

THE FEDERAL BANK LTD | Banking

LKP

Price Analysis:

Federal Bank has reported sturdy earnings in 2QFY21 led by a) Strong NII growth (22.8% YoY) with improved NIMs of 3.13%, b) relatively healthy business growth with advance and deposit growth of 6.1% YoY and 12.3% YoY respectively, c) multi quarter low C/I ratio of 46.7% v/s 51.3% in FY20 and d) collections improvement as pre COVID level. However, the bank's PAT de-grew by 26% YoY and 23% sequentially owing to higher provisioning expenses (₹5.9bn v/s ₹3.9bn). As a result of higher provisioning the bank's PCR improved 320bps to 78.3%. Considering the 2QFY21 result and inexpensive valuation (P/BV: 0.7x), we maintain our positive outlook on the bank.

Gazing the core:

Clarity on the actual stressed loan (restructure) will emerge after SC verdict: Management expects things will get cleared on moratorium front only after SC verdict. As a result, the bank has made additional standard asset provisioning of ₹4bn. The bank has made total provisioning expenses of ₹5.9bn in 2QFY21 thus improving PCR further by 320bps to 78.3%. PCR excluding technical write-off improved to 65.7% v/s 63.1% in previous quarter. Further, the bank has made provisioning of ₹97mn for interest on interest for moratorium loans. The bank believes COVID provision of ₹5.88bn (0.5% of net advances) would be enough for the stress since it has minuscule exposure towards unsecured business.

Capital Raising is not on the cards: Management do not see need to raise additional capital in current calendar year unless things deteriorate sharply from the current level. The CET 1 ratio of the bank stood at 13.33% and is likely to be adequate to support growth and absorb any losses on asset quality front.

A well balanced AUM mix: As of 2QFY21, the bank has maintained a well-diversified book which carries retail (inc. Agri), corporate and SME book of 43.6%, 37.6%, 18.8% respectively. Retail book grew by 21% YoY v/s corporate book de-growth of 3% YoY. The bank has been focusing on gold loans since the lockdown started and it grew by 37% YoY and 10% sequentially in 2QFY21 to ₹102.4bn (8.4% of loan book). The Bank is well poised to build a low risk granular book driven by gold loans. We expect the loan book to grow at a CAGR of 8.3% by FY20-22E.

Outlook & Valuation:

Despite substantial improvement in all major operating matrix profitability may remain under pressure in FY21 led by the higher provision for loan under morat. We have incorporated higher provision requirement along with steady growth in balance sheet and thus expect it to deliver RoA/ RoE of 1.1%/13.8% by FY22E. In our view, negatives are already in the price and thus we reiterate our BUY with an unchanged target price of ₹72 (based on 0.8x FY22E Adj. BVPS); a potential upside of 38%.

Key Financials (₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
NII	41,763	46,489	52,119	60,674	70,217
Operating Profit	27,631	32,047	36,774	42,594	52,683
Reported Profits	12,439	15,428	15,481	23,748	29,941
Net Worth	132,680	145,126	160,607	184,355	214,296
Loan & Advances	1,102,230	1,222,679	1,326,607	1,492,433	1,701,373
Int. Bearing Liabilities	1,427,357	1,626,625	1,764,048	1,967,030	2,200,438

Key Ratios (%)	FY19	FY20	FY21E	FY22E	FY23E
NIM's	2.9	2.9	2.9	3.1	3.2
C/I	50.0	51.3	49.8	49.1	46.7
Gross NPA	2.9	2.8	3.2	2.6	2.3
Tier 1	13.8	13.8	16.0	16.5	17.1
Adj. RoA	0.8	0.9	0.8	1.1	1.3
Adj. RoE	9.8	11.1	10.1	13.8	15.0

Rating	Buy
Current Market Price (₹)	52
12 M Price Target (₹)	72
Potential upside (%)	38

Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	104
Market Cap Free Float (₹ bn) :	104
52-Week High / Low (₹) :	97 / 36
2-Year High / Low (₹) :	110 / 36
1 Year Avg. Dly Traded Volume (in lakh)	260
BSE Code / NSE Symbol :	500469 / FEDERALBNK
Bloomberg :	FB IN

Shareholding Pattern (%)

	Jun-20	Mar-20	Dec-19	Sep-19
FPIs	30.95	33.31	32.47	34.95
MFs	25.64	25.98	27.06	24.33
FI's / Banks	4.69	4.73	4.85	4.73
Insurance	6.29	5.91	5.21	5.56
Others	32.43	30.07	30.41	30.43

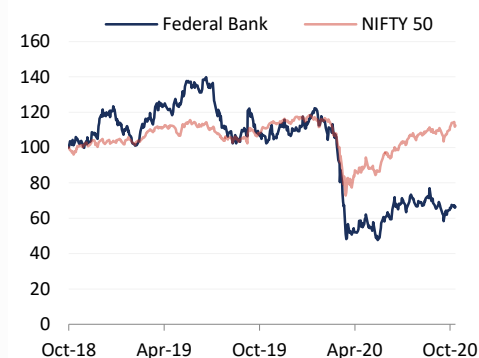
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Federal Bank	-3%	0.4%	24%	-37%
Nifty 50	1%	10%	31%	3%

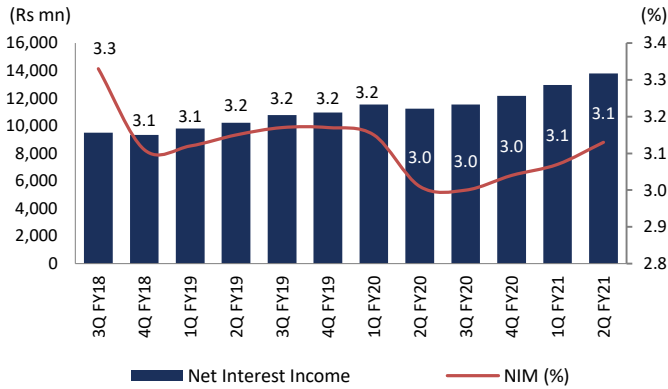
* To date / current date : October 16, 2020

Federal Bank vs Nifty 50

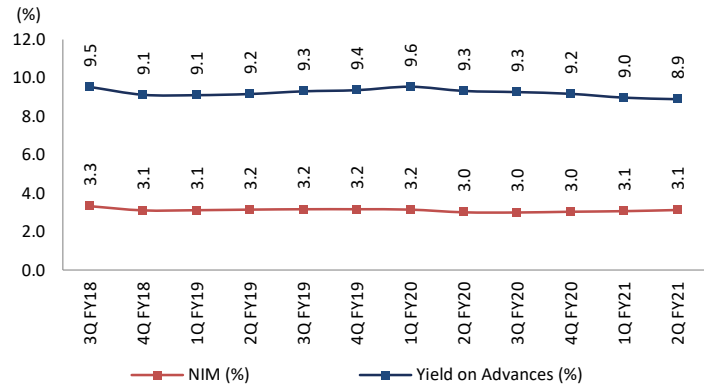


Quarterly story in charts

NII Trend

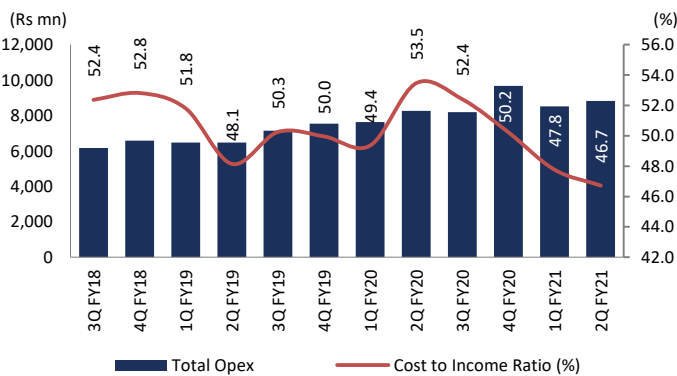


Yield & Margin's Trend

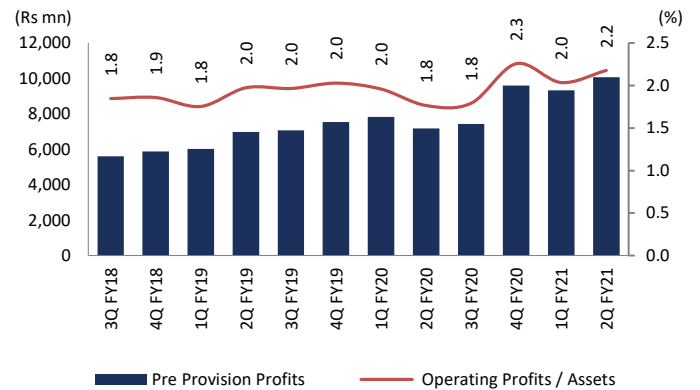


Source: Company, LKP Research

Total OPEX Trend

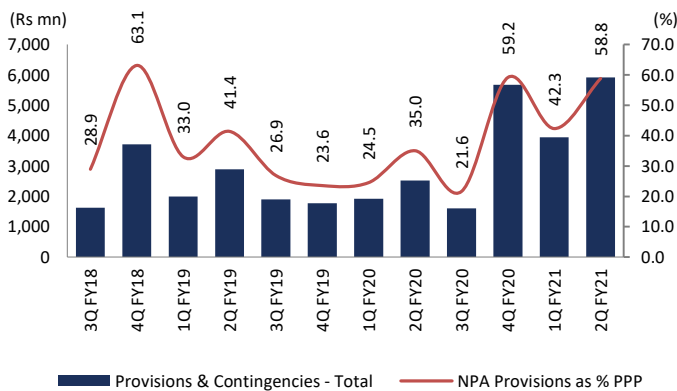


Pre Provision Profit Trend

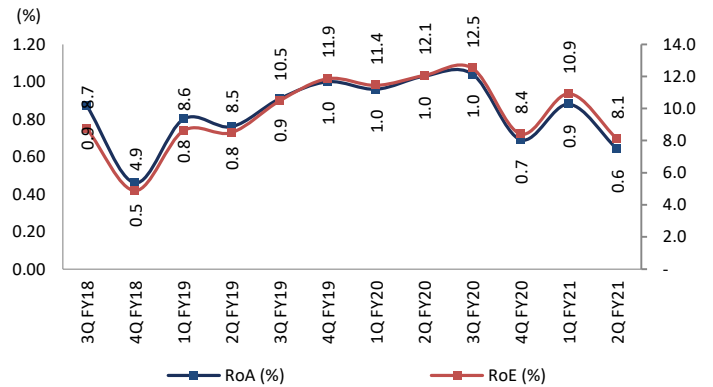


Source: Company, LKP Research

Provision Expenses Trend

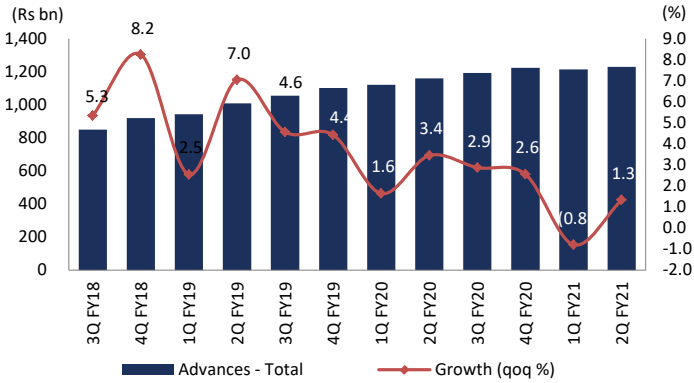


Return Ratio Trend



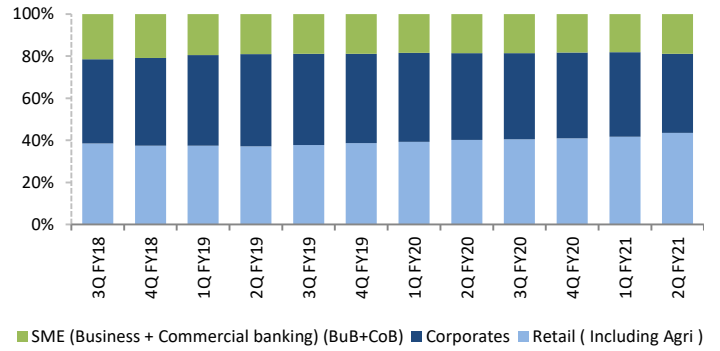
Source: Company, LKP Research

Loan Book Trend

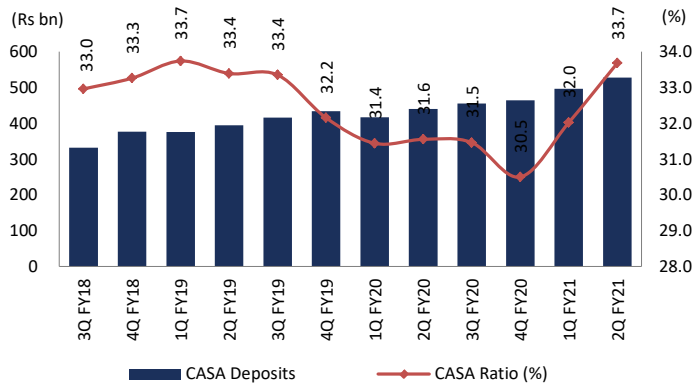


Source: Company, LKP Research

Loan Book Mix

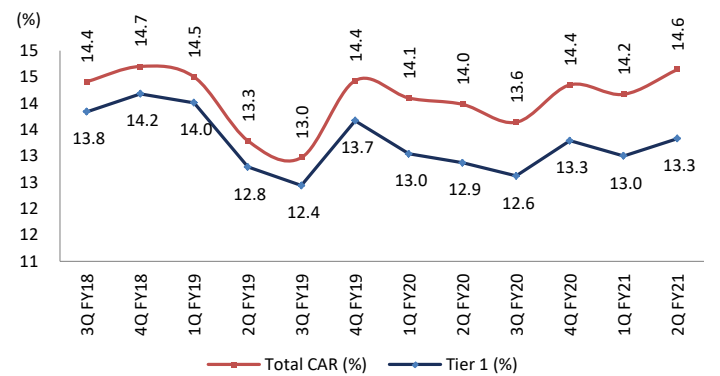


CASA Deposit Trend

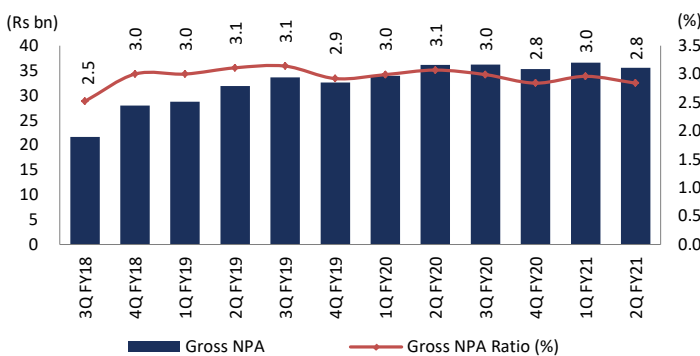


Source: Company, LKP Research

CRAR & Tier 1 Ratio Trend

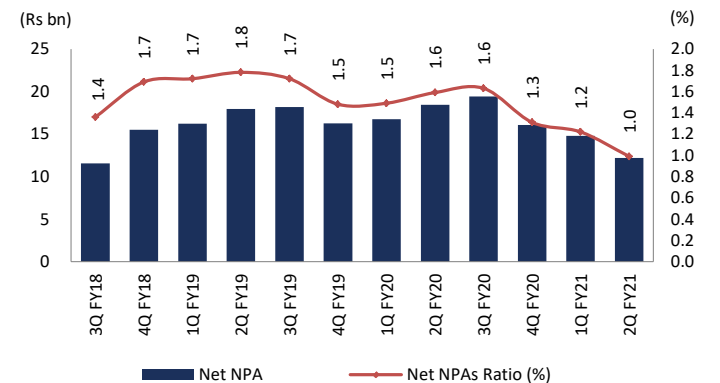


Gross NPA Trend



Source: Company, LKP Research

Net NPA Trend



Financial Performance at a glance

Exhibit: Income Statement Analysis

(₹ mn)	2Q FY21	2Q FY20	% yoy / bps	1Q FY21	% qoq / bps	FY20	FY19	% yoy / bps
Int. on Loan	27,175	26,377	3.0	27,060	0.4	1,06,709	90,896	17.4
Int. on Investment	5,925	5,274	12.3	6,061	(2.2)	21,841	20,375	7.2
Int. on Balances	1,166	381	206.0	707	65.0	1,400	735	90.5
Int. Others	613	510	20.1	614	(0.2)	2,159	2,185	(1.2)
Interest Inc.	34,879	32,543	7.2	34,442	1.3	1,32,108	1,14,190	15.7
<i>Yield on Advances (%)</i>	8.9	9.3	(43)	9.0	(8)	-	-	-
Interest Expenses	21,081	21,305	(1.1)	21,477	(1.8)	85,618	72,427	18.2
<i>Cost of Dep. (%)</i>	5.1	5.9	(83)	5.4	(27)	-	-	-
Net Interest Income	13,799	11,238	22.8	12,964	6.4	46,489	41,763	11.3
<i>NII to Net Operative Income</i>	73.0	72.8	29	72.6	40	70.6	75.6	(491)
<i>NIM (%)</i>	3.1	3.0	12	3.1	6	-	3.2	-
Adjusted NII	13,186	10,727	22.9	12,351	6.8	44,331	39,579	12.0
Loan Processing Fee	820	610	34.4	440	86.4	2,290	1,840	24.5
Other Fee Income	1,740	1,910	(8.9)	1,030	68.9	7,600	6,170	23.2
Forex Opr.	320	650	(50.8)	240	33.3	2,410	2,370	1.7
Core Fee Income	2,880	3,170	(9.1)	1,710	68.4	12,300	10,380	18.5
Treasury Profit	1,410	820	72.0	3,040	(53.6)	6,071	2,290	165.1
Recovery W/O A/C & SR	803	219	266.5	134	500.8	943	840	12.2
Non Core Other Income	2,213	1,039	113.0	3,174	(30.3)	7,014	3,130	124.1
Other Income - Total	5,093	4,209	21.0	4,884	4.3	19,314	13,510	43.0
<i>Other Inc to Net Oper. Income (%)</i>	27.0	27.2	(29)	27.4	(40)	29.4	24.4	491
Net Operating Revenue	18,892	15,447	22.3	17,848	5.8	65,803	55,273	19.1
Net Operating Revenue - Adj.	18,279	14,937	22.4	17,234	6.1	63,645	53,089	19.9
Employee Expenses	4,875	4,407	10.6	4,959	(1.7)	17,724	13,778	28.6
<i>Empl. Cost/Oper. Exps. (%)</i>	25.8	28.5	(273)	27.8	(198)	26.9	24.9	201
Other Opex	3,952	3,852	2.6	3,566	10.8	16,033	13,865	15.6
<i>Other Opex/ Assets (%)</i>	0.2	0.2	(2)	0.2	2	0.9	0.9	1
Total Opex	8,827	8,259	6.9	8,524	3.5	33,756	27,643	22.1
<i>Cost to Income Ratio (%)</i>	46.7	53.5	(675)	47.8	(104)	51.3	50.0	129
Pre Provision Profits	10,065	7,188	40.0	9,324	8.0	32,047	27,631	16.0
Provisions & Contingencies - Total	5,921	2,518	135.2	3,946	50.0	11,722	8,559	37.0
<i>Credit Cost (%)</i>	0.55	0.62	(7)	0.8	(28)	0.90	-	-
<i>NPA Provisions as % PPP</i>	58.8	35.0	2,380	42.3	1,650	36.6	31.0	560
Profit Before Tax	4,145	4,670	(11.3)	5,378	(22.9)	20,325	19,072	6.6
Tax	1,069	503	112.3	1,370	(22.0)	4,898	6,634	(26.2)
<i>Effective Tax Rate (%)</i>	25.8	10.8	1,500	25.5	31	24.1	34.8	(1,069)
Reported Profits	3,076	4,167	(26.2)	4,008	(23.2)	15,428	12,439	24.0
RoA (%)	0.6	1.0	(39)	0.9	(24)	-	-	-
RoE (%)	8.1	12.1	(397)	10.9	(283)	-	-	-

Source: Company, LKP Research

Exhibit: Balance Sheet Analysis

₹ mn)	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	QoQ % / bps	YoY % / bps
Net Worth	1,36,610	1,37,543	1,42,110	1,45,176	1,49,225	1,52,353	2.1	10.8
RoE (%)	11.4	12.1	12.5	8.4	10.9	8.1	(283)	(397)
Tier 1 (%)	13.0	12.9	12.6	13.3	13.0	13.3	33	46
Total CAR (%)	14.1	14.0	13.6	14.4	14.2	14.6	47	66
RWA - Total	9,62,570	9,75,660	9,96,440	10,57,860	10,81,240	10,54,790	(2.4)	8.1
Advances - Total	11,20,320	11,58,932	11,92,220	12,22,679	12,12,970	12,29,120	1.3	6.1
Investments	3,18,100	3,10,944	3,10,260	3,58,927	3,47,490	3,62,526	4.3	16.6
Total Assets	16,03,380	16,64,245	17,27,910	18,06,381	18,58,205	18,90,267	1.7	13.6
RoA (%)	0.96	1.03	1.04	0.69	0.88	0.64	(24)	(39)
Deposits	13,25,370	13,95,465	14,45,920	15,22,901	15,49,380	15,67,474	1.2	12.3
Saving Deposit	3,47,430	3,72,680	3,80,190	3,91,950	4,20,590	4,43,180	5.4	18.9
Current Deposit	69,330	67,550	74,650	72,550	75,570	84,670	12.0	25.3
CASA Deposits	4,16,760	4,40,230	4,54,840	4,64,500	4,96,160	5,27,850	6.4	19.9
CASA Ratio (%)	31.4	31.6	31.5	30.5	32.0	33.7	166	213
Term Deposits	9,08,610	9,55,235	9,91,080	10,58,401	10,53,220	10,39,624	(1.3)	8.8
Interest Bearing Liabilities - Total	14,24,880	14,73,104	15,26,920	16,26,625	16,61,750	16,77,905	1.0	13.9

Source: Company, LKP Research

Exhibit: Earning Assets Mix & Incremental Contribution

	As on (₹ mn)				As % of Working Assets	YoY/ YTD growth (% / bps)			Incremental Contribution in Working Assets (%)		
	FY18	FY19	FY20	2Q FY21		FY19	FY20	2Q FY21	FY19	FY20	2Q FY21
Total Advances	9,31,730	11,18,290	12,41,530	12,52,070	70.0	20.0	11.0	0.8	92.5	66.2	13.0
Retail (Including Agri)	3,48,190	4,31,820	5,07,520	5,45,640	30.5	24.0	17.5	7.5	41.5	40.7	47.2
Corporates	3,86,700	4,75,480	5,07,250	4,70,930	26.3	23.0	6.7	(7.2)	44.0	17.1	(45.0)
SME (Business + Commercial banking) (BuB+CoB)	1,94,380	2,10,990	2,26,760	2,35,500	13.2	8.5	7.5	3.9	8.2	8.5	10.8
Agri	91,360	1,14,400	1,28,740	1,49,150	8.3	25.2	12.5	15.9	11.4	7.7	25.3
Retail	2,56,830	3,17,420	3,78,780	3,96,490	22.2	23.6	19.3	4.7	30.0	33.0	21.9
Housing	1,16,480	1,53,940	1,82,290	1,84,970	10.3	32.2	18.4	1.5	18.6	15.2	3.3
Gold	19,650	-	-	-	-	-	-	-	-	-	-
Mortgage	47,730	59,900	71,250	72,060	4.0	25.5	18.9	1.1	6.0	6.1	1.0
Others	72,970	23,234	78,010	91,060	5.1	(68.2)	235.8	16.7	(24.7)	29.4	16.2
Auto	-	7,730	32,310	31,950	1.8	-	318.0	(1.1)	-	13.2	(0.4)
Personal	-	72,610	14,920	16,450	0.9	-	(79.5)	10.3	-	(31.0)	1.9
Advances - Total	9,19,575	11,02,230	12,22,679	12,29,120	68.7	19.9	10.9	0.5	90.5	64.7	8.0
Investments	3,07,811	3,18,245	3,58,927	3,62,526	20.3	3.4	12.8	1.0	5.2	21.8	4.5
Cash & Cash Equivalent	92,034	1,00,668	1,25,746	1,96,486	11.0	9.4	24.9	56.3	4.3	13.5	87.6
Working Assets	13,19,420	15,21,142	17,07,352	17,88,132	100.0	15.3	12.2	4.7	100.0	100.0	100.0

Source: Company, LKP Research

Exhibit: Funding Profile Analysis

(₹ mn)	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	14,24,880	14,73,104	15,26,920	16,26,625	16,61,750	16,77,905	1.0	13.9
Deposits	13,25,370	13,95,465	14,45,920	15,22,901	15,49,380	15,67,474	1.2	12.3
CASA Deposits	4,16,760	4,40,230	4,54,840	4,64,500	4,96,160	5,27,850	6.4	19.9
Saving Deposit	3,47,430	3,72,680	3,80,190	3,91,950	4,20,590	4,43,180	5.4	18.9
Current Deposit	69,330	67,550	74,650	72,550	75,570	84,670	12.0	25.3
Term Deposits	9,08,610	9,55,235	9,91,080	10,58,401	10,53,220	10,39,624	(1.3)	8.8
Borrowings	99,510	77,638	81,000	1,03,724	1,12,370	1,10,431	(1.7)	42.2
Interest Bearing Liabilities - Total	14,24,880	14,73,104	15,26,920	16,26,625	16,61,750	16,77,905	1.0	13.9

Source: Company, LKP Research

Exhibit: Funding mix and Incremental Contribution

	As on (₹ mn)				As % of Total Working Fund	YoY/ YTD growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY18	FY19	FY20	2Q FY21		FY19	FY20	2Q FY21	FY19	FY20	2Q FY21
Deposits	11,19,925	13,49,543	15,22,901	15,67,474	85.6	20.5	12.8	2.9	113.3	81.9	76.2
Saving Deposit	3,09,198	3,49,786	3,58,344	4,43,180	24.2	13.1	2.4	23.7	20.0	4.0	145.1
Current Deposit	67,669	87,528	82,398	84,670	4.6	29.3	(5.9)	2.8	9.8	(2.4)	3.9
CASA Deposits	3,76,867	4,37,314	4,40,743	5,27,850	28.8	16.0	0.8	19.8	29.8	1.6	149.0
Term Deposits	7,43,058	9,12,230	10,82,158	10,39,624	56.8	22.8	18.6	(3.9)	83.4	80.3	(72.8)
Borrowings	1,15,335	77,813	1,03,724	1,10,431	6.0	(32.5)	33.3	6.5	(18.5)	12.2	11.5
Interest Bearing Liabilities - Total	12,35,260	14,27,357	16,26,625	16,77,905	91.7	15.6	14.0	3.2	94.8	94.1	87.7
Cost of Fund (%)	-	-	-	-	-	-	-	-	-	-	-
Net Worth	1,22,102	1,32,730	1,45,176	1,52,353	8.3	8.7	9.4	4.9	5.2	5.9	12.3
Working Fund	13,57,362	15,60,087	17,71,801	18,30,258	100.0	14.9	13.6	3.3	100.0	100.0	100.0
Interest Exp. / Assets	4.87	4.87	5.04	4.6		(1)	17	(47)			

Source: Company, LKP Research

Exhibit: Asset Quality Analysis

(₹ mn)	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	QoQ % / bps	YoY % / bps
Total Slippages	4,340	5,710	6,030	3,120	1,930	100	(94.8)	(98.2)
Slippages Ratio (%)	0.39	0.52	0.55	0.28	0.16	0.01	(15)	(51)
Gross NPA	33,947	36,121	36,187	35,308	36,556	35,522	(2.8)	(1.7)
Gross NPAs Ratio (%)	2.99	3.07	2.99	2.84	2.96	2.84	(12)	(23)
PCR - Calculated (%)	50.7	49.0	46.4	54.5	59.6	65.7	612	1,675
PCR - Inc. Tech w/o (%)	67.4	66.2	66.4	72.5	75.1	78.3	325	1,218
Net NPA	16,728	18,436	19,410	16,072	14,775	12,181	(17.6)	(33.9)
Net NPAs Ratio (%)	1.49	1.59	1.63	1.31	1.22	0.99	(23)	(60)
Standard Impaired loan to Gross Loan	3.8	3.9	3.8	3.6	3.7	3.6	(2.8)	(6.6)
Standard Restructured	6,190.0	6,120.0	4,630.00	3,970.00	4,060.00	4,410.00	35,000	(1,71,000)
Retail	1,410	1,240	1,010	970	10	10	-	(99.2)
Agri	670	720	500	360	10	10	-	(71,000)
SME	1,190	1,460	1,210	1,220	80	10	(87.5)	(99.3)
BuB	990	950	660	540	-	10	1,000	(94,000)

Source: Company, LKP Research

2QFY21 Result and Con-Call Highlights

Asset Quality

Moratorium: Moratorium (24% disclosed earlier) amount will be deferred. Collection efficiencies are at pre COVID level. 1.5% of moratorium book didn't pay any installment and rescheduling almost done in all accounts. The bank believes the additional provision would be adequately covered for restructuring. An account of ₹2370mn which might have been slipped if there is no RBI guideline. The provision and interest reversal has been done for the account. ₹9.7Cr for Interest on Interest and is provided. The bank has lower exposure to identified 26 stress sectors by Kamath Committee.

Slippages: Reported total slippages of ₹0.1bn v/s ₹1.9bn; (0.01% annualized vs. 0.16%) in previous quarter. However, the moratorium period ended, the bank didn't classify NPAs till clear guidelines emerged from RBI and Supreme Court. Retail, Agri and SME book contributed one third of the fresh slippages each.

The bank's up-gradation and recoveries inched up sequentially at of ₹1.13bn v/s ₹0.7bn in previous quarter.

Headline NPA/PCR: The bank's GNPA/NNPA/PCR stood at 2.83%/0.99%/78.3% v/s 2.96%/1.22%/75.1% in previous quarter. The bank's total impaired asset contributes 3.6% of gross loans; (GNPA: 2.83%, Standard restructured: 0.36%). The bank's PCR stood at 65.7% (without Tec-write off) and 78.3% (with Tec-write off).

BBB and above books remains flat and it contributes 89% of corporate advances.

Banks has exposure to NBFC, HFC and real estate of around 8.1%, 4.0%, 3.9% respectively. Most of the real estate exposure is in LRD (leased rental discount) categories. The entire HFC standard exposure is AA and above rated.

Provisioning: The bank has made provisioning of ₹5.9bn v/s ₹3.9bn in 1QFY21. The bank made additional COVID provisioning of ₹4.02bn; now the total COVID provisioning stands at ₹5.88bn (0.48% of net advances). The reported credit cost stood 55bps v/s 83bps in previous quarter.

Balance Sheet

Business: The bank's **net advances** stood at ₹1.22tn; 6.1% YOY and 1.3% QOQ. **Retail book** (31.7% of book) grew at 14% YoY. Agriculture book (11.9% of book), SME book (18.8% of book) and corporate book (37.6%) grew by 21% YoY, 8% YoY and negative 3% YoY respectively. The bank has been focusing of gold loans since the lockdown started and the disbursal run rate is double of FY20 level. **Deposits** grew by 12.3% YOY and 1.2% QOQ; **CASA** stood at 33.7% vs. 32% in last quarter.

Capital Adequacy: Bank's **CRAR** up by 47bps and stood at 14.64% with Tier 1 of 13.33%. RWA to total assets came down by 239bps and stood at ~55.8%. The LCR is well above 220%.

Income Statements

Net interest income: The bank's NII stood at ₹13.8bn; grew by 22.8% YoY and 6.8% sequentially. NIM improved 6bps to 3.13%. Large part of the bank's book is linked to T-bills. T-bills have fallen lesser than external benchmark rate. Therefore there was no severe movement in YoA (8.9% v/s 8.98%). The bank has large part of existing loan linked to T-bills and the fresh loans will be linked with external benchmark. The bank's cost of deposits declined by 27bps to 5.10%.

Non-interest income grew at 21% YoY and 4.3% sequentially. However the core fee income de-grew by 9.1% YoY.

Cost to income ratio: it stood at 46.7% a multi quarter low against 51.3% in FY20.

Bottom line: Bank's PPP grew by 40% YoY and 8% QoQ on the back of healthy NII growth and better operating efficiency. Provisioning expenses stood elevated (₹5.9bn v/s 3.9bn in last quarter) resulted in PAT of ₹3.07bn; de-grew by 26% YoY and 23% sequentially. The bank's **ROA/ROE** stood at 0.64%/8.1%.

Annual Projections

Exhibit: Profit and Loss Statement

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Int. Income	1,14,190	1,32,108	1,44,142	1,57,264	1,75,166
Interest Expenses	72,427	85,618	92,023	96,590	1,04,949
Net Interest Income	41,763	46,489	52,119	60,674	70,217
NIM (%)	2.94	2.88	2.93	3.09	3.20
Adjusted NII	39,579	44,331	52,119	60,674	70,217
Other Income - Total	13,510	19,314	21,094	22,972	28,628
Adj. Other Income	13,510	19,314	21,094	22,972	28,628
Net Operating Revenue	55,273	65,803	73,214	83,646	98,845
Employee Exp.	13,778	17,724	18,964	20,956	23,051
Other Opex	13,865	16,033	17,475	20,097	23,111
Total Opex	27,643	33,756	36,440	41,052	46,162
C/I Ratio (%)	50.01	51.30	49.77	49.08	46.70
Pre Provision Profits	27,631	32,047	36,774	42,594	52,683
PPP Growth (yoy %)	20.6	16.0	14.7	15.8	23.7
Core PPP	25,446	29,889	36,774	42,594	52,683
PPP ex Except. Items	27,631	32,047	36,774	42,594	52,683
PPP ex Except Items Growth (yoy %)	20.6	16.0	14.7	15.8	23.7
Provisions & Contingencies - Total	8,559	11,722	16,022	10,760	12,547
Credit Cost (As % of Op. AUM)	0.79	1.01	1.25	0.75	0.75
Profit Before Tax	19,072	20,325	20,752	31,834	40,135
Tax	6,634	4,898	5,271	8,086	10,194
Effective Tax Rate (%)	34.8	24.1	25.4	25.4	25.4
Reported Profits	12,439	15,428	15,481	23,748	29,941
PAT Growth (yoy %)	41.5	24.0	0.3	53.4	26.1

Source: Company, LKP Research

Exhibit: Balance Sheet

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	3,970	3,985	3,985	3,985	3,985
Reserves (ex Revel. Reserve)	1,28,710	1,41,141	1,56,622	1,80,370	2,10,311
Net Worth - Ex Revaluation	1,32,680	1,45,126	1,60,607	1,84,355	2,14,296
Revaluation Reserve	50	50	49	49	52
Deposits	13,49,543	15,22,901	16,62,615	18,49,008	20,51,909
Borrowings	77,813	1,03,724	1,01,433	1,18,022	1,48,530
Interest Bearing Liabilities (₹ mn)	14,27,357	16,26,625	17,64,048	19,67,030	22,00,438
Other Lia. & Prov.	33,313	34,579	59,783	64,638	95,303
Total Liabilities	15,93,400	18,06,380	19,84,488	22,16,073	25,10,090
Assets					
Cash & Cash Equivalent	1,00,668	1,25,746	1,29,427	1,40,747	1,52,121
Investments	3,18,245	3,58,927	3,99,085	4,35,604	4,71,782
Credit Equivalent	38,301	31,577	31,893	32,531	33,181
Loan & Advances (₹ mn)	11,02,230	12,22,679	13,26,607	14,92,433	17,01,373
<i>Growth (yoy %)</i>	<i>19.9</i>	<i>10.9</i>	<i>8.5</i>	<i>12.5</i>	<i>14.0</i>
Fixed Assets	4,720	4,800	4,987	5,493	6,152
Other Assets	67,537	94,229	1,24,382	1,41,796	1,78,662
Total Assets	15,93,400	18,06,380	19,84,488	22,16,073	25,10,090

Source: Company, LKP Research

Exhibit: Per share data

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Face Value (₹)	2	2	2	2	2
Adjusted Share O/S (mn)	1,985	1,993	1,993	1,993	1,993
Earnings Per Share (₹)	6.3	7.7	7.8	11.9	15.0
<i>EPS (% YoY)</i>	<i>40.6</i>	<i>23.6</i>	<i>0.3</i>	<i>53.4</i>	<i>26.1</i>
<i>P/E (x)</i>	<i>8.3</i>	<i>6.7</i>	<i>6.7</i>	<i>4.4</i>	<i>3.5</i>
Book Value (₹)	66.8	72.8	80.6	92.5	107.5
<i>BVPS (% YoY)</i>	<i>8.0</i>	<i>9.0</i>	<i>10.7</i>	<i>14.8</i>	<i>16.2</i>
<i>P/BV (x)</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.5</i>
Adj. BV (₹)	62.7	68.8	77.5	89.5	104.5
<i>Adj. BV (% YoY)</i>	<i>8.3</i>	<i>9.6</i>	<i>12.7</i>	<i>15.4</i>	<i>16.8</i>
<i>P/ABV (x)</i>	<i>0.8</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>	<i>0.5</i>

Source: Company, LKP Research

Exhibit: Detailed ROA Tree

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Yields / Margins					
Yield on Advance	9.0	9.2	9.1	9.0	8.9
Yield on Funds	8.0	8.2	8.1	8.0	8.0
Cost of Funds (CoF)	5.4	5.6	5.4	5.2	5.0
Interest Spread	2.6	2.6	2.7	2.8	2.9
NIM's	2.9	2.9	2.9	3.1	3.2
Interest Income / Assets	7.7	7.8	7.6	7.5	7.4
Interest Exp. / Assets	4.9	5.0	4.9	4.6	4.4
<i>NII / Assets</i>	2.8	2.7	2.7	2.9	3.0
Fee Income / Assets	0.5	0.6	0.6	0.6	0.6
Other Non Core Income / Assets	0.2	0.4	0.3	0.3	0.3
Other Income / Assets	0.9	1.1	1.1	1.1	1.2
Net Operating Income / Assets	3.7	3.9	3.9	4.0	4.2
Operating Ratios					
NII to Net Operative Income	75.6	70.6	71.2	72.5	71.0
Other Income to Net Operative Income	24.4	29.4	28.8	27.5	29.0
Empl. Cost/Oper. Exps.	49.8	52.5	52.0	51.0	49.9
Other Op. Exps./Oper. Exps.	50.2	47.5	48.0	49.0	50.1
<i>C/I Ratio (%)</i>	50.0	51.3	49.8	49.1	46.7
<i>Provisions as % PPP</i>	15.5	17.8	21.9	12.9	12.7
<i>Credit Cost (As % of Op. AUM)</i>	0.8	1.0	1.3	0.8	0.8
<i>Effective Tax Rate (%)</i>	34.8	24.1	25.4	25.4	25.4
Employee Exp. / Assets	0.9	1.0	1.0	1.0	1.0
Other Opex/ Assets	0.9	0.9	0.9	1.0	1.0
Total Opex / Assets	1.9	2.0	1.9	2.0	2.0
<i>Operating Profits / Assets</i>	1.9	1.9	1.9	2.0	2.2
<i>Op Profit ex Except Items / Assets</i>	1.9	1.9	1.9	2.0	2.2
Provisions / Assets	0.6	0.7	0.8	0.5	0.5
Profit Before Tax / Assets	1.3	1.2	1.1	1.5	1.7
Tax Expenses / Assets	0.4	0.3	0.3	0.4	0.4
<i>RoA</i>	<i>0.8</i>	<i>0.9</i>	<i>0.8</i>	<i>1.1</i>	<i>1.3</i>
<i>Leverage (x)</i>	<i>12.0</i>	<i>12.4</i>	<i>12.4</i>	<i>12.0</i>	<i>11.7</i>
<i>RoE</i>	<i>9.8</i>	<i>11.1</i>	<i>10.1</i>	<i>13.8</i>	<i>15.0</i>
<i>Adj. RoA</i>	<i>0.8</i>	<i>0.9</i>	<i>0.8</i>	<i>1.1</i>	<i>1.3</i>
<i>Adj. RoE</i>	<i>9.8</i>	<i>11.1</i>	<i>10.1</i>	<i>13.8</i>	<i>15.0</i>

Source: Company, LKP Research

Exhibit: Balance Sheet Ratios

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Credit / Deposit	81.7	80.3	79.8	80.7	82.9
Incremental C/D	79.5	69.5	74.4	89.0	103.0
Investment Deposit	23.6	23.6	24.0	23.6	23.0
Dom. SLR Investment / Deposits	20.3	20.9	21.5	21.3	20.9
CASA	32.4	29.0	32.0	32.5	33.0

Source: Company, LKP Research

Exhibit: Asset Quality

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Slippage Ratio (%)	1.8	1.7	2.1	1.5	1.4
Gross NPA	32,607	35,308	42,840	38,556	39,033
Gross NPAs Ratio (%)	2.9	2.8	3.2	2.6	2.3
PCR (%)	50.1	54.5	55.6	55.2	59.4
PCR - Inc. Tech w/o (%)	67.2	72.5	-	-	-
Net NPA	16,262	16,072	19,038	17,258	15,841
Net NPAs Ratio (%)	1.5	1.3	1.4	1.2	0.9
Total Impaired Loans	33,585	36,721	42,840	38,556	39,033
Impaired Loan as % of Loan / AUM	2.9	2.9	3.2	2.5	2.3
Total Risk Reserves	17,164	20,056	23,802	21,298	23,192
Total Risk As % of Loan Book	1.5	1.6	1.8	1.4	1.3

Source: Company, LKP Research

Exhibit: Key Assumptions & Forecasts

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Loan & Advances (₹ mn)	11,02,230	12,22,679	13,26,607	14,92,433	17,01,373
Growth (yoy %)	19.9	10.9	8.5	12.5	14.0
Interest Bearing Liabilities (₹ mn)	14,27,357	16,26,625	17,64,048	19,67,030	22,00,438
Growth (yoy %)	19.9	10.9	8.5	12.5	14.0
Yield on Funds	8.0	8.2	8.1	8.0	8.0
Cost of Funds (CoF)	5.4	5.6	5.4	5.2	5.0
Interest Spread	2.6	2.6	2.7	2.8	2.9
NIM's	2.9	2.9	2.9	3.1	3.2
Other Income Growth	16.6	43.0	9.2	8.9	24.6
C/I Ratio (%)	50.0	51.3	49.8	49.1	46.7
Effective Tax Rate (%)	34.8	24.1	25.4	25.4	25.4

Return Ratios

Adj. RoA	0.8	0.9	0.8	1.1	1.3
Adj. RoE	9.8	11.1	10.1	13.8	15.0

Asset Quality Metrics

Credit Cost (As % of Op. AUM)	0.8	1.0	1.3	0.8	0.8
Gross NPAs Ratio (%)	2.9	2.8	3.2	2.6	2.3
Net NPAs Ratio (%)	1.5	1.3	1.4	1.2	0.9

Source: Company, LKP Research

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