

**BUY**

TP: Rs 165 | ▲ 29%

**FEDERAL BANK**

| Banking

| 08 May 2023

### Strong PAT on higher other income and lower provisions

- Higher other income plus lower provisions aided 67% YoY PAT growth in Q4; NIM contracted due to deposit repricing
- Quarter in line with midterm guidance of high-teens growth in business and stable asset quality
- Expect discount to peers to narrow as return ratios improve; we assume coverage with BUY for a TP of Rs 165

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**Strong PAT:** FB posted strong Q4FY23 net profit of Rs 9bn, up 67% YoY, buoyed by higher other income along with lower provisions. An increased cost of funds (up 36bps QoQ vs. a 13bps rise in yield on assets) led to a 24bps QoQ decline in NIM to 3.2%. NII dipped 2% QoQ but other income rose 37% QoQ (58% YoY) due to treasury gains. Employee expenses reduced YoY in the absence of one-time family pension expense for employees, aiding a 1,000bps drop in C/I ratio. Lower provisions (Rs 1.2bn vs. Rs 2bn in Q3) further boosted PAT.

**Deposit repricing peaking out:** Credit grew 4% QoQ (20% YoY) in Q4 aided by both the retail and corporate books. Deposits increased 6% QoQ led by term deposits, with CASA down 156bps to 32.7%. Management indicated that deposit repricing is peaking out and already 80% factored in. GNPA/NNPA/PCR at 2.4%/0.7%/71.2% improved 7bps/4bps/82bps QoQ.

**Unsecured lending to sustain NIM:** FB is broadly moving in line with its midterm guidance of high-teens growth in business, NIM of ~3.3% and a gradual decline in C/I ratio by 100bps each over FY24-FY25. We expect the retail business to underpin a credit CAGR of 18% over FY22-FY25 and pencil in a 16% deposit CAGR with a 33% CASA ratio. The focus on retail lending is likely to aid margins, though we conservatively bake in lower NIM than guided for FY25, at 3.2%, considering high, sticky deposit rates. We model for a 19% PPOP CAGR on healthy core and non-core income.

**Asset quality stable:** We believe the bank's focus on risk-adjusted margins coupled with controlled slippages and higher recoveries will support stable asset quality (GNPA/NNPA/PCR of 2.3% 0.7%/71% over FY24-FY25E). As against credit cost of 47bps in FY23, we conservatively estimate 60bps each for FY24/FY25 considering the growing unsecured book. FB's restructured book stood at Rs 34.7bn as at Q4.

**BUY, TP Rs 165:** The stock is currently trading at 1x FY25E P/ABV, cheaper than most large-cap peers. We expect FB to gradually improve its return ratios (ROE/ROA 14.5%/1.2% in FY25E), narrowing the gap with peers and aiding a rerating. We thus assume coverage with BUY for a TP of Rs 165, set at 1.3x FY25E ABV (Gordon Growth Model).

### Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	FB IN/Rs 128
Market cap	US\$ 3.3bn
Free float	100%
3M ADV	US\$ 15.1mn
52wk high/low	Rs 143/Rs 83
Promoter/FPI/DII	0%/27%/73%

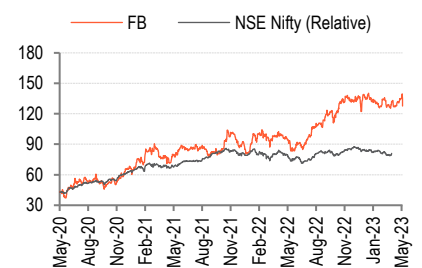
Source: NSE | Price as of 5 May 2023

### Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Net interest income	72,322	84,473	95,642
NII growth (%)	21.3	16.8	13.2
Adj. net profit (Rs mn)	30,106	33,137	37,552
EPS (Rs)	14.3	15.7	17.7
Consensus EPS (Rs)	14.3	16.1	18.8
P/E (x)	9.0	8.2	7.2
P/BV (x)	1.3	1.1	1.0
ROA (%)	1.3	1.2	1.2
ROE (%)	14.9	14.5	14.6

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

### Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

Income statement (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Interest Income	26,711	26,749	27,293	27,545	28,868	32,227	35,849	37,974	37.9	5.9
Income on investments	5,906	5,812	5,740	5,929	6,295	6,674	7,207	7,780	31.2	8.0
Int. on bal. with RBI & inter-bank funds & Others	940	1,232	1,393	1,359	1,126	1,307	1,277	1,453	6.9	13.8
Interest income	33,557	33,793	34,426	34,832	36,289	40,208	44,333	47,207	35.5	6.5
Interest expense	19,373	18,998	19,037	19,580	20,244	22,590	24,767	28,115	43.6	13.5
<b>Net interest income</b>	<b>14,184</b>	<b>14,794</b>	<b>15,389</b>	<b>15,252</b>	<b>16,045</b>	<b>17,618</b>	<b>19,565</b>	<b>19,093</b>	<b>25.2</b>	<b>(2.4)</b>
Growth YoY (%)	9.4	7.2	7.1	7.4	13.1	19.1	27.1	25.2	1,780bps	(196bps)
<b>Non-interest income</b>	<b>5,518</b>	<b>4,444</b>	<b>4,842</b>	<b>4,650</b>	<b>4,526</b>	<b>6,095</b>	<b>5,340</b>	<b>7,339</b>	<b>57.8</b>	<b>37.4</b>
Growth YoY (%)	13.0	(12.8)	0.5	(0.1)	(18.0)	37.2	10.3	57.8	5,790bps	4,753bps
<b>Total income</b>	<b>19,702</b>	<b>19,238</b>	<b>20,231</b>	<b>19,902</b>	<b>20,571</b>	<b>23,714</b>	<b>24,905</b>	<b>26,432</b>	<b>32.8</b>	<b>6.1</b>
Growth YoY (%)	10.4	1.8	5.4	5.5	4.4	23.3	23.1	32.8	2,727bps	970bps
Staff expenses	5,283	5,719	5,831	6,373	4,993	5,156	5,608	5,972	(6.3)	6.5
Other operating expenses	4,051	4,871	5,257	5,548	5,844	6,435	6,555	7,114	28.2	8.5
Operating expenses	9,334	10,590	11,088	11,920	10,838	11,591	12,163	13,086	9.8	7.6
Pre-Provisioning Profit (PPoP)	10,368	8,648	9,143	7,982	9,734	12,122	12,742	13,346	67.20	4.7
Growth YoY (%)	11.2	(14.1)	(5.0)	(9.8)	(6.1)	40.2	39.4	67.2	7,701bps	2,783bps
Provisions	5,435	2,453	2,140	752	1,667	2,679	1,987	1,167	55.1	(41.3)
<b>PBT</b>	<b>4,934</b>	<b>6,195</b>	<b>7,003</b>	<b>7,230</b>	<b>8,067</b>	<b>9,444</b>	<b>10,755</b>	<b>12,179</b>	<b>68.5</b>	<b>13.2</b>
Tax	1,261	1,592	1,786	1,824	2,060	2,407	2,719	3,153	72.8	16.0
<b>PAT</b>	<b>3,673</b>	<b>4,603</b>	<b>5,217</b>	<b>5,405</b>	<b>6,007</b>	<b>7,037</b>	<b>8,036</b>	<b>9,026</b>	<b>67.0</b>	<b>12.3</b>
Growth YoY (%)	(8.4)	49.6	29.1	13.1	63.5	52.9	54.0	67.0	5,385bps	1,296bps
<b>Per Share</b>										
FV (Rs)	2	2	2	2	2	2	2	2	0.0	0.0
EPS (Rs)	2	2	2	3	3	3	4	4	66.1	12.4
Book Value (Rs)	83	84	86	89	92	93	97	101	14.1	4.6

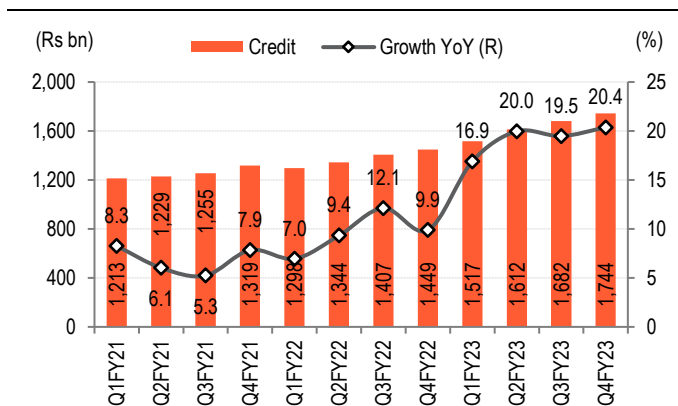
Source: Company, BOBCAPS Research

**Fig 2 – Quarterly snapshot: Key Balance sheet parameters & ratios**

Balance sheet (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Deposits	1,693,930	1,719,948	1,754,320	1,817,006	1,833,550	1,891,457	2,014,080	2,133,860	17.4	5.9
Growth YoY (%)	9.3	9.7	8.5	5.2	8.2	10.0	14.8	17.4	1,219bps	263bps
Advances	1,297,650	1,344,046	1,407,430	1,449,283	1,516,890	1,612,403	1,681,730	1,744,469	20.4	3.7
Growth YoY (%)	7.0	9.4	12.1	9.9	16.9	20.0	19.5	20.4	1,047bps	88bps
Investment	373,910	369,767	374,950	391,795	411,860	435,713	462,650	489,834	25.0	5.9
Equity	164,880	177,280	182,520	187,938	193,930	197,488	205,880	215,062	14.4	4.5
Assets	2,000,380	2,068,743	2,088,770	2,209,463	2,253,520	2,371,124	2,504,720	2,603,418	17.8	3.9
Growth YoY (%)	7.7	9.4	6.1	9.7	12.7	14.6	19.9	17.8	811bps	(208bps)
<b>Yield (%)</b>										
Yield on Funds	7.14	7.10	7.12	6.99	7.01	7.50	7.84	7.98	99bps	13bps
Cost of Funds	4.30	4.20	4.16	4.11	4.09	4.42	4.60	4.96	84bps	36bps
Spread	2.84	2.90	2.96	2.87	2.93	3.08	3.24	3.02	15bps	(22bps)
Net Interest Margin	3.02	3.11	3.18	3.06	3.10	3.29	3.46	3.23	17bps	(24bps)
<b>Ratios (%)</b>										
Other Income / Net Income	28.0	23.1	23.9	23.4	22.0	25.7	21.4	27.8	440bps	632bps
Cost to Income ratio	47.4	55.0	54.8	59.9	52.7	48.9	48.8	49.5	(1,039bps)	67bps
CASA ratio	34.8	36.2	36.7	36.9	36.8	36.4	34.2	32.7	(426bps)	(156bps)
C/D ratio	76.6	78.1	80.2	79.8	82.7	85.2	83.5	81.8	199bps	(175bps)
Investment to Assets	18.7	17.9	18.0	17.7	18.3	18.4	18.5	18.8	108bps	34bps
<b>Assets Quality</b>										
GNPA	46,493	44,458	44,013	41,367	41,553	40,311	41,479	41,838	1.1	0.87
NNPA	15,932	15,024	14,712	13,926	14,203	12,624	12,286	12,050	(13.5)	(1.9)
Provision	30,561	29,434	29,301	27,441	27,351	27,687	29,193	29,788	8.6	2.0
GNPA (%)	3.50	3.24	3.06	2.80	2.69	2.46	2.43	2.36	(44bps)	(7bps)
NNPA (%)	1.23	1.12	1.05	0.96	0.94	0.78	0.73	0.69	(27bps)	(4bps)
Provision (%)	65.73	66.21	66.57	66.34	65.82	6.69	70.38	71.20	486bps	82bps
Slippages (%)	2.09	1.04	1.35	1.13	1.23	1.03	1.02	1.08	(5bps)	6bps

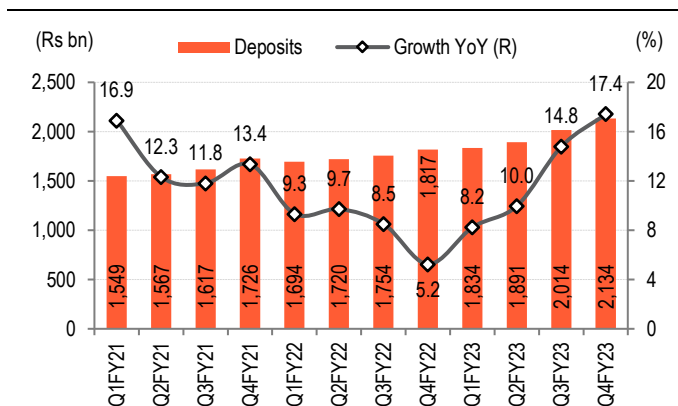
Source: Company, BOBCAPS Research

**Fig 3 – Credit grew 20% YoY driven by both retail & wholesale business**



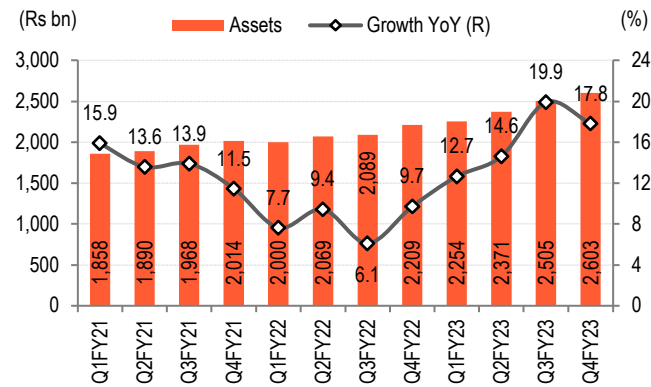
Source: Company, BOBCAPS Research

**Fig 4 – Deposits grew 17% YoY driven by term deposit inflow**



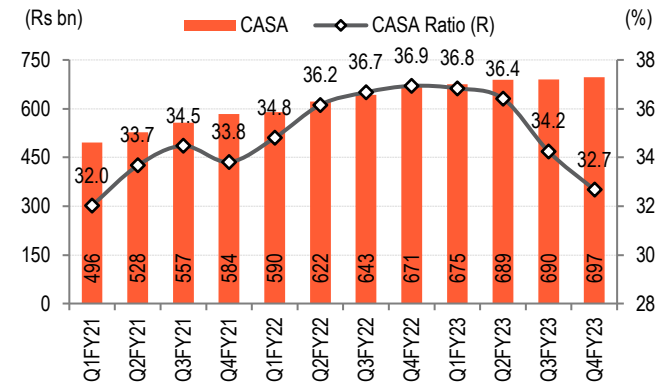
Source: Company, BOBCAPS Research

**Fig 5 – Assets grew 18% YoY**



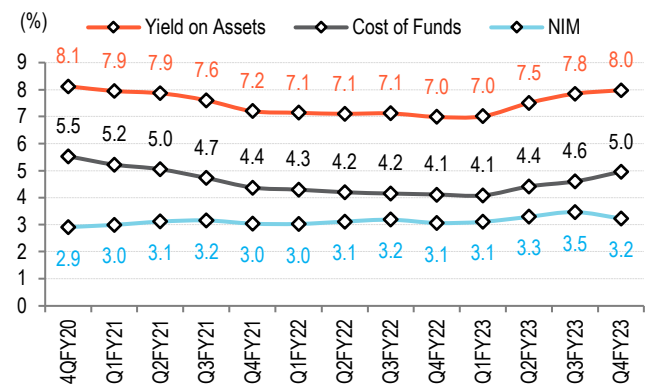
Source: Company, BOBCAPS Research

**Fig 6 – Decline in CASA due to subdued SA mobilisation**



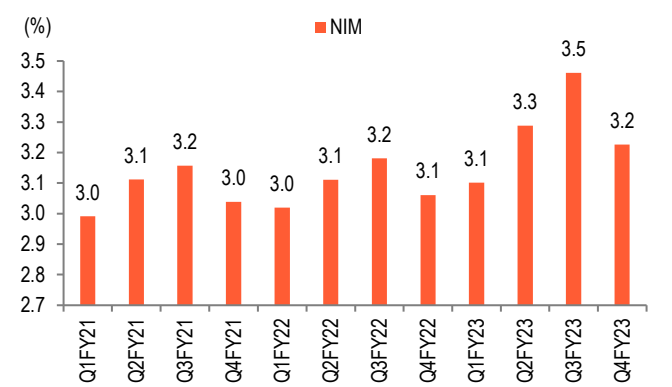
Source: Company, BOBCAPS Research

**Fig 7 – NIM (calc.) down 24bps QoQ on higher cost of funds**



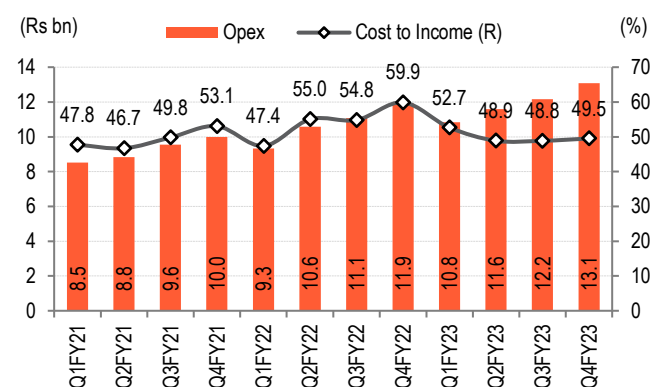
Source: Company, BOBCAPS Research

**Fig 8 – NIM (calc.) expected to sustain at 3.2%, FY24E-FY25E**



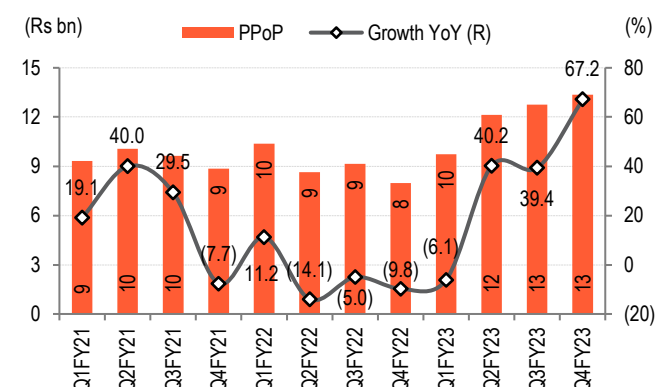
Source: Company, BOBCAPS Research

**Fig 9 – C/I ratio likely to remain elevated at 50%**



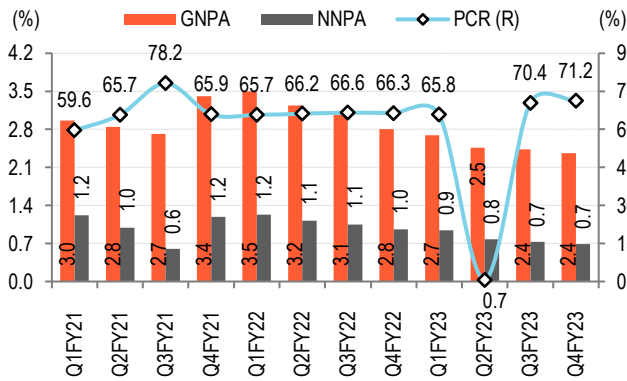
Source: Company, BOBCAPS Research

**Fig 10 – Higher other income and lower provisions led to healthy PPOP**



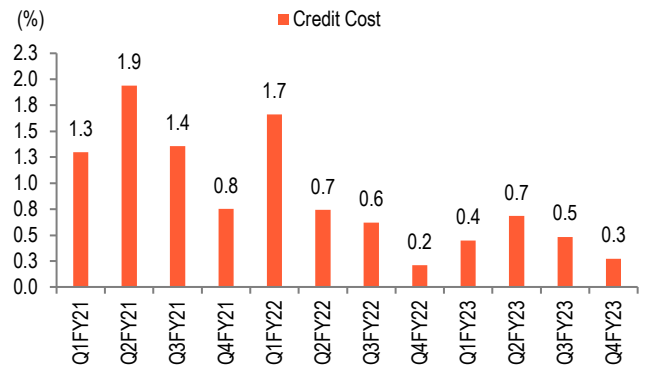
Source: Company, BOBCAPS Research

**Fig 11 – Continued improvement in asset quality and PCR**



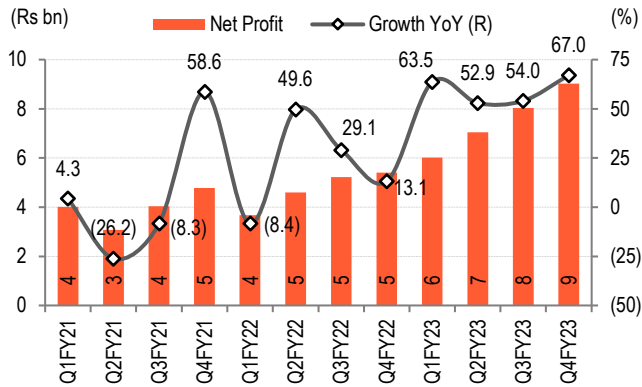
Source: Company, BOBCAPS Research

**Fig 12 – Sustained low credit cost boosted profit**



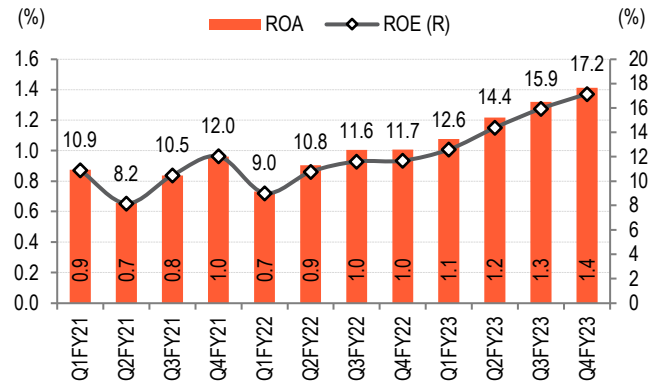
Source: Company, BOBCAPS Research

**Fig 13 – Lower opex and provisions led to 67% YoY PAT growth**



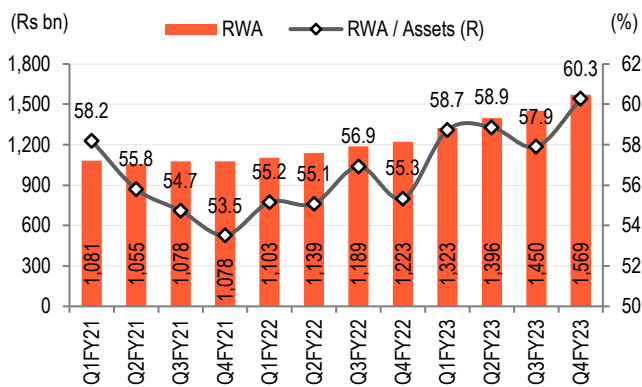
Source: Company, BOBCAPS Research

**Fig 14 – Steady improvement in return ratios**



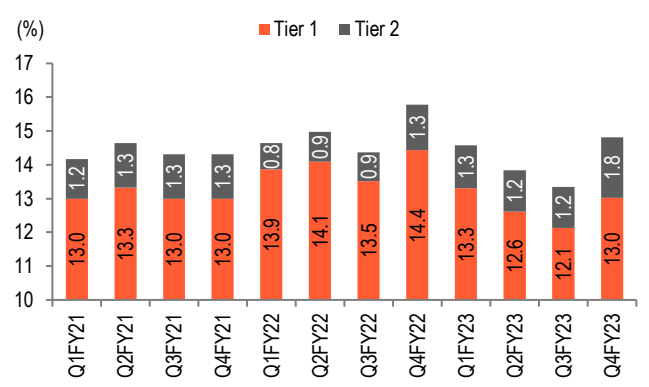
Source: Company, BOBCAPS Research

**Fig 15 – RWA higher on change in regulatory requirement**



Source: Company, BOBCAPS Research

**Fig 16 – CAR at lower end of peer matrix**



Source: Company, BOBCAPS Research

## Earnings call highlights

### Asset quality

- Despite higher slippages (Rs 4.4bn in Q4FY23 vs. Rs 4bn in Q3FY23), FB's asset quality improved during the quarter on the back of increased upgrades and recoveries (Rs 4.2bn vs. Rs 2.9bn in Q3). GNPA and NNPA stood at 2.4% and 0.7% respectively with PCR at 71.2% (vs. 70.4% in Q3).
- Stable asset quality led to improvement in credit cost to 27bps from 48bps in Q3.
- Management expects asset quality to remain stable with credit cost holding in a range of 40-50bps over FY24-FY25. We incorporate credit cost of 60bps over FY24/FY25 as a conservative measure given FB's growing unsecured portfolio.
- Risk weighted assets (RWA) stood at 60% of total assets, wherein 200bps was added sequentially in Q4 due to a change in strategy towards unrated borrowers. Tier-1 CAR at 13% is at the lower end of the peer group.

### Loans and Deposits

- Advances and deposits grew 20.4% and 17.4% YoY respectively in Q4FY23 – in keeping with management guidance of high-teens growth for FY24-FY25.
- FB witnessed strong growth in the corporate loan book at 23.5% YoY while commercial banking grew 18% and retail was up 17.2%.
- The bank is targeting a retail-to-wholesale loan mix of 55:45 wherein the focus would be on credit cards, personal loans, commercial vehicle loans and microfinance within retail. It has seen good traction in the gold loan book and expects 20-25% growth annually for FY24 and FY25. Gold loans form 10-11% of the total book and have headroom to grow up to a 15% internal cap.
- Of the total loan book, 50% is linked to repo, 13-14% to MCLR and the balance is fixed rate where management expects further repricing tailwinds to aid margins.
- On the liability side, deposits jumped 17.4% YoY in Q4 led by term deposits (up 25% vs. CASA growth of 4%). The bank justified the flow into wholesale deposits with competitive pricing to fund the assets. Current accounts grew 13.3% YoY (+10% QoQ) while savings accounts were up 2% YoY (-1% QoQ). The sequential decline came from a shift in customer savings towards term deposits as rates moved up, leading to a 156bps QoQ drop in CASA ratio to 32.7%.

### NII and NIM

- NII declined 2.4% QoQ (+25% YoY) due to higher interest expenses. Other income grew 37.4% QoQ (+58% YoY) boosted by treasury gains of Rs 1.9bn vs. a loss of Rs 90mn in Q3 (+Rs 120mn in Q4FY22). FB witnessed strong growth in fee income at 11.5% QoQ (+34% YoY) owing to traction in wholesale fees.
- NIM (calc.) for the quarter contracted 24bps sequentially as deposit repricing led to a higher cost of funds (up 36bps vs. a 13bps rise in yield on assets). Management indicated that ~80% of deposits have already been repriced in Q4 and margins would thus follow guidance in the absence of further rate hikes.

- Operating expense increased 7.6% QoQ (+10% YoY). Moderation in opex growth was in the absence of one-time family pension expense for employees, aiding a 1,000bps drop in C/I ratio (+67bps QoQ) to 49.5%. Management has guided for a gradual 100bps improvement in C/I ratio over FY24/FY25. Nevertheless, we expect it to remain stable in the range of 50% for these years given the bank's thrust on the retail business.
- Higher other income and moderation in opex led to PPOP growth of 5% QoQ and 67% YoY.

**Others**

- FB plans to add 100 branches during FY24 vs. 73 branches added in FY23.

## Valuation methodology

FB's Q4FY23 performance was healthy, supported by non-core income and lower provisions. The bank plans to maintain a retail-to-wholesale portfolio mix of 55:45 wherein it will continue to focus on retail business, specifically the unsecured book, to maintain margins.

We estimate a credit CAGR of 18% during FY22-FY25 and deposit CAGR of 16%, leading to a CD ratio of 85% over our forecast period. NIM is projected to hover in the range of 3.2-3.3%, a tad below management guidance considering the sticky, high cost of deposits. The current rate environment does not point to an uptick in low-cost CASA deposits – we factor in a CASA ratio of 33-34%, in line with FB's three-year average.

In terms of operating expenses, the bank is guiding for higher branch network expansion (100 branch additions vs. 73 in FY23), which is likely to keep operating cost elevated. Though management expects 100bps improvement in C/I ratio each for FY24 and FY25, we have factored in a flat 50% for these years. PPOP is estimated to post a 19% CAGR over FY22-FY25.

We believe FB's focus on risk-adjusted margins coupled with controlled slippages and higher recoveries will support stable asset quality and bake in GNPA/NNPA/PCR of ~2.3% 0.7%/71% over FY24-FY25. As against the 40-50bps credit cost guidance, we conservatively estimate 60bps each for FY24 and FY25 considering the growing unsecured book.

FB's CAR stood at 14.8% in Q4FY23 wherein tier-1 was at 13% – at the lower end when compared to peers as the bank added 200bps of RWA sequentially during Q4 itself. While this could pose a challenge to growth, the bank has board approval in place for fund raising which could aid capitalisation. Considering a healthy business growth and asset quality outlook, we estimate higher ROE/ROA of 14.5%/1.2% in FY25 vs. 11%/1% in FY22.

At current valuations of 1x FY25E P/ABV, the stock is one of the cheapest among the large-cap peer basket considering its relatively lower return ratios. We expect higher growth and a focus on risk-adjusted returns to take return ratios above the FB's historical average, gradually narrowing the gap with peers. We thus assume coverage with BUY, valuing the stock at 1.3x FY25E ABV based on the Gordon Growth Model. The bank's ability to generate capital internally without dilution would be key to watch.

**Fig 17 – Key operational assumptions**

Parameter (%)	FY22	FY23P	FY24E	FY25E
Advances	9.9	20.4	17.1	16.5
Net Interest Income	7.7	21.3	16.8	13.2
PPoP	(1.1)	27.6	16.4	14.2
PAT	18.8	59.3	10.1	13.3
NIM	3.1	3.3	3.3	3.2
GNPA	2.8	2.3	2.3	2.3
CAR	15.8	14.8	13.8	13.5

Source: Company, BOBCAPS Research



**Fig 18 – Valuation assumptions (Gordon growth model)**

Parameter (%)	Assumptions
Cost of equity (%)	12.3
Blended ROE (%)	13.5
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	20.0
Long-term growth (%)	5
Long term dividend payout ratio (%)	60
Justified P/BV Multiple (x)	1.3

Source: BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- reversal in credit cycle, which can lead to higher deterioration in asset quality and thus overall profitability owing to higher provisions, and
- inability to manage cost of funds, which may drag down NIM as well as overall profitability.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	32.6	865	1,111	BUY
Federal Bank	FB IN	3.3	128	165	BUY
HDFC Bank	HDFCB IN	111.0	1,626	1,956	BUY
ICICI Bank	ICICIB IN	79.2	927	1,015	HOLD
Indusind Bank	IIB IN	10.2	1,073	1,550	BUY
Kotak Mahindra Bank	KMB IN	46.9	1,929	2,122	HOLD

Source: BOBCAPS Research, NSE | Price as of 5 May 2023

## Glossary

Glossary of Abbreviations			
<b>CASA</b>	Current Account and Savings Account	<b>LCR</b>	Liquidity Coverage Ratio
<b>CAR</b>	Capital Adequacy Ratio	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>CET1</b>	Common Equity Tier 1	<b>NII</b>	Net Interest Income
<b>CD</b>	Credit-Deposit Ratio	<b>NIM</b>	Net Interest Margin
<b>C/I</b>	Cost-Income Ratio	<b>NNPA</b>	Net Non-Performing Assets
<b>CV</b>	Commercial Vehicle	<b>PCR</b>	Provision Coverage Ratio
<b>CE</b>	Construction Equipment	<b>PPOP</b>	Pre-Provision Operating Profit
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>PSU</b>	Public Sector Unit
<b>GNPA</b>	Gross Non-Performing Assets	<b>RWA</b>	Risk-weighted Assets
<b>LAP</b>	Loans Against Property		

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
<b>Net interest income</b>	<b>55,337</b>	<b>59,620</b>	<b>72,322</b>	<b>84,473</b>	<b>95,642</b>
NilI growth (%)	19.0	7.7	21.3	16.8	13.2
Non-interest income	19,587	20,891	23,310	27,755	32,941
Total income	74,924	80,510	95,632	112,227	128,583
Operating expenses	36,917	42,932	47,678	56,423	64,843
PPOP	38,007	37,579	47,954	55,804	63,740
PPOP growth (%)	18.6	(1.1)	27.6	16.4	14.2
Provisions	16,634	12,218	7,499	11,362	13,268
PBT	21,373	25,361	40,455	44,442	50,473
Tax	5,470	6,463	10,339	11,305	12,921
<b>Reported net profit</b>	<b>15,903</b>	<b>18,898</b>	<b>30,106</b>	<b>33,137</b>	<b>37,552</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>15,903</b>	<b>18,898</b>	<b>30,106</b>	<b>33,137</b>	<b>37,552</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Equity capital	3,992	4,205	4,232	4,232	4,232
Reserves & surplus	157,252	183,733	210,830	237,340	267,381
Net worth	161,245	187,938	215,062	241,572	271,613
Deposits	1,726,445	1,817,006	2,133,860	2,441,136	2,807,307
Borrowings	90,685	153,931	193,193	216,376	244,938
Other liab. & provisions	35,299	50,588	61,303	104,473	131,577
<b>Total liab. &amp; equities</b>	<b>2,013,674</b>	<b>2,209,463</b>	<b>2,603,418</b>	<b>3,003,558</b>	<b>3,455,434</b>
Cash & bank balance	195,914	210,103	176,887	190,320	202,590
Investments	371,862	391,795	489,834	560,764	633,783
Advances	1,318,786	1,449,283	1,744,469	2,042,773	2,379,831
Fixed & Other assets	127,112	158,282	192,229	209,701	239,231
<b>Total assets</b>	<b>2,013,674</b>	<b>2,209,463</b>	<b>2,603,418</b>	<b>3,003,558</b>	<b>3,455,434</b>
Deposit growth (%)	13.4	5.2	17.4	14.4	15.0
Advances growth (%)	7.9	9.9	20.4	17.1	16.5

### Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23P	FY24E	FY25E
EPS	8.0	9.2	14.3	15.7	17.7
Dividend per share	0.7	1.8	1.0	3.1	3.5
Book value per share	80.8	89.4	101.6	114.2	128.3

### Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23P	FY24E	FY25E
P/E	16.0	13.9	9.0	8.2	7.2
P/BV	1.6	1.4	1.3	1.1	1.0
Dividend yield (%)	0.5	1.4	0.8	2.5	2.8

### DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23P	FY24E	FY25E
Net interest income	2.9	2.8	3.0	3.0	3.0
Non-interest income	1.0	1.0	1.0	1.0	1.0
Operating expenses	1.9	2.0	2.0	2.0	2.0
Pre-provisioning profit	2.0	1.8	2.0	2.0	2.0
Provisions	0.9	0.6	0.3	0.4	0.4
PBT	1.1	1.2	1.7	1.6	1.6
Tax	0.3	0.3	0.4	0.4	0.4
ROA	0.8	0.9	1.3	1.2	1.2
Leverage (x)	12.5	12.1	11.9	12.3	12.6
ROE	10.4	10.8	14.9	14.5	14.6

### Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23P	FY24E	FY25E
<b>YoY growth (%)</b>					
Net interest income	19.0	7.7	21.3	16.8	13.2
Pre-provisioning profit	18.6	(1.1)	27.6	16.4	14.2
EPS	2.8	15.6	54.8	9.7	13.3
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	3.1	3.1	3.3	3.3	3.2
Fees / Avg. assets	0.1	0.2	0.2	0.2	0.2
Cost-Income	49.3	53.3	49.9	50.3	50.4
ROE	10.4	10.8	14.9	14.5	14.6
ROA	0.8	0.9	1.3	1.2	1.2
<b>Asset quality (%)</b>					
GNPA	3.4	2.8	2.3	2.3	2.3
NNPA	1.2	1.0	0.7	0.7	0.7
Slippage ratio	1.6	1.4	1.2	1.3	1.4
Credit cost	1.3	0.9	0.5	0.6	0.6
Provision coverage	64.7	65.4	70.4	70.3	70.3
<b>Ratios (%)</b>					
Credit-Deposit	76.4	79.8	81.8	83.7	84.8
Investment-Deposit	21.5	21.6	23.0	23.0	22.6
CAR	14.6	15.8	14.8	13.8	13.5
Tier-1	13.9	14.4	13.0	12.5	12.2

Source: Company, BOBCAPS Research

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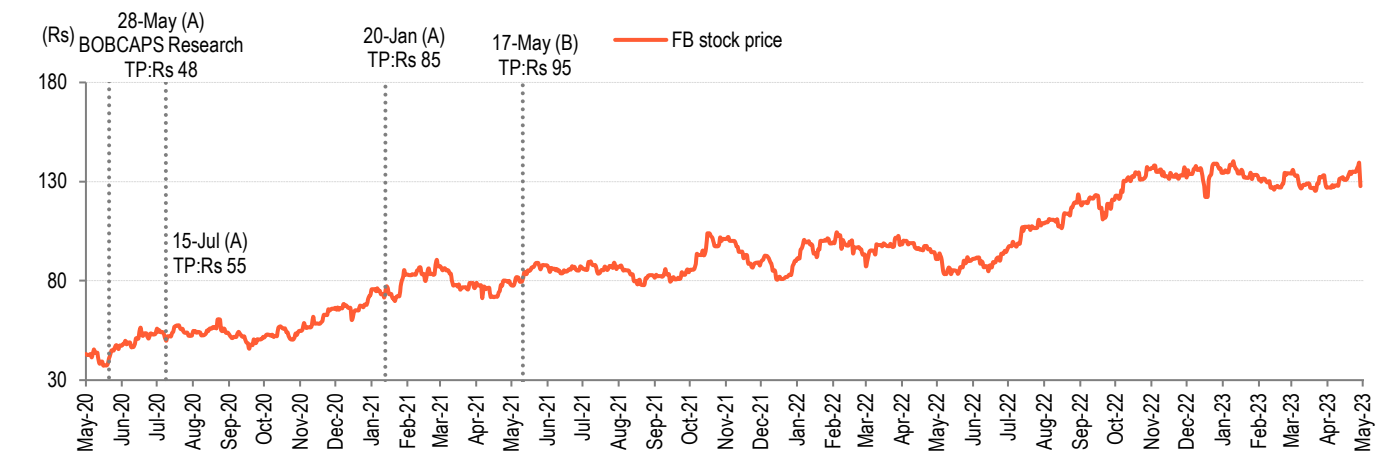
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**BUY** – Expected return >+15%  
**HOLD** – Expected return from -6% to +15%  
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**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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