

# Federal Bank

## New guardrails under construction for new profit pools

Federal Bank's (FB) Annual Report 2020-21 reinforces a steady franchise that is gradually adding new guardrails (FinTech partnerships in white spaces and high-ROA businesses such as CVs, MFI and credit cards) to its conventional moats (granular deposits, strong underwriting architecture and a secular NR franchise). Despite conservative impairment recognition during the pandemic year, FB carries limited baggage, albeit with negligible provisioning buffers. However, the recent equity infusion by IFC offers much-needed long-term capital to a franchise that is smartly adding new-gen legs and profit pools (government business, HNIs and DSA in business banking). We incorporate the recent equity infusion and revise our FY22/FY23E PAT estimates upwards by 1% each and maintain BUY with a revised TP of INR 98 (earlier INR 97).

- Conventional moats intact:** Concentration risk on both sides of the balance sheet continues to remain low, with top 20 depositors and exposures in line with leading private sector banks at 4.8% and 10.4% respectively. The bank's deposit franchise is among the most granular with >90% retail deposits, driving cost of deposits lower by ~90bps (at 4.7% in FY21).
- Building blocks for the next leg of growth:** The Annual Report disclosures lend further credence to the fact that FB continues to witness traction from growth initiatives launched during earlier years. On the deposit front, the HNI segment (targeted under the Celesta program) contributes ~45% of the CASA balances (FY20: 40%) and is beginning to reflect in early benefits on fee income. On the asset side, FB is driving incremental portfolio growth in high-RoA areas (CV, credit cards and MFI businesses) and building scalable FinTech partnerships, as evidenced in the bank's emergence as the largest banking partner for BharatPe (3.8mn merchants on-boarded on the Business Banking vertical; 48mn transactions during the year).
- Pension obligations an old problem; PSLCs a new normal:** FB's operating efficiency gains on the back of increasing digitisation initiatives have been offset by stubbornly-high pension obligations on the back of wage revisions and declining yields (~20bps impact). The RBI's de-classification of 'trade' segment from PSL-MSME led to ~10% PSLC buyout and an increase in RIDF deposits to 6.5% of loans (FY20: 4.9%) - a continued drag on asset yields.
- Strong capitalisation acts as source of competitive advantage:** Although the overall stress pool (including the restructured portfolio at 1.2% of loans) was largely steady, FB had completely drawn down its provisioning buffer (0.4% of loans) during Q4FY21. The recent equity infusion by IFC offers much-needed long-term patient capital and a formidable competitive advantage to opportunistically capitalise on potential growth opportunities.

### Financial Summary

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
NII	35.8	41.8	46.5	55.3	63.1	71.1
PPOP	22.9	27.6	32.0	37.9	43.7	47.4
PAT	8.8	12.4	15.4	15.9	22.1	25.3
EPS (INR)	4.5	6.3	7.7	8.0	10.5	12.1
ROAE (%)	8.3%	9.8%	11.1%	10.4%	12.6%	12.6%
ROAA (%)	0.69%	0.84%	0.91%	0.83%	1.04%	1.07%
ABVPS (INR)	54	59	65	73	83	94
P/ABV (x)	1.6	1.5	1.3	1.2	1.0	0.9
P/E (x)	19	14	11	11	8	7

Source: Company, HSIE Research

## BUY

CMP (as on 22 June 2021)	INR85
Target Price	INR98
NIFTY	15,773

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 97	INR 98
	FY22E	FY23E
EPS %	-3.8%	-3.7%

### KEY STOCK DATA

Bloomberg code	FB IN
No. of Shares (mn)	1,995
MCap (INR bn) / (\$ mn)	169/2,268
6m avg traded value (INR mn)	2,304
52 Week high / low	INR 93/45

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.7	36.9	55.8
Relative (%)	4.0	22.6	5.2

### SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	0	0
FIs & Local MFs	44.6	43.3
FPIs	21.7	24.5
Public & Others	33.7	32.2
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

### Krishnan ASV

venkata.krishnan@hdfcsec.com  
+91-22-6171-7314

### Deepak Shinde

deepak.shinde@hdfcsec.com  
+91-22-6171-7323

### Punit Bahlani

punit.bahlani@hdfcsec.com  
+91-22-6171-7354

## Portfolio granularity

- Granularity on both sides on balance sheet:** FB continues to improve its granularity on total exposures as well as deposit concentration (in terms of the top-20 accounts). The concentration risk is comparable to SBI and leading private banks, demonstrating formidable portfolio depth. The average ticket size of C&IB and commercial banking portfolio is ~INR 560mn and ~INR 70mn respectively. FB continues to remain the best-in-class granular deposit franchise with ~90% retail deposits and over ~45% contribution to CASA balances from HNI accounts. However, the low share of CA deposits (~7%) leads to higher cost of deposits (4.7%) compared to leading private banks (~4.2%).

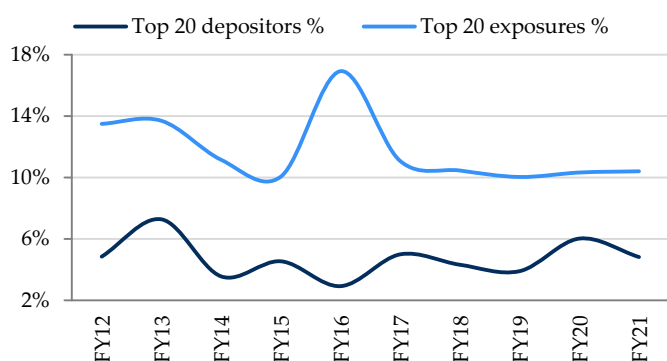
**Exhibit 1: Cost of funds - FB has a 60bps handicap compared to the large private banks**

Cost of Funds (%)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
HDFCB	4.7%	6.1%	6.4%	6.2%	5.8%	6.0%	5.5%	4.9%	5.2%	5.0%	4.1%
ICICIBC	5.4%	6.2%	6.3%	6.0%	5.9%	5.6%	5.3%	4.6%	4.7%	4.7%	4.1%
AXSB	4.6%	6.0%	6.4%	6.0%	5.8%	5.6%	5.4%	4.8%	5.1%	5.0%	4.2%
KMB	5.9%	7.6%	7.6%	7.0%	6.9%	7.7%	5.7%	5.2%	5.3%	4.8%	3.8%
IIB	6.2%	8.0%	8.3%	7.7%	7.4%	6.9%	6.2%	5.8%	6.2%	6.6%	5.4%
FB	5.6%	7.4%	7.2%	7.4%	7.3%	6.8%	6.1%	5.4%	5.4%	5.6%	4.8%
RBK	5.2%	7.0%	7.3%	7.6%	7.1%	6.5%	6.4%	5.7%	6.1%	6.7%	5.6%
CUBK	6.8%	8.0%	8.4%	8.3%	8.1%	7.6%	6.8%	6.0%	5.9%	6.1%	5.2%
DCBB	5.9%	7.0%	7.3%	7.2%	7.3%	7.2%	7.0%	6.1%	6.6%	7.0%	6.4%
KVB	6.4%	7.9%	8.0%	8.5%	8.3%	7.3%	6.5%	5.9%	5.7%	6.0%	4.9%
SBIN	5.0%	5.7%	5.9%	5.9%	5.8%	5.7%	5.3%	5.4%	4.8%	4.6%	4.0%

Source: Company, HSIE Research | Note: HDFC Securities is a subsidiary of HDFC Bank

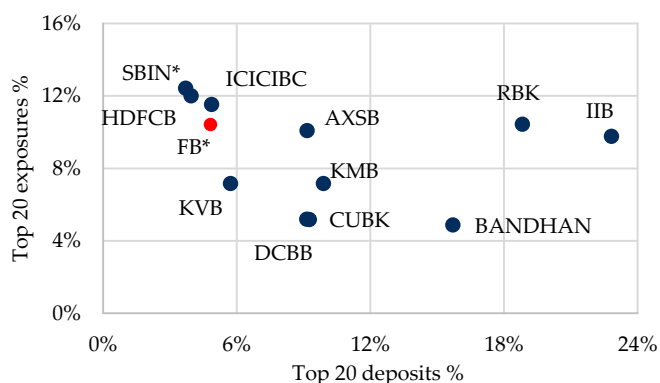
- Loan mix tilting towards unsecured and term loans:** FB's share of unsecured advances increased from 15% to 18% during the year. Also, share of term loans has been steadily increasing, probably driven by build-up in the housing and LAP portfolios.

**Exhibit 2: Consistently low on concentration risk**



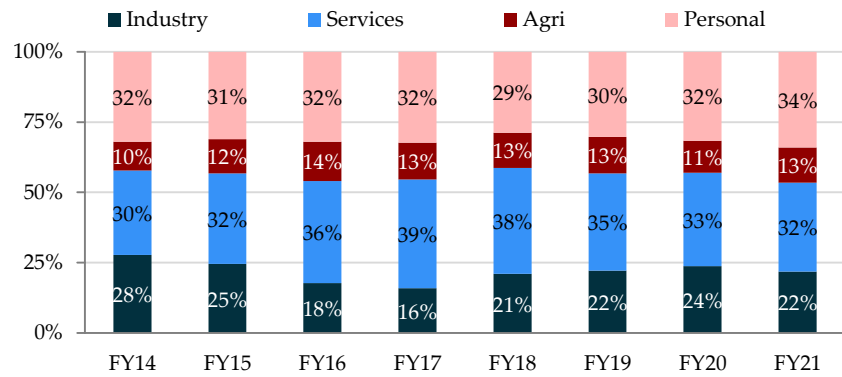
Source: Company, HSIE Research

**Exhibit 3: In league with leading private banks and SBI**



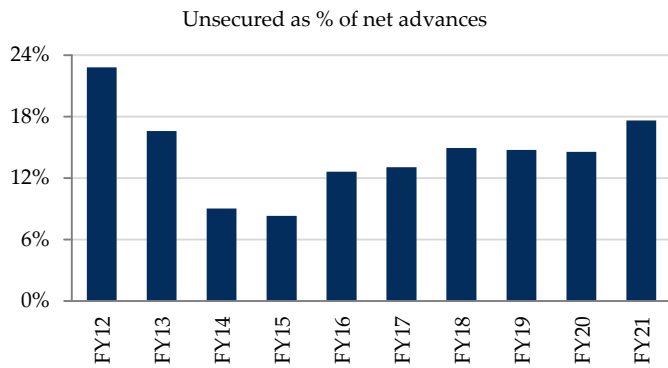
Source: Company, HSIE Research | Note: \* denotes data for FY21; FY20 data for other banks | Note: HDFC Securities is a subsidiary of HDFC Bank

Exhibit 4: Rising share of retail during FY19-FY21



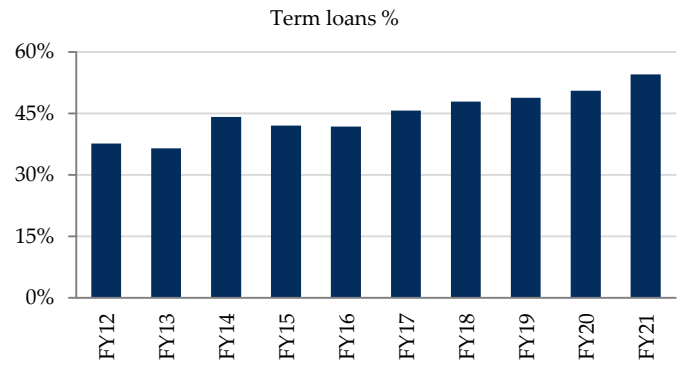
Source: Company, HSIE Research

Exhibit 5: Increasing share of unsecured loans...



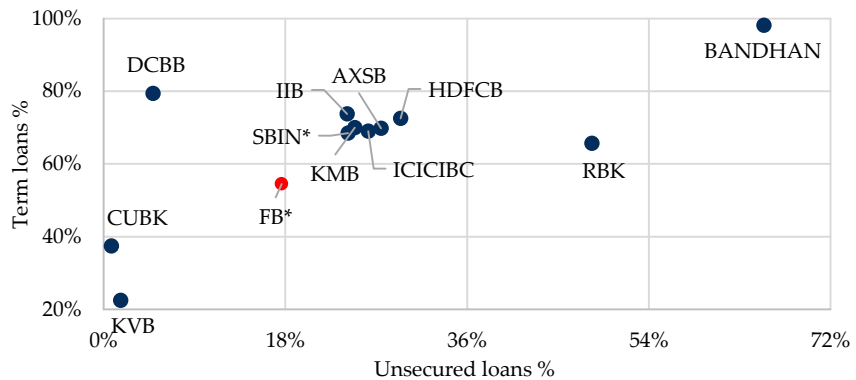
Source: Company, HSIE Research

Exhibit 6: and term loans as well



Source: Company, HSIE Research

Exhibit 7: Unsecured loans vs. term loans exposure



Source: Company, HSIE Research | Note:\* denotes data for FY21; FY20 data for other banks | Note: HDFC Securities is a subsidiary of HDFC Bank

Exhibit 8: Yield on advances - FB has a 50bps advantage compared to larger private banks

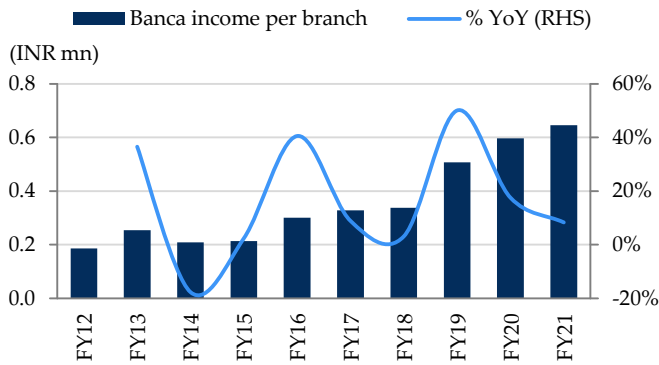
Yields on Advances (%)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
HDFCB	10.6%	11.6%	12.3%	11.7%	11.1%	10.8%	10.2%	10.3%	10.5%	10.1%	8.9%
ICICIBC	8.3%	9.4%	10.1%	10.0%	9.8%	9.5%	8.8%	8.4%	8.7%	9.3%	8.3%
AXSB	8.4%	9.9%	10.5%	10.3%	10.1%	9.7%	9.3%	8.4%	8.8%	9.1%	8.0%
KMB	12.8%	14.2%	14.0%	13.2%	12.5%	13.5%	10.5%	9.6%	9.8%	9.9%	8.4%
IIB	12.1%	13.8%	14.1%	13.3%	12.5%	11.8%	11.4%	10.6%	11.0%	12.2%	11.5%
FB	10.8%	12.0%	11.3%	11.4%	11.5%	10.4%	10.0%	9.1%	9.0%	9.2%	8.5%
RBK	8.7%	11.5%	11.7%	11.4%	11.6%	10.9%	10.4%	9.8%	10.7%	12.3%	11.2%
CUBK	12.0%	13.0%	13.2%	13.3%	12.7%	12.1%	11.5%	11.0%	10.5%	10.5%	10.0%
DCBB	10.4%	11.2%	12.0%	11.8%	11.8%	11.6%	11.5%	10.7%	11.2%	11.6%	10.9%
KVB	10.8%	12.2%	12.3%	12.2%	12.0%	11.5%	11.0%	10.3%	9.8%	9.9%	9.1%
SBIN	8.6%	10.0%	9.5%	9.1%	9.0%	8.4%	7.9%	8.1%	7.8%	8.0%	7.2%

Source: Company, HSIE Research | Note: HDFC Securities is a subsidiary of HDFC Bank

## Structural offsets to productivity gains

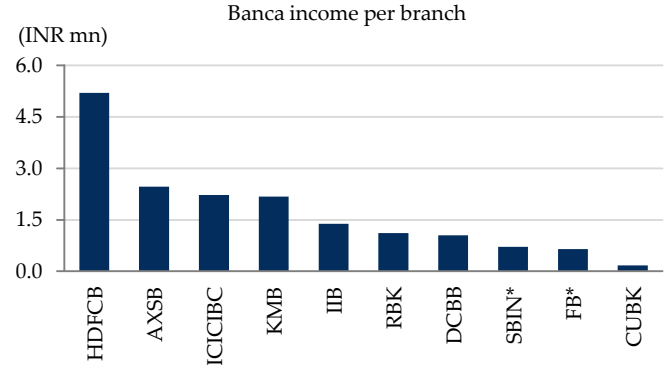
- Fee yields remain muted; distribution income shows traction:** Fee income continues to remain a drag on overall profitability for FB, compared to its large peers. While FY21 was marred by fee income reversals and lower retail loan originations, fee yields are yet to pick up meaningfully from the current levels. Distribution income, on the other hand, has been exhibiting steady improvement.

**Exhibit 9: Distribution income productivity improving**



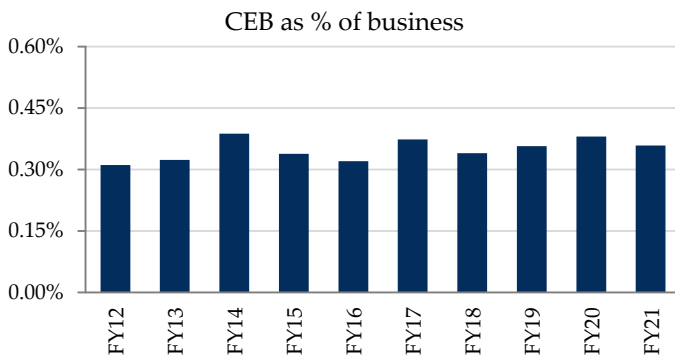
Source: Company, HSIE Research

**Exhibit 10: ... but significantly inferior to peers**



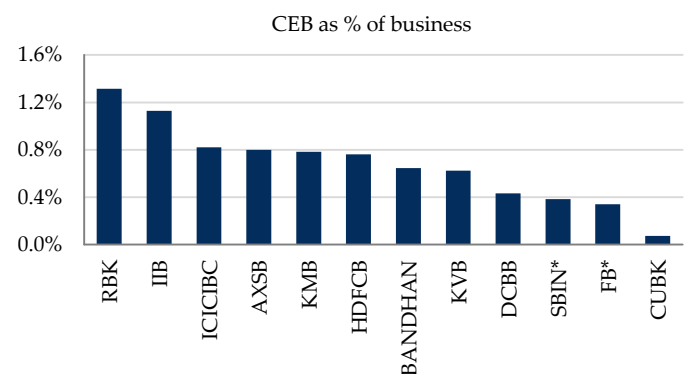
Source: Company, HSIE Research | Note:\* denotes data for FY21; FY20 data for other banks | Note: HDFC Securities is a subsidiary of HDFC Bank

**Exhibit 11: Fee income yields remain steady...**



Source: Company, HSIE Research

**Exhibit 12: ...but substantially lower than peers**

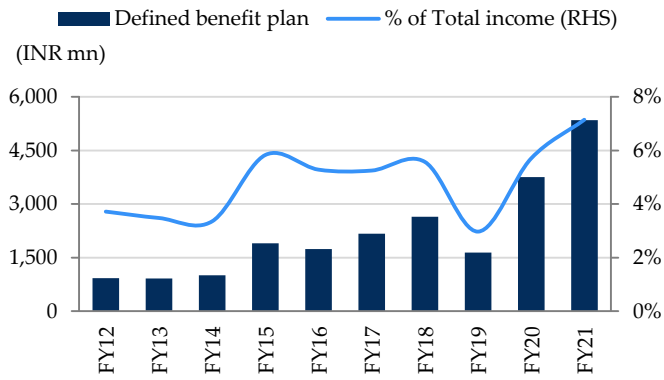


Source: Company, HSIE Research | Note:\* denotes data for FY21; FY20 data for other banks | Note: HDFC Securities is a subsidiary of HDFC Bank

- Opex marred by one-offs, likely to stabilise:** FB's operating efficiency gains on the back of increasing digitisation initiatives have been offset by higher share of pension obligations in the past couple of years due to wage revisions and declining yields (~20bps impact). However, the increasing digitisation of transactions and business processes (customer acquisitions, servicing etc.) is likely to further improve the operating efficiency, with a shrinking share of employees under the Defined Benefit scheme (terminated since 2010).

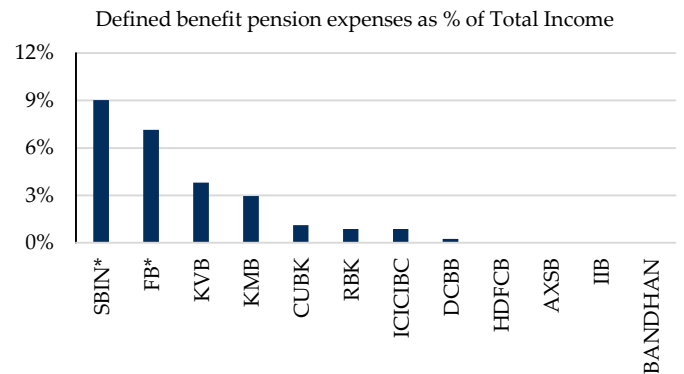
Purchase of PSLCs to the tune of ~10% of loans, along with higher share in RIDF deposits, is likely to be driven primarily by the RBI's new guidelines on declassification of trade segment from the PSL category.

Exhibit 13: Sharp increase in pension obligations...



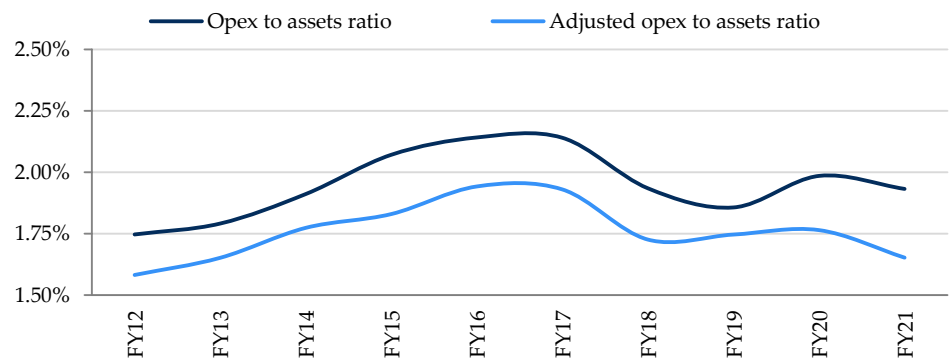
Source: Company, HSIE Research | Note: Pension obligations include only defined benefit plan expenses

Exhibit 14: ...significantly higher compared to peers



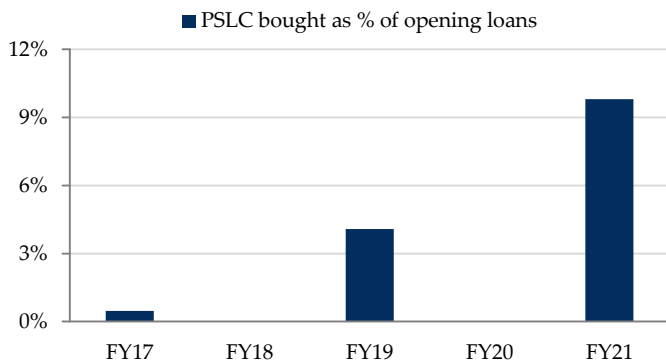
Source: Company, HSIE Research | Note: \* denotes data for FY21; FY20 data for other banks | Note: HDFC Securities is a subsidiary of HDFC Bank

Exhibit 15: Adjusted opex to assets ratio



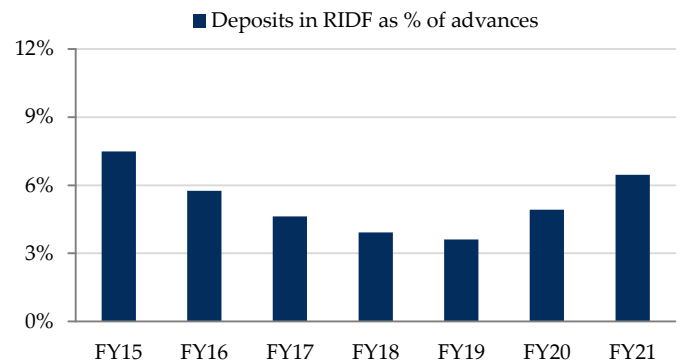
Source: Company, HSIE Research | Note: Adjusted for defined benefit pension expenses

Exhibit 16: Sharp increase in PSLCs bought during FY21



Source: Company, HSIE Research

Exhibit 17: RIDF deposits on the rise

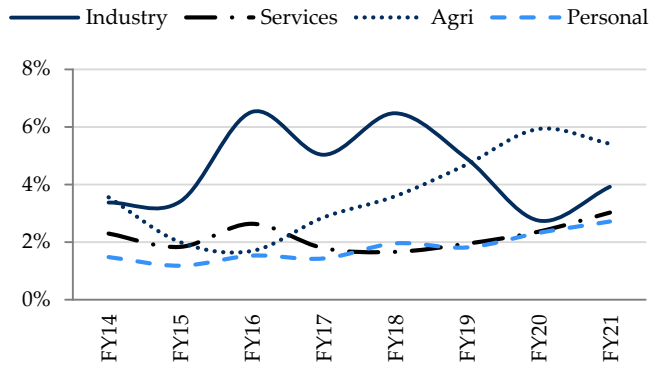


Source: Company, HSIE Research

## Asset quality - a few minor hiccups in a pandemic year

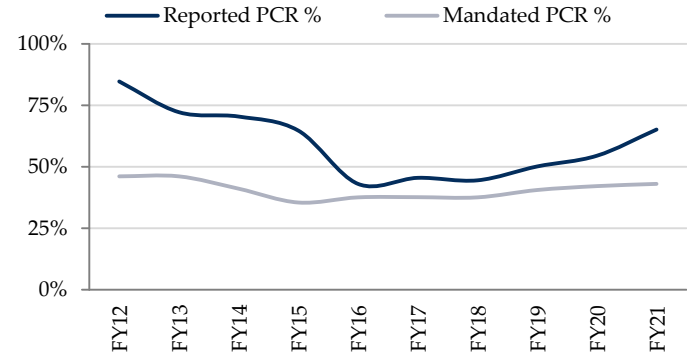
- Wholesale book witnesses some stress in a pandemic year:** FB's wholesale book's asset quality witnessed moderate deterioration with GNPA at 3.4% (FY20: 2.5%) during a year marred by pandemic and lockdowns. Despite lower slippages (1.5% of loans) during the year (FY20: 1.65%), GNPA's were optically higher because of a weak economic environment that resulted in lower recoveries, upgrades and write-offs during the year. With reported PCR well above the mandated PCR requirements, we expect credit costs to taper off to 0.7% in FY23, driving reflation in profitability.

**Exhibit 18: Spike in Industry GNPA**



Source: Company, HSIE Research

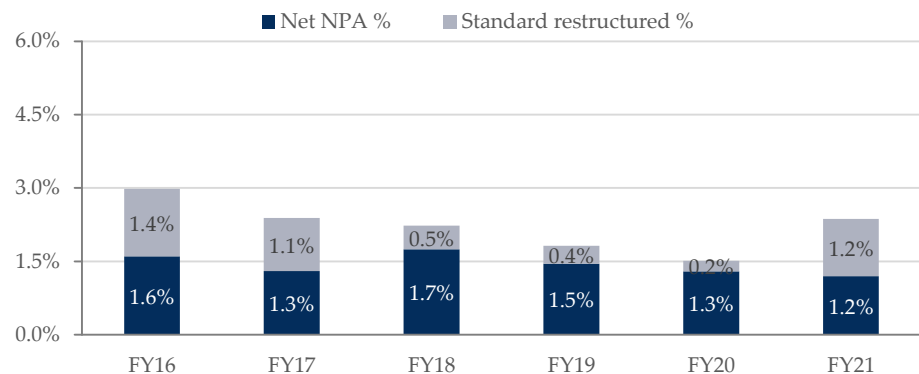
**Exhibit 19: Building on higher provisioning buffers**



Source: Company, HSIE Research

- Total stress pool increases sharply during the year:** FB's total stressed pool (net NPA + standard restructured advances) witnessed a sharp jump during FY21, largely due to the restructured portfolio. Management has exercised caution in restructuring corporate entities, with over 68% of restructured assets from the retail segment.

**Exhibit 20: Total stressed pool – sharp increase during the year**



Source: Company, HSIE Research

## Valuation and Recommendation

- The recent equity infusion by IFC offers much-needed long-term patient capital and a formidable competitive advantage to opportunistically capitalise on potential growth opportunities. We incorporate the recent equity infusion and revise our FY22/FY23E PAT forecasts upwards by 1% each and maintain BUY with a revised TP of INR 98 (earlier INR 97).

### Exhibit 21: Change in estimates

(INR bn)	FY22E			FY23E		
	Old	New	Change	Old	New	Change
Net advances	1,479	1,479	0.1%	1,673	1,673	0.0%
Deposits	1,909	1,908	0.0%	2,126	2,126	0.0%
NIM (%)	3.3	3.3	1 bps	3.3	3.3	1 bps
NII	62.7	63.1	0.7%	70.5	71.1	0.9%
PPOP	43.5	43.7	0.5%	47.1	47.4	0.7%
PAT	21.8	22.1	1.3%	25.0	25.3	1.3%
Adj. BVPS (INR)	81.7	82.7	1.2%	93.8	94.0	0.3%

### Peer Set Comparison

Banks	MCap (INR bn)	CMP (INR)	EPS (INR)			ABV (INR)			P/E (x)			P/ABV (x)			RoAE (%)				RoAA (%)			
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
AUBANK	322	1,032	37.5	27.2	35.8	173.5	176.4	217.1	27.5	37.9	28.8	5.9	5.8	4.8	18.6	22.3	13.6	16.2	1.61	1.28	1.53	1.72
AXSB #	2,264	739	21.5	41.4	50.7	308.8	352.4	398.8	33.5	17.3	14.3	2.3	2.0	1.8	2.1	7.1	11.8	12.9	0.19	0.69	1.23	1.37
BANDHAN	549	341	13.7	23.2	31.2	90.3	118.4	147.5	24.9	14.7	10.9	3.8	2.9	2.3	22.9	13.5	19.5	21.8	4.08	2.13	2.97	3.37
CUBK	120	163	8.0	10.3	13.0	64.5	77.7	90.1	20.3	15.8	12.5	2.5	2.1	1.8	9.4	10.6	12.3	13.7	1.00	1.15	1.36	1.53
DCBB	34	108	10.8	13.1	15.9	94.2	111.1	127.0	10.0	8.3	6.8	1.1	1.0	0.9	10.3	9.4	10.3	11.3	0.91	0.86	0.98	1.08
FB	170	85	8.0	10.9	12.5	72.9	81.7	93.8	10.7	7.8	6.8	1.2	1.0	0.9	11.1	10.4	12.8	13.2	0.91	0.83	1.03	1.06
ICICIBC #	4,358	630	23.4	30.1	37.8	191.6	217.1	249.9	21.3	16.5	12.9	2.6	2.3	2.0	7.5	11.9	12.9	14.4	0.77	1.39	1.61	1.81
IIB	784	999	48.9	72.8	93.3	537.4	614.2	680.9	20.4	13.7	10.7	1.9	1.6	1.5	14.7	9.9	12.2	13.6	1.51	1.13	1.52	1.76
KMB #	3,484	1,758	35.1	39.9	48.3	302.6	334.8	380.8	43.4	37.9	29.6	5.0	4.5	3.8	13.1	12.4	11.8	12.9	1.77	1.87	1.97	2.15
KVB	42	52	4.5	4.5	7.8	64.8	66.6	74.2	11.6	11.6	6.7	0.8	0.8	0.7	3.6	5.3	5.0	8.3	0.34	0.50	0.46	0.74
RBK	126	210	8.5	14.9	22.7	191.0	205.2	228.5	24.7	14.1	9.2	1.1	1.0	0.9	5.6	4.4	6.8	9.7	0.60	0.54	0.83	1.12
SBIN #	3,730	418	22.9	35.2	43.4	217.9	253.7	292.8	11.9	7.4	6.0	1.3	1.0	0.9	6.4	8.4	11.7	12.9	0.38	0.48	0.67	0.77
Ujjivans	55	32	0.0	1.8	2.7	15.0	16.9	19.9	666.3	17.7	11.7	2.1	1.9	1.6	15.2	0.3	9.9	13.4	2.18	0.04	1.43	1.90

Source: Company, HSIE Research | Note: # denotes adjustment for subsidiaries

## Financials

### Income Statement

(INR mn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	97,529	114,190	132,108	137,579	155,182	174,271
Interest Expenses	61,701	72,427	85,618	82,242	92,107	103,139
<b>Net Interest Income</b>	<b>35,828</b>	<b>41,764</b>	<b>46,489</b>	<b>55,337</b>	<b>63,075</b>	<b>71,133</b>
Non-Interest income	11,591	13,510	19,314	19,449	20,126	19,973
<b>Total income</b>	<b>47,419</b>	<b>55,274</b>	<b>65,803</b>	<b>74,786</b>	<b>83,202</b>	<b>91,106</b>
Operating Expenses	24,509	27,643	33,756	36,917	39,510	43,692
<b>Operating Profit</b>	<b>22,910</b>	<b>27,631</b>	<b>32,047</b>	<b>37,869</b>	<b>43,692</b>	<b>47,413</b>
Provisions	9,472	8,559	11,722	16,496	13,857	12,932
<b>PBT</b>	<b>13,439</b>	<b>19,073</b>	<b>20,325</b>	<b>21,373</b>	<b>29,834</b>	<b>34,481</b>
Tax	4,650	6,634	4,898	5,470	7,757	9,137
<b>PAT</b>	<b>8,788</b>	<b>12,439</b>	<b>15,428</b>	<b>15,903</b>	<b>22,077</b>	<b>25,343</b>

Source: Company, HSIE Research

### Balance Sheet

(INR mn)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share capital	3,944	3,970	3,985	3,992	4,202	4,202
Reserves	118,158	128,760	141,191	157,244	185,333	207,104
Networth	122,102	132,730	145,176	161,236	189,535	211,306
Deposits	<b>1,119,925</b>	<b>1,349,543</b>	<b>1,522,901</b>	<b>1,726,445</b>	<b>1,908,460</b>	<b>2,125,690</b>
Borrowings	115,335	77,813	103,724	90,685	104,053	122,803
Current Liab	25,787	33,313	34,579	35,308	40,856	44,058
<b>Total Liabilities &amp; Equity</b>	<b>1,383,150</b>	<b>1,593,400</b>	<b>1,806,380</b>	<b>2,013,674</b>	<b>2,242,904</b>	<b>2,503,857</b>
Cash balance	92,034	100,668	125,746	195,914	199,548	210,041
Advances	<b>919,575</b>	<b>1,102,230</b>	<b>1,222,679</b>	<b>1,318,786</b>	<b>1,479,384</b>	<b>1,673,226</b>
Investments	307,811	318,245	358,927	371,862	459,672	513,920
Fixed assets	4,574	4,720	4,800	4,911	5,157	5,415
Other assets	59,156	67,537	94,229	122,201	99,144	101,255
<b>Total Assets</b>	<b>1,383,150</b>	<b>1,593,400</b>	<b>1,806,380</b>	<b>2,013,674</b>	<b>2,242,904</b>	<b>2,503,857</b>

Source: Company, HSIE Research

### Key Ratios

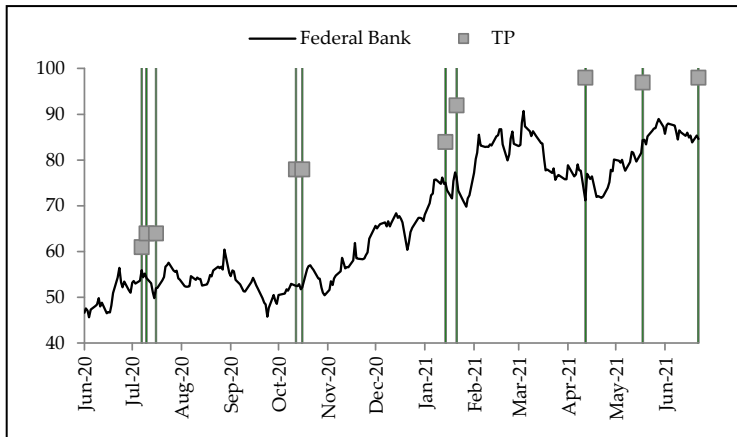
	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>VALUATION RATIOS</b>						
EPS (INR)	4.5	6.3	7.7	8.0	10.5	12.1
Earnings Growth (%)	6%	42%	24%	3%	39%	15%
BVPS	62	67	73	81	90	101
Adj. BVPS	54	59	65	73	83	94
ROAA (%)	0.69%	0.84%	0.91%	0.83%	1.04%	1.07%
ROAE (%)	8.3%	9.8%	11.1%	10.4%	12.6%	12.6%
P/E (x)	19	14	11	11	8	7
P/BV (x)	1.6	1.5	1.3	1.2	1.0	0.9
P/ABV (x)	98.2	81.4	70.2	59.4	51.5	47.4
P/PPOP (x)	4.5	6.3	7.7	8.0	10.5	12.1
Dividend Yield (%)	6%	42%	24%	3%	39%	15%
<b>PROFITABILITY (%)</b>						
Yield on loans	9.1%	9.0%	9.2%	8.5%	8.7%	8.7%
Cost of Funds	5.4%	5.4%	5.6%	4.8%	4.8%	4.8%
Cost of Deposits	5.5%	5.5%	5.6%	4.7%	4.8%	4.8%
Spread	3.7%	3.5%	3.5%	3.8%	3.9%	3.9%
NIM	3.1%	3.1%	3.0%	3.2%	3.3%	3.3%



	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>OPERATING EFFICIENCY</b>						
Cost to average assets	1.9%	1.9%	2.0%	1.9%	1.9%	1.8%
Cost-income	51.7%	50.0%	51.3%	49.4%	47.5%	48.0%
<b>BALANCE SHEET STRUCTURE RATIOS</b>						
Loan Growth (%)	25.4%	19.9%	10.9%	7.9%	12.2%	13.1%
Deposits Growth (%)	14.7%	20.5%	12.8%	13.4%	10.5%	11.4%
Equity/Assets (%)	8.8%	8.3%	8.0%	8.0%	8.5%	8.4%
Equity/Loans (%)	13.3%	12.0%	11.9%	12.2%	12.8%	12.6%
CASA %	33.7%	32.4%	30.7%	34.0%	34.3%	34.0%
CRAR (%)	14.6%	14.4%	14.8%	14.6%	13.6%	13.6%
Tier I (%)	14.0%	13.7%	13.8%	13.8%	12.9%	13.0%
<b>Asset quality</b>						
Gross NPA	27,956	32,607	35,308	46,024	46,341	41,402
Net NPA	15,520	16,262	16,072	16,043	15,852	13,760
PCR	44.5%	50.1%	54.5%	65.1%	65.8%	66.8%
GNPA %	3.04%	2.96%	2.89%	3.49%	3.13%	2.47%
NNPA %	1.69%	1.48%	1.31%	1.22%	1.07%	0.82%
Slippages	2.66%	1.65%	1.65%	1.51%	1.60%	1.28%
Credit costs	0.91%	0.64%	0.87%	1.19%	0.99%	0.70%
<b>ROAA Tree</b>						
Net Interest Income	2.83%	2.81%	2.73%	2.90%	2.96%	3.00%
Non Interest Income	0.92%	0.91%	1.14%	1.02%	0.95%	0.84%
Operating Cost	1.94%	1.86%	1.99%	1.93%	1.86%	1.84%
Provisions	0.75%	0.58%	0.69%	0.86%	0.65%	0.54%
Tax	0.37%	0.45%	0.29%	0.29%	0.36%	0.38%
ROAA	0.69%	0.84%	0.91%	0.83%	1.04%	1.07%
Leverage (x)	12.0	11.7	12.2	12.5	12.1	11.8
ROAE	8.31%	9.76%	11.10%	10.38%	12.59%	12.65%

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
7-Jul-20	54	BUY	61
10-Jul-20	55	BUY	64
16-Jul-20	50	BUY	64
10-Oct-20	53	BUY	78
17-Oct-20	52	BUY	78
14-Jan-21	75	BUY	84
21-Jan-21	77	BUY	92
12-Apr-21	78	BUY	98
18-May-21	82	BUY	97
23-Jun-21	85	BUY	98

Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

**Disclosure:**

We, **Krishnan ASV, PGDM, Deepak Shinde, PGDM & Punit Bahlani, ACA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

**Any holding in stock –NO**

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

**HDFC securities****Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board : +91-22-6171 7330 [www.hdfcsec.com](http://www.hdfcsec.com)