June 1, 2018

Rating matrix

Rating	:	Buy
Target	:	₹ 75
Target Period	:	12 months
Potential Upside	:	34%

What's changed?

Target	Changed from ₹ 90 to ₹ 75
EPS FY19E	Changed from ₹ 9.8 to ₹ 8.9
EPS FY20E	Changed from ₹ 12.4 to ₹ 11.7
Rating	Unchanged

Quarterly performance

	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)
NII	656	655	0.1	780	-15.9
Other income	172	125	38.3	108	59.8
PPP	266	276	-3.6	383	-30.4
PAT	28	-554	NA	72	-60.8

Key financials

₹ Crore	FY17	FY18	FY19E	FY20E
NII	2,513	2,871	3,218	3,752
PPP	1,294	1,382	1,722	2,107
PAT	(1,633)	203	494	653

Valuation summary

	FY17	FY18	FY19E	FY20E
P/E	(1.9)	16.2	6.7	5.0
Target P/E	(2.4)	20.6	8.5	6.4
P/ABV	0.9	1.0	0.9	0.9
Target P/ABV	1.2	1.2	1.2	1.1
RoA	(2.0)	0.2	0.5	0.6
RoE	(27.0)	3.4	7.8	9.6

Stock data

Market Capitalisation	3,307.0
GNPA (Q4FY18)	₹ 6006 Crore
NNPA (Q4FY18)	₹ 2791 Crore
NIM (Q4FY18)	3.19%
52 week H/L	95 /50
Net worth	₹ 6160 Crore
Face value	₹ 1
DII Holding (%)	8.3
FII Holding (%)	15.5

Price performance

	1M	3M	6M	12M
J&K Bank	0.9	-13.7	-22.3	-31.6
Federal Bank	-12.4	-8.6	-22.2	-22.0
Yes Bank	-5.2	6.5	11.8	19.3

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Jammu & Kashmir Bank (JAMKAS) ₹ 56

Moderating asset quality pain a positive…

- Absolute GNPA declined to ₹ 6007 crore vs. ₹ 6232 crore in Q3FY18. This decline along with credit growth at 14.2% YoY led to 12 bps QoQ increase in GNPA ratio at 9.96%. Slippages at ₹ 1747 crore were highest due to four large corporates, RBI divergence of ₹ 570 crore. Net NPA ratio increased 61 bps QoQ to 4.9% (₹ 2791 crore). Though PCR declined QoQ, it still continued to remain healthy at 65.83%
- Exposure to rehabilitated account at ₹ 4117 crore (flat QoQ) saw ₹ 500 crore NPA (standard- ₹ 3600 crore). Divergence was ₹ 909 crore
- NII remained subdued at ₹ 655.7 crore, below estimate with NIM at 3.19% down 83 bps QoQ, primarily owing to ₹ 102.6 crore interest reversal related to rehabilitated asset (₹ 510 crore to be spread in five quarters starting from Mar'18). Other income increased 38% YoY to ₹ 172.3 crore, ahead of estimate, by higher miscellaneous income
- Provision came at ₹ 251 crore, lower on a YoY and steady QoQ. Tax write-back at ₹ 13 crore led earnings at ₹ 28.4 crore.
- Led by J&K state, advances grew at 14.2% YoY to ₹ 56,913 crore. Deposit growth ahead of estimate at ₹ 80,007 crore; up 10.4% YoY

Dominant position in J&K state on both deposits, credit front

The bank dominates its home state with ~50% market share in advances. Similarly, ~85% of deposit is funded from J&K that guards the bank, to a certain extent, from deposit pricing competition. Within J&K, the bank has ~55% CASA ratio and earns lucrative NIM of 6%+. About 48% of credit exposure is within J&K wherein it earns yields of ~13% compared to sub-12% outside J&K. Slowdown in J&K led to moderation in advances in FY15-17. However, a gradual pick-up is seen in FY18 with growth in J&K state. Going ahead, we expect credit offtake to pick up and improve to ~16.8% CAGR in FY18-20E to ₹ 77658 crore.

Credit growth, moderation in slippages to keep margins steady ahead

J&K Bank has steadily improved NIM from ~3% in FY10 to a consistent 4%. The bank earns 6%+ NIM within J&K & sub 3% NIM outside J&K. Slower credit off-take and higher slippage led NIM to decline at ~3.5% in FY17E. However, marginal pick up is seen in FY18 at 3.65%. Moderation in slippages and pick-up in credit bodes well for margins. However, capitalisation of interest income related to rehabilitated asset is seen to remain a dragger. Therefore, calculated NIM is seen at ~3.8-3.9% range.

Moderation in slippages; restructured exposure to remain steady

Large corporates (mostly AAA) comprise 82% of credit portfolio outside J&K and ~51% of total credit of J&K Bank. Within J&K, 38% is personal loans wherein majority are salaried account with relatively low risk. A slowdown in J&K and corporate slippage led to a surge in stressed asset accretion at ~22% in FY18. Going ahead, the pace of stress asset accretion is seen moderating. Therefore, credit cost, which remained elevated in FY17-18, should see moderation in FY19-20E. Allocation from state government of ₹ 300 crore and improvement in tourism is seen to keep slippages from rehabilitated exposure at minimum. Expect GNPA at ₹ 6457 crore (8.3% of credit) & NNPA ratio at ~4% by FY20E.

Growth guidance up, asset quality pain moderating, BUY

Plagued by a slowdown in J&K state and corporate slippage, stressed asset accretion was high. Focus on high rated corporate and improvement in tourism activity is seen to revive credit growth. Though state government support in lieu of rehabilitated exposure provides comfort, we remain a bit cautious. We revise our target price lower at ₹ 75 (earlier ₹ 90) valuing the stock at 1.1x FY20E ABV. We maintain **BUY**.

Variance analysis

	Q4FY18	Q4FY18E	Q4FY17	YoY (%)	Q3FY18	QoQ (%)	Comments
NII	656	749	655	0.1	780	-15.9	Interest reversal of ₹ 102 crore related to rehabilitated accounts impacted NII growth
NIM (%)	3.2	3.7	3.5	-31 bps	4.0	-83 bps	Higher slippages led to 83 bps QoQ decline in margins
Other Income	172	113	125	38.3	108	59.8	Robust growth at 105% YoY in miscellanous income supported other income
Net Total Income	828	862	780	6.2	888	-6.8	
Staff cost	348	342	300	16.1	328	6.1	Gratuity related expenses at ₹ 12.5 crore
Other Operating Expenses	214	124	203	5.0	177	20.4	
PPP	266.5	396.0	276.4	-3.6	382.7	-30.4	
Provision	251.1	255.0	768.3	-67.3	250.1	0.4	Provision remained elevated owing to higher slippages
PBT	15.4	141.0	-491.9	NA	132.6	-88.4	
Tax Outgo	-13.1	66.1	62.4	-120.9	60.2	-121.7	
PAT	28.4	74.9	-554.3	NA	72.5	-60.8	Muted NII and elevated provision kept earnings subdued
Key Metrics							
GNPA	6,006.7	6,006.8	6,000.0	0.1	6,232.1	-3.6	Slippages surged QoQ at ₹ 1747 crore vs ₹ 371 crore in Q3FY18, higher recovery at ₹ 2300 crore in FY18 kept GNPA low.
NNPA	2,791.1	2,791.2	2,425.4	15.1	2,487.7	12.2	NNPA increased ~61 bps QoQ to ₹ 4.9%
Total Restructured assets	6,133.0	6,764.5	7,321.0	-16.2	6,714.5	-8.7	Restructured assets declined QoQ- Std RA is ₹3600 crore in J&K and bal corp book ₹500 crore
Advances	56,913	56,913	49,816	14.2	57,929	-1.8	Uptick in advances led by increase in coporate and retail loans
Deposits	80,007	80,007	72,463	10.4	73,155	9.4	CASA ratio improved ~102 bps QoQ at 50.9%

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Net Interest Income	3,291	3,218	-2.2	3,832	3,752	-2.1
Pre Provision Profit	1,800	1,722	-4.4	2,145	2,107	-1.8
NIM (%)	3.9	3.8	-13 bps	3.9	3.8	-12 bps
PAT	523	494	-5.6	653	653	0.1
ABV (₹)	66.8	60.5	-9.4	69.1	63.3	-8.5

Source: Company, ICICI Direct Research

Assumptions

	Current				Earlier	
	FY17	FY18	FY19E	FY20E	FY19E	FY20E
Credit growth (%)	-0.8	14.2	16.6	17.0	16.6	17.0
Deposit Growth (%)	4.4	10.4	14.0	15.1	14.9	16.5
CASA ratio (%)	51.7	49.0	48.6	47.7	48.2	46.8
NIM Calculated (%)	3.5	3.8	3.8	3.8	3.9	3.9
Cost to income ratio (%)	57.0	59.0	54.7	52.4	52.8	51.8
GNPA (₹ crore)	6,000.0	6,006.8	6,214.3	6,457.0	6,619.5	6,925.1
NNPA (₹ crore)	-149.3	0.0	0.0	0.0	0.0	0.0
Slippage ratio (%)	1.8	2.2	4.2	0.9	4.2	1.5
Credit cost (%)	1.9	1.9	4.8	0.9	4.8	1.3

Source: Company, ICICI Direct Research

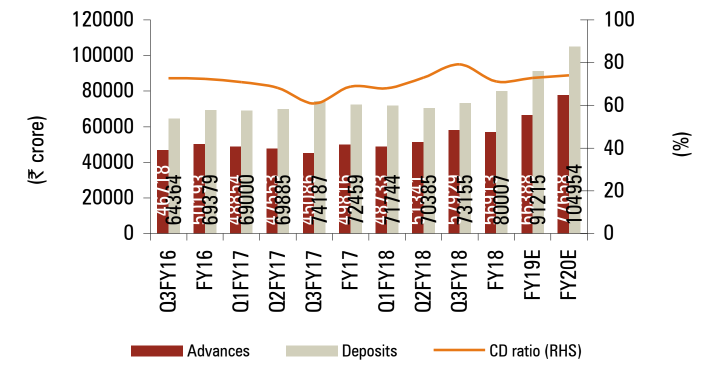
Company Analysis

Dominant position in J&K; credit growth to pick up momentum ahead

Historically, the bank's credit growth has been sluggish with mere 11.3% CAGR from ₹ 17080 crore in FY07 to ₹ 26194 crore in FY11. However, the decision turned out to be in favour of J&K Bank as majority of the banks that disbursed credit aggressively during this period grappled with asset quality issues. Post FY11, the management has steadily picked up its credit pace to grow at 21% CAGR from ₹ 26194 crore in FY11 to ₹ 46385 crore in FY14. In FY15, the bank de-grew 4% to ₹ 44586 crore owing to occurrence of flood in the state and slowdown in credit offtake. In FY16, credit growth revived to 12.6% YoY to ₹ 50193 crore. In FY17, credit growth remained sluggish at -0.8% YoY at ₹ 49816 crore, led by an unrest in J&K state as well as demonetisation wherein J&K comprises ~51% of credit while the rest of India comprises balance ~49%. Amid asset quality pressure, in FY18, advances witnessed gradual pick up at ~14% YoY to ₹ 56913 crore.

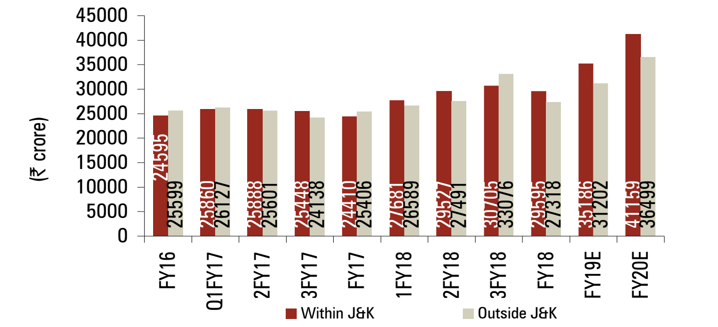
The under-penetrated market of credit to apple grower, expected rise in investment activity, resumption in tourist arrival, etc, is expected to support strong credit growth within J&K. There are almost 3,00,000 apple growers within J&K and only 10,000-20,000 avail bank credit.

Exhibit 1: CD ratio to improve gradually



Source: Company Quarterly Earnings update, ICICI Direct Research

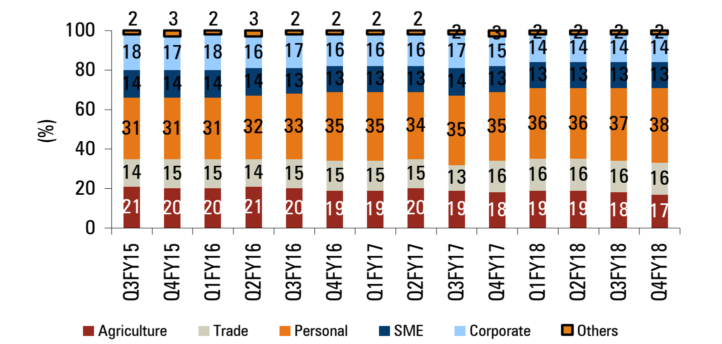
Exhibit 2: Geographical break-up of credit



Source: Company Quarterly Earnings update, ICICI Direct Research

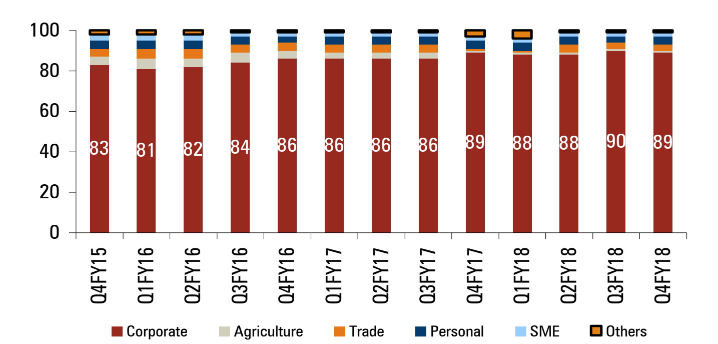
Advances growth remained healthy YoY at 14.2% to ₹ 56,913 crore but witnessed a decline on a QoQ basis. Deposit growth came in ahead of our estimate at ₹ 80,007 crore, up 10.4% YoY and 9.4% QoQ. Post a marginal decline in CASA in Q3FY18, the ratio improved ~102 bps QoQ to 50.9%, which is a healthy level. Gross credit within J&K grew 19% YoY to ₹ 31758 crore while in rest of India growth remained muted at 2% YoY to ₹ 28540 crore.

Exhibit 3: Sectoral break-up of credit within J&K state



Source: Company Quarterly Earnings update, ICICI Direct Research

Exhibit 4: Sectoral break-up of credit outside J&K state



Source: Company Quarterly Earnings update, ICICI Direct Research

Going ahead, with the new management's focus on balance sheet growth, credit offtake is anticipated to pick up in FY18-20E. Therefore, we expect credit offtake to pick up at 16.8% CAGR in FY18-20E to ₹ 77658 crore. The management has indicated that J&K state will contribute higher growth in total book at ~22-24%+, led by development in the state.

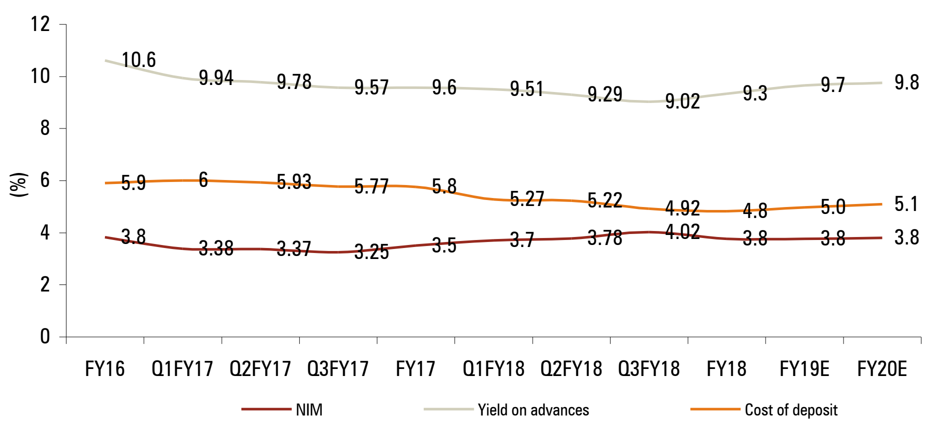
Moderation in slippages and credit offtake to aid margins

The bank used to earn NIM of >3.5%, which is among the best in the industry. Elevated NIM of 6%+ within J&K provides a boost to the overall NIM of the bank. Superior CASA ratio of ~53%, within J&K, and dominating position with 50% market share of credit and 85% of deposits enabled the bank to earn lucrative NIM of 6%+. In Q2FY17, higher slippages and incremental credit to higher rated corporate led to ~65 bps YoY decline in margins to 3.37%. In Q3FY17, the dip continued with NIM for quarter below 3% and 9M NIM at 3.25%. However, NIM witnessed a revival at 3.5% in Q4FY17 which continued to touch 4.02% in Q3FY18, led by a pick-up in credit growth, broadly stable CASA and moderation in slippages.

In Q4FY18, NIM witnessed ~83 bps QoQ decline owing to elevated slippages at ₹ 1747 crore and interest reversal related to rehabilitated account. However, moderation in slippages and pick-up in credit bodes well for improvement in margins. However, capitalisation of interest income related to rehabilitated asset is seen to remain a dragger. Therefore, calculated NIM is expected to moderate to ~3.8% range.

Calculated NIM is expected to be closer to ~3.8% range

Exhibit 5: NIM to normalise to 3.8% over FY19-20E



Source: Company Quarterly Earnings update, ICICI Direct Research *All are calculated figures*

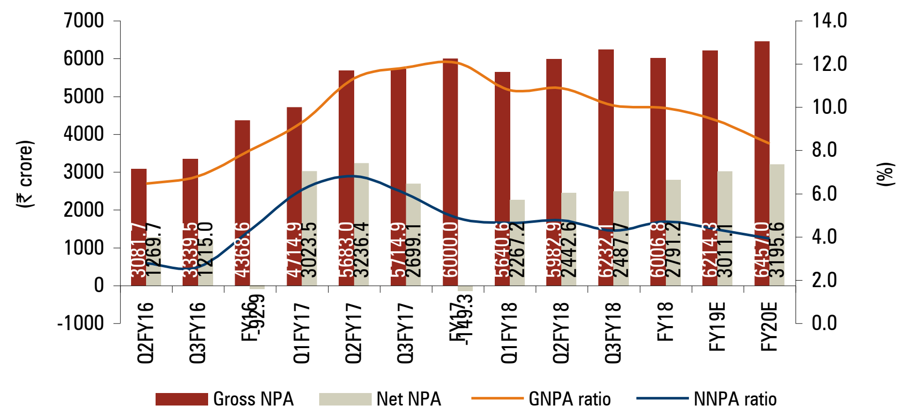
Earlier concerns- Slippages came back to under ₹ 200 crore in Q3FY17 in spite of an unrest in J&K state impacting borrower's ability to repay. A sharp surge was seen in Q2FY17 at ₹ 1062 crore vs. ₹ 1377 crore in Q1FY17 (₹ 200-300 crore run rate seen in prior quarters). In Q1FY18, slippages moderated at ₹ 505 crore (₹ 648 crore in Q4FY17) while recoveries/upgrades came in higher at ₹ 865 crore (₹ 362 crore in Q4FY17). Asset quality improved sequentially with ~41 bps QoQ improvement in GNPA ratio at 10.79% vs. 11.2% in Q4FY17. Absolute net NPA reduced 6.5% QoQ at ₹ 2267 crore. Hence, net NPA ratio improved 22 bps QoQ at 4.65%. The bank has reported one-time gain of ₹ 238 crore owing to DTA during the quarter. However, following a prudent approach, this one-time gain was utilised to shore up provision coverage ratio. Therefore, PCR has improved ~3% QoQ at 70.26% including floating provision of ₹ 349 crore.

In Q4FY18, absolute GNPA witnessed a decline at ₹ 6007 crore vs ₹ 6232 crore in Q3FY18. Post positive accretion in GNPA in last two quarters, incremental GNPA came in negative at ₹ 225 crore in Q4FY18. Decline in absolute GNPA coupled with credit growth at 14.2% YoY led to 12 bps QoQ decline in GNPA ratio at 9.96% (GNPA ratio in Q3FY18 – 10.08%). However, net NPA ratio increased 61 bps QoQ at 4.9% (₹ 2791 crore vs. ₹ 2488 crore in Q3FY18). PCR, though declined QoQ but still continue to remain healthy at 65.83%. Divergence came in at ₹ 909 crore. Exposure to rehabilitated account stood at ₹ 4118 crore (flat QoQ and standard in it was ₹3600 crore).

With respect to the unrest in J&K state and its impact on the repayment capacity of borrowers, a special dispensation was provided by RBI allowing restructuring of loans till December 2017 at lower interest rates, Additional sanction up to 20% of existing loan has also been allowed. Performance of the rehabilitated portfolio remains prudent as marginal proportion of loans have slipped to NPA. The management remains positive on a recovery from the portfolio due to improvement in tourism arrival. In addition, allocation of ₹ 300 crore by the state government for payment of one third of interest of rehabilitated accounts on timely payment will aid asset quality.

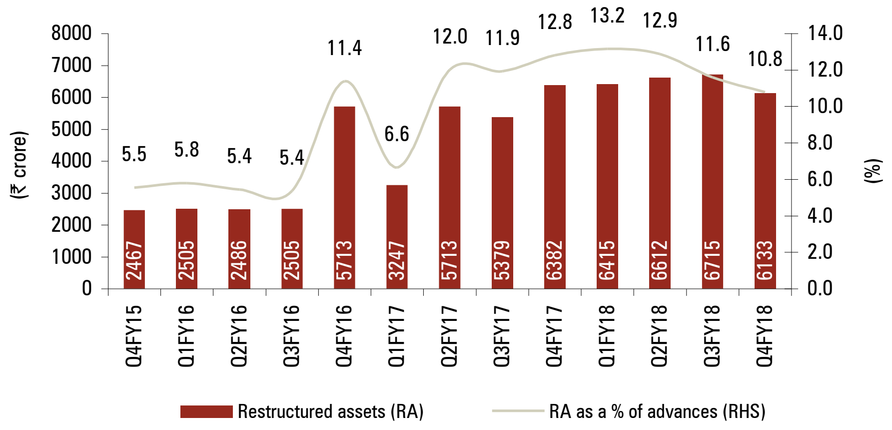
Going ahead, the management has indicated recognition of majority of stressed assets. Therefore, credit cost, which remained elevated in FY17-18, should see moderation in FY19-20E. We expect the pace of stress asset accretion to moderate in FY19-20E. Subsequently, credit cost is expected to ease ahead. Overall, we expect GNPA at ₹ 6457 crore (8.3% of credit) and NNPA at ₹ 3197 crore (~4.1% of credit) by FY20E.

Exhibit 6: Stressed assets to moderate in FY18-20E



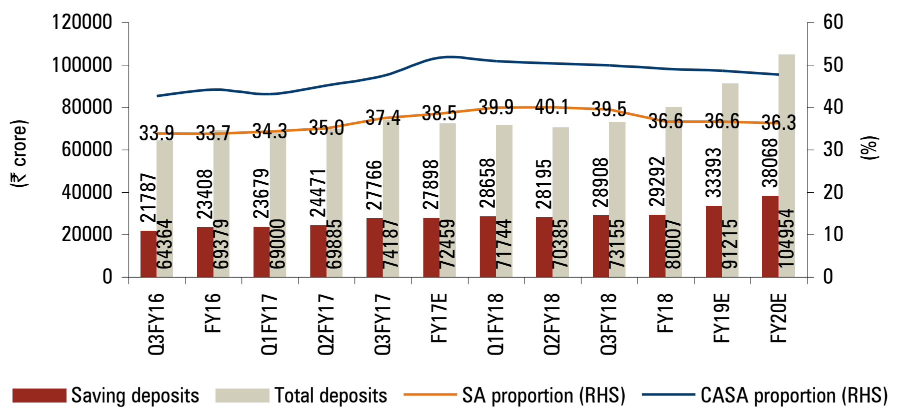
Source: Company, ICICI Direct Research

Exhibit 7: Restructured assets- corporate standard RA at just ₹570 crore, ₹3600 in J&K state



Source: Company Quarterly Earnings update, ICICI Direct Research

Exhibit 8: CASA ratio steady at ~50% in FY18



Source: Company Quarterly Earnings update, ICICI Direct Research

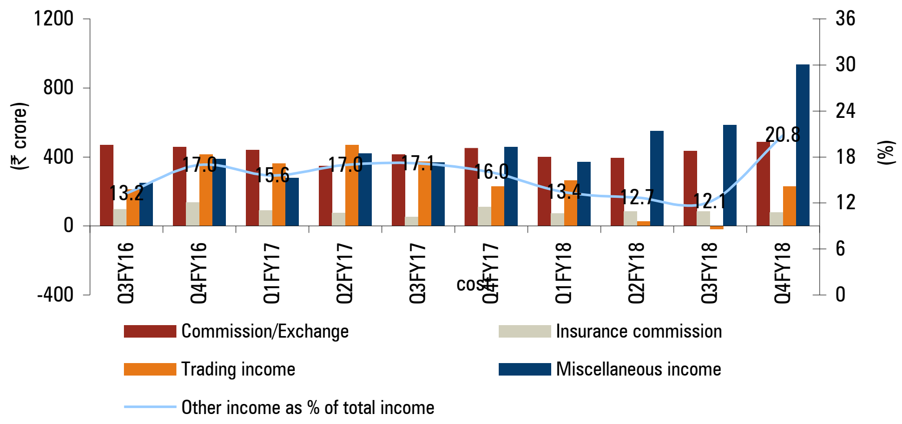
Led by demonetisation, deposit growth has been healthy with some volatility in the quarters with a sequential increase in low cost deposit. We expect deposit growth to gather pace at 14.5% CAGR in FY18-20E to ₹ 104954 crore by FY20E.

Higher miscellaneous income led growth in non-interest income

Non-interest income grew 38% YoY to ₹ 172 crore, led by surge in miscellaneous income at ₹ 93.5 crore vs ₹ 45.6 crore in Q4FY17 and ₹ 58.3 crore in Q3FY18. Post trading loss at ₹ 2 crore in Q3FY18, performance remained better with trading gains at ₹ 22.6 crore.

With the balance sheet cleaning remaining in focus, plans to divest a stake in MetLife have taken a back seat. Consequently, a near term windfall from sale of investment is ruled out. Apart from any exceptional gains, we expect non-interest income growth to follow balance sheet growth at 16.6% CAGR in FY18-20E to ₹ 674 crore.

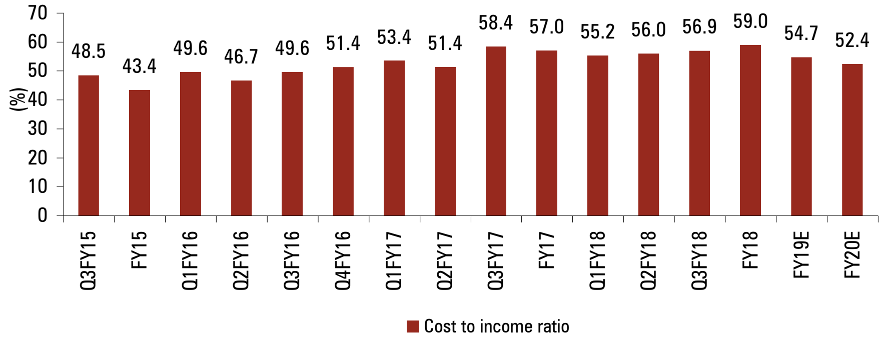
Exhibit 9: Miscellaneous income led to non-interest income growth



Source: Company Quarterly Earnings update, ICICI Direct Research

Cost income ratio to improve to ~52 in FY20E

Exhibit 10: Gradual improvement in CI ratio in FY18-20E

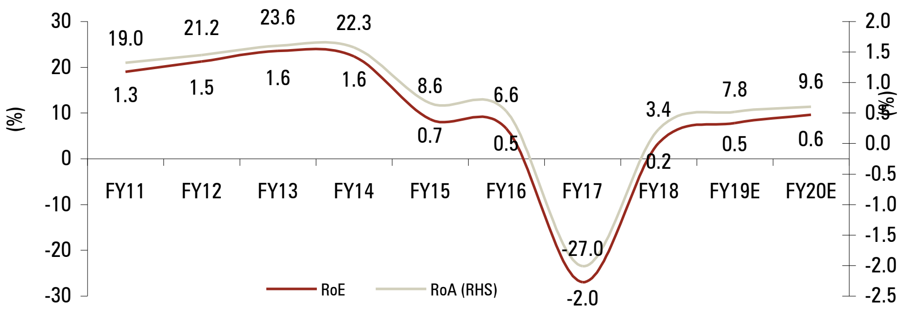


Source: Company, ICICI Direct Research

Gradual improvement in return ratios in FY18-20E

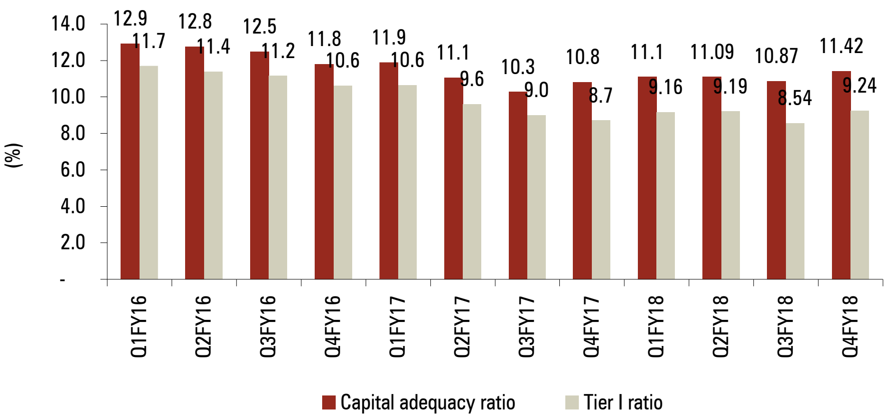
RoE is seen inching up to double digits at ~10% in FY20E

Exhibit 11: Trend in return ratios



Source: Company Quarterly Earnings update, ICICI Direct Research

Exhibit 12: Adequately capitalised for growth



Source: Company Quarterly Earnings update, ICICI Direct Research

Outlook and valuation

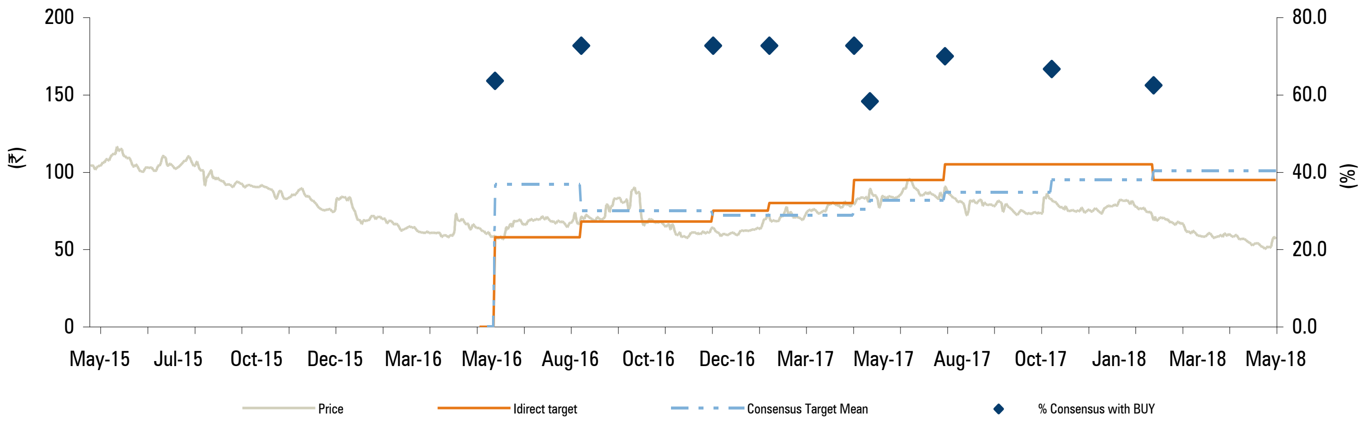
Plagued by a slowdown in J&K state and corporate slippage, credit offtake remained moderate with a rise in stressed asset accretion. Focus on high rated corporate and improvement in tourism activity is seen to revive credit growth. Though state government support in lieu of rehabilitated exposure provides comfort (book of ₹ 4000 crore), outlook remains a bit cautious. We expect PAT growth at 79% CAGR in FY18-20E to ₹ 653 crore. We revise our target price lower at ₹ 75 (earlier ₹ 90) valuing the stock at 1.1x FY20E ABV. We maintain **BUY**.

Exhibit 13: Valuation

	NII (₹ cr)	Growth (%)	PAT (₹ cr)	Growth (%)	P/E (x)	ABV (₹)	P/ABV (x)	RoA (%)	RoE (%)
FY16	2,711	2.3	414	(19)	6.9	87.8	0.7	0.5	6.6
FY17	2,513	(7.3)	(1,633)	NA	(1.9)	62.3	0.9	(2.0)	(27.0)
FY18	2,871	14.2	203	NA	16.2	60.5	1.0	0.2	3.4
FY19E	3,218	12.1	494	143	6.7	63.3	0.9	0.5	7.8
FY20E	3,752	16.6	653	32	5.0	68.9	0.9	0.6	9.6

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
FY02	Ties up with Metlife for foray in insurance sector, launches J&K Bank - Amex co-branded credit card in agreement with American Express Bank
FY03	Dr Haseeb Drabu - consultant to the Economic Advisory Council of PM, Economic Advisor to J&K government appointed as director of bank
FY04	The bank launches global access card (an international debit card) in association with Mastercard International
FY07	Receives approval from RBI for increasing FII holding, ties up with Kotak Mutual Funds
Oct-10	Mushtaq Ahmad appointed Chairman and CEO. He joined the bank in 1972 as probationary officer
Sep-12	J&K Bank planning to sell its Metlife stake comes in public domain post which the stock rallies significantly
Nov-12	NIM and RoA of bank scales new highs of 3.9% and 1.8%, respectively. Stock continues to rally north
FY13	Steady stock appreciation during FY09-13 as dividend/share increased from ₹ 16.9 to ₹ 50 along with steady and healthy PAT CAGR of 26.7%
May-13	PAT of ₹ 250 crore disappoints as couple of accounts slip to NPA leading to higher provision. Also, ₹ 70 crore profit in metlife stake sale was included.
Jul-13	RBI hikes MSF rates and tightens liquidity by various measures. However, J&K Bank has fallen relatively less as it has a much stabler business model
May-14	Local daily reports some stress on asset, which was later on classified as NPA in Q1FY15
Sep-15	Subdivision of shares of face value of ₹10 each into equity shares of ₹1 each
Jan-17	J&K state government reserves ₹532 crore for capital infusion in the bank

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Government of Jammu & Kashmir	31-Mar-18	0.6	311.2	-18.6
2	Secretary Finance Deptt Jammu & Kashmir Govt	31-Mar-18	0.0	18.6	18.6
3	East Bridge Capital Management L.P.	31-Mar-18	0.0	17.5	0.0
4	ICICI Prudential Asset Management Co. Ltd.	31-Dec-17	0.0	17.2	-2.4
5	Life Insurance Corporation of India	31-Mar-18	0.0	15.4	0.0
6	ICICI Prudential Life Insurance Company Ltd.	31-Dec-17	0.0	10.7	-0.8
7	Dimensional Fund Advisors, L.P.	31-Mar-18	0.0	8.0	0.0
8	UTI Asset Management Co. Ltd.	31-Dec-17	0.0	7.8	0.1
9	The Vanguard Group, Inc.	30-Apr-18	0.0	5.3	0.0
10	BlackRock Institutional Trust Company, N.A.	30-Apr-18	0.0	3.7	0.1

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Promoter	56.5	59.2	59.2	59.2	59.2
FII	17.0	17.6	17.5	16.8	15.5
DII	8.3	7.7	7.8	7.8	8.3
Others	18.3	15.5	15.5	16.2	17.0

Recent Activity

Buys			Sells		
Investor name	Value(m)	Shares(m)	Investor name	Value(m)	Shares(m)
Secretary Finance Deptt Jammu & Kashmir Govt	17.2	18.6	Government of Jammu & Kashmir	-17.2	-18.6
Kotak Mahindra Asset Management Company Ltd.	0.2	0.2	ICICI Prudential Asset Management Co. Ltd.	-2.9	-2.4
UTI Asset Management Co. Ltd.	0.2	0.1	Fidelity Management & Research Company	-0.8	-0.9
State Street Global Advisors (US)	0.1	0.1	ICICI Prudential Life Insurance Company Ltd.	-1.0	-0.8
BlackRock Institutional Trust Company, N.A.	0.1	0.1	Van Eck Associates Corporation	-0.3	-0.4

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Interest Earned	6685.8	6621.3	7569.4	8853.5
Interest Expended	4173.0	3750.6	4351.3	5101.5
Net Interest Income	2512.8	2870.7	3218.0	3752.0
growth (%)	-7.3	14.2	12.1	16.6
Non Interest Income	497.3	495.5	578.4	673.9
Fees and advisory	182.5	209.8	245.5	287.3
Treasury Income /sale of Invt.	135.4	29.8	44.7	67.0
Other income	179.4	255.8	288.3	319.7
Net Income	3010.1	3366.1	3796.5	4425.9
Employee cost	1126.3	1286.9	1356.4	1456.5
Other operating Exp.	590.1	697.6	718.5	862.6
Operating Income	1293.6	1381.7	1721.6	2106.9
Provisions	2800.3	1022.6	1016.4	1173.5
PBT	-1506.7	359.1	705.2	933.3
Taxes & Exceptional Item	126.3	156.4	211.6	280.0
Net Profit	-1633.0	202.7	493.6	653.3
growth (%)	-494.6	NA	143.5	32.4
EPS	-31.3	3.6	8.9	11.7

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Valuation				
No. of Equity Shares	52.1	55.7	55.7	55.7
EPS (₹)	-31.3	3.6	8.9	11.7
BV (₹)	108.8	110.6	117.3	126.3
BV-ADJ (₹)	62.3	60.5	63.3	68.9
P/E	-1.8	15.4	6.3	4.8
P/BV	0.5	0.5	0.5	0.4
P/ABV	0.9	0.9	0.9	0.8
Yields & Margins (%)				
Net Interest Margins	3.5	3.8	3.8	3.8
Yield on avg earning assets	9.3	8.7	8.8	9.0
Avg. cost on funds	5.7	4.8	5.0	5.1
Avg. Cost of Deposits	5.8	4.8	5.0	5.1
Yield on average advances	9.6	9.3	9.7	9.8
Quality and Efficiency (%)				
Cost / Total net income	57.0	59.0	54.7	52.4
Credit/Deposit ratio	68.8	71.1	72.8	74.0
GNPA	12.0	10.0	9.4	8.3
NNPA	4.9	4.7	4.3	3.9
RONW	-27.0	3.4	7.8	9.6
ROA	-2.0	0.2	0.5	0.6

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Sources of Funds				
Capital	52.1	55.7	55.7	55.7
Reserves and Surplus	5620.7	6105.5	6480.6	6977.2
Networth	5672.9	6161.2	6536.3	7032.9
Deposits	72459.0	80006.9	91215.2	104954.1
Borrowings	1276.0	1628.0	1918.4	2266.9
Other Liab & Prov (incl sub-debt	2604.2	1892.4	1999.7	2113.7
Total	82012.1	89688.5	101669.7	116367.7
Uses of Funds				
Fixed Assets	1543.3	1614.4	1884.0	2214.8
Investments	21290.9	18880.6	20766.6	23589.9
Advances	49816.1	56912.7	66387.9	77658.2
Other Assets	3969.0	4028.1	4366.4	3816.8
Cash with RBI & call money	5392.8	8252.7	8264.8	9087.9
Total	82012.1	89688.5	101669.7	116367.7

Source: Company, ICICI Direct Research

Growth ratios				(% growth)
(Year-end March)	FY17	FY18	FY19E	FY20E
Total assets	2.2	9.4	13.4	14.5
Advances	-0.8	14.2	16.6	17.0
Deposits	4.4	10.4	14.0	15.1
Total Income	-2.3	-0.9	14.5	16.9
Net interest income	-7.3	14.2	12.1	16.6
Operating expenses	10.4	15.6	4.6	11.8
Operating profit	-22.3	6.8	24.6	22.4
Net profit	-494.6	-112.4	143.5	32.4
Book value	-11.6	8.6	6.1	7.6
EPS	-466.9	-111.6	143.5	32.4

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Banking)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY18E	FY19E	FY20E	P/E (x) FY18E	FY19E	FY20E	P/ABV (x) FY18E	FY19E	FY20E	RoA (%) FY18E	FY19E	FY20E	RoE (%) FY18E	FY19E	FY20E
Bank of Baroda (BANBAR)	137	185	Buy	36,199	4	8	14	36.2	17.7	10.0	1.0	1.0	0.9	0.1	0.3	0.4	2	5	8
State Bank of India (STABAN)	267	340	Buy	240,527	4	9	18	75.8	29.8	14.6	1.7	1.5	1.5	0.1	0.2	0.4	1	3	6
Axis Bank (AXIBAN)	537	600	Buy	140,151	15	15	39	34.9	36.0	13.6	2.7	2.5	2.0	0.6	0.6	1.2	7	6	12
City Union Bank (CITUNI)	191	200	Buy	13,050	9	11	12	21.5	18.2	15.8	3.5	2.9	2.3	1.6	1.6	1.6	15	16	15
DCB Bank (DCB)	182	215	Buy	5,708	8	10	14	22.5	17.4	13.2	2.3	2.1	1.8	1.0	1.0	1.1	11	12	14
Federal Bank (FEDBAN)	83	105	Buy	16,738	5	6	8	17.2	14.0	10.6	1.8	1.4	1.3	0.8	0.9	1.0	10	11	12
HDFC Bank (HDFBAN)	2,111	2,300	Buy	556,880	67	78	94	31.3	27.1	22.4	5.4	4.0	3.5	1.8	1.8	1.9	18	17	17
IndusInd Bank (INDBA)	1,915	2,050	Buy	117,366	59	74	92	32.5	25.9	20.9	5.1	4.4	3.7	1.8	1.9	1.9	16	18	19
Jammu & Kashmir Bk(JAMKAS)	56	75	Buy	3,288	4	9	12	15.5	6.4	4.8	0.9	0.9	0.8	0.2	0.5	0.6	3	8	10
Kotak Mahindra Bank (KOTMAH)	1,318	1,440	Buy	254,318	21	27	34	61.5	48.4	39.2	7.1	6.5	5.7	1.7	1.8	1.9	13	13	15
Yes Bank (YESBAN)	343	375	Hold	79,793	18	24	31	18.7	14.3	11.2	3.2	2.7	2.2	1.7	1.8	1.9	17	19	21

Source: Company, ICICI Direct Research

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