

INDUSTRY	BANKS		
<b>CMP (as on 12 Oct 2017)</b>	<b>Rs 1,747</b>		
<b>Target Price</b>	<b>Rs 1,809</b>		
Nifty	10,096		
Sensex	32,182		
KEY STOCK DATA			
Bloomberg	IIB IN		
No. of Shares (mn)	598		
MCap (Rs bn) / (\$ mn)	1,044/16,042		
6m avg traded value (Rs mn)	1,671		
STOCK PERFORMANCE (%)			
<b>52 Week high / low</b>	<b>Rs 1,818/1,037</b>		
	3M	6M	12M
Absolute (%)	10.5	21.2	42.7
Relative (%)	9.3	12.7	28.1
SHAREHOLDING PATTERN (%)			
Promoters	16.8		
FIs & Local MFs	13.6		
FPIs	48.8		
Public & Others	19.2		
<i>Source : BSE</i>			

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## Execution meister\*

IIB has been a master in execution across planning cycles, despite weak macros. We derive confidence from the mgt's ability to beat ambitious targets consistently across parameters. The bank is making all the right moves on either side of the B/S, to deliver best-in-class return ratios (1.8% over FY18-20E) for the foreseeable future.

The 2Q numbers further vindicate our positive stance, given healthy all-round credit growth (+24%), robust fee growth (+23%), stable NIMs and controlled asset quality (stable G/NNPA QoQ). An exposure of merely ~Rs 3.9bn to a/cs in RBI's second list, and conservative provisioning (65%) for the same provide additional comfort.

With falling interest rates and subsequent pressure on yields, IIB is amongst the better-placed banks, with a greater proportion of a high-yielding fixed rate book and additional headroom for reduction in CoF (tweak SA rates). Maintain BUY with a TP of Rs 1809 (3.75x Sept-19 ABV of Rs 482).

### Financial Summary

(Rs mn)	2QFY18	2QFY17	YoY (%)	1QFY18	QoQ (%)	FY17	FY18E	FY19E	FY20E
Net Interest Income	18,210	14,603	24.7%	17,741	2.6%	60,626	74,638	92,772	119,751
PPOP	16,335	12,817	27.5%	15,885	2.8%	54,510	65,462	80,562	99,615
PAT	8,801	7,043	25.0%	8,365	5.2%	28,679	35,377	43,492	54,228
EPS (Rs)	14.7	11.8	24.6%	14.0	5.1%	47.9	59.1	72.7	90.7
ROAE (%)						15.3	16.2	17.3	18.5
ROAA (%)						1.78	1.79	1.80	1.81
Adj. BVPS (Rs)						331	382	444	521
P/ABV (x)						5.27	4.58	3.94	3.35
P/E (x)						36.4	29.5	24.0	19.3

Source: Bank, HDFC sec Inst Research; \*German for maestro

### Highlights of the quarter

- Surge in SA deposits:** Aggressive customer acquisition, increasing government business (15% vs. 4% YoY) and rising contribution from matured branches have propelled SA growth (27% QoQ (absolute SA accretion of Rs 86bn in 2Q vs. Rs 98bn in FY17)). CASA ratio jumped 450bps QoQ and 700bps FYTD. Growth was healthy, despite SA rate reduction in 1Q, which makes us upbeat on NIM performance (~4.2% over FY18-20E).
- Benefits from potential merger:** MFI remains one of the key focus segments for IIB, irrespective of the known stress. The bank stands to benefit from the inorganic opportunity, given lower capital consumption, higher spreads on the acquired book, unparalleled cross-sell opportunities, better rural distribution and incremental fee income on PSLC trading. However, erratic asset quality in the MFI space remains a key risk.
- Near-term outlook:** Healthy growth, steady NIM, and immaculate asset quality is expected to keep the stock buoyant. Merger details will be keenly watched

**Five Quarters At A Glance**

Rs mn	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	YoY Growth	QoQ Growth
Net Interest Income	14,603	15,784	16,675	17,741	18,210	24.7%	2.6%
Non-interest Income	9,704	10,168	12,113	11,673	11,876	22.4%	1.7%
Treasury Income	1,449	1,320	2,150	1,930	1,750	20.8%	-9.3%
Operating Income	24,307	25,952	28,788	29,413	30,086	23.8%	2.3%
Operating Expenses	11,491	12,319	13,065	13,528	13,751	19.7%	1.6%
Pre Provision Profits (PPOP)	12,817	13,633	15,722	15,885	16,335	27.5%	2.8%
Provisions And Contingencies	2,139	2,169	4,301	3,100	2,938	37.3%	-5.2%
NPA Provisions	1,517	1,524	2,556	2,100	2,220	46.3%	5.7%
PBT	10,678	11,465	11,421	12,786	13,398	25.5%	4.8%
Provision for Tax	3,635	3,959	3,905	4,420	4,597	26.4%	4.0%
PAT	7,043	7,506	7,516	8,365	8,801	25.0%	5.2%
<b>Balance Sheet items/ratios</b>							
Deposits	1,123	1,192	1,266	1,337	1,414	25.9%	5.8%
CASA Deposits	410	442	446	505	598	45.7%	18.4%
Advances	989	1,028	1,131	1,164	1,232	24.5%	5.8%
CD Ratio (%)	88.1	86.2	89.3	87.1	87.1	-101 bps	1 bps
CAR (%)	15.32	15.31	15.31	16.18	15.63	31 bps	-55 bps
Tier I (%)	14.68	14.74	14.72	15.66	15.09	41 bps	-57 bps
<b>Profitability</b>							
Yield On Advances (%)	11.86	11.73	11.41	11.53	11.27	-59 bps	-26 bps
Cost Of Deposits (%)	6.60	6.35	6.08	6.15	5.90	-70 bps	-25 bps
NIM (%)	4.00	4.00	4.00	4.00	4.00	0 bps	0 bps
Cost-Income Ratio (%)	47.3	47.5	45.4	46.0	45.7	-157 bps	-29 bps
Tax Rate (%)	34.0	34.5	34.2	34.6	34.3	26 bps	-26 bps
<b>Asset quality</b>							
Gross NPA (Rs bn)	9.0	9.7	10.5	12.7	13.5	49.6%	5.8%
Net NPA (Rs bn)	3.7	4.0	4.4	5.1	5.4	45.4%	5.6%
Gross NPAs (%)	0.90	0.94	0.93	1.09	1.08	18 bps	-1 bps
Net NPAs (%)	0.37	0.39	0.39	0.44	0.44	7 bps	0 bps
Delinquency Ratio (%)	1.08	1.11	2.35	2.12	1.66	58 bps	-46 bps
Restructuring O/s (%)	0.44	0.41	0.37	0.17	0.16	-28 bps	-1 bps
Coverage Ratio (%)	58.9	58.8	58.4	60.0	60.1	115 bps	6 bps

*In-line with estimates, led by strong loan growth of ~24% YoY and stable NIM  
Fees grew ~23% YoY, led by strong growth across segments, except processing fees*

*Focus on improving efficiencies during PC-4  
(Mgt guides for C-I improvement of ~200bps over PC-4)*

*Includes Rs 360mn towards 6 NCLT exposures;  
IIB has 65% coverage on these exposures*

*Strong CASA growth was led by SA growth of ~95/27% YoY/QoQ (after 17% QoQ rise in 1Q)*

*Led by ~26% growth in the corporate segment and ~22% in the CFD segment; Within CFD, the Non-Vehicle Finance segment grew at a faster pace*

*Sequential dip in yields is attributed to 38bps drop in the Corp book; CFD yields declined ~12bps QoQ*

*Corporate slippages stood at Rs 2.85bn (1.55% ann. vs. 2.03% QoQ), and CFD slippages at Rs 2.1bn (1.7% ann. vs. 2.2% QoQ)*

**Change In Estimates**

(Rs mn)	FY18E			FY19E		
	Old	New	Change	Old	New	Change
NII	74,633	74,638	0.0%	91,587	92,772	1.3%
PPOP	64,552	65,462	1.4%	79,804	80,562	1.0%
PAT	35,474	35,377	-0.3%	43,208	43,492	0.7%
Adj. BVPS (Rs)	381.8	381.6	0.0%	443.4	443.7	0.1%

Source: HDFC sec Inst Research

**Loan growth was driven by the corporate segment (+26%) and CFD (+22%)**

**Corporate loans were driven by growth across segments and refinancing**

**The non-vehicle portfolio grew ~35% YoY, led by a strong growth in credit cards (+53%), PL (+54%) and LAP (+29%)**

**Within the VF portfolio, only 2Ws and 3Ws reported single-digit YoY growth**

**SA growth momentum continues, with a sequential growth of 27% after a 17% QoQ growth in 1Q**

**SA growth led by increasing proportion of govt business, higher contribution from matured branches, improving ATS and higher customer acquisition**

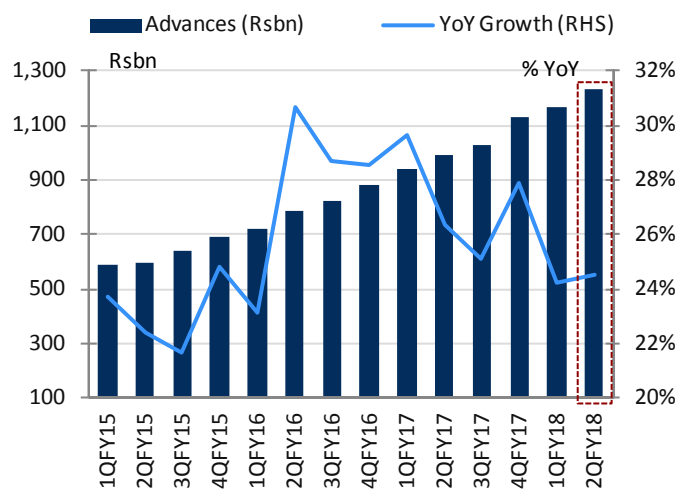
**Healthy momentum continues**

- Despite the tepid system growth, IIB continues to report healthy all-round growth. Its Corp book (60% of total) grew ~26% YoY, and was evenly spread across segments and largely driven by refinancing (from PSBs). CFD growth was relatively slower at 22%, held back by growth of ~16% in VF (~64% of retail loans). The Non-VF retail book grew ~35% YoY, led by 54/53/29% growth in the PL/ CC/LAP book.
- Overall, CASA grew ~46/18% YoY/QoQ, led by colossal growth in SA deposits (95/27% YoY/QoQ) **The surge in SA deposits was driven by (1) Rising proportion of govt. business to 15% vs. 10-12% QoQ and 4% YoY, (2) Increasing contribution from**

**matured branches, (3) Gaining share in the home markets, (4) Increasing ATS of SA deposits, and (5) Higher customer acquisition i.e. 100k/month vs. 85-90k./month earlier.** The sharp surge is despite the reduction in SA rates in 1Q. With this and de-growth in TD deposits, CASA ratio jumped ~450bps QoQ (700bps FYTD) to 42.3%.

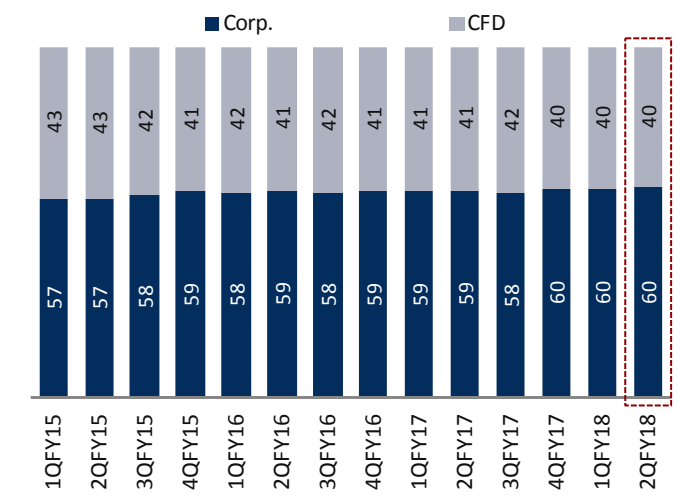
- After overshooting the guidance on CASA for the planning cycle, mgt stated that a new target will be set after monitoring the stability of these inflows. The bank has revised its slabs for interest rates on SA deposits, and stated that further re-pricing is possible in the near future

**Strong Loan Growth Of ~24% YoY**



Source: Company, HDFC sec Inst Research

**Loan Mix Stable Sequentially**



Source: Company, HDFC sec Inst Research

**Stable CV proportion QoQ at ~37.7%; the share of VF book dropped 40bps QoQ to ~64.4%**

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

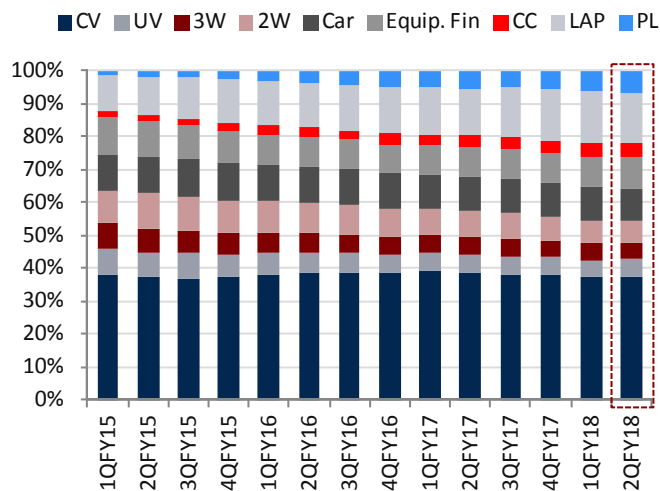
**SA grew ~95/27% YoY/QoQ (after ~17% QoQ in 1Q)**

**Absolute SA accretion of Rs 86bn in 2Q vs. Rs 98bn in FY17**

**CASA ratio improved ~450bps QoQ and 700bps FYTD to ~42.3%**

**Margins were flat QoQ at 4%, with an equal decline in CoD and yields**

**CFD Mix: Non-Vehicle Share Picking Up**

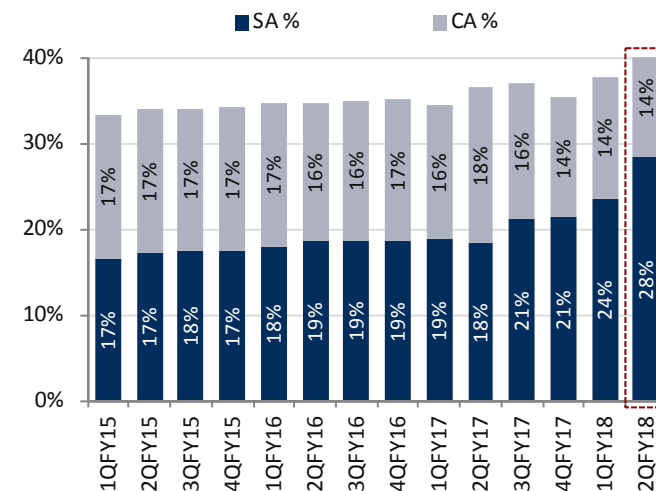


Source: Bank, HDFC sec Inst Research

**Stable margins and fee performance**

- Reported NIMs at 4% were stable sequentially despite the drop in yields (11.3%, down 26bps), as CoD (5.9%) dipped almost equally. Corp yields dropped 38bps QoQ, owing to higher repayments and the cement related one-off income in the previous quarter. Yields on the CFD segment were relatively stable (down a mere 12bps), with a rising proportion of high-yielding unsecured business.
- We believe healthy and superior NIM performance is imminent for IIB, given tailwinds like (1) Rising proportion of low cost deposits, (2) Faster growth in high yielding and fixed rate retail book and (3)**

**CASA Ratio: +450bps QoQ And 700bps FYTD**



Source: Bank, HDFC sec Inst Research

**Flexibility to tweak SA rates.** We have factored in calc NIMs of 4.2% over FY18-20E, which provide an upside risk to our estimates

- Core fees grew ~25% YoY (3.4% of loans ann., one of the best in the industry), driven by strong growth across segments (except loan processing fees). Healthy growth was led by third-party distribution (+54% YoY), IB fees (+53% YoY) and trade and remittances (+25% YoY). **Non-interest income contributes ~40% to the total income, and remains one of the key drivers for superior RoA.**

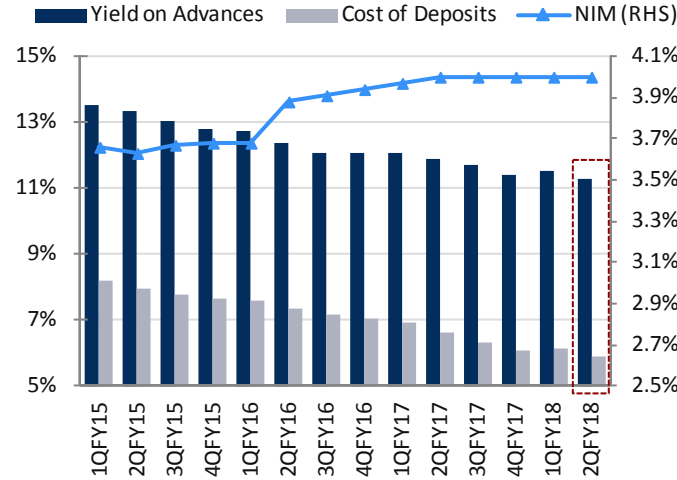
**We have factored in calc. NIMs of 4.2% avg. over FY18-20E**

**Core fees grew ~23% YoY (+4% QoQ), led by 3<sup>rd</sup> party distribution income (+52% YoY/QoQ), investment banking income (16% YoY) and remittances (+25% YoY)**

**Loan processing fees grew only 6% YoY**

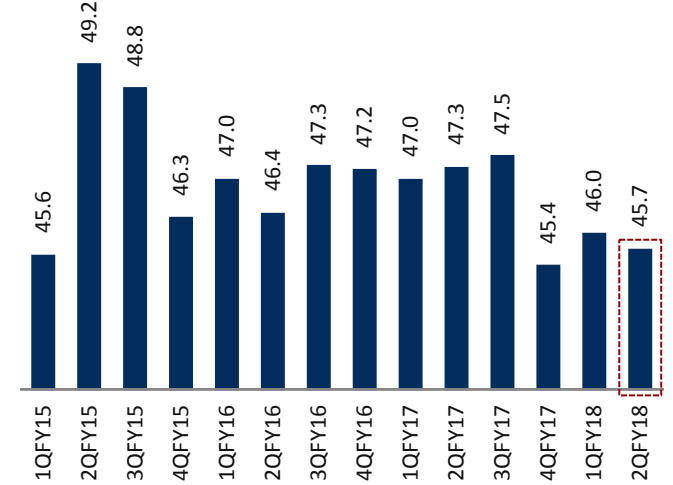
**Treasury gains further moderated QoQ to Rs 1.75bn vs. Rs 1.93bn**

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



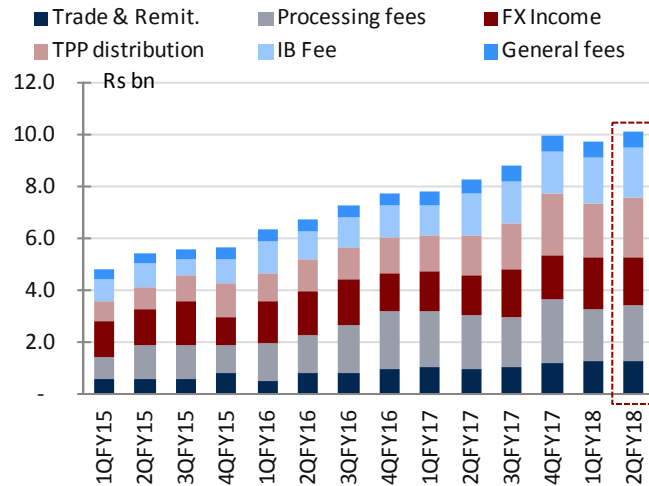
Source: Bank, HDFC sec Inst Research

**C-I Ratio: Improves 30bps QoQ**



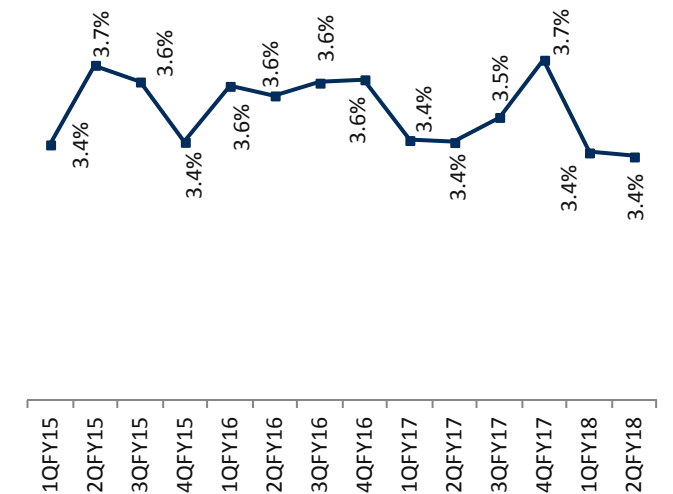
Source: Bank, HDFC sec Inst Research

**Well-diversified Fee Income Stream**



Source: Bank, HDFC sec Inst Research

**Fee Income As % of Loans Stable Sequentially**



Source: Bank, HDFC sec Inst Research

**Sequentially slippages (Rs 5bn; 1.66% ann) were lower in both segments**

**CFD slippages stood at Rs 2.13bn (1.72% ann.) and Corp slippages at Rs 2.85bn (1.55% ann.)**

**O/S SR stood at ~Rs 4.07bn (0.3%) stable QoQ and restructured book at 16bps QoQ**

**IIB has exposure of Rs 3.85bn in 6 ACs (of the 28 ACs mentioned by RBI), and the bank has 65% provisions in these exposures**

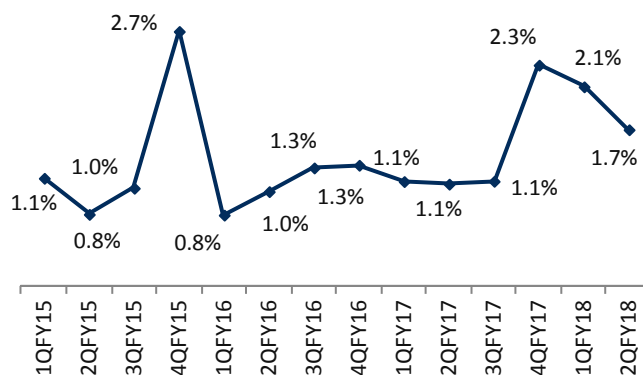
**Stable asset quality performance**

- Asset quality was stable, after a relatively weak performance in a couple of previous quarters. GNPA increased by a mere ~6% QoQ to Rs 13.5bn (1.08%), led by slippages of Rs ~5bn (1.66% vs. 2.1% ann. QoQ) and higher reductions (Rs 4.24bn, +8% QoQ). **Sequentially, slippages were lower in both the segments, and mgt expects improving trends hereon, given the gradual decline in the watch list, and increased focus on better-rated corps.**
- Corp slippages dipped ~19% QoQ to Rs 2.85bn (1.55%), and CFD slippages were lower by 17% QoQ

to Rs 2.1bn (1.72% ann.). In the CFD segment, only the cards' business witnessed a gradual rise sequentially. **A sharp dip in LAP GNPA was led by recoveries and sale to ARC.**

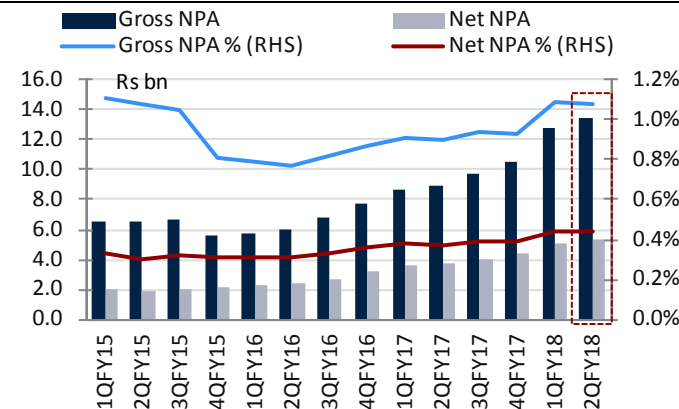
- Within the RBI's 2<sup>nd</sup> list of NCLT a/cs, IIB has an exposure of Rs 3.85bn in six a/cs, with provisions of ~65%.
- Our slippage assumption of 1.1% over FY18-20E provides cushion, given lower exposure to stressed assets, a diversified and granular book, along with a mere 16bps of restructured book.**

**Slippages Decline In Both Segments**



Source : Bank, HDFC sec Inst Research

**Asset Quality Stable Sequentially**



Source: Bank, HDFC sec Inst Research

**Asset Quality Segment-Wise**

Corp	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18
GNPA	1.00%	0.93%	0.58%	0.53%	0.54%	0.65%	0.74%	0.76%	0.73%	0.79%	0.81%	0.98%	1.12%
Slippages (Ann.)	0.04%	0.24%	3.27%	0.13%	0.66%	0.96%	0.85%	0.70%	0.51%	0.75%	2.87%	2.03%	1.55%
LLP (Ann.)	0.19%	0.55%	0.42%	0.38%	0.63%	0.66%	0.56%	0.48%	0.52%	0.51%	1.17%	0.63%	0.78%

CFD	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18
GNPA	1.22%	1.23%	1.15%	1.15%	1.10%	1.08%	1.08%	1.14%	1.17%	1.16%	1.12%	1.25%	1.06%
Slippages (Ann.)	1.71%	2.11%	1.92%	1.64%	1.50%	1.68%	1.90%	1.69%	1.90%	1.63%	1.60%	2.18%	1.72%
LLP(Ann.)	0.69%	0.86%	0.68%	0.71%	0.65%	0.77%	0.88%	0.85%	0.79%	0.73%	0.62%	0.89%	0.68%

Source: Bank, HDFC sec Inst Research

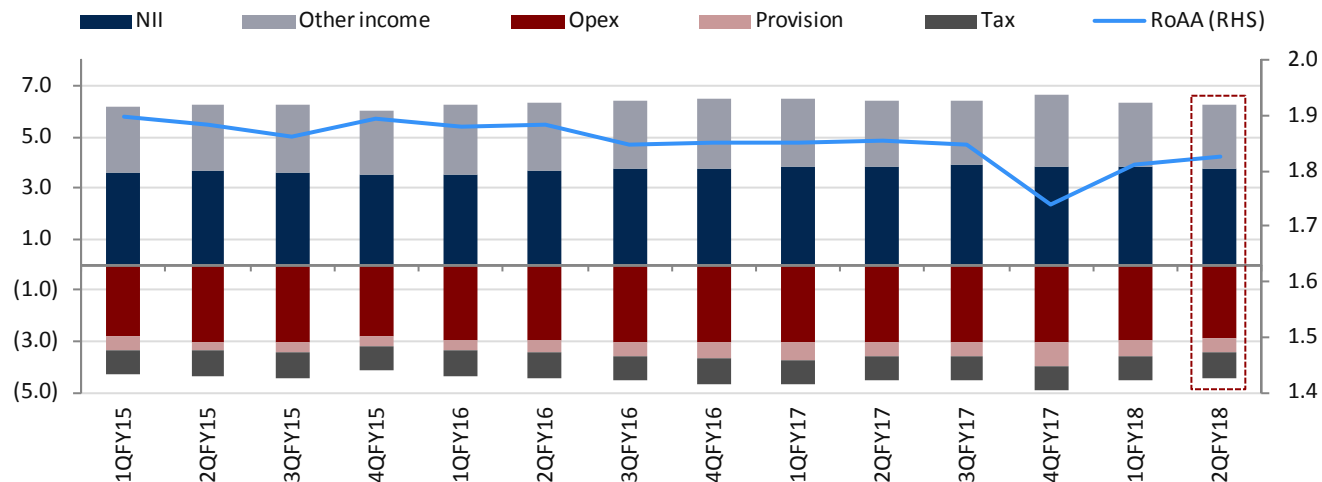
**Home/LAP GNPA improvement led by recoveries and sale to ARC**

**Consumer Finance: GNPA**

	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18
CV	1.50%	1.44%	1.27%	1.18%	1.10%	1.05%	1.03%	1.05%	1.03%	0.96%	0.94%	1.10%	1.05%
UV	0.77%	0.97%	1.08%	1.06%	1.03%	1.00%	1.22%	1.30%	1.18%	1.09%	1.14%	1.47%	1.42%
CE	1.59%	1.64%	1.44%	1.46%	1.57%	1.45%	1.31%	1.44%	1.45%	1.28%	1.23%	1.11%	1.00%
3W/SCVs	0.74%	0.90%	0.92%	1.04%	0.84%	0.81%	0.98%	1.10%	1.00%	0.86%	0.93%	1.35%	1.13%
2Ws	2.42%	2.36%	2.53%	2.65%	2.83%	2.95%	3.06%	3.20%	3.74%	3.78%	3.55%	3.62%	3.63%
Cars	0.38%	0.48%	0.56%	0.58%	0.41%	0.39%	0.52%	0.50%	0.50%	0.76%	0.67%	0.76%	0.69%
LAP/PL/HL	0.30%	0.32%	0.33%	0.48%	0.41%	0.57%	0.76%	0.92%	1.00%	1.15%	1.26%	1.46%	0.54%
Cards	1.53%	1.53%	1.24%	1.32%	1.35%	1.48%	1.54%	1.79%	1.80%	1.71%	1.43%	1.32%	1.56%

Source: Bank, HDFC sec Inst Research

**RoAA Stable Sequentially**



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 (%)		
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Kotak #	2,007	1,055	BUY	1,178	181	205	236	38.6	32.0	25.6	4.92	4.24	3.56	13.9	13.3	14.2	1.89	1.89	1.90
ICICI #	1,714	267	BUY	355	111	132	149	12.3	9.4	8.3	1.68	1.32	1.17	10.5	11.8	10.4	1.20	1.30	1.29
Axis	1,257	525	NEU	555	220	255	299	21.8	13.6	10.6	2.39	2.06	1.75	9.9	14.4	16.2	0.89	1.23	1.33
<b>Indusind</b>	<b>1,044</b>	<b>1,747</b>	<b>BUY</b>	<b>1,809</b>	<b>382</b>	<b>444</b>	<b>521</b>	<b>29.5</b>	<b>24.0</b>	<b>19.3</b>	<b>4.58</b>	<b>3.94</b>	<b>3.35</b>	<b>16.2</b>	<b>17.3</b>	<b>18.5</b>	<b>1.79</b>	<b>1.80</b>	<b>1.81</b>
Federal	229	118	BUY	136	59	65	71	21.8	17.0	13.7	2.01	1.83	1.66	9.9	10.4	11.8	0.83	0.90	0.96
City Union	105	159	BUY	196	56	66	77	17.8	15.3	13.1	2.82	2.41	2.06	15.3	15.3	15.5	1.56	1.56	1.53
DCB	58	189	BUY	216	79	89	99	22.3	17.6	14.4	2.39	2.13	1.91	10.9	11.1	12.2	0.97	1.02	1.02
SBI #	2,164	251	BUY	357	117	157	180	11.8	8.7	6.5	1.36	1.04	0.90	5.8	7.0	8.8	0.37	0.44	0.53
BOB	320	139	BUY	206	102	144	172	16.9	10.9	8.2	1.37	0.96	0.81	5.1	7.4	9.2	0.27	0.39	0.47
AUSFB	165	582	NEU	530	75	87	102	59.9	45.9	33.8	7.80	6.70	5.71	13.0	14.9	17.5	1.62	1.57	1.71
Equitas	51	152	NEU	160	64	67	73	94.2	38.3	21.9	2.37	2.28	2.09	2.4	5.7	9.3	0.54	1.11	1.56
Ujjivan	40	338	BUY	378	147	164	187	206.1	19.5	14.4	2.30	2.06	1.80	1.1	11.1	13.3	0.22	1.95	2.13

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



**Income Statement**

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Interest Earned	118,717	144,057	181,223	222,437	286,538
Interest Expended	73,552	83,431	106,584	129,665	166,786
<b>Net Interest Income</b>	<b>45,166</b>	<b>60,626</b>	<b>74,638</b>	<b>92,772</b>	<b>119,751</b>
<b>Other Income</b>	<b>32,969</b>	<b>41,715</b>	<b>49,401</b>	<b>60,381</b>	<b>71,851</b>
<i>Fee Income (CEB)</i>	22,315	28,953	35,858	45,364	54,850
<i>Treasury Income</i>	1,453	2,769	2,000	1,750	1,750
<b>Total Income</b>	<b>78,135</b>	<b>102,341</b>	<b>124,039</b>	<b>153,153</b>	<b>191,602</b>
<b>Total Operating Exp</b>	<b>36,721</b>	<b>47,831</b>	<b>58,578</b>	<b>72,591</b>	<b>91,987</b>
<i>Employee Expense</i>	12,361	15,210	18,708	23,389	30,680
<b>PPOP</b>	<b>41,414</b>	<b>54,510</b>	<b>65,462</b>	<b>80,562</b>	<b>99,615</b>
Provisions & Contingencies	6,722	10,913	11,592	13,304	16,001
<i>Prov. For NPAs (Incl. Std Prov.)</i>	5,015	7,048	8,570	10,563	11,650
<b>PBT</b>	<b>34,693</b>	<b>43,597</b>	<b>53,870</b>	<b>67,258</b>	<b>83,614</b>
Provision for Tax	11,828	14,918	18,493	23,766	29,386
<b>PAT</b>	<b>22,864</b>	<b>28,679</b>	<b>35,377</b>	<b>43,492</b>	<b>54,228</b>

Source: Bank, HDFC sec Inst Research,

**Balance Sheet**

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Share Capital	5,950	5,981	5,981	5,981	5,981
Reserves	171,010	200,480	230,868	268,228	314,810
<b>Shareholders' Funds</b>	<b>176,960</b>	<b>206,461</b>	<b>236,850</b>	<b>274,210</b>	<b>320,791</b>
<i>Savings</i>	172,462	270,372	398,574	553,193	738,750
<i>Current</i>	154,780	196,088	246,417	318,218	398,864
<i>Term Deposit</i>	602,761	799,262	938,424	1,109,959	1,370,379
<b>Total Deposits</b>	<b>930,003</b>	<b>1,265,722</b>	<b>1,583,415</b>	<b>1,981,370</b>	<b>2,507,992</b>
Borrowings	249,959	224,537	254,314	308,003	380,470
Other Liabilities	72,048	89,764	98,753	108,911	120,713
<b>Total Liabilities</b>	<b>1,428,970</b>	<b>1,786,484</b>	<b>2,173,333</b>	<b>2,672,494</b>	<b>3,329,967</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	101,119	186,283	184,752	190,257	280,456
Investments	340,543	367,021	454,619	561,124	675,555
<i>G-Secs</i>	281,080	314,523	395,854	495,343	601,918
Advances	884,193	1,130,805	1,430,468	1,809,798	2,253,198
Fixed Assets	12,553	13,352	14,020	14,721	16,193
Other Assets	90,561	89,023	89,473	96,593	104,565
<b>Total Assets</b>	<b>1,428,970</b>	<b>1,786,484</b>	<b>2,173,333</b>	<b>2,672,494</b>	<b>3,329,967</b>

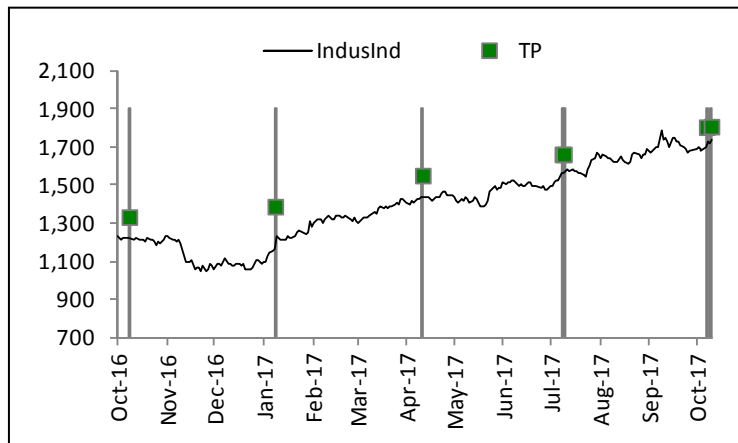
Source: Bank, HDFC sec Inst Research,

## Key Ratios

	FY16	FY17	FY18E	FY19E	FY20E
<b>VALUATION RATIOS</b>					
EPS (Rs)	38.4	47.9	59.1	72.7	90.7
Earnings Growth (%)	27.5	25.4	23.4	22.9	24.7
BVPS (Rs)	290.8	338.7	389.5	451.9	529.8
Adj. BVPS (Rs)	285.4	331.3	381.6	443.7	521.2
ROAA (%)	1.80	1.78	1.79	1.80	1.81
ROAE (%)	16.6	15.3	16.2	17.3	18.5
P/E (x)	45.5	36.4	29.5	24.0	19.3
P/ABV (x)	6.12	5.27	4.58	3.94	3.35
P/PPOP (x)	25.1	19.2	16.0	13.0	10.5
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.6
<b>PROFITABILITY</b>					
Yield On Advances (%)	11.76	11.39	11.48	11.23	11.70
Yield On Investment (%)	7.26	6.97	6.92	6.92	6.48
Cost Of Funds (%)	6.91	6.25	6.41	6.28	6.44
Cost Of Deposits (%)	6.83	6.31	6.15	5.97	5.90
Core Spread (%)	4.93	5.08	5.33	5.26	5.80
NIM (%)	3.99	4.20	4.17	4.17	4.32
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	2.9	3.0	3.0	3.0	3.1
Cost-Income Ratio (Ex. Treasury)	47.9	48.0	48.0	47.9	48.5
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	28.5	27.9	26.5	26.5	24.5
Deposit Growth (%)	25.4	36.1	25.1	25.1	26.6
C/D Ratio (%)	95.1	89.3	90.3	91.3	89.8
Equity/Assets (%)	12.4	11.6	10.9	10.3	9.6
Equity/Advances (%)	20.0	18.3	16.6	15.2	14.2
CASA (%)	35.2	36.9	40.7	44.0	45.4
Capital Adequacy Ratio (CAR, %)	15.5	15.3	13.5	12.7	11.8
W/w Tier I CAR (%)	14.9	14.7	13.1	12.3	11.5

	FY16	FY17	FY18E	FY19E	FY20E
<b>ASSET QUALITY</b>					
Gross NPLs (Rs mn)	7,768	10,549	13,258	16,496	19,351
Net NPLs (Rs mn)	3,218	4,389	4,688	4,905	5,151
Gross NPLs (%)	0.88	0.93	0.93	0.91	0.86
Net NPLs (%)	0.36	0.39	0.33	0.27	0.23
Slippages (%)	1.08%	1.42%	1.20%	1.10%	1.05%
Coverage Ratio (%)	58.6	58.4	64.6	70.3	73.4
Provision/Avg. Loans (%)	0.6	0.7	0.7	0.7	0.6
<b>ROAA TREE</b>					
Net Interest Income	3.55%	3.77%	3.77%	3.83%	3.99%
Non Interest Income	2.59%	2.59%	2.50%	2.49%	2.39%
<i>Treasury Income</i>	<i>0.11%</i>	<i>0.17%</i>	<i>0.10%</i>	<i>0.07%</i>	<i>0.06%</i>
Operating Cost	2.88%	2.98%	2.96%	3.00%	3.06%
Provisions	0.53%	0.68%	0.59%	0.55%	0.53%
<i>Provisions for NPAs</i>	<i>0.39%</i>	<i>0.44%</i>	<i>0.43%</i>	<i>0.44%</i>	<i>0.39%</i>
Tax	0.93%	0.93%	0.93%	0.98%	0.98%
ROAA	1.80%	1.78%	1.79%	1.80%	1.81%
Leverage (x)	9.2	8.6	9.1	9.6	10.2
ROAE	16.60%	15.27%	16.25%	17.28%	18.47%

Source: Bank, HDFC sec Inst Research,

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
13-Oct-16	1,222	BUY	1,334
11-Jan-17	1,161	BUY	1,389
13-Apr-17	1,438	BUY	1,552
10-Jul-17	1,524	BUY	1,663
12-Jul-17	1,561	BUY	1,663
9-Oct-17	1,683	BUY	1,806
13-Oct-17	1,747	BUY	1,809

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- 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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