Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

April 17, 2022

## Q4FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

| | Current | | Previous | |
|---|---|---|---|---|
| | FY23E | FY24E | FY23E | FY24E |
| **Rating** | **BUY** | | **BUY** | |
| **Target Price** | **1,740** | | **2,000** | |
| NII (Rs. m) | 8,32,963 | 9,80,223 | 8,56,842 | 10,01,403 |
| *% Chng.* | *(2.8)* | *(2.1)* | | |
| Op. Profit (Rs. m) | 7,24,302 | 8,42,403 | 7,62,755 | 8,87,542 |
| *% Chng.* | *(5.0)* | *(5.1)* | | |
| EPS (Rs.) | 75.5 | 88.5 | 80.6 | 94.9 |
| *% Chng.* | *(6.3)* | *(6.7)* | | |

### Key Financials - Standalone

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|
| NII (Rs bn) | 649 | 709 | 833 | 980 |
| Op. Profit (Rs bn) | 574 | 629 | 724 | 842 |
| PAT (Rs bn) | 311 | 384 | 419 | 491 |
| EPS (Rs.) | 56.6 | 66.8 | 75.5 | 88.5 |
| *Gr. (%)* | *17.8* | *18.1* | *12.9* | *17.3* |
| DPS (Rs.) | - | 6.5 | 15.0 | 18.0 |
| *Yield (%)* | - | *0.4* | *1.0* | *1.2* |
| *NIM (%)* | *4.1* | *3.9* | *3.9* | *4.0* |
| *RoAE (%)* | *16.6* | *17.3* | *16.3* | *16.8* |
| *RoAA (%)* | *1.9* | *2.0* | *1.9* | *1.9* |
| P/BV (x) | 4.0 | 3.4 | 3.0 | 2.6 |
| P/ABV (x) | 4.1 | 3.5 | 3.1 | 2.7 |
| PE (x) | 25.9 | 21.9 | 19.4 | 16.6 |
| CAR (%) | 18.8 | 18.9 | 18.2 | 17.4 |

| Key Data | HDBK.BO \| HDFCB IN |
|---|---|
| 52-W High / Low | Rs.1,725 / Rs.1,292 |
| Sensex / Nifty | 58,339 / 17,476 |
| Market Cap | Rs.8,124bn/ $ 1,06,636m |
| Shares Outstanding | 5,546m |
| 3M Avg. Daily Value | Rs.15324.97m |

### Shareholding Pattern (%)

| | |
|---|---|
| Promoter's | 25.78 |
| Foreign | 35.62 |
| Domestic Institution | 24.55 |
| Public & Others | 14.05 |
| Promoter Pledge (Rs bn) | - |

### Stock Performance (%)

| | 1M | 6M | 12M |
|---|---|---|---|
| Absolute | 4.9 | (10.6) | 4.6 |
| Relative | (0.1) | (7.0) | (13.0) |


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# HDFC Bank (HDFCB IN)

**Rating: BUY | CMP: Rs1,465 | TP: Rs1,740**

## *Margin recovery to be protracted*

**Quick Pointers:**

- NIM at 4.3% for the quarter was softer due to sharp wholesale growth.
- Retail contribution may take about 4-6 quarters to reach pre-pandemic levels.

***HDFCB's PAT at Rs100.6bn was a miss (PLe: Rs115.04bn), due to weaker NII and other income although opex was lower. Asset quality was stable and OTR pool is ~1.1% of loans. NII traction remained softer than loan growth due to non-retail focus. HDFCB's credit accretion in the recent past has been primarily led by wholesale and CRB, since credit standards were tightened in retail due to COVID. This has been a drag on margins. Loan mix in terms of non-retail/retail stands at 61/39 compared to 50/50 pre-pandemic. Balance sheet strength is suggested by a PCR of 70%+, contingent provisions at 71bps and a CET-1 of 16.7%. However, near term RoE (FY23 & FY24) could remain between 16-17% as commentary suggests that the positive effect on NIM that could emanate from faster retail credit offtake, may take 4-6 quarters to materialize and as rates rise, CASA share is expected to moderate. We reduce our PAT for FY23E/24E by ~6% each, owing to lower NII and other income. Hence, we cut our target multiple from 3.6x to 3.2x on Mar'24 ABV and trim our TP from Rs2,000 to Rs1,740. Retain BUY.***

- **Earnings miss led by lower NII/other income:** Loan growth was largely in-line at ~21% YoY, though NII at Rs189bn was a miss (PLe Rs203bn) due to lower NIM at 4.3% (PLe 4.6%). NIM miss was mainly led by sharp growth in wholesale and CRB leading to lower than expected yields. However, NII profile might improve as retail has started gaining traction and it may take 4-6 quarters to reflect in the loan mix. Other income was lower at Rs76.4bn mainly led by treasury loss while fee income was slightly lower. Opex at Rs101.5bn saw a positive surprise due to a beat on employee and other opex, though core PPOP at Rs164bn was a miss (PLe Rs176bn) owing to lower NII. Asset quality improved QoQ with GNPA reducing by 8bps to 1.17%. Provisions were a bit higher at Rs33bn due to contingent provisions though slippages were controlled. PAT was a miss at Rs100.6bn (PLe Rs115bn).

- **Loan growth led from Commercial & Rural Banking:** CRB lending growth was up 30.4% YoY/10.1% QoQ, followed by wholesale loan growth of 17.4% YoY/11.6% QoQ. Retail loan growth was sluggish as Vehicle Finance and Card portfolio remains impacted. Retail/non-Retail mix is 39:61 compared to 50:50 in pre-pandemic. Prepayments from Corporate have reduced, CRB continues to be great opportunity and bank would continue to build market share in this segment. On deposits, franchise benefit continues to positively impact flows, especially CASA, helping in lowering funding cost. Although CASA improved to 48%, it would tend to its normal level of 40-42% as rates rise.

- **Asset quality robust:** The bank reported a lower slippage ratio of 1.3% vs 1.6% in Q3FY22. GNPA declined by 8bps QoQ to 1.17% (19bps standard). Bank strengthened its contingency provisioning by Rs10bn during the quarter taking the total to Rs97bn (71bps of loans). Also, with lower slippages, credit remained steady QoQ. Restructuring declined to 1.14% of loans from 1.37% QoQ while the ultimate impact on GNPA could be 10-20 bps.

*NII growth was decent YoY despite strong loan growth.*

*Other income growth was flat due to slower fee growth.*

*Other Opex increases with branch expansion and digitization.*

*Bank made additional Rs10bn of contingency provisions, loan loss provisions came down on lower slippages.*

*Lending growth rate was strong led by CRB Loans, deposits led by CASA.*

*NIMs was steady QoQ*

*Slower Slippages rate of 130bps (annualized) has improved asset quality, while PCR continues to be strong+70%.*

*CASA mix improved to 48%*

**Exhibit 1: Subdued Other Income, Higher Provisioning impact earnings**

| Financials (Rs m) | Q4FY22 | Q4FY21 | YoY gr. (%) | Q3FY22 | QoQ gr. (%) |
|---|---|---|---|---|---|
| Interest income | 3,34,487 | 3,04,236 | 9.9 | 3,24,681 | 3.0 |
| Interest Expended | 1,45,760 | 1,33,034 | 9.6 | 1,40,246 | 3.9 |
| **Net interest income (NII)** | **1,88,727** | **1,71,201** | **10.2** | **1,84,435** | **2.3** |
| - Treasury income | (403) | 6,551 | (106.2) | 10,465 | (103.9) |
| Other income | 76,371 | 75,939 | 0.6 | 81,836 | (6.7) |
| **Total income** | **2,65,098** | **2,47,141** | **7.3** | **2,66,271** | **(0.4)** |
| Operating expenses | 1,01,528 | 91,813 | 10.6 | 98,511 | 3.1 |
| -Staff expenses | 31,446 | 26,789 | 17.4 | 31,544 | (0.3) |
| -Other expenses | 70,082 | 65,024 | 7.8 | 66,967 | 4.7 |
| **Operating profit** | **1,63,570** | **1,55,328** | **5.3** | **1,67,760** | **(2.5)** |
| **Core operating profit** | **1,63,973** | **1,48,777** | **10.2** | **1,57,295** | **4.2** |
| Total provisions | 33,124 | 46,937 | (29.4) | 29,940 | 10.6 |
| **Profit before tax** | **1,30,447** | **1,08,391** | **20.3** | **1,37,820** | **(5.4)** |
| Tax | 29,895 | 26,526 | 12.7 | 34,398 | (13.1) |
| **Profit after tax** | **1,00,552** | **81,865** | **22.8** | **1,03,423** | **(2.8)** |
| | | | | | |
| **Balance sheet (Rs m)** | | | | | |
| Deposits | 1,55,92,174 | 1,33,50,602 | 16.8 | 1,44,59,181 | 7.8 |
| Advances | 1,36,88,209 | 1,13,28,366 | 20.8 | 1,26,08,628 | 8.6 |
| | | | | | |
| **Profitability ratios** | | | | | |
| YoA – Calc | 7.9 | 8.6 | (72) | 8.1 | (22) |
| CoF – Calc | 3.4 | 3.7 | (27) | 3.5 | (6) |
| **NIM – Reported** | **4.2** | **4.2** | **-** | **4.1** | **10** |
| RoaA | 2.0 | 1.9 | 8 | 2.2 | (18) |
| RoaE | 17.1 | 16.4 | 71 | 18.5 | (133) |
| | | | | | |
| **Asset Quality** | | | | | |
| Gross NPL (Rs mn) | 1,61,410 | 1,50,860 | 7.0 | 1,60,136 | 0.8 |
| Net NPL (Rs mn) | 44,077 | 45,548 | (3.2) | 46,768 | (5.8) |
| Gross NPL ratio | 1.2 | 1.3 | (15) | 1.3 | (9) |
| Net NPL ratio | 0.3 | 0.4 | (8) | 0.4 | (5) |
| Coverage ratio – Calc | 72.7 | 69.8 | 288 | 70.9 | 178 |
| | | | | | |
| **Business & Other Ratios** | | | | | |
| Low-cost deposit mix | 48.2 | 46.1 | 210 | 47.1 | 110 |
| Cost-income ratio | 38.3 | 37.2 | 115 | 37.0 | 130 |
| Non int. inc / total income | 28.8 | 30.7 | (192) | 30.7 | (193) |
| Credit deposit ratio | 87.8 | 84.9 | 294 | 87.2 | 59 |
| CAR | 18.9 | 18.8 | 10 | 19.5 | (60) |
| Tier-I | 17.9 | 17.6 | 30 | 18.4 | (50) |

*Source: Company, PL.*

# Key Q4FY22 Conference Call Highlights

## Business Review & Outlook:

- Economic environment was better owing overall improvement in the economy, however overhang of geopolitical tension, increase in commodity prices. global supply chain issues and rising inflation due to crude oil and food prices remained key monitorables.
- **Deposits -** Bank opened all-time high of 2.4mn new liability accounts in Q4FY22 and 8.97mn during the year. Deposits growth has been led by strong CASA growth.
- **Assets –** Advances growth has been led by substantial upswing in CRB followed by Wholesale.
  - **Corporate & Other Wholesale –** Prepayments from corporates dominated the start of the FY, however trends reversed during the quarter. **Growth –**Telecom sector, PSUs loan demand was decent, there was pick-up in demand from Manufacturing segment and NBFCs as well.
  - **Commercial & Rural Banking** – Growth has been aided by market share, expansion in semi-urban and rural areas, underlying strength in the economy. Yields in this segment are ~8.5%
  - **Retail –** Retail growth momentum of the bank has been impacted due to Vehicle Finance (Impacted due to supply chain issues) and Cards. As the supply chain issues subsides, Vehicle Finance to see pick-up. **Cards -** Card spends has seen 28% YoY; however, utilization remains in the range of 0.7-0.8 of pre-covid levels (improvement of 1 percentage point QoQ). Since lifting of the embargo, Bank has added 21.8 lakh credit cards. (8.2 lakh cards during Q4FY22)

## Fees/Other Income

- C/I steady at 38% owing to increased spend to drive sales and services, growth in retail granular book, continued tech expenses. C/I ratio is expected to go up as retail activity gathers momentum, however, management expects the ratio to range in mid-thirties over the medium term.
- Bank has partnered with Airtel Payments Bank, Manipal Business Solutions and Indian Post Payment Bank to strengthen its distribution franchise.
- Fees - 94% of fees from the retail sector. However, fees from payment products have remained subdued due to lower risk related fees (ex. Late payment, over limit utilization, etc).

## Margins/NII

- NIM is reflective of shift to higher rated segments and secured retail mix, management expects it to move up in the range of 4.4%-4.5% with increase retail lending, repo rate changes, though the recovery would be lagged.

## Asset quality

- Bank made additional Rs10bn of contingent provisions. (O/S Contingent Provisions – Rs.97bn).
- Bank's restructured portfolio stood at 114 bps (include 17 bps from other facilities to same borrower which are not restructured) and expects an impact of 10-20 bps on this portfolio.
- Bank saw decline in slippages 1.3% vs 1.6% in Q3FY22. Bank saw recovery of Rs.21bn and W/off Rs7bn. Credit was steady sequentially at 0.96% in Q4FY22

*2W loan growth continue to struggle, while Auto loans improve.*

*Commercial & Rural Banking continues to be growth driver*

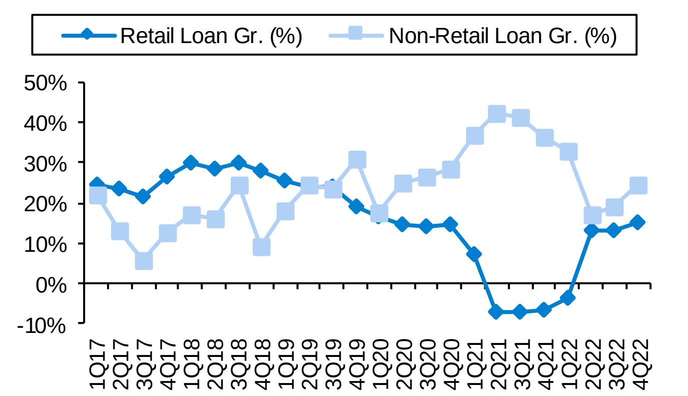
*Share of retail portfolio declined marginally, however non-retail continues to be dominant*

**Exhibit 2: Retail trends subdued; non retail superior**

| Loan Composition (Rs mn) | Q4FY22 | Q4FY21 | YoY gr. (%) | Q3FY22 | QoQ gr. (%) |
|---|---|---|---|---|---|
| Personal Loans | 14,01,270 | 11,59,630 | *17.5* | 13,33,990 | *5.0* |
| Auto | 10,04,630 | 8,92,770 | *9.1* | 9,64,260 | *4.2* |
| Home Loans | 8,30,560 | 6,66,090 | *18.4* | 7,89,920 | *5.1* |
| Payment Products | 7,67,570 | 6,59,450 | ***13.9*** | 7,33,050 | ***4.7*** |
| LAP | 6,22,480 | 4,98,170 | *21.6* | 5,77,360 | *7.8* |
| 2Wheelers | 92,880 | 1,04,650 | *(9.7)* | 92,880 | - |
| Gold Loans | 83,500 | 76,360 | *1.3* | 81,980 | *1.9* |
| Other Retail | 5,14,790 | 4,07,820 | *19.7* | 4,84,070 | *6.3* |
| Agri | 6,45,450 | 4,52,840 | *26.1* | 5,60,310 | *15.2* |
| **Retail Loans** | **53,17,680** | **44,64,940** | ***15.2*** | **50,57,510** | ***5.1*** |
| **Commercial & Rural Banking** | **48,47,360** | **34,00,990** | ***30.4*** | **44,02,260** | ***10.1*** |
| **Corporate & Wholesale** | **36,40,110** | **30,34,830** | ***17.4*** | **32,61,820** | ***11.6*** |
| **Total Advances** | **1,38,05,150** | **1,09,00,760** | ***20.7*** | **1,27,21,590** | ***8.5*** |
| **Loan Mix** | **Q4FY22** | **Q4FY21** | ***bps chg. YoY*** | **Q3FY22** | ***bps chg. QoQ*** |
| Vehicle Loans | 8.0% | 9.0% | *(11.2)* | 8.3% | *(4.3)* |
| Unsecured Loans | 15.7% | 16.3% | *(3.8)* | 16.2% | *(3.3)* |
| Retail Loans | 38.5% | 40.4% | *(4.6)* | 39.8% | *(3.1)* |
| Non Retail Loans | 61.5% | 59.6% | *3.1* | 60.2% | *2.1* |

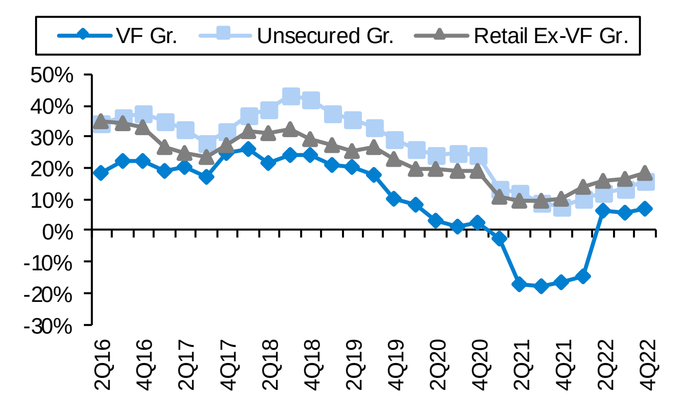
*Source: Company, PL*

**Exhibit 3: Non-retail sees sharp improvement**



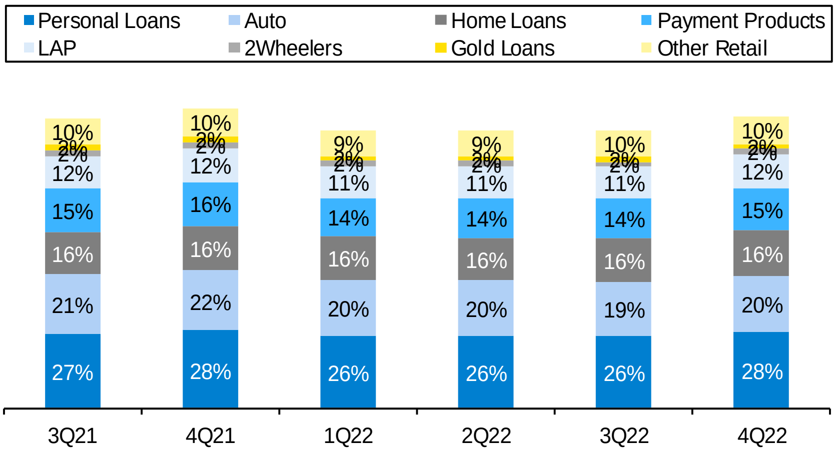

*Source: Company, PL*

**Exhibit 4: Vehicle Finance growth remains sluggish**



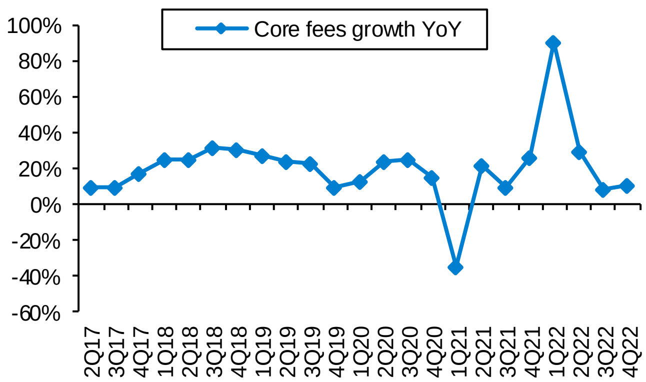

*Source: Company, PL*

**Exhibit 5: Break up of retail book as percentage of retail loans**



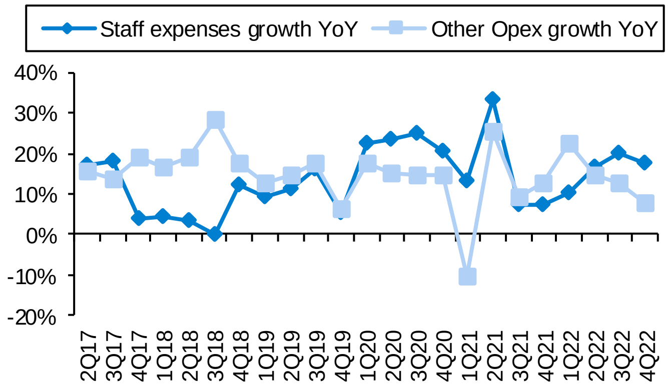

*Source: Company, PL*

**Exhibit 6: Fee income growth remains stagnant**



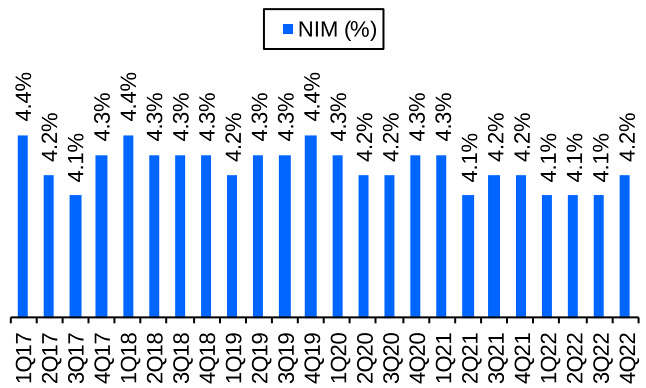

*Source: Company, PL*

**Exhibit 7: Opex growth to see rise**



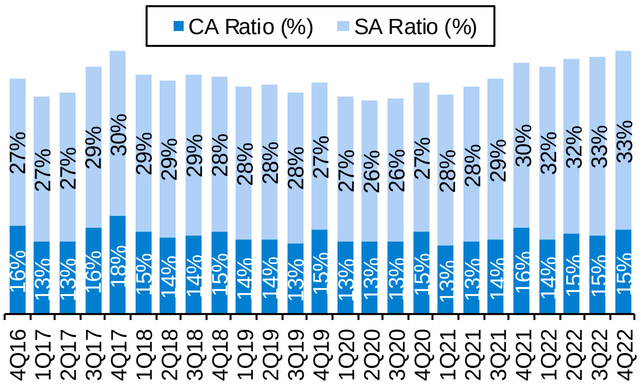

*Source: Company, PL*

**Exhibit 8: NIMs remains range bound**



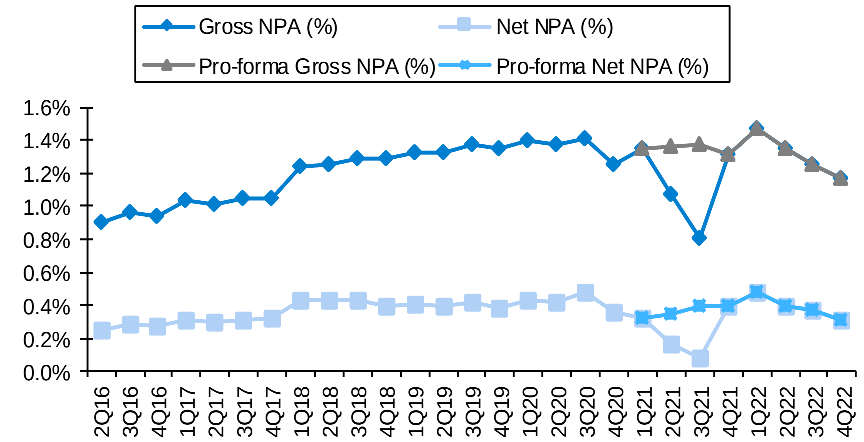

*Source: Company, PL*

**Exhibit 9: CASA improves to 48%**




*Source: Company, PL*

**Exhibit 10: Asset quality robust**




*Source: Company Data, PL Research*

**Exhibit 11: Return ratios improvement depends on margin expansion**

| RoA decomposition | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|---|---|---|
| Interest income | 8.32 | 8.57 | 8.27 | 7.38 | 6.70 | 6.95 | 7.29 |
| Interest expenses | 4.17 | 4.40 | 4.23 | 3.42 | 2.92 | 3.18 | 3.44 |
| **Net interest income** | **4.16** | **4.18** | **4.05** | **3.96** | **3.77** | **3.78** | **3.85** |
| Treasury income | 0.25 | 0.18 | 0.29 | 0.48 | 0.32 | 0.23 | 0.18 |
| Other Inc. from operations | 1.33 | 1.34 | 1.38 | 1.06 | 1.22 | 1.25 | 1.22 |
| **Total income** | **5.74** | **5.71** | **5.73** | **5.50** | **5.32** | **5.25** | **5.25** |
| Employee expenses | 0.71 | 0.67 | 0.69 | 0.63 | 0.63 | 0.63 | 0.63 |
| Other operating expenses | 1.65 | 1.59 | 1.53 | 1.36 | 1.33 | 1.34 | 1.32 |
| **Operating profit** | **3.38** | **3.44** | **3.51** | **3.50** | **3.36** | **3.28** | **3.31** |
| Tax | 0.96 | 0.96 | 0.75 | 0.64 | 0.63 | 0.64 | 0.65 |
| Loan loss provisions | 0.61 | 0.65 | 0.88 | 0.96 | 0.79 | 0.75 | 0.73 |
| **RoAA** | **1.81** | **1.83** | **1.89** | **1.90** | **1.94** | **1.90** | **1.93** |
| **RoAE** | **17.87** | **16.50** | **16.40** | **16.61** | **16.66** | **16.33** | **16.81** |

*Source: Company, PL*

**Exhibit 12: We adjust lower NII and other income**

| Change in Estimates (Rs mn) | Earlier estimates | | Revised estimates | | *% Change* | |
|---|---|---|---|---|---|---|
| | FY23E | FY24E | FY23E | FY24E | *FY23E* | *FY24E* |
| Net interest income | 8,56,842 | 10,01,403 | 8,32,963 | 9,80,223 | *(2.8)* | *(2.1)* |
| Operating profit | 7,62,755 | 8,87,542 | 7,24,302 | 8,42,403 | *(5.0)* | *(5.1)* |
| Net profit | 4,45,422 | 5,24,410 | 4,18,521 | 4,90,724 | *(6.0)* | *(6.4)* |
| Loan Growth (%) | 16.0 | 18.0 | 16.0 | 18.0 | - | - |
| Credit Cost (bps) | 100.0 | 98.0 | 100.0 | 98.0 | - | - |
| EPS, Rs. | 80.6 | 94.9 | 75.5 | 88.5 | *(6.3)* | *(6.7)* |
| ABVPS, Rs. | 484.1 | 559.8 | 475.7 | 543.8 | *(1.8)* | *(2.9)* |
| **Price target, Rs.** | **2,000** | | **1,740** | | ***(13.0)*** | |
| **Recommendation** | **BUY** | | **BUY** | | | |

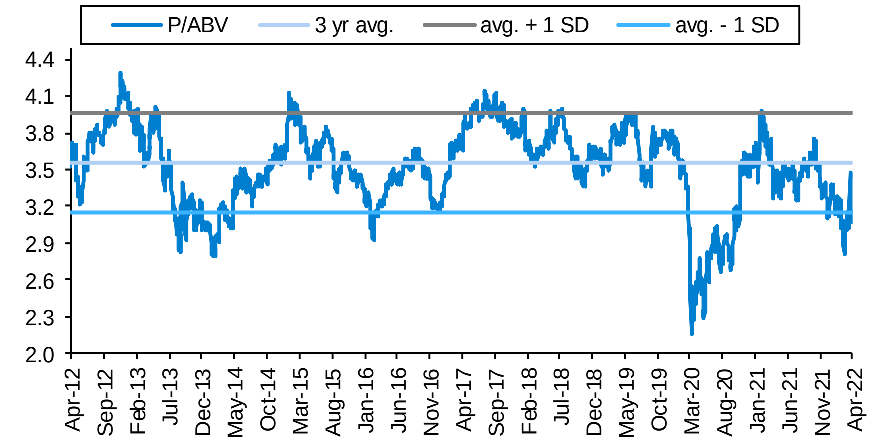
*Source: Company, PL*

**Exhibit 13: We lower our TP to Rs1,740 at Mar-24 ABV with lower multiple of 3.2x**

| PT calculation and upside | |
|---|---|
| Market risk premium | 7.0% |
| Risk-free rate | 6.3% |
| Adjusted beta | 1.06 |
| Terminal Growth | 5.0% |
| **Cost of equity** | **13.7%** |
| | |
| **Fair price - P/ABV** | **1,740** |
| **Target P/ABV** | **3.2** |
| **Target P/E** | **19.7** |
| Current price, Rs | 1,465 |
| **Upside (%)** | **18.8%** |
| Dividend yield (%) | 1.2% |
| **Total return (%)** | **20.0%** |

*Source: Company, PL*

**Exhibit 14: HDFCB one year forward P/ABV trend**




*Source: Company, PL*

**Income Statement (Rs. m)**

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|
| Int. Earned from Adv. | 9,48,345 | 9,85,120 | 12,18,141 | 14,86,703 |
| Int. Earned from invt. | 2,32,143 | 2,60,461 | 2,90,994 | 3,44,095 |
| Others | 28,094 | 31,950 | 24,548 | 24,823 |
| Total Interest Income | 12,08,582 | 12,77,531 | 15,33,683 | 18,55,621 |
| Interest Expenses | 5,59,787 | 5,68,789 | 7,00,720 | 8,75,398 |
| **Net Interest Income** | **6,48,796** | **7,08,742** | **8,32,963** | **9,80,223** |
| *Growth(%)* | *13.4* | *11.4* | *15.3* | *15.5* |
| Non Interest Income | 2,52,049 | 2,95,102 | 3,24,609 | 3,57,070 |
| Net Total Income | 9,00,845 | 10,03,844 | 11,57,572 | 13,37,293 |
| *Growth(%)* | *5.8* | *7.7* | *18.2* | *19.1* |
| Employee Expenses | 1,03,648 | 1,20,317 | 1,38,364 | 1,59,119 |
| Other Expenses | 2,10,554 | 2,40,105 | 2,76,121 | 3,17,539 |
| Operating Expenses | 3,27,226 | 3,74,422 | 4,33,270 | 4,94,890 |
| **Operating Profit** | **5,73,618** | **6,29,422** | **7,24,302** | **8,42,403** |
| *Growth(%)* | *17.7* | *9.7* | *15.1* | *16.3* |
| NPA Provision | 1,14,502 | 1,01,049 | 1,47,833 | 1,69,612 |
| Total Provisions | 1,57,029 | 1,25,272 | 1,64,782 | 1,86,355 |
| **PBT** | **4,16,590** | **5,04,150** | **5,59,520** | **6,56,048** |
| Tax Provision | 1,05,425 | 1,20,541 | 1,40,999 | 1,65,324 |
| *Effective tax rate (%)* | *25.3* | *23.9* | *25.2* | *25.2* |
| **PAT** | **3,11,165** | **3,83,609** | **4,18,521** | **4,90,724** |
| *Growth(%)* | *18.5* | *23.3* | *9.1* | *17.3* |

**Balance Sheet (Rs. m)**

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|
| Face value | 1 | 1 | 1 | 1 |
| No. of equity shares | 5,513 | 5,546 | 5,546 | 5,546 |
| Equity | 5,513 | 5,546 | 5,546 | 5,546 |
| Networth | 20,37,208 | 24,00,929 | 27,23,825 | 31,14,730 |
| *Growth(%)* | *19.1* | *17.9* | *13.4* | *14.4* |
| Adj. Networth to NNPAs | 45,548 | 68,111 | 57,346 | 65,506 |
| Deposits | 1,33,50,602 | 1,55,92,174 | 1,80,86,922 | 2,13,42,568 |
| *Growth(%)* | *16.3* | *16.8* | *16.0* | *18.0* |
| CASA Deposits | 61,56,822 | 75,10,500 | 83,19,984 | 97,32,211 |
| *% of total deposits* | *46.1* | *48.2* | *46.0* | *45.6* |
| **Total Liabilities** | **1,74,68,705** | **2,04,97,292** | **2,34,22,202** | **2,74,92,888** |
| Net Advances | 1,13,28,366 | 1,36,88,209 | 1,58,78,323 | 1,87,36,421 |
| *Growth(%)* | *14.0* | *20.8* | *16.0* | *18.0* |
| Investments | 44,37,283 | 45,55,357 | 53,22,565 | 61,83,814 |
| **Total Assets** | **1,74,68,705** | **2,06,81,928** | **2,34,22,202** | **2,74,92,888** |
| *Growth (%)* | *14.1* | *18.4* | *13.2* | *17.4* |

**Asset Quality**

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|
| Gross NPAs (Rs m) | 1,50,860 | 1,61,409 | 2,02,380 | 2,22,065 |
| Net NPAs (Rs m) | 45,548 | 68,111 | 57,346 | 65,506 |
| *Gr. NPAs to Gross Adv.(%)* | *1.3* | *1.2* | *1.3* | *1.2* |
| *Net NPAs to Net Adv. (%)* | *0.4* | *0.5* | *0.4* | *0.3* |
| *NPA Coverage %* | *69.8* | *57.8* | *71.7* | *70.5* |

**Profitability (%)**

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|
| NIM | 4.1 | 3.9 | 3.9 | 4.0 |
| RoAA | 1.9 | 2.0 | 1.9 | 1.9 |
| RoAE | 16.6 | 17.3 | 16.3 | 16.8 |
| Tier I | 17.6 | 17.9 | 17.1 | 16.4 |
| CRAR | 18.8 | 18.9 | 18.2 | 17.4 |

*Source: Company Data, PL Research*

**Quarterly Financials (Rs. m)**

| Y/e Mar | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 |
|---|---|---|---|---|
| Interest Income | 3,04,830 | 3,13,534 | 3,24,681 | 3,34,487 |
| Interest Expenses | 1,34,740 | 1,36,690 | 1,40,246 | 1,45,760 |
| **Net Interest Income** | **1,70,090** | **1,76,844** | **1,84,435** | **1,88,727** |
| *YoY growth (%)* | *8.6* | *12.1* | *13.0* | *10.2* |
| CEB | 38,854 | 49,459 | 50,751 | 56,303 |
| Treasury | - | - | - | - |
| Non Interest Income | 62,886 | 74,008 | 81,836 | 76,371 |
| **Total Income** | **3,67,716** | **3,87,542** | **4,06,517** | **4,10,858** |
| Employee Expenses | 27,656 | 29,671 | 31,544 | 31,446 |
| Other expenses | 53,949 | 63,108 | 66,967 | 70,082 |
| Operating Expenses | 81,604 | 92,779 | 98,511 | 1,01,528 |
| **Operating Profit** | **1,51,371** | **1,58,073** | **1,67,760** | **1,63,570** |
| *YoY growth (%)* | *18.0* | *14.4* | *10.5* | *5.3* |
| Core Operating Profits | 1,45,361 | 1,51,318 | 1,57,295 | 1,63,973 |
| NPA Provision | 42,197 | 22,864 | 18,206 | 17,782 |
| Others Provisions | 48,308 | 39,247 | 29,940 | 33,124 |
| Total Provisions | 48,308 | 39,247 | 29,940 | 33,124 |
| **Profit Before Tax** | **1,03,063** | **1,18,826** | **1,37,820** | **1,30,447** |
| Tax | 25,766 | 30,483 | 34,398 | 29,895 |
| **PAT** | **77,297** | **88,343** | **1,03,423** | **1,00,552** |
| *YoY growth (%)* | *16.1* | *17.6* | *18.1* | *22.8* |
| **Deposits** | **1,34,58,300** | **1,40,63,433** | **1,44,59,181** | **1,55,92,174** |
| *YoY growth (%)* | *13.2* | *14.4* | *13.8* | *16.8* |
| **Advances** | **1,14,76,516** | **1,19,88,374** | **1,26,08,628** | **1,36,88,209** |
| *YoY growth (%)* | *14.4* | *15.5* | *16.5* | *20.8* |

**Key Ratios**

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|
| CMP (Rs) | 1,465 | 1,465 | 1,465 | 1,465 |
| EPS (Rs) | 56.6 | 66.8 | 75.5 | 88.5 |
| Book Value (Rs) | 370 | 433 | 491 | 562 |
| Adj. BV (70%)(Rs) | 357 | 417 | 476 | 544 |
| P/E (x) | 25.9 | 21.9 | 19.4 | 16.6 |
| P/BV (x) | 4.0 | 3.4 | 3.0 | 2.6 |
| P/ABV (x) | 4.1 | 3.5 | 3.1 | 2.7 |
| DPS (Rs) | - | 6.5 | 15.0 | 18.0 |
| *Dividend Payout Ratio (%)* | - | *9.7* | *19.9* | *20.3* |
| *Dividend Yield (%)* | - | *0.4* | *1.0* | *1.2* |

**Efficiency**

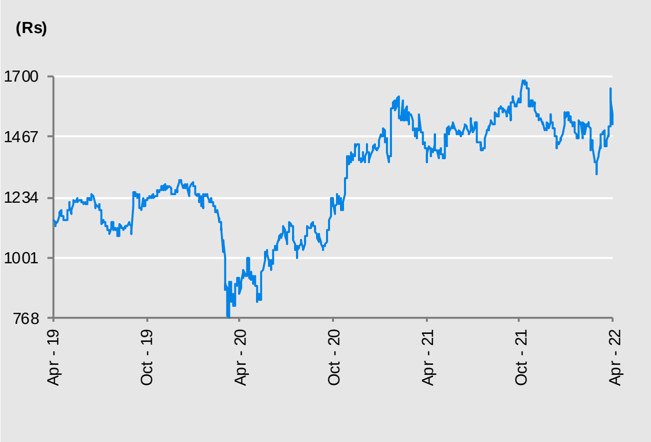
| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|
| *Cost-Income Ratio (%)* | *36.3* | *37.3* | *37.4* | *37.0* |
| *C-D Ratio (%)* | *84.9* | *87.8* | *87.8* | *87.8* |
| Business per Emp. (Rs m) | 205 | 207 | 235 | 272 |
| Profit per Emp. (Rs lacs) | 26 | 27 | 29 | 33 |
| Business per Branch (Rs m) | 4,401 | 4,617 | 5,005 | 5,520 |
| Profit per Branch (Rs m) | 55 | 60 | 62 | 68 |

**Du-Pont**

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---|---|---|---|---|
| NII | 3.96 | 3.77 | 3.78 | 3.85 |
| Total Income | 5.50 | 5.32 | 5.25 | 5.25 |
| Operating Expenses | 2.00 | 1.96 | 1.96 | 1.94 |
| PPoP | 3.50 | 3.36 | 3.28 | 3.31 |
| Total provisions | 0.96 | 0.79 | 0.75 | 0.73 |
| RoAA | 1.90 | 1.94 | 1.90 | 1.93 |
| RoAE | 16.61 | 16.66 | 16.33 | 16.81 |

*Source: Company Data, PL Research*

## Price Chart




## Recommendation History

| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|---|---|---|---|---|
| 1 | 09-Apr-22 | BUY | 2,000 | 1,515 |
| 2 | 04-Apr-22 | BUY | 2,000 | 1,657 |
| 3 | 17-Jan-22 | BUY | 1,870 | 1,545 |
| 4 | 12-Jan-22 | BUY | 1,870 | 1,566 |
| 5 | 06-Oct-21 | BUY | 1,870 | 1,615 |
| 6 | 19-Jul-21 | BUY | 1,870 | 1,522 |
| 7 | 06-Jul-21 | BUY | 1,735 | 1,535 |
| 8 | 18-Apr-21 | BUY | 1,735 | 1,429 |

## Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---|---|---|---|---|
| 1 | AAVAS Financiers | BUY | 3,500 | 2,485 |
| 2 | Axis Bank | BUY | 975 | 795 |
| 3 | Bank of Baroda | BUY | 150 | 120 |
| 4 | Can Fin Homes | BUY | 800 | 661 |
| 5 | City Union Bank | BUY | 180 | 140 |
| 6 | DCB Bank | BUY | 120 | 86 |
| 7 | Federal Bank | BUY | 135 | 100 |
| 8 | HDFC | BUY | 3,272 | 2,445 |
| 9 | HDFC Bank | BUY | 2,000 | 1,515 |
| 10 | ICICI Bank | BUY | 906 | 754 |
| 11 | IDFC First Bank | UR | - | 42 |
| 12 | IndusInd Bank | BUY | 1,297 | 986 |
| 13 | Kotak Mahindra Bank | Accumulate | 1,925 | 1,785 |
| 14 | LIC Housing Finance | Accumulate | 420 | 393 |
| 15 | Punjab National Bank | BUY | 50 | 38 |
| 16 | State Bank of India | BUY | 610 | 516 |

## PL's Recommendation Nomenclature (Absolute Performance)

| | | |
|---|---|---|
| **Buy** | : | > 15% |
| **Accumulate** | : | 5% to 15% |
| **Hold** | : | +5% to -5% |
| **Reduce** | : | -5% to -15% |
| **Sell** | : | < -15% |
| **Not Rated (NR)** | : | No specific call on the stock |
| **Under Review (UR)** | : | Rating likely to change shortly |

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