

## Small, beautiful and solid

With consistent performance and healthy core parameters, CUBK deserves premium multiples. Barring the marginal blip in asset quality, 4QFY19 was mostly along expected lines. Maintain BUY with a TP of Rs 240 (3x Mar-21E ABV of Rs 80)

### HIGHLIGHTS OF THE QUARTER

- **Higher Slippages Not A Worry:** GNPA's (2.95%) jumped ~10% QoQ as a result of a ~23% rise in slippages. Five large a/cs contributed to ~34% of slippages. Past trends and commentary suggest incremental stress may flow from exposures to educational institutions. Given that FY19 slippages were within the stated guidance of ~2%, the 4Q blip is not worrisome. At ~1.8% over FY19-21E, our slippage estimates are unchanged.
- **High, Sticky Margins:** NIM at ~4.4% has persistently held up. This is indicative of a lucrative lending franchise, as we have maintained. A large proportion of w/c (65%) and floating rate (95%) loans insulates NIM from CoF fluctuations. Yields and costs thus moved in tandem (+10bps QoQ). We, like CUB's management, expect NIMs to dip a bit (to 4.1%) over FY19-21E.

### Financial Summary

(Rs mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY18	FY19P	FY20E	FY21E
Net Interest Income	9,846	8,707	13.1%	9,666	1.9%	14,303	16,115	18,551	21,657
PPOP	2,297	1,935	18.7%	2,311	-0.6%	12,078	12,400	14,327	16,515
APAT	1,751	1,521	15.1%	1,781	-1.7%	5,920	6,829	7,901	9,320
EPS (Rs)	2.4	2.3	4.0%	2.4	-2.0%	8.9	9.3	10.8	12.7
RoAE (%) (ex revaluations)						15.3	15.2	15.1	15.4
RoAA (%)						1.57	1.60	1.61	1.61
Adj. BVPS (Rs)						55.5	57.9	68.4	79.9
P/ABV (x)						3.59	3.44	2.91	2.49
P/E (x)						22.3	21.4	18.5	15.7

Source: Company, HDFC sec Inst Research

- **Put on Growth:** Advances grew ~17/8% to ~Rs 333bn. Growth in the core MSME segment (31% of loans) was optically low at 7% YoY, due to sale of IBPCs (~Rs 7bn in 4Q). Large industry growth revived to 18/10%. Trader loans grew 12/9% to constitute ~17% of the book. We expect loan growth to accelerate to 18% over FY19-21E as CUBK capitalises on the space vacated by capital strapped PSBs and cash strapped NBFCs.
- **Near term outlook:** The stock should remain steady. Any fall is a buying opportunity.

### STANCE

**Strong regional focus and customer franchise in core segments (MSME/traders) have enabled CUBK to consistently outperform its regional peers (KVB and FB). While critics may be wary of its regional concentration, we believe there is enough headroom to grow in TN (3.6% marketshare). Waning competition will only help. A low frills operating model (that earns employee loyalty via ESOPs) and calibrated credit filters contribute to steady RoAA. CUBK looks relatively small, but is rock solid.**

INDUSTRY	BANKS
<b>CMP (as on 17 May 2019)</b>	<b>Rs 199</b>
<b>Target Price</b>	<b>Rs 240</b>
Nifty	11,407
Sensex	37,931

### KEY STOCK DATA

Bloomberg	CUBK IN
No. of Shares (mn)	735
MCap (Rs bn) / (\$ mn)	146/2,082
6m avg traded value (Rs mn)	158

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 208/157		
	3M	6M	12M
Absolute (%)	10.5	21.4	16.4
Relative (%)	4.5	14.4	8.5

### SHAREHOLDING PATTERN (%)

	Dec-18	Mar-19
Promoters	-	-
FIs & Local MFs	25.7	32
FPIs	27	24.3
Public & Others	47.3	43.6
Pledged Shares	Nil	Nil

Source : BSE

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## Five Quarters At A Glance

Rs mn	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY Growth	QoQ Growth
Net Interest Income	3,679	3,748	3,980	4,181	4,206	14.3%	0.6%
Non-interest Income	1,198	1,291	1,186	1,198	1,469	22.6%	22.6%
Treasury Income	301	193	213	208	256	-15.0%	23.1%
Operating Income	4,878	5,039	5,166	5,379	5,675	16.3%	5.5%
Operating Expenses	1,935	2,045	2,206	2,311	2,297	18.7%	-0.6%
Pre-Provision Profits	2,943	2,994	2,959	3,069	3,378	14.8%	10.1%
Other Provisions	862	778	680	788	907	5.3%	15.1%
PBT	2,081	2,216	2,280	2,281	2,471	18.7%	8.3%
Provision For Tax	560	600	600	500	720	28.6%	44.0%
PAT	1,521	1,616	1,680	1,781	1,751	15.1%	-1.7%
<b>Balance Sheet items/ratios</b>							
Deposits	329	336	345	355	384	17.0%	8.3%
CASA %	24.2	23.9	23.6	23.9	25.2	100 bps	137 bps
Advances	282	282	298	306	331	17.1%	7.9%
CD Ratio (%)	86.0	84.0	86.2	86.3	86.0	4 bps	29 bps
CAR (%)	16.2	16.1	15.1	14.8	15.6	-67 bps	76 bps
Tier I (%)	15.8	15.6	14.7	14.4	15.0	-76 bps	64 bps
<b>Profitability</b>							
Yield On Advances (%)	11.19	10.86	10.86	10.96	11.07	-12 bps	11 bps
Cost Of Deposits (%)	6.22	6.15	6.07	6.17	6.27	5 bps	10 bps
NIM (%)	4.36	4.24	4.32	4.41	4.40	4 bps	-1 bps
Cost-Income Ratio (%)	39.7	40.6	42.7	43.0	40.5	81 bps	-248 bps
Tax Rate (%)	26.9	27.1	26.3	21.9	29.1	223 bps	722 bps
<b>Asset quality</b>							
Gross NPA (Rs mn)	8,566	8,511	8,479	8,919	9,771	14.1%	9.5%
Net NPA (Rs mn)	4,748	4,735	4,978	5,276	5,915	24.6%	12.1%
Gross NPAs (%)	3.03	3.02	2.85	2.91	2.95	-8 bps	4 bps
Net NPAs (%)	1.70	1.70	1.69	1.74	1.81	11 bps	7 bps
Delinquency Ratio (%)	2.18	1.78	1.88	2.19	2.57	38 bps	37 bps
Coverage Ratio Calc. (%)	44.6	44.4	41.3	40.8	39.5	-511 bps	-138 bps
Coverage Ratio Reported (%)	64.0	65.0	65.0	65.0	63.0	-100 bps	-200 bps
Restructured Book (%)	0.03	0.03	0.02	-	0.15	12 bps	15 bps

*In line with estimates, led by sequentially flat NIMs and ~17/8% loan growth*

*Fees grew ~14/9% YoY/QoQ and recoveries doubled to Rs 380mn*

*Staff costs and other opex were both sequentially flat*

*LLPs at ~Rs 810mn were 5% higher QoQ, while std asset provisions of ~Rs 150mn quadrupled*

*SA grew ~25/10% YoY/QoQ and CA grew 25% QoQ*

*Stable NIMs continue to surprise*

*Strong QoQ other income growth and muted cost growth led to an improvement in the C-I ratio*

*Slippages: ~Rs 2.0bn (Top 5 Acs of Rs 700mn), Recoveries: ~Rs 467mn, Upgrades: ~Rs 136mn and W/Os: ~Rs 589mn*

## Change In Estimates

Rs mn	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	18,974	18,551	-2.2%	22,150	21,657	-2.2%
PPOP	14,672	14,327	-2.4%	16,829	16,515	-1.9%
PAT	8,040	7,901	-1.7%	9,478	9,320	-1.7%
Adj. BVPS (Rs)	69.9	68.4	-2.2%	81.5	79.9	-2.0%

Source: HDFC sec Inst Research

**The growth in advances sustained at ~17% YoY**

**Term loans grew ~19/6% while demand loans grew ~16/9%**

**Demand loans constituted ~65% of loans**

**Growth in the core MSME segment (31% of loans) was ~7% YoY/ flat QoQ; adj for IBPC sale of Rs 7bn, growth was healthy ~15/6%**

**After rising ~11% in 3Q, other personal loans dipped ~10% QoQ**

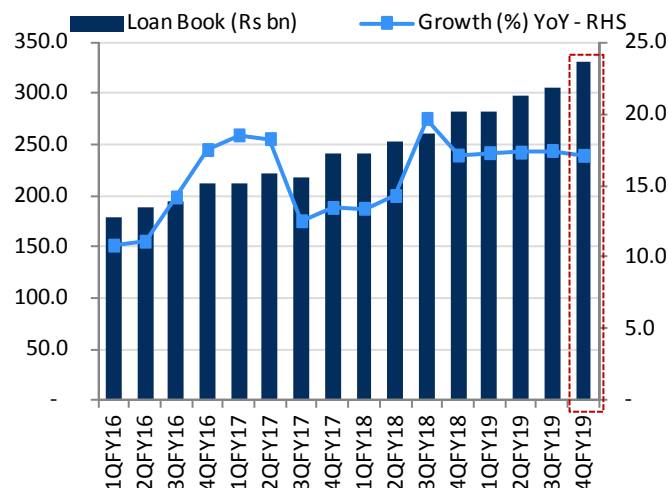
**Large industrial loans grew ~18/10% to form ~6.7% of the loan book**

**NBFC exposure (80 bps of loans) was up ~20% QoQ**

## Non-core segments drive growth, optically

- The sustenance of broad based loan growth (+17/8%) YoY, continues to impress. Agri loans grew ~20/8% to constitute ~14.8% of the book. After ~2 years of sluggish growth, large industrial loans (6.7% of the book) grew ~18/10%. Optically, growth in sensitive sectors has picked up with CRE loans growing ~41/26% (i.e. ~5.9% of the book, +90bps QoQ). Infra loans doubled YoY, on a miniscule base. However, this was due to reclassification of certain loans secured against property as real estate loans.
- On reported basis, MSME growth at 7% YoY (31% of the book) appeared sluggish. However, adj. IBPC sale of ~Rs 7bn, growth was healthy at 15/6%. Trader loans grew ~12/9% to form ~17% of the book.

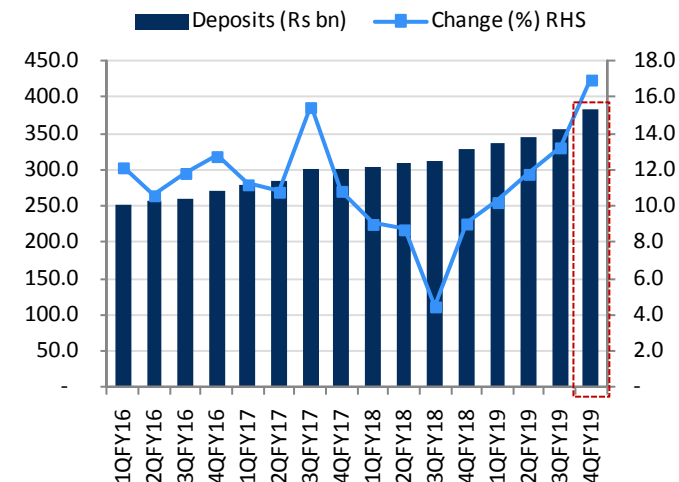
### Loan Book Grew ~17/8% YoY/QoQ



Source: Company, HDFC sec Inst Research

- With PSBs strapped for capital and NBFCs under a funding crunch, CUBK has enough headroom for growth in TN (70% of business, 3.6% mkt share).
- The management has guided for an 18-20% loan growth. We have factored in a loan CAGR of ~18% over FY19-21E.
- Akin to advances, deposits too grew ~17/8%. Led by ~25/10% SA growth, CASA deposits grew ~22/15% to form ~25% of deposits (+140bps QoQ). Robust deposit growth, driven by CASA is laudable given the intense competition for deposits.

### Deposit Grew ~17/8% YoY/QoQ



Source: Company, HDFC sec Inst Research

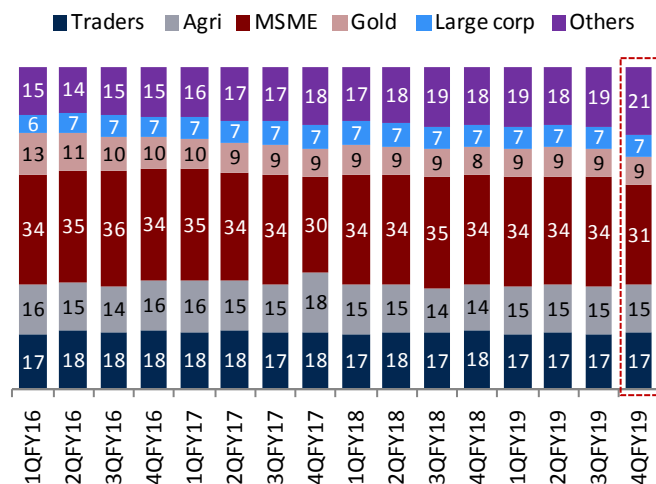
**Optically, the share of MSME advances dipped to ~31% vs. 34% QoQ due to ~Rs 7bn worth of IBPC sale; Trader segment contributed ~17% to the total book (stable QoQ)**

**Contrary to our expectations and consistent mgt guidance, NIMs sustained at 4.4%**

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

**We too have factored in NIMs of 4.1% over FY19-21E.**

### Loan Mix: Share of MSME Loans Dip, Optically

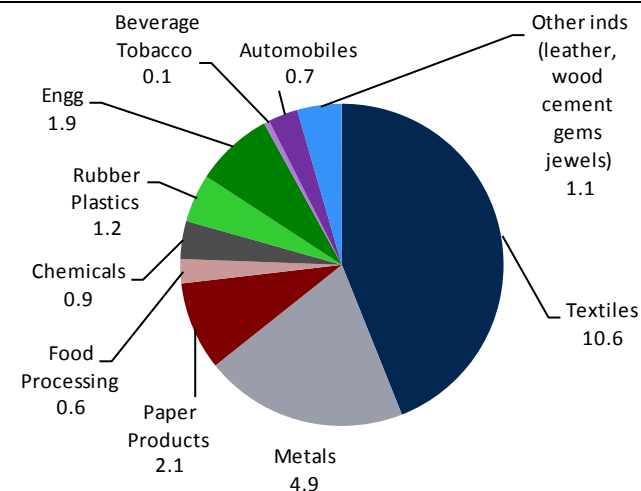


Source: Company, HDFC sec Inst Research

### NIMs Sustain

- CUBK's ability to sustain lofty NIMs (4.4%) continues to amaze us. Yields and CoF moved up in tandem (+10bps QoQ) leaving NIMs unaffected. The large proportion of high yielding working capital (65%) and floating rate loans (95%) give NIMs a certain inertia.
- The stickiness of superior NIMs are also testament of CUBK's strong regional connect with borrowers. NIMs remain amongst the best within its peerset in spite of a not so strong deposit franchise (CASA at 25%).

### Diversified Lending Mix



Source: Company, HDFC sec Inst Research

- Yet again, the mgt guided for NIMs to trend downward. We expect NIMs of 4.1% over FY19-21E.
- Higher recoveries from written off a/cs (2x YoY/QoQ) to the tune of ~Rs 380mn, drove non-interest income up ~23% YoY/QoQ. Fee income grew ~14/9%. Recoveries from the prudentially W/O pool of ~Rs 6bn will provide surprises.

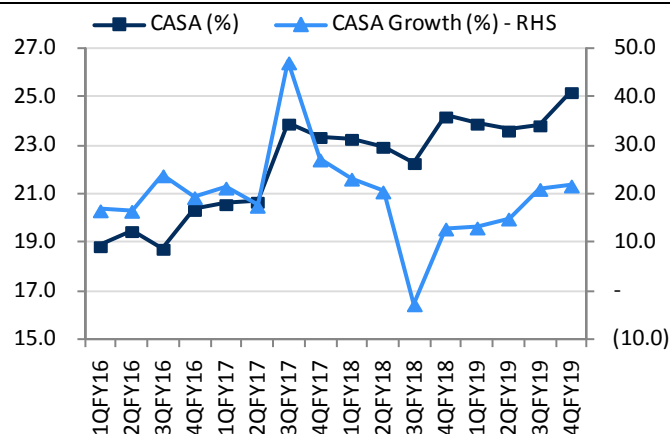
**The CASA Ratio inched up ~140bps sequentially to ~25%**

**Other Income was up ~23% QoQ as recoveries from written off a/cs almost doubled**

**Fees grew ~14/9% YoY/QoQ**

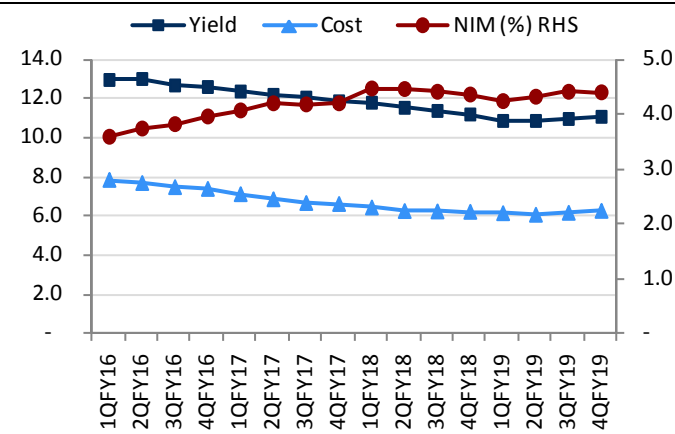
**Reported PCR was ~63%, the mgt is comfortable with maintaining reported coverage at ~60%**

### CASA Ratio Up ~140bps QoQ, A Positive Surprise



Source: Bank, HDFC sec Inst Research

### NIMs Flat QoQ- Unexpected



Source: Bank, HDFC sec Inst Research

### Non-interest Income: Recoveries Double QoQ

Rs mn	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19
Fees	538	549	522	523	582	697	572	612	680	759	688	712	777
YoY	1.7	5.6	(4.7)	4.8	8.2	27.0	9.6	17.0	16.8	8.9	20.3	16.3	14.3
% Loans	1.0	1.0	0.9	1.0	1.0	1.2	0.9	0.9	1.0	1.1	0.9	0.9	0.9
Treasury	351	491	415	793	357	390	646	344	301	193	213	208	256
Others	184	71	105	112	320	266	334	261	217	339	284	278	436
<b>Total</b>	<b>1,073</b>	<b>1,111</b>	<b>1,042</b>	<b>1,428</b>	<b>1,259</b>	<b>1,353</b>	<b>1,552</b>	<b>1,217</b>	<b>1,198</b>	<b>1,291</b>	<b>1,185</b>	<b>1,198</b>	<b>1,469</b>
YoY	1.7	5.9	10.2	38.2	17.4	21.8	49.0	(14.8)	(4.8)	(4.6)	(23.6)	(1.6)	22.6
% Total inc	28.9	28.4	25.7	31.7	28.8	28.3	30.4	25.0	24.6	25.6	22.9	22.3	25.9

Source: Bank, HDFC sec Inst Research

### C-I improves sequentially

- With stable staff costs and other opex, sequential opex growth was contained. On a YoY basis, opex grew ~19%. Led by strong other income growth, operating income grew ~6% QoQ. As a result, the C-I ratio dipped ~250bps sequentially to ~40.5%
- After building in some NIM compression and controlled opex growth, we expect a C-I ratio of ~41% over FY19-21E.

- Led by a higher provisions against std assets (~Rs 153mn vs. ~Rs 30mn QoQ), overall provisions were up ~15%. 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.
- We have built in non-tax provisions of ~96bps over FY19-21E to factor in a higher PCR and cushion on SRs.

**NPA movement: Slippages ~Rs 2 bn (+23% QoQ, 2.57% ann.), Recoveries: ~Rs 467mn (flat QoQ), Upgrades: ~Rs 136mn and W/Os ~Rs 589mn**

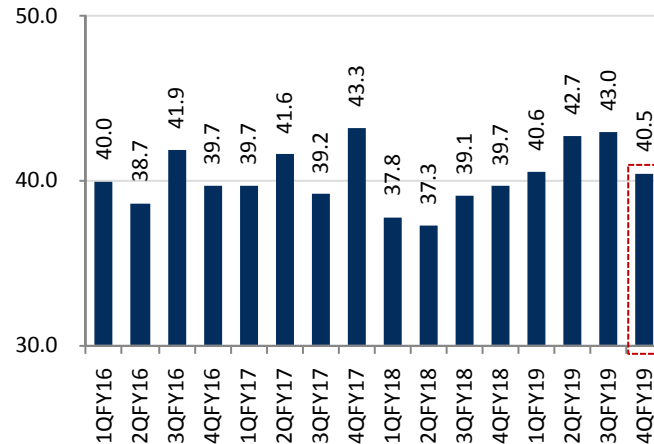
**Slippages from the top 5 a/cs were ~Rs 700mn (Edu. inst. Rs 170mn, Trading Rs 130mn, Saw-mill Rs 120mn and 2 Textiles Rs 240mn).**

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

**In spite of the ~5% sequential rise in LLPs, the calc. PCR dipped ~140bps**

**The mgt expects an uptick in the realisation of collateral**

### C-I dipped ~250bps QoQ

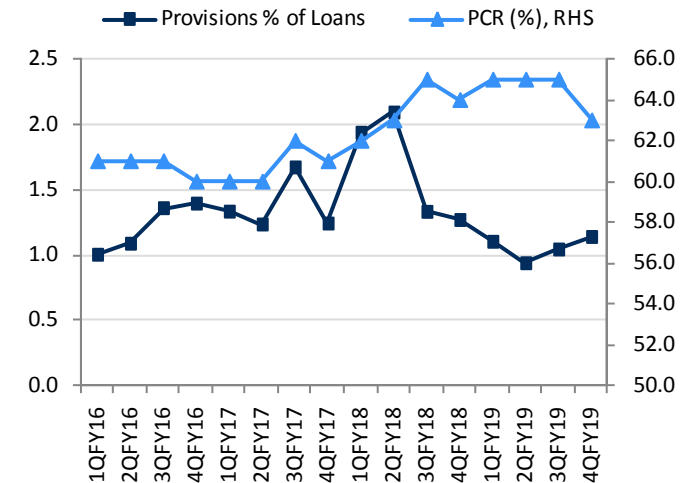


Source: Bank, HDFC sec Inst Research

### Slippages rise QoQ

- CUBK's net stressed book (restructured + NNPA's) is ~1.96% vs. 1.74% QoQ. Incremental SME restructuring (~Rs 497mn) contributed 15bps to the increase.
- Higher slippages (~Rs 2bn i.e. 2.57% ann., +38/24%) resulted in a 10% QoQ jump in GNPA's (2.95%). ~Rs 700mn of slippages can be attributed to 5 a/cs (an educational institution, a trading firm, 2 textile units

### Provisioning Cost Jumps; PCR Dips QoQ



Source: Bank, HDFC sec Inst Research

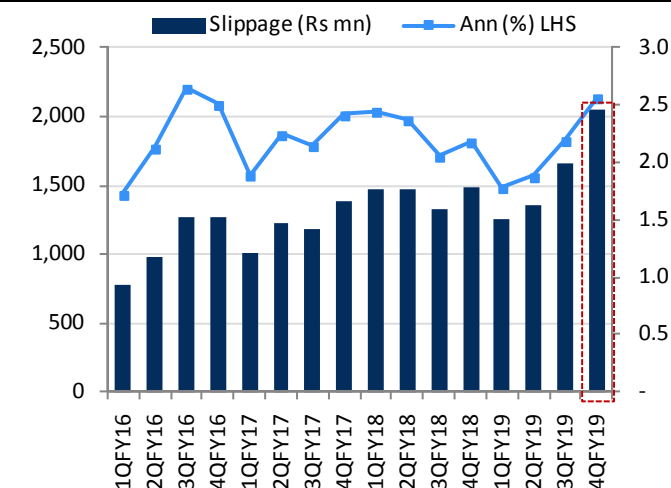
and 1 saw mill). Recoveries and upgrades were sequentially flat QoQ at ~Rs 603mn. Slippages for the year at ~2.1% were well within an acceptable range of the 2% guidance.

- The mgt maintained its FY20 slippage guidance at ~1.75-2.0% in spite of higher slippages during the qtr. We have conservatively factored slippage of ~1.8% over FY19-21E.

**Restructured book at 15bps vs. NIL**

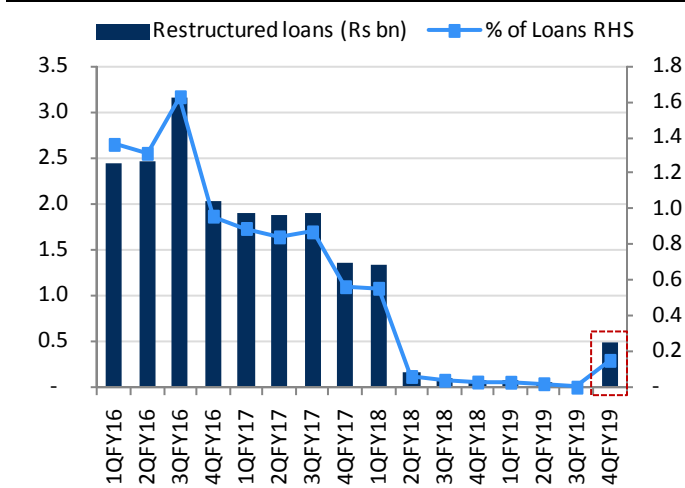
**There were no sales to ARCs in FY19**

### Slippages Up 37bps QoQ To 2.57%



Source : Bank

### Restructured Book At 15bps vs. NIL QoQ



Source : Bank

### Asset Quality Movement

(Rs mn)	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19
Opening	4,599	5,120	5,550	5,980	6,499	6,820	7,350	7,804	8,598	8,565	8,511	8,479	8,919
Slippages	1,274	1,005	1,219	1,183	1,388	1,475	1,468	1,324	1,482	1,259	1,362	1,657	2,044
% Ann.	2.51	1.89	2.25	2.15	2.42	2.45	2.38	2.06	2.18	1.78	1.88	2.19	2.57
Upgrades	97	62	233	56	205	153	70	119	91	120	104	136	136
Recoveries	192	182	220	146	357	281	374	389	579	498	554	461	467
Write-Offs	464	331	336	462	505	511	569	22	845	690	736	620	589
Closing	5,120	5,550	5,980	6,499	6,820	7,350	7,804	8,598	8,565	8,516	8,479	8,919	9,771
QoQ %	11.3	8.4	7.7	8.7	4.9	7.8	6.2	10.2	(0.4)	(0.6)	(0.4)	5.2	9.6

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 #	2,787	1,460	BUY	1,481	209	236	272	45.9	36.7	30.0	5.60	4.88	4.17	12.7	13.6	14.3	1.70	1.75	1.76
ICICIB #	2,513	390	BUY	454	138	153	172	55.6	16.8	11.7	2.11	1.87	1.63	3.3	9.2	12.0	0.36	1.07	1.34
AXSB	1,960	749	BUY	896	215	261	309	39.6	21.0	14.7	3.34	2.75	2.32	7.2	12.4	15.5	0.63	1.05	1.33
IIB	950	1,374	BUY	2,009	411	515	574	29.0	19.1	14.0	3.35	2.67	2.39	12.1	15.2	18.0	1.24	1.46	1.62
RBL	315	656	BUY	803	169	243	268	32.3	25.8	19.5	3.89	2.70	2.45	12.2	12.5	12.7	1.22	1.31	1.34
FB	196	99	NEU	98	59	65	76	15.7	12.2	9.2	1.68	1.51	1.31	9.8	11.5	13.8	0.84	0.93	1.05
<b>CUBK</b>	<b>146</b>	<b>199</b>	<b>BUY</b>	<b>240</b>	<b>58</b>	<b>68</b>	<b>80</b>	<b>21.4</b>	<b>18.5</b>	<b>15.7</b>	<b>3.44</b>	<b>2.91</b>	<b>2.49</b>	<b>15.2</b>	<b>15.1</b>	<b>15.4</b>	<b>1.60</b>	<b>1.61</b>	<b>1.61</b>
KVB	60	75	NEU	84	50	52	60	28.3	18.1	10.4	1.49	1.43	1.25	3.3	5.1	8.7	0.31	0.45	0.71
DCBB	69	222	BUY	228	87	99	114	21.1	16.0	12.1	2.55	2.24	1.94	11.0	13.0	15.2	0.99	1.09	1.20
SBIN #	2,849	319	BUY	383	146	188	222	237.8	8.3	5.6	1.57	1.22	1.01	0.4	10.6	13.9	0.02	0.64	0.84
BOB	298	112	NEU	130	99	135	162	14.8	6.4	4.7	1.14	0.83	0.69	4.9	10.6	12.8	0.27	0.56	0.67
AUBANK	200	660	BUY	680	101	128	151	50.5	35.7	25.5	6.53	5.15	4.37	14.1	15.3	17.2	1.48	1.49	1.61

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



## Income Statement

(Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
Interest Earned	31,738	34,024	37,672	43,838	51,893
Interest Expended	19,750	19,721	21,557	25,287	30,236
<b>Net Interest Income</b>	<b>11,988</b>	<b>14,303</b>	<b>16,115</b>	<b>18,551</b>	<b>21,657</b>
<b>Other Income</b>	<b>4,839</b>	<b>5,321</b>	<b>5,144</b>	<b>5,674</b>	<b>6,232</b>
<i>Fee Income (CEB)</i>	<i>439</i>	<i>495</i>	<i>564</i>	<i>694</i>	<i>819</i>
<i>Treasury Income</i>	<i>1,078</i>	<i>938</i>	<i>870</i>	<i>900</i>	<i>925</i>
<b>Total Income</b>	<b>16,827</b>	<b>19,624</b>	<b>21,259</b>	<b>24,226</b>	<b>27,889</b>
<b>Total Operating Exp</b>	<b>6,890</b>	<b>7,546</b>	<b>8,859</b>	<b>9,899</b>	<b>11,374</b>
<i>Employee Expense</i>	<i>2,981</i>	<i>3,159</i>	<i>3,644</i>	<i>4,079</i>	<i>4,747</i>
<b>PPOP</b>	<b>9,937</b>	<b>12,078</b>	<b>12,400</b>	<b>14,327</b>	<b>16,515</b>
Provisions & Contingencies	3,010	4,178	3,151	3,561	3,892
<i>Prov. for NPAs</i>	<i>2,595</i>	<i>3,045</i>	<i>2,915</i>	<i>3,561</i>	<i>3,892</i>
<b>PBT</b>	<b>6,928</b>	<b>7,900</b>	<b>9,249</b>	<b>10,766</b>	<b>12,623</b>
Provision for Tax	1,900	1,980	2,420	2,865	3,303
<b>PAT</b>	<b>5,028</b>	<b>5,920</b>	<b>6,829</b>	<b>7,901</b>	<b>9,320</b>

Source: Bank, HDFC sec Inst Research

## Balance Sheet

(Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Share Capital	601	665	735	735	735
Reserves	35,101	40,968	47,673	55,297	64,291
<b>Shareholders' Funds</b>	<b>35,702</b>	<b>41,632</b>	<b>48,408</b>	<b>56,032</b>	<b>65,025</b>
<i>Savings</i>	<i>46,297</i>	<i>51,705</i>	<i>64,837</i>	<i>73,989</i>	<i>86,106</i>
<i>Current</i>	<i>24,092</i>	<i>27,862</i>	<i>32,145</i>	<i>36,171</i>	<i>40,563</i>
<i>Term Deposit</i>	<i>230,768</i>	<i>248,959</i>	<i>287,497</i>	<i>338,504</i>	<i>400,799</i>
<b>Total Deposits</b>	<b>301,157</b>	<b>328,526</b>	<b>384,479</b>	<b>448,663</b>	<b>527,468</b>
Borrowings	5,310	17,359	4,809	9,886	14,245
Other Liabilities & Provs.	10,538	11,855	14,893	17,092	19,562
<b>Total Liabilities</b>	<b>352,708</b>	<b>399,372</b>	<b>452,589</b>	<b>531,673</b>	<b>626,301</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	28,790	26,364	29,633	35,628	41,652
Investments	70,315	78,791	77,122	90,161	106,171
G-Secs	66,906	76,344	74,764	87,469	103,096
Advances	238,327	278,528	326,733	384,729	454,942
Fixed Assets	2,151	2,231	2,500	2,625	2,757
Other Assets	13,126	13,458	16,600	18,529	20,780
<b>Total Assets</b>	<b>352,708</b>	<b>399,372</b>	<b>452,589</b>	<b>531,673</b>	<b>626,301</b>

Source: Bank, HDFC sec Inst Research

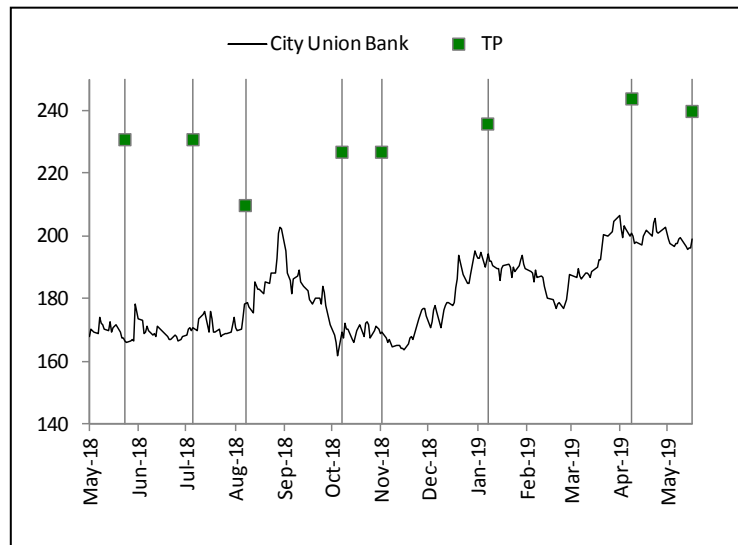
## Key Ratios

	FY17	FY18	FY19P	FY20E	FY21E
<b>VALUATION RATIOS</b>					
EPS (Rs)	8.4	8.9	9.3	10.8	12.7
Earnings Growth (%)	13.1	17.7	15.3	15.7	18.0
BVPS (Rs)	59.4	62.6	65.9	76.3	88.5
Adj. BVPS (Rs)	52.6	55.5	57.9	68.4	79.9
DPS (Rs)	0.3	0.3	0.5	0.4	0.4
ROAA (%)	1.51	1.57	1.60	1.61	1.61
ROAE (%)	15.2	15.3	15.2	15.1	15.4
P/E (x)	23.8	22.3	21.4	18.5	15.7
P/ABV (x)	3.78	3.59	3.44	2.91	2.49
P/PPOP (x)	12.0	11.0	11.8	10.2	8.9
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2
<b>PROFITABILITY</b>					
Yield On Advances (%)	11.54	10.99	10.50	10.54	10.61
Yield On Investment (%)	8.06	7.01	7.10	7.10	7.00
Cost Of Funds (%)	6.82	6.05	5.86	5.96	6.05
Cost of Deposits (%)	6.78	6.12	5.91	5.99	6.10
Core Spread (%)	4.72	4.94	4.64	4.58	4.56
NIM (%)	3.94	4.16	4.14	4.12	4.08
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	2.1	2.0	2.1	2.0	2.0
Cost-Income Ratio (Excl Treasury)	43.7	40.4	43.4	42.4	42.2
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	13.2	16.9	17.3	17.8	18.3
Deposit Growth (%)	10.9	9.1	17.0	16.7	17.6
C/D Ratio (%)	79.1	84.8	85.0	85.8	86.3
Equity/Assets (%)	10.1	10.4	10.7	10.5	10.4
Equity/Advances (%)	15.0	14.9	14.8	14.6	14.3
CASA (%)	23.4	24.2	25.2	24.6	24.0
Capital Adequacy Ratio (CAR, %)	15.8	16.2	15.6	15.0	14.6
W/w Tier I CAR (%)	15.4	15.8	15.0	14.7	14.3

	FY17	FY18	FY19P	FY20E	FY21E
<b>ASSET QUALITY</b>					
Gross NPLs (Rs mn)	6,820	8,565	9,771	10,425	11,559
Net NPLs (Rs mn)	4,083	4,748	5,915	5,808	6,353
Gross NPLs (%)	2.83	3.03	2.95	2.68	2.51
Net NPLs (%)	1.71	1.70	1.81	1.51	1.40
Slippages (%)	2.14	2.22	2.09	1.80	1.70
Coverage Ratio (%)	40.1	44.6	39.5	44.3	45.0
Provision/Avg. Loans (%)	1.12	1.17	0.89	0.95	0.88
<b>ROAA TREE</b>					
Net Interest Income	3.60%	3.80%	3.78%	3.77%	3.74%
Non-interest Income	1.45%	1.42%	1.21%	1.15%	1.08%
Treasury Income	0.32%	0.25%	0.20%	0.18%	0.16%
Operating Cost	2.07%	2.01%	2.08%	2.01%	1.96%
Provisions	0.90%	1.11%	0.74%	0.72%	0.67%
Provisions For NPAs	0.76%	0.81%	0.63%	0.69%	0.64%
Tax	0.57%	0.53%	0.57%	0.58%	0.57%
ROAA	1.51%	1.57%	1.60%	1.61%	1.61%
Leverage (x)	10.0	9.7	9.5	9.4	9.6
ROAE	15.2%	15.3%	15.2%	15.1%	15.4%

Source: Bank, HDFC sec Inst Research

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
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
9-Apr-19	200	BUY	244
19-May-19	199	BUY	240

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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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