

# IndusInd Bank

**BUY**

<b>INDUSTRY</b>	<b>BANKS</b>
<b>CMP (as on 19 Apr 2017)</b>	<b>Rs 1,422</b>
<b>Target Price</b>	<b>Rs 1,550</b>
Nifty	9,104
Sensex	29,337

## KEY STOCK DATA

Bloomberg	IIB IN
No. of Shares (mn)	598
MCap (Rs bn) / (\$ mn)	850/13,170
6m avg traded value (Rs mn)	1,671

## STOCK PERFORMANCE (%)

<b>52 Week high / low</b>	<b>Rs 1,445/965</b>
	3M 6M 12M
Absolute (%)	16.5 17.4 43.8
Relative (%)	9.1 12.5 30.2

## SHAREHOLDING PATTERN (%)

Promoters	16.8
FIs & Local MFs	13.6
FIIIs	48.8
Public & Others	19.2

Source : BSE

## Darpin Shah

darpin.shah@hdfcsec.com  
+91-22-6171-7328

## Pranav Gupta

Pranav.gupta@hdfcsec.com  
+91-22-6171-7337

## One-off blip

IndusInd Bank's (IIB 4Q results were a mixed bag. Core performance was healthy, led by continued business momentum (+28% loans growth), SA growth of 56%, strong fee growth (29%), superior NIM (4%) and an opex growth of 27% (despite adding 200 branches in FY17). However, key negatives include elevated slippages (Rs 6.3bn; 2.4% annu.) led by corporate segment and higher provisions (Rs 4.3bn, 2% QoQ). Elevated provisions include standard asset provisions (Rs 1.2bn, RBI directive) on M&A, related to bridge funding and entire provisions towards ARC sale.

While the 4Q asset quality performance has been below par, we believe it's a one-off blip. We have lowered our estimates by 6% (FY18-19E) to factor in higher slippages and provisions. We maintain our positive stance on IIB, given continued business momentum, an improving CASA proportion, superior NIM, upward fee trajectory and stable asset quality performance. Maintain a BUY with a revised TP of Rs 1,550 (3.5x Mar-19 ABV of Rs 443).

## Financial Summary

(Rs mn)	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY16	FY17P	FY18E	FY19E
Net Interest Income	16,675	12,682	31.5%	15,784	5.6%	45,166	60,626	73,868	91,256
PPOP	15,722	11,512	36.6%	13,633	15.3%	41,414	54,510	64,172	79,460
PAT	7,516	6,204	21.2%	7,506	0.1%	22,864	28,679	35,201	42,964
EPS (Rs)	12.6	10.4	20.5%	12.6	-0.1%	38.4	47.9	58.9	71.8
ROAE (%)						16.6	15.5	16.6	17.5
ROAA (%)						1.82	1.80	1.78	1.78
Adj. BVPS (Rs)						285	323	373	434
P/ABV (x)						4.98	4.40	3.81	3.27
P/E (x)						37.0	29.6	24.1	19.8

Source: Bank, HDFC sec Inst Research

## Highlights of the quarter

- **Blip in asset quality:** Slippages were unpleasantly high at Rs 6.34bn (2.4% ann. vs. 1.1% QoQ) led by corporate slippages of Rs 4.6bn i.e. 2.9% ann. (two large exposures of Rs 3.3bn). CFD slippages were stable QoQ at Rs 1.8bn (1.6% ann.). We remain comfortable on the bank's asset quality performance going forward given a well-diversified and granular portfolio, lower exposure to stressed assets and a mere 37bps restructured book.
- **Strong business momentum:** Despite the sell down of Rs 11bn, IIB's loans grew ~28% YoY, led by 30% growth in corporate loans (60%) and CFD business growth of 25%. Within the CFD segment, the share of non-vehicle segments further improved to 25%. With a sell down in corporate loans, a pick up in the CV business and a rising proportion of the non-vehicle finance business, we expect the share of CFD business to rise going forward.
- **Near-term outlook:** With unexpectedly higher slippages and provisions costs, we believe the stock will be under pressure in the near term.

## Five Quarters At A Glance

Rs mn	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	YoY Growth	QoQ Growth
Net Interest Income	12,682	13,564	14,603	15,784	16,675	31.5%	5.6%
Non-interest Income	9,128	9,730	9,704	10,168	12,113	32.7%	19.1%
Treasury Income	1,386	1,911	1,449	1,320	2,150	55.1%	62.9%
Operating Income	21,810	23,294	24,307	25,952	28,788	32.0%	10.9%
Operating Expenses	10,298	10,956	11,491	12,319	13,065	26.9%	6.1%
Pre Provision Profits (PPOP)	11,512	12,338	12,817	13,633	15,722	36.6%	15.3%
Provisions And Contingencies	2,137	2,305	2,139	2,169	4,301	101.3%	98.4%
NPA Provisions	1,485	1,444	1,517	1,524	2,556	72.1%	67.8%
PBT	9,375	10,033	10,678	11,465	11,421	21.8%	-0.4%
Provision for Tax	3,172	3,419	3,635	3,959	3,905	23.1%	-1.4%
PAT	6,204	6,614	7,043	7,506	7,516	21.2%	0.1%
<b>Balance Sheet items/ratios</b>							
Deposits	930	1,018	1,123	1,192	1,266	36.1%	6.2%
CASA Deposits	327	350	410	442	446	36.4%	1.1%
Advances	884	937	989	1,028	1,131	27.9%	10.0%
CD Ratio (%)	95.1	92.1	88.1	86.2	89.3	-573 bps	314 bps
CAR (%)	15.50	15.42	15.32	15.31	15.31	-19 bps	0 bps
Tier I (%)	14.92	14.81	14.68	14.74	14.72	-20 bps	-2 bps
<b>Profitability</b>							
Yield On Advances (%)	12.04	12.07	11.86	11.73	11.41	-63 bps	-32 bps
Cost Of Deposits (%)	7.06	6.93	6.60	6.35	6.08	-98 bps	-27 bps
NIM (%)	3.94	3.97	4.00	4.00	4.00	6 bps	0 bps
Cost-Income Ratio (%)	47.2	47.0	47.3	47.5	45.4	-183 bps	-208 bps
Tax Rate (%)	33.8	34.1	34.0	34.5	34.2	36 bps	-34 bps
<b>Asset quality</b>							
Gross NPA (Rs bn)	7.8	8.6	9.0	9.7	10.5	35.8%	8.6%
Net NPA (Rs bn)	3.2	3.6	3.7	4.0	4.4	36.4%	9.5%
Gross NPAs (%)	0.87	0.91	0.90	0.94	0.93	6 bps	-1 bps
Net NPAs (%)	0.36	0.38	0.37	0.39	0.39	3 bps	0 bps
Delinquency Ratio (%)	1.3	1.1	1.1	1.1	2.3	106 bps	124 bps
Restructuring O/s (%)	0.5	0.5	0.4	0.4	0.4	-16 bps	-4 bps
Coverage Ratio (%)	58.6	58.7	58.9	58.8	58.4	-19 bps	-37 bps

*In line with estimates, led by healthy loan growth and stable NIMs*

*Fees grew 29/13% YoY/QoQ, due to third-party distribution (74/33% YoY/QoQ, IB and banking fees were stable QoQ)*

*Incl. std. assets provisions of Rs 1.2bn and higher provisions towards the corp segment (117bps ann.). Corp provisions incl. entire impact of sale to ARC of Rs 1.4bn*

*SA grew ~57/7% YoY/QoQ; CASA ratio dipped 180bps QoQ to 35.3%*

*Led by a 30% growth in the corporate segment and 25% in the CFD segment; Amongst CFD, the non-vehicle finance*

*CFD yields were stable QoQ at 14.5%; corporate yields declined ~66bps QoQ to 9.1%*

*NIMs were supported by lower CoF and rise in CD ratio*

*Contained due to sale to ARC. Two large corporate exposures sold to ARC at Rs 1.9bn, post a hair cut of Rs 1.4bn*

*Corporate slippages stood at Rs 4.6bn (2.9% annu. vs. 75bps QoQ) and CFD slippages at Rs 1.7bn (1.6%, stable QoQ)*

## Change In Estimates

(Rs mn)	FY18E			FY19E		
	Old	New	Change	Old	New	Change
NII	71,215	73,868	3.7%	87,844	91,256	3.9%
PPOP	63,645	64,172	0.8%	78,365	79,460	1.4%
PAT	37,336	35,201	-5.7%	45,582	42,964	-5.7%
Adj. BVPS (Rs)	379.8	381.6	0.5%	443.7	442.9	-0.2%

Source: HDFC sec Inst Research

**IIB sold loans worth Rs 11bn during the quarter**

**Loan growth was driven by the corporate segment (+30%) and CFD (+25%)**

**Corporate loans were driven by working capital requirements**

**The non-vehicle portfolio grew ~39/12% YoY/QoQ, led by a strong growth in LAP (+34%), credit cards (+42%) and PL (+54%)**

**Within the VF portfolio, only 2Ws reported single-digit YoY growth, CVs grew ~24/7% YoY/QoQ**

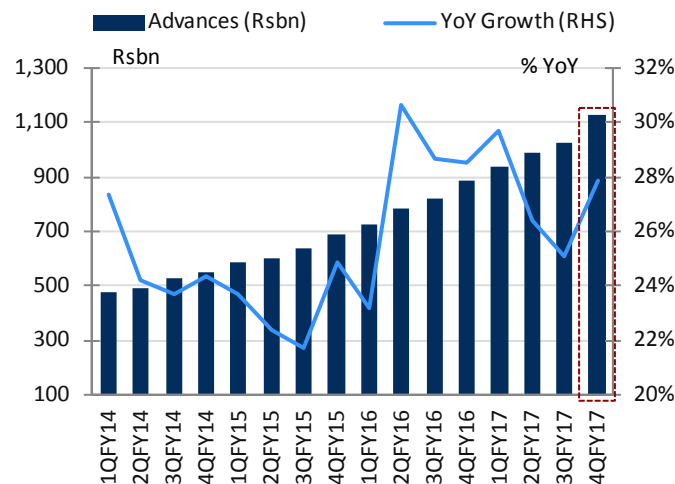
**In planning cycle IV (FY17-20), IIB plans to double its loan book with the corporate and CFD segment forming 50% each**

**SA growth momentum continues, with a sequential growth of 7% after a 22% QoQ growth in 3Q**

## Healthy and broad-based business growth

- Despite the sell down of loans worth Rs 11bn, IIB's corporate loans grew ~28/10% YoY/QoQ, to form ~59.7% of the total book (+145bps QoQ). The healthy corporate loan growth was largely broad-based, with SME growth at 17% QoQ. **The high-yielding CFD business also grew ~6% QoQ, led by a continued healthy growth in the non-vehicle segment.**
- The share of non-vehicle segment continued to rise, with strong growth of 39/12% YoY/QoQ, led by LAP (35/10% YoY) and PL (54/18% YoY/QoQ). The relatively muted growth (+20/5% YoY/QoQ) in the VF business was mainly due to <10% growth in 2Ws and muted sequential performance in 3Ws and car loans.

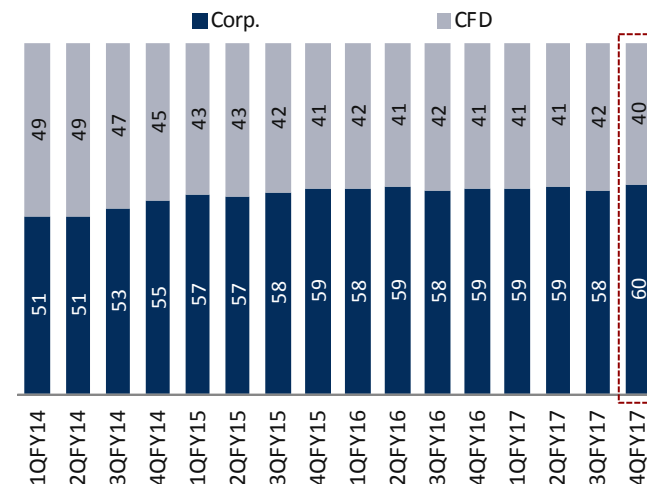
### Strong Loan Growth Of ~28/10% YoY/QoQ



Source: Company, HDFC sec Inst Research

- During planning cycle IV (FY17-20), IIB plans to double its loan book, with the corporate and CFD segment forming 50% each. Further, it intends to increase the share of the non-vehicle finance book to 25% (from the current level of 18%). **Healthy CRAR, a diversified book and continued expansion of its branch network augurs well for a strong and sustained 27% loans CAGR over FY17-19E.**
- SA growth momentum sustains, even post demonetisation, with a sequential growth of ~7% QoQ (post 22% QoQ in 3Q).** However, the CASA ratio dipped 180bps QoQ to 35.3%, with CA declining 7% QoQ (for the second consecutive quarter). During planning cycle IV, IIB intends to double its customer base to ~20mn+ and reach to 40% CASA levels.

### Corporate Mix Inches Up by 140bps QoQ



Source: Company, HDFC sec Inst Research

**The CV proportion remains stable YoY at 38.3% (of the CFD book)**

**The share of CC, PL and LAP continues to increase**

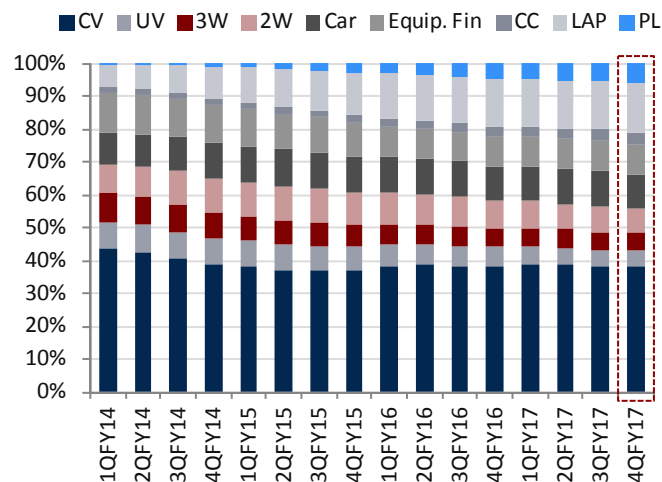
**SA grew ~57/7% YoY/QoQ (after 22% QoQ in 3Q)**

**CA dipped (2<sup>nd</sup> qtr in a row) 7% QoQ**

**Margins were flat QoQ at 4%, supported by lower CoF, largely stable yields in CFD and rise in C-D ratio**

**Overall yields declined ~32bps QoQ to 11.4%, led by a 66bps fall in the corporate book. The yields in the CFD book were flat QoQ at 14.5%**

## CFD Mix: Non-vehicle Share Picking Up

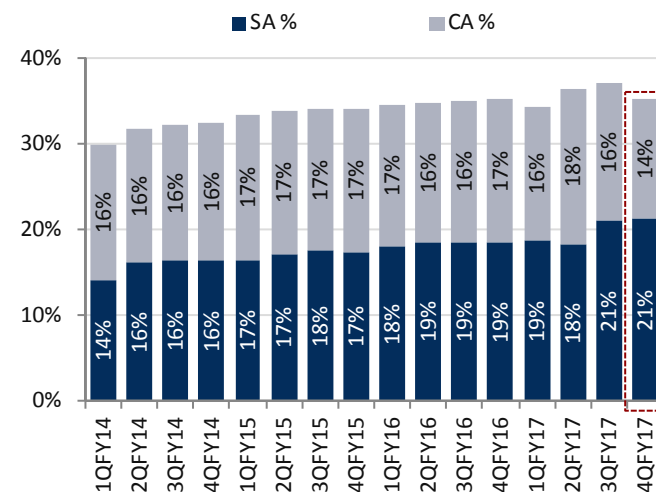


Source: Bank, HDFC sec Inst Research

## Healthy NIMs and fee performance

- The reported NIMs were flat QoQ at 4%, as benefits from the fall in COD (-27bps QoQ; after 25bps QoQ in 3Q) and rise in CD ratio were negated by a yield decline of ~32bps. The sharp drop in yields was led by a 66bps drop in corporate yields, whereas CFD yields were stable QoQ.
- IIB is well placed to further expand its margins, given (1) A healthy CASA, (2) Further downward revision of interest rates, (3) Fixed rate loans and (4) A rising proportion of the high-yielding CFD book. We have factored in NIMs of ~4% in FY17-FY19E.

## CASA Ratio Down 180bps QoQ To ~35.3%



Source: Bank, HDFC sec Inst Research

- Fee growth remains healthy:** Led by third party distribution (+74/33% YoY/QoQ) and a loan processing fees growth of ~25% QoQ, IIB's core fees grew ~29/13% YoY/QoQ. Core fees as a % of average loans at 3.69% is healthy and one of the best in the industry. With a flat NIM, strong fee income and a jump in treasury gains, the contribution to total income grew from ~39% vs. 42% sequentially.

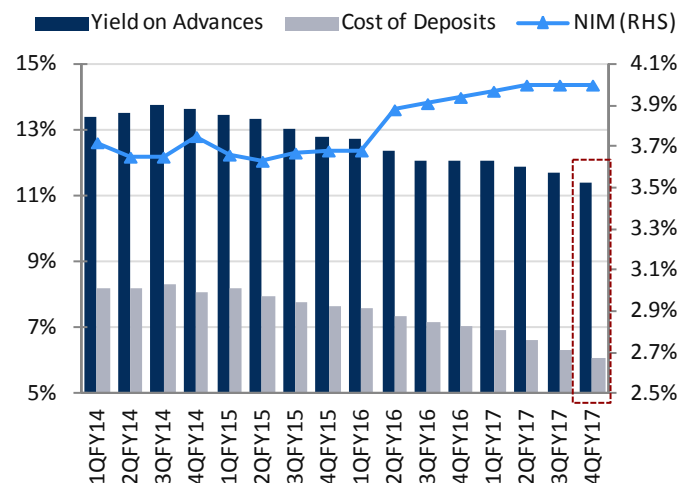
**We factor in NIMs at 4% avg. over FY16-19E**

**Core fees grew ~29% YoY (13% QoQ), led by 3<sup>rd</sup> party distribution income (+74/33% YoY/QoQ), general banking fees (30% YoY) and IB fees (+30% YoY) were flat QoQ**

**Loan processing fees grew 25% QoQ**

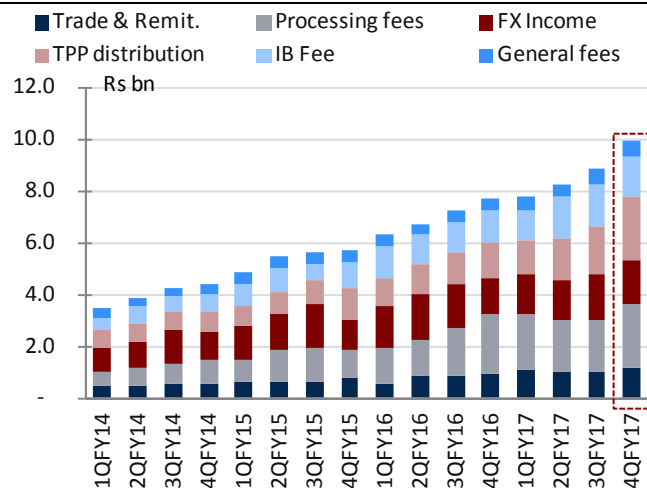
**Treasury gains were higher QoQ at Rs 2.15bn vs. Rs 1.3bn**

### NIM Strong At 4% (Flat QoQ)



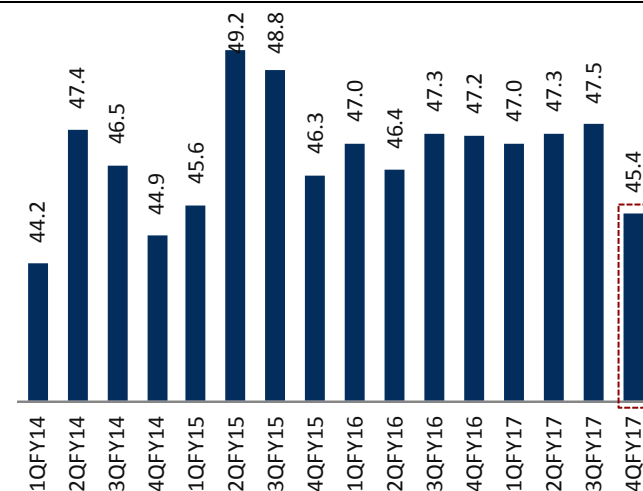
Source: Bank, HDFC sec Inst Research

### Well-diversified Fee Income Stream



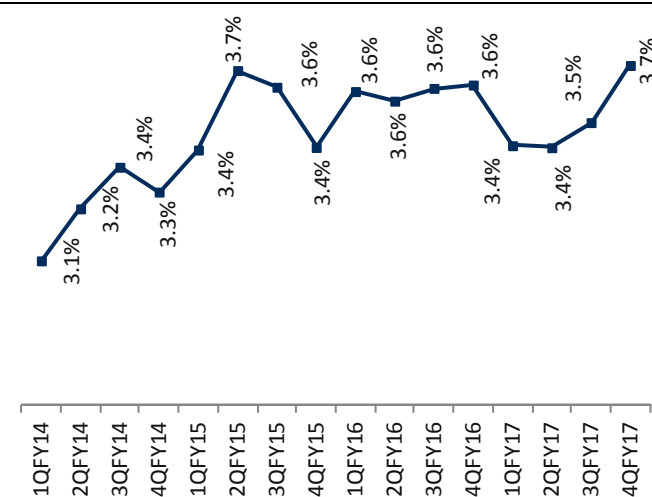
Source: Bank, HDFC sec Inst Research

### C-I Ratio: Improves QoQ By 210bps



Source: Bank, HDFC sec Inst Research

### Fee Inc. % Loans (Ann.) Remains Healthy



Source: Bank, HDFC sec Inst Research

**Slippages in the corporate segment were higher at Rs 4.6bn (2.87%) vs Rs 1.1bn (75bps) QoQ. This includes two large corporate exposures**

**CFD slippages were stable at Rs 1.8bn (1.6% ann.)**

**IIB sold loans of Rs 3.3bn for Rs 1.9bn and provided Rs 1.4bn during the quarter**

**GNPAs across the CFD segment were largely stable QoQ, except for LAP/HL/PL (+20% QoQ)**

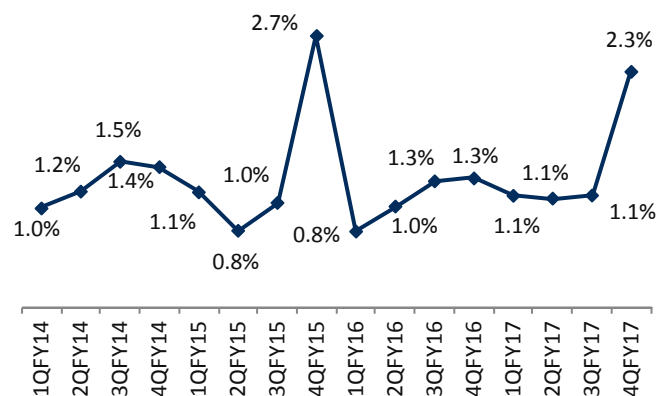
**O/S SR stood at Rs 3.55bn (0.3%) vs. Rs 2.2bn (0.2%) QoQ**

**The restructured book was down 4bps QoQ to 37bps to Rs 4.18bn**

## Blip in asset quality

- While IIB's asset quality has been flawless, the 4Q numbers were disappointing. IIB's GNPA (Rs 10.55bn, 93bps) rise was contained at 8.6% QoQ, owing to its sale to ARC (Rs 1.9bn). **Slippages were unpleasantly high at Rs 6.34bn, i.e. 2.35% annu. (vs. ~Rs 2.8bn, 1.1% in 3Q).** Elevated slippages were led by corporate slippages of Rs 4.6bn (2.9% annu. vs. 0.75bps QoQ).
- The corporate slippages were lumpy, with two exposures of Rs 3.3bn. IIB sold these NPAs at Rs

## Slippages Driven By Corporate Segment



Source : Bank, HDFC sec Inst Research

## Asset Quality Segment-Wise

Corp	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
GNPA	1.01%	1.00%	0.93%	0.58%	0.53%	0.54%	0.65%	0.74%	0.76%	0.73%	0.79%	0.81%
Slippages (Ann.)	0.74%	0.04%	0.24%	3.27%	0.13%	0.66%	0.96%	0.85%	0.70%	0.51%	0.75%	2.87%
LLP (Ann.)	0.48%	0.19%	0.55%	0.42%	0.38%	0.63%	0.66%	0.56%	0.48%	0.52%	0.51%	1.17%

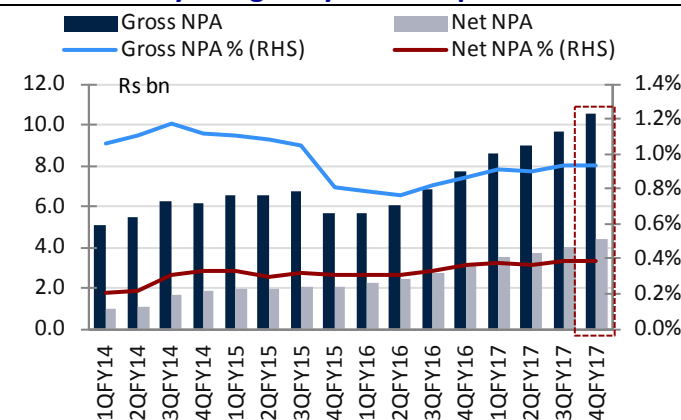
CFD	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
GNPA	1.25%	1.22%	1.23%	1.15%	1.15%	1.10%	1.08%	1.08%	1.14%	1.17%	1.16%	1.12%
Slippages (Ann.)	1.66%	1.71%	2.11%	1.92%	1.64%	1.50%	1.68%	1.90%	1.69%	1.90%	1.63%	1.60%
LLP(Ann.)	0.75%	0.69%	0.86%	0.68%	0.71%	0.65%	0.77%	0.88%	0.85%	0.79%	0.73%	0.62%

Source: Bank, HDFC sec Inst Research

1.9bn, and proactively provided for the loss on the sale to ARC.

- However, the CFD slippages were stable QoQ at Rs 1.77bn (1.6% annu.). The segment-wise GNPA's in the CFD business remain stable, except for LAP/HL/PL (+20% QoQ).
- We remain comfortable on banks quality performance going forward, given a well-diversified and granular portfolio, lower exposure to stressed assets and a mere 37bps restructured book. We have factored in slippages of 1.15% over FY17-19E.

## Asset Quality Marginally Inches Up



Source: Bank, HDFC sec Inst Research

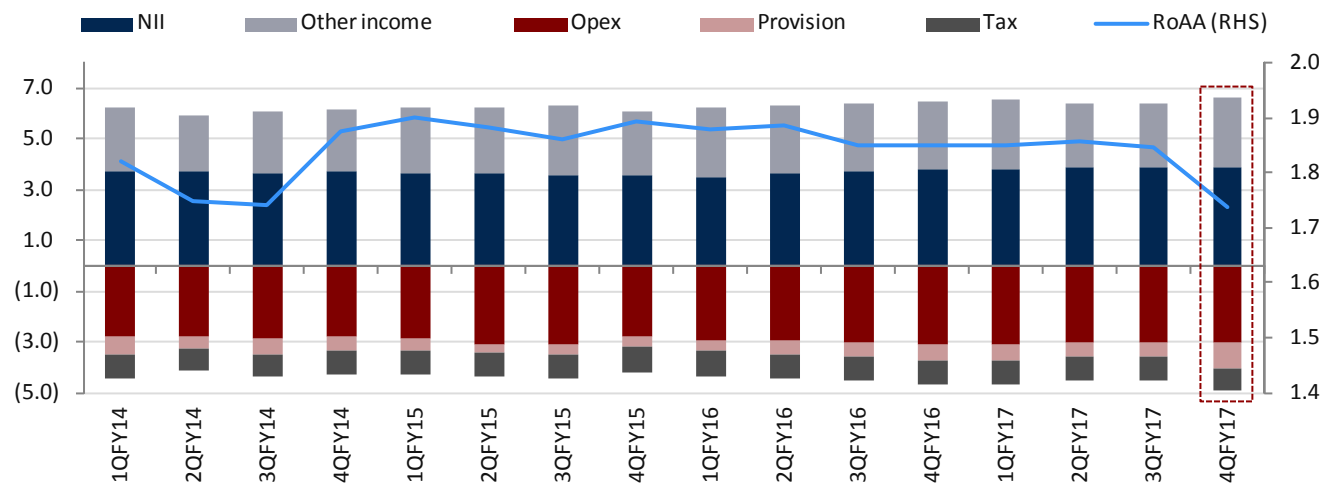


### Consumer Finance: GNPA's

	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
CV	1.44%	1.50%	1.44%	1.27%	1.18%	1.10%	1.05%	1.03%	1.05%	1.03%	0.96%	0.94%
UV	0.84%	0.77%	0.97%	1.08%	1.06%	1.03%	1.00%	1.22%	1.30%	1.18%	1.09%	1.14%
CE	1.58%	1.59%	1.64%	1.44%	1.46%	1.57%	1.45%	1.31%	1.44%	1.45%	1.28%	1.23%
3W/SCV s	0.82%	0.74%	0.90%	0.92%	1.04%	0.84%	0.81%	0.98%	1.10%	1.00%	0.86%	0.93%
2Ws	2.49%	2.42%	2.36%	2.53%	2.65%	2.83%	2.95%	3.06%	3.20%	3.74%	3.78%	0.36%
Cars	0.46%	0.38%	0.48%	0.56%	0.58%	0.41%	0.39%	0.52%	0.50%	0.50%	0.76%	0.67%
LAP/PL/HL	0.47%	0.30%	0.32%	0.33%	0.48%	0.41%	0.57%	0.76%	0.92%	1.00%	1.15%	1.26%
Cards	1.53%	1.53%	1.53%	1.24%	1.32%	1.35%	1.48%	1.54%	1.79%	1.80%	1.71%	1.43%

Source: Bank, HDFC sec Inst Research

### RoAA Dropped To ~1.74% After For 12 Quarters At ~1.9%



Source: Bank, HDFC sec Inst Research

## Peer Valuation

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
ICICIBC #	1,633	281	BUY	333	115	131	148	12.8	12.1	9.7	1.99	1.66	1.39	10.7	9.8	10.8	1.40	1.30	1.37
KMB #	1,605	876	BUY	987	135	155	179	40.2	32.2	25.6	5.47	4.64	3.88	13.2	14.6	15.6	1.65	1.74	1.81
AXSB	1,195	500	NEU	520	195	222	260	32.5	19.7	11.7	2.56	2.25	1.92	6.7	10.3	15.5	0.66	0.96	1.38
<b>IIB</b>	<b>846</b>	<b>1,422</b>	<b>BUY</b>	<b>1,550</b>	<b>332</b>	<b>382</b>	<b>443</b>	<b>29.6</b>	<b>24.1</b>	<b>19.8</b>	<b>4.29</b>	<b>3.72</b>	<b>3.21</b>	<b>15.3</b>	<b>16.2</b>	<b>17.1</b>	<b>1.80</b>	<b>1.78</b>	<b>1.77</b>
FB	158	92	BUY	101	44	51	56	20.1	16.0	13.1	2.07	1.81	1.63	9.3	10.8	12.1	0.77	0.81	0.84
CUB	89	149	BUY	175	52	61	70	17.6	15.4	13.4	2.83	2.44	2.12	15.4	15.5	15.7	1.49	1.47	1.47
DCBB	55	176	BUY	197	64	78	87	25.2	21.8	16.9	2.76	2.26	2.01	10.8	10.5	10.9	0.93	0.93	0.99
SBIN #	2,205	284	BUY	328	112	129	148	16.2	13.0	10.1	1.86	1.57	1.30	7.4	8.3	9.6	0.43	0.46	0.53
BOB	404	175	BUY	220	89	123	157	20.4	11.3	8.4	1.96	1.42	1.11	5.4	9.1	11.1	0.29	0.51	0.63
Equitas	56	165	BUY	187	61	63	67	29.3	40.6	25.1	2.70	2.61	2.46	10.6	5.9	8.9	2.47	1.34	1.64
Ujjivan	48	404	NEU	390	146	164	189	21.3	21.5	16.3	2.78	2.46	2.14	15.4	12.1	14.0	3.33	2.55	2.61

Source: Company, HDFC sec Inst Research, # Adjusted for subsidiaries value



## Income Statement

(Rs mn)	FY15	FY16	FY17P	FY18E	FY19E
Interest Earned	96,920	115,807	144,057	182,878	229,496
Interest Expended	62,717	70,641	83,431	109,010	138,240
<b>Net Interest Income</b>	<b>34,203</b>	<b>45,166</b>	<b>60,626</b>	<b>73,868</b>	<b>91,256</b>
<b>Other Income</b>	<b>25,480</b>	<b>32,969</b>	<b>41,715</b>	<b>49,582</b>	<b>60,140</b>
<i>Fee Income (CEB)</i>	<i>16,926</i>	<i>22,315</i>	<i>28,411</i>	<i>35,218</i>	<i>43,741</i>
<i>Treasury Income</i>	<i>1,177</i>	<i>1,453</i>	<i>1,500</i>	<i>750</i>	<i>750</i>
<b>Total Income</b>	<b>59,683</b>	<b>78,135</b>	<b>102,341</b>	<b>123,450</b>	<b>151,396</b>
<b>Total Operating Exp</b>	<b>28,701</b>	<b>36,721</b>	<b>47,831</b>	<b>59,278</b>	<b>71,936</b>
<i>Employee Expense</i>	<i>9,805</i>	<i>12,361</i>	<i>15,210</i>	<i>18,708</i>	<i>22,721</i>
<b>PPOP</b>	<b>30,982</b>	<b>41,414</b>	<b>54,510</b>	<b>64,172</b>	<b>79,460</b>
Provisions & Contingencies	3,891	6,722	10,913	10,842	13,452
<i>Prov. For NPAs (Incl. Std Prov.)</i>	<i>3,389</i>	<i>5,015</i>	<i>7,040</i>	<i>8,570</i>	<i>10,711</i>
<b>PBT</b>	<b>27,092</b>	<b>34,693</b>	<b>43,597</b>	<b>53,330</b>	<b>66,008</b>
Provision for Tax	9,155	11,828	14,918	18,129	23,043
<b>PAT</b>	<b>17,937</b>	<b>22,864</b>	<b>28,679</b>	<b>35,201</b>	<b>42,964</b>

Source: Bank, HDFC sec Inst Research,

## Balance Sheet

(Rs mn)	FY15	FY16	FY17P	FY18E	FY19E
<b>SOURCES OF FUNDS</b>					
Share Capital	5,295	5,950	5,982	5,982	5,982
Reserves	101,151	171,010	200,480	230,718	267,624
<b>Shareholders' Funds</b>	<b>106,445</b>	<b>176,960</b>	<b>206,461</b>	<b>236,699</b>	<b>273,606</b>
<i>Savings</i>	<i>129,436</i>	<i>172,462</i>	<i>270,370</i>	<i>365,901</i>	<i>484,755</i>
<i>Current</i>	<i>123,560</i>	<i>154,780</i>	<i>176,090</i>	<i>227,670</i>	<i>290,946</i>
<i>Term Deposit</i>	<i>488,348</i>	<i>602,761</i>	<i>819,262</i>	<i>989,845</i>	<i>1,205,467</i>
<b>Total Deposits</b>	<b>741,344</b>	<b>930,003</b>	<b>1,265,722</b>	<b>1,583,415</b>	<b>1,981,168</b>
Borrowings	206,181	221,559	224,537	255,942	309,731
Other Liabilities	63,904	72,048	89,764	99,411	110,246
<b>Total Liabilities</b>	<b>1,117,874</b>	<b>1,400,570</b>	<b>1,786,484</b>	<b>2,175,467</b>	<b>2,674,751</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	107,791	101,119	186,283	171,439	175,656
Investments	228,783	312,143	367,021	466,683	574,610
<i>G-Secs</i>	<i>179,061</i>	<i>252,680</i>	<i>303,773</i>	<i>395,854</i>	<i>495,292</i>
Advances	687,882	884,193	1,130,805	1,430,468	1,809,613
Fixed Assets	11,576	12,553	13,352	14,020	14,721
Other Assets	81,841	90,561	89,023	92,857	100,150
<b>Total Assets</b>	<b>1,117,874</b>	<b>1,400,570</b>	<b>1,786,484</b>	<b>2,175,467</b>	<b>2,674,751</b>

Source: Bank, HDFC sec Inst Research,

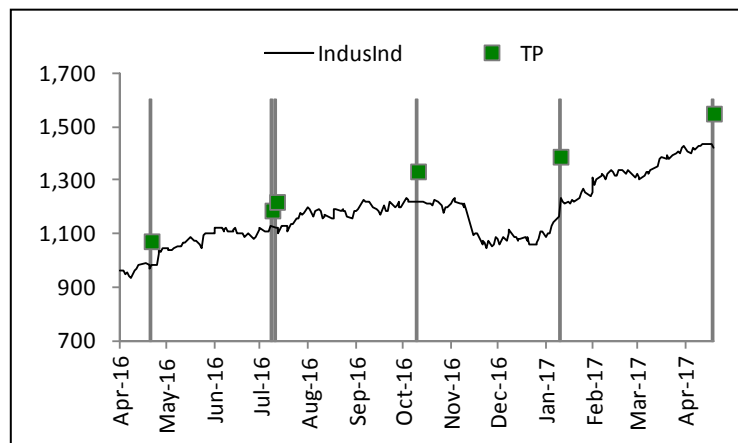
## Key Ratios

	FY15	FY16	FY17P	FY18E	FY19E
<b>VALUATION RATIOS</b>					
EPS (Rs)	33.9	38.4	47.9	58.9	71.8
Earnings Growth (%)	27.4	27.5	25.4	22.7	22.1
BVPS (Rs)	193.4	290.8	338.9	389.5	451.2
Adj. BVPS (Rs)	189.4	285.4	331.6	381.6	442.9
ROAA (%)	1.80	1.82	1.80	1.78	1.77
ROAE (%)	19.0	16.6	15.3	16.2	17.1
P/E (x)	41.9	37.0	29.6	24.1	19.8
P/ABV (x)	7.50	4.98	4.29	3.72	3.21
P/PPOP (x)	24.3	20.4	15.6	13.2	10.7
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.6
<b>PROFITABILITY</b>					
Yield On Advances (%)	12.5	11.8	11.4	11.5	11.5
Yield On Investment (%)	7.1	6.6	7.3	7.2	7.2
Cost Of Funds (%)	7.4	6.7	6.3	6.5	6.7
Cost Of Deposits (%)	7.7	6.8	6.7	6.5	6.4
Core Spread (%)	4.8	4.9	4.7	4.9	5.1
NIM (%)	3.9	4.0	4.2	4.1	4.1
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	2.9	2.9	3.0	3.0	3.0
Cost-Income Ratio (Ex. Treasury)	49.1	47.9	47.4	48.3	47.8
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	24.8	28.5	27.9	26.5	26.5
Deposit Growth (%)	22.5	25.4	36.1	25.1	25.1
C/D Ratio (%)	92.8	95.1	89.3	90.3	91.3
Equity/Assets (%)	9.5	12.6	11.6	10.9	10.2
Equity/Advances (%)	15.5	20.0	18.3	16.5	15.1
CASA (%)	34.1	35.2	35.3	37.5	39.2
Capital Adequacy Ratio (CAR, %)	12.1	15.5	14.0	13.0	12.2
W/w Tier I CAR (%)	11.2	14.9	13.5	12.6	11.9

	FY15	FY16	FY17P	FY18E	FY19E
<b>ASSET QUALITY</b>					
Gross NPLs (Rs mn)	5,629	7,768	10,548	13,258	16,495
Net NPLs (Rs mn)	2,105	3,218	4,389	4,688	4,927
Gross NPLs (%)	0.8	0.9	0.9	0.9	0.9
Net NPLs (%)	0.3	0.4	0.4	0.3	0.3
Coverage Ratio (%)	62.6	58.6	58.4	64.6	70.1
Provision/Avg. Loans (%)	0.5	0.6	0.7	0.7	0.7
<b>ROAA TREE</b>					
Net Interest Income	3.44%	3.59%	3.80%	3.73%	3.76%
Non Interest Income	2.56%	2.62%	2.62%	2.50%	2.48%
<i>Treasury Income</i>	<i>0.12%</i>	<i>0.12%</i>	<i>0.09%</i>	<i>0.04%</i>	<i>0.03%</i>
Operating Cost	2.89%	2.92%	3.00%	2.99%	2.97%
Provisions	0.39%	0.53%	0.68%	0.55%	0.55%
<i>Provisions for NPAs</i>	<i>0.34%</i>	<i>0.40%</i>	<i>0.44%</i>	<i>0.43%</i>	<i>0.44%</i>
Tax	0.92%	0.94%	0.94%	0.92%	0.95%
ROAA	1.80%	1.82%	1.80%	1.78%	1.77%
Leverage (x)	10.5	9.1	8.5	9.1	9.6
ROAE	19.01%	16.60%	15.27%	16.16%	17.09%

Source: Bank, HDFC sec Inst Research,

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
22-Apr-16	971	BUY	1,073
8-Jul-16	1,108	BUY	1,188
12-Jul-16	1,124	BUY	1,220
13-Oct-16	1,222	BUY	1,334
11-Jan-17	1,161	BUY	1,389
20-Apr-17	1,422	BUY	1,550

### Rating Definitions

**BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
**NEUTRAL** : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period  
**SELL** : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board : +91-22-6171 7330 www.hdfcsec.com