

October 28, 2024

RESULT REPORT Q2 FY25 | Sector: Banks

# Federal Bank Ltd

Placed as third top pick in June 2021, FED showcases positive outcomes

## Our view – A great bank to own in terms of evolution undergone

**Asset Quality** – An annualised gross slippage ratio well below 1% in a worsening asset quality cycle shows FED is in a class of its own: Gross NPA additions amounted to Rs. 4.34bn for 2QFY25, translating to an annualized slippage ratio of 0.8% for the quarter. Gross NPA additions had amounted to Rs. 4.24bn during 1QFY25. The bank has benefited from lower-than-expected slippages in home loans, car loans and other vehicle loans. There is mild uptick in SMA accounts but it is far lower than the industry. Slippages are generally expected to hold but there may be a marginal uptick. Provisions were Rs 1.58bn, up by 9.8% QoQ and 261% YoY, translating to calculated annualised credit cost of 28bps.

**Net Interest Margin** – Margin declined slightly entirely on account of penal charges rules, adjusted for which there was mild sequential expansion: NIM was at 3.12%, down -4bps QoQ and -10bps YoY. The negative impact from the penal charges rules amounted to 7 bps. Adjusted for the impact of penal charges rules, the NIM has actually improved from 3.16% to 3.19%. Management stated that other newer segmental options will be explored to enhance overall margin.

**Balance sheet growth** – A slight niggles emerged in terms of sluggish sequential deposit growth but management flagged the same as transient: The deposits were at Rs. 2,691 bn, up by 1.1% QoQ and 15.6% YoY. The overall deposits growth for the quarter has been relatively slower since the bank did not hike term deposit rates as it did not want pay high rates, which it does not regard as sustainable. The loan growth guidance has been retained at 18% YoY for the year.

We maintain 'Buy' rating on FED, which has been one of our top picks since June 2021, with an unchanged price target of Rs 240: We value the standalone bank at 1.5x FY26 P/BV for an FY25/26/27E RoE profile of 14.1%/15.0%/15.4%. We assign a value of Rs 12 per share to the subsidiaries, on SOTP. (See our [sector report dated June 2021](#)).

(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 53.0% down/up by -19/53bps QoQ/YoY and the Cost to assets was at 2.1% down/up by -2/5bps QoQ/YoY
- **Fee income:** Core fee income to average assets was at 0.9%, up 11/5bps QoQ/YoY

### Exhibit 1: Result table

Particulars (Rs mn)	Q2 FY25	Q1 FY25	% qoq	Q2 FY24	% yoy
Total Interest Income	65,773	63,309	3.9	54,553	20.6
Interest Expense	(42,101)	(40,389)	4.2	(33,989)	23.9
Net Interest Income	23,672	22,920	3.3	20,564	15.1
Fee Income	7,260	6,080	19.4	5,780	25.6
Non-fee Income	2,380	3,072	(22.5)	1,524	56.1
Total Non-Interest Income	9,640	9,152	5.3	7,304	32.0
Total Income	33,312	32,072	3.9	27,868	19.5
Employee Expense	(7,777)	(7,380)	5.4	(6,263)	24.2
Non-employee Opex	(9,882)	(9,682)	2.1	(8,361)	18.2
Total Operating expenses	(17,658)	(17,063)	3.5	(14,624)	20.7
PPOP	15,654	15,009	4.3	13,245	18.2
Provisions	(1,584)	(1,443)	9.8	(439)	260.7
PBT	14,070	13,566	3.7	12,806	9.9
Tax	(3,503)	(3,471)	0.9	(3,267)	7.2
PAT	10,567	10,095	4.7	9,538	10.8

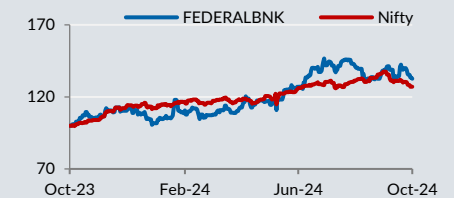
Source: Company, YES Sec-Research

Recommendation	: BUY
Current Price	: Rs 185
Target Price	: Rs 240
Potential Return	: +30%

### Stock data (as on October 28, 2024)

Nifty	24,339
52 Week h/l (Rs)	207 / 137
Market cap (Rs/USD mn)	456775 / 5435
Outstanding Shares (mn)	2,453
6m Avg t/o (Rs mn):	2,389
Div yield (%):	0.6
Bloomberg code:	FB IN
NSE code:	FEDERALBANK

### Stock performance



	1M	3M	1Y
Absolute return	-4.5%	-6.6%	32.6%

### Shareholding pattern (As of June'24 end)

Promoter	0.0%
FII+DII	73.1%
Others	25.9%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	240	240

### Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
NII	96,619	115,250	134,545
PPOP	67,488	83,530	98,689
Net Profit	43,895	53,702	63,461
Growth (%)	18.0	22.3	18.2
EPS (Rs)	18.0	22.1	26.1
BVPS (Rs)	136	157	182
P/E (x)	9.6	7.8	6.6
P/BV (x)	1.3	1.1	1.0
ROE (%)	14.1	15.0	15.4
ROA (%)	1.3	1.4	1.4
Tier-1 (%)	13.7	13.1	12.9

### in earnings estimates

Rs. bn	FY25E	FY26E	FY27E
PAT (New)	43.9	53.7	63.5
PAT (Old)	43.9	53.7	63.5
% change	0.0%	0.0%	0.0%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Asset quality

- **Slippages**
  - Gross NPA additions amounted to Rs 4.34bn for 2QFY25, translating to an annualized slippage ratio of 0.76% for the quarter. (Gross NPA additions had amounted to Rs 4.24bn during 1QFY25.)
  - The bank has benefited from lower than expected slippages in home loans, car loans and other vehicle loans.
  - **Slippage guidance**
    - There is mild uptick in SMA accounts but it is far lower than the industry.
    - Slippages are generally expected to hold but there may be a marginal uptick.
- **Recoveries and upgrades**
  - Recoveries and upgrades amounted to Rs 2.72bn for 2QFY25, implying net NPA addition of Rs 1.62bn for the quarter.
- **Provisions**
  - Provisions were Rs 1.58bn, up by 9.8% QoQ and 261% YoY, translating to calculated annualised credit cost of 28bps.
  - **Outstanding provisions**
    - The PCR is 82.5%, up 41bps QoQ.
- **NPA ratios**
  - GNPA ratio stands at 2.1%, down -2bps QoQ and -17bps YoY while NNPA ratio stands at 0.57%, down -3bps QoQ and -7bps YoY.
- **Microfinance**
  - There has been some rise in microfinance slippages for the bank but the impact has been lesser compared with other banks.
  - More than two-thirds of the microfinance book is in southern states, which are less impacted.
  - Furthermore, suggestions from MFIN had been implemented quite some time back.
  - The bank's microfinance slippages do not benefit from FLDG as the bank does not have this arrangement.
  - The bank's approval rate in the segment is 33% compared with 45% for the industry.
  - The bank does not provide any top up loans to its microfinance customers.
  - Co-lending has just been started and its proportion is very small.
- **Unsecured retail**
  - Credit cards and personal loans are a small proportion of the overall loan book.
  - There has been a slight uptick in both credit card and personal loan slippages but not material enough to separately call out.
  - The bank had already implemented a new and stricter scorecard in personal loans.
  - Unsecured retail is 4.6% of total loan book.

### Net interest margin

- **NIM for the quarter**
  - NIM was at 3.12%, down by -4bps QoQ and -10 bps YoY.
- **Penal charges rules**
  - The sequential decline in margin was on account of the penal charges rules only.

(Con call takeaways continue on the next page)

- The negative impact from the penal charges rules amounted to 7 bps.
- Adjusted for the impact of penal charges rules, the NIM has actually improved from 3.16% to 3.19%.
- **Loan mix**
  - Other newer segmental options will be explored to enhance overall margin.
  - These would include segments like unsecured business loans and used cars.
  - Also, the mix of LAP and home loans will be looked at.
  - The bank will strategise for higher NIM and will discuss a detailed strategy next quarter.
- **Yield on Advances**
  - Yield on advances was at 9.35%, down by -8bps QoQ but flat YoY.
- **Cost of Deposits**
  - The cost of deposits was at 5.86%, up by 2bps QoQ and 34bps YoY.

## Liquidity

- **LCR**
  - The LCR for the quarter is 115%, which is an improvement from 112% previously.
  - Regarding the draft guidelines, there will be feedback sent from the IBA as well as individually from the bank.
  - The rules regarding digital sourcing may need a review.
  - There are several levers the bank is otherwise working on including the callable/non-callable aspect.
- **LDR**
  - The LDR is above 85% and the bank does not wish to allow it to expand further.

## Loan growth

- **Growth outcomes**
  - The net advances have grown by 4.3% QoQ and 19.4% YoY.
  - **Segmental Growth**
    - Retail advances are up 22% YoY.
    - Business Banking book is up 19% YoY.
- **Guidance**
  - There is currently a divergence that has emerged in terms of loan growth outstripping deposits growth.
  - However, the bank will not pull back loan growth due to this and will rather focus on enhancing deposits growth.
  - The loan growth guidance has been retained at 18% YoY for the year.
- **Gold loans**
  - Gold loans for the bank are largely organic and hence, the RBI guidelines on partnerships is not disruptive for the bank.
  - More than 90% of the gold loans for the bank are sourced organically.
- **Microfinance**
  - This book has grown 8% QoQ due to a small base.
  - The loan growth in the segment has actually slowed down.
  - It has been discussed internally that this segment is not going to be pushed.

(Con call takeaways continue on the next page)

## Deposits growth

- **Growth outcomes**
  - Total deposits are up 1.1% QoQ and 15.6% YoY
  - **CASA**
    - CASA growth for the quarter has been healthy.
    - CASA deposits are up 3.9% QoQ and 11.5% YoY.
    - CASA ratio was at 30.1%, up 80bps QoQ.
    - **Non-resident deposits**
      - Remittance volumes have risen and non-resident savings have gone up on sequential basis by 3.5% QoQ.
      - The bank has decided to increase the pace account addition in the Middle East, with a 15-20% sequential uptick being seen.
      - The bank is also pursuing opportunities outside GCC-Kerala and have added feet on street.
      - The market share for the bank in NRE deposits has gone up.
      - The bank is not focused on FCNR deposits.
- **Term deposit rates**
  - The overall deposits growth for the quarter has been relatively slower since the bank did not hike term deposit rates as it did not want pay high rates, which it does not regard as sustainable.

## Fee income

- General services charges have increased during the quarter due to the penal charges rules due to which income from the interest income line have shifted to fee income.
- However, para banking has improved due to the addition of 2 key partners in the form of Tata AIA Life and Bajaj Allianz Life.
- Para banking is core to the bank's business and there are more opportunities to ramp it up.

## Operating expenses

- **Total opex**
  - Total Opex at Rs. 17.66bn, is up by 3.5% QoQ and 20.7% YoY.
  - Consequently, cost to income ratio came in at 53.0%, down by -19bps QoQ but up 53bps YoY.
  - The sequential rise in opex was driven by actuarial re-valuation due to decline in yield and staff cost.
  - **Guidance**
    - In 2H, the opex ratio will be similar to 1H due income uptick being in line with opex rise.
- **Staff opex**
  - The staff opex is up by 5.4% QoQ and 24.2% YoY.
- **Other opex**
  - Other opex in up by 2.1% QoQ and 18.2% YoY.

## Capital adequacy

- The CET 1 and total capital adequacy ratio was at 13.8% and 15.2% respectively.

(Con call takeaways continue on the next page)

## Return Ratios

- The RoA was at 1.28%, up 1bp QoQ.
- The RoE was at 13.65%, up by 1bp QoQ.

## Exhibit 2: Key quarterly balance sheet / business data

Particulars (Rs mn)	Q2FY25#	Q1FY25	% qoq	Q2FY24	% yoy	Q2FY25*	chg qoq*	chg yoy*
Total gross advances	2,338,200	2,241,610	4.3	1,959,680	19.3	100	0bps	0bps
Core retail	674,400	650,940	3.6	574,550	17.4	29	-20bps	-48bps
Agri	80,270	76,840	4.5	70,520	13.8	3	1bps	-17bps
Business Banking	191,210	181,590	5.3	160,330	19.3	8	8bps	0bps
CV/CE	39,320	37,280	5.5	27,340	43.8	2	2bps	29bps
MFI	40,930	37,880	8.1	23,280	75.8	2	6bps	56bps
CoB	244,930	226,870	8.0	196,990	24.3	10	35bps	42bps
Corporate	779,540	765,890	1.8	705,590	10.5	33	-83bps	-267bps
Gold	297,220	274,310	8.4	226,080	31.5	13	47bps	117bps
Total deposits	2,691,066	2,660,650	1.1	2,328,684	15.6	100	0bps	0bps
CA deposits	173,800	164,230	5.8	157,130	10.6	6	29bps	-29bps
SA deposits	635,460	614,610	3.4	568,760	11.7	24	51bps	-81bps
Term deposits	1,881,806	1,881,810	(0.0)	1,602,794	17.4	70	-80bps	110bps
Investments	646,619	638,320	1.3	551,691	17.2	NA	NA	NA
Investments/(Invest. + Net Adv.) (%)	21.9	22.4	-50bps	22.2	-33bps	NA	NA	NA
Borrowings	237,486	217,100	9.4	191,808	23.8	NA	NA	NA
Borrowings/(Borr. + Deposits) (%)	8.1	7.5	57bps	7.6	50bps	NA	NA	NA
Risk-weighted assets	2,026,050	1,971,350	2.8	1,693,930	19.6	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

(%)	Q2FY25	Q1FY25	chg qoq	Q2FY24	chg yoy
Net interest margin	3.12	3.16	-4bps	3.22	-10bps
Yield on advances	9.35	9.43	-8bps	9.35	0bps
Cost of deposits	5.86	5.84	2bps	5.52	34bps
CASA ratio	30.1	29.3	80bps	31.2	-110bps
Loan to Deposit ratio	85.6	83.0	259bps	82.8	278bps
Non-interest income/Total income	28.9	28.5	40bps	26.2	273bps
Fee Income to Avg. Total Assets	0.9	0.8	11bps	0.8	5bps
Cost to Income ratio	53.0	53.2	-19bps	52.5	53bps
Opex to Avg. Total Assets	2.1	2.1	-2bps	2.1	5bps
Credit Cost	0.3	0.3	1bps	0.1	19bps
Annualised Slippage Ratio*	0.8	0.8	-2bps	0.8	-2bps
Provision Coverage	82.5	82.1	41bps	83.1	-67bps
Gross NPA	2.1	2.1	-2bps	2.3	-17bps
Net NPA	0.6	0.6	-3bps	0.6	-7bps
Capital adequacy ratio	15.2	15.6	-37bps	15.5	-30bps
Tier 1 capital ratio	13.8	14.2	-35bps	13.8	3bps

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

## Exhibit 4: Retail Loan Mix - Quarterly

Particulars (Rs mn)	Q2FY25	Q1FY25	% qoq	Q2FY24	% yoy	Q2FY25*	chg qoq*	chg yoy*
Agri	80,270	76,840	4.5	70,520	13.8	6.1	-4bps	-45bps
Business Banking	191,210	181,590	5.3	160,330	19.3	14.4	2bps	-37bps
CV/CE	39,320	37,280	5.5	27,340	43.8	3.0	1bps	44bps
MFI	40,930	37,880	8.1	23,280	75.8	3.1	8bps	94bps
Housing	293,630	287,250	2.2	263,880	11.3	22.2	-63bps	-220bps
LAP	131,070	123,860	5.8	108,930	20.3	9.9	7bps	-16bps
Gold	297,220	274,310	8.4	226,080	31.5	22.5	67bps	157bps
Auto	82,560	78,000	5.8	63,020	31.0	6.2	4bps	41bps
Personal	39,250	39,280	(0.1)	32,330	21.4	3.0	-15bps	-2bps
Credit Cards	33,960	32,400	4.8	23,080	47.1	2.6	-1bps	43bps
Others	93,930	90,150	4.2	83,310	12.7	7.1	-6bps	-60bps
Total retail loans	1,323,350	1,258,840	5.1	1,082,100	22.3	100.0	0bps	0bps

Source: Company, YES Sec – Research, \*Share in total and change in share

## Exhibit 5: Quarterly Actuals Vs Estimates

Q2FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Net Interest Income	23,672	23,951	(1.2)
Pre-Prov. Operating Profit	15,654	14,753	6.1
Profit After Tax	10,567	10,260	3.0

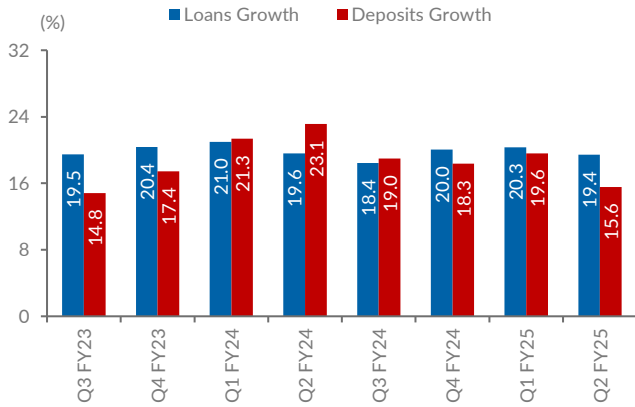
Source: Company, YES Sec – Research

## Exhibit 6: Non-Interest Income Break-up

(Rs mn)	Q2FY25	Q1FY25	% qoq	Q2FY24	% yoy
Total Fee Income (A)	7,260	6,080	19.4	5,780	25.6
Cards	2,080	1,910	8.9	1,750	18.9
Para banking	740	460	60.9	520	42.3
Banking Comm. & Exch.	750	720	4.2	730	2.7
Proc. Fee & charges on Loans	1,930	1,740	10.9	1,750	10.3
General Service charges	1,760	1,250	40.8	1,030	70.9
Total Other Income (B)	2,380	3,072	(22.5)	1,524	56.1
Sale of Investments	840	350	140.0	180	366.7
Exchange	580	440	31.8	820	(29.3)
Others (inc. recovery and revaluation)	960	2,282	(57.9)	524	83.0
<b>Total Non-Interest Income (A+B)</b>	<b>9,640</b>	<b>9,152</b>	<b>5.3</b>	<b>7,304</b>	<b>32.0</b>

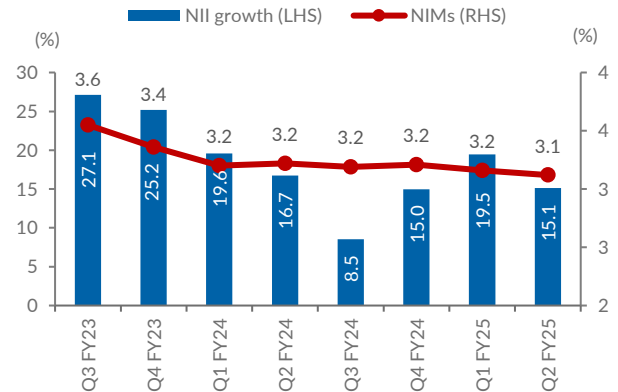
Source: Company, YES Sec – Research

**Exhibit 7: Loans and Deposits growth (YoY %)**



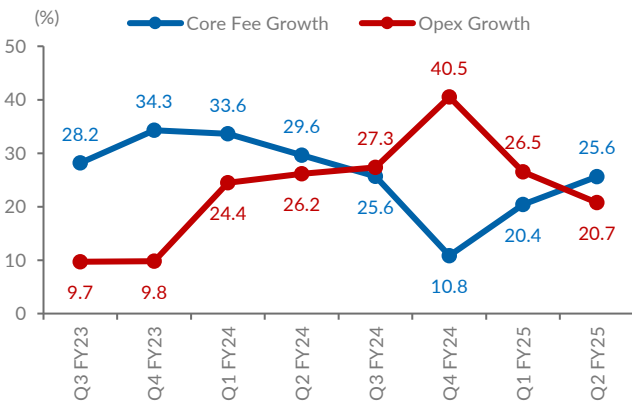
Source: Company, YES Sec - Research

**Exhibit 8: NII growth (YoY %) and NIM**



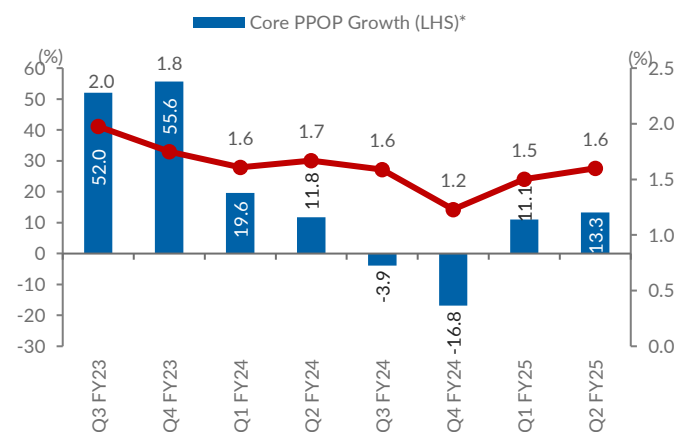
Source: Company, YES Sec - Research

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



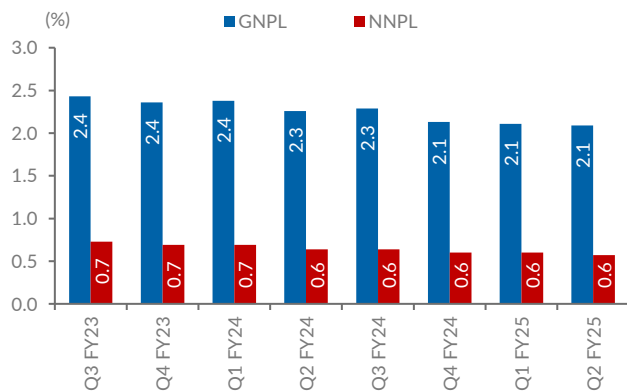
Source: Company, YES Sec - Research

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



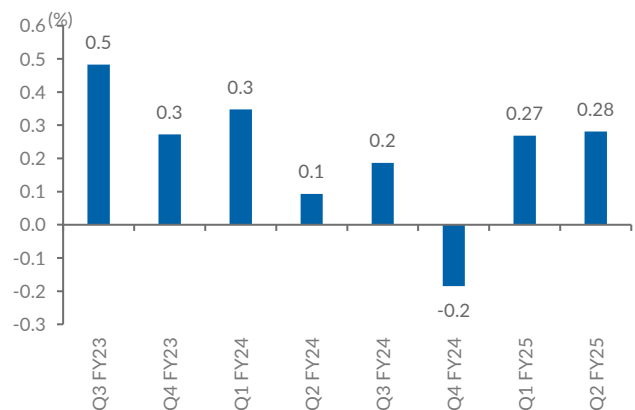
Source: Company, YES Sec - Research, \* Core PPOP is derived by adjusting PPOP for gain/loss on sale of investments and misc. income

**Exhibit 11: Gross NPA and Net NPA (%)**



Source: Company, YES Sec - Research

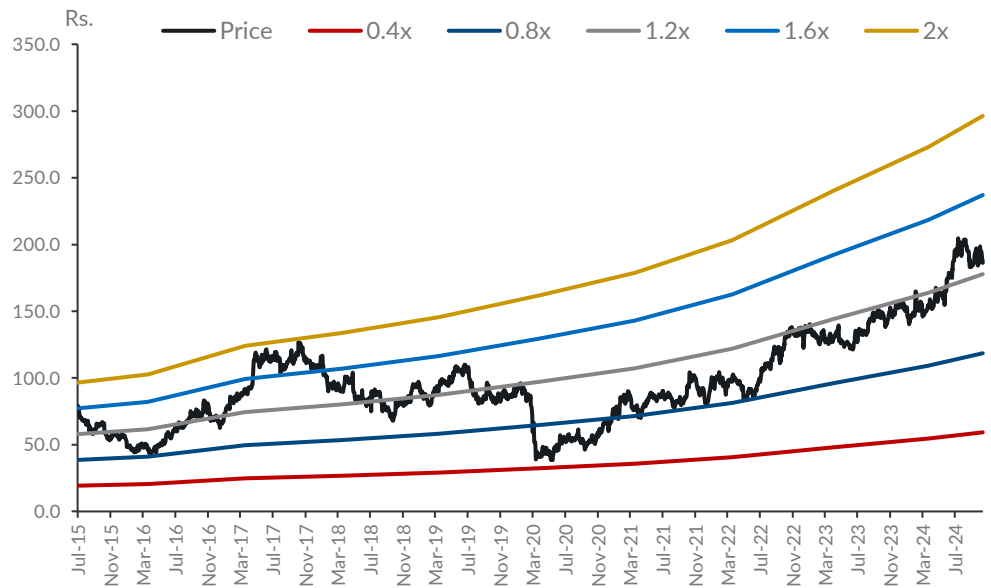
**Exhibit 12: Credit Cost (%)**



Source: Company, YES Sec - Research

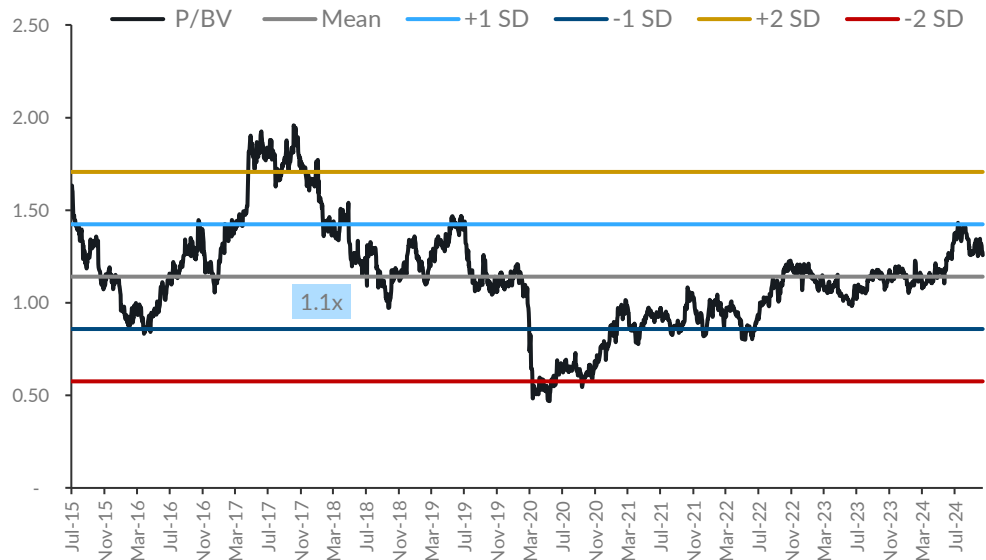


**Exhibit 13: 1-year rolling P/BV band**



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	223,762	264,040	311,567
Investments	489,833	608,595	711,359	831,914	973,420
Advances	1,744,469	2,094,033	2,470,959	2,915,732	3,440,564
Fixed assets	9,340	10,201	11,221	12,343	13,577
Other assets	182,889	180,660	207,759	238,922	274,761
<b>Total assets</b>	<b>2,603,418</b>	<b>3,083,118</b>	<b>3,625,060</b>	<b>4,262,951</b>	<b>5,013,888</b>
Net worth	215,062	290,944	331,917	382,696	443,235
Deposits	2,133,860	2,525,340	2,977,651	3,511,379	4,141,177
Borrowings	193,193	180,264	235,108	298,321	371,246
Other liabilities	61,303	86,570	80,383	70,555	58,230
<b>Total liabilities incl. Equity</b>	<b>2,603,418</b>	<b>3,083,118</b>	<b>3,625,060</b>	<b>4,262,951</b>	<b>5,013,888</b>

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	262,298	311,723	367,304
Interest expense	(95,715)	(138,948)	(165,678)	(196,474)	(232,758)
<b>Net interest income</b>	<b>72,322</b>	<b>82,935</b>	<b>96,619</b>	<b>115,250</b>	<b>134,545</b>
Non-interest income	23,300	30,793	39,875	46,966	55,326
<b>Total income</b>	<b>95,622</b>	<b>113,728</b>	<b>136,494</b>	<b>162,216</b>	<b>189,871</b>
Operating expenses	(47,678)	(61,983)	(69,006)	(78,687)	(91,183)
<b>PPoP</b>	<b>47,944</b>	<b>51,745</b>	<b>67,488</b>	<b>83,530</b>	<b>98,689</b>
Provisions	(7,499)	(1,961)	(8,829)	(11,764)	(13,882)
<b>Profit before tax</b>	<b>40,445</b>	<b>49,784</b>	<b>58,660</b>	<b>71,765</b>	<b>84,807</b>
Taxes	(10,339)	(12,578)	(14,765)	(18,063)	(21,346)
<b>Net profit</b>	<b>30,106</b>	<b>37,206</b>	<b>43,895</b>	<b>53,702</b>	<b>63,461</b>

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
<b>Net interest income</b>	<b>3.0</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>
Non-interest income	1.0	1.1	1.2	1.2	1.2
<b>Total income</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>
Operating expenses	-2.0	-2.2	-2.1	-2.0	-2.0
<b>PPoP</b>	<b>2.0</b>	<b>1.8</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>
Provisions	-0.3	-0.1	-0.3	-0.3	-0.3
<b>Profit before tax</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>
Taxes	-0.4	-0.4	-0.4	-0.5	-0.5
<b>Net profit</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>

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	37,787	BV	24,024	1.6	61.7%	23,296	9.6
IDBI Federal Life	22,174	EV	20,158	1.1	26.0%	5,765	2.4
<b>Value of Subsidiaries</b>						<b>29,061</b>	<b>11.9</b>

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	96,619	115,250	134,545	98,902	117,943	137,724	(2.3)	(2.3)	(2.3)
Pre-Prov. Operating Profit	67,488	83,530	98,689	67,488	83,530	98,689	(0.0)	0.0	(0.0)
Profit after tax	43,895	53,702	63,461	43,895	53,702	63,461	(0.0)	0.0	(0.0)

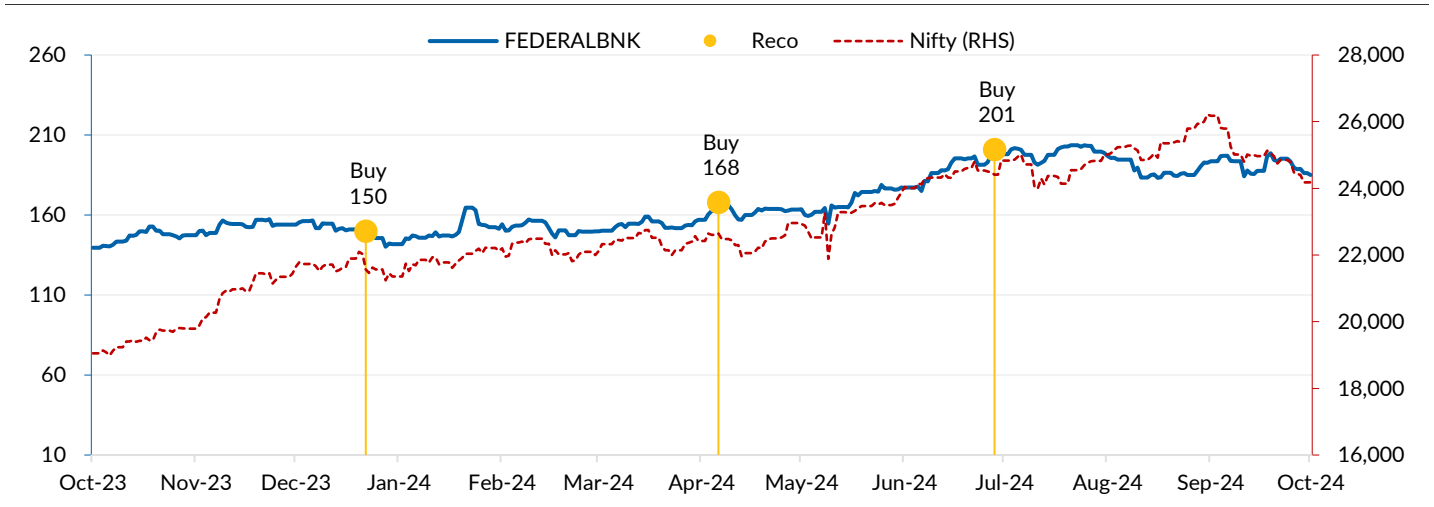
Source: Company, YES Sec – Research

## Exhibit 20: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>					
Net interest income	21.3	14.7	16.5	19.3	16.7
PPoP	27.6	7.9	30.4	23.8	18.1
Net profit	59.3	23.6	18.0	22.3	18.2
Loans	20.4	20.0	18.0	18.0	18.0
Deposits	17.4	18.3	17.9	17.9	17.9
<b>Profitability Ratios (%)</b>					
Net interest margin	3.4	3.2	3.1	3.2	3.2
Return on Average Equity	14.9	14.7	14.1	15.0	15.4
Return on Average Assets	1.3	1.3	1.3	1.4	1.4
<b>Per share figures (Rs)</b>					
EPS	14.2	15.3	18.0	22.1	26.1
BVPS	102	119	136	157	182
ABVPS	96	114	128	146	166
<b>Valuation multiples</b>					
P/E	12.2	11.3	9.6	7.8	6.6
P/BV	1.7	1.4	1.3	1.1	1.0
P/ABV	1.8	1.5	1.4	1.2	1.0
<b>NIM internals (%)</b>					
Yield on loans	8.4	9.2	9.2	9.3	9.3
Cost of deposits	4.4	5.5	5.6	5.6	5.6
Loan-deposit ratio	81.8	82.9	83.0	83.0	83.1
CASA ratio	32.9	29.6	29.5	29.8	29.8
<b>Opex control (%)</b>					
Cost/Income ratio	49.9	54.5	50.6	48.5	48.0
Cost to average assets	2.0	2.2	2.1	2.0	2.0
<b>Capital adequacy (%)</b>					
Tier 1 capital ratio	13.0	14.6	13.7	13.1	12.9
<b>Asset quality (%)</b>					
Slippage ratio	1.1	0.9	1.0	1.0	1.0
Gross NPL ratio	2.4	2.1	2.0	1.9	1.9
Credit cost	0.4	0.2	0.3	0.4	0.4
Net NPL ratio	0.7	0.6	0.8	1.0	1.1

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

## Recommendation Tracker



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