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## Q1FY21 results review

## Banking

Target price Rs1,470

## Earnings revision

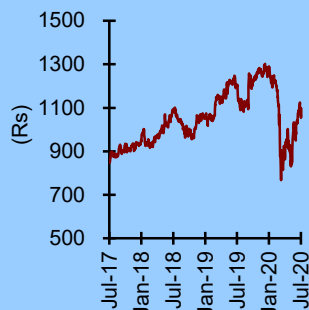
(%)	FY21E	FY22E
PAT	↑ 2.4	↑ 0.5

## Shareholding pattern

	Dec '19	Mar '20	Jun '20
Promoters	26.2	26.1	26.1
Institutional investors	58.8	58.4	58.9
MFs and others	14.4	15.0	14.0
FIs/Banks	0.1	0.1	0.1
Insurance Cos.	3.0	3.3	3.7
FPI	41.3	40.0	41.1
Others	16.0	15.5	15.0

Source: BSE

## Price chart



## HDFC Bank

BUY

Maintained

## Resilient, confident show despite challenges

Rs1,098

HDFC Bank's Q1FY21 performance was commendable and the management's narrative was resilient, despite challenges reflected in: 1) Morat 2.0 portfolio at 9% (lowest heard till now), 2) confidence in credit reserves of ~55bps coupled with 76% NPL coverage being sufficient ceteris paribus, 3) digital initiatives, franchise strength and sharp focus helping capture opportunities without compromising quality. Market share gain (21% advance growth), steady NIMs at 4.3% (despite 70bps MCLR cut) and operating cost agility (down 24% YoY ex-employee cost) aided 7% core operating profit growth in the most disrupted quarter. Accelerated recognition of 30bps of advances and expedited provisioning (coverage up 4%) initiated on non-morat pool – though contingency buffer was limited at mere 10bps. Earnings growth of 20% was buoyed by treasury gains of Rs10.9bn. Performance reaffirms our stance that HDFC Bank will lead responsibly and is best positioned to rebound quicker offsetting near-term weakness. Maintain BUY.

- **Morat 2.0 lowest in the industry; contingency buffer sufficient enough:** The portfolio under morat 2.0 is merely 9% (70% customers are paying up and in unsecured loans, 98% morat customers have received salary credits and 97% customers are 0-dpd). On non-morat book, bank based on analytics has expedited NPL recognition (~30bps of advances) and has inched up coverage by 4 percentage points to 76%. Credit cost, including contingency buffer of Rs10bn, at 1.6% settled lower than our FY21 estimate of 2.3%. While the management sounded confident on credit cost having peaked, given the challenging macros, we remain wary of future stress and are building in elevated credit cost of 2%.
- **Credit growth led by wholesale advances:** Advance growth of 21% was supported by 36% growth in wholesale advances (up 8% QoQ) – skewed towards highly rated corporates with access to liquidity and resistant businesses. Retail advances moderated more than anticipated (to 7% YoY, down 4% QoQ) – as fresh originations were down 76% - maximum in personal loans, down 87%. In business banking (now 100% self-funded vertical), it is pursuing granular opportunities using digital infrastructure towards entities improving cashflows moderated. Stress testing in SME banking suggests hardly 5% would face difficulty.
- **NIM contraction not playing out yet:** Against our expectation of pressure on NIMs, given MCLR cut of 60bps since March '20, CD ratio declines to 84% and incremental growth towards yielding corporate advances, NIMs have held on this quarter as well at 4.3%. Undoubtedly, cut in deposit rates is aiding funding cost but pressure should be imminent in coming quarters, if not now.
- **Agility on cost efficiency and linkage to business volume was demonstrated:** Operating expenses (ex-employee cost) were down 24% YoY/10% QoQ reflecting lower origination and business volume. This supported reduction in cost/income to 35% and as we had highlighted earlier, it proved it has enough buffer to curtail costs to cushion any earnings volatility during business slowdown. Capital efficiency too kicked in with <5% growth in RWA compared to >20% asset growth.

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Market Cap	Rs6031bn/US\$80.3bn	<b>Year to Mar</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Reuters/Bloomberg	HDBK.BO/HDFCB IN	NII (Rs bn)	482	562	632	728
Shares Outstanding (mn)	5,490.3	Net Profit (Rs bn)	211	263	235	320
52-week Range (Rs)	1302/768	EPS (Rs)	38.7	47.9	42.8	58.4
Free Float (%)	73.9	% Change YoY	14.9	23.7	-10.6	36.6
FII (%)	41.1	P/E (x)	26.9	21.7	24.3	17.8
Daily Volume (US\$'000)	2,33,562	P/BV (x)	3.8	3.3	3.0	2.7
Absolute Return 3m (%)	20.7	P/ABV (x)	3.9	3.4	3.1	2.7
Absolute Return 12m (%)	(8.2)	GNPA (%)	1.4	1.3	1.9	1.7
Sensex Return 3m (%)	17.8	RoA (%)	1.8	1.9	1.5	1.8
Sensex Return 12m (%)	(4.4)	RoE (%)	16.5	16.4	13.0	15.9

Please refer to important disclosures at the end of this report

## HDFC Bank - Conference call key takeaways

### Q1FY21 earnings call takeaways

Mr. Aditya Puri gave the opening remarks compared to earlier times, when the call was conducted by Mr. Sashi Jagdishan and Mr. Srinivas Vaidyanathan. Post the opening remarks, Mr. Jagdishan invited the entire top management team to discuss highlights of their business verticals. The bank sounded confident and demonstrated extreme resilience and preparedness to the Covid-19 crisis with no significant disruption. Moratorium portfolio is the lowest heard until now by any bank at 9%.

#### **Opening remarks by Mr. Aditya Puri**

##### **On recent exits and other media articles**

- On auto loan business – personal misconduct, colluding were found and appropriate action was taken. An inquiry was conducted on **Mr. Ashok Munjal** - being the head of the business. There was one whistleblower complain and investigation was conducted but there was no conflict of interest or business impact as such.
- **Mr. Munish Mittal** – Group Head IT & Chief Information Officer - informed the management one year back – has achieved the milestone and is pursuing higher studies at Oxford University.
- **Mr. Abhay Aima** – stellar role in private banking – alternate interest and has retired from the bank early.
- On directions of the RBI, the bank has returned Rs2.1bn to Mashreq Bank – Altico raised money through ECBs from Mashreq Bank and that was parked with HDFC Bank. The bank has debited this amount to net off its loans to Altico.

##### **How did it give such results during Covid-19 pandemic**

- Economy seems to have recovered sharply post April. Rural bias is visible in the economy.
- 25-50bps cut in policy rate in the near term and OMOs will pick up in the second half.
- Given increments, bonuses and incentives to all employees as business as usual – has not laid out even a single employee.
- During the quarter had double customer interactions – have reached out to each and every customer.
- 1.2mn liability customers acquired in Q1 – 13k accounts per day – enhanced digital journey.
- Around 95% branches are operational.
- Relationship manager – 22 calling engagements a day compared to 18.
- Payment business has seen a strong comeback.
- Not chasing growth – there is an opportunity, it has the hunger and all levers to capture it. It will never compromise on underwriting and credit standards.
- Cashflow-based lending quality is also holding up and is not a cause of worry.

- Semi-urban and rural India – 15k BCs enrolled and will increase further - product, distribution etc.

#### **Operating models will change completely**

- Will provide frictionless services, enjoyable customer journey, lower transaction cost.
- Omni-channel experience is using artificial intelligence tool.

#### **On moratorium and contingency provisioning**

- ***Moratorium in June – 9% of total customers/portfolio (April and May is history and don't want to comment).***
- ***Around 90% of morat-2 coming from morat-1. Nearly 70% people, who had taken moratorium in phase-1, were paying up.***

- Engaged with every single customer –were more reasonable and free in granting in morat 1.0. Towards the end of May, connected with customers; there was no universal demand.
- ***On unsecured portfolio - 98% moratorium customers received salary credits – 97% are 0-dpd customers.***
- No accelerated NPLs on people who have taken moratorium.
- Contingency provisioning – all things remaining same, it seems to be sufficient.

#### **On operating metrics**

- ***Fees and commission income – lower by 37%*** - retail constitutes 89% and wholesale 11%. Loan origination, third party distribution and payments were affected which impacted fees by Rs20bn.
- Treasury gains were largely from excess liquidity.
- Accelerated slippages using analytics model that added 30bps to GNPLs – slippage run-rate of 1.2%.
- Contingent provisions at Rs40bn, floating provisions at Rs14.5bn.
- Specific loan loss credit cost at 1.08% - net of recoveries was 1%. Including contingency provisions, credit cost was 1.54%.

#### **On NIMs**

- ***In medium to long term, enough demonstration that NIMs will be in the range 4.1-4.5%***
- Matched duration on ALM and aware of the returns it needs. Given then construct with active ALCO (unclear) and are managing cost of funds as well.
- Semi-urban and rural push came in 2-3 years back – to improve CD ratio and sufficient liability generation at the right price.

#### **Corporate banking growth**

- Bank focused sharply on corporates having access to liquidity, epidemic resistant businesses and part of large highly rated corporate groups (including public sector entities).

- **Value of corporate collections passed through its cash management system – 45% was running in April, in May it further increased by 47% over April, June collections were 94% of June, 2019.**
- Desire of corporates to migrate to bank.
- **Nearly 78% of incremental disbursements were towards less than 1 year maturity.**
- **Also evaluating utilisation of corporate portfolio - 45% towards capex, 30% towards working capital, 13% for supporting other market intermediaries, 6% for PSL.**
- Digitisation helped it gain market share – straight through processing.
- Corporate CASA YoY growth was 25%, corporate FD YoY growth was 14%.
- Salary accretion was Rs100bn higher from its corporate salary accounts.

#### **Corporate banking asset quality**

- Paring down of exposure in certain names after detailed assessment.
- Extreme caution in any advances – either fresh or prior sanctions.
- Good early warning systems.
- **Nearly 86% of externally rated portfolio is to AAA/AA.**
- Internal rating is reliable and time tested on 1-10 rating scale – weighted average portfolio rating scale of 4.5 suggests no incipient risk.

#### **On SME/business banking**

- **Pursue business on basis of granularity, geography. Disbursed Rs55bn and average ticket size was less than Rs10 mn.**
- New client acquisition – 533 customers (1,500 customers in Q4FY20) – movement in western and eastern parts of India was slower.
- Collateral cover of more than 100% was at 77-78%.
- **Digitisation went up from 68% to 79% - collections 56% straight through electronics**
- Asset book increased by 15% - clients were reducing financing cost and deleveraging which speaks of quality.
- Self-funding for BBG portfolio – achieved 100% in May and 103% in June – CASA and fixed deposits. For only borrowing customers – self funding was 75%.
- **Increased agri processing preference**
- **Under ECGLS scheme** - Eligible customer on record pre-approved 300k with value of Rs200bn – disbursements done were Rs100bn to 57k customers.
- Stress testing the SME portfolio in high, medium & low level – it seemed 9-11% customers would face difficulty in servicing in April.
- In the hindsight of collections actually made currently – those estimates should be down by more than half.

- **Based on current flows – increasing MoM – 47% reduction in April over March as they were the sole lenders, improved a little bit in May (20% down) and in June, it improved 13% over March.**

#### On retail

- **Retail fresh origination fell 76% on the overall portfolio – 87% in personal loans, credit card spending down 44% and portfolio was down 4%.**
- Fresh origination included 66% auto – 2-wheelers and tractors (grew 26%) showed resilience. Loan against gold origination fell 15%, up still, book grew 3%.
- Did not have a very heavy baggage to vary when it entered Covid-19 crisis.
- **More than demand, it is policy changes that led to lower origination – dogmatic about it**
- Early delinquencies all hold up – 0 dpd cheque bounce trends – improvement in last three months.
- **Used first couple of months of lockdown to revamp and reorganise – augmented collection team from sales force, underwriting team – deployment of 20k additional staff into collections.**
- Resolution rates have moved towards 65-70% of historical rates – despite several metros being under lockdown.

#### On unsecured portfolio

- **Personal loan – entirely salaried – that too better corporates and government entities– so low volatility in income**
- Bulk of moratorium was out of caution and not out of stress
- Barely 5% of PL portfolio is where salary cut is 5% or more
- Cheque bounce in unsecured portfolio has shown improvement over pre-Covid level
- Reduction in salary credits in initial months of Covid-19 crisis was 2%
- Fixed income obligations are 20% lower than the industry – hence, the bank has enough headroom to absorb cut in salary and higher leverage

#### On liquidity

- Build on deposits and new customer relationship
- LCR at 140% (Rs700bn of surplus)
- CET-1 of 16.7% -
- Contingency provisions of Rs55.5bn
- Provisioning coverage augmented to 76%

#### On capital raising

- Not a part of the herd – excellent portfolio quality and does not feel the need to raise capital.

## Q4FY20 earnings call key takeaways

### With respect to the prevailing situation:

- Unprecedented period globally and post March 22nd, economic activities have come to a standstill.
- Majority of employees, except few from branches, are working from home.
- Branches are open for customers for limited activities – 90% branches are open.
- 200k customer engagements on a daily basis. Insta accounts for opening accounts within few minutes.

### Balance sheet strength

- **Continue with strategy of raising deposits and maintain adequate liquidity –** excess liquidity had an impact of 10 bps on NIMs
- **Liquidity strong with LCR at 138% - surplus of Rs480bn.**
- Incremental CD ratio of 78%
- **CAR at 18.5%** compared to 11.08% regulatory requirement
- NIMs in stable range of 4.1-4.5% - currently being at 4.3%
- S&P has reaffirmed the bank's rating – BBB- Stable – testimony of the fact that balance sheet is strong and asset quality robust.
- Continues to be **positioned better to capture demand through streamlined processes and digital offerings**

### With respect to asset quality

- **Stress test performed on corporate, SME and retail portfolio and based on the information available and looking at market conditions *floating provisions of Rs14.5bn and contingency provisioning of Rs29.96bn (of which Rs15.5bn is towards Covid-19) is appropriate at this juncture.***
- **Granting a moratorium on OPT-IN basis** (customers need to ask for moratorium). **Moratorium seekers in retail portfolio are in low digits.** Analysis of people who have applied for moratorium – 95-98% of customers were not in default. Surveyed 1,000 customers and reflects moratorium is out of caution.
- New credit tightening or credit scoring – every product is filtered since last one year and hence, entered this crisis in a relatively better way.
- Quarterly slippage is Rs31.5bn (annualised core slippage ratio of 1.2%) – normalised slippage would have been higher by 40 bps had moratorium not been there. GNPLs have been lower by 10 bps.
- GNPLs excluding agriculture was 1.2%
- Coverage ratio was 72% (compared to 67% in Q3FY20)
- Credit cost in Q4FY20 was 151 bps

**With respect to business growth**

- **Not chasing growth** – a large part of growth flowing from wholesale and retail segments has been around 15%.
- Growth rate will remain higher than industry run-rate.

**With respect to corporate banking**

- **75-80% of corporate book is towards AA & above rating**
- Corporate banking growth was led by public sector corporates, nodal agencies, private and MNCs and to corporates that have access to borrowing market and attached to large corporate groups
- 41% towards WC, 15.5% balance sheet lending acquisition, 9.5% for on-lending.
- With respect to industry, it is towards power & infra, PSL & on-lending to NBFCs etc
- Has not lowered risk-threshold at all – 92% of incremental lending came from 30% top quartile rating range.
- Over 80% of incremental lending is of less than one-year maturity and with run-down growth will be moderated.
- From mid-March and April, wholesale book has been on a downward trend
- End of period CASA in corporate banking has doubled
- Internal rating system on a scale of 1-10 for corporate portfolio – mapping into external rating suggests it is very stringent – almost 4 notch difference and has proved to be reliable. Weighted average rating was 4.6 which has improved to 4.43. Well-regarded entities are averaged at 3.5 points.

**With respect to SME & business banking**

- Stress test in SME banking – 9% of the portfolio may be vulnerable in the worst case irrespective of moratorium of dpd freeze.
- 2/3<sup>rd</sup> of incremental lending in business banking is less than Rs10mn – 60-65% qualify for PSL
- Self-funding – liquid funds held by customers, promoters with HDFC Bank – at this moment, it is in excess of 60% of advances held. Though not collateralised, it talks about the quality of promoters.
- 77% of the portfolio is collateralised by real estate of same promoters.

**With respect to retail portfolio**

- Compared to the market, the condition in which it ventured into customer or product segment is such that it has 40-60% lower delinquency.
- **Self-employed fares better than market** due to long standing relationship and analytical skills – multiple scorecards based on behaviour, demographics, financial parameters etc. It runs composite score P27 i.e. 2-3 times higher than individually derived score card – proprietary tool.
- **80% of unsecured is to salaried and 20% to self-employed**

- **2/3rd of salaried base is to well-regarded entities** – private, government, MNCs. For balanced 33%, absorbed delinquencies are 9 bps away from other categories and are not far away from well-regarded entities' employees.
- Self-employed – will have a greater impact – disruption in cashflows and customer facing difficulties
- Over 90 delinquencies is 0.66% and stress in high-impact industries is almost similar.
- In unsecured segment – 10 sec PL still offers but base on is pared down and risk factors intensified.

### **With respect to cost efficiency**

- Cost ratios: **Have adopted very well on work from home concept** – right from the largest channel i.e branch to the entire RM team (handling 4 mn customers), most of the people are working from home far more efficiently.
- Going forward, the bank wants to make productivity and efficiency along with heightened monitoring and supervision as the way of life going forward. Will rationalise infrastructure and people, and that will help curtail cost. Cost ratios would decline in medium to long term but short term will depend on market conditions.

### **With respect to fee income**

- Fees and commission income grew 14.6% - retail constitutes 93%. Lockdown has impacted fees by Rs3.5bn. March was lower than January and February by 21%
- Forex – 2/3<sup>rd</sup> contributed by retail and was granular in nature
- Collections impact was Rs1bn on recoveries

### **Other highlights**

- Added 71 branches during the quarter
- Staff count increased by 2,219
- 6.3 mn new liability relationships acquired during the quarter
- 1.8 mn merchant acceptance points
- HDB Financial – will provide moratorium to all customers as an opt-out facility (if someone doesn't want they can opt out)
- Have cut savings deposit rate by 25 bps
- MFI exposure is Rs85bn
- Credit card credit cost is relatively stable till March; 90 dpd is 0.85%
- With respect to LTRO 2.0, evaluating which NBFCs/MFIs it would be comfortable with.

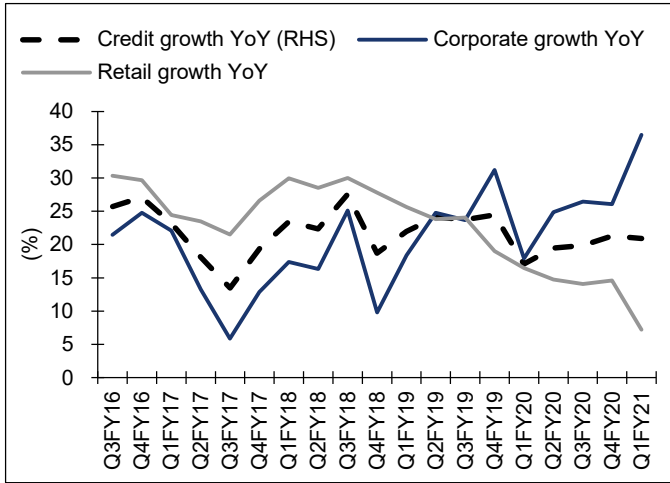


**Table 1: Q1FY21 result review***(Rs mn, year ending March 31)*

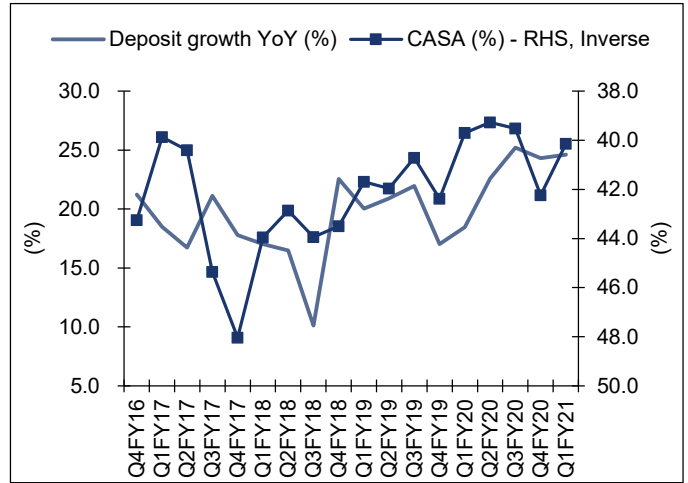
<b>Particulars</b>	<b>Q1FY21</b>	<b>Q1FY20</b>	<b>% Change YoY</b>	<b>Q4FY20</b>	<b>% Change QoQ</b>
Net Interest Income	1,56,654	1,32,943	18	1,52,041	3
% Growth	18	23		16	10
Fee income	22,307	35,516	-37	42,008	(47)
Add: Other income	18,446	14,187	30	18,318	1
Total Net Income	1,97,407	1,82,646	8	2,12,367	(7)
% Growth	8	25		18	
Less: Operating Expenses	69,115	71,173	-3	82,778	(17)
Pre-provision operating profit	1,28,293	1,11,473	15	1,29,589	(1)
NPA Provisions	27,398	22,465	22	19,178	43
Other provisions	11,517	3,672	214	18,667	(38)
PBT	89,378	85,336	5	91,744	(3)
Less: taxes	22,791	29,654	-23	22,466	1
PAT	66,586	55,682	20	69,277	(4)
% Growth	20	21		18	
<b>Balance sheet (Rs mn)</b>					
<b>Particulars</b>					
Advances	1,00,32,989	82,97,298	21	99,37,029	1
Deposits	1,18,93,873	95,45,537	25	1,14,75,023	4
<b>Asset quality</b>					
Gross NPL	1,37,735	1,17,690	17.0	1,26,500	9
Net NPL	32,800	35,672	-8.1	35,424	(7)
Gross NPL ratio (Change bps)	1	1	(4)	1	10
Net NPL ratio (Change bps)	0	0	(10)	0	(3)
Credit cost (Change bps)	1.1	1.1	1	0.8	30
Coverage ratio (Change bps)	76	70	650	72	419
<b>Business ratio</b>					
			<b>Change bps</b>		<b>Change bps</b>
RoAA	1.7	1.8	(4)	1.9	(16)
RoAE	15.3	14.6	65	16.6	(130)
CASA	40.1	39.7	44	42.2	(209)
Credit / Deposit Ratio	85.2	87.8	(255)	87.4	(215)
Cost-Income ratio	35.0	39.0	(396)	39.0	(397)
<b>Earnings ratios</b>					
Yield on advances	9.63	10.58	(95)	9.97	(34)
Cost of deposits	5.04	6.01	(97)	5.30	(27)
NIM	4.23	4.42	(20)	4.31	(8)

Source: Company data

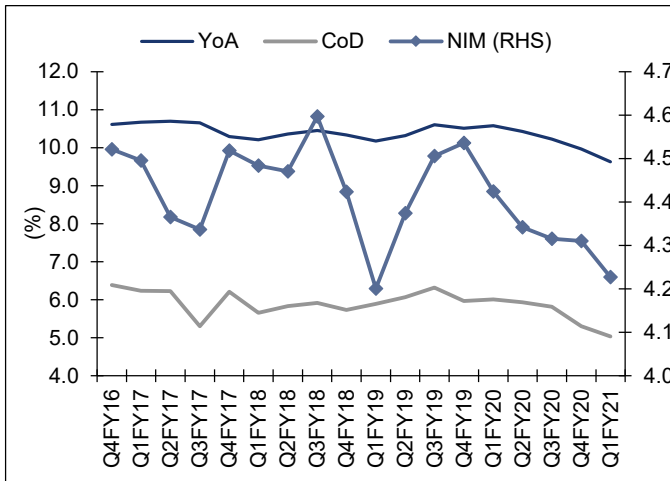
**Chart 1: Corporate advances drive loan growth; gaining market share**



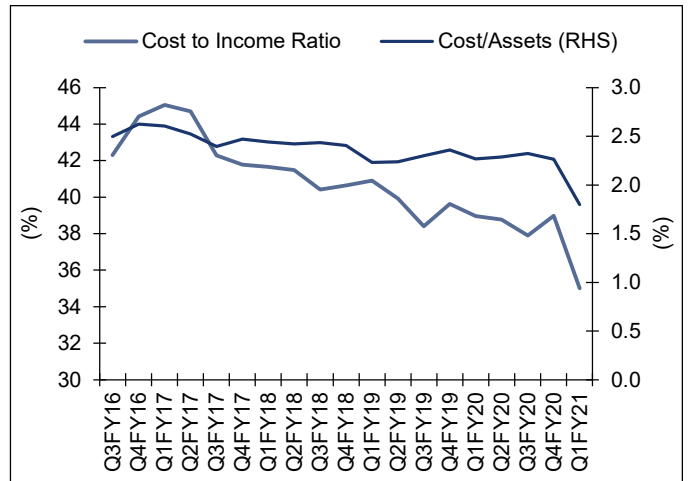
**Chart 2: Deposit flow coming in steadily; retail TD witnessing strong traction**



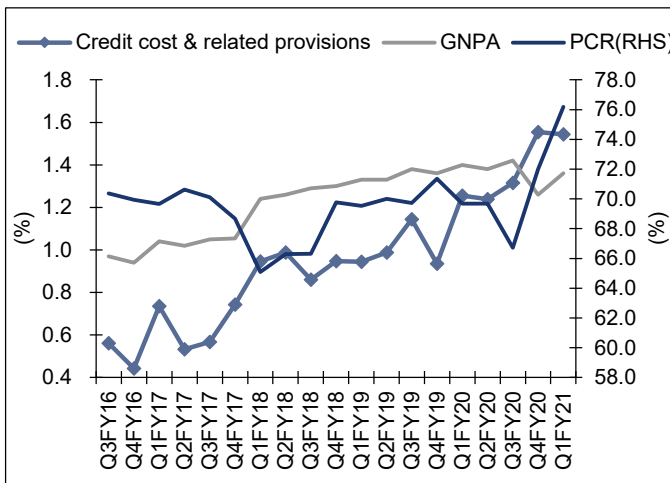
**Chart 3: NIMs stable despite 70bps MCLR cut**



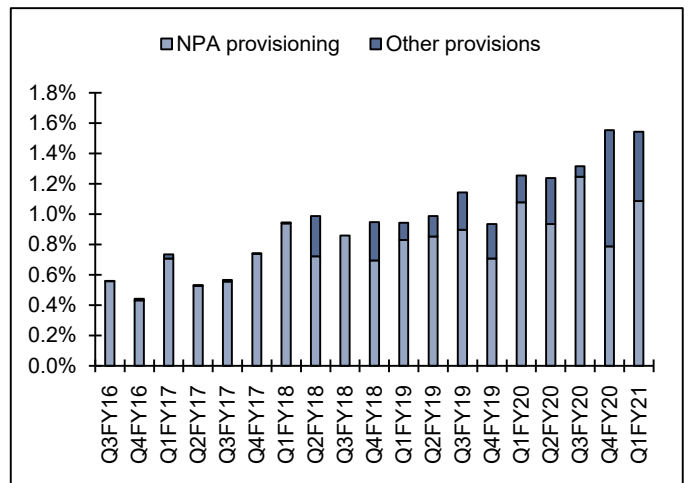
**Chart 4: Cost agility reflected in sharp decline**



**Chart 5: Accelerated recognition and provisioning based on analytics on non-morat pool**

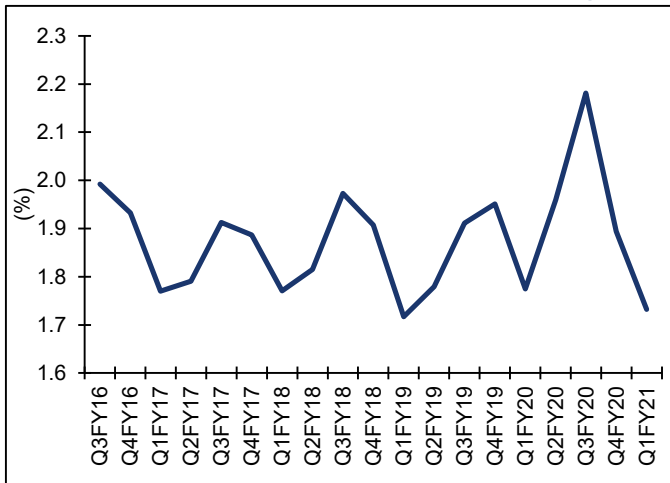


**Chart 6: Contingent provisions with 76% coverage seems sufficient ceterus peribus**



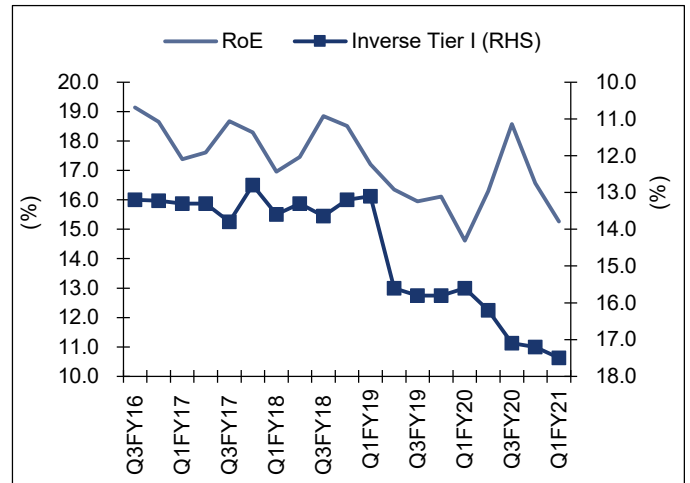
Source: Company data, I-Sec research

**Chart 7: Robust return ratio despite challenges**



Source: Company data, I-Sec research

**Chart 8: Comfortable Tier-1**



## Valuations, stock performance and target price

We value the stock using a 3-period DDM model with the following key assumptions:

Sustainable RoE: 18% (cycle average)

Cost of equity: 11.0%

Three growth periods for earnings:

- High growth FY21E-FY26E : 16% with dividend payout at 13%
- Stable growth FY27E-FY31E : 5% with dividend payout increasing to 51%
- Terminal growth: 4.5% with dividend payout at 51%

Accordingly, we arrive at our fair value for HDFC Bank at Rs1,414. To this, we add: a) Rs46 per share of subsidiary, HDB Financial Services, valuing it at 3x FY22E BV, and b) Rs10 per share of subsidiary, HDFC Securities, valuing it at 13x FY22E earnings. Thus, we arrive at our target price of Rs1,470.

## Financial summary

Table 2: Profit and loss statement

(Rs mn, year ending Mar 31)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Net Interest Income	2,23,957	2,75,915	3,31,392	4,00,949	4,82,432	5,61,862	6,31,915	7,27,527
% Growth	21	23	20	21	20	16	12	15
Fee income	65,842	77,590	88,116	1,13,939	1,38,055	1,63,337	1,64,970	2,01,264
Add: Other income	24,121	29,927	34,849	38,264	38,203	69,273	72,248	75,698
<b>Total Net Income</b>	<b>3,13,920</b>	<b>3,83,432</b>	<b>4,54,357</b>	<b>5,53,152</b>	<b>6,58,691</b>	<b>7,94,473</b>	<b>8,69,134</b>	<b>10,04,489</b>
% Growth	19	22	18	22	19	21	9	16
Less: Operating Expenses	(1,39,875)	(1,69,797)	(1,97,033)	(2,26,904)	(2,61,194)	(3,06,975)	(3,37,249)	(3,84,463)
<b>Pre-provision operating profit</b>	<b>1,74,045</b>	<b>2,13,635</b>	<b>2,57,324</b>	<b>3,26,248</b>	<b>3,97,497</b>	<b>4,87,497</b>	<b>5,31,885</b>	<b>6,20,025</b>
<b>NPA Provisions</b>	<b>(17,236)</b>	<b>(21,336)</b>	<b>(31,453)</b>	<b>(49,104)</b>	<b>(63,941)</b>	<b>(90,859)</b>	<b>(2,03,000)</b>	<b>(1,75,000)</b>
Other provisions	(3,514)	(5,920)	(4,480)	(10,171)	(11,560)	(30,565)	(15,324)	(16,829)
<b>PBT</b>	<b>1,53,295</b>	<b>1,86,379</b>	<b>2,21,391</b>	<b>2,66,973</b>	<b>3,21,997</b>	<b>3,66,073</b>	<b>3,13,561</b>	<b>4,28,197</b>
Less: taxes	(51,136)	(63,417)	(75,894)	(92,106)	(1,11,215)	(1,03,498)	(78,923)	(1,07,777)
<b>PAT</b>	<b>1,02,159</b>	<b>1,22,962</b>	<b>1,45,496</b>	<b>1,74,867</b>	<b>2,10,782</b>	<b>2,62,575</b>	<b>2,34,638</b>	<b>3,20,420</b>
% Growth	20	20	18	20	21	25	(11)	37

Source: Company data, I-Sec research

Table 3: Balance sheet

(Rs mn, year ending Mar 31)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Capital	5,013	5,056	5,125	5,190	5,447	5,483	5,483	5,483
Reserve & Surplus	6,15,081	7,21,721	8,89,498	10,57,760	14,86,617	17,04,377	18,86,855	21,36,045
Deposits	45,07,956	54,64,242	64,36,397	78,87,706	92,31,409	1,14,75,023	1,28,52,026	1,50,36,870
Borrowings	4,51,436	5,29,485	7,39,588	10,19,980	11,70,851	14,46,285	12,93,995	14,53,944
Other liabilities	3,25,545	3,67,951	5,67,793	6,68,707	5,51,083	6,73,944	7,41,338	8,15,472
<b>Total liabilities</b>	<b>59,05,031</b>	<b>70,88,456</b>	<b>86,38,401</b>	<b>1,06,39,343</b>	<b>1,24,45,407</b>	<b>1,53,05,113</b>	<b>1,67,79,698</b>	<b>1,94,47,815</b>
Cash & Bank Balances	3,63,315	3,89,188	4,89,521	12,29,151	8,13,476	8,66,187	8,09,267	9,32,982
Investment	15,16,418	16,38,858	21,44,633	24,22,002	29,05,879	39,18,267	39,28,062	41,24,465
Advances	36,54,950	46,45,940	55,45,682	65,83,331	81,94,012	99,37,029	1,12,06,341	1,32,28,766
Fixed Assets	31,217	33,432	36,267	36,072	40,300	44,319	49,744	53,740
Other Assets	3,39,131	3,81,038	4,22,298	3,68,787	4,91,740	5,39,311	7,86,284	11,07,861
<b>Total Assets</b>	<b>59,05,031</b>	<b>70,88,456</b>	<b>86,38,401</b>	<b>1,06,39,343</b>	<b>1,24,45,407</b>	<b>1,53,05,113</b>	<b>1,67,79,698</b>	<b>1,94,47,815</b>
% Growth	20.1	20.0	21.9	23.2	17.0	23.0	9.6	15.9

Source: Company data, I-Sec research

Table 4: Dupont analysis

(% , year ending Mar 31)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest income	9.0	9.3	8.8	8.3	8.6	8.3	8.1	8.2
Interest expense	(4.8)	(5.0)	(4.6)	(4.2)	(4.4)	(4.2)	(4.1)	(4.1)
<b>NII</b>	<b>4.1</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.0</b>	<b>3.9</b>	<b>4.0</b>
Other income	0.4	0.5	0.4	0.4	0.3	0.5	0.5	0.4
Fee income	1.2	1.2	1.1	1.2	1.2	1.2	1.0	1.1
<b>Total income</b>	<b>5.8</b>	<b>5.9</b>	<b>5.8</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>5.4</b>	<b>5.5</b>
Operating expenses	(2.6)	(2.6)	(2.5)	(2.4)	(2.3)	(2.2)	(2.1)	(2.1)
<b>Operating profit</b>	<b>3.2</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>	<b>3.3</b>	<b>3.4</b>
<b>NPA provision</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>(1.3)</b>	<b>(1.0)</b>
Total provisions	(0.4)	(0.4)	(0.5)	(0.6)	(0.7)	(0.9)	(1.4)	(1.1)
PBT	<b>2.8</b>	<b>2.9</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.6</b>	<b>2.0</b>	<b>2.4</b>
Tax	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(0.7)	(0.5)	(0.6)
<b>PAT</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>	<b>1.5</b>	<b>1.8</b>

Source: Company data, I-Sec research

**Table 5: Key ratios***(Year ending Mar 31)*

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Per share data</b>								
EPS – Diluted (Rs)	20.4	24.3	28.4	33.7	38.7	47.9	42.8	58.4
% Growth	-42.6	19.3	16.7	18.7	14.9	23.7	-10.6	36.6
DPS (Rs)	4.00	4.75	5.50	3.20	7.50	9.10	8.13	11.10
Book Value per share (BVPS) (Rs)	123.7	143.7	174.6	204.8	273.9	311.8	345.1	390.6
% Growth	36.5	16.2	21.4	17.3	33.8	13.8	10.7	13.2
Adjusted BVPS (Rs)	122.5	142.0	172.2	201.5	270.1	307.0	332.8	379.3
% Growth	36.9	15.9	21.2	17.0	34.0	13.7	8.4	14.0
<b>Valuations</b>								
Price / Earnings (x)	51.0	42.8	36.6	30.9	26.9	21.7	24.3	17.8
Price / Book (x)	8.4	7.2	6.0	5.1	3.8	3.3	3.0	2.7
Price / Adjusted BV (x)	8.5	7.3	6.0	5.2	3.9	3.4	3.1	2.7
<b>Asset Quality</b>								
Gross NPA (Rs mn)	34,384	43,928	58,857	86,070	1,12,242	1,26,500	2,16,500	2,26,500
Gross NPA (%)	0.9	0.9	1.1	1.3	1.4	1.3	1.9	1.7
Net NPA (Rs mn)	8,963	13,204	18,440	26,010	32,145	35,424	89,924	82,424
Net NPA (%)	0.2	0.3	0.3	0.4	0.4	0.4	0.8	0.6
NPA Coverage ratio (%)	74	70	69	70	71	72	58	64
Gross Slippages (%)	1.6	1.6	1.5	2.3	2.2	2.1	2.2	1.5
Credit Cost (%)	0.62	0.65	0.70	0.97	1.01	1.33	2.04	1.55
Net NPL/Net worth	1.4	1.8	2.1	2.4	2.2	2.1	4.8	3.8
<b>Business ratios (%)</b>								
RoAA	1.89	1.89	1.85	1.81	1.83	1.89	1.46	1.77
RoAE	19.4	18.3	17.9	17.9	16.5	16.4	13.0	15.9
Credit Growth	20.6	27.1	19.4	18.7	24.5	21.3	12.8	18.0
Deposits Growth	22.7	21.2	17.8	22.5	17.0	24.3	12.0	17.0
CASA	44.0	43.2	48.0	43.5	42.4	42.2	40.0	40.0
Credit / Deposit Ratio	81.1	85.0	86.2	83.5	88.8	86.6	87.2	88.0
Cost-Income ratio	44.6	44.3	43.4	41.0	39.7	38.6	38.8	38.3
Operating Cost / Avg. Assets	2.6	2.6	2.5	2.4	2.3	2.2	2.1	2.1
Fee Income / Avg Assets	1.2	1.2	1.1	1.2	1.2	1.2	1.0	1.1
<b>Earnings ratios</b>								
Yield on Advances	11.12	10.80	10.22	10.33	10.50	10.12	9.92	10.04
Yield on Earning Assets	9.53	9.87	9.33	8.72	8.94	8.62	8.46	8.63
Cost of Deposits	5.75	5.85	5.27	4.58	4.80	4.91	4.51	4.62
Cost of Funds	5.78	5.96	5.49	4.93	5.20	5.03	4.91	4.89
NIM	4.4	4.5	4.5	4.4	4.4	4.2	4.1	4.3
<b>Capital Adequacy (%)</b>								
RWA (Rs bn)	4,227	5,298	6,400	7,574	9,445	11,517	13,070	15,469
Tier-I	13.7	13.2	12.8	14.6	16.5	15.6	14.8	14.1
CAR	16.8	15.5	14.6	16.7	18.5	17.6	15.7	14.9

Source: Company data, I-Sec research

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