

# THE FEDERAL BANK LTD | Banking

# LKP

**Price Analysis:** Federal Bank has reported 3QFY21 earnings in line with our expectations led by a) Strong NII growth (24.4% YoY) with 8bps improvement in NIMs to 3.13%, b) relatively healthy business growth with net advance and deposit growth of 5.3% YoY and 11.8% YoY respectively, c) sequentially higher C/I ratio of 49.8% v/s 46.7% in 2QFY21 and d) downtrend in reported NPA numbers with GNPA/NNPA ratio of 2.71%/0.61%. Furthermore, the bank's PAT grew by 31.4% sequentially with lower provisioning expenses (₹4.2bn v/s ₹5.9bn in the previous quarter). The Pro-forma GNPA/NNPA ratio stood at 3.38%/2.71% with PCR of 77.1%. Factoring expected 3QFY21 results and inexpensive valuation (P/BV: 1x), we maintain our positive outlook on the bank.

**Clarity on the actual stressed loan (restructure) will emerge after SC verdict:** Management expects the clear picture on credit quality to emerge after SC decision. The bank has made total provisioning expenses of ₹4.2bn in 3QFY21, thus improving PCR further to 77.1%. PCR excluding technical write-off improved to 78.2% v/s 68.1% in previous quarter. Further, the total restructuring reported worth ₹10.67bn (0.85% of book) till 16th Jan 2021. The bank expects total restructuring of ~₹16bn (1.25% of net advances) by end of FY21 lesser than earlier anticipated number of ~₹30bn. Retail restructuring contributes ~80% of total amount. Covid related restructuring at 0.54% of total advances. The bank believes Covid provision of ₹5.88bn (0.47% of net advances) would be enough for the stress. It is because the bank has minuscule exposure towards unsecured business. However, movement of restructured book by the end of FY21 will be key monitor-able.

**Capital raise is expected in second half of CY21:** Management believes the capital adequacy is ample and is keeping a close watch for capital raise by second half of CY21. The CET 1 ratio of the bank stood at 13.0% and is likely to be adequate to support growth but any major shock on asset quality can't be absorbed. Therefore, we can expect fund raise by 3QFY22.

**A well balanced AUM mix:** As of 3QFY21, the bank has maintained a well-diversified book which carries retail (inc. Agri), corporate and SME book of 45.2%, 35.6%, 19.2% respectively. Retail book grew by 16% YoY v/s corporate book de-growth of 7% YoY. The bank has been focusing on gold loans since the lockdown started and it grew by 67% YoY and 16% sequentially in 3QFY21 to ₹140bn (12% 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 12.2% 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%/13.6% by FY22E. In our view, maximum negatives are in the price and we reiterate our BUY with enhanced target price of ₹88 (based on 1.0x FY22E Adj. BVPS); a potential upside of 14%.

| Key Financials (₹ mn)    | FY19      | FY20      | FY21E     | FY22E     | FY23E     |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| NII                      | 41,763    | 46,489    | 55,688    | 63,106    | 74,564    |
| Operating Profit         | 27,631    | 32,047    | 39,218    | 44,005    | 52,339    |
| Reported Profits         | 12,439    | 15,428    | 16,186    | 23,598    | 28,187    |
| Net Worth                | 1,32,680  | 1,45,126  | 1,61,318  | 1,84,916  | 2,13,103  |
| Loan & Advances          | 11,02,230 | 12,22,679 | 13,05,210 | 14,87,939 | 17,26,010 |
| Int. Bearing Liabilities | 14,27,357 | 16,26,625 | 17,93,628 | 19,92,697 | 22,82,856 |

| Key Ratios (%)  | FY19 | FY20 | FY21E | FY22E | FY23E |
|-----------------|------|------|-------|-------|-------|
| NIM's           | 2.9  | 2.9  | 3.1   | 3.2   | 3.3   |
| C/I Ratio       | 50.0 | 51.3 | 48.3  | 48.2  | 46.8  |
| Gross NPA Ratio | 2.9  | 2.8  | 3.3   | 2.6   | 2.2   |
| Tier 1 Ratio    | 13.8 | 13.8 | 15.9  | 16.4  | 16.4  |
| Adj. RoA Ratio  | 0.8  | 0.9  | 0.9   | 1.1   | 1.2   |
| Adj. RoE Ratio  | 9.8  | 11.1 | 10.6  | 13.6  | 14.2  |

| Rating                   | Buy |
|--------------------------|-----|
| Current Market Price (₹) | 77  |
| 12 M Price Target (₹)    | 88  |
| Potential upside (%)     | 14  |

## Stock Data

|   |                     |
|---|---------------------|
| FV (₹) :                                | 2                   |
| Market Cap Full (₹ bn) :                | 154                 |
| Market Cap Free Float (₹ bn) :          | 154                 |
| 52-Week High / Low (₹) :                | 97 / 36             |
| 2-Year High / Low (₹) :                 | 110 / 36            |
| 1 Year Avg. Dly Traded Volume (in lakh) | 338                 |
| BSE Code / NSE Symbol :                 | 500469 / FEDERALBNK |
| Bloomberg :                             | FB IN               |

## Shareholding Pattern (%)

|           | Dec-20 | Sep-20 | Jun-20 | Mar-20 |
|-----------|--------|--------|--------|--------|
| FPIs      | 21.69  | 24.64  | 30.95  | 33.31  |
| MFs       | 29.90  | 25.02  | 25.64  | 25.98  |
| Insurance | 14.02  | 12.92  | 10.98  | 10.64  |
| Others    | 34.39  | 37.42  | 32.43  | 30.07  |

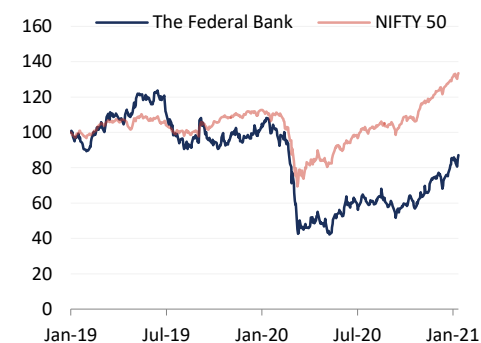
Source: BSE

## Price Performance (%)

| (%)          | 1M  | 3M    | 6M  | 1YR  |
|--------------|-----|-------|-----|------|
| Federal Bank | 16% | 35.9% | 44% | -18% |
| Nifty 50     | 6%  | 23%   | 33% | 20%  |

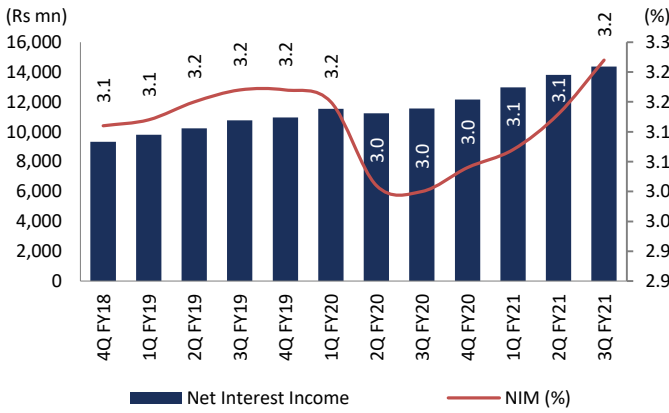
\* To date / current date : January 20, 2021

## Federal Bank vs Nifty 50



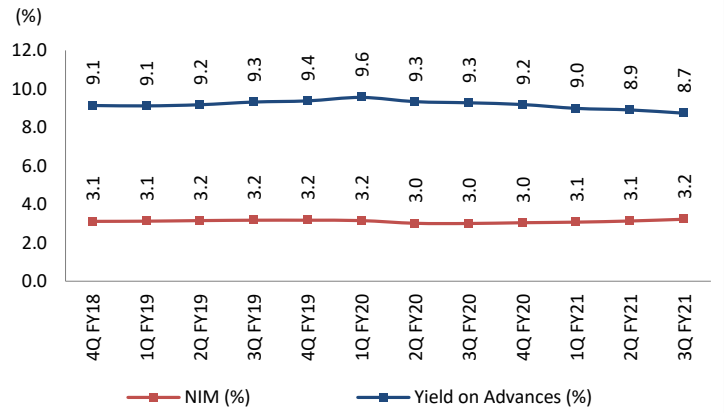
Quarterly story in charts

NII Trend

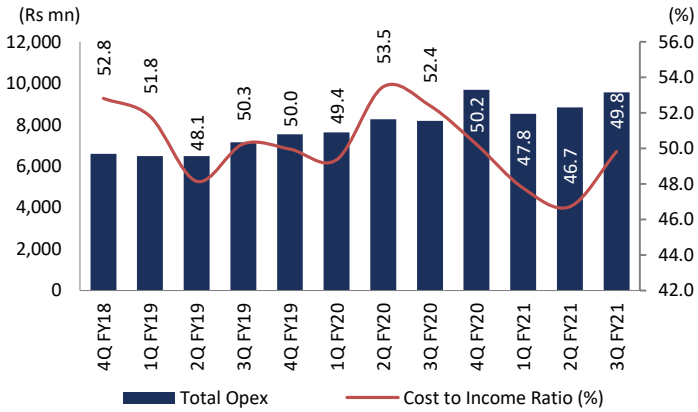


Source: Company, LKP Research

Yield & Margin's Trend

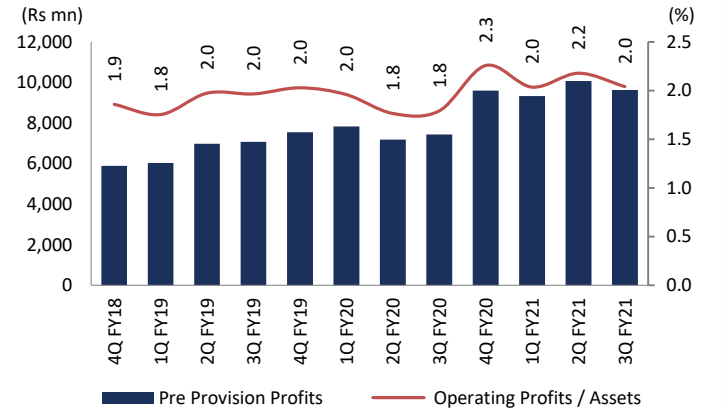


Total OPEX Trend

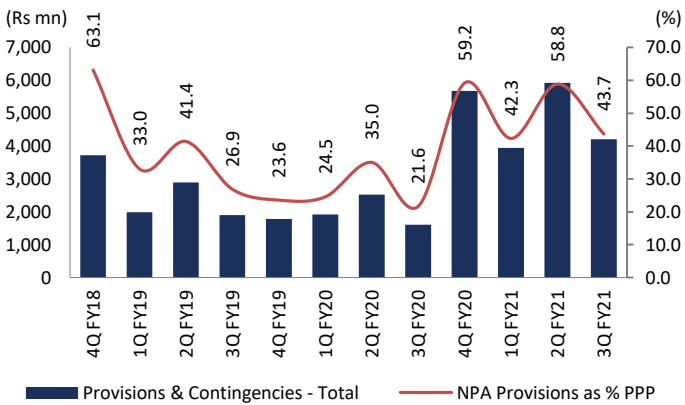


Source: Company, LKP Research

Pre Provision Profit Trend

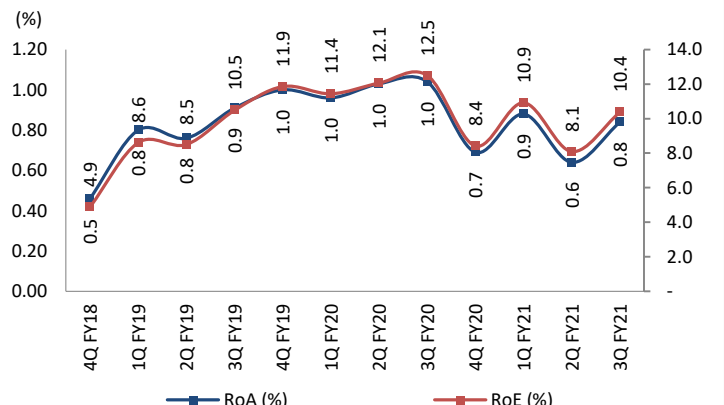


Provision Expenses Trend

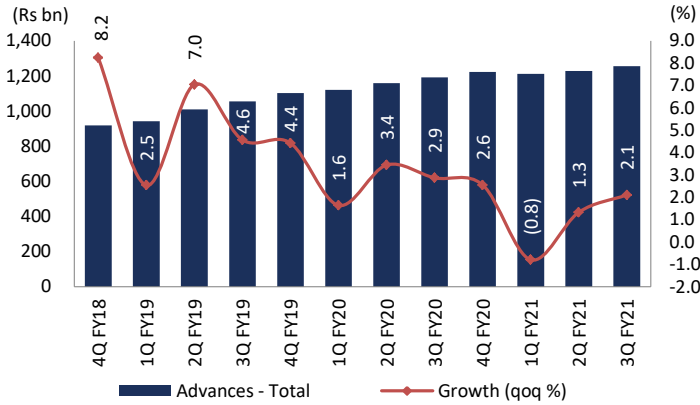


Source: Company, LKP Research

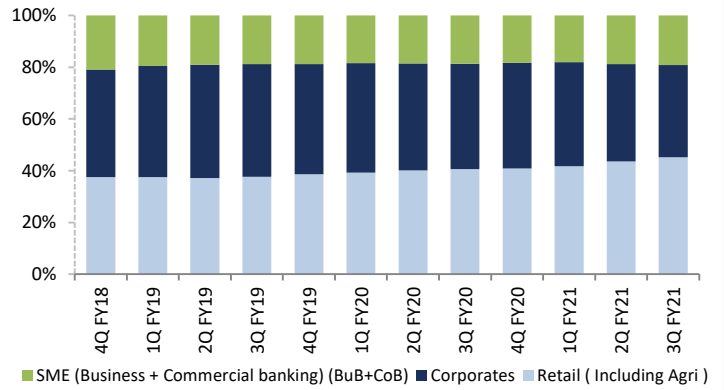
Return Ratio Trend



Loan Book Trend

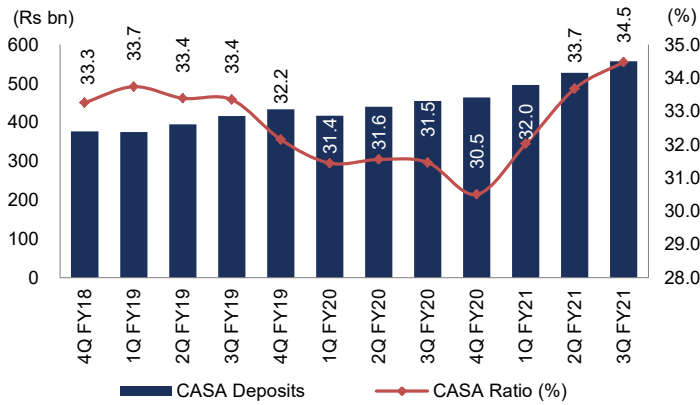


Loan Book Mix

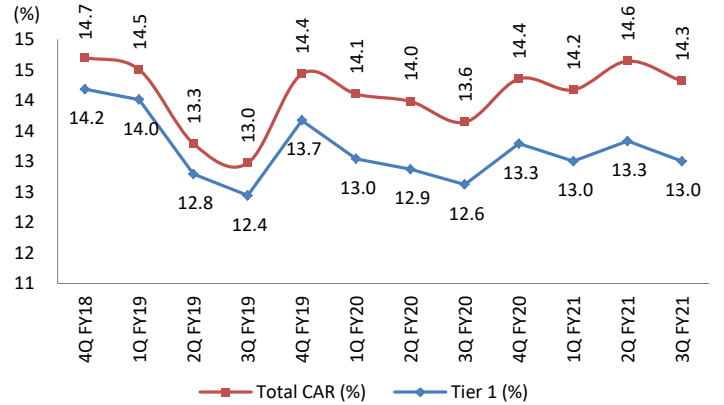


Source: Company, LKP Research

CASA Deposit Trend

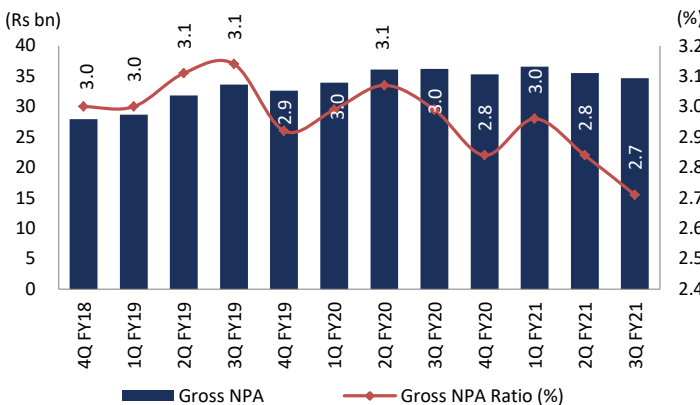


CRAR & Tier 1 Ratio Trend

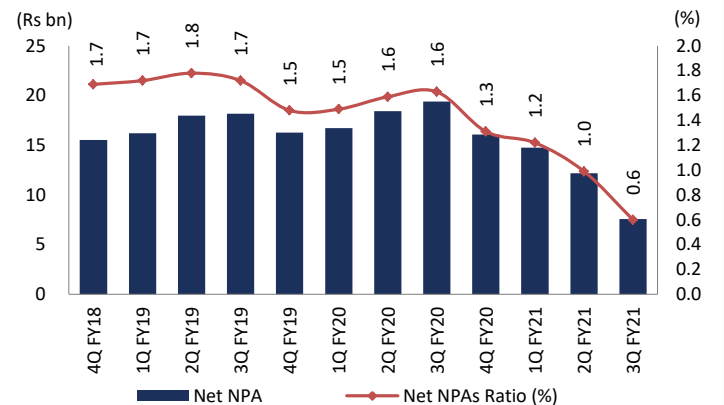


Source: Company, LKP Research

Gross NPA Trend



Net NPA Trend



Source: Company, LKP Research

## Financial Performance at a glance

| Exhibit: Income Statement Analysis            |               |               |              |               |               |                 |               |               |
|---|---------------|---------------|--------------|---------------|---------------|-----------------|---------------|---------------|
| (₹ mn)  | 3Q FY21       | 3Q FY20       | % yoy / bps  | 2Q FY21       | % qoq / bps   | 9M FY21         | 9M FY20       | % yoy / bps   |
| Int. on Loan                                  | 27,132        | 27,028        | 0.4          | 27,175        | (0.2)         | 81,367          | 79,465        | 2.4           |
| Int. on Investment                            | 5,736         | 5,361         | 7.0          | 5,925         | (3.2)         | 17,723          | 16,188        | 9.5           |
| Int. on Balances                              | 1,147         | 353           | 225.2        | 1,166         | (1.6)         | 3,020           | 931           | 224.4         |
| Int. Others                                   | 580           | 562           | 3.2          | 613           | (5.3)         | 1,807           | 1,555         | 16.2          |
| <b>Interest Inc.</b>                          | <b>34,595</b> | <b>33,304</b> | <b>3.9</b>   | <b>34,879</b> | <b>(0.8)</b>  | <b>1,03,916</b> | <b>98,139</b> | <b>5.9</b>    |
| <i>Yield on Advances (%)</i>                  | 8.7           | 9.3           | (54)         | 8.9           | (17)          | -               | -             | -             |
| <b>Interest Expenses</b>                      | <b>20,225</b> | <b>21,754</b> | <b>(7.0)</b> | <b>21,081</b> | <b>(4.1)</b>  | <b>62,782</b>   | <b>63,810</b> | <b>(1.6)</b>  |
| <i>Cost of Dep. (%)</i>                       | 4.9           | 5.8           | (97)         | 5.1           | (23)          | -               | -             | -             |
| <b>Net Interest Income</b>                    | <b>14,370</b> | <b>11,549</b> | <b>24.4</b>  | <b>13,799</b> | <b>4.1</b>    | <b>41,133</b>   | <b>34,329</b> | <b>19.8</b>   |
| <i>NII to Net Operative Income</i>            | 74.9          | 73.9          | 99           | 73.0          | 185           | 73.5            | 73.8          | (23)          |
| <i>NIM (%)</i>                                | 3.2           | 3.0           | 22           | 3.1           | 9             | -               | -             | -             |
| <b>Adjusted NII</b>                           | <b>13,790</b> | <b>10,987</b> | <b>25.5</b>  | <b>13,186</b> | <b>4.6</b>    | <b>39,327</b>   | <b>32,774</b> | <b>20.0</b>   |
| Loan Processing Fee                           | 1,010         | 630           | 60.3         | 820           | 23.2          | 2,270           | 1,730         | 31.2          |
| Other Fee Income                              | 2,110         | 1,910         | 10.5         | 1,740         | 21.3          | 4,880           | 5,510         | (11.4)        |
| Forex Opr.                                    | 450           | 570           | (21.1)       | 320           | 40.6          | 1,010           | 1,650         | (38.8)        |
| <b>Core Fee Income</b>                        | <b>3,570</b>  | <b>3,110</b>  | <b>14.8</b>  | <b>2,880</b>  | <b>24.0</b>   | <b>8,160</b>    | <b>8,890</b>  | <b>(8.2)</b>  |
| Treasury Profit                               | 1,060         | 650           | 63.1         | 1,410         | (24.8)        | 5,510           | 2,380         | 131.5         |
| Recovery W/O A/C & SR                         | 190           | 319           | (40.4)       | 803           | (76.3)        | 1,127           | 933           | 20.8          |
| <b>Non Core Other Income</b>                  | <b>1,250</b>  | <b>969</b>    | <b>29.1</b>  | <b>2,213</b>  | <b>(43.5)</b> | <b>6,637</b>    | <b>3,313</b>  | <b>100.3</b>  |
| <b>Other Income - Total</b>                   | <b>4,818</b>  | <b>4,079</b>  | <b>18.1</b>  | <b>5,093</b>  | <b>(5.4)</b>  | <b>14,795</b>   | <b>12,203</b> | <b>21.2</b>   |
| <i>Other Inc to Net Oper. Income (%)</i>      | 25.1          | 26.1          | (99)         | 27.0          | (185)         | 26.5            | 26.2          | 23            |
| <b>Net Operating Revenue</b>                  | <b>19,189</b> | <b>15,628</b> | <b>22.8</b>  | <b>18,892</b> | <b>1.6</b>    | <b>55,929</b>   | <b>46,532</b> | <b>20.2</b>   |
| <b>Net Operating Revenue - Adj.</b>           | <b>18,609</b> | <b>15,066</b> | <b>23.5</b>  | <b>18,279</b> | <b>1.8</b>    | <b>54,122</b>   | <b>44,977</b> | <b>20.3</b>   |
| Employee Expenses                             | 5,256         | 4,148         | 26.7         | 4,875         | 7.8           | 15,090          | 12,533        | 20.4          |
| <i>Empl. Cost/Oper. Exps. (%)</i>             | 27.4          | 26.5          | 85           | 25.8          | 159           | 27.0            | 26.9          | 5             |
| Other Opex                                    | 4,303         | 4,042         | 6.5          | 3,952         | 8.9           | 11,821          | 11,545        | 2.4           |
| <i>Other Opex/ Assets (%)</i>                 | 0.2           | 0.2           | (2)          | 0.2           | 1             | 0.6             | 0.7           | (7)           |
| <b>Total Opex</b>                             | <b>9,560</b>  | <b>8,190</b>  | <b>16.7</b>  | <b>8,827</b>  | <b>8.3</b>    | <b>26,911</b>   | <b>24,078</b> | <b>11.8</b>   |
| <i>Cost to Income Ratio (%)</i>               | 49.8          | 52.4          | (258)        | 46.7          | 310           | 48.1            | 51.7          | (363)         |
| <b>Pre Provision Profits</b>                  | <b>9,629</b>  | <b>7,438</b>  | <b>29.5</b>  | <b>10,065</b> | <b>(4.3)</b>  | <b>29,018</b>   | <b>22,454</b> | <b>29.2</b>   |
| <b>Provisions &amp; Contingencies - Total</b> | <b>4,206</b>  | <b>1,609</b>  | <b>161.5</b> | <b>5,921</b>  | <b>(29.0)</b> | <b>14,073</b>   | <b>6,047</b>  | <b>132.7</b>  |
| <i>Credit Cost (%)</i>                        | 1.24          | 0.82          | 42           | 0.6           | 69            | -               | -             | -             |
| <i>NPA Provisions as % PPP</i>                | 43.7          | 21.6          | 2,206        | 58.8          | (1,514)       | 48.5            | 26.9          | 2,157         |
| <b>Profit Before Tax</b>                      | <b>5,423</b>  | <b>5,830</b>  | <b>(7.0)</b> | <b>4,145</b>  | <b>30.8</b>   | <b>14,945</b>   | <b>16,407</b> | <b>(8.9)</b>  |
| <b>Tax</b>                                    | <b>1,382</b>  | <b>1,423</b>  | <b>(2.9)</b> | <b>1,069</b>  | <b>29.3</b>   | <b>3,820</b>    | <b>3,992</b>  | <b>(4.3)</b>  |
| <i>Effective Tax Rate (%)</i>                 | 25.5          | 24.4          | 107          | 25.8          | (30)          | 25.6            | 24.3          | 123           |
| <b>Reported Profits</b>                       | <b>4,041</b>  | <b>4,406</b>  | <b>(8.3)</b> | <b>3,076</b>  | <b>31.4</b>   | <b>11,125</b>   | <b>12,416</b> | <b>(10.4)</b> |
| RoA (%)                                       | 0.8           | 1.0           | (20)         | 0.6           | 20            | -               | -             | -             |
| RoE (%)                                       | 10.4          | 12.5          | (212)        | 8.1           | 229           | -               | -             | -             |

Source: Company, LKP Research

## Exhibit: Balance Sheet Analysis

| (₹ mn)                               | 2Q FY20   | 3Q FY20   | 4Q FY20   | 1Q FY21   | 2Q FY21   | 3Q FY21   | QoQ % / bps | YoY % / bps |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|
| Net Worth                            | 1,37,543  | 1,42,110  | 1,45,176  | 1,49,225  | 1,52,353  | 1,56,452  | 2.7         | 10.1        |
| RoE (%)                              | 12.1      | 12.5      | 8.4       | 10.9      | 8.1       | 10.4      | 229         | (212)       |
| Tier 1 (%)                           | 12.9      | 12.6      | 13.3      | 13.0      | 13.3      | 13.0      | (33)        | 38          |
| Total CAR (%)                        | 14.0      | 13.6      | 14.4      | 14.2      | 14.6      | 14.3      | (33)        | 67          |
| RWA - Total                          | 9,75,660  | 9,96,440  | 10,57,860 | 10,81,240 | 10,54,790 | 10,77,510 | 2.2         | 8.1         |
| Advances - Total                     | 11,58,932 | 11,92,220 | 12,22,679 | 12,12,970 | 12,29,120 | 12,55,050 | 2.1         | 5.3         |
| Investments                          | 3,10,944  | 3,10,260  | 3,58,927  | 3,47,490  | 3,62,526  | 3,43,890  | (5.1)       | 10.8        |
| Total Assets                         | 16,64,245 | 17,27,910 | 18,06,381 | 18,58,205 | 18,90,267 | 19,68,472 | 4.1         | 13.9        |
| RoA (%)                              | 1.03      | 1.04      | 0.69      | 0.88      | 0.64      | 0.84      | 20          | (20)        |
| Deposits                             | 13,95,465 | 14,45,920 | 15,22,901 | 15,49,380 | 15,67,474 | 16,16,700 | 3.1         | 11.8        |
| Saving Deposit                       | 3,72,680  | 3,80,190  | 3,91,950  | 4,20,590  | 4,43,180  | 4,65,820  | 5.1         | 22.5        |
| Current Deposit                      | 67,550    | 74,650    | 72,550    | 75,570    | 84,670    | 91,580    | 8.2         | 22.7        |
| CASA Deposits                        | 4,40,230  | 4,54,840  | 4,64,500  | 4,96,160  | 5,27,850  | 5,57,400  | 5.6         | 22.5        |
| CASA Ratio (%)                       | 31.6      | 31.5      | 30.5      | 32.0      | 33.7      | 34.5      | 80          | 302         |
| Term Deposits                        | 9,55,235  | 9,91,080  | 10,58,401 | 10,53,220 | 10,39,624 | 10,59,300 | 1.9         | 6.9         |
| Interest Bearing Liabilities - Total | 14,73,104 | 15,26,920 | 16,26,625 | 16,61,750 | 16,77,905 | 17,41,440 | 3.8         | 14.0        |

Source: Company, LKP Research

## Exhibit: Earning Assets Mix &amp; Incremental Contribution

|  | As on<br>(₹ mn)  |                  |                  |                  | As % of<br>Working<br>Assets | YoY/ YTD growth<br>(% / bps) |             |              | Incremental Contribution in<br>Working Assets (%) |              |               |
|--|------------------|------------------|------------------|------------------|------------------------------|------------------------------|-------------|--------------|---|--------------|---------------|
|  | FY18             | FY19             | FY20             | 3Q FY21          |                              | FY19                         | FY20        | 3Q FY21      | FY19  | FY20         | 3Q FY21       |
| Total Advances                                   | 9,31,730         | 11,18,290        | 12,41,530        | 12,81,810        | 69.2                         | 20.0                         | 11.0        | 3.2          | 92.5  | 66.2         | 27.7          |
| Retail ( Including Agri )                        | 3,48,190         | 4,31,820         | 5,07,520         | 5,79,080         | 31.3                         | 24.0                         | 17.5        | 14.1         | 41.5  | 40.7         | 49.2          |
| Corporates                                       | 3,86,700         | 4,75,480         | 5,07,250         | 4,56,890         | 24.7                         | 23.0                         | 6.7         | (9.9)        | 44.0  | 17.1         | (34.6)        |
| SME (Business + Commercial<br>banking) (BuB+CoB) | 1,94,380         | 2,10,990         | 2,26,760         | 2,45,840         | 13.3                         | 8.5                          | 7.5         | 8.4          | 8.2   | 8.5          | 13.1          |
| Agri   | 91,360           | 1,14,400         | 1,28,740         | 1,56,610         | 8.5                          | 25.2                         | 12.5        | 21.6         | 11.4  | 7.7          | 19.2          |
| Retail   | 2,56,830         | 3,17,420         | 3,78,780         | 4,22,470         | 22.8                         | 23.6                         | 19.3        | 11.5         | 30.0  | 33.0         | 30.1          |
| Housing  | 1,16,480         | 1,53,940         | 1,82,290         | 1,90,430         | 10.3                         | 32.2                         | 18.4        | 4.5          | 18.6  | 15.2         | 5.6           |
| Gold   | 19,650           | -                | -                | -                | -                            | -                            | -           | -            | -   | -            | -             |
| Mortgage   | 47,730           | 59,900           | 71,250           | 74,890           | 4.0                          | 25.5                         | 18.9        | 5.1          | 6.0   | 6.1          | 2.5           |
| Others   | 72,970           | 23,234           | 78,010           | 1,06,590         | 5.8                          | (68.2)                       | 235.8       | 36.6         | (24.7)  | 29.4         | 19.7          |
| Auto   | -                | 7,730            | 32,310           | 33,460           | 1.8                          | -                            | 318.0       | 3.6          | -   | 13.2         | 0.8           |
| Personal   | -                | 72,610           | 14,920           | 17,100           | 0.9                          | -                            | (79.5)      | 14.6         | -   | (31.0)       | 1.5           |
| <b>Advances - Total</b>                          | <b>9,19,575</b>  | <b>11,02,230</b> | <b>12,22,679</b> | <b>12,55,050</b> | <b>67.7</b>                  | <b>19.9</b>                  | <b>10.9</b> | <b>2.6</b>   | <b>90.5</b>                                       | <b>64.7</b>  | <b>22.3</b>   |
| <b>Investments</b>                               | <b>3,07,811</b>  | <b>3,18,245</b>  | <b>3,58,927</b>  | <b>3,43,890</b>  | <b>18.6</b>                  | <b>3.4</b>                   | <b>12.8</b> | <b>(4.2)</b> | <b>5.2</b>  | <b>21.8</b>  | <b>(10.3)</b> |
| <b>Cash &amp; Cash Equivalent</b>                | <b>92,034</b>    | <b>1,00,668</b>  | <b>1,25,746</b>  | <b>2,53,752</b>  | <b>13.7</b>                  | <b>9.4</b>                   | <b>24.9</b> | <b>101.8</b> | <b>4.3</b>  | <b>13.5</b>  | <b>88.1</b>   |
| <b>Working Assets</b>                            | <b>13,19,420</b> | <b>15,21,142</b> | <b>17,07,352</b> | <b>18,52,692</b> | <b>100.0</b>                 | <b>15.3</b>                  | <b>12.2</b> | <b>8.5</b>   | <b>100.0</b>                                      | <b>100.0</b> | <b>100.0</b>  |

Source: Company, LKP Research

## Exhibit: Funding Profile Analysis

| (₹ mn)                                      | 2Q FY20          | 3Q FY20          | 4Q FY20          | 1Q FY21          | 2Q FY21          | 3Q FY21          | QoQ % / bps | YoY % / bps |
|---|------------------|------------------|------------------|------------------|------------------|------------------|-------------|-------------|
| <b>Interest Bearing Liabilities - Total</b> | <b>14,73,104</b> | <b>15,26,920</b> | <b>16,26,625</b> | <b>16,61,750</b> | <b>16,77,905</b> | <b>17,41,440</b> | <b>3.8</b>  | <b>14.0</b> |
| Deposits                                    | 13,95,465        | 14,45,920        | 15,22,901        | 15,49,380        | 15,67,474        | 16,16,700        | 3.1         | 11.8        |
| CASA Deposits                               | 4,40,230         | 4,54,840         | 4,64,500         | 4,96,160         | 5,27,850         | 5,57,400         | 5.6         | 22.5        |
| Saving Deposit                              | 3,72,680         | 3,80,190         | 3,91,950         | 4,20,590         | 4,43,180         | 4,65,820         | 5.1         | 22.5        |
| Current Deposit                             | 67,550           | 74,650           | 72,550           | 75,570           | 84,670           | 91,580           | 8.2         | 22.7        |
| Term Deposits                               | 9,55,235         | 9,91,080         | 10,58,401        | 10,53,220        | 10,39,624        | 10,59,300        | 1.9         | 6.9         |
| Borrowings                                  | 77,638           | 81,000           | 1,03,724         | 1,12,370         | 1,10,431         | 1,24,740         | 13.0        | 54.0        |
| <b>Interest Bearing Liabilities - Total</b> | <b>14,73,104</b> | <b>15,26,920</b> | <b>16,26,625</b> | <b>16,61,750</b> | <b>16,77,905</b> | <b>17,41,440</b> | <b>3.8</b>  | <b>14.0</b> |

Source: Company, LKP Research

## Exhibit: Funding mix and Incremental Contribution

|   | As on<br>(₹ mn)  |                  |                  |                  | As % of Total<br>Working Fund | YoY/ YTD growth |             |             | Incremental Contribution YoY/<br>YTD Growth (%) |              |              |
|---|------------------|------------------|------------------|------------------|-------------------------------|-----------------|-------------|-------------|---|--------------|--------------|
|   | FY18             | FY19             | FY20             | 3Q FY21          |                               | FY19            | FY20        | 3Q FY21     | FY19  | FY20         | 3Q FY21      |
| <b>Deposits</b>                             | <b>11,19,925</b> | <b>13,49,543</b> | <b>15,22,901</b> | <b>16,16,700</b> | <b>85.2</b>                   | <b>20.5</b>     | <b>12.8</b> | <b>6.2</b>  | <b>113.3</b>                                    | <b>81.9</b>  | <b>74.4</b>  |
| Saving Deposit                              | 3,09,198         | 3,49,786         | 3,58,344         | 4,65,820         | 24.5                          | 13.1            | 2.4         | 30.0        | 20.0  | 4.0          | 85.2         |
| Current Deposit                             | 67,669           | 87,528           | 82,398           | 91,580           | 4.8                           | 29.3            | (5.9)       | 11.1        | 9.8   | (2.4)        | 7.3          |
| CASA Deposits                               | 3,76,867         | 4,37,314         | 4,40,743         | 5,57,400         | 29.4                          | 16.0            | 0.8         | 26.5        | 29.8  | 1.6          | 92.5         |
| Term Deposits                               | 7,43,058         | 9,12,230         | 10,82,158        | 10,59,300        | 55.8                          | 22.8            | 18.6        | (2.1)       | 83.4  | 80.3         | (18.1)       |
| <b>Borrowings</b>                           | <b>1,15,335</b>  | <b>77,813</b>    | <b>1,03,724</b>  | <b>1,24,740</b>  | <b>6.6</b>                    | <b>(32.5)</b>   | <b>33.3</b> | <b>20.3</b> | <b>(18.5)</b>                                   | <b>12.2</b>  | <b>16.7</b>  |
| <b>Interest Bearing Liabilities - Total</b> | <b>12,35,260</b> | <b>14,27,357</b> | <b>16,26,625</b> | <b>17,41,440</b> | <b>91.8</b>                   | <b>15.6</b>     | <b>14.0</b> | <b>7.1</b>  | <b>94.8</b>                                     | <b>94.1</b>  | <b>91.1</b>  |
| Cost of Fund (%)                            | -                | -                | -                | -                | -                             | -               | -           | -           | -   | -            | -            |
| <b>Net Worth</b>                            | <b>1,22,102</b>  | <b>1,32,730</b>  | <b>1,45,176</b>  | <b>1,56,452</b>  | <b>8.2</b>                    | <b>8.7</b>      | <b>9.4</b>  | <b>7.8</b>  | <b>5.2</b>                                      | <b>5.9</b>   | <b>8.9</b>   |
| <b>Working Fund</b>                         | <b>13,57,362</b> | <b>15,60,087</b> | <b>17,71,801</b> | <b>18,97,892</b> | <b>100.0</b>                  | <b>14.9</b>     | <b>13.6</b> | <b>7.1</b>  | <b>100.0</b>                                    | <b>100.0</b> | <b>100.0</b> |
| <b>Interest Exp. / Assets</b>               | <b>4.87</b>      | <b>4.87</b>      | <b>5.04</b>      | <b>4.3</b>       |                               | <b>(1)</b>      | <b>17</b>   | <b>(75)</b> |   |              |              |

Source: Company, LKP Research

## Exhibit: Asset Quality Analysis

| (₹ mn)                               | 2Q FY20      | 3Q FY20      | 4Q FY20      | 1Q FY21   | 2Q FY21   | 3Q FY21    | QoQ % / bps    | YoY % / bps     |
|--------------------------------------|--------------|--------------|--------------|-----------|-----------|------------|----------------|-----------------|
| Total Slippages                      | 5,710        | 6,030        | 3,120        | 1,930     | 100       | 340        | 240.0          | (94.4)          |
| Slippages Ratio (%)                  | 0.52         | 0.55         | 0.28         | 0.16      | 0.01      | 0.03       | 2              | (52)            |
| Gross NPA                            | 36,121       | 36,187       | 35,308       | 36,556    | 35,522    | 34,702     | (2.3)          | (4.1)           |
| Gross NPAs Ratio (%)                 | 3.07         | 2.99         | 2.84         | 2.96      | 2.84      | 2.71       | (13)           | (28)            |
| PCR - Calculated (%)                 | 49.0         | 46.4         | 54.5         | 59.6      | 65.7      | 78.2       | 1,247          | 3,182           |
| PCR - Inc. Tech w/o (%)              | 66.2         | 66.4         | 72.5         | 75.1      | 78.3      | 77.1       | (124)          | 1,072           |
| Net NPA                              | 18,436       | 19,410       | 16,072       | 14,775    | 12,181    | 7,572      | (37.8)         | (61.0)          |
| Net NPAs Ratio (%)                   | 1.59         | 1.63         | 1.31         | 1.22      | 0.99      | 0.60       | (39)           | (103)           |
| Standard Impaired loan to Gross Loan | 3.9          | 3.8          | 3.6          | 3.7       | 3.6       | 4.0        | 10.7           | 3.6             |
| Standard Restructured                | 6,120.0      | 4,630.0      | 3,970.00     | 4,060.00  | 4,410.00  | 11,290.00  | 6,88,000       | 6,66,000        |
| <b>Retail</b>                        | <b>1,240</b> | <b>1,010</b> | <b>970</b>   | <b>10</b> | <b>10</b> | <b>-</b>   | <b>(100.0)</b> | <b>(100.0)</b>  |
| <b>Agri</b>                          | <b>720</b>   | <b>500</b>   | <b>360</b>   | <b>10</b> | <b>10</b> | <b>60</b>  | <b>5,000</b>   | <b>(44,000)</b> |
| <b>SME</b>                           | <b>1,460</b> | <b>1,210</b> | <b>1,220</b> | <b>80</b> | <b>10</b> | <b>160</b> | <b>1,500.0</b> | <b>(86.8)</b>   |
| <b>BuB</b>                           | <b>950</b>   | <b>660</b>   | <b>540</b>   | <b>-</b>  | <b>10</b> | <b>160</b> | <b>15,000</b>  | <b>(50,000)</b> |

Source: Company, LKP Research

### 3QFY21 Result and Con-call takeaways

#### Asset Quality:

**Slippages:** Reported total slippages of ₹0.34bn v/s ₹0.1bn; (0.03% annualized vs. 0.01%) in previous quarter. However, the moratorium period ended, the bank didn't classify NPAs till clear guidelines emerge from RBI and Supreme Court. SME book contributed 73% of the fresh slippages where rest is from agriculture book. The bank's up-gradation and recoveries inched up sequentially at of ₹1.16bn v/s ₹1.13bn in previous quarter. The total pro-forma slippages ₹8.63bn. Interest reversal from Pro-forma slippages (~730mn) have been taken.

**Restructuring:** The total restructuring reported worth ₹10.67bn (0.85% of book) till 16th Jan 2021. The bank expects total restructuring of ~₹16bn (1.25% of net advances) by end of FY21 lesser than earlier anticipated number of ~₹30bn. Retail restructuring contributes ~80% of total amount. Covid related restructuring at 0.54% of total advances.

**Headline NPA/PCR:** The bank's GNPA/NNPA/PCR stood at 2.71%/0.60%/77.1% v/s 2.83%/0.99%/78.3% in previous quarter. The Pro-forma GNPA/NNPA stood 3.38%/2.71%. The bank's total impaired asset contributes 3.99% of gross loans; (GNPA: 2.71%, Standard restructured: 0.9%). The bank's PCR stood at 78.2% (without Tec-write off).

**SMA 1 & 2:** It consist ~250bps v/s 180bps in pre – Covid level.

**BBB and above** books remains flat and it contributes 88% of corporate advances v/s 89% in the previous quarter.

**Bank has exposure to NBFC, HFC and Real Estate** of around 6.45%, 5.04%, 3.66% 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 ₹4.2bn v/s ₹5.9bn in 2QFY21. The bank didn't make additional Covid provisioning this quarter. The total Covid provisioning stands at ₹5.88bn (0.47% of net advances). The reported credit cost stood 124bps v/s 55bps in previous quarter. The management state the credit cost guidance of 65 – 80 bps.

#### Balance Sheet:

**Business:** The bank's net advances stood at ₹1.25tn; 5.3% YOY and 2.1% QOQ. **Retail book** (33% of book) grew at 16% YoY. Agriculture book (12.2% of book), SME book (19.2% of book) and corporate book (35.6%) grew by 26% YoY, 9% YoY and negative 7% YoY respectively. The bank has been focusing of gold loans since the lockdown started and the disbursal run rate is double of FY20 level. Gold loan registered record YoY growth of 67% and QoQ growth of 15.8%, and crossed ₹140bn milestone. **Deposits** grew by 11.8% YOY and 3.1% QOQ; **CASA** stood at 34.5% vs. 33.7% in last quarter. The ECLGS disbursement stood ~₹22bn for 1.0 and 2.0.

**Capital Adequacy:** Bank's CRAR down by 33bps and stood at 14.31% with Tier 1 of 13.0%. RWA to total assets came down by 106bps and stood at ~54.7%. The LCR is well above 220%. The bank believe the capital adequacy is ample and keep a close watch for capital raise by second half of CY21.

#### Income statement:

**Net interest income:** The bank's NII stood at ₹14.4bn; grew by 24.4% YoY and 4.1% sequentially. **NIM** improved 8bps to 3.22%. 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 (8.73% v/s 8.90%). 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 23bps to 4.87%.

**Non-interest income** grew at 18.1% YoY and de-grew by 5.4% sequentially. However the core fee income grew by 24% YoY.

**Cost to Income Ratio:** it stood at 49.8% v/s 46.7% in 2QFY21.

**Bottom line:** Owing to sequentially lower treasury income and higher Opex., the bank's PPP de-grew by 4.3% QoQ. Provisioning expenses declined (₹4.2bn v/s 5.9bn in last quarter) resulted in PAT of ₹4.04bn; de-grew by 8.3% YoY and up 31.4% sequentially. The bank's ROA/ROE stood at 0.84%/10.38%.

## Annual Projections

## Exhibit: Profit and Loss Statement

| (₹ mn)  | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|---|---------------|---------------|---------------|---------------|---------------|
| Int. Income                                   | 1,14,190      | 1,32,108      | 1,39,572      | 1,54,098      | 1,76,592      |
| Interest Expenses                             | 72,427        | 85,618        | 83,885        | 90,992        | 1,02,028      |
| Net Interest Income                           | 41,763        | 46,489        | 55,688        | 63,106        | 74,564        |
| NIM (%)                                       | 2.94          | 2.88          | 3.10          | 3.18          | 3.32          |
| <b>Adjusted NII</b>                           | <b>39,579</b> | <b>44,331</b> | <b>55,688</b> | <b>63,106</b> | <b>74,564</b> |
| <b>Other Income - Total</b>                   | <b>13,510</b> | <b>19,314</b> | <b>20,105</b> | <b>21,840</b> | <b>23,740</b> |
| <b>Adj. Other Income</b>                      | <b>13,510</b> | <b>19,314</b> | <b>20,105</b> | <b>21,840</b> | <b>23,740</b> |
| <b>Net Operating Revenue</b>                  | <b>55,273</b> | <b>65,803</b> | <b>75,793</b> | <b>84,946</b> | <b>98,304</b> |
| Employee Exp.                                 | 13,778        | 17,724        | 20,382        | 22,318        | 24,550        |
| Other Opex                                    | 13,865        | 16,033        | 16,193        | 18,622        | 21,415        |
| <b>Total Opex</b>                             | <b>27,643</b> | <b>33,756</b> | <b>36,575</b> | <b>40,940</b> | <b>45,965</b> |
| C/I Ratio (%)                                 | 50.01         | 51.30         | 48.26         | 48.20         | 46.76         |
| <b>Pre Provision Profits</b>                  | <b>27,631</b> | <b>32,047</b> | <b>39,218</b> | <b>44,005</b> | <b>52,339</b> |
| PPP Growth (yoy %)                            | 20.6          | 16.0          | 22.4          | 12.2          | 18.9          |
| <b>Core PPP</b>                               | <b>25,446</b> | <b>29,889</b> | <b>39,218</b> | <b>44,005</b> | <b>52,339</b> |
| <b>PPP ex Except. Items</b>                   | <b>27,631</b> | <b>32,047</b> | <b>39,218</b> | <b>44,005</b> | <b>52,339</b> |
| PPP ex Except Items Growth (yoy %)            | 20.6          | 16.0          | 22.4          | 12.2          | 18.9          |
| <b>Provisions &amp; Contingencies - Total</b> | <b>8,559</b>  | <b>11,722</b> | <b>17,780</b> | <b>12,500</b> | <b>14,706</b> |
| Credit Cost (As % of Op. AUM)                 | 0.79          | 1.01          | 1.40          | 0.90          | 0.90          |
| <b>Profit Before Tax</b>                      | <b>19,072</b> | <b>20,325</b> | <b>21,438</b> | <b>31,506</b> | <b>37,633</b> |
| Tax   | 6,634         | 4,898         | 5,252         | 7,908         | 9,446         |
| Effective Tax Rate (%)                        | 34.8          | 24.1          | 24.5          | 25.1          | 25.1          |
| <b>Reported Profits</b>                       | <b>12,439</b> | <b>15,428</b> | <b>16,186</b> | <b>23,598</b> | <b>28,187</b> |
| PAT Growth (yoy %)                            | 41.5          | 24.0          | 4.9           | 45.8          | 19.4          |

Source: Company, LKP Research



## Exhibit: Balance Sheet

| (₹ mn)                                     | FY19             | FY20             | FY21E            | FY22E            | FY23E            |
|--|------------------|------------------|------------------|------------------|------------------|
| Equity Share Capital                       | 3,970            | 3,985            | 3,992            | 3,992            | 3,992            |
| Reserves (ex Revel. Reserve)               | 1,28,710         | 1,41,141         | 1,57,326         | 1,80,924         | 2,09,111         |
| <b>Net Worth - Ex Revaluation</b>          | <b>1,32,680</b>  | <b>1,45,126</b>  | <b>1,61,318</b>  | <b>1,84,916</b>  | <b>2,13,103</b>  |
| Revaluation Reserve                        | 50               | 50               | 48               | 52               | 58               |
| Deposits                                   | 13,49,543        | 15,22,901        | 17,03,947        | 19,12,989        | 21,91,541        |
| Borrowings                                 | 77,813           | 1,03,724         | 89,681           | 79,708           | 91,314           |
| <b>Interest Bearing Liabilities (₹ mn)</b> | <b>14,27,357</b> | <b>16,26,625</b> | <b>17,93,628</b> | <b>19,92,697</b> | <b>22,82,856</b> |
| Other Lia. & Prov.                         | 33,313           | 34,579           | 46,071           | 53,061           | 75,441           |
| <b>Total Liabilities</b>                   | <b>15,93,400</b> | <b>18,06,380</b> | <b>20,01,066</b> | <b>22,30,725</b> | <b>25,71,458</b> |
| <b>Assets</b>                              |                  |                  |                  |                  |                  |
| Cash & Cash Equivalent                     | 1,00,668         | 1,25,746         | 2,16,645         | 1,89,475         | 2,18,462         |
| Investments                                | 3,18,245         | 3,58,927         | 3,61,289         | 4,06,810         | 4,58,608         |
| Credit Equivalent                          | 38,301           | 31,577           | 31,893           | 32,531           | 33,181           |
| Loan & Advances (₹ mn)                     | 11,02,230        | 12,22,679        | 13,05,210        | 14,87,939        | 17,26,010        |
| <i>Growth (yoy %)</i>                      | <i>19.9</i>      | <i>10.9</i>      | <i>6.7</i>       | <i>14.0</i>      | <i>16.0</i>      |
| Fixed Assets                               | 4,720            | 4,800            | 4,847            | 5,158            | 5,833            |
| Other Assets                               | 67,537           | 94,229           | 1,13,075         | 1,41,343         | 1,62,545         |
| <b>Total Assets</b>                        | <b>15,93,400</b> | <b>18,06,380</b> | <b>20,01,066</b> | <b>22,30,725</b> | <b>25,71,458</b> |

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       | 1,996       | 1,996       | 1,996       |
| Earnings Per Share (₹)  | 6.3         | 7.7         | 8.1         | 11.8        | 14.1        |
| <i>EPS (% YoY)</i>      | <i>40.6</i> | <i>23.6</i> | <i>4.7</i>  | <i>45.8</i> | <i>19.4</i> |
| <i>P/E (x)</i>          | <i>12.3</i> | <i>10.0</i> | <i>9.5</i>  | <i>6.5</i>  | <i>5.5</i>  |
| Book Value (₹)          | 66.8        | 72.8        | 80.8        | 92.7        | 106.8       |
| <i>BVPS (% YoY)</i>     | <i>8.0</i>  | <i>9.0</i>  | <i>11.0</i> | <i>14.6</i> | <i>15.2</i> |
| <i>P/BV (x)</i>         | <i>1.2</i>  | <i>1.1</i>  | <i>1.0</i>  | <i>0.8</i>  | <i>0.7</i>  |
| Adj. BV (₹)             | 62.7        | 68.8        | 76.1        | 87.9        | 102.0       |
| <i>Adj. BV (% YoY)</i>  | <i>8.3</i>  | <i>9.6</i>  | <i>10.6</i> | <i>15.5</i> | <i>16.1</i> |
| <i>P/ABV (x)</i>        | <i>1.2</i>  | <i>1.1</i>  | <i>1.0</i>  | <i>0.9</i>  | <i>0.8</i>  |

Source: Company, LKP Research

## Exhibit: Detailed ROA Tree

| Y/E Mar                                   | FY19       | FY20       | FY21E      | FY22E      | FY23E      |
|---|------------|------------|------------|------------|------------|
| <b>Yields / Margins</b>                   |            |            |            |            |            |
| Yield on Advance                          | 9.0        | 9.2        | 8.8        | 8.9        | 8.9        |
| Yield on Funds                            | 8.0        | 8.2        | 7.8        | 7.8        | 7.9        |
| Cost of Funds (CoF)                       | 5.4        | 5.6        | 4.9        | 4.8        | 4.8        |
| Interest Spread                           | 2.6        | 2.6        | 2.9        | 3.0        | 3.1        |
| NIM's                                     | 2.9        | 2.9        | 3.1        | 3.2        | 3.3        |
| Interest Income / Assets                  | 7.7        | 7.8        | 7.3        | 7.3        | 7.4        |
| Interest Exp. / Assets                    | 4.9        | 5.0        | 4.4        | 4.3        | 4.2        |
| <i>NII / Assets</i>                       | 2.8        | 2.7        | 2.9        | 3.0        | 3.1        |
| 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        | 1.0        | 1.0        |
| Net Operating Income / Assets             | 3.7        | 3.9        | 4.0        | 4.0        | 4.1        |
| <b>Operating Ratios</b>                   |            |            |            |            |            |
| NII to Net Operative Income               | 75.6       | 70.6       | 73.5       | 74.3       | 75.9       |
| Other Income to Net Operative Income      | 24.4       | 29.4       | 26.5       | 25.7       | 24.1       |
| Empl. Cost/Oper. Exps.                    | 49.8       | 52.5       | 55.7       | 54.5       | 53.4       |
| Other Op. Exps./Oper. Exps.               | 50.2       | 47.5       | 44.3       | 45.5       | 46.6       |
| <i>C/I Ratio (%)</i>                      | 50.0       | 51.3       | 48.3       | 48.2       | 46.8       |
| <i>Provisions as % PPP</i>                | 15.5       | 17.8       | 23.5       | 14.7       | 15.0       |
| <i>Credit Cost (As % of Op. AUM)</i>      | 0.8        | 1.0        | 1.4        | 0.9        | 0.9        |
| <i>Effective Tax Rate (%)</i>             | 34.8       | 24.1       | 24.5       | 25.1       | 25.1       |
| Employee Exp. / Assets                    | 0.9        | 1.0        | 1.1        | 1.1        | 1.0        |
| Other Opex/ Assets                        | 0.9        | 0.9        | 0.9        | 0.9        | 0.9        |
| Total Opex / Assets                       | 1.9        | 2.0        | 1.9        | 1.9        | 1.9        |
| <i>Operating Profits / Assets</i>         | 1.9        | 1.9        | 2.1        | 2.1        | 2.2        |
| <i>Op Profit ex Except Items / Assets</i> | 1.9        | 1.9        | 2.1        | 2.1        | 2.2        |
| Provisions / Assets                       | 0.6        | 0.7        | 0.9        | 0.6        | 0.6        |
| <b>Profit Before Tax / Assets</b>         | <b>1.3</b> | <b>1.2</b> | <b>1.1</b> | <b>1.5</b> | <b>1.6</b> |
| Tax Expenses / Assets                     | 0.4        | 0.3        | 0.3        | 0.4        | 0.4        |
| RoA                                       | 0.8        | 0.9        | 0.9        | 1.1        | 1.2        |
| Leverage (x)                              | 12.0       | 12.4       | 12.4       | 12.1       | 12.1       |
| RoE                                       | 9.8        | 11.1       | 10.6       | 13.6       | 14.2       |
| Adj. RoA                                  | 0.8        | 0.9        | 0.9        | 1.1        | 1.2        |
| Adj. RoE                                  | 9.8        | 11.1       | 10.6       | 13.6       | 14.2       |

Source: Company, LKP Research

**Exhibit: Balance Sheet Ratios**

| Y/E Mar                        | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------------|------|------|-------|-------|-------|
| Credit / Deposit Ratio         | 81.7 | 80.3 | 76.6  | 77.8  | 78.8  |
| Incremental C/D Ratio          | 79.5 | 69.5 | 45.6  | 87.4  | 85.5  |
| Investment Deposit Ratio       | 23.6 | 23.6 | 21.2  | 21.3  | 20.9  |
| Dom. SLR Investment / Deposits | 20.3 | 20.9 | 18.8  | 19.0  | 18.9  |
| CASA Ratio                     | 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 | 43,054 | 38,513 | 38,632 |
| Gross NPAs Ratio (%)             | 2.9    | 2.8    | 3.3    | 2.6    | 2.2    |
| PCR (%)                          | 50.1   | 54.5   | 55.8   | 55.3   | 59.3   |
| PCR - Inc. Tech w/o (%)          | 67.2   | 72.5   | -      | -      | -      |
| Net NPA                          | 16,262 | 16,072 | 19,038 | 17,208 | 15,740 |
| Net NPAs Ratio (%)               | 1.5    | 1.3    | 1.5    | 1.2    | 0.9    |
| Total Impaired Loans             | 33,585 | 36,721 | 43,054 | 38,513 | 38,632 |
| Impaired Loan as % of Loan / AUM | 2.9    | 2.9    | 3.2    | 2.5    | 2.2    |
| Total Risk Reserves              | 17,164 | 20,056 | 24,016 | 21,306 | 22,892 |
| 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 | 13,05,210 | 14,87,939 | 17,26,010 |
| Growth (yoy %)                      | 19.9      | 10.9      | 6.7       | 14.0      | 16.0      |
| Interest Bearing Liabilities (₹ mn) | 14,27,357 | 16,26,625 | 17,93,628 | 19,92,697 | 22,82,856 |
| Growth (yoy %)                      | 19.9      | 10.9      | 6.7       | 14.0      | 16.0      |
| Yield on Funds                      | 8.0       | 8.2       | 7.8       | 7.8       | 7.9       |
| Cost of Funds (CoF)                 | 5.4       | 5.6       | 4.9       | 4.8       | 4.8       |
| Interest Spread                     | 2.6       | 2.6       | 2.9       | 3.0       | 3.1       |
| NIM's                               | 2.9       | 2.9       | 3.1       | 3.2       | 3.3       |
| Other Income Growth                 | 16.6      | 43.0      | 4.1       | 8.6       | 8.7       |
| C/I Ratio (%)                       | 50.0      | 51.3      | 48.3      | 48.2      | 46.8      |
| Effective Tax Rate (%)              | 34.8      | 24.1      | 24.5      | 25.1      | 25.1      |

**Return Ratios**

|          |     |      |      |      |      |
|----------|-----|------|------|------|------|
| Adj. RoA | 0.8 | 0.9  | 0.9  | 1.1  | 1.2  |
| Adj. RoE | 9.8 | 11.1 | 10.6 | 13.6 | 14.2 |

**Asset Quality Metrics**

|                               |     |     |     |     |     |
|-------------------------------|-----|-----|-----|-----|-----|
| Credit Cost (As % of Op. AUM) | 0.8 | 1.0 | 1.4 | 0.9 | 0.9 |
| Gross NPAs Ratio (%)          | 2.9 | 2.8 | 3.3 | 2.6 | 2.2 |
| Net NPAs Ratio (%)            | 1.5 | 1.3 | 1.5 | 1.2 | 0.9 |

Source: Company, LKP Research

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