INSTITUTIONAL RESEARCH

Federal Bank

FinTech partnerships maturing; approaching take-off

On the back of its best-in-class liability franchise and a granular loan book, FB has dialled up its FinTech partnerships to address its product (unsecured loans) and customer segment gaps (salaried millennials) and drive growth, especially in high-yield retail segments, to boost profitability metrics. Having proven for scale over the past couple of years, these partnerships are now maturing and upping the quality quotient (greater productivity). Each of these individually stitched collaborations dovetails into cross-sell across customer cohorts, thus enhancing the potential profitability of the partners and attracting more high-potential alliances. While near-term RoEs are likely to trend marginally lower from the recent equity raise, we remain constructive on the bank's ability to monetise its partnerships and amp up its productivity metrics, thereby driving a sustainable 10-15bps RoA reflation over FY23-26E. We resume coverage with a high-conviction BUY, and a TP of INR190 (1.5x Mar-25 ABVPS).

- **Best-in-class deposit franchise:** With its retail deposit mix at 81%, FB boasts one of the most granular and stable deposit franchises in the banking sector. It is also building a stronger value proposition for its flagship non-resident (NR) customers with a wider corridor coverage, and a more comprehensive service offering, reflecting in a strong growth momentum. With a branch-light model, FB is now accelerating efforts on branch productivity and efficiency.
- **Accelerating growth in high-yielding products:** With a strong core secured book, FB is looking to grow its unsecured and high-yielding segments. Gold, PL, cards, CV/CE, and MFI segments have witnessed healthy momentum for the past few quarters. Revenue share from these products should start contributing as and when it picks scale.
- **FinTech partnerships to bridge gaps and build scalable profit pools:** FB has adopted a unique partnership-oriented approach with new-age FinTechs on both sides of the balance sheet to address its customer segment (salaried millennials) and product segment gaps (unsecured loans) to drive profitable growth. The liabilities vertical has benefitted from partnerships with neo banks such as epiFi and Jupiter, which have proven for scale over the past couple of years (15k accounts / day) and are now pivoting to chasing greater productivity (better customer profile and higher average balances).
- **Well-geared to deliver consistent return ratios:** FB has emerged as the best-in-class mid-sized bank with a visible pathway to emerge as a top-tier bank in the medium term. Given the rising maturity of FB's FinTech partnerships, we build in a cumulative 10-15bps RoA reflation over FY23-26E, primarily on the back of stronger loan growth, a 10% CAGR in productivity metrics and efficiency gains.

Financial Summary

(INR bn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
NII	55.3	59.6	72.3	88.3	106.3	122.0
PPOP	37.9	37.6	47.9	59.9	71.1	85.4
PAT	15.9	18.9	30.1	36.9	42.7	50.8
EPS (INR)	8.0	9.0	14.2	15.2	17.6	21.0
ROAE (%)	10.4	10.8	14.9	14.8	14.1	14.9
ROAA (%)	0.8	0.9	1.3	1.3	1.3	1.3
ABVPS (INR)	72.9	82.8	95.4	111.3	125.2	142.6
P/ABV (x)	2.0	1.7	1.5	1.3	1.2	1.0
P/E (x)	18.1	16.0	10.1	9.5	8.2	6.9

Source: Company, HSIE Research

BUY

CMP *(as on 6 Nov 2023)*	INR 144
Target Price	INR 190
NIFTY	19,412

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR175	INR 190
EPS %	FY24E	FY25E
	-4.2%	-3.7%

KEY STOCK DATA	
Bloomberg code	FB IN
No. of Shares (mn)	2,427
MCap (INR bn) / ($ mn)	350/4,276
6m avg traded value (INR mn)	2,157
52 Week high / low	INR 153/121

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	7.1	12.8	5.7
Relative (%)	8.2	6.4	(0.9)

SHAREHOLDING PATTERN (%)	Jun-23	Sep-23
Promoters	0.0	0.0
FIs & Local MFs	42.3	46.2
FPIs	26.3	27.0
Public & Others	31.4	26.8
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Annual Report Dashboard

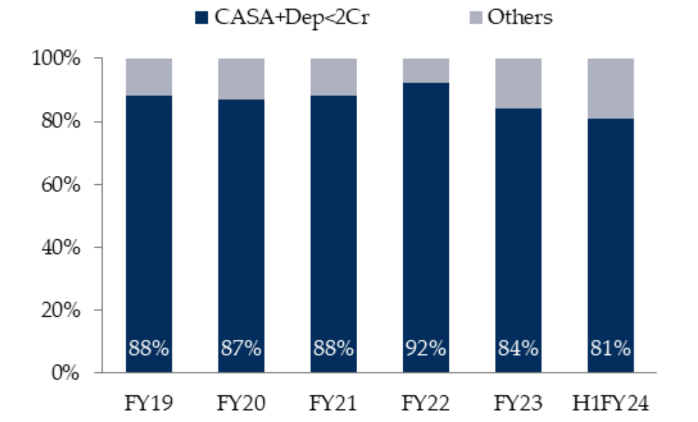
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Concentration metrics										
% Share of Top 20 advances	16.6%	14.1%	19.8%	12.9%	13.5%	12.1%	12.7%	13.7%	12.2%	10.5%
% Share of Top 20 exposures	11.2%	10.1%	16.9%	11.1%	10.5%	10.0%	10.3%	10.4%	9.4%	8.1%
% Share of Top 20 depositors	3.6%	4.5%	2.9%	5.0%	4.3%	3.9%	6.0%	4.8%	3.3%	5.2%
Sector-wise Advances (% of sector advances)										
Priority Sector	34.9%	33.9%	32.0%	27.7%	28.5%	27.6%	24.7%	27.1%	30.8%	32.3%
Industrial credit	24.4%	27.3%	22.5%	22.9%	27.9%	23.1%	17.7%	31.1%	35.6%	33.1%
Credit for services	29.5%	22.3%	21.6%	15.1%	16.6%	18.8%	16.1%	13.8%	22.7%	27.9%
Agricultural credit	100.0%	100.0%	100.0%	100.0%	99.2%	94.9%	100.0%	100.0%	100.0%	100.0%
Personal loans	28.1%	25.2%	19.3%	15.7%	13.7%	12.2%	11.7%	9.9%	7.4%	5.7%
Non-Priority Sector	65.1%	66.1%	68.0%	72.3%	71.5%	72.4%	75.3%	72.9%	69.2%	67.7%
Industrial credit	75.6%	72.7%	77.5%	77.1%	72.1%	76.9%	82.3%	68.9%	64.4%	66.9%
Credit for services	70.5%	77.7%	78.4%	84.9%	83.4%	81.2%	83.9%	86.2%	77.3%	72.1%
Agricultural credit	0.0%	0.0%	0.0%	0.0%	0.8%	5.1%	0.0%	0.0%	0.0%	0.0%
Personal loans	71.9%	74.8%	80.7%	84.3%	86.3%	87.8%	88.3%	90.1%	92.6%	94.3%
Sector-wise GNPAs (% of sector-wise net advances)										
Priority Sector	3.7%	2.8%	3.6%	4.5%	5.1%	5.7%	6.5%	4.1%	4.2%	3.8%
Industrial credit	2.8%	2.5%	7.2%	7.7%	5.7%	5.6%	7.5%	2.3%	3.5%	3.4%
Credit for services	4.2%	4.3%	4.2%	5.4%	6.3%	7.2%	7.4%	1.1%	2.0%	2.3%
Agricultural credit	3.6%	2.0%	1.7%	2.9%	3.6%	4.9%	5.9%	5.4%	5.2%	4.4%
Personal loans	3.8%	2.9%	4.7%	5.3%	6.7%	6.0%	5.5%	7.0%	6.7%	7.1%
Non-Priority Sector	1.8%	1.7%	2.5%	1.5%	2.2%	1.8%	1.7%	3.1%	2.2%	1.7%
Industrial credit	3.5%	3.7%	6.3%	4.3%	6.8%	4.7%	1.7%	4.6%	2.0%	0.9%
Credit for services	1.5%	1.1%	2.2%	1.1%	0.7%	0.7%	1.4%	3.3%	2.3%	2.1%
Agricultural credit	NA	NA	NA	NA	0.0%	0.0%	NA	NA	NA	NA
Personal loans	0.6%	0.6%	0.8%	0.7%	1.2%	1.2%	1.9%	2.2%	2.3%	1.8%
GNPA Mix %										
Sub standard	44.3%	46.2%	44.4%	35.8%	44.4%	30.1%	33.5%	38.4%	27.8%	24.3%
Doubtful 1	14.8%	26.2%	23.8%	28.5%	23.8%	26.7%	25.5%	18.3%	22.2%	23.1%
Doubtful 2	24.3%	17.0%	18.8%	23.5%	18.8%	28.1%	22.8%	24.0%	23.2%	24.6%
Doubtful 3	5.0%	2.1%	5.6%	3.6%	5.6%	7.0%	10.2%	10.8%	15.1%	17.4%
Loss	11.6%	8.4%	7.4%	8.5%	7.4%	8.1%	8.1%	8.4%	11.8%	10.6%
Bancassurance - % of Total Fee	4%	4%	6%	5%	5%	6%	6%	6%	6%	6%
PSLC Bought - % of previous year loans	NA	NA	NA	0.5%	0.0%	4.1%	0.0%	9.8%	12.3%	3.3%
PSLC Sold - % of previous year loans	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%
Operational Risk										
Frauds reported (#)	NA	NA	NA	NA	44	96	589	344	413	1,298
Amount involved in frauds (INR mn)	NA	NA	NA	NA	53	1,756	1,967	7,240	3,479	1,815
Provision for fraud (INR mn)	NA	NA	NA	NA	36	358	252	1,831	71	49
Provision for fraud (% of PPOP)	NA	NA	NA	NA	0.2%	1.3%	0.8%	4.8%	0.2%	0.1%
Real Estate Exposure (% of Real Estate Exposure)										
Secured by residential mortgage	76%	66%	62%	56%	54%	59%	60%	64%	65%	65%
Individual housing loans	43%	31%	25%	16%	12%	14%	11%	11%	9%	7%
Secured by commercial mortgage	15%	13%	14%	22%	24%	20%	18%	16%	15%	18%
Exposure to NHBs and HFCs	7%	21%	25%	22%	22%	21%	21%	20%	20%	17%
LCR Disclosures										
LCR %	NA	NA	NA	NA	NA	156%	185%	242%	180%	128%
RSBD (% of total deposits on bank's BS)	NA	NA	NA	NA	NA	83%	82%	83%	86%	76%

Granular deposit franchise drives stable funding cost

FB boasts of a best-in-class granular retail deposit franchise which offers the bank a formidable source of sustainable competitive advantage on the liabilities side of the balance sheet. In addition to this traditional moat (ETB), FB has also been dialling up its savings franchise partnerships with neo-banks (Jupiter and Fi) to bridge a key customer segment gap (salaried millennials). These partnerships offer FB a large catchment of NTB liability-side customers for potential cross-selling of asset products. Having thus established its ability to scale the franchise, FB is now solving for better productivity (average balances) across these partnerships.

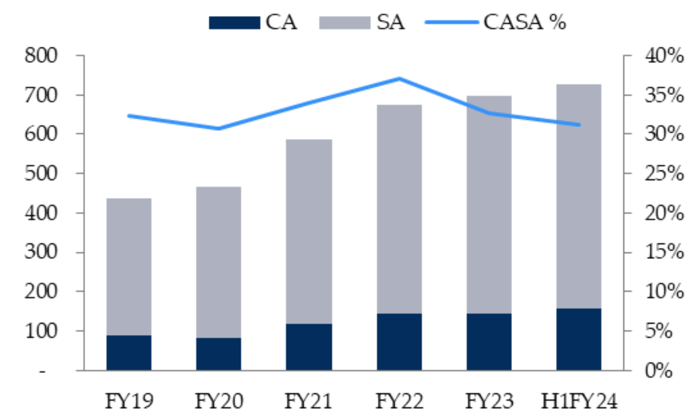
- **Quality deposit franchise:** FB boasts of a formidable source of competitive advantage on the liabilities side of the balance sheet on the back of its best-in-class granular retail deposit franchise (H1FY24: 81% retail deposit mix). Despite a shift in the deposit mix away from low-cost CASA over the past year (consistent with rising interest rates), the cost of deposits has stayed competitive, relative to larger private sector banks.

Exhibit 1: Total Deposit Composition



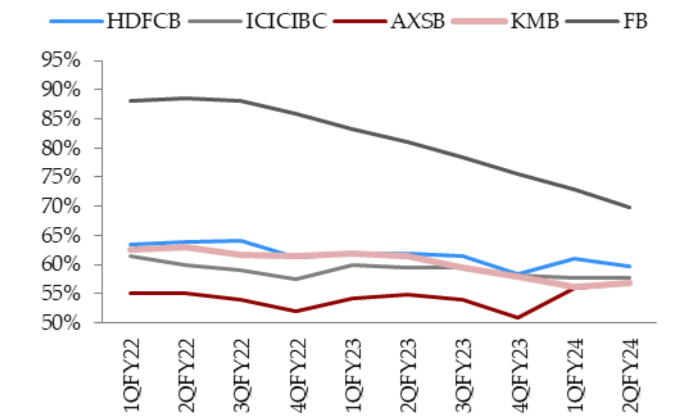
Source: Company, HSIE Research

Exhibit 2: Healthy CASA



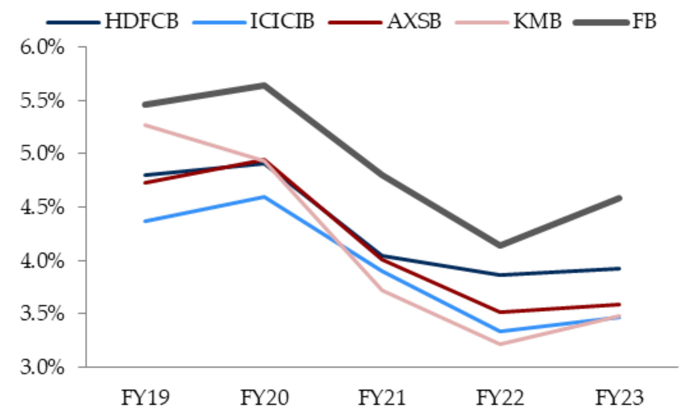
Source: Company, HSIE Research

Exhibit 3: RSBD (as % of total deposits on bank's BS)



Source: Company, HSIE Research

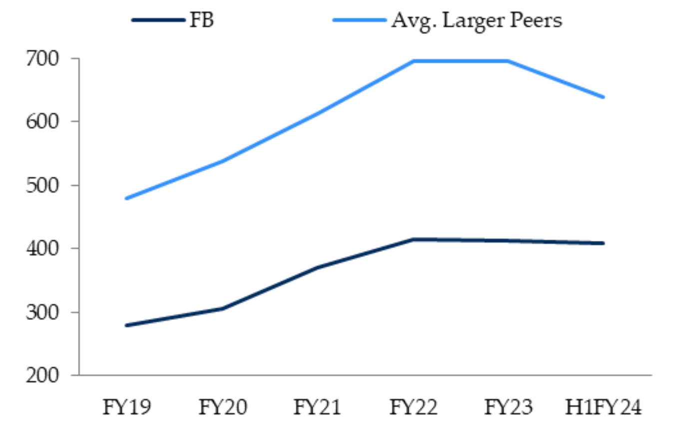
Exhibit 4: Cost of deposits higher than larger peers



Source: Company, HSIE Research

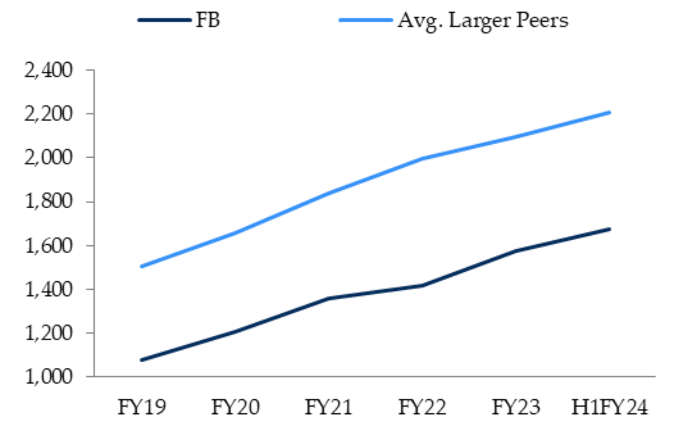
Given its branch-light distribution model, FB has been especially focused on building productivity gains over the past few years, especially given the significant productivity gap with its larger peers.

Exhibit 5: SA/Branch (INR mn)



Source: Company, HSIE Research

Exhibit 6: Deposits/Branch (INR mn)



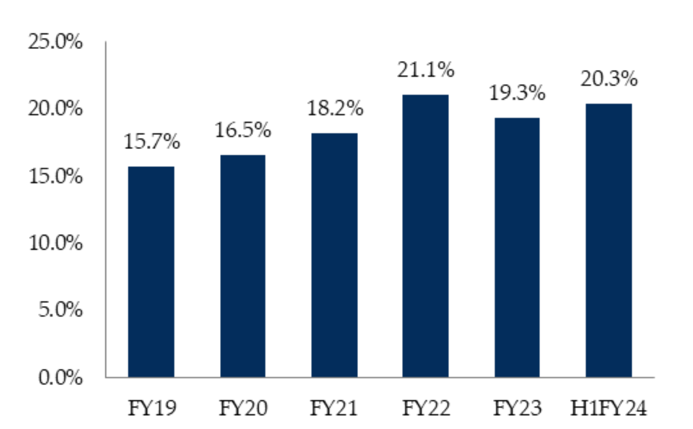
Source: Company, HSIE Research

- **Dominance in non-resident (NR) deposits:** FB has historically been a dominant player in the NR customer segment, especially NRE deposits (core bread-and-butter business) with an 8.4% deposit market share and a ~20% inward remittance market share. Post-FY22, there has been a drop in system-wide NR deposits owing to hardening of rates globally and rising yields across other asset classes. However, during this period, FB witnessed a 5% YoY growth in its NRE deposits, thus gaining incremental market share in this segment. Over the years, FB has widened its coverage of cross-border corridors, and its bouquet of offerings to up its value proposition for NR customers and further improve its remittance retention ratio (proportion of remittances that stay with the bank as deposits and further as low-cost deposits).

Exhibit 7: NRE deposits as % of total deposits

Source: Company, HSIE Research

Exhibit 8: Remittance market share



Source: Company, HSIE Research

FinTech partnerships maturing in high-yield businesses

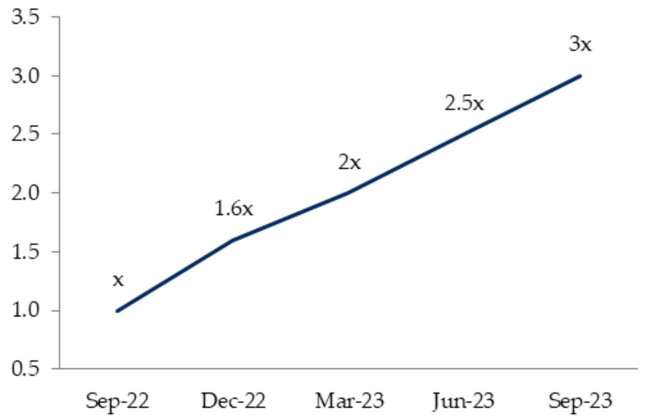
On the back of a strong liability franchise and a granular loan book, FB has followed a differentiated partnership-oriented approach with new-age FinTechs to address its product (unsecured loans) and customer segment gaps (salaried millennials) and drive growth, especially in high-yield retail segments, in its efforts to build scalable profit pools. The liabilities vertical has benefitted from partnerships with neo banks such as epiFi and Jupiter, which have proven for scale over the past couple of years and are now pivoting to chasing greater productivity (better average balances). The credit card business continues to mature and scale on the back of multiple co-branded partnerships, OneCard being the anchor partner, driving sharp market share gains in issuances and spends. The most impressive aspect of these FinTech partnerships is that all of these individually stitched collaborations neatly dovetail into cross-selling across customer cohorts.

- **Dialling up FinTech partnerships:** FB is among the early adopters using Fintech partnerships to build new growth avenues in its effort to boost its profitability, as reflected in recent productivity gains (daily account opening and deployment run rate). Higher FinTech contribution on the balance sheet is evident in areas such as co-branded cards (77% of issuances), personal loan volumes (70% of the number of loan accounts) and liability accounts (22% of savings accounts) during H1FY24.

Exhibit 9: Fintech Partnership Landscape

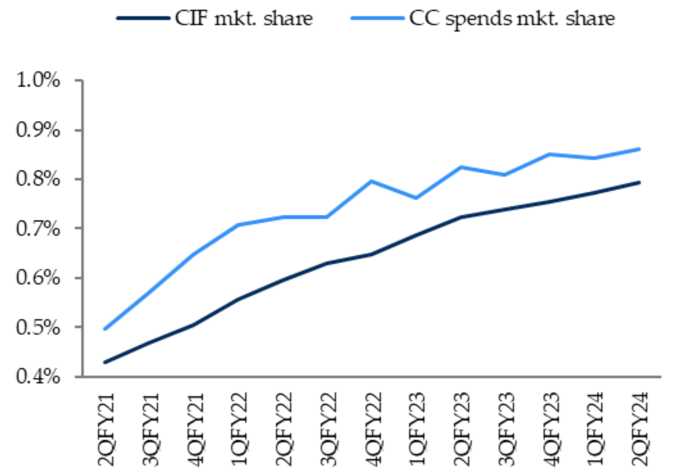
Source: Company, HSIE Research

Exhibit 10: Growth in co-branded card issuances



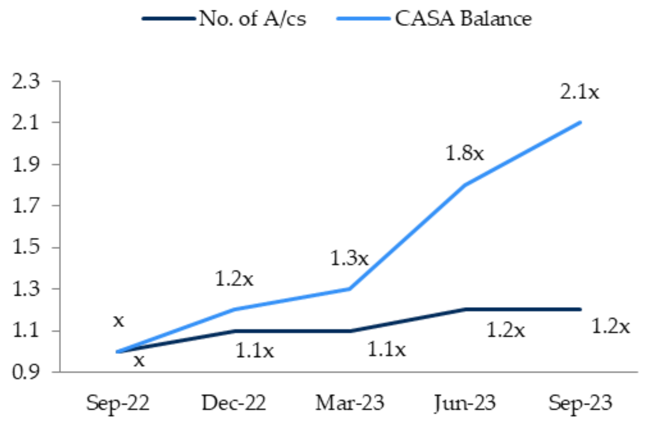
Source: Company, HSIE Research

Exhibit 11: Issuances and spends market share on the rise



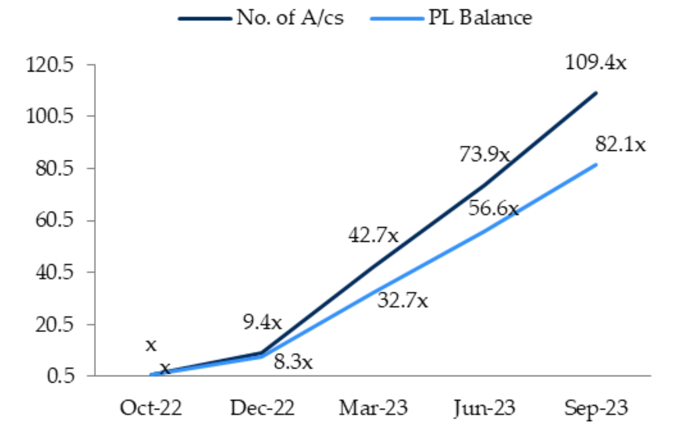
Source: Company, HSIE Research

Exhibit 12: Growing FinTech contribution on liabilities



Source: Company, HSIE Research

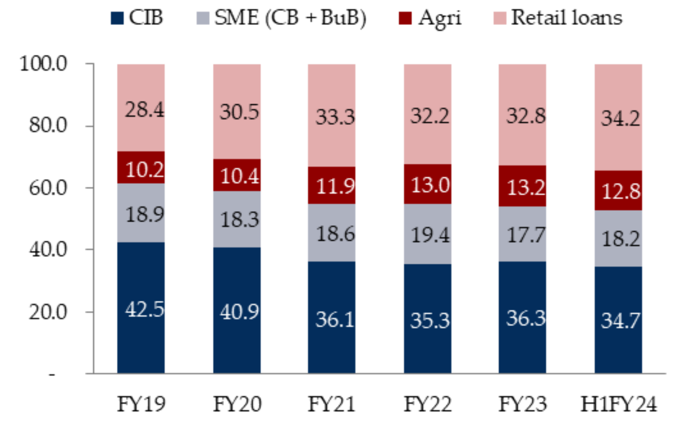
Exhibit 13: Smart pick-up in PL balances



Source: Company, HSIE Research

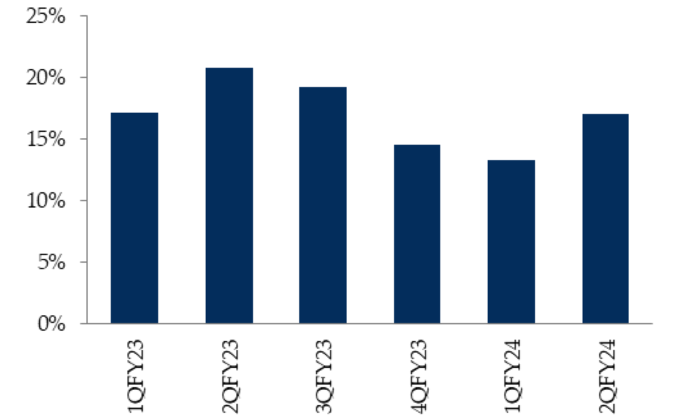
- **Healthy growth along with product and risk diversification:** On the back of a granular portfolio, FB has been able to strengthen its core traditional products - CIB, SME and Housing - and is now looking to foray into high-yielding segments such as CC, PL, CV/CE and MFI. Although the overall high-yielding segments constitute ~24% of total gross advances, the revenue share from the same stands below potential at ~26%. With incremental focus on building scale and quality of growth, we believe that the revenue share from high-yielding segments is likely to improve sharply over the next few quarters. The bank's second-order focus lies in keeping its asset quality in check even as it grows the unsecured book, through prudent risk management strategies such as a 10% cap on unsecured lending and a balanced mix between wholesale and retail. These new categories, organically and by way of FinTech partnerships, should begin to incrementally account for a meaningful mix of the loan book by FY25.

Exhibit 14: Rising share of retail mix



Source: Company, HSIE Research

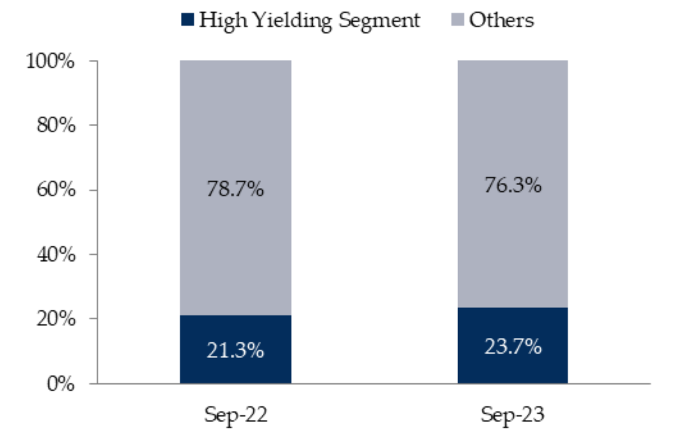
Exhibit 15: Steady gold loan YoY growth



Source: Company, HSIE Research

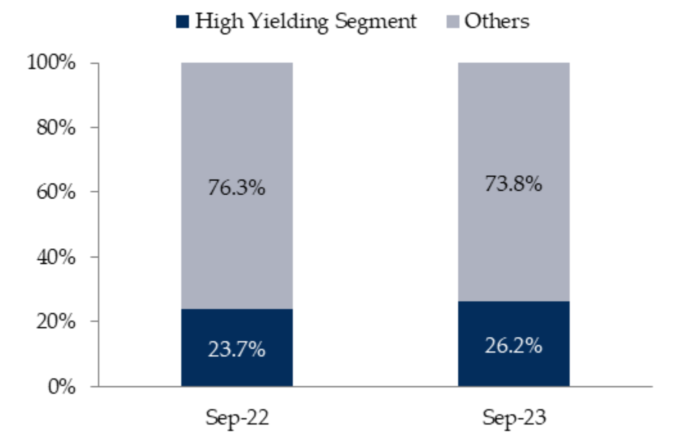
- **Poised for margin expansion:** With the tail-end of the deposit re-pricing having played out, we believe that FB is primed to benefit from the change in business mix, translating into an expansion in asset yields.

Exhibit 16: Rising share of high-yield segments in loan mix



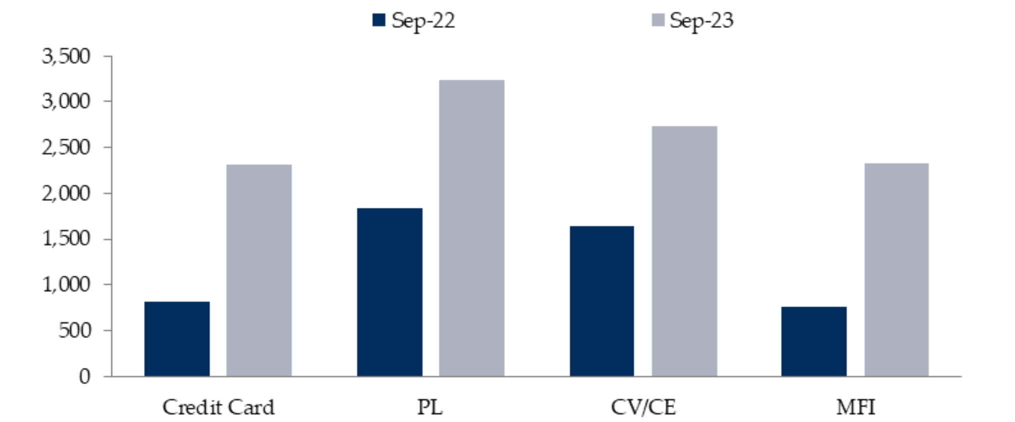
Source: Company, HSIE Research

Exhibit 17: Revenue share of high-yield businesses



Source: Company, HSIE Research

Exhibit 18: High yield portfolio growing rapidly (INR mn)



Source: Company, HSIE Research

Valuation and recommendation

- **Best among mid-sized banks**: FB has emerged as the best-in-class mid-sized bank with a visible pathway to emerge as a top-tier bank in the medium term. We believe that FB's ability to leverage its FinTech partnerships to build a new-to-bank (NTB) customer franchise and deepen its existing-to-bank (ETB) relationships alongside a calibrated distribution ramp-up places the bank well ahead of its peers with a visible pathway for it to emerge as a sustainable, top-tier bank in the medium term.

Exhibit 19: FY23 Comparative Dashboard

Particulars	FB	CUBK	RBL	KVB	DCB
Net advances (INR bn)	1,744	431	702	631	344
Deposits (INR bn)	2,134	524	849	766	412
YoY Growth (%)					
NII	21.3%	12.8%	10.5%	23.3%	26.5%
PPOP	27.6%	13.9%	-19.8%	51.9%	-1.3%
PBT	59.5%	19.5%	NA	54.3%	61.0%
Net advances	20.4%	6.7%	17.0%	15.5%	18.2%
Retail advances	22.4%	7.4%	20.6%	15.9%	20.5%
CASA	3.9%	0.8%	13.5%	6.5%	17.4%
Ratios					
Retail (% of total advances)	32.8%	12.8%	53.8%	23.3%	82.6%
Home loans (% of total advances)	15.2%	3.6%	6.5%	10.4%	7.2%
NIM	3.4%	3.7%	4.7%	4.3%	4.0%
YoA	8.4%	9.1%	11.0%	9.0%	10.7%
C/I ratio	49.9%	38.9%	68.3%	45.1%	63.0%
C/D ratio	81.8%	82.2%	82.7%	82.4%	83.4%
RWA/net advances	90.0%	75.6%	121.3%	77.7%	82.1%
CASA %	32.7%	29.9%	37.3%	33.2%	26.4%
SA/Branch (Rs mn)	409	145	327	225	NA
Asset Quality					
GNPA %	2.4%	4.4%	3.4%	2.3%	3.2%
NNPA %	0.7%	2.4%	1.1%	0.7%	1.0%
PCR %	71.2%	47.0%	68.1%	67.9%	68.2%
Restructured loans %	1.6%	2.9%	1.2%	1.5%	4.9%
RoA Tree (%) – Avg. Assets					
Interest Income	**7.4%**	**7.4%**	**8.2%**	**7.7%**	**8.6%**
Interest Expenses	4.0%	4.0%	4.2%	3.7%	5.1%
Net interest income	**3.4%**	**3.4%**	**4.0%**	**3.9%**	**3.5%**
Total Non-Interest Income	1.3%	1.3%	2.2%	1.4%	0.8%
Total Income	**4.6%**	**4.6%**	**6.3%**	**5.3%**	**4.4%**
Employee Expenses	0.8%	0.8%	1.2%	1.2%	1.4%
Other Operating Expenses	1.0%	1.0%	3.1%	1.2%	1.3%
Total Operating Expenses	**2.8%**	**2.8%**	**2.0%**	**2.9%**	**1.6%**
PPP	**2.0%**	**2.8%**	**2.0%**	**2.9%**	**1.6%**
Total Provisions	0.3%	1.0%	0.9%	1.2%	0.3%
Profit before Tax	1.7%	1.8%	1.1%	1.7%	1.3%
Provision for Taxation	0.4%	0.4%	0.3%	0.4%	0.3%
RoA	**1.3%**	**1.5%**	**0.8%**	**1.3%**	**1.0%**
Avg. Assets/Avg. Networth	11.9	9.1	8.5	10.5	11.3
RoE	14.9%	13.3%	6.7%	13.7%	10.8%
P/ABV	**1.5**	**1.6**	**1.2**	**1.4**	**0.9**

Source: Company

- **Visible drivers for RoA reflation:** Given the improving maturity of FB's FinTech partnerships, we build in a cumulative 10-15bps RoA reflation over FY23-26E, primarily on the back of stronger loan growth, a 10% CAGR in productivity metrics and broader efficiency gains. We resume coverage with a high-conviction BUY with a revised TP of INR190 (1.5x Mar-25 ABVPS).

Financials

Income Statement

(INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	137,579	136,607	168,036	203,552	241,244	280,810
Interest Expenses	82,242	76,988	95,715	115,246	134,938	158,831
Net Interest Income	**55,337**	**59,619**	**72,322**	**88,307**	**106,306**	**121,979**
Non-Interest income	19,449	20,890	23,300	28,334	33,539	39,884
Total income	**74,786**	**80,509**	**95,622**	**116,641**	**139,845**	**161,864**
Operating Expenses	36,917	42,928	47,678	56,699	68,713	76,476
Operating Profit	**37,869**	**37,581**	**47,944**	**59,942**	**71,131**	**85,387**
Provisions	16,496	12,217	7,499	10,459	13,824	17,170
PBT	**21,373**	**25,364**	**40,445**	**49,483**	**57,307**	**68,217**
Tax	5,470	6,463	10,339	12,618	14,613	17,395
PAT	**15,903**	**18,901**	**30,106**	**36,865**	**42,694**	**50,822**

Source: Company, HSIE Research

Balance Sheet

(INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share capital	3,992	4,205	4,232	4,850	4,850	4,850
Reserves	157,244	183,732	210,830	279,790	315,210	358,757
Net worth	161,236	187,937	215,062	284,640	320,059	363,606
Deposits	**1,726,445**	**1,817,005**	**2,133,860**	**2,448,462**	**2,867,220**	**3,367,690**
Borrowings	90,685	153,931	193,193	227,183	238,596	250,585
Current Liabilities	35,308	50,587	61,303	54,714	63,811	74,574
Total Liabilities & Equity	**2,013,674**	**2,209,460**	**2,603,418**	**3,014,999**	**3,489,686**	**4,056,455**
Cash balance	195,914	210,103	176,887	202,528	259,828	288,144
Advances	**1,318,786**	**1,449,282**	**1,744,469**	565,971	628,029	727,265
Investments	371,862	391,795	489,834	**2,038,986**	**2,379,897**	**2,782,848**
Fixed assets	4,911	6,339	9,340	9,713	10,102	10,506
Other assets	122,201	151,942	182,889	197,800	211,830	247,692
Total Assets	**2,013,674**	**2,209,460**	**2,603,418**	**3,014,999**	**3,489,686**	**4,056,455**

Source: Company, HSIE Research

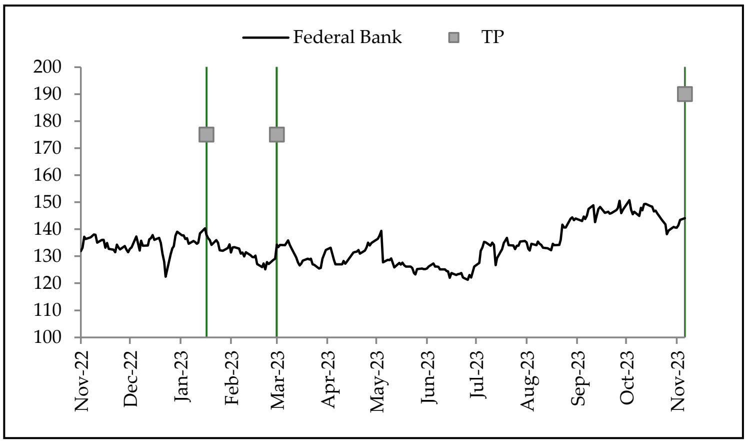
Key Ratios

	FY21	FY22	FY23	FY24E	FY25E	FY26E
VALUATION RATIOS						
EPS (INR)	8.0	9.0	14.2	15.2	17.6	21.0
Earnings Growth (%)	3%	19%	59%	22%	16%	19%
BVPS	81	89	102	117	132	150
Adj. BVPS	73	82.8	95.4	111.3	125.2	142.6
ROAA (%)	0.83%	0.90%	1.25%	1.31%	1.31%	1.35%
ROAE (%)	10.4%	10.8%	14.9%	14.8%	14.1%	14.9%
P/E (x)	18	16.0	10.1	9.5	8.2	6.9
P/ABV (x)	2.0	1.7	1.5	1.3	1.2	1.0
P/PPOP (x)	8.1	8.1	6.4	5.1	4.3	3.6
PROFITABILITY (%)						
Yield on loans	8.50%	7.82%	8.45%	8.60%	8.85%	8.90%
Cost of Funds	4.78%	4.06%	4.45%	4.61%	4.67%	4.72%
Cost of Deposits	4.80%	4.14%	4.36%	4.69%	4.76%	4.81%
Spread	3.69%	3.69%	4.09%	3.91%	4.09%	4.09%
NIM	3.20%	3.17%	3.40%	3.55%	3.69%	3.67%

	FY21	FY22	FY23	FY24E	FY25E	FY26E
OPERATING EFFICIENCY						
Cost to average assets	1.9%	2.0%	2.0%	2.0%	2.1%	2.0%
Cost-income	49.4%	53.3%	49.9%	48.6%	49.1%	47.2%
BALANCE SHEET STRUCTURE RATIOS						
Loan Growth (%)	7.9%	9.9%	20.4%	16.9%	16.7%	16.9%
Deposits Growth (%)	13.4%	5.2%	17.4%	14.7%	17.1%	17.5%
C/D ratio	76.4%	79.8%	81.8%	83.3%	83.0%	82.6%
Equity/Assets (%)	8.0%	8.5%	8.3%	9.4%	9.2%	9.0%
Equity/Loans (%)	12.2%	13.0%	12.3%	14.0%	13.4%	13.1%
CASA %	34.0%	37.1%	32.9%	33.3%	33.1%	32.8%
CRAR (%)	14.6%	15.8%	14.8%	15.5%	15.2%	15.0%
Tier I (%)	13.8%	14.4%	13.0%	13.9%	13.8%	13.8%
Asset quality						
Gross NPA	46,024	41,367	41,837	45,990	50,967	55,794
Net NPA	15,693	13,926	13,233	14,671	16,478	17,791
PCR	65.9%	66.3%	68.4%	68.1%	67.7%	68.1%
GNPA %	3.49%	2.85%	2.40%	2.26%	2.14%	2.00%
NNPA %	1.19%	0.96%	0.76%	0.72%	0.69%	0.64%
Slippages	1.51%	1.36%	1.08%	1.25%	1.35%	1.45%
Credit costs	1.19%	0.44%	0.37%	0.45%	0.50%	0.54%
ROAA Tree						
Net Interest Income	2.90%	2.82%	3.01%	3.14%	3.27%	3.23%
Non-Interest Income	1.02%	0.99%	0.97%	1.01%	1.03%	1.06%
Operating Cost	1.93%	2.03%	1.98%	2.02%	2.11%	2.03%
Provisions	0.86%	0.58%	0.31%	0.37%	0.43%	0.46%
Tax	0.29%	0.31%	0.43%	0.45%	0.45%	0.46%
ROAA	0.83%	0.90%	1.25%	1.31%	1.31%	1.35%
Leverage (x)	12.5	12.1	11.9	11.2	10.8	11.0
ROAE	10.4%	10.8%	14.9%	14.8%	14.1%	14.9%

Source: Company, HSIE Research

Recommendation history



Date	CMP	Reco	Target
17-Jan-23	140	BUY	175
2-Mar-23	134	BUY	175
7-Nov-23	144	BUY	190

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, Neelam Bhatia, PGDM & Akshay Badlani, CA** 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. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. 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 have/does not have any material conflict of interest.

A**ny holding in stock –No**

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