

January 28, 2025

RESULT REPORT Q3 FY25 | Sector: Banks

Federal Bank Ltd

New management makes prudential moves

Our view – Wholesale deposits curbed and provisions accelerated

Balance sheet growth – New management seems to pull back from a relatively recent rise in wholesale deposit dependence, which had allowed faster loan growth: Total deposits were at Rs. 2,664 bn, down by -1.0% QoQ but up 11.2% YoY. The bank has made a pivotal decision that growth based on high-value deposits is not for them. Wholesale term deposits, specifically above Rs 30mn, were down by Rs 40bn QoQ to Rs. 338.48bn. Management stated that, while the bank gave up some growth during the quarter, it will try to strike a balance between growth and reorientation. Following re-orientation, the bank will typically target growing at 1.5x the system level growth.

Asset Quality – Slippages remained well under control but management adopted industry best practice on provisioning policy leading to upfronted provisions: Gross NPA additions amounted to Rs. 4.98bn for 3QFY25 (Rs 4.34bn in 2QFY25), translating to an annualized slippage ratio of 0.85% for the quarter. Provisions were Rs 2.92bn, up by 85% QoQ and 221% YoY, translating to calculated annualised credit cost of 51bps. Almost all of the provision was an accelerated provision worth Rs 2.92bn on account of benchmarking the bank’s provisioning practices to the best in the industry. The credit cost guidance for full year FY25 is 40-50 bps and beyond FY25, it is 40-45 bps.

Net Interest Margin – Margin was broadly stable sequentially and there was no dependence on any one-off: NIM was at 3.11%, down -1bp QoQ and -8bps YoY. Management has decided to make a material shift from floating rate to fixed rate loans. Unsecured retail and microfinance remains below 5% of overall loan book and management is currently cautious but will grow share in the medium term. There will also be a focus on medium-yield loans which, along with focus on average CASA, allows management to guide for stable margin.

We maintain ‘BUY’ rating on FED with a revised price target of Rs 225: We value the standalone bank at 1.4x FY26 P/BV for an FY25/26/27E RoE profile of 12.6%/13.8%/15.0%. We assign a value of Rs 11 per share to the subsidiaries, on SOTP.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Other Highlights (See “Our View” above for elaboration and insight)

- **Opex control:** Total cost to income ratio was at 53.1% up by 11/125bps QoQ/YoY and the Cost to assets was at 2.1% down by -2bps both QoQ and YoY
- **Fee income:** Core fee income to average assets was at 0.8%, down/up -3/4bps QoQ/YoY

Exhibit 1: Result table

Particulars (Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Total Interest Income	68,087	65,773	3.5	57,301	18.8
Interest Expense	(43,774)	(42,101)	4.0	(36,067)	21.4
Net Interest Income	24,313	23,672	2.7	21,234	14.5
Fee Income	7,120	7,260	(1.9)	5,830	22.1
Non-fee Income	2,042	2,380	(14.2)	2,796	(27.0)
Total Non-Interest Income	9,162	9,640	(5.0)	8,626	6.2
Total Income	33,475	33,312	0.5	29,859	12.1
Employee Expense	(7,832)	(7,777)	0.7	(6,932)	13.0
Non-employee Opex	(9,949)	(9,882)	0.7	(8,554)	16.3
Total Operating expenses	(17,781)	(17,658)	0.7	(15,486)	14.8
PPOP	15,695	15,654	0.3	14,373	9.2
Provisions	(2,923)	(1,584)	84.6	(912)	220.5
PBT	12,771	14,070	(9.2)	13,461	(5.1)
Tax	(3,217)	(3,503)	(8.2)	(3,394)	(5.2)
PAT	9,554	10,567	(9.6)	10,067	(5.1)

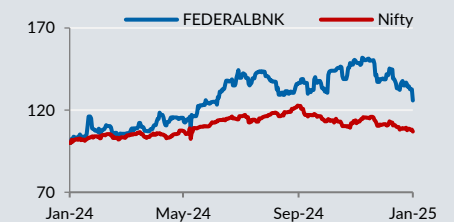
Source: Company, YES Sec-Research

Recommendation	: BUY
Current Price	: Rs 179
Target Price	: Rs 225
Potential Return	: +26%

Stock data (as on January 28, 2025)

Nifty	22,872
52 Week h/l (Rs)	217 / 140
Market cap (Rs/USD mn)	461804 / 5337
Outstanding Shares (mn)	2,455
6m Avg t/o (Rs mn):	2,248
Div yield (%):	0.6
Bloomberg code:	FB IN
NSE code:	FEDERALBNK

Stock performance



	1M	3M	1Y
Absolute return	-9.2%	-3.5%	26.0%

Shareholding pattern (As of Sep'24 end)

Promoter	0.0%
FII+DII	74.2%
Others	24.8%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	225	250

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
NII	95,197	111,100	130,153
PPOP	61,523	75,716	93,406
Net Profit	38,907	48,331	60,090
Growth (%)	4.6	24.2	24.3
EPS (Rs)	16.0	19.8	24.7
BVPS (Rs)	134	153	176
P/E (x)	10.5	8.5	6.8
P/BV (x)	1.3	1.1	1.0
ROE (%)	12.6	13.8	15.0
ROA (%)	1.2	1.3	1.4
Tier-1 (%)	13.9	13.3	13.1

in earnings estimates

Rs. bn	FY25E	FY26E	FY27E
PAT (New)	38.9	48.3	60.1
PAT (Old)	43.9	53.7	63.5
% change	-11.4%	-10.0%	-5.3%

SHIVAJI THAPLIYAL

Head of Research (Overall)
& Lead Sector Research Analyst

📞 +91 22 6992 2932



SIDDHARTH RAJPUROHIT, Analyst

SURAJ SINGHANIA, Associate

COMPREHENSIVE CON-CALL TAKEAWAYS

Asset quality

- **Slippages**
 - Gross NPA additions amounted to Rs. 4.98bn for 3QFY25, translating to an annualized slippage ratio of 0.85% for the quarter. (Gross NPA additions had amounted to Rs. 4.34bn during 2QFY25.)
- **Recoveries and upgrades**
 - Recoveries and upgrades amounted to Rs. 3.35bn for 3QFY25, implying net NPA addition of Rs. 1.63bn for the quarter.
- **Provisions**
 - Provisions were Rs 2.92bn, up by 85% QoQ and 221% YoY, translating to calculated annualised credit cost of 51bps.
 - The Bank has undertaken higher accelerated provision of Rs. 2.92bn for certain schematic advances.
 - The credit cost for 9MFY25 was 41bps.
 - **More on accelerated provision**
 - The Rs 2.92bn accelerated provision is on account of benchmarking the bank's provisioning practices to the best in the industry.
 - This is only a preponement of the provision and does not in any manner increase the quantum of provision over the lifetime of the loans.
 - These accelerated provisions have been made on NPAs only and not on standard assets.
 - Earlier, the bank was following IRAC norms for provisioning.
 - Adjusted for the accelerated provision, the credit cost for the quarter would have been very small.
 - **Write offs**
 - Write-offs amounted to Rs. 4.94bn for 3QFY25 as against Rs 0.16bn in 2QFY25 and Rs 0.13bn in 3QFY24.
 - Since the written off accounts were already fully provided for, the write offs did not impact the P&L.
 - **Credit cost guidance**
 - In spite of the accelerated provisions, the credit cost guidance for full year FY25 is 40-50 bps.
 - Beyond FY25, the credit cost guidance would be 40-45 bps.
 - **Outstanding provisions**
 - The specific PCR stands at 74.21%, up by 239bps QoQ.
- **NPA ratios**
 - GNPA ratio stands at 2.0%, down -14bps QoQ and -34bps YoY while NNPA ratio stands at 0.5%, down -8bps QoQ and -15bps YoY.
- **Microfinance**
 - Management stated that there is high level of stress in microfinance but the bank's microfinance book is better than that of the industry.
 - On-time collection has marginally improved in December, with movement of accounts from SMA2 to SMA1.
- **Unsecured loans – general comments**
 - Management does not see any dramatic surprise emerging from the unsecured loan book.

(Con call takeaways continue on the next page)

- There would be one more quarter of pain which may be marginally higher or lower than what was seen in 3Q.

Deposits growth

- **Overall deposit growth**
 - Total deposits are down -1.0% QoQ but up 11.2% YoY.
- **Reorientation of the bank**
 - The bank has made a pivotal decision (to focus on granular deposits) since it believes that growth based on high-value deposits is not for them.
 - **Outcomes**
 - Wholesale term deposits, specifically above Rs 30mn were down by Rs 40bn QoQ to Rs. 338.48bn.
 - The concentration of top 20 depositors have decreased by over 33%. (The share is down from 7.43% in 2QFY25 to 4.81% in 3FY25).
 - Deposits from LCR unfriendly sectors such as financial sectors have dropped significantly from Rs 189.12bn to Rs. 135.93bn, down by around Rs 50bn.
 - The wholesale deposits plus CDs and Inter-bank term deposits were down from 19.5% to 18.2% of total base, down by Rs. 40bn.
- **CASA**
 - CASA ratio was at 30.2%, up 9bps QoQ.
 - CASA deposits are down -0.7% QoQ but up 9.5% YoY.
 - Average CASA deposits have grown 2.3% QoQ and 11% YoY.
 - Average SA deposits were up 2.5% QoQ.
 - Average CA deposits are up 1.6% QoQ.
- **CASA strategy**
 - **SA strategy**
 - The easy way out is to change the pricing of SA but the bank will not adopt this approach.
 - Management has reasonable confidence in the bank's franchise and distribution and the intention is to work harder and get more out of distribution.
 - Granularity and quality of deposits will be important.
 - **Current accounts**
 - Management stated that the bank's proportion of current account balance is lower and will take steps to improve the same.

Loan growth

- **Overall loan growth**
 - The net advances were flat QoQ but have grown by 15.4% YoY.
- **Segmental Growth**
 - Retail advances are up 12.5% YoY
 - Business Banking book is up 13.2% YoY
 - Gold loan advances are up 5.7% QoQ and 31.4% YoY.
 - **Home Loans**
 - Home loan has grown by 0.7% QoQ and 8.8% YoY.
 - The bank has 80% penetration of SA accounts in its home loan customer base.
 - **Auto Loans**
 - Auto loan has grown by 2.6% QoQ and 25% YoY.
 - The bank has moved from a floating rate model to a fixed rate model in Auto loans.

(Con call takeaways continue on the next page)

- Around 80% of the disbursement was on fixed rate in 3Q.
- **Comments on overall re-orientation**
 - The re-orientation of the bank in terms of balance sheet growth strategy is a medium-term process and will continue.
 - While the bank gave up some growth during the quarter, it will try to strike a balance between growth and reorientation.
- **Gold loans**
 - Quite a few changes in the process for gold loans has caused disruption at the industry level.
 - The industry has provided feedback and the RBI will revert on the same.
 - The bank is confident in terms of its own compliance and customer reorientation.
 - There may be 1-2 quarters of disruption in gold loan business.
- **Loan growth guidance**
 - The intention is to get back to a higher level of growth.
 - The bank will typically target growing at 1.5x the system level growth.
 - The reorientation process will take the bank to that level at a certain point in time.
 - Gaining market share is important to the bank.

Net interest margin

- **Margin for the quarter**
 - NIM was at 3.11%, down -1bp QoQ and -8bps YoY.
 - The margin was driven by the evolution of average advances and average liabilities and was pure operating performance with no one-off.
- **Yield on Advances**
 - Yield on advances was at 9.39%, up by 4bps QoQ and 2bps YoY.
- **Cost of Deposits**
 - The cost of deposits was at 5.92%, up by 6bps QoQ and 19bps YoY.
- **Shift from floating to fixed rate loans**
 - For auto loans, most of the industry is on fixed rate.
 - This month, the bank will do 100% of its auto loan business on fixed rate compared with 100% of floating rate 3 months back.
 - About 20% of the business banking book has been shifted to fixed rate.
 - The commercial vehicle lending will be conducted on fixed rate only.
 - The process of shifting from floating to fixed rate (where possible) will take some time.
 - **Strategic comments on share of fixed rate loans**
 - The bank's share of fixed rate loans is about 30% but there is scope to increase this share even though it may currently be in line with some larger banks.
 - Management opined that a larger share of fixed rate loans is better for asset liability management since the liabilities are fixed rate in nature.
- **Loan mix aspects**
 - **Unsecured lending**
 - **Microfinance**
 - The bank is cautious on microfinance and the book's growth has been flat to 1% on sequential basis.
 - **Personal loans**
 - The personal loan growth has been negative for the quarter.
 - **Total share of unsecured loans**
 - Cards, microfinance and personal loans taken together are a relatively small proportion of overall loan book at less than 5%.

(Con call takeaways continue on the next page)

- In the short-term, the bank does not intend to press the pedal on these segments but in the medium term, the bank will work towards increasing share.
- **Credit cards**
 - Credit cards continue to be a focus area as they are also a payment instrument.
 - Credit cards book has shown improvement QoQ on a small base.
- **Medium-yield segments**
 - Management does not believe in skewed dumb bell strategy of having only very high yield and low yield loans in the mix.
 - Hence, the bank has stepped up volume in medium-yield segments, with a stated intention on focusing on such segments, which also have a relatively lower risk.
 - **Commercial vehicle loans**
 - The commercial vehicle business is currently at a very high level of growth, which may taper off.
 - However, the bank will grow this business faster than the industry and is executing a pan-India rollout, product addition and customer base expansion.
- **LCR**
 - The average LCR for the quarter was 118% whereas the exit figure was 133% compared with 111% as of 2Q-end.
 - The bank doesn't intend to maintain the LCR at current level (presumably allow it to decline a bit).
- **Margin guidance**
 - Rate cuts are in the offing.
 - However, the bank's focus on average CASA and medium-risk businesses will add up and offset the impact of rate cuts.
 - The bank will try and maintain NIM at the current level.

Fee Income

- The fee income was down by -1.9% QoQ but up 22% YoY.

Capital adequacy

- The CET 1 and total capital adequacy ratio was at 13.78% and 15.16% respectively.
- The bank is currently not thinking about an equity capital raise.
- The current year profit has not been included in the capital adequacy calculation but will add to it once done.
- The bank is not guiding anything on capital raise as of now.

Other strategic comments from the MD and CEO

- The bank will focus on expanding outside of the state of Kerala.
- The bank's focus has now shifted internally towards average CASA deposits as opposed to period-end.
- The company is readjusting its RoRAC framework ensuring profitability and risk adjusted return at the customer level remains at the center of the bank's decision making.
- The bank has made a strategic decision to reframe its direct assignment business as it does not align with the bank's broader goals of being a sustainable and high-quality franchise.

(Con call takeaways continue on the next page)

Operating expenses

- **Total opex**
 - Total Opex, at Rs. 17.78bn, is up 0.7% QoQ and 14.8% YoY.
 - Cost to Income ratio came in at 53.1%, up by 11bps QoQ and 125bps YoY.
- **Staff opex**
 - The staff opex is up by 0.7% QoQ and 13% YoY.
- **Other opex**
 - Other opex is up by 0.7% QoQ and 16.3% YoY.

Return Ratios

- The RoA was at 1.14%, down -14bp QoQ.
- The RoE was at 12.0%, down by -165bp QoQ.

Exhibit 2: Key quarterly balance sheet / business data

Particulars (Rs mn)	Q3FY25#	Q2FY25	% qoq	Q3FY24	% yoy	Q3FY25*	chg qoq*	chg yoy*
Total gross advances	2,337,490	2,338,200	(0.0)	2,024,750	15.4	100	0bps	0bps
Core retail	680,080	674,400	0.8	604,270	12.5	29	25bps	-75bps
Agri	81,380	80,270	1.4	73,390	10.9	3	5bps	-14bps
Business Banking	189,230	191,210	(1.0)	167,150	13.2	8	-8bps	-16bps
CV/CE	42,350	39,320	7.7	30,570	38.5	2	13bps	30bps
MFI	41,230	40,930	0.7	27,570	49.5	2	1bps	40bps
CoB	258,800	244,930	5.7	207,440	24.8	11	60bps	83bps
Corporate	774,650	779,540	(0.6)	719,780	7.6	33	-20bps	-241bps
Gold	314,260	297,220	5.7	239,170	31.4	13	73bps	163bps
Total deposits	2,663,750	2,691,066	(1.0)	2,395,912	11.2	100	0bps	0bps
CA deposits	161,990	173,800	(6.8)	152,750	6.0	6	-38bps	-29bps
SA deposits	641,460	635,460	0.9	581,140	10.4	24	47bps	-17bps
Term deposits	1,860,300	1,881,806	(1.1)	1,662,022	11.9	70	-9bps	47bps
Investments	664,410	646,619	2.8	573,730	15.8	NA	NA	NA
Investments/(Invest. + Net Adv.) (%)	22.4	21.9	46bps	22.4	2bps	NA	NA	NA
Borrowings	286,900	237,486	20.8	173,170	65.7	NA	NA	NA
Borrowings/(Borr. + Deposits) (%)	9.7	8.1	161bps	6.7	298bps	NA	NA	NA
Risk-weighted assets	2,026,560	2,026,050	0.0	1,810,730	11.9	NA	NA	NA

Source: Company, YES Sec – Research, *Share in total and change in share, #The total gross advances figure is adjusted for IBPC but the individual segment figures are not.

Exhibit 3: Key quarterly ratios

(%)	Q3FY25	Q2FY25	chg qoq	Q3FY24	chg yoy
Net interest margin	3.11	3.12	-1bps	3.19	-8bps
Yield on advances	9.39	9.35	4bps	9.37	2bps
Cost of deposits	5.92	5.86	6bps	5.73	19bps
CASA ratio	30.2	30.1	9bps	30.6	-47bps
Loan to Deposit ratio	86.5	85.6	90bps	83.1	335bps
Non-interest income/Total income	27.4	28.9	-157bps	28.9	-152bps
Fee Income to Avg. Total Assets	0.8	0.9	-3bps	0.8	4bps
Cost to Income ratio	53.1	53.0	11bps	51.9	125bps
Opex to Avg. Total Assets	2.1	2.1	-2bps	2.1	-2bps
Credit Cost	0.5	0.3	23bps	0.2	32bps
RoE	12.0	13.7	-165bps	14.8	-280bps
RoA	1.1	1.3	-14bps	1.4	-26bps
Annualised Slippage Ratio*	0.9	0.8	9bps	1.0	-14bps
Provision Coverage	74.2	71.8	239bps	71.1	313bps
Gross NPA	2.0	2.1	-14bps	2.3	-34bps
Net NPA	0.5	0.6	-8bps	0.6	-15bps
Capital adequacy ratio	15.2	15.2	-4bps	15.0	14bps
Tier 1 capital ratio	13.8	13.8	-4bps	13.5	30bps

Source: Company, YES Sec – Research, * Annualised Gross NPA Addition Ratio

Exhibit 4: Retail Loan Mix - Quarterly

Particulars (Rs mn)	Q3FY25	Q2FY25	% qoq	Q3FY24	% yoy	Q3FY25*	chg qoq*	chg yoy*
Agri	81,380	80,270	1.4	73,390	10.9	3.5	5bps	-14bps
Business Banking	189,230	191,210	(1.0)	167,150	13.2	8.1	-8bps	-16bps
CV/CE	42,350	39,320	7.7	30,570	38.5	1.8	13bps	30bps
MFI	41,230	40,930	0.7	27,570	49.5	1.8	1bps	40bps
Housing	295,650	293,630	0.7	271,680	8.8	12.6	9bps	-77bps
LAP	133,540	131,070	1.9	113,520	17.6	5.7	11bps	11bps
Gold	314,260	297,220	5.7	239,170	31.4	13.4	73bps	163bps
Auto	84,700	82,560	2.6	67,750	25.0	3.6	9bps	28bps
Personal	37,740	39,250	(3.8)	36,470	3.5	1.6	-6bps	-19bps
Credit Cards	34,440	33,960	1.4	27,780	24.0	1.5	2bps	10bps
Others	94,020	93,930	0.1	87,060	8.0	4.0	1bps	-28bps
Total retail loans	1,348,540	1,323,350	1.9	1,142,110	18.1	57.7	109bps	128bps

Source: Company, YES Sec - Research, *Share in total gross advances and change in share

Exhibit 5: Quarterly Actuals Vs Estimates

Q3FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Net Interest Income	24,313	24,619	(1.2)
Pre-Prov. Operating Profit	15,695	16,262	(3.5)
Profit After Tax	9,554	10,975	(12.9)

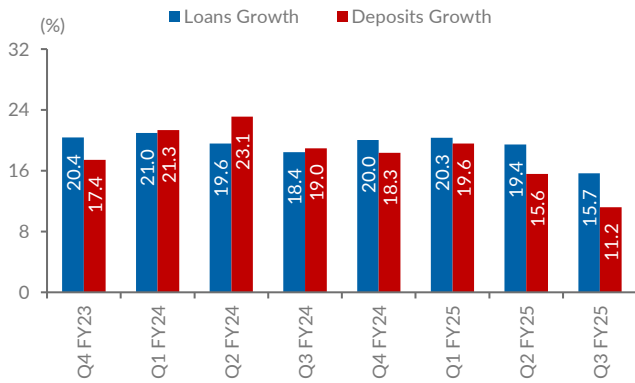
Source: Company, YES Sec - Research

Exhibit 6: Non-Interest Income Break-up

(Rs mn)	Q3FY25	Q2FY25	% qoq	Q3FY24	% yoy
Total Fee Income (A)	7,120	7,260	(1.9)	5,830	22.1
Cards	2,080	2,080	0.0	1,810	14.9
Para banking	620	740	(16.2)	630	(1.6)
Banking Comm. & Exch.	770	750	2.7	720	6.9
Proc. Fee & charges on Loans	1,810	1,930	(6.2)	1,490	21.5
General Service charges	1,840	1,760	4.5	1,180	55.9
Total Other Income (B)	2,042	2,380	(14.2)	2,796	(27.0)
Sale of Investments	1,000	840	19.0	1,540	(35.1)
Exchange	440	580	(24.1)	590	(25.4)
Others (inc. recovery and revaluation)	602	960	(37.3)	666	(9.6)
Total Non-Interest Income (A+B)	9,162	9,640	(5.0)	8,626	6.2

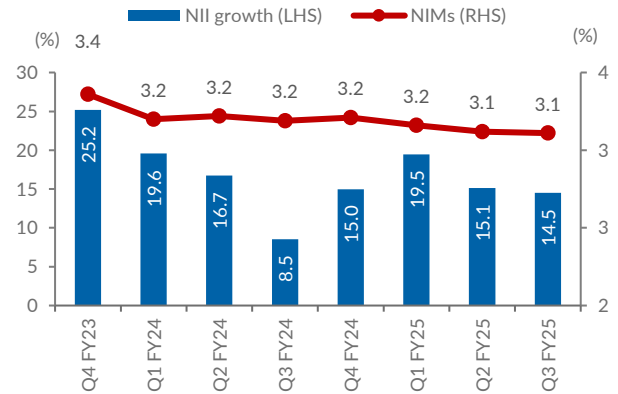
Source: Company, YES Sec - Research

Exhibit 7: Loans and Deposits growth (YoY %)



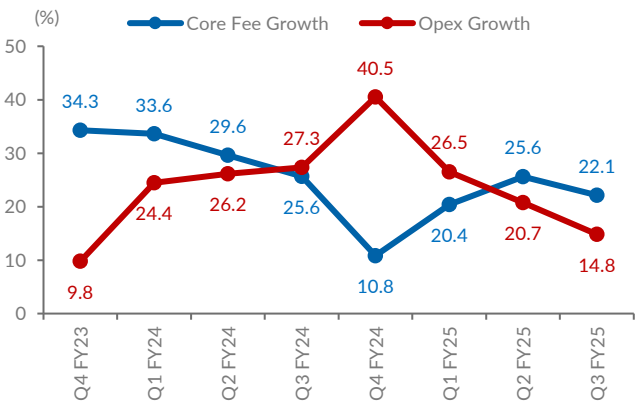
Source: Company, YES Sec - Research

Exhibit 8: NII growth (YoY %) and NIM



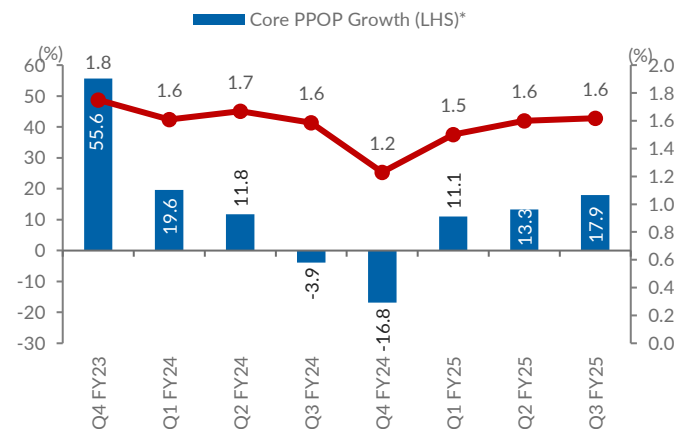
Source: Company, YES Sec - Research

Exhibit 9: Core Fee and Opex growth (YoY %)



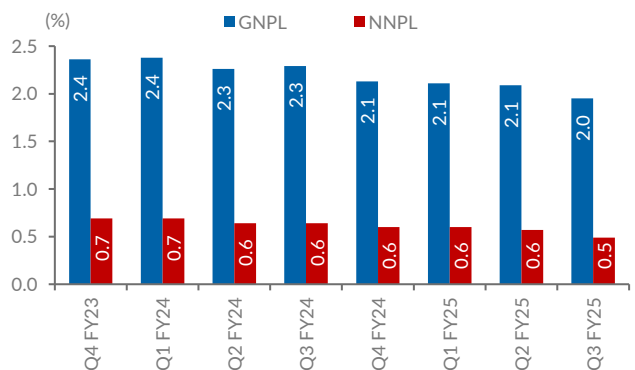
Source: Company, YES Sec - Research

Exhibit 10: Core PPOP growth (YoY %) and Core PPOP margin (%)



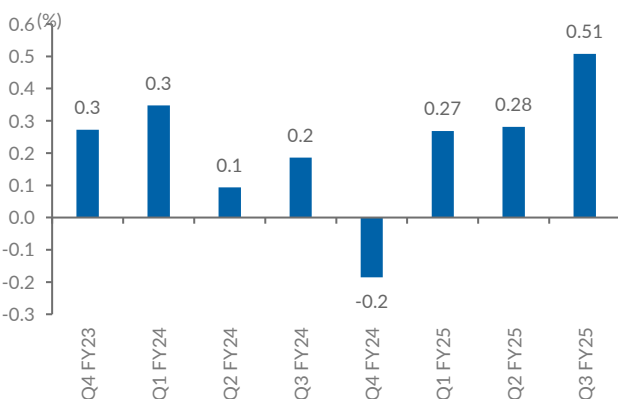
Source: Company, YES Sec - Research, * Core PPOP is derived by adjusting PPOP for gain/loss on sale of investments and misc. income

Exhibit 11: Gross NPA and Net NPA (%)



Source: Company, YES Sec - Research

Exhibit 12: Credit Cost (%)



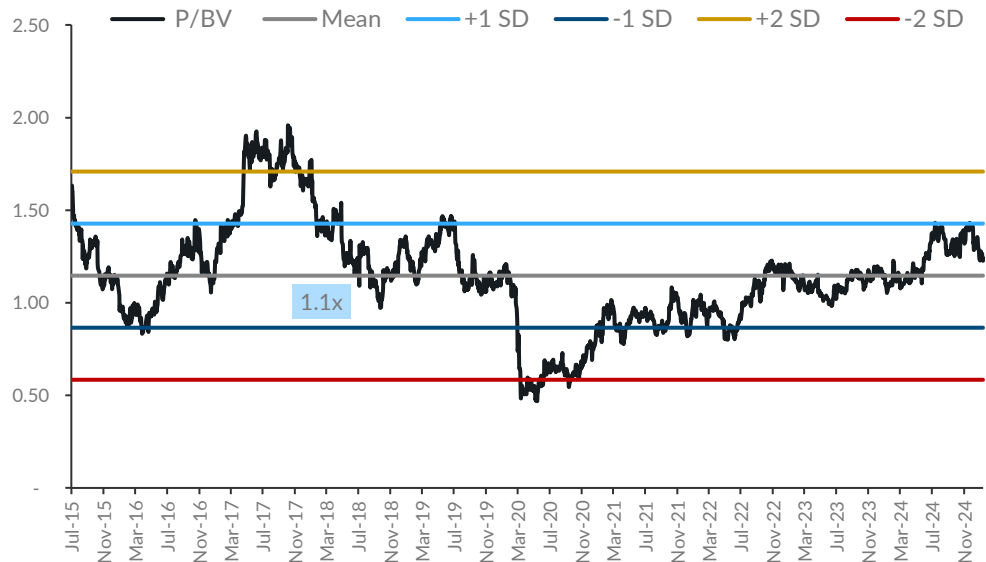
Source: Company, YES Sec - Research

Exhibit 13: 1-year rolling P/BV band



Source: Company, YES Sec - Research, N.B. Valuations in this chart are not adjusted / netted out for subsidiaries' value

Exhibit 14: 1-yr rolling P/BV vis-a-vis the mean and standard deviations



Source: Company, YES Sec - Research, N.B. Valuations in this chart are not adjusted / netted out for subsidiaries' value

ANNUAL FINANCIALS

Exhibit 15: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Total cash & equivalents	176,887	189,629	218,074	252,965	295,969
Investments	489,833	608,595	695,654	801,341	930,360
Advances	1,744,469	2,094,033	2,408,138	2,793,440	3,268,325
Fixed assets	9,340	10,201	11,221	12,343	13,577
Other assets	182,889	180,660	207,759	238,922	274,761
Total assets	2,603,418	3,083,118	3,540,845	4,099,012	4,782,993
Net worth	215,062	290,944	326,929	372,337	429,505
Deposits	2,133,860	2,525,340	2,808,035	3,270,397	3,840,259
Borrowings	193,193	180,264	322,689	380,195	448,981
Other liabilities	61,303	86,570	83,192	76,082	64,248
Total liabilities incl. Equity	2,603,418	3,083,118	3,540,845	4,099,012	4,782,993

Source: Company, YES Sec – Research

Exhibit 16: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	168,036	221,883	258,771	301,239	352,137
Interest expense	(95,715)	(138,948)	(163,574)	(190,139)	(221,984)
Net interest income	72,322	82,935	95,197	111,100	130,153
Non-interest income	23,300	30,793	36,795	43,737	52,389
Total income	95,622	113,728	131,992	154,837	182,542
Operating expenses	(47,678)	(61,983)	(70,469)	(79,121)	(89,136)
PPoP	47,944	51,745	61,523	75,716	93,406
Provisions	(7,499)	(1,961)	(9,530)	(11,128)	(13,104)
Profit before tax	40,445	49,784	51,994	64,588	80,302
Taxes	(10,339)	(12,578)	(13,087)	(16,257)	(20,212)
Net profit	30,106	37,206	38,907	48,331	60,090

Source: Company, YES Sec – Research

Exhibit 17: Du Pont Analysis (RoA tree)

Y/e 31 Mar (%)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	7.0	7.8	7.8	7.9	7.9
Interest expense	-4.0	-4.9	-4.9	-5.0	-5.0
Net interest income	3.0	2.9	2.9	2.9	2.9
Non-interest income	1.0	1.1	1.1	1.1	1.2
Total income	4.0	4.0	4.0	4.1	4.1
Operating expenses	-2.0	-2.2	-2.1	-2.1	-2.0
PPoP	2.0	1.8	1.9	2.0	2.1
Provisions	-0.3	-0.1	-0.3	-0.3	-0.3
Profit before tax	1.7	1.8	1.6	1.7	1.8
Taxes	-0.4	-0.4	-0.4	-0.4	-0.5
Net profit	1.3	1.3	1.2	1.3	1.4

Source: Company, YES Sec – Research

Exhibit 18: Sum of the Parts (SOTP) - Subsidiaries

Subsidiaries/JVs	Market Cap / Assigned value (Rs mn)	Valuation metric	Metric value (Rs mn)	Trailing multiple (Implied / Assigned)	Stake (%)	Stake value (Rs mn)	Per share (Rs)
FedBank Financial	34,882	BV	24,024	1.5	61.7%	21,505	8.8
IDBI Federal Life	22,174	EV	20,158	1.1	26.0%	5,765	2.4
Value of Subsidiaries						27,270	11.2

Source: Company, YES Sec – Research

Exhibit 19: Change in Annual Estimates

Y/e 31 Mar (Rs. mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Interest Income	95,197	111,100	130,153	96,619	115,250	134,545	(1.5)	(3.6)	(3.3)
Pre-Prov. Operating Profit	61,523	75,716	93,406	67,488	83,530	98,689	(8.8)	(9.4)	(5.4)
Profit after tax	38,907	48,331	60,090	43,895	53,702	63,461	(11.4)	(10.0)	(5.3)

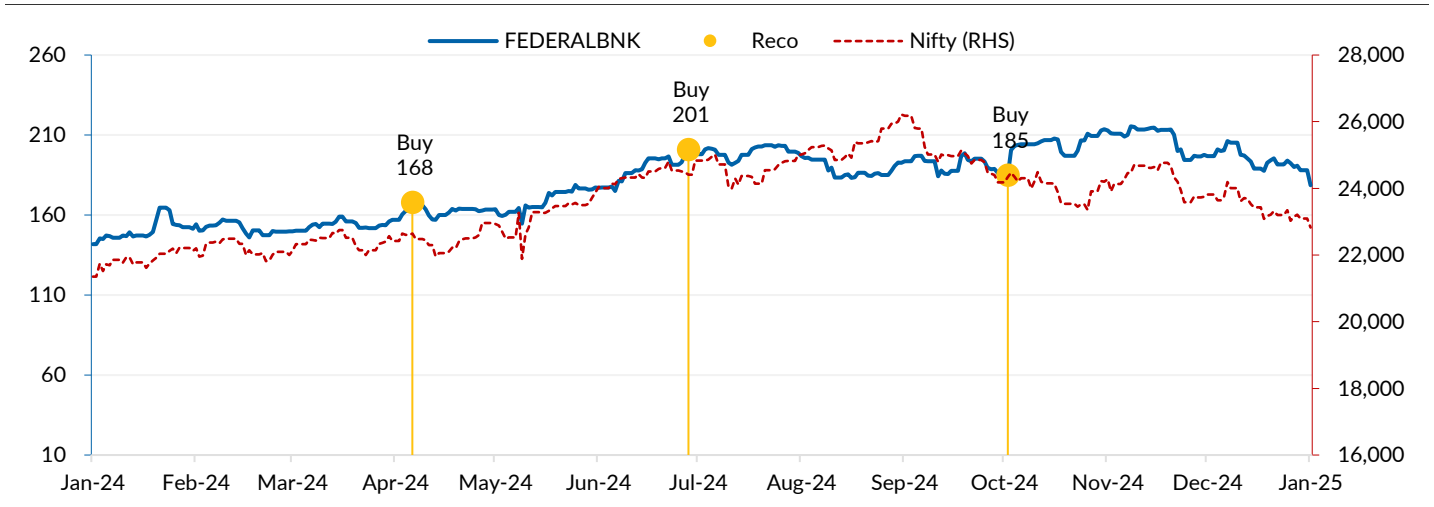
Source: Company, YES Sec – Research

Exhibit 20: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Net interest income	21.3	14.7	14.8	16.7	17.1
PPoP	27.6	7.9	18.9	23.1	23.4
Net profit	59.3	23.6	4.6	24.2	24.3
Loans	20.4	20.0	15.0	16.0	17.0
Deposits	17.4	18.3	11.2	16.5	17.4
Profitability Ratios (%)					
Net interest margin	3.4	3.2	3.1	3.2	3.2
Return on Average Equity	14.9	14.7	12.6	13.8	15.0
Return on Average Assets	1.3	1.3	1.2	1.3	1.4
Per share figures (Rs)					
EPS	14.2	15.3	16.0	19.8	24.7
BVPS	102	119	134	153	176
ABVPS	96	114	127	142	162
Valuation multiples					
P/E	11.8	11.0	10.5	8.5	6.8
P/BV	1.7	1.4	1.3	1.1	1.0
P/ABV	1.8	1.5	1.3	1.2	1.0
NIM internals (%)					
Yield on loans	8.4	9.2	9.2	9.3	9.4
Cost of deposits	4.4	5.5	5.6	5.6	5.5
Loan-deposit ratio	81.8	82.9	85.8	85.4	85.1
CASA ratio	32.9	29.6	29.5	29.8	30.3
Opex control (%)					
Cost/Income ratio	49.9	54.5	53.4	51.1	48.8
Cost to average assets	2.0	2.2	2.1	2.1	2.0
Capital adequacy (%)					
Tier 1 capital ratio	13.0	14.6	13.9	13.3	13.1
Asset quality (%)					
Slippage ratio	1.1	0.9	1.0	1.0	1.0
Gross NPL ratio	2.4	2.1	2.0	2.0	1.9
Credit cost	0.4	0.2	0.4	0.4	0.4
Net NPL ratio	0.7	0.6	0.8	0.9	1.1

Source: Company, YES Sec – Research; Valuations are the implied valuation of standalone entity net of subsidiaries

Recommendation Tracker



STANDARD DISCLAIMER:

YES Securities (India) Limited, Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400055. Maharashtra, India | **Correspondence Add:** 7th Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India. | Website: www.yesinvest.in | Email: customer.service@ysil.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) and YES Wealth Maximiser AIF (Cat III AIF) SEBI Registration No.: IN/AIF3/20- 21/0818 | AMFI ARN Code - 94338

Details of Compliance Officer: Aditya Goenka | Email: compliance@ysil.in / Contact No.: 022-65078127 | **Grievances Redressal Cell:** customer.service@ysil.in / igc@ysil.in

Standard Disclaimer: Investment in securities market are subject to market risks; read all the related documents carefully before investing. Above representation provides an overview related to our past performance neither does it provide any guarantee of future performance, nor we are ensuring any guaranteed returns. Actual Client returns may vary depending upon time premium, volatility Index, intrinsic value of the script, open interest, other geopolitical conditions and choice of the customer to execute the recommendation in full or part. All recommendations are published under Research Analyst License of YES Securities (India) Limited (YSIL); execution of the recommendation is at complete discretion of customer without any intervention by the research publisher.

Contents which are exclusively for Non-Broking Products/Services e.g. Mutual Fund, Mutual Fund-SIP, Research reports, Insurance, etc. where the YSIL is just a distributor. These are not Exchange traded product and the YSIL is just acting as distributor. Kindly note that all disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.

YSIL is a subsidiary of YES Bank Limited. Savings, Current, PIS and Demat Account are offered by YES Bank Limited. Please note Brokerage would not exceed the SEBI prescribed limit. YSIL also acts in the capacity of distributor for Products such as IPOs, Mutual Funds, Mutual Fund-SIPs, NCD/Bonds, etc., All disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.

Margin Trading Funding (MTF) is an exchange approved product offered to YSIL trading account holders, as per the regulation and guideline of SEBI Circular: CIR/MRD/DP/54/2017 dated June 13, 2017. For product specification, T&C, rights and obligations statement issued by the YSIL visit https://yesinvest.in/standard_documents_policies

DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSIL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSIL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that Price of each of the securities or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. YES Securities (India) Limited conforms with the rules and regulations enumerated in the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 as amended from time to time.

Technical analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSIL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSIL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through Rule 15a-6 under the Securities Exchange Act of 1934 (the "Exchange Act")^[1] and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This research report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s), the authors of this research report. YES Securities (India) Limited is the concerned representatives (employees) of YES Securities (India) Limited, are responsible for the content of this research report including but not limited to any material conflict of interest of YES Securities (India) Limited in relation to the issuer(s) or securities as listed in this research report. This YES Securities (India) Limited research report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. As per SEC Rule 15a-6, the U.S. broker-dealer must accompany any third party research report it distributes with, or provide a web address that directs a recipient to, disclosure of any material conflict of interest that can reasonably be expected to have influenced the choice of a third-party research report provider or the subject company of a third-party research.

FINRA Rules 2241 and 2242, which govern the conduct of research analysts and the content of equity and debt research reports, respectively, apply to all research distributed by a FINRA member firm, including research prepared by a foreign broker-dealer under Rule 15a-6.

- Research reports prepared by a foreign broker-dealer and distributed by a U.S. broker-dealer are deemed to be third party research reports, as reports produced by a person other than a FINRA member.
- Prior to distributing any third party research, a U.S. broker-dealer must assure that such report contains the required disclosures under FINRA Rule 2241(h) or 2242(g)(3), as applicable.

This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). As per Rule 15a-6(b)(4) of the Exchange Act, 1934, "Major U.S. institutional investor" means a U.S. institutional investor with assets, or assets under management, in excess of US\$100 million, or a registered investment adviser with assets under management in excess of US\$100 million. If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

^[1] Rule 15a-6 under the Securities Exchange Act of 1934 provides conditional exemptions from broker-dealer registration for foreign broker-dealers that engage in certain specified activities involving U.S. investors. These activities include:

- (a) Effecting unsolicited securities transactions;
- (b) Providing research reports to major U.S. institutional investors, and effecting transactions in the subject securities with or for those investors;
- (c) Soliciting and effecting transactions with or for U.S. institutional investors or major U.S. institutional investors through a "chaperoning broker-dealer"; and
- (d) Soliciting and effecting transactions with or for registered broker-dealers, banks³ acting in a broker or dealer capacity, certain international organizations, foreign persons temporarily present in the U.S., U.S. citizens resident abroad, and foreign branches and agencies of U.S. persons.

In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

DISCLOSURE OF INTEREST

Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit, Suraj Singhania

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSIL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSIL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the research report	No
3	Research Analyst or his/her relative or YSIL has any other material conflict of interest at the time of publication of the research report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSIL has received any compensation from the subject company in the past twelve months	No
6	YSIL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSIL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSIL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSIL has been engaged in market making activity for the subject company(ies)	No

Since YSIL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSIL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSIL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Lead Analyst signature

Analyst signature

Associate signature

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a subsidiary of YES BANK LIMITED. YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL.