

Karur Vysya Bank

BUY

Bargain, but little else

KVB's asset quality was optically stable in 2Q as GNPA's dipped ~3% QoQ, aided by higher WOs and an ARC sale even as slippages remained elevated. Stunted growth and NIM compression persisted. Maintain BUY (TP of Rs 88, 1.4x Sept-21E ABV of Rs 63), on inexpensive valuations.

HIGHLIGHTS OF THE QUARTER

- Slippages Remain Elevated:** Gross slippages remained elevated (Rs 5bn, 4.3% ann.) as corporate slippages jumped to ~Rs 2.4bn (~7%), while SME slippages dipped to ~Rs 1.8bn (~4%). With the unforeseen slippage of a 5/25 a/c (~Rs 750mn) and an NBFC (~Rs 2bn) in 2QFY20, the slippage guidance was revised upward by ~Rs 3.5bn. We have increased our slippage estimates even further (than guided) to 2.5% over FY20-22E. Management retained its net slippage guidance, citing higher recoveries and upgrades.
- LLPs Remain Elevated:** Overall provisions jumped ~71/11%, led by a ~62/5% increase in LLPs to ~Rs 3.4bn (~2.9% ann.). As GNPA's were flat QoQ (-3%), calc. coverage rose ~710/320bps to ~52%. While management does not foresee significant additional provisions and believes that current PCR reflects eventual LGDs on exposures, we continue to model higher LLPs at 2.3% over FY20-22E. We estimate a

FINANCIAL SUMMARY

(Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net Interest Income	5,963	5,791	3.0%	5,840	2.1%	23,628	25,269	27,305	30,711
PPOP	4,312	3,614	19.3%	4,451	-3.1%	17,108	19,412	20,359	22,989
PAT	633	837	-24.4%	729	-13.2%	2,109	3,362	5,944	8,579
EPS (Rs)	0.8	1.0	-24.4%	0.9	-13.2%	2.6	4.2	7.4	10.7
RoAE (%)						3.3	5.2	8.9	12.4
RoAA (%)						0.31	0.47	0.76	0.98
Adj. BVPS (Rs)						50.1	54.1	60.1	65.3
P/ABV (x)						1.10	1.02	0.92	0.84
P/E (x)						20.8	13.1	7.4	5.1

Source: Bank, HDFC sec Inst Research

terminal PCR of 56% by FY22E; management guides for a ~600bps increase from current levels.

- Loan Book Flat:** Net advances were flat YoY and QoQ at ~Rs 471bn. De-growth in the corporate book sustained (-8/-2%). SME loans too dipped ~3% YoY/QoQ. In an attempt to 'de-risk' its book, the bank is shedding risky corporate and large ticket SME loans. Retail loan growth was healthy at ~32/8% (28% adjusted for IBPC purchases). We have toned down our growth assumptions to ~12% over FY20-22E as rationalization of the corporate and SME portfolios and extraneous factors weigh down on overall growth.

STANCE

We build higher slippages and slightly slower growth as we expect current trends to persist for longer due to extraneous factors. Operating and asset quality metrics still do not reflect the claimed shift in practices. Legacy issues continue to drag. Still, , the stock's under-performance implies most of the bad news is priced in. Our BUY draws mostly from inexpensive valuations. Despite KVB's numerous stumbles, we believe a 1.4x target multiple is fair, as it can turn around quickly with even a mild macro tailwind.

INDUSTRY	BANKS		
CMP (as on 1 Nov 2019)	Rs 55		
Target Price	Rs 88		
Nifty	11,891		
Sensex	40,165		
KEY STOCK DATA			
Bloomberg	KVB IN		
No. of Shares (mn)	799		
MCap (Rs bn) / (\$ mn)	44/624		
6m avg traded value (Rs mn)	66		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 95/51		
	3M	6M	12M
Absolute (%)	(11.7)	(28.5)	(29.2)
Relative (%)	(20.2)	(31.4)	(45.9)
SHAREHOLDING PATTERN (%)			
	Jun-19	Sept-19	
Promoters	2.1	2.1	
FIs & Local MFs	22.5	22.5	
FPIs	18.1	19.3	
Public & Others	57.3	56.1	
Pledged Shares	-	-	
Source : BSE			

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- **Better Underwriting Evident:** Additional disclosures on underwriting quality indicate a meaningful improvement since FY15. Time-series analyses of the % of loans that cross 30dpd at any point within 6m/12m of origination, plotted against the period of origination, and indexed to the base figure of Mar-15 indicates a sharp improvement in underwriting quality.
- **Legacy Pain Evident Too:** Even as recent disclosures indicate improvement in underwriting quality and 'de-risking' of the corporate and SME books continue, elevated slippages combined with an uptick in SMA I & II since FY19 indicate the legacy pain, especially in large a/cs.
- Further, >50% of corporate NPAs are >Rs 1bn and >80% of NPAs are outside southern India.
- While the slippage guidance was revised only to adjust for unanticipated slippage in 2QFY20, we believe more stress may be in store, given the recent spate of ratings downgrades and broader macro stress. A key assumption to our slippage estimates is that the existing elevated slippage flow is from the pre-identified stress.
- **GNPAs Stable Optically:** Even as slippages remained elevated (4.3% ann.), GNPAs dipped ~3% QoQ, due to higher reductions, aided by an ARC sale of ~Rs 1.9bn and WOs of ~Rs 2.4bn.
- **Deposits Muted:** Deposits, too were flat QoQ, albeit up ~7% YoY, led by ~8/2% growth in SA. CA dipped ~2% QoQ (+6% YoY). The CASA ratio improved ~25/5bps to 29.8% but no meaningful trend is visible here. Given that growth in advances remains negligible and the CD ratio is comfortable at ~76% (-410/40bps) we are not worried about the sluggish deposit growth.
- **Spreads Expand, Margins Contract:** With a ~6/24bps increase in yields and a ~8/7bps increase in the CoF, spreads improved ~5/20bps to ~4%. However, excess liquidity, as indicated by the fall in the CD ratio due to sluggish credit growth weighed down on margins (-11/-3bps, 3.46%). We build NIMs of 3.8% over FY20-22E.

Change in Estimates

Rs mn	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	25,585	25,269	-1.2%	28,230	27,305	-3.3%
PPOP	19,525	19,412	-0.6%	21,309	20,359	-4.5%
PAT	3,635	3,362	-7.5%	6,413	5,944	-7.3%
Adj. BVPS (Rs)	52.5	54.1	3.0%	61.1	60.1	-1.8%

Source: HDFC sec Inst Research

Five Quarters At A Glance

Rs mn	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY Growth	QoQ Growth
Net Interest Income	5,791	5,808	6,192	5,840	5,963	3.0%	2.1%
Non Interest Income	1,756	2,599	2,725	2,698	2,777	58.2%	2.9%
Treasury Income	(210)	270	570	670	910	NA	35.8%
Operating income	7,547	8,407	8,917	8,538	8,740	15.8%	2.4%
Operating expenses	3,933	4,157	4,269	4,087	4,429	12.6%	8.4%
Pre provision profits	3,614	4,250	4,648	4,451	4,312	19.3%	-3.1%
Provisions and contingencies	2,131	4,004	3,523	3,300	3,652	71.3%	10.7%
NPA Provisions	2,070	4,320	2,760	3,180	3,350	61.8%	5.3%
PBT	1,483	246	1,124	1,152	660	-55.5%	-42.7%
Provision for Tax	645	34	524	422	27	-95.9%	-93.7%
PAT	837	212	600	729	633	-24.4%	-13.2%
Other details							
Balance Sheet items/ratios							
Deposits (Rs bn)	583	586	599	617	622	6.8%	0.8%
CASA deposits (%)	29.5	29.8	29.9	29.7	29.8	25 bps	5 bps
Advances (Rs bn)	465	460	486	470	471	1.3%	0.3%
CD ratio (%)	79.8	78.5	81.1	76.1	75.7	-407 bps	-42 bps
CAR (%)	14.2	14.6	16.0	16.0	16.0	177 bps	0 bps
Tier I (%)	13.7	14.1	14.3	14.3	14.3	51 bps	-2 bps
Profitability							
Yield on Advances (%)	9.79	9.59	9.81	9.61	9.9	6 bps	24 bps
Cost of Deposits (%)	5.85	5.80	5.80	5.82	5.9	1 bps	4 bps
NIM (%)	3.57	3.60	3.88	3.49	3.46	-11 bps	-3 bps
Cost-Income ratio (%)	52.1	49.4	47.9	47.9	50.7	-145 bps	280 bps
Tax rate (%)	43.5	13.9	46.6	36.7	4.0	-3948 bps	-3265 bps
Asset quality							
Gross NPA (Rs bn)	37.1	40.6	44.5	45.1	43.9	18.4%	-2.7%
Net NPA (Rs bn)	20.5	23.0	24.2	23.2	21.2	3.3%	-8.8%
Gross NPAs (%)	7.70	8.49	8.79	9.17	8.89	119 bps	-28 bps
Net NPAs (%)	4.41	4.99	4.98	4.94	4.50	9 bps	-44 bps
Restructured Book (%)	0.10	0.01	0.15	0.29	0.35	25 bps	6 bps
Delinquency ratio (%)	2.94	7.85	5.26	3.97	4.3	131 bps	28 bps
Coverage ratio (%) (Calc.)	44.66	43.40	45.61	48.53	51.76	709 bps	323 bps
Net Slippages (Rs mn)							
Corp	310	2,460	2,870	(2,150)	(260)	NA	-87.9%
SME	980	860	1,120	1,910	(1,230)	NA	-164.4%
Agri	70	80	60	430	230	228.6%	-46.5%
Retail	80	90	(110)	420	60	-25.0%	-85.7%

Source: Bank, HDFC sec Inst Research

In line with estimates, led by flattish loans and a slight dip in NIMs

Buttressed by treasury income as fees dipped ~3/9%

Other opex jumped ~12% QoQ, after de-growing in 1Q and staff costs were higher (+23/5%) due to an increase in retirement benefit provisions

CASA deposits grew ~8/1%, led by ~9/2% SA growth

Gross advances were ~Rs 498bn (+3% YoY, flat QoQ); Corporate and Commercial advances de-grew

KVB maintained substantial excess liquidity (~Rs 61bn), indicated by the low CD ratio. This weighed down on NIMs

Contained by an ARC sale for Rs 1.9bn

Gross Slippages split: Corporate ~Rs 2.4bn vs. Rs 0.6bn QoQ, SME ~Rs 1.8bn vs. Rs 3.1bn, Retail Rs 320mn vs. Rs 510mn QoQ

Corporate and commercial loans de-grew ~8% and 3% YoY respectively as the bank attempts to de-risk its B/S

Growth in retail advances was healthy at ~33/8% and adjusted for IBPC purchases, retail loans grew ~28%

90% of the incremental Retail and Commercial loans are through digital channels

Retail loan growth split

Housing +31/7%

Personal loans +50/12% on a small base

Mortgages +15/5%

Jewel Loans +16/3%

Vehicle Loans -3%/ flat QoQ

Education Loans -10%/ flat QoQ

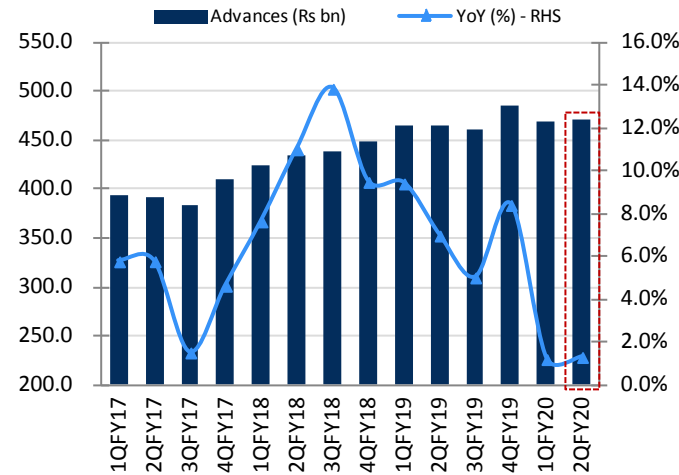
QoQ

KVB has tied up with Home Credit India for co-origination of loans

A significant portion of the agri book is backed by gold

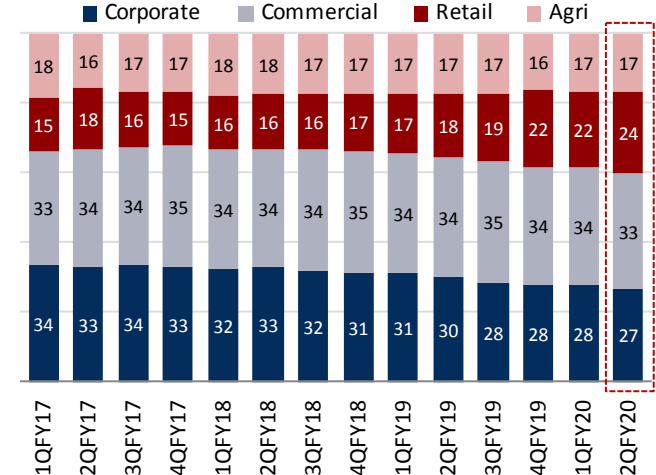
KVB has exited certain agri products (related to stocks in warehouses) due to fraud

Net Advances Flat



Source: Bank, HDFC sec Inst Research

Advances Mix: Retail Rises Gradually



Source: Bank, HDFC sec Inst Research

Retail Book Break Up : Healthy Growth In Home And Personal Loans

(%)	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
Housing	37.2	36.8	36.8	37.0	36.1	36.7	36.2	35.7	36.9	32.1	35.6	35.4
LAP	14.5	15.2	15.9	17.1	17.8	18.3	17.9	17.8	17.8	15.2	15.8	15.3
Vehicle Loan	4.3	14.5	14.6	14.5	13.7	13.3	12.8	12.1	11.6	9.3	9.5	8.8
Jewel Loans	5.4	9.4	9.1	8.6	8.0	7.6	7.2	6.6	6.3	5.5	6.1	5.8
Personal Loans	10.2	5.0	4.7	4.4	4.0	3.9	3.6	3.8	4.3	3.8	4.1	4.3
Education	14.4	4.2	4.0	4.0	3.6	3.4	3.1	2.8	2.6	2.1	2.1	1.9
Others	14.0	14.9	14.9	14.5	16.8	16.8	19.3	21.3	20.5	32.1	26.8	28.5

Commercial Book: Focus Tilts Towards Smaller Ticket Sizes

(%)	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
Avg Ticket Size (Rs mn)	4.67	4.67	4.92	4.12	3.90	4.00	4.00	4.00	4.00	4.00	4.00
< 50 mn	78%	79%	78%	76%	80%	80%	79%	79%	80%	84%	84%
50mn - 100mn	11%	11%	11%	11%	11%	11%	12%	12%	12%	11%	11%
100mn - 250mn	10%	9%	10%	11%	8%	8%	8%	8%	7%	5%	5%
> 250mn	1%	1%	1%	2%	1%	1%	1%	1%	1%	0%	0%

Source: Bank, HDFC sec Inst Research

Deposit growth was led by 8/1% CASA growth and TDs grew ~6/1%

SA grew ~8/2% while CA grew ~6% YoY (down 2% QoQ)

Excess liquidity and the consequently lower CD Ratio impacted NIMs

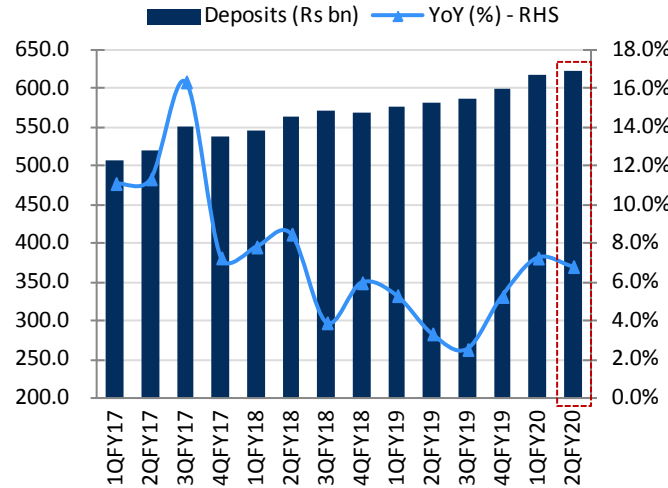
We have factored in NIMs of ~3.8% over FY20-22E

Faster loan growth will drive NIM improvement

Sharp QoQ growth in other opex (+12% QoQ, after de-growing QoQ in 1Q) was due to higher IT spends

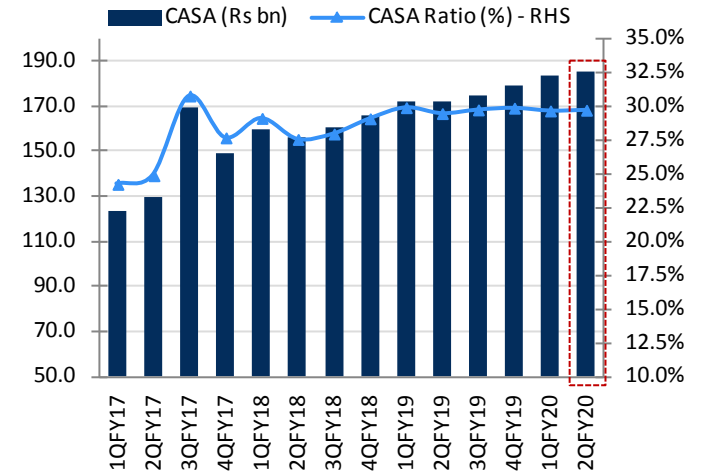
Adjusted for treasury income, the C-I ratio jumped ~590/460bps to ~56.6%

Deposits Too Flat QoQ (+7% YoY)



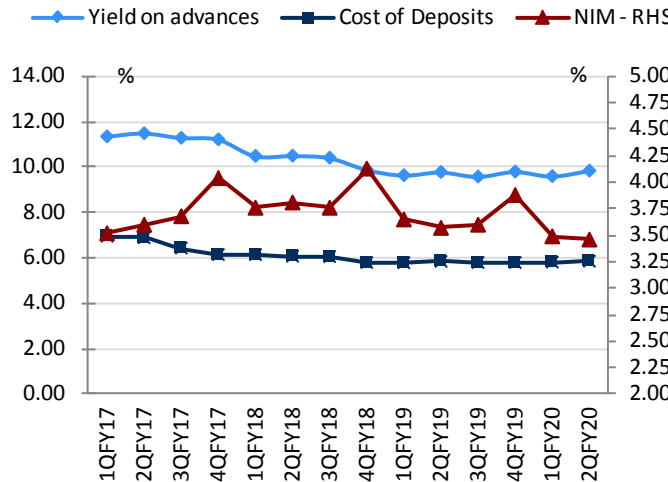
Source: Bank, HDFC sec Inst Research

CASA Ratio Improves Slightly QoQ



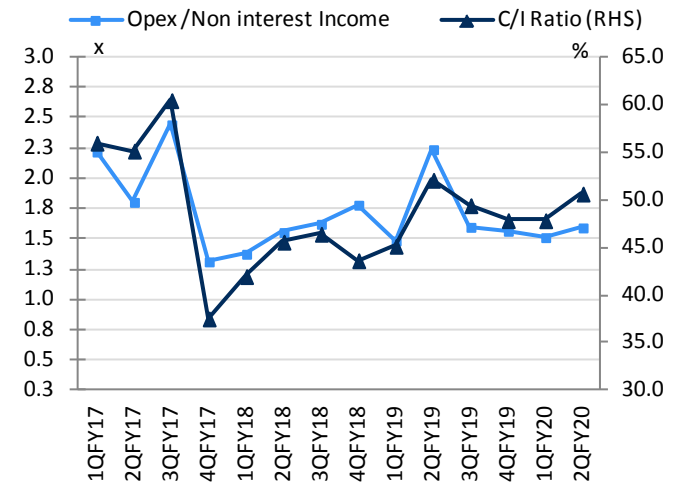
Source: Bank, HDFC sec Inst Research

NIMs Compression Continues



Source: Bank, HDFC sec Inst Research

C-I Jumps QoQ



Source: Bank, HDFC sec Inst Research

Fee income dipped 3/9% YoY/QoQ due to a dip in corporate loans and the non-fund based exposure

Mgt expects fee income to bounce back in 3 & 4Q

Higher reductions (incl. ARC sale of Rs 1.9bn and recoveries of Rs 1.95bn) resulted in a 3% QoQ reduction in GNPA, even as slippages were elevated at 4.25% ann.

WOs for the qtr were ~Rs 2.4bn

GNPA Split:
Corporate ~21.3% vs. ~21% QoQ
SME 7.1% vs. 7.65% QoQ
Agri 2.5% vs. 2.3% QoQ
Retail 1.8% vs. 1.9% QoQ

Interestingly, >50% of corporate GNPA are > Rs 1bn

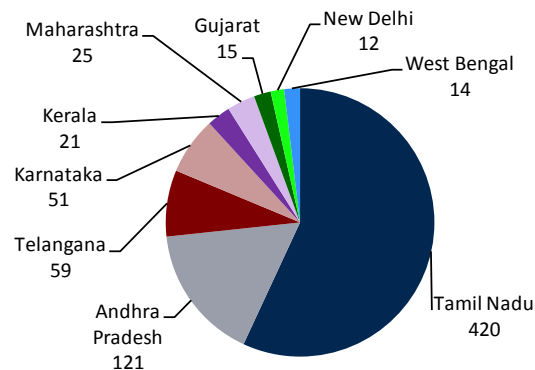
>80% of GNPA are outside the bank's core geographies

Non-interest Income : Supported By Treasury Gains

Rs mn	4Q FY16	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
Fees	1,550	1,470	1,370	1,380	1,550	1,890	2,100	1,990	2,010	1,910	1,760	1,610	1,630	1,680	1,530
Ann. % of avg loans	1.61%	1.50%	1.40%	1.42%	1.56%	1.81%	1.96%	1.83%	1.82%	1.68%	1.52%	1.39%	1.38%	1.41%	1.30%
Treasury	110	150	810	320	780	470	200	260	80	70	-210	270	570	670	910
Forex	90	100	80	100	90	110	110	80	140	130	70	90	120	90	100
others	390	130	130	160	390	170	500	380	340	440	130	630	410	260	230
TOTAL	2,140	1,850	2,390	1,960	2,810	2,640	2,910	2,710	2,570	2,550	1,750	2,600	2,730	2,700	2,770
% of total inc	26.0%	25.2%	30.6%	24.7%	28.6%	30.5%	29.3%	28.6%	24.5%	30.4%	23.3%	30.9%	30.6%	31.6%	31.8%

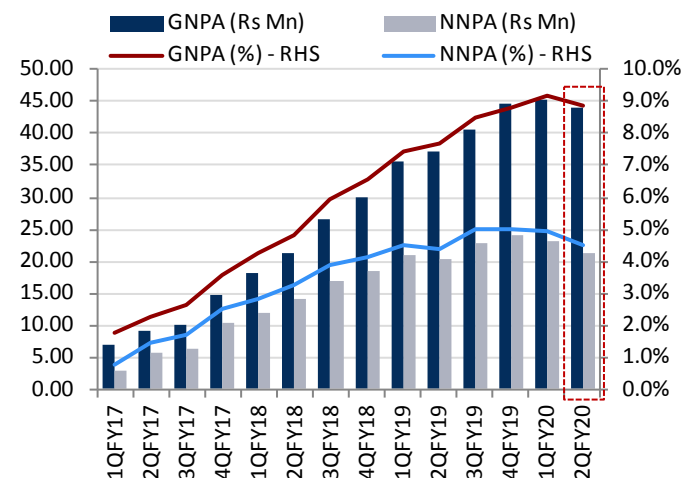
Source: Bank, HDFC sec Inst Research

1 Branch (Net) Added QoQ



Source: Bank, HDFC sec Inst Research

G/NNPAs Dip ~3/9% YoY/QoQ



Source: Bank, HDFC sec Inst Research

Restructured loans were ~Rs 1.64bn (33bps of loans)

Restructuring was spread across sectors (textiles, food processing, wood products etc.)

Reported PCR improved ~280bps QoQ to ~62%

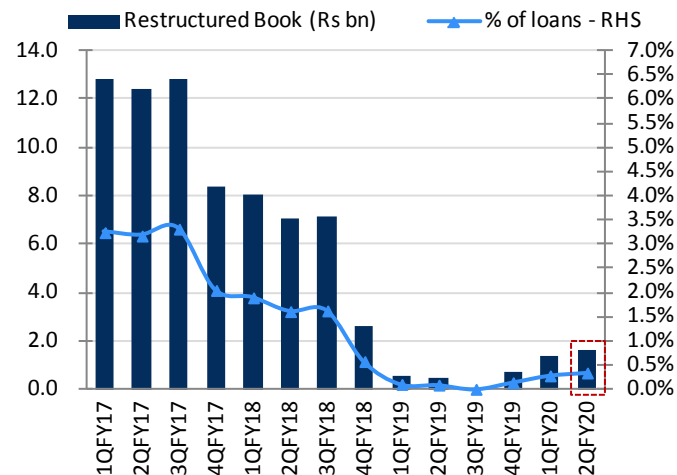
The mgt guides for a calc. PCR of ~55-60%, while we model a PCR of ~56% by FY22E

The mgt increased its gross slippage guidance for the period 4QFY19-FY20E from ~Rs 18.5bn to ~Rs 22bn due to the slippage of an NBFC (Reliance ADAG co) and a restructured cement exposure (~Rs 750mn) this qtr

Slippages so far, have been ~Rs 16bn

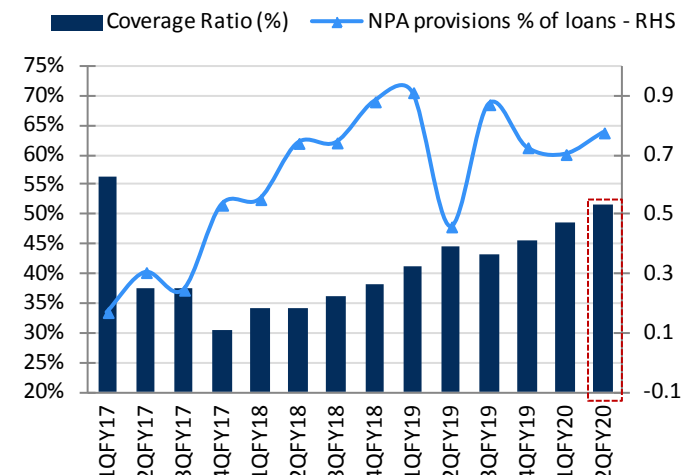
The mgt retained its net slippage guidance as it sees an uptick in recoveries and upgrades

Restructured Book At 33bps



Source: Bank, HDFC sec Inst Research

Calc. Coverage Ratio Improves ~320bps QoQ



Source: Bank, HDFC sec Inst Research

GNPA Movement: Slippages Remain Elevated, Guidance Revised

Rs mn	4Q FY16	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	7,212	5,112	7,024	9,027	10,222	14,838	18,070	21,362	26,633	30,158	35,628	37,068	40,557	44,496	45,106
Slippages	6,750	2,389	4,253	2,433	5,800	3,892	4,268	7,133	5,627	7,850	3,410	7,370	6,220	4,740	5,000
% ann.	7.02	2.43	4.35	2.53	5.67	3.67	3.93	6.51	5.02	6.77	2.93	6.41	5.12	3.97	4.25
Deductions	8,850	477	2,249	1,238	1,184	660	977	1,861	2,102	2,380	1,970	3,880	2,282	4,130	6,200
Closing	5,112	7,024	9,027	10,222	14,838	18,070	21,362	26,633	30,158	35,628	37,068	40,558	44,496	45,106	43,906

Source: Bank, HDFC sec Inst Research

Breakup Of Provisions : NPA Provisions Rise

Rs mn	4Q FY16	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	530	940	960	880	2,040	1,570	1,600	3,020	4,210	4,030	2,070	4,320	2,760	3,180	3,350
Std assets	50	(40)	-	(40)	(20)	10	40	30	(270)	60	(160)	20	50	(10)	110
Rest Assets	(320)	(60)	(30)	2	(40)	80	110	20	(330)	(90)	(10)	(20)	30	20	20
Other	(190)	(100)	80	96	-	674	1,110	20	-	167	100	104	263	120	42
Inv	(200)	(70)	180	3	190	-	350	190	330	60	130	(420)	420	(10)	130
TOTAL	(130)	670	1,190	940	2,170	2,334	3,210	3,280	3,940	4,227	2,130	4,004	3,523	3,300	3,652

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 #	3,016	1,580	NEU	1,628	239	277	323	37.5	30.9	25.1	5.35	4.50	3.75	14.9	15.1	15.7	1.96	2.01	2.07
ICICIBC #	2,980	462	BUY	510	155	178	207	26.8	13.8	10.0	2.29	1.95	1.64	6.9	12.8	15.4	0.83	1.40	1.65
AXSB	2,109	748	BUY	958	272	314	363	35.2	16.0	13.0	2.65	2.29	1.98	7.5	13.7	14.8	0.68	1.31	1.41
IIB	978	1,380	BUY	1,904	515	581	688	18.5	14.5	11.6	2.68	2.37	2.01	16.5	16.6	18.1	1.73	1.86	1.94
RBL	171	86	BUY	119	63	74	85	10.0	8.3	6.6	1.36	1.17	1.02	12.2	13.2	14.8	1.00	1.04	1.13
FB	156	213	BUY	261	68	80	94	18.6	16.2	14.1	3.11	2.65	2.27	16.0	15.8	15.5	1.72	1.69	1.65
CUB	134	310	NEU	294	161	179	214	24.6	13.2	9.2	1.93	1.74	1.45	7.0	12.0	15.4	0.62	0.98	1.18
DCBB	57	183	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	55	BUY	88	54	60	65	13.2	7.4	5.2	1.02	0.92	0.85	5.2	8.9	12.4	0.47	0.76	0.98
SBIN #	2,798	314	BUY	389	182	215	250	12.1	7.7	5.7	1.29	1.08	0.90	7.6	10.9	13.0	0.45	0.64	0.77
AUBANK	208	688	BUY	807	121	148	184	30.7	22.2	17.2	5.67	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	56,997	58,158	62,091	67,373	75,374
Interest Expended	34,015	34,530	36,822	40,068	44,663
Net Interest Income	22,981	23,628	25,269	27,305	30,711
Non-interest Income	8,999	9,628	11,840	12,381	13,501
<i>Fee Income (CEB)</i>	<i>6,171</i>	<i>6,549</i>	<i>6,852</i>	<i>7,709</i>	<i>8,827</i>
<i>Treasury Income</i>	<i>1,011</i>	<i>705</i>	<i>2,500</i>	<i>2,000</i>	<i>1,750</i>
Total Income	31,980	33,256	37,109	39,686	44,212
Total Operating Exp	14,207	16,148	17,696	19,327	21,223
<i>Employee Expense</i>	<i>6,391</i>	<i>7,612</i>	<i>8,524</i>	<i>9,495</i>	<i>10,576</i>
PPOP	17,773	17,108	19,412	20,359	22,989
Provisions & Contingencies	12,250	14,142	14,893	12,369	11,458
<i>Prov. For NPAs (Incl. Std Prov.)</i>	<i>10,219</i>	<i>13,157</i>	<i>14,543</i>	<i>12,194</i>	<i>11,283</i>
PBT	5,524	2,966	4,519	7,990	11,531
Provision for Tax	2,067	857	1,157	2,045	2,952
PAT	3,457	2,109	3,362	5,944	8,579

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital	1,453	1,599	1,599	1,599	1,599
Reserves	61,189	62,629	63,856	66,025	69,156
Shareholders' Funds	62,642	64,228	65,455	67,624	70,755
<i>Savings</i>	<i>1,10,006</i>	<i>1,21,014</i>	<i>1,30,695</i>	<i>1,43,765</i>	<i>1,61,016</i>
<i>Current</i>	<i>55,764</i>	<i>58,136</i>	<i>62,496</i>	<i>68,746</i>	<i>76,995</i>
<i>Term Deposit</i>	<i>4,03,131</i>	<i>4,19,530</i>	<i>4,50,994</i>	<i>5,00,604</i>	<i>5,66,683</i>
Total Deposits	5,68,901	5,98,680	6,44,186	7,13,114	8,04,695
Borrowings	23,940	15,653	20,670	24,995	30,964
Other Liabilities	13,932	14,840	16,043	17,346	19,080
Total Liabilities	6,69,414	6,93,401	7,46,354	8,23,079	9,25,494
APPLICATION OF FUNDS					
Cash & Bank Balance	43,092	36,970	30,824	32,126	35,576
Investments	1,58,032	1,48,816	1,63,810	1,71,855	1,83,481
<i>G-Secs</i>	<i>1,40,128</i>	<i>1,26,710</i>	<i>1,41,721</i>	<i>1,49,754</i>	<i>1,61,341</i>
Advances	4,48,001	4,85,808	5,27,102	5,92,990	6,78,973
Fixed Assets	5,282	5,830	6,121	6,427	6,749
Other Assets	15,007	15,977	18,496	19,681	20,714
Total Assets	6,69,414	6,93,401	7,46,354	8,23,079	9,25,494

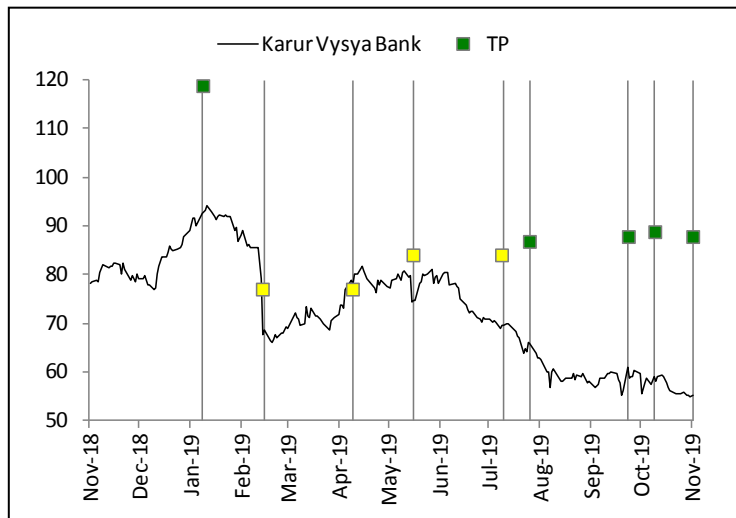
Source: Bank, HDFC sec Inst Research

Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
VALUATION RATIOS					
EPS (Rs)	4.8	2.6	4.2	7.4	10.7
Earnings Growth (%)	(43.0)	(39.0)	59.4	76.8	44.3
BVPS (Rs)	86.2	80.4	81.9	84.6	88.5
Adj. BVPS (Rs)	60.6	50.1	54.1	60.1	65.3
DPS (Rs)	0.6	0.6	0.3	0.6	0.8
ROAA (%)	0.54	0.31	0.47	0.76	0.98
ROAE (%)	6.1	3.3	5.2	8.9	12.4
P/E (x)	11.6	20.8	13.1	7.4	5.1
P/ABV (x)	0.9	1.1	1.0	0.9	0.8
P/PPOP (x)	0.4	0.5	0.5	0.4	0.4
Dividend Yield (%)	1.1	1.1	0.6	1.0	1.5
PROFITABILITY					
Yield On Advances (%)	10.32	9.84	9.96	9.81	9.80
Yield On Investment (%)	7.32	7.50	7.20	7.20	7.10
Cost Of Deposits (%)	5.99	5.72	5.75	5.72	5.69
Core Spread (%)	4.33	4.12	4.21	4.09	4.11
NIM (%)	3.85	3.75	3.78	3.74	3.77
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	2.2	2.4	2.5	2.5	2.4
Cost-Income Ratio (Ex. Treasury)	45.9	49.6	51.1	51.3	50.0
BALANCE SHEET STRUCTURE					
Loan Growth (%)	9.5	8.4	8.5	12.5	14.5
Deposit Growth (%)	5.9	5.2	7.6	10.7	12.8
C/D Ratio (%)	78.7	81.1	81.8	83.2	84.4
Equity/Assets (%)	9.4	9.3	8.8	8.2	7.6
Equity/Advances (%)	14.0	13.2	12.4	11.4	10.4
CASA (%)	29.1	29.9	30.0	29.8	29.6
Capital Adequacy Ratio (CAR, %)	14.4	16.0	15.2	14.1	13.0
W/w Tier I CAR (%)	13.9	14.3	13.8	12.9	12.0

	FY18	FY19	FY20E	FY21E	FY22E
ASSET QUALITY					
Gross NPLs (Rs mn)	30,158	44,496	46,142	43,697	42,434
Net NPLs (Rs mn)	18,628	24,203	22,226	19,611	18,592
Gross NPLs (%)	6.56	8.79	8.75	7.37	6.25
Net NPLs (%)	4.16	4.98	4.22	3.31	2.74
Slippage (%)	4.88	5.02	3.4	2.2	2.00
Coverage Ratio (%)	38.2	45.6	51.8	55.1	56.2
Provision/Avg. Loans (%)	2.39	2.82	2.86	2.17	1.76
ROAA TREE					
Net Interest Income	3.57%	3.47%	3.51%	3.48%	3.51%
Non-interest Income	1.40%	1.41%	1.64%	1.58%	1.54%
<i>Treasury Income</i>	0.16%	0.10%	0.35%	0.25%	0.20%
Operating Cost	2.21%	2.37%	2.46%	2.46%	2.43%
Provisions	1.90%	2.08%	2.07%	1.58%	1.31%
<i>Provisions For NPAs</i>	1.59%	1.93%	2.02%	1.55%	1.29%
Tax	0.32%	0.13%	0.16%	0.26%	0.34%
ROAA	0.54%	0.31%	0.47%	0.76%	0.98%
Leverage (x)	11.39	10.74	11.10	11.79	12.64
ROAE	6.12%	3.32%	5.19%	8.93%	12.40%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
8-Jan-19	92	BUY	119
15-Feb-19	69	NEU	77
9-Apr-19	79	NEU	77
17-May-19	75	NEU	84
9-Jul-19	69	NEU	84
26-Jul-19	66	BUY	87
22-Sep-19	56	BUY	88
9-Oct-19	60	BUY	89
3-Nov-19	55	BUY	88

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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