

Federal Bank

BSE SENSEX

58,962

S&P CNX

17,304

FEDERAL BANK

Stock Info

Bloomberg	FB IN
Equity Shares (m)	2110
M.Cap.(INRb)/(USDb)	273.1 / 3.3
52-Week Range (INR)	143 / 83
1, 6, 12 Rel. Per (%)	-1/15/30
12M Avg Val (INR M)	1669
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E Mar	FY23E	FY24E	FY25E
NII	73.9	84.5	97.1
OP	48.5	57.1	67.0
NP	29.4	33.9	39.7
NIM (%)	3.5	3.4	3.4
EPS (INR)	14.0	16.1	18.9
EPS Gr. (%)	51.8	15.1	17.3
BV/Sh. (INR)	102	116	132
ABV/Sh. (INR)	94	107	122

Ratios

ROE (%)	14.6	14.8	15.2
ROA (%)	1.2	1.3	1.3

Valuations

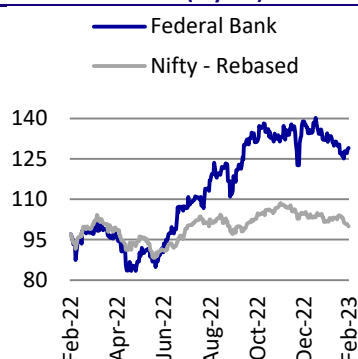
P/E(X)	9.2	8.0	6.8
P/BV (X)	1.3	1.1	1.0
P/ABV (X)	1.4	1.2	1.1

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	0.0	0.0	0.0
DII	41.9	43.7	41.1
FII	28.6	27.3	26.2
Others	29.6	29.0	32.7

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR129
TP: INR170 (+32%)
Buy

Pursuing all-round growth

High-margin products to aid earnings; fintech tie-ups key business driver

At its Analyst Day meet, Federal Bank (FB) reiterated its focus on delivering a healthy performance across all key parameters. The management aims to grow the loan book in the high teens, driven by digital and fintech partnerships. FB will continue to focus on growing its high-margin products by leveraging data analytics. The management also discussed growth opportunities and key levers for the ROA expansion. We expect FB to deliver an earnings CAGR of 16% over FY23-25 with RoA/RoE of 1.3%/15.2% by FY25. We have a BUY rating on FB with a TP of INR170 (1.4x for Sep'24E ABV).

Focus remains on growing high-yielding book; unsecured mix to increase

FB remains focused on delivering sustainable loan growth by leveraging data analytics, enhancing distribution through alternate channels and partnerships, and adopting the digital-first approach. The bank has been gaining market share in select segments like Housing (5.5%), Auto (2.75%) and PL (0.6%). It has also identified new verticals such as MFI, Credit Card, CV/CE and business banking, which are witnessing robust growth. The core focus remains on growing high-yielding businesses, with the mix improving to 20.5% in Dec'22 from 17.4% in Dec'19. Segments such as CV, CE and Credit Cards have been growing at a superior rate. This accelerated growth in high-margin businesses is likely to support NIM going ahead.

Fintech partnerships driving faster growth; mix in overall loans rising

FB has been aggressive in fintech partnerships, which have aided loan growth and the customer base. The bank has indicated that it will continue to expand its partnerships to boost loan growth. The share of fintech partnerships stands at 36% in PL, 75% in credit cards, 19% in incremental savings balances and 10% in incremental term deposits. Further, these partnerships have contributed to a ~4.5x increase in PL disbursements in the past three months, a 22x increase in credit cards issued in the past 15 months, a 19.5x rise in the number of accounts and a 17.4x rise in the CASA balance in the past one year. Overall, the bank expects these businesses to grow at a robust pace and expects to double the book in the next three years.

Share of digital on the rise; focusing on ramping up digital innovation

FB is focusing on enhancing digital banking through continuous innovation. As a result, 96% of savings accounts, 95% of transactions, 100% of PL, 90% of retail transactions and 81% of corporate transactions are being done digitally. Further, digital lending constitutes 63% of total lending. By FY26, the share of digital lending is expected to increase to 100% in MFI (v/s 90% now), 25% in Gold loans (v/s 10% now) and 20% in Agri loans (v/s 3% now), with a monthly run rate likely to increase to INR6b, INR12.5b, INR500m, respectively (from INR1.5b, INR2.5b and INR30m now). FB has average active mobile banking users of ~1.7m.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Strong liability franchise to support growth momentum

The liability franchise has been holding up well, with CASA + retail term deposits making up ~88-90% of total deposits. FB has a lower cost of funds compared to other mid-size banks. It is a strong player in NRI remittances with a market share of 6.9% in the NR business and 21% in inward remittances. Deposit growth has been faster than growth in advances, which will support overall loan growth going ahead. Overall, the bank expects advances to grow in high teens, with an endeavor to grow at 1.3-1.4x of the industry.

Asset quality to remain buoyant; PCR improves sharply to 70%

Credit quality of the portfolio continues to be pristine and the bank has improved the coverage ratio by 25% in the past three years. The bank remains prudent and will keep the balance sheet strong. Slippages have been lower than 1%, of which 2/3rd has been recovered in cash. This demonstrates strong underwriting standards of the bank. NPAs have moderated to 0.7%, while the bank maintains a healthy coverage ratio of ~70%, which will keep the credit cost under control. We thus estimate a credit cost of ~60bp over FY23-25.

Wholesale book to grow in a calibrated manner

The bank focuses on growing its wholesale book and would not shy away if the opportunities emerge. Supply chain financing (SCF), capital markets, and fintech and Start-up segments would be the key growth drivers. The focus remains on growing the government business with an aspiration to have a market share of 5% by FY25, which will boost FB's fee income and CASA profile. The corporate business is becoming granular with a decline in the average ticket size to INR550m from INR640m in Mar'19. Fee to average assets has improved to 54bp from 38bp since Mar'19, while GNPA has moderated to 1.2% from 2.6% in the similar period.

Levers for ROA expansion in place; expects RoA to reach 1.3% by FY25

While the bank expects margins to moderate from 4QFY23 on account of a rise in the deposit cost, an increase in the mix of high-yielding segments will support the margin trajectory. Further, FB has been working to improve productivity by adding branches in a calibrated manner while focusing on leveraging distribution channels through the RM model. This will lead to a further improvement in the C/I ratio. Moreover, its focus on retail assets will help improve fee income, which will support incremental ROA. The bank aims to double its net worth in the next three years with a consistent improvement in RoA.

Valuation view

We believe that FB is well placed to deliver RoA expansion, led by controlled credit costs and a rise in the mix of high-yielding segments. Moreover, the bank's strong liability franchise will help it lower the cost of funds, which should support margins. FB plans to add branches in a calibrated manner and improve its digital capabilities, which should drive operating leverage. We estimate an earnings CAGR of 16% over FY23-25 with RoA/RoE of 1.3%/15.2% by FY25. We have a BUY rating on FB with a TP of INR170 (1.4x Sep'24E ABV).

Key takeaways from sessions with top management

Session #1: MD & CEO

- FB has outperformed most of its peers. Its return ratios are better than the company's earlier guidance.
- Credit quality continues to be pristine and the bank has improved the coverage ratio by 25%.
- The bank has increased the focus on customer satisfaction and wants to maintain a very high net promoter score.
- The bank targets to double its net worth in the next three years and be among the top 5 private banks in terms of most business parameters.
- Overall loan growth is expected to be in high teens going ahead.
- The bank might consider a capital raise in CY23 and the next capital raise could be in FY25.
- Margin is expected to moderate from 4QFY23 on account of a rise in the cost of deposits. Overall, NIM is expected to be ~3.35%.

Session #2: CFO

- FB expects to cross a total business of ~INR5t in the next two years v/s INR3.7t at present.
- The bank remains prudent and will keep the balance sheet strong.
- Retained earnings are enough for FB to take care of growth opportunities.
- It has consumed only 7bp of capital in the past three years.
- The bank is focusing on leveraging digital and fintech partnerships, which have been driving a faster growth in total advances.
- FB has turned net PSLC positive, which will lower the cost of PSLC purchases.
- The bank is focusing on growing high-yielding businesses (credit cards, PL, MSME MFI, gold loans, CV, CE), which will grow at a faster pace. The mix has improved to 20.5% in Dec'22 v/s 17.4% in Dec'19.
- The accelerated growth in high-margin businesses will support NIM going ahead.
- Segments such as CV, CE and Credit Cards are growing at a robust pace.
- Core fee income to advances stands at ~90bp and the bank aims to increase it by 10bp every year.
- The bank has one of the best granular liability franchises, with the retail deposit mix of ~88-90%.
- FB expects advances to grow by ~18-20% in FY23 and aims to grow at 1.3-1.4x of the industry.
- Deposit growth has been faster than growth in advances, which will support overall loan growth going ahead.
- The bank plans to enhance the distribution channel with digital as a multiplier.
- It plans to add 75 branches in FY23, of which 60 has been opened till date. A total of 250 branches will be added in the 2-2.5 years. All these branches would be opened outside Kerala.
- New branches will focus on high-margin businesses, with an endeavor to achieve breakeven much earlier compared to the old branches.
- More than 51%/70% of customer additions/salaried customers over the past three years are from outside of Kerala.

- FedServ is managing ~100+ activities for the bank and has doubled its staff to 900 people in the past two years. The aim is to automate and re-engineer with the help of AI and ML.
- Levers for RoA expansion: 1) consistent growth, 2) improved efficiency, 3) increased fee income and cross-selling, 4) focus on high-margin businesses, and 5) pristine asset quality with prudent risk framework

Session #3: ED and Head of Retail Business

- The bank remains focused on improving the CASA ratio.
- The credit cost in the retail business has moderated to 38bp v/s 82bp three years back.
- The mantra of 4Ds for Retail business – Data, Digitization, Distribution and Depth of relationships.
- About 96% of savings accounts, 95% of service transactions, 100% of personal loans, 90% of retail transaction and 81% of corporate transactions are being done digitally. Around 181 credit cards are being issued every hour.
- Levers for growth in the unsecured business: 1) leverage analytics, 2) enhance distribution through alternate channels and partnerships, 3) adopt the digital-first approach, and 4) deepen penetration in home and auto loans
- **Home loans:** Overall market share of 0.92%; 5.5% among private banks. The bank has a market share of 3%/1.5%/1.5% in Mumbai/Bangalore/Chennai, with ~8.5-9% market share among private banks.
- **Car loans:** Overall market share of 0.97%; 2.75% among private banks. The focus remains on increasing the mix of pre-owned vehicles to 20% vs 3-4% at present and also grow the 2W segment.
- The Personal loan portfolio stands at ~INR20b, which is expected to double in the next two years.
- **Credit cards:** The total card base has crossed ~0.5m, with 100% digital onboarding. Average spending per card stands at ~INR19k per month, with ~4k+ transactions per cards. About 90% of the cards are active, which is a strong sign. Overall, FB aims to be among the top 7 players in credit cards.
- FB is the first bank to launch cross-border bill payments, targeting the NRI segment, which is a strong franchise for FB.
- About 63% of lending business is being done digitally. Overall, FB has an average transacting user base of ~17.05m in mobile banking, which is among the top 5 private banks.
- **Fintech partnerships:** FB has been aggressive in fintech partnerships, which are aiding growth and the customer base. It will continue to expand its partnerships to boost loan growth.
- Fintech partnerships have the capability to add ~250 credit cards per hour, 1,000 transaction per second, 10 savings accounts per minute and 24 personal loans per hour.
- The share of fintech partnerships stands at 36% in PL, 75% in credit cards, 19% in savings balances and 10% term deposits.
- Fintech partnerships have contributed ~4.5x growth in PL disbursements in the past three months and 167.4x growth in credit cards over the past one year. They have further contributed 19.5x growth in the number of accounts and 17.4x growth in the CASA balance in the past one year.

- The best-in-class debit card proposition is resulting in sticky balances – Customers active on debit cards maintain an average monthly balance of ~2.2x that of active users.
- The bank has been growing its NRI deposits ~2.2x higher than the industry and is the 4th largest bank in terms of the total NR book size. It has a market share of ~1/3rd in Kerala, 6.92% in NR deposits and 21% in inward remittances.
- **HNI and priority banking:** About 62% of the retail savings come from premium customers. FB's HNI relationship value has grown by 1.51x in the past three years.
- Bancassurance, Para-Banking and Wealth Management services will be the key focused area to drive fee income. FB has partnered with seven bancassurance partners.
- Branch, BC model, increase in RM, fintech partnerships and alternate channels will be the pillars for expansion in distribution.

Session #4: MFIs, Gold loans, Agriculture and Business Banking

- The customer base should grow 3x by FY26 to ~4.5m from 1.6m in Dec'22.
- About 90% of the portfolio is PSL-compliant, with yields in double digits. The total book is expected to grow 2x by FY26, with MFI to be the new driver for RoA growth.
- Growing the MFI book remains the key focus area.
- Rupeek has garnered ~0.4m accounts, with disbursements of ~INR100b.
- The share of digital lending is expected to improve consistently by FY26 – 100% in MFI v/s 90% at present, 25% in Gold loans v/s 10% at present and 20% in Agri v/s 3% at present.
- The size of digital lending in MFI should increase to INR6b by FY26 from INR1.5b at present, Gold loans should increase to INR12.5b from INR2.5b, and Agri loans should increase to INR500m from INR30m.
- **MFI potential:** About 0.3m women customers with 1.2m lives impacted. The total size has grown to INR10.55b from INR1.9b in FY19. FB has a market share of 0.5%. It has a presence in 11 states, 1 UT, 11 BC partners and 327 BC branches. The MFI market is expected to see an ~11.6% CAGR with a total size of INR4.5t by FY26.
- **Gold loans:** The portfolio grew 2.2x in the past three years, with a size of INR195.2b. The share in fee income increased to 59bp vs 36bp. Overall, the aim is to be the largest private sector bank in gold loans and to double the book in the next three years. The bank plans to increase branches for gold loans by 25% over the next three years.
- **Agri loans:** FB aims to have a farmer base of ~0.2m, with a total book of INR20b in the next five years.
- **Business Banking:** Total book of INR142.4b with 80% being PSL. It has a total customer base of ~29k+, with an ATS of INR7.5m. The bank has witnessed a 4x increase in disbursements to NTB through RMs. Overall, the target is to double the book in the next three years. The focus will be on expanding in geographies such as Nagpur, Indore, Kanpur and Hyderabad.
- Business banking works as a revenue multiplier, with other income to average assets improving to 1.09% in Dec'22 from 0.83% in Mar'20. The credit cost witnessed a steady decline to 60bp from 1.09% in Mar'20.

Session #5: Wholesale Banking

- The business mix is becoming more granular, with a decline in the ticket size to INR550m from INR640m in Mar'19.
- The bank remains focused on growing this book and would not shy away if the opportunities come.
- Fee to average assets has improved to 54bp v/s 38bp since Mar'19, while GNPA moderated to 1.2% v/s 2.6% over the similar period.
- The mix of self-funding has improved to 26.2% v/s 16.5% in Mar'19.
- PSL book stands at ~INR180b.
- Growth drivers: SCF, capital markets and fintech and Start-Up partnerships
- **SCF:** The bank is gaining market share consistently and the industry is expected to see a 28% CAGR over the next 3-5 years. The business has a uptick of 1.02% in yields, NPAs of <0.2%, granular book of INR60m, and 50% book being PSL compliant with a retail conversion of ~18%.
- SCF book stands at INR35.1b, with a target to increase it to INR10b by FY26.
- **Government Business:** The focus remains on growing the government business, which will aid fee income and CASA profile of the bank. The business grew by 60% in FY23YTD and the bank aspires to have a market share of 5% by FY25.
- The bank has ~140m customers on the corporate side.

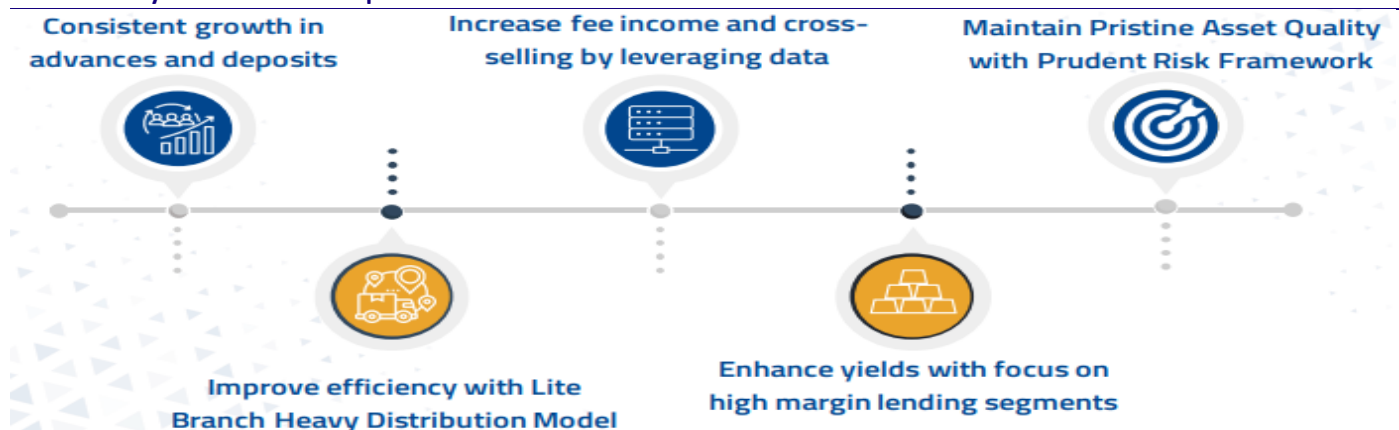
Session #6: CV/CE Business

- The business has a market opportunity of ~INR750m and the bank has been growing at a much higher rate than the industry.
- Industry AUM is expected to increase to ~INR5t in FY23 v/s INR4.4t in FY22.
- About 80% of CV sales are financed, with less than 60% being financed by organized players.
- It has an ATS of less than INR2.5m, with 80% being PSL-compliant. NTB forms 60% and the bank has tied up with all major OEMs.
- The bank aims to double the book in the next two years, with IRR in double digits.

Session #7: Treasury and Underwriting

- Slippages have been lower than 1%, of which 2/3rd has been recovered in cash. This demonstrates strong underwriting standards.
- The bank's treasury performance has been much better than the overall industry, while it has enough room to catch up in the FX income.

Exhibit 1: Key drivers for RoA expansion



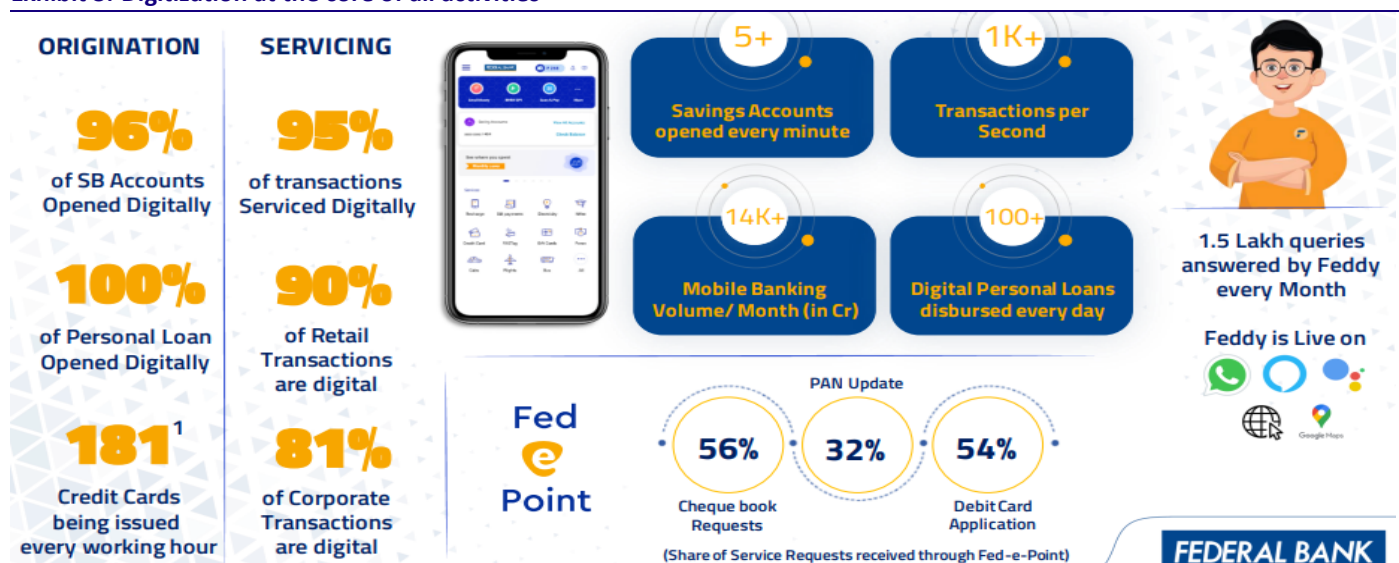
Source: MOFSL, Company

Exhibit 2: Levers for growth



Source: MOFSL, Company

Exhibit 3: Digitization at the core of all activities



Source: MOFSL, Company

Celesta
For Affluent customers

Imperio
For Value Seeking Families

Signet
For Lifestyle Oriented Early Adopters

One Card
Bank's First Co-brand Credit Card For NTB Customers

Key Performance Indicators (KPIs):

- 5+ Lakh CIF
- 1250 Cr o/s balance
- 100% Digital onboarding
- 4+ Txns per card
- 19K+ Spends per Card
- 90% Active Cards
- 63% E-com Spends

Interest Rates (New Chapter Added in May 2021 Story since then):

- 0.60% Card In Force (CIF)
- 0.61% O/S Balance
- 0.72% Card Spends

Jan 2023 data

Branch Expansion
Lite branch across multiple chosen markets
100¹

BC Model Expansion
Collaborate with reputed partners for penetrating deeper Rurban geographies
~300⁴

FINTECH
Scale up FinTechs with focus on profitability & risk mitigation
~75⁵

Alternate Channels
Co-lending
Sales Subsidiary
Tele Sales Channel
Coming soon

Bus as a Platform (BaaP)
Leverage BaaP to create the power of 10x
2³

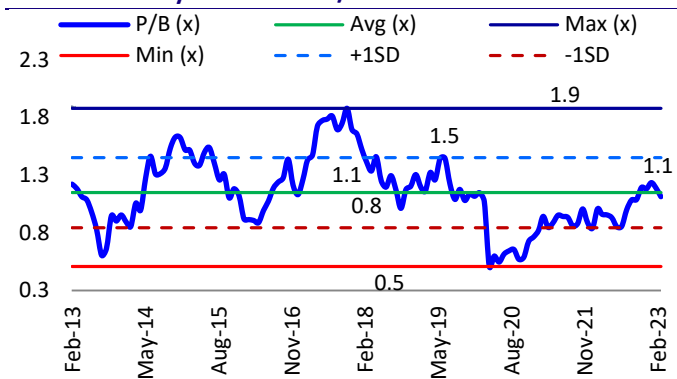
RM Capacity Build
Relationship Managers for specialized products and segments
~650²

8

Valuation and view

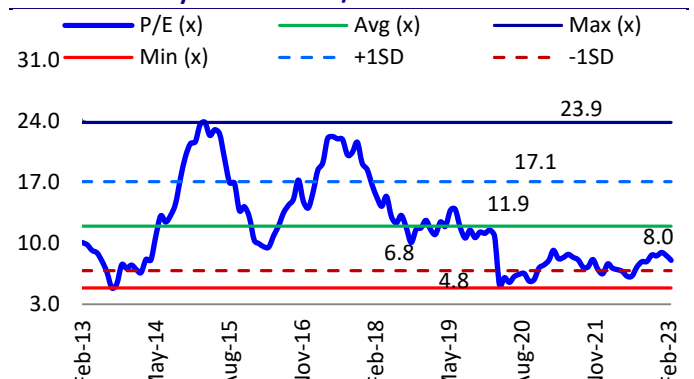
- **Restructuring book stands at ~1.8% of loans; asset quality improves:** FB's total net stressed loans (NNPA + standard restructured + net SRs) moderated to ~2.5% of total loans, within which, COVID-related restructuring book stands at ~INR30.4b. Asset quality ratios have improved, led by healthy recoveries and upgrades. Slippages were broadly stable. While we remain watchful of asset quality, particularly from the Retail/SME/Agri segment and restructuring book, we expect credit costs to moderate. We expect slippage/credit cost/PCR of ~1.2%/~0.6%/~70% in FY25.
- **Strong liability franchise:** CASA and Retail TD (less than INR20m) constitutes ~88% of total deposits. FB has a lower cost of funds advantage v/s other mid-sized banks. This, along with a focus on cross-selling liability products to corporate clients to garner salary accounts and a pickup in loan growth, will support margin.
- **Lending to better-rated corporates; broad-based pickup in advances:** The management is taking a cautious approach toward building its loan mix to higher-rated Corporates and secured Retail loans. The share of 'A and above' rated loans has risen to 79% in 3QFY23 from 73% in FY19, while the mix of Retail loans has improved to ~32% in 3QFY23 (from 28.4% in FY19). We expect loan growth to remain healthy, driving a further improvement in its overall operating performance.
- **Reiterate Buy with a TP of INR170:** We believe that FB is well placed to deliver RoA expansion led by controlled credit costs and rise in mix of high yielding segments which coupled with a strong liability franchise will enable lower cost of funds thereby supporting margins. The bank will add branches in a calibrated manner which along with improving digital capabilities will drive operating leverage. We estimate earnings to grow at 16% CAGR over FY23-25 with a RoA/RoE of 1.3%/15.2% by FY25. Maintain Buy with a TP of INR170 (1.4x Sep'24E ABV).

Exhibit 7: One-year forward P/BV



Source: MOFSL, Company

Exhibit 8: One-year forward P/E



Source: MOFSL, Company

Exhibit 9: DuPont Analysis: We expect return ratios to remain modest

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	7.70	7.67	7.77	7.20	6.47	7.15	7.58	7.58
Interest Expense	4.87	4.87	5.04	4.31	3.65	4.01	4.44	4.46
Net Interest Income	2.83	2.81	2.73	2.90	2.82	3.14	3.14	3.12
Core Fee Income	0.73	0.75	0.78	0.70	0.85	0.86	0.89	0.92
Trading and others	0.19	0.15	0.36	0.33	0.14	0.06	0.07	0.07
Non-Interest income	0.92	0.91	1.14	1.03	0.99	0.92	0.96	0.99
Total Income	3.74	3.71	3.87	3.92	3.81	4.06	4.10	4.10
Operating Expenses	1.94	1.86	1.99	1.93	2.03	2.00	1.98	1.95
Employee cost	0.98	0.93	1.04	1.07	1.10	1.06	1.05	1.04
Others	0.95	0.93	0.94	0.87	0.93	0.94	0.93	0.91
Operating Profits	1.81	1.86	1.89	1.99	1.78	2.06	2.12	2.15
Core Operating Profits	1.62	1.70	1.53	1.66	1.64	2.00	2.05	2.08
Provisions	0.75	0.58	0.69	0.87	0.58	0.38	0.43	0.44
PBT	1.06	1.28	1.20	1.12	1.20	1.68	1.69	1.71
Tax	0.37	0.45	0.29	0.29	0.31	0.43	0.43	0.44
RoA	0.69	0.84	0.91	0.83	0.89	1.25	1.26	1.27
Leverage (x)	12.0	11.7	12.2	12.5	12.1	11.7	11.8	11.9
RoE	8.3	9.8	11.1	10.4	10.8	14.6	14.8	15.2

Source: MOFSL, Company

Financials and Valuations

Income Statement								(INRm)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Interest Income	97,529	114,190	132,108	137,579	136,608	168,411	204,074	236,135
Interest Expense	61,701	72,427	85,618	82,242	76,988	94,467	119,565	139,022
Net Interest Income	35,828	41,763	46,489	55,337	59,620	73,944	84,509	97,113
Growth (%)	17.4	16.6	11.3	19.0	7.7	24.0	14.3	14.9
Non-Interest Income	11,591	13,510	19,314	19,587	20,891	21,727	25,855	30,767
Total Income	47,419	55,274	65,803	74,924	80,510	95,671	110,364	127,880
Growth (%)	14.7	16.6	19.0	13.9	7.5	18.8	15.4	15.9
Operating Expenses	24,509	27,643	33,756	36,917	42,932	47,150	53,290	60,893
Pre Provision Profits	22,910	27,631	32,047	38,007	37,579	48,521	57,074	66,987
Growth (%)	19.0	20.6	16.0	18.6	-1.1	29.1	17.6	17.4
Core PPP	20,521	25,347	25,969	31,781	34,550	47,006	55,256	64,806
Growth (%)	27.0	23.5	2.5	22.4	8.7	36.1	17.6	17.3
Provisions (excl. tax)	9,472	8,559	11,722	16,634	12,218	9,025	11,623	13,651
PBT	13,439	19,073	20,325	21,373	25,361	39,496	45,451	53,335
Tax	4,650	6,634	4,898	5,470	6,463	10,072	11,590	13,601
Tax Rate (%)	34.6	34.8	24.1	25.6	25.5	25.5	25.5	25.5
PAT	8,789	12,439	15,428	15,903	18,898	29,425	33,861	39,735
Growth (%)	5.8	41.5	24.0	3.1	18.8	55.7	15.1	17.3

Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	3,944	3,970	3,985	3,992	4,205	4,205	4,205	4,205
Reserves & Surplus	118,158	128,760	141,191	157,252	183,733	210,004	239,660	274,138
Net Worth	122,102	132,730	145,176	161,245	187,938	214,209	243,865	278,343
Deposits	1,119,925	1,349,543	1,522,901	1,726,445	1,817,006	2,065,936	2,396,485	2,803,888
Growth (%)	14.7	20.5	12.8	13.4	5.2	13.7	16.0	17.0
of which CASA Deposits	376,867	437,314	467,743	587,126	674,710	712,748	841,166	995,380
Growth (%)	17.6	16.0	7.0	25.5	14.9	5.6	18.0	18.3
Borrowings	115,335	77,813	103,724	90,685	153,931	166,634	184,963	207,159
Other Liabilities & Prov.	25,777	33,313	34,579	35,299	50,588	53,117	57,366	61,956
Total Liabilities	1,383,140	1,593,400	1,806,380	2,013,674	2,209,463	2,499,896	2,882,680	3,351,346
Current Assets	92,034	100,668	125,746	195,914	210,103	167,443	162,631	186,685
Investments	307,811	318,245	358,927	371,862	391,795	454,482	522,654	601,052
Growth (%)	9.2	3.4	12.8	3.6	5.4	16.0	15.0	15.0
Loans	919,575	1,102,230	1,222,679	1,318,786	1,449,283	1,739,140	2,052,185	2,421,578
Growth (%)	25.4	19.9	10.9	7.9	9.9	20.0	18.0	18.0
Fixed Assets	4,574	4,720	4,800	4,911	6,339	6,656	6,989	7,339
Other Assets	59,146	67,537	94,229	122,201	151,942	132,175	138,220	134,692
Total Assets	1,383,140	1,593,400	1,806,380	2,013,674	2,209,463	2,499,896	2,882,680	3,351,346

Asset Quality

GNPA (INR m)	27,956	32,607	35,308	46,024	41,367	41,529	44,641	51,395
NNPA (INR m)	15,520	16,262	16,072	15,693	13,926	12,412	13,250	15,235
GNPA Ratio	3.0	2.9	2.8	3.4	2.8	2.3	2.1	2.1
NNPA Ratio	1.7	1.5	1.3	1.2	1.0	0.7	0.6	0.6
Slippage Ratio	2.7	1.6	1.7	1.5	1.4	1.1	1.2	1.2
Credit Cost	1.1	0.8	1.0	1.3	0.9	0.5	0.6	0.6
PCR (Excl. Tech. write off)	44.5	50.1	54.5	65.9	66.3	70.1	70.3	70.4

Financials and Valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	8.4	8.4	8.5	8.0	7.3	8.0	8.3	8.2
Avg. Yield on loans	9.1	9.0	9.2	8.5	7.8	8.4	8.8	8.6
Avg. Yield on Investments	6.6	6.6	6.6	6.6	6.3	6.8	7.0	7.1
Avg. Cost-Int. Bear. Liab.	5.4	5.4	5.6	4.8	4.1	4.5	5.0	5.0
Avg. Cost of Deposits	5.5	5.5	5.6	4.8	4.1	4.5	4.9	4.9
Avg. Cost of Borrowings	5.1	5.2	5.1	4.3	3.0	4.2	5.4	5.7
Interest Spread	3.0	2.9	2.9	3.2	3.2	3.5	3.3	3.2
Net Interest Margin	3.1	3.1	3.0	3.2	3.2	3.5	3.4	3.4

Capitalization Ratios (%)

CAR	14.9	14.4	14.4	14.6	15.8	15.2	14.3	13.7
Tier I	14.4	13.7	13.3	13.9	14.4	13.9	13.3	12.8
Tier II	0.5	0.8	1.1	0.8	1.3	1.3	1.0	0.8

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	82.1	81.7	80.3	76.4	79.8	84.2	85.6	86.4
CASA Ratio	33.7	32.4	30.7	34.0	37.1	34.5	35.1	35.5
Cost/Assets	1.8	1.7	1.9	1.8	1.9	1.9	1.8	1.8
Cost/Total Income	51.7	50.0	51.3	49.3	53.3	49.3	48.3	47.6
Cost/Core Income	54.4	52.2	56.5	53.7	55.4	50.1	49.1	48.4
Int. Expense/Int. Income	63.3	63.4	64.8	59.8	56.4	56.1	58.6	58.9
Fee Income/Net Income	19.4	20.3	20.1	17.8	22.2	21.1	21.8	22.4
Non Int. Inc./Net Income	24.4	24.4	29.4	26.1	25.9	22.7	23.4	24.1
Emp. Cost/Op. Exp.	50.7	49.8	52.5	55.1	54.1	53.2	53.1	53.5
Investment/Deposit Ratio	27.5	23.6	23.6	21.5	21.6	22.0	21.8	21.4

Valuation

RoE	8.3	9.8	11.1	10.4	10.8	14.6	14.8	15.2
RoA	0.7	0.8	0.9	0.8	0.9	1.2	1.3	1.3
RoRWA	1.0	1.3	1.4	1.4	1.5	1.9	1.9	1.9
Book Value (INR)	62	67	73	81	89	102	116	132
Growth (%)	21.9	8.0	9.0	10.9	10.7	14.0	13.8	14.1
Price-BV (x)	2.1	1.9	1.8	1.6	1.4	1.3	1.1	1.0
Adjusted BV (INR)	54	59	65	73	82	94	107	122
Price-ABV (x)	2.4	2.2	2.0	1.8	1.6	1.4	1.2	1.1
EPS (INR)	4.8	6.3	7.8	8.0	9.2	14.0	16.1	18.9
Growth (%)	-1.3	32.2	23.4	2.8	15.6	51.8	15.1	17.3
Price-Earnings (x)	27.1	20.5	16.6	16.2	14.0	9.2	8.0	6.8

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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