

INDUSTRY	Banks
CMP (as on 23 Oct 2018)	Rs 465
Target Price	Rs 618
Nifty	10,147
Sensex	33,847

KEY STOCK DATA

Bloomberg	RBK IN
No. of Shares (mn)	424
MCap (Rsbn) / (\$ mn)	197 / 2,683
6m avg traded value (Rsmn)	964

STOCK PERFORMANCE (%)

52 Week high / low	Rs 652/438		
	3M	6M	12M
Absolute (%)	(18.4)	(7.5)	(11.9)
Relative (%)	(10.6)	(5.7)	(16.0)

SHAREHOLDING PATTERN (%)

Promoters	-
FIs & Local MFs	20.35
FPIs	34.91
Public & Others	44.74

Source : BSE

Darpin Shah
darpin.shah@hdfcsec.com
+91-22-6171-7328

Nothing amiss

RBK's 2Q was impressive with industry leading broad based growth (37%), strong fee traction (+61%), 7th consecutive qtr of sequential NIM (4.08%) improvement and stable asset quality (net stressed book at a mere 80bps). The sustained NIM uptick was on account of MCLR reset and increase in the share of the high yielding retail portfolio. The steep rise in other opex (11% QoQ) was due to the cards business and restricted oplev improvement (Core C-I at 51.9%, -110bps). PCR further improved to 61.5%, (+110bps QoQ) despite flat provisions.

Superior growth, healthy NIM, improving fee contribution and a tight lease on asset quality are the foundation of our positive stance. We have tweaked are cost assumptions and we do not expect much improvement in oplev on account of continued investment. Despite this, we expect RBK to report an RoAA of 1.34% (up from 1.15% in FY18). In spite of the inevitable fund raise in FY20 we have not incorporated it into our assumptions. Maintain BUY with TP of 618 (3xSept-20E ABV of Rs 206).

FINANCIAL SUMMARY

(Rs mn)	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)	FY17	FY18	FY19E	FY20E	FY21E
Net Interest Income	5,930	4,202	41.1%	5,527	7.3%	12,213	17,663	24,253	30,971	40,066
PPOP	4,490	3,032	48.1%	4,323	3.9%	9,204	13,311	17,653	22,560	29,363
PAT	2,045	1,506	35.8%	1,900	7.6%	4,176	6,351	8,664	11,590	15,472
EPS (Rs)	4.7	3.6	31.0%	4.5	5.2%	11.1	15.1	20.6	27.6	36.9
ROAE (%)						11.4	11.5	12.3	14.8	17.3
ROAA (%)						0.95	1.15	1.23	1.29	1.34
Adj. BVPS (Rs)						110.4	151.8	168.8	192.2	219.6
P/ABV (x)						4.21	3.06	2.75	2.42	2.12
P/E (x)						41.8	30.7	22.5	16.8	12.6

Source: Company, HDFC sec Inst Research

Highlights of the quarter

- RBK's robust loan growth (~37/9% YoY/QoQ) was spread across segments. While retail loans grew at a brisk pace (~43/9% YoY/QoQ; to form ~41% of total loans), corporate loans weren't too far behind (~32/9% YoY/QoQ). Retail loan growth was equally led by BBB (~45/9% YoY/QoQ) and FI (~37/8%) segments. Riding on faster than expected growth in 1HFY19, we have factored in 33% CAGR over FY18-21E.
- Core fees continued to steal the spotlight with a growth of ~ 61/12% YoY/QoQ to ~Rs 3.3bn (2.97% of avg. loans vs. 2.81% QoQ). The robust growth was led by card fees (Rs 1.3bn, +12.5% QoQ; 40% of total fees) and general banking fees (Rs 457mn; +31% QoQ). We believe RBK's focus on offering an exhaustive basket of products will boost fee income further. We have factored in a core fee growth of 30% over FY18-20E
- Near term outlook:** Given the strong show and recent underperformance, the stock should be in the limelight.

- Re-pricing of loans (+10bps QoQ), better funding profile (stable CASA and rising proportion of refinance) led to a further uptick in NIMs (4.08%, +4bps QoQ). Tailwinds from the MCLR reset, higher CASA accretion and shift towards retail lending should maintain, if not uplift NIMs. However, we have conservatively factored in NIMs of 3.7% over FY18-20E, cushioning opex and earnings.
- Overall opex grew ~7% sequentially led by ~11% QoQ rise in other expenses. This was primarily due to the sharp rise in expenditure related to the cards business. Consequently, the C-I ratio jumped ~70bps QoQ to ~51.5% (while the core C-I at ~51.9% dipped 110bps QoQ). With further investment in technology and branch expansion, (40-50 branches to be added in FY19) the mgmt expects the C-I ratio to remain capped at 52%. We have conservatively factored in a core C-I ratio of ~54/53.3% in FY19/20E.
- Asset quality was largely stable with the *net* stressed book at ~81bps (vs. 85bps QoQ). GNPA's grew 8% sequentially (Rs 6.45bn i.e. 1.4%) with lower reductions (Rs 940mn vs. 1.18bn QoQ), even as slippages were flattish QoQ at Rs 1.42bn i.e. 1.29% ann.). While GNPA's in CB jumped 28bps YoY (3.07%); the drop in MFI GNPA's (1.72% vs. 2.07% QoQ and a peak of 5.17% in 3QFY18) was due to higher W/Os.
- We have factored in slippages and LLPs of 1.4% and ~70bps respectively over FY18-21E. With ~50% of the book rated +BBB and below, the asset quality will be keenly watched.
- Overall provisions were flat QoQ (+87% YoY) driven by a ~52% YoY jump in NPA provisions (Rs 1bn). The MTM Loss for the qtr of ~Rs 110mn was provided in its entirety.
- Deposit growth accelerated to ~31/6% YoY/QoQ primarily driven by robust CASA growth of ~35/7% YoY/QoQ. Branch expansion and differential pricing will lead to sustained accretion in CASA.

Five Quarters At A Glance

(Rs mn)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY Growth	QoQ Growth
Net Interest Income	4,202	4,673	5,005	5,527	5,930	41.1%	7.3%
Non Interest Income	2,411	2,582	3,120	3,260	3,331	38.2%	2.2%
Core Fee Income	2,025	2,298	2,714	2,901	3,264	61.2%	12.5%
Treasury Income	386	284	406	359	67	-82.7%	-81.4%
Operating Income	6,612	7,255	8,124	8,787	9,261	40.1%	5.4%
Operating Expenses	3,581	3,921	4,293	4,464	4,770	33.2%	6.9%
Pre provision Profits	3,032	3,334	3,831	4,323	4,490	48.1%	3.9%
Other Provisions	749	823	1,129	1,404	1,397	86.5%	-0.5%
PBT	2,283	2,511	2,702	2,920	3,094	35.5%	6.0%
Provision for Tax	776	858	921	1,019	1,048	35.0%	2.8%
PAT	1,506	1,653	1,781	1,900	2,045	35.8%	7.6%
Balance Sheet items/ratios							
Deposits (Rs bn)	365.7	386.2	439.0	449.5	477.9	30.7%	6.3%
CASA Ratio (%)	23.7	24.0	24.4	24.5	24.5	80 bps	0 bps
Advances Rs bn	335.8	368.9	402.7	422.0	458.7	36.6%	8.7%
Wholesale	204.2	223.1	237.5	249.9	271.3	32.8%	8.6%
Retail	131.5	145.8	165.2	172.1	187.4	42.5%	8.9%
BBB (Branch & Business Banking)	85.4	78.2	88.9	113.6	124.1	45.3%	9.2%
FI (Financial Inclusion)	46.1	47.8	56.8	58.5	63.4	37.3%	8.3%
CD Ratio (%)	91.8	95.5	91.7	93.9	96.0	417 bps	211 bps
CAR (%)	16.6	15.9	15.3	14.6	13.7	-286 bps	-90 bps
Tier I (%)	14.5	14.1	13.6	13.1	12.5	-197 bps	-60 bps
PROFITABILITY							
Yield on Advances (%)	10.60	10.40	10.50	10.80	10.90	30 bps	10 bps
Cost of Funds (%)	6.40	6.30	6.20	6.40	6.40	0 bps	0 bps
NIM (%)	3.70	3.90	3.98	4.04	4.08	38 bps	4 bps
Cost-Income (%)	54.2	54.0	52.8	50.8	51.5	-264 bps	71 bps
Tax Rate (%)	34.0	34.2	34.1	34.9	33.9	-13 bps	-103 bps
ASSET QUALITY							
Gross NPA (Rs mn)	4,872	5,799	5,667	5,959	6,450	32.4%	8.2%
Net NPA (Rs mn)	2,608	3,578	3,126	3,158	3,386	29.8%	7.2%
Gross NPAs (%)	1.44	1.56	1.40	1.40	1.40	-4 bps	0 bps
Net NPAs (%)	0.78	0.97	0.78	0.75	0.74	-4 bps	-1 bps
Reported Slippages (%)	1.66	2.05	1.24	1.48	1.36	-30 bps	-12 bps
Coverage Ratio reported (%)	58.3	53.5	57.6	60.4	61.5	318 bps	105 bps
Restructured book (%)	0.41	0.18	0.08	0.10	0.07	-34 bps	-3 bps
Net stressed assets (%)	1.19	1.15	0.86	0.85	0.81	-38 bps	-4 bps

Source: Bank, HDFC sec Inst Research;

Robust growth, 4% ahead of estimates driven by ~9% QoQ growth in advances and marginal uptick in NIMs

Fee Income growth was led by growth in Card Fees (1.6x YoY) and General Banking Fees (41% YoY)

MTM Loss for the qtr of ~Rs 110mn was accounted for in its entirety

CASA remained flat QoQ as TD growth (~29/6% YoY/QoQ) caught up with CASA growth (35/6% YoY/QoQ)

As retail book growth (~43/9% YoY/QoQ) outpaced corporate growth (~33/9% YoY/QoQ), the share of retail loans grew to ~41% of the loan book in line with the bank's strategy

Yield on advances increased 10bps QoQ led by increase in yields on wholesale advances (10bps) and retail advances (6bps)

NIMs rose for the 7th straight qtr to 4.08%

Led by flattish QoQ slippages at ~Rs1.4bn while reductions were lower at ~Rs 940mn (vs. ~Rs 1.18bn QoQ)

85% of the book was rated; +50% of loans were rated BBB+ (internal Rating) or below, the mgt's credence in the quality of such advances remained strong on account of more stringent internal rating mechanisms and superior processes

Retail (6%), Construction (5.7%), Engineering (4.5%), NBFCs (4.3%) & Real Estate (3.7%) are the Top5 sectors in terms of exposure

Amongst retail advances forms LAP (11%), PL (1.5%) and Retail Agri (3.4%)

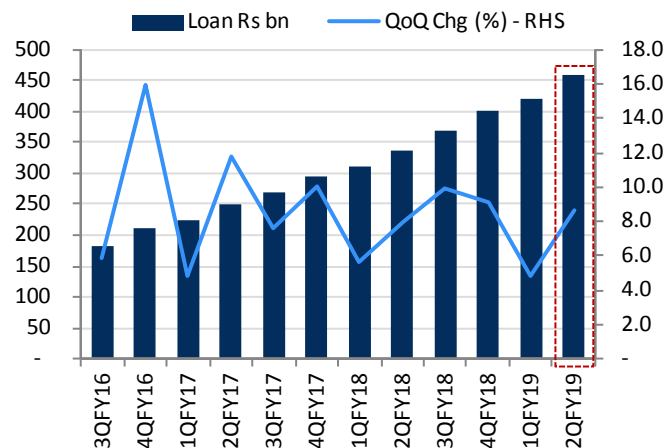
Cards constitute 8% of the book & account for ~40% of Fees

Fees grew ~61/13% YoY/QoQ driven by Card & Processing Fees

Of the 1.19mn cards in force 0.26mn cards were added in 2QFY19

~38% of card fees were linked to spending

Advances Grew ~37/9% YoY/QoQ



Source: Company

Breakup Of Loans: Mix Largely Stable Sequentially

Rs bn	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18*	2QFY18*	3QFY18	4QFY18	1QFY19*	2QFY19*
C&IB	69.4	81.9	88.7	105.9	115.4	123.4	130.8	139.0	156.1	162.4	171.5	188.3
CB	42.8	46.9	46.5	46.2	50.3	55.1	60.1	65.3	67.1	75.1	78.4	83.0
Wholesale	112.2	128.8	135.3	152.2	165.8	178.5	190.9	204.2	223.1	237.5	249.9	271.3
% of total loans	61.3	60.7	60.7	61.2	61.9	60.6	61.4	60.8	60.5	59.0	59.2	59.1
BBB (LAP, Credit Cards, etc.)	30.6	34.6	37.3	43.4	47.9	53.7	78.2	85.4	78.2	88.9	113.6	124.1
Agri	14.6	17.6	18.3	16.8	17.5	21.1	0.0	0.0	19.8	19.4	0.0	0.0
FI	25.6	31.3	31.7	36.4	36.6	41.2	42.0	46.1	47.8	56.8	58.5	63.4
Retail	70.8	83.5	87.4	96.6	102.0	116.0	120.2	131.5	145.8	165.2	172.1	187.4
% of total loans	38.7	39.3	39.3	38.8	38.1	39.4	38.6	39.2	39.5	41.0	40.8	40.9
TOTAL	183.0	212.2	222.6	248.7	267.7	294.5	311.1	335.8	368.9	402.7	422.0	458.7

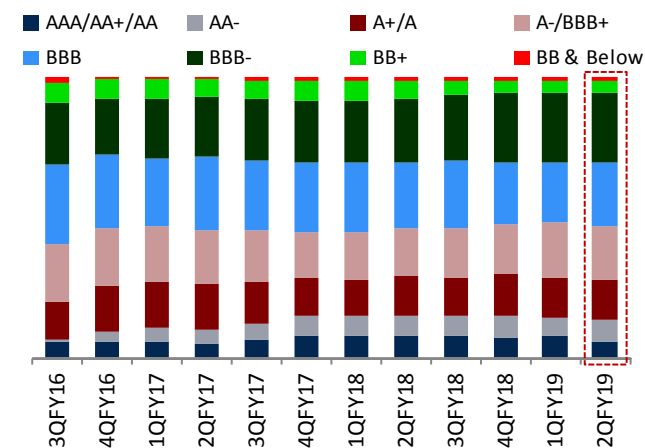
Source: Company. C&IB – Corporate & Institutional Banking, CB – Commercial Banking, BBB – Branch & Business Banking, FI – Financial Inclusion; *Not comparable with other quarters owing to reclassification of agri loans

Breakup Of Fee Streams: Card Fees Holds The Lion's Share At 40%

%	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18*	2QFY18*	3QFY18	4QFY18	1QFY19*	2QFY19*
Forex	17	14	19	20	21	16	19	17	15	14	12	12
Processing fees	47	41	39	39	35	38	31	28	29	24	24	23
General Banking	14	19	16	14	16	19	15	15	12	14	12	14
Distribution #	12	13	15	16	18	4	3	4	4	6	4	3
Trade and others	10	13	11	11	9	9	9	10	9	10	8	8
Credit Cards	0	0	0	0	0	15	23	25	31	33	40	40

Source: Company. # includes credit card fees till 3QFY17 and for 3Q/4QFY18

Advance Rating Mix Stable QoQ



Source: Company

The average cost of SA was ~6.4% for 2QFY19

CA grew at ~77/9% YoY/QoQ while SA grew at ~11/4% YoY/QoQ;

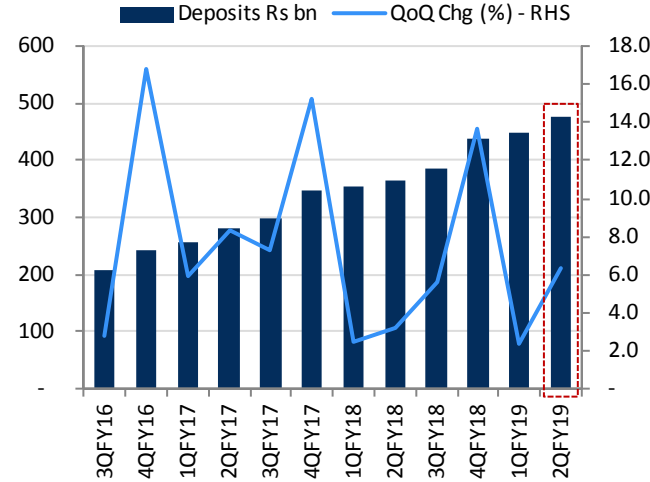
Slowdown in SA was a strategic call as a result of aversion to rate wars and the quest for granular & long-term depositors

SA deposits in excess of Rs 10mn reduced from ~50% to ~40%

Wholesale yields rose 10bps QoQ to 8.63% while retail yields rose 6bps to 14.1%

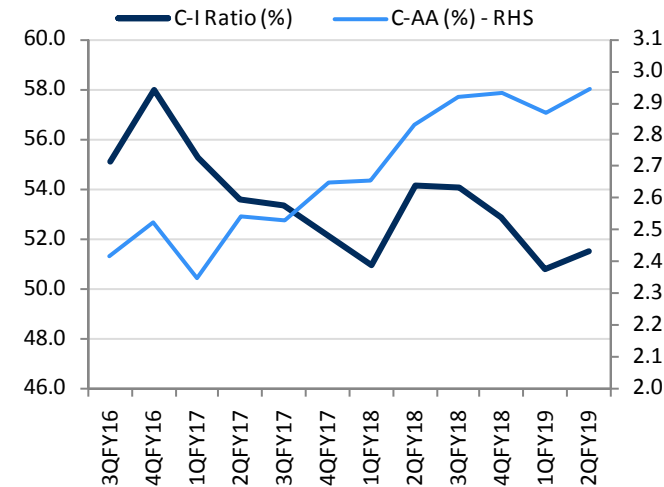
NIMs climbed to 4.08%; the management expects NIMs to sustain or increase marginally as (1) the impact of the MCLR raise (20bps in 2Q) kicks in, (2) the CASA ratio improves and (3) the portfolio scale tilts toward retail lending

Deposit Growth Robust At ~31/6% YoY/QoQ



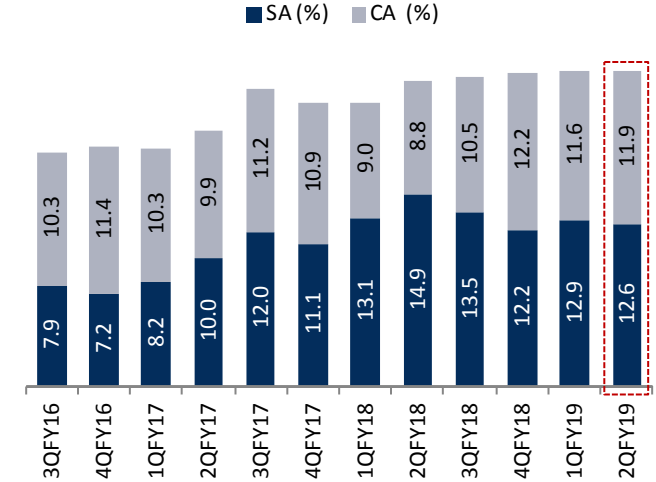
Source: Company

C-I Ratio: Up Marginally



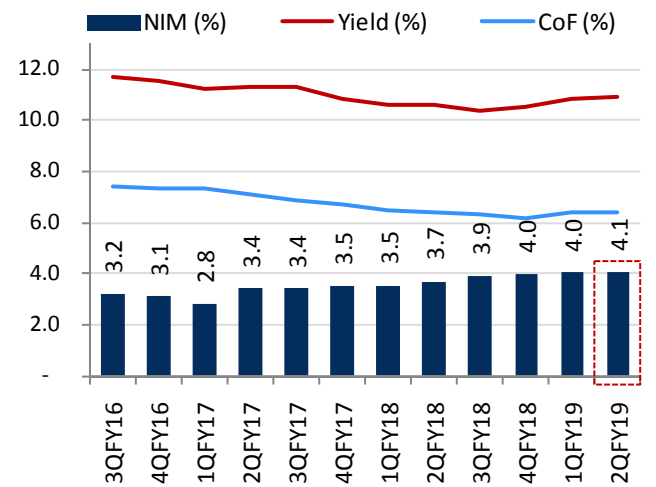
Source : Company

CASA Ratio Flat QoQ



Source: Company

NIMs Continue To Rise, Up 4bps QoQ



Source : Company

**Reported PCR improved
105bps QoQ to 61.5%**

**Slippages were stable at ~Rs
1.4bn QoQ**

**No assets were sold to ARCs in
2QFY19**

**Across segments, asset quality
deteriorated in CB, with GNPA's
up 28bps QoQ to 3.07% and
14bps in BBB to 1.62%**

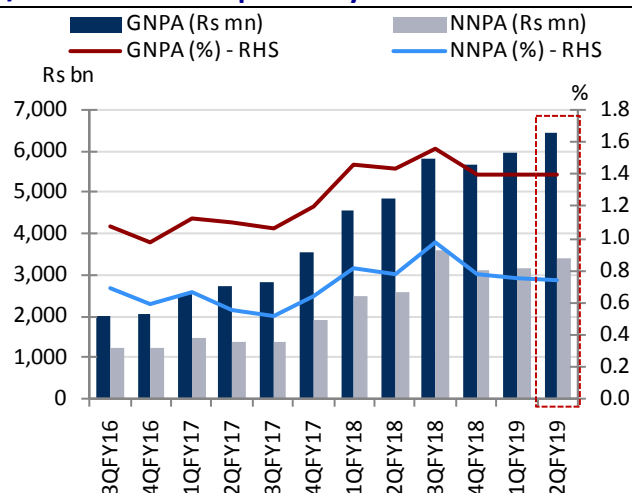
**O/S Security Receipts were at
0.6%**

**Stress was visible in the Agri
sector with GNPA's jumping
~2x/74% YoY/QoQ to
Rs680mn; Within BBB, GNPA's
in the cards sector were up
~1.5x/20% YoY/QoQ to
~Rs400mn**

**The gross stressed book was
down to 1.47% vs. 1.82% YoY**

**Exposure to the large Infra
group stands at ~Rs 150mn
which is fully secured against
cash**

G/NNPA Stable Sequentially



Source : Company

Slippages Flat Sequentially

Rs bn	9MFY16	FY16	1QFY17	1HFY17	9MFY17	FY17	1QFY18	1HFY18	9MFY18	FY18	1QFY19	2QFY19
Opening	1,110	1,110	2,080	2,080	2,080	2,080	3,570	3,570	3,570	5,800	5,670	5,970
Slippages	1,660	2,000	680	1,060	1,280	5,330	1,520	2,440	4,540	1,150	1,480	1,420
% ann.	1.09	1.09	1.28	1.00	1.00	2.51	2.07	1.66	2.05	1.19	1.44	1.29
Reductions	770	1,030	230	400	510	3,850	520	1,140	2,310	1,280	1,180	940
Closing	2,000	2,080	2,530	2,740	2,850	3,560	4,570	4,870	5,800	5,670	5,970	6,450

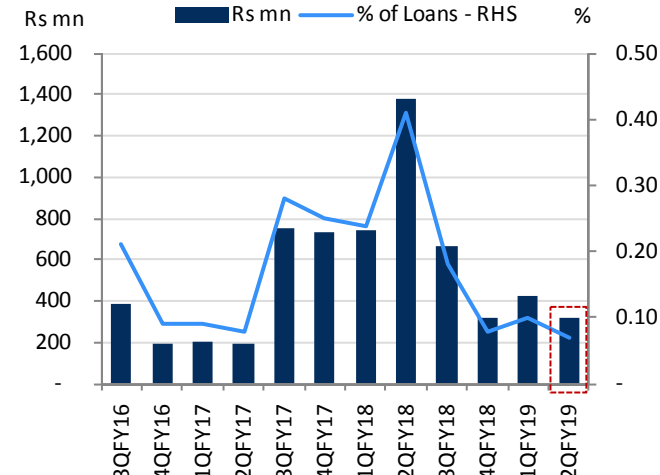
Source: Company

Segmental GNPA's: Cards NPA Rise; C&IB Stable QoQ

Rs bn	9MFY16	FY16	1QFY17	1HFY17	9MFY17	FY17	1QFY18	1HFY18	9MFY18	FY18	1QFY19	2QFY19
C&IB	171	171	266	378	378	1,038	1,030	1,028	1,422	831	923	921
CB #	1,344	1,384	1,589	1,592	1,604	1,389	1,438	1,236	1,057	1,264	2,187	2,551
BBB #	312	378	472	550	617	763	865	1,037	1,108	1,138	1,675	2,007
LAP	6	42	61	85	128	199	153	254	253	259	306	289
Biz Loans	39	34	56	78	108	159	197	186	257	316	323	254
PL	6	8	13	19	27	43	57	77	85	118	159	166
Cards	29	46	69	81	84	98	144	158	193	199	333	399
Others	232	248	273	285	270	264	315	362	320	237	164	220
Agri#	58	66	102	107	117	181	-	264	576	815	-	-
FI	106	82	98	119	131	197	1,012	1,307	1,635	1,628	1,174	970
TOTAL	1,991	2,081	2,527	2,746	2,847	3,568	4,345	4,872	5,798	5,667	5,959	6,449

Source: Company; # Agri is now split into wholesale and retail and included in CB and BBB respectively

Restructured Book Shrunk to 7bps



Source : Company

Change In Estimates

Rs mn	FY19E			FY20E		
	Old	New	Change	Old	New	Change
NII	24,290	24,253	-0.2%	31,523	30,971	-1.8%
PPOP	17,609	17,653	0.2%	23,126	22,560	-2.4%
PAT	8,955	8,664	-3.3%	12,177	11,590	-4.8%
Adj. BVPS (Rs)	170.5	168.8	-1.0%	195	192	-1.5%

Source: HDFC sec Inst Research

Peer Set Comparison

NBFC	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
KMB #	2,237	1,174	BUY	1,380	207	238	274	34.2	26.7	22.0	4.35	3.70	3.20	13.2	14.3	15.1	1.73	1.77	1.77
ICICIBC #	2,070	322	BUY	386	129	151	174	20.6	11.0	7.5	1.72	1.39	1.11	6.8	10.1	12.5	0.75	1.20	1.44
AXSB	1,467	563	NEU	603	225	267	307	28.5	15.9	11.9	2.50	2.11	1.84	7.7	12.5	15.0	0.70	1.10	1.27
IIB	884	1,473	BUY	1,954	433	513	603	21.5	16.5	12.8	3.40	2.87	2.44	16.3	18.3	20.0	1.65	1.74	1.81
RBL	197	465	BUY	618	169	192	220	22.5	16.8	12.6	2.75	2.42	2.12	12.3	14.7	17.3	1.23	1.29	1.34
FB	158	80	NEU	89	57	64	73	14.1	10.6	8.3	1.40	1.25	1.10	8.9	10.9	12.6	0.75	0.84	0.90
CUB	126	172	BUY	227	60	70	81	18.4	15.7	13.3	2.88	2.46	2.12	15.2	15.4	15.6	1.58	1.57	1.53
KVB	60	75	BUY	123	58	67	73	15.3	7.5	5.6	1.30	1.11	1.03	6.2	12.2	15.7	0.56	1.01	1.20
DCBB	48	156	BUY	210	87	98	111	15.5	12.1	9.8	1.80	1.60	1.41	10.5	12.2	13.4	0.93	0.98	1.00
SBIN #	2,285	256	BUY	348	134	170	197	22.7	6.4	4.3	1.11	0.86	0.74	2.7	9.1	12.2	0.16	0.54	0.74
BOB	270	102	NEU	118	107	142	172	13.5	6.7	4.4	0.95	0.72	0.59	4.5	8.5	11.9	0.27	0.49	0.68
AUBANK	159	531	NEU	641	100	131	154	40.2	29.0	20.3	5.29	4.06	3.44	14.3	15.3	17.5	1.64	1.70	1.90

Source: Company, HDFC sec Inst Research; # Adjusted for subsidiary

Income Statement

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Interest Earned	37,132	45,076	59,645	78,174	102,627
Interest Expended	24,918	27,413	35,392	47,203	62,561
Net Interest Income	12,213	17,663	24,253	30,971	40,066
Other Income	7,555	10,682	12,784	16,071	20,154
<i>Fee Income (CEB)</i>	<i>4,912</i>	<i>7,226</i>	<i>9,469</i>	<i>12,395</i>	<i>16,017</i>
<i>Treasury Income</i>	<i>1,189</i>	<i>1,665</i>	<i>1,150</i>	<i>1,150</i>	<i>1,250</i>
Total Income	19,768	28,345	37,038	47,042	60,220
Total Operating Exp	10,564	15,034	19,385	24,482	30,857
<i>Employee Expense</i>	<i>4,461</i>	<i>5,507</i>	<i>7,092</i>	<i>8,811</i>	<i>10,904</i>
PPOP	9,204	13,311	17,653	22,560	29,363
Provisions & Contingencies	2,362	3,645	4,817	5,389	6,441
<i>Prov. for NPAs (incl. std prov.)</i>	<i>1,975</i>	<i>2,995</i>	<i>4,067</i>	<i>4,889</i>	<i>5,941</i>
PBT	6,842	9,665	12,835	17,171	22,922
Provision for Tax	2,382	3,315	4,171	5,581	7,450
PAT	4,460	6,351	8,664	11,590	15,472
Exp. Item	285	0	0	0	0
APAT	4,176	6,351	8,664	11,590	15,472

Source: Company, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	3,752	4,197	4,197	4,197	4,197
Reserves	39,604	62,643	69,682	79,099	91,669
Shareholders' Funds	43,356	66,840	73,879	83,295	95,866
<i>Savings</i>	<i>38,486</i>	<i>53,395</i>	<i>72,081</i>	<i>97,308</i>	<i>128,445</i>
<i>Current</i>	<i>37,541</i>	<i>53,388</i>	<i>69,404</i>	<i>90,225</i>	<i>112,782</i>
<i>Term Deposit</i>	<i>269,854</i>	<i>332,240</i>	<i>431,933</i>	<i>570,173</i>	<i>769,754</i>
Total Deposits	345,881	439,023	573,419	757,706	1,010,981
Borrowings	79,798	92,614	113,997	139,446	161,295
Other Liabilities	17,711	20,031	23,329	27,995	33,106
Total Liabilities	486,746	618,508	784,623	1,008,443	1,301,248
APPLICATION OF FUNDS					
Cash & Bank Balance	41,936	42,844	46,662	54,879	65,520
Investments	134,815	154,473	176,047	210,103	267,679
<i>G-Secs</i>	<i>98,012</i>	<i>113,220</i>	<i>137,620</i>	<i>174,272</i>	<i>229,998</i>
Advances	294,490	402,678	541,107	720,624	942,186
Fixed Assets	2,587	3,340	3,741	4,190	4,692
Other Assets	12,916	15,172	17,067	18,647	21,170
Total Assets	486,746	618,508	784,623	1,008,443	1,301,248

Source: Company, HDFC sec Inst Research

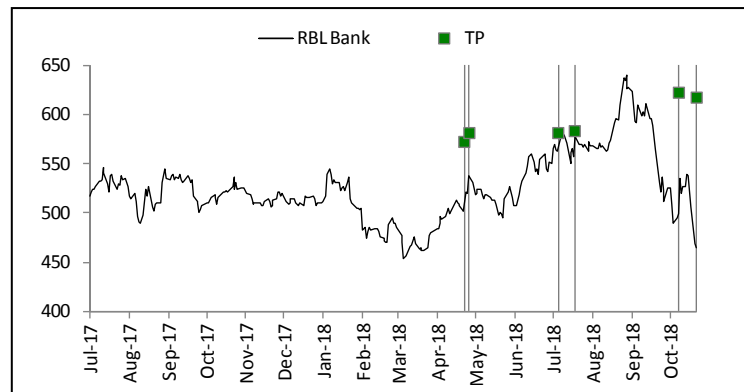
Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
VALUATION RATIOS					
EPS (Rs)	11.1	15.1	20.6	27.6	36.9
Earnings Growth (%)	42.8	52.1	36.4	33.8	33.5
BVPS (Rs)	115.5	159.2	176.0	198.5	228.4
Adj. BVPS (Rs)	110.4	151.8	168.8	192.2	219.6
DPS (Rs)	1.8	2.1	3.3	4.5	6.0
ROAA (%)	0.95	1.15	1.23	1.29	1.34
ROAE (%)	12.2	11.5	12.3	14.7	17.3
P/E (x)	41.8	30.7	22.5	16.8	12.6
P/ABV (x)	4.21	3.06	2.75	2.42	2.12
P/PPOP (x)	19.0	14.7	11.1	8.6	6.6
Dividend Yield (%)	0.4	0.5	0.7	1.0	1.3
PROFITABILITY					
Yield On Advances (%)	10.42	9.84	10.06	10.15	10.27
Yield On Investment (%)	7.03	6.90	6.90	6.90	6.85
Cost Of Funds (%)	6.33	5.60	5.69	6.13	6.57
Cost Of Deposits (%)	6.65	5.96	6.09	6.27	6.33
Core Spread (%)	4.09	4.24	4.37	4.02	3.70
NIM (%)	3.02	3.48	3.70	3.68	3.68
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	2.41	2.72	2.76	2.73	2.67
Core Cost-Income Ratio (%)	56.86	56.35	54.02	53.35	52.33
BALANCE SHEET STRUCTURE					
Loan Growth (%)	38.7	36.7	34.4	33.2	30.7
Deposit Growth (%)	42.1	26.9	30.6	32.1	33.4
C/D Ratio (%)	85.1	91.7	94.4	95.1	93.2
Equity/Assets (%)	8.9	10.8	9.4	8.3	7.4
Equity/Advances (%)	14.7	16.6	13.7	11.6	10.2
CASA (%)	22.0	24.3	24.7	24.8	23.9
Capital Adequacy Ratio (CAR, %)	13.7	15.3	13.2	11.5	10.2
W/w Tier I CAR (%)	11.4	13.6	11.9	10.4	9.3

	FY17	FY18	FY19E	FY20E	FY21E
ASSET QUALITY					
Gross NPLs (Rsm)	3,568	5,667	7,362	8,275	10,682
Net NPLs (Rsm)	1,900	3,126	3,016	2,623	3,708
Gross NPLs (%)	1.20	1.40	1.36	1.15	1.13
Net NPLs (%)	0.64	0.78	0.56	0.36	0.39
Slippages (%)	2.11	1.63	1.50	1.30	1.25
Coverage Ratio (%)	46.8	44.8	59.0	68.3	65.3
Provision/Avg. Loans (%)	0.60	0.74	0.76	0.68	0.62
ROAA TREE					
Net Interest Income	2.78%	3.20%	3.46%	3.45%	3.47%
Non Interest Income	1.72%	1.93%	1.82%	1.79%	1.75%
Treasury Income	0.27%	0.30%	0.16%	0.13%	0.11%
Operating Cost	2.41%	2.72%	2.76%	2.73%	2.67%
Provisions	0.54%	0.66%	0.69%	0.60%	0.56%
Provisions For NPAs	0.35%	0.47%	0.51%	0.48%	0.45%
Tax	0.54%	0.60%	0.59%	0.62%	0.65%
ROAA	1.02%	1.15%	1.23%	1.29%	1.34%
Leverage (x)	11.99	10.03	9.97	11.41	12.89
ROAE	12.18%	11.53%	12.31%	14.75%	17.27%

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
23-Apr-18	506	BUY	573
28-Apr-18	536	BUY	582
6-Jul-18	564	BUY	582
20-Jul-18	556	BUY	584
9-Oct-18	495	BUY	623
23-Oct-18	465	BUY	618

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:

I, **Darpin Shah, MBA**, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

