

Federal Bank

BUY

No (bad) news is good news

We upgrade Federal Bank to BUY (TP Rs 117, 1.5x June-21 ABV of Rs 77) after a better than expected show across parameters, in a seasonally weak quarter. Further consistency can lead on to significantly better outcomes.

HIGHLIGHTS OF THE QUARTER

- In a seasonally weak qtr, slippages at 1.56% ann. and corp slippages of merely ~Rs 880mn (74bps incl. IL&FS of Rs 320mn) are creditable. Expectedly, retail (Rs 1.4bn, 1.75% ann.) and SME (Rs 1.2bn, 1.46% ann.) slippages were higher QoQ, esp. in Kerala. We have factored in higher slippages of 1.75% over FY20-21E as part of FB's exposure to IL&FS (~Rs 1.9bn) and DHFL and Reliance HF (~Rs 2.75bn) remain standard.
- At ~19/2% YoY/QoQ, loan growth lost a bit of steam (seasonal), with sluggish growth in the corporate (+18/1%) and SME (+12/-1%) books dragging overall growth. Retail growth was much better at ~26/3%. Home loans constituted half the retail book and were a major growth driver (+31/4%). We have modeled loan book growth of 19% over FY20-21E.

- Operating efficiency has long been a challenge for FB in spite of no material branch addition for several qtrs. The dip in the C-I ratio (~240/60bps) to 49.4% can be attributed to higher treasury gains (+86/23%). The stable core C-I ratio (ex-treasury) of 52.4% over the trailing three quarters points to upcoming oplev. We have slightly tweaked our cost assumptions, implying a C-I ratio of 47% over FY20-22E.

STANCE

Inconsistent performance across parameters (spanning asset quality and C-I) capped valuations for FB over several quarters. We sense increasing stability over the last two quarters. Despite factoring higher slippages and provisions towards stressed exposures, FB can deliver earnings CAGR of ~28% led by operating leverage and better core performance, especially asset quality. To be sure, FB has stumbled in the past but several corrective initiatives are probably paying off, finally. UPGRADE to BUY with a TP of Rs 117.

FINANCIAL SUMMARY

(Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net Interest Income	11,542	9,801	17.8%	10,965	5.3%	41,763	50,327	59,661	69,072
PPOP	7,828	6,029	29.8%	7,548	3.7%	27,631	35,481	43,141	50,138
PAT	3,842	2,627	46.2%	3,815	0.7%	12,439	15,971	21,095	26,182
EPS (Rs)	1.9	1.3	45.9%	1.9	0.7%	6.3	8.0	10.6	13.2
ROAE (%) (ex revaluations)						9.8	11.5	13.7	15.1
ROAA (%)						0.84	0.93	1.06	1.13
Adj. BVPS (Rs)						58.7	64.3	75.3	85.6
P/ABV (x)						1.83	1.67	1.42	1.25
P/E (x)						17.1	13.3	10.1	8.1

Source: Company, HDFC sec Inst Research

INDUSTRY	BANKS		
CMP (as on 16 Jul 2019)	Rs 107		
Target Price	Rs 117		
Nifty	11,663		
Sensex	39,131		
KEY STOCK DATA			
Bloomberg	FB IN		
No. of Shares (mn)	1,986		
MCap (Rs bn) / (\$ mn)	213/3,099		
6m avg traded value (Rs mn)	1,214		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 110/67		
	3M	6M	12M
Absolute (%)	9.2	17.5	44.6
Relative (%)	9.6	9.8	36.8
SHAREHOLDING PATTERN (%)			
	Mar19	Jun19	
Promoters	-	-	
FIs & Local MFs	29	28	
FPIs	38	37	
Public & Others	33	36	
Pledged Shares	-	-	
Source : BSE			

Darpin Shah

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

Aakash Dattani

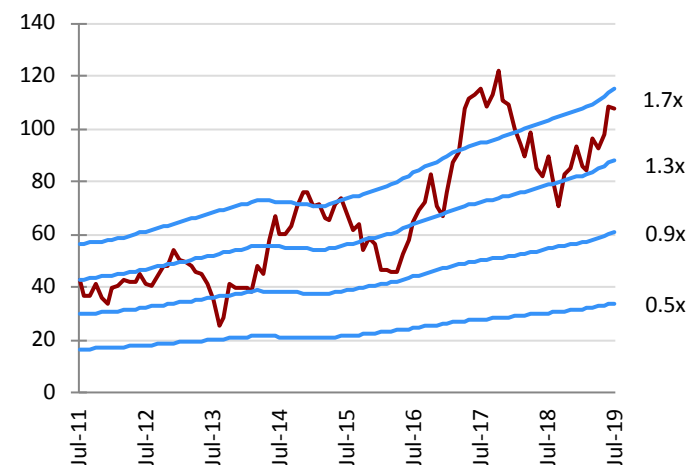
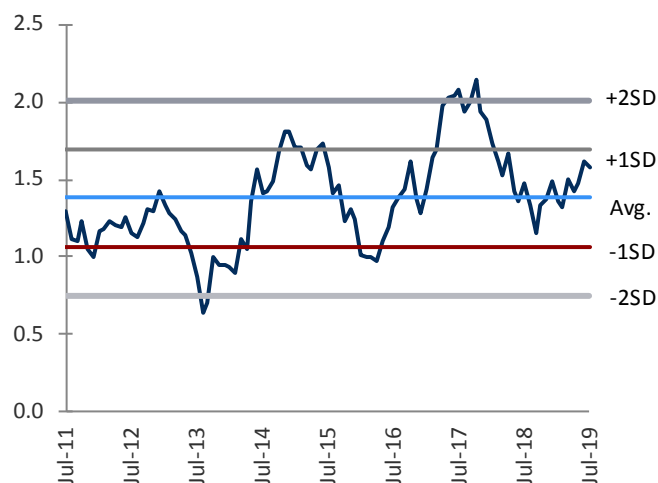
 aakash.dattani@hdfcsec.com
 +91-22-6171-7337

- Stable Margins:** The QoQ dip in margins to 3.15% is optical (4QFY19 incl. ~5bps of int on IT refund). Yields inched up ~18bps, ahead of the increase in CoD (4bps) and the CD ratio increased ~280bps QoQ to ~85%. While the comfortable CD ratio provides room for margin expansion, a relatively lower proportion of high yielding retail loans, low corporate yields (~8.9%) and mediocre CASA franchise (~31%) will contain margins. We estimate NIMs of 3.22% over FY20-22E.
- CA Plunges QoQ:** Led by a ~21% dip in CA (after a 31% QoQ rise in 4Q), overall CASA deposits fell ~4% QoQ. Sequentially stable SA contained the QoQ fall to ~70bps (31.4% CASA). While deposit accretion is a challenge, it is likely to be tougher for FB.
- Treasury Drives Other Income:** Higher treasury income (Rs 910, +86/23%) due to a fall in yields was the largest contributor to other income (+45/-5%).

Cards (Rs 580mn, +53/12%) and general banking fees (Rs 750, +36/7%) saw a sharp rise. Processing fees (Rs 490mn) were sequentially flat, while CEB (Rs 320mn) dipped ~11% QoQ. FB received Rs 200mn as dividend from its insurance subsidiary. While we continue to factor in non-interest income at 94bps of average assets, a sustained fall in yields provides an upside risk to our treasury income estimates.

- Exposure to Stressed Groups:** NPA provisions at 63bps ann. (+26% QoQ), drove overall provisions (+8% QoQ). The rise in provisions can be attributed in part to higher provisions against FB's std exposure to IL&FS (10%) and DHFL (15%). We estimate that the bank will need to provide larger sums against these exposures. Hence we have built in provisions of 75bps over FY20-21E vs. 60bps in FY19.

P/ABV Band Charts



Source: Bank, HDFC sec Inst Research

Five Quarters At A Glance

Rs mn	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY Growth	QoQ Growth
Net Interest Income	9,801	10,225	10,773	10,965	11,542	17.8%	5.3%
Non-interest Income	2,709	3,229	3,456	4,117	3,915	44.5%	-4.9%
Treasury Income	490	510	550	740	910	85.7%	23.0%
Operating Income	12,509	13,454	14,228	15,083	15,457	23.6%	2.5%
Operating Expenses	6,480	6,478	7,150	7,535	7,629	17.7%	1.3%
Pre-provision Profits	6,029	6,976	7,078	7,548	7,828	29.8%	3.7%
Provisions & Contingencies	1,992	2,888	1,901	1,778	1,920	-3.6%	8.0%
PBT	4,038	4,088	5,177	5,770	5,907	46.3%	2.4%
Provision For Tax	1,411	1,427	1,841	1,955	2,065	46.4%	5.6%
PAT	2,627	2,660	3,336	3,815	3,842	46.2%	0.7%

Driven by loan growth of 19/2% and sequentially stable NIMs at 3.15%

Staff costs grew ~15/8% led by additional pension related cost

LLP Rs 1.7bn, MTM and dep'n on investment Rs 153mn

Balance Sheet items/ratios

Deposits (Rs bn)	1,112	1,182	1,235	1,350	1,325	19.1%	-1.8%
CASA Deposits (%)	33.5	33.4	33.3	32.2	31.1	-235 bps	-103 bps
Advances (Rs bn)	943	1,009	1,056	1,102	1,120	18.8%	1.6%
CD ratio (%)	84.8	85.4	85.5	81.7	84.5	-24 bps	285 bps
CAR (%)	14.5	13.3	12.9	14.1	14.1	-40 bps	-4 bps
Tier I (%)	14.0	12.8	12.4	13.4	13.0	-97 bps	-34 bps

CA dipped ~21% QoQ while SA was flat. FB does not have a particularly strong liability franchise.

Driven by the retail (+26%) and agri (+22%) segments

Profitability

Yield On Advances (%)	9.11	9.17	9.31	9.37	9.55	44 bps	18 bps
Cost Of Deposits (%)	5.64	5.66	5.85	5.93	5.97	33 bps	4 bps
NIM (%)	3.12	3.15	3.17	3.17	3.15	3 bps	-2 bps
Cost-Income Ratio (%)	51.8	48.1	50.3	50.0	49.4	-244 bps	-60 bps
Tax Rate (%)	34.9	34.9	35.6	33.9	35.0	2 bps	108 bps

Actually a bit better than 4Q, which included interest on IT refund (+5bps)

Dip in the C-I ratio is optical due to higher treasury income. Core C-I was stable at 52.4%

Asset Quality

Gross NPA (Rs bn)	28.69	31.85	33.61	32.61	33.95	18.3%	4.1%
Net NPA (Rs bn)	16.20	17.96	18.17	16.26	16.73	3.2%	2.9%
Gross NPAs (%)	3.00	3.11	3.14	2.92	2.99	-1 bps	7 bps
Net NPAs (%)	1.72	1.78	1.72	1.48	1.49	-23 bps	1 bps
Delinquency Ratio (%)	2.07	1.98	1.69	0.95	1.56	-51 bps	61 bps
Coverage Ratio (%), Calculated)	43.52	43.59	45.93	50.13	50.72	720 bps	60 bps
Restructured book (%)	0.62	0.57	0.61	0.55	0.55	-6 bps	0 bps

Segment-wise GNPA's: Corp 1.6%, SME 6.6%, Retail 2.1% and Agri 4.4%

Sequential rise led by Retail (Rs 1.4bn vs. Rs 670mn QoQ), Corp (Rs 880mn vs. NIL) and SME (Rs 1.2bn vs. 970mn QoQ)

Change In Estimates

(Rs mn)	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	50,072	50,327	0.5%	59,509	59,661	0.3%
PPOP	34,821	35,481	1.9%	42,316	43,141	1.9%
PAT	15,614	15,971	2.3%	20,078	21,095	5.1%
Adj. BVPS (Rs)	64.9	64.3	-1.0%	73.88	75.3	2.0%

Loan growth (+19/2%) lost some steam, albeit seasonal

Agri (22/3%) and Retail (26/3%) delivered strong growth

Retail book break up:

- **Housing 49%**
- **Mortgages 19%**
- **Auto 7.8%**

Auto loans (Rs 26bn) grew rapidly (+61/10%) on a small base

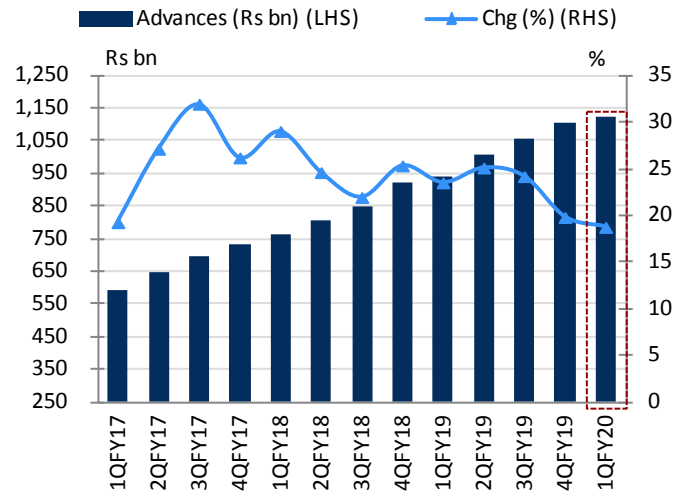
Share of Corporate loans at 42.4%

CASA ratio dipped sequentially to 31.4%

After rapid growth in 4Q (+31% QoQ), CA dipped ~21% QoQ

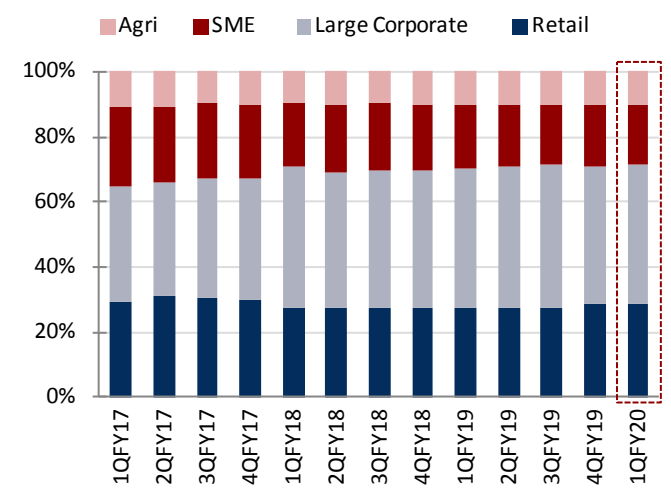
Sequentially flattish (10% YoY) SA contained the fall in the CASA %

Growth Moderated To ~19/2% YoY/QoQ



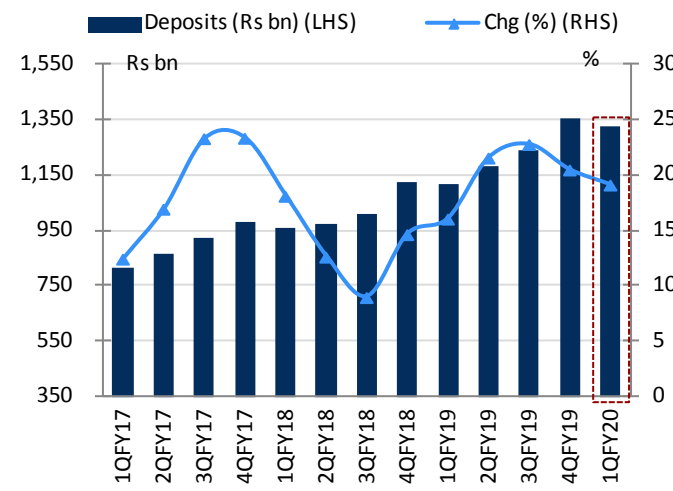
Source: Company, HDFC sec Inst Research

Share of Retail Loans On The Rise



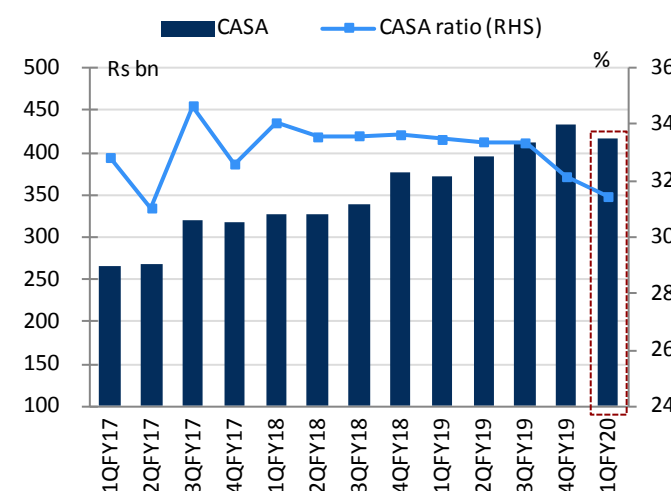
Source: Company, HDFC sec Inst Research

Deposits Dipped ~2% QoQ



Source: Bank, HDFC sec Inst Research

~21% QoQ Dip In CA Drags Down CASA



Source: Bank, HDFC sec Inst Research

NIMs dipped QoQ (optically) as 4Q incl. int on IT refund (5 bps impact)

Yields and CoF moved up 18/4bps QoQ

The C-I ratio improved ~60bps QoQ to 49.4%; in part due to higher treasury income

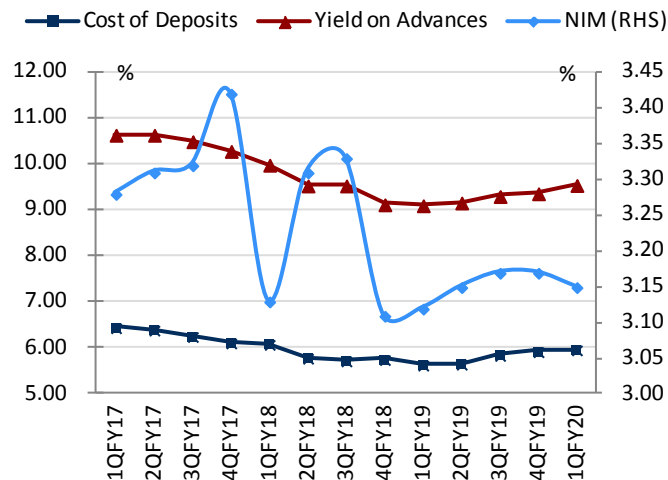
The Core C-I ratio was stable at 52.4% (for the last 3 qtrs)

Staff costs grew ~15/8% (QoQ bump up due to higher pension costs as yields fell over 1Q)

We have tweaked our estimates to factor in a slight improvement in the C-I ratio over FY20-21E to 47%

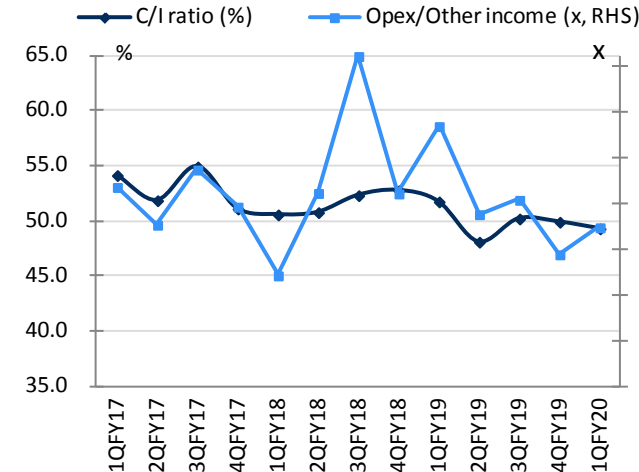
Branch count at 1251 has been stable over the last 16 qtrs. The mgt intends to add ~40 branches over 2HFY20E (+3%); Expected impact on C-I: not material

NIMs: Stable QoQ at 3.15%



Source: Bank, HDFC sec Inst Research

Core C-I Ratio Was Stable QoQ At 52.4%



Source: Bank, HDFC sec Inst Research

Non-Interest Income: Sequential Growth Driven By Treasury

Rs mn	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20
Fee	1,040	1,010	1,250	1,150	1,250	1,260	1,710	1,460	1,540	1,540	1,820	1,600	2,000	2,060	2,350	2,180
% Avg Loans	0.83	0.78	0.90	0.78	0.81	0.75	0.96	0.78	0.78	0.74	0.82	0.69	0.82	0.80	0.87	0.78
FX	330	190	370	270	270	330	410	340	410	390	560	470	610	740	540	430
Treasury	260	230	410	830	860	860	540	1,120	750	290	220	490	510	550	740	910
Recovery	190	410	230	130	240	180	160	370	170	70	540	140	110	110	490	400
Total	1,823	1,833	2,363	2,370	2,616	2,633	2,821	3,291	2,872	2,286	3,142	2,709	3,229	3,456	4,117	3,915
Chg % (YoY)	-7%	-17%	-23%	22%	44%	44%	19%	39%	10%	-13%	11%	-18%	12%	51%	31%	45%

Source: Bank, HDFC sec Inst Research

Corp delinquencies remained subdued (slippages at 74bps), incl. IL&FS of Rs 320mn

Retail slippages nearly doubled QoQ to ~Rs 1.4bn and SME slippages grew ~32% to ~Rs 1.2bn

~Rs 320mn of the exposure to IL&FS (Rs 2.46bn) slipped in 1QFY20; of the total exposure, ~Rs 1.9bn is std

Recoveries and upgrades were ~18/38% lower QoQ at ~Rs 2bn

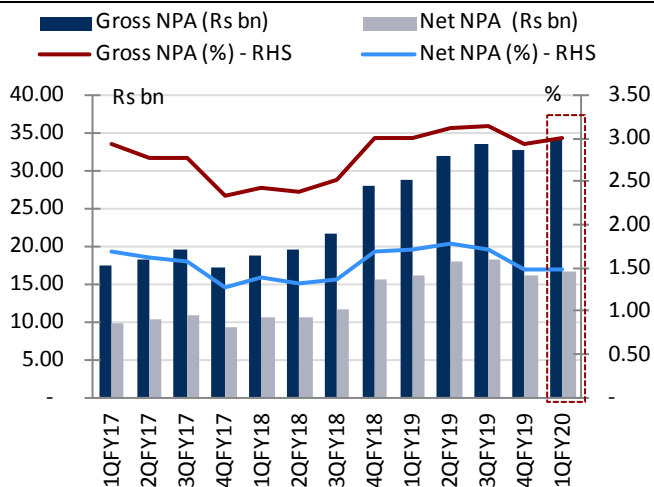
WOs tripled QoQ (-40% YoY) to ~Rs 980mn

The stressed book at Rs 25.81bn dipped ~10% QoQ to form ~2.34% of loans

16% of the Corp book is rated BBB and below, requires close monitoring

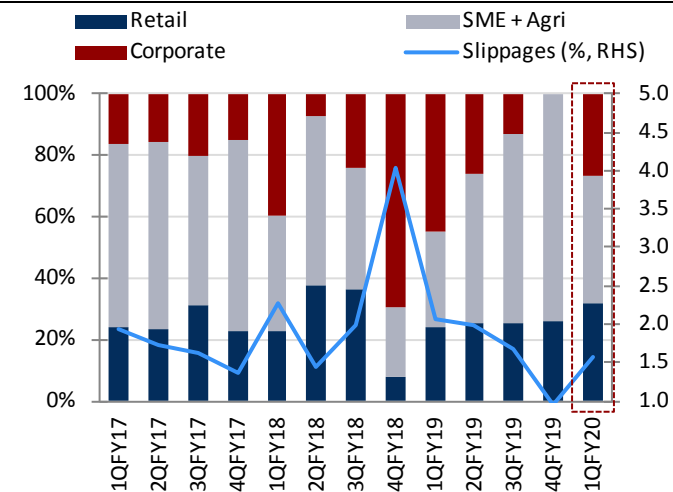
27% of the book is BBB or below (average corporate yields at ~8.9% seem unreasonably low)

GNPA/NNPA at 2.99/1.49%



Source: Bank, HDFC sec Inst Research

Retail Rise QoQ



Source: Bank, HDFC sec Inst Research

GNPA Movement: Slippages Rise QoQ

Rs mn	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Opening	16,826	16,678	17,473	18,197	19,516	17,271	18,680	19,489	21,612	27,957	28,687	31,847	33,607	32,607
Slippages	5,360	2,830	2,660	2,730	2,440	4,250	2,840	4,110	8,917	4,820	4,820	4,350	2,560	4,340
Ann. (%)	3.87	1.93	1.72	1.63	1.37	2.27	1.45	1.99	4.03	2.07	1.98	1.69	0.95	1.56
Recoveries	2,368	1,100	1,146	1,110	1,500	1,381	1,528	1,987	2,388	2,460	1,550	2,400	3,230	2,020
W/Os	3,140	930	790	460	180	1,460	502	-	184	1,630	110	190	330	980
Closing	16,678	17,478	18,197	19,357	20,276	18,680	19,489	21,612	27,957	28,687	31,847	33,607	32,607	33,947

Source: Bank, HDFC sec Inst Research

Slippages Break Up: Retail Slippages Rise QoQ, A 1Q Phenomenon

Rs mn	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Retail	850	670	630	860	550	970	1,060	1,500	700	1,090	1,200	1,080	670	1,410
SME	1,540	1,340	1,350	1,190	1,220	1,140	1,070	1,220	1,420	900	1,690	1,920	970	1,190
Corp	2,540	450	420	550	370	1,690	200	980	6,040	2,070	1,230	560	-	880
Agri	430	340	260	140	300	450	510	420	560	540	650	710	920	670

Source: Bank, HDFC sec Inst Research

Segment wise GNPA's (Rs bn): Corp NPAs Dip

Rs bn	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
SME	6.33	7.24	8.28	9.01	8.55	8.90	9.48	10.57	11.34	10.62	12.13	13.40	13.20	13.90
Agri	1.53	1.65	1.56	1.58	1.70	2.11	2.42	2.66	2.91	3.25	3.67	3.67	4.70	5.17
Corp	5.95	5.23	5.47	5.25	3.54	3.51	2.57	2.68	8.43	8.87	9.79	9.79	8.56	7.87
Retail	2.87	3.12	3.11	3.68	3.48	4.15	5.01	5.69	5.27	5.95	6.25	6.58	6.15	7.01
Total	16.68	17.24	18.42	19.52	17.27	18.67	19.48	21.60	27.95	28.69	31.84	33.44	32.61	33.95

Source: Bank, HDFC sec Inst Research

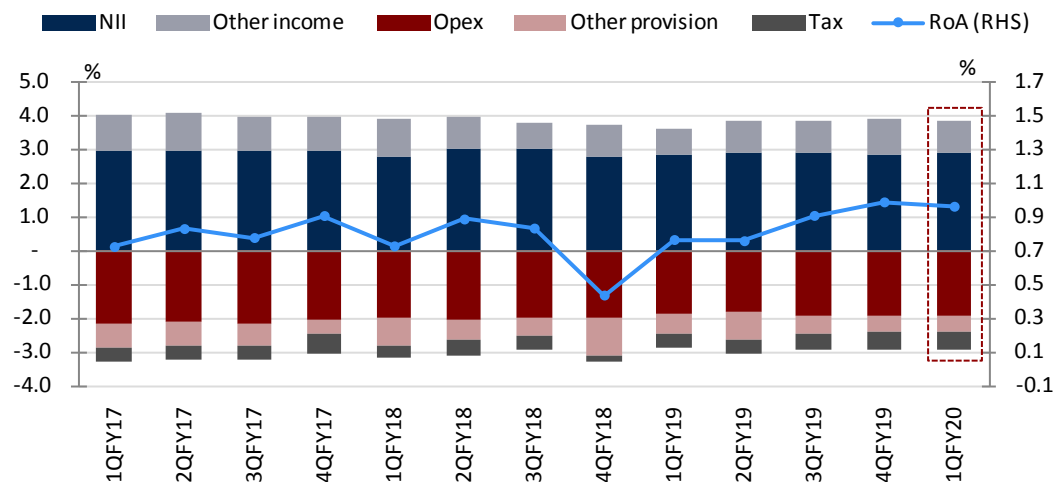
Segment wise GNPA's (%): SME And Agri NPAs Rise

	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
SME	4.22	5.04	5.54	5.52	5.23	5.56	5.37	5.72	6.02	5.68	6.21	6.65	6.26	6.64
Agri	2.30	2.56	2.30	2.33	2.27	2.75	2.88	3.03	3.18	3.35	3.61	3.46	4.11	4.39
Corp	2.64	2.53	2.44	2.06	1.30	1.01	0.74	0.71	2.08	2.07	2.12	2.04	1.80	1.63
Retail	1.66	1.79	1.56	1.73	1.60	1.87	2.15	2.34	2.05	2.28	2.25	2.21	1.94	2.14
Total	2.71	2.93	2.87	2.79	2.37	2.32	2.32	2.42	2.97	2.95	3.07	3.08	2.92	2.99

Source: Bank, HDFC sec Inst Research

The mgt guided for a ~20bps annual improvement in RoAAs driven by an improvement in oplev and lower credit costs

RoAAs rise led by lower provisions



Source: Bank, HDFC sec Inst Research

Peer Set Comparison

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
KMB#	2,866	1,501	BUY	1,481	201	238	272	46.9	38.3	31.1	5.96	5.01	4.30	13.0	13.7	14.3	1.70	1.74	1.76
ICICIBC #	2,738	425	BUY	454	138	153	172	17.1	18.9	13.2	2.36	2.10	1.84	12.2	9.2	12.0	1.33	1.07	1.33
AXSB	1,992	761	BUY	896	215	261	309	40.2	21.5	15.0	3.40	2.80	2.37	7.2	12.4	15.4	0.63	1.05	1.32
IIB	1,020	1,473	BUY	1,964	400	515	550	26.9	20.7	15.8	3.68	2.86	2.68	13.3	16.1	17.2	1.32	1.58	1.68
RBL	278	579	BUY	803	168	243	268	28.5	22.8	17.0	3.44	2.38	2.16	12.2	12.5	12.9	1.22	1.31	1.36
FB	213	107	BUY	117	59	64	75	17.1	13.3	10.1	1.83	1.67	1.42	9.8	11.5	13.7	0.84	0.93	1.06
CUB	152	207	BUY	240	58	68	80	22.3	19.3	16.3	3.58	3.03	2.60	15.2	15.1	15.4	1.60	1.61	1.61
DCBB	74	239	NEU	234	88	98	112	22.8	18.4	14.3	2.73	2.44	2.13	11.0	12.2	14.0	0.99	1.03	1.12
KVB	55	69	NEU	84	50	52	60	26.1	16.0	9.3	1.37	1.31	1.14	3.3	5.3	8.9	0.31	0.47	0.73
SBIN #	3,252	364	BUY	383	146	188	222	284.4	9.9	6.7	1.88	1.46	1.22	0.4	10.6	14.0	0.02	0.64	0.85
AUSFB	203	672	BUY	680	101	128	151	51.4	36.3	25.9	6.64	5.24	4.45	14.1	15.3	17.3	1.48	1.49	1.62

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

Income Statement

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	97,529	114,190	135,278	159,322	186,981
Interest Expended	61,701	72,427	84,951	99,661	117,909
Net Interest Income	35,828	41,763	50,327	59,661	69,072
Other Income	11,591	13,510	16,359	18,527	20,721
Fee Income (CEB)	6,368	8,010	10,406	12,539	14,796
Treasury Income	2,389	2,284	2,500	2,250	2,000
Total Income	47,419	55,274	66,686	78,188	89,793
Total Operating Exp	24,509	27,643	31,205	35,047	39,655
Employee Expense	12,425	13,778	15,694	17,664	19,872
PPOP	22,910	27,631	35,481	43,141	50,138
Provisions & Contingencies	9,472	8,559	11,261	11,261	11,421
Prov. for NPAs	7,527	6,306	9,973	9,885	9,716
PBT	13,439	19,073	24,220	31,880	38,717
Provision for Tax	4,650	6,634	8,249	10,785	12,535
PAT	8,788	12,439	15,971	21,095	26,182

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital	3,944	3,970	3,970	3,970	3,970
Reserves	118,158	128,760	141,844	159,126	180,576
Shareholders' Funds	122,102	132,730	145,815	163,097	184,546
Savings	309,198	349,786	402,252	460,577	525,056
Current	67,669	87,528	100,657	115,756	129,647
Term Deposits	743,058	912,230	1,049,064	1,227,405	1,448,338
Total Deposits	1,119,925	1,349,543	1,551,973	1,803,738	2,103,041
Borrowings	115,335	77,813	105,048	136,562	157,047
Other Liabilities & Provs	25,777	33,313	34,978	36,727	38,563
Total Liabilities	1,383,140	1,593,400	1,837,814	2,140,124	2,483,197
APPLICATION OF FUNDS					
Cash & Bank Balance	92,034	100,672	106,620	114,875	122,014
Investments	307,811	318,241	338,160	379,933	431,654
G-Secs	244,662	273,508	294,875	342,710	399,578
Advances	919,575	1,102,230	1,317,164	1,567,426	1,849,562
Fixed Assets	4,574	4,720	4,956	5,204	5,464
Other Assets	59,146	67,537	70,913	72,686	74,503
Total Assets	1,383,140	1,593,400	1,837,814	2,140,124	2,483,197

Source: Bank, HDFC sec Inst Research

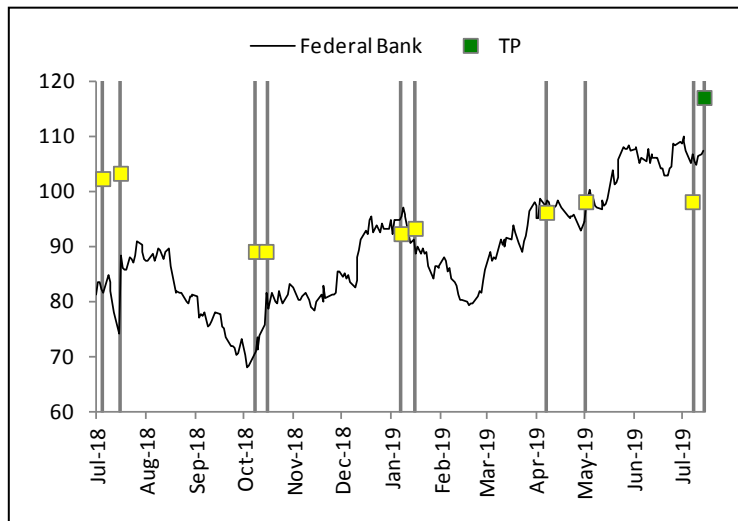
Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
VALUATION RATIOS					
EPS (Rs)	4.5	6.3	8.0	10.6	13.2
Earnings Growth (%)	5.8	41.5	28.4	32.1	24.1
BVPS (Rs)	61.9	66.9	73.5	82.2	93.0
Adj. BVPS (Rs)	54.0	58.7	64.3	75.3	85.6
DPS (Rs)	1.0	1.4	1.2	1.6	2.0
ROAA (%)	0.69	0.84	0.93	1.06	1.13
ROAE (%)	8.3	9.8	11.5	13.7	15.1
P/E (x)	24.1	17.1	13.3	10.1	8.1
P/ABV (x)	1.98	1.83	1.67	1.42	1.25
P/PPOP (x)	9.2	7.7	6.0	4.9	4.2
Dividend Yield (%)	0.9	1.3	1.1	1.5	1.8
PROFITABILITY					
Yield on Advances (%)	9.12	8.99	9.05	9.08	9.10
Yield on Investment (%)	6.50	6.51	6.75	6.75	6.70
Cost of Funds (%)	5.43	5.44	5.51	5.54	5.61
Cost of Deposits (%)	5.46	5.46	5.53	5.61	5.70
Core Spread (%)	3.69	3.55	3.54	3.54	3.49
NIM (%)	3.10	3.07	3.19	3.24	3.21
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.9	1.9	1.8	1.8	1.7
Cost-Income Ratio (Excl Treasury)	54.4	52.2	48.6	46.2	45.2
BALANCE SHEET STRUCTURE					
Loan Growth (%)	25.4	19.9	19.5	19.0	18.0
Deposit Growth (%)	14.7	20.5	15.0	16.2	16.6
C/D Ratio (%)	82.1	81.7	84.9	86.9	87.9
Equity/Assets (%)	8.8	8.3	7.9	7.6	7.4
Equity/Advances (%)	13.3	12.0	11.1	10.4	10.0
CASA (%)	33.7	32.4	32.4	32.0	31.1
Capital Adequacy Ratio (CAR, %)	14.7	14.1	13.4	12.9	12.6
w/w Tier I CAR (%)	14.2	13.4	12.8	12.3	12.1

	FY18	FY19	FY20E	FY21E	FY22E
ASSET QUALITY					
Gross NPLs (Rs mn)	27,956	32,607	38,125	36,478	38,261
Net NPLs (Rs mn)	15,520	16,262	18,229	13,561	14,680
Gross NPLs (%)	3.00	2.92	2.89	2.33	2.07
Net NPLs (%)	1.69	1.48	1.38	0.87	0.79
Slippages (%)	2.66	1.65	1.75	1.3	1.3
Coverage Ratio (%)	44.5	50.1	52.2	62.8	61.6
Provision/Avg. Loans (%)	0.91	0.62	0.82	0.69	0.57
ROAA TREE					
Net Interest Income	2.83%	2.81%	2.93%	3.00%	2.99%
Non-interest Income	0.92%	0.91%	0.95%	0.93%	0.90%
Treasury Income	0.19%	0.15%	0.15%	0.11%	0.09%
Operating Cost	1.94%	1.86%	1.82%	1.76%	1.72%
Provisions	0.75%	0.58%	0.66%	0.57%	0.49%
Provisions for NPAs	0.59%	0.42%	0.58%	0.50%	0.42%
Tax	0.37%	0.45%	0.48%	0.54%	0.54%
ROAA	0.69%	0.84%	0.93%	1.06%	1.13%
Leverage (x)	11.97	11.68	12.32	12.88	13.30
ROAE	8.31%	9.76%	11.47%	13.66%	15.06%

Source: Bank, HDFC sec Inst Research,

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
6-Jul-18	82	NEU	102
18-Jul-18	88	NEU	103
9-Oct-18	70	NEU	89
16-Oct-18	82	NEU	89
8-Jan-19	94	NEU	92
17-Jan-19	89	NEU	93
9-Apr-19	97	NEU	96
5-May-19	98	NEU	98
9-Jul-19	105	NEU	98
17-Jul-19	107	BUY	117

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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

INSTITUTIONAL RESEARCH

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

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

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