

Cholamandalam Investment & Finance

BUY

The tough get going...

Yet again, CIFIC outperformed across operational parameters, amidst an increasingly tough economic environment. Maintain BUY with a TP of Rs 372 (3.5x Jun-21E ABV).

HIGHLIGHTS OF THE QUARTER

- Diversification across geographies and verticals aided the sustenance of strong disbursements momentum. Disbursements grew ~22% YoY (-4% QoQ, seasonal), led by VF (+21% YoY and -5% QoQ) and a sharp sequential growth in the HE segment (13% of disbursements, +17/7%). Performance, yet again, is more impressive contextually, as the auto industry reels under a serious slowdown and overall liquidity for NBFCs remains tight. Further, underwriting standards were undiluted.
- Slight deterioration in asset quality was seasonal (Gross Stage III up ~27bps QoQ to 2.97%) and visible across both the VF (+32bps QoQ) and HE (+38bps QoQ) segments. Improvement occurred on a YoY basis, especially in the HE segment (-97bps). CIFIC's VF asset quality remains the best across asset financiers. We

have built in a slight deterioration in asset quality over FY20-21E as macros appears increasingly challenging.

- Slight sequential deterioration in NIMs to 6.7% (-10bps QoQ) as the CoF rose (+50/20bps) in addition to the burden of higher liquid assets (~Rs 53bn in cash and cash equivalents). In spite of the rising share of higher yielding loans, we have built in stable NIMs of 6.2% over FY20-21E. The carry associated with higher liquid assets may become structurally entrenched in margins, as the RBI may fix LCR norms for NBFCs.
- Near-term outlook:** Stellar all round performance should keep the stock buoyant.

STANCE

Growing polarization in the NBFC space (stemming from better parentage and access to funds) has enabled CIFIC to sustainably outperform peers across operating metrics. Diversification across products and geographies along with superior underwriting practices and focus on collections pave the way for sustained outperformance. However, with deteriorating macros, asset quality (across asset financiers) will be watched.

FINANCIAL SUMMARY

| (Rs mn) | 1QFY20 | 1QFY19 | YoY (%) | 4QFY19 | QoQ (%) | FY19 | FY20E | FY21E | FY22E |
|---------------------|--------|--------|---------|--------|---------|--------|--------|--------|--------|
| Net Interest Income | 9,425 | 8,107 | 16.3 | 8986.7 | 4.9 | 29,765 | 36,046 | 42,864 | 49,825 |
| PPOP | 5,925 | 5,293 | 11.9 | 5,169 | 14.6 | 21,344 | 25,848 | 30,702 | 35,201 |
| PAT | 3,065 | 3,003 | 2.1 | 2,815 | 8.9 | 11,862 | 14,101 | 16,753 | 19,894 |
| EPS (Rs) | 3.9 | 3.8 | 2.1 | 3.6 | 8.9 | 15.2 | 18.0 | 21.4 | 25.4 |
| ROAE (%) | | | | | | 21.1 | 20.7 | 20.4 | 20.2 |
| ROAA (%) | | | | | | 2.34 | 2.26 | 2.32 | 2.40 |
| Adj. BVPS (Rs) | | | | | | 72.0 | 83.9 | 100.6 | 123.1 |
| P/ABV (x) | | | | | | 3.60 | 3.09 | 2.58 | 2.11 |
| P/E (x) | | | | | | 17.0 | 14.4 | 12.1 | 10.2 |

Source: Company, HDFC sec Inst Research

| INDUSTRY | NBFCs |
|--------------------------------|---------------|
| CMP (as on 31 Jul 2019) | Rs 259 |
| Target Price | Rs 372 |
| Nifty | 11,118 |
| Sensex | 37,481 |

KEY STOCK DATA

| | |
|----------------------------|------------|
| Bloomberg | CIFIC IN |
| No. of Shares (mn) | 782 |
| MCap (Rsbn) / (\$ mn) | 203/ 2,950 |
| 6m avg traded value (Rsmn) | 431 |

STOCK PERFORMANCE (%)

| 52 Week high / low | Rs 311/208 | | |
|--------------------|------------|------|-------|
| | 3M | 6M | 12M |
| Absolute (%) | (6.5) | 10.7 | (9.3) |
| Relative (%) | (2.5) | 7.4 | (8.9) |

SHAREHOLDING PATTERN (%)

| | Dec-18 | Mar-19 |
|-----------------|--------|--------|
| Promoters | 53.1 | 53.1 |
| FIs & Local MFs | 16.8 | 17.6 |
| FPIs | 19.4 | 18.9 |
| Public & Others | 10.8 | 12.4 |
| Pledged Shares | Nil | Nil |

Source : BSE

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- **Diversification Drives Growth:** A sequential uptick in HE disbursements drove overall disbursements. Within the VF segment, strong growth in the higher yielding used CV book (+35/-2%) was apparent while HCVs saw a sharp decline (-32/39%). The mgt took a cautious stance on the HCV segment, in view of downtrends in freight rates and fleet utilization. Car/3wheeler and tractor disbursements grew ~21% YoY each. 2wheelers now comprised ~5% of disbursements (negligible earlier). Diversification across products and geographies relatively insulates the co from a downturn in any single segment.
- Overall AUMs grew ~28/6% to reach ~Rs 575bn, led by a ~29/6% growth in VF AUMs (~75% of overall). Other loans grew ~64/16% on a small base (~4% of AUMs). We continue to model an AUM CAGR of 16% over FY20-21E.
- **Foreign Borrowings Jump:** Borrowings grew ~35/9%, led by the sequential doubling of foreign borrowings (~Rs 44bn, 8% of overall borrowings). Increasing reliance on bank borrowings (term loans & CC/WCDL) continued, as they grew ~61/9% to form ~48% of borrowings. Last qtr, bank borrowings witnessed a sharp rise (+85/35%) as CIFC drew down on borrowing lines to avoid cancellation. CPs saw a net increase of ~Rs 19.7bn (+56%) QoQ (possibly driven by attractive pricing), while debentures continued to decline (-15/12%). With increasing reliance on bank vs. mkt borrowings, the shift to more stable source of funds continues. This has (in part) resulted in a rise in
the CoF (+50bps YoY). MCLR cuts in the course of the year should provide some respite on this front.
- **Comfortable Liquidity:** CIFC's liquidity position remains comfortable with positive surpluses across time brackets. The increase in cash and cash equivalents (equal to 2 months' worth of liabilities) and gradual shift to more stable source of funds (over FY19) should insulate the co from any liquidity disruptions and ease transition to eventual LCR compliance.
- **C-I Improves:** After the sharp rise in 4Q (+640bps QoQ), the C-I Ratio dipped ~540bps QoQ to ~37% as opex dipped ~8% QoQ (+24% YoY). While employee count increased by ~3000 in 1Q, staff costs dipped ~16% as outsourced employees formed a large chunk of the additions. Other opex dipped ~2% QoQ (+45% YoY) in spite of the addition of 99 branches in 1Q. Ind AS 116 (applicable from 1Q) requires the capitalisation of operating leases, resulting in lower other opex and marginally higher finance costs. The expense ratio declined sequentially across segments, with an 80bps drop in the HE segment. We have modeled a C-I ratio of 36.5% over FY20E.
- **Provisions Rise:** After dipping ~42% QoQ in 4Q, provisions registered a 97% QoQ rise to ~Rs 1.1bn, led almost entirely by the VF segment (2.6x QoQ). As PD and LGD assumptions remained unchanged and coverage on Stage III assets fell ~180bps QoQ to ~36%, we suspect higher WOs. We have modeled LLPs of 70bps over FY20-21E.

Five Quarters At A Glance

| (Rs mn) | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY Growth | QoQ Growth |
|-------------------------------|--------|--------|--------|--------|--------|------------|------------|
| Net Interest Income | 8,107 | 8,107 | 8,753 | 8,987 | 9,425 | 16.3% | 4.9% |
| Non-interest Income | 2 | 1 | 1 | 3 | 1 | -75.0% | -80.8% |
| Total Income | 8,109 | 8,108 | 8,754 | 8,989 | 9,425 | 16.2% | 4.9% |
| Operating expenses | 2,816 | 2,901 | 3,158 | 3,820 | 3,500 | 24.3% | -8.4% |
| Pre Provision Profits | 5,293 | 5,207 | 5,596 | 5,169 | 5,925 | 11.9% | 14.6% |
| Provisions | 905 | 612 | 961 | 556 | 1,095 | 21.0% | 97.1% |
| PBT | 4,388 | 4,595 | 4,635 | 4,614 | 4,830 | 10.1% | 4.7% |
| Tax | 1,535 | 1,549 | 1,591 | 1,695 | 1,688 | 9.9% | -0.4% |
| PAT | 2,852 | 3,047 | 3,044 | 2,919 | 3,142 | 10.2% | 7.7% |
| PAT (incl OCI) | 3,003 | 3,074 | 3,012 | 2,815 | 3,065 | 2.1% | 8.9% |
| Other details | | | | | | | |
| Disbursals (Rs bn) | 70.1 | 69.0 | 76.4 | 88.9 | 85.7 | 22.2% | 3.6% |
| VF | 57.2 | 55.4 | 62.4 | 73.1 | 69.4 | 21.4% | -5.1% |
| HE | 9.4 | 9.1 | 9.5 | 10.3 | 11.0 | 17.3% | 6.5% |
| AUM (Rs bn) | 451.0 | 477.2 | 503.9 | 542.8 | 574.9 | 27.5% | 5.9% |
| VF | 333.5 | 354.4 | 374.9 | 405.9 | 429.8 | 28.9% | 5.9% |
| HE | 102.8 | 107.3 | 111.5 | 116.3 | 121.2 | 17.9% | 4.2% |
| Borrowings (Rs bn) | 409.8 | 470.6 | 472.3 | 505.7 | 551.2 | 34.5% | 9.0% |
| Bank Borrowings | 147.5 | 183.5 | 184.2 | 222.5 | 237.0 | 60.7% | 6.5% |
| CRAR (%) | 18.2 | 18.3 | 17.8 | 17.4 | 17.2 | -99 bps | -20 bps |
| Tier I (%) | 13.4 | 13.1 | 13.1 | 12.4 | 12.9 | -55 bps | 42 bps |
| Profitability | | | | | | | |
| Yield On Advances (%) | 14.50 | 14.30 | 14.20 | 14.30 | 14.40 | -10 bps | 10 bps |
| Cost Of Funds (%) | 7.20 | 7.40 | 7.40 | 7.50 | 7.70 | 50 bps | 20 bps |
| NIM (%) | 7.30 | 6.90 | 6.80 | 6.80 | 6.70 | -60 bps | -10 bps |
| Cost-Income Ratio (%) | 34.7 | 35.8 | 36.1 | 42.5 | 37.1 | 241 bps | -536 bps |
| Tax rate (%) | 35.0 | 33.7 | 34.3 | 36.7 | 34.9 | -5 bps | -179 bps |
| Asset Quality (I-GAAP) | | | | | | | |
| Gross NPA (Rs mn) | 14,480 | 14,280 | 14,500 | 12,450 | 15,170 | 4.8% | 21.8% |
| Net NPA (Rs mn) | 8,120 | 7,920 | 7,900 | 6,260 | 8,080 | -0.5% | 29.1% |
| Gross NPAs (%) | 2.99 | 2.80 | 2.70 | 2.30 | 2.62 | -37 bps | 32 bps |
| Net NPAs (%) | 1.71 | 1.60 | 1.50 | 1.10 | 1.40 | -31 bps | 30 bps |
| Coverage Ratio (%) | 43.9 | 44.5 | 45.5 | 49.7 | 46.7 | 281 bps | -298 bps |
| Asset Quality (IND-AS) | | | | | | | |
| Gross Stage III (Rs mn) | 16,170 | 16,230 | 16,480 | 14,390 | 16,710 | 3.3% | 16.1% |
| Gross Stage III (%) | 3.60 | 3.40 | 3.30 | 2.70 | 2.97 | -63 bps | 27 bps |
| Stage III Provisions | 5,550 | 5,660 | 5,760 | 5,460 | 6,040 | 8.8% | 10.6% |
| PCR (%) | 34.3 | 34.9 | 35.0 | 37.9 | 36.1 | 182 bps | -180 bps |

Source: HDFC sec Inst Research

Led by a ~27% growth in AUM while NIMs compressed ~60bps

Staff costs fell ~16% QoQ while other opex fell ~2%

VF provisions were ~Rs 1bn (2.6x QoQ)

Driven by strong growth across most segments (Used, Tractors, Cars/3w and 2W), expect HCVs (-32/39%) as expected

QoQ rise in the share of CPs (+300bps, 10%) and foreign borrowings (+400bps, 8%)

VF NIMs dipped ~70bps QoQ to ~6.9% even as CIFIC raised rates in the range of 30-70bps while HE NIMs were flat QoQ

In a seasonally weak qtr, VF GNPA's rose to 2.02% (best amongst peers) from 1.7% QoQ and HE NPAs inched up 4.2% (from 3.8%) Mgt guides for improving trends in early buckets

Coverage dipped sequentially in spite of higher provisions (indicative of higher WOs in 1Q)

Amidst challenging macros, disbursals jumped ~22% YoY led by VF (+21%) and followed by a 17% rise in HE disbursals

VF disbursals were up YoY, even as auto OEM sales dipped

The share of 2wheelers increased to ~5% of disbursals

The share of HCV disbursals was at 9% vs. 14% QoQ and 16% YoY

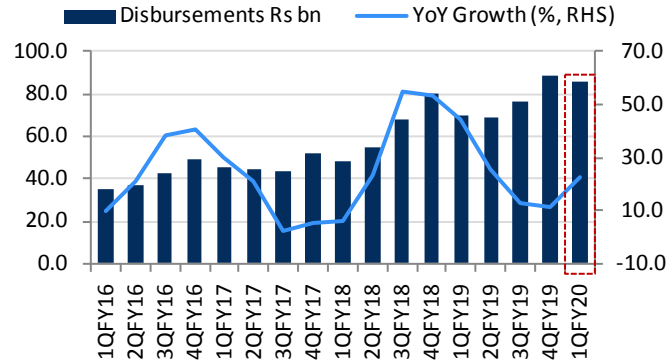
Highest ever HE disbursals at Rs 11bn

The mgt guided for ~15% growth in disbursals

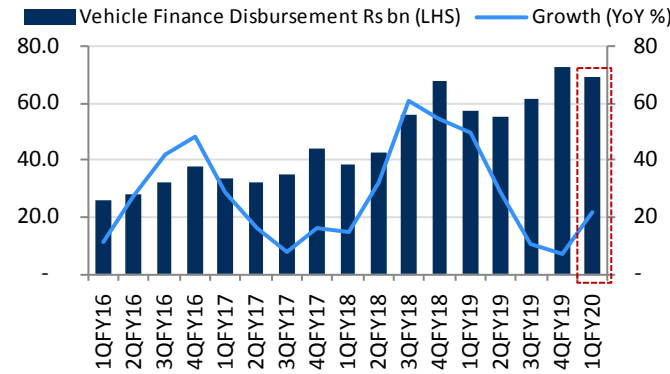
AUM growth sustained at ~27/6% YoY/ QoQ led by VF at 29/6% and Other Loans at 64/16%

HE AUMs grew ~18/4%

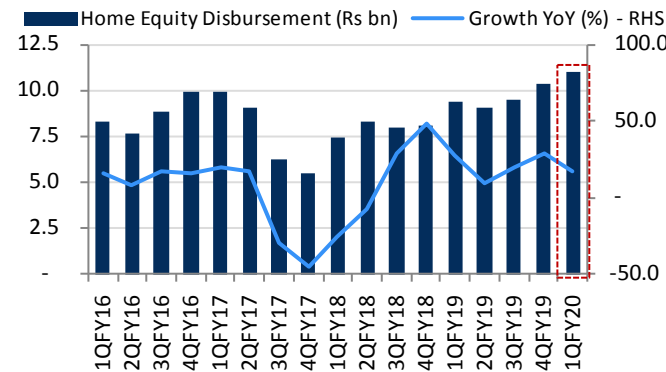
Disbursals: Jump ~22% YoY (Down 4% QoQ)



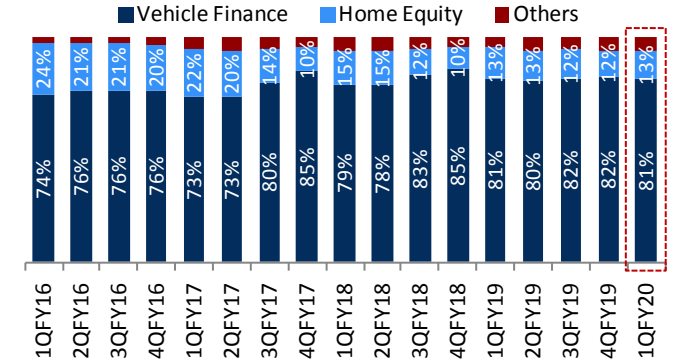
VF Disbursals: Up ~21% YoY (Down ~5% QoQ)



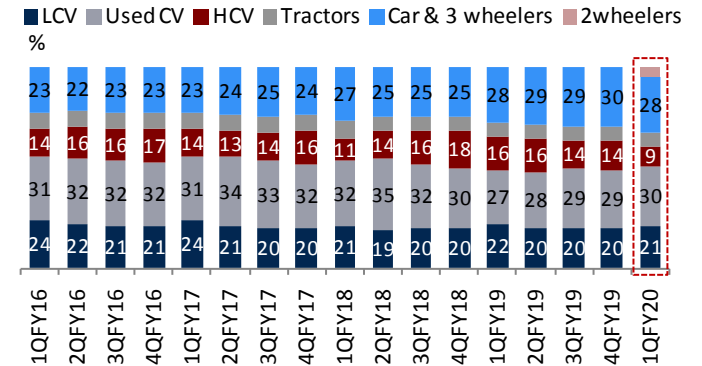
HE Disbursals: Up ~6% QoQ (After 8% in 4Q)



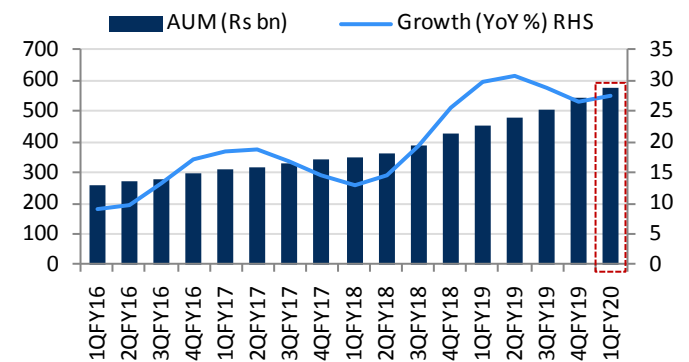
Disbursal Mix: Share of VF At ~81%



Vehicle Disbursals: Share of HCVs Dip



AUM Growth: Led By The VF Segment



Source : Company, HDFC sec Inst Research

The share of other loans increased ~40bps QoQ to 4.2% of AUMs

In the VF book, only HCV reported muted growth at 8.5% YoY (flat QoQ),

The Vehicle Finance Portfolio remained largely stable across products (except HCVs) and geographies

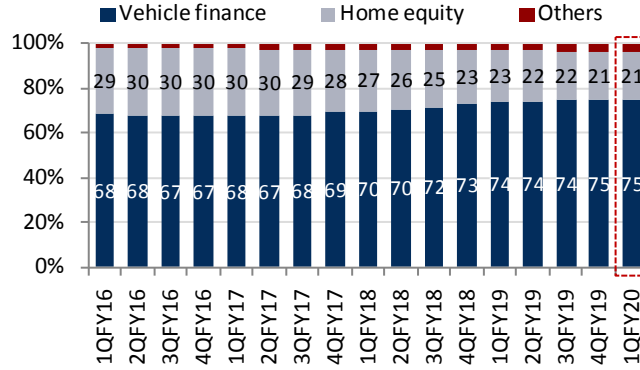
Borrowings grew 35/9% YoY/QoQ higher vs. AUM growth of ~28/6%

Bank borrowings were the largest source of funding (48% of total borrowings incl. CC/WCDL)

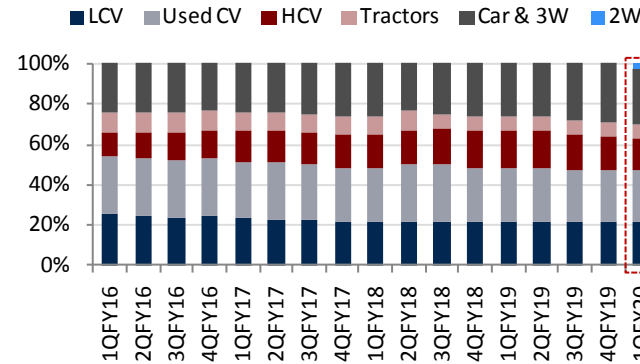
Sequential increase in the share of CPs (+300bps, 10%) and foreign borrowings (+400bps, 8%)

The share of bank borrowings continued to trend upwards

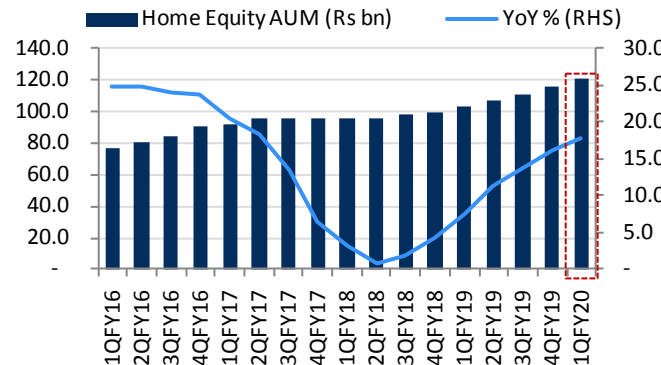
AUM Break-up: VF Stable QoQ



Segment-wise VF AUM Mix: HCVs Dip

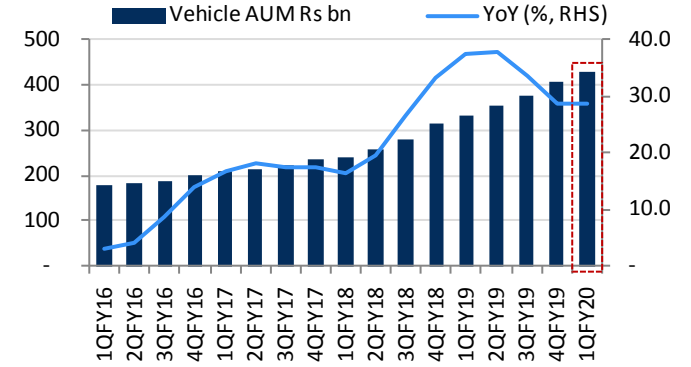


Home Equity AUM: Up ~4% Sequentially

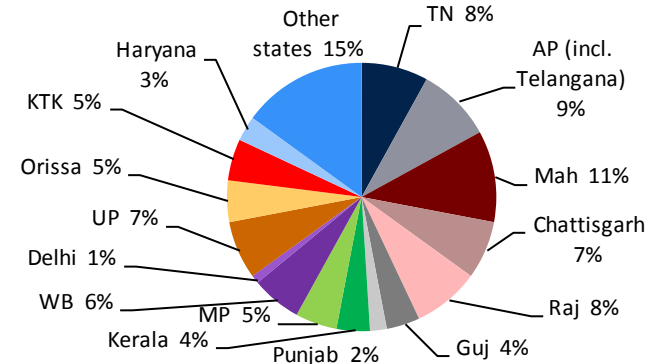


Source : Company, HDFC sec Inst Research

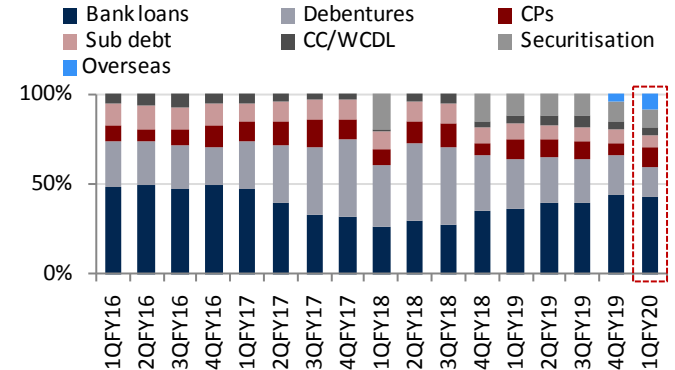
VF AUM: Healthy Growth At 29/6% YoY/QoQ



State-wise VF AUM: Well-diversified



Borrowings: Share of Foreign Borrowings & CPs Rises



NIMs were sequentially stable, albeit down ~70bps YoY

VF yields dipped 40bps QoQ (even as incremental yields were up ~30-70bps) while HE yields were up ~40bps

The C-I ratio improved ~540bps QoQ to 37% while the C-AA ratio dipped 40bps QoQ to 2.5%

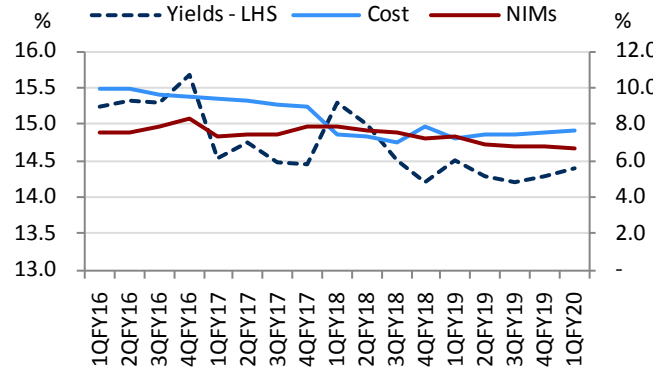
The expense ratio was lower across segments sequentially, with an ~80bps drop in the HE segment and a 60bps drop in the VF segment

Gross Stage III increased ~16% QoQ

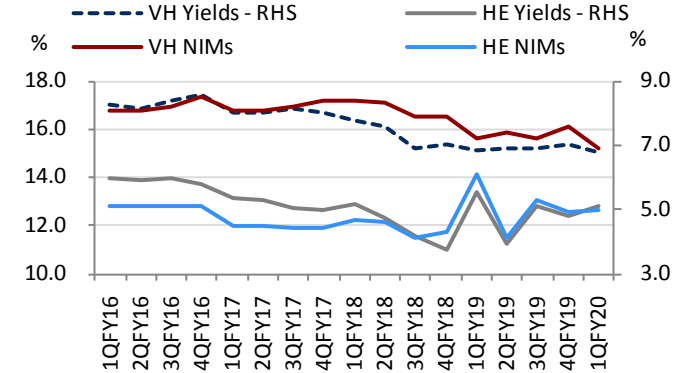
Even as provisions jumped QoQ, the PCR dipped ~180bps to ~36.1% (due to higher WOs, we suspect)

Under I-GAAP G/NNPA jumped 22/29% QoQ

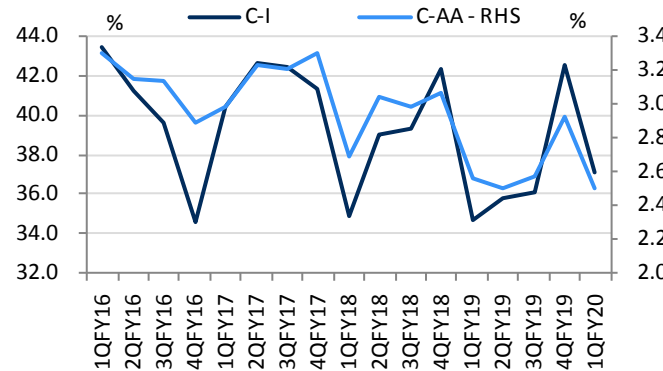
NIMs: Dip Slightly QoQ



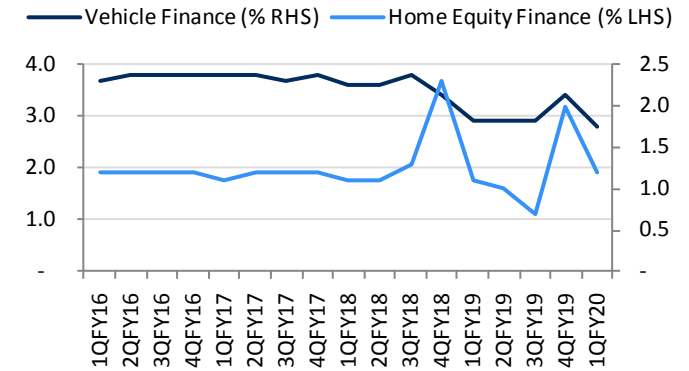
HE Yields Up ~40bps QoQ



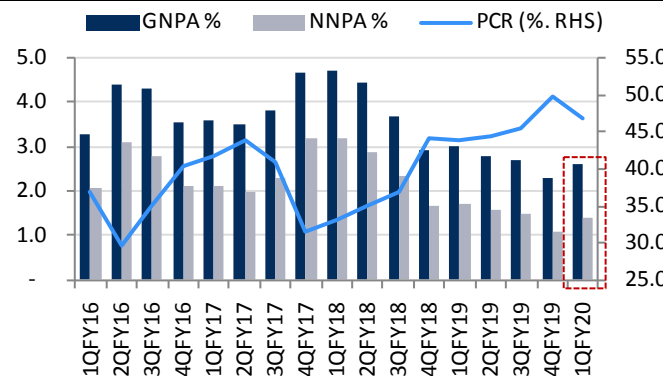
Efficiency Ratio: C-I Ratio Improves QoQ



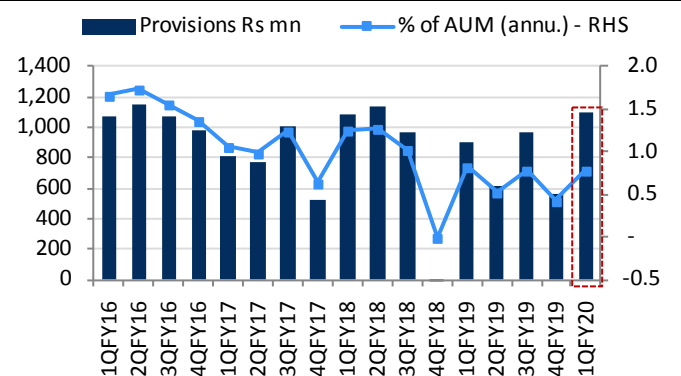
Expenses Ratio: Improvement Across Segments



Asset Quality: Seasonal Deterioration



Provisions Jump QoQ, Led By VF

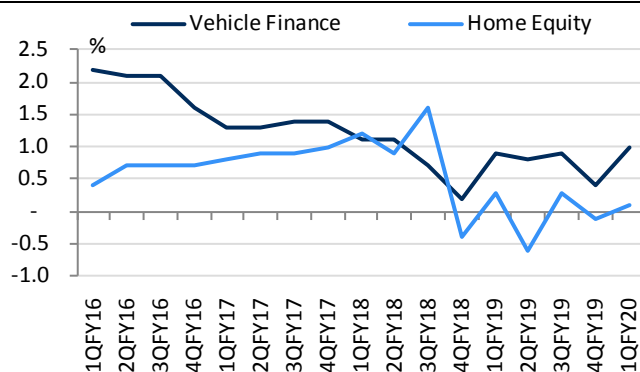


Source : Company, HDFC sec Inst Research

Provisions almost doubled QoQ to ~Rs 1.1bn led by VF provisions (Rs 1.0bn, 2.6x QoQ)

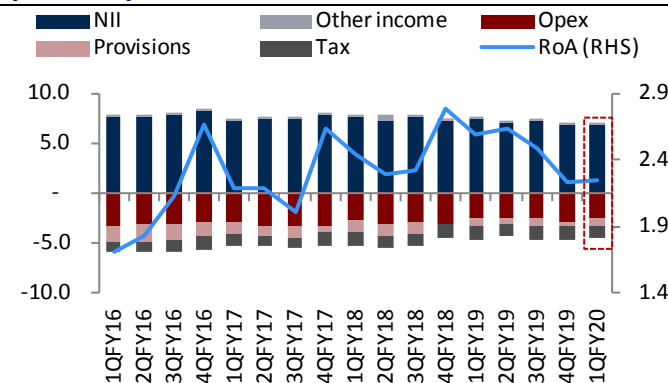
HE provisions were a mere Rs 30mn vs. write-backs of ~Rs 20mn QoQ and ~ Rs 60mn YoY

Segmental Provisions: VF Provisions Jump



Source : Company, HDFC sec Inst Research

Oplev Keeps RoAA Stable



Change in Estimates

| Rs mn | FY20E | | | FY21E | | |
|----------------|--------|--------|--------|--------|--------|--------|
| | Old | New | Change | Old | New | Change |
| NII | 35,647 | 36,046 | 1.1% | 41,947 | 42,864 | 2.2% |
| PPOP | 25,358 | 25,848 | 1.9% | 29,733 | 30,702 | 3.3% |
| PAT | 14,130 | 14,101 | -0.2% | 16,609 | 16,753 | 0.9% |
| Adj. BVPS (Rs) | 86 | 84 | -2.9% | 104 | 101 | -3.6% |

Source : HDFC sec Inst Research

Peer Set Comparison

| NBFC | MCAp (Rs bn) | CMP (Rs) | Rating | TP (Rs) | ABV (Rs) | | | P/E (x) | | | P/ABV (x) | | | ROAE (%) | | | ROAA (%) | | |
|-------------|--------------|------------|------------|------------|-----------|-----------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E |
| LICHF | 261 | 517 | NEU | 566 | 281 | 326 | 377 | 10.7 | 9.5 | 8.4 | 1.84 | 1.59 | 1.37 | 15.9 | 15.9 | 15.8 | 1.31 | 1.28 | 1.26 |
| SHTF | 219 | 967 | BUY | 1,375 | 449 | 581 | 743 | 8.6 | 7.8 | 7.1 | 2.15 | 1.66 | 1.30 | 17.4 | 16.4 | 15.8 | 2.53 | 2.49 | 2.45 |
| CIFC | 203 | 259 | BUY | 372 | 72 | 84 | 101 | 17.0 | 14.4 | 12.1 | 3.60 | 3.09 | 2.58 | 21.1 | 20.7 | 20.4 | 2.34 | 2.26 | 2.32 |
| MMFS # | 188 | 306 | BUY | 398 | 124 | 142 | 164 | 11.4 | 14.4 | 11.2 | 2.32 | 2.03 | 1.76 | 15.2 | 10.8 | 12.7 | 2.60 | 1.73 | 1.99 |
| INDOSTAR | 27 | 297 | BUY | 520 | 272 | 297 | 346 | 11.4 | 7.9 | 4.9 | 1.09 | 1.00 | 0.86 | 9.5 | 11.0 | 15.4 | 1.96 | 2.45 | 2.82 |
| REPCO | 20 | 328 | BUY | 592 | 211 | 250 | 296 | 8.7 | 7.9 | 6.8 | 1.55 | 1.31 | 1.11 | 16.6 | 15.8 | 15.8 | 2.28 | 2.21 | 2.24 |

Source: Company, HDFC sec Inst Research

Income Statement

| (Rs mn) | FY18 | FY19 | FY20E | FY21E | FY22E |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Interest Earned | 52,358 | 65,653 | 80,954 | 94,472 | 108,639 |
| Interest Expended | 26,593 | 35,887 | 44,908 | 51,608 | 58,814 |
| Net Interest Income | 25,765 | 29,765 | 36,046 | 42,864 | 49,825 |
| Other Income | 2,439 | 4,274 | 4,891 | 5,528 | 5,823 |
| Total Income | 28,203 | 34,039 | 40,937 | 48,392 | 55,648 |
| Total Operating Exp | 11,153 | 12,696 | 15,089 | 17,690 | 20,447 |
| PPOP | 17,051 | 21,344 | 25,848 | 30,702 | 35,201 |
| Provisions & Contingencies | 3,037 | 3,112 | 4,320 | 5,126 | 5,944 |
| PBT | 14,014 | 18,232 | 21,528 | 25,576 | 29,256 |
| Provision for Tax | 4,828 | 6,370 | 7,427 | 8,824 | 9,362 |
| PAT | 9,186 | 11,862 | 14,101 | 16,753 | 19,894 |

Source: Company, HDFC sec Inst Research

Balance Sheet

| (Rs mn) | FY18 | FY19 | FY20E | FY21E | FY22E |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| SOURCES OF FUNDS | | | | | |
| Share Capital | 1,564 | 1,564 | 1,564 | 1,564 | 1,564 |
| Reserves | 49,417 | 60,193 | 72,856 | 87,899 | 105,466 |
| Net worth | 50,981 | 61,757 | 74,420 | 89,464 | 107,031 |
| Borrowings | 384,999 | 507,743 | 594,285 | 679,982 | 772,212 |
| Other Liabilities | 4,920 | 4,760 | 4,106 | 4,028 | 2,925 |
| Total liabilities | 440,900 | 574,260 | 672,811 | 773,474 | 882,167 |
| APPLICATION OF FUNDS | | | | | |
| Advances | 422,530 | 526,220 | 616,651 | 709,386 | 809,983 |
| Investments | 730 | 730 | 803 | 899 | 1,034 |
| Fixed assets | 1,650 | 1,760 | 1,936 | 2,130 | 2,449 |
| Other Assets | 15,990 | 45,550 | 53,422 | 61,059 | 68,701 |
| Total assets | 440,900 | 574,260 | 672,811 | 773,474 | 882,167 |

Source: Company, HDFC sec Inst Research

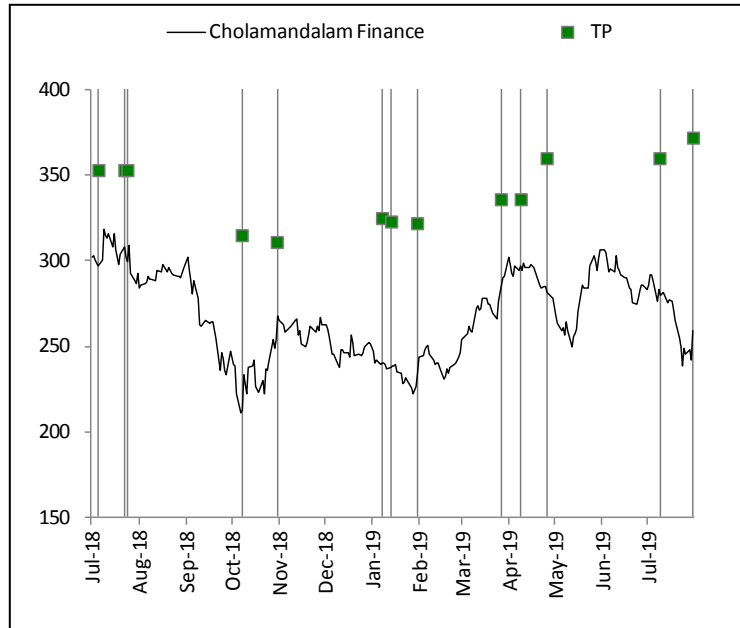
Key Ratios

| | FY18 | FY19 | FY20E | FY21E | FY22E |
|---------------------------------------|-------|-------|-------|-------|-------|
| Valuation Ratios | | | | | |
| EPS (Rs) | 11.8 | 15.2 | 18.0 | 21.4 | 25.4 |
| Earnings Growth (%) | 27.8 | 28.7 | 18.5 | 18.8 | 18.8 |
| BVPS (Rs) | 65.2 | 79.0 | 95.1 | 114.4 | 136.8 |
| Adj. BVPS (Rs) | 56.6 | 72.0 | 83.9 | 100.6 | 123.1 |
| DPS (Rs) | 1.3 | 1.3 | 1.5 | 1.8 | 2.5 |
| ROAA (%) | 2.47 | 2.34 | 2.26 | 2.32 | 2.40 |
| ROAE (%) | 19.6 | 21.1 | 20.7 | 20.4 | 20.2 |
| P/E (x) | 21.9 | 17.0 | 14.4 | 12.1 | 10.2 |
| P/ABV (x) | 4.6 | 3.6 | 3.1 | 2.6 | 2.1 |
| P/PPOP (x) | 11.9 | 9.5 | 7.8 | 6.6 | 5.8 |
| Dividend Yield (%) | 0.5 | 0.5 | 0.6 | 0.7 | 1.0 |
| Profitability | | | | | |
| Yield On Advances (%) | 13.59 | 13.51 | 13.70 | 13.75 | 13.80 |
| Cost Of Funds (%) | 8.51 | 8.08 | 8.15 | 8.10 | 8.10 |
| Core Spread (%) | 5.08 | 5.44 | 5.55 | 5.65 | 5.70 |
| NIM (%) | 6.69 | 6.13 | 6.10 | 6.24 | 6.33 |
| Operating Efficiency | | | | | |
| Cost/Avg. Asset Ratio (%) | 2.9 | 2.61 | 2.55 | 2.57 | 2.60 |
| Cost-Income Ratio | 39.5 | 37.3 | 36.9 | 36.6 | 36.7 |
| Balance Sheet Structure Ratios | | | | | |
| Loan Growth (%) | 25.5 | 26.6 | 17.7 | 15.0 | 14.2 |
| Borrowing Growth (%) | 59.0 | 31.9 | 17.0 | 14.4 | 13.6 |
| Equity/Assets (%) | 11.6 | 10.8 | 11.1 | 11.6 | 12.1 |
| Equity/Loans (%) | 11.9 | 11.4 | 11.6 | 12.2 | 12.8 |
| Total Capital Adequacy Ratio (CAR) | 18.4 | 17.6 | 17.4 | 17.4 | 17.1 |
| Tier I CAR | 13.2 | 12.6 | 12.7 | 12.9 | 12.8 |

| | FY18 | FY19 | FY20E | FY21E | FY22E |
|--------------------------|----------|----------|----------|----------|----------|
| Asset Quality | | | | | |
| Gross NPLs (Rs mn) | 12,569.3 | 11,661.3 | 16,762.4 | 21,091.9 | 23,929.0 |
| Net NPLs (Rs mn) | 6,715.7 | 5,466.2 | 8,790.8 | 10,754.4 | 10,777.7 |
| Gross NPLs (%) | 2.94 | 2.30 | 2.62 | 2.87 | 2.85 |
| Net NPLs (%) | 1.57 | 1.01 | 1.38 | 1.46 | 1.28 |
| Coverage Ratio (%) | 46.7 | 56.2 | 47.6 | 49.0 | 55.0 |
| Provision/Avg. Loans (%) | 0.71 | 0.57 | 0.68 | 0.70 | 0.71 |
| RoAA Tree | | | | | |
| Net Interest Income | 6.89% | 5.86% | 5.78% | 5.93% | 6.02% |
| Non-interest Income | 0.65% | 0.84% | 0.78% | 0.76% | 0.70% |
| Operating Cost | 2.98% | 2.50% | 2.42% | 2.45% | 2.47% |
| Provisions | 0.81% | 0.61% | 0.69% | 0.71% | 0.72% |
| Tax | 1.29% | 1.25% | 1.19% | 1.22% | 1.13% |
| ROAA | 2.46% | 2.34% | 2.26% | 2.32% | 2.40% |
| Leverage (x) | 7.95 | 9.00 | 9.16 | 8.83 | 8.43 |
| ROAE | 19.52% | 21.04% | 20.71% | 20.44% | 20.25% |

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



| Date | CMP | Reco | Target |
|-----------|-----|------|--------|
| 6-Jul-18 | 299 | BUY | 353 |
| 24-Jul-18 | 308 | BUY | 353 |
| 27-Jul-18 | 293 | BUY | 353 |
| 9-Oct-18 | 211 | BUY | 315 |
| 31-Oct-18 | 254 | BUY | 311 |
| 8-Jan-19 | 240 | BUY | 325 |
| 15-Jan-19 | 238 | BUY | 323 |
| 31-Jan-19 | 234 | BUY | 322 |
| 28-Mar-19 | 286 | BUY | 336 |
| 9-Apr-19 | 294 | BUY | 336 |
| 30-Apr-19 | 282 | BUY | 360 |
| 9-Jul-19 | 276 | BUY | 360 |
| 31-Jul-19 | 259 | BUY | 372 |

Rating Definitions

- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH
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