

Different, by design

RBL Bank's (RBK) focus on niche credit segments (credit cards and micro finance) gives it better spreads, system-beating growth and a multi-year addressable opportunity that enables it to outperform peers. Our positive stance is reflected in consistently robust operating metrics. RBK's scorching pace of growth along with its unconventional (but consciously chosen) evolution has invited skepticism. Maintain BUY with a TP of Rs 803 (3x FY21E ABV of Rs 268).

Our recent interactions with RBK suggest less than commensurate credit risk, achieved via tight (and differentiated) credit policies.

- **Corporate Credit Quality:** In spite of exposure to stressed sectors (declining) like infra (7.4%), NBFCs (3.9%), Power (3.4%) and CRE (6.6%), RBK's asset quality has been better than some peers, indicating better credit filters. Contrary to popular belief, RBK's exposure to stressed names (in the news) is near nil. While the share of BBB & below rated exposures (as per internal ratings) has moved up (~56% vs. 53% YoY), these ratings are two notches below external benchmarks, providing some comfort. We have conservatively factored in slippages of ~1.58% over FY19-21E vs. 1.5% in FY19.
- **Sustainability and Reporting of Fee Income:** Fees were a whopping 2.03% of avg. assets in FY19 vs. sub 1.50% on average for peers like FB, KVB and CUBK. Fee income rose at ~42% CAGR over FY17-19. Card fees contributed ~40% in the FY19 mix vs. ~29% YoY. Interchange fees were ~40% of card fees, while joining and renewal fees form ~17-18% of card fees. The share of processing fees has remained stable at ~23%. Overall processing fees averaging ~70bps of disbursements.

The healthy chunk of interchange fees and limited corporate loan fees provide comfort on the sustainability and recognition of fees. Further, with processing fees constituting a fourth of overall fees, reporting under Ind AS should not change materially. **We have built a fee CAGR of ~23% over FY19-21E.**

- **Micro finance:** RBK had taken a hit in the DB&FI segment (incl. micro finance) with GNPA's peaking at ~3.4% in 3QFY18. It has since taken significant steps to reduce risk by diversifying (GNPA's now at ~74bps after write-offs). RBK has introduced state-wise caps on the micro finance book (~15%, aims to reduce it to ~12%). Further, it plans on introducing branch and district-wise (~1%) caps as well. Thus, it intends on doubling its existing footprint of ~300 districts in the next 3 years in tandem with its growth aspirations.
- **Fund Raise on the Cards:** With Tier-1 at ~12% and ambitious growth plans, a fund raise in FY20E is virtually certain. It will be BV accretive (FY20E/21E ABVs up by ~20/18% resp.) and keep valuations attractive. **We have built in a ~Rs 35bn equity raise at Rs 650 a share.**

FINANCIAL SUMMARY

YE Mar (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	12,213	17,663	25,395	32,568	43,148
PPOP	9,204	13,311	19,398	24,163	31,887
PAT	4,176	6,351	8,670	12,206	16,326
EPS (Rs)	11.1	15.1	20.3	25.4	34.0
ROAE (%)	11.4	11.5	12.2	12.5	12.9
ROAA (%)	0.95	1.15	1.22	1.31	1.36
Adj. BVPS (Rs)	110.4	151.8	168.1	242.8	267.8
P/ABV (x)	5.67	4.12	3.72	2.58	2.34
P/E (x)	56.2	41.4	30.8	24.6	18.4

Source: Company, HDFC sec Inst Research

INDUSTRY	BANKS
CMP (as on 10 Jul 2019)	Rs 626
Target Price	Rs 803
Nifty	11,499
Sensex	38,557

KEY STOCK DATA	
Bloomberg	RBK IN
No. of Shares (mn)	427
MCap (Rs bn) / (\$ mn)	268/3,903
6m avg traded value (Rs mn)	1,174

STOCK PERFORMANCE (%)			
52 Week high / low	Rs 717/438		
	3M	6M	12M
Absolute (%)	(7.0)	8.2	8.1
Relative (%)	(7.0)	1.4	1.7

SHAREHOLDING PATTERN (%)	Dec-18	Mar-19
Promoters	-	-
FIs & Local MFs	25	25.9
FPIs	36.3	38.4
Public & Others	38.7	35.7
Pledged Shares	Nil	Nil

Source : BSE

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- **Corporate Asset quality:** While GNPA's in the Corporate and Institutional Banking segment (C&IB) did rise in FY19 (+46%), GNPA % (~57bps) never breached the 1% mark.
- Given its size, the bank is unlikely to have taken on disproportionately large risk in this space, as evidenced by the declining concentration of Top 20 exposures (~11.7% vs. 12.2% YoY). Further, the exposure to perceived stressed sectors stood at ~18.4% vs. 19.3% in FY18, with a visible dip in infrastructure (incl. power) and gradual dip in CRE.
- At ~Rs 8.9bn, the Commercial Banking (CB) has grown at ~12% YoY, significantly slower vs. the rest of the bank. GNPA's jumped ~100bps to ~2.67% over FY19, but have come down from the high of 3.09% in 2QFY19. The bank's cautious stance on this segment is clearly visible.
- **Credit Cards Portfolio:** Contrary to popular knowledge, we do not see the cards business as cyclically risky. Underwriting and risk management techniques have progressed greatly since the last industry-wide risk event in credit cards (RBK was not in the business then).
- The risk management and credit filter development process at the bank is iterative in nature. At present, the bank is in its 4th iteration. This implies that the bank's credit card underwriting capabilities have improved/will only get better with time. Further, statistically, delinquencies surface within the first 12-18 months of issuance. Therefore, any major gaps in underwriting processes should have surfaced by now. Almost, half of RBK's card base is co-branded (with partners, incl. Bajaj Finance). The issuance of these cards only to their best performing customers provides comfort on asset quality. At present, credit card GNPA's are ~1% and W/Os have dipped slightly from ~4.4% to 4% in FY19.
- **Micro finance Portfolio:** While average micro loan ticket sizes have increased, at ~Rs 20,200 (O/S)/ ~Rs 31,000 (on disbursements), they are at comfortable levels (in line with industry levels and lower vs. other banks).
- Similarly, while the no. of loans per borrower has increased across the industry, RBK's mix of fresh and repeat borrowers (77:23) was unchanged over FY19. The conscious effort to expand its borrower base and geographical presence (and not increase ticket sizes; RBK does not provide top up loans to micro finance customers) better positions it vs. other players. Further, it plans to proactively provide against its micro finance book, in excess of requirements.
- **Annual Report Highlights:** (1) Notable decline in exposure to stressed sectors i.e. Infra (incl. Power), Gems & Jewelry, Iron and Steel and CRE, (2) Improving business granularity with Top 20 Loans forming ~11.7% (vs. 12.2% earlier) and Top 20 Deposits forming ~18.4% vs. 19.3%; nevertheless, higher vs. peers, (3) Incremental SA contribution at ~20% vs. 16% in FY18, (4) Avg tenure of loans (1.7yrs) and Deposits (0.85yrs) were stable with ~49% of deposits maturing in 6 months vs. ~24% of advances (5) Agri and Industry NPAs spiked to ~4.5% (vs. 2.9%) and 1.2% (vs. 0.15%) respectively, (6) ESOPs granted doubled (17mn vs. 8mn); O/S ESOP at 30.6mn i.e. 7.2% of O/S shares vs. 5.6%, (7) Risk adjusted net returns (PAT/RWA) jumped to 1.45% from 1.32%, (8) Credit Risk (% of Loans) dipped to 97% vs. 104% in FY18, (9) Technically W/O pool at Rs 3.2bn (42.3% of closing GNPA's) vs. Rs 1.7bn (30% of closing GNPA) in FY18.

The rise in BBB NPAs can be attributed to the agri segment, where GNPA's are ~4.5%

Rise in agri NPAs is largely attributable to the farm loan waiver announcements

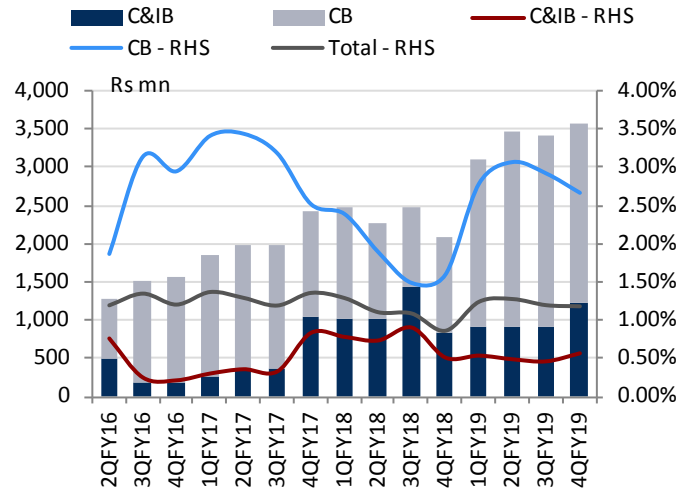
Given RBK's rapid pace of growth, lagged NPAs are an appropriate measure of wholesale asset quality

Lagged GNPA's in the C&IB book have remained largely stable over FY19 (+20bps)

Lagged GNPA's in the CB book have improved over 2HFY19, after spiking in 2QFY19

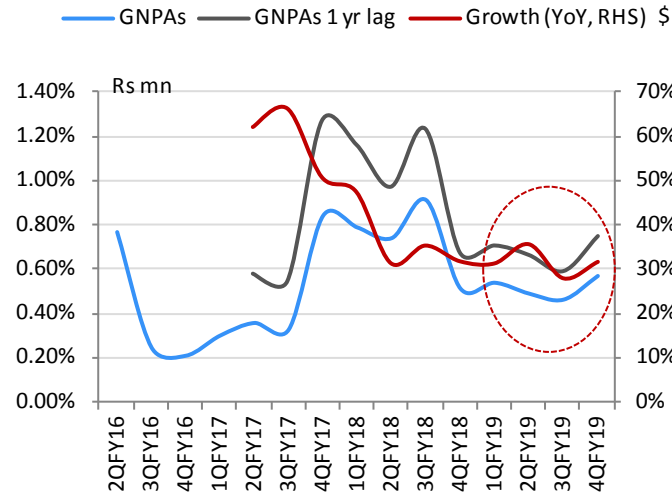
\$: Book growth

Wholesale Book GNPA's: Within Tolerable Limits



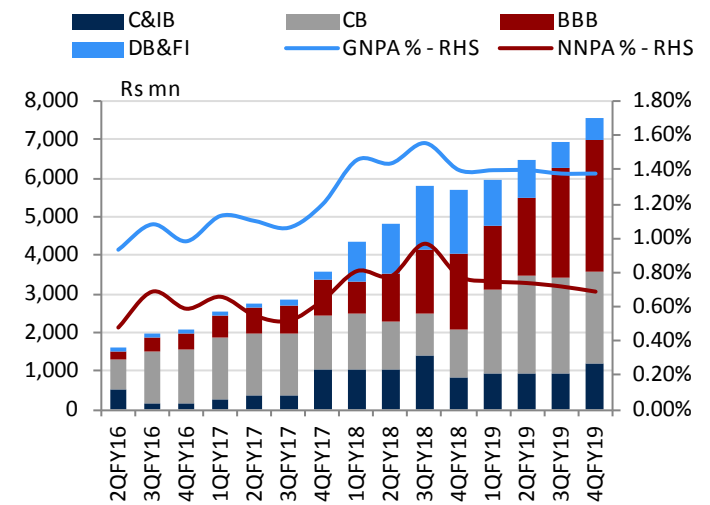
Source: Co and HDFC Sec

1 Year Lagged C&IB GNPA's: Stable Over FY19



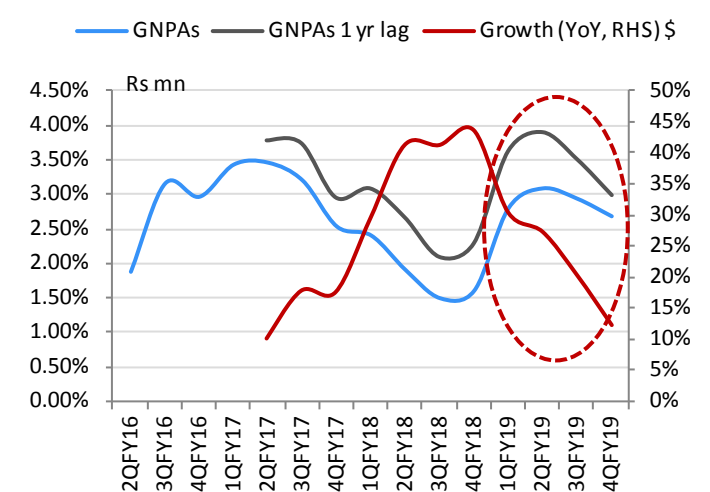
Source: Co and HDFC Sec

DB&FI GNPA's Reduce, BBB GNPA's Increase



Source: Co and HDFC Sec

1 Year Lagged CB GNPA's: Improvement Over 2HFY19



Source: Co and HDFC Sec

^ - RBK's rating mix is as per internal standards, which are two notches below external ratings, providing some comfort

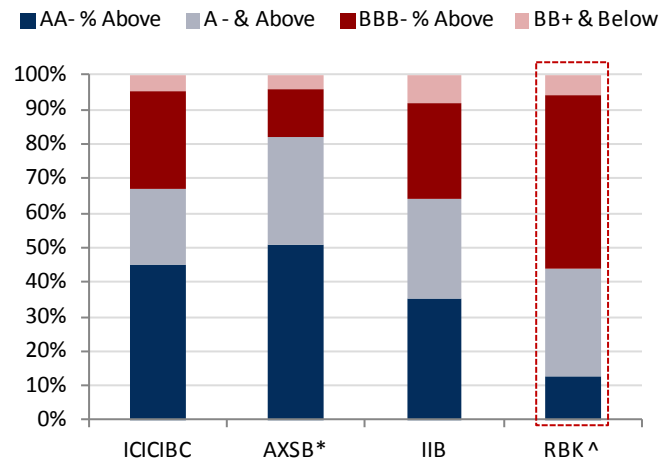
~85% of the bank's (RBK's) exposure is externally rated of which ~70% is rated A and above

*** - Only for standard exposures**

We expect overall growth to be driven by the non-wholesale segment

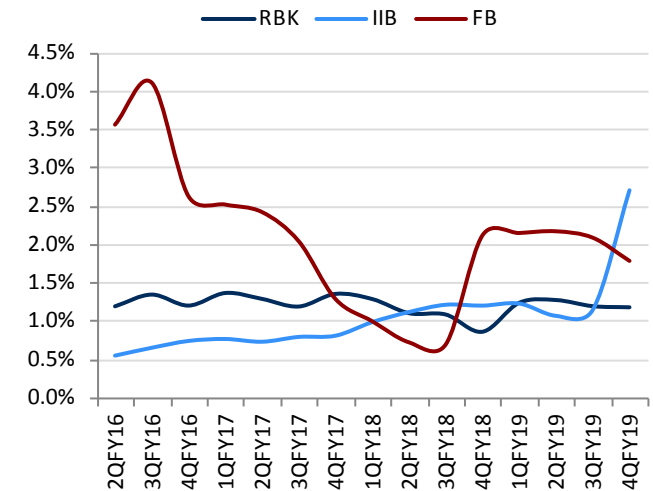
This segment contains high yielding fast growing sub-segments such as credit cards and micro finance

Rating Mix: More Than Meets The Eye



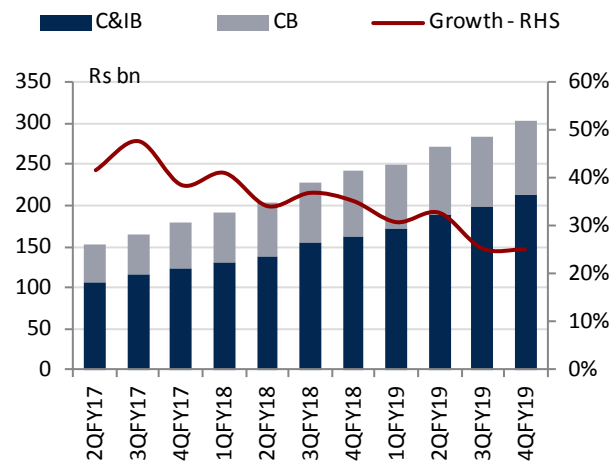
Source: Co and HDFC Sec

Wholesale Book Asset Quality: Better Vs. Peers



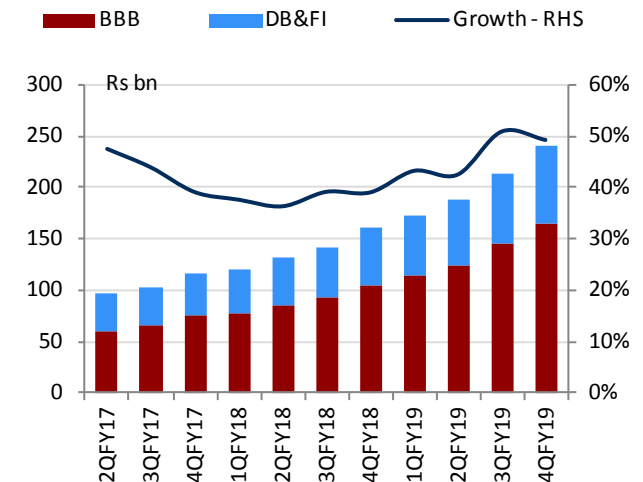
Source: Co and HDFC Sec

Wholesale Book Growth: Expected To Moderate



Source: Co and HDFC Sec

Non Wholesale Book Growth: Faster vs. Overall Growth

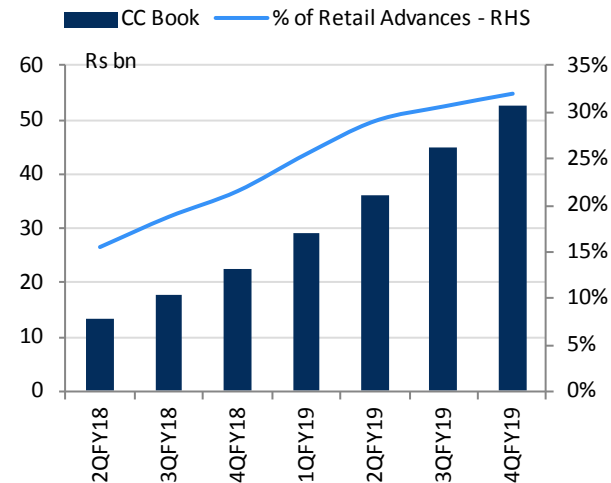


Source: Co and HDFC Sec

RBK's share in nationwide O/S credit card debt has increased YoY from ~3.3% to 6%

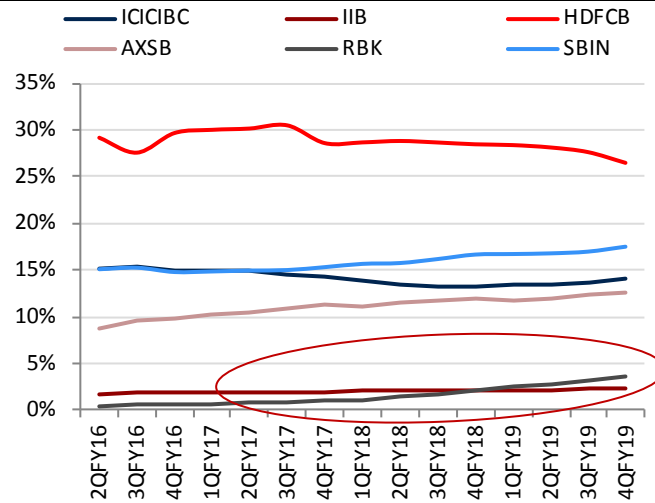
Across publicly available credit card industry metrics:
-RBK is gaining market share
-The rise in POS Terminal market share is most striking

Credit Card Book Growth: Faster vs. Retail Book Growth



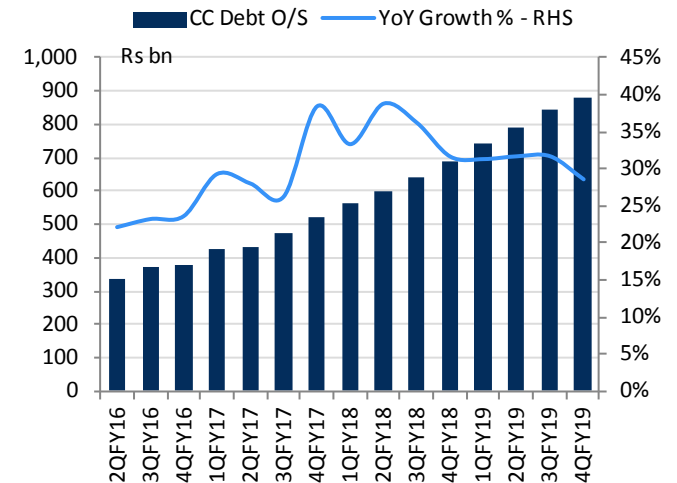
Source: Co and HDFC Sec

No Of Credit Cards: Market Share



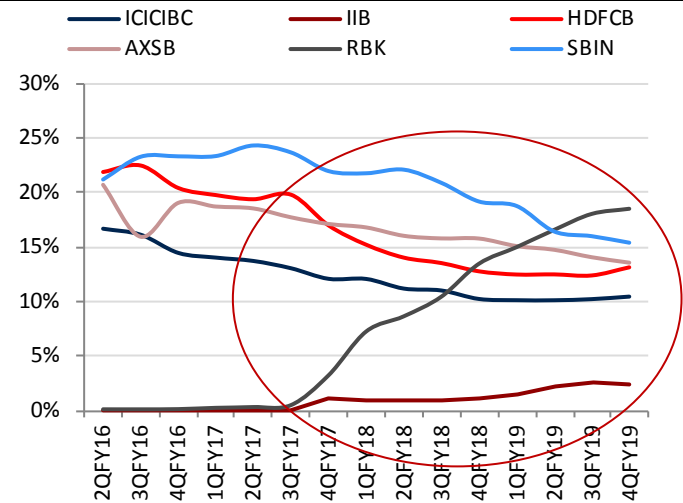
Source: RBI and HDFC Sec

Nationwide Credit Card Debt Outstanding



Source: RBI and HDFC Sec

No Of POS Terminals: Market Share

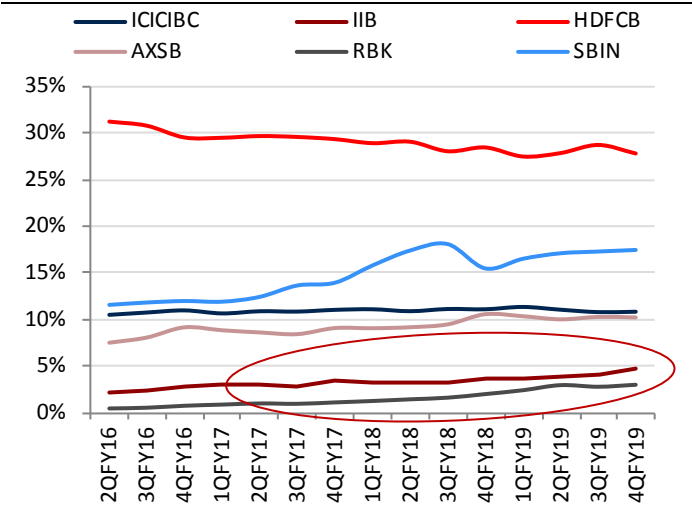


Source: RBI and HDFC Sec

RBK's fee income grew ~61% over FY19, w/w the fee of card fees increased from ~29% to ~40% YoY

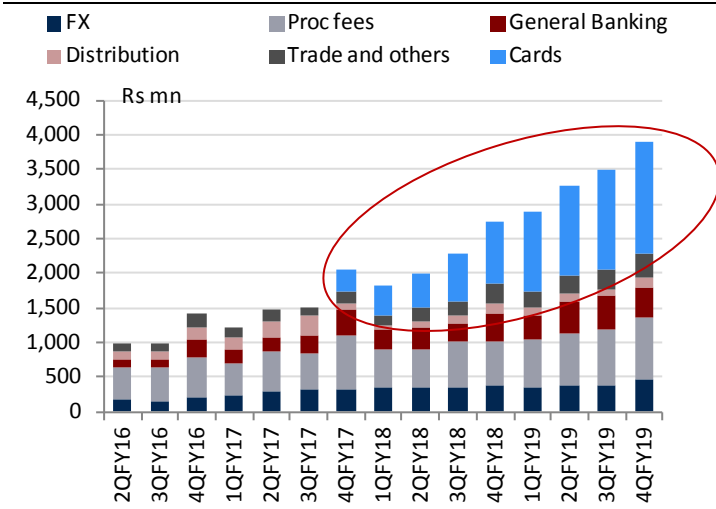
40% of card fees are interchange fees

Credit Card Transactions: Market Share



Source: RBI and HDFC Sec

RBK's Fee Mix: Share of Card Fees On The Rise



Source: Co and HDFC Sec

RBL BANK: ANNUAL REPORT HIGHLIGHTS

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Branch Stats								
Number of Branches	101	125	175	183	197	239	265	324
Branch Addition During the Year		24	50	8	14	42	26	59
Loan Book Mix (%)								
C&IB	-	-	-	-	38.6	45.1	40.3	39.3
CB	-	-	-	-	22.1	20.2	19.6	16.3
Wholesale	-	-	-	-	60.7	65.3	60.0	55.7
Retail Assets	-	-	-	-	24.6	19.6	25.9	30.3
DB & FI	-	-	-	-	14.8	15.1	14.1	14.0
Non-Wholesale	-	-	-	-	39.3	34.7	40.0	44.3
Loan Mix: Usage (%)								
Working Capital Loans	28.6	22.4	27.9	27.6	28.8	26.4	27.4	30.4
Term Loans	71.4	77.6	72.1	72.4	71.2	73.6	72.6	69.6
Exposure to Certain Sectors (%)								
Infra	7.9	8.1	6.9	7.6	7.4	9.8	8.8	7.4
w/w Power	4.4	2.9	3.4	4.9	3.0	5.5	4.6	3.4
Textiles	3.6	1.0	2.3	1.7	1.8	1.5	1.7	1.5
Gems/Jewellery	0.9	0.4	0.4	0.8	1.5	1.2	1.2	1.0
Iron/Steel	2.2	2.2	1.2	2.5	1.7	2.0	0.9	1.9
CRE (Only FB)	2.5	5.3	11.1	8.1	6.9	8.2	6.8	6.6
Total	17.1	17.0	22.0	20.8	19.4	22.6	19.3	18.4
Concentration of Business (%)								
Top 20 Advances	33.1	26.5	15.8	13.7	14.0	14.8	12.2	11.7
Top 20 Exposures	27.8	22.4	14.3	12.8	13.4	14.3	11.7	11.4
Top 20 Depositors	31.5	35.6	23.8	27.3	22.9	21.4	19.3	18.4
Rating Mix (%)								
AA- & Above					9.3	14.9	15.2	12.6
A- & Above					37	30.3	32.3	31.4
BBB- & Above					46.3	46.9	47	50.1
BB+ & Below					7.4	7.9	5.5	5.9

Source: Co, HDFC sec Inst Research,

The bank plans on adding 80-100 branches over FY20E to achieve its ambitious growth plans; C-I at ~51% is not a concern (for now)

We expect the non-wholesale segment to grow faster driven by high yielding segments such as cards and Micro banking

Tilt towards working capital loans is evident (seen across larger peers as well); average tenures have not been affected though

Exposure to stressed sectors has fallen; in spite of material exposure to these sectors, asset quality is better vs. larger peers

Concentration of advances/exposure measured by the Top 20 accounts has fallen

As per internal standards, which are two notches below the external benchmark

RBL BANK: ANNUAL REPORT HIGHLIGHTS (cont'd)

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Maturity Profile of Advances								
Up to 6 months (%)	28.7	23.4	21.7	24.1	28.4	27.7	28.6	24.5
Between 6-12 months (%)	13.8	10.7	27.4	28.8	27.2	24.4	22.4	23.7
Between 1-3yrs (%)	30.6	33.2	34.7	30.2	28.1	32.9	34.4	35.1
Between 3-5yrs (%)	9.7	21.2	8.7	6.4	8.1	7.5	6.3	6.3
Above 5 yrs (%)	17.1	11.4	7.6	10.6	8.2	7.5	8.3	10.4
Avg Tenure of Loans (yrs)	2.00	2.20	1.66	1.65	1.55	1.57	1.58	1.69
Maturity Profile of Deposits								
Up to 6 months (%)	50.8	54.0	54.0	53.6	55.9	48.3	55.4	49.4
Between 6-12 months (%)	20.4	19.7	20.6	18.9	15.0	17.3	13.5	21.9
Between 1-3yrs (%)	27.9	25.8	24.6	25.8	26.8	32.3	29.3	27.4
Between 3-5yrs (%)	0.8	0.4	0.6	1.3	1.5	0.9	0.6	0.4
Above 5 yrs (%)	0.2	0.2	0.2	0.4	0.7	1.2	1.1	0.8
Avg Tenure of Deposits (yrs)	0.81	0.77	0.76	0.82	0.83	0.95	0.85	0.85
CASA Contribution (Rs bn)								
SA	4.3	5.3	6.8	9.6	17.6	38.5	53.4	82.4
% Chg	23.3	23.6	26.9	41.2	83.6	118.9	38.7	54.4
% of Deposits	9.1	6.4	5.8	5.6	7.2	11.1	12.2	14.1
Incremental Contribution (%)	3.0	2.8	4.4	5.1	11.0	20.4	16.0	20.0
CA	5.9	11.1	16.9	22.0	27.8	37.5	53.4	63.4
% Chg	65.4	89.1	52.4	30.1	26.4	35.1	42.2	18.8
% of Deposits	12.4	13.3	14.6	12.9	11.4	10.9	12.2	10.9
Incremental Contribution (%)	8.6	14.5	17.8	9.2	8.0	9.5	17.0	6.9
Borrowing Mix (%)								
RBI	26.3	25.7	11.8	7.6	32.4	0.0	5.4	0.0
Other Banks	8.3	3.7	15.4	10.8	15.7	15.6	14.0	12.6
Other Institutions and Agencies	64.3	66.2	64.3	70.6	41.2	57.0	43.4	44.9
Foreign Borrowings	1.1	4.5	8.6	11.0	6.9	18.3	29.3	36.3
Sub-Debt	0.0	0.0	0.0	0.0	3.8	9.1	7.9	6.2
GNPA Break up (%)								
Substandard	49.5	17.0	56.4	25.7	79.8	41.6	50.0	56.5
Doubtful I	9.8	56.6	1.9	29.8	11.7	30.9	20.8	16.2
Doubtful II	15.1	14.5	20.0	12.1	1.4	21.9	29.2	10.5
Doubtful III	8.9	8.8	2.0	1.8	0.5	0.4	0.0	8.1
Loss	16.7	3.0	19.7	30.5	6.6	5.2	-	8.8

Significant difference between the average tenure of advances and deposits; benefits NIMs especially in a falling interest rate environment

Pick up in SA growth is impressive, especially in the face of a systemic challenge; differential interest rates is one of the drivers

CASA Ratio is ~25% vs. ~24.3% YoY

Share of foreign borrowings on the rise

Movement from D II to D III and Loss Assets categories is evident

RBL BANK: ANNUAL REPORT HIGHLIGHTS (cont'd)

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
GNPA Movement (Rs bn)								
Opening GNPA	0.2	0.3	0.3	0.8	1.1	2.1	3.6	5.7
Add: Slippages	0.2	0.4	0.6	0.5	2.0	5.3	5.7	7.1
Less: Upgrades	0.0	-	0.0	0.0	0.1	0.1	0.7	0.1
Recoveries	0.1	0.3	0.1	0.1	0.2	3.0	1.3	1.9
Write-offs	0.0	0.2	0.0	0.1	0.7	0.7	1.6	3.2
Closing GNPA	0.3	0.3	0.8	1.1	2.1	3.6	5.7	7.5
Top 4 GNPA (Rs bn)								
	0.20	0.17	0.65	0.78	0.85	1.21	1.28	1.97
Segment Wise GNPA (%)								
Agri and Allied Activities	0.3	0.2	0.2	0.3	0.3	0.6	2.9	4.5
Industry	6.3	0.3	0.5	0.4	1.0	1.6	0.1	1.2
Services	2.3	0.7	1.0	1.3	1.3	1.4	1.1	0.9
Personal Loan	17.8	2.5	1.3	0.7	0.8	0.7	3.9	1.2
GNPL: PSL (%)								
Agri and Allied Activities	-	-	0.19	0.34	0.31	0.56	2.92	4.49
Industries Eligible for PSL	-	-	0.48	0.41	0.39	1.04	1.22	1.45
Services	-	-	0.52	0.42	0.73	1.22	1.86	1.02
Personal Loan	-	-	0.16	0.14	0.16	0.68	4.08	1.39
Total	-	-	0.26	0.32	0.40	0.90	2.38	2.39
GNPL: Non PSL (%)								
Agri and Allied Activities	-	-	-	-	-	-	-	-
Industry	-	-	0.48	0.39	1.13	1.68	-	1.15
Services	-	-	1.07	1.46	1.54	1.56	0.72	0.80
Personal Loan	-	-	2.30	1.29	1.04	0.73	3.92	1.14
Total	-	-	0.97	0.96	1.25	1.35	1.01	1.03
ESOP								
Granted during the year (mn)	4.8	5.7	10.5	18.1	16.4	13.2	8.0	17.0
Exercised during the year (mn)	-	2.8	3.6	11.3	6.3	13.5	11.8	7.0
Outstanding ESOP (mn)	-	15.4	21.5	26.1	33.8	31.0	23.4	30.6
% of number of shares O/S	-	6.1	7.9	8.9	10.4	8.3	5.6	7.2

Source: Co, HDFC sec Inst Research

As YoY growth in GNPA's (~33%) was in line with book growth (~35%), GNPA % was stable at ~1.4%; coverage improved ~600bps to ~51%

**Sharp rise in Agri and Industry NPAs
Sharp improvement in Personal Loan NPAs**

**Rise in Industry NPAs was driven by the Non PSL segment
Improvement in PL asset quality occurred in the PSL and Non PSL Segments**

RBL BANK: ANNUAL REPORT HIGHLIGHTS (cont'd)

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Bancassurance income (Rs mn)								
Life Insurance	-	-	65	67	87	108	168	256
Non-Life Insurance	-	-	12	17	21	21	46	128
Mutual Funds	-	-	-	-	-	-	-	-
Total	-	-	77	84	108	129	214	384
% Total Fee Income	-	-	24.9	3.2	3.1	2.6	3.0	3.3
Fee Income Break Up								
Core Fee Income (Rs mn)					4,170	6,270	8,870	13,480
Fx (%)					17.0	19.0	16.0	12.0
Processing Fees (%)					45.0	37.0	28.0	23.0
General banking fees (%)					14.0	16.0	14.0	13.0
Distribution (%)					12.0	3.0	4.0	4.0
Credit Cards (%)						14.0	29.0	40.0
Trade and Others (%)					12.0	10.0	10.0	9.0
Contingent Liabilities								
Rs bn	6	63	121	220	297	419	514	613
% Change	444.9	1,004.2	90.2	82.0	35.3	41.0	22.7	19.3
% of Total Assets	8.0	49.0	66.4	81.1	75.9	86.1	83.1	76.3
% of Networth	50.3	395.1	599.3	985.0	994.2	966.5	768.9	812.2
Risk Weight Assets								
Amount (Rs bn)	-	-	139	173	268	372	481	596
% Change	-	-	-	24.2	54.6	38.9	29.4	24.0
% of Assets	-	-	76.6	63.9	68.3	76.3	77.7	74.2
Credit risk weights % loans	-	-	117.6	100.3	101.6	106.3	104.3	97.1
PAT as a % of RWA	-	-	0.66	1.20	1.09	1.20	1.32	1.45

Source: Co, HDFC sec Inst Research

Card fees more than doubled YoY to constitute ~40% of core fee income

The share of processing fees continued to decline as a % of core fee income

Contingent liabilities grew faster than net worth but slower than assets (YoY)

Capital consciousness evident as RWA/Assets ratio declines and credit risk as a % of loans declines

PEER SET COMPARISON

BANK	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
KMB #	2,817	1,476	BUY	1,481	111	209	236	46.5	37.2	30.4	5.67	4.94	4.23	12.7	13.6	14.3	1.70	1.75	1.76
ICICIBC #	2,784	432	BUY	454	136	138	153	63.7	19.2	13.4	2.41	2.14	1.87	3.3	9.2	12.0	0.36	1.07	1.34
AXSB#	2,011	769	BUY	896	197	215	261	40.6	21.7	15.1	3.43	2.83	2.39	7.2	12.4	15.4	0.63	1.05	1.32
IIB	1,024	1,479	BUY	1,964	331	400	515	27.0	20.9	15.1	3.70	2.87	2.63	13.3	16.1	18.0	1.32	1.56	1.73
RBL	268	626	BUY	803	46	168	243	30.8	24.7	18.4	3.72	2.58	2.34	12.2	12.5	12.9	1.22	1.31	1.36
FB	209	105	NEU	98	53	59	66	16.8	13.0	9.9	1.79	1.59	1.39	9.8	11.5	13.7	0.84	0.93	1.05
CUB	147	200	BUY	240	109	58	68	21.5	18.6	15.8	3.46	2.92	2.50	15.2	15.1	15.4	1.60	1.61	1.61
DCBB	72	231	BUY	228	64	88	99	22.0	16.7	12.6	2.64	2.33	2.02	11.0	13.0	15.2	0.99	1.09	1.20
KVB	56	69	NEU	84	66	50	52	26.3	16.2	9.4	1.39	1.33	1.16	3.3	5.3	8.9	0.31	0.47	0.73
SBIN #	3,161	354	BUY	383	109	146	188	273.9	9.6	6.5	1.81	1.40	1.17	0.4	10.6	14.0	0.02	0.64	0.85
AUBANK	200	660	BUY	680	147	101	128	50.6	35.7	25.5	6.53	5.15	4.37	14.1	15.3	17.3	1.48	1.49	1.62

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

Income Statement

(Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Interest Earned	37,132	45,076	63,007	82,255	109,021
Interest Expended	24,918	27,413	37,612	49,687	65,873
Net Interest Income	12,213	17,663	25,395	32,568	43,148
Other Income	7,555	10,682	14,424	16,807	20,867
Fee Income (CEB)	4,912	7,226	11,656	13,797	17,617
Treasury Income	1,189	1,665	784	950	1,050
Total Income	19,768	28,345	39,818	49,375	64,016
Total Operating Exp	10,564	15,034	20,420	25,213	32,129
Employee Expense	4,461	5,507	6,362	8,511	10,613
PPOP	9,204	13,311	19,398	24,163	31,887
Provisions & Contingencies	2,362	3,645	6,407	6,079	7,699
Prov. for NPAs (incl. std prov.)	1,975	2,995	5,234	5,429	7,199
PBT	6,842	9,665	12,992	18,083	24,187
Provision for Tax	2,382	3,315	4,322	5,877	7,861
PAT	4,460	6,351	8,670	12,206	16,326

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY17	FY18	FY19	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	3,752	4,197	4,267	4,806	4,806
Reserves	39,604	62,643	71,206	115,585	128,849
Shareholders' Funds	43,356	66,840	75,473	120,390	133,655
Savings Deposits	38,486	53,395	82,448	111,303	150,257
Current Deposits	37,541	53,388	63,427	83,724	108,841
Term Deposit	269,854	332,240	438,069	578,273	756,402
Total Deposits	345,881	439,023	583,944	773,299	1,015,500
Borrowings	79,798	92,614	118,321	135,519	156,274
Other Liabilities & Provisions	17,711	20,031	25,850	31,020	36,650
Total Liabilities	486,746	618,508	803,588	1,060,229	1,342,079
APPLICATION OF FUNDS					
Cash & Bank Balances	41,936	42,844	66,021	109,174	101,876
Investments	134,815	154,473	168,404	196,271	240,685
G-Secs	98,012	113,220	119,427	154,660	203,100
Advances	294,490	402,678	543,082	726,168	967,951
Fixed Assets	2,587	3,340	4,025	4,508	5,049
Other Assets	12,916	15,172	22,056	24,109	26,519
Total Assets	486,746	618,508	803,588	1,060,229	1,342,079

Source: Bank, HDFC sec Inst Research

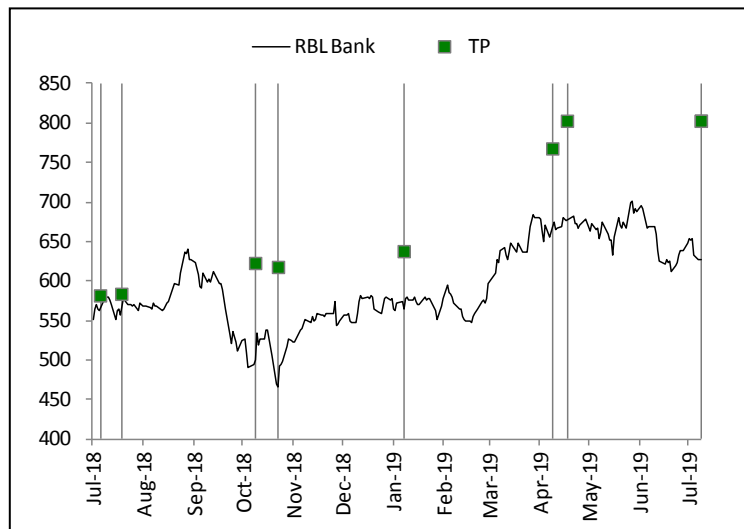
Key Ratios

	FY17	FY18	FY19	FY20E	FY21E
Valuation Ratios					
EPS	11.1	15.1	20.3	25.4	34.0
Earnings Growth (%)	42.8	52.1	36.5	40.8	33.8
BVPS (Rs.)	115.5	159.2	176.9	250.5	278.1
Adj. BVPS (Rs; 100% cover)	110.4	151.8	168.1	242.8	267.8
DPS (Rs)	1.8	2.1	2.7	4.1	5.5
ROAA (%)	60.7	44.6	33.2	26.6	19.9
ROAE (%)	6.12	4.45	4.02	2.78	2.52
P/E (x)	56.2	41.4	30.8	24.6	18.4
P/ABV (x)	5.67	4.12	3.72	2.58	2.34
P/PPOP (x)	25.5	19.7	13.8	12.5	9.4
Dividend Yield (%)	0.3	0.3	0.4	0.7	0.9
Profitability					
Yield on Advances (%)	10.42	9.84	10.68	10.78	10.91
Yield on Investment (%)	7.03	6.90	6.77	6.75	6.75
Cost of Deposits (%)	6.65	5.96	6.34	6.51	6.62
Core Spread (%)	4.09	4.27	4.67	4.54	4.06
NIM (%)	3.02	3.48	3.90	3.89	3.96
Operating Efficiency					
Cost/Avg. Asset Ratio (%)	2.41	2.72	2.87	2.71	2.67
Cost-Income Ratio (Excl Treasury)	56.86	56.35	52.31	52.07	51.03
Balance Sheet Structure Ratios					
Loan Growth (%)	38.7	36.7	34.9	33.7	33.3
Deposit Growth (%)	42.1	26.9	33.0	32.4	31.3
C/D Ratio (%)	85.1	91.7	93.0	93.9	95.3
Equity/Assets (%)	8.9	10.8	9.4	11.4	10.0
Equity/Loans (%)	14.7	16.6	13.9	16.6	13.8
CASA (%)	22.0	24.3	25.0	25.2	25.5
Capital Adequacy Ratio (CAR, %)	13.7	15.3	13.5	15.9	13.9
W/w Tier I (%)	11.4	13.6	12.1	14.9	13.1

	FY17	FY18	FY19	FY20E	FY21E
Asset Quality					
Gross NPLs (Rs mn)	3,568	5,667	7,546	9,912	13,652
Net NPLs (Rs mn)	1,900	3,126	3,728	3,704	4,950
Gross NPLs (%)	1.20	1.40	1.39	1.36	1.41
Net NPLs (%)	0.64	0.78	0.69	0.51	0.51
Slippages (%)	2.11	1.63	1.50	1.55	1.60
Coverage Ratio (%)	46.8	44.8	50.6	62.6	63.7
Provision/Avg. Loans (%)	0.60	0.74	0.99	0.80	0.79
RoAA Tree					
Net Interest Income	2.78%	3.20%	3.57%	3.49%	3.59%
Non Interest Income	1.72%	1.93%	2.03%	1.80%	1.74%
Treasury Income	0.27%	0.30%	0.11%	0.10%	0.09%
Operating Cost	2.41%	2.72%	2.87%	2.71%	2.67%
Provisions	0.54%	0.66%	0.90%	0.65%	0.64%
Provisions for NPAs	0.35%	0.47%	0.66%	0.54%	0.56%
Tax	0.54%	0.60%	0.61%	0.63%	0.65%
ROAA	1.02%	1.15%	1.22%	1.31%	1.36%
Leverage (x)	11.99	10.03	9.99	9.52	9.46
ROAE	12.18%	11.53%	12.18%	12.46%	12.85%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
6-Jul-18	564	BUY	582
20-Jul-18	556	BUY	584
9-Oct-18	495	BUY	623
23-Oct-18	465	BUY	618
8-Jan-19	574	BUY	638
9-Apr-19	659	BUY	768
19-Apr-19	675	BUY	803
9-Jul-19	627	BUY	803
10-Jul-19	626	BUY	803

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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