

**RBL BANK** | Banking*Profitability dragged owing to higher provisions***LKP****Result and Price Analysis:**

RBL Bank's 4QFY21 results indicated a steady normalization in asset quality. As the asset classification resumes, the reported GNPA/NNPA ratio stood 4.34%/2.12% against the pro-forma GNPA/NNPA ratio of 4.57%/2.37%. The restructured assets (1.41%) and BB and below pool (4.9% of advances) have high likelihood of crystallizing into NPLs in coming quarter. However, the provisioning expense of ₹7.6bn (₹6.1bn in 3QFY21) has translated into substantial improvement in PCR to 72.2%. Moreover, the COVID provisioning (₹6.64bn) stood 170bps of net advances. The bank witnessed 2bps decline in NIMs to 4.17% because of proactive reversal of interest on interest charges. As expected the bank reported a stable credit growth of 3.9% sequentially. We estimate the growth to remain tepid for FY22E but adequate provision is likely to give comfort to balance sheet. Factoring the in-expensive valuation (0.8x PBV) and stable balance sheet, we recommend BUY.

**Gazing the Core:**

**Ample provision for future asset quality blip:** Resumption of NPA recognition (According to SC directive) has resulted in reported slippages of ₹14.4bn v/s 14.7bn pro-forma slippages in the previous quarter. The up-gradation & recoveries stood ₹7.8bn against ₹0.8bn in 3QFY21. Reported GNPA/NNPA/PCR: 4.34%/2.12%/72.2% against 1.84%/0.71%/86.4% in the previous quarter. The bank's NPA ratios down from Pro-forma GNPA/NNPA of 4.57%/2.37% in the prior quarter. The restructured asset grew 51bps to 1.41% of loan book. The BB + and below" book stood at 5.7% of the total book. The "BB & below pool (calculated)" stood at ~4.9% of the net advances. Moreover, the A- and above book stood 77.6%. In 4QFY21, the bank's provisioning expenses increased 25.7% sequentially to ₹7.6bn v/s ₹6.1bn in the previous quarter. The total COVID provisioning stood at ₹6.64bn (170bps of advances). The COVID provision includes provision for restructuring book. Factoring stress in unsecured credit and higher BB & below book in wholesale banking, we believe the bank to come across moderately higher slippages in coming quarters. However, the COVID provision (~1.7% of book) may provide cushion absorbing the stress.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	36,296	37,876	40,066	43,272	46,929
Operating Profit	27,516	30,907	33,112	36,081	39,184
Reported Profits	5,056	5,077	8,753	11,262	13,350
Net Worth	1,05,821	1,26,617	1,35,370	1,46,632	1,59,982
Loan & Advances	5,80,190	5,86,225	6,27,261	6,77,442	7,38,411
Int. Bearing Liabilities	7,48,190	8,43,472	8,97,181	9,63,815	10,46,904

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	4.5	4.2	4.1	4.1	4.1
C/I Ratio	50.3	47.1	47.1	47.0	47.1
Gross NPA Ratio	3.6	4.3	3.8	3.1	2.9
Tier 1 Ratio	15.3	17.1	17.1	17.2	17.5
Adj. RoA Ratio	0.6	0.5	0.8	1.0	1.1
Adj. RoE Ratio	5.6	4.4	6.7	8.0	8.7

Rating	Buy
Current Market Price (₹)	182
12 M Price Target (₹)	205
Potential upside (%)	13

**Stock Data**

FV (₹) :	10
Market Cap Full (₹ bn) :	109
Market Cap Free Float (₹ bn) :	109
52-Week High / Low (₹) :	106 / 274
2-Year High / Low (₹) :	102 / 716
1 Year Avg. Dly Traded Volume (in lakh)	261
BSE Code / NSE Symbol	540065 / RBLBANK
Bloomberg :	RBK IN

**Shareholding Pattern (%)**

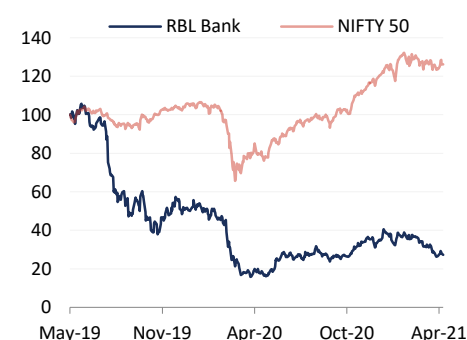
	Mar-21	Dec-20	Sep-20	Jun-20
FPIs	31.85	35.17	27.80	29.28
MFs	14.21	12.50	12.21	12.26
Foreign Companies	10.79	10.80	11.72	11.73
Insurance	6.74	6.68	3.52	3.49
Bodies Corporate	6.13	5.78	7.36	7.57
Foreign Bank	2.40	2.40	2.82	2.82
Others	27.88	26.67	34.57	32.85

Source: BSE

**Price Performance (%)**

(%)	1M	3M	6M	1YR
RBL Bank	-15.9%	-29.3%	-1.7%	50.1%
Nifty 50	-2.5%	-2.7%	21.7%	56.0%

\* To date / current date : May 4, 2021

**RBL Bank vs Nifty 50**

**Healthy NII growth and flat NIMs:** The bank's NII stood at ₹9.1bn; de-grew by 11.3% YoY and stood flat sequentially. Bank's NIMs squeezed by 2bps sequentially to 4.17% because of reversal of interest on interest income. It is further expected to slip in next quarter. Non – interest income grew healthy by 37.1% YoY and 18.7% QoQ. A strong other income and lower Opex (C/I ratio 45.0% v/s 45.9% in the previous quarter) led to PPOP growth of 8.9% QoQ to ₹8.6bn. A heavy provisioning expense (₹7.6bn v/s ₹6.1bn in 3QFY21) led to PAT de-growth of 49% QoQ to ₹0.75bn.

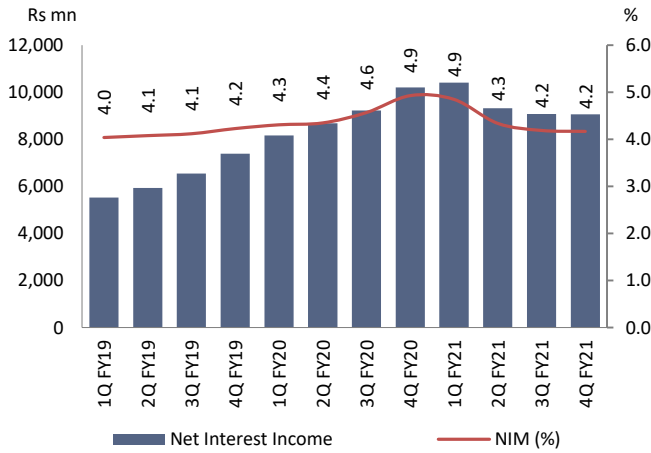
**Marginal Loan growth; retail book growth was strong:** The bank's net advances stood at ₹586bn; inched up marginally 1.0% YoY and up 3.9% QoQ. Loan Mix carries: Retail: 46.5%, Corporate: 41.3% and Micro banking: 12.2%. Retail loan grew at a healthy pace of 4% QoQ and wholesale grew by 3% QoQ. The bank has sanctioned around 12.1bn under ECLGS. On the back of current economic scenario, we expect the credit growth to remain muted in FY21E. The bank's deposit stood at ₹731bn and grew healthy sequentially at 8.8%. CASA ratio grew by 70bps sequentially to 31.8%. CRAR stood at 17.33% with Tier 1 of 17.1%; improved 200bps post capital infusion of ₹15.7bn through QIP. RWA to total assets stood 74.5% and ample liquidity position with LCR of 156%.

#### **Outlook and Valuation:**

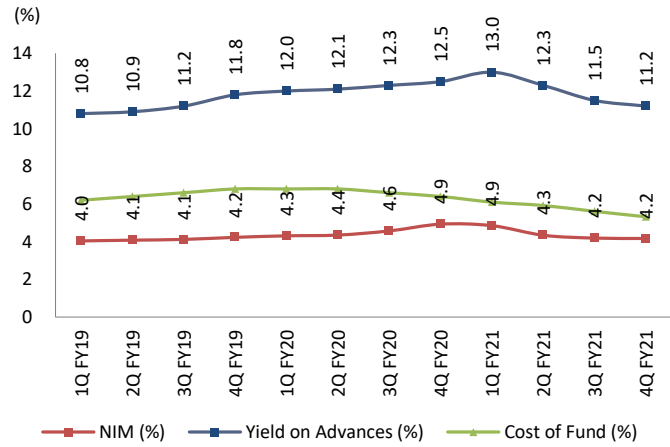
RBL Bank holds a healthy positioning in fight against COVID demonstrated by 1) adequate COVID provisioning, 2) improved PCR, and 3) healthy liquidity position with LCR of 156%. Furthermore, a healthy capital position (CET 1: 17.1%) post fund raise would provide cushion. Thus, we recommend a BUY rating on the bank with target price of ₹205 (based on 0.9x FY23 Price to Adjusted Book Value).

Quarterly story in charts

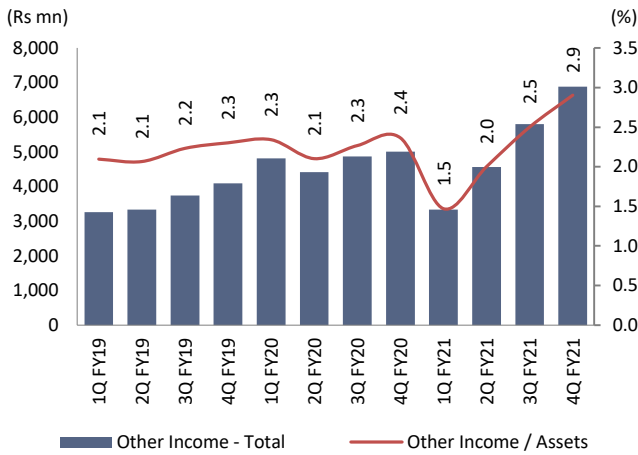
**NII Trend**



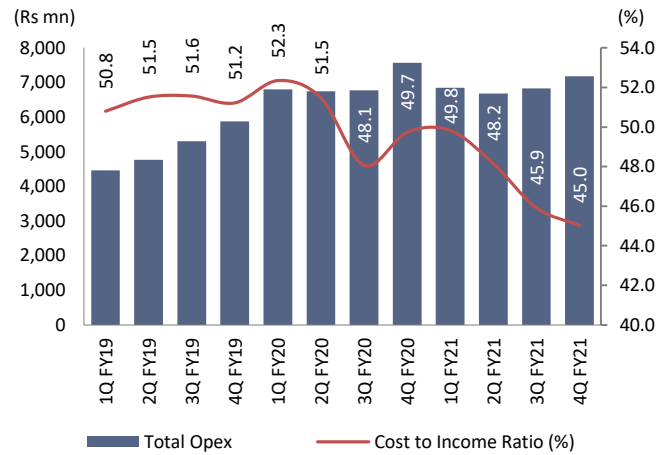
**Yields and Margin Trend**



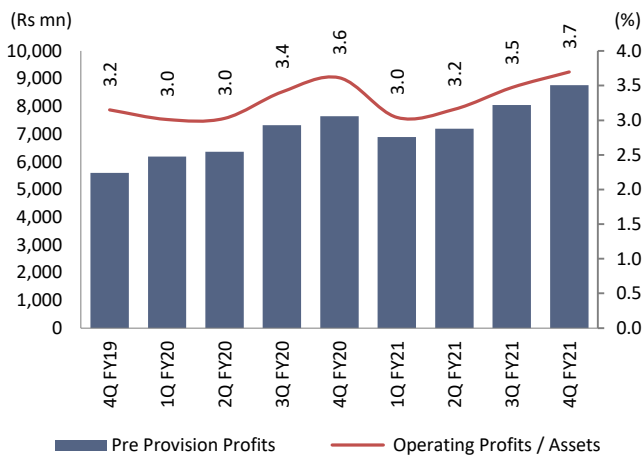
**Other income Trend**



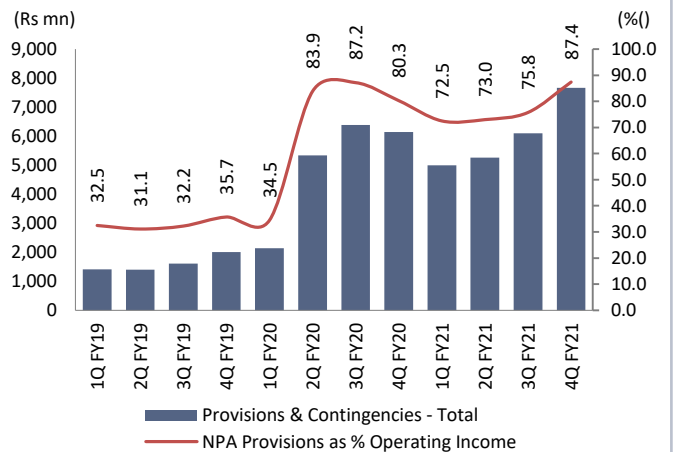
**Total Opex Trend**



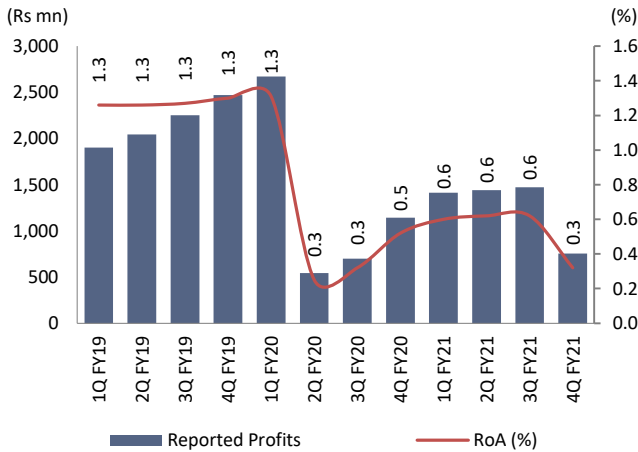
**Pre Provision Profit Trend**



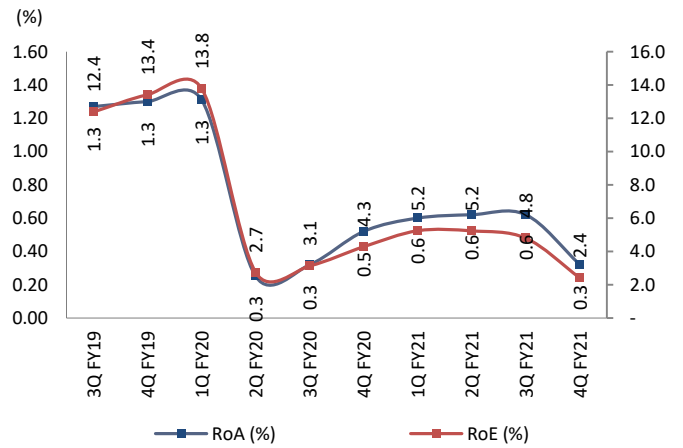
**Provision Expenses Trend**



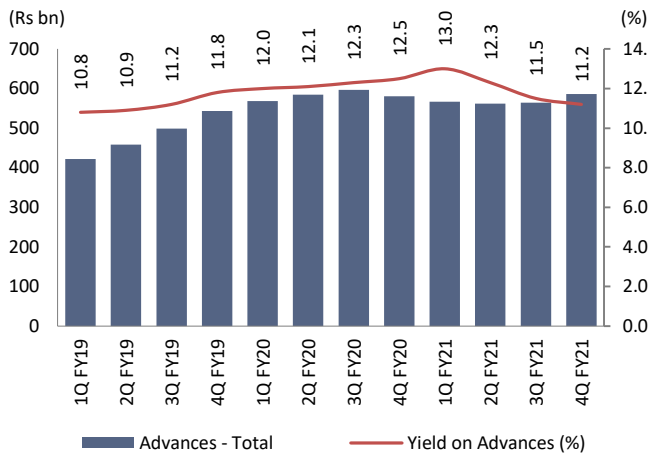
**Reported Profit Trend**



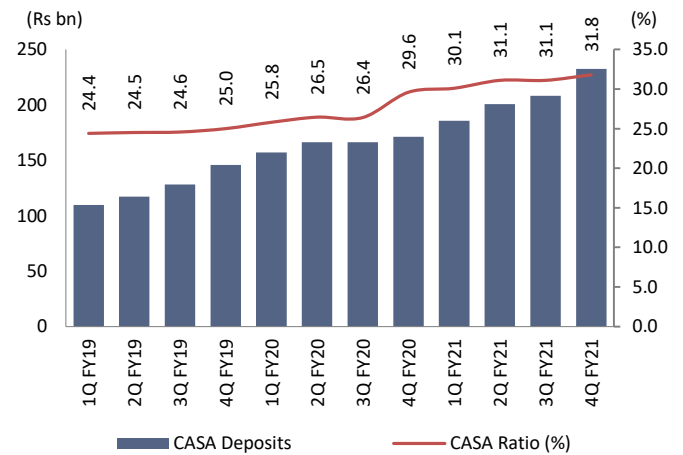
**Return Ratio Trend**



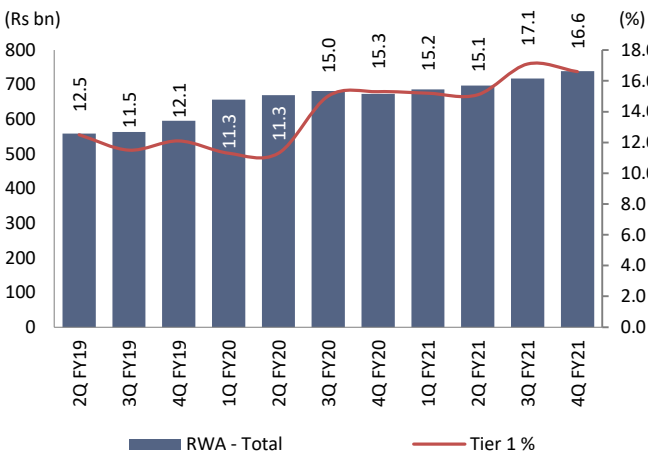
**Loan Book Trend**



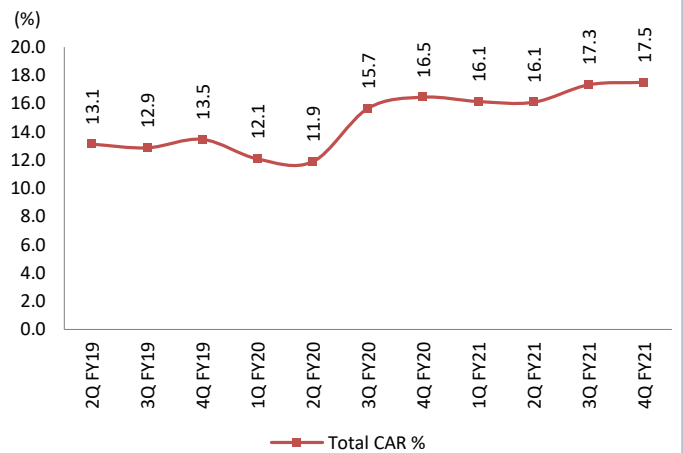
**CASA Deposit Trend**



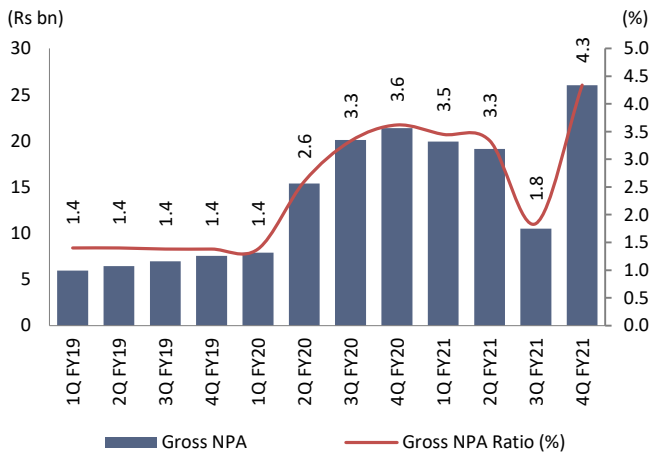
**RWA Trend**



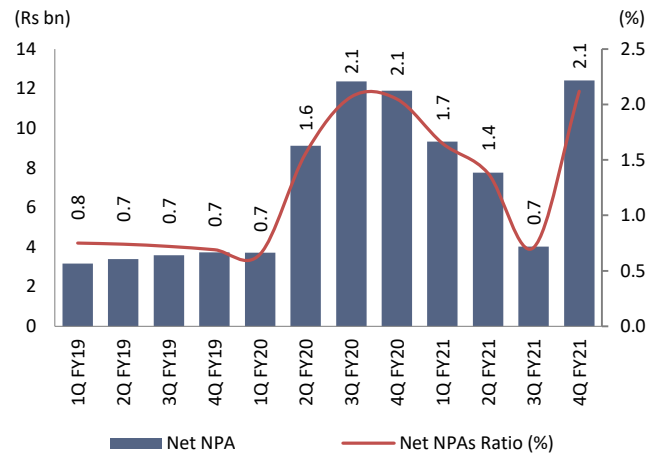
**CRAR Ratio Trend**



**Gross NPA Trend**



**Net NPA Trend**



## Financial Performance at a glance

## Exhibit 1 : Income Statement Analysis

(₹ mn)	4Q FY21	4Q FY20	% yoy / bps	3Q FY21	% qoq / bps	FY21	FY20	% yoy / bps
Int. on Loan	15,131	18,065	(16.2)	15,644	(3.3)	65,237	69,068	(5.5)
Int. on Investment	3,430	3,387	1.3	3,526	(2.7)	13,632	13,727	(0.7)
Int. on Balances	553	577	(4.2)	533	3.7	2,919	1,914	52.5
Int. Others	110	53	105.4	96	14.6	357	435	(17.8)
<b>Interest Inc.</b>	<b>19,224</b>	<b>22,082</b>	<b>(12.9)</b>	<b>19,799</b>	<b>(2.9)</b>	<b>82,145</b>	<b>85,144</b>	<b>(3.5)</b>
<b>Interest Expenses</b>	<b>10,164</b>	<b>11,873</b>	<b>(14.4)</b>	<b>10,717</b>	<b>(5.2)</b>	<b>44,270</b>	<b>48,847</b>	<b>(9.4)</b>
<b>Net Interest Income</b>	<b>9,060</b>	<b>10,210</b>	<b>(11.3)</b>	<b>9,082</b>	<b>(0.2)</b>	<b>37,876</b>	<b>36,296</b>	<b>4.4</b>
<i>NII to Net Operative Income</i>	<i>56.8</i>	<i>67.1</i>	<i>(1,028)</i>	<i>61.0</i>	<i>(421)</i>	<i>64.8</i>	<i>65.5</i>	<i>(72)</i>
<i>NIM (%)</i>	<i>4.17</i>	<i>4.9</i>	<i>(76)</i>	<i>4.2</i>	<i>(2)</i>	<i>-</i>	<i>4.6</i>	<i>-</i>
<b>Core Fee Income</b>	<b>6,600</b>	<b>-</b>	<b>-</b>	<b>4,970</b>	<b>32.8</b>	<b>17,580</b>	<b>-</b>	<b>-</b>
<b>Non Core Other Income</b>	<b>284</b>	<b>-</b>	<b>-</b>	<b>829</b>	<b>(65.7)</b>	<b>2,998</b>	<b>-</b>	<b>-</b>
<b>Other Income - Total</b>	<b>6,884</b>	<b>5,005</b>	<b>37.5</b>	<b>5,799</b>	<b>18.7</b>	<b>20,578</b>	<b>19,102</b>	<b>7.7</b>
<i>Other Income to Net Operative Income</i>	<i>43.2</i>	<i>32.9</i>	<i>1,028</i>	<i>39.0</i>	<i>421</i>	<i>35.2</i>	<i>34.5</i>	<i>72</i>
<b>Net Operating Revenue</b>	<b>15,945</b>	<b>15,215</b>	<b>4.8</b>	<b>14,880</b>	<b>7.2</b>	<b>58,453</b>	<b>55,398</b>	<b>5.5</b>
Employee Expenses	2,070	1,999	3.6	2,107	(1.8)	8,454	7,684	10.0
<i>Empl. Cost/Oper. Exps.</i>	<i>13.0</i>	<i>13.1</i>	<i>(15)</i>	<i>14.2</i>	<i>(118)</i>	<i>14.5</i>	<i>13.9</i>	<i>59</i>
Other Opex	5,110	5,568	(8.2)	4,725	8.1	19,092	20,198	(5.5)
<i>Other Opex/ Assets</i>	<i>0.5</i>	<i>0.7</i>	<i>(12)</i>	<i>0.5</i>	<i>3</i>	<i>2.0</i>	<i>2.4</i>	<i>(37)</i>
<b>Total Opex</b>	<b>7,179</b>	<b>7,567</b>	<b>(5.1)</b>	<b>6,832</b>	<b>5.1</b>	<b>27,546</b>	<b>27,883</b>	<b>(1.2)</b>
<i>Cost to Income Ratio (%)</i>	<i>45.0</i>	<i>49.7</i>	<i>(470)</i>	<i>45.9</i>	<i>(89)</i>	<i>47.1</i>	<i>50.3</i>	<i>(321)</i>
<b>Pre Provision Profits</b>	<b>8,765</b>	<b>7,648</b>	<b>14.6</b>	<b>8,048</b>	<b>8.9</b>	<b>30,907</b>	<b>27,516</b>	<b>12.3</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>7,663</b>	<b>6,141</b>	<b>24.8</b>	<b>6,098</b>	<b>25.7</b>	<b>24,017</b>	<b>19,989</b>	<b>20.2</b>
<i>NPA Provisions as % Operating Income</i>	<i>87.4</i>	<i>80.3</i>	<i>713</i>	<i>75.8</i>	<i>1,165</i>	<i>77.7</i>	<i>72.6</i>	<i>506</i>
<b>Profit Before Tax</b>	<b>1,103</b>	<b>1,508</b>	<b>(26.9)</b>	<b>1,951</b>	<b>(43.5)</b>	<b>6,890</b>	<b>7,527</b>	<b>(8.5)</b>
<b>Tax</b>	<b>349</b>	<b>364</b>	<b>(4.0)</b>	<b>480</b>	<b>(27.2)</b>	<b>1,813</b>	<b>2,471</b>	<b>(26.6)</b>
<i>Effective Tax Rate (%)</i>	<i>31.7</i>	<i>24.1</i>	<i>754</i>	<i>24.6</i>	<i>708</i>	<i>26.3</i>	<i>32.8</i>	<i>(652)</i>
<b>Reported Profits</b>	<b>753</b>	<b>1,144</b>	<b>(34.1)</b>	<b>1,471</b>	<b>(48.8)</b>	<b>5,077</b>	<b>5,056</b>	<b>0.4</b>
<i>RoA (%)</i>	<i>0.3</i>	<i>0.5</i>	<i>(20)</i>	<i>0.6</i>	<i>(30)</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>RoE (%)</i>	<i>2.4</i>	<i>4.3</i>	<i>(188)</i>	<i>4.8</i>	<i>(239)</i>	<i>-</i>	<i>-</i>	<i>-</i>

Source: Company, LKP Research

## Exhibit 2 : Balance Sheet Analysis

(₹ mn)	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	QoQ % / bps	YoY % / bps
Net Worth	1,05,470	1,05,830	1,07,247	1,08,725	1,25,840	1,26,626	0.6	19.7
RoE (%)	3.1	4.3	5.2	5.2	4.8	2.4	(239)	(188)
CET1 %	-	13.6	15.2	15.1	17.1	16.6	(50)	302
Tier 1 %	15.0	15.3	15.2	15.1	17.1	16.6	(50)	130
Total CAR %	15.7	16.5	16.1	16.1	17.3	17.5	17	105
RWA - Total	6,81,580	6,73,260	6,86,710	6,97,990	7,18,180	7,39,480	3.0	9.8
Advances - Total	5,96,350	5,80,191	5,66,830	5,61,621	5,64,440	5,86,225	3.9	1.0
Investments	1,91,000	1,81,497	1,98,840	2,12,769	2,49,390	2,32,304	(6.9)	28.0
Total Assets	9,14,570	8,89,778	9,24,457	9,33,465	9,64,380	10,06,506	4.4	13.1
RoA (%)	0.32	0.52	0.60	0.62	0.62	0.32	(30)	(20)
Deposits	6,29,070	5,78,122	6,17,360	6,45,061	6,71,840	7,31,213	8.8	26.5
Saving Deposit	1,03,167	95,968	1,19,150	1,27,077	1,21,603	1,35,274	11.2	41.0
Current Deposit	65,423	75,156	66,675	73,537	86,667	97,251	12.2	29.4
CASA Deposits	1,66,200	1,71,160	1,85,660	2,00,614	2,08,270	2,32,526	11.6	35.9
CASA Ratio (%)	26.4	29.6	30.1	31.1	31.1	31.8	70	220
Term Deposits	4,62,870	4,06,962	4,31,700	4,44,447	4,63,570	4,98,687	7.6	22.5
Interest Bearing Liabilities - Total	7,78,000	7,48,190	7,77,650	7,77,619	7,92,540	8,43,472	6.4	12.7

Source: Company, LKP Research

## Exhibit 3: Earning Assets Mix &amp; Incremental Contribution

	As on (₹ mn)				As % of Working Assets	YoY/ YTD growth (% / bps)			Incremental Contribution in Working Assets (%)		
	FY18	FY19	FY20	4Q FY21		FY19	FY20	4Q FY21	FY19	FY20	4Q FY21
Wholesale Banking	2,37,520	3,02,290	2,54,950	2,42,330	25.4	27.3	(15.7)	(4.9)	36.5	(65.1)	(12.3)
C&IB	1,62,400	2,13,540	1,78,840	1,83,230	19.2	31.5	(16.2)	2.5	28.8	(47.7)	4.3
CB	75,120	88,750	76,110	59,100	6.2	18.1	(14.2)	(22.3)	7.7	(17.4)	(16.6)
Retail Banking	88,910	1,64,680	2,31,810	2,72,580	28.6	85.2	40.8	17.6	42.7	92.3	39.8
LAP	-	64,530	75,910	16,690	1.8	-	17.6	(78.0)	36.4	15.6	(57.8)
Credit Cards	-	52,830	1,05,090	1,21,770	12.8	-	98.9	15.9	29.8	71.8	16.3
Retail Agri	19,400	15,720	14,840	11,850	1.2	(19.0)	(5.6)	(20.1)	(2.1)	(1.2)	(2.9)
BIL	-	14,590	16,150	1,07,650	11.3	-	10.7	566.6	8.2	2.1	89.3
Others	-	17,010	19,820	14,620	1.5	-	16.5	(26.2)	9.6	3.9	(5.1)
DB & FI	56,840	76,112	93,440	71,320	7.5	33.9	22.8	(23.7)	10.9	23.8	(21.6)
Micro Banking	35,600	50,280	64,450	71,320	7.5	41.2	28.2	10.7	8.3	19.5	6.7
IFI	15,430	15,790	16,480	-	-	2.3	4.4	-	0.2	0.9	-
MSME	5,810	10,040	12,510	-	-	72.8	24.6	-	2.4	3.4	-
Formula Link (% to Amount)	-	-	-	-	-	-	-	-	-	-	-
<b>Advances - Total</b>	<b>4,02,678</b>	<b>5,43,082</b>	<b>5,80,190</b>	<b>5,86,225</b>	<b>61.5</b>	<b>34.9</b>	<b>6.8</b>	<b>1.0</b>	<b>79.1</b>	<b>51.0</b>	<b>5.9</b>
<b>Investments</b>	<b>1,54,475</b>	<b>1,68,404</b>	<b>1,81,497</b>	<b>2,32,304</b>	<b>24.4</b>	<b>9.0</b>	<b>7.8</b>	<b>28.0</b>	<b>7.8</b>	<b>18.0</b>	<b>49.6</b>
<b>Cash &amp; Cash Equivalent</b>	<b>42,844</b>	<b>66,021</b>	<b>88,572</b>	<b>1,34,242</b>	<b>14.1</b>	<b>54.1</b>	<b>34.2</b>	<b>51.6</b>	<b>13.1</b>	<b>31.0</b>	<b>44.6</b>
<b>Working Assets</b>	<b>5,99,998</b>	<b>7,77,507</b>	<b>8,50,260</b>	<b>9,52,771</b>	<b>100.0</b>	<b>29.6</b>	<b>9.4</b>	<b>12.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, LKP Research



## Exhibit 4: Funding Profile Analysis

(₹ mn)	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	QoQ % / bps	YoY % / bps
<b>Interest Bearing Liabilities - Total</b>	<b>7,78,000</b>	<b>7,48,190</b>	<b>7,77,650</b>	<b>7,77,619</b>	<b>7,92,540</b>	<b>8,43,472</b>	<b>6.4</b>	<b>12.7</b>
Deposits	6,29,070	5,78,122	6,17,360	6,45,061	6,71,840	7,31,213	8.8	26.5
CASA Deposits	1,66,200	1,71,160	1,85,660	2,00,614	2,08,270	2,32,526	11.6	35.9
Saving Deposit	1,03,167	95,968	1,19,150	1,27,077	1,21,603	1,35,274	11.2	41.0
Current Deposit	65,423	75,156	66,675	73,537	86,667	97,251	12.2	29.4
Term Deposits	4,62,870	4,06,962	4,31,700	4,44,447	4,63,570	4,98,687	7.6	22.5
Borrowings	1,48,930	1,70,067	1,60,290	1,32,558	1,20,700	1,12,259	(7.0)	(34.0)
<b>Interest Bearing Liabilities - Total</b>	<b>7,78,000</b>	<b>7,48,190</b>	<b>7,77,650</b>	<b>7,77,619</b>	<b>7,92,540</b>	<b>8,43,472</b>	<b>6.4</b>	<b>12.7</b>

Source: Company, LKP Research

## Exhibit 5: Funding mix and Incremental Contribution

	As on (₹ mn)				As % of Total Working Fund	YoY/ YTD growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY18	FY19	FY20	4Q FY21		FY19	FY20	4Q FY21	FY19	FY20	4Q FY21
<b>Deposits</b>	<b>4,39,023</b>	<b>5,83,944</b>	<b>5,78,122</b>	<b>7,31,213</b>	<b>75.4</b>	<b>33.0</b>	<b>(1.0)</b>	<b>26.5</b>	<b>80.8</b>	<b>(7.6)</b>	<b>131.9</b>
Saving Deposit	53,395	82,448	96,066	1,35,274	13.9	54.4	16.5	40.8	16.2	17.9	33.8
Current Deposit	53,388	63,427	75,090	97,251	10.0	18.8	18.4	29.5	5.6	15.3	19.1
CASA Deposits	1,06,783	1,45,875	1,71,156	2,32,526	24.0	36.6	17.3	35.9	21.8	33.1	52.9
Term Deposits	3,32,240	4,38,069	4,06,967	4,98,687	51.4	31.9	(7.1)	22.5	59.0	(40.8)	79.0
<b>Borrowings</b>	<b>92,614</b>	<b>1,18,321</b>	<b>1,70,067</b>	<b>1,12,259</b>	<b>11.6</b>	<b>27.8</b>	<b>43.7</b>	<b>(34.0)</b>	<b>14.3</b>	<b>67.8</b>	<b>(49.8)</b>
<b>Interest Bearing Liabilities - Total</b>	<b>5,31,637</b>	<b>7,02,265</b>	<b>7,48,190</b>	<b>8,43,472</b>	<b>86.9</b>	<b>32.1</b>	<b>6.5</b>	<b>12.7</b>	<b>95.2</b>	<b>60.2</b>	<b>82.1</b>
<b>Net Worth</b>	<b>66,840</b>	<b>75,473</b>	<b>1,05,829</b>	<b>1,26,626</b>	<b>13.1</b>	<b>12.9</b>	<b>40.2</b>	<b>19.7</b>	<b>4.8</b>	<b>39.8</b>	<b>17.9</b>
<b>Working Fund</b>	<b>5,98,477</b>	<b>7,77,738</b>	<b>8,54,019</b>	<b>9,70,097</b>	<b>100.0</b>	<b>30.0</b>	<b>9.8</b>	<b>13.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<i>Interest Exp. / Assets</i>	<i>4.96</i>	<i>5.29</i>	<i>5.77</i>	<i>4.3</i>		<i>33</i>	<i>48</i>	<i>(148)</i>			

Source: Company, LKP Research

## Exhibit 6: Asset Quality Analysis

(₹ mn)	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	QoQ % / bps	YoY % / bps
Total Slippages	10,480	7,090	50	1,450	-	29,980	-	322.8
<b>Slippages Ratio (%)</b>	<b>1.93</b>	<b>1.31</b>	<b>0.01</b>	<b>0.25</b>	<b>-</b>	<b>5.17</b>	<b>-</b>	<b>386</b>
Gross NPA	20,105	21,365	19,921	19,117	10,502	26,015	147.7	21.8
<b>Gross NPAs Ratio (%)</b>	<b>3.33</b>	<b>3.62</b>	<b>3.45</b>	<b>3.34</b>	<b>1.84</b>	<b>4.34</b>	<b>250</b>	<b>72</b>
<b>PCR - Calculated (%)</b>	<b>38.5</b>	<b>44.3</b>	<b>53.2</b>	<b>59.4</b>	<b>61.7</b>	<b>52.3</b>	<b>(939)</b>	<b>795</b>
Net NPA	12,364	11,894	9,327	7,758	4,025	12,414	208.4	4.4
<b>Net NPAs Ratio (%)</b>	<b>2.07</b>	<b>2.05</b>	<b>1.65</b>	<b>1.38</b>	<b>0.71</b>	<b>2.12</b>	<b>141</b>	<b>7</b>

Source: Company, LKP Research

## Annual Projections

## Exhibit 7: Profit and Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	85,144	82,145	87,831	94,294	1,02,051
Interest Expenses	48,847	44,270	47,765	51,022	55,123
<b>Net Interest Income</b>	<b>36,296</b>	<b>37,876</b>	<b>40,066</b>	<b>43,272</b>	<b>46,929</b>
<b>NIM (%)</b>	<b>4.46</b>	<b>4.20</b>	<b>4.07</b>	<b>4.10</b>	<b>4.11</b>
<b>Adjusted NII</b>	<b>35,862</b>	<b>37,518</b>	<b>40,066</b>	<b>43,272</b>	<b>46,929</b>
Core Fee Income	16,844	18,145	19,960	21,955	24,151
Securities/MM/FX Trading/Others	1,595	1,718	1,856	2,004	2,164
Other Misc. Income	663	714	768	826	887
<b>Other Income - Total</b>	<b>19,102</b>	<b>20,578</b>	<b>22,583</b>	<b>24,785</b>	<b>27,203</b>
<b>Net Operating Revenue</b>	<b>55,398</b>	<b>58,453</b>	<b>62,649</b>	<b>68,057</b>	<b>74,131</b>
Employee Exp.	7,684	8,454	9,299	10,322	11,560
Other Opex	20,198	19,092	20,238	21,654	23,387
<b>Total Opex</b>	<b>27,883</b>	<b>27,546</b>	<b>29,537</b>	<b>31,976</b>	<b>34,947</b>
<b>C/I Ratio</b>	<b>50.33</b>	<b>47.12</b>	<b>47.15</b>	<b>46.98</b>	<b>47.14</b>
<b>Pre Provision Profits</b>	<b>27,516</b>	<b>30,907</b>	<b>33,112</b>	<b>36,081</b>	<b>39,184</b>
<b>PPP Growth (yoy %)</b>	<b>41.8</b>	<b>12.3</b>	<b>7.1</b>	<b>9.0</b>	<b>8.6</b>
Provisions & Contingencies - Total	19,989	24,017	21,363	20,965	21,265
<b>Credit Cost (As % of Op. AUM)</b>	<b>3.62</b>	<b>4.07</b>	<b>3.50</b>	<b>3.20</b>	<b>3.00</b>
<b>Profit Before Tax</b>	<b>7,527</b>	<b>6,890</b>	<b>11,749</b>	<b>15,117</b>	<b>17,919</b>
Tax	2,471	1,813	2,996	3,855	4,569
<b>Effective Tax Rate</b>	<b>32.8</b>	<b>26.3</b>	<b>25.5</b>	<b>25.5</b>	<b>25.5</b>
<b>Reported Profits</b>	<b>5,056</b>	<b>5,077</b>	<b>8,753</b>	<b>11,262</b>	<b>13,350</b>
<b>PAT Growth (yoy %)</b>	<b>(41.7)</b>	<b>0.4</b>	<b>72.4</b>	<b>28.7</b>	<b>18.5</b>

Source: Company, LKP Research

## Exhibit 8: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	5,087	5,980	5,980	5,980	5,980
Reserves (ex Reval. Reserve)	1,00,734	1,20,637	1,29,390	1,40,652	1,54,002
<b>Net Worth - Ex Revaluation</b>	<b>1,05,821</b>	<b>1,26,617</b>	<b>1,35,370</b>	<b>1,46,632</b>	<b>1,59,982</b>
Deposits	5,78,122	7,31,213	7,89,519	8,52,976	9,26,510
Borrowings	1,70,067	1,12,259	1,07,662	1,10,839	1,20,394
<b>Interest Bearing Liabilities</b>	<b>7,48,190</b>	<b>8,43,472</b>	<b>8,97,181</b>	<b>9,63,815</b>	<b>10,46,904</b>
Other Lia. & Prov.	35,759	36,409	42,494	48,756	51,019
<b>Total Liabilities</b>	<b>8,89,778</b>	<b>10,06,506</b>	<b>10,75,054</b>	<b>11,59,213</b>	<b>12,57,916</b>
<b>Assets</b>					
Cash & Cash Equivalent	88,572	1,34,242	1,40,132	1,50,945	1,63,679
Investments	1,81,497	2,32,304	2,48,565	2,65,965	2,84,583
Credit Equivalent	22,995	29,432	31,492	33,697	36,056
Loan & Advances	5,80,190	5,86,225	6,27,261	6,77,442	7,38,411
Growth (yoy %)	6.8	1.0	7.0	8.0	9.0
Fixed Assets	4,698	4,665	5,119	5,487	5,931
Other Assets	34,820	49,070	53,977	59,375	65,312
<b>Total Assets</b>	<b>8,89,778</b>	<b>10,06,506</b>	<b>10,75,054</b>	<b>11,59,213</b>	<b>12,57,916</b>

Source: Company, LKP Research

## Exhibit 9: Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value	10	10	10	10	10
Adjusted Share O/S - For Calculation	509	598	598	598	598
Earnings Per Share	9.9	8.5	14.6	18.8	22.3
<b>EPS (% YoY)</b>	<b>(51.1)</b>	<b>(14.6)</b>	<b>72.4</b>	<b>28.7</b>	<b>18.5</b>
<b>P/E (x)</b>	<b>18.3</b>	<b>21.4</b>	<b>12.4</b>	<b>9.6</b>	<b>8.1</b>
Book Value	208.0	211.7	226.4	245.2	267.5
<b>BVPS (% YoY)</b>	<b>17.6</b>	<b>1.8</b>	<b>6.9</b>	<b>8.3</b>	<b>9.1</b>
<b>P/BV (x)</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
Adj. BV	196.3	201.3	209.1	227.9	250.2
<b>Adj. BV (% YoY)</b>	<b>11.0</b>	<b>2.6</b>	<b>3.8</b>	<b>9.0</b>	<b>9.8</b>
<b>P/ABV (x)</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>

Source: Company, LKP Research

## Exhibit 10: Detailed ROA Tree

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Yields / Margins</b>					
Yield on Advance	12.3	11.2	11.2	11.2	11.2
Yield on Funds	10.5	9.1	8.9	8.9	8.9
Cost of Funds (CoF)	6.7	5.6	5.5	5.5	5.5
Interest Spread	3.7	3.5	3.4	3.5	3.5
NIM's	4.5	4.2	4.1	4.1	4.1
Interest Income / Assets	10.1	8.7	8.4	8.4	8.4
Interest Exp. / Assets	5.8	4.7	4.6	4.6	4.6
NII / Assets	4.3	4.0	3.8	3.9	3.9
Fee Income / Assets	2.0	1.9	1.9	2.0	2.0
Other Non Core Income / Assets	-	-	-	-	-
Other Income / Assets	2.3	2.2	2.2	2.2	2.3
Net Operating Income / Assets	6.5	6.2	6.0	6.1	6.1
<b>Operating Ratios</b>					
NII to Net Operative Income	65.5	64.8	64.0	63.6	63.3
Other Income to Net Operative Income	34.5	35.2	36.0	36.4	36.7
Empl. Cost/Oper. Exps.	27.6	30.7	31.5	32.3	33.1
Other Op. Exps./Oper. Exps.	72.4	69.3	68.5	67.7	66.9
<b>C/I Ratio</b>	<b>50.3</b>	<b>47.1</b>	<b>47.1</b>	<b>47.0</b>	<b>47.1</b>
<b>Provisions as % PPP</b>	<b>36.1</b>	<b>41.1</b>	<b>34.1</b>	<b>30.8</b>	<b>28.7</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>3.6</b>	<b>4.1</b>	<b>3.5</b>	<b>3.2</b>	<b>3.0</b>
<b>Effective Tax Rate</b>	<b>32.8</b>	<b>26.3</b>	<b>25.5</b>	<b>25.5</b>	<b>25.5</b>
Employee Exp. / Assets	0.9	0.9	0.9	0.9	1.0
Other Opex/ Assets	2.4	2.0	1.9	1.9	1.9
<b>Total Opex / Assets</b>	<b>3.3</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>	<b>2.9</b>
<b>Operating Profits / Assets</b>	<b>3.2</b>	<b>3.3</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
<b>Op Profit ex Except Items / Assets</b>	<b>3.2</b>	<b>3.3</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
Provisions / Assets	2.4	2.5	2.1	1.9	1.8
<b>Profit Before Tax / Assets</b>	<b>0.9</b>	<b>0.7</b>	<b>1.1</b>	<b>1.4</b>	<b>1.5</b>
Tax Expenses / Assets	0.3	0.2	0.3	0.3	0.4
<b>RoA</b>	<b>0.6</b>	<b>0.5</b>	<b>0.8</b>	<b>1.0</b>	<b>1.1</b>
<b>Leverage (x)</b>	<b>8.4</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>
<b>RoE</b>	<b>5.6</b>	<b>4.4</b>	<b>6.7</b>	<b>8.0</b>	<b>8.7</b>
<b>Adj. RoA</b>	<b>0.6</b>	<b>0.5</b>	<b>0.8</b>	<b>1.0</b>	<b>1.1</b>
<b>Adj. RoE</b>	<b>5.6</b>	<b>4.4</b>	<b>6.7</b>	<b>8.0</b>	<b>8.7</b>

Source: Company, LKP Research

**Exhibit 11: Balance Sheet Ratios**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Credit / Deposit Ratio	100.4	80.2	79.4	79.4	79.7
Incremental C/D Ratio	(637.4)	3.9	70.4	79.1	82.9
Investment Deposit Ratio	31.4	31.8	31.5	31.2	30.7
Dom. SLR Investment / Deposits	27.1	27.5	27.2	26.9	26.5
CASA Ratio	29.7	31.9	32.0	32.0	32.0

Source: Company, LKP Research

**Exhibit 12: Asset Quality**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Slippage Ratio</b>	<b>6.2</b>	<b>5.4</b>	<b>3.5</b>	<b>3.0</b>	<b>2.9</b>
Gross NPA (Cl Bal)	21,365	26,015	24,115	21,065	21,672
<b>Gross NPAs Ratio (%)</b>	<b>3.6</b>	<b>4.3</b>	<b>3.8</b>	<b>3.1</b>	<b>2.9</b>
<b>PCR (%)</b>	<b>44.3</b>	<b>52.3</b>	<b>53.8</b>	<b>53.4</b>	<b>54.3</b>
Net NPA (Cl. Bal.)	11,894	12,414	11,152	9,808	9,900
<b>Net NPAs Ratio (%)</b>	<b>2.1</b>	<b>2.1</b>	<b>1.8</b>	<b>1.4</b>	<b>1.3</b>
Total Impaired Loans	21,365	26,015	24,115	21,065	21,672
<b>Impaired Loan as % of Loan / AUM</b>	<b>3.5</b>	<b>4.2</b>	<b>3.7</b>	<b>3.0</b>	<b>2.8</b>
Total Risk Reserves	9,472	13,602	12,963	11,258	11,773
<b>Total Risk As % of Loan Book</b>	<b>1.6</b>	<b>2.2</b>	<b>2.0</b>	<b>1.6</b>	<b>1.5</b>

Source: Company, LKP Research

## Exhibit 13: Key Assumptions &amp; Forecasts

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Loan &amp; Advances</b>	<b>5,80,190</b>	<b>5,86,225</b>	<b>6,27,261</b>	<b>6,77,442</b>	<b>7,38,411</b>
<i>Growth (yoy %)</i>	6.8	1.0	7.0	8.0	9.0
<b>Interest Bearing Liabilities</b>	<b>7,48,190</b>	<b>8,43,472</b>	<b>8,97,181</b>	<b>9,63,815</b>	<b>10,46,904</b>
<i>Growth (yoy %)</i>	6.8	1.0	7.0	8.0	9.0
<i>Yield on Funds</i>	10.5	9.1	8.9	8.9	8.9
<i>Cost of Funds (CoF)</i>	6.7	5.6	5.5	5.5	5.5
<i>Interest Spread</i>	3.7	3.5	3.4	3.5	3.5
<i>NIM's</i>	4.5	4.2	4.1	4.1	4.1
<i>Other Income Growth</i>	32.4	7.7	9.7	9.8	9.8
<i>C/I Ratio</i>	50.3	47.1	47.1	47.0	47.1
<i>Effective Tax Rate</i>	32.8	26.3	25.5	25.5	25.5
<b>Return Ratios</b>					
<i>Adj. RoA</i>	0.6	0.5	0.8	1.0	1.1
<i>Adj. RoE</i>	5.6	4.4	6.7	8.0	8.7
<b>Asset Quality Metrics</b>					
<i>Credit Cost (As % of Op. AUM)</i>	3.6	4.1	3.5	3.2	3.0
<i>Gross NPAs Ratio (%)</i>	3.6	4.3	3.8	3.1	2.9
<i>Net NPAs Ratio (%)</i>	2.1	2.1	1.8	1.4	1.3

Source: Company, LKP Research

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