City Union Bank

BUY

INDUSTRY	BANKS
CMP *(as on 28 Jan 2019)*	Rs 191
Target Price	Rs 236
Nifty	10,662
Sensex	35,657
KEY STOCK DATA	
Bloomberg	CUBK IN
No. of Shares (mn)	732
MCap (Rs bn) / ($ mn)	140/1,963
6m avg traded value (Rs mn)	154

STOCK PERFORMANCE (%)			
52 Week high / low	Rs 207/134		
	3M	6M	12M
Absolute (%)	13.8	12.9	21.4
Relative (%)	6.9	17.4	22.5

SHAREHOLDING PATTERN (%)	
Promoters	-
FIs & Local MFs	25.71
FPIs	27.03
Public & Others	47.26

Source : BSE

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Onward March

Yet again, CUBK performed consistently, across parameters. Loan growth was steady and broad based at 17%, fees grew ~16%, NIMs improved ~10bps sequentially, CASA (24%) and the PCR (65%) remained stable.

Superior performance can be inferred from a closer look at the fine print: NIMs driven by growth in avg loans, sequential SA growth of ~8% (after 3% in 2Q), a stable net stressed book (even after the slippages of the large paper exposure of ~Rs 800mn) and conservative coverage (~46%) on the SR book.

Our consistently positive view on CUBK remains so. CUBK is our preferred regional (and amongst mid-tier) bank as a result of its (1) Conservative management, (2) Superior NIMs due to its unparalleled lending franchise, (3) Steady operating efficiency, (4) Lower stressed assets with a near nil watch list, (5) Well capitalised B/S and (6) Superior return ratios across cycles. Given these virtues, we assign a target multiple of 3xDec-20E ABV to arrive at a TP of Rs 236. Maintain BUY.

Highlights of the quarter

- CUBK, yet again, positively surprised with margin improvement (+10bps QoQ after 8bps in 2Q) to 4.41%. The improvement was led by higher growth in avg o/s balances (vs. terminal nos) and the complete passage of the rise in CoF. Sufficient pricing power, higher proportion of floating rate loans and focus of high yielding segments will insulate CUBK's margins from increase in the CoF. Conservatively, we have factored in NIMs of 3.95% over FY 19-21E.
- CUBK's GNPAs inched up 5% QoQ to Rs 8.9bn (2.91%) led by higher slippages of Rs 1.65bn (2.2% ann.) and lower reductions (Rs 597mn, down ~9% QoQ). Higher slippages were largely due to a singular exposure of Rs 800mn to the paper sector. Despite this CUBK's net stressed assets (NNPA + restr.) were stable QoQ at 1.74%. A near nil watch-list, conservative mgt and lower exposure to stressed sectors bolster our confidence in CUBK's asset quality. Our slippage assumption stands at 1.8% over FY19-21E.
- **Near term outlook:** The stock should gradually inch up with steady performance.

Financial Summary

(Rs mn)	3QFY19	3QFY18	YoY (%)	2QFY19	QoQ (%)	FY18	FY19E	FY20E	FY21E
Net Interest Income	9,666	8,654	*11.7%*	9,265	*4.3%*	14,303	16,333	18,974	22,150
PPOP	2,311	1,904	*21.4%*	2,206	*4.7%*	12,078	12,898	14,672	16,829
APAT	1,781	1,548	*15.1%*	1,680	*6.0%*	5,920	6,874	8,040	9,478
EPS (Rs)	2.4	2.3	*4.3%*	2.3	*6.0%*	8.9	9.4	11.0	13.0
RoAE (%) (ex revaluations)						15.3	15.3	15.4	15.6
RoAA (%)						1.57	1.59	1.57	1.54
Adj. BVPS (Rs)						55.5	60.1	69.9	81.5
P/ABV (x)						3.44	3.17	2.73	2.34
P/E (x)						21.4	20.3	17.3	14.7

Source: Company, HDFC sec Inst Research

Five Quarters At A Glance

Rs mn	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	*YoY Growth*	*QoQ Growth*
Net Interest Income	3,651	3,679	3,748	3,980	4,181	*14.5%*	*5.0%*
Non-interest Income	1,217	1,198	1,291	1,186	1,198	*-1.5%*	*1.1%*
Treasury Income	344	301	193	213	208	*-39.5%*	*-2.3%*
Operating Income	4,868	4,878	5,039	5,166	5,379	*10.5%*	*4.1%*
Operating Expenses	1,904	1,935	2,045	2,206	2,311	*21.4%*	*4.7%*
Pre-Provision Profits	2,965	2,943	2,994	2,959	3,069	*3.5%*	*3.7%*
Other Provisions	857	862	778	680	788	*-8.1%*	*15.9%*
PBT	2,108	2,081	2,216	2,280	2,281	*8.2%*	*0.1%*
Provision For Tax	560	560	600	600	500	*-10.7%*	*-16.7%*
PAT	1,548	1,521	1,616	1,680	1,781	*15.1%*	*6.0%*
Balance Sheet items/ratios							
Deposits	313	329	336	345	355	*13.3%*	*2.8%*
CASA %	*22.3*	*24.2*	*23.9*	*23.6*	*23.9*	*155 bps*	*22 bps*
Advances	261	282	282	298	306	*17.4%*	*2.9%*
CD Ratio (%)	83.2	86.0	84.0	86.2	86.3	*304 bps*	*4 bps*
CAR (%)	14.9	16.2	16.1	15.1	14.8	*-14 bps*	*-32 bps*
Tier I (%)	*14.5*	*15.8*	*15.6*	*14.7*	*14.4*	*-8 bps*	*-32 bps*
Profitability							
Yield On Advances (%)	11.37	11.19	10.86	10.86	11.0	*-41 bps*	*10 bps*
Cost Of Deposits (%)	6.24	6.22	6.15	6.1	6.2	*-7 bps*	*10 bps*
NIM (%)	4.41	4.36	4.24	4.32	4.41	*0 bps*	*9 bps*
Cost-Income Ratio (%)	39.1	39.7	40.6	42.7	43.0	*385 bps*	*25 bps*
Tax Rate (%)	26.6	26.9	27.1	26.3	21.9	*-465 bps*	*-440 bps*
Asset quality							
Gross NPA (Rs mn)	8,598	8,566	8,511	8,479	8,919	*3.7%*	*5.2%*
Net NPA (Rs mn)	4,478	4,748	4,735	4,978	5,276	*17.8%*	*6.0%*
Gross NPAs (%)	3.30	3.03	3.02	2.85	2.91	*-39 bps*	*6 bps*
Net NPAs (%)	1.74	1.70	1.70	1.69	1.74	*0 bps*	*5 bps*
Delinquency Ratio (%)	2.06	2.18	1.78	1.88	2.19	*14 bps*	*32 bps*
Coverage Ratio Calc. (%)	47.9	44.6	44.4	41.3	40.8	*-707 bps*	*-44 bps*
Coverage Ratio Reported (%)	65.0	64.0	65.0	65.0	65.0	*0 bps*	*0 bps*
Restructured Book (%)	0.04	0.03	0.03	0.02	-	*-4 bps*	*-2 bps*

In line with estimates, led by a 10bps QoQ increase in NIMs and a ~17% loan growth

Fees grew ~3% QoQ (+16% YoY); while Treasury income dipped 2% QoQ

Led by an ~8% rise in Other Opex even as staff cost was flat QoQ

Led by higher LLP of Rs 770mn (+64% QoQ); CUBK has not made additional provisions towards O/S SRs in 3Q

SA grew ~25/8% YoY/QoQ while CA 12.5% grew YoY (down 5% QoQ)

NIM expansion continues to surprise!

Deterioration was on a/c of lower treasury incomes and not higher opex evidenced by the stable core C-I ratio at ~44.7%

Slippages: ~Rs 1.65bn (icnl. one exposure of ~Rs 800mn in paper sector), Recoveries: ~Rs 461mn, Upgrades: ~Rs 136mn and W/Os: ~Rs 620mn

Change In Estimates

Rs mn	FY19E			FY20E			FY21E		
	Old	**New**	***Change***	**Old**	**New**	***Change***	**Old**	**New**	***Change***
NII	16,223	16,333	*0.7%*	18,757	18,974	*1.2%*	21,880	22,150	*1.2%*
PPOP	12,842	12,898	*0.4%*	14,713	14,672	*-0.3%*	16,809	16,829	*0.1%*
PAT	6,830	6,874	*0.6%*	8,090	8,040	*-0.6%*	9,534	9,478	*-0.6%*
Adj. BVPS (Rs)	60.1	60.1	*0.1%*	69.9	69.9	*0.0%*	81.7	81.5	*-0.2%*

Source: HDFC sec Inst Research

The growth in advances was sustained at ~17% YoY

Demand Loans grew ~16/2% YoY/QoQ and Term Loans grew ~20/5% while Bill Discounting shrank ~3% YoY

Segment wise, Loan growth was led by MSME (~14/3% YoY/QoQ) and Agri (~27/2%)

Other personal loans (~59/11%) and retail trade loans (27%) grew rapidly, albeit on a smaller base

Large industry loans grew ~8/4% to form ~6.6% of the loan book

NBFC exposure dipped ~14% YoY and QoQ each to form ~0.7% of loans

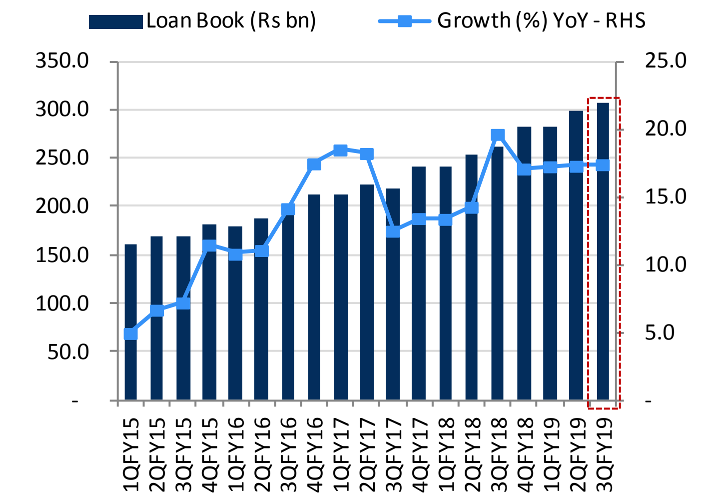
SA uptick continued (+8% QoQ after ~3% QoQ rise in 2Q)

CASA grew ~21/4% YoY/QoQ

Steady loan growth

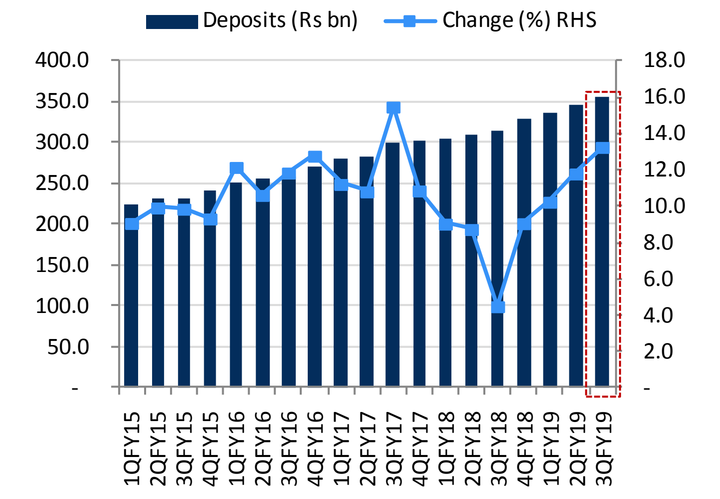
- CUBK's loan growth of ~17% YoY (+3% QoQ) was broad based with PL (+60% YoY), retail traders (+27% YoY) and agri (+27% YoY) leading the pack. Strong traction in the bank's focus segments- Traders (+15/2% YoY/QoQ) and MSME (+14/3% YoY) continued. The bank's cautious stance on corporate lending continued as the segment grew merely ~8/4% YoY/QoQ. The share of MSME and traders' loans was steady at ~51% of total loans.
- The management has guided for an 18-20% loan growth. We have factored in a loan CAGR of 20.75% over FY19-21E
- The bank's overall deposits grew ~13/3% YoY/QoQ) largely owing to robust accretion (+21/4% YoY/QoQ) in CASA deposits. SA traction continued with 8% QoQ growth. Consequently, the CASA ratio improved ~20bps sequentially to form 23.9% of deposits.

Loan Book Grew ~17/3% YoY/QoQ



Source: Company, HDFC sec Inst Research

Deposit Grew ~13/3% YoY/QoQ



Source: Company, HDFC sec Inst Research

The management guided for credit growth of ~18-20% through FY19

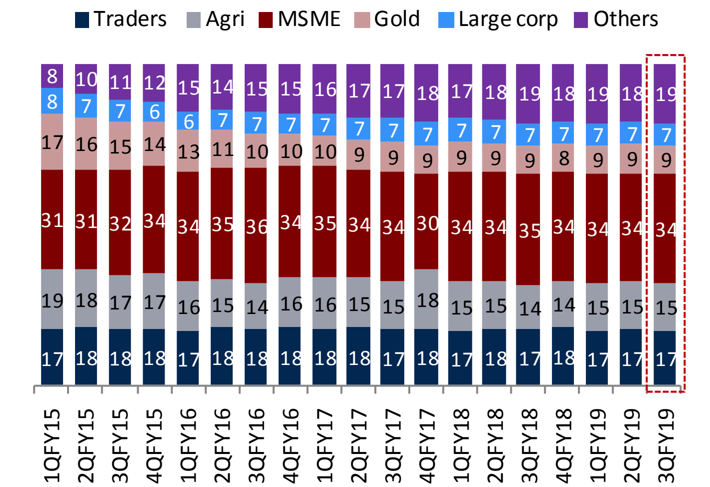
The loan mix remained stable across qtrs as MSME Loans constituted ~34% of the book followed by Trader Loans (Wholesale + Retail) at ~17%

The sequential rise (10bps after 8bps in 2Q) in NIMs to 4.41%, contrary to our expectations as well as those of the mgt was positive surprise

Mgmt cites higher growth in avg. loans (vs. terminal nos) as one of the drivers for NIM improvement

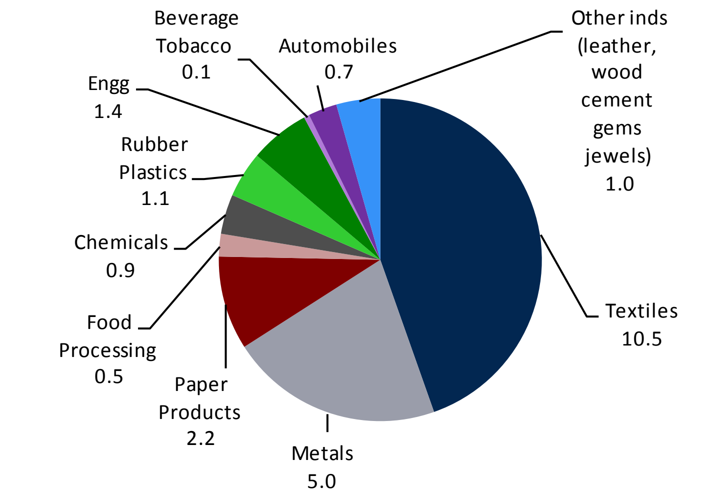
However, the management is adamant that NIMs are not sustainable and will trend downwards from current levels

Loan Mix: Sequentially Stable



Source: Company, HDFC sec Inst Research

Diversified Lending Mix



Source: Company, HDFC sec Inst Research

NIM improvement a positive surprise

- CUBK continues to surprise positively with its NIM performance. After an 8bps rise in 2Q, CUBK's NIM further improved ~10bps QoQ to 4.41% in 3Q. The improvement was led by slower rise in CoF (8bps) due to higher SA growth and re-pricing of TD in 2Q and a faster (19bps) rise in yield on assets. Mgmt also attributed higher growth in avg. loans (vs. terminal nos) as one of the drivers for NIM improvement.
- CUBK's focus on the MSME and trader segments, commendable customer loyalty, 65% of the book consisting of high yielding W/C loans, higher proportion of floating rate book (95%) will insulate NIMs from a rise in CoF. Despite conservative management guidance, we have maintained our NIM assumptions at 3.99% over FY19-21E.
- Non-interest income was flat QoQ led by muted treasury gains (Rs 208mn; lower vs. our estimates) and recoveries (Rs 278mn). However, the core fees grew ~16/3%.

The CASA Ratio inched up ~30bps sequentially to ~23.9%

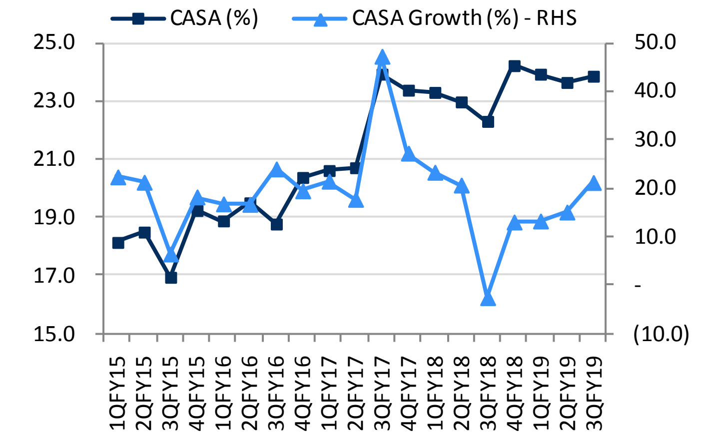
Other Income was flat QoQ as treasury gains dipped ~2% QoQ (down ~40% YoY) and recoveries were lower at ~Rs 278mn

Fees grew ~16/3% YoY/QoQ (after 9% drop in 2Q)

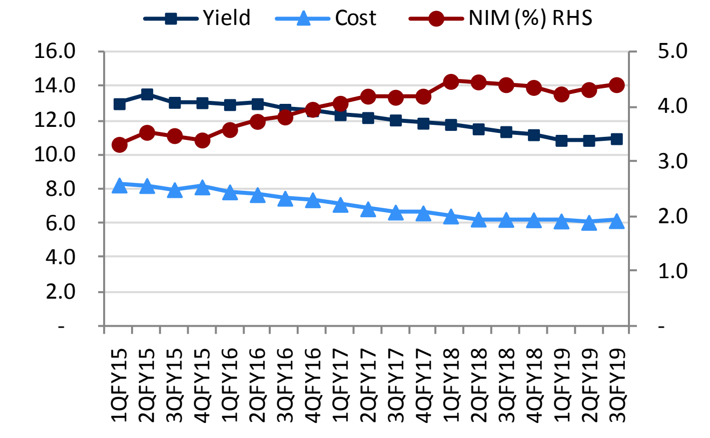
Core C-I ratio was stable QoQ at ~44.7% even as opex grew ~5% QoQ

CUBK has provided Rs 320mn over the last 4-qtrs towards a Cyber attack and ATM issues

CASA Ratio Up ~30bps QoQ



NIM Grows 10bps to 4.41%- A Positive Surprise



Non-interest Income: Fess Grew ~16/3%; Treasruy Gains Muted

Rs mn	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19
Fees	548	499	538	549	522	523	582	697	572	612	680	759	688	712
YoY	*7.5*	*15.2*	*1.7*	*5.6*	*(4.7)*	*4.8*	*8.2*	*27.0*	*9.6*	*17.0*	*16.8*	*8.9*	*20.3*	*16.3*
% Loans	1.2	1.0	1.0	1.0	0.9	1.0	1.0	1.2	0.9	0.9	1.0	1.1	0.9	0.9
Treasury	289	308	351	491	415	793	357	390	646	344	301	193	213	208
Others	108	226	184	71	105	112	320	266	334	261	217	339	284	278
Total	**945**	**1,033**	**1,073**	**1,111**	**1,042**	**1,428**	**1,259**	**1,353**	**1,552**	**1,217**	**1,198**	**1,291**	**1,185**	**1,198**
YoY	*4.8*	*5.7*	*1.7*	*5.9*	*10.2*	*38.2*	*17.4*	*21.8*	*49.0*	*(14.8)*	*(4.8)*	*(4.6)*	*(23.6)*	*(1.6)*
% Total inc	28.2	29.0	28.9	28.4	25.7	31.7	28.8	28.3	30.4	25.0	24.6	25.6	22.9	22.3

Source: Bank, HDFC sec Inst Research

Sequentially Stable Core C-I

- Improving NIMs and sustained growth contributed to healthy core earnings. However, due to fattish non interest income, and a rise in opex (+5% QoQ) the C-I ratio rose ~25bps QoQ (after 210bps in 2Q) to ~43%. The core C-I ratio too, jumped 15bps QoQ to 44.7%.
- With NIM compression and controlled opex, we have factored in a core C-I of ~42% over FY19-21E.
- Provisions jumped ~16% QoQ (down ~8% YoY) to Rs 788mn (104bps vs. 94bps QoQ and 133bps YoY), with LLP at Rs 770mn (+3/64% YoY/QoQ) i.e. 102bps ann. vs. 65bps QoQ. While CUBK has not provide any additionally towards o/s SRs during the qtr, the total provisions towards SRs stood at ~1.5bn i.e. ~46% coverage. Further, over the last 4qtrs, CUBK has completely provided for the cyber attack (Rs 320mn)
- We have built in non-tax provisions of ~104bps over FY19-21E to factor in a higher PCR and cushion on SRs.

NPA movement: Slippages ~Rs 1.65bn (+22% QoQ, 2.19% ann.), Recoveries ~Rs 461mn (-17% QoQ), Upgrades ~Rs 136mn and W/Os ~Rs 620mn

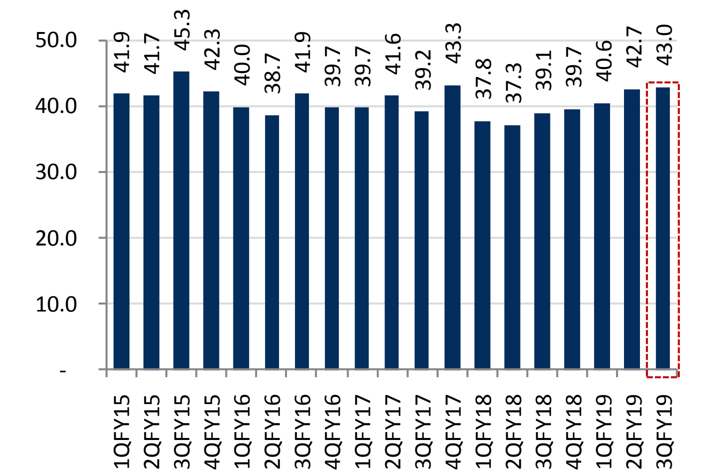
Slippage includes one exposure of Rs 800mn to the paper sector that has been consistently highlighted by the mgt since 1Q

Outstanding Security Receipts were stable at ~Rs 3.3bn; no additional provisions were made during the qtr as the existing provision at ~46% was commendable

In spite of the ~64% sequential rise in LLP, the PCR was stable at ~65%

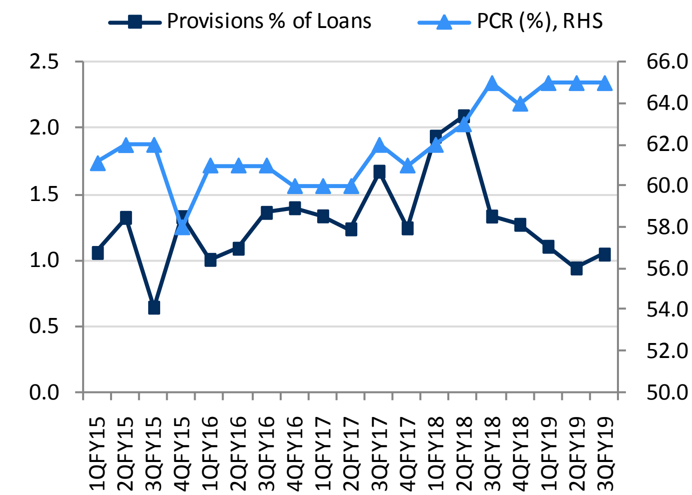
The mgt expects an uptick in the realisation of collateral

C-I Increased ~25bps QoQ



Source: Bank, HDFC sec Inst Research

Provisioning Cost Jumps; PCR Stable QoQ



Source: Bank, HDFC sec Inst Research

Slippages rise QoQ

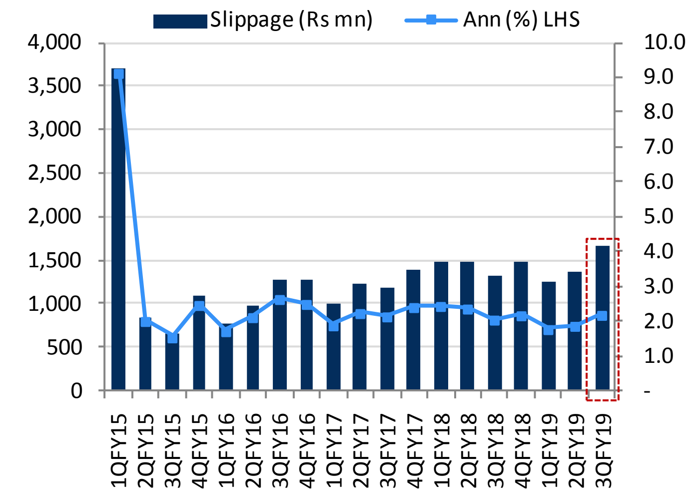
- CUBK's net stressed book (restructured + NNPAs) was stable QoQ at ~1.74%.
- GNPAs jumped ~5% QoQ to Rs 8.9bn (2.91%) with higher slippages of Rs 1.65bn (2.19% ann. vs. 1.88% QoQ and 2.06% YoY). Higher slippages incl. a singular exposure of Rs 800mn to the paper sector. The mgt has highlighted this exposure since 1QFY19. The aggregate recoveries/upgrades were sequentially lower (-9% QoQ) at Rs 597mn. The W/Os, too, were lower at Rs 620mn
- The mgt maintained its FY19 slippage guidance at ~1.75-2% in spite of higher slippages during the qtr. <u>We have conservatively factored slippage of ~1.9% over FY19-21E.</u>

Restructured book NIL vs. 2bps

There were no sales to ARCs in 9MFY19

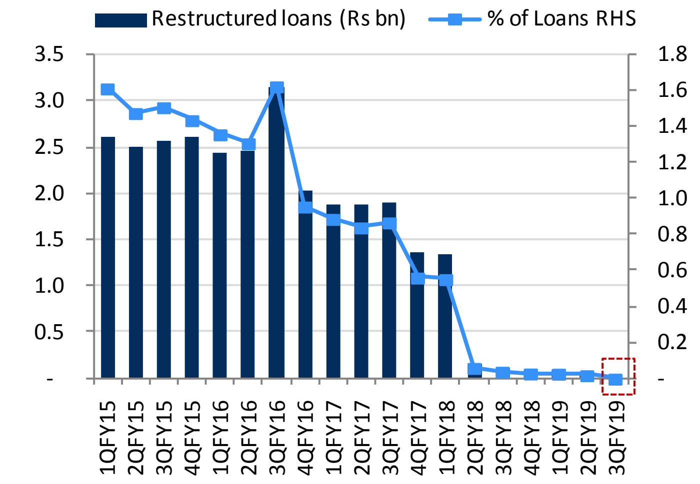
The bank did not have any exposure to IL&FS

Slippages Up 22% QoQ



Source : Bank

NIL Restructured Book vs. 2bps QoQ



Source : Bank

Asset Quality Movement

(Rs mn)	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19
Opening	3,594	3,983	4,599	5,120	5,550	5,980	6,499	6,820	7,350	7,804	8,598	8,565	8,511	8,479
Slippages	**976**	**1,264**	**1,274**	**1,005**	**1,219**	**1,183**	**1,388**	**1,475**	**1,468**	**1,324**	**1,482**	**1,259**	**1,362**	**1,657**
% Ann.	***2.13***	***2.65***	***2.51***	***1.89***	***2.25***	***2.15***	***2.42***	***2.45***	***2.38***	***2.06***	***2.18***	***1.78***	***1.88***	***2.19***
Upgrades	116	245	97	62	233	56	205	153	70	119	91	120	104	136
Recoveries	194	155	192	182	220	146	357	281	374	389	579	498	554	461
Write-Offs	277	248	464	331	336	462	505	511	569	22	845	690	736	620
Closing	**3,983**	**4,599**	**5,120**	**5,550**	**5,980**	**6,499**	**6,820**	**7,350**	**7,804**	**8,598**	**8,565**	**8,516**	**8,479**	8,919
QoQ %	*10.8*	*15.5*	*11.3*	*8.4*	*7.7*	*8.7*	*4.9*	*7.8*	*6.2*	*10.2*	*(0.4)*	*(0.6)*	*(0.4)*	*5.2*

Source: Bank

Peer Set Comparison

BANK	Map (Rs ban)	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 #	2,405	1,261	BUY	1,400	207	237	273	37.5	29.6	24.1	4.77	4.08	3.46	13.2	14.2	14.9	1.73	1.76	1.74
ICICIBC #	2,209	344	BUY	428	127	146	169	44.8	12.5	8.7	1.93	1.59	1.28	3.5	10.0	12.3	0.38	1.17	1.40
AXSB	1,710	656	BUY	741	227	269	306	34.2	18.4	13.9	2.89	2.44	2.15	7.5	12.7	14.9	0.68	1.12	1.29
IIB	998	1,444	BUY	1,935	411	515	574	30.5	20.1	14.7	3.52	2.80	2.52	12.1	15.2	18.0	1.24	1.46	1.62
RBL	237	564	BUY	638	169	192	220	27.3	20.4	15.3	3.34	2.93	2.57	12.3	14.7	17.3	1.23	1.29	1.34
FB	166	84	NEU	93	57	65	74	14.2	10.7	8.1	1.47	1.30	1.15	9.2	11.3	13.6	0.78	0.89	1.00
CUB	**139**	**191**	**BUY**	**236**	**60**	**70**	**81**	**20.3**	**17.3**	**14.7**	**3.17**	**2.73**	**2.34**	**15.3**	**15.4**	**15.6**	**1.59**	**1.57**	**1.54**
KVB	71	89	BUY	119	57	64	69	26.5	9.9	8.2	1.57	1.40	1.29	4.3	11.1	12.9	0.39	0.95	1.04
DCBB	59	176	BUY	213	85	104	117	17.6	15.2	11.9	2.06	1.68	1.50	10.5	10.9	11.8	0.93	0.95	0.99
SBIN #	2,513	282	BUY	363	130	167	202	40.8	7.6	5.0	1.34	1.02	0.84	1.8	8.8	12.2	0.11	0.52	0.73
BOB	289	109	NEU	127	103	137	166	14.4	6.1	4.4	1.06	0.79	0.66	4.9	10.8	13.1	0.27	0.58	0.72
AUBANK	178	592	NEU	658	100	130	152	45.1	33.3	23.4	5.92	4.56	3.90	14.2	14.8	16.9	1.62	1.64	1.83

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

Income Statement

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Interest Earned	31,738	34,024	39,232	47,139	57,267
Interest Expended	19,750	19,721	22,900	28,165	35,117
Net Interest Income	**11,988**	**14,303**	**16,333**	**18,974**	**22,150**
Other Income	**4,839**	**5,321**	**5,205**	**5,418**	**5,762**
Fee Income (CEB)	*439*	*495*	*569*	*693*	*815*
Treasury Income	*1,078*	*938*	*1,250*	*1,000*	*850*
Total Income	**16,827**	**19,624**	**21,537**	**24,392**	**27,912**
Total Operating Exp	**6,890**	**7,546**	**8,640**	**9,719**	**11,083**
Employee Expense	*2,981*	*3,159*	*3,636*	*4,029*	*4,557*
PPOP	**9,937**	**12,078**	**12,898**	**14,672**	**16,829**
Provisions & Contingencies	3,010	4,178	3,703	3,698	3,985
Prov. for NPAs	*2,595*	*3,045*	*3,703*	*3,698*	*3,985*
PBT	**6,928**	**7,900**	**9,195**	**10,974**	**12,843**
Provision for Tax	1,900	1,980	2,322	2,934	3,366
PAT	**5,028**	**5,920**	**6,874**	**8,040**	**9,478**

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	601	665	731	731	731
Reserves	35,101	40,968	47,601	55,359	64,505
Shareholders' Funds	**35,702**	**41,632**	**48,332**	**56,090**	**65,236**
Savings	*46,297*	*51,705*	*63,511*	*74,033*	*86,420*
Current	*24,092*	*27,862*	*34,224*	*38,987*	*42,666*
Term Deposit	*2,30,768*	*2,48,959*	*2,96,847*	*3,59,073*	*4,43,826*
Total Deposits	**3,01,157**	**3,28,526**	**3,94,581**	**4,72,092**	**5,72,912**
Borrowings	5,310	17,359	9,691	13,785	17,260
Other Liabilities & Provs.	10,538	11,855	13,814	15,845	18,060
Total Liabilities	**3,52,708**	**3,99,372**	**4,66,418**	**5,57,812**	**6,73,468**
APPLICATION OF FUNDS					
Cash & Bank Balance	28,790	26,364	31,797	38,506	47,821
Investments	70,315	78,791	86,540	1,03,281	1,22,137
G-Secs	66,906	76,344	83,848	1,00,320	1,18,879
Advances	2,38,327	2,78,528	3,31,448	3,97,738	4,83,251
Fixed Assets	2,151	2,231	2,276	2,390	2,509
Other Assets	13,126	13,458	14,357	15,898	17,749
Total Assets	**3,52,708**	**3,99,372**	**4,66,418**	**5,57,812**	**6,73,468**

Source: Bank, HDFC sec Inst Research

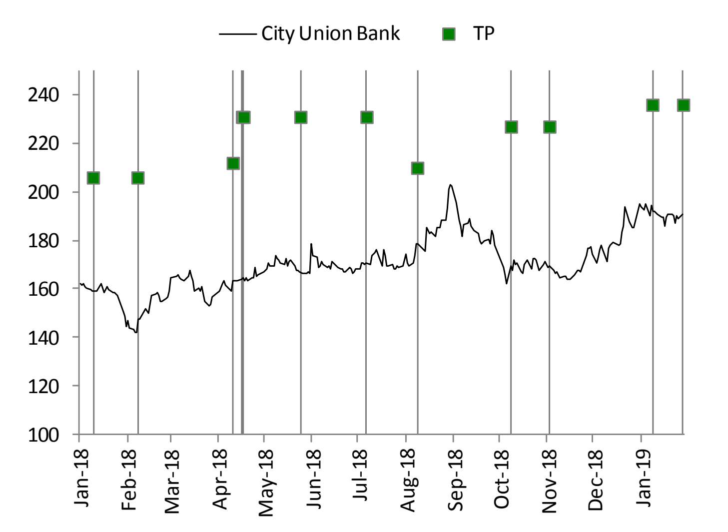
Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
VALUATION RATIOS					
EPS (Rs)	8.4	8.9	9.4	11.0	13.0
Earnings Growth (%)	13.1	17.7	16.1	17.0	17.9
BVPS (Rs)	59.4	62.6	66.1	76.7	89.2
Adj. BVPS (Rs)	52.6	55.5	60.1	69.9	81.5
DPS (Rs)	0.3	0.3	0.3	0.4	0.5
ROAA (%)	1.51	1.57	1.59	1.57	1.54
ROAE (%)	15.2	15.3	15.3	15.4	15.6
P/E (x)	22.8	21.4	20.3	17.3	14.7
P/ABV (x)	3.63	3.44	3.17	2.73	2.34
P/PPOP (x)	11.5	10.5	10.8	9.5	8.3
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2
PROFITABILITY					
Yield On Advances (%)	11.54	10.99	10.82	10.95	11.12
Yield On Investment (%)	8.06	7.01	7.00	7.00	7.00
Cost Of Funds (%)	6.82	6.05	6.11	6.33	6.53
Cost of Deposits (%)	6.78	6.12	6.18	6.38	6.60
Core Spread (%)	4.72	4.94	4.72	4.62	4.59
NIM (%)	3.94	4.16	4.11	4.00	3.86
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	2.1	2.0	2.0	1.9	1.8
Cost-Income Ratio (Excl Treasury)	43.7	40.4	42.6	41.6	41.0
BALANCE SHEET STRUCTURE					
Loan Growth (%)	13.2	16.9	19.0	20.0	21.5
Deposit Growth (%)	10.9	9.1	20.1	19.6	21.4
C/D Ratio (%)	79.1	84.8	84.0	84.3	84.4
Equity/Assets (%)	10.1	10.4	10.4	10.1	9.7
Equity/Advances (%)	15.0	14.9	14.6	14.1	13.5
CASA (%)	23.4	24.2	24.8	23.9	22.5
Capital Adequacy Ratio (CAR, %)	15.8	16.2	16.0	15.5	14.7
W/w Tier I CAR (%)	15.4	15.8	15.7	15.2	14.4

	FY17	FY18	FY19E	FY20E	FY21E
ASSET QUALITY					
Gross NPLs (Rs mn)	6,820	8,565	9,125	10,113	11,171
Net NPLs (Rs mn)	4,083	4,748	4,367	4,983	5,647
Gross NPLs (%)	2.83	3.03	2.71	2.51	2.29
Net NPLs (%)	1.71	1.70	1.32	1.25	1.17
Slippages (%)	2.14	2.22	1.90	1.80	1.70
Coverage Ratio (%)	61.0	64.0	71.1	70.4	68.5
Provision/Avg. Loans (%)	1.12	1.17	1.19	0.99	0.87
ROAA TREE					
Net Interest Income	3.60%	3.80%	3.77%	3.71%	3.60%
Non-interest Income	1.45%	1.42%	1.20%	1.06%	0.94%
Treasury Income	0.32%	0.25%	0.29%	0.20%	0.14%
Operating Cost	2.07%	2.01%	2.00%	1.90%	1.80%
Provisions	0.90%	1.11%	0.86%	0.72%	0.65%
Provisions For NPAs	0.76%	0.81%	0.84%	0.70%	0.62%
Tax	0.57%	0.53%	0.54%	0.57%	0.55%
ROAA	1.51%	1.57%	1.59%	1.57%	1.54%
Leverage (x)	10.0	9.7	9.6	9.8	10.1
ROAE	15.2%	15.3%	15.3%	15.4%	15.6%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Jan-18	176	BUY	206
7-Feb-18	156	BUY	206
10-Apr-18	179	BUY	212
17-Apr-18	180	BUY	231
24-May-18	183	BUY	231
6-Jul-18	187	BUY	231
9-Aug-18	178	BUY	210
9-Oct-18	169	BUY	227
3-Nov-18	169	BUY	227
8-Jan-19	190	BUY	236
28-Jan-19	191	BUY	236

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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

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