

FEDERAL BANK | Banking

Capital raise to propel growth; Steady asset quality

LKP

Price Analysis:

Federal Bank has reported 1QFY22 earnings in line with our expectations and the key pointers are a) timely capital infusion, b) higher slippages, but GNPA in check owing to higher write-offs, c) muted business growth, d) higher provision expenses because of write-offs and e) The restructured book at 1.86% v/s 1.23% of net advances. The restructured book will be keenly watched as the covid provision (0.37% of book) seems inadequate. Furthermore the management expects 30% - 40% of restructured book may likely slip in coming quarters. However, major chunk of restructured book is secured. GNPA is at 3.50% v/s 3.41% in the previous quarter. Gold loan growth (54% YoY) and robust other income growth (40% QoQ) are positive take ways from this quarter. We believe, the growth will come back post capital infusion. Nevertheless, the movement of restructured book will be key monitor-able. Factoring capital raise, stable quarter and inexpensive valuation (P/BV: 1x), we maintain our positive outlook on Federal Bank.

Capital infusion to propel growth: The board of Federal Bank has approved the capital raising through preferential basis, subject to regulatory and other approvals. The bank would issue 104.8mn shares at ₹87.4 per share totalling to ₹9.16bn. The dilution pre and post money basis would be 5.25% and 4.99% respectively. Post money, the CET 1 (same as Tier 1) of the bank would increase by 83bps and would be at 14.7% (13.87% in 1QFY22) based on 1QFY22 RWA. The Preferential allottees include 3 new investors – International Finance Corporation, IFC Growth fund, IFC Emerging Asia Fund. The pricing of preferential issues is ~2.4% above yesterdays closing price. Importantly, the pricing is at 1.1(x) 1QFY22 trailing Adjusted Book value (₹80.8), which is satisfactory. Moreover, post capital raise, we believe the bank is better placed to tide over Covid-19. The management bandwidth should also be relatively freed-up, which would help them look at healthy business opportunities. At these valuations and post capital raise, we believe the downside is protected and the bank can trade up 1.1(x) FY23. The re-rating beyond 1.1(x) could be contingent on financial performance and broader macro recovery.

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	19,618	23,170	28,008
Net Worth	1,45,126	1,61,186	1,80,804	2,03,975	2,31,982
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	3.1	3.0	2.7
Tier 1 Ratio	13.8	15.8	16.0	16.2	16.5
Adj. RoA Ratio	0.9	0.8	0.9	1.0	1.1
Adj. RoE Ratio	11.1	10.4	11.5	12.0	12.8

Rating	Buy
Current Market Price (₹)	85
12 M Price Target (₹)	101
Potential upside (%)	19

Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	171
Market Cap Free Float (₹ bn) :	171
52-Week High / Low (₹) :	45 / 93
2-Year High / Low (₹) :	36 / 99
1 Year Avg. Dly Traded Volume (in lakh)	329
BSE Code / NSE Symbol	500469 / FEDERALBNK
Bloomberg :	FB IN

Shareholding Pattern (%)

	Jun-21	Mar-21	Dec-20	Sep-20
FPIs	24.05	24.51	21.69	24.64
MFs	32.59	30.23	29.90	25.02
AIF's	0.45	1.25	0.65	0.35
Insurance	10.83	11.80	14.02	12.92
Others	32.08	32.21	33.74	37.07

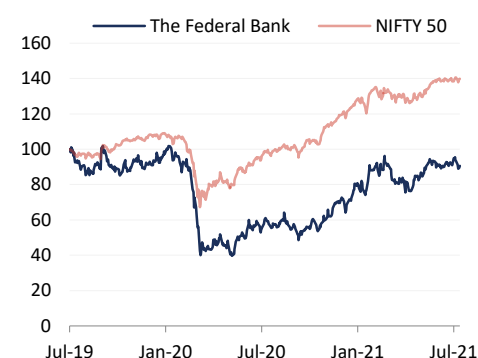
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Federal Bank	0.7%	18%	17%	57%
Nifty 50	1.1%	11%	10%	42%

* To date / current date : July 23, 2021

Federal Bank vs Nifty 50



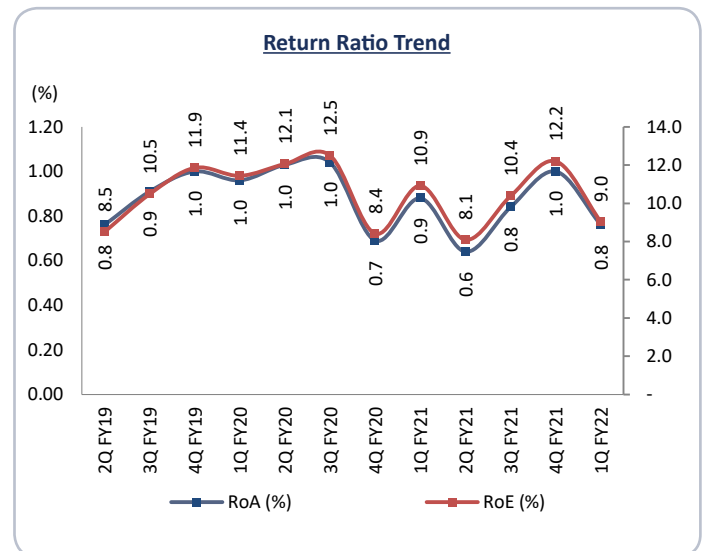
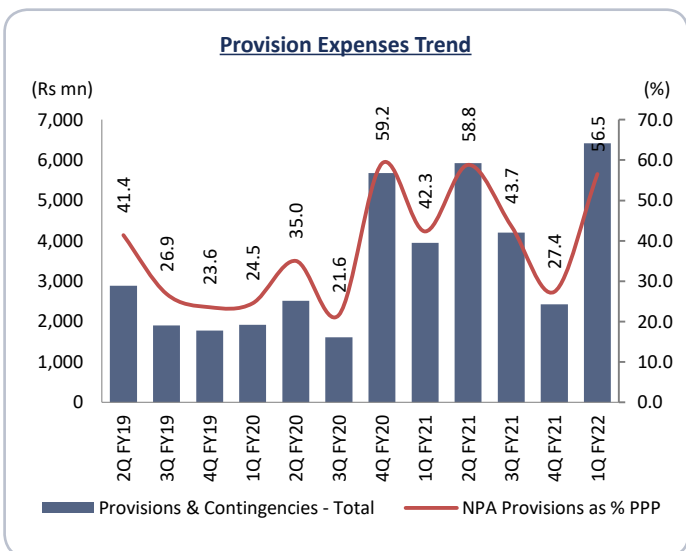
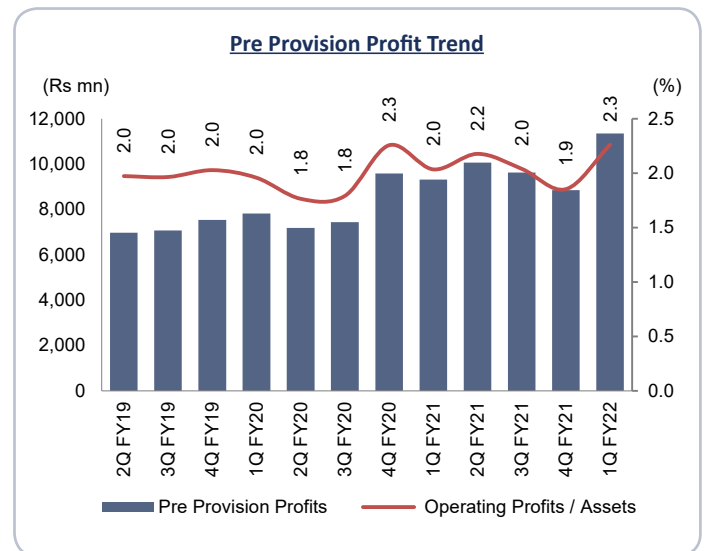
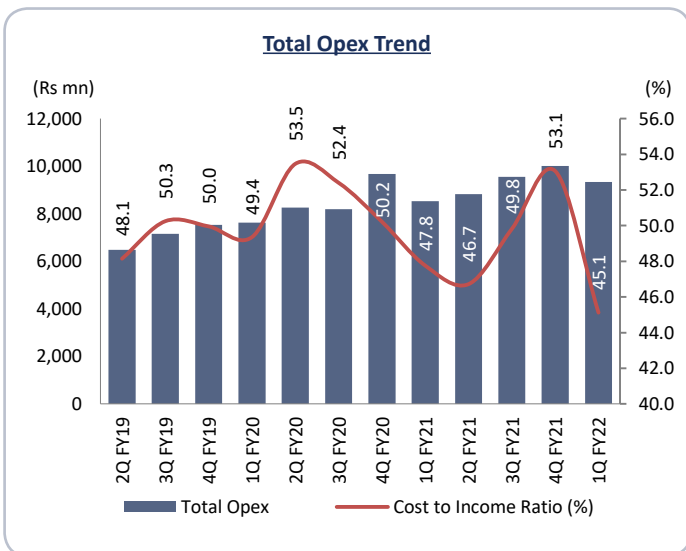
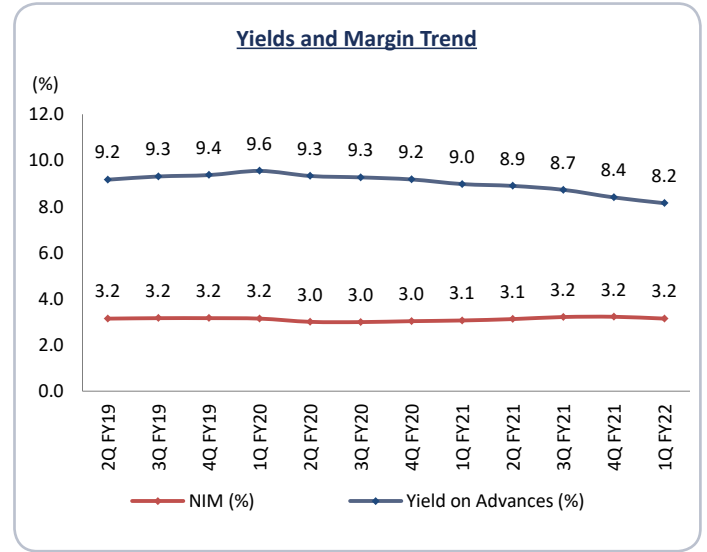
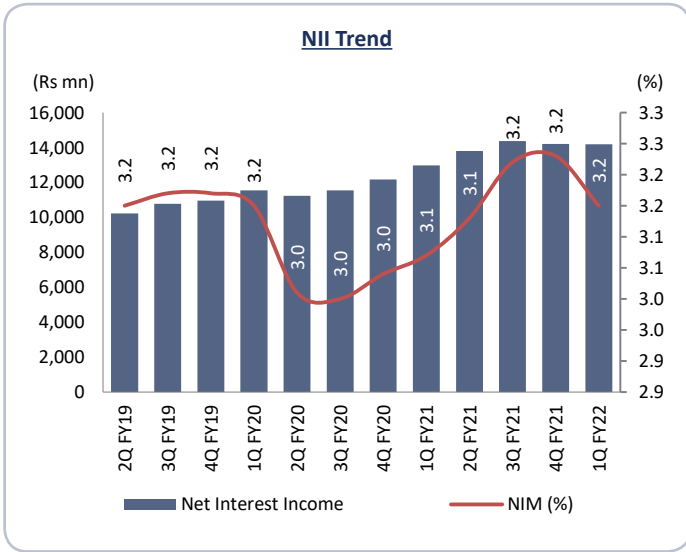
GNPA intact despite higher slippages; restructuring inched up: The total restructuring reported worth ₹24.1bn (1.86% of book); increased sequentially from ₹16.2bn (1.23% of book). The restructuring amount is in line with our expectations. Retail restructuring contributes ~59% of total amount. The management expects ~30 – 40% of restructuring book may likely slip in coming quarters. However, the major chunk is secured and around 6% of restructured book is unsecured. Reported fresh slippages are at thirteen quarters high at ₹6.4bn v/s ₹6bn in previous quarter. SME book contributed 45% of the fresh slippages while Agriculture book contributed 25% of total slippages. The retail slippages down to ₹1.3bn against ₹3.0bn in 4QFY21. The bank's up-gradation and recoveries inched up sequentially at ₹2bn v/s ₹1.7bn in previous quarter. Moreover, write-offs are at higher side of ₹4.4bn. The bank has made provisioning of ₹6.4bn v/s ₹2.4bn in 4QFY21. The bank didn't make additional covid provisioning this quarter, the total covid provisioning stands at ₹4.75bn (0.37% of net advances). The reported credit cost stood 136bps v/s 219bps in previous quarter. The management stated credit cost guidance of 65 – 80 bps.

Strong Gold loan & treasury income growth: The bank's net advances stood at ₹1.3tn; grew by 7.0% YoY and de-grew by 1.6% QoQ. Retail book (32.8% of book) de-grew at 2.9% QoQ. Agriculture book (12.7% of book), SME book (18.5% of book) and corporate book (36.0%) grew by 4.7% QoQ, negative 2.4% QoQ and negative 1.9% QoQ respectively. The bank has been focusing on gold loans since the lockdown started and the disbursal run rate is double of FY20 level. In 1QFY22, Gold loan registered record YoY growth of 54% and book stood ₹157.6bn. Deposits grew by 9.3% YOY and de-grew 1.9% QoQ; CASA stood at 34.8% vs. 33.8% in last quarter. The bank's NII stood at ₹14.2bn; grew by 9.4% YoY and flat sequentially. NIM down to 3.15% despite 25bps decrease in CoD at 4.45%. The bank's yields on advances declined by 25bps to 8.15%. Non-interest income has witnessed a robust growth of 33% YoY and 40% sequentially driven by treasury profit (5 times of the previous quarter). Owing to sequentially higher treasury income, flat NII and lower Opex., the bank's PPOP grew by 28% QoQ. Provisioning expenses are at higher side (₹6.4bn v/s 2.4bn in the last quarter) resulted in PAT of ₹3.7bn; de-grew by 8% YoY and 23% sequentially.

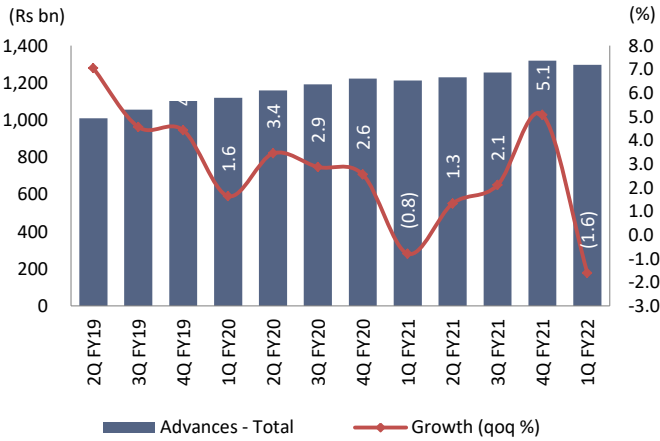
Outlook & Valuation

We expect the bank to revisit the growth trajectory post equity infusion. However, profitability may remain under pressure in FY22 led by the restructuring 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%/12% by FY23E. In our view, most of the negatives are already in the price, hence we reiterate BUY with an increased target price of ₹101 (based on 1.1x FY23E Adj. BVPS); a potential upside of 19%.

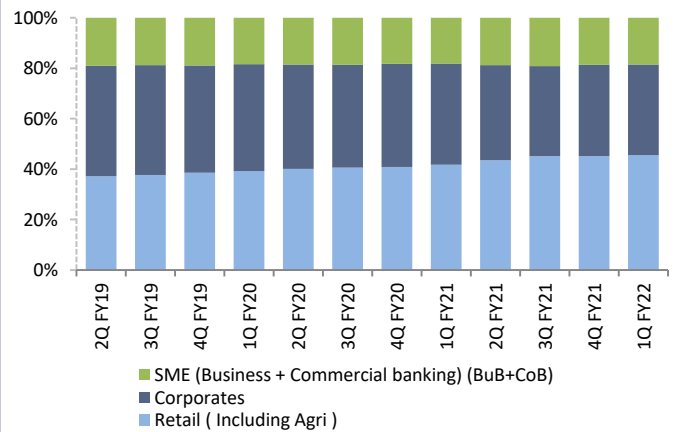
Quarterly story in charts



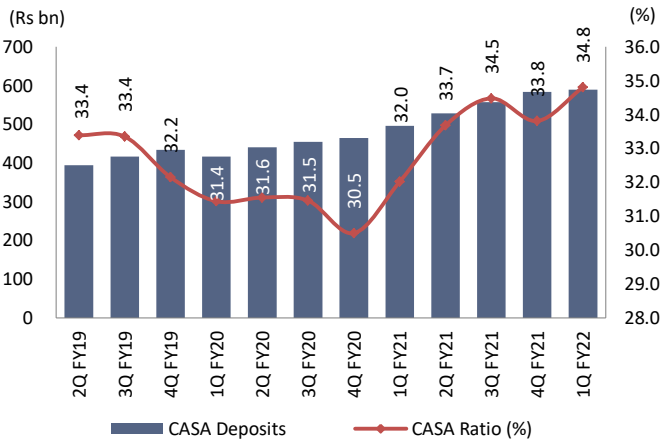
Loan Book Trend



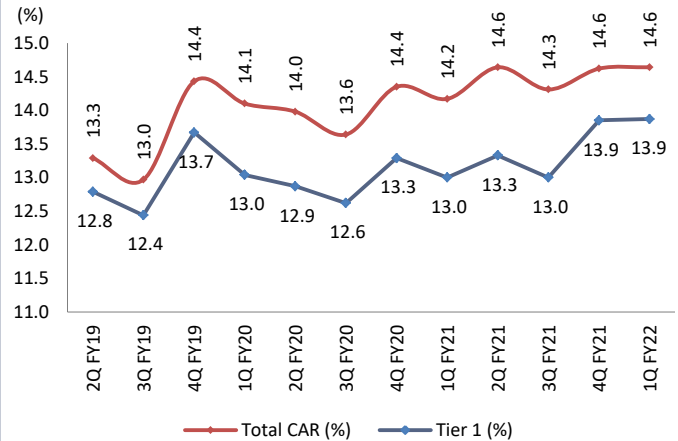
Loan Book Mix Trend



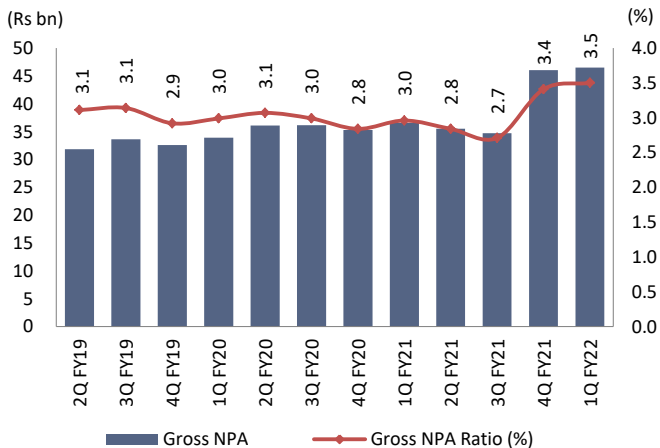
CASA Deposit Trend



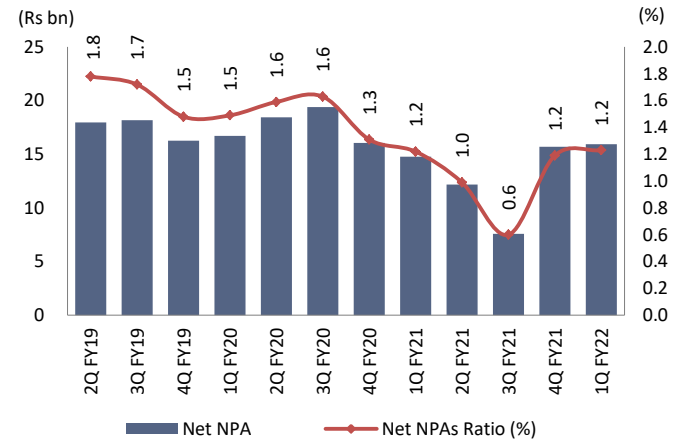
CRAR & Tier 1 Ratio Trend



Gross NPA Trend



Net NPA Trend



Financial Performance at a glance

Exhibit 1 : Income Statement Analysis

(₹ mn)	1Q FY22	1Q FY21	% yoy / bps	4Q FY21	% qoq / bps	FY21	FY20	% yoy / bps
Int. on Loan	26,711	27,060	(1.3)	26,584	0.5	1,07,951	1,06,709	1.2
Int. on Investment	5,906	6,061	(2.6)	5,767	2.4	23,489	21,841	7.5
Int. on Balances	366	707	(48.2)	662	(44.7)	3,682	1,400	163.0
Int. Others	574	614	(6.5)	650	(11.7)	2,457	2,159	13.8
Interest Inc.	33,557	34,442	(2.6)	33,663	(0.3)	1,37,579	1,32,108	4.1
<i>Yield on Advances (%)</i>	8.2	9.0	(83)	8.4	(25)	-	-	-
Interest Expenses	19,373	21,477	(9.8)	19,460	(0.4)	82,242	85,618	(3.9)
<i>Cost of Dep. (%)</i>	4.5	5.4	(92)	4.7	(25)	-	-	-
Net Interest Income	14,184	12,964	9.4	14,204	(0.1)	55,337	46,489	19.0
<i>NII to Net Operative Income</i>	68.6	72.6	(407)	75.3	(675)	74.0	70.6	335
<i>NIM (%)</i>	3.2	3.1	8	3.2	(8)	-	-	-
<i>Risk Adjusted NIM</i>	2.1	2.5	(33)	1.6	49	-	-	-
Core Fee Income	2,550	1,710	49.1	3,630	(29.8)	11,790	12,300	(4.1)
Non Core Other Income	3,952	3,174	24.5	1,024	286.0	7,659	7,014	9.2
Other Income - Total	6,502	4,884	33.1	4,654	39.7	19,449	19,314	0.7
<i>Other Inc to Net Oper. Income (%)</i>	31.4	27.4	407	24.7	675	26.0	29.4	(335)
Net Operating Revenue	20,686	17,848	15.9	18,858	9.7	74,786	65,803	13.7
Employee Expenses	5,283	4,959	6.5	5,252	0.6	20,342	17,724	14.8
<i>Empl. Cost/Oper. Exps. (%)</i>	25.5	27.8	(224)	27.9	(231)	27.2	26.9	27
Other Opex	4,051	3,566	13.6	4,754	(14.8)	16,575	16,033	3.4
<i>Other Opex/ Assets (%)</i>	0.2	0.2	1	0.2	(5)	0.9	0.9	(8)
Total Opex	9,334	8,524	9.5	10,007	(6.7)	36,917	33,756	9.4
<i>Cost to Income Ratio (%)</i>	45.1	47.8	(264)	53.1	(794)	49.4	51.3	(194)
Pre Provision Profits	11,352	9,324	21.8	8,851	28.3	37,869	32,047	18.2
Provisions & Contingencies - Total	6,418	3,946	62.6	2,423	164.9	16,496	11,722	40.7
<i>Credit Cost (%)</i>	1.36	0.83	53	2.2	(83)	-	0.90	-
<i>NPA Provisions as % PPP</i>	56.5	42.3	1,422	27.4	2,916	43.6	36.6	699
Profit Before Tax	4,934	5,378	(8.3)	6,428	(23.2)	21,373	20,325	5.2
Tax	1,261	1,370	(8.0)	1,650	(23.6)	5,470	4,898	11.7
<i>Effective Tax Rate (%)</i>	25.6	25.5	8	25.7	(11)	25.6	24.1	150
Reported Profits	3,673	4,008	(8.4)	4,778	(23.1)	15,903	15,428	3.1
<i>RoA (%)</i>	0.8	0.9	(12)	1.0	(24)	-	-	-
<i>RoE (%)</i>	9.0	10.9	(189)	12.2	(317)	-	-	-

Source: Company, LKP Research

Exhibit 2 : Balance Sheet Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Net Worth	1,45,176	1,49,225	1,52,353	1,56,452	1,61,236	1,64,883	2.3	10.5
RoE (%)	8.4	10.9	8.1	10.4	12.2	9.0	(317)	(189)
CET1 (%)	13.3	13.0	13.3	13.0	13.9	13.9	2	87
Tier 1 (%)	13.3	13.0	13.3	13.0	13.9	13.9	2	87
Total CAR (%)	14.4	14.2	14.6	14.3	14.6	14.6	2	47
RWA - Total	10,57,860	10,81,240	10,54,790	10,77,510	11,16,210	11,03,370	(1.2)	2.0
Advances - Total	12,22,679	12,12,970	12,29,120	12,55,050	13,18,786	12,97,650	(1.6)	7.0
Investments	3,58,927	3,47,490	3,62,526	3,43,890	3,71,862	3,73,910	0.6	7.6
Total Assets	18,06,381	18,58,205	18,90,267	19,68,472	20,13,674	20,00,383	(0.7)	7.7
RoA (%)	0.69	0.88	0.64	0.84	1.00	0.76	(24)	(12)
Deposits	15,22,901	15,49,380	15,67,474	16,16,700	17,26,445	16,93,930	(1.9)	9.3
Saving Deposit	3,91,950	4,20,590	4,43,180	4,65,820	4,76,860	89,630	(81.2)	(78.7)
Current Deposit	72,550	75,570	84,670	91,580	1,06,840	4,99,960	368.0	561.6
CASA Deposits	4,64,500	4,96,160	5,27,850	5,57,400	5,83,700	5,89,590	1.0	18.8
CASA Ratio (%)	30.5	32.0	33.7	34.5	33.8	34.8	100	279
Term Deposits	10,58,401	10,53,220	10,39,624	10,59,300	11,42,745	11,04,340	(3.4)	4.9
Interest Bearing Liabilities - Total	16,26,625	16,61,750	16,77,905	17,41,440	18,17,130	17,87,430	(1.6)	7.6

Source: Company, LKP Research

Exhibit 3: Earning Assets Mix & Incremental Contribution

	As on (₹ mn)				As % of Working Assets	YoY/ YTD growth (% / bps)			Incremental Contribution in Working Assets (%)		
	FY18	FY19	FY20	1Q FY22		FY19	FY20	1Q FY22	FY19	FY20	1Q FY22
Total Advances	9,31,730	11,18,290	12,41,530	13,27,870	71.0	20.0	11.0	7.0	92.5	66.2	52.6
Retail (Including Agri)	3,48,190	4,31,820	5,07,520	6,04,360	32.3	24.0	17.5	19.1	41.5	40.7	59.0
Corporates	3,86,700	4,75,480	5,07,250	4,78,120	25.5	23.0	6.7	(5.7)	44.0	17.1	(17.8)
SME (Business + Commercial banking) (BuB+CoB)	1,94,380	2,10,990	2,26,760	2,45,390	13.1	8.5	7.5	8.2	8.2	8.5	11.4
Agri	91,360	1,14,400	1,28,740	1,68,370	9.0	25.2	12.5	30.8	11.4	7.7	24.2
Retail	2,56,830	3,17,420	3,78,780	4,35,990	23.3	23.6	19.3	15.1	30.0	33.0	34.9
Housing	1,16,480	1,53,940	1,82,290	2,01,240	10.8	32.2	18.4	10.4	18.6	15.2	11.5
Mortgage	47,730	59,900	71,250	77,830	4.2	25.5	18.9	9.2	6.0	6.1	4.0
Others	72,970	23,234	78,010	1,03,430	5.5	(68.2)	235.8	32.6	(24.7)	29.4	15.5
Auto	-	7,730	32,310	35,830	1.9	-	318.0	10.9	-	13.2	2.1
Personal	-	72,610	14,920	17,660	0.9	-	(79.5)	18.4	-	(31.0)	1.7
Advances - Total	9,19,575	11,02,230	12,22,679	12,97,650	69.3	19.9	10.9	6.1	90.5	64.7	45.7
Investments	3,07,811	3,18,245	3,58,927	3,73,910	20.0	3.4	12.8	4.2	5.2	21.8	9.1
Cash & Cash Equivalent	92,034	1,00,668	1,25,746	1,99,890	10.7	9.4	24.9	59.0	4.3	13.5	45.2
Working Assets	13,19,420	15,21,142	17,07,352	18,71,450	100.0	15.3	12.2	9.6	100.0	100.0	100.0

Source: Company, LKP Research

Exhibit 4: Funding Profile Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	16,26,625	16,61,750	16,77,905	17,41,440	18,17,130	17,87,430	(1.6)	7.6
Deposits	15,22,901	15,49,380	15,67,474	16,16,700	17,26,445	16,93,930	(1.9)	9.3
CASA Deposits	4,64,500	4,96,160	5,27,850	5,57,400	5,83,700	5,89,590	1.0	18.8
Saving Deposit	3,91,950	4,20,590	4,43,180	4,65,820	4,76,860	89,630	(81.2)	(78.7)
Current Deposit	72,550	75,570	84,670	91,580	1,06,840	4,99,960	368.0	561.6
Term Deposits	10,58,401	10,53,220	10,39,624	10,59,300	11,42,745	11,04,340	(3.4)	4.9
Borrowings	1,03,724	1,12,370	1,10,431	1,24,740	90,685	93,500	3.1	(16.8)
Interest Bearing Liabilities - Total	16,26,625	16,61,750	16,77,905	17,41,440	18,17,130	17,87,430	(1.6)	7.6

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	1Q FY22		FY19	FY20	1Q FY22	FY19	FY20	1Q FY22
Deposits	11,19,925	13,49,543	15,22,901	16,93,930	86.8	20.5	12.8	11.2	113.3	81.9	94.7
Saving Deposit	3,09,198	3,49,786	3,58,344	89,630	4.6	13.1	2.4	(75.0)	20.0	4.0	(148.9)
Current Deposit	67,669	87,528	82,398	4,99,960	25.6	29.3	(5.9)	506.8	9.8	(2.4)	231.3
CASA Deposits	3,76,867	4,37,314	4,40,743	5,89,590	30.2	16.0	0.8	33.8	29.8	1.6	82.5
Term Deposits	7,43,058	9,12,230	10,82,158	11,04,340	56.6	22.8	18.6	2.0	83.4	80.3	12.3
Borrowings	1,15,335	77,813	1,03,724	93,500	4.8	(32.5)	33.3	(9.9)	(18.5)	12.2	(5.7)
Interest Bearing Liabilities - Total	12,35,260	14,27,357	16,26,625	17,87,430	91.6	15.6	14.0	9.9	94.8	94.1	89.1
Net Worth	1,22,102	1,32,730	1,45,176	1,64,883	8.4	8.7	9.4	13.6	5.2	5.9	10.9
Working Fund	13,57,362	15,60,087	17,71,801	19,52,313	100.0	14.9	13.6	10.2	100.0	100.0	100.0
Interest Exp. / Assets	4.87	4.87	5.04	3.9		(1)	17	(118)			

Source: Company, LKP Research

Exhibit 6: Asset Quality Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Total Slippages	3,120	1,930	100	340	16,850	6,890	(59.1)	257.0
Slippages Ratio (%)	0.28	0.16	0.01	0.03	1.38	0.52	(86)	36
Gross NPA	35,308	36,556	35,522	34,702	46,024	46,493	1.0	27.2
Gross NPAs Ratio (%)	2.84	2.96	2.84	2.71	3.41	3.50	9	54
PCR - Calculated (%)	54.5	59.6	65.7	78.2	65.9	65.7	(17)	615
PCR - Inc. Tech w/o (%)	72.5	75.1	78.3	77.1	65.1	65.0	(14)	(1,009)
Net NPA	16,072	14,775	12,181	7,572	15,693	15,932	1.5	7.8
Net NPAs Ratio (%)	1.31	1.22	0.99	0.60	1.19	1.23	4	1
Standard Restructured	3	4,060	4,410	11,290	16,180	24,140	49.2	494.6
Std. Rest. Adv. as % of Advances	3,970.0	0.3	0.36	0.90	1.23	1.86	63	153

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
Net Interest Income	46,489	55,337	60,914	68,388	78,998
<i>NIM (%)</i>	2.88	3.08	3.06	3.09	3.20
Other Income - Total	19,314	19,449	21,267	23,263	25,513
Net Operating Revenue	65,803	74,786	82,182	91,651	1,04,511
Employee Exp.	17,724	20,342	22,376	24,837	28,315
Other Opex	16,033	16,575	18,233	20,421	23,280
Total Opex	33,756	36,917	40,609	45,258	51,594
<i>C/I Ratio (%)</i>	51.30	49.36	49.41	49.38	49.37
Pre Provision Profits	32,047	37,869	41,573	46,393	52,917
<i>PPP Growth (yoy %)</i>	16.0	18.2	9.8	11.6	14.1
Provisions & Contingencies - Total	11,722	16,496	15,240	15,292	15,322
Credit Cost (As % of Op. AUM)	1.01	1.28	1.10	1.00	0.90
Profit Before Tax	20,325	21,373	26,333	31,101	37,594
Tax	4,898	5,470	6,715	7,931	9,587
<i>Effective Tax Rate (%)</i>	24.1	25.6	25.5	25.5	25.5
Reported Profits	15,428	15,903	19,618	23,170	28,008
<i>PAT Growth (yoy %)</i>	24.0	3.1	23.4	18.1	20.9

Source: Company, LKP Research

Exhibit 8: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	3,985	3,992	3,993	3,993	3,993
Reserves (ex Revel. Reserve)	1,41,141	1,57,194	1,76,812	1,99,982	2,27,990
Net Worth - Ex Revaluation	1,45,126	1,61,186	1,80,804	2,03,975	2,31,982
Revaluation Reserve	50	50	50	49	46
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
Interest Bearing Liabilities (₹ mn)	16,26,625	18,17,130	20,07,731	22,27,768	24,89,337
Other Lia. & Prov.	34,579	35,308	36,193	40,229	43,530
Total Liabilities	18,06,380	20,13,674	22,24,778	24,72,021	27,64,895
Assets					
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
Growth (yoy %)	10.9	7.9	10.0	11.0	12.0
Fixed Assets	4,800	4,911	5,174	5,748	6,513
Other Assets	94,229	1,22,201	1,25,867	1,38,453	1,52,299
Total Assets	18,06,380	20,13,674	22,24,778	24,72,021	27,64,895

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	9.8	11.6	14.0
EPS (% YoY)	23.6	2.9	23.4	18.1	20.9
P/E (x)	11.0	10.7	8.7	7.4	6.1
Book Value (₹)	72.8	80.7	90.6	102.2	116.2
BVPS (% YoY)	9.0	10.9	12.2	12.8	13.7
P/BV (x)	1.2	1.1	0.9	0.8	0.7
Adj. BV (₹)	68.8	72.3	80.5	92.1	106.2
Adj. BV (% YoY)	9.6	5.0	11.4	14.4	15.2
P/ABV (x)	1.2	1.2	1.1	0.9	0.8

Source: Company, LKP Research

Exhibit 10: Detailed ROA Tree

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
<i>Yield on Advance</i>	9.2	8.5	8.5	8.5	8.5
<i>Yield on Funds</i>	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
<i>Interest Income / Assets</i>	7.8	7.2	7.1	7.2	7.2
<i>Interest Exp. / Assets</i>	5.0	4.3	4.3	4.2	4.1
NII / Assets	2.7	2.9	2.9	2.9	3.0
<i>Fee Income / Assets</i>	0.6	0.5	0.6	0.6	0.6
<i>Other Non Core Income / Assets</i>	0.4	0.3	0.3	0.3	0.2
Other Income / Assets	1.1	1.0	1.0	1.0	1.0
Net Operating Income / Assets	3.9	3.9	3.9	3.9	4.0
Operating Ratios					
<i>NII to Net Operative Income</i>	70.6	74.0	74.1	74.6	75.6
<i>Other Income to Net Operative Income</i>	29.4	26.0	25.9	25.4	24.4
<i>Empl. Cost/Oper. Exps.</i>	52.5	55.1	55.1	54.9	54.9
<i>Other Op. Exps./Oper. Exps.</i>	47.5	44.9	44.9	45.1	45.1
C/I Ratio (%)	51.3	49.4	49.4	49.4	49.4
Provisions as % PPP	17.8	22.1	18.5	16.7	14.7
Credit Cost (As % of Op. AUM)	1.0	1.3	1.1	1.0	0.9
Effective Tax Rate (%)	24.1	25.6	25.5	25.5	25.5
<i>Employee Exp. / Assets</i>	1.0	1.1	1.1	1.1	1.1
<i>Other Opex/ Assets</i>	0.9	0.9	0.9	0.9	0.9
Total Opex / Assets	2.0	1.9	1.9	1.9	2.0
Operating Profits / Assets	1.9	2.0	2.0	2.0	2.0
Op Profit ex Except Items / Assets	1.9	2.0	2.0	2.0	2.0
<i>Provisions / Assets</i>	0.7	0.9	0.7	0.7	0.6
<i>Profit Before Tax / Assets</i>	1.2	1.1	1.2	1.3	1.4
<i>Tax Expenses / Assets</i>	0.3	0.3	0.3	0.3	0.4
RoA	0.9	0.8	0.9	1.0	1.1
Leverage (x)	12.4	12.5	12.3	12.1	11.9
RoE	11.1	10.4	11.5	12.0	12.8
Adj. RoA	0.9	0.8	0.9	1.0	1.1
Adj. RoE	11.1	10.4	11.5	12.0	12.8

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	1.4	1.0	1.0
Gross NPA	35,308	46,024	44,982	48,217	48,781
Gross NPAs Ratio (%)	2.8	3.4	3.1	3.0	2.7
PCR (%)	54.5	65.9	65.2	67.2	68.4
Net NPA	16,072	15,693	15,653	15,836	15,438
Net NPAs Ratio (%)	1.3	1.2	1.1	1.0	0.9
Total Impaired Loans	35,308	46,024	44,982	48,217	48,781
Impaired Loan as % of Loan / AUM	2.8	3.4	3.0	2.9	2.6
Total Risk Reserves	20,056	30,331	29,329	32,381	33,343
Total Risk As % of Loan Book	1.6	2.2	2.0	2.0	1.8

Source: Company, LKP Research

Exhibit 13: Key Assumptions & Forecasts

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Loan & Advances (₹ mn)	12,22,679	13,18,786	14,50,665	16,10,238	18,03,466
<i>Growth (yoy %)</i>		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>		11.7	10.5	11.0	11.7
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
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
C/I Ratio (%)	51.3	49.4	49.4	49.4	49.4
Effective Tax Rate (%)	24.1	25.6	25.5	25.5	25.5
Return Ratios					
Adj. RoA	0.9	0.8	0.9	1.0	1.1
Adj. RoE	11.1	10.4	11.5	12.0	12.8
Asset Quality Metrics					
Credit Cost (As % of Op. AUM)	1.0	1.3	1.1	1.0	0.9
Gross NPAs Ratio (%)	2.8	3.4	3.1	3.0	2.7
Net NPAs Ratio (%)	1.3	1.2	1.1	1.0	0.9

Source: Company, LKP Research

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