

<b>INDUSTRY</b>	<b>Banks</b>
<b>CMP (as on 19 Jul 2018)</b>	<b>Rs 556</b>
<b>Target Price</b>	<b>Rs 584</b>
Nifty	10,957
Sensex	36,351

<b>KEY STOCK DATA</b>	
Bloomberg	RBK IN
No. of Shares (mn)	421
MCap (Rsbn) / (\$ mn)	234 / 3,392
6m avg traded value (Rsmn)	694

<b>STOCK PERFORMANCE (%)</b>			
<b>52 Week high / low</b>	<b>Rs 591/443</b>		
	3M	6M	12M
Absolute (%)	9.2	6.2	3.4
Relative (%)	3.6	3.9	(10.4)

<b>SHAREHOLDING PATTERN (%)</b>	
Promoters	-
FIs & Local MFs	16.44
FPIs	37.20
Public & Others	46.36

Source : BSE

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## Shining bright

It was a quarter full of positives for RBK with robust loan growth (+36% YoY), steady asset quality (GNPAs flat at 1.7%) and superlative fee traction (+59% YoY), owing to cards. The steady uptrend in retail yields (+110bps YoY) drove up NIM to 4.04% (+50bps YoY), despite the continued pressure on corporate yields (-70bps YoY). RBK's tight grip on costs was visible as sequential opex growth at ~4% was significantly lower than the trailing 8-qtr average of ~9%.

Industry leading growth (albeit on a smaller base), improving margin trajectory and a tight fix on asset quality drive our positive stance on RBK. We believe improving retail profitability, uptrend in margins and better opelev will push return ratios upwards (19bps over FY18-20E).

While capital (Tier 1 of 13.1%) is not a hindrance in the near term, a book accretive fund raise will create comfort on valuations. Maintain BUY with a TP of Rs 584 (3x Mar-20E ABV of Rs 195).

### FINANCIAL SUMMARY

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	5,527	3,784	46.1%	5,005	10.4%	8,192	12,213	17,663	24,290	31,309
PPOP	4,323	3,114	38.8%	3,831	12.8%	5,424	9,204	13,311	17,609	22,912
PAT	1,900	1,410	34.8%	1,781	6.7%	2,925	4,176	6,351	8,955	12,032
EPS (Rs)	4.5	3.7	20.6%	4.2	6.4%	9.0	11.1	15.1	21.3	28.7
ROAE (%)						11.2	11.4	11.5	12.7	15.2
ROAA (%)						0.88	0.95	1.15	1.28	1.34
Adj. BVPS (Rs)						88.2	110.4	151.8	170.5	194.8
P/ABV (x)						6.31	5.03	3.66	3.26	2.85
P/E (x)						61.7	49.9	36.7	26.1	19.4

Source: Company, HDFC sec Inst Research

### Highlights of the quarter

- Overall fee income clocked a stellar growth of ~59/7% YoY/QoQ. One of the biggest contributors was the cards business which now forms ~40% of overall fees vs. 23% YoY. In absolute terms card fees almost tripled YoY to ~Rs 1.2bn (vs Rs 420mn). The management's focus on generating higher fees was clearly visible as fees as a % of avg loans jumped from 2.41% in 1QFY18 to 2.81% currently. We have factored in fee CAGR of 30% over FY18-20E.
- Overall opex grew merely ~4% sequentially which was significantly lower than the trailing 8-qtr avg. of ~8.6%. This was primarily due to ~2% QoQ drop in other expenses. Consequently, the C-I ratio dipped ~200bps QoQ to ~50.8%. While the mgt stated that 1Q is typically lean in terms of costs, they expect the C-I ratio to remain capped at ~52-53%. We have conservatively factored in a C-I ratio of 53.8/52.7% for FY19/20E.
- Near term outlook:** Given the strong show in 1Q, the stock should rebound post the intraday fall.

- Overall growth remained robust (+36/5% YoY/QoQ) taking total advances to ~Rs 422bn. Retail loans grew 43% YoY while corporate growth (+31% YoY) was not far behind. Retail growth was primarily driven by the BBB and DB&FI slices which clocked a growth of 45% and 39% respectively. Consequently, the share of retail loans improved ~200bps YoY to form 41% of loans. RBK continues to deliver best-in-class growth and we have factored in a loan CAGR of 34% over FT18-20E.
- NIMs continued to expand and now stand at 4.04% (up 50/6bps YoY/QoQ. This was primarily driven by the jump (110bps YoY) in retail yields even though corp yields dipped ~70bps YoY. The management expects to maintain NIM above 4% as the share of higher yielding retail loans continue to increase and competitive pressures in the corporate space abates. The recent hikes in MCLR will provide a further fillip to margins. We have conservatively factored in NIMs of 3.65% over FY18-20E
- Asset quality was largely stable as G/NNPAs grew merely 5/1% sequentially. Though RBK reported slippages of ~Rs 1.48bn (1.44% ann.) they were flat sequentially adjusting for one a/c of Rs 270mn which slipped and was recovered in 1Q itself. While GNPAs in the commercial banking jumped 40bps YoY (2.79%), the drop in GNPAs of the microfinance business (2.07% vs a peak of 5.17% in 3QFY18) was owing to higher W/Os. We have factored in slippages and LLPs of 1.65% and ~70bps respectively.
- Overall provisions were up ~49/24% YoY/QoQ driven by a ~49% QoQ jump in NPA provisions. RBK did not use the RBI dispensation on MTM provisioning and took the entire hit of ~Rs 250mn in 1Q.
- Deposits growth remained strong as RBK continues to make the most out of its differential rate offering. Overall CASA deposits grew ~41% YoY with similar growth in CA (+42%) and SA (+40%). We believe RBK will continue to garner deposits at a rapid pace given the differential rates and focus on digital offerings.

**Five Quarters At A Glance**

(Rs mn)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	YoY Growth	QoQ Growth
Net Interest Income	3,784	4,202	4,673	5,005	5,527	46.1%	10.4%
Non Interest Income	2,569	2,411	2,582	3,120	3,260	26.9%	4.5%
Core Fee Income	1,824	2,025	2,298	2,714	2,901	59.0%	6.9%
Treasury Income	745	386	284	406	359	-51.9%	-11.6%
Operating Income	6,353	6,612	7,255	8,124	8,787	38.3%	8.2%
Operating Expenses	3,239	3,581	3,921	4,293	4,464	37.8%	4.0%
Pre provision Profits	3,114	3,032	3,334	3,831	4,323	38.8%	12.8%
Other Provisions	945	749	823	1,129	1,404	48.6%	24.4%
PBT	2,169	2,283	2,511	2,702	2,920	34.6%	8.0%
Provision for Tax	759	776	858	921	1,019	34.3%	10.6%
PAT	1,410	1,506	1,653	1,781	1,900	34.8%	6.7%

**Ahead of estimates (~6%) driven by robust loan growth (~36%) and a NIM uptick**

**Continues to be driven by the cards business which now form 40% of core fees vs. 23% YoY**

**Higher than expected core earnings (~6%) and non-interest income (~5%) led to a 4% beat**

**Balance Sheet items/ratios**

Deposits (Rs bn)	354.3	365.7	386.2	439.0	449.5	26.9%	2.4%
CASA Ratio (%)	22.1	23.7	24.0	24.4	24.5	240 bps	10 bps
Advances Rs bn	311.1	335.8	368.9	402.7	422.0	35.6%	4.8%
Wholesale*	190.9	200.0	223.1	237.5	249.9	30.9%	NA
Retail*	120.2	135.8	145.8	165.2	172.1	43.2%	NA
BBB (Branch & Business Banking)*	78.2	69.1	78.2	88.9	113.6	45.3%	NA
Retail Agri	17.5	NA	NA	NA	15.3	-12.9%	NA
FI (Financial Inclusion)	42.0	46.1	47.8	56.8	58.5	39.4%	2.9%
CD Ratio (%)	87.8	91.8	95.5	91.7	93.9	607 bps	216 bps
CAR (%)	13.4	16.6	15.9	15.3	14.6	122 bps	-70 bps
Tier I (%)	11.1	14.5	14.1	13.6	13.1	196 bps	-50 bps

**Robust growth in SA continues as RBK offers differential rates**

**Retail growth (+43% YoY) continued to outpace corporate (+31% YoY) and now form ~41% of total advances**

**Uptick was driven by a 110bps YoY rise in retail yields even as corporate yields dipped 70bps YoY**

**PROFITABILITY**

Yield on Advances (%)	10.60	10.60	10.40	10.50	10.80	20 bps	30 bps
Cost of Funds (%)	6.50	6.40	6.30	6.20	6.40	-10 bps	20 bps
NIM (%)	3.54	3.70	3.90	3.98	4.04	50 bps	6 bps
Cost-Income (%)	51.0	54.2	54.0	52.8	50.8	-19 bps	-205 bps
Tax Rate (%)	35.0	34.0	34.2	34.1	34.9	-8 bps	82 bps

**Dip was on the back of controlled opex (up merely 4% sequentially) as other opex dropped 2% QoQ**

**ASSET QUALITY**

Gross NPA (Rs mn)	4,578	4,872	5,799	5,667	5,959	30.2%	5.2%
Net NPA (Rs mn)	2,504	2,608	3,578	3,126	3,158	26.1%	1.0%
Gross NPAs (%)	1.46	1.44	1.56	1.40	1.40	-6 bps	0 bps
Net NPAs (%)	0.81	0.78	0.97	0.78	0.75	-6 bps	-3 bps
Reported Slippages (%)	2.07	1.66	2.05	1.24	1.48	-59 bps	24 bps
Coverage Ratio reported (%)	58.0	58.3	53.5	57.6	60.4	241 bps	283 bps
Restructured book (%)	0.24	0.41	0.18	0.08	0.10	-14 bps	2 bps
Net stressed assets (%)	1.05	1.19	1.15	0.86	0.85	-20 bps	-1 bps

**Coverage jumped as NPA related provisions rose ~49% YoY**

Source: Bank, HDFC sec Inst Research; \*Incomparable sequentially owing to a reclassification of Agri Loans

**Advances grew ~36/5% YoY/QoQ driven by retail growth of ~43/4% YoY/QoQ while wholesale grew ~31/5% YoY/QoQ**

**The share of retail and wholesale book was stable QoQ at 51% and 49%.**

**About 71% of RBK's loans have tenure of < 1 year**

**Within retail, growth was driven by branch and business banking (45% YoY)**

**In BBB, LAP contributes ~48%**

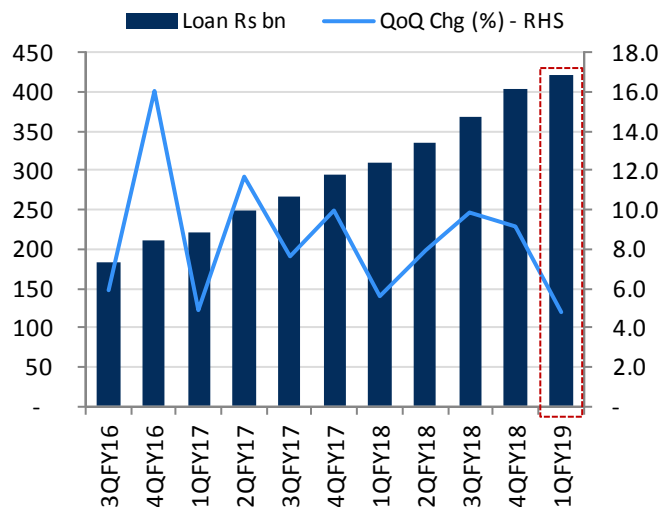
**The agri portfolio is below ~4% of total advances for the bank**

**RBK's core fee income grew ~59/7% YoY/QoQ driven by card related and processing fees**

**Card fees form ~40% of the total fees vs. 33% QoQ and 23% YoY**

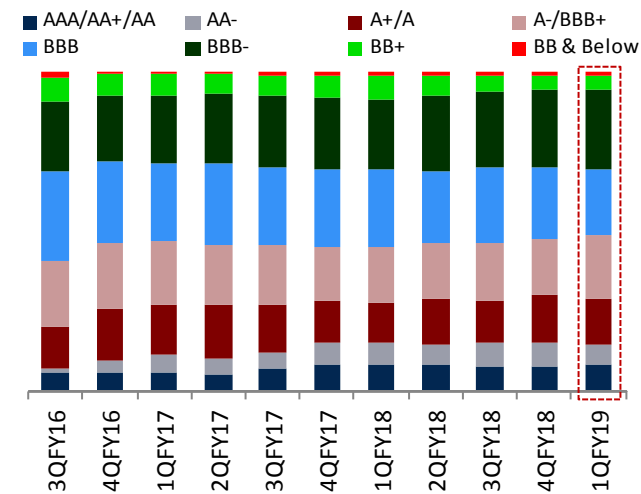
**~10% of card customers are new to credit**

**Advances Grew ~36/5% YoY/QoQ**



Source: Company

**Rating Mix Of Advances Remains Stable QoQ**



Source: Company

**Breakup Of Loans: Mix Largely Stable Sequentially**

Rs bn	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18*	2QFY18	3QFY18	4QFY18	1QFY19*
C&IB	65.3	69.4	81.9	88.7	105.9	115.4	123.4	130.8	139.0	156.1	162.4	171.5
CB	42.0	42.8	46.9	46.5	46.2	50.3	55.1	60.1	61.0	67.1	75.1	78.4
<b>Wholesale</b>	<b>107.4</b>	<b>112.2</b>	<b>128.8</b>	<b>135.3</b>	<b>152.2</b>	<b>165.8</b>	<b>178.5</b>	<b>190.9</b>	<b>200.0</b>	<b>223.1</b>	<b>237.5</b>	<b>249.9</b>
% of total loans	62.1	61.3	60.7	60.7	61.2	61.9	60.6	61.4	59.6	60.5	59.0	59.2
BBB (LAP, Credit Cards, etc.)	26.7	30.6	34.6	37.3	43.4	47.9	53.7	78.2	69.1	78.2	88.9	113.6
Agri	15.0	14.6	17.6	18.3	16.8	17.5	21.1	17.5	20.6	19.8	19.4	15.3
FI	23.8	25.6	31.3	31.7	36.4	36.6	41.2	42.0	46.1	47.8	56.8	58.5
<b>Retail</b>	<b>65.4</b>	<b>70.8</b>	<b>83.5</b>	<b>87.4</b>	<b>96.6</b>	<b>102.0</b>	<b>116.0</b>	<b>120.2</b>	<b>135.8</b>	<b>145.8</b>	<b>165.2</b>	<b>172.1</b>
% of total loans	37.9	38.7	39.3	39.3	38.8	38.1	39.4	38.6	40.4	39.5	41.0	40.8
<b>TOTAL</b>	<b>172.8</b>	<b>183.0</b>	<b>212.2</b>	<b>222.6</b>	<b>248.7</b>	<b>267.7</b>	<b>294.5</b>	<b>311.1</b>	<b>335.8</b>	<b>368.9</b>	<b>402.7</b>	<b>422.0</b>

Source: Company. C&IB – Corporate & Institutional Banking, CB – Commercial Banking, BBB – Branch & Business Banking, FI – Financial Inclusion; \*No tcomparable with other quarters owing to reclassification of agri loans

**Breakup Of Fee Streams: Cards Share Jumps QoQ**

%	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Forex	19	17	14	19	20	21	15	19	17	15	14	12
Processing fees	48	47	41	39	39	35	38	31	28	29	24	24
General Banking	12	14	19	16	14	16	19	15	15	12	14	12
Distribution #	11	12	13	15	16	18	4	3	29	4	6	4
Trade and others	11	10	13	11	11	9	9	9	10	9	10	8
Credit Cards	-	-	-	-	-	-	15	23	-	31	33	40

Source: Company. # includes credit card fees for all quarters except 4QFY17, 1QFY18, 3QFY18, 4QFY18 and 1QFY19

**Deposit growth of ~27/2% YoY/QoQ was driven by CASA growth of ~41/3% YoY/QoQ**

**The CASA Ratio improved ~10bps sequentially to ~24.5%**

**The average cost of SA was at 6.2% vs 6.6% YoY**

**~40% of SA balances are above Rs 10mn**

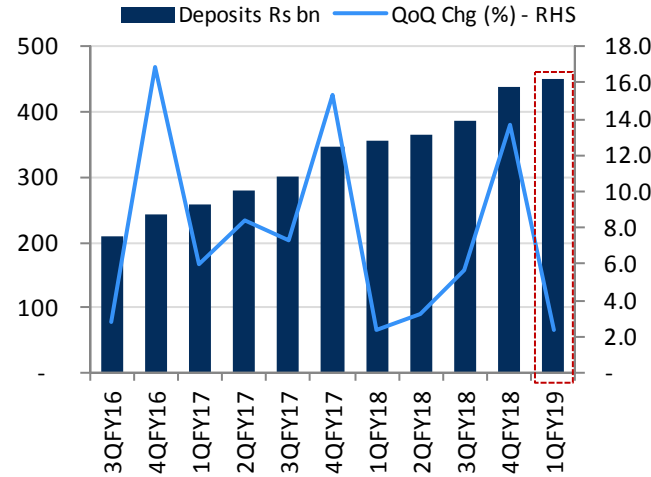
**The mgt expects to keep the C-I ratio below 52-53% for FY19**

**Wholesale yields declined 70 YoY to 8.53% while retail yields jumped 110bps YoY to 14.04%**

**The mgt is confident of maintaining margins above 4% given the rising share of retail loans and some pricing power in corporate loans**

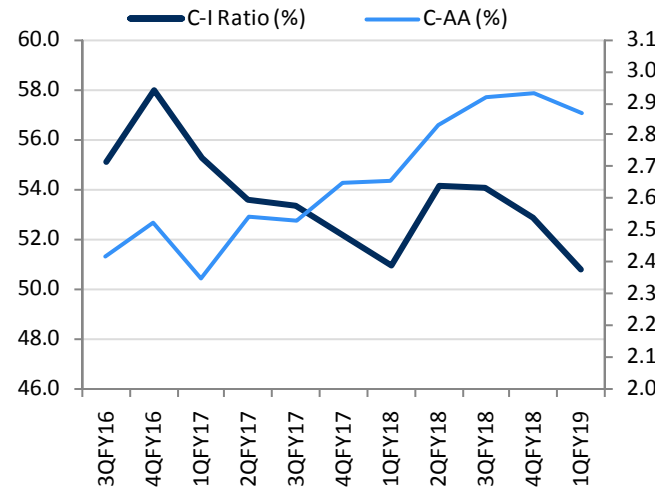
**We have conservatively factored in NIMs of 3.65% over FY18-20E**

**Deposit Growth Robust At ~27/2% YoY/QoQ**



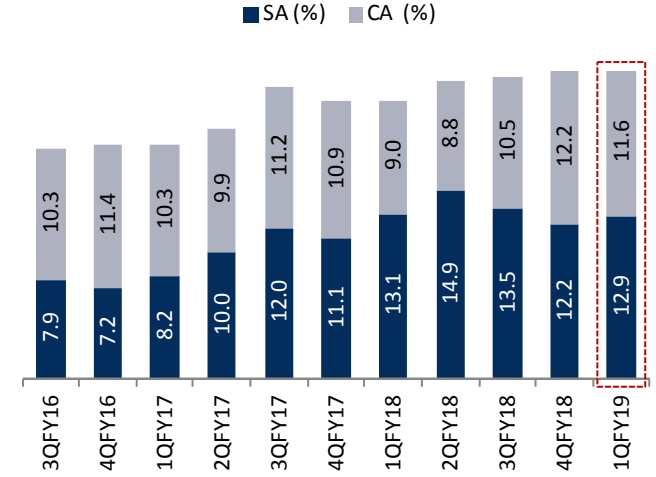
Source: Company

**C-I Ratio Improves And C-AA Dips**



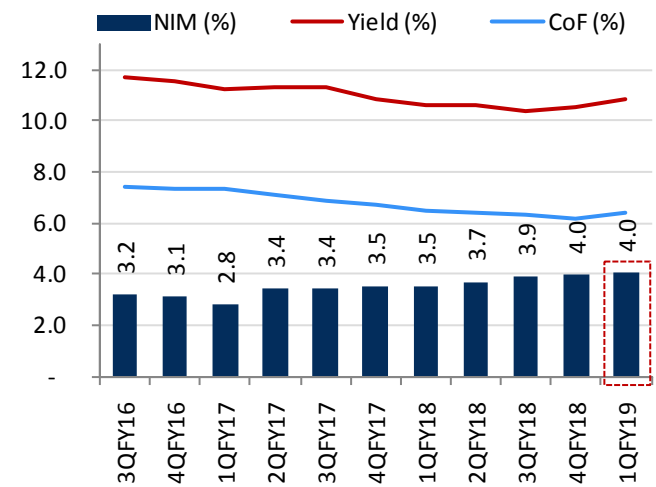
Source : Company

**CASA Ratio Improved 10bps QoQ To ~24.5%**



Source: Company

**NIMs Continue To Rise, Up 6bps QoQ**



Source : Company

**G/NNPAs remained stable at 1.4/0.75% YoY/QoQ.**

**Reported PCR improved ~280bps sequentially to ~60.4%**

**In the microfinance book, 2/3<sup>rd</sup> of the provisions have been made and the rest will be provided through FY19**

**GNPAs in the MFI portfolio created post demon stood at merely 0.38%**

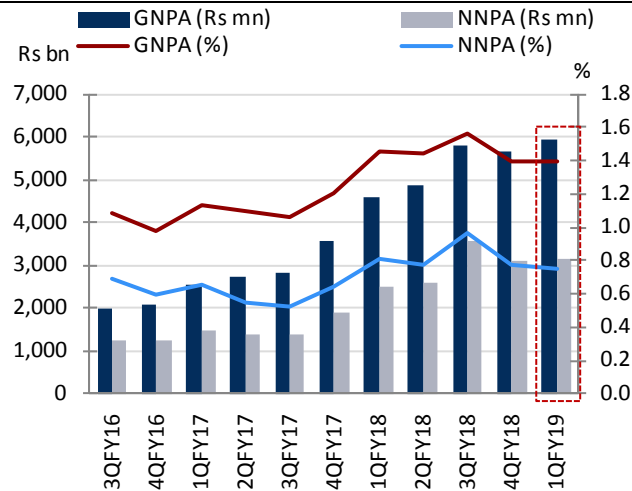
**RBK sold one account to ARC during the quarter on a full cash basis**

**Asset quality across segments; C&IB GNPA dipped 25bps YoY to 0.54% while BBB and CB GNPAs increased 37/40bps YoY to 1.47/2.79%**

**CB stress seems elevated optically as it now includes a piece of the Agri business (higher NPAs)**

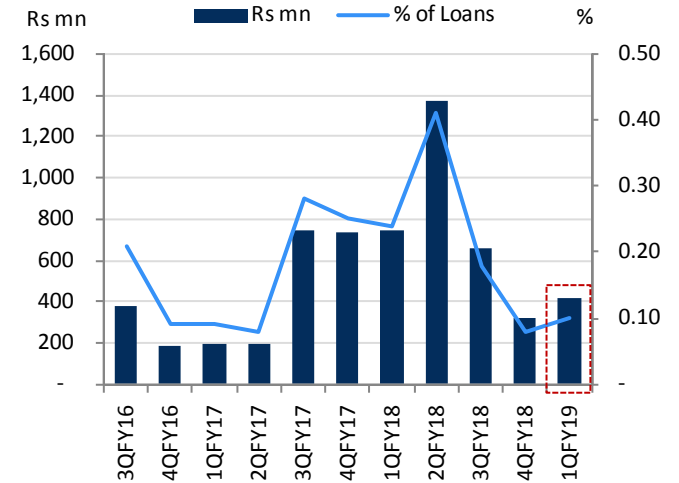
**Stress in the Cards portfolio jumped ~29% QoQ (on a lower base)**

**G/NNPA Stable Sequentially**



Source : Company

**Restructured Book At A Mere 10bps**



Source : Company

**Asset Quality Movement**

Rs bn	1HFY16	9MFY16	FY16	1QFY17	1HFY17	9MFY17	FY17	1QFY18	1HFY18	9MFY18	FY18	1QFY19
Opening	1,110	1,110	1,110	2,080	2,080	2,080	2,080	3,570	3,570	3,570	5,800	5,670
Slippages	790	1,660	2,000	680	1,060	1,280	5,330	1,520	2,440	4,540	1,150	1,480
% ann.	1.09	1.09	1.09	1.28	1.00	1.00	2.51	2.07	1.66	2.05	1.24	1.48
Reductions	-	110	110	130	130	130	130	120	120	140	560	1,180
Closing	1,620	2,000	2,080	2,530	2,740	2,850	3,560	4,570	4,870	5,800	5,670	5,970

Source : Company

**Segmental GNPAs: LAP Stress Increases Significantly**

Rs bn	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
C&IB	501	171	171	266	378	378	1,038	1,030	1,028	1,422	831	923
CB #	785	1,344	1,384	1,589	1,592	1,604	1,389	1,438	1,236	1,057	1,264	2,187
BBB #	198	312	378	472	550	617	763	865	1,037	1,108	1,138	1,675
LAP	6	6	42	61	85	128	199	153	200	253	259	306
Biz Loans	26	39	34	56	78	108	159	197	246	257	316	323
PL	4	6	8	13	19	27	43	57	77	85	118	159
Cards	32	29	46	69	81	84	98	144	158	193	199	333
Others	130	232	248	273	285	270	264	315	356	320	237	225
Agri#	47	58	66	102	107	117	181	-	264	576	815	-
FI	85	106	82	98	119	131	197	1,012	1,307	1,635	1,628	1,174
<b>TOTAL</b>	1,616	1,991	2,081	2,527	2,746	2,847	3,568	4,345	4,872	5,798	5,667	5,959

Source: Company; # Agri is now split into wholesale and retail and included in CB and BBB respectively

**Change In Estimates**

Rs mn	FY19E			FY20E		
	Old	New	Change	Old	New	Change
NII	24,078	24,290	0.9%	30,908	31,309	1.3%
PPOP	17,301	17,609	1.8%	22,231	22,912	3.1%
PAT	8,893	8,955	0.7%	11,831	12,032	1.7%
Adj. BVPS (Rs)	170.3	170.5	0.1%	194	195	0.3%

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 (%)		
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18P	FY19E	FY20E
KMB #	2568	1,347	BUY	1,378	175	207	238	50.6	40.4	31.6	6.20	5.14	4.37	13.2	13.2	14.3	1.72	1.73	1.77
ICICIBC #	1679	261	BUY	377	105	126	150	16.4	10.8	7.4	1.64	1.26	0.95	7.3	9.5	9.8	0.81	1.00	1.17
AXSB	1373	527	NEU	538	184	226	269	490.4	26.9	14.5	2.87	2.33	1.96	0.5	7.7	12.9	0.04	0.69	1.13
IIB	1123	1888	BUY	1,966	379	443	524	31.4	25.3	20.0	4.99	4.26	3.60	16.5	17.7	19.1	1.80	1.80	1.83
<b>RBL</b>	<b>234</b>	<b>556</b>	<b>BUY</b>	<b>584</b>	<b>152</b>	<b>171</b>	<b>195</b>	<b>36.7</b>	<b>26.1</b>	<b>19.4</b>	<b>3.66</b>	<b>3.26</b>	<b>2.85</b>	<b>11.5</b>	<b>12.7</b>	<b>15.2</b>	<b>1.15</b>	<b>1.28</b>	<b>1.34</b>
FB	169	86	NEU	102	54	60	68	19.3	15.4	11.3	1.59	1.43	1.27	8.3	8.7	11.0	0.69	0.73	0.85
CUB	113	169	BUY	231	55	66	77	19.0	16.3	14.0	3.05	2.57	2.20	15.3	15.4	15.4	1.57	1.60	1.57
KVB	71	98	BUY	156	61	70	78	20.6	14.4	7.9	1.62	1.40	1.26	6.1	7.8	13.6	0.54	0.70	1.14
DCBB	51	164	BUY	216	78	88	98	20.6	15.9	12.9	2.09	1.87	1.67	9.8	10.8	12.0	0.90	0.95	0.97
SBIN #	2,322	260	BUY	328	93	137	175	-21.9	13.7	6.3	1.72	1.17	0.91	-3.3	4.8	9.8	-0.21	0.29	0.60
BOB	277	120	BUY	182	75	108	138	-13.1	15.9	7.8	1.60	1.11	0.87	-6.1	4.5	8.6	-0.34	0.27	0.50
AUBANK	189	630	NEU	673	73	117	135	61.6	42.3	32.2	8.59	5.40	4.68	13.8	15.0	14.9	1.98	1.98	1.96

Source: Company, HDFC sec Inst Research; # Adjusted for subsidiary

**Income Statement**

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Interest Earned	27,443	37,132	45,076	59,493	77,941
Interest Expended	19,251	24,918	27,413	35,203	46,632
<b>Net Interest Income</b>	<b>8,192</b>	<b>12,213</b>	<b>17,663</b>	<b>24,290</b>	<b>31,309</b>
<b>Other Income</b>	<b>4,905</b>	<b>7,555</b>	<b>10,682</b>	<b>12,514</b>	<b>15,890</b>
<i>Fee Income (CEB)</i>	<i>3,440</i>	<i>4,912</i>	<i>7,226</i>	<i>9,199</i>	<i>12,251</i>
<i>Treasury Income</i>	<i>599</i>	<i>1,189</i>	<i>1,665</i>	<i>1,150</i>	<i>1,150</i>
<b>Total Income</b>	<b>13,097</b>	<b>19,768</b>	<b>28,345</b>	<b>36,803</b>	<b>47,199</b>
<b>Total Operating Exp</b>	<b>7,673</b>	<b>10,564</b>	<b>15,034</b>	<b>19,194</b>	<b>24,287</b>
<i>Employee Expense</i>	<i>3,699</i>	<i>4,461</i>	<i>5,507</i>	<i>7,020</i>	<i>8,719</i>
<b>PPOP</b>	<b>5,424</b>	<b>9,204</b>	<b>13,311</b>	<b>17,609</b>	<b>22,912</b>
Provisions & Contingencies	924	2,362	3,645	4,342	5,086
<i>Prov. for NPAs (incl. std prov.)</i>	<i>1,039</i>	<i>1,975</i>	<i>2,995</i>	<i>3,842</i>	<i>4,436</i>
<b>PBT</b>	<b>4,500</b>	<b>6,842</b>	<b>9,665</b>	<b>13,267</b>	<b>17,825</b>
Provision for Tax	1,575	2,382	3,315	4,312	5,793
<b>PAT</b>	<b>2,925</b>	<b>4,460</b>	<b>6,351</b>	<b>8,955</b>	<b>12,032</b>
<b>Exp. Item</b>	<b>0</b>	<b>285</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>2,925</b>	<b>4,176</b>	<b>6,351</b>	<b>8,955</b>	<b>12,032</b>

Source: Company, HDFC sec Inst Research

**Balance Sheet**

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Share Capital	3,247	3,752	4,197	4,197	4,197
Reserves	26,645	39,604	62,643	69,919	79,694
<b>Shareholders' Funds</b>	<b>29,892</b>	<b>43,356</b>	<b>66,840</b>	<b>74,116</b>	<b>83,891</b>
<i>Savings</i>	<i>17,582</i>	<i>38,486</i>	<i>53,395</i>	<i>72,081</i>	<i>97,308</i>
<i>Current</i>	<i>27,796</i>	<i>37,541</i>	<i>53,388</i>	<i>69,404</i>	<i>90,225</i>
<i>Term Deposit</i>	<i>198,108</i>	<i>269,854</i>	<i>332,240</i>	<i>431,933</i>	<i>570,173</i>
<b>Total Deposits</b>	<b>243,487</b>	<b>345,881</b>	<b>439,023</b>	<b>573,419</b>	<b>757,706</b>
Borrowings	105,362	79,798	92,614	113,997	139,446
Other Liabilities	12,870	17,711	20,031	23,329	27,995
<b>Total Liabilities</b>	<b>391,611</b>	<b>486,746</b>	<b>618,508</b>	<b>784,860</b>	<b>1,009,039</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	24,499	41,936	42,844	46,899	55,475
Investments	144,359	134,815	154,473	176,047	210,103
<i>G-Secs</i>	<i>102,820</i>	<i>98,012</i>	<i>113,220</i>	<i>137,620</i>	<i>174,272</i>
Advances	212,291	294,490	402,678	541,107	720,624
Fixed Assets	1,773	2,587	3,340	3,741	4,190
Other Assets	8,690	12,916	15,172	17,067	18,647
<b>Total Assets</b>	<b>391,611</b>	<b>486,746</b>	<b>618,508</b>	<b>784,860</b>	<b>1,009,039</b>

Source: Company, HDFC sec Inst Research

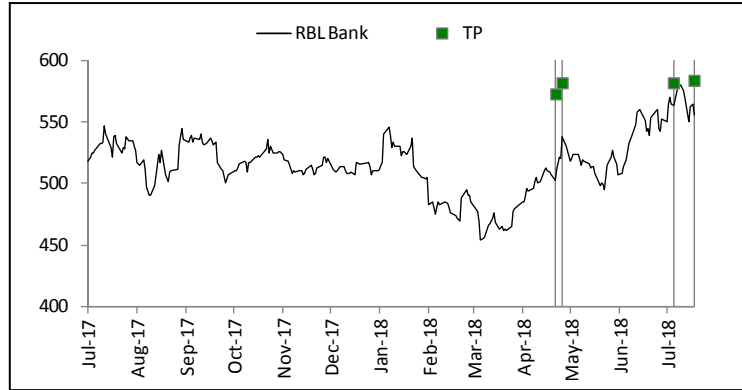
## Key Ratios

	FY16	FY17	FY18P	FY19E	FY20E
<b>VALUATION RATIOS</b>					
EPS (Rs)	9.0	11.1	15.1	21.3	28.7
Earnings Growth (%)	41.2	42.8	52.1	41.0	34.4
BVPS (Rs)	92.0	115.5	159.2	176.6	199.9
Adj. BVPS (Rs)	88.2	110.4	151.8	170.5	194.8
DPS (Rs)	1.50	1.80	2.10	3.46	4.64
ROAA (%)	0.88	0.95	1.15	1.28	1.34
ROAE (%)	11.2	12.2	11.5	12.7	15.2
P/E (x)	61.7	49.9	36.7	26.1	19.4
P/ABV (x)	6.31	5.03	3.66	3.26	2.85
P/PPOP (x)	33.3	22.7	17.5	13.2	10.2
Dividend Yield (%)	0.3	0.3	0.4	0.6	0.8
<b>PROFITABILITY</b>					
Yield On Advances (%)	10.95	10.42	9.84	10.05	10.13
Yield On Investment (%)	6.14	7.03	6.90	6.90	6.90
Cost Of Funds (%)	6.83	6.33	5.60	5.66	6.09
Cost Of Deposits (%)	7.27	6.65	5.96	6.05	6.18
Core Spread (%)	4.12	4.09	4.24	4.39	4.03
NIM (%)	2.65	3.02	3.48	3.71	3.72
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	2.32	2.41	2.72	2.74	2.71
Core Cost-Income Ratio (%)	61.39	56.86	56.35	53.84	52.74
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	46.9	38.7	36.7	34.4	33.2
Deposit Growth (%)	42.4	42.1	26.9	30.6	32.1
C/D Ratio (%)	87.2	85.1	91.7	94.4	95.1
Equity/Assets (%)	7.6	8.9	10.8	9.4	8.3
Equity/Advances (%)	14.1	14.7	16.6	13.7	11.6
CASA (%)	18.6	22.0	24.3	24.7	24.8
Capital Adequacy Ratio (CAR, %)	12.9	13.7	15.3	13.3	11.6
W/w Tier I CAR (%)	11.1	11.4	13.6	11.9	10.5

	FY16	FY17	FY18	FY19E	FY20E
<b>ASSET QUALITY</b>					
Gross NPLs (Rsm)	2,081	3,568	5,667	6,653	7,220
Net NPLs (Rsm)	1,245	1,900	3,126	2,534	2,139
Gross NPLs (%)	0.98	1.20	1.40	1.23	1.00
Net NPLs (%)	0.59	0.64	0.78	0.47	0.30
Slippages (%)	1.12	2.11	1.63	1.50	1.25
Coverage Ratio (%)	40.2	46.8	44.8	61.9	70.4
Provision/Avg. Loans (%)	0.45	0.60	0.74	0.71	0.60
<b>ROAA TREE</b>					
Net Interest Income	2.47%	2.78%	3.20%	3.46%	3.49%
Non Interest Income	1.48%	1.72%	1.93%	1.78%	1.77%
Treasury Income	0.18%	0.27%	0.30%	0.16%	0.13%
Operating Cost	2.32%	2.41%	2.72%	2.74%	2.71%
Provisions	0.28%	0.54%	0.66%	0.62%	0.57%
Provisions For NPAs	0.24%	0.35%	0.47%	0.48%	0.42%
Tax	0.48%	0.54%	0.60%	0.61%	0.65%
ROAA	0.88%	1.02%	1.15%	1.28%	1.34%
Leverage (x)	12.70	11.99	10.03	9.96	11.35
ROAE	11.21%	12.18%	11.53%	12.71%	15.23%

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
23-Apr-18	506	BUY	573
28-Apr-18	536	BUY	582
6-Jul-18	564	BUY	582
20-Jul-18	556	BUY	584

**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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