

| | |
|-------------------------|----------------|
| RATING | NEUTRAL |
| CMP | 66 |
| Price Target | 68 |
| Potential Upside | 4% |

| | |
|------------------------|---|
| Rating Change |  |
| Estimate Change |  |
| Target Change |  |

Stock Info

| | |
|---------------------|--------|
| 52wk Range H/L | 57/108 |
| Mkt Capital (Rs Cr) | 21,463 |
| Free float (%) | 9.00% |
| Avg. Vol 1M (,000) | 1,902 |
| No. of Shares (Cr) | 328 |
| Promoters Pledged % | |

Fig in Rs cr

| FINANCIAL | FY19 | FY20E | FY21E |
|------------|-------|-------|-------|
| NII | 13658 | 15252 | 15954 |
| PPP | 8092 | 11322 | 10529 |
| PAT | -5547 | 880 | 2485 |
| NIM % | 2.4 | 2.7 | 2.8 |
| EPS (Rs) | -20 | 3 | 8 |
| EPS growth | -42 | -113 | 182 |
| ROE (%) | -14 | 2 | 5 |
| ROA (%) | -0.9 | 0.1 | 0.4 |
| BV | 168 | 144 | 151 |
| P/B (X) | 0.6 | 0.5 | 0.4 |
| P/E (x) | -5 | 24 | 9 |

Research Analyst

DEEPAK KUMAR

Deepak.kumar@narnolia.com

+91-22-62701205

KETAN MEHROTRA

ketan.mehrotra@narnolia.com

3QFY20 Result Update

- ❑ NII increased by 23.6% YoY to Rs 4,119 Cr with improvement in advance which grew by 2% YoY and NIM which stood at the 3.07% v/s 2.55% in Q3FY19.
- ❑ Other income grew by 50% YoY with Fee income growing by 9% YoY. The growth in other income was boosted by a large recovery in write off accounts worth Rs 1337 Cr mainly from the ESSAR Steel.
- ❑ Gross NPA during the quarter stood at 16.31% v/s 16.30% QoQ while the Net NPA stood at 5.97% v/s 5.87% QoQ.
- ❑ Advances during the quarter by grew 2%/1% on YoY/QoQ basis with domestic advances increasing by 7% YoY while the Foreign advances declined by 25% YoY.

NIM improves, Profitability remains subdued

NII increased by 23.6% YoY from Rs 3,332 Cr in Q3FY19 2018 to Rs 4,119 Cr in Q3FY20 with improvement in NIM which stood at the 3.07% v/s 2.55% in Q3FY19. Yield on advances stood at 8.91% v/s 8.31% in Q3FY19 while the cost of deposit stood at 4.58% v/s 4.49% YoY. The employee cost during the quarter declined by 3.5% YoY while the other expense de-grew by 15.4% YoY. Provisions declined by 55% to Rs 4015 Cr against Rs 9001 Cr. PAT stood at Rs 106 Cr against loss of Rs 4738 Cr. Provisioning for DHFL is around 15% for total exposure of Rs 4200 Cr. Bank is totally covered for Bonds coverage from DHFL.

High level of slippages

Gross NPA during the quarter stood at 16.31% v/s 16.30% QoQ while the Net NPA stood at 5.97% v/s 5.87% QoQ. The slippages during the quarter were at Rs 6716 Cr v/s the Rs 4315 in Q3FY19 while the reduction was Rs 6716 Cr v/s Rs 4315 Cr in Q3FY19. The slippages were primarily from the three NBFC accounts worth Rs 5500 Cr. Recoveries from NCLT were around Rs 2000 Cr and Rs 900 Cr from outside NCLT. Management is looking at NPA reduction of around Rs 3000 Cr out of which Rs 2000 Cr would be from NCLT in Q4FY20. In Q4FY19 management is looking for recoveries from 14 accounts. Asset quality guidance for FY21 stands at GNPA: 14% and NNPA 5%.

Improvement in Loan growth

Advances during the quarter grew 2%/1% on YoY/QoQ basis with domestic advances increasing by 7% YoY while the Foreign advances de-grew by 25% YoY. The retail segment grew by 10% YoY. Priority Sector advances stood at Rs 124267 Cr which constitutes 41.38 % of ANBC. Agriculture advances were Rs. 51930 Cr forming 17.29 % of ANBC. Going forward bank is looking to grow its retail book by 12-14%. Deposits during the quarter grew by 1% YoY. The CASA stood at 37% v/s 34% in Q3FY19.

View and Valuation

Bank continued its profitability trend on the back of improving NIM but it remained subdued on account of elevated provisioning. Asset quality during the quarter was moderately affected on account of high level of slippages mostly from 3 NBFC accounts worth around Rs 5000 Cr. Bank has exposure to around Rs 4200 Cr exposure to DHFL on which provisioning is around Rs 15%. SMA 2 book has increased on account of the power generation accounts worth Rs 2800 Cr and Air India worth Rs 1000 Cr. We factor the above and increase our credit cost which is likely to keep return ration under pressure for few more quarters. We reduce our FY20 PAT estimate by 10% and downgrade the stock to Neutral with TP of 68 at 0.45x BVFY21e.

Key Risks to our rating and target

- ❑ Delay in Recoveries.
- ❑ New Stress owing to adverse microeconomic conditions

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

3Q FY20 Results PAT Below Expectation

| Financials | Fig in Rs cr | | | | | | | | | |
|---------------|--------------|--------|--------|--------|--------|--------|--------|---------|---------|--------|
| | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | YoY % | QoQ% | FY18 | FY19 | YoY % |
| Interest Inc. | 10,171 | 10,814 | 10,332 | 10,658 | 10,835 | 6.5% | 1.7% | 38,071 | 40,768 | 7.1% |
| Interest Exp. | 6,839 | 6,770 | 6,847 | 6,798 | 6,717 | -1.8% | -1.2% | 27,565 | 27,110 | -1.7% |
| NII | 3,332 | 4,044 | 3,485 | 3,860 | 4,118 | 23.6% | 6.7% | 10,506 | 13,658 | 30.0% |
| Other Income | 1,669 | 1,603 | 1,195 | 1,327 | 2,503 | 50.0% | 88.6% | 5,734 | 5,132 | -10.5% |
| Total Income | 5,001 | 5,647 | 4,680 | 5,188 | 6,621 | 32.4% | 27.6% | 16,240 | 18,790 | 15.7% |
| Ope Exp. | 2,728 | 3,344 | 2,409 | 2,728 | 2,486 | -8.9% | -8.9% | 9,101 | 10,697 | 17.5% |
| PPP | 2,273 | 2,303 | 2,271 | 2,460 | 4,135 | 81.9% | 68.1% | 7,139 | 8,092 | 13.4% |
| Provisions | 9,001 | 1,897 | 1,912 | 2,052 | 4,015 | -55.4% | 95.6% | 15,772 | 16,806 | 6.6% |
| PBT | (6,728) | 406 | 359 | 408 | 120 | LTP | LTP | (8,634) | (8,713) | NA |
| Tax | (1,990) | 154 | 117 | 141 | 14 | -101% | -90.0% | (2,590) | (3,167) | NA |
| Net Profit | (4,738) | 252 | 243 | 266 | 106 | LTP | LTP | (6,044) | (5,547) | NA |

Concall Highlights

- Management said that slippages will be going down further in the coming quarter.
- On recovery front management said it has not ben upto their expectations as some of the NCLT cases which are in advance stages and decisions have come were delayed due to some legal processes and also in power sector under Samadhan 4 accounts are different stages of approvals with different banks which would improve recoveries. Management expects Rs 1200 Cr from the above mentioned 4 accounts under Samadhan. Recoveries are also expected in OTA scheme.
- On SMA 2 book increase management said that there is one HFC account worth Rs 4000 Cr and is the cause of concern and other than that there is one restructured aviation account backed by government less than 4000 Cr on which there is some delayed payment but is not expected to slip and also two government guaranteed accounts which have come in due to technical reason and will not appear going forward.
- The exposure in Essel group is Rs 386 Cr in ADAG exposure is around Rs 2000 Cr in which one major account has almost 90% provision. India bulls housing account is standard.
- On MSME accounts which under special dispensation management said that almost 70% are having recovery and 30% are going for restructuring.
- On High Writeoff during the quarter management said that the accounts were 100% provided, the recovery processes in the accounts were totally exhausted.
- On effect of repo rate cut and MCLR cut on the yield on advances management said the effect comes with time lag and are applicable to fresh customers.
- Management expects NIM to stay around 3%.
- Management expects loan growth to be better during the second half of the year.
- Management expects slippages to be below Rs 3000 Cr with exception to One HFC account and reliance commercial. The slippages during first half of year has been to the tune of Rs 2000 Cr from agriculture and Rs 1000 Cr from MSME and Rs 550 Cr in retail and Rs 2000 Cr in corporate.
- Credit cost is expected to go below 1.5% by the end of year.
- The Claim admitted on Essar steel with NCLT is Rs 1985 Cr.
- The PCR on NCLT list 1 and list 2 is 100% and amount wise it is list 1 Rs 3500Cr and list 2 Rs 2781 Cr.
- The exposure to SRIE group is Rs 1300 Cr and is Standard.
- The Mudra loan outstanding is around Rs 12000 Cr.

Profitability Matrix

| | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | YoY (+/-) | QoQ (+/-) |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| C/I Ratio % | 55.3 | 58.4 | 54.5 | 59.2 | 51.5 | 52.6 | 45.0 | -9.55 | -7.58 |
| Empl. Cost/ Tot. Exp. % | 47.1 | 60.2 | 55.3 | 60.8 | 58.4 | 58.9 | 58.5 | 3.23 | -0.40 |
| Other Exp/Tot. Exp.% | 52.9 | 39.8 | 44.7 | 39.2 | 41.6 | 41.1 | 41.5 | -3.23 | 0.40 |
| Provision/PPP % | 137.2 | 203.0 | 396.0 | 82.4 | 84.2 | 83.4 | 97.1 | -298.91 | 13.67 |
| Tax Rate % | 113.7 | 31.8 | 29.6 | 37.9 | 32.5 | 34.6 | 34.0 | 4.42 | -0.64 |
| Int Exp./Int Inc. (%) | 66.5 | 70.0 | 67.2 | 62.6 | 66.3 | 63.8 | 64.2 | -3.00 | 0.46 |
| Other Inc./Net Inc. % | 19.8 | 26.0 | 33.4 | 28.4 | 25.5 | 25.6 | 41.5 | 8.16 | 15.94 |
| PAT/ Net Income % | 2.3 | (29.2) | (94.7) | 4.5 | 5.2 | 5.1 | 10.7 | 105.46 | 5.59 |
| PAT Growth % | 8.4 | N/A | N/A | N/A | 155.1 | NA | NA | NA | NA |
| NII Growth % | 32.4 | 0.6 | 33.2 | 57.7 | 3.9 | 31.9 | 14.2 | -19.03 | -17.71 |
| Op. Profit | (21.4) | (26.2) | 67.8 | 96.5 | 21.5 | 49.4 | 57.5 | -10.35 | 8.11 |
| RoE % | 1.1 | (12.9) | (58.2) | 3.4 | 2.2 | 2.3 | 2.6 | 60.76 | 0.32 |
| RoA % | 0.1 | (0.8) | (3.1) | 0.2 | 0.2 | 0.2 | 0.1 | 3.18 | -0.11 |

Margin Performance

| Margin % | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | YoY (+/-) | QoQ (+/-) |
|----------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| Yield (Total Assets) | 8.1 | 7.9 | 8.3 | 8.6 | 8.3 | 8.8 | 8.9 | 11.21 | 2.58 |
| Yield on Advances | 7.2 | 7.4 | 7.3 | 7.8 | 7.4 | 7.2 | 7.2 | -0.05 | 0.00 |
| Cost of deposit | 4.5 | 4.5 | 4.5 | 4.5 | 4.6 | 4.6 | 4.6 | 6.58 | 2.08 |
| NIM | 2.5 | 2.3 | 2.6 | 2.9 | 2.7 | 3.0 | 3.1 | 3.90 | 0.97 |

Exhibit: Yield and Cost

yield and cost deposit increased

■ Yield on Advances% ■ Cost of Deposits%

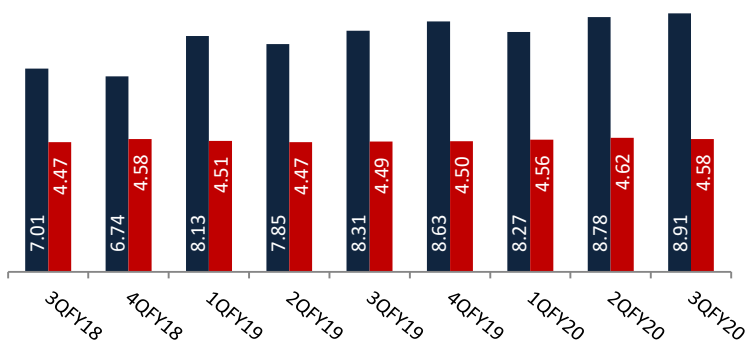


Exhibit: Net Interest Margin

NIM Increases

▲ NIM%

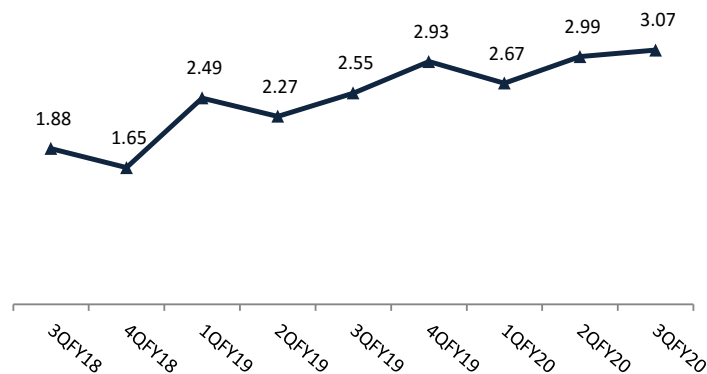


Fig in Rs cr

Other Income Break Up- Healthy growth in FX&Derivatives (YoY)

| | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Commission, Exchange, | 334 | 377 | 265 | 278 | 322 | 378 | 321 | 392 | 317 |
| Profit from Exchange | 275 | 456 | 365 | 373 | 325 | 246 | 294 | 405 | 386 |
| Total Fee-Based Income | 876 | 1239 | 1087 | 946 | 647 | 624 | 615 | 797 | 703 |
| Growth YoY % | -41% | -22% | -48% | -40% | 60% | 17% | 44% | 29% | 29% |
| Other Non Int Income | 267 | 406 | 457 | 295 | 689 | 613 | 318 | 321 | 406 |
| Profit from Sale of | 81 | -34 | -465 | -198 | 71 | 148 | 173 | 112 | 57 |
| Recovery In W/o accounts | 84 | 170 | 208 | 282 | 262 | 218 | 89 | 98 | 1337 |
| Other Income | 1707 | 1041 | 1375 | 830 | 1030 | 1669 | 1603 | 1195 | 1328 |
| Growth YoY % | 3% | 79% | -7% | 5% | 6% | -25% | -2% | 22% | 22% |

Exhibit: Fee Income/Advances %

Fee income/Other income as a % of total advances stable

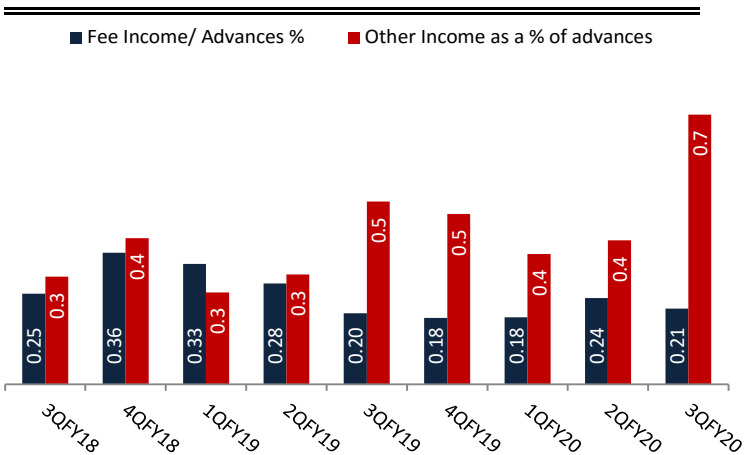
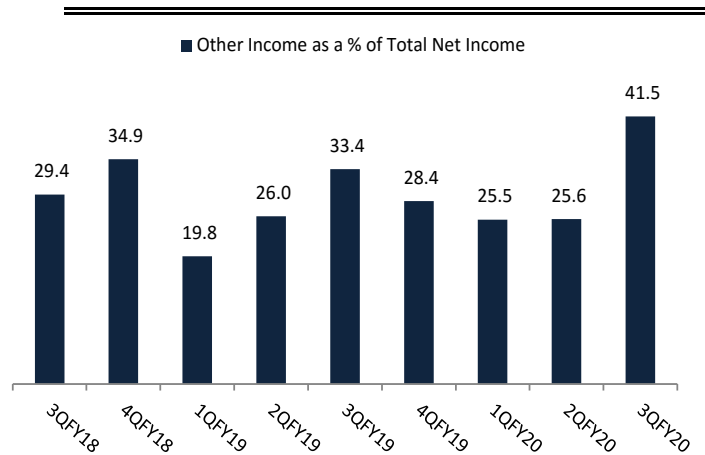


Exhibit: Other Income/ Total Income %



Asset Quality

Fig in Rs cr

| | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | YoY (+/-) | QoQ (+/-) |
|----------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| GNPA (Rs in Cr) | 60,604 | 61,561 | 60,798 | 60,661 | 62,068 | 61,476 | 61,730 | 2% | 0% |
| GNPA % | 16.7 | 16.4 | 16.3 | 15.8 | 16.5 | 16.3 | 16.3 | 0.00 | 0.00 |
| NNPA (Rs in Cr) | 27,932 | 25,994 | 19,438 | 19,119 | 19,288 | 19,646 | 20,113 | 3% | 2% |
| NNPA % | 8.5 | 7.6 | 5.9 | 5.6 | 5.8 | 5.9 | 6.0 | 0.10 | 0.10 |
| Slippages (Rs in Cr) | 6,671 | 3,816 | 4,315 | 3,102 | 3,683 | 3,166 | 6,716 | 56% | 112% |
| Specific PCR % | 53.9 | 57.8 | 68.0 | 68.5 | 68.9 | 68.0 | 67.4 | -0.61 | -0.63 |

Exhibit: Asset Quality

Net NPA Increased

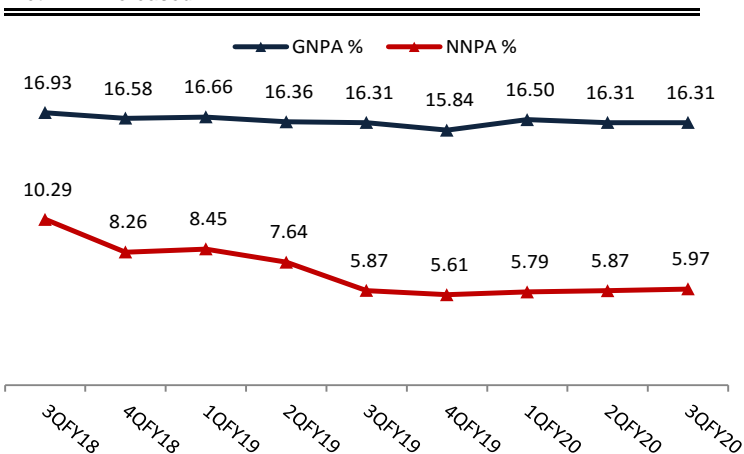


Exhibit: Provisions

PCR remained stable..

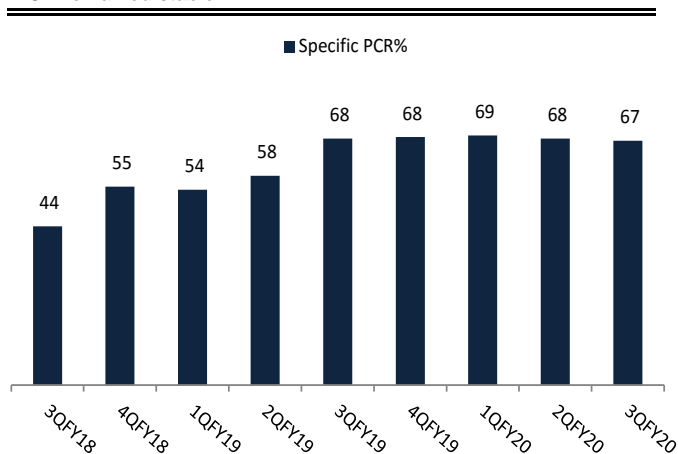


Exhibit: Advances Performance

advance growth impacted

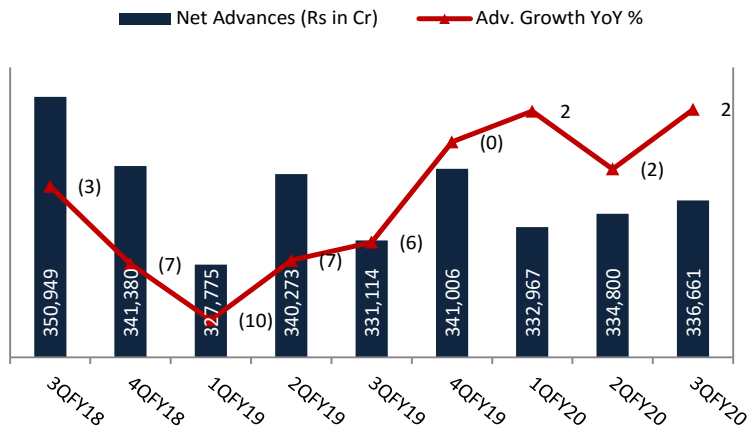


Exhibit: Advances Breakup%

Share of corporate book coming down

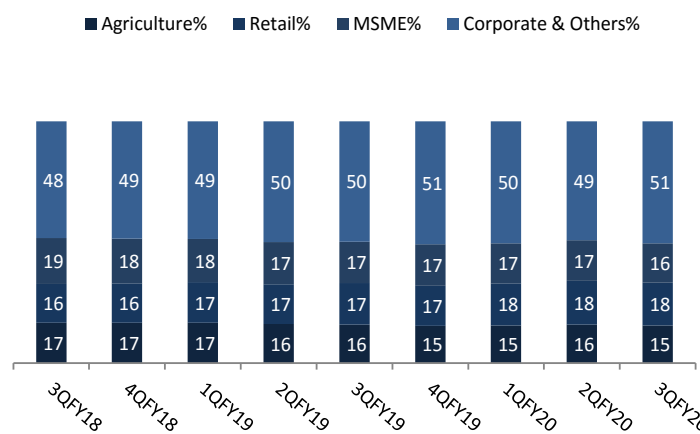


Exhibit: Deposits Performance

Deposit growth increased

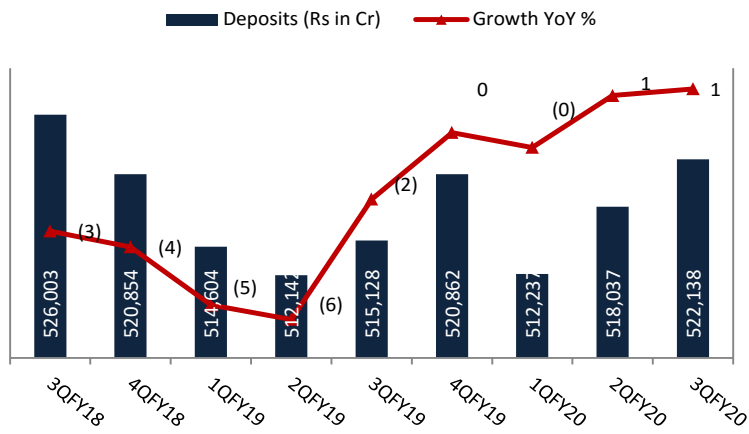


Exhibit: CASA Performance

CASA growth improved

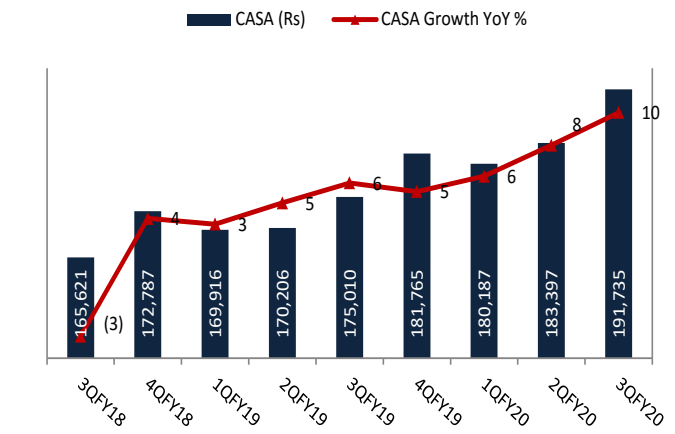
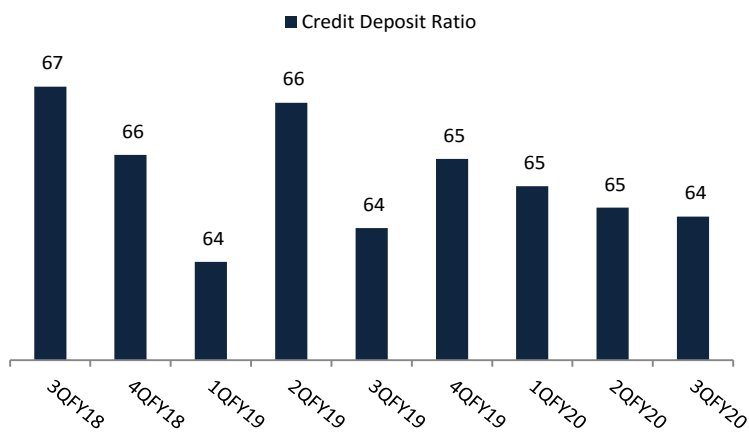


Exhibit: Credit Deposit Ratio

CD ratio falls



Financial Details

Balance Sheet

Fig in Rs cr

| Y/E March | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Share Capital | 643 | 666 | 817 | 1055 | 1744 | 2760 | 3277 | 3278 |
| >> Equity Capital | 643 | 666 | 817 | 1055 | 1744 | 2760 | 3277 | 3277 |
| >> Preference Capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Reserves & Surplus | 29280 | 30781 | 31500 | 31432 | 33797 | 43559 | 43921 | 46106 |
| Networth | 29923 | 31447 | 32317 | 32487 | 35541 | 46319 | 47198 | 49383 |
| Deposits | 476974 | 531907 | 513005 | 540032 | 520854 | 520862 | 519143 | 526854 |
| Change (%) | 25 | 12 | -4 | 5 | -4 | 0 | 0 | 1 |
| >> CASA Deposits | 105467 | 114386 | 127924 | 166609 | 172787 | 181765 | 183777 | 186506 |
| Change (%) | 12 | 8 | 12 | 30 | 4 | 5 | 1 | 1 |
| Borrowings | 48428 | 40057 | 51083 | 39406 | 43589 | 44241 | 44387 | 45520 |
| Other Liabilities & Prov. | 17866 | 15287 | 13509 | 14385 | 9591 | 13800 | 13844 | 14049 |
| Total Liabilities | 573190 | 618698 | 609914 | 626309 | 609575 | 625223 | 624572 | 635807 |
| Cash & Bank | 61382 | 76404 | 99141 | 95888 | 95883 | 94811 | 91814 | 89705 |
| Investments | 114152 | 119792 | 118849 | 127827 | 137111 | 147639 | 145360 | 147519 |
| Change (%) | 21 | 5 | -1 | 8 | 7 | 8 | -2 | 1 |
| Advances | 370734 | 402026 | 359189 | 366482 | 341380 | 341006 | 347826 | 358261 |
| Change (%) | 28 | 8 | -11 | 2 | -7 | 0 | 2 | 3 |
| Fixed Assets | 5786 | 5886 | 8480 | 8462 | 8265 | 8920 | 8742 | 8567 |
| Other Assets | 21136 | 14591 | 24254 | 27651 | 26936 | 32846 | 30830 | 31755 |
| Total Assets | 573190 | 618698 | 609914 | 626309 | 609575 | 625223 | 624572 | 635807 |

Income Statement

Fig in Rs cr

| Y/E March | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|--------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|---------------|---------------|
| Interest income | 37,910 | 43,430 | 41,796 | 39,291 | 38,071 | 40,768 | 42,588 | 43,533 |
| Interest expended | 27,080 | 32,086 | 30,072 | 27,465 | 27,565 | 27,110 | 27,336 | 27,579 |
| Net Interest Income | 10,831 | 11,344 | 11,725 | 11,826 | 10,506 | 13,658 | 15,252 | 15,954 |
| Change (%) | 20 | 5 | 3 | 1 | -11 | 30 | 12 | 5 |
| Other Income | 4,292 | 4,233 | 3,653 | 6,772 | 5,734 | 5,132 | 6,695 | 6,447 |
| Change (%) | 14 | -1 | -14 | 85 | -15 | -10 | 30 | -4 |
| >> Core Fee Income | 2,137 | 2,296 | 2,066 | 2,501 | 2,735 | 2,552 | 2,811 | 2,786 |
| >> Treasury Income | 795 | 931 | 750 | 3,298 | 1,438 | (444) | 816 | 941 |
| >> Others | 1,360 | 1,006 | 837 | 973 | 1,561 | 3,024 | 3,068 | 2,720 |
| Total Net Income | 15,122 | 15,576 | 15,377 | 18,598 | 16,240 | 18,790 | 21,946 | 22,401 |
| Operating Expenses | 6,699 | 8,089 | 9,342 | 8,866 | 9,101 | 10,697 | 10,625 | 11,873 |
| Change (%) | 26 | 21 | 15 | -5 | 3 | 18 | -1 | 12 |
| >> Employee Expenses | 3,991 | 4,986 | 5,357 | 5,397 | 4,903 | 6,021 | 6,160 | 6,720 |
| Pre-provisioning Profit | 8,423 | 7,488 | 6,036 | 9,733 | 7,139 | 8,092 | 11,322 | 10,529 |
| Change (%) | 13 | -11 | -19 | 61 | -27 | 13 | 40 | -7 |
| Provisions | 4,878 | 5,693 | 13,826 | 12,105 | 15,772 | 16,806 | 10,033 | 6,763 |
| Change (%) | 10 | 17 | 143 | -12 | 30 | 7 | -40 | -33 |
| PBT | 3,545 | 1,795 | (7,791) | (2,373) | (8,634) | (8,713) | 1,289 | 3,765 |
| Tax | 816 | 86 | (1,702) | (814) | (2,590) | (3,167) | 409 | 1,280 |
| Profit After Tax | 2,729 | 1,709 | (6,089) | (1,558) | (6,044) | (5,547) | 880 | 2,485 |
| Change (%) | -1 | -37 | -456 | -74 | NA | -8 | NA | 182 |

Financial Details

Key Ratios

| Y/E March | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|------------------------------|------|------|------|------|------|------|-------|-------|
| Balance Sheet Metrics | | | | | | | | |
| Loan Growth (%) | 28 | 8 | (11) | 2 | (7) | (0) | 2 | 3 |
| Deposit Growth (%) | 25 | 12 | (4) | 5 | (4) | 0 | (0) | 1 |
| C/D Ratio (%) | 78 | 76 | 70 | 68 | 66 | 65 | 67 | 68 |
| CASA (%) | 22 | 22 | 25 | 31 | 33 | 35 | 35 | 35 |
| Investment/Deposit (%) | 24 | 23 | 23 | 24 | 26 | 28 | 28 | 28 |
| CRAR (%) | 10.0 | 10.7 | 12.0 | 12.1 | 12.9 | 14.2 | 15.3 | 15.7 |
| >> Tier 1 (%) | 7.2 | 8.2 | 9.0 | 8.9 | 9.7 | 11.1 | 12.2 | 12.7 |
| >> Tier 2 (%) | 2.7 | 2.6 | 3.0 | 3.2 | 3.2 | 3.1 | 3.1 | 3.0 |

Assets Quality Metrics

| | | | | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Gross NPA (Rs) | 11,868 | 22,193 | 49,879 | 52,045 | 62,328 | 60,661 | 61,360 | 59,924 |
| Gross NPA (%) | 3.2 | 5.4 | 13.1 | 13.2 | 16.6 | 15.8 | 15.7 | 14.9 |
| Net NPA (Rs) | 7,417 | 13,518 | 27,996 | 25,305 | 28,207 | 19,119 | 18,408 | 17,977 |
| Net NPA (%) | 2.0 | 3.4 | 7.8 | 6.9 | 8.3 | 5.6 | 5.3 | 5.0 |
| Slippages (%) | 3.1 | 4.6 | 10.1 | 6.1 | 11.0 | 5.7 | 5.4 | 3.3 |
| Provision Coverage (%) | 38 | 39 | 44 | 61 | 66 | 77 | 77 | 77 |
| Provision/Average Advances (%) | 1.5 | 1.5 | 3.6 | 3.3 | 4.5 | 4.9 | 2.9 | 1.9 |

Margin Metrics

| | | | | | | | | |
|-----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Yield On Advances (%) | 8.2 | 8.2 | 8.0 | 7.5 | 7.1 | 8.0 | 8.4 | 8.5 |
| Yield On Investment (%) | 8.1 | 8.0 | 7.5 | 7.3 | 6.9 | 7.0 | 7.2 | 7.0 |
| Yield on Earning Assets (%) | 7.8 | 7.7 | 7.3 | 6.9 | 6.7 | 7.3 | 7.5 | 7.5 |
| Cost Of Deposits (%) | 5.5 | 5.7 | 5.2 | 4.6 | 4.6 | 4.4 | 3.3 | 4.4 |
| Cost Of Funds (%) | 5.6 | 5.7 | 5.2 | 4.7 | 4.8 | 4.7 | 4.8 | 4.8 |
| Spread (%) | 2.2 | 2.0 | 2.1 | 2.2 | 2.0 | 2.5 | 2.7 | 2.8 |
| NIM (%) | 2.2 | 2.0 | 2.1 | 2.1 | 1.9 | 2.4 | 2.7 | 2.8 |

Profitability & Efficiency Metrics

| | | | | | | | | |
|-----------------------------|------|------|------|------|------|------|------|------|
| Int. Expense/Int.Income (%) | 71.4 | 73.9 | 71.9 | 69.9 | 72.4 | 66.5 | 64.2 | 63.4 |
| Fee Income/NII (%) | 19.7 | 20.2 | 17.6 | 21.1 | 26.0 | 18.7 | 18.4 | 17.5 |
| Cost to Income (%) | 44.3 | 51.9 | 60.7 | 47.7 | 56.0 | 56.9 | 48.4 | 53.0 |
| Cost on Average Assets (%) | 1.3 | 1.4 | 1.5 | 1.4 | 1.5 | 1.7 | 1.7 | 1.9 |
| Tax Rate (%) | 23.0 | 4.8 | 21.8 | 34.3 | 30.0 | 36.3 | 31.7 | 34.0 |

Valuation Ratio Metrics

| | | | | | | | | |
|---------------------|-------|--------|---------|--------|--------|--------|---------|-------|
| EPS (Rs) | 42.4 | 25.7 | (74.5) | (14.8) | (34.7) | (20.1) | 2.7 | 7.6 |
| Change (%) | (7.9) | (39.5) | (390.2) | (80.2) | 134.7 | (42) | (113.4) | 182.4 |
| ROAE (%) | 10.1 | 5.6 | (19.1) | (4.8) | (17.8) | (13.6) | 1.9 | 5.1 |
| ROAA (%) | 0.5 | 0.3 | (1.0) | (0.3) | (1.0) | (0.9) | 0.1 | 0.4 |
| Dividend Payout (%) | 11.8 | 19.5 | - | - | - | - | - | - |
| Dividend yield (%) | 2.2 | 2.6 | - | - | - | - | - | - |
| Book Value (Rs) | 465.4 | 472.4 | 395.4 | 307.8 | 203.8 | 167.9 | 144.0 | 150.7 |
| Change (%) | 16 | 2 | (16) | (22) | (34) | (18) | (14) | 5 |
| P/B (X) | 0.5 | 0.4 | 0.2 | 0.5 | 0.5 | 0.6 | 0.5 | 0.4 |
| P/E (X) | 5.4 | 7.6 | (1.3) | (9.4) | (3.0) | (5.2) | 24.2 | 8.6 |

Financial Details

Exhibit: DuPont Analysis

| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|------------------------------------|------------|---------------|--------------|---------------|---------------|------------|------------|
| <i>Interest Income</i> | 7.3 | 6.8 | 6.4 | 6.2 | 6.6 | 6.8 | 6.9 |
| <i>Interest expended</i> | 5.4 | 4.9 | 4.4 | 4.5 | 4.4 | 4.4 | 4.4 |
| <i>Net Interest Income</i> | 1.9 | 1.9 | 1.9 | 1.7 | 2.2 | 2.4 | 2.5 |
| <i>Non-Fund Based Income</i> | 0.7 | 0.6 | 1.1 | 0.9 | 0.8 | 1.1 | 1.0 |
| >> <i>Core Fee Income</i> | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| >> <i>Trading and Other Income</i> | 0.3 | 0.3 | 0.7 | 0.5 | 0.4 | 0.6 | 0.6 |
| <i>Core Operating Income</i> | 2.3 | 2.2 | 2.3 | 2.1 | 2.6 | 2.9 | 3.0 |
| <i>Total Income</i> | 2.6 | 2.5 | 3.0 | 2.6 | 3.0 | 3.5 | 3.6 |
| <i>Total Operating Expenses</i> | 1.4 | 1.5 | 1.4 | 1.5 | 1.7 | 1.7 | 1.9 |
| >> <i>Employee Expenses</i> | 0.8 | 0.9 | 0.9 | 0.8 | 1.0 | 1.0 | 1.1 |
| >> <i>Other Expenses</i> | 0.5 | 0.6 | 0.6 | 0.7 | 0.8 | 0.7 | 0.8 |
| <i>Operating Profit</i> | 1.3 | 1.0 | 1.6 | 1.2 | 1.3 | 1.8 | 1.7 |
| <i>Provisions</i> | 1.0 | 2.3 | 2.0 | 2.6 | 2.7 | 1.6 | 1.1 |
| <i>Others</i> | - | - | - | - | - | - | - |
| <i>PBT</i> | 0.3 | (1.3) | (0.4) | (1.4) | (1.4) | 0.2 | 0.6 |
| <i>Tax</i> | 0.0 | (0.3) | (0.1) | (0.4) | (0.5) | 0.1 | 0.2 |
| <i>PAT/RoAA</i> | 0.3 | (1.0) | (0.3) | (1.0) | (0.9) | 0.1 | 0.4 |
| <i>Equity Multiplier (x)</i> | 19.4 | 19.3 | 19.1 | 18.2 | 15.1 | 13.4 | 13.0 |
| <i>ROAE</i> | 5.6 | (19.1) | (4.8) | (17.8) | (13.6) | 1.9 | 5.1 |

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

| | |
|---|-----|
| Analyst's ownership of the stocks mentioned in the Report | NIL |
|---|-----|

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.