BUY (Upgrade from ADD)

CMP: **INR 1,531** Target Price: **INR 1,850** ▲ 21%

ICICI Securities

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21 April 2024

India | Equity Research | Q4FY24 results review

HDFC Bank

Banking

Reported and adjusted RoA strong; estimate gradual re-rating on sustained deposits growth

Apart from strong deposits growth and subdued loan growth, which were already communicated, key highlights from HDFC Bank's (HDFCB) Q4FY24 results include: 1) sharp reduction in borrowing (down 10% QoQ); 2) 3–4bps QoQ rise in NIM; 3) uptick in LCR (115% vs. 110% QoQ); and 4) strong reported (1.96%) and adjusted RoA (1.88%). The bank has broadly utilised the bulky treasury gains and tax write-back towards floating provisions and staff ex-gratia. We model ~18% CAGR in deposits (implying ~15% incremental market share) but cut loan CAGR (FY25E-26E) estimate to ~13% with LDR improving to 100%/96% by FY25E/26E. Our TP is unchanged at INR 1,850. However, given the fall in stock price (down 10% YTD), we upgrade the stock to **BUY** (from ADD). The re-rating is likely to be gradual, in our view.

Deposit accretion remains key variable impacting growth/NIM

Post the merger, the bank has seen structural changes to the balance sheet in the form of sharp rise in LDR, lower CASA share and significant rise in the share of borrowing. The merger has also catapulted banks' loan market share (m/s) by ~330 bps to ~14.5% while rise in deposits m/s is slower at ~110bps YoY to ~11.0%. We estimate the bank to deliver solid ~18% CAGR in deposits for FY24-26 (absolute rise of INR 4.0-5.0 trillion per year) which also accounts for changed competitive landscape. Despite strong deposits growth, the bank is likely to focus on balanced LDR and borrowing substitution; thus we cut our loan growth estimate to ~13% CAGR for FY24-26 with LDR easing to 100/96% for FY25/26 vs ~104% now. Our implied incremental LDR comes at 74-75%. Overall, deposits accretion remains key variable impacting growth and NIM.

Upgrade to BUY with unchanged TP; re-rating to be gradual

While Q4FY24 NIM outcome was slightly better than expected, it appears partly driven by seasonality. We cut our EPS estimate by ~5% for both FY25/26, mainly due to cut in growth estimates. We estimate the bank to deliver healthy RoA of ~1.7% for FY25/26 with 14–15% RoE. Our target price remains unchanged at INR 1,850. Due to the sharp correction in stock price (down 10% YTD), we upgrade the stock to **BUY.** The re-rating is likely to be gradual as despite strong deposits growth, credit growth is likely to remain bit slower versus system and borrowing substitution is also likely to be gradual.

Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E
NII (INR bn)	868.4	1,085.3	1,235.8	1,421.9
Op. profit (INR bn)	704.0	943.9	994.5	1,182.8
Net Profit (INR bn)	441.1	608.1	672.1	789.0
EPS (INR)	79.3	92.3	88.5	103.9
EPS % change YoY	18.6	16.4	(4.2)	17.4
ABV (INR)	496.3	571.5	639.3	718.0
P/BV (x)	3.0	2.6	2.4	2.1
P/ABV (x)	2.9	2.4	2.1	1.8
Return on Assets (%)	1.9	1.8	1.7	1.8
Return on Equity (%)	16.5	14.7	14.1	14.7

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Market Data

Market Cap (INR)	11,633bn
Market Cap (USD)	139,453mn
Bloomberg Code	HDFCB IN
Reuters Code	HDBK.BO
52-week Range (INR)	1,758 /1,363
Free Float (%)	99.0
ADTV-3M (mn) (USD)	457.2

Price Performance (%)	3m	6m	12m
Absolute	4.1	1.1	(8.1)
Relative to Sensex	1.8	(10.7)	(30.6)

Earnings Revisions (%)	FY25E	FY26E
PAT	(5)	(5)

Previous Reports

17-01-2024: Q3FY24 results review
17-10-2023: Q2FY24 results review

Quarter with a few one-offs; reported and adjusted RoA strong

Apart from strong deposits growth (up 7.5% QoQ), CASA share uptick QoQ and subdued loan growth (up 1.6% QoQ), which were already communicated, we believe the key operating highlights for Q4FY24 were a sharp reduction in borrowing (down 10% QoQ), 3–4bps QoQ rise in NIM despite uptick in LCR and decline in LDR. The bank has broadly utilised the bulky treasury gains (INR 73bn) and tax write-back (INR 44bn) towards the massive 44bps floating provisions (INR 109bn) and a one-time staff ex-gratia (INR 15bn) provisions. Reported RoA (1.96%) and adjusted for the one-offs, RoA remained strong at 1.88%. Overall, the bank reported PPOP of INR 292.7bn (1% beat), though reported PAT of INR 165bn was below estimate due to the massive INR 109bn of floating provisions. CET 1 remained strong at 16.3%. The bank has recommended a dividend of INR 19.5 per share.

Deposits growth robust; loan growth scaled-back, leading to improvement in LDR

Strong deposits growth (up 7.5% QoQ) has been the key highlight of the quarter. While deposit growth is robust, it includes some transitory/seasonal flows which were even higher than management's expectations. Overall, deposits grew 7.5% QoQ, within which, CASA grew 8.7% QoQ. CASA share stood at 38.2% of overall deposits and ~30% of overall external funding. Term deposits grew 6.7% QoQ. The borrowings have reduced ~10% QoQ; though the run-down seems primarily from CP and short-term paper.

Gross advances growth was scaled-back and grew only <2% QoQ (YoY growth is not relevant due to merger) as the bank seems to have calibrated asset growth to recoup liquidity buffers. Given the funding has been a constraint, the bank has rationed incremental lending towards granular and high-yielding segments. Commercial and rural banking grew the fastest at 4.2% QoQ, followed by retail mortgage (4%) and ex-mortgage retail (2.7%). Corporate and other wholesale loan book declined 2.2% while eHDFCL non-individual book shrunk by 18% QoQ. Overseas advances constitute ~1.5% of total loans.

Due to faster deposits growth and subdued loan growth, LDR improved to ~104% vs. ~110% QoQ. We estimate further improvement in LDR over FY25/26 led by faster growth in deposits.

LCR improved; NIM uptick of 4bps QoQ

LCR improved QoQ to 115% vs. 110%. Reported yields on assets increased 10bps QoQ, partly on better loan mix. Reported cost of funds was flattish QoQ and the bank mentioned that incremental deposits costs has been range bound. Overall reported NIM (on assets) improved 4bps QoQ to 3.44% while NIM (on interest earnings assets) increased 3bps QoQ to 3.63%. However, the calculated yields on advances and cost of funds have declined QoQ, which could be due to difference in daily vs. quarterly averaging. Calculated NIM (% of average assets) declined 3bps QoQ to 3.27%.

NIM performance (3–4bps uptick) is better than our expectation. This, in part, could be driven by sharp 9% QoQ rise in CASA and run-down of higher costs borrowings. While we are mindful of the bank's conscious efforts to improve loan mix, we estimate NIM to remain under a bit of pressure, as we factor in moderating CASA share, rising LCR and adverse LDR. Overall, we estimate NIM (as a % of average assets) at ~3.15% for FY25/26.

Reported operating profits boosted by Credila stake sale

Core fee growth was robust (up 15% QoQ) though partly aided by seasonality. Other income included INR 73.4bn gains on Credila stake sale (INR 55.3bn post-tax). The bank has opened 647 branches in the quarter (917 in FY24) yet the non-staff cost was calibrated at 4% QoQ. Staff cost included INR 15bn towards one time ex-gratia. Reported cost to income stood at 38%, though adjusted for stake sale and ex-gratia payment, cost to income stood at 41%. Reported PPoP came at INR 292.7bn (up 24% QoQ; 1% beat). Core PPoP (excluding treasury and ex-gratia) increased 4% QoQ.

Asset quality remains comfortable; adds 44bps of floating buffer

Gross slippages came at INR 73bn or 1.2% annualised vs. 1.1% QoQ. Recovery were stable QoQ at INR 45bn. Net slippages came in at INR 28bn or 45bps annualised vs. INR 25bn or 41bps QoQ. Overall GNPAs increased 1% QoQ; ratio declined 2bps QoQ to 1.24%. PCR declined marginally to 74% vs. 75% QoQ. Net NPA increased 2bps QoQ, but comfortable at 33bps.

Bank has created massive floating provisions of INR 109bn during the quarter, broadly utilising one-off treasury gains and tax write-back. The bank mentioned that there are no anticipated asset quality issues, and hence, has opted for floating provisions. The bank has reversed INR 1.85bn provisions towards AIF (out of INR 12.2bn done in Q3) as per revised RBI norms. Excluding the contingent provisions, reported credit cost stood at 42bps vs. 67bps QoQ. O/s contingent (including floating) provisions stood at INR 273bn or ~110bps of loans. We estimate gross slippages at ~1.2% for FY25/26 and see comfortable credit costs at ~40-50bps for the same period.

Upgrade to BUY with unchanged TP; re-rating to be gradual

While Q4FY24 NIM performance was slightly better than expected, it appears partly driven by seasonality with higher CASA / deposits growth aiding sharp borrowing substitution. We cut our EPS estimate by ~5% for both FY25/26, mainly due to cut in loan growth estimates. We estimate the bank to deliver healthy RoA of ~1.7% for FY25/26 with 14–15% RoE. Our target price remains unchanged at INR 1,850, valuing the stock at ~2.3x FY26E ABV along with ~INR 256 (earlier INR 230) per share for subsidiaries. Due to the sharp correction in stock price (down 10% YTD), we upgrade the stock to **BUY** (from ADD)**.** The re-rating is likely to be gradual as strong deposits growth is likely to be utilized partly for borrowing substitution and improving LDR while credit growth could remain slightly slower versus system. We also believe that borrowing substitution could also be gradual. Key risk is slower-than-expected deposits mobilisation impacting growth.

Exhibit 1: Q4FY24 result review

Financial Highlights					
INR mn	**Q4FY23**	**Q4FY24**	**YoY (%)**	**Q3FY24**	**QoQ (%)**
Interest Earned	451,194	714,728	58.4	705,826	1.3
Interest Expended	217,675	423,959	94.8	421,113	0.7
Net Interest Income	**233,518**	**290,768**	**24.5**	**284,713**	**2.1**
Other Income	87,312	181,663	108.1	111,370	63.1
Total Income	538,505	896,390	66.5	817,197	9.7
Total Net Income	**320,830**	**472,431**	**47.3**	**396,084**	**19.3**
Staff Expenses	43,621	69,362	59.0	53,518	29.6
Other operating expenses	91,001	110,326	21.2	106,093	4.0
Operating Profit	**186,209**	**292,742**	**57.2**	**236,473**	**23.8**
Provision & Contingencies	26,854	135,116	403.2	42,166	220.4
Provision for tax	38,881	(7,493)	-119.3	30,581	-124.5
Net Profit	**120,474**	**165,119**	**37.1**	**163,725**	**0.9**

Other Highlights					
INR bn	**Q4FY23**	**Q4FY24**	**YoY (%)**	**Q3FY24**	**QoQ (%)**
Advances	16,006	24,849	55.2	24,461	1.6
Deposits	18,834	23,798	26.4	22,140	7.5
Gross NPA	180.2	311.7	73.0	310.1	0.5
Gross NPA (%)	1.12	1.24	12 bps	1.26	-2 bps
Net NPA	43.7	80.9	85.2	76.6	5.6
Net NPA (%)	0.33	0.33	0 bps	0.31	2 bps
Provision Coverage (%)	75.8	74.0	-171 bps	75.3	-124 bps

Source: Company data, I-Sec research

Exhibit 2: Loan book break-up

INR bn	Q4FY23 (P)	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	Mix (%)
Retail Mortgages	**1,788**	**7,432**	**7,728**	**332**	**4**	**31**
Personal Loans	1,717	1,815	1,846	8	2	7
Auto	1,174	1,280	1,311	12	2	5
Payment Business	861	971	1,002	16	3	4
Two Wheelers	99	113	118	19	4	0
Gold Loans	108	131	138	28	5	1
Other Retail	424	446	469	11	5	2
Retail ex Mortgages	**4,384**	**4,756**	**4,883**	**11**	**3**	**19**
Total Retail Advances	**6,172**	**12,189**	**12,611**	**104**	**3**	**50**
Emerging Corporates	1,832	2,212	2,168	18	(2)	9
Business Banking	2,535	3,068	3,217	27	5	13
Commercial Transportation	1,108	1,313	1,374	24	5	5
CRB ex-Agri	**5,648**	**6,801**	**7,003**	**24**	**3**	**28**
Agri	817	930	1,053	29	13	4
CRB	**6,465**	**7,731**	**8,056**	**25**	**4**	**32**
Corporate and other-Wholesale	**4,097**	**4,363**	**4,268**	**4**	**(2)**	**17**
Subtotal	**16,734**	**24,282**	**24,935**	**49**	**3**	**99**
eHDFCL Non-Individual	-	989	807	NA	(18)	3
Advances gross of IBPC	**16,734**	**25,270**	**25,742**	**54**	**2**	**103**
IBPC/BRDS	(592)	(578)	(664)	12	15	(3)
Gross Advances	**16,142**	**24,693**	**25,078**	**55**	**2**	**100**

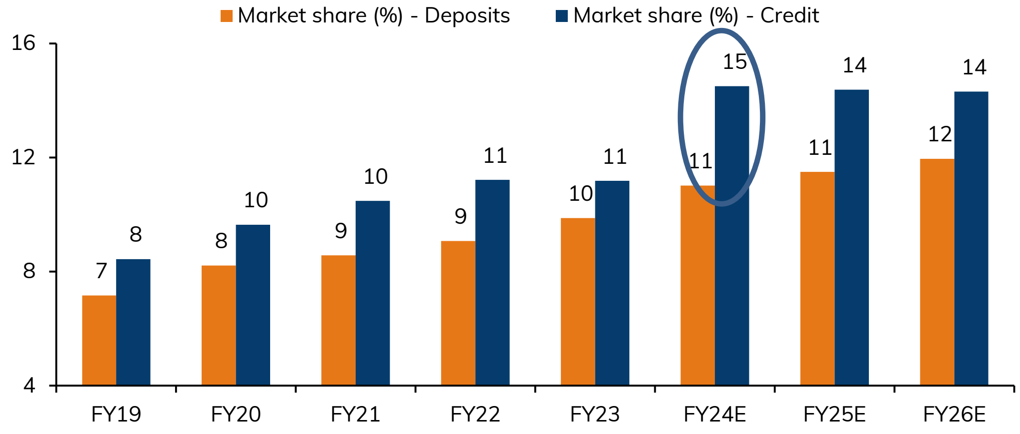
Source: Company data, I-Sec research

Exhibit 3: Deposits trend

(INR mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Deposits	1,44,59,181	1,55,92,174	1,60,47,600	1,67,34,080	1,73,32,040	1,88,33,947	1,91,30,958	2,17,28,578	2,21,39,770	23,797,863
YoY % change	13.8	16.8	19.2	19.0	19.9	20.8	19.2	29.8	27.7	26.4
QoQ % change	2.8	7.8	2.9	4.3	3.6	8.7	1.6	13.6	1.9	7.5
CASA Deposits	68,12,240	75,10,500	73,46,470	75,96,960	76,29,510	83,59,890	81,29,540	81,77,050	83,57,000	9,087,863
YoY % change	24.6	22.0	20.1	15.4	12.0	11.3	10.7	7.6	9.5	8.7
QoQ % change	3.5	10.3	-2.2	3.4	0.4	9.6	-2.8	0.6	2.2	8.7
CASA Ratio (%)	47.1	48.2	45.8	45.4	44.0	44.4	42.5	37.6	37.7	38.2
Term Deposits	76,46,941	80,81,674	87,01,130	91,37,120	97,02,530	1,04,74,057	1,10,01,418	1,35,51,528	1,37,82,770	14,710,000
YoY % change	5.6	12.3	18.5	22.1	26.9	29.6	26.4	48.3	42.1	40.4
QoQ % change	2.2	5.7	7.7	5.0	6.2	8.0	5.0	23.2	1.7	6.7

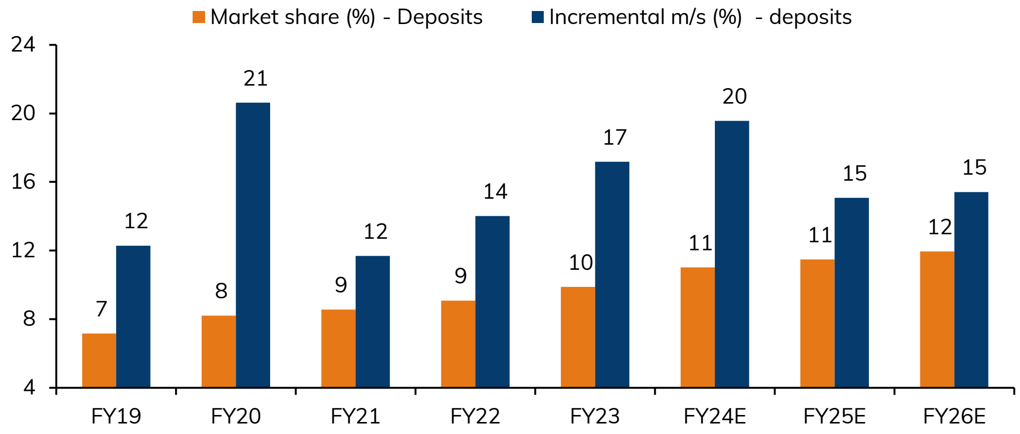
Source: Company data, I-Sec research

Exhibit 4: Merger has led to sharp rise in credit market share (m/s) and significant difference between deposits and credit m/s. We expect gradual rise in deposits m/s while credit m/s could remain broadly stable with negative bias.



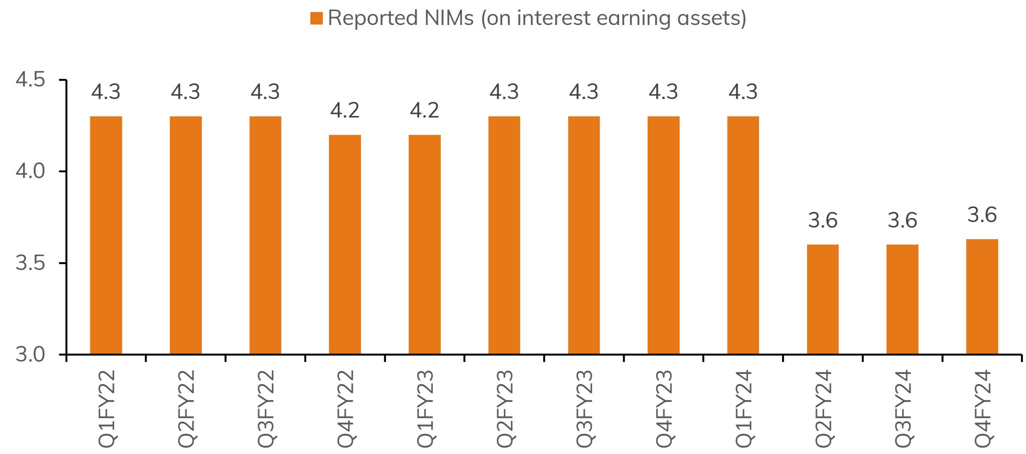
Source: Company data, RBI, I-Sec research

Exhibit 5: We estimate incremental deposits m/s at ~15% for FY25/26.



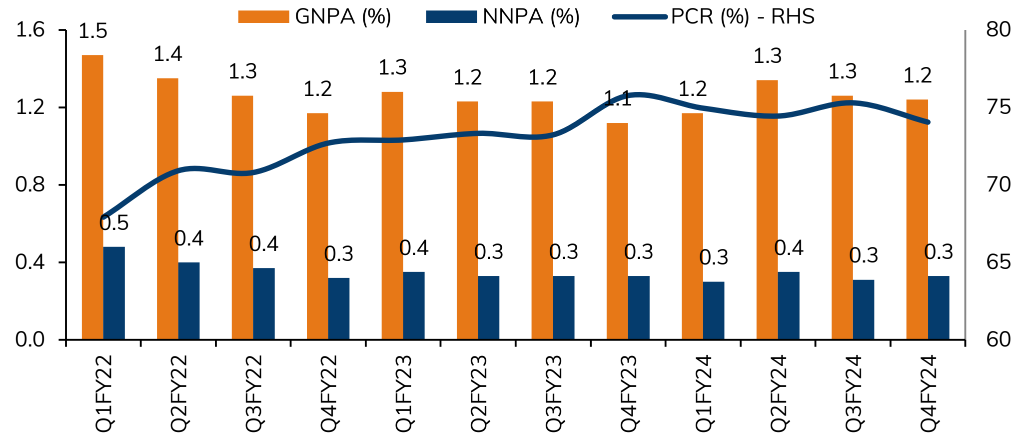
Source: Company data, RBI, I-Sec research

Exhibit 6: NIMs flat QoQ despite steep decline in LDR and inch-up in LCR



Source: Company data, I-Sec research

Exhibit 7: Asset quality stable



Source: Company data, I-Sec research

Exhibit 8: SOTP valuation

Name	Total value of business (INR Bn)	HDFCB Stake (%)	Value for HDFCB (INR bn)	Value for HDFCB (per share)	Comments
HDFC Life	1,747	50.4	880	116	I-Sec coverage
HDFC Mutual Fund	940	52.6	494	65	I-Sec coverage
HDB Financial Services (Unlisted)	727	94.6	688	91	4.0x FY26E ABV
HDFC Securities Limited (Unlisted)	105	95.1	100	13	10x FY26E PAT
Others		NA	266	35	Miscellaneous
Total subs/assoc/JV			**2,428**	**320**	
Holding company discount (%)				20	
Subs/assoc/JV value per share in SOTP				**256**	
Core banking book			701	**1,594**	2.3x FY26E ABV
Target Price (INR)				**1,850**	

Source: Company data, I-Sec research

Q4FY24 earnings call key takeaways

Opening remarks by MD and CEO

- **The bank refrained from giving any numerical guidance.**
- **Key focus in the medium term (1–3 years) is to improve the profitability metrics i.e. RoE and EPS.** To sustain that, key variable would be the sustainability of deposit franchise (especially retail deposits), enhanced customer engagement and customer service first culture.
- **HDFC Bank is not a quantity player – neither on the liabilities side and nor on the assets front.**
- **Resiliency of the institution continues despite the merger.**
- This is a completely new organisation now, post-merger with erstwhile HDFC Limited. Hence, it would be incorrect to compare the financials of HDFC Bank (prior to merger) with the current one.

Margins and LCR

- The cost of the funds has been broadly range bound. If there is no further pressure on cost of funds going ahead, then yields are likely to remain stable.
- Margins, even if they remain stable from hereon, the bank would be delighted. Business mix will then determine the margin trajectory if it continues to have higher proportion of retail and CRB in overall portfolio.
- CASA mix also plays a role in determining the margin trajectory.
- In a high interest rate scenario, CASA ratio tends to be bit tepid.
- The bank is aware that it has to use the funding toward liquidity, borrowing re-payment; thus, it would have to ration incremental credit. As the bank has to ration funding, it has raised the threshold on yield and did that in this quarter. However, the same was opportunistic and may not be a regular event.

PSL

- Overall PSL achievement was 45% in FY23 and now is 52% for FY24.
- **Two sub-targets – SMF and weaker segment may not be easy to achieve. But the bank has enhanced its breadth through CRB. And believes that the trajectory should be strong. The bank would try to comply to the requirement organically.**
- **Higher PSL achievement would start impacting from October onwards.**
- The bank is now catering to 2.25L villages and caters to 117k SMF.

Advances

- Bank is not going to chase growth, just for the sake of growth.
- Asset growth has been adjusted to recoup the liquidity buffers.
- Advances mix is skewed towards better yielding segments namely CRB and retail.
- **Corporate loans have seen lower growth, because yields there are much lower than the bank's threshold.**
- **Lending is as per the bank's risk based pricing models and not influenced by bank's LDR ratio etc.**
- *Bank has expended small and medium enterprises business to 715 districts across the country.*

Deposits

- Bank continued to gain market share in deposits.
- While Q4 deposit growth is healthy, this includes **some transitory flows which were more-than-expected.**
- As per the bank's past six years' trend, Q1 has the lowest deposits inflow followed by Q2 and Q3 with relatively higher inflows and Q4 has the highest deposits inflow.

- Incremental LDR would be a tad lower than the historical average since the bank has some obligations on the bond side. First priority is to keep reserve to meet bond obligations and then use the resources to fund core assets.
- FY24 deposits per branch at INR 2.7bn adjusted for the merger vs. INR 2.6bn for FY23.
- Borrowing run-down during the quarter was primarily CP and short term paper. The long term high cost borrowing did not run down much and it would start from FY25 onwards.

Opex

- Institution has consummated one of the largest and toughest merger in the history. For this, employees have worked really hard. As a result, bank has rewarded them with an ex-gratia provision of INR15bn.
- The bank will continue to make investments in people and technology.
- Operating leverage would be harnessed over a period of time.
- Quantum of branches which bank opens, depends on multiple factors. The bank has opened 917 branches during FY24 vs. 1,479 during FY23 and 734 during FY22.

Asset quality

- Bank has created floating or counter cyclical provisions (which are made in good times) of INR 109bn during the quarter. **Such provisions enhance the resilience of the balance sheet. This is to protect the bank against any future uncertainties.** Floating is different from contingent. The usage of floating provisions is stricter than contingent provisions. The bank believes that there are no anticipated asset quality issues; hence, it has not done contingent provisions but opted for floating provisions.
- Floating provision is 50bps of total loan book and contingency provision is 59bps of total loan book.
- **Early indicators across segments are much better and the above provisions don't indicate any stress on asset quality.**

Miscellaneous

- Adjusting for the one-offs during Q4, RoA is in-line with historical average.
- Bank has seen stalwarts who have come and left. Bank is not person dependent, but it is process dependent.

Q3FY24 earnings call key takeaways

LCR

- **LCR (consolidated) at 110% vs. 121% QoQ.**
- **System liquidity had been positive since Q1FY20 and this was now in the negative zone for entire Q3FY24.**

LDR

- **LDR, after removing merger effect, would be 89%; historically the bank has operated in LDR range of 87-89%.**
- **Expect LDR to go down progressively over several quarters. Deposit growth should be 300-400bps higher than loan growth; so as to enable the bank to see a gradual decline in CD ratio.**

Margins

- The bank believes that deposits rate is **not** the tool to drive deposits. It would not like to differentiate itself on higher deposits rate.
- Core NIM was at 3.4% on total assets, and 3.6% based on interest earning assets.
- CRB yield is in the range of 8.5-11% and average is above 9%.

- Non-mortgage retail assets that have relatively higher yields than mortgage should inch up, which would be a margins enhancer.
- 8% of balance sheet used to be borrowings, which is 21% currently; hence, replacing these with low cost deposits or bonds could aid margins over time.

<u>Loan book</u>

- **QoQ loan growth of INR 1.15trn during the quarter was funded by** –
    - INR 411bn addition of deposits
    - INR 485bn reduction in Investments
    - INR 96bn reduction in cash and cash equivalents
- **Retail unsecured is extremely profitable product for the bank. The bank believes that it has one of the best scorecard for retail unsecured.**
- Some of the NBFC exposure is to government-linked or government sponsored NBFCs.
- Overseas advances constituted 1.7% of total advances.

<u>Deposits</u>

- The bank is confident of increasing the CASA ratio to its long term average of 42-43% vs. ~38% currently due to the below factors –
    - Customer spending will abate at some point in time
    - Adding new customer relationships
    - Deposit repricing should be done in a quarter or two
- Deposits were up INR 411bn QoQ. Within that, retail deposits were up INR 530bn, while non-retail were down INR 118bn QoQ.
- CA was up 3.2% QoQ and within that retail CA was up 3.8% QoQ
- *Bank aims to garner 18-20% incremental deposit market share.*
- *The bank issued INR 75bn long term infra bonds (which does not have CRR SLR cost and does not attract deposits insurance). The bank has INR 1trn worth of eligible affordable housing loans.*

<u>Profit and loss</u>

- The bank will progressively take C/I to mid-30s. This would be a function of several efficiencies which would arise due to digitisation.
- The treasury gains include the gains from sale of Bandhan Bank stake.
- No concrete timeline for Credilla. The fair value is INR 5bn higher than the carrying value as of now.

<u>Asset quality</u>

- **Slippages stood at INR 70bn (26bps) for the quarter vs. INR 78bn QoQ**.
- INR 45bn of recoveries and upgrades during the quarter.
- INR 31bn of write-off during the quarter.
- No sale of NPA during the quarter.
- Total provisions include INR 12bn of contingent provisions towards AIF, which are prudent in nature. Bank has made 100% provisions towards the same.

<u>Miscellaneous</u>

- **The bank would look to open ~1,000 branches during FY24 (270 in 9MFY24). ~570 branches are already in pipeline.**
- Under other income, miscellaneous income includes recoveries from write-offs accounts and dividend income from subsidiaries.
- INR 15bn of tax provisions were reversed as they were no longer required, pursuant to favourable orders received.

<u>HDFC AMC</u>

- HDFC AMC up 24% YoY
- PAT up 33% YoY

<u>HDFC Ergo</u>

- PAT up 6% YoY at INR 1.3bn

HDFC Securities

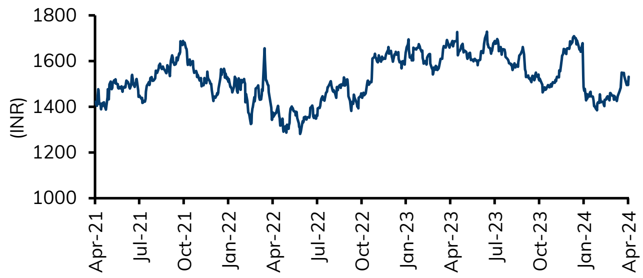
- PAT at INR 2.3bn
- EPS at INR 144
- BVPS at INR 1,253

Exhibit 9: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	0.0	0.0	0.0
Institutional investors	82.7	83.1	81.5
MFs and others	19.7	19.4	23.2
FIs/Banks	0.1	0.1	0.1
Insurance	8.7	9.1	8.1
FIIs	54.2	54.5	50.1
Others	17.3	16.9	18.5

Source: Bloomberg

Exhibit 10: Price chart



Source: Bloomberg

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Interest income	1,615,855	2,583,406	3,102,447	3,527,100
Interest expense	747,433	1,498,081	1,866,651	2,105,178
Net interest income	**868,422**	**1,085,325**	**1,235,796**	**1,421,922**
Non-interest income	312,148	492,410	491,194	599,413
Operating income	**1,180,571**	**1,577,735**	**1,726,990**	**2,021,335**
Operating expense	476,521	633,860	732,453	838,520
Staff expense	155,124	222,402	261,832	299,173
Operating profit	**704,050**	**943,874**	**994,537**	**1,182,815**
Core operating profit	**715,361**	**838,874**	**962,537**	**1,137,815**
Provisions & Contingencies	119,197	234,921	110,175	144,673
Pre-tax profit	**584,853**	**708,953**	**884,361**	**1,038,142**
Tax (current + deferred)	143,766	100,830	212,247	249,154
Net Profit	**441,087**	**608,123**	**672,115**	**788,988**
Adjusted net profit	**441,087**	**608,123**	**672,115**	**788,988**

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Cash and balance with RBI/Banks	1,937,651	2,191,474	3,128,754	3,697,438
Investments	5,170,015	7,024,150	8,179,361	9,450,259
Advances	16,005,859	24,848,616	28,084,612	31,872,936
Fixed assets	80,165	113,990	118,715	148,394
Other assets	1,467,125	1,998,002	2,297,748	2,691,973
Total assets	**24,660,814**	**36,176,232**	**41,809,188**	**47,861,000**
Deposits	18,833,946	23,797,862	28,130,402	33,222,242
Borrowings	2,067,656	6,621,531	7,423,615	7,860,406
Other liabilities and provisions	957,223	1,354,379	1,335,186	1,250,846
Share capital	5,580	7,597	7,597	7,597
Reserve & surplus	2,796,410	4,394,861	4,912,390	5,519,910
Total equity & liabilities	**24,660,814**	**36,176,232**	**41,809,188**	**47,861,000**
% Growth	19.2	46.7	15.6	14.5

Source Company data, I-Sec research

Exhibit 13: Growth ratios

(%)	FY23A	FY24A	FY25E	FY26E
Net Interest Income	20.6	25.0	13.9	15.1
Operating profit	9.9	34.1	5.4	18.9
Core operating profit	15.8	17.3	14.7	18.2
Profit after tax	19.3	37.9	10.5	17.4
EPS	18.6	16.4	(4.2)	17.4
Advances	16.9	55.2	13.0	13.5
Deposits	20.8	26.4	18.2	18.1
Book value per share	16.0	15.4	11.8	12.3
Adj Book value per share	16.2	15.2	11.8	12.3

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
No. of shares and per share data				
Adjusted EPS	79.3	92.3	88.5	103.9
Book Value per share	502	580	648	728
Adjusted BVPS	496	572	639	718
Valuation ratio				
PER (x)	19.3	16.6	17.3	14.7
Price/ Book (x)	3.0	2.6	2.4	2.1
Price/ Adjusted book (x)	2.9	2.4	2.1	1.8
Dividend Yield (%)	1.2	1.5	1.3	1.6
Profitability ratios (%)				
Yield on advances	8.6	10.1	9.5	9.5
Yields on Assets	7.1	8.5	8.0	7.9
Cost of deposits	3.6	5.0	5.2	5.1
Cost of funds	3.3	4.9	4.8	4.7
NIMs	4.1	3.6	3.4	3.4
Cost/Income	40.4	40.2	42.4	41.5
Dupont Analysis (as % of Avg Assets)				
Interest Income	7.1	8.5	8.0	7.9
Interest expended	3.3	4.9	4.8	4.7
Net Interest Income	**3.8**	**3.6**	**3.2**	**3.2**
Non-interest income	1.4	1.6	1.3	1.3
Trading gains	0.0	0.3	0.1	0.1
Fee income	1.4	1.1	1.2	1.2
Total Income	**5.2**	**5.2**	**4.4**	**4.5**
Total Cost	**2.1**	**1.9**	**1.9**	**1.9**
Staff costs	0.7	0.7	0.7	0.7
Non-staff costs	1.4	1.1	1.2	1.2
Operating Profit	**3.1**	**3.3**	**2.6**	**2.6**
Core Operating Profit	3.2	2.8	2.5	2.5
Non-tax Provisions	0.5	0.7	0.3	0.3
PBT	**2.6**	**2.6**	**2.3**	**2.3**
Tax Provisions	0.6	0.8	0.5	0.6
Return on Assets (%)	**1.9**	**1.8**	**1.7**	**1.8**
Leverage (x)	8.7	8.2	8.4	8.6
Return on Equity (%)	**16.5**	**14.7**	**14.1**	**14.7**
Asset quality ratios (%)				
Gross NPA	1.1	1.2	1.2	1.2
Net NPA	0.3	0.3	0.3	0.3
PCR	75.8	74.0	75.0	75.0
Gross Slippages	1.8	1.7	1.2	1.1
LLP / Avg loans	0.8	1.1	0.5	0.5
Total provisions / Avg loans	0.8	1.2	0.4	0.5
Net NPA / Networth	1.6	1.8	1.7	1.8
Capitalisation ratios (%)				
Core Equity Tier 1	16.4	16.3	15.7	15.4
Tier 1 cap. adequacy	17.1	16.8	16.2	15.7
Total cap. adequacy	19.3	18.8	18.1	17.7

Source Company data, I-Sec research

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