

Industry
Bloomberg
BSE CODE

Financial
FB IN
500469

RATING	BUY
CMP	43
Price Target	61
Potential Upside	43%
Rating Change	↔
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	110/36
Mkt Capital (Rs Cr)	8,327
Free float (%)	100%
Avg. Vol 1M (,000)	29,896
No. of Shares (Cr)	196
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20	FY21E
NII	4176	4649	4880
PPP	2763	3205	3222
PAT	1244	1543	733
NIM %	3.0	2.9	2.7
EPS (Rs)	6	8	4
EPS growth (%)	41	24	-53
ROE (%)	10	11	5
ROA (%)	0.8	0.9	0.4
BV	67	73	77
P/B (X)	1.4	0.6	0.6
P/E (x)	15	6	12

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Moderation in advances growth, one offs driving income, Provisioning hit bottom line.

4QFY20 Result update

- NII grew by 7%/3% YoY/QoQ due to slow growth in advances of 11%/3% YoY/QoQ. Operating expenses reported growth of 28%/18% YoY/QoQ due to high growth in Employee cost due to provisions for wage hikes. However PAT degrew by 21%/32% YoY/QoQ on the account of high provisioning. Covid specific provision of 93 Cr (came under standard asset provisions) made in 4QFY20. Loss of revenue on account of loss of income/ under recoveries & upgrades of 80 Cr. So Direct Covid impact on income & Provisions is 173 Cr.
- Other income had growth of more than 70% YoY/QoQ on the account of one off impact of gain on sale of securities in 4QFY20. C/I ratio improved to 50% from 52% last quarter due to high net income.
- The bank reported low slippages of Rs 284 Cr in 4QFY20 as against Rs 593 Cr last quarter. Slippages have declined in corporate segment to Rs 29 Cr as against Rs 321 Cr last quarter.

Advances growth remained slow

Advances growth remained slow at 11%/3% YoY/QoQ in line with expectations in the same trend as in last few quarters. The growth drivers have been retail and SME segments. Retail advances grew by 19% YoY whereas SME grew by 8% YoY however corporate growth has been low at 7% YoY. In retail segment housing and personal loans reported good growth of 18% and 93% YoY. LAP also grew by 19%. The gold loan portfolio including agri stood at Rs 9300 Cr. The management sees good traction in gold loan book.

Asset quality better

The bank reported low slippages of Rs 284 Cr in 4QFY20 as against Rs 593 Cr last quarter. Slippages have declined in corporate segment to Rs 29 Cr as against Rs 321 Cr last quarter. The corporate book looks reasonably under control as of now. No stress area barring one account for which banks is already building provisions. The bank saw high slippages of Rs 122 Cr in SME book in 4QFY20. The SMA book stood at 0.7% i.e. Rs 840 Cr out of which Rs 303 Cr bank already provided.

Stable Margins

NII grew by 7%/3% YoY/QoQ due to slow growth in advances of 11%/3% YoY/QoQ. Margins remained stable in line with the expectations mainly on the account of slightly high dip in cost of funds as against the dip in yields. Yields on advances declined by 17 bps QoQ whereas cost of funds declined by 18 Bps QoQ making the margins stable QoQ. Net Interest Margins are likely to be maintained in next 2 quarters as high yielding gold book is likely to be focus area going ahead.

View and Valuation

Growth may be slow in the near term due to Pandemic impact. 35% of the book is currently under moratorium. So credit cost may be continue to be high in the near term. However retail deposits growth have been intact and is likely to add to the growth in the near term. More than 60% of SME book is under moratorium which may be an area of concern going ahead. However given the strong retail franchise mix along with change in product mix (advances) going ahead margins are likely to be maintained as per management. We value stock at 0.8 x BV FY21 and maintain BUY with reduced target price at Rs 61 on the account of macroeconomic factors and high credit cost going ahead.

Key Risks to our rating and target.

- Continued slowdown in Growth.
- High credit cost may be an area of concern.

4QFY20 Results Below the Expectations

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY %	QoQ%	FY19	FY20	YoY %
Interest Inc.	3,032	3,229	3,254	3,330	3,397	12%	2%	11,419	13,211	15.7%
Interest Exp.	1,936	2,075	2,130	2,175	2,181	13%	0%	7,243	8,562	18.2%
NII	1,097	1,154	1,124	1,155	1,216	11%	5%	4,176	4,649	11.3%
Other Income	412	392	421	408	711	73%	74%	1,351	1,931	43.0%
Total Income	1,508	1,546	1,545	1,563	1,927	28%	23%	5,527	6,580	19.0%
Ope Exp.	754	763	826	819	968	28%	18%	2,764	3,376	22.1%
PPP	755	783	719	744	959	27%	29%	2,763	3,205	16.0%
Provisions	178	192	252	161	568	219%	253%	856	1,172	37.0%
PBT	577	591	467	583	392	-32%	-33%	1,907	2,033	6.6%
Tax	195	207	50	142	91	-54%	-36%	663	490	-26.2%
Net Profit	382	384	417	441	301	-21%	-32%	1,244	1,543	24.0%

Concall Highlights

- 35% of the banks book is under moratorium as at 25th May 2020. Covid specific provision of 93 Cr (came under standard asset provisions) made in 4QFY20. Loss of revenue on account of loss of income/ under recoveries & upgrades of 80 Cr. So Direct Covid impact on income & Provisions is 173 Cr.
- The LCR currently stands at 200% which was 180% at the end of FY20. Liquidity ratio is expected to be high going ahead.
- The company has made substantial provisions for the wage increase negotiation going on and pensioning part in 4QFY20 of Rs 120 Cr which has been reason for increase in employee cost.
- The SMA book stood at 0.7% i.e. Rs 840 Cr out of which Rs 303 Cr bank already provided.
- The banks expects customers to come out of moratorium due to the high interest cost associated with it going ahead.
- There was no challenge faced on the gold loan book side. 48% of the customers opted for moratorium in LAP and home loan book but these are secured loans. 5-7% of the retail book is of the risk area.
- NRE deposits grew by 6% QoQ in 4QFY20 on the account of instability in Middle East and increase in banks share to remittance.
- Around Rs 16-18k Cr of the book is eligible for credit guarantee scheme.
- The gold loan portfolio including agri stood at Rs 9300 Cr. The management sees good traction in gold loan book.
- Borrowings increased by 28% QoQ on the account of assumption for low growth of deposits for small banks after yes bank issue. Retail deposits will continue to be focus area going ahead.
- Net Interest Margins are likely to be maintained in next 2 quarters.
- The corporate book looks reasonably under control as of now. No stress area barring one account for which banks is already building provisions.
- Market risk increased to Rs 6182 Cr from Rs 2473 Cr last quarter on the account of investment to equity of a bank in 4QFY20 on which bank needs to provide high risk weight.
- Retail deposits grew by 2% in first two months of FY21 which is normally no growth period.
- Every retail and MSME book of banks is linked external bench mark from October 2019. It is about 25% of the book. MCLR linked is at about 40%, 5% is base rate linked and rest is fixed rate book.

Profitability Matrix

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	YoY (+/-)
C/I Ratio %	48.1	50.3	50.0	49.4	53.5	52.4	50.2	0.26	-2.18
Empl. Cost/ Tot. Exp. %	47.7	49.5	49.1	52.1	53.4	50.6	53.6	4.51	2.99
Other Exp/Tot. Exp.%	52.3	50.5	50.9	47.9	46.6	49.4	46.4	-4.51	-2.99
Provision/PPP %	41.4	26.9	23.6	24.5	35.0	21.6	59.2	35.60	37.53
Tax Rate %	34.9	35.6	33.9	35.0	10.8	24.4	23.1	-10.76	-1.29
Int Exp./Int Inc. (%)	63.0	63.5	63.8	64.3	65.5	65.3	64.2	0.36	-1.12
Other Inc./Net Inc. %	24.0	24.3	27.3	25.3	27.2	26.1	36.9	9.60	10.80
PAT/ Net Income %	19.8	23.4	25.3	24.9	27.0	28.2	15.6	-9.66	-12.56
RoE %	8.5	10.5	11.9	11.4	12.1	12.5	8.4	-3.45	-4.09
RoA %	0.8	0.9	1.0	1.0	1.0	1.0	0.7	-0.33	-0.35

Margin Performance

Margin %	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	YoY (+/-)
Yield on Advances	9.2	9.3	9.4	9.6	9.3	9.3	9.2	-0.19	-0.09
Yield (Total Assets)	8.6	8.8	8.6	8.9	8.6	8.5	8.4	-0.24	-0.17
Cost of Deposits	5.7	5.9	5.9	6.0	5.9	5.8	5.7	-0.19	-0.10
Cost Of Funds	5.8	5.9	5.9	6.1	6.0	5.9	6.0	0.06	0.05
NIM	3.2	3.2	3.2	3.2	3.0	3.0	3.0	-0.13	0.04

Exhibit: Yield and Cost

Yield declined .Cost declined

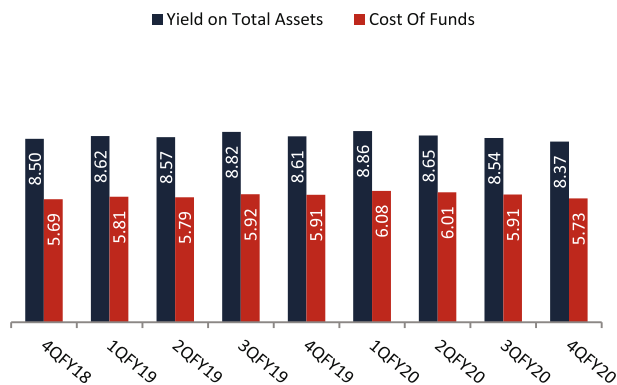
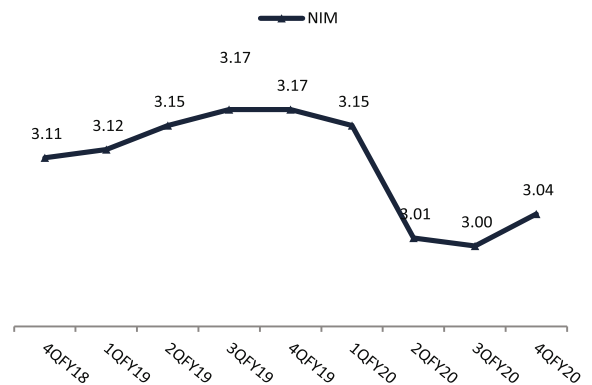


Exhibit: Net Interest Margin

stable NIM



Other Income Break Up- smart growth in processing fee

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Loan Processing Fee	46	31	53	50	50	49	61	63	56
Commission, Exchange, Brokerage	136	129	147	156	185	169	191	191	209
Net Profit on Forex Transactions	56	47	61	74	54	43	64	56	76
Total Fee-Based Income	238	207	261	280	289	261	316	310	341
Growth YoY %	12%	15%	34%	45%	21%	26%	21%	11%	18%
Profit on sale of securities	22	49	51	55	74	91	82	65	369
Recovery from assets written off & Other Receipts	54	14	11	11	49	40	22	32	1
Other Income	314	270	323	346	412	392	420	407	711
Growth YoY %	11%	-18%	13%	51%	31%	45%	30%	18%	73%

Exhibit: Fee Income/Advances %

Fee income increased

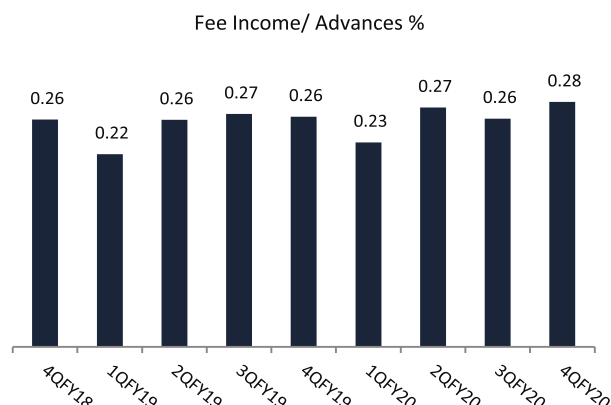
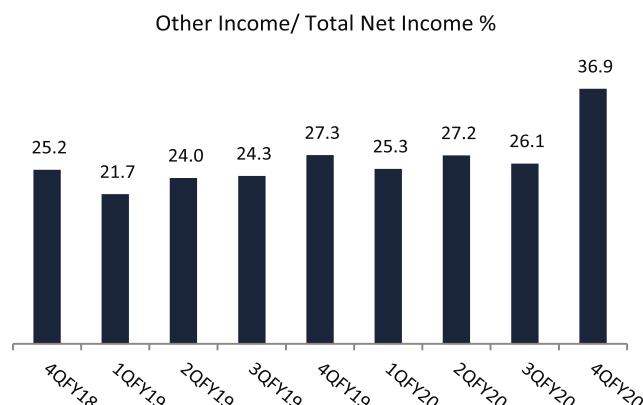


Exhibit: Other Income/ Total Income %

Other income as % of total income increased



Asset Quality

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	3,185	3,361	3,261	3,395	3,612	3,620	3,531	8%	-2%
GNPA %	3.11	3.14	2.92	2.99	3.07	2.99	2.84	-0.08	-0.15
NNPA (Rs in Cr)	1,796	1,817	1,626	1,673	1,844	1,941	1,607	-1%	-17%
NNPA %	1.78	1.72	1.48	1.49	1.59	1.63	1.31	-0.17	-0.32
Slippages (Rs in Cr)	482	435	269	434	540	593	284	6%	-52%
Std Restructured Assets %	0.57	0.61	0.55	0.55	0.53	0.39	0.32	-0.22	-0.06
Net Stress Assets %	3	3	2	2	2	2	2	-0.51	-0.42
PCR %	63	64	67	67	66	66	72	5.32	6.10

Slippage Contribution (%)

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Retail	8	24	25	25	26	34	23	17	34
Agriculture	6	12	14	17	36	16	13	8	13
SME	16	20	35	45	38	29	27	20	43
Wholesale	69	45	26	13	-	21	37	54	10
Total	100	100	100	100	100	100	100	100	100

Exhibit: Asset Quality

Assets quality better

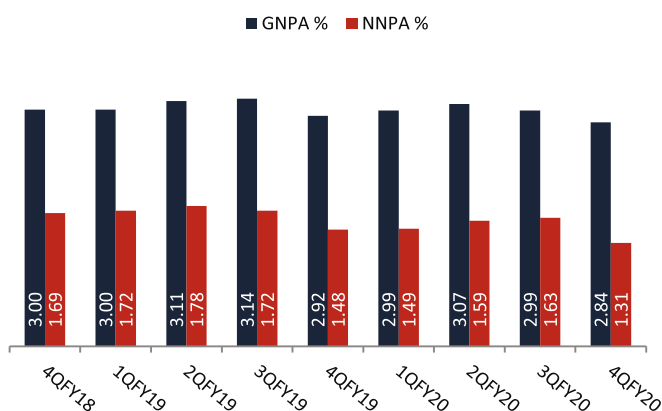


Exhibit: Provisions

PCR increased dreastically

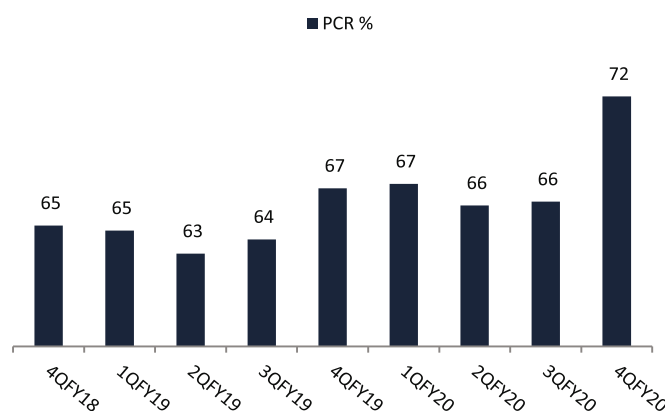


Exhibit: Advances Performance

Slow Advances Growth

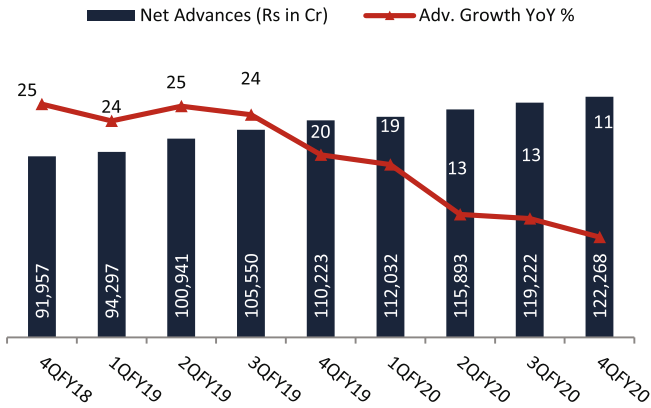


Exhibit: Advances Breakup %

Better retail portfolio share, selective for corporate

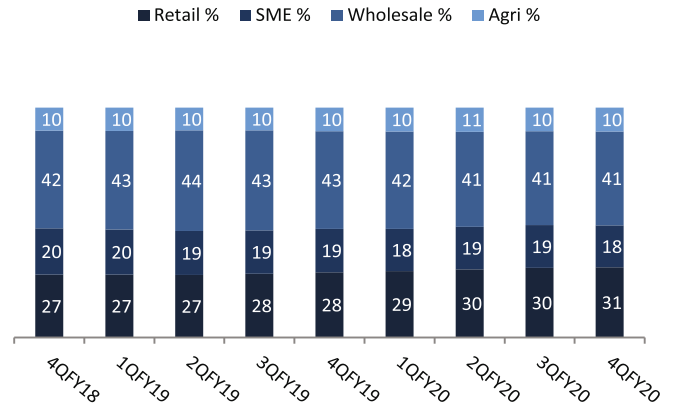


Exhibit: Deposits Performance

Enough Deposits growth

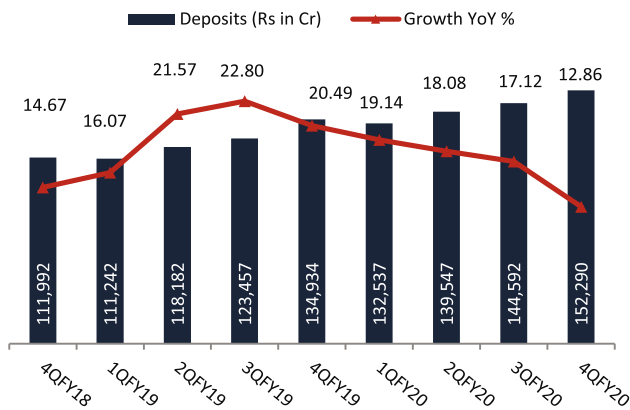


Exhibit: CASA Performance

CASA ratio declined

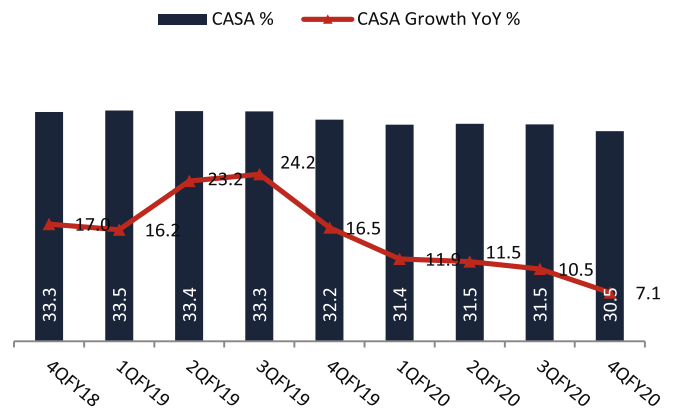


Exhibit: Credit Deposit Ratio

CD ratio decreased

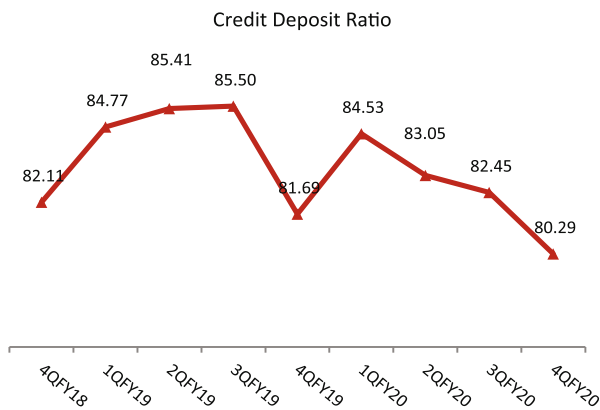
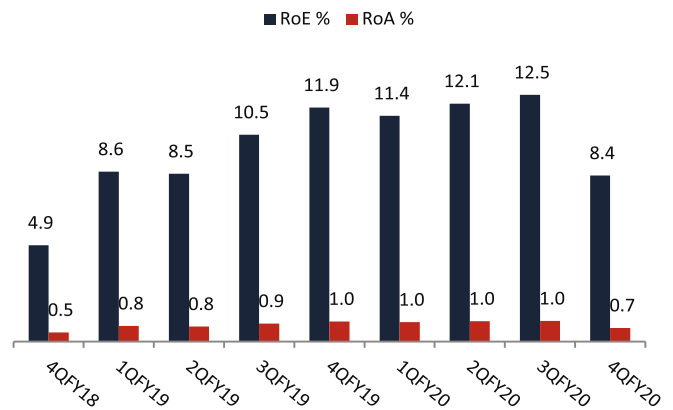


Exhibit: Return Ratios

Both ROA and ROE declined



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	171	171	344	345	394	397	399	398
Equity Capital	171	171	344	345	394	397	399	397
Preference Capital	0	0	0	0	0	0	0	1
Reserves & Surplus	6780	7567	7747	8598	11816	12876	14119	14852
Networth	6951	7738	8091	8942	12210	13273	14516	15249
Deposits	59731	70825	79172	97665	111992	134954	152290	166461
Change (%)	4	19	12	23	15	21	13	9
CASA Deposits	18401	21550	25705	31838	37252	43388	46450	54932
Change (%)	19	17	19	24	17	16	7	18
Borrowings	5688	2308	5115	5897	11534	7781	10372	9219
Other Liabilities & Provisions	2601	2268	2204	2473	2578	3331	3458	3841
Total Liabilities	74970	83140	94581	114977	138314	159340	180638	194771
Cash & Bank	4529	4780	5420	7452	9204	10066	12575	12724
Investments	24118	24409	25155	28196	30781	31824	35893	35789
Change (%)	14	1	3	12	9	3	13	0
Advances	43436	51285	58090	73336	91957	110223	122268	138163
Change (%)	-1	18	13	26	25	20	11	13
Fixed Assets	425	467	520	489	457	472	480	504
Other Assets	2462	2199	5396	5503	5915	6754	9423	7591
Total Assets	74970	83140	94581	114977	138314	159340	180638	194771

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY20E
Interest income	6,946	7,419	7,745	8,677	9,753	11,419	13,211	14,157
Interest expended	4,717	5,039	5,240	5,625	6,170	7,243	8,562	9,277
Net Interest Income	2,229	2,380	2,504	3,053	3,583	4,176	4,649	4,880
Change (%)	13	7	5	22	17	17	11	5
Other Income	694	878	786	1,082	1,159	1,351	1,931	1,645
Change (%)	4	27	(10)	38	7	17	43	(15)
Core Fee Income	125	498	554	677	806	1,037	1,228	1,383
Treasury Income	156	256	129	309	238	229	607	172
Others	412	124	103	96	115	85	96	90
Total Net Income	2,922	3,259	3,291	4,134	4,742	5,527	6,580	6,525
Operating Expenses	1,442	1,631	1,867	2,210	2,451	2,764	3,376	3,303
Change (%)	22	13	14	18	11	13	22	(2)
Employee Expenses	772	892	1,053	1,164	1,242	1,378	1,772	1,704
Pre-provisioning Profit	1,480	1,628	1,424	1,925	2,291	2,763	3,205	3,222
Change (%)	1	10	(13)	35	19	21	16	1
Provisions	268	107	704	618	947	856	1,172	2,243
Change (%)	1	(60)	560	(12)	53	(10)	37	91
PBT	1,212	1,521	720	1,307	1,344	1,907	2,033	979
Tax	373	515	244	476	465	663	490	246
Profit After Tax	839	1,006	476	831	879	1,244	1,543	733
Change (%)	0	20	(53)	75	6	42	24	(53)

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY20E
Balance Sheet Metrics								
Loan Growth (%)	(1)	18	13	26	25	20	11	13
Deposit Growth (%)	4	19	12	23	15	21	13	9
C/D Ratio (%)	72.7	72.4	73.4	75.1	82.1	81.7	80.3	83.0
CASA (%)	30.8	30.4	32.5	32.6	33.3	32.2	30.5	33.0
Investment/Deposit (%)	40.4	34.5	31.8	28.9	27.5	23.6	23.6	21.5
CRAR (%)	15.1	15.5	13.9	12.4	14.7	14.1	14.4	12.7
Tier 1 (%)	14.6	14.8	13.4	11.8	14.2	13.4	13.3	12.2
Tier 2 (%)	0.6	0.7	0.6	0.6	0.5	0.8	1.1	0.4

Assets Quality Metrics

Gross NPA (Rs)	1,087	1,058	1,668	1,727	2,796	3,261	3,531	4,393
Gross NPA (%)	2.5	2.0	2.8	2.3	3.0	2.9	2.8	3.1
Net NPA(Rs)	322	373	950	941	1,552	1,626	1,607	2,109
Net NPA (%)	0.7	0.7	1.6	1.3	1.7	1.5	1.3	1.5
Slippages (%)	2	2	4	2	3	2	2	1
Provision Coverage (%)	84	84	72	72	65	67	72	69
Provision/Average Advances (%)	0.6	0.2	1.3	0.9	1.1	0.8	1.0	1.7

Margin Metrics

Yield On Advances (%)	11.4	11.5	10.4	10.0	9.1	9.0	9.2	8.8
Yield On Investment (%)	7.8	7.6	7.1	6.8	6.5	6.5	6.5	6.4
Yield on Earning Assets (%)	10.0	9.9	9.4	8.9	8.1	8.1	8.2	7.9
Cost Of Deposits (%)	7.2	7.1	6.7	6.1	5.5	5.5	-	5.5
Cost Of Funds (%)	7.3	7.3	6.6	6.0	5.4	5.4	5.6	5.5
Spread (%)	2.7	2.7	2.7	2.9	2.7	2.7	2.6	2.5
NIM (%)	3.2	3.2	3.0	3.1	3.0	3.0	2.9	2.7

Profitability & Efficiency Metrics

Int. Expense/Int.Income (%)	67.9	67.9	67.7	64.8	63.3	63.4	64.8	65.5
Fee Income/NII (%)	5.6	20.9	22.1	22.2	22.5	24.8	26.4	28.3
Cost to Income (%)	49.3	50.0	56.7	53.4	51.7	50.0	51.3	50.6
Cost on Average Assets (%)	2.0	2.1	2.1	2.1	1.9	1.9	2.0	1.8
Tax Rate (%)	30.8	33.9	33.9	36.4	34.6	34.8	24.1	25.2

Valuation Ratio Metrics

EPS (Rs)	4.9	5.9	2.8	4.8	4.5	6.3	7.8	3.7
Change (%)	0.1	19.9	(52.9)	74.7	(7.8)	41	24.0	(52.5)
ROAE (%)	12.6	13.7	6.0	9.8	8.3	9.8	11.1	4.9
ROAA (%)	1.1	1.3	0.5	0.8	0.7	0.8	0.9	0.4
Dividend Payout (%)	20.4	18.7	25.3	18.6	22.4	22.3	-	-
Dividend yield (%)	2.1	1.7	1.5	1.0	1.1	1.5	-	-
Book Value (Rs)	40.6	45.2	47.1	52.0	61.9	66.9	73.1	76.8
Change (%)	9	11	4	11	19	8	9	5
ABVPS (Rs)	39	43	42	47	54	59	65	66
P/B (X)	1.2	1.5	1.0	1.8	1.4	1.4	0.6	0.6
P/E (X)	9.7	11.2	16.7	18.9	20.0	15.4	5.5	11.6

Financial Details

Exhibit: DuPont Analysis

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest Income	9.4	8.7	8.3	7.7	7.7	7.8	7.5
Interest expended	6.4	5.9	5.4	4.9	4.9	5.0	4.9
Net Interest Income	3.0	2.8	2.9	2.8	2.8	2.7	2.6
Non-Fund Based Income	1.1	0.9	1.0	0.9	0.9	1.1	0.9
Core Fee Income	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Trading and Other Income	0.5	0.3	0.4	0.3	0.2	0.4	0.1
Core Operating Income	3.6	3.4	3.6	3.5	3.5	3.5	3.3
Total Income	4.1	3.7	3.9	3.7	3.7	3.9	3.5
Total Operating Expenses	2.1	2.1	2.1	1.9	1.9	2.0	1.8
Employee Expenses	1.1	1.2	1.1	1.0	0.9	1.0	0.9
Other Expenses	0.9	0.9	1.0	1.0	0.9	0.9	0.9
Operating Profit	2.1	1.6	1.8	1.8	1.9	1.9	1.7
Provisions	0.1	0.8	0.6	0.7	0.6	0.7	1.2
Others	-	-	-	-	-	-	-
PBT	1.9	0.8	1.2	1.1	1.3	1.2	0.5
Tax	0.7	0.3	0.5	0.4	0.4	0.3	0.1
PAT/RoAA	1.3	0.5	0.8	0.7	0.8	0.9	0.4
Equity Multiplier (x)	10.8	11.2	12.3	12.0	11.7	12.2	12.6
ROAE	13.7	6.0	9.8	8.3	9.8	11.1	4.9

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