

Good re-rating candidate in PSU banks !!!

Brief Investment Rationale

- Asset quality has been on improving trend** - Gross NPLs/Net NPL from peak of 15.8%/5.6% levels in FY2019 has come down to 5.8%/1.5% in Q2FY24. Previous past NPLs have been largely provided for - PCR is at ~74% (excl technical write-offs) and 90% including technical written off assets. Credit cost guidance is ~60-70 bps for FY24 - lower provisioning hit will drive the profitability going forward. It expects recoveries & upgrades of ~120 bn in FY24 vs. INR 34.6 bn done in first half of current fiscal.
- Loans grew by 10% yoy to INR 5431 bn in Q2FY24 led by growth in retail advances (14.7% yoy, 18.5% share). Management expects credit growth to be at 11-12% for FY24 with continued focus on retail/ MSME segment.** Also, it has pipeline of nearly ~INR 400 bn in corporate credit (which has 37% share in total advances).
- Operating profit is expected to grow by 30% in FY24**
- Management aims margins to be protected at over 3% levels for FY24** - For Q2FY24, margins (reported) expanded by 5 bps qoq to 3.08%. On the asset side, 94% of the loans are floating based loans and while 6% are fixed one. On the liability side, it expects deposit cost to peak out in next 1-2 quarters
- Valuations** - At current CMP, it is trading at 0.7x FY25e ABV which is relatively lower as compared to other PSU banks. Q2FY24 ROA trajectory has improved to 0.67% on yoy basis. For the full year, ROA will improve to 0.8% in FY24 from 0.5% in FY23. We expect stock to get re-rated further, **we assign TP of INR 128, upside of 23% from the current levels.**

Financials

(Rs.cr)	FY22	FY23	FY24	FY25
PAT	3405	4023	6200	7241
Growth (%)	58	18	54	17
ROE (%)	6.7	7.1	10.2	11.1
ROA (%)	0.5	0.5	0.7	0.7
ABV	110.3	124.1	138	151.1
P/ABV	0.9	0.8	0.8	0.7

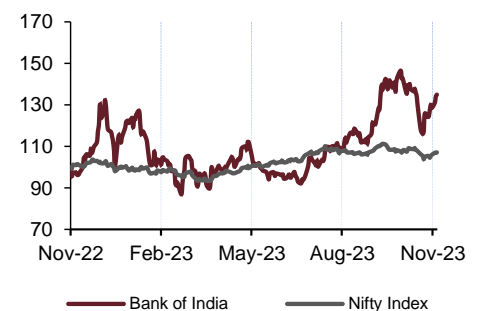
Rating	TP (Rs)	Up/Dn (%)
BUY	128	23

Market data

Current price	Rs	104
Market Cap (Rs.Bn)	(Rs Bn)	426
Market Cap (US\$ Mn)	(US\$ Mn)	5,120
Face Value	Rs	10
52 Weeks High/Low	Rs	114 / 66
Average Daily Volume	('000)	11,887
BSE Code		543308
Bloomberg		BOI.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-23	Jun-23
Promoters	81	81
Public	19	19
Total	100	100

Source: Bloomberg

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