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Banking

Company update and TP revision

Target price: Rs70

Target price revision

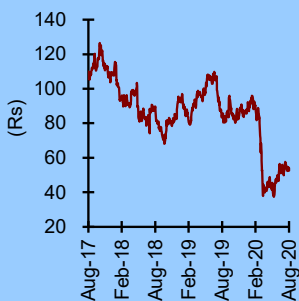
Rs70 from Rs65

Shareholding pattern

	Dec '19	Mar '20	Jun '20
Promoters	0.0	0.0	0.0
Institutional investors	70.5	70.4	68.1
MFs and UTI	27.1	26.0	26.4
Insurance Cos.	4.9	4.7	4.7
FIs and Banks	5.1	5.9	6.3
FII	33.4	33.8	31.5
Others	29.5	29.6	31.9

Source: CMIE

Price chart



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INDIA

ICICI Securities

Federal Bank

BUY

Maintained

Rs55

Transitioning away from typical regional bank profile

Federal Bank's earnings volatility and sub-1% RoA profile has disconcerted investors – leading to valuation discount and underperformance. However, through the turbulent journey in the past cycle, its structural transition away from 'typical old generation regional bank mindset' is comforting. Why do we say so – 1) revamped business architecture, state-of-the-art digital initiatives, consistent rise in market share; 2) similar to new private bank's approach to build better rated corporate book (78% rated A & above), tread cautiously in SME and channelize retail to existing clientele; 3) strengthened liability muscle – core NR base, tapping HNIs, leveraging digital platform and fin-tech tie-ups. What gives confidence on improving return profile: 1) limited exposure to vulnerable sectors – can manage Covid disruption with worst case credit cost estimate of 2.7%; 2) opportunistically venturing into RoA-accretive segments (CV, PL/CC, MFI, etc), 3) better margin profile coupled with operating leverage benefit. Undoubtedly, fee income scale up is awaited. Valuations at 0.7x FY22E more than adequately captures pessimism and risk-reward is favorable. Reiterate BUY (more convincingly) with revised target price of Rs70 (earlier Rs65).

- ▶ **Structural transition away from 'typical old generation regional bank mindset'**: It revamped its business architecture: created separate business verticals, rolled out RM model in wholesale banking to capture end-to-end customer needs, integrated offering along the supply chain, 360-degree servicing points for retail network, navigated outside Kerala (network-2) - demonstrating encouraging results in most of these initiatives reflected in consistent rise in market segment across segments.
- ▶ **Granular liability franchise is so far under-appreciated**: Retail deposits at >90%, cost of deposits at 5.4%, incremental peak FD rates closer to best-in-class and savings deposit rates at the lowest end at 2.5% - but still gaining deposit market share talks of its deposits franchise. Leveraging the brand and inherent geographical advantage, it has built granular deposit franchise focused on sticky non-resident base (~38% of total deposits). Incrementally it is deepening its presence with HNIs (currently forming 45% of CASA), actively chasing high value savings and at the same time targeting millennials through fin-tech tie-ups.
- ▶ **Asset mix - favorable in current cycle**: Competitive deposit profile has helped it build better rated assets, following new private bank's approach in scaling up the balance sheet - build better rated corporate book (78% rated A & above), tread cautiously in SME (mere 6% CAGR over FY18-20) and rising pie of retail skewed towards secured segments (mortgage contributes ~67% to total retail assets) and that too towards existing clientele. This coupled with lower exposure to vulnerable industries (at 5%) will help it navigate better through the crisis.
- ▶ **How effectively will it navigate current crisis** – Besides above stated qualitative factors imbibing confidence, moratorium at ~24% (12th July'20) and ~11/12% adjusted for partial payments, is not unduly out of sync with similar profile banks. Even in the worst-case scenario building estimates for credit cost (at 2.7%), NIMs (30bps lower), fee income (20bps lower), the argument of networth erosion is not sustainable. In such circumstances, 0.7x FY22E BV seems factoring in lot of pessimism rendering risk reward favorable. We, now more convincingly, reiterate our BUY.

Market Cap	Rs109bn/US\$1.5bn	Year to Mar	FY19	FY20	FY21E	FY22E
Reuters/Bloomberg	FED.BO/FB IN	NII (Rs bn)	41.8	46.5	48.2	55.1
Shares Outstanding (mn)	1,992.8	Net Profit (Rs bn)	12.4	15.4	9.3	17.8
52-week Range (Rs)	96/37	EPS (Rs)	6.3	7.8	4.7	8.9
Free Float (%)	100.0	% Chg YoY	32.3	23.4	-39.7	91.0
FII (%)	31.5	P/E (x)	8.7	7.1	11.8	6.2
Daily Volume (US\$'000)	21,598	P/BV (x)	0.8	0.8	0.7	0.6
Absolute Return 3m (%)	39.6	Net NPA (%)	1.5	1.3	2.1	1.7
Absolute Return 12m (%)	(35.6)	Dividend Yield (%)	0.8	0.0	0.8	0.8
Sensex Return 3m (%)	24.9	RoA (%)	0.8	0.9	0.5	0.9
Sensex Return 12m (%)	3.5	RoE (%)	9.8	11.1	6.2	11.0

Please refer to important disclosures at the end of this report

Key charts

Chart 1: Steady improvement in loan market share with balanced loan mix

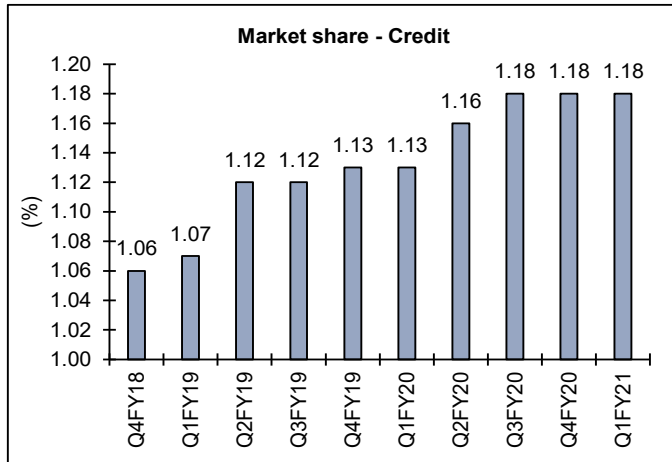


Chart 2: Consistent improvement in deposit market share reflects FB's strong liability franchise

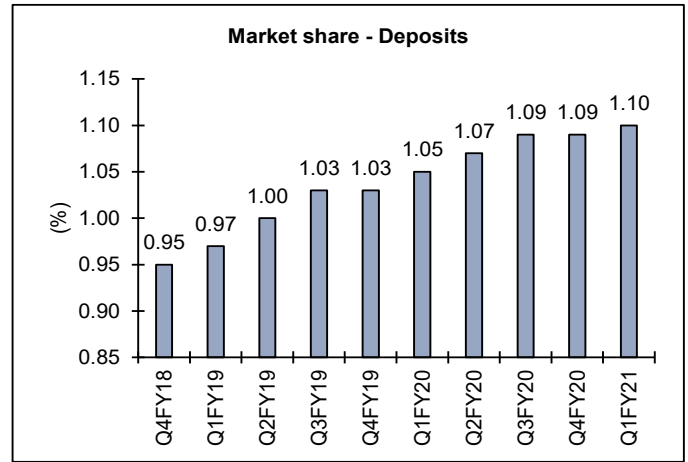


Chart 3: Steady improvement in NR deposit base across cycles

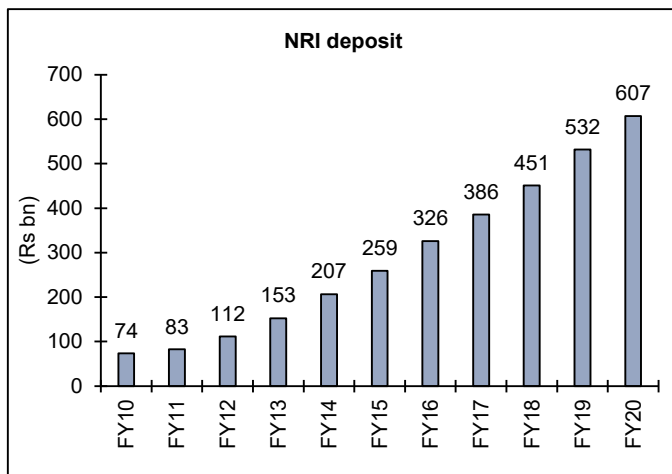


Chart 4: Asset portfolio is well-diversified across sub-segments...

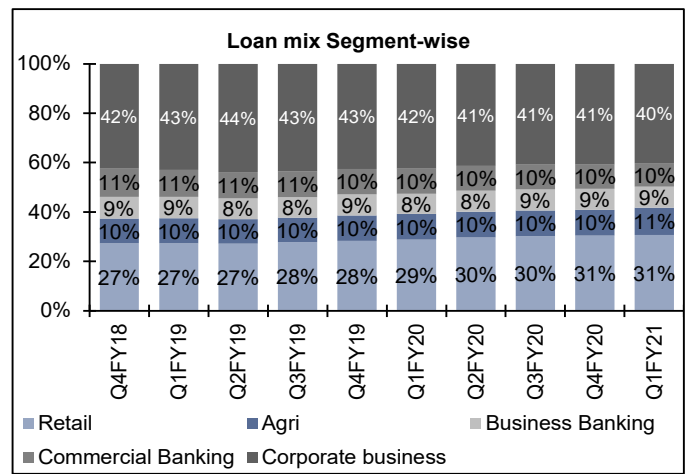


Chart 5: ...with improving market share in each retail product

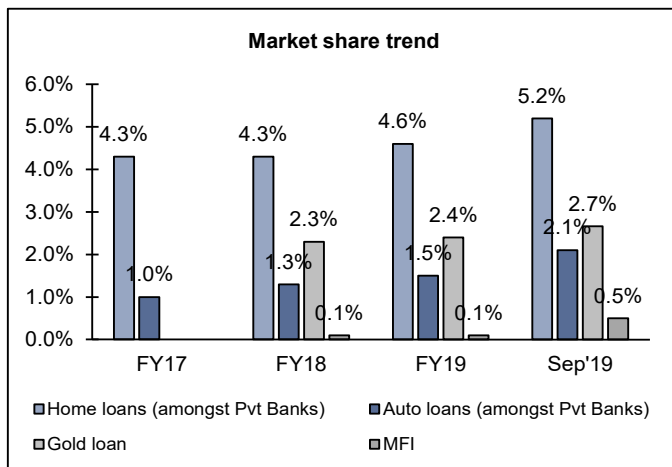
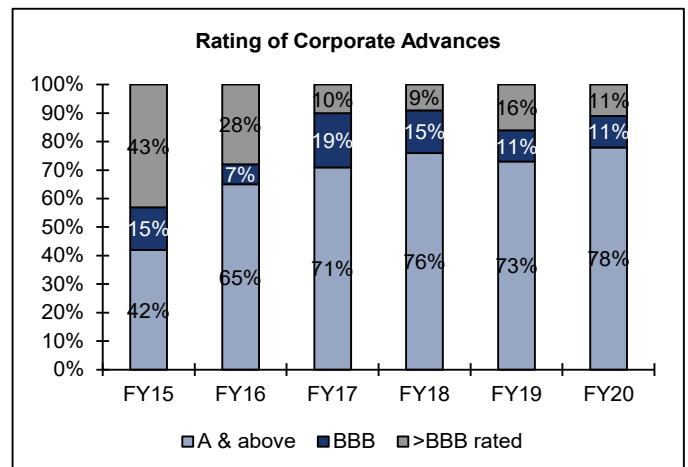
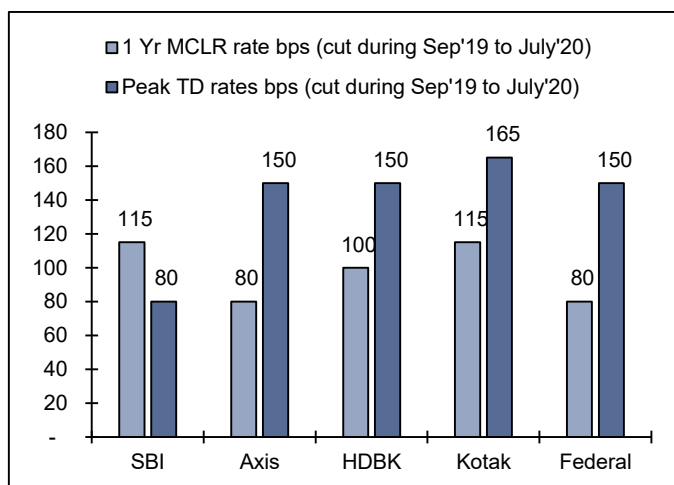


Chart 6: Greater share of 'A' and above rated corporate book is likely to ensure better asset quality going ahead



Note - >BBB including not rated exposures.

Chart 7: Margin levers in place



Source: Company data, I-Sec research

Chart 8: Superior asset quality performance across cycles

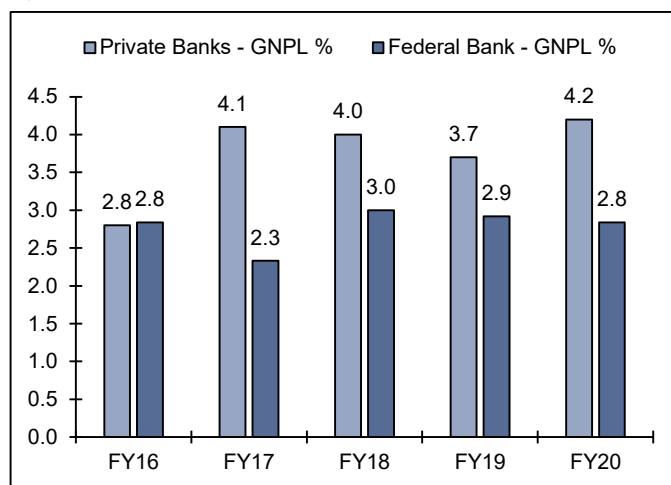


Table 1: Even in worst-case scenario, we do not foresee net-worth erosion

Particulars	FY20	No of shares	BVPS	Cumulative BVPS
Core Banking Net-worth/ BV	1,40,554	1,993	70.5	
Net NPLs	11,081		5.6	65.0
Adjusted Net-worth/BV	1,29,473		65.0	65.0
Credit cost (worst case)	25,391		12.7	52.2
NIM socialism	7,897		4.0	48.3
Wage revision/retirement benefit	0		0.0	48.3
Fee income	5,265		2.6	45.6
Operating profit (base case)	53,923		27.1	72.7

Source: Company data, I-Sec research

Table 2: In a stressed scenario, we estimate 4.4% incremental stress and 2.7% credit cost (worst case)

(Rs mn)	Exposure	GNPLs	GNPLs %	Incremental stress	Net Slippage	LGD	Provision	Credit cost
Overall loan portfolio	12,34,370			4.4%	54,308		33,855	2.74%
Corporate	4,95,420	10,390	2.1%	5.3%	26,406	70%	18,484	3.73%
AAA								
AA								
A	79%	2.0%						
BBB	10%	10%						
BB & below	11%	25%						
Retail	3,79,080	6,950	1.8%	3.6%	13,501	50%	6,751	1.78%
- Home loans	1,82,010			3.0%	5,460			
- Auto	31,340			5.0%	1,567			
- LAP	70,090			4.0%	2,804			
- Personal	15,510			3.0%	465			
- Others	80,130			4.0%	3,205			
Agri	1,36,450	5,860	4.3%	1.5%	2,047	50%	1,023	0.75%
Business Banking	1,05,120	6,600	6.3%	5.0%	5,256	50%	2,628	2.50%
Commercial Banking	1,18,300	6,750	5.7%	6.0%	7,098	70%	4,969	4.20%

Note – We have assigned relatively lower delinquency rate in Agri as we assumes ~73% of Agri book (Rs100bn) is gold loan.

Source: Company data, I-Sec research

Table 3: We arrive at 5.3% incremental stress in corporate book assuming 10%/25% PD in 'BBB & below' book

Particulars	Rating	PD	Incremental stress
A & above rated	79.0%	2.0%	1.6%
BBB	10.0%	10.0%	1.0%
>BBB	11.0%	25.0%	2.8%
Total			5.3%

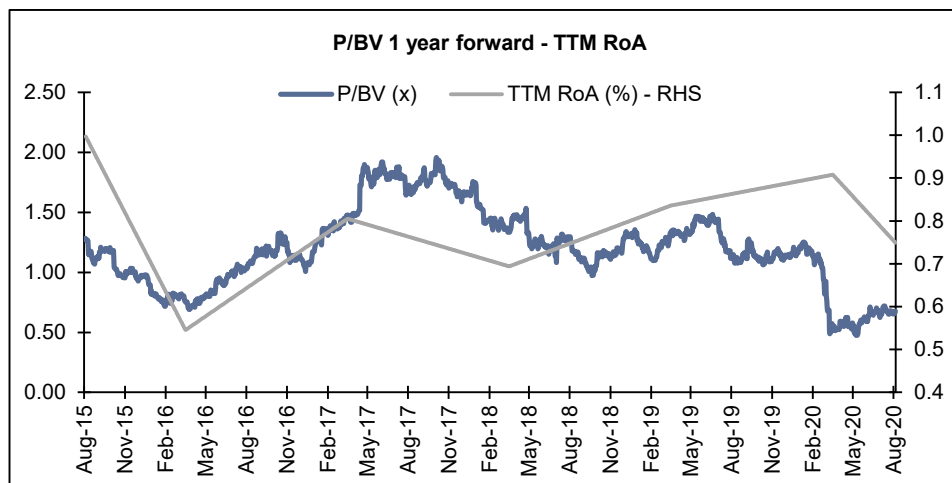
Source: Company data, I-Sec research

Valuation

Initiatives such as strengthening the risk management system, centralised process for loan sanctioning, exhaustive credit monitoring, expansion ex-Kerala, and intent to boost other income streams are some of the key takeaways from Mr. Srinivasan's (MD & CEO) latest strategy. These measures would not only help Federal Bank (FB) have better credit monitoring, but also improve its earnings profile in our view.

The stock is currently trading at 0.8x/0.7x P/ABV FY21E/22E respectively. We believe current valuation is not fully factoring-in FB's favourable asset mix (well diversified across sub-segments), likely margin expansion (~70bps of deposit rate cut yet to flow in P&L as per our judgment) and even in worst-case scenario no risk of net-worth erosion. Further, we believe, even after adjusting for Covid-related uncertainties, FB will still deliver 0.9% RoA in FY22E. We maintain our **BUY** rating on the stock with a target price of Rs70/sh.

Chart 9: P/BV at 0.7x FY22E - Current valuation not fully capturing likely improvement in return ratios



Source: Company data, I-Sec research

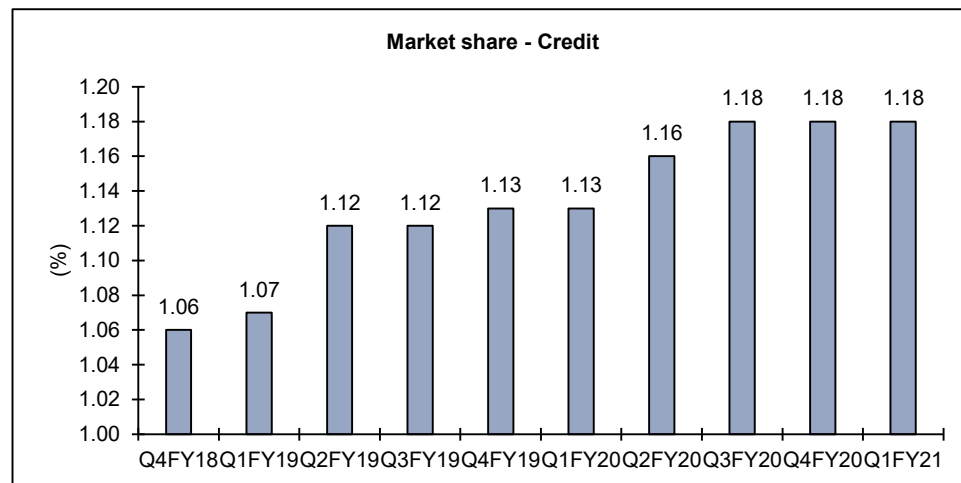
Consistent improvement in credit market share; realigned business architecture driving dominance

FB's market share in systemic credit improved to 1.2% in Jun'20 from 1.06% in Mar'18. During FY18, it revamped its business architecture by creating separate verticals for key segments, viz.: 1) corporate & institutional banking, 2) commercial banking, 3) business banking, 4) rural & micro lending, and 5) retail. Further, it strategically planned to strengthen its position outside Kerala (network-2) and successfully demonstrated encouraging results in the initial stage.

Key Initiatives undertaken during revamping of business architecture –

- Spilt of wholesale portfolio into – A) Large corporate and B) Commercial Banking in Q2FY18 with roll out of RM model to ensure meeting end-to-end needs of customers. By Q1FY20, it completed mapping of all commercial Banking customers with dedicated Relationship manager.
- Set-up of dedicated vertical to scale up supply chain business.
- Launch of state-of-the-art integrated digital transaction banking platform - Fed-e-Biz; steady increase in volumes indicates initial success in integrating Fed-e-Biz with customers and converting FB's account into primary/preferred account.
- Roll-out of doorstep digital Gold loan and digital platform named GoNoGo across the entire sales channel to ensure better TAT, bring down the cost of acquisition, and ensure a better digital experience
- Entry into CV/CE segment in FY19.

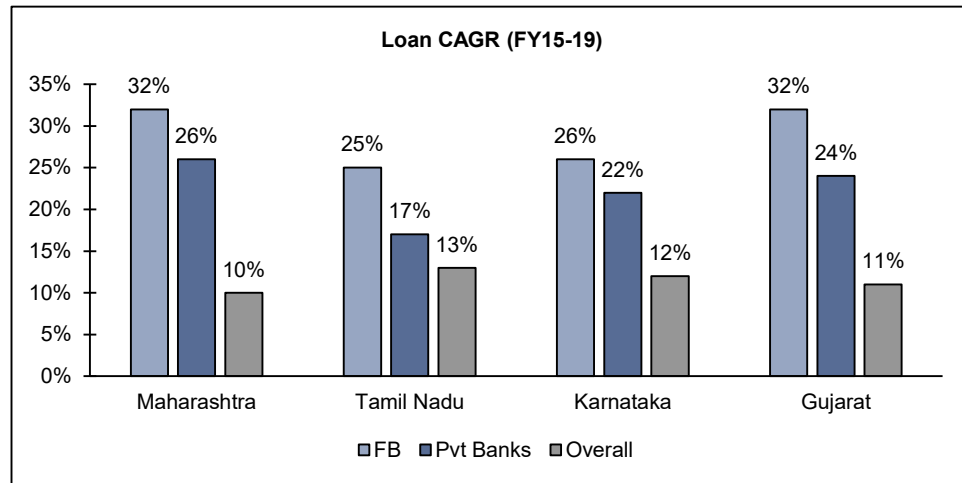
Chart 10: Steady improvement in market share with balanced loan mix.



Source: Company data, I-Sec research

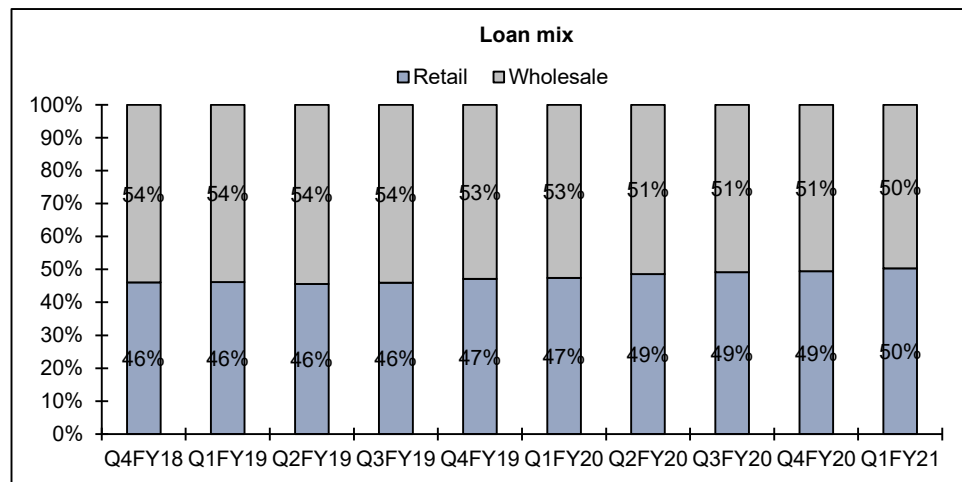
Incremental credit market share is 1.5% as at Sep'19.

Chart 11: While maintaining dominant position in Kerala with 11% market share as at Sep'19, FB is strategically ramping up its positioning in select locations



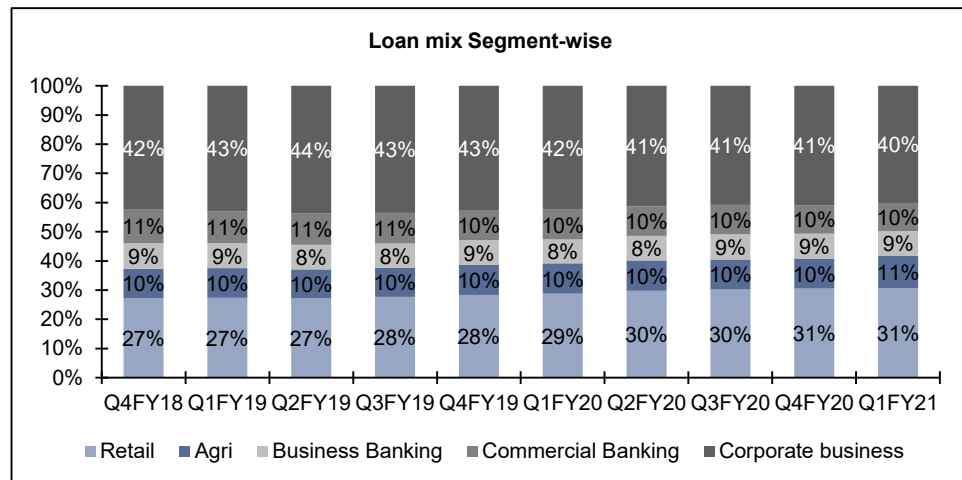
Source: Company data, I-Sec research

Chart 12: Perfect blend of loan mix between wholesale – Retail; like Industry leaders



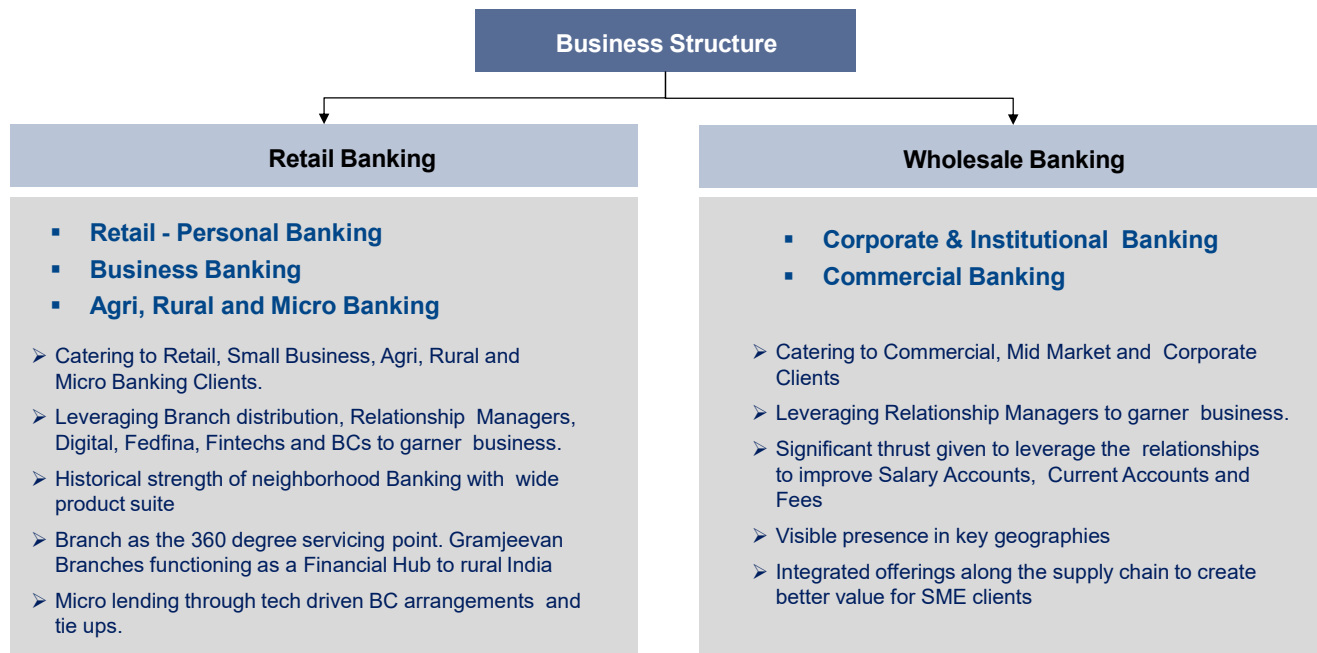
Source: Company data, I-Sec research

Chart 13: Asset portfolio is well-diversified across sub-segments



Source: Company data, I-Sec research

Chart 14: Revamped business architecture to ensure long-term growth and profitability sustainability



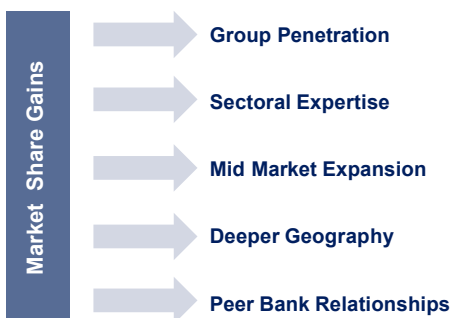
Source: Company data, I-Sec research

Segment-wise details

Wholesale banking: FB segregated its wholesale banking business into two separate verticals: a) corporate and institutional banking (~81% of wholesale loans), and b) commercial banking (~19% of wholesale loans). These two verticals were formed in Q2FY18 with rollout of a relationship management model to ensure meeting end-to-end needs of customers.

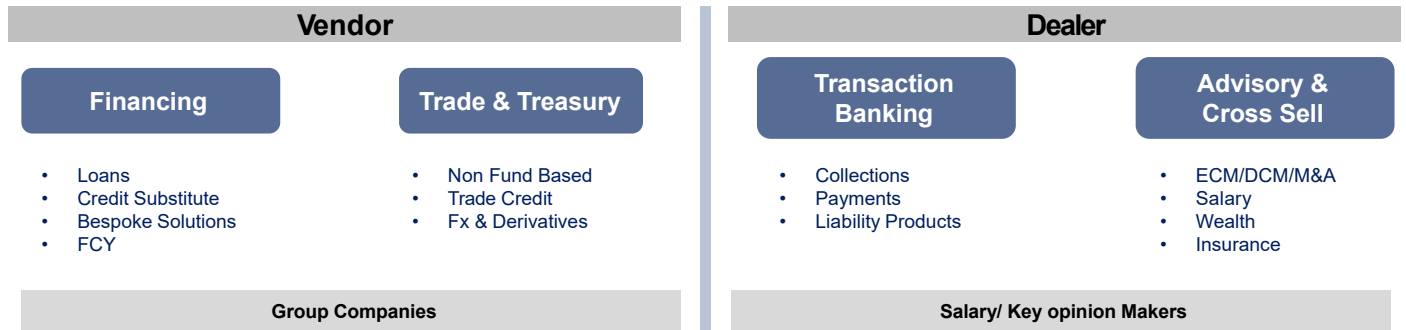
Currently, FB operates its wholesale banking verticals through nine dedicated CCSC with a total of 44 relationship managers and 127 clients.

Chart 15: FB continues to build on its expertise in wholesale banking...



Source: Company data, I-Sec research

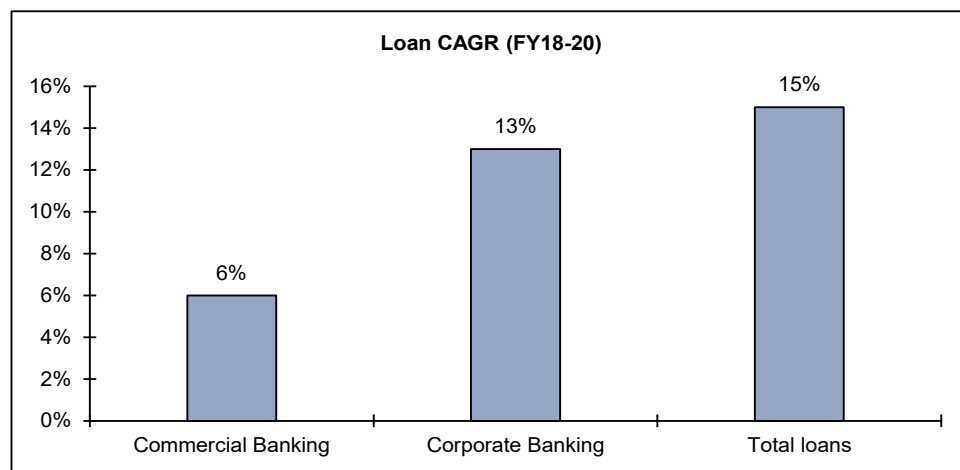
Chart 16: ... with focus on deepening relationship with existing customer base



Source: Company data, I-Sec research

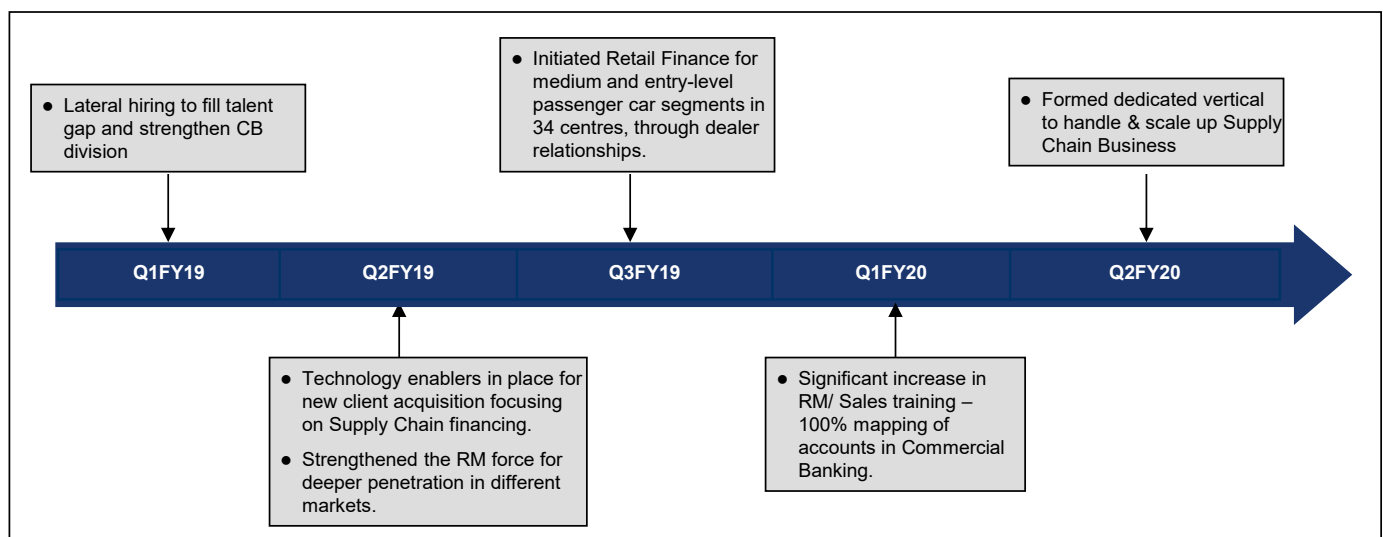
Chart 17: Calibrated growth in commercial banking amid deteriorating macro environment; FB cautiously expanded its corporate book mainly towards better-rated corporates

During Q2FY19, FB prudently initiated in-depth analysis of its commercial banking portfolio and exited accounts worth Rs7bn not fitting into its revised risk framework.



Source: Company data, I-Sec research

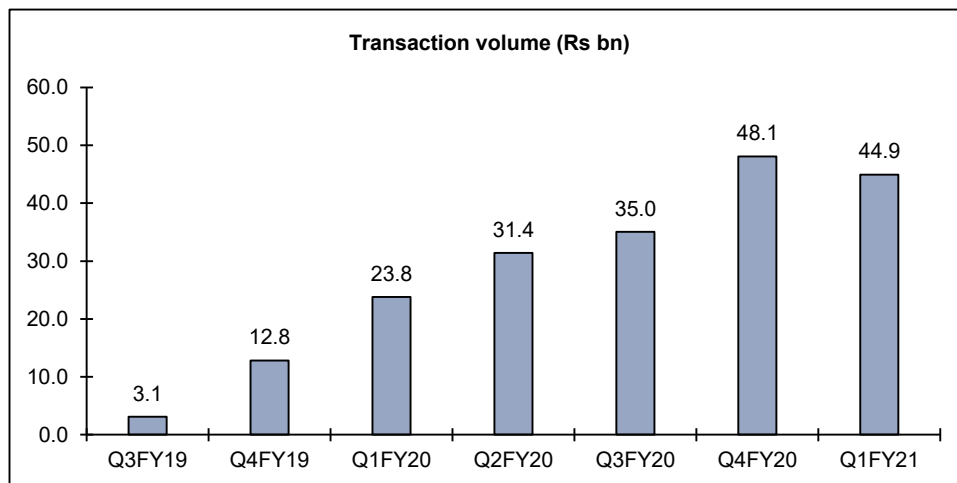
Chart 18: Commercial Banking - Series of initiatives taken to strengthen customer relationships, increase wallet share and accelerate new customer acquisition



Source: Company data, I-Sec research

Launch of state of the art integrated digital transaction banking platform, *Fed-e-Biz*

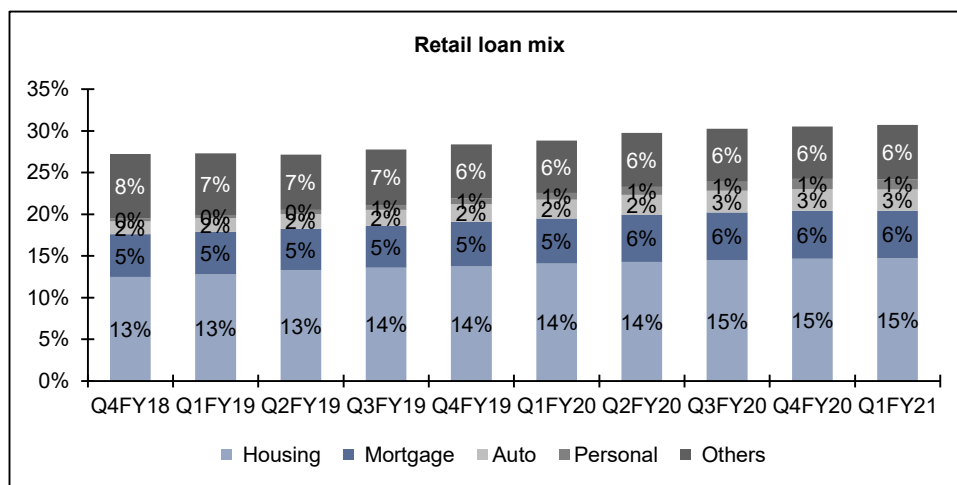
Chart 19: Transaction volumes on *Fed-e-Biz* platform



Source: Company data, I-Sec research

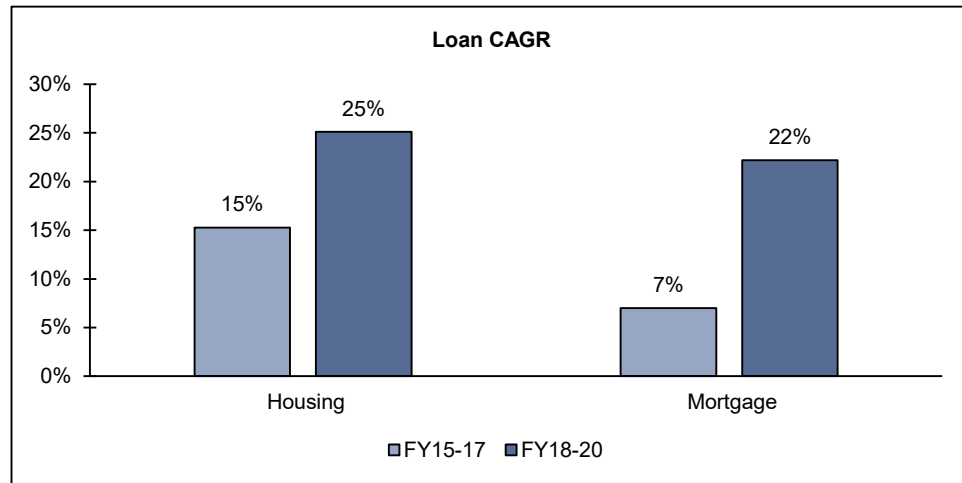
Retail Banking: FB segregated its retail banking business into three separate verticals: a) agri banking (~11% of total loans); b) business banking (~9% of total loans) – formed in early FY18 to focus exclusively on SME loans below Rs50mn; driven by traditional branches and relationship managers to deepen existing relationships and source new customers; and c) core retail (~31% of total loans).

Chart 20: Retail loan mix (as % of total loans)



Source: Company data, I-Sec research

Chart 21: Renewed focus on select products backed by robust digital platform helped FB gain market share



Source: Company data, I-Sec research

During Q2FY19, FB deployed a state of the art technology for MFI loans. The technology is scalable for onboarding different BCs for different geographies in same quarter; it also introduced first of its kind, app-based doorstep gold loan facility in association with a fintech partner.

During Q3FY19, FB selected was by Kerala government to offer housing loans of its employees.

During Q2FY20, FB signed a dealer financing MoU with Maruti Suzuki (MSIL). MSIL has recognised FB as a preferred partner.

Chart 22: Improving market share in each retail product

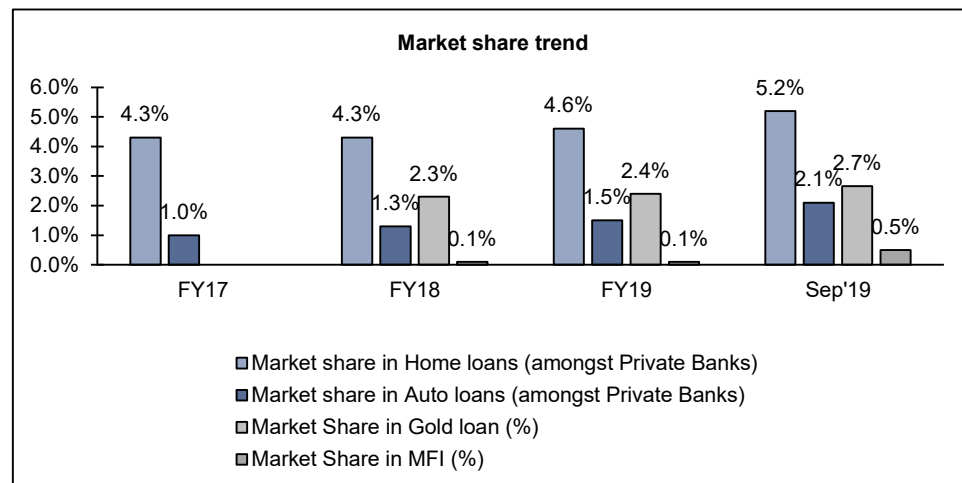
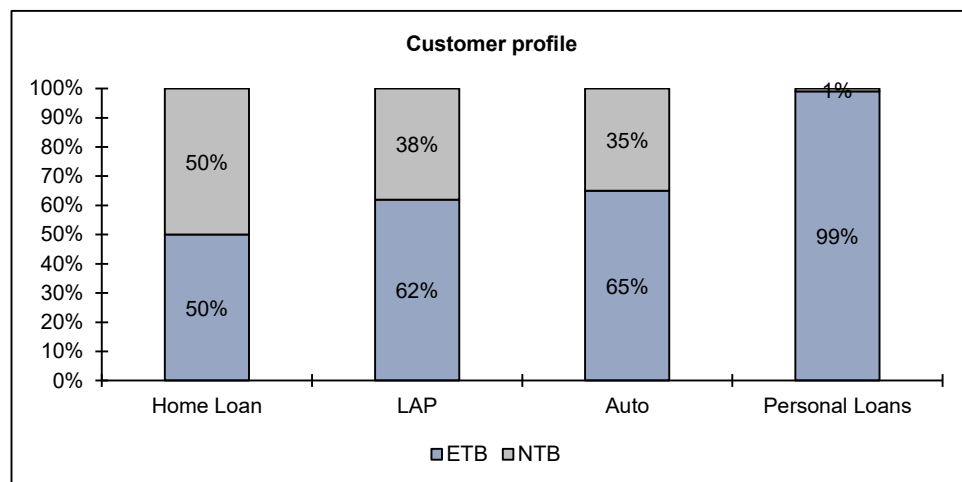


Chart 23: While expanding retail portfolio, FB carefully calibrated the ratio of New-To-Bank customers

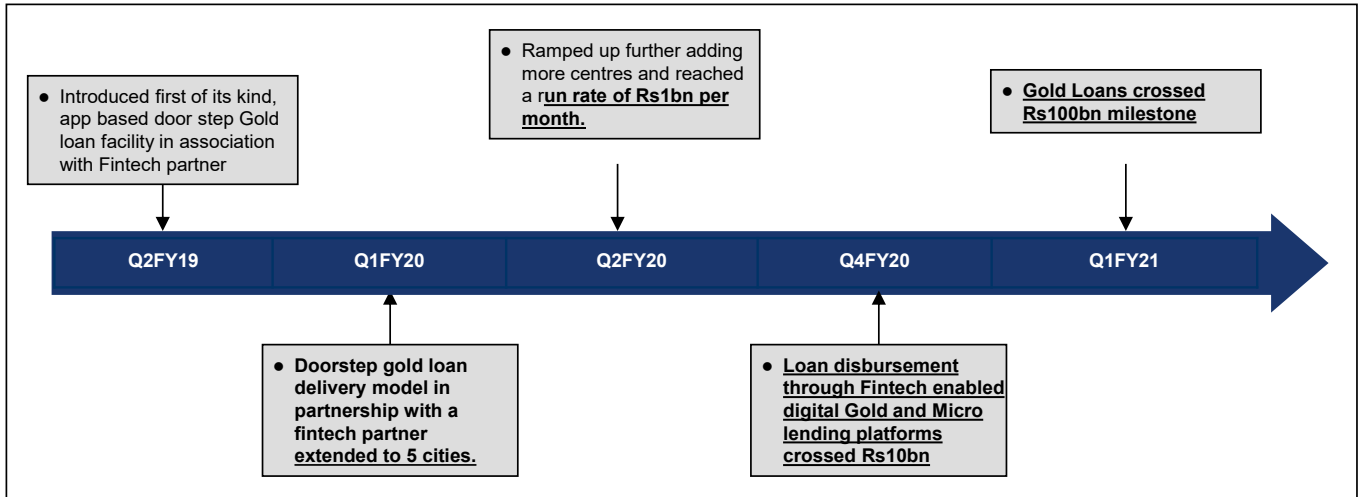
99% of personal loans are fully digital and approved in <10 seconds onboarding.

During Q1FY21, FB rolled out the digital platform named *GoNoGo* across the entire sales channel to ensure better TAT, bring down the cost of acquisition, and ensure a better digital experience.



Source: Company data, I-Sec research

Chart 24: Digital Gold loan evolution



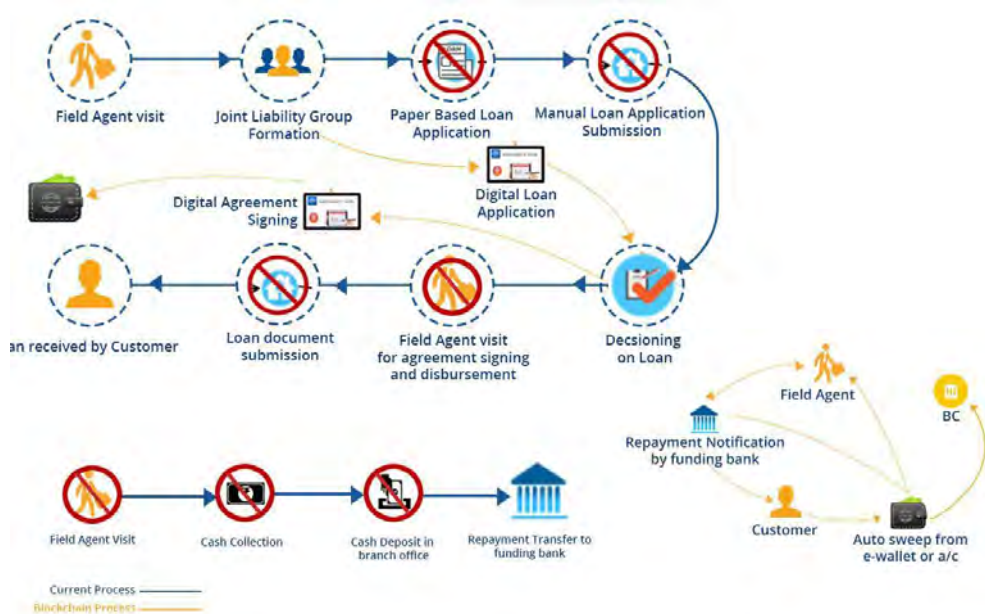
Source: Company data, I-Sec research

Pursuing newer revenue streams

While in a few select segments (credit card and business banking), FB has already made inroads, CV/CE/MFIs are its relatively new ventures and the bank is planning to ramp them up going forward. It has already initiated several measures to ensure better risk-adjusted returns while scaling up these businesses.

MFI: Scalable and capital-efficient credit delivery using block chain ecosystem

Chart 25: Scalable and capital-efficient credit delivery using block chain ecosystem



Rational behind entering MFI space

- Flexibility to accommodate changing product and compliance norms
- Highly scalable for expanding business through multiple BCs
- Risk mitigation through cherry picking geographies and partners
- Enables connect with strong regional players and seasoned customer base
- Capital-efficient compared to MFI acquisition route
- Higher RoA by leveraging operational efficiency

Tapping opportunities in CV/CE business: Loanbook stands ~Rs6bn as on Mar'20 with good mix between new/old vehicles

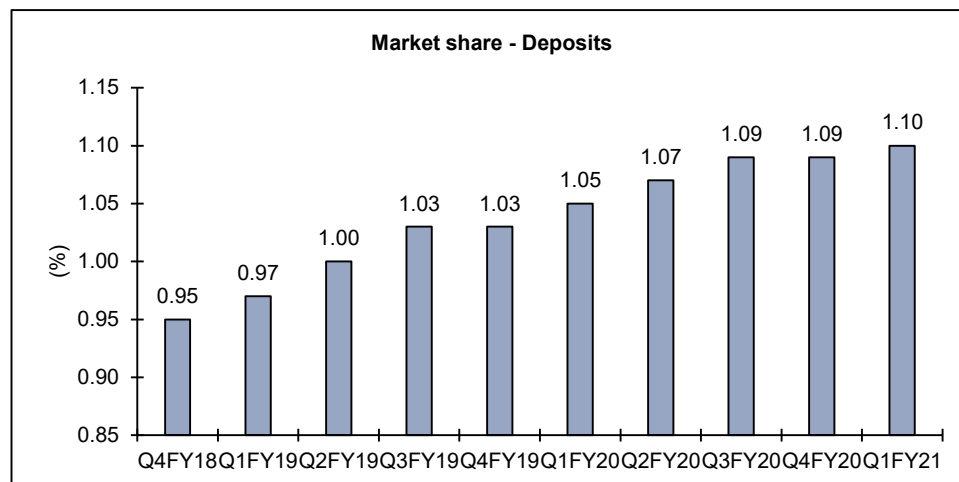
- Forayed into CV/CE business in late FY19
- Strategically selected two states offering high-growth opportunities, viz. Tamil Nadu and Maharashtra; FB will slowly scale up in other geographies.
- Built a strong 25-member team with experience in the same customer profile for business origination, credit underwriting and collection.
- Currently concentrating more on lending to purchase of new vehicles with plans to enter into other segments in the coming years.

Strengthening liability muscle

Federal Bank (FB), over the years, has built a strong and granular liability franchise with retail deposits contributing >90% of total deposit base. On the back of its inherent geographical advantage of being headquartered in Kerala (a major recipient of foreign remittances), FB has leveraged its strong brand image and built a sticky NR deposit base, which currently contributes 38% to total deposit base. FB's CASA ratio at 31% is highest amongst mid-sized banks. Most importantly, FB does not offer higher differentiated rates to mobilise SAs as reflected in the fact that the rate it offers is one of the lowest at 2.5% as at July'20.

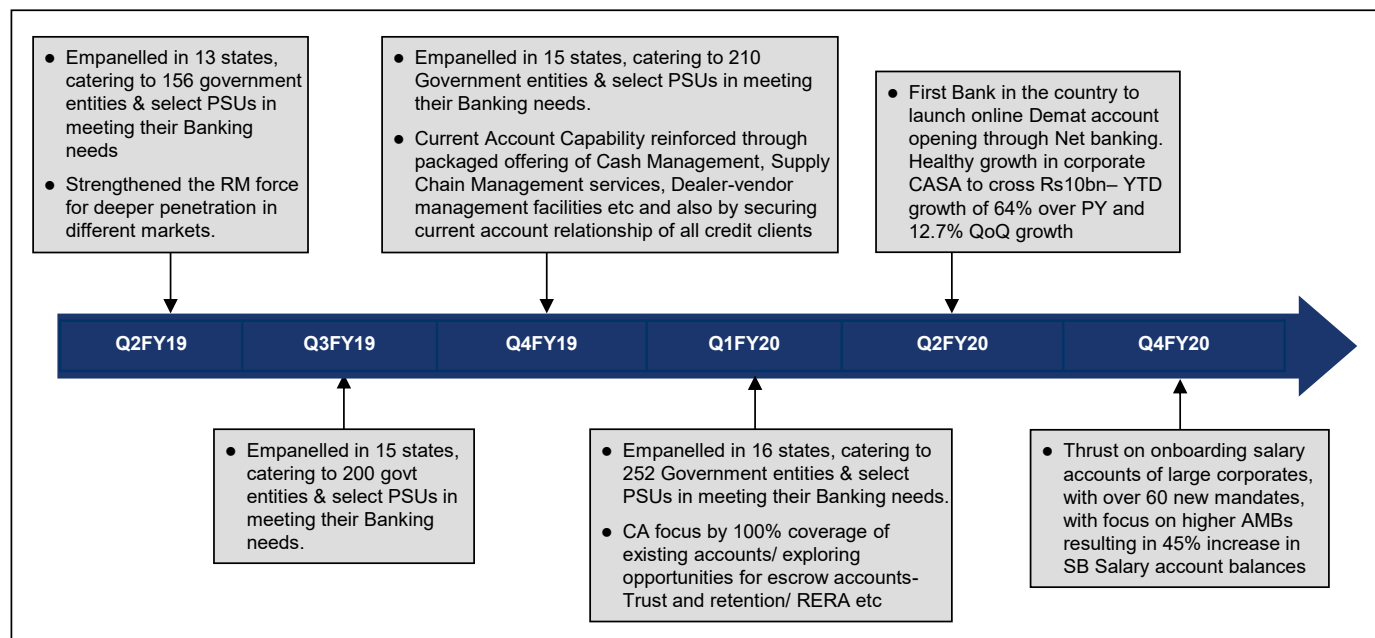
It remained committed in strengthening its liability franchise and initiated several strategic measures over past of couple years – i) securing current account relationship with all credit clients, ii) strengthened RM force to deepen existing liability relationships, iii) tied-up with MoneyGram for fast & cost effective remittances, iv) roll-out of Celesta savings account to deepen HNI relationship - share of CASA from HNI segment improved to 45.3%, v) thrust on securing salary account of large corporates – resulted in 45% increase in SA balance.

Chart 26: ... enabled FB to improve its deposit market share consistently



Source: Company data, I-Sec research

Chart 27: Strategic initiatives taken over the past couple of years...



Source: Company data, I-Sec research

Other Initiatives

- Increased focus on tapping HNI segment:** As a result, the share of CASA from HNI segment to total CASA improved to 45.3% in FY20 vs 40.7% in FY19. Total HNI customer base increased to ~0.2mn in FY20 (up 11% YoY). To deepen relationship with HNIs, FB launched in Nov'19 its flagship savings scheme for HNIs – *Celesta* savings account (for both residents and NRs). This account is clubbed with the premium debit card variant *Celesta* and offers a host of exclusive offerings like airport pickup and drop, exclusive lifestyle offerings, concierge services, exclusive relationship managers for financial and wealth management advisory, etc. Since the launch, it gained much popularity adding >1,100 accounts with a balance of ~Rs5bn in HNI portfolio.
- Continued to focus on-boarding new relationships** through a dedicated team of relationship managers, ensuring acquisition of high-value savings accounts and corporate salary accounts including salary accounts of state and Central government entities. FB is also leveraging its commercial / institutional banking clients' employee salary account in a meaningful way.
- Focusing on more tie-ups with fintech partners** via API and open banking programmes paving the way for more opportunities and access to the millennial segment with special thrust on salaried clients. These projects are scheduled to go live in FY21.

Chart 28: Leveraging the power of digital platform

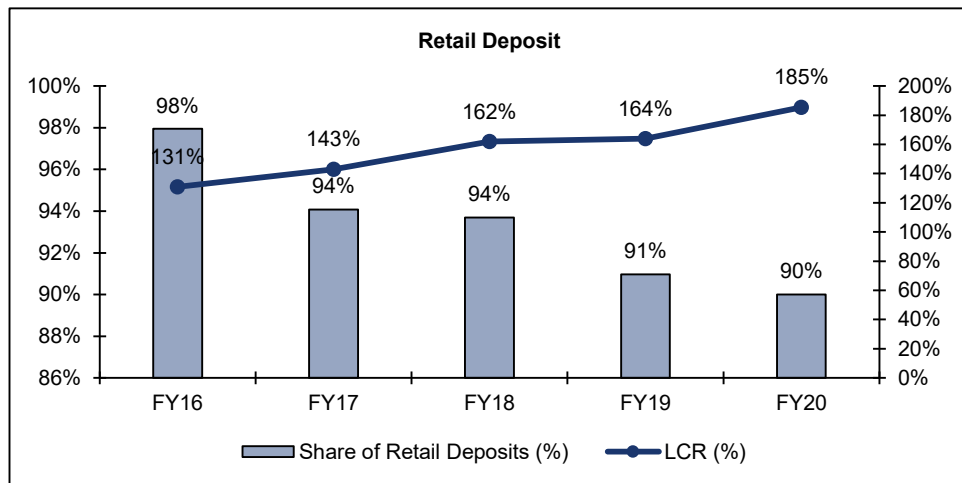
Leveraging the power of JAM

- Account opening solution powered by e-KYC.
- Built on 3 pillars JanDhan, Aadhar, Mobile(JAM).
- A relationship created in 8 minutes & 6 accounts opened per minute
- Instant gratification through active Debit card, chequebook, Mobile banking, internet banking and UPI.
- 92% of accounts opened through digital channels.



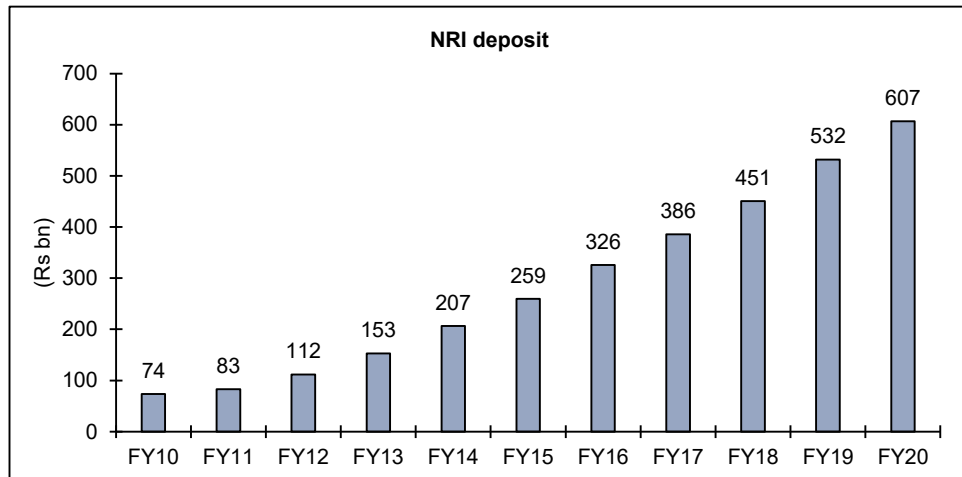
Source: Company data, I-Sec research

Chart 29: Retail deposits contribute 90% to total deposit base (one of the highest amongst private sector banks)



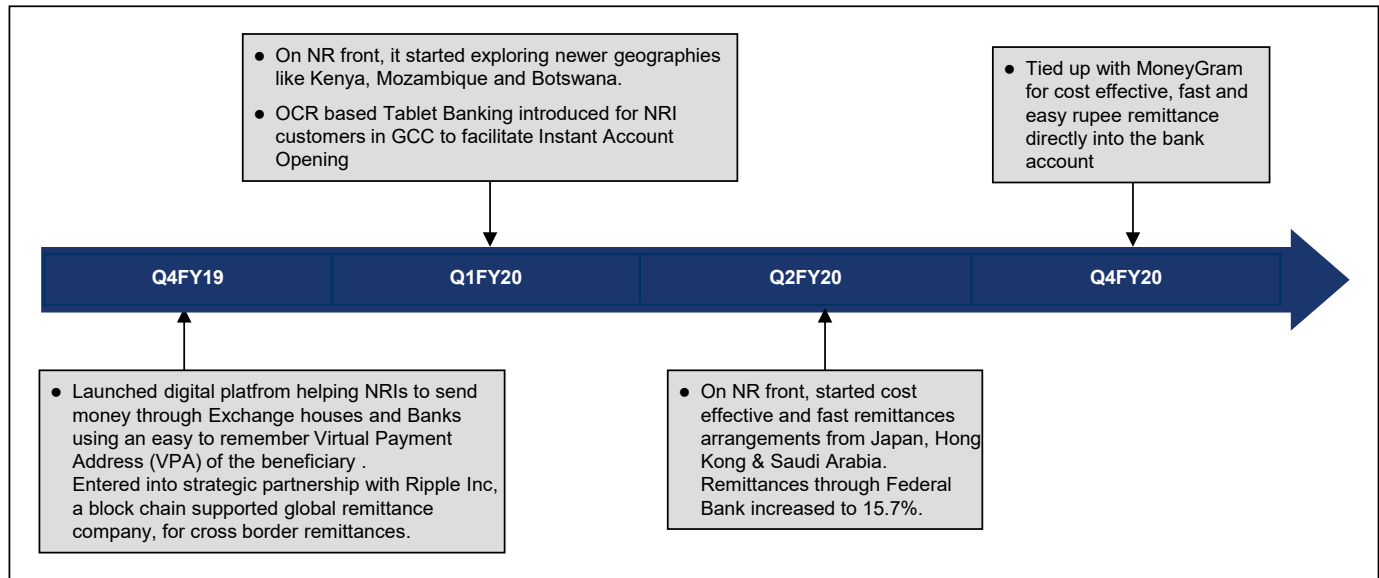
Source: Company data, I-Sec research

Chart 30: Steady improvement in NR deposit base across cycles



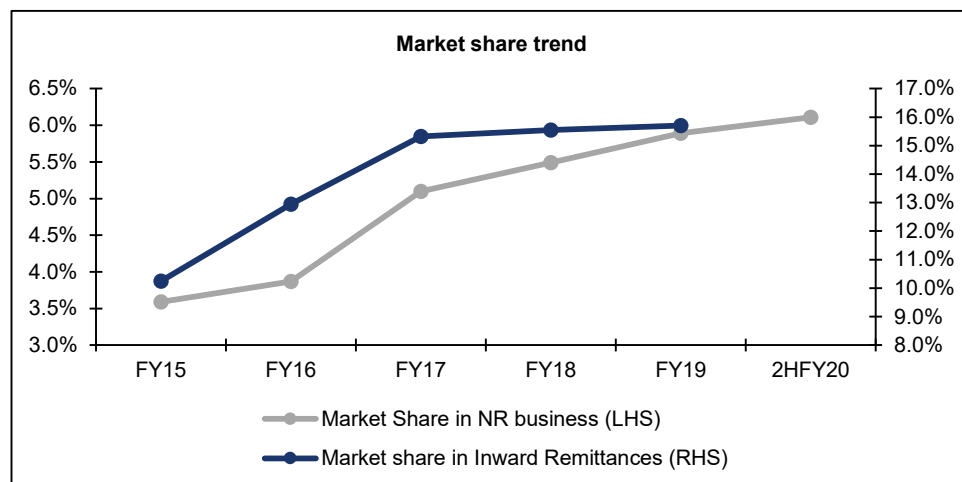
Source: Company data, I-Sec research

Chart 31: NR-specific initiatives taken by FB



Source: Company data, I-Sec research

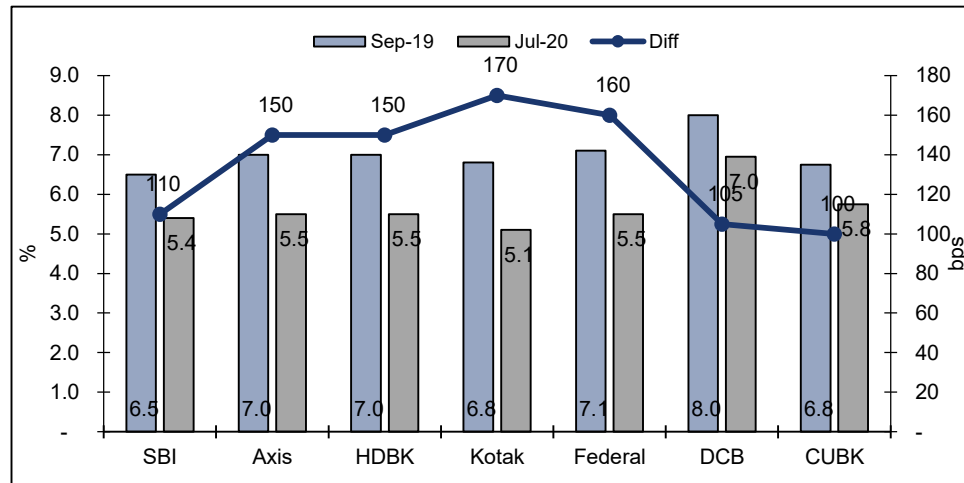
Chart 32: Steady improvement in NR-related market share



Source: Company data, I-Sec research

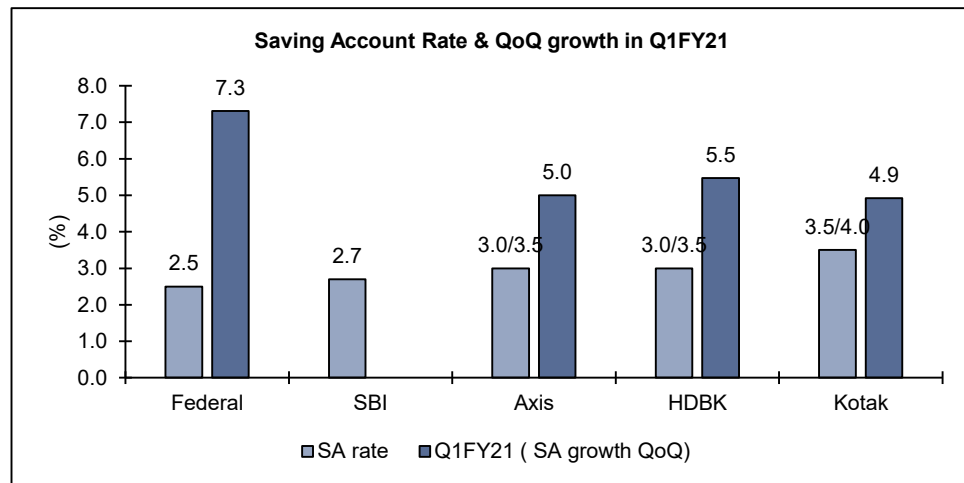
FB's sticky deposit customer base gives flexibility in managing interest rate risk much better than peers. This is reflected in the fact that, over the past one year, it cut 1-year MCLR rate by only 80bps while it cut peak TD rate by 150bps. Further, FB was the first private sector bank to link SA rate to repo rate thereby immediately managing interest rate movement. Interest saving in FY21E will strengthen FB's P&L enough to absorb any higher than expected credit cost and repo-linked savings deposit rate to help sustain margins at the current level of 3%.

Chart 33: Strong liability franchise – FB’s peak TD rate is at par with industry leaders



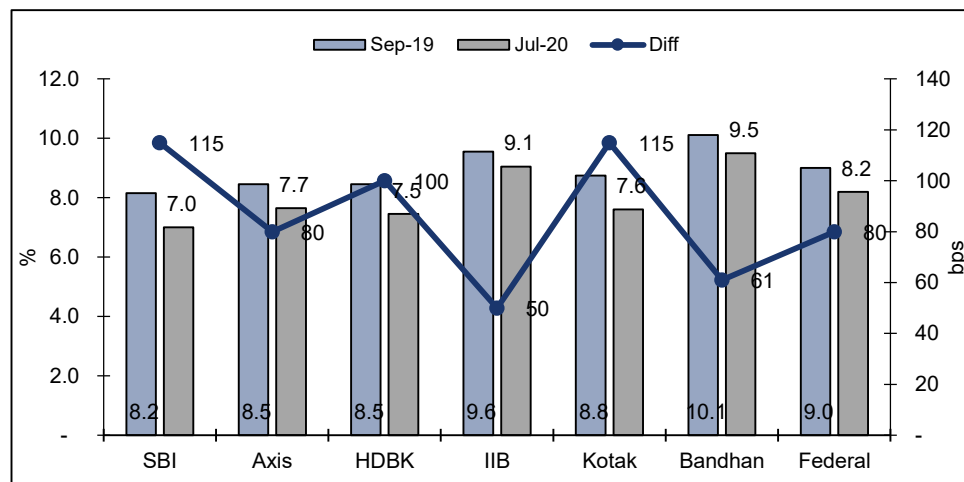
Source: Company data, I-Sec research

Chart 34: Saving deposit mobilization remained robust at 7% QoQ growth - despite it not offering differentiated SA rates



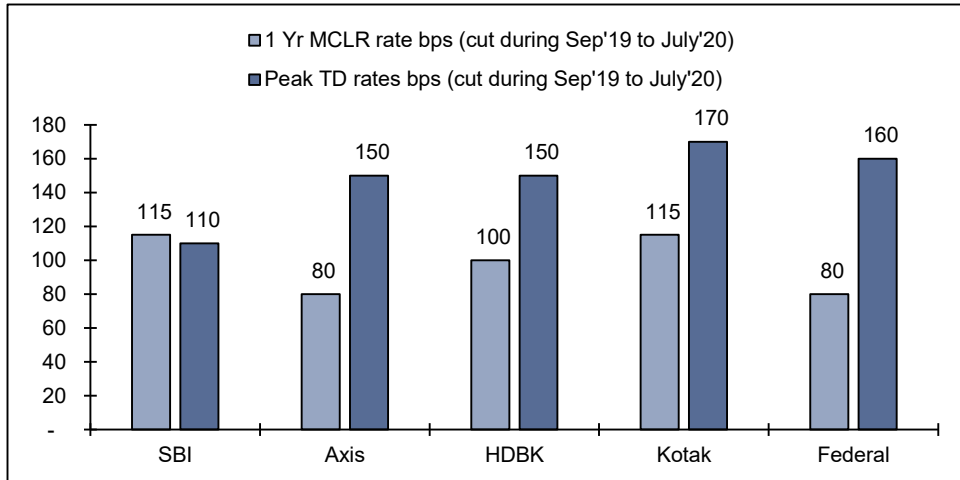
Source: Company data, I-Sec research

Chart 35: With increasing credit risk, FB has been conservative in cutting lending rates



Source: Company data, I-Sec research

Chart 36: FB best placed to improve margins in the short term

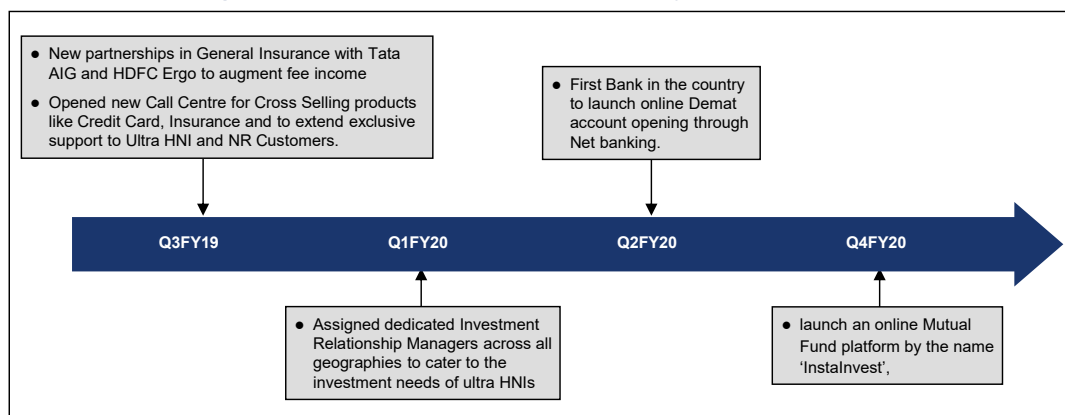


Source: Company data, I-Sec research

Fee income progression, post-realigned process, has been encouraging – but still lagging industry leaders

While revamping its business architecture, FB strategically conducted in-depth analysis of each revenue stream for core fee income. Accordingly, to leverage its strong NR and liability customer base it initiated several measures - collaboration with TATA AIG & HDFC Ergo for General Insurance, dedicated call center for cross-selling products, Investment managers across all geographies to leverage Ultra HNI customer base etc. to boost non-interest income. Even during framing new policies in each of the business verticals, 'cross sell & fee income' remained at the core of business strategy, which reflects in the measures taken by FB over the past couple of years.

Chart 37: Strategic initiatives taken over past one year



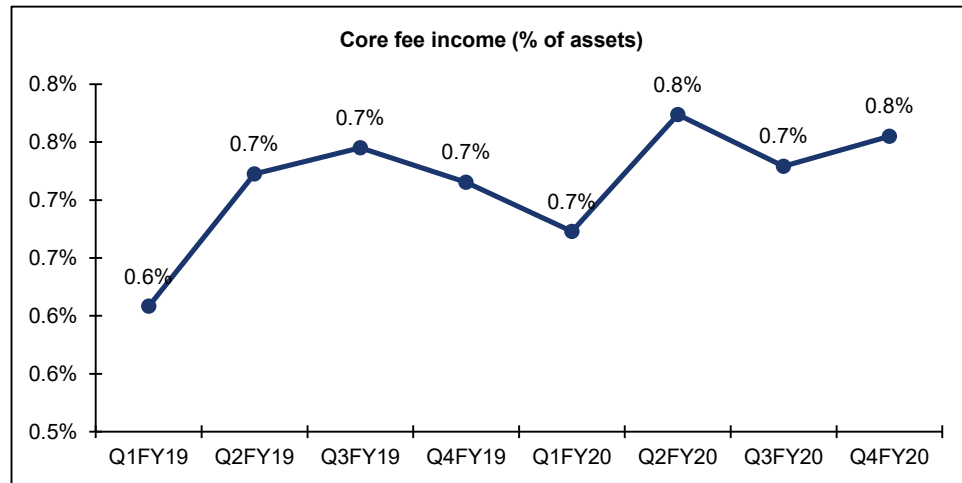
Source: Company data, I-Sec research

Table 4: Fee income breakup – most revenue streams showing encouraging trend

	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Cards	520	520	584	570	640	700
Third-party	230	230	124	240	150	270
Banking commi & exchange	210	360	320	330	320	360
Processing fees	500	500	490	610	630	560
Service charge	590	700	750	830	850	760
Forex	740	540	430	640	560	760
Core Fee Income	2,790	2,850	2,698	3,220	3,150	3,410
Treasury	550	740	910	820	650	3,690
Recovery in w/offers a/cs	110	530	310	170	270	10
Total Non-interest income	3,450	4,120	3,918	4,210	4,070	7,110

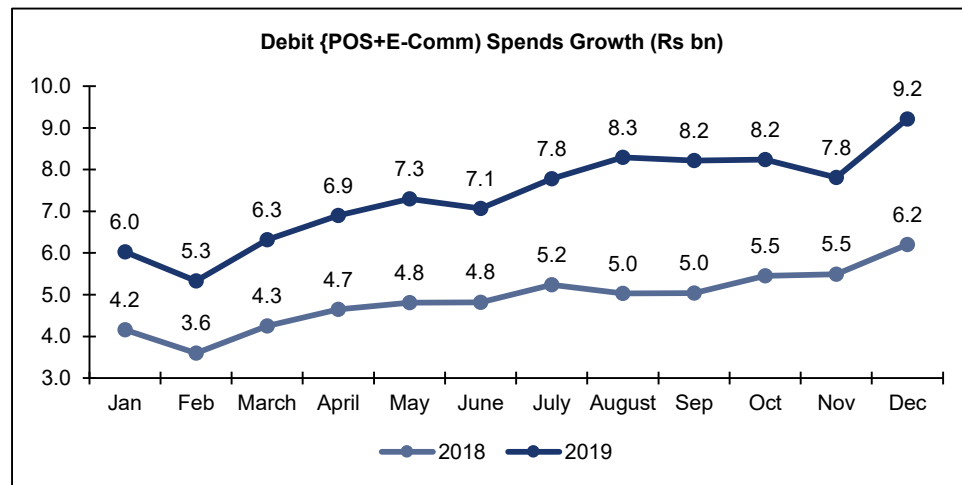
Source: Company data, I-Sec research

Chart 38: Strategic initiatives yielding positive outcome – but still scope for further improvement



Note - Core fee income is calculated as ex-Treasury, recovery in w/off accounts.
Source: Company data, I-Sec research

Chart 39: Steady improvement in debit card spends ensuring sustainable card fee income



Source: Company data, I-Sec research

From Q2FY19 onwards, **FB accelerated the pace of its presence in e-commerce space at regular intervals** with offers on shopping, travel, dining, entertainment, etc. to enhance brand association.

In Q2FY20, **FB introduced EMI facility for debit card purchases** through POS terminals in association with Pinelabs.

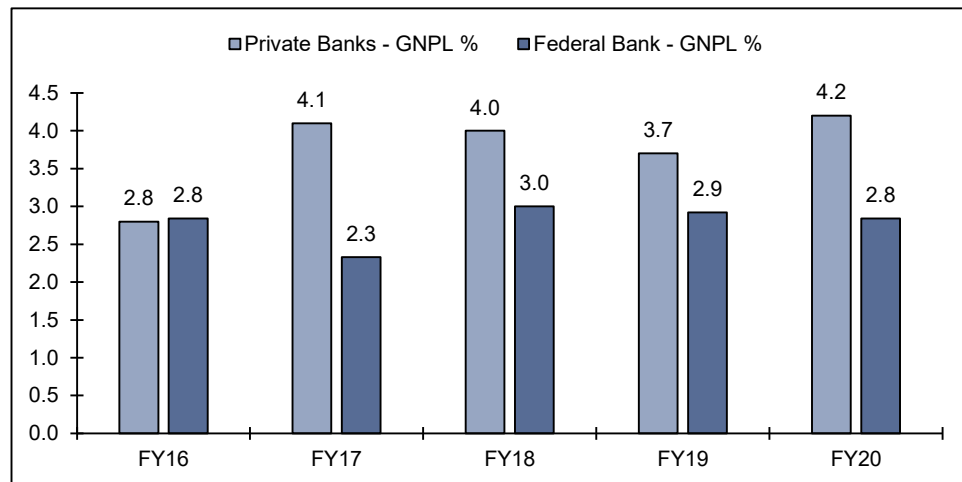
In Q1FY21, **FB partnered with Amazon** to offer debit card EMI facility to customers.

Superior asset quality performance – backed by better risk management and underwriting

It clearly stands out with peak GNPL ratio touching only 3% between FY16-FY19 (period of corporate NPA cycle) vs 4% for private sector banks – and the same reflects management prudence in staying away from many stressed groups.

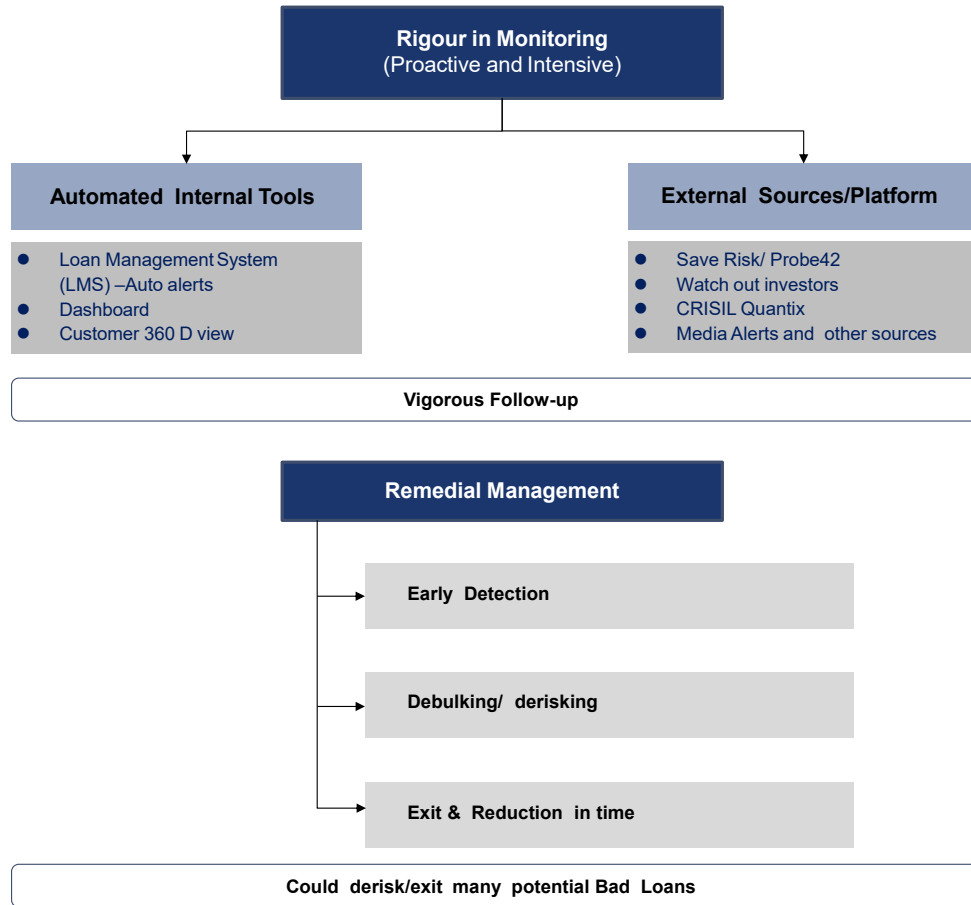
We believe FB is well positioned to tackle the current challenges with minimal impact on its asset quality given that its retail+SME portfolio is mostly secured while ~77% of corporate portfolio is rated 'A' & above.

Chart 40: Superior asset quality performance across cycles



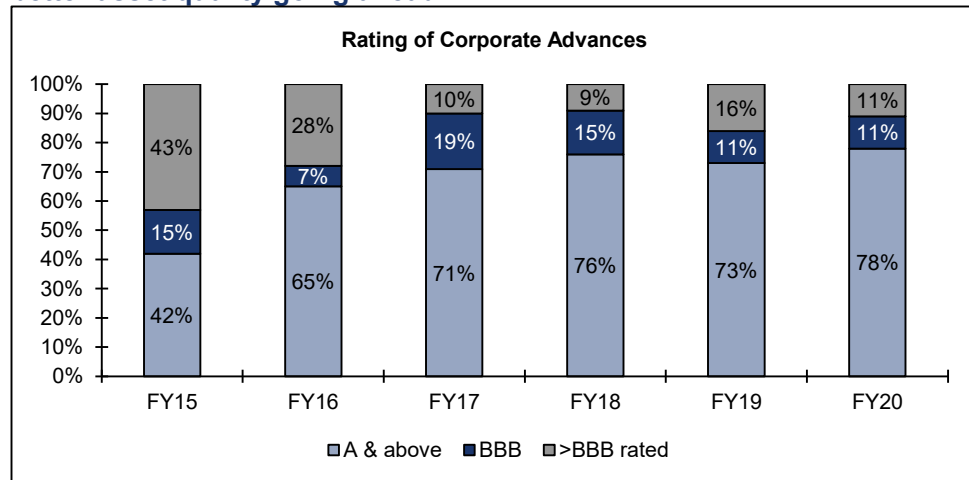
Source: Company data, I-Sec research

Chart 41: Strong risk management



Source: Company data, I-Sec research

Chart 42: Greater share of 'A' and above rated corporate book is likely to ensure better asset quality going ahead

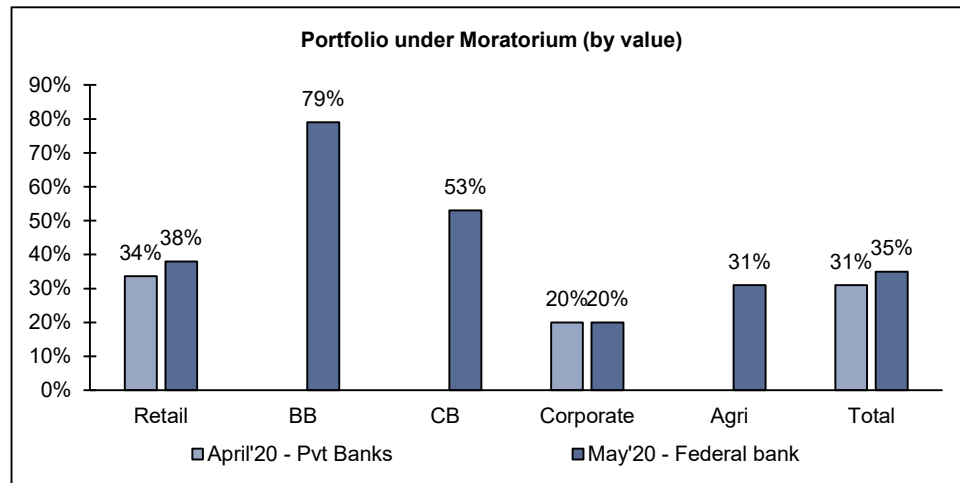


Source: Company data, I-Sec research
 Note - >BBB including not rated exposures.

Credit Monitoring and Collection

- Automated Early Warning Signal (EWS) reports
- Comparison of actual behaviour of the customer visa-a-vis envisaged earlier
- Dedicated monitoring team for quick corrective measures
- Product-wise, bucket-wise collection

Chart 43: Portfolio under moratorium in retail and corporate largely in line with private sector banks, while in CB/BB appears higher



Source: Company data, I-Sec research

Financial summary

Table 5: Profit and loss statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Interest Income	1,14,190	1,32,108	1,42,853	1,60,354
Interest Expense	72,427	85,619	94,629	1,05,295
Net Interest Income	41,764	46,489	48,224	55,058
% Nil Growth	16.6	11.3	3.7	14.2
Treasury Income	2,290	6,070	4,249	3,824
Non-interest income	13,510	19,314	18,928	21,578
Net Revenue	55,274	65,803	67,152	76,636
Employees Expenses	13,778	17,724	17,560	19,316
Other Op. Expenses	13,865	16,033	16,674	18,341
Operating Profit	27,631	32,047	32,919	38,979
% OP Growth	20.6	16.0	2.7	18.4
Tax	6,634	4,898	3,109	5,938
Total Provisions	8,559	11,722	20,482	15,225
Net Profit	12,439	15,428	9,327	17,815
% PAT Growth	41.5	24.0	(39.5)	91.0

Source: Company data, I-Sec research

Table 6: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20E	FY21E	FY22E
Capital	3,970	3,985	3,985	3,985
Reserves and Surplus	1,28,760	1,41,191	1,50,333	1,66,469
Deposits	13,49,543	15,22,901	16,75,191	19,18,094
Borrowings	77,813	1,03,724	77,793	89,462
Other Liabilities & Provisions	33,313	34,579	36,308	38,124
Total liabilities	15,93,400	18,06,381	19,43,611	22,16,134
Cash & Balances with RBI	64,192	61,749	87,649	90,340
Bal. with banks/ call money	36,476	63,997	49,084	48,181
Investment	3,18,245	3,58,927	3,85,294	4,12,390
Loans and advances	11,02,230	12,22,679	13,20,493	15,44,977
Fixed Assets	4,720	4,800	5,623	6,004
Other Assets	67,537	94,229	95,468	1,14,242
Total assets	15,93,400	18,06,381	19,43,611	22,16,134

Source: Company data, I-Sec research

Table 7: Key ratios

(Year ending March 31)

	FY19	FY20	FY21E	FY22E
Per Share Data				
Book value per share (INR)	67.0	72.8	77.4	85.5
Adj. BVPS (INR)	59.2	64.9	67.6	76.1
Price/Book value	0.8	0.8	0.7	0.6
Price/ Adj. Book value	0.9	0.8	0.8	0.7
EPS(INR)	6.3	7.8	4.7	8.9
P/E Ratio	8.7	7.1	11.8	6.2
DPS	0.7	0.7	0.7	0.7
Asset Quality				
Gross NPA (Rs mn)	32,607	35,308	57,110	54,334
Gross NPA (%)	2.92	2.84	4.32	3.52
Net NPA (Rs mn)	16,262	16,072	28,084	26,927
Net NPA (%)	1.48	1.31	2.13	1.74
% coverage of NPA	50.1	54.5	50.8	50.4
Delinquencies (%)	1.6	1.6	3.0	1.6

Capital Adequacy Ratio

RWA (Rs mn)	9,37,700	10,57,860	11,42,489	13,36,712
Tier I (%)	13.4	13.3	12.9	11.8
Tier II (%)	0.5	1.1	1.1	1.1
Total CAR (%)	13.9	14.3	14.0	12.8

Business Ratios

Credit / Deposit (%)	81.7	80.3	78.8	80.5
Investment / Deposit (%)	23.6	23.6	23.0	21.5
CASA (%)	32.4	31.8	32.1	32.4
RoA (%)	0.8	0.9	0.5	0.9
Core RoE (%)	9.8	11.1	6.2	11.0

Earnings Ratios

Interest Inc. / Avg. assets (%)	7.7	7.8	7.6	7.7
Interest Exp./ Avg. assets (%)	4.9	5.0	5.0	5.1
NIM (%)	2.8	2.7	2.6	2.6
Int. exp/ Int earned (%)	63.4	64.8	66.2	65.7
Oth. Inc./ Tot. Inc. (%)	24.4	29.4	28.2	28.2
Staff exp/Total opt. exp (%)	49.8	52.5	51.3	51.3
Cost/ Income Ratio (%)	50.0	51.3	51.0	49.1
Prov./ Operating Profit (%)	31.0	36.6	62.2	39.1
Loan loss prov./Avg. loans (bps)	84.7	100.8	161.1	106.3

Source: Company data, I-Sec research

Table 8: RoA tree

(% , year ending March 31)

	FY19	FY20	FY21E	FY22E
Interest income/Assets	7.7	7.8	7.6	7.7
Interest expenses/Assets	4.9	5.0	5.0	5.1
Net interest income/Assets	2.8	2.73	2.57	2.65
Treasury income/Assets	0.2	0.4	0.2	0.2
Other Inc. from operations/Assets	0.9	1.1	1.0	1.0
Total income/Assets	3.7	3.9	3.6	3.7
Total Exp./Assets	1.9	2.0	1.8	1.8
Operating profit/Assets	1.9	1.9	1.8	1.9
Tax/Assets	0.4	0.3	0.2	0.3
Loan loss provisions/Assets	0.6	0.7	1.1	0.7
Net profit/Assets	0.8	0.91	0.50	0.86

Source: Company data, I-Sec research

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