

# FEDERAL BANK | Banking

Restructuring book is in line with expectations; SMA book stood higher

# LKP

## Price Analysis:

Federal Bank has reported 4QFY21 earnings in line with our expectations led by a) Stable NII growth (16.8% YoY) with NIMs at 3.23%, b) relatively healthy business growth with net advance and deposit growth of 7.9% YoY and 13.4% YoY respectively, c) sequentially higher C/I ratio of 53.1% v/s 49.8% in 3QFY21 and d) stable asset quality with GNPA/NNPA ratio of 3.41%/1.19% against pro-forma GNPA/NNPA of 3.38%/2.71% in the previous quarter. Furthermore, the bank's PAT grew by 18.2% sequentially with lower provisioning expenses (₹2.4bn v/s ₹4.2bn in the previous quarter). However, the SMA book (~460bps of loans) may cause additional pain. Factoring expected 4QFY21 results and inexpensive valuation (P/BV: 1x), we maintain our positive outlook on the bank.

**Asset quality intact; restructuring in line with expectations:** The total restructuring reported worth ₹16.18bn (1.23% of book) till 31st Mar 2021. The restructuring amount is in line with the expectations. Retail restructuring contributes ~68% of the total amount. The management expects ~30 – 40% of the restructuring book may slip in coming quarters. However, the major chunk is secured and around 6% of restructured book is unsecured. Reported total slippages of ₹16.9bn v/s ₹0.3bn; (1.38% annualized vs. 0.03%) in the previous quarter. However, the slippages numbers include the pro-forma slippages of ₹10.9bn in previous quarters. SME book contributed 53% of the fresh slippages where rest is from retail & agriculture book. The bank's up-gradation and recoveries inched up sequentially at ₹5.52bn v/s ₹1.16bn in previous quarter. The NNPA ratio declined significantly to 1.19% v/s 2.71% in 3QFY21. The bank has made provisioning of ₹2.4bn v/s ₹4.2bn in 3QFY21. The bank didn't make additional COVID provisioning this quarter, however, absorbed ₹1.1bn standard asset provisions made in prior quarters. The total COVID provisioning stands at ₹4.75bn (0.36% of net advances). The reported credit cost stood 219bps v/s 124bps in the previous quarter. The management stated the credit cost guidance of 65 – 80 bps.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	46,489	55,337	60,914	68,388	78,998
Operating Profit	32,047	37,869	41,573	46,393	52,917
Reported Profits	15,428	15,903	21,583	24,251	28,008
Net Worth	1,45,126	1,61,186	1,82,769	2,07,020	2,35,028
Loan & Advances	12,22,679	13,18,786	14,50,665	16,10,238	18,03,466
Int. Bearing Liabilities	16,26,625	18,17,130	20,07,731	22,27,768	24,89,337

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	2.9	3.1	3.1	3.1	3.2
C/I Ratio	51.3	49.4	49.4	49.4	49.4
Gross NPA Ratio	2.8	3.4	3.2	3.1	2.8
Tier 1 Ratio	13.8	15.8	16.2	16.5	16.7
Adj. RoA Ratio	0.9	0.8	1.0	1.0	1.1
Adj. RoE Ratio	11.1	10.4	12.5	12.4	12.7

Rating	Buy
Current Market Price (₹)	82
12 M Price Target (₹)	96
Potential upside (%)	17

## Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	163
Market Cap Free Float (₹ bn) :	157
52-Week High / Low (₹) :	37 / 93
2-Year High / Low (₹) :	36 / 110
1 Year Avg. Dly Traded Volume (in lakh)	364
BSE Code / NSE Symbol	500469 / FEDERALBNK
Bloomberg :	FB IN

## Shareholding Pattern (%)

	Mar-21	Dec-20	Sep-20	Jun-20
FPIs	24.51	21.69	24.64	30.95
MFs	30.23	29.90	25.02	25.64
AIF's	1.25	0.65	0.35	0.54
Insurance	11.80	14.02	12.92	6.29
Others	32.21	33.74	37.07	36.58

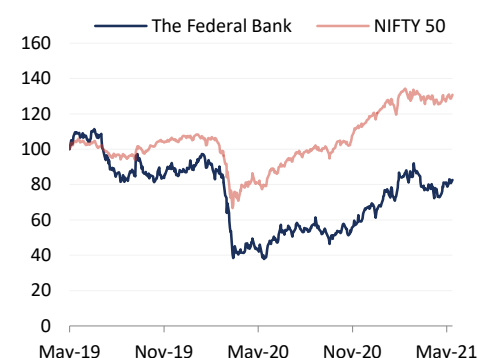
Source: BSE

## Price Performance (%)

(%)	1M	3M	6M	1YR
Federal Bank	7%	-6%	40%	86%
Nifty 50	2%	-2%	16%	63%

\* To date / current date : May 17, 2021

## Federal Bank vs Nifty 50



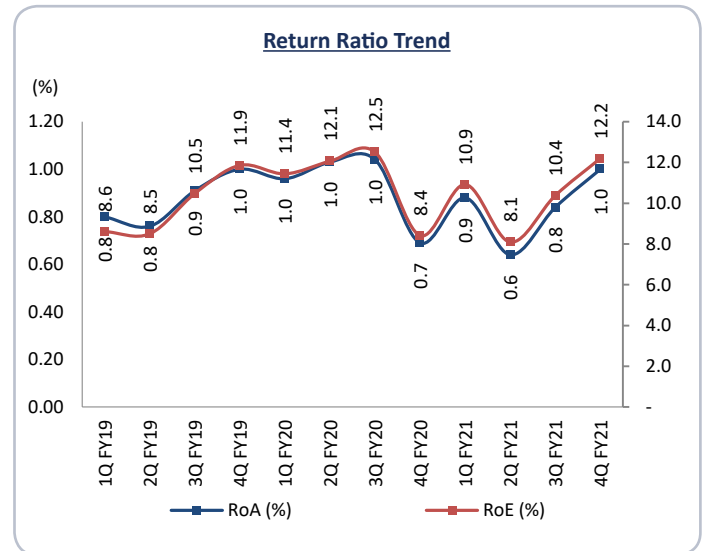
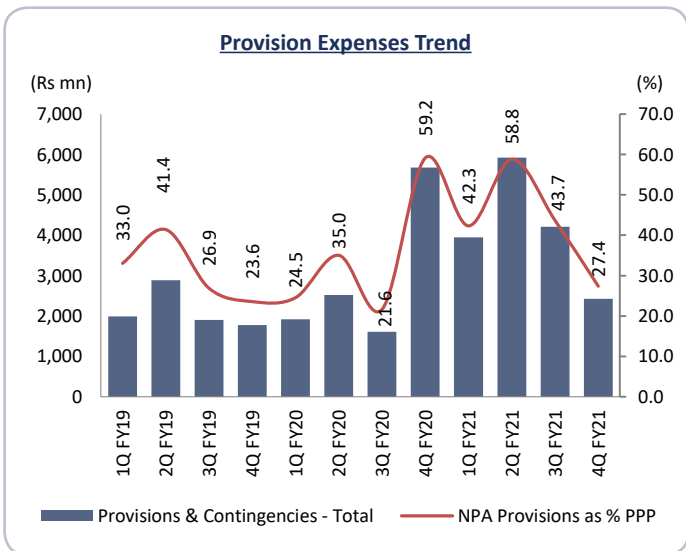
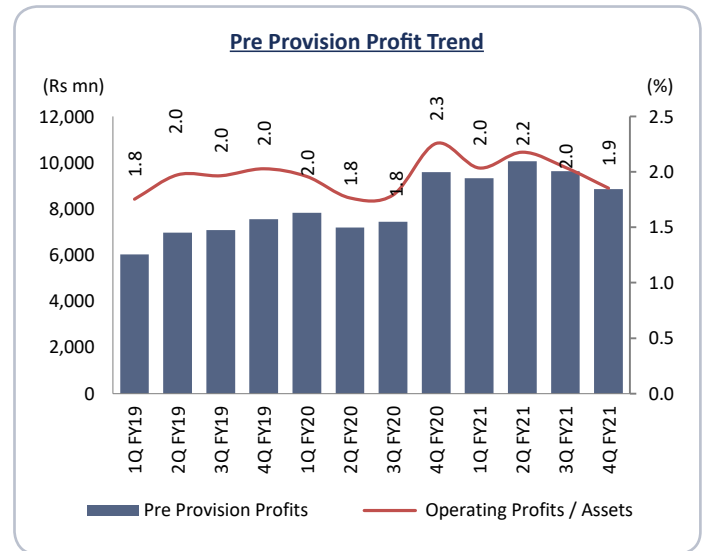
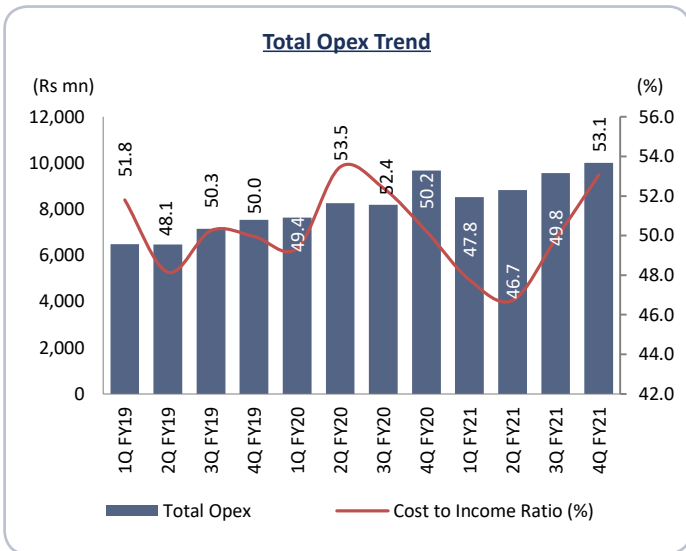
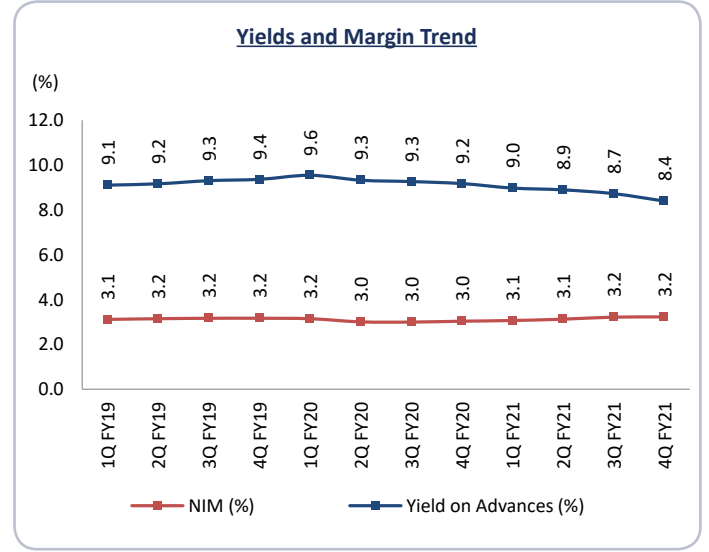
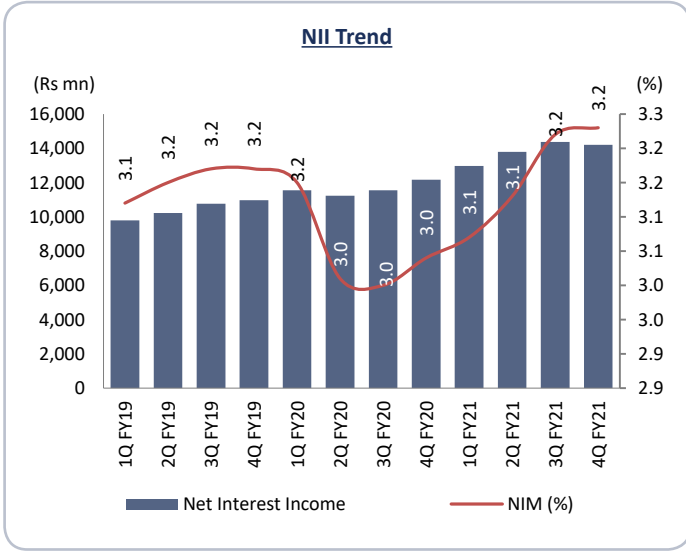
**Capital raise is expected in the second half of CY21:** Management believes the capital adequacy is ample and keeping a close watch for capital raise by the second half of CY21. The CET 1 ratio of the bank stood at 13.85% and is likely to be adequate to support growth but any major shock on asset quality can't be absorbed. Therefore, we can expect fund raise by 3QFY22.

**A well balanced AUM mix:** As of 4QFY21, the bank has maintained a well-diversified book which carries retail (inc. Agri), corporate and SME book of 45.2%, 36.1%, 18.6% respectively. Retail book grew by 6.3% QoQ v/s corporate book growth of 6.7% YoY. The bank has been focusing on gold loans since the lockdown started and it grew by 70% YoY and 16% sequentially in 4QFY21 to ₹150bn (12% of loan book). The Bank is well poised to build and low risk granular book driven by gold loans. We expect the loan book to grow at a CAGR of 11% by FY21-24E.

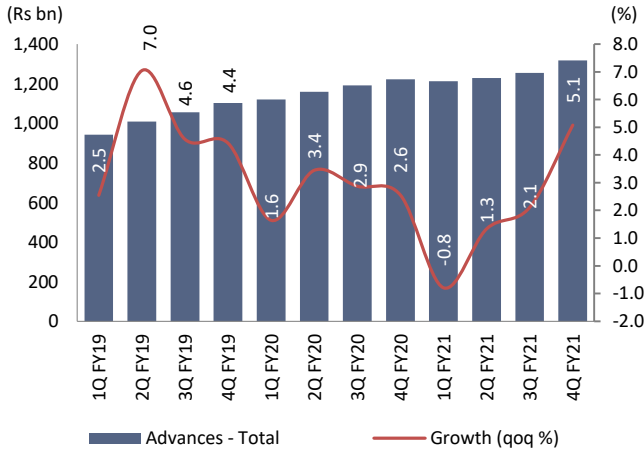
**Outlook & Valuation:**

Despite substantial improvement in all major operating matrix profitability may remain under pressure in FY22 led by the restructuring and high SMA book. We have incorporated high provision requirements along with steady growth in the balance sheet and thus expect it to deliver RoA/ RoE of 1.0%/12.4% by FY23E. In our view, maximum negatives are in the price and thus we reiterate BUY with an increased target price of ₹96 (based on 1.0x FY23E Adj. BVPS); a potential upside of 17.2%.

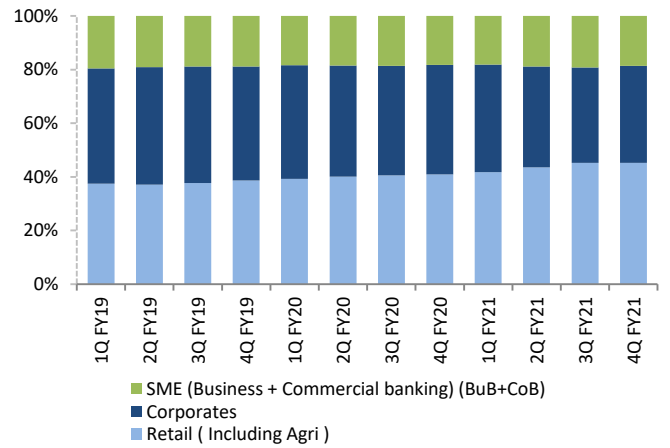
Quarterly story in charts



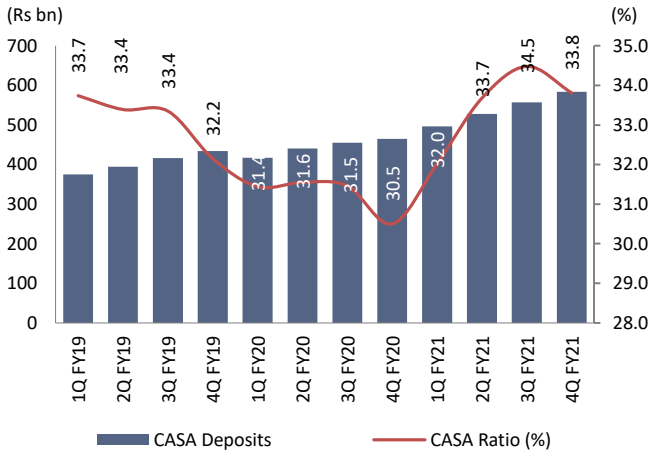
**Loan Book Trend**



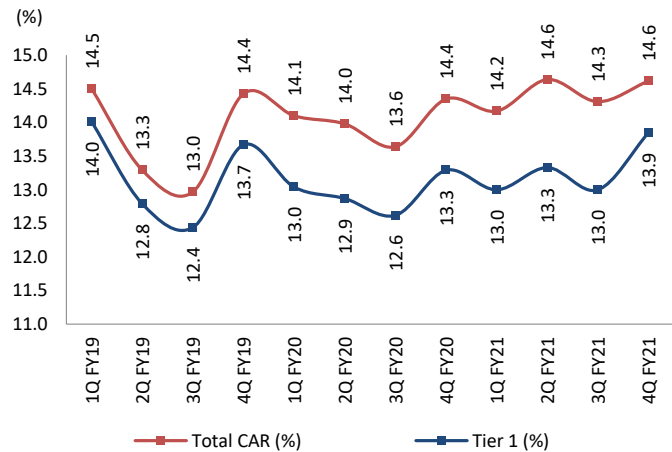
**Loan Book Mix Trend**



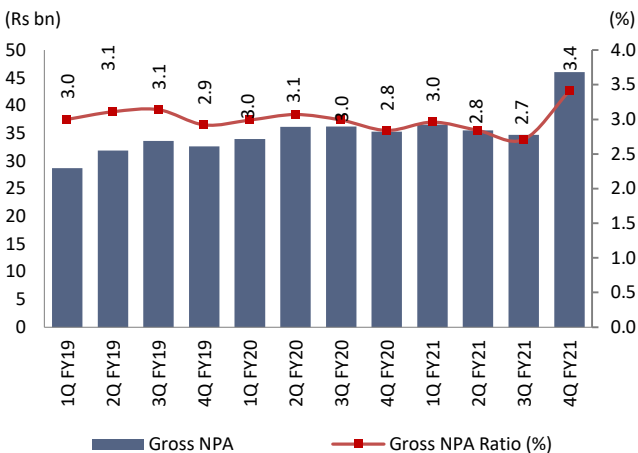
**CASA Deposit Trend**



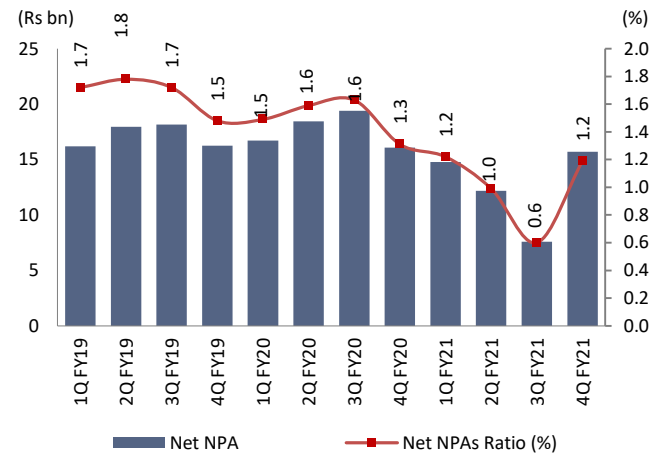
**CRAR & Tier 1 Ratio Trend**



**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	26,584	27,244	(2.4)	27,132	(2.0)	1,07,951	1,06,709	1.2
Int. on Investment	5,767	5,653	2.0	5,736	0.5	23,489	21,841	7.5
Int. on Balances	662	469	41.3	1,147	(42.3)	3,682	1,400	163.0
Int. Others	650	603	7.7	580	12.1	2,457	2,159	13.8
<b>Interest Inc.</b>	<b>33,663</b>	<b>33,968</b>	<b>(0.9)</b>	<b>34,595</b>	<b>(2.7)</b>	<b>1,37,579</b>	<b>1,32,108</b>	<b>4.1</b>
<b>Interest Expenses</b>	<b>19,460</b>	<b>21,808</b>	<b>(10.8)</b>	<b>20,225</b>	<b>(3.8)</b>	<b>82,242</b>	<b>85,618</b>	<b>(3.9)</b>
<b>Net Interest Income</b>	<b>14,204</b>	<b>12,160</b>	<b>16.8</b>	<b>14,370</b>	<b>(1.2)</b>	<b>55,337</b>	<b>46,489</b>	<b>19.0</b>
<i>NII to Net Operative Income</i>	<i>75.3</i>	<i>63.1</i>	<i>1,222</i>	<i>74.9</i>	<i>43</i>	<i>74.0</i>	<i>70.6</i>	<i>335</i>
<b>Core Fee Income</b>	<b>3,630</b>	<b>3,410</b>	<b>6.5</b>	<b>3,570</b>	<b>1.7</b>	<b>11,790</b>	<b>12,300</b>	<b>(4.1)</b>
<b>Non Core Other Income</b>	<b>1,024</b>	<b>3,701</b>	<b>(72.3)</b>	<b>1,248</b>	<b>(18.0)</b>	<b>7,659</b>	<b>7,014</b>	<b>9.2</b>
<b>Other Income - Total</b>	<b>4,654</b>	<b>7,111</b>	<b>(34.6)</b>	<b>4,818</b>	<b>(3.4)</b>	<b>19,449</b>	<b>19,314</b>	<b>0.7</b>
<i>Other Inc to Net Oper. Income (%)</i>	<i>24.7</i>	<i>36.9</i>	<i>(1,222)</i>	<i>25.1</i>	<i>(43)</i>	<i>26.0</i>	<i>29.4</i>	<i>(335)</i>
<b>Net Operating Revenue</b>	<b>18,858</b>	<b>19,271</b>	<b>(2.1)</b>	<b>19,189</b>	<b>(1.7)</b>	<b>74,786</b>	<b>65,803</b>	<b>13.7</b>
Employee Expenses	5,252	5,191	1.2	5,256	(0.1)	20,342	17,724	14.8
<i>Empl. Cost/Oper. Exps. (%)</i>	<i>27.9</i>	<i>26.9</i>	<i>92</i>	<i>27.4</i>	<i>46</i>	<i>27.2</i>	<i>26.9</i>	<i>27</i>
Other Opex	4,754	4,487	5.9	4,303	10.5	16,575	16,033	3.4
<i>Other Opex/ Assets (%)</i>	<i>0.2</i>	<i>0.3</i>	<i>(2)</i>	<i>0.2</i>	<i>2</i>	<i>0.9</i>	<i>0.9</i>	<i>(8)</i>
<b>Total Opex</b>	<b>10,007</b>	<b>9,678</b>	<b>3.4</b>	<b>9,560</b>	<b>4.7</b>	<b>36,917</b>	<b>33,756</b>	<b>9.4</b>
<i>Cost to Income Ratio (%)</i>	<i>53.1</i>	<i>50.2</i>	<i>284</i>	<i>49.8</i>	<i>324</i>	<i>49.4</i>	<i>51.3</i>	<i>(194)</i>
<b>Pre Provision Profits</b>	<b>8,851</b>	<b>9,593</b>	<b>(7.7)</b>	<b>9,629</b>	<b>(8.1)</b>	<b>37,869</b>	<b>32,047</b>	<b>18.2</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>2,423</b>	<b>5,675</b>	<b>(57.3)</b>	<b>4,206</b>	<b>(42.4)</b>	<b>16,496</b>	<b>11,722</b>	<b>40.7</b>
<i>NPA Provisions as % PPP</i>	<i>27.4</i>	<i>59.2</i>	<i>(3,178)</i>	<i>43.7</i>	<i>(1,630)</i>	<i>43.6</i>	<i>36.6</i>	<i>699</i>
<b>Profit Before Tax</b>	<b>6,428</b>	<b>3,918</b>	<b>64.0</b>	<b>5,423</b>	<b>18.5</b>	<b>21,373</b>	<b>20,325</b>	<b>5.2</b>
<b>Tax</b>	<b>1,650</b>	<b>906</b>	<b>82.1</b>	<b>1,382</b>	<b>19.4</b>	<b>5,470</b>	<b>4,898</b>	<b>11.7</b>
<i>Effective Tax Rate (%)</i>	<i>25.7</i>	<i>23.1</i>	<i>254</i>	<i>25.5</i>	<i>18</i>	<i>25.6</i>	<i>24.1</i>	<i>150</i>
<b>Reported Profits</b>	<b>4,778</b>	<b>3,012</b>	<b>58.6</b>	<b>4,041</b>	<b>18.2</b>	<b>15,903</b>	<b>15,428</b>	<b>3.1</b>
<i>RoA (%)</i>	<i>1.0</i>	<i>0.7</i>	<i>31</i>	<i>0.8</i>	<i>16</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>RoE (%)</i>	<i>12.2</i>	<i>8.4</i>	<i>379</i>	<i>10.4</i>	<i>182</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	1,42,110	1,45,176	1,49,225	1,52,353	1,56,452	1,61,236	3.1	11.1
RoE (%)	12.5	8.4	10.9	8.1	10.4	12.2	182	379
CET1 (%)	-	13.3	13.0	13.3	13.0	13.9	85	56
Tier 1 (%)	12.6	13.3	13.0	13.3	13.0	13.9	85	56
Total CAR (%)	13.6	14.4	14.2	14.6	14.3	14.6	31	27
RWA - Total	9,96,440	10,57,860	10,81,240	10,54,790	10,77,510	11,16,210	3.6	5.5
Advances - Total	11,92,220	12,22,679	12,12,970	12,29,120	12,55,050	13,18,786	5.1	7.9
Investments	3,10,260	3,58,927	3,47,490	3,62,526	3,43,890	3,71,862	8.1	3.6
Total Assets	17,27,910	18,06,381	18,58,205	18,90,267	19,68,472	20,13,674	2.3	11.5
RoA (%)	1.04	0.69	0.88	0.64	0.84	1.00	16	31
Deposits	14,45,920	15,22,901	15,49,380	15,67,474	16,16,700	17,26,445	6.8	13.4
Saving Deposit	3,80,190	3,91,950	4,20,590	4,43,180	4,65,820	4,76,860	2.4	21.7
Current Deposit	74,650	72,550	75,570	84,670	91,580	1,06,840	16.7	47.3
CASA Deposits	4,54,840	4,64,500	4,96,160	5,27,850	5,57,400	5,83,700	4.7	25.7
CASA Ratio (%)	31.5	30.5	32.0	33.7	34.5	33.8	(67)	331
Term Deposits	9,91,080	10,58,401	10,53,220	10,39,624	10,59,300	11,42,745	7.9	8.0
Interest Bearing Liabilities - Total	15,26,920	16,26,625	16,61,750	16,77,905	17,41,440	18,17,130	4.3	11.7

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
Total Advances	9,31,730	11,18,290	12,41,530	13,48,760	71.5	20.0	11.0	8.6	92.5	66.2	59.8
Retail ( Including Agri )	3,48,190	4,31,820	5,07,520	6,09,860	32.3	24.0	17.5	20.2	41.5	40.7	57.1
Corporates	3,86,700	4,75,480	5,07,250	4,87,380	25.8	23.0	6.7	(3.9)	44.0	17.1	(11.1)
SME (Business + Commercial banking) (BuB+CoB)	1,94,380	2,10,990	2,26,760	2,51,520	13.3	8.5	7.5	10.9	8.2	8.5	13.8
Agri	91,360	1,14,400	1,28,740	1,60,760	8.5	25.2	12.5	24.9	11.4	7.7	17.9
Retail	2,56,830	3,17,420	3,78,780	4,49,100	23.8	23.6	19.3	18.6	30.0	33.0	39.2
Housing	1,16,480	1,53,940	1,82,290	2,00,200	10.6	32.2	18.4	9.8	18.6	15.2	10.0
Gold	19,650	-	-	-	-	-	-	-	-	-	-
Mortgage	47,730	59,900	71,250	78,520	4.2	25.5	18.9	10.2	6.0	6.1	4.1
Auto	-	7,730	32,310	36,030	1.9	-	318.0	11.5	-	13.2	2.1
Personal	-	72,610	14,920	18,090	1.0	-	(79.5)	21.2	-	(31.0)	1.8
<b>Advances - Total</b>	<b>9,19,575</b>	<b>11,02,230</b>	<b>12,22,679</b>	<b>13,18,786</b>	<b>69.9</b>	<b>19.9</b>	<b>10.9</b>	<b>7.9</b>	<b>90.5</b>	<b>64.7</b>	<b>53.6</b>
<b>Investments</b>	<b>3,07,811</b>	<b>3,18,245</b>	<b>3,58,927</b>	<b>3,71,862</b>	<b>19.7</b>	<b>3.4</b>	<b>12.8</b>	<b>3.6</b>	<b>5.2</b>	<b>21.8</b>	<b>7.2</b>
<b>Cash &amp; Cash Equivalent</b>	<b>92,034</b>	<b>1,00,668</b>	<b>1,25,746</b>	<b>1,95,914</b>	<b>10.4</b>	<b>9.4</b>	<b>24.9</b>	<b>55.8</b>	<b>4.3</b>	<b>13.5</b>	<b>39.2</b>
<b>Working Assets</b>	<b>13,19,420</b>	<b>15,21,142</b>	<b>17,07,352</b>	<b>18,86,562</b>	<b>100.0</b>	<b>15.3</b>	<b>12.2</b>	<b>10.5</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>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>18,17,130</b>	<b>4.3</b>	<b>11.7</b>
Deposits	14,45,920	15,22,901	15,49,380	15,67,474	16,16,700	17,26,445	6.8	13.4
CASA Deposits	4,54,840	4,64,500	4,96,160	5,27,850	5,57,400	5,83,700	4.7	25.7
Saving Deposit	3,80,190	3,91,950	4,20,590	4,43,180	4,65,820	4,76,860	2.4	21.7
Current Deposit	74,650	72,550	75,570	84,670	91,580	1,06,840	16.7	47.3
Term Deposits	9,91,080	10,58,401	10,53,220	10,39,624	10,59,300	11,42,745	7.9	8.0
Borrowings	81,000	1,03,724	1,12,370	1,10,431	1,24,740	90,685	(27.3)	(12.6)
<b>Interest Bearing Liabilities - Total</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>18,17,130</b>	<b>4.3</b>	<b>11.7</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>11,19,925</b>	<b>13,49,543</b>	<b>15,22,901</b>	<b>17,26,445</b>	<b>87.3</b>	<b>20.5</b>	<b>12.8</b>	<b>13.4</b>	<b>113.3</b>	<b>81.9</b>	<b>98.5</b>
Saving Deposit	3,09,198	3,49,786	3,58,344	4,76,860	24.1	13.1	2.4	33.1	20.0	4.0	57.4
Current Deposit	67,669	87,528	82,398	1,06,840	5.4	29.3	(5.9)	29.7	9.8	(2.4)	11.8
CASA Deposits	3,76,867	4,37,314	4,40,743	5,83,700	29.5	16.0	0.8	32.4	29.8	1.6	69.2
Term Deposits	7,43,058	9,12,230	10,82,158	11,42,745	57.8	22.8	18.6	5.6	83.4	80.3	29.3
<b>Borrowings</b>	<b>1,15,335</b>	<b>77,813</b>	<b>1,03,724</b>	<b>90,685</b>	<b>4.6</b>	<b>(32.5)</b>	<b>33.3</b>	<b>(12.6)</b>	<b>(18.5)</b>	<b>12.2</b>	<b>(6.3)</b>
<b>Interest Bearing Liabilities - Total</b>	<b>12,35,260</b>	<b>14,27,357</b>	<b>16,26,625</b>	<b>18,17,130</b>	<b>91.9</b>	<b>15.6</b>	<b>14.0</b>	<b>11.7</b>	<b>94.8</b>	<b>94.1</b>	<b>92.2</b>
<b>Net Worth</b>	<b>1,22,102</b>	<b>1,32,730</b>	<b>1,45,176</b>	<b>1,61,236</b>	<b>8.1</b>	<b>8.7</b>	<b>9.4</b>	<b>11.1</b>	<b>5.2</b>	<b>5.9</b>	<b>7.8</b>
<b>Working Fund</b>	<b>13,57,362</b>	<b>15,60,087</b>	<b>17,71,801</b>	<b>19,78,366</b>	<b>100.0</b>	<b>14.9</b>	<b>13.6</b>	<b>11.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Interest Exp. / Assets	4.87	4.87	5.04	4.1		(1)	17	(96)			

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	6,030	3,120	1,930	100	340	16,850	4,855.9	440.1
<b>Slippages Ratio (%)</b>	<b>0.55</b>	<b>0.28</b>	<b>0.16</b>	<b>0.01</b>	<b>0.03</b>	<b>1.38</b>	<b>135</b>	<b>110</b>
Gross NPA	36,187	35,308	36,556	35,522	34,702	46,024	32.6	30.3
<b>Gross NPAs Ratio (%)</b>	<b>2.99</b>	<b>2.84</b>	<b>2.96</b>	<b>2.84</b>	<b>2.71</b>	<b>3.41</b>	<b>70</b>	<b>57</b>
<b>PCR - Calculated (%)</b>	<b>46.4</b>	<b>54.5</b>	<b>59.6</b>	<b>65.7</b>	<b>78.2</b>	<b>65.9</b>	<b>(1,228)</b>	<b>1,142</b>
Net NPA	19,410	16,072	14,775	12,181	7,572	15,693	107.2	(2.4)
<b>Net NPAs Ratio (%)</b>	<b>1.63</b>	<b>1.31</b>	<b>1.22</b>	<b>0.99</b>	<b>0.60</b>	<b>1.19</b>	<b>59</b>	<b>(12)</b>

Source: Company, LKP Research

## Annual Projections

## Exhibit 7: Profit and Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income	1,32,108	1,37,579	1,51,313	1,67,926	1,87,365
Interest Expenses	85,618	82,242	90,399	99,538	1,08,367
<b>Net Interest Income</b>	<b>46,489</b>	<b>55,337</b>	<b>60,914</b>	<b>68,388</b>	<b>78,998</b>
<i>NIM (%)</i>	<i>2.88</i>	<i>3.08</i>	<i>3.06</i>	<i>3.09</i>	<i>3.20</i>
<b>Adjusted NII</b>	<b>44,331</b>	<b>52,880</b>	<b>60,914</b>	<b>68,388</b>	<b>78,998</b>
<b>Other Income - Total</b>	<b>19,314</b>	<b>19,449</b>	<b>21,267</b>	<b>23,263</b>	<b>25,513</b>
<b>Net Operating Revenue</b>	<b>65,803</b>	<b>74,786</b>	<b>82,182</b>	<b>91,651</b>	<b>1,04,511</b>
Employee Exp.	17,724	20,342	22,376	24,837	28,315
Other Opex	16,033	16,575	18,233	20,421	23,280
<b>Total Opex</b>	<b>33,756</b>	<b>36,917</b>	<b>40,609</b>	<b>45,258</b>	<b>51,594</b>
<i>C/I Ratio (%)</i>	<i>51.30</i>	<i>49.36</i>	<i>49.41</i>	<i>49.38</i>	<i>49.37</i>
<b>Pre Provision Profits</b>	<b>32,047</b>	<b>37,869</b>	<b>41,573</b>	<b>46,393</b>	<b>52,917</b>
<i>PPP Growth (yoy %)</i>	<i>16.0</i>	<i>18.2</i>	<i>9.8</i>	<i>11.6</i>	<i>14.1</i>
<b>Provisions &amp; Contingencies - Total</b>	<b>11,722</b>	<b>16,496</b>	<b>12,602</b>	<b>13,841</b>	<b>15,322</b>
<i>Credit Cost (As % of Op. AUM)</i>	<i>1.01</i>	<i>1.28</i>	<i>0.90</i>	<i>0.90</i>	<i>0.90</i>
<b>Profit Before Tax</b>	<b>20,325</b>	<b>21,373</b>	<b>28,971</b>	<b>32,552</b>	<b>37,594</b>
Tax	4,898	5,470	7,387	8,301	9,587
<i>Effective Tax Rate (%)</i>	<i>24.1</i>	<i>25.6</i>	<i>25.5</i>	<i>25.5</i>	<i>25.5</i>
<b>Reported Profits</b>	<b>15,428</b>	<b>15,903</b>	<b>21,583</b>	<b>24,251</b>	<b>28,008</b>
<i>PAT Growth (yoy %)</i>	<i>24.0</i>	<i>3.1</i>	<i>35.7</i>	<i>12.4</i>	<i>15.5</i>

Source: Company, LKP Research



## Exhibit 8: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	3,985	3,992	3,992	3,992	3,992
Reserves (ex Reval. Reserve)	1,41,141	1,57,194	1,78,777	2,03,028	2,31,036
<b>Net Worth - Ex Revaluation</b>	<b>1,45,126</b>	<b>1,61,186</b>	<b>1,82,769</b>	<b>2,07,020</b>	<b>2,35,028</b>
Deposits	15,22,901	17,26,445	19,17,383	21,27,519	23,77,317
Borrowings	1,03,724	90,685	90,348	1,00,250	1,12,020
Other Lia. & Prov.	34,579	35,308	42,782	47,937	53,806
<b>Total Liabilities</b>	<b>18,06,380</b>	<b>20,13,674</b>	<b>22,33,332</b>	<b>24,82,774</b>	<b>27,78,216</b>
<b>Assets</b>					
Cash & Cash Equivalent	1,25,746	1,95,914	2,17,629	2,41,960	2,70,883
Investments	3,58,927	3,71,862	4,25,444	4,75,622	5,31,734
Credit Equivalent	31,577	32,715	33,369	36,706	40,377
Loan & Advances (₹ mn)	12,22,679	13,18,786	14,50,665	16,10,238	18,03,466
<i>Growth (yoy %)</i>	<i>10.9</i>	<i>7.9</i>	<i>10.0</i>	<i>11.0</i>	<i>12.0</i>
Fixed Assets	4,800	4,911	5,174	5,748	6,513
Other Assets	94,229	1,22,201	1,34,421	1,49,207	1,65,620
<b>Total Assets</b>	<b>18,06,380</b>	<b>20,13,674</b>	<b>22,33,332</b>	<b>24,82,774</b>	<b>27,78,216</b>

Source: Company, LKP Research

## Exhibit 9: Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value (₹)	2	2	2	2	2
Adjusted Share O/S (mn)	1,993	1,996	1,996	1,996	1,996
Earnings Per Share (₹)	7.7	8.0	10.8	12.1	14.0
EPS (% YoY)	23.6	2.9	35.7	12.4	15.5
P/E (x)	10.5	10.2	7.6	6.7	5.8
Book Value (₹)	72.8	80.7	91.6	103.7	117.7
BVPS (% YoY)	9.0	10.9	13.4	13.3	13.5
P/BV (x)	1.1	1.0	0.9	0.8	0.7
Adj. BV (₹)	68.8	72.3	83.6	95.7	109.8
Adj. BV (% YoY)	9.6	5.0	15.7	14.5	14.7
P/ABV (x)	1.2	1.1	1.0	0.9	0.7

Source: Company, LKP Research

## Exhibit 10: Detailed ROA Tree

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Yields / Margins</b>					
Yield on Advance	9.2	8.5	8.5	8.5	8.5
Yield on Funds	8.2	7.7	7.6	7.6	7.6
Cost of Funds (CoF)	5.6	4.8	4.7	4.7	4.6
<b>Interest Spread</b>	<b>2.6</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>3.0</b>
<b>NIM's</b>	<b>2.9</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>
Interest Income / Assets	7.8	7.2	7.1	7.1	7.1
Interest Exp. / Assets	5.0	4.3	4.3	4.2	4.1
<b>NII / Assets</b>	<b>2.7</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>3.0</b>
Fee Income / Assets	0.6	0.5	0.6	0.6	0.6
Other Non Core Income / Assets	0.4	0.3	0.3	0.3	0.2
<b>Other Income / Assets</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>Net Operating Income / Assets</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</b>	<b>4.0</b>
<b>Operating Ratios</b>					
NII to Net Operative Income	70.6	74.0	74.1	74.6	75.6
Other Income to Net Operative Income	29.4	26.0	25.9	25.4	24.4
Empl. Cost/Oper. Exps.	52.5	55.1	55.1	54.9	54.9
Other Op. Exps./Oper. Exps.	47.5	44.9	44.9	45.1	45.1
<b>C/I Ratio (%)</b>	<b>51.3</b>	<b>49.4</b>	<b>49.4</b>	<b>49.4</b>	<b>49.4</b>
<b>Provisions as % PPP</b>	<b>17.8</b>	<b>22.1</b>	<b>15.3</b>	<b>15.1</b>	<b>14.7</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>1.0</b>	<b>1.3</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<b>Effective Tax Rate (%)</b>	<b>24.1</b>	<b>25.6</b>	<b>25.5</b>	<b>25.5</b>	<b>25.5</b>
Employee Exp. / Assets	1.0	1.1	1.1	1.1	1.1
Other Opex/ Assets	0.9	0.9	0.9	0.9	0.9
<b>Total Opex / Assets</b>	<b>2.0</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>2.0</b>
<b>Operating Profits / Assets</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>Op Profit ex Except Items / Assets</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
Provisions / Assets	0.7	0.9	0.6	0.6	0.6
<b>Profit Before Tax / Assets</b>	<b>1.2</b>	<b>1.1</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
Tax Expenses / Assets	0.3	0.3	0.3	0.4	0.4
<b>RoA</b>	<b>0.9</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>
<b>Leverage (x)</b>	<b>12.4</b>	<b>12.5</b>	<b>12.2</b>	<b>12.0</b>	<b>11.8</b>
<b>RoE</b>	<b>11.1</b>	<b>10.4</b>	<b>12.5</b>	<b>12.4</b>	<b>12.7</b>
<b>Adj. RoA</b>	<b>0.9</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>
<b>Adj. RoE</b>	<b>11.1</b>	<b>10.4</b>	<b>12.5</b>	<b>12.4</b>	<b>12.7</b>

Source: Company, LKP Research

**Exhibit 11: Balance Sheet Ratios**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Credit / Deposit Ratio	80.3	76.4	75.7	75.7	75.9
Incremental C/D Ratio	69.5	47.2	69.1	75.9	77.4
Investment Deposit Ratio	23.6	21.5	22.2	22.4	22.4
Dom. SLR Investment / Deposits	20.9	20.0	20.9	21.0	21.1
CASA Ratio	29.0	35.4	36.0	36.1	36.1

Source: Company, LKP Research

**Exhibit 12: Asset Quality**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Slippage Ratio (%)	1.7	1.6	1.2	1.0	1.0
Gross NPA	35,308	46,024	46,128	49,363	49,824
Gross NPAs Ratio (%)	2.8	3.4	3.2	3.1	2.8
PCR (%)	54.5	65.9	68.9	73.1	75.0
Net NPA	16,072	15,693	14,331	13,266	12,462
Net NPAs Ratio (%)	1.3	1.2	1.0	0.8	0.7
Total Impaired Loans	35,308	46,024	46,128	49,363	49,824
Impaired Loan as % of Loan / AUM	2.8	3.4	3.1	3.0	2.7
Total Risk Reserves	20,056	30,331	31,797	36,097	37,361
Total Risk As % of Loan Book	1.6	2.2	2.1	2.2	2.0

Source: Company, LKP Research

## Exhibit 13: Key Assumptions &amp; Forecasts

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Loan &amp; Advances (₹ mn)</b>	<b>12,22,679</b>	<b>13,18,786</b>	<b>14,50,665</b>	<b>16,10,238</b>	<b>18,03,466</b>
<i>Growth (yoy %)</i>	10.9	7.9	10.0	11.0	12.0
Interest Bearing Liabilities (₹ mn)	16,26,625	18,17,130	20,07,731	22,27,768	24,89,337
<i>Growth (yoy %)</i>	10.9	7.9	10.0	11.0	12.0
Yield on Funds	8.2	7.7	7.6	7.6	7.6
<i>Cost of Funds (CoF)</i>	5.6	4.8	4.7	4.7	4.6
Interest Spread	2.6	2.9	2.9	2.9	3.0
NIM's	2.9	3.1	3.1	3.1	3.2
Other Income Growth	43.0	0.7	9.3	9.4	9.7
<i>C/I Ratio (%)</i>	51.3	49.4	49.4	49.4	49.4
<i>Effective Tax Rate (%)</i>	24.1	25.6	25.5	25.5	25.5
<b>Return Ratios</b>					
<i>Adj. RoA</i>	0.9	0.8	1.0	1.0	1.1
<i>Adj. RoE</i>	11.1	10.4	12.5	12.4	12.7
<b>Asset Quality Metrics</b>					
Credit Cost (As % of Op. AUM)	1.0	1.3	0.9	0.9	0.9
Gross NPAs Ratio (%)	2.8	3.4	3.2	3.1	2.8
Net NPAs Ratio (%)	1.3	1.2	1.0	0.8	0.7

Source: Company, LKP Research

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