August 26, 2020 **Company Update**

THE FEDERAL BANK LTD | Banking

..... Negatives Priced In

LKP

Bank's Profile: The Federal Bank was incorporated on April 23, 1931 as the Travancore Federal Bank Limited, Nedumpuram under the Travancore Companies Regulation, 1916. Late K.P. Hormis, the visionary banker and founder took up the reigns in 1945 and built the bank a nationwide institution. The Bank's name was changed to The Federal Bank Limited on December 2, 1949. A bank having limited presence in the map has now spread across India and today the bank is present in 25 States, Delhi NCT and 4 Union Territories with more than one thousand branches and ATMs. Currently, the bank's management is ably led by Shyam Shrinivasan as MD and CEO.

Price Analysis:

The bank has reported sturdy results in the recent quarter led by a) strong NII growth (12% YoY) with NIMs improvement to 3.07%. b) Healthy business growth (credit: 8.3% YoY and deposits: 16.9% YoY). c) Better operating performance with C/I ratio 47.8% v/s 51.3% in FY20. d) Improvement in moratorium book (24% against 35% declared earlier). Federal Bank has one of the best liability franchise among private sector banks with LCR of 220% and CD ratio of 78%. Furthermore, the bank sees no further equity dilution as CET 1 is 13% of RWA. Under base case scenario, we estimate the bank's FY22E ROA and ROE at ~1% and ~13% respectively. An inexpensive valuation (P/Adj. BV: 0.87x) makes the bank lucrative. Thus we recommend BUY.

Gazing the core:

Stable Asset Quality: As on 12th Jul-20, the net moratorium book stood at 24% of book against 35% in the last earning call. The net moratorium book is calculated as; Net moratorium = Gross moratorium – loans which have cleared all interests/EMIs – Gold loans/loans against liquid securities. Business banking and commercial banking has the highest proportion of 42% and 35% respectively, where 12% of corporate book and 33% of retail book has opted for moratorium. Moratorium calculation is not uniform across banks. For Federal Bank moratorium calculation excludes the accounts which have paid all the dues (EMI/Interest). The overdue loans reduced to ₹6.1bn as on end July against ₹8.4bn as on end February. Management expects the actual picture to be cleared after 31st Aug 2020 when moratorium will be lifted. A crystal clear commentary/ presentation on the moratorium book gives us the confidence to estimate the future asset quality outlook. We estimate FY21E GNPA ratio of 3.2% & NNPA ratio at 1.8% against the current level of 3% and 1.2% respectively. In FY22E and FY23E the GNPA ratio is likely to ease to pre – COVID level.

Key Financials (₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
NII	41,763	46,489	52,119	60,674	70,217
Operating Profit	27,631	32,047	36,774	42,594	52,683
Reported Profits	12,439	15,428	15,481	23,748	29,941
Net Worth	132,680	145,126	160,607	184,355	214,296
Loan & Advances	1,102,230	1,222,679	1,326,607	1,492,433	1,701,373
Int. Bearing Liabilities	1,427,357	1,626,625	1,764,048	1,967,030	2,200,438
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Key Ratios (%)	FY19	FY20	FY21E	FY22E	FY23E
NIM's	2.9	2.9	2.9	3.1	3.2
C/I Ratio	50.0	51.3	49.8	49.1	46.7
Gross NPA Ratio	2.9	2.8	3.2	2.6	2.3
Tier 1 Ratio	13.8	13.8	16.0	16.5	17.1
Adj. RoA Ratio	0.8	0.9	0.8	1.1	1.3
Adj. RoE Ratio	9.8	11.1	10.1	13.8	15.0

Rating	Buy
Current Market Price (₹)	56
12 M Price Target (₹)	71
Potential upside (%)	27

Stock Data	
FV (₹) :	2
Market Cap Full (₹ bn) :	113
Market Cap Free Float (₹ bn) :	113
52-Week High / Low (₹) :	99 / 36
2-Year High / Low (₹) :	110 / 36
1 Year Avg. Dly Traded Volume (in lakh)	228
BSE Code / NSE Symbol :	500469 / FEDERALBNK
Bloomberg :	FB IN

Shareholding Pattern (%)

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

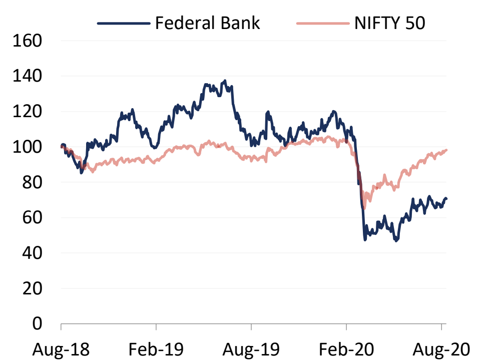
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Federal Bank	-2%	46%	-35%	-33%
Nifty 50	2%	27%	-3%	3%

** To date / current date : August 25, 2020*

Federal Bank vs Nifty 50



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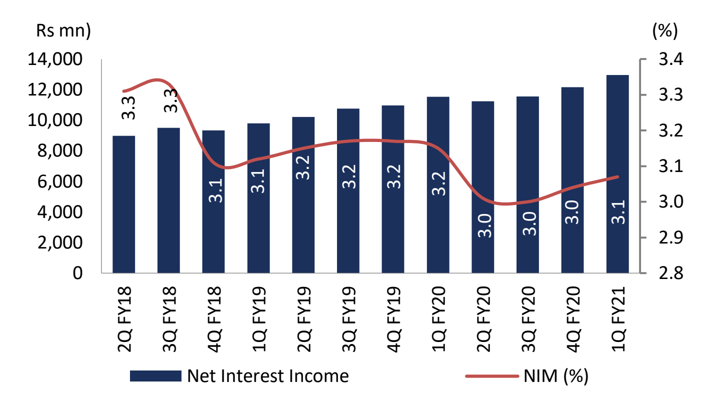
Strong Liability Franchise/No equity dilution in near term: The bank has maintained LCR of above regulatory requirement of 80%. In 1QFY21 (Lockdown/MORAT quarter) the LCR stood at 220% with CD ratio of 78%. A higher LCR and lower CDR gives cushion to absorb any major shocks. The deposit growth in 1QFY21 was robust (17% YoY and CASA: 32%). Although, it may compress the NIMs (3.07% in 1QFY21) marginally but a healthy credit growth and widening interest spread may keep it in range bound. Additionally, the bank has CET 1 (same as Tier 1) of 13% above the regulatory requirement of 7.735%. Management sees no equity dilution in near term and expects the capital is adequate to absorb shocks and provide growth in FY21.

Well Balanced Portfolio: As of 1QFY21, the bank has maintained a well-diversified book which carries retail (inc. Agri), corporate and SME book of 41.8%, 40.1%, 18.1% respectively. Retail book grew by 16% YoY v/s corporate book growth of 3% YoY. The bank has been focusing on gold loans since the lockdown started and it grew by 37% YoY and 10% sequentially in 1QFY21 to ₹102.4bn (8.4% 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 8.3% by FY20-22E.

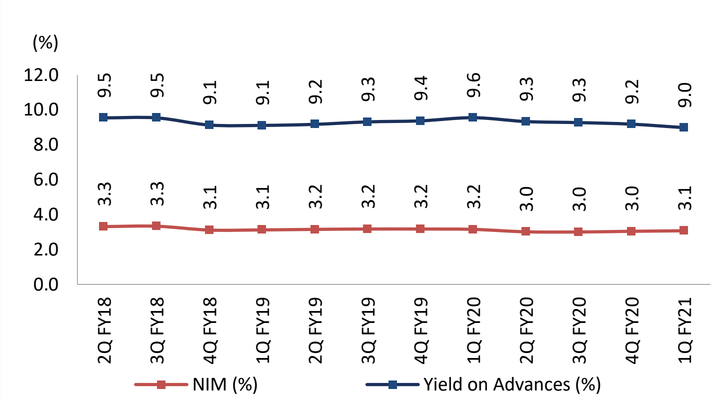
Outlook and Valuation:

Despite substantial improvement in all major operating matrix, profitability may remain under pressure in FY21 led by the higher provision for LuM. We have incorporated higher provision requirement along with steady growth in balance sheet and thus expect it to deliver RoA/ RoE of ~1%/~13% by FY22E. In our view, maximum negatives are in the price and thus we recommend BUY with a TP of ₹71 (based on 0.8x FY22E Adj. BVPS); a potential upside of 27%.

NII Trend

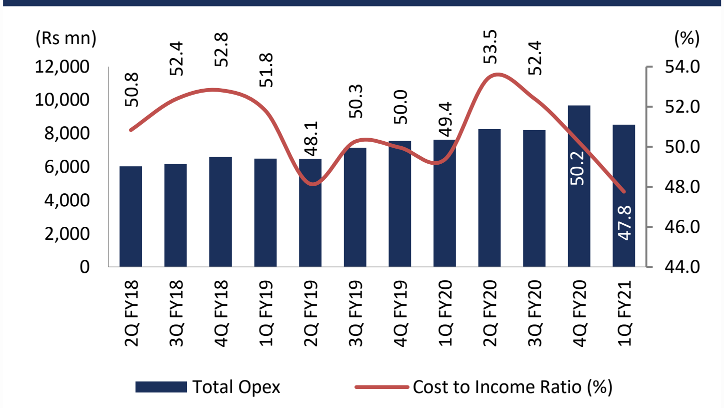


Yield & Margin's Trend

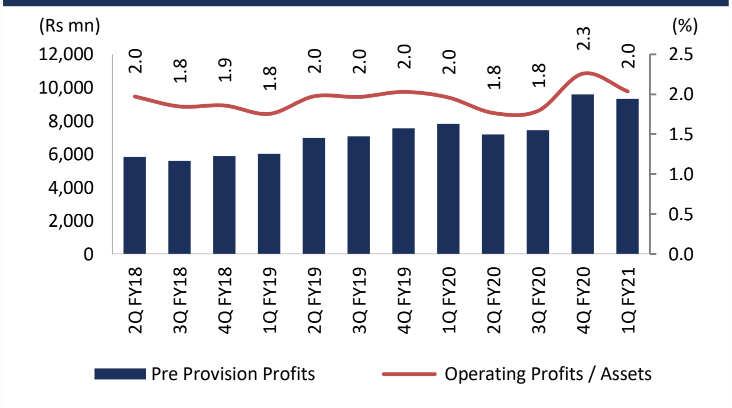


Source: Company, LKP Research

Total OPEX Trend

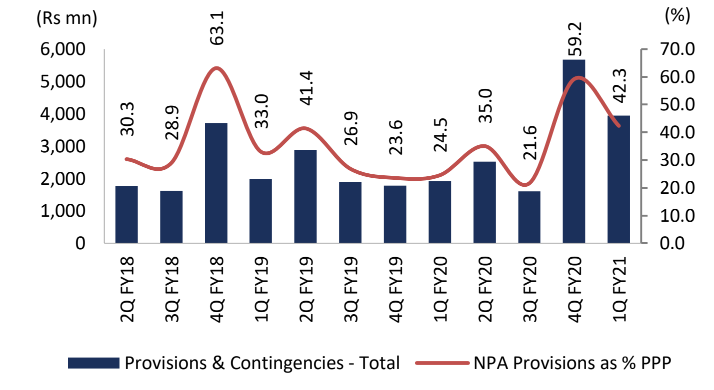


Pre Provision Profit Trend

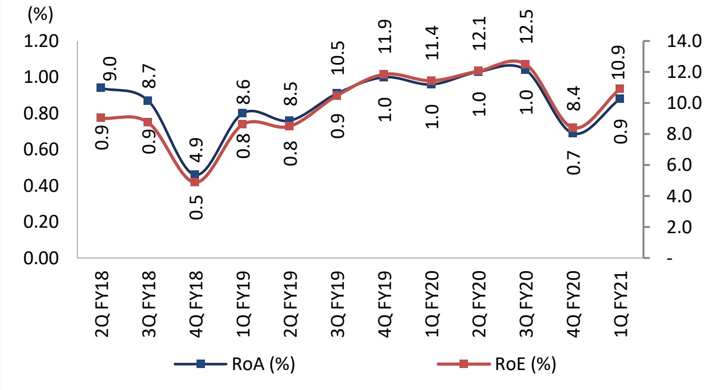


Source: Company, LKP Research

Provision Expenses Trend

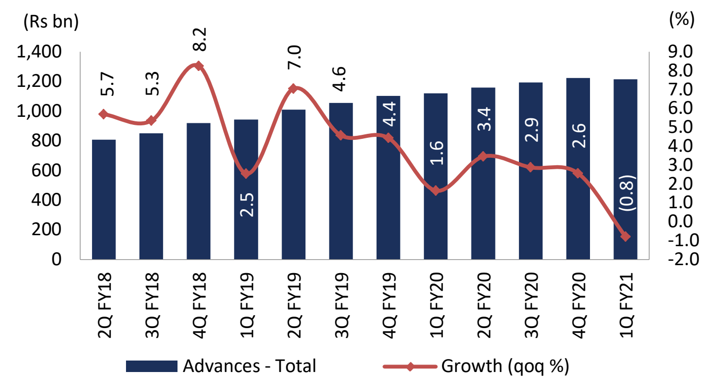


Return Ratio Trend

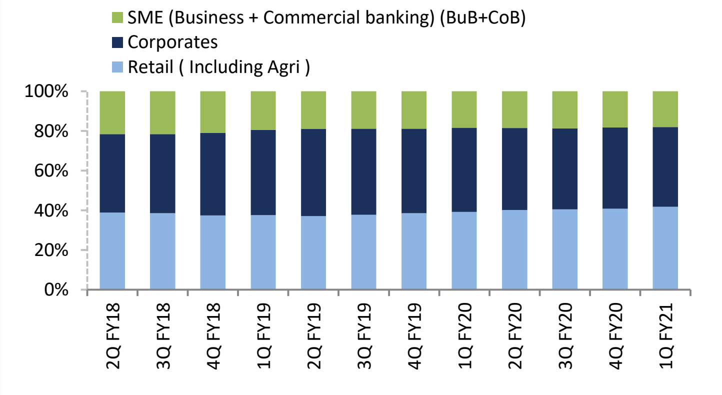


Source: Company, LKP Research

Loan Book Trend

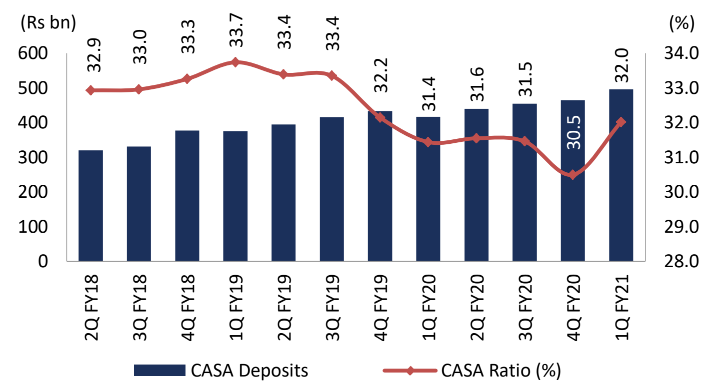


Loan Book Mix

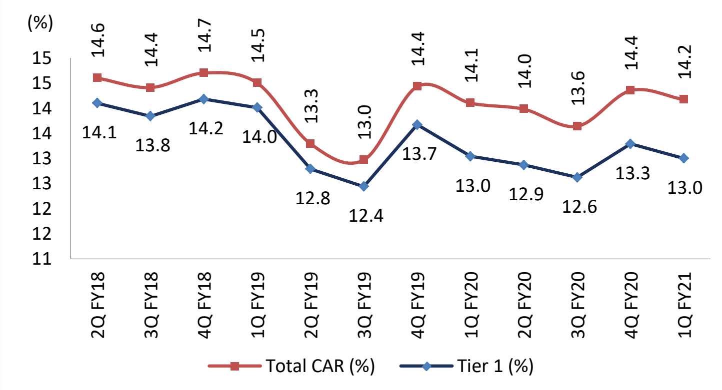


Source: Company, LKP Research

CASA Deposit Trend

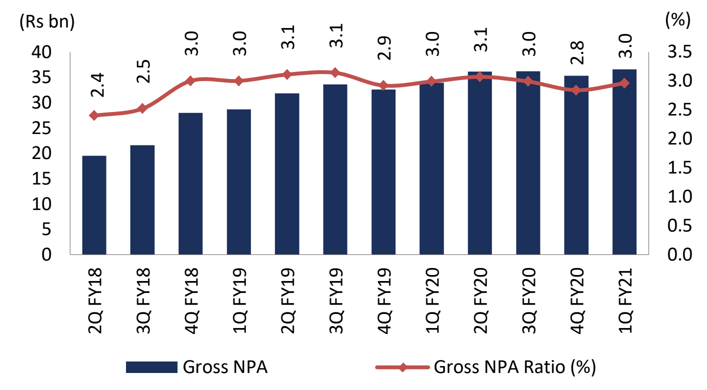


CRAR & Tier 1 Ratio Trend

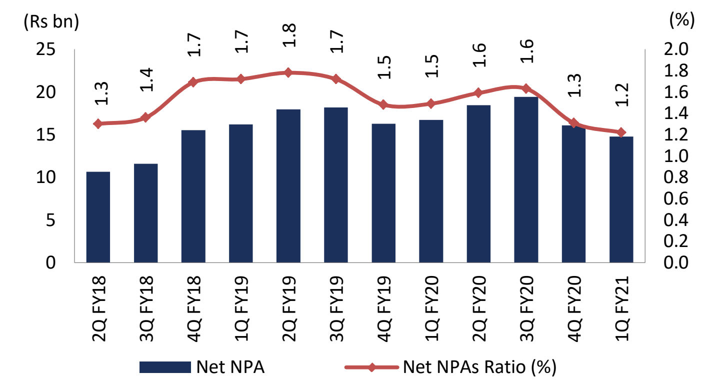


Source: Company, LKP Research

Gross NPA Trend

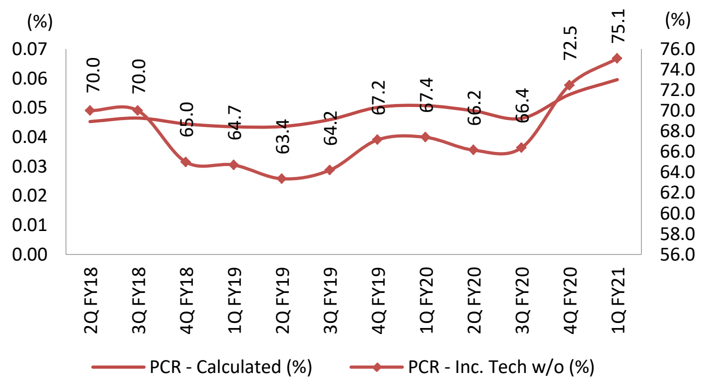


Net NPA Trend

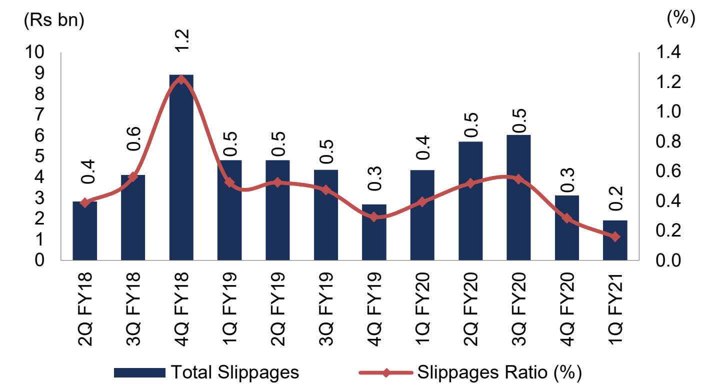


Source: Company, LKP Research

PCR Trend



Slippages Trend



Source: Company, LKP Research

Financial Performance at a glance

Exhibit: Income Statement Analysis

(₹ mn)	1Q FY21	1Q FY20	% yoy / bps	4Q FY20	% qoq / bps	FY20	FY19	% yoy / bps
Int. on Loan	27,060	26,061	3.8	27,244	(0.7)	106,709	90,896	17.4
Int. on Investment	6,061	5,552	9.2	5,653	7.2	21,841	20,375	7.2
Int. on Balances	707	197	258.4	469	50.8	1,400	735	90.5
Int. Others	614	483	27.2	603	1.7	2,159	2,185	(1.2)
Interest Inc.	**34,442**	**32,293**	**6.7**	**33,968**	**1.4**	**132,108**	**114,190**	**15.7**
Yield on Advances (%)	*9.0*	*9.6*	*(57)*	*9.2*	*(20)*	-	-	-
Interest Expenses	**21,477**	**20,751**	**3.5**	**21,808**	**(1.5)**	**85,618**	**72,427**	**18.2**
Cost of Dep. (%)	*5.4*	*6.0*	*(60)*	*5.7*	*(37)*	-	-	-
Net Interest Income	**12,964**	**11,542**	**12.3**	**12,160**	**6.6**	**46,489**	**41,763**	**11.3**
NII to Net Operative Income	*72.6*	*74.7*	*(203)*	*63.1*	*954*	*70.6*	*75.6*	*(491)*
NIM (%)	*3.1*	*3.2*	*(8)*	*3.0*	*3*	-	*3.2*	-
Adjusted NII	**12,351**	**11,059**	**11.7**	**11,557**	**6.9**	**44,331**	**39,579**	**12.0**
Loan Processing Fee	440	490	(10.2)	560	(21.4)	2,290	1,840	24.5
Other Fee Income	1,030	1,690	(39.1)	2,090	(50.7)	7,600	6,170	23.2
Forex Opr.	240	430	(44.2)	760	(68.4)	2,410	2,370	1.7
Core Fee Income	**1,710**	**2,610**	**(34.5)**	**3,410**	**(49.9)**	**12,300**	**10,380**	**18.5**
Treasury Profit	3,040	910	234.1	3,691	(17.6)	6,071	2,290	165.1
Recovery W/O A/C & SR	134	395	(66.2)	10	1,237.0	943	840	12.2
Non Core Other Income	**3,174**	**1,305**	**143.2**	**3,701**	**(14.2)**	**7,014**	**3,130**	**124.1**
Other Income - Total	**4,884**	**3,915**	**24.7**	**7,111**	**(31.3)**	**19,314**	**13,510**	**43.0**
Other Inc to Net Oper. Income (%)	*27.4*	*25.3*	*203*	*36.9*	*(954)*	*29.4*	*24.4*	*491*
Net Operating Revenue	**17,848**	**15,457**	**15.5**	**19,271**	**(7.4)**	**65,803**	**55,273**	**19.1**
Net Operating Revenue - Adj.	**17,234**	**14,974**	**15.1**	**18,668**	**(7.7)**	**63,645**	**53,089**	**19.9**
Employee Expenses	4,959	3,978	24.6	5,191	(4.5)	17,724	13,778	28.6
Empl. Cost/Oper. Exps. (%)	*27.8*	*25.7*	*204*	*26.9*	*85*	*26.9*	*24.9*	*201*
Other Opex	3,566	3,651	(2.3)	4,487	(20.5)	16,033	13,865	15.6
Other Opex/ Assets (%)	*0.2*	*0.2*	*(3)*	*0.3*	*(7)*	*0.9*	*0.9*	*1*
Total Opex	8,524	7,629	11.7	9,678	(11.9)	33,756	27,643	22.1
Cost to Income Ratio (%)	*47.8*	*49.4*	*(160)*	*50.2*	*(246)*	*51.3*	*50.0*	*129*
Pre Provision Profits	**9,324**	**7,828**	**19.1**	**9,593**	**(2.8)**	**32,047**	**27,631**	**16.0**
Provisions & Contingencies - Total	**3,946**	**1,920**	**105.5**	**5,675**	**(30.5)**	**11,722**	**8,559**	**37.0**
Credit Cost (%)	*0.83*	*0.63*	*20*	*1.4*	*(55)*	*0.90*	-	-
NPA Provisions as % PPP	*42.3*	*24.5*	*1,779*	*59.2*	*(1,683)*	*36.6*	*31.0*	*560*
Profit Before Tax	**5,378**	**5,907**	**(9.0)**	**3,918**	**37.2**	**20,325**	**19,072**	**6.6**
Tax	**1,370**	**2,065**	**(33.7)**	**906**	**51.2**	**4,898**	**6,634**	**(26.2)**
Effective Tax Rate (%)	*25.5*	*35.0*	*(948)*	*23.1*	*235*	*24.1*	*34.8*	*(1,069)*
Reported Profits	**4,008**	**3,842**	**4.3**	**3,012**	**33.0**	**15,428**	**12,439**	**24.0**
RoA (%)	0.9	1.0	(8)	0.7	19	-	-	-
RoE (%)	10.9	11.4	(52)	8.4	251	-	-	-

Source: Company, LKP Research

Exhibit: Balance Sheet Analysis

(₹ mn)	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	QoQ % / bps	YoY % / bps
Net Worth	132,730	136,610	137,543	142,110	145,176	149,225	2.8	9.2
RoE (%)	*11.9*	*11.4*	*12.1*	*12.5*	*8.4*	*10.9*	*251*	*(52)*
Tier 1 (%)	*13.7*	*13.0*	*12.9*	*12.6*	*13.3*	*13.0*	*(29)*	*(4)*
Total CAR (%)	*14.4*	*14.1*	*14.0*	*13.6*	*14.4*	*14.2*	*(18)*	*7*
RWA - Total	937,700	962,570	975,660	996,440	1,057,860	1,081,240	2.2	12.3
Advances - Total	1,102,230	1,120,320	1,158,932	1,192,220	1,222,679	1,212,970	(0.8)	8.3
Investments	318,245	318,100	310,944	310,260	358,927	347,490	(3.2)	9.2
Total Assets	1,593,400	1,603,380	1,664,245	1,727,910	1,806,381	1,858,205	2.9	15.9
RoA (%)	*1.00*	*0.96*	*1.03*	*1.04*	*0.69*	*0.88*	*19*	*(8)*
Deposits	1,349,543	1,325,370	1,395,465	1,445,920	1,522,901	1,549,380	1.7	16.9
Saving Deposit	384,620	347,430	372,680	380,190	391,950	420,590	7.3	21.1
Current Deposit	49,260	69,330	67,550	74,650	72,550	75,570	4.2	9.0
CASA Deposits	433,880	416,760	440,230	454,840	464,500	496,160	6.8	19.1
CASA Ratio (%)	*32.2*	*31.4*	*31.6*	*31.5*	*30.5*	*32.0*	*152*	*58*
Term Deposits	915,663	908,610	955,235	991,080	1,058,401	1,053,220	(0.5)	15.9
Interest Bearing Liabilities - Total	1,427,357	1,424,880	1,473,104	1,526,920	1,626,625	1,661,750	2.2	16.6

Source: Company, LKP Research

Exhibit: Earning Assets Mix & Incremental Contribution

	As on (₹ mn)				As % of Working Assets	YoY/ YTD growth (% / bps)			Incremental Contribution in Working Assets (%)		
	FY18	FY19	FY20	1Q FY21		FY19	FY20	1Q FY21	FY19	FY20	1Q FY21
Total Advances	931,730	1,118,290	1,241,530	1,234,370	*70.1*	*20.0*	*11.0*	*(0.6)*	*92.5*	*66.2*	*(13.6)*
Retail (Including Agri)	348,190	431,820	507,520	515,530	*29.3*	*24.0*	*17.5*	*1.6*	*41.5*	*40.7*	*15.3*
Corporates	386,700	475,480	507,250	495,420	*28.2*	*23.0*	*6.7*	*(2.3)*	*44.0*	*17.1*	*(22.5)*
SME (Business + Commercial banking) (BuB+CoB)	194,380	210,990	226,760	223,420	*12.7*	*8.5*	*7.5*	*(1.5)*	*8.2*	*8.5*	*(6.4)*
Agri	91,360	114,400	128,740	136,450	*7.8*	*25.2*	*12.5*	*6.0*	*11.4*	*7.7*	*14.7*
Retail	256,830	317,420	378,780	379,080	*21.5*	*23.6*	*19.3*	*0.1*	*30.0*	*33.0*	*0.6*
Housing	116,480	153,940	182,290	182,010	*10.3*	*32.2*	*18.4*	*(0.2)*	*18.6*	*15.2*	*(0.5)*
Gold	19,650	-	-	-	-	-	-	-	-	-	-
Mortgage	47,730	59,900	71,250	70,090	*4.0*	*25.5*	*18.9*	*(1.6)*	*6.0*	*6.1*	*(2.2)*
Others	72,970	23,234	78,010	80,130	*4.6*	*(68.2)*	*235.8*	*2.7*	*(24.7)*	*29.4*	*4.0*
Auto	-	7,730	32,310	31,340	*1.8*	-	*318.0*	*(3.0)*	-	*13.2*	*(1.8)*
Personal	-	72,610	14,920	15,510	*0.9*	-	*(79.5)*	*4.0*	-	*(31.0)*	*1.1*
Advances - Total	**919,575**	**1,102,230**	**1,222,679**	**1,212,970**	*68.9*	*19.9*	*10.9*	*(0.8)*	*90.5*	*64.7*	*(18.5)*
Investments	**307,811**	**318,245**	**358,927**	**347,490**	*19.7*	*3.4*	*12.8*	*(3.2)*	*5.2*	*21.8*	*(21.8)*
Cash & Cash Equivalent	**92,034**	**100,668**	**125,746**	**199,410**	*11.3*	*9.4*	*24.9*	*58.6*	*4.3*	*13.5*	*140.3*
Working Assets	**1,319,420**	**1,521,142**	**1,707,352**	**1,759,870**	*100.0*	*15.3*	*12.2*	*3.1*	*100.0*	*100.0*	*100.0*

Source: Company, LKP Research

Exhibit: Funding Profile Analysis

(₹ mn)	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	**1,427,357**	**1,424,880**	**1,473,104**	**1,526,920**	**1,626,625**	**1,661,750**	**2.2**	**16.6**
Deposits	1,349,543	1,325,370	1,395,465	1,445,920	1,522,901	1,549,380	1.7	16.9
CASA Deposits	433,880	416,760	440,230	454,840	464,500	496,160	6.8	19.1
Saving Deposit	384,620	347,430	372,680	380,190	391,950	420,590	7.3	21.1
Current Deposit	49,260	69,330	67,550	74,650	72,550	75,570	4.2	9.0
Term Deposits	915,663	908,610	955,235	991,080	1,058,401	1,053,220	(0.5)	15.9
Borrowings	77,813	99,510	77,638	81,000	103,724	112,370	8.3	12.9
Interest Bearing Liabilities - Total	**1,427,357**	**1,424,880**	**1,473,104**	**1,526,920**	**1,626,625**	**1,661,750**	**2.2**	**16.6**

Source: Company, LKP Research

Exhibit: Funding mix and Incremental Contribution

	As on (₹ mn)				As % of Total Working Fund	YoY/ YTD growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY18	FY19	FY20	1Q FY21		FY19	FY20	1Q FY21	FY19	FY20	1Q FY21
Deposits	**1,119,925**	**1,349,543**	**1,522,901**	**1,549,380**	*85.6*	*20.5*	*12.8*	*1.7*	*113.3*	*81.9*	*67.6*
Saving Deposit	309,198	349,786	358,344	420,590	*23.2*	*13.1*	*2.4*	*17.4*	*20.0*	*4.0*	*158.9*
Current Deposit	67,669	87,528	82,398	75,570	*4.2*	*29.3*	*(5.9)*	*(8.3)*	*9.8*	*(2.4)*	*(17.4)*
CASA Deposits	376,867	437,314	440,743	496,160	*27.4*	*16.0*	*0.8*	*12.6*	*29.8*	*1.6*	*141.5*
Term Deposits	743,058	912,230	1,082,158	1,053,220	*58.2*	*22.8*	*18.6*	*(2.7)*	*83.4*	*80.3*	*(73.9)*
Borrowings	**115,335**	**77,813**	**103,724**	**112,370**	*6.2*	*(32.5)*	*33.3*	*8.3*	*(18.5)*	*12.2*	*22.1*
Interest Bearing Liabilities - Total	**1,235,260**	**1,427,357**	**1,626,625**	**1,661,750**	*91.8*	*15.6*	*14.0*	*2.2*	*94.8*	*94.1*	*89.7*
Cost of Fund (%)	-	-	-	-		-	-	-			
Net Worth	**122,102**	**132,730**	**145,176**	**149,225**	*8.2*	*8.7*	*9.4*	*2.8*	*5.2*	*5.9*	*10.3*
Working Fund	**1,357,362**	**1,560,087**	**1,771,801**	**1,810,975**	*100.0*	*14.9*	*13.6*	*2.2*	*100.0*	*100.0*	*100.0*
Interest Exp. / Assets	**4.87**	**4.87**	**5.04**	**4.7**		*(1)*	*17*	*(35)*			

Source: Company, LKP Research

Exhibit: Asset Quality Analysis

(₹ mn)	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	QoQ % / bps	YoY % / bps
Total Slippages	2,690	4,340	5,710	6,030	3,120	1,930	(38.1)	(55.5)
Slippages Ratio (%)	*0.29*	*0.39*	*0.52*	*0.55*	*0.28*	*0.16*	*(13)*	*(24)*
Gross NPA	32,607	33,947	36,121	36,187	35,308	36,556	3.5	7.7
Gross NPAs Ratio (%)	*2.92*	*2.99*	*3.07*	*2.99*	*2.84*	*2.96*	*12*	*(3)*
PCR - Calculated (%)	*50.1*	*50.7*	*49.0*	*46.4*	*54.5*	*59.6*	*510*	*886*
PCR - Inc. Tech w/o (%)	*67.2*	*67.4*	*66.2*	*66.4*	*72.5*	*75.1*	*261*	*768*
Net NPA	16,262	16,728	18,436	19,410	16,072	14,775	(8.1)	(11.7)
Net NPAs Ratio (%)	*1.48*	*1.49*	*1.59*	*1.63*	*1.31*	*1.22*	*(9)*	*(27)*
Standard Impaired loan to Gross Loan	3.8	3.8	3.9	3.8	3.6	3.7	3.0	(3.2)
Standard Restructured	6,040.0	6,190.0	6,120.00	4,630.00	3,970.00	4,060.00	9,000	(213,000)
Retail	**670**	**1,410**	**1,240**	**1,010**	**970**	**10**	**(99.0)**	**(99.3)**
Agri	**920**	**670**	**720**	**500**	**360**	**10**	**(35,000)**	**(66,000)**
SME	**970**	**1,190**	**1,460**	**1,210**	**1,220**	**80**	**(93.4)**	**(93.3)**
BuB	**670**	**990**	**950**	**660**	**540**	**-**	**(54,000)**	**(99,000)**

Source: Company, LKP Research

Annual Projections

Exhibit: Profit and Loss Statement

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Int. Income	114,190	132,108	144,142	157,264	175,166
Interest Expenses	72,427	85,618	92,023	96,590	104,949
Net Interest Income	41,763	46,489	52,119	60,674	70,217
NIM (%)	*2.94*	*2.88*	*2.93*	*3.09*	*3.20*
Adjusted NII	**39,579**	**44,331**	**52,119**	**60,674**	**70,217**
Other Income - Total	**13,510**	**19,314**	**21,094**	**22,972**	**28,628**
Adj. Other Income	**13,510**	**19,314**	**21,094**	**22,972**	**28,628**
Net Operating Revenue	**55,273**	**65,803**	**73,214**	**83,646**	**98,845**
Employee Exp.	13,778	17,724	18,964	20,956	23,051
Other Opex	13,865	16,033	17,475	20,097	23,111
Total Opex	**27,643**	**33,756**	**36,440**	**41,052**	**46,162**
C/I Ratio (%)	*50.01*	*51.30*	*49.77*	*49.08*	*46.70*
Pre Provision Profits	**27,631**	**32,047**	**36,774**	**42,594**	**52,683**
PPP Growth (yoy %)	*20.6*	*16.0*	*14.7*	*15.8*	*23.7*
Core PPP	**25,446**	**29,889**	**36,774**	**42,594**	**52,683**
PPP ex Except. Items	**27,631**	**32,047**	**36,774**	**42,594**	**52,683**
PPP ex Except Items Growth (yoy %)	*20.6*	*16.0*	*14.7*	*15.8*	*23.7*
Provisions & Contingencies - Total	**8,559**	**11,722**	**16,022**	**10,760**	**12,547**
Credit Cost (As % of Op. AUM)	*0.79*	*1.01*	*1.25*	*0.75*	*0.75*
Profit Before Tax	19,072	20,325	20,752	31,834	40,135
Tax	6,634	4,898	5,271	8,086	10,194
Effective Tax Rate (%)	*34.8*	*24.1*	*25.4*	*25.4*	*25.4*
Reported Profits	**12,439**	**15,428**	**15,481**	**23,748**	**29,941**
PAT Growth (yoy %)	*41.5*	*24.0*	*0.3*	*53.4*	*26.1*

Source: Company, LKP Research

Exhibit: Balance Sheet

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	3,970	3,985	3,985	3,985	3,985
Reserves (ex Revel. Reserve)	128,710	141,141	156,622	180,370	210,311
Net Worth - Ex Revaluation	**132,680**	**145,126**	**160,607**	**184,355**	**214,296**
Revaluation Reserve	50	50	49	49	52
Deposits	1,349,543	1,522,901	1,662,615	1,849,008	2,051,909
Borrowings	77,813	103,724	101,433	118,022	148,530
Interest Bearing Liabilities (₹ mn)	**1,427,357**	**1,626,625**	**1,764,048**	**1,967,030**	**2,200,438**
Other Lia. & Prov.	33,313	34,579	59,783	64,638	95,303
Total Liabilities	**1,593,400**	**1,806,380**	**1,984,488**	**2,216,073**	**2,510,090**
Assets					
Cash & Cash Equivalent	100,668	125,746	129,427	140,747	152,121
Investments	318,245	358,927	399,085	435,604	471,782
Credit Equivalent	38,301	31,577	31,893	32,531	33,181
Loan & Advances (₹ mn)	1,102,230	1,222,679	1,326,607	1,492,433	1,701,373
Growth (yoy %)	*19.9*	*10.9*	*8.5*	*12.5*	*14.0*
Fixed Assets	4,720	4,800	4,987	5,493	6,152
Other Assets	67,537	94,229	124,382	141,796	178,662
Total Assets	**1,593,400**	**1,806,380**	**1,984,488**	**2,216,073**	**2,510,090**

Source: Company, LKP Research

Exhibit: Per share data

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Face Value (₹)	2	2	2	2	2
Adjusted Share O/S (mn)	1,985	1,993	1,993	1,993	1,993
Earnings Per Share (₹)	6.3	7.7	7.8	11.9	15.0
EPS (% YoY)	*40.6*	*23.6*	*0.3*	*53.4*	*26.1*
P/E (x)	*9.0*	*7.3*	*7.3*	*4.7*	*3.8*
Book Value (₹)	66.8	72.8	80.6	92.5	107.5
BVPS (% YoY)	*8.0*	*9.0*	*10.7*	*14.8*	*16.2*
P/BV (x)	*0.8*	*0.8*	*0.7*	*0.6*	*0.5*
Adj. BV (₹)	62.7	68.8	76.9	88.8	103.8
Adj. BV (% YoY)	*8.3*	*9.6*	*11.8*	*15.5*	*16.9*
P/ABV (x)	*0.9*	*0.8*	*0.7*	*0.6*	*0.5*

Source: Company, LKP Research

Exhibit: Detailed ROA Tree

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

Source: Company, LKP Research

Exhibit: Balance Sheet Ratio

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Credit / Deposit Ratio	81.7	80.3	79.8	80.7	82.9
Incremental C/D Ratio	79.5	69.5	74.4	89.0	103.0
Investment Deposit Ratio	23.6	23.6	24.0	23.6	23.0
Dom. SLR Investment / Deposits	20.3	20.9	21.5	21.3	20.9
CASA 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	42,840	38,556	39,033
Gross NPAs Ratio (%)	*2.9*	*2.8*	*3.2*	*2.6*	*2.3*
PCR (%)	*50.1*	*54.5*	*55.6*	*55.2*	*59.4*
PCR - Inc. Tech w/o (%)	*67.2*	*72.5*	-	-	-
Net NPA	16,262	16,072	19,038	17,258	15,841
Net NPAs Ratio (%)	*1.5*	*1.3*	*1.4*	*1.2*	*0.9*
Total Impaired Loans	33,585	36,721	42,840	38,556	39,033
Impaired Loan as % of Loan / AUM	*2.9*	*2.9*	*3.2*	*2.5*	*2.3*
Total Risk Reserves	17,164	20,056	23,802	21,298	23,192
Total Risk As % of Loan Book	*1.5*	*1.6*	*1.8*	*1.4*	*1.3*

Source: Company, LKP Research

Exhibit: Key Assumptions & Forecasts

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Loan & Advances (₹ mn)	1,102,230	1,222,679	1,326,607	1,492,433	1,701,373
Growth (yoy %)	*19.9*	*10.9*	*8.5*	*12.5*	*14.0*
Interest Bearing Liabilities (₹ mn)	1,427,357	1,626,625	1,764,048	1,967,030	2,200,438
Growth (yoy %)	*19.9*	*10.9*	*8.5*	*12.5*	*14.0*
Yield on Funds	8.0	8.2	8.1	8.0	8.0
Cost of Funds (CoF)	5.4	5.6	5.4	5.2	5.0
Interest Spread	2.6	2.6	2.7	2.8	2.9
NIM's	2.9	2.9	2.9	3.1	3.2
Other Income Growth	16.6	43.0	9.2	8.9	24.6
C/I Ratio (%)	50.0	51.3	49.8	49.1	46.7
Effective Tax Rate (%)	34.8	24.1	25.4	25.4	25.4
Return Ratios					
Adj. RoA	0.8	0.9	0.8	1.1	1.3
Adj. RoE	9.8	11.1	10.1	13.8	15.0
Asset Quality Metrics					
Credit Cost (As % of Op. AUM)	0.8	1.0	1.3	0.8	0.8
Gross NPAs Ratio (%)	2.9	2.8	3.2	2.6	2.3
Net NPAs Ratio (%)	1.5	1.3	1.4	1.2	0.9

Source: Company, LKP Research

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