

IndusInd Bank

BUY

All is well. Well, almost...

After a blip in 4Q, IIB is back on track with stable asset quality and a dip in exposure to stressed cos. In-line operating metrics and the sharp dip in provisions (72% QoQ) drove up net earnings (2.1x). Maintain BUY with a TP of Rs 2,011 (3.5x Jun-21 ABV of Rs 575).

HIGHLIGHTS OF THE QUARTER

- **Asset Quality Stable:** After the IL&FS-led jump in 4QFY19, G/NNPAs are now at 2.15/1.23%. Slippages moderated to Rs 7.25bn (1.53% ann). IIB's exposure to stressed cos (still std.) fell by ~Rs 3bn QoQ (1.67% vs. 1.9% QoQ) and SMA I & II halved QoQ to 35bps. We still factor elevated slippages (2.4% over FY20-21E) and LLPs of 1.3% over FY20-21E. PCR (43%) consistently lags larger peers.
- **Healthy Book Growth:** In spite of higher sell downs (~Rs 75bn vs. ~Rs 67bn QoQ), and controlled growth in the microfinance book, loans grew ~20/3% YoY/QoQ. Ex-BHAFIN, loan growth was healthy at ~26/2%, led by sustained traction in the VF (23%) and PL (58%) segments. Abundant opportunity across asset segments keeps us upbeat on IIB's growth prospects (est. 28% loan CAGR over FY20-21E), notwithstanding a slowdown in auto sales.

Financial Summary

(Rs mn)	1QFY20*	1QFY19*	YoY (%)	4QFY19*	QoQ (%)	FY19	FY20E*	FY21E*	FY22E*
Net Interest Income	28,440	25,344	12.2	24,723	15.0	88,462	123,191	154,693	186,206
PPOP	25,910	21,121	22.7	24,971	3.8	80,882	108,251	133,107	157,328
PAT	14,325	11,778	21.6	6,682	114.4	33,011	49,246	64,380	80,883
EPS (Rs)	20.7	17.0	21.6	9.6	114.4	54.8	71.1	93.0	116.8
ROAE (%)						13.3	16.1	17.2	18.6
ROAA (%)						1.32	1.58	1.68	1.73
Adj. BVPS (Rs)						400	461	550	648
P/ABV (x)						3.78	3.28	2.75	2.33
P/E (x)						27.6	21.2	16.2	12.9

Source: Bank, HDFC sec Inst Research. * Post BHAFIN's merger into IIB

- **BHAFIN Boosts NIMs:** After the 4Q dip, NIMs rebounded ~50bps to 4.05%, led by lower interest reversals and a rise in the share of the high yielding micro book (mostly BHAFIN). We believe that the uptick in high yielding loans in the mix and the large (~44%) fixed rate book can drive NIMs hereon to as much as ~4.4% by FY21E.
- **Near term outlook:** The stock should remain range bound given (1) An expected change in leadership, and (2) Std exposure to stressed cos.

STANCE

Apprehensions on asset quality (after the slew of defaults and downgrades over FY19) are mostly in the price. IIB has significantly lagged larger PVT peers during FY19. The (1) Reduction in the exposure to potentially stressed cos, and (2) Further contraction in SMA I & II provides mild reinforcement to our positive stance, which is founded on the strength of IIB's core metrics and execution capabilities. We are upbeat on the multi-pronged opportunities that the BHAFIN merger opens up. Management's comfort with low coverage is disappointing. Also, succession is a key monitorable.

INDUSTRY		BANKS	
CMP (as on 12 Jul 2019)		Rs 1,510	
Target Price		Rs 2,011	
Nifty		11,553	
Sensex		38,736	
KEY STOCK DATA			
Bloomberg		IIB IN	
No. of Shares (mn)		603	
MCap (Rs bn) / (\$ mn)		910/13,259	
6m avg traded value (Rs mn)		5,236	
STOCK PERFORMANCE (%)			
52 Week high / low		Rs 2,038/1,333	
	3M	6M	12M
Absolute (%)	(13.1)	(0.4)	(22.1)
Relative (%)	(13.0)	(7.9)	(28.1)
SHAREHOLDING PATTERN (%)			
	Mar19	Jun20	
Promoters	16.8	14.9	
FIs & Local MFs	11.6	9.7	
FPIs	53.5	46	
Public & Others	18.1	29.4	
Pledged Shares	-	-	
Source : BSE			

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- **Reclassification:** IIB reclassified microfinance (Rs 182bn, 9.4% of loans) and SME loans (Rs 110bn, 5.7%) from the CCB (wholesale) into the CFD (retail) segment. Consequently, the share of the CFD book increased to ~54% vs. 39% QoQ, while yields jumped 50bps QoQ to 14.6%. CCB yields dipped ~23bps QoQ to 9.06%. CCB slippages (78bps) appear depressed while CFD slippages (212bps) seem elevated.
- **Asset quality movement:** As expected, slippages dipped 80% QoQ to Rs ~7.3bn (1.53% vs. 8.2%). Overall reductions too, were down ~73% QoQ as 4Q featured elevated W/Os (IL&FS). CCB GNPA's were ~3.2% and CFD GNPA's were ~1.3%. In light of the existing std. exposure (1.67%) to stressed cos, we have conservatively factored slippages of ~2.4% over FY20-21E.
- **Provisions:** At ~Rs 4.3bn, provisions dipped ~73% QoQ, w/w LLPs were ~Rs 3bn i.e. 64bps ann. Given the low coverage (~43%), we expected significantly higher provisions for the qtr. We continue to build in higher LLPs at ~1.3% over FY20-21E (contrary to management's ~60bps guidance for FY20E), baking in a significant (16%) rise in coverage to 59% by FY22E.
- **Loan Details:** Within the CFD, the VF book (~28%) grew at ~24% YoY, despite the dip in CV sales vols. While the high yielding PL book grew ~57/15% on a small base, the CC book (surprisingly) dipped ~11% QoQ (+31% YoY). LAP growth was consciously restrained at ~6% YoY (-3% QoQ), in line with recent intent. In the wholesale (CB) segment, mid corporate loans grew the fastest at ~33% YoY. Large corporate loans grew ~12% YoY. The ~4% QoQ fall was partly led by sell downs of Rs 75bn.
- **Ambitions for Microfinance:** BHAFIN's on boarded microfinance book was flat QoQ. Management is cautious on account of the rise in ticket sizes and borrower indebtedness at the industry level (esp. WB and OR). Further, IIB has recently tightened norms (Rs 60,000 vs. Rs 80,000 of overall indebtedness and max. 2 lenders per borrower vs. 3 earlier) around lending. The bank intends on tapping the small deposit pool within these borrowers by opening accounts for each borrower.
- **Uptick in Deposit Growth:** At 26/3%, deposit growth was healthy and significantly ahead of the system. CASA % was sequentially stable at 43.1% as SA grew ~6% QoQ. Retail TDs grew a whopping 42% YoY. Like ICICI, AXSB and other large PVT peers, IIB is a beneficiary of rising flows into retail bank deposits, driven by concerns over investments in debt MFs.
- **Bump Up in Corporate Processing Fees QoQ:** Ex-BHAFIN, IIB's fee income grew ~23%. The growth was led by a ~47% growth in loan processing fees. Within CB, loan processing fees doubled QoQ to ~Rs 700mn (unusual for 1Q). This was attributed to significant renewals and sanctions in 1Q. PSLC income was ~3% of overall fees; its proportion is likely to increase. IB fees were 16% in the mix (stable QoQ). FY19 fees (~2.3% of average assets) beat peers significantly (AXSB 1.8%, ICICI 1.6%). We expect a fee CAGR of 27% over FY20-21E.
- **Cost Efficiencies Improve QoQ:** Even as opex grew ~27/11%, the C-I ratio dipped ~170/300bps to 42.5%. This can be partly attributed to the NIM bump up due to BHAFIN and sequentially lower interest reversals. We expect IIB to deliver C-I of 43.4% over FY20-22E.

Note : CCB refers to Corporate & Commercial Banking (wholesale), CFD to Consumer Finance Division (retail)

Five Quarters At A Glance (see next page for comparable quarterly data)

Rs mn	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20*	YoY Growth	QoQ Growth
Net Interest Income	21,224	22,033	22,881	22,324	28,440	34.0%	27.4%
Non-interest Income	13,016	13,173	14,689	15,590	16,633	27.8%	6.7%
Treasury Income	1,366	990	2,030	1,400	2,410	76.4%	72.1%
Operating Income	34,240	35,206	37,569	37,914	45,072	31.6%	18.9%
Operating Expenses	15,129	15,281	16,400	17,237	19,163	26.7%	11.2%
Pre Provision Profits (PPOP)	19,111	19,924	21,170	20,677	25,910	35.6%	25.3%
Provisions And Contingencies	3,500	5,903	6,067	15,607	4,306	23.0%	-72.4%
NPA Provisions	2,090	2,000	3,060	20,040	3,050	45.9%	-84.8%
PBT	15,611	14,022	15,103	5,070	21,603	38.4%	326.1%
Provision for Tax	5,254	4,819	5,253	1,469	7,278	38.5%	395.5%
PAT	10,357	9,203	9,850	3,601	14,325	38.3%	297.8%
Balance Sheet items/ratios							
Deposits (Rs bn)	1,589	1,682	1,757	1,949	2,006	26.3%	2.9%
CASA Deposits (%)	43.4	43.6	43.6	43.1	43.1	-28 bps	0 bps
Advances (Rs bn)	1,507	1,631	1,732	1,864	1,935	28.4%	3.8%
CD Ratio (%)	94.8	97.0	98.6	95.7	96.5	163 bps	83 bps
CAR (%)	14.70	14.28	14.19	14.16	15.47	77 bps	131 bps
Tier I (%)	14.29	13.86	13.78	13.53	15.04	75 bps	151 bps
Profitability							
Yield On Advances (%)	11.15	11.44	11.52	11.25	12.00	85 bps	75 bps
Cost Of Deposits (%)	6.20	6.54	6.74	6.80	6.86	66 bps	6 bps
NIM (%)	3.92	3.84	3.83	3.59	4.05	13 bps	46 bps
Cost-Income Ratio (%)	44.2	43.4	43.7	45.5	42.5	-167 bps	-295 bps
Tax Rate (%)	33.7	34.4	34.8	29.0	33.7	4 bps	472 bps
Asset quality							
Gross NPA (Rs bn)	17.41	17.81	19.68	39.47	42.0	141.3%	6.4%
Net NPA (Rs bn)	7.62	7.88	10.29	22.48	23.8	212.3%	5.9%
Gross NPAs (%)	1.15	1.09	1.13	2.10	2.15	100 bps	5 bps
Net NPAs (%)	0.51	0.48	0.59	1.21	1.23	72 bps	2 bps
Delinquency Ratio (%)	1.29	1.07	1.92	8.21	1.53	24 bps	-668 bps
Restructuring O/s (%)	0.05	0.11	0.11	0.09	0.08	3 bps	-1 bps
Coverage Ratio (%)	56.2	55.8	47.7	43.0	43.3	-1289 bps	27 bps

On a comparable basis, NII grew 12% with 20% loan growth and NIM compression (YoY).

Fees grew 22% YoY, led by a 47% rise in loan processing fees; PSLC income was Rs 430mn

CFD LLPs jumped to Rs 2.4bn (i.e. 108 bps vs 95bps QoQ); CCB LLPs were down to a mere 26bps vs. 6.72% QoQ and 36bps YoY.

CASA grew 3% QoQ, led by SA(6% QoQ); Retail TDs grew ~42%

Sell downs of Rs 75bn contained book growth; The CFD segment now forms ~56% vs. 46% QoQ, due to reclassifications (now incl. MFI and BBG); Large corp loans dipped ~4% QoQ

Led by lower interest reversals and boost from the BHAFIN merger

Of the total slippages of ~Rs 7.25bn, CCB slippages amounted to ~Rs 1.75bn and CFD slippages were ~Rs 5.5bn i.e. 2.1%

Change In Estimates

Rs mn	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	121,931	123,191	1.0%	152,477	154,693	1.5%
PPOP	108,039	108,251	0.2%	131,790	133,107	1.0%
PAT	49,019	49,246	0.5%	67,685	64,380	-4.9%
ABV (Rs)	475.8	461.0	-3.1%	561.3	550.0	-2.0%

Source: HDFC sec Inst Research

Comparable Five Quarters At A Glance (IIB + BHAFIN)

Rs mn	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY Growth	QoQ Growth
Net Interest Income	25,344	27,587	26,399	24,723	28,440	12.2%	15.0%
Non Interest Income	13,017	13,173	17,269	19,891	16,633	27.8%	-16.4%
Operating Income	38,360	40,760	43,668	44,615	45,072	17.5%	1.0%
Operating Expenses	17,239	17,501	18,500	19,644	19,163	11.2%	-2.4%
Pre Provision Profits	21,121	23,259	25,168	24,971	25,910	22.7%	3.8%
Provisions	3,681	6,140	6,295	15,823	4,306	17.0%	-72.8%
PBT	17,440	17,120	18,872	9,148	21,603	23.9%	136.2%
Provision for Tax	5,663	5,568	6,174	2,466	7,278	28.5%	195.2%
PAT	11,778	11,552	12,698	6,682	14,325	21.6%	114.4%
Loans	1,612	1,739	1,833	1,941	1,935	20.0%	-0.3%
Deposits	1,589	1,682	1,757	1,949	2,006	26.3%	2.9%
C/D Ratio (%)	101.5	103.4	104.3	99.6	96.5	(502.5)	(312.9)
Borrowings	456.68	505.49	522.76	520.99	497.64	9.0%	-4.5%
Profitability							
Yield on Advances (%)	12.07	12.44	11.91	11.27	11.88	-19 bps	61 bps
Cost of Funds (%)	6.25	6.50	6.59	6.64	6.62	38 bps	-1 bps
NIM (%)	4.78	4.90	4.46	3.97	4.34	-44 bps	37 bps
Cost-Income Ratio (%)	44.9	42.9	42.4	44.0	42.5	-243 bps	-151 bps
Tax Rate (% PBT)	32.5	32.5	32.7	27.0	33.7	122 bps	674 bps
Asset quality							
Gross NPA (Rs bn)	17.74	18.22	20.09	40.06	42.00	136.8%	4.8%
Net NPA (Rs bn)	7.72	8.00	10.42	22.66	23.81	208.3%	5.1%
Gross NPAs (%)	1.10	1.05	1.10	2.06	2.15	105 bps	9 bps
Net NPAs (%)	0.48	0.46	0.57	1.17	1.23	75 bps	6 bps
Coverage Ratio (%) Calc.	56.46	56.11	48.16	43.44	43.32	-1314 bps	-12 bps

Source: HDFC sec Inst Research

NII does not feature any overlap due to int loans by IIB to BHAFIN

However, loans will include some overlap, except for 1QFY20

Yields, CoF and Margins feature an overlap due to interest paid by IIB to BHAFIN upto 4QFY19

Due to reclassification of small business loans from CCB to CFD, the share of the CCB segment dipped from ~61% to 46% QoQ; loans to BHAFIN came on board as direct microfinance loans (earlier incl. in CFD)

O/S Microfinance loans were ~Rs 182bn (9% of loans)

While the PL book grew ~57/15% on a small base to form ~3.6% of the book, the CC book dipped ~11% QoQ (+31% YoY)

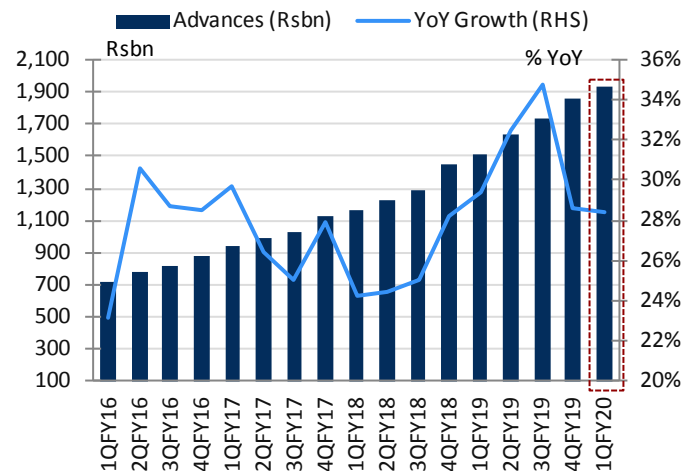
Vehicle finance loans grew ~24% YoY vs. ~26% in 4QFY19

Equipment finance loans grew ~31% and Utility Vehicle loans grew ~27% YoY

Retail TDs grew ~42% YoY, strong evidence of IIB's retail liability franchise

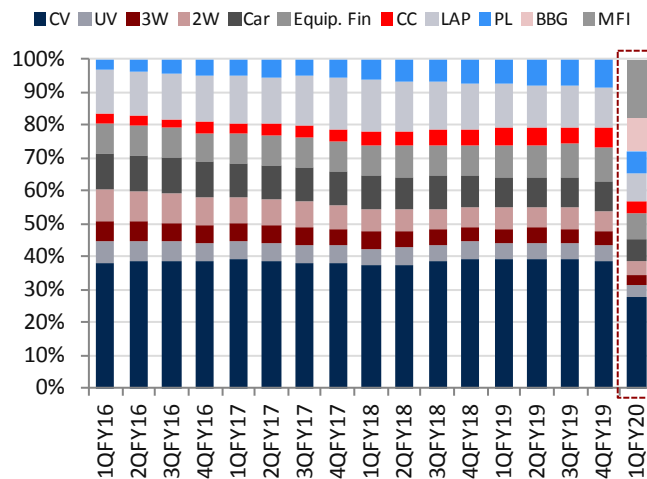
NOTE: ACROSS CHARTS, 1QFY20 nos are NOT comparable with prior periods due to reclassifications and the integration of BHAFIN

Robust Loan (Standalone) Growth Of ~26% YoY



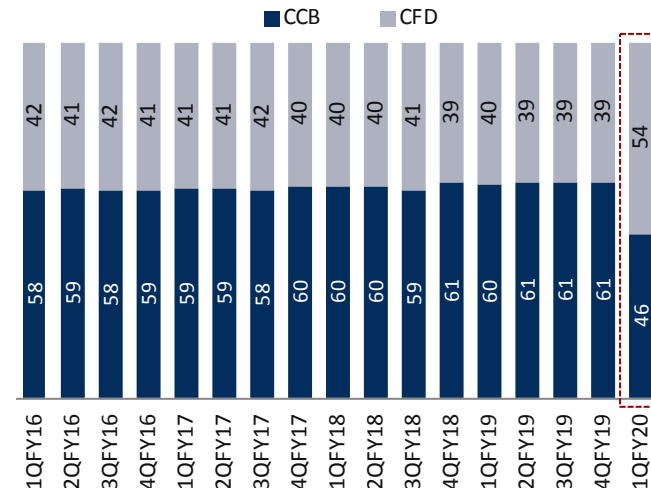
Source: Company, HDFC sec Inst Research

CFD (Retail) Mix: PL Continues To Gain Share



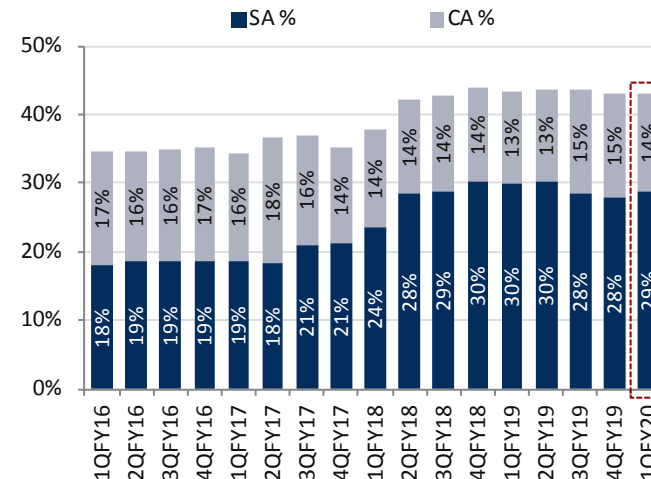
Source: Bank, HDFC sec Inst Research

Loan Book Mix (%): Reclassification Drives Change



Source: Company, HDFC sec Inst Research

CASA Ratio: Stable QoQ



Source: Bank, HDFC sec Inst Research

**We have factored in calc.
NIMs of ~4.38% over FY20-21E**

**NIM jumped ~60bps QoQ,
~35bps can be attributed to
the on-boarding of BHAFIN;
4Q included significant
interest reversals**

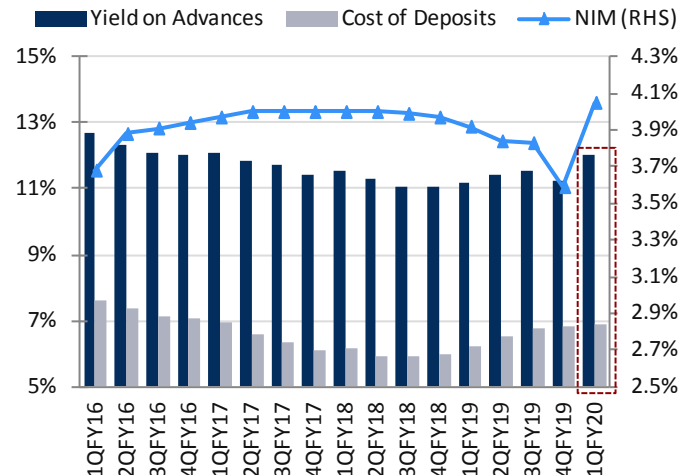
**IIB's fee Income break-up
indicates a diversified and
stable mix, derived from
traditional and new-found
strengths, post BHAFIN:**

- **Distribution (18%)**
- **Retail Loan processing (13%)**
- **Corp FX Fees (10%)**
- **Corp trade & remittance fees (8%)**
- **Retail FX Fees (4%)**
- **IB Syndication (8%)**
- **IB Structured Finance (6%)**
- **Corp Loan Processing (5%)**

**Opex grew ~27/11% YoY/QoQ
driven by staff costs at
~40/35% YoY/QoQ**

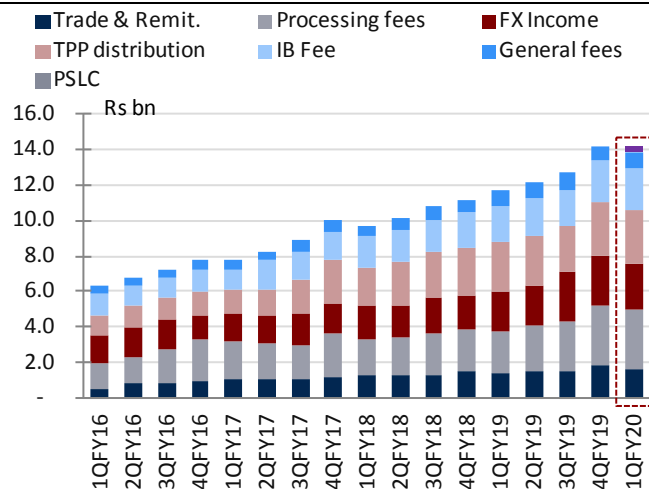
**Fee Income grew ~22% YoY,
driven by a 47% rise in loan
processing fees, a bit of a
conundrum...**

NIM Jumps QoQ, Led By BHAFIN



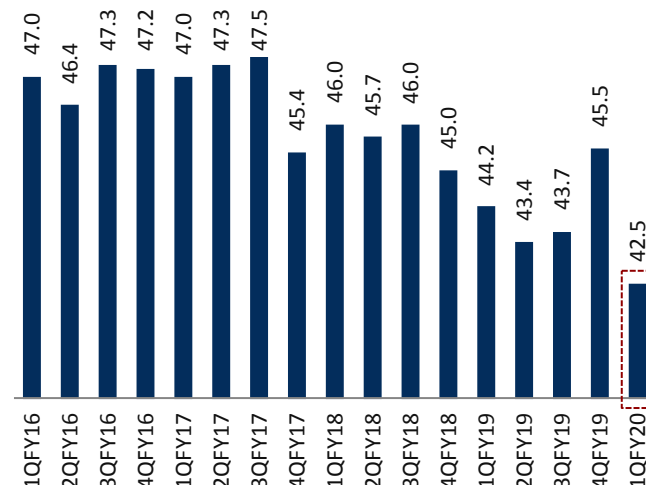
Source: Bank, HDFC sec Inst Research

Fee Income Mix: Share of Processing Fees Up QoQ



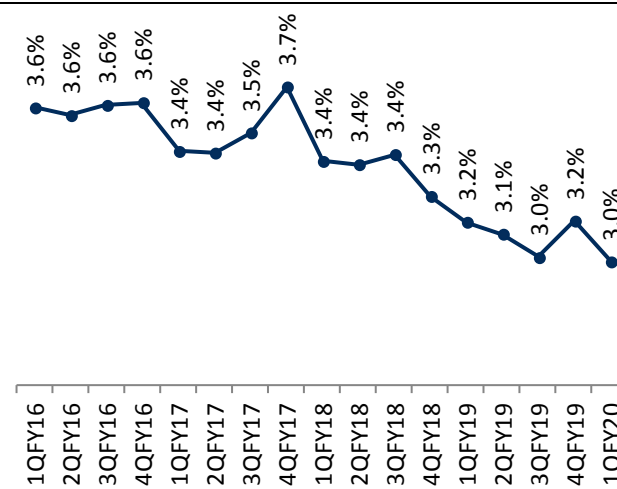
Source: Bank, HDFC sec Inst Research

C-I Ratio: Dips 290bps QoQ



Source: Bank, HDFC sec Inst Research

Fee Income As % Of Loans Dips ~16bps QoQ



Source: Bank, HDFC sec Inst Research

After rising to ~8.2% in 4Q (IL&FS slipped), slippages were ~1.5%

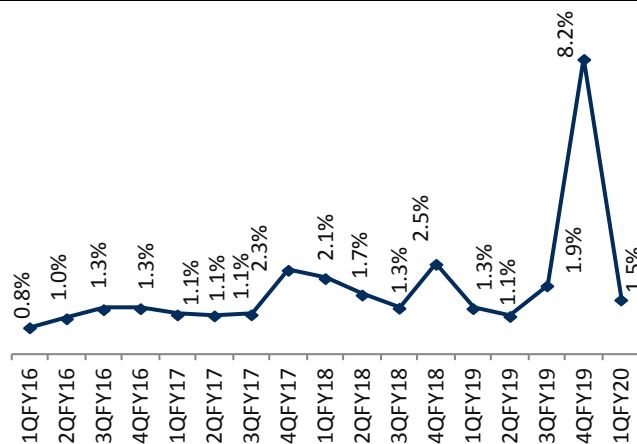
Slippages in the CFD were ~2.1% and ~78bps in the CCB segment

Exposure to stressed cos was ~1.67% vs. ~1.9% QoQ (~Rs 3.1bn absolute reduction)

The mgt continues to guide for ~60bps of LLPs over FY20E, we have factored in ~1.3%, given the low coverage

The spike in LAP NPAs is due to the reclassification of loans from CCB to CFD

Slippages Dip QoQ, After a Spike in 4Q



Source : Bank, HDFC sec Inst Research

Segment-Wise Asset Quality

CFB	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
GNPA	0.74%	0.76%	0.73%	0.79%	0.81%	0.98%	1.12%	1.21%	1.20%	1.23%	1.07%	1.14%	2.72%	3.24%
Slippages (Ann.)	0.85%	0.70%	0.51%	0.75%	2.87%	2.03%	1.55%	0.75%	2.46%	0.92%	0.37%	1.74%	11.36%	0.78%
LLP (Ann.)	0.56%	0.48%	0.52%	0.51%	1.17%	0.63%	0.78%	0.40%	0.72%	0.36%	0.25%	0.62%	6.72%	0.26%

CFD	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
GNPA	1.08%	1.14%	1.17%	1.16%	1.12%	1.25%	1.06%	1.10%	1.14%	1.05%	1.13%	1.12%	1.18%	1.25%
Slippages (Ann.)	1.90%	1.69%	1.90%	1.63%	1.60%	2.18%	1.72%	2.00%	2.24%	1.77%	2.05%	2.05%	2.52%	2.12%
LLP(Ann.)	0.88%	0.85%	0.79%	0.73%	0.62%	0.89%	0.68%	0.88%	0.99%	0.88%	0.91%	0.90%	0.95%	1.08%

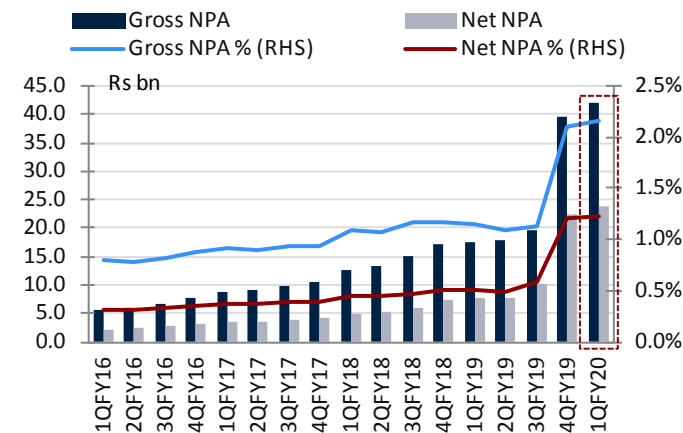
Source: Bank, HDFC sec Inst Research

Consumer Finance: GNPA

	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
CV	1.03%	1.05%	1.03%	0.96%	0.94%	1.10%	1.05%	1.01%	1.08%	0.97%	1.06%	1.13%	1.04%	1.34%
UV	1.22%	1.30%	1.18%	1.09%	1.14%	1.47%	1.42%	1.31%	1.33%	1.43%	1.38%	1.37%	1.35%	1.29%
CE	1.31%	1.44%	1.45%	1.28%	1.23%	1.11%	1.00%	1.11%	1.13%	0.92%	0.75%	0.79%	0.75%	0.85%
3W/SCVs	0.98%	1.10%	1.00%	0.86%	0.93%	1.35%	1.13%	1.24%	1.28%	1.14%	1.32%	1.35%	1.43%	1.41%
2Ws	3.06%	3.20%	3.74%	3.78%	3.55%	3.62%	3.63%	3.98%	3.95%	3.81%	4.02%	3.86%	3.88%	3.70%
Cars	0.52%	0.50%	0.50%	0.76%	0.67%	0.76%	0.69%	0.64%	0.68%	0.71%	0.82%	0.85%	0.81%	0.78%
LAP/PL/HL	0.76%	0.92%	1.00%	1.15%	1.26%	1.46%	0.54%	0.83%	0.91%	0.62%	0.96%	0.68%	0.71%	3.84%
Cards	1.54%	1.79%	1.80%	1.71%	1.43%	1.32%	1.56%	1.73%	1.74%	1.87%	1.52%	2.02%	2.07%	2.12%
Microfin														0.61%

Source: Bank, HDFC sec Inst Research

Asset Quality: Sequentially Stable

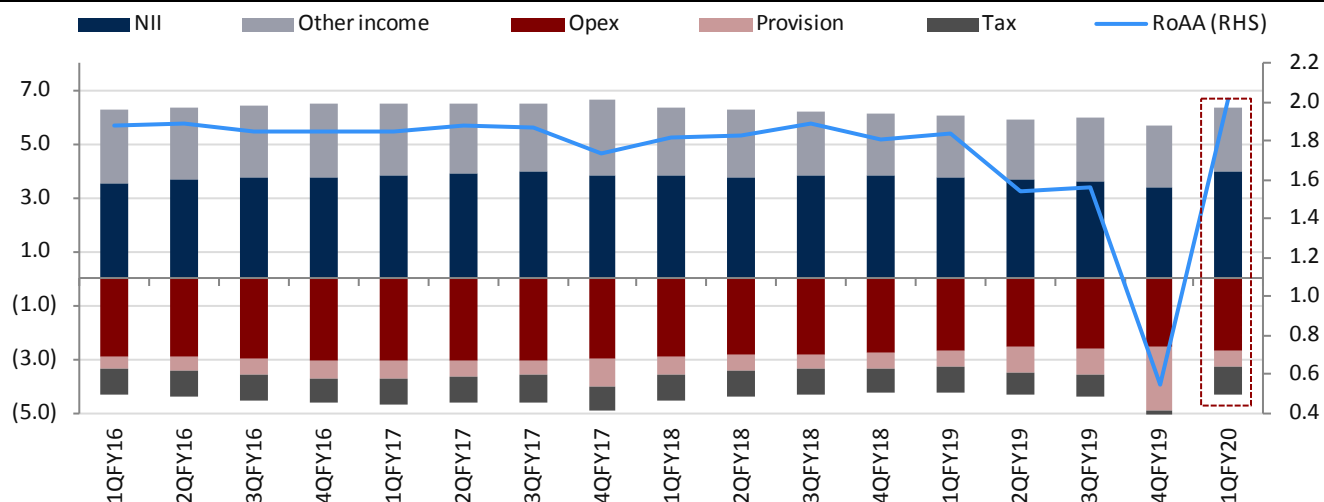


Source: Bank, HDFC sec Inst Research

GNPA Movement (CFD +CCB): Slippages Dip QoQ

Rs bn	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Opening	6.81	7.77	8.61	8.99	9.71	10.55	12.72	13.46	14.99	17.05	17.41	17.81	19.68	39.47
Additions	2.74	2.53	2.61	2.81	6.34	6.08	4.98	4.08	8.6	4.75	4.19	8.06	36.88	7.25
Reductions	1.78	1.69	2.23	2.09	5.5	3.91	4.24	2.55	6.54	4.39	3.79	6.19	17.09	4.72
Closing	7.77	8.61	8.99	9.71	10.55	12.72	13.46	14.99	17.05	17.41	17.81	19.68	39.47	42
Slipp. (%)	1.28	1.11	1.08	1.11	2.35	2.12	1.66	1.30	2.52	1.29	1.07	1.92	8.21	1.53

Lower Provisions Drive RoAAs QoQ



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#	2,832	1,484	BUY	1,481	209	236	272	46.8	37.5	30.7	5.71	4.98	4.26	12.7	13.6	14.3	1.70	1.75	1.76
ICICIBC #	2,753	427	BUY	454	138	153	172	62.8	18.9	13.2	2.38	2.11	1.85	3.3	9.2	12.0	0.36	1.07	1.34
AXSB	1,978	756	BUY	896	215	261	309	39.9	21.3	14.8	3.37	2.78	2.35	7.2	12.4	15.4	0.63	1.05	1.32
IIB	910	1,510	BUY	2,011	400	515	550	27.6	21.2	16.2	3.77	2.93	2.74	13.3	16.1	17.2	1.32	1.58	1.68
RBL	308	641	BUY	803	168	243	268	31.5	25.2	18.9	3.81	2.64	2.39	12.2	12.5	12.9	1.22	1.31	1.36
FB	211	106	NEU	98	59	66	76	17.0	13.1	10.0	1.81	1.60	1.40	9.8	11.5	13.7	0.84	0.93	1.05
CUB	150	205	BUY	240	58	68	80	22.0	19.0	16.1	3.53	2.99	2.56	15.2	15.1	15.4	1.60	1.61	1.61
DCBB	74	237	BUY	228	88	99	114	22.6	17.1	12.9	2.70	2.38	2.07	11.0	13.0	15.2	0.99	1.09	1.20
KVB	56	70	NEU	84	50	52	60	26.4	16.2	9.5	1.39	1.33	1.16	3.3	5.3	8.9	0.31	0.47	0.73
SBIN #	3,245	364	BUY	383	146	188	222	283.6	9.9	6.7	1.88	1.45	1.21	0.4	10.6	14.0	0.02	0.64	0.85
AUBANK	202	667	BUY	680	101	128	151	51.1	36.0	25.7	6.59	5.20	4.41	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	172,807	222,612	289,388	368,987	455,885
Interest Expended	97,833	134,150	166,196	214,295	269,679
Net Interest Income	74,974	88,462	123,191	154,693	186,206
Other Income	47,501	56,467	66,762	80,275	94,583
<i>Fee Income (CEB)</i>	<i>34,119</i>	<i>39,513</i>	<i>50,477</i>	<i>63,242</i>	<i>77,363</i>
<i>Treasury Income</i>	<i>3,638</i>	<i>5,786</i>	<i>3,750</i>	<i>3,250</i>	<i>2,750</i>
Total Income	122,475	144,929	189,953	234,968	280,789
Total Operating Exp	55,914	64,047	81,702	101,861	123,461
<i>Employee Expense</i>	<i>17,807</i>	<i>18,535</i>	<i>24,491</i>	<i>30,307</i>	<i>37,042</i>
PPOP	66,561	80,882	108,251	133,107	157,328
Provisions & Contingencies	11,754	31,077	32,483	35,450	33,966
<i>Prov. For NPAs (Incl. Std Prov.)</i>	<i>9,009</i>	<i>27,190</i>	<i>29,126</i>	<i>31,463</i>	<i>29,503</i>
PBT	54,807	49,806	75,768	97,657	123,362
Provision for Tax	18,747	16,795	26,522	33,277	42,479
PAT	36,060	33,011	49,246	64,380	80,883

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital	6,002	6,027	6,922	6,922	6,922
Reserves	232,414	260,833	343,107	397,275	465,328
Shareholders' Funds	238,416	266,860	350,029	404,198	472,251
<i>Savings</i>	<i>458,883</i>	<i>544,860</i>	<i>672,902</i>	<i>824,305</i>	<i>989,166</i>
<i>Current</i>	<i>208,410</i>	<i>295,840</i>	<i>355,008</i>	<i>426,010</i>	<i>500,561</i>
<i>Term Deposit</i>	<i>849,099</i>	<i>1,107,979</i>	<i>1,460,559</i>	<i>1,897,914</i>	<i>2,419,953</i>
Total Deposits	1,516,392	1,948,679	2,488,469	3,148,229	3,909,680
Borrowings	382,891	473,211	505,659	566,477	635,872
Other Liabilities	78,563	89,444	100,348	110,383	121,421
Total Liabilities	2,216,262	2,778,194	3,444,505	4,229,287	5,139,224
APPLICATION OF FUNDS					
Cash & Bank Balance	132,159	147,834	133,061	160,748	193,619
Investments	500,767	592,661	701,349	815,546	947,095
<i>G-Secs</i>	<i>403,660</i>	<i>477,426</i>	<i>572,348</i>	<i>676,869</i>	<i>801,484</i>
Advances	1,449,537	1,863,935	2,413,815	3,038,041	3,763,067
Fixed Assets	13,388	17,100	19,120	20,076	21,080
Other Assets	120,412	156,664	177,160	194,876	214,363
Total Assets	2,216,262	2,778,194	3,444,505	4,229,287	5,139,224

Source: Bank, HDFC sec Inst Research

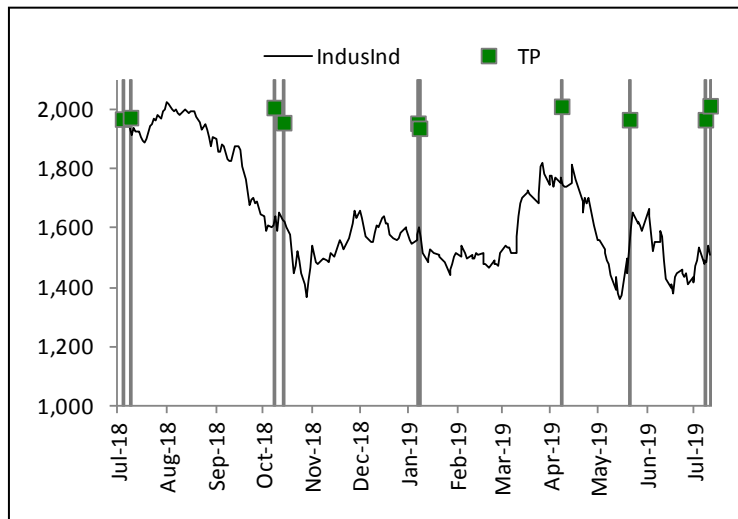
Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
VALUATION RATIOS					
EPS (Rs)	60.1	54.8	71.1	93.0	116.8
Earnings Growth (%)	25.7	(8.5)	49.2	30.7	25.6
BVPS (Rs)	390.9	437.4	501.0	579.2	677.5
Adj. BVPS (Rs)	378.5	400.1	461.0	550.0	647.8
DPS (Rs)	7.5	7.5	9.6	12.6	15.8
ROAA (%)	1.80	1.32	1.58	1.68	1.73
ROAE (%)	16.5	13.3	16.1	17.2	18.6
P/E (x)	25.1	27.6	21.2	16.2	12.9
P/ABV (x)	3.99	3.78	3.28	2.75	2.33
P/PPOP (x)	13.6	11.3	9.7	7.9	6.6
Dividend Yield (%)	0.5	0.5	0.6	0.8	1.0
PROFITABILITY					
Yield On Advances (%)	10.62	11.02	11.26	11.45	11.48
Yield On Investment (%)	7.09	6.73	6.90	6.90	6.80
Cost Of Funds (%)	5.77	6.21	6.14	6.39	6.53
Cost Of Deposits (%)	5.78	5.82	5.98	6.17	6.26
Core Spread (%)	4.83	5.20	5.28	5.28	5.22
NIM (%)	4.19	3.95	4.36	4.39	4.31
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	2.8	2.6	2.6	2.7	2.6
Cost-Income Ratio (Ex. Treasury)	47.1	46.0	43.9	44.0	44.4
BALANCE SHEET STRUCTURE					
Loan Growth (%)	28.2	28.6	29.5	25.9	23.9
Deposit Growth (%)	19.8	28.5	27.7	26.5	24.2
C/D Ratio (%)	95.6	95.7	97.0	96.5	96.3
Equity/Assets (%)	10.8	9.6	10.2	9.6	9.2
Equity/Advances (%)	16.4	14.3	14.5	13.3	12.5
CASA (%)	44.0	43.1	41.3	39.7	38.1
Capital Adequacy Ratio (CAR, %)	15.0	14.2	14.4	13.4	12.7
W/w Tier I CAR (%)	14.6	13.7	14.0	13.1	12.5

	FY18	FY19	FY20E	FY21E	FY22E
ASSET QUALITY					
Gross NPLs (Rs mn)	17,049	39,469	56,816	51,678	50,058
Net NPLs (Rs mn)	7,457	22,483	27,690	20,214	20,554
Gross NPLs (%)	1.18	2.12	2.35	1.70	1.33
Net NPLs (%)	0.51	1.21	1.15	0.67	0.55
Slippages (%)	2.58	3.25	2.75	2.00	1.70
Coverage Ratio (%)	56.3	43.0	51.3	60.9	58.9
Provision/Avg. Loans (%)	0.7	1.6	1.4	1.2	0.9
ROAA TREE					
Net Interest Income	3.75%	3.54%	3.96%	4.03%	3.98%
Non Interest Income	2.37%	2.26%	2.15%	2.09%	2.02%
<i>Treasury Income</i>	0.18%	0.23%	0.12%	0.08%	0.06%
Operating Cost	2.79%	2.56%	2.63%	2.65%	2.64%
Provisions	0.59%	1.24%	1.04%	0.92%	0.73%
<i>Provisions for NPAs</i>	0.45%	1.09%	0.94%	0.82%	0.63%
Tax	0.94%	0.67%	0.85%	0.87%	0.91%
ROAA	1.80%	1.32%	1.58%	1.68%	1.73%
Leverage (x)	9.2	10.0	10.2	10.3	10.8
ROAE	16.50%	13.25%	16.14%	17.22%	18.60%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
6-Jul-18	1,964	BUY	1,966
10-Jul-18	1,934	BUY	1,971
9-Oct-18	1,601	BUY	2,005
15-Oct-18	1,627	BUY	1,954
8-Jan-19	1,558	BUY	1,952
10-Jan-19	1,602	BUY	1,935
9-Apr-19	1,752	BUY	2,009
23-May-19	1,519	BUY	1,964
9-Jul-19	1,476	BUY	1,964
13-Jul-19	1,510	BUY	2,011

Rating Definitions

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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