

Industry  
Bloomberg  
BSE CODE

Financial  
FB IN  
500469

RATING	BUY
CMP	50
Price Target	61
Potential Upside	22%
Rating Change	↔
Estimate Change	↑
Target Change	↔

STOCK INFO	
52wk Range H/L	109/36
Mkt Capital (Rs Cr)	9,932
Free float (%)	100%
Avg. Vol 1M (,000)	37,253
No. of Shares (Cr)	196
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
NII	4176	4649	4772
PPP	2763	3205	3278
PAT	1244	1543	890
NIM %	3.0	2.9	2.7
EPS (Rs)	6	8	4
EPS growth (%)	41	24	-42
ROE (%)	10	11	6
ROA (%)	0.8	0.9	0.5
BV	67	73	78
P/B (X)	1.4	0.7	0.6
P/E (x)	15	6	11

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## Advances growth tapered, Lower OPEX as well as better trading gains drove Profitability.

### 1QFY21 Result update

- NII grew by 12%/7% YoY/QoQ backed by advances growth of 8%/-1% YoY/QoQ. Operating expenses reported growth of 12%/-12% YoY/QoQ. However PAT grew by 4%/33% YoY/QoQ on the account of low OPEX and provisioning QoQ. The aggregate provision against the likely impact of COVID-19, including the RBI mandated provision, as on June 30, 2020 stands at Rs 18, 6.30 Cr.
- Other income had growth of more than 25% YoY on the account of impact of gain on sale of securities in 1QFY21. C/I ratio improved to 48% from 50% last quarter due to lower OPEX.
- The bank reported low slippages of Rs 184 Cr in 1QFY21 as against Rs 284 Cr last quarter. One large corporate account recognized as NPA and fully provided for, during the quarter. Only corporate segment reported slippages in 1QFY21.

### Advances growth remained slow

Advances growth remained slow at 8%/-1% 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 15% YoY whereas SME grew by 7% YoY however corporate growth has been low at 3% YoY. In retail segment housing and personal loans reported good growth of 13% and 67% YoY. LAP also grew by 15%. The management guided that if the things improve in 2HFY21, the the loan book growth is expected to be at around 10-12% for FY21.

### Asset quality

Gross NPA of the Bank as at the end of the quarter stood at Rs.3655.59 Cr, which as a percentage to Gross Advances comes to 2.96%. Net NPA as on 30th June 2020 stood at Rs.1477.46 Cr, and Net NPA as a percentage to Net Advances is at 1.22%. Slippages stood at Rs 184 Cr mainly came from one large corporate exposure to Middle East which has been NPA this quarter and bank has fully provided for the same of Rs 174 Cr in 1QFY21.

### Stable Margins

NII grew by 12%/7% YoY/QoQ due to slow growth in advances of 8%/-1% 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 20 bps QoQ whereas cost of funds declined by 37 Bps QoQ making the margins stable QoQ. Margins remained better this quarter due to product mix i.e. gold loan(including Agri gold) growth of 29%. Going ahead as well company will focus on gold loan growth and margin improvement.

### View and Valuation

Growth may be slow in the near term due to Pandemic impact but will improve gradually as things are in better shape now. Moratorium book has started declining and declined to 24% as against 35% in June 2020. But we expect credit cost 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. 33% of the retail book is still under moratorium. However given the strong retail franchise mix along with change in product mix (advances) margins may be maintained. We value stock at 0.8 x BV FY21 and maintain BUY with target price at Rs 61 on the account of strong retail franchise and OPEX control.

### Key Risks to our rating and target.

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

## 1QFY21 Results

### Above the expectations

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Interest Inc.	3,229	3,254	3,330	3,397	3,444	7%	1%	11,419	13,211	15.7%
Interest Exp.	2,075	2,130	2,175	2,181	2,148	3%	-2%	7,243	8,562	18.2%
NII	1,154	1,124	1,155	1,216	1,296	12%	7%	4,176	4,649	11.3%
Other Income	392	421	408	711	488	25%	-31%	1,351	1,931	43.0%
Total Income	1,546	1,545	1,563	1,927	1,785	15%	-7%	5,527	6,580	19.0%
Ope Exp.	763	826	819	968	852	12%	-12%	2,764	3,376	22.1%
PPP	783	719	744	959	932	19%	-3%	2,763	3,205	16.0%
Provisions	192	252	161	568	395	105%	-30%	856	1,172	37.0%
PBT	591	467	583	392	538	-9%	37%	1,907	2,033	6.6%
Tax	207	50	142	91	137	-34%	51%	663	490	-26.2%
Net Profit	384	417	441	301	401	4%	33%	1,244	1,543	24.0%

## Concall Highlights

- Margins remained better this quarter due to product mix i.e. gold loan(including Agri gold) growth of 29%. Going ahead as well company will focus on gold loan growth and margin improvement.
- Employee cost depends on provision for pensioning which depends on the interest rates if it goes down there will be increase if it goes up there will be decline in the provisioning. The reason for it being high in 4QFY20 as against 1QFY21.
- Operating expenses improved QoQ on the account of decline in other expenses mainly due to cost saving on operational front (multi skilling) and digital benefits. OPEX is likely to increase in line with the AUM growth going ahead.
- The management guided that if the things improve in 2HFY21, the the loan book growth is expected to be at around 10-12% for FY21.
- Net Moratorium book declined to 24% of the total book as at 12th July 2020 as against 35% of total book as at the end of June 2020. Net moratorium book is the book after deducting loans which cleared all Interest/EMI demands till June 2020 and gold loans/loans against liquid securities.
- The difference in Net moratorium book and Gross moratorium book is Rs 13000 Cr from which Rs 2000 Cr is loans against securities and the rest is the book of the people who have paid the EMIs.
- On the recovery front management guided recovery to be low going ahead. For 2QFY21 Rs 100 Cr of recovery is expected whereas going ahead in 3QFY21 and 4QFY21 it may remain at Rs 200 Cr per quarter.
- Savings Deposits are expected to continue to see good traction going ahead mainly from NR side.
- Under MSME credit guarantee scheme the bank has already disbursed Rs 1200 Cr of loans till the end of June 2020.
- SME book growth earlier had been expected to grow at 12-15% for FY21 but now the scenario has changed and will depend on the market conditions.
- Slippages stood at Rs 184 Cr mainly came from one large corporate exposure to Middle East which has been NPA this quarter and bank has fully provided for the same of Rs 174 Cr in 1QFY21.
- In housing loans 15% of the customers under moratorium have kept 3 EMI balances in their operative accounts, 24% have kept 2 EMIs and 67% have kept 1 EMIs. In personal loans 83% have kept 1 EMIs, 40% have kept 2 EMIs. Property loans 65% kept 1 EMI and 35% have kept more than 2 EMIs.

## Profitability Matrix

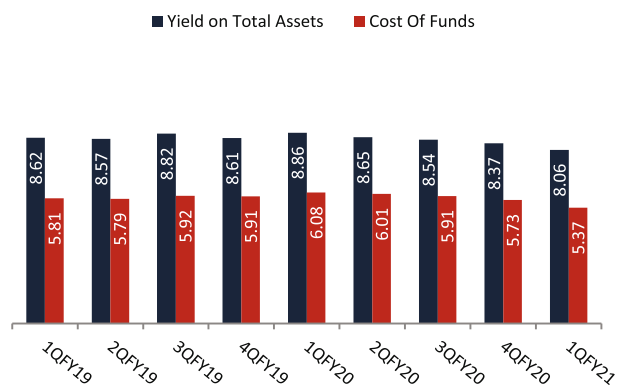
	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	YoY (+/-)
C/I Ratio %	50.3	50.0	49.4	53.5	52.4	50.2	47.8	-1.60	-2.46
Empl. Cost/ Tot. Exp. %	49.5	49.1	52.1	53.4	50.6	53.6	58.2	6.02	4.54
Other Exp/Tot. Exp.%	50.5	50.9	47.9	46.6	49.4	46.4	41.8	-6.02	-4.54
Provision/PPP %	26.9	23.6	24.5	35.0	21.6	59.2	42.3	17.79	-16.83
Tax Rate %	35.6	33.9	35.0	10.8	24.4	23.1	25.5	-9.48	2.35
Int Exp./Int Inc. (%)	63.5	63.8	64.3	65.5	65.3	64.2	62.4	-1.90	-1.84
Other Inc./Net Inc. %	24.3	27.3	25.3	27.2	26.1	36.9	27.4	2.03	-9.54
PAT/ Net Income %	23.4	25.3	24.9	27.0	28.2	15.6	22.5	-2.40	6.82
RoE %	10.5	11.9	11.4	12.1	12.5	8.4	10.9	-0.52	2.51
RoA %	0.9	1.0	1.0	1.0	1.0	0.7	0.9	-0.10	0.19

## Margin Performance

Margin %	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	YoY (+/-)
Yield on Advances	9.3	9.4	9.6	9.3	9.3	9.2	9.0	-0.57	-0.20
Yield (Total Assets)	8.8	8.6	8.9	8.6	8.5	8.4	8.1	-0.80	-0.31
Cost of Deposits	5.9	5.9	6.0	5.9	5.8	5.7	5.4	-0.60	-0.37
Cost Of Funds	5.9	5.9	6.1	6.0	5.9	5.7	5.4	-0.71	-0.36
NIM	3.2	3.2	3.2	3.0	3.0	3.0	3.1	-0.08	0.03

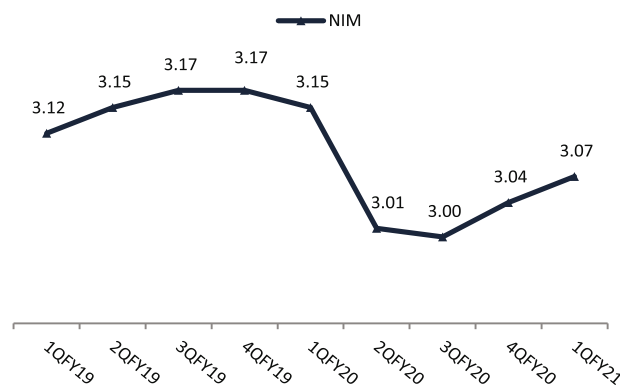
## Exhibit: Yield and Cost

Yield declined. Cost declined



## Exhibit: Net Interest Margin

stable NIM



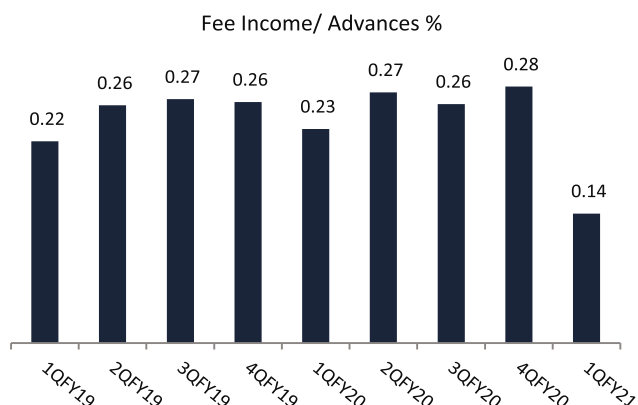
## Other Income Break Up- smart growth in processing fee

Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Loan Processing Fee	31	53	50	50	49	61	63	56	44
Commission, Exchange, Brokerage	129	147	156	185	169	191	191	209	103
Net Profit on Forex Transactions	47	61	74	54	43	64	56	76	24
<b>Total Fee-Based Income</b>	<b>207</b>	<b>261</b>	<b>280</b>	<b>289</b>	<b>261</b>	<b>316</b>	<b>310</b>	<b>341</b>	<b>171</b>
<b>Growth YoY %</b>	<b>15%</b>	<b>34%</b>	<b>45%</b>	<b>21%</b>	<b>26%</b>	<b>21%</b>	<b>11%</b>	<b>18%</b>	<b>-34%</b>
Profit on sale of securities	49	51	55	74	91	82	65	369	304
Recovery from assets written off & Other Receipts	14	11	11	49	40	22	32	1	13
<b>Other Income</b>	<b>270</b>	<b>323</b>	<b>346</b>	<b>412</b>	<b>392</b>	<b>420</b>	<b>407</b>	<b>711</b>	<b>488</b>
<b>Growth YoY %</b>	<b>-18%</b>	<b>13%</b>	<b>51%</b>	<b>31%</b>	<b>45%</b>	<b>30%</b>	<b>18%</b>	<b>73%</b>	<b>24%</b>

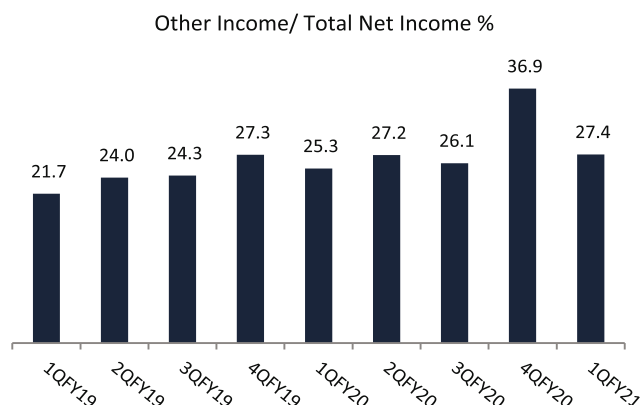
## Exhibit: Fee Income/ Advances %

Fee income declined drastically



## Exhibit: Other Income/ Total Income %

Other income as % of total income decreased QoQ



## Asset Quality

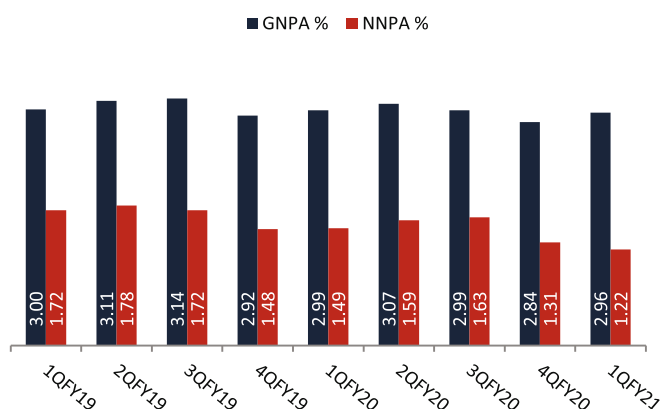
	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	3,361	3,261	3,395	3,612	3,620	3,531	3,656	8%	4%
GNPA %	3.14	2.92	2.99	3.07	2.99	2.84	2.96	-0.03	0.12
NNPA (Rs in Cr)	1,817	1,626	1,673	1,844	1,941	1,607	1,477	-12%	-8%
NNPA %	1.72	1.48	1.49	1.59	1.63	1.31	1.22	-0.27	-0.09
Slippages (Rs in Cr)	435	269	434	540	593	284	184	-58%	-35%
Std Restructured Assets %	0.61	0.55	0.55	0.53	0.39	0.32	0.33	-0.22	0.01
Net Stress Assets %	3	2	2	2	2	2	2	-0.62	-0.11
PCR %	64	67	67	66	66	72	75	7.68	2.61

## Slippage Contribution (%)

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Retail	24	25	25	26	34	23	17	34	1
Agriculture	12	14	17	36	16	13	8	13	1
SME	20	35	45	38	29	27	20	43	4
Wholesale	45	26	13	-	21	37	54	10	95
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

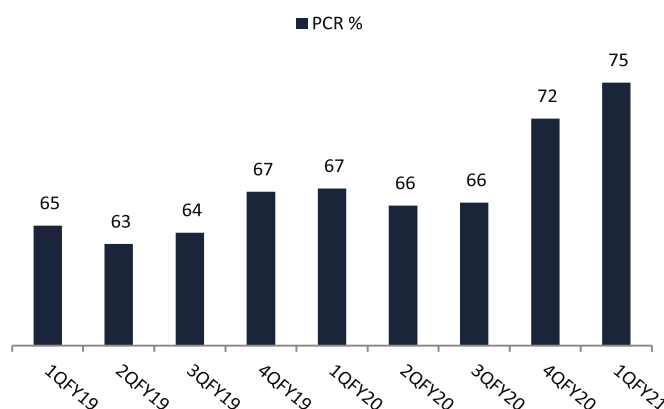
## Exhibit: Asset Quality

Assets quality



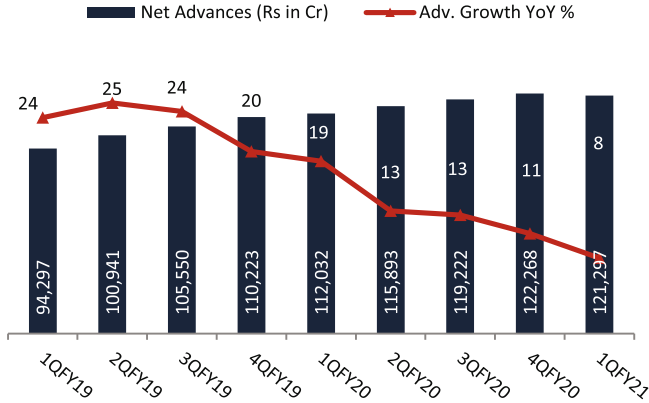
## Exhibit: Provisions

PCR increased drastically



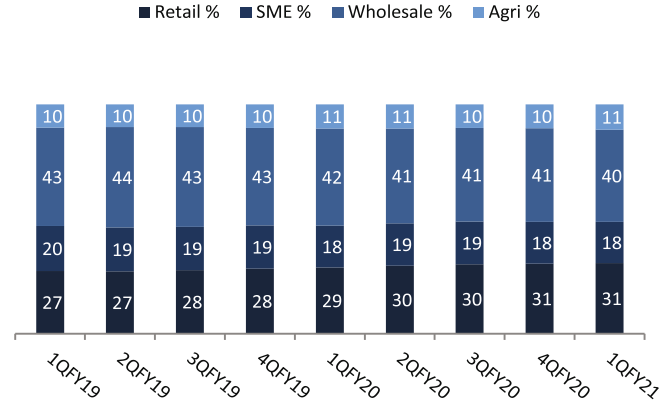
## Exhibit: Advances Performance

Slow Advances Growth



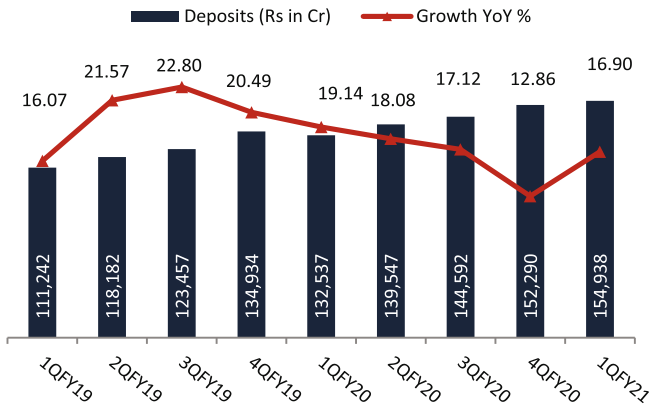
## Exhibit: Advances Breakup %

Better retail portfolio share, selective for corporate



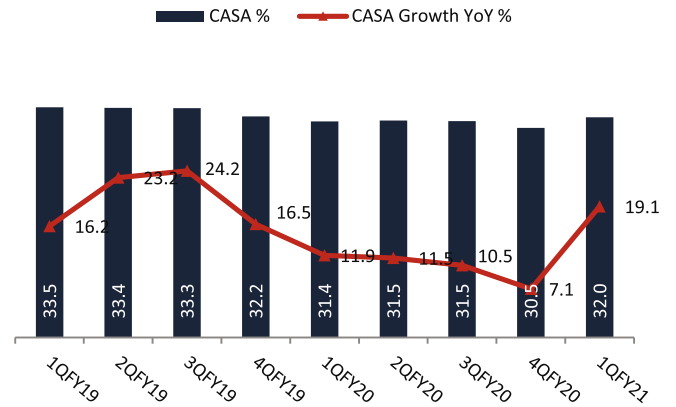
## Exhibit: Deposits Performance

Enough Deposits growth



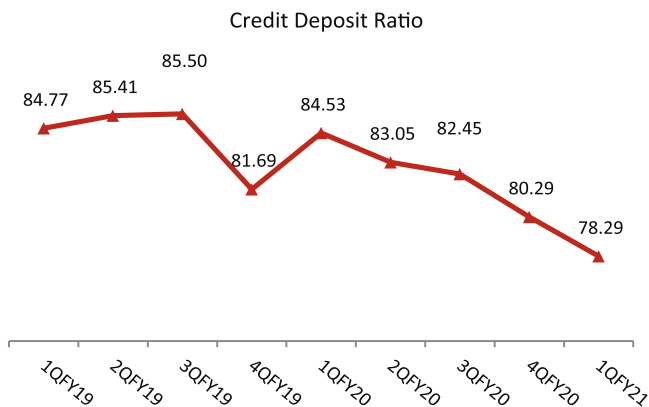
## Exhibit: CASA Performance

CASA ratio improved



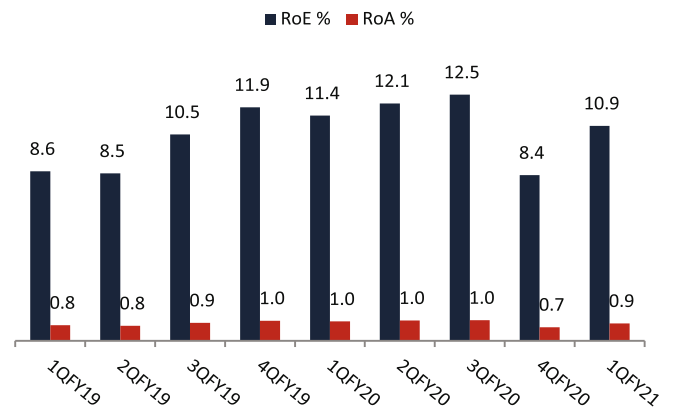
## Exhibit: Credit Deposit Ratio

CD ratio decreased



## Exhibit: Return Ratios

Both ROA and ROE improved



## Financial Details

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>Share Capital</b>	<b>171</b>	<b>171</b>	<b>344</b>	<b>345</b>	<b>394</b>	<b>397</b>	<b>399</b>	<b>398</b>
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	15009
<b>Networth</b>	<b>6951</b>	<b>7738</b>	<b>8091</b>	<b>8942</b>	<b>12210</b>	<b>13273</b>	<b>14516</b>	<b>15406</b>
Deposits	59731	70825	79172	97665	111992	134954	152290	172429
Change (%)	4	19	12	23	15	21	13	13
CASA Deposits	18401	21550	25705	31838	37252	43388	46450	56040
Change (%)	19	17	19	24	17	16	7	21
Borrowings	5688	2308	5115	5897	11534	7781	10372	10501
Other Liabilities & Provisions	2601	2268	2204	2473	2578	3331	3458	3458
<b>Total Liabilities</b>	<b>74970</b>	<b>83140</b>	<b>94581</b>	<b>114977</b>	<b>138314</b>	<b>159340</b>	<b>180638</b>	<b>201794</b>
Cash & Bank	4529	4780	5420	7452	9204	10066	12575	14967
Investments	24118	24409	25155	28196	30781	31824	35893	40521
Change (%)	14	1	3	12	9	3	13	13
Advances	43436	51285	58090	73336	91957	110223	122268	134495
Change (%)	-1	18	13	26	25	20	11	10
Fixed Assets	425	467	520	489	457	472	480	504
Other Assets	2462	2199	5396	5503	5915	6754	9423	11307
<b>Total Assets</b>	<b>74970</b>	<b>83140</b>	<b>94581</b>	<b>114977</b>	<b>138314</b>	<b>159340</b>	<b>180638</b>	<b>201794</b>

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest income	6,946	7,419	7,745	8,677	9,753	11,419	13,211	13,877
Interest expended	4,717	5,039	5,240	5,625	6,170	7,243	8,562	9,105
<b>Net Interest Income</b>	<b>2,229</b>	<b>2,380</b>	<b>2,504</b>	<b>3,053</b>	<b>3,583</b>	<b>4,176</b>	<b>4,649</b>	<b>4,772</b>
Change (%)	13	7	5	22	17	17	11	3
Other Income	694	878	786	1,082	1,159	1,351	1,931	1,806
Change (%)	4	27	(10)	38	7	17	43	(7)
Core Fee Income	125	498	554	677	806	1,037	1,228	1,036
Treasury Income	156	256	129	309	238	229	607	687
Others	412	124	103	96	115	85	96	83
Total Net Income	2,922	3,259	3,291	4,134	4,742	5,527	6,580	6,577
Operating Expenses	1,442	1,631	1,867	2,210	2,451	2,764	3,376	3,300
Change (%)	22	13	14	18	11	13	22	(2)
Employee Expenses	772	892	1,053	1,164	1,242	1,378	1,772	1,838
<b>Pre-provisioning Profit</b>	<b>1,480</b>	<b>1,628</b>	<b>1,424</b>	<b>1,925</b>	<b>2,291</b>	<b>2,763</b>	<b>3,205</b>	<b>3,278</b>
Change (%)	1	10	(13)	35	19	21	16	2
Provisions	268	107	704	618	947	856	1,172	2,087
Change (%)	1	(60)	560	(12)	53	(10)	37	78
PBT	1,212	1,521	720	1,307	1,344	1,907	2,033	1,191
Tax	373	515	244	476	465	663	490	301
<b>Profit After Tax</b>	<b>839</b>	<b>1,006</b>	<b>476</b>	<b>831</b>	<b>879</b>	<b>1,244</b>	<b>1,543</b>	<b>890</b>
Change (%)	0	20	(53)	75	6	42	24	(42)

## Financial Details

### Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<b>Balance Sheet Metrics</b>								
Loan Growth (%)	(1)	18	13	26	25	20	11	10
Deposit Growth (%)	4	19	12	23	15	21	13	13
C/D Ratio (%)	72.7	72.4	73.4	75.1	82.1	81.7	80.3	78.0
CASA (%)	30.8	30.4	32.5	32.6	33.3	32.2	30.5	32.5
Investment/Deposit (%)	40.4	34.5	31.8	28.9	27.5	23.6	23.6	23.5
CRAR (%)	15.1	15.5	13.9	12.4	14.7	14.1	14.4	12.3
Tier 1 (%)	14.6	14.8	13.4	11.8	14.2	13.4	13.3	11.9
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	4,443
Gross NPA (%)	2.5	2.0	2.8	2.3	3.0	2.9	2.8	3.2
Net NPA(Rs)	322	373	950	941	1,552	1,626	1,607	1,777
Net NPA (%)	0.7	0.7	1.6	1.3	1.7	1.5	1.3	1.3
Slippages (%)	2	2	4	2	3	2	2	1
Provision Coverage (%)	84	84	72	72	65	67	72	76
Provision/Average Advances (%)	0.6	0.2	1.3	0.9	1.1	0.8	1.0	1.6

### Margin Metrics

Yield On Advances (%)	11.4	11.5	10.4	10.0	9.1	9.0	9.2	8.6
Yield On Investment (%)	7.8	7.6	7.1	6.8	6.5	6.5	6.5	6.1
Yield on Earning Assets (%)	10.0	9.9	9.4	8.9	8.1	8.1	8.2	7.7
Cost Of Deposits (%)	7.2	7.1	6.7	6.1	5.5	5.5	5.6	5.3
Cost Of Funds (%)	7.3	7.3	6.6	6.0	5.4	5.4	5.6	5.2
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	65.6
Fee Income/NII (%)	5.6	20.9	22.1	22.2	22.5	24.8	26.4	21.7
Cost to Income (%)	49.3	50.0	56.7	53.4	51.7	50.0	51.3	50.2
Cost on Average Assets (%)	2.0	2.1	2.1	2.1	1.9	1.9	2.0	1.7
Tax Rate (%)	30.8	33.9	33.9	36.4	34.6	34.8	24.1	25.3

### Valuation Ratio Metrics

EPS (Rs)	4.9	5.9	2.8	4.8	4.5	6.3	7.8	4.5
Change (%)	0.1	19.9	(52.9)	74.7	(7.8)	41	24.0	(42.3)
ROAE (%)	12.6	13.7	6.0	9.8	8.3	9.8	11.1	5.9
ROAA (%)	1.1	1.3	0.5	0.8	0.7	0.8	0.9	0.5
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	77.6
Change (%)	9	11	4	11	19	8	9	6
ABVPS (Rs)	39	43	42	47	54	59	65	69
P/B (X)	1.2	1.5	1.0	1.8	1.4	1.4	0.7	0.6
P/E (X)	9.7	11.2	16.7	18.9	20.0	15.4	6.4	11.2

## 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	7.3
Interest expended	6.4	5.9	5.4	4.9	4.9	5.0	4.8
<b>Net Interest Income</b>	<b>3.0</b>	<b>2.8</b>	<b>2.9</b>	<b>2.8</b>	<b>2.8</b>	<b>2.7</b>	<b>2.5</b>
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	0.5
Trading and Other Income	0.5	0.3	0.4	0.3	0.2	0.4	0.4
Core Operating Income	3.6	3.4	3.6	3.5	3.5	3.5	3.0
<b>Total Income</b>	<b>4.1</b>	<b>3.7</b>	<b>3.9</b>	<b>3.7</b>	<b>3.7</b>	<b>3.9</b>	<b>3.4</b>
Total Operating Expenses	2.1	2.1	2.1	1.9	1.9	2.0	1.7
Employee Expenses	1.1	1.2	1.1	1.0	0.9	1.0	1.0
Other Expenses	0.9	0.9	1.0	1.0	0.9	0.9	0.8
<b>Operating Profit</b>	<b>2.1</b>	<b>1.6</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>	<b>1.7</b>
Provisions	0.1	0.8	0.6	0.7	0.6	0.7	1.1
Others	-	-	-	-	-	-	-
PBT	1.9	0.8	1.2	1.1	1.3	1.2	0.6
Tax	0.7	0.3	0.5	0.4	0.4	0.3	0.2
<b>PAT/RoAA</b>	<b>1.3</b>	<b>0.5</b>	<b>0.8</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>0.5</b>
Equity Multiplier (x)	10.8	11.2	12.3	12.0	11.7	12.2	12.8
<b>ROAE</b>	<b>13.7</b>	<b>6.0</b>	<b>9.8</b>	<b>8.3</b>	<b>9.8</b>	<b>11.1</b>	<b>5.9</b>



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