

INDUSTRY	BANKS
CMP (as on 15 Oct 2018)	Rs 1,627
Target Price	Rs 1,954
Nifty	10,513
Sensex	34,865
KEY STOCK DATA	
Bloomberg	IIB IN
No. of Shares (mn)	601
MCap (Rs bn) / (\$ mn)	978/13,234
6m avg traded value (Rs mn)	2,512
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 2,038/1,551
	3M 6M 12M
Absolute (%)	(15.4) (12.6) (7.1)
Relative (%)	(10.8) (14.6) (14.6)
SHAREHOLDING PATTERN (%)	
Promoters	16.74
FIs & Local MFs	10.21
FPIs	52.2
Public & Others	20.85
Source : BSE	

Marred by a One Off Blip

Barring the optical blip in net earnings (hit by proactive provisions of Rs 2.75bn towards an Infra group), it was business as usual for IIB. Positives from the qtr are (1) Broad based loan growth of ~32%, even after sell downs, (2) Healthy SA accretion (+7% QoQ), (3) Controlled opex growth of a mere 11/1%, (4) Steady fee growth of ~20% and (5) Stable asset quality with lower slippages. NIMs dipped (3.84%, -8bps QoQ) for the 4th consecutive qtr, given the higher proportion of fixed rate book and relatively higher increase in CoF.

IIB's performance has consistently been in the top quartile. Faster than industry loan growth, healthy CASA, steady fee traction and controlled opex are expected to drive the core PPOP. However, given the bank's exposure to a large infra group (downgraded by rating agencies) net earnings in FY19E will be dampened. While the return ratios will be impacted in the near term, we expect RoAAs to bounce back to 1.81% over FY19-21E. BFI merger and integration will

Financial Summary

(Rs mn)	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)	FY18	FY19E	FY20E	FY21E
Net Interest Income	22,033	18,210	21.0%	21,224	3.8%	74,974	91,247	115,836	143,495
PPOP	19,924	16,335	22.0%	19,111	4.3%	66,561	81,672	103,347	129,112
PAT	9,203	8,801	4.6%	10,357	-11.1%	36,060	41,133	53,642	69,197
EPS (Rs)	15.3	14.7	4.1%	17.2	-11.3%	60.1	68.5	89.4	115.3
ROAE (%)						16.5	16.3	18.3	20.0
ROAA (%)						1.80	1.65	1.74	1.81
Adj. BVPS (Rs)						379	433	513	603
P/ABV (x)						4.30	3.76	3.17	2.70
P/E (x)						27.1	23.7	18.2	14.1

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

provide further fillip to return ratios. Maintain BUY with a TP of Rs 1,954 (3.5x Sept-20 ABV of Rs 558).

Highlights of the quarter

- IIB's growth story remained intact as loans grew ~32/8% YoY/QoQ. Growth was visible across segments as corp. loans grew ~35% YoY in spite of Sell Downs of Rs~165bn over 1HFY19 to form ~61% of total advances. The CFD segment too, grew substantially (~29/6% YoY/QoQ). We have maintained our loan growth assumptions at 25% CAGR over FY19-21E.
- Asset quality continued to remain stable with G/NNPA rising a mere 2/3%. The slippages were lower at Rs 4.15bn (i.e. 1.07% ann.) with a sharp drop in Corp slippages (Rs 930mn, 37bps ann.). However, IIB's singular large exposure to the recently downgraded Infra group remains a std asset. We have marginally revised our slippages assumptions to 1.5% over FY19-21E (from 1.3% earlier).
- Near term outlook:** Growth visibility and proactive provisions towards the Infra group will keep the stock in the limelight.

Five Quarters At A Glance

Rs mn	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY Growth	QoQ Growth
Net Interest Income	18,210	18,948	20,076	21,224	22,033	21.0%	3.8%
Non-interest Income	11,876	11,870	12,080	13,016	13,173	10.9%	1.2%
Treasury Income	1750	1100	950	1366	990	-43.4%	-27.5%
Operating Income	30,086	30,818	32,156	34,240	35,206	17.0%	2.8%
Operating Expenses	13,751	14,169	14,467	15,129	15,281	11.1%	1.0%
Pre Provision Profits (PPOP)	16,335	16,649	17,689	19,111	19,924	22.0%	4.3%
Provisions And Contingencies	2,938	2,362	3,356	3,500	5,903	100.9%	68.6%
NPA Provisions	2220	1870	2820	2090	2000	-9.9%	-4.3%
PBT	13,398	14,288	14,333	15,611	14,022	4.7%	-10.2%
Provision for Tax	4,597	4,923	4,808	5,254	4,819	4.8%	-8.3%
PAT	8,801	9,365	9,526	10,357	9,203	4.6%	-11.1%
Balance Sheet items/ratios							
Deposits	1,414	1,461	1,516	1,589	1,682	18.9%	5.9%
CASA Deposits	598	626	667	690	734	22.8%	6.4%
Advances	1,232	1,285	1,450	1,507	1,631	32.4%	8.3%
CD Ratio (%)	87.1	88.0	95.6	94.8	97.0	989 bps	214 bps
CAR (%)	15.63	15.83	15.03	14.70	14.28	-135 bps	-42 bps
Tier I (%)	15.09	15.33	14.58	14.29	13.86	-123 bps	-43 bps
Profitability							
Yield On Advances (%)	11.27	11.04	11.08	11.15	11.44	17 bps	29 bps
Cost Of Deposits (%)	5.90	5.93	5.98	6.20	6.54	64 bps	34 bps
NIM (%)	4.00	3.99	3.97	3.92	3.84	-16 bps	-8 bps
Cost-Income Ratio (%)	45.7	46.0	45.0	44.2	43.4	-230 bps	-78 bps
Tax Rate (%)	34.3	34.5	33.5	33.7	34.4	6 bps	71 bps
Asset quality							
Gross NPA (Rs bn)	13.5	15.0	17.0	17.4	17.8	32.4%	2.3%
Net NPA (Rs bn)	5.4	5.9	7.5	7.6	7.9	46.7%	3.3%
Gross NPAs (%)	1.08	1.16	1.17	1.15	1.09	1 bps	-6 bps
Net NPAs (%)	0.44	0.46	0.51	0.51	0.48	4 bps	-3 bps
Delinquency Ratio (%)	1.66	1.30	2.52	1.29	1.07	-59 bps	-22 bps
Restructuring O/s (%)	0.16	0.15	0.05	0.05	0.1	-5 bps	6 bps
Coverage Ratio (%)	60.1	60.5	56.3	56.2	55.8	-430 bps	-41 bps

Driven by robust loan growth, ~32% YoY despite a marginal dip in NIMs (8bps QoQ)

Core Fees grew ~20%/~5% YoY/QoQ driven by Distribution & Loan Processing Fees while Treasury Income dipped ~43%

Opex was flattish QoQ in spite of the addition of 56 new branches

Includes Contingent Provision of Rs~2.75bn on an advance to a large Infrastructure Group

SA grew ~27/7% YoY/QoQ and CA grew ~14/5% YoY/QoQ; CASA Ratio was stable QoQ

Retail loans grew ~29%/6% YoY/QoQ and Corporate Advances grew ~35%/10% YoY/QoQ

As a result of deposit growth (19/6% YoY/QoQ) lagging loan growth

As the MCLR linked book lagged the increase in CoF, NIMs fell. Re-pricing is expected over the next 6-12 months.

Overall slippages were lower at Rs 4.15bn i.e.1.07% ann. with a sharp drop in Corp slippages (Rs 930mn vs. Rs 2.1bn QoQ)

Change In Estimates

(Rs mn)	FY19E			FY20E		
	Old	New	Change	Old	New	Change
NII	93,340	91,247	-2.2%	118,954	115,836	-2.6%
PPOP	83,508	81,672	-2.2%	105,242	103,347	-1.8%
PAT	45,189	41,133	-9.0%	57,126	53,642	-6.1%
Adj. BVPS (Rs)	443.6	432.8	-2.4%	525.6	513.3	-2.3%

Source: HDFC sec Inst Research

Loan growth momentum sustained with a broad based contribution

The loan book was tilted towards corporate loans (~61%)

Amongst corporate exposures, Gems & Jewelry~5%, NBFCs~5% & Real Estate~4% (Internal Limit- 2.5-3%)

Rs~2bn exposure to Gems & Jewelry is backed by AIG

CV Loans took the top spot amongst retail loans at 13%, followed by LAP at 5% & CE and Cars at 4%

The mgt expects growth in vehicle loans to sustain

CC were 2% of the Loan Book and grew at ~48%/7% YoY/QoQ and CE Loans registered a robust growth of ~37%/5% YoY/QoQ

CASA grew ~23%/6% YoY/QoQ to 43.6% (+140bps/20bps YoY/QoQ)

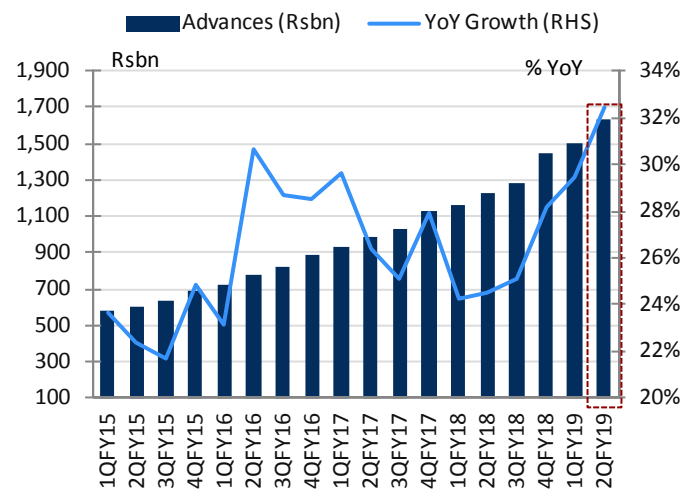
Sustained Growth Momentum

- In 2Q, IIB's growth story remained intact as loans grew ~32/8% YoY/QoQ. The uptick was witnessed across segments as corporate loans grew ~35/10% YoY/QoQ (after a sell down of Rs 85bn in 2Q and Rs 80bn in 1Q) to form ~61% of the total advances. The CFD segment also reported robust growth (~29/6% YoY/QoQ).
- Within the high yielding CFD book, the unsecured businesses i.e. CC (48%) and PL (51%) grew at a faster pace. Equipment finance growth also jumped ~37% YoY. Overall VF loans grew ~29/6% YoY/QoQ led by 40% disbursal growth (w/w 40% was led by CV disbursals). IIB cautiously slowed down the growth in

the LAP portfolio (10/2% YoY/QoQ) as it suspected that prices were irrational.

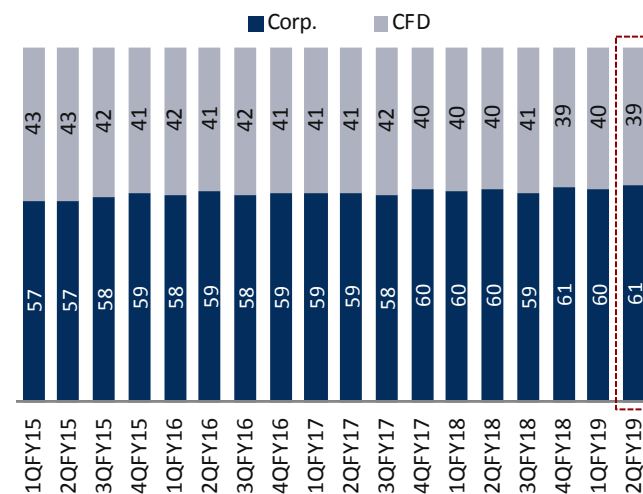
- Amongst the corporate book, the growth was broad based with faster growth in SME loans (+42/6%) and Large Corp (37/10% YoY/QoQ).
- IIB's CASA grew 23/6% YoY/QoQ to form ~43.6% (+140bps YoY) of deposits. The healthy growth was led by a sustained momentum (~27/7% YoY/QoQ) in SA. After the surge in government business over FY18, future growth will majorly be driven by ramping up retail acquisition (looking to acquire 150K costumers per month vs. 120K currently).

Robust Loan Growth Of ~32% YoY



Source: Company, HDFC sec Inst Research

Share of Corporates Inches Upwards



Source: Company, HDFC sec Inst Research

Composition of the CF Book remained largely constant QoQ

Growth in the share of PL & CC was sustained

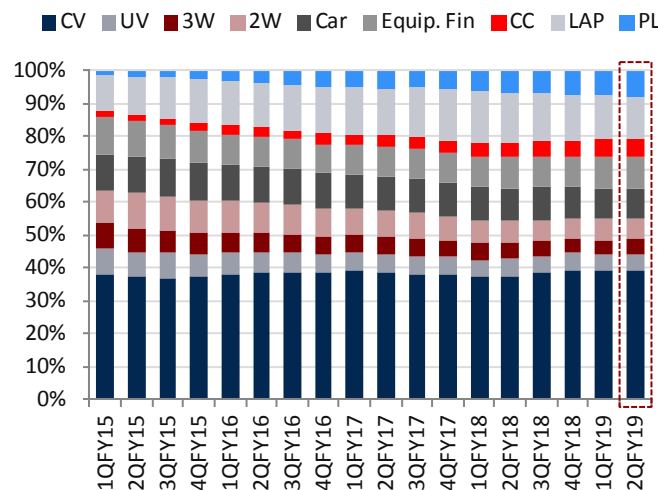
SA grew ~ 27/7% YoY/QoQ

CASA ratio improved ~140/20bps YoY/QoQ

Yields on corporate/consumer loans increased by 53bps/17bps QoQ to ~9.7/14%

The mgt expects a further hike in yields on account of Interest Rates on MCLR based loans being reset.

CFD Mix: Granularity Continues To improve

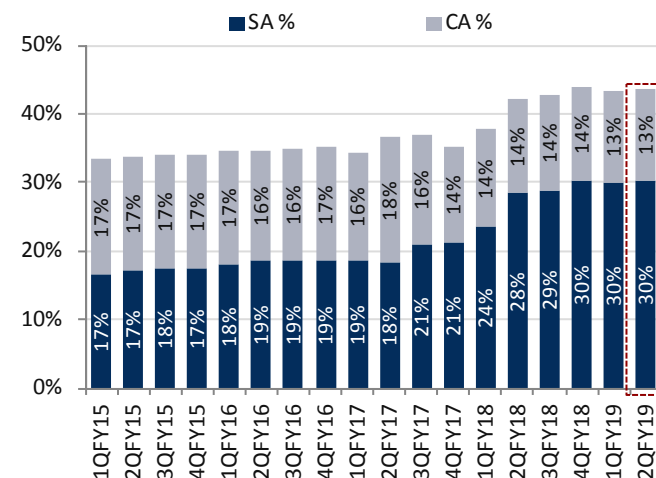


Source: Bank, HDFC sec Inst Research

Steady fee growth; Opex under control

- IIB's aggregate non interest income was muted ~11/1% YoY/QoQ as trading gains were down ~43/27% YoY/QoQ. However, the fee income grew satisfactorily at 20/4.5% YoY/QoQ. The fee growth was largely broad based as general banking (+40/14% YoY/QoQ), trade (18/7%) and processing fees (21/13%) reported healthy growth. Only the 3rd party distribution and forex income were flat sequentially. We have factored in core fees of 2.65% of avg advances over FY19-21E - one of the healthiest in the banking industry.

CASA Ratio: Up 140bps/20bps YoY/QoQ



Source: Bank, HDFC sec Inst Research

- Despite adding 216 branches over the last 12 months (66 in 1H), the opex growth was contained with growth of a mere 11/1% YoY/QoQ. The muted rise in opex was a result of (1) reduction in incremental branch size, (2) fewer employees/ branch, (3) NIL fresh hiring over the last several qtrs and (4) focus on digital initiatives.
- The management is confident of achieving (if not beating) their C-I reduction target under the PC-4 as efficiency improves and cross-selling increases. We have factored in an opex CAGR of 22% vs. a loan CAGR of 25% over FY19-21E.

**We have factored in calc.
NIMs of 4.06% over FY19-21E**

NIMs dipped to 3.84% (-8bps QoQ)

**Core Fees grew ~20%/~5%
YoY/QoQ driven by
Distribution & Loan
Processing Fees while
Treasury Income dipped
43.4%.**

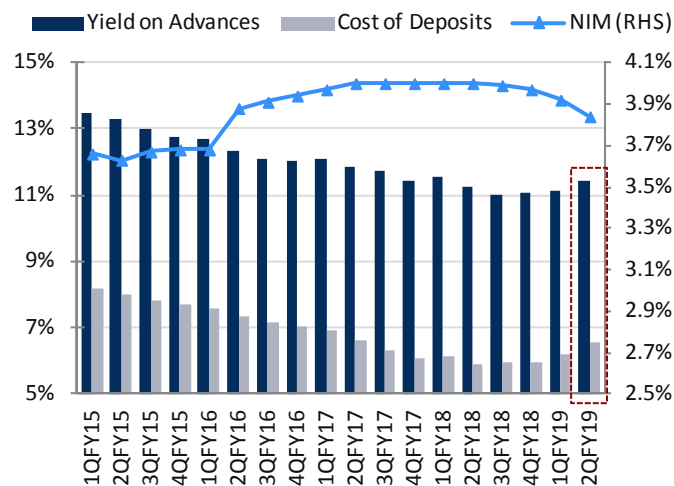
**Investment Banking Income
amounted to Rs~2.13bn (
~15%/2% YoY/QoQ)**

**Opex was flat QoQ in spite of
the addition of 56 new
branches**

**C/I Ratio slipped further to
43.4% (down 230 bps/ 80bps
YoY/QoQ)**

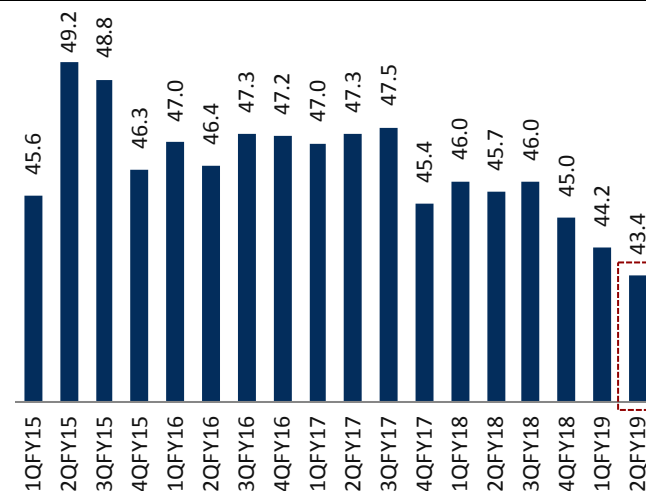
**Fee Income as a % of
advances continued to trend
downwards (30bps/10bps
YoY/QoQ)**

NIM Strong At ~3.84% (-16bps QoQ)



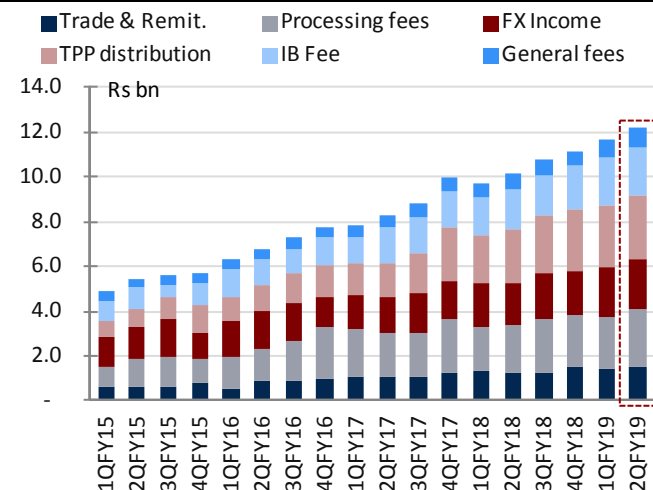
Source: Bank, HDFC sec Inst Research

C-I Ratio: Down 80bps QoQ



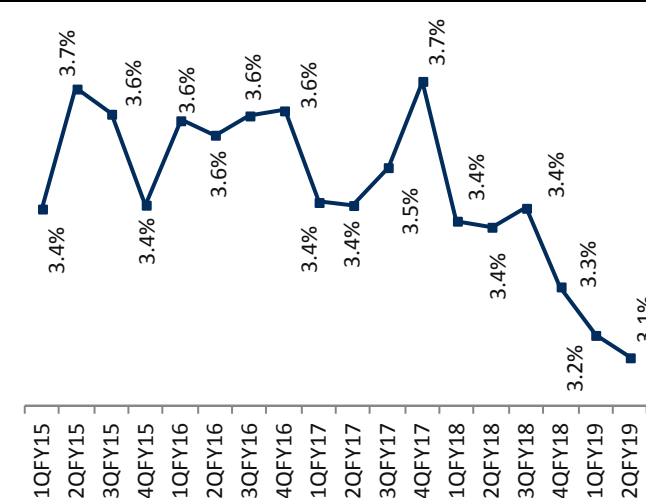
Source: Bank, HDFC sec Inst Research

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

Slippages dipped 20bps sequentially to ~1.1% led by lower corporate slippages of Rs~930mn (down ~67%/56% YoY/QoQ)

CFD Slippages stood at Rs~3.3bn (up 53%/23% YoY/QoQ)

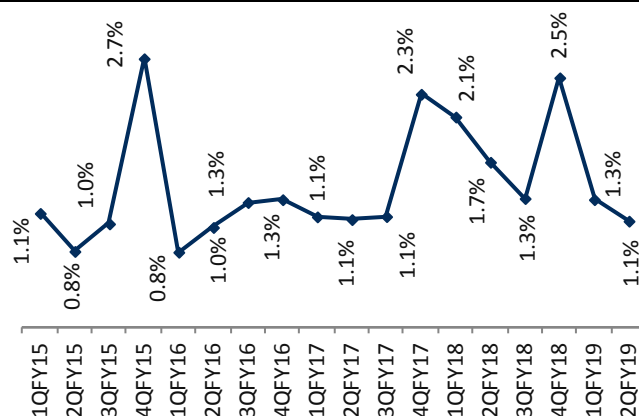
PCR was stable QoQ at ~56%

Restructured Book stood at Rs~1.8bn (0.11% of Total Book) vs. Rs~690mn (0.05% of Total Book)

Asset quality stable

- Asset quality was largely stable on a sequential basis. GNPA's were up merely 2% sequentially (1.09%, down 6bps QoQ). NNPA's were also up 3% QoQ (48bps, down 3bps QoQ). Overall slippages (Rs 4.19bn) dipped to 1.07% ann. vs. 1.29% QoQ
- Corporate slippages further moderated to a mere Rs 930mn i.e. 37bps ann. vs. 92bps QoQ and 1.55% YoY). However, the large exposure to the Infrastructure group remains a standard exposure for the bank. After a dip in 1Q, the CFD slippages again inched up (Rs 3.26bn i.e. 2.05% ann. vs. 1.77% QoQ and 1.72% YoY). Within the CFD segment, except for the CE and

Lower Slippages led by Corp Segment



Source : Bank, HDFC sec Inst Research

Asset Quality Segment-Wise

Corp	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19
GNPA	0.65%	0.74%	0.76%	0.73%	0.79%	0.81%	0.98%	1.12%	1.21%	1.20%	1.23%	1.07%
Slippages (Ann.)	0.96%	0.85%	0.70%	0.51%	0.75%	2.87%	2.03%	1.55%	0.75%	2.46%	0.92%	0.37%
LLP (Ann.)	0.66%	0.56%	0.48%	0.52%	0.51%	1.17%	0.63%	0.78%	0.40%	0.72%	0.36%	0.25%

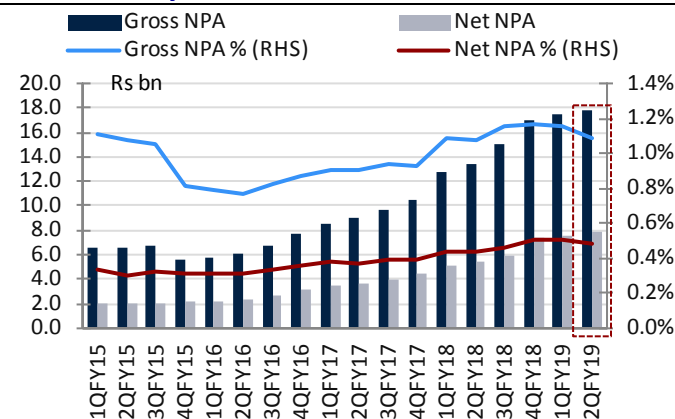
CFD	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19
GNPA	1.08%	1.08%	1.14%	1.17%	1.16%	1.12%	1.25%	1.06%	1.10%	1.14%	1.05%	1.13%
Slippages (Ann.)	1.68%	1.90%	1.69%	1.90%	1.63%	1.60%	2.18%	1.72%	2.00%	2.24%	1.77%	2.05%
LLP(Ann.)	0.77%	0.88%	0.85%	0.79%	0.73%	0.62%	0.89%	0.68%	0.88%	0.99%	0.88%	0.91%

Source: Bank, HDFC sec Inst Research

cards segments, the other segments witnessed a steady sequential rise led by CVs and LAP+HL+PL.

- Restructured book inched up to Rs 1.78bn (11bps) vs. Rs 690mn (5bps) QoQ as it includes Rs 1.11bn due to the Kerala floods.
- We have conservatively increased our slippage assumptions to ~1.5% (from 1.3%) over FY19-21E.
- Aggregate provisions stood at Rs 5.9bn (+2x YoY and 69% QoQ) i.e. 1.5% of loans vs. 0.9% QoQ and 1% YoY. IIB proactively provided Rs 2.75bn towards the Std Infra exposure (downgraded by the rating agencies during the qtr).

Asset Quality Stable



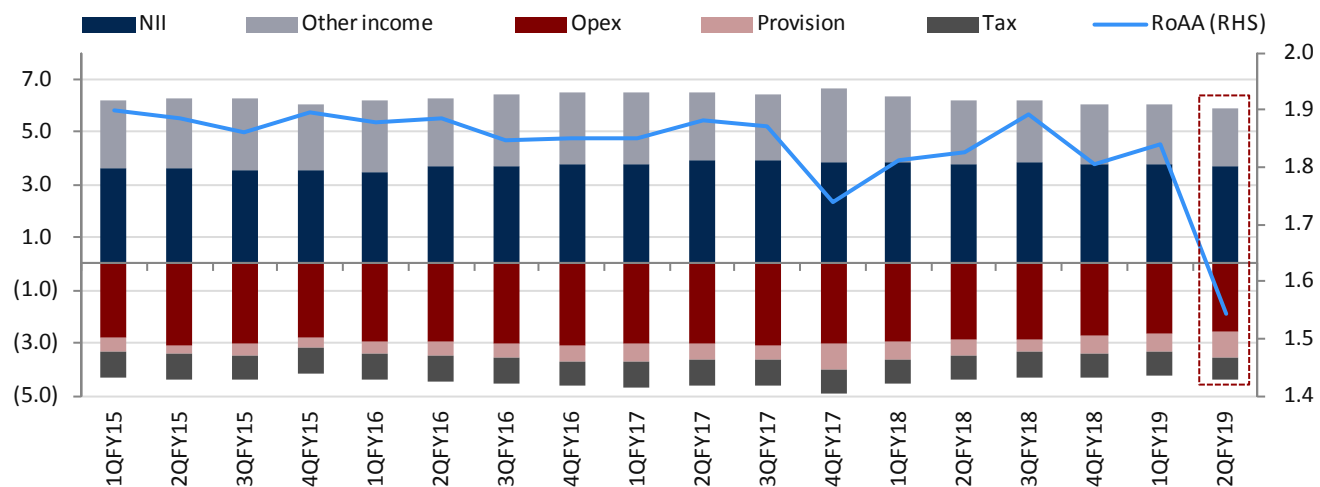
Source: Bank, HDFC sec Inst Research

Consumer Finance: GNPA's

	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19
CV	1.05%	1.03%	1.05%	1.03%	0.96%	0.94%	1.10%	1.05%	1.01%	1.08%	0.97%	1.06%
UV	1.00%	1.22%	1.30%	1.18%	1.09%	1.14%	1.47%	1.42%	1.31%	1.33%	1.43%	1.38%
CE	1.45%	1.31%	1.44%	1.45%	1.28%	1.23%	1.11%	1.00%	1.11%	1.13%	0.92%	0.75%
3W/SCV s	0.81%	0.98%	1.10%	1.00%	0.86%	0.93%	1.35%	1.13%	1.24%	1.28%	1.14%	1.32%
2Ws	2.95%	3.06%	3.20%	3.74%	3.78%	3.55%	3.62%	3.63%	3.98%	3.95%	3.81%	4.02%
Cars	0.39%	0.52%	0.50%	0.50%	0.76%	0.67%	0.76%	0.69%	0.64%	0.68%	0.71%	0.82%
LAP/PL/HL	0.57%	0.76%	0.92%	1.00%	1.15%	1.26%	1.46%	0.54%	0.83%	0.91%	0.62%	0.96%
Cards	1.48%	1.54%	1.79%	1.80%	1.71%	1.43%	1.32%	1.56%	1.73%	1.74%	1.87%	1.52%

Source: Bank, HDFC sec Inst Research

RoAA Rises As Provisions Dip



Source: Bank, HDFC sec Inst Research

Peer Set Comparison

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 #	2,230	1170	BUY	1380	207	238	274	34.0	26.6	21.9	4.33	3.69	3.19	13.2	14.3	15.1	1.73	1.77	1.77
ICICIBC #	2,012	313	BUY	386	129	151	174	19.8	10.5	7.1	1.65	1.33	1.06	6.8	10.1	12.5	0.75	1.20	1.44
AXSB	1,501	576	NEU	603	225	267	307	29.2	16.3	12.1	2.56	2.15	1.88	7.7	12.5	15.0	0.70	1.10	1.27
IIB	977	1627	BUY	1,954	433	513	603	23.7	18.2	14.1	3.76	3.17	2.70	16.3	18.3	20.0	1.65	1.74	1.81
RBL	221	527	BUY	623	171	195	221	24.7	18.4	14.4	3.09	2.71	2.39	12.7	15.2	17.1	1.28	1.34	1.33
FB	150	76	NEU	89	61	68	74	12.6	9.6	8.0	1.26	1.12	1.03	9.4	11.3	12.4	0.79	0.88	0.90
CUB	122	167	BUY	227	60	70	81	17.9	15.2	12.9	2.79	2.39	2.06	15.2	15.4	15.6	1.58	1.57	1.53
KVB	59	74	BUY	123	58	67	73	15.1	7.4	5.5	1.28	1.10	1.02	6.2	12.2	15.7	0.56	1.01	1.20
DCBB	50	162	BUY	210	88	98	112	15.7	12.8	10.0	1.85	1.65	1.45	10.8	12.0	13.7	0.95	0.97	1.02
SBIN #	2,347	263	BUY	348	134	170	197	23.8	6.7	4.5	1.16	0.90	0.78	2.7	9.1	12.2	0.16	0.54	0.74
BOB	257	97	NEU	118	107	142	172	12.8	6.4	4.2	0.90	0.68	0.56	4.5	8.5	11.9	0.27	0.49	0.68
AUBANK	186	620	NEU	641	100	131	154	46.9	33.8	23.7	6.18	4.74	4.02	14.3	15.3	17.5	1.64	1.70	1.90

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

Income Statement

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Interest Earned	144,057	172,807	220,990	281,348	352,370
Interest Expended	83,431	97,833	129,743	165,512	208,875
Net Interest Income	60,626	74,974	91,247	115,836	143,495
Other Income	41,715	47,501	59,515	70,849	86,578
<i>Fee Income (CEB)</i>	<i>28,953</i>	<i>34,119</i>	<i>44,326</i>	<i>54,551</i>	<i>68,143</i>
<i>Treasury Income</i>	<i>2,769</i>	<i>3,638</i>	<i>2,750</i>	<i>2,000</i>	<i>2,000</i>
Total Income	102,341	122,475	150,762	186,685	230,073
Total Operating Exp	47,831	55,914	69,090	83,338	100,961
<i>Employee Expense</i>	<i>15,210</i>	<i>17,807</i>	<i>21,804</i>	<i>25,637</i>	<i>29,747</i>
PPOP	54,510	66,561	81,672	103,347	129,112
Provisions & Contingencies	10,913	11,754	17,263	20,044	22,860
<i>Prov. For NPAs (Incl. Std Prov.)</i>	<i>7,048</i>	<i>9,009</i>	<i>14,204</i>	<i>16,035</i>	<i>18,282</i>
PBT	43,597	54,807	64,410	83,303	106,252
Provision for Tax	14,918	18,747	23,277	29,661	37,055
PAT	28,679	36,060	41,133	53,642	69,197

Source: Bank, HDFC sec Inst Research,

Balance Sheet

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	5,981	6,002	6,002	6,002	6,002
Reserves	200,480	232,414	267,747	313,826	373,266
Shareholders' Funds	206,461	238,416	273,750	319,828	379,268
<i>Savings</i>	<i>270,372</i>	<i>458,883</i>	<i>591,303</i>	<i>764,998</i>	<i>977,498</i>
<i>Current</i>	<i>196,088</i>	<i>208,410</i>	<i>289,392</i>	<i>341,844</i>	<i>398,818</i>
<i>Term Deposit</i>	<i>799,262</i>	<i>849,099</i>	<i>1,059,919</i>	<i>1,322,073</i>	<i>1,665,901</i>
Total Deposits	1,265,722	1,516,392	1,940,614	2,428,916	3,042,217
Borrowings	224,537	382,891	462,745	563,629	690,285
Other Liabilities	89,764	78,563	89,188	98,812	109,781
Total Liabilities	1,786,484	2,216,262	2,766,296	3,411,185	4,221,552
APPLICATION OF FUNDS					
Cash & Bank Balance	186,283	132,159	187,153	251,046	324,444
Investments	367,021	500,767	601,618	722,838	871,588
<i>G-Secs</i>	<i>314,523</i>	<i>403,660</i>	<i>492,916</i>	<i>601,157</i>	<i>737,738</i>
Advances	1,130,805	1,449,537	1,833,880	2,283,181	2,859,684
Fixed Assets	13,352	13,388	14,057	14,760	15,498
Other Assets	89,023	120,412	129,588	139,360	150,338
Total Assets	1,786,484	2,216,262	2,766,296	3,411,185	4,221,552

Source: Bank, HDFC sec Inst Research,

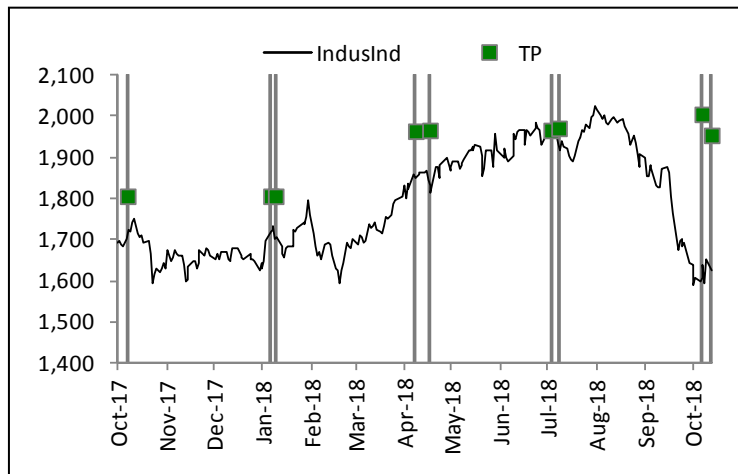
Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
VALUATION RATIOS					
EPS (Rs)	47.9	60.1	68.5	89.4	115.3
Earnings Growth (%)	25.4	25.7	14.1	30.4	29.0
BVPS (Rs)	338.7	390.9	449.8	526.6	625.6
Adj. BVPS (Rs)	331.3	378.5	432.8	513.3	603.0
DPS (Rs)	6.0	7.5	8.2	10.7	13.8
ROAA (%)	1.78	1.80	1.65	1.74	1.81
ROAE (%)	15.3	16.5	16.3	18.3	20.0
P/E (x)	33.9	27.1	23.7	18.2	14.1
P/ABV (x)	4.91	4.30	3.76	3.17	2.70
P/PPOP (x)	17.9	14.7	12.0	9.4	7.6
Dividend Yield (%)	0.4	0.5	0.5	0.7	0.9
PROFITABILITY					
Yield On Advances (%)	11.39	10.62	10.86	11.11	11.23
Yield On Investment (%)	6.97	7.09	6.92	6.90	6.90
Cost Of Funds (%)	6.25	5.77	6.03	6.13	6.21
Cost Of Deposits (%)	6.31	5.78	5.90	6.00	6.06
Core Spread (%)	5.08	4.83	4.96	5.12	5.17
NIM (%)	4.20	4.19	4.04	4.07	4.07
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	3.0	2.8	2.8	2.7	2.6
Cost-Income Ratio (Ex. Treasury)	48.0	47.1	46.7	45.1	44.3
BALANCE SHEET STRUCTURE					
Loan Growth (%)	27.9	28.2	26.5	24.5	25.3
Deposit Growth (%)	36.1	19.8	28.0	25.2	25.3
C/D Ratio (%)	89.3	95.6	94.5	94.0	94.0
Equity/Assets (%)	11.6	10.8	9.9	9.4	9.0
Equity/Advances (%)	18.3	16.4	14.9	14.0	13.3
CASA (%)	36.9	44.0	45.4	45.6	45.2
Capital Adequacy Ratio (CAR, %)	15.3	15.0	13.4	12.4	11.7
W/w Tier I CAR (%)	14.7	14.6	13.0	12.1	11.5

	FY17	FY18	FY19E	FY20E	FY21E
ASSET QUALITY					
Gross NPLs (Rs mn)	10,549	17,049	25,352	23,987	31,836
Net NPLs (Rs mn)	4,389	7,457	10,188	7,952	13,554
Gross NPLs (%)	0.93	1.18	1.38	1.05	1.11
Net NPLs (%)	0.39	0.51	0.56	0.35	0.47
Slippages (%)	1.42	2.58	1.70	1.35	1.35
Coverage Ratio (%)	58.4	56.3	59.8	66.8	57.4
Provision/Avg. Loans (%)	0.7	0.7	0.9	0.8	0.7
ROAA TREE					
Net Interest Income	3.77%	3.75%	3.66%	3.75%	3.76%
Non Interest Income	2.59%	2.37%	2.39%	2.29%	2.27%
<i>Treasury Income</i>	<i>0.17%</i>	<i>0.18%</i>	<i>0.11%</i>	<i>0.06%</i>	<i>0.05%</i>
Operating Cost	2.98%	2.79%	2.77%	2.70%	2.65%
Provisions	0.68%	0.59%	0.69%	0.65%	0.60%
<i>Provisions for NPAs</i>	<i>0.44%</i>	<i>0.45%</i>	<i>0.57%</i>	<i>0.52%</i>	<i>0.48%</i>
Tax	0.93%	0.94%	0.93%	0.96%	0.97%
ROAA	1.78%	1.80%	1.65%	1.74%	1.81%
Leverage (x)	8.6	9.2	9.9	10.5	11.0
ROAE	15.27%	16.50%	16.30%	18.31%	20.01%

Source: Bank, HDFC sec Inst Research,

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
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
9-Oct-18	1,601	BUY	2,005
15-Oct-18	1,627	BUY	1,954

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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