Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

HDFC Bank (HDFCB IN)

Rating: BUY | CMP: Rs1,564 | TP: Rs2,025

September 21, 2023

Company Update

Negatives priced in; core earnings outlook better

Quick Pointers:

- Transitioning to IRAC would require equity adjustment of Rs203bn.
- BVPS as at Q1'24 at Rs520; we expect a 13% CAGR in BVPS over FY23-26E.

HDFCB at its analyst meet clarified certain aspects relating to merged financials. While transition to IRAC, credit policy harmonization and creation of DTL reserve would impact BVPS by 5%, gains emanating from stake sale of Credila could cushion capital by 1.2%. Creation of excess liquidity could affect Q2'24 NIM, although margins should bounce back in H2FY24E as credit growth picks up and liquidity is utilized. FY24 NIM could contract YoY from 3.8% to 3.6%, however, as higher cost liabilities of HDFCL are replaced, NIM could enhance over FY24-26E from 3.6% to 3.8%. Merged loans/deposits as at Q1'24 were Rs22.2/20.6trn suggesting a 13%/16% YoY growth. While core earnings growth would be muted for FY24E (5.2% YoY) as NIM and loan growth normalize, core PAT may witness a 19.4% CAGR over FY24-26E. Basis core RoA at 1.75% for FY26E (ICICIB 1.94%) we tweak multiple from 3.0x to 2.8x but roll forward to core Sep'25 ABV. Retain BUY with TP at Rs2,025.

- **Net-worth impact of ~5% due to harmonization:** Opening net worth would be Rs3914bn after effecting for the following adjustments totaling to Rs203bn (post-tax impact): (1) Rs118bn towards deferred acquisition costs, interest spreads on assigned loans, fair value adjustments on investments etc. (2) Rs76bn for adopting bank provisioning norms in-line with RBI requirements and (3) Rs49bn on account of DTL reserve so as to receive income tax benefit on profits from mortgage business. While impact of harmonization to IRAC seems to be higher at ~5% of BVPS, post-tax gain on 90% stake sale in Credila amounting to Rs50.2bn (may be recognized in Q2/Q3 FY24) would be capital accretive (1.2% of BV). <u>Basis net worth of FY23, we expect a 13% CAGR in equity over FY23-26E from Rs3.79trn to Rs5.48trn.</u>

- **Excess liquidity to drag near term NIM; outlook for NIM better:** Merged entity carries excess liquidity with LCR of 125%. Hence NIM of HDFC Ltd. on day-0 was 2.0% (vs 2.7% in Q1FY24) considering back-ended impact of surplus liquidity and ICRR. As per the management, impact on merged entity would be 25-30bps. Hence NIM for Q2FY24E can dip sharply by 40bps QoQ to 3.6%. However, as loan growth picks up and liquidity is utilized, NIM would normalize to 3.88% by Q4FY24E. FY24 performance would be muted, given sharp fall in NIM. <u>As high cost liabilities of HDFCL are replaced over FY24-26E, NIM would improve from 3.60% to 3.76%.</u>

- **Merged balance sheet at Rs32.55trn as at Q1'24:** HDFCL saw a QoQ blip in Q1FY24 GNPA from ~1.4% to ~2.0%, due to spike in non-individual GNPA from 2.9% to 6.7%. However, bank has adjusted the equity so as to align PCR to 74%. As at 1st Jul'23, merged loans/deposits stood at Rs22.2/20.6trn suggesting a 13%/16% YoY growth. We expect loan CAGR of 16% over FY24-26E which would translate to garnering (18-21%) market share in incremental system deposits, that may not be challenging.

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
NII (Rs bn)	1,061	1,167	1,379	1,625
Op. Profit (Rs bn)	873	995	1,101	1,297
PAT (Rs bn)	561	607	712	842
EPS (Rs.)	74.9	80.9	95.0	112.2
Gr. (%)	*18.1*	*8.0*	*17.4*	*18.1*
DPS (Rs.)	18.8	17.5	21.8	25.8
Yield (%)	*1.2*	*1.1*	*1.4*	*1.7*
NIM (%)	*3.8*	*3.6*	*3.7*	*3.8*
RoAE (%)	*15.8*	*15.0*	*15.6*	*16.3*
RoAA (%)	*1.9*	*1.8*	*1.8*	*1.9*
P/BV (x)	3.1	2.7	2.4	2.1
P/ABV (x)	3.2	2.8	2.5	2.2
PE (x)	20.9	19.3	16.5	13.9
CAR (%)	21.3	21.0	20.4	19.9

Key Data	HDBK.BO | HDFCB IN
52-W High / Low	Rs.1,758 / Rs.1,365
Sensex / Nifty	66,801 / 19,901
Market Cap	Rs.11,846bn/ $ 1,42,585m
Shares Outstanding	7,576m
3M Avg. Daily Value	Rs.34785.16m

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	(1.7)	0.1	2.8
Relative	(4.4)	(13.1)	(9.0)

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Net-worth adjustments to impact BVPS by ~5%

In order to align Ind-AS with I-GAAP, adjustments of Rs118bn have been made consisting of deferred acquisition costs, interest spreads on assigned loans, FV adjustments on investments etc. These adjustments do not have any cash impact.

To harmonize credit policy and adopt bank provisioning norms in-line with RBI requirements, Rs76bn would also be charged to net-worth consisting of contingent and specific provisions.

So as to receive income tax benefit on profits from mortgage business under section 36(1)(viii) of the Income Tax Act, RBI regulation requires creating a DTL reserve as cash tax benefit would be received. Hence Rs49bn has been charged to equity. Total IRAC harmonization impact on net-worth is Rs203bn.

Exhibit 1: Opening Q1'24 net worth at Rs3914bn

(Rs bn)	Q1FY24
Merged networth	3914
HDFCB	2938
HDFCL	976
FY23 equity	1340
IGAAP alignment	-118
Credit policy	-76
DTL reserve	-49
Tax effects of above	40
PAT+ESOP+Warr	62
Interim dividend	-81
Stake elimination	-142

Source: Company, PL

Exhibit 2: BVPS likely to see a 13% CAGR over FY23-26E

(Rs bn)	FY23	FY24E	FY25E	FY26E
Merged networth	3800	4289	4838	5486
Credila stake sale		50		
PAT		456	712	842
Dividend		-131	-164	-194
BVPS	507	572	645	731
Growth		*12.9%*	*12.8%*	*13.4%*

Source: Company, PL

Adjusting for interim dividend of Rs81bn paid by HDFCL and stake of HDFCL in the bank (Rs142bn) opening net-worth for Q2FY24E is Rs3,914bn.

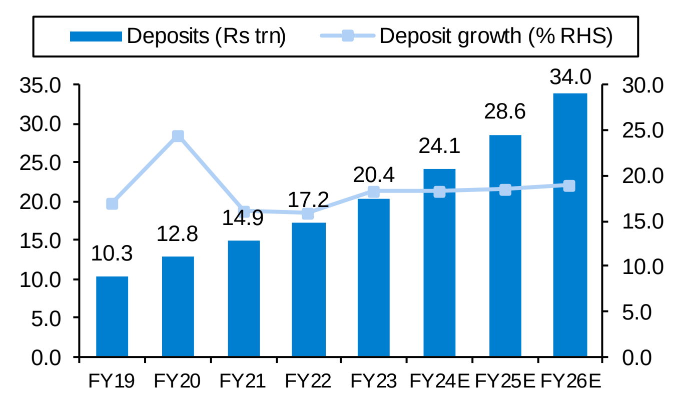
However, gain on 90% stake sale in Credila which may amount to Rs66bn could be recognized in Q2 or Q3 of FY24 which would be capital accretive to the tune of Rs50.2bn. As per our assumptions equity could see a 13% CAGR over FY23-26E.

Market share in incremental system deposits at 18-21%

Quantum of deposits to be raised over medium term, would depend on bucketing of HDFCL's liabilities as they have been allowed to be grandfathered. Hence deposit requirement would be calibrated and basis our calculations we expect a CAGR of 18.6% in deposits over FY23-26E from Rs20.4trn to Rs33.9trn.

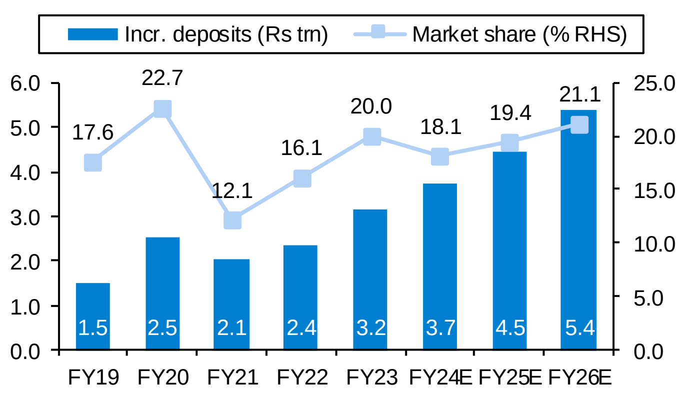
Deposit requirement for the merged entity from standpoint of incremental market share in system deposits would not be a challenge, as HDFCB would require 18%/19%/21% market share over FY24/FY25/FY26E while historically it has gained a sizable share between 18-23% over FY18-20 and FY23.

Exhibit 3: Deposits to touch Rs34trn in FY26E



Source: Company, PL

Exhibit 4: Market share in incr. system deposits at 18-21%



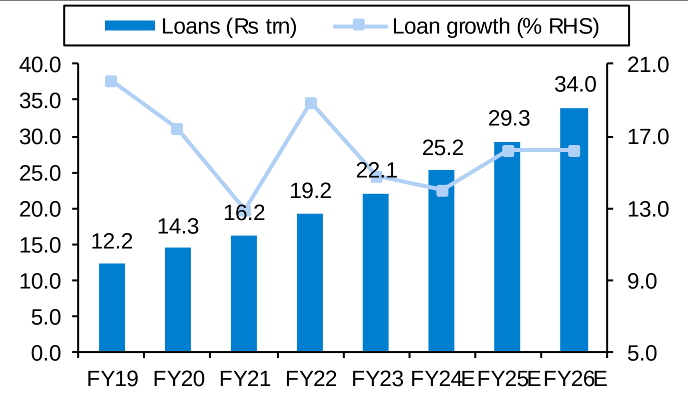
Source: Company, PL

While loan accretion is expected to be muted in FY24E (being the merger year), it should pick-up in FY25 and FY26. We envisage a 16% loan growth in FY25/26E compared to 14% in FY24E.

Assuming the system would grow at a 13% CAGR over FY23-26E HDFCB is expected to garner an incremental market share of 17%/20%/22% in loans over the same time frame.

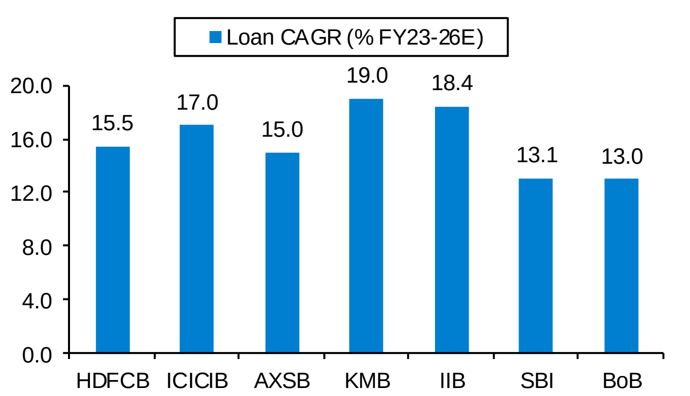
In terms of overall market share, HDFCB is the second largest player with market share of 15.7% in loans and 11.0% in deposits. Since deposit accretion would have to surpass loan growth over FY23-26E, HDFCB is expected to see a greater increase in deposit market share (2.4%) compared to loans (1.2%).

Exhibit 5: Loan growth should improve to 16% in FY25/26E



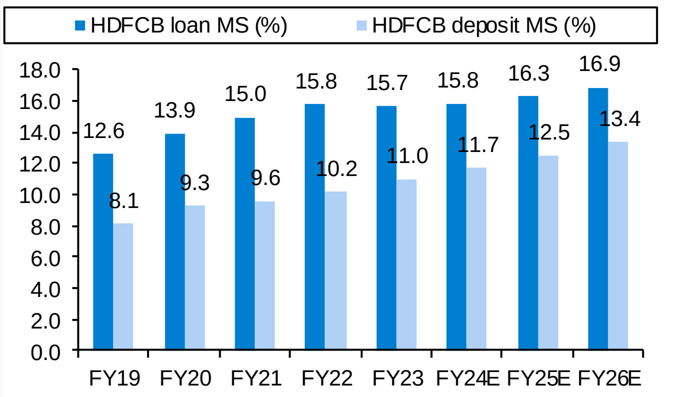
Source: Company, PL

Exhibit 6: KMB and IIB to see better loan growth vs peers



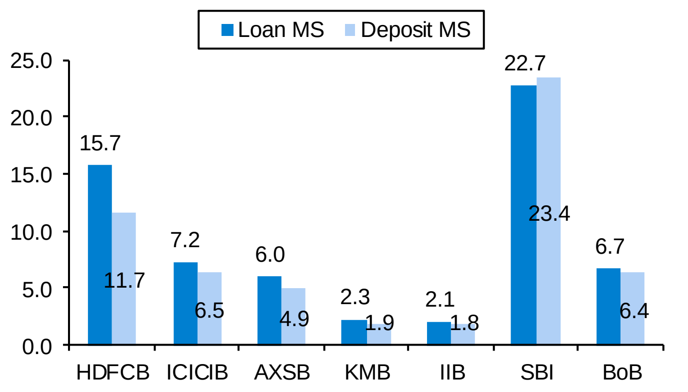
Source: Company, PL

Exhibit 7: MS in deposits to rise by 2.4% over FY23-26E



Source: Company, PL

Exhibit 8: Combined entity to has a 16% MS in loans



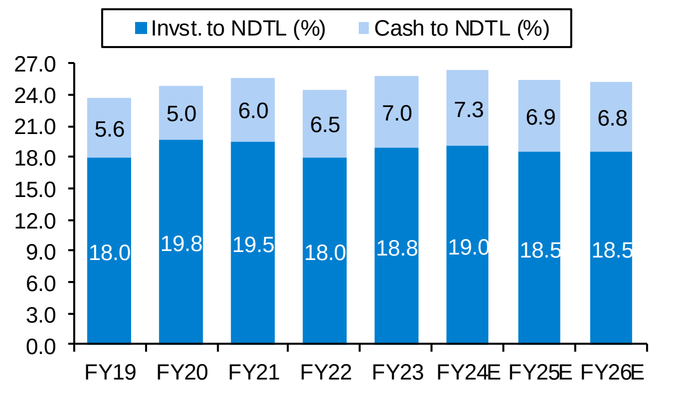
Source: Company, PL

Excess liquidity to drag FY24 margin performance

Due to the merger, bank carries excess liquidity with LCR of 125%, while HDFCL carried surplus liquidity of Rs1trn. Since merger was effective from 1st July, ICRR would be applicable to the combined NDTL (incremental NDTL between 19th May and 28th July would have gone up due to incoming liabilities of HDFC Ltd.).

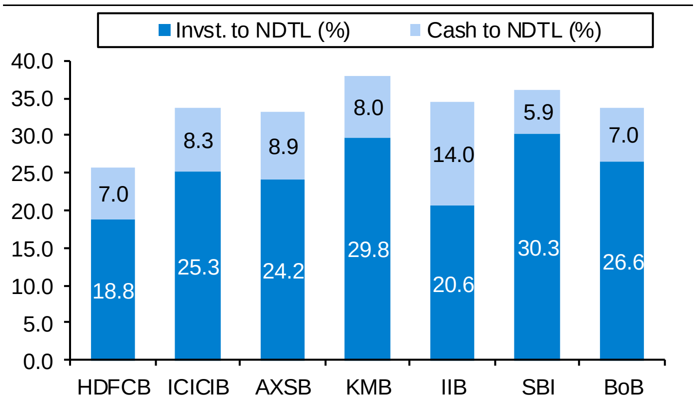
As a result, NIM of HDFC Ltd. on day-0 was 2.0% (vs 2.7% in Q1FY24) considering back-ended impact of surplus liquidity. As per the management, impact on merged NIM is 25-30bps of which the ICRR effect may be 5-6bps. Hence, we expect cash to NDTL (merged) to spike from 5% in Q1FY24 to 8% in Q2FY24E, while investments to NDTL could rise in FY24 before stabilizing in FY25/26E.

Exhibit 9: Liquidity to reduce from 26% (FY24) to 25% (FY26)



Source: Company, PL

Exhibit 10: KMB and SBI have highest liquidity

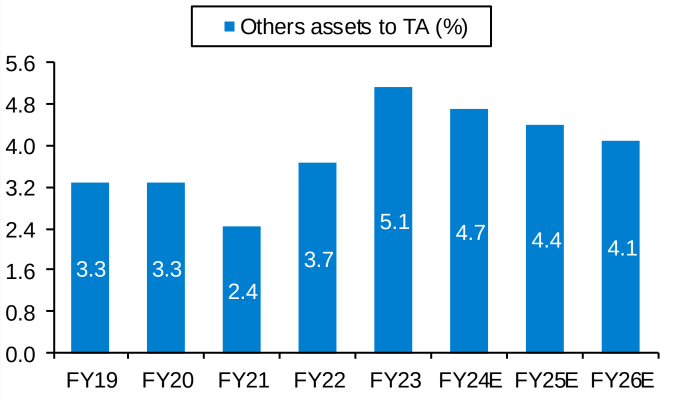


Source: Company, PL

Due to likely PSL requirements also on account of the merger, investments in RIDF have increased in FY23 resulting in proportion of other assets to total assets increasing from 3.5% in FY22 to 5.0% in FY23.

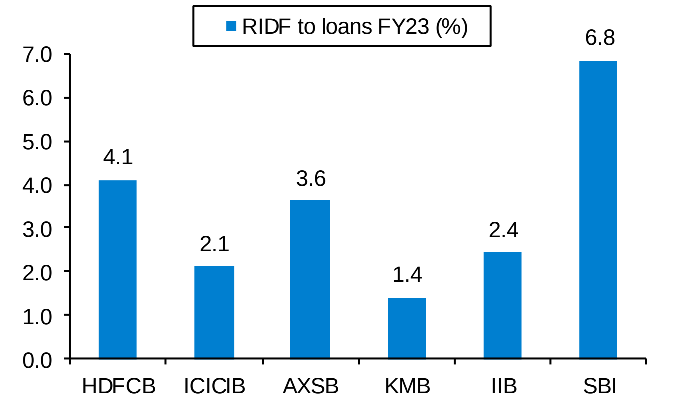
As operating leverage plays out by asset sweating at branches with a newer vintage, PSL requirements are expected to be fulfilled organically over the medium term. Hence proportion of total assets could moderate over FY23-26E.

Exhibit 11: As PSL is met, other assets to moderate



Source: Company, PL

Exhibit 12: SBI has the higher share of RIDF deposits



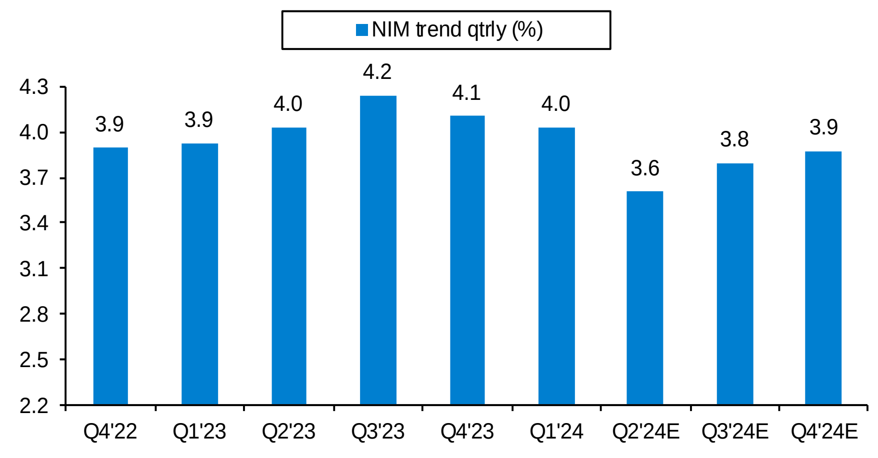
Source: Company, PL

NIM to be hit in FY24E; to improve over FY24-26E

Given large proportion of liquidity on the balance sheet coupled with greater ICRR impact (vs peers), NIM is expected to be hit in Q2FY24E. We expect NIM to fall from 4.0% in Q1FY24 to 3.6% in Q2FY24E.

However, NIM is expected to normalize in H2FY24E as (1) loan momentum is expected to pick-up from Q2FY24E (2) excess balance sheet liquidity would be drawn down and (3) high cost liabilities of HDFCL maturing within 1-yr from FY23 would be replaced.

Exhibit 13: NIM might dip by 40bps QoQ in Q2'24; should improve thereafter



Source: Company, PL

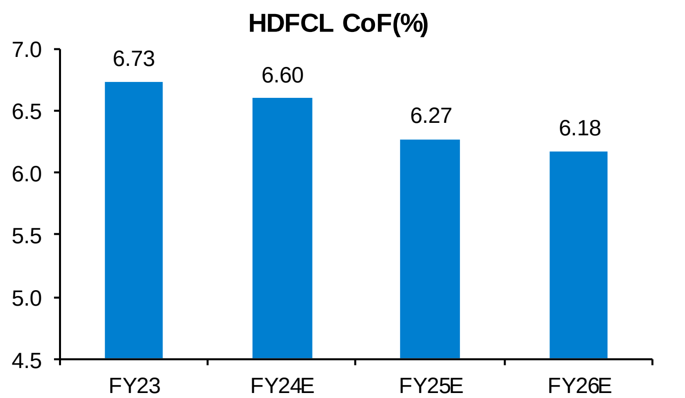
NIM for FY24E is expected to reduce by 19bps YoY to 3.6%, mainly led by impact of liquidity. However, as loan growth improves in FY25/26E to 16% YoY (vs 14% in FY24E) and higher cost liabilities of HDFL are replaced, NIM is expected to enhance over FY24-26E from 3.6% to 3.8%.

Exhibit 14: 43% of HDFC liabilities would mature by FY26

(Rs bn)	Q1FY24	FY24E	FY25E	FY26E
Borrowings	6,282	16.9%	13.2%	12.9%
NCD	3,079	8.4%	10.2%	9.9%
Bank Borr.	1,696	24.1%	13.6%	13.3%
Deposits	1,507	26.3%	18.7%	18.7%

Source: Company, PL

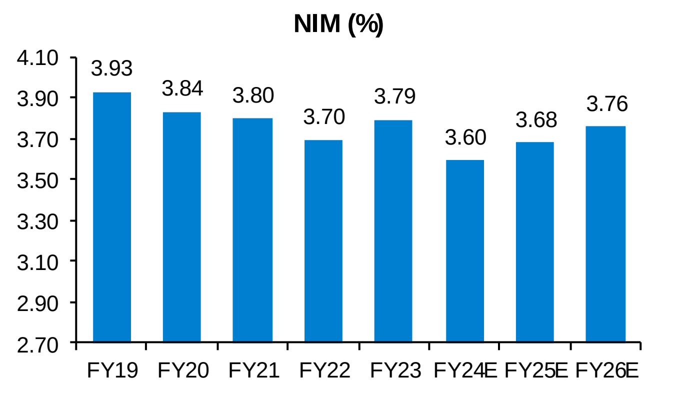
Exhibit 15: As high cost liabilities reduce, CoF should fall



Source: Company, PL

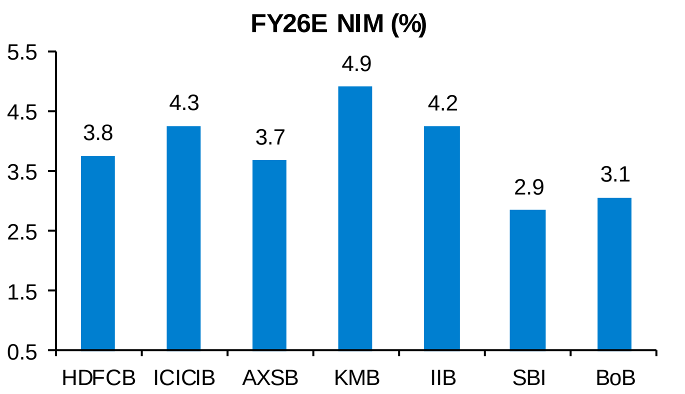
Roughly 17% liabilities are likely to mature in FY24E while another 13% each could mature in FY25/26E, suggesting that cumulatively 43% of HDFCL liabilities would be replaced by lower cost deposits/borrowings over FY23-26E. As a result, funding cost is expected to consistently decline giving a fillip to margins.

Exhibit 16: NIM to normalize to 3.76% by FY26



Source: Company, PL

Exhibit 17: KMB followed by ICICIB & IIB have better NIMs

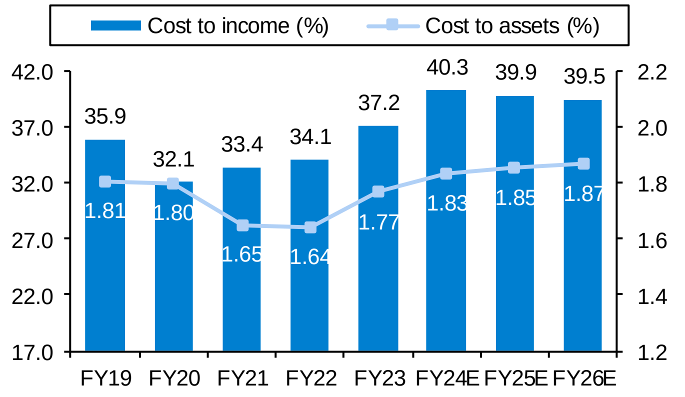


Source: Company, PL

Opex to assets expected to moderate over FY24-26E

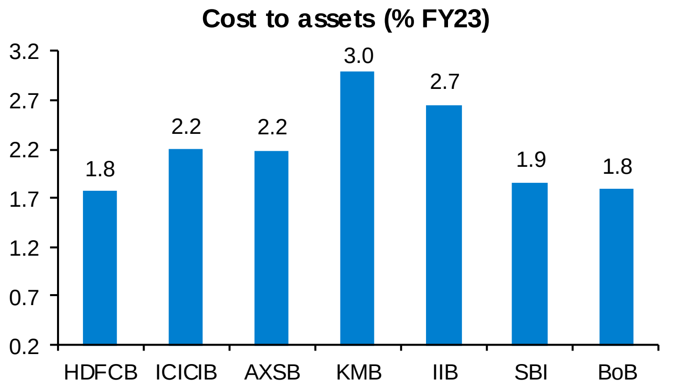
Due to deposit requirements (~19% growth), bank is likely to be aggressive in adding branches and employees over the medium term. However, due to higher base, opex growth could moderate FY25 which coupled with improving margins would reduce cost to income from 40.3% in FY24E to 39.5% in FY26E.

Exhibit 18: As NIM improves, C/I would reduce by FY26E



Source: Company, PL

Exhibit 19: KMB and IIB have higher operating costs



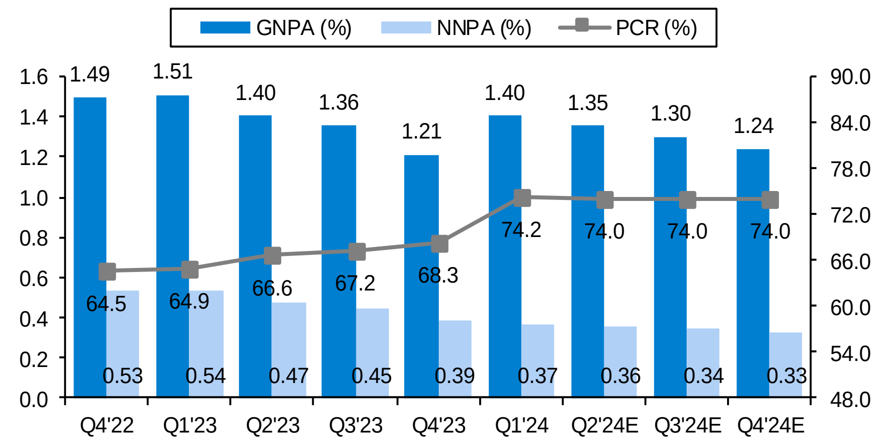
Source: Company, PL

GNPA saw a blip in Q1FY24; to normalize by FY24 end

HDFCL saw a QoQ blip in Q1FY24 GNPA from ~1.4% to ~2.0%, mainly due to spike in non-individual GNPA from 2.9% to 6.7% on account of (1) rise in slippages resulting in shift from stage-2 to stage-3 and (2) bank undertaking specific actions on certain non-individual accounts in accordance with bank policy.

As a result, combined GNPA increased QoQ from 1.2% to 1.4% in Q1FY24. However, GNPA is expected to moderate by FY24E end to 1.24%. PCR of the combined entity (that ranged from 66-68%) has been raised to 74% with corresponding impact on net worth to the tune of Rs38bn.

Exhibit 20: Non-individual GNPA of HDFCL rose from 2.9% to 6.7% in Q1'24



Source: Company, PL

Envisage healthy core PAT CAGR of 19.4% over FY24-26E

While core earnings growth is expected to be muted in FY24 (+5.2% YoY) owing to lower NIM and opex drag, as funding cost benefit accrues driven by replacement of high cost liabilities, NIM is expected to enhance over FY24-26E resulting in healthy earnings CAGR of 19.4%. As a result, core RoA/RoE should improve from 1.78% to 1.86% and 13.7% to 15.3% over the same time frame.

Exhibit 21: We expect a 19.4% CAGR in core PAT over FY24-26E for HDFCB

Percent (%)	HDFCB	ICICIB	AXSB	KMB	IIB	SBI	BoB
Core PAT CAGR (FY24-26E)	**19.4**	12.6	20.1	20.3	23.2	14.9	10.6
Core RoA (FY26E)	**1.75**	1.94	1.72	2.12	1.84	0.86	0.86
Core RoE (FY26E)	**15.3**	16.6	17.2	14.2	16.3	15.6	14.0
P/Core ABV (x) (Mar'25)	**2.2**	2.4	1.9	2.7	1.7	1.2	1.0
P/Core ABV (x) (Mar'26)	**2.0**	2.1	1.6	2.3	1.5	1.1	0.9

Source: Company, PL

Exhibit 22: Dupont Trend

Dupont	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Yield on IEA	**8.8**	**8.5**	**7.6**	**6.9**	**7.4**	**8.0**	**7.4**	**7.2**
Loan yields	7.3	7.1	6.3	5.6	6.1	6.6	6.1	5.9
Cost of funds	**5.0**	**4.8**	**3.9**	**3.3**	**3.8**	**4.6**	**3.9**	**3.7**
Deposits	3.1	3.2	2.8	2.4	2.5	3.2	2.8	2.7
Borrowings	1.9	1.6	1.1	1.0	1.3	1.3	1.1	0.9
NII	**3.8**	**3.7**	**3.7**	**3.6**	**3.6**	**3.4**	**3.5**	**3.6**
Other income	**1.2**	**1.9**	**1.3**	**1.2**	**1.1**	**1.3**	**1.1**	**1.1**
Fees	1.0	1.0	0.9	1.0	1.0	0.9	1.0	1.0
Total income	**5.0**	**5.6**	**4.9**	**4.8**	**4.8**	**4.7**	**4.6**	**4.7**
Opex	**1.8**	**1.8**	**1.7**	**1.6**	**1.8**	**1.8**	**1.9**	**1.9**
Employees	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Others	1.3	1.3	1.1	1.1	1.2	1.2	1.2	1.3
PPOP	**3.2**	**3.8**	**3.3**	**3.2**	**3.0**	**2.9**	**2.8**	**2.9**
Core PPoP	**3.0**	**2.9**	**2.9**	**2.9**	**2.8**	**2.5**	**2.6**	**2.7**
Provisions	0.5	1.0	0.9	0.7	0.5	0.4	0.4	0.4
PBT	**2.7**	**2.8**	**2.4**	**2.5**	**2.5**	**2.5**	**2.4**	**2.4**
Tax	0.8	0.6	0.5	0.5	0.5	0.6	0.6	0.6
RoA	**1.8**	**2.2**	**1.8**	**1.9**	**1.9**	**1.8**	**1.8**	**1.9**
RoE	**15.0**	**17.6**	**14.5**	**14.9**	**15.8**	**15.0**	**15.6**	**16.3**

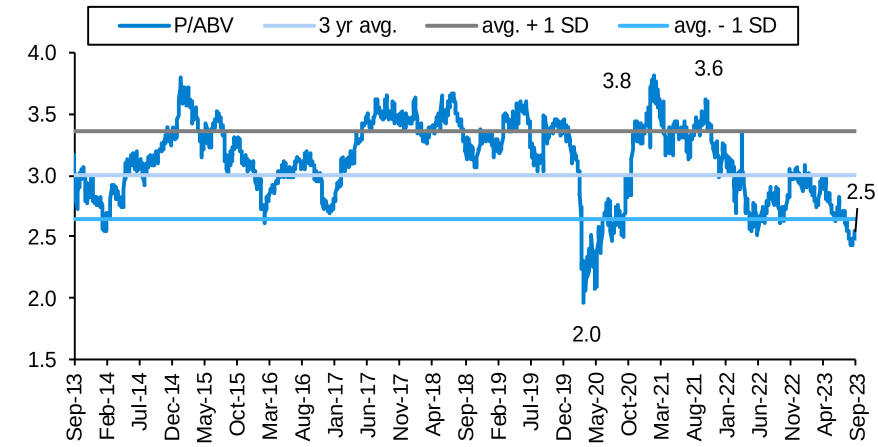
Source: Company, PL

Exhibit 23: SOTP based TP maintained at Rs2025

Particulars	Stake	Rs per share	% of total	Valuation	Basis
Standalone	100.0%	1,845	90.2	2.8	x Mar'25 ABV
HDFC Life	50.4%	95	4.7	1.00	Mkt Cap
HDFC AMC	52.6%	41	2.0	35.00	FY25E core PAT
HDB Financials	95.0%	33	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%	3	0.1	1.00	Mkt Cap
HDFC Credila	10.0%	1	0.0	2.00	of Mar'23 ABV
Total		**2,045**	**100.0**		
Holdco discount		20			
Target Price		**2,025**			

Source: Company, PL

Exhibit 24: HDFCB's one year forward P/ABV trends



Source: Company, PL

Income Statement (Rs. m)				
Y/e Mar	FY23	FY24E	FY25E	FY26E
Int. Earned from Adv.	17,85,469	22,52,741	23,96,190	26,89,401
Int. Earned from invt.	3,44,268	4,13,039	4,72,792	5,29,741
Others	25,745	32,885	33,702	38,895
Total Interest Income	21,68,280	27,32,064	29,23,650	32,80,842
Interest Expenses	11,07,381	15,64,690	15,44,832	16,56,227
Net Interest Income	**10,60,899**	**11,67,374**	**13,78,818**	**16,24,615**
Growth(%)	*15.7*	*16.7*	*12.9*	*17.1*
Non Interest Income	3,27,936	4,53,910	4,51,705	5,18,880
Net Total Income	13,88,835	16,21,284	18,30,524	21,43,495
Growth(%)	*23.3*	*27.6*	*5.9*	*12.6*
Employee Expenses	1,65,376	2,06,432	2,41,702	2,62,789
Other Expenses	3,50,715	4,20,204	4,88,300	5,83,766
Operating Expenses	5,16,091	6,26,635	7,30,001	8,46,555
Operating Profit	**8,72,744**	**9,94,649**	**11,00,523**	**12,96,939**
Growth(%)	*10.4*	*14.0*	*10.6*	*17.8*
NPA Provision	1,35,722	1,17,848	1,46,690	1,70,478
Total Provisions	1,37,147	1,30,300	1,63,090	1,89,487
PBT	**7,35,598**	**8,64,348**	**9,37,433**	**11,07,453**
Tax Provision	1,74,562	2,07,444	2,24,984	2,65,789
Effective tax rate (%)	*23.7*	*24.0*	*24.0*	*24.0*
PAT	**5,61,036**	**6,06,745**	**7,12,449**	**8,41,664**
Growth(%)	*19.1*	*8.1*	*17.4*	*18.1*

Balance Sheet (Rs. m)				
Y/e Mar	FY23	FY24E	FY25E	FY26E
Face value	1	1	1	1
No. of equity shares	7,490	7,500	7,500	7,500
Equity	7,490	7,500	7,500	7,500
Networth	38,00,396	42,88,612	48,37,198	54,85,279
Growth(%)	*15.1*	*12.8*	*12.8*	*13.4*
Adj. Networth to NNPAs	85,628	82,078	86,863	96,400
Deposits	2,03,60,707	2,41,02,623	2,85,70,616	3,39,74,754
Growth(%)	*18.3*	*18.4*	*18.5*	*18.9*
CASA Deposits	83,59,889	92,96,971	1,10,50,807	1,31,81,007
% of total deposits	*41.1*	*38.6*	*38.7*	*38.8*
Total Liabilities	**3,15,92,767**	**3,67,40,245**	**4,20,10,912**	**4,85,75,357**
Net Advances	2,20,89,486	2,51,87,241	2,92,71,632	3,40,08,399
Growth(%)	*14.8*	*14.0*	*16.2*	*16.2*
Investments	60,06,690	73,23,168	81,78,217	94,79,817
Total Assets	**3,15,92,767**	**3,67,40,245**	**4,20,10,912**	**4,85,75,357**
Growth (%)	*17.9*	*16.3*	*14.3*	*15.6*

Asset Quality				
Y/e Mar	FY23	FY24E	FY25E	FY26E
Gross NPAs (Rs m)	2,69,720	3,15,067	3,34,100	3,71,608
Net NPAs (Rs m)	85,628	82,078	86,863	96,400
Gr. NPAs to Gross Adv.(%)	*1.2*	*1.2*	*1.1*	*1.1*
Net NPAs to Net Adv. (%)	*0.4*	*0.3*	*0.3*	*0.3*
NPA Coverage %	*68.3*	*73.9*	*74.0*	*74.1*

Profitability (%)				
Y/e Mar	FY23	FY24E	FY25E	FY26E
NIM	3.8	3.6	3.7	3.8
RoAA	1.9	1.8	1.8	1.9
RoAE	15.8	15.0	15.6	16.3
Tier I	18.0	18.0	17.7	17.5
CRAR	21.3	21.0	20.4	19.9

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**
YoY growth (%)	*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**
YoY growth (%)	*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**
YoY growth (%)	*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**
YoY growth (%)	*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**
YoY growth (%)	*23.4*	*19.5*	*16.9*	*15.8*

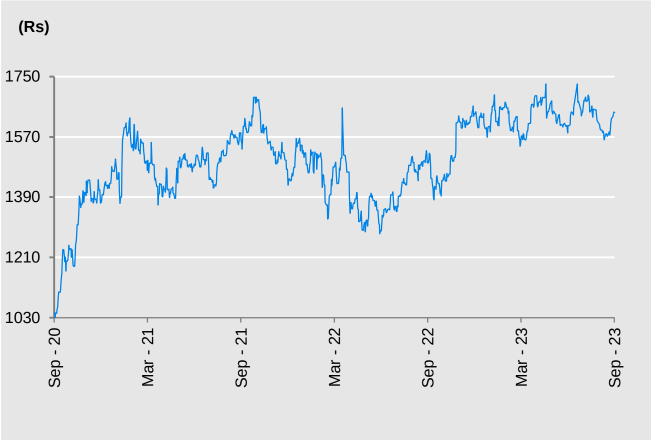
Key Ratios				
Y/e Mar	FY23	FY24E	FY25E	FY26E
CMP (Rs)	1,564	1,564	1,564	1,564
EPS (Rs)	74.9	80.9	95.0	112.2
Book Value (Rs)	507	572	645	731
Adj. BV (70%)(Rs)	496	561	633	719
P/E (x)	20.9	19.3	16.5	13.9
P/BV (x)	3.1	2.7	2.4	2.1
P/ABV (x)	3.2	2.8	2.5	2.2
DPS (Rs)	18.8	17.5	21.8	25.8
Dividend Payout Ratio (%)	-	-	-	-
Dividend Yield (%)	*1.2*	*1.1*	*1.4*	*1.7*

Efficiency				
Y/e Mar	FY23	FY24E	FY25E	FY26E
Cost-Income Ratio (%)	*37.2*	*38.7*	*39.9*	*39.5*
C-D Ratio (%)	*108.5*	*104.5*	*102.5*	*100.1*
Business per Emp. (Rs m)	257	239	239	259
Profit per Emp. (Rs lacs)	34	29	29	32
Business per Branch (Rs m)	5,088	5,111	5,285	5,552
Profit per Branch (Rs m)	67	63	65	69

Du-Pont				
Y/e Mar	FY23	FY24E	FY25E	FY26E
NII	3.83	3.71	3.75	3.78
Total Income	5.21	5.21	5.29	5.29
Operating Expenses	2.10	2.26	2.32	2.31
PPoP	3.11	2.95	2.97	2.98
Total provisions	0.53	0.47	0.52	0.53
RoAA	1.95	1.85	1.83	1.83
RoAE	16.96	16.28	16.21	16.46

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	18-Jul-23	BUY	2,025	1,679
2	06-Jul-23	BUY	2,025	1,675
3	25-May-23	BUY	1,925	1,610
4	22-Apr-23	BUY	1,925	1,672
5	16-Apr-23	BUY	1,925	1,692
6	11-Apr-23	BUY	1,850	1,658
7	14-Jan-23	BUY	1,850	1,601
8	05-Jan-23	BUY	1,800	1,600
9	16-Oct-22	BUY	1,800	1,439
10	05-Oct-22	BUY	1,800	1,454

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,560	1,560
2	Axis Bank	BUY	1,170	977
3	Bank of Baroda	BUY	235	191
4	Can Fin Homes	BUY	900	738
5	City Union Bank	Accumulate	160	129
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	2,800	2,502
10	HDFC Bank	BUY	2,025	1,679
11	ICICI Bank	BUY	1,180	997
12	IDFC First Bank	UR	-	54
13	IndusInd Bank	BUY	1,530	1,390
14	Kotak Mahindra Bank	BUY	2,250	1,970
15	LIC Housing Finance	Hold	430	427
16	Punjab National Bank	UR	-	47
17	State Bank of India	BUY	770	573
18	UTI Asset Management Company	BUY	900	814

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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