

HDFC Bank (HDFBAN)

₹ 2149

Healthy performance; agri book under watch...

- Steady margins of 4.3% and healthy credit growth of 23.7% YoY, led to robust operational performance. NII came in healthy, up ~22% YoY while operating profit came in strong at ₹ 10778 crore, up 28% YoY
- Earnings growth continues to stay healthy at 20.3% YoY to ₹ 5585 crore. Provisions stayed a tad higher at ₹ 2211 crore, up 21.5% QoQ
- The bank witnessed marginal pain in the agri book. However, overall asset quality broadly remained stable with GNPA ratio at 1.38%. Given upcoming elections, exposure to agriculture remains at risk. The bank has, therefore, provided ₹ 335 crore as contingent provision
- Advances growth remained healthy at 23.7% YoY to ₹ 780951 crore. Retail & corporate growth remained healthy at 24% & 23% YoY, respectively. Within retail loans, unsecured loans including personal & credit cards continued to witness higher traction at ~33% YoY
- Fee based income growth continue to be robust at 27% YoY, supported by healthy traction in card business. Treasury gains of ₹ 474 crore, compared to loss in Q2FY19, aided growth in other income

Play on core earnings, strategy to stay with strong retail book

PAT growth has been consistent at 20% since FY16 vs. 30% in the past and grew to ₹ 17457 crore in FY18. Going forward, we expect PAT to grow at 23.9% CAGR in FY19-21E to ₹ 32169 crore. In Q3FY19, 54% was retail (₹ 420900 crore) & 46% corporate book of ₹ 360051 crore. In Q3FY19, personal loans, credit cards continued their strong growth trajectory. It enjoys largest market share in credit cards, which fetches higher margins and returns. The bank is well placed to harness both retail & expected corporate pick-up. We expect credit, deposit growth at ~21%, 19% CAGR in FY19-21E to ₹ 1183324 crore, ₹ 1283645 crore, respectively.

Rural expansion drive to go long way, operating leverage to be seen...

We observe that HDFC Bank has strategised to dig deep in the rural belt to expand markets with >900 branches opened in previous fiscals and >600 in rural areas of Punjab, Gujarat, other states. The bank has a strong liability franchise with CASA of 48% (in FY05-17) (Q3FY19 at 40.7%) while retail term deposit comprises more than ~80% of deposit of ₹ 788770 crore as on FY18. CASA & fee-based income from cross-selling continue to grow. We expect NIM at ~4.2-4.4% in FY18-21E.

Slippages a bit higher; asset quality manageable

GNPA, NNPA ratios have been stable around 1-1.5% in the last 25 quarters. Retail NPA had risen just once in the FY08 crisis to 2%. In Q1FY18, agricultural NPA due to farm loan waiver raised GNPA ratio to 1.24% from 1.05%. Owing to farm loan waiver & upcoming election, agri book will see some spike in NPAs & bank has prudently provided ₹ 335 crore. With a seasoned portfolio, factoring one off corporate pressure & divergence, GNPA, NNPA are seen stable at ~1.3%, 0.3%, respectively.

Fundamentals remain strong; premium for consistent performance to stay

Considering the healthy balance sheet growth, superior asset quality & management, the bank is well poised to deliver consistently with margin leadership & robust return ratios. Hence, the bank remains a portfolio stock with premium valuations. Given upcoming elections, exposure to agri remains vulnerable, however, contingent provision provides breather against spike in NPA. We roll over FY21E & broadly maintain our estimates at ~20% CAGR in NII, ~24% in PAT in FY19-21E. We upgrade our target price to ₹ 2400 valuing at ~20x FY21E EPS (3.5x FY20E ABV) inclusive of ₹ 50/share for HDB Financial Services. We maintain **BUY** rating.

Rating matrix	
Rating	Buy
Target	₹ 2400
Target Period	12 months
Potential Upside	12%

What's Changed?	
Target	Changed from ₹ 2300 to ₹ 2400
EPS FY20E	Changed from ₹ 94.1 to ₹ 97
EPS FY21E	Introduced at ₹ 118.2
Rating	Unchanged

Quarterly Performance					
	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
NII	12,576.8	10,314.5	21.9	11,763.4	6.9
Oth. income	4,921.0	3,868.8	27.2	4,015.6	22.5
PPP	10,778.4	8,451.1	27.5	9,479.9	13.7
PAT	5,585.9	4,642.4	20.3	5,005.7	11.6

Key Financials				
₹ Crore	FY18	FY19E	FY20E	FY21E
NII	40,095	48,822	59,129	70,437
PPP	32,630	39,648	48,157	57,490
PAT	17,487	20,972	26,395	32,169

Valuation summary				
	FY18	FY19E	FY20E	FY21E
P/E	31.9	27.9	22.2	18.2
Target P/E	35.6	31.2	24.8	20.3
P/ABV	5.5	4.2	3.6	3.1
Target P/ABV	6.2	4.6	4.0	3.5
RoE	18.1	16.9	17.1	18.1
RoA	1.8	1.8	2.0	2.0

Stock data	
Market Capitalisation	₹ 587956 crore
GNPA (Q3FY19)	₹ 10903 crore
NNPA (Q3FY19)	₹ 3302 crore
NIM % (Q3FY19)	4.3
52 week H/L	2219/1830
Networth	₹ 142968 crore
Face value	₹ 2
DII holding (%)	16.0
FII holding (%)	38.7

Price performance (%)				
Return %	1M	3M	6M	12M
bank	0.3	5.5	-11.3	18.5
HDFC Bank	-0.2	7.9	-2.1	10.1
Axis Bank	7.3	15.4	26.2	13.6

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Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)	Comments
NII	12,577	12,444	10,315	21.9	11,763	6.9	NII growth maintained with healthy credit growth & steady margins
NIM (%)	4.3	430.0	4.3	0 bps	4.3	0 bps	Margins stable on the back of improved yield on advances
Other Income	4,921	4,332	3,869	27.2	4,016	22.5	Strong growth in fee base income & treasury led to healthy growth in other income
Net Total Income	17,498	16,776	14,183	23.4	15,779	10.9	
Staff cost	1,968	1,903	1,691	16.3	1,909	3.1	
Other Operating Expenses	4,752	4,647	4,041	17.6	4,390	8.2	
PPP	10,778.4	10,226.6	8,451.1	27.5	9,479.9	13.7	
Provision	2,211.5	1,874.1	1,351.4	63.6	1,820.0	21.5	Contingent provision of ₹ 335 crore towards agri book led to slightly higher provisions
PBT	8,566.9	8,352.5	7,099.7	20.7	7,660.0	11.8	
Tax	2,981.0	2,906.7	2,457.3	21.3	2,654.3	12.3	
PAT	5,585.9	5,445.8	4,642.4	20.3	5,005.7	11.6	PAT growth of ~20% YoY maintained

Key Metrics

GNPA	10,902.9	10,397.7	8,234.8	32.4	10,097.7	8.0	Asset quality broadly stable, though marginal pain witnessed in agri book
NNPA	3,301.5	3,138.2	2,773.7	19.0	3,028.2	9.0	
Total Restructured assets	749.7	720.8	606.0	23.7	720.8	4.0	
Advances	780,951	780,872	631,215	23.7	750,838	4.0	Growth in corporate & retail segment remain healthy on a YoY basis
Deposits	852,502	852,020	699,026	22.0	833,364	2.3	CASA ratio declined ~120 bps to 40.7% vs. 42% in Q2FY19

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E		
	Old	New	% Change	Old	New	% Change
Net Interest Income	47,820.6	48,821.9	2.1	56,645.2	59,129.0	4.4
Pre Provision Profit	38,169.7	39,647.5	3.9	44,553.1	48,156.7	8.1
NIM calculated (%)	4.3	4.4	7 bps	4.3	4.5	14 bps
PAT	20,786.3	20,971.6	0.9	25,116.6	26,395.0	5.1
ABV (₹)	521.4	517.3	-0.8	595.9	593.6	-0.4

Source: Company, ICICI Direct Research

Assumptions

	Current			Earlier		
	FY17	FY18E	FY19E	FY20E	FY19E	FY20E
Credit growth (%)	19.4	18.7	22.7	21.4	20.9	21.0
Deposit Growth (%)	17.8	22.5	15.2	18.3	18.0	18.3
CASA ratio (%)	48.0	43.5	42.6	42.7	43.5	43.6
NIM Calculated (%)	4.4	4.4	4.4	4.5	4.3	4.3
Cost to income ratio (%)	43.4	41.0	39.8	38.7	41.1	41.4
GNPA (₹ crore)	5,885.7	8,611.2	11,438.5	12,614.9	10,441.2	11,596.5
NNPA (₹ crore)	1,844.0	2,602.1	3,426.9	3,772.7	2,156.6	1,956.7
Slippage ratio (%)	1.3	1.3	1.1	0.8	0.9	0.8
Credit cost (%)	0.6	0.9	0.9	0.8	0.8	0.6

Source: Company, ICICI Direct Research

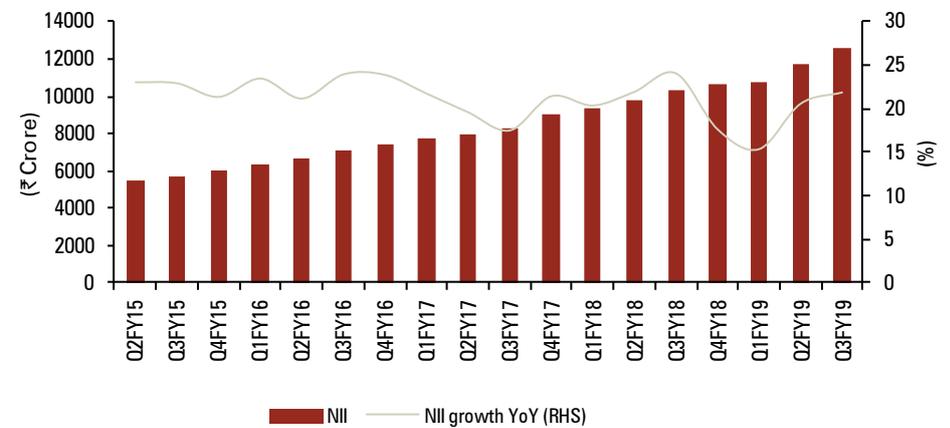
Company Analysis

Business, NII growth continues to remain healthy...

HDFC Bank is largely a retail bank and earns majority of revenues and income from the same. Retail and corporate constitute ~55.1% and 44.9%, respectively, in its ₹ 658334 crore credit portfolio as on FY18. Retail includes lending like all vehicle financing, tractors, construction equipment, credit cards, personal loans, home loans, etc. These require a large branch network, strong customer interface and better underwriting skills. Historically, the bank has maintained 50% share in both segments. Credit has grown at 25% CAGR in FY09-13 led by retail and witnessed 26% growth in FY14 due to FCNR-B deposits and related lending. We expect credit to grow at 21% CAGR in FY19-21E to ₹ 1183324 crore.

Net interest income has grown at 23% CAGR in FY10-13 and at 21% CAGR in FY13-18. We expect growth to moderate but still remain healthy at ~20% in FY19-21E at ₹ 70437 crore.

Exhibit 1: NII growth maintained healthy in Q3FY19 at 21.9% YoY



Going ahead, the management expects credit growth to remain steady

Source: Company, ICICI Direct Research

Loan traction remained healthy in Q3FY19 to ~24% YoY to ₹ 780951 crore. The growth was led by both corporate and retail segment. Among retail, home loans, credit cards, personal loans and two-wheelers are seeing a pick-up growing 36%, 33%, 33% and 31%, respectively. The loan mix of retail: wholesale was 54:46.

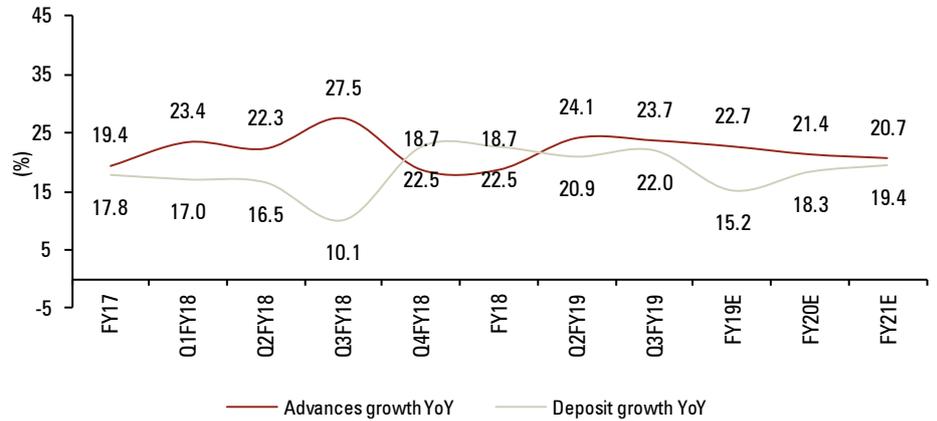
Exhibit 2: Break-up of retail credit

₹ crore	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Auto	58,449	62,052	66,011	69,053	73,057	76,427	77,659	80,336	83,012
CVCE	17,563	19,221	19,706	20,252	21,403	23,391	24,852	25,508	27,166
Two Wheelers	6,114	6,290	6,532	6,883	7,691	8,672	9,227	9,689	10,095
Personal Loans	46,454	50,067	55,539	60,692	66,817	71,876	77,868	83,426	88,803
Business Banking	32,129	36,235	40,446	45,528	46,989	54,126	52,050	54,180	55,706
Loans against Securities	1,271	1,461	1,447	1,604	1,671	1,816	1,748	1,824	1,788
Credit Cards	23,673	25,995	29,101	30,831	33,622	36,115	38,458	40,535	44,839
Home Loans	35,408	38,365	38,783	40,015	38,129	36,257	44,021	47,861	51,786
Others	40,025	43,980	45,261	49,490	49,986	53,809	54,589	58,140	57,705
Total	261,086	283,666	302,826	324,348	339,365	362,489	380,472	401,499	420,900

Source: Company quarterly press release, ICICI Direct Research

HDFC Bank has close to ~40% market share in credit cards – o/s credit basis (₹ 44839 crore). About 65% of HDFC Bank's credit card portfolio is from cross-selling to existing customers. Incrementally, growth in personal loans, home loans and auto has remained high during the year. In the personal loan segment, ~50% of borrowers are HDFC Bank's existing customers. We expect growth in the retail segment to continue at >20% as it enters strongly in rural areas.

Exhibit 3: Both credit, deposit growth above industry



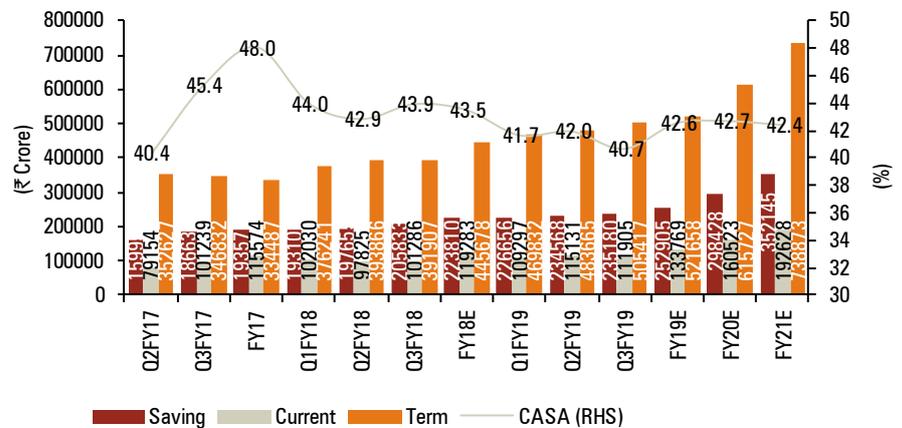
Source: Company, ICICI Direct Research

Strong liability franchise

Deposits grew higher than credit at 22.7% YoY in FY15 while five year CAGR was around 16%. In FY15-18, it surged 21% YoY to ₹ 788770 crore. The CASA ratio improved from ~44% in FY15 to ~48% in FY17, an increase of ~400 bps led by accretion of low cost deposits in normal course as well as demonetisation drive. CASA has remained the highlight of deposit even in the past with consistent balance, second largest at ₹ 236311 crore as on FY16 post SBI on an absolute basis. In Q2FY17, low cost deposit continued to witness a surge led by demonetisation, which has led CASA ratio to increase ~300 bps QoQ to 48% in FY17. In Q3FY19, deposits grew 22% YoY to ₹ 852502 crore with CASA ratio of 40.7%. In Q3FY19, CASA ratio declined 125 bps.

Exhibit 4: CASA ratio at ~41% levels

CASA ratio in Q3FY19 was at ~41% levels

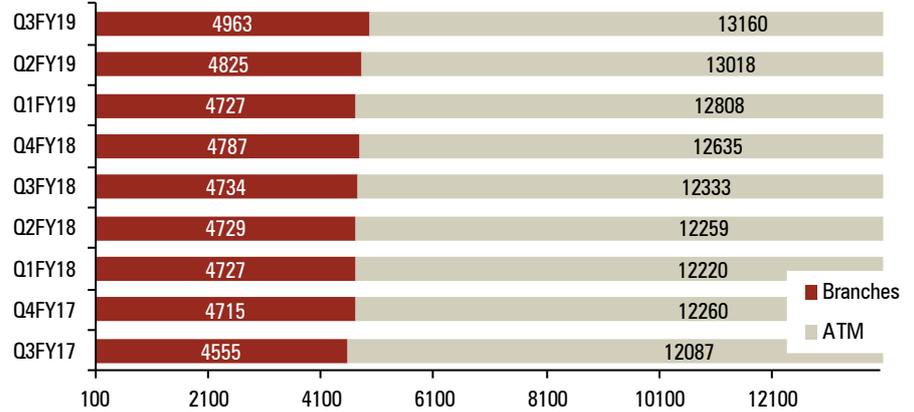


Source: Company quarterly press release, ICICI Direct Research

HDFC Bank has opened >900 branches in previous fiscals, which were in unbanked areas. Branch addition has been on a slower track owing to increased focus on digitisation. The cost of these branches is relatively

lower than other locations. They need two to three years to break even. Going ahead, fresh additions are seen being limited. During FY14, the bank adequately utilised RBI's SWAP facility i.e. converting FCNR (B) deposits to rupees at a concessional rate. Its deposits then grew 24% YoY to ₹ 367000 crore, including FCNR (B) deposits of US\$3.4 billion as on FY14. Post adjusting for such deposits, traction still remained above industry at 16.9% YoY.

Exhibit 5: Branch, ATM additions continue with incremental focus on rural to keep CASA steady

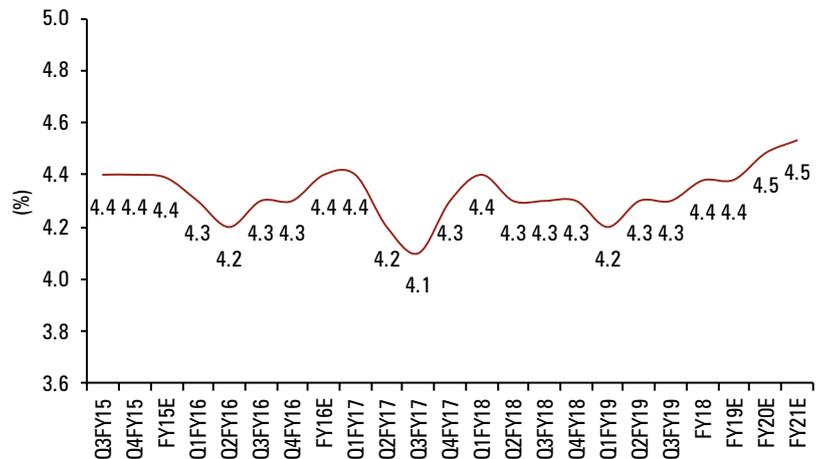


Source: Company quarterly press release and annual report, ICICI Direct Research

NIMs sustain above 4%, expected to continue

NIM remained stable and in line with the management's guidance at 4.3%, as pressure from faster growth in term deposit and rise in deposit rates was offset by increase in MCLR. The management has indicated at sustainability of margins at 4-4.4% in FY18-21E. We expect this stability to remain as retail loans continue to be in the high focus segment. Growth is mainly taking place in the same for all banks. Home loans from HDFC can impact margin expansion. However, incremental exposure to the high yield retail segment is expected to enable margins to remain stable.

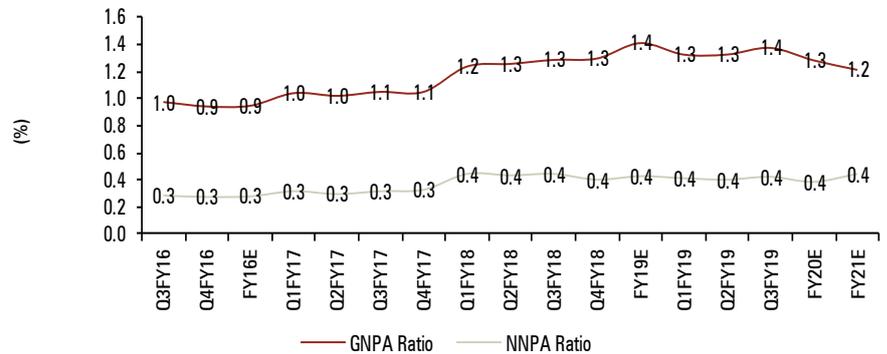
Exhibit 6: NIM one of the highest; consistently maintained...



Source: Company quarterly press release, ICICI Direct Research
FY13 –FY20E are calculated

Asset quality broadly stable; agri book to be keenly monitored

Exhibit 7: Asset quality under control



Source: Company quarterly press release and annual report, ICICI Direct Research

On asset quality, the bank was able to manage divergence well. Total divergence for FY17 as per RBI was ₹ 2051 crore in GNPA for FY17. However, from the same, ₹ 1707 crore was upgraded based on JLF decision. Based on last disclosure, ₹ 800-900 crore exposure to one 5:25 account (part of ₹ 2051 crore) was already known as said in Q2. Accordingly, the net impact of ₹ 294 crore from divergence was negligible. GNPA ratio saw an increase of 3 bps to 1.29% QoQ (GNPA - ₹ 8235) while NNPA ratio increased 1 bps QoQ to 0.29% (NNPA - ₹ 2773) led by the above recognition. As provisions were made only in Q2, overall provisions have not gone up, remaining stable at ₹ 1351 crore in Q3FY18.

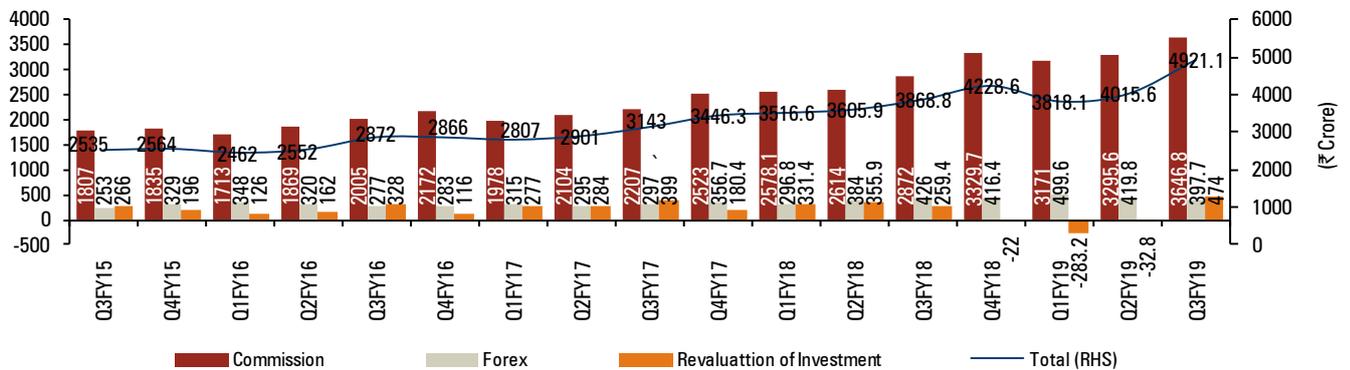
In Q4FY18, slippages remained higher at ₹ 2790 crore, 1.72% of advances (₹ 2880 crore in Q3FY18 excluding steel account) while reduction was at ₹ 2417 crore. Overall asset quality continued to remain stable QoQ with GNPA and NNPA ratio at 1.3% and 0.4%, respectively. The bank holds floating provision of ₹ 1451 crore as of March 2018.

In Q3FY19, asset quality broadly remained stable with slippages coming in at ~2.07% of advances. However, agri book witnessed marginal pain and given upcoming elections, exposure to agriculture remains at risk. The bank has, therefore, provided ₹ 335 crore as contingent provision. However, overall asset quality was under control at 1.38% vs. 1.33% in Q2FY19.

With a retail and working capital portfolio, we do not expect the bank to report large NPA pressure in future. We expect GNPA to rise gradually to ₹ 14390 crore, leading both ratios to remain at ~1.2% and 0.4%, respectively, by FY21E.

Non-interest income traction healthy; core fee income growth at 27% YoY

Exhibit 8: Non interest income contributes ~30% to income



Source: Company, ICICI Direct Research

In Q3FY19, other income grew ~27% YoY to ₹ 4921 crore. Consistent robust growth in fee based income has been commendable. Fee based income grew 27% YoY in Q3FY19 to ₹ 4921 crore, led by focus on distribution of financial products and increase in digital transactions. As expected, treasury income came in strong at ~₹ 474 crore, amid a decline in G-sec yield.

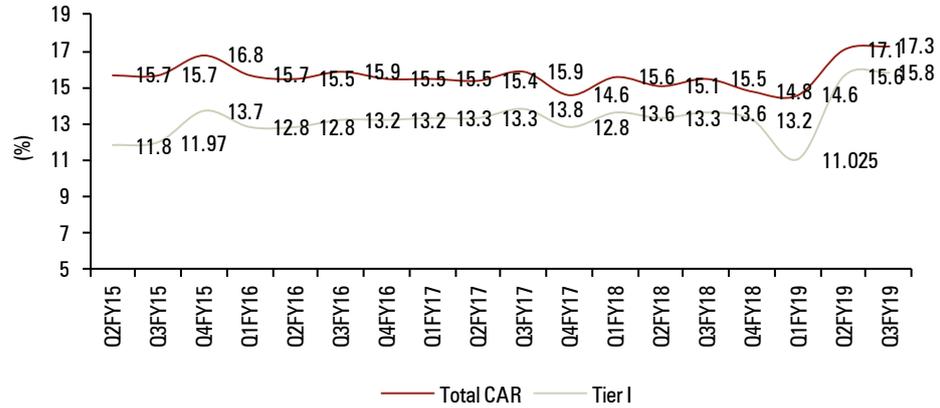
Other income has formed ~27-30% of net total income in the last decade. On occasions, growth has been boosted by treasury gain or impacted by volatile yields. However, fee based income continued to grow over the years.

We expect rural expansion to enable maintenance of non-interest income growth at ~14% CAGR in FY19-21E to ₹ 22120 crore. We expect contribution to total income to stabilise around the same at ~27-28% in the next couple of years.

Return ratios still strong, adequately capitalised

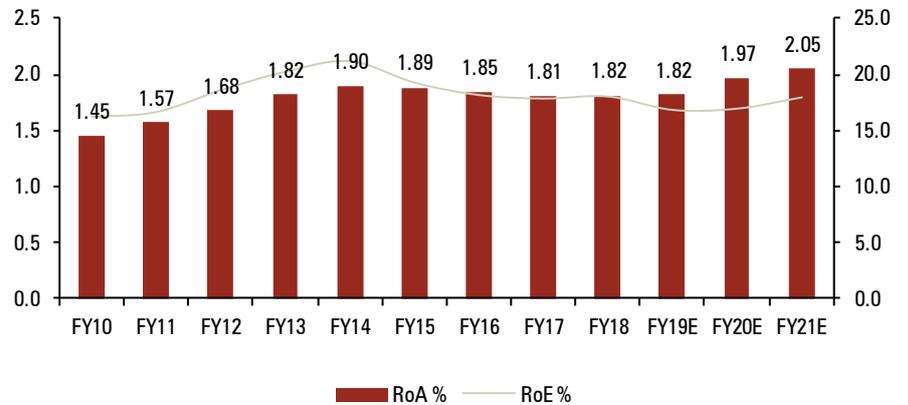
RoE has been maintained at ~17-20% in the last decade with RoA > 1.5%. We expect RoE of 16-17%, going ahead, aided by profit CAGR of 23.9% in FY19-21E to ₹ 32169 crore. The bank mobilised ~₹ 23590 crore in FY19 via a combination of domestic and foreign investors. Such capital raising would help maintain healthy growth in future and also support margins.

Exhibit 9: Strong capital adequacy offers room for future growth as economy revives



Source: Company quarterly press release and annual report, ICICI Direct Research

Exhibit 10: Strong return ratios to continue



Source: Company, ICICI Direct Research

Outlook and valuation

The management has maintained a strategy of growing credit higher than industry with the NIM range also being maintained at ~4.2-4.4%. The bank continues to have an edge in terms of liability profile with CASA of >40%. Owing to a diversified asset book, though stress has risen a bit in the last two years, it stayed under control with strong PCR. We believe enhancing its rural presence at a brisk pace will help it to gain market share. Further, operating leverage benefits from increased spending on the digitisation front would also occur, going ahead.

The operating performance remains healthy. Return ratios remain better than peers with RoA of ~1.9% and RoE ~19%. Though PAT traction has declined from 30% to 20%, it is still better and more consistent considering its size and the macro environment. The inherent structural strength of the bank remains intact.

We largely maintain our estimates. Considering the structural drivers in place including healthy balance sheet growth and superior quality of the book as well as the strong management, the bank is well placed to deliver consistently with margin leadership and robust return ratios. Therefore, HDFC Bank remains a portfolio stock with premium valuation expected to continue led by a consistent performance.

Considering the healthy balance sheet growth, superior asset quality & management, the bank is well poised to deliver consistently with margin leadership & robust return ratios. We rollover FY21E & broadly maintain our estimates at ~20% CAGR in NII, ~24% in PAT in FY19-21E. We upgrade our target price at ₹ 2400 valuing at ~20x FY21E EPS (3.5x FY20E ABV) inclusive of ₹ 50 per share for HDB Financial Services. We maintain our **BUY** recommendation.

We believe investors continue to prefer high quality retail private banks like HDFC Bank owing to their strong visibility and consistency in earnings.

Exhibit 11: Valuation Summary

	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net Profit (₹ Cr)	8478	10215	12296	14550	17487	20972	26395	32169
EPS (₹)	35.3	40.8	48.6	56.8	67.4	77.0	97.0	118.2
Growth (%)	25.0	15.3	19.3	16.7	18.7	14.3	25.9	21.9
ABV (₹)	177.8	241.9	282.2	341.9	388.6	517.3	593.6	682.9
P/E (x)	60.8	52.7	44.2	37.8	31.9	27.9	22.2	18.2
Price / Book (x)	11.9	8.7	7.5	6.2	5.4	4.1	3.5	3.1
Price / ABV (x)	12.1	8.9	7.6	6.3	5.5	4.2	3.6	3.1
GNPA (%)	1.0	1.1	0.9	1.1	1.3	1.4	1.3	1.2
NNPA (%)	0.3	0.4	0.3	0.3	0.4	0.4	0.4	0.4
RoNA (%)	1.9	1.9	1.8	1.8	1.8	1.8	2.0	2.0
RoE (%)	21.3	19.4	18.3	17.9	18.1	16.9	17.1	18.1

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
FY03	HDFC enters into agreement with HDFC Bank to source housing loans
FY03	HDFC Bank launches India's first mobile payment solution
FY08	Bank registers a peak in January 2008 in the wake of strong credit growth and profit. HDFC Bank ties up with postal department, extends rural reach. It also opens
May-08	HDFC Bank and Centurion Bank of Punjab merger at share swap ratio of 1:29
FY09	The bank expands its distribution network from 761 branches in 327 cities to 1,412 branches in 528 Indian cities. The bank's ATMs increased from 1,977 to 3,295 during the year
Feb-10	HDFC Bank increases fixed deposit rates by up to 150 basis points across maturities, a move that follows the cash reserve ratio hike of 75 basis points by the Reserve Bank of India
FY10	HDFC Bank becomes No 1 private retail bank in India
FY12	Company splits its face value of shares from ₹ 10 to ₹ 2
FY13	More than 50+ quarters wherein PAT growth is ~30% YoY. Opens 87 branches in Punjab, Haryana in a single day. Strengthens presence in rural areas
FY14	First year to see average PAT growth of 25-26% vs. 30% historically
Sep-14	Stock remains subdued for three months as FIPB approval to raise foreign shareholding is yet unclear
Feb-15	Raises ~ ₹ 9800 crore via combination of domestic and foreign offerings

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Latest Filing Date	% O/S	Position	sition Change	Change (m)
1	Housing Development Finance Corporation Ltd	30-09-2018	21.41%	582.31M	+39.10M
2	Capital Research Global Investors	30-11-2018	6.89%	187.41M	-0.02M
3	Capital World Investors	30-09-2018	3.94%	107.04M	+8.17M
4	Life Insurance Corporation of India	30-09-2018	1.94%	52.70M	+1.17M
5	SBI Funds Management Pvt. Ltd.	30-09-2018	1.82%	49.56M	+5.43M
6	ICICI Prudential Life Insurance Company Ltd.	30-09-2018	1.10%	29.80M	-0.16M
7	HDFC Asset Management Co., Ltd.	30-09-2018	1.05%	28.53M	-0.77M
8	Vontobel Asset Management, Inc.	30-11-2018	1.01%	27.54M	+0.00M
9	Aditya Birla Sun Life AMC Limited	30-11-2018	0.97%	26.45M	+0.30M
10	Reliance Nippon Life Asset Management Limited	31-12-2018	0.96%	26.00M	-0.75M

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	25.7	25.6	25.5	26.6	26.5
FII	40.5	40.4	40.9	39.2	38.7
DII	15.0	15.0	14.6	14.9	16.0
Others	18.8	19.0	19.1	19.4	18.8

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Housing Development Finance Corporation Ltd	+1,080.90M	+39.10M	Carmignac Gestion	-247.03M	-8.94M
Capital World Investors	+225.89M	+8.17M	Kotak Mahindra Asset Management Company Ltd.	-55.02M	-1.80M
SBI Funds Management Pvt. Ltd.	+150.13M	+5.43M	Grantham Mayo Van Otterloo & Co LLC	-39.98M	-1.38M
Nomura Asset Management Co., Ltd.	+109.50M	+3.44M	Amundi Hong Kong Limited	-28.52M	-1.10M
Morgan Stanley Investment Management Ltd. (UK)	+45.16M	+1.47M	HDFC Asset Management Co., Ltd.	-21.25M	-0.77M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement							₹ Crore
(Year-end March)	FY16	FY17	FY18	FY19E	FY20E	FY21E	
Interest Earned	60221.4	69306.0	80240.9	96873.3	114653.0	135813.7	
Interest Expended	32629.9	36166.7	40146.1	48051.4	55524.1	65376.6	
NII	27591.5	33139.2	40094.8	48821.9	59129.0	70437.1	
Growth (%)	23.2	20.1	21.0	21.8	21.1	19.1	
Non Interest Income	10751.7	12296.5	15221.5	17004.1	19384.3	22120.7	
Fees and advisory	7759.0	8811.6	11366.9	12958.3	14902.0	17137.3	
Treasury Income	749.1	1130.7	927.2	936.4	964.5	993.5	
Other income	2243.5	2354.3	2927.5	3109.4	3517.8	3989.9	
Total Income	38343.2	45435.7	55316.3	65826.0	78513.3	92557.8	
Employee cost	5702.2	6483.7	6803.5	7915.5	9150.6	10432.6	
Other operating Exp.	11277.5	13219.7	15882.6	18262.9	21206.0	24634.9	
Gross Profit	21363.5	25732.4	32630.1	39647.5	48156.7	57490.3	
Provisions	2725.6	3593.3	6026.3	7727.3	7981.6	8527.2	
PBT	18637.9	22139.1	26603.8	31920.3	40175.1	48963.1	
Taxes	6341.7	7589.4	9117.1	10948.6	13780.1	16794.3	
Net Profit	12296.2	14549.6	17486.7	20971.6	26395.0	32168.7	
Growth (%)	20.4	18.3	20.2	19.9	25.9	21.9	
EPS	48.6	56.8	67.4	77.0	97.0	118.2	

Source: Company, ICICI Direct Research

Key ratios							₹ Crore
(Year-end March)	FY16	FY17	FY18	FY19E	FY20E	FY21E	
Valuation							
No. of Equity Shares	252.8	256.3	259.5	272.2	272.2	272.2	
EPS (₹)	48.6	56.8	67.4	77.0	97.0	118.2	
BV (₹)	287.5	349.1	398.7	529.9	607.4	702.0	
ABV (₹)	282.2	341.9	388.6	517.3	593.6	682.9	
P/E	44.2	37.8	31.9	27.9	22.2	18.2	
P/BV	7.5	6.2	5.4	4.1	3.5	3.1	
P/ABV	7.6	6.3	5.5	4.2	3.6	3.1	
Yields & Margins (%)							
Net Interest Margins	4.4	4.4	4.4	4.4	4.5	4.5	
Yield on avg earning assets	9.6	9.2	8.8	8.7	8.7	8.7	
Avg. cost on funds	5.8	5.4	4.9	4.9	4.9	4.9	
Avg. cost of deposits	5.9	5.3	4.8	4.8	4.8	4.8	
Yield on average advances	10.8	10.2	10.3	10.4	10.3	10.2	
Quality and Efficiency (%)							
Cost / Total net income	44.3	43.4	41.0	39.8	38.7	37.9	
Credit/Deposit ratio	85.0	86.2	83.5	88.9	91.2	92.2	
GNPA	0.9	1.1	1.3	1.4	1.3	1.2	
NNPA	0.3	0.3	0.4	0.4	0.4	0.4	
ROE	18.3	17.9	18.1	16.9	17.1	18.1	
ROA	1.8	1.8	1.8	1.8	2.0	2.0	

Source: Company, ICICI Direct Research

Balance sheet							₹ Crore
(Year-end March)	FY16	FY17	FY18	FY19E	FY20E	FY21E	
Sources of Funds							
Capital	505.6	512.5	519.0	544.4	544.4	544.4	
Reserves and Surplus	72172.1	88949.8	102937.5	143689.4	164805.4	190540.4	
Networth	72677.8	89462.3	103456.5	144233.8	165349.9	191084.9	
Deposits	546424.2	643639.7	788770.9	908331.9	1074678.1	1283645.1	
Borrowings	84969.0	74028.9	123104.9	134536.5	144732.9	156086.8	
Other Liabilities & Provisions	36725.1	56709.3	45763.4	51671.2	58500.9	66416.3	
Total	740796.1	863840.2	1061095.7	1238773.4	1443261.8	1697233.0	
Applications of Funds							
Fixed Assets	3343.2	3626.7	3607.3	4011.6	4190.4	4395.4	
Investments	195836.1	214463.2	242200.2	277352.4	315990.4	357982.2	
Advances	464594.0	554568.2	658333.9	807815.4	980315.1	1183324.3	
Other Assets	38104.0	42230.0	34039.2	20130.1	6145.5	7057.1	
Cash with RBI & call money	38918.8	48952.1	122915.1	129463.9	136620.4	144473.9	
Total	740796.1	863840.2	1061095.7	1238773.4	1443261.8	1697233.0	

Source: Company, ICICI Direct Research

Growth ratios						
(Year-end March)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Total assets	25.5	16.6	22.8	16.7	16.5	17.6
Advances	27.1	19.4	18.7	22.7	21.4	20.7
Deposits	21.2	17.8	22.5	15.2	18.3	19.4
Total Income	23.5	15.0	17.0	19.3	17.7	17.8
Net interest income	23.2	20.1	21.0	21.8	21.1	19.1
Operating expenses	21.4	16.0	15.1	15.4	16.0	15.5
Operating profit	22.7	20.5	26.8	21.5	21.5	19.4
Net profit	20.4	18.3	20.2	19.9	25.9	21.9
Net worth	17.2	23.1	15.6	39.4	14.6	15.6
EPS	19.3	16.7	18.7	14.3	25.9	21.9

Source: Company, ICICI Direct Research

ICICIdirect Research coverage universe (Banks)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
	(₹)	TP(₹)			FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Bank of Baroda (BANBAR)	118	140	Buy	31,244	-9.2	10.0	17.0	-12.9	11.8	6.9	1.0	0.9	0.8	-0.3	0.4	0.6	-5.8	6.1	9.8
State Bank of India (STABAN)	296	340	Buy	264,346	-7.3	26.0	17.3	-40.4	11.4	17.2	2.4	1.4	1.8	-0.2	0.7	0.4	-3.0	9.7	6.5
Axis Bank (AXIBAN)	663	725	Buy	170,414	1.1	22.2	38.2	617.5	29.8	17.4	3.6	3.1	2.5	0.0	0.8	1.2	0.0	0.8	1.2
City Union Bank (CITUNI)	190	225	Buy	13,917	8.9	8.5	10.3	21.4	22.3	18.4	3.5	3.3	2.5	1.6	1.5	1.6	15.6	14.5	14.2
DCB Bank (DCB)	183	210	Buy	5,645	7.9	10.2	13.9	23.2	17.8	13.1	2.3	2.1	1.8	0.9	1.0	1.1	10.9	11.7	14.0
Federal Bank (FEDBAN)	90	110	Buy	17,945	4.5	6.2	7.4	20.3	14.7	12.2	1.6	1.5	1.3	0.7	0.8	0.9	8.2	9.3	10.4
HDFC Bank (HDFBAN)	2,149	2,400	Buy	584,298	67.4	75.5	91.3	31.9	28.4	23.5	5.5	4.1	3.6	1.8	1.8	1.8	18.1	16.6	16.2
IndusInd Bank (INDBA)	1,512	1,860	Buy	91,069	60.1	81.5	106.1	25.2	18.6	14.3	3.9	3.3	2.8	1.8	2.0	2.1	16.2	18.8	20.6
Jammu & Kashmir Bk(JAMKAS)	39	52	Buy	2,186	3.6	5.0	8.9	10.8	7.9	4.4	0.7	0.7	0.7	0.2	0.3	0.5	3.4	4.4	7.5
Kotak Mahindra Bank (KOTMAH)	1,236	1,400	Buy	235,706	21.4	26.5	33.0	57.7	46.6	37.5	6.6	6.0	5.5	1.7	1.7	1.8	12.5	12.8	14.4
Yes Bank (YESBAN)	199	190	UR	45,969	18.3	22.1	26.3	10.8	9.0	7.6	1.9	1.6	1.3	1.6	1.4	1.4	17.6	18.0	18.2
Bandhan Bank (BANBAN)	438	575	Buy	52,221	11.3	16.9	21.9	17.6	11.7	9.1	2.6	2.2	1.8	3.6	4.0	4.0	19.5	19.6	21.1

Source: Company, ICICI Direct Research

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