

# IndusInd Bank

**BUY**

<b>INDUSTRY</b>	<b>BANKS</b>
<b>CMP (as on 10 July 2018)</b>	<b>Rs 1,934</b>
<b>Target Price</b>	<b>Rs 1,971</b>
Nifty	10,947
Sensex	36,240
<b>KEY STOCK DATA</b>	
Bloomberg	IIB IN
No. of Shares (mn)	600
MCap (Rs bn) / (\$ mn)	1,162/16,884
6m avg traded value (Rs mn)	2,150
<b>STOCK PERFORMANCE (%)</b>	
<b>52 Week high / low</b>	<b>Rs 1,995/1,526</b>
	3M 6M 12M
Absolute (%)	4.7 11.6 24.0
Relative (%)	(2.2) 6.3 9.8
<b>SHAREHOLDING PATTERN (%)</b>	
Promoters	16.77
FIs & Local MFs	11.17
FPIs	52.06
Public & Others	20.00
Source : BSE	

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## Business as usual

It was a quarter of reversion for IIB as slippages normalised (post the divergence in 4Q) and fee growth returned to normal levels (+20% YoY) after a multi-quarter low. The bank continued to deliver steadily on all other counts with robust loan growth (+28% YoY), strong CASA accretion (+37% YoY) and curtailed opex (up merely 12% YoY). Though NIMs were 5bps lower QoQ at 3.92%, they should rebound as re-pricing (post the recent hikes in MCLR) kicks in.

Our constructive thesis on IIB is driven by the management's consistency and ability of meeting (if not beating) defined targets. We believe IIB will continue to comfortably surpass system growth as PSBs cede market share and corporate tilted private banks grapple with asset quality. Clear focus on RoA accretion through any inorganic expansion will prevent reckless moves and create long term value. The merger and integration of BFI will provide a fillip to already superior return ratios. Maintain BUY with a TP of Rs 1,971 (3.75x Mar-20 ABV of Rs 526).

### Financial Summary

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY17	FY18	FY19E	FY20E
Net Interest Income	21,224	17,741	19.6%	20,076	5.7%	60,626	74,974	93,340	118,954
PPOP	19,111	15,885	20.3%	17,689	8.0%	54,510	66,561	83,508	105,242
PAT	10,357	8,365	23.8%	9,526	8.7%	28,679	36,060	45,189	57,126
EPS (Rs)	17.3	14.0	23.4%	15.9	8.8%	47.9	60.1	75.3	95.2
ROAE (%)						15.3	16.5	17.8	19.2
ROAA (%)						1.78	1.80	1.81	1.85
Adj. BVPS (Rs)						331	379	444	526
P/ABV (x)						5.84	5.11	4.36	3.68
P/E (x)						40.3	32.2	25.7	20.3

Source: Bank, HDFC sec Inst Research. Note: We have not factored the BFI merger in our estimates.

### Highlights of the quarter

- Though yields in the corporate and consumer book jumped 9bps and 4bps QoQ, NIMs dipped for the 3<sup>rd</sup> consecutive quarter. This was primarily due to rising COF (5.44%, +35bps QoQ) as interest rates hardened. However, the management believes NIMs have largely bottomed out given the lagged effects of re-pricing post the recent hikes (60bps over the past 6 months) in 1 year MCLR. We have factored stable NIMs of 4.15% over FY19-20E.
- Opex growth was curtailed to merely ~12/5% YoY/QoQ with evenly distributed growth in staff and other opex. Consequently, the C-I ratio dipped 80bps sequentially to ~44.2%. Even though the bank is expected to add 200 branches over FY19, we believe it will well placed to meet the C-I target (reduction of 200bps) laid down in PC-4. We have built in a core C-I ratio dip of 160bps over FY18-20E
- Near term outlook:** Growth visibility and the impending merger with BFI will keep the stock in the limelight.

## Five Quarters At A Glance

Rs mn	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	YoY Growth	QoQ Growth
Net Interest Income	17,741	18,210	18,948	20,076	21,224	19.6%	5.7%
Non-interest Income	11,673	11,876	11,870	12,080	13,016	11.5%	7.7%
Treasury Income	1930	1750	1100	950	1366	-29.2%	43.8%
Operating Income	29,413	30,086	30,818	32,156	34,240	16.4%	6.5%
Operating Expenses	13,528	13,751	14,169	14,467	15,129	11.8%	4.6%
Pre Provision Profits (PPOP)	15,885	16,335	16,649	17,689	19,111	20.3%	8.0%
Provisions And Contingencies	3,100	2,938	2,362	3,356	3,500	12.9%	4.3%
NPA Provisions	2100	2220	1870	2820	2090	-0.5%	-25.9%
PBT	12,786	13,398	14,288	14,333	15,611	22.1%	8.9%
Provision for Tax	4,420	4,597	4,923	4,808	5,254	18.9%	9.3%
PAT	8,365	8,801	9,365	9,526	10,357	23.8%	8.7%
<b>Balance Sheet items/ratios</b>							
Deposits	1,337	1,414	1,461	1,516	1,589	18.8%	4.8%
CASA Deposits	505	598	626	667	690	36.6%	3.4%
Advances	1,164	1,232	1,285	1,450	1,507	29.4%	3.9%
CD Ratio (%)	87.1	87.1	88.0	95.6	94.8	776 bps	-74 bps
CAR (%)	16.18	15.63	15.83	15.03	14.70	-148 bps	-33 bps
Tier I (%)	15.66	15.09	15.33	14.58	14.29	-137 bps	-29 bps
<b>Profitability</b>							
Yield On Advances (%)	11.53	11.27	11.04	11.08	11.15	-38 bps	7 bps
Cost Of Deposits (%)	6.15	5.90	5.93	5.98	6.20	5 bps	22 bps
NIM (%)	4.00	4.00	3.99	3.97	3.92	-8 bps	-5 bps
Cost-Income Ratio (%)	46.0	45.7	46.0	45.0	44.2	-181 bps	-81 bps
Tax Rate (%)	34.6	34.3	34.5	33.5	33.7	-92 bps	11 bps
<b>Asset quality</b>							
Gross NPA (Rs bn)	12.7	13.5	15.0	17.0	17.4	36.9%	2.1%
Net NPA (Rs bn)	5.1	5.4	5.9	7.5	7.6	50.0%	2.2%
Gross NPAs (%)	1.09	1.08	1.16	1.17	1.15	6 bps	-2 bps
Net NPAs (%)	0.44	0.44	0.46	0.51	0.51	7 bps	0 bps
Delinquency Ratio (%)	2.12	1.66	1.30	2.52	1.29	-83 bps	-123 bps
Restructuring O/s (%)	0.17	0.16	0.15	0.05	0.05	-12 bps	0 bps
Coverage Ratio (%)	60.0	60.1	60.5	56.3	56.2	-383 bps	-6 bps

**Driven by robust loan growth of 29% YoY and stable NIMs**

**Core fees +20/5% YoY/QoQ driven by 3<sup>rd</sup> party distribution, IB and loan processing fees**

**Opex growth contained despite the branch additions (200 over last 4 qtrs)**

**MTM losses of Rs 860mn, LLP down ~26% QoQ (flat YoY)**

**Led by strong SA traction (+51%) and CA (+12%); CASA ratio up ~565bps YoY (43.4%) albeit lower 60bps QoQ**

**Broad based growth equally driven by corp (+30%) and CFD (+~28%)  
Within CFD, the non-VF portfolio reported a robust growth of ~28% YoY**

**Impacted by faster movement in CoF; MCLR linked book Corp stands at ~60% and fixed rate book at 40%**

**Corp slippages stood at Rs 2.1bn (0.92% annu. vs. 2.46% QoQ) and CFD slippages at Rs 2.6bn (1.77% vs. 2.24% QoQ)  
O/S SR at 33bps**

## Change In Estimates

(Rs mn)	FY19E			FY20E		
	Old	New	Change	Old	New	Change
NII	93,340	93,340	0.0%	118,954	118,954	0.0%
PPOP	81,771	83,508	2.1%	103,221	105,242	2.0%
PAT	44,847	45,189	0.8%	56,685	57,126	0.8%
Adj. BVPS (Rs)	443.1	443.6	0.1%	524.5	525.6	0.2%

Source: HDFC sec Inst Research

**Loan growth equally driven by the corporate segment (+30%) and CFD (+28%) YoY**

**Corporate growth was driven by small business (+39% YoY) and large corp (36% YoY)**

**IIB has chosen to fund four NCLT cases**

**IIB sold corporate loans to the tune of Rs 80bn during the quarter**

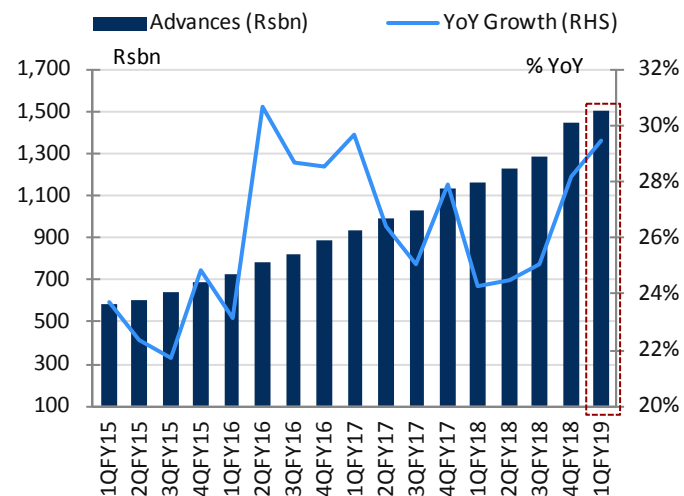
**The non-vehicle CFD portfolio grew ~28/5% YoY/QoQ, led by strong growth in credit cards (+53%), PL (+51%) and Equipment financing (+37%)**

**In VF segment, CV and UV led the growth by 34/25% while 3W, 2W and car grew by ~15-16%.**

## Sustained Growth Momentum

- IIB's growth story remained intact as the bank delivered stellar growth (+29% YoY) for yet another quarter. The uptick was witnessed across segments as corporate loans grew ~30/3% YoY/QoQ to form ~60% of total advances. The CFD segment also reported robust growth (~28/5% YoY/QoQ).
- Within the CFD slice, credit cards and personal loans (the banks' identified growth drivers) grew 53% YoY and 51% YoY respectively. Equipment finance growth also jumped ~37% YoY. Overall VF loans grew ~27/5% YoY/QoQ to form 64.2% (down 30bps sequentially) of CFD loans. Within the corporate segment, growth was driven by refinance opportunities in NCLT cases.

## Strong Loan Growth Of ~29% YoY

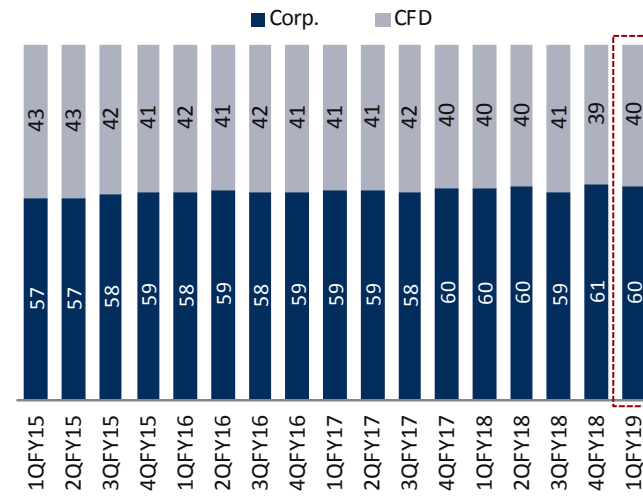


Source: Company, HDFC sec Inst Research

The bank is cautious and has participated only in 4 proposals. Participation was limited to proposals backed by strong sponsors and projects with lower turnaround spans.

- IIB's CASA grew 37/3% YoY/QoQ to form ~43.4% (+565bps YoY, albeit down 60bps QoQ) of deposits. The healthy growth was led by sustained momentum (~51/4% YoY/QoQ) in SA deposits. After surge in government business over FY18, future growth will majorly be driven by ramping up retail acquisition (looking to acquire 150K costumers per month vs. 125K currently).

## Loan Mix (%) Retail Growth Is Back



Source: Company, HDFC sec Inst Research

**CV proportion jumps 160 bps YoY to ~39% of the CFD book**

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

**SA growth momentum continues (51/4% YoY/QoQ)**

**Added 375K SA customers with avg ticket size of Rs 65k**

**CASA ratio improved ~565bps QoQ (-60bps QoQ)**

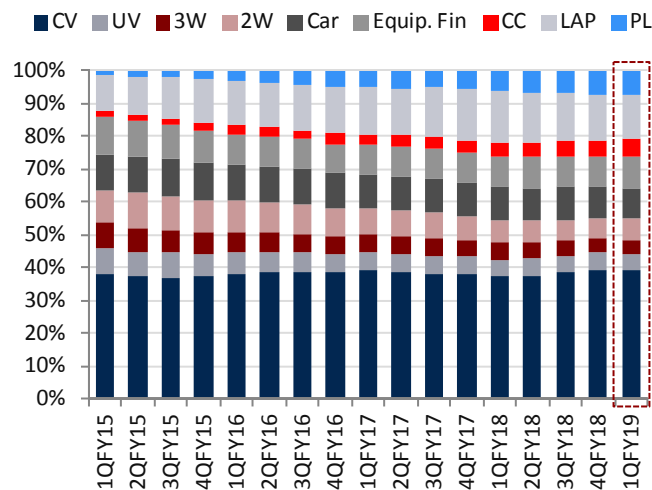
**Corp yields increased ~9bps QoQ and CFD yields improved ~4bps**

**IIB's 60% of the corporate book is linked to MCLR**

**IIB has the ability to tweak SA rates to reduce cost of SA**

**The growth in 3<sup>rd</sup> party distribution income is primarily driven by sale of insurance and housing products**

## CFD Mix: Granularity Continues To improve

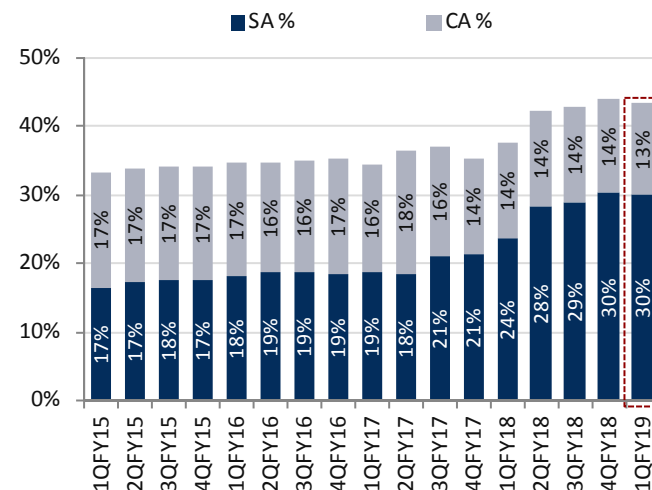


Source: Bank, HDFC sec Inst Research

## Fee growth returns; Opex under control

- After a multi quarter low in 4Q, core fee growth (+20% YoY) resumed for IIB. Growth was largely broad based as general banking, IB fees and processing fees grew 25%, 19% and 17% respectively. The bank continued to ramp up fee income from 3<sup>rd</sup> party distribution which grew 32/2% YoY/QoQ to ~Rs 2.1bn. The sequential growth was despite 4Q being a seasonally strong quarter. We have factored in core fees of 2.7% of avg advances over FY19-20E - one of the healthiest in the banking industry.
- Though trading grains were up ~44% sequentially, the hardening G-Sec yields led to a ~30% YoY drop.

## CASA Ratio: Up 565bps YoY (Down 60bps QoQ)



Source: Bank, HDFC sec Inst Research

- Though the addition of merely 10 branches during 1Q looks insignificant, the management stated that a large chunk of branches are near completion. Despite this overall opex was up merely ~12/5% YoY/QoQ. Both, staff and other expenses were kept under check.
- The management is confident of achieving (if not beating) their C-I reduction target under the PC-4 as efficiency improves and cross sell increases. We have factored in an opex CAGR of 24% vs a loan CAGR of 26% over FY19-20E.

**We have factored in calc.  
NIMs of 4.15% over FY18-20E**

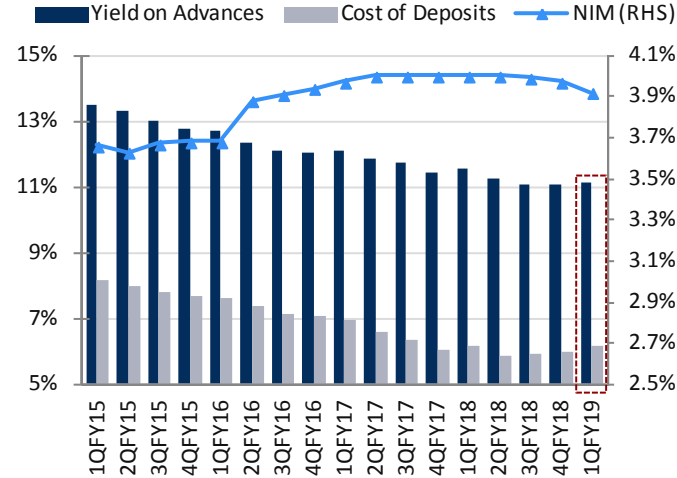
**Core fees grew 20/5%  
YoY/QoQ led by 32% rise in  
distribution fees (incl. Housing  
loans), 19% growth in IB fees  
and 17% jump in loan  
processing fees**

**Sequentially FX income  
jumped ~16%**

**Treasury gains jumped QoQ  
to Rs 1.37bn**

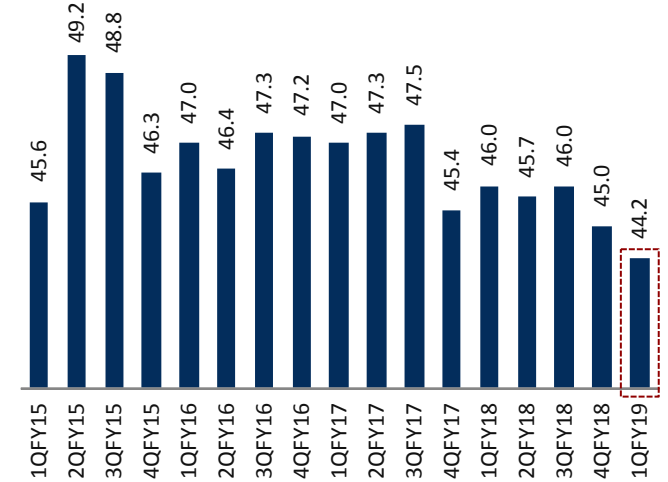
**Non-interest income  
contributed ~38% of the total  
income and core fees is ~3.2%  
of loans**

### NIM Strong At ~3.92% (-5bps QoQ)



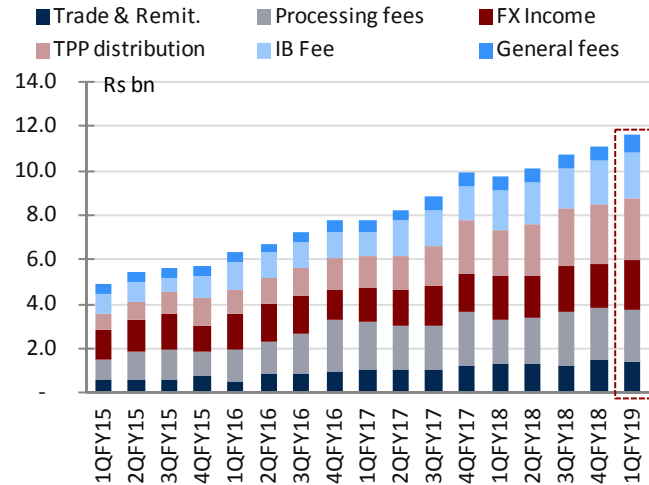
Source: Bank, HDFC sec Inst Research

### C-I Ratio: Down 80bps QoQ



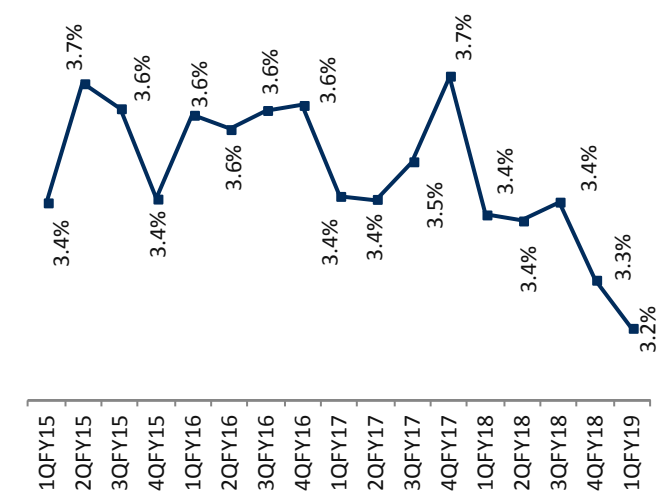
Source: Bank, HDFC sec Inst Research

### Well-diversified Fee Income Stream



Source: Bank, HDFC sec Inst Research

### Fee Income As % Of Loans Dips 10bps QoQ



Source: Bank, HDFC sec Inst Research

**Sequentially slippages (Rs 4.75bn; 1.29% annu.) were lower due to forced recognition in 4Q**

**Corp. Slippages stood at Rs 2.09bn (92bps vs. 246bps ann.)**

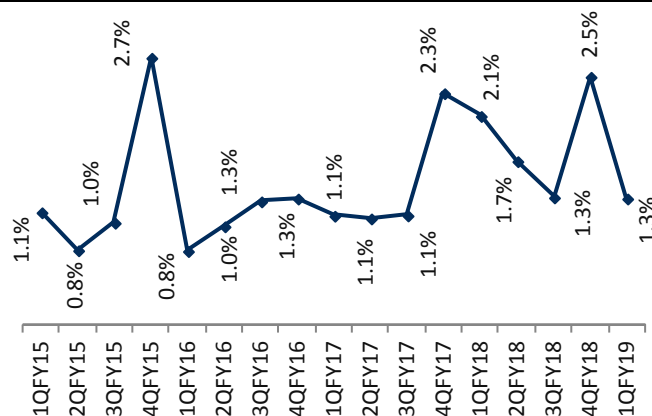
**CFD slippages too dipped to Rs 2.66bn; 1.77% annu. vs. Rs 3.21bn (2.24% ann.)**

**O/S SR stood at 33bps and restructured book stood at 5bps QoQ**

## Impeccable asset quality

- After a blip (divergence) in 4Q, asset quality was kept under check. GNPA were up merely 2% sequentially (1.15%, down 2bps QoQ) while NNPA were also up 2% QoQ (51bps, flat QoQ). Overall slippages almost halved QoQ to 1.29% annu (vs 2.52% annu in 4Q).
- Corporate slippages moderated (Rs 2.1bn i.e. 0.92% annu. vs. 2.46% QoQ and 2.87% YoY) largely owing to chunky recognition and RBI divergence in the base quarters. CFD slippages were also lower at 1.77% vs. 2.24% QoQ and 2.18% annu YoY. Within the CFD segment, LAP+PL GNPA dipped (~52/31% YoY/QoQ) while the Cards GNPA spiked ~120/21% YoY/QoQ.

### Lower Slippages In Both The Segments



Source : Bank, HDFC sec Inst Research

### Asset Quality Segment-Wise

Corp	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
GNPA	0.54%	0.65%	0.74%	0.76%	0.73%	0.79%	0.81%	0.98%	1.12%	1.21%	1.20%	1.23%
Slippages (Ann.)	0.66%	0.96%	0.85%	0.70%	0.51%	0.75%	2.87%	2.03%	1.55%	0.75%	2.46%	0.92%
LLP (Ann.)	0.63%	0.66%	0.56%	0.48%	0.52%	0.51%	1.17%	0.63%	0.78%	0.40%	0.72%	0.36%

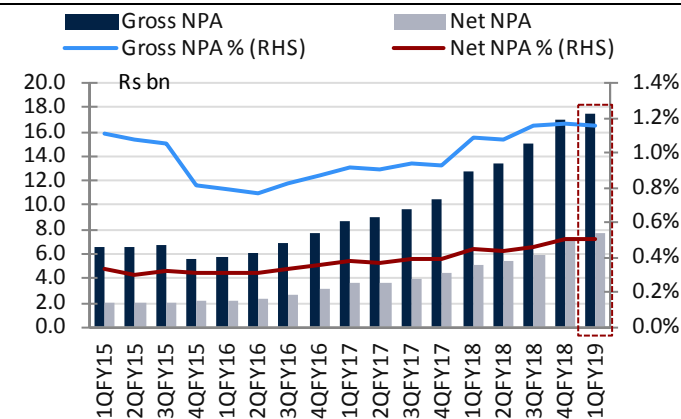
  

CFD	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
GNPA	1.10%	1.08%	1.08%	1.14%	1.17%	1.16%	1.12%	1.25%	1.06%	1.10%	1.14%	1.05%
Slippages (Ann.)	1.50%	1.68%	1.90%	1.69%	1.90%	1.63%	1.60%	2.18%	1.72%	2.00%	2.24%	1.77%
LLP(Ann.)	0.65%	0.77%	0.88%	0.85%	0.79%	0.73%	0.62%	0.89%	0.68%	0.88%	0.99%	0.88%

Source : Bank, HDFC sec Inst Research

- As observed in the annual report for FY18, the share of unsecured loans jumped to ~20.3% vs an average of 11.5% over FY13-17. The management attributes this spike to (1) increasing exposures to AAA rated PSUs where some exposures are without collateral, (2) rising share of unsecured businesses i.e. cards and PL and (3) 3<sup>rd</sup> party guarantees on some exposures which cannot be classified as secured.
- We have conservatively maintained our slippage assumptions at ~1.3% over FY19-20E despite the sequential drop in 1Q.

### Asset Quality Stable



Source : Bank, HDFC sec Inst Research

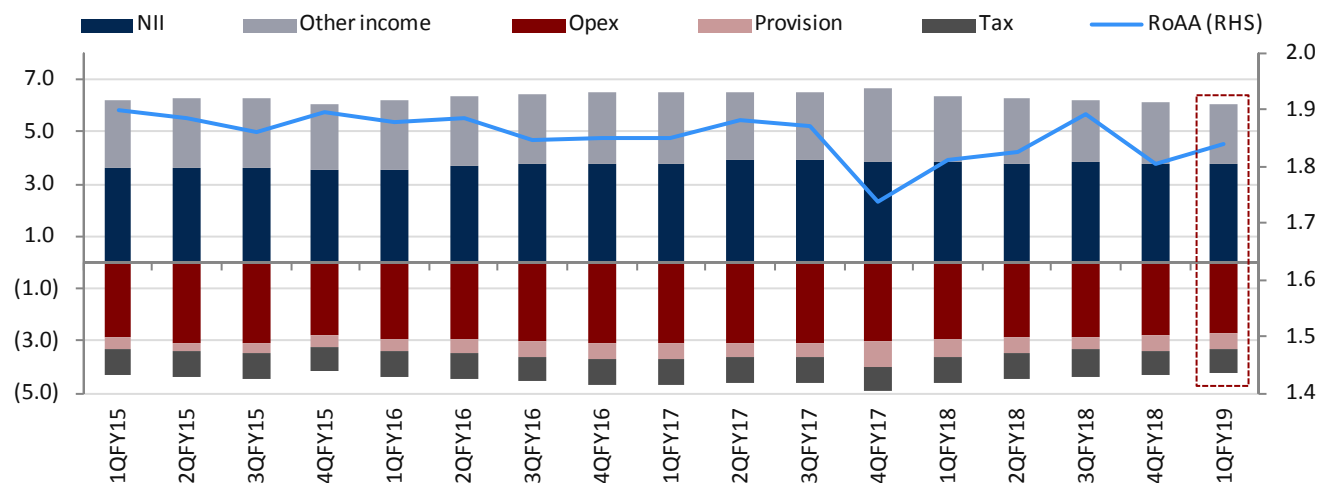


### Consumer Finance: GNPA's

	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
CV	1.10%	1.05%	1.03%	1.05%	1.03%	0.96%	0.94%	1.10%	1.05%	1.01%	1.08%	0.97%
UV	1.03%	1.00%	1.22%	1.30%	1.18%	1.09%	1.14%	1.47%	1.42%	1.31%	1.33%	1.43%
CE	1.57%	1.45%	1.31%	1.44%	1.45%	1.28%	1.23%	1.11%	1.00%	1.11%	1.13%	0.92%
3W/SCV s	0.84%	0.81%	0.98%	1.10%	1.00%	0.86%	0.93%	1.35%	1.13%	1.24%	1.28%	1.14%
2Ws	2.83%	2.95%	3.06%	3.20%	3.74%	3.78%	3.55%	3.62%	3.63%	3.98%	3.95%	3.81%
Cars	0.41%	0.39%	0.52%	0.50%	0.50%	0.76%	0.67%	0.76%	0.69%	0.64%	0.68%	0.71%
LAP/PL/HL	0.41%	0.57%	0.76%	0.92%	1.00%	1.15%	1.26%	1.46%	0.54%	0.83%	0.91%	0.62%
Cards	1.35%	1.48%	1.54%	1.79%	1.80%	1.71%	1.43%	1.32%	1.56%	1.73%	1.74%	1.87%

Source: Bank, HDFC sec Inst Research

### RoAA Rises As Provisions Dip



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 (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
KMB #	2,615	1,372	BUY	1,371	175	207	238	52.4	39.8	31.0	6.41	5.32	4.52	13.2	13.8	14.9	1.72	1.82	1.87
ICICIBC #	1,758	273	BUY	377	105	126	150	17.6	11.7	8.0	1.75	1.36	1.03	7.3	9.5	9.8	0.81	1.00	1.17
AXSB	1,388	533	NEU	538	184	226	269	495.8	27.2	14.6	2.90	2.36	1.98	0.5	7.7	12.9	0.04	0.69	1.13
<b>IIB</b>	<b>1,162</b>	<b>1,934</b>	<b>BUY</b>	<b>1,971</b>	<b>379</b>	<b>444</b>	<b>526</b>	<b>32.2</b>	<b>25.7</b>	<b>20.3</b>	<b>5.11</b>	<b>4.36</b>	<b>3.68</b>	<b>16.5</b>	<b>17.8</b>	<b>19.2</b>	<b>1.80</b>	<b>1.81</b>	<b>1.85</b>
RBL	242	580	BUY	582	152	170	194	38.3	27.4	20.8	3.82	3.40	2.99	11.5	12.6	14.8	1.15	1.27	1.31
FB	164	83	NEU	102	54	60	68	18.7	14.9	11.0	1.54	1.39	1.23	8.3	8.7	11.0	0.69	0.73	0.85
CUB	116	174	BUY	231	55	66	77	19.5	16.7	14.4	3.14	2.64	2.26	15.3	15.4	15.4	1.57	1.60	1.57
KVB	75	104	BUY	156	61	70	78	21.8	15.2	8.4	1.71	1.47	1.33	6.1	7.8	13.6	0.54	0.70	1.14
DCBB	56	180	BUY	216	78	88	98	22.6	17.5	14.2	2.30	2.05	1.83	9.8	10.8	12.0	0.90	0.95	0.97
SBIN #	2,352	264	BUY	328	93	137	175	-22.3	14.0	6.4	1.75	1.19	0.93	-3.3	4.8	9.8	-0.21	0.29	0.60
BOB	276	120	BUY	182	75	108	138	-13.0	15.8	7.8	1.59	1.11	0.86	-6.1	4.5	8.6	-0.34	0.27	0.50
AUBANK	192	639	NEU	673	73	117	135	62.5	43.0	32.7	8.72	5.48	4.75	13.8	15.0	14.9	1.98	1.98	1.96

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



## Income Statement

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Interest Earned	118,717	144,057	172,807	220,990	280,137
Interest Expended	73,552	83,431	97,833	127,650	161,183
<b>Net Interest Income</b>	<b>45,166</b>	<b>60,626</b>	<b>74,974</b>	<b>93,340</b>	<b>118,954</b>
<b>Other Income</b>	<b>32,969</b>	<b>41,715</b>	<b>47,501</b>	<b>59,765</b>	<b>71,599</b>
<i>Fee Income (CEB)</i>	<i>22,315</i>	<i>28,953</i>	<i>34,119</i>	<i>44,326</i>	<i>54,551</i>
<i>Treasury Income</i>	<i>1,453</i>	<i>2,769</i>	<i>3,638</i>	<i>3,000</i>	<i>2,750</i>
<b>Total Income</b>	<b>78,135</b>	<b>102,341</b>	<b>122,475</b>	<b>153,105</b>	<b>190,553</b>
<b>Total Operating Exp</b>	<b>36,721</b>	<b>47,831</b>	<b>55,914</b>	<b>69,597</b>	<b>85,311</b>
<i>Employee Expense</i>	<i>12,361</i>	<i>15,210</i>	<i>17,807</i>	<i>22,311</i>	<i>27,610</i>
<b>PPOP</b>	<b>41,414</b>	<b>54,510</b>	<b>66,561</b>	<b>83,508</b>	<b>105,242</b>
Provisions & Contingencies	6,722	10,913	11,754	14,519	17,911
<i>Prov. For NPAs (Incl. Std Prov.)</i>	<i>5,015</i>	<i>7,048</i>	<i>9,009</i>	<i>11,455</i>	<i>13,901</i>
<b>PBT</b>	<b>34,693</b>	<b>43,597</b>	<b>54,807</b>	<b>68,989</b>	<b>87,331</b>
Provision for Tax	11,828	14,918	18,747	23,800	30,204
<b>PAT</b>	<b>22,864</b>	<b>28,679</b>	<b>36,060</b>	<b>45,189</b>	<b>57,126</b>

Source: Bank, HDFC sec Inst Research,

## Balance Sheet

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Share Capital	5,950	5,981	6,002	6,002	6,002
Reserves	171,010	200,480	232,414	271,232	320,303
<b>Shareholders' Funds</b>	<b>176,960</b>	<b>206,461</b>	<b>238,416</b>	<b>277,234</b>	<b>326,306</b>
<i>Savings</i>	<i>172,462</i>	<i>270,372</i>	<i>458,883</i>	<i>591,303</i>	<i>764,998</i>
<i>Current</i>	<i>154,780</i>	<i>196,088</i>	<i>208,410</i>	<i>289,392</i>	<i>341,844</i>
<i>Term Deposit</i>	<i>602,761</i>	<i>799,262</i>	<i>849,099</i>	<i>1,059,919</i>	<i>1,322,073</i>
<b>Total Deposits</b>	<b>930,003</b>	<b>1,265,722</b>	<b>1,516,392</b>	<b>1,940,614</b>	<b>2,428,916</b>
Borrowings	249,959	224,537	382,891	462,745	563,629
Other Liabilities	72,048	89,764	78,563	89,188	98,812
<b>Total Liabilities</b>	<b>1,428,970</b>	<b>1,786,484</b>	<b>2,216,262</b>	<b>2,769,780</b>	<b>3,417,663</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	101,119	186,283	132,159	190,409	257,322
Investments	340,543	367,021	500,767	601,618	722,838
<i>G-Secs</i>	<i>281,080</i>	<i>314,523</i>	<i>403,660</i>	<i>492,916</i>	<i>601,157</i>
Advances	884,193	1,130,805	1,449,537	1,833,880	2,283,181
Fixed Assets	12,553	13,352	13,388	14,057	14,760
Other Assets	90,561	89,023	120,412	129,817	139,561
<b>Total Assets</b>	<b>1,428,970</b>	<b>1,786,484</b>	<b>2,216,262</b>	<b>2,769,780</b>	<b>3,417,663</b>

Source: Bank, HDFC sec Inst Research,

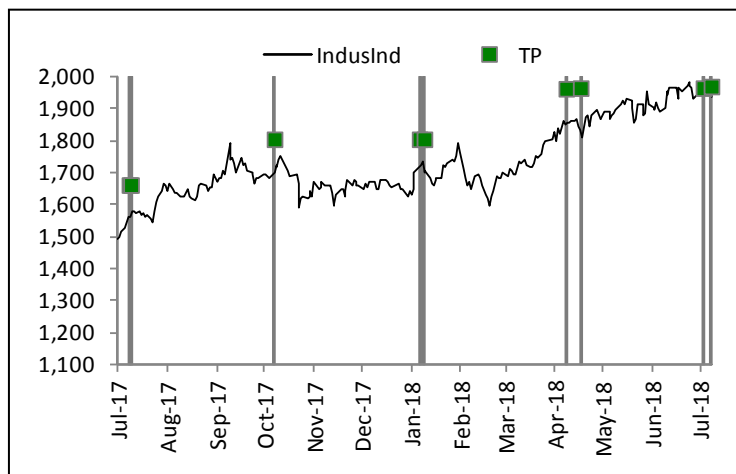
## Key Ratios

	FY16	FY17	FY18	FY19E	FY20E
<b>VALUATION RATIOS</b>					
EPS (Rs)	38.4	47.9	60.1	75.3	95.2
Earnings Growth (%)	27.5	25.4	25.7	25.3	26.4
BVPS (Rs)	290.8	338.7	390.9	455.6	537.4
Adj. BVPS (Rs)	285.4	331.3	378.5	443.6	525.6
DPS (Rs)	4.5	6.0	7.5	1.81	1.85
ROAA (%)	1.80	1.78	1.80	17.8	19.2
ROAE (%)	16.6	15.3	16.5	25.7	20.3
P/E (x)	50.3	40.3	32.2	4.36	3.68
P/ABV (x)	6.78	5.84	5.11	13.9	11.0
P/PPOP (x)	27.8	21.2	17.4	0.5	0.6
Dividend Yield (%)	0.2	0.3	0.4	75.3	95.2
<b>PROFITABILITY</b>					
Yield On Advances (%)	11.76	11.39	10.62	10.86	11.09
Yield On Investment (%)	7.26	6.97	7.09	6.92	6.80
Cost Of Funds (%)	6.91	6.25	5.77	5.93	5.97
Cost Of Deposits (%)	6.83	6.31	5.78	5.90	5.93
Core Spread (%)	4.93	5.08	4.83	4.96	5.16
NIM (%)	3.99	4.20	4.19	4.13	4.17
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	2.9	3.0	2.8	2.8	2.8
Cost-Income Ratio (Ex. Treasury)	47.9	48.0	47.1	46.4	45.4
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	28.5	27.9	28.2	26.5	24.5
Deposit Growth (%)	25.4	36.1	19.8	28.0	25.2
C/D Ratio (%)	95.1	89.3	95.6	94.5	94.0
Equity/Assets (%)	12.4	11.6	10.8	10.0	9.5
Equity/Advances (%)	20.0	18.3	16.4	15.1	14.3
CASA (%)	35.2	36.9	44.0	45.4	45.6
Capital Adequacy Ratio (CAR, %)	15.5	15.3	15.0	13.5	12.4
W/w Tier I CAR (%)	14.9	14.7	14.6	13.1	12.1

	FY16	FY17	FY18	FY19E	FY20E
<b>ASSET QUALITY</b>					
Gross NPLs (Rs mn)	7,768	10,549	17,049	19,606	22,840
Net NPLs (Rs mn)	3,218	4,389	7,457	7,192	7,077
Gross NPLs (%)	0.88	0.93	1.18	1.07	1.00
Net NPLs (%)	0.36	0.39	0.51	0.39	0.31
Slippages (%)	1.08	1.42	2.58	1.35	1.30
Coverage Ratio (%)	58.6	58.4	56.3	63.3	69.0
Provision/Avg. Loans (%)	0.6	0.7	0.7	0.7	0.7
<b>ROAA TREE</b>					
Net Interest Income	3.55%	3.77%	3.75%	3.74%	3.85%
Non Interest Income	2.59%	2.59%	2.37%	2.40%	2.31%
<i>Treasury Income</i>	<i>0.11%</i>	<i>0.17%</i>	<i>0.18%</i>	<i>0.12%</i>	<i>0.09%</i>
Operating Cost	2.88%	2.98%	2.79%	2.79%	2.76%
Provisions	0.53%	0.68%	0.59%	0.58%	0.58%
<i>Provisions for NPAs</i>	<i>0.39%</i>	<i>0.44%</i>	<i>0.45%</i>	<i>0.46%</i>	<i>0.45%</i>
Tax	0.93%	0.93%	0.94%	0.95%	0.98%
ROAA	1.80%	1.78%	1.80%	1.81%	1.85%
Leverage (x)	9.2	8.6	9.2	9.8	10.4
ROAE	16.60%	15.27%	16.50%	17.79%	19.17%

Source: Bank, HDFC sec Inst Research,

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
10-Jul-17	1,524	BUY	1,663
12-Jul-17	1,561	BUY	1,663
9-Oct-17	1,683	BUY	1,806
9-Jan-18	1,698	BUY	1,882
11-Jan-18	1,700	BUY	1,889
10-Apr-18	1,848	BUY	1,964
19-Apr-18	1,833	BUY	1,966
6-Jul-18	1,964	BUY	1,966
10-Jul-18	1,934	BUY	1,971

### 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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