

## Sector Thematic

# Banks

### Double whammy for some

Recent events (YES and COVID-19) are likely to have multiple order and far reaching impacts on the banking sector. COVID-19 will obviously impact growth and asset quality. The events at YES have impacted depositor sentiment, causing them to become more risk-averse, we believe. Consequently, the less obvious (but equally important) impact is expected to play out on the liabilities side. In such a scenario, we believe deposit flows will become more polarised. Larger banks, with strong granular liability franchises, reasonable asset quality performance and sufficient capital are likely to emerge stronger. Consequently, we prefer ICICIBC, AXSB and KMB amongst the large caps. We prefer CUBK amongst the pack of smaller regional banks. We maintain our REDUCE rating on RBK and KVB, despite their sharp underperformance.



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- **Liabilities will be the new assets:** Private banks have done exceedingly well on the deposit front in the last two years, capturing ~66-69% of incremental systemic deposits, allowing them to support superior asset-side growth. The events at YES (and PMC) are likely to increase risk-aversion amongst depositors. We believe banks with an excess reliance on bulk deposits and borrowings will be the most impacted. The risk aversion is expected to lead to deposit polarisation towards large private banks and PSBs. Within our coverage, SBIN, ICICIBC, KMB and AXSB are best placed.

### COVID-19- the obvious impacts:

- Bank **credit growth** saw slowing trends over FY20E. Non-food credit growth slowed to just 7.3% in Feb-20. This trend was visible across industrial, service and agri credit. Personal loan growth which had remained resilient at 17% is likely to take a significant knock due to COVID-19 related disruptions. Consequently, we've reduced growth estimates for our coverage by ~480bps to ~8.8%, over FY21-22E. Well-capitalised banks with strong liability franchises will make significant m-share gains on this front.
- The sector saw an improvement in **GNPAs** over FY18-1HFY20, with stress rising in 3QFY20. As a result of the disruption to economic activity, the sector is likely to see higher stress. This will be accentuated by delays in resolutions and recoveries. Retail loans, which have seen benign asset quality trends in the recent past, are likely to see a noticeable rise in NPAs. The RBI's moratorium will provide only temporary relief. We expect banks with (1) superior historical asset quality trends (due to lack of precedence) and (2) lower exposure to more vulnerable sectors to be relatively better off. Across our coverage, we've increased our FY21E slippages/ GNPA estimates by ~100/150bps to ~3.3/5.9%.
- Mid-tier and smaller banks will face a double whammy (growth + liabilities and asset quality).
- While we have reduced our growth estimates and have modeled for higher NPAs, given the high degree of uncertainty around the situation, the outcome is difficult to explicitly model. Our earnings for FY22/22E fall by 21/25%.

Company	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)
AUBANK	172	568	REDUCE	509
AXSB	1,284	456	BUY	541
CUBK	96	131	BUY	176
DCBB	30	96	ADD	114
FB	91	46	BUY	71
ICICIBC	2,331	362	BUY	435
IIB	324	457	ADD	557
KMB	2,248	1,178	ADD	1,263
KVB	22	28	REDUCE	33
RBK	61	120	REDUCE	141
SBIN	1,718	193	BUY	316

Source: Banks, HSIE Research

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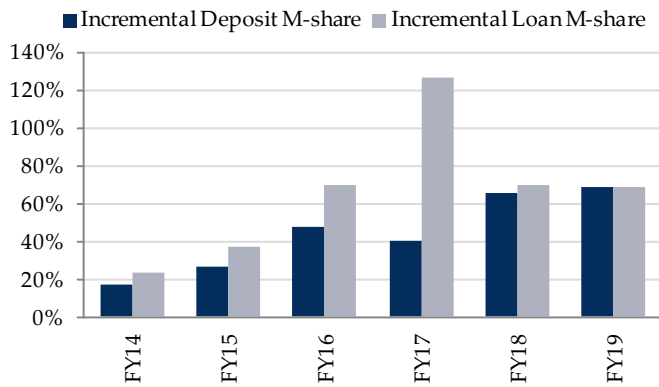
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**Banks : Sector Thematic**

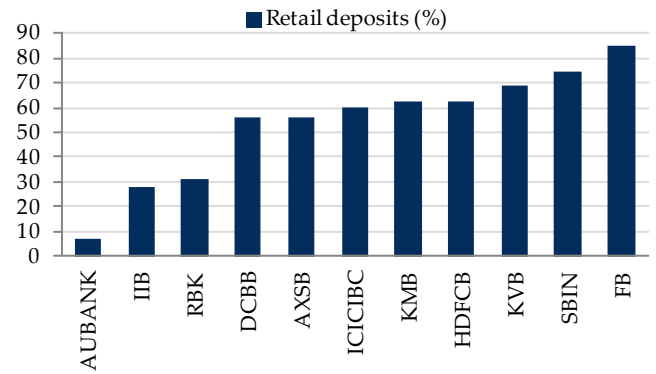
**Focus Charts**

**Exhibit 1: Incremental business m-share (PVT Banks)**



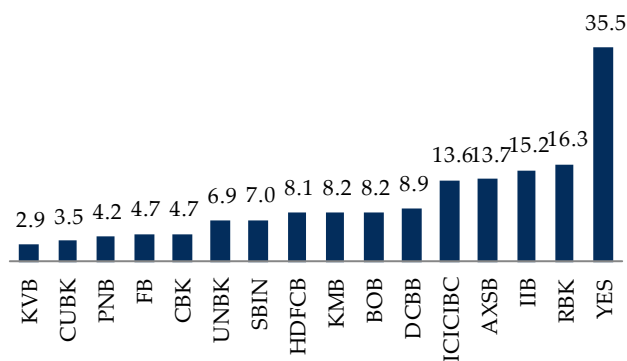
Source: Banks, RBI, HSIE Research

**Exhibit 2: Retail deposits (%)**



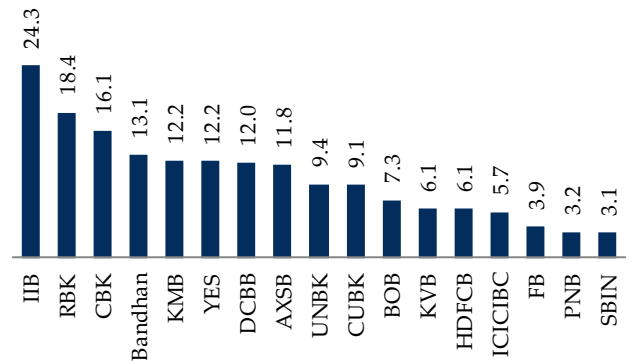
Source: Banks, HSIE Research, As on Dec-19, # Ref Page 15

**Exhibit 3: Borrowings as a % Of Total Assets**



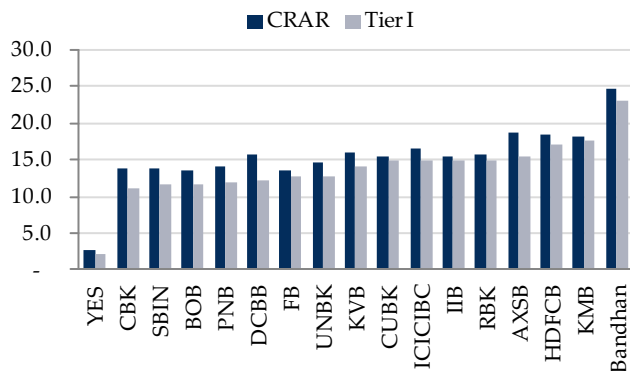
Source: Banks, HSIE Research, As on Dec-19

**Exhibit 4: Contribution of top 20 depositors**



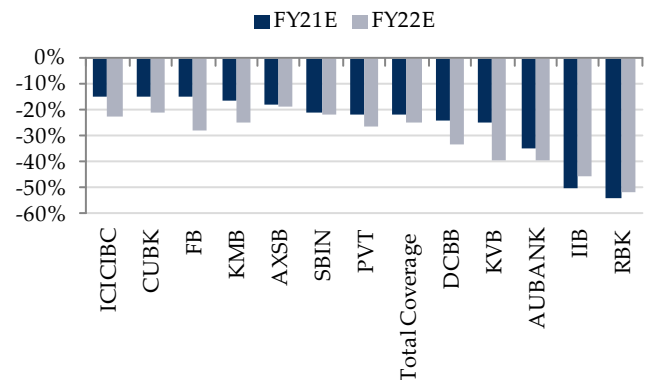
Source: Banks, HSIE Research, As on Mar-19

**Exhibit 5: Capital adequacy (%)**



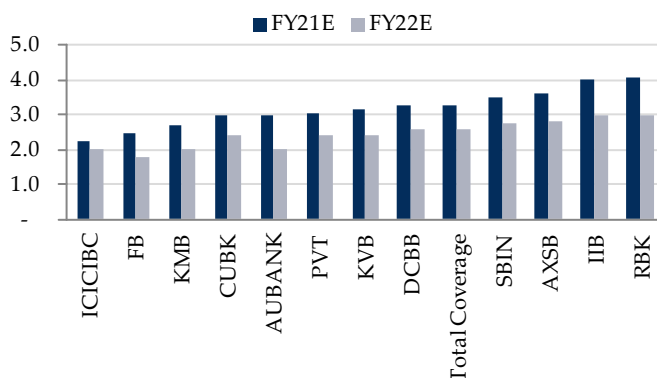
Source: Banks,, HSIE Research, As on Dec-19

**Exhibit 6: Change In earnings estimates**



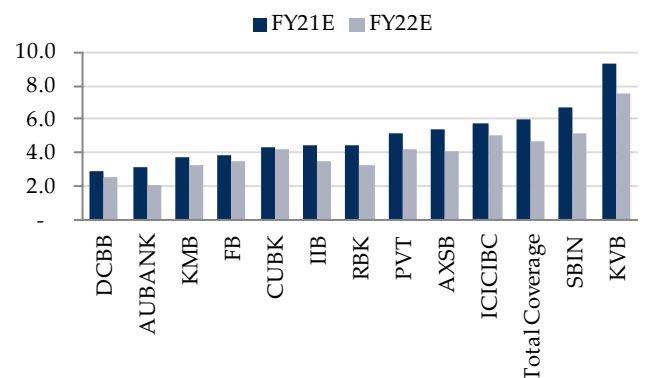
Source: HSIE Research

**Exhibit 7: Revised slippages estimates (%)**



Source: HSIE Research

**Exhibit 8: Revised GNPA estimates (%)**



Source: HSIE Research

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## Liabilities may be the new asset

### Indian banking sector, a recap...

*In recent times, with credit growth slowing, deposit growth has overtaken credit growth at the system level.*

- Banking sector assets grew at a CAGR of ~15% over FY05-19. FY05-09 saw the phase of highest growth. The subsequent slowdown was led mostly by slower growth at PSBs (~13.5% over FY05-19 and just ~4% over FY16-19). Private banks grew faster, at ~20% over FY 05-19 and at ~19.5% over FY16-19. Over this period, growth in deposits at ~15.1% has lagged overall loan growth at ~16.8%.

#### Exhibit 9: Growth in assets, deposits and advances

(%)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>Loans</b>											
PSBs	25.7	19.6	22.3	17.3	15.4	14.0	7.4	2.1	-0.6	2.5	4.0
PVT	11.0	9.9	26.1	21.2	18.3	17.5	18.0	22.4	14.4	20.0	25.0
<b>Total sector</b>	<b>21.1</b>	<b>16.6</b>	<b>22.9</b>	<b>18.1</b>	<b>15.9</b>	<b>14.5</b>	<b>9.7</b>	<b>6.9</b>	<b>2.8</b>	<b>7.8</b>	<b>11.0</b>
<b>Deposits</b>											
PSBs	26.9	18.6	18.4	14.4	14.9	14.7	9.2	4.1	7.9	2.3	2.7
PVT	9.1	11.7	21.9	17.1	18.8	14.0	15.3	17.1	19.4	17.5	25.1
<b>Total sector</b>	<b>22.4</b>	<b>16.8</b>	<b>18.3</b>	<b>14.9</b>	<b>15.1</b>	<b>14.9</b>	<b>10.6</b>	<b>7.0</b>	<b>10.1</b>	<b>6.1</b>	<b>9.3</b>
<b>Assets</b>											
PSBs	24.6	17.9	19.2	14.1	15.3	14.5	8.9	5.6	6.2	3.1	1.3
PVT	9.3	12.0	21.5	21.1	17.5	13.5	15.2	20.9	14.4	19.4	23.2
<b>Total sector</b>	<b>21.1</b>	<b>15.0</b>	<b>19.2</b>	<b>15.8</b>	<b>15.3</b>	<b>14.5</b>	<b>9.7</b>	<b>9.1</b>	<b>8.0</b>	<b>7.6</b>	<b>8.8</b>

Source: Banks, RBI, HSIE Research

*Slower growth at several PSBs post FY15 stands out*

- In the last 2 years, private banks have made significant strides on the deposit front, acquiring almost +65% of incremental deposits, allowing them to support rapid asset-side growth. We believe that this has been a consequence of (1) differential deposit rates (on both SA and TDs), (2) better service quality, (3) superior customer acquisition strategies, (4) better technology and (5) an expanding physical presence. One would expect these trends to persist. However, we believe that the events at YES may prove to be an inflection point for some banks with weaker liability franchises.

#### Exhibit 10: Deposit growth trends

(%)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	3QFY20
AXSB	33.9	20.4	33.9	16.3	14.8	11.2	14.8	11.0	15.8	9.5	20.9	15.1
CUBK	27.7	25.3	25.6	26.5	24.3	8.4	9.3	12.8	10.9	9.1	17.0	12.1
DCBB	-23.5	3.0	17.2	12.9	32.0	23.5	22.1	18.4	29.2	24.5	18.4	8.1
FB	24.3	12.0	19.3	13.8	17.7	3.7	18.6	11.8	23.4	14.7	20.5	17.1
HDFCB	41.7	17.2	24.6	18.3	20.1	24.0	22.7	21.2	17.8	22.5	17.0	25.2
ICICIBC	-10.7	-7.5	11.7	13.3	14.5	13.4	8.9	16.6	16.3	14.5	16.4	18.1
IIB	16.1	20.8	28.7	23.3	27.7	11.8	22.5	25.4	36.1	19.8	28.5	23.3
KMB	-4.7	52.7	22.5	31.7	32.4	15.8	26.7	85.2	13.5	22.4	17.3	12.0
KVB	20.3	27.6	28.3	29.9	20.4	13.2	2.1	12.1	7.2	5.9	5.2	6.2
RBK	18.7	21.3	28.8	132.1	76.0	39.1	47.4	42.4	42.1	26.9	33.0	20.5
YES	21.8	65.7	71.4	7.0	36.2	10.8	22.9	22.5	27.9	40.5	13.4	-25.6
PVT	9.1	11.7	21.9	17.1	18.8	14.0	15.3	17.1	19.4	17.5	25.1	
BOB	26.5	25.3	26.7	26.0	23.1	20.0	8.6	-7.0	4.8	-1.7	8.0	46.8
CBK	21.3	25.6	25.1	11.5	8.8	18.2	12.6	1.3	3.2	6.0	14.2	8.6
PNB	26.0	18.9	25.5	21.3	3.2	15.3	11.1	10.3	12.4	3.3	5.3	8.9
SBIN	38.1	8.4	16.1	11.7	15.2	15.9	13.1	9.8	18.1	4.7	7.6	9.9
UNBK	33.5	22.6	19.1	10.1	18.3	12.9	6.4	8.2	10.4	8.0	1.8	10.6
PSBs	26.9	18.6	18.4	14.4	14.9	14.7	9.2	4.1	7.9	2.3	2.7	
<b>Total Sector</b>	<b>22.4</b>	<b>16.8</b>	<b>18.3</b>	<b>14.9</b>	<b>15.1</b>	<b>14.9</b>	<b>10.6</b>	<b>7.0</b>	<b>10.1</b>	<b>6.1</b>	<b>9.3</b>	<b>10.3</b>

Source: Banks, RBI, HSIE Research

*It is noteworthy, the PSBs lost significant deposit m-share in FY19*

- Private banks began to make noticeable market share FY15 onwards, on both the deposits and advances fronts, with market share gains becoming more pronounced, FY18 onwards. In FY18 and FY19, private banks captured an average of 67.5% of incremental deposits and ~70% of incremental advances.
- Private banks' deposit m-share increase from 18.1% in FY09 to 29.3% in FY19. This was led by SA (+8.3%) and CA (+17.6%) m-share gains. It is also noteworthy, that on the deposits side, private banks have been relatively more successful capturing CA and SA market share vs. TD market share.
- Amongst private banks, the larger private banks (HDFCB, ICICIBC and AXSB) have made the most significant absolute m-share gains over FY09-9MFY20. M-share gains by smaller private banks (CUBK, DCBB, FB) have been much lower.

#### Exhibit 11: Deposit m-share trends

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9M FY20	Gains over FY15-9MFY20
AXSB	2.9	3.0	3.4	3.4	3.4	3.3	3.4	3.5	3.7	3.8	4.3	4.5	1.10
BANDHAN	-	-	-	-	-	-	-	0.1	0.2	0.3	0.3	0.4	0.42
CUBK	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.05
DCBB	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.09
FB	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.9	0.9	1.0	1.1	0.35
HDFCB	3.5	3.5	3.7	3.8	4.0	4.3	4.8	5.4	5.8	6.7	7.2	8.1	3.37
ICICIBC	5.4	4.3	4.0	4.0	3.9	3.9	3.8	4.2	4.4	4.8	5.1	5.5	1.63
IIB	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.9	1.1	1.3	1.5	1.7	0.87
KMB	0.4	0.5	0.5	0.6	0.7	0.7	0.8	1.4	1.4	1.6	1.8	1.8	1.03
KVB	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.00
RBK	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.5	0.5	0.30
YES	0.4	0.6	0.8	0.8	0.9	0.9	1.0	1.1	1.3	1.7	1.8	1.3	0.30
PVT	18.1	17.3	17.9	18.2	18.8	18.7	19.4	21.3	23.1	25.6	29.3	-	
BOB	4.7	5.1	5.4	6.0	6.4	6.7	6.5	5.7	5.4	5.0	5.0	6.8	0.29
CBK	4.6	4.9	5.2	5.1	4.8	4.9	5.0	4.8	4.5	4.4	4.6	4.8	-0.25
PNB	5.2	5.3	5.6	5.9	5.3	5.3	5.3	5.5	5.6	5.4	5.2	5.4	0.09
SBIN	24.8	23.3	22.2	21.8	21.8	21.4	21.6	22.2	23.3	22.9	22.6	23.7	2.12
UNBK	3.4	3.6	3.6	3.5	3.6	3.5	3.4	3.4	3.4	3.5	3.2	3.4	0.04
PSB	76.6	77.8	77.9	77.5	77.3	77.2	76.3	74.2	72.7	70.1	65.8	-	

Source: Banks, RBI, HSIE Research

#### Exhibit 12: CA m-share trends

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	Gains over FY15-19
AXSB	5.3	5.6	5.8	6.3	6.8	6.5	6.7	7.1	8.3	8.5	7.2	0.48
BANDHAN	-	-	-	-	-	-	-	0.0	0.1	0.2	0.3	0.29
CUBK	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.06
DCBB	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.02
FB	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.7	0.22
HDFCB	6.0	6.5	7.2	7.2	7.3	8.2	8.8	9.8	11.0	10.6	11.5	2.68
ICICIBC	4.6	5.4	5.4	5.5	5.2	5.7	5.9	6.6	7.1	7.9	7.7	1.83
IIB	0.6	0.8	1.0	1.1	1.2	1.3	1.5	1.7	1.9	1.9	2.4	0.90
KMB	0.7	0.9	0.9	1.2	1.1	1.2	1.6	2.6	2.6	2.9	3.1	1.55
KVB	0.3	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.05
RBK	0.0	0.0	0.1	0.1	0.2	0.2	0.3	0.3	0.4	0.5	0.5	0.25
YES	0.3	0.4	0.6	0.8	0.9	0.9	1.0	1.2	1.8	2.6	2.3	1.28
PVT	21.3	23.6	24.8	26.3	26.8	28.2	29.7	32.6	36.7	38.9	41.6	
BOB	3.1	3.3	3.6	4.6	5.0	6.6	6.3	3.9	4.0	4.1	3.8	-2.53
CBK	3.0	3.2	3.8	2.4	2.1	2.4	2.4	2.2	2.1	2.2	1.9	-0.50
PNB	4.0	4.2	4.2	4.5	4.2	4.2	4.0	4.0	4.4	3.6	3.6	-0.44
SBIN	28.0	25.4	24.0	19.0	19.1	18.7	18.2	18.9	17.8	16.9	16.6	-1.70
UNBK	2.8	2.8	3.1	3.1	3.4	3.0	2.5	3.3	2.3	2.2	2.1	-0.39
PSB	65.9	64.5	63.9	61.0	62.9	61.3	59.1	55.1	51.6	48.3	44.4	

Source: Banks, RBI, HSIE Research

*Pvt banks and Foreign banks have relatively higher CA m-share*

*Amongst the PSBs, SBIN stands out in terms of deposit m-share gains*

## Exhibit 13: SA m-share trends

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	Gains over FY15-19
AXSB	3.0	3.1	3.0	3.4	3.6	3.9	3.9	4.1	3.9	4.1	3.9	-0.01
BANDHAN	-	-	-	-	-	-	-	0.1	0.2	0.3	0.4	0.36
CUBK	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.03
DCBB	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.04
FB	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.10
HDFCB	4.0	4.5	4.7	4.8	5.0	5.1	5.6	5.8	6.0	6.2	6.4	0.77
ICICIBC	4.7	4.8	4.9	5.0	4.9	4.9	5.1	5.3	5.3	5.6	5.8	0.68
IIB	0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.7	0.8	1.3	1.4	0.81
KMB	0.2	0.2	0.2	0.3	0.4	0.5	0.6	1.2	1.3	1.8	2.0	1.41
KVB	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.03
RBK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.17
YES	0.0	0.0	0.1	0.2	0.3	0.5	0.6	0.8	1.0	1.2	1.2	0.63
<b>PVT</b>	<b>16.0</b>	<b>16.8</b>	<b>17.0</b>	<b>17.9</b>	<b>18.5</b>	<b>19.2</b>	<b>20.4</b>	<b>21.6</b>	<b>22.1</b>	<b>24.3</b>	<b>26.7</b>	
BOB	4.9	4.7	4.8	4.9	4.8	4.8	4.9	4.6	4.7	4.6	4.5	-0.41
CBK	4.8	4.5	4.3	4.2	4.0	4.2	4.2	4.1	3.9	4.0	3.9	-0.32
PNB	7.2	7.0	6.9	6.9	7.0	7.0	6.7	6.6	6.6	6.2	6.2	-0.57
SBIN	29.3	29.6	30.1	29.7	29.8	29.7	29.2	29.0	29.0	28.2	27.9	-1.26
UNBK	3.3	3.4	3.3	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.2	-0.04
<b>PSB</b>	<b>80.7</b>	<b>79.9</b>	<b>80.1</b>	<b>79.4</b>	<b>79.0</b>	<b>78.6</b>	<b>77.6</b>	<b>76.5</b>	<b>76.2</b>	<b>74.0</b>	<b>71.6</b>	

Source: Banks, RBI, HSIE Research

## Exhibit 14: TD m-share trends

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	Gains over FY15-19
AXSB	2.5	2.5	3.1	3.0	2.8	2.7	2.8	2.8	3.0	3.0	3.9	1.15
BANDHAN	-	-	-	-	-	-	-	0.1	0.2	0.3	0.3	0.33
CUBK	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.07
DCBB	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.13
FB	0.9	0.9	0.9	0.8	0.8	0.7	0.8	0.8	1.0	1.1	1.2	0.41
HDFCB	2.9	2.6	2.7	3.0	3.1	3.5	4.0	4.7	4.9	6.3	6.9	2.91
ICICIBC	5.7	3.8	3.4	3.4	3.4	3.3	3.1	3.4	3.6	3.8	4.3	1.15
IIB	0.7	0.7	0.7	0.7	0.8	0.7	0.8	0.9	1.2	1.2	1.4	0.67
KMB	0.4	0.5	0.6	0.6	0.7	0.7	0.7	1.3	1.3	1.3	1.4	0.64
KVB	0.4	0.5	0.5	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.5	-0.01
RBK	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.3	0.4	0.5	0.6	0.35
YES	0.5	0.8	1.1	1.0	1.1	1.0	1.1	1.2	1.3	1.8	2.0	0.87
<b>PVT</b>	<b>18.2</b>	<b>16.4</b>	<b>17.0</b>	<b>17.1</b>	<b>17.7</b>	<b>17.2</b>	<b>17.8</b>	<b>19.6</b>	<b>21.4</b>	<b>24.1</b>	<b>28.5</b>	
BOB	5.0	5.5	6.0	6.6	7.1	7.3	7.1	6.4	6.0	5.4	5.4	-1.78
CBK	4.8	5.4	5.8	5.8	5.4	5.5	5.7	5.4	5.1	5.1	5.5	-0.18
PNB	4.7	4.8	5.3	5.7	4.8	4.8	5.0	5.2	5.3	5.4	5.1	0.06
SBIN	22.8	20.7	18.9	19.4	19.3	18.9	19.4	20.0	21.4	21.2	20.9	1.46
UNBK	3.6	3.8	3.8	3.6	3.7	3.6	3.5	3.5	3.6	3.8	3.4	-0.09
<b>PSB</b>	<b>77.2</b>	<b>79.5</b>	<b>79.5</b>	<b>79.3</b>	<b>78.8</b>	<b>78.8</b>	<b>78.1</b>	<b>75.9</b>	<b>74.3</b>	<b>71.5</b>	<b>66.4</b>	

Source: Banks, RBI, HSIE Research

*PSBs held relatively higher SA m-share in FY19*

*Amongst private banks, KMB stands out in terms of SA m-share gains*

**Exhibit 15: Incremental deposit m-share trends**

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9MFY20
AXSB	4.0	3.5	5.5	3.7	3.3	2.6	4.6	5.4	5.5	5.7	8.7	2.0
CUBK	0.2	0.3	0.3	0.4	0.4	0.2	0.2	0.5	0.3	0.4	0.5	-0.2
DCBB	-0.2	0.0	0.1	0.1	0.2	0.2	0.3	0.4	0.4	0.7	0.4	0.1
FB	0.8	0.6	0.8	0.7	0.9	0.2	1.2	1.3	1.8	2.1	2.1	1.3
HDFCB	5.7	3.6	4.7	4.6	5.1	6.4	9.3	14.5	9.5	21.3	12.3	12.0
ICICIBC	-3.5	-2.4	2.7	3.6	3.8	3.6	3.3	9.1	6.7	10.4	8.4	5.2
IIB	0.4	0.7	0.9	1.0	1.2	0.6	1.5	2.9	3.3	3.7	4.0	2.5
KMB	-0.1	1.2	0.6	1.1	1.3	0.7	1.8	9.7	1.8	5.2	3.0	1.6
KVB	0.3	0.6	0.6	0.9	0.7	0.5	0.1	0.8	0.4	0.5	0.3	0.0
RBK	0.0	0.0	0.1	0.3	0.4	0.3	0.6	1.1	1.0	1.4	1.3	0.0
YES	0.4	1.6	2.2	0.4	1.8	0.7	1.9	3.1	3.1	8.5	2.5	-11.4
<b>PVT</b>	<b>8.3</b>	<b>12.6</b>	<b>20.7</b>	<b>20.5</b>	<b>22.7</b>	<b>17.7</b>	<b>27.0</b>	<b>47.5</b>	<b>40.9</b>	<b>65.8</b>	<b>69.2</b>	
BOB	5.4	7.1	7.4	9.5	9.1	8.6	5.4	-6.6	2.7	-1.5	4.3	0.5
CBK	4.4	7.0	6.8	4.0	3.0	5.9	5.9	0.9	1.5	4.3	6.8	4.1
PNB	5.8	5.8	7.3	8.0	1.2	5.4	5.5	7.8	6.7	3.0	3.1	3.3
SBIN	31.4	14.8	15.9	19.0	21.9	19.0	23.5	30.5	33.8	17.8	18.8	20.3
UNBK	4.7	4.6	3.7	2.4	4.2	3.1	2.1	3.9	3.3	4.8	0.7	0.6
<b>PSB</b>	<b>88.7</b>	<b>84.7</b>	<b>78.3</b>	<b>75.2</b>	<b>76.2</b>	<b>76.4</b>	<b>67.2</b>	<b>44.3</b>	<b>58.0</b>	<b>27.2</b>	<b>20.5</b>	

Source: Banks, RBI, HSIE Research

**Exhibit 16: SA deposit rates comparison**

Bank	Upto Rs 0.1mn	Rs 0.1mn to Rs 1mn	Rs 1mn to Rs 5mn	Rs 5mn to Rs 50mn	Rs 50mn to Rs 100mn	Rs 100mn to Rs 1bn	Rs 1bn to Rs 2bn	Rs 2bn to Rs 25bn
AXSB	3.5%	3.5%	3.5%	4.0%	4.0%	Repo- 40bps	Repo +35bp	Repo +85bps
BOB	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
CUBK	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
DCBB	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
FB	Repo (-) 190bps	Repo (-) 215bps	Repo (-) 165bps					
HDFCB	3.3%	3.3%	3.3%	3.8%	3.8%	3.8%	3.8%	Repo (+) 2bps
ICICIBC	3.3%	3.3%	3.3%	3.8%	3.8%	3.8%	3.8%	3.8%
IIB	4.0%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
KMB	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
KVB	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
PNB	3.5%	3.5%	3.5%	3.8%	3.8%	3.8%	3.8%	3.8%
RBK	5.0%	6.0%	6.8%	6.8%	NA	NA	NA	NA
SBIN	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
UNBK	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Source: Banks, HSIE Research, Note: rates across certain buckets are approximations

*Private banks made noticeable incremental deposit m-share gains in FY18 and FY19*



## Exhibit 17: TD rates comparison

Particulars	HDFCB	ICICIBC	AXSB	KMB	IIB	FB	RBK	KVB	CUBK	DCBB	AUBANK	SBIN	BOB	PNB	UNBK
7-14 days	3.5%	3.5%	3.5%	3.3%	4.0%	3.5%	5.0%	4.4%	4.3%	5.2%	5.3%	3.5%	3.5%	4.3%	4.0%
15-29days	4.0%	3.8%	4.3%	3.8%	4.3%	4.5%	5.5%	4.7%	4.5%	5.5%	5.3%	3.5%	3.5%	4.3%	4.0%
30- 45days	4.8%	4.3%	4.9%	4.0%	5.0%	5.0%	5.5%	4.9%	4.5%	5.5%	5.3%	3.5%	3.5%	4.3%	4.3%
46- 60days	5.3%	4.8%	5.4%	4.8%	5.5%	5.0%	6.2%	5.2%	4.8%	6.0%	6.0%	4.5%	3.5%	5.0%	4.5%
61- 90days	5.3%	4.8%	5.4%	4.8%	5.5%	5.5%	6.2%	5.2%	4.8%	6.0%	6.0%	4.5%	3.5%	5.0%	4.5%
91 -120days	5.7%	4.8%	5.4%	4.8%	5.8%	5.8%	6.4%	5.7%	5.3%	6.2%	6.0%	4.5%	4.5%	5.0%	5.0%
121- 185days	5.7%	4.8%	5.4%	5.0%	5.8%	5.8%	6.4%	5.7%	5.3%	6.2%	6.0%	4.5%	4.5%	5.0%	5.3%
6m 1d- 9m	5.9%	5.3%	5.8%	5.5%	6.0%	6.0%	6.7%	5.7%	5.6%	6.7%	7.0%	5.0%	5.0%	5.5%	5.5%
9m 1d- 1yr	6.2%	5.5%	6.1%	5.5%	6.3%	6.0%	6.7%	5.9%	5.8%	6.8%	7.0%	5.0%	5.0%	5.6%	5.5%
1yr 1 d- 2yr	6.2%	5.8%	6.4%	5.9%	6.7%	6.3%	7.2%	6.3%	6.0%	7.5%	7.5%	5.7%	5.7%	5.8%	5.8%
2yr 1 d- 3yr	6.3%	6.0%	6.5%	5.9%	6.8%	6.4%	7.3%	6.3%	5.9%	7.3%	7.8%	5.7%	5.7%	5.8%	NA`
3yr 1d- 5yr	6.2%	6.0%	6.5%	5.9%	6.8%	6.4%	7.0%	6.3%	5.9%	7.5%	7.5%	5.7%	5.7%	5.8%	5.8%
5yr 1d- 10 yr	6.2%	6.0%	6.5%	5.5%	6.7%	6.4%	7.2%	6.3%	5.8%	7.3%	7.3%	5.7%	5.7%	5.8%	5.8%

Source: Banks, HSIE Research, Note: rates across certain buckets are approximations

## Exhibit 18: Branch expansion details

*Higher TD rates offered by private banks across tenures are evident*

*Greater branch addition by private banks is evident*

Branch	FY14	FY15	FY16	FY17	FY18	FY19	9MFY20	Addition#
AXSB	2402	2589	2904	3304	3703	4050	4415	1826
BANDHAN			656	840	936	986	1009	1009
CUBK	425	475	525	550	600	650	660	185
DCBB	130	154	198	262	318	333	334	180
FB	1174	1247	1252	1252	1252	1252	1251	4
HDFCB	3403	4014	4520	4715	4787	5103	5345	1331
ICICIBC	3753	4050	4450	4850	4867	4874	5275	1225
IIB	602	807	1000	1200	1400	1665	1851	1044
KMB	605	684	1333	1369	1388	1500	1539	855
KVB	572	629	667	711	799	778	779	150
RBK	175	183	197	239	265	324	371	188
YES	560	630	860	1000	1100	1120	NA	490*
BOB	4934	5250	5390	5422	5467	5553	9470	303*
CBK	4755	5682	5849	6083	6204	6310	6333	651
PNB	6201	6550	6759	6937	6982	6989	7037	487
SBIN\$	15869	16333	16784	17170	22414	22010	21959	5626
UNBK	3871	4081	4200	4282	4301	4288	4282	201

Note: #Addition over FY15-9MFY20, \*YES and BOB addition data till FY19, \$- SBIN rise is due to merger with banking subs

Source: Banks, HSIE Research

## Other balance sheet components

- Over FY09-19, (1) the proportion of investments of investments on banks' balance sheets fell, (2) CD ratios decisively moved upwards, and (3) banks' reliance on borrowings has increased, led by private sector banks.

### Exhibit 19: Investments as a % of Assets

Investments, expectedly constitute a higher % of PSBs' assets, given their low CD ratios owing to slower loan growth.

The divergent trends in investments as a % of assets between PSBs and Private banks are particularly visible post FY16.

Investments % of Total Assets	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	3QFY20
AXSB	31.4	31.0	29.7	32.6	33.4	29.6	25.4	23.2	21.4	22.3	21.8	19.0
CUBK	25.9	27.8	24.8	25.0	22.9	23.8	21.1	20.2	19.9	19.7	17.0	18.8
DCBB	27.3	32.9	31.0	29.0	29.8	28.1	24.6	22.7	24.2	20.6	21.9	21.4
FB	31.2	29.9	28.3	28.7	29.8	32.3	24.8	24.3	24.5	22.3	20.0	18.0
HDFCB	32.2	26.3	25.6	28.8	27.9	24.6	25.7	23.1	24.8	22.8	23.3	22.3
ICICIBC	27.2	33.3	33.2	32.6	31.9	29.8	24.5	22.3	20.9	23.1	21.5	22.6
IIB	29.3	29.4	29.7	25.3	26.8	24.8	20.5	23.8	20.5	22.6	21.3	19.7
KMB	31.7	33.4	33.7	32.8	34.5	29.1	27.0	26.7	21.0	24.4	22.8	23.7
KVB	27.6	30.0	27.4	27.9	29.6	25.7	24.0	24.5	24.0	23.6	21.5	24.6
RBK	23.7	24.3	27.6	32.4	43.0	35.8	36.3	36.9	27.7	25.0	21.0	20.9
YES	31.1	28.1	31.9	37.7	43.4	37.6	31.7	29.6	23.3	21.9	23.5	21.1
<b>PVT</b>	<b>29.8</b>	<b>30.8</b>	<b>30.2</b>	<b>31.1</b>	<b>31.5</b>	<b>28.7</b>	<b>25.7</b>	<b>25.4</b>	<b>23.7</b>	<b>23.5</b>	<b>23.0</b>	
BOB	18.7	18.9	18.0	16.7	15.4	14.6	15.4	17.4	21.7	23.0	22.6	24.3
CBK	26.3	26.3	24.9	27.3	29.4	25.8	26.5	25.7	25.8	23.4	22.0	23.0
PNB	25.7	26.2	25.2	26.8	27.1	26.1	24.8	23.7	25.9	26.2	26.1	28.9
SBIN	28.6	28.1	24.2	23.4	22.4	22.2	23.5	21.1	28.3	30.7	26.3	27.0
UNBK	26.7	27.9	24.7	23.8	25.9	26.5	22.1	22.0	24.8	25.4	25.5	30.2
<b>PSBs</b>	<b>26.9</b>	<b>27.4</b>	<b>25.2</b>	<b>25.0</b>	<b>25.3</b>	<b>24.8</b>	<b>23.7</b>	<b>24.5</b>	<b>26.2</b>	<b>27.8</b>	<b>26.6</b>	
<b>Total Sector</b>	<b>27.7</b>	<b>28.7</b>	<b>26.8</b>	<b>26.8</b>	<b>27.2</b>	<b>26.3</b>	<b>24.7</b>	<b>25.3</b>	<b>25.8</b>	<b>27.0</b>	<b>26.0</b>	

Source: Banks, RBI, HSIE Research

- Private banks have exhibited consistently higher CD ratios and consequently higher reliance on borrowings. As at 3QFY20, the (simple) average CD ratio of the three largest private banks under our coverage was ~91%, vs. 68% for the 3 largest public sector banks.

### Exhibit 20: CD Ratio

CD ratios for several banks peaked prior demonetisation.

CD ratio	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9M FY20
AXSB	69.5	73.8	75.3	77.1	78.0	81.9	87.2	94.6	90.0	96.9	90.2	93.0
CUBK	68.8	66.4	71.7	74.3	75.1	73.1	74.6	77.5	79.1	84.8	85.0	85.0
DCBB	70.5	72.3	76.3	83.4	78.7	78.8	83.0	86.6	82.0	84.7	82.9	85.5
FB	69.5	74.7	74.3	77.2	76.5	72.7	72.4	73.4	75.1	82.1	81.7	82.5
HDFCB	69.2	75.2	76.7	79.2	80.9	82.5	81.1	85.0	86.2	83.5	88.8	87.7
ICICIBC	100.0	89.7	95.9	99.3	99.2	102.0	107.2	103.3	94.7	91.3	89.8	88.7
IIB	71.3	76.9	76.1	82.8	81.9	91.1	92.8	95.1	89.3	95.6	95.7	95.7
KMB	106.3	87.0	100.2	101.4	95.0	89.8	88.4	85.6	86.4	88.1	91.1	90.6
KVB	68.9	69.8	72.1	74.6	76.3	77.7	80.8	78.0	76.2	78.7	81.1	75.7
RBK	61.3	73.8	93.3	87.2	76.4	84.8	84.5	87.2	85.1	91.7	93.0	94.8
YES	76.7	82.8	74.8	77.3	70.2	75.0	82.9	87.9	92.6	101.4	106.1	112.3
<b>PVT</b>	<b>78.1</b>	<b>76.9</b>	<b>79.5</b>	<b>82.3</b>	<b>81.9</b>	<b>84.4</b>	<b>86.4</b>	<b>90.3</b>	<b>86.5</b>	<b>88.4</b>	<b>88.3</b>	
BOB	74.5	72.5	74.9	74.7	69.3	69.8	69.3	66.9	63.7	72.3	73.4	73.0
CBK	74.0	72.2	72.0	71.1	68.1	71.6	69.7	67.7	69.1	72.7	71.4	67.6
PNB	73.8	74.8	77.4	77.4	78.9	77.4	75.9	74.6	67.5	67.5	67.8	60.1
SBIN	73.4	77.4	79.8	82.0	85.2	85.6	82.1	82.5	72.3	71.5	75.1	70.7
UNBK	69.6	70.2	74.6	79.8	78.9	77.0	80.7	78.0	76.2	70.7	71.4	69.1
<b>PSBs</b>	<b>72.6</b>	<b>73.2</b>	<b>75.6</b>	<b>77.5</b>	<b>77.8</b>	<b>77.4</b>	<b>76.1</b>	<b>74.7</b>	<b>68.8</b>	<b>69.0</b>	<b>69.8</b>	
<b>Total Sector</b>	<b>73.8</b>	<b>73.7</b>	<b>76.5</b>	<b>78.6</b>	<b>79.1</b>	<b>78.9</b>	<b>78.3</b>	<b>78.2</b>	<b>73.0</b>	<b>74.2</b>	<b>75.3</b>	

Source: Banks, RBI, HSIE Research

## Banks' reliance on borrowings

- Over FY09-19, the banking sectors' reliance on borrowings has increased, as indicated by borrowings as a % of assets (+130bps). This can be explained by the following- (1) faster asset side growth, (2) increased reliance on bonds (ex. CET-1 capital), and (3) increased refinancing opportunities.
- It is also evident that private banks are more reliant on borrowings and that their reliance has increased at a faster rate over FY09-19. PVT Banks with weaker deposit franchises such as RBK and IIB appear to have a higher degree of reliance on borrowings.

**Exhibit 21: Borrowings as a % of assets**

Borrowings % of Total Assets	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	3Q FY20
AXSB	10.5	9.5	10.8	11.9	12.9	13.1	17.3	18.9	17.5	21.4	19.1	13.7
CUBK	0.4	0.3	1.3	1.9	2.1	1.2	0.6	0.4	1.5	4.3	1.1	3.5
DCBB	7.5	8.2	11.6	12.9	13.5	6.7	7.2	6.0	5.3	6.4	7.6	8.9
FB	1.9	3.5	3.7	7.0	7.3	7.6	2.8	2.4	5.1	8.3	4.9	4.7
HDFCB	5.0	5.8	5.2	7.1	8.2	8.0	7.7	7.5	8.6	11.6	9.4	8.1
ICICIBC	17.8	25.9	27.0	28.7	27.1	26.0	26.7	24.3	19.1	20.8	17.1	13.6
IIB	10.2	14.0	12.1	15.1	12.9	17.0	18.4	17.5	12.6	17.3	17.0	15.2
KMB	23.8	16.5	23.1	25.3	24.4	14.7	11.5	10.9	9.8	9.5	10.5	8.2
KVB	0.1	2.2	1.9	5.2	8.6	6.4	5.5	4.9	2.7	3.6	2.3	2.95
RBK		0.2	0.2	16.6	21.1	21.4	25.7	26.9	16.4	15.0	14.7	16.3
YES	16.2	13.1	11.3	19.2	21.1	19.6	19.3	19.2	18.0	24.0	28.5	35.5
<b>PVT</b>	<b>13.4</b>	<b>13.0</b>	<b>13.3</b>	<b>15.3</b>	<b>15.1</b>	<b>14.4</b>	<b>14.8</b>	<b>17.0</b>	<b>13.4</b>	<b>16.0</b>	<b>14.6</b>	
BOB	5.6	4.8	6.2	5.3	4.9	5.6	4.9	5.0	4.4	8.7	8.6	8.2
CBK	6.4	3.2	4.2	4.1	4.9	5.5	4.7	4.9	6.8	6.3	5.9	4.7
PNB	5.0	6.5	8.3	8.1	8.3	8.7	7.6	9.0	5.7	7.9	5.1	4.2
SBIN	8.7	9.8	9.8	9.5	10.8	10.2	10.0	9.9	11.7	10.5	10.9	7.0
UNBK	5.5	4.7	5.7	6.9	7.7	8.3	9.3	7.6	9.2	9.4	8.7	6.9
<b>PSBs</b>	<b>6.9</b>	<b>7.1</b>	<b>7.5</b>	<b>7.7</b>	<b>8.0</b>	<b>8.0</b>	<b>7.4</b>	<b>8.6</b>	<b>7.4</b>	<b>8.4</b>	<b>7.5</b>	
<b>Total Sector</b>	<b>9.0</b>	<b>8.8</b>	<b>9.4</b>	<b>10.1</b>	<b>10.5</b>	<b>10.0</b>	<b>9.6</b>	<b>11.0</b>	<b>9.0</b>	<b>11.0</b>	<b>10.3</b>	

Source: Banks, RBI, HSIE Research

## Loan M-Share Trends

- Overall bank credit grew at ~12% over FY09-19, with private banks' growing faster. Private banks began to gain substantial m-share FY15 onwards and particularly over FY18 and FY19- they a/c for ~70% of incremental bank credit. As at FY19, private banks a/c for 34.3% of bank credit vs. 19.2% as at FY09.

### Exhibit 22: Loan growth trends

(%)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9MFY20
AXSB	36.7	27.9	36.5	19.2	16.0	16.8	22.2	20.5	10.1	17.8	12.5	15.8
CUBK	24.4	21.0	35.4	31.1	25.6	5.6	11.6	17.2	13.2	16.9	17.3	10.4
DCBB	-19.5	5.7	23.8	23.4	24.6	23.6	28.6	23.5	22.4	28.6	15.9	11.1
FB	18.4	20.4	18.6	18.2	16.8	-1.5	18.1	13.3	26.2	25.4	19.9	13.0
HDFCB	55.9	27.3	27.1	22.2	22.7	26.4	20.6	27.1	19.4	18.7	24.5	19.9
ICICIBC	-3.2	-17.0	19.4	17.3	14.4	16.7	14.4	12.3	6.7	10.4	14.5	12.6
IIB	23.3	30.3	27.3	34.0	26.4	24.3	24.8	28.5	27.9	28.2	28.6	19.8
KMB	6.9	25.0	41.2	33.2	24.0	9.4	24.8	79.4	14.7	24.7	21.2	10.3
KVB	10.5	29.7	32.0	34.4	23.1	15.3	6.2	8.2	4.7	9.5	8.4	2.4
RBK	36.8	46.1	62.8	116.9	54.3	54.2	46.9	46.9	38.7	36.7	34.9	19.5
YES	31.5	78.9	54.8	10.5	23.7	18.4	35.8	30.0	34.7	53.9	18.7	-23.7
PVT	11.0	9.9	26.1	21.2	18.3	17.5	18.0	22.4	14.4	20.0	25.0	
BOB	34.3	22.2	30.6	25.7	14.2	21.0	7.8	-10.3	-0.1	11.5	9.7	45.9
CBK	28.9	22.5	24.8	10.0	4.2	24.3	9.6	-1.6	5.3	11.6	12.1	1.3
PNB	29.5	20.6	29.7	21.3	5.1	13.1	9.0	8.4	1.7	3.4	5.7	-0.7
SBIN	30.2	16.5	19.8	14.7	20.5	15.7	7.5	12.6	7.3	3.5	13.0	7.4
UNBK	29.8	23.6	26.5	17.8	17.0	10.1	11.6	4.6	7.1	0.8	2.8	5.4
PSBs	25.7	19.6	22.3	17.3	15.4	14.0	7.4	2.1	-0.6	2.5	4.0	
Total Sector	21.1	16.6	22.9	18.1	15.9	14.5	9.7	6.9	2.8	7.8	11.0	7.9

Source: Banks, RBI, HSIE Research

### Exhibit 23: Loan m-share trends

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9M FY20	Gains over FY15-9MFY20
AXSB	2.7	3.0	3.3	3.3	3.3	3.4	3.8	4.3	4.6	5.0	5.1	5.5	1.73
BANDHAN	-	-	-	-	-	-	-	0.2	0.2	0.3	0.4	0.6	0.61
CUBK	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.10
DCBB	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.11
FB	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.7	0.9	1.1	1.1	1.2	0.51
HDFCB	3.3	3.6	3.7	3.9	4.1	4.5	4.9	5.9	6.8	7.5	8.4	9.4	4.47
ICICIBC	7.3	5.2	5.0	5.0	4.9	5.0	5.2	5.5	5.7	5.9	6.0	6.4	1.15
IIB	0.5	0.6	0.6	0.7	0.8	0.8	0.9	1.1	1.4	1.7	1.9	2.1	1.16
KMB	0.6	0.6	0.7	0.8	0.8	0.8	0.9	1.5	1.7	1.9	2.1	2.2	1.29
KVB	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	-0.01
RBK	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.3	0.4	0.5	0.6	0.6	0.40
YES	0.4	0.6	0.8	0.7	0.8	0.8	1.0	1.2	1.6	2.3	2.5	1.9	0.85
PVT	19.2	18.1	18.6	19.0	19.4	19.9	21.4	24.6	27.3	30.4	34.3		
BOB	4.8	5.0	5.3	5.7	5.6	5.9	5.8	4.9	4.7	4.9	4.8	6.6	0.79
CBK	4.6	4.8	4.9	4.6	4.1	4.5	4.5	4.1	4.2	4.4	4.4	4.3	-0.21
PNB	3.2	3.4	3.5	3.5	3.5	3.4	3.5	3.4	3.5	3.3	3.1	3.1	-0.36
SBIN	24.6	24.5	23.1	22.7	23.5	23.2	22.7	23.4	23.0	22.1	22.5	22.1	-0.51
UNBK	3.2	3.4	3.5	3.5	3.5	3.4	3.5	3.4	3.5	3.3	3.1	3.1	-0.36
PSBs	75.3	77.2	76.9	76.4	76.1	75.7	74.1	70.8	68.5	65.1	61.0		

Source: Banks, RBI, HSIE Research

**Exhibit 24: Incremental loan m-share trends**

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9MFY20
AXSB	4.2	4.6	4.8	3.5	3.4	3.9	7.8	11.3	15.6	10.6	5.7	12.2
CUBK	0.2	0.2	0.3	0.4	0.4	0.1	0.3	0.6	1.3	0.6	0.5	0.5
DCBB	-0.2	0.0	0.1	0.1	0.2	0.2	0.4	0.5	1.3	0.7	0.3	0.3
FB	0.7	0.9	0.6	0.7	0.8	-0.1	1.2	1.3	6.9	3.0	1.9	1.4
HDFCB	6.8	5.4	4.3	4.6	5.5	7.4	9.6	19.5	41.0	16.5	16.7	16.7
ICICIBC	-1.4	-7.5	4.4	4.8	4.5	5.7	7.5	9.4	13.2	7.6	7.7	9.5
IIB	0.6	1.0	0.7	1.1	1.1	1.3	2.1	3.9	11.2	5.1	4.3	4.4
KMB	0.2	0.8	1.1	1.3	1.2	0.5	2.0	10.3	7.9	5.3	3.7	1.5
KVB	0.2	0.6	0.5	0.8	0.7	0.5	0.3	0.6	0.8	0.6	0.4	0.0
RBK	0.0	0.1	0.1	0.3	0.3	0.4	0.7	1.3	3.7	1.7	1.5	0.5
YES	0.6	2.0	1.5	0.5	1.1	1.0	3.1	4.5	15.5	11.3	3.9	-16.4
<b>PVT</b>	<b>10.9</b>	<b>11.5</b>	<b>20.6</b>	<b>21.8</b>	<b>21.9</b>	<b>23.3</b>	<b>37.0</b>	<b>69.8</b>	<b>127.5</b>	<b>70.4</b>	<b>69.0</b>	
BOB	7.0	6.4	6.7	7.6	5.1	8.0	4.8	-8.7	-0.2	7.0	4.3	7.3
CBK	5.9	6.3	5.2	2.7	1.2	6.9	4.4	-1.0	7.9	6.3	4.8	-2.9
PNB	6.7	6.4	6.9	6.7	1.9	4.7	4.8	6.3	3.3	2.3	2.5	-1.0
SBIN	27.9	23.9	17.0	20.3	28.2	21.7	16.8	34.5	8.7	10.6	26.0	23.0
UNBK	4.3	4.6	4.0	3.5	3.7	2.5	4.1	2.3	8.7	0.4	0.8	4.1
<b>PSB</b>	<b>88.3</b>	<b>88.9</b>	<b>75.4</b>	<b>73.8</b>	<b>73.9</b>	<b>73.4</b>	<b>57.4</b>	<b>23.1</b>	<b>-16.5</b>	<b>22.2</b>	<b>23.8</b>	

Source: Banks, RBI, HSIE Research

*Asset quality has been a key consideration for banks in the recent past, the need to focus on liabilities is newfound.*

*LCR does little to reveal the strength of banks' liability franchises in the current scenario, as banks stock up on HQLA.*

*Small finance banks, all of which have nascent liability franchises may see growth compress.*

*4Q deposit details reported by select banks:*

*-IIB 7% QoQ decline in total deposits*

*-RBK <8% QoQ decline in total deposits*

*-DCBB deposits grew 6.8/2.1% YoY/QoQ but CASA deposits dipped*

*~4/6% YoY/QoQ*

*-KMB deposits grew*

*16/10% YoY/QoQ, w/w SA grew 31/14% and CA grew*

*11/17%; CASA deposits*

*grew ~25/15% to form*

*56.2% of deposits (+250bps QoQ)*

*-HDFCB deposits grew*

*24/7% YoY/QoQ w/w*

*CASA grew 23/14% to form 42% of deposits (+250bps*

*QoQ)*

## The importance of liabilities has been diluted

- Demonetisation resulted in massive inflows for the financial system (banks, MFs, ins. cos and NBFCs alike). Systemic deposit growth accelerated ~300bps to 10% in FY17, with a 17% growth in SA and a 27% growth in CA. Consequently, the importance ascribed to liabilities was diluted.
- The events at IL&FS and DHFL were a reality check for NBFCs, resulting in increased polarisation in the NBFC universe and a greater focus on funding stability and liquidity management. Similarly, the recent events at YES (and PMC Bank) are likely to result in a similar (albeit less extreme situation) for banks.
- Over FY17-20, banks have ascribed a lot of importance to cost-control, loan growth and asset quality (and rightly so). However, the importance of a prudent granular funding strategy has been undermined.
- A strong liability franchise is important, as it results in (1) sustained granular deposit flows, (2) lower CoF, (3) support for sustainable asset-side growth, (4) lower concentration and liquidity risk, and (5) greater cross-sell potential.

## YES - A possible inflection point for some

- The recent events at YES have been unprecedented. YES saw deposit outflows to the tune of ~Rs 720bn over Sept-19-Dec-20 (almost unheard of at this scale-essentially a run).
- The fallout of this is well known, and indicated by recent disclosures and management commentary- some private banks have seen net deposit outflows between Dec-19 and Mar-20. Commentary indicates that these have been mostly on the bulk deposits side (no significant movement in retail deposits). Most notably, IIB saw a ~10% QoQ reduction in deposits and RBK saw a <8% QoQ reduction. CUBK, DCBB and AUBANK also saw some bulk deposits outflows. KMB, on the other hand saw significant CASA inflows.
- We believe that some banks (mid-tier, smaller private banks and SFBs) may still see outflows of deposits. This is in spite of the facts that (1) these banks have no apparent solvency risks and are well capitalised, (2) no depositors of SCBs have lost money (even in the case of banks such as GTB, United Western etc.) and the RBI has explicitly assured depositors on this and written to state governments withdrawing money from private banks. The enhanced liquidity support provided by the RBI will address any near-term liquidity concerns.

## An analysis of banks' liability franchises

- We evaluate banks' liability franchises on various parameters- (1) reliance on borrowings, (2) concentration of deposits, indicated by the share of top 20 depositors, (3) CASA % and growth, (4) retail deposit %, and (5) capital adequacy. ICICIBC, AXSB and KMB stand out. IIB and RBK are the worst placed in this respect.

**Exhibit 25: Deposit concentration (Top 20 depositors)**

Top 20 Deposits (%)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
AXSB	14.1	13.9	13.6	12.6	10.9	11.6	11.4	11.8
Bandhan					29.9	20.9	18.8	13.1
CUBK	13.0	14.5	12.4	9.7	11.3	8.8	7.6	9.1
DCBB	15.6	18.3	17.2	15.5	14.0	13.8	14.9	12.0
FB	4.9	7.3	3.6	4.6	2.9	5.0	4.3	3.9
HDFCB	8.6	7.8	7.7	6.2	5.3	5.5	6.3	6.1
ICICIBC	8.3	9.6	7.3	6.4	7.4	7.0	6.2	5.7
IIB	25.3	27.2	23.6	26.1	27.5	25.0	23.8	24.3
KMB	20.4	21.6	17.4	14.5	11.9	9.7	13.4	12.2
KVB	12.1	12.7	12.0	8.9	9.4	6.6	6.2	6.1
RBK	31.5	35.6	23.8	27.3	22.9	21.4	19.3	18.4
YES	17.6	15.0	14.1	13.2	11.7	11.1	12.2	12.2
BOB	9.5	10.4	7.8	7.9	5.9	5.6	4.9	7.3
CBK	13.0	16.4	14.8	12.9	13.7	14.5	15.5	16.1
PNB	7.9	5.9	5.3	4.1	4.1	3.3	4.9	3.2
SBIN	5.8	6.7	7.4	6.4	6.6	6.1	4.4	3.1
UNBK	11.7	13.7	13.7	11.3	10.1	7.1	9.5	9.4

Source: Banks, HSIE Research

**Exhibit 26: CASA Ratio**

CASA %	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9M FY20
AXSB	43.1	46.7	41.1	41.5	44.4	45.0	44.8	47.3	51.4	53.8	44.4	41.2
Bandhan								21.6	29.4	34.3	40.8	34.3
CUBK	18.9	21.9	19.6	18.2	16.8	17.8	19.2	20.4	23.4	24.2	25.2	23.3
DCBB	31.0	35.4	35.2	32.1	27.2	25.0	23.4	23.4	24.3	24.3	23.9	23.3
FB	24.5	26.2	26.9	27.5	27.2	31.2	30.8	32.9	32.8	33.7	32.4	31.5
HDFCB	44.4	52.0	52.7	48.4	47.4	44.8	44.0	43.2	48.0	43.5	42.4	39.5
ICICIBC	28.7	41.7	45.1	43.5	41.9	42.9	45.5	45.8	50.4	51.7	49.6	47.0
IIB	19.2	23.7	27.2	27.3	29.3	32.5	34.1	35.2	36.9	44.0	43.1	42.4
KMB	32.7	31.2	30.0	32.2	29.2	31.9	36.4	38.1	44.0	50.8	52.5	53.7
KVB	21.9	23.5	23.3	19.2	19.2	20.5	22.0	23.3	27.7	29.1	29.9	30.6
RBK	33.5	36.1	34.5	21.5	19.7	20.4	18.5	18.6	22.0	24.3	25.0	26.8
YES	8.7	10.5	10.3	15.0	18.9	22.0	23.1	28.1	36.3	36.5	33.1	32.1
<b>PVT</b>	<b>32.7</b>	<b>39.0</b>	<b>38.7</b>	<b>37.4</b>	<b>37.0</b>	<b>37.7</b>	<b>38.3</b>	<b>39.3</b>	<b>43.1</b>	<b>43.5</b>	<b>41.5</b>	
BOB	29.6	28.7	26.9	25.3	25.7	26.4	26.4	32.2	35.8	35.0	34.0	35.7
CBK	30.1	29.1	28.3	24.3	24.2	24.5	24.0	25.7	30.2	31.8	29.2	29.2
PNB	38.8	40.8	38.5	35.3	39.2	38.3	36.7	37.2	41.8	41.0	42.2	42.6
SBIN	41.6	47.3	49.4	44.8	44.8	42.9	41.3	42.6	43.5	44.5	44.6	43.1
UNBK	30.1	31.7	31.8	31.3	31.0	29.5	29.2	32.4	34.4	34.1	36.1	34.4
<b>PSBs</b>	<b>32.7</b>	<b>34.0</b>	<b>34.1</b>	<b>32.0</b>	<b>32.0</b>	<b>31.0</b>	<b>31.0</b>	<b>32.7</b>	<b>37.4</b>	<b>38.7</b>	<b>39.5</b>	
Sector	33.2	35.4	35.5	33.5	33.3	32.4	32.6	34.2	38.7	40.0	40.0	

Source: Banks, RBI, HSIE Research

**Exhibit 27: YoY CASA growth**

% YoY	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9M FY20
AXSB	26.5	30.4	17.8	17.6	22.6	12.8	14.2	17.3	25.7	14.5	-0.2	3.5
CUBK	15.4	44.9	12.5	17.5	14.6	15.1	18.2	19.5	27.2	13.0	21.9	9.7
DCBB	-2.3	17.5	16.7	3.0	11.6	13.6	14.3	18.3	34.4	24.5	16.6	4.1
FB	21.3	19.7	22.4	16.6	16.1	19.2	16.7	19.6	23.0	17.6	16.0	10.5
HDFCB	15.4	37.5	26.2	8.6	17.7	17.2	20.6	19.1	30.8	11.0	14.0	21.5
ICICIBC	-1.7	34.4	20.7	9.2	10.4	16.2	15.5	17.5	27.8	17.5	11.7	12.4
IIB	42.4	48.6	47.6	23.9	37.2	24.1	28.5	29.3	42.5	43.1	26.0	20.0
KMB	9.6	45.8	17.8	41.1	20.3	26.2	44.6	93.9	31.2	41.2	21.3	18.5
KVB	2.9	37.2	26.9	6.9	20.9	20.8	9.5	18.6	27.5	11.3	8.1	9.1
RBK	3.6	30.9	23.2	44.5	61.3	44.1	33.2	43.7	67.5	40.5	36.6	31.3
YES	25.1	99.6	68.6	55.6	71.6	28.8	29.0	48.7	65.5	41.1	2.8	-28.2
<b>PVT</b>	<b>8.8</b>	<b>33.1</b>	<b>21.0</b>	<b>13.1</b>	<b>17.8</b>	<b>15.9</b>	<b>17.3</b>	<b>20.0</b>	<b>30.8</b>	<b>18.7</b>	<b>19.2</b>	
BOB	19.9	25.5	22.6	18.2	15.9	22.1	11.3	-7.1	27.9	9.4	5.7	49.9
CBK	15.8	21.5	21.8	-4.2	8.1	20.0	9.9	8.8	21.2	11.5	4.7	4.9
PNB	13.8	25.0	18.1	11.5	14.3	12.7	6.3	11.9	26.5	1.2	8.3	10.2
SBIN	22.4	23.0	21.4	1.3	15.3	11.0	8.9	13.1	20.7	35.2	7.8	8.3
UNBK	15.2	29.4	19.2	8.4	17.1	7.6	5.5	19.7	17.5	6.9	7.8	7.1
<b>PSBs</b>	<b>15.7</b>	<b>23.5</b>	<b>18.9</b>	<b>7.1</b>	<b>15.0</b>	<b>11.2</b>	<b>9.1</b>	<b>9.7</b>	<b>23.4</b>	<b>6.0</b>	<b>4.7</b>	
<b>Total Sector</b>	<b>13.6</b>	<b>24.8</b>	<b>18.6</b>	<b>8.3</b>	<b>14.5</b>	<b>11.9</b>	<b>11.1</b>	<b>12.3</b>	<b>24.6</b>	<b>9.7</b>	<b>9.3</b>	

Source: Banks, RBI, HSIE Research

**Exhibit 28: Retail deposits**

Bank (Dec-19)	Retail Deposits %
AUBANK	7.05
IIB	28.12
RBK	30.89
DCBB	56.09
AXSB	56.20
ICICIBC	59.66
KMB	62.10
HDFCB	62.15
KVB	69.24
SBIN	74.75
FB	85.23

Source: Banks, HSIE Research, Note: Retail deposits and deposits from small business customers as per regulatory filings



## What could be the way ahead?

- Overall deposit flows for the system are unlikely to be impacted. The recent disruption in economic activity (resulting in lower spends) and fall in capital markets may infact result in a temporary uptick in deposit growth for the sector as a whole.
- Depositors are likely to demonstrate a higher degree of risk aversion than they have in the past.
- In the medium term, we believe incremental deposit flows will be polarised.
- Public sector banks and large private banks with strong liability franchises are better placed to capture incremental deposits. SBIN, ICICIBC, AXSB and KMB are likely to benefit from this situation.
- This should allow these large private sector banks to capture a greater share of any resurgent credit growth, as public sector banks will be strained by higher NPLs, low capital and post-merger integration challenges.
- Banks with weaker liability franchises/ higher reliance on wholesale deposits (IIB, RBK and AUBANK) may need to recalibrate their liability strategy. This would entail a greater focus on granular, retail deposits. This could prove to be a double whammy for banks with both asset and liability side constraints on growth.
- The above scenario bears some semblance to the polarisation that commenced in the NBFC space post IL&FS, in the sense that larger, stronger players will benefit and that several players will need to recalibrate their funding strategies. However, the difference is that depositors are less discerning than bondholders and banks lending to NBFCs.

## COVID-19 Impact- Growth And Asset Quality To Be Hit

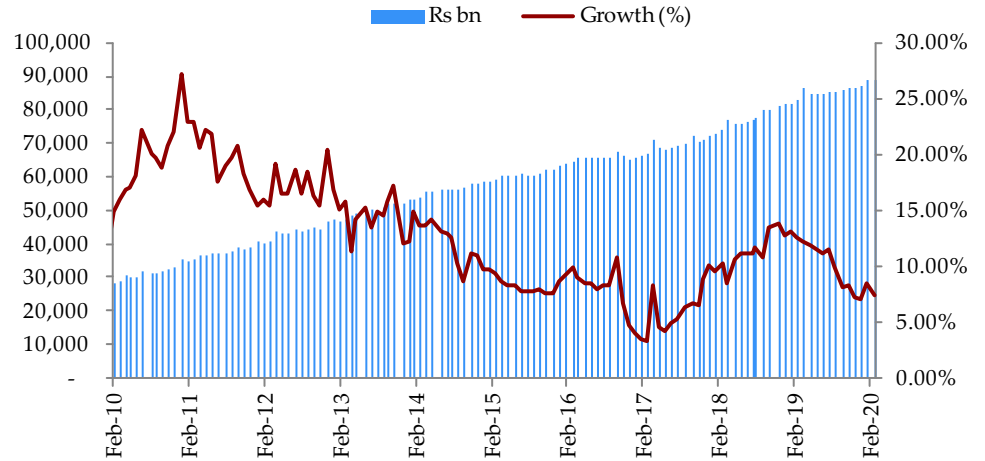
- The COVID-19 outbreak comes at a time when neither the Indian economy nor the banking sector are doing spectacularly well. Credit growth has been slowing (with only a slight uptick seen in Dec-19 and Jan-20) and it is likely to slow (further, considerably) in FY21/22E.
- After ~2 years of gradual improvement in reported stress, few players have seen an increase over FY20. Now stress is set to rise across the system, and this is likely to be sector-agnostic due to multiple order-impacts associated with the outbreak.
- Funding, and consequently growth (when it returns) for the sector will get increasingly polarised for the sector as the events around YES have impacted depositor sentiment.

### Impact on growth

- Bank credit growth has slowed significantly over FY20. In Feb-20, non-food credit grew at just 7.3%. Growth in industry credit has been slow for a while (73bps YoY) and growth in credit for services has slowed considerably (6.9%) in the last year. Personal loan growth (17%) has been resilient thus far. All these segments are likely to take a knock on the growth front.
- Mar-20 is likely to see materially slower growth. Select management commentary, co disclosures and our understanding of the sector suggest that a significant proportion of disbursements occur towards the end of the qtr. Virus related disruptions will impact this. Further, the dip in growth is likely to be

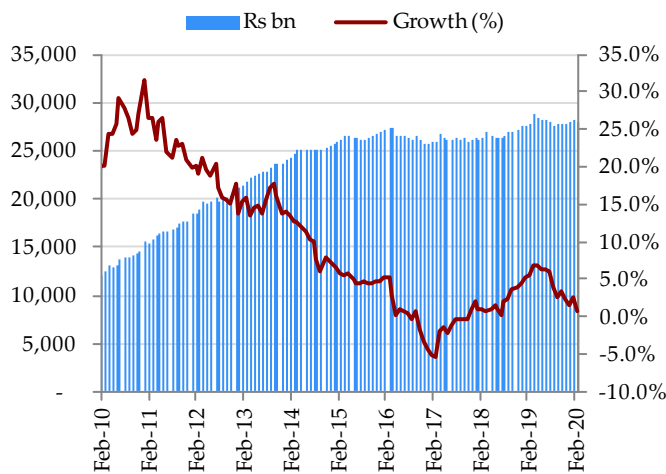
broad-based. Personal loan growth, which has contributed to much of the growth seen over FY19 and FY20 is likely to slow considerably.

**Exhibit 29: Non-food credit growth trends**



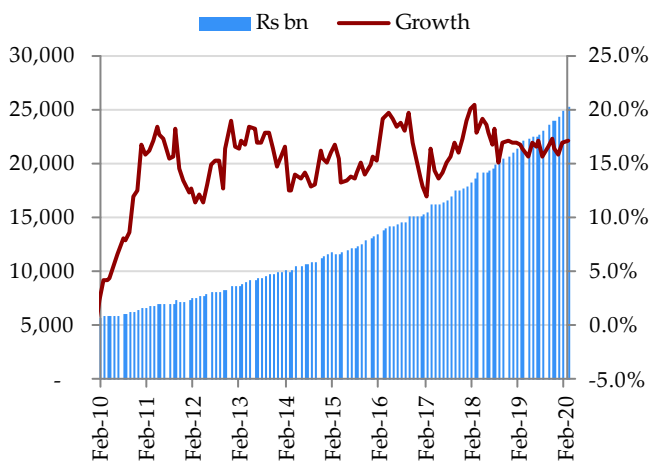
Source: RBI, HSIE Research

**Exhibit 30: Industrial credit**



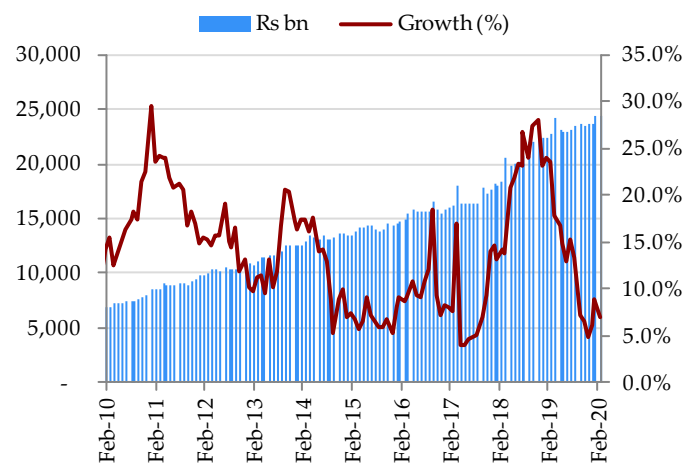
Source: RBI, HSIE Research

**Exhibit 32: Personal loan**



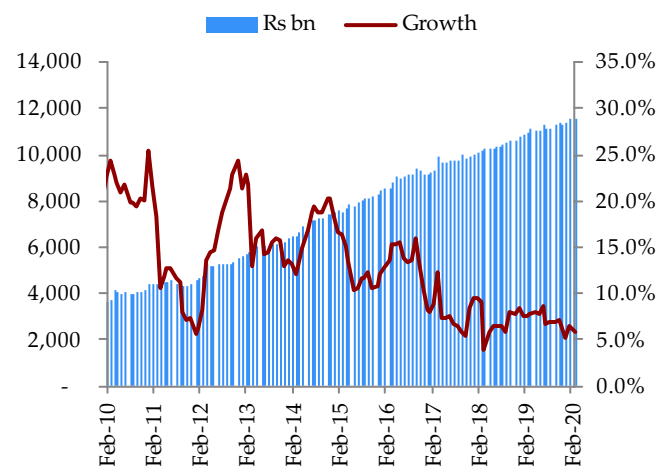
Source: RBI, HSIE Research

**Exhibit 31: Service credit**



Source: RBI, HSIE Research

**Exhibit 33: Agri credit**



Source: RBI, HSIE Research

## Exhibit 34: Loan growth trends

(%)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	9M FY20
AXSB	36.7	27.9	36.5	19.2	16.0	16.8	22.2	20.5	10.1	17.8	12.5	15.8
CUBK	24.4	21.0	35.4	31.1	25.6	5.6	11.6	17.2	13.2	16.9	17.3	10.4
DCBB	-19.5	5.7	23.8	23.4	24.6	23.6	28.6	23.5	22.4	28.6	15.9	11.1
FB	18.4	20.4	18.6	18.2	16.8	-1.5	18.1	13.3	26.2	25.4	19.9	13.0
HDFCB	55.9	27.3	27.1	22.2	22.7	26.4	20.6	27.1	19.4	18.7	24.5	19.9
ICICIBC	-3.2	-17.0	19.4	17.3	14.4	16.7	14.4	12.3	6.7	10.4	14.5	12.6
IIB	23.3	30.3	27.3	34.0	26.4	24.3	24.8	28.5	27.9	28.2	28.6	19.8
KMB	6.9	25.0	41.2	33.2	24.0	9.4	24.8	79.4	14.7	24.7	21.2	10.3
KVB	10.5	29.7	32.0	34.4	23.1	15.3	6.2	8.2	4.7	9.5	8.4	2.4
RBK	36.8	46.1	62.8	116.9	54.3	54.2	46.9	46.9	38.7	36.7	34.9	19.5
YES	31.5	78.9	54.8	10.5	23.7	18.4	35.8	30.0	34.7	53.9	18.7	-23.7
<b>PVT</b>	<b>11.0</b>	<b>9.9</b>	<b>26.1</b>	<b>21.2</b>	<b>18.3</b>	<b>17.5</b>	<b>18.0</b>	<b>22.4</b>	<b>14.4</b>	<b>20.0</b>	<b>25.0</b>	
BOB	34.3	22.2	30.6	25.7	14.2	21.0	7.8	-10.3	-0.1	11.5	9.7	45.9
CBK	28.9	22.5	24.8	10.0	4.2	24.3	9.6	-1.6	5.3	11.6	12.1	1.3
PNB	29.5	20.6	29.7	21.3	5.1	13.1	9.0	8.4	1.7	3.4	5.7	-0.7
SBIN	30.2	16.5	19.8	14.7	20.5	15.7	7.5	12.6	7.3	3.5	13.0	7.4
UNBK	29.8	23.6	26.5	17.8	17.0	10.1	11.6	4.6	7.1	0.8	2.8	5.4
<b>PSBs</b>	<b>25.7</b>	<b>19.6</b>	<b>22.3</b>	<b>17.3</b>	<b>15.4</b>	<b>14.0</b>	<b>7.4</b>	<b>2.1</b>	<b>-0.6</b>	<b>2.5</b>	<b>4.0</b>	
<b>Total Sector</b>	<b>21.1</b>	<b>16.6</b>	<b>22.9</b>	<b>18.1</b>	<b>15.9</b>	<b>14.5</b>	<b>9.7</b>	<b>6.9</b>	<b>2.8</b>	<b>7.8</b>	<b>11.0</b>	<b>7.9</b>

Source: Banks, RBI, HSIE Research

- The outbreak and consequent lock-downs will have multiple order impacts on loan growth. We have reduced our loan growth estimates for coverage banks by ~470bps over FY20-22E to ~8.9%.
- In the event the outbreak is not successfully controlled, and lock-downs are extended (considerably) further, our coverage banks could see even lower growth or a slight de-growth in credit, but we have not modeled this scenario.
- Further, we believe that larger banks, with adequate capital and strong liability franchises will be better placed to capture any resurgence in growth. The banking sector can witness polarisation like the NBFC space did post IL&FS and DHFL.

## Exhibit 35: Change in loan growth estimates

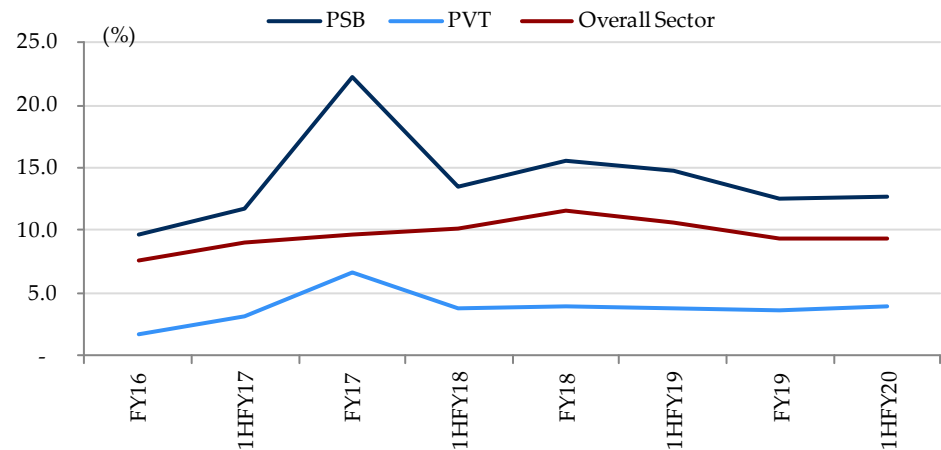
	Earlier		Revised		Bps Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
AUBANK	32.0	31.0	16.9	21.2	-1507	-980
AXSB	16.5	17.1	10.8	14.2	-575	-292
CUBK	14.5	17.3	8.3	12.5	-625	-475
DCBB	16.2	18.5	8.3	14.6	-790	-392
FB	14.8	15.3	10.5	12.3	-425	-300
ICICIBC	16.7	16.8	10.4	13.8	-631	-310
IIB	22.5	23.9	6.0	12.6	-1647	-1123
KMB	15.7	18.3	9.2	12.2	-646	-614
KVB	10.6	12.7	4.3	7.1	-635	-555
RBK	26.3	26.1	6.7	11.2	-1960	-1488
PVT	17.2	18.1	9.5	13.2	-771	-488
SBIN	9.3	10.4	4.7	8.3	-460	-207
Overall	13.1	14.2	7.0	10.7	-612	-353

Source: HSIE Research

## Asset Quality Impact

- The Indian banking sector as a whole, saw a slight improvement in reported stress until 1HFY20 but a sharp uptick in SMA II. The latter crystallised into higher slippages in 3QFY20, and this was driven by a single HFC a/c.

**Exhibit 36: GNPA ratios for the sector**



Source: RBI, HSIE Research

**Exhibit 37: Slippage trends**

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	3QFY20
AXSB	1.5	1.9	1.2	1.2	1.1	1.2	1.1	2.3	6.1	8.2	3.0	4.6
CUBK	1.7	1.7	1.5	1.4	1.6	2.9	2.5	2.2	2.1	2.2	2.1	2.7
DCBB	8.9	5.7	1.3	1.4	1.3	1.3	1.9	1.9	1.8	1.9	1.9	3.2
FB	1.6	2.8	3.0	3.0	2.0	2.0	1.6	1.7	3.5	1.6	2.7	2.1
HDFCB	5.0	2.7	1.1	1.0	1.6	1.9	1.6	1.5	1.5	2.3	2.1	2.3
ICICIBC	2.3	1.6	1.4	1.3	1.3	1.4	2.2	4.1	7.5	5.9	1.9	2.8
IIB	1.5	1.2	0.8	0.9	1.3	1.3	1.4	1.1	1.4	2.6	3.3	3.9
KMB	3.2	3.3	0.9	0.9	1.1	1.8	1.3	3.1	1.4	1.2	1.1	2.0
KVB	0.8	1.0	0.3	0.8	0.8	0.5	1.8	3.0	3.3	4.9	5.0	3.8
RBK		2.5	0.3	0.6	0.8	0.8	0.4	1.1	2.1	1.6	1.5	7.1
YES	0.8	0.7	0.2	0.2	0.6	0.8	0.6	1.0	2.3	4.9	3.6	47.9
BOB	0.8	1.1	0.9	1.3	2.2	1.9	2.1	6.9	3.5	6.0	3.0	7.3
CBK	2.0	1.4	1.4	1.9	2.1	1.8	2.1	2.5	3.1	3.4	7.6	4.5
PNB	1.4	1.8	2.3	2.8	3.0	3.4	4.8	11.1	5.5	10.5	4.6	6.9
SBIN	2.3	2.0	2.6	3.0	3.3	3.7	2.3	4.6	2.6	8.4	1.6	3.7
UNBK	1.4	1.7	2.2	2.3	2.1	2.5	2.3	5.0	4.8	7.4	4.6	6.8

Source: Banks, HSIE Research

**Exhibit 38: GNPA trends**

%	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19 9M	FY20
AXSB	1.10	1.26	1.12	0.94	1.06	1.22	1.34	1.67	5.04	6.77	5.26	5.00
CUBK	1.80	1.36	1.21	1.01	1.13	1.81	1.86	2.41	2.83	3.03	2.95	3.50
DCBB	8.40	8.69	5.86	4.40	3.18	1.69	1.69	1.51	1.59	1.79	1.84	2.15
FB	2.63	2.97	3.47	3.35	3.44	2.46	2.04	2.84	2.33	3.00	2.92	2.99
HDFCB	2.01	1.43	1.06	1.02	0.97	0.99	0.93	0.94	1.06	1.31	1.37	1.42
ICICIBC	4.42	5.23	4.47	3.62	3.22	3.03	3.78	5.82	7.89	8.84	6.70	6.00
IIB	1.61	1.24	1.02	0.99	1.03	1.12	0.81	0.88	0.93	1.18	2.12	2.18
KMB	4.20	3.74	2.09	1.57	1.55	1.98	1.85	2.36	2.59	2.22	2.14	2.46
KVB	1.98	1.74	1.28	1.34	0.97	0.82	1.88	1.31	3.63	6.56	8.79	8.92
RBK		2.33	1.12	0.80	0.40	0.79	0.77	0.98	1.20	1.40	1.39	3.33
YES	0.68	0.27	0.23	0.22	0.20	0.31	0.41	0.76	1.52	1.28	3.22	18.9
BOB	1.28	1.37	1.37	1.54	2.41	2.97	3.76	10.17	10.46	12.26	9.61	10.43
CBK	1.56	1.52	1.48	1.72	2.57	2.50	3.89	9.40	9.63	11.84	8.83	8.36
PNB	1.60	1.71	1.79	2.93	4.27	5.25	6.55	12.90	12.53	18.40	15.50	16.80
SBIN	2.87	3.10	3.28	4.40	4.75	4.95	4.25	6.50	6.90	10.91	7.53	6.94
UNBK	1.98	2.23	2.38	3.04	3.01	4.13	5.04	8.89	11.53	16.33	15.82	14.86

Source: Banks, HSIE Research

- The outbreak and consequent disruption to economic activity will have multiple order effects on asset quality.
- Given the extensive nature of the lockdown, asset quality issues are unlikely to be limited to specific sectors (for e.g. airlines, hospitality etc. although these will be hit harder).
- Ongoing stress in corporate and SME loans will be exacerbated by the evolving situation. Retail loans will be a new source of stress, especially in unsecured segments, which rely on a high-touch collection mechanism (micro-credit, credit cards and personal loans).

**Exhibit 39: Banks' loan book mix at a glance**

Dec-19 (%)	Corp	SME	Agri	Retail	Overseas / others
AUBANK	9.9	42.9	-	47.2	-
Bandhan	5.0	4.0	-	91.0	-
AXSB	35.8	11.2	-	53.0	-
CUBK	15.9	49.8	13.5	20.8	-
DCBB	12.0	11.0	21.0	56.0	-
FB	40.7	18.9	10.3	30.1	-
HDFCB	48.6	6.8	-	44.6	-
ICICIBC	25.1	3.4	-	62.6	8.9
IIB	24.7	26.7	-	48.6	-
KVB	26.4	32.7	17.2	23.7	-
KMB	38.5	-	12.8	46.4	2.3
RBK	35.6	18.4	-	45.9	-
SBIN	33.5	12.1	9.1	31.3	14.0
BOB	38.8	13.3	12.9	18.2	16.8
PNB	42.1	16.8	17.0	20.7	3.5
UNBK	35.9	22.7	16.0	20.2	5.3
CBK	28.4	21.4	23.4	20.9	5.9

Source: Banks, HSIE Research

**Exhibit 40: Banks' retail loan mix at a glance (As on Dec-19)**

% total loans	VF	PL	CC	HL	LAP	Others
AUBANK	42.4	-	-	1.6	-	3.3
Bandhan	-	-	-	29.0	-	62.0
AXSB	6.9	6.4	2.6	19.1	4.8	13.2
CUBK	-	-	-	6.6	-	14.2
DCBB	7.0	3.0	-	-	41.0	5.0
FB	2.6	-	-	14.7	5.8	7.5
HDFCB	13.0	11.7	6.2	6.6	-	7.1
ICICIBC	9.2	6.6	2.6	30.9	-	13.3
IIB	28.0	3.7	2.2	-	4.6	10.0
KVB	2.1	1.1	-	8.8	3.5	8.3
KMB	21.6	16.4*	-	21.2	-	-
RBK	-	-	15.7	-	12.5	17.7
SBIN	3.2	-	-	19.1	-	8.9
BOB	2.4	-	-	12.5	-	3.3
PNB	1.2	0.6	-	12.4	2.2	4.3
UNBK	1.3	0.7	-	8.6	1.4	6.5
CBK	2.4	-	-	8.9	-	8.8

Source: Banks, HSIE Research; Note: \* KMB PL includes Small business, PL and CC

- We expect banks to see a rise in reported stress in FY21E, unless the current moratorium option and abeyance on recognition are extended till FY21E. These, while necessary to ease challenges faced by borrowers and the real economy, will not be sufficient to mitigate the impact cause by the extensive disruption in economic activity.
- Resolutions and recoveries are also likely to be delayed, contributing to an increase in reported stress across the board.
- Banks are also likely to see a significant increase in restructuring.
- Already precarious sectors (NBFCs and RE) are likely to see heightened stress as this disruption comes at an even more inopportune time for these sectors.
- In this scenario (due to lack of precedents), we prefer banks with a demonstrably good asset quality track record. These banks are more likely to have a higher proportion of exposures to more financially resilient borrowers across industries and a lower exposure to risky sectors. **While we have revised our slippage and recovery assumptions, actual asset quality outcomes are difficult to precisely model given the evolving nature of the situation.**

**Exhibit 41: Slippage Estimates**

(% )	Earlier		Revised		Bps Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
AUBANK	2.0	1.8	3.0	2.0	100	20
AXSB	2.7	2.3	3.6	2.8	90	50
CUBK	2.1	1.9	3.0	2.4	90	50
DCBB	2.3	2.0	3.3	2.6	95	60
FB	1.5	1.4	2.5	1.8	100	45
ICICIBC	1.6	1.5	2.3	2.0	65	50
IIB	3.3	2.2	4.0	3.0	75	80
KMB	1.3	1.2	2.7	2.0	140	80
KVB	2.3	2.1	3.2	2.4	85	30
RBK	2.9	2.5	4.1	3.0	125	50
PVT	2.2	1.9	3.0	2.4	82	55
SBIN	2.5	2.2	3.5	2.8	100	55
Total Coverage	2.4	2.0	3.3	2.6	92	55

Source: HSIE Research

*ICICIBC and AXSB have seen a material change in underwriting in the recent past, therefore, while legacy stress may increase, it is likely to be limited*

**Exhibit 42: Change in GNPA estimates**

	Earlier		Revised		Bps Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
AUBANK	1.8	1.8	3.1	2.1	126	23
AXSB	3.9	3.2	5.4	4.1	157	87
CUBK	3.2	3.0	4.4	4.2	113	115
DCBB	1.9	1.7	2.9	2.5	102	77
FB	2.7	2.4	3.9	3.5	119	103
ICICIBC	4.6	3.9	5.8	5.1	119	119
IIB	3.2	2.2	4.5	3.6	132	131
KMB	2.2	1.9	3.7	3.2	150	132
KVB	7.5	6.2	9.3	7.5	173	132
RBK	3.0	2.6	4.5	3.3	150	70
PVT	3.8	3.1	5.2	4.3	139	113
SBIN	5.1	4.2	6.7	5.2	151	97
Total Coverage	4.5	3.7	5.9	4.7	147	106

Source: HSIE Research

**Exhibit 43: Industry NPA trends across banks**

(%)	FY14	FY15	FY16	FY17	FY18	FY19
AXSB	1.3	1.7	2.2	9.6	15.2	11.3
CUBK	4.5	2.1	2.8	3.7	4.6	4.9
DCBB	1.3	1.3	0.8	1.1	1.3	1.7
FB	3.4	3.4	6.5	5.0	6.5	4.9
HDFCB	1.0	1.0	1.0	1.1	1.3	1.1
ICICIBC	3.0	4.7	9.7	18.1	22.5	17.2
IIB	1.7	0.7	0.9	0.8	1.3	3.7
KMB	1.3	1.1	4.1	4.1	3.0	2.7
KVB	1.6	3.6	1.5	4.2	12.2	20.2
RBK	0.5	0.4	1.0	1.6	0.1	1.2
YES	0.3	0.5	0.3	2.1	2.0	4.3
BOB	5.0	7.2	19.1	19.8	21.3	15.0
CBK	3.4	5.8	13.5	14.0	18.9	17.5
PNB	7.2	8.9	25.3	24.9	33.9	26.4
SBIN	3.9	4.7	9.7	10.8	17.8	11.6
UNBK	4.6	6.9	13.2	15.8	34.1	31.1

Source: Banks, HSIE Research

**Exhibit 44: Service sector NPA trends across banks**

(%)	FY14	FY15	FY16	FY17	FY18	FY19
AXSB	1.9	1.7	2.0	5.0	3.8	4.1
CUBK	0.9	1.8	2.3	1.7	1.6	2.2
DCBB	1.3	1.1	1.1	1.4	1.7	1.5
FB	2.3	1.8	2.6	1.8	1.7	1.9
HDFCB	0.8	1.0	0.9	1.0	1.0	1.1
ICICIBC	3.9	5.4	6.5	6.5	6.5	5.1
IIB	0.9	0.7	0.7	0.9	1.0	1.6
KMB	2.6	2.5	1.3	1.4	1.4	1.4
KVB	0.4	0.8	1.2	3.7	4.5	6.9
RBK	1.0	1.3	1.3	1.4	1.1	0.9
YES	0.4	0.5	0.9	0.3	0.3	2.5
BOB	2.0	2.9	8.1	6.7	9.5	7.8
CBK	4.5	2.6	10.3	10.6	1.6	1.2
PNB	3.1	5.2	7.1	6.4	14.2	14.1
SBIN	5.2	2.8	2.7	4.1	5.6	5.1
UNBK	3.3	4.0	4.3	7.4	14.0	14.6

Source: Banks, HSIE Research

**Exhibit 45: Personal loan NPA trends across banks**

(%)	FY14	FY15	FY16	FY17	FY18	FY19
AXSB	0.6	0.6	0.7	0.9	1.2	0.8
CUBK	1.6	4.1	5.1	8.8	3.4	2.3
DCBB	1.7	1.7	1.5	1.6	1.8	1.8
FB	4.5	5.2	5.0	4.5	1.3	1.6
HDFCB	0.8	0.5	0.6	0.7	0.7	0.9
ICICIIBC	2.5	1.3	1.1	1.0	1.2	1.3
IIB	11.6	4.0	3.5	2.4	2.4	2.6
KMB	1.7	1.3	0.9	1.4	1.5	1.7
KVB	0.7	1.8	2.4	2.9	0.7	1.6
RBK	1.3	0.7	0.8	0.7	3.9	1.2
YES	-	-	-	0.1	0.5	1.2
BOB	2.7	2.4	5.0	5.4	1.6	4.3
CBK	0.9	0.5	0.8	0.7	0.7	0.2
PNB	4.8	4.9	3.3	3.4	4.6	3.7
SBIN	1.3	0.8	0.7	0.5	1.2	1.0
UNBK	2.6	2.3	2.6	2.9	2.4	2.6

Source: Banks, HSIE Research

**Exhibit 46: Agri NPA trends across banks**

(%)	FY14	FY15	FY16	FY17	FY18	FY19
AXSB	2.8	2.3	2.4	3.2	3.9	5.5
CUBK	1.2	1.7	1.6	1.5	1.7	1.7
DCBB	2.2	2.9	3.2	2.6	2.7	2.3
FB	3.6	2.0	1.7	2.9	3.6	4.7
HDFCB	1.2	1.3	1.4	1.9	3.0	4.1
ICICIIBC	3.6	3.0	3.1	3.1	3.1	3.7
IIB	1.1	0.7	0.7	0.8	1.3	1.4
KMB	1.1	1.3	1.7	2.5	3.3	3.3
KVB	0.1	0.5	0.7	2.4	2.8	4.0
RBK	0.2	0.3	0.3	0.6	2.9	4.5
YES	0.0	0.1	1.7	3.6	1.0	2.2
BOB	5.1	5.3	10.7	11.3	12.7	10.1
CBK	2.0	2.4	3.2	3.7	4.6	5.4
PNB	4.7	5.4	6.0	8.5	11.0	11.9
SBIN	8.1	8.8	7.8	5.6	11.1	10.7
UNBK	6.1	4.5	6.4	7.0	6.1	8.2

Source: Banks, HSIE Research

- The extent of reduction in growth and impact on asset quality will be a function of the extent, severity and tenure of disruption in real economic activity caused by the outbreak. The situation is extremely fluid and is difficult to predict.



## Provisions

- In line with the expected increase in GNPA's, we are likely to see an increase in LLPs across the sector. Banks with low coverage (IIB, RBK, DCBB, CUBK) will want to shore up coverage in such a scenario.
- Immediately prior to recognition of stress and specific loan loss provisions, we expect banks to build non-specific provisions, by whatever name called (Higher standard asset provisions/ contingency/ counter-cyclical provisions) to fortify their B/S.
- We anticipate a broad-based increase in provisions (non-specific and specific LLPs) across our coverage.

### Exhibit 47: LLP trends across banks

% annu.	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	3Q FY20
AXSB	1.0	1.5	0.8	0.6	0.6	0.6	0.7	1.2	3.1	4.1	2.2	2.2
CUBK	0.7	0.8	0.8	0.5	0.7	0.9	1.0	1.1	1.1	1.2	0.9	1.0
DCBB	4.1	3.4	1.2	0.5	0.3	0.5	0.5	0.5	0.6	0.7	0.6	0.9
FB	1.7	1.7	1.7	0.6	0.5	0.5	0.4	1.0	0.6	0.9	0.6	0.8
HDFCB	2.0	1.7	0.5	0.6	0.6	0.6	0.5	0.5	0.6	0.8	0.9	1.3
ICICIBC	1.7	2.2	1.0	0.4	0.6	0.8	1.0	1.8	3.2	3.0	3.1	1.3
IIB	0.9	0.7	0.7	0.5	0.6	0.6	0.5	0.6	0.7	0.7	1.6	1.1
KMB	1.7	2.5	0.4	0.2	0.5	0.3	0.4	0.8	0.5	0.5	0.5	0.8
KVB	0.1	0.2	0.0	0.1	0.4	0.6	1.3	0.9	1.0	2.4	2.8	3.0
RBK		0.8	-0.1	0.3	0.2	0.4	0.3	0.4	0.6	0.7	1.0	4.4
YES	0.5	0.5	0.1	0.0	0.3	0.3	0.2	0.6	0.6	0.6	1.2	48.3
BOB	0.3	0.6	0.5	0.6	1.0	0.8	0.9	3.5	2.1	3.5	2.7	4.1
CBK	0.7	0.9	0.5	0.6	0.8	0.8	1.2	2.9	2.2	4.1	3.1	1.1
PNB	0.6	0.6	0.9	0.9	1.1	1.4	2.2	4.7	3.1	5.7	5.5	4.2
SBIN	0.5	0.8	1.2	1.4	1.2	1.3	1.4	2.0	2.2	3.8	2.7	1.5
UNBK	0.7	0.7	1.0	1.1	0.9	1.1	1.1	1.7	2.4	4.4	4.0	2.1

Source: Banks, HSIE Research

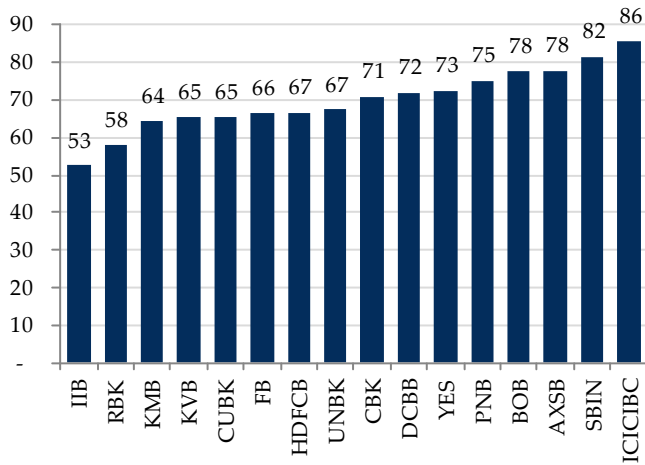
### Exhibit 48: Change in LLP estimates

(%)	Earlier		Revised		Bps Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
AUBANK	1.0	1.0	1.3	1.3	33	31
AXSB	2.7	2.3	3.6	2.8	90	50
CUBK	1.1	1.0	1.4	1.4	30	39
DCBB	0.7	0.7	1.0	1.0	25	31
FB	0.7	0.6	1.0	1.0	24	33
ICICIBC	1.5	1.2	1.7	1.5	19	34
IIB	1.8	1.5	2.7	2.0	91	48
KMB	0.6	0.6	0.9	0.9	25	35
KVB	2.1	1.7	2.3	1.9	20	22
RBK	1.8	1.5	2.9	2.3	108	79
PVT	1.5	1.2	1.8	1.5	35	38
SBIN	1.6	1.2	1.9	1.6	31	38
Overall	1.5	1.2	1.8	1.6	33	38

Source: HSIE Research

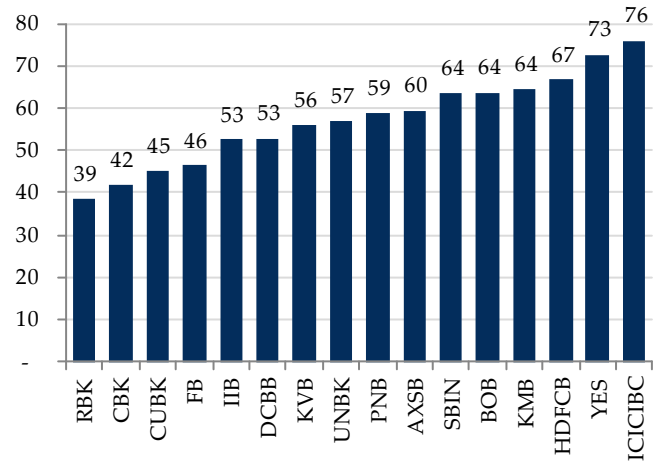
**Banks : Sector Thematic**

**Exhibit 49: Reported PCR (%) as at 3QFY20**



Source: Banks, HSIE Research

**Exhibit 50: Calc. PCR (%) as at 3QFY20**



Source: Banks, HSIE Research

**Margins**

- We expect the aforementioned (evolving) scenario to have a slightly negative impact on banks' margins. We believe the effects of lower MCLR and lower CD ratios will not be completely offset by a fall in deposit rates. Also, some interest reversals and slower growth in high yielding segments will put some pressure on yields. We expect our coverage to witness some margin compression.

**Exhibit 51: Changes in NIM estimates**

Bank (%)	Earlier		Revised		Bps Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
AUBANK	5.5	5.5	5.3	5.2	-25	-34
AXSB	3.4	3.4	3.4	3.4	-8	-3
CUBK	4.0	3.9	3.8	3.9	-13	-8
DCBB	3.7	3.7	3.5	3.5	-19	-19
FB	3.1	3.2	3.0	3.0	-13	-18
ICICIBC	3.7	3.8	3.6	3.7	-16	-16
IIB	4.6	4.4	4.4	4.3	-13	-11
KMB	4.5	4.5	4.2	4.3	-25	-24
KVB	3.7	3.7	3.4	3.4	-21	-31
RBK	4.3	4.3	4.0	4.0	-29	-27
SBIN	3.3	3.4	3.2	3.2	-7	-11

Source: HSIE Research

**Exhibit 52: CD ratio estimates**

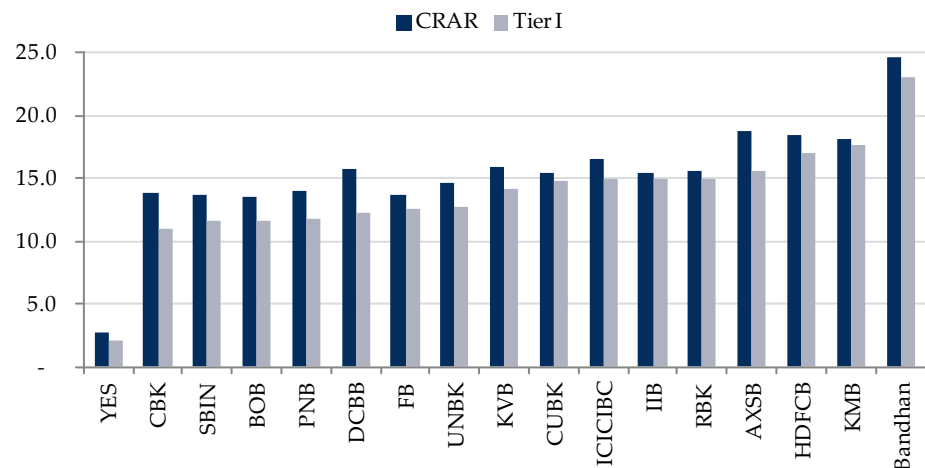
Bank (%)	9MFY20	FY21E	FY22E
AUBANK	111.3	105.7	103.1
AXSB	93.0	93.0	93.3
CUBK	85.0	86.7	87.2
DCBB	85.5	85.2	85.5
FB	82.5	83.7	84.5
ICICIBC	88.7	90.3	92.8
IIB	95.7	100.0	98.0
KMB	90.6	86.0	87.5
KVB	75.7	78.1	77.7
RBK	94.8	89.7	89.2
SBIN	70.7	70.6	71.4

Source: Banks, HSIE Research

## Capital

- We believe all our coverage banks are fairly well-capitalised at this juncture (well above the regulatory minimum). KMB, AXSB, ICICIBC and CUBK stand out in particular.
- Over the next 2 years, we do not foresee major capital consumption as RWA growth is expected to slow and we expect banks to continue to naturally accrete capital.
- This should eliminate any remote concerns on the possibility of book-dilutive capital raises for some of our coverage banks.

**Exhibit 53: Capital adequacy ratios of select banks**



Source: Banks, HSIE Research, As on Dec-19

## View and Valuations

- The evolving COVID-19 situation and the developments at YES present numerous challenges for the sector. We anticipate that these will result in increased polarisation. In the absence of precedents, we expect larger banks with strong liability franchises, sufficient capital and a demonstrable asset quality track record to perform better.
- We prefer ICICIBC, AXSB and KMB amongst the large caps within our coverage.
- We also like CUBK, given its underwriting history, operating efficiency, strong customer connect and fairly granular liability base.
- Post the recent correction and in light of FB's granular liability franchise, we upgrade FB to BUY.
- Despite the sharp recent correction, we maintain our Reduce rating on RBK, in light of challenges on both sides of the balance sheet.

## Banks : Sector Thematic

**Exhibit 54: Summary of changes in estimates**

	Loan Growth (%)		Chg (bps)		NII (Rs bn)		Chg (%)		PPOP (Rs bn)		Chg (%)		PAT (Rs bn)		Chg (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
AXSB	10.8	14.2	-575	-292	271	307	-6.9%	-8.1%	254	284	-5.6%	-6.8%	98	126	-17.7%	-18.7%
CUBK	8.3	12.5	-625	-475	18	20	-7.9%	-11.3%	15	16	-5.4%	-9.1%	8	8	-14.9%	-21.1%
DCBB	8.3	14.6	-790	-392	14	15	-9.6%	-14.3%	8	9	-12.8%	-19.8%	4	4	-23.8%	-33.0%
FB	10.5	12.3	-425	-300	51	56	-6.8%	-11.3%	34	37	-7.5%	-14.5%	17	17	-15.1%	-27.7%
KMB	9.2	12.2	-646	-614	140	154	-10.3%	-15.4%	103	112	-10.8%	-17.1%	62	67	-16.0%	-24.5%
KVB	4.3	7.1	-635	-555	23	24	-8.8%	-14.4%	17	17	-10.0%	-19.2%	4	5	-25.1%	-39.6%
ICICIBC	10.4	13.8	-631	-310	352	399	-7.6%	-10.7%	314	353	-7.5%	-12.0%	146	174	-14.9%	-22.3%
IIB	6.0	12.6	-1647	-1123	125	133	-13.1%	-23.3%	104	105	-17.2%	-29.5%	29	41	-50.5%	-45.7%
RBK	6.7	11.2	-1960	-1488	35	38	-16.2%	-26.9%	26	27	-16.1%	-28.7%	6	8	-53.8%	-51.4%
Total PVBs	9.5	13.2	-771	-488	1,028	1,146	-8.8%	-13.2%	875	960	-9.0%	-14.4%	373	450	-21.4%	-25.9%
SBIN	4.7	8.3	-460	-207	1,092	1,190	-4.3%	-3.1%	690	721	-6.4%	-6.3%	198	251	-21.2%	-21.9%
AUBANK	16.9	21.2	-1507	-980	22	25	-15.7%	-24.0%	13	15	-23.3%	-29.5%	6	7	-34.8%	-39.7%
Total Coverage Banks	7.0	10.7	-612	-353	2,142	2,362	-6.6%	-8.5%	1,578	1,697	-8.0%	-11.3%	577	708	-21.5%	-24.7%

Source: HSIE Research

**Exhibit 55: Summary of changes in estimates contd.**

	ABV (Rs bn)		Chg (%)		Slippages		Chg (bps)		GNPAs		Chg (bps)		LLPs		Chg (bps)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
AXSB	282	338	-8.8%	-4.6%	3.6	2.8	90	50	5.4	4.1	157	87	2.0	1.7	33	40
CUBK	72	83	-6.9%	-7.9%	3.0	2.4	90	50	4.4	4.2	113	115	1.4	1.4	30	39
DCBB	101	116	-9.1%	-10.1%	3.3	2.6	95	60	2.9	2.5	102	77	1.0	1.0	25	31
FB	67	77	-9.5%	-8.5%	2.5	1.8	100	45	3.9	3.5	119	103	1.0	1.0	24	33
KMB	255	295	-7.4%	-8.1%	2.7	2.0	140	80	3.7	3.2	150	132	0.9	0.9	25	35
KVB	53	62	-12.2%	-7.4%	3.2	2.4	85	30	9.3	7.5	173	132	2.3	1.9	20	22
ICICIBC	168	190	-7.3%	-9.2%	2.3	2.0	65	50	5.8	5.1	119	119	1.7	1.5	19	34
IIB	515	572	-5.9%	-12.8%	4.0	3.0	75	80	4.5	3.6	132	131	2.7	2.0	91	48
RBK	198	218	-6.5%	-8.6%	4.1	3.0	125	50	4.5	3.3	150	70	2.9	2.3	108	79
PVT					3.0	2.4	82	55	5.2	4.3	139	113	1.8	1.5	35	38
SBIN	183	227	-13.9%	-7.3%	3.5	2.8	100	55	6.7	5.2	151	97	1.9	1.6	31	38
AUBANK	131	163	-12.7%	-12.4%	3.0	2.0	100	20	3.1	2.1	126	23	1.3	1.3	33	31
Overall					3.3	2.6	92	55	5.9	4.7	147	106	1.8	1.6	33	38

Source: HSIE Research

**Exhibit 56: Peer set comparison**

	MCap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
AUBANK	172	568	REDUCE	510	121	131	163	26.9	27.1	22.8	4.56	4.23	3.39	16.7	13.4	14.0	1.70	1.41	1.42
AXSB#	1,284	456	BUY	541	263	282	338	22.9	12.4	9.5	1.65	1.53	1.26	6.9	10.7	12.4	0.64	1.07	1.25
CUBK	96	131	BUY	176	66	72	83	12.6	12.7	11.8	1.97	1.81	1.57	14.6	12.7	12.1	1.61	1.47	1.43
DCBB	30	96	ADD	114	94	101	116	8.3	7.9	7.3	1.02	0.95	0.83	11.0	10.4	10.2	0.96	0.92	0.90
FB	91	46	BUY	71	65	67	77	5.7	5.5	5.4	0.71	0.69	0.60	11.5	10.8	10.2	0.95	0.89	0.84
ICICIBC#	2,331	362	BUY	435	155	168	190	18.5	10.7	8.7	1.61	1.45	1.24	7.1	11.6	12.5	0.86	1.32	1.44
IIB	324	457	ADD	571	457	515	572	6.8	11.1	7.9	1.00	0.89	0.80	15.1	7.7	9.8	1.59	0.93	1.22
KMB#	2,248	1,178	ADD	1,263	237	255	295	27.3	26.9	23.9	3.67	3.42	2.83	13.4	12.2	11.7	1.84	1.70	1.69
KVB	22	28	REDUCE	33	56	53	62	9.3	5.5	4.7	0.49	0.51	0.45	3.7	6.0	6.9	0.33	0.53	0.59
RBK	61	120	REDUCE	141	189	198	218	11.3	10.7	7.4	0.63	0.60	0.55	5.9	5.2	7.1	0.60	0.57	0.76
SBIN#	1,718	193	BUY	316	179	183	227	4.6	3.7	2.9	0.46	0.45	0.36	7.0	8.2	9.6	0.43	0.50	0.60

Source: Banks, HSIE Research, #Adjusted for subsidiaries

# Company Section

# AU Small Finance Bank

## Scorching growth to slow

AUBANK is likely to see a sharp reduction in B/S growth and heightened asset quality risks in the face of broad-based disruption to economic activity. While AUBANK has had a blemish-free track record, there is little that can insulate the bank from asset quality risks in its core SME and vehicle financing portfolios. Being a small finance bank, its liability franchise is very young (it has performed the best amongst SFBs on this front) and not so granular (CASA 15.7% and retail deposits at 7.0%). AUBANK's ability to quickly scale up its granular deposit book is likely to be diminished post the events at YES, this along with some asset quality pressure will curtail B/S growth at the bank. Despite the sharp correction and management pedigree, we maintain our reduce rating with a TP of Rs 509 (vs. Rs 916 earlier).

### Risks

- Lesser than expected deterioration in asset quality.
- Faster than expected uptick in retail deposits growth
- Faster than expected growth.
- Sustained NIM trajectory.

### Change In Estimates

	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	32.0	31.0	16.9	21.2	-1507 bps	-980 bps
NIM (%)	5.5	5.5	5.3	5.2	-25 bps	-34 bps
NII Rs bn	25.6	33.3	21.6	25.3	-15.7%	-24.0%
PPOP Rs bn	16.4	21.4	12.6	15.1	-23.3%	-29.5%
PAT Rs bn	9.5	12.2	6.2	7.3	-34.8%	-39.7%
EPS Rs	31.3	40.2	20.4	24.3	-34.8%	-39.7%
ABV Rs	149.8	186.0	130.7	162.9	-12.7%	-12.4%
GNPA (%)	1.8	1.8	3.1	2.1	126 bps	23 bps
NNPA (%)	1.0	0.9	2.0	0.8	103 bps	-11 bps
Slippages (%)	2.0	1.8	3.0	2.0	100 bps	20 bps
LLP (%)	1.0	1.0	1.3	1.3	33 bps	31 bps
RoA (%)	2.1	2.1	1.4	1.4	-65 bps	-66 bps
RoE (%)	19.7	20.9	13.4	14.0	-625 bps	-688 bps
TP (Rs)	916		510		-44%	
Multiple (x)	4.8		3.0			

Source: Bank, HSIE Research

## REDUCE

CMP (as on 20 Apr 2020)	Rs 568
Target Price	Rs 510
NIFTY	9,262
<b>KEY CHANGES</b>	<b>OLD</b> <b>NEW</b>
Rating	Reduce      Reduce
Price Target	Rs 916      Rs 509
	FY21E      FY22E
EPS %	-34.8%      -39.7%

### KEY STOCK DATA

Bloomberg code	AUBANK IN
No. of Shares (mn)	304
MCap (Rs bn) / (\$ mn)	172/2,247
6m avg traded value (Rs mn)	725
52 Week high / low	Rs 1,218/444

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(36.1)	(13.5)	(8.3)
Relative (%)	(12.3)	5.9	10.9

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	32.1	31.0
FIs & Local MFs	15.8	16.6
FPIs	39.0	41.8
Public & Others	13.1	10.6
Pledged Shares	7.0	7.0

Source : BSE

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## Financials

### Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	6,870	10,469	12,800	17,672	29,488	41,508	48,433	56,863
Interest Expended	2,709	3,800	4,963	8,267	16,064	22,495	26,825	31,564
<b>Net Interest Income</b>	<b>4,161</b>	<b>6,669</b>	<b>7,837</b>	<b>9,405</b>	<b>13,425</b>	<b>19,012</b>	<b>21,608</b>	<b>25,299</b>
Other Income	24	50	1,396	3,881	4,620	6,445	8,341	9,705
Total Income	4,185	6,719	9,233	13,285	18,045	25,457	29,949	35,005
Total Operating Exp	1,626	2,690	3,528	7,526	10,826	14,503	17,348	19,891
<b>PPOP</b>	<b>2,559</b>	<b>4,029</b>	<b>5,705</b>	<b>5,759</b>	<b>7,219</b>	<b>10,954</b>	<b>12,601</b>	<b>15,113</b>
Provisions & Contingencies	487	257	975	1,326	1,418	2,656	4,354	5,306
<b>PBT</b>	<b>2,073</b>	<b>3,772</b>	<b>4,730</b>	<b>4,434</b>	<b>5,801</b>	<b>8,298</b>	<b>8,247</b>	<b>9,807</b>
Ex. Item	-	-	6,703	-	-	770	-	-
Provision for Tax	679	1,301	3,214	1,513	1,983	2,204	2,078	2,471
<b>PAT</b>	<b>1,394</b>	<b>2,471</b>	<b>8,219</b>	<b>2,920</b>	<b>3,818</b>	<b>6,864</b>	<b>6,169</b>	<b>7,336</b>
<b>APAT</b>	<b>1,394</b>	<b>2,471</b>	<b>3,051</b>	<b>2,920</b>	<b>3,818</b>	<b>6,209</b>	<b>6,169</b>	<b>7,336</b>

### Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share capital	441	441	2,843	2,857	2,924	3,025	3,025	3,025
Reserves and surplus	7,224	9,566	16,972	19,955	28,705	39,916	45,777	52,746
<b>Shareholders' funds</b>	<b>7,665</b>	<b>10,007</b>	<b>19,814</b>	<b>22,812</b>	<b>31,629</b>	<b>42,941</b>	<b>48,801</b>	<b>55,770</b>
Total Deposits	-	-	-	79,233	194,224	254,074	308,385	383,100
CASA	-	-	-	21,335	35,901	40,338	47,627	57,152
Total Borrowings	31,269	51,619	71,199	76,389	86,134	90,440	92,249	99,168
Other Liabilities, provisions	866	1,104	6,737	9,894	14,241	17,089	21,362	26,702
<b>Total</b>	<b>39,799</b>	<b>62,730</b>	<b>97,751</b>	<b>188,328</b>	<b>326,228</b>	<b>404,545</b>	<b>470,797</b>	<b>564,740</b>
<b>APPLICATION OF FUNDS</b>								
Advances	35,232	57,893	65,509	133,121	228,187	278,830	325,811	394,895
Investments	1,398	2,316	21,503	30,506	71,617	68,903	76,121	91,631
Fixed assets	190	246	2,758	3,861	4,470	4,694	4,694	4,788
Other Assets	2,979	2,275	7,980	20,840	21,954	52,118	64,172	73,427
<b>Total assets</b>	<b>39,799</b>	<b>62,730</b>	<b>97,751</b>	<b>188,328</b>	<b>326,228</b>	<b>404,545</b>	<b>470,797</b>	<b>564,740</b>

Source: Bank, HSIE Research

**Key Ratios**

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	31.6	56.1	10.7	10.2	13.1	20.5	20.4	24.3
Earnings Growth (%)	92.2	77.2	23.5	(4.3)	30.7	62.6	(0.7)	18.9
BV (Rs)	173.9	227.0	69.7	79.2	108.2	128.4	147.7	170.8
Core ABV (Rs)	170.4	222.0	66.9	73.3	101.1	121.1	130.7	162.9
RoAA (%)	4.0	4.8	3.80	2.04	1.48	1.70	1.41	1.42
ROAE (%)	20.4	28.0	20.5	13.8	14.1	16.7	13.4	14.0
P/E (x)	17.5	9.9	51.5	54.1	42.3	26.9	27.1	22.8
P/ABV (x)	3.2	2.5	8.3	7.5	5.5	4.6	4.2	3.4
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2
<b>PROFITABILITY</b>								
Yield on Advances (%)	13.7	15.2	15.90	12.51	13.00	13.20	13.20	13.10
Cost of Funds (%)	10.0	9.2	7.66	7.29	7.37	7.20	7.20	7.15
Core Spread (%)	3.8	6.0	8.24	5.22	5.63	6.00	6.00	5.95
NIM (%)	8.1	9.4	7.35	5.88	5.30	5.46	5.27	5.20
<b>OPERATING EFFICIENCY</b>								
Cost-Income Ratio (%)	38.8	40.0	38.2	56.7	60.0	57.0	57.9	56.8
Cost/Avg. Asset Ratio (%)	3.2	5.2	4.4	5.3	4.2	4.0	4.0	3.8
<b>BALANCE SHEET STRUCTURE RATIOS</b>								
Loan Growth (%)	25.1	64.3	13.2	103.2	71.4	22.2	16.8	21.2
Deposits Growth (%)	-	-	-	-	145.1	30.8	21.4	24.2
Equity/Assets (%)	19.3	16.0	20.3	12.1	9.7	10.6	10.4	9.9
Equity/Loans (%)	21.8	17.3	30.2	17.1	13.9	15.4	15.0	14.1
<b>ASSET QUALITY</b>								
Gross NPLs (Rs m)	326.5	371	1,245	2,697	4,701	5,513	11,233	9,176
Net NPLs (Rs m)	154.9	222	805	1,693	2,945	3,129	7,345	3,395
Gross NPLs (%)	0.92	0.64	1.64	2.01	2.04	1.77	3.09	2.08
Net NPLs (%)	0.44	0.38	1.22	1.27	1.21	1.01	2.02	0.77
Coverage Ratio (%)	52.2	40.2	35.4	37.2	37.4	43.2	34.6	63.0
LLP (%)	0.97	0.37	1.03	0.99	0.70	0.96	1.29	1.32
Slippages (%)	0.63	0.49	1.10	1.54	2.21	1.90	3.00	2.00
<b>ROAA TREE (%)</b>								
Net Interest Income	7.62%	13.01%	9.77%	6.57%	5.22%	5.20%	4.94%	4.89%
Non Interest Income	0.04%	0.10%	1.74%	2.71%	1.80%	1.76%	1.91%	1.87%
Operating Cost	2.98%	5.25%	4.40%	5.26%	4.21%	3.97%	3.96%	3.84%
Provisions	0.89%	0.50%	1.21%	0.93%	0.55%	0.73%	0.99%	1.02%
Tax	1.24%	2.54%	2.09%	1.06%	0.77%	0.60%	0.47%	0.48%
ROAA	2.55%	4.82%	3.80%	2.04%	1.48%	1.67%	1.41%	1.42%
Leverage (x)	8.00	5.80	5.38	6.74	9.48	9.80	9.54	9.90
ROAE	20.44%	27.97%	20.46%	13.76%	14.07%	16.34%	13.45%	14.03%

Source: Bank, HSIE Research



# Axis Bank

## Long term prospects secure

AXSB's strong capital base (18.7% CRAR w/w Tier 1 at 15.5%) and fairly decent liability franchise (CASA 41.2%, retail deposits 56.0%), are desirable in the current environment. The strategic re-orientation at the bank will bode well when the bank resumes growth in a post-COVID-19 world. The sharp recent correction also offers an attractive risk-return proposition. We maintain BUY with an SOTP TP of Rs 541 (Rs 908 earlier).

### Risks

- Disproportionate rise in stress from its 'legacy corporate book' as the change in risk and underwriting practices at the bank have been fairly recent. A significant influx into the BB and below rated pool of corporate loans may also occur, eventually precipitating into higher slippages.
- SME loans, too may disproportionately impact asset quality, given their significant contribution to the bank's overall loan book (11.2%).
- Slower than expected loan growth.

### Change In Estimates

Axis Bank	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	16.5	17.1	10.8	14.2	-575 bps	-292 bps
NIM (%)	3.4	3.4	3.4	3.4	-8 bps	-3 bps
NII Rs bn	290.6	333.5	270.5	306.6	-6.9%	-8.1%
PPOP Rs bn	268.9	305.0	254.0	284.1	-5.6%	-6.8%
PAT Rs bn	118.9	154.8	97.8	125.8	-17.7%	-18.7%
EPS Rs	42.2	54.9	34.7	44.7	-17.7%	-18.7%
ABV Rs	309.1	354.5	281.9	338.2	-8.8%	-4.6%
GNPA (%)	3.9	3.2	5.4	4.1	157 bps	87 bps
NNPA (%)	1.5	1.4	2.6	1.7	109 bps	29 bps
Slippages (%)	2.7	2.3	3.6	2.8	90 bps	50 bps
LLP (%)	1.7	1.3	2.0	1.7	33 bps	40 bps
RoA (%)	1.3	1.4	1.1	1.2	-18 bps	-18 bps
RoE (%)	12.9	14.9	10.7	12.4	-222 bps	-250 bps
TP (Rs)	908		541		-40%	
Multiple (x)	2.5		1.5			

### SOTP

	Rs bn	Per Share	Rationale
<b>Axis Bank – Standalone</b>	1,442	512	1.5x Mar-22E ABV of Rs 338
Axis Finance (NBFC)	61	22	1.5x FY22E BV
Axis AMC (Asset Management)	22	8	20x FY21E PAT
Axis Capital (IB and Institutional Equity)	10	4	15x FY22E PAT
Axis Securities (Retail Broking and Cross-Sell)	11	4	15x FY22E PAT
<b>Total Value of Subsidiaries</b>	<b>105</b>	<b>37</b>	
Less : 20% Holding Discount	21	7	
<b>Total SOTP Value</b>	<b>1,526</b>	<b>541</b>	
Current Value	1,284	456	
<b>Upside (%)</b>	<b>18.9%</b>	<b>18.9%</b>	

Source: Bank, HSIE Research

## BUY

CMP (as on 20 Apr 2020)	Rs 456
Target Price	Rs 541
NIFTY	9,262

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 908	Rs 541
EPS %	FY21E	FY22E
	-17.7%	-18.7%

### KEY STOCK DATA

Bloomberg code	AXSB IN
No. of Shares (mn)	2,821
MCap (Rs bn) / (\$ mn)	1,285/16,786
6m avg traded value (Rs mn)	8,539
52 Week high / low	Rs 828/285

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(37.4)	(35.8)	(40.9)
Relative (%)	(13.6)	(16.3)	(21.8)

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	16.6	16.1
FIs & Local MFs	20.7	21.8
FPIs	48.2	47.2
Public & Others	14.5	14.9
Pledged Shares	0.00	0.00

Source : BSE

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## Financials

### Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	354,786	409,880	445,422	457,803	549,858	636,742	691,262	773,731
Interest Expended	212,545	241,551	264,490	271,626	332,776	385,710	420,734	467,171
<b>Net Interest Income</b>	<b>142,241</b>	<b>168,330</b>	<b>180,931</b>	<b>186,177</b>	<b>217,082</b>	<b>251,032</b>	<b>270,528</b>	<b>306,560</b>
<b>Other Income</b>	<b>83,650</b>	<b>93,715</b>	<b>116,913</b>	<b>109,671</b>	<b>131,303</b>	<b>157,597</b>	<b>169,267</b>	<b>181,264</b>
<i>Fee Income (CEB)</i>	61,211	67,076	70,283	77,299	88,537	101,766	110,816	125,114
<i>Treasury Income</i>	9,949	10,186	31,738	13,252	7,581	23,500	24,500	20,500
<b>Total Income</b>	<b>225,892</b>	<b>262,044</b>	<b>297,844</b>	<b>295,848</b>	<b>348,385</b>	<b>408,629</b>	<b>439,795</b>	<b>487,825</b>
<b>Total Operating Exp</b>	<b>92,037</b>	<b>101,008</b>	<b>121,999</b>	<b>139,903</b>	<b>158,334</b>	<b>173,483</b>	<b>185,833</b>	<b>203,711</b>
<i>Employee Expense</i>	31,150	33,760	38,919	43,130	47,473	51,907	55,539	60,198
<b>PPOP</b>	<b>133,854</b>	<b>161,036</b>	<b>175,845</b>	<b>155,945</b>	<b>190,051</b>	<b>235,146</b>	<b>253,962</b>	<b>284,114</b>
Provisions & Contingencies	23,286	37,099	121,170	154,729	120,310	132,973	123,270	115,968
<i>Prov. For NPAs</i>	22,125	41,891	115,055	164,544	110,313	122,223	124,020	116,718
<b>PBT</b>	<b>110,568</b>	<b>123,938</b>	<b>54,676</b>	<b>1,216</b>	<b>69,741</b>	<b>102,173</b>	<b>130,692</b>	<b>168,146</b>
Provision For Tax	36,990	41,701	17,883	-1,541	22,975	48,928	32,882	42,306
<b>PAT</b>	<b>73,578</b>	<b>82,237</b>	<b>36,793</b>	<b>2,757</b>	<b>46,766</b>	<b>53,245</b>	<b>97,810</b>	<b>125,841</b>

Source: Bank, HSIE Research

### Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	4,741	4,775	4,790	5,133	5,143	5,636	5,636	5,636
Reserves	442,024	526,883	552,835	629,320	661,620	860,324	950,798	1,067,201
<b>Shareholders' Funds</b>	<b>446,765</b>	<b>531,658</b>	<b>557,625</b>	<b>634,453</b>	<b>666,763</b>	<b>865,961</b>	<b>956,435</b>	<b>1,072,837</b>
<i>Savings</i>	882,921	1,057,931	1,260,483	1,482,020	1,541,288	1,695,417	1,831,050	2,014,155
<i>Current</i>	561,082	636,519	870,017	956,496	892,653	897,117	924,030	970,232
<i>Term Deposit</i>	1,780,416	1,885,225	2,013,288	2,097,711	3,050,772	3,553,660	4,015,232	4,726,582
<b>Total Deposits</b>	<b>3,224,419</b>	<b>3,579,676</b>	<b>4,143,788</b>	<b>4,536,227</b>	<b>5,484,713</b>	<b>6,146,193</b>	<b>6,770,313</b>	<b>7,710,969</b>
Borrowings	797,583	992,264	1,050,309	1,480,161	1,527,758	1,341,151	1,392,446	1,445,911
Other Liabilities	150,557	151,079	262,955	262,455	330,731	347,248	399,719	460,339
<b>Total Liabilities</b>	<b>4,619,324</b>	<b>5,254,676</b>	<b>6,014,677</b>	<b>6,913,296</b>	<b>8,009,965</b>	<b>8,700,553</b>	<b>9,518,912</b>	<b>10,690,056</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	360,990	333,254	502,562	434,549	672,046	510,598	496,379	499,200
Investments	1,175,502	1,220,062	1,287,934	1,538,761	1,749,693	1,791,514	1,943,371	2,159,211
<i>G-Secs</i>	812,460	850,430	905,981	1,013,546	1,168,229	1,278,408	1,387,914	1,557,616
Advances	2,810,830	3,387,737	3,730,693	4,396,503	4,947,980	5,685,229	6,296,391	7,190,478
Fixed Assets	25,143	35,232	37,469	39,717	40,366	42,385	44,504	46,729
Other Assets	246,858	278,391	456,019	503,766	599,880	670,828	738,267	794,437
<b>Total Assets</b>	<b>4,619,324</b>	<b>5,254,676</b>	<b>6,014,677</b>	<b>6,913,296</b>	<b>8,009,965</b>	<b>8,700,553</b>	<b>9,518,912</b>	<b>10,690,056</b>

Source: Bank, HSIE Research

## Axis Bank : Company Update

### Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	31.0	34.4	15.4	1.1	18.2	18.9	34.7	44.7
Earnings Growth (%)	18.3	11.8	(55.3)	(92.5)	1,596.4	13.9	83.7	28.7
BVPS (Rs)	188.5	222.7	232.8	247.2	259.3	307.3	339.4	380.7
Adj. BVPS (Rs)	182.9	212.1	196.8	182.6	215.4	262.7	281.9	338.2
DPS (Rs)	4.6	5.0	5.0	-	1.0	1.4	2.6	3.3
ROAA (%)	1.7	1.7	0.7	0.04	0.63	0.64	1.07	1.25
ROAE (%)	17.8	16.8	6.8	0.5	7.2	6.9	10.7	12.4
P/E (x)	14.7	13.2	28.6	406.4	24.0	22.9	12.4	9.5
P/ABV (x)	2.5	2.1	2.2	2.4	2.0	1.7	1.5	1.3
P/PPOP (x)	1.6	1.4	1.2	1.4	1.2	1.0	1.0	0.8
Dividend Yield (%)	1.0	1.1	1.1	-	0.2	0.3	0.6	0.7
<b>PROFITABILITY</b>								
Yield On Advances (%)	10.1	9.69	9.31	8.40	8.84	9.12	8.92	8.91
Yield On Investment (%)	7.3	7.83	7.67	7.06	6.90	7.10	7.05	7.05
Cost Of Funds (%)	5.8	5.62	5.42	4.85	5.11	5.32	5.38	5.39
Cost Of Deposits (%)	5.7	5.45	5.09	4.42	4.73	4.90	4.92	4.92
Core Spread (%)	4.3	4.07	3.89	3.55	3.74	3.80	3.54	3.52
NIM (%)	3.7	3.80	3.64	3.32	3.33	3.43	3.37	3.41
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	2.2	2.0	2.2	2.2	2.1	2.1	2.0	2.0
Core Cost-Income Ratio (%)	42.6	40.1	45.8	49.5	46.5	45.0	44.7	43.6
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	22.2	20.5	10.1	17.8	12.5	14.9	10.8	14.2
Deposit Growth (%)	14.8	11.0	15.8	9.5	20.9	12.1	10.2	13.9
C/D Ratio (%)	87.2	94.6	90.0	96.9	90.2	92.5	93.0	93.3
Equity/Assets (%)	9.7	10.1	9.3	9.2	8.3	10.0	10.0	10.0
Equity/Advances (%)	15.9	15.7	14.9	14.4	13.5	15.2	15.2	14.9
CASA (%)	44.8	47.3	51.4	53.8	44.4	42.2	40.7	38.7
Capital Adequacy Ratio (CAR, %)	15.1	15.3	15.0	16.6	15.8	18.0	17.9	17.6
W/w Tier I CAR (%)	12.1	12.5	11.9	13.0	12.5	14.9	15.0	14.9
<b>ASSET QUALITY</b>								
Gross NPLs (Rsm)	41,102	60,918	212,862	342,544	297,954	300,998	342,088	291,443
Net NPLs (Rsm)	13,167	25,222	86,266	165,917	112,756	125,649	162,037	119,791
Gross NPLs (%)	1.34	1.67	5.04	6.77	5.26	5.29	5.43	4.05
Net NPLs (%)	0.44	0.70	2.11	3.40	2.06	2.21	2.57	1.67
Slippages (%)	1.12%	2.34%	6.12%	8.2%	3.0%	3.7%	3.6%	2.8%
Coverage Ratio (%)	68.0	58.6	59.5	51.6	62.2	58.3	52.6	58.9
Provision/Avg. Loans (%)	0.70	1.23	3.13	4.08	2.19	2.25	2.04	1.69
<b>ROAA TREE</b>								
Net Interest Income	3.37%	3.41%	3.21%	2.88%	2.91%	3.00%	2.97%	3.03%
Non Interest Income	1.98%	1.90%	2.07%	1.70%	1.76%	1.89%	1.86%	1.79%
Treasury Income	0.24%	0.21%	0.56%	0.21%	0.10%	0.28%	0.27%	0.20%
Operating Cost	2.18%	2.05%	2.17%	2.16%	2.12%	2.08%	2.04%	2.02%
Provisions	0.55%	0.75%	2.15%	2.39%	1.61%	1.59%	1.35%	1.15%
Provisions For NPAs	0.42%	0.77%	1.98%	2.57%	1.37%	1.43%	1.34%	1.13%
Tax	0.88%	0.84%	0.32%	-0.02%	0.31%	0.59%	0.36%	0.42%
ROAA	1.74%	1.67%	0.65%	0.04%	0.63%	0.64%	1.07%	1.25%
Leverage (x)	10.2	10.1	10.3	10.8	11.5	10.9	10.0	10.0
ROAE	17.75%	16.81%	6.76%	0.46%	7.19%	6.95%	10.73%	12.40%

Source: Bank, HSIE Research

# City Union Bank

## Near term challenges, but best in class

CUBK's demonstrable track record across important parameters (growth, asset quality and cost control) makes us believe that it is likely to out-perform its peer-set of regional banks. That being said, CUBK will see appreciably slower growth and higher stress (vs. earlier). However, given CUBK's strong lending franchise, we believe that these troubles may be only temporary. In the past, CUBK has actively pursued restructuring (~10% of its book was restructured after the GFC). We are likely to see a repeat of this (of sorts). CUBK's deposit base is fairly granular and the bank did not see significant outflows post the events at YES. CUBK is the best positioned amongst the smaller regional banks and we maintain our BUY rating with a TP of Rs 176 (Rs 268 earlier).

### Risks

- Slower than expected growth and worse than expected asset quality performance.
- Difficulty in garnering granular deposits at a reasonable cost.

### Change In Estimates

	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	14.5	17.3	8.3	12.5	-625 bps	-475 bps
NIM (%)	4.0	3.9	3.8	3.9	-13 bps	-8 bps
NII Rs bn	19.6	22.6	18.0	20.1	-7.9%	-11.3%
PPOP Rs bn	15.7	17.9	14.9	16.3	-5.4%	-9.1%
PAT Rs bn	8.8	10.3	7.5	8.1	-14.9%	-21.1%
EPS Rs	12.0	14.0	10.2	11.0	-14.9%	-21.1%
ABV Rs	77.7	90.4	72.3	83.2	-6.9%	-7.9%
GNPA (%)	3.2	3.0	4.4	4.2	113 bps	115 bps
NNPA (%)	1.8	1.6	2.6	2.2	79 bps	60 bps
Slippages (%)	2.1	1.9	3.0	2.4	90 bps	50 bps
LLP (%)	1.1	1.0	1.4	1.4	30 bps	39 bps
RoA (%)	1.6	1.6	1.5	1.4	-18 bps	-21 bps
RoE (%)	14.7	14.8	12.7	12.1	-204 bps	-270 bps
TP (Rs)	268		176		-34%	
Multiple (x)	3.0		2.1			

Source: Bank, HSIE Research

## BUY

CMP (as on 20 Apr 2020)	Rs 131
Target Price	Rs 176
NIFTY	9,262

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 268	Rs 176
	FY21E	FY22E
EPS %	-14.9%	-21.1%

### KEY STOCK DATA

Bloomberg code	CUBK IN
No. of Shares (mn)	737
MCap (Rs bn) / (\$ mn)	96/1,257
6m avg traded value (Rs mn)	211
52 Week high / low	Rs 249/110

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(45.4)	(39.5)	(35.4)
Relative (%)	(21.6)	(20.0)	(16.3)

### SHAREHOLDING PATTERN (%)

	Dec-19	Sep-19
Promoters	-	-
FIs & Local MFs	31.6	30.0
FPIs	22.9	22.6
Public & Others	45.6	47.4
Pledged Shares	0.00	0.00

Source : BSE

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## Financials

### Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	26,989	29,442	31,738	34,024	37,672	41,504	44,290	48,518
Interest Expended	18,915	19,632	19,750	19,721	21,557	24,416	26,245	28,436
<b>Net Interest Income</b>	<b>8,074</b>	<b>9,810</b>	<b>11,988</b>	<b>14,303</b>	<b>16,115</b>	<b>17,088</b>	<b>18,046</b>	<b>20,082</b>
<b>Other Income</b>	<b>4,041</b>	<b>4,100</b>	<b>4,839</b>	<b>5,321</b>	<b>5,144</b>	<b>6,881</b>	<b>7,197</b>	<b>7,612</b>
<i>Fee Income (CEB)</i>	430	446	439	495	545	665	721	797
<i>Treasury Income</i>	603	453	1,078	938	326	1,950	1,750	1,500
<b>Total Income</b>	<b>12,115</b>	<b>13,910</b>	<b>16,827</b>	<b>19,624</b>	<b>21,259</b>	<b>23,969</b>	<b>25,243</b>	<b>27,695</b>
<b>Total Operating Exp</b>	<b>5,188</b>	<b>5,577</b>	<b>6,890</b>	<b>7,546</b>	<b>8,859</b>	<b>9,761</b>	<b>10,392</b>	<b>11,438</b>
<i>Employee Expense</i>	2,103	2,132	2,981	3,159	3,644	4,136	4,607	5,125
<b>PPOP</b>	<b>6,927</b>	<b>8,333</b>	<b>9,937</b>	<b>12,078</b>	<b>12,400</b>	<b>14,208</b>	<b>14,851</b>	<b>16,256</b>
Provisions & Contingencies	1,825	2,306	3,010	4,178	3,151	4,320	5,023	5,690
<i>Prov. for NPAs</i>	1,720	2,262	2,595	3,045	2,722	4,320	5,273	5,940
<b>PBT</b>	<b>5,101</b>	<b>6,027</b>	<b>6,928</b>	<b>7,900</b>	<b>9,249</b>	<b>9,888</b>	<b>9,827</b>	<b>10,566</b>
Provision for Tax	1,260	1,580	1,900	1,980	2,420	2,273	2,302	2,471
Exp.Item	-109	0	0	0	0	0	0	0
<b>PAT</b>	<b>3,950</b>	<b>4,447</b>	<b>5,028</b>	<b>5,920</b>	<b>6,829</b>	<b>7,614</b>	<b>7,525</b>	<b>8,096</b>

### Balance Sheet

(Rs mm)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	597	598	601	665	735	735	735	735
Reserves	26,359	29,922	35,101	40,968	47,673	55,021	62,283	70,095
<b>Shareholders' Funds</b>	<b>26,955</b>	<b>30,520</b>	<b>35,702</b>	<b>41,632</b>	<b>48,408</b>	<b>55,755</b>	<b>63,017</b>	<b>70,830</b>
<i>Savings</i>	29,626	36,133	46,297	51,705	64,837	70,348	77,383	85,121
<i>Current</i>	16,681	19,192	24,092	27,862	32,145	32,627	34,258	36,828
<i>Term Deposit</i>	194,443	216,256	230,768	248,959	287,498	311,395	332,000	374,285
<b>Total Deposits</b>	<b>240,750</b>	<b>271,581</b>	<b>301,157</b>	<b>328,526</b>	<b>384,479</b>	<b>414,370</b>	<b>443,641</b>	<b>496,234</b>
Borrowings	1,688	1,125	5,310	17,359	4,810	7,410	5,985	7,096
Other Liabilities & Provs.	9,318	9,293	10,538	11,855	14,892	17,092	19,561	22,388
<b>Total Liabilities</b>	<b>278,711</b>	<b>312,520</b>	<b>352,708</b>	<b>399,372</b>	<b>452,589</b>	<b>494,627</b>	<b>532,204</b>	<b>596,548</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	25,368	26,001	28,790	26,364	29,633	30,522	31,320	35,303
Investments	58,707	63,245	70,315	78,791	77,122	87,627	93,109	103,213
G-Secs	54,875	59,050	66,906	76,344	74,764	84,946	90,059	99,743
Advances	179,655	210,569	238,327	278,528	326,733	355,323	384,637	432,716
Fixed Assets	2,104	2,176	2,151	2,231	2,500	2,625	2,757	2,894
Other Assets	12,878	10,530	13,126	13,458	16,600	18,529	20,382	22,420
<b>Total Assets</b>	<b>278,711</b>	<b>312,520</b>	<b>352,708</b>	<b>399,372</b>	<b>452,589</b>	<b>494,627</b>	<b>532,204</b>	<b>596,548</b>

Source: Bank, HSIE Research

## Key Ratios

Particulars	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	6.6	7.4	8.4	8.9	9.3	10.4	10.2	11.0
Earnings Growth (%)	13.8	12.6	13.1	17.7	15.3	11.5	(1.2)	7.6
BVPS (Rs)	45.2	51.0	59.4	62.6	65.9	75.9	85.8	96.4
Adj. BVPS (Rs)	41.3	45.6	52.6	55.5	57.9	66.3	72.3	83.2
DPS (Rs)	1.1	1.2	0.3	0.3	0.5	0.4	0.4	0.4
ROAA (%)	1.49	1.50	1.51	1.57	1.60	1.61	1.47	1.43
ROAE (%)	16.7	15.5	15.2	15.3	15.2	14.6	12.7	12.1
P/E (x)	19.7	17.6	15.6	14.7	14.0	12.6	12.7	11.8
P/ABV (x)	3.16	2.86	2.48	2.35	2.26	1.97	1.81	1.57
P/PPOP (x)	11.2	9.4	7.9	7.2	7.7	6.8	6.5	5.9
Dividend Yield (%)	0.8	0.9	0.2	0.2	0.4	0.3	0.3	0.3
<b>PROFITABILITY</b>								
Yield On Advances (%)	12.72	12.13	11.54	10.99	10.50	10.42	10.23	10.16
Yield On Investment (%)	8.33	8.87	8.06	7.01	7.10	6.80	6.70	6.70
Cost Of Funds (%)	8.12	7.62	6.82	6.05	5.86	6.02	6.02	5.97
Cost of Deposits (%)	8.04	7.51	6.78	6.12	5.91	5.99	6.01	5.94
Core Spread (%)	4.60	4.51	4.72	4.94	4.64	4.40	4.20	4.19
NIM (%)	3.34	3.65	3.94	4.16	4.14	3.94	3.83	3.87
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	2.0	1.9	2.1	2.0	2.1	2.1	2.0	2.0
Cost-Income Ratio (Excl. Treasury)	45.1	41.4	43.7	40.4	42.3	44.3	44.2	43.7
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	11.6	17.2	13.2	16.9	17.3	8.7	8.3	12.5
Deposit Growth (%)	9.3	12.8	10.9	9.1	17.0	7.8	7.1	11.9
C/D Ratio (%)	74.6	77.5	79.1	84.8	85.0	85.8	86.7	87.2
Equity/Assets (%)	9.7	9.8	10.1	10.4	10.7	11.3	11.8	11.9
Equity/Advances (%)	15.0	14.5	15.0	14.9	14.8	15.7	16.4	16.4
CASA (%)	19.2	20.4	23.4	24.2	25.2	24.9	25.2	24.6
Capital Adequacy Ratio (CAR, %)	16.5	15.6	15.8	16.2	15.6	16.1	16.6	16.4
W/w Tier I CAR (%)	16.0	15.1	15.4	15.8	15.0	15.8	16.3	16.2
<b>ASSET QUALITY</b>								
Gross NPLs (Rs mn)	3,358	5,120	6,820	8,565	9,770	12,609	17,102	18,401
Net NPLs (Rs mn)	2,328	3,232	4,083	4,748	5,915	7,022	9,892	9,731
Gross NPLs (%)	1.86	2.41	2.83	3.03	2.95	3.49	4.36	4.17
Net NPLs (%)	1.30	1.53	1.71	1.70	1.81	1.98	2.57	2.25
Slippages (%)	2.50	2.20	2.14	2.22	2.09	2.50	3.00	2.40
Coverage Ratio (%)	30.7	36.9	40.1	44.6	39.5	44.3	42.2	47.1
Provision/Avg. Loans (%)	0.97	1.05	1.12	1.17	0.89	1.25	1.41	1.43
<b>ROAA TREE</b>								
Net Interest Income	3.05%	3.32%	3.60%	3.80%	3.78%	3.61%	3.51%	3.56%
Non-interest Income	1.53%	1.39%	1.45%	1.42%	1.21%	1.45%	1.40%	1.35%
Treasury Income	0.23%	0.15%	0.32%	0.25%	0.08%	0.41%	0.34%	0.27%
Operating Cost	1.96%	1.89%	2.07%	2.01%	2.08%	2.06%	2.02%	2.03%
Provisions	0.69%	0.78%	0.90%	1.11%	0.74%	0.91%	0.98%	1.01%
Provisions For NPAs	0.62%	0.69%	0.76%	0.81%	0.63%	0.90%	1.01%	1.04%
Tax	0.48%	0.53%	0.57%	0.53%	0.57%	0.48%	0.45%	0.44%
ROAA	1.45%	1.50%	1.51%	1.57%	1.60%	1.61%	1.47%	1.43%
Leverage (x)	11.2	10.3	10.0	9.7	9.5	9.1	8.6	8.4
ROAE	16.3%	15.5%	15.2%	15.3%	15.2%	14.6%	12.7%	12.1%

Source: Company, HSIE Research

# DCB Bank

## Near term challenges

DCBB is likely to see slower growth and some asset quality troubles due to its significant exposure to the LAP/MSME segment (52% of the book). In terms of the bank's long-term prospects, we derive confidence from its conservative practices, historical performance, absence of large ticket loans and limited exposure to precarious sectors (unsecured retail, NBFCs etc.). DCBB did witness some bulk deposit outflows post the events at YES, and the bank will need to focus on improving deposit granularity. We maintain **ADD** our rating on the stock despite the steep correction. Our revised TP is Rs 114 (Rs 223 earlier).

### Risks

- Significant asset quality deterioration.
- Slower growth due to an extended disruption in economic activity.
- Higher than expected margin pressure in the core segment (LAP).

### Change In Estimates

	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	16.2	18.5	8.3	14.6	-790 bps	-392 bps
NIM (%)	3.7	3.7	3.5	3.5	-19 bps	-19 bps
NII Rs bn	15.0	17.5	13.6	15.0	-9.6%	-14.3%
PPOP Rs bn	8.9	10.6	7.8	8.5	-12.8%	-19.8%
PAT Rs bn	4.9	6.0	3.7	4.0	-23.8%	-33.0%
EPS Rs	15.9	19.5	12.1	13.0	-23.8%	-33.0%
ABV Rs	110.9	129.0	100.8	116.0	-9.1%	-10.1%
GNPA (%)	1.9	1.7	2.9	2.5	102 bps	77 bps
NNPA (%)	0.7	0.5	1.4	0.9	72 bps	37 bps
Slippages (%)	2.3	2.0	3.3	2.6	95 bps	60 bps
LLP (%)	0.7	0.7	1.0	1.0	25 bps	31 bps
RoA (%)	1.2	1.2	0.9	0.9	-23 bps	-32 bps
RoE (%)	13.4	14.5	10.4	10.2	-296 bps	-424 bps
TP (Rs)	223		114		-48%	
Multiple (x)	1.8		1.0			

Source: Bank, HSIE Research

## ADD

CMP (as on 20 Apr 2020)	Rs 96	
Target Price	Rs 114	
NIFTY	9,262	
KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 223	Rs 114
EPS %	FY21E	FY22E
	-23.8%	-33.0%

### KEY STOCK DATA

Bloomberg code	DCBB IN
No. of Shares (mn)	310
MCap (Rs bn) / (\$ mn)	30/389
6m avg traded value (Rs mn)	134
52 Week high / low	Rs 245/73

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(51.5)	(47.3)	(52.7)
Relative (%)	(27.8)	(27.8)	(33.6)

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	14.9	14.9
FIs & Local MFs	30.0	26.2
FPIs	24.1	24.6
Public & Others	31.0	34.3
Pledged Shares	0.00	0.00

Source : BSE

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## Financials

### Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	14,224	16,985	20,761	24,130	30,415	34,364	36,909	40,620
Interest Expended	9,142	10,790	12,791	14,176	18,922	21,558	23,337	25,638
<b>Net Interest Income</b>	<b>5,082</b>	<b>6,195</b>	<b>7,971</b>	<b>9,954</b>	<b>11,493</b>	<b>12,807</b>	<b>13,572</b>	<b>14,983</b>
<b>Non-interest Income</b>	<b>1,657</b>	<b>2,205</b>	<b>2,489</b>	<b>3,103</b>	<b>3,502</b>	<b>3,862</b>	<b>4,248</b>	<b>4,607</b>
<i>Fee Income (CEB)</i>	1,193	1,405	1,651	2,176	2,399	2,490	2,726	3,156
<i>Treasury Income</i>	277	423	454	454	386	650	750	625
<b>Total Income</b>	<b>6,739</b>	<b>8,400</b>	<b>10,459</b>	<b>13,057</b>	<b>14,995</b>	<b>16,669</b>	<b>17,820</b>	<b>19,589</b>
<b>Total Operating Exp</b>	<b>3,965</b>	<b>4,909</b>	<b>6,277</b>	<b>7,807</b>	<b>8,529</b>	<b>9,183</b>	<b>10,021</b>	<b>11,070</b>
<i>Employee Expense</i>	1,960	2,451	3,080	3,812	4,340	4,809	5,382	6,012
<b>PPOP</b>	<b>2,774</b>	<b>3,490</b>	<b>4,182</b>	<b>5,250</b>	<b>6,466</b>	<b>7,486</b>	<b>7,799</b>	<b>8,520</b>
Provisions & Contingencies	694	879	1,115	1,388	1,401	2,365	2,799	3,126
<i>Prov. For NPAs (Incl. Std Prov.)</i>	590	760	1,082	1,338	1,381	2,215	2,949	3,276
<b>PBT</b>	<b>2,080</b>	<b>2,611</b>	<b>3,067</b>	<b>3,862</b>	<b>5,065</b>	<b>5,122</b>	<b>4,999</b>	<b>5,393</b>
Provision for Tax	168	666	1,070	1,408	1,812	1,537	1,258	1,357
<b>PAT</b>	<b>1,912</b>	<b>1,945</b>	<b>1,997</b>	<b>2,453</b>	<b>3,254</b>	<b>3,585</b>	<b>3,741</b>	<b>4,036</b>

### Balance Sheet

(Rsmn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	2,852	2,860	2,869	3,095	3,107	3,107	3,107	3,107
Reserves	13,034	15,062	19,179	24,983	28,049	31,236	34,561	38,148
<b>Shareholders' Funds</b>	<b>15,886</b>	<b>17,922</b>	<b>22,049</b>	<b>28,078</b>	<b>31,156</b>	<b>34,343</b>	<b>37,668</b>	<b>41,255</b>
<i>Savings</i>	19,040	23,127	31,545	40,048	49,757	57,220	62,942	72,383
<i>Current</i>	10,461	11,771	15,347	18,355	18,342	19,259	20,222	22,245
<i>Term Deposit</i>	96,591	114,361	146,000	181,665	216,252	231,929	250,180	285,919
<b>Total Deposits</b>	<b>126,091</b>	<b>149,260</b>	<b>192,892</b>	<b>240,069</b>	<b>284,351</b>	<b>308,408</b>	<b>333,344</b>	<b>380,547</b>
Borrowings	11,638	11,479	12,758	19,267	27,232	29,949	30,410	31,931
Other Liabilities	7,708	12,525	12,765	14,807	15,179	16,411	18,516	20,896
<b>Total Liabilities</b>	<b>161,323</b>	<b>191,185</b>	<b>240,464</b>	<b>302,221</b>	<b>357,918</b>	<b>389,111</b>	<b>419,939</b>	<b>474,630</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	7,192	8,916	11,925	23,720	27,934	26,514	28,358	29,113
Investments	39,622	43,333	58,179	62,190	78,441	84,148	89,716	100,553
<i>G-Secs</i>	34,749	39,855	47,711	49,090	60,007	64,766	69,336	79,154
Advances	104,651	129,214	158,176	203,367	235,680	262,147	284,009	325,368
Fixed Assets	2,367	2,480	4,886	4,940	5,260	5,391	5,526	5,664
Other Assets	7,492	7,242	7,298	8,004	10,604	10,911	12,329	13,932
<b>Total Assets</b>	<b>161,323</b>	<b>191,185</b>	<b>240,464</b>	<b>302,221</b>	<b>357,918</b>	<b>389,111</b>	<b>419,939</b>	<b>474,630</b>

Source: Bank, HSIE Research



## Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	6.8	6.8	7.0	8.0	10.5	11.6	12.1	13.0
Earnings Growth (%)	26.3	1.7	2.7	22.9	32.6	10.2	4.3	7.9
BVPS (Rs)	56.2	63.0	77.2	91.1	100.6	110.9	121.7	133.2
Adj. BVPS (Rs)	50.6	57.8	63.9	78.2	87.8	93.7	100.8	116.0
DPS (Rs)	0.0	0.0	0.5	0.8	1.0	1.1	1.1	1.2
ROAA (%)	1.32	1.10	0.93	0.90	0.99	0.96	0.92	0.90
ROAE (%)	14.0	11.5	10.0	9.8	11.0	11.0	10.4	10.2
P/E (x)	14.1	14.0	13.7	12.0	9.1	8.3	7.9	7.3
P/ABV (x)	1.89	1.66	1.50	1.22	1.09	1.02	0.95	0.83
P/PPOP (x)	9.8	7.8	6.6	5.6	4.6	4.0	3.8	3.5
Dividend Yield (%)	-	-	0.5	0.8	1.0	1.1	1.2	1.3
<b>PROFITABILITY</b>								
Yield On Advances (%)	11.81	11.58	11.46	10.73	11.02	11.09	10.91	10.80
Yield On Investment (%)	6.90	7.42	7.75	6.99	7.61	7.50	7.40	7.30
Cost Of Deposits (%)	7.33	7.33	6.89	5.95	6.52	6.57	6.62	6.55
Core Spread (%)	4.47	4.25	4.58	4.78	4.50	4.52	4.29	4.25
NIM (%)	3.68	3.72	3.89	3.85	3.64	3.58	3.50	3.50
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	2.7	2.8	2.9	2.9	2.6	2.5	2.5	2.5
Cost-Income Ratio (Ex. Treasury)	61.4	61.5	62.7	61.9	58.4	57.3	58.7	58.4
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	28.6	23.5	22.4	28.6	15.9	11.2	8.3	14.6
Deposit Growth (%)	22.1	18.4	29.2	24.5	18.4	8.5	8.1	14.2
C/D Ratio (%)	83.0	86.6	82.0	84.7	82.9	85.0	85.2	85.5
Equity/Assets (%)	9.8	9.4	9.2	9.3	8.7	8.8	9.0	8.7
Equity/Advances (%)	15.2	13.9	13.9	13.8	13.2	13.1	13.3	12.7
CASA (%)	23.4	23.4	24.3	24.3	23.9	24.8	24.9	24.9
Capital Adequacy Ratio (CAR, %)	15.0	14.1	13.8	16.5	16.8	16.8	16.8	16.1
W/w Tier I CAR (%)	14.2	12.8	11.9	12.7	13.1	13.4	13.7	13.3
<b>ASSET QUALITY</b>								
Gross NPLs (Rs mn)	1,861	1,974	2,542	3,690	4,395	6,296	8,560	8,350
Net NPLs (Rs mn)	1,057	975	1,244	1,467	1,538	2,893	4,015	2,891
Gross NPLs (%)	1.69	1.51	1.59	1.79	1.84	2.35	2.93	2.50
Net NPLs (%)	0.91	0.75	0.79	0.72	0.65	1.10	1.41	0.89
Slippage (%)	1.87%	1.93%	1.82%	1.93%	1.92%	2.90%	3.25%	2.60%
Coverage Ratio (%)	43.2	50.6	51.1	60.2	65.0	54.0	53.1	65.4
Provision/Avg. Loans (%)	0.45	0.54	0.60	0.71	0.60	0.74	0.98	0.97
<b>ROAA TREE</b>								
Net Interest Income	3.50%	3.51%	3.69%	3.67%	3.48%	3.43%	3.36%	3.35%
Non-interest Income	1.14%	1.25%	1.15%	1.14%	1.06%	1.03%	1.05%	1.03%
<i>Treasury Income</i>	0.19%	0.24%	0.21%	0.17%	0.12%	0.17%	0.19%	0.14%
Operating Cost	2.73%	2.79%	2.91%	2.88%	2.58%	2.46%	2.48%	2.47%
Provisions	0.48%	0.50%	0.52%	0.51%	0.42%	0.63%	0.69%	0.70%
<i>Provisions For NPAs</i>	0.29%	0.36%	0.40%	0.48%	0.40%	0.49%	0.66%	0.66%
Tax	0.12%	0.38%	0.50%	0.52%	0.55%	0.41%	0.31%	0.30%
ROAA	1.32%	1.10%	0.93%	0.90%	0.99%	0.96%	0.92%	0.90%
Leverage (x)	10.62	10.44	10.81	10.76	11.49	11.33	11.15	11.50
ROAE	13.97%	11.52%	10.00%	9.73%	11.32%	10.88%	10.31%	10.38%

Source: Bank, HSIE Research

# Federal Bank

## Risks more than priced in

Federal Bank (FB) is likely to see significantly slower growth, and a bump up in stress, given its historical volatile asset quality performance. The bank's surprisingly granular liability base (CASA 31.5%, retail deposits 85%+) should shield it against liability-side stress that some mid-tier private banks are facing. In the interim, FB may need to work on shoring up coverage, as existing calc. PCR (46.4%) is quite low. It may also be a while before we see any oplev gains at the bank (this has been a pain point). The approval of an extension for the incumbent MD & CEO remains a near-term overhang. Post the recent correction, we upgrade the stock to BUY (from ADD) with a TP of Rs 71 (Rs 112 earlier)

### Risks

- Greater than expected asset quality deteriorating given higher MSME portfolio
- Slower than expected growth.
- Non-receipt of approval for extension of the term of the incumbent MD&CEO.

### Change In Estimates

	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	14.8	15.3	10.5	12.3	-425 bps	-300 bps
NIM (%)	3.1	3.2	3.0	3.0	-13 bps	-18 bps
NII Rs bn	54.5	63.1	50.8	56.0	-6.8%	-11.3%
PPOP Rs bn	37.0	42.8	34.3	36.6	-7.5%	-14.5%
PAT Rs bn	19.5	23.6	16.5	17.0	-15.1%	-27.7%
EPS Rs	9.8	11.9	8.3	8.6	-15.1%	-27.7%
ABV Rs	73.7	83.9	66.7	76.7	-9.5%	-8.5%
GNPA (%)	2.7	2.4	3.9	3.5	119 bps	103 bps
NNPA (%)	1.1	0.9	2.0	1.4	87 bps	47 bps
Slippages (%)	1.5	1.4	2.5	1.8	100 bps	45 bps
LLP (%)	0.7	0.6	1.0	1.0	24 bps	33 bps
RoA (%)	1.0	1.1	0.9	0.8	-13 bps	-26 bps
RoE (%)	12.6	13.7	10.8	10.2	-180 bps	-348 bps
TP (Rs)	112		71		-37%	
Multiple (x)	1.3		0.9			

Source: Bank, HSIE Research

## BUY

CMP (as on 20 Apr 2020)	Rs 46	
Target Price	Rs 71	
NIFTY	9,262	
KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	Rs 112	Rs 71
EPS %	FY21E	FY22E
	-15.1%	-27.7%

### KEY STOCK DATA

Bloomberg code	FB IN
No. of Shares (mn)	1,992
MCap (Rs bn) / (\$ mn)	92/1,198
6m avg traded value (Rs mn)	1,049
52 Week high / low	Rs 110/36

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(50.9)	(45.2)	(52.5)
Relative (%)	(27.1)	(25.7)	(33.4)

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	-	-
FIs & Local MFs	35	37
FPIs	36	32
Public & Others	31	30
Pledged Shares		

Source : BSE

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## Financials

### Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	74,195	77,482	86,774	97,529	114,190	129,249	140,031	152,860
Interest Expended	50,391	52,404	56,247	61,701	72,427	82,186	89,261	96,901
<b>Net Interest Income</b>	<b>23,804</b>	<b>25,077</b>	<b>30,526</b>	<b>35,828</b>	<b>41,763</b>	<b>47,062</b>	<b>50,770</b>	<b>55,959</b>
<b>Other Income</b>	<b>8,783</b>	<b>8,082</b>	<b>10,818</b>	<b>11,591</b>	<b>13,510</b>	<b>16,301</b>	<b>18,144</b>	<b>19,236</b>
Fee Income (CEB)	3,811	4,155	5,761	6,368	8,010	9,894	10,933	12,273
Treasury Income	2,557	1,275	3,087	2,389	2,284	2,750	3,250	2,750
<b>Total Income</b>	<b>32,587</b>	<b>33,159</b>	<b>41,345</b>	<b>47,419</b>	<b>55,274</b>	<b>63,364</b>	<b>68,914</b>	<b>75,194</b>
<b>Total Operating Exp</b>	<b>16,309</b>	<b>18,921</b>	<b>22,095</b>	<b>24,509</b>	<b>27,643</b>	<b>31,465</b>	<b>34,664</b>	<b>38,578</b>
Employee Expense	8,920	10,529	11,638	12,425	13,778	16,280	18,661	21,378
<b>PPOP</b>	<b>16,278</b>	<b>14,238</b>	<b>19,249</b>	<b>22,910</b>	<b>27,631</b>	<b>31,899</b>	<b>34,251</b>	<b>36,616</b>
Provisions & Contingencies	1,067	7,041	6,184	9,472	8,559	10,400	12,080	13,750
Prov. for NPAs	2,043	5,553	4,051	7,527	6,306	9,313	12,505	14,081
<b>PBT</b>	<b>15,210</b>	<b>7,197</b>	<b>13,065</b>	<b>13,439</b>	<b>19,073</b>	<b>21,499</b>	<b>22,171</b>	<b>22,866</b>
Provision for Tax	5,153	2,440	4,757	4,650	6,634	5,482	5,654	5,831
<b>PAT</b>	<b>10,057</b>	<b>4,757</b>	<b>8,308</b>	<b>8,788</b>	<b>12,439</b>	<b>16,017</b>	<b>16,517</b>	<b>17,035</b>

Source: Company, HSIE Research

### Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	1,713	3,438	3,448	3,944	3,970	3,970	3,970	3,970
Reserves	75,668	77,474	85,976	118,158	128,760	141,882	155,414	169,370
<b>Shareholders' Funds</b>	<b>77,381</b>	<b>80,912</b>	<b>89,424</b>	<b>122,102</b>	<b>132,730</b>	<b>145,852</b>	<b>159,384</b>	<b>173,340</b>
Savings	177,269	214,222	263,977	309,198	349,786	402,252	442,475	497,783
Current	40,566	46,304	56,552	67,669	87,528	83,152	87,309	93,857
Term Deposits	490,415	531,191	656,117	743,058	912,230	1,021,697	1,103,433	1,224,811
<b>Total Deposits</b>	<b>708,250</b>	<b>791,717</b>	<b>976,646</b>	<b>1,119,925</b>	<b>1,349,543</b>	<b>1,507,101</b>	<b>1,633,218</b>	<b>1,816,451</b>
Borrowings	23,082	21,766	58,973	115,335	77,813	85,345	89,612	96,333
Other Liabilities & Provs	19,791	19,905	24,727	25,777	33,313	40,198	43,839	47,825
<b>Total Liabilities</b>	<b>828,505</b>	<b>914,300</b>	<b>1,149,769</b>	<b>1,383,140</b>	<b>1,593,400</b>	<b>1,778,496</b>	<b>1,926,053</b>	<b>2,133,949</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	47,800	54,198	74,522	92,034	100,668	126,522	127,914	145,578
Investments	205,688	222,175	281,961	307,811	318,241	333,402	347,534	368,119
G-Secs	168,761	170,040	215,654	244,662	273,508	290,117	310,311	336,044
Advances	512,850	580,901	733,363	919,575	1,102,230	1,236,812	1,366,677	1,534,095
Fixed Assets	4,666	5,200	4,895	4,574	4,720	4,956	5,204	5,464
Other Assets	57,500	51,826	55,029	59,146	67,541	76,804	78,724	80,692
<b>Total Assets</b>	<b>828,505</b>	<b>914,300</b>	<b>1,149,769</b>	<b>1,383,140</b>	<b>1,593,400</b>	<b>1,778,496</b>	<b>1,926,053</b>	<b>2,133,949</b>

Source: Bank, HSIE Research

## Federal Bank : Company Update

### Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	5.9	2.8	4.8	4.5	6.3	8.1	8.3	8.6
Earnings Growth (%)	19.9	(52.7)	74.7	5.8	41.5	28.8	3.1	3.1
BVPS (Rs)	45.1	47.1	51.9	61.9	66.9	73.5	80.3	87.3
Adj. BVPS (Rs)	42.9	41.5	46.4	54.0	58.7	64.6	66.7	76.7
DPS (Rs)	0.6	0.7	0.9	1.0	1.4	1.2	1.2	1.3
ROAA (%)	1.28	0.55	0.81	0.69	0.84	0.95	0.89	0.84
ROAE (%)	13.7	6.0	9.8	8.3	9.8	11.5	10.8	10.2
P/E (x)	7.8	16.6	9.6	10.3	7.3	5.7	5.5	5.4
P/ABV (x)	1.07	1.11	0.99	0.85	0.78	0.71	0.69	0.60
P/PPOP (x)	4.8	5.6	4.1	4.0	3.3	2.9	2.7	2.5
Dividend Yield (%)	1.2	1.5	2.0	2.2	3.0	2.6	2.7	2.8
<b>PROFITABILITY</b>								
Yield on Advances (%)	11.50	10.37	9.96	9.12	8.99	8.88	8.66	8.55
Yield on Investment (%)	7.38	8.24	7.15	6.50	6.51	6.65	6.60	6.60
Cost of Funds (%)	7.27	6.78	6.08	5.43	5.44	5.44	5.38	5.33
Cost of Deposits (%)	7.09	6.75	6.11	5.46	5.46	5.39	5.34	5.27
Core Spread (%)	4.23	3.58	3.88	3.69	3.55	3.44	3.28	3.22
NIM (%)	3.35	3.23	3.28	3.10	3.07	3.06	3.01	3.01
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	2.1	2.2	2.1	1.9	1.9	1.9	1.9	1.9
Cost-Income Ratio (Excl Treasury)	54.3	59.3	57.8	54.4	52.2	51.9	52.8	53.3
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	18.1	13.3	26.2	25.4	19.9	12.2	10.5	12.3
Deposit Growth (%)	18.6	11.8	23.4	14.7	20.5	11.7	8.4	11.2
C/D Ratio (%)	72.4	73.4	75.1	82.1	81.7	82.1	83.7	84.5
Equity/Assets (%)	9.3	8.8	7.8	8.8	8.3	8.2	8.3	8.1
Equity/Advances (%)	15.1	13.9	12.2	13.3	12.0	11.8	11.7	11.3
CASA (%)	30.8	32.9	32.8	33.7	32.4	32.2	32.4	32.6
Capital Adequacy Ratio (CAR, %)	15.5	13.9	12.4	14.7	14.1	13.9	14.0	13.8
w/w Tier I CAR (%)	14.8	13.4	11.8	14.2	13.4	13.2	13.4	13.2
<b>ASSET QUALITY</b>								
Gross NPLs (Rs mn)	10,577	16,678	17,271	27,956	32,607	37,681	53,268	53,007
Net NPLs (Rs mn)	3,733	9,500	9,412	15,520	16,262	17,641	27,044	21,002
Gross NPLs (%)	2.0	2.84	2.33	3.00	2.92	3.05	3.90	3.46
Net NPLs (%)	1.0	1.64	1.28	1.69	1.48	1.43	1.98	1.37
Slippages (%)	1.72%	3.47%	1.64%	2.66%	1.65%	1.80%	2.50%	1.80%
Coverage Ratio (%)	64.7	43.0	45.5	44.5	50.1	53.2	49.2	60.4
LLP/Avg. Loans (%)	0.43	1.0	0.6	0.91	0.62	0.80	0.96	0.97
<b>ROAA TREE</b>								
Net Interest Income	3.02%	2.88%	2.96%	2.83%	2.81%	2.79%	2.74%	2.76%
Non-interest Income	1.12%	0.93%	1.05%	0.92%	0.91%	0.97%	0.98%	0.95%
Treasury Income	0.32%	0.15%	0.30%	0.19%	0.15%	0.16%	0.18%	0.14%
Operating Cost	2.07%	2.17%	2.14%	1.94%	1.86%	1.87%	1.87%	1.90%
Provisions	0.14%	0.81%	0.60%	0.75%	0.58%	0.62%	0.65%	0.68%
Provisions for NPAs	0.26%	0.64%	0.39%	0.59%	0.42%	0.55%	0.68%	0.69%
Tax	0.65%	0.28%	0.46%	0.37%	0.45%	0.33%	0.31%	0.29%
ROAA	1.28%	0.55%	0.81%	0.69%	0.84%	0.95%	0.89%	0.84%
Leverage (x)	10.72	11.01	12.12	11.97	11.68	12.10	12.14	12.20
ROAE	13.69%	6.01%	9.75%	8.31%	9.76%	11.50%	10.82%	10.24%

Source: Bank, HSIE Research

# ICICI Bank

## Well placed and attractive

ICICIB is fairly well-placed in the current environment, on a/c of its strong, granular deposit franchise (CASA 47%, retail deposits 60%) and adequate capital (CRAR 16.5%, w/w Tier I 15.0%). ICICIB also has best-in-class coverage on existing stress (PCR at 76.1%). Underwriting and risk practices have improved in recent times. Limited exposure to SME (3.4%) and unsecured loans (9.2%) provides some comfort. We maintain BUY with an SOTP TP of Rs 435 (Rs 639 earlier). Remains preferred bet.

### Risks

- Sharper than expected deterioration in asset quality and a significant rise in BB and below rated corporate loans.
- Significant delay in bad loan resolution and recoveries
- Slower than expected growth.
- Weaker performance of subsidiaries

### Change In Estimates

	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	16.7	16.8	10.4	13.8	-631 bps	-310 bps
NIM (%)	3.7	3.8	3.6	3.7	-16 bps	-16 bps
NII Rs bn	381.4	446.5	352.4	398.6	-7.6%	-10.7%
PPOP Rs bn	339.9	401.6	314.2	353.4	-7.5%	-12.0%
PAT Rs bn	172.0	223.9	146.4	174.0	-14.9%	-22.3%
EPS Rs	26.7	34.7	22.7	27.0	-14.9%	-22.3%
ABV Rs	181.2	209.5	168.0	190.2	-7.3%	-9.2%
GNPA (%)	4.6	3.9	5.8	5.1	119 bps	119 bps
NNPA (%)	1.0	1.0	1.8	1.6	81 bps	62 bps
Slippages (%)	1.6	1.5	2.3	2.0	65 bps	50 bps
LLP (%)	1.5	1.2	1.7	1.5	19 bps	34 bps
RoA (%)	1.5	1.7	1.3	1.4	-19 bps	-30 bps
RoE (%)	13.9	16.0	12.0	13.0	-190 bps	-305 bps
TP (Rs)	639		435		-32%	
Multiple (x)	2.4		1.6			

Source: Bank, HSIE Research

## BUY

CMP (as on 20 Apr 2020)		Rs 362
Target Price		Rs 435
NIFTY		9,262
<b>KEY CHANGES</b>	<b>OLD</b>	<b>NEW</b>
Rating	BUY	BUY
Price Target	Rs 639	Rs 435
EPS %	FY21E	FY22E
	-14.9%	-22.3%

### KEY STOCK DATA

Bloomberg code	ICICIB IN
No. of Shares (mn)	6,473
MCap (Rs bn) / (\$ mn)	2,339/30,542
6m avg traded value (Rs mn)	13,222
52 Week high / low	Rs 552/268

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(29.4)	(14.8)	(7.7)
Relative (%)	(4.7)	4.3	11.8

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	-	-
FIs & Local MFs	47.7	41.7
FPIs	40.8	45.3
Public & Others	11.5	13.0
Pledged Shares		

Source : BSE

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**SOTP**

	<b>Rs bn</b>	<b>Per Share</b>	<b>Rationale</b>
ICICI Bank	1,987	308	1.6x Mar-22E ABV of Rs 190
ICICI Life Insurance	315	49	Mar-21 EV + 21.0x Mar-22E VNB
ICICI Lombard	279	43	26.7x Mar-22E EPS
ICICI AMC	183	28	8% of FY21E AUM
ICICI UK	36	6	1x FY22E BV
ICICI Canada	45	7	1x FY22E BV
ICICI Housing Finance	23	3	1x FY22E BV
ICICI Sec	73	11	18x Mar-22E EPS
Others	64	10	I Ventures and Others
<b>Total Value Of Subsidiaries</b>	<b>1,019</b>	<b>158</b>	
Less: 20% Holdco Discount	204	32	
<b>Net Value Of Subsidiaries</b>	<b>815</b>	<b>126</b>	
<b>Total Value</b>	<b>2,802</b>	<b>435</b>	
Current Value	2,331	362	
<b>Upside (%)</b>	<b>20.2 %</b>	<b>20.2%</b>	

## Financials

### Income Statement

(Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	490.9	527.4	541.6	549.7	634.0	729.6	802.9	887.2
Interest Expended	300.5	315.2	324.2	319.4	363.9	411.0	450.4	488.6
<b>Net Interest Income</b>	<b>190.4</b>	<b>212.2</b>	<b>217.4</b>	<b>230.3</b>	<b>270.1</b>	<b>318.6</b>	<b>352.4</b>	<b>398.6</b>
<b>Other Income</b>	<b>121.8</b>	<b>153.2</b>	<b>195.0</b>	<b>174.2</b>	<b>145.1</b>	<b>165.8</b>	<b>186.3</b>	<b>202.0</b>
<i>Fee Income (CEB)</i>	69.8	74.6	80.3	87.9	102.3	116.0	125.9	140.7
<i>Treasury Income</i>	15.5	38.0	86.2	57.9	13.4	17.5	25.5	23.5
<b>Total Income</b>	<b>312.2</b>	<b>365.5</b>	<b>412.4</b>	<b>404.5</b>	<b>415.3</b>	<b>484.4</b>	<b>538.7</b>	<b>600.6</b>
<b>Total Operating Exp</b>	<b>115.0</b>	<b>126.8</b>	<b>147.6</b>	<b>157.0</b>	<b>180.9</b>	<b>206.7</b>	<b>224.5</b>	<b>247.2</b>
<i>Employee Expense</i>	47.5	50.0	57.3	59.1	68.1	80.4	88.8	98.0
<b>PPOP</b>	<b>197.2</b>	<b>238.6</b>	<b>264.9</b>	<b>247.4</b>	<b>234.4</b>	<b>277.7</b>	<b>314.2</b>	<b>353.4</b>
Provisions & Contingencies	39.0	116.7	152.1	171.1	196.6	129.0	118.6	120.8
<i>Prov. For NPAs (Incl. Std Prov.)</i>	35.3	75.1	143.5	145.2	168.1	130.5	120.1	122.3
<b>PBT</b>	<b>158.2</b>	<b>122.0</b>	<b>112.8</b>	<b>76.3</b>	<b>37.8</b>	<b>148.7</b>	<b>195.6</b>	<b>232.6</b>
Provision For Tax	46.4	24.7	14.8	8.6	4.1	61.7	49.2	58.5
<b>PAT</b>	<b>111.8</b>	<b>97.3</b>	<b>98.0</b>	<b>67.8</b>	<b>33.6</b>	<b>87.0</b>	<b>146.4</b>	<b>174.0</b>

Source: Bank, HSIE Research

### Balance Sheet

(Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	11.6	11.6	11.7	12.9	12.9	12.9	12.9	12.9
Reserves	792.6	885.7	987.8	1,038.7	1,070.7	1,143.6	1,261.7	1,400.1
<b>Shareholders' Funds</b>	<b>804.2</b>	<b>897.3</b>	<b>999.4</b>	<b>1,051.5</b>	<b>1,083.6</b>	<b>1,156.5</b>	<b>1,274.6</b>	<b>1,413.0</b>
<i>Savings</i>	1,148.6	1,342.3	1,718.4	2,009.7	2,276.7	2,527.1	2,830.4	3,198.4
<i>Current</i>	495.2	588.7	749.8	889.6	962.7	1,059.0	1,133.1	1,212.4
<i>Term Deposit</i>	1,971.8	2,283.3	2,432.2	2,710.5	3,289.8	3,947.8	4,243.8	4,668.2
<b>Total Deposits</b>	<b>3,615.6</b>	<b>4,214.3</b>	<b>4,900.4</b>	<b>5,609.8</b>	<b>6,529.2</b>	<b>7,533.9</b>	<b>8,207.3</b>	<b>9,079.0</b>
Borrowings	1,724.2	1,748.1	1,475.6	1,828.6	1,653.2	1,537.5	1,552.9	1,646.1
Other Liabilities	317.2	347.3	342.5	302.0	378.5	416.4	466.3	522.3
<b>Total Liabilities</b>	<b>6,461.3</b>	<b>7,207.0</b>	<b>7,717.9</b>	<b>8,791.9</b>	<b>9,644.6</b>	<b>10,644.2</b>	<b>11,501.1</b>	<b>12,660.3</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	423.0	598.7	757.1	841.7	803.0	843.3	825.6	828.6
Investments	1,581.3	1,604.1	1,615.1	2,029.9	2,077.3	2,317.0	2,455.3	2,554.9
<i>G-Secs</i>	1,056.1	1,106.5	1,125.1	1,391.9	1,479.2	1,695.1	1,830.2	1,924.7
Advances	3,875.2	4,352.6	4,642.3	5,124.0	5,866.5	6,707.3	7,407.2	8,425.7
Fixed Assets	47.3	75.8	78.1	79.0	79.3	80.9	82.5	84.2
Other Assets	534.5	575.7	625.3	717.3	818.5	695.7	730.5	767.1
<b>Total Assets</b>	<b>6,461.3</b>	<b>7,207.0</b>	<b>7,717.9</b>	<b>8,791.9</b>	<b>9,644.6</b>	<b>10,644.2</b>	<b>11,501.1</b>	<b>12,660.3</b>

Source: Bank, HSIE Research

**Key Ratios**

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	19.3	16.7	16.8	10.5	5.2	13.5	22.7	27.0
Earnings Growth (%)	13.9	(13.0)	0.8	(30.9)	(50.4)	158.6	68.3	18.9
BVPS (Rs)	138.7	154.3	171.6	163.6	168.1	179.4	197.7	219.2
Adj. BVPS (Rs)	108.0	113.0	110.6	110.7	137.7	154.7	168.0	190.2
DPS (Rs)	5.0	5.0	4.4	1.5	1.0	2.0	4.0	5.0
ROAA (%)	1.80	1.42	1.31	0.82	0.36	0.86	1.32	1.44
ROAE (%)	14.8	11.1	10.0	7.2	3.3	7.1	11.6	12.5
P/E (x)	15.3	17.5	16.4	25.1	49.0	18.5	10.7	8.7
P/ABV (x)	2.72	2.6	2.5	2.39	1.86	1.61	1.45	1.24
P/PPOP (x)	2.1	1.8	1.6	1.9	2.0	1.7	1.5	1.3
Dividend Yield (%)	1.4	1.4	1.2	0.4	0.3	0.6	1.1	1.4
<b>PROFITABILITY</b>								
Yield On Advances (%)	9.81	9.47	8.81	8.37	8.72	8.98	8.89	8.89
Yield On Investment (%)	6.32	6.67	7.07	6.35	6.23	6.25	6.10	6.00
Cost Of Funds (%)	5.89	5.58	5.26	4.62	4.66	4.76	4.78	4.77
Cost Of Deposits (%)	5.85	5.50	5.02	4.46	4.37	4.43	4.36	4.31
Core Spread (%)	3.92	3.89	3.55	3.74	4.07	4.22	4.11	4.12
NIM (%)	3.47	3.56	3.35	3.21	3.37	3.59	3.58	3.67
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	1.9	1.9	2.0	1.9	2.0	2.0	2.0	2.0
Cost-Income Ratio (Ex. Treasury)	38.7	38.7	45.2	45.3	45.0	44.3	43.7	42.8
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	14.4	12.3	6.7	10.4	14.5	14.3	10.4	13.8
Deposit Growth (%)	8.9	16.6	16.3	14.5	16.4	15.4	8.9	10.6
C/D Ratio (%)	107.2	103.3	94.7	91.3	89.8	89.0	90.3	92.8
Equity/Assets (%)	12.4	12.5	12.9	12.0	11.2	10.9	11.1	11.2
Equity/Advances (%)	20.8	20.6	21.5	20.5	18.5	17.2	17.2	16.8
CASA (%)	45.5	45.8	50.4	51.7	49.6	47.6	48.3	48.6
Capital Adequacy Ratio (CAR, %)	17.0	16.6	17.4	18.4	16.9	16.7	16.7	16.4
W/w Tier I CAR (%)	12.8	13.1	14.4	15.9	15.1	15.1	15.2	15.1
<b>ASSET QUALITY</b>								
Gross NPLs (Rs bn)	150.9	262.2	421.6	532.4	456.8	411.8	430.2	426.7
Net NPLs (Rs bn)	62.6	129.6	252.2	278.2	134.5	101.1	136.2	134.0
Gross NPLs (%)	3.78	5.82	7.89	8.84	6.70	6.14	5.81	5.06
Net NPLs (%)	1.61	2.98	4.20	4.77	2.06	1.51	1.84	1.59
Slippages (%)	2.19%	4.06%	7.46%	5.86%	1.93%	1.85%	2.25%	2.00%
Coverage Ratio (%)	58.6	50.6	40.2	47.7	70.6	75.5	68.3	68.6
Provision/Avg. Loans (%)	1.0	1.8	3.2	3.0	3.1	2.1	1.7	1.5
<b>ROAA TREE</b>								
Net Interest Income	3.07%	3.11%	2.91%	2.79%	2.93%	3.14%	3.18%	3.30%
Non-interest Income	1.96%	2.24%	2.61%	2.11%	1.57%	1.63%	1.68%	1.67%
Treasury Income	0.25%	0.56%	1.16%	0.70%	0.15%	0.17%	0.23%	0.19%
Operating Cost	1.85%	1.86%	1.98%	1.90%	1.96%	2.04%	2.03%	2.05%
Provisions	0.63%	1.71%	2.04%	2.07%	2.13%	1.27%	1.07%	1.00%
Provisions For NPAs	0.51%	1.06%	1.97%	1.73%	1.82%	1.28%	1.08%	1.01%
Tax	0.75%	0.36%	0.20%	0.10%	0.04%	0.61%	0.44%	0.48%
ROAA	1.80%	1.42%	1.31%	0.82%	0.36%	0.86%	1.32%	1.44%
Leverage (x)	8.08	8.03	7.87	8.05	8.63	9.06	9.11	8.99
RoAE	14.55%	11.43%	10.33%	6.61%	3.15%	7.77%	12.04%	12.95%

Source: Bank, HSIE Research



# Indusind Bank

## Serious near term headwinds

IIB is likely to face serious headwinds in the medium term. These will arise from both sides of the balance sheet. We expect a material (although not devastating) uptick in stress, arising from IIB's significant exposure to high-yielding high-risk retail sectors (microfinance and vehicle finance) as well as precarious sectors in the corporate portfolio (real estate (6.1%), NBFCs and HFCs (4.0%) and telecom (4.3%)). On the liabilities-side, IIB saw a 10% QoQ fall in its deposit base- indicative of a weak liability franchise due to a strategy of over-dependence on bulk deposits (the contribution of top 20 depositors to the bank's deposit base has been fairly constant over the years at ~25.3%, retail deposits are just 28% of IIB's deposit base). The bank is likely to recalibrate its strategy and hit the brakes on growth in the near term. Despite tantalising valuations, we maintain our ADD rating with a TP of Rs 571, due to serious near-term challenges.

### Risks

- Greater than expected deterioration in asset quality.
- Liquidity stress arising from sustained deposit outflows. This can lead to difficulties in funding future growth.
- Materially slower growth due to adverse asset quality/ deposit flux.

### Change In Estimates

	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	22.5	23.9	6.0	12.6	-1647 bps	-1123 bps
NIM (%)	4.6	4.6	4.43	4.32	-13 bps	-11 bps
NII Rs bn	143.8	173.8	124.9	133.3	-13.1%	-23.3%
PPOP Rs bn	125.7	149.4	104.1	105.4	-17.2%	-29.5%
PAT Rs bn	58.7	75.9	29.1	41.2	-50.5%	-45.7%
EPS Rs	82.9	107.1	41.0	58.1	-50.5%	-45.7%
ABV Rs	547.3	655.4	515.0	571.8	-5.9%	-12.8%
GNPA (%)	3.2	2.2	4.5	3.6	132 bps	131 bps
NNPA (%)	1.5	0.9	1.7	1.4	22 bps	54 bps
Slippages (%)	3.3	2.2	4.00	3.00	75 bps	80 bps
LLP (%)	1.8	1.5	2.7	2.0	91 bps	48 bps
RoA (%)	1.7	1.8	0.9	1.2	-73 bps	-56 bps
RoE (%)	15.1	16.5	7.7	9.8	-737 bps	-670 bps
TP (Rs)	1491		571		-62%	
Multiple (x)	2.3		1.0		0 bps	

Source: Bank, HSIE Research

## ADD

CMP (as on 20 Apr 2020)	Rs 457	
Target Price	Rs 571	
NIFTY	9,262	
KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 1,491	Rs 571
EPS %	FY21E	FY22E
	-50.5%	-45.7%

### KEY STOCK DATA

Bloomberg code	IIB IN
No. of Shares (mn)	694
MCap (Rs bn) / (\$ mn)	317/4,137
6m avg traded value (Rs mn)	8,750
52 Week high / low	Rs 1,760/236

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(65.7)	(66.0)	(74.1)
Relative (%)	(41.9)	(46.5)	(55.0)

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	13.0	14.4
FIs & Local MFs	15.6	14.7
FPIs	47.2	55.2
Public & Others	24.2	15.7
Pledged Shares	-	-

Source : BSE

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## Financials

### Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	96,920	118,717	144,057	172,807	222,612	272,736	287,507	309,554
Interest Expended	62,717	73,552	83,431	97,833	134,150	157,786	162,562	176,286
<b>Net Interest Income</b>	<b>34,203</b>	<b>45,166</b>	<b>60,626</b>	<b>74,974</b>	<b>88,462</b>	<b>114,949</b>	<b>124,946</b>	<b>133,269</b>
<b>Other Income</b>	<b>25,480</b>	<b>32,969</b>	<b>41,715</b>	<b>47,501</b>	<b>56,467</b>	<b>67,425</b>	<b>70,446</b>	<b>74,908</b>
<i>Fee Income (CEB)</i>	16,926	22,315	28,953	34,119	40,730	47,957	49,743	54,436
<i>Treasury Income</i>	1,177	1,453	2,769	3,638	1,151	3,750	4,250	3,250
<b>Total Income</b>	<b>59,683</b>	<b>78,135</b>	<b>102,341</b>	<b>122,475</b>	<b>144,929</b>	<b>182,375</b>	<b>195,392</b>	<b>208,177</b>
<b>Total Operating Exp</b>	<b>28,701</b>	<b>36,721</b>	<b>47,831</b>	<b>55,914</b>	<b>64,047</b>	<b>79,898</b>	<b>91,291</b>	<b>102,787</b>
<i>Employee Expense</i>	9,805	12,361	15,210	17,807	18,535	22,844	27,247	32,314
<b>PPOP</b>	<b>30,982</b>	<b>41,414</b>	<b>54,510</b>	<b>66,561</b>	<b>80,882</b>	<b>102,477</b>	<b>104,101</b>	<b>105,390</b>
Provisions & Contingencies	3,891	6,722	10,913	11,754	31,077	37,964	58,906	47,493
<i>Prov. For NPAs (Incl. Std Prov.)</i>	3,389	5,015	7,048	9,009	27,190	34,932	58,843	47,284
<b>PBT</b>	<b>27,092</b>	<b>34,693</b>	<b>43,597</b>	<b>54,807</b>	<b>49,806</b>	<b>64,513</b>	<b>45,195</b>	<b>57,897</b>
Provision for Tax	9,155	11,828	14,918	18,747	16,795	18,190	16,136	16,704
<b>PAT</b>	<b>17,937</b>	<b>22,864</b>	<b>28,679</b>	<b>36,060</b>	<b>33,011</b>	<b>46,323</b>	<b>29,059</b>	<b>41,193</b>

Source: Bank, HSIE Research

### Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	5,295	5,950	5,981	6,002	6,027	6,929	7,087	7,087
Reserves	101,151	171,010	200,480	232,414	260,833	345,220	398,942	437,045
<b>Shareholders' Funds</b>	<b>106,445</b>	<b>176,960</b>	<b>206,461</b>	<b>238,416</b>	<b>266,860</b>	<b>352,149</b>	<b>406,029</b>	<b>444,132</b>
<i>Savings</i>	129,436	172,462	270,372	458,883	544,857	553,030	619,393	712,302
<i>Current</i>	123,560	154,780	196,088	208,410	295,845	266,260	279,573	293,552
<i>Term Deposit</i>	488,348	602,761	799,262	849,099	1,107,978	1,204,260	1,327,116	1,552,789
<b>Total Deposits</b>	<b>741,344</b>	<b>930,003</b>	<b>1,265,722</b>	<b>1,516,392</b>	<b>1,948,679</b>	<b>2,023,550</b>	<b>2,226,082</b>	<b>2,558,643</b>
Borrowings	206,181	249,959	224,537	382,891	473,211	588,681	464,617	448,453
Other Liabilities	63,904	72,048	89,764	78,563	89,444	100,348	110,383	121,421
<b>Total Liabilities</b>	<b>1,117,874</b>	<b>1,428,970</b>	<b>1,786,484</b>	<b>2,216,262</b>	<b>2,778,194</b>	<b>3,064,727</b>	<b>3,207,111</b>	<b>3,572,650</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	107,791	101,119	186,283	132,159	147,834	194,845	132,978	133,972
Investments	228,783	340,543	367,021	500,767	592,662	574,170	633,099	695,764
<i>G-Secs</i>	179,061	281,080	314,523	403,660	486,448	455,299	500,869	550,108
Advances	687,882	884,193	1,130,805	1,449,537	1,863,935	2,099,433	2,226,082	2,507,470
Fixed Assets	11,576	12,553	13,352	13,388	17,100	19,120	20,076	21,080
Other Assets	81,841	90,561	89,023	120,412	156,663	177,160	194,876	214,363
<b>Total Assets</b>	<b>1,117,874</b>	<b>1,428,970</b>	<b>1,786,484</b>	<b>2,216,262</b>	<b>2,778,194</b>	<b>3,064,727</b>	<b>3,207,111</b>	<b>3,572,650</b>

Source: Bank, HSIE Research

**Key Ratios**

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	33.9	38.4	47.9	60.1	54.8	66.9	41.0	58.1
Earnings Growth (%)	27.4	27.5	25.4	25.7	(8.5)	40.3	(37.3)	41.8
BVPS (Rs)	193.4	290.8	338.7	390.9	437.2	503.4	568.2	621.9
Adj. BVPS (Rs)	189.4	285.4	331.3	378.5	399.9	456.8	515.0	571.8
DPS (Rs)	4.0	4.5	6.0	7.5	7.5	3.3	3.1	4.4
ROAA (%)	1.80	1.80	1.78	1.80	1.32	1.59	0.93	1.22
ROAE (%)	19.0	16.6	15.3	16.5	13.3	15.1	7.7	9.8
P/E (x)	13.5	11.9	9.5	7.6	8.3	6.8	11.1	7.9
P/ABV (x)	2.41	1.60	1.38	1.21	1.14	1.00	0.89	0.80
P/PPOP (x)	7.8	6.6	5.0	4.1	3.4	3.1	3.1	3.1
Dividend Yield (%)	0.9	1.0	1.3	1.6	1.6	0.7	0.7	1.0
<b>PROFITABILITY</b>								
Yield On Advances (%)	12.5	11.76	11.39	10.62	11.02	11.53	11.17	10.95
Yield On Investment (%)	7.1	7.26	6.97	7.09	6.73	6.90	6.90	6.90
Cost Of Funds (%)	7.4	6.91	6.25	5.77	6.21	6.27	6.13	6.19
Cost Of Deposits (%)	7.7	6.83	6.31	5.78	6.12	5.98	6.10	6.08
Core Spread (%)	4.8	4.93	5.08	4.83	4.90	5.54	5.07	4.87
NIM (%)	3.86	3.99	4.20	4.19	3.95	4.39	4.43	4.32
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	2.9	2.9	3.0	2.8	2.6	2.7	2.9	3.0
Cost-Income Ratio (Ex. Treasury)	49.1	47.9	48.0	47.1	44.5	44.7	47.8	50.2
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	24.8	28.5	27.9	28.2	28.6	12.6	6.0	12.6
Deposit Growth (%)	22.5	25.4	36.1	19.8	28.5	3.8	10.0	14.9
C/D Ratio (%)	92.8	95.1	89.3	95.6	95.7	103.8	100.0	98.0
Equity/Assets (%)	9.5	12.4	11.6	10.8	9.6	11.5	12.7	12.4
Equity/Advances (%)	15.5	20.0	18.3	16.4	14.3	16.8	18.2	17.7
CASA (%)	34.1	35.2	36.9	44.0	43.1	40.5	40.4	39.3
Capital Adequacy Ratio (CAR, %)	12.1	15.5	15.3	15.0	14.2	16.5	17.9	17.5
W/w Tier I CAR (%)	11.2	14.9	14.7	14.6	13.7	16.1	17.5	17.1
<b>ASSET QUALITY</b>								
Gross NPLs (Rs mn)	5,629	7,768	10,549	17,049	39,474	68,010	100,112	89,203
Net NPLs (Rs mn)	2,105	3,218	4,389	7,457	22,483	32,228	37,691	35,479
Gross NPLs (%)	0.81	0.88	0.93	1.18	2.12	3.24	4.50	3.55
Net NPLs (%)	0.31	0.36	0.39	0.51	1.21	1.54	1.69	1.42
Slippages (%)	1.43%	1.08%	1.42%	2.58%	3.25%	3.25%	4.00%	3.00%
Coverage Ratio (%)	62.6	58.6	58.4	56.3	43.0	52.6	62.4	60.0
Provision/Avg. Loans (%)	0.5	0.6	0.7	0.7	1.6	1.8	2.7	2.0
<b>ROAA TREE</b>								
Net Interest Income	3.44%	3.55%	3.77%	3.75%	3.54%	3.93%	3.98%	3.93%
Non Interest Income	2.56%	2.59%	2.59%	2.37%	2.26%	2.31%	2.25%	2.21%
<i>Treasury Income</i>	0.12%	0.11%	0.17%	0.18%	0.05%	0.13%	0.14%	0.10%
Operating Cost	2.89%	2.88%	2.98%	2.79%	2.56%	2.73%	2.91%	3.03%
Provisions	0.39%	0.53%	0.68%	0.59%	1.24%	1.30%	1.88%	1.40%
<i>Provisions for NPAs</i>	0.34%	0.39%	0.44%	0.45%	1.09%	1.20%	1.88%	1.39%
Tax	0.92%	0.93%	0.93%	0.94%	0.67%	0.62%	0.51%	0.49%
ROAA	1.80%	1.80%	1.78%	1.80%	1.32%	1.59%	0.93%	1.22%
Leverage (x)	10.5	9.2	8.6	9.2	10.0	9.5	8.3	8.0
ROAE	19.01%	16.60%	15.27%	16.50%	13.25%	15.13%	7.73%	9.77%

Source: Bank, HSIE Research

# Kotak Mahindra Bank

## Best placed (but rich)

We especially like KMB for its strong fundamentals- (1) sufficient capital (18.2%, w/w tier I at 17.7%), (2) Strong, granular liability franchise (CASA 53.7%, retail deposits 62%), it is noteworthy that KMB saw net deposit inflows post the YES event), (3) Superior asset quality trends and (4) Management quality. The overhang of promoter stake reduction is less disconcerting now. Despite this, we maintain our ADD rating on the stock given rich valuations. Our revised SOTP TP is Rs 1,263 (vs. Rs 1,725 earlier).

### Risks

- Significantly slower than expected loan growth arising from an extended and broad-based disruption in economic activity.
- Higher than expected asset quality deterioration.
- Weaker performance from subsidiaries.

### Change In Estimates

	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	15.7	18.3	9.2	12.2	-646 bps	-614 bps
NIM (%)	4.5	4.5	4.2	4.3	-25 bps	-24 bps
NII Rs bn	156.1	182.5	140.0	154.4	-10.3%	-15.4%
PPOP Rs bn	115.2	135.2	102.7	112.1	-10.8%	-17.1%
PAT Rs bn	73.7	88.2	61.9	66.6	-16.0%	-24.5%
EPS Rs	38.6	46.2	32.4	34.9	-16.0%	-24.5%
ABV Rs	275.4	320.4	255.2	294.5	-7.4%	-8.1%
GNPA (%)	2.2	1.9	3.7	3.2	150 bps	132 bps
NNPA (%)	0.6	0.4	1.7	1.0	108 bps	57 bps
Slippages (%)	1.3	1.2	2.7	2.0	140 bps	80 bps
LLP (%)	0.6	0.6	0.9	0.9	25 bps	35 bps
RoA (%)	2.0	2.1	1.7	1.7	-28 bps	-38 bps
RoE (%)	14.2	14.8	12.2	11.7	-207 bps	-313 bps
TP (Rs)	1,725		1,263		-27%	
Multiple (x)	4.0		3.1			

Source: Bank, HSIE Research

## ADD

CMP (as on 20 Apr 2020)	Rs 1,178
Target Price	Rs 1,263
NIFTY	9,262
KEY CHANGES	OLD NEW
Rating	ADD ADD
Price Target	Rs 1,725 Rs 1,263
EPS %	FY21E FY22E
	-16.0% -24.5%

### KEY STOCK DATA

Bloomberg code	KMB IN
No. of Shares (mn)	1,913
MCap (Rs bn) / (\$ mn)	2,253/29,425
6m avg traded value (Rs mn)	5,872
52 Week high / low	Rs 1,740/1,000

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(27.2)	(27.1)	(14.0)
Relative (%)	(3.4)	(7.6)	5.1

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	30.0	30.0
FIs & Local MFs	12.0	12.2
FPIs	40.2	39.8
Public & Others	17.8	18.0

Pledged Shares

Source : BSE

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**SOTP**

	Rs bn	Per Share	Rationale
<b>KM Mahindra Bank – Standalone</b>	1,751	917	3.1x Mar-22E core ABV of Rs 295
Kotak Mahindra Prime - Car Finance	171	90	2.0x Mar-22E core NW
Kotak Mahindra Investments – LAS	45	24	2.0x Mar-22E core NW
Kotak Securities – Broking	91	48	18x Mar-22E Earnings
Kotak Mahindra AMC - Asset Management	143	75	8% of FY21E AUM
Kotak Life - Life Insurance	335	175	FY21 EV + 20x FY22E VNB
KMCC - Investment Banking	15	8	2.0x Mar-22E core NW
Kotak Alternative Assets	9	5	7.5% of FY22E AUM
Offshore Funds	17	9	5% of FY22E AUM
<b>Total Value of Subsidiaries</b>	826	433.0	
<i>Less : 20% Holding Co. Discount</i>	165	87	
<b>Total SOTP Value</b>	2,412	1,263	
Current Value	2,248	1,178	
<b>Upside (%)</b>	7.3%	7.3%	

## Financials

### Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	97,199	163,842	176,989	197,485	239,432	273,501	291,365	316,057
Interest Expended	54,961	94,838	95,728	102,168	126,842	141,997	151,407	161,613
<b>Net Interest Income</b>	<b>42,237</b>	<b>69,004</b>	<b>81,261</b>	<b>95,317</b>	<b>112,590</b>	<b>131,505</b>	<b>139,958</b>	<b>154,443</b>
<b>Other Income</b>	<b>20,285</b>	<b>26,122</b>	<b>34,772</b>	<b>40,522</b>	<b>46,040</b>	<b>49,048</b>	<b>54,386</b>	<b>58,873</b>
<i>Fee Income (CEB)</i>	12,263	17,644	21,207	27,645	33,908	35,117	37,875	41,681
<i>Treasury Income</i>	3,148	2,132	4,416	2,123	709	1,750	3,250	2,750
<b>Total Income</b>	<b>62,522</b>	<b>95,126</b>	<b>116,033</b>	<b>135,839</b>	<b>158,630</b>	<b>180,553</b>	<b>194,344</b>	<b>213,316</b>
<b>Total Operating Exp</b>	<b>32,547</b>	<b>54,715</b>	<b>56,185</b>	<b>64,257</b>	<b>75,148</b>	<b>85,484</b>	<b>91,628</b>	<b>101,247</b>
<i>Employee Expense</i>	14,667	28,170	27,685	29,502	31,836	37,883	41,011	45,754
<b>PPOP</b>	<b>29,975</b>	<b>40,411</b>	<b>59,848</b>	<b>71,582</b>	<b>83,482</b>	<b>95,069</b>	<b>102,715</b>	<b>112,069</b>
Provisions & Contingencies	1,645	9,174	8,367	9,400	9,624	13,841	19,974	23,066
<i>Prov. For NPAs (Incl. Std Prov.)</i>	2,582	7,478	7,004	7,375	9,589	13,841	20,474	23,566
<b>PBT</b>	<b>28,330</b>	<b>31,237</b>	<b>51,481</b>	<b>62,182</b>	<b>73,858</b>	<b>81,228</b>	<b>82,741</b>	<b>89,003</b>
Provision For Tax	9,670	10,339	17,366	21,339	25,205	20,445	20,826	22,402
<b>PAT</b>	<b>18,660</b>	<b>20,898</b>	<b>34,115</b>	<b>40,843</b>	<b>48,653</b>	<b>60,783</b>	<b>61,915</b>	<b>66,601</b>

Source: Bank, HSIE Research

### Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	3,862	9,172	9,204	9,528	9,544	9,544	9,544	9,544
Reserves	137,579	230,419	266,956	365,288	414,440	470,738	528,167	589,722
<b>Shareholders' Funds</b>	<b>141,441</b>	<b>239,591</b>	<b>276,161</b>	<b>374,817</b>	<b>423,984</b>	<b>480,281</b>	<b>537,711</b>	<b>599,266</b>
<i>Savings</i>	140,361	294,947	415,039	655,292	796,847	1,046,000	1,181,980	1,329,728
<i>Current</i>	131,813	232,817	277,608	322,458	389,010	430,000	451,500	474,075
<i>Term Deposit</i>	476,429	858,666	881,611	948,683	1,072,947	1,153,000	1,153,912	1,269,453
<b>Total Deposits</b>	<b>748,603</b>	<b>1,386,430</b>	<b>1,574,259</b>	<b>1,926,433</b>	<b>2,258,804</b>	<b>2,629,000</b>	<b>2,787,392</b>	<b>3,073,256</b>
Borrowings	121,497	209,787	210,973	251,563	327,504	294,755	300,650	303,656
Other Liabilities	48,580	86,790	84,507	96,521	111,430	122,573	140,959	162,103
<b>Total Liabilities</b>	<b>1,060,121</b>	<b>1,922,598</b>	<b>2,145,900</b>	<b>2,649,334</b>	<b>3,121,721</b>	<b>3,526,609</b>	<b>3,766,712</b>	<b>4,138,280</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	62,624	108,760	225,720	196,201	246,755	375,461	380,443	429,360
Investments	286,591	512,602	450,742	645,623	711,891	842,082	869,157	893,864
<i>G-Secs</i>	228,817	407,610	361,899	517,577	580,630	709,830	724,722	737,581
Advances	661,607	1,186,653	1,360,821	1,697,179	2,056,948	2,194,827	2,397,157	2,689,099
Fixed Assets	12,067	15,516	15,376	15,272	16,516	17,341	18,208	19,119
Other Assets	37,232	99,067	93,240	95,059	89,611	96,898	101,746	106,838
<b>Total Assets</b>	<b>1,060,121</b>	<b>1,922,598</b>	<b>2,145,900</b>	<b>2,649,334</b>	<b>3,121,721</b>	<b>3,526,609</b>	<b>3,766,712</b>	<b>4,138,280</b>

Source: Bank, HSIE Research

## Key Ratios

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	24.2	11.4	18.5	21.4	25.5	31.8	32.4	34.9
Earnings Growth (%)	24.2	12.0	63.2	19.7	19.1	24.9	1.9	7.6
BVPS (Rs)	176.0	126.4	145.3	183.7	208.9	246.2	276.2	308.5
Core Adj. BVPS (Rs)	168.1	119.5	136.0	175.0	200.8	236.8	255.2	294.5
DPS (Rs)	0.5	0.5	0.6	0.8	0.8	0.8	0.8	0.9
ROAA (%)	1.94	1.41	1.68	1.72	1.70	1.84	1.70	1.69
ROAE (%)	14.1	11.0	13.2	12.5	12.2	13.4	12.2	11.7
P/E (x)	37.6	92.0	54.9	41.7	33.4	27.3	26.9	23.9
P/ABV (x)	5.40	8.77	7.49	5.10	4.24	3.67	3.42	2.83
P/PPOP (x)	15.2	26.7	18.1	15.7	13.5	11.8	10.9	10.0
Dividend Yield (%)	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
<b>PROFITABILITY</b>								
Yield On Advances (%)	12.53	13.49	10.52	9.63	9.79	10.02	9.79	9.72
Yield On Investment (%)	7.88	8.65	7.64	7.17	7.18	7.00	7.00	7.00
Cost Of Funds (%)	6.91	7.69	5.66	5.16	5.32	5.15	5.04	5.00
Cost Of Deposits (%)	6.84	7.37	5.56	5.11	5.26	5.00	4.93	4.87
Core Spread (%)	5.62	5.80	4.86	4.48	4.46	4.86	4.75	4.72
NIM (%)	4.73	4.41	4.39	4.32	4.20	4.32	4.23	4.30
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	3.4	3.7	2.8	2.7	2.6	2.6	2.5	2.6
Cost-Income Ratio (Ex. Treasury)	54.8	58.8	50.3	48.1	47.6	47.8	47.9	48.1
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	24.8	79.4	14.7	24.7	21.2	6.7	9.2	12.2
Deposit Growth (%)	26.7	85.2	13.5	22.4	17.3	16.4	6.0	10.3
C/D Ratio (%)	88.4	85.6	86.4	88.1	91.1	83.5	86.0	87.5
Equity/Assets (%)	13.3	12.5	12.9	14.1	13.6	13.6	14.3	14.5
Equity/Advances (%)	21.4	20.2	20.3	22.1	20.6	21.9	22.4	22.3
CASA (%)	36.4	38.1	44.0	50.8	52.5	56.1	58.6	58.7
Capital Adequacy Ratio (CAR, %)	17.2	16.3	16.8	18.2	17.5	18.2	18.9	18.9
W/w Tier I CAR (%)	16.2	15.2	15.9	17.6	16.9	17.8	18.6	18.6
<b>ASSET QUALITY</b>								
Gross NPLs (Rs bn)	12.4	28.4	35.8	38.3	44.7	54.1	88.5	87.2
Net NPLs (Rs bn)	6.1	12.6	17.2	16.7	15.4	17.9	40.3	26.7
Gross NPLs (%)	1.9	2.36	2.59	2.22	2.14	2.47	3.69	3.24
Net NPLs (%)	0.9	1.06	1.26	0.98	0.75	0.81	1.68	0.99
Slippages (%)	1.3%	3.1%	1.4%	1.2%	1.1%	1.6%	2.7%	2.0%
Coverage Ratio (%)	50.8	55.5	52.0	56.5	65.4	67.0	54.5	69.4
Provision/Avg. Loans (%)	0.4	0.8	0.5	0.5	0.5	0.65	0.89	0.93
<b>ROAA TREE</b>								
Net Interest Income	4.36%	4.63%	3.99%	3.98%	3.90%	3.96%	3.84%	3.91%
Non Interest Income	2.10%	1.75%	1.71%	1.69%	1.60%	1.48%	1.49%	1.49%
<i>Treasury Income</i>	0.33%	0.14%	0.22%	0.09%	0.02%	0.05%	0.09%	0.07%
Operating Cost	3.36%	3.67%	2.76%	2.68%	2.60%	2.57%	2.51%	2.56%
Provisions	0.17%	0.62%	0.41%	0.39%	0.33%	0.42%	0.55%	0.58%
<i>Provisions For NPAs</i>	0.20%	0.47%	0.30%	0.26%	0.29%	0.40%	0.55%	0.58%
Tax	1.00%	0.69%	0.85%	0.89%	0.87%	0.62%	0.57%	0.57%
<b>ROAA</b>	<b>1.93%</b>	<b>1.40%</b>	<b>1.68%</b>	<b>1.70%</b>	<b>1.69%</b>	<b>1.83%</b>	<b>1.70%</b>	<b>1.69%</b>
Leverage (x)	7.33	7.83	7.89	7.37	7.22	7.35	7.16	6.95
ROAE	14.13%	10.97%	13.23%	12.55%	12.18%	13.44%	12.16%	11.72%

Source: Bank, HSIE Research

# Karur Vysya Bank

## Multiple uncertainties

At KVB, we expect near flattish loan growth and elevated stress levels to persist in the near term. Lack of clarity on the new leadership and continuance of strategic changes started by the erstwhile MD& CEO will remain overhangs, and these underpin our REDUCE rating (despite paltry valuations). We have a TP of Rs 33.

### Risks

- Effective resolution of the current leadership void at the bank resulting in better growth and asset quality performance.

### Change In Estimates

KVB	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	10.6	12.7	4.3	7.1	-635 bps	-555 bps
NIM (%)	3.7	3.7	3.4	3.4	-21 bps	-31 bps
NII Rs bn	25.5	28.6	23.3	24.4	-8.8%	-14.4%
PPOP Rs bn	18.5	20.7	16.6	16.7	-10.0%	-19.2%
PAT Rs bn	5.3	7.7	4.0	4.6	-25.1%	-39.6%
EPS Rs	6.6	9.6	5.0	5.8	-25.1%	-39.6%
ABV Rs	60.9	66.5	53.5	61.6	-12.2%	-7.4%
GNPA (%)	7.5	6.2	9.3	7.5	173 bps	132 bps
NNPA (%)	3.3	2.7	4.6	3.4	131 bps	77 bps
Slippages (%)	2.3	2.1	3.2	2.4	85 bps	30 bps
LLP (%)	2.1	1.7	2.3	1.9	20 bps	22 bps
RoA (%)	0.7	0.9	0.5	0.6	-17 bps	-35 bps
RoE (%)	8.0	11.2	6.0	6.9	-198 bps	-432 bps
TP (Rs)	55		33		-40%	
Multiple (x)	0.8		0.5			

Source: Bank, HSIE Research

## REDCUE

CMP (as on 20 Apr 2020)	Rs 28
Target Price	Rs 33
NIFTY	9,262

KEY CHANGES	OLD	NEW
Rating	Reduce	Reduce
Price Target	Rs 55	Rs 33
EPS %	FY21E	FY22E
	-25.1%	-39.6%

### KEY STOCK DATA

Bloomberg code	KVB IN
No. of Shares (mn)	799
MCap (Rs bn) / (\$ mn)	22/283
6m avg traded value (Rs mn)	45
52 Week high / low	Rs 85/18

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(51.8)	(51.7)	(65.7)
Relative (%)	(28.0)	(32.2)	(46.6)

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	2.1	2.1
FIs & Local MFs	22.5	23.6
FPIs	19.3	20.8
Public & Others	56.1	53.5

Pledged Shares

Source : BSE

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## Financials

### Income Statement

Year End (March) - Rs mn	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	53,959	54,434	56,224	56,997	58,158	60,273	60,658	63,752
Interest Expended	39,300	36,620	35,486	34,015	34,530	36,284	37,387	39,306
<b>Net Interest Income</b>	<b>14,659</b>	<b>17,814</b>	<b>20,737</b>	<b>22,981</b>	<b>23,628</b>	<b>23,989</b>	<b>23,271</b>	<b>24,447</b>
<b>Non-interest Income</b>	<b>5,808</b>	<b>7,068</b>	<b>7,822</b>	<b>8,999</b>	<b>9,628</b>	<b>11,398</b>	<b>12,105</b>	<b>12,335</b>
<i>Fee Income (CEB)</i>	<i>3,973</i>	<i>4,595</i>	<i>4,802</i>	<i>6,171</i>	<i>6,549</i>	<i>6,410</i>	<i>6,683</i>	<i>7,160</i>
<i>Treasury Income</i>	<i>710</i>	<i>944</i>	<i>2,046</i>	<i>1,011</i>	<i>705</i>	<i>2,500</i>	<i>2,750</i>	<i>2,250</i>
<b>Total Income</b>	<b>20,467</b>	<b>24,882</b>	<b>28,559</b>	<b>31,980</b>	<b>33,256</b>	<b>35,387</b>	<b>35,376</b>	<b>36,782</b>
<b>Total Operating Exp</b>	<b>11,034</b>	<b>11,851</b>	<b>12,850</b>	<b>14,207</b>	<b>16,148</b>	<b>17,410</b>	<b>18,750</b>	<b>20,059</b>
<i>Employee Expense</i>	<i>5,471</i>	<i>5,474</i>	<i>6,080</i>	<i>6,391</i>	<i>7,612</i>	<i>8,524</i>	<i>9,495</i>	<i>10,576</i>
<b>PPOP</b>	<b>9,433</b>	<b>13,031</b>	<b>15,710</b>	<b>17,773</b>	<b>17,108</b>	<b>17,977</b>	<b>16,626</b>	<b>16,723</b>
Provisions & Contingencies	4,805	3,914	6,875	12,250	14,142	14,789	11,322	10,523
<i>Prov. For NPAs (Incl. Std Prov.)</i>	<i>4,968</i>	<i>3,443</i>	<i>4,061</i>	<i>10,219</i>	<i>13,157</i>	<i>14,289</i>	<i>11,572</i>	<i>10,273</i>
<b>PBT</b>	<b>4,628</b>	<b>9,116</b>	<b>8,835</b>	<b>5,524</b>	<b>2,966</b>	<b>3,188</b>	<b>5,304</b>	<b>6,200</b>
Provision for Tax	72	3,440	2,775	2,067	857	816	1,337	1,562
<b>PAT</b>	<b>4,556</b>	<b>5,676</b>	<b>6,060</b>	<b>3,457</b>	<b>2,109</b>	<b>2,372</b>	<b>3,967</b>	<b>4,637</b>

### Balance Sheet

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	1,216	1,219	1,219	1,453	1,599	1,599	1,599	1,599
Reserves	41,244	44,511	49,138	61,189	62,629	63,495	64,943	66,635
<b>Shareholders' Funds</b>	<b>42,460</b>	<b>45,729</b>	<b>50,357</b>	<b>62,642</b>	<b>64,228</b>	<b>65,094</b>	<b>66,541</b>	<b>68,233</b>
<i>Savings</i>	<i>63,137</i>	<i>76,473</i>	<i>99,683</i>	<i>110,006</i>	<i>121,014</i>	<i>130,695</i>	<i>139,844</i>	<i>153,828</i>
<i>Current</i>	<i>35,285</i>	<i>40,272</i>	<i>49,203</i>	<i>55,764</i>	<i>58,136</i>	<i>63,950</i>	<i>67,147</i>	<i>71,847</i>
<i>Term Deposit</i>	<i>348,481</i>	<i>384,044</i>	<i>388,112</i>	<i>403,131</i>	<i>419,530</i>	<i>430,018</i>	<i>451,519</i>	<i>483,125</i>
<b>Total Deposits</b>	<b>446,903</b>	<b>500,789</b>	<b>536,998</b>	<b>568,901</b>	<b>598,680</b>	<b>624,662</b>	<b>658,509</b>	<b>708,800</b>
Borrowings	29,008	28,942	16,957	23,940	15,653	20,670	22,100	23,673
Other Liabilities	13,154	14,386	13,765	13,932	14,840	16,043	17,346	19,080
<b>Total Liabilities</b>	<b>531,525</b>	<b>589,847</b>	<b>618,076</b>	<b>669,414</b>	<b>693,401</b>	<b>726,469</b>	<b>764,497</b>	<b>819,787</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	27,491	28,916	43,451	43,092	36,970	43,267	50,335	56,513
Investments	127,730	144,427	148,575	158,032	148,816	165,762	174,633	186,030
<i>G-Secs</i>	<i>115,114</i>	<i>133,850</i>	<i>128,955</i>	<i>140,128</i>	<i>126,710</i>	<i>143,672</i>	<i>151,457</i>	<i>161,607</i>
Advances	361,089	390,844	409,077	448,001	485,808	493,095	514,052	550,807
Fixed Assets	4,112	4,201	4,186	5,282	5,830	6,121	6,427	6,749
Other Assets	11,103	21,459	12,787	15,007	15,977	18,224	19,049	19,689
<b>Total Assets</b>	<b>531,525</b>	<b>589,847</b>	<b>618,076</b>	<b>669,414</b>	<b>693,401</b>	<b>726,469</b>	<b>764,497</b>	<b>819,787</b>

Source: Bank, HSIE Research

## Key Ratios

Particulars	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	7.5	9.3	9.9	4.8	2.6	3.0	5.0	5.8
Earnings Growth (%)	6.1	24.6	6.8	(43.0)	(39.0)	12.5	67.3	16.9
BVPS (Rs)	349.1	75.1	82.6	86.2	80.4	81.4	83.2	85.4
Adj. BVPS (Rs)	65.2	71.5	65.7	60.6	50.1	55.6	53.5	61.6
DPS (Rs)	2.8	2.8	2.6	0.6	0.6	0.2	0.4	0.4
ROAA (%)	0.87	1.01	1.00	0.54	0.31	0.33	0.53	0.59
ROAE (%)	12.0	12.9	12.6	6.1	3.3	3.7	6.0	6.9
P/E (x)	3.4	3.7	3.0	2.8	5.8	10.4	9.3	5.5
P/ABV (x)	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.5
P/PPOP (x)	0.4	0.4	0.3	0.2	0.2	0.3	0.2	0.3
Dividend Yield (%)	9.5	2.0	2.0	9.5	2.2	2.2	0.8	1.4
<b>PROFITABILITY</b>								
Yield On Advances (%)	12.01	11.52	11.01	10.32	9.84	9.93	9.60	9.56
Yield On Investment (%)	8.90	8.05	7.55	7.32	7.50	7.20	7.00	6.90
Cost Of Deposits (%)	8.01	7.24	6.64	5.99	5.72	5.75	5.65	5.58
Core Spread (%)	4.01	4.27	4.37	4.33	4.12	4.17	3.95	3.98
NIM (%)	3.04	3.46	3.73	3.85	3.75	3.68	3.44	3.42
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	2.1	2.1	2.1	2.2	2.4	2.5	2.5	2.5
Cost-Income Ratio (Ex. Treasury)	55.9	49.5	48.5	45.9	49.6	52.9	57.5	58.1
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	6.2	8.2	4.7	9.5	8.4	1.5	4.3	7.1
Deposit Growth (%)	2.1	12.1	7.2	5.9	5.2	4.3	5.4	7.6
C/D Ratio (%)	80.8	78.0	76.2	78.7	81.1	78.9	78.1	77.7
Equity/Assets (%)	8.0	7.8	8.1	9.4	9.3	9.0	8.7	8.3
Equity/Advances (%)	11.8	11.7	12.3	14.0	13.2	13.2	12.9	12.4
CASA (%)	22.0	23.3	27.7	29.1	29.9	31.2	31.4	31.8
Capital Adequacy Ratio (CAR, %)	14.6	12.2	12.5	14.4	16.0	15.6	14.9	14.2
W/w Tier I CAR (%)	13.6	11.3	11.9	13.9	14.3	14.1	13.7	13.1
<b>ASSET QUALITY</b>								
Gross NPLs (Rs mn)	6,778	5,112	14,838	30,158	44,496	44,763	47,644	41,365
Net NPLs (Rs mn)	2,810	2,162	10,335	18,628	24,203	20,675	23,809	18,973
Gross NPLs (%)	1.88	1.31	3.63	6.56	8.79	9.08	9.27	7.51
Net NPLs (%)	0.78	0.55	2.53	4.16	4.98	4.19	4.63	3.44
Slippage (%)	1.77%	3.01%	3.33%	4.88%	5.02%	3.60%	3.15%	2.40%
Coverage Ratio (%)	58.5	57.7	30.4	38.2	45.6	53.8	50.0	54.1
Provision/Avg. Loans (%)	1.33	0.93	1.04	2.39	2.82	2.92	2.29	1.92
<b>ROAA TREE</b>								
Net Interest Income	2.80%	3.18%	3.43%	3.57%	3.47%	3.38%	3.12%	3.09%
Non-interest Income	1.11%	1.26%	1.30%	1.40%	1.41%	1.61%	1.62%	1.56%
<i>Treasury Income</i>	0.14%	0.17%	0.34%	0.16%	0.10%	0.35%	0.37%	0.28%
Operating Cost	2.11%	2.11%	2.13%	2.21%	2.37%	2.45%	2.52%	2.53%
Provisions	0.92%	0.70%	1.14%	1.90%	2.08%	2.08%	1.52%	1.33%
<i>Provisions For NPAs</i>	0.95%	0.61%	0.67%	1.59%	1.93%	2.01%	1.55%	1.30%
Tax	0.01%	0.61%	0.46%	0.32%	0.13%	0.11%	0.18%	0.20%
ROAA	0.87%	1.01%	1.00%	0.54%	0.31%	0.33%	0.53%	0.59%
Leverage (x)	13.83	12.72	12.57	11.39	10.74	10.98	11.33	11.76
ROAE	12.03%	12.87%	12.61%	6.12%	3.32%	3.67%	6.03%	6.88%

Source: Bank, HSIE Research

# RBL Bank

## Risks yet to fully precipitate

RBK has seen a sharp and sudden rise in stress over FY20, led by corporate loans. Recent disclosures suggest that there are no further adverse developments on this front. However, given the broad-based disruption to economic activity, more stress on this front seems increasingly likely. We are also wary of RBK's retail unsecured portfolio (credit card debt and microfinance, total ~25% of its book). These could contribute significantly to incremental stress. RBK's asset-side issues are likely to be compounded by its relatively nascent liability franchise (retail deposits at 31% and CASA at 26.8%). Post the event at YES, RBK saw a material net outflow of deposits (sub-8%). We believe RBK could face difficulties in growing its granular liability base quickly in the future. This would curtail asset-side growth. High LLPs will limit earnings, given low existing PCR (38.5%). Maintain REDUCE rating with TP of Rs 141

### Risks

- Lesser than expected asset quality deterioration and
- Higher accretion in granular deposits and
- Faster than expected b/s growth.

### Change In Estimates

	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	26.3	26.1	6.7	11.2	-1960 bps	-1488 bps
NIM (%)	4.3	4.3	4.0	4.0	-29 bps	-27 bps
NII Rs bn	41.7	51.9	35.0	38.0	-16.2%	-26.9%
PPOP Rs bn	31.5	38.4	26.4	27.4	-16.1%	-28.7%
PAT Rs bn	12.3	16.9	5.7	8.2	-53.8%	-51.4%
EPS Rs	24.2	33.3	11.2	16.2	-53.8%	-51.4%
ABV Rs	212.1	238.6	198.4	218.0	-6.5%	-8.6%
GNPA (%)	3.0	2.6	4.5	3.3	150 bps	70 bps
NNPA (%)	1.3	1.1	1.7	1.1	40 bps	0 bps
Slippages (%)	2.9	2.5	4.1	3.0	125 bps	50 bps
LLP (%)	1.8	1.5	2.9	2.3	108 bps	79 bps
RoA (%)	1.1	1.3	0.6	0.8	-57 bps	-51 bps
RoE (%)	10.9	13.5	5.2	7.1	-570 bps	-637 bps
TP (Rs)	348		141		-59%	
Multiple (x)	1.5		0.6			

Source: Bank, HSIE Research

## REDUCE

CMP (as on 20 Apr 2020)	Rs 120
Target Price	Rs 141
NIFTY	9,262

KEY CHANGES	OLD	NEW
Rating	Reduce	Reduce
Price Target	Rs 348	Rs 141
EPS %	FY21E -53.8%	FY22E -51.4%

### KEY STOCK DATA

Bloomberg code	RBK IN
No. of Shares (mn)	509
MCap (Rs bn) / (\$ mn)	61/795
6m avg traded value (Rs mn)	4,419
52 Week high / low	Rs 717/106

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(63.6)	(59.5)	(82.3)
Relative (%)	(39.8)	(40.0)	(63.2)

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	-	-
FIs & Local MFs	27.4	27.6
FPIs	32.8	30.0
Public & Others	39.8	42.4
Pledged Shares	-	-

Source : BSE

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## Financials

### Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	19,531	27,443	37,132	45,076	63,007	77,274	85,292	92,387
Interest Expended	13,967	19,251	24,918	27,413	37,612	44,918	50,338	54,418
<b>Net Interest Income</b>	<b>5,564</b>	<b>8,192</b>	<b>12,213</b>	<b>17,663</b>	<b>25,395</b>	<b>32,356</b>	<b>34,954</b>	<b>37,969</b>
<b>Other Income</b>	<b>4,034</b>	<b>4,905</b>	<b>7,555</b>	<b>10,682</b>	<b>14,424</b>	<b>17,720</b>	<b>19,659</b>	<b>20,993</b>
<i>Fee Income (CEB)</i>	2,607	3,440	4,912	7,226	11,656	13,253	13,949	15,512
<i>Treasury Income</i>	577	599	1,189	1,665	784	2,250	3,250	2,750
<b>Total Income</b>	<b>9,598</b>	<b>13,097</b>	<b>19,768</b>	<b>28,345</b>	<b>39,818</b>	<b>50,077</b>	<b>54,613</b>	<b>58,962</b>
<b>Total Operating Exp</b>	<b>5,997</b>	<b>7,673</b>	<b>10,564</b>	<b>15,034</b>	<b>20,420</b>	<b>25,197</b>	<b>28,223</b>	<b>31,548</b>
<i>Employee Expense</i>	3,009	3,699	4,461	5,507	6,362	8,602	10,211	11,960
<b>PPOP</b>	<b>3,601</b>	<b>5,424</b>	<b>9,204</b>	<b>13,311</b>	<b>19,398</b>	<b>24,879</b>	<b>26,390</b>	<b>27,414</b>
Provisions & Contingencies	504	924	2,362	3,645	6,407	17,392	18,803	16,426
<i>Prov. for NPAs (incl. std prov.)</i>	594	1,039	1,975	2,995	5,234	15,392	18,803	16,426
<b>PBT</b>	<b>3,097</b>	<b>4,500</b>	<b>6,842</b>	<b>9,665</b>	<b>12,992</b>	<b>7,487</b>	<b>7,587</b>	<b>10,988</b>
<i>Provision for Tax</i>	1,025	1,575	2,382	3,315	4,322	2,134	1,912	2,769
<b>PAT</b>	<b>2,072</b>	<b>2,925</b>	<b>4,460</b>	<b>6,351</b>	<b>8,670</b>	<b>5,353</b>	<b>5,675</b>	<b>8,219</b>
<b>Exp. Item</b>	<b>0</b>	<b>0</b>	<b>285</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>2,072</b>	<b>2,925</b>	<b>4,176</b>	<b>6,351</b>	<b>8,670</b>	<b>5,353</b>	<b>5,675</b>	<b>8,219</b>

### Balance Sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	2,934	3,247	3,752	4,197	4,267	5,082	5,082	5,082
Reserves	19,370	26,645	39,604	62,643	71,206	101,970	106,772	113,726
<b>Shareholders' Funds</b>	<b>22,305</b>	<b>29,892</b>	<b>43,356</b>	<b>66,840</b>	<b>75,473</b>	<b>107,052</b>	<b>111,854</b>	<b>118,809</b>
<i>Savings</i>	9,576	17,582	38,486	53,395	82,448	107,180	120,040	138,045
<i>Current</i>	21,998	27,796	37,541	53,388	63,427	67,867	71,260	74,823
<i>Term Deposit</i>	139,419	198,108	269,854	332,240	438,069	492,849	542,155	607,235
<b>Total Deposits</b>	<b>170,993</b>	<b>243,487</b>	<b>345,881</b>	<b>439,023</b>	<b>583,944</b>	<b>667,896</b>	<b>733,456</b>	<b>820,103</b>
Borrowings	69,627	105,362	79,798	92,614	118,321	162,395	154,713	147,415
Other Liabilities	8,123	12,870	17,711	20,031	25,850	29,728	34,187	39,315
<b>Total Liabilities</b>	<b>271,047</b>	<b>391,611</b>	<b>486,746</b>	<b>618,508</b>	<b>803,588</b>	<b>967,071</b>	<b>1,034,210</b>	<b>1,125,642</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	21,703	24,499	41,936	42,844	66,021	113,330	125,603	124,960
Investments	98,257	144,359	134,815	154,473	168,404	206,758	215,374	228,759
<i>G-Secs</i>	75,799	102,820	98,012	113,220	119,427	153,616	157,693	168,121
Advances	144,498	212,291	294,490	402,678	543,082	616,405	657,983	731,720
Fixed Assets	1,644	1,773	2,587	3,340	4,025	4,830	5,554	6,387
Other Assets	4,944	8,690	12,916	15,172	22,056	25,748	29,695	33,816
<b>Total Assets</b>	<b>271,047</b>	<b>391,611</b>	<b>486,746</b>	<b>618,508</b>	<b>803,588</b>	<b>967,071</b>	<b>1,034,210</b>	<b>1,125,642</b>

Source: Bank, HSIE Research

## Key Ratios

Year End (March)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	7.1	9.0	11.1	15.1	20.3	10.5	11.2	16.2
Earnings Growth (%)	123.6	41.2	42.8	52.1	36.5	(38.3)	6.0	44.8
BVPS (Rs)	76.0	92.0	115.5	159.2	176.9	210.6	220.1	233.8
Adj. BVPS (Rs)	74.6	88.2	110.4	151.8	168.1	188.7	198.4	218.0
DPS (Rs)	1.2	1.5	1.8	2.1	2.7	1.4	1.5	2.1
ROAA (%)	0.91	0.88	0.95	1.15	1.22	0.60	0.57	0.76
ROAE (%)	9.8	11.2	12.2	11.5	12.2	5.9	5.2	7.1
P/E (x)	16.9	13.3	10.7	7.9	5.9	11.3	10.7	7.4
P/ABV (x)	1.60	1.36	1.08	0.79	0.71	0.63	0.60	0.55
P/PPOP (x)	9.7	7.2	4.9	3.8	2.6	2.4	2.3	2.2
Dividend Yield (%)	1.0	1.3	1.5	1.8	2.3	1.2	1.2	1.8
<b>PROFITABILITY</b>								
Yield On Advances (%)	11.64	10.95	10.42	9.84	10.68	10.84	10.85	10.83
Yield On Investment (%)	6.34	6.14	7.03	6.90	6.77	6.70	6.60	6.60
Cost Of Funds (%)	7.06	6.53	6.43	5.73	6.10	5.86	5.86	5.86
Cost Of Deposits (%)	7.57	7.27	6.65	5.96	6.34	6.23	6.32	6.27
Core Spread (%)	4.58	4.41	3.98	4.12	4.58	4.98	4.99	4.97
NIM (%)	2.68	2.65	3.02	3.48	3.90	4.10	3.99	4.01
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	2.6	2.32	2.41	2.72	2.87	2.85	2.82	2.92
Core Cost-Income Ratio (%)	66.5	61.39	56.86	56.35	52.31	52.69	54.95	56.12
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	46.9	46.9	38.7	36.7	34.9	13.5	6.7	11.2
Deposit Growth (%)	47.4	42.4	42.1	26.9	33.0	14.4	9.8	11.8
C/D Ratio (%)	84.5	87.2	85.1	91.7	93.0	92.3	89.7	89.2
Equity/Assets (%)	8.2	7.6	8.9	10.8	9.4	11.1	10.8	10.6
Equity/Advances (%)	15.4	14.1	14.7	16.6	13.9	17.4	17.0	16.2
CASA (%)	18.5	18.6	22.0	24.3	25.0	26.2	26.1	26.0
Capital Adequacy Ratio (CAR, %)	13.1	12.9	13.7	15.3	13.5	15.6	15.3	15.0
W/w Tier I CAR (%)	12.7	11.1	11.4	13.6	12.1	14.5	14.3	14.0
<b>ASSET QUALITY</b>								
Gross NPLs (Rsm)	1,112	2,081	3,568	5,667	7,546	23,585	29,663	24,108
Net NPLs (Rsm)	386	1,245	1,900	3,126	3,728	11,160	11,026	7,977
Gross NPLs (%)	0.77	0.98	1.20	1.40	1.39	3.83	4.51	3.29
Net NPLs (%)	0.27	0.59	0.64	0.78	0.69	1.81	1.68	1.09
Slippages (%)	0.39%	1.12%	2.11%	1.63%	1.50%	5.50%	4.10%	3.00%
Coverage Ratio (%)	65.3	40.2	46.8	44.8	50.6	52.7	62.8	66.9
Provision/Avg. Loans (%)	0.29	0.45	0.60	0.74	0.99	2.60	2.92	2.32
<b>ROAA TREE</b>								
Net Interest Income	2.46%	2.47%	2.78%	3.20%	3.57%	3.65%	3.49%	3.52%
Non Interest Income	1.78%	1.48%	1.72%	1.93%	2.03%	2.00%	1.96%	1.94%
Treasury Income	0.25%	0.18%	0.27%	0.30%	0.11%	0.25%	0.32%	0.25%
Operating Cost	2.65%	2.32%	2.41%	2.72%	2.87%	2.85%	2.82%	2.92%
Provisions	0.22%	0.28%	0.54%	0.66%	0.90%	1.96%	1.88%	1.52%
Provisions For NPAs	0.16%	0.24%	0.35%	0.47%	0.66%	1.71%	1.86%	1.49%
Tax	0.45%	0.48%	0.54%	0.60%	0.61%	0.24%	0.19%	0.26%
ROAA	0.91%	0.88%	1.02%	1.15%	1.22%	0.60%	0.57%	0.76%
Leverage (x)	10.67	12.70	11.99	10.03	9.99	9.70	9.14	9.36
ROAE	9.76%	11.21%	12.18%	11.53%	12.18%	5.87%	5.18%	7.13%

Source: Bank, HSIE Research

# State Bank of India

## Govt backing and valuations a positive

SBIN is almost immune to any liability-side risks at this juncture, given its expansive, granular deposit base (23.7% of systemic deposits, 43.1% CASA and 75% retail deposits- highest) and government holding. Growth is likely to slow considerably, asset quality may face some deterioration and the healing phase that we've seen over FY19-20E is likely be pushed out significantly. Ample coverage will curtail incremental loan loss provisions. It is noteworthy that subsidiary value also provides a backstop of sorts here. We maintain BUY with a SOTP of Rs 316 (vs. Rs 421 earlier).

### Risks

- Unexpected outcomes on growth and asset quality.
- The (earlier anticipated) risk of SBIN absorbing YES is almost ruled out. However, there exists the remote possibility of SBIN having to take over a weaker bank at this juncture (as several of them face increasingly heightened risks on both sides of the b/s).
- Weaker performance of subsidiaries

### Change In Estimates

SBIN	Earlier		Revised		Chg	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Loan growth (%)	9.3	10.4	4.7	8.3	-460 bps	-207 bps
NIM (%)	3.3	3.2	3.2	3.2	-7 bps	0 bps
NII Rs bn	1,141.0	1,229.0	1,092.3	1,190.5	-4.3%	-3.1%
PPOP Rs bn	737.1	769.6	690.0	721.3	-6.4%	-6.3%
PAT Rs bn	251.2	321.6	197.9	251.1	-21.2%	-21.9%
EPS Rs	28.2	36.0	22.2	28.1	-21.2%	-21.9%
ABV Rs	212.8	244.3	183.1	226.6	-13.9%	-7.3%
GNPA (%)	5.1	4.2	6.7	5.2	151 bps	97 bps
NNPA (%)	1.7	1.5	2.7	1.8	105 bps	35 bps
Slippages (%)	2.5	2.2	3.5	2.8	100 bps	55 bps
LLP (%)	1.6	1.2	1.9	1.6	31 bps	38 bps
RoA (%)	0.6	0.7	0.5	0.6	-13 bps	-15 bps
RoE (%)	10.3	12.0	8.2	9.6	-212 bps	-238 bps
TP (Rs)	421		326		-23%	
Multiple (x)	1.3		0.9			

Source: Bank, HSIE Research

## BUY

CMP (as on 20 Apr 2020)	Rs 193
Target Price	Rs 316
NIFTY	9,262

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 421	Rs 316
EPS %	FY21E -21.2%	FY22E -21.9%

### KEY STOCK DATA

Bloomberg code	SBIN IN
No. of Shares (mn)	8,925
MCap (Rs bn) / (\$ mn)	1,718/22,437
6m avg traded value (Rs mn)	14,352
52 Week high / low	Rs 374/174

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(38.7)	(28.6)	(38.1)
Relative (%)	(14.9)	(9.1)	(18.9)

### SHAREHOLDING PATTERN (%)

	Sep-19	Dec-19
Promoters	57.9	57.8
FIs & Local MFs	24.4	24.4
FPIs	10.8	11.0
Public & Others	6.9	6.8

Pledged Shares

Source : BSE

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**SOTP**

Particulars	Rs bn	Per Share	Rationale
State Bank (Bank SL)	1,824	204	0.9x Mar-21E Core ABV of Rs 227
SBI Life	602	68	Mar-21 EV + 30.0x Mar-22E VNB
SBI AMC	200	22	8% FY21E AUM
SBI Cards	356	40	Based on Current Mcap
Others	89.2	10	Stakes in NSE, UTI MF, SBI Caps and others
<b>Total Value of Subs</b>	<b>1,248</b>	<b>140</b>	
Less: Hold Co Discount	250	28	
<b>Net total Value of Subs</b>	<b>998</b>	<b>112</b>	
<b>Total Value</b>	<b>2,822</b>	<b>316</b>	
CMP	1,718	193	
<b>Upside (%)</b>	<b>64.2</b>	<b>64.2</b>	

## Financials

### Income Statement

(Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	1,524.0	1,640.0	1,755.2	2,205.0	2,428.7	2,669.4	2,803.7	2,984.5
Interest Expended	973.8	1,068.0	1,136.6	1,456.5	1,545.2	1,637.8	1,711.4	1,794.1
<b>Net Interest Income</b>	<b>550.2</b>	<b>571.9</b>	<b>618.6</b>	<b>748.5</b>	<b>883.5</b>	<b>1,031.5</b>	<b>1,092.3</b>	<b>1,190.5</b>
<b>Other Income</b>	<b>225.8</b>	<b>278.4</b>	<b>354.6</b>	<b>446.0</b>	<b>367.7</b>	<b>473.9</b>	<b>422.4</b>	<b>428.7</b>
Fee Income (CEB)	131.7	156.6	162.8	230.0	233.0	266.9	266.2	271.2
Treasury Income	36.2	50.2	107.5	123.0	10.2	90.2	35.5	32.5
<b>Total Income</b>	<b>775.9</b>	<b>850.4</b>	<b>973.2</b>	<b>1,194.5</b>	<b>1,251.2</b>	<b>1,505.5</b>	<b>1,514.7</b>	<b>1,619.1</b>
<b>Total Operating Exp</b>	<b>380.5</b>	<b>417.8</b>	<b>464.7</b>	<b>599.4</b>	<b>696.9</b>	<b>763.2</b>	<b>824.8</b>	<b>897.9</b>
Employee Expense	235.4	251.1	264.9	331.8	410.5	456.3	502.5	555.8
<b>PPOP</b>	<b>395.4</b>	<b>432.6</b>	<b>508.5</b>	<b>595.1</b>	<b>554.4</b>	<b>742.3</b>	<b>690.0</b>	<b>721.3</b>
Provisions & Contingencies	202.2	294.8	359.9	750.4	538.3	495.9	425.5	385.7
Prov. for NPAs (incl. std prov.)	203.4	291.4	354.1	677.7	545.4	513.4	436.0	392.7
<b>PBT</b>	<b>193.1</b>	<b>137.7</b>	<b>148.6</b>	<b>- 155.3</b>	<b>16.1</b>	<b>246.4</b>	<b>264.5</b>	<b>335.6</b>
Provision for Tax	62.1	38.2	43.7	- 89.8	7.5	86.2	66.6	84.5
<b>PAT</b>	<b>131.0</b>	<b>99.5</b>	<b>104.8</b>	<b>- 65.5</b>	<b>8.6</b>	<b>160.2</b>	<b>197.9</b>	<b>251.1</b>

### Balance Sheet

(Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share Capital	7.5	7.8	8.0	8.9	8.9	8.9	8.9	8.9
Reserves	1,276.9	1,435.0	1,874.9	2,182.4	2,200.2	2,332.7	2,496.5	2,704.3
<b>Shareholders' Funds</b>	<b>1,284.4</b>	<b>1,442.7</b>	<b>1,882.9</b>	<b>2,191.3</b>	<b>2,209.1</b>	<b>2,341.7</b>	<b>2,505.5</b>	<b>2,713.3</b>
Savings	5,273.3	5,977.5	7,432.9	10,137.7	10,917.5	11,763.6	12,822.4	13,912.3
Current	1,245.7	1,398.1	1,471.2	1,901.7	2,058.8	1,955.8	2,053.6	2,156.3
Term Deposit	9,248.9	9,931.7	11,543.4	15,023.9	16,137.6	17,751.3	18,638.9	19,850.4
<b>Total Deposits</b>	<b>15,767.9</b>	<b>17,307.2</b>	<b>20,447.5</b>	<b>27,063.4</b>	<b>29,113.9</b>	<b>31,470.8</b>	<b>33,514.9</b>	<b>35,919.0</b>
Borrowings	2,051.5	2,241.9	3,176.9	3,621.4	4,030.2	2,821.1	2,962.2	3,110.3
Other Liabilities & Provs	1,377.0	1,598.8	1,552.4	1,671.4	1,456.0	1,601.6	1,673.6	1,749.0
<b>Total Liabilities</b>	<b>20,480.8</b>	<b>22,590.6</b>	<b>27,059.7</b>	<b>34,547.5</b>	<b>36,809.1</b>	<b>38,235.2</b>	<b>40,656.1</b>	<b>43,491.5</b>
<b>APPLICATION OF FUNDS</b>								
Cash & Bank Balance	1,547.6	1,674.7	1,719.7	1,919.0	2,224.9	2,180.9	2,443.0	2,174.3
Investments	4,817.6	4,771.0	7,659.9	10,609.9	9,670.2	10,298.8	11,122.7	11,956.9
G-Secs	3,834.1	3,703.7	5,752.4	8,484.0	7,618.8	7,962.1	8,294.9	8,800.2
Advances	13,000.3	14,637.0	15,710.8	19,348.8	21,858.8	22,623.8	23,675.8	25,635.0
Fixed Assets	93.3	103.9	429.2	399.9	392.0	401.8	411.8	422.1
Other Assets	1,022.1	1,404.1	1,540.1	2,269.9	2,663.3	2,729.9	3,002.8	3,303.1
<b>Total Assets</b>	<b>20,480.8</b>	<b>22,590.6</b>	<b>27,059.7</b>	<b>34,547.5</b>	<b>36,809.1</b>	<b>38,235.2</b>	<b>40,656.1</b>	<b>43,491.5</b>

Source: Bank, HSIE Research



## Key Ratios

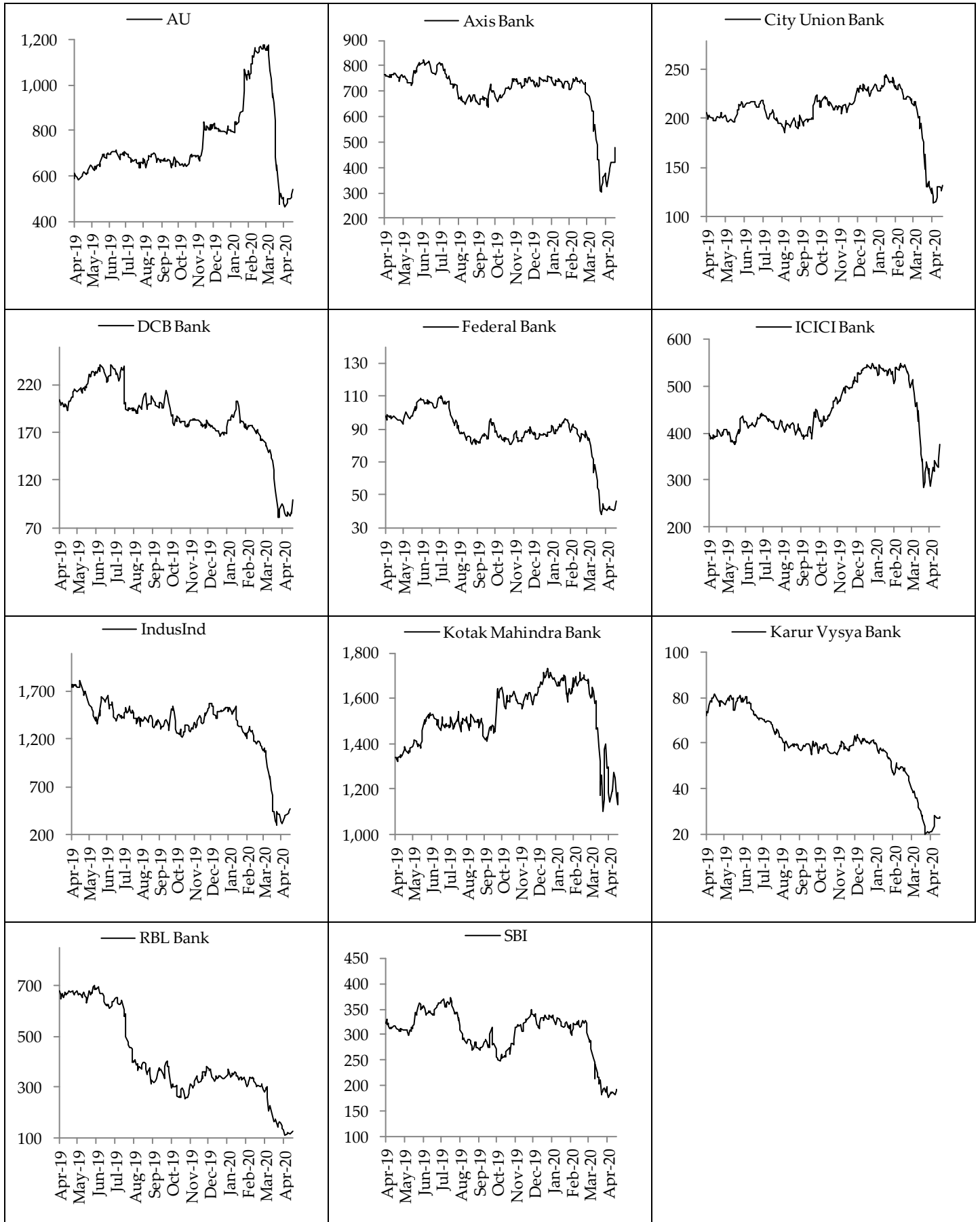
Particulars	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>								
EPS (Rs)	17.5	12.8	13.1	(7.34)	1.0	17.9	22.2	28.1
Earnings Growth (%)	20.3	(24.1)	5.4	(162.5)	(113.2)	1,757.5	23.6	26.9
BVPS (Rs)	158.9	171.2	182.3	217.7	219.9	256.1	274.5	297.7
Core Adj. BVPS (Rs)	122.0	99.3	109.2	93.5	146.1	179.3	183.1	226.6
DPS (Rs)	3.5	2.6	2.6	-	-	2.7	3.3	4.2
ROAA (%)	0.69	0.46	0.42	- 0.21	0.02	0.43	0.50	0.60
ROAE (%) (Core)	11.35	7.91	6.77	(3.21)	0.39	7.0	8.2	9.6
P/E (x)	6.6	8.7	8.2	(14.6)	91.5	4.6	3.7	2.9
P/ABV (x)	0.95	1.13	0.99	1.15	0.61	0.46	0.45	0.36
P/PPOP (x)	3.6	3.5	3.0	2.9	3.1	2.3	2.5	2.4
Dividend Yield (%)	1.8	1.4	1.4	-	-	1.4	1.7	2.2
<b>PROFITABILITY</b>								
Yield On Advances (%)	8.95	8.37	7.88	7.43	7.85	8.45	8.50	8.50
Yield On Investment (%)	8.03	8.82	7.76	7.06	7.34	7.20	7.10	7.00
Cost Of Funds (%)	5.80	5.72	5.27	4.87	4.84	4.86	4.84	4.75
Cost Of Deposits (%)	6.00	5.98	5.59	5.13	4.99	4.99	4.91	4.81
Core Spread (%)	3.15	2.65	2.61	2.57	3.00	3.59	3.66	3.75
NIM (%)	3.17	3.01	2.84	2.52	2.83	3.16	3.18	3.24
<b>OPERATING EFFICIENCY</b>								
Cost/Avg. Asset Ratio (%)	1.98	1.94	1.87	1.95	1.95	2.03	2.09	2.13
Core Cost-Income Ratio (%)	51.4	52.21	53.68	55.94	56.15	53.93	55.76	56.59
<b>BALANCE SHEET STRUCTURE</b>								
Loan Growth (%)	7.5	12.6	7.3	3.5	13.0	3.5	4.7	8.3
Deposit Growth (%)	13.1	9.8	18.1	4.7	7.6	8.1	6.5	7.2
C/D Ratio (%)	82.4	84.6	76.8	71.5	75.1	71.9	70.6	71.4
Equity/Assets (%)	6.3	6.4	7.0	6.3	6.0	6.1	6.2	6.2
Equity/Advances (%)	9.9	9.9	12.0	11.3	10.1	10.4	10.6	10.6
CASA (%)	41.3	42.6	43.5	44.5	44.6	43.6	44.4	44.7
Capital Adequacy Ratio (CAR, %)	12.0	13.1	13.1	12.6	12.7	13.6	13.3	13.2
W/w Tier I CAR (%)	9.6	9.9	10.4	10.4	10.7	11.2	11.0	11.0
<b>ASSET QUALITY</b>								
Gross NPLs (Rs bn)	567.3	981.8	1,123.4	2,234.3	1,727.5	1,533.4	1,576.9	1,324.6
Net NPLs (Rs bn)	275.9	558.1	582.8	1,108.5	658.9	506.9	648.8	468.8
Gross NPLs (%)	4.25	6.50	6.90	10.91	7.53	6.78	6.66	5.17
Net NPLs (%)	2.12	3.81	3.71	5.73	3.01	2.24	2.74	1.83
Slippages (%)	2.35%	4.65%	2.57%	8.43%	1.59%	2.70%	3.50%	2.75%
Coverage Ratio (%)	51.4	43.2	48.13	50.38	61.86	66.94	58.86	64.61
Provision/Avg. Loans (%)	1.43	1.95	2.17	3.75	2.65	2.31	1.88	1.59
<b>ROAA TREE</b>								
Net Interest Income	2.87%	2.66%	2.49%	2.43%	2.48%	2.75%	2.77%	2.83%
Non Interest Income	1.18%	1.29%	1.43%	1.45%	1.03%	1.26%	1.07%	1.02%
<i>Treasury Income</i>	0.19%	0.23%	0.43%	0.40%	0.03%	0.24%	0.09%	0.08%
Operating Cost	1.98%	1.94%	1.87%	1.95%	1.95%	2.03%	2.09%	2.13%
Provisions	1.05%	1.37%	1.45%	2.44%	1.51%	1.32%	1.08%	0.92%
<i>Provisions For NPAs</i>	0.93%	1.25%	1.33%	2.32%	1.53%	1.37%	1.10%	0.93%
Tax	0.32%	0.18%	0.18%	-0.29%	0.02%	0.23%	0.17%	0.20%
ROAA	0.68%	0.46%	0.42%	-0.21%	0.02%	0.43%	0.50%	0.60%
Leverage (x)	15.57	15.79	14.93	15.12	16.22	16.49	16.28	16.12
ROAE	10.62%	7.30%	6.31%	-3.21%	0.39%	7.04%	8.17%	9.62%

Source: Bank, HSIE Research

**Banks : Sector Thematic**

**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential



## Banks : Sector Thematic

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