and lower provisions v/s MOFSL – even as MFI loans / total AUM declined 9%/~8% QoQ. On the liability front, the CASA ratio came in stable at ~43%, while the proportion of retail deposits improved to ~83% (v/s 79% in FY21).
- Slippage was elevated at INR16.8b** (annualized slippage ratio of ~9%), with MFI slippage at ~INR10.4b. Therefore, the GNPA ratio increased 137bp QoQ to ~8.2%. Provisions were elevated, with annualized credit cost at 7.2% of loans. Thus, the provision coverage ratio (PCR) improved to ~62% of loans (v/s 50% in FY21). The restructured book increased sharply to ~INR53b (6.6% of total AUM). SMA loans surged to 21%, while a large portion of the SMA overdue in Assam was eligible for a relief package. As a result, LGDs would remain controlled.
- Collection efficiency (excluding NPAs)** in the MFI portfolio stood at 86% (~85% for West Bengal) and remains a key monitorable in the near term. Overall, asset quality remains uncertain, and we estimate credit costs to remain elevated at 5.5% of loans for FY22 (similar to FY21 levels). **Maintain Neutral.**

Restructured portfolio grows to 6.6% of AUM; PCR improves to ~62%

- Bandhan reported PAT of INR3.7b (v/s estimate of INR1.8b) despite elevated provisions of INR13.7b (annualized credit cost at 7.2% of loans). NII growth came in at 17% YoY (4% above estimate) despite sequential decline in AUM growth (~8% QoQ), supported by 170bp QoQ expansion in margins to 8.5%. Other income grew 38% YoY, supported by a benign base. PPOP, thus, grew ~18% YoY to INR18.7b (5% beat).
- AUM declined ~8% QoQ (up 8% YoY) on ~9% QoQ decline in the MFI portfolio and 4% QoQ decline in the housing portfolio. The share of the MFI portfolio stood at ~66% of total AUM (v/s ~67% in FY21). Total disbursements in the MFI portfolio during the quarter stood at INR60b, while collections came in at INR135b, resulting in sequential AUM decline.
- Deposits grew ~28% YoY to INR773b, led by ~48% YoY growth in CASA deposits to ~INR332b. As a result, the CASA ratio stood at 42.9% (v/s 43.4% in FY21). The proportion of retail deposits improved to ~83% (v/s 79% in FY21).
- On the asset quality front**, slippage stood elevated at INR16.8b (annualized slippage ratio of ~9%). Therefore, the GNPA ratio increased 137bp QoQ to ~8.2%, while the NNPA ratio declined 22bp QoQ to 3.29%. **Provision coverage improved to 61.8% (v/s 50.3% in FY21).** Furthermore, the total restructured book stands at INR40.6b (7.6% of AUM) in the MFI portfolio

and ~INR12b in the housing portfolio. Thus, the total restructured book stood at ~INR53b (6.6% of AUM). Total SMA overdue increased sharply to ~21% (v/s 8.6% in FY21 and 16.6% in 3QFY21). **Collection efficiency (excluding NPAs)** in the MFI portfolio stood at 86%, with 85% for West Bengal, while it dropped to 67% for Assam. This was largely due to strict lockdowns and political interference through the announcement of waivers / relief packages.

■ **In Assam, the majority of the SMA overdue was eligible for a relief package.**

The total Assam portfolio stood at INR63.5b (12% of MFI loans), of which INR35.8b was eligible for the Assam relief package. Furthermore, in the non-eligible portfolio of INR27.7b, nearly 76% of the portfolio is making part/full payments. Thus, INR6.6b of the portfolio is stressed, of which INR4.8b is already recognized as NPA, resulting in incremental stress of INR1.8b. The total SMA 1/2 overdue in Assam stood at ~INR16b (24.6% of loans). This suggests the majority of the SMA overdue is eligible for a relief package. The bank is also carrying provisions of INR8b on this portfolio, which leaves room for the possibility of a write-back in the Assam portfolio as the relief package is implemented.

Highlights from management commentary

- Slippage from the MFI portfolio was ~INR10.4b, with recoveries and upgrades of INR5.1b. At the portfolio level, total slippage stood at INR16.8b, while recoveries and upgrades at ~INR10b.
- The bank has availed CGFMU (a guarantee from the central govt) on the total portfolio of INR143b.
- Nil disbursements were made in Assam during the quarter. Also, there were nil disbursements under the credit guarantee scheme.

Valuation and view

BANDHAN reported higher-than-estimated PAT, supported by margin expansion. This was despite elevated slippages/provisions due to (a) the second COVID wave (which severely impacted the MFI sector) and (b) the disturbance in credit culture due to loan waivers. Restructuring/SMA overdue in the MFI book increased sharply. Provision coverage increased to ~62%, which gives us some comfort. Collection efficiency in the MFI portfolio stood at 86%, with 85% for West Bengal – closer to the rest of India. Overall, asset quality remains uncertain as the pool of restructured/SMA overdue remains high. Thus, we estimate credit cost to remain elevated at 5.5% of loans for FY22 (similar to FY21 levels). Maintain Neutral, **with revised TP of INR330 (2.4x FY23 ABV).**

Quarterly performance

(INR m)

Y/E March	FY21				FY22E				FY21	FY22E	FY22E V/S our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE Est
Net Interest Income	18,115	19,231	20,717	17,570	21,141	21,777	23,139	24,683	75,634	90,739	20,315 4%
% Change (YoY)	15.0	25.8	34.5	4.6	16.7	13.2	11.7	40.5	19.6	20.0	12.1
Other Income	3,868	3,818	5,533	7,873	5,334	5,858	6,800	8,161	21,091	26,152	4,969 7%
Total Income	21,983	23,049	26,250	25,443	26,474	27,636	29,938	32,844	96,724	1,16,892	25,284 5%
Operating Expenses	6,141	6,773	7,109	8,148	7,763	8,392	8,979	9,401	28,172	34,536	7,398 5%
Operating Profit	15,842	16,275	19,141	17,295	18,711	19,243	20,959	23,443	68,553	82,356	17,886 5%
% Change (YoY)	16.9	24.5	51.4	13.7	18.1	18.2	9.5	35.5	25.9	20.1	12.9
Other Provisions	8,491	3,945	10,687	15,943	13,749	12,683	11,220	11,130	39,066	48,783	15,425 -11%
Profit Before Tax	7,351	12,330	8,454	1,352	4,962	6,560	9,739	12,312	29,487	33,573	2,460 102%
Tax	1,853	3,130	2,128	321	1,231	1,653	2,454	3,122	7,432	8,460	620 99%
Net Profit	5,498	9,200	6,326	1,030	3,731	4,907	7,285	9,191	22,055	25,113	1,840 103%
% Change (YoY)	-31.6	-5.3	-13.5	-80.1	-32.1	-46.7	15.2	792.0	-27.1	13.9	-66.5
Operating Parameters											
Deposits (INR b)	606	661	712	780	773	819	859	912	780	912	802 -4%
Loans (INR b)	697	733	768	816	748	838	861	890	816	890	836 -11%
Deposit Growth (%)	38.7	34.4	29.6	36.6	27.6	23.9	20.7	17.0	36.6	17.0	32.2 460
Loan Growth (%)	68.1	22.6	26.7	22.5	7.2	14.4	12.1	9.1	22.5	9.1	19.9 1,268
Asset Quality											
Gross NPA (%)	1.4	1.2	1.1	6.8	8.2	7.3	7.6	8.0	6.8	8.0	7.4 -78
Net NPA (%)	0.5	0.4	0.3	3.5	3.3	3.6	3.4	2.7	3.5	2.7	4.1 77
PCR (%)	66.6	70.0	76.6	50.3	61.8	52.0	58.0	66.4	50.3	66.4	47.0 -1,484

E: MOFSL estimates

Quarterly snapshot

	FY20				FY21				FY22	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Profit and Loss, INR m											
Interest Income	26,313	26,903	27,176	28,463	30,181	31,976	33,078	30,007	34,100	13	14
Loans	22,817	23,702	23,711	24,632	26,220	27,925	29,068	25,705	29,904	14	16
Investment	1,902	1,955	2,006	2,465	2,292	2,723	3,158	3,568	3,414	49	-4
Others	1,594	1,246	1,459	1,365	1,669	1,328	852	733	781	-53	7
Interest Expenses	10,567	11,612	11,774	11,663	12,066	12,745	12,361	12,437	12,959	7	4
Net Interest Income	15,746	15,290	15,403	16,800	18,115	19,231	20,717	17,570	21,141	17	20
Other Income	3,310	3,603	3,577	5,002	3,868	3,818	5,533	7,873	5,334	38	-32
Total Income	19,056	18,893	18,980	21,802	21,983	23,049	26,250	25,443	26,474	20	4
Operating Expenses	5,505	5,824	6,341	6,595	6,141	6,773	7,109	8,148	7,763	26	-5
Employee	3,318	3,327	3,405	3,621	3,894	4,148	4,348	4,257	4,998	28	17
Others	2,187	2,497	2,936	2,975	2,247	2,626	2,762	3,891	2,766	23	-29
Operating Profits	13,551	13,069	12,639	15,207	15,842	16,275	19,141	17,295	18,711	18	8
Core Operating Profits	13,551	13,069	12,639	15,207	15,842	16,275	19,141	17,295	18,711	18	8
Provisions	1,254	1,455	2,949	8,274	8,491	3,945	10,687	15,943	13,749	62	-14
PBT	12,297	11,614	9,690	6,933	7,351	12,330	8,454	1,352	4,962	-32	267
Taxes	4,261	1,896	2,380	1,760	1,853	3,130	2,128	321	1,231	-34	283
PAT	8,036	9,718	7,310	5,173	5,498	9,200	6,326	1,030	3,731	-32	262
Balance Sheet, INR b											
Deposits	437	492	549	571	606	661	712	780	773	28	-1
Loans	415	598	606	666	697	733	768	816	748	7	-8
Asset Quality, INR m											
GNPA	10,197	10,642	11,820	9,928	10,067	8,740	8,592	57,578	64,404	540	12
NNPA	3,475	3,369	4,914	3,894	3,358	2,625	2,013	28,610	24,579	632	-14

Quarterly snapshot continued

Ratios (%)	FY20				FY21				FY22	Change (bps)	
- Asset Quality Ratios	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
GNPA (%)	1.7	1.8	1.9	1.5	1.4	1.2	1.1	6.8	8.2	675	137
NNPA (%)	0.6	0.6	0.8	0.6	0.5	0.4	0.3	3.5	3.3	281	-22
PCR (Calc, %)	65.9	68.3	58.4	60.8	66.6	70.0	76.6	50.3	61.8	-481	1,153
- Business Ratios											
Cost to Core Income	28.9	30.8	33.4	30.3	27.9	29.4	27.1	32.0	29.3	139	-270
Tax Rate	34.6	16.3	24.6	25.4	25.2	25.4	25.2	23.8	24.8	-39	104
CASA (%)	36.1	32.9	34.3	36.8	37.1	38.2	42.9	43.4	42.9	586	-46
Loan/Deposit	94.9	121.5	110.4	116.7	115.1	110.9	107.8	104.7	96.7	-1,840	-799
- Profitability Ratios											
ROA	4.9	4.8	3.5	2.4	2.3	3.6	2.4	0.4	1.3	-100	90
ROE	24.4	28.3	20.0	13.7	14.1	22.5	14.6	2.4	8.5	-560	610
Yield	15.7	14.2	14.0	13.8	13.6	13.3	13.3	11.6	13.7	10	210
Cost of Funds	6.6	7.2	7.2	6.7	6.4	6.2	6.0	5.7	5.7	-70	0
Margins	10.5	8.2	7.9	8.1	8.2	8.0	8.3	6.8	8.5	35	170
Other Details											
Branches	999	1,000	1,009	1,018	1,018	1,045	1,107	1,147	1,152	134	5
ATM	481	485	485	485	485	487	487	487	487	2	0



Highlights from the management commentary

Asset quality related

- The total restructured loans stand at ~INR52.7b. Among the states, West Bengal comprises 36%, while Assam forms 22%.
- The Assam relief package includes borrowers with a loan ticket size of up to INR125k. ~INR8.2b loans are thus not eligible as they have a ticket size of >INR125k.
- The cut-off date for eligibility under the Assam relief package was 31st Dec'20. Thus, the loan portfolio of ~INR19b was not eligible as these loans were disbursed post Dec'20.
- The bank carries total provisions of INR8b on the Assam portfolio.
- The bank has availed CGFMU (a guarantee from the central govt) on the total portfolio of INR143b.
- The SMA 0 (30 days overdue) book stands at 8.5%.
- **Slippage from the EEB book** came in at INR10.36b, while recoveries and upgrades stood at INR5.1b. Total slippage for the bank stood at INR16.82b, while upgrades and recoveries were INR9.99b.
- **The NPA book breakup is as follows:** part paying (66%), full paying (8%), and not paying (26%).
- **The restructured book comprises the following:** part paying (80%), full paying (4%), and not paying (16%).
- Write-offs of ~INR8b from the Assam region are eligible for the relief package. This is in addition to the current eligible pool of INR35.8b.
- The bank would continue to make provisions to further strengthen its balance sheet.
- The bank carries total provisions of INR48.35b. This includes all of the provisions, including NPA, restructured, and standard asset.
- **Housing portfolio:** Collection trends are improving; the SMA book is reducing in this segment.

Balance sheet and P&L related

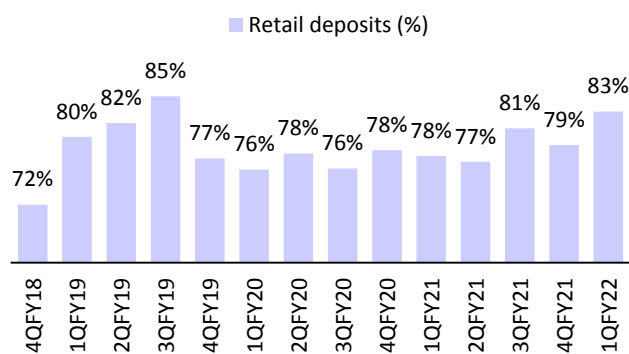
- The bank would continue to make progress on its transformation journey, with a growing focus on the Auto, Personal, and SME portfolios (non-EEB portfolio).
- The share of the EEB book in non-core geographies (ex-West Bengal and Assam) stands at ~43%.
- The bank had nil ECLGS disbursements during the quarter.
- The bank had nil disbursements in the Assam region during the quarter.
- 82–85% of the EEB portfolio has been generated over the past year.
- Growth in the MFI portfolio is not a challenge, and once the situation normalizes, the bank expects growth to pick up faster.
- ~5,471 borrower deaths on account of COVID-19 were reported.

Key exhibits

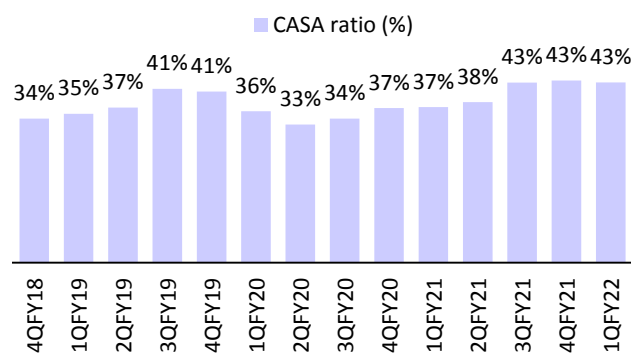
The CASA mix moderated to 42.9%

Deposits decline QoQ; margins improve ~170bp QoQ

- Deposits grew ~28% YoY, but edged down 1% QoQ to ~INR773b. Within this, term deposits grew ~16% YoY and CASA deposits ~48% YoY (-2% QoQ). Thus, the CASA mix moderated ~50bp QoQ to 42.9%. Retail deposits constitute ~83% of total deposits.
- The avg. SA balance per customer improved to INR57.7k v/s INR55.7k in FY21. However, for EEB customers, it declined to INR1,100 v/s INR1,900 in FY21.
- NIM expanded ~170bp QoQ to 8.5%, supported by the low base of the previous quarter, including high interest reversals due to elevated slippage.

Exhibit 1: Retail deposit base improves to ~83%

Source: MOFSL, Company

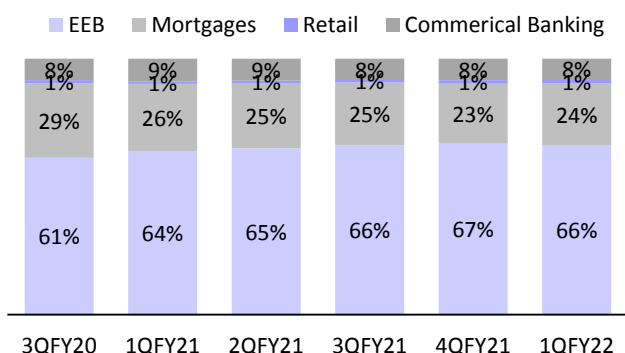
Exhibit 2: CASA ratio moderates ~50bp QoQ to ~42.9%

Source: MOFSL, Company

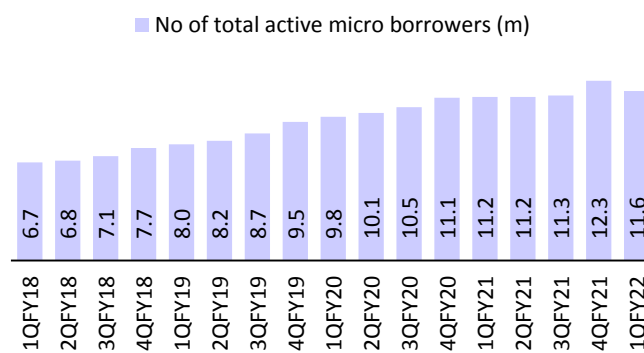
AUM grew ~8% YoY (-8% QoQ), within which the MFI book grew ~12% YoY (-9% QoQ)

AUM declines 8% QoQ; MFI disbursement up ~2x YoY (-78% QoQ)

- Total gross advances grew ~8% YoY, but declined 8% QoQ to INR804b, weighed by ~9% decline in the MFI book. The non-MFI credit book declined ~5% YoY. The MFI book now comprises ~66% of total AUM and the mortgage book ~24% of total AUM.
- Within MFI, the number of active borrowers declined 6% QoQ to 11.6m.
- Disbursements in the MFI book were up ~2x (on a low base), but declined 78% QoQ to ~INR60b.
- The housing portfolio declined 4% QoQ (-1% YoY). Disbursements in the portfolio fell ~64% QoQ (+59% YoY). Overall, ~54% of this portfolio is salaried.

Exhibit 3: Portfolio mix breakup (%)

Source: MOFSL, Company

Exhibit 4: Active MFI borrowers down 6% QoQ to 11.6m

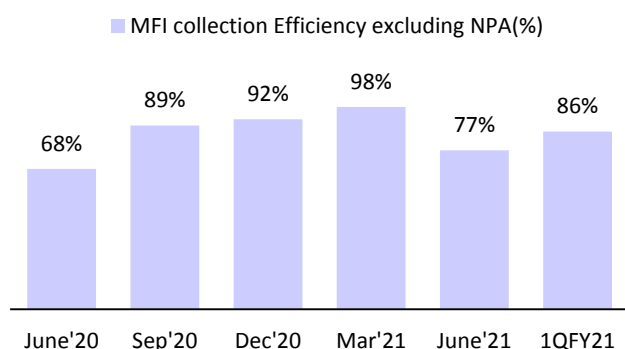
Source: MOFSL, Company

Asset quality deteriorates, with GNPA up to 8.2%; restructured book increased to ~7% of loans

- The GNPA ratio increased 137bp QoQ to 8.18%, impacted by higher slippage of ~INR10.5b from the MFI book. However, NNPA moderated to 3.29% on accelerated NPA provisioning of ~INR7.5b. Thus, PCR improved sharply to ~62% v/s ~50% in 4QFY21.
- The total restructured book increased to INR52.8b (~7% of loans), led by additional restructuring of INR40.6b in the MFI book and INR6b in the housing book in 1QFY22.

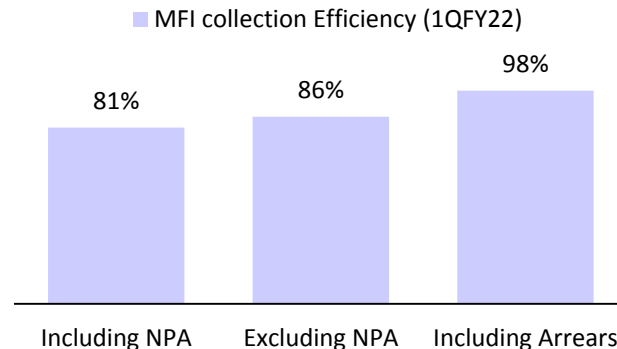
Collection efficiency for EEB at 86% in 1QFY22 (77% in Jun'21)

- **Collection efficiency (excluding arrears) in the MFI portfolio stood at 86% in 1QFY22 (77% in Jun'21).** These collection trends are excluding NPAs. Collection efficiency including arrears stood at 98%.
- Collection efficiency across states was as follows: West Bengal at 85% (73% in Jun'21), Assam at 67% (49% in Jun'21), and the rest of India at 90% (85% in Jun'21).
- Pan-India collection efficiency stood at 89% (84% in Jun'21), while it stood at 101% including arrears.
- The total SMA book stands at ~21% in Jun'21 (v/s 8.6% in FY21).

Exhibit 5: MFI – collection efficiency (excl-NPA) at 86% in 1Q

Excluding NPA

Source: MOFSL, Company

Exhibit 6: MFI collection efficiency as of 1QFY22

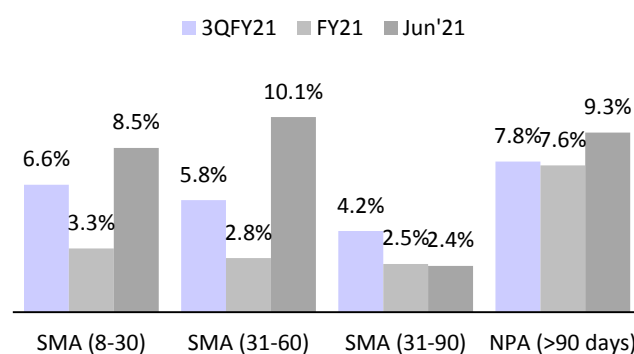
Source: MOFSL, Company

Exhibit 7: MFI – collection efficiency across key states

States	For the month of June'21	For Q1 FY 22
West Bengal	73%	85%
Assam	49%	67%
Rest of India	85%	90%
Total	77%	86%

Excluding NPA

Source: MOFSL, Company

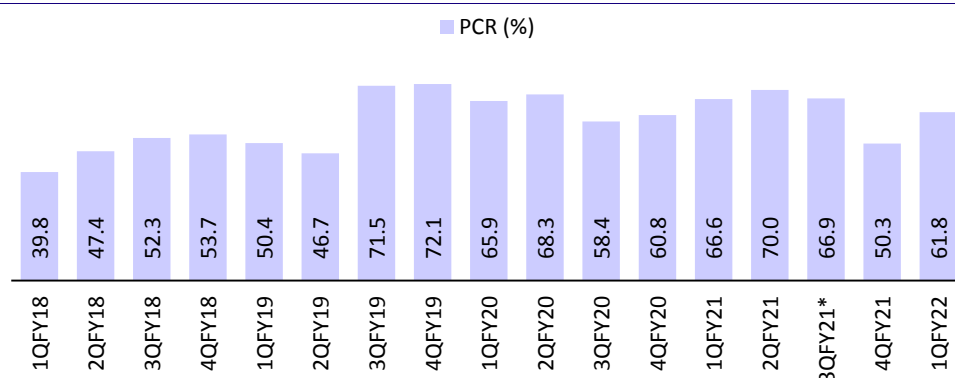
Exhibit 8: MFI portfolio – asset quality trends across buckets

Source: MOFSL, Company

Exhibit 9: Assam portfolio analysis

Assam Portfolio Analysis (%)	1QFY22
MFI Assam Exposure (INR b)	63.5
AUM eligible for relief (INR b)	35.8
Remaining Portfolio (INR b)	27.7
- of this NPA (INR b)	4.8
- of this stressed (INR b)	1.8
SMA 1/2 overdue (%)	24.6%
SMA 1/2 overdue (INR b)	15.6

Source: MOFSL, Company

Exhibit 10: Provision coverage ratio increases sharply to ~62%

3QFY21 based on Pro-forma

Source: MOFSL, Company

Valuation and view

- The bank has demonstrated strong execution skills in building its deposit franchise. It has scaled up its deposit base to INR773b within a few years of banking operations, with a focus on the low-ticket granular book (CASA mix at ~43%; retail TDs constitute nearly ~83% of the total deposit base).
- **Asset quality under pressure:** The GNPA ratio increased to 8.2% led by elevated slippage from the MFI book. However, the NNPA ratio declined to 3.3% on accelerated NPA provisioning of INR7.5b. The restructured book increased to ~7% of loans, while SMA overdue in the MFI portfolio stands ~21% higher, which would keep slippage elevated and credit costs higher. Thus, we estimate credit cost of ~5.5%/2.8% for FY22/FY23E.

- **Collection efficiency (excluding arrears) in the MFI portfolio stood at 86%** in 1QFY22 (77% in Jun'21). These collection trends are excluding NPAs. Collection efficiency including arrears stood at 98%. However, collection efficiency was lower in key states: West Bengal at 85% (73% in Jun'21) and Assam at 67% (49% in Jun'21).
- **Maintain Neutral, with revised TP of INR330/share:** BANDHAN reported higher-than-estimated PAT, supported by margin expansion. This was despite elevated slippages/provisions due to (a) the second COVID wave (which severely impacted the MFI sector) and (b) the disturbance in credit culture due to loan waivers. Restructuring/SMA overdue in the MFI book increased sharply. Provision coverage increased to ~62%, which gives us some comfort. Collection efficiency in the MFI portfolio stood at 86%, with 85% for West Bengal – closer to the rest of India. Overall, asset quality remains uncertain as the pool of restructured/SMA overdue remains high. Thus, we estimate credit cost to remain elevated at 5.5% of loans for FY22 (similar to FY21 levels). Maintain Neutral, with revised TP of INR330 (2.4x FY23 ABV).

Exhibit 11: DuPont Analysis: Expect RoA to recover to 3.6% for FY23E

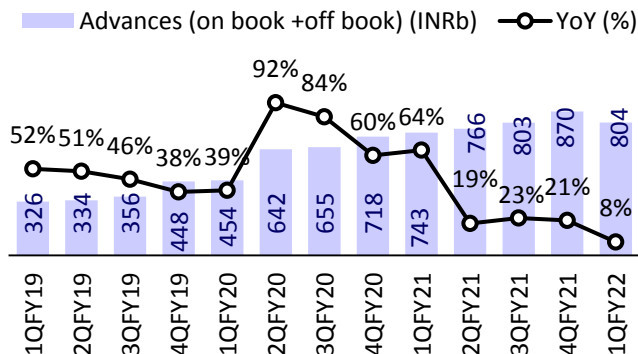
	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Interest Income	8.1	8.9	8.5	7.3	7.4	7.6
Other Income	1.9	2.1	2.1	2.0	2.1	2.3
Total Income	10.0	11.0	10.6	9.4	9.5	9.9
Operating Expenses	3.5	3.6	3.3	2.7	2.8	2.9
Employees	1.8	2.0	1.8	1.6	1.7	1.7
Others	1.7	1.6	1.4	1.1	1.1	1.2
Operating Profits	6.5	7.4	7.4	6.6	6.7	7.0
Core operating Profits	6.4	7.4	7.2	6.3	6.4	6.7
Provisions	1.0	1.5	1.9	3.8	4.0	2.1
NPA	0.6	1.3	0.8	4.2	3.8	1.9
Others	0.4	0.1	1.1	-0.4	0.2	0.2
PBT	5.5	6.0	5.5	2.9	2.7	4.8
Tax	1.9	2.1	1.4	0.7	0.7	1.2
RoA	3.6	3.9	4.1	2.1	2.0	3.6
Leverage (x)	5.4	4.9	5.6	6.3	6.8	6.9
RoE	19.5	19.0	22.9	13.5	13.8	24.9

Exhibit 12: We cut earnings estimate for FY22/FY23E by 14%/7.5%

INR B	Old Estimates		New Estimates		Change (%/bps)	
	FY22	FY23	FY22	FY23	FY22	FY23
Net Interest Income	92.3	120.1	90.7	110.2	-1.7	-8.2
Other Income	26.2	32.7	26.2	32.7	0.0	0.0
Total Income	118.5	152.8	116.9	142.9	-1.4	-6.5
Operating Expenses	35.3	43.8	34.5	42.2	-2.2	-3.6
Operating Profit	83.2	109.0	82.4	100.7	-1.0	-7.6
Provisions	44.1	33.3	48.8	30.7	10.7	-7.9
PBT	39.1	75.6	33.6	70.0	-14.1	-7.5
PAT	29.2	56.6	25.1	52.3	-14.1	-7.5
Loans	1,016	1,273	890	1,107	-12.4	-13.0
Deposits	998	1,268	912	1,122	-8.6	-11.5
Credit Cost (%)	4.7	2.8	5.5	2.8	0.8	0.0
RoA (%)	2.3	3.6	2.0	3.6	-0.3	0.0
RoE (%)	15.9	26.1	13.8	24.9	-2.1	-1.2
EPS	18.2	35.1	15.6	32.5	-14.1	-7.5
BV	120.4	148.4	117.8	143.2	-2.1	-3.5
ABV	107.3	138.9	107.3	134.6	0.0	-3.1

Story in charts

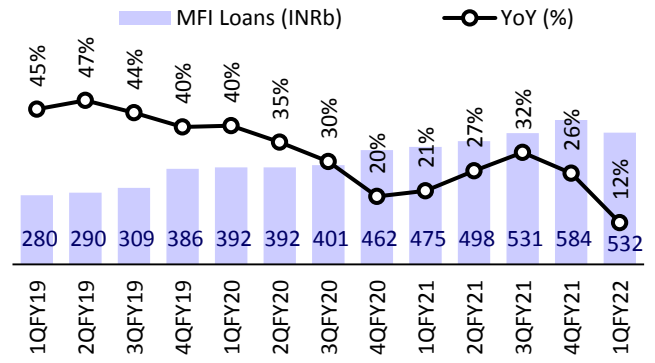
Exhibit 13: Total AUM up ~8% YoY (-8% QoQ)



2QFY20-1QFY21 growth not comparable due to merger

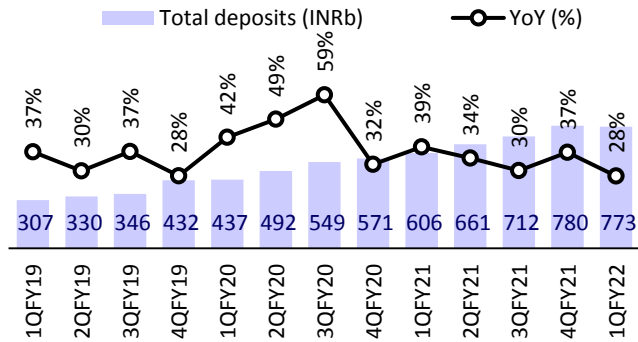
Source: MOFSL, Company

Exhibit 14: MFI loans up ~12% YoY (-9% QoQ)



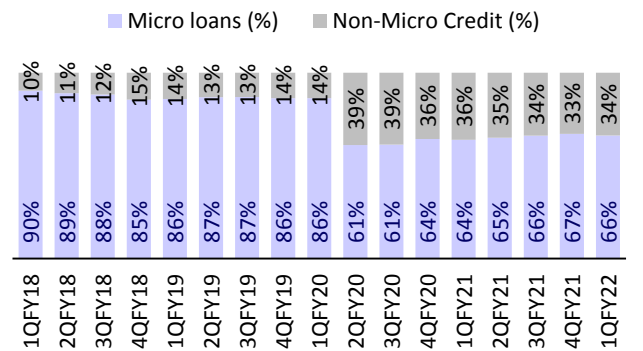
Source: MOFSL, Company

Exhibit 15: Total deposits up ~28% YoY to INR773b



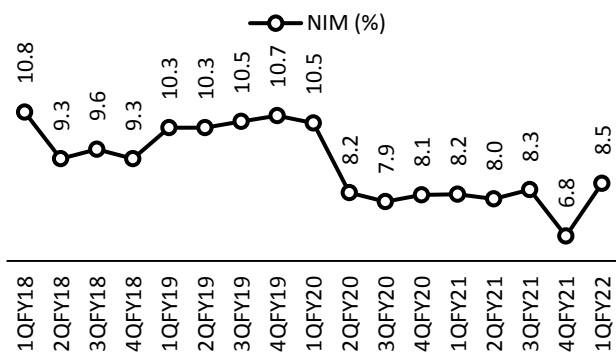
Source: MOFSL, Company

Exhibit 16: Share of MFI loans at ~66% of total AUM



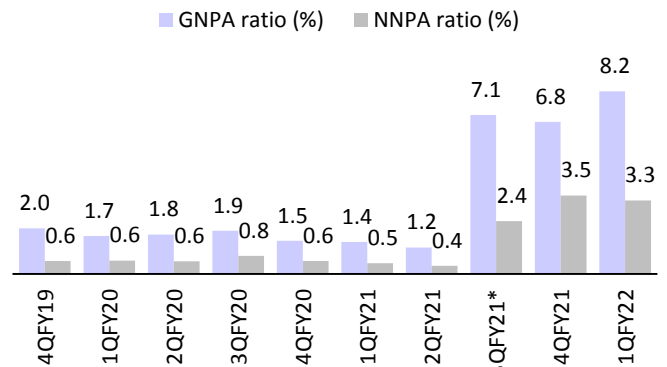
Source: MOFSL, Company

Exhibit 17: Margins expand 170bp QoQ to 8.5%



Source: MOFSL, Company

Exhibit 18: GNPA ratio increases, while NNPA moderates



3QFY21 based on Pro-forma numbers

Source: MOFSL, Company

Financials and valuations

Income Statement						(INR b)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	39.1	48.0	66.4	108.9	125.2	159.3	187.8
Interest Expense	15.1	17.7	21.5	45.6	49.6	68.6	77.6
Net Interest Income	24.0	30.3	45.0	63.2	75.6	90.7	110.2
Growth (%)	157.7	26.2	48.3	40.7	19.6	20.0	21.4
Non Interest Income	4.1	7.1	10.6	15.5	21.1	26.2	32.7
Total Income	28.1	37.4	55.6	78.7	96.7	116.9	142.9
Growth (%)	160.0	32.8	48.7	41.6	22.9	20.9	22.2
Operating Expenses	10.2	13.1	18.1	24.3	28.2	34.5	42.2
Pre Provision Profits	17.9	24.3	37.5	54.5	68.6	82.4	100.7
Growth (%)	284.1	35.5	54.2	45.3	25.9	20.1	22.2
Core PPOP	17.7	23.8	37.1	53.3	65.5	78.7	96.2
Growth (%)	281.1	34.6	55.7	43.7	22.8	20.1	22.4
Provisions (excl tax)	0.9	3.7	7.4	13.9	39.1	48.8	30.7
PBT	17.0	20.6	30.1	40.5	29.5	33.6	70.0
Tax	5.9	7.1	10.6	10.3	7.4	8.5	17.6
Tax Rate (%)	34.8	34.6	35.2	25.4	25.2	25.2	25.2
PAT	11.1	13.5	19.5	30.2	22.1	25.1	52.3
Growth (%)	304.0	21.0	45.0	54.9	-27.1	13.9	108.5

Balance Sheet							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	11.0	11.9	11.9	16.1	16.1	16.1	16.1
Reserves & Surplus	33.5	81.9	100.1	135.9	158.0	173.6	214.6
Net Worth	44.5	93.8	112.0	152.0	174.1	189.7	230.7
Deposits	232.3	338.7	432.3	570.8	779.7	912.3	1,122.1
Growth (%)	92.2	45.8	27.6	32.0	36.6	17.0	23.0
of which CASA Dep	68.4	116.2	176.2	210.3	338.3	400.5	493.7
Growth (%)	162.4	70.0	51.6	19.4	60.9	18.4	23.3
Borrowings	10.3	2.9	5.2	163.8	169.6	178.1	192.3
Other Liabilities & Prov.	15.3	7.7	14.9	30.6	26.5	30.0	34.2
Total Liabilities	302.4	443.1	564.4	917.2	1,149.9	1,310.1	1,579.3
Current Assets	73.6	55.1	58.0	83.5	61.9	63.6	70.4
Investments	55.2	83.7	100.4	153.5	251.6	317.0	370.8
Growth (%)	46.8	51.8	19.9	52.9	63.9	26.0	17.0
Loans	168.4	297.1	396.4	666.3	816.1	890.3	1,107.2
Growth (%)	35.4	76.5	33.4	68.1	22.5	9.1	24.4
Fixed Assets	2.5	2.4	3.3	3.7	4.9	5.4	6.1
Other Assets	2.6	4.8	6.3	10.1	15.5	33.8	24.9
Total Assets	302.4	443.1	564.4	917.2	1,149.9	1,310.1	1,579.3

Asset Quality	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
GNPA	0.9	3.7	8.2	9.9	57.6	71.6	73.1
NNPA	0.6	1.7	2.3	3.9	28.6	24.1	19.9
GNPA Ratio	0.5	1.2	2.0	1.5	6.8	8.0	6.6
NNPA Ratio	0.4	0.6	0.6	0.6	3.5	2.7	1.8
Credit Cost	0.3	1.0	1.9	2.6	5.3	5.5	2.8
PCR (Excl Tech. write off)	29.1	53.7	72.1	60.8	50.3	66.4	72.8

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Spread Analysis (%)							
Avg. Yield- on Earning Assets	17.3	13.9	14.2	15.4	12.6	13.5	13.5
Avg. Yield on loans	21.3	16.4	16.5	17.9	14.7	16.1	16.2
Avg. Yield on Investments	9.2	7.1	6.7	6.6	5.9	6.3	6.2
Avg. Cost of Int. Bear. Liab.	8.0	6.5	6.0	8.3	6.2	7.1	6.8
Avg. Cost of Deposits	6.8	5.9	5.4	6.6	5.9	5.5	5.4
Interest Spread	9.4	7.5	8.2	7.2	6.4	6.4	6.7
Net Interest Margin	10.7	8.8	9.6	9.0	7.6	7.7	7.9

Capitalisation Ratios (%)

CAR	26.4	31.5	29.2	27.4	23.5	22.3	22.2
<i>Tier I</i>	<i>24.8</i>	<i>30.3</i>	<i>27.9</i>	<i>25.2</i>	<i>22.5</i>	<i>21.4</i>	<i>21.5</i>
<i>Tier II</i>	<i>1.6</i>	<i>1.2</i>	<i>1.3</i>	<i>2.2</i>	<i>1.0</i>	<i>0.9</i>	<i>0.7</i>

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	72.5	87.7	91.7	116.7	104.7	97.6	98.7
CASA Ratio	29.4	34.3	40.8	36.8	43.4	43.9	44.0
Cost/Assets	3.4	3.0	3.2	2.6	2.4	2.6	2.7
Cost/Total Income	36.3	35.0	32.6	30.8	29.1	29.5	29.5
Cost/Core income	36.6	35.4	32.8	31.3	30.1	30.5	30.5
Int. Expense/Int.Income	38.5	36.9	32.3	41.9	39.6	43.1	41.3
Fee Income/Total Income	13.8	17.7	18.4	18.2	18.6	19.2	19.8
Non Int. Inc./Total Income	14.6	18.9	19.1	19.7	21.8	22.4	22.9
Empl. Cost/Total Expense	53.4	52.6	55.7	56.3	59.1	59.3	58.7
Investment/Deposit Ratio	23.7	24.7	23.2	26.9	32.3	34.7	33.0

Profitability Ratios and Valuation

RoE	28.6	19.5	19.0	22.9	13.5	13.8	24.9
RoA	4.4	3.6	3.9	4.1	2.1	2.0	3.6
RoRWA	7.4	5.5	5.6	6.2	3.3	3.1	5.5
Book Value (INR)	41	79	94	94	108	118	143
Growth (%)	33.3	93.7	19.4	0.5	14.5	9.0	21.6
Price-BV (x)	7.2	3.7	3.1	3.1	2.7	2.5	2.0
Adjusted BV (INR)	40	78	93	93	96	107	135
Price-ABV (x)	7.2	3.8	3.1	3.1	3.0	2.7	2.2
EPS (INR)	10.2	11.8	16.4	21.6	13.7	15.6	32.5
Growth (%)	NM	15.8	39.1	31.9	-36.5	13.9	108.5
Price-Earnings (x)	28.7	24.8	17.8	13.5	21.3	18.7	9.0
Dividend Per Share (INR)	0.0	0.0	1.2	3.8	0.0	5.9	7.1
Dividend Yield (%)	0.0	0.0	0.4	1.3	0.0	2.0	2.4

E: MOFSL Estimates

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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