

October 25, 2017

HDFC Bank (HDFBAN)

₹ 1800

Steady performance continues....

- The bank reported a healthy set of numbers with operating profit maintaining traction of 30% YoY to ₹ 7818 crore in Q1FY18
- On the NPA front, GNPA increased 6% QoQ to ₹ 7703 crore post a 23% QoQ surge seen in Q1FY18. GNPA ratio increased 2 bps to 1.26 vs. 19 bps rise seen in Q1FY18. NNPA was steady QoQ at 0.4%
- Provisions declined QoQ to ₹ 1476 crore vs. ₹ 1559 crore. The bank has made sufficient contingent provisions towards an account under 5:25 scheme wherein the regulator made certain observations in its restructuring. The absolute amount of the exposure of the bank is unknown but it is standard in the bank's books
- Advances increased 22.3% to ₹ 604867 crore led by higher than systemic growth with domestic retail & wholesale book growing at 29% & 25% YoY, respectively. The loan mix between retail: wholesale was 55:45. Among retail, unsecured loans traction remained strong at 36% YoY in personal loans & 45% YoY in credit cards
- PAT traction was in line at 20.1% YoY to ₹ 4151 crore

Play on core earnings strategy to stay with strong retail book

HDFC Bank had maintained its profit growth at 30% CAGR to ₹ 6726 crore till FY15 on then asset size of ₹ 590632 crore. PAT moderated with 20% growth to ₹ 14549 crore in FY17. Going forward, we expect PAT to grow at 23.6% CAGR in FY17-19E to ₹ 22239 crore. It had 52.7% retail (₹ 283666 crore) and 43.7% wholesale loan book of ₹ 254976 crore as on FY17. In Q2FY18, within retail (28.5% YoY growth), personal loans, credit cards and home loans grew higher at 36%, 45% and 19%, respectively. It enjoys largest market share in credit cards, which fetches higher margins and returns. We expect higher than system credit growth at 20% CAGR in FY17-19E to ₹ 798315 crore to stay.

Rural expansion drive to go long way, operating leverage to be seen...

We observe that HDFC Bank has strategised to dig deep in the rural belt to expand markets with >900 branches opened in the last two years and >600 in rural areas of Punjab, Gujarat and other states. The bank has a strong liability franchise with CASA of 48% (in FY05-17) (Q2FY18 at 43%) and retail term deposit comprising ~85% of total deposit of ₹ 554568 crore as on FY17. CASA and fee-based income from cross-selling continue to grow on a rising presence in remote locations. This led cost of funds to be less volatile, thereby enabling lucrative NIM >4% consistently. We expect NIM at ~4.2-4.5% in FY17-19E with focus on the high yield retail segment.

Asset quality manageable due to seasoned credit book

GNPA and NNPA ratios have been stable around 1-1.5% in the last 25 quarters. Retail NPA had risen just once in the FY08 crisis to 2%. In Q1FY18, agricultural NPA due to farm loan waiver increased GNPA ratio to 1.24% from 1.05%, which was largely steady in Q2FY18. Being a seasoned portfolio, we factor GNPA, NNPA to be stable at ~1.2% (₹ 9252 crore) & 0.3% (₹ 2708 crore), respectively, by FY19E.

Fundamentals remain strong; premium for consistent performance to stay

Considering the healthy balance sheet growth, superior asset quality and management, the bank is well poised to deliver consistently with margin leadership and robust return ratios. Hence, the bank remains a portfolio stock with premium valuations. We maintain estimates of 21% CAGR in NII, 23.6% in PAT in FY17-19E. We revise our TP upwards to ₹ 2050 (earlier ₹ 1840) valuing it at 23x FY19E EPS (4.7x FY19E ABV) and adding ₹ 50 per share for HDB Financial Services. We revise our rating from HOLD to **BUY**.

Rating matrix	
Rating	Buy
Target	₹ 2050
Target Period	12 months
Potential Upside	14%

What's Changed?	
Target	Changed from ₹ 1840 to ₹ 2050
EPS FY18E	Unchanged
EPS FY19E	Changed from ₹ 84.1 to ₹ 86.8
Rating	Changed from Hold to Buy

Quarterly Performance					
	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)
NII	9,752.1	7,993.6	22.0	9,370.7	4.1
Oth. income	3,605.9	2,901.0	24.3	3,516.7	2.5
PPP	7,817.9	6,024.5	29.8	7,519.9	4.0
PAT	4,151.0	3,455.3	20.1	3,893.8	6.6

Key Financials				
₹ Crore	FY16	FY17	FY18E	FY19E
NII	27,590	33,139	40,958	48,517
PPP	21,364	25,732	31,843	38,301
PAT	12,297	14,549	18,066	22,239

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	37.2	31.8	25.6	20.8
Target P/E	37.8	32.4	26.1	21.2
P/ABV	6.4	5.3	4.8	4.2
Target P/ABV	6.5	5.4	4.9	4.3
RoE	18.2	17.9	19.1	20.9
RoA	1.9	1.9	1.9	2.0

Stock data	
Market Capitalisation	₹ 463362 crore
GNPA (Q2FY18)	₹ 7703 crore
NNPA (Q2FY18)	₹ 2597 crore
NIM % (Q2FY18)	4.3
52 week H/L	1875/1159
Networth (Q2FY18)	₹ 95942 crore
Face value	₹ 2
DII holding (%)	13.9
FII holding (%)	41.5

Price performance (%)				
Return %	1M	3M	6M	12M
bank	4.3	7.3	19.0	35.4
HDFC Bank	2.4	7.6	21.8	47.8
Axis Bank	-10.6	-15.5	-9.4	-13.3

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Variance analysis

	Q2FY18	Q2FY18E	Q2FY17	YoY (%)	Q1FY18	QoQ (%)	Comments
NII	9,752	9,793	7,994	22.0	9,371	4.1	Strong loan growth of 22% YoY and best in class margin of 4.3% enabled healthy NII growth
NIM (%)	4.3	4.4	4.2	10 bps	4.4	-10 bps	The management guidance for NIM is in the range of 4.0-4.4% in H2FY18
Other Income	3,606	3,451	2,901	24.3	3,517	2.5	Other income growth was largely led by strong growth in core fee based income & forex income
Net Total Income	13,358	13,244	10,895	22.6	12,887	3.7	
Staff cost	1,716	1,790	1,657	3.5	1,658	3.5	
Other Operating Expenses	3,824	3,627	3,213	19.0	3,710	3.1	
PPP	7,817.9	7,827.5	6,024.5	29.8	7,519.9	4.0	Operating earnings maintained strong traction of 30% YoY
Provision	1,476.2	1,426.4	749.0	97.1	1,558.8	-5.3	Provisioning doubled led by agri NPA in Q1FY18. However, in Q2FY18, the provisions saw a decline QoQ despite the bank making sufficient contingent provisions towards an account under 5:25 scheme wherein the regulator made certain observations in its restructuring
PBT	6,341.7	6,401.1	5,275.5	20.2	5,961.2	6.4	
Tax	2,190.7	2,227.6	1,820.2	20.4	2,067.3	6.0	
PAT	4,151.0	4,173.5	3,455.3	20.1	3,893.8	6.6	PAT growth trajectory of 20% YoY was maintained

Key Metrics

GNPA	7,702.8	7,350.1	5,069.0	52.0	7,242.9	6.3	Asset quality witnessed slight pressure but was largely under control on a QoQ basis
NNPA	2,596.8	1,995.1	1,488.9	74.4	2,528.2	2.7	
Total Restructured assets	580.7	543.9	494.4	17.4	581.0	-0.1	
Advances	604,867	594,338	494,418	22.3	580,976	4.1	Advance growth led by both retail and corporate book
Deposits	689,346	680,573	591,731	16.5	671,376	2.7	

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E		
	Old	New	% Change	Old	New	% Change
Net Interest Income	40,957.8	40,957.8	0.0	48,603.6	48,517.5	-0.2
Pre Provision Profit	31,843.1	31,843.1	0.0	38,387.4	38,301.3	-0.2
NIM calculated (%)	4.6	4.6	0 bps	4.7	4.6	-1 bps
PAT	18,065.8	18,065.8	0.0	22,295.6	22,238.8	-0.3
ABV (₹)	379.2	379.2	0.0	428.1	429.8	0.4

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier	
	FY16	FY17	FY18E	FY19E	FY18E	FY19E
Credit growth (%)	27.1	19.4	20.0	20.0	20.0	20.0
Deposit Growth (%)	21.2	17.8	18.0	18.1	18.0	18.1
CASA ratio (%)	43.2	48.0	48.0	48.1	48.0	48.1
NIM Calculated (%)	4.5	4.5	4.6	4.6	4.6	4.7
Cost to income ratio (%)	44.3	43.4	42.7	41.7	42.7	41.6
GNPA (₹ crore)	4,391.4	5,886.0	8,214.4	9,252.2	8,214.4	9,252.2
NNPA (₹ crore)	1,318.9	1,844.8	2,780.3	2,708.2	2,780.3	2,708.2
Slippage ratio (%)	1.2	1.1	1.2	1.0	1.2	1.0
Credit cost (%)	0.6	0.6	0.7	0.6	0.7	0.6

Source: Company, ICICIdirect.com Research

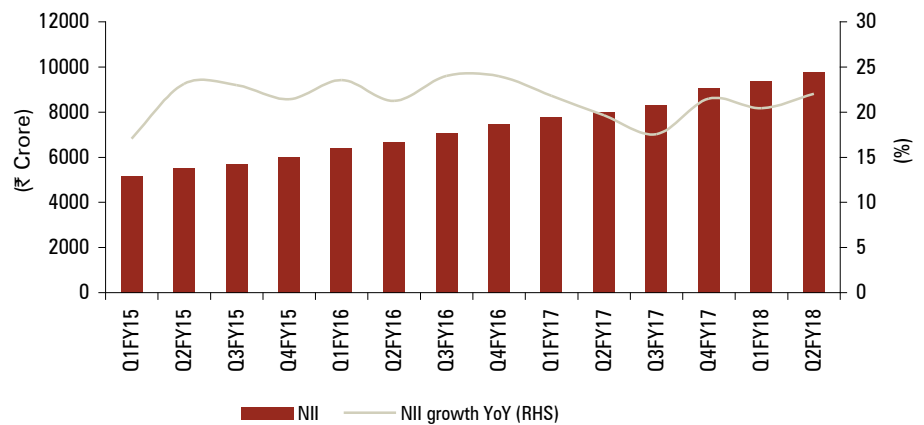
Company Analysis

Business, NII growth to remain relatively healthy...

HDFC Bank is largely a retail bank and earns majority of revenues and income from the same. Retail and corporate constitute ~52.7% and 43.7%, respectively, in its ₹ 554568 crore credit portfolio as on FY17. Retail includes lending like all vehicle financing, tractors, construction equipment, credit cards, personal loans, home loans, etc. These require a large branch network, strong customer interface and better underwriting skills. Historically, the bank has maintained 50% share in both segments. Credit has grown at 25% CAGR in FY09-13 led by retail and witnessed 26% growth in FY14 due to FCNR-B deposits and related lending. We expect credit to grow at 20% CAGR to ₹ 798315 crore by FY19E.

Net interest income has grown at 23% CAGR in FY10-13 and at 21% CAGR in FY13-17. We expect growth to moderate but still remain healthy at 21% in FY17-19E at ₹ 48512 crore.

Exhibit 1: NII growth maintained healthy at 22% YoY in Q2FY18



Going ahead, the management expects credit growth to remain higher than system growth

Source: Company, ICICIdirect.com Research

Advances increased 22% to ₹ 604867 crore vs. expected 20% YoY led by higher than systemic growth with domestic retail and wholesale book growing at 28.5% and 25% YoY. The loan mix between retail: wholesale was 55:45.

Among retail, unsecured loans traction continued to remain strong with growth of 36% YoY in personal loans and 45% YoY in credit cards. Business banking is growing fast at 44% YoY to ₹ 45528 crore. In Q2FY18, the home loan book grew 19% YoY. CV/ CE is seeing a pick-up growing at 22% YoY. The management indicated that traction in unsecured portfolio would continue.

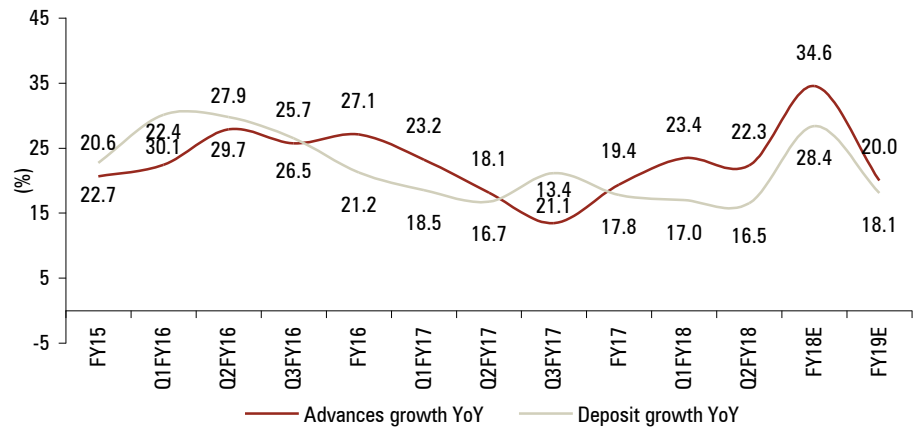
Exhibit 2: Break-up of retail credit

₹ crore	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18
Auto	46,009	49,755	50,199	52,187	56,483	58,449	62,052	66,011	69,053
CVCE	14,799	14,950	14,688	15,329	16,598	17,563	19,221	19,706	20,252
Two Wheelers	4,730	5,213	5,380	5,549	5,823	6,114	6,290	6,532	6,883
Personal Loans	31,881	35,071	37,200	40,493	44,706	46,454	50,067	55,539	60,692
Business Banking	27,288	26,936	25,290	25,596	31,516	32,129	36,235	40,446	45,528
Loans against Securities	1,078	1,129	1,240	1,206	1,260	1,271	1,461	1,447	1,604
Credit Cards	18,000	19,689	20,520	21,255	21,336	23,673	25,995	29,101	30,831
Home Loans	28,483	28,419	31,844	33,590	33,559	35,408	38,365	38,783	40,015
Others	32,187	33,710	37,757	37,855	41,128	40,025	43,980	45,261	49,490
Total	204,455	214,872	224,118	233,060	252,409	261,086	283,666	302,826	324,348

Source: Company quarterly press release, ICICIdirect.com Research

HDFC Bank has close to ~40% market share in credit cards – o/s credit basis (₹ 30831 crore). About 65% of HDFC Bank's credit card portfolio is from cross-selling to existing customers. Incrementally, growth in personal loans, home loans and auto has remained high during the year. In the personal loan segment, ~50% of borrowers are HDFC Bank's existing customers. We expect growth in the retail segment to continue at >20% as it enters strongly in rural areas.

Exhibit 3: Both credit, deposit growth above industry



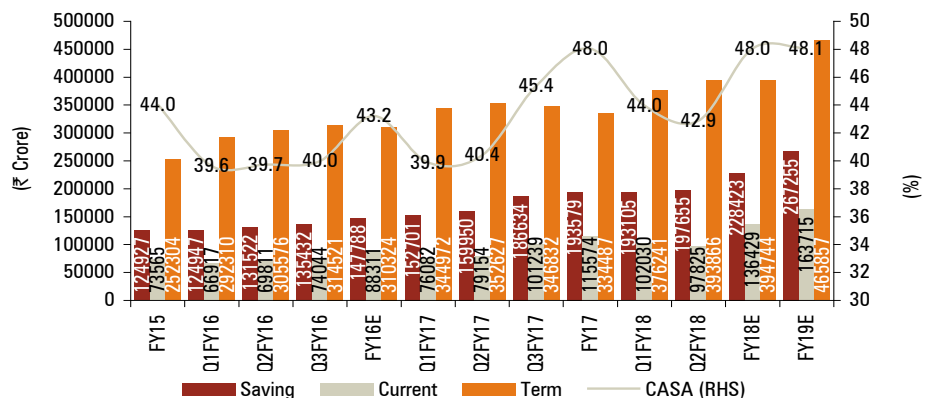
Source: Company, ICICIdirect.com Research

Strong liability franchise

Deposits grew higher than credit at 22.7% YoY in FY15 while five year CAGR was around 16%. In FY16-17, it surged 23% YoY to ₹ 554568 crore. The CASA ratio improved from ~44% in FY15 to ~48% in FY17, an increase of ~400 bps led by accretion of low cost deposits in normal course as well as demonetisation drive. CASA has remained the highlight of deposit even in the past with consistent balance, second largest at ₹ 236311 crore as on FY16 post SBI on an absolute basis. In Q2FY17, low cost deposit continued to witness a surge led by demonetisation, which has led CASA ratio to increase ~300 bps QoQ to 48% in FY17. In Q2FY18, deposits grew 16.5% YoY to ₹ 689346 crore with CASA ratio of 42.9%.

During FY14, the bank adequately utilised RBI's SWAP facility i.e. converting FCNR (B) deposits to rupees at a concessional rate. Its deposits then grew 24% YoY to ₹ 367000 crore, including FCNR (B) deposits of US\$3.4 billion as on FY14. Post adjusting for such deposits, traction still remained above industry at 16.9% YoY.

Exhibit 4: CASA ratio declines in Q2FY18 due to fall in current deposits & faster pick-up in term deposits

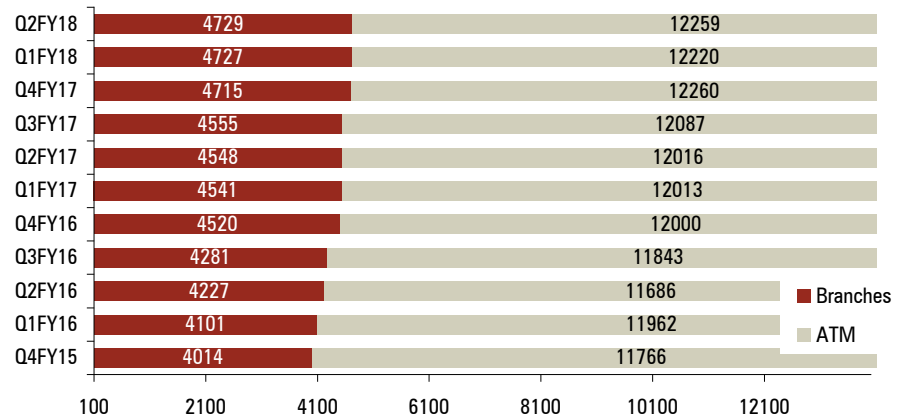


Source: Company quarterly press release, ICICIdirect.com Research

Higher growth in low cost deposit led by demonetisation in Q3

HDFC Bank has opened >900 branches in the last two years, which were in unbanked areas. The cost of these branches is relatively lower than other locations. They need two to three years to break even. Fresh additions are seen being limited to around 200 branches per year.

Exhibit 5: Branch, ATM additions continue with incremental focus on rural to boost CASA

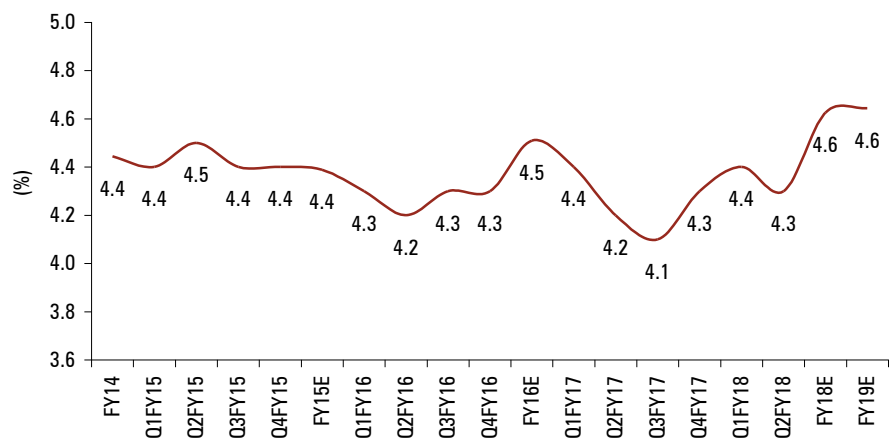


Source: Company quarterly press release and annual report, ICICIdirect.com Research

NIMs sustain above 4%, expected to continue

Led by stable asset quality, NII remains constant with no reversals. Accordingly, reported NIM has remained stable around 4.2-4.4%. We expect this stability to remain as retail loans continue to be in the high focus segment. Growth is mainly taking place in the same for all banks. Rising home loans from HDFC can impact margin expansion. However, incremental exposure to the high yield retail segment is expected to support margins to remain stable.

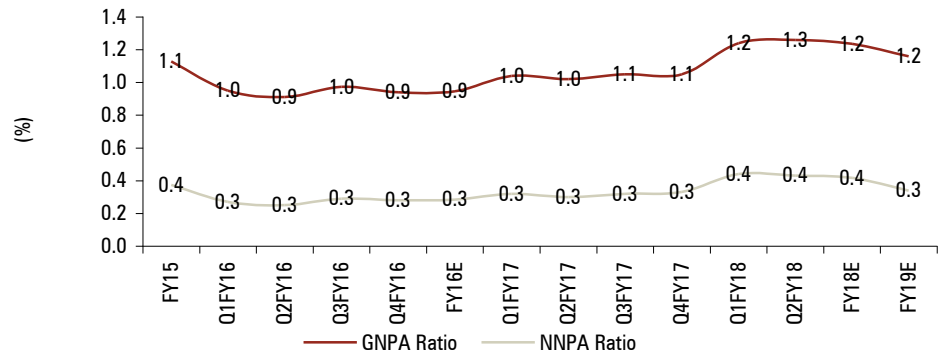
Exhibit 6: NIM one of the highest; consistently maintained...



Source: Company quarterly press release, ICICIdirect.com Research
 FY13, FY14, FY15, FY16, FY17, FY18E and FY19E are calculated

Seasoned portfolio – NPA stays under check

Exhibit 7: Asset quality under control



Source: Company quarterly press release and annual report, ICICIdirect.com Research

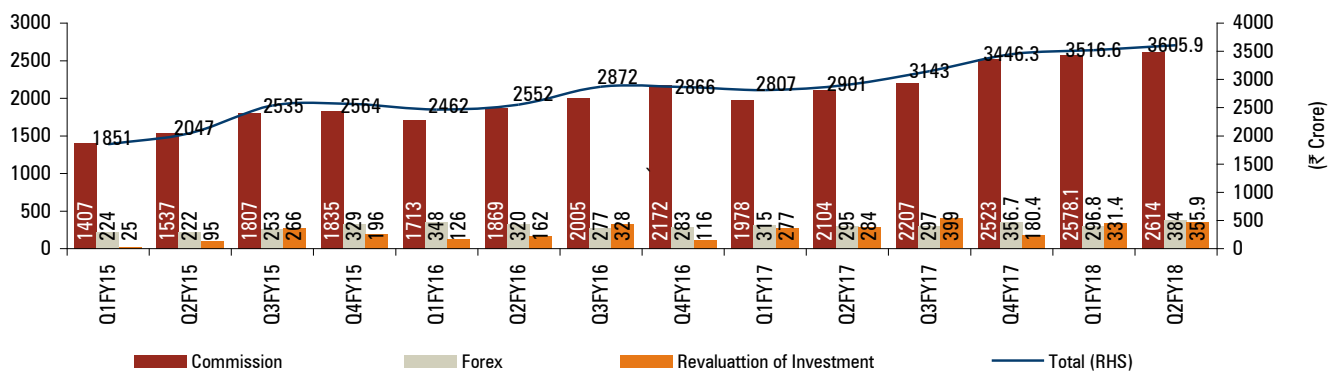
In Q1FY18, GNPA increased 23% QoQ to ₹ 7243 crore primarily on account of agricultural NPA (60% of fresh addition) led by farm loan waivers. GNPA ratio surged 19 bps to 1.24% vs. 1.05%. Accordingly, provisions increased to ₹ 1559 crore, up 80% YoY, 23% QoQ. As a prudent measure, the bank has enhanced specific provision coverage for its non-performing agricultural advances.

However, in Q2FY18 as indicated by the management asset quality stayed under control with a slight increase in GNPA ratio to 1.26%. The bank informed that it has made sufficient contingent provisions towards an account under 5:25 scheme wherein the regulator made certain observations in its restructuring. The absolute amount of the exposure of the bank is unknown but it is standard in the bank's books.

With a retail and working capital portfolio, we do not expect the bank to report large RA in future. Further, there is no large pipeline of assets under 5/25 scheme. We expect GNPA and NNPA to rise gradually to ₹ 9252 crore and ₹ 2708 crore, respectively, leading both ratios to stay ~1.2% and 0.3%, respectively, by FY19E.

Non-interest income traction healthy; core fee income growth at 24% YoY

Exhibit 8: Non interest income contributes ~30% to income



Source: Company, ICICIdirect.com Research

In Q2FY18, core fee income increased 24% YoY to ₹ 2614 crore while forex income was at ₹ 384 crore, up 30% YoY. Third party distribution fee also pushed up other income. Treasury gains grew 26% YoY. Overall, 24% YoY growth in non interest income was strong at ₹ 3606 crore.

Other income has formed ~27-30% of net total income in the last decade. On occasions, growth has been boosted by treasury gain or impacted by volatile yields. However, fee based income continued to grow over the years.

We expect rural expansion to enable maintenance of non interest income growth at 18% CAGR to ₹ 17124 crore by FY19E. We expect contribution to total income to stabilise around the same at ~27-28% in the next couple of years.

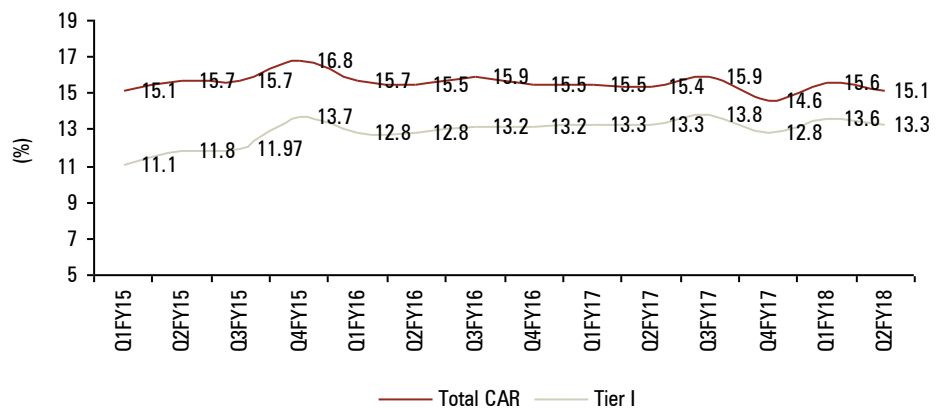
Return ratios still strong, adequately capitalised

RoE has been maintained at ~17-20% in the last decade with RoA > 1.5%. We expect RoE of 18-20% to continue, going ahead, aided by profit CAGR of 23.6% to ₹ 22239 crore by FY19E.

The bank mobilised ~₹ 9800 crore in FY16 via a combination of domestic and foreign investors. Such capital raising would help maintain healthy growth in future and would also support margins.

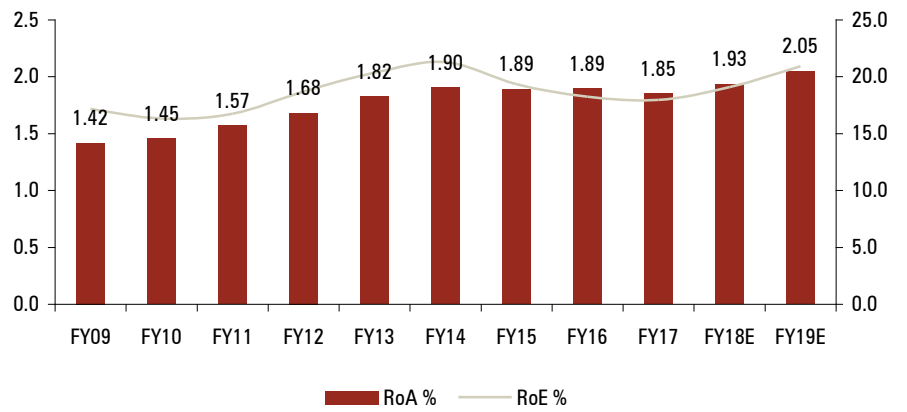
During Q1FY18, the bank raised additional Tier 1 capital bonds of ₹ 8,000 crore and Tier 2 bonds of ₹ 2,000 crore. As on Q2FY18, its total capital adequacy ratio (CAR) as per Basel III guidelines was at 15.1% while Tier 1 ratio was at 13.3%.

Exhibit 9: Strong capital adequacy offers room for future growth as economy revives



Source: Company quarterly press release and annual report, ICICIdirect.com Research

Exhibit 10: Strong return ratios to continue



Source: Company, ICICIdirect.com Research

Outlook and valuation

The management has maintained a strategy of growing credit higher than industry with the NIM range also being maintained at ~4.2-4.4%. The bank continues to have an edge in terms of liability profile with CASA of >40%. Owing to a diversified asset book, though stress has risen a bit in the last two years, it stayed under control with strong PCR. We believe enhancing its rural presence at a brisk pace will help it to gain market share. Further, operating leverage benefits from increased spending on the digitisation front would also occur, going ahead.

The operating performance remains healthy. Return ratios remain better than peers with RoA of ~1.9% and RoE ~19%. Though PAT traction has declined from 30% to 20%, it is still better and more consistent considering its size and the macro environment. The inherent structural strength of the bank remains intact.

We have largely maintained our estimates. Considering healthy balance sheet growth and superior quality of the book as well as the strong management, the bank is well placed to deliver consistently with margin leadership and robust return ratios. Therefore, HDFC Bank remains a portfolio stock with premium valuation expected to continue led by a consistent performance.

We maintain estimates of 21% CAGR in Nil, 23.6% in PAT in FY17-19E. RoA at ~1.9% is one of the best in class.

Keeping in mind the positives, we revise our target price upwards to ₹ 2050 (earlier ₹ 1840) valuing the stock at 23x FY19E EPS (4.7x FY19E ABV) and add ₹ 50/share for HDB Financial Services valuing that business at conservative 2x network. We revise the rating from HOLD to **BUY**.

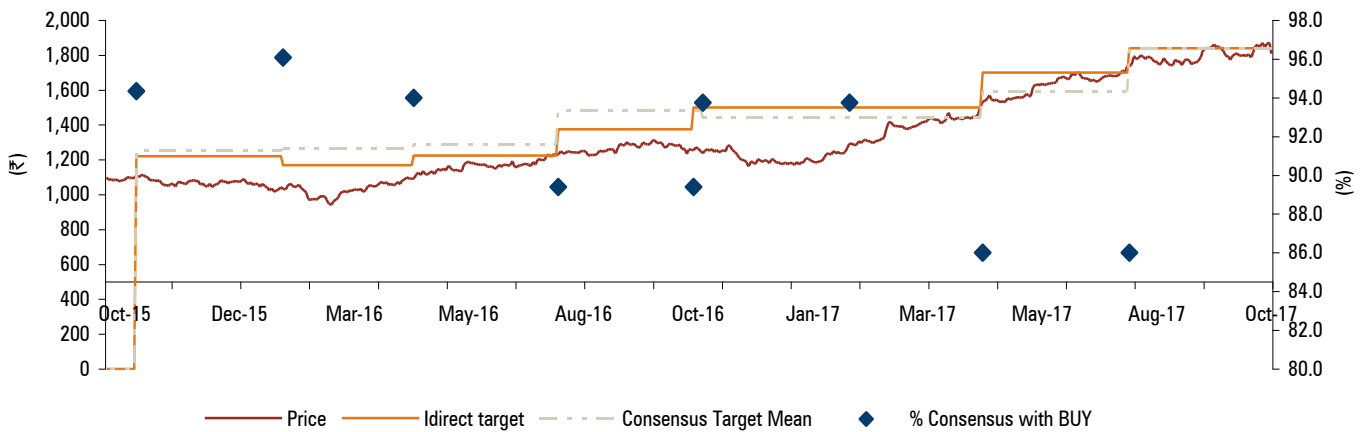
We believe investors continue to prefer high quality retail private banks owing to their strong visibility and consistency in earnings.

Exhibit 11: Valuation Summary

	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
Net Profit (₹ Cr)	5167.1	6726.3	8478.4	10,214.9	12,296.8	14,549.2	18,065.8	22,238.8
EPS (₹)	22.0	28.3	35.3	40.8	48.6	56.8	70.5	86.8
Growth (%)	30.4	28.4	25.0	15.3	19.3	16.7	24.2	23.1
ABV (₹)	126.0	150.2	177.8	242.5	282.3	341.9	379.2	429.8
P/E (x)	82.1	64.0	51.2	44.4	37.2	31.8	25.6	20.8
Price / Book (x)	14.2	11.9	10.0	7.3	6.3	5.2	4.6	4.1
Price / ABV (x)	14.3	12.0	10.2	7.5	6.4	5.3	4.8	4.2
GNPA (%)	1.0	1.0	1.0	1.1	0.9	1.1	1.2	1.2
NNPA (%)	0.2	0.2	0.3	0.4	0.3	0.3	0.4	0.3
RoNA (%)	1.7	1.8	1.9	1.9	1.9	1.9	1.9	2.0
RoE (%)	18.7	20.3	21.3	19.3	18.2	17.9	19.1	20.9

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
FY03	HDFC enters into agreement with HDFC Bank to source housing loans
FY03	HDFC Bank launches India's first mobile payment solution
FY08	Bank registers a peak in January 2008 in the wake of strong credit growth and profit. HDFC Bank ties up with postal department, extends rural reach. It also opens
May-08	HDFC Bank and Centurion Bank of Punjab merger at share swap ratio of 1:29
FY09	The bank expands its distribution network from 761 branches in 327 cities to 1,412 branches in 528 Indian cities. The bank's ATMs increased from 1,977 to 3,295 during the year
Feb-10	HDFC Bank increases fixed deposit rates by up to 150 basis points across maturities, a move that follows the cash reserve ratio hike of 75 basis points by the Reserve Bank of India
FY10	HDFC Bank becomes No 1 private retail bank in India
FY12	Company splits its face value of shares from ₹ 10 to ₹ 2
FY13	More than 50+ quarters wherein PAT growth is ~30% YoY. Opens 87 branches in Punjab, Haryana in a single day. Strengthens presence in rural areas
FY14	First year to see average PAT growth of 25-26% vs. 30% historically
Sep-14	Stock remains subdued for three months as FIPB approval to raise foreign shareholding is yet unclear
Feb-15	Raises ~ ₹ 9800 crore via combination of domestic and foreign offerings

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Latest Filing Date	% O/S	Position	Change	Change (m)
1	Housing Development Finance Corporation Ltd	30-09-2017	17.77%	543.21M	0.00
2	Capital World Investors	30-09-2017	4.26%	130.30M	-6.01M
3	Capital Research Global Investors	30-09-2017	2.13%	65.09M	-10.56M
4	Life Insurance Corporation of India	30-09-2017	1.69%	51.81M	-3.65M
5	SBI Funds Management Pvt. Ltd.	30-09-2017	1.32%	40.23M	+1.35M
6	Vontobel Asset Management, Inc.	31-08-2017	1.13%	34.57M	-1.24M
7	ICICI Prudential Life Insurance Company Ltd.	30-09-2017	1.02%	31.29M	-2.69M
8	GIC Private Limited	30-09-2017	0.95%	28.92M	+0.22M
9	HDFC Asset Management Co., Ltd.	30-09-2017	0.93%	28.29M	+1.13M
10	Reliance Nippon Life Asset Management Limited	30-09-2017	0.81%	24.81M	-0.11M

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Promoter	26.21	26.09	26.09	25.86	25.73
FII	39.71	39.2	42.1	42.03	41.51
DII	14.33	14.73	13	13.55	13.94
Others	19.75	19.98	18.81	18.56	18.82

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Nomura Asset Management Co., Ltd.	+238.36M	+8.57M	Capital Research Global Investors	-291.87M	-10.56M
Mawer Investment Management Ltd.	+157.38M	+6.16M	Capital World Investors	-166.10M	-6.01M
Aditya Birla Sun Life AMC Limited	+97.16M	+3.51M	Life Insurance Corporation of India	-100.85M	-3.65M
SBI Funds Management Pvt. Ltd.	+37.30M	+1.35M	ICICI Prudential Life Insurance Company Ltd.	-74.38M	-2.69M
Wells Capital Management Inc.	+32.28M	+1.16M	Vontobel Asset Management, Inc.	-34.39M	-1.24M

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Interest Earned	60220.9	69305.9	81635.9	95735.5	
Interest Expended	32630.5	36166.5	40678.1	47218.0	
NII	27590.4	33139.4	40957.8	48517.5	
Growth (%)	23.2	20.1	23.6	18.5	
Non Interest Income	10751.5	12296.3	14627.2	17123.5	
Fees and advisory	7769.4	8810.5	10660.6	12686.2	
Treasury Income	785.2	1138.5	1252.3	1289.9	
Other income	2197.0	2347.3	2714.3	3147.5	
Total Income	38341.9	45435.7	55585.0	65641.0	
Employee cost	5701.2	6484.0	7210.1	8264.6	
Other operating Exp.	11276.5	13219.4	16531.8	19075.2	
Gross Profit	21364.2	25732.3	31843.1	38301.3	
Provisions	2725.6	3594.1	4470.7	4606.2	
PBT	18638.5	22138.2	27372.4	33695.1	
Taxes	6341.8	7589.0	9306.6	11456.3	
Net Profit	12296.8	14549.2	18065.8	22238.8	
Growth (%)	20.4	18.3	24.2	23.1	
EPS	48.6	56.8	70.5	86.8	

Source: Company, ICICIdirect.com Research

Key ratios		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Valuation					
No. of Equity Shares	252.8	256.3	256.3	256.3	
EPS (₹)	48.6	56.8	70.5	86.8	
BV (₹)	287.5	349.1	390.0	440.3	
ABV (₹)	282.3	341.9	379.2	429.8	
P/E	37.2	31.8	25.6	20.8	
P/BV	6.3	5.2	4.6	4.1	
P/ABV	6.4	5.3	4.8	4.2	
Yields & Margins (%)					
Net Interest Margins	4.5	4.5	4.6	4.6	
Yield on avg earning assets	9.8	9.4	9.2	9.2	
Avg. cost on funds	6.0	5.5	5.2	5.2	
Avg. cost of deposits	5.7	5.2	5.0	4.9	
Yield on average advances	10.8	10.5	10.3	10.2	
Quality and Efficiency (%)					
Cost / Total net income	44.3	43.4	42.7	41.7	
Credit/Deposit ratio	85.0	86.2	87.6	89.0	
GNPA	0.9	1.1	1.2	1.2	
NNPA	0.3	0.3	0.4	0.3	
ROE	18.2	17.9	19.1	20.9	
ROA	1.9	1.9	1.9	2.0	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Sources of Funds					
Capital	505.6	512.5	512.5	512.5	
Reserves and Surplus	72172.0	88949.9	99428.1	112326.6	
Networth	72677.7	89462.4	99940.6	112839.1	
Deposits	546423.6	643640.0	759596.4	896827.6	
Borrowings	53019.1	74028.6	81159.6	88258.0	
Other Liabilities & Provisions	36724.0	56710.3	63425.2	71112.9	
Total	708844.4	863841.3	1004121.8	1169037.5	
Applications of Funds					
Fixed Assets	3344.2	3626.5	3800.5	4000.0	
Investments	163886.3	214463.2	246310.0	280168.5	
Advances	464593.1	554567.7	665262.9	798315.4	
Other Assets	38102.2	42231.5	35303.5	28033.3	
Cash with RBI & call money	38918.6	48952.4	53445.0	58520.3	
Total	708844.4	863841.3	1004121.8	1169037.5	

Source: Company, ICICIdirect.com Research

Growth ratios		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Total assets	20.0	21.9	16.2	16.4	
Advances	27.1	19.4	20.0	20.0	
Deposits	21.2	17.8	18.0	18.1	
Total Income	23.5	15.0	18.0	17.2	
Net interest income	23.2	20.1	23.6	18.5	
Operating expenses	21.4	16.1	20.5	15.2	
Operating profit	22.8	20.4	23.7	20.3	
Net profit	20.4	18.3	24.2	23.1	
Book value	17.0	23.1	11.7	12.9	
EPS	19.3	16.7	24.2	23.1	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Banks)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
	(₹)	TP(₹)			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Bank of Baroda (BANBAR)	184	200	Buy	33,016	6	10	19	30.7	18.0	9.6	2.0	1.6	1.2	0.2	0.3	0.6	3	6	10
Punjab National Bank (PUNBAN)	193	180	Buy	30,225	6	14	21	31.0	13.4	9.0	7.6	3.9	2.4	0.2	0.4	0.5	3	7	10
Axis Bank (AXIBAN)	475	490	Hold	108,473	15	16	30	30.9	30.4	15.6	2.4	2.6	2.4	0.6	0.6	1.0	7	7	12
City Union Bank (CITUNI)	157	180	Buy	10,609	8	9	11	20.6	17.3	14.9	3.3	2.8	2.4	1.5	1.6	1.6	15	16	16
DCB Bank (DCB)	175	200	Hold	5,573	7	9	11	24.9	20.1	16.1	2.7	2.2	2.0	0.9	1.0	1.0	11	12	12
Federal Bank (FEDBAN)	121	140	Buy	24,430	5	6	8	25.0	20.4	15.5	2.6	2.0	1.8	0.8	0.9	1.0	10	11	12
HDFC Bank (HDFBAN)	1,808	2,050	Buy	463,362	57	70	87	31.8	25.6	20.8	5.3	4.8	4.2	1.9	1.9	2.0	18	19	21
IndusInd Bank (INDBA)	1,598	1,920	Buy	99,826	48	59	75	33.3	27.2	21.3	4.8	4.2	3.6	1.8	1.8	1.9	15	16	18
Jammu & Kashmir Bk(JAMKAS)	82	105	Buy	4,100	-31	8	12	-2.6	10.6	6.9	1.3	1.1	1.1	-2.0	0.5	0.7	-27	7	10
Kotak Mahindra Bank (KOTMAH)	1,018	970	Hold	203,105	19	23	30	54.9	43.5	34.3	7.2	6.2	5.5	1.7	1.8	2.0	13	14	16
Yes Bank (YESBAN)	333	360	Hold	79,701	15	20	26	22.4	16.9	13.0	3.6	3.0	2.5	1.8	1.8	1.9	19	19	20

Source: Company, ICICIdirect.com Research

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