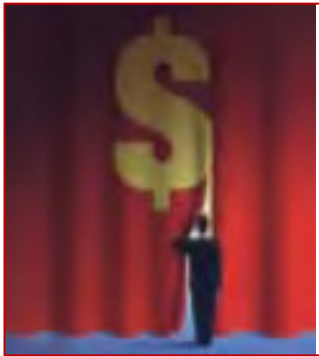


# Financials - Banks

## Results Preview



### 4QFY19 earnings estimate (INR b)

PAT (INR b)	4Q FY19E	YoY (%)	QoQ (%)
<b>Pvt Banks</b>			
AUBANK	1.06	27.1	10.7
AXSB	15.18	NM	-9.7
DCBB	0.93	44.5	7.8
EQUITAS	0.70	102.4	12.9
FB	3.53	143.2	5.7
HDFCB	58.03	20.9	3.9
ICICIBC	21.63	112.0	34.8
IIB	5.26	-44.8	-46.6
KMB	13.88	23.5	7.5
RBK	2.40	34.7	6.6
YES	9.71	-17.7	-3.1
<b>Pvt Total</b>	<b>132.31</b>	<b>79.0</b>	<b>2.2</b>
<b>PSU Banks</b>			
BOB	6.57	NM	39.4
INBK	1.81	37.0	18.7
PNB	4.40	NM	78.5
SBIN	36.50	NM	-7.7
<b>PSU Total</b>	<b>49.27</b>	<b>NM</b>	<b>2.1</b>
<b>Banks Total</b>	<b>181.58</b>	<b>NM</b>	<b>2.1</b>
<b>Life Insurance</b>			
HDFCLIFE	4.04	16.6	64.6
IPRU	2.69	-21.0	-9.3
<b>Life Total</b>	<b>6.74</b>	<b>-2.0</b>	<b>24.2</b>

## Earnings set to improve driven by corporate banks

### Margins to remain stable; Deposits traction – a key monitorable

- Corporate banks to drive earnings recovery; expect 79% YoY PAT growth for private banks:** We expect banking system earnings to pick up sharply, led by stable/expanding NIMs, moderate credit costs, stability in fee income and treasury book. Margin cycle is set to recover as loan book re-prices over FY19, offsetting the impact of higher cost of funds. **We expect private banks to report ~79% YoY PAT growth**, led by a sharp pick-up in profitability of AXSB and ICICIBC as the provisioning requirement moderates. However, PAT growth is likely to remain muted at ~2% QoQ, as banks will be making higher provisioning towards IL&FS exposure (like IIB) and the resolution of key NCLT cases is getting delayed. **PSU banks will likely report PAT growth of ~2% QoQ** on the back of lower slippages and a decline in the provisioning requirement, though we remain optimistic on the earnings trajectory during FY20/21E.
- NII to grow at 21%/19% YoY for private/PSU banks; mid-sized private banks to maintain strong traction:** We expect private banks to record NII growth of 21.3% YoY, led by stronger growth in mid-sized private banks – IIB (~20% YoY), YES (~28% YoY) and RBL Bank (~40% YoY). SFBs Equitas and AUBANK would continue reporting healthy growth of 39% and 32%, respectively. Among PSUs, PNB/BOB/SBIN are expected to report strong ~45%/23%/15% YoY growth in NII, while INBK is likely to report modest growth.
- Systemic credit growth at five-year high; private banks to maintain steady momentum:** Systemic credit growth has remained strong and recovered to a five-year-high of ~14.5% YoY, driven by (a) strong growth in the retail/services segment, (b) pick-up in industrial growth (5.1% YoY), and (c) the recent liquidity crisis witnessed by NBFCs, which led to incremental credit disbursements and portfolio buyouts by the banks. We expect loan growth to remain steady, led by continued strength in the retail segment, portfolio buyouts from NBFCs due to sustained funding pressure, the government's recent capital infusion in PSU banks, and the RBI's decision to bring six banks out of PCA.
- Stance on IL&FS exposure is to be watched for; bond yields largely stable:** Most banks have downgraded their exposure towards IL&FS holding co and have made adequate provisions on the same. However, exposure toward the SPVs was kept standard by some banks. With the NCLAT now giving the relaxation for not declaring these accounts as NPA, the stance of banks toward these accounts would be a key monitorable – though we expect status quo to sustain. Bond yields have remained largely stable over 4QFY19 while capital markets have performed well. We, thus, expect banks to report modest treasury gains.
- Mid-sized private banks to maintain stronger growth; improvement to continue for PSU banks:** We expect profitability to pick up to ~79% YoY (~12% YoY excluding ICICIBC and AXSB) for private banks and improve for PSU banks. **Mid-sized private banks will continue recording superior PAT growth (35% YoY/27% YoY for RBK/AUBANK)**, barring IIB, which is estimated to report a sequential decline due to higher provisioning. PSU banks' earnings, too, are expected to pick up.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- **Other monitorables:** (a) Margins trajectory, particularly as the loan book re-pricing happens, (b) Growth in deposits has been consistently lagging the loan growth by ~500bp for most of FY19 resulting in stretched CD ratios for private banks. Thus, traction in deposits would be a key factor, (c) Asset quality classification and provisioning requirement toward IL&FS (especially after the recent relaxation by the NCLT), (d) Commentary on stress assets in the SME/business banking segment. (e) Trends in overall business growth and asset quality.

#### **Our top picks –AXSB, ICICIBC and HDFCB**

- **AXSB (BUY):** Asset quality will continue improving, as the bank has already increased the PCR to 75%, which will further curb incremental provisioning requirement. This, along with an improving outlook on fresh slippages/credit cost, would result in normalized earnings. Retail franchise has strengthened, which is likely to support margins and keep funding cost stable. Fee income has become highly granular, with retail and transaction banking forming 80% of the bank's fees, driven by cards/third-party distribution, and is expected to contribute significantly to RoA. AXSB disclosed its FY20-22 strategy with the key vectors being (i) Growth, (ii) Profitability and (iii) Sustainability. The bank aims to deliver 18% RoE over the medium term, led by reducing credit cost below its long-term average, improving operating efficiency and optimizing the business mix. We believe in management's focus on delivering long-term sustainable growth, expecting earnings to accelerate FY20 onward.
- **ICICIBC (BUY):** The bank's strong operating performance has been overshadowed by the continued pressure on asset quality. However, with a successive decline in the size of watch-list, controlled slippages from core portfolio and bottoming out of the NPL ratios over FY19, we expect ICICIBC's return profile to improve steadily. Watch-list has declined successively, while PCR has increased sharply to 68.5%. We derive comfort on asset quality from (a) bulk of slippages happening from watch-list/OSRL, (b) of the total power sector exposure, excluding state electricity boards, ~81% is rated A- and above and (c) relatively low concentration of deeper-stressed sectors such as power on watch-list. Retail business matrix remains healthy, with (a) robust liability franchise (CASA ratio of 49.3% as of 3QFY19), (b) retail contribution to fees at 73%+ and (c) higher share of secured loans.
- **HDFCB (BUY):** With structural drivers in place – (a) best-in-class liability franchise, (b) opportunities for market share gains, (c) improving operating efficiency led by digitalization initiatives and (d) expected traction in income due to strong expansion in branch network – we expect HDFCB to record strong loan growth and profitability. Retail growth has been led by contribution from the high-RoE products like personal loans, LAS and credit cards. Over the last 12 years, HDFCB's market share has increased significantly in (a) retail loans, (b) low-cost deposits and (c) profitability, indicating the strength of its franchisee. Margin expansion, a robust fee income profile and strong control on operating leverage are likely to continue driving a steady improvement in the return ratios, in our view. We believe that strong capitalization and liquidity levels should enable HDFCB to sustain growth momentum over the next few years.

Exhibit 1: 4QFY19 earnings estimate (INR m)

	CMP (INR)	RECO	NII			PPoP			PAT		
			Mar-19	YoY (%)	QoQ (%)	Mar-19	YoY (%)	QoQ (%)	Mar-19	YoY (%)	QoQ (%)
<b>Private Banks</b>											
AU Small Finance Bank	608	Buy	3,790	32.1	8.9	1,975	27.8	10.5	1,055	27.1	10.7
Axis Bank	767	Buy	56,173	18.7	0.2	45,717	24.5	-17.2	15,185	NM	-9.7
DCB Bank	203	Neutral	3,126	18.5	6.5	1,852	30.8	6.5	928	44.5	7.8
Equitas Holdings	138	Buy	3,454	39.0	7.9	1,437	113.2	17.3	705	102.4	12.9
Federal Bank	98	Buy	11,278	20.9	4.7	7,459	26.7	5.4	3,526	143.2	5.7
HDFC Bank	2,297	Buy	1,32,442	24.3	5.3	1,10,439	25.0	2.5	58,033	20.9	3.9
ICICI Bank	397	Buy	68,393	13.6	-0.5	62,332	-17.0	1.4	21,628	112.0	34.8
IndusInd Bank	1,776	Buy	24,037	19.7	5.1	22,576	27.6	6.6	5,261	-44.8	-46.6
Kotak Mahindra Bank	1,339	Neutral	31,262	21.2	6.4	24,773	22.8	27.8	13,880	23.5	7.5
RBL Bank	678	Buy	6,984	39.5	6.6	5,337	39.3	7.1	2,400	34.7	6.6
Yes Bank	280	Buy	27,614	28.2	3.6	25,006	17.1	25.6	9,709	-17.7	-3.1
<b>Pvt Banking Sector Aggregate</b>			<b>3,68,555</b>	<b>21.3</b>	<b>3.4</b>	<b>3,08,900</b>	<b>13.2</b>	<b>2.4</b>	<b>1,32,309</b>	<b>79.0</b>	<b>2.2</b>
<b>PSU Banks</b>											
Bank of Baroda	133	Buy	49,097	22.7	3.5	35,797	34.3	1.2	6,567	NM	39.4
Indian Bank	282	Buy	17,507	6.9	2.0	12,527	7.6	9.3	1,808	37.0	18.7
Punjab National Bank	98	Neutral	44,324	44.7	3.3	34,738	NM	12.1	4,400	NM	78.5
State Bank	329	Buy	2,29,386	14.8	1.1	1,55,768	-1.9	23.4	36,498	NM	-7.7
<b>PSU Banking Sector Aggregate</b>			<b>3,40,313</b>	<b>18.7</b>	<b>1.8</b>	<b>2,38,829</b>	<b>24.0</b>	<b>17.0</b>	<b>49,273</b>	<b>NM</b>	<b>2.1</b>
<b>Banking Sector Aggregate</b>			<b>7,08,868</b>	<b>20.0</b>	<b>2.6</b>	<b>5,47,730</b>	<b>17.7</b>	<b>8.3</b>	<b>1,81,582</b>	<b>NM</b>	<b>2.1</b>
<b>Life Insurance</b>											
HDFC Standard life	380	Buy	95,414	7.2	38.3	4,317	27.4	68.3	4,044	16.6	64.6
ICICI Prudential life	369	Buy	1,03,911	20.0	38.9	3,636	0.6	22.2	2,692	-21.0	-9.3
<b>Life Insurance Aggregate</b>			<b>1,99,325</b>	<b>13.5</b>	<b>38.6</b>	<b>7,953</b>	<b>13.6</b>	<b>43.6</b>	<b>6,736</b>	<b>-2.0</b>	<b>24.2</b>

Note: For HDFC life and IPRU life NII represents net premium income, PPoP represents shareholder's PBT and PAT represents shareholder's profit

Exhibit 2: State-owned banks—one-year forward P/BV

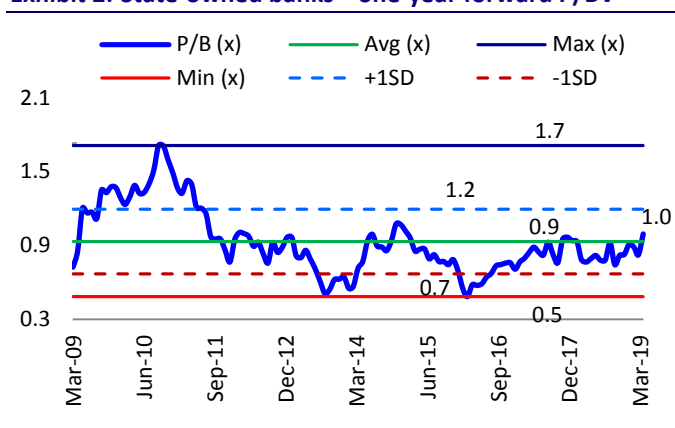
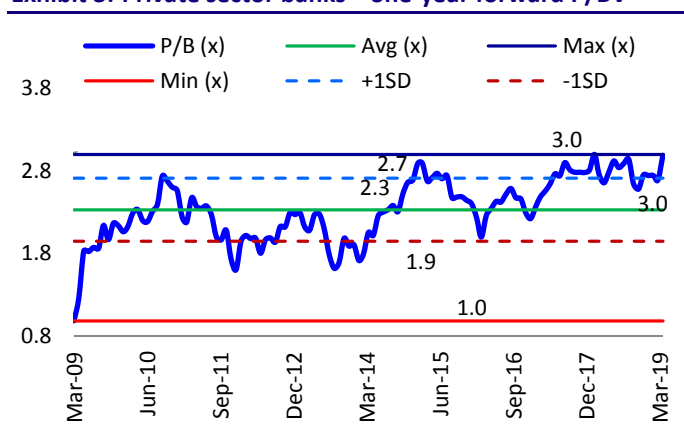
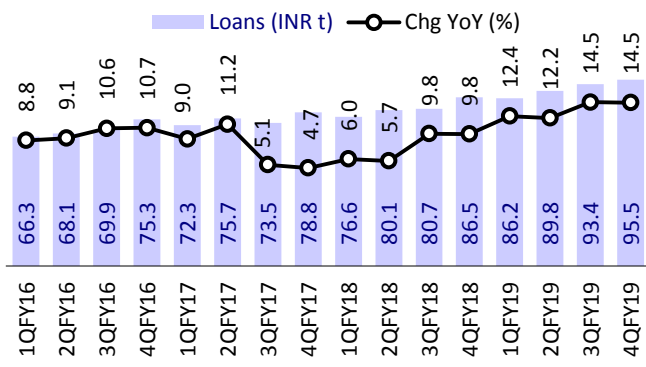


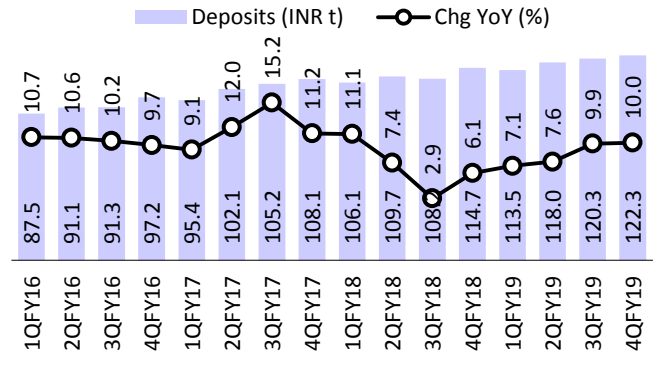
Exhibit 3: Private sector banks—one-year forward P/BV



**Exhibit 4: System loan growth stable at ~14%-15%**



**Exhibit 5: Deposit growth also picked up to ~10%**



Most banks have downgraded the IL&FS holding co exposure and made provisions on the same

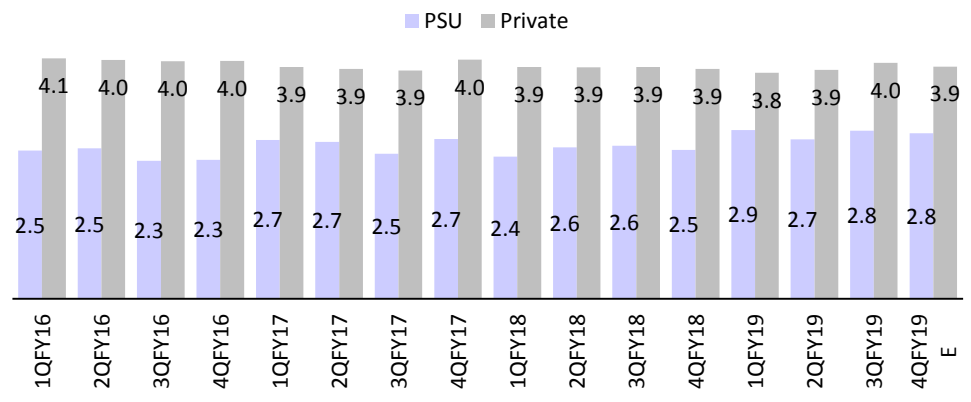
**Exhibit 6: IL&FS exposure and provision thereon**

INRm	Exposure	Provision
Axis Bank	8,300	500
Bandhan Bank	3,885	3,850
Federal Bank	2,450	184
ICICI Bank*	8,210	NA
IndusInd Bank	30,000	6,000
RBL Bank	150	NA
South Indian Bank	4,000	600
Yes Bank	26,180	5,708
Bank of Baroda	46,800	4,092
Bank Of India	36,000	3,630
Canara Bank	22,700	4,000
Indian Bank	17,650	2,500
State Bank Of India	31,000	4,500
Union Bank Of India	10,930	150

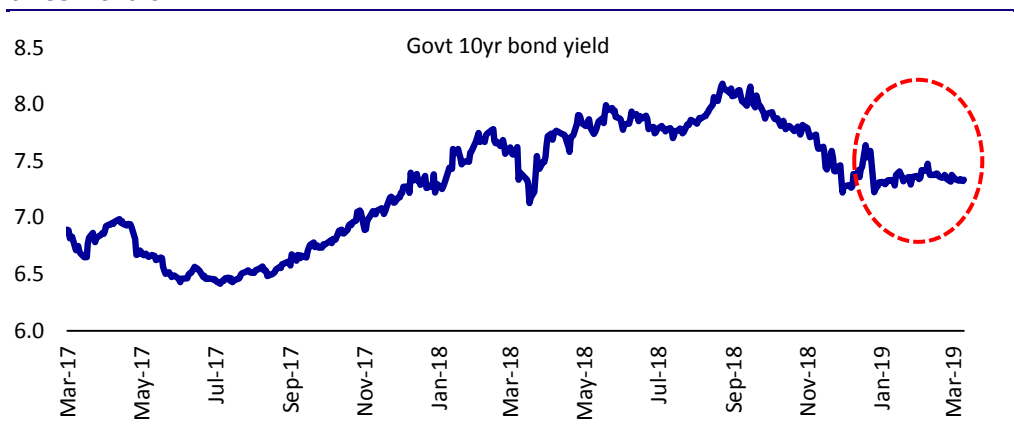
\*Includes downgrades to a group engaged in infrastructure, infra-financing and EPC business and some other accounts (fund and non-fund)

**Exhibit 7: NIMs are likely to remain stable driven by lower interest reversals**

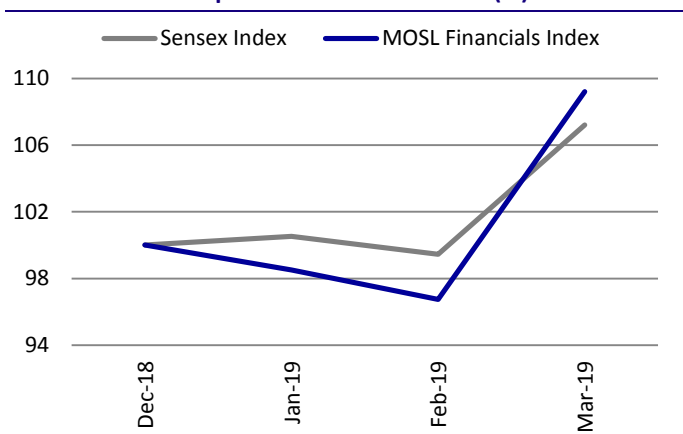
Re-pricing of MCLR to offset elevated cost of funds, which is likely to keep margins stable



**Exhibit 8: 10-year G-Sec yields have moderated and stood largely stable over the past three months**

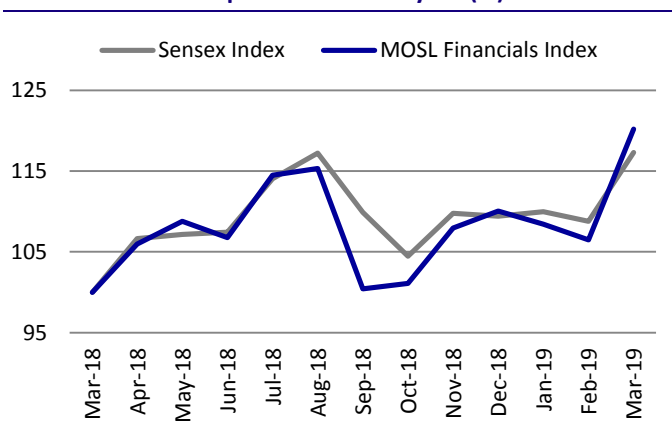


**Exhibit 9: Relative performance—3 months (%)**



Source: Bloomberg, MOFSL

**Exhibit 10: Relative performance—1 year (%)**



Source: Bloomberg, MOFSL

**Exhibit 11: NCLT exposure and provisioning coverage for major banks as on 3QFY19**

INR b	ICICI	BoB	SBI	BoI	UNBK	CBK
NCLT -1 Exposure (INR b)	39.4	39.1	256.8	43.4	60.0	88.5
PCR towards above (%)	89.6	72.7	66.0	76.0	63.0	62.7
NCLT -2 Exposure (INR b)	95.7	38.4	186.4	26.0	36.9	48.1
PCR towards above (%)	71.4	76.1	86.0	100.0	73.0	78.3
<b>Total Exposure (INR b)</b>	<b>135.1</b>	<b>236.5</b>	<b>443.2</b>	<b>271.4</b>	<b>97.0</b>	<b>136.6</b>
PCR towards above (%)	76.7	73.0	75.0	85.0	67.0	68.2

**Exhibit 12: Valuation summary**

Sector / Companies	CMP		EPS (INR)			PE (x)			PB (x)			ROE (%)		
	(INR)	Reco	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
<b>Banks-Private</b>														
AU Small Finance	608	Buy	12.8	16.8	22.4	47.4	36.1	27.2	5.7	4.4	2.9	13.7	13.7	12.9
Axis Bank	767	Buy	18.3	40.2	55.5	42.0	19.1	13.8	2.9	2.5	2.2	7.2	14.3	17.0
DCB Bank	203	Neutral	10.4	14.1	18.8	19.5	14.5	10.8	2.1	1.9	1.6	11.9	14.1	16.3
Equitas Holdings	138	Buy	6.4	9.5	12.5	21.6	14.5	11.1	1.9	1.7	1.5	9.2	12.4	14.5
Federal Bank	98	Buy	6.2	8.4	10.5	15.8	11.7	9.3	1.5	1.3	1.2	9.5	11.8	13.2
HDFC Bank	2,297	Buy	79.2	93.9	114.3	29.0	24.5	20.1	4.2	3.7	3.2	16.6	16.2	17.2
ICICI Bank	397	Buy	7.1	20.4	28.7	56.1	19.5	13.9	2.4	2.2	2.0	4.4	11.9	15.1
IndusInd Bank	1,776	Buy	53.8	99.4	127.4	33.0	17.9	13.9	4.2	3.3	2.7	13.1	20.6	21.4
Kotak Mahindra Bank	1,339	Neutral	38.0	45.6	55.3	35.2	29.4	24.2	4.4	3.9	3.3	12.2	13.1	14.2
RBL Bank	678	Buy	20.5	27.5	38.0	33.1	24.7	17.9	3.8	3.4	3.0	12.2	14.7	17.8
South Indian Bank	17	Buy	1.7	2.7	4.0	10.3	6.4	4.3	0.6	0.5	0.5	5.6	8.6	11.8
Yes Bank	280	Buy	18.2	24.7	31.6	15.4	11.3	8.9	2.2	1.9	1.6	15.3	18.1	19.8
<b>Private Bank Aggregate</b>						<b>32.7</b>	<b>21.2</b>	<b>16.4</b>	<b>3.5</b>	<b>3.0</b>	<b>2.6</b>	<b>10.6</b>	<b>14.3</b>	<b>16.0</b>
<b>Banks-PSU</b>														
Bank of Baroda	133	Buy	7.8	14.8	23.9	17.0	9.0	5.6	0.8	0.8	0.7	4.7	8.4	12.3
Bank of India	106	Neutral	-22.0	3.2	11.7	-4.8	33.4	9.0	0.9	0.9	0.8	-14.1	2.4	8.7
Canara Bank	296	Neutral	17.0	42.3	49.3	17.4	7.0	6.0	0.7	0.6	0.6	3.5	8.2	8.9
Indian Bank	282	Buy	14.4	24.8	41.8	19.5	11.3	6.7	0.8	0.7	0.7	4.3	7.1	11.0
Punjab National Bank	98	Neutral	-14.6	5.8	11.6	-6.8	17.1	8.5	0.9	0.8	0.8	-11.2	4.8	9.1
State Bank	329	Buy	6.8	27.1	38.1	48.4	12.1	8.6	1.3	1.2	1.1	1.9	10.3	13.3
Union Bank	99	Neutral	4.5	12.8	24.6	22.1	7.7	4.0	0.4	0.4	0.4	2.1	5.5	9.9
<b>PSU Bank Aggregate</b>						<b>2010.3</b>	<b>11.6</b>	<b>7.5</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.0</b>	<b>7.9</b>	<b>11.0</b>
<b>Life Insurance</b>														
HDFC Life Insur.	380	Buy	6.5	8.0	9.6	58.0	47.7	39.6	4.3	3.6	3.0	17.7	17.7	19.9
ICICI Pru Life	369	Buy	8.0	8.9	10.3	46.1	41.5	35.8	2.4	2.1	1.9	15.3	14.3	14.0
<b>Life Insurance Aggregate</b>						<b>52.4</b>	<b>44.8</b>	<b>37.8</b>	<b>9.8</b>	<b>8.6</b>	<b>7.5</b>	<b>18.7</b>	<b>19.3</b>	<b>19.8</b>

(\*) Multiples adj. for value of key ventures/Investments; \*\*ABV represents EV, RoE represents ROEV and P/BV represents P/EV

# AU Small Finance Bank

Bloomberg	AUBANK IN
Equity Shares (m)	292.1
M. Cap. (INR b)/(USD b)	178 / 2.5
52-Week Range (INR)	747 / 502
1,6,12 Rel Perf. (%)	-2 / 1 / -23

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	9.4	13.3	17.9	24.9
PPP	5.8	7.0	9.8	14.0
PAT	2.9	3.7	5.0	7.1
NIM (%)	6.6	5.2	4.5	4.4
EPS (INR)	10.2	12.8	16.8	22.4
EPS Gr. (%)	-79.5	25.1	31.4	32.7
BV/Sh. (INR)	79.2	107.2	137.6	206.6
RoE (%)	13.8	13.7	13.7	12.9
RoA (%)	1.7	1.3	1.2	1.2
<b>Valuations</b>				
P/E(X)	59.3	47.4	36.1	27.2
P/BV (X)	7.7	5.7	4.4	2.9

**CMP: INR608**
**TP: INR720 (+18%)**
**Buy**

- We expect AU Bank to deliver ~11% QoQ loan growth, while deposit growth is estimated at ~21% QoQ.
- NII is expected to grow 9% QoQ as margins are likely to shrink to 5.7% due to a rise in cost of funds.
- Elevated opex due to investment in manpower and technology will keep operating profit growth at ~28% YoY.
- We estimate PAT at INR1.06b v/s INR830m in 4QFY18 (+27% YoY). FY19 PAT estimate stands at INR3.7b.
- GNPA/NNPA are expected to decline to ~2.0%/1.2%.
- AU Bank trades at 2.9x FY21E BV. **Buy**.

### Key issues to watch for

- Cost-to-income ratio remains the key monitorable as the bank opens more branches and invests in technology.
- Slippages in the MSME segment and the impact of recent RBI guidelines on restructuring of advances to MSMEs.

## Quarterly Performance

INRm	FY18				FY19				(INRm)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY18	FY19E
<b>Net Interest Income</b>	<b>1,835</b>	<b>2,197</b>	<b>2,504</b>	<b>2,869</b>	<b>2,864</b>	<b>3,210</b>	<b>3,480</b>	<b>3,790</b>	<b>9,405</b>	<b>13,344</b>
% Change (Y-o-Y)	9.1	12.4	24.8	26.7	56.1	46.1	39.0	32.1	20.0	41.9
Other Income	579	926	1,060	1,345	1,031	1,225	1,059	1,711	3,881	5,025
<b>Total Income</b>	<b>2,413</b>	<b>3,122</b>	<b>3,565</b>	<b>4,213</b>	<b>3,894</b>	<b>4,435</b>	<b>4,539</b>	<b>5,501</b>	<b>13,285</b>	<b>18,369</b>
Operating Expenses	1,169	1,689	2,035	2,668	2,370	2,683	2,752	3,526	7,526	11,332
<b>Operating Profit</b>	<b>1,245</b>	<b>1,433</b>	<b>1,529</b>	<b>1,545</b>	<b>1,524</b>	<b>1,752</b>	<b>1,787</b>	<b>1,975</b>	<b>5,759</b>	<b>7,037</b>
% Change (Y-o-Y)	16.0	-9.1	5.5	6.8	22.4	22.2	16.8	27.8	-53.6	22.2
Other Provisions	291	403	329	296	351	350	325	402	1,326	1,428
<b>Profit before Tax</b>	<b>954</b>	<b>1,030</b>	<b>1,200</b>	<b>1,249</b>	<b>1,173</b>	<b>1,402</b>	<b>1,462</b>	<b>1,573</b>	<b>4,433</b>	<b>5,610</b>
Tax Provisions	335	348	411	419	404	488	509	517	1,513	1,918
<b>Net Profit</b>	<b>618</b>	<b>682</b>	<b>789</b>	<b>830</b>	<b>768</b>	<b>914</b>	<b>953</b>	<b>1,055</b>	<b>2,920</b>	<b>3,691</b>
% Change (Y-o-Y)	-89.5	-3.0	-4.8	6.6	24.2	34.0	20.8	27.1	-12.4	26.4
<b>Asset Quality</b>										
GNPA (INRb)	2.2	2.7	2.9	2.7	3.3	3.7	4.2	4.3	2.7	4.3
Net NPA (INRb)	1.5	1.8	1.9	1.7	2.1	2.3	2.6	2.7	1.7	2.7
GNPA (%)	3.0	3.1	2.8	2.0	2.2	2.0	2.1	2.0	2.0	2.0
NNPA (%)	2.1	2.1	1.9	1.3	1.4	1.3	1.3	1.2	1.3	1.2
PCR (Computed, %)	28.6	32.8	34.4	37.2	36.8	37.6	37.6	37.7	37.2	37.7

# Axis Bank

Bloomberg	AXSB IN
Equity Shares (m)	2,569.9
M. Cap. (INR b)/(USD b)	1,972 / 27.9
52-Week Range (INR)	789 / 478
1,6,12 Rel Perf. (%)	1 / 22 / 37

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	186.2	216.2	254.0	312.7
OP	155.9	185.6	226.3	287.3
NP	2.8	46.9	104.0	144.8
NIM (%)	3.1	3.1	3.1	3.2
EPS (INR)	1.1	18.3	40.2	55.5
EPS Gr. (%)	-92.8	NM	119.8	38.1
BV/Sh. (INR)	247.2	261.6	301.1	350.9
ABV/Sh. (INR)	193.8	222.6	269.8	324.4
RoE (%)	0.5	7.2	14.3	17.0
RoA (%)	0.0	0.6	1.2	1.4
<b>Valuations</b>				
P/E(X)	690.6	42.0	19.1	13.8
P/BV (X)	3.1	2.9	2.5	2.2
P/ABV (X)	4.0	3.4	2.8	2.4

**CMP: INR767**
**TP: INR875 (+14%)**
**Buy**

- We expect AXSB to report ~16% loan growth, driven by continued strong growth in the retail and SME segments. Deposit growth is likely to be ~20%, resulting in a CD ratio of ~94%.
- Margins are likely to remain stable QoQ at ~3.5%.
- Net stressed loans for the bank have declined to 5.2%, while the bank has already improved its coverage ratio to 75% (Incl. TWO). We expect slippages to remain at ~3.1% (from ~17.7% a year ago) as the bank proceeds to clean up its balance sheet.
- We estimate PAT of INR15.2b v/s loss of INR21.9b in 4QFY18, thus resulting in total PAT of INR46.9b for FY19.
- AXSB trades at 2.4x FY21E ABV. **Buy**.

### Key issues to watch for

- Quantum of corporate slippages from BB and below list and any revision in the size of the stressed assets.
- Outlook on the power assets.
- Bank's strategy on retail, unsecured and business banking loans.

## Quarterly Performance

(INR m)

	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>46,161</b>	<b>45,396</b>	<b>47,315</b>	<b>47,305</b>	<b>51,668</b>	<b>52,321</b>	<b>56,037</b>	<b>56,173</b>	<b>1,86,177</b>	<b>2,16,199</b>
% Change (Y-o-Y)	2.2	0.6	9.2	0.0	11.9	15.3	18.4	18.7	2.9	16.1
Other Income	29,998	25,855	25,931	27,887	29,250	26,784	40,007	31,178	1,09,671	1,27,218
<b>Total Income</b>	<b>76,160</b>	<b>71,252</b>	<b>73,246</b>	<b>75,191</b>	<b>80,918</b>	<b>79,105</b>	<b>96,044</b>	<b>87,351</b>	<b>2,95,848</b>	<b>3,43,417</b>
Operating Expenses	33,248	33,478	34,708	38,469	37,198	38,165	40,797	41,635	1,39,903	1,57,794
<b>Operating Profit</b>	<b>42,912</b>	<b>37,773</b>	<b>38,538</b>	<b>36,722</b>	<b>43,720</b>	<b>40,940</b>	<b>55,247</b>	<b>45,717</b>	<b>1,55,945</b>	<b>1,85,623</b>
% Change (Y-o-Y)	-4.0	-7.9	-16.9	-16.1	1.9	8.4	43.4	24.5	-11.3	19.0
Provisions	23,419	31,404	28,110	71,795	33,377	29,274	30,545	23,456	1,54,729	1,16,652
<b>Profit before Tax</b>	<b>19,492</b>	<b>6,369</b>	<b>10,428</b>	<b>-35,073</b>	<b>10,343</b>	<b>11,666</b>	<b>24,701</b>	<b>22,260</b>	<b>1,216</b>	<b>68,971</b>
Tax	6,436	2,045	3,163	-13,186	3,333	3,770	7,893	7,075	-1,541	22,071
<b>Net Profit</b>	<b>13,056</b>	<b>4,324</b>	<b>7,264</b>	<b>-21,887</b>	<b>7,011</b>	<b>7,896</b>	<b>16,809</b>	<b>15,185</b>	<b>2,757</b>	<b>46,900</b>
% Change (Y-o-Y)	-16.1	35.5	25.3	NM	-46.3	82.6	131.4	NM	-92.5	NM
<b>Operating Parameters</b>										
Deposit (INR b)	3,937	4,164	4,090	4,536	4,471	4,797	5,141	5,443	4,536	5,443
Loan (INR b)	3,855	4,102	4,209	4,397	4,411	4,561	4,751	5,100	4,397	5,100
Deposit Growth (%)	10.0	9.5	10.3	9.5	13.5	15.2	25.7	20.0	9.5	20.0
Loan Growth (%)	11.8	16.1	21.2	17.8	14.4	11.2	12.9	16.0	17.8	16.0
CD Ratio (%)	97.9	98.5	102.9	96.9	98.7	95.1	92.4	93.7	96.9	93.7
<b>Asset Quality</b>										
Gross NPA (INR b)	220	274	250	342	327	309	309	297	342	297
Gross NPA (%)	5.0	5.9	5.3	6.8	6.5	6.0	5.8	5.8	6.8	5.8
Net NPA (INR b)	98	141	118	166	149	127	122	112	166	112
Net NPA (%)	2.3	3.1	2.6	3.4	3.1	2.5	2.4	2.2	3.4	2.2
PCR (%)	55.7	48.7	52.9	51.6	54.4	58.9	60.4	62.3	51.6	62.3



# Bank of Baroda

Bloomberg	BOB IN
Equity Shares (m)	2,651.8
M. Cap. (INR b)/(USD b)	353 / 5.0
52-Week Range (INR)	157 / 91
1,6,12 Rel Perf. (%)	15 / 21 / -24

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	155.2	185.3	214.1	246.0
OP	120.1	132.1	153.2	180.6
NP	-24.3	20.8	39.3	63.5
NIM (%)	2.3	2.6	2.7	2.6
EPS (INR)	-9.8	7.8	14.8	23.9
EPS Gr. (%)	NM	NM	89.0	61.4
BV/Sh. (INR)	157.1	163.8	177.5	198.6
ABV/Sh. (INR)	90.9	114.6	135.4	159.9
RoE (%)	-5.8	4.7	8.4	12.3
RoA (%)	-0.3	0.3	0.5	0.7

## Valuations

P/E(X)	-13.6	17.0	9.0	5.6
P/BV (X)	0.8	0.8	0.8	0.7
P/ABV (X)	1.5	1.2	1.0	0.8

**CMP: INR133**
**TP: INR160 (+20%)**
**Buy**

- We expect loan book to grow at 11% YoY and deposit growth to remain moderate at 7% YoY. We expect drill-down in the international book to continue and the focus to remain on granular retail loans.
  - We expect margins to improve to 2.8% on account of re-pricing of loans and an improvement in international margins.
  - We expect slippages to moderate (0.6% annualized) and GNPA/NNPA to decline to 10.9%/3.6%.
  - Management aims to develop more sustained fee income streams, which, coupled with an improvement in treasury performance, is expected to result in an uptick in other income.
  - PAT is expected to be at INR6.6b v/s INR4.7b in 3QFY19. PAT for FY19 is expected to be INR20.8b. The stock trades at 0.8x FY21E ABV.
- Buy.**

## Key issues to watch for

- Movement of the watch-list and stress addition from the exposure toward infra group and international book.
- Developments on the merger front and the possible benefits from the same.

## Quarterly Performance

(INR m)

	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>34,050</b>	<b>37,205</b>	<b>43,940</b>	<b>40,023</b>	<b>43,811</b>	<b>44,925</b>	<b>47,432</b>	<b>49,097</b>	<b>1,55,218</b>	<b>1,85,265</b>
% Change (YoY)	1.0	8.6	40.2	11.7	28.7	20.7	7.9	22.7	14.9	19.4
Other Income	15,512	17,371	16,730	16,959	11,478	13,516	16,211	16,046	66,572	57,251
<b>Total Income</b>	<b>49,561</b>	<b>54,576</b>	<b>60,671</b>	<b>56,982</b>	<b>55,289</b>	<b>58,441</b>	<b>63,644</b>	<b>65,143</b>	<b>2,21,789</b>	<b>2,42,516</b>
Operating Expenses	23,080	24,158	24,170	30,327	25,233	27,622	28,258	29,346	1,01,734	1,10,459
<b>Operating Profit</b>	<b>26,481</b>	<b>30,418</b>	<b>36,501</b>	<b>26,655</b>	<b>30,056</b>	<b>30,819</b>	<b>35,385</b>	<b>35,797</b>	<b>1,20,056</b>	<b>1,32,057</b>
% Change (YoY)	-0.8	13.1	40.6	-11.7	13.5	1.3	-3.1	34.3	9.4	10.0
Provisions	23,681	23,294	34,265	66,724	21,656	24,295	27,942	26,143	1,47,963	1,00,037
<b>Profit before Tax</b>	<b>2,801</b>	<b>7,125</b>	<b>2,236</b>	<b>-40,069</b>	<b>8,400</b>	<b>6,524</b>	<b>7,443</b>	<b>9,654</b>	<b>-27,907</b>	<b>32,020</b>
Tax	767	3,571	1,118	-9,046	3,120	2,270	2,731	3,086	-3,589	11,207
<b>Net Profit</b>	<b>2,034</b>	<b>3,554</b>	<b>1,118</b>	<b>-31,023</b>	<b>5,280</b>	<b>4,254</b>	<b>4,712</b>	<b>6,567</b>	<b>-24,318</b>	<b>20,813</b>
% Change (YoY)	-52.0	-35.6	-55.8	NM	159.6	19.7	321.6	NM	NM	NM
<b>Operating Parameters</b>										
Deposit (INR b)	5,706	5,832	5,733	5,913	5,815	6,070	6,106	6,327	5,913	6,327
Loan (INR b)	3,776	3,873	3,994	4,274	4,145	4,335	4,487	4,727	4,274	4,727
<b>Asset Quality</b>										
Gross NPA (INR B)	462	463	485	565	559	551	532	516	565	516
Gross NPA (%)	11.4	11.2	11.3	12.3	12.5	11.8	11.0	10.9	12.3	10.9
Net NPA (INR B)	195.2	195.7	198.5	234.8	223.8	210.6	191.3	170.2	234.8	170.2
Net NPA (%)	5.2	5.1	5.0	5.5	5.4	4.9	4.3	3.6	5.5	3.6
PCR (%)	57.7	57.7	59.1	58.4	59.9	61.8	64.0	67.0	58.4	67.0

# DCB Bank

Bloomberg	DCBB IN
Equity Shares (m)	309.3
M. Cap. (INR b)/(USD b)	63 / 0.9
52-Week Range (INR)	209 / 140
1,6,12 Rel Perf. (%)	3 / 33 / 6

## Financial Snapshot (INRb)

Y/E MARCH	FY18	FY19E	FY20E	FY21E
NII	10.0	11.6	14.5	18.3
OP	5.2	6.5	8.6	11.4
NP	2.5	3.2	4.3	5.8
NIM (%)	4.0	3.8	3.8	3.9
EPS (INR)	8.0	10.4	14.1	18.8
EPS Gr. (%)	13.8	31.2	34.5	34.1
BV/Sh. (INR)	86.7	96.2	109.8	128.1
ABV/Sh. (INR)	83.3	92.4	105.3	122.6
RoE (%)	10.9	11.9	14.1	16.3
RoA (%)	0.9	1.0	1.1	1.1

## Valuations

P/E (x)	25.5	19.5	14.5	10.8
P/BV (x)	2.3	2.1	1.9	1.6
P/ABV (X)	2.4	2.2	1.9	1.7

**CMP: INR203 TP: INR190 (-7%) Neutral**

- Loan growth (24% YoY) and deposit growth (23% YoY) are expected to remain high off a low base. Growth will be driven by retail loans; management intends to grow corporate loan at sub 20%.
- Non-interest income to remain muted (+10% YoY) on account of lower fee income.
- Overall, we expect PPop growth to remain strong at ~31% YoY, supported by lower opex (+ ~7% YoY), as the pace of branch addition is expected to slow down. Credit cost is likely to remain elevated owing to the potential stress in the SME and LAP segments (we factor in ~2.0% slippage ratio for 4QFY19). We, thus, expect PAT growth of ~45% YoY to INR928m (INR3.2b for FY19).
- DCBB trades at 1.7x FY21E ABV. Expensive valuations leave limited room for upside. Maintain **Neutral**.

## Key issues to watch for

- Management commentary on slippages in the SME/LAP segment and the potential restructuring due to RBI guidelines.
- NIM compression due to higher cost of funds.
- Management guidance on the cost ratios, particularly as the pace of branch addition moderates.

## Quarterly Performance

	FY18				FY19E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY18	FY19E
<b>Net Interest Income</b>	<b>2,332</b>	<b>2,481</b>	<b>2,505</b>	<b>2,637</b>	<b>2,730</b>	<b>2,818</b>	<b>2,936</b>	<b>3,126</b>	<b>9,954</b>	<b>11,610</b>
% Change (Y-o-Y)	31.7	30.4	19.6	19.7	17.1	13.6	17.2	18.5	24.9	16.6
Other Income	858	653	749	849	828	735	945	936	3,103	3,444
<b>Total Income</b>	<b>3,189</b>	<b>3,134</b>	<b>3,254</b>	<b>3,486</b>	<b>3,558</b>	<b>3,553</b>	<b>3,881</b>	<b>4,062</b>	<b>13,057</b>	<b>15,054</b>
Operating Expenses	1,825	1,890	2,029	2,070	2,144	2,092	2,143	2,211	7,807	8,590
<b>Operating Profit</b>	<b>1,364</b>	<b>1,244</b>	<b>1,225</b>	<b>1,416</b>	<b>1,414</b>	<b>1,461</b>	<b>1,738</b>	<b>1,852</b>	<b>5,250</b>	<b>6,465</b>
% Change (Y-o-Y)	47.1	23.4	12.2	22.8	3.7	17.4	41.8	30.8	25.5	23.1
Provisions	355	302	343	388	332	319	401	460	1,388	1,513
<b>Profit before Tax</b>	<b>1,009</b>	<b>942</b>	<b>883</b>	<b>1,028</b>	<b>1,082</b>	<b>1,142</b>	<b>1,336</b>	<b>1,391</b>	<b>3,862</b>	<b>4,952</b>
Tax Provisions	357	353	313	386	387	408	475	463	1,409	1,733
<b>Net Profit</b>	<b>652</b>	<b>589</b>	<b>570</b>	<b>642</b>	<b>695</b>	<b>734</b>	<b>861</b>	<b>928</b>	<b>2,453</b>	<b>3,219</b>
% Change (Y-o-Y)	38.7	21.5	11.1	21.5	6.6	24.7	51.0	44.5	22.8	31.2
<b>Operating Parameters</b>										
Deposit (INR b)	191.5	205.7	213.0	240.1	250.3	261.7	275.1	296.5	240.1	296.5
Loan (INR b)	162.7	174.0	186.0	203.4	212.4	220.7	228.9	252.2	203.4	252.2
Deposit Growth (%)	22.2	16.3	13.0	24.5	30.7	27.2	29.2	23.5	24.5	23.5
Loan Growth (%)	22.0	20.5	27.5	28.6	30.6	26.9	23.1	24.0	28.6	24.0
<b>Asset Quality</b>										
Gross NPA (INRb)	2.9	3.2	3.5	3.7	4.0	4.1	4.5	4.8	3.7	4.8
Gross NPA (%)	1.7	1.8	1.9	1.8	1.9	1.8	1.9	1.9	1.8	1.9
Net NPA (INRb)	1.5	1.6	1.6	1.5	1.5	1.6	1.6	1.7	1.5	1.7
Net NPA (%)	0.9	0.9	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7
PCR (%)	47.7	50.3	54.4	60.2	61.6	62.1	63.3	64.9	60.2	64.9

# Equitas Holdings

Bloomberg	EQUITAS IN
Equity Shares (m)	340.8
M. Cap. (INR b)/(USD b)	47 / 0.7
52-Week Range (INR)	173 / 78
1,6,12 Rel Perf. (%)	11 / 7 / -23

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	9.2	12.0	16.1	20.1
OP	2.2	4.5	6.5	8.5
NP	0.3	2.2	3.2	4.2
NIM (%)	8.5	7.6	7.6	7.6
EPS (INR)	0.9	6.4	9.5	12.5
BV/Sh. (INR)	67	73	80	91
ABV/Sh. (INR)	64	69	76	87
RoE (%)	1.4	9.2	12.4	14.5
RoA (%)	0.3	1.4	1.6	1.7

## Valuations

P/E(X)	149.5	21.6	14.5	11.1
P/BV (X)	2.1	1.9	1.7	1.5
P/ABV (X)	2.2	2.0	1.8	1.6

**CMP: INR138 TP: INR160 (+16%) Buy**

- We expect NII growth of 39% YoY due to (a) pick-up in loan growth and (b) recalibration in the liability side (sufficient availability of funds). AUM is expected to grow ~50% YoY, as the securitized portfolio continues to run down.
- NIM is expected to contract by ~31bp QoQ to 8.7% on account of an increase in cost of funds and a moderation in yields.
- Opex growth is expected to stay elevated at 21% YoY (v/s 42% YoY growth in total income), with increase in both employee and other expenses led by investment in further branch additions.
- GNPA ratio is likely to remain stable at 3%, with NNPA ratio of 1.6%.
- The stock trades at 1.6x FY21E ABV. Maintain **Buy**.

## Key issues to watch for

- Asset quality of MSME book remains a key monitorable.
- Commentary on growth and asset quality in MFI book.

## Quarterly Performance

Y/E March	FY18				FY19E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY18	FY19E
<b>Net Interest Income</b>	<b>2,160</b>	<b>2,263</b>	<b>2,337</b>	<b>2,485</b>	<b>2,544</b>	<b>2,771</b>	<b>3,203</b>	<b>3,454</b>	<b>9,245</b>	<b>11,972</b>
% Change (YoY)	5.7	12.8	-13.6	12.2	17.8	22.4	37.0	39.0	8.1	29.5
Other Income	820	314	326	433	610	647	654	701	1,893	2,612
<b>Total Income</b>	<b>2,980</b>	<b>2,577</b>	<b>2,663</b>	<b>2,918</b>	<b>3,154</b>	<b>3,418</b>	<b>3,857</b>	<b>4,155</b>	<b>11,138</b>	<b>14,584</b>
Operating Expenses	2,263	2,175	2,252	2,244	2,394	2,342	2,632	2,719	8,907	10,087
<b>Operating Profit</b>	<b>717</b>	<b>402</b>	<b>411</b>	<b>674</b>	<b>760</b>	<b>1,076</b>	<b>1,225</b>	<b>1,437</b>	<b>2,231</b>	<b>4,498</b>
% Change (YoY)	-37.1	-54.6	-60.7	42.2	6.0	167.7	197.9	113.2	-37.1	101.6
Provisions	439	273	869	138	209	305	243	388	1,719	1,145
<b>Profit before Tax</b>	<b>278</b>	<b>129</b>	<b>-458</b>	<b>536</b>	<b>551</b>	<b>771</b>	<b>982</b>	<b>1,049</b>	<b>512</b>	<b>3,353</b>
Tax	98	65	-152	187	198	274	357	344	198	1,173
<b>Net Profit</b>	<b>180</b>	<b>64</b>	<b>-306</b>	<b>348</b>	<b>353</b>	<b>497</b>	<b>624</b>	<b>705</b>	<b>314</b>	<b>2,179</b>
% Change (YoY)	-70.5	-86.1	NM	404.7	95.7	671.2	NM	102.4	-80.3	594.0
<b>Operating Parameters</b>										
AUM (INR b)	70	73	77	82	89	100	109	124	82	124
Deposits (INR b)	23	31	37	47	57	57	67	79	47	79
Loans (INR b)	61	64	72	78	84	95	107	119	78	119
AUM Growth (%)	7	3	8	15	27	36	41	50	15	50
Deposit Growth (%)	NM	NM	387	150	154	84	81	67	150	67
Loan Growth (%)	7	14	22	34	38	48	49	52	34	52
<b>Asset Quality</b>										
Gross NPA (INR B)	3,000	3,702	3,560	2,130	2,390	3,188	3,353	3,567	2,130	3,571
Net NPA (INR B)	1,630	1,988	1,350	1,310	1,460	1,880	1,870	1,892	1,320	1,892
Gross NPA (%)	4.9	5.8	5.0	2.7	2.8	3.4	3.1	3.0	2.7	3.0
Net NPA (%)	3.0	3.2	1.6	1.4	1.5	2.0	1.8	1.6	1.7	1.6
PCR (%)	45.7	46.3	62.1	38.5	38.9	41.0	44.2	47.0	38.0	47.0

# Federal Bank

Bloomberg	FB IN
Equity Shares (m)	1,985.0
M. Cap. (INR b)/(USD b)	194 / 2.7
52-Week Range (INR)	105 / 67
1,6,12 Rel Perf. (%)	6 / 27 / -9

## Financial Snapshot (INRb)

Y/E Mar	FY18	FY19E	FY20E	FY21E
NII	35.8	42.1	51.4	62.5
OP	22.9	27.5	34.8	43.4
NP	8.8	12.2	16.5	20.6
NIM (%)	3.1	3.1	3.2	3.2
EPS (INR)	4.8	6.2	8.4	10.5
EPS Gr. (%)	-1.3	29.6	35.6	25.3
BV/Sh. (INR)	61.9	67.2	74.7	84.2
ABV/Sh. (INR)	54.3	58.8	65.5	74.2
ROE (%)	8.3	9.5	11.8	13.2
ROA (%)	0.7	0.8	0.9	1.0

## Valuations

P/E(X)	20.5	15.8	11.7	9.3
P/BV (X)	1.6	1.5	1.3	1.2
P/ABV (X)	1.8	1.7	1.5	1.3

**CMP: INR98**
**TP: INR115 (+18%)**
**Buy**

- We expect FB to report loan growth of ~21% YoY (5% QoQ), aided by the renewed focus on corporate growth. Traction in SME and retail loans would be maintained. We expect NIM to be ~3.2% for the quarter, aided by MCLR re-pricing and lower interest reversal.
- Other income (+18% YoY) is likely to grow at a healthy rate, aided by strong fee income. We expect PPop growth of ~27% YoY, significantly higher than opex growth of 14% YoY.
- We expect slippages to moderate (1.4% annualized) during the quarter, with most of the dispensation from Kerala floods being recognized.
- We expect PAT of INR3.5b v/s INR1.5b in 4QFY18 and INR3.3b in 3QFY19. PAT for FY19 is expected to be at INR12.1b. FB trades at 1.3x FY21E ABV. **Buy.**

## Key issues to watch for

- Outlook on slippages, asset quality and growth post the recent floods in Kerala and restructuring of MSME loans.
- Strategy on balance sheet growth, particularly corporate loan growth and fee income.

## Quarterly Performance

(INR m)

	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>8,007</b>	<b>8,989</b>	<b>9,500</b>	<b>9,332</b>	<b>9,801</b>	<b>10,225</b>	<b>10,773</b>	<b>11,278</b>	<b>35,828</b>	<b>42,076</b>
% Change (YoY)	15.6	23.8	20.0	10.8	22.4	13.7	13.4	20.9	17.4	17.4
Other Income	3,291	2,872	2,286	3,142	2,709	3,229	3,456	3,705	11,591	13,098
<b>Total Income</b>	<b>11,298</b>	<b>11,861</b>	<b>11,786</b>	<b>12,474</b>	<b>12,509</b>	<b>13,454</b>	<b>14,228</b>	<b>14,983</b>	<b>47,419</b>	<b>55,174</b>
Operating Expenses	5,719	6,029	6,172	6,588	6,480	6,478	7,150	7,524	24,509	27,632
<b>Operating Profit</b>	<b>5,579</b>	<b>5,832</b>	<b>5,614</b>	<b>5,886</b>	<b>6,029</b>	<b>6,976</b>	<b>7,078</b>	<b>7,459</b>	<b>22,910</b>	<b>27,543</b>
% Change (YoY)	31.0	22.8	18.2	7.2	8.1	19.6	26.1	26.7	19.0	20.2
Provisions	2,364	1,768	1,624	3,715	1,992	2,888	1,901	2,069	9,472	8,850
<b>Profit before Tax</b>	<b>3,214</b>	<b>4,064</b>	<b>3,990</b>	<b>2,170</b>	<b>4,038</b>	<b>4,088</b>	<b>5,177</b>	<b>5,390</b>	<b>13,439</b>	<b>18,693</b>
Tax	1,113	1,427	1,390	721	1,411	1,427	1,841	1,864	4,650	6,542
<b>Net Profit</b>	<b>2,102</b>	<b>2,637</b>	<b>2,600</b>	<b>1,450</b>	<b>2,627</b>	<b>2,660</b>	<b>3,336</b>	<b>3,526</b>	<b>8,789</b>	<b>12,150</b>
% Change (YoY)	25.6	31.0	26.4	-43.5	25.0	0.9	28.3	143.2	5.8	38.3
<b>Operating Parameters</b>										
Deposit (INR b)	958.4	972.1	1,005.4	1,119.9	1,112.4	1,181.8	1,234.6	1,332.7	1,119.9	1,332.7
Loan (INR b)	763.1	806.5	849.5	919.6	943.0	1,009.4	1,055.5	1,112.7	919.6	1,112.7
Deposit Growth (%)	18.1	12.6	9.0	14.7	16.1	21.6	22.8	19.0	14.7	19.0
Loan Growth (%)	29.1	24.7	22.0	25.4	23.6	25.2	24.2	21.0	25.4	21.0
<b>Asset Quality</b>										
Gross NPA (INR b)	18.7	19.5	21.6	28.0	28.7	31.8	33.6	34.4	28.0	34.4
Gross NPA (%)	2.4	2.4	2.5	3.0	3.0	3.1	3.1	3.1	3.0	3.1
Net NPA (INR b)	10.6	10.7	11.6	15.5	16.2	18.0	18.2	18.1	15.5	18.1
Net NPA (%)	1.4	1.3	1.4	1.7	1.7	1.8	1.7	1.6	1.7	1.6
PCR (%)	43.2	45.3	46.5	44.5	43.5	43.6	45.9	47.3	44.5	47.3

# HDFC Bank

Bloomberg	HDFCB IN
Equity Shares (m)	2,719.5
M. Cap. (INR b)/(USD b)	6,245 / 88.5
52-Week Range (INR)	2,332 / 1,880
1,6,12 Rel Perf. (%)	2 / 6 / 2

## Financial Snapshot (INRb)

Y/E MARCH	FY18	FY19E	FY20E	FY21E
NII	400.9	484.0	586.5	706.8
OP	326.2	399.5	490.6	599.5
NP	174.9	210.0	254.1	309.2
NIM (%)	4.4	4.3	4.2	4.2
EPS (INR)	67.8	79.2	93.9	114.3
EPS Gr. (%)	19.4	16.8	18.5	21.7
BV/Sh. (INR)	409.6	542.6	618.4	713.4
ABV/Sh. (INR)	387.8	516.1	587.7	675.6
RoE (%)	17.9	16.6	16.2	17.2
RoA (%)	1.8	1.8	1.8	1.8
Payout (%)	23.1	20.8	19.2	16.9

## Valuations

P/E(X)	33.9	29.0	24.5	20.1
P/BV (X)	5.6	4.2	3.7	3.2
P/ABV (X)	5.9	4.4	3.9	3.4
Div. Yield (%)	0.7	0.7	0.8	0.8

**CMP: INR2,297 TP: INR2,650 (+15%) Buy**

- Loan growth is expected to remain healthy at ~23% YoY, driven by retail loans, while deposit growth is estimated at ~21% YoY, led by an increase in term deposits.
- Calculated margins are likely to pick up to 4.4% as NII is expected to grow at ~24% YoY.
- Other income growth is expected to come in at ~16% YoY, factoring in healthy fee income and stable treasury performance.
- Opex growth at 17% YoY is likely to trail total income growth of ~22% YoY (aided by the bank's strong digital initiatives), leading to PPop growth of ~25% YoY.
- We estimate 4QFY19 PAT at INR58b (up ~21% YoY), resulting in total PAT of INR209.9b for FY19.
- Asset quality is expected to remain stable, with GNPA at ~1.4%.
- HDFCB trades at 3.4x FY21E ABV. **Buy.**

## Key issues to watch for

- Management indicated some stress in SME and retail book. Hence, the outlook on the same will be a key monitorable.
- Trends in digital banking/payments and various initiatives.

## Quarterly Performance

(INR m)

	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>93,707</b>	<b>97,521</b>	<b>1,03,143</b>	<b>1,06,577</b>	<b>1,08,136</b>	<b>1,17,634</b>	<b>1,25,768</b>	<b>1,32,442</b>	<b>4,00,949</b>	<b>4,83,979</b>
% Change (Y-o-Y)	20.4	22.0	24.1	17.7	15.4	20.6	21.9	24.3	21.0	20.7
Other Income	35,167	36,059	38,692	42,286	38,181	40,156	49,210	49,009	1,52,203	1,76,556
<b>Total Income</b>	<b>1,28,874</b>	<b>1,33,580</b>	<b>1,41,835</b>	<b>1,48,863</b>	<b>1,46,316</b>	<b>1,57,790</b>	<b>1,74,978</b>	<b>1,81,451</b>	<b>5,53,152</b>	<b>6,60,535</b>
Operating Expenses	53,675	55,401	57,322	60,506	59,839	62,991	67,193	71,012	2,26,904	2,61,035
<b>Operating Profit</b>	<b>75,199</b>	<b>78,179</b>	<b>84,513</b>	<b>88,357</b>	<b>86,478</b>	<b>94,800</b>	<b>1,07,784</b>	<b>1,10,439</b>	<b>3,26,248</b>	<b>3,99,500</b>
% Change (Y-o-Y)	29.2	29.8	27.9	21.4	15.0	21.3	27.5	25.0	26.8	22.5
Provisions	15,588	14,762	13,514	15,411	16,294	18,200	22,115	22,337	59,275	78,946
<b>Profit before Tax</b>	<b>59,612</b>	<b>63,417</b>	<b>70,999</b>	<b>72,946</b>	<b>70,184</b>	<b>76,600</b>	<b>85,669</b>	<b>88,102</b>	<b>2,66,973</b>	<b>3,20,554</b>
Tax	20,673	21,907	24,573	24,953	24,169	26,543	29,810	30,069	92,106	1,10,591
<b>Net Profit</b>	<b>38,938</b>	<b>41,510</b>	<b>46,426</b>	<b>47,993</b>	<b>46,014</b>	<b>50,057</b>	<b>55,859</b>	<b>58,033</b>	<b>1,74,867</b>	<b>2,09,963</b>
% Change (Y-o-Y)	20.2	20.1	20.1	20.3	18.2	20.6	20.3	20.9	20.2	20.1
<b>Operating Parameters</b>										
Deposit Growth (%)	17.0	16.5	10.1	22.5	20.0	20.9	22.0	21.0	22.5	21.0
Loan Growth (%)	23.4	22.3	27.5	18.7	22.0	24.1	23.7	23.4	18.7	23.4
Deposit (INR b)	6,714	6,893	6,990	7,888	8,058	8,334	8,525	9,544	7,888	9,544
Loan (INR b)	5,810	6,049	6,312	6,583	7,086	7,508	7,810	8,124	6,583	8,124
<b>Asset Quality</b>										
Gross NPA (INR B)	72.4	77.0	82.3	86.1	95.4	101.0	109.0	115.2	86.1	115.2
Gross NPA (%)	1.2	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.3	1.4
Net NPA (INR B)	25.3	26.0	27.7	26.0	29.1	30.3	33.0	34.2	26.0	34.2
Net NPA (%)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
PCR	65.1	66.3	66.3	69.8	69.5	70.0	69.7	70.3	69.8	70.3

# ICICI Bank

Bloomberg	ICICIB IN
Equity Shares (m)	6,441.9
M. Cap. (INR b)/(USD b)	2,560 / 36.3
52-Week Range (INR)	409 / 257
1,6,12 Rel Perf. (%)	4 / 20 / 34

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	230.3	262.3	310.2	372.1
OP	247.4	234.4	278.5	338.9
NP	67.8	45.6	131.2	184.2
NIM (%)	3.2	3.2	3.4	3.4
EPS (INR)	11.1	7.1	20.4	28.7
EPS Gr (%)	-34.3	-35.9	187.9	40.4
BV/Sh. (INR)	161.0	165.4	180.4	202.5
ABV/Sh. (INR)	115.3	134.7	152.5	176.2
Cons. BV/Sh. INR	172.1	191.9	218.0	253.7
Cons. ABV/Sh. INR	126.4	161.1	190.2	227.5
RoE (%)	6.8	4.4	11.9	15.1
RoA (%)	0.8	0.5	1.3	1.6

## Valuations

P/BV (x) (Cons)	2.3	2.1	1.8	1.6
P/ABV (x) (Cons)	3.1	2.5	2.1	1.7
P/ABV (x)	2.4	2.1	1.8	1.6
P/E (x)	25.2	39.3	13.6	9.7
Div. Yield (%)	0.6	0.7	1.4	1.7

\*ADJ FOR INVT IN SUBSIDIARIES

**CMP: INR397 TP: INR470 (+18%) Buy**

- We expect loan growth to come in at ~14% YoY, driven largely by retail loans. Corporate loan growth would be moderate, while overseas book would continue declining. Deposits are expected to grow at ~13% YoY, mainly driven by growth in term deposits.
- NIMs are expected to be under slight pressure due to an increase in funding cost. NII is expected to grow ~14% YoY.
- Other income is likely to grow at 6% QoQ to INR41.2b.
- Gross slippages are expected to moderate to 2.0% due to a reduction in corporate slippages. Net stress loans (incl. BB & below) as on 3QFY19 stood at 6.8% of loans and are expected to decline further as incremental stress addition moderates.
- We expect PAT of INR21.6b v/s INR10.2b in 4QFY18 and INR16b in 3QFY19. We expect ICICIB to report PAT of INR45.6b for FY19. ICICIB trades at 1.7x FY21E consolidated ABV. **Buy**.

## Key issues to watch for

- Movement of BB and below pool and commentary on power assets.
- Outlook on asset quality and trend on further relapse from restructured loans.
- Growth in CASA + retail term deposits.

## Quarterly Performance

									(INR m)	
	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>55,898</b>	<b>57,091</b>	<b>57,053</b>	<b>60,217</b>	<b>61,019</b>	<b>64,176</b>	<b>68,753</b>	<b>68,393</b>	<b>2,30,258</b>	<b>2,62,341</b>
% Change (YoY)	8.4	8.7	6.4	1.0	9.2	12.4	20.5	13.6	5.9	13.9
Other Income	33,879	51,862	31,669	56,786	38,518	31,565	38,829	41,246	1,74,196	1,50,157
<b>Total Income</b>	<b>89,778</b>	<b>1,08,953</b>	<b>88,721</b>	<b>1,17,003</b>	<b>99,537</b>	<b>95,741</b>	<b>1,07,581</b>	<b>1,09,639</b>	<b>4,04,455</b>	<b>4,12,498</b>
Operating Expenses	37,944	39,088	38,144	41,863	41,453	43,244	46,117	47,307	1,57,039	1,78,121
<b>Operating Profit</b>	<b>51,833</b>	<b>69,865</b>	<b>50,578</b>	<b>75,140</b>	<b>58,084</b>	<b>52,497</b>	<b>61,464</b>	<b>62,332</b>	<b>2,47,415</b>	<b>2,34,377</b>
% Change (YoY)	-0.6	-34.3	-8.4	47.0	12.1	-24.9	21.5	-17.0	-6.6	-5.3
Provisions	26,087	45,029	35,696	66,258	59,713	39,943	42,442	33,856	1,73,070	1,75,953
<b>Profit before Tax</b>	<b>25,746</b>	<b>24,836</b>	<b>14,882</b>	<b>8,882</b>	<b>-1,629</b>	<b>12,554</b>	<b>19,023</b>	<b>28,476</b>	<b>74,346</b>	<b>58,423</b>
Tax	5,256	4,254	-1,621	-1,318	-434	3,465	2,974	6,848	6,571	12,853
<b>Net Profit</b>	<b>20,490</b>	<b>20,582</b>	<b>16,502</b>	<b>10,200</b>	<b>-1,196</b>	<b>9,089</b>	<b>16,049</b>	<b>21,628</b>	<b>67,774</b>	<b>45,570</b>
% Change (YoY)	-8.2	-33.7	-32.4	-49.6	NM	-55.8	-2.7	112.0	-30.9	-32.8
<b>Operating Parameters</b>										
Deposit (INR b)	4,863	4,986	5,174	5,610	5,469	5,587	6,068	6,339	5,610	6,339
Loan (INR b)	4,641	4,828	5,054	5,124	5,163	5,445	5,643	5,841	5,124	5,841
Deposit Growth (%)	14.7	11.0	11.2	14.5	12.5	12.0	17.3	13.0	14.5	13.0
Loan Growth (%)	3.3	6.3	10.5	10.4	11.3	12.8	11.7	14.0	10.4	14.0
<b>Asset Quality</b>										
Gross NPA (INR b)	431.5	444.9	460.4	540.6	534.6	544.9	515.9	496.3	540.6	496.3
Gross NPA (%)	8.0	7.9	7.8	8.8	8.8	8.5	7.8	8.5	8.8	8.5
Net NPA (INR b)	253.1	241.3	238.1	278.9	241.7	220.9	162.5	141.2	278.9	141.2
Net NPA (%)	4.9	4.4	4.2	4.8	4.2	3.7	2.6	2.4	4.8	2.4
PCR (%)	41.3	45.8	48.3	48.4	54.8	59.5	68.5	71.6	48.4	71.6

# Indian Bank

Bloomberg	INBK IN
Equity Shares (m)	480.0
M. Cap. (INR b)/(USD b)	135 / 1.9
52-Week Range (INR)	380 / 201
1,6,12 Rel Perf. (%)	14 / 7 / -24

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	62.6	70.1	75.0	92.1
OP	50.0	48.9	50.7	64.9
NP	12.6	6.9	11.9	20.1
NIM (%)	2.8	2.7	2.6	2.7
EPS (INR)	26.2	14.4	24.8	41.8
EPS Gr. (%)	-10.4	-45.0	72.3	68.3
BV/Sh. (INR)	354	364	385	421
ABV/Sh. (INR)	265	253	275	323
RoE (%)	8.3	4.3	7.1	11.0
RoA (%)	0.5	0.3	0.4	0.6

## Valuations

P/E(X)	10.7	19.5	11.3	6.7
P/BV (X)	0.8	0.8	0.7	0.7
P/ABV (X)	1.1	1.1	1.0	0.9

**CMP: INR282 TP: INR325 (+15%) Buy**

- Loan growth is expected to remain at ~14% YoY (+3.9% QoQ), led by balance sheet recalibration. Deposit growth is expected to pick up to ~12% YoY (3.5% QoQ).
- Calculated NIM is expected to expand slightly at ~3%, while NII growth is likely to come in at ~7% YoY.
- Overall non-interest income is expected to increase, primarily led by improved treasury gains.
- We expect the slippage ratio to moderate to 3.2% from the high levels seen over the past 3-4 quarters and the NNPA ratio to decline to 4.2%, improving the coverage ratio to 46%.
- INBK trades at 0.79x FY21E ABV. Maintain **Buy**.

## Key issues to watch for

- Outlook on business growth.
- Incremental slippages could provide some overhang.
- Views on margin trajectory.

## Quarterly Performance

Y/E March	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>14,595</b>	<b>15,436</b>	<b>16,227</b>	<b>16,377</b>	<b>18,070</b>	<b>17,309</b>	<b>17,167</b>	<b>17,507</b>	<b>62,636</b>	<b>70,053</b>
% Change (YoY)	18.1	20.8	30.2	18.2	23.8	12.1	5.8	6.9	21.7	11.8
Other Income	6,521	7,146	5,489	4,903	4,398	4,283	4,452	5,151	24,058	18,284
<b>Total Income</b>	<b>21,116</b>	<b>22,582</b>	<b>21,715</b>	<b>21,280</b>	<b>22,468</b>	<b>21,593</b>	<b>21,619</b>	<b>22,658</b>	<b>86,694</b>	<b>88,338</b>
Operating Expenses	8,592	8,826	9,623	9,643	9,492	9,682	10,153	10,131	36,684	39,459
<b>Operating Profit</b>	<b>12,524</b>	<b>13,756</b>	<b>12,092</b>	<b>11,638</b>	<b>12,976</b>	<b>11,910</b>	<b>11,466</b>	<b>12,527</b>	<b>50,010</b>	<b>48,879</b>
% Change (YoY)	38.7	36.7	18.4	8.7	3.6	-13.4	-5.2	7.6	25.0	-2.3
Other Provisions	7,156	7,446	9,181	15,463	10,296	10,043	9,237	10,070	39,246	39,646
<b>Profit before Tax</b>	<b>5,368</b>	<b>6,310</b>	<b>2,911</b>	<b>-3,826</b>	<b>2,680</b>	<b>1,867</b>	<b>2,229</b>	<b>2,457</b>	<b>10,764</b>	<b>9,233</b>
Tax	1,644	1,795	-120	-5,145	587	366	707	649	-1,826	2,308
<b>Net Profit</b>	<b>3,724</b>	<b>4,515</b>	<b>3,031</b>	<b>1,320</b>	<b>2,093</b>	<b>1,501</b>	<b>1,523</b>	<b>1,808</b>	<b>12,590</b>	<b>6,925</b>
% Change (YoY)	21.1	11.5	-18.8	-58.7	-43.8	-66.7	-49.8	37.0	-10.4	-45.0
<b>Operating Parameters</b>										
Deposits (INR b)	1,915	1,987	2,065	2,083	2,102	2,195	2,258	2,337	2,083	2,337
Loans (INR b)	1,294	1,392	1,483	1,566	1,584	1,670	1,712	1,779	1,566	1,779
Deposit Growth (%)	7.9	11.5	12.5	14.1	9.8	10.5	9.4	12.2	14.1	12.2
Loan Growth (%)	4.2	13.4	21.6	22.6	22.5	19.9	15.4	13.6	22.6	13.6
<b>Asset Quality</b>										
Gross NPA (INR B)	96.5	96.2	96.0	119.9	118.3	123.3	132.0	138.8	119.9	138.8
Net NPA (INR B)	52.4	47.5	49.0	59.6	60.0	70.6	75.7	75.3	59.6	75.3
Gross NPA (%)	7.2	6.7	6.3	7.4	7.2	7.2	7.5	7.8	7.4	7.8
Net NPA (%)	4.1	3.4	3.3	3.8	3.8	4.2	4.4	4.2	3.8	4.2
PCR (%)	45.7	50.7	48.9	50.3	49.3	42.8	42.6	45.8	50.3	45.8

# IndusInd Bank

Bloomberg	IIB IN
Equity Shares (m)	602.0
M. Cap. (INR b)/(USD b)	1,069 / 15.1
52-Week Range (INR)	2,038 / 1,334
1,6,12 Rel Perf. (%)	9 / 1 / -19

## Financial Snapshot (INR B)

Y/E MARCH	FY18	FY19E	FY20E	FY21E
NII	75.0	90.2	135.6	176.7
OP	66.6	82.8	125.8	161.6
NP	36.1	34.7	69.3	89.8
NIM (%)	4.2	4.0	4.7	4.8
EPS (INR)	60.2	53.8	99.4	127.4
EPS Gr. (%)	25.2	-10.6	84.8	28.2
BV/Sh. (INR)	394	427.1	541.0	656.6
ABV/Sh. (INR)	385	416.2	529.2	644.3
RoE (%)	16.5	13.1	20.6	21.4
RoA (%)	1.8	1.4	2.2	2.3
Payout (%)	12.0	16.4	10.5	9.2

## Valuations

P/E (X)	29.5	33.0	17.9	13.9
P/BV (X)	4.5	4.2	3.3	2.7
P/ABV (X)	4.6	4.3	3.4	2.8
Div. Yield (%)	0.4	0.5	0.6	0.7

**CMP: INR1,776 TP: INR2,050 (+15%) Buy**

- We expect IIB to report strong loan growth of ~32% YoY in 4QFY19, significantly ahead of system loan growth. Deposit growth should also remain strong at ~22% YoY. Margins are likely to remain flattish QoQ at ~3.9%.
- We expect non-interest income to grow ~26% YoY, supported by healthy fee income growth. Stronger third-party distribution fees and treasury gains will further support non-interest income.
- Opex growth would remain at ~15% YoY v/s 22% growth in total income. PPop growth would remain healthy at 28% YoY.
- We expect earnings to remain under pressure and report a PAT of INR5.3b in 4QFY19 (INR34.7b for FY19) on account of elevated provisions due to IL&FS.
- IIB trades at 2.8x FY21E ABV. Maintain **Buy**.

## Key issues to watch for

- Impact on the CV portfolio, particularly after the slowdown in CV sales.
- Corporate asset quality will be a key monitorable.
- Provisioning and further developments on the IL&FS exposure

## Quarterly Performance

	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>17,741</b>	<b>18,210</b>	<b>18,948</b>	<b>20,076</b>	<b>21,224</b>	<b>22,033</b>	<b>22,881</b>	<b>24,037</b>	<b>74,974</b>	<b>90,175</b>
% Change (YoY)	30.8	24.7	20.0	20.4	19.6	21.0	20.8	19.7	23.7	20.3
Other Income	11,673	11,876	11,868	12,085	13,016	13,173	14,689	15,174	47,501	56,051
<b>Total Income</b>	<b>29,413</b>	<b>30,086</b>	<b>30,816</b>	<b>32,161</b>	<b>34,240</b>	<b>35,206</b>	<b>37,569</b>	<b>39,211</b>	<b>1,22,475</b>	<b>1,46,226</b>
Operating Expenses	13,528	13,751	14,169	14,467	15,129	15,281	16,400	16,635	55,914	63,445
<b>Operating Profit</b>	<b>15,885</b>	<b>16,335</b>	<b>16,647</b>	<b>17,694</b>	<b>19,111</b>	<b>19,924</b>	<b>21,170</b>	<b>22,576</b>	<b>66,561</b>	<b>82,781</b>
% Change (YoY)	28.8	27.5	22.1	12.5	20.3	22.0	27.2	27.6	22.1	24.4
Provisions	3,100	2,938	2,362	3,356	3,500	5,903	6,067	14,780	11,754	30,250
<b>Profit before Tax</b>	<b>12,786</b>	<b>13,398</b>	<b>14,285</b>	<b>14,338</b>	<b>15,611</b>	<b>14,022</b>	<b>15,103</b>	<b>7,796</b>	<b>54,807</b>	<b>52,531</b>
Tax	4,420	4,597	4,923	4,808	5,254	4,819	5,253	2,535	18,747	17,861
<b>Net Profit</b>	<b>8,365</b>	<b>8,801</b>	<b>9,362</b>	<b>9,531</b>	<b>10,357</b>	<b>9,203</b>	<b>9,850</b>	<b>5,261</b>	<b>36,060</b>	<b>34,671</b>
% Change (YoY)	26.5	25.0	24.7	26.8	23.8	4.6	5.2	-44.8	25.7	-3.9
<b>Operating Parameters</b>										
Deposit Growth (%)	31.4	25.9	22.5	19.8	18.8	18.9	20.3	22.0	19.8	22.0
Loan Growth (%)	24.3	24.5	25.1	28.2	29.4	32.4	34.7	32.0	28.2	32.0
Deposit (INR b)	1,337	1,414	1,461	1,516	1,589	1,682	1,757	1,850	1,516	1,850
Loan (INR b)	1,164	1,232	1,285	1,450	1,507	1,631	1,732	1,913	1,450	1,913
<b>Asset Quality</b>										
Gross NPA (INR b)	12.7	13.5	15.0	17.0	17.4	17.8	19.7	21.2	17.0	21.2
Gross NPA (%)	1.1	1.1	1.2	1.2	1.2	1.1	1.1	1.1	1.2	1.1
Net NPA (INR b)	5.1	5.4	5.9	7.5	7.6	7.9	10.3	10.7	7.5	10.7
Net NPA (%)	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.6
PCR (%)	60.0	60.1	60.5	56.3	56.2	55.8	47.7	49.5	56.3	49.5



# Kotak Mahindra Bank

Bloomberg	KMB IN
Equity Shares (m)	1,907.5
M. Cap. (INR b)/(USD b)	2,554 / 36.2
52-Week Range (INR)	1,424 / 1,002
1,6,12 Rel Perf. (%)	1 / 12 / 5

## Financial Snapshot (INR B)

Y/E MARCH	FY18	FY19E	FY20E	FY21E
NII	95.3	113.4	138.0	169.4
OP	71.6	85.4	105.9	131.7
NP	40.8	48.5	58.8	72.7
Cons. NP	62.0	72.5	86.8	105.5
NIM (%)	4.3	4.3	4.3	4.4
EPS (INR)	21.8	25.4	30.8	38.1
EPS Gr. (%)	17.4	16.6	21.3	23.6
BV. (INR)	196.7	221.2	250.9	287.9
ABV. (INR)	177.6	201.0	228.5	261.7
Cons. BV. (INR)	264.9	302.8	347.5	401.9
Cons. ABV. (INR)	253.5	292.2	336.3	389.8
Cons. RoE (%)	13.9	13.4	14.0	14.8
RoE (%)	12.5	12.2	13.1	14.2
RoA (%)	1.7	1.7	1.7	1.7
<b>Valuations</b>				
P/BV (X) (Cons.)	5.1	4.4	3.9	3.3
P/ABV (X) (Cons.)	5.3	4.6	4.0	3.4
P/ABV (X) (Adj.)	5.1	4.5	4.0	3.5
P/E(X) (Adj.)	41.8	35.9	29.6	23.9

\*Adjusted for Investment in subsidiaries

**CMP: INR1,339 TP: INR1,350 (+1%) Neutral**

- We expect standalone bank to report loan growth of ~22% YoY and deposit growth of ~18% YoY in 4QFY19. Margins are likely to expand marginally to ~4.4%. Overall, we expect NII growth of 21% YoY. CASA retention would be a key driver of NII and NIM.
- With strong digital initiatives and fast-paced customer acquisition, fee income would be a key growth driver for the bank. We factor in other income growth of ~12% in 4QFY19, driven mostly by healthy fee traction and expect the trend to continue.
- We expect asset quality to remain stable, with GNPA at ~2.1% and NNPA at 0.7%, led by an improvement in the coverage ratio.
- We expect standalone bank earnings to grow ~23% YoY (INR13.9b) for 4QFY19. We thus expect FY19 PAT of INR48.5.
- The stock trades at 3.4x FY21E consolidated BV. Maintain **Neutral**.

## Key issues to watch for

- Guidance on balance sheet growth, CASA and fee income growth.
- Trend in customer acquisition post the Aadhar verdict.
- GNPA's in the MSME segment.
- Update on the stake reduction.

## Quarterly Performance

(INR m)

Y/E March	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>22,456</b>	<b>23,126</b>	<b>23,937</b>	<b>25,798</b>	<b>25,829</b>	<b>26,891</b>	<b>29,391</b>	<b>31,262</b>	<b>95,317</b>	<b>1,13,373</b>
% Change (Y-o-Y)	17.0	15.9	16.7	19.4	15.0	16.3	22.8	21.2	17.3	18.9
Other Income	9,069	9,539	10,398	11,516	11,646	12,053	9,639	12,858	40,522	46,195
<b>Total Income</b>	<b>31,525</b>	<b>32,665</b>	<b>34,335</b>	<b>37,314</b>	<b>37,475</b>	<b>38,944</b>	<b>39,030</b>	<b>44,120</b>	<b>1,35,839</b>	<b>1,59,568</b>
% Change (Y-o-Y)	18.9	15.6	16.0	17.9	18.9	19.2	13.7	18.2	17.1	17.5
Operating Expenses	15,571	15,417	16,135	17,134	17,150	17,994	19,646	19,347	64,257	74,136
<b>Operating Profit</b>	<b>15,954</b>	<b>17,248</b>	<b>18,201</b>	<b>20,180</b>	<b>20,325</b>	<b>20,950</b>	<b>19,384</b>	<b>24,773</b>	<b>71,582</b>	<b>85,432</b>
% Change (Y-o-Y)	21.3	19.8	19.1	18.6	27.4	21.5	6.5	22.8	19.6	19.3
Other Provisions	2,037	2,165	2,128	3,069	4,696	3,538	-323	3,880	9,400	11,791
<b>Profit before Tax</b>	<b>13,917</b>	<b>15,083</b>	<b>16,073</b>	<b>17,110</b>	<b>15,629</b>	<b>17,412</b>	<b>19,707</b>	<b>20,893</b>	<b>62,182</b>	<b>73,641</b>
Tax Provisions	4,789	5,140	5,541	5,870	5,380	5,995	6,798	7,012	21,339	25,185
<b>Net Profit</b>	<b>9,128</b>	<b>9,943</b>	<b>10,532</b>	<b>11,241</b>	<b>10,249</b>	<b>11,417</b>	<b>12,909</b>	<b>13,880</b>	<b>40,843</b>	<b>48,455</b>
% Change (Y-o-Y)	23.0	22.3	19.7	15.1	12.3	14.8	22.6	23.5	19.7	18.6
Loan growth (%)	17.9	21.1	23.1	24.7	24.3	21.2	23.5	22.3	24.7	22.3
Cost to Income Ratio (%)	49.4	47.2	47.0	45.9	45.8	46.2	50.3	43.9	47.3	46.5
<b>Asset Quality</b>										
Gross NPA (INR b)	37.3	38.1	37.1	38.3	39.0	40.3	41.3	42.7	38.3	42.7
Gross NPA (%)	2.6	2.5	2.3	2.3	2.2	2.2	2.1	2.1	2.3	2.1
Net NPA (INR b)	17.8	19.2	17.3	16.7	15.3	15.0	14.0	14.5	16.7	14.5
Net NPA (%)	1.3	1.3	1.1	1.0	0.9	0.8	0.7	0.7	1.0	0.7
PCR (%)	52.3	49.7	53.5	56.5	60.8	62.8	66.2	66.1	56.5	66.1

# Punjab National Bank

Bloomberg	PNB IN
Equity Shares (m)	3,802.0
M. Cap. (INR b)/(USD b)	374 / 5.3
52-Week Range (INR)	107 / 59
1,6,12 Rel Perf. (%)	20 / 49 / -15

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	149.2	173.9	193.6	215.2
OP	102.9	136.1	153.2	173.7
NP	-122.8	-47.9	21.9	44.3
NIM (%)	2.1	2.4	2.6	2.7
EPS (INR)	-50.3	-14.6	5.8	11.6
EPS Gr. (%)	NM	NM	NM	101.9
BV/Sh. (INR)	141	112	117	129
ABV/Sh. (INR)	6	41	60	79
RoE (%)	-29.5	-11.2	4.8	9.1
RoA (%)	-1.7	-0.6	0.3	0.5

## Valuations

P/E(X)	-2.0	-6.8	17.1	8.5
P/BV (X)	0.7	0.9	0.8	0.8
P/ABV (X)	15.8	2.4	1.6	1.3

**CMP: INR98 TP: INR90 (-9%) Neutral**

- We expect loan growth to come in at 3% YoY and deposits growth at ~4% YoY.
- NII growth is expected to pick up to 45% YoY due to lower interest reversals as 4QFY18 witnessed spike in slippages. We expect margins to remain stable at ~2.6%.
- Overall non-interest income is estimated to grow 21% YoY, supported by higher fee income.
- Stress addition is likely to moderate at 2.6% annualized. We expect credit cost to be ~405bp for FY19.
- The stock trades at 0.8x FY21E BV. Maintain **Neutral**.

## Key issues to watch for

- Outlook on asset quality, as net stressed loans remain one of the highest in the industry.
- NIMs and CASA performance.
- Overall growth outlook.

## Quarterly Performance

(INRm)

Y/E March	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>38,551</b>	<b>40,152</b>	<b>39,887</b>	<b>30,634</b>	<b>46,919</b>	<b>39,741</b>	<b>42,901</b>	<b>44,324</b>	<b>1,49,224</b>	<b>1,73,884</b>
% Change (YoY)	4.2	3.5	6.9	-16.8	21.7	-1.0	7.6	44.7	-0.5	16.5
Other Income	23,318	19,060	30,820	15,611	19,592	17,096	18,192	18,831	88,809	73,711
<b>Total Income</b>	<b>61,869</b>	<b>59,212</b>	<b>70,707</b>	<b>46,244</b>	<b>66,511</b>	<b>56,837</b>	<b>61,092</b>	<b>63,155</b>	<b>2,38,033</b>	<b>2,47,595</b>
Operating Expenses	29,696	26,421	28,255	50,718	24,564	28,442	30,094	28,417	1,35,091	1,11,517
<b>Operating Profit</b>	<b>32,173</b>	<b>32,791</b>	<b>42,452</b>	<b>-4,474</b>	<b>41,947</b>	<b>28,395</b>	<b>30,999</b>	<b>34,738</b>	<b>1,02,942</b>	<b>1,36,078</b>
% Change (YoY)	-1.8	-1.0	52.7	NM	30.4	-13.4	-27.0	NM	-29.3	32.2
Other Provisions	26,087	24,408	44,667	2,03,531	57,582	97,579	27,538	28,158	2,98,738	2,10,857
<b>Profit before Tax</b>	<b>6,086</b>	<b>8,383</b>	<b>-2,215</b>	<b>-2,08,005</b>	<b>-15,635</b>	<b>-69,184</b>	<b>3,460</b>	<b>6,580</b>	<b>-1,95,796</b>	<b>-74,779</b>
Tax	2,652	2,777	-4,516	-73,836	-6,235	-23,861	995	2,180	-72,968	-26,920
<b>Net Profit</b>	<b>3,434</b>	<b>5,606</b>	<b>2,301</b>	<b>-1,34,169</b>	<b>-9,400</b>	<b>-45,324</b>	<b>2,465</b>	<b>4,400</b>	<b>-1,22,828</b>	<b>-47,858</b>
% Change (YoY)	12.1	2.0	11.1	NM	NM	NM	7.1	NM	NM	NM
<b>Operating Parameters</b>										
Deposits (INR b)	6,256	6,362	6,480	6,422	6,303	6,497	6,504	6,660	6,422	6,660
Loans (INR b)	3,997	4,103	4,521	4,337	4,153	4,310	4,344	4,467	4,337	4,467
Deposit Growth (%)	12.9	10.7	5.9	3.3	0.8	2.1	0.4	3.7	3.3	3.7
Loan Growth (%)	2.1	4.2	17.2	3.4	3.9	5.0	-3.9	3.0	3.4	3.0
<b>Asset Quality</b>										
Gross NPA (INR B)	577	576	575	866	829	813	777	726	866	726
Net NPA (INR B)	346	346	341	487	439	383	357	336	487	336
Gross NPA (%)	13.7	13.3	12.1	20.0	18.3	17.2	16.3	16.3	20.0	16.3
Net NPA (%)	8.7	8.4	7.6	11.2	10.6	8.9	8.2	7.5	11.3	7.5
PCR (%)	40.1	40.0	40.8	43.8	47.1	52.9	54.1	53.7	43.8	53.7

## RBL Bank

Bloomberg	RBK IN
Equity Shares (m)	428.1
M. Cap. (INR b)/(USD b)	290 / 4.1
52-Week Range (INR)	692 / 439
1,6,12 Rel Perf. (%)	6 / 23 / 23

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	17.7	25.0	33.4	45.4
OP	13.3	19.1	25.8	35.7
NP	6.4	8.6	11.5	15.9
NIM (%)	3.3	3.6	3.7	3.8
EPS (INR)	15.1	20.5	27.5	38.0
EPS Gr. (%)	27.3	35.4	34.2	38.0
BV/Sh. (INR)	159.3	176.1	198.5	228.5
ABV/Sh. (INR)	152.8	170.1	190.3	217.3
RoE (%)	11.6	12.2	14.7	17.8
RoA (%)	1.1	1.2	1.2	1.3
Payout (%)	15.0	15.0	16.0	18.0
<b>Valuations</b>				
P/E(X)	44.8	33.1	24.7	17.9
P/BV (X)	4.3	3.8	3.4	3.0
P/ABV (X)	4.4	4.0	3.6	3.1

**CMP: INR678 TP: INR650 (-4%) Buy**

- Loan growth (+36% YoY, driven by credit card/MFI business) and deposit growth (+33% YoY) are expected to remain robust and significantly above industry average.
- We expect NII to grow ~40% YoY, led by strong loan growth and favorable NIMs. Increase in yields is expected to offset higher cost of funds.
- Overall non-interest income is expected to grow ~31% YoY, led by strong growth in fee income and digital initiatives. Opex growth of 34% (led by branch expansion) is expected to trail total income growth of 36%, leading to an increase in PPOP by 39% YoY to INR5.3b.
- Asset quality is expected to remain largely stable in 4QFY19, with the MFI segment showing lower delinquencies. Credit costs would largely be under control. We expect PAT growth of 35%/7% YoY/QoQ to INR2.4b.
- RBK trades at 3.1x FY21E ABV. We maintain our **Buy rating**.

## Key issues to watch for

- Management commentary on slippages in the SME segment.
- Trend in provisioning expenses, particularly residual credit cost related to MFI business. CASA ratio and traction on NIMs.
- Update and commentary on balance sheet growth strategy.

## Quarterly performance

									(INRm)	
	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>3,784</b>	<b>4,202</b>	<b>4,673</b>	<b>5,005</b>	<b>5,527</b>	<b>5,930</b>	<b>6,551</b>	<b>6,984</b>	<b>17,663</b>	<b>24,991</b>
% Change (Y-o-Y)	54.7	38.7	45.3	42.1	46.1	41.1	40.2	39.5	44.6	41.5
Other Income	2,569	2,411	2,582	3,120	3,260	3,331	3,741	4,089	10,682	14,421
<b>Total Income</b>	<b>6,353</b>	<b>6,612</b>	<b>7,255</b>	<b>8,124</b>	<b>8,787</b>	<b>9,261</b>	<b>10,291</b>	<b>11,073</b>	<b>28,345</b>	<b>39,412</b>
Operating Expenses	3,239	3,581	3,921	4,293	4,464	4,770	5,307	5,736	15,034	20,277
<b>Operating Profit</b>	<b>3,114</b>	<b>3,032</b>	<b>3,334</b>	<b>3,831</b>	<b>4,323</b>	<b>4,491</b>	<b>4,985</b>	<b>5,337</b>	<b>13,311</b>	<b>19,135</b>
% Change (Y-o-Y)	68.8	38.4	41.8	36.0	38.8	48.1	49.5	39.3	44.6	43.8
Other Provisions	945	749	823	1,129	1,404	1,397	1,607	1,642	3,645	6,049
<b>Profit before Tax</b>	<b>2,169</b>	<b>2,283</b>	<b>2,511</b>	<b>2,702</b>	<b>2,920</b>	<b>3,094</b>	<b>3,378</b>	<b>3,695</b>	<b>9,665</b>	<b>13,086</b>
Tax Provisions	759	776	858	921	1,019	1,048	1,126	1,295	3,315	4,488
<b>Net Profit</b>	<b>1,410</b>	<b>1,506</b>	<b>1,653</b>	<b>1,781</b>	<b>1,900</b>	<b>2,045</b>	<b>2,252</b>	<b>2,400</b>	<b>6,351</b>	<b>8,598</b>
% Change (Y-o-Y)	44.9	67.6	28.5	36.9	34.8	35.8	36.2	34.7	42.4	35.4
<b>Operating Parameters</b>										
Deposit (INR b)	354.3	365.7	386.2	439.0	449.5	477.9	521.9	583.9	439.0	583.9
Loan (INR b)	311.1	335.8	368.9	402.7	422.0	458.7	498.9	545.6	402.7	545.6
Deposit Growth (%)	37.3	30.8	28.7	26.9	26.9	30.7	35.1	33.0	26.9	33.0
Loan Growth (%)	39.7	35.0	37.8	36.7	35.7	36.6	35.2	35.5	36.7	35.5
<b>Asset Quality</b>										
Gross NPA (INR b)	4.6	4.9	5.8	5.7	6.0	6.4	7.0	7.4	5.7	7.4
Gross NPA (%)	1.5	1.4	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Net NPA (INR b)	2.5	2.6	3.6	3.1	3.2	3.4	3.6	3.6	3.1	3.6
Net NPA (%)	0.8	0.8	1.0	0.8	0.8	0.7	0.7	0.7	0.8	0.7
PCR (%)	45.3	46.5	38.3	44.8	47.0	47.5	48.5	51.1	44.8	51.1

# State Bank of India

Bloomberg	SBIN IN
Equity Shares (m)	8,924.6
M. Cap. (INR b)/(USD b)	2,932 / 41.5
52-Week Range (INR)	331 / 232
1,6,12 Rel Perf. (%)	12 / 13 / 16

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	748.5	883.3	1,039.0	1,204.2
OP	595.1	540.8	701.6	839.0
NP	-65.5	36.7	213.6	305.7
NIM (%)	2.5	2.8	3.0	3.1
EPS (INR)	-7.7	4.1	23.9	34.3
EPS Gr. (%)	NM	NM	481.4	43.1
BV (INR)	230.2	233.8	255.4	286.2
ABV (INR)	134.5	164.8	199.5	235.0
Cons. BV (INR)	242.8	246.9	269.3	302.1
Cons. ABV (INR)	152.3	183.5	217.7	254.1
RoE (%)	-3.5	1.9	10.3	13.3
RoA (%)	-0.2	0.1	0.5	0.7
<b>Valuations</b>				
P/BV (x) (Cons.)	1.3	1.3	1.2	1.1
P/ABV (x) (Cons.)	2.0	1.8	1.5	1.3
P/ABV (x)	1.9	1.6	1.3	1.1
P/E (x)	-33.3	62.2	10.7	7.5

\*Adjusted for Investment in subs

**CMP: INR329 TP: INR380 (+16%) Buy**

- We expect loan growth of 11% YoY, led by growth in retail books and portfolio buyouts. Deposit growth is expected to come in at 8% YoY.
- NII is expected to increase by 15% YoY due to lower interest reversals and better recoveries from w/off accounts.
- Non-interest income is expected to decline YoY, but increase QoQ on account of an improvement in the treasury performance and fee income.
- Stress addition is likely to moderate to 1.9% levels, as we believe that most of the stress has been recorded in previous quarters. Developments on the IBC-related accounts and resolution of power assets remain a key monitorable.
- The stock trades at 1.3x FY21E consolidated ABV. **Buy**.

## Key issues to watch for

- Updates on the retail, SME and agri slippages.
- Recoveries from resolution of NCLT accounts.
- Outlook on power assets and macro developments on asset quality.

## Quarterly Performance

(INR b)

Y/E March	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>176.1</b>	<b>185.9</b>	<b>186.9</b>	<b>199.7</b>	<b>218.0</b>	<b>209.1</b>	<b>226.9</b>	<b>229.4</b>	<b>748.5</b>	<b>883.3</b>
% Change (YoY)	-3.5	2.6	5.2	-5.2	23.8	12.5	21.4	14.8	-0.5	18.0
Other Income	80.1	160.2	80.8	124.9	66.8	93.8	80.4	102.5	446.0	343.4
<b>Total Income</b>	<b>256.1</b>	<b>346.0</b>	<b>267.7</b>	<b>324.7</b>	<b>284.8</b>	<b>302.8</b>	<b>307.3</b>	<b>331.9</b>	<b>1,194.5</b>	<b>1,226.8</b>
Operating Expenses	137.4	146.0	150.2	165.9	165.0	163.8	181.0	176.1	599.4	686.0
<b>Operating Profit</b>	<b>118.7</b>	<b>200.0</b>	<b>117.5</b>	<b>158.8</b>	<b>119.7</b>	<b>139.0</b>	<b>126.2</b>	<b>155.8</b>	<b>595.1</b>	<b>540.8</b>
% Change (YoY)	-13.7	43.0	-18.4	-8.2	0.8	-30.5	7.4	-1.9	0.1	-9.1
Other Provisions	89.3	191.4	188.8	281.0	192.3	120.9	60.1	100.7	750.4	474.0
<b>Profit before Tax</b>	<b>29.4</b>	<b>8.6</b>	<b>-71.2</b>	<b>-122.1</b>	<b>-72.6</b>	<b>18.1</b>	<b>66.2</b>	<b>55.0</b>	<b>-155.3</b>	<b>66.8</b>
Tax Provisions	9.4	-7.2	-47.1	-44.9	-23.8	8.7	26.6	18.5	-89.8	30.1
<b>Net Profit</b>	<b>20.1</b>	<b>15.8</b>	<b>-24.2</b>	<b>-77.2</b>	<b>-48.8</b>	<b>9.4</b>	<b>39.5</b>	<b>36.5</b>	<b>-65.5</b>	<b>36.7</b>
% Change (YoY)	436.2	NM	NM	NM	NM	-40.3	NM	NM	NM	NM
<b>Operating Parameters</b>										
Deposits	26,025.3	26,231.8	26,512.4	27,063.4	27,478.1	28,074.2	28,305.4	29,093.2	27,063.4	29,093.2
Loans	18,042.2	18,026.1	18,262.1	19,348.8	18,757.7	19,573.4	20,477.8	21,380.4	19,348.8	21,380.4
<b>Asset Quality</b>										
Gross NPA	1,880.7	1,861.1	1,991.4	2,234.3	2,128.4	2,058.6	1,877.6	1,792.5	2,234.3	1,792.5
Gross NPA (%)	10.0	9.8	10.4	10.9	10.7	10.0	8.7	8.4	10.9	8.4
Net NPA	1,077.6	979.0	1,023.7	1,108.5	992.4	948.1	809.4	773.1	1,108.5	773.1
Net NPA (%)	6.0	5.4	5.6	5.7	5.3	4.8	4.0	3.6	5.7	3.6
PCR (%)	42.7	47.4	48.6	50.4	53.4	53.9	56.9	56.9	50.4	56.9

# Yes Bank

Bloomberg	YES IN
Equity Shares (m)	2305.7
M. Cap. (INR b)/(USD b)	647 / 9.2
52-Week Range (INR)	404 / 147
1,6,12 Rel Perf. (%)	10 / 32 / -26

## Financial Snapshot (INRb)

Y/E March	FY18	FY19E	FY20E	FY21E
NII	77.4	100.6	126.2	160.4
OP	77.5	93.1	114.1	142.5
NP	42.2	42.0	56.9	72.8
NIM (%)	3.2	3.1	3.2	3.3
EPS (INR)	18.4	18.2	24.7	31.6
EPS Gr. (%)	26.3	-1.1	35.6	28.0
BV/Sh. (INR)	111.8	126.2	146.6	173.4
ABV/Sh. (INR)	107.4	116.8	140.2	166.8
RoE (%)	17.7	15.3	18.1	19.8
RoA (%)	1.6	1.2	1.4	1.5

## Valuations

P/E(X)	15.2	15.4	11.3	8.9
P/BV (X)	2.5	2.2	1.9	1.6
P/ABV (X)	2.6	2.4	2.0	1.7

**CMP: INR280 TP: INR270 (-4%) Buy**

- We expect loan growth to remain ahead of the system at ~24% YoY on the back of refinancing opportunities, strong growth in retail banking and sell-down of portfolios. Deposits growth is also likely to remain healthy at ~19% YoY.
- We expect NIM to pick up to 3.4% due to MCLR increase and pricing power shifting toward banks. Consequently, NII growth is expected to remain robust at ~28% YoY.
- Non-interest income growth is likely to remain strong, led by third-party distribution and processing fees, further aided by the improved treasury performance.
- GNPL/NNPL ratio is expected to increase slightly in 4QFY19, but the likely higher recoveries in 4QFY19 will provide some support on the asset quality front.
- We expect PAT of INR9.7b for 4QFY19 (INR41.9b for FY19).
- YES trades at 1.7x FY21E ABV. Maintain **Buy**.

## Key issues to watch for

- Capital raising plans and strategy of the bank under new MD & CEO.
- Performance on balance sheet growth/asset quality/CASA/margins.

## Quarterly Performance

(INR m)

	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>18,089</b>	<b>18,851</b>	<b>18,888</b>	<b>21,542</b>	<b>22,191</b>	<b>24,176</b>	<b>26,664</b>	<b>27,614</b>	<b>77,371</b>	<b>1,00,645</b>
% Change (Y-o-Y)	44.5	33.5	26.8	31.4	22.7	28.2	41.2	28.2	33.5	30.1
Other Income	11,322	12,484	14,223	14,210	16,941	14,735	8,909	13,743	52,238	54,328
<b>Total Income</b>	<b>29,411</b>	<b>31,335</b>	<b>33,111</b>	<b>35,752</b>	<b>39,133</b>	<b>38,910</b>	<b>35,573</b>	<b>41,358</b>	<b>1,29,609</b>	<b>1,54,973</b>
Operating Expenses	12,369	12,269	13,093	14,398	14,586	15,246	15,669	16,352	52,128	61,853
<b>Operating Profit</b>	<b>17,042</b>	<b>19,067</b>	<b>20,018</b>	<b>21,354</b>	<b>24,547</b>	<b>23,664</b>	<b>19,904</b>	<b>25,006</b>	<b>77,481</b>	<b>93,121</b>
% Change (Y-o-Y)	30.4	37.6	37.7	26.3	44.0	24.1	-0.6	17.1	32.7	20.2
Provisions	2,858	4,471	4,213	3,996	6,257	9,400	5,502	10,681	15,538	31,839
<b>Profit before Tax</b>	<b>14,184</b>	<b>14,596</b>	<b>15,805</b>	<b>17,358</b>	<b>18,291</b>	<b>14,265</b>	<b>14,401</b>	<b>14,325</b>	<b>61,943</b>	<b>61,281</b>
Tax	4,529	4,569	5,036	5,564	5,687	4,618	4,383	4,616	19,697	19,304
<b>Net Profit</b>	<b>9,655</b>	<b>10,027</b>	<b>10,769</b>	<b>11,794</b>	<b>12,604</b>	<b>9,647</b>	<b>10,019</b>	<b>9,709</b>	<b>42,246</b>	<b>41,978</b>
% Change (Y-o-Y)	31.9	25.1	22.0	29.0	30.5	-3.8	-7.0	-17.7	26.9	-0.6
<b>Operating Parameters</b>										
Deposit Growth (%)	22.6	23.4	29.7	40.5	42.0	41.0	29.7	18.5	40.5	18.5
Loan Growth (%)	32.1	34.9	46.5	53.9	53.4	61.2	42.2	24.3	53.9	24.3
Deposit (INR b)	1,502	1,580	1,717	2,007	2,134	2,228	2,228	2,379	2,007	2,379
Loan (INR b)	1,400	1,487	1,715	2,035	2,147	2,396	2,439	2,530	2,035	2,530
<b>Asset Quality</b>										
Gross NPA (INR B)	13.6	27.2	29.7	26.3	28.2	38.7	51.6	59.3	26.3	59.3
Gross NPA (%)	1.0	1.8	1.7	1.3	1.3	1.6	2.1	2.3	1.3	2.3
Net NPA (INR B)	5.5	15.4	16.0	13.1	12.6	20.2	28.8	29.1	13.1	29.1
Net NPA (%)	0.4	1.0	0.9	0.6	0.6	0.8	1.2	1.2	0.6	1.2
PCR (%)	60.0	43.3	46.4	50.0	55.3	47.8	44.2	50.9	50.0	50.9

# HDFC Standard Life Insurance

Bloomberg	HDFCLIFE IN
Equity Shares (m)	2,005.4
M. Cap. (INR b)/(USD b)	762 / 10.8
52-Week Range (INR)	547 / 345
1,6,12 Rel Perf. (%)	-3 / -9 / -38

## Financial Snapshot (INR b)

Y/E MARCH	FY18	FY19E	FY20E	FY21E
Net Premiums	233.7	282.1	333.4	401.7
Surplus / Deficit	10.9	13.4	15.6	19.8
Sh. PAT	11.1	13.2	16.0	19.3
New bus.gr-unwtd .%	31.7	24.0	20.0	24.0
New bus gr-APE (%)	30.0	11.2	18.8	26.0
Total prem.gr-unwtd .%	21.2	20.9	18.2	20.5
NBP margin (%)	23.2	25.4	26.0	26.0
RoE (%)	25.8	25.2	25.5	25.3
RoEV (%)	22.0	17.7	17.7	19.9
Total AUMs (INRb)	1,066	1,288	1,574	1,938
VNB(INRb)	12.8	15.2	18.5	23.4
EV (INRb)	152.1	179.0	210.7	252.6

## Valuations

P/EV (x)	5.0	4.3	3.6	3.0
P/EPS (x)	68.7	56.7	46.6	38.6

**CMP: INR380 TP: INR475 (+25%) Buy**

- We expect net premium income to grow by ~7% YoY, largely driven by renewal premium.
- Total commission and operating expense is expected to grow by 3% YoY, largely driven by commission expense to drive new business sales.
- We expect surplus to grow by 49% YoY and shareholder PAT to increase by 17% YoY.
- We expect the margins to expand further as the share of protection in the overall business goes up further.
- HDFCLIFE trades at 3.0x FY21E EV. Maintain **Buy**.

## Key issues to watch for

- Outlook on cost-ratios, new business margins, persistency and new business growth (as the impact of demon wanes out).
- Ramp-up of agency channel and the productivity outlook mainly through use of digital means.

## Quarterly Performance

(INR m)

Policy holder's A/c	FY18				FY19E				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net premium income	36,615	53,894	54,200	89,000	49,947	67,776	68,977	95,414	2,33,710	2,82,113
Growth (%)	15.3	22.9	19.5	24.0	36.4	25.8	27.3	7.2	21.3	20.7
Commission paid	1,563	2,475	2,625	4,087	1,982	2,637	2,623	6,213	10,749	13,454
Operating expense	5,638	7,189	7,769	10,998	7,246	9,458	9,243	9,354	31,593	35,301
<b>Surplus/(Deficit)</b>	<b>3,012</b>	<b>2,169</b>	<b>1,797</b>	<b>3,968</b>	<b>3,388</b>	<b>1,946</b>	<b>2,217</b>	<b>5,893</b>	<b>10,946</b>	<b>13,443</b>
Growth (%)	72.2	-30.0	0.0	40.1	12.5	-10.3	23.3	48.5	79.9	22.8
<b>Shareholders' Account</b>										
<b>Total income</b>	<b>3,351</b>	<b>2,549</b>	<b>2,117</b>	<b>4,939</b>	<b>4,081</b>	<b>3,073</b>	<b>2,604</b>	<b>6,039</b>	<b>12,955</b>	<b>15,797</b>
<b>PBT</b>	<b>3,267</b>	<b>2,450</b>	<b>2,162</b>	<b>3,390</b>	<b>3,918</b>	<b>2,963</b>	<b>2,565</b>	<b>4,317</b>	<b>11,267</b>	<b>13,763</b>
Tax	103	65	89	-79	116	93	109	274	177	592
<b>PAT</b>	<b>3,164</b>	<b>2,385</b>	<b>2,073</b>	<b>3,468</b>	<b>3,802</b>	<b>2,869</b>	<b>2,456</b>	<b>4,044</b>	<b>11,090</b>	<b>13,171</b>
Growth (%)	28.5	9.3	14.8	40.4	20.2	20.3	18.5	16.6	24.3	18.8
<b>Other key data (%)</b>										
AUM	NA	NA	1,044	1,066	1,096	1,132	1,210	1,288	1,066	1,288
EV	NA	NA	145	152	157	164	171	179	152	179

# ICICI Prudential Life Insurance

Bloomberg	IPRU IN
Equity Shares (m)	1,435.3
M. Cap. (INR b)/(USD b)	529 / 7.5
52-Week Range (INR)	461 / 278
1,6,12 Rel Perf. (%)	6 / 5 / -21

## Financial Snapshot (INR B)

Y/E MARCH	FY18	FY19E	FY20E	FY21E
Net Premiums	268.1	309.1	353.6	407.0
Surplus / Deficit	13.6	10.0	11.1	13.3
Sh. holder's PAT	16.2	11.5	12.7	14.8
New bus.gr-unwtd. %	16.2	12.0	15.0	17.0
New bus gr- APE. %	16.0	0.4	13.9	16.5
Total prem.gr – unwtd. %	20.3	16.5	14.5	15.1
NBP margin (%)	16.5	16.6	16.9	17.4
RoE (%)	24.4	16.0	16.4	17.5
RoEV (%)	16.1	15.3	14.3	14.0
Total AUMs (INR b)	1,395	1,601	1,819	2,070
VNB(INRb)	12.9	12.6	14.5	17.5
EV (INRb)	188	217	248	282
<b>Valuations</b>				
P/EV (x)	2.8	2.4	2.1	1.9
P/EPS (x)	32.7	40.2	36.3	31.3

**CMP: INR369 TP: INR430 (+17%) Buy**

- We expect net premium income to grow by 20% YoY, with renewal premium expected to grow by 18% YoY and first-year premium to grow by 25%, mainly due to ULIP-dominated business.
- Total commission and operating expenses are likely to increase by 43% YoY, led by a 53% YoY increase in operating expenses.
- We expect surplus to decline by 35% YoY and PAT in shareholders' account to decline by 21% YoY to INR2.7b.
- IPRULIFE trades at 1.9x FY21E EV. Maintain **Buy**.

## Key issues to watch for

- New business growth in ULIP segment due to volatile market conditions.
- Value of new business and the margin trajectory after reporting sharp expansion in FY18.

## Quarterly Performance

Policyholder's account	FY18				FY19E				(INRm)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY18	FY19E
Net premium income	48,202	65,395	67,951	86,558	54,378	76,012	74,830	1,03,911	2,68,107	3,09,131
Growth (%)	37.4	20.6	19.3	15.0	12.8	16.2	10.1	20.0	21.0	15.3
Commission paid	2,162	3,632	3,773	4,466	2,795	3,951	3,671	5,816	14,033	16,233
Operating expense	4,120	4,921	5,211	6,048	5,952	6,585	5,785	9,260	20,299	27,582
<b>Surplus/(Deficit)</b>	<b>3,965</b>	<b>3,554</b>	<b>3,372</b>	<b>2,740</b>	<b>3,009</b>	<b>2,003</b>	<b>3,254</b>	<b>1,768</b>	<b>13,630</b>	<b>10,035</b>
Growth (%)	74.7	12.5	15.2	15.0	-24.1	-43.6	-3.5	-35.5	27.0	-26.4
<b>Shareholders' Account</b>										
<b>Total income</b>	<b>4,373</b>	<b>4,578</b>	<b>4,904</b>	<b>4,482</b>	<b>3,864</b>	<b>2,910</b>	<b>4,046</b>	<b>3,046</b>	<b>18,362</b>	<b>13,865</b>
<b>PBT</b>	<b>4,281</b>	<b>4,491</b>	<b>4,810</b>	<b>3,614</b>	<b>2,840</b>	<b>3,032</b>	<b>2,975</b>	<b>3,636</b>	<b>17,189</b>	<b>12,483</b>
Tax	221	279	289	208	24	24	8	944	997	999
<b>PAT</b>	<b>4,059</b>	<b>4,212</b>	<b>4,521</b>	<b>3,406</b>	<b>2,816</b>	<b>3,009</b>	<b>2,968</b>	<b>2,692</b>	<b>16,192</b>	<b>11,485</b>
Growth (%)	0.3	0.6	0.5	-16.6	-30.6	-28.6	-34.4	-21.0	-3.7	-29.1
<b>Key metrics (INRb)</b>										
AUM	1,266	1,306	1,383	1,395	1,427	1,461	1,500	0	1,395	1,601
EV	NA	172	NA	188	NA	192	205	217	188	217

## Explanation of Investment Rating

Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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