

INDUSTRY	BANKS
CMP (as on 29 May 2017)	Rs 165
Target Price	Rs 179
Nifty	9,605
Sensex	31,109
KEY STOCK DATA	
Bloomberg	CUBK IN
No. of Shares (mn)	601
MCap (Rs bn) / (\$ mn)	99/1,542
6m avg traded value (Rs mn)	119
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 185/103
	3M 6M 12M
Absolute (%)	14.6 23.2 55.0
Relative (%)	6.4 5.3 38.3
SHAREHOLDING PATTERN (%)	
Promoters	-
FIs & Local MFs	13.0
FPIs	36.7
Public & Others	50.3
Source : BSE	

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In pole position

CUBK's earnings were in line with estimates, with healthy and broad based loan growth (11% QoQ), superior NIM (4.2%), stable core C-I ratio (47%) and a dip in LLP (78bps). While slippages were higher QoQ, the overall stressed book was lower sequentially at 2.3% with repayments in the restructured book.

For FY16, CUBK's divergence (w.r.t NPA classification) stood at 16/3.5% for GNPA/PAT. The mgmt hinted that the normal divergence stands at ~Rs 150-250mn for the last several years (except Rs 920mn in FY13).

CUB is gradually addressing the concerns on asset quality and cost (absorbed the wage revision impact in FY17). Lower stressed assets, conservative provisions towards SR's, healthy NIM and CRAR, and superior RoA profile provide comfort. Weak regional PSBs give CUBK an opportunity to revive growth and reap the oplev benefits. Maintain BUY with a TP of Rs 179 (2.5x Mar-19E ABV of Rs 72).

Financial Summary

(Rs mn)	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY16	FY17P	FY18E	FY19E
Net Interest Income	3,106	2,645	17.4%	3,070	1.2%	9,810	11,988	13,542	15,426
PPOP	2,476	2,240	10.5%	2,736	-9.5%	8,333	9,937	10,904	12,077
APAT	1,289	1,122	14.8%	1,266	1.8%	4,447	5,028	5,750	6,607
EPS (Rs)	2.1	1.9	14.3%	2.1	1.8%	7.4	8.4	9.6	11.0
RoAE (%) (ex revaluations)						15.5	15.2	15.0	14.9
RoAA (%)						1.50	1.51	1.52	1.51
Adj. BVPS (Rs)						45.6	52.6	61.5	71.6
P/ABV (x)						3.62	3.14	2.68	2.30
P/E (x)						22.2	19.7	17.2	15.0

Source: Company, HDFC sec Inst Research

Highlights of the quarter

- Slippages were higher at Rs 1.4bn (2.4% annu. vs. 2.2% QoQ), with the largest A/c of Rs 170-180mn. GNPA (Rs 6.8bn, 2.8%) rise was restricted (+5% QoQ) with higher aggregate reduction (Rs 1.1bn, +61% QoQ). The management maintained its stress watch-list of 3-4 ACs with exposures of Rs 500mn. Our slippages assumption at 1.75% provides an upside risk over FY17-19E.
- NIMs were flat QoQ at 4.2%, with 19bps drop in yields, even as the CD ratio jumped to ~80%. Given the resilient performance, we have tweaked our NIM estimate to 3.8% from 3.7% earlier.
- Loan growth (~11% QoQ) was healthy and broad-based, driven by strong growth in Agri and traders segments. The QoQ decline in the MSME segment was largely attributable to PSLC sell outs. We factor ~18% CAGR over FY17-19E, given healthy CRAR and the weak position of regional PSBs.

Five Quarters At A Glance

Rs mn	4QFY16	1QFY17	2QFY16	3QFY17	4QFY17	YoY Growth	QoQ Growth
Net Interest Income	2,645	2,800	3,012	3,070	3,106	17.4%	1.2%
Non-interest Income	1,073	1,111	1,042	1,428	1,258	17.3%	-11.9%
Treasury Income	351	491	415	793	357	1.7%	-55.0%
Operating Income	3,717	3,911	4,054	4,498	4,364	17.4%	-3.0%
Operating Expenses	1,477	1,554	1,686	1,762	1,888	27.8%	7.1%
Pre-Provision Profits	2,240	2,358	2,367	2,736	2,476	10.5%	-9.5%
Other Provisions	708	707	670	920	713	0.6%	-22.5%
PBT	1,532	1,650	1,697	1,816	1,764	15.1%	-2.9%
Provision For Tax	410	415	460	550	475	15.9%	-13.6%
PAT	1,122	1,235	1,237	1,266	1,289	14.8%	1.8%
Balance Sheet items/ratios							
Deposits	272	279	284	300	301	10.9%	0.4%
CASA %	20.4	20.6	20.7	23.9	23.4	300 bps	-55 bps
Advances	213	212	222	218	241	13.5%	10.6%
CD Ratio (%)	78.3	75.9	78.2	72.7	80.1	181 bps	736 bps
CAR (%)	15.6	15.3	14.8	14.9	15.8	25 bps	95 bps
Tier I (%)	15.1	14.8	14.4	14.4	15.4	27 bps	97 bps
Profitability							
Yield On Advances (%)	12.6	12.4	12.2	12.1	11.9	-73 bps	-19 bps
Cost Of Deposits (%)	7.4	7.1	6.9	6.7	6.6	-77 bps	-5 bps
NIM (%)	3.96	4.07	4.20	4.18	4.20	24 bps	2 bps
Cost-Income Ratio (%)	39.7	39.7	41.6	39.2	43.3	353 bps	408 bps
Tax Rate (%)	26.8	25.1	27.1	30.3	26.9	17 bps	-335 bps
Asset quality							
Gross NPA (Rs mn)	5,120	5,550	5,980	6,499	6,820	33.2%	4.9%
Net NPA (Rs mn)	3,232	3,340	3,586	3,707	4,083	26.4%	10.2%
Gross NPAs (%)	2.41	2.62	2.69	2.98	2.83	42 bps	-15 bps
Net NPAs (%)	1.53	1.59	1.63	1.72	1.71	18 bps	-1 bps
Delinquency Ratio (%)	2.51	1.89	2.25	2.15	2.42	-9 bps	27 bps
Coverage Ratio Calc. (%)	36.9	39.8	40.0	43.0	40.1	324 bps	-284 bps
Coverage Ratio Reported (%)	60.0	60.0	60.0	62.0	61.0	100 bps	-100 bps
Restructured Book (%)	0.96	0.89	0.84	0.87	0.56	-40 bps	-31 bps

Inline with estimates with stable NIM performance

Opex growth was led by ~16% QoQ increase in other opex mainly owing to annual maintenance costs

In FY17, CUBK provided ~Rs 430mn towards SR's anticipating future haircuts

Growth was largely broad-based driven by traders (+14% QoQ) and large corp (+12%) QoQ

The sequential uptick of +33% in Agri and fall of ~3% in MSME was attributed to PSLC trading to meet the regulatory thresholds

NIM continues to be stable cushioned by a drop in COF

Despite slippages of ~Rs 1.38bn, accretion in GNPA's was contained due to sequentially higher W/O's of ~Rs 505mn. Divergence with RBI stood at a mere Rs 820mn

Sharp sequential dip was due to a repayment of ~Rs 220mn by a single exposure of ~Rs 750mn

Change In Estimates

(Rs mn)	FY18E			FY19E		
	Old	New	Change	Old	New	Change
NII	12,769	13,542	6.1%	15,219	15,426	1.4%
PPOP	11,501	10,904	-5.2%	12,615	12,077	-4.3%
PAT	5,752	5,750	0.0%	6,640	6,607	-0.5%
Adj. BVPS (Rs)	60.8	61.5	1.2%	69.9	71.6	2.5%

Source: HDFC sec Inst Research

Overall growth was broad based as Wholesale/Retail traders grew ~14/11% QoQ to form ~17.9% of total loans

The MSME book showed a decline- of ~3% on account of sale of PSLC's

Large corp loans grew ~12% QoQ to form ~7.3% of loans

The management has guided loan growth of 15-18% for FY18

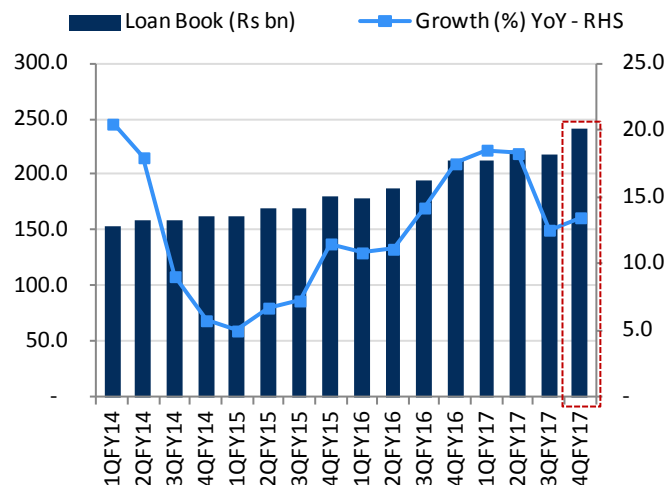
Deposits were up ~11% YoY (albeit flat sequentially) mainly driven by a ~27% uptick in CASA

CD ratio jumped to 80.1% up ~740bps QoQ

Strong loan growth, CASA dips QoQ

- Post a decline in 3Q, CUB's book growth at ~13.5/10.6% YoY/QoQ was healthy and broad-based in the core segments. The Bank's core focus segment i.e. traders segment grew ~13% QoQ (17.9% of loans), while the large corp grew ~12% QoQ and the Agri segment ~33% QoQ. The sharp rise in Agri is attributable to PSLC buyouts. However, the sequential decline in the MSME segment was largely attributable to PSLC sell-outs.

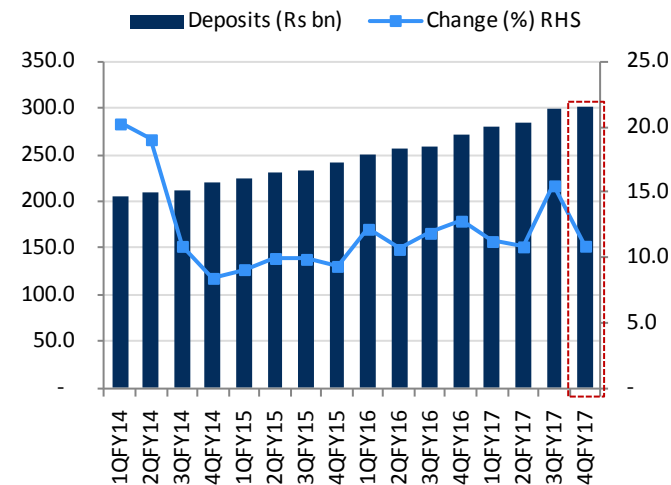
Strong Sequential Loan Growth Of 11%



Source: Company, HDFC sec Inst Research

- After twelve quarters of consecutive decline, the bank's gold loans grew 4% YoY (~5% QoQ). However, ex-gold, the bank's loans grew ~14.5% YoY. We have maintained our loan CAGR at 18% over FY17-19E.
- Deposits grew 11% YoY (flat QoQ), with strong growth in CASA (+27% YoY). Sequentially, SA declined ~3% QoQ (+28% YoY), while CA was flat QoQ. CASA ratio dipped ~55bps QoQ (after 320bps QoQ rise in 3Q) to 23.4% QoQ.

Deposits Remained Flat QoQ



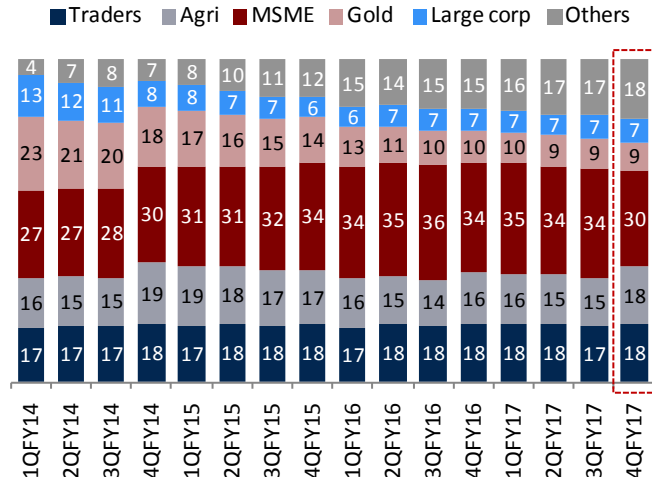
Source: Company, HDFC sec Inst Research

NIM was stable QoQ at 4.2% with decline in yields (19bps), despite rise in CD ratio

As expected, treasury gains moderated (down ~55% QoQ) as G-Sec yields hardened

Fee income grew by ~11% QoQ to ~Rs 582mn

Loan Mix : MSME Drop Due To PSLC Sell-Outs

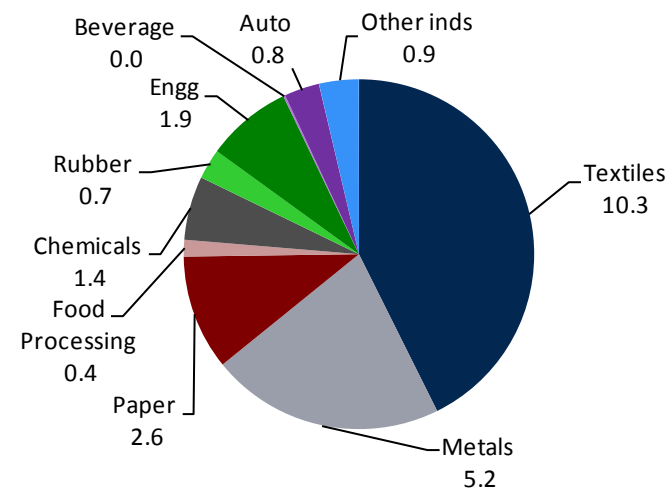


Source: Company, HDFC sec Inst Research

Stable NIM at ~4.2%

- CUBK's NIM at ~4.2% (+24bps YoY) was flat sequentially, led by a dip in yields (11.86%, -19bps QoQ), despite a rise in CD ratio (80%, +736bps QoQ) and further decline in CoF (5.7%, -8bps QoQ)
- While NIMs are impressive as of now, we believe the current levels are not sustainable, given the drop in MCLR and systematic decline in interest rates. However, with the resilient performance, we have

Industry-wise Break-up



Source: Company, HDFC sec Inst Research

marginally improved our NIM assumption to 3.8% vs. 3.7% earlier – provides a cushion to our estimates.

- Better-than-estimated loan growth and stable NIM led to strong NII growth of 17% YoY to Rs 3.1bn. Non-interest income declined ~12% QoQ, led by lower treasury gains (Rs 357mn, -55% QoQ). However, fees grew ~ 8/11% YoY/QoQ to Rs 582mn, ~1% of loans.

SA deposits dipped ~3% QoQ while CA deposits remained flat. Consequently, CASA ratio dipped 55bps QoQ

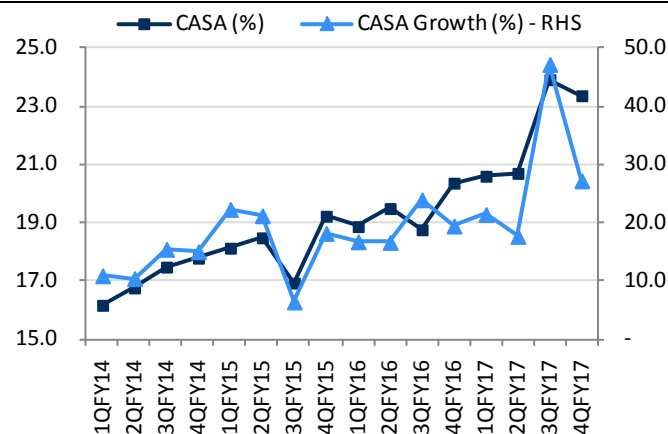
CI ratio was up ~410bps as other operating expenses jumped ~16% QoQ. This was owing to AMC contracts renewing in 4Q

Staff cost was controlled as it dipped ~3% QoQ

The management targets opening of 50-60 branches in FY18

The management conservatively provided ~Rs 430mn anticipating future haircuts on O/S SR's

CASA Ratio Dips ~55bps Sequentially



Source: Bank, HDFC sec Inst Research

Non-interest Income

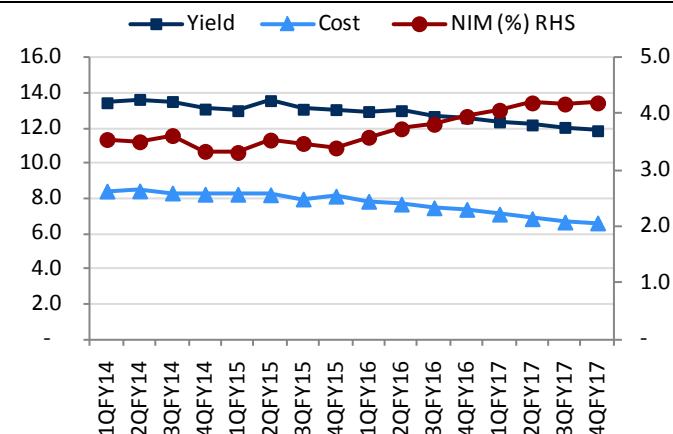
Rs mn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17
Fees	495	510	433	529	520	548	499	538	549	522	523	582
YoY	4.7	26.2	9.6	12.3	5.1	7.5	15.2	1.7	5.6	(4.7)	4.8	8.2
% Loans	1.2	1.2	1.0	1.2	1.2	1.2	1.0	1.0	1.0	0.9	1.0	1.0
Treasury	223	249	400	421	312	289	308	351	491	415	793	357
Others	389	143	145	105	217	108	226	184	71	105	112	320
Total	1,107	902	978	1,055	1,049	945	1,033	1,073	1,111	1,042	1,428	1,259
YoY	40.3	58.8	65.8	23.8	(5.2)	4.8	5.7	1.7	5.9	10.2	38.2	17.4
% Total Inc	37.2	30.4	31.8	34.0	31.9	28.2	29.0	28.9	28.4	25.7	31.7	28.8

Source: Bank

Opex growth led by other opex

- CUBK's core C-I ratio was flat QoQ at ~47%, with better NIM and core fee performance, despite higher opex QoQ.
- Opex grew 28% YoY (7% QoQ) to Rs 1.9bn, led by 17/16% YoY/QoQ rise in other cost. The jump in other opex was led by higher repair and maintenance cost. Higher staff cost (YoY) was due to wage revisions (w.e.f. July 2016). **Despite some moderation in staff cost (factored wage revision in FY17) and relatively**

NIM Healthy At ~4.2%, Flat QoQ



Source: Bank, HDFC sec Inst Research

better NIM performance, we have factored stable core C-I of ~44% in FY19E, providing cushion to earnings.

- Non-tax provisions were lower ~23% QoQ at Rs 713mn (124bps vs. 167bps QoQ and 139bps YoY) with LLP at Rs 450mn (-48% QoQ) i.e. 78bps vs. 158bps ann. QoQ. **With slower than-anticipated recoveries and upgrades (key montiorable), we have factored in non-tax provisions of 1.34% over FY17-19E.**

Slippages were slightly elevated at ~Rs 1.38bn (2.42% annu. vs 2.15% annu. is 3Q). They were largely granular with one large account of ~Rs 170-180mn

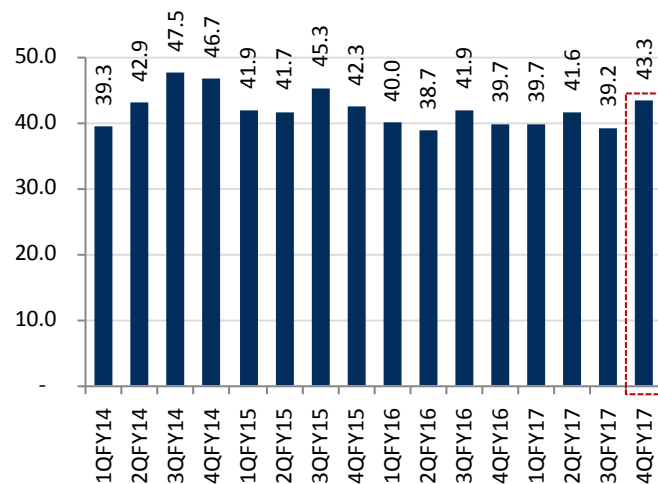
3-4 large accounts that showed stress have paid their dues till Mar-17. However, they could slip into NPA going forward

Restructured O/S stood at Rs 1.36bn (56bps of loans, down ~31bps QoQ)

Received repayments of Rs 191mn in SR's

O/S SR stood at Rs 3.5bn (1.5% of loans)

C-I Up ~410Bps QoQ

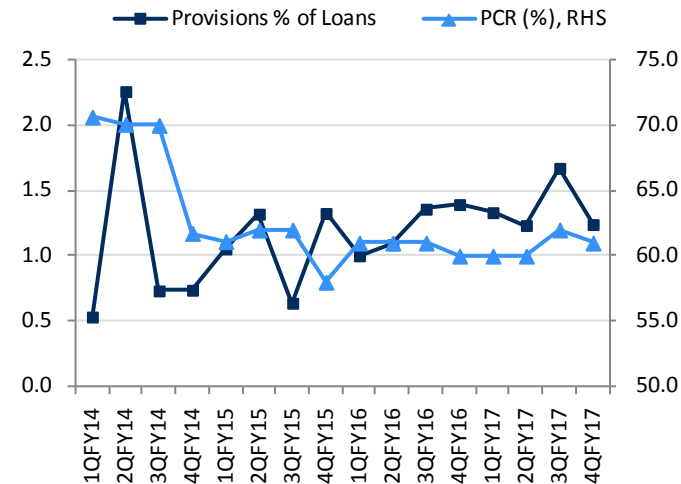


Source: Bank, HDFC sec Inst Research

Marginal rise in slippages, impaired assets lower

- CUBK's overall net stressed book (restructured + NNPA's) dipped ~32bps QoQ to ~2.27%. With no incremental restructuring during the quarter, and payments of Rs 220mn (power exposure), the o/s std. restructured book stood at Rs 1.36bn i.e. 56bps (w/w exposures of Rs 611mn i.e. 45% of the total restructured book are servicing normally).
- Slippages marginally inched up to Rs 1.38bn (i.e. 2.4% vs. 2.2% ann.) with the largest exposure at Rs 170-180mn. With better aggregate reductions (incl. W/O),

Provisions Cost Lower QoQ



Source: Bank, HDFC sec Inst Research

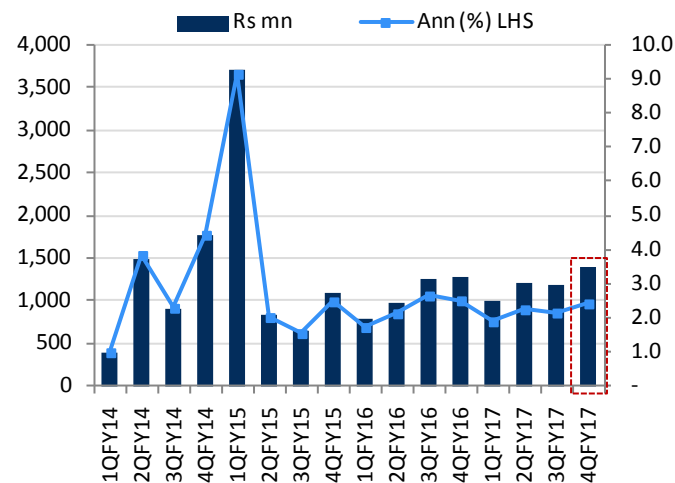
GNPAs increase was contained at 5% QoQ (+33% YoY) to Rs 6.8bn i.e. 2.8%. PCR dipped 100bps QoQ at 61%.

- CUBK maintained its watchlist at 3-4AC (Rs 500mn+ each). However, lower proportion of restructured book, high impaired assets in the stressed segment, coupled with gradual improvement provides comfort on asset quality.
- We have factored in higher slippages (avg. ~1.75% over FY17-19E) and expect a positive surprise. Trend in recoveries and upgrades remain key montiorable.

Restructured book remains lower vs. peers

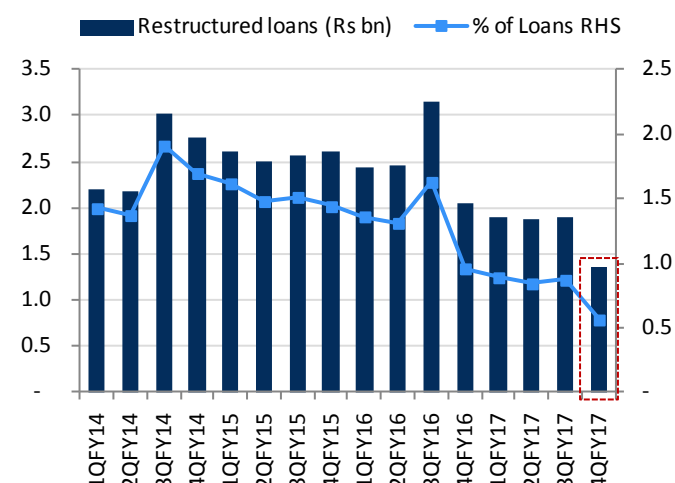
Sharp drop in restructured book led by repayments of Rs 220mn in a large power sector exposure of ~Rs 770mn.

Slippages Within Expected Levels



Source : Bank

Restructured Book Dips 31bps QoQ



Source : Bank

Asset Quality Movement

(Rs mn)	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17
Opening	2,931	3,083	3,379	3,607	3,358	3,594	3,983	4,599	5,120	5,550	5,980	6,499
Slippages	3,704	834	655	1,086	776	976	1,264	1,274	1,005	1,219	1,183	1,388
% Ann.	9.15	2.02	1.55	2.48	1.72	2.13	2.65	2.51	1.89	2.25	2.15	2.42
Upgrades	14	68	60	85	88	116	245	97	62	233	56	205
Recoveries	3,173	152	311	512	193	194	155	192	182	220	146	357
Write-Offs	365	319	56	738	259	277	248	464	331	336	462	505
Closing	3,083	3,378	3,607	3,358	3,594	3,983	4,599	5,120	5,550	5,980	6,499	6,820
QoQ %	5.2	9.6	6.8	(6.9)	7.0	10.8	15.5	11.3	8.4	7.7	8.7	4.9

Source: Bank

Of the total divergence of Rs 825mn, CUB recognized Rs 651mn as NPA during 1HFY17 (prior to RBI inspection) and Rs 174mn during 3QFY17

Divergence In Asset Classification

Particulars	Rs bn
Reported Gross NPAs as on FY16	5.1
Gross NPAs as on FY16 as assessed by RBI	5.9
Divergence in Gross NPAs	0.8
Divergence in GNPA (%)	16.1
Reported Net NPAs as on FY16	3.2
Net NPAs as on FY16 as assessed by RBI	3.9
Divergence in Net NPAs	0.7
Divergence in NNPA (%)	20.7
Reported NPA Provisions as on FY16	1.9
NPA Provisions as on FY16 as assessed by RBI	2.0
Divergence in provisioning	0.2
Divergence in Provisions (%)	8.4
Reported PAT for FY16	4.4
Adjusted (notional) PAT for FY16 after taking into account the divergence in provisioning	4.3
Divergence in PAT	0.2
Divergence in PAT (%)	3.5

Source: Bank

Peer Valuations

BANK	MCap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY17P	FY18E	FY19E	FY17P	FY18E	FY19E	FY17P	FY18E	FY19E	FY17P	FY18E	FY19E	FY17P	FY18E	FY19E
ICICI #	1,835	315	BUY	333	110	123	147	14.7	13.8	11.2	2.25	1.97	1.56	10.1	10.9	11.7	1.31	1.25	1.30
KMB #	1,720	938	BUY	1,013	136	157	183	42.8	33.0	26.8	5.81	4.91	4.09	13.2	15.0	15.6	1.68	1.86	1.90
AXSB	1,215	507	NEU	507	197	217	255	33.0	21.1	13.0	2.58	2.34	1.99	6.8	10.0	14.6	0.65	0.89	1.24
IIB	885	1,488	BUY	1,552	332	382	443	31.0	25.3	20.7	4.49	3.90	3.36	15.3	16.2	17.1	1.80	1.78	1.77
FB	187	109	BUY	116	46	52	58	22.5	18.2	14.3	2.34	2.09	1.87	9.8	11.0	12.7	0.81	0.82	0.88
CUB	99	165	BUY	179	53	62	72	19.7	17.2	15.0	3.14	2.68	2.30	15.2	16.0	14.9	1.51	1.52	1.51
DCBB	59	190	BUY	221	64	79	88	27.1	22.7	17.7	2.97	2.41	2.14	10.8	10.8	11.1	0.93	0.96	1.01
SBIN #	2,202	284	BUY	348	108	124	150	13.5	11.6	9.3	1.64	1.43	1.17	6.8	6.7	8.0	0.42	0.43	0.49
BOB	400	173	BUY	220	87	122	157	28.9	13.3	8.7	1.99	1.42	1.10	3.8	8.0	11.2	0.20	0.42	0.59
Ujjivan	36	299	NEU	390	146	164	189	15.7	15.9	12.1	2.05	1.82	1.58	15.4	12.1	14.0	3.33	2.55	2.61
Equitas	50	149	BUY	187	61	63	67	26.4	36.5	22.6	2.43	2.35	2.21	10.6	5.9	8.9	2.47	1.34	1.64

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

Income Statement

(Rs mn)	FY15	FY16	FY17P	FY18E	FY19E
Interest Earned	26,989	29,442	31,738	35,420	40,523
Interest Expended	18,915	19,632	19,750	21,877	25,097
Net Interest Income	8,074	9,810	11,988	13,542	15,426
Other Income	4,041	4,100	4,839	5,070	5,467
<i>Fee Income (CEB)</i>	<i>430</i>	<i>446</i>	<i>471</i>	<i>530</i>	<i>611</i>
<i>Treasury Income</i>	<i>603</i>	<i>453</i>	<i>1,150</i>	<i>950</i>	<i>850</i>
Total Income	12,115	13,910	16,827	18,612	20,894
Total Operating Exp	5,188	5,577	6,890	7,708	8,817
<i>Employee Expense</i>	<i>2,103</i>	<i>2,132</i>	<i>2,981</i>	<i>3,404</i>	<i>3,869</i>
PPOP	6,927	8,333	9,937	10,904	12,077
Provisions & Contingencies	1,825	2,306	3,010	3,083	3,175
<i>Prov. for NPAs</i>	<i>1,720</i>	<i>2,262</i>	<i>2,607</i>	<i>3,083</i>	<i>3,175</i>
PBT	5,101	6,027	6,928	7,822	8,901
Provision for Tax	1,260	1,580	1,900	2,072	2,295
Exp. Item	-109	0	0	0	0
Reported PAT	3,950	4,447	5,028	5,750	6,607
Adj. PAT	3,841	4,447	5,028	5,750	6,607

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY15	FY16	FY17P	FY18E	FY19E
SOURCES OF FUNDS					
Share Capital	597	598	601	601	601
Reserves	26,359	29,922	35,101	40,563	46,840
Shareholders' Funds	26,955	30,520	35,702	41,164	47,441
<i>Savings</i>	<i>29,626</i>	<i>36,133</i>	<i>46,298</i>	<i>56,820</i>	<i>67,711</i>
<i>Current</i>	<i>16,681</i>	<i>19,192</i>	<i>24,100</i>	<i>26,948</i>	<i>30,216</i>
<i>Term Deposit</i>	<i>194,443</i>	<i>216,256</i>	<i>230,759</i>	<i>262,620</i>	<i>311,731</i>
Total Deposits	240,750	271,581	301,157	346,388	409,658
Borrowings	1,688	1,125	5,310	1,833	2,147
Other Liabilities & Provs.	9,318	9,293	10,538	11,972	13,258
Total Liabilities	278,711	312,520	352,708	401,357	472,504
APPLICATION OF FUNDS					
Cash & Bank Balance	25,368	26,001	28,790	28,654	33,548
Investments	58,707	63,245	70,314	79,010	91,089
G-Secs	54,875	59,050	66,978	75,339	87,052
Advances	179,655	210,569	238,327	278,843	331,823
Fixed Assets	2,104	2,176	2,151	2,194	2,238
Other Assets	12,878	10,530	13,126	12,657	13,805
Total Assets	278,711	312,520	352,708	401,357	472,504

Source: Bank, HDFC sec Inst Research

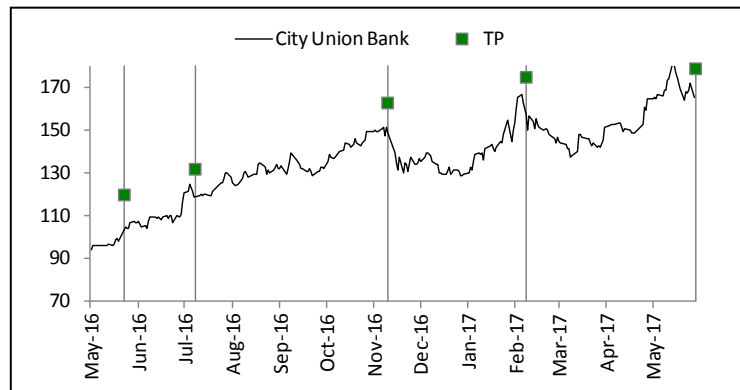
Key Ratios

	FY15	FY16	FY17P	FY18E	FY19E
VALUATION RATIOS					
EPS (Rs)	6.6	7.4	8.4	9.6	11.0
Earnings Growth (%)	13.8	12.6	13.1	14.4	14.9
BVPS (Rs)	45.2	51.0	59.4	68.5	78.9
Adj. BVPS (Rs)	41.3	45.6	52.6	61.5	71.6
ROAA (%)	1.49	1.50	1.51	1.52	1.51
ROAE (%)	16.7	15.5	15.2	15.0	14.9
P/E (x)	24.9	22.2	19.7	17.2	15.0
P/ABV (x)	4.00	3.62	3.14	2.68	2.30
P/PPOP (x)	14.2	11.8	10.0	9.1	8.2
Dividend Yield (%)	0.7	0.7	0.2	0.3	0.3
PROFITABILITY					
Yield On Advances (%)	12.7	12.1	11.5	11.2	11.0
Yield On Investment (%)	8.3	8.9	8.1	7.9	7.6
Cost Of Funds (%)	8.1	7.6	6.8	6.7	6.6
Cost of Deposits (%)	8.0	7.5	6.8	6.6	6.5
Core Spread (%)	4.6	4.5	4.7	4.6	4.4
NIM (%)	3.34	3.65	3.94	3.89	3.79
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	2.0	1.9	2.1	2.0	2.0
Cost-Income Ratio (Excl Treasury)	45.1	41.4	43.9	43.6	44.0
BALANCE SHEET STRUCTURE					
Loan Growth (%)	11.6	17.2	13.2	17.0	19.0
Deposit Growth (%)	9.3	12.8	10.9	15.0	18.3
C/D Ratio (%)	74.6	77.5	79.1	80.5	81.0
Equity/Assets (%)	9.7	9.8	10.1	10.3	10.0
Equity/Advances (%)	15.0	14.5	15.0	14.8	14.3
CASA (%)	19.2	20.4	23.4	24.2	23.9
Capital Adequacy Ratio (CAR, %)	16.5	15.6	15.8	15.5	15.2
W/w Tier I CAR (%)	16.0	15.1	15.4	15.1	14.9

	FY15	FY16	FY17P	FY18E	FY19E
ASSET QUALITY					
Gross NPLs (Rsm)	3,358	5,120	6,820	7,700	8,144
Net NPLs (Rsm)	2,328	3,232	4,083	4,176	4,389
Gross NPLs (%)	1.86	2.41	2.83	2.73	2.43
Net NPLs (%)	1.30	1.53	1.71	1.50	1.32
Slippages (%)	2.50	2.20	2.14	1.90	1.70
Coverage Ratio (%)	58.0	60.0	61.0	66.0	67.4
Provision/Avg. Loans (%)	0.97	1.05	1.12	1.15	1.00
ROAA TREE					
Net Interest Income	3.05%	3.32%	3.60%	3.59%	3.53%
Non-interest Income	1.53%	1.39%	1.45%	1.34%	1.25%
Treasury Income	0.23%	0.15%	0.35%	0.25%	0.19%
Operating Cost	1.96%	1.89%	2.07%	2.04%	2.02%
Provisions	0.69%	0.78%	0.90%	0.82%	0.73%
Provisions For NPAs	0.62%	0.69%	0.76%	0.79%	0.70%
Tax	0.48%	0.53%	0.57%	0.55%	0.53%
ROAA	1.45%	1.50%	1.51%	1.52%	1.51%
Leverage (x)	11.2	10.3	10.0	9.8	9.9
ROAE	16.3%	15.5%	15.2%	15.0%	14.9%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
24-May-16	103	BUY	120
8-Jul-16	122	BUY	132
11-Nov-16	151	BUY	163
9-Feb-17	157	BUY	175
30-May-17	165	BUY	179

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

Disclosure:

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