

Known stress at play

AXSB's 2Q surprised as overall stress dipped, asset quality improved (despite higher slippages) and NIMs improved sequentially. While operating performance was in-line, the DTA mark-down of Rs 21.4bn resulted in a net Loss. Maintain BUY with a TP of Rs 958 (2.75 x Sept-21E ABV of Rs 339 + Rs 27 for subs).

HIGHLIGHTS OF THE QUARTER

- Corporate Stress:** Higher slippages hurt (3.91% ann. vs. 3.87% QoQ) at ~Rs 50bn, incl. ~Rs 29bn (+35%) of corporate slippages. Hearteningly, 97% of these emanated from 'known' source (BB and below). While net retail slippages were ~44% lower QoQ, SME slippages grew ~13%. We have increased slippage assumptions to 2.5% over FY20-22E (from 2.3%).
- Standard Stress Dips:** Fund-based exposure to BB and below rated corporates fell ~16% QoQ to ~Rs 63bn (1.2% of loans). The influx into this book more than halved QoQ to ~Rs 10bn. Incl. NFB (Rs 22bn) and Investments (Rs 18bn) to corporates rated BB and below, cumulative exposure fell ~17% QoQ to ~Rs 103bn (2% of loans). While management did not disclose exposure to the 'eight stressed groups'

identified in 1Q, commentary suggested a significant decline (by way of upgrades/slippages). Flux here remains a key monitorable.

- Retail Driven Growth Continues:** Advances grew ~14/5%, led by ~19% growth in domestic loans, while overseas loans grew ~6% QoQ (-25% YoY). Retail (+23/6%, 52% of loans) grew the fastest, with unsecured products growing faster PL (+35/6%), CC (+54/6%). SME growth was consciously constrained at ~2% YoY (flat QoQ). Our 17% book growth est. over FY20-22E is conservative.

STANCE

Our constructive stance on AXSB draws from the leadership change, (resultant) better underwriting, a healthy B/S (CRAR at 18.5% and PCR at 61% + contingent provisions at ~9% of GNPA's) and the worst of asset quality long behind the bank. We see a steady upward climb in delivered RoAAs, driven by falling credit costs as well as oplev under capable leadership. Our conservative growth (17% CAGR) and LLP (160bps) assumptions hold significant upside risk. Maintain BUY. Our SOTP of Rs 958 assigns 2.75x Sept-21E ABV of Rs 339 + subs value of Rs27.

FINANCIAL SUMMARY

(Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net Interest Income	61,018	52,321	16.6%	58,437	4.4%	217,082	254,145	293,240	333,699
PPOP	59,516	40,940	45.4%	58,928	1.0%	190,051	236,548	268,053	298,426
PAT	(1,121)	7,896	NA	13,701	NA	46,766	57,618	126,535	155,560
EPS (Rs)	(0.4)	3.1	NA	5.2	NA	18.2	20.4	44.9	55.2
ROAE (%)						7.2	7.5	13.7	14.8
ROAA (%)						0.63	0.68	1.31	1.41
Adj. BVPS (Rs)						215	272	314	363
P/ABV (x)						3.17	2.52	2.18	1.88
P/E (x)						37.6	33.4	15.2	12.4

Source: Bank, HDFC sec Inst Research

INDUSTRY	BANKS
CMP (as on 22 Oct 2019)	Rs 713
Target Price	Rs 958

Nifty	11,588
Sensex	38,964

KEY STOCK DATA

Bloomberg	AXSB IN
No. of Shares (mn)	2,819
MCap (Rs bn) / (\$ mn)	2,009/28,298
6m avg traded value (Rs mn)	7,871

STOCK PERFORMANCE (%)

52 Week high / low	Rs 828/534		
	3M	6M	12M
Absolute (%)	(2.0)	(5.7)	26.8
Relative (%)	(3.7)	(5.2)	13.3

SHAREHOLDING PATTERN (%)

	Jun-19	Sep-19
Promoters	18.1	16.6
FIs & Local MFs	19.8	20.7
FPIs	48.2	48.2
Public & Others	13.9	14.5
Pledged Shares	Nil	Nil

Source : BSE

Darpin Shah

darpin.shah@hdfcsec.com
+91-22-6171-7328

Aakash Dattani

aakash.dattani@hdfcsec.com
+91-22-6171-7337

- **NIMs Inch Up:** Margins expanded QoQ to 3.5% (+11bps) with an ~8bps dip in CoF and a ~10bps rise in yields. A fall in borrowings and reduction in CoF resulted in the fall in CoF. While the fund raise will have a positive rub-off on margins, the linking of new floating rate retail and MSME loans to external benchmarks may have a dampening effect . We continue to build NIMs of 3.4% over FY20-22E.
- **Strong TD Growth:** Deposit growth remained healthy at ~22/8%, with sustained growth in TDs (+37/8%). Retail TD growth (+~39/7%) remained robust (strong liability franchise at play). However, CASA growth (+5/7%) with SA growth of ~8/6% disappointed. Average SA growth was better at ~10%. With retail deposits forming ~80%, we like AXSB's granular deposit franchise.
- **Treasury Drives Other Income:** Elevated treasury gains (YoY) boosted other income. On an annual basis core fee growth was muted (flat QoQ) with a sharp fall in DCM fees (-82% QoQ) and muted transaction banking and retail fee growth. However, retail card fees grew ~21% YoY. SME and Corporate loan fees grew sharply QoQ.
- **Provisions Dip:** With a ~7% drop YoY in LLPs to ~Rs 27bn, overall provisions dipped ~8% to ~Rs 35bn. AXSB continued to provide ~Rs 5.4bn towards non-banking assets acquired in 4QFY19. Std asset provisions were ~Rs 2.72bn. We conservatively build LLPs of ~160bps over FY20-22E, in spite of coverage at ~61% and contingent provisions at ~9% of GNPA's. This may provide an upside risk to our estimates.

SOTP

	Rs bn	Per Share	Rationale
Axis Bank – Standalone	2,624	931	2.75x Sept-21E ABV of Rs 339
Axis Finance (NBFC)	49	17	2.5x FY21E BV
Axis AMC* (Asset Management)	21	8	20x FY21E PAT
Axis Capital (IB and Institutional Equity)	13	5	15x FY21E PAT
Axis Securities (Retail Broking and Cross Sell)	10	4	12x FY21E PAT
Total Value of Subsidiaries	94	33	
<i>Less : 20% Holding Discount</i>	19	6.6	
Total SOTP Value	2,699	957.6	
Current Value	2,009	712.8	
Upside (%)	34%	34%	

Source: HDFC sec Inst Research; * AXSB holds 74.99% stake

Five Quarters At A Glance

(Rs mn)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY Growth	QoQ Growth
Net Interest Income	52,321	56,037	57,056	58,437	61,018	16.6%	4.4%
Non-interest Income	26,784	40,007	35,263	38,688	38,958	45.5%	0.7%
Treasury Income	1,360	3,790	3,540	8,320	8,090	494.9%	-2.8%
Operating Income	79,105	96,044	92,319	97,124	99,976	26.4%	2.9%
Operating Expenses	38,165	40,797	42,175	38,197	40,460	6.0%	5.9%
Pre Provision Profits	40,940	55,247	50,144	58,928	59,516	45.4%	1.0%
Provisions And Contingencies	29,274	30,545	27,114	38,146	35,184	20.2%	-7.8%
NPA Provisions	26,860	33,520	11,150	28,860	27,010	0.6%	-6.4%
PBT	11,666	24,701	23,030	20,782	24,332	108.6%	17.1%
Provision For Tax	3,770	7,893	7,979	7,081	25,453	575.1%	259.5%
PAT	7,896	16,809	15,051	13,701	(1,121)	-114.2%	-108.2%
Balance Sheet Items/Ratios							
Deposits (Rs bn)	4,797	5,141	5,485	5,407	5,840	21.7%	8.0%
CASA Deposits (%)	47.71	45.82	44.38	41.33	41.11	-661 bps	-22 bps
Advances (Rs bn)	4,561	4,751	4,948	4,973	5,216	14.4%	4.9%
CD Ratio (%)	95.1	92.4	90.2	92.0	89.3	-577 bps	-265 bps
CAR (%)	16.5	15.8	15.8	16.1	18.5	200 bps	239 bps
Tier I (%)	13.0	12.5	12.5	12.9	15.3	221 bps	235 bps
Profitability							
Yield On Advances (%)	8.88	9.13	9.18	9.24	9.36	49 bps	12 bps
Cost Of Funds (%)	5.34	5.44	5.69	5.70	5.62	28 bps	-8 bps
NIM (%)	3.36	3.47	3.44	3.40	3.51	15 bps	11 bps
Domestic NIM	3.59	3.66	3.61	3.56	3.63	4 bps	7 bps
Cost-Income Ratio (%)	48.2	42.5	45.7	39.3	40.5	-778 bps	114 bps
Tax Rate (%)	32.3	32.0	34.6	34.1	104.6	7229 bps	7053 bps
Asset Quality							
Gross NPA (Rs bn)	309.4	308.5	297.9	294.0	290.7	-6.0%	-1.1%
Net NPA (Rs bn)	127.2	122.3	112.8	110.4	111.4	-12.4%	0.9%
Gross NPAs (%)	5.96	5.75	5.26	5.25	5.03	-93 bps	-22 bps
Net NPAs (%)	2.54	2.36	2.06	2.04	1.99	-55 bps	-5 bps
Delinquency Ratio (Ann, %)	2.48	3.22	2.48	3.87	3.91	144 bps	4 bps
Coverage Ratio (%)	58.9	60.4	62.1	62.5	61.7	279 bps	-78 bps

Led by 11bps NIMs improvement and 5% loan growth

Fees grew ~12% YoY, w/w retail fees (~64% of fees) grew ~15% YoY and corp fees grew ~13/20%

LLPs at 2.1x% vs. 2.3% QoQ

DTA mark-down of Rs 21.4bn

Led by ~37/8% growth in TDs w/w Retail TDs grew ~39/7%.

Domestic advances grew ~19/5% w/w retail advances (~52.4% of loans) grew ~23/6%

AXSB raised Rs 125bn in 2Q

Will be boosted by the recent fund raise

Curtailed by higher W/Os of Rs 31bn even as slippages were higher at ~Rs 50bn

Does not include ~Rs 26bn of contingent provisions

Change in Estimates

Rs mn	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	255,079	254,145	-0.4%	295,598	293,240	-0.8%
PPOP	232,998	236,548	1.5%	264,716	268,053	1.3%
PAT	81,836	57,618	-29.6%	131,145	126,535	-3.5%
Adj. BVPS (Rs)	278.3	271.6	-2.4%	321.9	313.8	-2.5%

Source: HDFC sec Inst Research

~25% YoY de-growth in the overseas book, curtailed overall loan growth as domestic loans grew ~19%

The retail book grew ~23/6% YoY/QoQ to form ~52.4% of total advances

SME loans were flat QoQ

Corporate loans grew ~5% QoQ and now form ~36% of the book

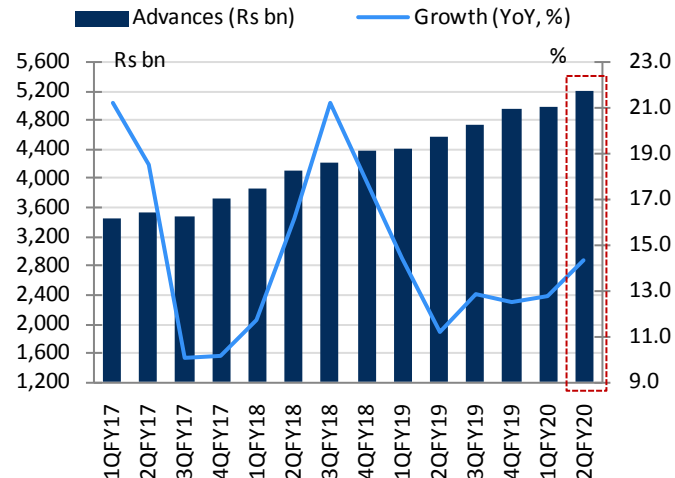
The domestic corporate book grew ~19% YoY

Within retail loans, robust growth was witnessed in cards (+54/6%), PL (+34/6%) and Auto loans (+34/6%)

The shift towards higher yielding assets both overall and in the retail book is evident

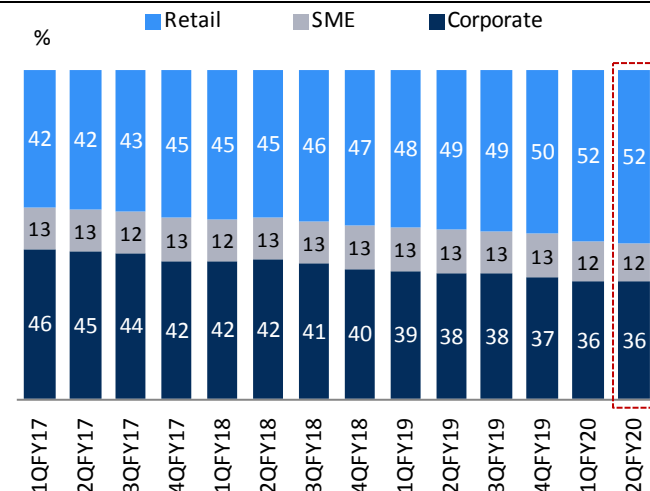
CA jumped 11% QoQ after a dip of ~20% in 1Q

Advances Grew 14/5% YoY/QoQ



Source: Bank, HDFC sec Inst Research

Share Of Retail Advances Grows ~45bps QoQ



Source: Bank, HDFC sec Inst Research

Retail Loan Mix: Rising Proportion Of High Yielding Loans

(%)	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Housing	46	45	47	44	44	43	42	40	40	39	39	38	38	37
PL & CC	11	12	12	12	13	13	14	14	14	15	16	17	17	17
Auto	9	9	10	10	10	10	10	11	11	11	11	11	12	12
Non - Schematic	10	10	8	10	10	10	12	12	13	13	12	11	12	12
Retail Agri	16	15	14	16	15	15	14	15	14	13	14	14	13	13
LAP	8	9	9	8	8	9	8	8	8	9	8	9	8	9

Source : Bank, HDFC sec Inst Research

Deposit Mix: CASA Ratio Stable QoQ At 41.1%

(%)	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
CA	15.4	16.3	15.7	21.0	18.2	19.2	17.2	21.1	15.3	16.7	16.4	16.3	13.2	13.6
SA	28.0	28.4	31.8	30.4	31.0	31.3	32.1	32.7	31.6	31.0	29.4	28.1	28.2	27.6
Retail TD	36.4	35.8	33.8	29.9	33.7	32.3	34.4	30.4	33.8	34.0	34.0	36.3	39.0	38.8
Others	20.1	19.5	18.6	18.7	17.1	17.3	16.3	15.9	19.3	18.3	20.2	19.4	19.7	20.1

Source : Bank, HDFC sec Inst Research

NIMs inched up 11bps, led by a dip in CoF and rise in yields (despite a fall in the CD ratio and elevated slippages)

While the shift to EB-linked loans will impact yields, moderating slippages, the recent capital raise and dip in CoF will cushion NIMs. We estimate NIMs of ~3.4% over FY20-22E.

Other income grew ~46% YoY to ~Rs 40bn led by a sharp rise in treasury gains (Rs 8.1bn) but remained flat QoQ

Margin Profile: YoY And QoQ Improvement

%	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
NIM	3.79	3.64	3.43	3.83	3.63	3.45	3.38	3.33	3.46	3.36	3.47	3.44	3.40	3.51
CoF	5.81	5.68	5.51	5.42	5.24	5.18	5.08	5.11	5.23	5.34	5.44	5.69	5.70	5.62
YoF	8.95	8.80	8.46	8.22	7.96	7.84	7.96	7.66	8.03	8.20	8.36	8.29	8.43	8.51
CD Ratio	96.4	92.9	93.6	90.0	97.9	98.5	102.9	96.9	98.7	95.1	92.4	90.2	92.0	89.3

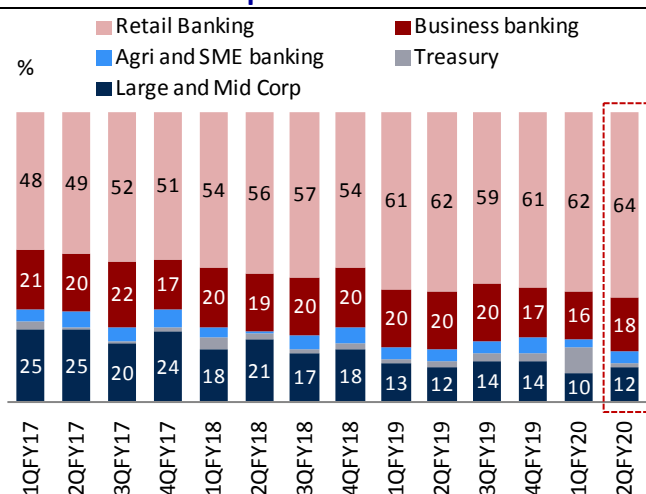
Source: Bank, HDFC sec Inst Research

Non-Interest Income: Retail Fees Grow ~15/3%

Rs bn	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Fee	17.2	19.4	18.0	24.2	20.0	21.7	22.5	24.5	21.2	23.8	26.2	30.2	26.6	26.5
% Loan (ann.)	2.01	2.22	2.06	2.69	2.11	2.18	2.16	2.28	1.92	2.12	2.25	2.49	2.15	2.08
Trading	9.1	5.4	15.3	4.3	8.2	3.8	2.0	2.2	1.0	1.4	3.8	3.5	8.3	8.1
Others	1.1	0.7	0.7	1.6	1.7	0.4	1.5	1.2	7.0	1.7	10.1	1.5	3.7	4.4
Total	27.4	25.4	34.0	30.1	30.0	25.9	25.9	27.9	29.2	26.8	40.0	35.3	38.7	39.0
Chg (%)	19.1	24.4	45.4	11.8	9.6	1.8	(23.7)	(7.5)	(2.5)	3.6	54.3	26.5	32.3	45.5

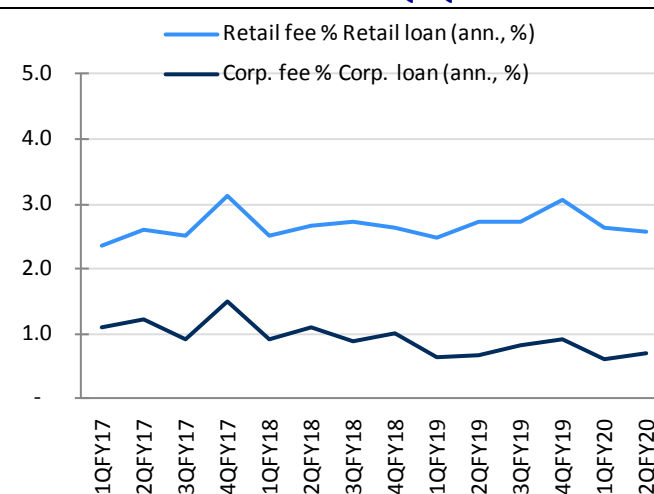
Source: Bank, HDFC sec Inst Research

Fee Income Break-up: Retail Dominates



Source : Bank, HDFC sec Inst Research

Fees As A % Of Loans: Stable QoQ



Source : Bank, HDFC sec Inst Research

Slippages increased to ~Rs 50bn (+4% QoQ) i.e. 3.91% ann.

97% of corporate slippages were from the BB and below rated book (vs. 79% QoQ)

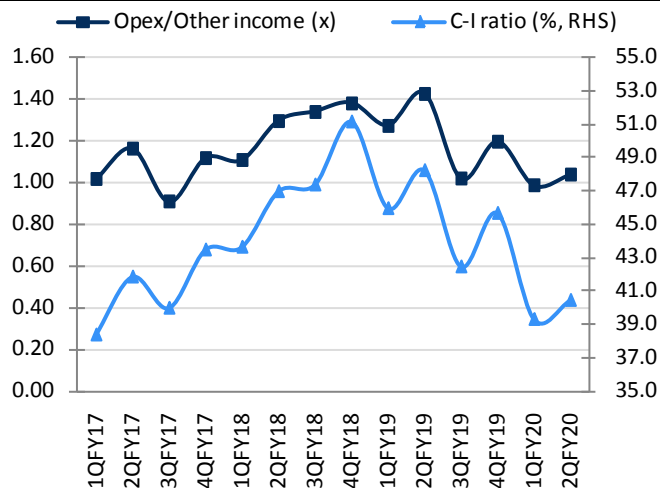
Gross retail and SME slippages were Rs 13.6bn (net Rs 4.96bn) and Rs 7.7bn (Net Rs 4.68bn) respectively

O/s non-fund exposure to BB and below rated corporates was ~Rs 22bn and o/s investment exposure to this segment was ~ Rs 17.5bn

Exposure to the 8 stressed entities/ groups alluded to in 1QFY20 has reduced significantly as majority of it is part of the BB and below book (incl. in investments)

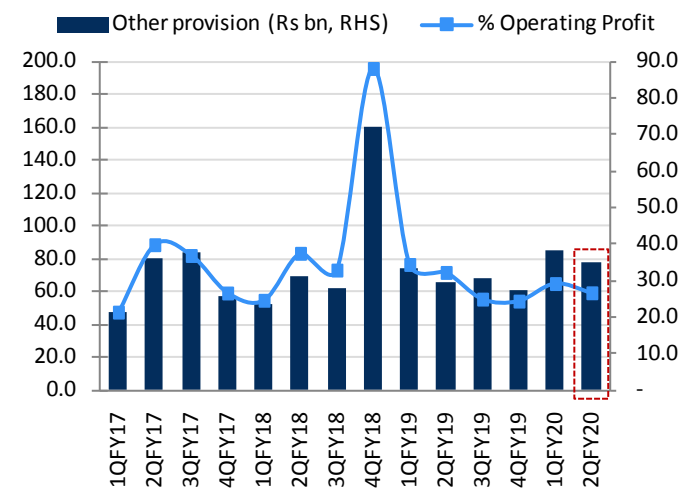
Additions to the BB and below rated portfolio were ~ Rs 10bn vs. Rs 22bn QoQ

C-I Ratio Increased ~110bps QoQ



Source : Bank, HDFC sec Inst Research

Provisions Dip ~8% QoQ



Source : Bank, HDFC sec Inst Research

Provision Break-up: NPA Provisions Dip 7% QoQ

Rs bn	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
NPA	18.2	36.5	35.8	18.3	20.9	33.4	27.5	81.3	30.7	26.9	33.5	11.2	28.9	27.0
% Loan (Ann.)	2.13	4.18	4.08	2.04	2.21	3.35	2.65	7.56	2.79	2.40	2.88	0.92	2.33	2.12
MTM	(0.2)	(0.4)	(0.0)	2.6	0.4	(1.4)	(0.1)	(1.1)	1.4	1.4	(3.2)	3.5	(0.6)	0.6
Others	3.1	0.1	2.2	4.9	2.1	(0.6)	0.7	(8.4)	1.3	1.1	0.2	12.5	9.9	7.5
Total	21.2	36.2	38.0	25.8	23.4	31.4	28.1	71.8	33.4	29.3	30.5	27.1	38.1	35.2
YoY %	89%	412%	433%	121%	11%	-13%	-26%	178%	43%	-7%	9%	-62%	14%	20%

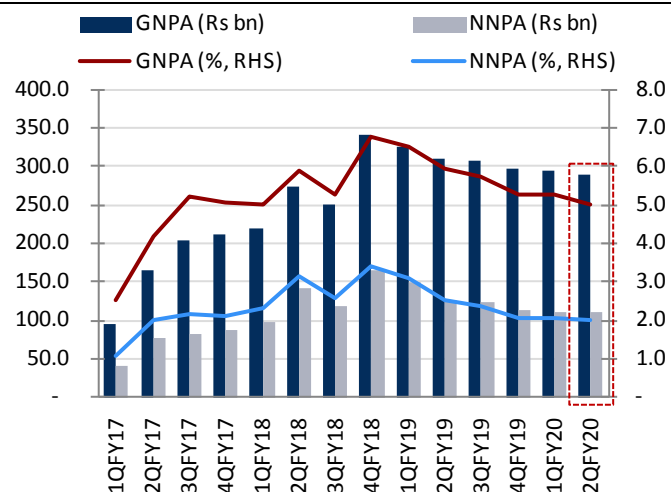
Source: Bank, HDFC sec Inst Research

GNPA Movement: Higher Slippages In The Corporate Segment

Rs bn	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
Opening	60.9	95.5	163.8	204.7	212.8	220.3	274.0	250.0	342.5	326.6	309.4	308.5	297.9	294.0
Slippages	36.4	87.7	45.6	48.1	35.2	89.4	44.3	165.4	43.4	27.8	37.5	30.1	48.0	49.8
% ann.	4.26	10.05	5.21	5.34	3.71	8.98	4.26	15.37	3.94	2.48	3.22	2.48	3.87	22.1
Upgrade/ Recovery	1.4	10.7	3.5	28.0	3.1	10.5	40.1	34.0	29.2	21.9	16.2	23.8	21.8	31.0
Write-off	0.3	8.7	1.2	11.9	24.6	25.2	28.2	38.9	30.1	23.2	22.1	17.0	30.1	290.7
Closing	95.5	163.8	204.7	212.8	220.3	274.0	250.0	342.5	326.6	309.4	308.6	297.9	294.1	294.0

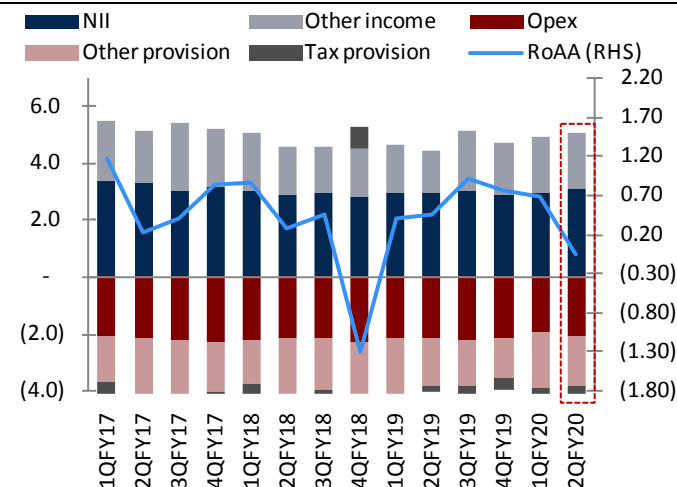
Source: Bank, HDFC sec Inst Research

Asset Quality: Improves QoQ



Source : Bank, HDFC sec Inst Research

Higher Tax Provisions Weigh Down On RoAAs



Source : Bank, HDFC sec Inst Research

Peer Set Comparison

BANK	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
KMB #	3,107	1,628	NEU	1,638	242	283	329	37.4	30.3	24.6	5.50	4.61	3.87	15.5	15.9	16.4	2.01	2.05	2.09
ICICIBC #	2,909	451	BUY	510	156	181	214	20.2	12.7	9.1	2.22	1.89	1.56	9.3	13.5	16.4	1.08	1.48	1.79
AXSB #	2,009	713	BUY	958	272	314	363	33.4	15.2	12.4	2.52	2.18	1.88	7.5	13.7	14.8	0.68	1.31	1.41
IIB	950	1,341	BUY	1,904	515	581	688	18.0	14.1	11.2	2.60	2.31	1.95	16.5	16.6	18.1	1.73	1.86	1.94
RBK	123	287	NEU	428	173	198	231	15.8	10.0	7.7	1.66	1.45	1.24	9.9	14.0	16.1	0.89	1.18	1.28
FB	166	84	BUY	119	63	74	85	9.8	8.1	6.5	1.32	1.13	0.99	12.2	13.2	14.8	1.00	1.04	1.13
CUB	155	211	BUY	261	68	80	94	18.4	16.0	14.0	3.08	2.63	2.26	16.0	15.8	15.5	1.72	1.69	1.65
DCBB	57	182	BUY	243	97	113	130	13.8	11.3	9.0	1.88	1.62	1.40	12.4	13.5	14.9	1.07	1.14	1.22
KVB	44	56	BUY	89	52	61	67	12.2	6.9	4.4	1.06	0.91	0.83	5.6	9.6	14.6	0.50	0.79	1.11
SBIN #	2,414	270	BUY	416	184	222	261	8.1	4.6	3.4	0.98	0.79	0.64	8.6	13.5	15.7	0.51	0.81	0.97
AUBANK	208	688	BUY	807	121	148	184	30.6	22.2	17.2	5.66	4.65	3.75	18.1	19.6	20.8	1.80	1.91	1.93

Source: Company, HDFC sec Inst Research, # Adjusted for subsidiaries value

Income Statement

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	457,803	549,858	648,264	743,305	856,960
Interest Expended	271,626	332,776	394,118	450,066	523,261
Net Interest Income	186,177	217,082	254,145	293,240	333,699
Other Income	109,671	131,303	154,997	169,472	181,368
<i>Fee Income (CEB)</i>	77,299	88,537	102,166	118,022	135,718
<i>Treasury Income</i>	13,252	7,581	20,500	17,500	10,000
Total Income	295,848	348,385	409,143	462,712	515,068
Total Operating Exp	139,903	158,334	172,594	194,659	216,642
<i>Employee Expense</i>	43,130	47,473	51,907	56,629	61,736
PPOP	155,945	190,051	236,548	268,053	298,426
Provisions & Contingencies	154,729	120,310	128,530	98,978	90,569
<i>Prov. For NPAs</i>	164,544	110,313	117,280	97,978	89,569
PBT	1,216	69,741	108,018	169,074	207,856
Provision For Tax	-1,541	22,975	50,401	42,539	52,297
PAT	2,757	46,766	57,618	126,535	155,560

Source: Bank, HDFC sec Inst Research,

Balance Sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital	5,133	5,143	5,636	5,636	5,636
Reserves	629,320	661,620	862,624	974,332	1,111,664
Shareholders' Funds	634,453	666,763	868,261	979,969	1,117,300
<i>Savings</i>	1,482,020	1,541,288	1,726,243	1,985,179	2,282,956
<i>Current</i>	956,496	892,653	914,970	942,419	989,540
<i>Term Deposit</i>	2,097,711	3,050,772	3,666,103	4,363,317	5,189,266
Total Deposits	4,536,227	5,484,713	6,307,315	7,290,915	8,461,762
Borrowings	1,480,161	1,527,758	1,444,379	1,572,367	1,707,655
Other Liabilities	262,455	330,731	380,705	438,440	505,174
Total Liabilities	6,913,296	8,009,965	9,000,659	10,281,691	11,791,891
APPLICATION OF FUNDS					
Cash & Bank Balance	434,549	672,046	580,877	594,672	646,210
Investments	1,538,761	1,749,693	1,974,008	2,167,956	2,422,303
<i>G-Secs</i>	1,013,546	1,168,229	1,311,921	1,472,765	1,692,352
Advances	4,396,503	4,947,980	5,739,656	6,744,096	7,890,593
Fixed Assets	39,717	40,366	42,385	44,504	46,729
Other Assets	503,766	599,880	663,733	730,463	786,056
Total Assets	6,913,296	8,009,965	9,000,659	10,281,691	11,791,891

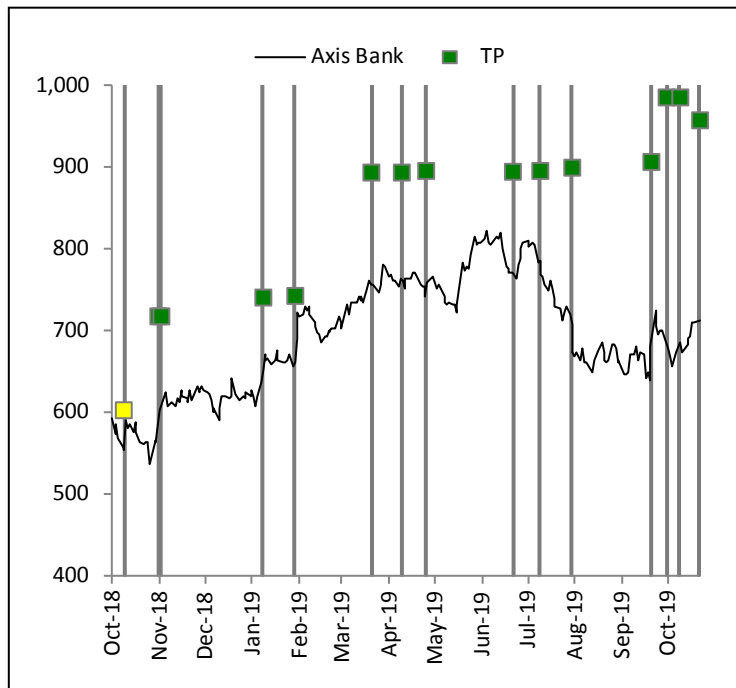
Source: Bank, HDFC sec Inst Research,

Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
VALUATION RATIOS					
EPS (Rs)	1.1	18.2	20.4	44.9	55.2
Earnings Growth (%)	(92.5)	1,596.4	23.2	119.6	22.9
BVPS (Rs)	247.2	259.3	308.1	347.7	396.5
Adj. BVPS (Rs)	182.6	215.4	271.6	313.8	363.4
DPS (Rs)	0.0	1.0	2.0	4.5	5.5
ROAA (%)	0.04	0.63	0.68	1.31	1.41
ROAE (%)	0.5	7.2	7.5	13.7	14.8
P/E (x)	636.2	37.6	33.4	15.2	12.4
P/ABV (x)	3.74	3.17	2.52	2.18	1.88
P/PPOP (x)	2.2	1.8	1.6	1.4	1.3
Dividend Yield (%)	-	0.1	0.3	0.6	0.8
PROFITABILITY					
Yield On Advances (%)	8.40	8.84	9.13	9.09	9.05
Yield On Investment (%)	7.06	6.90	7.10	7.05	7.05
Cost Of Funds (%)	4.85	5.11	5.34	5.42	5.50
Cost Of Deposits (%)	4.42	4.73	4.94	5.00	5.07
Core Spread (%)	3.55	3.74	3.79	3.68	3.56
NIM (%)	3.32	3.33	3.39	3.42	3.38
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	2.2	2.1	2.0	2.0	2.0
Core Cost-Income Ratio (%)	49.5	46.5	44.4	43.7	42.9
BALANCE SHEET STRUCTURE					
Loan Growth (%)	17.8	12.5	16.0	17.5	17.0
Deposit Growth (%)	9.5	20.9	15.0	15.6	16.1
C/D Ratio (%)	96.9	90.2	91.0	92.5	93.3
Equity/Assets (%)	9.2	8.3	9.6	9.5	9.5
Equity/Advances (%)	14.4	13.5	15.1	14.5	14.2
CASA (%)	53.8	44.4	41.9	40.2	38.7
Capital Adequacy Ratio (CAR, %)	16.6	15.8	17.2	16.4	15.8
W/w Tier I CAR (%)	13.0	12.5	14.2	13.8	13.5

	FY18	FY19	FY20E	FY21E	FY22E
ASSET QUALITY					
Gross NPLs (Rsm)	342,544	297,954	272,614	264,303	250,747
Net NPLs (Rsm)	165,917	112,756	102,941	95,686	93,258
Gross NPLs (%)	6.77	5.26	4.75	3.92	3.18
Net NPLs (%)	3.40	2.06	1.79	1.42	1.18
Slippages (%)	8.2%	3.0%	3.2%	2.4%	2.0%
Coverage Ratio (%)	51.6	62.2	62.2	63.8	62.8
Provision/Avg. Loans (%)	4.08	2.19	2.14	1.51	1.16
ROAA TREE					
Net Interest Income	2.88%	2.91%	2.99%	3.04%	3.02%
Non Interest Income	1.70%	1.76%	1.82%	1.76%	1.64%
Treasury Income	0.21%	0.10%	0.24%	0.18%	0.09%
Operating Cost	2.16%	2.12%	2.03%	2.02%	1.96%
Provisions	2.39%	1.61%	1.51%	1.03%	0.82%
Provisions For NPAs	2.57%	1.37%	1.34%	0.97%	0.77%
Tax	-0.02%	0.31%	0.59%	0.44%	0.47%
ROAA	0.04%	0.63%	0.68%	1.31%	1.41%
Leverage (x)	10.8	11.5	11.1	10.4	10.5
ROAE	0.46%	7.19%	7.51%	13.69%	14.83%

Source: Bank, HDFC sec Inst Research,

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
9-Oct-18	557	NEU	603
1-Nov-18	582	BUY	718
3-Nov-18	610	BUY	718
8-Jan-19	637	BUY	741
30-Jan-19	661	BUY	743
20-Mar-19	756	BUY	894
9-Apr-19	754	BUY	894
26-Apr-19	741	BUY	896
24-Jun-19	771	BUY	895
9-Jul-19	783	BUY	896
31-Jul-19	707	BUY	900
22-Sep-19	680	BUY	907
1-Oct-19	685	BUY	986
9-Oct-19	686	BUY	986
23-Oct-19	713	BUY	958

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- 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

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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