

July 18, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|--------------------|----------|-----------|----------|-----------|
| | FY24E | FY25E | FY24E | FY25E |
| Rating | BUY | | BUY | |
| Target Price | 2,025 | | 2,025 | |
| NII (Rs. m) | 9,80,948 | 11,22,457 | 9,83,904 | 11,22,485 |
| % Chng. | (0.3) | - | | |
| Op. Profit (Rs. m) | 7,74,973 | 8,80,622 | 8,06,733 | 9,13,215 |
| % Chng. | (3.9) | (3.6) | | |
| EPS (Rs.) | 87.1 | 96.9 | 87.7 | 98.8 |
| % Chng. | (0.7) | (2.0) | | |

Key Financials - Standalone

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|--------------------|------|------|-------|-------|
| NII (Rs bn) | 720 | 868 | 981 | 1,122 |
| Op. Profit (Rs bn) | 641 | 704 | 775 | 881 |
| PAT (Rs bn) | 370 | 441 | 486 | 541 |
| EPS (Rs.) | 66.7 | 79.1 | 87.1 | 96.9 |
| Gr. (%) | 18.1 | 18.6 | 10.2 | 11.2 |
| DPS (Rs.) | 6.5 | 15.4 | 18.6 | 20.3 |
| Yield (%) | 0.4 | 0.9 | 1.1 | 1.2 |
| NIM (%) | 3.9 | 4.1 | 4.0 | 4.0 |
| RoAE (%) | 16.7 | 17.0 | 16.4 | 16.1 |
| RoAA (%) | 1.9 | 1.9 | 1.9 | 1.8 |
| P/BV (x) | 3.9 | 3.3 | 3.0 | 2.6 |
| P/ABV (x) | 4.0 | 3.4 | 3.0 | 2.7 |
| PE (x) | 25.2 | 21.2 | 19.3 | 17.3 |
| CAR (%) | 18.9 | 18.7 | 17.9 | 17.6 |

Key Data

HDBK.BO | HDFCB IN

| | |
|---------------------|---------------------------|
| 52-W High / Low | Rs.1,758 / Rs.1,337 |
| Sensex / Nifty | 66,590 / 19,711 |
| Market Cap | Rs.12,655bn/ \$ 1,54,231m |
| Shares Outstanding | 7,538m |
| 3M Avg. Daily Value | Rs.28370.52m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 25.52 |
| Foreign | 33.38 |
| Domestic Institution | 26.99 |
| Public & Others | 14.11 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|-------|-------|
| Absolute | 4.8 | 4.4 | 23.3 |
| Relative | (0.3) | (4.9) | (0.5) |

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Higher opex to offset healthy asset quality

Quick Pointers:

- Core earnings miss led by more opex; asset quality was better.
- Opex to remain elevated as stress formation to remain muted.

HDFCB saw a mixed quarter. While core PAT at Rs115.4bn was 3.7% short of PLe due to higher opex, asset quality surprised positively with lower GNPA led by lesser slippages, despite Q1 being usually weak. Loan growth was softer at 0.5% QoQ driven by IBPC sell-down since bank would like to manage its PSL requirement in a calibrated manner. Quality of growth was superior as credit offtake QoQ was led by retail and CRB. Bank sounded confident of achieving a 18% YoY loan growth (merged) over medium term though we are factoring 16% due to likely deposit need. Benign asset quality environment may keep opex elevated in near term and for FY24/25E we raise opex by 5% but reduce provisions by 15/9bps, which will not change PAT materially. NII and core PPop trend compared to peers would be keenly watched. We maintain multiple at 3.0x on FY25E core ABV and TP at Rs2,025. Retain 'BUY'.

- Core PAT miss led by higher opex:** NII was largely in-line at Rs236bn (PLe Rs235bn). NIM too came in as expected at 4.34% (PLe 4.33%); yield on loans was 10.1% (PLe 9.9%) whereas cost of funds was 5.12% (PLe: 4.85%). Credit growth was 15.8% YoY while deposits grew 20.8% YoY. Other income was a beat at Rs92bn (PLe Rs87bn) due to higher treasury at Rs5.5bn. Opex was a miss at Rs140.6bn (PLe Rs137bn) led by both employee costs and other expenses. PPop was in-line at Rs187.7bn (PLe Rs187.3bn) while core PPop at Rs182.2bn was 2.2% below PLe. GNPA deteriorated by 5bps QoQ to 1.17% but was better than PLe while PCR dipped slightly QoQ to 74.9%. Provisions were largely in-line at Rs28.6bn. PAT came in at Rs119.5bn (PLe Rs120.5bn) while core PAT at Rs115.4bn was a miss to PLe by 3.7%.
- Retail/CRB drive credit offtake; deposit growth to pick-up:** Sequential loan growth was soft at 0.5% as corporate and agri declined slightly while retail and CRB grew by 3.7%/2.5%. Retail accretion was led by HL, PL/CC, LAP and auto while CRB growth too was broad-based. Loan growth was muted as IBPC sell-down spiked to Rs750bn as bank would like keep its PSL need controlled. On unsecured lending, bank suggested that growth is lower to system since it is taking a cautious stance. While deposit growth was muted at 1.6% QoQ (9.9% market share in incremental system deposits), bank sounded confident of garnering additional retail deposits of Rs1trn per quarter. 2.5-3mn customers of HDFC Ltd. (overall ~5mn) can also be added to its liability franchise.
- Opex to be elevated due to benign asset quality environment:** Despite Q1 being generally weak, GNPA surprised positively (lesser to PLe by 4bps) as slippages were lower at Rs58bn (PLe 69bn) while recoveries were stable leading to lesser net slippages. Opex remains elevated (+34% YoY) as HDFCB added 8,503 employees and 39 branches in Q1'24. Bank expects asset quality environment to remain benign in near term which would translate into higher opex. Hence for FY24/25E, we raise opex by ~5% while reducing provisions by 18%/10%. We see provisions of 67bps in FY24E (75bps in FY23).

Exhibit 1: Earnings miss of 3.7% led by higher opex

| Financials (Rs m) | Q1FY24 | Q1FY23 | YoY gr. (%) | Q4FY23 | QoQ gr. (%) |
|------------------------------------|----------------|----------------|-------------|----------------|--------------|
| Interest income | 485,868 | 351,720 | 38.1 | 451,194 | 7.7 |
| Interest Expended | 249,877 | 156,906 | 59.3 | 217,675 | 14.8 |
| Net interest income (NII) | 235,991 | 194,814 | 21.1 | 233,518 | 1.1 |
| - Treasury income | 5,520 | (13,117) | N.A. | (377) | N.A. |
| Other income | 92,299 | 63,882 | 44.5 | 87,312 | 5.7 |
| Total income | 328,289 | 258,697 | 26.9 | 320,830 | 2.3 |
| Operating expenses | 140,569 | 105,018 | 33.9 | 134,621 | 4.4 |
| -Staff expenses | 47,821 | 35,002 | 36.6 | 43,621 | 9.6 |
| -Other expenses | 92,748 | 70,016 | 32.5 | 91,001 | 1.9 |
| Operating profit | 187,720 | 153,678 | 22.2 | 186,209 | 0.8 |
| Core operating profit | 182,200 | 166,795 | 9.2 | 186,586 | (2.4) |
| Total provisions | 28,600 | 31,877 | (10.3) | 26,854 | 6.5 |
| Profit before tax | 159,120 | 121,801 | 30.6 | 159,355 | (0.1) |
| Tax | 39,602 | 29,841 | 32.7 | 38,881 | 1.9 |
| Profit after tax | 119,518 | 91,960 | 30.0 | 120,475 | (0.8) |
| Balance sheet (Rs m) | | | | | |
| Deposits | 19,130,958 | 16,047,600 | 19.2 | 18,833,947 | 1.6 |
| Advances | 16,156,720 | 13,950,677 | 15.8 | 16,005,859 | 0.9 |
| Profitability ratios | | | | | |
| YoA – Calc | 10.1 | 8.6 | 148 | 9.6 | 50 |
| CoF – Calc | 5.1 | 3.9 | 127 | 4.5 | 58 |
| NIM – Calc | 4.3 | 4.2 | 14 | 4.4 | (1) |
| RoaA | 2.1 | 1.9 | 17 | 2.1 | (5) |
| RoaE | 17.6 | 15.9 | 168 | 18.5 | (95) |
| Asset Quality | | | | | |
| Gross NPL (Rs mn) | 190,641 | 180,337 | 5.7 | 180,190 | 5.8 |
| Net NPL (Rs mn) | 47,769 | 48,877 | (2.3) | 43,684 | 9.3 |
| Gross NPL ratio | 1.2 | 1.3 | (11) | 1.1 | 5 |
| Net NPL ratio | 0.3 | 0.4 | (5) | 0.3 | 2 |
| Coverage ratio – Calc | 74.9 | 72.9 | 205 | 75.8 | (81) |
| Business & Other Ratios | | | | | |
| Low-cost deposit mix | 42.5 | 45.8 | (329) | 44.4 | (189) |
| Cost-income ratio | 42.8 | 40.6 | 222 | 42.0 | 86 |
| Non int. inc / total income | 28.1 | 24.7 | 342 | 27.2 | 90 |
| Credit deposit ratio | 84.5 | 86.9 | (248) | 85.0 | (53) |
| CAR | 18.9 | 18.1 | 80 | 19.3 | (40) |
| Tier-I | 16.9 | 17.1 | (20) | 17.1 | (20) |

Source: Company, PL.

NII was in-line, growing by 21.1% YoY at Rs236bn.

Other income was higher at Rs92bn led by higher treasury income.

Opex too was higher at Rs140.6bn owing to higher staff and other opex.

Credit costs continues to be sub 1%

Advances growth was 15.8% YoY led by CRB & retail Loans, deposits grew at 19.2% YoY led by TD growth of 26.4% YoY.

NIM declines slightly to 4.3% as CoF was higher.

Slippages came were at Rs.58bn, while PCR dipped slightly to 74.9%

CASA mix declined to 42.5% owing to TD growth at 26.4% YoY.

Key Q1FY24 Conference Call Highlights

Business Review & Outlook:

- **Deposits** – in Q1FY24, bank added 2.4mn new liability accounts. Deposits grew by 19.2% YoY to Rs19.1trn mainly led by growth in term deposits. Sequentially the growth was 1.6% as generally Q1 is a slow quarter.
- Growing granular retail deposits is a key focus area to deepen customer relationship and management indicated that it has capacity to add ~Rs1trn of retail deposits quarterly. **83.5% of total deposits are retail deposits**. On a proforma merged basis retail deposits grew 20.6% YoY. There are opportunities to add ~2.5-3mn customers of HDFC Ltd to its liability franchise.
- **Assets** – Advances growth has been led by CRB (29% YoY) & retail (18% YoY), while corporate grew by 11% YoY. Management said that 17-18% can be achieved in medium term. Standalone LDR is at 84% whereas on a merged basis LDR is ~109%. Management said that it will take around 3-4years time for merged LDR ratio to normalize as it will have to wait for liabilities to mature and convert them to deposits.
- **On a proforma merged basis**, total advances grew by 16% YoY to Rs23.2trn. HDFC Ltd's individual loans were up by 14% YoY whereas non-individual loans declined by 18% YoY. Regarding wholesale book of HDFC Ltd, management said that run down was a conscious decision and that the book is being evaluated before resuming growth in this segment. Also, certain land and project financing would stop as it will not meet regulatory conditions
- **Commercial & Rural Banking** grew at 29% YoY and continues to be a focus segment. Bank currently caters to to 1.7 lakh villages while target is to expand to 2 lakh villages. CRB, which aids in organic PSL, is present in 90% of the districts serviced HDFCB. Currently, bank is active in PSLC and RIFD markets in order to fulfill sub categories of PSL criteria.
- **Retail growth** momentum continued during the quarter at 17.9% YoY driven by Home loans and Personal loans. Home loans demand was robust with ~20% increase in mortgage cases post-merger. In Q1FY24, bank added 1.5mn new cards. Xpress car loans contribute 30% of new volumes. Bank added 1.5mn cards in Q1FY24 and payments business grew by 12.8% YoY.
- **HDFC Ltd's mortgage portfolio** would soon be moved to repo based pricing.

Margins/NII

- Bank reported NIM of 4.1% in Q1FY24 on total asset basis and 4.3% on earning asset basis. Increase in cost of deposits was mainly due to change in deposit mix with higher focus on TDs. Bank continues to guide RoA to be in the range of ~1.9-2.1%.

Other Income/Opex

- **Opex increased by 33.9% YoY** driven by both employee as well as other costs. Management said that expansion activities are timed in a way to take advantage of benign credit cost conditions and opex will rationalize once new branches breakeven.
- On merger related costs, there could be certain one-off costs like stamp duty etc. but management believes they would not be exorbitant.
- **Branch Expansion** – In Q1FY24, bank added 39 branches and 1,482 ATMs have been added in the past 12 months. In the medium term, distribution reach would be the key which would provide funding through better engagement. Bank expects this investment to bear fruition at a time when overall credit growth normalizes.
- **Employee addition** – Bank added 8,500 employees during the quarter across segments and ~29,000 in the past 12 months.
- **Core fee income was Rs62.9bn** in Q1FY24 de-growing 5.1% QoQ. 93% of total fees and commission income was attributable to retail segment.

Asset quality

- O/S floating + contingent provisions were Rs111bn (same as Q4FY23). Total Provisions (incl. specific, contingent, floating & general) were 171% of Gross NPAs or 112 of gross advances.
- Bank's restructured portfolio stood at 27bps or Rs42.65bn (vs Rs50bn in Q4FY23) in addition to Rs8bn from other facilities to same borrower which are not restructured).
- In Q1FY24, bank reported GNPA/NNPA of 1.17%/0.3% whereas GNPA/NNPA excluding agriculture loans stood at 0.94%/0.23%. Slippages were 35bps or Rs58bn (26bps or Rs42bn excl. agri loans), while recoveries/upgrades amounted to Rs.26.5bn and write-offs were Rs21bn.

Exhibit 2: CRB (+29.1% YoY) and Retail (17.9% YoY) were key growth drivers

| Loan Composition (Rs mn) | Q1FY24 | Q1FY23 | YoY gr. (%) | Q4FY23 | QoQ gr. (%) |
|---------------------------------------|-------------------|-------------------|-------------|-------------------|--------------|
| Personal Loans | 1,767,340 | 1,479,280 | 19.5 | 1,716,760 | 2.9 |
| Auto | 1,217,320 | 1,040,030 | 17.0 | 1,174,290 | 3.7 |
| Home Loans | 1,084,730 | 882,490 | 22.9 | 1,020,670 | 6.3 |
| Payment Products | 904,360 | 801,420 | 12.8 | 861,040 | 5.0 |
| LAP | 788,690 | 651,160 | 21.1 | 767,730 | 2.7 |
| 2Wheelers | 103,670 | 91,950 | 12.7 | 99,330 | 4.4 |
| Gold Loans | 116,910 | 88,080 | 32.7 | 108,420 | 7.8 |
| Other Retail | 594,980 | 544,400 | 9.3 | 597,540 | (0.4) |
| Agri | 796,370 | 615,790 | 29.3 | 817,190 | (2.5) |
| Retail Loans | 6,578,000 | 5,578,810 | 17.9 | 6,345,780 | 3.7 |
| Commercial & Rural Banking | 6,428,280 | 4,980,640 | 29.1 | 6,291,520 | 2.2 |
| Corporate & Wholesale | 4,046,370 | 3,639,390 | 11.2 | 4,097,120 | (1.2) |
| Total Advances | 16,764,500 | 14,198,840 | 18.1 | 16,446,270 | 1.9 |

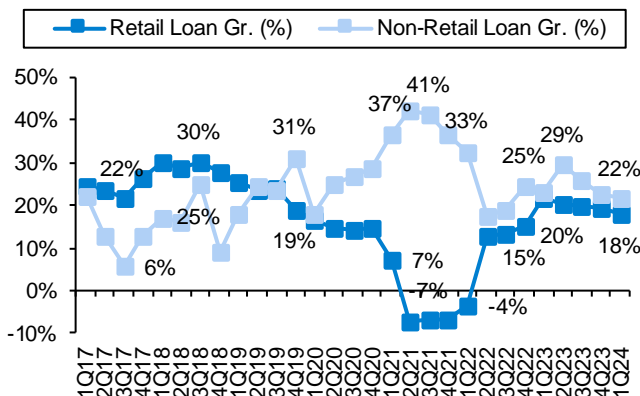
| Loan Mix | Q1FY24 | Q1FY23 | bps chg. | Q4FY23 | bps chg. |
|------------------|--------|--------|----------|--------|----------|
| Vehicle Loans | 7.9% | 8.0% | (1.2) | 7.7% | 1.8 |
| Unsecured Loans | 15.9% | 16.1% | (0.8) | 15.7% | 1.7 |
| Retail Loans | 39.2% | 39.3% | (0.1) | 38.6% | 1.7 |
| Non Retail Loans | 62.5% | 60.7% | 2.9 | 63.2% | (1.1) |

Source: Company, PL

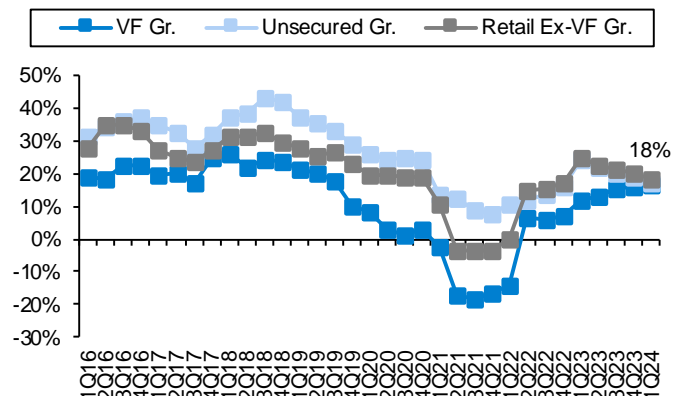
Home loans saw robust growth of 22.9% YoY and personal loans grew by 19.5% YoY

Commercial & Rural Banking continues to be growth driver at 29.1% YoY

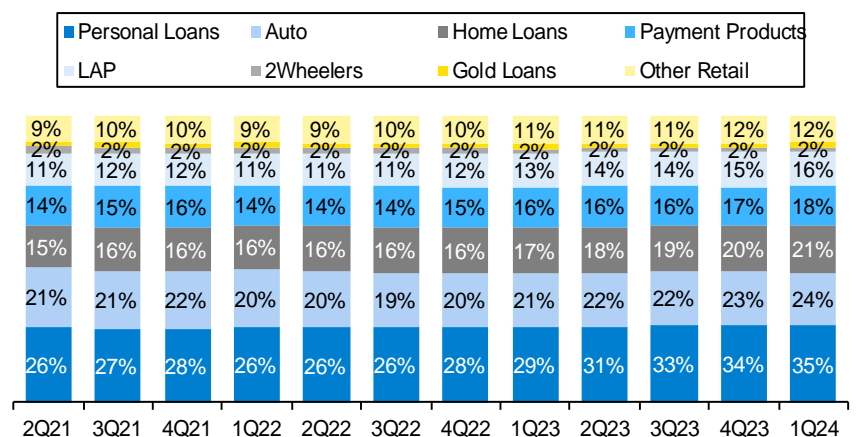
Share of retail portfolio improving, however non-retail continues to be dominant

Exhibit 3: Retail book growth at 18% YoY


Source: Company, PL

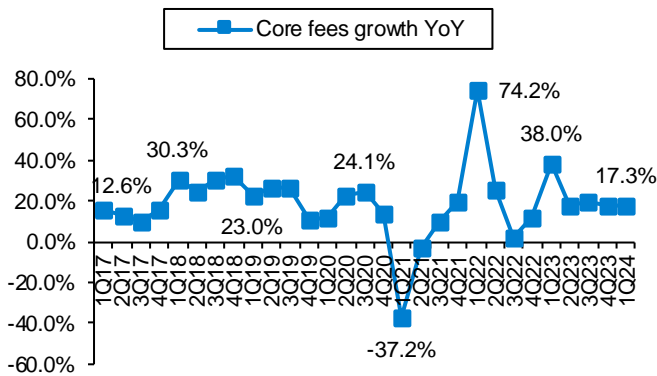
Exhibit 4: Broad-based improvement in retail loan growth


Source: Company, PL

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


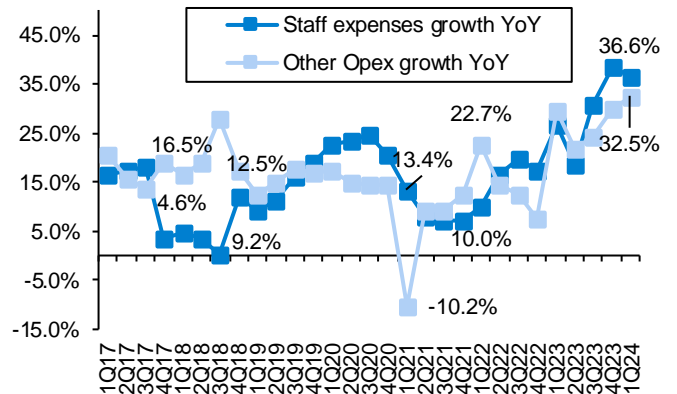
Source: Company, PL

Exhibit 6: Fee income stable at 17.3% YoY



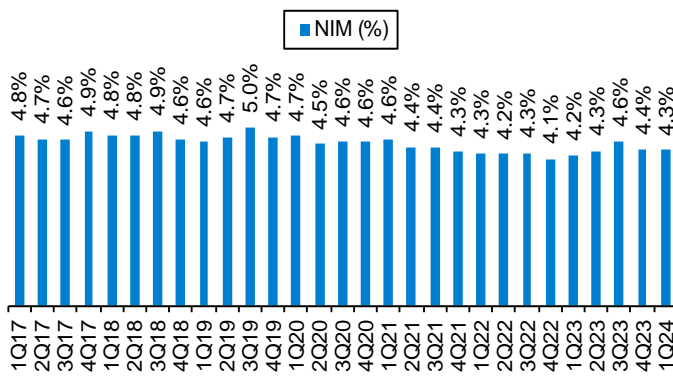
Source: Company, PL

Exhibit 7: Staff cost growth declines; other opex growth up



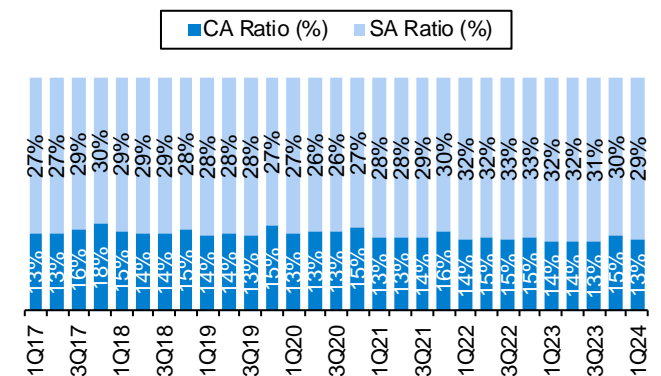
Source: Company, PL

Exhibit 8: NIM decline to 4.3% owing to higher CoF.



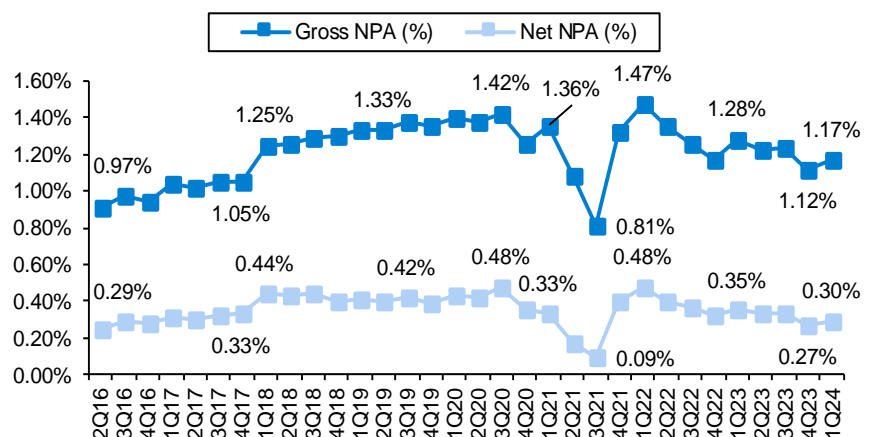
Source: Company, PL

Exhibit 9: CASA declines to 42% due to higher TD growth



Source: Company, PL

Exhibit 10: GNPA/NNPA rises by 5/3 bps QoQ to 1.17%/0.3% respectively



Source: Company, PL

Exhibit 11: Return ratios improvement depends on margin expansion

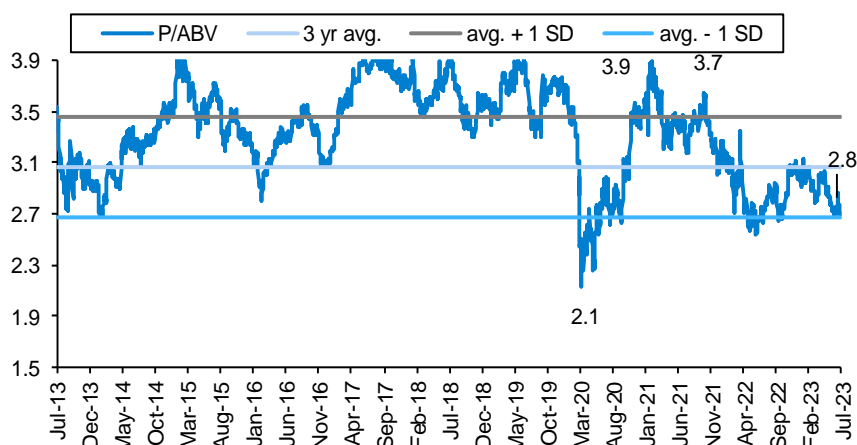
| RoA decomposition | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Interest income | 8.3 | 8.6 | 8.3 | 7.4 | 6.7 | 7.1 | 7.4 | 7.4 |
| Interest expenses | 4.2 | 4.4 | 4.2 | 3.4 | 2.9 | 3.3 | 3.7 | 3.6 |
| Net interest income | 4.2 | 4.2 | 4.0 | 4.0 | 3.8 | 3.8 | 3.7 | 3.8 |
| Other Inc. from operations | 1.6 | 1.5 | 1.7 | 1.5 | 1.5 | 1.4 | 1.5 | 1.5 |
| Total income | 5.7 | 5.7 | 5.7 | 5.5 | 5.3 | 5.2 | 5.2 | 5.3 |
| Employee expenses | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 |
| Other operating expenses | 1.6 | 1.6 | 1.5 | 1.4 | 1.3 | 1.4 | 1.5 | 1.6 |
| Operating profit | 3.4 | 3.4 | 3.5 | 3.5 | 3.4 | 3.1 | 3.0 | 3.0 |
| Tax | 1.0 | 1.0 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Loan loss provisions | 0.6 | 0.7 | 0.9 | 1.0 | 0.8 | 0.5 | 0.5 | 0.5 |
| RoAA | 1.8 | 1.8 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.8 |
| RoAE | 17.9 | 16.5 | 16.4 | 16.6 | 16.7 | 17.0 | 16.4 | 16.1 |

Source: Company, PL

Exhibit 12: SOTP Valuation of Rs2025, core bank valued at 3x on FY25E

| Particulars | Stake | Rs per share | % of total | Valuation | Basis |
|---------------------|--------|--------------|--------------|-----------|----------------|
| Standalone | 100.0% | 1,851 | 90.5 | 3.0 | x Mar'25 ABV |
| HDFC Life | 50.4% | 97 | 4.8 | 1.00 | Mkt Cap |
| HDFC AMC | 52.6% | 32 | 1.5 | 27.00 | FY25E core PAT |
| HDB Financials | 95.0% | 34 | 1.6 | 2.50 | of Mar'23 ABV |
| HDFC Ergo | 50.5% | 18 | 0.9 | 40.00 | of Mar'23 PAT |
| HSL | 96.0% | 10 | 0.5 | 10.00 | of Mar'22 PAT |
| Bandhan Bank | 5.0% | 2 | 0.2 | 1.00 | Mkt Cap |
| HDFC Credila | 10.0% | 1 | 0.0 | 2.00 | of Mar'23 ABV |
| Total | | 2,044 | 100.0 | | |
| Holdco discount | | 19 | | | |
| Target Price | | 2,025 | | | |

Source: Company, PL

Exhibit 13: HDFCB one year forward P/ABV trades at 2.8x


Source: Company, PL

Income Statement (Rs. m)

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|------------------|------------------|------------------|------------------|
| Int. Earned from Adv. | 9,85,120 | 12,70,959 | 15,68,182 | 17,75,849 |
| Int. Earned from invt. | 2,60,461 | 3,13,112 | 3,40,350 | 3,80,070 |
| Others | 6,426 | 21,817 | 9,884 | 10,199 |
| Total Interest Income | 12,77,531 | 16,15,856 | 19,44,377 | 21,92,835 |
| Interest Expenses | 5,57,435 | 7,47,433 | 9,63,428 | 10,70,378 |
| Net Interest Income | 7,20,096 | 8,68,422 | 9,80,948 | 11,22,457 |
| <i>Growth(%)</i> | 12.7 | 16.3 | 16.2 | 15.1 |
| Non Interest Income | 2,95,099 | 3,12,148 | 3,90,740 | 4,56,677 |
| Net Total Income | 10,15,195 | 11,80,571 | 13,71,688 | 15,79,134 |
| <i>Growth(%)</i> | 7.7 | 22.6 | 21.1 | 13.5 |
| Employee Expenses | 1,20,317 | 1,55,124 | 1,91,033 | 2,11,834 |
| Other Expenses | 2,38,107 | 3,21,397 | 4,05,682 | 4,86,678 |
| Operating Expenses | 3,74,422 | 4,76,521 | 5,96,715 | 6,98,512 |
| Operating Profit | 6,40,773 | 7,04,050 | 7,74,973 | 8,80,622 |
| <i>Growth(%)</i> | 11.7 | 9.9 | 10.1 | 13.6 |
| NPA Provision | 1,01,194 | 1,37,250 | 1,07,714 | 1,38,028 |
| Total Provisions | 1,50,618 | 1,19,197 | 1,25,111 | 1,57,876 |
| PBT | 4,90,155 | 5,84,853 | 6,49,862 | 7,22,746 |
| Tax Provision | 1,20,541 | 1,43,766 | 1,63,765 | 1,82,132 |
| <i>Effective tax rate (%)</i> | 24.6 | 24.6 | 25.2 | 25.2 |
| PAT | 3,69,614 | 4,41,087 | 4,86,097 | 5,40,614 |
| <i>Growth(%)</i> | 18.8 | 19.3 | 10.2 | 11.2 |

Balance Sheet (Rs. m)

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Face value | 1 | 1 | 1 | 1 |
| No. of equity shares | 5,546 | 5,580 | 5,580 | 5,580 |
| Equity | 5,546 | 5,580 | 5,580 | 5,580 |
| Networth | 24,00,929 | 28,01,990 | 31,38,555 | 35,65,368 |
| <i>Growth(%)</i> | 17.9 | 16.7 | 12.0 | 13.6 |
| Adj. Networth to NNPA's | 44,077 | 43,687 | 56,508 | 65,842 |
| Deposits | 1,55,92,174 | 1,88,33,947 | 2,19,05,239 | 2,56,04,852 |
| <i>Growth(%)</i> | 16.8 | 20.8 | 16.3 | 16.9 |
| CASA Deposits | 75,10,491 | 83,59,890 | 91,52,436 | 1,07,18,339 |
| <i>% of total deposits</i> | 48.2 | 44.4 | 41.8 | 41.9 |
| Total Liabilities | 2,06,85,351 | 2,46,60,815 | 2,77,93,773 | 3,18,19,297 |
| Net Advances | 1,36,88,209 | 1,60,05,859 | 1,87,26,855 | 2,19,10,420 |
| <i>Growth(%)</i> | 20.8 | 16.9 | 17.0 | 17.0 |
| Investments | 45,55,357 | 51,70,014 | 58,09,006 | 66,52,294 |
| Total Assets | 2,06,85,351 | 2,46,60,815 | 2,77,93,773 | 3,18,19,297 |
| <i>Growth (%)</i> | 18.4 | 19.2 | 12.7 | 14.5 |

Asset Quality

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|----------------------------------|----------|----------|----------|----------|
| Gross NPAs (Rs m) | 1,61,410 | 1,80,190 | 2,26,230 | 2,63,149 |
| Net NPAs (Rs m) | 44,077 | 43,687 | 56,508 | 65,842 |
| <i>Gr. NPAs to Gross Adv.(%)</i> | 1.2 | 1.1 | 1.2 | 1.2 |
| <i>Net NPAs to Net Adv. (%)</i> | 0.3 | 0.3 | 0.3 | 0.3 |
| <i>NPA Coverage %</i> | 72.7 | 75.8 | 75.0 | 75.0 |

Profitability (%)

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|---------|------|------|-------|-------|
| NIM | 3.9 | 4.1 | 4.0 | 4.0 |
| RoAA | 1.9 | 1.9 | 1.9 | 1.8 |
| RoAE | 16.7 | 17.0 | 16.4 | 16.1 |
| Tier I | 17.9 | 17.8 | 17.3 | 17.1 |
| CRAR | 18.9 | 18.7 | 17.9 | 17.6 |

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

| Y/e Mar | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Interest Income | 3,85,864 | 4,27,078 | 4,51,194 | 4,85,868 |
| Interest Expenses | 1,75,652 | 1,97,199 | 2,17,675 | 2,49,877 |
| Net Interest Income | 2,10,212 | 2,29,878 | 2,33,518 | 2,35,991 |
| <i>YoY growth (%)</i> | 18.9 | 24.6 | 23.7 | 21.1 |
| CEB | 58,029 | 60,526 | 66,281 | 62,900 |
| Treasury | - | - | - | - |
| Non Interest Income | 75,956 | 84,998 | 87,312 | 92,299 |
| Total Income | 4,61,820 | 5,12,076 | 5,38,505 | 5,78,167 |
| Employee Expenses | 35,238 | 41,262 | 43,621 | 47,821 |
| Other expenses | 77,007 | 83,374 | 91,001 | 92,748 |
| Operating Expenses | 1,12,246 | 1,24,636 | 1,34,621 | 1,40,569 |
| Operating Profit | 1,73,922 | 1,90,241 | 1,86,209 | 1,87,720 |
| <i>YoY growth (%)</i> | 10.0 | 13.4 | 13.8 | 22.2 |
| Core Operating Profits | 1,76,453 | 1,87,627 | 1,86,586 | 1,82,200 |
| NPA Provision | - | - | - | - |
| Others Provisions | 32,401 | 28,064 | 26,854 | 28,600 |
| Total Provisions | 32,401 | 28,064 | 26,854 | 28,600 |
| Profit Before Tax | 1,41,520 | 1,62,176 | 1,59,355 | 1,59,120 |
| Tax | 35,463 | 39,581 | 38,881 | 39,602 |
| PAT | 1,06,058 | 1,22,595 | 1,20,475 | 1,19,518 |
| <i>YoY growth (%)</i> | 20.1 | 18.5 | 19.8 | 30.0 |
| Deposits | 1,67,34,080 | 1,73,32,040 | 1,88,33,947 | 1,91,30,958 |
| <i>YoY growth (%)</i> | 19.0 | 19.9 | 20.8 | 19.2 |
| Advances | 1,47,98,732 | 1,50,68,093 | 1,60,05,859 | 1,61,56,720 |
| <i>YoY growth (%)</i> | 23.4 | 19.5 | 16.9 | 15.8 |

Key Ratios

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|----------------------------------|-------|-------|-------|-------|
| CMP (Rs) | 1,679 | 1,679 | 1,679 | 1,679 |
| EPS (Rs) | 66.7 | 79.1 | 87.1 | 96.9 |
| Book Value (Rs) | 433 | 502 | 562 | 639 |
| Adj. BV (70%)(Rs) | 425 | 494 | 552 | 627 |
| P/E (x) | 25.2 | 21.2 | 19.3 | 17.3 |
| P/BV (x) | 3.9 | 3.3 | 3.0 | 2.6 |
| P/ABV (x) | 4.0 | 3.4 | 3.0 | 2.7 |
| DPS (Rs) | 6.5 | 15.4 | 18.6 | 20.3 |
| <i>Dividend Payout Ratio (%)</i> | 9.7 | 19.5 | 21.3 | 21.0 |
| <i>Dividend Yield (%)</i> | 0.4 | 0.9 | 1.1 | 1.2 |

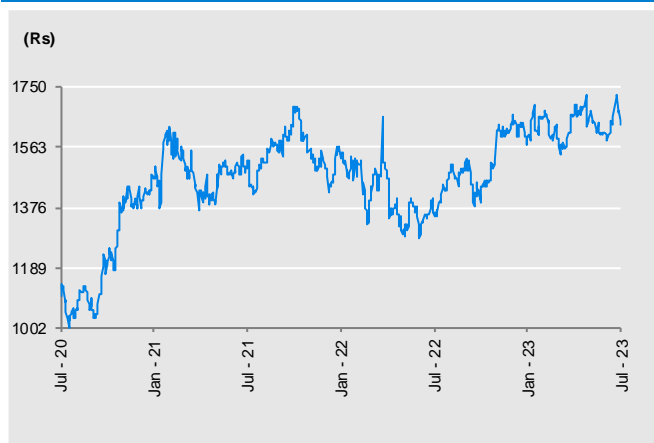
Efficiency

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|------------------------------|-------|-------|-------|-------|
| <i>Cost-Income Ratio (%)</i> | 36.9 | 40.4 | 43.5 | 44.2 |
| <i>C-D Ratio (%)</i> | 87.8 | 85.0 | 85.5 | 85.6 |
| Business per Emp. (Rs m) | 207 | 201 | 212 | 229 |
| Profit per Emp. (Rs lacs) | 26 | 25 | 25 | 26 |
| Business per Branch (Rs m) | 4,617 | 4,455 | 4,455 | 4,560 |
| Profit per Branch (Rs m) | 58 | 56 | 53 | 52 |

Du-Pont

| Y/e Mar | FY22 | FY23 | FY24E | FY25E |
|--------------------|-------|-------|-------|-------|
| NII | 3.77 | 3.83 | 3.74 | 3.77 |
| Total Income | 5.32 | 5.21 | 5.23 | 5.30 |
| Operating Expenses | 1.96 | 2.10 | 2.28 | 2.34 |
| PPoP | 3.36 | 3.11 | 2.95 | 2.95 |
| Total provisions | 0.79 | 0.53 | 0.48 | 0.53 |
| RoAA | 1.94 | 1.95 | 1.85 | 1.81 |
| RoAE | 16.66 | 16.96 | 16.37 | 16.13 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 06-Jul-23 | BUY | 2,025 | 1,675 |
| 2 | 25-May-23 | BUY | 1,925 | 1,610 |
| 3 | 22-Apr-23 | BUY | 1,925 | 1,672 |
| 4 | 16-Apr-23 | BUY | 1,925 | 1,692 |
| 5 | 11-Apr-23 | BUY | 1,850 | 1,658 |
| 6 | 14-Jan-23 | BUY | 1,850 | 1,601 |
| 7 | 05-Jan-23 | BUY | 1,800 | 1,600 |
| 8 | 16-Oct-22 | BUY | 1,800 | 1,439 |
| 9 | 05-Oct-22 | BUY | 1,800 | 1,454 |
| 10 | 16-Sep-22 | BUY | 1,800 | 1,521 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|-------------------------------|------------|---------|------------------|
| 1 | AAVAS Financiers | Hold | 1,560 | 1,538 |
| 2 | Axis Bank | BUY | 1,140 | 981 |
| 3 | Bank of Baroda | BUY | 235 | 205 |
| 4 | Can Fin Homes | BUY | 770 | 769 |
| 5 | City Union Bank | Accumulate | 160 | 131 |
| 6 | DCB Bank | BUY | 150 | 129 |
| 7 | Federal Bank | BUY | 175 | 127 |
| 8 | HDFC | BUY | 3,200 | 2,862 |
| 9 | HDFC Asset Management Company | BUY | 2,100 | 2,260 |
| 10 | HDFC Bank | BUY | 2,025 | 1,675 |
| 11 | ICICI Bank | BUY | 1,130 | 959 |
| 12 | IDFC First Bank | UR | - | 54 |
| 13 | IndusInd Bank | BUY | 1,530 | 1,390 |
| 14 | Kotak Mahindra Bank | BUY | 2,220 | 1,877 |
| 15 | LIC Housing Finance | Hold | 410 | 398 |
| 16 | Punjab National Bank | UR | - | 47 |
| 17 | State Bank of India | BUY | 770 | 593 |
| 18 | UTI Asset Management Company | BUY | 830 | 811 |

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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